



## Greater Manchester Hotel Market Update

### September 2022

#### Rapidly Expanding Gateway to the North

Greater Manchester (the City of Manchester and surrounding metropolitan boroughs) has progressively increased its appeal to businesses and tourists alike by revitalizing the City Centre, regenerating several former industrial sites and enhancing its transportation infrastructure.

According to research from Avison Young the city's economy expanded by 8% in 2021, the second highest rate in Europe – and is well placed to continue its strong growth through 2022 and 2023.

Having accommodated around 12.5 million overnight stays in 2019, including a significant proportion of business travellers and international guests, Manchester's recovery from the pandemic has been largely dependent on domestic leisure travel.

Ongoing economic growth, supported by the UK government's levelling up initiatives and additional high quality attractions and amenities should ensure long-term broad-based hotel demand for Manchester.

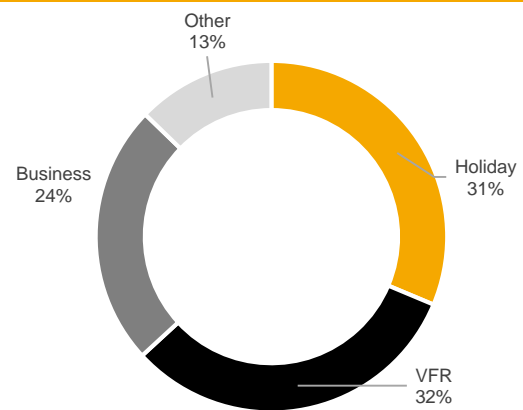
#### A large, growing and evolving hotel market.

As is typical of domestic focused city markets, Manchester's hotel stock is dominated by the Economy, and Upper-midscale segments but also includes an increasingly diverse selection of Upscale and Upper Upscale offerings.

The city's strong pipeline, equivalent to 8.9% of existing rooms, clearly shows that investors and developers recognise the hotel sector's long-term potential. This year has already seen around 1,500 rooms open with another 650 due to receive guests by the end of the year.

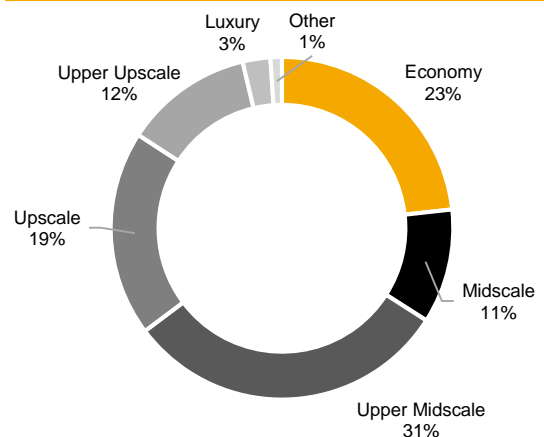
With just 13.5% of rooms in the Upper Upscale or Luxury segments we see considerable potential for growth in these segments, in parallel with city's increasing economic prominence and expansion.

#### Visitor Profile (2019)



Source: VisitBritain – International & Domestic combined

#### Segment Share (2022)



Source: Costar

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#### Estimated Quality Room Supply in Greater Birmingham

	Management	Franchise	Independent	Total
Economy	6,201	330	512	7,043
Midscale	1,180	841	1,263	3,284
Upper Midscale	2,436	3,230	1,119	6,785
Upscale	1,711	2,377	349	4,437
Upper Upscale	1,438	1,091	498	3,027
Luxury	-	-	335	335
<b>Total</b>	<b>12,966</b>	<b>7,869</b>	<b>4,076</b>	<b>24,911</b>

Source: CoStar, Horwath HTL research

## Strong summer ADR hides weak occupancy.

Steady occupancy and rate growth from 2010 to 2019 saw RevPAR increase to just under £60 before the pandemic struck.

High average room rates from Q2 2022 have driven RevPAR close to record levels, however occupancy – particularly in the City Centre - remains well below the pre-COVID level, dragged back by recent supply and delayed return of some international guests.

## Demand returning but new rooms may hold back RevPAR growth

The demand outlook for the city is generally positive with weekend leisure trade expected to remain strong while corporate travellers return over the next few months.

New rooms coming to market are likely to suppress occupancies and rate through the low-season winter months but ongoing development of new venues and attractions like the Co-op Live Arena (opening in 2023) should help support demand to meet or exceed supply growth in the longer term.

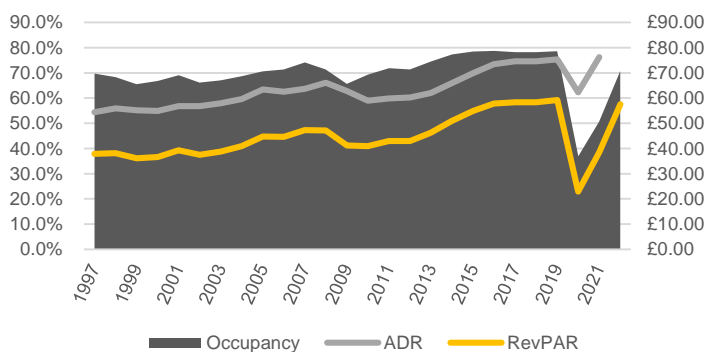
## COVID hangover and increasing costs impacting profit

Unfortunately, despite the encouraging demand outlook hotel profitability is under significant and growing pressure from increases in operating and financing costs.

## Continuing Investor Demand

Greater Manchester hotels remains highly sought after by investors and operators alike. Aside from building new rooms, investors are focused on “value add” opportunities – acquiring, renovating and rebranding underperforming properties to meet rapidly evolving guest demand.

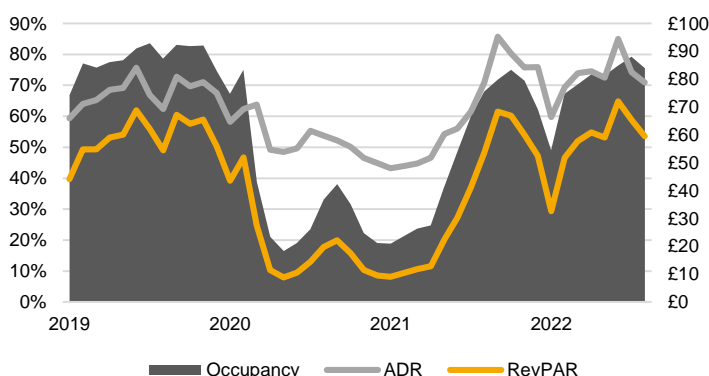
### Historic YoY Performance of Greater Manchester (YTD 08-2022)



Source: STR

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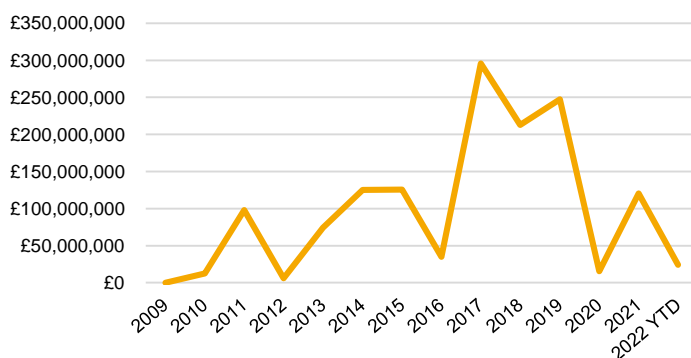
### Monthly Performance of Greater Manchester (YTD 08-2022)



Source: STR

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### Sales Volume (YTD 08-2022)



Source: Costar

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