

Embargoed until 0700 hrs Thursday 1 December

ASAP/Savills Sentiment Tracker Survey confirms serviced apartment operators optimistic for 2017 after challenging operating environment in 2016

The Association of Serviced Apartment Providers (ASAP) and Savills have released the headline results for the sector from their Operator Sentiment Tracker Survey (November 2016), which track the changes in operator sentiment compared to their August 2016 Survey.

The key findings for the UK serviced apartment sector:

- Overall operators are more optimistic about their business prospects for the next 12 months than they were in August.
- Encouragingly almost 30% of respondents reported they are accelerating their expansion plans (compared to 13.3% in August); the majority (60%) confirmed they were making no change to their existing plans but an increased proportion of 12.8% stated they were scaling back their plans which points to continued uncertainty in the market.
- The operational outlook is mixed with the general trend suggesting that operators expect both year end occupancy and ADR to be down on 2015, which is reflected in the latest STR data for the sector (*UK occupancy down 2.6% at end October 2016, year to date*); however, this is an improvement on what was reported in the August survey with 30% of operators in November stating that they expect their year end occupancy to be up on 2015, in the August survey it was 20%.
- It is a mixed picture when it comes to sources of demand with operator responses pointing to more robust leisure demand than corporate. The majority of operators (60%) stated that they expect year end leisure demand to be up on 2015 levels with 40% stating that year to date demand was already up.
- The survey results suggest corporate demand post the Brexit vote remains, on the whole, weak but has improved on that reported in August. The improvement in sentiment is more marked when it comes to the year end outlook with 35% of respondents expecting that year end demand from the corporate market to be up on 2015, an increase on the 26.7% reported in August. This helped move the outlook net balance (balance between proportion of respondents expecting an increase in demand minus those expecting a decline) for corporate demand into positive territory.
- The biggest potential source market remains the UK for 50% of operators, although Europe's share increased from 14.3% to 22.5% of operators, which correlates with the increase seen in leisure demand.
- Wider economic conditions, Business Rates and property acquisition costs were the top three ranking business challenges facing UK operators over the next three years. This reflects a

shift on the August survey where wider economic conditions ranked second with 60% of operators stating it presented a slight to significant challenge; in the November survey this was 63%. The most significant shift in ranking has been for Business Rates. In August 41% of respondents flagged it as a challenge, ranking it seventh, in November it was 58% placing it second.

James Foice, Chief Executive of the ASAP comments:

'It's encouraging to see that, in spite of the operating challenges we've experienced in 2016 in terms of occupancy and ADR, operators are now at the end of the year feeling more positive in terms of the outlook for business performance for 2017 than they were back in August. And it's especially good to see over 28% of operators reporting that they are accelerating their expansion plans. The pipeline of new serviced apartment/aparthotel developments for the UK in 2017 looks very strong, with over 2,000 units due to open next year.'

Marie Hickey, Director Commercial Research, Savills comments:

"There are a number of potential headwinds facing the sector as we go into 2017 around operational performance with operators rightly identifying wider economic conditions and Business Rates as posing significant challenges to their business over the next three years. No doubt the release of the draft revaluations in September has moved this up the agenda for operators. However, the sector as a whole remains well placed to weather these challenges."

These headline results will be shared with the industry today at the ASAP Annual Convention in London, the flagship event for the serviced apartment sector which sees 400 delegates come together to hear the latest industry insights.

Ends

Further media information:

- Joyce Cawthorpe, Marketing/Media Manager, ASAP
T: 07590 123299; E: jcawthorpe@theasap.org.uk
- Marie Hickey, Director Commercial Research, Savills
T: 020 3320 8288 E: mlhickey@savills.com
- Ashley McKeown, Savills Press Office
T: 020 7409 8884 E: AMcKeown@savills.com

Background

ASAP: Association of Serviced Apartment Providers is the not-for-profit trade body dedicated exclusively to the serviced apartment industry. Our 170 members own and operate over 100,000 properties globally. Our membership also includes 16 serviced apartment agencies committed to supporting and growing the sector.

ASAP News Hub: 'The Voice of the sector'- <http://hub.theasap.org.uk>

Our hub features all the latest news stories for the serviced apartment sector as well as interesting trends/insights in the wider travel industry.