UK Hotel Performance

Performance continues to accelerate with a continued growth of average room rates, somewhat influenced by growing inflation but also supported by robust pent-up demand giving hoteliers pricing power to drive rates further.

High-end leisure has been key in driving 12-month ADR. The return of large-scale events has also been key to recovery, namely in urban locations. Earlier this year, the Six Nations Rugby Championship supported demand growth in Edinburgh, London and Cardiff, while major concerts such as the Ed Sheeran tour drove significant demand to places such as Manchester.

The leisure market is expected to remain strong through this year. Domestic leisure business has been crucial in the sector’s recovery. Recently corporate travel has picked up, fuelled by the return to office.

London Hotel Performance

The capital has seen some of its highest occupancy levels in recent months since the onset of the pandemic, with occupancies in July exceeding the 80% mark, as the holiday season started and with international visitation rebounding.

International route data shows that flights to and from New York and Dubai to London Heathrow are the two busiest, further highlighting the return of those major long-haul source markets. This is good news for the capital’s hotels as it further points towards a recovery from key feeder markets that keep the city afloat.

Across the submarkets, growth has not been uniform. London surrounding areas have rebounded quicker than central London. The reliance on the international market and the corporate segment has been the downfall of hotels in central London that are having a more prolonged journey towards recovery.

While all seems positive, the industry is still in recovery mode and adjusting to various challenges, such as clear shifts in demand, brought about by some significant changes in the operating landscape.

While the fundamental, longer-term outlook for the sector is strong, there are clearly some near-term challenges such as inflation, rising costs, supply chain issues, and staffing.

Many businesses are experiencing a significant step change in their cost base, and with the Bank of England forecasting recession, consumer discretionary spending will likely come under further pressure.

For the sector as a whole, this is likely to lead to more closures and more churn, but significant market share opportunities for the best businesses and brands.
UK Hotel Investment

Transactional volumes remained strong at the start of 2022 with European Q1 reaching €3.54 bullion of which 47% took place in the UK market. Within the UK, 75% of all transactions were in regional UK, reflecting perceived value outside London and confidence in the domestic market.

The following transactions took place in July 2022:

- Caskade Group acquired Birmingham Hotel Indigo for £12.5m with Bespoke Hotels taking on the management.
- The Ascott bought Oakwood Worldwide, a premier global services apartment provider, from Mapletree.
- Fairtree and Blantyre bought the four-star Daffodil Hotel & Spa in Lake District.
- The Mere Golf Resort & Spa was sold to UEA-base Select Group who plan a luxury refurbishment.
- Splendid Hospitality Group acquired the Holiday Inn London Brentford Lock.
- Canadian Investor, Northland Properties, purchased the former Hilton Hotel in Sheffield for £10m, which will be upgraded and relaunched under Sandman Signature Brand.

Source: AHV August 2022

Top Buyers in the UK (last 12 months)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Sales Volume £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragrance Group Ltd</td>
<td>367,000,000</td>
</tr>
<tr>
<td>BC Partners</td>
<td>108,000,000</td>
</tr>
<tr>
<td>Vertiq Capital Partners</td>
<td>104,000,000</td>
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<tr>
<td>Zetland Capital Partners LLP</td>
<td>100,000,000</td>
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<tr>
<td>LaSalle Investment Management</td>
<td>93,300,000</td>
</tr>
<tr>
<td>Frogmore</td>
<td>76,100,000</td>
</tr>
<tr>
<td>C1 Capital</td>
<td>76,100,000</td>
</tr>
</tbody>
</table>

Source: CoStar

ESG in Hospitality

ESG has been a focus in the industry for several years, however the pandemic has now massively changed the travel behavior, accelerating the need to adapt businesses.

Whitbread started construction on the first ‘all-electric’ Premier Inn Hotel in Swinton Town Centre in July. The five-storey 195-bedroom hotel is the first Premier Inn to be designed without a connection to a natural gas supply. Instead, the hotel will be fully heated and powered by grid energy generated from renewable sources and by on-site photovoltaic (PV) cells.

Source: AHV August 2022

World Tourism Day

With the theme of ‘Rethinking Tourism’, the International Day of Observance will this year focus on re-imaging the sector’s growth, both in terms of size and relevance. The Republic of Indonesia will host the official day (27 September), though all UNWTO Member States, as well as non-members and stakeholders from across the private sector, are being invited to host their own celebrations as well as to promote the day and its central theme.

UNWTO Secretary-General, Zurab Pololikashvili says: “The potential of tourism is enormous, and we have a shared responsibility to make sure it is fully realized. On World Tourism Day 2022, UNWTO calls on everyone, from tourism workers to tourists themselves, as well as small businesses, large corporations and governments to reflect and rethink what we do and how we do it.”

World Tourism Day has been held on 27 Sept each year since 1980. The date marks the anniversary of the adoption of the Statutes of the Organization in 1970, paving the way for the establishment of UNWTO five years later.

Source: Hospitalitynet.org