

Peak luxury: how long can London's grand hotel boom last?

Jay Gatsby would have simply adored post-pandemic London. High-end hotels are springing up around the capital at Monopoly-board rates, filled with such an embarrassment of extravagances that even F Scott Fitzgerald might have struggled to parody them.

But there are signs that the luxury boom is reaching its limit. Room rates at new places such as the Peninsula and Raffles at the OWO have dipped from a coronary-inducing £1,300-a-night to merely eye-watering levels of just under £900, travel agents say.

Promotions such as three nights for the price of two, free breakfasts and meal vouchers for the local celebrity chef have also been growing in the tail end of the summer. Older stalwarts of the London hotel scene, such as the Savoy and the Ritz, have been embarking on expensive new refurbishments to keep pace, but there is a sense among some hotel general managers that something will have to give. "I don't know what the end game is," said Tom Cahalan, who set up Dorsia Travel with his wife Lucie to service high net worth clients after indulging his own obsession with the world's best hotels.

"Because of inflation, the rates have gone up so much, staffing costs have gone up so much, and now people are in a pickle. They can't go back to what normal used to be. You can see hotels having to adjust to it."

London's original hotel boom came in the mid-19th century, starting with the railway hotels at Paddington, King's Cross and Marylebone. As competition grew, entrepreneurs went upmarket with establishments in the grand Parisian style, such as the Westminster Palace hotel, the Langham and the Savoy.

They created a playground for beneficiaries of Britain's imperial successes, then stars of the Jazz Age in the 1920s and post-war Hollywood.

Yet London's postwar decline meant there was little competition and some crumbled or were turned into offices, such as the Westminster Palace, which was demolished in 1974 and is now a bank branch. The new hotel boom is due to the capital's popularity with Americans and moneyed visitors from China and the Middle East. They came back after the pandemic, but have other options elsewhere.

The post-pandemic world was split between people hit by the cost of living crisis and those with the resources to live it up. Luxury goods soared during the lockdowns and afterwards "revenge spending" on travel – when consumers splurged their savings – created a lifeline for hospitality and travel firms.

It coincided with a hotel boom in London, with at least 15 hotels opening between 2023 and 2025. Two of those new hotels, the Peninsula at Hyde Park Corner and Raffles London at the Old War Office in Whitehall, whose corridors were once stalked by Winston Churchill, opened last year.

It means the London luxury hotel market is becoming more and more competitive. The quest for novel experiences has pushed hotels to extraordinary lengths to find Instagrammable opportunities. Hidden speakeasy bars, Michelin-star restaurants and fleets of luxury cars are no longer enough. The Peninsula's chief executive boasted to the *Financial Times* last year that marble was not good enough for their bathrooms, so they used onyx, and the hotel has a rooftop cigar lounge. Raffles has paintings on loan from the National Portrait Gallery.

In response, London's older hotels are trying to upgrade. The Dorchester invested millions in renovations that include the Vesper Bar, in an effort to remind guests that Ian Fleming was a regular guest and James Bond producers EON had an office in the hotel.

The Ritz is spending £300m on "Project Picnic" digging out a five-storey basement for more rooms, a two-level spa, gym and pool. The Savoy, in its efforts to keep up, is aiming to completely revamp its restaurant, where Sophia Loren and Marilyn Monroe ate during their stays, as well as 118 rooms by February 2026.

Will it be enough? There is a risk that guests, particularly the new generations of nepo kids and trustafarians, will not check in to the new establishments simply for the lure of a new experience, says Mungo Schmidt, an analyst at Luxury Branding: "We're getting over experiences in their traditional form, and looking for something more," he said. "Something that does really add value and is more transformative in nature."

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