

Bleisure - structural shifts in the way we optimise our leisure time means specialist knowledge of operational hotels is more relevant than ever...



How is HSBC UK seeing the market?

Whilst working from home and terms such as staycation and bleisure existed prior to COVID, the pandemic has normalised remote working and created the opportunity for a broader proportion of the population to adapt their working week to suit their lifestyle, resulting in increased demand for longer stay models and suites. A heightened focus on wellness, both physical and mental, is also driving a change in consumer behaviour towards paying for luxury personalised experiential leisure in the UK, exacerbated by higher international travel costs.

The defensive characteristics of operational hotels is clear in a market where rates can be adjusted intraday to drive top line performance. Operators know their costs better than ever. Record Average Daily Rates for hotels are being set at a point where corporate and overseas demand has not fully recovered, attracting a lot of investor attention. To date, over-leveraged owners are not being pressurised by lenders to sell, leading to a sluggish investment market.

Closing thoughts

Demand for hotels remains robust. Hoteliers thrive on prioritising reinvestment to evolve their offering in order to attract and retain consumer demand and, in turn, a diverse and talented team to deliver performance. It is this innate resilience that is attracting mainstream real estate investment into the operational hotels sector like never before.

In a sluggish market what interests us the most?

We know our customers better than ever, following the unprecedented stress of the pandemic on the sector. Our focus is on building and sustaining long-term relationships through market cycles. The way hotels serve communities is evolving, with longer stays, brand experiences, new operational efficiencies and increased focus on the sustainability of hotels both in terms of climate change and social impact.

Lenders are working with borrowers to ensure balance sheets remain resilient in what is becoming a normalised, elevated interest rate environment. In some cases, this may involve reducing debt, undertaking earnings accretive investment to the asset or amending lending terms. We expect to see lenders prepared to take a long-term view on the capital structure of a business, looking beyond a typical three-to-five-year loan term and into the useful economic life of a building.

How is HSBC UK supporting on ESG

The hotel sector reportedly contributes c.1% of global carbon dioxide emissions (source: [PLAN BE ECO](#)), whilst c.6.4% of the UK working age population is employed in the accommodation & food service sector (source: [Statista](#)). The opportunities to drive both environmental and social improvements is clear.

With the increasing importance of sustainability to businesses of all sizes, lenders are keen to work with those customers focusing on their transition to net zero.

In the past 12 months, we have brought together customers and industry experts in conjunction with the Energy & Environment Alliance. Our Cost of Energy event highlighted the quicker payback on some green Capex investments, the concern of data overload and the need to streamline reporting. Our Social Sustainability event explored the impact of new legislation, labour market demographics on the sector and the way hotels serve their local communities. This is a conversation that needs to be maintained in order to prepare for future reporting requirements.



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