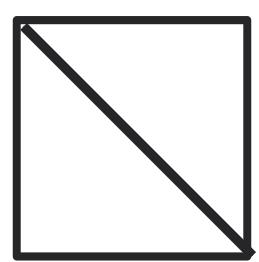


# Forward Pricing Report



**In this issue we look at pricing trends in the UK as COVID-19 restrictions are eased and what this means for hotel pricing in domestic business travel.**

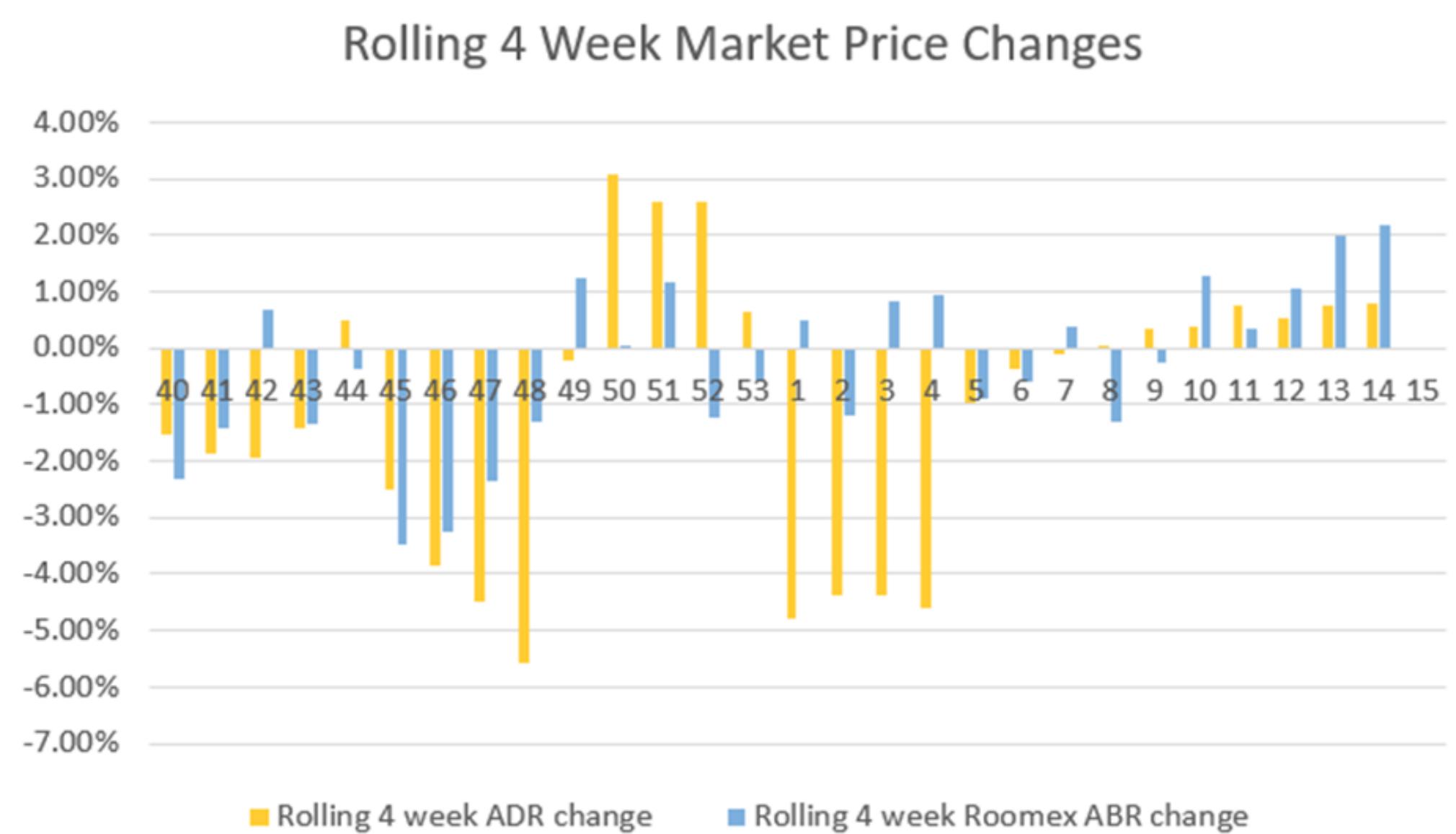
As the UK moves through the stages of COVID-19 restriction-easing, it has become vital to companies to know how their costs will be impacted both by price and availability fluctuations in the quarter ahead.

Roomex monitors hotel pricing changes in the market daily to align booking patterns of customers with relevant hotel options. There has not been a similar period of price instability in the UK hotel market in living memory.

We hope to give an overview of the UK market from a business travel perspective while focusing on destinations which are particularly important to the Roomex client base of Workforce and Crew, Project and Long Stay travellers who have often been travelling throughout the pandemic

### Prices dropped heavily in 2020 –but is this about to change?

Overall, the UK hotel market has seen an (excluding VAT) price fall of 46.5% from January 2020 through to a low point in the second half of November 2020. Travel managers have grown used to these low rates and while they have led to savings, a forward inclination to plan budgets as prices rebound is required.



**UK prices are currently 41.4% below January 2020 – a 5.4% recovery from the November low of 46.5%**

The chart above shows market-wide price fluctuations have mirrored the travel restrictions in place. Sharp decreases in price in November and January with some upward movement in December and March—the market Average Daily Rate (ADR) trend being reflected in the Roomex client Average Booked Rate (ABR).

The market conditions are therefore more volatile than previously seen. The gap between Room Night sales / Occupancy recovery and price recovery is very wide as hotels struggle to yield any demand gains. **Forward pricing analysis through May, June and July indicates that increases in hotel demand will allow price yielding to get traction and price increases likely to sharpen.**

Looking forward there are some obvious upward price pressures. The key dates allowing greater freedoms for leisure travel, and indoor hospitality are directly impacting hotel pricing. The obvious examples are in typical leisure destinations such as National Parks and coastal areas. This will be exacerbated by uncertainty around international travel. However, visiting friends and family will also drive price and occupancy in other more business-oriented destinations.

Nearly all of the price recovery to date has occurred during Q1 2021 (5.2%). **Overall our Q2 analysis shows a 26% increase in UK pricing, with an 8% increase in the second half of May and 16% in June.**

### Comparing prices in various locations

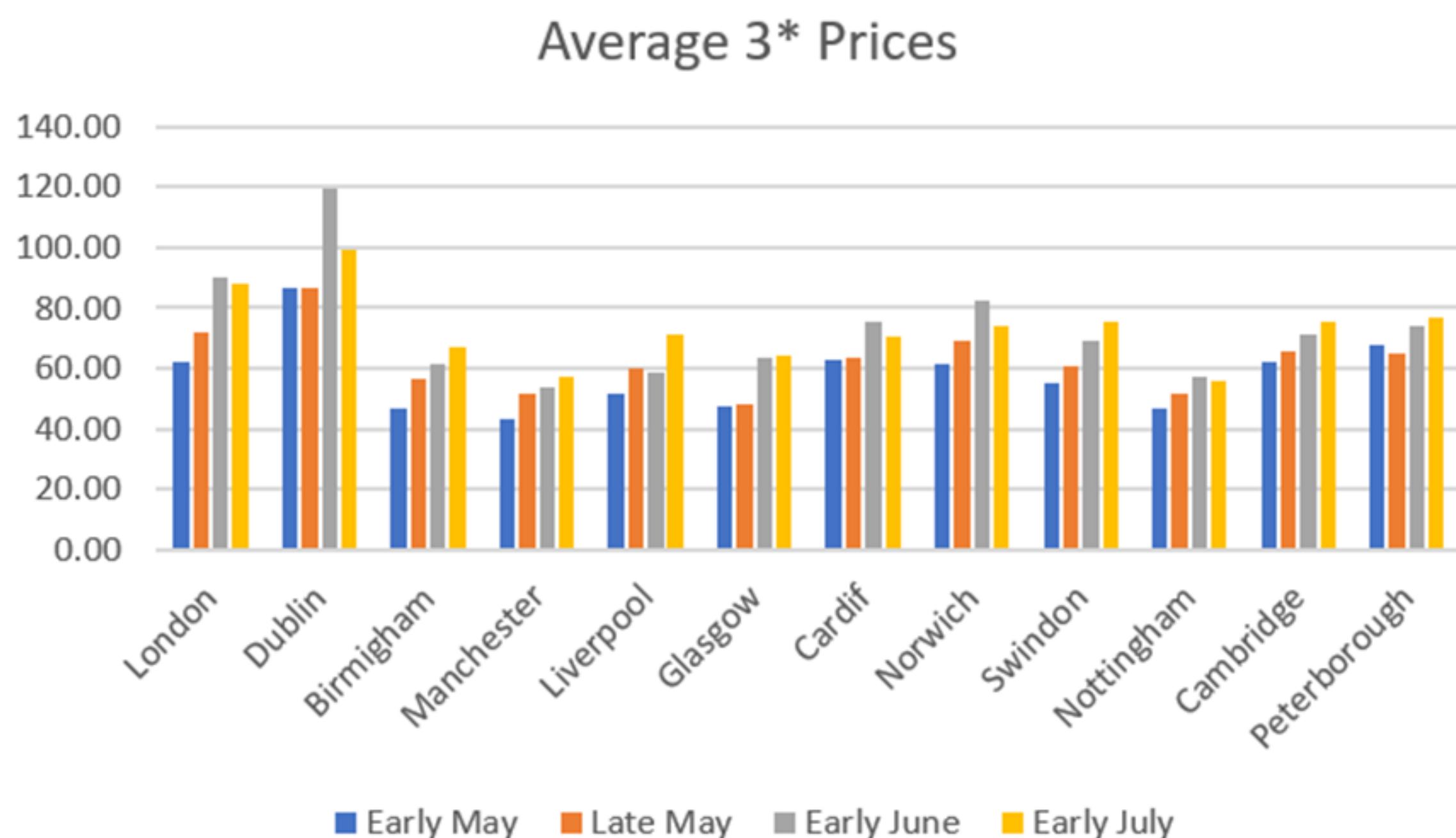
Our analysis breaks key UK destinations into gateway cities, secondary destinations and regional towns. Within these we consider four date ranges and split out central city locations against 'outer areas' – those within 5km of city centre (extended to 7.5km for London). The analysis is 3 star hotels only – by far and away the largest proportion of workforce travel accommodation.

### Overall UK hotel prices look set to rise 26% during Q2

The below table tracks price changes up to 12 weeks out in gateway and secondary cities and regional towns. **Price growth by grouping shows gateway cities +26%, secondary cities +31%, regional +22%**

Location	May	July	Growth
Gateway	68.93	87.13	26%
Secondary	50.37	66.05	31%
Regional	58.56	71.58	22%

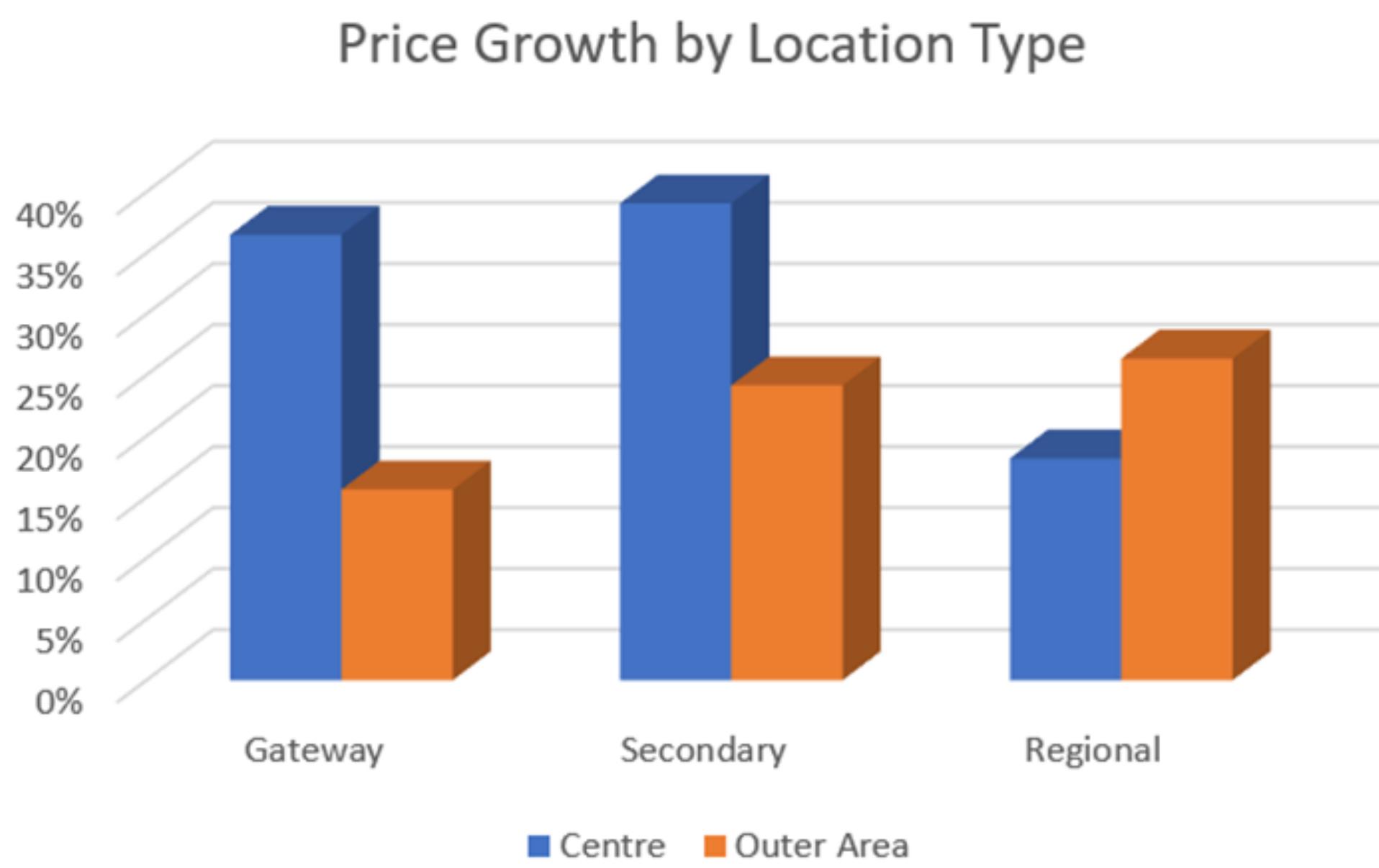
Currency: GBP



All cities in the above chart show an upward pricing trend through the summer, but London and Birmingham lead with prices growing at 41% and 44% respectively.

City centres and outer areas produce different growth rates with centres increasing by +29% from May to July and outer areas +23%. It is well documented that city centres, particularly in gateway cities have been hit hardest in terms of overall demand drops and steeper price declines throughout the pandemic. We estimate around 45% of UK hotel inventory has been closed in Q1 and up to 60% in central London.

However, within that overall picture, regional town centres show the lowest growth rates with an average of +18%. This compares to both gateway and secondary cities with increases over +30%. It seems that the larger the town, the more the outer area outperformed its central areas and consequently has less price recovery ahead.



**Andy Besent, Sales Director at Jurys Inn & Leonardo Hotels:** 'We see domestic business travel returning first in the recovery phase. Key cities such as London were the most impacted from a rate perspective. In our view, recovering from this deficit will take the most time and effort, as they are most influenced by minimal inbound leisure and business travel demand.'

One segment of the market that has often continued is Crew, Projects & Long Stays in verticals, Construction and Engineering.

**Roomex Project Bookings have increased 402% between January and March as clients seek to complete work and make up time lost, but also needing greater clarity.** Devolved regions running different restrictions have directly impacted ability to move between regions, and F&B options and indeed the viability for hotels to remain open.

## Summary

Current forward pricing shows there are price rises in the weeks ahead, highest in large city centres. Workforce companies tend to stay out of town often for parking and will be exposed to the overall 23% price increase in these areas (highest being 26% in outer areas of regional towns). 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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Thanks to Andy Besent – Sales Director, Jurys Inn & Leonardo Hotels.