



# Hotel, Tourism & Leisure Monthly Round-Up

June 2023

## Sustainability in hospitality: best practice

ESG has gone from a nice to have to a must have in all industries. Many focus on the "Environmental" and forget the equally important "Social" and "Governance" elements of a comprehensive Sustainability strategy.

The hospitality sector has arguably been "behind the curve" in ESG but we are now seeing rapid changes in guest and stakeholder priorities as sustainability moves up the agenda as corporate clients, investors and lenders increasingly demand clear ESG strategies and credentials from their partners.

Future values of assets and businesses which fail to meet the tightening ESG industry standards will undoubtedly be discounted and may struggle to secure competitive financing or insurance cover.

There is no doubt that ESG / Sustainability is increasingly central to the viability hospitality businesses.

Read Vedika Jhunjhnuwala and Simona Villa's take on ESG best practice [here](#).

## UK ADR's have been remarkably strong – will they last?

Year to date ADRs are above 2019 levels across most markets in the UK, driven by resilient domestic leisure demand and an ongoing recovery of international arrivals and business travel. Top-line hotel performance has also been boosted by exclusive-use contracts – with the Home Office effectively taking over 400 hotels off the market to house asylum seekers and refugees. With the government announcing plans for thousands of [asylum seekers are to be moved](#) out of the hotels, the future of such contracts seems uncertain.

In due course, as exclusive-use properties re-enter the market, regional markets - particularly in the economy and midscale segments - will inevitably have to re-adjust to the supply correction. Careful planning and local analysis will be critical.

## Conversions – the hot topic!

The city of London has recently [announced plans to speed up the process of converting](#) old offices potentially helping investors shorten development timelines, reduce costs and meet ESG targets while showcasing local history. But can planning authorities keep on-top of demand an expedite decision making and planning approvals?

## Confidence is returning to UK tourism yet costs are squeezing the bottom line

Domestic and international tourist arrivals are growing as many [Brits forego overseas holidays again this summer in favour of staycations](#) and weak pound maintains the UK's appeal to foreign guests. Despite the positive demand outlook, however, many hotels and other hospitality businesses face intense pressure from rising operating and finance costs, labour shortages and tax increases. The combination of reduced operating profits and increased finance costs will be a major challenge for many hotel owners.

## The return of Asian investment to the UK

Having been largely absent through 2022 and early 2023, we are now seeing [capital from Asia gearing up to invest in the UK](#), specifically looking for distressed assets but, so far, deals are not easily found as rates are holding strong.