

SOUTHAMPTON HOTEL MARKET FACT FILE

May 2015

INTRODUCTION

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

- The current hotel supply in Southampton;
- Recent hotel development;
- Current hotel development proposals;
- Recent hotel performance (2012-2014)
- The key markets for hotel accommodation in Southampton;
- 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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SOUTHAMPTON HOTEL SUPPLY

Current Hotel Supply

- Southampton is currently served by a total of 38 hotels, with 3,372 letting bedrooms. This supply is split broadly evenly between Southampton City Centre and the Southampton/Eastleigh M27 Corridor. The city centre hotel supply is a mix of boutique, 4 star, 3 star and budget hotels. While there is no aparthotel or purpose-built serviced apartment complex currently in Southampton City Centre, 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 the Southampton/Eastleigh M27 Corridor is a mix of 4 star, 3 star and budget hotels. The supply here includes two 4 star golf hotels and a country house conference centre/ wedding venue.

CURRENT HOTEL SUPPLY – SOUTHAMPTON CITY CENTRE MAY 2015

Standard	Hotels	Rooms	% of Rooms
5 star	0	0	0
Boutique	4	48	2.9
4 star	3	393	23.8
3 star	3	396	23.9
2 star	2	97	5.9
Upper-tier Budget ¹	0	0	0
Budget	5	685	41.4
Non-inspected	1	10	0.6
Aparthotel/ Serviced apartment complexes	1	25	1.5
Total Hotels	19	1654	100.0

CURRENT HOTEL SUPPLY – SOUTHAMPTON/EASTLEIGH M27 CORRIDOR MAY 2015

Standard	Hotels	Rooms	% of Rooms
5 star	0	0	0
Boutique	0	0	0
4 star	5	544	31.7
3 star	5	394	22.9
2 star	0	0	0
Upper-tier Budget ¹	2	281	16.4
Budget	7	499	29.0
Non-inspected	0	0	0
Aparthotel/ Serviced apartment complexes	0	0	0
Total Hotels	19	1718	100.0

Notes:

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

SOUTHAMPTON HOTEL SUPPLY

SOUTHAMPTON HOTEL SUPPLY – MAY 2015

Hotel	Standard/Type	Bedrooms
Southampton City Centre		
Grand Harbour	4 star	173
Novotel Southampton	4 star	121
Mercure Southampton Centre Dolphin	4 star	99
The White Star Tavern	Boutique	13
The Pig-in-the-Wall	Boutique	12
Ennio's	Boutique	10
Cargo	Boutique	13
Holiday Inn Southampton	3 star	126
Jury's Inn Southampton	3 star	270
The Star	2 star	44
Elizabeth House	2 star	53
Blue Keys	n/a	10
Premier Inn Southampton City Centre	Budget	172
Premier Inn Southampton West Quay	Budget	155
Travelodge Southampton	Budget	57
Travelodge Southampton West Quay	Budget	84
Ibis	Budget	93
Ibis Budget	Budget	124
Town or Country	Serviced Apts	25
Total Bedrooms		1,645
Southampton/Eastleigh M27 Corridor		
Hilton Southampton	4 star	135
Macdonald Botley Park	4 star Golf Hotel	130
Marriott Meon Valley	4 star Golf Hotel	113
New Place	4 star Conference Venue	110
Botleigh Grange	4 star	56
Holiday Inn Southampton Eastleigh	3 star Branded	129
Best Western Chilworth Manor	3 star	94
Highfield House	3 star	68
Ellington Lodge	3 star	35
Marwell	3 star	68
Holiday Inn Express Southampton M27 Jct7	Upper Tier Budget	176
Holiday Inn Express Southampton West	Upper Tier Budget	105
Premier Inn Southampton North	Budget	72
Premier Inn Southampton West	Budget	83
Premier Inn Southampton Airport	Budget	121
Premier Inn Southampton (Eastleigh)	Budget	80
Travelodge Eastleigh Central	Budget	60
Travelodge Southampton Eastleigh	Budget	44
Days Inn Southampton Rownhams	Budget	39
Total Bedrooms		1,718

SOUTHAMPTON HOTEL SUPPLY

Changes in Supply 2010-2015

New Hotels

- The latest new hotel to open in Southampton is the Travelodge Southampton West Quay, which opened in the city centre in March 2015. Prior to this the last new hotels to open in the city centre were the Premier Inn Southampton West Quay in 2011 and the Pig-in-the-Wall boutique hotel in 2012. In the M27 Corridor a new Travelodge opened in Eastleigh town centre in 2012.

NEW HOTELS IN SOUTHAMPTON 2010-2015

Hotel	Location	No. Rooms	Year Opened
Budget Hotels			
Premier Inn Southampton West Quay	Southampton City Centre	155	2011
Travelodge Eastleigh Central	Eastleigh	60	2012
Travelodge Southampton West Quay	Southampton City Centre	84	2015
Boutique Hotels			
The Pig-in-the-Wall	Southampton City Centre	12	2012

Changes in Hotel Ownership

- De Vere sold the Grand Harbour to a private buyer in 2013. The hotel underwent a £4m refurbishment programme in 2014.
- The city centre 3 star Southampton Park Hotel ceased trading in February 2015 and is currently closed. It has been acquired by Premier Inn. It is not yet clear whether they will refurbish the hotel or demolish it and build a new hotel in its place.
- In the M27 Corridor Chilworth Manor was sold to asset management company Frank Thornton Ltd in December 2014. They are currently investing in the refurbishment of the hotel and have appointed Legacy Hotels & Resorts to manage it for them.

SOUTHAMPTON HOTEL SUPPLY

Investment in Existing Hotels

- Four Southampton hotels have added bedrooms in the last 2 years: the Mercure Dolphin added 9 bedrooms in 2013, while the Southampton West, Southampton North and Eastleigh Premier Inns added 16, 22 and 20 bedrooms respectively in 2014.

SOUTHAMPTON HOTELS – EXTENSIONS AND UPGRADES 2012-2015

Hotel	Location	New Bedrooms	Total Bedrooms Now	Upgrading/New Facilities
4 Star				
Grand Harbour	Southampton City Centre		173	£4m refurbishment programme completed in 2014
Mercure Dolphin	Southampton City Centre	9	99	New superior standard 'privilege' bedrooms opened in May 2013 through the conversion of outbuildings
Budget				
Premier Inn Southampton North	Nursling	22	72	Bedroom extension completed 2014
Premier Inn Southampton West	Ower	16	83	Bedroom extension completed 2014
Premier Inn Southampton (Eastleigh)	Eastleigh	20	80	Bedroom extension completed 2014

Proposed Hotel Development

Hotels Under Construction

- The 171-bedroom 4 star Hilton hotel and spa is about to open in May 2015 as part of the £48million development of the Ageas Bowl cricket ground, which includes new stands to increase the venue's total capacity to 25,000 for major matches, alongside a new 18-hole golf course.
- Preliminary work is now underway on the 85-bedroom luxury Southampton Harbour Hotel & Spa at Ocean Village, scheduled for a 2017 opening.

SOUTHAMPTON HOTEL SUPPLY

Proposed Hotels

- Plans were unveiled in March 2015 for a 152-bedroom Moxy budget boutique hotel on a site near to the IKEA store and Premier Inn West Quay.
- Premier Inn is planning to develop a new hotel on the site of the former Southampton Park hotel on Cumberland Place.
- In the longer term hotels are being talked about as part of the WestQuay Watermark Phase 2, Royal Pier Waterfront, and Station Quarter mixed-use development schemes in Southampton City Centre, while in the M27 Corridor new hotels have been mooted for the Eastleigh Riverside regeneration area and Southampton Airport.

SOUTHAMPTON – PLANNED & PROPOSED HOTELS (AS AT MAY 2015)

Proposed Hotel/Site	Standard	No Rooms	Status	Details
Southampton City Centre				
Southampton Harbour Hotel & Spa, Ocean Village	Luxury spa hotel	85	Under Construction - due to open 2017	Nicolas James Group started preliminary works on the development of its new Southampton Harbour Hotel & Spa in April 2015. The hotel will include 85 bedrooms and a luxury spa along with the group's award winning Jetty restaurant concept, a rooftop Champagne bar and private mooring. 100 residential apartments will also be built next to the hotel.
Moxy	Budget Boutique	152	Early stages - possible opening end 2016	Marriott International and Vastint Hospitality signed an agreement in March 2015 with Southampton City Council to develop a new Moxy budget boutique hotel on a vacant site off Harbour Parade. A planning application is expected by the end of 2015, with construction to commence shortly after, with a view to a possible opening by the end of 2016
Premier Inn Cumberland Place	Budget	n/a	Early stages - possible opening 2016	Premier Inn acquired the hotel in March 2015. It is not yet known whether it will refurbish the hotel or demolish it to build a new hotel.

SOUTHAMPTON HOTEL SUPPLY

Proposed Hotel/Site	Standard	No Rooms	Status	Details
M27 Corridor				
Hilton at the Ageas Bowl	4 Star	171	Under Construction - opening May 2015	171-bedroom hotel overlooking the Ageas Bowl cricket ground and new golf course. The hotel includes a luxury spa, Marco Pierre White restaurant and extensive meeting and events facilities for up to 700 guests.
Southampton Airport	n/a	100	Pre-application	Proposed hotel on the airport site currently in pre-application discussions.

Planned Development of Existing Hotels

- In terms of planned investment in existing hotels, two hotels in the city centre have plans for major refurbishment in 2015 and another is at pre-application discussions for a bedroom extension. In the M27 Corridor outline planning permission has been granted for the expansion and development of the Macdonald Botley Park hotel, while a refurbishment programme is planned for the Marriott Meon Valley in 2016/17. Another hotel in the M27 Corridor is in pre-application discussions for additional bedrooms.

SOUTHAMPTON – PLANNED DEVELOPMENT OF EXISTING HOTELS

Hotel	Standard	New Rooms	Proposed Development
Southampton City Centre			
Jury's Inn	3 star		Bedroom refurbishment planned Q4 2015
Ibis Budget	Budget		Refurbishment planned for 2015
Southampton/Eastleigh M27 Corridor			
Botleigh Grange, Hedge End	4 star		£1m refurbishment programme starts April 2013
Chilworth Manor	3 star	48	Has planning permission for a bedroom extension. No plans to implement currently.
Macdonald Botley Park	4 star	44	Eastleigh Borough Council has granted outline planning permission for the redevelopment of Botley Park's golf course for the Boorley Green housing development (1,400 homes). The scheme includes a proposal to extend the hotel to provide 44 additional bedrooms alongside new conference and leisure facilities.
Marriott Meon Valley	4 Star		Refurbishment planned for 2016/17

Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for Southampton hotels for 2012, 2013 and 2014 are summarised in the table overleaf.
- Hotel occupancies are very high in Southampton City Centre and grew significantly in 2014, with most hotels averaging over 80% for the year and many budget hotels recording annual room occupancies in excess of 85%. Achieved room rates are well below national averages however, although some boutique hotels and one 4 star hotel trade at significantly higher room rates. Achieved room rates are very low for one 3 star and one 4 star hotel. All hotels reported an increase in achieved room rates in 2014 and some boutique hotels saw very strong rate growth compared to 2013. While achieved room rates are not particularly high for most of the city's 3 and 4 star hotels, the high levels of occupancy that they achieve deliver revpar results for the Southampton city centre 3/4 star hotel sector that are only just below the national average.
- Occupancies are not as strong for most 4 star hotels in the M27 Corridor but achieved room rates are broadly on a par with the city centre 4 star average. Occupancies are stronger for 3 star hotels but achieved room rates are much lower. Budget hotels in the M27 Corridor are trading strongly, with many reporting average annual room occupancies of over 85% in 2014 and achieved room rates in excess of £60.

SOUTHAMPTON HOTEL PERFORMANCE & MARKETS

SOUTHAMPTON HOTEL PERFORMANCE 2012-2014

Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate £			Average Annual Revpar £		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
UK Provincial 3/4 Star¹	69.6	72.0	73.9	69.97	72.00	76.49	48.72	51.84	56.53
Southampton City Centre									
4 Star	78	78	82	76	74	76	59	58	62
3/4 Star	76	77	81	66	65	68	50	50	55
Budget	79	n/a	85	47	n/a	53	37	n/a	45
M27 Corridor									
4 star	70	70	72	70	72	75	49	51	54
3 star	74	76	78	54	56	59	40	45	46
Budget	81	n/a	84	51	n/a	57	41	n/a	48

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.

Patterns of Demand

- Midweek hotel occupancies are strong in both Southampton City Centre and the Southampton/Eastleigh M27 Corridor, with most hotels typically achieving weekday occupancies of 85-90%. Some budget hotels in the M27 Corridor consistently achieve very high weekday occupancies of 90-95%.
- Tuesday and Wednesday nights are generally the strongest, with hotels in the City Centre and M27 Corridor frequently filling and turning business away on these nights, particularly between April and October, when cruise passenger demand is at its highest. Monday night occupancies are also high and strengthened in 2014, with many hotels often filling on this night throughout the year. Occupancies generally dip a little on Thursday nights.
- Friday and Saturday occupancies are strong for 3/4 star and boutique hotels in the City Centre and for budget hotels in both the City Centre and M27 Corridor, especially between April and October. Weekend occupancies are more seasonal for 3 and 4 star hotels in the M27 Corridor: they are strong during the summer months but low in the winter.
- Sunday occupancies generally run at around 60% for city centre 3 and 4 star hotels, 40-50% for 3 and 4 star hotels in the M27 Corridor, and 50-60% for most budget hotels.

Market Mix

- The midweek market mix for Southampton hotels is biased towards business demand, although less so in the City Centre due to the strength of the cruise passenger market here. The weekend market mix for Southampton hotels is strongly weighted towards leisure demand.

Business Markets

- Corporate demand associated with companies in and around Southampton is the key business market for 3 and 4 star hotels in Southampton City Centre and the Southampton/Eastleigh M27 Corridor.
- Residential conferences, meetings and training courses are a minor market for most of Southampton's 3 and 4 star hotels, typically accounting for no more than 5-10% of their business demand. They are a more significant source of business for the Grand Harbour (which has extensive conference facilities) and the 4 star golf hotels and one of the 3 star hotels in the M27 Corridor. Some hotels limit the size of residential conference that they will take to around 15-20 delegates, or decline residential conference business entirely in order to concentrate on higher-rated transient corporate business.
- The Southampton Boat Show generates substantial business for Southampton hotels over a 10-day period. City Centre hotels can command very high room rates during the Show. Other exhibitions and conventions that generate significant demand for hotel accommodation in Southampton are Seaworks, Ocean Business and the CLIA Selling Cruise Conference.
- Southampton's budget hotels generally attract a broadly even mix of midweek demand from business visitors and contractors working on construction and development projects.
- Contractors are also a market for 2 star hotels in Southampton alongside transient corporate demand.
- Aircrew are a minor source of business demand for one 4 star hotel in the Southampton/Eastleigh M27 Corridor.
- The universities in Southampton generate demand for hotel accommodation from visiting academics, lecturers and examiners, as well as delegates attending conferences held on the university campuses.
- Film crews working on TV and film projects in the city are a further source of business for city centre hotels.

Leisure Markets

- Cruise passengers from the UK and overseas are the main leisure market for hotels of all standards in Southampton City Centre between April and October, generating both weekend and midweek demand and frequently filling city centre hotels during these months. This is a key market that contributes to the high occupancies for Southampton City Centre hotels. Some cruise passengers, especially international passengers joining cruises at Southampton, will pay high rates for 4 star and boutique hotel accommodation. Cruise passenger demand is more price sensitive for other hotels.
- Cruise passengers account for around 20% of leisure demand for hotels of all standards in the Southampton/Eastleigh M27 Corridor. They tend to pick up cruise passenger business when a number of cruises are departing and when some of the larger cruise ships are leaving. 4 star hotels here are generally less able to command the premium rates from cruise passengers that city centre 4 star hotels can. Some hotels offer 'Park & Cruise' packages, allowing cruise passengers to leave their cars in their car parks. Most of these hotels have to limit the number of such packages they sell due to limitations on the capacity of their car parking.
- Cruise ship launches and inaugural visits generate demand for hotel accommodation in Southampton City Centre from spectators.
- Leisure breaks are the strongest leisure market for most hotels in the Southampton/Eastleigh M27 corridor, typically accounting for around 60-70% of their leisure business. Peppa Pig World at Paulton's Park is the key motivator of leisure break stays for hotels in the Southampton/Eastleigh M27 Corridor. The New Forest, Isle of Wight and Portsmouth are also draws. Golf hotels also trade in the golf break market.
- Leisure breaks are also an important secondary leisure market for City Centre 3 and 4 star hotels, most of which achieve good leisure break rates between April and October. Leisure break business tends to be more rate-driven in the winter months.

SOUTHAMPTON HOTEL PERFORMANCE & MARKETS

- Group tours are a significant market for one 3 star hotel in Southampton City Centre and a minor market for other city centre 3 and 4 star hotels. Some 3 and 4 star hotels in the Southampton/Eastleigh M27 Corridor also take group tours. Group tour business is a mix of UK and overseas groups either staying for single night stop overs on a tour of Southern England or 2-4 night breaks. Some hotels take series tours from a number of European countries, including Germany, Italy and Russia. 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 an important source of leisure business for some 3 and 4 star hotels in the Southampton/Eastleigh M27 Corridor. They are a minor market for City Centre 3 and 4 star hotels. People attending weddings and other family occasions are a key weekend market for budget hotels in the M27 Corridor.
- Football supporters attending Southampton FC home matches are a further weekend market for hotels in Southampton.
- Air passengers departing on holiday flights generate some business for hotels at or close to Southampton Airport.
- Overseas tourists are a minor leisure market for Southampton's hotels.
- People visiting friends and relatives are a key source of weekend demand for budget hotels, especially in the Southampton/Eastleigh M27 Corridor.
- Parents of university students dropping off, collecting or visiting their children are a further source of leisure demand for hotels in Southampton.
- Clubbers and stag & hen parties are a significant weekend market for budget hotels and one 3 star hotel in Southampton City Centre.

SOUTHAMPTON HOTEL PERFORMANCE & MARKETS

- Events that generate good demand for hotels in Southampton are summarised in the tables below:

EVENTS THAT GENERATE BUSINESS FOR SOUTHAMPTON HOTELS

Event	Locations Where The Event Generates Business for Hotels
Southampton Boat Show	Southampton City Centre M27 Corridor
Seaworks	Southampton City Centre
Ocean Business	Southampton City Centre
CLIA Selling Cruise Conference	Southampton City Centre
Cruise ship launches/ inaugural cruises	Southampton City Centre M27 Corridor
Common Festival	Southampton City Centre
ABP Southampton Half Marathon	Southampton City Centre
Goodwood Festival of Speed + Revival	M27 Corridor
Cowes Week	Southampton City Centre
Southampton FC home matches	Southampton City Centre
University graduation ceremonies	M27 Corridor Southampton City Centre
University open days	Southampton City Centre M27 Corridor
Cricket matches at the Ageas Bowl	M27 Corridor Southampton City Centre
Mayflower Theatre productions	Southampton City Centre
Great South Run	M27 Corridor
Isle of Wight Festival	Southampton City Centre M27 Corridor
Bestival	Southampton City Centre
Beaulieu Auto Jumbles + Boat Jumble	M27 Corridor
Concerts and events at Broadlands	M27 Corridor
Farnborough Air Show	M27 Corridor

- The America's Cup World Series catamaran racing in Portsmouth in July 2015 and 2016 is expected to generate demand for hotels in the M27 Corridor and potentially also for city centre hotels.
- Other leisure markets for hotels in Southampton are as follows:
 - People coming across to Southampton from the Channel Islands for shopping, particularly in the run up to Christmas – for hotels in Southampton City Centre;
 - Football teams playing Southampton FC;
 - Cricket teams playing at the Ageas Bowl;
 - Other visiting sports teams;
 - Hospital visitors.

Market Trends

- In terms of **overall trends** the Southampton hotel market has strengthened significantly in the last 3 years, particularly in 2014, with continued growth in the cruise market alongside recovery and renewed growth in corporate and contractor demand, stronger leisure break business, particularly for Peppa Pig World, and an increase in football demand since Southampton FC were promoted to the Premier League in 2012. Some hotels have also seen renewed demand for residential conferences.
- **Corporate demand** has strengthened, both in the City Centre and M27 Corridor, as the Southampton, Solent and UK economies have recovered and started to grow again. Greater levels of transient corporate business have enabled hotels to achieve higher corporate rates.
- The residential conference market has started to recover nationally and those hotels in Southampton that cater for it have seen a growth in **residential conference business**.
- **Contractor demand** for budget hotel accommodation has increased in Southampton City Centre and the M27 Corridor as a result of renewed construction activity.
- Hotels in the vicinity of Southampton Airport have seen renewed growth in business from **air passengers**. Terminal passenger throughput at the airport increased by 1.7% in 2013 and 6.2% in 2014.
- The **cruise market** has continued to grow in Southampton over the last 3 years, with many hotels in the city centre and M27 Corridor reporting an increase in cruise passenger business.

SOUTHAMPTON HOTEL PERFORMANCE & MARKETS

- Most hotels in the M27 Corridor, and some city centre hotels, have seen a significant increase in demand from families coming for **Peppa Pig World breaks** sold through Holiday Extras. Demand for **other leisure breaks** has also increased for some city centre 3 and 4 star hotels, although remains highly price competitive and driven primarily through the online travel agents (booking.com, LateRooms, Expedia etc). One golf hotel reported an increase in golf break business, while another has seen increased demand for spa breaks.
- Demand from **football supporters** has increased since Southampton FC were promoted to the Premier League in 2012.
- Most of the 3 and 4 star hotels that cater for **group tours** have reduced the numbers of tour groups that they are taking as demand from higher-paying leisure markets has increased.
- Some hotels that cater for **weddings and functions** have seen an increase in this market in 2014.
- Many hotels reported a drop in business from the **Southampton Boat Show** in 2014.
- Budget hotels in the M27 Corridor have seen an increase in demand from the **visiting friends and relatives** market.

FUTURE GROWTH PROSPECTS

Strategic Context

- Southampton's City Centre Master Plan launched in 2012 targets the creation of 24,000 jobs, £3bn of investment, 270,000 sq m of retail, 300,000 sq m of offices, 5,000 new homes and 3,000 hotel beds by 2030. It focuses on the transformation of seven areas of the city centre - the Cultural Quarter, Fruit & Vegetable Market, Itchen Riverside, Royal Pier, Southampton Solent University campus and Station Quarter and Western Gateway.

Major Projects

- Major development projects that have been completed or are underway or planned in Southampton are as follows:
 - The **Royal Pier Waterfront** scheme aims to create one of the finest waterfront developments in Europe and a jewel in the Southampton crown. The development will deliver an improved and extended Mayflower Park, including an enhanced and permanent site for the PSP Southampton International Boat Show – the largest on-water boat show in Europe. It will provide Southampton and Hampshire with a step-change in the economy, with an estimated 3,500 construction jobs and 6,200 permanent jobs and improvement to both port operations and ferry services. Also included in the scheme are 700 homes; a variety of restaurants, cafes and bars; a landmark 4/5 star hotel and a smaller boutique hotel; waterfront offices; specialist shops and potentially a casino. RPW (Southampton) Ltd, a joint venture company owned by Morgan Sindall Investments Limited and funders Lucent Group signed a development agreement with the land owners (Southampton City Council, Associated British Ports and The Crown Estate) in 2014 and is now in the process of submitting a planning application for the scheme.

FUTURE GROWTH PROSPECTS

- Construction of Hammerson's £70 million **WestQuay Watermark** dining and leisure destination in the Heart of the City adjacent to the West Quay shopping centre commenced in March 2015 and is due to open in late 2016. The scheme has attracted an impressive line-up of tenants including Cinema de Lux and major restaurant brands including Wahaca, Byron, Bill's, Zizzi, Nando's and Five Guys. The second phase of the scheme to be progressed in 2018 has the potential to include a hotel and residential tower, with flexibility also for retail and office space.
- Hampshire and Regional Property Group's £50 million scheme to transform Southampton's former **Fruit and Vegetable Market** was approved in March 2015. This residential-led mixed-use scheme will include up to 260 apartments, 1,000 sq m of commercial floorspace, affordable housing and an improved streetscape. It will form the cornerstone of the new Fruit and Vegetable Market Quarter.
- The City Council has plans to transform the **Southampton Station Quarter** into an arrival experience fit for a major city. The first phase of highway improvements to the north side of the station was completed in December 2014. The £5 million second phase will see the creation of a new bus interchange facility. Major development opportunities have been identified around a new station square to include a hotel, serviced offices, retail and a boulevard linking to the West Quay shopping centre.
- The £120m **Southampton Marine and Maritime Institute** opened at the University of Southampton's Boldrewood site in 2014. Developed through a collaboration between the University and Lloyd's Register Group the development has created a new state-of-the-art marine technology centre incorporating the Marine and Maritime Institute and Lloyd's Register's Global Technology Centre, housing 400 staff. The Institute aims to be a world leading centre for marine and maritime innovation, education and expertise that will ensure that the Solent becomes a major focus for inward investment in the marine sector.

FUTURE GROWTH PROSPECTS

- Other developments planned at the **University of Southampton** include the launch of the new Southampton Business School in 2014, focused on science and engineering, and the establishment of a £20 million cancer immunology centre in 2015.
- **Southampton Solent University** is progressing a £70 million development of its East Park Terrace campus in the centre of Southampton. A £30million academic teaching building with lecture and seminar rooms and a flexible space for exhibitions and events is due to be completed in 2015. Further phases include a new sports and sports science complex.
- Crest Nicholson is working in partnership with the HCA, Southampton City Council, Radian Homes and the Spectrum Housing Group to develop **Centenary Quay** as a new community at Woolston Riverside. Two phases of residential apartments have so far been completed and third is underway. The scheme also includes a marine employment quarter, which aims to create 1,000 jobs.
- At **Ocean Village** the Admiral's Quay development is now complete. It includes Southampton's tallest residential building, providing 299 apartments. Work has just started on the luxury Southampton Harbour Hotel & Spa and residential development and work is also underway to bring top restaurants and cafes to the marina.
- Work is currently underway on Grosvenor Developments' new **Arts Complex** at the heart of the city's Cultural Quarter. Due to open in 2016 the complex will incorporate a performing arts building housing a 447-seat theatre, 135-seat studio, screening facilities, workshop and education space and a cafe bar and bistro. It will also provide a new home for the University of Southampton's John Hansard Gallery and City Eye film and video arts organisation. Associated development includes 38 apartments, restaurants and some retail, due to open in 2015. The complex will transform Southampton's ability to present a high quality cultural programme from local, national and international artists.

FUTURE GROWTH PROSPECTS

- **The Bond** is the South Coast's largest proposed office development. Located in the heart of Southampton's business district it will provide 156,700 sq ft of Grade A office accommodation over nine floors.
- Kier Property is currently in the process of redeveloping the **former Ordnance Survey** site on Romsey Road to provide 179 new homes, new offices, shops and a restaurant, creating 150 new jobs.
- Ten planning applications were submitted in 2014 for the next phases of office, logistics, industrial, residential and leisure floorspace at Barker-Mill Estates' 75-acre **Adanac Business Park** at Nursling to the west of Southampton, to add to the Ordnance Survey HQ which opened in 2011. The proposals could create up to 3,600 new jobs.
- Plans for a new **Lidl distribution centre** employing up to 400 people have been unveiled for a site in Nursling adjacent to Adanac Park
- The **Southampton Airport** Masterplan was produced in 2006 and is intended as a long term vision to 2030. Passenger numbers at that point were forecast to grow from 1.9 million to just over 3 million by 2015 and 6 million by 2030. The Airport aspires to be Europe's leading regional airport and believes that it is well placed to capture future short haul demand from an increasingly constrained area south and west of London. The masterplan will be refreshed over the next two years, focusing on incremental development around the existing terminal rather than the creation of a second terminal. The Airport is planning to invest £30 million over the next 3 years, including a replacement fire training facility and a proposed 100-bedroom hotel, which is currently at pre-application stage. It is critically evaluating whether to extend its runway to increase the number of destinations it can serve and is in the early stages of looking at a potential airport city development along the lines of similar schemes elsewhere in the UK to locate businesses near airports, such as the planned Manchester Airport City.

FUTURE GROWTH PROSPECTS

- **Southampton's cruise business** is set to continue to grow over the next 20 years. Already the UK's premier home port cruise liner terminal, catering for 50% of the UK market, passenger numbers have expanded rapidly from 211,000 passengers in 1997 to over 1 million in 2008. A fourth terminal opened in 2008 costing £19 million, alongside an investment of £22 million in the 3 existing terminals. By 2010 passenger numbers had increased to 1.2m, and are forecast to increase to 1.5 million by 2020 and 1.9 million by 2030. Associated British Ports will invest £26 million in upgrade works at all four of its cruise ship terminal to be completed by 2016. From Spring 2015 P & O's new 3600 passenger cruise ship Britannia will be based in Southampton along with Royal Caribbean Cruise Lines' 4100 passenger ship Anthem of the Seas, replacing Independence of the Seas. These two ships alone will bring an additional 4,100 cruise passengers a week to Southampton.
- The £48 million development of **The Ageas Bowl** into a Model Test Match ground will be completed in May 2015. The scheme includes new stands to increase the venue's capacity to 25,000 together with a 171-bedroom 4 star Hilton hotel, additional conferencing and hospitality facilities, an 18-hole golf course and a state-of-the-art media centre. Once complete, the ground will become Britain's only Model Test Match venue as defined by the England and Wales Cricket Board, as well as one of the leading destinations for sport, leisure and entertainment in the UK. It has already secured a substantial package of cricket fixtures for 2017-2019, including 13 days of international cricket over the 3-year period, with the highlight of an India Test Match in 2018.
- The proposed **Boorley Green** development to the north of Botley will deliver 1,400 new homes together with community facilities. The scheme was granted outline consent by Eastleigh Borough Council in March 2013. It moved a step closer in March 2015 when Botley Park Golf Club, where the new homes will be built, terminated its club memberships.

FUTURE GROWTH PROSPECTS

- The Highwood Group has submitted plans to Eastleigh Borough Council for the £70 million **North Stoneham Park** development, comprising 1,100 new homes, a new primary school, nursery and care home, a local centre with shops and cafes, and office space, on a site near to junction 5 of the M27.
- Eastleigh Borough Council has identified around 130 acres of land at **Eastleigh Riverside** for comprehensive regeneration to include new transport infrastructure, office, logistics and industrial uses, and new homes.

Future Market Prospects

- Corporate demand for hotel accommodation in Southampton looks set to continue to grow as the Southampton, Solent and UK economies expand, new office and business park schemes are progressed and occupied, and the marine, defence, aerospace, environmental technologies, advanced manufacturing and knowledge-based sectors grow.
- The residential conference market is beginning to recover and grow again nationally. There is potential for existing and new hotels in Southampton to capitalise on the growth in this market if they wish to. Residential conferences are likely to be a key target market for the Hilton at the Ageas Bowl.
- There could be potential for Southampton to target association conferences, business-to-business events and trade exhibitions related to the key business sectors in the city and specialisms of the universities (maritime and marine industries, oceanography, aviation, medical) using existing conference and exhibition facilities e.g. the Heartbeat Education Centre at Southampton General Hospital, the National Oceanography Centre and the cruise terminals.
- University-related demand should increase as the city's universities continue to expand. They should continue to attract association and academic conferences during vacation periods, which will generate bedroom business for nearby hotels.
- Contractor demand for budget hotel accommodation looks likely to increase as a result of renewed construction activity. 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.

FUTURE GROWTH PROSPECTS

- Continued growth in air passenger traffic through Southampton Airport should generate increased demand for hotel accommodation in the vicinity of the airport from air passengers and possibly also aircrew. The proposed runway extension, if it goes ahead, would provide a significant boost to airport-related demand for hotel accommodation on and around the airport.
- 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 Southampton hotels should not grow at least in line with this national forecast as the city's retail, cultural and leisure offer develops with the opening of WestQuay Watermark and the new Arts Complex in 2016. In the longer term the Royal Pier Waterfront development will transform Southampton's profile and appeal as a waterfront city break destination.
- The development of The Ageas Bowl should motivate new leisure break business in Southampton and the Southampton/Eastleigh M27 Corridor, stimulated by major cricket matches, concerts, events and other sports fixtures.
- 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 Southampton, to see growth in near overseas tourist markets.

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

FUTURE GROWTH PROSPECTS

- The cruise market is set to continue to grow in Southampton. Cruise passenger embarkations from Southampton are projected to increase by 25% between 2010 and 2020 and a further 25% between 2020 and 2030.
- Southampton FC qualifying to play in the 2015/2016 Europa League will generate new midweek football demand in the city.
- 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 increase 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 and some 3 star hotels in Southampton 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

Location	Standard/ Type of hotel that could be developed	Commentary
Southampton City Centre	Luxury/ 5 Star	<ul style="list-style-type: none"> ▪ The Southampton Harbour Hotel & Spa at Ocean Village will provide Southampton with a new luxury, possibly 5 star hotel when it opens in 2017.
	An international 4 star brand	<ul style="list-style-type: none"> ▪ The anticipated future growth in the cruise market, growth in corporate demand and continuing high-rated demand for Southampton Boat Show and other major events in the city may be sufficient to support the development of a new 4 star hotel in Southampton City Centre. None of the leading international 4 star hotel brands (Marriott, Hilton, Radisson Blu, Crowne Plaza) are currently represented in Southampton City Centre. An international brand would be of most benefit to the city, offering the potential to generate new business. With no proposals currently for such a hotel in the city centre, Southampton is unlikely to see the opening of such a hotel before 2017 or 2018.
	Boutique	<ul style="list-style-type: none"> ▪ There could be scope for further boutique hotels in Southampton City Centre. The city may be able to attract some of the leading boutique brands (Hotel du Vin, Malmaison, Indigo), which have already developed in other UK cities. Such brands would add to the city's hotel offer and should attract new business to the city. There is also scope for additional independent boutique hotels similar to those that have already opened in the city centre.
	Upper-Tier Budget/ Budget Boutique	<ul style="list-style-type: none"> ▪ There is clear evidence of market potential for further budget hotels in Southampton City Centre. Existing budget hotels here are trading at high levels of occupancy and consistently turning business away during the week and at weekends, at times to a significant degree. The priorities in terms broadening the city's hotel offer are upper-tier budget brands that are not yet represented in Southampton, 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.
	Aparthotel/ Serviced Apartments	<ul style="list-style-type: none"> ▪ Given further growth in the corporate market, there could be scope for an aparthotel or additional serviced apartments in Southampton City Centre to cater for long stay corporate demand. This could be either a purpose-built aparthotel or serviced apartment complex or residential apartments that are let out on a serviced apartment basis.

SOURCES OF FURTHER INFORMATION

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

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