HAMPSHIRE HOTEL TRENDS 2010-2012

EXECUTIVE SUMMARY

Prepared for:
Hampshire County Council
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EXECUTIVE SUMMARY

1. Study Objectives and Purpose

The Hampshire Hotel Trends Survey 2010-2012 was undertaken by Hotel Solutions between January and April 2013 for Hampshire County Council and Tourism South East. The objective of the study was to build on previous hotel sector research covering Hampshire to provide a robust, up-to-date understanding of hotel performance and market trends across the county and an assessment of the future prospects for the county's hotel sector, requirements for boosting hotel demand and potential opportunities for hotel investment and development. The purpose of the survey was to determine how Hampshire County Council and its local authority partners can best support and inform the development of the county's hotel sector. The total sample of hotels in the survey was 123.

2. Current Hotel Supply

There are currently 204 hotels in Hampshire with a total of just over 11,600 letting bedrooms. The county has a broadly even mix of 4 star, 3 star and budget hotels, each accounting for 28-29% of supply. Hampshire has 16 country house hotels, venues and golf hotels, including four 5 star hotels - one of the few locations outside London to have a 5 star hotel supply. The county also has a small but growing supply of boutique hotels, concentrated in the New Forest, Southampton and Southsea, plus two niche hotel products – a luxury family hotel in the New Forest and an adults only hotel on Hayling Island. Hampshire's 4 star supply is concentrated along the M27 corridor, Southampton City Centre, the New Forest, Winchester, Basingstoke and Farnborough. The county's 3 star hotels are primarily independent, with Holiday Inn and Jury's Inn being the only 3 star hotel chains currently represented in the county. Six national and regional pub companies operate hotels and inns in Hampshire – Greene King, Fullers, Marstons, Hall & Woodhouse, Spirit and the New Forest Pub Company. Hampshire's budget hotel supply is dominated by Premier Inn (18 hotels) and Travelodge (15 hotels)

3. Recent Hotel Development & Changes in Supply

25 new hotels have opened in Hampshire in the past 5 years with a total of 1,340 rooms. Almost half of these rooms have been in budget hotels, and just over a third in three large 4 star hotels at Farnborough and Winchester. Farnborough/Aldershot has been a key location for hotel development in the last 5 years – 4 new hotels have opened here, more than doubling the area's supply. Southampton City Centre has been the other focus for hotel development with two large budget hotels and three small boutique hotels having opened (297 rooms). Southsea has been a focus for boutique hotel development, with 4 small independent hotels having opened here. Other significant openings include the 5 star Lime Wood hotel in the New Forest, developed by the founder of Hotel du Vin, who has also launched The Pig boutique hotel brand with openings in the New Forest and Southampton.

In addition to new hotel development, there has been investment in many of the county's existing hotels, particularly the up-grading of 3 star hotels to 4 star and boutique hotels, bedroom extensions to a number of hotels, refurbishment programmes, and the addition of spa, leisure and function facilities. 273 bedrooms have been added to existing hotels since 2008. However, in what has been a highly competitive market, many existing hotels have been unable to fund or justify investment, in some cases resulting in a tired and dated offer. 8 hotels have closed over the five years since 2008, mostly for conversion to residential uses. 21 hotels have been re-branded or changed ownership and 4 hotels in the county are known to be up for sale. Overall, Hampshire's hotel supply has increased by 13.5% between 2007 and 2012.

4. Planned & Proposed Hotels

There are currently 6 hotels being developed in Hampshire: these include a 175 room Hilton at the Ageas Bowl, the Heckfield Place country house hotel and spa at Hook, a small boutique hotel in Southsea, the Angel & Blue Pig gastropub at Lymington, and two Premier Inn budget hotels at Fleet and Gosport.

33 new hotels are proposed across Hampshire with the potential to add 3,000 new rooms to the hotel supply, if they all go ahead. Many already have planning permission; others are longer term possibilities within major development schemes; a number of proposals appear to have been put on hold as a result of the economic climate, and several past proposals have been shelved. The main focus of proposed hotel development activity is on Southampton City Centre (6 hotels, 650 rooms) and Portsmouth (9 hotels, 1,350 rooms). Other locations where hotels are proposed include Fareham, Gosport, Waterlooville, Havant, Basingstoke, Farnborough, Winchester and Andover. The hotel schemes that are further advanced are mainly at budget level, other than the proposed luxury Harbour Hotel & Spa at Ocean Village in Southampton and Village Urban Resort at Lakeside North Harbour at Portsmouth. In addition, 25 existing hotels have plans to up-grade, re-furbish, extend and/or develop leisure facilities.

The research suggests Hampshire's hotel supply could increase by 11% in the next 2 years, with the potential opening of 12 new hotels and 1,241 bedrooms. The pace of development looks set to quicken in 2014, with the possible opening of 8 new hotels and almost 1,000 additional rooms.

5. Hotel & Market Trends

Occupancy, Achieved Room Rate and Revpar Performance

The table overleaf sets out the findings of the 2013 Hampshire Hotel Trends Survey in relation to average annual room occupancy, achieved room rate and revpar performance for hotels across Hampshire by standard/type of hotel and location for 2010, 2011 and 2012.

Hotel performance has generally improved in Hampshire in 2011 and 2012 for most standards of hotel and in most parts of the county but has not yet returned to pre-recession (2007) levels in most cases. Hotel occupancies began to increase in the county in 2011 and strengthened further in 2012. Achieved room rates remained largely static in 2011 or dropped slightly at some levels in the market but have generally strengthened in 2012 as hotels have been more able to yield room rates on the back of strengthening demand.

Hotel performance varies significantly by standard and type of hotel:

- Hampshire's luxury country house hotels generally achieve relatively low occupancies but very high average room rates.
- Some of the county's boutique hotels achieve high room occupancies and room rates. Others trade at a more midmarket level, achieving much lower average room rates.
- 3/4 star chain hotels in Hampshire have performed slightly better than the national average over the last 3 years in terms of occupancy, achieved room rates and revpar.
- Many independent 3 star hotels, particularly those located in the county's smaller towns and those that have seen little recent investment, trade at low levels of occupancy and achieved room rates.
- Budget hotels have continued to trade at very high occupancies across Hampshire over the last 3 years. Achieved room rates have however dropped for the county's budget hotel sector as a whole, largely as a result of Travelodge having significantly reduced its room rates to drive occupancy. As a result of their strong occupancy performance Hampshire's budget hotels generally achieve higher revpar figures than many independent 3 star hotels in the county, which have struggled to compete with new budget hotel supply in some locations.

HAMPSHIRE HOTELS – AVERAGE ANNUAL ROOM OCCUPANCY AND ACHIEVED ROOM RATES 2010-2012

Location/ Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate[1] £			Average Annual Revpar[2] £		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
UK Provincial 3/4 Star Chain Hotels[3]	**68.9**	**69.6**	**70.3**	**68.01**	**68.40**	**69.39**	**46.88**	**47.61**	**48.38**
Hampshire 5 star /4 Red star Country House Hotels	**54**	**58**	**60**	**193**	**206**	**212**	**105**	**120**	**126**
Hampshire 3/4 star Country House Hotels	**66**	**65**	**65**	**77**	**77**	**79**	**51**	**50**	**51**
Hampshire 4 Star Golf Hotels	**61**	**65**	**69**	**65**	**67**	**73**	**40**	**44**	**50**
Hampshire Boutique Hotels	**75**	**75**	**75**	**118**	**121**	**116**	**89**	**91**	**87**
Hampshire 4 Star Hotels	**66**	**69**	**70**	**73**	**74**	**77**	**48**	**51**	**54**
Hampshire 3 Star Hotels	**68**	**70**	**71.5**	**58**	**57**	**59**	**40**	**40**	**42**
Hampshire 3/4 Star Chain Hotels	**69**	**72**	**72**	**69**	**69**	**72**	**48**	**49**	**52**
Hampshire Independent 3 Star Hotels	**65**	**66**	**69**	**51**	**50**	**51**	**33**	**33**	**35**
Southampton City Centre 4 Star	75	76	77	77	71	74	58	54	57
Southampton City Centre 3/4 Star	72	74	75.5	65	62	65	47	46	49
Southampton/Eastleigh M27 Corridor 4 star	66	69	70	65	66	70	43	45	49
Southampton/Eastleigh M27 Corridor 3 star	70	72	73.5	54	53	54	37	38	40
Portsmouth 3/4 Star + Upper-Tier Budget	77	76	76	66	66	67	51	50	51
Fareham 3/4 Star	69.5	71	72.5	72	71	73	50	51	53
Havant 3/4 star	63	63	68	55	56	55	35	36	37
East Hampshire 3/4 star	n/a	n/a	70	n/a	n/a	65	n/a	n/a	46
Farnborough 4 star/ Branded 3 star	61	67	67	94	100	106	57	67	71
Farnborough/Aldershot/Fleet/North Hampshire independent 3 star	56	60	67	59	52	55	33	31	36
Basingstoke 3/4 star	67	69	66	71	72	73	47	49	48
Winchester 3/4 star	55	62	68	59	62	66	33	38	45
New Forest 3 star[4]									
Smaller Towns 3 star[5]	66	66.5	68	45	47	47	29	31	32
Hampshire Budget Hotels	**n/a**	**n/a**	**80**	**n/a**	**n/a**	**48**	**n/a**	**n/a**	**39**
Southampton City Centre Budget	n/a	n/a	79	n/a	n/a	47	n/a	n/a	37
Southampton/Eastleigh M27 Corridor Budget	n/a	n/a	83	n/a	n/a	49	n/a	n/a	40
Portsmouth Budget	79	80	80	49	48	50	39	40	40
Havant Budget	n/a	n/a	78	n/a	n/a	49	n/a	n/a	38
East Hampshire Budget	n/a	n/a	79	n/a	n/a	44	n/a	n/a	34
Farnborough/Aldershot Budget	n/a	n/a	78	n/a	n/a	52	n/a	n/a	40
Basingstoke Budget	n/a	n/a	77	n/a	n/a	52	n/a	n/a	40

Source: Hotel Solutions

Notes:

1. 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.
2. 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.
3. Source: TRI Hospitality Consulting Hotstats UK Chain Hotels Market Review
4. The sample of participating 3 star hotels in the New Forest is relatively small. An insufficient number of New Forest 4 star hotels took part in the survey to allow the publication of performance data for this standard of hotel in this part of the county
5. Sample includes 3 star hotels in Fareham, Havant, Emsworth, Stockbridge, Hook, Andover and Alton

Hotel performance also varies significantly by location across the county. Budget hotels trade at high levels of occupancy in all parts of Hampshire. Locations of strong 3/4 star hotel performance are:

- Southampton City Centre – where 3 and 4 star hotels continue to achieve high occupancies. Achieved room rates are relatively low for most 3 and 4 star hotels here however and have reduced substantially since 2007;
- Portsmouth – where 3/4 star hotel occupancies are high. Achieved room rates are comparatively low for most of the city's 3 and 4 star hotels however and have seen little improvement in the last 3 years;
- Farnborough – where 3/4 star achieved room rates are very high. Occupancies are weaker here however due to the lack of weekend demand.

3/4 star hotel occupancies have dropped in Basingstoke in 2012 as a result of a continuing decline in the corporate market, although achieved room rates have slowly increased here. Occupancies remain relatively low due to the lack of weekend demand in this part of the county. 3/4 star hotel occupancies and achieved room rates dropped sharply in Winchester in 2010 following the opening of the new Holiday Inn at Morn Hill. They have slowly started to build back up again but are still some way off their 2007 levels. Achieved room rates are low for most 3/4 star hotels in Havant and the Southampton/Eastleigh M27 Corridor. Room occupancies are relatively low for many 3/4 star hotels in the New Forest due to the leisure-led, seasonal nature of the hotel market here.

Patterns of Demand

Midweek occupancies are generally strong for all standards of hotel in all parts of Hampshire, other than the New Forest and for some luxury country house hotels. Many 3/4 star and most budget hotels frequently fill and turn business away on Tuesday and Wednesday nights for much of the year. Budget hotels in all parts of Hampshire also achieve high occupancies on Friday and Saturday nights and consistently turn business away on these nights for much of the year. Friday and Saturday occupancies are also strong between April and October for 3/4 star hotels in Winchester and the New Forest, with hotels in these parts of the county consistently turning business away at such times. Most 3/4 star hotels in Portsmouth and East Hampshire and some 3/4 star hotels in Southampton City Centre and the Southampton/Eastleigh M27 Corridor achieve high Saturday night occupancies and turn business away on this night between April and October. Friday and Saturday occupancies are generally lower for most 3/4 star hotels in Basingstoke, the Farnborough/Aldershot/Fleet/ North Hampshire area, Fareham, Havant, Andover and Hook.

Market Mix

The midweek market mix for Hampshire hotels is heavily biased towards business demand in most parts of the county, other than the New Forest, where leisure demand predominates during the week. Midweek leisure demand is stronger during the summer months for golf hotels and boutique hotels and for hotels in Southampton City Centre (due to demand from cruise passengers), Portsmouth, Winchester, Havant and East Hampshire. The weekend market mix for Hampshire hotels is strongly weighted towards leisure demand.

Business Demand

Corporate demand is the key business market for most 3 and 4 star hotels in Hampshire. The corporate market is very strong in Farnborough. Hotels here are able to achieve high corporate rates from local companies, much higher than in other parts of the county. Corporate demand is relatively limited in the New Forest, other than in Lyndhurst, with hotels here attracting corporate demand from Southampton and Fawley oil refinery. Corporate demand tends to be localised across the county: there is relatively little movement of corporate business between different areas.

Residential conferences, meetings and training courses are a minor market for most of Hampshire's 3 and 4 star hotels. They are however the key source of business and midweek demand for luxury country house hotels, residential conference centres and a number of New Forest 3 and 4 star hotels.

Budget hotels across Hampshire generally attract a broadly even mix of midweek demand from business visitors and contractors working on construction projects. Other sources of business demand for budget hotels are cruise ship crews (in Southampton and Portsmouth city centres), aircrew (at Southampton Airport) and ferry crews (in Portsmouth city centre). Contractors are also a market for 2 star hotels in Southampton and Portsmouth alongside transient corporate demand.

Other business markets for Hampshire hotels are aircrew; university-related demand; business generated by major business exhibitions, conventions and events in Southampton and Farnborough; incentive travel business; and corporate entertaining.

Leisure Demand

Leisure breaks are the main leisure market for 3 and 4 star hotels in most parts of the county, other than in Southampton City Centre (where cruise passengers are the primary source of leisure trade for hotels) and East Hampshire, Romsey, Andover and Gosport (where demand from wedding parties and people attending other family gatherings is the most significant source of leisure business for hotels). Luxury country house hotels, golf hotels, boutique hotels and 3/4 star hotels in the New Forest, Winchester, Southampton City Centre and Portsmouth attract high-rated leisure break business between April and October. Other parts of the county have weaker market appeal or awareness as leisure break destinations. Leisure break business for 3/4 star hotels in these locations is primarily rate-driven through special offer rates that hotels put out through third party websites or their own hotel or company websites.
Peppa Pig World is a key generator of leisure break business for hotels in the surrounding area. Golf breaks are a key leisure market for golf hotels. Hotels with spas attract good demand for spa breaks. The county's adults only and luxury family hotels trade well in their respective target leisure break markets.

Leisure break stays are one of a number of leisure markets for budget hotels in Portsmouth, the Southampton/Eastleigh M27 Corridor (driven by demand for Peppa Pig World) and the Farnborough/Aldershot/Fleet/North Hampshire area (primarily demand for Legoland). Leisure break stays are otherwise a minor leisure market for the county's budget hotels.

Cruise passengers from the UK and overseas are the main leisure market for hotels of all standards in Southampton City Centre, generating high-rated weekend and midweek demand between April and October and frequently filling city centre hotels during these months. Cruise passengers also generate business for hotels of all standards in the Southampton /Eastleigh M27 Corridor and some hotels in the New Forest. 4 star hotels in the Southampton/Eastleigh M27 Corridor are generally less able to command the premium rates from cruise passengers that city centre 4 star hotels can. Cruises departing from Portsmouth generate some demand for the city's hotels. This is a much smaller market than in Southampton however, and is generally lower-rated business here.

UK and overseas group tours are a fairly significant market for some 3 star hotels in Southampton City Centre, Portsmouth, Southsea, Fareham and Farnborough and 3/4 star hotels in Winchester. They also account for up to 10-20% of leisure business for some 3/4 star hotels in the Southampton/Eastleigh M27 Corridor, Havant, Basingstoke and North Hampshire. Group tour business tends to be very low-rated. Hotels primarily take it to provide them with base business, to boost off peak occupancies, or in the absence of other leisure demand e.g. in Basingstoke and Farnborough.

Bedroom business associated with weddings and functions is the key leisure market for country house hotels; hotels in the Farnborough/Aldershot/Fleet/ North Hampshire area (due to the lack of other leisure demand here); hotels in East Hampshire (where there are a number of significant non-residential wedding venues and limited demand from other leisure markets); and residential conference centres (which primarily trade in the weddings market at weekends). Wedding guests and people attending other family gatherings are a key weekend leisure market for many of the county's budget hotels.

Other leisure markets for Hampshire hotels are football supporters (for hotels in Southampton City Centre and one budget hotel in Portsmouth); ferry passengers (for budget hotels in Portsmouth, Havant and East Hampshire); air passengers departing on holiday flights (for hotels in the vicinity of Southampton Airport); overseas tourists (generally a minor market for the county's hotels); people visiting friends and relatives (a key source of weekend demand for budget hotels); parents of university students (for hotels in Southampton and Portsmouth); clubbers and stag & hen parties (a significant weekend market for budget hotels in Southampton and Portsmouth city centres and for one 3 star hotel in Southampton); demand generated by major events; visiting sports teams; people coming across to Southampton from the Channel Islands for shopping, particularly in the run up to Christmas; ships reunions (for two hotels in Portsmouth and Southsea); walking groups for some hotels in the New Forest and shooting and fishing parties for one luxury country house hotel.

The Southampton Boat Show is a major generator of demand for hotel accommodation across the southern half of Hampshire every year in September. Farnborough International Airshow and Goodwood Festival of Speed and Revival are other major events that generate significant demand for hotel accommodation across large parts of Hampshire.

Market Trends

In terms of overall trends in the Hampshire hotel market (in line with many other parts of the UK) midweek corporate, residential conference and contractor demand has remained largely flat over the last 3 years, while weekend leisure demand has generally increased. All markets have become much more price competitive although there were some signs of room rates beginning to strengthen in 2012.

In line with the national trend, corporate demand for hotel accommodation in Hampshire dropped sharply in 2009 in the wake of the Credit Crunch. It has remained sluggish and become much more price sensitive during the recession in 2010 and 2011. Lengths of stay for corporate customers have reduced. Corporate room rates have generally been driven downwards, with companies having become more aggressive on rate negotiations with hotels. Corporate rates started to strengthen in 2012 in many parts of the county. Most 3/4 star hotels in Basingstoke, Southampton, the Southampton/Eastleigh M27 Corridor and the Farnborough/Aldershot/Fleet/North Hampshire area have however seen a further decline in corporate demand and rates in 2012 as a result of companies downsizing or closing their operations in these locations. The increased supply of budget hotels has also been a factor in Southampton and the Farnborough/Aldershot/Fleet/North Hampshire area. Corporate demand has remained largely flat in Portsmouth although there were some signs of improvement in corporate rates in 2012. Budget hotels across Hampshire have generally seen an increase in corporate business over the last 3 years. They have benefitted from the reductions in company travel budgets and downgrading to lower-priced hotels that this has resulted in.

Government business has generally reduced for Hampshire hotels over the last 2 years, particularly in Portsmouth, Farnborough and Aldershot, as a result of the MOD and public sector cutbacks.

Contractor demand for budget hotel accommodation has increased in Portsmouth, Southampton, the Southampton/Eastleigh M27 Corridor and Alton in 2012 as a result of renewed construction activity in these locations. It has reduced in Basingstoke, Farnborough and Andover, where there has been relatively little recent construction activity.

In line with the national trend, residential conference business reduced sharply in 2009 across Hampshire and has remained a very challenging market over the last three years, with no signs of recovery in the near future for most of the county's hotels. Some country house and golf hotels, most hotels in Winchester and some hotels in Basingstoke and Farnborough have however seen a slight improvement in residential conference business in 2012.

Some hotels in Farnborough reported an increase in aircrew demand in the last 2 years as Farnborough Airport has become busier. Aircraft movements through Southampton Airport reduced by 5% in 2012, suggesting a likely drop in aircrew and air passenger business for hotels in the vicinity of the airport.

Leisure break business has increased for hotels in most parts of Hampshire over the last 3 years but has become much more rate-driven as customers have switched to buying through third party comparison websites, online travel agents and deal sites. Hotels in the county appear to have benefited from the 'staycation' trend of recent years. Peppa Pig World at Paulton's Park has generated significant family leisure break business since it opened in 2011 for hotels in the Southampton/ Eastleigh M27 Corridor, the New Forest, Romsey, Winchester and even as far afield as Basingstoke and Portsmouth. Some New Forest hotels reported a drop in leisure break business in 2012 as a result of the poor summer weather. Some golf hotels reported a downturn in golf break business in 2012 as a result of the weather. Hotels with spas are seeing strong growth in demand for spa breaks.

The cruise market has continued to grow in Southampton over the last 3 years, with the majority of hotels in the city centre and Southampton/Eastleigh M27 Corridor reporting an increase in cruise passenger business. The cruise market has also grown in Portsmouth.

The weddings market for Hampshire hotels has generally increased in most parts of the county but has become more price sensitive, with many hotels only securing wedding bookings by offering discounted wedding packages. The numbers of weddings being held in the county's hotels appears to have increased but weddings have reduced in size. There has been growth in second weddings, civil partnership ceremonies, winter weddings and midweek weddings.

Demand from overseas tourists appears to have been largely static over the last 3 years. Trends in the group tour market are variable. Some hotels have taken more group tours over the last 3 years to boost occupancy levels, while others have taken fewer group tours as higher-rated leisure break business has grown. Portsmouth and Southsea hotels have taken fewer Masonic lodge weekends (which tends to be lower-rated business) as leisure break business has grown.

Ferry passenger movements through Portsmouth reduced by 6% in 2011 and 8.6% in 2012, suggesting that this market is likely to have reduced for hotels here.

Prospects for 2013

Hampshire hotel managers are generally positive about the prospects for their hotels in 2013. Most expect to maintain or slightly improve their 2012 occupancy performance and see potential for an increase in achieved room rates as they pursue strategies to grow room rate rather than occupancy in 2013. The managers of some 3/4 star hotels in Havant, Basingstoke and the Farnborough/Aldershot/Fleet/North Hampshire area are more pessimistic about the prospects for improving the performance of their hotels in 2013. The impending relocation of the Chinese mobile phone company Huawei from Basingstoke to Reading is likely to have a significant impact on some hotels in Basingstoke. The impact of the newly opened Travelodge in Aldershot and the new Premier Inn that will open in Fleet in August are the key factors behind the less optimistic views of some hotel managers in the Farnborough/Aldershot/Fleet/North Hampshire area.

The managers of the county's luxury country house hotels, boutique hotels, adults only hotel and luxury family hotel mostly expect to see continuing strong, and in some cases improved occupancy performance and achieved room rate growth for their hotels in 2013.

In terms of prospects by market in 2013:

- Other than in Basingstoke and Havant, corporate demand looks set to begin to strengthen in most parts of the county as the economy starts to recover and corporate rates are likely to continue to increase.
- Government business could reduce further for Hampshire hotels as MOD and public sector cuts continue to be implemented.
- Residential conference business is unlikely to increase for most 3/4 star hotels but could begin to grow again for luxury country house hotels; New Forest hotels; residential conference centres; some golf hotels; and Winchester hotels.
- Contractor demand for budget hotel accommodation should increase in some parts of the county where there is renewed construction activity e.g. Southampton, the Southampton/Eastleigh M27 Corridor, Portsmouth and Basingstoke.
- Leisure break demand could reduce for many of the county's hotels in 2013 as UK residents opt for overseas holidays rather than 'staycations' following the poor summer weather in 2012.

- Group tour business is likely to remain unchanged for those hotels in the county that take it. Some hotels may take more group tours if leisure break demand reduces.
- Wedding bookings are down in 2013 as people are unwilling to get married this year because of superstitions about the number thirteen. Forward wedding bookings for 2014 are looking much stronger however.
- Cruise business looks set to increase further in 2013 in Southampton and Portsmouth, with record numbers of cruises departing from the two ports this year.
- Demand from overseas tourists could increase in 2013, with the UK benefitting from the increased exposure in 2012 as a result of the London Olympic and Paralympic Games and the Queen's Diamond Jubilee.
- Demand for hotel accommodation from ferry passengers travelling through Portsmouth could increase in 2013 as more UK residents take holidays abroad and international tourist arrivals increase.
- Demand for hotel accommodation from air passengers travelling through Southampton Airport could also increase in 2013 for the same reasons.
- Farnborough International Airshow is not taking place in 2013. Hotels in North Hampshire may see a drop in occupancy and achieved room rate as a result.

6. Future Market Prospects

Hampshire is set to see significant levels of growth through to 2026, albeit at a slower rate through to 2016 in the wake of economic recovery. The county's population is projected to grow by 10% by 2026 and over 86.000 jobs are forecast to be created. Much of the growth, particularly in employment, will take place in South Hampshire. There will be a structural change in employment, with less dependence on government sectors. Financial and business services will lead the growth alongside sector strengths in pharmaceuticals, communications, electronics, energy supply and advanced manufacturing.

Whilst there are numerous major projects planned across the county to 2026, many have stalled as a result of the recession and struggled to secure funding. However, a series of current initiatives - including the availability of Growing Places Funding, the establishment of the Solent Enterprise Zone, and potential City Deal status for Southampton-Portsmouth – are working to unlock sites and schemes and deliver infrastructure works that will kick-start some key regeneration and development projects.

Major schemes that could drive new hotel demand which appear to be progressing include Centenary Quay, Royal Pier Waterfront, Watermark WestQuay, Grosvenor's New Arts Complex scheme in the Cultural Quarter, and Ocean Village in Southampton; Lakeside North Harbour, Portsmouth Gateway, the Northern Quarter and road improvements in Portsmouth; Basing View at Basingstoke; the expansion of FIVE and further business park development at Farnborough; urban extensions at Winchester, Aldershot and Fareham; the development of the Ageas Bowl; the Whitehill-Bordon Eco-Village; and the further expansion and development of Southampton Airport, Farnborough Airport, and the cruise and ferry terminals at both Southampton and Portsmouth.

6. Hotel Development Opportunities

The strong occupancy performance of budgets hotels and levels of business that they are currently denying shows clear market potential for further budget/ limited service hotel development in most parts of Hampshire. Opportunities for the development of new full service 3 and 4 star and luxury hotels are largely dependent on recovery and renewed growth in corporate demand. There appears to be market potential for additional serviced apartment provision in Hampshire's cities and major towns to meet anticipated increases in long stay corporate demand. There could be market potential for the further development of leisure-led hotel products in Hampshire (country house hotels, boutique hotels, golf hotels, spa hotels, adults only hotels, family hotels, gastropubs with boutique bedrooms and restaurants with rooms) given suitable properties for conversion or suitable sites.

The current strong performance of existing budget hotels across the county shows clear market potential for further budget hotel development in the following locations in Hampshire:

- Southampton City Centre – where Travelodge is progressing plans for a new hotel. Renewed growth in corporate and contractor demand and the ongoing development of the cruise market may support further limited service hotel provision in the city, possibly at an upper-tier budget[1] or boutique budget[2] level.
- Southampton Airport – possibly at upper-tier budget level;
- Portsmouth – where Premier Inn and Travelodge have plans for additional hotels. Their hotels, if progressed, are likely to meet the immediate market demand for additional budget hotel supply in the city. Further budget provision, possibly at upper-tier budget or boutique budget level, will be dependent on continued growth in the Portsmouth hotel market.
- Fareham – Travelodge and Premier Inn both have a requirement here. There may be scope for an upper-tier budget hotel linked to business park development.
- Havant – Premier Inn has sought planning permission for an extension to its hotel here and Travelodge was progressing a hotel project here.
- Waterlooville – Travelodge has a requirement here.
- Gosport – depending on how well the new Premier Inn trades here.
- Petersfield – Travelodge has a requirement here.
- Alton – Premier Inn has a requirement here.
- Whitehill-Bordon – if budget hotel operators can be convinced that there is a market opportunity here.
- Basingstoke – where Premier Inn is progressing plans for a new hotel. Travelodge also has a requirement for the town. There may be potential for an upper-tier budget hotel in Basingstoke given renewed strong growth in the corporate market. Achieving sufficient weekend occupancy is likely to present a challenge for a hotel at this level in the market however.
- Hook
- Andover – possible at upper-tier budget level.

[1] Upper-tier budget hotel brands currently developing in the UK are Holiday Inn Express, Hampton by Hilton and Ramada Encore
[2] Limited service, budget priced hotels that feature a more contemporary design. Emerging brands in the UK are Sleeperz, Z Hotels, Citizen M

- Farnborough – where Premier Inn is progressing plans for another hotel. The development of this hotel and the opening of the Premier Inn in Fleet in 2013 are likely to satisfy the short term requirement for additional budget supply in Farnborough. There may be scope for further limited service hotels in Farnborough, possibly at upper-tier budget level, if corporate demand continues to grow here.
- Winchester – where Premier Inn is progressing plans for a hotel. Travelodge also has a requirement for Winchester.
- The New Forest - Premier Inn has a requirements for Lyndhurst and Lymington and Travelodge a requirement for Lymington

While there is clear market potential for budget hotel development in these locations, the survey findings also suggest that new budget hotels in some locations will challenge existing 2 star and 3 star hotels, particularly independent hotels and those that are less well located and/or that have seen little recent investment. In some cases such hotels may look to exit the market if they are unable to compete effectively with new budget supply. A significant and rapid increase in budget hotel provision ahead of market growth could result in an overly competitive hotel market in some of the county's destinations, depressing overall occupancy, achieved room rate and revpar performance.

In terms of market opportunities for the development of new full service hotels, the survey findings suggest potential in the following locations, given strong recovery and renewed growth in corporate demand and the continued development of leisure markets:

- Southampton City Centre – where there appears to be market potential for luxury hotel development to meet demand from the upper end of the cruise and corporate markets. The planned development of the Harbour Hotel & Spa at Ocean Village and investment in the Grand Harbour are likely to meet this requirement. There may also be scope for the development of a major new 4 star hotel in Southampton City Centre, given strong growth in the corporate market, continued expansion in cruise business and the development of Southampton as a stronger leisure break destination. An international 4 star brand could add to the city's hotel offer and generate new business for the city. Such a hotel is unlikely to come forward before 2016 and 2017. The development of a conference centre in Southampton (if ever progressed) would need to be supported by an on-site 4 star hotel.

- The Hilton at the Ageas Bowl, due to open in 2014, is likely to result in a more competitive 3/4 star hotel market in the Southampton/Eastleigh M27 Corridor. It is difficult to see market potential for a further new 3 or 4 star hotel in this part of the county for the foreseeable future. The priority in the next 5 years will be investment in existing 3/4 star hotels here to ensure that they remain competitive.
- In Portsmouth – the Village Urban Resort at Lakeside North Harbour looks likely to be progressed for an opening in 2014 or 2015. The Jury's Inn in the city centre may also proceed in the next 2-3 years. This would be a significant addition to the city centre's hotel stock. There could be market potential for a new 4 star hotel in the city centre given strong growth in corporate demand and the continued development of Portsmouth's leisure markets. An international 4 star brand would add most to the city's hotel offer and could potentially attract new business to Portsmouth. This is likely to be a longer term opportunity, probably post 2016 or 2017, particularly if the Village Urban Resort and Jury's Inn are progressed. The development of a conference centre in Portsmouth (if progressed) would require an on-site 4 star hotel.
- Fareham – there might be an opportunity for a new 3 or 4 star hotel here associated with business park development.
- Dunsbury Hill Farm, Havant – there is an aspiration for a business class 3 or 4 star hotel associated with the business park. The feasibility of such a hotel here will depend on the number and type of occupiers that are attracted to the business park. Achieving strong weekend occupancies might be a challenge for a hotel in this location.
- Basingstoke – there is an aspiration for a 3 or 4 star hotel at Basing View, which corporate market growth may be able to support, depending on the new occupiers that are attracted to the regenerated Basing View and the extent to which the corporate market grows in other parts of Basingstoke. Achieving strong weekend occupancies will be a challenge for a new 3/4 star hotel in this location. A hotel with a good leisure offer and a brand that is well established in the leisure break market are likely to be required therefore. There could be scope for existing 3 and 4 star hotels in Basingstoke to develop spa and leisure facilities to help boost weekend business.
- Farnborough – the strong achieved room rate performance for Farnborough 3/4 star hotels and current levels of denied midweek business point to market potential for another 3 or 4 star hotel to be developed here, possibly in association with the development of FIVE.

- Winchester – there could be scope for the expansion of existing 4 star hotels here if the market keeps growing and hotel performance continues to strengthen. The Holiday Inn has plans for additional bedrooms.
- New Forest – the priorities in this part of the county are for continued investment in existing 3 and 4 star hotels, including possible bedroom extensions and the development of leisure and spa facilities. There could be scope for further 3 star hotels to upgrade to 4 stars or reposition as boutique hotels.

The survey findings show a clear requirement for investment in a number of independent 3 and 4 star hotels across the county. The current trading performance of some of these hotels and likelihood of budget hotel development in their vicinity suggests that this will present a significant challenge as hotel owners may not see an adequate return on investment. Some of these hotels may look to exit the market for conversion to alternative uses.

The strong performance of existing boutique hotels suggests potential for the development of further boutique hotels in Hampshire's key visitor destinations:

- Southampton City Centre – which may be able to support the development of further small, independent boutique hotels and could potentially attract national boutique hotel brands – Malmaison, Hotel du Vin, Indigo – which would add to the city's hotel offer and should attract new business to the city.
- Southsea – as a developing boutique hotel location;
- Portsmouth City Centre – which may be able to support the development of small, independent boutique hotels and might possibly attract a national boutique hotel brand such as Hotel du Vin. The city might also attract boutique brands such as Malmaison or Indigo, probably as an alternative to a new 4 star hotel.
- Winchester – may be able to support the development of further small boutique hotels.
- The New Forest – could see the further repositioning of existing stock to boutique hotel offers.
- Petersfield town centre – may be able to support a small boutique hotel, given a suitable property for conversion.

The survey findings suggest potential for additional serviced apartment provision in Southampton, Portsmouth, Basingstoke, Farnborough and Fareham to cater for extended stay corporate demand as the corporate markets grow in these locations. This could be in terms of purpose-built serviced apartment complexes and/or the letting of residential apartments on a serviced apartment basis.

The strong performance of leisure-led hotels in the New Forest and Hampshire's other rural areas suggests potential for the further development of such hotel products, given suitable properties for conversion and/or sites for development, in terms of:

- Country house hotels.
- Golf hotels – in terms of the expansion of existing golf hotels, e.g. Old Thorns Manor at Liphook, and/or the development of new hotels on golf courses or completely new golf resort developments.
- Adults only hotels – in the short term the opportunity in Hampshire will be in terms of the potential further expansion and development of the Sinah Warren hotel on Hayling Island. Its operator, Warner Leisure Hotels, the UK's only adults only hotel operator at present has no plans currently to develop new hotels.
- Family hotels – Luxury Family Hotels, the UK's only family hotel operator, is already represented in the New Forest. It may consider other opportunities in Hampshire and other operators may emerge that might consider the county as a location.
- Restaurants with rooms and gastropubs with boutique bedrooms – in the county's smaller towns, villages and rural areas.

7. Requirements for Supporting the Development of the Hampshire Hotel Sector

Key requirements for supporting the development of the hotel sector in Hampshire as the county's economy and tourism product develop are as follows:

- Supporting hotel market recovery and renewed growth through:

    - **Developing the corporate market** through progressing office and business park schemes and attracting companies that generate strong, high-rated hotel demand, especially headquarters offices.
    - **Developing the leisure tourism offer** to boost weekend and off-season demand. Key priorities include Southampton's waterfront, attractions, cultural and leisure offer; Portsmouth's cultural, retail and events offer; attractions and events capable of generating weekend demand in Basingstoke and North Hampshire; the development of all weather attractions in the New Forest, better co-ordination of events; and more events at off-peak times.
    - **Leisure tourism marketing** to raise awareness of Hampshire within target markets for leisure break stays, particularly for the county's key destinations – Southampton, Portsmouth, Winchester, the New Forest and the South Downs, and for Basingstoke and North Hampshire as bases for visiting surrounding attractions and destinations and London.
    - **Developing conference and exhibition business**, particularly for luxury country house hotels, golf hotels, residential conference centres, and hotels in the New Forest, Winchester and Farnborough that are targeting such business. Increasing the usage of existing conference and exhibition venues in Southampton, Portsmouth, Farnborough and Winchester could also generate additional hotel demand. There is strong support amongst hoteliers for purpose-built conference and exhibition centres in Southampton and Portsmouth.

- Informing and supporting hotel development and investment by:
  - **Informing the decision-making process** through getting the hotel performance data in this study out to the hotel development community and publicising the availability of the report. This might require re-packaging the study findings into focused Hotel Market Fact Files for specific destinations to match more targeted developer interest. It will be important to monitor performance every 2-3 years to ensure an up-to-date picture of performance and potential continues to inform hotel investment decisions going forward.
  - **Targeting hotel products and brands that can add value** to Hampshire's hotel offer and attract new business into the county including: a international 4 star brands for Southampton and Portsmouth city centres; a leading 3 or 4 star brand for Basingstoke and Farnborough; national boutique hotel brands for Southampton and Portsmouth; small independent boutique hotels in Winchester and Petersfield; and leisure-led products such as luxury country house hotels, spa hotels, golf resorts and luxury family hotels.
  - **Planning effectively for hotel development and retention**, ensuring that permissive policies are in place where there is identified market potential, and that development management policies and conditions reflect the economics of hotel development and do not burden schemes with excessive costs that could impact on viability. The study findings should be used to inform emerging Local Plans, Area Action Plans and masterplans. The development of local hotel development strategies would enable local authorities to take a more strategic and pro-active approach to guiding hotel development in their area, and to consider the appropriateness of edge of centre and out of centre hotel development with associated demand drivers. The allocation of sites for hotel development may be appropriate where this would be critical to a wider scheme of strategic importance, but should be tested for deliverability and fit with market potential. There may be a requirement for hotel retention policies in locations where there is pressure for conversion of otherwise viable hotels to alternative uses – most commonly residential.

- **Unlocking sites** for hotel development, where they have the ability to deliver strategically important hotels. The impact of any intervention however requires careful evaluation.

- **Easing congestion,** notably in the New Forest and at Portsmouth and Basingstoke, is a key requirement to developing the hotel market in these locations.

8. Moving Forward - Next Steps

Key next steps in acting on the findings of the Hampshire Hotel Trends Study 2010-2012 will be to:

- Distribute the report and disseminate its key messages to relevant local authority officers, the owners and managers of participating hotels and the hotel development community. This process can be supported by PR activity to raise awareness of the report's availability, the re-packaging of the information in the report into destination-specific Hotel Market Fact Files and through some form of hotel investment conference in the county and/or presentations to relevant audiences.

- Assess hotel developer interest in the county through the survey of hotel developers that Hotel Solutions is progressing in May 2013.

- The preparation of Hotel Planning Policy Guidance and/or presentations of the report's findings and planning recommendations to planning officers as a means of achieving a more proactive planning approach to hotel development.

- More localised work to inform planning policy documents, regeneration strategies and masterplans and development briefs for specific sites.

- Work to identify and assess potentially available and suitable properties and sites for leisure-led hotel products.

- Research to understand why strategically important hotel schemes have stalled and the potential role that the public sector might play to kick start them.

9. Concluding Thoughts

Despite the difficult trading conditions of the past 5 years, Hampshire's hotel sector is showing some signs of recovery, and given the levels of growth forecast in population, employment and GVA there is every reason to be optimistic about the potential for growth in hotel demand across the county. The key message for the short term is for a focus on measures that will help to build the market and enable existing hotels to achieve stronger rates to boost their profitability and scope for re-investment. Whilst there are some 'hot spots' of performance currently where significant levels of business are being denied, and some hotels under construction or likely to start on site in the next 1-2 years, primarily at budget level, the market is not yet strong enough to support full-service hotel development in most parts of the county. It will be important for regeneration, development and inward investment to lead the way to more robust levels of economic growth which hotel development will follow and support. Beyond 2016, the forecasts for Hampshire's economy look more promising, which should deliver a landscape with more widespread potential for hotel development at all levels in the market. However, all of this needs planning for, both in terms of creating the right planning policy framework to enable and facilitate the delivery of market growth and new hotel development, and adopting an inward investment approach to pro-actively steering the right hotel products to the right locations to optimise destination potential and add value, growth and new appeal to the market. Hampshire County Council is in a strong position to lead and co-ordinate this process with its local authority partners, alongside its wider strategic economic development and tourism roles.