PBA Roger Tym
16 Brewhouse Yard,
Clerkenwell,
London EC1V 4LJ

t: +44 (0)207 566 8600
f: +44 (0)141 332 3304
e: london@peterbrett.com
w: www.peterbrett.com

London Borough of Richmond

Hotel Study

Final Report

Author/Amended by:	Authorised by	Date:	Version:
D Houston	D Lawrence	19/11/12	Draft Report
D Houston	D Lawrence	14/12/12	Final Report

CONTENTS

1 INTRODUCTION

1.1 This study has been undertaken as a stand-alone extension of the Employment Land Review being undertaken by PBA Roger Tym. The objectives of the study are to provide:

- A brief strategic overview of trends in provision of different types of hotel within Outer London particularly focussing on the Borough;
- Analysis of current Richmond bed space capacity by type of hotels and occupancy rates;
- A review against projections(e.g. GLA) of demand by type of hotel for next 5/10 year periods;
- A commentary on the potential demand for new hotel provision in different parts of the Borough

1.2 The study is also intended to form part of the background to the new tourism strategy and guide the Council's approach to promote the development of all additional hotel bed space through development policies and inward investment work, or focus on the development of premium hotels.

2 HOTEL DEVELOPMENT TRENDS

Trends

2.1 The British Hospitality Association (BHA) indicates that there were 45,839 properties with 728,681 rooms in the UK in 2011. There has been a fall in the number of branded mid-market hotel rooms between 2010 and 2011 and a smaller fall in the number of independent and branded full service hotels. The only sector that has grown has been the branded budget sector. Overall the hotel room supply has decreased by 2.6% 2010-2011 and this is part of a longer term structural adjustment, with the closure of small hotels and guest houses, particularly in resort areas, together with a small number of larger properties.

Table 2-1 UK serviced accommodation rooms 2010-11

	UK 2010	UK 2011	% change	UK Market share	London 2011	London % share
Branded full service	104,301	101,987	-2.2%	14%	39,451	33%
Branded mid-market	98,076	72,029	-26.6%	9.9%	15,056	13%
Branded budget	112,504	115,196	2.4%	15.8%	18,243	15%
Consortia	-	48,413	-	6.6%	7,786	7%
Total corporate branded	314,881	337,625	7.2%		80,536	68%
Independent	432,026	391,056	-9.6%	53.7%	38,020	32%
Total	749,025	728,681	-2.6%	100%	118,556	100%

Source BHA, 2011, Trends & Developments

2.2 Whitbread's Premier Inn is the largest hotel operator in the UK, with InterContinental's various brands second and Travelodge third. All three maintained growth during 2011 – Premier Inn added 20 hotels with 3,000 rooms, InterContinental 14 hotels with 1,900 room and Travelodge 25 hotels with 3,000 rooms.

2.3 Recent significant hotel openings in London include the premium 245 room St Pancreas Renaissance; the premium 294 room Corinthia; the premium 331 room St Ermins (Westminster); the 192 room W Hotel (Leicester Square); the 137-room Waldorf Astoria in Syon Park; the 46-room 45 Park Lane Hotel; Grange Tower Bridge Hotel with 370 rooms; the 235-room Montcalm London City Hotel in Chiswell Street; 252-room Aloft Hotel, at Royal Victoria Dock and the 350 room Hilton Heathrow. All of these except the Hilton (Heathrow), Waldorf Astoria in Syon Park and the Aloft are in central London Boroughs.

Budget Hotels

2.4 The BHA indicates[1] that despite the economic downturn, the expansion of the budget sector has continued with of approximately new 5,450 bedrooms in 2010 and a further 7,800 in 2011. Whilst Premier Inn has retained its position as the leading branded budget hotel in the UK, with 138 more hotels than Travelodge, the smaller chain is narrowing the gap.

2.5 While Premier Inn and Travelodge remain the major operators, Accor, with its ibis, Etap and Formule 1 brands, has started to claim a bigger share of the market. Other brands include IHG's Holiday Inn Express, which is at third place in the UK budget rankings.

2.6 Despite recording an increase in room occupancy of 3.9 percentage points to 71.6 per cent, the budget market suffered a one per cent decline in average room rate to £50.33 as Travelodge and Premier Inn have increasingly competed on price; the wider sector has been forced to follow suit. However the BHA suggests that when there are stronger signs of economic recovery price may become less of an issue.

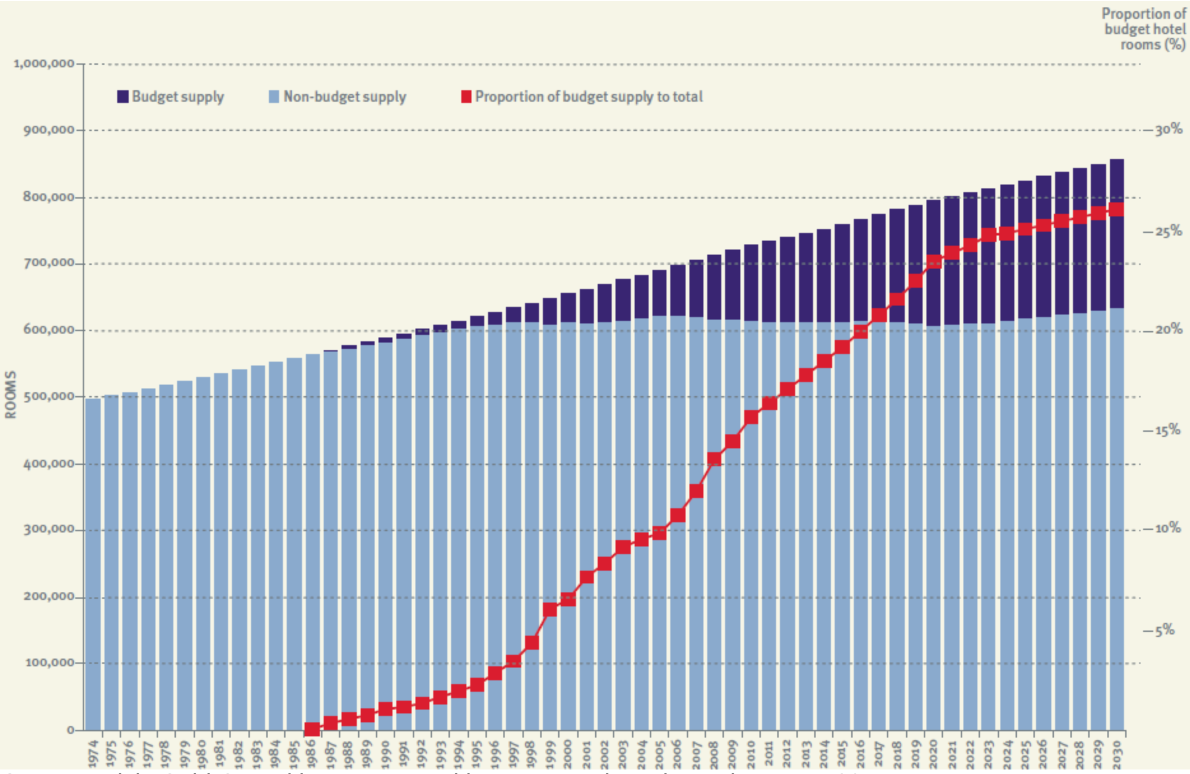
Budget Hotel Trends

2.7 Across the longer term it is clear that the change in hotel rooms has almost entirely come from the budget sector. The figure below shows how the proportion of budget hotel rooms has grown from nothing in the mid-1980s to about 17% now. Based on other parts of the world where budget hotels have been around for longer (budget supply in France is currently around 24 per cent and in the USA it is at 32.8 per cent), it is forecast that budget hotel rooms will continue to increase their proportion of the overall market to over 25% in the next decade.

2.8 The net result is that it is inevitable that the industry will become far more branded than at present. At the end of 2010 around 39.7 per cent of the total supply was corporate branded and a further 6.6 per cent was branded through consortia membership. This implies that branded supply would be at least 66 per cent (including consortia) by 2030.

[1] As reported in BHA, 2011, Trends & Developments

Figure 2-1 Hotel Growth to 2030

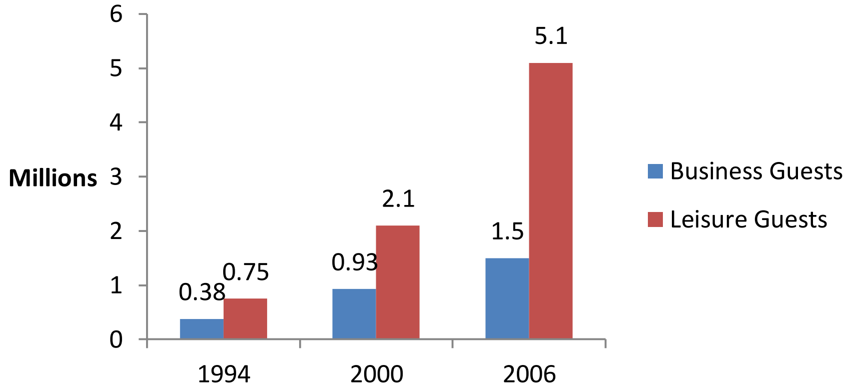


Source Melvin Gold Consulting as reported in BHA Trends and Developments 2011.

2.9 The growth in the use of budget hotels has been from both business and leisure customers. The growth in the business market will be linked to the nation's economic performance while the growth in leisure visits has been driven by an increase in the leisure hotel-staying market – driven by a broader desire for travel, social interaction and new experiences. Business hotel guests increased from 38 m room nights in 1994 to 57 m room nights in 2006; and leisure nights have increased from 25 m to 54 m over the same time[2]. The creation of new budget hotel accommodation is linked to the increase in demand.

[2] BDRC 2007, Budget Hotels 2007 UK

Figure 2-2 Number of adults in Britain staying in a branded budget hotel 1994 – 2006



Source BDRC 2007, Budget Hotels 2007 UK

2.10 Consumer attitudes have changed with increased proportions of business and leisure travellers seeking to stay in branded hotels – in 1990 5% of both business and leisure travellers named one of the branded budget hotel chains as first or second choice, by 2007 this had grown to 26% of leisure guests and 29% of business guests[3]. This is linked to the simplicity of the brand proposition and its fit with customer requirements

2.11 Budget hotels have been early adopters of on-line booking, which has fitted well with changes in leisure and business tourism booking behaviour[4]

2.12 Continued growth in the sector is expected because investors and lenders find it attractive; new construction techniques are further reducing costs; visitors from overseas have low awareness of this sector and this market has yet to be properly tapped. In addition the sector is well suited to franchising (because of the limited service offer), which can deliver quick growth. Minimising risk is the key to hotel investment and there is more interest in budget hotels (with development costs of between £2m to £4m) compared to full service 4 star hotels (£15-£45m)

2.13 The growth in budget hotels has been at the expense of traditional mid-tier full service hotels and bed and breakfasts. Overall there has not been a dramatic increase in the number of people staying in serviced accommodation[5] so growth in the budget sector is within an overall hotel market size that has not changed much. This represents a natural churn in the market, with undistinguished independent hotels reaching the end of their lifecycle; although independents with a distinct offering will continue to prosper. This situation mirrors other changes in consumer behaviour, such as the long term change to

[3] Tri & bdrc, 2007, Budget Hotels 2007 UK

[4] UKTS 2005 & 2009, Visitbritain – on-line booking jumped from 18% of trips to 28% of trips over this period

[5] UKTS 2005 & 2009, Visitbritain – Although the overall volume of tourism has fluctuated the proportion of UK visitors staying in any form of serviced accommodation (includes budget and other hotels as well as guesthouses and motels) has not particularly changed

branded comparison and convenience retailing in Britain. One of the issues faced by independent operators is the current difficulties with attracting finance to provide the ever-necessary refurbishment. The BHA reports that it is likely that 10,000 hotel rooms have closed between 2007-10[6].

2.14 Branded hotels by definition have a national profile. The major brands have national media campaigns as well as robust web presence. The budgets supporting these brands are greater than most destination marketing organisations and help to generate loyal customers who will visit different outlets across the country.

2.15 Research has shown that branded hotels have weathered recession better than independently owned properties – while branded and independent hotels saw similar net operating income during times of expansion; during recession branded hotels had higher incomes[7]. Separate research[8] indicated that branded budget hotels saw smaller decreases in revenue per available room (RevPAR) than branded midscale and upscale hotels.

Recent Hotel Development in London

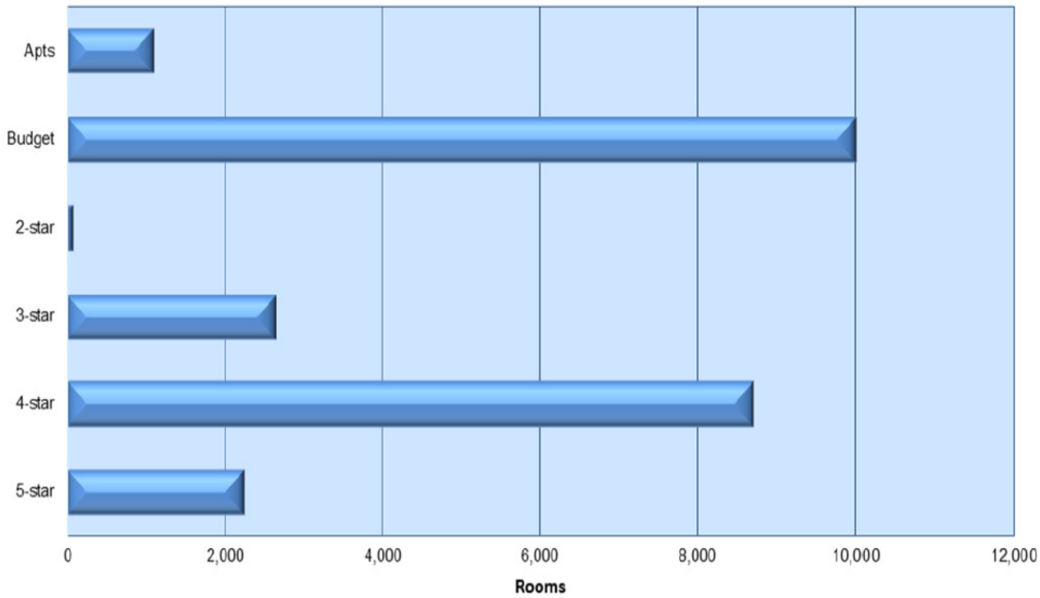
2.16 The London Hotel Development Monitor[9] indicates that during the third quarter in 2012, an additional 13 hotels, equivalent to approximately 1,600 bedrooms, entered the London hotel market. In the wider London area there are currently over 6,400 bedrooms under construction with approximately 16,000 bedrooms categorised in the “probable” stage (i.e. hotels with detailed planning permission granted) and over 20,000 bedrooms categorised in the “possible” stage (i.e. hotels with outline planning permission that are likely to be constructed, or hotels likely to gain permission) for the next five years to 2017.

2.17 Of this potential hotel supply, approximately 10,000 and 8,700 bedrooms could be realised in the budget and four-star hotel market in the next five years, respectively.

2.18 The London Borough of Tower Hamlets becomes the capital’s development “hot spot” due to the regeneration schemes in proximity to the Olympic Park and the City of London. The City of Westminster and the London Borough of Hillingdon are in second and third place.

[6] Based on Melvin Gold Consulting analysis of Hotel Data Ltd., as reported in BHA Trends and Developments 2011
[7] O’Neill, 2011, Hotel Branding Works – reviewed data on over 51,000 US hotels
[8] HVS & Davis Langdon, 2010, Branded Budget Hotels in Europe
[9] London & Partners, 2012, London Hotel Development Monitor

Figure 2-3 London New Hotel Room Supply by Category 2012-2017



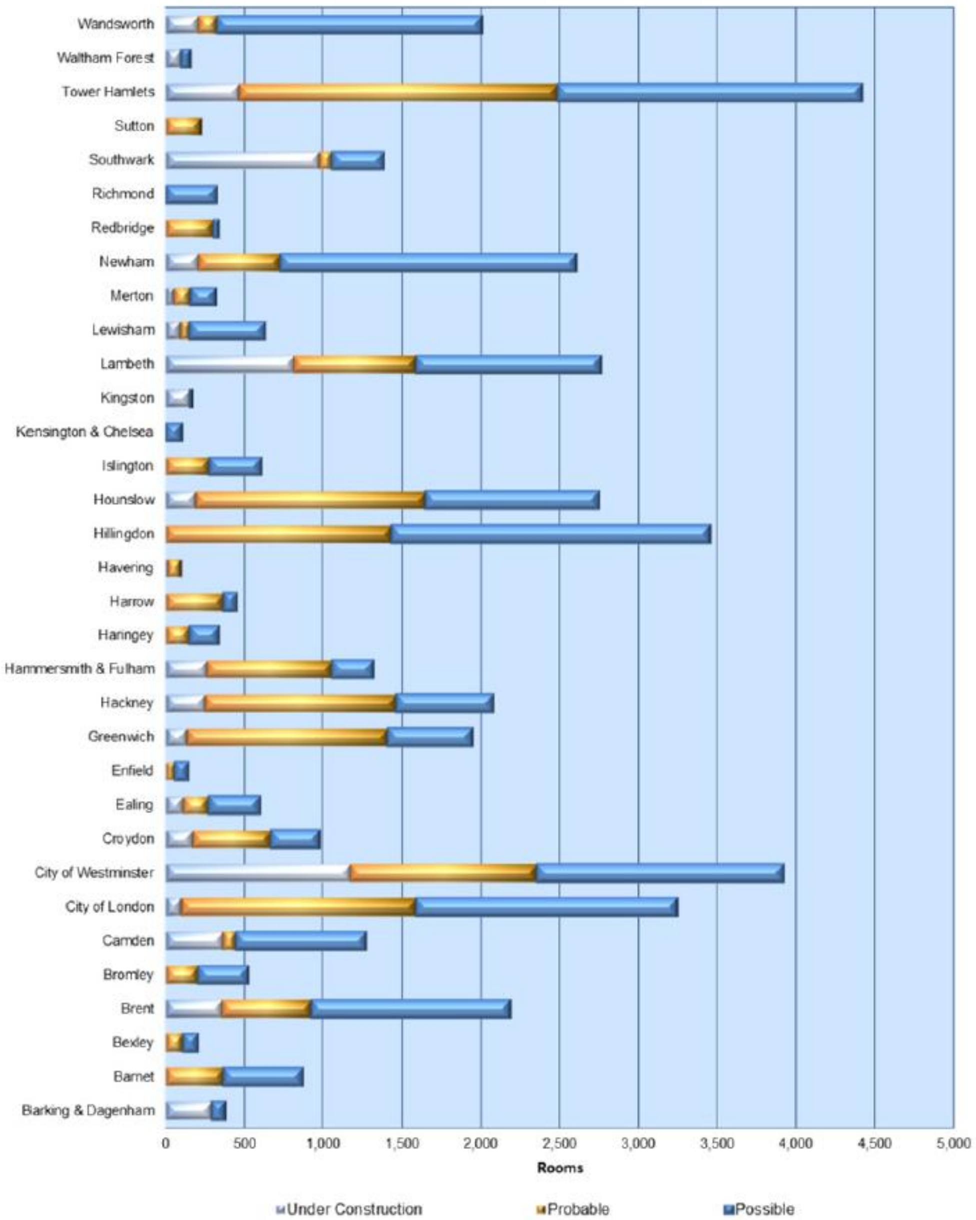
Source: London Hotel Development Monitor 2012

2.19 Across London 6,988 rooms have opened in 2012. Of these 206 were in LB Richmond[10], 3% of the total. There are also 6,435 hotel bedrooms considered under construction, of which 1,299 are due in 2012, 3,474 in 2013 and the remainder after that/unknown; none of these are in LB Richmond. There are also 15,970 'probable' hotel bedrooms with detailed consent, none of which are in Richmond; and there are 20,163 hotel rooms either with outline consent or likely to get consent; 46 of which are in LB Richmond.

2.20 The figure below illustrates the geographical spread of potential new hotel bedrooms going forward – relatively little of the new development is in LB Richmond.

[10] Teddington Travelodge and Richmond Premier Inn

Figure 2-4 Potential Hotel Room Supply by Borough



Summary

2.21 The broader UK picture in term of hotel development has been a continued growth in branded budget hotels and a fall in mid-market hotels and bed & breakfasts/guest houses. There has been a set of recent significant hotel openings in London, mainly premium hotels in central London.

2.22 Premier Inn and Travelodge are the two largest budget hotel brands; and they have continued to grow. Occupancy rates have been high but price competition has been fierce. Based on experience elsewhere the growth in budget hotels at the expense of other parts of the market will continue for at least the next decade. The growth in budget hotels has been by both leisure and business visitors.

2.23 Across London 6,988 rooms have opened in 2012. Of these 206 were in LB Richmond, 3% of the total.

3 RICHMOND VISITOR ACCOMMODATION

3.1 This review has been undertaken using data supplied by the London Borough of Richmond upon Thames, supplemented by web-based research and contact with Council officers.

Accommodation Stock

3.2 There are 91 known accommodation establishments in the London Borough of Richmond upon Thames with a total of 2,464 rooms and 81 units. Of these, 19 of the establishments are hotels with a total of 1,217 rooms and 57 are B&Bs with 346 rooms.

Table 3-1 Accommodation in LB Richmond

	Establishments	Rooms	Units	Average rooms/ establishment
B&B	57	346		6
Hostel	1	1		1
S/C Apartments	6		23	4
Serviced Apartments	7		58	8
Campus	1	900		900
Hotel	19	1,217		64
Total	91	2,464	81	

Source: LB Richmond/PBA

3.3 Separately[11] it is estimated that at the end of 2011 there were some 96,000 hotel rooms available in the capital. Another 7,000 to 8,000 are likely to come on stream over the course of 2012. On this basis the hotel accommodation stock in LB Richmond is about 1% of the capital's stock.

Quality

3.4 The quality of hotel accommodation is traditionally gauged using the star rating system although it should be noted that not all establishments participate in schemes and some establishments self-grade rather than use the more robust independent assessments. In recent years customer reviews through mechanisms such as trip advisor have become increasingly important.

3.5 Over half (527%) of the hotel rooms in the Borough are 4 star and another 16% are 3 star.

[11] LDA / London & Partners Accommodation Census database, reported in Tourism in London GLA Working Paper, 2012

Table 3-2 Hotels and Rooms by Grade

	Establishments	Rooms	Average
2 star	2	54	27
3 star	5	193	39
4 star	6	629	105
Ungraded	6	341	57
Total	19	1,217	

Source: LB Richmond/PBA

Location

3.6 The three main concentrations of hotels and hotel bedrooms are in Richmond (33% of rooms) Twickenham (27% of rooms) and Teddington (26% of rooms). On average, the hotels in Teddington and in Twickenham are larger than those in Richmond or elsewhere in the Borough.

Table 3-3 Hotels and Rooms by Location

	Establishments	Rooms	Average
Hampton Court	3	85	28
Hampton Wick	2	48	24
Kew	1	31	31
Richmond	6	407	68
Teddington	3	314	105
Twickenham	4	330	83
Total	19	1,217	

Source: LB Richmond/PBA

New Hotels in LB Richmond

3.7 Since 2009 there have been three new hotels in the Borough – two Travelodges totalling 224 rooms (Twickenham and Teddington) and a Premier Inn (Richmond) with 93 rooms. The Teddington Travelodge was a conversion of an office building while the other two were new buildings.

Proposed Hotels

3.8 There is a planning application being assessed for a 94 bedroom hotel at Ryde House, Richmond Road in Twickenham. Documents submitted as part of the planning application suggest that the operator may be Travelodge if the scheme proceeds.

3.9 There is also a planning application at appeal for a 78 bedroom at 9-19 Paradise Road, Richmond. Again, documents submitted as part of the planning application suggest that the operator may be Travelodge if the scheme proceeds.

3.10 The London Hotel Development Monitor[12] indicates that there is the possibility of a new 46 bedroom 4 star hotel development Hampton Court Way, currently on hold[13]. This development is just outside the Borough and local press reports[14] suggest that the Royal Star & Garter element of the development is now planned to relocated to Surbiton instead, which may jeopardise the rest of the scheme.

Summary

3.11 There are 91 known accommodation establishments in the London Borough of Richmond upon Thames with a total of 2,464 rooms and 81 units. Of these, 19 of the establishments are hotels with a total of 1,217 rooms and 57 are B&Bs with 346 rooms. The hotel accommodation stock in LB Richmond is about 1% of the capital's stock.

3.12 Over half (527%) of the hotel rooms in the Borough are 4 star and another 16% are 3 star. The three main concentrations of hotels and hotel bedrooms are in Richmond (33% of rooms) Twickenham (27% of rooms) and Teddington (26% of rooms).

3.13 Since 2009 there have been three new hotels in the Borough – two Travelodges totalling 224 rooms (Twickenham and Teddington) and a Premier Inn (Richmond) with 93 rooms.

3.14 There are currently two applications in for new hotels in the Borough.

[12] London & Partners, 2012, London Hotel Development Monitor.

[13] Galdedale Group developers and the Royal Star & Garter

[14] http://www.yourlocalguardian.co.uk/news/8806437.Royal_Star_and_Garter_set_for_Surbiton_move_in_2013/

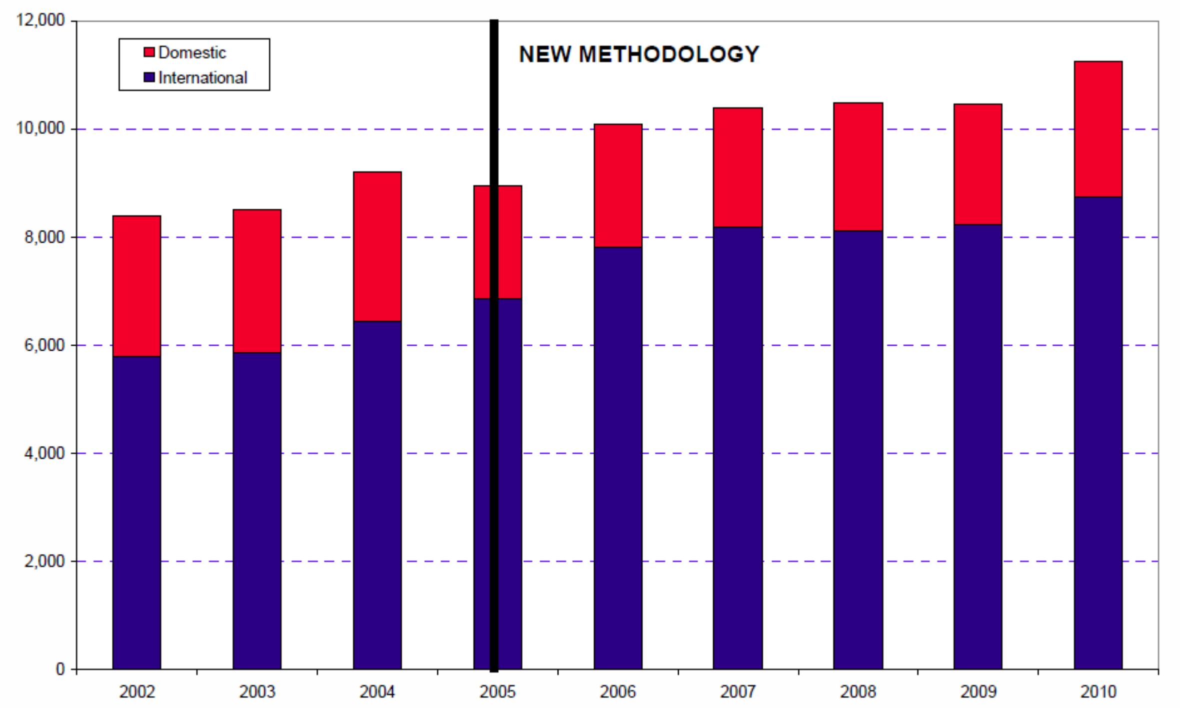
4 HOTEL DEMAND PROJECTIONS

Current Demand

4.1 The 2009 Study of the Visitor Market[15] estimated that there were 124,000 UK resident staying visitors in the Borough staying an average of 4.1 nights; and 167,000 overseas visitors staying an average of 6.8 nights. This totals 1.6 million bed nights per year of which 0.6 m were in commercial accommodation. The spend on accommodation was estimated at £35.2m per annum.

Trends

Figure 4-1 Overall Trends in Tourism since 2002 – staying visitor spend £ million in London 2002-2010



Source International Passenger Survey/UK Travel Survey, as reported in Tourism in London GLA Working Paper 2012. Note that Domestic spend prior to 2005 is not strictly comparable on account of changes to the methodology of the UKTS.

4.2 The figure above clearly demonstrates that tourism by overseas visitors accounts for the majority of tourism spend in London. It also demonstrates that across London there has been an overall steady rise in tourism spend although this plateaued between 2007 and 2009 as most of London's traditional inbound markets were hit by the global recession. There was a strong recovery in 2010 although this was still weakened by the Icelandic

[15] Acorn on behalf of LB Richmond, 2009, Study of the Visitor Market

volcano closure of UK airspace and exceptional winter snow at the end of 2010. The proportion of total tourism expenditure accounted for by domestic visitors has fallen steadily although in absolute terms the amount has not changed much in recent years.

4.3 Of the £146 m[16] staying visitor spend in LB Richmond, 82% was from overseas visitors and 18% was from UK residents. This compares to separate estimates from the Tourism in London GLA working paper that estimated between 70% to 80% of visitor spend resulting from visitors from overseas between 2002-2012.

4.4 Traditionally the major overseas visitor market for London has been the USA and although this has continued, there is a declining trend in the share of international visitor expenditure from US visitors. By comparison visitors from Europe have increased in terms of spend and share of visits. Europe as a whole accounts for nearly half of all overseas tourist spend in the capital (49 per cent) with one third (33 per cent) being from the countries of the Eurozone. Whilst North America's share has been declining in recent years, it still accounts for 17 per cent. The next largest global region in expenditure terms is Asia with 10 per cent of market share, although high average spend per visitor ensures that the relatively small global region of the Middle East accounts for 7 per cent of total international tourist spend in the capital.

Figure 4-2 Share of total tourist spend in London by selected countries 2002-2012

Source IPS as reported in Tourism in London GLA Working Paper 2012.

4.5 London's future markets are likely to be more focused upon the emerging economies but, at present, actual visitor numbers from these countries remain relatively small.

[16] LATI Model 2008/9, 2011, GLA

4.6 Visitors from overseas make up the largest share of the staying visitor market in London and LB Richmond. Between 2000 and 2010 the number of visitors from overseas to London has grown (from about 12 million to about 15 million) although within this the 2010 figures are below the 2007 peak of over 17 million. Within this overall market[17]:

- The proportion of holiday tourism has grown from 39% to 47% 2002-2012, partly due to the decline in the value of Sterling
- Business tourism has decreased from 32% to 24% 2002-2012, although individually business visitors continue to have a higher spend per night. The fall in business tourism is linked to the fall in visits from the US (which accounts for one in 6 of all business visits) as well as the overall global economic situation.

4.7 Staying visitors from the UK make up 44% of all staying visitors but compared to the overseas visitors the length of stay and overall spend per trip is much lower[18]. Overall the number of domestic staying visitors and their spend has increased between 2005 and 2010.

Forecasts

4.8 Tourism Towards 2030 – the long-term forecast by the World Tourism Organisation – suggests that international tourist arrivals will grow by 80 per cent and will reach 1.8bn by 2030 with the number increasing by an average 3.3 per cent a year[19] – a more moderate pace than in the past decade. International arrivals in emerging economy destinations are expected to continue growing at double the pace (+4.4 per cent per year) of advanced ones (+2.2 per cent per year). It is likely that international tourism behaves as a luxury good[20], increasing disproportionately to rises in personal incomes. As a result, London's future as a tourist destination is likely to be more heavily based around the emerging economies such as China, India and Brazil.

Accommodation Decision Factors

4.9 2009 VisitEngland research into consumer attitudes to accommodation quality[21] found that for leisure users, en suite facilities, price and location are the three most important factors in accommodation choice, while for business travellers, price is less important, but wi-fi and parking options matter more.

Profile of Budget Hotel Visitors

4.10 As part of the planning application for the proposed new Travelodge in Richmond, Travelodge indicated that the typical visitor profile was:

- Over 35 years old (71%; and 52% were over 45 years old).

[17] IPS as reported in the Tourism in London GLA Working Paper 2012
[18] UKTS as reported in the Tourism in London GLA Working Paper 2012
[19] As reported in BHA, 2011, Trends & Developments
[20] Tourism in London GLA Working Paper 2012
[21] Common Standards Review – Consumer Research, 2009, Visit England

- Married/living together (69%).
- In social grade A, B or C1[22] (i.e. managerial/professional/supervisory/administrative – 76%).
- Household income of over £25,000 per annum (78%; and 52% have incomes over £40,000 per annum).
- Solitary business traveller (63%) during the week or a couple travelling for leisure/personal reasons (60%) at the weekend.

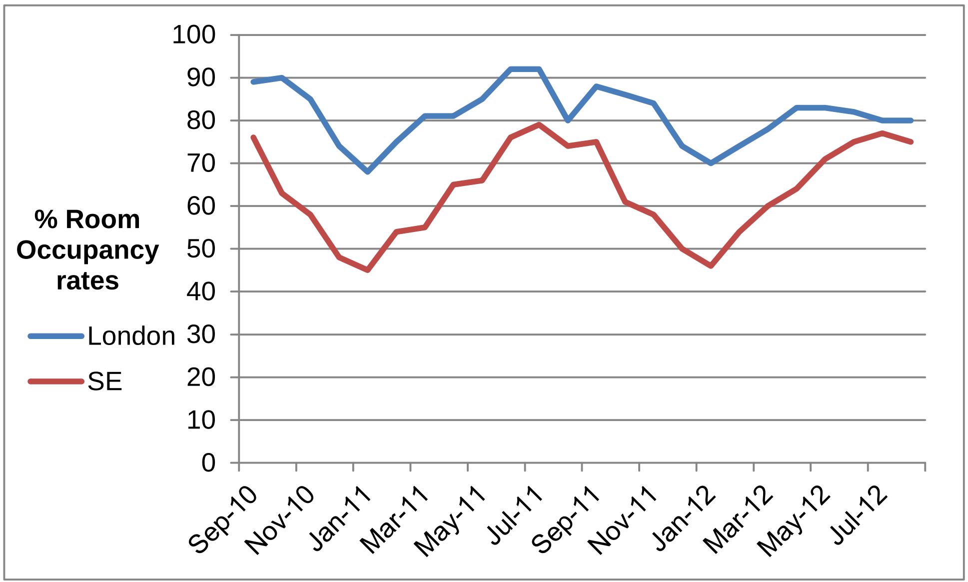
4.11 Travelodge also indicate that the typical market split is 60% leisure and 40% business.

4.12 Furthermore the development of branded budget hotels has often revealed supply-led demand, which is not always obvious prior to development. Budget hotel operators claim that many of their clients have rarely or never used UK hotels previously.

Occupancy Rates

4.13 Occupancy rates in London are higher than elsewhere in England – the figure below shows room occupancy rates for London and the next best performing English region – SE England. Although there is a seasonal pattern, rates in January have remained at about 70% for the last two years.

Figure 4-3 Room Occupancy in London and the SE



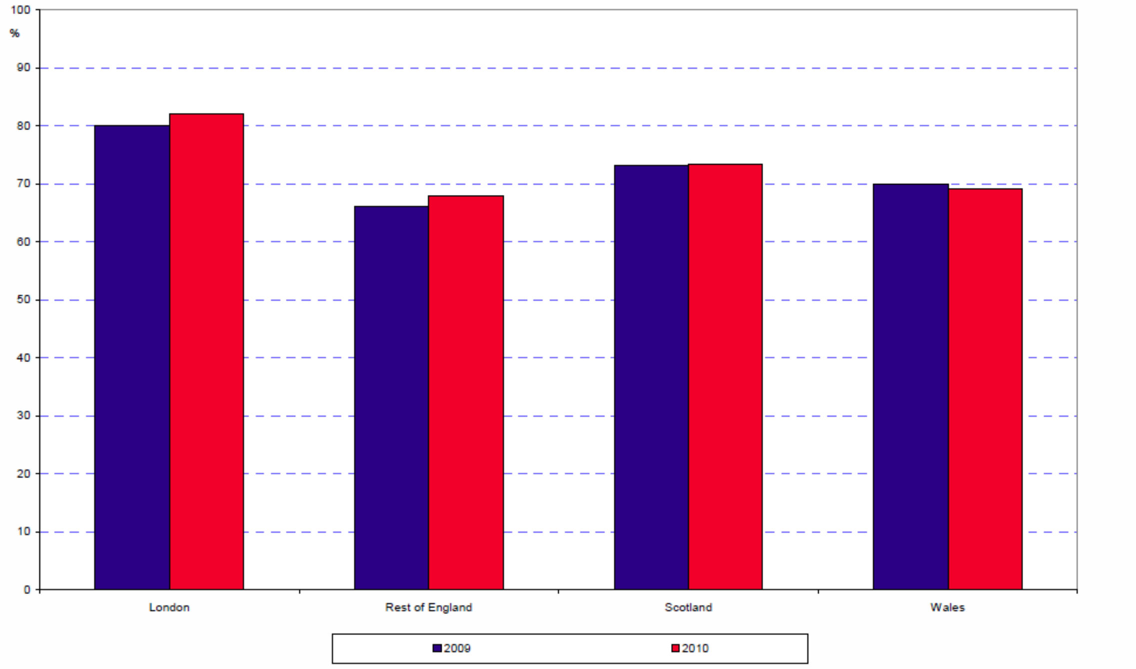
Source: England Occupancy Survey, Visit Britain

4.14 The average overall occupancy rates in London are around 80% compared to 70% or less elsewhere in the UK[23], higher average daily room rates (£110-£120/night compared with

[22] NRS social grades are a system of demographic classification used in the United Kingdom. They were originally developed by the National Readership Survey to classify readers, but are now used by many other organisations for wider applications and have become a standard for market research. Their definition is now maintained by the Market Research Society

around £65-£70 elsewhere in the UK[24]) and higher levels of profitability (revenue per available room around £100 compared to around £45 elsewhere in England and profit of £67.47 per room in London compared to £27 elsewhere in England[25]). As such the capital's market has far more in common with that of some of its major European competitor cities such as Paris, Barcelona or Rome for instance than the rest of the UK.

Figure 4-4 Hotel Occupancy rates 2009/2010



4.15 The BHA indicates[26] that whilst there has been a reduction in the performance gap between hotels in London and the provinces in the period between 2000 and 2009, the gap is now wider than ever. This includes a 14.2 percentage point difference in overall room occupancy in 2010. This performance has been accompanied by a set of hotel openings primarily in London's luxury sector including the W Hotel in Leicester Square, St Pancras Renaissance, Corinthia, 45 Park Lane and Hilton's Waldorf Astoria Syon Park as well as the reopening of the Four Seasons Park Lane and the Savoy.

4.16 Budget hotels generally have a higher occupancy than full-service hotels in the same location but have a lower achieved room rate and revenue per available room. In 2010, UK average budget occupancy improved on 2009 but was still below that of 2007; the improvement in occupancy is believed to have continued into 2011[27]. London budget hotel occupancies and financial performance in 2010 was stronger than the UK budget hotel average.

[23] TRI Hospitality Consulting as reported in Tourism in London GLA Working Paper 2012

[24] TRI Hospitality Consulting as reported in Tourism in London GLA Working Paper 2012

[25] TRI Hospitality Consulting as reported in Tourism in London GLA Working Paper 2012

[26] As reported in BHA, 2011, Trends & Developments

[27] TRI as reported in BHA, 2011, Trends and Developments

Table 4-1 Budget Hotel Results

	UK 2007	UK 2008	UK 2009	UK 2010	London 2010
Occupancy %	76.5	73.4	67.8	71.6	84.0
Achieved room rate £s	48.96	51.90	50.75	50.33	61.76
Revenue per available room	37.47	38.10	34.40	36.05	51.93

Source TRI as reported in BHA, 2011, Trends and Developments

Bedstock Requirement in Richmond.

4.17 The 2006 London Hotel Demand Study[28] estimated that there were 1,119 hotels rooms in the Borough in 2005 and that within an overall 50,000 gross new hotel bedrooms required in London to 2026, there was a requirement for 1,150 new hotel rooms in Richmond. These gross requirements take into account the possible loss of 10,000 hotel rooms across London of which 150 were possible losses in Richmond; leaving net new hotel room requirements of 40,000 across London of which 1,000 are required in Richmond.

4.18 These figures can be set against the current estimates of hotel bedstock in Richmond of 1,217, which suggest that 98 of the net 1,000 requirement for the Borough has already been met, leaving a balance of 902 net new hotel bedrooms required in LB Richmond by 2026.

4.19 The original 2006 requirement estimates took account of likely growth in Gross Domestic Product (GDP) in different visitor origin countries and the subsequent recession will of course have had an impact. It is beyond the scope of this study to refresh the bedstock requirements, particularly as this is best undertaken on a London-wide basis and taking into account new provision elsewhere in the capital. However it is clear that even within any reduced bedstock requirements there is still scope for substantial new hotel bedstock development in LB Richmond.

Summary

4.20 Current demand for commercial accommodation is estimated at 0.6m bed nights per annum in LB Richmond. The longer term trend across London is for further growth, fuelled by increasing numbers of visitors from overseas – these visitors make up the majority of staying visitor expenditure in the Borough.

4.21 Traditionally the major overseas visitor market for London has been the USA and although this has continued, there is a declining trend in the share of international visitor expenditure from US visitors. By comparison visitors from Europe have increased in terms of spend and share of visits. London's future markets are likely to be more focused upon the emerging economies but, at present, actual visitor numbers from these countries remain

[28] Grant Thornton/Leisure and Tourism Organisation on behalf of Mayor of London, 2006, Hotel Demand Study

relatively small. There have been more leisure visitors from overseas and fewer business visitors, which may increase demand for locations such as LB Richmond with its strong set of attractions and sporting venues.

4.22 For leisure users, en suite facilities, price and location are the three most important factors in accommodation choice, while for business travellers, price is less important, but wi-fi and parking options matter more.

4.23 The types of visitors that use budget hotels are typically older, part of a couple, A/B/C1 with household income of at least £25,000 per annum. During the week visitors are more likely to be on business, at the weekend they are likely to be on leisure trips. The development of budget hotels has often revealed supply-led demand as some customers are drawn towards using the brand(s) presence as part of the destination decision process.

4.24 Hotels generally enjoy higher occupancy rates in London than elsewhere in the UK, and budget hotels typically have the highest occupancy rates in London. However part of this is fuelled by aggressive price competition (although budget hotel rates are still stronger in London than elsewhere), meaning the financial performance is not as strong as the occupancy rates might suggest.

4.25 There is a continued case for new accommodation stock in Richmond – the bedstock requirements identified in the 2006 London Hotel Study are still largely yet to be fulfilled, and while the recession may require some adjustment to these 2006 estimates, the other more recent trend data (particularly the increase in overseas leisure tourism) supports the case for additional provision.

5 POTENTIAL DEMAND FOR NEW HOTEL PROVISION IN DIFFERENT PARTS OF THE BOROUGH

Number of Visitors to Richmond

5.1 2008 estimates prepared by the LDA[29] indicate that there were 2.6 million day visitors and 291,000 (167,000 overseas and 124,000 domestic) overnight visitors to the Borough of Richmond upon Thames in 2007. The staying visitors from overseas make up 57% of the total staying visitors to the Borough. Taken together, the domestic and overseas staying visitors to LB Richmond are 1% of the 25 million staying visitors to London[30].

5.2 The pattern of visitor expenditure is similar – The £26m spend by domestic staying visitors to LB Richmond accounts for 1.2% of London's £2,140m; and the £120m spend by overseas staying visitors to LB Richmond accounts for 1.4% of London's £8,315m.

5.3 Hampton Court Palace and Kew Gardens are in the top 10 most visited paid for attractions in London in 2011; and Ham house is in the top 20. Twickenham rugby stadium has a capacity of 82,000.

Profile of Visitors to Richmond

5.4 The 2009 Visitor Survey[31] provides a profile of visitors and visits:

Visits

- Visiting Hampton Court is a key attractor for leisure visits to the area – main purpose of visit for 37% of UK visitors (excluding London residents) and 50% of visitors from overseas.
- Kew Gardens and the other parks in the Borough were also important in attracting visitors, but considerably less so than Hampton Court.
- Other main reasons for visiting varied and include business, friends and relatives, shopping, historic properties and sport. Business visitors are invariably under-represented in intercept surveys and we suspect that the location of the interviews has meant that the sports visitors to Twickenham may also be under-represented.
- Unsurprisingly few of the London based visitors stayed in the Borough. 40% of the UK resident visitors stayed in the Borough and of these the majority stayed with friends and relatives. 29% stayed in commercial accommodation, mainly hotels. Almost all of the overseas visitors stayed in London although only 17% of those interviewed in the Borough stayed there. 43% of overseas visitors stayed in hotels. For both UK and overseas visitors *Location* and *Value for Money* were the main reasons for selecting their accommodation.

[29] As reported in Study of the Visitor Market, Acorn on behalf of LB Richmond, 2009

[30] Local Area Tourism Impact Model Results for 2008 and 2009, 2011, GLA

[31] Acorn on behalf of LB Richmond, 2009, Study of the Visitor Market

Visitors

- UK visitors are slightly more likely to be female, and either 25-34, 55-64 or 65+
- Overseas visitors are also slightly more likely to be female, and evenly spread 25-64

Strengths and Weaknesses

5.5 The 2009 Visitor Survey[32]also set out a Strengths, Weaknesses, Opportunities and Threats Analysis. In relation to accommodation this found that the Borough is not widely known for its accommodation offering and that there were market opportunities through more wealthy and elderly UK visitors and the opportunity to increase overnight stays in the Borough.

London's Strengths and Weaknesses

5.6 Amongst other factors the London & Partners Strategic Vision for London[33] notes that new hotels (along with attractions, festivals and retail outlets) should help maintain London's attractiveness; and that London is perceived by many visitors as expensive, particularly in the areas of accommodation and transport.

5.7 2012 research undertaken by VisitEngland[34] found that for London, there were weaknesses around value for money, including accommodation value for money, as well as accommodation quality.

Does Richmond share the same characteristics as the rest of London?

5.8 The earlier discussion suggests that the hotel market in London is characterised by a set of high utilisation and high financial performance. Clearly it is important to understand whether LB Richmond shares these characteristics or whether the situation is different.

5.9 LB Richmond includes three of the capital's top twenty most visited paid for attractions, and in that sense it is very much part of London's prime visitor offer. However we also note that of the 31 five-star hotels listed by Visitlondon[35], almost all are within inner London Boroughs. The significant London hotel openings in 2011 set out by the BHA are also almost all in the central Boroughs. The 2006 London Hotel Demand Study[36] notes the polarisation between the central sub-region (retaining the majority of 4 and 5 star hotels) and the rest of London (predominantly 2 star and budget)[37]; and states that the dynamics of hotel demand and operational economics means that future upmarket hotels development will continue to be more viable in central London.

[32] Acorn on behalf of LB Richmond, 2009, Study of the Visitor Market ibid

[33] London & Partners, 2012, Strategic Vision for London

[34] Destination Satisfaction Reports 2011-12, 2012, VisitEngland

[35] http://www.visitlondon.com/tag/five-star-hotel-partners/2

[36] Grant Thornton/Leisure and Tourism Organisation on behalf of Mayor of London, 2006, Hotel Demand Study, ibid

[37] Grant Thornton/Leisure and Tourism Organisation on behalf of Mayor of London, 2006, Hotel Demand Study, pages 31 and 36.

5.10 In terms of visitor spend it is also apparent that there are wide variations – LB Richmond's 2009 £146m visitor expenditure is ranked 13th, and is 5% of Westminster's £2,676m (ranked 1st) and 17% of Kensington & Chelsea's £882m (ranked 2nd). Separately, the BHA's estimate of hospitality employment and GVA in the Borough is 10.5% of employment and 6.5% of GVA, compared to 8.4% of employment and 4.3% of GVA across Greater London. The proportion of hospitality employment in LB Richmond is third behind Kensington & Chelsea and Westminster.

5.11 This limited evidence would suggest that the factors important to hotel development in the Borough may not map directly onto the factors for central London. Arguably there is less of a clear role for headline highest premium hotel development in many outer London Boroughs as this type of hotel is likely to be most successful in areas of highest tourism spend – i.e. central London.

New Hotel Locations

5.12 Hotels will gravitate towards landmark locations and major public transport nodes so these will be target locations for hotel clusters. In the context of LB Richmond this will include Hampton Court, Kew Gardens, Ham House, Richmond, Teddington and Twickenham.

5.13 Conference facilities in the Borough include the Hampton Court Palace, the Curriculum and Training Centre in Twickenham, Richmond Theatre, the Landmark Arts Centre, the Old Deer Park and the Castelnau Centre, as well as the Kew Gardens, the Rugby Stadium and some of the Borough's hotels (such as the Bingham, Carlton Mitre, Charlton on the Green etc.). While many conferences will be day events there remains a market for venues that are able to take larger conferences (such as the Stadium) and are supported by enough accommodation stock for the delegates. Further development of the Borough's conference market might consider the accommodation implications.

5.14 In the past budget hotel operators have sought sites in specific locations (such as major transport junctions) with standard sizes and facilities (such as parking standards etc.), whereas now there is increased flexibility and in some cases, reuse of existing buildings. As the majority of these sites have now been built out and the operators have seen the opportunities in urban areas the format has changed and become more flexible. For example we are aware of office conversions (such as re-use of Ryde House in Twickenham for a budget hotel) and budget hotel development as part of mixed use development, such as retail on the ground floor, hotel above and shared payable parking. Sites sought by premium hotels are more variable, and will include conversions of heritage buildings (particularly for boutique hotels). Other premium hotels will often require sites sufficiently large to accommodate full service facilities, with models including provision of restaurant, spa and health and fitness facilities as well as some parking provision where possible, and either including conference facilities or within reach of conference facilities.

Summary

5.15 The 291,000 staying visitors in Richmond make up about 1% of London's staying visitors, and the proportion of the capital's staying visitor expenditure is between 1%-2%. However, whilst the proportion of overall tourism expenditure is small, the Borough includes three of the top twenty most visited paid-for attractions in the capital as well as one of the major sporting venues. Many of the people visiting these attractions are staying elsewhere in London or they are visiting from home. When staying visitors are choosing their accommodation, location and value for money are the main factors.

5.16 A 2009 analysis of the accommodation sector and the Borough's tourism opportunities concluded that the Borough is not widely known for its accommodation offering and that there is the opportunity to increase overnight stays. Across London the provision of new accommodation is considered to help maintain London's attractiveness; and that London is perceived by many visitors as expensive, particularly in the areas of accommodation (and transport).

5.17 It seems unlikely to expect proposals for five star hotels in the Borough, although if the right realistic opportunity arose it would raise the profile of the accommodation offering and help to generate a new set of staying visitors attracted by the level of service and facilities provided. The preceding section notes that there has been development of four star accommodation in the Borough (London Marriott Twickenham) and this may be repeated by other operators. However it is apparent that there is current interest in further branded budget hotel provision and this would seem to address the value for money issues as well as potentially bringing a further market through the reach of the established budget brands.

5.18 Hotels will gravitate towards landmark locations and major public transport nodes so these will be target locations for hotel clusters. The obvious locations in the Borough will include Hampton Court, Kew Gardens, Ham House, Richmond, Teddington and Twickenham. In addition, further development of the Borough's conference market might include accommodation implications.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 The pattern of commercial serviced accommodation is changing. There is a clear pattern of more branded accommodation and much of this has been though additional budget hotels. This has been at the cost of mid-tier hotels as well as bed and breakfasts/guesthouses. This change reflects the customer preferences as well as investor requirements. Branded budget hotels enjoy higher than average occupancy rates, including in London which has higher than average occupancy to begin with. The major budget hotel operators have continued to take forward strong growth plans and it is unsurprising that further applications are apparent in Richmond.

6.2 The overall tourism trends suggest that London will continue to be a successful tourism destination and that the number of visits will grow. In comparison to most of the rest of the UK, visitors from overseas are important and much of what Richmond has to offer is of interest to these markets. There are trends within overseas visitor market, the most import one being the decline in the North American market and the growth in visitors from firstly Europe and also the emerging economies. Overall it is likely that some of the city-wide growth will be realised in LB Richmond and part of this will be through the private and public sector reaction to the opportunities.

6.3 Compared to some other parts of London, Richmond has relatively little accommodation stock, and linked to this, its earnings from tourism and the resultant employment are low. A simple analysis suggests that there will be further accommodation needed in order to accommodate growth and to allow for a churn in the supply of accommodation. Very little of the new hotel bedstock for Richmond identified in 2006 has yet been delivered, and potentially there is a requirement of around 900 new bedrooms in the Borough by 2026. While there has been some recent hotel development in LB Richmond, in comparison to some other parts of London this has been relatively minor.

6.4 It is clear that the private sector wishes to take advantage of the opportunities in the Borough. Subject to the development being acceptable in planning terms we can find no reason to discourage the consent for new hotel development. In particular this approach will:

- Sit within the sustainable development encouraged by NPPF.
- Allow creation of employment opportunities in their own right.
- Support other parts of the visitor economy (including attractions, retail, entertainment and catering).
- Support other parts of the Borough’s economy, including conference activity and other business sectors that require accommodation for their visitors.
- Fit with known customer preferences.

6.5 We are not aware of any suitable mechanism with the planning system that will allow the Planning Authority to specify what style of provision will take place within a use class, although clearly there is the opportunity to influence the exterior and the environmental standards through design standards and other development plan policies. We would interpret the interest shown in sites in the Borough as demonstrating that there is a good commercial case for viable development and it is suggested that the standards and S106 negotiations reflect this.

6.6 If the Council is aware of specific sites and premises that may be suitable for (re)use as hotels there is the opportunity to work with commercial agents to promote these to potential operators and exert some influence over the choice of operator. The evidence from recent developments and the commentary from the wider analysis of hotels across the capital both suggest that the majority of new hotel development in the Borough will be budget accommodation.

Annex 1

Hotel Accommodation in London Borough of Richmond

Name	Address				Rooms
Carlton Mitre Hotel	Hampton Court Road	East Molesey	Richmond upon Thames	KT8 9BN	36
Chase Lodge Hotel	10 Park Road	Hampton Wick	Richmond upon Thames	KT1 4AS	11
Coach and Horses Hotel	8 The Green	Kew	Richmond upon Thames	TW9 3BH	31
Don Pepe Charlton Hotel	The Green	East Molesey	Richmond upon Thames	KT8 9BW	17
Lensbury at Teddington Lock	Broom Road	Teddington	Richmond upon Thames	TW11 9NU	160
Liongate Hotel	1 Lion Gate	East Molesey	Richmond upon Thames	KT8 9DD	32
London Marriott Hotel Twickenham	Rugby Road	Twickenham	Richmond upon Thames	TW1 1DS	156
Popes Grotto (Young's)	Cross Deep	Twickenham	Richmond upon Thames	TW1 4RB	32
Premier Inn - Twickenham	Chertsey Road	Twickenham	Richmond upon Thames	TW2 6LS	31
Richmond Hill Hotel	144-150 Richmond Hill	Richmond	Richmond upon Thames	TW10 6RW	149
Richmond Park Hotel	3 Petersham Road	Richmond	Richmond upon Thames	TW10 6UH	22
The Bingham	61-63 Petersham Road	Richmond	Richmond upon Thames	TW10 6UT	15
The Park Hotel	Park Rd	Teddington	Richmond upon Thames	TW11 0AB	43
The Petersham Hotel	Nightingale Lane	Richmond	Richmond upon Thames	TW10 6UZ	60
The Richmond Gate Hotel	152-158 Richmond Hill	Richmond	Richmond upon Thames	TW10 6RP	68
The White Hart Hotel	1 High Street	Hampton Wick	Richmond upon Thames	KT1 4DA	37
Travelodge Twickenham	London Road	Twickenham	Richmond upon Thames	TW1 3QS	111
Travelodge Teddington	Park House, Station Road	Teddingon	Richmond upon Thames	TW11 9AD	113
Premier Inn - Twickenham	136-138 Lower Mortlake Road	Richmond	Richmond upon Thames	TW9 2JZ	93