

LONDON'S HOTEL MARKET EXPECTED TO GROW



Despite the political and economic uncertainties, London's hotel market will continue to grow in the coming years.

Thanks to prime locations in the city center and resistance to crises, London also remains one of the top investment markets. This is also confirmed by a recent survey conducted by the consulting firm Deloitte. According to the survey, **London will be one of the most attractive European cities for hotel investments in 2021, after Amsterdam and Paris.**

Following the rapid growth in the last decade, the number of international tourists dropped significantly in 2020 due to lockdowns. Although the number of overnight visits by tourists coming from abroad increased from nearly 92 million in 2009 to almost 119 million in 2019, according to Statista's calculations, the demand has been declining for two years already. The peak was reached at 130.5 million in 2017.

Over 100 New Hotel Projects in the Pipeline

Despite the Corona pandemic, a total of 35 properties with 5,687 rooms are scheduled to be launched in 2021, followed by 19 more hotels with 2,891 rooms the year after. In 2023, 37 hotels with 6,993 additional rooms are expected to open. Of the 107 new hotels in total, 69 will be placed in the 4-star category and the remaining 38 are to be in the 5-star segment.

Brands that will open three hotels each in the British capital include StayCity-ApartHotels, Hub by Premier Inn and Hampton by Hilton. While StayCity will bring the bulk of new rooms to the hotel market with 887 in total, the budget brand Hub by Premier will add 493 rooms to the London market and Hampton will add 465 rooms. With the increased focus on budget and extended-stay brands, London is following the global trend of focusing on comfort but offering it at affordable rates. According to a recent study by data service provider STR, the total pipeline is said to include as many as 441 hotels with 44,759 rooms.

Top Hotel Projects in London

Among the most remarkable projects is the Park Hyatt London River Thames - One Nine Elms, which will be part of the One Nine Elms project consisting of two high-rise buildings. The 187-room Park Hyatt is scheduled to open in the fourth quarter of 2022 and will offer guests many extras, including a luxurious spa, ballroom and restaurant to a sky garden with stunning views of the city and the Thames. The hotel project will also include private apartments and affordable housing. In March 2021, Hyatt will open yet another completely renovated hotel, near the vibrant Brick Lane, Spitalfields's Market. The 280-room Hyatt Place London City East will feature a flexible meeting room concept, among other features.

Another special feature is the Citicape House Hotel, which will enhance the city with a green façade. The hotel complex will consist of 382 luxurious rooms, a 3700-square-meter co-working area, a sky

bar on the tenth floor, as well as meeting and event rooms. The building is located in a prominent position on the Holborn Viaduct at the entrance to the city's future Cultural Mile. By incorporating 40,000 square meters of living walls into its façade, the building is expected to absorb over eight tons of carbon annually, producing six tons of oxygen, and also reducing local temperatures by three to five degrees Celsius. No opening date has been set at present.

Another project of the StayCity-ApartHotels group is scheduled to open soon in London. In addition to hotels in Heathrow, Covent Garden and Greenwich High Road, a 550-room hotel is to be constructed in the Blackfriars district as part of a mixed-use tower block. The complex also includes 227 new apartments and 61 affordable apartments. Numerous stores, a live music venue and a 136-meter office building designed by Brisac Gonzales round out the offerings. An opening date has not yet been set. In addition, the completely renovated 785-room Strand Palace Hotel was launched before the end of 2020.

Performance in London Worse Than in the Country

Despite all the impressive plans, the Corona crisis is also making itself noticeable in the hotel market data of the metropolis. According to surveys by STR, the occupancy in London dropped from 66.6% to 29.2% in October 2020. In addition, the average room rate (ADR) fell by 44.8 per cent to £89.11 and revenue per available room (RevPAR), dropped by 81.4 per cent to £26.11 year-over-year. Nationwide, hotels were about 40 per cent occupied in October (down 50.4 per cent year-over-year). ADR (average daily rate) was down 31.3 per cent to £65.86 and RevPAR was down 65.9 per cent to £26.51. The average daily rate at London hotels is reported to have been £151 in 2019.

The hotel demand in the capital and regional locations is expected to increase, judging by the difference in average daily rates (ADR) in London and regional markets in the UK, as estimated by experts. This has now shrunk from £96.4 in July 2019 to £20.9 in July 2020. The difference in prices between London and many regional markets is also likely to encourage investors to spread their investments even more widely in the future, including yield spreads. According to experts, yields in London amount to 4.7% for the franchise and 5.0% for management contracts - and are thus roughly comparable to the level in Berlin. By contrast, investors are achieving significantly higher yields in Edinburgh (5.7%/ 6.0%) and Manchester (6.0%/ 6.5%).

Following the exceptional declines in 2020, experts expect a strong recovery in the London hotel market in 2021, citing calculations by STR showing that occupancy rates in London and the region should improve by 122 per cent and 73 per cent year-on-year, respectively. Due to the delayed recovery in room rates in the larger markets, a full RevPAR recovery in the sector is not expected for the time being, even against the backdrop of subdued demand. Experts agree that RevPAR will not return to 2019 levels until 2023-2024 at the earliest, although some markets are expected to recover more quickly.

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