UK Hotel Dashboard

Knight Frank

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Key Hotel trading metrics, quarterly

8th May 2024

LONDON

London - Key Performance Indicators
% Change versus Q1-23 and rolling 12-Mths April-March 2022/23

	Q1-24		Rolling 12-Mths April-March 2023/24	
Occupancy	73.2%	4.6%	79.6%	6.0%
ADR	£191	-1.5%	£228	2.7%
RevPAR	£140	5.1%	£182	11.0%
TRevPAR	£188	5.0%	£235	10.1%
GOPPAR	£60	5.7%	£98	9.6%
GOP %	32%	0.2%	42%	-0.4%

Occupancy and GOP = % Point Change
POR – per occupied room
PAR – per available room

HOTSTATS

Note: HotStats benchmarking data comprises a greater number of upscale midscale, upscale, upper-upscale and luxury hotels, with the majority operating under a brand. Far fewer economy hotels are included within the datasets, as such the HotStats data is skewed towards the higher echelons.

LONDON: RESILIENCE DESPITE A MARGINAL SOFTENING IN THE ADR

With Q1 historically the weakest quarter in terms of RevPAR and profitability, the performance of the London hotel Market has shown resilience, despite a marginal softening in the ADR.

Q1-24 has seen the gap in occupancy narrow to 1.3 percentage points below Q1-19 levels. Whilst y-o-y the Q1 ADR has fallen by 1.5%, overall RevPAR was positive, up by 5.1%. Of significance, RevPAR has remained a strong hedge against inflation, with real growth of 1.7%.

London's Select Service hotels have outperformed the market, with Q1-24 occupancy rising to 79%, three-percentage points higher than compared to 2019. And whilst the ADR growth of the sector slowed y-o-y in Q1 to 1.3%, this was favourable compared to all other London hotel classes which suffered a decline. This robust performance led to 10% y-o-y growth in RevPAR, double the London average, which converted into real RevPAR growth of 6.2% over the last 12 months.

Meanwhile, whilst the double-digit uplift in passengers arriving at Heathrow and Gatwick airports have supported occupancy levels in London's Luxury hotels, (63% Q1-24 versus 59% Q1-23), strong competition following the opening of 600 luxury hotel rooms in 2023, has led to more challenging trading conditions, causing the ADR to decline. As such, Q1 RevPAR for London's Luxury hotels increased only marginally y-o-y. With the return of the Chinese market driven by affluent travellers, capturing new sources of demand will be critical as London's luxury hotel supply expands further.

RISING OCCUPANCY LEVELS HELP DRIVE DEPARTMENTAL INCOME

Despite inflation now falling, continued rising costs have put pressure on operators to increase prices. An increase in Rooms expenses as well as the 10% hike in the National Living Wage between Q1-23 and Q1-24, have caused room costs to increase by 21% PAR y-o-y, but these costs have been largely negated by the efficiencies made from improving occupancy levels.

The focus on growing occupancy levels, along with increased prices has supported revenue growth across all operating departments, with Food & Beverage operations recording revenue growth of 5% PAR. Combined with respectable cost control measures, this has resulted in a 23% increase in Q1 F&B income and profit margins rising to 17% of departmental turnover. Yet margins remain significantly lower than compared to 2019 (28%).

Leisure revenues, meanwhile, increased by 6% PAR y-o-y, leading to a rise of 8% PAR in Leisure income.

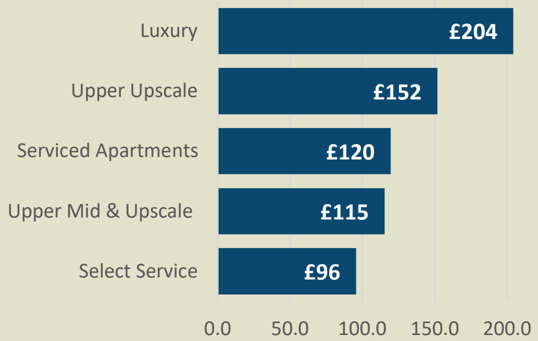
RISING UNDISTRIBUTED COSTS RESTRICT PROFIT GROWTH

Whilst utility costs have declined by 10% PAR y-o-y, these savings have been countered by increased costs across all other non-operational departments, with S&M costs rising by 11% PAR and Property, Operations & Maintenance costs up by 8% y-o-y. Total undistributed operating expenses across all London hotels averaged 27% of total revenue in Q1, rising to £50 PAR.

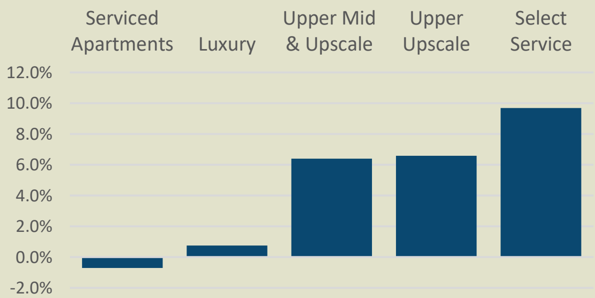
The 5% uplift in departmental operating income, driven predominantly by the Rooms department, has been a key driver behind the growth in Q1 GOPPAR. Select Service hotels were the top performers in Q1, with y-o-y GOPPAR growth of more than 13% and its profit margin rising to 42%, versus a GOP margin of 32% for the total London market.

London – Hotel KPIs

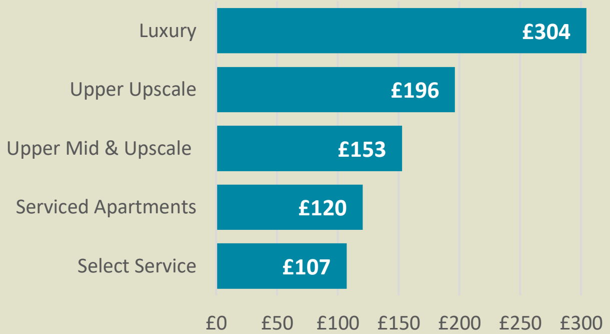
RevPAR (£)
Q1-2024



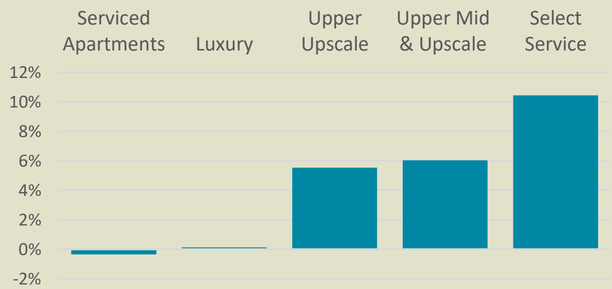
% Change v 2023



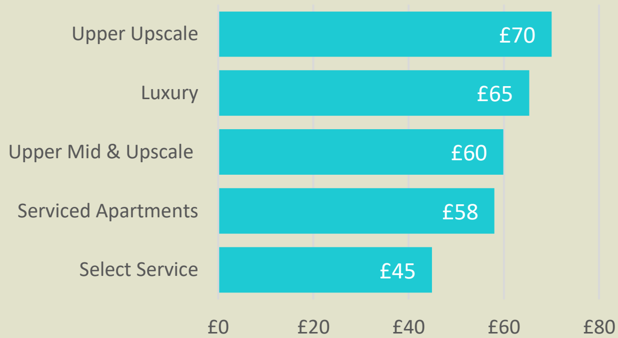
TRevPAR (£)
Q1-2024



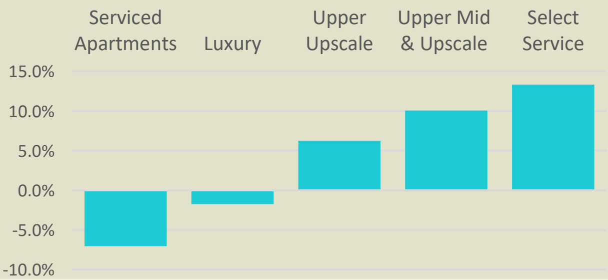
% Change v 2023



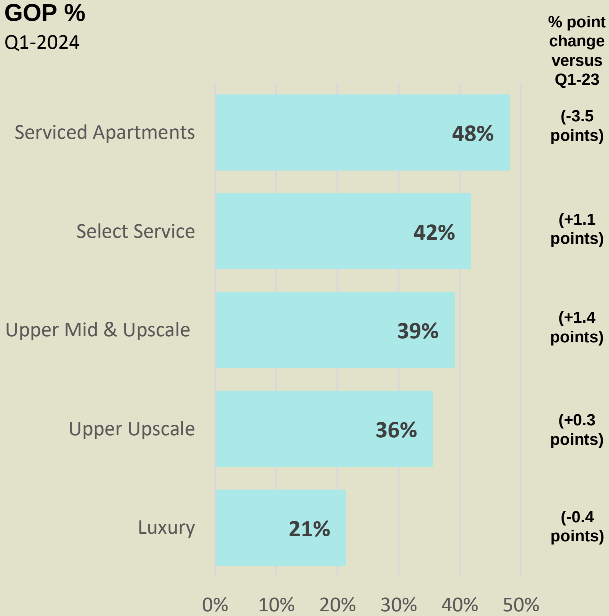
GOPPAR (£)
Q1-2024



% Change v 2023



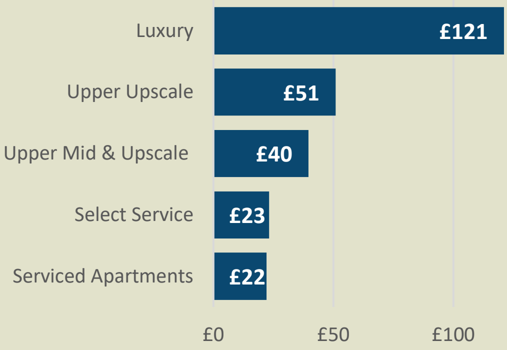
GOP %
Q1-2024



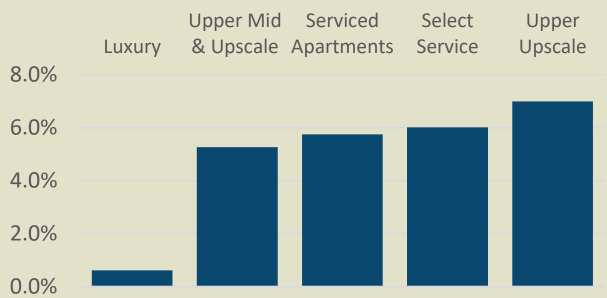
Departmental Metrics

LONDON

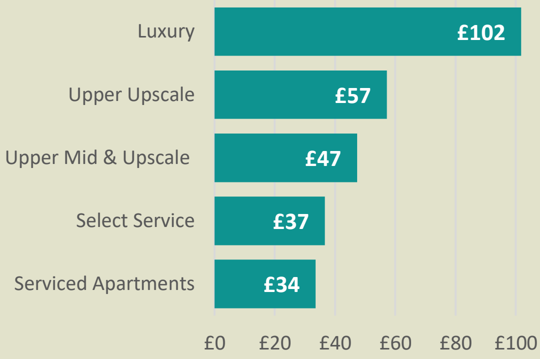
Total Hotel Payroll POR (£)
Q1-2024



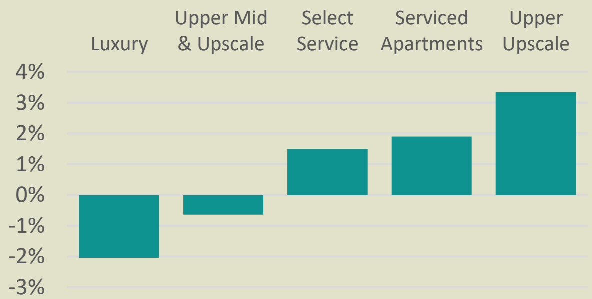
% Change v 2023



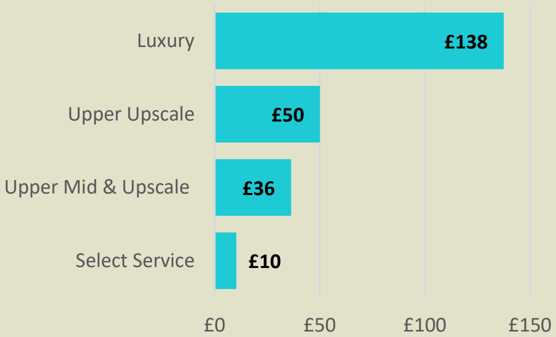
Rooms Cost POR (£)
Q1-2024



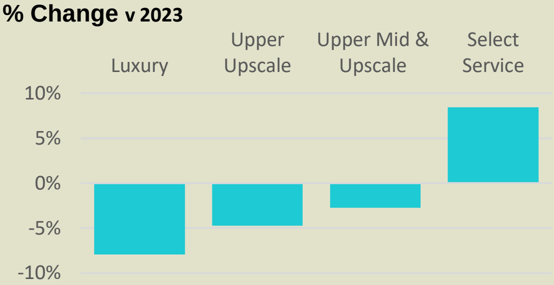
% Change v 2023



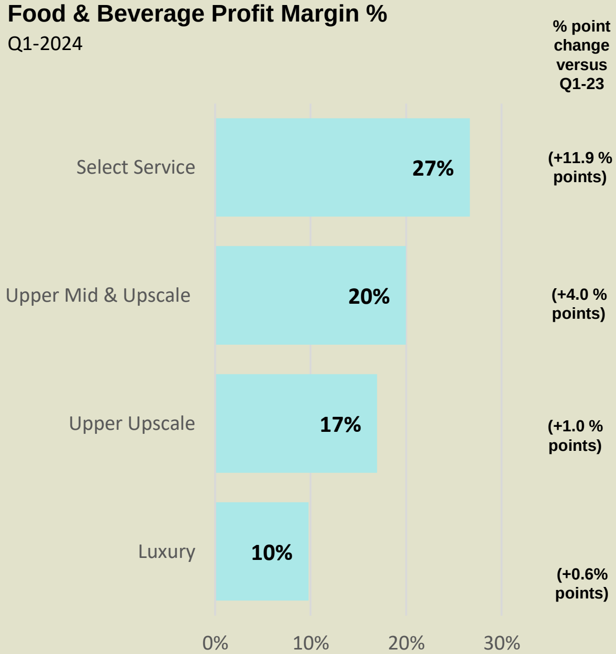
Food & Beverage Revenue POR (£)
Q1-2024



% Change v 2023



Food & Beverage Profit Margin %
Q1-2024



Regional UK

Regional UK - Key Performance Indicators, % Change versus 2023
% Change versus Q1-23 and rolling 12-Mths April-March 2022/23

	Q1-24		Rolling 12-Mths April-March 2023/24	
Occupancy	67.9%	1.1%	74.5%	1.8%
ADR	£92	2.8%	£103	5.7%
RevPAR	£62	4.4%	£77	8.3%
TRevPAR	£101	4.7%	£120	7.7%
GOPPAR	£21	8.6%	£35	8.2%
GOP %	21%	0.7%	29%	0.5%

Occupancy and GOP = % Point Change
POR – per occupied room
PAR – per available room

HOTSTATS

Note: HotStats benchmarking data comprises a greater number of upscale midscale, upscale, upper-upscale and luxury hotels, with the majority operating under a brand. Far fewer economy hotels are included within the datasets, as such the HotStats data is skewed towards the higher echelons.

REGIONAL UK: ENCOURAGING START TO 2024 TRADING

It was a positive first quarter for the Regional UK hotel market, with respectable RevPAR growth, achieved from both an uplift in occupancy and ADR. More in-depth analysis reveals how certain hotel classes have outperformed, driving both RevPAR and ancillary revenues.

Major regional airports have benefitted from new direct flight schedules, with overseas visitor arrivals up by 10% y-o-y to February and passenger numbers returning to 2019 levels. A blend of robust domestic demand, combined with the ongoing recovery from overseas, has helped underpin respectable RevPAR growth. In Q1, RevPAR kept pace with inflation, achieving real growth of 1.1%.

Q1-24 has seen the gap in occupancy narrow to 1.8 percentage points below Q1-19 levels. Meanwhile, increased demand for meetings and events, and strong growth in corporate and negotiated rates have contributed to healthy ADR growth. Q1 ADR increased by 2.8% y-o-y and remained 23% ahead of 2019 in nominal terms.

REVPAR AND ANCILLARY REVENUES DRIVE GROWTH

Golf and Spa hotels recorded strong ADR growth y-o-y of 5.3% to £158 and along with a stepped recovery in occupancy to 56%, RevPAR increased by 9%. This performance was mirrored by a 10% rise in F&B revenues and with costs kept in check, F&B income in Q1 increased by more than 20%.

Regional Upper Upscale hotels matched the 9% growth in RevPAR of Golf & Spa hotels, but occupancy was the key driver – recording a five-percentage point uplift. Improving demand from meetings, conventions and events significantly supported RevPAR growth and ancillary revenue spend, with upscale and upper-upscale hotels recording respectable, above inflationary growth in F&B revenues. F&B departmental income increased by 15% y-o-y for upscale hotels and by 10% for upper-upscale hotels, with margins improving to between 19% and 21% - but at this level is some six percentage points lower than in 2019.

LEISURE INCOME A KEY DRIVER OF GROWTH

Making an 11% contribution to the total departmental income, a 27% uplift in the leisure income had a significant positive impact on the Q1 trading performance of Golf & Spa hotels y-o-y. Whilst leisure income typically generates a lower share of total income across other hotel classes, a 22% y-o-y uplift for upper-upscale hotels and a 13% uplift for upscale hotels, supported bottom line performance particularly where profit margins of around 50% are achieved.

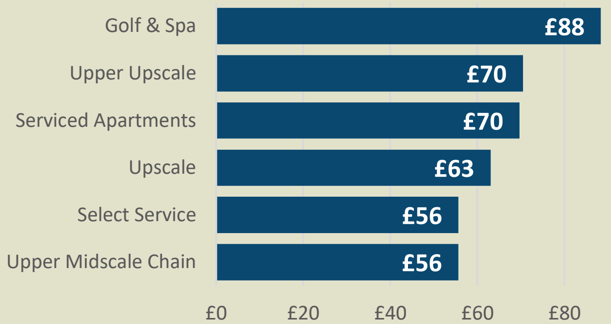
DECLINING UTILITY COSTS HELP MITIGATE RISING NON-DEPARTMENTAL COSTS

Hotels across Regional UK have seen lower utility costs y-o-y, declining by 13% PAR. Utility costs accounted for 8.2% of total revenues, compared to 10% in Q1-23. In keeping with London, these cost savings have been cancelled out by increases in the other non-operational departments.

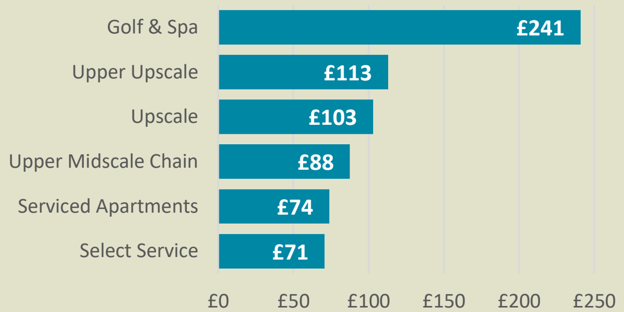
Despite costs rising, the Q1 story has been one of improving revenues across all departments, fuelled by the return of meetings, conference and events. The biggest winners were Golf & Spa hotels, where y-o-y Q1 GOPPAR increased by 87%, upper-upscale hotels recorded GOPPAR growth of 44% and a 26% uplift for upscale hotels. Select Service hotels recorded only marginal GOPPAR growth of 3%, whilst upper-midscale hotels saw profits decline.

Regional UK - KPIs

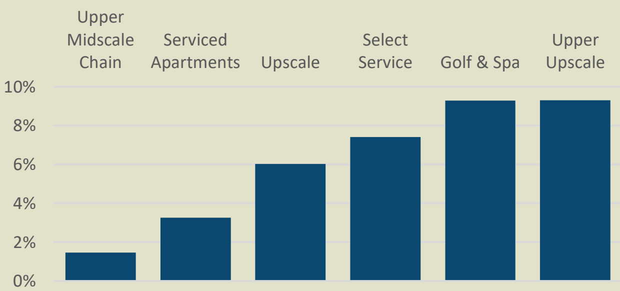
RevPAR (£)
Q1-2024



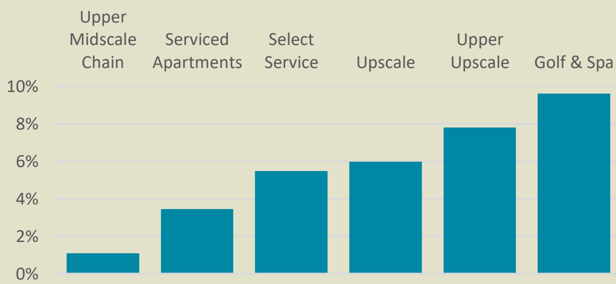
TRevPAR (£)
Q1-2024



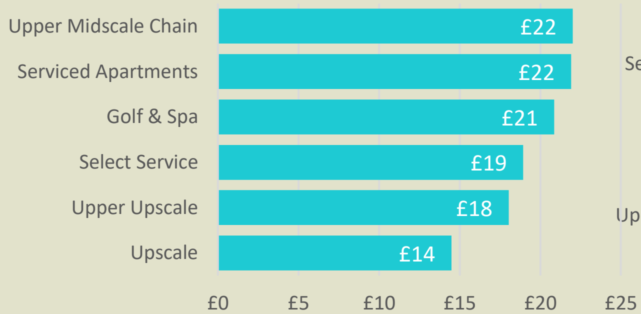
% Change v 2023



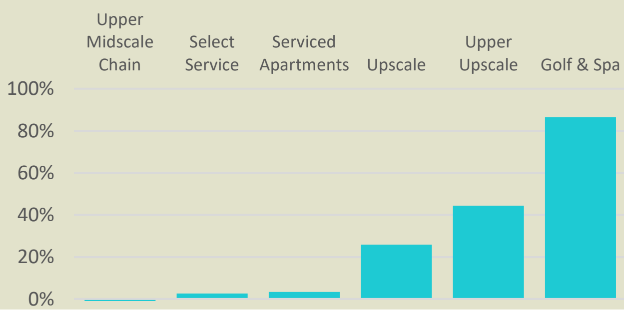
% Change v 2023



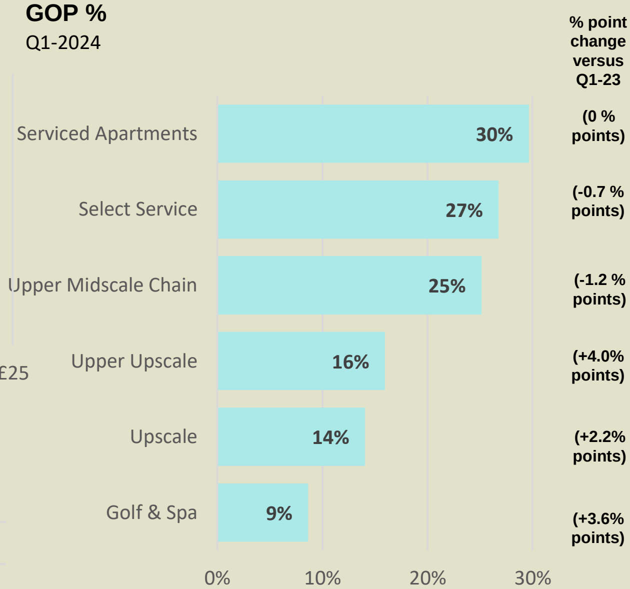
GOPPAR (£)
Q1-2024



% Change v Q1-2023



GOP %
Q1-2024



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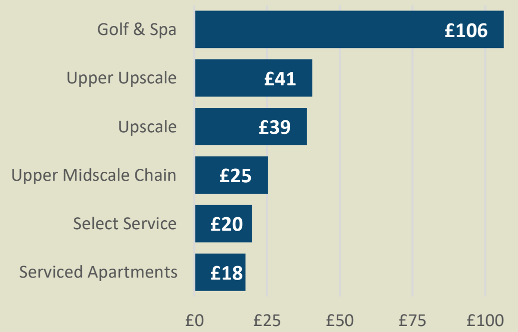
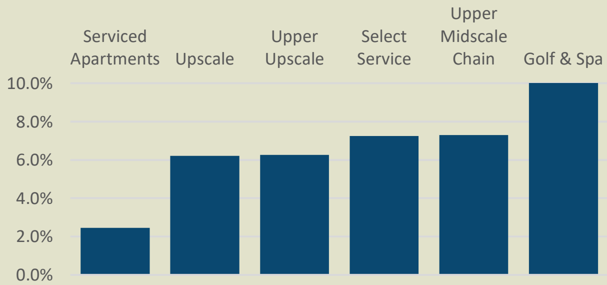
Departmental Metrics

Regional UK

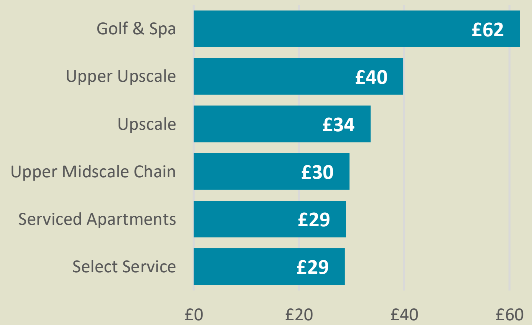
Total Hotel Payroll POR (£)
Q1-2024



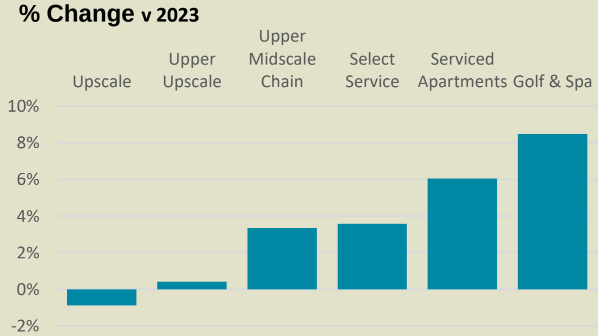
% Change v 2023



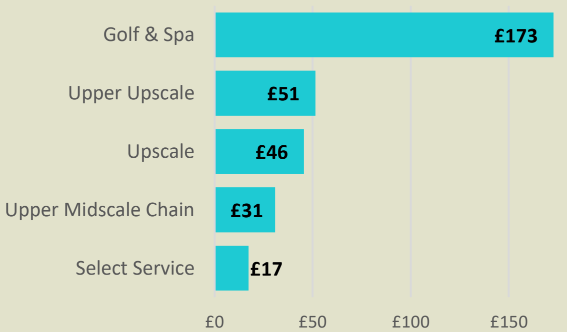
Rooms Cost POR (£)
Q1-2024



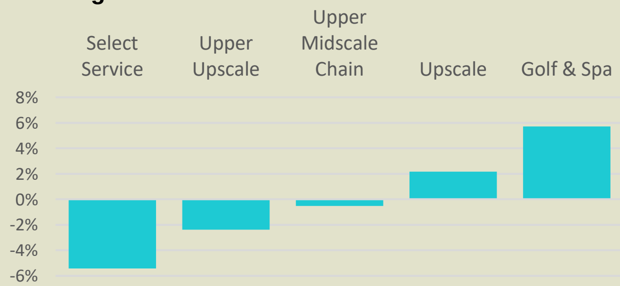
% Change v 2023



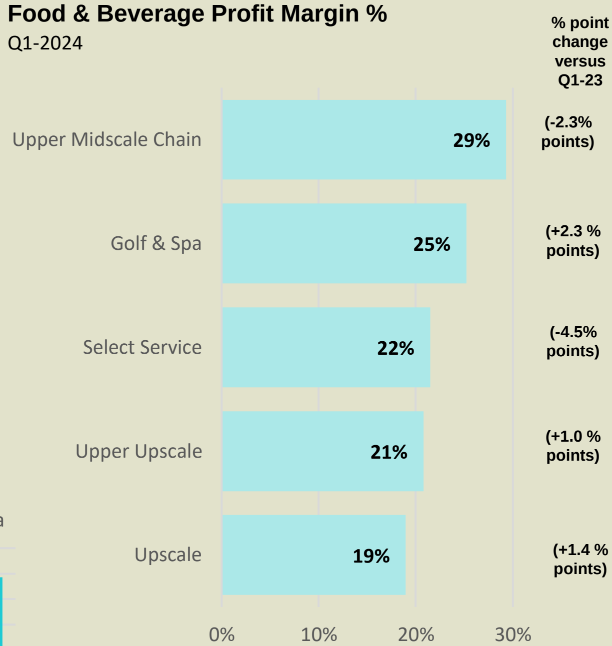
Food & Beverage Revenue POR (£)
Q1-2024



% Change v 2023



Food & Beverage Profit Margin %
Q1-2024



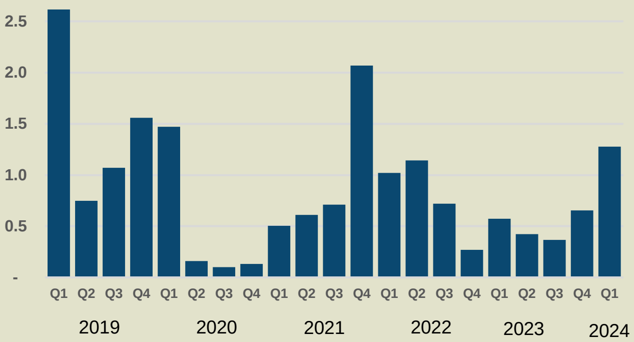
HOTSTATS

Knight Frank

UK Hotel Investment

UK hotel Investment Volumes

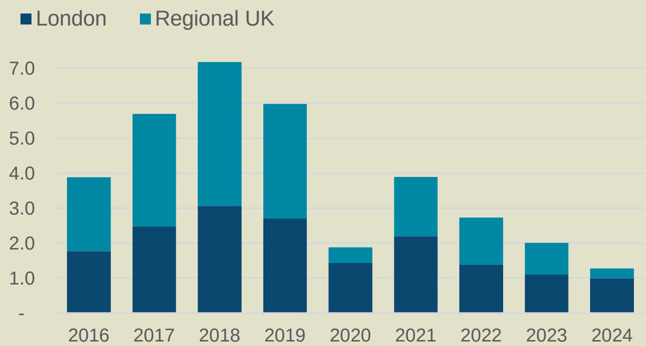
By Quarter, £bn, 2019-2024



Source: CoStar Group, MSCI, Knight Frank Research

Investment Volumes, London v Regional UK

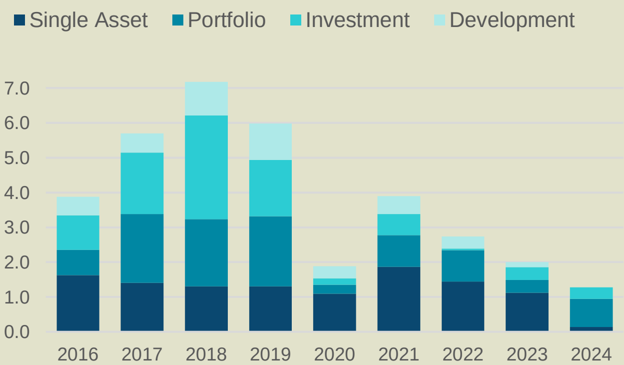
£bn



Source: CoStar Group; Real Capital Analytics, MSCI, Knight Frank Research

Investment Volume Breakdown

£bn



Source: CoStar Group; Real Capital Analytics, MSCI, Knight Frank Research

Note: Q1 deal volume includes Starwood Capital's acquisition of 10 hotels from the Edwardian Group, trading under the flag Radisson Blu Edwardian.

Q1-2024

£1.3 billion transacted
<100 hotels
7,700 rooms

78%
London Market Share

74%
Upscale & Upper-Upscale

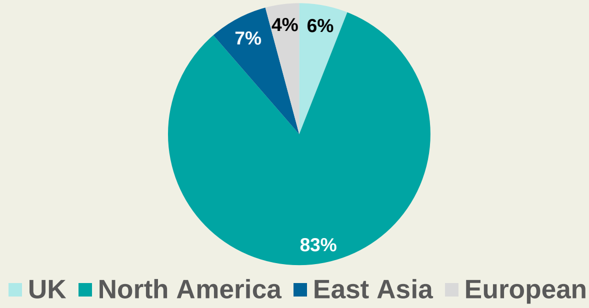
Going Concern Hotel Transactions, 2024 v 2023

Average Price per Key (£)

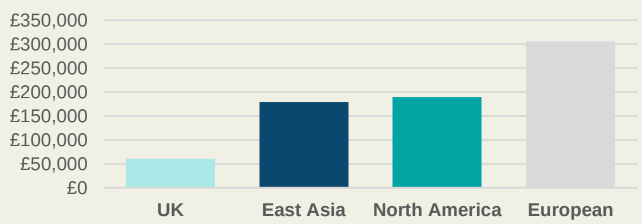
LONDON	REGIONAL UK
£349,000	£63,000*
-1%	-55%

*Negatively Impacted by very few corporate hotels transacting

Geographical capital flows Q1 2024



Q1 - Average transaction price per room by region (£)



HOTSTATS

Is a global data benchmarking company that provides specialized performance analysis and a benchmarking platform that services hotels around the world. HotStats collect financial and operational data from a diverse range of hotels globally to provide hotel owners, operators, and investors with valuable insights into the financial performance of their properties against their competition – an invaluable resource for evaluating investment opportunities and weighing options for prospective investors. email enquiries@hotstats.com for more information.

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