

2024 London Hotel prices set to increase by 9.1%



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“Despite modest economic prospects and a strong hotel development pipeline, hotel prices are trending upwards in 2024, albeit with reduced velocity compared to 2023”.

Amex GBT Consulting 2023

Several factors have pushed up prices in the last years for the hotel sector, such as the increase in inflation, and the consequences of Covid, which deeply disrupted the world's economy.

Are things going to stabilise soon? According to Amex GBT Consulting, it doesn't look like it, as prices continue to rise due to the demand outstripping the supply.

Below we can see the result of Amex GBT's research for the European region:

United Kingdom	Italy	Germany	Spain
Dublin +10.0%	Rome +6.0%	Berlin +9.4%	Barcelona +9.0%
London +9.1%	Milan +1.8%	Munich +7.2%	Bilbao +8.5%
Edinburgh +8.7%	Turin +0.9%	Dusseldorf +6.6%	Valencia +8.5%
Manchester +8.5%		Frankfurt +6.5%	Zaragoza +5.5%
Leeds + 5.0%		Hamburg +4.0%	Madrid +4.5%
Glasgow +4.0%			

Switzerland	Benelux	France	Nordics
Geneva +5.0%	Amsterdam +10.8%	Paris +11.0%	Gothenburg +10.1%
Zurich +4.0%	Eindhoven +8.9%	Lyon +9.5%	Stockholm +9.3%
	Brussels +6.2%	Bordeaux +8.5%	Oslo +2.4%
		Toulouse +7.8%	
		Marseille +6.0%	

Indeed, when hotel prices increase, it can have both positive and negative effects on hoteliers. Whilst higher prices may increase revenue in the short term, they can also impact profit margins in several ways:

1. **Increased Costs:** With higher room rates, hoteliers may experience higher occupancy taxes, commissions to booking platforms, and credit card processing fees, all of which can eat into profit margins
2. **Competitive Pressure:** If prices increase significantly and other accommodation options are more competitively priced, this can deter potential guests, leading to lower occupancy rates
3. **Customer Expectations:** When guests pay more for their stay, they often have higher expectations for service and quality. Hoteliers may need to invest in amenities and services to meet these expectations, which can increase operating costs
4. **Rising Operating Costs:** As prices go up, hoteliers may need to invest in upgrades, renovations, and better staff training to justify the higher prices. These additional investments can impact profit margins

5. **Seasonal Variations:** The effects of increased prices may vary by season. In peak seasons, higher prices may not deter travellers, but in off-peak periods, it could lead to lower occupancy
6. **Local Market Conditions:** Local economic conditions and competition play a significant role in how price increases affect profit margins. If competitors also raise their prices, it may not have a significant negative impact.

To balance the potential impact on profit margins, hoteliers must carefully consider pricing strategies and cost management. They should also monitor market conditions and guest feedback to ensure their pricing aligns with customer expectations and demand.

Many hoteliers utilise revenue management software and analytics to make data-driven pricing decisions.

Ultimately, the key is to strike a balance between competitive pricing and profit margins to maintain a sustainable and profitable business.

With one of the contributing factors of increased room pricing being rising supplier and merchant costs, (in a bid to maintain that important balance of both profits and excellent service), it is important to review all aspects of expenditure to make sure you are obtaining the very best value for goods purchased.

As Specialists in Indirect Cost Management, we are able to identify areas of overspend and help you to obtain best value for every pound spent within your organisation.

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