



GET THE GAME PLAN RIGHT

Where the action is Making a hotel an integral part of a sports stadium can benefit the operator and the club, and the surrounding community – but only if it's done right. *David Thame reports*

Remember the kind of deal in which everyone is a winner? During the boom years, these seemed to be the only deals on offer; today, we're all a bit wiser.

But in the world of sports grounds, it is still true – or so many believe. Put a hotel next to, or even in, your sports stadium and you

can't lose. Guaranteed. For sure.

The reality, of course, is rather different. Even enthusiasts concede that the fashion for adding hotels to sports stadia sometimes smacks of boom-time silliness. But they say there are real benefits for everyone if the appraisals are honest.

So far, the best estimate is that

around 1,300 hotel bedrooms have been built in 11 stadium-based hotels in the UK. A further 20 hotels are due to be completed soon, adding another 3,500 beds (see p90).

New arrivals include Sheffield United's Bramall Lane ground, which has been redeveloped to include a Cophorne hotel, and Twickenham



Not out: as England's cricketers get set to face the Aussies in the fight for the Ashes, the Brit Oval, London SE11, prepares for the development of a hotel

stadium, where the redeveloped South Stand includes a Marriott hotel with nine suites facing the pitch.

A new hotel will open at Lingfield racecourse next year (see panel, p73) and others are planned at several cricket grounds including Lord's in London NW8, Southampton's Rose Bowl, the Brit Oval in London SE11, and Old Trafford, Manchester.

The theory is this: no sporting venue makes much money, even the biggest and best. Even the most popular Premier League football club will struggle to make its 60,000- or 70,000-seat stadium pay on the strength of 20 home games and a few pop concerts.

Although gate numbers will rise thanks to a new stadium – for example, the new mood helped gate revenue to soar by 80% when Huddersfield Town moved into the town's Galpharm Stadium – that may not be enough. So why not boost income with the profits from a hotel?

How best to orientate a stadium hotel

Hotels facing the pitch stand a better chance of making money than those with their back to the action, say leisure property specialists.

Placing a hotel in the stadium development facing onto the pitch is the preferred option at many cricket grounds, where the long boundary means that there is plenty of space to share between seated spectators and other property uses.

A 175-bedroom, four-star Resort Hotel is to be built overlooking the playing area at Southampton's

Rose Bowl as part of a £45m development.

Further north, the Days Inn at the county cricket ground in Derby has opted for a pitch-side location. The De Vere Hotel at Bolton's Reebok stadium and the Comfort Hotel at West Ham's Upton Park also overlook the field of play.

A second rank of hotels, on the site but not overlooking the pitch, include the Millennium Madejski Hotel at Reading and the Copthorne Hotel at Sheffield United's Bramall Lane.

For the hotel operator, there is little to lose: it will earn its management fee regardless, and have another location to add to its network. If the venue really bombs then it can, eventually, pull out.

Developers are happy, too. They simply offset the cost of the hotel against the income they receive from building the seemingly inevitable (but money-spinning) out-of-town superstore on the site next to the stadium.

Local planners and politicians are also happy. Planners get to tick boxes marked "mixed development" and "local employment opportunities" while politicians get to look like good, loyal citizens, supporting both business and a popular local sports club.

Rod Sheard, senior principal at architect Populous, has worked on a string of major stadium hotel projects from Wembley to Ascot Racecourse, via the Millennium Stadium in Cardiff and Sydney's much-praised Olympic venue. He says that hotels and stadia mix beautifully.

Total event experience

"Hotels and stadia are both parts of a total event experience," he enthuses. "For the clubs and venue operators, it is not sufficient for spectators to turn up 10 minutes before the match, watch the action, then leave seconds after the final whistle. You need facilities that hold the interest of spectators for hours before and after. If you manage that, it means they hang around and spend money. It also makes things easier for the town planners because crowds arrive and disperse more gradually, over longer periods of time." He adds: "The

economics of this is that, in most stadia, the premium seats at the front are, to a great extent, subsidising the cheap plastic seats at the back, and a hotel helps enormously with selling and keeping premium customers.

"Either the premium customer stays overnight, or perhaps uses the hotel room itself as a luxury suite overlooking the pitch, or for corporate hospitality and events," says Sheard.

The cost of building hotel rooms might amount to just 10% of the total stadium building cost, say specialists.

But do the normal rules about hotel locations – and normal appraisals of potential viability – have to be abandoned when a hotel is part of a stadium development?

Sheard says that hotel operators should not worry too much. "Normal location issues go out of the window," he says. "Stadia aren't normal locations, but they are valuable locations. The hotels just end up being very different sorts of hotels. They have to meld with the stadium."

However, Filippo Sona, whose clients at the Bottom Line Hotel consultancy include the British Racing Drivers' Club's Silverstone circuit, is not so sure. According to Sona, the hotel can't rely on the stadium – and that, far from flying out of the window, the old rules about hotel location should be cherished and studied with care.

"The stadium, on its own, cannot fill a hotel," Sona insists. "The local market still matters. Even a big stadium with big pull needs to be filled with the usual mix of conferences and individual leisure users. You still need the full range of demand to make a hotel pay."

Sona agrees that hotels and stadia

work best together when they are planned together. "Putting a hotel in a stadium is part of the migration of that location from a mere venue to a real destination," he says. But Sona points to research showing that stadium-linked hotels do just as well – or just as badly – as any other hotel in their area and price-range.

David Harper, of Surrey-based stadium specialist Leisure Property Services, says that mixing hotels and stadia can make irresistible good sense. But he warns that success hinges on an honest, and sensible, appraisal of hotel prospects.

"A hotel overlooking the pitch at a major stadium will perform better than a hotel that doesn't overlook the pitch," he says, pointing to the example of the planned hotel at Lord's cricket ground in London, to be included in Herzog & de Meuron's £200m masterplan. "St John's Wood probably isn't the right place for a hotel if Lord's wasn't there. But it will do well. The rooms facing the pitch can increase revenue because they can be both hotel rooms and executive boxes."

Healthy income adds up

A little simple maths explains the appeal for both operators and stadium owners, says Harper. For the developer of an ordinary provincial stadium, adding a 100-bedroom mid-range or budget hotel promises revenue of £2m-£3m, of which 40% will be profit. Deducting hotel management fees will still leave a healthy income, assuming that a careful appraisal of stadium hotel plans takes into account the hotel's pricing policy, as well as the location.

Operators, meanwhile, find it hard to see a downside. Their management fee will be around 3% of revenue, and they will claim around 10% of profits. Add a modest fee for each booking – perhaps £2.50 a bed – and they are making money from the start. "Hoteliers are keen on stadium hotels because it promises

"There are plenty of areas where it makes no sense to build a stadium, let alone a hotel with it. Some plans do sometimes look a little like the worst of the property bubble"

David Harper, Leisure Property Services

On the home straight: a new, 116-bedroom Marriott Hotel & Country Club is due to open next May at Lingfield Park, 5 miles south of the M25 in Surrey



them an audience, another flag on their national network map, and a guaranteed income," says Harper.

But he warns that too much enthusiasm can be dangerous. Clubs can easily let their eagerness for a hotel turn into an obsession with a potential cash-cow, while hoteliers can lose their commercial sense.

"The way hotels earn their money from stadium hotels means that they can be a little over-optimistic in their business projections," says Harper, who adds that location really does matter. He explains: "There are some places where, thanks to lack of demand in the local hotel market, a stadium hotel would make financial sense even if it cost twice as much to build as they normally do."

"For instance, Cambridge is so short of hotel beds that Cambridge United could easily make a hotel

work. The same would be true in Oxford or York. But even though Burnley FC has just been promoted to the Premiership, the chances are there won't be much demand – and 50 beds really would be enough."

Other stadium plans seem even less viable. Vast oversupply of hotel beds makes adding a hotel at Blackpool's Bloomfield Road home seem questionable. The same is said to be true of Northampton Town FC's long – and, so far, fruitless – effort to redevelop its ground. Hotels in Northampton are widely regarded as under-performing, and additional supply is the last thing the town needs. Harper says: "The stadium will contribute to hotel demand, but it will only ever contribute a small proportion of demand."

He adds: "You look at certain proposals for stadium-linked hotels



and you wonder if they have looked into real underlying demand in their market because, on the face of it, viability is marginal. Stadium hotel plans don't always make sense.

"People jump on the bandwagon of having hotels as part of stadium developments. There are plenty of areas where it makes no sense to build a stadium, let alone a hotel with it. Some plans do sometimes look a little like the worst of the property bubble."

Yet Harper insists that, with proper planning, there is no reason why a hotel shouldn't work next to a stadium – and plenty of reasons why it should. "The simple fact is that, much of the time, it is better to have a dual-use hotel than a single-use hospitality suite," he says. "The hotel and the stadium are compatible and, if it works, everyone wins."

Horsing around

Lingfield Park's new 116-bedroom Marriott Hotel is due to open next May, despite doubts in some quarters about the viability of the location.

Lingfield in Surrey is one of the busiest racecourses in the UK, with as many as 90 meetings a year. The hotel accounts for the lion's share of a £28.5m redevelopment intended to position it as the South East's biggest and best leisure destination.

Finance came from cash raised as a result of the sale of the site of a former leisure club for housing, and from a £23m term loan.

Critics, however, have their doubts. "It will have to be a very

different hotel, run with care, to succeed," says one insider.

Kate Hills, of developer and owner Arena Leisure, says: "We have an excellent location, 5 miles from the M25, and we hope that visitors who come for conferences or other events will stay a day or two because, with the huge number of race meets we have, if there isn't a meeting today there will be one tomorrow."

But not every racecourse is faring so well. Hotel development on a site next to Huntingdon racecourse has stalled. The Jockey Club sold the site to the developers in 2005. A four-star Marriott Hotel opened nearby in 1998.