

COVID-19: FROM SURVIVAL TO RECOVERY

Supporting the Hotel & Visitor Accommodation Industry through the Crisis

UPDATE 3: 14 JULY 2020

Introduction

This is the third 'From Survival to Recovery' update from Hotel Solutions providing further information on how the COVID-19 crisis is affecting the UK hotel and visitor accommodation industry to help DMOs and local authority tourism teams to support their hotel and visitor accommodation businesses as they move from the reopening to the recovery phase.

While hotel and visitor accommodation businesses are now starting to reopen and getting used to the 'new normal' operating requirements, all of the latest insight still points to a long recovery for the sector, particularly for the hotel industry and for hotels and hostels in city centre locations. Rural accommodation, especially non-serviced accommodation, looks set to bounce back more quickly. The focus of recovery remains very much about staycations, with corporate demand and inbound leisure tourism looking likely to take much longer to recover to pre-COVID levels. While much uncertainty remains, the levels of interest in new hotel and visitor accommodation development and buying and selling hotels are encouraging.

Winners

The latest ASAP (Association of Serviced Apartment Providers) sentiment survey of its members shows an encouraging COVID-19 recovery outlook for **serviced apartments**. While COVID-19 has had a significant impact on the sector, over half (53.8%) of respondents expect occupancy rates to reach pre-lockdown levels during 2021, and nine out of 10 (87.2%) believe that serviced apartments are better positioned to recover from COVID-19 compared to the wider hotel industry, as their self-contained nature more readily supports social distancing. The longer average lengths of stay that serviced apartments achieve (26.8 nights) will also help to drive higher occupancy levels as demand recovers. Serviced apartment operators are however expecting their guest mix to change over the next 12 months. While long-stay corporate guests will remain the core market, many serviced apartment operators are predicting a shift more towards leisure markets. The greatest challenges going forward were identified as economic conditions, international travel restrictions, social distancing requirements and reduced corporate travel budgets.

Parkdean Resorts, the UK's largest holiday park operator, has experienced a surge in bookings since reopening on 4 July: it expects to be at 100% capacity for July and August and is anticipating record bookings for September and October. The company has recruited record numbers of staff to cope with the expected demand. Its recovery has been boosted by a £4.5m TV, radio and social media advertising campaign.

Consumers are keen to take **luxury hotel breaks** in the next three months according to new research from Pride of Britain Hotels. The consortium's Customer Insights Survey showed that 51% of customers hope to take a break in a Pride of Britain hotel before October. 80% of customers are prepared to travel three hours or more for a hotel stay. 95% of stays will be for a leisure rather than a business purpose. Customers rated extra cleaning, professional training of staff in virus-specific hygiene, the availability of hand sanitisers and extra space as key requirements to give them the confidence to book.

New research from Cumbria Tourism has found that more than half of consumers are intending to switch to **staycation breaks** over holidays abroad in the next 12 months. 54% of the consumers surveyed indicated that they expect to take more day trips and overnight stays in the UK than usual, opting for a break on home soil rather than travelling abroad. Confidence in Cumbria as a visitor destination is high, with 83% of respondents considering the county to be a safe place to visit. 44% of respondents said that while they plan to visit Cumbria at some point in the future, they are going to wait a little longer before making any booking decisions. 98% of respondents said that they would expect to witness regular cleaning in operation and 96% said that they would like easy access to hand sanitiser stations. A further 92% would be reassured by social distancing signage and rules. 78% of respondents indicated that they would be more confident about visiting businesses that have signed up to a national accreditation scheme to demonstrate their commitment to good hygiene and public safety measures.

Losers

Many **backpacker hostels**, particularly city centre hostels, are struggling to survive the COVID-19 crisis due to the drop in international and domestic travel and the challenges of achieving safe social distancing in shared dormitories. A GlobalData global consumer survey has shown that 43% of 18 to 24-year olds and 48% of 25 to 34-year olds (the core markets for many backpacker hostels) are 'extremely concerned' about the COVID-19 outbreak. Reassuring customers about their safety and looking for ways to broaden their markets and diversify their revenue streams will be key to the survival of many hostels.

Consumer Sentiment

The Week 7 (29 June- 3 July) results of the **VisitBritain/VisitEngland COVID-19 Consumer Weekly Tracker** show an increase in consumer confidence about taking a UK holiday or short break in July and August but reducing confidence about when life might return to near normal and lower demand for holidays and breaks between October and December and in 2021. 21% of Week 7 respondents said that they were confident about taking a UK holiday or short break in July (compared to 14% in the Week 6 survey), and 31% were confident about having an August staycation in the UK (up from 29% in Week 6). Consumer confidence about when life might return to normal has reduced significantly. Only 15% of Week 7 respondents expect normality to return by September, compared to 32% in the Week 1 survey, and the proportion of respondents expecting life to get back to normal by December has dropped from 54% in Week 1 to 35% in Week 7. These lower levels of confidence are translating into reduced confidence about taking a UK staycation between October and December. 52% of Week 7 respondents were confident about taking a UK holiday or break in these months compared to 54% in Week 6. Confidence about taking a UK holiday or short break in 2021 has also steadily declined from 75% in Week 1 to 69% in Week 7.

www.visitbritain.org/covid-19-consumer-sentiment-tracker

Forecasts

VisitBritain has issued revised **forecasts for inbound tourism to the UK and domestic tourism in England** for 2020. They show:

- A 59% decline in inbound tourist visits to the UK down to 16.8m (compared to 40.9m in 2019) and a 63% drop in spend to £10.6bn (compared to £28.4m in 2019).
- A 48% fall in domestic tourism spending in England to £39.2bn (compared to £75.9bn in 2019), comprising £10bn from overnight tourism (down from £19.5bn in 2019) and £29.1bn from day trips (down from £56.6bn in 2019). This represents a loss of £36.8bn for the year.

These forecasts assume that there will be no major second wave of coronavirus that will necessitate a renewed national lockdown, and assume that visitor numbers and spend levels for any purpose are unlikely to return to pre-COVID levels by early 2021 due to economic factors, supply losses, continued social distancing measures and consumer sentiment about travelling again. www.visitbritain.org/2020-tourism-forecast

STR's latest **forecasts for European hotel performance** predict a more severe and longer downturn than had been initially expected. There has been some recovery as hotels have been allowed to open again, led by leisure destinations. Large cities are lagging behind. Hotel performance is expected to continue to improve in the coming months but may not recover fully to 2019 levels before 2024:

- In the short-term (the next 6-12 months) hotel demand is projected to recover to around 60-80% of 2019 levels as travel restrictions, social distancing and weak consumer confidence remain. Achieved room rates are expected to remain well below 2019 levels however, as a result of the expected shift towards leisure demand and the lack of fill nights limiting the ability of hotels to yield their room rates.
- In the medium-term (1-2 years) hotel demand is expected to remain below 2019 levels as a result of the impact of the anticipated economic downturn on business and conference demand and a likely slow recovery in international travel due to reduced airline capacity. Recovery in achieved room rate performance will be slow as a result of a more competitive market driving prices down.
- In the longer-term (up to 2024) hotel demand is projected to recover to 2019 levels in the majority of European hotel markets by 2023, but achieved room rates may not return to pre-COVID levels until after 2024.

STR will constantly review and update its forecasts for the European hotel market. Much will depend on how many hotels close; whether pipeline new hotels materialise; how the economy fairs; and how leisure tourism bounces back and grows.

A new **survey of UK Hospitality members** shows that hospitality businesses are predicting a lengthy and painful recovery from COVID-19, with levels of trade expected to be significantly suppressed for many months to come. Respondents were asked to give their expectations of trade in the first three months following reopening and for December, as a key revenue generating month for the industry. With the one-metre social distancing rule now in place, expectations for August were for a 65% decline in trade, while for December respondents expect business levels to be just over half of what they were in December 2019. www.ukhospitality.org.uk/news/513735/Hospitality-industry-survey-reveals-protracted-recovery-and-need-for-confirmation-of-4th-July-reopen.htm

Reopening

VisitBritain has seen a strong take-up of its **We're Good to Go** kitemark, with over 5,000 applications since its launch. www.visitbritain.org/business-advice/were-good-go-industry-standard

The Cairn Group, which operates 33 branded and independent hotels across the UK, reported a 63% rise in booking in the week before the reopening of its hotels on 4 July, with a particular surge in corporate bookings. The recovery in bookings has however been slower for many of the company's city centre hotels. New processes and systems have been introduced in all hotels, including smartphone digital food and drink menus and ordering, the introduction of outdoor dining and drinks areas, digital room keys and self-check-in and check-out from mobile phone apps.

The Alexander Hotel Collection, a privately owned collection of five country house hotels across the South of England, has seen its website traffic return to 80% of pre-COVID levels after a specific focus on email marketing campaigns throughout the lockdown. The company made a conscious effort not to scale back on marketing and instead created a plan to increase communications with its customers. Since reopening booking levels at the hotels have been building strongly and the company has been able to bring its reservations team back from furlough to cope with the demand.

Redesign and Pivoting

A number of hotels have introduced new **socially distanced restaurants and dining experiences**:

- A new pop-up restaurant opened at the Watergate Bay Hotel in Cornwall on 9 July. Emily Scott Food will offer a relaxed, socially distanced dining experience serving a menu of 'hyper-local' cuisine.
- The Roseate Reading boutique hotel has opened a new restaurant, The Reading Room, as part of a phased reopening of the hotel (www.roseatehotels.com/reading/theroseate/dine). It boasts a bar area with panelled glass displays and secluded seating, together with a socially distanced layout and outdoor patios. The hotel is intending to promote The Reading Room restaurant as a showcase for the arts and culture in Berkshire. It will feature local artworks and novels in its display showcases and bookshelves and will host events such as stand up poetry readings and theatre, once these are allowed again.
- The Chester Hotel in Aberdeen saw a staggering 1,000 bookings for its new Gallery Al Fresco dining experience within the first hour of reservations going live. The Gallery includes a 25-metre long transparent canopied marquee that allow up to 70 guests to dine while maintaining safe physical distancing. A restricted menu is on offer to allow chefs to operate safely. A second marquee has now been ordered because of the levels of demand.

The Yorke Arms restaurant with rooms in Nidderdale, North Yorkshire has decided to reopen only as a **private hire country house**, as social distancing requirements have made the business financially unviable.

Glamping marketing agency Canopy & Stars has launched **Canopy & Stars Camp Out 2020** to offer bell tent glamping in selected accommodation establishments listed with its sister company Sawday's Special Places. www.canopyandstars.co.uk/camp-out-2020

Industry Support Services and Products

Air-Reviver has introduced a range of inexpensive air purification systems with state-of-the-art virus, bacteria and parasite eradicating technology. The Air-Reviver technology is currently being tested for its effectiveness in reducing COVID-19 spread, with initially positive results. Full details are available at www.airreviver.com

BVA BDRC has launched a **COVID-19 Integrated Response Toolkit** that allows hotels and accommodation businesses to monitor their adherence to COVID-19 safety measures and track customer confidence through mystery shopping, on-property self-checks and social reputation data. The toolkit provides businesses with the tools they need to collect relevant data, which is displayed on an intuitive online dashboard, with auto-generated COVID-19 alerts and action planning.

www.bva-bdrc.com/products/covid-19-integrated-response-toolkit

People 1st International has launched a **WorldHost 2020** 60-minute e-learning training programme designed to help hospitality workers to adjust to the new ways of working, changed customer behaviours and new health, safety and hygiene measures that are now required since hospitality businesses have been allowed to reopen.

<https://people1st.co.uk/covid-19-support/business-readiness-solutions/worldhost-2020>

Government Support

The UK Government has launched a new £10m **kickstart tourism package** to help small tourism businesses to adapt to the 'new normal'. Grants of up to £5,000 are available to help businesses to tailor their operations to meet new social distancing rules and hygiene standards and to make other changes to their business in the wake of the pandemic. The grants can be used to pay for specialist professional advice, adopt new technology and online systems or purchase new safety equipment. Funding will be allocated to Local Growth Hubs based on how much of their employment base is in the tourism and hospitality sector.

Following the launch of its 'Pathways to Recovery' report in June, the All-Party Parliamentary Group (APPG) for Hospitality and Tourism has launched a new inquiry into coastal and lakeside tourism. The **'Coasts and Water' Inquiry** aims to take a holistic look at tourism and hospitality in UK coastal and lakeside regions, bringing together a wide range of stakeholders to examine the challenges and opportunities that face businesses, workers and local communities in these areas. The APPG will hold two roundtable sessions with businesses in July, before opening a consultation process with relevant stakeholders. It aims to publish its report in early September.

A number of hotels and hotel companies have been successful in securing loans and overdraft facilities through the UK Government's **Coronavirus Business Interruption Loan Scheme (CBILS)** to help them through the coronavirus crisis and support their reopening and regrowth plans:

- Torquay Leisure Hotels, which operates four hotels and a number of self-catering apartments in Torquay, has secured a £1m CBILS facility from Santander UK;
- Old Amersham Hotels, which runs three hotels in Buckinghamshire, and its sister company Redesdale Holdings, which operates two hotels in the Cotswolds, have each secured a £250,000 CBILS overdraft facilities from Cynergy Bank to support their working capital requirements;
- Coach holiday and coaching hotel company Daish's Holidays has secured a CBILS loan through Barclays to provide working capital support and allow the company to progress its reopening plans.

Hotel & Visitor Accommodation Investment

While hotel and visitor accommodation investment activity has slowed during the lockdown, new development and refurbishment projects have continued to be unveiled and progressed across the UK:

- Crockers Henley, a new food-driven boutique hotel with three food dining areas and 7 guest bedrooms, is due to open in Henley-on-Thames on 1 August.
- Widnes-based developer Morbaine has secured planning permission for a 244-bedroom hotel in Chester.
- Reef Group has unveiled plans to convert the former Boswell's department store in Oxford city centre, which closed in April, into a boutique hotel and restaurant.
- The Yorkshire Wildlife Park at Doncaster has unveiled plans for a new hotel, restaurants and conference centre.
- The first Bike & Boot hotel (www.bikeandboot.com), aimed at walkers, cyclists, surfers, dog owners and outdoor enthusiasts is set to open in Scarborough on 20 July.
- A new hotel alongside a water sports centre, cinema, art gallery, community centre and residential homes has been proposed as part of the next phase on the redevelopment of North Quay at Hayle Harbour in Cornwall (<https://www.north-quay.co.uk/news/plans-set-out-exciting-next-phase-hayle-harbour-transformation>).
- Property developer Grosvenor has won planning approval to convert a former office building in the centre of Liverpool into a 58-bedroom hotel.
- Spanish hotel operator Melia has announced plans to launch new INNSIDE 4-star hotels in Newcastle and Liverpool by the end of 2020. The Liverpool hotel (www.melia.com/en/hotels/united-kingdom/liverpool/ininside-liverpool/index.htm) will be in the former headquarters of the Liverpool Echo in the city's business district. It will have 207 bedrooms, a restaurant, conference facilities, gym and rooftop Skybar, along with 4 new retail units and two floors of Grade A office space. The Newcastle hotel will be located on the Quayside and will have 161 bedrooms.
- Plans for a dual-brand hotel site in Liverpool city centre have been recommended for approval. The proposal being brought forward by Molo Hotels is for a total of 257 hotel rooms split between a 132-bedroom Holiday Inn Express and a 125-bedroom Hotel Indigo, with a ground floor restaurant, bars, gym and meeting rooms.
- Vastint Hospitality has announced plans to develop a 160-bedroom Moxy budget boutique hotel as part of Newcastle-upon-Tyne's Newcastle Helix urban innovation district. Subject to securing planning permission, Vastint hope to have the hotel open in late 2021. <https://newcastlehelix.com/news/plans-for-a-new-boutique-hotel-on-newcastles-24-acre-urban-innovation>

- Detailed proposals have been unveiled for a 154-bedroom 4-star Radisson Blu hotel as part of the next phase of the Heart of the City II scheme in Sheffield city centre. The hotel will include conference facilities, a rooftop bar and restaurant and ground floor retail and food & beverage units.
- Aparthotel operator Staycity has received planning permission for the development of its fourth property in Manchester, in the city's Deansgate area. The 310-apartment scheme will consist of 246 studios and 64 one-bedroom apartments, with a gym and launderette.
- Logik Developments has announced plans for a new hotel to be built as part of the £1bn Mayfield Masterplan in Manchester.
- Plans for a 203-bedroom Hampton by Hilton limited service hotel and multi-storey car park near the NEC in Birmingham have been given the go ahead by Solihull Metropolitan Borough Council.
- Developer Sheppard Robson has been granted planning permission to convert the House of Fraser department store in Lincoln into a 150-bedroom 4-star lifestyle hotel above a ground floor retail space for global real estate investment manager PATRIZIA,
- Axcel Group has secured planning permission to redevelop the Banana Warehouse site in York into a 168-bedroom hotel.
- The luxury Nirvana Spa in Wokingham has received planning permission to construct a 70-bedroom hotel and state-of-the-art gym.
- A 70-bedroom Travelodge has been proposed as part of a £30m regeneration project in Braintree, Essex, which will also include new homes, a bus interchange and a twin-level car park.
- Plans have been unveiled for an 80-bedroom Premier Inn, Miller & Carter steakhouse, drive-thru coffee shop and retail units on the outskirts of Shrewsbury.
- The redevelopment of the Old Post Office in Blackpool into a hotel is included as one of 11 projects that Blackpool Council is planning to put forward for funding from the Future High Streets Fund.
- Lamington Group, the family-owned creator of the room2 homotel brand has accelerated the launch of its new room2 lite budget hotel product to capitalise of the opportunities arising out of UK landlords facing an income shortfall as a result of hotel tenants being unable or unwilling to pay their rent during the COVID-19 pandemic.
- Lifestyle aparthotel brand Locke has announced rapid expansion plans, with three new properties in London and one in Cambridge scheduled to open over the next two years.
- Mid Wales Leisure, which operates three holiday home and lodge parks in Mid Wales, has recently received planning permission for a £5m project to convert the former Mid Wales Golf Centre near Caerwys into a luxury holiday park with 100 caravan holiday homes, 25 chalets, and an indoor swimming pool, fitness centre and spa.
- The former Raithwaite Estate near Whitby in North Yorkshire is reopening on 15 July as Raithwaite Sandsend to reflect its location at the iconic Sandsend Beach, The rebrand marks the start of a multi-million pound renovation and development programme, which will continue into 2021. As part of the reopening the site has re-mastered the guest experience to adhere to social distancing rules and ensure that guests feel confident about cleanliness and hygiene during their stay. Pillows, duvets and bedlinen will be quarantined for 72 hours between stays. The capacity of the restaurant, conservatory and bar have been reduced to 60%.
- United Kingdom Adventure Parks, a subsidiary of real estate investor Holmes, is currently preparing plans to redevelop Stanley Park Golf Club in Blackpool into an Adrenalin World adventure park with 250 holiday lodges.

Hotel Transactions

Colliers International sold three hotels in the first week of July as buying interest starts to pick up since COVID-19 lockdown restrictions have started to ease. The three hotels are The Angel & Royal in Grantham, Lincolnshire (31 bedrooms), The George Hotel in Easingwold, North Yorkshire (15 bedrooms) and The Bull at Burford in Oxfordshire (18 bedrooms). The agency has also reported an increase in the volume of enquiries and the number of viewings taking place in the last two weeks.

Barnsdale Hall Hotel in Rutland has been sold by Knight Frank in the middle of the COVID-19 lockdown off a guide price of £10m to local family business owners Dineshbai and Savitaben Patel.

Christie & Co has been instructed to sell Kelham Hall & Country Park near Newark in Nottinghamshire. The estate has full planning and listed building consent for conversion to a 103-bedroom hotel, spa, weddings and events venue. The guide price is £10m.

Hotel & Visitor Accommodation Business Failures & Restructuring

While there is evidence of continuing hotel and visitor accommodation development activity and interest, stories of hotel and visitor accommodation business failures and restructuring as a result of the pandemic continue to emerge:

- The AA 4 Red Star luxury country house hotel, Ston Easton Park, in Somerset has closed due to the effects of the COVID-19 lockdown, with administrators, Portland Business Recovery, now seeking a new operator for the hotel. The hotel found its financial position severely compromised as a result of the lockdown. With no income and the uncertainty about the future trading environment it was concluded that it would no longer be viable for the current business to continue. All staff have been made redundant.
- The Eden Hotel Collection has decided not to reopen its Buckland Tout-Saints hotel in South Devon. The decision has been made as part of a broader plan to reshape the company focusing on growing the profitable parts of the business and innovating the guest experience.
- The owners of The Headland Hotel in Cornwall have started a process of asking for voluntary redundancies as the continuing COVID-19 crisis takes its toll on the hotel. Staffing levels across the business will reduce from 190 to 110, resulting in a loss of around 80 jobs.



the hotel development consultancy

www.hotelsolutions.org.uk

Tel: 01522 789702