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What's on the horizon for independent hotels?

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A note on the data in this report:

Please note that the data used in this report, submitted directly from participating hotels, is based on STR's standard methodology of only open hotels. Comparisons between branded and independent hotels here include all hotel classes from economy to luxury to provide a broader representation of the market. In 2022, more than 48% of UK branded properties are classified as economy hotels, whereas UK independent hotels are highly concentrated in the upscale, upper midscale and midscale classes.

Introduction

Look how far we've come. At this time last year, we had only scratched the surface of recovery from the lowest points of the pandemic. Now 12 months later, we are thrilled to share insights that reflect substantial levels of hotel performance recovery in the UK—like much of the world.

STR, the global leader in hospitality data benchmarking, analytics and marketplace insights, is proud to work with more than 4,000 hotels in the UK and 75,000 properties around the world on the solutions that have helped and will continue to help inform decisions throughout the recovery process. While we celebrate how far the industry has traveled over this past year, we must also recognize the challenges that lie ahead that will surely make the need for actionable data insights greater than ever.

International arrivals are still lagging, and while concerns around the pandemic have subsided, new headwinds have emerged via inflation, labour challenges, potential energy crises and ongoing geopolitical conflicts. The industry's comeback over the past two-plus years has been impressive, but the world around us will continue to pressure hotelier bottom lines with full recovery on an inflation-adjusted basis not forecasted until 2025.

As the industry's trusted provider of past, present, and future data solutions, STR empowers businesses to identify opportunity from every angle and make more informed decisions at the hotel and above-property levels. Comparing your performance against the competition adds a necessary layer of context when measuring your success. More hotels get those insights from STR than any other data provider around the world.

STR's strong ongoing partnership with the Independent Hotel Show can only boost this collective effort, and we are pleased to provide this special report for the event once again.

The following pages showcase a sampling of the data and insights STR can provide for independent hotels. As we continue to work with more properties, the depth and quality of our data offerings continue to evolve. Every new hotel that works with STR gains a competitive advantage. In turn, every new hotel with which we work enables us to help raise professional standards and performance levels across the industry as the depth of data and analytics strengthens.

We hope you find the insights in this report interesting. If you would like more information about working with STR, please reach out to us at any time.

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Independents vs. Brands in London and Regional UK

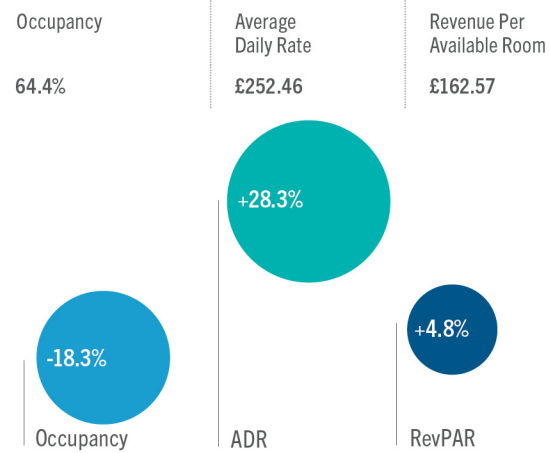
London

Once the disruption from the Omicron variant subsided, performance recovery in London began to ramp up at the end of the first quarter of 2022. Revenue per available room (RevPAR), the gold standard for measuring top-line performance, was above 2019 comparables for each month from May through July. Like most other markets around the world, that top-line performance recovery has been driven predominantly by average daily rate (ADR), as occupancy was still 5.7 percentage points below pre-pandemic levels in July.

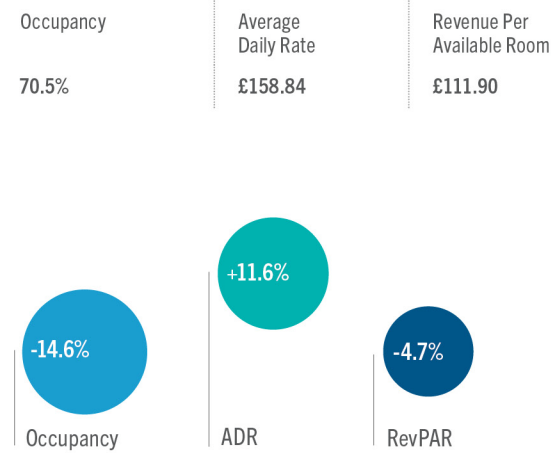
Within the market, branded properties have made up substantial ground in recent months, but Independents were still further along in performance recovery when averaging the first seven months of the year.

July 2022 YTD vs. July 2019 YTD

Independent



Branded



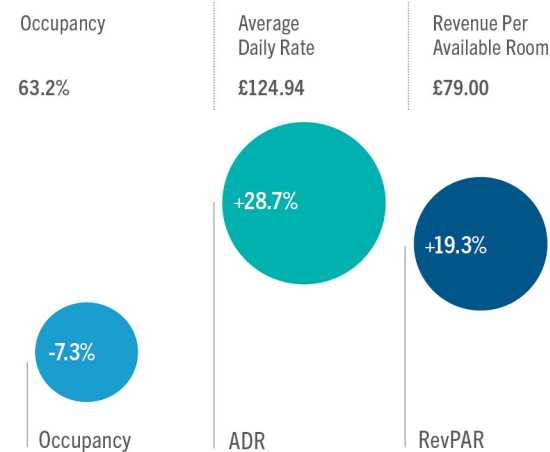
Regional UK

The Regional UK got off to a much faster start in the recovery process with substantial gains during parts of 2021. Momentum started to taper when summer ended last year, and there was certainly disruption from Omicron. Seventh months into 2022, however, recovery was definitely back on track with occupancy less than 1 percentage point away from the pre-pandemic comparable and room rates almost GBP 20 higher.

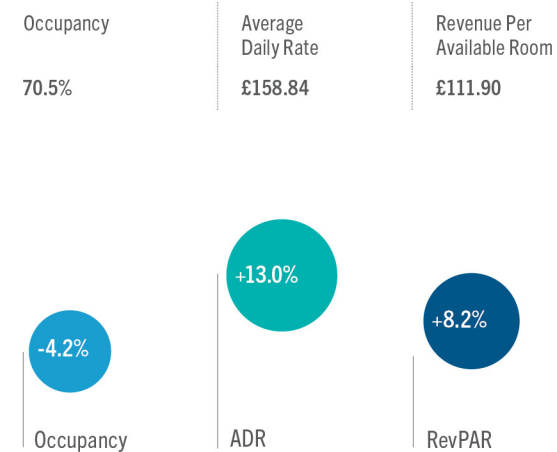
Within the market, Independents properties are further along in top-line performance recovery, due far more to growth in ADR than gains in occupancy.

July 2022 YTD vs. July 2019 YTD

Independent

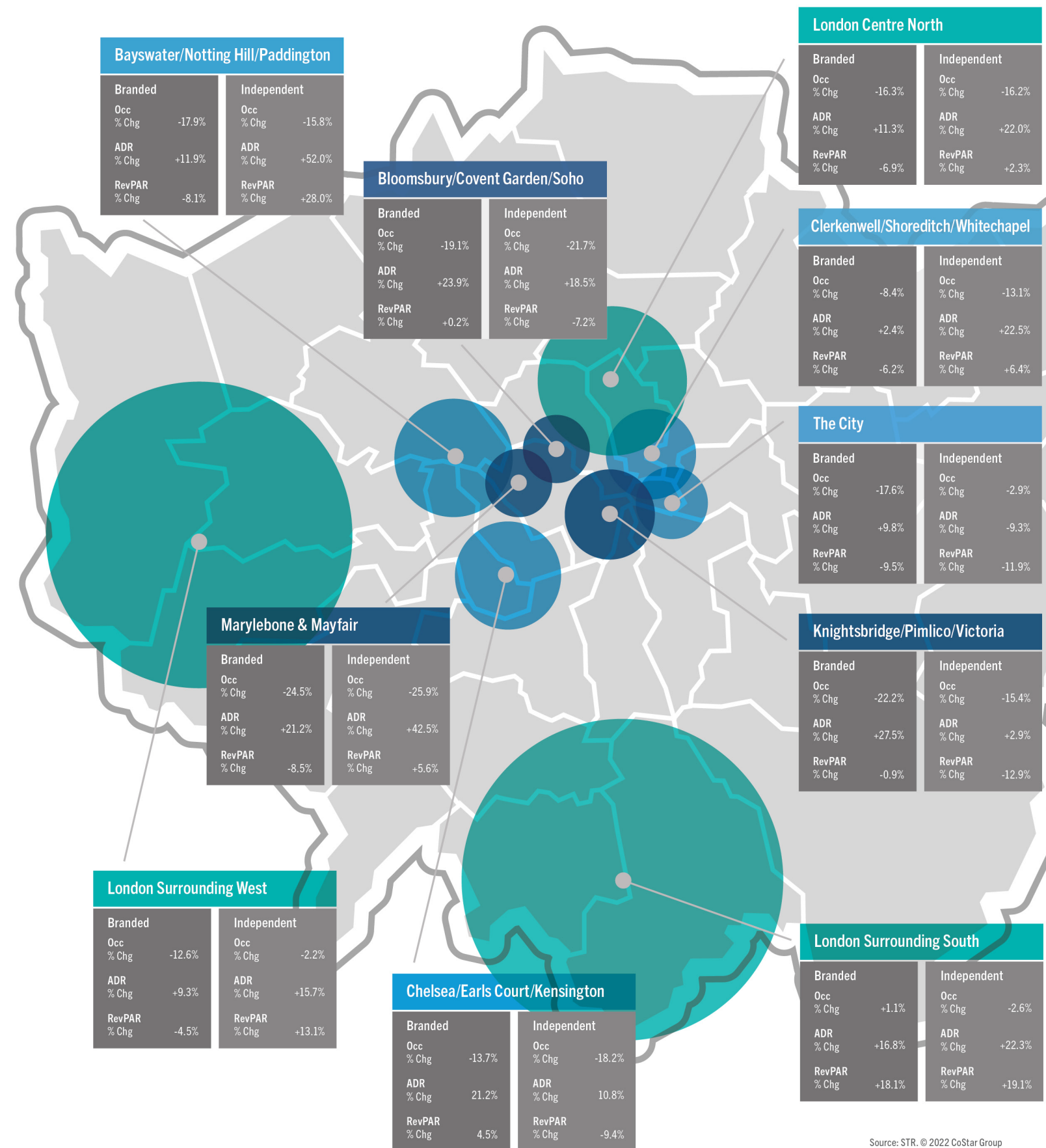


Branded



Year-to-date recovery by London areas

July 2022 YTD vs. July 2019 YTD



Year-to-date recovery by Regional UK areas

July 2022 YTD vs. July 2019 YTD

Edinburgh	
Branded	Independent
Occ % Chg	Occ % Chg
-10.7%	-8.4%
ADR % Chg	ADR % Chg
+20.4%	+29.7%
RevPAR % Chg	RevPAR % Chg
+7.5%	+18.8%

Derry/Londonderry	
Branded	Independent
Occ % Chg	Occ % Chg
-3.2%	-12.1%
ADR % Chg	ADR % Chg
+26.2%	+26.2%
RevPAR % Chg	RevPAR % Chg
+22.2%	+10.9%

Birmingham	
Branded	Independent
Occ % Chg	Occ % Chg
-5.7%	-7.3%
ADR % Chg	ADR % Chg
-12.2%	+33.1%
RevPAR % Chg	RevPAR % Chg
-5.8%	+23.4%

Cardiff	
Branded	Independent
Occ % Chg	Occ % Chg
-13.8%	-10.1%
ADR % Chg	ADR % Chg
+19.1%	+51.4%
RevPAR % Chg	RevPAR % Chg
+2.7%	+36.1%

Plymouth	
Branded	Independent
Occ % Chg	Occ % Chg
-3.5%	+7.2%
ADR % Chg	ADR % Chg
+18.4%	+19.7%
RevPAR % Chg	RevPAR % Chg
+14.2%	+28.3%

Liverpool	
Branded	Independent
Occ % Chg	Occ % Chg
-7.2%	+6.0%
ADR % Chg	ADR % Chg
+16.1%	-5.7%
RevPAR % Chg	RevPAR % Chg
+7.7%	0.0%

Oxford Area	
Branded	Independent
Occ % Chg	Occ % Chg
-7.0%	-13.4%
ADR % Chg	ADR % Chg
+6.5%	+48.6%
RevPAR % Chg	RevPAR % Chg
-1.0%	+28.8%

Bath	
Branded	Independent
Occ % Chg	Occ % Chg
-17.4%	-8.6%
ADR % Chg	ADR % Chg
+25.3%	+38.8%
RevPAR % Chg	RevPAR % Chg
+3.5%	+26.9%

Aberdeen	
Branded	Independent
Occ % Chg	Occ % Chg
-5.1%	-1.0%
ADR % Chg	ADR % Chg
+3.5%	+4.9%
RevPAR % Chg	RevPAR % Chg
-1.8%	+3.8%

Scotland Provincial	
Branded	Independent
Occ % Chg	Occ % Chg
+1.3%	-11.3%
ADR % Chg	ADR % Chg
+11.9%	+59.8%
RevPAR % Chg	RevPAR % Chg
+13.4%	+41.7%

Newcastle	
Branded	Independent
Occ % Chg	Occ % Chg
-1.5%	+13.8%
ADR % Chg	ADR % Chg
+12.5%	+12.8%
RevPAR % Chg	RevPAR % Chg
+10.8%	+28.3%

Leeds	
Branded	Independent
Occ % Chg	Occ % Chg
-3.6%	-19.4%
ADR % Chg	ADR % Chg
+14.1%	+30.9%
RevPAR % Chg	RevPAR % Chg
+9.9%	+5.5%

Manchester	
Branded	Independent
Occ % Chg	Occ % Chg
-9.1%	-13.3%
ADR % Chg	ADR % Chg
+9.0%	+17.5%
RevPAR % Chg	RevPAR % Chg
-0.9%	+1.9%

Cambridge Area	
Branded	Independent
Occ % Chg	Occ % Chg
-14.6%	-14.6%
ADR % Chg	ADR % Chg
+6.3%	+1.7%
RevPAR % Chg	RevPAR % Chg
-9.2%	-13.1%

Day of Week Occupancy Patterns

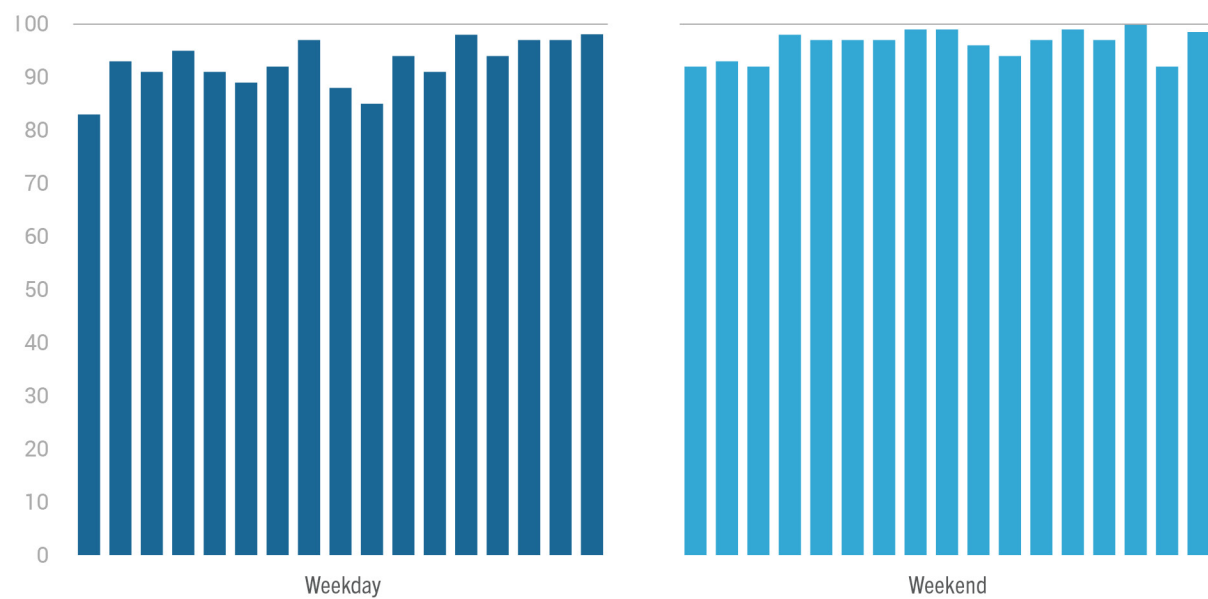
(Independents vs. Branded Properties)

Consistent across both the independent and branded segments are higher levels of occupancy recovery on weekends as opposed to weekdays. This aligns with global trends as leisure demand, more prevalent on weekends, has remained the primary driver of recovery. With more corporate demand returning to the market, however, weekdays started to catch up over the summer.

Also of note, branded properties frequently outperformed 2019 occupancy levels from early in the second quarter through July.

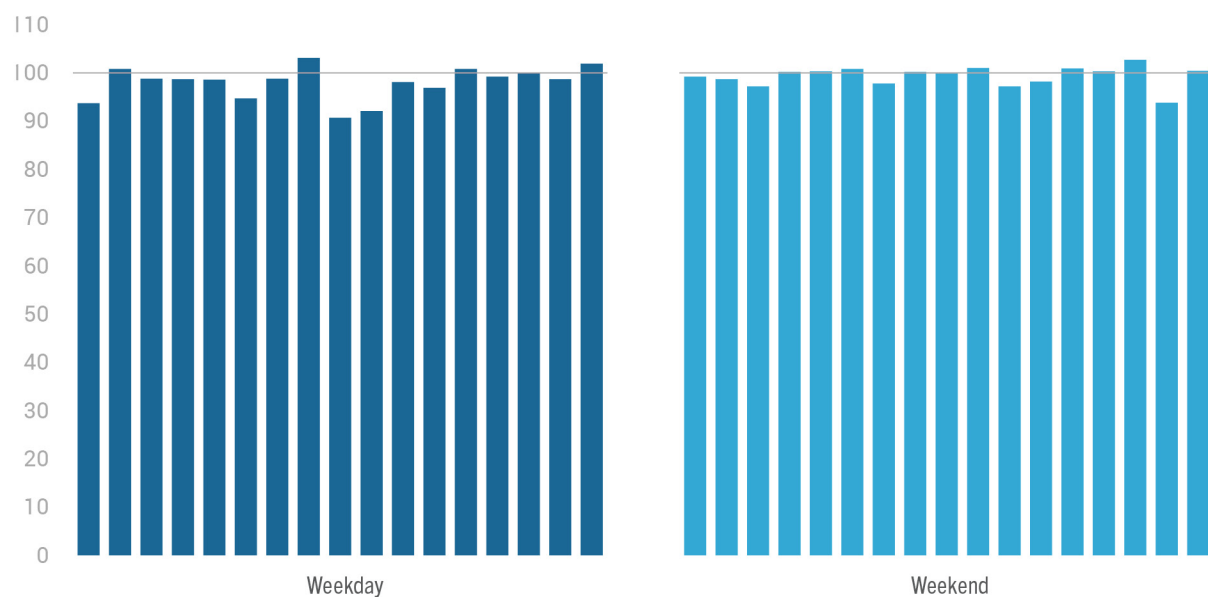
Independents: Weekends closer to 2019 levels

UK, weekly occupancy indexed to 2019, April-July 2022



Brands: Weekends frequently topping 2019 levels

UK, weekly occupancy indexed to 2019, April-July 2022



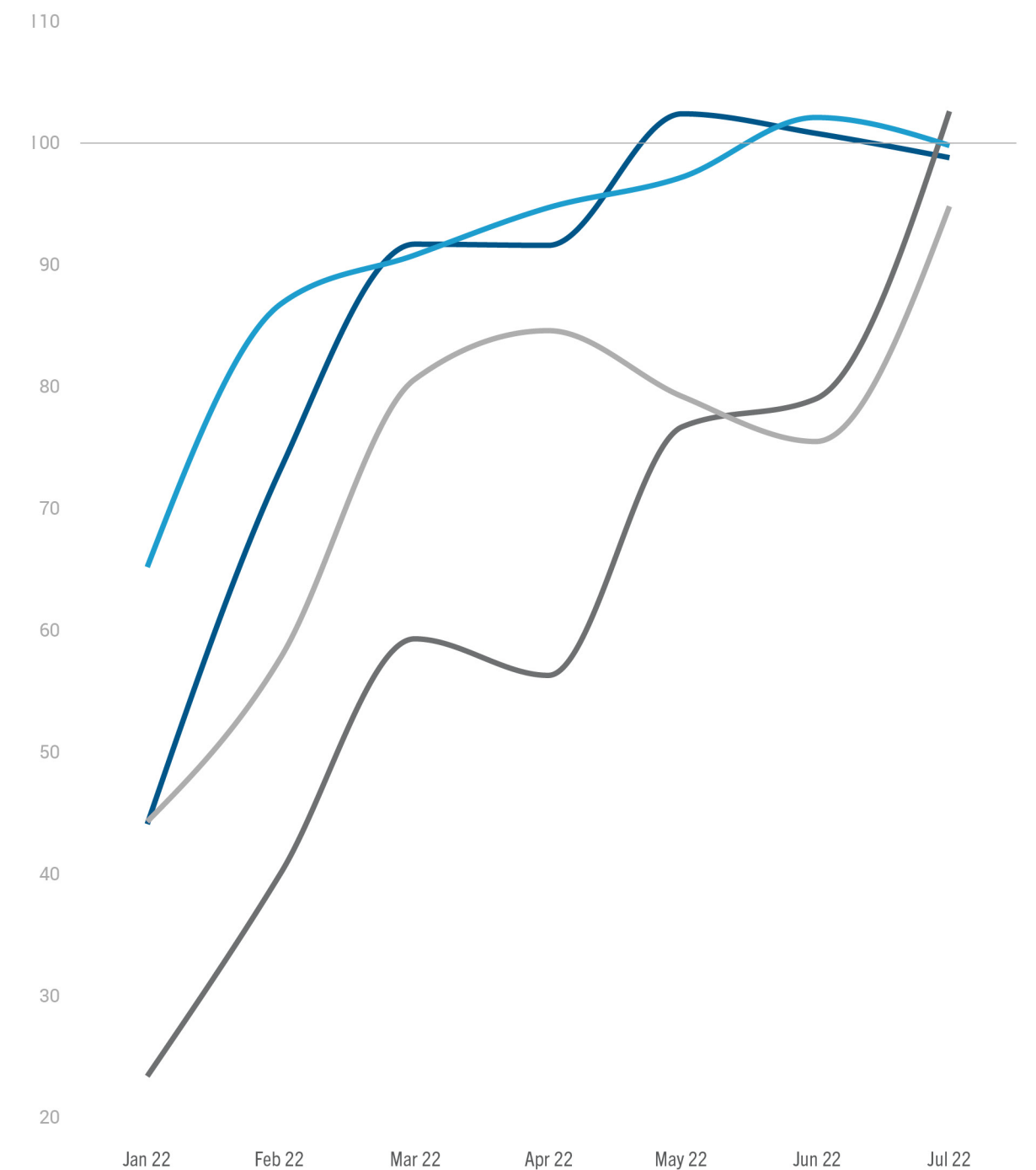
Groups vs. Transient

Segmentation data shows that group demand mounted a serious comeback in June and July—both in London and the Regional UK. The improvement in London is especially noteworthy given the market's dependence on corporate demand and large events.

Group business returning

Transient vs. Group, demand indexed to 2019

● London Transient ● London Group ● UK Regional Transient ● UK Regional Group



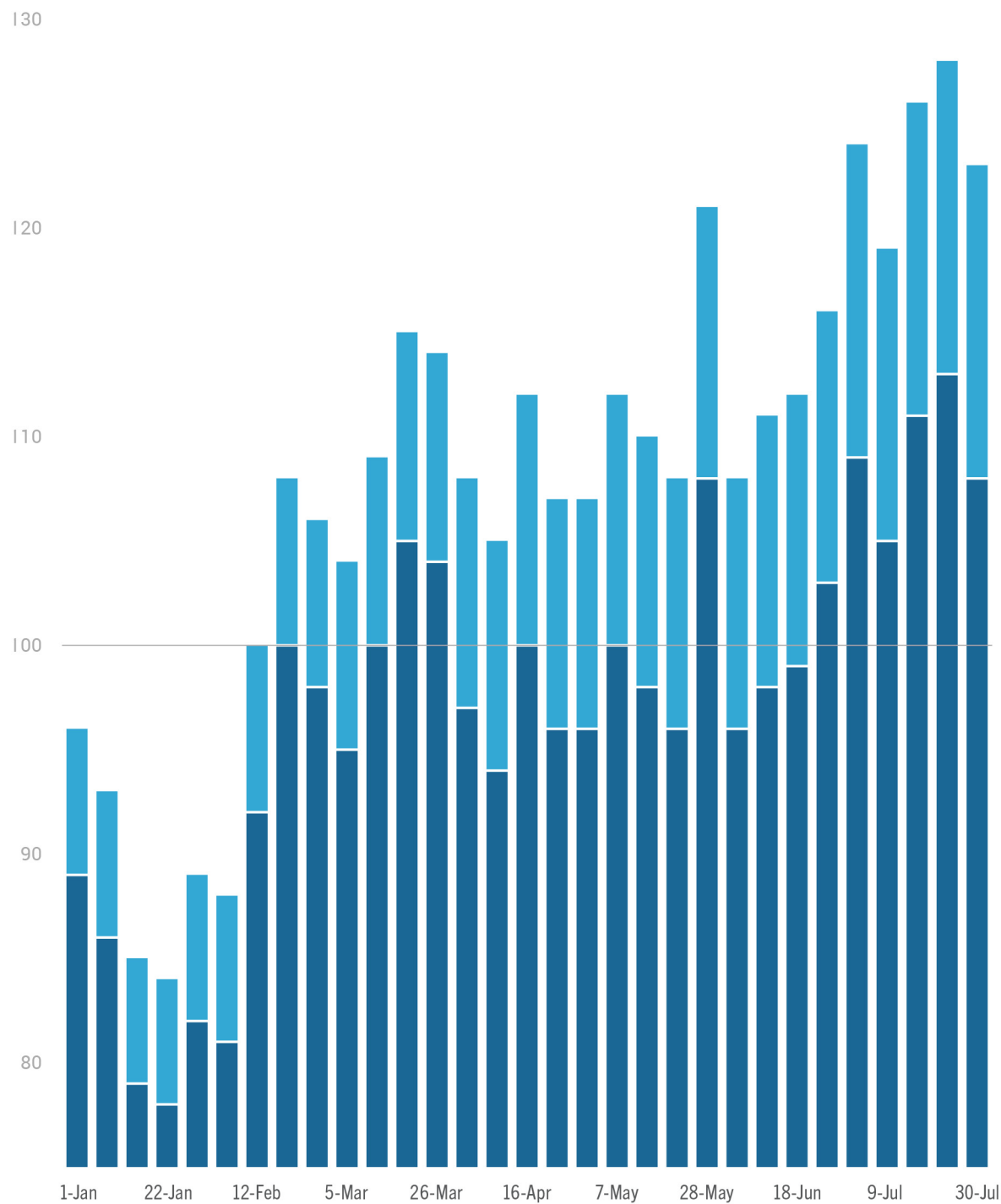
Inflation Impact on ADR

While the UK's ADR growth has been substantial in nominal terms, real growth (inflation-adjusted) didn't kick into gear until July. The exception was in Independent properties, which have been above 2019 levels in real terms since February. The effects of inflation are important to note when looking at the forecast later in this report, as rising costs are cutting into hotelier profits even as top-line performance recovers.

Real ADR recovery began in July

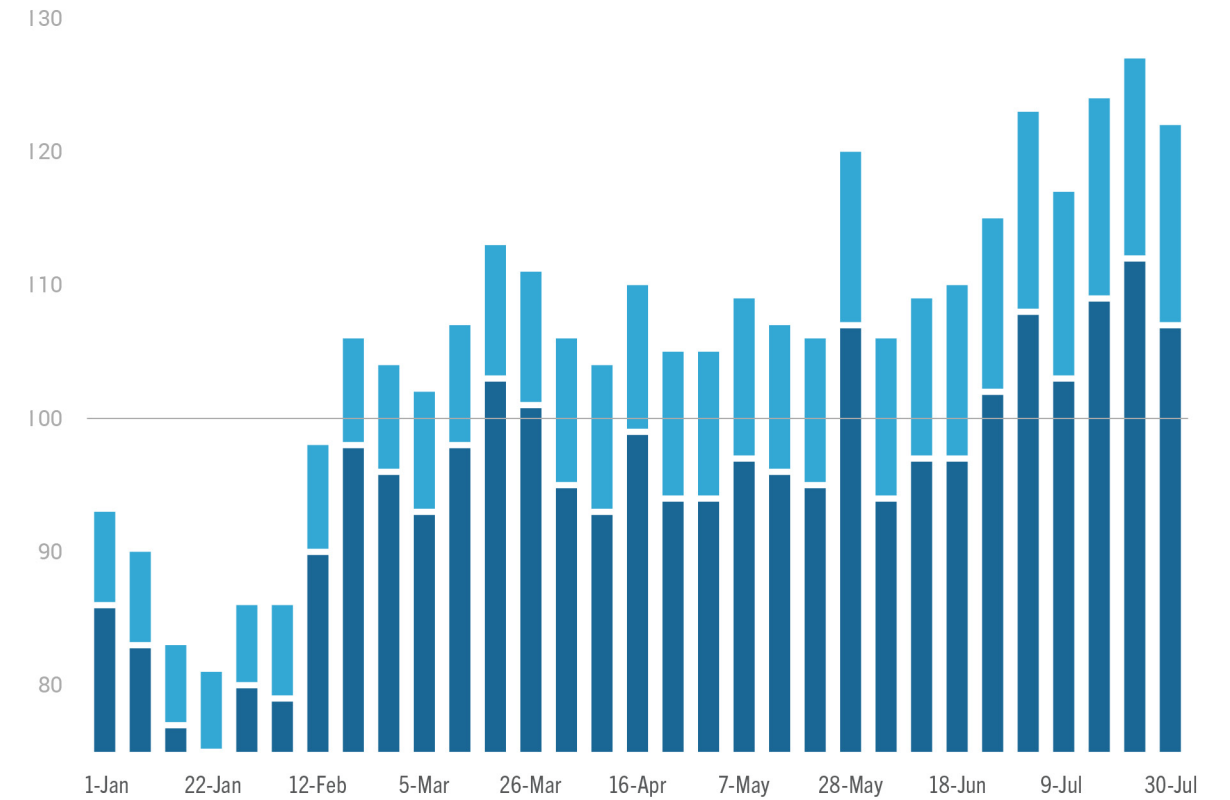
UK, weekly ADR indexed to 2019, Jan 2022-July 2022

● Real ADR Index ● Nominal ADR Index



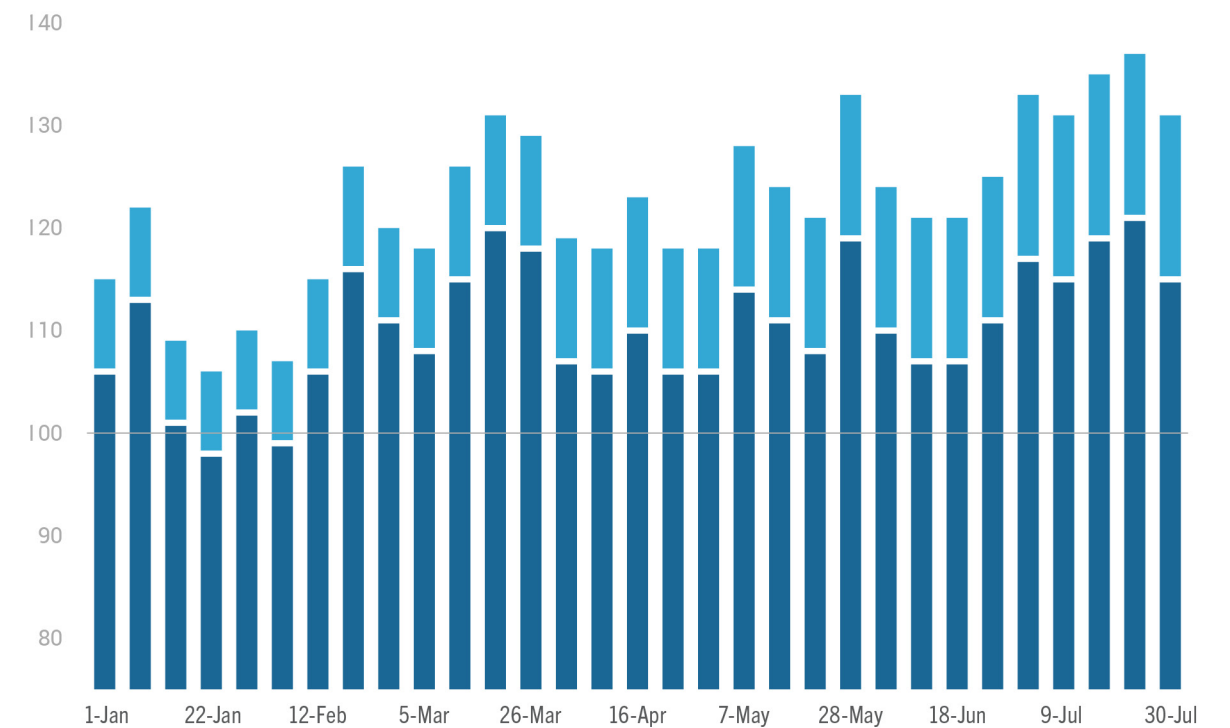
UK brands, weekly ADR indexed to 2019, Jan 2022-July 2022

● Real ADR Index ● Nominal ADR Index



UK Independents, weekly ADR indexed to 2019, Jan 2022-July 2022

● Real ADR Index ● Nominal ADR Index



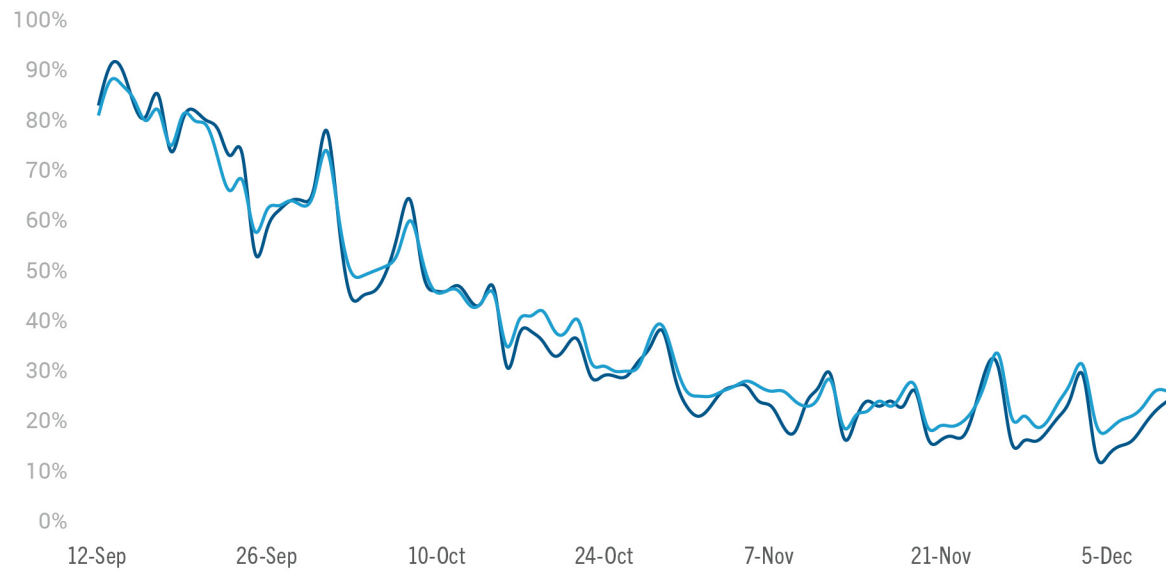
Occupancy on the Books and Pickup

Occupancy on the books and pickup (the difference in booking levels from one reporting period to the next) showed similar trends in London and the Regional UK with independent properties at slightly higher levels as well as weekend spikes. Outside of substantial increases for the official mourning period for Queen Elizabeth II, forward booking levels are softened as the country transitions from summer to the usual corporate demand season—especially in London and other gateway markets. However, corporate demand tends to book in shorter windows, so the expectation is for levels to strengthen provided there is not further impact from inflation or disruption from the war in Ukraine.

London Occupancy on the Books – Independent vs. Branded

Next 90 days, as of 12 September 2022

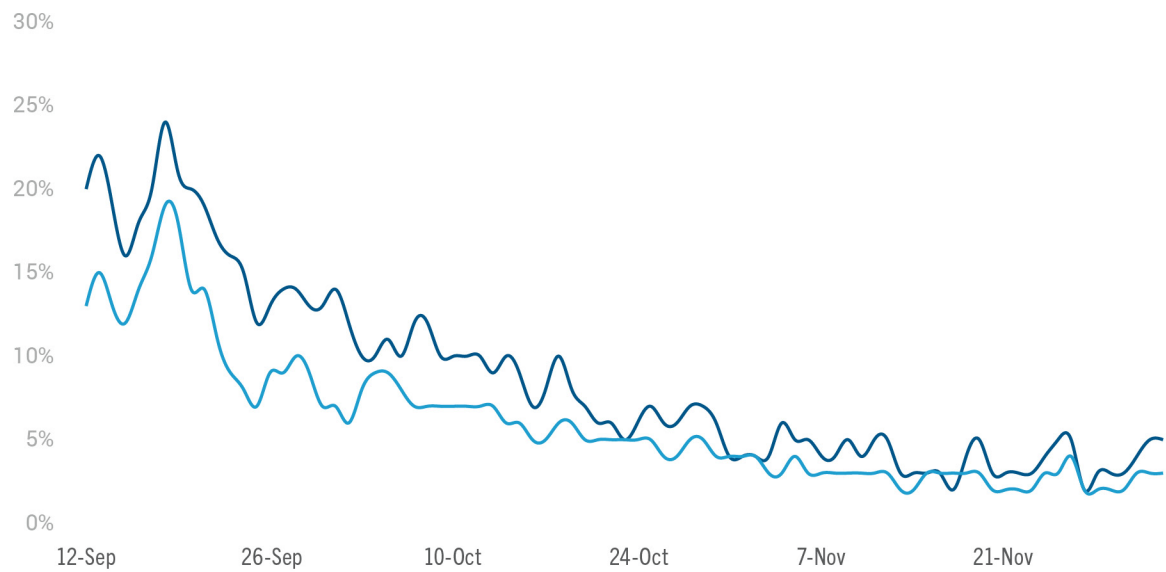
● London - Independent ● London - Brand



London Pickup – Independent vs. Branded

Next 83 days, as of 12 September 2022

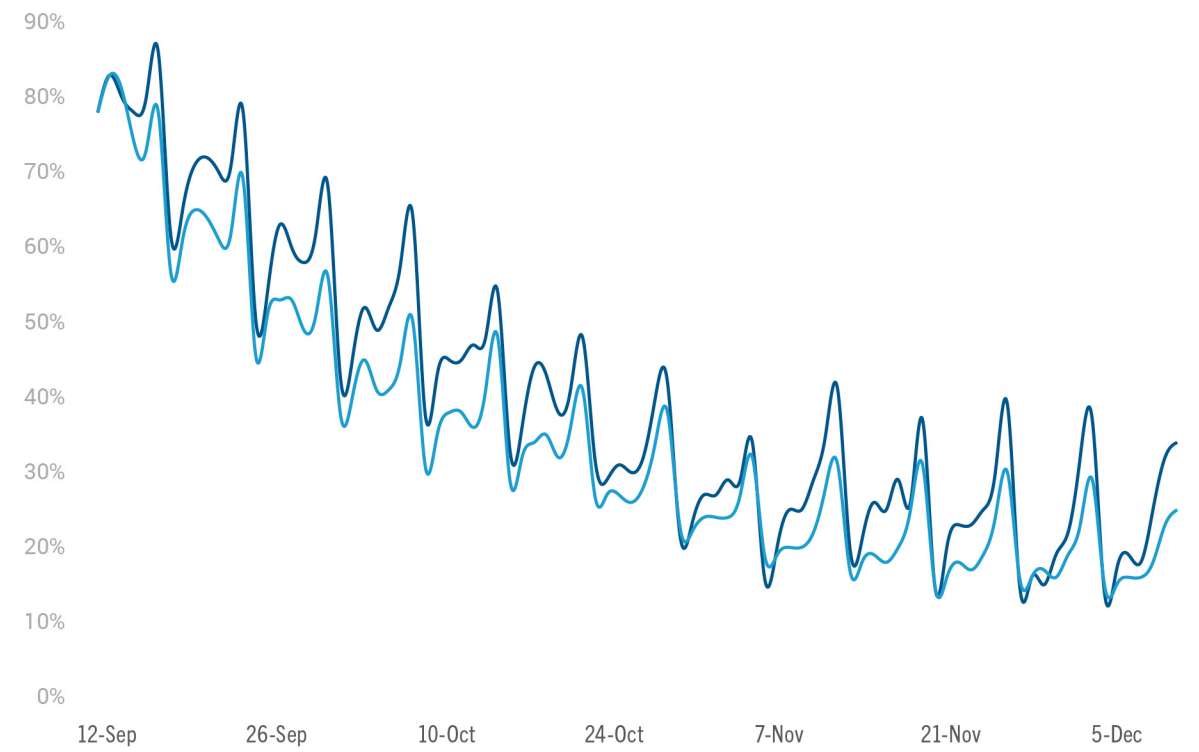
● London - Independent ● London - Brand



Regional UK Occupancy on the Books – Independent vs. Branded

Next 90 days, as of 12 September 2022

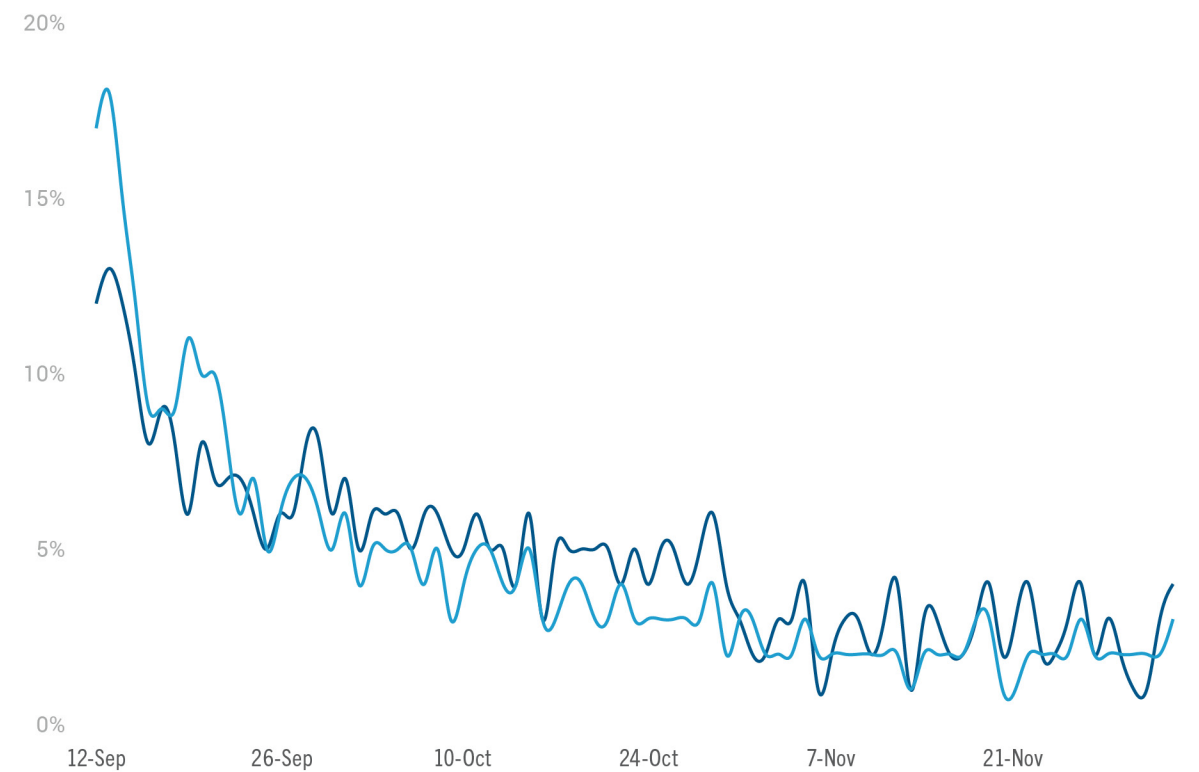
● London - Independent ● London - Brand



Regional UK Pickup, Independent vs. Branded

Next 83 days, as of 12 September 2022

● London - Independent ● London - Brand



Top-line Performance Forecast



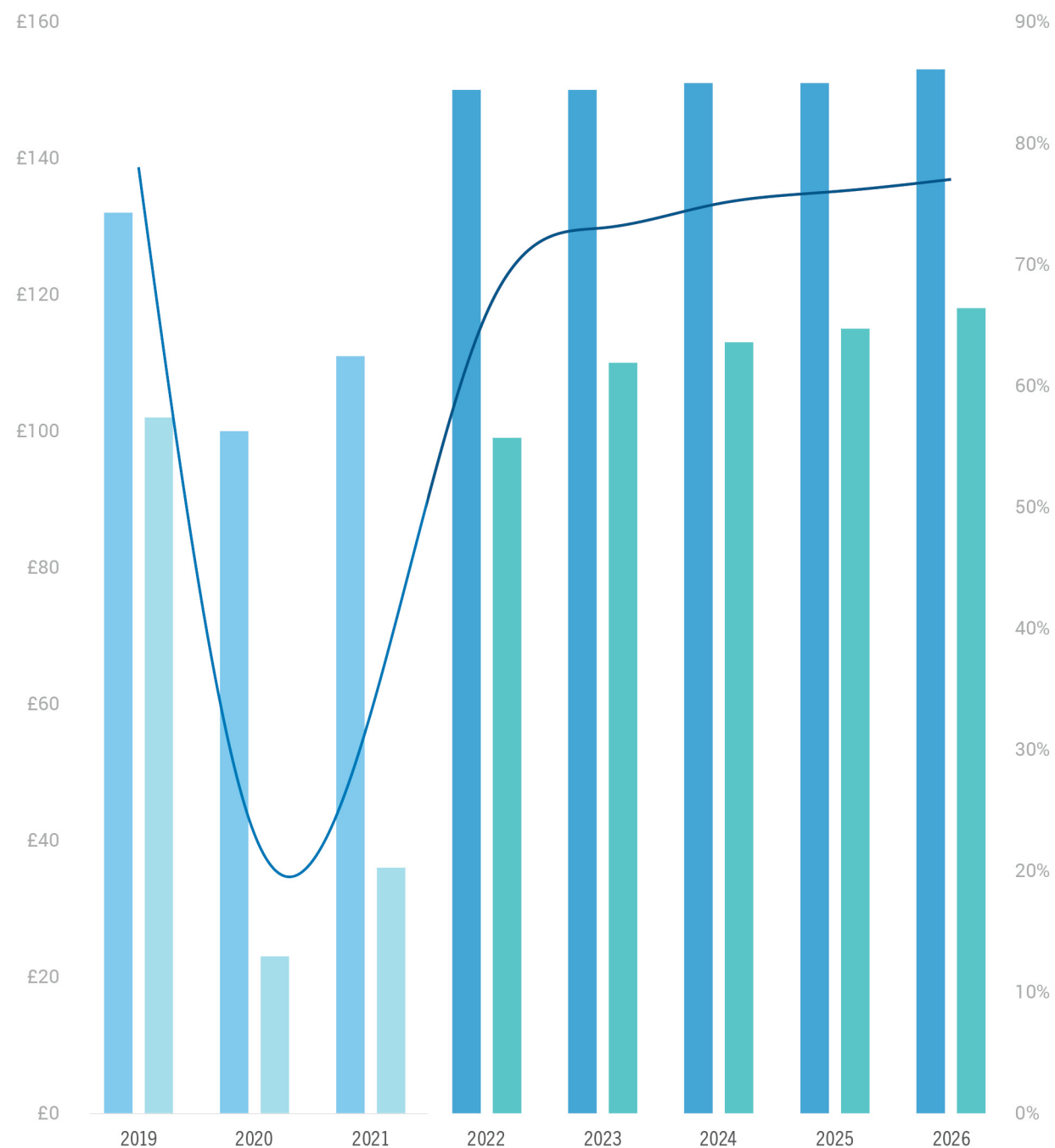
ADR continues to drive recovery in revenue per available room (RevPAR), which is forecasted to eclipse pre-pandemic comparables for major European markets in late 2022 and early 2023. While ADR is projected to plateau, occupancy should continue to improve gradually as more demand returns to the market.

Regardless, when adjusting for inflation, full RevPAR recovery is not projected for another few years around Europe and in the UK specifically.

Europe forecast

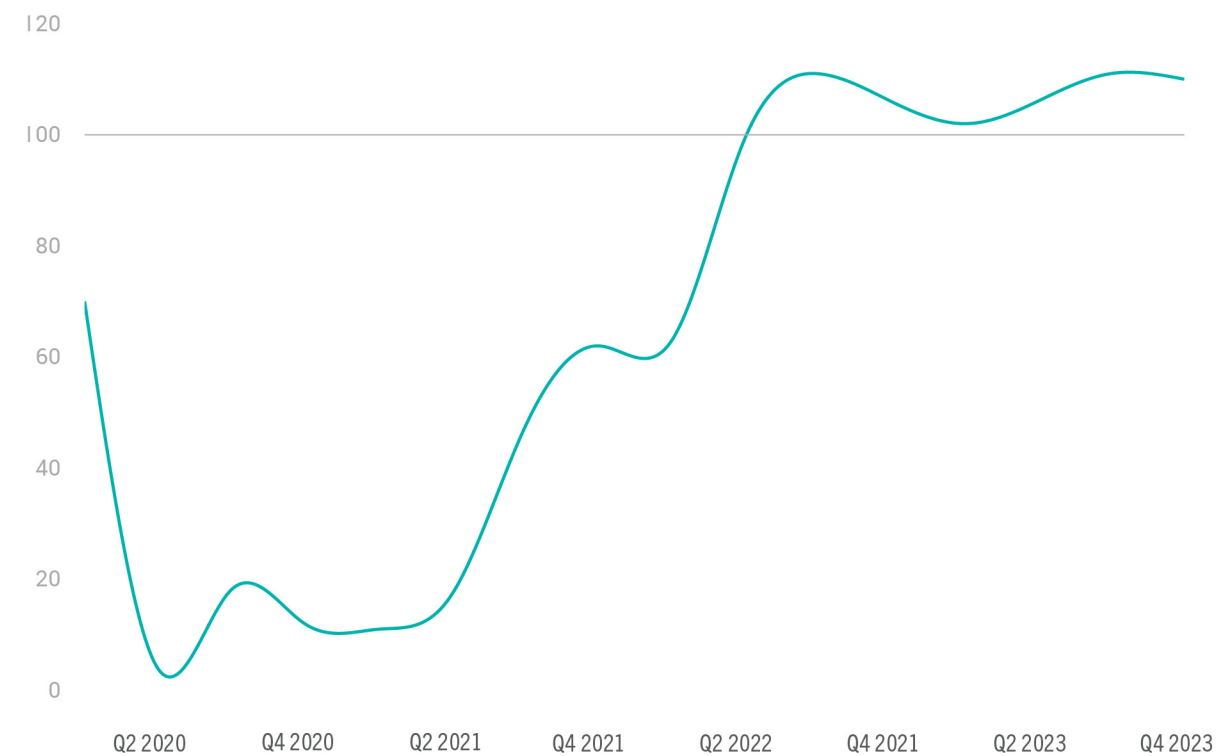
European cities, August 2022 update

● ADR (EUR) ● RevPAR (EUR) ● Occ



Europe recovery forecast

RevPAR indexed to 2019, August 2022 update



UK recovery forecast

RevPAR indexed to 2019, August 2022 update

● Demand ● Occupancy ● ADR (GBP) ● RevPAR (GBP)

