

# COVID-19: FROM SURVIVAL TO RECOVERY

Supporting the Hotel & Visitor Accommodation Industry through the Crisis

**UPDATE 5: 3 SEPTEMBER 2020**

## Introduction

This is the fifth '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.

This fifth update again shows a mixed picture of recovery across the hotel and visitor accommodation sector as lockdown restrictions are further eased, with coastal and rural accommodation businesses bouncing back strongly as a result of the staycation boom in July and August, but city centre hotels still struggling. Demand from international visitors and the corporate market remains depressed and the cruise and aviation industries continue to suffer. The use of technology by guests and accommodation businesses continues to grow and hospitality businesses continue to find innovative ways of generating new sources of revenue. Development and transactional activity in the sector remain strong but there are signs of increasing numbers of job losses and business failures and mounting concerns about how the sector will fare in the autumn and winter as UK Government support comes to an end, consumer confidence remains weak and the industry moves beyond the peak summer season. Calls for continued government support remain.

## Winners

Holiday park operator **Haven** is creating 500 new job opportunities from September across its 37 holiday parks to support increased demand. Haven has also announced that it is extending its season until November.

**Coastal and country house hotels** have reported near 100% occupancy for the entirety of August as a result of the staycation boom. Coastal and country house hoteliers are also reporting that people are booking for longer breaks and spending more eating and drinking in their hotels.

July and August have seen **a surge in the popularity of camping**, leading to shortages of camping gear and campsites selling out very quickly. Regatta, one of the UK's largest outdoor equipment retailers, reported a tripling of demand for camping equipment year on year, with tent sales up by almost 750%. In popular tourist destinations like Devon and Cornwall, demand outstripped supply, with sites fully booked until the end of the school summer holidays. There has also been a boom in the number of pop-up campsites in rural areas. The Cool Camping booking platform reported a tripling of pitch reservations compared to last summer, with strong interest in areas such as Shropshire, Wiltshire and Herefordshire. It has also seen the opening of a significant number of new campsites in August, with wedding venues turning to camping, farms opening pop-up campsites, and more new temporary campsites.

## Losers

**Manchester Airport** will close Terminal 2 indefinitely from 2 September, due to low passenger numbers. All flights will now operate from Terminals 1 and 3.

UKinbound has written to the Prime Minister pleading for urgent and decisive action to secure the future for the UK's **inbound tourism industry**. The association has raised concerns that its tour operator and destination management company members will need to make around 10,000 job cuts, and more than half will fail within the next six months if the Government does not intervene. UKinbound's recent survey of its members found that 88% are set to make large-scale redundancies and 60% will be forced to make further redundancies when the Coronavirus Job Retention Scheme tapers off.

Tilbury-based cruise line **Cruise & Maritime Voyages** entered administration in July after failing to secure additional funding. It operated six ships, with a seventh due to join the fleet in 2021. Prior to the onset of COVID-19 the company had sold nearly 90% of its 2020 capacity and almost 50% of its 2021 cruise places. The suspension of its cruise programme from 13 March to 25 August has affected 50,000 passengers.

Two new hotel brands have been launched in a bid to win over disillusioned **Travelodge** landlords looking to exercise their break clause following the CVA deal that will see many of them facing the prospect of receiving reduced rents from Travelodge. AGO Hotels offers a hybrid lease platform that will allow landlords to rebrand under Accor's Ibis brand. Goodnight Hotels has been launched in partnership with Village Hotels, which will provide the management and operational platform for former Travelodge hotels under new 25-year leases. It is in discussions with the owners of more than 50 Travelodges and hopes to have leases agreed by late September, with a view to launching the new brand in January 2021. It remains to be seen whether the investors behind Travelodge have the fight, and deep enough pockets, to persuade landlords to stick with them. If they don't, there could be a significant reduction in the number of Travelodge hotels, substantially weakening the brand and its ability to attract new landlords.

## Consumer Sentiment

The Week 13 (10-14 August) results of the **VisitBritain/VisitEngland COVID-19 Consumer Weekly Tracker** show a further downturn in consumer confidence in taking a near-term UK holiday or short break in August and September, reducing confidence about when life might return to near normal and lower demand for UK holidays and breaks between October and December. The proportion of consumers that said that they were confident about taking a UK holiday or short break in August dropped from 33% in Week 9 to 31%, and confidence in taking a September staycation has fallen from 43% of respondents in Week 9 to 34% in Week 13. Consumer confidence about when life might return to normal has reduced significantly. Only 1% of Week 13 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 18% in Week 13, although this was up on the 15% figure for Week 12. These lower levels of confidence are translating into reduced confidence about taking a UK staycation between October and December. 41% of Week 13 respondents were confident about taking a UK holiday or break in these months compared to 53% in Week 8. This was a slight improvement on the 38% figure recorded for Week 12.

[www.visitbritain.org/covid-19-consumer-sentiment-tracker](http://www.visitbritain.org/covid-19-consumer-sentiment-tracker)

## Sector Performance

**Sales across the hospitality sector** fell by a huge 87% in the second quarter of 2020 according to the latest UKHospitality Tracker collated by CGA. Sales from April to June totalled £4.6bn, down £29.4bn compared to the same period in 2019. While the sector has benefitted from government financial support to date and many hospitality businesses have been trading well since reopening in July, with the scale of the sector's losses and the fact that many hospitality businesses, particularly in city locations, are struggling or remain closed, UKHospitality continues to call for ongoing government support for the sector to avoid more business failures and job losses.

**UK hotel occupancy** remained unchanged for the week of 10-16 August at 46% according to data from STR. ADR (Average Daily Rate) was down by 29% compared to the same week in 2019, while RevPAR (Rooms Revenue per Available Room) was down by between 57% and 64% across the week. Weekend occupancy remains much stronger than midweek occupancy and budget hotels continue to trade more strongly than those at the luxury end of the market.

Hotels in coastal, rural and heritage destinations continue to show high performance as a result of the bounce back in the staycation market. The top performing regional destinations, with hotel occupancies above 80% for the week were:

- Devon & Cornwall
- Dorset
- Norfolk & Suffolk
- North Wales
- Lake District

Resorts and cities with the highest hotel occupancies for the week were:

- Plymouth (92% occupancy)
- Exeter (88%)
- Bournemouth (86%)
- Brighton (84%)
- Portsmouth (82%)
- Harrogate (80%)
- Inverness (77%)
- Eastbourne (76%)
- York (75%)
- Blackpool (75%)
- Southampton (72%)
- Bath (71%)

In contrast, major cities are continuing to struggle due to a lack of corporate business. Hotel occupancies remain under 50% for many cities:

- London (29%)
- Manchester (29%)
- Aberdeen (30%)
- Birmingham (32%)
- Glasgow (36%)
- Leeds (39%)
- Nottingham (42%)

- Newcastle (46%)
- Cambridge (46%)
- Edinburgh (47%)
- Liverpool (48%)

Central London hotels are particularly struggling due to the lack of international visitors and corporate demand. Many hotels here have not yet reopened.

## Business Confidence

A survey by UKHospitality and CGA has shown that 20% of UK hospitality businesses believe that they are at serious **risk of insolvency** within the next year. In addition, over half of the hospitality businesses surveyed believe that they face a slight risk of insolvency. Fewer than a quarter believe that they face no risk. UKHospitality is using the findings to underline the scale of the impact of COVID-19 on the sector and the need for continued government support if it is to survive.

## Trends and Changed Consumer Behaviours

Research just published by hotel tech company Criton shows an **increase in the use of mobile technology by hotel guests** as a result of the COVID-19 pandemic and greater concerns about hotel cleaning standards. The company commissioned two surveys of UK travellers in March and July. While in March, 73% of respondents said they would download and use a hotel app to check in and out and obtain information about the hotel and local area, this figure had risen to 80% in the July survey. A slightly higher percentage (73% in July compared to 71% in March) said that they would use their phone to open the door to their room. Almost half of respondents said that they would be likely to use a hotel app to order room service, or would go to the hotel restaurant if they could order via an app. In terms of staying safe in a hotel, three quarters of respondents said that they would want to see clearly defined cleaning standards before booking. 68% said that they would expect hotel staff to disinfect everything that people might touch in a hotel room, and 42% said that they would expect a hotel to replace complimentary toiletries between guests, whether or not they had been used. <https://www.criton.com/news-hub/new-research-reveals-the-technology-and-safety-measures-hotel-guests-want-during-covid-19/>

## Reopening

**Hotel spas** were finally given the green light to reopen in late July and were allowed to restart close contact beauty treatments in August. While hotel spas are having to operate at reduced capacity levels (typically 40-70%) due to social distancing measures, staggered bookings and extended changeover times between guests, they have quickly attracted strong demand. There has been a huge growth in staycation spa breaks, with a trend towards more last-minute bookings. There is some concern however that demand could level out as people go back to work and the furlough scheme comes to an end.

As hotels continue to reopen across the UK, **housekeeping** has been raised to a much more visible customer-facing service and is playing a key role in building customer confidence in booking hotel stays. Housekeeping departments have introduced new cleaning routines and sanitisation practices. Many have embraced new cleaning technologies, including fogging machines that produce a fine mist of disinfectant to sanitise large areas quickly; ozone-generating machines that oxidise bacteria, viruses, mould and odours; UV light boxes to decontaminate small items such as TV remote controls and telephones; and electrostat

sprayers that work in a similar way to fogging machines. Hotels have removed non-essential items from bedrooms, such as magazines, information folders, writing paper, throws and cushions. Housekeeping teams have undergone training in infection control. The time required to clean rooms has increased and hotels are leaving longer gaps between stays. All of these measures have substantially increased housekeeping costs. Positive consequences have been a new-found appreciation for the work of housekeepers and improved standards of cleanliness in hotels.

## Redesign and Pivoting

The Berwick Lodge boutique hotel in Bristol has introduced a new package tailored towards smaller weddings. The '**Elopement Weddings**' package [www.berwicklodge.co.uk/exclusive-wedding-venue/elopement-weddings/](http://www.berwicklodge.co.uk/exclusive-wedding-venue/elopement-weddings/) caters for weddings of up to 30 guests, and includes a two-night stay, afternoon tea, dinner, as well as the wedding ceremony, use of a photographer, and a six-course tasting menu with wine. The hotel has so far secured 16 'elopement weddings' for the rest of 2020.

During lockdown **restaurants have diversified** in a number of ways in order to find new sources of cashflow, including:

- Takeaway and 'click and collect' meals and drinks;
- DIY cooking kits;
- Grocery services;
- Online retail of own-brand food and drink products;
- Online cooking lessons

Such ideas have now become part of the long-term business strategies of many restaurants.

The Gainsborough Bath Spa hotel in Bath has opened The Townhouse for **private stays** in a bid to tap into the staycation market post lockdown. The luxury property has three bedrooms spread over four floors, sleeping 5 guests, who have full access to the hotel's facilities. It also has exclusive access to the hotel's Cross Bath open-air bath.

Accor Hotels has launched a new '**Hotel Office**' concept to enable people to book a hotel bedroom for use as a remote working office. The scheme is available at 250 of the company's UK hotels. Guests can book for a single day or select a five-day package. They can also make use of hotel restaurant, bar and leisure facilities, as well as all in-room facilities and services.

## Industry Support Services and Products

**GuestTalk** (<https://guesttalk.co.uk/>) offers a range of guest communication solutions to help accommodation businesses to improve guest safety and satisfaction during the COVID-19 crisis, including capturing guest details for track and trace purposes, contactless check-in and check-out and door codes, sending pre-arrival information and reassuring messages about safety measures, virtual reception and concierge services, automated guest messaging, and mobile-enabled food and drink ordering services.

**Shop Shields** (<https://www.shopshields.co.uk/>) provides a range of protective screens that can help hotels to implement physical social distancing barriers at reception desks, bar and restaurant counters, and office spaces.

**Burgess Furniture** (<https://www.burgessfurniture.com/>) provides various solutions to help hotels to adapt to new social distancing measures, including a fully insulated Room Service Trolley and Room Service Caddy to help improve room service operations.

## Government Support

**UK Government support** has helped to reduce Insolvencies in the hospitality sector by 53 per cent between May and July 2020 compared to the same period in 2019, as accommodation and food businesses took advantage of the government support that has been available during the COVID-19 lockdown. Corporate debt levels have however increased dramatically. 9 per cent of all Coronavirus Business Interruption Loans (CBILs) have been taken out by accommodation and food businesses, despite the sector making up around 3.4% of the economy. The sector has also taken up 8 per cent of Bounce Back Loans and has benefitted significantly from the Coronavirus Job Retention Scheme (CJRS). With the end of the temporary relief from the Corporate Insolvency & Governance Act and rent moratorium in September, followed by the end of the CJRS in October, the buffer for many companies is gradually being withdrawn, and it remains to be seen how the sector will fare going forward.

The Scottish Government has introduced two new funding packages worth **£15 million to support Scotland's hotel and self-catering sectors** as they continue to feel the impacts of the Coronavirus pandemic. The £14 million Hotel Recovery Programme will help to secure up to 3,000 jobs at Scotland's larger hotels until the start of the summer 2021 tourism season. Eligible hotels can apply for individual grants of up to £250,000 in addition to a suite of wrap-around business support and advice. The Programme will be jointly administered by the Scottish Government's enterprise agencies and builds on the existing funding and support for tourism businesses through the Creative, Tourism and Hospitality Hardship Fund and the Pivotal Enterprise Resilience Fund. VisitScotland will also deliver £1 million in grants to self-catering businesses that have not received any other Scottish Government COVID-19 support. Businesses that apply and meet the criteria will be eligible for a one-off £10,000 grant to support them through the winter season. The Enterprise Agencies (Scottish Enterprise, Highlands and Islands Enterprise, South of Scotland Enterprise and VisitScotland) will begin taking expressions of interest for the Hotel Recovery Programme in late August. Businesses that meet the criteria for the Programme will be eligible for both grants and a holistic business review with bespoke support based on their individual needs. The Hotel Recovery Programme comprises £9 million in revenue and £5 million capital. Applications for the self-catering support scheme opened in early August. VisitScotland is working with The Association of Scotland's Self-Caterers (ASSC) to review applications received for the self-catering support scheme.

## 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:

- Billesley Manor in Warwickshire has just completed a £5.6m refurbishment of the hotel's restaurant, reception, banqueting suite and all 71 of its bedrooms. The hotel's owners took the decision to use the lockdown closure period as a time to transform the hotel in order to deliver an enhanced guest experience to improve the chances of the hotel recovering strongly from the COVID-19 crisis.
- The Balmer Lawn Hotel in the New Forest has secured planning permission to add 38 new guest bedrooms, create a new spa and leisure facility and double the capacity of its function facilities.

- Manchester-based real estate firm Clifford Christian Estates has lodged outline plans for a 126-bedroom hotel on the edge of the Centre Park business park in Warrington.
- Create Developments has received planning permission for a 74-bedroom extension to its Hampton by Hilton hotel in Blackpool, just two years after opening the 130-bedroom hotel.
- Plans for a new 70-bedroom hotel at the Royal Quays Outlet Centre in North Shields have been approved.
- The Dominvs Group has received planning permission for a 132-bedroom hotel in the centre of York.
- Travelodge has just opened a 60-bedroom hotel in Maldon in Essex and a 78-bedroom hotel in Workington in Cumbria.
- A new Ibis Budget hotel opened in Sheffield City Centre on 27 July.
- A 100-bedroom Ramada hotel is planned for the new Leeds Skelton Lake Services at Junction 45 of the M1.
- Developer Green Circle is seeking planning permission for a £15m redevelopment of Allerton Manor Golf Club to include the renovation and conversion of the Grade II listed manor house into a 31-bedroom boutique hotel, the reconfiguration of the existing 18-hole and 9-hole golf courses to a championship standard, a new driving range and putting area, a new clubhouse, and an adventure golf course.
- £100m plans to transform Nottingham's historic Guildhall into a 162-bedroom 4-star hotel have been approved by Nottingham City Council. The project, being progressed by a joint venture between Locksley Hotels and hotel group Ascena, will include a rooftop fine dining restaurant, spa and wedding and conference facilities.
- Cheshire East Council has granted planning permission for a 17-bedroom extension to the Wilmslow Lodge hotel.
- Premier Inn opened a 110-bedroom hotel in Royal Tunbridge Wells in Kent on 21 August. It has also submitted plans to the Lake District National Park Authority for a 71-bedroom hotel in Keswick.
- Oldham Council is seeking expressions of interest from potential developers to deliver a 120-bedroom 4-star hotel as part of its £306m town centre regeneration scheme.
- Developer Premcor has lodged a planning application to build a 229-bedroom hotel in Manchester city centre.
- Landowner Eastern Green has entered into a joint venture with Portugal's Pestana Hotels to build a 150-bedroom boutique hotel in central Manchester.
- Roomzzz Aparthotels has completed an extension to its Newcastle property to provide 74 additional apartments
- Peel Land & Property has received planning permission to transform the historic Hulton Park estate near Bolton into an international golf resort with a 142-bedroom luxury hotel and over 1,000 new homes.
- Latin-American luxury hostel brand Selina has opened its third UK property in Brighton. Transformed from the former West Beach Hotel, the hostel now comprises 31 bedrooms categorised into private rooms, suites and shared rooms with sea views.
- Leicester City Council has approved plans for a 125-bedroom hotel in the city.
- The Swan Hotel & Spa at Newby Bridge in the Lake District has secured funding for a £7m scheme to expand its spa and add 30 new bedrooms.
- The 65-bedroom Bike & Boot hotel has opened in Scarborough as the first of what will become a collection of boutique hotels aimed at walkers, cyclists and dog owners.
- Performance Hotels opened its first Birch wellness lifestyle hotel at Cheshunt in Hertfordshire on 3 August, following an £8.5m makeover of the former De Vere Theobalds Estate. The hotel sits within a 55-acre estate. It has 140 bedrooms; two restaurants; three bars; 20 event spaces; fitness studios; a wellness space offering yoga, spin and meditation classes; a 25-meter lido; a pottery workshop; a bakery; working

farm; and rooms for screenings, music and art. The vision for the Birch brand is one of reconnecting with nature and each other. There are no televisions or desks in the bedrooms. Rooms are decorated with locally made artwork.

- Aria Resorts has launched The Meadows as a complex of luxury boutique barns at its Retallack Resort & Spa in Cornwall. The complex offers a mix of 2,3 and 4-bedroom units with floor to ceiling glass frontages, including some with rooftop hot tubs.
- Plans have been unveiled for a £57m redevelopment scheme for the former Pleasure island theme park site in Cleethorpes to include a 146-bedroom hotel and conference centre, 250 holiday lodges, restaurants and leisure units. The scheme is being promoted by a consortium between Lidl and Liverpool-based leisure developer YPG.
- The Gulliver's World resort in Warrington has been given planning permission to develop the 14-acre Gulliver's Glades woodland accommodation area, to include woodland lodges, group accommodation, a camping meadow, woodland walks, an activity zone and a spa. Construction is planned to commence in spring 2021.
- Hedley Planning Services in Hexham has reported that it is providing planning services to more than 10 possible leisure developments in the North East and Yorkshire that are looking to capitalise on the increased demand for UK holidays. They include a new farm experience centre and holiday lodge park in County Durham, and projects in Redcar, Cleveland, Hambleton and Beamish.

## Hotel Transactions

Alongside activity and interest in hotel and visitor accommodation development there has also been some transactional activity in the sector:

- The site of the former Royal Clarence Hotel in Exeter, which was destroyed by fire in 2016, has been sold by Andrew Brownsword Hotels to South West Lifestyle Brands. The site has planning permission for a new 74-bedroom hotel.
- The Redcliffe Hotel in Paignton has been put on the market for £5m. The agents, Christie & Co, expect strong interest in the hotel. They report significant post-lockdown growth in demand for seaside hotels from speculative buyers looking to capitalise on the expected boom in the staycation market.

The leading hotel sales agency Colliers International is reporting a spike in demand for hotels in popular staycation destinations from a diverse range of prospective purchasers. They report interest from three distinct groups of would-be buyers:

- Investors attracted by the trend for UK staycations;
- Developers interested in the opportunities offered by well-located hotels for residential conversion, subject to more relaxed planning rules;
- Lifestylers looking to leave living and working in cities to pursue a lifestyle change, in some cases facilitated by redundancy payments and/or equity released from a house sale.

Colliers International report an increasing number of enquiries for hotels in popular tourist destinations from opportunistic buyers, well-heeled cash purchasers and overseas investors.

Another hotel sales agency, Christie & Co, has witnessed a surge in hotel buyer enquiries since lockdown restrictions started to ease at the end of April, with a notable increase in searches for rural and coastal hotels. The agency expects this growth trajectory to continue, with low interest rates and a possible rise in redundancies potentially leading more people to look for other investment, career and lifestyle change opportunities

## Business Failures

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

- The 55-bedroom luxury Woburn Hotel on the Duke of Bedford's Woburn Estate is to remain closed permanently following the Coronavirus lockdown as it is deemed to be no longer financially viable as a business.
- The 40-bedroom Fourcroft Hotel in Tenby in Pembrokeshire has closed due to the impact of COVID-19 and been brought to market by the administrators for £1.25m.

## Redundancies

As well as hotel and visitor accommodation business failures, there is also evidence of growing numbers of staff redundancies in the sector:

- Hundreds of jobs are at risk at hotels managed by LGH Hotels in England and Scotland as the company looks to cut costs in response to the Coronavirus crisis. The company runs 47 hotels under brands including Holiday Inn, Crowne Plaza and Hallmark. The company has said that it does not expect hotel occupancy levels to rise above 20% for the remainder of 2020 and is now in consultation with staff over planned redundancies.
- Around 1,000 jobs could be cut at Marriott's UK hotels: the company is currently going through a consultation process with staff at its 60 UK properties, as well as its UK head office.
- Millennium Hotels, which operates around 100 hotels around the world, has started a redundancy consultancy period with staff.
- Hilton Hotels has announced plans to cut 2,100 jobs globally.
- InterContinental Hotels Group (IHG) is looking to cut costs across the company, which could see job losses at its brands such as Holiday Inn.
- Premier Inn has announced that up to 250 out of 1,300 jobs are at risk at its central support centre.



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