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## **OPTIMISM IN THE SERVICED APARTMENT SECTOR RETURNS, DESPITE SHORT-TERM HEADWINDS**

Sentiment in the serviced apartment sector has improved considerably since June 2020, with 71.8% of respondents in November stating they were 'slightly or significantly more optimistic' about their business outlook over the next 12 months, up from 41.2% in the summer, according to the latest Association of Serviced Apartment Providers (ASAP)/Savills sentiment survey. This represents the most positive response ever recorded for the question since the survey began in 2016.

When asked whether serviced apartments are better positioned to recover from Covid-19 compared to the wider hotel market, 85% responded 'yes'. Key reasons given include: self-contained units, better social distancing ability and more space than in traditional hotels.

Josh Arnold, associate in the commercial research team at Savills, comments: "In terms of recovery, the largest group of operators (42.3%) anticipate that occupancy will reach pre-Covid-19 levels by the second half of 2021 with the second largest group (14.1%) anticipating a recovery in h1 2022. This is likely a result of the Government's announcement that it is starting to roll out a vaccine, resulting in a gradual easing of restrictions before the second half of next year."

Further highlights from the survey include:

- While 45.1% of respondents have decreased their staff levels this year compared to 2019 due to the disruption caused by Covid-19, over a quarter (25.4%) are expecting to hire over the next six months, with the primary reason being expansion to portfolios/stock.
- Respondents anticipate that demand will become more mixed with 35.2% to come from either leisure visitors or an equal mix of leisure and corporate over the next six months. This is in line with ongoing restrictions and challenges facing the corporate travel market, but also an increased awareness of serviced apartment product across the leisure market, with the self-contained configuration being more appealing for travellers at this time.

- International travel restrictions (74.3%) followed by wider economic conditions (57.8%), enforced social distancing (52.9%) and corporate travel budgets (52.9%) continue to be seen as the greatest challenges facing operators over the next three years, with over 50% of respondents listing each as either a 'slight' or 'significant' challenge.

James Foice, ASAP CEO, adds: "Nobody can overstate the devastating impact of the pandemic on the whole hospitality industry, nor on our own sector. Almost daily I am being asked for comments on how serviced apartment operators are faring, and what the forecast is for recovery.

"Now we have the answer straight from those on the ground. The vast majority believe they are better positioned than traditional hotels, almost half are expecting a rebound within 12 months, and a quarter planning to hire staff during that time.

"Excitingly, new exposure to the leisure market is one unforeseen benefit of Covid-19. We have always known serviced apartments offer guests flexibility, security and self-contained comfort; now we can add minimal exposure to strangers and infection control to that list, which is what every traveller will be seeking once restrictions start to lift again.

"It's wonderful news that there is such resilience in the sector, and the highest optimism for things to improve since we started these surveys with our colleagues at Savills."

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