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ASAP/Savills Sentiment Survey confirms robust outlook for serviced apartment sector with over 40% of operators looking to accelerate their expansion plans in 2018

- **40.9 % of operators looking to accelerate expansion plans in 2018**
- **Average Daily Rate (ADR) & Occupancy up on 2016**
- **Leisure market opening up strongly**

London, 7 December

The **Association of Serviced Apartment Providers (ASAP)** and **Savills** have today released the headline results for the sector from their **Operator Sentiment Tracker Survey** (November 2017), which confirm that the sector has delivered a strong performance in 2017 and expects to deliver an even better performance in 2018, in spite of the challenging economic environment.

The key findings for the UK serviced apartment sector are:

- Overall optimism in the sector remains strong with **47.7%** of respondents more positive about current business prospects compared to the previous June 2017 survey.
- Optimism for the next 12 months remains robust with the net balance (ie net balance of respondents who are optimistic vs less optimistic) at **34.1% marginally down** on the 36.7 % reported in June but significantly down on the 55% reported in November 2016 which suggests that the uncertainty around Brexit is starting to take a more significant hold.
- Operators confirm they are continuing to pursue expansion plans for 2018 with an increase in the proportion of respondents stating they were **accelerating expansion plans; up from 36.7% to 40.9%**. This represents a significant increase on the November '16 survey where **only 28.2%** of respondents stated they were accelerating expansion plans.
- In line with **improving operational conditions in London** this year compared to 2016, operators' outlook for year end performance for both occupancy and average daily rate (ADR) remained positive, particularly for **ADR with 47.6%** expecting year end ADR to be up on last year (equal proportion reported that they expect ADR performance to be in line with 2016). This optimism surrounding operational performance also extends into 2018 with **63.6% of respondents** stating that **2018 operational performance will be up** on that reported in 2017.
- The real driver of improved operational performance in 2017 would appear to be coming from the **improved demand from the leisure segment with 70.6% of respondents stating this is up on last year** compared to 56.8% in June. There would also appear to be an improvement in corporate demand, however this remains relatively muted with a net

balance (difference between those that state it is up vs down) of 15.9%; in November '16 this was in negative territory of -10%.

- Future demand over the next 6 months is expected to be dominated by **UK demand (53.5%)**, yet there were increases in those expecting increased demand originating from Europe and North American markets.
- **Wider economic conditions** remain the biggest perceived challenge facing the sector over the next 3 years with **65.9% of respondents** noting it as posing a slight to significant challenge to their business. Yet, **property acquisition costs and increased competition** moved up the agenda in the November survey ranking **2nd (63.7%) and 3rd (59.1%) respectively** whereas in June '17 they ranked 4th and 6th. The moving up the ranking of 'increased competition' undoubtedly reflects that 2017 has seen a significant increase in stock as operators have pursued their own purpose built developments, which in some markets is generating some absorption issues, although we expect these to be relatively short lived as the fundamentals of the sector remain robust.
- In terms of **significant challenges, Business Rates** continue to top the bill with **29.5%** of respondents citing this as posing a significant challenge to their business over the next 3 years.

Commenting on the November Sentiment Survey, James Foice, Chief Executive of the ASAP concludes:

'It's been a phenomenal year of growth for our serviced apartment sector right across the UK and it's particularly encouraging to see operators confirming in our Sentiment Survey that, in spite of the challenging economic environment, they remain firmly committed to their future expansion plans, firm proof that demand for this flexible way to stay from both the business and leisure traveller is set to continue unabated'.

Marie Hickey, Commercial Director of Research at Savills, adds:

'Its growing appeal, to both consumers and investors, is generating some unintended challenges in some parts of the market as operators pursue expansion plans to meet this growing demand. These will be short-lived absorption issues as the fundamentals supporting further expansion remain robust'.

These headline results will be shared with the industry today at the ASAP 2017 Serviced Apartment Convention in London, the flagship event for the sector which sees 400 delegates come together from 14 countries to hear the latest industry insights and debate future trends.

Ends

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Background

ASAP/Savills Sentiment Survey: This is a bi-annual operator sentiment tracker survey which tracks the changes in operator sentiment in the serviced apartment sector. This is the fourth survey conducted – the first was undertaken summer 2016, the second in November 2016 and the third in June 2017.

ASAP: Association of Serviced Apartment Providers – www.theasap.org.uk - is the not-for-profit trade body dedicated exclusively to the serviced apartment industry. ASAP's 190 members own and operate over 100,000 properties globally. The membership also includes 15 serviced apartment agencies committed to supporting and growing the sector. The **ASAP Quality Accreditation** is the leading global quality assessment programme for the serviced apartment sector. <http://theasap.org.uk/memberships/quality-accreditation-programme/stay-with-confidence-quality-accreditation/>

ASAP News Hub: 'The Voice of the sector'- <http://hub.theasap.org.uk> - The news hub features all the latest news stories for the serviced apartment sector as well as interesting trends/insights in the wider travel industry.