

tunein

How to build a hotel





Amid political and economic uncertainty, it seems that for the hotel industry, including new developments, business is still booming. That said, a new hotel project in any economic climate is a serious undertaking with large financial commitments; so what does it take to build a hotel?

Design journalist and editor Sophie Harper discusses the importance of planning with Concert.

Why the hotel market?

If you're an investor and you're planning to put your money into bricks and mortar, what's the benefit of entering the hospitality industry?

There are so many other commercial ventures or opportunities to invest in residential projects.



The residential market has softened, whereas hotels – as some investment reports suggest - will see transaction activity across all UK regions as new hotel buyers seek the attractive yield.

- Tom Bishop, Director of Project Management at Concert

In terms of market experience...

Residential use was a strong player up until fairly recently, but it seems values in that area are softening and confidence is waning.

“When we talk about residential, we’re often looking at build to sell, whereas a commercial exercise, where you’re holding onto the asset, is less sensitive to economic unrest. You’re moving away from selling a product and looking at rental or leasing commercial products and hotels, which are strong at the moment,” Chris Patrick, of Concert, says.

“The currency conversion for the sterling obviously is quite good if you happen to be paid in something other than sterling, so there’s more ability to spend with overseas currency.”

He adds: “The hotel market faces directly into that and there are sub-brands and different hotel offerings that are evolving to provide a number of options now that haven’t previously been available.” There are a huge range of hotel brands exploring different pockets of opportunity for both business and leisure to fulfil the demand, and that’s not even taking into account the boutique or independent hotel market. With more than 7,995 hotel rooms across 65 new hotels expected in 2020 in London alone (a record high), according to London & Partners, it just goes to show how strong the hotel market is currently.



So you want to ... build a new hotel

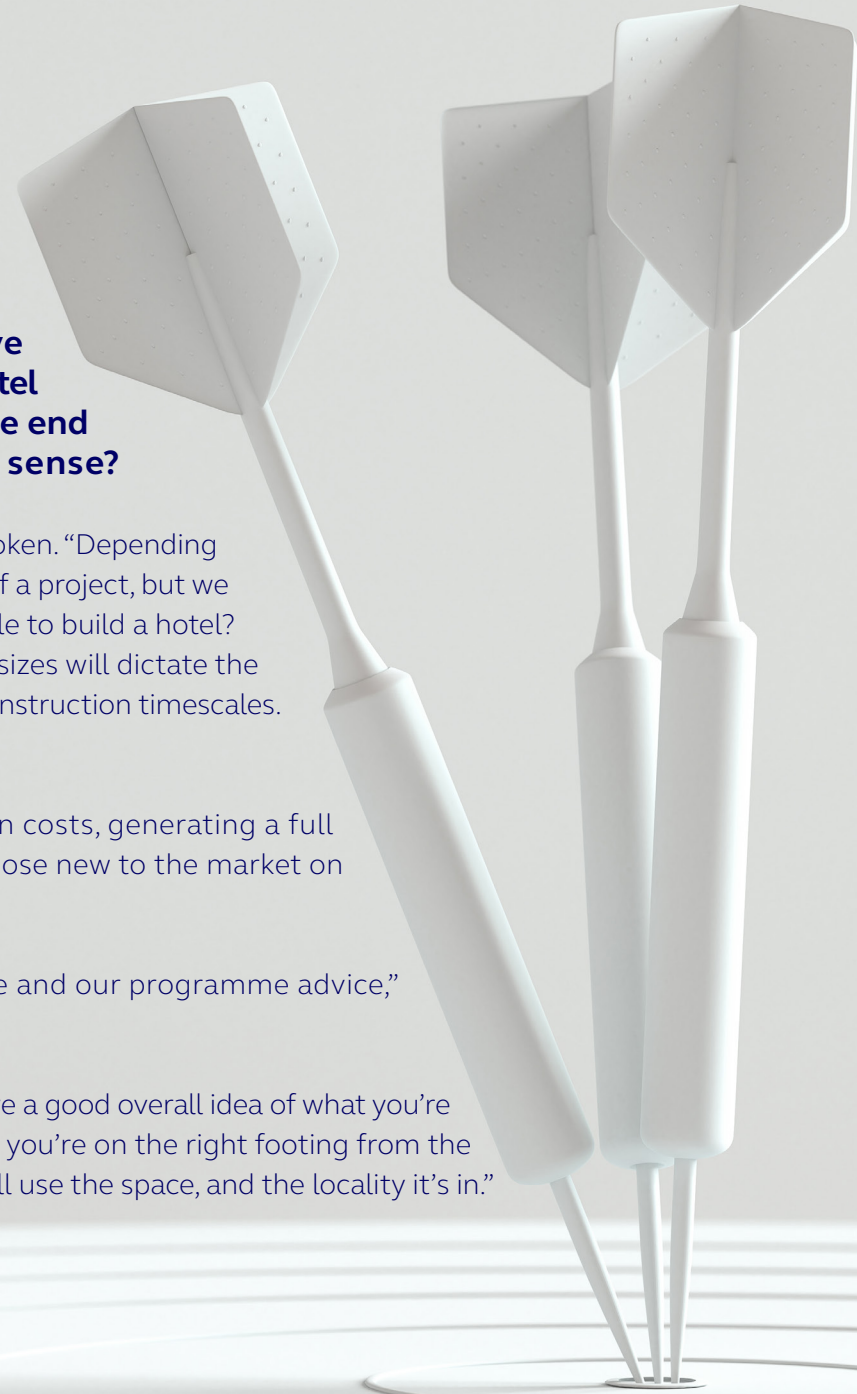
Great, but how do you get the ball rolling? Do you have an idea of location or cost? Do you know what type of hotel you're looking at building? Have you thought about the end user or what sort of yield makes the best financial sense?

These are all questions you should be able to answer before any ground is broken. "Depending on the scheme, as project managers we can be appointed at different stages of a project, but we like to be involved right from the very start," says Bishop. "Feasibility: is it viable to build a hotel? If it is, what would that hotel be, what would it consist of? For example room sizes will dictate the public areas for on-trend affordable lifestyle brand hotels and influence the construction timescales. These are the sorts of questions that need addressing first."

Concert provides advice to investors by analysing anticipated construction costs, generating a full programme taking many drivers into consideration, and be able to guide those new to the market on appropriate types of property.

"We support investment strategies and appraisals through our cost advice and our programme advice," states Patrick.

Ikenna Nwimo, Project Manager at Concert, believes it's really important to have a good overall idea of what you're looking to achieve from the outset. "If you're clear on day one," he says, "then you're on the right footing from the beginning for a very successful project. It's about defining your brief, how you'll use the space, and the locality it's in."

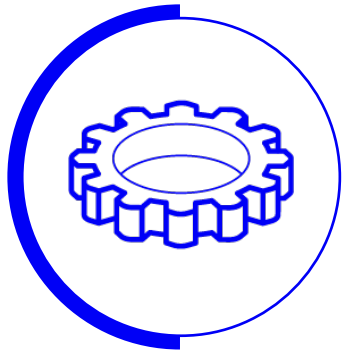


Essentially, it's about setting yourself a benchmark and striving for a clear end result. But in order to do that, you have to understand the market and how your new project fits into the hotel sector.

Because there is so much room for variants, and the very nature of the hospitality industry means it is always evolving, it's easy to get carried away and lose track of original goals – worse still, budgets can suddenly spiral out of control if not managed properly.

In order to keep a handle on project progress, there are five stages to take into consideration:

Hotels



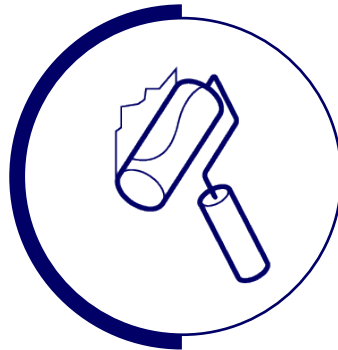
THE OPERATION

- What sort of hotel are you building?
- Which brand will be overseeing the daily operation of the business?



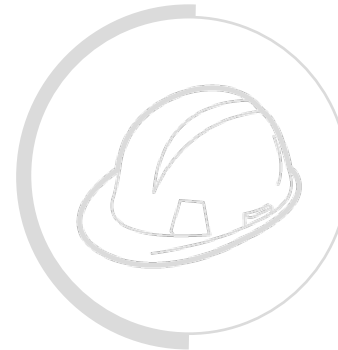
SECURE FINANCE

- Does finance need securing for the business?
- What are your projections for revenue and turnover?
- Is this project commercially viable?



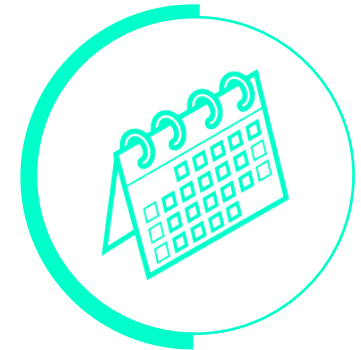
THE DESIGN

- Who will be designing the hotel?
- Do you need to look for specialists for different areas of the design?
- How much input will you have as an investor?
- Do you need to consider brand standards?



PRE/POST CONSTRUCTION

- How long will construction take?
- What planning restrictions are there to consider?



PRE OPENING

- What time-scales should you factor in for a pre-opening?
- How can you mitigate against any major issues prior to opening?
- How quickly and cost-effectively can changes be made if necessary?

What are guests looking for in the 21st century?

One of the biggest considerations when looking at the feasibility of a commercial project is the end user.

There are many drivers for hotel guests, but you need to consider the revenue opportunities for non-guests too. Design plays a large role in enticing footfall through the doors in the first instance, but as a business, you need to consider what your customers are looking for in terms of need. Focusing on one area alone isn't enough for hotels as businesses these days. Guests aren't simply looking for somewhere to sleep, they want an experience through a lifestyle brand. Bishop says: "You need to create a strong narrative for your hotel because people are interested in a story. If you've got a good location, or somewhere that has plenty of history, it's important to put that into the design."

It's a good idea to divide your hotel up into different areas and functionality. Will you have a restaurant? If so, is there a gap in the local market for something different? Remember, your customers won't necessarily be out of towners or even staying in the hotel – so make the restaurant as relevant as a destination in its own right as possible, particularly to the local market.

There is a different generation of traveller and hotel guest now. A more technologically-demanding, socially-aware generation that is blurring the lines between business and leisure. So it's important to not just create more space for customers, but more relevant space to them. Think of public areas in terms of co-habiting and co-working spaces; give people an inviting space to work and socialise in to attract more business.



What success looks like ...

The success of a project is reflected in its yield, which will come from goals being met and happy customers whether hotel guests, non-guests or corporate occupiers. The key is to stick to a solid plan in the first place and offer a product that there is a clear market for.

Nwimo says: “The success of the project is set from day one. Get the details and planning right from the start.” He adds: “If we’re involved from day one, we can help the client assess every aspect of a project.”

Along the road, there should be a clear brief and end goal for everyone involved to work towards. “Get a sensible programme agreed in the first place. Success is founded on the right design timescales, providing timescales for change, a mock-up room or two (one can be a Value Engineered Room) to validate design, and getting the right contractor with the right experience,” says Bishop.

And of course, keep to budget – but allow flexibility within your plans. Patrick suggests that there’s sometimes a disconnect between cost and value, “There are areas that are perfectly reasonable to spend more money in because you’re going to attract premium income, but it’s about identifying those areas that have higher value to the hotel and that are aligned to the brand – it’s quite key to get this right early on.”



In summary

To build a hotel, you should align the hotel to its locality, users and brand, and seek out informed advisors to create a considered programme and design.

Plan today for what's anticipated to be sought after tomorrow and hold all accountable to deliver to this informed brief.

Contact



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Sophie Harper is the Editor of SPACE magazine, the hospitality industry's fundamental publication on international hotel design.

An established journalist, she has spent the last decade writing about and editing content for the hospitality, design, travel, and food sectors. Having worked on some of the UK's biggest publications, Sophie has collaborated with industry experts and household names to offer readers thought-provoking and unique insights into numerous topics of interest.

Regarded as an authority within the design and architectural circuit, SPACE is a beautifully presented and aspirational bi-monthly publication packed full of interviews with the world's most influential designers and hoteliers, plus hotel project reviews and the latest news from luxury brands.

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