THE LONDON HOTEL MARKET
Market commentary and opportunities from the market leaders
Knight Frank
2012 Market Commentary

London is one of the world’s leading financial and cultural centres exerting a powerful influence over worldwide commerce, politics, education, media, fashion and the arts, which all contribute to its status as a global city and prime leisure and business destination. One of the great world cities, London benefits from a vibrant hotel market commensurate with the city’s international image. It is Europe’s business hub and is the most visited city in the world. The capital appeals to both high spending business and leisure visitors as a result of the city’s continuing appeal as a cultural and commercial destination.

According to the International Passenger Survey (IPS) conducted by ONS across the full year of 2011, visits to the UK grew 2.9 per cent and earnings increased by 6.1 per cent over 2010, to reach a new record of £17.9 billion. Leisure visits rose 2.4 per cent from 11.7 million to 12.0 million, another new record. Business visits rose 6.1 per cent to 7.2 million, and those to visit friends or relatives rose 4.9 per cent to 8.8 million. Quarter 4 2011 saw continued growth in business and visits to friends or relatives although holiday visits fell slightly by 2.6 per cent from quarter 4 2010.

During the course of 2011 the UK hotel market demonstrated a continued improvement with a growth in Revenue Per Available Room (RevPAR) of 4.1% over 2010, mainly driven by a 3.8% growth in Average Room Rate (ARR). The level of demand, measured by Average Room Occupancy (ARO) remained largely unchanged.

As in previous years, the uplift in the operational performance of UK hotels was mainly driven by the strength of the London market which also saw profitability levels improving throughout the year.

Overall, London proved more resilient to the economic downturn than other UK centres and has performed significantly better than other European capitals during the global economic downturn. Overall, the main demand generating drivers in 2011 included a mix of sporting, cultural and political events such as London Fashion Week in February, the state visit by the US President Barack Obama in April, the RHS Chelsea Flower Show and the Champions League Final at Wembley in May. Compared to 2010, the capital’s hotels recorded a 6.1% growth in profitability which was mainly driven by a 7.0% increase in ARR. See Figure 1.

The capital recorded a second consecutive year of profitability growth in 2011 which was mainly driven by a strong operational performance during the second quarter of the year when London hotels attracted record breaking demand and achieved occupancy of 89.3% in June and 92.4% in July, complemented by record ARR’s. This is illustrated in Figure 2.

The prospects for continued growth in the capital look strong. London & Partners, the official promotional organisation for London, forecasts that 2012 will be a bumper year for leisure tourism in the capital. The figures from Tourism Economics indicate that 12.7m overnight leisure visitors, both overseas and domestic, are expected to come and stay in London during 2012.

As well as helping to boost visitors to London in 2012, the much anticipated Olympic and Paralympic Games is estimated to expose London to an estimated global audience of 4 billion people. This is one of the factors that has resulted in forecasts for 2013 - 2015 being equally encouraging for London. The exposure through the Olympics is anticipated to help sustain 2012 levels of visits into 2013 and will then aid it to grow as much as 11% over the following two years, resulting in around 14.1m leisure visitors coming to the capital in 2015. See Figure 3.

There have been several high profile hotel openings in 2011 and 2012 to date including the W London, Leicester Square, Corinthia Hotel, 45 Park Lane, Bulgari Hotel and Renaissance St Pancras, all of which have added to the reputation of London as a top international destination. Other anticipated high profile openings include the InterContinental St James and the Shangri-La Hotel.

Transaction activity in London remains limited owing to the very restricted supply of available property and strong underlying trading fundamentals. London’s relative resilience and the prospect of a sustained economic recovery make the capital one of the most sought after hotel property markets.
Figure 1. Operational London Hotel Market 2009 to 2011

Source: Tri HotStats

<table>
<thead>
<tr>
<th>Year</th>
<th>ARR (£)</th>
<th>RevPAR (£)</th>
<th>Occ%</th>
</tr>
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<tbody>
<tr>
<td>2009</td>
<td>£113.23</td>
<td>£90.72</td>
<td>80.1%</td>
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<tr>
<td>2010</td>
<td>£122.73</td>
<td>£100.52</td>
<td>81.9%</td>
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<td>2011</td>
<td>£131.35</td>
<td>£106.52</td>
<td>81.2%</td>
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Figure 2. Operational London Hotel Market in 2011

Source: Tri HotStats

<table>
<thead>
<tr>
<th>Month</th>
<th>ARR (£)</th>
<th>RevPAR (£)</th>
<th>Occ%</th>
</tr>
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<tbody>
<tr>
<td>Jan</td>
<td>£166.0</td>
<td>£78.8</td>
<td>67.9%</td>
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<tr>
<td>Feb</td>
<td>£122.6</td>
<td>£91.4</td>
<td>74.5%</td>
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<tr>
<td>Mar</td>
<td>£124.1</td>
<td>£99.1</td>
<td>79.9%</td>
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<tr>
<td>Apr</td>
<td>£122.2</td>
<td>£97.7</td>
<td>79.9%</td>
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<tr>
<td>May</td>
<td>£136.5</td>
<td>£112.9</td>
<td>82.7%</td>
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<tr>
<td>Jun</td>
<td>£147.8</td>
<td>£132.1</td>
<td>89.3%</td>
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<tr>
<td>Jul</td>
<td>£148.7</td>
<td>£137.3</td>
<td>92.4%</td>
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<tr>
<td>Aug</td>
<td>£107.2</td>
<td>£88.1</td>
<td>82.2%</td>
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<tr>
<td>Sep</td>
<td>£141.9</td>
<td>£122.7</td>
<td>86.5%</td>
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<td>Oct</td>
<td>£134.3</td>
<td>£114.8</td>
<td>85.5%</td>
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<tr>
<td>Nov</td>
<td>£139.2</td>
<td>£115.0</td>
<td>82.6%</td>
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<tr>
<td>Dec</td>
<td>£125.8</td>
<td>£92.2</td>
<td>73.3%</td>
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Figure 3. Actual and Anticipated Overnight Leisure Visits to London

Source: Tourism Decisions Metric by Tourism Economics 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
<th>% Change</th>
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<tr>
<td>2008</td>
<td>10,200</td>
<td>4.8</td>
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<tr>
<td>2009</td>
<td>10,617</td>
<td>4.1</td>
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<tr>
<td>2010</td>
<td>11,512</td>
<td>8.4</td>
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<tr>
<td>2011</td>
<td>12,125</td>
<td>5.3</td>
</tr>
<tr>
<td>2012</td>
<td>12,754</td>
<td>5.2</td>
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<tr>
<td>2013</td>
<td>12,856</td>
<td>0.8</td>
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<tr>
<td>2014</td>
<td>13,484</td>
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<tr>
<td>2015</td>
<td>14,143</td>
<td>4.9</td>
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Key Availability & Transactions  
Q3 2012

Club Quarters, St Paul’s  
24, Ludgate Hill, London, EC4M 7DR  
265 letting bedrooms and suites, situated close to St Paul’s Cathedral  
Role  Selling agent  
Guide Price  Upon application

Grand Plaza  
42 Princes Square, London W2 4AD  
198 serviced apartments in prime Central London, located close to Hyde Park  
Role  Selling agent  
Guide Price  £85 million

The Academy Hotel  
21 Gower Street, London WC1E 6HG  
49 bedroom hotel in a central London location  
Role  Selling agent  
Guide Price  £11.5 million

Club Quarters, Gracechurch  
7 Gracechurch Street, London EC3V 0DR  
203 letting bedrooms and suites in the heart of London’s financial district  
Role  Selling agent  
Guide Price  Upon application

The Colonnade Hotel  
2 Warrington Crescent, London W9 1ER  
43 bedroom hotel in the high value residential area of Little Venice  
Role  Selling agent  
Guide Price  £11.75 million

Ten Manchester Street  
8-12 Manchester Street, Marylebone, London W1U 4DG  
45 bedroom hotel, close to Marylebone High Street  
Role  Selling agent  
Guide Price  £20 million
Key Availability & Transactions
Q3 2012

**Holiday Inn Express London Stansted**
Thremhall Avenue, London Stansted Airport, Essex  CM24 1PY
254 bedroom hotel with six conference rooms located close to London Stansted Airport
Role  Selling agent
Guide Price  £17 million

**Holiday Inn Express London Croydon**
1 Priddy’s Yard, Croydon  CR0 1TS
156 bedroom hotel with eight conference rooms in the centre of Croydon
Role  Selling agent
Guide Price  £13 million

**The Knightsbridge Green Hotel**
157-159 Knightsbridge, London  SW1X 7PD
31 bedroom hotel in an excellent Knightsbridge location
Role  Selling agent
Guide Price  £17.5 million

**The Cromwell**
108-112 Cromwell Road, London  SW7 4ES
85 bedroom hotel with restaurant, conference room and gym in South Kensington
Role  Selling agent
Guide Price  £20 million

**Hilton London Wembley**
Lakeside Way, Wembley, Middlesex  HA9 0BU
361 bedroom hotel with extensive conference, banqueting and food and beverage facilities, adjacent to Wembley Stadium
Role  Selling agent
Guide Price  £70 million

**Leicester Square**
Leicester Square, London  WC2
Freehold site consented for 243,000 sq ft mixed use scheme, including 245 bedroom hotel, 35 residential apartments and associated uses
Role  Selling agent
Guide Price  Confidential
The Cranley
8, 10 & 12 Bina Gardens, London SW5 OLA
39 bedroom hotel with individually decorated en-suite bedrooms, close to South Kensington
Role Selling agent
Guide Price £14 million

Royal Park Hotel
3 Westbourne Terrace, Hyde Park, London W2 3UL
48 bedroom hotel, close to Paddington Station and Hyde Park
Role Selling agent
Guide Price £15.5 million

Euston Square Hotel
152-156 North Gower Street, London NW1 2LU
75 bedroom hotel, close to Euston station
Role Selling agent
Guide Price £17.5 million

The Hoxton
81 Great Eastern Street, London EC2A 3HU
208 bedroom, design-led hotel in Shoreditch
Role Selling agent
Guide Price £70 million

Durley House Hotel
115 Sloane Street, London SW1X 9PJ
11 suites, close to Sloane Square
Role Selling agent
Guide Price Upon application

Great Scotland Yard
3-5 Great Scotland Yard, London SW1A 2HW
Planning consent for a 250 bedroom hotel
Role Acquisition agent
Guide Price Confidential
Key Availability & Transactions
Q3 2012

**Tophams**
Ebury Street, London SW1W 0LU
50 bedroom hotel, close to Victoria Station and Belgravia

**Role** Selling agent
**Guide Price** £16.5 million

**City Pride**
Marsh Wall, London E14 8JH
Site consented for a 203 key 5* hotel and 430 residential apartments

**Role** Selling agent
**Guide Price** £40 million

**Devonshire Court**
1 Devonshire Street, London W1W 5DB
62 serviced apartments

**Role** Acquisition agent
**Guide Price** Confidential

**Park Inn Watford Hotel**
30-40 St Albans Road, Watford, Hertfordshire WD17 1RN
100 bedroom hotel close to town centre

**Role** Selling agent
**Guide Price** £7 million

**Bovey Castle**
Dartmoor National Park, Devon TQ13 8RE
64 bedroom hotel with 14 lodges and an 18 hotel golf course, set in a 275 acre private estate

**Role** Selling agent
**Guide Price** £17.5 million

**Maids Head**
20 Tombland, Norwich, Norfolk NR3 1LB
84 bedroom hotel, close to city centre

**Role** Selling agent
**Guide Price** £7 million
Hotel expertise

The experience held by our core team of UK based specialists covers the entire spectrum of hotel genres, from branded to independent to lifestyle and country houses. Our team is reputed for the trusted relationships we build with clients, offering the full breadth of services; from sales and acquisitions to valuations and development.

National and international coverage

National hotel sector coverage is delivered through our core team based at the firm’s headquarters in the West End of London, and draws support as necessary from our extensive regional office network. The International hotel sector is coordinated through London and operates throughout Europe, the Middle East, Africa, North and South America, Australasia and India.

Knights Frank Global Network

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Front cover image: The Lobby Lounge, Corinthia Hotel London

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