London’s Hotels: expanding social spaces
London is the third most visited city in the world, with one of the highest hotel occupancy rates of any European city.

The capital has a pipeline of over 13,000 new hotel rooms but the sector faces new challenges due to cultural, technological and lifestyle changes. With political uncertainties and the disruptive forces of the sharing economy, hotels are adapting by expanding their offer of spaces for socialising and public interaction.

This report looks at what lessons can be learnt from these changes and how such spaces contribute to the city as a whole.
Introduction
In the age of the sharing economy, connection to local areas and genuine social interaction, aided by the latest technologies, have become central to customer preferences. Airbnb launched in 2008, promising visitors an authentic experience of the city, but only started to take off in London after 2014. That same year, WeWork opened its first space, refreshing the dull office into a platform for collaboration and creativity. This movement spread rapidly, with diverse brands and online platforms offering similar ways of blurring the boundaries between live, work, and play. These new conditions have transformed the way we use temporary accommodation, work, and leisure spaces in cities and have been driving the adaptation of hotels ever since.

Urged to do better, the role of the hotel has evolved, reinventing itself by focusing on its local context and harnessing its ability to bring people together. Hotel lobbies have always functioned as public entrances to the building, but walking into a hotel without a room key in your pocket would have felt rather strange 20 years ago. As hotels have become more visible and accessible within the urban landscape, people feel more welcome to use their spaces in ways they may not have in the past. Successfully turning outwards, hotels are opening up their social spaces for visitors, workers, and the local community.

Consumer demands have driven greater choice, broadening the spectrum and diversity of accommodation and their offer. The upper end of the spectrum includes ultra-luxury, boutique and lifestyle brands. These are increasingly the types of accommodation expanding their hospitality offer, including a diverse mix of uses aimed not only at guests but also at locals. At the other end, there are pod hotels, a new generation of hostels, apart-hotels and a raft of budget brands. The rise of consistent quality, functional budget hotels and hotel alternatives has helped make cities like London accessible to a wider range of visitors, while enabling areas in the city to remain vividly operational. However, the increase in budget hotels, which accounts for almost 30 per cent of the sector, is only one part of the story; globalisation and ease of travel have contributed to a higher demand for diverse types of hotel. With over 19 million visitors, London was the third most visited city in the world in 2018, making the case for the need for more hotels to satisfy the tourism demand.

Since 2015, nearly 22,500 new rooms were added to London’s supply and an additional 77,743 rooms will be required to service demand by 2050— an average 2,221 rooms per annum.

Even with tourism currently on the rise, the sector still faces many challenges, including competition from alternative accommodation providers such as Airbnb and the uncertainty of Brexit tempering demand.
The UK’s departure from the European Union (EU) is also driving some EU workers away at a time when employment levels are at record highs; whereas Airbnb is putting pressure on local authorities that struggle to ensure housing targets are met. With London’s borough councils under pressure to deliver homes, create local jobs and add community value, it adds extra complexity to planning decisions.

And yet, novel opportunities are on the horizon. New technologies are already playing an important role in shaping not only the physical and virtual spaces of hotels, but also in providing solutions for some of the challenges the sector faces. Furthermore, as the climate emergency rises up the political agenda, it will continue to influence demand and design, with a new generation of conscious guests expecting lower environmental impacts from their travelling, as well as hotels seeking to reduce waste and energy consumption. Expanding the experience of physical social spaces into virtual ones, a tech-augmented hospitality pushes hotels into the future.

This research explores the innovative responses to these challenges currently faced by the sector: from lifestyle hotels opening their doors to a larger public and exploring next-generation technological opportunities, to budget hotels activating local areas and public authorities safeguarding the contribution of hotels to local communities.
<table>
<thead>
<tr>
<th>Occupancy and revenue</th>
<th>2020 pipeline</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>84.3%</strong></td>
<td><strong>121</strong></td>
<td><strong>141,000</strong></td>
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<tr>
<td>occupancy rate in London in 2019</td>
<td>new hotels will open in London by 2020</td>
<td>approximate number of rooms currently in London</td>
</tr>
<tr>
<td><strong>£127.7</strong></td>
<td><strong>13,000</strong></td>
<td>+41%</td>
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<tr>
<td>revenue per available room (RevPAR)</td>
<td>new rooms will open in London by 2020</td>
<td>increase of London's overall hotel room capacity in ten years (2010–2020)</td>
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<tr>
<td>+3%</td>
<td>30%</td>
<td>77,743</td>
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<td>increase of RevPAR compared to 2018</td>
<td>of the London pipeline is comprised of budget hotels</td>
<td>projected number of additional rooms required in London by 2050</td>
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2020 pipeline

Fig. 01: Type of accommodation
Source: STR / Knight Frank, UK Hotel Development Opportunities (2019)

- 5% 5-star
- 9% 3-star
- 18% 3-star branded
- 9% apartment
- 1% 2-star
- 27% 4-star
- 30% budget

Fig. 02: Rooms by area

- 60% Central (3,840 rooms)
- 3% North (192 rooms)
- 14% East (896 rooms)
- 18% West (1,152 rooms)
- 5% South (320 rooms)