SOUTH HAMPSHIRE HOTEL FUTURES

FINAL REPORT

Prepared for:
Partnership for Urban South Hampshire (PUSH)
Tourism South East

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hotel solutions
the hotel development consultancy

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EXECUTIVE SUMMARY

1. Study Objectives and Purpose

The South Hampshire Hotel Futures Study was undertaken by Hotel Solutions between January and April 2010 for the Partnership for Urban South Hampshire (PUSH) and Tourism South East. The objective of the study was to build on previous hotel sector research covering South Hampshire to provide a comprehensive and up-to-date understanding of the future potential for hotel development across the Sub Region and to determine how PUSH can best support and inform the development of the hotel sector in South Hampshire as the Sub Region's economy and tourism offer develop over the next 20 or so years.

The report was completed before the general election in May 2010 and before the coalition government's announcement in July 2010 regarding the abandonment of regional spatial strategies. Information relating to development sites and economic growth is under review and may need to be revised.

2. Current Hotel Supply

There are currently 98 hotels in South Hampshire with a total of just over 6,400 letting bedrooms. South Hampshire has a mix of branded and independent 3 and 4 star hotels, Holiday Inn Express upper-tier budget hotels and branded budgets hotels spread across the Sub Region. Small boutique hotels have also started to develop in Southampton and Southsea and serviced apartments have begun to develop in Southampton and Portsmouth. South Hampshire's 4 star hotel supply is located primarily in the M27 Corridor. There is only one 4 star hotel in Southampton city centre and no 4 star hotel in Portsmouth city centre. There have been relatively few new hotel openings in South Hampshire in the last 5 years. The only significant new hotels have been the Jury's Inn in Southampton, which opened in 2005, and Etap economy budget hotels in Southampton and Portsmouth, which opened in 2008. The Dolphin will reopen in Southampton in May 2010 as a 4 star hotel following a major refurbishment and expansion programme.

3. Hotel Development Proposals

There are currently proposals and ideas at various stages for at least 43 new hotels across South Hampshire, which could deliver almost 5,000 new hotel bedrooms if they all went ahead. Many already have planning permission. Others are at earlier stages of consideration and some are longer-term possibilities as part of planned employment zones and strategic development areas. No hotel schemes have yet announced start dates and some have been put on hold as a result of the current economic climate. It is unlikely that all of the proposed hotel schemes will proceed. The main focus of proposed hotel development activity is on Southampton and Portsmouth. Many of the proposals in the two cities are at the 4 star level. Hotels are also proposed or being considered in most other parts of South Hampshire.

4. Current Hotel Performance

Hotel performance in South Hampshire varies substantially by location and standard of hotel. 4 star hotels and some 3 star hotels in Southampton achieve high levels of room occupancy and achieved room rate[1]. The cruise market and the Boat Show provide a significant boost to hotel demand here. 4 star hotel performance is not as strong in Portsmouth. Achieved room rates for 3 and 4 star hotels in Portsmouth are relatively low due to the nature of corporate demand here. 3 and 4 star hotels in other parts of South Hampshire are generally trading at comparatively lower levels of occupancy achieved room rate. Southampton is the only location in South Hampshire where hotels are trading at the levels required to support new build 4 star hotel development. Budget hotels across South Hampshire trade at very high levels of occupancy and consistently turn away business because they are full both during the week and at weekends in most parts of the Sub Region, at times to a fairly significant degree. Business turned away from budget hotels has increased substantially since November 2009 in many locations. The small boutique hotels in Southampton and Southsea are trading well and can achieve high room rates. Serviced apartments in Southampton and Portsmouth are achieving high levels of occupancy. In line with the national trend hotel performance in South Hampshire has clearly been affected by the recession in 2009, with most hotels of all standards reporting a fall in occupancy and achieved room rate. The budget hotel sector appears to have been less affected.

[1] The net price that hotels achieve per room sold after deduction of VAT, breakfast (if included in the room rate), discounts and commission charges)

5. Future Market Prospects

South Hampshire is set to undergo transformational change over the next 20 years that will result in significant employment and population growth. The development of the Sub Region's economy and major office and business park developments will drive significant growth in corporate demand for hotel accommodation, which will be a key driver for new hotel development. Planned construction and infrastructure development projects should generate significant demand for budget hotel accommodation from the contractors market. The development of the Rose Bowl could drive growth in conference tourism in this part of the Sub Region. The cruise market is set to continue to grow strongly in Southampton and potentially also in Portsmouth. The planned investment in the South Hampshire leisure tourism offer, particularly in Southampton and Portsmouth, will help to boost weekend leisure demand. The expansion of Southampton Airport should result in increased demand for hotel accommodation from air passengers and aircrew. Demand from people attending weddings and family parties and people visiting friends and relatives will increase as South Hampshire's population grows.

6. Hotel Development Opportunities

The growth in demand for hotel accommodation that the development of the Sub Region's economy and tourism offer and increase in its population is set to deliver will create opportunities for significant new hotel development across South Hampshire. Hotel Solutions' analysis suggests that the Sub Region could see the development of up to 38 new hotels and an additional 3,645 new hotel bedrooms over the next 21 years, creating around 1,500 direct jobs, together with indirect jobs in the catering, entertainment and retail sectors. These could include some of the currently proposed hotels together with others that may come forward. The envisaged increase in the Sub Region's hotel supply would equate to an average increase of 174 new hotel bedrooms per year across South Hampshire between 2010 and 2031, which compares to the average annual increase in hotel bedrooms in the Sub Region of 172 between 2004 and 2009. 4 star hotel development will be focused primarily on Southampton. Portsmouth could also see the development of a 4 star hotel in the longer term and the proposed Hilton 4 star hotel at the Rose Bowl may go ahead. 3 star hotel development will also be focused at Southampton and Portsmouth. There could also be an opportunity for a 3 star hotel at Eastleigh Riverside. Elsewhere in the Sub Region, the opportunities will primarily be for budget and possibly upper-tier budget hotels. There is also scope for hotels of these standards in Southampton and Portsmouth, together with potential for boutique hotels and serviced apartments to develop here.

The table below sets out Hotel Solutions' assessment of the new hotels that might possibly be developed across South Hampshire in the next 21 years and the new jobs that they would create. In addition to these hotels, small boutique hotels could also develop in some parts of South Hampshire e.g. Southsea, South Hayling and Romsey; pub accommodation may develop across the Sub Region; and country house hotels could develop in rural/ non-urban locations, given suitable properties for conversion.

SOUTH HAMPSHIRE – POSSIBLE NEW HOTELS & JOBS 2010-2031

Location/Standard of Hotel	New Hotels	New Hotel Bedrooms	New Jobs
Southampton City Centre			
4 Star[1]	3	490	392
3 Star	1	150	50
Boutique	3	150	120
Budget/Upper-Tier Budget	4	400	89
Serviced Apartments	3	150	33
Southampton City Centre Total	**14**	**1340**	**684**
Portsmouth			
4 Star	1	150	120
3 Star[2]	2	350	117
Boutique	1	50	40
Budget/Upper-Tier Budget	5	500	111
Serviced Apartments	1	50	11
Portsmouth Total	**10**	**1100**	**399**
Southampton/Eastleigh M27 Corridor			
4 Star[3]	1	175	140
3 Star	1	150	50
Budget/Upper-Tier Budget	4	300	67
Southampton/Eastleigh M27 Corridor	**6**	**625**	**257**
Fareham/Whiteley			
Budget/Upper-Tier Budget	2	200	44
Country House Hotel[4]	1	50	40
Fareham Total	**3**	**250**	**84**
Havant/A3 Corridor			
Budget/Upper-Tier Budget	2	200	44
Havant/A3 Corridor Total	**2**	**200**	**44**
Gosport			
Budget	2	100	22
Gosport Total	**2**	**100**	**22**
Hythe/Marchwood/Totton			
Budget	1	30	7
Hythe/Marchwood/Totton Total	**1**	**30**	**7**
TOTAL SOUTH HAMPSHIRE	**38**	**3645**	**1497**

Notes:
1. Includes The Dolphin that reopens in Southampton in May 2010 with 90 bedrooms
2. Includes the proposed Jury's Inn
3. Assuming that the Hilton at the Rose Bowl will go ahead
4. Assuming that the proposed hotel at Coldeast Hospital will be progressed

In terms of timing, South Hampshire is likely to see relatively few new hotel openings in the next 5 years. Hotel development activity should then accelerate after 2015 as the major regeneration and development schemes are progressed and completed.

7. The Hotel Developer Perspective

There was interest from 26 hotel developers, investors and operators in developing hotels in South Hampshire, with requirements for 40 brands. The interest expressed covered the range of offers from 4 star/luxury through to budget and pub accommodation. It also included a number of innovation brands, new to the UK and Europe, and niche offers including country house/spa and emerging long stay brands. Nine locations across South Hampshire were identified as targets for new hotel development. Southampton attracted the greatest amount of interest with 31 brands seeking representation here, followed by Portsmouth with 25 brands. Eastleigh and Fareham attracted interest from 9 and 10 brands respectively, with Havant, Gosport, Southsea, Waterlooville and Hythe/Marchwood attracting interest from 1-4 brands. 4 star, boutique and long stay interest was focused on Portsmouth and Southampton, with some 3 star and upper tier budget interest here and at Fareham and Eastleigh. In the majority of other target locations the interest was at budget level.

Hotel companies face a number of challenges when seeking to acquire and develop hotels in South Hampshire, and more widely. Securing finance is currently at the top of their agendas, followed by the difficulty of acquiring sites. Securing planning remains a major obstacle, particularly in terms of the application of the sequential test when demand drivers are located out of town. Planning conditions and design and car parking requirements were also identified as barriers, increasing the cost of hotel schemes, often to a point where they may no longer be viable. The application of BREEAM standards has had a similar effect. The impact of flood risk and policies to protect employment land are also constraining the delivery of sites with hotel development potential. Unrealistic expectations on value from site owners, and a mismatch between destination aspirations and hotel market potential were identified as further challenges, as was access to good, focused information on destinations and a responsive and joined up approach on behalf of local authorities to investment and development enquiries.

8. Requirements for Supporting the Development of the South Hampshire Hotel Sector

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

- **A positive planning policy framework** that:
  - Recognises the importance of hotels in supporting business development and tourism growth and the contribution that they can make to employment growth in terms of both direct and indirect jobs;
  - Responds appropriately to the market potential for hotel development across the Sub Region and market demand in terms of the location of new hotels;
  - Recognises the economics of hotel development and the commercial implications of planning conditions and planning delays.

  The South Hampshire Hotel Futures Study provides a lot of detailed evidence and guidance about hotel development opportunities and requirements for supporting hotel development for the Sub Region's local authorities to consider as they move forward with their Local Development Frameworks in terms of:

  - Finalising and reviewing their Core Strategy DPDs;
  - Preparing site allocations and development management policies DPDs;
  - Developing Area Action Plans, development briefs and masterplans for specific locations and sites.

  Appendix 12 to the main Hotel Futures Study report sets out a schedule of the DPDs, AAPs and SPDs that the Sub Region's local authorities are developing over the next 2 years and highlights the issues that each of these documents will need to consider in relation to hotel development.

- **A spatial strategy for hotel development** across South Hampshire that seeks to focus new hotels at each level of the market to where they will have the greatest fit with market potential and can best support regeneration objectives, recognising the need for a balance between town and city centre hotel development and new hotel provision in out-of-town locations where there are new drivers of demand such as business parks and major sports stadia, visitor attractions and events venues. The table overleaf sets out a suggested spatial strategy for hotel development in South Hampshire identifying the key locations that are likely to be able to support hotel development across the Sub Region and the standard of hotel that is most suited to each location (indicated by a tick in the relevant column). This is not intended to be a prescriptive 'straight-jacket' nor a basis for allocating sites for hotels, which is not generally seen as being required other than in very specific circumstances where the allocation of sites or properties for hotel development may be desirable. The strategy is intended more as a market-based guide to help focus hotel development in line with market potential and to locations where new hotels can make an optimal contribution to wider destination and economic development initiatives. There should be an element of flexibility around this spatial strategy to accommodate opportunities that cannot readily be categorised or anticipated at this stage, but which can demonstrate a clear destination benefit and market foundation.

  The suggested spatial strategy focuses new hotel development in Southampton and Portsmouth, particularly in terms of 3 and 4 star hotels, boutique hotels and serviced apartments, with hotel development in other parts of the Sub Region being primarily at the budget or upper-tier budget level, with the exception of Eastleigh Borough, where 3 and 4 star hotel proposals may be progressed. This is very much in line with the 'cities first' strategy that PUSH is now pursuing.

  The spatial strategy shows potential for hotel development in a wide range of locations across South Hampshire. In most parts of the Sub Region these opportunities are on an either/or basis. It is not suggested that hotel development can take place at every level in the market in every single location. What is likely to happen in practice is that potential opportunities for hotel development in some locations will fall away or be pushed into the longer term as new hotels are progressed in other locations.

SOUTH HAMPSHIRE – PROPOSED SPATIAL STRATEGY FOR HOTEL DEVELOPMENT

Location	Most Suitable Standard of Hotel							
	4 Star	3 Star	Boutique	Upper-Tier Budget	Budget	Serviced Apts	Pub Accom	Country House
Southampton								
Southampton City Centre/Waterfront	✓	✓	✓	✓	✓	✓	✓	
Woolston				✓	✓			
Portsmouth								
Portsmouth City Centre	✓	✓	✓	✓	✓	✓	✓	
Gunwharf Quays/The Hard	✓	✓	✓	✓	✓	✓	✓	
Southsea			✓		✓	✓		
M27/A27 Corridor	✓	✓		✓	✓			
Eastleigh								
Eastleigh Town Centre					✓			
Eastleigh Riverside		✓		✓	✓			
Rose Bowl	✓							
N/NE Hedge End SDA					✓			
Fareham								
Fareham Town Centre					✓			
North Fareham SDA				✓	✓			
Gosport								
Daedalus/Gosport Waterfront/Holbrook/Haslar/Priddy's Hard					✓		✓	
Winchester								
Whiteley (Solent Business Park/Whiteley Outlet Village)				✓	✓			
West of Waterlooville MDA					✓			
Havant								
Havant A27/A3 Corridor				✓	✓		✓	
Waterlooville					✓			
Dunsbury Hill Farm				✓	✓			
Hayling Island			✓				✓	
Test Valley								
Romsey			✓				✓	
M27 Corridor					✓		✓	
New Forest								
Hythe/Marchwood/Totton					✓		✓	
Rural/ Non-Urban Areas								
Rural Test Valley, Winchester, Fareham. East Hampshire							✓	✓

Source: Hotel Solutions

- **The provision of good quality, up-to-date factual data and information to hotel companies** to help them to objectively assess hotel development opportunities and alert them to future growth and new drivers of demand that could give rise to opportunities for hotel development.

- **A co-ordinated approach to dealing with hotel developers across South Hampshire** with designated lead contacts at PUSH and within each local authority and the possible establishment of the South Hampshire Hotel Investment Forum of local authority officers.

- **Support for the development of the South Hampshire hotel market** in terms of:

    - Effective destination marketing;
    - Inward investment to attract the type of companies and business functions that will generate strong corporate demand for hotels;
    - The possible development of a purpose-built conference centre in Southampton and/or Portsmouth;
    - Continued investment in the Sub Region's leisure tourism offer;
    - Addressing transport infrastructure barriers for Gosport;
    - Supporting staff training and development in the hotel sector.

9. Next Steps

Key next steps in progressing the recommendations of the Hotel Futures Study (once it is finalised and agreed) will be to:

- Disseminate the study findings effectively to local authority partners and other relevant public sector bodies;
- Decide how best to progress and resource work to help inform and support hotel developers community that are interested in progressing hotel projects in South Hampshire;
- Provide appropriate feedback to the managers and owners of existing hotels in South Hampshire;
- Put in place a plan and resources to keep the require information on the hotel sector up to date.

10. Concluding Summary

The South Hampshire Hotel Futures Study identifies significant potential for new hotel development and investment in existing hotels as the Sub Region's economy and leisure tourism offer develop and major regeneration and development schemes are progressed. The development of hotels in South Hampshire will play a key role in supporting economic development in the Sub Region and will contribute to PUSH employment growth targets. PUSH and its local authority partners can play a role in supporting and managing this future hotel development by establishing a positive and market-responsive planning policy framework for hotel development and providing information and support to hotel developers that are interested in developing hotels in South Hampshire. The Hotel Futures Study provides much of the information and analysis that PUSH and its partners will need to fulfil these roles. It is now for PUSH and its partners to translate the study findings and recommendations into a sustainable strategy and policy framework for hotel development in the Sub Region.

1. INTRODUCTION

1.1. Background

- The following report sets out the findings of the South Hampshire Hotel Futures Study that was undertaken by Hotel Solutions between January and April 2010 for the Partnership for Urban South Hampshire (PUSH) and Tourism South East.

- PUSH brings together 11 local authorities to deliver substantial economic and housing growth in the cities of Southampton and Portsmouth and the other core urban areas of South Hampshire (Appendix 1 provides a map of the South Hampshire Sub Region). The Partnership is working on some challenging targets that aim to raise GVA (Gross Value Added) economic performance from 2.75% in 2006 to 3.5% by 2026; create 59,000 new jobs; develop nearly two million square metres of additional employment space; and build an average of 4,000 new homes per year through to 2026.

- This economic and population growth, together with envisaged growth in tourism as a result of the development of the area's visitor attractions, cultural, sporting and retail product, the continued expansion of the cruise market in Southampton and the planned expansion of Southampton airport should result in a significant increase in demand for hotel accommodation in the PUSH area and support the development of new hotels. Hotel development will in turn make a key contribution to supporting future economic development, business growth and tourism development in the PUSH area. Hotels are a key part of the infrastructure that companies need to do business. New hotels will create jobs and should result in growth in leisure tourist markets and possibly conference tourism.

- PUSH is therefore interested in more fully understanding the opportunities for the development of the hotel sector that its growth agenda may give rise to and to determine how it can best support and inform the development of the sector as the planned growth takes place. It has thus commissioned Hotel Solutions to undertake a detailed study of the hotel market across South Hampshire and its future growth potential.

- The study builds on the previous research (listed at Appendix 2) that Hotel Solutions has undertaken since 2001 to monitor hotel performance and development activity in Hampshire, assess hotel developer interest in the county's destinations and identify and evaluate suitable sites for new hotels. This has included the Hampshire Hotel Trends Survey undertaken for Hampshire County Council in 2001, 2005 and 2008 and more detailed Hotel Futures studies for Portsmouth, Havant, Test Valley, East Hampshire and Gosport.

- All of this research has consistently identified opportunities for hotel development across the PUSH area and numerous proposals for new hotels. No work has however been undertaken to date to assess hotel development opportunities across the whole of the PUSH area or to establish a more co-ordinated and strategic approach to hotel development and hotel investment marketing across the Sub Region.

1.2. Study Objective and Purpose

- The **objective** of the study is to build on and up-date all of the previous hotel sector research covering the PUSH area to establish a more strategic, co-ordinated and proactive approach to hotel development across the Sub Region in order to optimise the contribution that hotel development can make to economic, employment and tourism growth in the PUSH area.

- The study provides:

  - Up to date information on hotel performance and hotel development proposals across the PUSH area, including an assessment of the impact of the current recession;
  - An assessment of the prospects for future growth in hotel demand across the PUSH area and the likely key drivers of this growth in terms of major development projects and markets that look likely to expand;
  - An assessment of the opportunities for new hotel development across the PUSH area over the next 10-15 years in terms of the size, standard and type of hotel best suited to each part of the Sub Region;
  - Recommendations for a future hotel development and hotel investment marketing strategy for the PUSH area.

- An overview of the potential for developing conference tourism in the PUSH area and what would be required to do this in terms of conference and exhibition venue development, public sector investment, new hotels, conference marketing and infrastructure development.

- The **purpose** of the study is to:

    - Encourage a more strategic and co-ordinated approach to hotel development across the PUSH area;
    - Inform the preparation of relevant Local Development Documents, including site allocations DPDs;
    - Inform and support PUSH-wide hotel investment marketing activity;
    - Inform other relevant PUSH strategies for economic development and tourism.

1.3. Scope of the Study

- The study has sought to assess:

    - The scope for upgrading and expanding existing hotels;

    - The potential for the development of new hotels of all standards and types (Appendix 10 provides a glossary of hotel definitions):

        - 5 star
        - 4 star
        - 3 star
        - Budget
        - Upper-tier Budget[1]
        - Boutique hotels[2]
        - Suite hotels[3]

[1] Brands such as Express by Holiday Inn, Ramada Encore and Hampton by Hilton that offer a 3 star standard bedroom product but limited hotel facilities and services.
[2] High quality hotels, usually relatively small and often independently operated, that feature contemporary design and high standards of service. They usually have a good quality but fairly informal dining offer and generally few other hotel facilities and services.
[3] Hotels that offer 1 and 2-bedroom suites, usually with separate living and working areas and sometimes kitchens. The concept has developed in the US. It is particularly aimed at long-stay corporate guests.

  - Serviced apartments[1]
  - Country house hotels
  - Golf hotels/ resorts

- The study provides an assessment of hotel performance and markets and development opportunities for the following market areas[2] within South Hampshire (shown on the map overleaf):

  - Southampton City Centre
  - Southampton/Eastleigh M27 Corridor
    (Eastleigh Borough, those parts of Test Valley Borough that fall within South Hampshire, the outer fringes of Southampton and those parts of Winchester City that fall within South Hampshire other than Whiteley and Solent Business Park)
  - Hythe/Marchwood/Totton
    (the parts of New Forest District that fall within South Hampshire)
  - Fareham/Whiteley
  - Gosport
  - Portsmouth
  - Havant/A3 Corridor
    (Havant Borough excluding Hayling Island and the parts of East Hampshire District that fall within South Hampshire)
  - Hayling Island

- These market areas are areas where hotels are competing in broadly the same corporate markets for hotel accommodation, albeit that there are further more local sub markets in some areas and some overlap between some of the market areas. They have been defined from our discussions with hotel managers as part of this and other studies that we have undertaken of the hotel market in South Hampshire. The market areas do not correspond to local authority boundaries, other than the Portsmouth market area.

[1] Serviced apartments are an emerging alternative to hotel accommodation in the UK. They are either residential apartments or purpose-built serviced apartment blocks that are let out on a nightly basis and serviced daily, sometimes with breakfast provided, usually for guests to prepare themselves in the apartment.

[2] Areas where there are clusters of hotels that trade in broadly the same corporate market (with the exception of Hayling Island, which is identified as a distinct leisure tourism destination)

South Hampshire Hotel Study - Market Areas

1.4. Study Methodology

- The study has involved the following modules of research:

  - An **audit of the existing supply** of hotels in the PUSH area. This has included inspected, branded and non-inspected/branded hotels and identifies recent changes in hotel supply in terms of new hotel openings and the refurbishment extension, re-branding and closure of existing hotels. The audit has been based on a review of the local authority destination marketing websites that cover the PUSH area and a review of the main UK Internet hotel booking sites. The audit has included all star-rated and branded hotels (irrespective of size) and non-inspected and unbranded hotels and inns that describe themselves as hotels in their marketing websites. Some of the smaller establishments that fall into this latter category are probably more appropriately classified as guest accommodation.

  - A **review of current proposals for new hotels and investment in existing hotels** across the PUSH area, based on information provided by the local authorities and our discussions with hotel managers and companies.

  - **Interviews with the managers and owners of existing hotels** to gather information on performance and market trends in 2008 and 2009, future investment plans and views on business prospects in 2010 and 2011. A total of 61 hotels, inns and serviced apartment operations were interviewed (listed at Appendix 3) through a programme of telephone interviews and postal and email surveys. Our grateful thanks are extended to these hotels for having given freely of their time and information.

    Hotel interviews were conducted on a strictly confidential basis. In some cases it has not been possible to report all of the findings as this could give an insight into the performance of individual hotels e.g. where only one 4 star hotel was interviewed in a particular location. Every attempt has been made to ensure that this has not happened in the report.

The only major hotels for which performance data and market trend information was not obtained were the De Vere Grand Harbour in Southampton (although we have some insight into the performance of this hotel from our other sources), Marriott Meon Valley, Queen's Hotel in Southsea, Holiday Inn Express Portsmouth, White Horse at Romsey and Potters Heron at Ampfield. Not all of the hotels/ large guest accommodation businesses in Gosport and Hythe/Marchwood took part in the survey.

- An **assessment of potential future growth in hotel demand** and what will drive this, through consultations with the area's local authorities, a review of the PUSH Economic Development Strategy, an assessment of the relevant regeneration, planning, economic and tourism strategy documents for each part of the PUSH area and a review of the masterplans for Southampton Airport, Southampton cruise terminal and Portsmouth ferry port.

- The preparation of **projections for potential future growth in hotel demand** across the PUSH through to 2011, 2016, 2021, 2026 and 2031(Appendix 5 provides information on the methodology and assumptions used for these projections). Projections have been prepared for full service 3/4 star hotels and limited service budget hotels. The projections have been used to provide an indication of the levels of new hotel development of each standard that might be supported by market growth in each part of the PUSH area. Hotel Solutions also provides commentary on the potential opportunities for other types of hotel to develop in the PUSH area, such as boutique hotels, aparthotels, serviced apartments, high quality pub accommodation and destination hotel products such as golf hotels and country house hotels.

- Telephone **consultations with a sample of national, regional and local hotel developers and operators** to establish their interest in developing new hotels in the PUSH area and their perceptions and experience of South Hampshire as a hotel development location.

- An **audit of the conference tourism product** of the PUSH area.

- A **review of key market and product development trends in the UK conference tourism market** as a starting point for scoping a possible conference tourism development strategy for the PUSH area.

- **The report was completed before the general election in May 2010 and before the coalition government's announcement in July 2010 regarding the abandonment of regional spatial strategies. Information relating to development sites and economic growth is under review and may need to be revised.**

1.5. Report Structure

- The following report summarises the findings of these modules of research in relation to:

    - The current hotel supply in the PUSH area;
    - Recent hotel development;
    - Planned hotel development;
    - Trends in hotel performance and markets in 2008 and 2009;
    - The prospects for future growth in demand for hotel accommodation and what will drive this;
    - Our projections of potential future growth in hotel demand in the PUSH area and the implications of this growth in terms of the potential for new hotel development;
    - Hotel developer interest in the PUSH area;

- The analysis of the study findings is then drawn together into a recommended Hotel Development Strategy for the PUSH area that:

    - Identifies the market opportunities for hotel development by location and standard and type of hotel;
    - Seeks to establish a locational strategy for hotel development across the PUSH area that optimises the potential opportunities and ensures that the right hotels are developed in the most suitable locations, minimising possible oversupply and competition for hotel development between the different parts of the PUSH area;
    - Advises on the interventions required by PUSH and the South Hampshire local authorities to support hotel development in terms of planning policy development, destination product development and marketing, hotel investment marketing/information provision and transport infrastructure development.

- This report is supported by a PUSH Area Conference Tourism Strategy Scoping Paper setting out:
    - The audit of the PUSH conference tourism product;
    - The findings of the review of market and product development trends in the UK conference tourism market.
    - The possible future direction for a conference tourism development strategy for the PUSH area identifying possible market opportunities, product development needs and requirements for more detailed research.

2. SOUTH HAMPSHIRE HOTEL SUPPLY

2.1. Current Supply

2.1.1 Current Hotel Supply by Standard and Type of Hotel

- There are currently 98 hotels in the South Hampshire Sub Region with a total of 6,408 letting bedrooms. The table overleaf provides an analysis of this hotel supply by market area. Appendix 4 provides and analysis of the South Hampshire hotel supply by local authority area.

SOUTH HAMPSHIRE HOTEL SUPPLY[1] – APRIL 2010

Standard of Hotel	Hotels	Rooms	% of Total Hotel Rooms	Average Size of Hotel (Rooms)
5 star	-	-	-	-
4 star	10	1,268	19.8	127
Boutique	8	70	1.1	9
3 star	24	2,102	32.9	88
Upper-tier Budget	3	411	6.4	137
Budget	21	1,601	25.1	76
2 star	7	413	6.5	59
Serviced Apts	6	80	1.2	13
Non-inspected[3]	19	463	7.2	25
TOTAL	**98**	**6,408**	**100.0**	**67**

Source: Hotel Solutions

Notes:
1. All star-rated and branded hotels + non-inspected hotels and large guest accommodation businesses that market themselves as hotels
2. Higher standard limited service hotels. The main upper-tier budget hotel brands in the UK are Holiday Inn Express, Ramada Encore and Hampton by Hilton
3. Or graded as 1 star or guest or inn accommodation

SOUTH HAMPSHIRE – CURRENT HOTEL SUPPLY BY MARKET AREA[1] – APRIL 2010

Location	4 star		Boutique[2]		3 star		Upper-tier Budget		Budget		2 star		Serviced Apartments[3]		Not Inspected/ Graded as Guest Accom		TOTAL HOTELS	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Southampton City Centre	1	174	3	32	4	593			4	448	2	97	5	60	1	10	**20**	**1414**
Southampton /Eastleigh M27 Corridor	5	542			7	490	2	281	6	381							**20**	**1694**
Hythe/ Marchwood/ Totton															4	54	**4**	**54**
Fareham	1	111			4	207			1	61					2	34	**8**	**413**
Gosport					1	10									3	38	**4**	**48**
Portsmouth	2	293	5	38	5	463	1	130	6	592	3	68	1	20	5	253	**28**	**1857**
Havant/ A3 Corridor	1	148			2	81			4	119					4	73	**11**	**421**
Hayling Island[4]					1	258					2	248					**3**	**506**
TOTAL	**10**	**1268**	**8**	**70**	**24**	**2102**	**3**	**411**	**21**	**1601**	**7**	**413**	**6**	**80**	**18**	**453**	**98**	**6408**

Source: Hotel Solutions

Notes:

1. Areas where hotels are broadly competing with each other for corporate demand, albeit that are further more localised sub markets in these areas
2. Hotels that market themselves as boutique hotels. There is no official classification for such hotels
3. There are no purpose-built serviced apartment complexes in the PUSH area. The supply of this type of accommodation in the area is in the form of residential apartments that are let out on a serviced basis by local and national serviced apartment letting agencies.
4. Hayling Island has two Warner Leisure Resorts – Sinah Warren and Lakeside – neither of these two hotels are officially graded. We have included Sinah Warren as a 3 star hotel and Lakeside as a 2 star hotel.

SOUTHAMPTON CITY CENTRE HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
De Vere Grand Harbour	4 star	174
Cargo	Boutique	13
Ennio's Boutique Hotel	Boutique	5
The White Star Tavern	Boutique Inn (5 star Inn)	14
Novotel Southampton	3 star	121
Holiday Inn Southampton	3 star	130
Jury's Inn Southampton	3 star	270
Southampton Park	3 star	72
Ibis	Budget	93
Premier Inn Southampton City Centre	Budget	172
Travelodge Southampton	Budget	59
Etap	Budget Economy	124
Elizabeth House	2 star	53
The Star	2 star	44
Blue Keys	n/a	10
Town or Country	Serviced Apartments	60

Source: Hotel Solutions

SOUTHAMPTON/EASTLEIGH M27 CORRIDOR HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
Chilworth		
Hilton Southampton	4 star	135
Chilworth Manor	3 star	95
Colden Common		
Marwell	3 star	66
Romsey/Ampfield		
White Horse, Romsey	3 star	40
Potters Heron, Ampfield	3 star	54
Rownhams/Nursling		
Holiday Inn Express Southampton West	Upper-tier Budget	105
Premier Inn Southampton North	Budget	50
Premier Inn Southampton (Rownhams)	Budget	39
Premier Inn Southampton West	Budget	67
Eastleigh		
Holiday Inn Southampton Eastleigh	3 star	129
Premier Inn Southampton (Eastleigh)	Budget	60
Travelodge Southampton Eastleigh	Budget	44
Southampton Airport		
Ellington Lodge	3 star	35
Premier Inn Southampton Airport	Budget	121
West End/Hedge End/ Botley		
Macdonald Botley Park	4 star	130
Legacy Botleigh Grange	4 star	56
Holiday Inn Express Southampton M27 Jct7	Upper-tier Budget	176
Portswood		
Highfield House	3 star	71
Shedfield/ Shirrell Heath		
Marriott Meon Valley	4 star	113
New Place[1]	4 star	108

Source: Hotel Solutions

1. New Place is primarily a conference centre but now competes with hotels for weddings and leisure break business at weekends and a share of local corporate demand in the week.

HYTHE/ MARCHWOOD HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
Hythe		
Fountain Court	n/a	21
The Four Seasons	4 star GA[1]	12
The Maples	n/a	8
Marchwood		
Pilgrim Inn	Boutique Inn (5 star GA[1])	14

Source: Hotel Solutions

FAREHAM HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
Fareham		
Solent	4 star	111
Holiday Inn Fareham Solent	3 star	124
Lysses House	3 star	21
Red Lion	3 star	46
Premier Inn Fareham	Budget	61
TravelRest	3 star GA[1]	18
Roundabout	n/a	16
Wickham		
The Old House	3 star	16

Source: Hotel Solutions

GOSPORT HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
Alverstoke		
Alverbank Country	3 star	10
The Anglesey	4 star GA[1]	18
The Old Lodge	n/a	8
Bridgemary		
The Manor	n/a	12

Source: Hotel Solutions

[1] Guest Accommodation

PORTSMOUTH HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
Central Portsmouth		
City Centre		
Ibis Portsmouth Centre	Budget	144
Old Portsmouth/Gunwharf Quays/ Ferry Port/ Fratton		
Holiday Inn Portsmouth	3 star	165
Holiday Inn Express Portsmouth	Upper-tier Budget	130
Travelodge Portsmouth	Budget	108
Etap Portsmouth	Budget Economy	120
Royal Maritime Club[1]	1 star	113
Keppels Head	n/a	30
Duke of Buckingham	n/a	15
Town or Country	Serviced Apts	20
Southsea		
Ashby's	Boutique	7
Florence House	Boutique	7
Somerset House	Boutique	7
Stattons	Boutique	9
The Clarence	Boutique	8
Queen's	3 star	73
Best Western Royal Beach	3 star	125
Westfield Hall	3 star	26
Beaufort	2 star	20
Ocean	2 star	20
Seacrest	2 star	28
Premier Inn Southsea	Budget	48
Sandringham	n/a	50
Saville	n/a	45
M27/A27 Corridor/ Outer Portsmouth		
Portsmouth Marriott	4 star	174
Hilton Portsmouth	4 star	119
Farmhouse & Innlodge	3 star	74
Premier Inn Portsmouth (Port Solent East	Budget	64
Premier Inn Portsmouth (Port Solent)	Budget	108

Source: Hotel Solutions

Note:

1. The Royal Maritime Club is a naval and military members club that is also open to non members for hotel stays, conferences, weddings and functions

HAVANT/ A3 CORRIDOR HOTEL SUPPLY-APRIL 2010

Hotel	Standard/Type	Rooms
Havant/Emsworth/Langstone		
Langstone	4 star	148
Bear, Havant	3 star	42
Brookfield, Emsworth	3 star	39
Premier Inn Portsmouth (Havant)	Budget	37
Travelodge Chichester Emsworth	Budget	36
Jingles, Emsworth	4 star GA[1]	30
The Crown, Emsworth	n/a	9
Horndean/Clanfield/ Rowland's Castle		
Premier Inn Portsmouth (Horndean)	Budget	25
Innkeeper's Lodge Portsmouth North, Rowland's Castle	Budget	21
Ship & Bell, Horndean	3 star Inn	14
The Hampshire Hog, Clanfield	5 Star GA[1]	20

Source: Hotel Solutions

HAYLING ISLAND HOTEL SUPPLY – APRIL 2010

Hotel	Standard/Type	Rooms
Newtown House	2 star	22
Sinah Warren	Warners Leisure Resort	258
Lakeside Resort	Warners Leisure Resort	226

Source: Hotel Solutions

[1] Guest Accommodation

- The current supply of hotels in South Hampshire is primarily a mix of 4 star, 3 star and budget hotels. There are no longer any 5 star hotels in the Sub Region (although there are three 5 star inns): the De Vere Grand Harbour in Southampton has previously been graded as a 5 star hotel but is now graded at 4 stars. South Hampshire has 3 Holiday Inn Express upper-tier budget hotels located on the outskirts of Southampton and at Gunwharf Quays in Portsmouth. The Sub Region has a cluster of small independent boutique hotels in Southsea and three small boutique hotels/inns in Southampton city centre. Southampton and Portsmouth have small supplies of residential apartments that are let out as serviced apartments. Neither city has any purpose-built serviced apartment complexes or suite hotels however. There are two large Warner Leisure hotels at Hayling Island.

- The 4 star hotels in South Hampshire are located primarily in the M27 Corridor at Chilworth, Hedge End, Fareham, Portsmouth and Langstone. There is only one 4 star hotel in Southampton city centre and no 4 star hotel in Portsmouth city centre. There are also two 4 star golf hotels at Botley (the Macdonald Botley Park) and Shedfield (the Marriott Meon Valley). De Vere Venues' New Place conference centre at Shirrell Heath is increasingly trading as a hotel, competing with South Hampshire 4 star hotels for weddings and leisure break business and a share of local corporate demand. There are no 4 star country house hotels in South Hampshire. Just beyond the Sub Region however there are a significant number of country house hotels in the New Forest.

- The leading 4 star hotel brands that are currently represented in South Hampshire are:

    - Hilton (2 hotels)
    - Marriott (2 hotels)
    - Macdonald (1 hotel)
    - Shire (1 hotel)
    - De Vere (2 hotels)

- South Hampshire also has two independently owned 4 star hotels (Botleigh Grange at Hedge End – operated by Legacy Hotels, and The Langstone – operated by BDL Hotels).

- South Hampshire's 3 star hotel supply is a mix of larger branded 3 star hotels and generally smaller independent 3 star hotels. Holiday Inn is the main 3 star brand represented in the Sub Region, with 4 hotels at Southampton, Eastleigh, Portsmouth and Fareham. Other 3 star brands represented in South Hampshire are Jury's Inn (in Southampton) and Novotel (in Southampton).

- South Hampshire's budget hotel supply is dominated by Premier Inn (12 hotels) and Travelodge (4 hotels). Accor Hotels has Ibis budget hotels in Southampton and Portsmouth and has opened Etap economy budget hotels in both cities.

- Small independent boutique hotels have developed in recent years in Southsea and Southampton. None of the leading UK boutique hotel companies are currently represented in South Hampshire and none of the major hotel brands have so far opened their boutique hotel products in the Sub Region.

- The following hotels in South Hampshire have spas:

    - De Vere Grand Harbour, Southampton;
    - Chilworth Manor;
    - Marriott Meon Valley;
    - Solent, Fareham;
    - Botleigh Grange, Hedge End.

2.1.2. Current Hotel Supply by Location

- Southampton, Portsmouth and the Southampton/Eastleigh M27 Corridor have the most significant supplies of hotel accommodation in South Hampshire. Portsmouth has a larger hotel stock than Southampton, although Southampton is also served by hotels in the Southampton/Eastleigh M27 Corridor.

- The **Southampton City Centre** hotel supply is primarily a mix of 3 star and budget hotels. The city centre only has one 4 star hotel (the De Vere Grand Harbour). It has recently seen the opening of three small boutique hotels (Cargo, Ennio's and the White Star Tavern). Southampton city centre also has an increasing supply of residential apartments that are being let out as serviced apartments. The city centre does not have an upper-tier budget hotel.

- The **Southampton/Eastleigh M27 Corridor** has the most significant supply of 4 star hotels in South Hampshire, together with a mix of primarily independent 3 star hotels and branded budget and upper-tier budget hotels.

- The **Portsmouth** hotel supply is split between Central Portsmouth (including the city centre, Old Portsmouth, the ferry port and Fratton), Southsea and M27/A27 Corridor. There is only one hotel in the city centre at present – the Ibis Portsmouth Centre. The supply in Southsea is a mix of small independent boutique hotels and independent 2 and 3 star and non-inspected hotels. Premier Inn also operates a budget hotel here. The two 4 star hotels that serve Portsmouth (the Marriott and the Hilton) are both located in the M27/A27 Corridor. This part of the city also has two Premier Inn budget hotels and a 3 star hotel (the Innlodge).

- **Fareham** has one 4 star hotel, one large branded 3 star Holiday Inn hotel, three smaller independent 3 star hotels, a Premier Inn budget hotel and two small non-inspected hotels.

- **Gosport** has a very limited supply of hotel accommodation at present, with just one 10-bedroom 3 star hotel and three small non-inspected hotels/ large guest accommodation businesses.

- **Hythe** has one small non-inspected hotel and two large guest accommodation businesses. A 5 star inn (the Pilgrim Inn) has recently opened at **Marchwood**.

- The **Havant/A3 Corridor** has one 4 star hotel (The Langstone), two small independent 3 star hotels, four small budget hotels, one large guest accommodation business in Emsworth and three inns of varying standards, including the 5 star Hampshire Hog at Clanfield.

- **Hayling Island** has two Warner Leisure Hotels (Sinah Warren and the Lakeside Holiday Village) together with one small 2 star hotel (Newtown House). There are no hotels on Hayling Island seafront.

2.2. Recent Hotel Development and Changes in Supply

2.2.1. New Hotels

- There have been relatively few new hotel openings in South Hampshire in the last 5 years. The most significant new hotel has been the Jury's inn in Southampton, which opened in 2005 with 270 bedrooms. Other than this the only other sizeable new hotels have been the Etap economy budget hotels that opened in Southampton and Portsmouth in 2008. A number of small independent boutique hotels have opened in Southsea and Southampton. Small 5 star/boutique inns have opened in Southampton city centre and at Marchwood and Clanfield. Recent years have also seen an increase in Southampton, and to a lesser extent Portsmouth, in the supply of residential apartments that are let out as serviced apartments.

- Our research has identified the following new hotel openings in South Hampshire since 2005:

NEW HOTELS IN SOUTH HAMPSHIRE 2005-2010 (as at April 2010)

Hotel	Location	No. Rooms	Year Opened
4 Star Hotels			
New Place[1]	Shirrell Heath	108	2007
3 Star Hotels			
Jury's Inn Southampton	Southampton City Centre	270	2005
Budget Hotels			
Etap Southampton	Southampton City Centre	124	2008
Etap Portsmouth	Portsmouth City Centre	120	2008
Premier Inn Portsmouth (Horndean)	Horndean	24	2008
Boutique Hotels			
The Clarence	Southsea	8	2008
Ashby's Boutique Hotel	Southsea	7	2008
Stattons	Southsea	9	2009
Ennio's	Southampton City Centre	5	2009
Cargo	Southampton City Centre	13	2009
5 Star/ Boutique Inns			
The White Star Tavern	Southampton City Centre	14	2007
Pilgrim Inn	Marchwood	14	2009
The Hampshire Hog	Clanfield	20	2009

Source: Hotel Solutions

Notes:
1. De Vere Venues' New Place is a residential conference and management training centre. It started trading as a hotel in 2007 to develop its weekend trade. It remains predominantly a residential conference centre during the week.

- Further afield, the new generation Holiday Inn Winchester opened in February 2010 with 141 bedrooms.

- Town or Country is the main serviced apartment operator that has developed in Southampton and Portsmouth. They work with national serviced apartment letting agencies such as SACO Apartments, Executive Serviced Apartments, Silver Door and Deep Blue Apartments to market their serviced apartments in Southampton and Portsmouth.

2.2.2. Hotel Extensions and Refurbishment

- There has been relatively little activity in the past 5 years in terms of the expansion of existing hotels in South Hampshire. 45-bedroom extensions have been added to The Langstone in 2006 and the Express by Holiday Inn Southampton M27 Jct 7 in 2008. There have also been small bedroom extensions to a number of budget hotels. There has however been significant activity in terms of the refurbishment of existing hotels, with a number of hotels having undergone multi-million pound refurbishment programmes.

- Our research has identified the following changes to the South Hampshire hotel supply since 2005 in terms of extensions to, or upgrading of existing hotels:

SOUTH HAMPSHIRE HOTELS – EXTENSIONS AND UPGRADES 2005-2010 (as at April 2010)

Hotel	Location	New Bedrooms	Total Bedrooms Now	Upgrading/New Facilities
4 Star				
Hilton Southampton	Chilworth (Southampton/ Eastleigh M27 Corridor)		135	96 bedrooms upgraded to new Hilton bedroom product
Marriott Meon Valley	Shedfield (Southampton/ Eastleigh M27 Corridor)		113	£5 million refurbishment completed 2008
Macdonald Botley Park	Botley (Southampton/ Eastleigh M27 Corridor)		130	£7 million refurbishment completed in 2005
New Place	Shirrell Heath (Southampton/ Eastleigh M27 Corridor)		108	£2 million bedroom refurbishment and development of £700k wedding room

Hotel	Location	New Bedrooms	Total Bedrooms Now	Upgrading/New Facilities
Langstone	Hayling Island	45	148	£6 million refurbishment and expansion programme completed in 2006 including the extension and renovation of the hotel's conference complex and the development of 45 executive bedrooms. Further £2.4 million refurbishment programme completed June 2009
Hilton Portsmouth	Portsmouth		119	£1.8 million refurbishment
Portsmouth Marriott	Portsmouth		174	£4.2 million bedroom and meeting room refurbishment completed in 2007
3 Star				
Novotel Southampton	Southampton City Centre		121	Refurbishment of two floors of bedrooms, restaurant, public areas, conference rooms and leisure facilities
Southampton Park	Southampton City Centre		72	Complete refurbishment undertaken in 2008
Highfield House	Southampton		71	Formerly operating as a hostel - purchased by Folio Hotels – re-opened as a hotel June 2007
Blue Keys	Southampton		10	Refurbishment and repositioning of the former Golden Lion pub
Chilworth Manor	Chilworth, Southampton		95	New leisure club opened October 2007
Marwell	Colden Common		66	Refurbishment of lounge, reception area and conference and function rooms
Innlodge	Portsmouth		74	Refurbishment of bedrooms, restaurant and lounge
Brookfield	Emsworth		39	Refurbishment of bedrooms and lounge bar
Potters Heron	Ampfield		54	Major refurbishment completed in 2008
White Horse	Romsey		40	Complete refurbishment and repositioning of the hotel as a boutique hotel undertaken in 2008

Hotel	Location	New Bedrooms	Total Bedrooms Now	Upgrading/New Facilities
Upper-Tier Budget				
Express by Holiday Inn Southampton M27 Jct7	West End (Southampton/ Eastleigh M27 Corridor)	45	176	Bedroom extension completed in 2008
Budget				
Premier Inn Southampton North	Nursling	28	50	28 bedrooms added April 2008
Travelodge	Eastleigh	12	44	12 bedrooms added December 2007
Premier Inn Southampton Airport	Southampton Airport		121	Complete bedroom refurbishment
Ibis Portsmouth	Portsmouth		144	Bedroom refurbishment
Premier Inn	Fareham	20	61	20 bedrooms added December 2006
Premier Inn	Southsea	8	48	8 bedrooms added December 2007

Source: Hotel Solutions

- The following hotels have also undergone major refurbishment programmes:
  - Holiday Inn Southampton
  - Travelodge Southampton
  - Solent, Fareham
  - Holiday Inn Fareham
  - Sinah Warren, Hayling Island

2.2.3. Hotel Closures

- The Dolphin in Southampton went into administration in November 2008 and subsequently closed in April 2009. It is currently undergoing a £4 million refurbishment and development programme under its new owners and will re-open as a Mercure 4 star hotel in May 2010.

- Southsea has seen the closure of many of its hotels over the last 10-15 years for conversion to residential apartments.

2.2.4. Re-Branding of Hotels/ Changes of Ownership

- Our research has identified the following rebranding and changes of ownership of hotels in South Hampshire since 2005:

SOUTH HAMPSHIRE HOTELS – RE-BRANDINGS. CHANGES OF OWNERSHIP 2005-2009

Hotel	Location	Previous Owner/ Brand	New Owner/ Brand
Highfield House	Southampton	Independent	Folio
Tulip Inn Portsmouth	Portsmouth	Golden Tulip	Premier Inn
The Langstone	Langstone	Paten Hotels	BDL Hotels
White Horse	Romsey	Independent	Silks Hotels
Potters Heron	Romsey	Corus	Pebble Hotels

Source: Hotel Solutions

- In addition to these changes in ownership, the Botleigh Grange at Hedge End, Southampton is now being managed by Legacy Hotels under a management contract with the hotel's owners.

2.2.5. South Hampshire Changes in Hotel Supply – 2004-2009

- Taking account of the above new hotel openings, bedroom extensions to existing hotels and hotel closures, the South Hampshire hotel supply has increased by almost 16% in the last 5 years. The most significant annual increases in hotel supply were in 2005, when the Jury's Inn opened in Southampton and 2008, when the Etap hotels opened in Southampton and Portsmouth. The Sub Region's hotel supply reduced slightly in 2009 with the closure of The Dolphin in Southampton.

SOUTH HAMPSHIRE – GROWTH IN HOTEL SUPPLY 2004-2009

Year	No. Hotels	Hotel Rooms	Additional Hotel Rooms	Annual Increase in Hotel Supply %	Additional Hotel Rooms since 2004	Increase in Hotel Supply since 2004 %
2004	86	5533	-	-	-	-
2005	87	5804	270	4.9	270	4.9
2006	87	5868	65	1.1	335	6.1
2007	89	6042	174	3.0	509	9.2
2008	94	6420	378	6.3	887	16.0
2009	98	6408	(12)	(0.2)	875	15.8

Source: Hotel Solutions

2.3. Planned Hotel Development

2.3.1. Hotels Under Construction

- The only hotel that is currently under development in South Hampshire is the redevelopment of the Dolphin Hotel in Southampton, which will re-open as a 4 star Mercure hotel in May 2010:

SOUTH HAMPSHIRE – NEW HOTELS UNDER CONSTRUCTION – 2010

Hotel	Location	Standard	No. Rooms	Opening Date
Mercure Southampton Centre	Southampton City Centre	4 star	90	May 2010

Source: Hotel Solutions

2.3.2. Proposed Hotels

- Our research has identified proposals for 43 new hotels and almost 5,000 additional hotel bedrooms[1] across South Hampshire. Many of these proposed hotels already have planning permission. Others are at earlier stages of consideration and some are longer-term possibilities as part of planned employment zones and development areas. As far as we have been able to establish no start dates have been set for the hotel schemes that have planning permission and it is evident that a number of schemes have been put on hold as a result of the current economic climate. The majority of schemes do not appear to have hotel operators signed up at this stage. The exceptions are proposals in Southampton that have Millennium, Radisson Blu and Premier Inn lined up as operators; the proposed Hilton hotel at the Rose Bowl; Jury's Inn, which has signed up to operate a new hotel in Portsmouth and a proposed Holiday Inn Express at Havant, although this now looks unlikely to proceed.

[1] Assuming an average of 100 bedrooms for hotels where the number of bedrooms is not currently specified

- The main focus of proposed hotel development activity is on Southampton (13 hotels/ 1,500 bedrooms) and Portsmouth (10 hotels/ 1,500 bedrooms). There are proposals for 4 star, budget and apart hotels in Southampton, while at Portsmouth 4 star, 3 star, budget and apart hotels are proposed. There are 4 proposals for hotels in Eastleigh Borough, including the proposed 175-bedroom Hilton hotel at the Rose Bowl. There are 6 possible hotel proposals being considered in Gosport. Three possible hotels are being considered in the Fareham/ Whiteley area. Two sites have been identified for hotel development in Havant Borough.

- In our experience it is highly unlikely that all of these hotel projects will proceed. What usually happens is that some schemes will be shelved or delayed as others start on site until the market has grown sufficiently to support further new hotels.

- The hotel proposals that we have identified are set out in the following table.

SOUTH HAMPSHIRE – PROPOSED HOTELS (AS AT APRIL 2010)

Proposed Hotel/Site	Standard	No. Rooms	Details
Southampton			
Millennium	4 star	225	Planning permission was granted to Marina Developments Ltd (MDL) in August 2006 for a luxury hotel at Ocean Village Marina. The hotel is to be operated by Millennium & Copthorne Hotels under a management contract. The scheme has been put on hold by developer Ocean Village Resorts due to the current economic downturn. Indications it may go on site soon.
Radisson SAS	4 star	219	Hotel included as part of Imperial Property's East Park Terrace mixed-use development. Planning permission has been granted for the development. The scheme now looks likely to be superseded by a new proposal that does not include the Radisson hotel.
East Park Terrace	Aparthotel	122	An aparthotel is also included as part of the East Park Terrace development. This element of the scheme is also not included in the latest proposal coming forward for this site.
Cedar Press site, Royal Crescent Road	3/4 star	100	Orchard Homes was granted planning permission in May 2009 for the construction of a new hotel and apartment building.

Proposed Hotel/Site	Standard	No. Rooms	Details
Premier Inn West Quay Site B	Budget	155	Planning permission granted July 2009 for a 155-bedroom hotel and 60,000 sq ft office building. The developers are Development Securities. The hotel is currently under construction, due to open in 2011. Premier Inn has signed a lease agreement to operate the hotel.
Mayflower Plaza	Upper tier budget	150	Hotel included in the plans for Terrace Hill's mixed-use development to also include offices and residential apartments. Has secured planning consent.
Centenary Quay	Budget/ Mid-market	100	Crest Nicholson's £500million proposals for the Centenary Quay mixed-use development scheme include plans for a hotel.
Watermark WestQuay	n/a	150	Plans for mixed-use development of former Pirelli factory site to include a 150-bedroom hotel, luxury cinema, cafes and restaurants, retail and residential building. The developer is Hammerson. A development agreement for the scheme was signed between Hammerson and the City Council in February 2010.
Royal Pier Waterfront	Luxury	n/a	The City Council would like to see this site developed to create a World Class Waterfront and improved facilities for the Southampton Boat Show. It envisages hotels possibly being developed here alongside shops, restaurants, offices and an arena, heritage attraction or casino. The site is currently being marketed.
The Standing Order 30 High Street	Budget	32	Conversion of upper floors to hotel – J D Wetherspoon plc
129 High Street, Southampton	n/a	31	Conversion to hotel
Fleming Arms, Swaythling	Budget	38	Proposal for the development of 38 bedrooms adjacent to an existing pub by Fullers. Planning pending.

Proposed Hotel/Site	Standard	No. Rooms	Details
Eastleigh			
Rose Bowl	4 star	175	Hotel with spa and conference facilities included as part of the £48 million development of the Rose Bowl that commenced in November 2009. No work has started on the hotel to date.
Eastleigh Town Centre	n/a	n/a	The Borough Council is seeking hotel development as part of the redevelopment of Eastleigh town centre.
Eastleigh Riverside	n/a	n/a	A hotel linked to conference facilities is an identified use at Eastleigh Riverside, a Strategic Employment Zone identified in the South East Plan, involving comprehensive regeneration of 130 ha of land for hi-tech, knowledge-based industries in a business park setting.
Southampton Airport	n/a	n/a	Hotels envisaged as part of the longer-term masterplan for the Airport, possibly linked to a new terminal in the NE development zone.
Portsmouth			
Jury's Inn/ Zurich House	3 star n/a Aparthotel	200 243 47	Conditional planning permission granted in 2008 for the conversion of part of Zurich House into a 207-bedroom hotel and 47-suite aparthotel and the construction of a new 243-bedroom hotel. McAleer & Rushe are the developers. Jury's Inn has signed up to operate the 207-bedroom hotel, which is due to open in 2011.
M275 Tipner Scheme	n/a	150	Hotel included in the plans to regenerate the Tipner wastelands to the east and west of the M275 motorway. The City Council will be producing a concept statement in summer 2010. A planning application for the new motorway junction has recently been approved.
Number One Portsmouth Surrey Street	4 star	188	Plans for hotel put forward by Robert Gamlen Homes. Conditional planning permission was granted in 2008.
Lakeside North Harbour	4 star Aparthotel	150 40	Mixed-use development by Highcross to include a 150-bedroom hotel and 40-bedroom aparthotel alongside offices. Conditional outline planning permission was granted in 2008 subject to the signing of a Section 106 agreement. Highcross are planning to start work on the development in 2010, with the first phase likely to include the hotel and conference centre. There is no projected start date as the Section 106 agreement has not yet been signed.

Proposed Hotel/Site	Standard	No. Rooms	Details
Northern Quarter	4 star	150	Hotel included in Centros Miller's proposals for the Northern Quarter mixed-use development scheme in the city centre. The scheme has been delayed for at least 6 years. Centros has confirmed that work will not start on the scheme until 2015 to give it time to draw up a new masterplan. The scheme had already been put on hold as it was not 'economically viable' in the recession.
Portsmouth FC Stadium, Horsea Island	4 star Budget	n/a	The plans for the new stadium have included a 4 star and a budget hotel alongside a casino, arena, offices, retail and residential development. There is no planning permission or a proposal in any planning documents for a hotel at this location however. This project has been delayed until at least 2018.
Trafalgar House, Edinburgh Road	Budget	50	Change of use to form hotel - J D Wetherspoon plc
The Hard	n/a	n/a	Portsmouth City Council has completed a supplementary planning document for The Hard, which identifies several potential hotel sites including Havant Street car park, Brunel House, the Pall Europe site and the former Naval Academy.
Fareham			
Coldeast Hospital	n/a	n/a	Proposal to convert the mansion into a country house hotel
Fareham Town Centre	n/a	n/a	Emerging Area Action Plan identifies potential to accommodate a hotel within the development opportunity zones in the town centre, possibly at the station. Live developer interest also expressed to Council.
Winchester City Council Area			
Whiteley Village	n/a	125	A hotel has been proposed as part of the £100m redevelopment of the Whiteley Village outlet shopping centre.
West of Waterlooville	Budget	40	Proposal for a 40-bedroom hotel adjacent to the West of Waterlooville Major Development Area.
Havant			
Interbridges, A27 Emsworth Bypass	Budget	78	Planning permission has been granted for a budget hotel
Dunsbury Hill Farm	n/a	n/a	This site is identified as a strategic employment site for a high quality business and technology park including a hotel and conference centre.

Proposed Hotel/Site	Standard	No. Rooms	Details
Gosport			
Daedalus	n/a	n/a	SEEDA is currently exploring the potential for a hotel on the site
Holbrook Recreation Centre	n/a	100	Proposal for a new leisure centre and a hotel. Planning permission granted.
Royal Haslar Hospital	n/a	n/a	Owners Our Enterprise are currently investigating the potential for a hotel on this site – possibly a spa/linked to the health sector. A masterplan is currently being prepared.
Gosport Waterfront	n/a	n/a	A hotel is being considered here by consultants looking at possible uses for the development of Gosport Waterfront
Priddy's Hard	n/a	n/a	Mixed-use development site where hotel is being considered as a possible use alongside other leisure, business and residential uses.
Blockhouse, Haslar Peninsula	n/a	n/a	Hotel is an identified use for this heritage site alongside other leisure and maritime uses.
New Forest			
Marchwood Industrial Estate	n/a	30-40	Oceanic Estates secured planning permission for a hotel in 2004, which was renewed in 2008

Source: Hotel Solutions/Hampshire County Council

2.3.3. Planned Development of Existing Hotels

- A number of hotels in South Hampshire have planning permission for bedroom extensions and some hotels have plans for refurbishment. In the majority of cases these plans are currently on hold as a result of the present economic climate.

- Our research has identified the following proposals for the development and/or refurbishment of existing hotels in South Hampshire.

SOUTH HAMPSHIRE – PLANNED DEVELOPMENT OF EXISTING HOTELS

Hotel	Standard	New Rooms	Proposed Development
Southampton City Centre			
Ennio's	Boutique	5	May develop a further 5 bedrooms in 2011
Southampton/Eastleigh M27 Corridor			
Botleigh Grange, Hedge End	4 star	20	May look to develop a further 20 bedrooms once the economy improves
Chilworth Manor	3 star	48	Has planning permission for a bedroom extension. No plans to implement currently.
Highfield House Hotel Southampton	3 star	30	Bedroom extension
Marwell	3 star		Refurbishment of 10 bedrooms scheduled for January 2011
Premier Inn Southampton (Rownhams)	Budget	16	Has planning permission for a bedroom extension. No plans to implement currently
Premier Inn Southampton West	Budget	20	Has planning permission for a 20-bedroom extension – currently on hold because of the recession

Hotel	Standard	New Rooms	Proposed Development
Portsmouth			
Holiday Inn Portsmouth	3 star		Re-launching under the new Holiday Inn brand in 2010
Ibis Portsmouth	Budget	40	Has planning permission for a further 40 bedrooms. Currently on hold due to recession
Innlodge Portsmouth	3 star	42	Proposal for a 42-bedroom extension – floodplain issues impacting on planning.
Premier Inn Portsmouth (Port Solent)	Budget	36	Plans for bedroom extension
Queens Hotel Southsea	Boutique	(51)	Planning permission was granted in September 2009 for the conversion of the top three floors of the hotel into residential apartments and the conversion of the first three floors into a 22-bedroom boutique hotel with a fitness suite and health spa. This will result in a reduction of 51 bedrooms (from the hotel's current 73).
Wymering Manor	Boutique	16	Plans to convert hostel to boutique hotel
Havant/A3 Corridor			
Bear, Havant	3 star		Bedroom refurbishment planned. Currently on hold due to economic climate
Gosport			
Anglesey Hotel	n/a	8	Currently developing a further 8 bedrooms – due to come on stream in June 2010
Hayling Island			
Sinah Warren	n/a		Planning to upgrade to 4 stars

Source: Hotel Solutions/Hampshire County Council

2.3.4. Potential Increase in Hotel Supply

- Taking account of the proposed new hotels[1] in South Hampshire and proposals for extensions to existing hotels, the South Hampshire hotel supply would increase by almost 80.2% if all of these hotel development schemes were to go ahead. The supply would more than double in Southampton and would increase dramatically in Gosport where there are currently only a handful of small independent hotels and large guesthouses.

SOUTH HAMPSHIRE – POTENTIAL INCREASE IN HOTEL SUPPLY
(Based on Known Hotel Development Proposals at April 2010)

Location	Proposed New Hotels	Proposed New Hotel Bedrooms	Potential Increase in Hotel Bedrooms* %
Southampton	13	1557	106.5
Portsmouth	10	1549	83.4
Eastleigh	4	543	72.3
Fareham/Whiteley	3	325	81.9
Havant/Waterlooville	6	501	54.0
Gosport	6	608	1250.0
Hythe/Marchwood	1	40	72.7
Total South Hampshire	**43**	**5123**	**80.2**

Source: Hotel Solutions

Note:
* If all currently known hotel development proposals go ahead

[1] Assuming an average of 100 bedrooms for hotels where the number of bedrooms is not currently specified

3. CURRENT HOTEL PERFORMANCE & MARKETS

3.1. Occupancy and Achieved Room Rates

- The table below sets out our estimates of average annual room occupancies and achieved room rates for South Hampshire hotels for 2007, 2008 and 2009, based on the information provided to us by the managers and owners of existing hotels.

SOUTH HAMPSHIRE HOTELS
AVERAGE ANNUAL ROOM OCCUPANCY AND ACHIEVED ROOM RATES 2007-2009

Location/ Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate[1] £		
	2007	2008	2009	2007	2008	2009
UK Provincial 3/4 Star Chain Hotels[2]	**71.3**	**70.2**	**68.2**	**72.28**	**72.91**	**68.65**
South Hampshire 3/4 Star Hotels	**71**	**71**	**68**	**66.90**	**68.50**	**64.50**
South Hampshire 4 Star Hotels	**68**	**68**	**66**	**78.00**	**79.50**	**74.40**
South Hampshire 3 Star Hotels	**72**	**72**	**68**	**61.00**	**62.50**	**59.30**
Southampton City Centre 3/4 Star	75	75	71	76.80	76.20	72.20
Southampton/Eastleigh M27 Corridor 3/4 Star + Upper-Tier Budget	67	67	63	62.70	63.30	58.80
Southampton/Eastleigh M27 Corridor 4 Star	65.5	66	63	72.50	71.90	65.10
Southampton/Eastleigh M27 Corridor 3 Star + Upper-Tier Budget	67.5	68	63	56.10	57.60	54.70
Portsmouth 3/4 Star + Upper-Tier Budget	74.5	75.5	73	63.70	66.80	63.10
Fareham 3/4 Star	66	67	63	72.70	76.80	72.00
Havant/A3 Corridor 3/4 Star	65	61	64	58.20	58.30	60.10
South Hampshire Budget Hotels	**82**	**82**	**79**	**46.20**	**46.00**	**45.10**
Southampton City Centre Budget	81	81	78.5	47.20	42.70	42.80
Southampton/Eastleigh M27 Corridor Budget	80	79	79.5	48.50	49.10	47.80
Portsmouth Budget Hotels	83	82	80	44.30	46.90	44.70
Fareham Budget[3]	n/a	n/a	n/a	n/a	n/a	n/a
Havant/A3 Corridor Budget	79	78	78.5	42.70	44.00	44.60

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. Source: TRI Hospitality Consulting Hotstats UK Chain Hotels Market Review
3. With only one budget hotel at Fareham it is not possible to publish budget hotel performance data for this location

- We are unable to provide occupancy and achieved room rate data for the small hotels and large guest accommodation businesses in Gosport, Hythe/Marchwood and Hayling Island as the samples of these businesses in these locations that were able to provide accurate performance data were too low. We are also unable to report occupancy and achieved room rate data for the adult only hotel resorts on Hayling Island as there are only two of these hotels here. However, we have a flavour of performance from the data and discussions we have obtained, and in the later sections in this chapter, provide commentary on the performance and markets for these hotels and guest accommodation businesses.

- The hotel market in South Hampshire has clearly been affected by the recession in 2009 with most hotels of all standards reporting a fall in occupancy and achieved room rate. The budget hotel sector appears to have been the least affected, with the fall in occupancy and achieved room rate in this sector being less pronounced than for 3 and 4 star hotels.

- Occupancy levels for South Hampshire **3/4 star hotels** have been broadly in line with the national average for provincial 3/4 star chain hotels for the last 3 years. Achieved room rates have however been around £4 below the national average. Achieved room rates are significantly higher for South Hampshire 4 star hotels than for 3 star hotels. 3 star hotel occupancies are however higher than for 4 star hotels.

- Occupancies and achieved room rates vary significantly for **4 star hotels** across South Hampshire. Occupancies are strongest in Southampton city centre and for one 4 star hotel in Portsmouth. They are generally lower for most 4 star hotels in the Southampton/Eastleigh M27 Corridor, Fareham and Havant. One 4 star hotel in Portsmouth also trades at a lower level of occupancy. Achieved room rates are strongest for 4 star hotels in Southampton city centre, Fareham and for one 4 star hotel in Portsmouth. Other 4 star hotels in South Hampshire trade at lower levels of achieved room rate.

- 4 star hotel occupancies and achieved room rates generally increased across South Hampshire in 2008 to reach record levels. 2008 was a particularly strong year for Portsmouth 4 star hotels as a result of increased demand related to project work in the city. Achieved room rates for 4 star hotels here increased by £4-7 in 2008. 4 star hotel occupancies and achieved room rates have dropped sharply in 2009 as a result of the recession and the consequent downturn in corporate and residential conference business. Occupancies have generally dropped by around 3-4 percentage points, while achieved room rates have typically fallen by £4-7. The drop in occupancy and achieved room rates has been even higher for some 4 star hotels in the Southampton/Eastleigh M27 Corridor and Fareham. Southampton and Portsmouth are the only locations where a 4 star hotel was trading at or above the target levels of occupancy and achieved room rate (70%/ £80+) required to support new 4 star hotel development. 4 star hotels in other parts of South Hampshire have never traded at these levels of occupancy and achieved room rate and have fallen well below these target levels in 2009.

- Occupancies and achieved room rates also vary significantly for **3 star hotels** across South Hampshire. Some 3 star hotels in Southampton and Portsmouth achieve high levels of occupancy (74-75%+ in 2009). Other 3 star hotels in the two cities and 3 star hotels in the Southampton/Eastleigh M27 Corridor, Fareham and Havant trade at lower levels of occupancy (most typically around 65%). Two 3 star hotels in Southampton city centre achieve high average room rates (over £70 in 2009). Other 3 star hotels in the city and elsewhere across South Hampshire generally trade at lower levels of achieved room rate (typically £45-55 in 2009). Branded 3 star hotels tend to achieve higher average room rates than independent 3 star hotels.

- Hotel occupancies and achieved room rates generally increased in 2008 for 3 star hotels in Portsmouth, the Southampton/Eastleigh M27 Corridor and Fareham but dropped slightly for most 3 star hotels in Southampton and Havant. Occupancies generally remained strong in 2009 for most 3 star hotels in Portsmouth, although dropped sharply for one hotel following a strong year in 2008. Achieved room rates dropped by £2.50-£6 for the city's 3 star hotels. Occupancies generally dropped in 2009 by around 2-4 percentage points for 3 star hotels elsewhere in South Hampshire, while achieved room rates generally fell by £2-6. Some 3 star hotels in the Southampton/Eastleigh M27 Corridor, Fareham and Havant reported even sharper falls in occupancy and achieved room rate in 2009.

- The **upper-tier budget hotels** in the Southampton/Eastleigh M27 Corridor generally achieve occupancies that are on a par with the 3 star hotels in this area and trade at slightly lower levels of achieved room rate. We understand that Portsmouth's upper-tier budget hotel significantly outperforms most of the city's 3 star hotels in terms of both occupancy and achieved room rate.

- **Budget hotels** across South Hampshire generally trade at very high levels of occupancy, typically achieving average annual room occupancies of at least 80-85%. Budget hotel occupancies are very high in Eastleigh, Fareham, Havant, Portsmouth and Southsea. There are individual budget hotels in Southampton, Portsmouth and in the Southampton/Eastleigh/M27 corridor that trade at lower levels of occupancy. Two roadside budget hotels also achieve low occupancy levels.

- Budget hotel occupancies across South Hampshire dropped slightly in 2008 as a result of the recession and the opening of the Etap hotels in Southampton and Portsmouth. Budget hotel occupancies generally declined further in 2009 in Portsmouth, Southampton and Fareham as the recession took hold, affecting corporate and contractor demand, and the two Etap hotels became more established. Occupancies increased slightly for budget hotels in the Southampton/Eastleigh M27 Corridor and at Havant, with budget hotels in these locations appearing to benefit from corporate customers downgrading to them from 3 and 4 star hotels during the recession.

- Budget hotel achieved room rates dropped slightly across South Hampshire in 2008 and 2009 as budget hotel operators, particularly Travelodge, introduced discounted offers. The Etap hotels in Southampton and Portsmouth also contributed to the drop in budget hotel achieved room rates in the two cities as they trade at lower room rates than other budget hotel brands. Many of South Hampshire's Premier Inn budget hotels saw a slight increase in their achieved room rates in 2009.

- The small **boutique hotels** in Southampton and Southsea generally achieved average annual room occupancies of around 67-69% in 2009 and average room rates of over £80, demonstrating a strong and growing market for this type of hotel accommodation in these locations, albeit from a very small base at present.

- The **small hotels and large guest accommodation businesses in Gosport** appear to have been achieving average annual room occupancies of around 66-68%. One hotel reported a drop in occupancy in 2009, down to 63%. Room rates vary significantly between establishments. Rates are relatively low for two establishments – currently around £56-60 B&B for single occupancy and £70 for double occupancy. Two hotels are charging higher rates of £75-95 B&B for single occupancy and £100-150 for double occupancy.

- Occupancies appear to be at a similar level for **small hotels and guest accommodation businesses in Hythe**. Room rates are low here at around £30-35 B&B for single occupancy and £70 for double occupancy.

- **Serviced apartments** in Southampton and Portsmouth are currently achieving very high levels of occupancy, typically in excess of 80-90%.

- The **Warners adult only hotel resorts on Hayling Island** trade at very high levels of occupancy (90%+) trading purely in the leisure break market. They do not appear to have been affected by the recession.

3.2. Patterns of Demand

- **Midweek occupancies** are generally strong for all standards of hotel in all parts of South Hampshire. 3 and 4 star hotels, upper-tier budget hotels, serviced apartments and small hotels and large guest accommodation businesses in Gosport and Hythe generally achieve midweek occupancies of at least 75-80%, and frequently higher. Most budget hotels achieve midweek occupancies of 85-90%. Some 3 and 4 star hotels in the Southampton/Eastleigh M27 Corridor and at Fareham and Havant trade at lower midweek occupancies however, typically of around 50-70%.

- Tuesday and Wednesday nights are usually the strongest nights of the week with many hotels in South Hampshire frequently filling and turning business away on these nights, other than the 3 and 4 star hotels in the Southampton/Eastleigh M27 Corridor. Monday nights are generally not quite as strong and Thursday is usually the weakest midweek night for hotels. Budget hotels generally achieve high Monday and Thursday night occupancies however.

- Midweek demand is seasonal in Southampton and Southsea: it is very high between April and October, boosted by midweek leisure break business and cruise passenger and event-related demand in Southampton, but much lower between November and March. Midweek demand is otherwise fairly consistent throughout the year in other parts of South Hampshire.

- Midweek occupancies generally increased for hotels across South Hampshire in 2008 but have dropped for most hotels in 2009 as a result of the downturn in corporate, government, residential conference and contractor demand. Portsmouth is the only location where midweek occupancies have held up for some hotels. Midweek occupancies appear to have dropped back considerably here in 2010 however.

- **Weekend occupancies** for 3 and 4 star vary across South Hampshire. They are stronger (around 60%) in Southampton, Portsmouth and the Southampton/Eastleigh M27 Corridor but low (around 40%) for 3 and 4 star hotels in Fareham and Havant. Weekend occupancies are generally higher for budget hotels and similarly vary across the Sub Region: they are higher in Southampton, Portsmouth and most parts of the Southampton/Eastleigh M27 Corridor (other than Southampton Airport) but not quite as strong in Fareham and Havant and the A3 Corridor. The boutique hotels in Southampton and Southsea appear to attract good weekend demand. Weekend demand appears to be relatively weak in Gosport but reasonably strong in Hythe.

- Saturday is the strongest night of the weekend for South Hampshire hotels. 3 and 4 star hotels in Southampton, Portsmouth and the Southampton/Eastleigh M27 Corridor generally achieve Saturday occupancies of around 80-90%. Friday occupancies for 3 and 4 star hotels in these locations are more typically around 60% and Sunday occupancies are very low at around 30-40%. Budget hotels generally achieve Saturday occupancies of at least 85-95% and many frequently fill and turn business away on Saturday nights throughout the year. Friday occupancies are lower at around 70-80% although budget hotels in Southampton and Portsmouth usually achieve high Friday night occupancies of around 80-95%. Sunday occupancies are most typically around 40-50% for South Hampshire's budget hotels.

- Weekend occupancies are generally seasonal across South Hampshire: they are stronger between April and October and lower between November and March. Budget hotel demand is less seasonally biased than the 3 and 4 star and boutique hotel market.

3.3. Midweek Markets

- The **corporate market** is the main source of midweek demand for 3 and 4 star, upper-tier budget and boutique hotels and serviced apartments across South Hampshire, typically accounting for 75-90% of their midweek trade. Quite a lot of the corporate business in Portsmouth is related to MOD projects on government rates. This business can fluctuate as projects start and finish and is difficult to predict as most MOD projects are highly secretive. Government business is also fairly significant in Southampton. The corporate market in Portsmouth is dominated by a small number of large companies that are able to command low corporate rates from the city's hotels because of the volumes of business they are placing with them. Corporate demand is also a significant source of midweek business for budget hotels. The MOD appears to be the main generator of midweek demand for hotel accommodation in Gosport. There appears to be very little corporate demand for hotel accommodation in Hythe although the Hythe Marine Park appears to have started to generate some corporate business from the marine companies that have located here. Serviced apartments attract a mix of long stay and short stay corporate guests.

- Southampton city centre hotels attract corporate demand from Southampton city centre and from locations in the Southampton/Eastleigh M27 Corridor, including Eastleigh, Chandler's Ford and Nursling/Adanac Park. Hotels in the Southampton/Eastleigh M27 Corridor do not however attract corporate demand from the city centre. Corporate demand here tends to be highly localised, with hotels primarily serving companies in their immediate vicinity. The golf hotels here attract some corporate demand from Fareham. One hotel attracts corporate business from Winchester.

- There appear to be two distinct corporate markets in Portsmouth – the city centre and the M27/A27 Corridor. Hotels in the city centre primarily serve companies in the city centre and at the docks: they do not attract business from companies in the M27/A27 Corridor. Conversely hotels in the M27/A27 Corridor primarily serve companies in this location. They also attract some corporate demand from Havant. Any corporate business that they attract from the city centre is either overspill business when city centre hotels are full or business that they attract by offering very competitive rates.

- Corporate demand in other parts of South Hampshire is highly localised. Hotels in Fareham serve companies around the town and at Solent Business Park. Hotels at Havant primarily serve companies in Havant, although some attract some corporate business from the Portsmouth M27/A27 Corridor. Hotels in Gosport primarily attract corporate demand from Gosport and to a lesser extent from Fareham.

- **Residential conferences** are a relatively minor midweek market for most 3 and 4 star hotels in South Hampshire, typically accounting for no more than 5-10% of their midweek trade. 4 star hotels generally attract greater levels of residential conference business than 3 star hotels. Residential conferences are the main market for one hotel in Southampton city centre, which has focused specifically on this market and attracts large conferences of 100+ delegates. Residential conferences are also a more significant market for the golf hotels and one 3 star hotel in the Southampton/ Eastleigh M27 Corridor, although demand has reduced significantly in 2009 for at least one of the golf hotels here. Residential conferences are generally small, most typically around 15-25 delegates, and last for 1-2 nights.

- **Cruise passengers** are a significant midweek market for hotels in Southampton between April and October. Some hotels in the Southampton/Eastleigh M27 Corridor also attract a little midweek business from cruise passengers. A number offer Park & Sail packages. Hotels in Southampton also attract some midweek business from **cruise ship crews** and occasionally **cruise ship naming ceremonies and inaugural visits**. The cruise market also generates some midweek demand for hotels in Portsmouth: 18 cruises departed from here in 2009.

- The **Southampton Boat Show** is a major generator of demand for hotel accommodation across the whole of South Hampshire every year in September. It fills all of the hotels in Southampton city centre and enables them to charge premium prices for the whole of its 10-day period. This is a key factor behind the high achieved room rates for 3 and 4 star hotels in the city centre. The Boat Show also generates good demand for hotels in the Southampton/Eastleigh M27 Corridor and at Hythe, although does not fill them in the way that it fills the hotels in the city centre. It also generates demand for hotels in Fareham and a little demand for some hotels in Portsmouth.

- Other **events** that generate midweek demand for hotels in South Hampshire are as follows:

    - Seawork – for hotels in Southampton and the Southampton/Eastleigh M27 Corridor;
    - Cowes Week – for hotels in Southampton, the Southampton/Eastleigh M27 Corridor and Portsmouth;
    - Farnborough Air Show – for hotels in the Eastleigh area;
    - International cricket matches at the Rose Bowl for hotels in Southampton and the Southampton/Eastleigh M27 Corridor;
    - Glorious Goodwood – for hotels in Havant, Portsmouth and Fareham

- **Association conferences held at Portsmouth Guildhall** occasionally generate midweek demand for hotels in Portsmouth city centre.

- **Contractors** working on construction, infrastructure, shipbuilding and re-fitting and shop fitting projects are the other key source of midweek demand for budget hotels across South Hampshire alongside local corporate demand. It is the combination of these two markets that enables budget hotels to achieve such high midweek occupancies. Shut downs at the Fawley oil refinery periodically generate significant contractor demand for hotel accommodation in Hythe and the western end of the Southampton/ Eastleigh M27 Corridor. Contractors are also a secondary midweek market for some 3 star hotels in the Sub Region.

- **Southampton and Portsmouth universities** generate some midweek demand for hotels in their immediate vicinity related to graduations, parents visiting students, student interviews, visiting academics, delegates attending conferences at the universities and overseas students requiring temporary accommodation when they first arrive.

- A number of 3 and 4 star hotels across South Hampshire attract some **midweek leisure break business** during the summer months**.** One 4 star hotel in the Southampton/Eastleigh M27 Corridor has focused on this market in 2009 to compensate for the downturn in corporate and residential conference business. The golf hotels in this area attract some demand for midweek golf breaks in the summer months. The adult only hotel resorts at Hayling Island primarily cater for midweek leisure breaks.

- **Group tours** are a secondary midweek market for some 3 and 4 star hotels in South Hampshire. This is low-rated business that hotels generally use to boost off-peak nights and periods.

- **Other midweek markets** for hotels in South Hampshire are as follows:

    - Air passengers departing and arriving through Southampton Airport – for hotels in the immediate vicinity of the airport;
    - Ferry passengers- for budget hotels in the vicinity of the ferry terminal;
    - Navy crews- for some hotels in Portsmouth city centre;
    - Passing out parades in Gosport – for hotels and guesthouses in Gosport;
    - Midweek weddings and functions – for some 3 and 4 star hotels across the Sub Region;
    - Performers and crew involved in productions at the Mayflower Theatre in Southampton

3.4. Weekend Markets

- **Weekend leisure breaks** are the main weekend market for most 3 and 4 star, upper-tier budget and boutique hotels across South Hampshire, typically accounting for at least 50-60% of their weekend trade. The adult only hotel resorts in Hayling Island trade exclusively in this market at weekends. Budget hotels in Southampton, Portsmouth and the Southampton/Eastleigh M27 Corridor and the small hotels and large guest accommodation businesses in Hythe also attract leisure break business at weekends to varying degrees. Budget hotels in Fareham and Havant and the small hotels and large guest accommodation businesses in Gosport do not appear to attract weekend leisure break business however. Golf hotels attract good demand at weekends for golf breaks.

- Weekend break demand for most 3 and 4 star hotels is primarily rate driven through special offer rates and packages that hotels and hotel companies promote through the Internet and national newspapers. Boutique hotels appear to achieve good rates for weekend break stays. They attract people for special occasion weekends e.g. anniversaries and birthdays.

- The appeal of Southampton and the Southampton/Eastleigh M27 Corridor for weekend breaks appears to be primarily as a base for visiting the wider area including the New Forest, Isle of Wight and Winchester. Marwell Zoo and Paultons Park also attract some weekend break business for hotels in their immediate vicinity. Portsmouth appears to have stronger appeal as a weekend break destination in its own right, with the Spinnaker Tower, Gunwharf Quays, the Historic Dockyard and Southsea as its key draws for weekend break stays.

- **Cruise passengers** are the key weekend market for hotels of all standards in Southampton city centre between April and October, frequently filling city centre hotels on Saturday nights in these months. Cruise ship departures on Monday also produce strong demand for Sunday nights. Cruise passengers generally pay high rates for 3 and 4 star hotels. This is a key market that contributes to the high occupancies and achieved room rates for some of the city centre 3 and 4 star hotels.

- Hotels of all standards in the Southampton /Eastleigh M27 Corridor also attract weekend demand from cruise passengers when a number of cruises are departing and when some of the larger cruise ships are leaving. They are generally less able to command the premium rates from cruise passengers that city centre hotels can and some hotels compete more on price, offering ‘Park & Cruise’ deals. Cruise passengers are a significant market for two hotels on the western outskirts of Southampton. Some of the small hotels and large guest accommodation businesses in Hythe also attract some demand from cruise passengers.

- Cruises departing from Portsmouth generate some demand for hotels in the city centre.

- **Cruise ship crews** generate weekend business for some 3 star and budget hotels in Southampton city centre.

- UK and European **group tours** are a significant weekend market for one 3 star hotel in Southampton and one 3 star hotel in Southsea. They are also a secondary weekend market for some other 3 and 4 star hotels in Southampton, the Southampton/Eastleigh M27 Corridor, Portsmouth and Fareham and for one budget hotel in the Southampton/Eastleigh M27 Corridor. This is usually low-rated business that hotels will limit if they can, in favour of higher-paying markets.

- **Football supporters** attending Portsmouth FC home matches are a significant weekend market for two budget hotels in Portsmouth city centre and a minor weekend market for other hotels in the city. Some budget and 3 star hotels in Southampton city centre also attract demand from football supporters when Southampton FC is playing at home.

- **Ferry passengers** are a significant weekend market during the summer months for some budget hotels in Portsmouth, particularly those that are located close to the ferry terminal. Some of the budget hotels at Havant and in the A3 Corridor also attract some weekend demand from ferry passengers in the summer.

- **Air passengers** departing on holiday flights generate business for hotels in the vicinity of Southampton Airport. Hotels near the airport also attract some weekend demand from **aircrew**.

- 3 and 4 star hotels and budget hotels in the Southampton/Eastleigh M27 Corridor attract good demand at weekends from people attending **weddings, family parties and functions.** This is the main weekend market for 3 and 4 star and budget hotels at Fareham and Havant and the key weekend market for the small hotels and large guest accommodation businesses in Gosport and Hythe. Demand related to weddings and functions is a secondary source of weekend demand for hotels in Southampton and Portsmouth.

- **People visiting friends and relatives** are a further source of weekend demand for budget hotels and the small hotels and large guest accommodation businesses in Gosport and Hythe.

- **Clubbers and stag & hen parties** are a significant weekend market for budget hotels in Southampton and Portsmouth city centres and for one 3 star hotel in Southampton city centre.

- **Events** that generate good weekend demand for hotels in South Hampshire are as follows:
    - The Southampton Boat Show – for hotels in Southampton city centre, the Southampton/Eastleigh M27 Corridor, Hythe and Fareham;
    - Cowes Week – for hotels in Southampton city centre, the Southampton/Eastleigh M27 Corridor and Portsmouth;
    - Cricket matches at the Rose Bowl – for hotels in Southampton city centre and the Southampton/Eastleigh M27 Corridor;
    - Mayflower Theatre productions – for hotels in Southampton city centre;
    - Farnborough Air Show – for hotels in the Eastleigh area;
    - Great South Run – for hotels in Portsmouth, Gosport, Fareham and Havant
    - Glorious Goodwood, Goodwood Festival of Speed and Goodwood Revival – for hotels in Portsmouth, Fareham, Havant and the Southampton/Eastleigh M27 Corridor;
    - Navy Days at Portsmouth Historic Dockyard – for hotels in Portsmouth, Gosport, Fareham and Havant;
    - Isle of Wight Festival – for hotels in Portsmouth;
    - Gosport & Fareham Folk Festival – for hotels in Gosport and Fareham;
    - New Forest Show – for some hotels on the western side of Southampton and at Hythe;
    - Romsey Show – for some hotels in the Southampton/Eastleigh M27 Corridor;
    - Beaulieu Auto Jumble – for some hotels in the Southampton/Eastleigh M27 Corridor
    - Concerts and events at Broadlands – for some hotels in the Southampton/Eastleigh M27 Corridor.

- **Other weekend markets** for hotels in South Hampshire are as follows:
    - Weekend association conferences for a few large 3 and 4 star hotels;
    - Corporate arrivals on Sunday nights;
    - Contractors staying over the weekend and/or arriving on Sunday nights;
    - People coming across to Southampton from the Channel Islands for shopping, particularly in the run up to Christmas – for hotels in Southampton city centre;
    - Parents of university students – in Southampton and Portsmouth;
    - Ships reunions – a significant market for two hotels in Portsmouth and Southsea;
    - Masonic lodge weekends – for the 3 star hotels in Southsea;
    - Sailing parties – in Gosport;
    - Sports teams.

3.5. Market Trends

- The overall trend in the South Hampshire hotel market (and indeed in many other parts of the UK) in the last 3 years has been a decline in midweek corporate, residential conference and contractor demand since October 2008 as a result of the recession, contrasted by a general increase in weekend leisure demand.

- Corporate demand for hotel accommodation generally increased in the first half of 2008 in most parts of South Hampshire but fell sharply towards the end of 2008 and throughout 2009 as companies cut back on travel budgets. Many corporate customers reduced their length of stay, particularly affecting Thursday and Sunday night business from this market. Corporate rates also reduced significantly as companies demanded lower rates from hotels and hotels fought to compete for corporate business. Hotels in the Southampton/Eastleigh M27 Corridor appear to have seen the sharpest downturn in corporate demand. Corporate business remained reasonably buoyant in Portsmouth in 2009 as a result of project work, although corporate rates reduced here. Corporate demand in Portsmouth appears to have dropped sharply for some hotels so far in 2010 however as projects have come to an end and not been replaced by new ones. Some budget hotels appear to have benefited from companies downgrading from 3 and 4 star hotels during the recession. Midweek occupancies have generally held up better for budget hotels as a result.

- Contractor demand reduced in 2009 for budget hotels as construction projects were suspended or came to an end e.g. the completion of the Carnival UK headquarters and IKEA store in Southampton.

- The residential conference market has generally been declining for a number of years in South Hampshire (as elsewhere in the country) as companies have cut back on training and meetings budgets, developed their own in-house training and meeting facilities and begun to make greater use of teleconferencing technology. This trend was further exacerbated by the recession in 2009 with a general switch more to day meetings, fewer, smaller and shorter residential conferences and downward pressure of 24 hour delegate rates.

- Demand generated by the Southampton Boat Show does not appear to have been as strong in 2009, with many visitors reducing their length of stay. This appears to have reduced the levels of business that hotels in the Southampton/Eastleigh Corridor picked up from the event.

- The cruise market continued to grow in Southampton in 2008 and 2009. It also increased in Portsmouth, with 18 cruises starting and finishing from here in 2009.

- Many hotels in South Hampshire saw an increase in leisure break business in 2009 as a result a result of the growth in the 'staycation' market as UK residents opted to stay in the UK for their holidays as a result of the recession and the strength of the euro against the pound. Many hotels and hotel companies actively targeted this market with special offer deals and packages. Some hotels reported a trend towards one-night breaks on a Saturday night however, resulting in lower demand for Friday nights.

- Demand related to weddings generally held up in 2009 across South Hampshire. Weddings are booked a long way in advance so this market was not greatly affected by the recession, other than in terms of reduced numbers for some weddings. Some hotels expect to see a downturn in this market in 2010 however as weddings bookings did not come through as strongly in 2009.

- Ferry-related business dropped sharply in Portsmouth in 2005 and 2006 following the withdrawal of P&O ferries services to France in 2004 and 2005. Ferry passenger numbers have remained fairly constant since then, increasing marginally in 2009 as a result of the increased number of crossings to Le Havre by LD Lines following the introduction of its second vessel on this service in November 2008.

- Air passenger movements through Southampton Airport reduced by 8% in 2009. Demand for hotel accommodation from air passengers using the airport is thus likely to have fallen by a similar level.

- Demand related to events in Portsmouth has reduced now that the International Festival of the Sea is no longer held here. Event-related business peaked in Portsmouth in 2004 and 2005 with the D Day 60th Anniversary and Trafalgar 200 celebrations.

- UK group tour business increased for hotels in Portsmouth, Southsea and Havant in 2008 but dropped in 2009 as a result of reduced numbers of tours and lower numbers on the tours that did run. Demand from European group tours held up in Portsmouth in 2009 but reduced for hotels in Southampton.

- Demand from ships reunions increased for Portsmouth city centre and Southsea hotels in 2009.

- Demand for Masonic lodge weekends increased in 2009 for one 3 star hotel in Southsea.

3.6. Denied Business[1]

3.6.1. Midweek Denials

- 3 and 4 star and upper-tier budget hotels across South Hampshire were consistently denying business on Tuesday and Wednesday nights in 2007 and the first half of 2008, at times to a fairly significant extent in some locations. Tuesday and Wednesday night denials have reduced significantly in 2009 however. Southampton city centre and Portsmouth are the only locations where some 3 and 4 star and upper-tier budget hotels have continued to regularly deny business on Tuesday and Wednesday nights but only to a relatively low degree. Other 3 and 4 star hotels in the two cities and other parts of South Hampshire only occasionally denied business on Tuesday and Wednesday nights in 2009 and some rarely turned away any midweek business during the year. 3 and 4 star hotels rarely deny business on Monday and Thursday nights. Some hotels occasionally deny enquiries for large residential conferences (100+ delegates) that they do not have the available bedroom capacity to accommodate alongside their core corporate business.

- Some of the small hotels in Gosport regularly denied business on Tuesday and Wednesday nights in 2009, to a fairly significant degree for at least one hotel.

- One of the large guest accommodation establishments in Hythe regularly turns business away on Tuesday and Wednesday nights.

[1] Business that hotels turn away because they are fully booked.

- Budget hotels across South Hampshire continued to regularly deny business on Monday to Thursday nights during 2009 although generally at a lower level than they were doing in 2007 and 2008. Midweek denials remained particularly high for some budget hotels in Portsmouth, Fareham and Havant. Levels of midweek denials have increased significantly for budget hotels in most parts of South Hampshire since November 2009. Most of the Sub Region's budget hotels are now regularly turning away high levels of business on Monday to Thursday nights.

3.6.2. Weekend Denials

- Most 3 and 4 star hotels across South Hampshire denied business on Saturday nights between April and October during 2009 although not generally to the levels that they were doing in 2007 and the first half of 2008. Saturday denials were most consistent and significant for some 3 and 4 star hotels in Southampton city centre and most 3 and 4 star hotels in Portsmouth. They were less frequent and significant for other hotels in Southampton city centre and most hotels in the other parts of South Hampshire. Some of the hotels in Southampton city centre and the Southampton/Eastleigh M27 Corridor rarely denied business on Saturdays in 2009.

- The majority of South Hampshire's budget hotels regularly denied business on Friday and Saturday nights throughout 2009. Denials were generally higher on Saturday nights and during the summer months. Some budget hotels in Southampton city centre and all of the budget hotels in Portsmouth and Fareham consistently denied high levels of business on Friday and Saturday nights throughout the year. Friday and Saturday denials have increased significantly for budget hotels across South Hampshire since November 2009.

- The small hotels and large guest accommodation businesses in Gosport and Hythe rarely deny business at weekends.

3.7. Prospects for 2010

- 3 and 4 star hotels have mixed views about their prospects for 2010. Some hotels in Southampton city centre and the Southampton/Eastleigh M27 Corridor do not expect to see any change in their occupancy and achieved room rate levels in 2010. Others see some scope for growth as a result of the anticipated further growth in the cruise market and signs that corporate demand is beginning to recover. The reopening of The Dolphin in Southampton in May could have an impact on 3 and 4 star hotels in Southampton city centre and possibly a knock-on effect on hotels outside the city. Two hotels in the Eastleigh area expect to see a further fall in occupancy and achieved room rate in 2010 as a result of the new Holiday Inn Winchester, which opened in February and is competing strongly for corporate demand from Winchester and weekend leisure business. Three 3 and 4 star hotels in Portsmouth reported a strong first quarter in 2010 as a result of increased corporate demand related to new project work. Two other 3 and 4 star hotels in Portsmouth expect to see a downturn in their performance in 2010 as a result of a drop in corporate demand and rates and a reduction in weekend leisure markets. 3 and 4 star hotels in Fareham expect to see an increase in occupancy levels but no growth in achieved room rates. 3 and 4 star hotels in Havant expect to see a fall in their occupancies and achieved room rates in 2010.

- Budget hotels across South Hampshire are generally very positive about their future prospects. Most expect to maintain their high occupancy levels and to continue to turn business away as a result of renewed demand from contractors and a recovery in corporate business. Budget hotels in Southampton and the Southampton/Eastleigh M27 Corridor expect to benefit from the further growth in the cruise market and increased demand from Southampton Airport.

- Hotels across South Hampshire generally saw a downturn in business in January and February 2010 as a result of severe winter weather conditions. A number of hotels reported that they have had numerous cancellations in April as a result of the disruption to air travel caused by the volcanic ash cloud from Iceland. Some 3 and 4 star hotels have had cancellations of residential conferences.

4. FUTURE MARKET PROSPECTS

4.1. Strategic Context – The Growth Agenda

- South Hampshire is one of 9 Sub Regions identified in the South East Plan[1]. Within the Sub Region, Portsmouth and Southampton are identified as regional hubs, dynamic hubs of activity where growth will be focused, as well as centres for significant change and development. The South Hampshire Sub Region has also been identified as one of 8 Diamonds for Growth in the Regional Economic Strategy, which with their hinterlands will act as a catalyst to stimulate prosperity. The Sub Region has received a number of other designations that will promote growth, including selection for New Growth Point status by DCLG (one of 29 locations in England), the designation of 2 of the South East Region's Strategic Development Areas at Fareham and North of Hedge End (Eastleigh), and the identification of a South Hampshire Strategic Employment Zone at Eastleigh Riverside, one of the largest employment sites in South East England.

- South Hampshire is to undergo transformational change over the 20 year period to 2026, to be implemented by PUSH (the Partnership for Urban South Hampshire). The strategy is one of conditional managed growth, linked to investment in infrastructure. This will involve an increase in jobs, land for business development, and new house building. PUSH's original economic targets for the Sub Region (currently being reviewed by DTZ) were for economic-led growth, to achieve an upward step-change in South Hampshire's economy through the delivery of:

    - 59,000 jobs, especially in higher value added and knowledge intensive businesses, and building on existing clusters in advanced manufacturing, marine industries, business services, logistics and distribution, retail and tourism, creative and cultural industries, and emerging clusters such as life sciences and environmental technologies;
    - 2 million square metres of new employment floorspace, including delivery of the regionally significant Strategic Employment Zone;
    - An increase in GVA from 2.75% to 3.5%.

[1] The South East Plan was revoked by the new coalition government in July 2010 as part of its revocation of all regional strategies.

- Alongside these employment targets, South Hampshire must deliver 80,000 new homes – 4,000 per annum. Environmental sustainability is a key theme reflected in the approach to the design and development of both new homes and commercial buildings.

- Whilst Portsmouth and Southampton will be the focus of growth, sites in the hinterland allocated for development in Local Plans, plus brownfield sites will be required to meet development needs. Additional sites are being sought through the LDF process.

- The table overleaf summarises the original employment space and housing growth targets for the South Hampshire Sub Region, with a breakdown by local authority area, which together with the diagram that follows sets out the spatial distribution of this growth and some of the key sites and proposals that will deliver it.

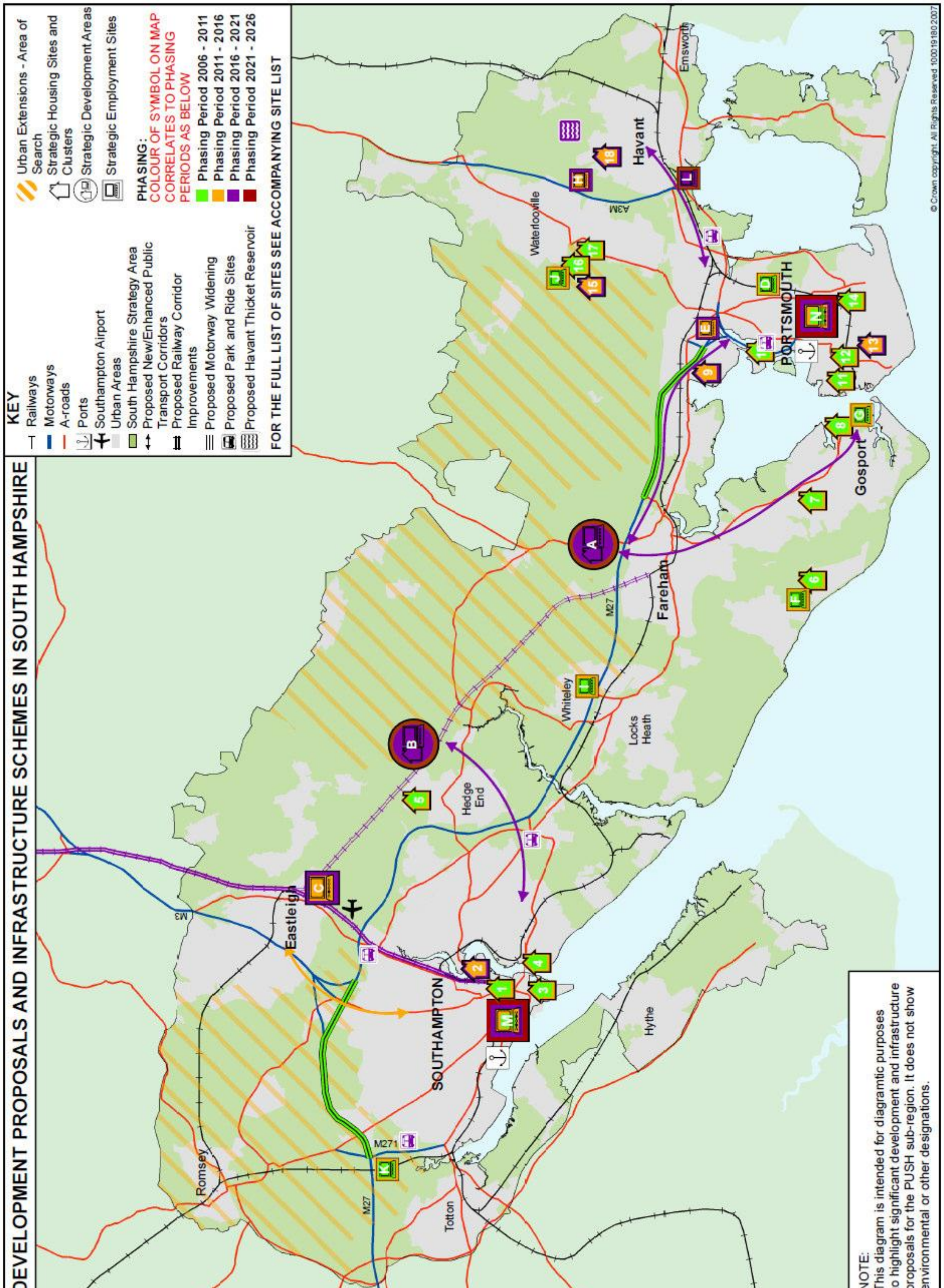
- DTZ is currently reviewing the economic development strategy for PUSH and preparing revised forecasts for economic growth. While they have not yet completed this work they have advised us that they think the scale of GVA growth will be lower than had previously been estimated. They are predicting that recovery in employment from the recession will be slow and do not expect pre-recession levels of employment to be reached again until 2014-15. The potential risks around public sector employment and potential skills mismatches are the primary drivers of the slow employment recovery. Spatial policy will highly favour the cities. Work by Centre for Cities for PUSH has strengthened the existing commitment to a cities first strategy. They are the major engines of growth but have failed to deliver for some time, with the urban boroughs (Eastleigh, Fareham and Havant – not so much Gosport) generating the growth. With likely slightly lower requirements for employment space (based on DTZ's emerging analysis) and the continued city centre focus there may be some reduction in the need for development in the urban boroughs.

- South Hampshire was also chosen as one of 5 priority places nationally for the improvement of the cultural offer under the Living Places initiative announced by the national cultural agencies, which aims to ensure that culture is embedded in development and regeneration programmes. A Cultural Strategy has been produced for South Hampshire, which aims to help deliver quality of place across the Sub Region. By 2026 it sees South Hampshire as an International Capital of Culture, recognised globally and nationally for world-class maritime heritage, visual arts and international cricket, and the next 'happening place' in culture. Developing world class infrastructure is very much part of the strategy, with Portsmouth's maritime heritage, Southampton's emerging arts offer, and the Rose Bowl's potential for international events leading the way in the creation of a global cultural destination. Quality hotels are identified as an important part of the support infrastructure to deliver this vision, and clearly there is potential for some of the proposed initiatives to generate leisure demand for hotels.

SOUTH HAMPSHIRE SUB REGION – EMPLOYMENT FLOORSPACE & HOUSING TARGETS 2006-2026

LOCATION	JOBS GROWTH/ EMPLOYMENT FLOORSPACE TARGET (sq m) 2006- 2026				HOUSING GROWTH TARGET 2006- 2026
	Total	B1 Office	B2 Manufacturing	B8 Warehousing	
SOUTH HAMPSHIRE SUB REGION	**1,965,000**	**1,215,000**	**216,000**	**534,000**	**80,000**
South West Area (Southampton/Eastleigh/N&NE Hedge End SDA/New Forest/Test Valley)	**1,067,000**	680,000	93,000	294,000	34,840
South East Area (Portsmouth/Fareham/N Fareham SDA/ Gosport/Havant/Winchester/E Hampshire)	**898,000**	535,000	123,000	240,000	45,160
LOCAL AUTHORITY TARGETS					
East Hampshire	**5,500**	4,000	1,000	500	1200
Eastleigh	**332,000**	160,000	50,000	122,000	7080
N/NE Hedge End SDA	**74,000**	46,000	8,000	20,000	6000
Fareham	**41,000**	23,000	6,000	12,000	3720
N Fareham SDA	**121,000**	72,000	16,000	33,000	10,000
Gosport	**81,500**	39,000	12,500	30,000	2500
Havant	**162,000**	75,000	45,500	41,500	6300
New Forest	**72,500**	24,000	11,500	37,000	1540
Portsmouth	**287,500**	176,000	36,500	75,000	14,700
Southampton	**419,000**	322,000	16,000	81,000	16,300
Test Valley	**169,500**	128,000	7,500	34,000	3920
Winchester	**199,500**	146,000	5,500	48,000	6740

Sources: South East of England Plan/PUSH Policy Framework for Employment Floorspace


DEVELOPMENT PROPOSALS AND INFRASTRUCTURE SCHEMES IN SOUTH HAMPSHIRE
KEY
Railways
Motorways
A-roads
Ports
Southampton Airport
Urban Areas
South Hampshire Strategy Area
Proposed New/Enhanced Public Transport Corridors
Proposed Railway Corridor Improvements
Proposed Motorway Widening
Proposed Park and Ride Sites
Proposed Havant Thicket Reservoir
Urban Extensions - Area of Search
Strategic Housing Sites and Clusters
Strategic Development Areas
Strategic Employment Sites
PHASING:
COLOUR OF SYMBOL ON MAP CORRELATES TO PHASING PERIODS AS BELOW
Phasing Period 2006 - 2011
Phasing Period 2011 - 2016
Phasing Period 2016 - 2021
Phasing Period 2021 - 2026
FOR THE FULL LIST OF SITES SEE ACCOMPANYING SITE LIST
Romsey
Eastleigh
SOUTHAMPTON
Totton
Hythe
Hedge End
Whiteley
Locks Heath
Fareham
Gosport
Waterlooville
Havant
Emsworth
PORTSMOUTH
M3
M27
M271
A3M
NOTE:
This diagram is intended for diagramtic purposes to highlight significant development and infrastructure proposals for the PUSH sub-region. It does not show environmental or other designations.
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List of Development Proposals and Infrastructure Schemes in South Hampshire

Strategic Housing Sites and Clusters

1. Southampton City Centre North
2. Drivers Wharf/Meridian
3. Southampton City Centre South
4. Vosper Thorneycroft/Woolston
5. Dowds Farm
6. Daedalus
7. Rowner
8. Gosport Waterfront
9. Port Solent
10. Tipner
11. Historic Ships Car Park
12. Station Square
13. Somerstown
14. Pompey Village
18. Leigh Park

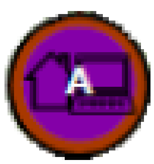
Urban Extensions

15. West of Waterlooville (extension)
16. West of Waterlooville (Winchester)
17. West of Waterlooville (Havant)

The map shows area of search for urban extensions in those parts of Winchester district and Test Valley borough which are in the PUSH area. The locations shown have been identified by the respective authorities in documents published for consultation and have yet to be confirmed through the planning process:

- Winchester City Council has been consulting on 3 options: Expansion of Bishops Waltham, Wickham and Knowle; and expansion of West of Waterlooville; concentr ation of growth at Whiteley;
- Test Valley Borough Council has been consulting on 3 options: Romsey; North Baddesley; and Nursling and Rownhams

Strategic Development Areas



A. North of Fareham Strategic Development Area
B. North/North East of Hedge End Str ategic Development Area

Strategic Employment Sites

C. South Hampshire Strategic Employment Zone
D. Hilsea Gasworks
E. IBM Headquarters
F. HMS Daedalus
G. Gosport Waterfront
H. Dunsbury Hill Farm
I. Whiteley
J. West of Waterlooville
K. Nursling
L. Broadmarsh
M. Southampton City Centre Focus
N. Portsmouth City Centre Focus

Note: Both tables above will need to be revised in view of the DTZ work and local decisions in 2010. The Broadmarsh strategic employment site should read Brockhampton West

4.2. Major Drivers of Growth in Hotel Demand in South Hampshire

- Beneath the growth targets lie a number of key projects across South Hampshire that will play a significant part in delivering growth. Of particular interest to this study are those projects and proposals that have the ability to generate demand for hotel accommodation. The location of these drivers will help steer future locational strategies for hotel development.

- Major **drivers of growth in corporate and contractor demand** (during construction phases) for hotel accommodation include[1]:

    - Southampton International Airport Expansion

        - Passenger numbers are forecast to grow from 1.8 million in 2009 to just over 3 million by 2015 and 6 million by 2030. Southampton is an important regional airport supporting Hampshire businesses. 39% of air passenger movements through the airport are for business purposes, principally to major UK and European cities and the Channel Islands. New routes will focus on additional business destinations in Europe. The sectors of the local economy forecast to grow – hi-tech and knowledge-based industries – are intensive users of aviation, and the Universities also have global reach. Direct employment at the airport is forecast to increase by 53% by 2015 and 158% by 2030, to over 2,500 jobs.

    - Eastleigh Town Centre

        - Eastleigh town centre is currently the focus of regeneration, development and investment plans aimed at securing its urban renaissance. The Eastleigh Town Centre Area Action Plan Issues & Options paper produced in May 2007 put forward a range of options for consideration in the town centre including the development of retail, bars and restaurants, cultural, arts and commercial leisure facilities, residential and offices. Work on the Area Action Plan is now being incorporated into the Core Strategy for the Borough.

[1] The information provided about projects was current at the time that the report was written. Some projects have subsequently been reviewed and may no lomger be relevant therefore.

- Eastleigh Riverside Strategic Employment Zone
    - As one of the largest employment sites in the South East, this is a regionally important site that is targeted to deliver 9,000 jobs. Much of the focus for investment here will be on the higher value added sectors including financial and business services, ICT, creative and media, environmental technologies, and aerospace and defence, which are productive in terms of generating hotel bednights. Most of Eastleigh's target for office and manufacturing employment floorspace is expected to be accommodated on this site.
- N/NE of Hedge End Strategic Development Area
    - An element of employment use will be included in this scheme that will deliver 6,000 homes. Current proposals allow for 74,000 sq m of employment floorspace, including 46,000 sq m of B1 office that could deliver over 1800 jobs.
- Southampton City Centre Office Development
    - Southampton is targeted to deliver 322,000 sq m of office development by 2026 with the potential to create over 16,000 jobs. Key schemes include the £70m mixed use scheme Mayflower Plaza which alone will deliver 100,000 sq m of office floorspace; proposals for the Central Station that will create a landmark new office quarter together with a new transport interchange; the new Southampton Police Headquarters development; and the Regional Business Centre at Northern Above Bar.

- Developing Southampton's Marine Cluster

    - A number of developments are proposed that will further expand Southampton's marine sector including a Maritime Centre of Excellence being developed by Southampton University and Lloyds Register; an Innovation Centre being developed at Ocean Village to support the National Oceanography Centre; a Marine Quarter at the £500m Centenary Quay development at Woolston Riverside to be occupied by US super-yacht company Palmer Johnson; and across the water at Hythe, SEEDA has developed the Hythe Marine Park on the site of a former US army base, providing 27,000 sq m of space for high profile marine related businesses including a super-yacht refit and repair facility.

- Adanac Park, Nursling

    - A prestigious 74-acre headquarters office park in a gateway location on the approaches to Southampton with permission for 59,000 sq m of B1 office, research and development and manufacturing for large space users. On completion 4,000 people will work on this site. Ordnance Survey are relocating to this site and a 16,409 sq m office building for them is currently under construction, due for completion in November 2010.

- The Expansion of Southampton University Science Park

    - A 45-acre business and technology park at Chilworth with high quality office and science based research and development space. Test Valley's Core Strategy allows for further growth and expansion of the Science Park.

- Lakeside North Harbour, Portsmouth
    - A potentially significant scheme for 1m sq ft of office-led development on 100 acres at Lakeside North Harbour, near to IBM. The proposals seek to deliver a major business centre for Portsmouth, with 750,000 sq ft of office, a 150 bedroom 4 star hotel, an aparthotel and a conference centre.
- Portsmouth Gateway – Tipner Redevelopment
    - Proposals to redevelop land either side of the M275 on the route into Portsmouth as a waterfront mixed use development featuring iconic buildings that will form a new gateway to the city. Development will include residential (1,600 homes) and commercial uses (25,000 sq m office, 2380 leisure retail), a 150-bedroom hotel and park and ride. Permission has been granted for a new motorway junction. The site will deliver 1500 new jobs.
- The Expansion of Port Solent
    - A strategic development site with significant additional development proposed, including 65,000 sq m of offices and 2,000 new homes. The new Portsmouth FC stadium may locate here at Horsea Island if the plans for the stadium are progressed post 2018.
- Northern Quarter, Portsmouth
    - The £500 million Northern Quarter is a major mixed-use retail development proposal to provide 96,200 sq m of retail, 6,650 sq m of leisure, 200 residential units and a 150-bedroom hotel. The scheme is currently on hold until 2015 and a new Masterplan is to be drawn up.

- Station Square, Portsmouth
    - Proposals for the redevelopment of Station Square seek to deliver a new mixed use gateway to support the enhanced transport interchange, including the development of offices (20,000 sq m), residential uses (500) and retail. Station Square and Guildhall Square could present an opportunity for a new office quarter in the city to accommodate target office requirements.
- Portsmouth Ferry Terminal
    - The construction of the new terminal building for the Continental Ferry Port in Portsmouth, which commenced in January 2010, may generate contractor demand for hotel accommodation during its construction. It is scheduled for completion in February 2011.
- Fareham Town Centre
    - The Fareham Town Centre Area Action Plan Issues & Options paper published in January 2008 identifies 8 potential development opportunity zones in the town centre for mixed-use development incorporating retail, leisure, office, residential and health uses.
- North Fareham Strategic Development Area
    - Proposals for this SDA include 121,000 sq m of employment floorspace and up to 10,000 new homes.
- Solent Business Park
    - Already an established Business/Office Park, the further development of the Solent Business Park is likely to play a key role in the delivery of Winchester's office requirement targets for the PUSH area (146,000 sq m).

- The Redevelopment of HMS Daedalus
    - Strategically important 80ha site split between Fareham and Gosport that has been acquired by SEEDA to provide an employment-led mixed-use development. On completion, the scheme should deliver 1,000 jobs and 150,000 sq m of employment floorspace, including offices and aviation-related businesses, alongside dwellings, leisure and recreational uses.
- Gosport Waterfront
    - Major regeneration proposals for the coastal strip overlooking Portsmouth Harbour, focused around the Bus Station and Coldharbour sites. Options include the creation of a marine-related employment cluster, waterside leisure activities including bars and restaurants, and high quality office development. 437 residential units are also proposed. 28,000 sq m of employment floorspace is to be accommodated here.
- Haslar Peninsula Redevelopment, Gosport
    - Development proposed at the Royal Haslar Hospital, the Blockhouse, and Haslar Marine Technology Park that could deliver hi-tech employment uses, marine-related employment, residential, medical/health care uses and leisure/interpretation facilities. The proposals include a veteran's retirement village and a centre of excellence for rehabilitation and care specializing in cancer and dementia. Facilities for the University of Portsmouth are also proposed (accommodation and education buildings) and a 4 star hotel with small conference facilities.
- Dunsbury Hill Farm
    - Dunsbury Hill Farm is recognised by SEEDA as an important strategic employment site. The development of this 13.2-hectare site as a high quality business and technology park has the potential to deliver 1,700 jobs, with scope for further expansion.

- Major **projects that could drive growth in leisure demand** for hotels include:
  - Developing Southampton's Cruise Port Role
    - Already the UK's premier home port cruise liner terminal, 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. Passenger numbers are forecast to increase to 1.5 million by 2020 and 1.9 million by 2030, and the port operator has developed a masterplan for its future expansion. This includes the development of a fifth cruise terminal by 2025. Southampton is primarily a port of embarkation and disembarkation, which generates demand for hotels pre- and post-cruise, as well as between cruise stays. From 2011 the operator MSC will sail from Southampton with MSC Opera, a 2000 capacity cruise liner that will run 13 cruises to the Mediterranean and Scandinavia.
  - A World Class Waterfront, Southampton's Royal Pier
    - A Masterplan is being produced to deliver a world-class waterfront and improved facilities for the International Boat Show (122,000 visitors) around the Royal Pier. Uses could include office space (55,000 sq m), speciality retail, residential (500 units), hotel and leisure facilities, alongside improved linkages between the city centre and waterfront, and improvements to Mayflower Park to make the waterfront more accessible.
  - West Quay 3/Watermark, Southampton
    - West Quay is a transformational retail & leisure project – the biggest and most successful mall in the region. Phase 3, being developed by Hammerson, will deliver 500,000 sq ft+ of mixed use development to include a public piazza, a luxury cinema, a 150 bedroom hotel, a continental café and restaurant quarter, a pocket park, speciality retail, and a landmark residential building with 200 apartments. A development agreement with Council has now been signed. Also within West Quay 3 (site B) are proposals to develop a large office building and hotel (Premier Inn, 155 rooms). These latest phases of West Quay are forecast to create over 1000 new jobs.

- Southampton's Emerging Cultural Quarter
  - A series of schemes that will create a cultural heart to Southampton, involving an investment of £175 million and likely to create over 2000 jobs. This includes:
    - A new £13 million arts complex for exhibitions and performing arts that will showcase the work of the John Hansard Gallery (contemporary art), City Eye (film and video production hub), Art Asia (South Asian Arts) and the Nuffield Theatre (Nuffield 2).The complex forms part of a 200,000 sq ft mixed use scheme being developed by Grosvenor that will deliver 75,000 sq ft of gallery spaces, auditoriums and educational areas alongside retail, restaurants and apartments;
    - Sea City Museum, a £15 million attraction to be developed on the site of the former police headquarters, which will interpret the City's maritime heritage, and will include a Titanic Exhibition area. The Museum is to open in 2012;
    - The transformation of Guildhall Square to provide a contemporary performance space and focus for surrounding development.
- Southampton Snow Dome
  - A regional leisure attraction that includes an indoor real-snow skiing facility is proposed as part of a mixed-use scheme at Town Depot, east of the city centre and north of Ocean Village, on the waterfront. Leisure, employment and residential uses are possible here, together with ancillary retail. Expressions of interest are now being received by the Council for preferred development partners.
- Southampton Ice Rink
  - An Olympic-sized ice rink is proposed as part of a mixed use scheme in the heart of Southampton city centre. The scheme will also include a dance studio, 40 station fitness suite, catering and retail facilities, and is to be developed on the former Chantry Hall site.

- Development of the Tudor House Museum and Tudor Merchants Hall
    - £5m of investment is planned for improved visitor facilities, displays and exhibitions following phase 1 restoration works costing £1.9m, supported by a £3.5m grant from HLF. Includes facilities for functions, meetings and weddings, as well as music recitals and theatre.
- Development of the Rose Bowl
    - The Rose Bowl is renowned as an international sporting and entertainment venue that hosts international cricket matches and major music events. £45 million is to be invested in the site to develop two new stands to increase permanent seating capacity to 15,000, alongside an increase in temporary seating to enable 25,000 spectators to be accommodated. The proposals also include a 175-room 4 star resort hotel and upgrading the existing 9-hole golf course to an 18 hole Championship Course. On completion the complex will have potential to accommodate national and international cricket and golf events, major music events, conferences and exhibitions. The expansion of Southampton International Airport and its links top European business cities will further support the Rose Bowl's potential for attracting national and international events and conferences.
- Mary Rose Museum, Portsmouth
    - A £35m proposal at the site of the Mary Rose in the Historic Dockyard for which planning has been granted. A 'shell' will be built to house the ship structure, with viewing decks at each level, and new galleries enabling over 19,000 artefacts to be put on show. The museum is due to open 2012. The scheme has attracted a £21m grant from HLF.

- The Hard – Developing a Vibrant Waterfront Destination
  - A strategically important part of the city of Portsmouth, located between the Historic Dockyard and Gunwharf Quays, that is the subject of an SPD with the aim of delivering a vibrant waterfront destination through redevelopment of a number of the ageing buildings here to provide new retail, residential and commercial space (including 10,000 sq m of offices), bars cafes and restaurants. Hotel and conference uses and a new transport interchange are also proposed.

- Fort Nelson Development, Portsmouth
  - A £2m HLF grant has been awarded to the Royal Armouries to develop Fort Nelson as the home of the national collection of historic artillery. The project will provide improved visitor facilities, galleries and state of the art education facilities to bring the fort to life, and improve capacity to cater for additional visitor demand. It will include a new 355 sq m visitor centre outside the walls of the fort, with welcome centre, café, shop, and a dramatic new entrance gallery, the Orienteur, which will display Saddam Hussein's Supergun.

- Southsea Seafront Strategy
  - Portsmouth City Council has produced a Seafront Strategy for Southsea for the period 2010 – 2026, which sets out a vision for 'Portsmouth and Southsea to become a European city break destination with World-class attractions'. The strategy focuses on developing Henry VIII's Southsea Castle as a major attraction to complement The Mary Rose Museum, Portsmouth Historic Dockyard, Spinnaker Tower and Gunwharf Quays. It also aims to improve connectivity between Southsea town centre and the seafront. Other elements of the strategy are public realm improvements and public art on the seafront; encouraging more high quality accommodation,

especially boutique hotels; and the use of the seafront for high profile events.

- Gosport Waterfront
    - The proposals for Gosport Waterfront include a leisure component that will major on the views of Portsmouth across the water and links with its maritime heritage. As part of this there are proposals to site a historic ship on Gosport's waterfront, and to link the site and attraction to the historic warships and Explosion attractions by water taxi.
- The Regeneration of South Hayling's Seafront
    - A Masterplan has been prepared for the regeneration of Hayling seafront. This is part of a wider strategy to attract activity tourism markets, particularly sailing and windsurfing, but also walking, horse riding, fishing, bird-watching, cycling around Langstone and Chichester harbours. The seafront masterplan includes a new extreme watersports academy at West Beach, and the development of a hub at Beachlands involving commercial and residential development. Restaurants and accommodation for windsurfers are seen a part of the plan.
- The Development of Marwell Zoo (Marwell Wildlife)
    - Marwell Zoo have proposals to develop the role of this attraction as a centre of excellence for sustainability, showcasing renewable technologies and waste reduction. Marwell is also identified in the PUSH Cultural Strategy as the possible location for a major new attraction similar to Cornwall's Eden Project.
- Paulton's Park Peppa Pig Attraction
    - Paulton's Family Theme Park on the edge of the New Forest is to develop Peppa Pig World, based on the children's TV character. The

park will feature seven themed rides inspired by the show, together with indoor and outdoor play areas and a recreated animated Peppa Pig house. It is due to open at Easter 2011.

- Implementing the Cultural Agenda

    - The PUSH Cultural Strategy includes a number of more strategic initiatives that could play an important part in raising the profile of South Hampshire and helping to affirm its status as a destination for leisure and cultural visits. These include:

        - Bidding for European Capital of Culture post 2018;
        - Bidding for World Heritage Site status for Portsmouth Harbour;
        - The development of a major events plan to run throughout the year and focusing on cultural themes e.g. a film festival, a design festival;
        - Building quality architecture and design into all development, including the development of iconic buildings with international appeal.

- 2012 and the Olympic Legacy

    - Whilst South Hampshire won't be hosting any Olympic events, the area is being promoted for pre-Olympic Games training camps that include Hayling Island Sailing Club. The Dynamo School of Gymnastics at Hamble, the Quays Swimming and Diving Complex at Southampton, and the Mountbatten Centre at Portsmouth. At the same time, a critical mass of events is being developed in the build up to the 2012 Cultural Olympiad – including events surrounding the bi-centenary of Dickens' birth and the 100th anniversary of the Titanic disaster – which it is hoped will help give the Sub Region greater profile to both potential national and international markets.

- Major Infrastructure Projects

    - Individual generators of business and leisure demand will be supported by a programme of major infrastructure works. Some examples of key projects in terms of transport and access include the development of the Hindhead Tunnel on the A3; improvements to Junction 5 of the M27; and the widening of the motorway between Portsmouth and Fareham (completed 2009). These schemes will help improve access, reduce congestion, and will also generate considerable levels of contractor demand during their planning and construction.
    - Virtually all of the projects referred to as potential generators of hotel demand involve major capital expenditure on building works that will generate contractor demand for hotels.
    - Similarly, with 80,000 new homes to be delivered in the PUSH area, in town/city centres, in urban extensions, and in the Strategic Development Areas, an on-going programme of building at 4,000 new homes a year will provide a flow of demand from construction workers, particularly for budget hotels.

4.3. Future Market Prospects

4.3.1. Corporate Demand

- Growth in the corporate market will be the key driver of new hotel development in South Hampshire: it is the key market that will deliver year-round high-rated midweek business for hotels in the county and that underpins hotel profitability therefore. Corporate demand is set to increase substantially across South Hampshire in the next 10-20 years as the Sub Region's economy recovers and further develops, existing companies expand, new offices and business parks are developed and new companies and industries are attracted. The current thinking on the future prospects for the South Hampshire economy are that it will slowly recover from the recession over the next 3 years and begin to grow again strongly after 2014. Key growth sectors are identified as advanced manufacturing and business services. These are both sectors that are usually productive in terms of generating demand for hotel accommodation.

- With economic growth in the South Hampshire Sub Region likely to be focused particularly in Southampton and Portsmouth, growth in corporate demand is likely to be strongest in the two cities, especially in Southampton, which is set to see significant office development and will be the key location for growth in business services. MOD-related demand in Portsmouth and Southampton may reduce if defence budgets are cut. Other cuts in government spending could also result in less government-related business for hotels in South Hampshire. Corporate demand should also increase in the other parts of South Hampshire as employment areas and business parks develop. Eastleigh is likely to see a significant increase in corporate demand given the scale of employment growth planned here.

4.3.2. Residential Conferences

- The residential conference market in South Hampshire, and indeed the rest of the UK, has generally been declining for a number of years, with the trend towards smaller and shorter conferences and companies increasingly holding training courses and meetings in-house and making greater use of teleconferencing facilities. At the same time the market is becoming ever more competitive as new hotels and residential conference centres open and fight to secure their share of demand. There could however be some scope for growth in residential conference demand in South Hampshire as the Sub Region's economy recovers and expands and new companies and organisations are attracted to the area. There could also be scope for supply-led growth as new 4 star hotels with good conference facilities open. We understand that the proposed Hilton hotel at the Rose Bowl will have extensive conferences facilities and that residential conferences will be one of its key target markets, including larger conferences of 100+ delegates, which few of South Hampshire's existing hotels are able to accommodate. The proposed hotel at Lakeside North Harbour in Portsmouth is also to proposed to be developed in conjunction with a conference centre here.

4.3.3. Association Conferences

- There may be scope for the Guildhall in Portsmouth to attract more association conferences if new hotels are developed in the city centre. Portsmouth University identified that they would be able to attract more conferences during term time if there was a sufficiently large hotel in the vicinity of the University. Southampton City Council suggested that medical conferences could potentially be attracted to Southampton given the teaching and research status of Southampton General Hospital and the conference facilities at its Heartbeat Education Centre.

- Our research into market and product development trends in the UK conference market (reported separately) suggests potential for South Hampshire to attract large corporate and association conferences if a purpose-built conference centre were to be developed in Southampton or Portsmouth. There are no plans for such a centre in either city at present however.

- A conference centre could generate significant levels of demand for hotels and therefore could play an important role as a key driver of new hotel development. It may also have a significant bearing on the future locational priorities for new hotels. It would need to be supported by an on-site 4 star hotel and a choice of hotels of different standards within walking distance.

4.3.4. Contractors

- There is likely to be a significant increase in demand for budget hotel accommodation across South Hampshire as a result of the many construction and infrastructure projects that are planned in the next 10-15 years.

4.3.5. Airport-Related Demand

- The expansion of air passenger services at Southampton Airport should result in significantly increased demand for hotel accommodation from air passengers and aircrew. Air passenger numbers through the airport are projected to increase by 233% between 2009 and 2030, equivalent to an average annual growth rate of 11%.

4.3.6. Leisure Breaks

- Demand for leisure breaks in South Hampshire should continue to grow in the future given:

    - The planned development of the attractions, cultural, retail, sports, entertainment and events offer of Southampton and Portsmouth;
    - The development of the Rose Bowl cricket ground and the cricket matches, concerts and events that it may attract;
    - The expected continued growth in 'staycation' demand as UK residents opt to take holidays and breaks in the UK as opposed to more expensive and less environmentally sustainable holidays and breaks abroad;
    - Continued effective marketing of Southampton and Portsmouth as a leisure break destinations;
    - Continued marketing of leisure break offers by hotel companies represented in the Sub Region and by individual hotels;
    - The development of further hotels resulting in supply-led growth in leisure break business as they target this market to achieve high weekend occupancies.

- Tourism forecasts prepared by Oxford Economics for the 2010 Deloitte report on the UK visitor economy[1] project real growth of 3% per annum in the UK visitor economy through to 2020. A 2007 Mintel report on short breaks in the UK [2] projects an average annual growth of 3.3% in the UK short breaks market between 2006 and 2012. There is no reason to think that these growth rates should not equally apply to South Hampshire.

[1] The Economic Contribution of the Visitor Economy: UK and the Nations, Deloitte, 2010
[2] City and Short Breaks in the UK – September 2007

- Leisure break demand is likely to continue to be primarily rate driven through the marketing of leisure break offers. New 4 star and boutique hotels should however be able to attract high-rated weekend break business given the appeal of their offer for leisure break stays.

4.3.7. The Cruise Market

- The cruise market is set to continue to grow in Southampton: the numbers of cruise passengers embarking from Southampton is forecast to almost double between 2008 and 2030, equivalent to an average annual growth rate of just over 4%. This market could also develop in Portsmouth if cruise operators continue to increase the number of cruise embarkations and disembarkations from here.

4.3.8. Ferry-Related Demand

- Ferry-related demand for hotel accommodation in Portsmouth could reduce from September 2010 when P&O Ferries is due to withdraw its service to Bilbao. The introduction of LD Lines' fast-craft service to Le Havre in 2010 may however offset the loss of this service. Our research has not identified any indications of likely future growth in ferry-related business.

4.3.9. Weddings and Functions

- Demand for hotel accommodation related to weddings and functions is likely to grow as the population of the Sub Region and surrounding areas increases.

4.3.10. Visits to Friends and Relatives

- 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.

4.3.11. Group Tours

- There could be scope for existing and new hotels in South Hampshire to develop group tour business, particularly as the Southampton and Portsmouth visitor product develops. This is however generally 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 days and periods. There could be some supply-led growth in group tour business if new 3 star hotels target this market. New 4 star hotels may also take some group tour business. Existing 3 and 4 star hotels may take more group tour business to maintain their occupancy levels if they dip following the opening of new hotels, although this will depress their achieved room rates.

4.3.12. London 2012 Olympic & Paralympic Games

- Pre-Games training camps in Southampton and Portsmouth may generate some demand for hotel accommodation in the run up to London 2012 in 2011 and 2012, depending on the teams that they attract. South Hampshire is probably too far from the Olympic Park and other Games venues to attract demand from Olympic and Paralympic spectators. Kent, Essex and other parts of the East of England are likely to be more attractive locations for spectators given their direct rail links to Stratford.

5. THE POTENTIAL FOR HOTEL INVESTMENT IN SOUTH HAMPSHIRE

5.1 The Market Need for Hotel Investment and Development

- The following section of the report presents our assessment of the market need for hotel investment and development across South Hampshire based on our assessment of current hotel performance; the prospects for future growth in demand in each part of the Sub Region and what will drive this; and the projections that we have run for those parts of South Hampshire where it has been feasible to do so. Our projections attempt to model potential future growth in demand for each standard of hotel in specific parts of South Hampshire (where it is feasible to run projections) by applying assumed growth rates to current (2009) levels of demand to give figures for future roomnight demand in 2016, 2021, 2026 and 2031. By assuming an average annual room occupancy of 70% for 3 and 4 star and upper-tier budget hotels and 75% for budget hotels we have then calculated the numbers of additional hotel bedrooms that could be supported in each location if the assumed growth in the market takes place. The methodology and assumptions used for the projections are described in detail at Appendix 5. The approach that we take does not fully model the additional residential conference and leisure break business that new hotels may be able to attract through the strength of their facilities, brand and marketing. It also takes no account of the additional demand that a purpose-built conference centre in Southampton or Portsmouth might generate should such a facility be progressed in either city..

- In overall terms our research shows a market requirement for significant further hotel development across South Hampshire as the Sub Region's economy develops; new office and business park development schemes are progressed; new companies and industries are attracted; the cruise market develops in Southampton; and the Sub Region's leisure tourism product develops. There are also more immediate opportunities (in the next 5 years) for new budget and possibly upper-tier budget hotels in many parts of the Sub Region together with possible scope for a new 4 star hotel in Southampton (in addition to the reopened Dolphin), a new 3 star hotel in Portsmouth and further boutique hotels in Southampton, Portsmouth and Southsea. There are also likely to be opportunities (primarily in the medium to long term) for existing 3 and 4 star hotels to extend and upgrade, depending on how the market grows and the development of new hotels at these levels. Our projections show that the pace of new hotel development has been put back by around 5 years compared to the previous projections we have made for Portsmouth, Havant and the Test Valley M27 Corridor. This is also likely to be the case in other parts of South Hampshire.

- In terms of **immediate opportunities for new hotels** (in the next 5 years) our research and projections suggest market potential for the following new hotels:

    - New budget hotels in:

        - Southampton city centre;
        - Portsmouth;
        - Southsea;
        - Eastleigh;
        - Fareham;
        - Havant/ the A3 Corridor.

    - A new 4 star hotel in Southampton city centre in addition to the Dolphin that reopens as a 4 star hotel in May 2010 with 90 bedrooms;

    - A new 3 star hotel in Portsmouth (most likely to be the proposed Jury's Inn);

    - Boutique hotels in Southampton and Portsmouth;

    - Serviced apartments in Southampton and Portsmouth.

- We are aware that a positive feasibility study has been produced for the proposed Hilton 4 star hotel at the Rose Bowl and understand that the hotel will particularly target the residential conference market. It should also derive business from cricket matches and other events and the Rose Bowl and should compete well in the leisure and golf break market.

- Our growth projections for Southampton (Appendix 5) only show a market need for 77-130 further 4 star bedrooms in the city up to 2016 (in addition to The Dolphin), depending on how strongly the market grows in the city. This is below the level required to support the two currently proposed 4 star hotels in the city centre (the Millennium and the Radisson Blu) both of which have over 200 bedrooms. One of these hotels may however proceed if its developer is confident that it will be able to compete strongly with the city's existing 4 star hotels and that it can attract additional demand through its brand, marketing and central reservations, particularly in terms of residential conference business. Our research suggests that the Southampton market will not have grown sufficiently to support two new 200-bedroom 4 star hotels by 2016 however.

- Our growth projections for Portsmouth show a market requirement for 96-169 additional 3 star bedrooms in the city by 2016, depending on how strongly the market grows here. This suggests that the proposed Jury's Inn (with 200 bedrooms) would open ahead of market growth and is thus likely to impact on the city's existing hotels, at least in the short-term, unless it is able to attract significant additional business through its brand, marketing and central reservations and/or is able to support Portsmouth Guildhall in attracting additional association conferences through having a large hotel nearby.

- Small boutique hotels in Southampton and Romsey trade sufficiently well to indicate that there is sufficient scope for further such provision in these locations and potentially also in Portsmouth. These locations also have an element of higher rated business that boutique hotels could attract.

- The existing serviced apartments in Southampton and Portsmouth are currently trading at high levels of occupancy suggesting scope for further provision in terms of purpose-built serviced apartment complexes and the letting of further residential apartments as serviced apartments.

- Our research and projections suggest **medium to long-term (post-2016) potential for new hotels** in the following locations as planned regeneration, office and business park schemes are progressed; the cruise market expands in Southampton; cultural, sports and leisure projects strengthen the Sub Region's appeal for leisure markets; Southampton Airport expands; and South Hampshire's population increases;
    - A further 4 star hotel in Southampton city centre in the longer term (post 2026);
    - A new 3 star hotel possibly in Southampton city centre in the longer-term (post 2026) given strong growth in the city's hotel market;
    - A new 4 star hotel possibly in Portsmouth in the longer-term (post 2026);
    - A further 3 star hotel possibly in Portsmouth;
    - A 3 star hotel possibly in Eastleigh in the longer-term (post 2026);
    - Boutique hotels in:
        - Southampton;
        - Portsmouth;
        - Southsea;
        - Hayling Island
        - Romsey.
    - Upper-tier budget hotels potentially in:
        - Southampton;
        - Portsmouth;
        - The Southampton/Eastleigh M27 Corridor - most likely at Eastleigh, depending on whether a 3 star hotel scheme in progressed here;
        - Fareham – most likely as part of a business park development;
        - Havant/the A3 Corridor.

- Budget hotels in:
    - Southampton;
    - Portsmouth;
    - Southsea;
    - Eastleigh;
    - Other parts of the Southampton/Eastleigh M27 Corridor;
    - Fareham;
    - Gosport;
    - Havant;
    - Waterlooville;
    - Hythe/ Marchwood/Totton – most likely a small unit of 25-30 bedrooms.
- Further serviced apartments in:
    - Southampton;
    - Portsmouth;
    - Southsea (possibly).
- A suite hotel possibly in Southampton in the longer term.
- Good quality pub accommodation in most parts of South Hampshire including possibly Hythe/Marchwood/Totton, Romsey/ Rural Test Valley and the rural parts of Winchester City Council's area that fall within South Hampshire;
- Country house hotels in the rural parts of South Hampshire, given suitable properties for conversion.

- Our growth projections (Appendix 5) do not show a market need for a new 4 star hotel in Portsmouth other than possibly in the longer term if the market grows strongly. The room rates that are achievable here because of the nature of the corporate market are the key issue. There is however one 4 star hotel here that is achieving occupancies and room rates that are more in line with the target levels required to support 4 star hotel development. A 4 star hotel scheme might therefore be progressed if its developer and operator feel that it would be able to compete strongly with this hotel and would be able to attract additional business through its brand and marketing, particularly in terms of residential conferences. The proposed conference centre at Lakeside North Harbour may generate sufficient conference business to make a 4 star development viable here for example.

- Southampton, Portsmouth and Eastleigh are the only locations where we think market growth and office and business park development will support new 3 star hotels. In the other parts of South Hampshire the opportunities for new hotel development are more likely to be in terms of budget and possibly upper-tier budget hotel development.

- Our research suggests that Gosport is most likely to support a budget hotel development as part of one of the regeneration schemes. In the longer term there may be scope for a further budget hotel or possibly an upper-tier budget hotel here once a hotel market has been more fully established, depending on the growth in corporate demand that the regeneration of Gosport delivers and the extent to which the leisure offer develops and the environment and road access here improve. Quality pub accommodation could also be an option here.

- Our research suggests that Southampton and Portsmouth should be able to support new boutique hotels given suitable properties for conversion and that further boutique hotels could develop in Southsea, possibly through the conversion and repositioning of some of the remaining hotels here. There may also be scope for a small food-led boutique hotel as part of the regeneration of the seafront at Hayling Island and possibly scope for a second small boutique hotel in Romsey.

- The growth of the corporate market in Southampton and Portsmouth is likely to support the development of further serviced apartments, either purpose-built serviced apartment complexes or the letting of further residential apartments on a serviced basis. Southampton may be able to support the development of a suite hotel in the longer term. Portsmouth is less likely to be able to support a suite hotel. Such hotels require a mature 4 star market, which is not evident in the city.

- Southampton is the only location in South Hampshire that we think could possibly support a 5-star/luxury hotel. Such a hotel would need to be able to deliver an achieved room rate of at least £150. No hotels in the city are currently achieving room rates anywhere near this level. On this basis we are doubtful that Southampton will be able to support a hotel at this level for the foreseeable future: we do not believe that there will be sufficient growth in high-rated corporate and leisure business for such a hotel. The De Vere Grand Harbour has been downgraded from a 5 star hotel, presumably because it could not achieve the room rate levels that are required to justify the levels of service and staffing required to achieve a 5 star grading.

- There could be scope for the development of one or two country house hotels in the rural parts of South Hampshire (within Test Valley and Winchester) given suitable properties for conversion. There is no hotel of this type that currently serves the Sub Region, although the New Forest has a significant supply of country house hotels. Our research did not identify any suitable properties for country house hotels in the rural parts of Test Valley and Winchester that fall within South Hampshire, although one property is currently being looked at for a country house hotel in the vicinity of Fareham.

- Our research and growth projections also suggest potential for investment in the **expansion, development and upgrading of existing 3 and 4 star hotels** across South Hampshire as the hotel market develops, depending on the numbers of new 3 and 4 star hotels that open across the Sub Region. In locations such as Havant, Fareham and Eastleigh this may be a more realistic route to increasing the supply of hotel accommodation of these standards as the market grows here.

5.2. The Hotel Developer Perspective

- To complement the market appraisal work and gauge whether the identified market opportunities for hotel development in South Hampshire are being picked up by hotel companies, Hotel Solutions has undertaken a survey of national and regional hotel operators, developers and investors to assess their interest in developing hotels in the Sub Region. The consultations with hotel companies focused on their target locations; how they assess destinations and specific opportunities; their site and location requirements; the key performance indicators they use; and the obstacles they have faced in delivering hotel development, both in South Hampshire and beyond.

5.2.1. Hotel Developer Requirements

- Hotel companies generally work to a set of key investment criteria that they use to help them put together their national development strategy and trawl for sites. The variable nature of the hotel product results in a range of site requirements, associated costs and investment approaches being adopted by hotel operators for different types of hotel. However, there is also much commonality between them. Below, we set out some of the key criteria, indicating ranges, and drawing out differences between hotel types where appropriate.

a) Site Criteria

- Hotel developers and operators work to a set of loose criteria when they are identifying sites and locations for their hotels. These include:

  - Strategic locations with good access and visibility to passing traffic;
  - Minimum population of 50,000-100,000 for smaller units and budget/ mid-market offers, 100,000-150,000+ for larger developments and products at the quality end of the market;
  - Site areas of 0.5-6 acres (dependent upon the standard of hotel, standard hotel development model for some brands and the ability to develop vertically);
  - Land values that reflect hotel economics (£5,000-£15,000 per room for budget and upper tier budget offers, rising to a maximum £30,000 per room for full service hotels in the very strongest of market locations);
  - An attractive environment;
  - Proximity to generators of demand:
    - Proximity to business drivers i.e. offices, business parks and other major employers that will give rise to corporate demand from their staff, customers and visitors. This is the mainstay of their trade midweek;
    - Proximity to leisure drivers i.e. attractions, events venues, major sports facilities, speciality shopping, plus support facilities such as cafes, bars and restaurants that make a destination attractive and interesting to visit. This is the mainstay of their weekend and holiday period trade;
    - Proximity to local community-related drivers e.g. roomnights generated by weddings, functions and visits to friends and relatives;
  - City/town centre, edge of centre and out-of-town sites, depending upon the geography of the destination, the location of prime business drivers and standard hotel development models for some brands;
  - The potential for associated development where land values are high;
  - Redevelopment sites where opportunities are limited and competition for sites strong, including office conversions and development and rebranding of existing hotels.
  - Potential also to develop as part of mixed-use schemes where site opportunities are limited e.g. above ground floor retail, or as part of an office/residential tower.

- These criteria can vary slightly by type of hotel offer e.g.:
  - Budget and limited service hotels generally have a smaller land take as they have fewer central facilities;
  - Boutique hotels often require a character building and location and a strong catchment for their restaurant offer.

- The criteria will also vary slightly depending upon the type of deal sought by the hotel developer or operator. There are four main types of deal structure:
  - Some hotel companies wholly own and manage their hotels themselves.
  - Other hotels are run via management contract – an agreement between the owner of the hotel and a hotel company for the latter to run the hotel. The hotel operator gets a fee for this task, usually a percentage of turnover. In this case the risk rests largely with the hotel developer/owner.
  - A further option is a lease, whereby an operator pays a rent for use of the building or land. The risks are then with the operator not the owner, as the latter has a fixed return.
  - Franchise agreements are also commonly used in the hotel industry, giving an operator or investor the right to use a brand name although the hotel is in separate ownership from the chain. Fees are charged for this relating to royalties, reservations and marketing.

- The levels of risk and capital outlay required by a hotel company therefore vary considerably between these options. Many more operators, particularly at the 4 star level, which is much more capital intensive, are likely to be interested in options put to them that involve management contracts than in building and funding development themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations. Many of the chain hotel companies will have a mix of the above structures in place, though some do prefer a single route. Often franchisees are looking to build the asset value of the company with a view to exit within a 5-10 year period, and in such situations are less likely to be interested in lease options.

b) Financial and Performance Criteria

- The viability of any hotel development will be a function of the development cost, the occupancy rate (how full the hotel is throughout the year), and the achieved room rate (the average rate per room let, taking into account discounts on the published tariff). Most hotel companies have performance targets in each of these areas.

  - Occupancy targets are typically to achieve 70-75% + by year three of operation. For smaller, budget hotels, the target may be slightly higher than this, around the 80% level. Boutique hotels – many of which are smaller units appealing to niche, high value, business and leisure markets – commonly aim at occupancies in excess of this and can achieve 85-90%.

  - Achieved room rate targets range from £40 - £50 (net of VAT) in the budget sector to £80 - £95 for 4 star hotels. In general, budget hotel discounting is limited, though many now offer reduced weekend rates, particularly where the leisure market is weak. At the top end of the market, boutique hotels average £100 - £125, luxury brands often considerably in excess of this.

HOTEL DEVELOPMENT PERFORMANCE TARGETS

Hotel Type	Occupancy	Achieved Room Rate
Budget	80-85%	£40 - £50
Upper tier budget	75-80%	£55 - £70
3 star	70-75%	£70 - £80
4 star	70-75%	£80 - £95
Boutique	85-90%	£100 - £125

Source: Hotel Solutions

c) The Current Climate for Hotel Investment

- The fortunes of the hotel industry are closely aligned to the national and local economy and so the current recessionary climate has hit the sector in a number of ways. Clearly performance has fallen back and end values have dropped – in some cases to the point where it is costing more to build a hotel than its value, resulting in hotel investors holding back on schemes until yields improve. Funding is more difficult to come by, especially for small hotel companies and franchisees, and when available is often on less favourable terms.

- In such a risk-averse climate, a number of hotel companies are now focusing their development strategies on management agreements. Some hotel schemes, especially those that are mixed use and residential-led, have been mothballed, although on the up-side hotel groups are being offered good residential and other commercial sites that formerly would have been out of their price bracket. Those that have funding are being more selective about location and require extremely strong sites. Many are using this time to build out those sites they have secured and line up opportunities ready for when the upturn in the market comes. The sector sees an opportunity in 2010 as 2009 to benefit from increased levels of inbound tourism and a UK market staying in the UK rather than travelling abroad as a result of the weak pound.

- Whilst the Credit Crunch has inevitably had an impact on reining in the development plans of hotel companies, there remains activity out there in the market, albeit that the approach is more cautious; development is slowing but not stopping.

5.2.2 Hotel Developer Interest in South Hampshire

- To test the market for hotel development, Hotel Solutions contacted a sample of hotel developers, operators and investors to get feedback from them on:

    - Current or potential interest in developing in South Hampshire, by destination;
    - Perceptions of South Hampshire as a hotel investment location;
    - Views on the hotel market in each part of South Hampshire;
    - Key issues influencing hotel investment decisions;
    - The size and standard of hotel they would seek to develop;
    - Preferred locations for hotel development – particularly probing town centre versus out-of-town locations;
    - Progress with site acquisition and obstacles faced;
    - The type of deal they would be interested in;
    - Support required in furthering any interest;
    - In the case of those companies not interested in investing in South Hampshire, the reasons behind this, and the conditions that would be required for this to change.

- A total of 50 hotel developers and operators were contacted, drawn from Hotel Solutions' database of hotel companies, matching them to the potential identified through the market work as well as the aspirations of the destination stakeholders in relation to key sites. Any specific known interest fed through by stakeholders and picked up through our review of hotel development proposals was also followed up. This sample represented a larger number of hotel brands – 65 in all – as several companies develop and operate a range of brands, either directly themselves, or as franchisees of a number of hotel brands. The companies that responded covered the full range of hotel offers in terms of standard and type of hotel, including economy budget, budget, upper tier budget, 3 star, 4 star and luxury brands as well as suite hotels and boutique hotels. Responses were received from a total of 34 hotel developers, operators and investors.

- Given the current climate for hotel investment – both in terms of the difficulty of securing finance and the fall-back in operational performance – developers and operators were encouraged to identify not only their current requirements, but also to look forward in terms of medium and longer term aspirations. Clearly however a depressed market does make establishing firm interest more difficult, particularly in more marginal and unproven locations.

- The table overleaf summarises hotel developer interest in new hotels in South Hampshire by location and standard. It should be noted that whilst some of this interest is based on an in-depth understanding of the hotel market in each part of the Sub Region – e.g. where hotel companies have been actively engaged in the area – other responses may be less well informed; in these instances progressing opportunities would be subject to more detailed investigation and analysis. The table also identifies whether hotel developer interest was current or longer term, and preferences for city/town centre or out of centre locations where this was provided.

HOTEL DEVELOPER INTEREST IN SOUTH HAMPSHIRE – APRIL 2010

Location	Total Brands Interested	Standard of Hotel Number of Brands Interested								Timescale[1] Number of brands indicating a timescale		Preferred Location[1] Number of brands indicating a preference	
		4 Star/ Luxury	3 Star	Upper Tier Budget	Budget	Boutique/ Lifestyle	Aparthotel/ Suitehotel	Country House	Pub Rooms	Current Interest	Longer Term	City/ Town Centre	Out of Centre
Southampton	31	9	5	2	3	7	4		1	23	6	10	3
Portsmouth	25	6	8	2	4	4	1			19	4	11[2]	4
Eastleigh	9	1	2	2	3				1	5	4	2	5
Fareham	10		1	3	5			1		8		2	7
Gosport	4			1	3					3	1	1	2
Havant	4			3	1					4			4
Hythe/ Marchwood	1				1						1		
Southsea	2				2					2			
Waterlooville	2			1	1					1			

Source: Hotel Solutions
Note:
1. Not all hotel companies expressed a view on timescale or preferred location. The numbers in these columns do not therefore add up to the total number of expressions of interest for each location in all cases.
2. Includes Gunwharf Quays

5.2.3. Perceptions of South Hampshire as a Hotel Investment Location

- Hotel developers and operators gave a mixed response when asked about their perceptions of South Hampshire as a hotel investment location:

  - Hotel companies look at destinations – i.e. towns and cities – rather than counties or Sub Regions, when assessing hotel development opportunities. They view hotel development potential in South Hampshire as variable, with some strong locations and others weaker.

  - To its advantage are the 'stand out' cities of Southampton and Portsmouth, both significant centres of population and business activity. Good access with the M3, M27, A27 and A3 is also a plus, particularly in terms of links to London.

  - On the down side, the Sub Region as a whole is perceived to have a relatively weak leisure market, although Gunwharf Quays[1], the proximity of the New Forest, major events like the Boat Show and ferry and cruise business derived from Portsmouth and Southampton's roles as significant ports was acknowledged. Access and congestion issues were also identified in relation to Gosport and the approaches to Portsmouth.

  - Clearly the Sub Region covers a number of smaller towns that are not currently on the radar of many hotel companies, the key reason being a lack of volume corporate business, which is the main driver of high-rated mid-week demand for most hotels. Some locations such as Gosport and Hythe are perceived to be difficult to access, being located further away from the motorway network.

  - There was a limited awareness of the growth agenda in South Hampshire, which with the significant levels of business development, population growth and job creation proposed is an important message to get out to the hotel investment market.

[1] Hotel companies did not make reference to Portsmouth's other attractions in terms of the Historic Dockyard, Mary Rose Museum and Spinnaker Tower but may also be aware of them.

5.2.4 Hotel Developer Interest by Brand/Type of Offer

- There was interest from 26 hotel developers with requirements for 40 brands in various locations in South Hampshire. The interest expressed covered the range of offers from 4 star/luxury through to budget and pub accommodation. The largest single category of interest was 4 star/luxury, although this interest was not widespread geographically, focused almost entirely on Southampton and to a slightly lesser extent Portsmouth. This was followed by interest from boutique hotel developers, some at the budget boutique level, with others at the 4 star end of the spectrum. This interest was again focused on Portsmouth and Southampton. It includes a number of innovation brands, such as Aloft – Starwood's lifestyle brand just launched in Europe, and All Seasons, Accor's budget boutique conversion brand, which launched in London in 2009.

HOTEL BRAND INTEREST IN SOUTH HAMPSHIRE

4 Star/ Luxury	3 Star	Upper Tier Budget	Budget
Bespoke Copthorne Doubletree by Hilton Hilton[1] Hotel la Tour Mercure[2] Millennium[1] Novotel Radisson Blu[1] Ramada Plaza Sheraton Wyndham	Courtyard by Marriott Four Points Future Inns Jury's Inn[1] Hilton Garden Inn Park Inn Village	Express by Holiday Inn Hampton by Hilton Ramada Encore	Days Inn Etap Ibis Premier Inn[1] Travelodge[1]
Boutique/ Lifestyle	**Aparthotel/ Suitehotel**	**Country House Hotel/Spa**	**Pub Rooms**
All Seasons Aloft Bespoke Big Sleep Hotel du Vin Mour Hotel Sleeperz	Adagio Bridge Street Worldwide SACO Staybridge Suites	Sanguine[1]	Fullers Greene King

Source: Hotel Solutions

Notes:
1. Site secured/ in negotiations
2. Under construction

- A table of brand interest by destination can be found at Appendix 11
- There was also some interest from more niche offers, including country house hotel and spa developer/operator Sanguine, as well as interest from the emerging long stay sector, with Staybridge Suites, SACO, Bridge Street Worldwide and Adagio identifying interest in Southampton and Portsmouth.

5.2.5 Interest by Company

- Interest by company varies according to the way the developer or operator in question is building and funding their portfolio, and the objectives they set for themselves.

- Companies with several different brands like Accor, Hilton and Wyndham were looking at multiple locations in South Hampshire, and also at co-locating brands in the major cities; indeed Accor have already done this in Southampton.

- The mature budget brands (Travelodge and Premier Inn) are targeting as many as 9 locations in South Hampshire for new hotel development. They can develop in secondary and tertiary towns due to the power of their brand and the extent of their current distribution, plus the ability to drive business through their central reservations systems, national marketing and referrals from sister hotels. In the larger destinations that are also developing additional sites, responding to what they see as 'micro markets' in different parts of the city and outskirts, and taking advantage of the opportunity to pick up strategic 'footloose' business close to motorway junctions.

- Those companies that are relatively new to the sector or to the UK may only be targeting one or at the most 2 destinations in South Hampshire, as they will seek to achieve national exposure in the strongest and largest market areas first – the key provincial cities.

5.2.6. Interest by Location

- Hotel developers and operators identified 9 locations across South Hampshire as targets for new hotel development.

- **Southampton** attracted the most brand interest, with 31 brands wanting representation in the city. Southampton attracted interest from hotels of all standards, and had the greatest level of 4 star interest, including some potentially luxury offers such as Sheraton, Wyndham and Hotel du Vin. It was also the focus of interest for new brands. It is perceived as a key provincial city with a mature market, and already has many of the brands represented here. Most brands wanted to be in the city centre in Southampton – those with good market knowledge were aware that hotels on the outskirts and along the M27 corridor historically have not traded as strongly. With a number of potential sites wrapped up in mixed-use regeneration schemes, there was a view that the associated and surrounding development could present additional drivers of demand and facilities and entertainment for hotel guests.

- **Portsmouth** was the next most sought-after destination for hotel investment in South Hampshire, with interest from 25 brands. Portsmouth had less 4 star interest than Southampton, but more 3 star interest. This was primarily due to perceptions about the rate that could be achieved here – borne out by our performance research. Companies like Rezidor with a choice of brands may choose on this basis to place Park Inn here rather than Radisson Blu. Similarly, Millennium & Copthorne favoured Southampton for its more up-scale Millennium brand, and Portsmouth for its Copthorne brand. Portsmouth did attract interest from across the range of hotel standards, including boutique/lifestyle offers and aparthotel/serviced apartments, albeit at more of a mid-market level. In terms of location, there was strong interest in the city centre – there are a number of live opportunities around the station currently – and in Gunwharf Quays because of the ability to drive leisure business at weekends. However the presence of significant drivers out of town here is also of appeal and a number of hotel companies said they would look at either location. With major development proposed at Lakeside North Harbour, Tipner and Port Solent, this interest is likely to be maintained or even grow.

- **Fareham and Eastleigh** also attracted a fair amount of interest from hotel companies, with 10 and 9 brands interested respectively. These were almost exclusively budget and upper tier budget brands, plus one 3 star brand. There was only management contract interest from Hilton in the proposed 4 star hotel at the Rose Bowl and interest from a country house/spa hotel operator in a site near Fareham. In both Eastleigh and Fareham we found interest in town centre and out of town locations although only budget hotel operators Travelodge, Premier Inn and Days Inn were prepared to consider town centre sites. In both locations they perceived there to be a gap in town centre budget hotel provision whilst the outer areas had some budget hotels in place. These operators would generally look to deliver smaller units in the town centres. More brands were prepared to consider sites close to the M27. The presence of business drivers here (e.g. Solent Business Park, Southampton Airport, Chandler's Ford) is a seen as a plus. Operators would generally look to deliver larger hotels in such locations – most of the upper tier budget offers are 100 rooms or more. With significant growth planned in these out of town locations, with the Strategic Employment Zone and Airport growth at Eastleigh, and the Strategic Development Areas at North Fareham and Hedge End, interest in hotel development in these locations is likely to increase in the future.

- Beyond these 4 destinations, there was some interest in **Havant, Gosport, Southsea and Waterlooville,** from between 2 and 4 brands in each case, primarily at budget or upper tier budget level. There was no interest in Havant town centre. One budget hotel operator also indicated that they might be prepared to consider developing a small budget hotel in the Hythe/Marchwood area in the longer term. None of the hotel operators that we spoke to expressed interest in Romsey, although one pub company had looked at adding rooms to an existing pub here. Local independent entrepreneurs could potentially be interested in small-scale boutique hotel or pub accommodation developments here however.

- The **A27/M27** corridor is seen as an important strategic routeway running across South Hampshire, and the research found that there was a perceived interrelationship between market areas along its length. For this reason some of the developers and operators we spoke to indicated that they whilst they were prepared to consider sites at Eastleigh, Havant, Fareham and the approaches to North Portsmouth, they would probably look to deliver only one hotel to give them brand coverage for the corridor, and provide the ability to pick up footloose trade.

5.2.7. Hotel Companies Not Interested in South Hampshire

- The following hotel companies or brands that responded were not currently (or in the longer term) interested in hotel development in South Hampshire.

HOTEL COMPANIES NOT CURRENTLY INTERESTED IN DEVELOPING IN SOUTH HAMPSHIRE

Brand/s	Standard	Reason
Abode	Boutique	Current interest is for historic/ cathedral cities e.g. Chester.
Base2Stay	Boutique Serviced Apartments	Current focus London and a few selected cities – Bath, Edinburgh, Oxford
Citizen M	Budget Boutique	Focus is London and major European cities currently. Require a population of 500,000 and an airport with 15 million+ passengers.
Eurohostel	Hostel	Lack of volume leisure drivers and true tourism destination role a problem; have researched the market and discounted.
Hand-Picked	Country House	Current hotel representation in the area sufficient.
Hoxton	Budget Boutique	Focus on London and historic cities in the south of England
Somerston	Upper Tier Budget	Have looked in the past at Portsmouth and Southampton but not currently interested as it is likely that the end value would not exceed development costs by enough of a cushion to make the risk profile worthwhile.
Yotel	Micro Boutique	Priorities are London and major international cities – New York, Amsterdam.

Source: Hotel Solutions

- Clearly, an element of the above is due to the particular development strategies of the companies concerned and the distribution of their current portfolios. However there are some indications of a weakness in the market in relation to specific offers, particularly in terms of leisure drivers, and a view from some that even Southampton doesn't quite make the first division of major provincial cities they want to be in – as one developer described it, Southampton is at the top of their second division of target towns, with cities like Manchester, Birmingham and Glasgow competing for their investment and securing it ahead of Southampton.

- There were a number of companies that indicated they wouldn't currently invest in South Hampshire but would potentially be interested in the longer term. In some cases this was a function of the current climate for investment and inability to secure funding for schemes. There were one or two additional comments however, including a view that Southampton is currently over-subscribed with supply at most levels other than top end boutique, and concern that the breadth and depth of the corporate market beyond Southampton would not support some of the larger brands particularly more up-scale offers.

- There were 16 companies that at the time of writing had not responded.

5.3. Challenges to Developing Hotels in South Hampshire

- Hotel companies face a series of obstacles to investment when seeking to acquire and develop sites for hotel use, many of which are common to locations all over the UK, some of which are specific to particular locations. An awareness of these obstacles can equip local authorities and their partners with both knowledge of what to avoid, and suggestions of how to overcome these difficulties and so facilitate investment in the sector.

5.3.1 Securing Finance

- Foremost on the hotel sector's agenda currently is funding and the volatility of the financial markets. The difficulty of securing finance puts even more pressure on the need for strong sites that will perform well, as well as the need to keep development costs down, as the margins on many hotel schemes are exceedingly thin.

- For developers, the current asset strategy of many hotel companies compounds this problem, as many are seeking only management contracts, which can make securing funding more difficult.

5.3.2. Securing Sites

- The difficulty of securing sites is a key barrier to hotel development. There are a number of aspects to this:

    - Availability of sites, especially where there is intense competition for land from other uses, a situation that has worsened for hotels as a result of PPS6.

    - Site values, as hotels struggle to compete with residential, commercial, retail and office values, yet it is competition from these uses that they often face. Although this has lessened slightly during the recession and additional sites have come forward for hotel use, hotel companies report owners and developers often having unrealistic expectations in terms of the value a hotel can deliver.

    - Timing in terms of when sites might become available, particularly where the hotel opportunity might be contingent on a major development scheme happening or delivering business for them.

    - The complexity of mixed-use schemes – including the length of time to delivery, a lack of direct control for the hotel operator, often only a leasehold option being offered, and frequently a less favourable positioning for the hotel within the wider development. The collapse of the residential, retail and office markets has resulted in many mixed-use schemes containing hotels being put on hold.

    - Hotel companies are also increasingly having to develop more difficult sites e.g. requiring de-contamination, or conversion opportunities such as offices, which adds cost and often delays schemes.

5.3.3. Securing Planning Permission

- Planning obstacles also feature large in the list of barriers holding back the development of the hotel sector. An efficient and supportive planning process was identified by consultees as one of the best things a local authority can do to facilitate hotel development.

  - The requirements of PPS4 and the **sequential test** have pushed hotel development into town and city centres and restricted hotel development on out of town sites. There is often market potential in a destination for both, dependent on where the drivers to demand are located. Whilst many operators favour central locations and their access to bars, restaurants, entertainment and other facilities, there are other factors working against this, including:

    - The desire for business guests to stay as close as possible to the office or factory they are visiting; where there are significant business parks and office drivers out of town, they will often generate their own demand, and locating a hotel here will avoid unnecessary journeys from and to a town centre hotel. The Marriott close to IBM on the outskirts of Portsmouth is a good example.

    - Some hotel models require other revenue generating centres to make them stack up; an example is the 3 star Village Hotel model within which the leisure club plays an important part in the financial model, as a club and to help attract weekend demand. However, the design requires 2-3 acres, pushing it to out of town and business park locations;

    - A poor quality or congested town centre that therefore presents an unattractive location for hotel operation;

    - A hotel in an out of town location, especially alongside a major routeway, can often serve a local market or hub but also attract demand from a wider market area, enabling a potentially marginal location to stack up.

- **Planning conditions and design and car parking requirements** can result in increased costs for hotel development schemes. These may include requirements to adapt external elevations and treatments and provide underground parking, which together with Section 106 contributions can make hotel schemes expensive to develop – sometimes increasing costs to such a degree that it pushes the scheme beyond viability. The Langstone Gate scheme at Havant is an example of this.

- The application of **BREEAM** standards is worth a separate mention here as we note it features along with high quality design in a number of the strategies for the PUSH area. Whilst most of the larger hotel chains we consulted are wanting to take an environmentally sustainable approach to the development and operation of their hotels, and in many cases have begun doing this, there are a number of issues surrounding this of concern to them:

    - There is currently no BREEAM hotel standard, unlike that developed for offices. This means every site and development requires a bespoke solution, which is expensive and introduces another unknown into the cost and viability equation;
    - It is therefore important that hotel companies know about these requirements early and can begin to evaluate what is required and its impact on the scheme;
    - Hotel developers have indicated that delivering the BREEAM 'good' standard in most cases can be workable; beyond this working to the 'excellent' standard escalates costs dramatically, often to a point beyond viability. As a guide, consultees indicated that achieving BREEAM 'good' is likely to add 5-10% to the cost of the scheme, which can be in the region of £250,000-£300,000 even for a budget hotel. These costs then need to be reflected in the land deal or rental value, and has caused schemes to tip over the edge;
    - There is no clear indication of on-going operational benefits in terms of cost savings for hotels of adopting BREEAM standards, and indeed a good deal of scepticism amongst operators on this matter;
    - There is usually no consistent approach between local authorities in the application or otherwise of the BREEAM standard.

- In some parts of South Hampshire, the planning obstacles and associated cost issues identified are compounded by difficulties associated with **flood risk**, making some sites and areas where there is active hotel developer interest virtual 'no-go' areas, effectively sterilising land and schemes. Examples were quoted in Portsmouth, Havant and Southsea. Where schemes can be negotiated through this problem, clearly additional measures have to be put in place to mitigate risk, again adding to scheme costs.

- The level of **planning application fees** and fees for pre-application discussions was also a cause for concern amongst hotel developers, often amounting to £20,000 or more. Developers clearly wish to ensure their schemes have the best possible chance of being approved and therefore wish to negotiate with planning teams and get their input, and will often withdraw a scheme rather than risk a refusal and need for subsequent appeal. However, there have been instances where local authorities have applied a second application fee for a revised scheme, which hotel developers clearly felt was neither a regeneration nor inward investment-friendly approach, and in the example quoted ended the operator interest in the site.

- **Local authority concern not to lose employment land**, often embodied in planning policy, is also an obstacle to hotel developers targeting these sites as they are often suitable for hotel use and adjacent to business users. Hotels are employment generators, but this is not always recognised. Adanac Park at Nursling, Southampton, is a good example that would offer potential for a hotel requiring a larger land take. Test Valley Borough Council's planning policies preclude a hotel development here however.

5.3.4. Unrealistic Partner and Stakeholder Expectations

- The dynamics of the hotel sector in terms of its market drivers and its economics is an area little understood by many of the key stakeholders and investment/development partners that hotel companies need to work with. This can cause numerous problems for hotel companies in seeking to agree a scheme and deal.

- In terms of working with **property developers**, whilst some hotel companies have strong and on-going relationships with developer partners, for those without experience of the hotel sector this can also be a problem area. Hotel companies are often brought into mixed-use schemes far too late for their requirements to be fully taken on board, sometimes producing an unworkable scheme for the hotel operator. Also, developers often have unrealistic expectations in terms of the value that a hotel can generate. This can result in a good deal of wasted time and effort on behalf of the hotel operator helping to work up a scheme, only for the developer to walk away when the numbers do not work, or cannot match a rival use. With the residential and office markets being currently depressed, hotel operators have had numerous sites put to them that would not normally come their way, which property developers have subsequently decided to hold onto until the market for the higher value use comes back. One such example was quoted in Gosport.

- In terms of working with local authorities, hotel companies report that in many cases Councils often have **unrealistic aspirations for hotel development** that do not reflect market potential. This points to the importance of good market data and on-going monitoring to fully understand the scale, standard, and optimum location of hotel development for which there is potential, relative to drivers of demand.

5.3.5. The Frustrations of Dealing with Local Authorities

- Hotel companies expressed a number of frustrations in dealing with local authorities. Most common of these was a lack of responsiveness to contact for information, and the lack of a joined up approach, making multiple contacts necessary and often resulting in conflicting perspectives being given.

- Many hotel companies were concerned that hotels were not high on the political agenda of local Councils, and so often their requirements were overlooked.

- Also, they felt that the economic benefits of hotels were not recognised and that hotels are not identified as an employment use, restricting access to employment land for development. In fact hotels do create both direct employment (see Appendix 6) and indirect employment, plus ancillary spend in the local economy, in addition to supporting local businesses and the tourism industry.

- Whilst these are general frustrations, within South Hampshire there are however some examples of good practice quoted where local authorities have worked positively with hotel companies, some of which has emanated from previous Hotel Futures work and Hotel Investment Seminars which have both promoted a greater understanding of the sector and put key officers in direct contact with hotel company Acquisitions Managers in support of their site-finding work. Portsmouth is a particular case in point. The City Council commissioned a Hotel Futures Study from Hotel Solutions in 2007 to inform the LDF and support inward investment work. The study has been made available through the City Council's website. Feedback from potential hotel investors has been positive in terms of the information provided and economic development and planning staff working together to respond to enquiries and support proposals coming forward.

5.3.6. A Lack of the Information that Hotel Developers Require

- Hotel developers and operators require good information on destinations to support their site finding and investment appraisal work, but find this is very rarely readily available. This includes information on hotel stock, major employers, maps, the location of business parks, hotel performance statistics, visitor statistics, information on major development projects, potential sites and key contacts. Much of this is held by local authorities but not in any condensed, targeted or easily accessible format.

- Hampshire County Council together with TSE have made an excellent start on pulling this sort of data and supportive information together, informed by previous Hotel Futures studies and promoted via the TSE hotel investment website www.hotel-investment.co.uk. Hotel developers and operators have applauded this and have indicated through separate evaluation work that it has played a role in stimulating and supporting significant levels of hotel investment in the Region. However, some of this information is now getting out of date and requires re-visiting.

5.4. Matching Market Potential, Current Hotel Proposals and Hotel Developer Interest

- The table overleaf summarises the findings of our research in terms of the market potential for new hotels that our growth projections has identified, current hotel development proposals (defined as firm proposals usually with at least outline planning permission) and hotel operator interest in each part of South Hampshire for each standard and type of hotel.

SOUTH HAMPSHIRE – MATCHING HOTEL DEVELOPMENT MARKET POTENTIAL, HOTEL PROPOSALS AND HOTEL DEVELOPER INTEREST

Standard/Type of Hotel & Location	Market Potential	Current Hotel Proposals[a]	Hotel Operator Interest
5 Star/Luxury			
Southampton City Centre	×	✓(1)	✓(1)
Portsmouth	×	×	×
Southampton/Eastleigh M27 Corridor	×	×	×
Fareham/Whiteley	×	×	×
Havant/A3 Corridor (inc. Waterlooville)	×	×	×
Gosport	×	×	×
Hythe/Marchwood/Totton	×	×	×
Southsea	×	×	×
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire[b]	×	×	×
4 Star			
Southampton City Centre	✓(3)	✓(3/4)	✓(9)
Portsmouth	✓(1)	✓(4)	✓(6)
Southampton/Eastleigh M27 Corridor	✓(1) [c]	✓(1)	✓(1)
Fareham/Whiteley	×	×	×
Havant/A3 Corridor (inc. Waterlooville)	×	×	×
Gosport	×	×	×
Hythe/Marchwood/Totton	×	×	×
Southsea	×	×	×
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire[b]	×	×	×
3 Star			
Southampton City Centre	✓(1)	✓(1/2)	✓(3)
Portsmouth	✓(2)	✓(1)	✓(6)
Southampton/Eastleigh M27 Corridor	✓(1)	×	✓(1)
Fareham/Whiteley	×	×	×
Havant/A3 Corridor (inc. Waterlooville)	×	×	×
Gosport	×	×	×
Hythe/Marchwood/Totton	×	×	×
Southsea	×	×	×
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire[b]	×	×	×

Source: Hotel Solutions

Notes:

a. Where a standard/type of hotel has been specified
b. Defined as those parts of South Hampshire that fall outside the urban areas
c. Assuming that a 4 star hotel in this location would be able to attract significant new residential conference and leisure break business and strong demand from cricket matches, concerts and events at the Rose Bowl

( ) The numbers in brackets show the numbers of potential hotels, current hotel proposals and hotel operators that expressed interest in each location

Standard/Type of Hotel & Location	Market Potential	Current Hotel Proposals	Hotel Operator Interest
Upper-Tier Budget			
Southampton City Centre	✓(1)	✓(1/2)	✓(2)
Portsmouth	✓(1)	×	✓(2)
Southampton/Eastleigh M27 Corridor	✓(1)	×	✓(2)
Fareham/Whiteley	✓(1)	×	✓(3)
Havant/A3 Corridor (inc. Waterlooville)	✓(1)	✓(1)	✓(4)
Gosport	×	×	✓(1)
Hythe/Marchwood/Totton	×	×	×
Southsea	×	×	×
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire	×	×	×
Budget			
Southampton City Centre	✓(3/4)	✓(4)	✓(3)
Portsmouth	✓(4)	✓(2)	✓(4)
Southampton/Eastleigh M27 Corridor	✓(3/4)	✓(1)	✓(3)
Fareham/Whiteley	✓(1)	×	✓(5)
Havant/A3 Corridor (inc. Waterlooville)	✓(1)	✓(3)	✓(2)
Gosport	✓(2)	×	✓(3)
Hythe/Marchwood/Totton	✓(1)	×	✓(1)
Southsea	✓(1)	×	✓(2)
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire	×	×	×
Boutique			
Southampton City Centre	✓(2)	×	✓(7)
Portsmouth	✓(2)	×	✓(4)
Southampton/Eastleigh M27 Corridor	×	×	×
Fareham/Whiteley	×	×	×
Havant/A3 Corridor (inc. Waterlooville)	×	×	×
Gosport	×	×	×
Hythe/Marchwood/Totton	×	×	×
Southsea	✓(1)	✓(1)	✓(1)
Hayling Island	✓(1)	×	×
Romsey	✓(1)	×	×
Rural South Hampshire	×	×	×
Serviced Apartments			
Southampton City Centre	✓(2)	✓(1)	✓(4)
Portsmouth	✓(2)	✓(2)	✓(1)
Southampton/Eastleigh M27 Corridor	×	×	×
Fareham/Whiteley	×	×	×
Havant/A3 Corridor (inc. Waterlooville)	×	×	×
Gosport	×	×	×
Hythe/Marchwood/Totton	×	×	×
Southsea	✓	×	×
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire	×	×	×

Source: Hotel Solutions

Standard/Type of Hotel & Location	Market Potential	Current Hotel Proposals	Hotel Operator Interest
Country House Hotels			
Southampton City Centre	n/a	n/a	n/a
Portsmouth	n/a	n/a	n/a
Southampton/Eastleigh M27 Corridor	✓	×	×
Fareham/Whiteley	✓	✓(1)	✓(1)
Havant/A3 Corridor (inc. Waterlooville)	✓	×	×
Gosport	n/a	n/a	n/a
Hythe/Marchwood/Totton	n/a	n/a	n/a
Southsea	×	×	×
Hayling Island	×	×	×
Romsey	×	×	×
Rural South Hampshire	✓	×	×
Pub Accommodation			
Southampton City Centre	✓	×	✓(1)
Portsmouth	✓	×	✓(1)
Southampton/Eastleigh M27 Corridor	✓	✓(1)	✓(1)
Fareham/Whiteley	✓	×	×
Havant/A3 Corridor (inc. Waterlooville)	✓	×	×
Gosport	✓	×	×
Hythe/Marchwood/Totton	✓	×	×
Southsea	✓	×	×
Hayling Island	✓	×	×
Romsey	✓	×	×
Rural South Hampshire	✓	×	×

Source: Hotel Solutions

Notes:
n/a = not an applicable type of hotel for this location

- These tables demonstrate a generally good match between the market potential that our research and projections have identified for new hotels in South Hampshire, current hotel development proposals and hotel operator interest in the Sub Region. The only significant discrepancy is that our research and projections do not identify market potential for a 5 star/luxury hotel in Southampton (yet there is one possible proposal and at least one hotel operator interest expressing interest in a hotel at this level here).

- The table shows significantly more proposals for new 4 star hotels and higher levels of interest from 4 star hotel operators in Southampton and Portsmouth than our research and projections suggest that market growth will support. This is not unusual in our experience of hotel development in other major cities. Inevitably some schemes will be shelved or delayed and hotel operator interest will wane as 4 star hotel schemes start on site: not all of the proposed hotels will get built and much of the hotel operator interest will not convert to new hotels on the ground.

- The table also shows the following gaps between hotel development potential and hotel operator interest and locations where specific sites have been identified for an identified standard of hotel:

    - The market potential and hotel operator interest for a 3 star hotel in the Southampton/Eastleigh M27 Corridor is not yet matched by an identified site for a new 3 star hotel in this part of South Hampshire. This is however a longer-term opportunity, most probably for the Eastleigh Riverside Strategic Employment Zone.

    - The market potential and hotel operator interest in upper-tier budget hotels in Portsmouth, the Southampton/Eastleigh M27 Corridor and Fareham is not yet matched by any firm identified sites at this level in the market. Some of the schemes and locations where a hotel of a specific standard has not yet been identified could be suitable for upper-tier budget hotels however.

    - The market potential and hotel operator interest for a budget hotel in Fareham has not yet been matched by an identified site. Fareham town centre and Whiteley Village Outlet (where opportunities for hotel development have been identified) could well see a proposal come forward for a budget hotel however.

    - The market potential and hotel operator interest in boutique hotels in Southampton and Portsmouth has not yet been matched by any proposed boutique hotel schemes in the two cities.

    - The possible opportunities for small boutique hotels on Hayling Island seafront and in Romsey are not matched with any proposals or hotel operator interest. Such opportunities are more likely to be taken up by individual entrepreneurs rather than the national boutique hotel operators that we have spoken to.

    - No suitable properties have been identified for possible conversion to country house hotels in the rural parts of Test Valley and Winchester that fall within South Hampshire and no hotel operator interest has been identified for such hotels in these parts of the Sub Region. The development of country house hotels is likely to be largely opportunistic however, should a suitable property come onto the market.

- The market potential for pub accommodation across South Hampshire is not fully matched with pub accommodation schemes and pub accommodation operator interest in most parts of the Sub Region, although Fullers and Greene King are known to have been actively looking/pursuing schemes. Many of these opportunities are likely to be taken up by individual entrepreneurs, whose interest our survey of hotel operators has not tested.

5.5. Possible New Hotel Development and Employment Creation 2010-2031

- Taking account of our assessment of current hotel performance, the prospects for future market growth, our growth projections (Appendix 5), current known proposals for hotels and the latest status of these, and hotel operator interest, we summarise in the table overleaf the numbers of new hotels that we think could possibly be developed in each part of South Hampshire by 2031 and the new jobs that these hotels could create (using the employment ratios set out at Appendix 6), assuming that the PUSH growth agenda is achieved. Our analysis suggests that South Hampshire could see the development of up to 38 new hotels and an additional 3,645 new hotel bedrooms over the next 21 years, creating around 1,500 new jobs. In addition there are likely to be opportunities for small boutique hotels in Hayling Island, Southsea and Romsey, pub accommodation across the Sub-Region, and country house hotels in the rural parts of South Hampshire given suitable properties for conversion. The levels of growth suggested would equate to around a 60% increase in hotel supply and would make up some 2.5% of the Sub Region's employment growth target (based on the original target of 59,000 jobs). It should also be appreciated that whilst limited service hotels employ fewer staff than full-service, they provide additional benefits in terms of supporting indirect jobs in bars and restaurants in the surrounding area, which their customers use as most have limited on-site provision.

- In terms of phasing, our research suggests that South Hampshire will see relatively few new hotel openings in the next 5 years but that hotel development activity should accelerate after 2015 as the major regeneration and development schemes are progressed and completed.

SOUTH HAMPSHIRE – POSSIBLE NEW HOTELS & JOBS 2010-2031

Location/Standard of Hotel	New Hotels	New Hotel Bedrooms	New Jobs
Southampton City Centre			
4 Star[1]	3	490	392
3 Star	1	150	50
Boutique	3	150	120
Budget/Upper-Tier Budget	4	400	89
Serviced Apartments	3	150	33
Southampton City Centre Total	**14**	**1340**	**684**
Portsmouth			
4 Star	1	150	120
3 Star[2]	2	350	117
Boutique	1	50	40
Budget/Upper-Tier Budget	5	500	111
Serviced Apartments	1	50	11
Portsmouth Total	**10**	**1100**	**399**
Southampton/Eastleigh M27 Corridor			
4 Star[3]	1	175	140
3 Star	1	150	50
Budget/Upper-Tier Budget	4	300	67
Southampton/Eastleigh M27 Corridor	**6**	**625**	**257**
Fareham/Whiteley			
Budget/Upper-Tier Budget	2	200	44
Country House Hotel[4]	1	50	40
Fareham Total	**3**	**250**	**84**
Havant/A3 Corridor			
Budget/Upper-Tier Budget	2	200	44
Havant/A3 Corridor Total	**2**	**200**	**44**
Gosport			
Budget	2	100	22
Gosport Total	**2**	**100**	**22**
Hythe/Marchwood/Totton			
Budget	1	30	7
Hythe/Marchwood/Totton Total	**1**	**30**	**7**
TOTAL SOUTH HAMPSHIRE	**38**	**3645**	**1497**

Source: Hotel Solutions
Notes:
1. Includes The Dolphin that reopens in Southampton in May 2010 with 90 bedrooms
2. Includes the Jury's Inn
3. We have assumed at this stage that the Hilton at the Rose Bowl will go ahead
4. We have assumed that the proposed hotel at Coldeast Hospital will be progressed

- This suggested growth in hotel supply over the next 21 years is entirely consistent with the levels of growth that have been seen in South Hampshire over the last 5 years. The increase of 3,645 hotel bedrooms equates to an average annual increase of 174 bedrooms, which compares with the average annual increase of 172 bedrooms that the Sub Region has seen between 2004 and 2009 (as set out in Section 2.2.5). The envisaged growth in hotel supply in Southampton and Portsmouth would still be some way below the growth in supply that expanding cities in the north of England have seen in just the last 8 years (as shown in the table below).

LEEDS, MANCHESTER, LIVERPOOL, NEWCASTLE, SHEFFIELD
CHANGES IN CITY CENTRE HOTEL SUPPLY 2002-2009

City	New Hotels	New Rooms	% Increase in Rooms
Leeds	27	2964	89.2
Manchester	33	3810	63.8
Liverpool	26	2512	91.0
Newcastle	14	1427	43.0
Sheffield	10	1186	68.3

6. SUPPORTING THE DEVELOPMENT OF THE SOUTH HAMPSHIRE HOTEL SECTOR

6.1 Planning Positively for Hotel Development

- The South Hampshire Hotel Futures Study identifies significant potential for new hotels across South Hampshire over the next 21years and scope for investment in the upgrading, expansion and development of existing hotels. Our discussions with hotel companies identified securing planning permission and the conditions that local planning authorities attached to permissions for hotel projects as a frequent barrier to hotel development. The following paragraphs consider what can be done to ensure a more positive and market-responsive approach to planning for hotel development in South Hampshire.

6.1.1 Current National & Regional Guidance

- National guidance for tourism development was contained in PPG21until its cancellation in September 2006. It has been replaced by a '**Good Practice Guide on Planning for Tourism'.** This document contains a specific appendix on tourist accommodation, dealing principally with the location of accommodation.

- The section relating to hotels and serviced accommodation is provided at Appendix 7. It covers general locational principles and guidance relating to particular types of serviced accommodation (major hotels, budget hotels/lodges, rural/pub accommodation). Some of the key principles include:

    - Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry.
    - Major hotel developments should look to the town centre first, because of their transport and regeneration implications.
    - Outside the development plan process site selection should follow the sequential approach.
    - There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location.
    - In rural areas new build accommodation should preferably be in or adjacent to market towns and villages; the potential to convert rural buildings should also be favourably considered.

- New hotel developments in historic towns/cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact.
- The potential to convert and re-use historic buildings in the town and countryside should be considered.
- Extensions e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate.
- Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres.
- Lodges catering for stop-over traffic may require a location on a major routeway, ideally edge of town rather than in open countryside.

- Alongside the cancellation of PPG21 and the publication of the Good Practice Guide, it was intended that the issues surrounding tourism development should be addressed as other relevant PPGs were revised. PPS1 (Delivering Sustainable Development), PPS 6 (Planning for Town Centres) and PPS7 (Sustainable Development in Rural Areas) were all published before the Tourism Good Practice Guidance was brought out, and their key messages in relation to tourism development – and particularly the development of hotels – are reflected in the Good Practice Guide. The recently published PPS4 (Planning for Sustainable Economic Development), which supersedes PPS6 and PPS7, builds on the objectives for the planning system set out in PPS1 providing the tools for local authorities to plan effectively for economic growth. It requires local authorities to adopt a positive and flexible approach to economic development (which includes tourism and leisure development). It also emphasises the importance of an evidence base to understand industry/sector needs, using relevant market and economic information, particularly where proposals are not specifically supported by plan policies. In addition, PPS4 states that local authorities should limit the designation of sites for single or restricted use classes and promote mixed-use developments in appropriate locations.

- Regional policies for tourism accommodation are set out in the South East Plan[1], and can be found at Appendix 8. The policy and supporting text includes a number of general principles that local authorities should follow in developing planning policy for the sector (which we pick up on in our planning policy recommendations at the end of this report), but also refers to some specific issues and policies in relation to the hotel sector. In particular that they should:

    - Consider the need for hotel developments to be in the proposed location, including links with the particular location, transport interchange or visitor attraction, and seek measures to increase access by sustainable transport modes.
    - Encourage the extension of hotels where this is required to upgrade the quality of the existing stock to meet changing consumer demands.
    - Include policies to protect the accommodation stock where there is evidence of market demand.

- The South East Plan and its predecessors have identified a number of issues that inform this policy, which in relation to the hotel sector include:

    - Although hotels are ideally suited to town centre locations hotel developers find it difficult to compete with land values in many urban areas;
    - Mixed-use developments may be the only way to achieve town centre hotel development;
    - The exceptions to sequential testing for hotels out of town are country house hotels and provision associated with key transport gateways and regionally significant visitor and sporting attractions, although hotels serving markets that don't need to go into a town centre e.g. one night stop-overs, may also be better located on the outskirts of town.

[1] The South East Plan was revoked by the new coalition government in July 2010 as part of its revocation of all regional strategies.

- Tourism South East has prepared a number of pieces of planning guidance for local authorities focused on the hotel sector. They have drawn on the extensive number of accommodation studies that Tourism South East has partnered, delivered by Hotel Solutions. These are:

    - 'Here to Stay' – Tourist Accommodation Retention and Loss (October 2006)
    - Assessing Change of Use Applications for Small Country Hotels – Addendum to 'Here to Stay?' (October 2007)
    - Attracting Hotel Investment (2004, up-dated 2009).

- A brief summary of each can be found at Appendix 9 and the published documents can be found on the Tourism South East industry website (www.industry.visitsoutheastengland.com).

6.1.2. Positive Planning for Hotels in South Hampshire

- An efficient and supportive planning process was identified by hotel developers as one of the best things local authorities can do to facilitate hotel development. The current process of LDF preparation presents a timely opportunity to create this positive planning framework that takes on board the requirements of hotel developers and attempts to tackle the planning barriers.

- A key starting point in planning for hotel development should to **recognise the importance of hotels** in supporting economic development and tourism growth and the contribution that they can make to employment growth in terms of both direct and indirect jobs. Hotels are a key part of the business infrastructure that companies require if they are to do business effectively. Hotels also play a key role in attracting conference and leisure break visitors and overseas tourists; servicing the needs of cruise, air and ferry passengers; and meeting the accommodation needs of people that are attending weddings and family parties and visiting friends and relatives. Hotels provide opportunities for youth employment and for part-time working.

- It is also important for local authorities to have **a realistic understanding of the market potential for hotel development** based upon hard evidence rather than supposition and aspiration. This Hotel Futures study provides that evidence base. Some of the South Hampshire local authorities appear to have aspirations for large 4 star hotels with conference facilities, whereas the reality is that such hotels are not usually deliverable in the majority of locations, with the potential generally being more at budget and mid-market level. The public sector partners need to grasp this and to develop an appreciation of what these budget and mid-market brands can offer to positively enhance their destination infrastructure. Budget and limited service hotels can for example make a valuable contribution towards developing the evening economies of city and town centres by generating business for restaurants and bars (as they often do not have such facilities themselves).

- The Hotel Futures Study provides a lot of detailed evidence and guidance about hotel development opportunities and requirements for supporting hotel development for the Sub Region's local authorities to consider as they move forward with their Local Development Frameworks in terms of:

    - Finalising and reviewing their Core Strategy DPDs;
    - Preparing site allocations and development management policies DPDs;
    - Developing Area Action Plans, development briefs and masterplans for specific locations and sites.

- Appendix 12 to the main Hotel Futures Study report sets out a schedule of the DPDs, AAPs and SPDs that the Sub Region's local authorities are developing over the next 2 years and highlights the issues that each of these documents will need to consider in relation to hotel development.

- Given the number of hotel proposals across the PUSH area, we see no particular need for the South Hampshire local authorities to allocate sites for hotels as part of their Site Allocations DPDs. Whilst allocation has the advantage of providing certainty to the market, most hotel developers would prefer flexible and supportive development management policies as a means to aid the delivery of hotel development. The exceptions to this, where allocation may have a role to play, include:

    - Where hotel development proposals might be priced out of the market by higher value competing uses e.g. residential, retail and office uses in a city or town centre;
    - Where the delivery of a hotel is seen as critical to a wider scheme of strategic interest; as an example, should a site for a conference centre be identified, an on-site 4 star hotel would be needed and could warrant allocation;
    - Where there is a known requirement for the particular site/location and little alternative in terms of other suitable sites;
    - Where a hotel is a preferred use/better fit with destination objectives for a particular location, building or site;
    - Where a specific property with potential is identified and its retention sought, and where a hotel is the most suitable use; character properties in both urban and rural areas with potential for boutique hotels and country house hotel development are good examples.

- We would encourage each of the South Hampshire authorities to think through the above and to identify whether these conditions apply to their area - or could apply in a stronger market - and act accordingly. Where sites are allocated, it will be important to test the market to ensure the site or building can meet developer and operator requirements and that the location has fit with market potential.

- In terms of development management policies a key issue is for local authorities to understand the economics of hotel development and the extent to which planning conditions, evidence requirements and the time taken for decisions to be made can often push hotel schemes beyond the margins of viability. Local authorities need to be more aware of the need to avoid wherever possible burdening hotel schemes with unreasonable planning conditions e.g. in terms of S106 agreements, environmental requirements such as Green Travel Plans (which may not be entirely applicable for hotels) or requirements to meet BREEAM standards (particularly given that there is no specific standard for hotels) and other design requirements. The commercial implications of such conditions need to be fully understood, and the potential for marginal hotel schemes to be pushed over the edge of viability avoided. Clear and consistent planning advice should be given, and response co-ordinated within the authority at an early stage to avoid the need for scheme re-design and the cost and time delays associated with this.

- There is a case for planning effectively for hotel provision as part of city and town centre and SDA Area Action Plans and masterplans for major regeneration sites in terms of recognising the opportunities for hotel development and identifying the most suitable sites for hotels to meet hotel operator requirements, particularly in terms of site size, access and visibility. In town centres budget hotel operators will consider hotel development above other uses such as retail, bars and restaurants and offices. Access to public car parks may also be a consideration in such locations.

- We see no particular need for the South Hampshire local authorities to introduce hotel retention policies. Such policies are usually needed to ensure that an adequate supply of hotels is retained in locations where there is pressure for alternative uses, most commonly residential and HMOs or nursing homes in seaside resorts. These pressures are not evident in South Hampshire other than possibly in Southsea. There appears to be a resurgence in hotel provision here however with the recent opening of a number of boutique hotels, and interest in new budget hotel development.

6.2. A Spatial Strategy for Hotel Development in South Hampshire

- In order to maximise the opportunities for hotel development across South Hampshire we would suggest that there is merit in establishing a spatial strategy for hotel development across the Sub Region that seeks to direct hotels at each level in the market to where they will have the greatest fit with the market potential for hotel development and where they can best support regeneration objectives and development schemes. This spatial strategy can then be used to inform relevant LDF documents, Area Action Plans and masterplans for development schemes and to inform the hotel development community about public sector priorities for the location of hotel development across the Sub Region.

- In broad terms the findings of the Hotel Futures Study point to Southampton and Portsmouth being the main focal points for hotel development in the Sub Region and the key locations where 3 and 4 star hotels, boutique hotels and serviced apartments are likely to be delivered. This would also fit with PUSH's 'cities first' strategy. The opportunities in other parts of South Hampshire are more in terms of budget and upper-tier budget hotel development, with scope possibly for a 3 star hotel at Eastleigh Riverside, the proposed 4 star hotel at the Rose Bowl, and the opportunistic conversion of character buildings for destination hotel offers.

- The spatial strategy should also recognise that there will be opportunities for new hotel provision in both town and city centre locations and out of town/city locations, particularly linked to major new drivers of demand such as:

    - Offices, business parks and major employment sites, which may be able to support hotel development;
    - Significant sports/leisure facilities, wedding venues and golf courses, which could offer potential for associated hotel development;
    - Major housing developments that could attract pub/restaurants with budget hotel bedrooms.

- This may run counter to the PPS4 guidance that hotels are a town/city centre use and should be directed here first. The Good Practice Guide on Planning for Tourism does recognise that some types of hotel may require a non-town centre location. While some hotel operators prefer to be in town and city centre locations others see advantage in locating on out-of-town business parks to service the corporate demand that they generate. Corporate customers also usually prefer to stay in hotels that are as close as possible to their company base. Locating hotels on business parks may thus meet hotel operator and market preferences and will avoid unnecessary travel to/from town and city centre hotels by corporate guests. Major visitor attractions, sports stadia and events venues in out-of-town and rural locations can also support hotel development. The Hotel Futures Study suggests that local authorities should seek to achieve a balance of hotel development between town centres and locations out of town in accordance with the development of drivers of hotel demand.

- The table overleaf sets out a suggested spatial strategy for hotel development in South Hampshire identifying the key locations that we think may be able to support hotel development across the Sub Region and the standard of hotels that we see as being most suited to each location (indicated by a tick in the relevant column). This is not intended to be a prescriptive 'straight-jacket' or a basis for allocating sites for hotels, which is not generally seen as being required other than in very specific circumstances where the allocation of sites or properties for hotel development may be desirable. It is intended more as a market-based guide to help focus hotel development in line with market potential and to locations where they can make an optimal contribution to wider destination and economic development initiatives. There should be an element of flexibility around this spatial strategy to accommodate opportunities that cannot readily be categorised or anticipated, but which can demonstrate a clear destination benefit and market foundation.

- The spatial strategy shows potential for hotel development in a wide range of locations across South Hampshire. In most parts of the Sub Region these opportunities are on an either/or basis. It is not suggested that hotel development can take place at every level in the market in every single location. What is likely to happen in practice is that potential opportunities for hotel development in some locations will fall away or be pushed into the longer term as new hotels are progressed in other locations.

SOUTH HAMPSHIRE – PROPOSED SPATIAL STRATEGY FOR HOTEL DEVELOPMENT

Location	Most Suitable Standard of Hotel							
	4 Star	3 Star	Boutique	Upper-Tier Budget	Budget	Serviced Apts	Pub Accom	Country House
Southampton								
Southampton City Centre/Waterfront	✓	✓	✓	✓	✓	✓	✓	
Woolston				✓	✓			
Portsmouth								
Portsmouth City Centre	✓	✓	✓	✓	✓	✓	✓	
Gunwharf Quays/The Hard	✓	✓	✓	✓	✓	✓	✓	
Southsea			✓		✓	✓		
M27/A27 Corridor	✓	✓		✓	✓			
Eastleigh								
Eastleigh Town Centre					✓			
Eastleigh Riverside		✓		✓	✓			
Rose Bowl	✓							
N/NE Hedge End SDA					✓			
Fareham								
Fareham Town Centre					✓			
North Fareham SDA				✓	✓			
Gosport								
Daedalus/Gosport Waterfront/Holbrook/Haslar/Priddy's Hard					✓		✓	
Winchester								
Whiteley (Solent Business Park/ Whiteley Outlet Village)				✓	✓			
West of Waterlooville MDA					✓			
Havant								
Havant A27/A3 Corridor				✓	✓		✓	
Waterlooville					✓			
Dunsbury Hill Farm				✓	✓			
Hayling Island			✓				✓	
Test Valley								
Romsey			✓				✓	
M27 Corridor					✓		✓	
New Forest								
Hythe/Marchwood/Totton					✓		✓	
Rural/Non-Urban Locations								
Rural Test Valley, Winchester, Fareham. East Hampshire							✓	✓

Source: Hotel Solutions

- The Hotel Futures Study did not identify potential for new hotel development in Havant town centre – the only town centre not identified as having potential in the preceding table.. The priority here will be the upgrading of The Bear Hotel.

- Southampton Waterfront is worth highlighting as a prime location for a new 4 star/ luxury hotel in Southampton. 4 star hotel schemes that are being progressed elsewhere in the city centre may however lessen the potential to secure a 4 star/ luxury hotel here if they go ahead.

- The development of a purpose-built conference centre in Southampton and/or Portsmouth would have a significant bearing on the spatial strategy for hotel development in the cities, with a need to cluster new hotels around such a centre to provide conference delegates with a choice of accommodation within walking distance. This would be required for a conference centre to compete effectively for association conferences.

6.3. Informing and Supporting Hotel Development in South Hampshire

- The Hotel Futures Study shows no clear need for proactive hotel investment marketing activity for South Hampshire at the present time. Significant numbers of hotel projects have already come forward across the Sub Region and there is substantial hotel developer interest in South Hampshire. Southampton and Portsmouth are firmly on the radar of many of the expanding hotel brands in the UK at all levels in the market. Budget and upper-tier budget hotel developers are also actively looking for sites in other parts of South Hampshire, in particular Eastleigh, Fareham and Havant. It is not the role of local authorities and public sector bodies to actively encourage or discourage hotel development unless there is clear evidence that shortages of hotel accommodation are not being met by hotel proposals or there is a clear oversupply in the market. These conditions are not apparent in South Hampshire. Public sector agencies should also be mindful of the impact of new hotels on existing stock and should not be actively encouraging new hotels at the expense of existing trading hotels. Hotel development should be a matter for the market to determine, subject to meeting planning requirements.

- There is however a role that the public sector can play in **providing good quality factual data and information to hotel companies** to help them to objectively assess hotel development opportunities and to alert them to future growth and drivers of demand that could give rise to opportunities for hotel development in the future. Hotel companies and their advisers often face significant difficulties in obtaining good quality data on hotel performance at a local level and often have to rely on data from the surveys of national hotel consultancy firms, which is often based on only partial samples of hotels at the local level. Where local authorities and public sector agencies have taken steps to pull together the information that hotel companies require this is always applauded by the hotel development community.

- Hotel companies primarily think in terms of specific towns and cities when considering hotel development opportunities. They do not think in terms of Sub Regions such as South Hampshire. For information provision to fully meet the needs of hotel companies there is a need to distil information down to a city and town level to provide relevant information on:

    - Current hotel supply;
    - Hotel performance and markets;
    - Key employers;
    - Key visitor attractions and drivers of leisure demand;
    - Population and employment data;
    - Future growth prospects and drivers of demand;
    - Hotel development proposals;
    - Available hotel sites.

- Such information is included for many of South Hampshire's destinations on TSE's hotel investment website (www.hotel-investment.co.uk), drawing on previous studies that Hotel Solutions has undertaken in Hampshire. Much of this information is however getting out of date, and the supplementary information – beyond hotel performance, supply and potential - is patchy. Hampshire has also in the past been one of the few counties to put hotel sites information onto the website, but again this information is becoming dated.

- There is therefore a need to re-visit this and provide updated and comprehensive Fact Files for South Hampshire's destinations for uploading onto the TSE hotel investment website and the PUSH website. Much of the required information can be extracted from the Hotel Futures Study.

- Having compiled such Hotel Investment Fact Files it will be important to actively promote their availability to relevant hotel companies, property developers, hotel property agents and hotel consultants. Hotel Solutions can provide an initial list of hotel developer contacts.

- It will also be important to ensure that the Fact Files are kept up to date over time and to put in place mechanisms and budgets for achieving this.

- There could also be benefits in trying to achieve **a co-ordinated approach across South Hampshire to dealing with hotel developer enquiries**, particularly enquiries from hotel companies that could be interested in a number of locations in the Sub Region. There could be scope to nominate somebody in PUSH to act as a lead contact for hotel development enquiries and for this person to then liase with lead contacts in each local authority – and vice versa to ensure an overview of hotel developer interest at the sub-regional level. This person might also take a lead on co-ordinating familiarisation visits to the Sub Region for hotel developers. There might also be merit in some sort of **South Hampshire Hotel Investment Forum** to bring these lead contacts together from time to time to share information and review progress.

- A further useful role that PUSH and TSE may be able to play is in terms of **educating property developers about the potential for hotel development** in the Sub Region and the requirements of hotel companies. Property developers will often include a hotel in a mixed-use scheme, frequently at the 4 star level, without necessarily understanding the market requirement for hotel development in a destination or the requirements of hotel operators. Hotel companies often report that they have wasted a lot of time working up hotel schemes with property developers who have subsequently pulled out when they have found that the figures did not stack up for them. Work could be undertaken to try to educate property developers about the market potential for new hotel development in South Hampshire, the viability of hotel schemes and the sort of values and returns they can deliver, possibly in the form of some sort of guidance material supported by the proposed Hotel Investment Fact Files.

6.4. Developing the South Hampshire Hotel Market

- The Hotel Futures Study suggests the following requirements for public sector/ local authority support for the development of the hotel market in South Hampshire in terms of marketing; attracting companies to develop the corporate market; developing the conference and leisure tourism product; addressing transport infrastructure barriers and supporting staff training and development.

6.4.1. Marketing

- A number of the hotel managers that we spoke to in South Hampshire identified a need for more proactive marketing of the Sub Region's destinations to the UK leisure break, overseas tourist and conference markets. It is not the remit of this study to advise on this issue however.

6.4.2. Developing the Corporate Market - Attracting New Companies

- The attraction of new companies will be key to developing corporate demand for hotels in South Hampshire. The priority will be to attract companies that will generate strong demand for hotel accommodation e.g. international, European and national headquarters offices, companies in the financial and business services, advanced manufacturing and marine industries sectors; pharmaceutical, medical and scientific research companies; and ICT and knowledge-based businesses.

6.4.3. Developing the Conference and Leisure Tourism Product

The development of a purpose-built conference centre in Southampton or Portsmouth would provide a significant boost to the hotel market in the cities and potentially provide a knock-on boost to hotel demand in the surrounding parts of South Hampshire as corporate demand is displaced to these areas during major conferences and exhibitions. Our assessment of trends in the UK conference tourism market (reported separately) suggests that Southampton or Portsmouth may be able to support a conference centre with a capacity for conferences of 500-1,000 delegates. Such a centre could generate 50-80,000 additional overnight stays per year.

- The proposed Hilton hotel at the Rose Bowl will have extensive conference facilities, with a capacity of up to 660 delegates. The Lakeside North Harbour scheme in Portsmouth also includes a conference centre alongside a hotel.

- Continued investment in the leisure tourism product of South Hampshire will be a key driver of growth in weekend demand for hotel accommodation. Continued investment is needed in the development of:

    - Visitor attractions;
    - Cultural and arts facilities;
    - The retail offer;
    - Entertainment facilities;
    - Major sports facilities;
    - Events.

- Southampton has a weak leisure tourism offer at present. The city is however set to become a much stronger visitor destination through the development of Royal Pier and the waterfront, the Cultural Quarter, arts complex and Sea City Museum and the proposed Snow Dome and ice rink, if they go ahead.

- Portsmouth has a much stronger leisure tourism offer in terms of the Spinnaker Tower, Historic Dockyard and Gunwharf Quays, which will be further enhanced with the development of the new Mary Rose Museum, The Hard and Fort Nelson, Southsea Castle and Southsea Seafront. Portsmouth lacks major events such as the International Festival of the Sea, which previously generated significant business for hotels in the city.

- In other parts of the Sub Region the development of the Rose Bowl, Marwell Zoo, Paultons Park, Gosport Waterfront and South Hayling Seafront could play a role in boosting weekend demand for hotels and merit continued support therefore.

6.4.4. Addressing Transport Infrastructure Barriers in Gosport

- Our discussions with hotel developers identified transport infrastructure barriers to hotel development in terms of road access to Gosport (and the time it takes to get to this area from the M27). This suggests that steps will need to be taken to address this issue if the hotel development potential of Gosport is to be fully realised.

6.4.5. Supporting Staff Training and Development

- Investment in staff training and development clearly has a key role to play in raising quality standards in the South Hampshire hotel industry. The public sector partners can support hotel operators through the provision of advice and information on training and staff development and setting up or supporting training programmes that are specifically tailored to hotel staff.

7. MOVING FORWARD –ACTING ON THE STUDY FINDINGS

7.1. Next Steps Actions

- The South Hampshire Hotel Futures Study provides an in depth understanding of the future potential for hotel development and investment across South Hampshire as each part of the Sub Region is regenerated and developed and the major development schemes are progressed.

- The study contains a lot a very detailed and useful information to help inform and guide future hotel development in South Hampshire that will be of use to a wide range of different audiences including:

    - Planning Policy teams;
    - Development Control teams;
    - Inward Investment and Economic Development teams;
    - Tourism teams and Destination Managers;
    - Hotel developers;
    - Property developers and landowners;
    - Existing hotels in the Sub Region.

- The challenge now is to ensure that this information is effectively distributed to each of these audiences in formats that they will find most useful.

- Thought also needs to be given to how best to update the information on the South Hampshire hotel market as it develops in the future.

- The following are suggested as next steps actions for acting on the Hotel Futures Study findings.

7.1.1. Signing Off and Publishing the Study

- The draft Hotel Futures Study report was circulated for in April and June 2010 to the Study Steering Group, PUSH Panels and Chief Executives, and Tourism, Planning and Economic Development Officers for comment, fact-checking and consideration of how to take forward the suggested actions. The report has subsequently been amended to take on board all of the comments that came out of this process and is now issued as a final report in July 2010.

7.1.2. Disseminating the Study Findings to Public Sector Partners

- The Hotel Futures Study provides a lot of useful information for a range of local authority teams and public sector agencies to act upon including:

    - Planning policy teams – to help inform planning policy development (particularly in terms of locational strategies for hotels and whether they should be in town centre or out-of-town centre locations) and the development of Area Action Plans for town and city centres and SDAs and masterplans for major regeneration sites;
    - Development Control teams – to assist in determining planning applications for hotel schemes;
    - Economic Development and Major Projects teams – to help inform regeneration strategies and major projects and the role that hotel development projects might play in them;
    - Estates teams – that may be looking to dispose of sites or properties for hotel use;
    - Inward investment agencies – that may be involved in discussions with hotel developers;
    - Tourism teams – to inform tourism strategies and action plans.

- We would recommend that a pdf of the Hotel Futures Study report is emailed to each of these teams for cascading to all of the relevant officers that need to be aware of its findings.

- Presentations could be made to relevant forums in the Sub Region (where they exist) e.g. planning officers, economic development officers, tourism officers.

- There may also be merit in some form of hotel development conference for South Hampshire along similar lines to the hotel investment conferences that have previously been held in Hampshire by the County Council and Tourism South East.

7.1.3. Informing the Hotel Development Community

- Section 6.3. makes a number of recommendations for disseminating the Hotel Futures Study findings to the hotel development community in terms of:

    - The up-dating and expansion of Hotel Investment Fact Files for each of the Sub Region's key destinations;
    - Uploading these Fact Files onto the PUSH website and TSE's hotel investment web pages;
    - Emailing interested hotel development contacts with news of the available data and links to the websites;
    - Establishing first points of contact for hotel development enquiries at PUSH and within each local authority;
    - Establishing a South Hampshire Hotel Investment Forum as a means of better co-ordinating responses to hotel developers and keeping hotel investment information up to date across South Hampshire.

- PUSH and its partners will need to decide whether and how best to progress and resource this work.

7.1.4. Feeding Back to Hotel Managers and Owners

- The Hotel Futures Study findings have a lot of messages and information for existing hotels in the Sub Region in terms of:

    - Hotel performance and market trends;
    - The likely future growth in hotel demand and the opportunities that this presents for existing hotels to upgrade, expand and possibly reposition their offer;
    - The competitive threat of further new hotels that could be developed in their area and the need for them to consider how best to respond to this.

- We would recommend that the Hotel Futures Study (or an edited version of it) should be made available to all of the county's existing hotels. There could also be merit in some form of conference for the Sub Region's hotels that could include sharing the findings of the Hotel Futures Study with them alongside other topics which they may be interested in.

7.2. Future Monitoring

- The Hotel Futures Study provides a snapshot of hotel performance and development activity in 2009 and so far in 2010. Clearly hotel performance will change as the market develops and new supply comes on stream. It will be important therefore to make plans to periodically update the information in the study relating to hotel supply, development, performance and markets – ideally every 2-3 years depending upon activity in the market.

- The hotel supply tables in the Hotel Futures Study should be updated on an ongoing basis as new supply comes on stream, and responsibility allocated for doing this.

- The County Council already has a system in place for monitoring hotel planning applications. The PUSH local authorities should be encouraged to actively feed into and regularly update this system as an effective means of monitoring hotel development activity in the Sub Region.

7.3. Concluding Thoughts

- The South Hampshire Hotel Futures Study identifies significant potential for new hotel development and investment in existing hotels as the Sub Region's economy and leisure tourism offer develop and major regeneration and development schemes are progressed. The development of hotels in South Hampshire will play a key role in supporting economic development in the Sub Region and will contribute to PUSH employment growth targets.

- PUSH and its local authority partners can play a key role in supporting and managing this future hotel development by establishing a positive planning policy framework for hotel development, including a spatial strategy for hotel development that sets clear locational priorities for future hotel development across the Sub Region, and by providing good quality, comprehensive and up to date information on hotel performance, markets and development proposals to help inform hotel investment decisions.

- The Hotel Futures Study provides much of the information and analysis that PUSH and its partners will need to fulfil this role at this stage. It is now for PUSH and its local authority partners to translate the study conclusions and recommendations into a sustainable strategy and policy framework for hotel development in the Sub Region to support the vision for the development of the South Hampshire economy and to plan effectively to keep its information on hotel performance, markets and development activity in the Sub Region as up to date as possible.