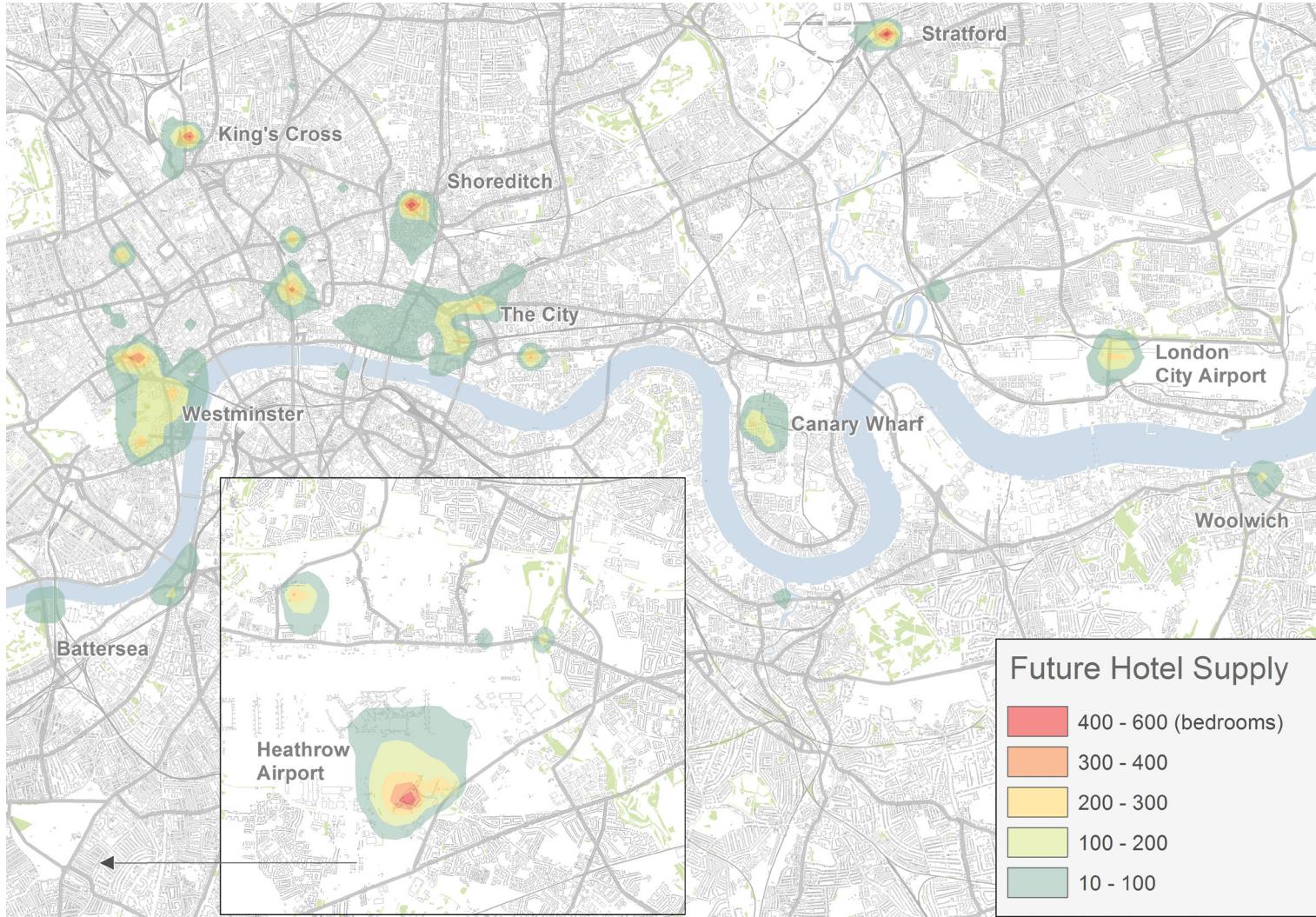




citizenM Tower of London (opened July 2016)

HOTEL
QUARTERLY
BULLETIN
Q2, 2017

Branded Budget Hotels Fuel Strong Growth in London's New & Future Hotel Pipeline



- Despite the concerns about the impact of Brexit on the capital, London's success as a global city and strong trading performance of the hotel market, continues to fuel a strong pipeline of proposed hotels, with London accounting for 45% of the UK's future hotel supply with a scheduled opening date.
- London's hotel supply has increased by over 10,000 new rooms, since the start of 2015, with the branded budget segment the most dynamic, accounting for 40% of new bedroom stock. In 2016, London's room supply increased by 3.9%, whilst occupied room nights increased by 1.5 million to over 43 million room nights.
- 2017 will witness a further shift up in gear with approximately 9,000 additional rooms forecast to open, representing a 6.2% growth in London hotel supply, to over 153,000 rooms.
- In 2017, new build hotels are forecast to account for 60% of the total new hotel supply in London and new hotel conversions 38%. The branded budget hotel sector is the engine driving this growth, representing 57% of the new bedroom supply, increasing its market share to 23% of the total London serviced accommodation.



The Z Hotel, Shoreditch

- The Knight Frank Heat Map illustrates where London's future hotel supply is concentrated, with a confirmed opening date between 2017 and 2019.
- In 2017 three inner London boroughs, City of London, the City of Westminster and the London borough of Newham will provide over 40% of London's new hotel supply, with planned openings including the conversion of the former Midland Bank HQ at Bank to the five-star, 252-room The Ned hotel; the 267-room, four-star Dorsett City in Aldgate, owned and operated by Hong-Kong listed Dorsett Hospitality Group; the 583-room Ibis Styles Piccadilly Circus, the 339-room Hub London Westminster King's Cross; and the 294-room Moxy London Stratford and the 209-room Hampton by Hilton London Docklands.
- Outside of Central London, the hotel market in London Heathrow which grew by 4% in 2016 is set to intensify further, with a pipeline of 8 hotels, comprising over 2,500 hotel rooms planned to open by the end of 2018, equating to 27% of the existing hotel supply. Of

the new supply entering the Heathrow market, approximately 50% will open in the branded budget hotel sector. The challenge for the Heathrow market will be to attract sufficient hotel demand to absorb the new supply and for the existing supply to compete with new hotels that are linked directly to terminal buildings.

• The continued regeneration of the wider London area is resulting in new emerging destinations, with a growing diversity in corporate and leisure demand. The growth in technology, media, telecoms and other creative industries with established and growing hubs in districts such as in previously finance-led locations in the City, as well as emerging destinations such as Shoreditch and the Southbank, have helped stimulate demand for new hotel development and conversions. Popular emerging destinations for hotel investment and development include: Aldgate East, City Airport, Shoreditch, Stratford, Whitechapel, Southwark, Lambeth North, Vauxhall and Waterloo. Approximately 40% of all speculative projects in London, some 7,500 new bedrooms, are emanating from these locations.



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