September 2021

Forward Pricing Report

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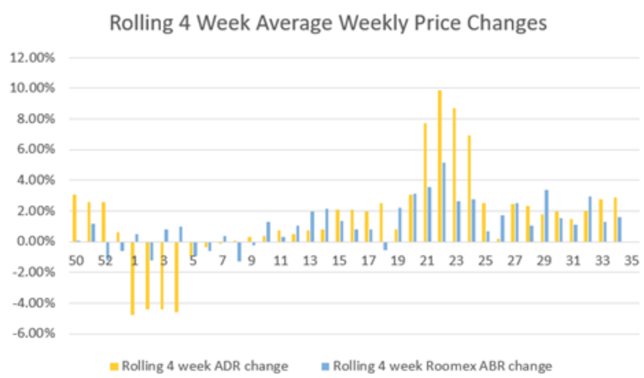
With the summer now disappearing into the rear-view mirror, hotels are trying to make sense of what that means for price, availability and above all, business travel.

After around 20 weeks of almost consistent price rises in the UK hotel market and almost a complete recovery of Average Daily Rate (ADR) compared to pre-COVID, isn't it inevitable that prices are about to come face to face with seasonally softening leisure demand? Schools are back, and more and more companies are looking to find the right balance between video calls and in-person meetings. We look at what these changing patterns might mean for UK hotel prices in the coming weeks into the autumn months and what companies should be thinking about.



Weekly ADR across the UK has been steadily increasing since the initial sharp increases around the time that restrictions started to lift. The key driver of people just wanting to be somewhere else than in the home, moved into a huge spike in summer holiday staycations which has seen prices return to pre pandemic levels. In January 2020 the UK wide ADR recorded was £101.15 inc vat. The average over the last 4 weeks was £95.39. Roomex average booked rate for last week was £84.37.

	Dates	ADR Inner City	ADR Outer City	ADR Inner City Variance	ADR Outer City Variance
2 Weeks	14/09/2021	£94.30	£91.8		
4 Weeks	28/09/2021	£86.17	£84.8	-8.6%	-7.6%
8 Weeks	26/10/2021	£86.48	£86.1	0.4%	1.5%
12 Weeks	23/11/2021	£85.71	£83.0	-0.9%	-3.6%

"Workforce companies look to benefit from a -7.6% price decline during September..."

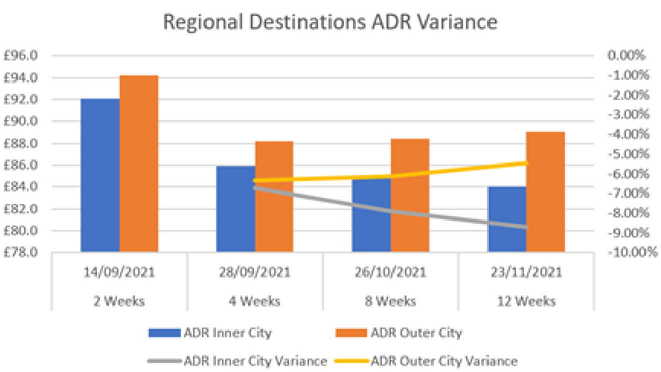
As always there is a mixed picture across the country. We split the market into Gateway city, Secondary and Regional locations and consider Inner and Outer City locations separately.

Overall across the UK it looks like prices will drop by an average of -8.1%. However, as has been well noted through the various recovery points through the pandemic, city centres (in the most part) fare worst and large gateway cities (London in the UK market) show weakest price recovery; -14.%. However, it's worth noting that its widely reported that on Monday 6th September for the first time in 18 months road traffic in London exceeded pre-pandemic levels. Tube traffic was also strongly up between 60-65% of previous.

At the other end of the spectrum Liverpool city centre shows only a slight decline in September (-1.8%) but a sharper downward trend looking into October.

The pandemic trend of travellers preferring outer city locations seems to continue and be reflected in price. The outer areas of regional destinations show a fairly modest decrease of -6.7% through September.

Mark Trimble – Roomex Director Customer Success: "It's very clear from the demand pattern but also from discussions with clients that the outer areas are most sought after. Parking was always a key feature for workforce customers – secure and able to take outsized vehicles. This has become more pronounced and continues to be the case."



What is clear from the data is that there is very little certainty when we look beyond 4 weeks – the number of outlier prices increases. The trend through September at this point is probably baked in. Looking into October and beyond is similar to Spring in so much as any forecast is going to come with a high potential variance.

From Shaun Cole, Head of Sales – Village Hotels: "At Village Hotels after a very busy summer period the expected strong pickup in domestic leisure becomes a key driver of price. Being primarily in 'edge of city' locations and providing excellent fitness and F&B options we are seeing a reasonably robust Autumn take shape. Parking has always been an advantage of our locations but now always comes into client discussions.

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."

It maybe the first signs of traditional corporate travel will be on the edge of towns and grow in the centres over the weeks and months as confidence grows and reduced public transport options ramp back up.

Summary

Travel Managers, Procurement and Finance departments are looking to ensure that as their workforce and crews return in greater numbers it's being managed in an optimised way. Prices in the UK market dropped -46.5% from January 2020 to the lowest point in November 2020. The price recovery has come mainly through the Spring and Summer we are just leaving behind.

Value has never been more important in business travel, and price is not the only part of this equation. At this point its assumed that hotels now have the right longer term processes in place to ensure their guests are safe and confident. But other features will become important in price justification. Location has always been important, but outer city areas seem to continue to have the advantage. With occupancies becoming softer in the weeks ahead, good parking provision, flexible food & beverage options and flexibility of hotel companies to collaborate with business travel partners will be key.

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.

Roomex
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