

HOTELS

What factors are driving operational recovery in the UK Serviced Apartment Sector?

The second part, in a mini-series of articles on the UK Serviced Apartment sector.

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A renewed focus on the core fundamentals has been instrumental to the sector's robust performance - but branding, sweating the amenities, length of stay, distribution channels and technology all have a significant role to play in extending the lifetime value of both the customer and the asset.

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Renewed focus on core fundamentals

Whilst the fundamentals of a well operated apart-hotel haven't necessarily changed post pandemic - an exceptionally strong location, quality spacious facilities, elevated cleaning procedures and knowledgeable and friendly staff – executed well, these attributes combined, make the availability of an apart-hotel a compelling primary choice of stay for an expanding customer base. Furthermore, in recent years, Airbnb has been exceptional in raising awareness for the sector.

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Having initially aligned itself with long-stay business travellers, over time, the market and demand drivers have widened to encompass both the leisure and corporate transient sectors. Yet, with the abrupt disruption to trade at the height of the pandemic, pivoting the business model has underpinned the versatility, adaptability and resilience of this sub-sector.

A renewed focus on the core fundamentals has been instrumental to the sector's robust performance, with the profile of the business designed to drive a much longer length of stay. But, simultaneously responding to changes in consumer trends and elevating the product and service offering have further facilitated the sector's continued success.

"While business travel has inevitably seen a huge reduction of activity, corporate stays are still an important part of our guest mix. Smaller meetings have now become a function of today's business life. The requirement for the provision of mixed seating, tables and lighting in our lounges and suitable for working in our apartments have become more important."

Jason Delany, Director of Brand, Product & Marketing, Staycity Group

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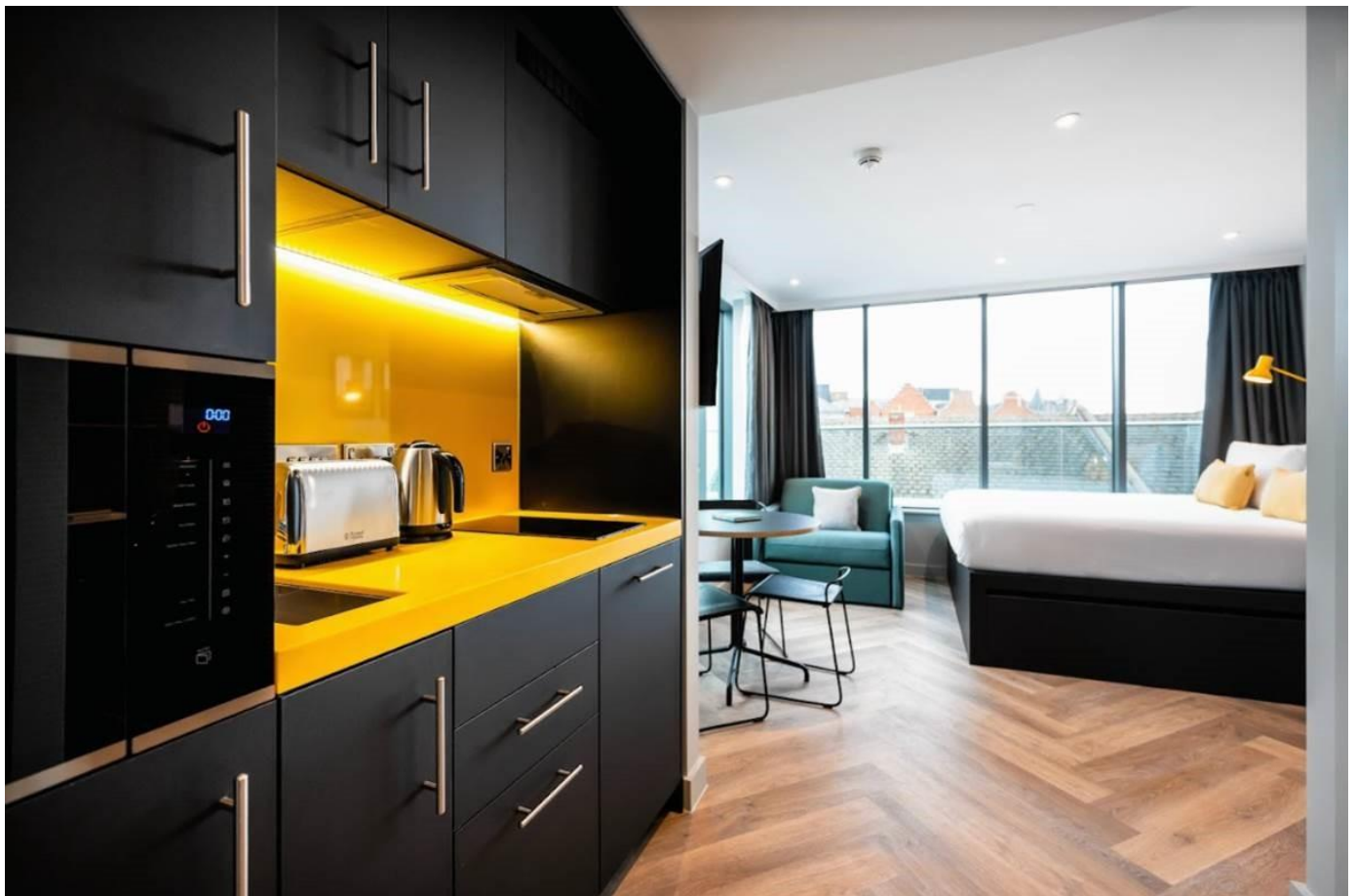
Staycity Aparthotels, Dublin Tivoli, Opened January 2022

The importance of the brand

Whilst the visible operational cues to manage the limitations of Covid have been most prominent, the less tangible strategic changes are likely to be even more long-lasting, with the crisis having led to a fundamental shift in consumer attitudes. Branding has always been important for businesses, but the post pandemic recovery offers an opportunity to reinforce the existing brand principles, and further evolve and enhance the brand values, adding an extra level of depth that elevates the client relationship.

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Staycity Aparthotels, Dublin Tivoli, Opened January 2022

So how are the serviced apartment brands staying relevant post-pandemic and how have operators evolved their marketing strategies to understand who their guests are, how to attract them and in doing so capture more than their fair share of the market?

"Keeping our offer fresh and relevant is vital in today's competitive market. While the addition of the Wilde Aparthotel by Staycity brand has brought a more upmarket offer to Staycity's portfolio, the core brand - Staycity Aparthotels - has also undergone changes with the interior design subtly changing and becoming more sophisticated, whilst our older properties are being renovated giving them a fresh, modern new look.

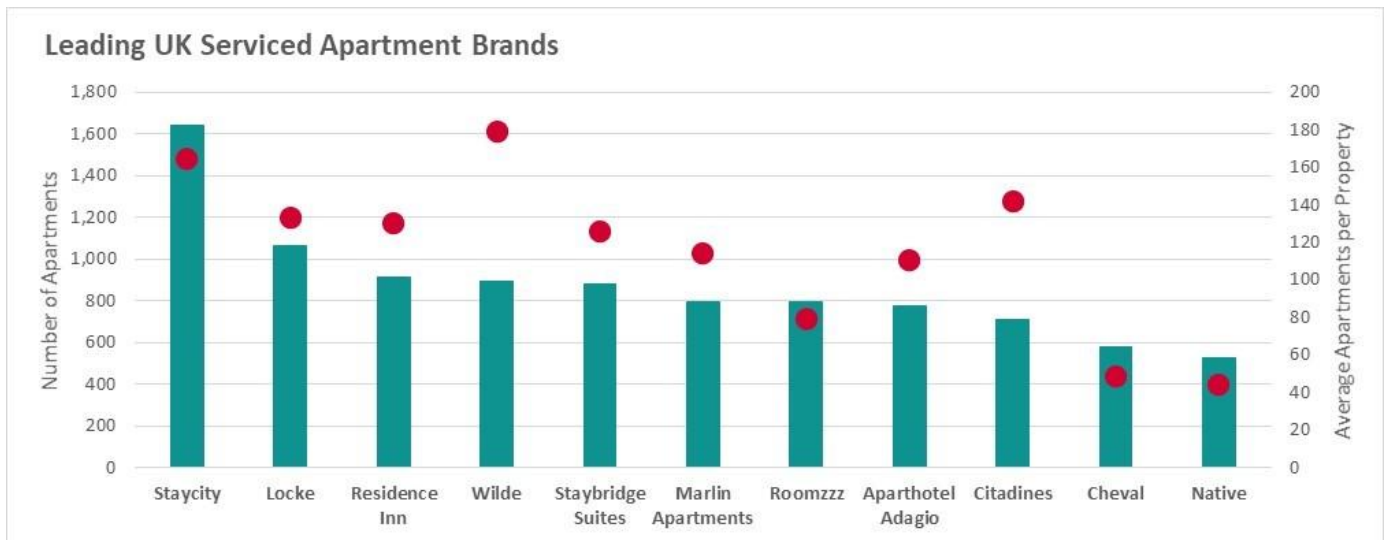
Enhancements have also been

to the guest

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booking experience with the introduction of the Staycity Reservation Centre - a one-stop point of contact for guests."

Neil Short – Development Director UK, StayCity.



Source: Knight Frank research and analysis incorporating various sources including CoStar.

Written consent required prior to republication of this data.

"The brand is core to the success of edyn, and particularly our Locke brand. We continue to look to ways to review the aesthetics of our brands and embrace new design, acting as a platform for new emerging designers. We have a dedicated development team who are tasked with exploring new innovation, such as new technologies to incorporate, which both enhance the customer experience and deliver operational efficiencies. We also

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realised early on to partner with others in terms of F&B, and other services, which enables us to provide an experience that resonates with the local community."

Nick Barton, Chief Commercial Officer at edyn



Kingsland Locke, edyn group, opened January 2021

Maximising the attributes of serviced apartments

Making the serviced apartment sector even more relevant during the recovery, has been the blurring of lines between business and leisure. Regardless of the reason for travel, there is increasing consumer demand for flexible, self-contained space with a strong focus on design, high-tech and home-from-home amenities. Rather than pivoting the business model to adapt to this period of recovery, instead operators are elevating their concepts in response to the changing consumer demands, to provide experiential social spaces that appeal to a broad range of guests, accommodating long

living spaces that appeal to a

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"We are more committed than ever to our core offering of hybrid hospitality. While consumer demand helped us survive during this period, we are now also seeing recovery in corporate demand, as well as “digital nomads” – such as young professionals, project workers and interns who need a base in a city - our hybrid offer is perfect for this growing demand"

Nick Barton, Chief Commercial Officer at edyn



Beckett Locke, Dublin, opened August 2021

With increases to the length of stay, the amenities of an aparthotel have become increasingly important, ensuring that guests make full use of the space and have all the equipment and technology they need, just as they would in their own home.

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"Changes within our apart-hotels include an enhanced food and drink provision. Our newer or renovated properties now feature a vibrant and social STAY café, selling hot and cold snacks, drinks and breakfast items for guests to eat in or take away. And, while our kitchen spaces have always been an integral part of why people choose aparthotels, more guests are using them to a greater degree. A well-stocked pantry within the aparthotel provides guests with all the essentials needed for consumption in their apartment. The provision of food and drink, including a licensed bar at certain properties, is therefore becoming an increasingly important ancillary revenue stream."

Jason Delany, Director of Brand, Product & Marketing, Staycity Group

Increasing Lengths of Stays

All serviced apartment operators we interviewed have cited the increasing average length of stay. In particular, the number of guests staying 28 nights+ has increased by as much as three-fold, with this segment of the business representing in some business models around 30% of the demand. While business travel has seen a reduction in activity, corporate stays remain an important part of the guest mix. Actively targeting the robust relocation sector, as well as developing strong links with corporate clients and relocation agents, has been a key strategy employed by certain operators. In June 2022, HotStats data reported Regional UK apart-hotels achieving an occupancy of 81.4%, versus occupancy for the total regional UK market of 73.3%, this illustrates the positive impact the extended stay business is currently having on performance.

With mid-week, transient corporate and conference demand remaining considerably weaker than pre-pandemic levels, the core extended stay business is set to remain a permanent strategy, but equally

actively targeting a larger base of permanent strategy, but equally

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driving a longer length of stay across all segments is fundamental to improving profit margins. The edyn group, for example, report that 60% of guests stay for longer than a week in their Locke aparthotel, whilst this increases to 70% for guests staying in a Cove aparthotel. The Staycity group, meanwhile, typically achieve a minimum of 45-50% of their guests staying for longer than a week.

One key trend during the recovery, is for the extension of a business trip to include a leisure stay, sometimes with family members joining for the weekend. Born out of a changing relationship with the office and increased flexibility and opportunity for remote / hybrid working, the dynamics of the week have changed.

"The weekend is now becoming a two or three-night experience, with a definite blurring of midweek and weekend business, as such the distinction between corporate, private business and leisure stays is becoming increasingly opaque."

Robert Alley, Former COO - Roomzzz Aparthotels

Increased awareness of the service apartment sector, combined with the versatility of the model, is allowing the sector to tap into a dynamic range of market segments, from extended-corporate and private stays to high-yielding longer-length staycations.

Changing distribution channels and segmentation mix

Driving the operational recovery even further is the change in the way serviced apartment operators acquire and cultivate their business.

Distribution channels have been altered to reflect the change in the demand profiles of the guests. With an increase in the extended stay business and the potential for a higher proportion of repeat guests, a paradigm shift towards sourcing a much higher percentage of direct

Refreshing or promoting newly developed lo

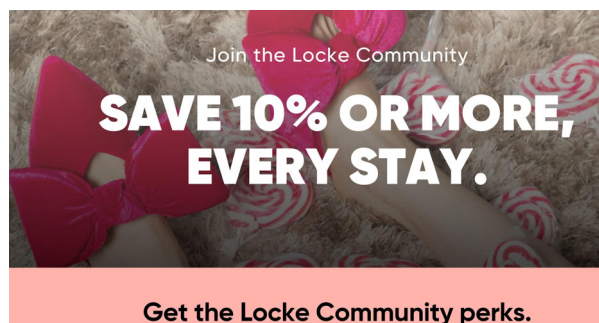
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has become the priority.

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membership programmes –

schemes which offer a range of benefits, with the level of reward and member benefits increasingly leveraged against the number of nights stayed in a set period – have become far more prominent in the sales and marketing strategies employed by the branded serviced apartment operators.

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"Innovation in our marketing initiatives, has seen nearly 100,000 new members sign up to our 'Stay Sweet' loyalty programme, thus enabling us to have a direct dialogue with our customers. Stay Sweet guests are offered regular discounts as well as news on new openings and special events." Enhancements have also been made to the guest booking experience, with the introduction of the Staycity Reservation Centre and live chat centre - a one-stop point of contact for guests, bringing a number of different functions under one umbrella"

Jason Delany, Director of Brand, Prod

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marketing, Staycity Group

Whilst OTA business remains an important source for acquiring new business, the number of platforms used are likely to have been substantially reduced. Thus, limiting the amount of commission payable to third parties, has been a key strategy employed. In addition, many operators have restructured their administration teams to reflect the changes to the distribution channels, enhancing the guest booking experience, but also creating further efficiencies in centralised functions brought under one umbrella.

"One-in-five guests book through our direct edyn digital channels, and we expect to grow this to one-in-four by the end of year."

Nick Barton, Chief Commercial Officer at edyn

The power of data

Critically, serviced apartments operators need to place data at the centre of their marketing efforts and decision making if they are to reach their target audience and stay competitive. The bigger branded, specialist serviced apartment operators are becoming increasingly sophisticated in leveraging their in-depth knowledge and data they hold about their guests. They excel at having guest-facing hotel websites, which score highly in terms of being responsive, contextual and personalised. Through enhancement of their websites, they ensure the click-through experience is seamless and the booking experience quick, simple, and easy to navigate. In doing so, they perform strongly, in their Revenue Generation Index (RGI), whilst also lowering operational costs and customer-acquisition expenses, with the aim of driving a guest's lifetime value and total revenue generation.

Many global hotel operators which operate in the serviced apartment space, whilst they utilise their significant loyalty programmes to drive business, they lack a dedicated website to fully promote the benefits of their serviced apartment offering. Meanwhile, specialist serviced apartment operators are becoming increasingly

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competent in their provision of Search Engine Optimisation (SEO) rich content, which ultimately drives a significant amount of direct traffic to their websites, thereby enhancing the capture of new guest bookings.

Community Living



Turing Locke Cambridge, opened September 2021

In the new era of hybrid living, serviced apartment operators are uniquely positioned to connect and engage with their local communities, by bringing services which can serve their neighbourhood, as well as bringing influences of the locality into the design and tailoring events that highlight local businesses, artisans, and creators, as well as featuring the best of local cuisine and talent.

"With people's renewed interest in wellness and wellbeing, our three Wilde Aparthotel's in London take the wellness theme further with a daily running club,

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led by a member of the team, taking in all the local sights. These have developed a real following with local businesspeople joining the running groups too."

Jason Delany, Director of Brand, Product & Marketing, Staycity Group

"edyn as a pioneering extended stay lifestyle hospitality group, was built on the philosophy that travel should be a rich journey of discovery, providing unique experiences that inspire, whether travelling for business or leisure. Our partnerships with local providers of F&B, and other services, enables us to offer an experience that resonates with the local community. We will continue to push the boundaries and with our Locke brand, each property is a unique and genuine reflection of its surrounding neighbourhood."

Nick Barton, Chief Commercial Officer at edyn

"A renewed sense of community means travellers are seeking real, local and new experiences. Operators who can deliver this through strategic partnerships for Food & Beverage, leisure, retail, wellbeing and coworking and create a sense of community during a guest's stay, will be rewarded with loyalty, enhanced revenue generation and deeper connections. "

Ben Harper, Group Managing Director at Watergate Bay Hotel

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Competition provides catalyst for innovation and change

One of the greatest challenges remains the increasingly competitive market. Yet operators are fast learning to adapt to changing guests needs. They have become increasingly sophisticated in providing self-sufficiency with the provision of fully furnished apartments, a quality design-led, high-tech space with access to a wide range of amenities. With optionality over the length of stay and versatility of the product, suitable to target different guest profiles, the sector remains of strong appeal to an expanding consumer market. Yet growth and scale of the brands are likely to be slowed in the short-to-medium term, by a lack of viable projects due to the increased cost of construction and labour.

Actioning sustainability goals to reduce the sector's environmental impact will also become far more prominent, with lenders, guests, corporate responsibility and reputation, the need for increased efficiencies to preserve and grow margins, and future proofing of assets all factors driving this change.

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