

# COVID-19 UK HOTEL MARKET RECOVERY

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HOTEL DASHBOARD – June 2021  
Spotlight – The UK Hotel Market

## UK HOTEL SECTOR OUTLOOK

The state of limbo, anxiety and anticipation came to a close on the 17<sup>th</sup> May, with the welcome reopening of UK hospitality to all guests, albeit still with significant restrictions in place. Hotels have opened across the UK, with renewed vigour and with a heightened focus on hygiene, safety, service and hospitality.

Following the relaxation of lockdown restrictions in April, a marked shift has been witnessed, moving away from a pandemic-induced big weekly shop, to more frequent local visits including eating out, socialising and visiting friends and family. For hoteliers, particularly in coast and country locations, the reopening to leisure guests, timed with the spring half-term and some warm weather, has provided the first opportunity to see occupancies climb, as people venture out further than one's local community.

Whilst speculation continues over the date for the end of lockdown and with it the full lifting of restrictions, there remains hope that come the 21<sup>st</sup> June, the 1m+ social distancing rule is likely to be relaxed. Yet ongoing uncertainty remains whether a two or four week delay and/or new options under consideration, which effectively extend the lockdown, will impact on the events market - in particular weddings and celebrations, with many hotels having successfully deferred the business until spring 2021 and beyond.

Of greater certainty is the continued threat of coronavirus variants from overseas and the low vaccination rates of other countries, which will continue to hamper the return of international visitors to the UK. The government's determination to keep variants at bay and its sudden decision to remove Portugal from the "green" travel list, reinforces this point.

Yet disappointment for the outbound travel industry is an opportunity for others. For members of the general public hoping for a last minute overseas holiday, a UK staycation now remains the only real option for a summer vacation. For hoteliers, holding firm on room rates is likely to reap overdue rewards, taking further advantage of the temporary reduced VAT rate of 5% until 30<sup>th</sup> September.

Visit Britain's domestic marketing campaign "Escape the Everyday", has been launched to coincide with Step 3 of the Government's roadmap. It is aimed at encouraging people to book a short break across the UK, tapping into consumers pent-up desire to escape following months of lockdown.

With the re-opening of the economy and the relaxation of UK travel restrictions, as many people are likely to revisit old favourite destinations as seek new ones. In particular, older cohorts of the population, who find comfort in familiarity and nostalgia, will be keen to venture out after months of limited social interaction and who have the disposable income to invest in leisure activities.

Strong GDP growth in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2021 is expected to be led by the reopening of UK hospitality and non-essential retail. The UK services sector saw its strongest rise in business activity since May 1997 and with vibrant UK staycation demand for the summer months, this pace of growth is set to continue.

Record low interest rates, the success of the UK-wide vaccination rollout, built-up savings and strong pent-up demand to socialise and restore a level of freedom which people are comfortable with, is fuelling strong growth in consumer spending, which bodes well for UK hoteliers during the summer months ahead.

Traditional leisure markets are expected to perform strongly, whilst overspill to UK city destinations for short breaks will also see a return, boosted by increased confidence to travel. But heading in to the autumn, not all hotels will perform as strongly, with a likely imbalance of demand and supply during the early stages of recovery. With much of the branded supply focused heavily towards the corporate and MICE markets, reaching out to the local community, to seek innovative solutions to provide new and resilient income streams, will become essential.

## UK HOTEL TRADING PERFORMANCE MONTHLY ANALYSIS

### Top Line Performance

Following small positive steps reported in March, the pace of business shifted up a gear in April, with trading hotels in London recording a 47.9% rise in monthly TRevPAR and growth of 21.6% recorded by Regional UK hotels.

The month of April was all about TRevPAR for Golf & Spa hotels, with performance boosted by the reopening of outdoor hospitality, golf and to a lesser degree spa days. A review of RevPAR alone, would show growth of 35.8%, but analysis of total revenue, shows TRevPAR growth of 131% for April.

Similarly, London's Luxury hotels also benefitted, with a four-fold increase in F&B RevPAR, albeit off a very low base, but significantly contributing to a 61% increase in monthly TRevPAR to £50.80.

Other stand-out performers included the Regional UK Upper Upscale dataset, achieving strong RevPAR growth of 43.8% - through a 4.7 percentage point rise in occupancy and an 8.8% increase in ADR. Meanwhile, the resilience of the extended stay market was further reinforced, with RevPAR growth for the month of April rising to over 60%. This was driven by a 14 percentage point rise in occupancy to over 42%, the highest occupancy of all datasets, leading the pack by nine percentage points of occupancy for the month of April.

### Payroll

Along with improved TRevPAR performance in Regional UK and London hotels, departmental operating payroll increased on a PAR basis, on average increasing by around 47% across the full-service datasets. Yet, off a low base, London hotels either maintained or lowered their payroll cost on a POR basis, whilst Full Service Regional UK hotels witnessed a rise of 20%.

Select Service hotels endured a disappointing trading period for April, with TRevPAR performance declining by 1.1%. Yet despite the decline, operational payroll increased by 12.2% POR and total payroll costs rising by 13.8% PAR. Payroll costs as a percentage of total revenue, increased from 33% in March to 38% in April.

Golf & Spa hotels witnessed a 60% increase in total payroll PAR in April, but given the impressive uplift in revenues, payroll costs as a percentage of total revenue declined from 102% in March to 71% in April. We anticipate this KPI to reduce to below 40% during the summer months of 2021, in anticipation of strong staycation demand.

Strong revenue growth of the Extended Stay dataset also saw the KPI of total payroll as a % of Turnover reduce to 28.1% in April, compared to 38.7% the previous month. We anticipate this KPI to reduce to below 25% of total revenue during the summer months.

### Departmental Gross Operating Income

The overriding challenge for full-service hotels is the conversion of F&B revenues to the bottom line. Excluding London's Luxury hotels, F&B revenues contributed 22% of the total revenues, yet only Regional UK Upper Midscale hotels witnessed F&B making a positive contribution to the GOI of 5.8%.

The British Retail Consortium have warned of increased food prices and soaring shipping costs and this is reflected across all datasets, with rising cost of sales. Meanwhile, payroll costs as a percentage of F&B revenues have also increased, further impacting on the GOI. Whilst Select Service Hotels achieved a greater F&B contribution to GOI in April of 13.8%, this was at the expense of Rooms, which contributed 44.5% to GOI, compared to 48.2% the previous month.

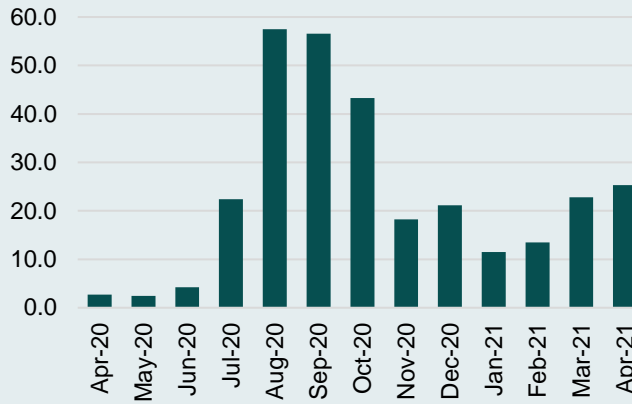
### Gross Operating Profit

Extended Stay was the top performing dataset in April, achieving a GOPPAR of £8.20, rebounding strongly from the previous month. Cause for concern across all datasets, is that the low levels of GOI do not currently support the rising undistributed costs, varying across the datasets - in terms of rising utility costs, POM and S&M costs, thereby negatively impacting GOPPAR.

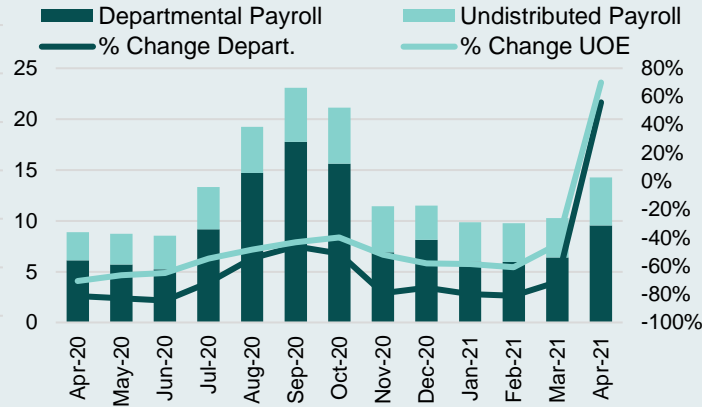
# Regional UK – Full Service, Upper Upscale Hotels

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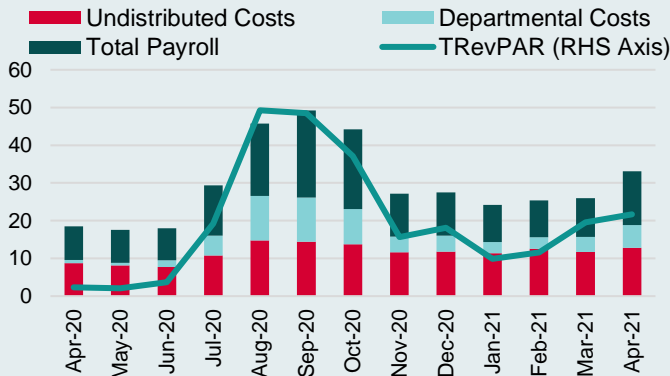
### TRevPAR (£)



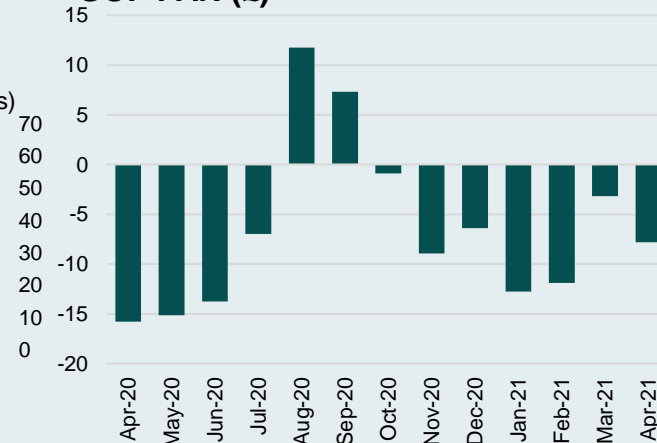
### Total Payrol PAR (£)



### Total Costs v TRevPAR (£)



### GOP PAR (£)

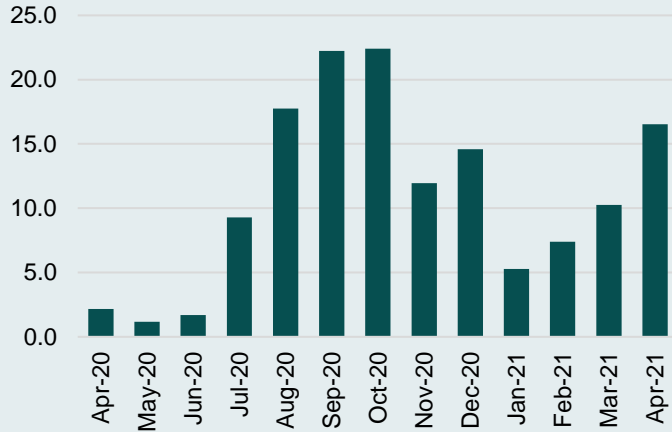


KEY PERFORMANCE INDICATORS	MONTH APRIL 2021	YTD APRIL 2021	Rolling 12 Months May-April 2020/21
<b>Occ %</b>	<b>19.3%</b>	<b>14.7%</b>	<b>18.3%</b>
Occ % Points Change p.a	17.7%	-27.2%	-49.8%
<b>ADR (£)</b>	<b>73.8</b>	<b>71.0</b>	<b>82.9</b>
ADR % Change p.a	36.9%	-20.6%	-16.8%
<b>RevPAR (£)</b>	<b>14.3</b>	<b>10.4</b>	<b>15.2</b>
RevPAR (12 months prior)	0.9	37.5	67.9
<b>TRevPAR (£)</b>	<b>25.3</b>	<b>18.3</b>	<b>25.0</b>
TRevPAR (12 months prior)	2.7	65.6	114.19
<b>GOPPAR (£)</b>	<b>-7.80</b>	<b>-8.82</b>	<b>-5.66</b>
GOP PAR (12 months prior)	-15.79	2.80	31.11
<b>GOP % of Turnover</b>	<b>-30.8%</b>	<b>-48.1%</b>	<b>-22.6%</b>
GOP % of Turnover (y-o-y)	-589.8%	4.3%	27.2%
<b>Payroll % of Turnover</b>	<b>56.4%</b>	<b>60.3%</b>	<b>53.8%</b>
Payroll % of Turnover (y-o-y)	332.3%	45.1%	33.0%

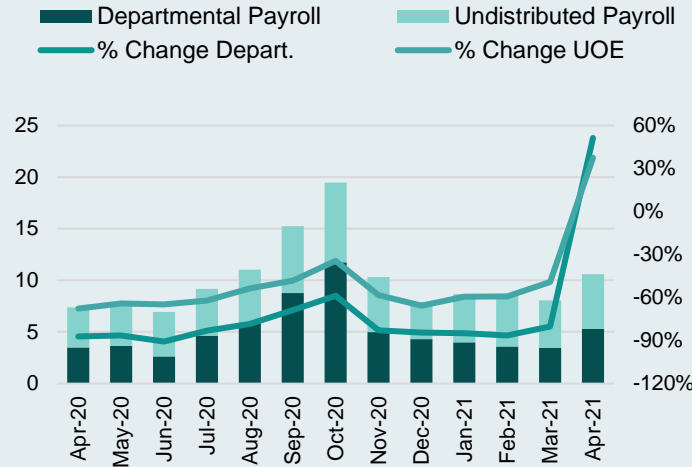
# London – Full Service, Upper Upscale Hotels

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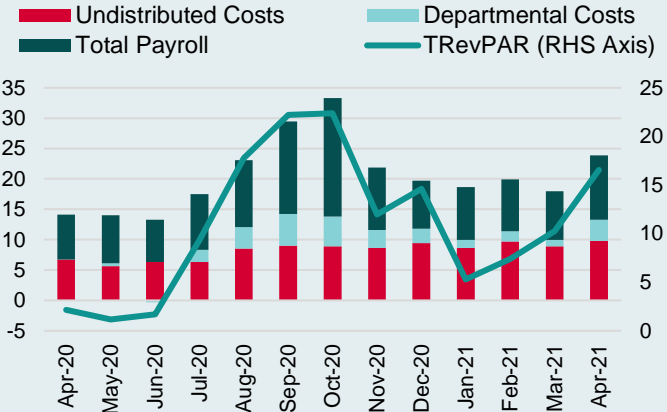
## TRevPAR (£)



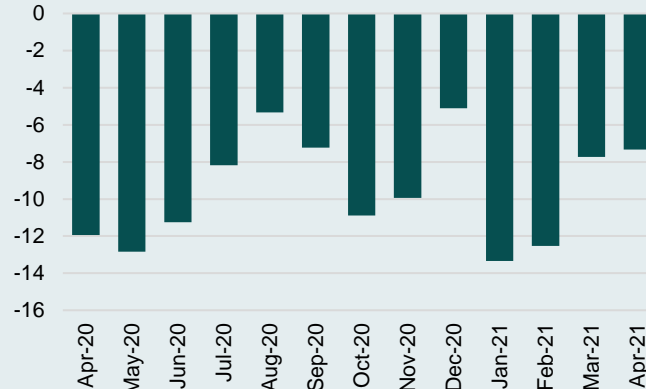
## Total Payroll PAR (£)



## Total Costs v TRevPAR (£)



## GOP PAR (£)



KEY PERFORMANCE INDICATORS	MONTH APRIL 2021	YTD APRIL 2021	Rolling 12 Months May-April 2020/21
<b>Occ %</b>	<b>12.2%</b>	<b>7.6%</b>	<b>8.4%</b>
Occ % (12 months prior)	0.7%	43.2%	72.0%
<b>ADR (£)</b>	<b>93.4</b>	<b>90.6</b>	<b>100.7</b>
ADR (12 months prior)	5.97	157.69	181.14
<b>RevPAR (£)</b>	<b>11.4</b>	<b>6.9</b>	<b>8.5</b>
RevPAR (12 months prior)	0.04	68.15	130.39
<b>TRevPAR (£)</b>	<b>16.5</b>	<b>9.9</b>	<b>11.7</b>
TRevPAR (12 months prior)	2.2	-88.7%	-92.8%
<b>GOPPAR (£)</b>	<b>-7.34</b>	<b>-10.19</b>	<b>-9.28</b>
GOPPAR (12-months prior)	-11.94	25.73	77.68
<b>GOP % of Turnover</b>	<b>-44.4%</b>	<b>-103.2%</b>	<b>-79.1%</b>
GOP % of Turnover (y-o-y)	-552.6%	29.5%	47.7%
<b>Payroll % of Turnover</b>	<b>64.2%</b>	<b>90.7%</b>	<b>88.0%</b>
Payroll % of Turnover (y-o-y)	340.7%	31.7%	21.9%

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