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Design or Lifestyle?

A Review of London's Boutique Hotel Scene

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Boutique Hotels: Design or Lifestyle?

"We would call it boutique if everybody else wasn't calling their hotels boutique"

~ Ian Schrager on the launch of Edition, New York Times, June 14, 2010

Blakes Hotel

The eighties brought the world many design disasters, so it's perhaps ironic that one of the most enduring hotel design trends was born in 1981, in London and San Francisco simultaneously. Attempting to create the antidote to the standardised 'big hotels', typified by the Hilton and Marriott empires, Anoushka Hempel's 51-room Blakes Hotel in London and Bill Kimpton's Bedford Hotel in San Francisco broke the mould of hotels. And so began the concept which became boutique hotels, one of the growth sectors of an industry that has seen the mid-market suffer, budget hotels thrive and the top end of the market becoming ever more luxurious.

The term 'boutique hotel' was initially used to describe Ian Schrager's first hotel, in collaboration with Andre Putman, the Morgans Hotel, which opened in 1984 in New York City. Comparing the hotel's quirky and individual design to the 'big hotels' was like comparing a boutique to a large department store. Along with Philippe Starck, Schrager's concepts introduced ground-breaking design to the hospitality world.

Evolution of Boutique

Since the opening of Blakes in London, The Bedford in San Francisco, and Morgans Hotel in New York in the early 1980s, boutique hotels have mushroomed in cities and resorts the world over. The term 'boutique' has evolved too, as some boutique hotels now have more than 800 rooms; are run by international chains; and have amenities and services varying from the truly indulgent to up-to-the-minute technology. Many of these attributes seem to contradict the original concept of the boutique hotel.

Haymarket Hotel

With the success of the first Kimpton Hotel, The Bedford, Bill Kimpton went on to build a collection of boutique hotels across the USA. Kimpton became a pioneer in creating hotel concepts, such as themed hotels centred around guests' lifestyle rather than purpose of stay (Vintage Court was themed around wine and opened in 1983 in San Francisco). These hotels attracted guests who connected with a theme that fitted their interests and lifestyle. Kimpton Hotels now has more than 50 properties in the USA and is keen to expand to key European locations such as London.

Ian Schrager followed Morgans Hotel with his second property in New York City, the Royalton Hotel, his first venture with Philippe Starck. Overnight

One Aldwych

boutique became *design*. With the Royalton and then the Paramount, Schrager and Starck pioneered several concepts now considered to be essential to the 'boutiqueness' of a boutique hotel: turning the hotel lobby into a buzzing space for guests to interact, termed 'lobby socialising'; and creating the experience of 'hotels as theatre', places to see and be seen in a spectacular design setting (that is, the stage). Schrager then broke away from small, higher-priced boutique properties, and moved towards properties with more than 500 rooms such as the 567-room Paramount. He also invented 'cheap chic' with the 805-room Hudson, which opened in late 2000 in New York City with room rates below US$100.

The arrival of W Hotels in December 1998 made design-driven and lifestyle-focused hotels an international phenomenon. Starwood opened its first W Hotel at 541 Lexington Avenue in New York, opening the door to the boutique and design segment for international hotel chains. Over the course of two years more than a dozen W hotels opened in the US. There are now four W Hotels in New York, 39 worldwide, and the first London property, W Hotel London in Leicester Square, due to open in early 2011.

The Hempel

It has become clear that defining boutique hotels is an increasingly murky endeavour, as many of their original attributes have changed over the years. The industry has increasingly begun to use the umbrella term 'lifestyle hotels' to characterise a hotel which is aspirational, design and experience driven, and socially engaging. These hotels range from budget to luxurious; from two-room establishments to 800-room properties; from independent to chain-run; branded or unbranded.

According to *Collins English Dictionary*, a boutique denotes '...a small specialized producer or business...' or it is '...a shop, especially a small one selling fashionable clothes and other items'. One way of differentiating a boutique from a design hotel might be to say that a boutique hotel, by virtue of the term 'boutique', is smaller (50-100 rooms), specialised (personalised service, private atmosphere) and fashionable (experience-driven, aspirational surroundings, destination food and beverage); again according to the *Collins English Dictionary,* design is an '...artistic creation', (design being defined by as '...the arrangement or pattern of elements or features of an artistic and decorative work'). So in hotel terms this translates as not being limited by room count and intended to be an artistic show, a place to see and be seen in. The intention of the two types of hotel is quite different, though the fact that in both cases these hotels are aspirational is key to their attractiveness from both a guest's perspective and an investor's, as it enables the hotels to achieve average rates nearing the luxury stratosphere without many of the operational burdens of service-centred classic luxury hotels.

Dukes

Boutique London

Blakes opened on a residential street in South Kensington in 1981 with 51 rooms. In 1985, Firmdale opened its first hotel, Dorset Square, a 37-room property in Marylebone. For the next decade, until the mid-nineties, the boutique segment in London was dominated by small, independent, quirky hotels such as the 23-room Hazlitt's and the 33-room The Rookery.

The Sanderson Hotel

Following the success of Blakes, Anoushka Hempel introduced the first minimalist hotel to the world in 1996 with the 50-room, design-led The Hempel in Bayswater. Then came The Metropolitan, also in 1996, and The Halkin, designed by Christina Ong. In 1998 Gordon Campbell Gray's One Aldwych opened in the old Morning Post headquarters near the Strand. Finally, Ian Schrager arrived in London with the Sanderson and St Martins Lane in 1999 and 2000, respectively. Both hotels embody the height of dramatic design that has characterised Schrager-Starck creations, with giant chess pieces and gilt chairs, and the famous red lips sofa at The Sanderson.

Though Schrager Hotels (now Morgans Hotel Group) may not have opened the first boutique hotel in London, they were the first to make boutique hotels a transatlantic branded concept as by 1999 they had hotels in both London and New York.

A few milestones in the boutique segment in London:

Andaz Liverpool Street

- Firmdale Hotels opened Dorset Square in 1985. It was sold by Firmdale Hotels in 2002, but remains an operating hotel. Firmdale Hotels now has five hotels across London, and their most recent addition in New York City, the Crosby Street Hotel, opened in October 2009;
- One Aldwych opened by Gordon Campbell Gray in 1998 on the Strand quickly established itself as a prime competitor in London's boutique segment with features such as underwater music in the swimming pool;
- The Great Eastern Hotel reopened in 2000 after a redevelopment, and was operated successfully by Wyndham Hotels and Resorts and Conran Restaurants (now D&D London) for several years before being acquired by Hyatt Hotels & Resorts which rebranded the hotel under its new lifestyle brand, Andaz. The hotel was relaunched in November 2007 as Andaz Liverpool Street with 267 rooms, making it the largest boutique hotel in London;

Hazlitt's

- InterContinental Hotels Group opened its first Hotel Indigo outside North America in September 2009, at Paddington Station with 64 rooms. A second opened near Tower Bridge in July and three more Indigos are under development in London, all expected to open by 2012 with less than 100 rooms. Hotel Indigo Glasgow, with 96 rooms, and Hotel Indigo Liverpool, with 151 rooms, are both scheduled to open in spring 2011.;
- Thompson Hotels, which operates several boutique hotels in the USA, including the original 60 Thompson, announced in June 2010 its first

Soho Hotel

property outside the US: Belgraves. It will have 85 rooms and is expected to open in late 2011;

- Hazlitt's first opened in 1986 – though the buildings date back to 1718 – and has since undergone three renovations to refresh the design. The most recent renovation and extension in 2007 and then 2009 produced London's only hotel suite with a private terrace and retractable roof.

The expansion of private members' clubs such as Soho House Group, which now has three hotels in London: High Road House in Chiswick, Dean Street Hotel in central London and Shoreditch House in East London, add to the competition in this niche market. Even the exclusive Home House club, on Portman Square, which also houses 20 unique bedrooms, recently added a new wing designed by Candy and Candy, blending old and new, and a futuristic bar. This demonstrates how important strong design is to attract new customers, even for established institutions such as The Dorchester, which is opening a 45-room property across the street, aimed at younger, more design-conscious guests.

Demand Generators

The demand generators for these types of hotel have also evolved over the years. Leisure still remains a staple source of business for boutique hotels, particularly in light of an increasing trend for short-breaks and city-breaks, as time has become an increasingly valuable commodity. Boutique hotels, in particular, have become the preferred choice of affluent young travellers who are seeking an experience, rather than a commodity.

No 5 Maddox

Although by their very nature hotels in this category tend not to contain extensive meeting facilities, as a stream of day-conference attendees would thoroughly clash with the 'home from home', private atmosphere that many of these properties seek to capture, increasingly some hotels do offer small meeting rooms. By necessity, the lifestyle hotels that have more than 150 to 180 rooms require meeting rooms. For example, Andaz Liverpool Street has 1,185m^2 of meeting space. These hotels also tend to house more unusual event space, such as private cinemas, found for example at both One Aldwych and the Soho Hotel.

High Road House

The halo effect of celebrity patronage, as well as the liveliness and buzz of the public areas, allows these hotels to attract a high proportion of commercial demand and still maintain their trendy, aspirational status without becoming standard business hotels. Blakes was – and still is – the haunt of many celebrities, and hotels such as the Sanderson, St Martins Lane and the Firmdale collection thrive on commercial demand particularly related to the advertising, public relations and media sectors. The halo effect of the celebrity and media crowd is enormously important for the ability of these hotels to achieve high average room rates – drawing on their customers' aspirations to see and be seen with the 'in crowd'. In addition, with ever increasing competition in this segment, a sound understanding of the needs of celebrity guests is an increasingly important advantage as is the need for privacy and discretion or for publicity when it is required.

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The Boundary

Another side effect of the celebrity halo is the opportunity for product placement in these hotels, ranging from retail outlets, to in-room amenities, to FF&E, artwork or even staff uniforms.

Although the concept of psychographics – as opposed to demographics – is not yet well developed or widely used in hotel marketing, it is particularly relevant in understanding the continued success of the boutique segment and its evolution. In less than 20 years it has gone from the very antithesis of the international, standardised, business hotel to chains (or collections) of boutique hotels such as W, Hotel du Vin, Malmaison Hotels, Morgans Hotel Group, Andre Balazs' Standard Hotels, and Kimpton Hotels

Psychographics is a marketing classification used to define customers by attributes such lifestyle, aspirations, interests, attitudes and beliefs. This is particularly helpful when looking at boutique hotels which appeal to business or leisure guests for reasons other than location. Skilled operators in the boutique segment increasingly use psychographics to understand and define their customers, which transcends the basics of gender and age to illusive concepts like state of mind. A concrete example of the use of psychographics in hotel concepting is that of California-based Joie de Vivre hotels, which creates each of its hotels around the reader-base of a popular but specialist magazine, such as Rolling Stone. This is the theme behind their first hotel, The Phoenix, which opened in San Francisco in 1987.

Hotel Performance

In London, boutique hotels position themselves in elusive territory between luxury and four-star, leisure and commercial and share many of the characteristics of these segments' hotels. STR Global tracks 'London Townhouse' and 'Boutique' hotels separately as these hotels no longer fit into the traditional categories relating to room size or achieved average room rate.

Threadneedles

Table 1 highlights the current supply of hotels most often included when discussing the boutique segment in London. We acknowledge that this list is not exhaustive and would be happy to include any hotels we may have omitted in our next update of this article.

The Fox and Anchor

Table 1 Current Supply of Boutique Hotels in London

Hotel	Location	Year Opened	Number of Rooms
Blakes	South Kensington	1981	51
Hazlitts	Soho	1986	23
The Rookery	Clerkenwell	1990	33
The Halkin	Belgravia	1993	41
The Hempel	Bayswater	1996	50
Como Metropolitan	Park Lane	1996	150
Covent Garden Hotel	Theatre District	1996	58
One Aldwych	The Strand	1998	105
The Colonnade	North London	1998	43
MyhotelBloomsbury	Bloomsbury	1999	78
St Martins Lane	Theatre District	1999	204
The Sanderson	West End	2000	150
Charlotte Street	West End	2000	52
Number Sixteen	South Kensington	2001	42
Myhotel Chelsea	Chelsea	2002	45
Threadneedles	The City	2002	69
The Knightsbridge Hotel	Knightsbridge	2002	44
Malmaison	Clerkenwell	2003	97
The Zetter	Clerkenwell	2004	59
Baglioni London	Kensington	2004	68
The Soho Hotel	Soho	2004	91
High Road House	Chiswick	2006	14
The Hoxton	The City	2006	205
Andaz Liverpool Street	The City	2007	267
Haymarket	Theatre District	2007	50
Shoreditch Rooms	Shoreditch	2007	26
York and Albany	Camden	2008	10
RoughLuxe	Kings Cross/Clerkenwell	2008	9
Indigo Paddington	Paddington Station	2009	64
40Winks	East London	2009	2
The Boundary	Shoreditch	2009	12
Bermondsey Square Hotel	Bermondsey	2009	79
Sanctum Soho	Soho	2009	30
Ten Manchester Street	Marylebone	2009	45
The Arch Hotel	Marylebone	2009	82
Dean Street Townhouse	Soho	2009	39

Source: HVS Research

40 Winks

Table 2 presents the historical occupancy, average rate and RevPAR of a representative sample of boutique hotels in London consisting of 1,032 rooms, from 2004 to 2009 and forecast for 2010, compiled from the HVS database.

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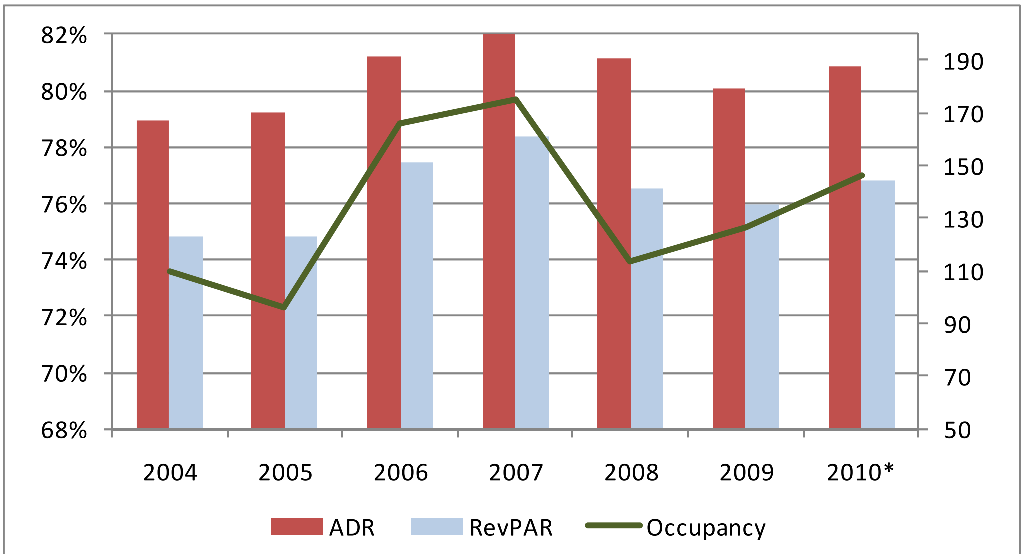
Table 2 **Occupancy, Average Rate and RevPAR 2004 to 2010 (£)**



- Occupancy in the boutique segment increased from 2004 to 2007, growing from 74% in 2004 to 79% in 2006. With the opening of several new boutique hotels in 2007, demand growth slowed somewhat with occupancy peaking just below 80% in 2007, a growth of 6 percentage points in the four years from 2004. In 2008 the segment saw a drop back to 2005 levels – not as much of a decline as other segments or in other cities. This decrease was only temporary as 2009 already saw a return nearly to 2006 occupancy levels and based on year-to-date figures we estimate continued growth in 2010 to reach (or exceed) 77% occupancy;

Rough Luxe

- Average rate progressed steadily from 2004 through 2007, from £167 in 2004 to a peak of £203 in 2007, a 21% increase in four years. In 2008 average rate for the segment showed a slight decrease to £191 and again in 2009 to £180 just ahead of 2005 levels. The effect of the turmoil in the financial markets and ensuing worldwide economic downturn in late 2008 and in 2009 was more subdued on boutique hotels than other segments as these hotels tend to depend less on mass business from meetings and events, or large negotiated corporate accounts. Considering the positive trend shown in first quarter figures, we forecast average rate for the segment in 2010 to show a moderate increase over 2009 levels, reaching, or perhaps exceeding, £188 in 2010.

Success and Profitability

As with other hotels, the success of a boutique hotel depends on its ability to target appropriate customer segments, address their needs, market itself through the correct channels, and consistently deliver on the expectation created through marketing efforts. Because of the numerous sizes and varieties of boutique hotels, it would be misleading to draw generalised


The Boundary

conclusions about the profitability of their operations; however boutique hotels benefit from two key profitability advantages:

- The 'halo' effect: aspirational quality of the hotel product (rooms and public areas, as well as restaurants and bars) often permits these hotels to price themselves much closer to their luxury or gourmet counterparts. However these hotels are not obliged to provide the same level of service as a traditional luxury hotel, thereby incurring much lower levels of labour cost than a luxury hotel;

- Hotel food and beverage (F&B) outlets were, for almost a century, the places to seek out the best culinary experiences. However, with the emergence of entrepreneurial and skilled restaurant operators, always in the know of what people want, hotel dining lost its edge without the ability to continuously reinvent itself. With outsourced F&B outlets to best-in-class restaurateurs, boutique operators manage to capture the entrepreneurial creativity and box it into a hotel setting, with limited cost implications. The success of the restaurant and particularly the bar is crucial to the overall success of a boutique hotel establishing itself as the 'place to see and be seen'. Outsourcing F&B outlets to celebrity chefs, restaurateurs and bar tenders means that the hotel benefits from pure income from these spaces (usually in the form of a turnover based rent) without incurring any of the costs or operational challenges associated with running hotel F&B outlets.

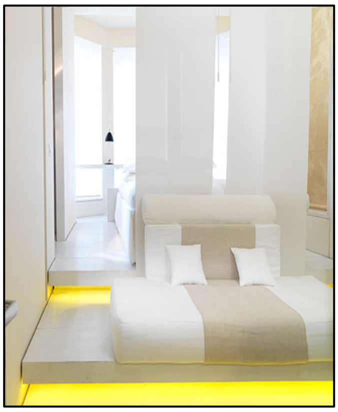
Supply

The supply of boutique hotels in London has increased dramatically in the past five years with two new Firmdale properties: the Soho hotel in 2004 (a former multi-storey car park) and the Haymarket Hotel in May 2007. Also in 2007 was the re-opening of The Great Eastern as Hyatt's Andaz as well as the renovation and relaunch of Dukes Hotel.

- Whilst properties such as 40 Winks, RoughLuxe, and the Fox and Anchor, to name a few, are not in direct competition with the boutique hotels, they characterise a returning trend in London of smaller, uniquely designed, independent hotels;

- Celebrity chefs and restaurateurs are also making the foray into hotels, such as Gordon Ramsay's ten-room York & Albany in Camden, attached to his gastropub of the same name. The team at St John's (Michelin-starred) restaurant will be opening the 16-room St John's Hotel in late 2010. St John's hotel is by Leicester Square, around the corner from the new W Hotel London, which should open at the same time on the site of the former Swiss Centre;

- Long stay concepts such as LaSuite (with design input from Anoushka Hempel) or Base2Stay have increasingly focused their offer on design and lifestyle – and economy – of their guests. Serviced apartment properties such as No.5 Maddox Street, are design-led, luxurious and in


LaSuite Marylebone

a prime location just off of Regent Street, a ten minute walk from Bond Street;

- Townhouses all over London have rebranded themselves as boutique hotels, from Eton Collection's The Academy, just off Russell Square, to the independent 41 Hotel, on Buckingham Palace Road or Montagu Place, a 16-room townhouse in Marylebone.

Table 3 lists recent and confirmed openings in the boutique segment.

Table 3 London Boutique Hotels – Recent and Anticipated Openings

Hotel	Address	Number of Rooms	Opening Date	Brand/Affiliation
Shoreditch Rooms (House)	Shoreditch	26	Apr-10	The Soho House Group
Townhall Hotel	Bethnal Green	98	Jun-10	Design Hotels
St John's Hotel	Leicester Square	16	Sep-10	—
W Hotel London	Leicester Square	192	Feb-11	W Hotels
Greenwich Market Hotel	Greenwich	101	Jan-11	Bespoke Hotel Company
45 Park Lane	Mayfair	46	Apr-11	Dorchester Collection
Belgraves Hotel	Belgravia	85	Sep-11	Thompson Hotels
Bulgari Hotel	Knightsbridge	80	Dec-11	Bulgari by Ritz-Carlton
Aloft London ExCel	ExCel	252	Dec-11	Aloft by Starwood
Ham Yard Hotel	Soho	100	Jan-12	Firmdale Hotels
The Great Northern Hotel	Kings Cross	94	Jan-12	—
Hotel Indigo Cannon Street	The City	38	Jan-12	Indigo (IHG)
Hotel Indigo Philpot Lane	The City	43	Jan-12	Indigo (IHG)
Hotel Indigo Kensington	Kensington	51	Jan-12	Indigo (IHG)
City Road Hotel	Hackney	247	Jan-12	Soneva Properties
South Place Hotel	The City	80	Sep-12	D&D
Mayfair Boutique Hotel	Mayfair	75	Jan-13	Corbin & King Hotels

Source: HVS Research

- Townhouse hotels located in central London, particularly Mayfair, tend to be focused more on the luxury, elegant-with-a-twist-style, whilst boutique properties located further east tend to be edgier and more modern in their design;

- Boutique hotels are also ideal for historic sites such as the Great Northern Hotel at Kings Cross, reportedly the oldest purpose built hotel in London, or the TownHall Hotel housed in the converted Bethnal Green Town Hall;

TownHall Hotel

- Vacant sites such as Ham Yard, shortly to be home to a new Firmdale property, can also provide prime location and opportunity;

- The South Place Hotel, located close to Liverpool Street station, will see the return of the team that opened the Great Eastern Hotel in 2001 and established the City as a viable destination for a lifestyle hotel;

York and Albany

- Thompson Hotels recently announced its first hotel outside of North America, Belgraves, which is expected to open with 85 rooms in the autumn of 2011. The hotel was previously the Sheraton Belgravia and closed in December 2009 for refurbishment. It is located on Chesham Place in the Belgravia area of London, close to the shopping areas of Knightsbridge and South Kensington.

New supply of boutique hotels is spread across different areas of London from east to west, with pockets in several areas.

The City of London and peripheral locations: *The City, Kings Cross, Clerkenwell and neighbourhoods to the east in Hackney such as Bethnal Green and Shoreditch*.

Hotels in these areas are likely to depend on demand emanating from the financial district, in addition to a growing need for weekend accommodation in these neighbourhoods thanks to trendy nightlife and restaurants. The further east, the less existing quality supply exists, so hotels in areas such as Shoreditch and Bethnal Green will need to draw demand to their locations and by doing so will extend the map of desirable hotel locations in London and create new hotel markets. Though this may imply more money spent on pre-opening sales and marketing to induce demand, the convenience of easy access from London's City airport as well as the benefit of demand from workers in the City of London for both rooms and food and beverage outlets bodes well. In addition these hotels are well positioned to gain from the 2012 Olympics, though this is unlikely to impact the long term, it certainly is good PR.

The Metropolitan

Central London and locations south of Hyde Park: *Soho, Marylebone, neighbourhoods to the southwest of Mayfair such as Knightsbridge, South Kensington, Belgravia.*

Hotels in these locations are likely to depend largely on leisure and shopping demand. Buildings in these neighbourhoods are more likely to be townhouses (or existing B&B hotels in need of refurbishment) than the empty offices or warehouses found on the east side of London. Although there is always the possibility of a quirky association: 45 Park Lane, across the street from its more traditionally luxurious sister hotel the iconic Dorchester, used to be home to the Playboy Club.

TownHall Hotel

The team behind London landmark restaurants The Ivy and The Wolseley are converting an Art Deco building, originally built as a parking garage in the 1920s, into a luxury boutique hotel. The building is located on Balderton street, in the heart of Mayfair and currently houses Avis Rent-A-Car.

The Bulgari Hotel is on a site that housed previous hotels, but will become a new-build construction. Construction on this project is ongoing.

Hotels in these areas will benefit from relative proximity to Heathrow airport, the largest of London's five airports, as well as the high end shopping in Knightsbridge and on King's Road both lined with designer boutiques, and the nightlife and restaurants in South Kensington.

Hotels are not the only occupiers of converted buildings in London, as the metropolis keeps extending outwards, as space in the city centre becomes ever-more premium. Residential apartments can nowadays occupy converted libraries, schools and even churches.

Thanks to the adaptability and flexibility of the boutique product, this type of hotel is important for a city as a means of driving change, re-gentrifying areas that have been left undeveloped or fallen into disrepair, and pushing the boundaries of the city outwards.

What Next?

Boutique hotels fit logically into current sociological changes too, and as such are well placed for continued growth. In terms of generational shifts both Generations X and Y are becoming more substantial purchasers of hotel rooms. This is exemplified by the Generation Y spending a higher proportion of disposable income on leisure travel than other groupings. Both Generations X and Y could be considered experiential generations, with a clear focus on 'work to live' or 'work to play'. Such trends have not been ignored by the larger hotel players, as they seek to replicate the success of the boutique or lifestyle hotels in capturing these elusive generations, and minimise the 'leakage' to non-branded hotels.

Andaz Liverpool Street

With the power of the large hotel brand houses such as Marriott and Starwood behind the growth of boutique/lifestyle concepts, this type of hotels is here to stay, and is perhaps at risk of becoming mainstream. Boutique hotels have restored the hotel sector to its glorious past, when hotels were not simply commodities with heads in beds, but experiences that left lasting memories. Hotels at one point were as much part of the destination as a city itself, the same way a journey was of equal importance to the final destination (the Venice-Simplon Orient Express, or Cunard's trans-Atlantic sea crossings, for example). Today innovative hoteliers have brought back some of the lost qualities of hotels, perhaps until now only kept alive by a select few luxury hotel companies.

Indigo Paddington

Boutique hotels are flexible in format and location, thus more easily feasible as hotel projects, whether new-builds or conversions. When executed correctly they can capture pricing levels that border luxury, and with the right operator at costs far below their luxury counterparts. For most hotel investors this seems like an easy path to success. However, the success of these hotels often lies within the creative talent of their developers, and their ability to attain the visibility needed for such hotels to make it on the world-map of global travellers. London's boutique scene is clearly not lacking such talent and is a magnet for cross-Atlantic developers seeking to broaden their reach into Europe's most diverse metropolis. As such, we expect London to continue to thrive as a cradle of original hotel experiences. **–HVS**

About the Author

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