MARKET REPORT

HVS Performance Report: Spa Department 2018

NOVEMBER 20, 2018

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On average, spa and wellness departments run profitably and can contribute significantly to a hotel's bottom line. This report is the first annual performance report published by HVS that will track and monitor spa department performance and profitability. The data presented reflect spa operating-statement averages and data points from 2017 through the third quarter of 2018.

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. In 2017, HVS 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 51 hotels and resorts, with 25 in the upper-upscale category and 26 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:	25
Total Guestrooms:	7,789
Total Treatment Rooms:	273
Total Spa Revenue:	$30,116,208

Luxury Hotels	
Number of Hotels in Survey:	26
Total Guestrooms:	5,670
Total Treatment Rooms:	386
Total Spa Revenue:	$68,810,939

Source: HVS

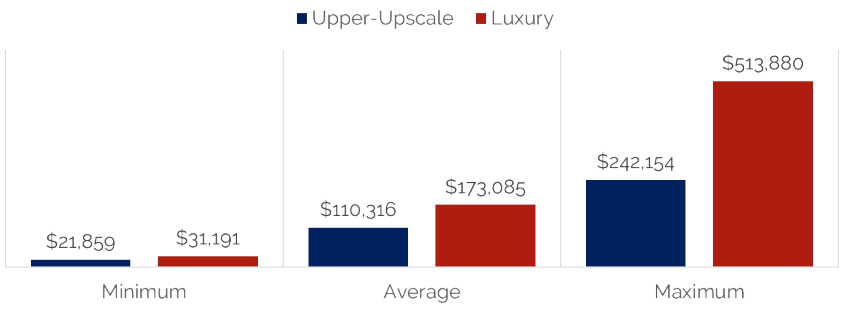
Overall comparisons between the two hotel segments show that luxury hotels have larger spas on average, which would be expected (11 treatment rooms on average for upper-upscale hotels vs. 15 rooms on average for luxury hotels). Spa revenue generated per occupied hotel room can also be significantly different between the two product types, averaging $16 for upper-upscale vs. $46 for luxury hotels. Treatment-room averages reflect roughly $110,000 per room for upper-upscale hotels and $173,000 (rounded) for luxury hotels.

Survey Results

Upper-Upscale Hotels	Minimum	Maximum	Average
Number of Treatment Rooms:	2	41	11
Occupancy:	44%	84%	68%
Average Rate (Rounded):	$110	$290	$213
Spa Revenue per Treatment Room:	$21,859	$242,154	$110,316
Spa Revenue per Occupied Room:	$3	$88	$16
Spa Revenue, as % of Total Revenue:	1.0%	27.5%	4.5%
Spa Departmental Expense Ratio:	51.3%	119.9%	77.5%

Luxury Hotels			
Number of Treatment Rooms:	1	40	15
Occupancy:	43%	89%	71%
Average Rate (Rounded):	$310	$1,400	$493
Spa Revenue per Treatment Room:	$31,191	$513,880	$173,085
Spa Revenue per Occupied Room:	$7	$143	$46
Spa Revenue, as % of Total Revenue:	1.7%	13.9%	5.6%
Spa Departmental Expense Ratio:	59.7%	99.0%	77.4%

Spa Revenue per Treatment Room

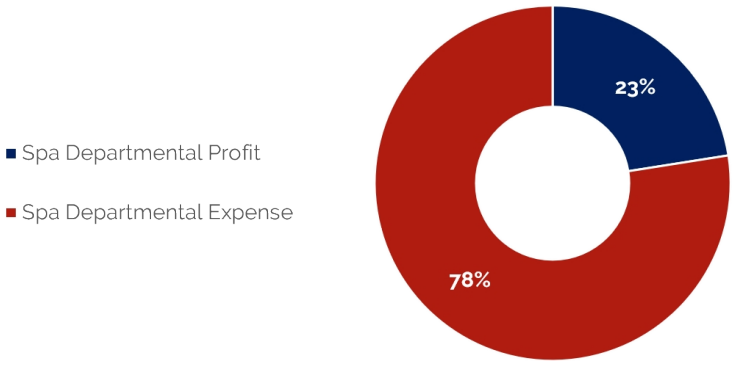


Source: HVS

Per our study, expense ratios are similar between the two hotel-type categories, averaging just above 77% of revenue. Labor costs typically represent the largest percentage of spa department expenses. Departmental expenses tend to vary

widely in each group, between roughly 51% to 120% overall. Most expense ratios fall between 75% and 85%, reflecting an average profitability of 23%.

Spa Departmental Ratios



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), our expertise can help you derive strategies for improvement, as enhancing or modifying programs and services can reduce expense percentages and increase revenues throughout multiple departments.