



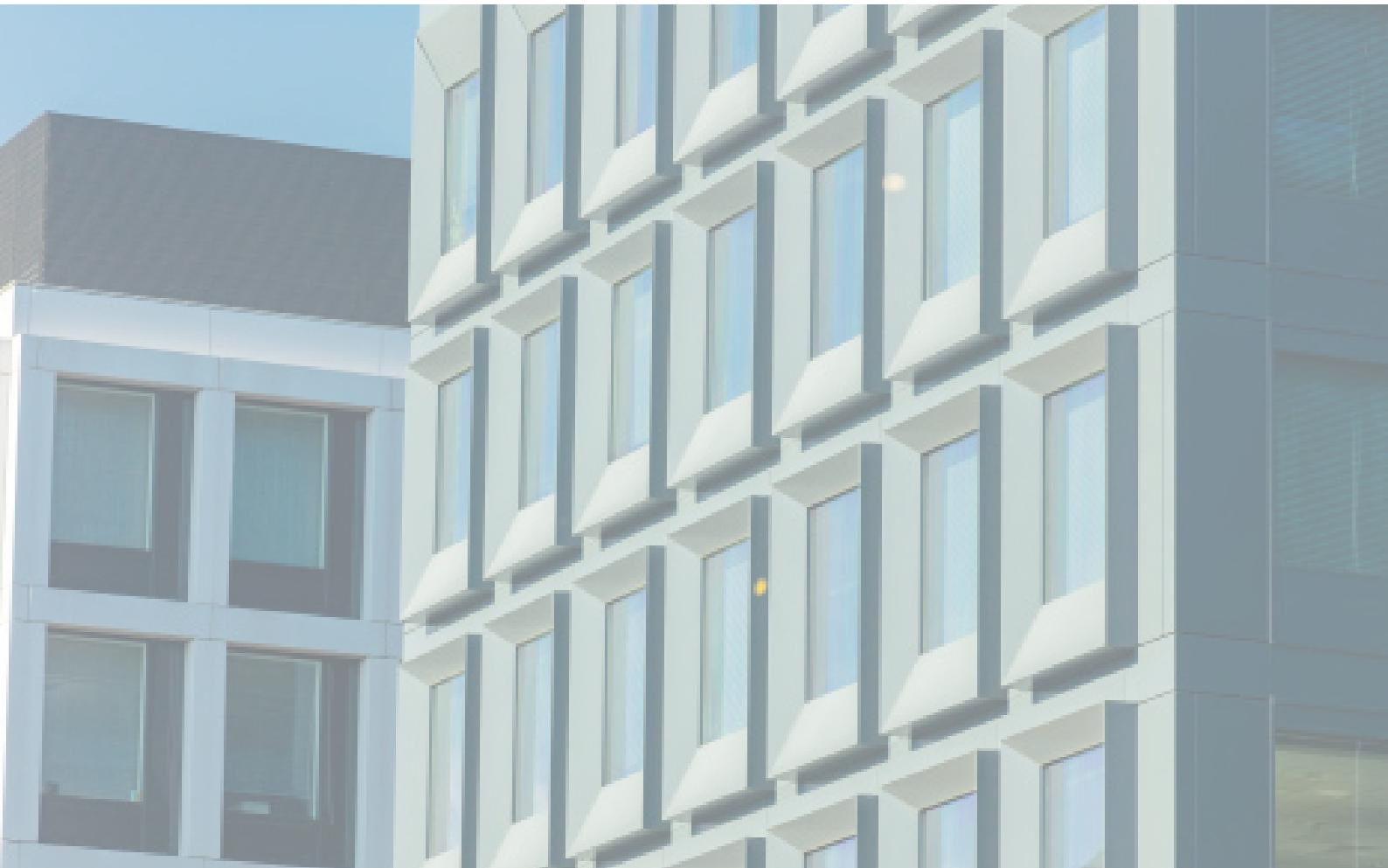
Forward Pricing Report



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Author's Note

Looking forward to the year ahead always feels more daunting than simply in-year quarter to quarter. But it is always a continuation. What lies ahead is a product of what has just happened. In this sense there have been real changes over the last 12 months and particularly in the last half of 2024 that will be the key drivers of price, assuming an absence of unexpected shocks such as pandemics and war. This author's note aims to contextualise our findings, offering a nuanced perspective on the anticipated trends and their implications for stakeholders in the hospitality sector.

1. Increasing ADR (Average Daily Rate) stability: On the one hand the pandemic feels along time ago now. Most of us are happy for it to feel that way and look

forward rather than back. The shadow cast by the pandemic and subsequent supply chain issues and then compounded by inflation fueled by geopolitics has been long. Looking ahead to 2025 all the data we look at would point to a more stable environment. Year on Year change is likely to be muted.

For buyers of hotel rooms this is good news. It makes forecasting and contract pricing easier. It will ease internal pressure in delivering projects and allow for different project fulfilment in tapping into wider pools of labour for specialist skills rather than preferencing local hiring to keep costs down. The hotel side perspective is different in that if market rate development is slowing it puts pressure on RevPAR (Revenue Per Available Room). Rate negotiation for 2025 has been far from easy. In-year sourcing to optimise rate for clients will be just as hard. But overall, the price environment is likely to be more stable.

2. Changing external pressures. In recent years there have been such powerful external factors that seasonality has largely been overshadowed.

Keith Watson
Chief Operating Officer



Author's Note

where they deliver that work and how the project is staffed can be heavily influenced by the cost of travel and accommodation. We look forward to supporting our clients as they realign their work in a calmer ADR period.

2025 is likely to be a continuation of what we saw developing through 2024 which is a strengthening of seasonal trends and the largest drivers of price changing. Inflation, Interest rates, and energy costs are more stable. With a new government installed in the UK the political environment is also likely to be calmer.

3. Business travel confidence. Noting the previous two points, for the business travel community easier forward visibility and predictable pricing is good for forecasting but also good for a general sense of confidence. So much of business travel rests on companies being comfortable to invest in conferences, meetings, team training as well as visiting clients and prospects. For workforce companies with a heavy emphasis on project delivery,

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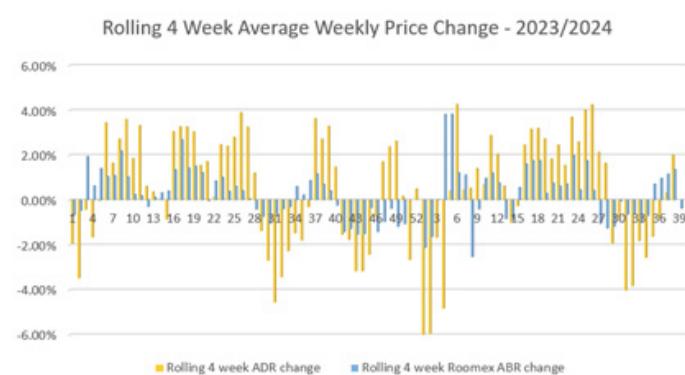
If Q2 & Q3 felt like a very mixed picture of competing pressures on price, from the election to mixed growth statistics, Q4 looks like it might be the calm, but before what is so far unknown. It could be the calm before the growth kicks in with the new government with their large majority and infrastructure projects getting underway. But on the other hand it might also be the calm before the storm as geo political tension in the Middle East starts pushing fuel prices up and the US election gathers pace. STR, a global hospitality data company, forecast hotel Average Daily Rate (ADR) in January 2025 will be below 2024 (-0.2%). This is not the trend forecast for the rest of 2025, but it does point to a period of more mild price development after the inflation of recent years which started to calm in 2024.

Introduction

As Q3 unfolded the pattern followed 2023. Whilst UK hotel prices overall rise in the summer period, peaking during August with leisure trade at its high point, procuring workforce business accommodation follows a slightly different track. Roomex most closely follow the ADR of 3* accommodation, being the most booked by the Roomex customer base. In this segment, and away from seaside leisure-driven locations prices dropped as expected, but started their rise through September. As an overall pattern August, October, November and the Christmas period see booked prices for workforce travel in the UK drop.

Some of the most recently released external statistics also point to a calming picture. At the end of 2023 the UK was in a recession – mild but non the less experiencing some negative growth. July 2024 GDP was flat with no growth and was on the back of 0% growth in June and +0.4% May. It's not recession but its also not much of a tailwind.

The UK Manufacturing Purchasing Managers Index also suggests a fairly flat outlook. On a scale where 50 means the outlook is neither improving or getting worse, August was 53.5, down from July's 55.3 and below a forecasted 54.9. so getting worse but not dramatically.

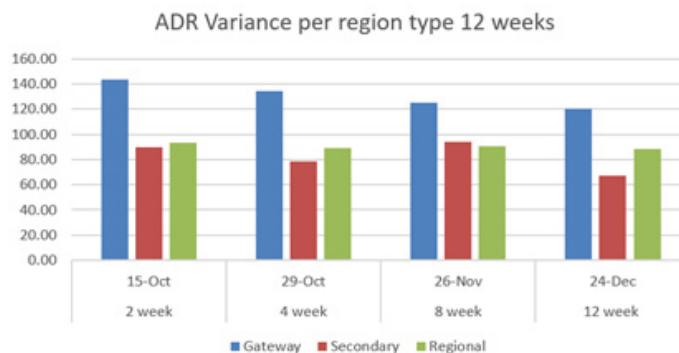


Overall in the UK market ADR has followed the expected seasonal trend. Whilst leisure traffic impacts Roomex booked ADR as the graph shows, it has a much more muted impact than on the market as a whole. Roomex Rates – the consortia rate programme open to all Roomex clients reduces price for clients but also smooths out the peaks.

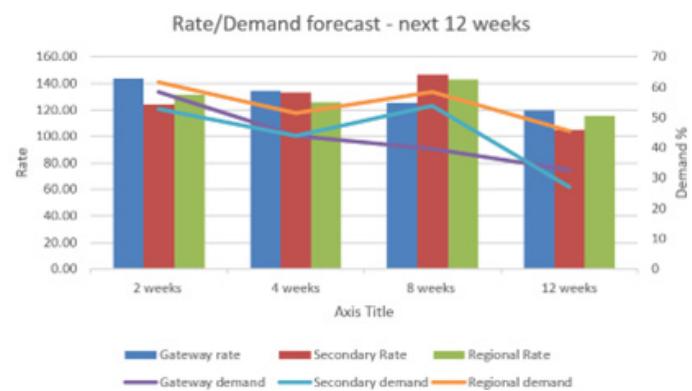


Week 37 saw UK total market room nights checked-in breach 3m on the weekday nights (mid-week being most relevant for the workforce market). This matches exactly the timing of peak demand in 2023 and underpins the price spike.

Q4 itself shows a shrinking in price gap between location type: Gateway, Secondary and Regional. Essentially with demand dropping away prices drop sharpest in the locations that would have enjoyed most seasonal uptick. In 2023 total market demand dropped -13.3% between week 37 and week 44 (Mid Sept to 1st week Nov). Forward ADR shows -8% softening over the same period in 2024. It looks like the same unwinding pattern is playing out this year.



Overall ADR drops again looking further out to the end of the quarter but its then caught up in the Christmas period. Of all the region types Regional shows the smallest price drop forward 8 weeks at -2% with Secondary locations dropping -5%. The graph below overlays our own demand insights onto price and becomes very evident – demand is essentially sliding through the autumn period with the exception of the end of November.



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Summary

The period of covid and Ukraine driven inflation is well behind us at this stage. Other geo political tensions may come to bear but there is no sign of this being a prolonged trend yet despite some very recent volatility. Seasonal trends seem inline with 2023 and demand and price trends are inline with expectation.

The October budget in the UK is much discussed but it seems likely that a new government will be pro investment and spending and in projects they feel will drive growth which should play into market robustness. That will serve to maintain a steady price environment across UK hotels. Whilst January indicators suggest it will be a

low ADR month compared to trend, Q1 2025 is likely to unfold largely in line with recent trends.

Corporate RFP season in the hotel industry is underway. Roomex armed with new software has started its process and will be discussing both Client Rates and the Roomex Rate programme with clients in the coming days and weeks. Please be in touch if you have any questions on the process.

About the Data

Sample set of 50,000 price points used from UK Hotels. All data is from 3 star hotels only to reflect Workforce travel requirements

Research and Analysis

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