HVS Performance Report: Spa Department 2019

December 18, 2019 / *By Rod Clough, MAI*



On average, spa and wellness departments run profitably and can contribute significantly to a hotel's bottom line. This report is our second annual performance report published by HVS that tracks and monitors spa department performance and profitability. The data presented reflect spa operating-statement averages and data points from 2018 through the third quarter of 2019.

Across HVS's 40 U.S. locations, our expert associates are continually consulting on hotels and resorts with significant spa and wellness operations, which are captured within their own departmental statement on an operating profit and loss statement. For the last three years, HVS has partnered with Mia Mackman, our Managing Director of Spa & Wellness Consulting, to better understand the accelerating spa and wellness assets and evolving lifestyle market.

This report reflects a sample of 59 hotels and resorts, with 22 in the upper-upscale category and 37 in the luxury category. Hotel, guestroom, and treatment-room counts are summarized in the following table, along with total spa revenue for the survey group.

Survey Participants

Upper-Upscale Hotels	
Number of Hotels in Survey:	22
Total Guestrooms:	6,304
Total Treatment Rooms:	256
Total Spa Revenue:	$28,294,259

Luxury Hotels	
Number of Hotels in Survey:	37
Total Guestrooms:	11,581
Total Treatment Rooms:	475
Total Spa Revenue:	$122,228,644

Source: HVS

Overall comparisons between the two hotel segments show that luxury hotels have larger spas on average, which would be expected (12 treatment rooms on average, or a median of 8 treatment rooms, for upper-upscale hotels vs. 13 rooms on average, or a median of 11 treatment rooms, for luxury hotels). Spa revenue generated per occupied hotel room can also be significantly different between the two product types, averaging $18 for upper-upscale vs. $40 for luxury hotels. Treatment-room averages reflect roughly $111,000 per room for upper-upscale hotels and $257,000 (rounded) for luxury hotels.

Survey Results

	Minimum	Maximum	Average
Upper-Upscale Hotels			
Number of Treatment Rooms	1	37	12
Occupancy	47%	82%	67%
Average Rate (Rounded)	$130	$300	$229
Spa Revenue per Treatment Room	$46,148	$265,367	$110,524

Summary

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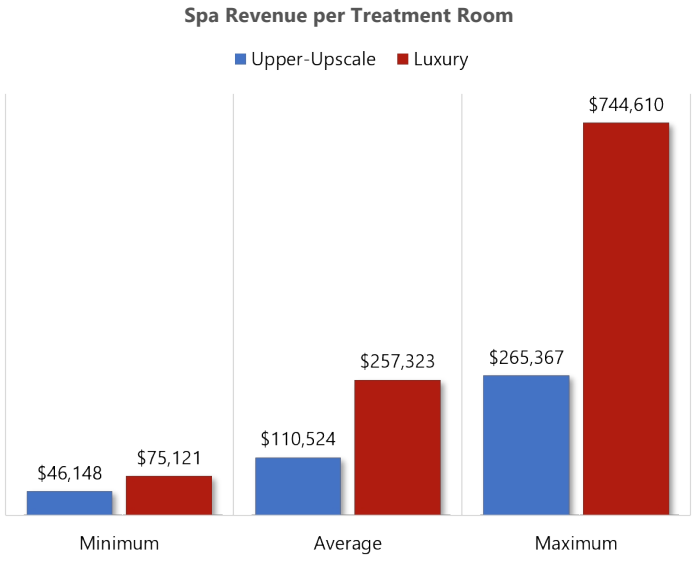
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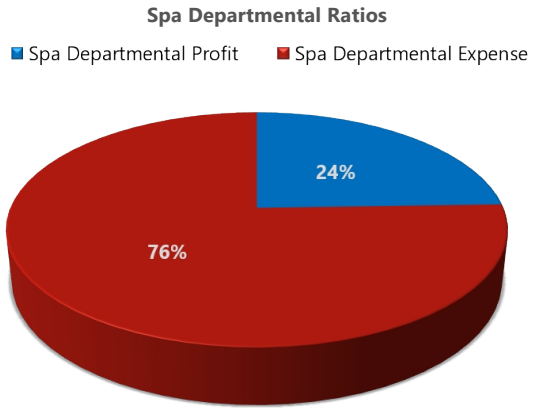
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Spa Revenue per Occupied Room	2	635	18
Spa Revenue, as % of Total Revenue	0.5%	52.4%	7.4%
Spa Departmental Expense Ratio	51.4%	100.0%	73.2%
Luxury Hotels			
Number of Treatment Rooms	3	32	13
Occupancy	36%	88%	72%
Average Rate (Rounded)	$280	$2,200	$493
Spa Revenue per Treatment Room	$94,212	$744,610	$257,323
Spa Revenue per Occupied Room	16	226	40
Spa Revenue, as % of Total Revenue	2.1%	24.1%	5.2%
Spa Departmental Expense Ratio	49.3%	95.8%	76.1%

Source: HVS



Source: HVS



Source: HVS

Spas are becoming influential assets for hotels and resorts given the increasing demand related to wellness and lifestyle programs. With growing hotel and resort pillars being developed and dedicated to well-being, examining the depth of spa and wellness performance has become a fundamental factor of strategic growth and valuation. Moreover, understanding how these assets are performing plays a critical role in core strategic planning, including ADR and RevPAR performance.

If your spa is operating at a loss or notably above the typical expense ratio for a spa, as shown here, HVS can help. Also, if you are not driving significant revenue levels from your spa operation (a full-service spa should generate 5.0% or more of total revenue, on average; in our survey, upper-upscale spas generate 5.2% of total revenue on average, and luxury spas generate 7.4% of total revenue on average), our expertise can help you

derive strategies for improvement, as enhancing or modifying these evolving services can reduce expense percentages and increase opportunities for new revenue growth throughout multiple departments.

About Rod Clough, MAI



Rod Clough is the President of HVS Americas. He is responsible for the overall direction, management, and ongoing success of 40+ offices across North and Latin America. Under his leadership, HVS Americas conducts over 3,500 valuation and consulting engagements annually. During his 30-year tenure, Rod has been instrumental in leading the growth of the firm; this includes significantly expanding the number of offices across the United States, as well as launching multiple divisions, including U.S. Hotel Appraisals, HVS Latin America, HVS Brokerage & Advisory, and HVS Asset Management & Advisory. A frequent speaker at the nation's largest hotel conferences, Rod is a designated member of the Appraisal Institute (MAI) and a state-certified appraiser. He earned his BS from Cornell University's School of Hotel Administration and also holds a Colorado real estate broker's license. Furthermore, Rod is proudly Latino and gay, and his firm is welcoming of all races and colors, sexual orientations, ages, genders, and gender identities. Once associates join HVS, they tend to stay due to the extraordinary culture Rod has inspired—a culture defined by the ideals of balance, connectivity, efficiency, collaboration, honesty, integrity, kindness, and excellence, among others. Rod resides in Northern Colorado where he and his husband Jeff are raising their daughter, Rory. Contact Rod at (214) 629-1136 or .