

October 2021

Forward Pricing Report

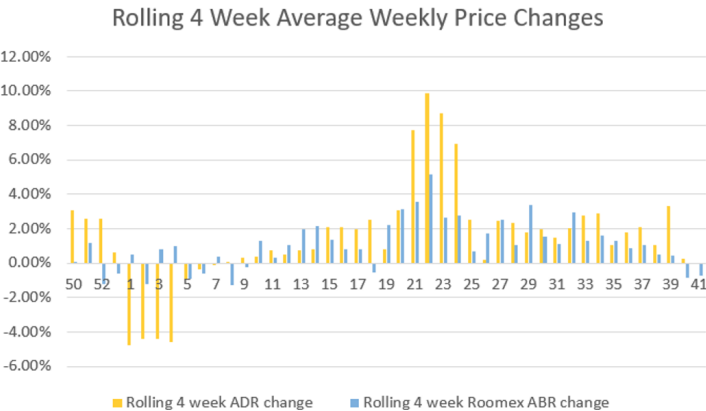


tryus@roomex.com
www.roomex.com

In the last month, attention has turned to client rates, Roomex Rates and value as prices driven by leisure returned to pre-pandemic levels. But what now? Has the return of office workers and wider travel been sufficient to sustain prices?

As we approached the Autumn period all eyes were set on corporate travel returning. Over the course of the summer, domestic leisure travel had been the driving force behind the fastest and most sustained period of hotel price rises ever recorded. It was thought that once this demand dropped, the return of corporate travel would maintain rates.

From a bookers perspective, it has been an uncomfortable period of readjustment. Workforce companies with a large proportion of their travellers working on site-based projects have been travelling throughout and have been exposed to the full force of hotel market price volatility. What can they expect through the rest of Autumn?



The graph above shows the ongoing growth in both the market Average Daily Rate (ADR) and Roomex’s own Average Booked Rate (ABR).

Apart from the steep falls into November 2020 lockdown and the spike as we came out of UK lockdown 3, there has been consistent upward pressure on price in the 3-star market we monitor in this report. In January 2020 the UK wide ADR recorded was £101.15 inc vat. The average over the last 4 weeks was £104.30. Roomex average booked rate for the same period was £90.62.

| | Dates | ADR Inner City | ADR Outer City | ADR Inner City Variance | ADR Outer City Variance |
|----------|------------|----------------|----------------|-------------------------|-------------------------|
| 2 Weeks | 26/10/2021 | £92.7 | £90.1 | | |
| 4 Weeks | 09/11/2021 | £82.3 | £84.1 | -6.16% | -10.47% |
| 8 Weeks | 07/12/2021 | £84.7 | £80.5 | -3.52% | -14.23% |
| 12 Weeks | 04/01/2022 | £69.7 | £69.3 | -20.56% | -26.20% |

Forward Pricing: All destinations - UK

“Forward pricing looks weaker than it did in September (-10.47%) although uncertainty prevails...”

This is clearly an incredibly strong price recovery, and whilst there has been a slight widening in the booking window (time between booking and check-in date), it has not been much. Forward pricing into the weeks ahead suggests reduced prices will be available. Last month forward pricing showed a decline of -7%. Overall booked market prices actually increased by 6.4%, the driving force being the VAT increase in October from 5% to 12.5% on UK accommodation.

Forward pricing looks weaker than it did in September (-10.47%) although uncertainty prevails. The VAT increase was handled differently by different hotel companies across the fragmented UK market. Some absorbed the increase, others passed it on. Looking ahead, whilst materialised price changes tend to be muted compared to forward indicators, the trend is currently downward.

“The VAT increase was handled differently from one hotel company to the next. Often larger chains absorbed the increase – they would also have ‘absorbed’ the decrease. Others did not and their VAT inc’ price increased. Overall in week 39 UK market prices noticeably increased.” **Sarah Stenson, Roomex Hotel Procurement Manager**

We see traditional corporate travel already returning quickly through the Autumn but other segments also continue to outperform expectations so a relatively stable overall picture on price.” **Nina Smirnoff, National Sales Manager, BWH Hotel Group**

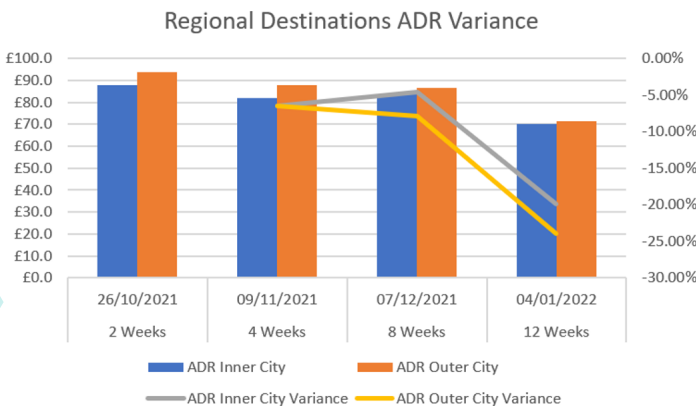
Summary

This month, forward pricing has become a more negative picture but also more polarised. Outer areas of Gateway Cities and Regional towns that had a higher leisure exposure are showing the sharpest declines. Outer areas of London in the region of -20% and Norwich -18%. These were areas that had benefited from strong upward pressures previously. Swindon compared on the same basis is -7% and Peterborough +4%, both regional with robust business demand.

Supply chain issues that have affected all industries have impacted hotels. This combined with recruitment and staffing issues have created issues particularly for restaurant services and processing more complex areas such as business travel payment – front desk staff not being familiar with particular companies payment policy. Its well recorded that business travel continues to adopt simpler payment services to make travellers life easier and reconciliation and spend analysis simpler and this continues to be the case.

About the Data:

Sample set of 960 price points used from UK and Ireland Hotels. All data is from 3-star hotels only to reflect Workforce travel requirements.



Separating Gateway, Secondary and Regional destinations we see a continuation of the established trend. Regional shows the smallest price decreases (-6% - which is likely to materialise as only as only slightly negative) – Gateway Cities show the largest. Whilst we hear reports of global corporates returning to city centres the easing of international restrictions is not actually implemented yet and this remains a key driver.



“It’s been a mixed picture as we have transitioned from Summer into Autumn. Business travel has returned to some extent and we’re very happy to see a significant uptick in meeting bookings as companies look to re-train and onboard.



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