

Next destination: Workcation

Is workcation the hospitality fix we have all been waiting for?
A workcation-oriented retrofit could be a miracle or a curse for your hotel.
How to avoid faux pas?



In 2020, we have witnessed a large share of the office workforce adopting remote working and several companies making the switch permanent much to the joy of its employees worldwide. The implications of such a change in the office world is also expected to affect the travel industry because leisure travellers, finally freed from the constraint of a physical office and commuting, will, from now on, take more frequent and longer trips.

This means leisure tourists will become the main segment in the travel industry and certain destinations, previously considered to be too remote or isolated, will be unlocked and prioritised taking the top spot on people's bucket lists.

In the new competition to attract guests, we expect leisure destinations to win the race, enticing customers with pictures of cocktails and appetizers on the beach. Leisure hotels willing to go the extra mile, will recover faster, pulling ahead of their competitors, and will likely end up in a league of their own.

The coming months will be full of surges in remote working with people seeking to satisfy their wanderlust after painfully long lockdowns, as travel restrictions ease and vaccination programs are deployed across the globe. This will create the ideal conditions for the development of the workcation phenomenon.



Workcation? Despite the recent popularity of the term, no clear definition has been presented so far.

At PKF we say you are on a “workcation” when your colleagues envy you because:

- You are away from your office desk for long periods and send postcards of beautiful tropical beaches with sentences like “do not be fooled by the picture, I am still working”
- You are blending your leisure time by exploring certain suburbs of Bangkok or by surfing on a tropical beach in Bali while the rest of us rush through the rainy streets of the central business district
- You watch your colleagues and clients on a Zoom call in their suits / winter jumpers, while you are wearing flip flops and a Hawaiian T-shirt
- Your biggest concern is the internet connection, the laundry service and whether you have enough sun cream
- Your lunch break is a nice relaxing swim at the beach rather than a boring kiosk-around-the-corner noodle box

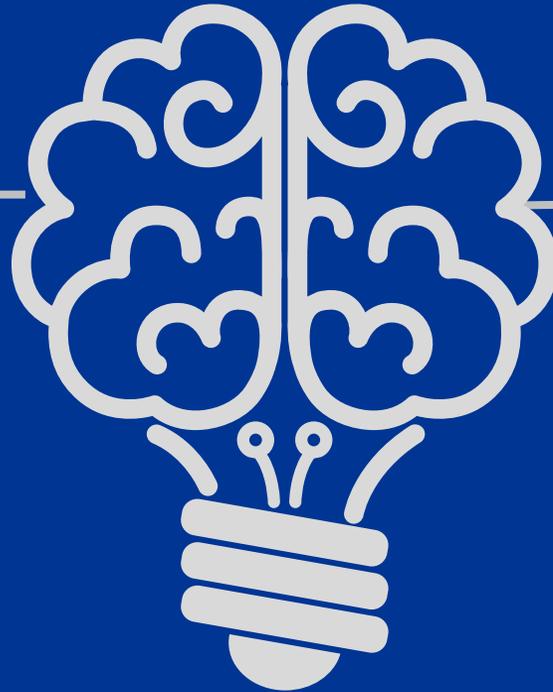
If this is the trend characterising our not-so-distant future, what do hotels urgently need to do to make sure they can attract workcationers?



The decision and extent of the change is completely up to hotel owners; however we would recommend going for the full package. Here are our recommendations:

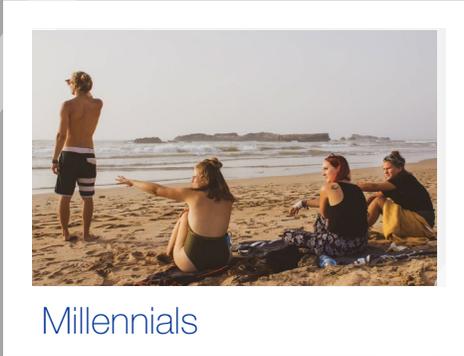


Space efficiency: space, distance, and solitude are front of mind for consumers; with people craving mindful moments in spaces and places where it is possible to disconnect from their daily life. By creating areas in the properties that allow this mystic zen retreat, hotels can be part of this cool revolution already.



Ever heard of “home away from home”? Now more than ever, making guests feel at home will be the key to success. Let us remind you that “home is where the heart is”, but also where there is a small office, a functional gym, a shared kitchen and laundry facilities. Some hotel operators have started launching workcation packages including 24/7 gym access, IT help and self-laundry services, but the opportunity to add items to this list is infinite. The launch of the Freehand Club, a membership program (up to three months) by Freehand Hotels is just one example of a recent launched workcation offer: for a monthly rental fee the membership allows workcationers to move between all Freehand properties in Chicago, Miami, New York or Los Angeles and to enjoy various benefits and amenities.

While workcation is likely to become one of our most frequently used words, it is important to consider that it might not mean the same for everybody. We have profiled different consumer groups based on socio-demographic criteria to derive conclusions on travelling lifestyles and consumer patterns.



Millennials

young singles / couples with no kids
(23-40 yrs)

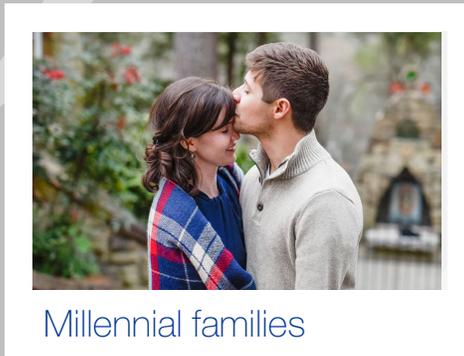
mid-range

1 – 3 weeks

co-living concepts, serviced apartments, beach resorts, lifestyle hotels, Airbnb

cities, rural, seaside

short- and long-haul



Millennial families

singles with young kids
(30-40 yrs)

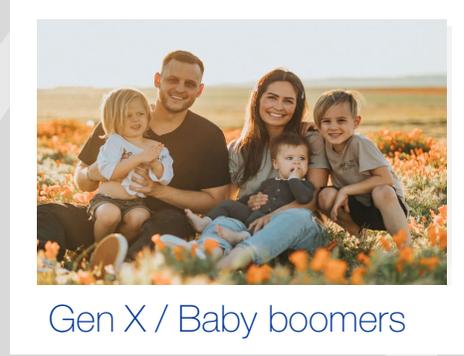
high

1 week - 1 month
(mostly during school holidays)

family hotels, serviced apartments, beach resorts, high-end fractionals, destination clubs

rural, seaside

mostly short-haul



Gen X / Baby boomers

singles / couples
(41-65 yrs)

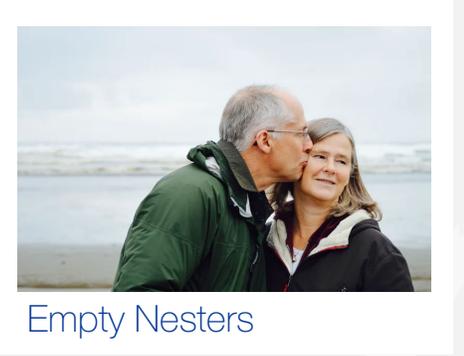
mid / high

1 – 6 months

serviced apartments, beach resorts, upscale/luxury hotels, Airbnb, timeshares

cities, rural, seaside

short- and long-haul



Empty Nesters

singles / couples
(50-60+ yrs)

high / very high

1 – 6 months

serviced apartments, beach resorts, upscale/luxury hotels, high-end Airbnb, timeshares, fractionals

cities, rural

short- and long-haul

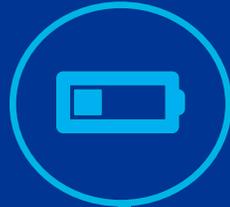
With workcationers coming from a variety of socio-demographic groups, it is also up to hotels to decide if they want to start playing the game or be left behind. But if they do, what does it take for them to win the workcation battle? As usual the winning rule is very easy: make sure you meet customers' needs. And what are these?



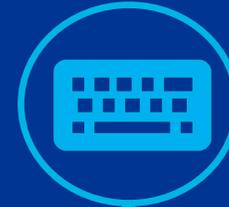
Tech, tech, tech: with new generations, 24/7 connectivity is a must, whether it be for work or for their own Instagram pleasure. Therefore, access to wi-fi, high-speed internet (potentially 5G) across the whole property (indoor and outdoor) is key.



Smart(er) TVs: screens are playing an important role in interfacing us with our activities. Using TVs as a convertible screen for PC / tablets / phones and positioning these in a smart way inside the bedroom could be an idea to help new customers be happier. Afterall, who can beat a 55-inch Instagram screen?



People got the power: power sockets are becoming the scarcest resource in the world after antimony and kryptonite. How are hoteliers thinking you can be connected 24/7 without a proper power source? Hotels still think that one socket might be enough for laptops, tablets and two phones but it isn't. Customers expect power access to be automatic (and easy to reach), but most of the time get disappointed by the interior designer who prioritised aesthetics over functionality. This could even be an opportunity to rethink the card slots that turn off all the electricity in the room, the bane of many business travellers who want to charge their laptops while they are out.



Welcome to your new office: a hotel room. Hotels will need to become more "fit for work". Ergonomic chairs, larger desks, providing certain hardware (keyboards, projectors, etc.) might be a nice plus to help the nomadic workers who do not want to compromise on their careers and have privacy during their working hours.



Smart storage = more space: if workcationers are spending longer at hotels and in their rooms, they are likely to carry more luggage than usual and therefore need more space, right? Smart storage solutions would be a key feature to make sure that guests can carry those fancy stilettos without giving up living space and the organisation of their room.



Social media, without the media. The new mantra would be to socialise with like-minded people while being on workcation. Imagine how many interesting people you would meet on your workcation world tour? Hotels can spice-up their game by helping guests mingle amongst themselves and the local communities. Have you ever thought you should go on a holiday to upgrade your network to the next level?



What if it rains? Some of the guest categories identified have a young profile age and, are more likely to engage in online gaming/activities. Having areas where games are not just for kids would be an added bonus for those rare rainy days. We are sure youngsters and young-at-heart parents will also appreciate hotels' choices of creating specialised gaming areas to play in tranquillity. By the way, the answer to the question if guests prefer an X-Box or a business centre, might surprise you...



Fitness first, and second. Modern and well-equipped fitness centres with 24/7 access could be a good way to sell hotels to workcationers who are also very keen in maintaining a healthy lifestyle while travelling. Alternatively, optional in-room workouts through applications or smart TV could be nice options. Ultimately, the thought of a yoga mat in the room would already mean the world for those “yogis on tour”.



Workcation is no excuse for binge eating: workcation is not an excuse for unhealthy lifestyles and weight gain. With limited kitchen facilities in the room, workcationers might appreciate a common kitchen space to cook and mingle: like a co-living / co-working / co-cooking space for the nomad-chef-executive-2.0. Alternatively, a small kiosk with fresh local products for quick healthy meals or a convenience store offering a variety of pre-cooked items easily microwave-able in the room could also make the trick.



The fine print: together with the physical aspects of hotels, management should be ready to change service and the terms and conditions of daily operations. Flexible cancellation policies, early check-ins / late check-outs will become more regular features, and this will impact the housekeeping planning. Credit card transactions and foreign exchange currency exposure will have a higher impact on financial results so negotiating new commission rates with local banks is definitely a good idea!

So what will happen if hotels retrofit? Well, the real question should be “what will happen if they don’t?”. With corporate travellers anticipated to rebound by 2025 and MICE expected to only partially return, business is not expected to recover to 2019 levels any time soon. And even if it does, the segmentation and the composition of demand would be so different from what hotels remember. So, if hotels want to understand what the future holds, we have prepared two scenarios:

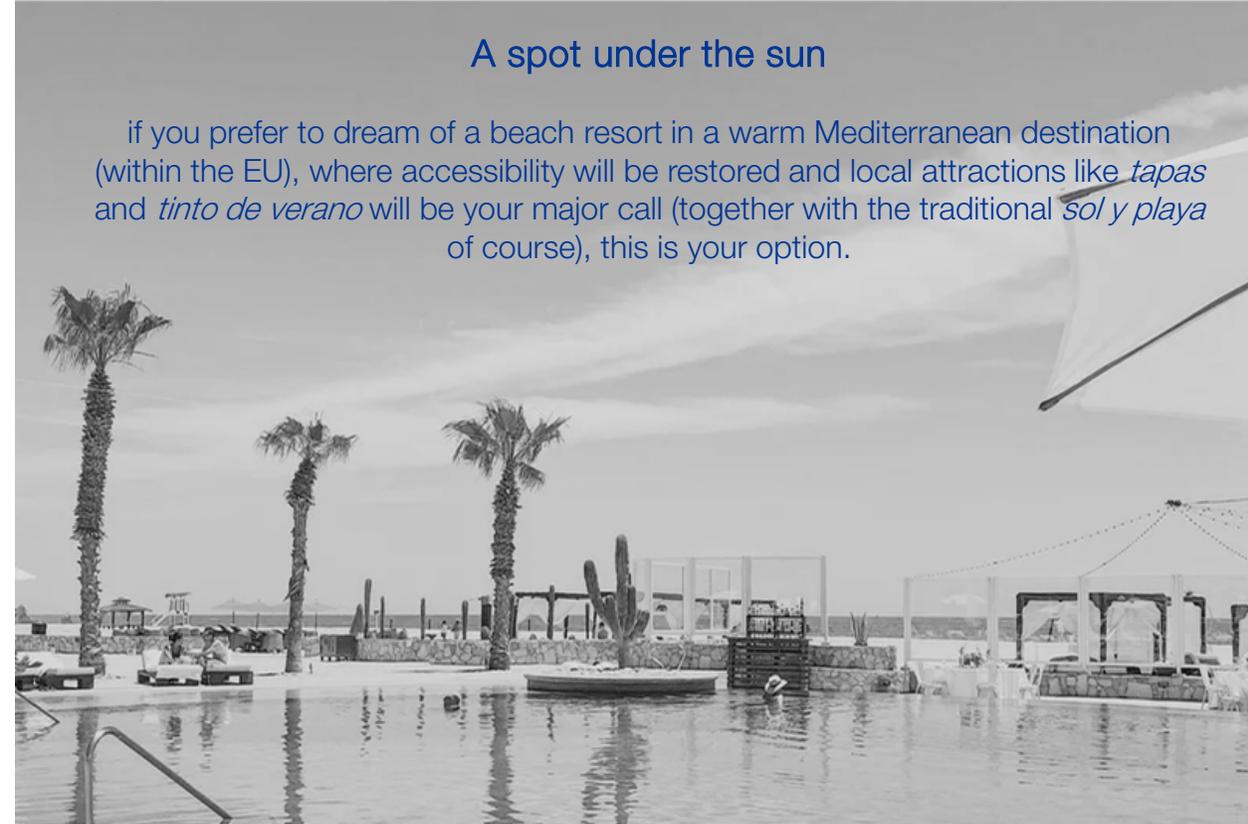
Urban retreat

typical urban hotel in a major European city (do you like Paris?) characterised by strong corporate demand.



A spot under the sun

if you prefer to dream of a beach resort in a warm Mediterranean destination (within the EU), where accessibility will be restored and local attractions like *tapas* and *tinto de verano* will be your major call (together with the traditional *sol y playa* of course), this is your option.



For both examples (upscale category) we have asked our friends at the interior design company [JOI-Design](#) to estimate the cost of retrofitting rooms and common areas (see Appendix).



Urban retreat

We believe that doing nothing is not an option. It is time to embrace the new-normal and prepare properties to make the most of the recovery period as those who do not, may find that they never recover.

In our analysis, converting only six rooms and generating 70 workcation bookings (of varying length of stays) would be necessary to increase revenue by € 83,000 per year.

This results in outstanding returns of **66 % IRR** and **3.1 years' payback period**.



A spot under the sun

Resorts will have a brighter future (and not just because they are mostly enjoying 365 days of sunshine per year). No matter what the current occupancy or ADR are, hotels should be ready to extend operations: remember that the weather during the low season in the Canary Islands can still be warmer than the middle of summer in Northern European countries.

Workcationers, on the other hand, should also check their tax consultants to see how much they can save when they spend long periods outside of their own country as they might realise that the accommodation could actually “come for free”.

In our scenario, a resort that converts six rooms will achieve an additional profit of € 94,000 assuming 70 additional workcation bookings per year (featuring different length of stays). This will lead to a **58% IRR** and a **payback period of 3.6 years**.

Of course investment costs and expected returns depend on many more factors but the strong demand for workcation trips is uncontroversial and the “workcation magic” can be achieved at almost any location. Hence both city hotels and resorts should be prepared: if they do not invest on time or adapt their offers targeting this future guest segment, they might miss the high potential of the post-pandemic recovery.

Plus, considering the low cost of capital available right now, imagine what your resulting IRR could be if you leverage.



If you are waiting for the pre-pandemic demand and segmentation to return, you may be waiting for something that will never happen. The past year has created a massive shift in the way people work and travel, and we predict a significant surge in the workcation phenomenon. Retrofitting is the best course of action for both resorts and urban hotels as it will allow business to recover faster and achieve higher performance levels.

Together with existing assets, new developments can already consider all the recommendations mentioned in this article, to make sure they cater to this segment directly from day one. Very recently, in fact, we have noticed the opening of nomad/workcationer hubs around the world. Although it seems the lead has been taken by destinations, rather than the private sector, with the Maldives offering the first destination-based loyalty programme and Madeira creating a village for nomad/workcationers with free internet, free workspace, and fun events. This is just the beginning and we believe great opportunities rely on combining the workcation trend with already well-known phenomena like environmental sustainability, depopulation of rural villages or abandonment of countryside houses which could offer a great existing canvas to develop nomad hubs with easy access to local food produce and world-class healthcare facilities in not-so-distant cities.

Examples have already appeared on the map with the KoDorf movement and the Coconat hug in Germany as examples. Hotels can only do so much, but if supported by local destination marketing offices, the impact of such a change will exponentially increase as the whole could become known as a workcating hotspot, creating a megaphone effect around the world and attracting a true cosmopolitan crowd.

Who would have ever thought that a completely new business would be born in less than 12 months and during the worst pandemic in modern history? Maybe when theoretical economists say we are living in “dynamic times”, they might not be “theoretical” after all.

The table below presents a potential retrofitting budget based on six keys and including one-off costs

Workation Retrofitting costs	Amount	Unit	Cost estimate price/unit (EUR)	Overall estimate for 1 off expenses (EUR)
Rooms				
Bigger Desks (min. 160 x 100 cm)	6	pc	450 €	2,700 €
Necessary hardware equipment in the guest rooms (mouse, keyboard, printer, etc.)	6	pc	280 €	1,680 €
Ergonomic Chairs in the guest rooms	6	pc	320 €	1,920 €
More power outlets (replacement of sockets), plug-ins in the guest rooms (estimate: extra 5-10)	6	pc	250 €	1,500 €
Highspeed Internet throughout the whole property	1	pc		30,000 €
Mini Kitchenette with water & waste supply: small fridge, microwave and sufficient work surface	6	pc	3,400 €	20,400 €
Intelligent solutions to create a feeling of space (e.g. optical illusions through mirrors etc.)	6	pc	700 €	4,200 €
Smart Storage (enough storage if you stay longer but efficient)	6	pc	1,100 €	6,600 €
Smart screen which can be used as TV and PC (min. 23 inch)	6	pc	420 €	2,520 €
	Subtotal			71,520 €
Facilities				
Co-Working Area: one co-working room with shared desk principle	40	sqm	1,300 €	52,000 €
One common kitchen (to cook, eat and socialise) with min. 20 sqm	20	sqm	1,700 €	34,000 €
One social room (gaming, socialising & networking events)	25	sqm	1,200 €	30,000 €
Small grocery shop (snacks, drinks, pre-cooked meals) integrated in the lobby (space efficiency)	1	pc	6,000 €	6,000 €
Modern fitness centre or enlargement of current gym facilities (24/7 access)	1	pc	35,000 €	35,000 €
Laundromats for the guests in a separate area/floor	20	sqm	1,400 €	28,000 €
	Subtotal			185,000 €
Services				
Subscriptions to various applications (yoga, streaming services etc.) - reoccurring costs	1	pc		5,000 €
Soft costs @ 10%			53,520 €	26,152 €
Contingency @ 5%			53,520 €	13,076 €
	Subtotal			44,228 €
TOTAL				300,748 €
	per key			€ 50,125

Source: [JOI-Design](#)

Urban retreat

Assumptions

Workation packages	ALoS	Rooms sold/year	ADR	Discount	Room Revenue	DOF	Guestnights	F&B Rev POR	F&B Rev Per Guest	F&B rev	Total Revenue
Daily stay			140		-						
1 week	7	40	126	10%	35,280	1.1	308	36	33	10,080	45,360
2 weeks	14	20	112	20%	31,360	1.2	336	32	27	8,960	40,320
4 weeks	31	10	98	30%	30,380	1.3	403	28	22	8,680	39,060
TOTAL		70			97,020		1,047			27,720	124,740

IRRs

If retrofit happens in Year 1 and cashflow impact starts from Year 2

	Year 1	Year 2	Year 3	Year 4	Year 5
CapEx	- 300,000				
Cashflow		93,555	95,426	97,335	99,281
TAV					1,323,751
TOTAL	- 300,000	93,555	95,426	97,335	1,423,032

IRR 65.9%

If both retrofit and cashflow impact happen in Year 1

	Year 1	Year 2	Year 3	Year 4	Year 5
CapEx	- 300,000				
Cashflow	93,555	95,426	97,335	99,281	101,267
TAV					1,350,226
TOTAL	- 206,445	95,426	97,335	99,281	1,451,493

IRR 88.9%

Flow-through 75%

NOP impact/year 93,555

A spot under the sun

Assumptions

Workation packages	ALoS	Rooms sold/year	ADR	Discount	Room Revenue	DOF	Guestnights	F&B Rev POR	F&B Rev Per Guest	F&B rev	Total Revenue
Daily stay			100		-						
1 week € 800	7	40	90	10%	25,200	1.5	420	54	36	15,120	40,320
2 weeks € 1200	14	20	80	20%	22,400	1.7	476	48	28	13,440	35,840
4 weeks € 2.000	31	10	70	30%	21,700	1.8	558	42	23	13,020	34,720
TOTAL		70			69,300		1,454			41,580	110,880

IRRs

If retrofit happens in Year 1 and cashflow impact starts from Year 2

	Year 1	Year 2	Year 3	Year 4	Year 5
CapEx	- 300,000				
Cashflow		83,160	84,823	86,520	88,250
TAV					1,103,126
TOTAL	- 300,000	83,160	84,823	86,520	1,191,376

IRR 58.0%

If both retrofit and cashflow impact happen in Year 1

	Year 1	Year 2	Year 3	Year 4	Year 5
CapEx	- 300,000				
Cashflow	83,160	84,823	86,520	88,250	90,015
TAV					1,125,188
TOTAL	- 216,840	84,823	86,520	88,250	1,215,203

IRR 76.6%

Flow-through 75%

NOP impact/year 83,160

This article has been written from several workcation venues such as: Cadiz, London, Vienna, Berlin and Dubai.



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The PKF hospitality group is the first fully integrated global advisory firm to serve the hotel and tourism sectors.

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