

Regents Park Road Hotel,
155-157 Regents Park Road,
London, NW1 8BB

Economic Impact Assessment / Uchaux Ltd

A report by Volterra Partners, February 2021

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1 Executive Summary

- 1.1 Volterra Partners have been commissioned by Uchaux Ltd ('the Applicant') to provide an economic assessment for the development of a hotel-led development in the London Borough of Camden (LBC). The Proposed Development would comprise 59 hotel rooms, with associated works. The site is highly accessible by public transport. It is judged to have a public transport accessibility rating (PTAL) rating of 6a, which is the 2nd most accessible rating (out of nine) that can be achieved. Chalk Farm underground station is located less than 50 metres away from the site, providing access to the Northern underground line.

Traditional economic impacts

Construction of the Proposed Development is expected to support an average of 55 jobs on-site over the 18-month demolition and construction phase. These construction workers are estimated to spend £150,000 in the local economy.

- 1.2 The Proposed Development would provide an uplift of economic activity in a location of high deprivation. The demolition and construction phase, expected to last 18 months, is estimated to generate a total of 85 gross job years over the construction period, corresponding to an average of 55 employees on-site.
- 1.3 Construction workers at the site are expected to support spending totalling £150,000 in the local area over the course of the demolition and construction phase, equivalent to c. £100,000 annually.

Once operational, the Proposed Development is expected to support 35 jobs on-site, equivalent to 30 FTEs.

- 1.4 Operational employment would be created by the hotel and supporting activities. The Proposed Development is expected to accommodate 30 gross full-time equivalent (FTE) jobs, corresponding to 35 jobs once part-time employment patterns are accounted for.
- 1.5 The existing site is a combination of low-quality, under-occupied office space and two retail units. The Proposed Development would correspond to an uplift of 5 FTE employment positions when compared to the existing site, equivalent to an increase of 10 jobs. The current space is in decline and is only attracting short term tenants with a large churn. The Proposed Development offers a longer-term practical reuse for the site to bring it back into productive economic use.

Guests staying at the Proposed Development's hotel are estimated to spend a total of £2.7 million outside of the site annually.

- 1.6 Visitor expenditure outside of the hotel is expected to be a significant benefit, amounting to a total of £2.7 million each year. The visitor expenditure across London will induce further employment across the city, estimated to be equivalent to c. 70 additional jobs.

After accounting for multiplier and displacement effects, alongside the induced employment from visitor expenditure, the Proposed Development is estimated to support c. 65 net additional jobs for London residents.

- 1.7 Assessments of the net impact of development must consider displacement (the proportion of new jobs that would have occurred in the absence of the Proposed Development) and multiplier impacts (further indirect benefits linked to worker expenditure and supply chain purchases). Taking these into account, along with the induced jobs created through visitor expenditure, it is estimated that the Proposed Development would support a total of 65 net additional FTEs, corresponding to 85 additional jobs. Of these total net additional jobs, 65 would be expected to be taken up by London residents after accounting for leakage.

The Proposed Development would support a total of £1.2 million in annual GVA. It is expected that this would result in additional tax revenues of up to £490,000 each year.

- 1.8 Overall, the Proposed Development is anticipated to generate a total of £1.2 million in economic activity each year. Approximately 30%-40% of total economic activity filters through to government through a variety of taxes, applying these figures it is estimated that the Proposed Development will result in £370,000 - £490,000 of tax revenues.

The need for hotels in Camden

London is a world leading destination, attracting 21.7 million international visitors to the city in 2019. High visitor demand, coupled with constraints on the supply of accommodation, has resulted in London having the highest hotel occupancy rates across Europe (84%).

- 1.9 In 2019, 34 million visitors stayed in London, of which c. 22 million were international visitors and 12 million were domestic visitors. These visitors spent a combined total of £16bn in the city. The Institute for Urban Strategies Global Power City index ranked London as the world's leading global city as a place to live, visit and do-business for the ninth year in a row in 2019, ahead of New York (2nd) and Tokyo (3rd).
- 1.10 In 2019 the average occupancy rate for hotel rooms in London was estimated to be 84%, the highest of all major cities in the EU. The 2019 average daily rate (ADR) for hotel rooms in London stood at €163, ranking it the fourth most expensive city in the EU in which to book a hotel bedroom.

For a prolonged period leading up to the Covid-19 pandemic, the demand for hotel accommodation outpaced the delivery of hotel rooms. The GLA forecasted that demand for serviced accommodation would significantly increase in the period to 2041, with London requiring a further 58,000 net additional rooms.

- 1.11 Research undertaken by the GLA outlines that, as of December 2015, the total stock of hotel bedrooms in London stood at c. 146,000 units. Of this provision 77% of bedrooms were located in the Inner London boroughs. Due to the excess visitor demand experienced in London, the GLA forecasted that London will require a further 58,000

additional rooms in the period to 2041. Once anticipated closures are taken into account, this requirement rises to 77,000.

The Covid-19 pandemic has resulted in large financial difficulties for current hotel operators, however current analysis suggests that visitor demand will have returned to pre-pandemic levels prior to the completion of the Proposed Development. It is thought that the large excess demand for hotel accommodation in London prior to the pandemic will return and only continue to grow unless additional accommodation is provided.

1.12 In 2015 there were approximately 18,000 serviced accommodation bedrooms in Camden, the second largest supply of all London boroughs and corresponding to 12% of all serviced accommodation stock in London. Over the period to 2041 Camden is estimated to require the additional completion of 81 hotel bedrooms each year to service growing demand and account for anticipated closures.

1.13 Camden is expected to face increasing demand for its hotel accommodation, with the GLA estimating that the borough will require the gross additional completion of 2,113 hotel rooms to meet demand over the period 2015-2041. Although Camden is facing a large increase in demand, growth in supply has recently lagged behind other boroughs. Additionally, there are 11 boroughs with a greater number of additional hotel rooms within their development pipeline than Camden.

The Proposed Development would contribute 59 additional hotel rooms to Camden's stock, accounting for almost one year's worth of required supply for the borough to meet its forecast future hotel demand.

1.14 The Proposed Development will not only provide 73% of Camden's additional yearly hotel rooms requirement to meet its demand and account for the closures over the period to 2041, but it will also aid in the rebalancing of the hotel provision away from the south of the borough.

1.15 Many hotel operators across the UK have been unable to recover from the short-term financial burden of the Covid-19 pandemic. In the context of the economic recovery from the pandemic, the underlying conditions driving demand for visitor accommodation in London will be thought to slowly return across the city. Additional, newly generated hotel provision such as the Proposed Development will be required to enable boroughs to meet the renewed demand for visitor accommodation.

Wider benefits

The Applicant has committed to an Employment & Skills Strategy, alongside a partnership with the Roundhouse Trust, ensuring disadvantaged local residents will have best possible access to employment and skills initiatives in the local area.

1.16 Based on census commuting patterns alone, it is estimated that 5 jobs during the construction phase, and 5 jobs when operational would go to local Camden residents. As part of the planning application, however, the Applicant will submit a standalone Employment & Skills Strategy that will aim to provide further employment and training

opportunities for local residents, with many of these opportunities in line with those sought by currently unemployed residents within Camden.

- 1.17 The Applicant has committed to a partnership with the Roundhouse arts and entertainment venue which is located next to the site. The Roundhouse Trust is a registered charity that focuses on encouraging young people to engage with education, work, and culture.
- 1.18 The Applicant is committed to ensuring socio-economics benefits are maximised within the local area. The local workforce and procurement targets, alongside training schemes offered through the various phases of the Proposed Development will contribute to this, alongside the agreed partnership with the Roundhouse Trust.

The arrival of the Proposed Development into the local area will make the area more attractive, encouraging future investors and having the potential to act as a catalyst for future investment.

- 1.19 The Proposed Development is located in an area of relatively high deprivation. Given the deprivation present in the local area, regenerative impacts from the Proposed Development have the potential to be particularly significant. Not only will the regenerated courtyard space at the Proposed Development contribute directly to placemaking in the local area, but the economic activity supported by the Proposed Development may act as a potential catalyst to bring in footfall, make the local area a more attractive place to work and visit, and initiate future investment.

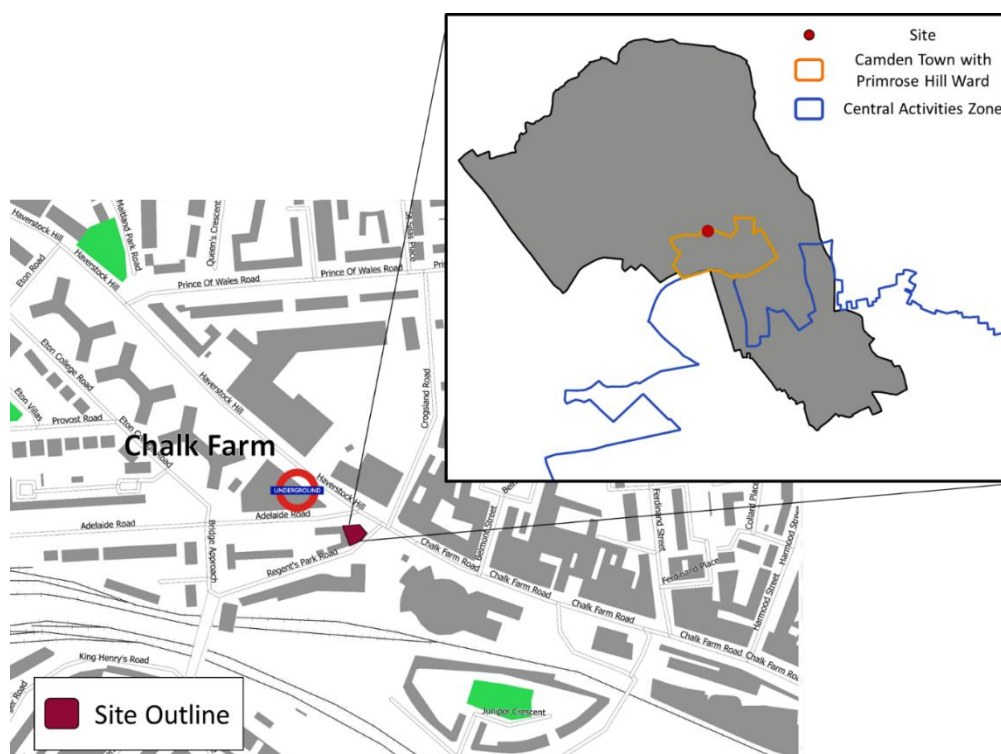
2 Introduction

- 2.1 Volterra Partners have been commissioned by Uchaux Ltd ('the Applicant') to provide an economic assessment for the redevelopment of 155 - 157 Regents Park Road, NW1 8BB, in the London Borough of Camden (LBC). The Proposed Development would be a hotel-led development that includes 59 hotel rooms. More specifically, the application is for the following development:

"Redevelopment to provide a part ground, plus 6-storey building and part ground plus 3-storey building comprising a hotel with associated works."

- 2.2 Figure 1 shows the location of the site and where it sits within the relevant geographical boundaries. The site of the Proposed Development is located in the middle of LBC and lies within the Camden Town with Primrose Hill ward, to the north of Central Activities Zone (see Figure 1). It is bounded by Regents Park Road to the south, Adelaide Road to the north, Bridge Approach to the west, and Haverstock Hill (A502) to the east. The site is located on the edge of the Camden Town Centre, next to the Roundhouse Arts venue, and lies within the Regents Park Road Neighbourhood Centre. Whilst the site itself is not located within a conservation area, it is in close proximity to the Primrose Hill, Eton and Regents Canal conservation area.

Figure 1: The site context



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- 2.3 The existing site comprises a four-storey building on the corner of Regents Park Road and Haverstock Hill. The site currently comprises a mix of uses including retail at ground floor with office accommodation at first and second floors above and a single residential unit on the top floor.

- 2.4 The site is highly accessible by public transport. Transport for London's Public Transport Accessibility Levels (PTALs) are a measure of the accessibility of a location with respect to accessing the public transport network in London. Each 100m² in Greater London is ranked on a scale, where higher scores represent higher accessibility, and a score of 6b is given to the most accessible areas. The Proposed Development is located in an area with a PTAL score of 6a, placing it in the second highest accessibility band (out of nine that can be achieved). The site is situated less than 50 metres away from Chalk Farm underground station, providing access to the Northern underground line. Furthermore, according to the PTAL report¹ there are five bus routes - 24, 27, 393, 31, 168 - within 250m of the site, served by two different bus stops and providing further access to the location.
- 2.5 The assessment focuses on the context of the Proposed Development within the surrounding local area and provides an estimate of the socio-economic impacts that will occur as a result of the scheme. As part of this assessment, the report is split into the following sections:
- **Traditional Economic Impacts:** estimates the additional economic impacts that are anticipated to occur as a result of the Proposed Development, against a baseline of economic activity that is currently occurring on site. This section uses standard accepted methodology, drawing on data from the Office of National Statistics (ONS) and utilising the Homes and Communities Agency (HCA) Employment Densities Guidance².
 - **The Need for Hotels:** gives an assessment of the current hotel market in LBC and the wider area of London, before the moving on to provide justification of the need for further hotel provision within both these areas in the future.
 - **Wider Benefits:** first explores the beneficial impact that the Proposed Development will have for local residents and local community groups, through the provision of employment opportunities and a partnership with the nearby Roundhouse.
 - **Conclusion:** this section brings together the key findings of this report and summarises the benefits that the Proposed Development would bring to both the local area, Camden and London as a whole.

¹ Transport for London, 2019. PTAL output for Base Year. Accessed via WebCAT.

² Homes & Communities Agency, 2015. Employment Densities Guide - Third Edition.

3 Traditional Economic Impacts

Demolition and construction

CONSTRUCTION PHASE



- 3.1 The construction phase of the Proposed Development would result in economic activity through the construction employment that is generated. Volterra's standard method of estimating the number of construction workers on-site during the construction phase is to divide the expected construction cost of the development by the Gross Value Added (GVA) of the average construction worker. The GVA per construction worker in Inner London West³ was estimated to be £93,300⁴ in 2019, the latest date for which data is available.
- 3.2 Through this method, it is estimated the construction phase of the Proposed Development will create c. 85 gross job years over the total construction period of one and a half years, equivalent to approximately 55 workers on site annually over the construction period. Alternatively, it is standard to present construction employment figures as full-time equivalents (FTEs), on the assumption that 10 construction job years is equivalent to one construction FTE job. [The construction of the Proposed Development would therefore be expected to support c. 10 FTEs.](#)
- 3.3 Typically, construction workers are one of the most mobile sectors of the workforce, travelling to where the work is. As a result, unless specific local employment commitments are made,⁵ construction benefits are not generally viewed as having large local impacts. Whilst the employment effects from construction activity do not normally tend to be particularly local, their expenditure does have a local impact. It is expected that [the construction workers will spend c. £150,000 in the local area over the duration of the construction period](#), equivalent to annual spending in the local area

³ The area 'Inner London West' is comprised of the following inner London boroughs - Camden, City of London, Westminster, Kensington & Chelsea, Hammersmith & Fulham and Wandsworth.

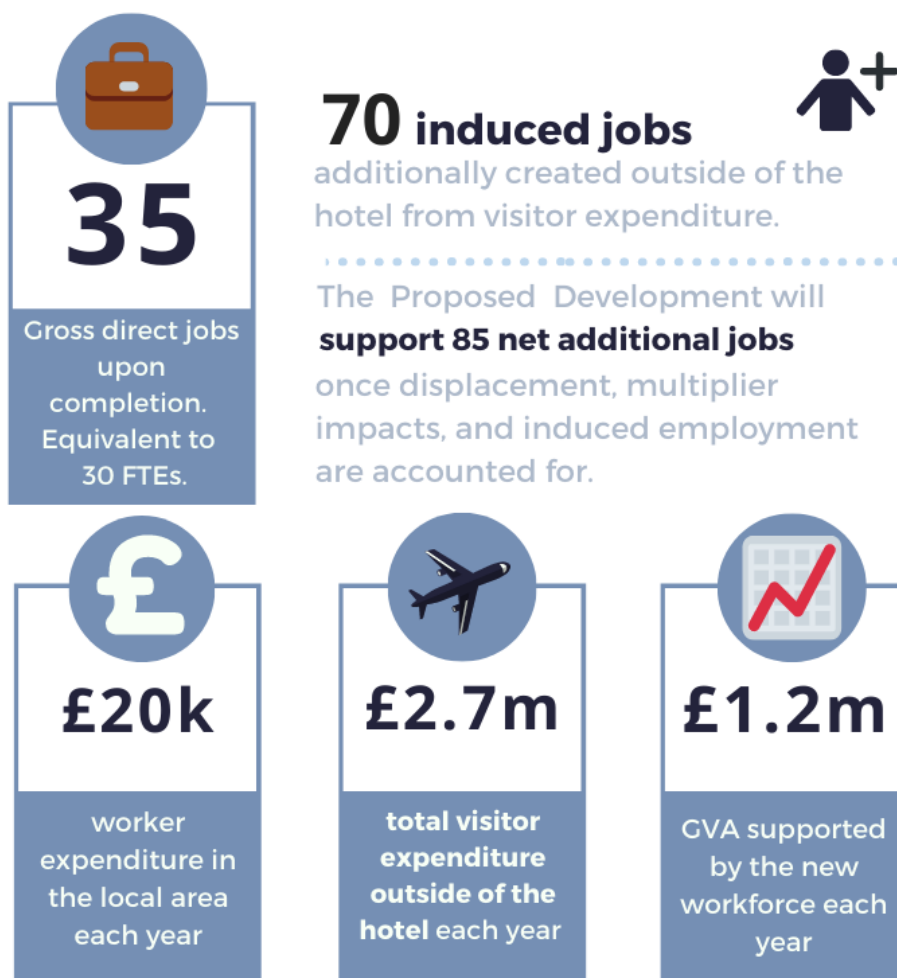
⁴ ONS, 2017. Regional Gross Value Added (income approach); ONS, 2019, Business Register and Employment Survey

⁵ Employment and skills commitments during the construction phase are outlined briefly in the 'Wider Benefits' section of this report. Please refer to the standalone Employment & Skills strategy for more detailed information about the commitments being made by the Applicant. These commitments will be in line with LBC guidelines on expected targets for the proportion of the construction workforce accounted for by LBC residents.

of £100,000.⁶ Typical expenditure in the local area before, during and after work can be on things such as food and beverage (e.g. lunch), after work activities and retail shopping at nearby stores.

Operational effects

OPERATIONAL PHASE



Existing employment on site

- 3.4 The existing site consists of a mix of uses in terms of commercial floorspace, with retail (A1, A3 & A5) at ground floor and office accommodation (B1) on the first and second-floor levels. The first-floor office space is split into five small units and is occupied by tenants seeking flexible, short-term leases, whilst the second floor of office space is occupied by an architecture firm, who wish to leave the premises once their lease expires in two years' time. Table 1 presents the existing employment located at the site, based on information that has been provided by the Applicant. It is estimated,

⁶ Assuming 60% of workers spend £13.30 a day for 220 days a year. The £13.30 is based on a YouGov survey which found that UK workers spent £6 in the local area on average in 2005 – this has been uplifted to reflect earnings growth in the period to 20 and the discrepancies between earnings in different industries.

using the information provided, that the existing site supports a total of 25 gross direct jobs (25 FTEs), of which 15 jobs are office-based and 10 are retail jobs.

Table 1: Gross direct employment at the existing site

Existing occupier	FTEs	Jobs
First-floor office	10	10
Second-floor office	5	5
Domino's Pizza	5	5
Bite Me Burger	5	5
Total	25	25

Source: Volterra Calculations, 2019.

NB: Figures have been rounded.

- 3.5 The number of office jobs supported on the existing site can be expected to decline over time without redevelopment, as the office stock continues to decline in quality. Information received from the Applicant indicates that the current landlord does not view the office space as economically viable for renewal.

Direct employment

- 3.6 The table below presents the estimate for the gross direct employment that will be supported at the Proposed Development. Estimates are calculated by applying employment densities given by the HCA Density Guide to the proposed commercial floorspace, or in the case of the hotel, the number of beds. Using this methodology, it is estimated that the Proposed Development would support a total of 30 FTEs directly on site, corresponding to 35 jobs. This corresponds to an uplift directly on site of 10 jobs, equivalent to 5 FTEs.

Table 2: Gross direct employment at the Proposed Development

Use class	Floorspace (NIA, m ²)/Hotel Beds	Employment density	FTEs	Jobs
Hotel (C1)	59 (beds)	0.5 FTE per bed ⁷	30	35
Total	-	-	30	35

Source: Volterra Calculations, 2019.

NB: Figures may not sum due to rounding.

Expenditure

Worker expenditure

- 3.7 The 35 workers on-site at the Proposed Development would result in expenditure in the local area. A 2005 YouGov survey found that workers in the UK spent on average £6 a day in the local area around their place of work. This figure has been uplifted for earnings growth between 2005 and 2019, as well as for the higher average earnings of

⁷ Volterra has used the employment density that is described for 'upscale' hotels, which are usually 4-5 star hotels that provide a range of services for leisure and business travellers. This category of hotel is considered appropriate given the high-quality nature of hotel that the Applicant is intending to provide.

workers in London. Once the earnings differentials between different industries are also taken into account, it is estimated that the average worker at the site will spend approximately £5.40 per working day in the local area (see Table 3).⁸

- 3.8 Based on this estimate of daily worker expenditure, it is calculated that **employees at the Proposed Development will spend £20,000 each year in the local area** surrounding the site. This worker expenditure will represent a fall of £20,000 per year, when compared to worker expenditure supported by current employees at the existing site. The reason for this estimated fall in worker expenditure is because, despite there being fewer jobs on site at the existing development, a proportion of these jobs are office workers, who on average would be expected to spend more per head in the local area each day.

Table 3: Worker expenditure

	Number of workers (FTEs)	Average spend per working day	Total annual expenditure ⁸
Existing	25	£12.90	£40,000
Proposed	30	£5.40	£20,000
Total additional worker expenditure			- £20,000

Source: Volterra Calculations, 2019.

NB: Figures may not sum due to rounding.

Visitor expenditure

- 3.9 It is expected that visitors staying in the hotel at the Proposed Development would also account for significant expenditure both in the local area and across London, providing stimulus to both economies.
- 3.10 The UK Tourism Dynamics Report⁹ provides a breakdown of the type of spending by international and domestic visitors to London. The report concludes that international visitors spent an average of 23% of their total budget on accommodation costs, whereas domestic visitors only spent 11% (see Table 4).

Table 4: Overseas visitor expenditure in London

Type of Spending	International visitors	Domestic Visitors
Retail	38%	17%
Eating out	20%	35%
Accommodation	23%	11%
Leisure	9%	18%
Other	10%	20%
Total	100%	100%

Source: Barclays, 2014, UK Tourism Dynamics

⁸ In addition, to ensure conservative estimates, it is assumed that only 60% of employed workers will spend these amounts over 220 working days per year.

⁹ Barclays, 2014. UK Tourism Dynamics: Seizing opportunities in your region – London.

- 3.11 By combining the data in Table 4 with findings presented in the London Tourism Report,¹⁰ and the breakdown of international and domestic visitors to London given by the International Passenger Survey,¹¹ average expenditure per room outside the hotel can be estimated. Table 5 presents average daily expenditure by hotel visitors outside of the hotel itself. In order to be conservative, it is assumed that half of the visitor expenditure on eating out will be retained within the Proposed Development, whilst ‘other’ expenditure is excluded in the calculations of external visitor expenditure. From this, and under the assumption that the hotel achieves an average London occupancy rate of 84%,¹² it is calculated that **the Proposed Development would generate annual visitor spending in London of c. £2.7 million per year.**

Table 5: Annual visitor expenditure outside of the hotel

Category	Estimate
Average daily accommodation expenditure per room	£100
Average daily expenditure outside of hotel	£200
Total number of rooms	59
Occupancy rate	84%
Displacement	25%
Total annual external visitor expenditure	£2.7m

Source: Volterra Calculations, 2019.

NB: Figures may not sum due to rounding.

Total net additional employment

- 3.12 In order to consider the total net impact on employment as a result of the Proposed Development, the indirect jobs that will occur as a result of the scheme’s supply chain and worker expenditure, as well as the induced employment that will be supported by visitor expenditure outside of the hotel, must all additionally be considered.

Indirect employment

- 3.13 Indirect employment that will occur as a result of the Proposed Development can be estimated using the framework provided by the Homes and Communities Agency¹³. Through this method, both a displacement and a multiplier are applied to direct employment, both of which are defined in the box below. A ‘low’ displacement is applied, to take account for the fact that there is considerable demand for hotels across LBC and London (see next section). A multiplier is applied to take into account the effects of supply chain purchases by businesses at the Proposed Development, as well as the expenditure of workers directly employed on site.

¹⁰ London and Partners, 2016. London Tourism Report 2015-2016.

¹¹ ONS, 2016. International Passenger Survey, 2016.

¹² Corresponding to the 2018 London hotel average occupancy rate, estimated within: PWC, 2019, Best places to grow? European cities hotel forecast for 2019 and 2020.

¹³ Homes and Communities Agency, 2014. Additionality Guide: Fourth Edition 2014, HCA

NET ADDITIONALITY

- **Displacement:** is the proportion of jobs that would otherwise have occurred elsewhere. The guidance provides a **low displacement rate of 25%**; and
- **The multiplier impact:** is the further jobs associated with additional local income, local supplier purchases and longer-term development effects. The guidance provides a **standard composite multiplier of 1.7 for high multiplier effects at a regional level**. A high multiplier is deemed appropriate for this site due to its location in central London, with average linkages to local suppliers.

- 3.14 Applying these two effects to the gross direct employment estimates yields the indirect employment supported by the Proposed Development. When these are applied to the gross additional employment estimates it is calculated that **the Proposed Development will support a total of 10 net additional FTEs, corresponding to 15 jobs** when accounting for part-time working patterns.

Induced employment

- 3.15 Given that hotel guests are estimated to also spend approximately £2.7 million per year outside of the hotel, after accounting for a low level of displacement (25%), this will create further additional induced employment through this expenditure. By applying the average output of a consumer service worker¹⁴ in London to this expenditure estimate, it is estimated that **the Proposed Development will induce a further 60 FTEs, corresponding to 70 jobs**.

Total net additional employment

- 3.16 Table 6 shows a summary of the total net additional employment supported by the Proposed Development. When taking into account employment displacement, multiplier impacts, and induced employment from visitor expenditure, **the Proposed Development is estimated to support a total of 65 net additional FTEs when operational, corresponding to 85 total jobs**.

Table 6: Summary of total employment

	FTEs	Jobs
Gross additional employment on site	5	10
Net additional employment (indirect effects)	10	15
Induced employment	60	70
Total net additional employment	65	85

Source: Volterra calculations, 2020. NB job estimates are rounded to the nearest five and may not sum due to this rounding.

- 3.17 Given the Proposed Development would support a total of 85 net additional jobs it can then be estimated how many of these jobs will be created for London residents. By

¹⁴ Where the output of a consumer service worker is defined by the GVA per worker of employees in the 'distribution, transport, and accommodation and food services' sectors (SIC codes G, H, and I). Data is taken from ONS, 2018, Regional GVA (I) by local authority and ONS, 2018, Business Register and Employment Survey.

applying a leakage of workers from London as given by Census data¹⁵, it is estimated that the Proposed Development will provide a total of 65 net additional jobs (50 FTEs) for London residents.

GVA

- 3.18 The Proposed Development would support economic activity at the site. This is measured by Gross Value Added (GVA), which is a measure of the economic value produced by the activity in a given area. It is possible to calculate the GVA impact by multiplying the number of jobs by the annual GVA per worker for the relevant sector. The GVA per worker by sector is outlined in the table below; applying this to the jobs estimate suggests that the Proposed Development would create gross output in GVA terms of £1.2 million each year.

Table 7: Total annual GVA

Industry	London GVA per worker	Jobs	Proposed Development
Hotel	£34,000	35	£1.2m
Total	-	35	£1.2m

Source: ONS, 2019, Business Register and Employment Survey; ONS, 2018, Regional GVA (I) by Industry. NB: Figures may not sum due to rounding.

- 3.19 Based on the methodology outlined above, we estimate that the GVA currently supported on site is up to £2.5 million a year, meaning that the Proposed Development will result in a loss in GVA of up to £1.3 million each year.¹⁶ The reason for this estimated loss is because the GVA per head of an office worker in Inner London West (£120,000¹⁷) is more than three times higher than that of a hotel worker. This estimated GVA per office worker may be higher than the GVA that is currently supported on site, however, as Inner London West includes highly productive areas in parts of Westminster and Camden that are likely to increase the average estimates. In reality, office workers occupying a site that is of poor quality are unlikely to contribute as much as this average per head in GVA terms.

Tax revenues

- 3.20 It is commonly assumed that 30-40% of total GDP output accrues to HM Treasury in taxation (for example through business rates, VAT, corporation and income tax). Applying this to the GVA calculation, it is estimated that the Proposed Development will result in gross tax revenues of £370,000-£490,000 each year.

Business rates

- 3.21 The Proposed Development is expected to generate business rates payments through the commercial uses on site. Applying the estimated rateable value for the hotel space based on similar hotels in the local area, and the average rateable value per sqm of retail floorspace in LBC, it is estimated that the Proposed Development will pay a total

¹⁵ The leakage figure corresponds to the proportion of employees in Greater London who are resident outside the authority. Data is taken from Census, 2011, Origin Destination Data.

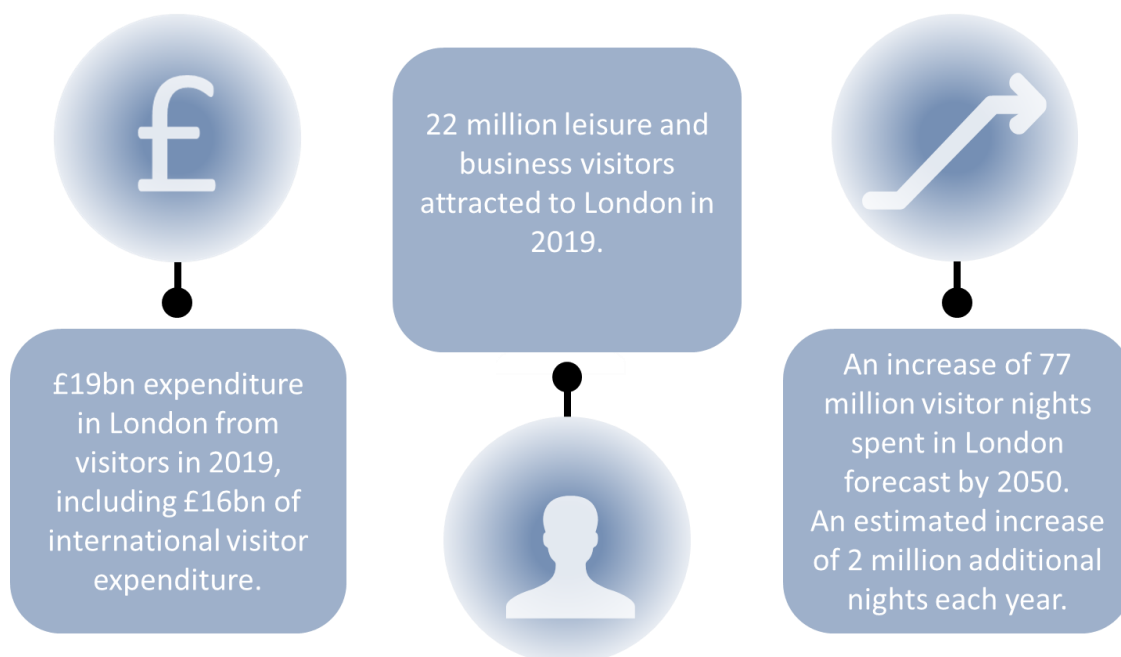
¹⁶

¹⁷ GVA by industry: ONS, 2018, Regional GVA (I) by local authority

of £155,000 in annual business rate payments. Volterra estimate that current business rates paid by occupiers at the site are c. £75,000 and hence the Proposed Development is expected to result in a business rates uplift of £80,000.

- 3.22 Under the current GLA Business Rates Retention Policy, London boroughs retain 60% of all growth in business rates. On this basis, the Proposed Development is estimated to directly contribute an additional £50,000 each year in business payments to be retained by LBC.

4 The Need for Hotels



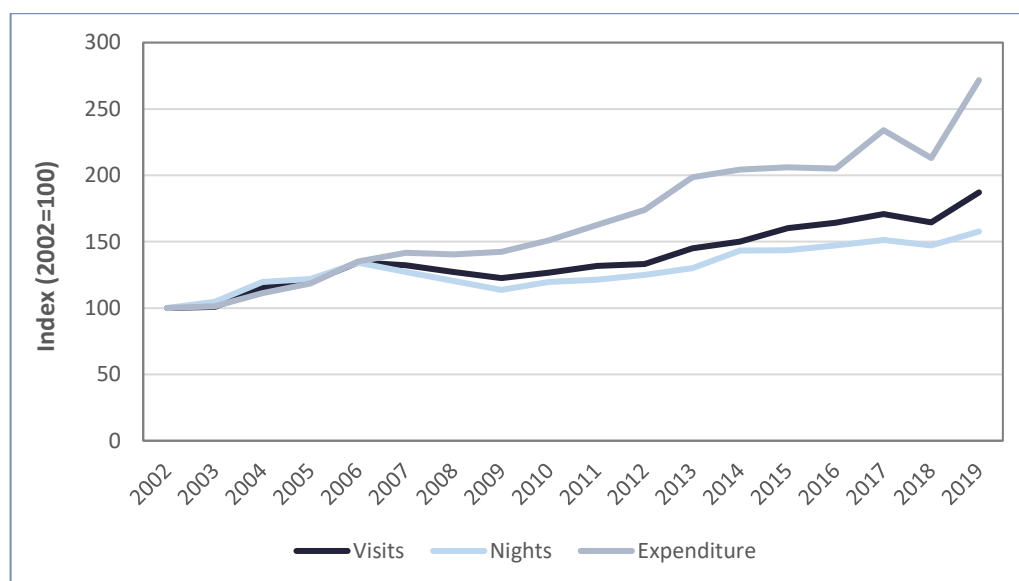
London as a world leading destination

- 4.1 London is one of the world leading destinations for both leisure and business visitors, ranking 3rd in the world by the Mastercard 2019 Global Destination Cities Index for the total number of international visitors.¹⁸ In 2019, 21.7 million international overnight visitors stayed a total of 119 million nights in the city.¹⁸ The number of visits to London has grown by 87% between 2002 and 2019 whilst the number of nights stayed has also increased by 58% (**4.2Figure 2:**).
- 4.2 Spending by international visitors in London is a significant contributor to the regional and national economy, with international visitor spending totalling approximately £16bn in 2019.¹⁹ Remarkably, the level of expenditure has increased by 172% over the same 17-year period. *This suggests that London's international visitors are visiting more often, for longer, and spending much more than they were in 2002.* The fact that nights stayed have increased at a slower rate than both visits and expenditure, already suggests that availability of hotel accommodation could be constraining potential growth.

¹⁸ MasterCard (2019) 2019 Global Destination Cities Index.

¹⁹ ONS, 2020. International Passenger Survey- International Visitors to London.

Figure 2: Growth of international tourism in London, 2002-2019



Source: ONS, International Passenger Survey, 2020

- 4.3 London also attracts a significant number of domestic visitors. In 2019 domestic visitors accounted for 19% of all visitor nights spent in London, as well as 16% of all visitor expenditure.²⁰ In total the direct expenditure from domestic and international overnight visitors to London in 2019 stood at £19bn,²⁰ equating to 4% of the total output for the region.²¹

Table 8: Visitor numbers and expenditure, UK and London, 2019

	Visitor numbers			Visitor spend		
	Overseas	Domestic	Total	Overseas	Domestic	Total
United Kingdom	41m	123m	164m	£24bn	£28bn	£52bn
London	22m	12m	34m	£16bn	£3bn	£19bn
London as a % of UK	54%	10%	21%	67%	11%	37%

Sources: ONS, 2019. International Passenger Survey; Kantar, 2019. The GB Tourist 2019 Annual Report. Note that totals may not sum due to rounding.

- 4.4 In 2019 the travel and tourism sector contributed c. 9% of total GDP and directly supported c. 11% of total employment in the UK, corresponding to 4 million jobs.²² London contributes a large proportion of this employment and output, accounting for 54% of all international visits.

²⁰ Kantar, 2019. The GB Tourist 2019 Annual Report.

²¹ ONS, 2019. Regional Gross Domestic Product all NUTS level regions. Total 2019 output figures for London are not available at the time of writing, and therefore the proportion of total output is compared against the 2018 London figure. It is not thought that growth in London output between 2018 would be sufficient so as to alter this figure.

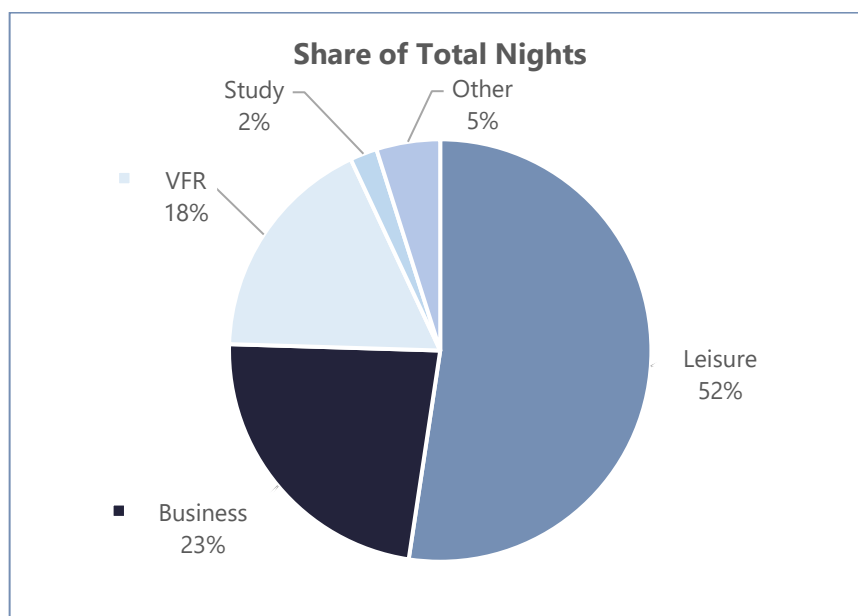
²² World Travel & Tourism Council, 2019. Travel & Tourism: Economic Impact 2019 United Kingdom.

- 4.5 Additionally, GLA Economics forecasts that **the total number of nights stayed in London by visitors will increase by 77 million over the period 2015-20450, corresponding to a total increase of 42% and an average annual increase of over 2 million nights stayed in the city.**²³

Leisure visitors

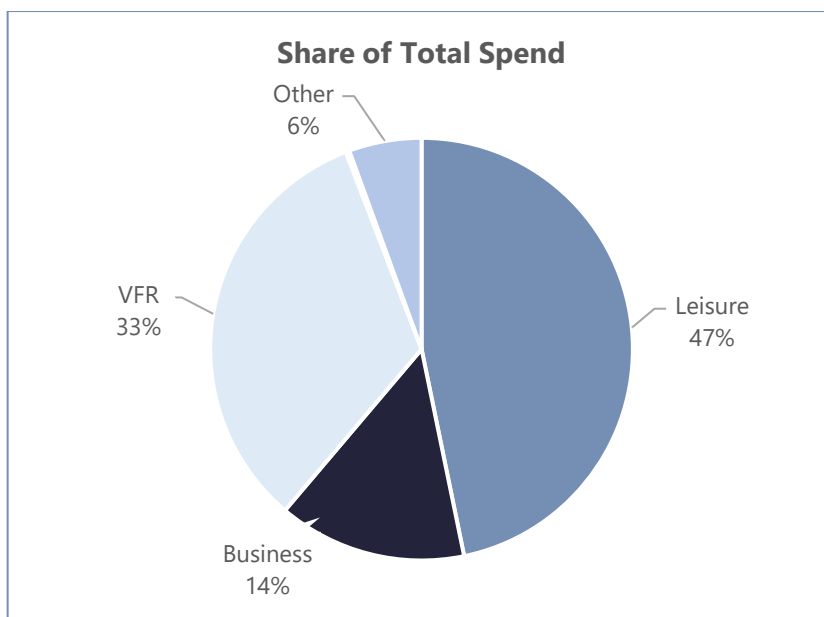
- 4.6 There are a large number of cultural and historical factors that contribute to the popularity of London as a tourist destination, and these combine to make London one of the leading destinations in the world for leisure and tourism visitors. The TripAdvisor 2020 Travellers' Choice Awards ranked London as the best in the world for popular tourist destinations.²⁴
- 4.7 Figure 3 shows that 40% of all nights stayed by international visitors in London (54 million) and 45% of total expenditure by international visitors (£8bn) can be attributed to visitors travelling for leisure reasons.

Figure 3: International visitor shares in London by trip purpose, 2019



²³ GLA Economics, 2017. Projections of demand and supply for visitor accommodation in London to 2050.

²⁴ TripAdvisor, 2020. 2020 Travellers' Choice Rankings: Popular Destinations- World.



Office for National Statistics (2019) International Passenger Survey; NB: figures have been rounded, thus the purpose of study has a 0% share of total spend, therefore is not included.

- 4.8 London also accounts for a significant proportion of the domestic leisure market in the UK. In 2019 nights stayed in London by domestic leisure travellers accounted for 5% of all overnight stays in England for visitors in this category.²⁵ In other words, London's domestic leisure market accounted for a total of 8 million nights and £1.1bn in expenditure.

²⁵ Visit England, 2020. Great Britain Domestic Overnight Trips Summary- Holiday-2019.

Business visitors

- 4.9 The economy of London is as globally significant as a business hub as it is as a tourist destination, ranking 4th out of all OECD metropolitan areas in terms of total output.²⁶ Therefore, business travellers account for a significant proportion of hotel demand for the region. In 2019, 22% of all travellers stated business as the key purpose of their trip, contributing a total expenditure of £5bn to the London economy.
- 4.10 There are a number of surveys and indexes produced that support the argument that London is one of the most important cities globally, some examples of which are listed below:
1. London ranked second in the 2019 Global Financial Centres Index 25.²⁷ This does not, however, paint the full picture. It is well established that London is one of the strongest financial centres globally, but the city was found to have grown the least amount year on year of all the top fifteen ranked cities. This highlights how, amongst other factors, the increasing competition between cities is challenging London's competitive advantage.
 2. The Institute for Urban Strategies Global Power City Index 2020 uses a range of indicators which cross political, economic, social and environmental fields and in 2020 ranked London as the world's leading global city as a place to live, visit and do-business for the 9th consecutive year, ahead of New York (2nd) and Tokyo (3rd).²⁸ London extended its lead over competitor cities by its stable comprehensive strength at the top of Cultural Interaction and strength in Accessibility.²⁹
- 4.11 In 2017 domestic visitors to London were more likely to state business as the primary purpose of their trip than international visitors, with 24% of overnight domestic visitors travelling for business purposes compared to 18% of overnight international visitors. Business visitors were likely to spend less time in London, yet spend more during their visit.

The need for hotel provision in London

- 4.12 The provision of sufficient hotel space enables an inflow of domestic and international visitors to play a key role in the London economy. Constraints on hotel room availability could cause a rise in average room rates, which would significantly reduce the attractiveness of London to overnight visitors. This would affect the inflow of leisure and business visitors and hence their contribution to the regional economy.
- 4.13 In 2019 the average occupancy rate for hotel rooms in London was estimated to be 83.6%, the highest of all major cities in the EU (see 4.13Figure 4:).³⁰ The 2019 average daily rate (ADR) for hotel rooms in London was estimated to stand at €163, ranking it the fourth most expensive city in the EU in which to book a hotel bedroom (see Figure 5).³⁰ The London-wide ADR also increased by 23% over the period 2010-2019.

²⁶ OECD (2020) OECD.Stat, Metropolitan Economies

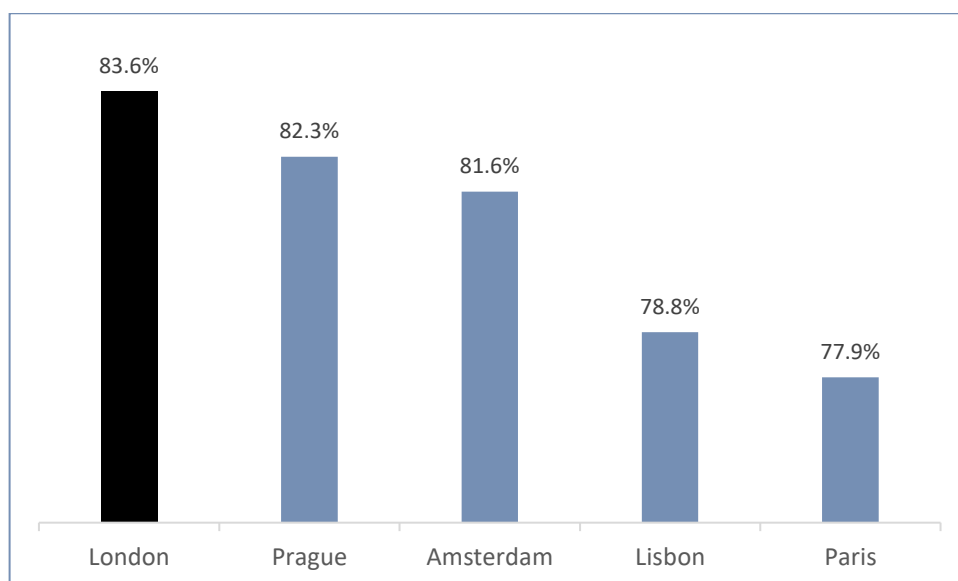
²⁷ The Global Financial Index 25, 2019. Financial Centre Futures.

²⁸ Institute for Urban Strategies, 2018. Global Power City Index.

²⁹ The Mori Memorial Foundation, 2020. The Global Power City Index 2020.

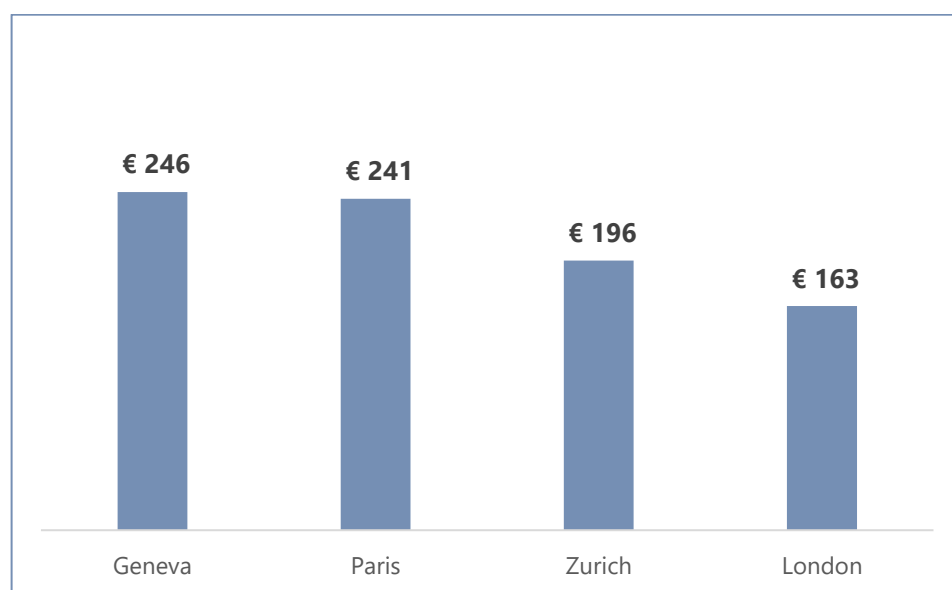
³⁰ PwC, 2018. Best places to grow? European cities hotel forecast 2018 and 2019.

Figure 4: Occupancy rates by European city, 2019



Source: PwC, 2018. *European Cities Hotel Forecast for 2018 and 2019*

Figure 5: Average daily room rate by European city, 2019



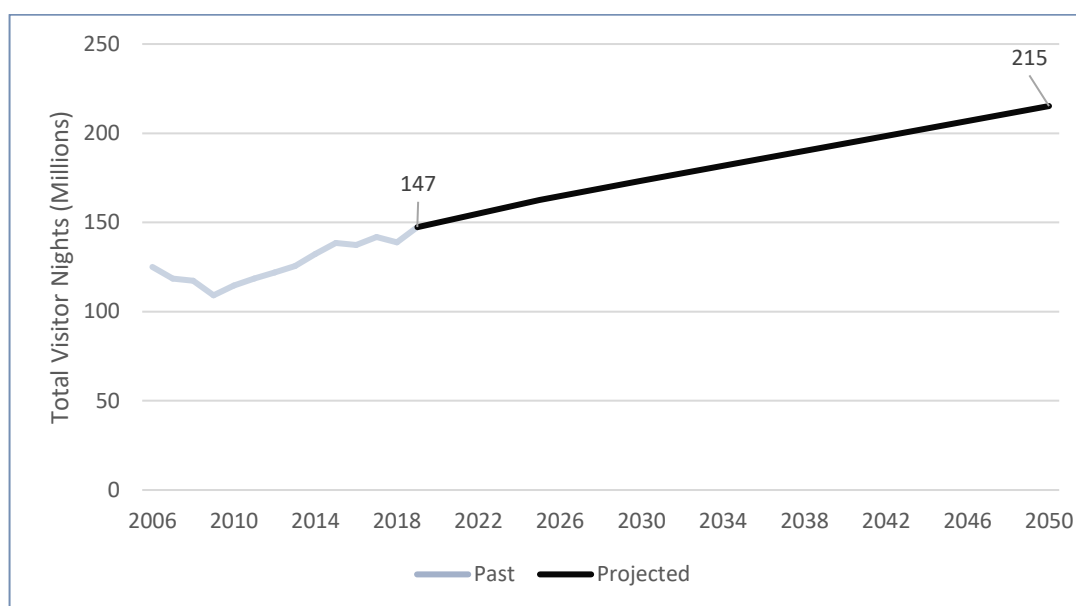
Source: PwC, 2018. *European Cities Hotel Forecast for 2018 and 2019*

- 4.14 Growth in London's accommodation supply is therefore necessary to prevent capacity constraints and meet the rising demand for business and leisure tourism in the city. As of December 2015, (the latest date for which robust GLA data are available) the total stock of serviced accommodation bedrooms in London stood at 145,737 units, of which 77% of bedrooms were located in the Inner London boroughs.³¹
- 4.15 The existing accommodation stock, currently faced with the highest occupancy rate and 4th highest average daily rate in the EU, is also forecast to face significant additional

³¹GLA Economics, 2017. Projections of Demand and Supply for Visitor Accommodation in London to 2050

demand over the near future. London is experiencing excess demand from visitors, relative to historical levels for the region and to other large cities in Europe. GLA Economics forecasts show that this strong demand looks set to continue for the foreseeable future even following the impact of Covid-19, with the number of visitor nights increasing from 138 million in 2015 to reach 215 million by 2050, as shown in Figure 6, which is equivalent to an increase of c. 2.2 million nights per annum.

Figure 6: Projected Number of Total Visitor Nights in London



Sources: GLA Economics, 2017. *Projections of Demand and Supply for Visitor Accommodation in London to 2050*; Visit Britain, 2019. *International Passenger Survey*; and Visit Britain, 2019. *GB Tourism Survey*

- 4.16 The 42% increase in visitor demand forecast over the period 2015-2041 by GLA Economics is predicted to require a net additional 58,140 serviced accommodation rooms across London to meet this demand. This requirement for additional hotel rooms corresponds to an average net completion rate of 2,236 rooms annually across the region.³¹
- 4.17 In addition to this demand, the report also forecasts the impact of hotel closures on bedroom availability over the 2015-2041 period. It is found that when closures are also taken into account, the required delivery of gross additional serviced accommodation rooms rises to 77,020 by 2041, corresponding to an annual completion rate of 2,960 bedrooms.³¹
- 4.18 A large delivery of additional hotel rooms will therefore be required to meet future demand. Although the immediate impact of the Covid-19 pandemic has seen a near complete shutdown of the hospitality industry, the underlying demand for hotel accommodation had significantly outpaced the delivery of new hotel rooms for a prolonged period leading up to the pandemic. The pandemic has created serious financial difficulties for currently operating hotels, however it is not thought that in the long-term the Covid-19 pandemic will result in significant changes to the underlying factors that have resulted in large excess demand for hotel accommodation. Indeed,

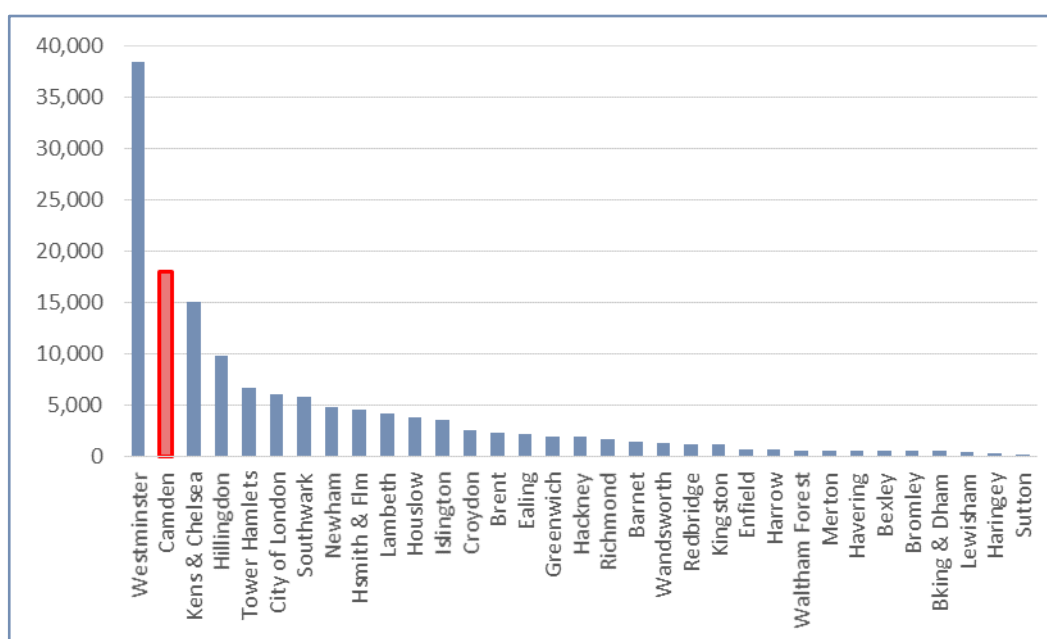
industry analysis by Mckinsey and PwC suggests that visitor levels and growth will return to pre-pandemic levels by 2024 at the latest.³²

- 4.19 There is a strong argument to be made that, in spite of the Covid-19 pandemic, to maintain the positive economic benefits that tourism and business visitors bring to London, [growth in the accommodation supply is required to prevent the region losing competitiveness.](#)

The need for hotel provision in Camden

- 4.20 GLA Economics estimated that there were 18,038 serviced accommodation bedrooms in LBC in 2015, the second largest supply of all London boroughs (see Figure 7) and corresponding to 12% of all serviced accommodation stock in London.³¹

Figure 7: Number of serviced rooms by London Borough, 2015



Source: GLA Economics, 2017. Projections of demand and supply for visitor accommodation in London to 2050.

- 4.21 The relatively large hotel bedroom stock in LBC is underpinned by the strong demand for accommodation in the borough. There are a number of UK's most popular visitor attractions present in LBC, including the British Museum, Camden Market and Regent's Park (home to ZSL London Zoo). LBC has a relatively high overall accessibility to London's public transport network – ranking joint 4th most accessible overall,³³ with an average PTAL rating of 5 across the borough – leading to high demand from visitors seeking to visit attractions all over the city. This demand for hotel provision is amplified by the strength of the business sector (and hence business visitors) in the borough – in 2018 LBC contained the third highest amount of registered businesses of all (391) local authorities in the UK.³⁴

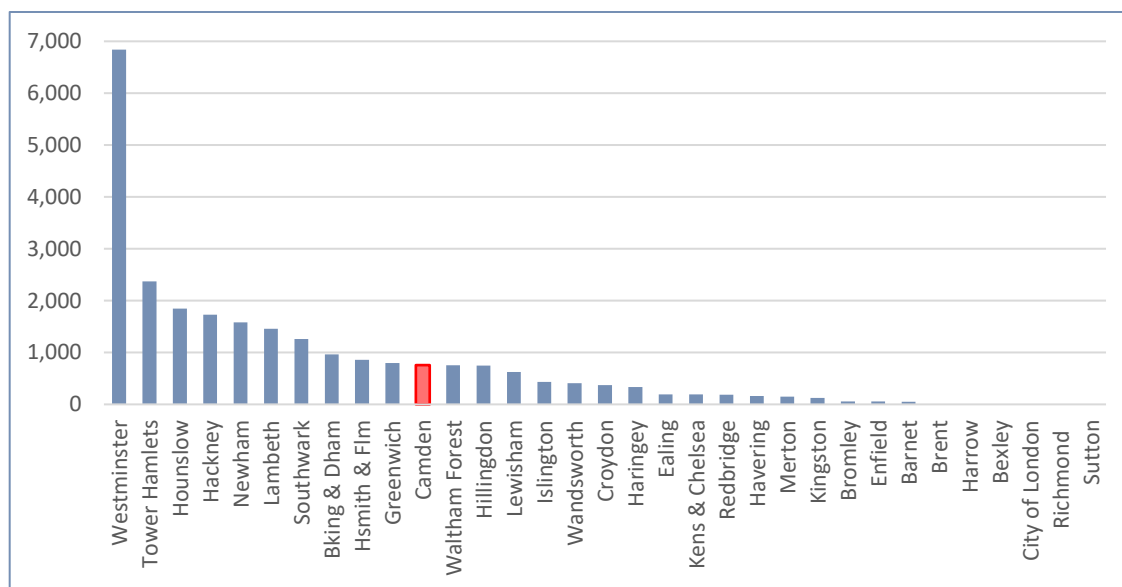
³² Mckinsey, 2020. Hospitality and COVID-19: How long until 'no vacancy'; PwC, 2020. Impacts of COVID-19 on the Hospitality, Travel and Leisure sector.

³³ As measured by the average ranking of each borough's 2015 PTAL levels per LSOA.

³⁴ ONS, 2018. UK Business Counts - enterprises by industry and employment size band.

- 4.22 Demand for hotel rooms in LBC is forecast to increase further from its already high levels in the coming years. GLA Economics forecast that [over the period 2015-2041, LBC will require a net additional 1,595 serviced bedrooms to meet hotel demand.](#)³⁵ This forecast additional requirement is equivalent to 2.7% of the forecast overall increase required across London.
- 4.23 In recent years hotel supply growth of the borough has fallen behind that of other London boroughs. Four other London boroughs achieved more net hotel room completions over the period 2011-2015:³⁶
1. Southwark: 1,951
 2. City of London: 1,880
 3. Newham: 1,689
 4. Tower Hamlets: 1,552
 5. Camden: 1,391
- 4.24 There is additional evidence that hotel completion rates in LBC could fall further in the near future. Although LBC contains the second largest supply of hotel bedrooms of all London boroughs, 11 other London boroughs currently have more additional hotel bedrooms in the pipeline than LBC, as of Q4 2020 (Figure 8). In particular, Westminster has active planning permissions for nearly 10 times the number of additional hotel rooms than LBC.

Figure 8: Additional hotel bedrooms in development pipeline, April 2019



Source: London Development Database, 2020, LDD scheme level - non-residential bedrooms; Volterra Calculations, 2020

- 4.25 The Proposed Development will help to address the increasing need for hotel bedrooms in London, and in LBC. The location is ideal for hotel development, as the

³⁵ GLA Economics, 2017. Projections of demand and supply for visitor accommodation in London to 2050.

³⁶ GLA Economics, 2017. Projections of demand and supply for visitor accommodation in London to 2050.

site is easily reached by public transport, which is reflected in its PTAL rating of 6a. This is in line with the requirements for tourism development set out in the LBC Local Plan,³⁷ where Policy E3 states that visitor accommodation should be easily reached by public transport. Furthermore, the hotel is located next to the Roundhouse, a large entertainment venue which currently requires a nearby hotel to support it; this is in line with the Local Plan, which states that LBC will consider tourism development where it would have a local or specialist focus.³⁷

- 4.26 Evidence that the supply of hotels within the immediate area is limited is given in the table below, which outlines the number of existing hotels within a 1km radius of the site operating prior to the Covid-19 pandemic. As the table shows, there are 4 hotels in operation within 1km of the site, comprising 291 rooms, which is equivalent to just 1.6% of LBC's total 2015 serviced accommodation supply. As this represents a small proportion of LBC's total supply, it suggests there is a relative absence of hotels in the immediate vicinity of the Proposed Development. The creation of a hotel in this location will therefore not only meet demand for future hotels across the whole of LBC, but also ensure the relocation of hotel provision within the borough, resulting in a more balanced concentration of hotel bedrooms.

Table 9: Existing hotels within a 1km radius of the site

Hotel Name	Distance from site	Star rating ³⁸	Average daily room rate ³⁹	Number of rooms
Camden Enterprise Hotel	0.1km	3.5-star	£135	21
Holiday Inn London Camden Lock	0.6km	4-star	£205	130
Hampstead Britannia Hotel	0.7km	3-star	£110	121
NOX Hotels- Belsize Park	0.9km	3.5-star	£190	19

Source: Hotels.com data prior to the impact of the Covid-19 pandemic.

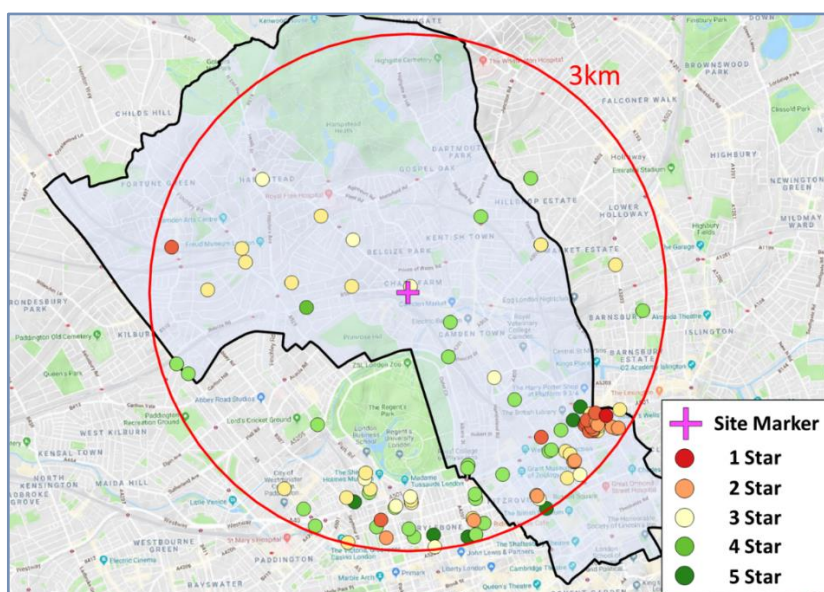
- 4.27 Figure 9 shows the location of hotels within a 3km radius of the Proposed Development. It is clear that hotels are concentrated in the south of the borough towards Kings Cross. The Proposed Development would therefore also help to rebalance provision in LBC away from the south of the borough.

³⁷ London Borough of Camden, 2017. Camden Local Plan.

³⁸ Data taken from <https://uk.hotels.com> prior to the Covid-19 pandemic.

³⁹ Averaged over a quarterly sample, where data is available, with prices as given by <https://uk.hotels.com> prior to the Covid-19 pandemic.

Figure 9: Hotels within a 3km radius of the site



- 4.28 The Proposed Development would contribute 59 hotel rooms to LBC, accounting for approximately 3% of additional gross completions required to meet forecast hotel demand in LBC over the period 2015-2041, equivalent to almost one year's worth of required supply, across LBC. This is a significant contribution for one scheme.
- 4.29 The Proposed Development will cater to the needs of local corporates, and the more price-sensitive leisure visitors, by making sure that the facilities and services meet their specific requirements – especially the need for a good quality, value for money, select service hotel. As there is limited hotel availability in the local area, the Proposed Development will help in addressing the large need for business and leisure accommodation across LBC, whilst bringing visitors and further economic activity to the local economy.

Table 10: Contribution of the Proposed Development to forecast demand and supply

London Borough of Camden		2015 to 2041		Proposed Development contribution	
		Total	Per year	Total	Per year
Demand projections	Net additional requirement	1,595	61	4%	97%
	Gross additional requirement	2,113	81	3%	73%
Supply projections	Forecast new (gross) serviced rooms	1,760	68	3%	87%
Shortfall	Gross demand requirement – gross supply forecast	353	14	17% (of total shortfall)	

Source: GLA Economics (2017) Projections of Demand and Supply for Visitor Accommodation in London to 2050. NB: Supply projections based on shares of the London supply projection.

5 Wider Benefits

Roundhouse partnership

- 5.1 The Applicant has committed to a partnership with the Roundhouse Trust, a well-established arts and cultural venue located in close proximity to the Proposed Development. As a charitable trust, the Roundhouse reaches out to the most marginalised young people within the local community, encouraging engagement through the provision of studios for young creatives and also through community collaborations with schools, pupil referral units, community groups and associations. The Roundhouse is supportive of the plans for this Proposed Development as it will help to support the demand by the 500,000 people who visit the venue each year.
- 5.2 Beyond the commercial value of the hotel to the Roundhouse, the Proposed Development will seek to work with the trust to support professional development programmes for young people. The partnership will aim to build on the successes achieved by the Roundhouse Trust in encouraging diversity by providing young people experiencing social or economic disadvantage with employment & skills and personal development experiences. Skilled hotel staff will be involved in business related workshops, industry talks and mentorships as well as hotel internships for young people to help them gain professional experience and support their pathway to employment. The Applicant will promote apprenticeships offered through the Roundhouse Trust to ensure disadvantaged local residents are best placed to access the opportunities offered by the charity.

Employment and skills commitments

- 5.3 It is important that any new development benefits residents in the local area. One of the benefits of the Proposed Development will be the creation of employment opportunities for local residents. Census commuting patterns can be used as a proxy for how many employment opportunities may 'naturally' go to LBC residents and are given for the relevant industries in the table below.

Table 11: Commuting patterns of LBC employees, 2011

Industry	Total Employment, 2011	% of which is Resident in London	% of which is Resident in LBC
Construction	6,800	68%	6%
Accommodation & Food	14,800	93%	12%
Total	310,000	79%	9%

Source: ONS, 2011. Location of Usual Residence and Place of Work by Industry (Safeguarded). ONS VML agrees that the figures and descriptions of results in the attached document may be published. This does not imply ONS' acceptance of the validity of methods used to obtain these figures, or of any of the analysis of the results.

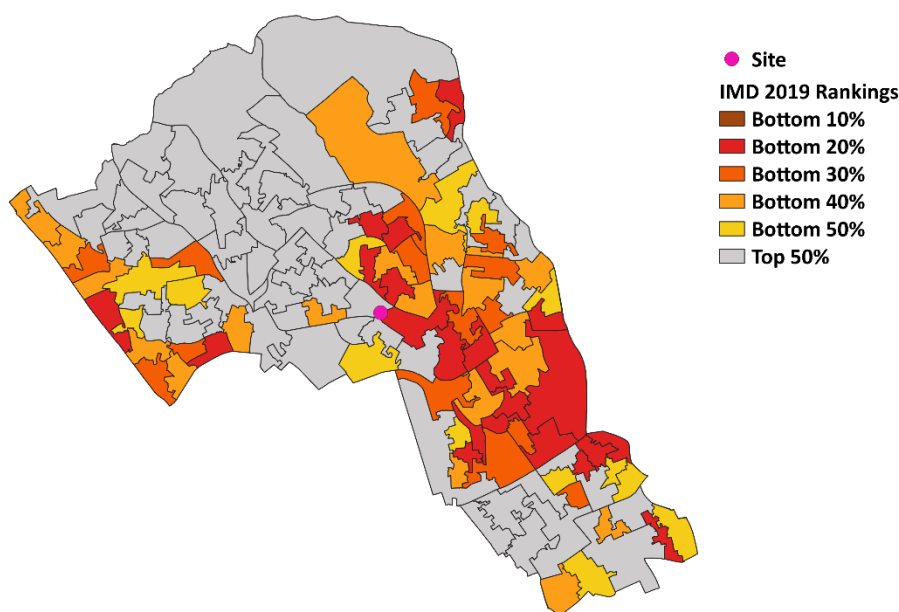
- 5.4 Using the breakdown of commuting patterns by industry in LBC,⁴⁰ shown in Table 12, and applying them to our employment estimates, the Proposed Development would be expected to employ the following LBC residents:
- 5 construction workers over the course of the construction period; and
 - 5 hotel workers.
- 5.5 This results in an estimated total of 10 local workers who would be expected to gain employment ‘naturally’ as a result of the Proposed Development. The Applicant, however, is aware that a key focus for LBC is the provision of floorspace where the scheme would increase employment opportunities for local residents, including training and apprenticeships. In response to this, the Applicant commissioned Volterra to produce a standalone Employment & Skills Strategy, which will be submitted as part of the planning application. Whilst one should refer to this strategy for more detail on the commitments, a summary of these commitments is provided below:
- Meeting the Construction Industry Training Board (CITB) benchmark regarding the number of construction roles advertised through local employment vehicles (King’s Cross Construction Skills Centre);
 - The recruitment of one construction apprenticeship for every £3 million in build costs;
 - Agreement to the Camden Local Procurement Code;
 - Living Wage commitments; and
 - Local employment targets.

Wider catalytic impacts

- 5.6 The Proposed Development is located in an area of relatively high deprivation. Figure 10 shows that the 2015 Index of Multiple Deprivation ranks the lower super output area (LSOA) in which the Proposed Development is located as within the 15% most deprived in England. Figure 10 additionally shows that the local area and area to the east of the site contains a high concentration of areas within the most deprived 20% of all LSOAs in the country.

⁴⁰ ONS, 2011. Location of Usual Residence and Place of Work by Industry (Safeguarded). ONS VML agrees that the figures and descriptions of results in the attached document may be published. This does not imply ONS’ acceptance of the validity of methods used to obtain these figures, or of any of the analysis of the results.

Figure 10: Index of Multiple Deprivation Ranking (2019) for LSOAs in LBC



Source: DCLG, 2019, Index of Multiple Deprivation.

- 5.7 The benefits of the Applicant's investment are not just limited to the Proposed Development itself, but have the potential to reach beyond its boundary and into the surrounding local area. The arrival of the Proposed Development will make the local area a more attractive place to work and visit, offering future investors into the area encouragement that they will generate a positive return, and hence acting as a potential catalyst for future investment. Given the deprivation present in the local area of the site, the regenerative impacts from the Proposed Development have the potential to be significant. The socio-economic benefits from the Proposed Development would contribute to improving the income, employment, and crime sub-domains of the Index of Multiple Deprivation in which the local area ranks amongst the most deprived nationally.

Public Realm Provision

- 5.8 It is well understood that people like to work in nice environments, and as a result there is increasing evidence that there is a socio-economic benefit to new developments providing enhanced public realm. Research undertaken through stated preference surveys has provided a way of showing the equivalent monetary value that people place on nicer, more attractive public realm during their day-to-day activities, with characteristics such as 'quality of environment', 'personal security', and 'permeability' particularly valued.
- 5.9 Despite the significant accessibility from the site and the nearby presence of large greenspaces, the site does not positively contribute to public realm in the local area. The existing building itself has faced significant degradation since its completion, and

the available extended pavement space to the south of the site, which provides a limited seating area and a public toilet, is poorly maintained.

- 5.10 The Proposed Development would directly bring in footfall to the area through supporting additional employment and economic activity on site. Wider catalytic impacts such as supply chain multiplier impacts will further bring social and economic benefits to the local area. However, in addition, the contribution towards placemaking will further draw activity along Haverstock Hill and Chalk Farm Road.
- 5.11 The Proposed Development would offer a more efficient use of the site, but also contribute to renewed placemaking objectives in the local area. The Proposed Development would activate the frontage of the site and result in the creation of a regenerated public courtyard towards the south of the site through improved landscaping measures including pavement widening, re-paving, and nature greening.

Figure 11: Proposed hotel entrance and courtyard space along Adelaide Road



6 Conclusion

- 6.1 London is a world leading destination for international visitors, and as a result it is currently experiencing excess visitor demand in its hotel market, which is only expected to increase in future years. Due to the cultural significance and the accessibility of the borough, LBC contributes a large number of hotel rooms to the London supply and is a popular destination for tourists. However, although LBC is forecast to face a large increase in demand for hotel rooms there are currently fewer hotel rooms in the development pipeline than in surrounding London boroughs. With excess demand in the hotel market set to continue for LBC, the borough risks losing the economic and cultural benefits associated with its tourism industry.
- 6.2 The Proposed Development is located in the centre of LBC, in an area of relatively higher deprivation. The local area to the Proposed Development has a significantly more limited hotel offering than other parts of the borough, providing an opportunity for intensification in the local area that will deliver employment benefits for local residents. The accommodation on the site is currently poor-quality stock which is in turn under occupied. The Proposed Development, through its provision of high-quality hotel rooms, would aid in rebalancing the provision of hotel rooms within LBC away from the south of the borough, and support economic investment into the local area.
- 6.3 The provision of 59 additional hotel rooms on-site would provide almost one year's worth of the forecast increase in supply required to service hotel demand and compensate for anticipated closures within LBC to 2041. Once operational, the Proposed Development is estimated to support 35 jobs directly on site, equivalent to 30 FTEs once taking into account part-time working patterns. It is estimated that this employment on-site would generate a total GVA of £1.2 million.
- 6.4 Additional employment would be generated through income multipliers from the on-site employees, supply chain multipliers, and expenditure from visitors staying at the hotel. It is estimated that once these effects are taken into account, alongside the displacement of existing jobs, the Proposed Development would support an estimated 65 net additional jobs for London residents, equivalent to 50 FTEs.
- 6.5 To ensure that socio-economic benefits arise primarily for local LBC residents, the Proposed Development will ensure that a variety of employment and skills policies, that have been designed in response to local employment and skills indicators, will be sustained throughout its construction and operation. When combined with the catalytic potential for the investment, given the deprivation present in the local area, the employment and skills strategy will ensure that the socio-economic benefits to local residents arising from the Proposed Development are maximised.

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