

PUSH HOTEL FUTURES STUDY

1. Background and Context

The PUSH (Partnership for Urban South Hampshire) partnership 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. The Partnership is working on some challenging targets that aim to raise GVA (Gross Value Added) economic performance from 2.7% 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.

Hampshire County Council has been working with Tourism South East (TSE) and consultants Hotel Solutions since 2001 on a rolling programme of research across Hampshire to monitor hotel performance and development activity, assess hotel developer interest in the county and identify suitable sites for hotels. This research has been made widely available to the City, District and Borough Councils in the county to help inform the development of their planning policies and strategies for hotels, assist them in determining planning applications for hotel development projects and inform tourism and other relevant strategies. The research findings have also been uploaded onto TSE's regional hotel investment website (www.hotel-investment.co.uk) that is regularly used by hotel developers as a source of information on hotel development opportunities in the South East.

Alongside this countywide programme of research, a number of local authorities in Hampshire have also commissioned Hotel Solutions to undertake detailed work for their area, including projections of future hotel demand and development requirements, detailed assessments of hotel sites, and guidance on planning policy formulation for hotels. In the PUSH area this has included detailed studies for Portsmouth (2007), Havant (2008), Test Valley (2008), East Hampshire (2005) and Gosport (2001).

All of this research has consistently identified opportunities for hotel development across the PUSH area, and numerous proposals for new hotels. While the recession has clearly slowed the pace of new hotel, with many previously proposed hotel schemes currently on hold and/or having difficulty securing finance, there remains strong interest in the PUSH area from hotel developers looking to take advantage of the current improved availability and affordability of sites for hotel projects to be progressed once the economy recovers.

While all of the previous research has produced a significant amount of information about hotel development opportunities in the different parts of the PUSH area, to date no work has been undertaken 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. There are clear benefits from trying to achieve such a co-ordinated approach in terms of:

- Attracting stronger hotel developer interest by working collectively to approach the hotel development market;
- Spreading hotel developer interest across the area, using Southampton and Portsmouth (which attract the greatest interest from hotel developers) as the hooks to encourage hotel companies to consider opportunities in other parts of the PUSH area;
- Ensuring that the right standards and types of hotel are delivered in the optimum locations;
- Avoiding competition between local authorities for hotel development and the possible danger of oversupply;
- Understanding the relationships between the hotel markets in each part of the PUSH area and the impact that new hotel development in one location could have on the prospects for hotel development in other parts of the PUSH area.

2. Study Objectives and Purpose

The objective of the PUSH Hotel Futures Study will be build on 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 will provide:

- 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 the 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 development¹

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 The budget for the study only allows preliminary research to be undertaken in terms of assessing market and development trends in the UK conference market and reviewing what can be learned from the investment that other UK cities have made in this sector.

3. Proposed Modules of Research and Consultation

The proposed programme of research and consultation that Hotel Solutions would undertake includes the following:

- **Inception Meeting**

The study will commence with an inception meeting with representatives of PUSH and TSE to review the objectives, purpose, scope and conduct of the study, agree timescales and reporting and begin the process of gathering the information that the consultants will need for the study.

- **PUSH Hotel Supply Audit**

Hotel Solutions will compile up to date lists of the current supply of hotels across the PUSH area and information on changes in hotel supply since 2005.

- **PUSH Hotel Performance Update 2008/2009**

Hotel Solutions will undertake a telephone and email survey of hotel managers in the PUSH area to gather information on:

- Occupancy and achieved room rate performance in 2008 and 2009 (as the two key indicators of hotel performance that hotel developers consider);
- Market trends in 2008 and 2009, including trends in the residential (24 hour) and day conference and meetings markets
- The impact of the recession on hotel performance and investment plans;
- Trends in levels of denied business (business that hotels turn away because they are fully booked), including denied conference business;
- The extent to which hotel demand moves between different parts of the PUSH area;
- Future investment plans and any factors that may be holding back investment in hotels.

- **PUSH Hotel Development Proposals and Sites Update**

Hotel Solutions will undertake a review of all recent and current hotel proposals including those on site, about to start, in the planning system and at pre-planning stage to establish the latest situation with regard to each proposal. The review will also include an update of the current status of, and hotel developer interest in sites that have been identified for hotel development, including the major development sites where hotels have been identified as a possible use.

The review will be undertaken through consultations with the relevant officers of each of the PUSH local authorities followed by a telephone survey of relevant site owners, developers, agents and hotel companies. The review will seek to ascertain the current status of each scheme and any obstacles that are holding schemes back, including the impact of the recession.

- **Assessment of Drivers of Future Growth in Hotel Demand**

Hotel Solutions will undertake research to assess the prospects for future growth in hotel demand across the PUSH area and the likely key drivers of this growth in terms of major office and business park developments; new housing developments and the extent to which they may generate demand from the visiting friends and relatives market; visitor attraction projects, leisure development schemes; conference venue development e.g. at The Rose Bowl; infrastructure projects and other drivers of growth in specific markets e.g. the cruise market and airport and ferry-related business. This research could also seek to assess whether new office developments are likely to generate increased demand for meeting facilities in hotels.

This assessment will be undertaken through consultations with relevant officers of each local authority and a review of relevant strategies and plans for each part of the PUSH area.

- **Hotel Demand Projections**

Based on the assessment of drivers of future growth, Hotel Solutions will prepare projections of potential future growth in hotel demand and the levels of new hotel development that such growth would support across the PUSH area.

Hotel Solutions will advise on where within South Hampshire this overall growth might best be provided for, taking account of the drivers of growth, the locational preferences of hotel operators, PUSH's aspirations and demand projections for the following area:

- o Southampton city centre;
- o Eastleigh/ Outer Southampton;
- o Fareham/Eastleigh M27 Corridor;
- o Portsmouth;
- o Havant.

Projections will be prepared for full service 3/4 star hotels and limited service budget hotels. Using the 2009 baseline data from the hotel performance update, indicative growth projections will be prepared through to 2011, 2016 and 2021 (to tie in with LDF timeframes) using assumed growth rates based on available economic, tourism and population forecasts and taking account of the potential impact of planned major development projects. These projections of future hotel demand will then be used to calculate the numbers of hotel rooms of each standard that might be needed in each location if the assumed levels of growth are achieved.

Hotel Solutions will also provide commentary on the potential opportunities in the PUSH area for the development of other types of hotel including boutique hotels, high quality pub accommodation, aparthotels and serviced apartments and destination hotel products such as golf resorts and adult only hotel resorts.

- **Update of Hotel Developer Interest**

Hotel Solutions will undertake a telephone survey of national and regional hotel companies to ascertain their interest in developing hotels in the PUSH area. The survey will include hotel companies that have previously been contacted as part of hotel studies in Hampshire together with recently established hotel companies and franchisees of new hotel brands and other hotel companies that have not previously been contacted. The survey will probe:

- o their image of the PUSH area as a hotel investment location;

- o any current site interest and the current status of any proposed hotels;
- o priority locations within the PUSH area;
- o potential interest in other PUSH locations;
- o factors that will encourage hotel companies to progress hotel schemes in the PUSH area;
- o the case they must make to their owners to secure investment approval;
- o any obstacles that may be holding back hotel development projects and what needs to be done to overcome them;
- o the impact of other hotel projects in the PUSH area on their development plans.

- **PUSH Conference Tourism Product Audit**

Hotel Solutions will compile information on the current and planned conference tourism product in the PUSH area in terms of hotel conference and meeting facilities, residential conference centres and non-residential conference venues.

- **UK Conference Tourism Market & Product Development Trends Review**

Hotel Solutions will review available published information on recent market and product development trends in the UK conference tourism market and draw initial conclusions for a possible future conference tourism development strategy for the PUSH area.

4. Proposed Outputs

The findings of these modules will be drawn together to provide the following outputs from the study:

- **A Report of Key Findings**

Hotel Solutions will prepare a concise report of the findings of each module of research and consultation covering:

- o Hotel supply in the PUSH area;
- o Hotel performance trends in 2008 and 2009;
- o Current hotel development proposals across the PUSH area;
- o Drivers of future growth in demand for hotel accommodation in the PUSH area;

- The hotel demand projections;
- Hotel developer interest;
- Advice on where future demand might be best accommodated;
- The PUSH conference tourism product;
- Recent UK conference tourism market and product development trends.

- **A Hotel Development Strategy for the PUSH Area**

On the basis of the research findings Hotel Solutions will prepare a Hotel Development Strategy for the PUSH area that will:

- Identify the opportunities for hotel development across the PUSH area by location and standard and type of hotel, including 4 star, 3 star, budget, boutique and destination hotels;
- Establish a locational strategy for hotel development across the PUSH area that optimises the potential opportunities, ensuring that the right hotels are developed in the most suitable locations and minimising possible oversupply and competition for hotel development between the different parts of the PUSH area;
- Advise 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, inward investment marketing and transport infrastructure development.

The strategy will act as an advocacy document to inform and influence the hotel development strategies of each constituent local authority in the Sub Region by providing a better understanding of the dynamics of the hotel market and hotel development opportunities across the PUSH area. As such it should provide a basis for a more co-ordinated strategy for hotel development across the PUSH area and a focus for joint working to attract appropriate hotel investment to each part of the sub-region.

- **A Hotel Investment Marketing Action Plan for the PUSH Area**

Hotel Solutions will prepare a recommended Hotel Investment Marketing Plan for the PUSH area that will make recommendations regarding:

- How best to work with TSE on hotel investment marketing;
- The preparation of hotel investment marketing materials for the PUSH area;

- Hotel products and brands to target;
- How best to approach hotel companies;
- How best to achieve a co-ordinated approach across the PUSH area to dealing with hotel development enquiries and developing relationships with hotel companies.

- **PUSH Area Conference Tourism Strategy Scoping Paper**

Hotel Solutions will prepare a brief paper setting out the 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.

- **Presentation of Draft Outputs to the Study Steering Group**

Hotel Solutions will present the draft report, hotel development strategy and hotel investment marketing plan to the study Steering Group for discussion before it is finalised.

- **Presentation of the Final Report and Strategy to PUSH Panels**

Hotel Solutions will give a presentation of the study findings and recommended hotel development strategy and investment marketing plan to the PUSH Housing and Planning, Economic Development and Quality Places Panels.