Q3 2021

DACH Forward Pricing Report

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As Europe starts to consider the travel environment post-Covid, we look at forward hotel pricing in Germany. Cross border travel has yet to materialise, but hotels are starting to consider the future.

In recent weeks, price changes at hotels in Germany has not been sharp. Many reasons drive this but two stand out. Firstly, the strict requirement to provide a negative test at check-in acts as a downward pressure on travel. Secondly the regional Government structure creates a staggered school holiday period. With upto 5 weeks difference in start date for Summer holidays there are less sharp price adjustments. However, looking forward through the summer and into September we do see a sharp change. Is this just wishful thinking that won't materialise, or are prices set to climb in the early weeks in autumn?

For this report we have considered gateway cities and secondary cities – gateway being Berlin, Frankfurt and Munich and secondary including locations such as Hamburg, Cologne, Stuttgart and others. We also split Inner (3km radius) and Outer city locations to look at these trends separately.

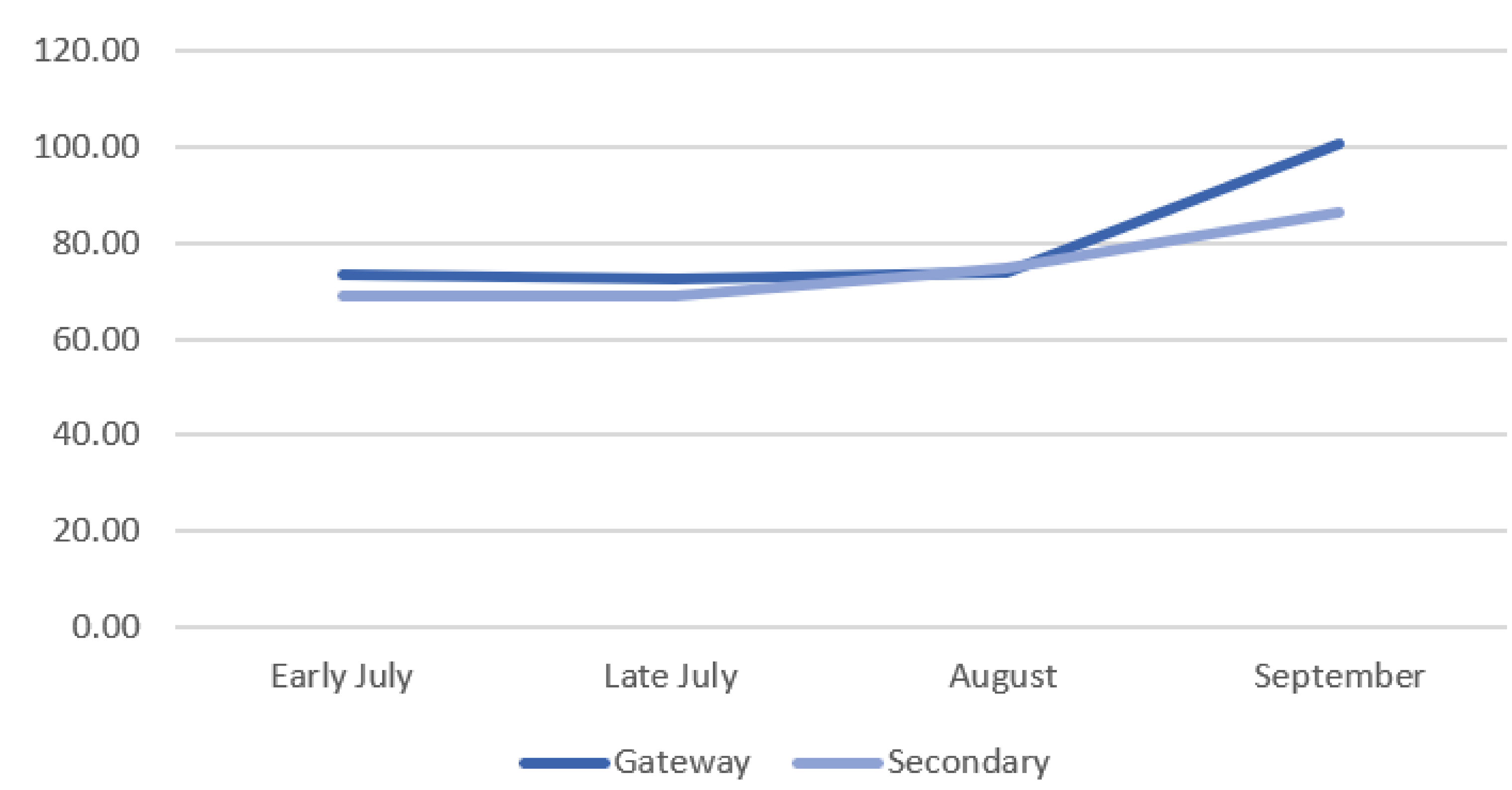
Gateway city forward pricing shows 37% price increase in next 3 motnhs

Across all locations quoted prices are increasing. Gateway cities show the sharpest increase but virtually all the increase is during the early weeks in September. Prices actually decrease slightly in the early summer months.

The sharpest incline comes in Frankfurt with both inner and outer locations climbing steeply between August and September, but inner city properties showing prices close to 90% higher. Whilst Frankfurt has a large financial services centre and many of these large corporations have suggested the earliest return to travel would be the Autumn, it seems unlikely rises of this magnitude will be supported. As seen in London in recent weeks, we would expect much of this elevated forward pricing to be surrendered close to stay date.

Munich and Berlin also showed the same pattern of September increases but to a more muted level.

€ ADR Growth by Location



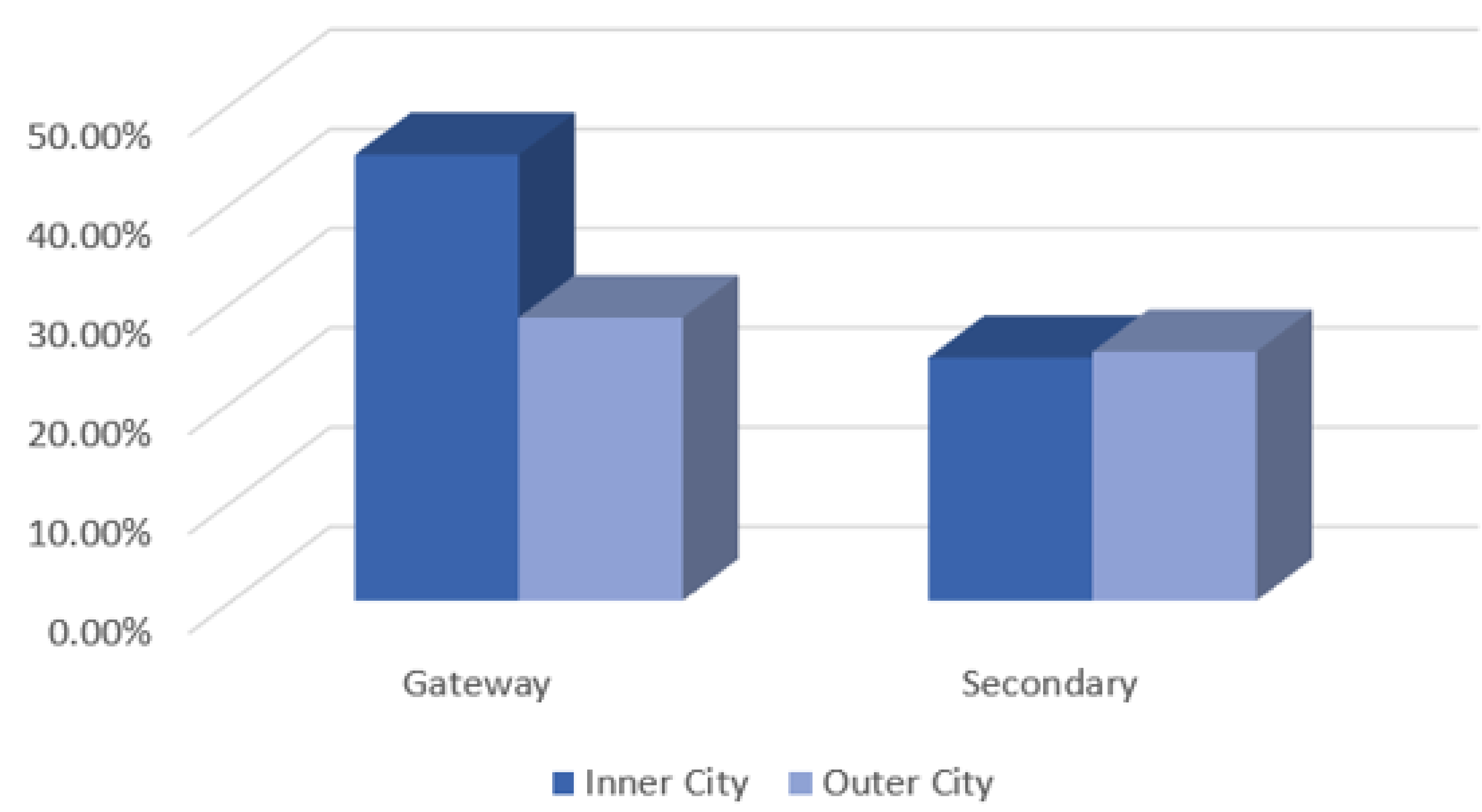
Whilst gateway cities show an increase of 37% in September, secondary locations show a more modest 24% increase.

Likewise the break down between city centres and outer areas shows more polarisation. Gateway inner cities with more ground to recover expect 44% increase with their outer regions expecting just 28%. By comparison secondary locations show very similar increases between inner and outer (24.5% and 25% respectively). These locations have been able to maintain ADR slightly better during recent months as travellers have preferred to stay out of town and use personal transport making amenities such as parking critical.

Luca Marcelli, Global Sales at NH Hotels:
'We are seeing an increase of short-lead demand and from SMEs, mainly concentrated in secondary destinations.
NH is adapting its commercial strategy accordingly, providing more flexible T&Cs and personalized customer journey, always with a strong focus on health & safety protocols as main drivers of our recovery...'

Interestingly, secondary cities show a more gradual increase over the summer months, smoothing the increase into September. Dortmund, Hamburg and Stuttgart all expecting price increases over a 4-8 week period as well as into Autumn which points to a stronger forward book than city centres.

Price Growth by Location Type



Leroy Sheppard, Sales Director at Maritim Hotels:

"We are seeing increasing demand for parking. With safety at the forefront of everyone's mind at the moment, our strongest recovery is outside of city centres which are currently driving occupancy.."

Location	July	August	September	Growth
Gateway	73.23	73.92	100.45	37.16%
Secondary	69.13	74.83	86.23	24.74%

Duty of care concerns will persist for some time after travel becomes possible. Traditionally the concern of larger organisations, its not just procurement that is wrestling with how a return to travel might look, but bookers and travellers alike.

Summary

There is still much volatility in the market. With corporate travel still to return, and unlikely to do so until well past the easing of government travel restrictions, Autumn forward pricing in gateway cities, particularly the centres, seems very optimistic. Whilst workforce travel has continued to some extent and has helped maintain out of town locations, this too has to go to back to normal. September and October will be critical months to see how pricing adjusts to both new Government and EU wide travel permissions but also the reaction of business travel.

In many sectors booking ahead is often hard due to very tight scheduling but booking ahead ideally with flexibility is now more impactful than ever to keep costs under control.

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