

NORTH HAMPSHIRE

Farnborough/Aldershot/Fleet

HOTEL MARKET

FACT FILE

July 2013

INTRODUCTION

The North Hampshire Hotel Market Fact File has been compiled to assist hotel companies, developers and investors in assessing hotel investment opportunities in Farnborough, Aldershot, Fleet and other parts of North Hampshire. It provides the latest available information on:

- The current hotel supply in North Hampshire;
- Recent hotel development;
- Current hotel development proposals;
- Recent hotel performance (2010-2012)
- The key markets for hotel accommodation in North Hampshire;
- The prospects for growth in demand for hotel accommodation and what will drive this;
- The potential for hotel development in the area in the next 5 years.

All of the data included in the Fact File is drawn from the Hampshire Hotel Trends Survey 2010-2012 undertaken by consultants Hotel Solutions between January and April 2013.

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NORTH HAMPSHIRE HOTEL SUPPLY

Current Hotel Supply

- North Hampshire is currently served by a total of 21 hotels, with 1,439 letting bedrooms. The area's hotel supply is a mix of 3 star, 4 star and budget hotels. There is also one small boutique hotel in Farnborough and two purpose-built serviced apartment operations here also. Farnborough and Fleet also have a supply of residential apartments that are let out as serviced apartments by local and national serviced apartment letting agencies.

CURRENT HOTEL SUPPLY – NORTH HAMPSHIRE JANUARY 2013

Standard	Hotels	Rooms	% of Rooms
Boutique	1	30	2.1
4 star	2	285	19.8
Country House Conference/Wedding Venue	3	132	9.2
3 star	7	504	35.0
2 star	0	0	0
Upper-tier Budget ¹	0	0	0
Budget	6	388	27.0
Non-inspected	1	16	1.1
Aparthotel/ Serviced apartment complexes	2	84	5.8
Total Hotels	21	1439	100.0

Notes:

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

- Farnborough accounts for almost half of the North Hampshire hotel supply, with 8 hotels and 680 bedrooms. This includes the areas two 4 star hotels and branded 3 star (Holiday Inn) hotel. The North Hampshire hotel supply is otherwise split fairly evenly between Aldershot, Fleet and other parts of North Hampshire. The supply in these locations is a mix of independent 3 star hotels, budget hotels and country house conference and wedding venues.

NORTH HAMPSHIRE HOTEL SUPPLY

NORTH HAMPSHIRE HOTEL SUPPLY –JANUARY 2013

Hotel	Standard/Type	Bedrooms
Farnborough		
Aviator	4 star	162
Village Urban Resort	4 star	123
Falcon	Boutique	30
Holiday Inn	3 star Branded	142
Premier Inn Farnborough	Budget	62
Travelodge Farnborough	Budget	77
Max Serviced Apartments	Serviced Apartments	72
House of Fisher	Serviced Apartments	12
Aldershot		
Potters International	3 star	102
Premier Inn Aldershot	Budget	60
Travelodge Aldershot	Budget	91
Fleet		
Lismoyne	3 star	62
The Elvetham	Country House Conference/Wedding Venue	72
Days Inn Fleet	Budget	58
Travelodge Fleet	Budget	40
Other North Hampshire		
Warbrook House	Country House Conference/Wedding Venue	74
Highfield Park	Country House Conference/Wedding Venue	58
Wellington Arms, Stratfield Turgis	3 star	28
Casa, Yateley	3 star	63
Ely (Old English Inns), Blackwater	3 star	35
New Inn, Heckfield	Inn	16

NORTH HAMPSHIRE HOTEL SUPPLY

Changes in Supply 2008-2012

New Hotels

- Farnborough has seen a significant increase in its hotel supply in the last 5 years, with the opening of two new 4 star hotels, a Travelodge budget hotel and two purpose-built serviced apartment complexes. Aldershot has also seen the opening of a Travelodge, in 2012.

NEW HOTELS IN NORTH HAMPSHIRE 2008-2012

Hotel	Location	No. Rooms	Year Opened
The Aviator	Farnborough	162	2008
Village Urban Resort	Farnborough	123	2009
Budget Hotels			
Travelodge Farnborough	Farnborough	77	2009
Travelodge Aldershot	Aldershot	91	2012
Serviced Apartments			
Max Serviced Apartments	Farnborough	72	2010
House of Fisher	Farnborough	12	2012

Investment in Existing Hotels 2008-2012

- The Falcon Hotel in Farnborough has repositioned as a boutique hotel.
- The Casa Hotel at Yateley has opened a Marco Pierre White restaurant.
- The Farnborough Premier Inn added 20 bedrooms in 2011.
- The Fleet Innkeeper's Lodge has been rebranded as a Travelodge.

NORTH HAMPSHIRE HOTEL SUPPLY

Proposed Hotel Development

Hotels Under Construction

- Heckfield Place near Hook is currently undergoing a multimillion-pound refurbishment to become a 70-bedroom luxury country house hotel and spa. The property is due to re-open later in 2013.
- A Premier Inn budget hotel is currently under construction in Fleet. It is due to open in September 2013.

Proposed Hotels

- Bride Hall Holdings is currently seeking planning permission to redevelop its Firgrove Parade site in Farnborough town centre into an 80-bedroom Premier Inn hotel with a Beefeater restaurant and 14 flats.

Planned Development of Existing Hotels

- The Potters International hotel has an unimplemented permission for a 52-bedroom extension. This looks unlikely to be progressed.
- There are otherwise no known plans for the refurbishment and/or development of any existing hotels in North Hampshire.

Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for North Hampshire hotels for 2010, 2011 and 2012 are summarised in the table overleaf.
- Achieved room rates and revpar are very strong for 3 and 4 star hotels in Farnborough due to the strength of midweek corporate demand here. Occupancies are comparatively low however as a result of weaker weekend demand. 3/4 star hotel performance in Farnborough has steadily improved over the last 3 years in terms of occupancy, achieved room rates and revpar.
- Occupancies, achieved room rates and revpar figures are all relatively low for independent 3 star hotels in Aldershot, Fleet and other parts of North Hampshire, which have been affected by the new hotels in Farnborough. Most hotels dropped their corporate rates in 2011 and 2012 to boost their occupancy levels. Achieved room rates and revpar fell in 2011 as a result but have improved slightly in 2012, with revpar ahead of the 2010 average in 2012.
- Farnborough International Airshow makes a difference of £7-8 on achieved room rates for some 3 and 4 star hotels in the years that it is held. It generates very high rated business for a period of 8 days, helping to boost average annual achieved room rate figures as a result.
- Budget hotels in Farnborough and Aldershot achieve very high occupancies. Average achieved room rates and revpar figures for budget hotels in the two towns were slightly ahead of the Hampshire averages in 2012.

NORTH HAMPSHIRE HOTEL PERFORMANCE & MARKETS

NORTH HAMPSHIRE HOTEL PERFORMANCE 2010-2012

Location/ Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate ² £			Average Annual Revpar ³ £		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
UK Provincial 3/4 Star Chain Hotels¹	68.9	69.6	70.3	68.01	68.40	69.39	46.88	47.61	48.38
Hampshire 3/4 Star Chain Hotels	69	72	72	69	69	72	48	49	52
Farnborough 4 star/ Branded 3 star	61	67	67	94	100	106	57	67	71
Aldershot/Fleet/North Hampshire independent 3 star	56	60	67	59	52	55	33	31	36
Hampshire Budget Hotels	n/a	n/a	80	n/a	n/a	48	n/a	n/a	39
Farnborough/Aldershot Budget	n/a	n/a	78	n/a	n/a	52	n/a	n/a	40

Source: Hampshire Hotel Trends 2010-2012, Hotel Solutions – April 2013

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.

NORTH HAMPSHIRE HOTEL PERFORMANCE & MARKETS

Patterns of Demand

- Estimated average weekday and weekend occupancies for North Hampshire hotels in 2012 are summarised in the table below.

NORTH HAMPSHIRE HOTELS - WEEKDAY/ WEEKEND OCCUPANCIES – 2012

Standard	Typical Room Occupancy %			
	Mon-Thurs	Friday	Saturday	Sunday
Farnborough 3/4 Star Hotels	82	46	54	44
Aldershot/Fleet/ North Hants Independent 3 star Hotels	77	41	57	34
Farnborough/Aldershot Budget Hotels	88	73	82	46

Source: Hampshire Hotel Trends 2010-2012, Hotel Solutions – April 2013

- Midweek occupancies are strong for North Hampshire hotels, with most 3 and 4 star hotels typically achieving weekday occupancies of at least 75-80% and budget hotels consistently trading at midweek occupancies in excess of 87%.
- Tuesday and Wednesday nights are generally the strongest, with most hotels frequently filling and turning business away on these nights for much of the year. Monday occupancies are also strong for most hotels, especially budget hotels. Thursday nights are softer for 3 and 4 star hotels but still strong for budget hotels.
- Weekend occupancies are very low for 3 and 4 star hotels in North Hampshire. Saturdays are slightly stronger. Weekend occupancies are generally a little higher in the summer months but can be very low during the winter.
- Budget hotels in Farnborough and Aldershot achieve high occupancies on Friday and Saturday nights, particularly during the summer, when some budget hotels frequently turn business away, especially on Saturdays but also on Fridays during the peak summer months.

NORTH HAMPSHIRE HOTEL PERFORMANCE & MARKETS

Market Mix

- The midweek market mix for North Hampshire hotels is biased towards business demand. The weekend market mix is strongly weighted towards leisure demand, although less so in Farnborough where hotels attract good weekend business demand, primarily from long stay corporate guests working on projects and corporate arrivals on Sunday nights.

NORTH HAMPSHIRE HOTELS – MIDWEEK & WEEKEND MARKET MIX

Location/Standard of Hotel	Midweek Market Mix		Weekend Market Mix	
	Business %	Leisure %	Business %	Leisure %
Farnborough 3/4 star	85	15	25	75
Aldershot/Fleet/ North Hants Independent 3 star	95	5	5	95
Farnborough/ Aldershot Budget	90	10	5	95

Business Markets

- Corporate demand associated with companies in Farnborough, Aldershot, Fleet, Frimley and Camberley is the key business market for North Hampshire's 3 and 4 star hotels, typically accounting for 70 -100% of their business demand. 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 Hampshire.
- Residential conferences, meetings and training courses are an important secondary business market for 3 and 4 star hotels in Farnborough, accounting for 20-30% of their business demand. Residential conferences are the main midweek market for North Hampshire's country house conference/ wedding venues. Some of North Hampshire's independent 3 star hotels attract a small amount of residential conference business, typically accounting for around 10% of their business demand.
- Aircrew are a minor source of business demand for 4 star hotels in Farnborough.
- Business exhibitions held at FIVE in Farnborough that generate significant demand for hotel accommodation are as follows:
 - Farnborough International Airshow Trade Exhibition
 - International Armoured Vehicle Show
 - Southern Manufacturing & Electronics Show
 - Security & Policing Exhibition
 - Business Airport World Expo
- Most of these exhibitions take place in February and March. They also generate some associated residential conference business for Farnborough hotels.
- Farnborough International Airshow generates corporate entertaining business for some hotels in Farnborough and some incentive travel business.

NORTH HAMPSHIRE HOTEL PERFORMANCE & MARKETS

- North Hampshire's budget hotels generally attract a broadly even mix of midweek demand from business visitors and contractors working on construction and development projects. They also attract some demand from crews setting up exhibitions at FIVE.
- Residential apartments in Farnborough and Fleet that are let out as serviced apartments trade primarily in the long stay corporate market, attracting demand from people working on projects for extended periods or people relocating to the area. Purpose-built serviced apartment operations in Farnborough trade more in the hotel market, catering primarily for short stay corporate guests rather than those on extended stays.

Leisure Markets

- People attending weddings, other family parties and functions are the main leisure market for North Hampshire hotels, typically accounting for 60-100% of their leisure business. Weddings are the primary weekend market for the area's country house conference/ wedding venues. A number of North Hampshire's 3 and 4 star hotels organise tribute nights, dinner dances and other functions that generate some bedroom business.
- Leisure breaks are an important secondary leisure market for the branded hotels in Farnborough, which attract leisure break stays through their companies' marketing and customer loyalty promotions and third party websites, primarily on discounted rates. Independent 3 and 4 star hotels do not really attract leisure break business. North Hampshire's budget hotels attract overnight leisure stays from families visiting Legoland Windsor.
- Farnborough International Airshow generates significant demand for hotel accommodation in North Hampshire when it is held every other year. Other events that generate demand for hotels in North Hampshire are as follows:
 - Royal Ascot
 - Fleet Half Marathon
 - The Big One Angling Show at FIVE
 - Passing our parades at Aldershot
 - Lakeside World Professional Darts, Frimley Green
 - Shadowmania at Lakeside
- Group tours are an important secondary leisure market for one 3 star hotel and a minor source of leisure business for another. Legoland Windsor and London are key draws for group tours that use North Hampshire hotels. Group tour business tends to be very low-rated. Hotels primarily take it to provide them with base business to boost off peak occupancies.
- Overseas tourists are a very minor leisure market for North Hampshire's hotels.
- People visiting friends and relatives are a key source of weekend demand for budget hotels.

Market Trends

- In terms of **overall trends** in the North Hampshire hotel market over the last 3 years (in line with the rest of Hampshire and many other parts of the UK) corporate, government and residential conference business has reduced, contractor demand has remained largely flat and weddings 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.
- **Corporate demand** for hotel accommodation in North Hampshire has generally reduced during the recession and as a result of the loss of a number of companies from the area, most notably Nokia, which was a significant generator of business for a number of North Hampshire hotels. Corporate lengths of stay have also reduced as a result of tighter business travel budgets, affecting Thursday night occupancies. The corporate market has also become much more competitive as result of the increased hotel supply in Farnborough and Aldershot, with most of the area's independent 3 star hotels having had to reduce their corporate rates to continue to win business. There were however signs of recovery in corporate demand in 2012 as a result of new companies moving into the area e.g. Fluor.
- **Government business** has reduced over the last 2 years as a result of the MOD and other public sector cutbacks.
- **Contractor demand** appears to have remained largely flat overall. Some hotels reported a downturn in this market, while others reported an increase or no change.
- In line with the national trend, **residential conference business** for North Hampshire's 3 and 4 star hotels reduced sharply in 2009 and has remained a very challenging market over the last three years, although there were signs of some recovery in 2012, with an increase in residential conferences linked to exhibitions at FIVE.
- **Aircrew business** has increased as air traffic through Farnborough Airport has grown.

NORTH HAMPSHIRE HOTEL PERFORMANCE & MARKETS

- The number of **exhibitions held at FIVE** has increased, helping to boost the hotel market in Farnborough.
- The **weddings** market has generally increased, with a greater number of weddings being held in the area's hotels and growth in second weddings, civil partnership ceremonies, winter weddings and midweek weddings. Some hotels reported a decline in weddings-related bedroom business however, as a result of the general reduction in the sizes of weddings now being held.
- **Leisure break business** for Farnborough's branded hotels has reduced and become much more price driven as customers have switched to budget hotels and to buying through third party comparison websites and online travel agents, such as booking.com, LateRooms and Expedia.

Major Projects

- Major development projects that are planned in North Hampshire are as follows:
 - **In Farnborough:**
 - There are plans for the ongoing regeneration of **Farnborough Town Centre** to include enhanced retail provision, a new cinema, residential apartments and other mixed-use development projects.
 - The continued development of **Farnborough Business Park**, where 17 acres of land remain for development. Costco have recently taken a site here and development is underway.
 - Plans are being mooted for the expansion of capacity and facilities at **FIVE** (Farnborough International Venue and Events).
 - **Farnborough Airport** was granted permission in 2011 to nearly double the number of flights it handles each year. It is now allowed to cater for 50,000 flights per year, almost twice its previous limit of 28,000.
 - Prologis and PRUPIM have launched a search for tenants for their 1.3m sq ft **Hartland Park** distribution centre on a 119-acre former MOD testing facility in Farnborough. Construction is expected to begin in early 2014.
 - **In Aldershot:**
 - Grainger plc submitted an outline application to Rushmoor Borough Council at the end of 2012 for the development of the **Wellesley Aldershot Urban Extension**, comprising up to 3,850 new homes, schools and a range of other community facilities

Future Market Prospects

- Corporate demand for hotel accommodation in North Hampshire looks set to increase, particularly in Farnborough, as the economy recovers, business travel resumes and the development of Farnborough Business Park is completed and new companies are attracted.
- Government business looks likely to continue to reduce in North Hampshire as further defence and other public sector cutbacks are implemented.
- The proposed expansion of FIVE should help to generate additional demand for North Hampshire hotels from the new exhibitions and events that it attracts.
- The residential conference market may slightly recover as the economy starts to grow again but is unlikely to return to pre-recession levels. Many companies have developed their own in-house meeting and training facilities over the last 5 years, have got used to not holding meetings, or are increasingly making use of video and teleconferencing technology, thus reducing the need for face-to-face meetings. New exhibitions at FIVE could however generate associated residential conference business for Farnborough's hotels.
- Contractor demand for budget hotel accommodation looks likely to increase in the next few years as a result of planned 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.
- Aircrew demand should increase as air traffic through Farnborough Airport grows.
- Demand for hotel accommodation related to weddings and functions is likely to grow as North Hampshire's population increases.
- The visiting friends and relatives market is also likely to grow in line with growth in population. This is a particularly strong market for budget hotels.

PROSPECTS FOR GROWTH

- Leisure break demand is unlikely to increase in North Hampshire as there are no real draws in the area for leisure break stays in terms of major visitor attractions and events. Hotels may be able to attract leisure break stays by offering discounted rates and special offers through third party websites and daily deals sites but this is unlikely to become a significant and lucrative market for them.
- There could be scope for 3 and 4 star hotels to take more group tour business. This is however very 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

Location	Standard/ Type of hotel that could be developed	Commentary
Farnborough	<p>3/4 star</p> <p>Budget</p> <p>Serviced apartments/ Aparthotel</p>	<ul style="list-style-type: none"> ▪ There is clear potential for the development of further 3 or 4 star hotels in Farnborough, given the very strong achieved room rate performance for 3/4 star hotels here and the high levels of denied business during the week. There is less potential to attract weekend demand in this part of the county but the strength of the midweek market can support further provision at a 3 or 4 star level. There may be scope for a 3/4 star hotel to be incorporated into the future plans for FIVE. ▪ There is clear market potential for a further budget hotel in Farnborough, given the high levels of occupancy that are currently being achieved by the town's budget hotels and the levels of midweek business that they are consistently turning away. The Premier Inn proposed for the town centre is likely to satisfy much of the immediate requirement for additional budget provision, particularly given the opening of the new Premier Inn in Fleet in 2013. In the longer term there may be potential for a further budget hotel, possibly at upper-tier budget level, if corporate and contractor demand continues to grow. ▪ There could be potential for the development of further serviced apartments in Farnborough to meet long stay corporate demand. This could be in terms of purpose-built serviced apartment complexes or an aparthotel or the letting of residential apartments on a serviced apartment basis.
Aldershot/ Fleet/ North Hampshire	<p>Budget</p> <p>Upgrading of 3 star hotels</p>	<ul style="list-style-type: none"> ▪ Given the recent openings of budget hotels in Aldershot, Farnborough and Camberley, the opening of the new Premier Inn in Fleet in 2013, and plans for a second Premier Inn in Farnborough, there is no clear need for further budget hotel development in these parts of Hampshire. ▪ A number of this area's independent 3 star hotels are in need of investment to modernise their product. This is likely to prove a challenge given the recent and continuing growth in the area's budget hotel supply, which has had a largely detrimental impact of the performance of such hotels. Owners are struggling to justify investment given the returns that they are likely to achieve in the much more competitive market place that these hotels are now in. Some owners may decide to exit the market.

SOURCES OF FURTHER INFORMATION

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