

Boutique hotels set to grow as investors and operators look to the sector for expansion

“Boutique hotels are an exciting segment of the market, particularly in London. There are new investors keen to get into the boutique sector and established operators are expanding and developing new boutique concepts, despite the high level of investment required for purchase and refurbishment.”

This was the upbeat conclusion of HVS London director Tim Smith, speaking earlier today [14 June] at the inaugural Boutique Hotel Summit 2011, held at London's St Ermin's Hotel.

With a capacity audience of operators and investors, there was a lively debate on whether large hotel operators could successfully run boutique hotels. Smith argued that the large, global hotel operators could move into boutique hotels as long as they stayed true to the essence of the sector - great design, good service and individuality.

“Openings such as the Town Hall Hotel in Bethnal Green by Singapore-based hotelier Peng Loh have created something so exciting in terms of design, the restaurant and the level of service that it has become a destination in its own right,” said Smith. “Hotel Indigo near Paddington was previously an unbranded hotel that many operators tried, and failed, to convert successfully. But the boutique concept has lent itself to the building's various-sized rooms and split-levels. The hotel is now something extraordinary and is trading at a good average room rate. You would never know it was part of InterContinental.”

Marriott is also expanding its boutique operations: the Berners Hotel in London's West End was bought by the company as part of its Edition Hotels brand, a joint venture with Ian Schrager. “The company has invested £60m in buying the property and a similar figure in redeveloping it. That clearly demonstrates Marriott believes in the brand, the location and the product,” he said.

“The level of new entrants and investors coming into this sector shows the buoyancy of the market. It's a real shot in the arm for an industry that's had issues to overcome. These hotels represent serious investments.” 10 Trinity Square cost KOP Properties an estimated £70m, £700,000 per room, while the St Ermin's cost a consortium lead by Amerimar Enterprises £60m and £30m to refurbish. These are exciting and significant purchases.”

Smith's presentation concluded that the hotel market had polarised into one of large, corporate hotels and those offering something interesting and different. “Consumers are going back to demanding the level of service that the previous generation expected. We are moving back into an era of wanting quality service and the wow factor” and boutique hotels have that,” he said.

“Perhaps the next generation will be boutique hotels that appeal more directly to families.”

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About HVS

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