

PORTSMOUTH HOTEL MARKET FACT FILE

May 2015

INTRODUCTION

The Portsmouth Hotel Market Fact File provides the latest available information on:

- The current hotel supply in Portsmouth;
- Recent hotel development;
- Current hotel development proposals;
- Recent hotel performance (2012-2014)
- The key markets for hotel accommodation in Portsmouth;
- The prospects for growth in demand for hotel accommodation and what will drive this;
- The potential for hotel development in the city in the next 5 years.

All of the hotel performance data and market intelligence included in the Fact File is drawn from research undertaken by consultants Hotel Solutions between January and May 2015.

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PORTSMOUTH HOTEL SUPPLY

Current Hotel Supply

- Portsmouth is currently served by a total of 34 hotels, with 1,930 letting bedrooms. This supply is split between Portsmouth and Southsea. The Portsmouth hotel supply is split between the city centre and M27 corridor. It is dominated by budget/limited service hotels, which account for just over half of the total hotel stock. The city only has one 4 star hotel (the Portsmouth Marriott in the M27 corridor) and two 3 star hotels (the Holiday Inn in the city centre and the Portsmouth Park - formerly the Portsmouth Hilton - at Farlington in the M27 Corridor). While there is no aparthotel or purpose-built serviced apartment complex currently in Portsmouth, there is a growing supply of residential apartments that are let out as serviced apartments by local and national serviced apartment letting agencies. The hotel supply in Southsea comprises nine small, independent boutique hotels; six independent 3 star, 2 star and ungraded hotels; and a Premier Inn budget hotel. In the Solent, Amazing Venues has converted two historic sea forts into luxury venues for private parties, weddings and corporate events.

CURRENT HOTEL SUPPLY – PORTSMOUTH - MAY 2015

Standard	Hotels	Rooms	% of Rooms
Boutique	1	13	0.9
4 star	1	174	12.1
3 star	2	284	19.8
2 star	1	101	7.0
Upper-tier Budget ¹	1	130	9.1
Budget	7	652	45.4
Non-inspected	3	61	4.3
Aparthotel/ Serviced apartment complexes	0	20	1.4
Total Hotels	16	1435	100.0

CURRENT HOTEL SUPPLY – SOUTHSEA – MAY 2015

Standard	Hotels	Rooms	% of Rooms
Luxury venues	2	31	6.3
Boutique	9	76	15.3
4 star	0	0	0
3 star	2	197	39.8
2 star	2	48	9.7
Upper-tier Budget ¹	0	0	0
Budget	1	48	9.7
Non-inspected	2	95	19.2
Aparthotel/ Serviced apartment complexes	0	0	0
Total Hotels	18	495	100.0

Notes:

- Brands including Holiday Inn Express, Ramada Encore and Hampton by Hilton

PORTSMOUTH HOTEL SUPPLY

PORTSMOUTH HOTEL SUPPLY – MAY 2015

Hotel	Standard/Type	Bedrooms
Portsmouth		
Marriott Portsmouth	4 star	174
Ship Leopard Boutique Hotel	Boutique	13
Portsmouth Park	3 star	119
Holiday Inn Portsmouth	3 star	165
Royal Maritime Club	2 star	101
Holiday Inn Express Gunwharf Quays	Upper Tier Budget	130
Premier Inn Portsmouth (Port Solent East)	Budget	65
Premier Inn Portsmouth (Port Solent)	Budget	108
Travelodge Portsmouth	Budget	108
Travelodge Portsmouth Hilsea	Budget	33
Ibis Portsmouth	Budget	144
Ibis Budget	Budget	120
Inn lodge	Budget	74
Keppel's Head	n/a	30
Duke of Buckingham	n/a	15
Red Lion Hotel, Cosham	n/a	16
Town or Country	Serviced Apartments	20
Southsea		
Spitbank Fort	Luxury Venue	9
No Man's Fort	Luxury Venue	22
Queen's	3 star	73
Best Western Royal Beach	3 star	124
Number Four	Boutique	10
Somerset House	Boutique	7
Florence House	Boutique	7
Florence Gardens	Boutique	6
Florence Suite	Boutique	8
Stattons	Boutique	9
The Clarence	Boutique	8
G! Boutique	Boutique	14
Ashby's Gastropub & Boutique Hotel	Boutique	7
Seacrest	2 star	28
Ocean	2 star	20
Premier Inn Southsea	Budget	48
Sandringham	n/a	50
Saville	n/a	45

PORTSMOUTH HOTEL SUPPLY

Changes in Supply 2010-2015

New Hotels

- The key trend in terms of hotel development in Portsmouth over the last 5 years has been the continuing opening of small boutique hotels, particularly in Southsea, through the conversion of former hotels, guest houses and residential properties. The Mercer Collection has opened a further three boutique hotels in Southsea, while independent investors have opened the G! Boutique hotel in Southsea and the Ship Leopard Boutique Hotel at The Hard. The other significant development has been the conversion by Amazing Venues of two historic sea forts in the Solent into luxury venues for private parties, weddings and corporate events

NEW HOTELS IN PORTSMOUTH 2010-2015

Hotel	Location	No. Rooms	Year Opened
Luxury Venues			
Spitbank Fort	The Solent	9	2011
No Man's Fort	The Solent	22	2015
Boutique Hotels			
G! Boutique Hotel	Southsea	14	2012
Number Four	Southsea	10	2013
Florence Gardens	Southsea	6	2014
Florence Suite	Southsea	8	2014
Ship Leopard Boutique Hotel	The Hard, Portsmouth	13	2014

Changes in Hotel Ownership

- The Portsmouth Hilton at Farlington was acquired by St James's Hotels (now Atlas Hotels) in August 2014 and renamed as the Portsmouth Park Hotel.
- The Mercer Collection purchased The Clarence boutique hotel in Southsea in February 2015.

Investment in Existing Hotels

- None of Portsmouth's hotels have undergone major refurbishment programmes in the last 5 years.

Proposed Hotel Development

Hotels Under Construction

- LaSalle Investment Management is currently developing an 84-bedroom Premier Inn on the site of Midland House on Dugald Drummond Street in Portsmouth city centre. The hotel will open in October 2015.

Proposed Hotels

- There are currently three proposed hotel schemes in Portsmouth - a Village Urban Resort at the Lakeside North Harbour business park, one of the first UK sites for the new Urban Villa aparthotel chain, and a proposal for a budget hotel as part of the redevelopment of Zurich House. Details of these three schemes are given in the table overleaf.
- Portsmouth City Council has identified hotels as a key use that it would like to encourage as part of the regeneration of The Hard. The former Naval Academy is identified in the masterplan for the area as offering potential for conversion to a 100-bedroom hotel with conference facilities. Previous plans to convert PALL Europe's former Europa House headquarters office building to a 170-bedroom Travelodge and proposals for a 200-bedroom hotel as part of the redevelopment of the Brunel House site are not currently going ahead but there are other potential hotel sites at The Hard, as well as land adjacent to Gunwharf Quays and part of the Wight Link ferry terminal site.
- The City Council's Seafront Masterplan, launched in April 2013, includes an aspiration for a hotel with conference facilities as part of a comprehensive redevelopment of Clarence Pier. There are no current plans to progress this scheme, but it may come forward at some point in the future.

PORTSMOUTH HOTEL SUPPLY

PORTSMOUTH – PROPOSED HOTELS (AS AT MAY 2015)

Proposed Hotel/Site	Standard	No. Rooms	Details
Portsmouth			
Zurich House	Budget	117	Knightsbridge Student Housing Ltd submitted a planning application in March 2015 for the construction of an 8-storey, 117-bedroom budget hotel alongside the conversion and expansion of the Zurich House office building to provide 956 student bedrooms, 101 residential apartments and ground floor retail space. This represents a significant scaling back of the previous hotel proposals for the site, which included a 205-bedroom Jury's Inn 3 star hotel, a 150-bedroom hotel and 93 serviced apartments
The Smith by Urban Villa, Surrey Street, Portsmouth	Boutique aparthotel	228	£36.5m, 25-storey aparthotel proposed by Union Hanover. Planning permission granted by Portsmouth City Council. Practical completion scheduled for Q3 2016, although not yet on site
Village Urban Resort, Lakeside North Harbour	3 star	124	Highcross sold a 3.1 acre site at its Lakeside North Harbour Business Park to De Vere Group in 2012 for the development of a 124-bedroom Village Urban Resort hotel. Conditional planning permission was granted for the scheme in 2012. De Vere sold the Village Urban Resorts hotels to KSL Capital Partners in November 2014. The new owners of the brand are reportedly committed to growing the company, including the development of new sites. There could thus be some movement on this scheme soon.

PORTSMOUTH HOTEL SUPPLY

Planned Development of Existing Hotels

- Atlas Hotels is investing £5 million in 2015 in the refurbishment and repositioning of the Portsmouth Park Hotel as a new generation Holiday Inn Express .
- The Portsmouth Marriott is about to start work on a £6million refurbishment programme that will see the re-cladding of the hotel's exterior in 2015, a full bedroom refurbishment in 2016 and the renovation of the hotel's public areas and leisure club in 2017 and 2018.
- A bedroom refurbishment programme is planned for the Ibis Portsmouth Centre at the end of 2015.
- The Royal Maritime Club has plans for further investment in its bedrooms with a view to taking the hotel up to 3 stars.
- There are long-standing plans for the redevelopment of the Queens Hotel in Southsea as a smaller 22-bedroom boutique hotel and 30 residential apartments.
- Two of the city's 3 star hotels are looking at plans to add further bedrooms.

Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for Portsmouth hotels for 2012, 2013 and 2014 are summarised in the table overleaf.
- 3/4 star/upper-tier budget hotel occupancies have been consistently strong in Portsmouth over the last 3 years at 77-78%. Achieved room rates have strengthened considerably to be only just below national 3/4 star averages, whereas historically they have been well below provincial hotel industry norms. The loss of the high volume, low-rated business from BAE Systems following the closure of its ship building operations in Portsmouth, and its replacement with higher-rated corporate demand, has been a key factor in this improvement in achieved room rate performance for the city's hotels. The stronger economy, continuing growth in leisure demand and ability of hotels to yield room rates as a result of high occupancies have also contributed. The combination of high occupancies and improved achieved room rates has resulted in revpar figures for the city's 3/4 star/ upper-tier budget hotel sector that are now ahead of the national averages. Achieved room rate and revpar performance still varies substantially between hotels: two hotels trade at figures that are well ahead of provincial hotel industry averages, while two run at much lower levels of achieved room rate and revpar performance.
- Budget hotel performance remains very strong in Portsmouth and has further strengthened over the last 3 years to reach record levels of occupancy, achieved room rate and revpar in 2014.
- The boutique hotels in Southsea trade at very high occupancies and strong achieved room rate and revpar figures, typically at least on a par with, or above the top performing hotels in the city.

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

PORTSMOUTH HOTEL PERFORMANCE 2012-2014

Location/ Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate ² £			Average Annual Revpar ³ £		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
UK Provincial 3/4 Star Chain Hotels¹	69.6	72.0	73.9	69.97	72.00	76.49	48.72	51.84	56.53
Portsmouth 3/4 Star + Upper-Tier Budget ⁴	77	78	78	69	72	75	53	57	59
Portsmouth Budget	82	n/a	88	50	n/a	59	39	n/a	40
All Portsmouth Hotels ⁵	n/a	n/a	82	n/a	n/a	67	n/a	n/a	55

Source: Hotel Solutions – May 2015

Notes

1. Source: TRI Hotstats UK Chain Hotels Market Review
2. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
3. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges.
4. Limited service 3 star standard hotels: brands include Holiday Inn Express, Hampton by Hilton, Ramada Encore
5. Including boutique and 2 star hotels

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

Patterns of Demand

- Estimated average weekday and weekend occupancies for Portsmouth hotels in 2014 are summarised in the table below.

PORTSMOUTH HOTELS - WEEKDAY/ WEEKEND OCCUPANCIES – 2014

Standard	Typical Room Occupancy %			
	Mon-Thurs	Fri	Sat	Sun
3/4 Star /Upper-tier Budget Hotels	87	71	92	48
Budget Hotels	94	90	96	66
All Hotels	90	81	94	55

Source: Hotel Solutions – May 2015

- Midweek occupancies remain strong for Portsmouth 3/4 star/upper-tier budget hotels and have further strengthened for the city's budget hotels. Most 3/4 star/upper-tier budget hotels typically achieve weekday occupancies of at least 85%, while budget hotels consistently trade at midweek occupancies in excess of 95%.
- Tuesday and Wednesday nights are the strongest, with the city's hotels frequently filling and turning business away on these nights for much of the year. Monday occupancies are also strong. Thursday nights are softer, although most hotels still achieve occupancies of at least 70-75% on this night.
- Hotels of all standards have seen a significant improvement in weekend occupancies over the last three years.
- Saturday occupancies are strong for 3/4 star/upper-tier budget hotels. Friday occupancies are not quite as strong, generally running at around 70-80%, and Sunday occupancies are lower, at around 40-60%. Weekend occupancies are generally stronger between April and October.

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

- Portsmouth budget hotels consistently achieve high occupancies on Friday and Saturday nights throughout the year. They are frequently full and turn significant business away on Friday and Saturday nights, particularly during the summer months. Sunday occupancies are lower, although most of the city's budget hotels still frequently trade at occupancies of around 60-70% on this night.
- The boutique hotels in Southsea generally trade at, or close to capacity on six nights of the week for most of the year, other than in January and February. Sunday is their only quieter night.

Market Mix

- The midweek market mix for Portsmouth hotels is biased towards business demand, although less so in the summer months, when leisure demand increases. The weekend market mix is strongly weighted towards leisure demand although Portsmouth hotels do attract some weekend business demand, primarily from long stay corporate guests working on projects and corporate arrivals on Sunday nights.

Business Markets

- Corporate demand associated with companies in and around Portsmouth is the key business market for the city's 3/4 star/upper-tier budget hotels, accounting for 90-100% of their business demand. The corporate hotel market in Portsmouth has traditionally been dominated by a few very large companies that have been able to command low room rates from the city's hotels due to the high volumes of business that they place with them. There are some indications of this situation changing, particularly with the reduction in business from BAE Systems since it ceased its ship building operations in Portsmouth in 2014. A lot of corporate business in Portsmouth is related to projects being undertaken by companies in the city. Corporate business can therefore fluctuate from month to month and year to year. Some hotels attract a relatively high level of long-stay corporate business, particularly from international business visitors and those working on company projects for an extended period.

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

- The Portsmouth corporate market tends to be split between the city centre and the M27 corridor, with hotels in each location catering for demand from companies in their immediate vicinity. There is some movement of corporate business between the two locations but not significantly so. Hotels in Portsmouth's M27 Corridor attract some corporate demand from companies in Havant and Fareham.
- Residential conferences, meetings and training courses are a minor market for some of Portsmouth's 3 and 4 star hotels, typically accounting for around 10% of their business demand. Hotels tend to limit the size of residential conference that they will take to around 20 delegates, in order to concentrate on more lucrative corporate demand: residential conference business tends to be more rate sensitive. One hotel caters for a number of large naval conferences.
- Portsmouth's budget hotels generally attract a broadly even mix of midweek demand from business visitors and contractors working on construction and naval ship maintenance projects. Contractors are a secondary business market for some 3 star hotels.
- Some city centre budget hotels attract demand from ferry crews.
- Portsmouth University generates some demand for hotel accommodation from visiting academics and delegates attending conferences held on the university campus.

Leisure Markets

- Weekend breaks are the key leisure market for most of the city's 3/4 star/upper-tier budget hotels and the main source of weekend business for the boutique hotels in Southsea. Hotels also attract midweek leisure break business during July and August, when corporate demand reduces. Hotels generally achieve high rates for leisure break stays during the summer months. A few drive leisure break demand primarily through special offer rates that they put out through online travel agents, flash sales sites, other third party websites or their own hotel or company website. Leisure break business is primarily rate-driven during the winter. Portsmouth Historic Dock, the new Mary Rose Museum that opened in 2013, and Gunwharf Quays are key motivators of leisure break stays for the city's hotels. One hotel in the M27 Corridor attracts demand from families visiting Peppa Pig World at the Paulton's Park theme park in the New Forest. The Portsmouth Marriott caters for spa breaks: it is the only Portsmouth hotel with a spa. The boutique hotels in Southsea attract weekend break guests that are celebrating wedding anniversaries, landmark birthdays and other special occasions. This is also a key market for the historic fort venues in The Solent.
- Events that generate good demand for hotels in Portsmouth are as follows:
 - Great South Run
 - Events at Portsmouth Historic Dockyard
 - Tattoo Extravaganza
 - Portsmouth FC home matches
 - Portsmouth University graduation ceremonies
 - Victorious Festival, Southsea
 - Portsmouth International Kike Festival, Southsea
 - Isle of Wight Festival and Bestival, Isle of Wight
 - Cowes Week
 - Goodwood Festival of Speed, Revival and Glorious Goodwood
 - Mutiny Festival, Fontwell
 - Southampton Boat Show

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

- The America's Cup World Series race that will take place in Portsmouth in July 2015 and 2016 is set to generate significant high-rated demand for hotel accommodation in Portsmouth, potentially for a 10-day period, from teams, organisers, set up crews, media, sponsors and spectators during the event. Race teams will also require hotel accommodation throughout the year when they are training on the Solent.
- Ferry passengers are a significant weekend market for Portsmouth budget hotels between June and August. Ferry passengers are also a minor market for some of the city's 3/4 star/upper-tier budget hotels during these months
- Cruises departing from Portsmouth generate some demand for a few of the city's hotels. This is a much smaller market than in Southampton however, and is generally lower-rated business in Portsmouth.
- Group tours account for around 10-20% of leisure business for some of Portsmouth's 3/4 star hotels. Group tour business is a mix of UK and overseas groups mainly staying for single night stop overs on a tour of Southern England. Some hotels take series tours from a number of European countries. Group tour business tends to be very low-rated. Hotels primarily take it to provide them with base business to boost off peak occupancies.
- Weddings and functions are a secondary source of weekend leisure business for some 3/4 star hotels, accounting for 10-40% of their weekend trade. Two hotels attract demand from naval ship reunions and one caters for Masonic Lodge weekends.
- Football supporters attending Portsmouth FC home matches are a key market for one of the city's budget hotels but otherwise a minor market for Portsmouth hotels.
- Overseas tourists are a minor leisure market for Portsmouth's hotels, typically accounting for no more than 5% of leisure business.

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

- People visiting friends and relatives are a key source of weekend demand for budget hotels.
- Clubbers and stag & hen parties are a significant weekend market for budget hotels in Portsmouth City Centre.
- Other leisure markets for Portsmouth hotels are:
 - Football teams playing Portsmouth FC;
 - Parents of university students dropping off, collecting or visiting their children;
 - Visiting sports teams.

Market Trends

- In terms of **overall trends** in the last 3 years, the Portsmouth hotel market has strengthened significantly since 2012, particularly in terms of achieved room rates, with recovery and renewed growth in corporate demand and stronger leisure demand enabling hotels to drive room rates up on the back of strong occupancy performance.
- **Corporate demand** has increased as the economy has recovered and started to grow again. While business from BAE Systems has reduced substantially with the wind down and eventual closure of the company's ship building operations in Portsmouth in 2014, hotels have been able to more than replace this lost business with new higher-rated corporate demand, resulting in much higher corporate room rates overall.
- There are some signs nationally of recovery in the **residential conference market** as the economy picks up. This is only a minor market for two of Portsmouth's hotels that limit the size of residential conference that they will take in order to concentrate on more productive corporate business. Portsmouth has not therefore seen the recovery and growth in this market that other parts of the country have been enjoying
- **Contractor demand** for budget hotel accommodation has increased as construction activity has restarted but demand related to ship building has declined.
- **Leisure break business** has grown and weekend room rates have strengthened. The opening of the Mary Rose Museum gave a substantial boost to this market in 2013. The Victorious Festival, first established in 2012 in the Historic Dockyard to celebrate the Queen's Diamond Jubilee, has grown since its relocation to Southsea Seafront in 2014, to become a major music festival that generates significant demand for hotel accommodation. Hotels are trying to reduce their reliance on online travel agents for weekend leisure trade in order to reduce the commission charges that they have to pay.

PORTSMOUTH HOTEL PERFORMANCE & MARKETS

- **Group tour business** has remained largely static. Some hotels have reduced the number of group tours that they are taking as demand from other higher-paying leisure markets has grown.
- Two hotels reported an increase in demand from **ferry passengers** in 2014. Vehicle numbers on Continental and Channel Island ferry services increased by 2.04% in 2014, while vehicle numbers on the Isle of Wight car ferry service rose by 5.97%.
- One hotel reported growing demand from **cruise passengers**.
- **Weddings and functions** trade, and associated bedroom business, has increased for some hotels in 2014, following a downturn in weddings business in 2013 for some.
- City centre budget hotels have seen an increase in weekend demand from **clubbers and stag and hen parties**.

FUTURE GROWTH PROSPECTS

Strategic Context

- Portsmouth's economy is set to grow strongly as a massive programme of investment and regeneration comes on stream across the city. The City Council is currently progressing investment in a number of key projects and strategic sites with a range of development partners, which will radically improve the city's economic base and profile as a visitor destination. The most significant of these is the City Deal package, which will unlock the strategic development sites at Tipner, Horsea and Port Solent, potentially enabling the delivery of 2,370 homes and 58,000 sq m of employment space.

Major Projects

- Major development projects planned or progressed in Portsmouth are as follows:
 - **Portsmouth Naval Base** is currently undergoing a major transformation ahead of welcoming the Royal Navy's two new Queen Elizabeth Class aircraft carriers that will be based in Portsmouth as their home port from 2017 and 2020. £98million was invested in the base in 2014, including the opening of a new warship maintenance centre in October. In January 2015 the Government announced plans to invest a further £100m in new dock facilities for the new aircraft carriers. It has also shortlisted three companies to take over the ship halls vacated by BAE Systems following the closure of its ship building operations in 2014 - Burgess Marine, which proposes to use the facilities to construct and fit out luxury yachts; Magma Structures, which is looking to relocate its composite structures manufacturing operation in the city to the site; and BAE Systems that is proposing to base its Maritime Services business at the site.
 - Portsmouth has become the home for the headquarters of the **Ben Ainslie Racing** (BAR) team that is aiming to win the America's Cup in 2017. The city is also set to host two years of **America's Cup World Series** (ACWS) AC45 racing in July 2015 and 2016. These will be game changing developments for Portsmouth in terms of raising the city's profile as a centre for marine and maritime excellence, and its reputation as an exciting visitor destination and a venue for world class events.

FUTURE GROWTH PROSPECTS

- The ACWS racing will be a 4-day event each year, commencing with an opening ceremony and parade of sail on the Thursday, practice races on the Friday and two days of racing on the Saturday and Sunday. The event will have a purpose-built 'Great Waterfront Festival' site and Race Village Area that will provide a hospitality pavilion, viewing screens and live entertainment. The race will provide a significant boost to the city's hotel sector, potentially over a 10-day period, with set up crews, race teams, media and sponsors requiring accommodation in the run up to and during the event and up to 500,000 spectators expected to attend over the four days. Race teams will also require accommodation when practising on the Solent.
- BAR was launched in Portsmouth in June 2014. The team's HQ is close to completion on the Camber in Old Portsmouth. It will provide the focal point for the design, construction and development of the team's boats and the training of the crew. The building will include a visitor centre to allow the general public to see the construction of the team's boats first hand and understand some of the technology that has informed the design of the boats and the development of the team. It will also provide educational resources and space that can be hired for conferences and events. The initiative is intended to act as a catalyst to inspire and involve young people in the city, showcasing the sport and the commitment and dedication of the team to winning. It will also showcase leading technology and materials development in the marine sector in the Solent area, replicating the UK's F1 motor racing sector cluster and innovation hub in Northamptonshire. It is hoped that the project will mirror the success of the development of Team New Zealand's America's Cup team's base in Auckland, which has generated 1,000 new jobs and \$88m of benefit to the local economy.
- Should BAR win the 35th America's Cup in the US in 2017, the event could then be staged in Portsmouth from 2020, as the winner decides the venue for the next event. This would clearly provide a further massive boost to the Portsmouth hotel market.

FUTURE GROWTH PROSPECTS

- The new £35m state-of-the-art, Wilkinson Eyre-designed **Mary Rose Museum** opened at Portsmouth Historic Dock in May 2013. It allows visitors to view the hull of Henry VIII's warship Mary Rose alongside many of the thousands of artefacts that were recovered from within the sunken ship. Since opening it has been visited by more than 500,000 people.
- The Government's City Deal with Southampton and Portsmouth City Councils includes a £49m government grant and transfer of MOD land to support the redevelopment of the **Tipner-Horsea Island** site on the M275 route into Portsmouth, to provide 2,370 new homes and 58,000 sq m of employment spaces for the marine and advanced manufacturing sectors, with the aim of creating over 3,700 new jobs. The City Council has already invested £24m in a new motorway junction to serve the site and opened a new park-and-ride operation at the junction in 2014, with a dedicated bus lane into the city centre.
- Portsmouth City Council has identified **The Hard** as a key area for regeneration: its vision is to develop the area as a vibrant waterfront destination between Portsmouth Historic Dockyard and Gunwharf Quays. The masterplan for the area, adopted in 2010 and updated in 2012, identifies eight key sites with mixed use and tall building development potential, together with a number of other sites for retail, cafe, restaurant, hotel, exhibition and gallery uses. Three schemes are currently being progressed at The Hard:
 - The City Council is progressing the redevelopment of the transport interchange, costing in the region of £7m, as the first part of the regeneration of the area and a catalyst for further development proposals.
 - Bouygues Development has submitted a planning application to demolish Brunel House and replace it with a 40-storey tower that will provide 512 student bedrooms, 329 residential apartments and 10,000 sq ft of retail space.
 - Stuart Properties has received planning permission to convert the vacant PALL Europa Europa House office building into a student hall of residence for 262 students.

FUTURE GROWTH PROSPECTS

- The **City Centre Masterplan** identifies 20 opportunity sites in the City Centre for the development of residential, office, hotel, student accommodation and retail uses. Further retail and leisure development in the City Centre remains a key focus for the City Council.
- The **University of Portsmouth** is continuing to grow and develop, with plans to invest £100m in new academic buildings over the next 10 years.
- **Lakeside North Harbour** is an established office campus in the M27 Corridor covering 101 acres with over 600,000 sq ft of offices. It is home to a number of company headquarters and occupiers such as Capita and Babcock. Owners Highcross have planning permission for an office-led development, including Grade A corporate headquarters buildings, smaller office space and support facilities including a 124-bedroom Village Urban Resort hotel.
- In April 2013 Portsmouth City Council launched a masterplan for the improvement and development of **Southsea Seafrost**. It includes a range of measures for improving the seafrost public realm in terms of promenades and walkways, cycle paths; landscaping, lighting, public art, events spaces, viewing areas and sports and leisure facilities. It also identifies a number of potential projects for improving the leisure, cultural and attractions offer of the seafrost including:
 - The ARTches project to convert the arches within Point Battery in Old Portsmouth into an arts and crafts quarter;
 - Proposals for a comprehensive redevelopment of Clarence Pier to include offers such as a new hotel, cafes and restaurants, gallery spaces, music/performance spaces, funfair rides and a new hovercraft/bus interchange;
 - The expansion of the Blue Reef Aquarium;
 - Improvements to Southsea Castle and the D-Day Museum;
 - The possible redevelopment of the Pyramids Leisure Centre site;
 - The revamping of South Parade Pier to include quality restaurants and cafes and an events venue;
 - A proposed watersports hub at Eastney Beach.

FUTURE GROWTH PROSPECTS

- The development of **cruise business** at Portsmouth International Port is a key focus of the Port Master Plan to 2026, with investment planned in a new cruise ship berth. The number of cruise ships departing from, or calling in at Portsmouth is forecast to increase from 45 in 2015 to 75 in 2016. Nationally the UK cruise market is predicted to grow by 7% p.a. and Portsmouth's market share is expected to grow from 2% in 2015 to 3% in 2026. This will result in a tripling of the number of UK passengers joining cruises at Portsmouth, from 22,000 in 2015 to just over 70,000 in 2026.
- **Continental ferry traffic** continues to be an important part of the Port's business. Vehicle numbers dropped sharply in 2012 and 2013 as a result of rising fuel costs, but increased slightly in 2014. Looking ahead car ferry passenger numbers are forecast to grow by 1.5% p.a.

Future Market Prospects

- Corporate demand for hotel accommodation in Portsmouth looks set to continue to grow as the Portsmouth, Solent and UK economies expand, new offices and industrial units are developed and occupied, and the marine, defence, aerospace, environmental technologies, advanced manufacturing and digital sectors grow.
- MOD business is likely to recover and grow again as the naval base is revitalised, particularly with the arrival of the new aircraft carriers in 2017 and 2020.
- The residential conference market is beginning to recover and grow again nationally. There is potential for existing and new hotels in Portsmouth to capitalise on the growth in this market if they wish to.
- Portsmouth University should continue to attract association and academic conferences during vacation periods, which could generate bedroom business for nearby hotels. The University has identified that it may be able to attract more conferences during term time if there was a sufficiently large hotel in the vicinity of the University.

FUTURE GROWTH PROSPECTS

- Contractor demand for budget hotel accommodation looks likely to increase as a result of renewed construction activity and the increase in naval ship repair and maintenance work at the Portsmouth Naval Base. Construction projects should also generate some demand for 3 and 4 star hotel accommodation from architects, civil engineers and other professionals that are working on them.
- Research undertaken by Deloitte and Oxford Economics for VisitBritain in 2013¹ projects an average annual growth in domestic tourism in the UK of 3% and a real annual growth rate in domestic tourist spending on overnight stays of 8.7% from 2013 to 2025. There is no reason to think that leisure break business for Portsmouth hotels should not grow at least in line with this national forecast. The America's Cup World Series racing in 2015 and 2016 will provide a significant boost to the city's leisure break market in 2015 and 2016, and also in the longer term as a result of the heightened profile that the event will give to the city as a visitor destination. The Ben Ainslie Racing visitor centre will give Portsmouth a new attraction to complement the Historic Dockyard, Mary Rose Museum and Gunwharf Quays. In the longer term the further development of the Historic Dockyard and visitor offer of Old Portsmouth and Southsea Seafront will further strengthen Portsmouth's appeal as a leisure break destination.
- Ferry-related demand for hotel accommodation in Portsmouth should increase over the next few years as demand for outbound overseas holidays starts to grow again.
- Cruise ship traffic through Portsmouth is also forecast to increase significantly through to 2026, albeit from a much lower base than Southampton.

¹ Tourism Jobs and Growth: The economic Contribution of the Tourism Economy to the UK, Deloitte/Oxford Economics, November 2013.

FUTURE GROWTH PROSPECTS

- The future prospects for overseas tourism to Britain look very promising as a result of the heightened exposure of the country during 2012. The Deloitte/Oxford Economics report for VisitBritain projects a 6.1% per annum growth in inbound tourism to the UK and an average real annual growth rate of just over 14% in overseas tourist spending in the UK through to 2025. Strong growth is expected to come from the emerging economies such as China, UAE, India, Brazil and Russia due to the increasing wealth of consumers in these countries. There could however be a reduction in demand from near European markets with the slowdown in the Eurozone economy. It must also be recognised that London is likely to be the main beneficiary of inbound tourism growth, especially from long-haul markets. VisitBritain is however very focused on spreading the benefits across the UK and there are opportunities for all parts of the country, including Portsmouth, to see growth in near overseas tourist markets.
- Demand for hotel accommodation related to weddings and functions is likely to grow as the city's population increases.
- The visiting friends and relatives market is also likely to grow in line with growth in population. This is a particularly strong market for budget hotels.
- Clubbers and stag and hen parties are likely to remain a key weekend market for budget hotels in Portsmouth city centre. Demand should increase from these markets as the city's evening economy develops.
- There could be scope for 3 and 4 star hotels to take more group tour business. This is however low-rated business that hotels will seek to limit if they are able to attract demand from other higher paying markets, although it can be useful in helping hotels to boost occupancies for off-peak nights and periods.

HOTEL DEVELOPMENT OPPORTUNITIES 2015-2020

Standard/ Type of Hotel	Commentary
<p>The Village Urban Resort hotel at Lakeside North Harbour</p>	<ul style="list-style-type: none"> ▪ The new owners of the Village Urban Resort brand, KSL Capital Partners are likely to progress this hotel scheme given their stated aim to expand the brand in the UK. The hotel should be able to attract corporate demand from existing and newly attracted companies on the expanded business park.
<p>A second international 4 star brand</p>	<ul style="list-style-type: none"> ▪ A second international 4 star hotel is a clear priority and opportunity for Portsmouth, given the strong and growing demand for a hotel of this standard from the corporate market, the potential for such a hotel to develop residential conference business, and the strength of Portsmouth as a weekend and summer break destination. Another international 4 star brand would add to the city's hotel offer and generate new business for the city.
<p>Boutique Hotels</p>	<ul style="list-style-type: none"> ▪ The strong performance of the boutique hotels that have opened in Southsea and Portsmouth, together with the increasing demand for quality hotels from the top end of the corporate market and the strong appeal of Portsmouth for leisure breaks, suggest scope for the development of further boutique hotels in Portsmouth and Southsea in terms of both further independent boutique hotels and potentially also boutique hotel brands such as Hotel du Vin, Malmaison and Indigo.
<p>Upper-tier Budget and Budget Boutique Hotels</p>	<ul style="list-style-type: none"> ▪ There is clear evidence of market potential for additional budget hotel provision in Portsmouth. The city's existing budget hotels are achieving very high occupancy levels and frequently denying significant business. The priorities in terms broadening the city's hotel offer are upper-tier budget brands that are not yet represented in Portsmouth, including Hampton by Hilton and Ramada Encore, and some of the new budget boutique brands that are developing in the UK, such as Hub by Premier Inn, Moxy, Z Hotels and Aloft.
<p>Aparthotels</p>	<ul style="list-style-type: none"> ▪ There is potential for an aparthotel in Portsmouth to cater for the strong and growing long stay corporate demand that there is in the city and provide another accommodation option for weekend leisure break visitors, in particular families. The proposed Urban Villa aparthotel in the city centre would meet much of this requirement.

SOURCES OF FURTHER INFORMATION

For further information and contacts or to discuss your requirements contact:

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