

WINCHESTER HOTEL MARKET FACT FILE

July 2013

INTRODUCTION

The Winchester Hotel Market Fact File has been compiled to assist hotel companies, developers and investors in assessing hotel investment opportunities in Winchester. It provides the latest available information on:

- The current hotel supply in Winchester;
- Recent hotel development;
- Current hotel development proposals;
- Recent hotel performance (2010-2012)
- The key markets for hotel accommodation in Winchester;
- 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 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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WINCHESTER HOTEL SUPPLY

Current Hotel Supply

- Winchester is currently served by 12 hotels, with a total of 744 letting bedrooms. 4 star hotels account for over three quarters of this supply. The Lainston House 5 star country house hotel is located to the west of Winchester at Sparsholt. Winchester is the location of the first Hotel du Vin boutique hotel in the UK and also has a small boutique inn. There is only one small budget hotel in the vicinity of Winchester – the Days Inn on the Winchester motorway service area on the M3.
- This Winchester hotel supply is split between Winchester City Centre and the areas immediately surrounding the city. The City Centre supply comprises 7 hotels with 321 letting bedrooms. There are a further 5 hotels outside the city, including Lainston House, the 4 star Norton Park Q Hotel at Sutton Scotney to the north of Winchester and the Holiday Inn Winchester at Morn Hill to the east of the city.

CURRENT HOTEL SUPPLY – WINCHESTER JULY 2013

Standard	Hotels	Rooms	% of Rooms
5 star	1	50	6.7
Boutique	2	30	4.0
4 star	4	585	78.6
3 star	1	17	2.3
Budget	1	40	5.4
4 star Inn	2	22	3.0
Total Hotels	12	744	100.0

WINCHESTER HOTEL SUPPLY – JULY 2013

Hotel	Standard/Type	Bedrooms
Winchester		
Lainston House	5 star	50
Hotel du Vin	Boutique	24
No 5 Bridge Street	Boutique Inn	6
Norton Park (Q Hotels)	4 star	175
Mercure Winchester Wessex	4 star	92
The Winchester	4 star	96
Holiday Inn Winchester	4 star	141
Winchester Royal (Akkeron Hotels)	4 star	81
Harestock Lodge	3 star	17
Days Inn Winchester M3	Budget	40
Wykeham Arms (Fuller's Hotels & Inns)	4 star Inn	14
King's Head, Hursley	4 star Inn	8

Changes in Supply 2008-2013

New Hotels

- The new Holiday Inn Winchester opened in 2010, with 141 bedrooms.
- The Ideal Collection opened No5 Bridge Street in 2011 as a boutique inn with 6 bedrooms.

Investment in Existing Hotels

- The Winchester Royal upgraded to 4 stars in April 2013 following a complete refurbishment and added 6 new bedrooms. The hotel was acquired by Akkeron Hotels in 2010, when it took over Forestdale Hotels.
- Lainston House upgraded to 5 stars in 2012 and opened a new gym and falconry centre.
- Norton Park refurbished its spa in 2011.
- The Winchester added a spa treatment centre in 2011.

WINCHESTER HOTEL SUPPLY

Proposed Hotel Development

Hotels Under Construction

- There are no hotels currently under construction in Winchester.

Proposed Hotels

- Premier Inn has been granted planning permission for the development of a 101-bedroom budget hotel on the site of the Caledonia House office building in Winnall.
- Winchester is also a target location for Travelodge.

Planned Development of Existing Hotels

- Known plans for the development of existing hotels in Winchester are summarised in the table below.

WINCHESTER – PLANNED DEVELOPMENT OF EXISTING HOTELS

Hotel	Standard	New Rooms	Proposed Development
Holiday Inn Winchester	4 star	36	Currently applying for planning permission for extension to provide an additional 36 bedrooms, dry leisure facilities and spa treatment rooms and additional meeting space
Lainston Hotel, Sparsholt	4 star		Permission granted 2011 for the development of a spa with treatment and relaxation rooms
Kings Head Hursley	4 star	2	Permission granted for extension to deliver an additional 2 boutique bedrooms
Harestock Lodge	3 star	(17)	There is a current application to convert the Harestock Lodge Hotel to a day nursery

WINCHESTER HOTEL PERFORMANCE & MARKETS

Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for Winchester 3/4 star hotels for 2010, 2011 and 2012 are summarised in the table overleaf.
- 3/4 star hotel occupancies, achieved room rates and revpar figures dropped sharply in 2010 following the opening of the new Holiday Inn at Morn Hill. While they have steadily improved in 2011 and 2012 they are still some way below the county and national averages.

Patterns of Demand

- Estimated average weekday and weekend occupancies for Winchester 3/4 star hotels in 2012 are summarised in the table below.

WINCHESTER 3/4 STAR - WEEKDAY/ WEEKEND OCCUPANCIES – 2012

Typical Room Occupancy %			
Mon-Thurs	Friday	Saturday	Sunday
73	75	88	36

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

- Friday and Saturday occupancies are strong for Winchester 3/4 star hotels, particularly between April and October, when most hotels are usually fully booked and turning business away. Friday and Saturday occupancies are lower in the winter however and weekend denials much less common.
- Sunday night occupancies are relatively low for Winchester 3/4 star hotels, although can be higher in the summer for some hotels.
- Tuesday and Wednesday night occupancies are generally strong for Winchester 3/4 star hotels, particularly during the summer months and peak corporate months in the spring and autumn, when some hotels frequently fill and turn business away on these nights. Monday and Thursday occupancies are much lower however, down to 45-50% for some hotels. Midweek occupancies are generally lower in the winter months and dip in August for some hotels.

WINCHESTER HOTEL PERFORMANCE & MARKETS

WINCHESTER 3/4 STAR 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
Winchester 3/4 Star Hotels	55	62	68	59	62	66	33	38	45

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.

WINCHESTER HOTEL PERFORMANCE & MARKETS

Market Mix

- The midweek market mix for Winchester 3/4 star hotels is biased towards business demand, although less so than many other parts of Hampshire due to the strength of midweek leisure demand in the city. The weekend market mix is strongly weighted towards leisure demand.

WINCHESTER 3/4 STAR HOTELS – MIDWEEK & WEEKEND MARKET MIX

Midweek Market Mix		Weekend Market Mix	
Business %	Leisure %	Business %	Leisure %
70	30	10	90

Business Markets

- Corporate demand associated with companies in Winchester, Andover and to some extent Basingstoke, is the key business market for Winchester's 3 and 4 star and boutique hotels, accounting for around 90% of business demand for most hotels.
- Residential conferences are an important secondary market for Norton Park, which has extensive conference facilities. They are otherwise a minor market for Winchester hotels, accounting for 8-10% of their business demand.

Leisure Markets

- Winchester is clearly a strong leisure break destination. Leisure breaks account for between 40% and 74% of leisure business for Winchester hotels. Leisure break rates are strong for weekends in the summer months. Midweek and winter leisure break business tends to be largely rate-driven through advance purchase rates and discounted rates and offers that hotels promote through third party websites and their company leisure break marketing programmes.
- Group tours are an important secondary leisure market for three of Winchester's hotels and a minor leisure market for a fourth. 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. Key draws for group tours are Winchester, Stonehenge, Salisbury, the New Forest and the Watercress Line at Alresford. Winchester Christmas Market also attracts group tours. Group tour business tends to be lower-rated although overseas group tour business from some countries can be more lucrative. Hotels primarily take group tours to provide them with base business to boost midweek occupancies.
- Weddings are another important leisure market for Winchester hotels, accounting for 10-30% of their leisure trade
- Overseas tourists account for 2-10% of leisure business for Winchester hotels.
- Events that generate good demand for hotels in Winchester are:
 - Winchester Christmas Market
 - Winchester Chamber Music Festival
 - Matterley Bowl concerts
 - Motocross Grand Prix, Matterley
 - Grange Park Opera
 - Car Fest
 - Thruxton motor racing

Market Trends

- **Corporate demand** has grown in the last 2 years for Winchester hotels, particularly from Andover companies.
- All of Winchester's 4 star hotels reported recent growth in **residential conference business**. One reported a decline in the number of large (100 + delegate) conferences
- **Leisure break business** has increased for Winchester hotels over the last 3 years as a result of the 'staycation' trend. Those hotels that have developed spas have seen an increase in spa break business. Some hotels have also successfully attracted leisure break business through third party comparison websites and online travel agents, such as booking.com, LateRooms and Expedia, albeit it on discounted rates and special offers.
- Demand from **overseas tourists** appears to have been largely static over the last 3 years.
- Trends in **the group tour market** are variable. One hotel has seen an increase in its group tour business, while another has taken fewer group tours as higher-rated leisure break business has grown.
- The **weddings** market has generally increased or remained stable for Winchester hotels and has become more price sensitive, with many hotels now offering discounted wedding packages. The numbers of weddings being held in hotels appears to have increased but weddings have reduced in size, often with a smaller wedding breakfast followed by a larger evening function. There has also been growth in second weddings, civil partnership ceremonies, winter weddings and midweek weddings.

PROSPECTS FOR GROWTH

Major Projects

- Major development projects that are planned in Winchester are as follows:
 - City centre regeneration via the **Silver Hill** retail, residential and office scheme which has now received Secretary of State approval for associated compulsory purchase. The scheme, on a 6 acre site incorporating the bus station, will be delivered in partnership with Henderson Global Investors.
 - The development of a new community at **Barton Farm**, where Cala Homes will develop 2000 houses.
 - The MoD has submitted a planning application for a £270m scheme at **Worthy Down** to turn the army base into a training camp for all three services. The scheme would double the personnel here to 2000.
 - Plans for a £70m **hospital and specialist cancer treatment centre** north of Winchester, with a target for opening by 2018.
 - Cavendish & Gloucester is developing the 5-acre **Chilcomb Park** business park just off the M3 to the east of Winchester.

Future Market Prospects

- Corporate demand for hotel accommodation in Winchester looks set to increase as the economy recovers and business travel resumes. The planned development of the Andover Business Park may generate new corporate business for Winchester hotels as new occupiers are attracted. Demand from Andover and Basingstoke companies may however reduce for Winchester hotels if new hotels are developed in these locations.
- The proposed development of Worthy Down as a military training camp could generate some new business for Winchester hotels if it is progressed.
- The residential conference market may continue to grow for Winchester hotels as the economy starts to grow again and the city's hotels proactively target this market. It is likely to remain highly competitive however. 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.
- Some hotel managers in Winchester see potential for Winchester Guildhall to be marketed as a venue for conferences.
- Contractor demand for budget hotel accommodation looks likely to increase in the next few years if the proposed major development schemes are progressed. 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.

PROSPECTS FOR GROWTH

- Tourism forecasts prepared by Oxford Economics for the 2010 Deloitte report on the UK visitor economy¹ project real growth of 3% per annum in the UK visitor economy through to 2020. As a popular visitor destination, there is no reason to think that tourism should not grow at a similar rate in Winchester and that there will not be further growth in leisure break demand for the city's hotels. There are however some signs that the 'staycation' trend may not continue as UK residents opt again for overseas holidays as the economy and consumer confidence recovers and in response to the poor summer weather in 2012. It is also clear that the UK leisure break market will remain largely price sensitive (other than possibly at the top end of the market), with customers continuing to look for good deals and buying primarily through online travel agents and third party websites.
- The future prospects for overseas tourism to Britain look very promising as a result of the heightened exposure of the country during 2012. VisitBritain is currently projecting that the volume of international tourism to Britain will grow by 3% in 2013. Future years could also see similar levels of growth. There is no reason to think that Winchester will not benefit from this trend.
- Demand for hotel accommodation related to weddings and functions is likely to grow as the city's population increases.
- The visiting friends and relatives market is also likely to grow in line with growth in population. This is a particularly strong market for budget hotels.
- There could be scope for Winchester hotels to take more group tour business if they wish to. This is however generally lower-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.

¹ The Economic Contribution of the Visitor Economy: UK and the Nations, Deloitte, 2010

HOTEL DEVELOPMENT OPPORTUNITIES

Standard/ Type of hotel that could be developed	Commentary
Budget	<ul style="list-style-type: none"> ▪ There would appear to be market potential for a budget hotel in Winchester, given the lack of such hotel accommodation serving the city at present. The planned Premier Inn may meet this requirement. Travelodge also has a requirement for Winchester.
Boutique	<ul style="list-style-type: none"> ▪ There may be scope for further boutique hotels and/or gastropubs with boutique bedrooms in Winchester, given the strong performance of such hotels currently in the city.
3/4 star	<ul style="list-style-type: none"> ▪ The Winchester market does not appear to be strong enough to support another new 3/4 star hotel for the foreseeable future. There may however be scope for existing hotels to develop additional bedrooms and leisure, spa and banqueting facilities e.g. the proposed expansion of the Holiday Inn at Morn Hill.

SOURCES OF FURTHER INFORMATION

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

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