



Lamington Group

room2 Homotel: Economic Benefits and Regeneration Statement

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For and on behalf of Avison Young (UK) Limited

1. Introduction

Background Context

- 1.1. Lamington Group have commissioned Avison Young to prepare an Economic Benefits and Regeneration Statement for their planning application for a new hotel at 12 – 16 Piccadilly in Manchester City Centre.
- 1.2. The site is currently comprised of a vacant Grade II listed former Union Bank and adjacent vacant land. The site has been vacant since 2006, when Barclays bank left the premises.
- 1.3. The developers are the Lamington Group, the team behind the world's first Net Zero carbon hotel in London. The development will be operated by room2. The proposal includes a new 34 storey building and interlinked conversion of the listed building to create a 252-bedroom hotel and a range of accessible public amenities including a ground floor café, first floor exhibition hall and a rooftop bar, restaurant and terrace.
- 1.4. Planning permission has previously been secured on this site for a number of different uses. This includes a consented scheme in 2007 for the refurbishment of the listed building and erection of a 9 storey office building; a planning application consented in 2013 for a 258 bedroom hotel by the operator Yotel, and a consented application in 2018 for a 23 storey, 356 bedroom hotel to be operated by Toyoko Inn Group Ltd. None of these developments were ever implemented or delivered.

Scope of Statement

- 1.5. The scope of the Economic Benefits and Regeneration Statement is:
 - An overview of the scheme
 - Review of the drivers for economic regeneration in the local area and wider Manchester
 - An analysis of the hotel market in Manchester
 - An assessment of the economic benefits of the development in the construction and operational phases

2. Scheme Overview

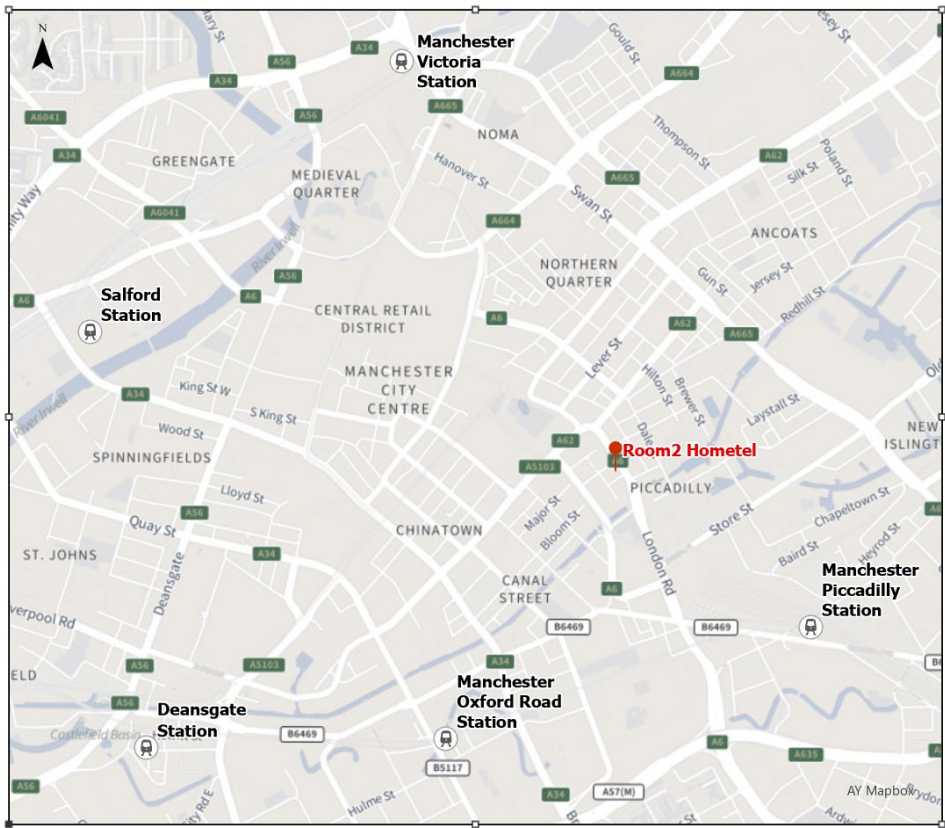
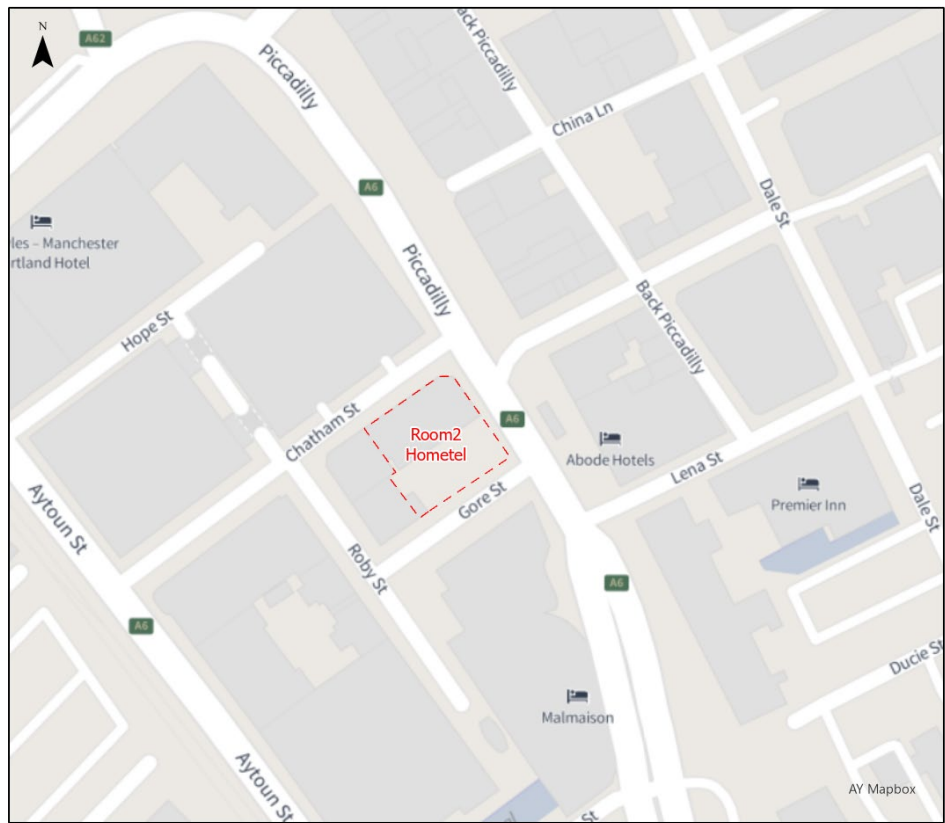
The Proposed Development

- 2.1 The proposed development is a 251-room hotel with associated amenities. These are consisting of:
- 204 studio hotel rooms
 - 18 1-bedroom hotel rooms
 - 16 2-bedroom hotel rooms
 - 13 accessible hotel rooms
 - Ground floor café, roof level restaurant and terrace and first floor exhibition space
 - Associated spaces for front and back of house services
- 2.2 The proposed development results in the construction of a brand new building and the refurbishment of the vacant former Union Bank. The building is deteriorating in condition and in urgent need of repair or restoration to ensure the building is protected and can be brought back into active use. The proposed scheme fully integrates the former Bank building with the brand new development.
- 2.3 The ambition is for a landmark building, achieving Whole Life Net Zero Carbon. Integrating a range of sustainable design features and demonstrating leadership and inspiring action to create a sustainable future.

Location

- 2.4 The site is located at 12 – 16 Piccadilly, located on the west side of Piccadilly and encompasses the vacant Grade II listed former Union Bank building and adjacent vacant land.
- 2.5 The site is enclosed by Piccadilly, Gore Street and Chatham Street and neighbouring properties of the Waldorf Public House and Indemnity House to the west boundary of the site. The boundary of Stevenson Square Conservation Area meets the east of Piccadilly, opposite the site.
- 2.6 Piccadilly is a key vehicular and pedestrian route which links Manchester Piccadilly Station to Piccadilly Gardens and Manchester's primary retail and commercial district. It is one of the most important entry points to the city and is critical to shaping the first impression of the city to visitors.
- 2.7 The site is currently a prominent gap site and vacant historic building which provides a negative perception. The scheme will aim to change this by restoring a historic building to its former glory and replacing vacant land with a new piece of architecture which is active and accessible at street level
- 2.8 The map below shows the location of the site.

Figure 2.1: Room2 Homotel Location



Source: Avison Young, 2023

3. Economic and Regeneration Drivers

Local Economic and Regeneration Context

- 3.1 The proposed development at 12-16 Piccadilly is located in an area of critical importance in the city.
- 3.2 Piccadilly is a key transport corridor and one of the main gateways into the city for business and pleasure visitors arriving by car, public transport and on foot. It connects Manchester Piccadilly station (major rail and tram depot) to Piccadilly Gardens (tram stop and bus terminal) and Chorlton Street bus station (coach terminal). It also connects to Market Street and the main central retail area to the west and the leisure areas of China Town and Canal Street to the south and Northern Quarter and Ancoats to the north.
- 3.3 As a result, Manchester Piccadilly represents one of the biggest development opportunities in the country with the potential to make a significant impact on the growth of Manchester and the rest of the UK. Manchester City Council have suggested that investment into Piccadilly could bring up to 40,000 new jobs, 13,000 new homes and 820,000 sqm of commercial development.¹
- 3.4 In 2018, a Strategic Regeneration Framework (SRF) was produced which covers Manchester Piccadilly and the surrounding area. The vision of the Framework was to “create a major new district for Manchester with a world class transport hub at its heart,” and was to build on the arrival of HS2 and Northern Powerhouse Rail (NPR) into Manchester.
- 3.5 In order to achieve this vision, proposals included:
- ‘One Station’ Solution – the integration of major elements of HS2, NPR and Metrolink with Classic Rail, buses, taxis, cycles and pedestrians
 - Improving the public spaces and public realm to make a more attractive entrance to the city centre. This includes a new station forecourt on London Road, a sequence of pocket parks within the Piccadilly area and the Boulevard linear green space
 - A significant quantum of development within the Piccadilly area including c. 270,000 sqm of commercial office space, 5,000 new homes, c. 25,000 sqm of retail and leisure space and 150 new hotel rooms
- 3.6 The proposed development is located within the SRF area and would contribute to the development objectives and fulfilling the vision of the Framework.
- 3.7 Since the adoption of the SRF in 2018, there have been a number of developments related to HS2. In January 2022, a hybrid Bill was introduced into Parliament to seek the legal powers to build and operate Phase 2b of HS2 – which runs between Crewe and Manchester. This bill is currently going through Parliament. However, the cost saving measures being placed on HS2 means that the line to Manchester will be expected to be completed in 2043 at the earliest. NPR is still expected to take place in some form from Manchester Piccadilly, although the extent across the North has been scaled back.
- 3.8 In 2019, Greater Manchester Combined Authority released a Greater Manchester Transport Strategy 2040 which detailed the short term (5 years) and longer term priorities for the development of transport in Greater Manchester including the proposed expansion of the Metrolink services. Within this plan, Piccadilly remains a key transport node for the city centre.

¹ <https://www.manchester.gov.uk/piccadillyregen>

- 3.9 Substantial further investment has also taken place within the last 5 years and will continue to transform this area of central Manchester into a high quality gateway for the city. These include:
- Mayfield – the proposed transformation of Mayfield Area to the east of Piccadilly Station with an SRF for the site developed in 2018. The proposed development includes 1400 new homes, 150,000 sqm of office space as well as retail and leisure facilities. A 6.5 acre urban park opened in September 2022 providing open green space. Depot Mayfield is also located on the site which has a 10,000 capacity and hosts a variety of events throughout the year including Warehouse Project and Manchester Pride.
 - Kampus – Located to the south of Piccadilly, Kampus is a £250 million new neighbourhood in Manchester city centre by Henry Boot Developments and Capital & Centric. Once home to Manchester Metropolitan University, the site is being transformed into over 500 build-to-rent apartments across a range of new build and refurbished existing buildings. The development also hosts a range of independent retail and F&B spaces set around a central courtyard.
 - Piccadilly East – A new neighbourhood to the east of Piccadilly and led by Capital & Centric. This has included community-focused events and developments including Crusader, Phoenix and Ducie Street Warehouse. In March 2022, MCC approved a planning application for 107 new rental apartments on Chapeltown Street. As well as 107 new homes over 15 storeys, Ferrous will also boast a rooftop residents' garden, two café-bars, lush parks on the ground floor and The Cabin – a new space for pop-up events.
 - London Road Fire Station – a mixed use development proposed by Allied London to transform the listed building into a 61-bedroom hotel and 45,000 sq ft of offices. The developer won planning approval for the project in 2020 but progress has been slower than anticipated due to the complexities around restoring a historic building. The developer expects to complete the restoration of the grade two-listed Manchester building by March 2024.
 - Portugal Street East - Olympian and JV Partner AECOM Capital were granted planning permission by Manchester City Council on 16th January 2020 for the development of 488 high quality Build to Rent apartments at Portugal Street East, Manchester. The two towers will be 23 and 29 storeys tall and host a mixture of one- and two-bedroom flats. The projected completion date is spring 2025.

Manchester Economic and Regeneration Context

- 3.10 Manchester is a major city in the United Kingdom and a key driver of the economy within Northern England. The key headlines of GVA, employment and population growth reflect positive changes in the economic and demographic make up of Manchester over the past decade.
- 3.11 Manchester City Council has developed its own population forecasting model (MCCFM). The MCCFM 2021 estimates that the residential population of Manchester in 2021 was 586,000, compared to 578,500 in 2020, an increase of 1.3% in a single year. The population is expected to reach 630,000 by 2030.
- 3.12 The population of Greater Manchester was estimated by the ONS to be 2.8 million in 2020. The total population is predicted to grow to around 2,950,000 by 2031, with the Manchester alone accounting for 36% of the growth
- 3.13 Manchester's population growth has been driven by increasing numbers of students, graduates and young professionals seeking skilled employment within the city as well as high levels of international migrations working in an attractive accommodation, leisure and cultural offer.

- 3.14 In 2020, Manchester's GVA output was c. £25 billion and between 2015 and 2020, the GVA had increased by 27% compared to 11% across the whole of the UK.
- 3.15 The GVA per head of population was £43,500 for Manchester, compared to £25,500 in Greater Manchester and £31,000 in the UK. This means the GVA per head in 2020 in Manchester was 40% above the national rate.
- 3.16 According to Experian, the GVA of Manchester is expected to grow to c. £35 billion by 2040. As a proportion of Greater Manchester's economy, that would represent an increase from 33% in 2020 to 35% in 2040. This growth is likely to be driven by key sectors such as financial, professional and business services, life sciences and healthcare, creative and media and digital and technology.
- 3.17 The resurgent city centre continues to be the main area of growth in both the city and Greater Manchester. The 2019 Greater Manchester Independent Economic Review states that one in five jobs in Greater Manchester is located there, and employment increased by 17.2% (59,000 jobs) between 2014 and 2018, two and a half times the national growth rate of 6.8% and higher than any other UK city, including London.
- 3.18 Employment growth in the city centre has been dominated by the professional, financial and technical services and accommodation and food services sectors with an increase of 90% seen since 2010.
- 3.19 The Manchester Climate Change Framework 2020-25 is the city's high-level strategy for meeting our objectives and targets. It sets out the target from Manchester to become a zero carbon city by 2038 at the latest, 12 years ahead of the Government's target for the UK of 2050.

Manchester's Tourism Market

- 3.20 A key driver of Manchester's economy is the leisure and tourism sector. Tourism activity in Greater Manchester supports £9bn economic impact including £4.9bn generated in Manchester local authority. Tourism activity in Greater Manchester also supports 100,700 FTE jobs including 53,400 supported by the activity generated within Manchester local authority².
- 3.21 In 2019, Greater Manchester had 114.8m day visits and 12.2m staying visits. In 2020, due to the COVID-19 pandemic, visitor numbers fell to 4.0m staying visits and 34.4m day visits although Manchester was still the second most visited location in the UK for domestic day and overnight stays³.
- 3.22 The conference and business events sector in particular is a key strength for Manchester and plays a major contribution to the economic impact. Many conferences are for national and international events requiring delegates to stay overnight. In 2018, the value of the sector to Greater Manchester was £904m.
- 3.23 Manchester's strong tourism offer including various museums and cultural institutions including the Manchester Museum, Museum of Science and Industry and Imperial War Museum (at Salford Quays) as well as The Palace Theatre and Royal Opera House.
- 3.24 Manchester also hosts a significant programme of events, concerts and exhibitions including Manchester International Festival (MIF) and Parklife Festival. There are numerous large arenas and stadia including Manchester Central Conference Centre, Manchester (AO) Arena, Old Trafford Football

² Marketing Manchester

³ <https://marketingmanchester.com/mm/wp-content/uploads/MM-1-Stop-Tourism-Intelligence-Factsheet-Oct-2022-v2.pdf>

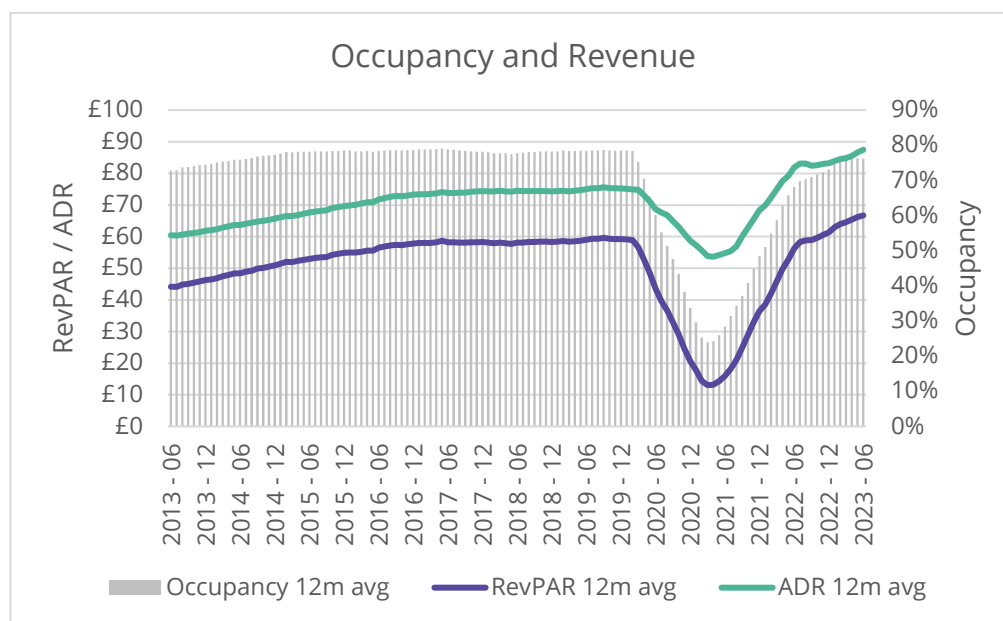
and Cricket grounds and the Etihad Stadium. Manchester Arena is proposed to undergo a £50 million refurbishment.

- 3.25 A new area located in East Manchester near the Etihad Stadium is currently under construction. The proposed event space is a c. 23,000 seater indoor arena, which will make it the largest indoor arena in the UK. Co-op Live will feature 32 bars, restaurants and lounges, including locally sourced and sustainable food and drink.
- 3.26 Sport plays a significant role in Manchester's visitor economy with Manchester United and Manchester City football clubs regularly playing in domestic and European competitions which draw fans from across the UK and internationally. Lancashire County Cricket Club hosts domestic and international cricket matches including The Ashes in 2023 and Manchester hosts other sport events such as the Great Manchester Run. All these sports events attract overnight stays into the city.
- 3.27 Manchester Airport is the main gateway to the North of England with connections to over 200 destinations and passenger numbers over the last 12 months of 25 million⁴, about 90% of pre-pandemic levels.
- 3.28 To support the tourism industry, in April 2023 Manchester City Council introduced a visitor tax. The City Visitor Charge adds £1 to each night stay in a hotel, with the money being used to help boost the tourist economy through the running of large events, conferences, festivals, marketing campaigns and also towards street cleanliness in the city.

Manchester's Hotel Market

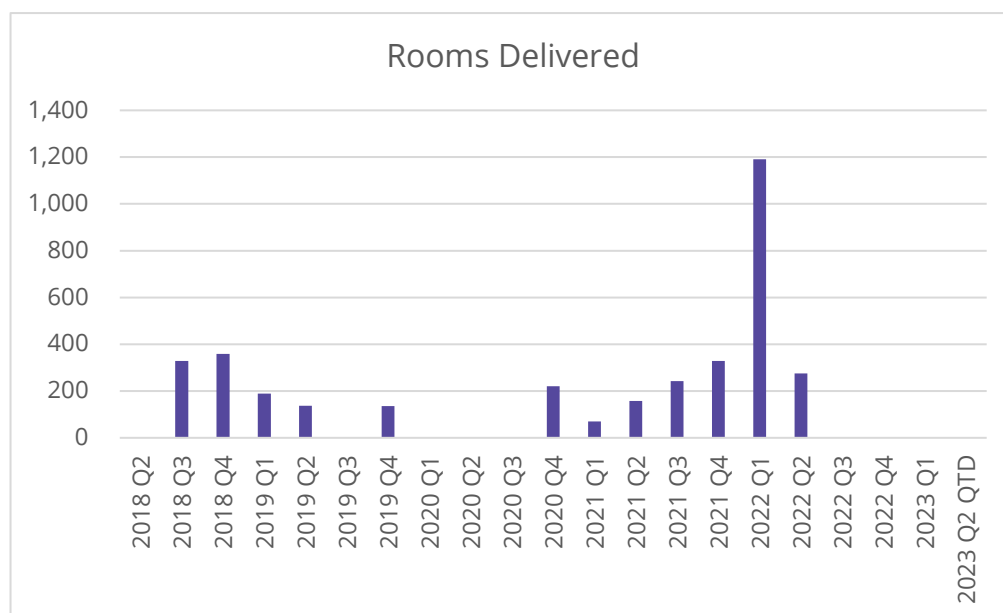
- 3.29 In Manchester City Centre there are currently 233 hotel properties with just under 18,500 hotel rooms.
- 3.30 Specifically, in proximity to the site, there are 100 hotels within 1.5 miles from the site, totalling 14,500 hotel rooms. The majority of these hotels are upscale (44%) and midscale (36%) with an average size of 142 rooms.
- 3.31 The occupancy rate of hotels in Manchester City Centre is at 76% over the past 12 months, higher than 2019 and recovered to pre-pandemic levels. The ADR (average daily rate, i.e. revenue per room) is £93 and RevPAR (revenue per available room) is £70 which have increased above pre-covid levels. This is displayed in Figure 3.1 below.

⁴ <https://mediacentre.manchesterairport.co.uk/manchester-airport-set-for-a-strong-summer-as-passenger-numbers-near-pre-pandemic-levels-and-travellers-look-to-far-flung-destinations/>

Figure 3.1: Manchester City Centre Occupancy and Revenue

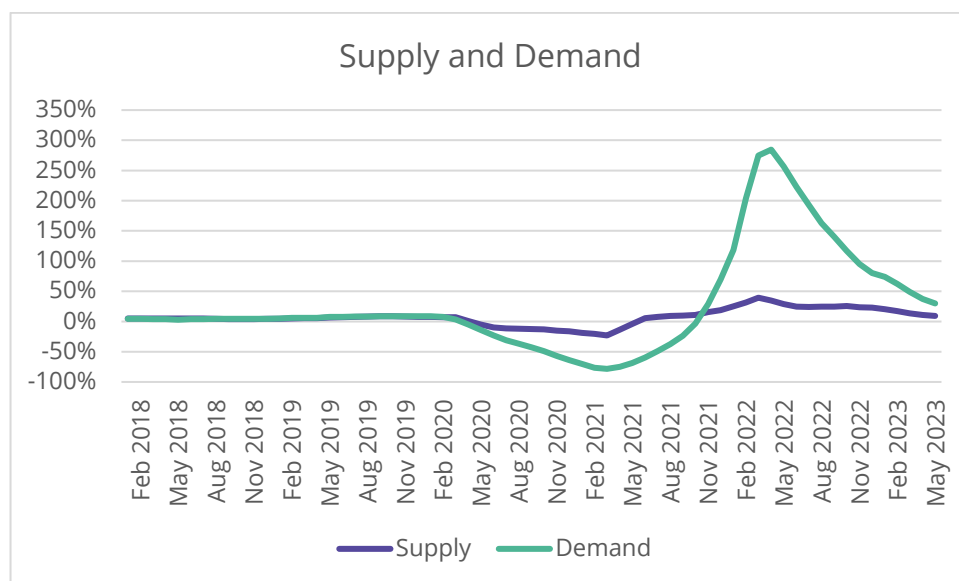
Source: Co-Star, 2023

- 3.32 In combination, this suggests there is a shortfall of supply of hotel rooms in Manchester City Centre.
- 3.33 In addition, there has been a sharp drop of new openings over the past 12 months and a steady decline in buildings and rooms under construction over a longer period since the start of the pandemic. This is displayed in Figure 3.2 below which shows the impact of the COVID-19 pandemic on delivery of rooms across Manchester City Centre especially in 2020. Also noticeable is the lack of delivery so far in 2023.

Figure 3.2: Manchester City Centre Room Delivery

Source: Co-Star, 2023

- 3.34 This has resulted in demand that is significantly outweighing supply as shown in Figure 3.3.

Figure 3.3: Manchester City Centre Supply vs Demand

Source: Co-Star, 2023

- 3.35 Analysis of the future pipeline suggest there are currently 8 hotel properties in Manchester City Centre under construction, 4 hotel properties in final planning and 7 properties proposed.
- 3.36 Of the 8 properties under construction:
- A total of 1100 new rooms will be created with an average of 134 rooms per hotel
 - 7 hotels are anticipated to open in 2023
 - 6 hotels are at the higher quality end (4 upscale and 2 luxury)
- 3.37 Of 11 properties proposed and in final planning:
- A total of 2,400 new rooms are proposed with an average of 218 rooms per hotel
 - 6 hotels are anticipated to be delivered by 2026
 - 8 hotels are midscale to upscale in quality.
- 3.38 The commercial demand for hotels in Manchester is likely to remain strong with Manchester hotels remains highly sought after by investors and operators alike. Aside from building new rooms, investors are focused on “value add” opportunities – acquiring, renovating and rebranding underperforming properties to meet rapidly evolving guest demand.
- 3.39 Due to the cost of living crisis consumer-facing real estate such as Hotels will experience a tighter market in 2023, but it could become an area of opportunity in 2024 and 2025.

4. Economic Benefits

4.1 This section of the Statement sets out the economic benefits of the proposed development.

Construction Phase

4.2 The investment into the proposed development through the refurbishment of a listed building and the construction of a new build hotel will create temporary employment during the build period.

4.3 The total number of construction jobs have been estimated on the basis of a total construction investment of £49,750,000 (excluding contingency, professional fees, financing costs and developers profit).

4.4 Estimating the output of construction workers locally, this means that the scheme will require c. 640 person years of work thus creating 660 job opportunities.

4.5 Given these will be 'short term' opportunities to provide a reasonable understanding of economic benefit these are converted into Full Time Equivalent (FTE) jobs, using the general assumption that 10 person years equates to 1 FTE role, meaning the scheme will create 66 FTE jobs.

4.6 The construction activity will create a series of wider economic benefits through increased expenditure in the economy either by workers or through supply chain activity. A compound multiplier of 1.4 has been used to estimate this impact.

4.7 The construction sector is highly mobile and, despite a number of labour supply issues, retains a large existing workforce which could, in part, be deployed to build the proposed development. As such not all of these jobs would be 'new' or additional. However, the Additionality Guide suggests that in such scenarios net benefits are c.75% of gross benefits. Applying a 25% reduction means that the project would deliver an additional 20 FTE jobs.

4.8 Therefore, in total, the construction of the development would result in 66 FTE direct jobs and 20 FTE indirect jobs

4.9 The net GVA of the construction phase is the number of FTE jobs multiplied by the output per worker, multiplied by the 120 weeks construction period. This gives a net GVA of £11.5 million.

4.10 There will also be a GVA impact of supply chain activities of this construction period for example workers using food and beverage facilities, use of local companies for cleaning supplies etc.

Operational Phase

4.11 Estimates of direct on-site employment have been provided by room2, based on anticipated employment levels. These are listed below.

Table 4.1 – Anticipated Employment

	Full Time	Part Time	FTE
Hotel	25	50	37
Restaurant and Café	14	17	10
Total	39	67	47

Source: Room2

- 4.12 Hotels tend to draw their labour from a local catchment area with the 2011 Census data showing that 45% of hotel workers in Manchester live within 5km of their workplace, compared to an average of 30% across the economy as a whole. Whilst the operator will run an open recruitment process, it is anticipated that many jobs will go to residents in the local and wider Manchester area.
- 4.13 Using Manchester based GVA per FTE job data for workers in the Accommodation, Food Services & Recreation sector, and applying this to the direct on-site FTE jobs created as a result of the proposed development, it is estimated that the annual direct impact of the proposed development, once fully operational would be £1.31 million.
- 4.14 The proposed development will also deliver a range of positive off-site employment multiplier effects in Manchester. This will include supply chain purchases made by Room2 which will support further local employment e.g. maintenance and housekeeping as well as the expenditure from workers injected into the local economy which will support further local employment.
- 4.15 To determine this value, a local composite (indirect and induced) multiplier of 1.4 has been applied. This means that the proposed development would support a further 19 FTE indirect and induced off-site jobs and £0.53 million annual GVA.
- 4.16 Therefore, the total gross employment impact of the proposed development is 66 FTE jobs and an annual GVA impact of £1.84 million.

Wider Benefits

- 4.17 There are also a series of wider regeneration benefits associated with the proposed development. These include:
- Based on business rates for equivalent standards of hotels within the wider area, including aparthotels, Manchester City Council can expect to receive c. £520,000 per annum through business rates contribution as a result of the proposed development.
 - The central location of the proposed development encourages guests to spend within the local economy such as retail, leisure, food and drink from outside the hotel in local businesses. This will result in a positive impact on local businesses.
 - The proposed development will bring a listed building, which has been vacant for nearly 20 years, back into use securing its future upkeep and maintenance providing a positive benefit to the street. The use of the building as a hotel and bar and restaurant open to the public means that the heritage can be more widely appreciated.
 - The redevelopment of a vacant building and empty site which is currently of poor visual quality. This will be replaced with a new building of high quality design, with the potential to catalyse additional investment in neighbouring sites and increase footfall in the area.
 - As the ambition of the development is to achieve Whole Life Net Zero Carbon the new development will not detrimentally impact Manchester City Councils target of becoming a zero carbon city by 2038.

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