

# HVS Performance Report: Spa Department 2018

November 20, 2018 / 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 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   |

### Summary

This report is the first annual performance report published by HVS that will track and monitor spa department performance and profitability.

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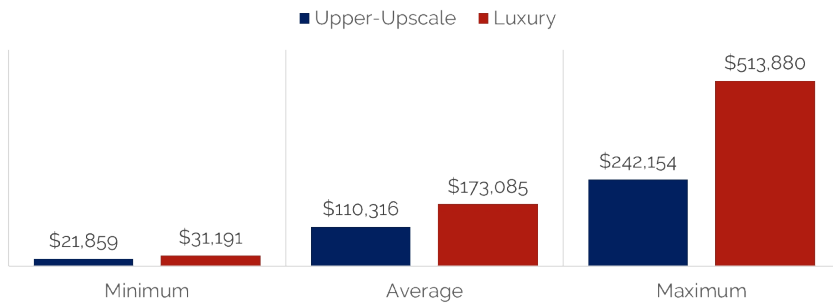
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|-------------------------------------|----------|-----------|-----------|
| Spa Revenue per Treatment Room:     | \$21,859 | \$242,154 | \$110,316 |
| Spa Revenue per Occupied Room:      | \$3      | \$88      | \$16      |
| Spa Revenue, as % of 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: | 17%      | 13.9%     | 5.6%      |
| Spa Departmental Expense Ratio:     | 59.7%    | 99.0%     | 77.4%     |

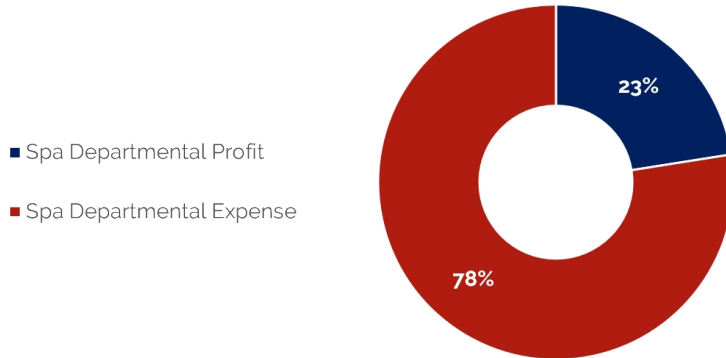
**Spa Revenue per Treatment Room**



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.

### 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 [\[email protected\]](#).