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Planning and Borough Development
London Borough of Camden
Judd Street
London
WC1H 9JE

22 December 2016

Our ref: RM/WK

Dear Sir

Astor Museum Hostel, 27 Montague Street, London, WC1B 5BH
Re: Pre-application Enquiry

In the relation to the above, and further to our pre-application enquiry dated 4 August 2016 (Ref: GAO/HBR/J7780), we provide below a summary of the existing use of the property together with background information on the hostel market.

The property was inspected by Hannah Bryant MRICS in July 2016 who was provided access to the internal areas.

The Property

The property trades as 'Astors Museum Hostel' and variously as 'Astor Museum Inn' on booking websites. It is one of four London hostels within the Astor Group www.astorhostels.co.uk. The Museum Hostel is marketed as one for backpackers and travellers.

According to information supplied, the business trades with 72 bunk bed spaces contained within 12 dormitory bedrooms, with accommodation varying from 2 to 12 persons per room. Ancillary guest facilities include a Reception, TV/computer room, self-catering kitchen, laundry cupboard and external courtyard. There are two additional bedrooms for staff and a business kitchen.

Accommodation rates are advertised from £20 per bed space and £90 for a private Twin room (as at August 2016). Continental breakfast is included within these rates. None of the rooms have en-suite facilities and generally the showers and toilets are located off half-landings at the rear of the building and between each floor.

Location

The property is located on Montague Street which links Great Russell Street and Russell Square, adjacent to the British Museum. No.27 is on the eastern side of Montague Street, backing onto private gardens, although without any direct access to these. The nearest underground stations are Holborn (Central and Piccadilly lines) and Russell Square (Piccadilly), both within easy walking distance.

Montague Street is an established location for midmarket and upscale hotels including the Montague on the Gardens (4-star) and two 4-star Grange Hotels (White Hall and Blooms).

Property Description

A west facing mid-terraced former townhouse constructed over basement, ground and three upper levels. The construction is brick with stucco plaster to basement and ground floors at the front elevation. The property is Grade II Listed and situated within the Bloomsbury Conservation Area.

Accommodation

We understand that the guest accommodation is configured as follows:

Room	Floor	Sleepers
1	Basement	8
2	Ground	6
3	Ground	10
22	First	12
31	Second	8
32	Second	4
33	Second	8
41	Third	2
42	Third	4
43	Third	4
44	Third	2
45	Third	4
Total		72
23	Basement	6 staff
	First	Manager

Each floor is accessed by a single staircase. There are no lifts within the building.

At the upper levels, WCs and showers are provided at the rear of the building at half landing levels. This means that the guests sleeping on the first, second and third floors need to use stairs to access these WC and washing facilities. There is a shower and WC on ground floor and a WC and two showers at basement level.

Communal areas within the property include a guest Reception and TV/computer room on the ground floor and a self-catering kitchen (14 seats) and external courtyard at basement level.

Condition

Following our visual inspection of the property, we would comment that the internal areas of the building appear basic, compromised by the layout and would benefit from refurbishment works and a programme of capital expenditure to counter balance the number of persons in the small dormitories. The existing use of the property as a youth hostel results in an extremely high volume of footfall passing through the building which was built as a private residence. This has consequently had a detrimental impact on the visual appearance of the internal areas, particularly around the common stairwell and within the bedrooms. As it is common for youth hostels to incur a high volume of guests, many operators implement physical preventative measures in order to counter the resultant wear-andtear to the building. Examples of such include the installation of metal supports for the staircases. However given the historic and Listed status of the subject property, such measures are not viable.

Hostel Market

A hostel is an establishment which provides accommodation for groups or individuals for short stays, typically in shared rooms at a low price. Traditional hostel accommodation includes dormitories with bunk beds and shared facilities but increasingly a range of room types is offered often including a small proportion of double rooms with en-suite. The relatively low price point of hostels make them attractive to younger travellers, groups and schools with a sociable/fun element perceived as adding to the overall experience.

Hostel accommodation is let by the bed with high density in bed numbers achieved through larger rooms and provision of bunk beds. This results in an efficient business model with the potential for higher revenue for a given space, low operational costs and to further drive revenue through food, beverage and ancillary services.

Whilst hostels have traditionally inhabited buildings converted from residential or other uses the evolution of the sector towards larger more efficient sites (along with the requirement to meet brand standards) means that a significant amount of new stock comprises new-build hostels, office conversions or other buildings built for high volume. As such, smaller hostel operations accommodated within converted historic buildings are increasingly less competitive in comparison to their more modern and innovative counterparts. This increase in scale has also been driven by a shift in guest expectation. Young millennial travellers, who are the key source of demand within the hostel market, now expect provision of extensive food and beverage facilities, along with hi-tech common areas in order to facilitate more fluid interaction amongst guests. Examples of such operations include brands such as Meininger, Generator Hostels and Wombats (further details provided below).

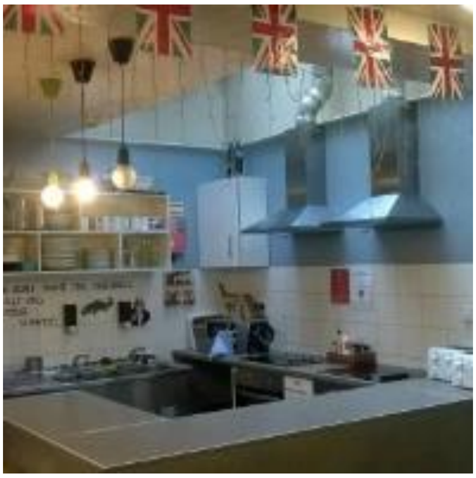
Key European operators include:

1. **A&O**: 18 hostels throughout Europe.
2. **Meininger**: operations in London, Germany, Austria, Netherlands, and Belgium.
3. **Generator**: operations in London, Berlin, Stockholm, Paris, Barcelona, Copenhagen, Dublin, Amsterdam, Venice and Rome.
4. **St Christopher's Inn**: operations in the UK, Berlin, Amsterdam, Barcelona, Paris, Bruges and Prague.
5. **Equity Point**: operations in London, Barcelona, Girona, Lisbon, Marrakech and Prague.
6. **Wombats**: operations in the London, Vienna, Berlin, Munich, and Budapest.
7. **Plus Hostels**: operations in Berlin, Florence, Rome and Prague.

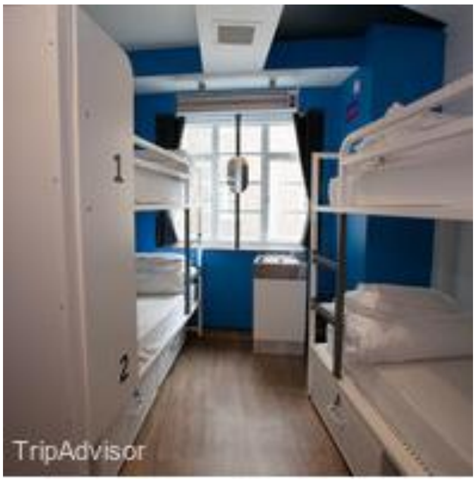
The modernisation and development of the hostel sector has, in part, been driven by the growth of the budget hotel market where three guests can secure a budget hotel bedroom for a similar price to a budget hotel. This segment of the market, which includes operators such as Travelodge, has effectively provided more price-sensitive guests with an economical alternative to hostel accommodation and in a safer environment.

For comparative purposes, we include below a selection of photographs of the subject property (sourced via Tripadvisor) which provides an indication of product specification compared against branded hostel stock such as Generator.

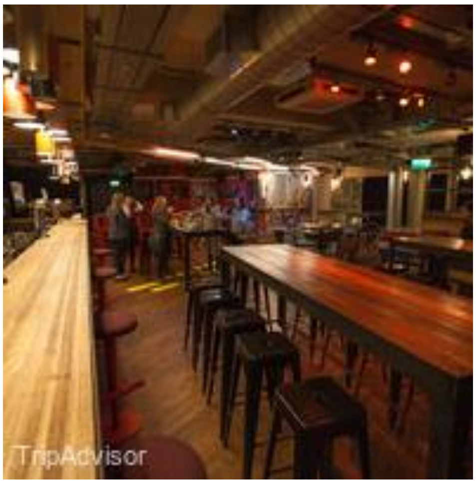
Subject Property – Bedroom



Subject Property – Communal Dining Area



Generator Hostel London – Bedroom



Generator Hostel London – Communal Dining Area

There is a large concentration of both hostel and budget hotel supply in and around the location of the subject property. According to the AM:PM Hotel Data , supply of hostels within a 3 mile radius of the property (as at August 2016) stands at 41 properties with a total number of rooms at 1,785. The largest of the existing operations located within this radius is the Generator Hostel which has 212 rooms. **In terms of supply located within the southern area of the London Borough of Camden (south of the Euston Road), there are approximately 12 hostels providing 624 rooms.**

In terms of pipeline development, there are a further 331 extra rooms planned (the largest being the YMCA Errol Street which will have 146 rooms). **None of these schemes are located within the southern part of the Borough.**

A notable feature in relation to the hostel market is the volume of closures, with 452 rooms no longer trading within a 3 mile radius of the property. **As above, none of these closures were located within the southern part of the Borough.** Whilst there has been a trend over recent years of smaller hostel operations closing, this has generally been countered by an increase in the supply of larger, branded operations. As illustrated in the table below, there were a total of 186 room closures in 2012 within a 3 mile radius of the subject property, whilst 215 new hostel rooms opened. This resulted in a 16% uplift in room supply.

Following a similar trend in 2014, a total of 27 hostel rooms exited the market from within smaller independent hostel operations. These were replaced by 149 rooms, within much larger branded hostel businesses, which equated to significant increase in supply of approximately 452%.

Year	Closures	Closed Rooms	Openings	Opened Rooms
2012	City YMCA	64	RestUp London	140
	Leinster Inn, Bayswater	122	Safestay London	75
2014	Brazen Head	8	SoHostel	41
	Astor Kensington	19	Wombats City Hostel	108
Total		213		364

As aforementioned, the budget hotel market now effectively provides direct competition to the hostel market due to the narrowing gap in price differential. The marked level of growth in the sector is clearly illustrated in the volume of supply with the presence of 73 budget hotels (12,281 rooms) within a 3 mile radius of the property (as at August 2016). Compounding the competitive factor further is the number of pipeline developments due to enter the market in the future, estimated at 5,734 rooms (across 36 budget hotels). This level of pipeline development equates to 47% of current room supply which will result in a significant increase in competition both within the hostel and budget hotel market.

Summary

By its very nature of letting primarily by the bed space, hostel accommodation creates intensive building use and therefore requires regular planned maintenance and capital expenditure in order for a building to be maintained properly. This is particularly pertinent in the case of historic building conversions that do not lend themselves well to high-density use due to age, design and building lay-out constraints. The emergence of new brands such as Generator has effectively disrupted the competitive market by offering significantly larger-scale operations with a wider variety of ancillary guest facilities and higher security. This diversification in competition has provided a difficult challenge for smaller independent hostel operators who are unable to compete in terms of scale, facilities and brand power. Compounding this increase in competition is the ongoing and rapid development of the budget hotel sector which is providing an indirect challenge in terms of price point. This has resulted in a decrease in the number of smaller hostels, particularly those located within Listed buildings, which were not built to accommodate high footfall.

We trust this brief overview provides the information required but please do not hesitate to contact me if you require clarification or further information.

Yours faithfully,

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Senior Associate

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