CITY HOTELS START RECOVERY AS BUSINESS-DOMINATED MARKETS BUILD MOMENTUM

HOTEL DEMAND REPORT - JULY 2021

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It's only two weeks since we took the fourth step of the road map in England on the 19th July, despite that short window the major indicators continue to show positive gains. Vaccinations here and overseas continue to be the critical factor in "breaking the chain" between infection rates, severe illness and fatalities. This is the only way to economic recovery, and further good news on a sustained reduction in infections and slow but sure opening up to crucial volumes from international travel markets.

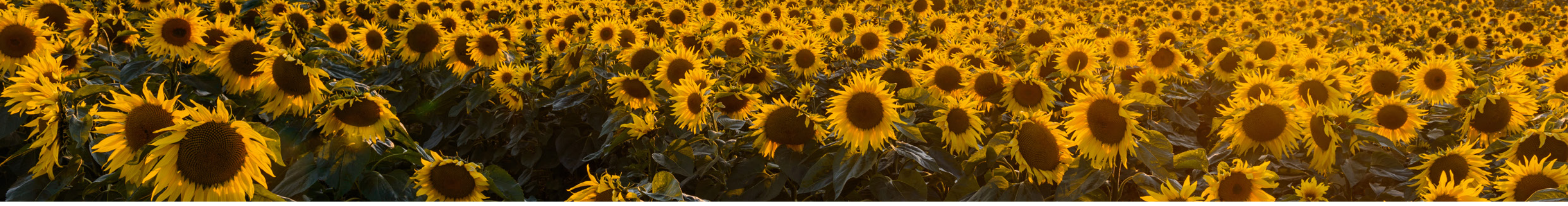
As a follow up to our last report in June we summarise current market demand using SiteMinder's World Hotel Index tool with a specific focus on the main UK cities:

- UK comparison compared to a broad global trajectory, Germany & France, both with similar-sized economy & population.
- UK City focus, where we can see sustained growth to bookings momentum.

As a precursor, we recently updated a live city located case study published recently on Boutique Hotelier which corroborates the trends and our observations.

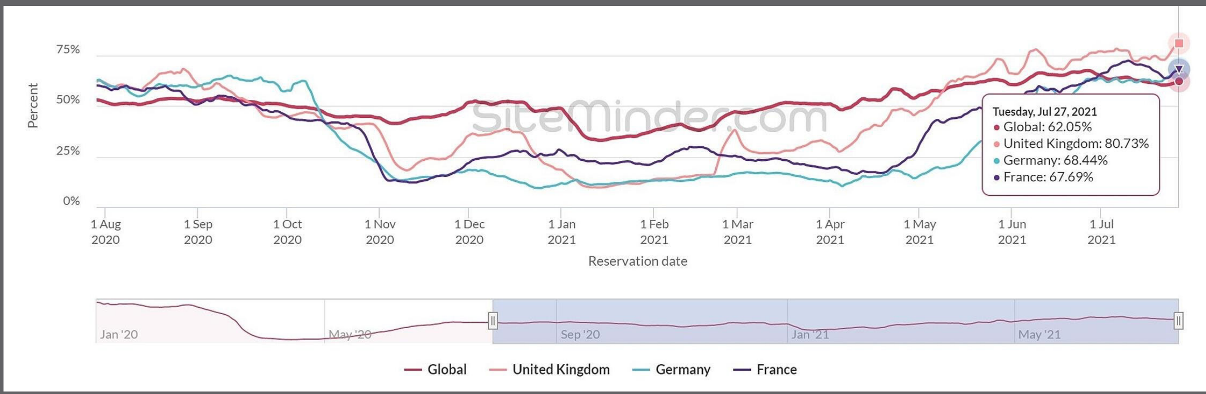
As a more meaningful target for recovery all current booking trends are compared to 2019 actuals given this is where we aspire to get back to, as we are all too aware 2020 from April was severely damaged by tough lockdown restrictions.

CONT.



UK COMPARED TO THE REST OF THE WORLD

Booking Momentum - table below compares daily bookings made as a % of 2019, looking at the UK against the Global consolidated figure and the daily pace in Germany & France.



Observations: after a plateau and even a dip in momentum, the 19th July has stimulated momentum again, with the UK now exceeding 80% daily bookings pace of 2019. The UK also continues to recover ahead of the rest of Europe as illustrated by the German and French recovery currently just behind 70%.

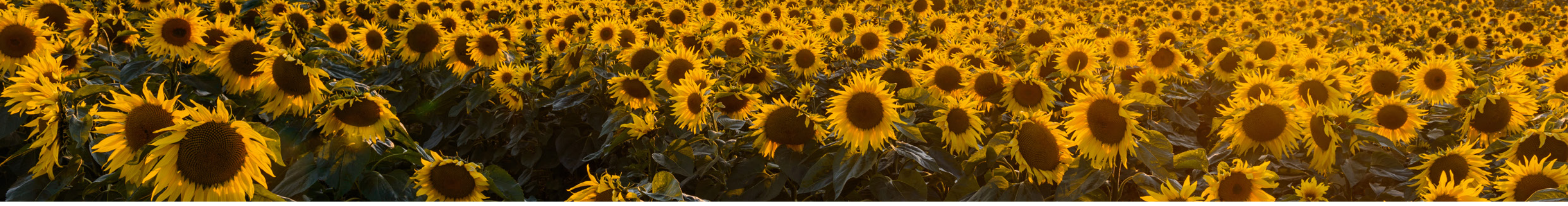
The headline figure of daily rooms booking pace is now almost 20% ahead of the Global trend, with the UK also around 12% ahead of Germany & France. With leisure destinations well into peak season and expected slowing of holiday-related bookings we look at what has driven this growth to 80% and where the risks remain for achieving further volumes:

- Daily momentum is now being assisted by business dominated locations since the “work from home” message was changed.
- Volumes in the main city and airport locations have improved but further progress could be hampered as overseas travel restrictions are only starting to lift.
- School summer holidays will also defer significant domestic business travel to September onwards.
- Average Daily Rate (ADR) has held up in most locations, which is encouraging. Although inevitably discounting has occurred where volumes are low.

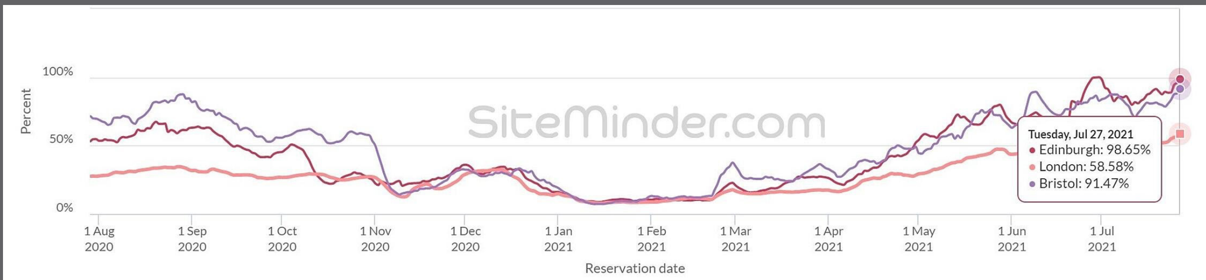
UK CITIES FOCUS, DIFFERING RECOVERY PATTERNS EMERGING

It’s clear that without the international and domestic business markets to drive bookings growth in the main urban and airport locations ahead of the autumn the hotel sector will struggle over winter. As this timing coincides with the seasonal leisure downturn and removal of most Government support initiatives meaning some harsh cost realities, we see sustained trading towards pre-pandemic levels as a must.

It is therefore very encouraging to see that in the 2 weeks since step 4 was taken that most of the major cities have seen a continued upward path, however some are stronger than others and patterns are emerging where the international volumes and spend is obviously missing.



Booking Momentum by city - table below compares daily booking momentum as a % of year prior, taking three very different UK destinations – Edinburgh, London & Bristol.



Observations: looking at volume of daily rooms sold we can see those locations less reliant on international travellers have started to perform better, whereas London as a true international hub is still well behind.

ROAD MAP – CONSISTENT GROWTH, DESPITE DIFFERENT LOCATION CHALLENGES

Accepting some regional differences in unlocking dates, looking at a broader section we have plotted the simple table below with daily booking momentum across six of the larger UK cities. Most of them enjoy a domestic leisure contribution to their market mix, some more than others, but across the board these locations are all business reliant.

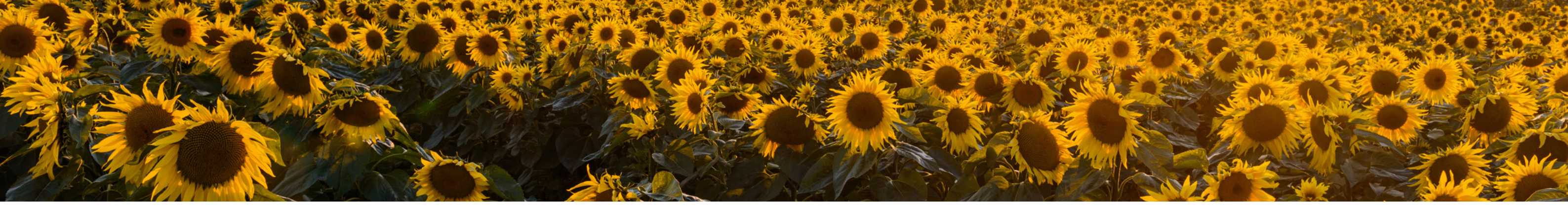
BOOKING MOMENTUM % OF 2019					
City	1st June 2021	18th July 2021	var. since 1st June	27th July 2021	var. since 1st June
Edinburgh	66.79%	90.27%	23.48%	98.65%	31.86%
Bristol	62.95%	80.90%	17.95%	91.47%	28.52%
Glasgow	49.29%	70.21%	20.92%	86.58%	37.29%
Birmingham	54.27%	68.69%	14.42%	79.54%	25.27%
Manchester	57.85%	66.04%	8.19%	77.19%	19.34%
London	43.85%	53.85%	10.27%	58.58%	15.00%

We have shown daily booking volumes on the 1st of June, then 6 weeks later on the 18th July before step 4 in England and comparing to where we are now. It's very positive to see all of them with a growth trajectory, and this has been achieved before the return of international travel. Additionally, we are all aware that with the summer upon us the domestic business travel hasn't really got going as step 4 was intentionally delayed to coincide with the school holidays.

With winter coming into view there is still a long way to go, however further confidence will be gained as people return to the office not only after the summer break but also as behaviour slowly reverts and we are hopeful of domestic and international business travel returning into Q4.

This data paints a very broad-brush picture, particularly as it only uses daily rooms sold and does not include rate and therefore revenues. That said it does demonstrate a very positive overview despite the challenges.

If you or a client has a hotel business please do not hesitate to get in touch - Assured Hotels are well placed to sense check rate & distribution strategies to ensure all opportunities are maximised as the sector recovers, particularly in relation to hitting financial forecasts as support is removed.



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SUPPORTING STAKEHOLDERS - MEET WITH US ON A NO OBLIGATION BASIS

In direct response to ongoing challenges faced by the hotel & hospitality sector Assured hotels will be offering no obligation meeting time to sector stakeholders.

We will be providing access to our senior team to discuss any challenges. We have made our significant experience and resources available without charge to cover all main disciplines of finance & forecasting, procurement, sales and revenue management, plus funding and government support access. We will endeavour to answer any question raised, so please click below to book a meeting or to email Mathew, or call **0203 205 7239**.

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