HAMPSHIRE HOTEL TRENDS 2010-2012

FINAL REPORT

Prepared for:
Hampshire County Council
Tourism South East

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hotel solutions
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CONTENTS

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EXECUTIVE SUMMARY

1. Study Objectives and Purpose

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

2. Current Hotel Supply

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

3. Recent Hotel Development & Changes in Supply

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

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

4. Planned & Proposed Hotels

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

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

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

5. Hotel & Market Trends

Occupancy, Achieved Room Rate and Revpar Performance

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

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

Hotel performance varies significantly by standard and type of hotel:

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

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

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

Source: Hotel Solutions

Notes:

1. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
2. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges.
3. Source: TRI Hospitality Consulting Hotstats UK Chain Hotels Market Review
4. The sample of participating 3 star hotels in the New Forest is relatively small. An insufficient number of New Forest 4 star hotels took part in the survey to allow the publication of performance data for this standard of hotel in this part of the county
5. Sample includes 3 star hotels in Fareham, Havant, Emsworth, Stockbridge, Hook, Andover and Alton

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

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

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

Patterns of Demand

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

Market Mix

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

Business Demand

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

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

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

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

Leisure Demand

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

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

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

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

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

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

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

Market Trends

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

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

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

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

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

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

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

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

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

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

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

Prospects for 2013

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

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

In terms of prospects by market in 2013:

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

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

6. Future Market Prospects

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

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

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

6. Hotel Development Opportunities

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

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

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

[1] Upper-tier budget hotel brands currently developing in the UK are Holiday Inn Express, Hampton by Hilton and Ramada Encore

[2] Limited service, budget priced hotels that feature a more contemporary design. Emerging brands in the UK are Sleeperz, Z Hotels, Citizen M

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Moving Forward - Next Steps

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

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

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

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

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

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

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

9. Concluding Thoughts

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

1. INTRODUCTION

1.1. Background

- The following report sets out the findings of the Hampshire Hotel Trends Survey 2010-2012, undertaken by Hotel Solutions between January and April 2013 for Hampshire County Council and Tourism South East.

- Hotel Solutions has worked closely with Hampshire County Council, Tourism South East and the Hampshire local authorities since 2001 to deliver a rolling programme of research studies to provide good quality, up-to-date information on hotel performance, market demand and development opportunities in Hampshire. This programme has included the following studies:

    - Hotel Sector Shortage Study for Hampshire (2001);
    - Hampshire Hotel Performance Review 2001-2002 (2002);
    - Hampshire Hotel Trends Survey 2003-2004 (2005);
    - Hampshire Hotel Sites Assessment, Developer Testing and Issues Paper (2006);
    - Hotel Futures Studies for Gosport (2001), Andover (2002), Havant (2003 + 2007), East Hants (2005), Portsmouth (2007), Basingstoke (2007), Rushmoor (2007) and Test Valley (2007);
    - Hampshire Hotel Trends Survey 2006-7 (2008);
    - Hampshire Hotel Developer Survey (2008);
    - South Hampshire Hotel Futures Study (2010);

- The 2013 survey builds on this body of research to provide up-to-date information on Hampshire's hotel sector and its future prospects.

1.2. Research Objectives and Purposes

- The objectives of the 2013 Hampshire Hotel Trends Survey are to:
    - Provide robust, up-to-date (2010, 2011 and 2012) data and information on hotel supply and development proposals, hotel performance and hotel market trends across Hampshire.
    - Assess the prospects for future growth in demand for hotel accommodation in each part of the county.
    - Determine what market opportunities there could be for hotel development across the county in the next 5 years and investment in existing hotels.

- The purposes of the Survey are to:
    - Ensure that Hampshire County Council, Tourism South East and the Hampshire local authorities have a good understanding of hotel performance, market trends and development opportunities across the county in order that they can determine how best to support the future development of the county's hotel sector in terms of growing the hotel market and supporting investment in existing and potential new hotels.
    - Provide benchmarking data, intelligence and market insight to assist the county's hotels in formulating their future business strategies.

1.3. Scope of the Survey

- The survey provides information on the following:

    - The current (January 2013) supply of hotels across Hampshire;
    - Changes in Hampshire's hotel supply 2008-2013 in terms of:
        - New hotels;
        - Hotel extensions and refurbishment;
        - Hotel closures;
        - Changes of ownership and brand.
    - Planned hotel development in Hampshire in terms of:
        - Pipeline new hotels under construction;
        - Proposed new hotels;
        - Planned development of existing hotels.
    - Hotel performance 2010-2012 by standard/type of hotel in terms of:
        - Average annual room occupancies, achieved room rates[1]and revpar[2];
        - Patterns of occupancy across the week and throughout the year;
        - Midweek markets for hotels;
        - Weekend markets;
        - Market trends;
        - Levels of denied business[3].
    - The future prospects for the county's hotel sector.
    - The market potential for hotel development in Hampshire over the next 5 years in terms of:
        - New hotel development;
        - Investment in existing hotels.
    - Requirements for public sector intervention to support the future growth and development of the county's hotel sector.

[1] The net amount of rooms revenue that hotels achieve **per room let** after deduction of breakfast (if included in the room rate), VAT, commission charges and discounts.
[2] The net amount of rooms revenue that hotels achieve **per available room**
[3] Business that hotels turn away because they are fully booked

- The survey results have been analysed and reported for the following types of hotel:
    - Luxury (5 star and 4 Red star) country house hotels;
    - 3/4 star country house hotels;
    - Boutique hotels[1];
    - 4 star hotels;
    - Branded (chain operated) 3 star hotels;
    - Independent 3 star hotels;
    - Budget hotels;
    - Serviced apartments[2];
    - Leisure-led hotels – adult only hotel resorts, luxury family hotels, golf hotels/resorts
- In terms of location the survey results have been analysed as follows:
    - Southampton City Centre
    - Southampton/Eastleigh/Fareham M27 Corridor;
    - Portsmouth;
    - Winchester;
    - Basingstoke;
    - Farnborough/Fleet/Aldershot (Rushmoor);
    - Hampshire Towns (Alton, Andover, Petersfield, Hook, Romsey, Fareham, Havant);
    - New Forest.

[1] 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.
[2] 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.

1.4. Survey Methodology

- The survey has involved the following modules of research:

  - An **audit of the current supply** of hotels in Hampshire. The audit has drawn on the accommodation stock records of TSE, HCC and the county's local authorities, cross checked and supplemented through our own Internet searches. The audit has included all star-rated and branded hotels and non-inspected and unbranded hotels, inns and larger guest accommodation businesses that describe themselves as hotels in their marketing websites.

  - An **audit of changes in the county's hotel supply since 2008** in terms of new hotel openings, the expansion, development and refurbishment of existing hotels and the closure of hotels. The audit has been compiled on the basis of information provided by TSE, HCC and the county's local authorities, comparisons with our previous surveys in Hampshire, our own Internet research and our interviews with the county's hotel managers.

  - A **review of current proposals for new hotels and investment in existing hotels** based on information provided by the local authorities and our discussions with hotel managers and hotel companies that are interested in investing in Hampshire.

  - **Interviews with the managers and owners of existing hotels** to gather information on performance and market trends between 2010 and 2012, future investment plans and views on business prospects in 2013. A total of 123 hotels, inns and serviced apartment operations were interviewed (listed at Appendix 1) through a programme of face-to-face and telephone interviews 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.

- An **assessment of potential future growth in hotel demand** and what will drive this, through email consultations with the county's local authorities and a review relevant regeneration, planning, economic and tourism strategy documents and masterplans for major development projects.

2. HAMPSHIRE HOTEL SUPPLY

2.1. Current Supply

2.1.1 Current Hotel Supply by Standard and Type of Hotel

- Our research has identified a current total of 204 hotels and inns in Hampshire with just over 11,600 letting bedrooms. The table overleaf provides an analysis of this hotel supply by location. Appendix 2 provides a full list of Hampshire hotels and large inns (8+ bedrooms). Our analysis of the county's current hotel supply by standard and type of hotel is set out in the table below.

HAMPSHIRE HOTEL SUPPLY[1] BY STANDARD/ TYPE OF HOTEL – JANUARY 2013

Standard /Type of Hotel	Hotels	Rooms	% of Total Hotel Rooms
5 star Country House Hotel	4	282	2.4
Boutique Hotel	16	248	2.1
4 star	32	3367	29.0
4 star Business Hotel	24	2580	22.2
4 star Country House Hotel	2	184	1.6
4 star Golf Hotel	3	343	3.0
4 star Conference/Wedding Venue	4	260	2.2
Luxury Family Hotel	1	21	0.2
Adults Only Hotel	1	258	2.2
3 star	55	3166	27.2
3 star Branded	7	1042	9.0
3 star Independent	46	2092	18.0
3 star Country House Hotel	2	32	0.3
Upper-tier Budget[2]	3	411	3.5
Budget	43	2785	24.0
2 star	9	320	2.8
Inns	17	255	2.2
Non-inspected/ Guest accom graded	23	497	4.3
TOTAL	**204**	**11610**	**100.0**

Notes:
1. All star-rated and branded hotels, non-inspected hotels + large(10+ bedrooms) inns and 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

HAMPSHIRE – CURRENT HOTEL SUPPLY BY LOCATION – JANUARY 2013

Location	5 star		Boutique		4 star		3 star		Budget		2 star		Inns		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			4	48	3	385	3	468	5	601	2	97			1	10	**18**	**1609**
Southampton/Eastleigh M27 Corridor					5	544	5	394	9	722							**19**	**1660**
Romsey			1	31			1	54							1	10	**3**	**95**
Fareham					1	115	4	207	1	61					2	34	**8**	**417**
Portsmouth					2	293	2	239	7	708	1	101	1	15	1	30	**14**	**1386**
Southsea			6	52			3	223	1	48	2	48			2	95	**14**	**466**
Gosport															4	59	**4**	**59**
Havant/Emsworth					1	148	2	81	1	37							**4**	**266**
Horndean/Rowland's Castle									3	82			2	34	2	37	**7**	**153**
Hayling Island							2	285									**2**	**285**
Petersfield							1	13	1	50							**2**	**63**
Liphook					1	100			1	40							**2**	**140**
Alton									1	50			1	36	2	85	**4**	**171**
Bordon															1	18	**1**	**18**
Basingstoke					6	546	2	145	4	165							**12**	**856**
Hook	1	133			1	112	2	69							2	41	**6**	**355**
Northern Hampshire					2	132	3	126					1	16			**6**	**274**
Farnborough					2	285	2	172	2	139							**6**	**596**
Aldershot							1	102	2	151							**3**	**253**
Fleet							2	134	2	98							**4**	**232**
Winchester	1	50	1	24	4	504	2	92	3	111			3	28			**14**	**809**
New Alresford											1	22					**1**	**22**
Stockbridge							1	26					1	14			**2**	**40**
Andover							3	89	2	101			1	22			**6**	**212**
New Forest	2	99	4	93	5	224	15	505	1	32	3	52	6	76	2	38	**38**	**1119**
Hythe/Marchwood													1	14	3	40	**4**	**54**
TOTAL	**4**	**282**	**16**	**248**	**33**	**3388**	**56**	**3424**	**46**	**3196**	**9**	**320**	**17**	**255**	**23**	**497**	**204**	**11610**

- The current supply of hotels in Hampshire is primarily a broadly even mix of 4 star, 3 star and budget hotels, which each constitute around 28/29% of the county's total supply of hotel bedrooms. Hampshire is one of the few locations outside London to have a 5 star hotel supply – in Hampshire's case 5 star country house hotels. The county also has a small but growing number of boutique hotels, concentrated in Southsea, Southampton and the New Forest. Hampshire has eight country house hotels at 3, 4 and 5 star level, three 4 star golf hotels and four 4 star country house conference and wedding venues (three operated by De Vere Venues). It also has two niche leisure hotel products in terms of a luxury family hotel in the New Forest (New Park Manor) and an adults only hotel on Hayling Island (Sinah Warren). 2 star hotels, large inns, small non-inspected hotels and large non-inspected guest accommodation establishments that market themselves as hotels make up the remainder of Hampshire's hotel supply.

- Hampshire's 4 star hotels are primarily located along the M27 corridor (from Eastleigh to Havant), Basingstoke, Winchester, the New Forest, Southampton city centre and Farnborough. There are no 4 star hotels in Portsmouth city centre: the city's two 4 star hotels are both located on the M27.

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

    - Hilton (3 hotels)
    - Marriott (2 hotels)
    - Q Hotels (2 hotels)
    - Macdonald (2 hotels – one 4 star and one 3 star)
    - Mercure (2 hotels)
    - Novotel (1 hotel)
    - Shire (1 hotel)
    - De Vere (1 hotel)
    - Village Urban Resorts (1 hotel)
    - Puma (1 hotel)

- The following luxury (4 and 5 star) country house hotel brands are currently represented in Hampshire:
  - Hand Picked (2 hotels)
  - Elite Hotels (1 hotel)
  - Exclusive (1 hotel)
  - Four Seasons (1 hotel)

- Hampshire also has eight independent/ non-branded 4 star hotels:
  - Botleigh Grange, Hedge End
  - The Langstone, Northney, Hayling island (operated by BDL Hotels);
  - Aviator, Farnborough
  - Apollo, Basingstoke
  - Old Thorns Manor, Liphook
  - Carey's Manor, Brockenhurst
  - Balmer Lawn, Brockenhurst
  - Montagu Arms, Beaulieu

- The county's 3 star hotels are primarily independent hotels. Holiday Inn is the main 3 star brand represented in Hampshire, with 6 hotels in Southampton, Portsmouth, Fareham, Eastleigh, Basingstoke and Farnborough. Jury's Inns is the only other 3 star brand with a hotel in the county, at Southampton. Two national hotel companies own, manage or market 3 star hotels in Hampshire - Akkeron Hotels/ Forestdale Hotels (5 hotels) and Bespoke Hotels (2 hotels). Pub company Greene King owns and operates seven 3 star hotels and inns in Hampshire – six under its Old English Inns brand. Farnham-based Hollybourne Hotels has two previously 3 star graded hotels in Hampshire, at Alton and Basingstoke. Within Hampshire, New Forest Hotels operates four 3 star hotels in the New Forest. Three of the county's 3 star hotels are part of the international Best Western hotel marketing consortium – Chilworth Manor, Royal Beach (Southsea) and Forest Lodge (Lyndhurst). One 3 star hotel in the county (Quality Andover) operates under a franchise with the international Choice Hotels company.

- Apart from Greene King , five other national and regional pub companies operate hotels and inns in Hampshire:
    - Fuller's Hotels & Inns – 1 hotel, 5 inns
    - Marston's Inns – 3 inns
    - Hall & Woodhouse – 1 hotel, 6 inns
    - Spirit Pub Company (Good Night Inns) – 1 inn
    - New Forest Pub Company – 2 inns in the New Forest

- Hampshire's budget hotel supply is dominated by Premier Inn (18 hotels) and Travelodge (15 hotels). Accor Hotels has Ibis and Ibis Budget budget hotels in Southampton and Portsmouth. There are three Holiday Inn Express upper-tier budget hotels in Hampshire, two on the outskirts of Southampton and one at Gunwharf Quays in Portsmouth. The other two upper-tier budget brands in the UK, Hampton by Hilton and Ramada Encore, have not so far opened any hotels in Hampshire.

- Hampshire's boutique hotel supply comprises mainly small independent boutique hotels that have developed in recent years in Southsea, Southampton and the New Forest. The UK's first Hotel du Vin boutique hotel is located in Winchester. The latest venture by Hotel du Vin founder Robin Hutson, Home Grown Hotels, has opened two boutique hotels in Brockenhurst and Southampton under The Pig boutique hotel brand. Hillbrooke Hotels (which describes its hotels as 'quirky luxury' rather than boutique) operates the Master Builder's House in Beaulieu. The White Horse in Romsey is operated by Silks Hotels as a boutique hotel.

- Two Hampshire-based restaurant companies operate boutique hotels and gastropubs with boutique guest bedrooms in the county. Delicious Dining operates Ennio's boutique hotel and restaurant in Southampton, the Cromwell Arms at Romsey and The Brookfield Hotel at Emsworth. The Ideal Collection operates the White Star Tavern 5 star boutique inn in Southampton and the No5 Bridge Street gastropub with rooms in Winchester.

- Hampshire also has a stock of serviced apartments in Southampton, Portsmouth, Fareham, Basingstoke Farnborough, principally used by long stay corporate visitors. These are primarily residential apartments that are let out as serviced accommodation through a number of local and national serviced apartment agencies. Farnborough is the only location with purpose-built serviced apartment complexes – MAX House (72 apartments) and House of Fisher's operation here (12 aprtments). There are no suite hotels or aparthotels in Hampshire at present.

- The following hotels in Hampshire have spas:

    - De Vere Grand Harbour, Southampton;
    - Chilworth Manor;
    - Marriott Meon Valley;
    - Macdonald Botley Park;
    - Solent, Fareham;
    - Botleigh Grange, Hedge End;
    - Old Thorns Manor, Liphook;
    - Hampshire Four Seasons;
    - Tylney Hall;
    - Norton Park;
    - The Winchester;
    - Chewton Glen;
    - Lime Wood;
    - Carey's Manor;
    - New Park Manor;
    - Rhinefield House.

2.2. Recent Hotel Development and Changes in Supply

2.2.1. New Hotels

- Our research has identified 26 hotels, inns and serviced apartment complexes that have opened across Hampshire in the last 5 years, with a total of 1,352 letting bedrooms. Farnborough/ Aldershot has been a key location for hotel development during this time, with four new hotels and two serviced apartment complexes having opened here since 2008, more than doubling the area's hotel supply. Southampton city centre has been the other key focus for hotel development, with two large budget hotels and three small boutique hotels having opened here – a total of 297 new hotel bedrooms. The only new hotel to have opened in Portsmouth is the Ibis Budget (previously the Etap) in 2008. There have been no more recent hotel openings in the city. Southsea has been a focus for boutique hotel development, with four small, independent boutique hotels opening here and another due to open in February 2013. Other significant hotel openings have been the 5 star Lime Wood country house hotel in the New Forest, developed by Robin Hutson, the founder of the Hotel du Vin boutique hotel brand. He has also launched The Pig boutique hotel brand in Hampshire, with openings in the New Forest and Southampton. The other significant opening has been the Holiday Inn Winchester. Oakley Hall just outside Basingstoke has opened up 18 bedrooms for hotel use.

NEW HOTELS IN HAMPSHIRE 2008-2012

Hotel	Location	No. Rooms	Year Opened
5 Star Hotels			
Lime Wood[1]	Lyndhurst, New Forest	29	2009
4 Star Hotels			
The Aviator	Farnborough	162	2008
Village	Farnborough	123	2009
Holiday Inn Winchester	Winchester	141	2010
Oakley Hall	Basingstoke	18	2011
Budget Hotels			
Ibis Budget Southampton[2]	Southampton City Centre	124	2008
Ibis BudgetPortsmouth[2]	Portsmouth City Centre	120	2008
Premier Inn Portsmouth (Horndean)	Horndean	24	2008
Travelodge Farnborough	Farnborough	77	2009
Premier Inn Southampton West Quay	Southampton City Centre	155	2011
Travelodge Eastleigh Central	Eastleigh	60	2012
Travelodge Aldershot	Aldershot	91	2012
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
G! Boutique Hotel	Southsea	14	2012
The Pig	Brockenhurst	26	2011
The Pig-in-the-Wall	Southampton	12	2012
Boutique Inns			
Pilgrim Inn	Marchwood	14	2009
The Hampshire Hog	Clanfield	20	2009
No 5 Bridge Street	Winchester	6	2011
Other Hotels/ Inns			
The Boathouse	Hythe	10	2011
Serviced Apartments			
Max Serviced Apartments	Farnborough	72	2010
House of Fisher	Farnborough	12	2012

Source: Hotel Solutions

Notes:
1. Formerly the Whitley Ridge Hotel
2. Opened under Accor Hotels' former Etap brand

- In terms of standard the focus of hotel development in the county has been primarily in terms of budget hotels, which have accounted for just over half of all new hotel bedrooms since 2008. Hampshire has also seen the opening of three large 4 star hotels – two in Farnborough and one in Winchester – accounting for just over a third of the new hotel supply in the county over the last 5 years. While eight new boutique hotels have opened in Hampshire, these have all been small hotels and have not contributed significantly to the county's total hotel supply. No new 3 star hotels have opened in Hampshire in the last 5 years.

NEW HOTELS IN HAMPSHIRE 2008-2012 – BY STANDARD

Standard of Hotel	Number of New Hotels	Number of New Hotel Bedrooms	% of New Hotel Bedrooms 2008-2012
5 star	1	29	2.1
4 star	4	444	32.8
Boutique	8	94	7.0
Budget	7	651	48.2
5 star/Boutique Inn	3	40	3.0
Other Hotels/ Inns	2	10	0.7
Serviced Apartments	2	84	6.2
Total	26	1352	100.0

- The pace of hotel development in Hampshire has slowed significantly since 2009, with more than double the number of new hotel bedrooms having opened in the county in 2008 and 2009 compared to the increase in hotel supply between 2010 and 2012.

NEW HOTELS IN HAMPSHIRE 2008-2012 – BY YEAR

Year	Number of New Hotels	Number of New Hotel Bedrooms	% of New Hotel Bedrooms 2008-2012
2008	6	445	32.9
2009	8	290	21.4
2010	2	213	15.8
2011	5	215	15.9
2012	5	189	14.0
Total	25	1352	100.0

2.2.2. Hotel Extensions and Refurbishment

- Alongside new hotel development, many of Hampshire's existing hotels have invested in refurbishment programmes and in some cases extensions. Key trends in terms of investment in existing hotels have been as follows:

    - The upgrading of a number of 3 star hotels to 4 star or boutique hotels;
    - Bedroom extensions to a number of budget hotels – including Premier Inns in Nursling, Basingstoke, Andover, Aldershot and Fareham and the Holiday Inn Express Southampton M27 Jct 7;
    - The refurbishment of some hotels. In the majority of cases this has been in terms of partial or soft refurbishment. Relatively few hotels have undergone major renovation programmes.

- Relatively few hotels have added bedrooms. The development of 12 treehouse suites at Chewton Glen has been a noteworthy expansion of an existing hotel. The other hotel that has undergone a significant expansion and development programme has been the Old Thorns Manor at Liphook, which has added 68 bedrooms, conference and leisure facilities and upgraded to 4 stars. A total of 273 bedrooms have been added to existing hotels in the county since 2008.

HAMPSHIRE HOTELS – EXTENSIONS AND UPGRADES 2008-2012

Hotel	Location	New Bedrooms	Total Bedrooms Now	Upgrading/New Facilities
5 Star				
Chewton Glen	New Milton	14	72	Treehouse suites developed in 2012
Lainston House	Sparsholt, Winchester		50	Upgraded to 5 star May 2012 + opened new gym and falconry centre
4 Star				
Novotel Southampton	Southampton City Centre		121	Upgraded to 4 star/ Executive and Superior bedrooms introduced 2011
Mercure Dolphin	Southampton City Centre	17	90	Upgraded to 4 star and extended – reopened May 2010
Balmer Lawn	Brockenhurst		53	Upgraded to 4 star
Montagu Arms	Beaulieu		22	Upgraded to 4 star
Old Thorns Manor	Liphook	68	100	Upgraded to 4 star and extended in 2009 + 2 new bars, a new restaurant and a new gym, pool and spa complex, conference centre, ballroom and timber pod bedrooms
Norton Park	Winchester			Re-furbishment of spa 2011
The Winchester	Winchester			Addition of spa treatment centre 2012
Audley's Wood	Basingstoke		72	New garden pavilion developed for weddings and conferences
Boutique				
Ennio's	Southampton	5	10	Bedrooms added 2011
Stanwell House	Lymington		30	Repositioned as a boutique hotel
Master Builder's House	Beaulieu		25	Acquired by Hillbrooke Hotels and repositioned as a 'quirky luxury' boutique hotel in 2009
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
3 Star				
New Forest Hotels	New Forest	9	135	The company has invested in upgrading its 4 hotels in the New Forest. New wing opened at Bartley Lodge in 2011, providing additional bedrooms, function space and public areas
Langrish House	Petersfield		13	Upgraded from 2 star to 3 star
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
Premier Inn Basingstoke Central	Basingstoke	26	71	Bedroom extension opened 2012
Premier Inn Andover	Andover	26	81	Bedroom extension completed 2011
Premier Inn Aldershot	Aldershot	20	60	Additional bedrooms opened 2011
Premier Inn Fareham	Fareham	20	61	Bedrooms added 2011
2 Star				
Royal Maritime Club	Portsmouth	(13)	101	27 basic single bedrooms converted to fourteen 3 star bedrooms 2011
Ungraded Hotels/ Guest Accommodation Graded Hotels				
Swan	Alton		36	Complete refurbishment 2010
The Angel Citylodge	Privett	15	40	Citylodge redeveloped, expanded and upgraded the former Lawns Motel in 2011
The Anglesey	Gosport	8	26	New bedrooms opened in 2010
White Hart	Hook		21	Hotel refurbished in 2011
White Rabbit	Lyndhurst		15	Fully refurbished in 2011
Beach House	Milford-on-Sea		16	The former Westover Hall Hotel was taken over by Dorset-based brewer Hall & Woodhouse in 2011, who reopened it as the Beach House following refurbishment

Source: Hotel Solutions

- While many of Hampshire's hotels have seen at least some investment in the last 5 years, an equal, if not greater number of hotels have had no significant recent investment other than ongoing maintenance and upkeep. As a result a number of the county's hotels are looking somewhat tired and dated. In the current economic climate and highly competitive hotel market it is proving difficult for many hotel owners to justify investment in their properties as this is unlikely to deliver an adequate return on investment, with little scope to increase occupancies or achieved room rates, even with investment. In other cases hotels are not currently generating sufficient profits to allow reinvestment and/or owners are unable to raise finance for improvements and upgrading. In a number of cases previous plans for hotel extensions have not been progressed as a result of these factors.

2.2.3. Hotel Closures

- Alton House Hotel in Alton closed in 2012 for redevelopment for housing.

- Greene King has recently sold the Danebury Hotel in Andover. The hotel is not currently open.

- Westfield Hall Hotel in Southsea does not appear to be operating currently.

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

- The Knightwood Hotel (14 bedrooms) has closed in the New Forest.

- The Romans Hotel at Silchester (25 rooms) has been converted to 8 dwellings.

- The Stanmore Hotel in Winchester has closed to be redeveloped as a care home

- There is a current application to convert the 17 bedroom Harestock Lodge Hotel in Winchester to a day nursery.

2.2.4. Re-Branding of Hotels/ Changes of Ownership

- Our research has identified the following rebranding and changes of ownership of hotels in Hampshire since 2008:

HAMPSHIRE HOTELS – RE-BRANDINGS. CHANGES OF OWNERSHIP 2008-2012

Hotel	Location	Previous Owner/ Brand	New Owner/ Brand
Botleigh Grange	Botleigh	Legacy	Independent
White Horse	Romsey	Independent	Silks Hotels
Potters Heron	Romsey	Corus	Pebble Hotels
Woodlands Lodge	Woodlands, New Forest	Independent	Independent
Master Builder's House	Beaulieu	Independent	Hillbrooke Hotels
New Park Manor	Brockenhurst	Von Essen	Luxury Family Hotels
South Lawn	Milford-on-Sea	Independent	Bespoke Hotels
The Crown	Lyndhurst	Evergreen Hotels/ Best Western	Antoinette Hotels
Fountain Court	Hythe	Independent	Independent
Marwell	Marwell	Independent	Bespoke Hotels
Winchester Royal	Winchester	Forestdale	Akkeron
The Winchester	Winchester	Pedersen Hotels	Quantum Hotels
Days Inn Southampton Rownhams	Rownhams	Premier Inn	Days Inn
Days Inn Winchester M3	M3 Services	Premier Inn	Days Inn
The Angel	Privett	Independent	Citylodge
Travelodge Havant Rowlands Castle	Rowlands Castle	Innkeeper's Lodge	Travelodge
Travelodge Portsmouth Hilsea	Hilsea	Innkeeper's Lodge	Travelodge
Travelodge Fleet	Fleet	Innkeeper's Lodge	Travelodge
Ibis Budget Southampton	Southampton	Etap	Ibis Budget
Ibis Budget Portsmouth	Portsmouth	Etap	Ibis Budget
Grand Harbour	Southampton	De Vere	Independent

Source: Hotel Solutions

- The following hotels in Hampshire are currently up for sale:
  - Hilton Portsmouth
  - Botleigh Grange
  - Manor Hotel, Gosport

- The Liphook Travelodge was sold to Metro Inns in March 2013. The two Travelodges on the north and southbound Sutton Scotney services on the A34 are due to close in June 2013 as the company has been unable to find buyers for them.

2.2.5. Hampshire Changes in Hotel Supply – 2007-2012

- Taking account of the above new hotel openings, bedroom extensions to existing hotels and hotel closures, the Hampshire hotel supply has increased by 13.5% in the last 5 years.

HAMPSHIRE – GROWTH IN HOTEL SUPPLY 2007-2012

Year	No. Hotels	Hotel Rooms	Additional Hotel Rooms	Annual Increase in Hotel Supply %	Additional Hotel Rooms since 2007	Increase in Hotel Supply since 2007 %
2007	181	10072	-	-	-	-
2008	187	10590	518	5.1	518	5.1
2009	195	10948	358	3.4	876	8.3
2010	196	11114	166	1.5	1042	9.5
2011	200	11393	279	2.5	1321	11.9
2012	204	11610	217	1.9	1538	13.5

Source: Hotel Solutions

2.3. Planned Hotel Development

2.3.1. Hotels Under Construction

- There are seven hotels currently under construction/ development in Hampshire:
    - A 175-bedroom 4 star Hilton hotel with spa and conference facilities is being built as part of the £48million development of the Ageas Bowl cricket ground, which includes new stands to increase the venue's total capacity to 25,000 for major matches, alongside a new 18-hole golf course. The hotel is due to open in 2014.
    - Heckfield Place near Hook is currently undergoing a multimillion-pound refurbishment to become a 70-bedroom luxury country house hotel and spa. The property is due to re-open in 2013.
    - The Mercer Collection group will open its fourth boutique hotel in Southsea in February 2013. Converted from the former Bembell Court Hotel, the Number Four hotel will have 11 bedrooms and will be the group's flagship property.
    - Pub company Revere, the premium pub brand of Marston's, is developing the Angel & Blue Pig at Lymington as a gastropub with boutique bedrooms, opening March 2013.
    - Two Premier Inn budget hotels will open in 2013 in Fleet and Gosport, with a third Premier Inn is due to open in Portsmouth in 2014.

HAMPSHIRE – NEW HOTELS UNDER CONSTRUCTION – (as at January 2013)

Hotel	Location	Standard	No. Rooms	Opening Date
Heckfield Place	Hook	5 star	70	2013
Hilton	Ageas Bowl	4 star	175	April 2014
Number Four	Southsea	Boutique	121	February 2013
Premier Inn	Fleet	Budget	70	September 2013
Premier Inn	Gosport	Budget	63	September 2013
Premier Inn	Portsmouth	Budget	80	2014
Angel & Blue Pig	Lymington	Boutique Inn	12	March 2013

Source: Hotel Solutions

2.3.2. Proposed Hotels

- Our research has identified proposals for 33 new hotels across Hampshire that could potentially add 3,000 additional hotel bedrooms to the county's hotel supply if they all go ahead. 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. Many of the schemes do not appear to have hotel operators signed up at this stage.

- The main focus of proposed hotel development activity is on Southampton (6 hotels/potentially 650 additional bedrooms) and Portsmouth (9 hotels/ potentially 1,350 additional bedrooms). Two sites have been mooted for hotel development in Fareham although no hotel operators are as yet identified for either site. There are 4 possible hotel proposals being considered in Gosport. There are two proposals for hotels in Waterlooville and three proposed hotels in Havant. Premier Inn has plans for new hotels in Farnborough, Winchester and Basingstoke (as well as plans for a further hotel in Portsmouth). There are two further proposals for hotels at Basing View in Basingstoke. A hotel site is currently being marketed for a hotel at the developing Andover Business Park.

- The hotel schemes that are furthest advanced are mainly at the budget level. The luxury Harbour Hotel & Spa in Southampton and Village Urban Resort in Portsmouth are the only full service hotels that appear to be being progressed at present but neither hotel is yet on site.

- A number of previously proposed hotel projects have been shelved during the recession (e.g. the Radisson Blu and aparthotel at East Park Terrace and Mayflower Plaza office and hotel scheme in Southampton, both now being progressed for student accommodation). Other hotel projects have also been put on hold (e.g. the Jury's Inn proposed for Portsmouth) or reduced in scale (e.g. the planned hotel at Ocean Village in Southampton).

HAMPSHIRE – PROPOSED HOTELS (AS AT JANUARY 2013)

Proposed Hotel/Site	Standard	No. Rooms	Details
Southampton			
Southampton Harbour Hotel & Spa	Luxury spa hotel	76	Plans have been approved for MDL Marinas' 'super-yacht' inspired project, which includes a 76-bedroom luxury spa hotel, a Michelin-starred restaurant and a rooftop champagne bar. MDL Marinas has teamed up with Harbour Hotels on the plans. The scheme replaces a previous proposal for a 225-bedroom Millennium 4 star hotel on the site.
Travelodge Castle Way	Budget	84	Travelodge has unveiled plans for an 84-bedroom hotel on the site of the Gracechurch House office building in Castle Way in Southampton city centre. Planning approved.
Cedar Press site, Royal Crescent Road	3/4 star	100	Orchard Homes was granted planning permission in 2010 for the construction of a new hotel and apartment building.
Centenary Quay	Budget/ Mid-market	100	Crest Nicholson's £500million proposals for the Centenary Quay mixed-use development scheme include plans for a hotel. Work started on residential element. Future of hotel component unclear.
Watermark WestQuay	n/a	TBC	Plans for a leisure led mixed-use development of former Pirelli factory site to include a landmark cinema, up to 15 restaurants, retail space and a newly created public space. The developer is Hammerson. A revised development agreement for the scheme was signed between Hammerson and the City Council in December 2012.The latest plans for the scheme envisage a hotel, residential tower, office space, restaurants and additional public space forming a second stage of the project that could be progressed in 2018. Outline planning submitted March 2013.

Proposed Hotel/Site	Standard	No. Rooms	Details
Royal Pier Waterfront	n/a	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 owned by the City Council, Crown Estates and Associated British Ports. Morgan Sindall Investments Limited has been selected as preferred developer and is currently preparing a Master Plan. Development is expected to start on site in 2016 with completion of Phase 1 in 2018.
Eastleigh			
Mercury Marina, Hamble			Hotel proposed in the emerging Local Plan at the Mercury Marina and Riverside Camping & Caravan Park north of Hamble.
Eastleigh Riverside	n/a	n/a	A hotel linked to conference facilities is an identified use at Eastleigh Riverside, a 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			
Zurich House	3 star n/a	200 243	McAleer & Rushe's approved £100million scheme for the vacant Zurich House site in Portsmouth city centre includes a 200-bedroom Jury's Inn 3 star hotel and a second 243-bedroom hotel alongside residential apartments, offices, bars and restaurants. The project has been on hold due to the recession. McAleer & Rushe's website talks about serviced apartments pre-let to StayCity. Phase 1 205 bedroom Jurys Inn plus 93 serviced apartments. Phase 2 150 bedroom hotel with 65,000 sq ft office, 56 apartments and commercial.
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 alongside 1600 dwellings, 25,000 sq m office space, commercial leisure uses and a Park & Ride operation.

Proposed Hotel/Site	Standard	No. Rooms	Details
Number One Portsmouth Surrey Street	4 star Aparthotel	186	£36m 25-storey hotel proposed by BridgePoint Ventures. Planning permission granted by Portsmouth City Council
Village Lakeside North Harbour	4 star	124	Highcross has sold a 3.1 acres site at its Lakeside North Harbour Business Park to De Vere Group for the development of a 124-bedroom 4 star Village Urban Resorts hotel. De Vere is currently in the process of raising finance for the hotel.
Travelodge Europa House, Havant Street	Budget	170	Planning permission has been granted to Land Securities to convert the upper floors of PALL Europe's former headquarters office building to a 170-bedroom Travelodge budget hotel
Brunel House The Hard	n/a	200	Bouygues Development revealed plans in November 2012 for a landmark tower at the Brunel House site at The Hard to house a mixed-use development including a 200-bedroom hotel, student accommodation, residential apartments, retail units and car parking.
Fareham			
Coldeast Hospital	n/a	27	Proposal to convert the listed Mansion House into a hotel and wedding venue alongside housing on the rest of the hospital site. Site owners Miller Homes and the Homes and Communities Agency secured full planning permission for the scheme (including the hotel) in October 2012. Hotel developer Sanguine Hospitality recently pulled out of the scheme due to the extent that the Mansion House has deteriorated since they first agreed to develop the hotel. A new developer for the hotel is currently being sought.
Fareham Town Centre	Budget	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. Developer/operator interest also expressed to Council.
Waterlooville			
West of Waterlooville	Budget	40	Proposal for a 40-bedroom hotel adjacent to the West of Waterlooville Major Development Area.
BAe Systems Technology Park	Budget	60	Proposal for hotel alongside restaurant, car showroom and B class uses 2012. Resolution to approve subject to legal agreement.

Proposed Hotel/Site	Standard	No. Rooms	Details
Havant			
Travelodge Langstone Technology Park	Budget	81	Havant Borough Council has approved plans for an 81-bedroom Travelodge hotel and Greene King Cloverleaf pub restaurant on land to the east of Langstone Technology Park. The hotel element is thought to be currently on hold due to funding issues.
Interbridges, A27 Emsworth Bypass	Budget	78	Planning permission has been granted for a budget hotel and recently renewed
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 and is allocated for this use. Portsmouth City Council (as landowner of the site) has submitted a hybrid planning application for the site comprising an outline application for employment uses and a hotel and a detailed application for a new link road. This is due to be considered by Havant Borough Council in Spring 2013
Gosport			
Solent Enterprise Zone (Formerly HMS Daedalus)	n/a	n/a	Outline planning includes 8020 sq m of floorspace for a hotel.
Royal Haslar Hospital	n/a	n/a	Draft Local Plan identifies mixed use development which could include hotel/conferencing as a suitable use. Planning application imminent.
Gosport Waterfront	n/a	75	Application for a 75 room hotel on land between Harbour Road and Mumby Road.
Priddy's Hard	n/a	n/a	Draft Local Plan identifies this site for mixed use which could include hotel; given size and constraints this would be a small unit.
Farnborough			
Premier Inn	Budget	80	Bride Hall Holdings is currently seeking planning permission to redevelop its Firgrove Parade site in Farnborough town centre into an 80-bedroom Premier Inn hotel with a Beefeater restaurant and 14 flats.

Proposed Hotel/Site	Standard	No. Rooms	Details
Basingstoke			
Premier Inn	Budget	81	Proposal by developer Fishron and Premier Inn to demolish Barclay House in Victoria Street and replace it with an 81-bedroom hotel. The scheme replaces a previous proposal for an 88-bedroom Travelodge on the site.
Basing View	Business class		Muse Developments' plans for the regeneration of Basing View include a proposal for a business class hotel. Fishron also have permission for a 137 bedroom hotel on The Glass House/Annexe site.
Andover			
Andover Business Park	n/a	n/a	A consented site is currently being marketed for a hotel on the developing Andover Business Park.
Winchester			
Premier Inn	Budget	101	Planning permission granted for the development of a 101-bedroom Premier Inn on the site of the Caledonia House office building in Winnall
East Hampshire			
Travelodge Liphook South	Budget	40	Planning permission granted in 2010 for a Travelodge budget hotel on the southbound service area on the A3 Liphook bypass. The Travelodge on the northbound service area was sold to Metro Inns in March 2013. It seems unlikely therefore that Travelodge will implement this permission.
Fox & Pelican, Grayshott	n/a	14	Planning permission granted in 2009 for a lodge block to the rear of the pub

Source: Hotel Solutions/Hampshire County Council

2.3.3. Planned Development of Existing Hotels

- Recent trends in relation to investment in existing hotels are continuing in 2013 and 2014 in terms of:
    - The upgrading of 3 star hotels to 4 stars – with The Crown in Lyndhurst and Winchester Royal currently undergoing complete refurbishment programmes to take them up to 4 stars;
    - The refurbishment of some hotels;
    - Small bedroom extensions to a number of hotels;
    - The development of additional leisure facilities at country house hotels

HAMPSHIRE – PLANNED DEVELOPMENT OF EXISTING HOTELS

Hotel	Standard	New Rooms	Proposed Development
Southampton City Centre			
Grand Harbour	4 star		De Vere Hotels sold the Grand Harbour to an unnamed private buyer in February 2013. The new owner is reportedly planning to carry out a multimillion-pound renovation of the hotel.
Novotel	4 star		New Novotel bedroom product to be introduced in 2014
Mercure Dolphin	4 star	9	Outbuildings currently being converted to nine extra guest bedrooms – due to open summer 2013
Southampton/Eastleigh M27 Corridor			
Botleigh Grange, Hedge End	4 star		£1m refurbishment programme starts April 2013
Chilworth Manor	3 star	48	Has planning permission for a bedroom extension. No plans to implement currently.
Botley Park	4 star	44	Eastleigh Borough Council has granted outline planning permission for the redevelopment of Botley Park's golf course for the Boorley Green housing development (1,400 homes). The scheme includes a proposal to extend the hotel to provide 44 additional bedrooms alongside new conference and leisure facilities.
Premier Inn Eastleigh	Budget	20	Proposed 20 bedroom extension, granted permission March 2013

Hotel	Standard	New Rooms	Proposed Development
Portsmouth			
Ibis Portsmouth	Budget	40	Has planning permission for a further 40 bedrooms. No plans to implement at present.
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).
Havant			
Premier Inn Havant	Budget		Planning application for 21 bedroom extension refused in 2013 on the grounds of loss of trees and screening to adjacent property.
Basingstoke			
Hampshire Court	4 star	56	The hotel has planning permission for an additional 56 bedrooms and a conference suite. Permission expires November 2013.
Hook			
Four Seasons Hampshire, Dogmersfield	5 star Country House		Currently developing new equestrian centre and staff accommodation
Aldershot			
Potter's International Hotel	3 star	52	Unimplemented permission for an extension and re-configuration. Unlikely to be progressed.
Winchester			
Winchester Royal	4 star	6	Currently undergoing complete refurbishment and upgrade to 4 star + addition of 6 extra bedrooms – due to be completed April 2013
Holiday Inn Winchester	4 star	36	Currently applying for planning permission for extension to provide an additional 36 bedrooms, dry leisure facilities and spa treatment rooms and additional meeting space
Lainston Hotel, Sparsholt	4 star		Permission granted 2011 for the development or a spa with treatment and relaxation rooms.
Kings Head Hursley	4 star	2	Permission granted for extension to deliver an additional 2 boutique bedrooms
East Hampshire			
Old Thorns Manor	4 star	70	Bedroom extension planned for 2014
Travelodge Alton Four Marks	Budget		Full refurbishment planned for 2013

Hotel	Standard	New Rooms	Proposed Development
New Forest			
Lime Wood	5 star Country House	3	Currently converting gatehouse to provide three 2-bedroom suites – due to open October 2013
New Park Manor	Luxury Family Hotel		Currently being refurbished and repositioned as a luxury family hotel
The Crown Manor	4 star	11	Currently undergoing a £2.5m refurbishment and development programme to upgrade the hotel to 4 stars and add 11 bedrooms.
Forest Park, Brockenhurst	3 star		Proposal to demolish a wing of the hotel, build houses in the grounds and refurbish the remaining hotel
Beaulieu	3 star	7	Currently applying for planning permission to develop an additional 7 bedrooms
Hythe			
Fountain Court	n/a		The hotel is currently undergoing major refurbishment under its new owners. Following which it will reopen as the Blue Waterfall Hotel

Source: Hotel Solutions

- While our research has identified plans for investment in a number of hotels across Hampshire, we also found a significant number of existing hotels that have no plans for refurbishment and development despite little recent investment and in some cases a clear need for upgrading. In the current climate hotel owners continue to find it difficult to justify upgrading in terms of the returns that this is likely to generate and/or face ongoing difficulties in raising finance for upgrading and development projects.

2.3.4. Potential Increase in Hotel Supply 2013/2014

- On the basis of the information that we have on hotels under construction and our assessment of which proposed hotels could proceed in 2013 and 2014, Hampshire's hotel supply could increase by 11% over the next two years, with the opening potentially of 12 new hotels and an additional 1,241 hotel bedrooms. Our research suggests that the pace of hotel development in Hampshire looks set to quicken in 2014, with the possible opening of 8 new hotels and an increase in hotel supply of almost 1,000 hotel bedrooms.

HAMPSHIRE – POTENTIAL INCREASE IN HOTEL SUPPLY 2013/ 2014
(Based on Known Hotel Development Proposals at January 2013)

Hotel/ Hotel Project	Location	Standard	Bedrooms
2013			
Heckfield Place	Hook	5 star Country House Hotel	70
Lime Wood – additional bedrooms	Lyndhurst	5 star Country House Hotel	3
Mercure Dolphin – additional bedrooms	Southampton	4 star	9
Winchester Royal – additional bedrooms	Winchester	4 star	6
The Crown – additional bedrooms	Lyndhurst	4 star	11
Number Four	Southsea	Boutique	11
Premier Inn Fleet	Fleet	Budget	70
Premier Inn Gosport	Gosport	Budget	63
Total New Hotel Bedrooms 2013			**243**
2014			
Southampton Harbour Hotel & Spa	Southampton	Luxury Spa Hotel	76
Hilton Ageas Bowl	West End, Southampton	4 star	175
Village Urban Resort	Portsmouth	4 star	124
Old Thorns Manor – bedroom extension	Liphook	4 star	70
Holiday Inn Winchester – additional bedrooms	Winchester	4 star	30
Beaulieu	Beaulieu	3 star	7
Travelodge Portsmouth	Portsmouth	Budget	170
Travelodge Southampton	Southampton	Budget	84
Premier Inn Farnborough	Farnborough	Budget	80
Premier Inn Basingstoke	Basingstoke	Budget	81
Premier Inn Portsmouth	Portsmouth	Budget	84
Premier Inn Winchester	Winchester	Budget	101
Total New Hotel Bedrooms 2014			**998**

- The recent trends in hotel development activity in Hampshire, which mirror national hotel development trends, look set to continue in 2013 and 2014 in terms of:
    - A continuing increase in the county's budget hotel supply – with the opening potentially of 7 new budget hotels with a total of 649 bedrooms, equivalent to a 23% increase in budget hotel provision across Hampshire;
    - Further growth in the county's 4 star hotel supply, with the opening of new 4 star hotels at the Ageas Bowl and Portsmouth, bedroom extensions to a number of existing 4 star hotels and the upgrading of some 3 star hotels;
    - The development of another 5 star country house hotel and a luxury spa hotel potentially in Southampton;
    - The opening of another small boutique hotel (in Southsea);
    - Little activity in terms of 3 star hotel development, with no new 3 star hotels planned and a reduction in 3 star hotel supply as hotels upgrade to 4 star or reposition as boutique hotels.

3. CURRENT HOTEL PERFORMANCE & MARKETS

3.1. Occupancy, Achieved Room Rates[1] and Revpar[2]

- The table overleaf sets out our estimates of average annual room occupancies, achieved room rates and revpar for Hampshire hotels for 2010, 2011 and 2012, based on the information provided to us by the managers and owners of existing hotels.

- Hotel performance has generally improved in Hampshire in 2011 and 2012 for most standards of hotel and in most parts of the county but has not yet returned to pre-recession (2007 and 2008) levels in most cases. Hotel occupancies began to increase in the county in 2011 and strengthened further in 2012. Achieved room rates remained largely static in 2011 or dropped slightly at some levels in the market but have generally strengthened in 2012 as hotels have been more able to yield room rates on the back of strengthening demand.

[1] The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per occupied room** net of VAT, breakfast (if included) and discounts and commission charges.

[2] The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per available room** net of VAT, breakfast (if included) and discounts and commission charges.

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

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

Source: Hotel Solutions

Notes:

1. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
2. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges.
3. Source: TRI Hospitality Consulting Hotstats UK Chain Hotels Market Review
4. The sample of participating 3 star hotels in the New Forest is relatively small. An insufficient number of New Forest 4 star hotels took part in the survey to allow the publication of performance data for this standard of hotel in this part of the county
5. Sample includes 3 star hotels in Fareham, Havant, Emsworth, Stockbridge, Hook, Andover and Alton

3.1.1. Performance by Standard of Hotel

- **5 star/ 4 red star country house hotels** in Hampshire generally achieve relatively low occupancies but very high achieved room rates – in some cases approaching or over £300.

- **3/4 star country house hotels** trade at lower levels of occupancy than other 3 and 4 star hotels in Hampshire but generally at higher levels of achieved room rate. Revpar performance for such hotels is largely on a par with that of 4 star hotels in the county.

- Hampshire's **boutique hotels** generally achieve high room occupancies (in excess of 75% in most cases) and achieved room rates of over £100. Some boutique hotels trade at a more midmarket level, achieving much lower average room rates (£66 in 2012).

- **3/4 star chain hotels** in Hampshire have performed slightly better than the national average over the last 3 years in terms of occupancy, achieved room rates and revpar.

- Occupancies, achieved room rates and revpar have generally strengthened for Hampshire's **4 star hotels** over the last three years but have not yet returned to their pre-recession levels in most parts of the county. The strong performance of the newly opened 4 star hotels in Farnborough has however pushed the average achieved room rate for the county's 4 star hotel sector above its 2007 level.

HAMPSHIRE 4 STAR HOTELS – COMPARATIVE PERFORMANCE 2007-2012

	Average Annual Room Occupancy %		Average Annual Achieved Room Rate £	
	2007[1]	2012	2007[1]	2012
Hampshire	**71.1**	**70**	**75**	**77**
Southampton City Centre	77.5	77	76	74
Southampton/Eastleigh M27 Corridor/ Fareham	68	70	79	74
Portsmouth[2]	72.5	76	69	67
Basingstoke[3]	69.5	66	75	73
Farnborough[4]	n/a	67	n/a	106
Winchester[5]	72	68	70	66

Notes:

1. Source: Hampshire Hotel Trends Survey 2006-2007, Hotel Solutions, April 2008
2. The sample for Portsmouth includes one branded 3 star hotel and an upper-tier budget hotel, both of which trade on a par with one of the city's 4 star hotels
3. The sample for Basingstoke includes one branded 3 star hotel
4. Comparative data is not available for Farnborough. The sample for Farnborough includes one branded 3 star hotel
5. The sample of hotels for Winchester differs slightly between 2007 and 2012. The sample of hotels for Winchester includes one 3 star hotel that is currently upgrading to 4 stars

- **4 star golf hotels** traded at slightly lower levels of occupancy than other 4 star hotels in Hampshire in 2012 and an achieved room rate and revpar approximately £4 below the county 4 star average. 4 star golf hotel performance has improved substantially over the last 3 years as the Old Thorns Manor has become more established in the market place and the county's other golf hotels have either driven occupancy through special offers or been more bullish about yielding room rates.

- The performance of Hampshire's **3 star hotels** has slowly improved over the last three years, with average annual room occupancies for 3 star hotels across the county rising by 3.5 percentage points, achieved room rates up by £1 per year and revpar increasing by £2 between 2010 and 2012. Average annual achieved room rates for the county's 3 star hotel sector are still below their 2007 level however – £59 in 2012 compared to £61 in 2007.

- **Chain-operated/branded 3 star hotels** generally perform more strongly than independent 3 star hotels and those operated by pub companies. They typically traded at average annual room occupancies of 70-74% in 2012 and achieved room rates of £67/68. While occupancies have strengthened for these hotels in the last three years, achieved room rates have remained largely static.

- Many **independent 3 star hotels**, particularly those located in the county's smaller towns and the New Forest, and those that have seen little recent investment, trade at lower levels of occupancy and achieved room rates, in some cases under £50 and as low as £33-35 for a few hotels.

- **Budget hotels** have continued to trade at very high occupancies (generally in excess of 80%) across Hampshire over the last 5 years. New budget hotels have quickly established themselves in the market to achieve high levels of occupancy and do not appear to have impacted on the performance of existing budget hotels. Achieved room rates have however dropped for the county's budget hotel sector in the last 3 years, largely as a result of Travelodge having significantly reduced its room rates to drive occupancy. As a result of their strong occupancy performance Hampshire's budget hotels generally achieve higher revpar figures than many independent 3 star hotels in the county, which have struggled to compete with new budget hotel supply in some locations.

- **2 star hotels** in Southampton and Portsmouth traded at similar occupancies and achieved room rates to the county's independent 3 star hotels but much lower levels of occupancy to 3/4 star chain operated and budget hotels in the two cities. They charge similar room rates to Ibis and Premier Inn budget hotels in each city and higher prices than Travelodge and Ibis Budget hotels.

- The Sinah Warren Warners **adults only hotel** on Hayling Island has continued to trade at very high levels of occupancy, catering primarily for the over 55s leisure break market. The hotel has benefitted from the staycation trend with growth in both occupancy and achieved room rates in 2011 and 2012.

- The New Park Manor **luxury family hotel** is on target to achieve high levels of room occupancy and very high achieved room rates as it establishes itself at the top end of the family break market.

- **Serviced apartments** in Southampton, Portsmouth, Fareham, Basingstoke and Farnborough generally achieved high occupancy levels of 80-90% in 2012. Occupancies dropped back for some serviced apartment operations in Farnborough as a result of the relocation of Nokia away from Fleet.

3.1.2. Performance by Location

- 3/4 star hotel performance varies significantly by location across Hampshire. **Locations of strong 3/4 star occupancy performance** (where most 3/4 star hotels traded at average annual room occupancies of around 75% in 2012) are Southampton City Centre and Portsmouth. Achieved room rates vary widely between hotels in Southampton City Centre however and have dropped sharply in 2010 and 2011 following the reopening and expansion of the Mercure Dolphin and the opening of the Premier Inn Southampton West Quay. They recovered slightly in 2012 but were still some way below their 2008 level and well below the national average for provincial 3/4 star chain hotels Achieved room rates similarly vary significantly for 3/4 star hotels in Portsmouth and are below the national average overall. They have remained flat for the last three years, at a similar level to 2008.

- Some 3/4 star hotels in the Southampton/Eastleigh M27 Corridor achieved average annual room occupancies of around 75% and above in 2012. Others traded at lower occupancies of around 65%. 3/4 star hotel occupancies have steadily strengthened in this part of the county over the last 3 years and were well above their 2008 levels in 2012. Achieved room rates are relatively low in this location however – an average of £70 for 4 star hotels in 2012 and £54 for 3 star hotels. They improved significantly for 4 star hotels in 2012 but are not yet back to their 2008 levels. Achieved room rates for this area's 3 star hotels have remained largely flat since 2009, around £3 below their 2008 average.

- **Locations of strong 4 star achieved room rate performance** (where some 4 star hotels achieved average annual achieved room rates of around or over £80 in 2012) are:

    - Southampton City Centre
    - Portsmouth
    - Fareham
    - Farnborough
    - The New Forest
    - Liphook

- 4 star/ branded 3 star achieved room rates are very high in Farnborough – an average of £106 in 2012 – and have grown steadily over the last 3 years. Room occupancies are relatively low here however, due to the lack of weekend demand.

- 4 star/ branded 3 star achieved room rates are above the national average in Basingstoke – at an average of £73 in 2012 – and have slightly increased over the last 3 years. They remain a little below their 2007 level (£74) however. As in Farnborough, room occupancies are comparatively weak in Basingstoke, due to lower levels of trade at weekends. Occupancies dropped sharply in 2012 for Basingstoke 4 star/ branded 3 star hotels as a result of a downturn in corporate demand.

- **Locations of weaker 4 star hotel performance** (where some 4 star hotels achieved average annual room occupancies of under 70% and/or average annual room rates of below £65 in 2012) are Winchester and Havant. 4 star hotel occupancies and achieved room rates dropped sharply in 2010 in Winchester following the opening of the new Holiday Inn at Morn Hill. While they have steadily improved in 2011 and 2012 they are still some way below the national average and 2007 levels for the city.

- The performance of chain-operated 3 star hotels is fairly consistent across Hampshire. **Locations of stronger achieved room rate performance for chain-operated 3 star hotels** are Farnborough and Basingstoke. Average annual room occupancies are lower for such hotels in these two locations however. **Locations of comparatively weaker achieved room rate performance for some branded 3 star hotels** are Southampton City Centre and Eastleigh. Occupancies are however stronger for chain-operated 3 star hotels in these parts of the county, particularly in Southampton City Centre.

- The performance of independent 3 star hotels is highly variable across Hampshire. **Locations where some independent 3 star hotels achieve high average annual room occupancies** (in excess of 75% in 2012) are Southsea, Fareham, Alton and the New Forest. Achieved room rates and revpar figures for the county's independent 3 star hotels are relatively low. **Locations of very low revpar performance for some independent 3 star hotels** (under £30 in 2012) are Havant, Andover and the New Forest. Revpar performance is below the county average for some independent 3 star hotels in Portsmouth and Alton.

- Hotel performance varies significantly between hotels of different standards and types in the New Forest. Luxury country house hotels and boutique hotels achieved high room occupancies and average room rates in 2012. 4 star average room rates also appear to be strong but room occupancies relatively low. The performance of independent 3 star hotels in the New Forest varies widely between hotels. Some trade at lower room occupancies and achieved room rates than the county averages, while others perform ahead of the county figures.

- Occupancies generally improved for independent 3 star hotels across the county between 2010 and 2012 but achieved room rates have remained flat. Independent 3 star hotels in Aldershot, Fleet and other parts of North Hampshire saw a fall in occupancy, room rates and revpar in 2011 as a result of the new budget hotel openings in Farnborough. Their performance improved in 2012 however. Room occupancies, and in some cases achieved room rates, dropped for some independent 3 star hotels in the New Forest in 2012 as a result of the poor summer weather. Other New Forest 3 star hotels saw an improvement in their occupancy and room rate performance following investment and improved marketing. In some cases hotels here dropped room rates, particularly for late bookings, to combat the impact of the poor weather.

- Budget hotels in all parts of Hampshire have consistently achieved high levels of room occupancy (generally around 80%) for the last 3 years.

- Independent, non-inspected hotels in Gosport appear to have traded at reasonable levels of occupancy in 2012 but low average room rates. One hotel saw a drop in occupancy however.

3.2. Patterns of Demand

3.2.1 Midweek Occupancies

- Midweek (Monday to Thursday) occupancies are generally strong for all standards of hotel in all parts of Hampshire, other than the New Forest, where weekday demand is more seasonal and leisure-driven.

- Hampshire's 3 and 4 star hotels generally achieved average annual midweek occupancies of at least 80% in 2012. Weekday occupancies were particularly high (85-90%) for 3/4 star hotels in Portsmouth and Fareham but slightly lower (around 75% overall) for 4 star hotels in Winchester and some 3/4 star hotels in the Farnborough/Aldershot/Fleet area and Havant. 3/4 star hotels in the New Forest generally achieved midweek occupancies of around 65% in 2012.

- Midweek occupancies are generally even higher for the county's budget hotels, typically around 85-90% in 2012 in most locations. Midweek occupancies were particularly high (in excess of 90%) for some budget hotels in Portsmouth but slightly lower (80% or under) for most budget hotels in Southampton City Centre following the opening of the Premier Inn Southampton West Quay in 2011.

- Tuesday and Wednesday nights are the strongest midweek nights for the county's hotels, with many 3 and 4 star, and most budget hotels frequently filling and turning business away on these nights for much of the year. Monday nights are also usually strong although hotels do not usually fill and turn business away as often on this night. Thursday tends to be more of a shoulder night for many 3/4 star hotels, with room occupancies generally running at around 60-65%. Budget hotels still tend to achieve high occupancies on Thursday nights.

- Midweek occupancies are fairly consistent throughout the year for most of the county's 3/4 star and budget hotels. They tend to dip a little in July and August in some locations, when corporate business reduces. Midweek demand is more seasonal in Southampton City Centre, peaking between April and October when cruise passenger demand is at its strongest. As already noted above, midweek demand for hotel accommodation in the New Forest is much more seasonal than in other parts of Hampshire due to the leisure bias to the market here and general lack of midweek corporate business.

- Midweek occupancies are relatively low (averaging out at 61% in 2012), seasonal and variable, depending on residential conference business, for Hampshire's luxury 4 and 5 star country house hotels.

- Monday to Thursday occupancies are strong for the county's boutique hotels (averaging out at 79% in 2012).

- Weekday occupancy performance varies between the county's 4 star golf hotels. Two hotels achieved lower midweek occupancies of under 70% in 2012 as a result of a more pronounced seasonal pattern of trading, while one achieved an average annual midweek occupancy of closer to 80%.

3.2.2 Weekend Occupancies

- Weekend occupancies vary by location and type of hotel. For 3/4 star hotels, Friday and Saturday demand is strongest in Southampton City Centre, Winchester, the New Forest and the Southampton/Eastleigh M27 Corridor. 3/4 star hotels in these locations typically achieved Friday night occupancies of 70-80% in 2012 and Saturday occupancies of 80-90%. They frequently filled and turned business away on Saturday nights and some Friday nights between April and October. Sunday night occupancies in these parts of the county are lower (typically around 40-50%) but generally higher than for 3/4 star hotels in other parts of the county. Some hotels in the New Forest achieve reasonably strong Sunday night occupancies (of around 60%).

- 3/4 star hotels in Portsmouth and East Hampshire achieve high occupancies on Saturday nights (typically around 90%). Friday and Sunday night occupancies are not as strong in these locations however. One hotel in Havant achieves high Saturday night occupancies by promoting heavily discounted room rates through third party websites/online travel agents, impacting on its achieved room rate performance as a result.

- Weekend occupancies are lower for 3/4 star hotels in Basingstoke, Farnborough, Fareham, Andover and Hook and the other hotels in Havant. 3/4 star hotels in these locations typically achieved Friday occupancies of around 45% in 2012, Saturday occupancies of 50-60% and Sunday occupancies down to 35-40%.

- Weekend demand for 3/4 star hotels is largely seasonal in most parts of the county, other than the New Forest, where hotels achieve strong weekend demand virtually all year round, albeit generally through special offer rates in the winter. Elsewhere in the county weekend occupancies are strongest between April and October, when leisure break, weddings and cruise passenger business is at its strongest. Weekend demand is not as strong and generally lower-rated between November and March and can be very low in December and January.

- Budget hotels across Hampshire generally achieve high weekend occupancies - typically over 80% on Friday nights and 85-90% + on Saturday nights. Sunday night occupancies are also reasonably good for the county's budget hotels, generally running at around 50-60%+ in many locations but at much lower levels in others. Weekend occupancies are slightly lower for budget hotels in Basingstoke, Farnborough and Aldershot but still well above 3/4 star weekend occupancies in these locations.

- Saturday night occupancies are generally very strong for Hampshire's luxury country house hotels, most of which frequently fill and turn business away on this night, particularly during the summer months. Friday occupancy performance varies significantly between hotels. Some of the county's luxury country house hotels achieve high Friday night occupancies (typically 70-100%), while others trade at much lower levels of occupancy on Fridays. Sunday night occupancies are low (averaging 36% across the county) for luxury country house hotels although one hotel drives strong Sunday business through special promotions.

- Friday and Saturday night occupancies are very strong for Hampshire's boutique hotels throughout the year. They usually fill and turn business away on Saturday nights and often on Fridays also. Sunday night occupancies are generally lower, at around 40-60%. One of the county's boutique hotels achieves high levels of demand on Sunday nights through a special restaurant promotion.

- Weekend occupancies are strong for the county's 4 star golf hotels between April and October as a result of golf break, spa break and weddings business. These hotels achieve high occupancies on Friday and Saturday nights during these months and drive good levels of business on Sunday nights through discounted golf packages. Weekend occupancies are low for the county's 4 star golf hotels during the winter months however.

HAMPSHIRE HOTELS – DIFFERENCES IN MIDWEEK AND WEEKEND OCCUPANCY BY TYPE OF HOTEL & LOCATION

Midweek Occupancies		Weekend Occupancies		
Types of Hotel/ Locations Achieving High Midweek Occupancies (85-90%)	**Types of Hotel/ Locations Achieving Low Midweek Occupancies (Under 70%)**	**Types of Hotel/ Locations Achieving High Fri/Sat Occupancies (Fri – 80% +/ Sat- 90%+)**	**Types of Hotel/ Locations Achieving High Sat Occupancies (90% +)**	**Types of Hotel/ Locations Achieving Low Fri/Sat Occupancies (45-60%)**
3/4 Star Hotels • Portsmouth • Fareham • Farnborough (1 hotel) • Southampton City Centre (1 hotel)	3/4 star hotels • New Forest	3/4 Star Hotels • Southampton City Centre • Winchester (2 hotels) • New Forest	3/4 Star Hotels • Portsmouth • East Hampshire • Havant (1 hotel – on discounted rates)	3/4 Star Hotels • Basingstoke • Farnborough • Aldershot • Fleet • North Hampshire • Fareham • Andover • Hook • Havant (2 hotels)
Budget Hotels • All locations		Budget Hotels • All locations		
	Luxury country house hotels		Luxury country house hotels	
	Golf hotels (2 hotels)		Golf Hotels (April-Oct)	
		Boutique Hotels • All locations		

3.3. Market Mix

- The midweek market mix for Hampshire hotels is heavily biased towards business demand in most parts of the county, other than the New Forest, where leisure demand predominates during the week. Business demand typically accounts for roughly 80-90% of midweek trade for hotels in the county, while in the New Forest it makes up around 20% of weekday business for most hotels. Midweek leisure demand is stronger, particularly during the summer months for golf hotels and boutique hotels and for hotels in the following locations:

    - Southampton – due to demand from cruise passengers;
    - Portsmouth;
    - Winchester;
    - Havant;
    - East Hampshire;

- The weekend market mix for Hampshire hotels is strongly weighted towards leisure demand. In most parts of the county leisure business typically accounts for 90-95% of weekend trade. Business demand is stronger in the weekend market mix for hotels in the following locations, possibly due to stronger long stay project-related demand and corporate arrivals on Sundays but also weaker leisure demand increasing the importance of business demand:

    - Farnborough - with aircrew business providing an additional boost to weekend business-related demand here;
    - Fareham;
    - Basingstoke;
    - Southampton City Centre.

HAMPSHIRE HOTELS – MIDWEEK & WEEKEND MARKET MIX

Location/Standard of Hotel	Midweek Market Mix		Weekend Market Mix	
	Business %	Leisure %	Business %	Leisure %
Southampton City Centre 3/4 star	70	30	15	85
Southampton City Centre Budget	70	30	15	85
Southampton/Eastleigh M27 Corridor 3/4 star	85	15	10	90
Southampton/Eastleigh M27 Corridor Budget	90	10	10	90
Portsmouth 3/4 star	85	15	10	90
Portsmouth Budget	80	20	10	90
Fareham 3/4 star	90	10	20	80
Havant 3/4 star	80	20	10	90
Havant Budget	90	10		100
East Hampshire 3/4 star	90	10	5	95
East Hampshire Budget	80	20	5	95
Farnborough 4 star/ branded 3 star	85	15	25	75
Aldershot/Fleet/North Hants Independent 3 star	95	5	5	95
Farnborough/Aldershot Budget	90	10	5	95
Basingstoke 3/4 star	90	10	15	85
Basingstoke Budget	95	5	5	95
Winchester 4 star	70	30	10	90
New Forest 3/4 star	20	80		100
Smaller Hampshire Towns 3 star	90	10	5	95
Boutique Hotels	80	20	5	95
Luxury Country House Hotels – New Forest	20	80	5	95
Luxury Country House Hotels – Other Hampshire	90	10	5	95
Golf Hotels	75	25	5	95

Source: Hotel Solutions – based on estimates provided by hotel managers and owners

3.4. Business Markets

- **Corporate demand** is the key business market for most 3 and 4 star hotels in Hampshire, other than in the New Forest. It comprises a mix of locally negotiated corporate business (where companies negotiate an agreed room rate with their local hotels usually based on the volume of business that they are likely to place with hotels); nationally negotiated corporate business (where major national and international companies have agreements in place with certain hotel chains); and transient corporate business (where business visitors book their own hotel accommodation either directly with hotels or through third party websites/online travel agents, e.g. LateRooms or booking.com, or travel agents). These corporate markets typically account for 90-95% of business demand for 3/4 star hotels across the county and most of their midweek trade.

- The corporate market is very strong in Farnborough. Hotels here are able to achieve high corporate rates from local companies, much higher than in other parts of the county.

- The corporate market in Portsmouth is dominated by a few very large companies that are able to command low room rates from the city's hotels due to the high volumes of business that they place with them. A lot of corporate business in Portsmouth is related to government contracts or comes from government agencies, particularly the MOD. This business is usually on lower government rates. The corporate market in Portsmouth is largely related to projects being undertaken by companies in the city. Corporate business can therefore fluctuate from month to month and year to year. The Portsmouth market tends to be split between the city centre and the M27 corridor, with hotels in each location catering for demand from companies in their immediate vicinity. There is some movement of corporate business between the two locations but not significantly so.

- The corporate market in Basingstoke is largely a series of micro corporate markets, with hotels primarily catering for companies on business parks in their immediate vicinity.

- Corporate demand is relatively limited in the New Forest, other than in Lyndhurst, with hotels here attracting corporate demand from Southampton and Fawley oil refinery.

- Serviced apartments, particularly residential apartments that are let out as serviced apartments, trade primarily in the long stay corporate market, attracting demand from people working on projects for extended periods or people relocating to the area. Purpose-built serviced apartment operations trade more in the hotel market however, catering more for short stay corporate guests than those on extended stays.

- Corporate demand tends to be relatively localised across the county: there is relatively little movement of corporate business between different areas. Exceptions are as follows:
    - Corporate demand from Fareham is currently being displaced to hotels along the M27 Corridor.
    - Hotels in Portsmouth's M27 Corridor attract some corporate demand from Havant. Hotels in Havant attract very little overflow corporate business from Portsmouth however.
    - Corporate demand from Andover is currently being displaced to hotels in Winchester and Basingstoke.
    - Hotels in Basingstoke pick up corporate business from Hook.
    - There is some displacement of corporate demand from Basingstoke to hotels in Winchester and Alton.
    - Hotels in Farnborough and North Hampshire also cater for some demand from companies in Frimley and Camberley.

HAMPSHIRE HOTELS – SOURCES OF CORPORATE BUSINESS

Location of Hotels	Key Sources of Corporate Business
Southampton City Centre	Southampton City Centre
Southampton/Eastleigh M27 Corridor	Chandler's Ford, Chilworth/Southampton Science Park, Eastleigh, Southampton Airport, West End, Hedge End + Fareham
Portsmouth City Centre	Portsmouth City Centre
Portsmouth M27 Corridor	Portsmouth M27 Corridor + Fareham, Havant
Fareham	Fareham
Havant	Havant
Winchester	Winchester +Andover, Basingstoke
Basingstoke	Basingstoke +Hook, Andover
Farnborough	Farnborough + Frimley, Camberley
North Hampshire	North Hampshire +Frimley, Camberley
Andover	Andover
Hook	Hook
Alton	Alton + Basingstoke

Source: Hotel Solutions based on information provided by hotel managers

- **Residential conferences**, meetings and training courses are a minor market for most of Hampshire's 3 and 4 star hotels, typically accounting for no more than 5-10% of their business demand. They are however the key source of business and midweek demand for:

    - Luxury 5 star/ 4 red star country house hotels – accounting for 80-100% of business demand for most of these hotels in the county;
    - Residential conference centres;
    - One boutique hotel;
    - One hotel in North Hampshire that primarily targets this market for midweek business;
    - New Forest 3 and 4 star hotels – accounting for around 40% of business demand for many hotels in this part of the county.

- Residential conferences are also a stronger market (accounting for 20-30% of business demand) for:

    - Some 4 star golf and country house hotels;
    - 4 star/ branded 3 star hotels in Farnborough;
    - Some large 4 star hotels (with 150+ bedrooms).

- Residential conferences are generally relatively small (typically 20-40 delegates) and of short duration (usually 1-2 nights). A few hotels attract demand for larger residential conferences of up to 150-160 delegates and in some cases have developed conferences facilities capable of accommodating conferences of this size in order to specifically target this market. Residential conference demand is primarily corporate business rather than associations business.

- **Budget hotels** across Hampshire generally attract a broadly even mix of midweek demand from business visitors and contractors working on construction and development projects. Other sources of business demand for budget hotels are:
    - Cruise ship crews – for budget hotels in Southampton and Portsmouth city centres;
    - Aircrew – at Southampton Airport;
    - Ferry crews – for budget hotels in Portsmouth city centre.

- Contractors are also a market for 2 star hotels in Southampton and Portsmouth alongside transient corporate demand.

- Aircrew are a minor source of business demand for one 4 star hotel in the Southampton/Eastleigh M27 Corridor and some 3 and 4 star hotels in Farnborough.

- The **universities** in Southampton and Portsmouth generate demand for hotel accommodation for visiting academics and delegates attending conferences held on the university campuses.

- **Business exhibitions, conventions and events** that generate significant demand for hotel accommodation are as follows:

    Southampton

    - Seaworks
    - Ocean Business
    - ACE Cruise Convention (held biennially)

    Farnborough (held at FIVE)

    - Farnborough International Airshow Trade Exhibition
    - International Armoured Vehicle Show
    - Southern Manufacturing & Electronics Show
    - Security & Policing Exhibition
    - Business Airport World Expo

- Seaworks generates business for hotels in Southampton City Centre, the Southampton/Eastleigh M27 Corridor and Fareham.

- The exhibitions in Farnborough are all held in February and March. They also generate some associated residential conference business for Farnborough hotels.

- Portsmouth Guildhall no longer attracts the association conferences that used to generate business for the city's hotels.

- Major leisure events that generate associated business demand, corporate entertaining business and some incentive travel business for Hampshire hotels are:

    - Southampton Boat Show
    - Farnborough International Airshow
    - Goodwood Festival of Speed

- These and other leisure and business events held in the county also generate demand for budget hotel accommodation from set-up crews.

- Some of the county's luxury country house hotels attract some incentive travel, team building and corporate entertaining business.

- The county's 4 star golf hotels attract some bedroom business associated with corporate golf days.

- Weekend business demand comprises:

    - Some long stay project-related business;
    - Corporate arrivals on Sunday nights;
    - Some weekend conferences;
    - Some incentive travel group business for luxury country house hotels;
    - Aircrew demand in Farnborough and from Southampton Airport;
    - Business from cruise ship crews for Southampton budget hotels;
    - Demand from contractors working on projects over the weekend.

3.5. Leisure Markets

- **Leisure breaks** are the main leisure market for 3 and 4 star hotels in most parts of the county, typically accounting for 60-80% of leisure demand, other than:

    - In Southampton city centre, where cruise passengers are the primary source of leisure trade for hotels;
    - For 3 star hotels in Fareham and 3/4 star hotels in Farnborough, Aldershot, Fleet and North Hampshire, for which leisure break business most commonly accounts for around 30-35% of their leisure demand;
    - Hotels in East Hampshire and Romsey, where weddings are a more significant source of leisure business.

- Previous studies of the Hampshire hotel market undertaken by Hotel Solutions have shown leisure break business to be more limited for independent 3 star hotels in Andover and Hook and non-inspected hotels in Gosport.

- Leisure breaks are the main leisure market for Basingstoke 3 and 4 star hotels due to the absence of other sources of leisure demand here. Leisure break demand is not particularly strong here, with weekend occupancies relatively low as a result.

- Leisure break business is mainly rate-driven through special offer rates that hotels put out through third party websites, online travel agents or their own hotel or company websites in the following locations:

    - Southampton/Eastleigh M27 Corridor;
    - Winchester;
    - Havant;
    - Fareham (3 star hotels);
    - East Hampshire;
    - Farnborough/ Aldershot/Fleet/ North Hampshire;
    - Basingstoke.

- With the exception of Winchester the leisure tourism offer is not strong enough in these locations to attract high-rated leisure break business. The Winchester leisure break market has become highly price competitive following the increase in hotel supply here.

- 3/4 star hotels in Southampton City Centre, Portsmouth and the New Forest achieve good leisure break rates between April and October. Leisure break business tends to be more rate-driven in the winter months however.

- Hampshire's luxury country house hotels and boutique hotels achieve high rates for leisure breaks, especially at weekends.

- Leisure break demand is strongest for single night stays on Saturday nights, other than for luxury country house and boutique hotels and for hotels in the New Forest and Winchester, which are generally more likely to attract 2-3 night leisure break stays, most commonly for Friday and Saturday nights. Some luxury country house hotels and boutique hotels attract leisure break stays on Sunday nights through special restaurant/ dining promotions. Golf hotels generate Sunday night golf break stays through special offer golfing rates.

- Key visitor attractions and destinations that motivate leisure break visits to the county's hotels are summarised in the table overleaf.

VISITOR ATTRACTIONS & DESTINATIONS THAT MOTIVATE LEISURE BREAK VISITS TO HAMPSHIRE HOTELS

Visitor Attraction/ Destination	Locations Where The Attraction/Destination Generates Leisure Break Visits for Hotels
Peppa Pig World	Southampton/Eastleigh M27 Corridor Portsmouth Basingstoke Winchester New Forest Romsey
Paultons Park	New Forest Romsey Southampton/Eastleigh M27 Corridor
New Forest	New Forest Southampton/Eastleigh M27 Corridor
Marwell Zoo	Southampton/Eastleigh M27 Corridor
Isle of Wight	Southampton City Centre
Portsmouth Historic Dockyard/ Gunwharf Quays	Portsmouth Havant Fareham
Winchester	Winchester Romsey
Salisbury/ Stonehenge	Andover Romsey
Legoland Windsor	Farnborough/ Aldershot/Fleet/North Hampshire Basingstoke
Jane Austen's House	Alton
Watercress Line	Alton

- Golf breaks are a key leisure market for golf hotels.
- Hotels with spas attract good demand for spa breaks.
- Luxury country house hotels, boutique hotels and the county's adults only and luxury family hotels attract leisure break stays primarily because of the quality and nature of their offer, effectively acting as destinations for leisure break stays in their own right. The county's adults only hotel (Sinah Warren on Hayling Island) caters for the over 55s leisure break market, while its luxury family hotel (New Park Manor at Brockenhurst) specialises in catering for the upper end of the family break market. Hampshire's luxury country house and boutique hotels cater primarily for the top end of the London and South East leisure break market.

- Leisure break stays are one of a number of leisure markets for budget hotels in Portsmouth, the Southampton/Eastleigh M27 Corridor and the Farnborough/Aldershot/Fleet/North Hampshire area. Peppa Pig World is the key generator of leisure break demand for budget hotels in the Southampton/Eastleigh M27 Corridor. Legoland is the main driver of leisure break business for budget hotels in the Farnborough/Aldershot/Fleet/North Hampshire area. Leisure break stays are otherwise a minor leisure market for the county's budget hotels.

- **Cruise passengers** from the UK and overseas are the main leisure market for hotels of all standards in Southampton City Centre between April and October, generating both weekend and midweek demand and frequently filling city centre hotels during these months. This is a key market that contributes to the high occupancies for Southampton city centre hotels. Some cruise passengers will pay high rates for 4 star and boutique hotel accommodation. This is a key factor behind the strong achieved room rate performance for some of these hotels in the city centre.

- Cruise passengers account for around 20% of leisure demand for hotels of all standards in the Southampton /Eastleigh M27 Corridor. They tend to pick up cruise passenger business when a number of cruises are departing and when some of the larger cruise ships are leaving. 4 star hotels here are generally less able to command the premium rates from cruise passengers that city centre 4 star hotels can. Some hotels offer 'Park & Cruise' packages, allowing cruise passengers to leave their cars in their car parks. Most of these hotels have to limit the number of such packages they sell due to limitations on the capacity of their car parking.

- A few hotels in the New Forest attract some business from cruise passengers. A previous study of the South Hampshire hotel market undertaken by Hotel Solutions in 2010 identified that 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 the city's hotels. This is a much smaller market than in Southampton however, and is generally lower-rated business here. Cruise passengers account for around 15% of leisure demand for one of the city's 4 star hotels. This is otherwise a very small leisure market for the city's hotels.

- Cruise ship launches and inaugural visits generate some demand for hotel accommodation in Southampton City Centre from spectators.

- **Group tours** are a fairly significant market (typically accounting for around 20-30% of leisure business) for some 3 star hotels in Southampton City Centre, Portsmouth, Southsea, Fareham and Farnborough and 3/4 star hotels in Winchester. They also account for up to 10-20% of leisure business for some 3/4 star hotels in the Southampton/Eastleigh M27 Corridor, Havant, Basingstoke and North Hampshire. Group tours are otherwise a minor market for the county's 3 and 4 star hotels and not really a market that budget, 2 star, luxury country house and boutique hotels cater for.

- Group tour business is a mix of UK and overseas groups either staying for single night stop overs on a tour of Southern England or 2-4 night breaks. Some hotels take series tours from a number of European countries, including Germany, Italy and Russia. Group tour business tends to be very low-rated. Hotels primarily take it to provide them with base business, to boost off peak occupancies, or in the absence of other leisure demand e.g. in Basingstoke and Farnborough.

- Key draws for group tour business for Hampshire hotels are Winchester, Winchester Christmas Market, the New Forest, Portsmouth Historic Dockyard and Gunwharf Quays, Salisbury, Stonehenge, Highclere Castle / Downton Abbey and Legoland. Some hotels in Basingstoke and Farnborough also attract group tours that use them as a base for visiting London.

- Bedroom business associated with **weddings and functions** is the key leisure market for:

    - 3/4 star country house hotels;
    - Hotels in the Farnborough/Aldershot/Fleet/ North Hampshire area – due to the lack of other leisure demand here;
    - Hotels in East Hampshire – where there are a number of significant non-residential wedding venues and limited demand from other leisure markets;
    - Residential conference centres – weddings and functions are their key weekend market;

- Weddings and functions are also a strong market (accounting for at least 20-30% of leisure demand) for:
  - Some luxury country house hotels;
  - 4 star golf hotels - alongside golf and spa break business;
  - One hotel in Winchester;
  - One 4 star hotel in Portsmouth;
  - One 3 star hotel in Southsea;
  - One 3 star hotel in Fareham;
  - 3 and 4 star hotels in Havant;
  - A few 3 and 4 star hotels in the New Forest

- One of the county's luxury country house hotels only caters for midweek exclusive-use weddings.

- Weddings and functions otherwise account for around 5-15% of leisure demand for 3 and 4 star hotels across the county.

- A number of the county's 3 and 4 star hotels organise tribute nights, dinner dances and other social functions that generate some bedroom business. Some hotels also attract Masonic lodge weekend and bedroom business from charity balls.

- Wedding guests and people attending other family gatherings are a key leisure market for budget hotels in Havant, Andover, Fareham, East Hampshire, Havant, Basingstoke, Farnborough, Aldershot and Fleet.

- **Football supporters** attending Southampton FC home matches are a minor market for hotels in Southampton, typically accounting for 2-5% of leisure demand. They are a significant weekend market for one budget hotel in Portsmouth but otherwise a minor market for Portsmouth hotels.

- **Ferry passengers** are a significant weekend market for Portsmouth budget hotels between June and August. Budget hotels in Havant, Fareham, Horndean, Rowland's Castle and Liphook also attract some demand from ferry passengers during these months. Ferry passengers are also a minor market for Portsmouth 3/4 star hotels.

- **Air passengers** departing on holiday flights generate some business for hotels at Southampton Airport. This is not a market for hotels beyond the immediate vicinity of the airport however.

- **Overseas tourists** are a minor leisure market for Hampshire hotels, typically accounting for no more than 5-10% of leisure business.

- **People visiting friends and relatives** are a key source of weekend demand for budget hotels, especially in the Southampton/Eastleigh M27 Corridor, the Farnborough/Aldershot/Fleet/North Hampshire area, Basingstoke and East Hampshire. The previous study of the South Hampshire hotel market that Hotel Solutions undertook in 2010 also identified this as a key leisure market for the small hotels and large guest accommodation businesses in Gosport and Hythe.

- **Parents of university students** dropping off, collecting or visiting their children are a further source of leisure demand for hotels in Southampton and Portsmouth.

- **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. This market also generates weekend demand for some budget hotels in the Southampton/Eastleigh M27 Corridor.

- **Events** that generate good demand for hotels in Hampshire are summarised in the tables overleaf.

EVENTS THAT GENERATE BUSINESS FOR HAMPSHIRE HOTELS

Event	Locations Where The Event Generates Business for Hotels
Southampton Boat Show	Southampton Southampton/Eastleigh M27 Corridor Winchester New Forest Hythe Romsey Fareham
Goodwood Festival of Speed + Revival	Portsmouth Havant Fareham East Hampshire Southampton/Eastleigh M27 Corridor
Farnborough International Airshow	Farnborough Aldershot Fleet North Hampshire Hook Basingstoke East Hampshire
Cowes Week	Southampton Southampton/Eastleigh M27 Corridor Fareham Portsmouth New Forest
Southampton FC home matches	Southampton
Portsmouth FC home matches	Portsmouth
University graduation ceremonies	Southampton Portsmouth
Cricket matches at the Ageas Bowl	Southampton/Eastleigh M27 Corridor Southampton
Mayflower Theatre productions	Southampton
Great South Run	Portsmouth Fareham Havant Gosport Southampton/Eastleigh M27 Corridor
Events at Portsmouth Historic Dockyard	Portsmouth Fareham Havant Gosport
Isle of Wight Festival	Portsmouth Southampton Southampton/Eastleigh M27 Corridor New Forest
Bestival, Isle of Wight	Portsmouth
Tattoo Convention, Portsmouth Guildhall	Portsmouth

Event	Locations Where The Event Generates Business for Hotels
Gosport & Fareham Folk Festival	Gosport Fareham
Glorious Goodwood	Havant
Jalsa Salana Muslim Convention	Alton Basingstoke
Events on the Watercress Line	Alton
Events at Stansted Park	Rowland's Castle
New Forest Show	New Forest Romsey
Beaulieu Auto Jumbles + Boat Jumble	New Forest Southampton/Eastleigh M27 Corridor
Concerts and events at Broadlands	Romsey Southampton/Eastleigh M27 Corridor
New Forest Tourism Caravans and Motorhome Show	New Forest
Bournemouth Air Show	New Forest
Winchester Christmas Market	Winchester
Winchester Chamber Music Festival	Winchester
Winchester Hat Fair	Winchester
Matterley Bowl concerts	Winchester
Motocross Grand Prix, Matterley	Winchester
Grange Park Opera	Winchester
Car Fest	Winchester Basingstoke
Thruxton motor racing	Andover Winchester
Royal Ascot	Farnborough
Fleet Half Marathon	Fleet
The Big One Angling Show, Farnborough Airfield/FIVE	Fleet
Passing out parades	Aldershot
Lakeside Darts	Aldershot
Shadowmania, Lakeside	Aldershot
Ice skating competitions	Basingstoke

Source: Hotel Solutions - based on information provided by hotel managers

- The Southampton Boat Show is a major generator of demand for hotel accommodation across the southern half of 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, the New Forest and Winchester, 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.

- Farnborough International Airshow and Goodwood Festival of Speed and Revival are other major events that generate significant demand for hotel accommodation across large parts of Hampshire.

- **Other leisure markets** for hotels in Hampshire are as follows:
    - People coming across to Southampton from the Channel Islands for shopping, particularly in the run up to Christmas – for hotels in Southampton City Centre;
    - Ships reunions – for two hotels in Portsmouth and Southsea;
    - Sailing parties – in Gosport;
    - Football teams playing Southampton and Portsmouth FC;
    - Cricket teams playing at the Ageas Bowl;
    - Other visiting sports teams;
    - Walking groups for some hotels in the New Forest;
    - Shooting and fishing parties for one luxury country house hotel.

3.6. Market Trends

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

- In line with the national trend, **corporate demand** for hotel accommodation in Hampshire dropped sharply in 2009 in the wake of the Credit Crunch. It has remained sluggish and become much more price sensitive during the recession in 2010 and 2011. Lengths of stay for corporate customers have reduced resulting in a softening of demand on Thursday nights and fewer corporate arrivals on Sunday evening. Corporate room rates have generally been driven downwards, with companies having become more aggressive on rate negotiations with hotels, sometimes playing hotels off against each other to achieve lower prices. Corporate rates started to strengthen in 2012 in many parts of the county and the corporate market has grown in 2012 for hotels in Winchester and Andover, some boutique hotels and some hotels that have recently upgraded. Most 3/4 star hotels in Basingstoke, Southampton, the Southampton/Eastleigh M27 Corridor and the Farnborough/Aldershot/Fleet/North Hampshire area have generally seen a further decline in corporate demand and rates in 2012 as a result of companies downsizing or closing their operations in these locations. Hotels in Basingstoke now attract very little corporate overspill business from Farnborough following the opening of the new hotels here. The increased supply of budget hotels has also been a factor in Southampton and the Farnborough/Aldershot/Fleet/North Hampshire area. Corporate demand has remained largely flat in Portsmouth although there were some signs of improvement in corporate rates in 2012. Budget hotels across Hampshire have generally seen an increase in corporate business over the last 3 years. They seem to have benefitted from the reductions in company travel budgets and downgrading to lower-priced hotels that this has resulted in.

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

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

- In line with the national trend, **residential conference business** reduced sharply in 2009 across Hampshire and has remained a very challenging market over the last three years, with no signs of recovery in the near future for most of the county's hotels. Key trends have been as follows:

    - Fewer residential conferences are being held in hotels;
    - Residential conferences are generally smaller in size and of shorter duration;
    - There has been a switch more to day meetings;
    - Less corporate and government training has been happening;
    - Many companies have developed their own in-house meeting and training facilities so no longer need to use hotels for such purposes;
    - Companies are increasingly making use of video and teleconferencing technology, reducing the need to meet face-to-face;
    - There has been downward pressure of conference rates;
    - Lead in times for conference bookings have reduced substantially;
    - There is increased competition for what conference business is still out there.

- Some of Hampshire's hotels have however seen a slight improvement in residential conference business in 2012. These have included:

    - Most hotels in Winchester;
    - One hotel in Basingstoke;
    - One hotel in Farnborough that has attracted residential conferences associated with some of the trade exhibitions that have taken place at FIVE;
    - Some golf hotels;
    - Some country house hotels, including one that has developed a large capacity conference facility to attract larger residential conferences.

- Some of the county's luxury country house hotels have seen a drop in **incentive travel** business in the last 3 years.

- The number of **trade exhibitions** held at FIVE in Farnborough that generate demand for hotel accommodation has increased.

- Hotels in Basingstoke have seen a reduction in the business that they attract from the Farnborough International Airshow trade exhibition since the new hotels have opened in Farnborough and Aldershot.

- Portsmouth Guildhall no longer attracts the association conferences that used to generate bedroom business for the city's hotels.

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

- **Leisure break business** has increased for hotels in most parts of Hampshire over the last 3 years but has become much more rate-driven as customers have switched to buying through third party comparison websites and online travel agents, such as booking.com, LateRooms and Expedia. While the 'staycation' trend has boosted demand for leisure breaks and hotels have been able to market themselves through these online channels, they have to keep their room rates very competitive on them and have to pay fairly high commission charges on the bookings they receive. Many hotels are now trying to educate their customers to book directly through their own website in order to reduce the commission payments they are making to these companies.

- Some hotels in the county have been using some of the online deals companies such as Groupon and Travelzoo to attract leisure break business but at very low rates.

- Peppa Pig World at Paulton's Park has generated significant family leisure break business since it opened in 2011 for hotels in the Southampton/ Eastleigh M27 Corridor, the New Forest, Romsey, Winchester and even as far afield as Basingstoke and Portsmouth.

- Some New Forest hotels reported a drop in leisure break business in 2012 as a result of the poor summer weather. A few New Forest hotels also reported a downturn in the over 55s leisure break market as people in this age group have been getting lower returns on their investments and reduced pension payments.

- Some golf hotels reported a downturn in golf break business in 2012 as a result of the weather.

- Hotels with spas are seeing strong growth in demand for spa breaks.

- Demand from **overseas tourists** appears to have been largely static over the last 3 years. One luxury country house hotel reported an increase in tourists visiting from the Middle East. Two boutique hotels reported an increase in demand from overseas tourists.

- Trends in **the group tour market** are variable. Some hotels have taken more group tours over the last 3 years to boost occupancy levels, while others have taken fewer group tours as higher-rated leisure break business has grown. Group tour business for Highclere Castle/ Downton Abbey has increased for one hotel in Basingstoke.

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

- Portsmouth and Southsea hotels have taken fewer **Masonic lodge weekends** (which tends to be lower-rated business) as leisure break business has grown.

- The **cruise market** has continued to grow in Southampton over the last 3 years, with the majority of hotels in the city centre and Southampton/Eastleigh M27 Corridor reporting an increase in cruise passenger business. Southampton budget hotels have also seen an increase in demand from cruise ship crews. The cruise market has also grown in Portsmouth. The number of UK and overseas cruise passengers embarking at British ports grew by 10% in 2012, following a 5% growth in 2011 and a 14% growth in 2010[1]. While some cruise companies have deployed more ships out of northern and Scottish ports, the most substantial increases in capacity have come in the south coast ports of Southampton, Dover and more recently Portsmouth.

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

- Hotels in Basingstoke reported a reduction in demand from **Farnborough International Airshow** in 2012 as a result of the increased hotel supply in Farnborough and Aldershot.

3.7. Denied Business[2]

3.7.1. Midweek Denials

- 3 and 4 star in the following locations regularly filled and denied business on Tuesday and Wednesday in 2012:

    - Portsmouth – some 3/4 star hotels;
    - The Southampton/Eastleigh M27 Corridor – particularly during the summer months;
    - Fareham – but not to any significant degree;
    - Basingstoke – not all hotels – levels of denied business have also reduced significantly here over the last 3 years;
    - Farnborough – some 3/4 star hotels here also fill and turn business away on Monday and some Thursday nights;
    - Hook;
    - Andover.

[1] Source: The Cruise Review, Passenger Shipping Association, March 2013
[2] Business that hotels turn away because they are fully booked.

- 3/4 star hotels in Southampton city centre occasionally deny business on Tuesday and Wednesday nights, particularly between April and October. Winchester hotels turn business away on Tuesday and Wednesday nights during the summer and in peak corporate months (March, May, June, September, October and November). Denials increased in 2012 for hotels here. Boutique hotels in the county occasionally deny midweek business.

- Midweek denials are less common for 3/4 star hotels in the New Forest, Havant and East Hampshire.

- Some luxury country house hotels occasionally turn midweek business away during the summer or if they have a large residential conference booking.

- Budget hotels across Hampshire consistently deny midweek business on 3 nights and sometimes 4 nights per week, frequently to a significant degree. Midweek denials are very high for budget hotels in Portsmouth, Fareham, Basingstoke, Farnborough and Andover. Midweek denials are more seasonal (occurring primarily between April and October) for budget hotels in Southampton City Centre, the Southampton/Eastleigh M27 Corridor and East Hampshire.

3.7.2. Weekend Denials

- Most 3 and 4 star hotels in the following parts of Hampshire regularly deny business at weekends (primarily on Saturdays but also on Fridays in some locations) between April and October:
    - Portsmouth – primarily only on Saturday nights;
    - Winchester;
    - The New Forest:
    - East Hampshire – mainly on Saturday nights;
    - Hook – due to strong demand from wedding parties in this part of the county.

- Luxury country house hotels and boutique hotels also consistently turn business away on Friday and Saturday nights for much of the year, especially during the summer months.

- Some 3/4 star hotels in Southampton City Centre, the Southampton/Eastleigh M27 Corridor, Fareham and Havant occasionally deny weekend business, more so on Saturday nights and during the summer.

- Weekend denials are rare for 3/4 star hotels in Basingstoke, Farnborough and Andover.

- Budget hotels in the following locations frequently deny business on Friday and Saturday nights between April and October, often to a significant degree, particularly on Saturday nights:

    - Southampton City Centre
    - Portsmouth;
    - The Southampton/Eastleigh M27 Corridor;
    - Fareham;
    - Havant

- Budget hotels in East Hampshire, Farnborough, Aldershot and Andover consistently deny significant business on Saturday nights between April and October and Friday nights between June and September. Budget hotels in Basingstoke only consistently deny business on Saturday nights and more occasionally on Friday nights.

3.8. Trends 2007-2012

- 3/4 star hotel occupancies generally reduced across Hampshire in the wake of the Credit Crunch and ensuing recession between 2009 and 2011 but have largely returned to at least, or slightly above their 2007 levels in 2012. The only locations where 3/4 star hotel occupancies were below their 2007 level in 2012 were Basingstoke (where corporate demand has reduced) and Farnborough (where the hotel supply has significantly increased). Hotel occupancies have strengthened substantially in the New Forest.

- Achieved room rate performance has also reduced for Hampshire 3 and 4 star hotels since 2008 but has not recovered in 2012 in the way that occupancies have. 3/4 star achieved room rates were generally below their 2007 levels in 2012 in most parts of the county. They have fallen back significantly in Southampton City Centre, the Southampton/Eastleigh M27 Corridor and Winchester (as a result of the increased supply here). The only locations that have seen an improvement in 3/4 star achieved room rate performance compared to 2007 were Farnborough (due to the new 4 star hotels that have opened here) and Fareham (where 2012 achieved room rates were slightly above their 2007 level). New Forest 3 star hotels have seen a very slight improvement in achieved room rates.

- Budget hotel occupancies have remained high across Hampshire. They have reduced slightly (but are still around 80%) where the budget hotel supply has increased in the last 5 years i.e. in Southampton City Centre, Farnborough/Aldershot/Fleet/North Hampshire, Havant and East Hampshire. Budget hotel occupancies have also reduced in Basingstoke as a result of the downturn in corporate and contractor demand here. Average achieved room rates for the county's budget hotel sector have reduced over the last 2 years, primarily due to Travelodge's much lower room rate strategy to boost occupancy.

- The performance of luxury country house hotels, boutique hotels and adults only hotels in the county has steadily improved over the last 5 years.

HAMPSHIRE HOTEL PERFORMANCE TRENDS 2007-2012

Location/ Standard of Hotel	Occupancy	Achieved Room Rates	Denied Midweek Business
Southampton City Centre 3/4 star	Still high - Increased slightly – 75.5% in 2012 cf 74% in 2007	Significantly down - £65 in 2012 cf £78 in 2007	Reduced – Southampton 3/4 star hotels did not deny midweek business in 2012 as much as they were doing in 2007
Southampton City Centre Budget	Slightly down – 80% in 2012 cf 82% in 2007 - but still very strong	n/a	Reduced – Southampton budget hotels still consistently turned midweek business away in 2012 but not to the same extent as they were doing in 2007
Southampton/Eastleigh M27 Corridor 3/4 star	4 star occupancies have increased by 1 percentage point – 70% in 2012 cf 69% in 2007 3 star occupancies have increased by 1.5 percentage points – 73.5% in 2012 cf 72% in 2007	4 star achieved room rates have dropped by £5.60 - £70 in 2012 cf £75.60 in 2007 3 star achieved room rates have also dropped by £5.60 - £54 in 2012 cf £59.60 in 2007	No change – hotels still frequently denying business on Tuesday and Wednesday nights
Southampton/Eastleigh M27 Corridor Budget	Strong growth – 83% in 2012 cf 78% in 2007	n/a	No change – budget hotels in the Southampton/Eastleigh M27 corridor still regularly turned business away during the week in 2012
Portsmouth 3/4 Star	Good growth – 76% in 2012 cf 72% in 2007	Slightly down - £67 in 2012 cf £69 in 2007	Increased – most of the city's 3/4 star hotels frequently turned midweek business away in 2012 compared to only two hotels in 2007
Portsmouth Budget	No change – still very high (83%)	n/a	No change – Portsmouth budget hotels continue to deny significant midweek business
Basingstoke 3/4 Star	Down 3 percentage points – 66% in 2012 cf 69% in 2007	Slightly down - £73 in 2012 cf £74.60 in 2007	Reduced – most (but not all) Basingstoke 3/4 star hotels continue to turn business away on Tuesday and Wednesday nights but not to the same degree as in 2007. Few hotels now deny business on Monday nights
Basingstoke Budget	Down 6 percentage points – 80% in 2012 cf 86% in 2007	n/a	No change – Basingstoke budget hotels continue to deny significant midweek business
Winchester 3/4 Star	Down 4 percentage points – 68% in 2012 cf 72% in 2007	Down by £4 - £66 in 2012 cf £70 in 2007	No change – Winchester 3/4 star hotels continue to turn business away on Tuesday and Wednesday nights during the summer and in peak corporate months

Location/ Standard of Hotel	Occupancy	Achieved Room Rates	Denied Midweek Business
Farnborough 3/4 Star[1]	Down 2.5 percentage points – 67% in 2012 cf 69.5% in 2007	Significantly up - £106 in 2012 cf £81 in 2007	Reduced – Farnborough hotels continue to deny business during the week but not at the levels that they were doing in 2007 as a result of the increased hotel supply here
Farnborough/ Aldershot/Fleet Budget	Down 4 percentage points – 79% in 2012 cf 83% in 2007	n/a	No change – budget hotels in this part of the county continue to consistently deny significant midweek business
Havant 3/4 star	No change	A slight improvement - £55 in 2012 cf £52 in 2007	No change – Havant 3/4 star hotels continue to only occasionally deny midweek business
Havant Budget	Down 4 percentage points – 78% in 2012 cf 82% in 2007	n/a	No change – Havant budget hotels are still frequently turning business away midweek
East Hampshire 3 star	The sample of hotels differs too much between 2007 and 2012 to allow meaningful comparisons	n/a	n/a
East Hampshire Budget	Down 2 percentage points – 79% in 2012 cf 81% in 2007	n/a	No change – East Hampshire budget hotels continue to consistently deny midweek business
Fareham 3/4 star	Slight growth	Slight growth	No change – Fareham 3/4 star hotels are still turning business away on Tuesday and Wednesday nights but not to any significant degree
Fareham Budget	No change – still very high occupancies	n/a	No change – midweek budget hotel denials remain very high in Fareham
Andover Budget	Increased	n/a	No change – midweek budget hotel denials remain very high in Andover
New Forest 3 Star	Strong growth – 67% in 2012 cf 60% in 2007	A very slight improvement - £60 in 2012 cf £59.23 in 2007	No change – most New Forest 3 star hotels rarely deny midweek business

[1] The sample of hotels differs significantly for Farnborough between 2007 and 2012, with the 2012 sample including the new Aviator and Village hotels

Location/ Standard of Hotel	Occupancy	Achieved Room Rates	Denied Midweek Business
Luxury Country House Hotels	Occupancies have steadily improved for most luxury country house hotels	Achieved room rate performance has significantly improved with the increase in Hampshire's supply of 5 star country house hotels	No change – luxury country house hotels still only occasionally deny midweek business. Weekend denials have increased however
Boutique Hotels	The new boutique hotels that have opened in Hampshire over the last 5 years have all quickly established themselves in the market place to achieve high levels of occupancy	Most of the county's boutique hotels have achieved high room rates since opening	n/a
Adults Only Hotels	No change – occupancies have remained very high	Achieved room rates have steadily improved	n/a

3.9. Prospects for 2013

- Hampshire hotel managers are generally positive about the prospects for their hotels in 2013. Most expect to maintain or slightly improve their 2012 occupancy performance and see potential for an increase in achieved room rates as they pursue strategies to grow room rate rather than occupancy in 2013.

- The managers of some 3/4 star hotels in Havant, Basingstoke and the Farnborough/Aldershot/Fleet/North Hampshire area are more pessimistic about the prospects for improving the performance of their hotels in 2013. The impending relocation of the Chinese mobile phone company Huawei from Basingstoke to Reading is likely to have a significant impact on some hotels in Basingstoke as it is a major generator of demand for hotel accommodation in the town. The impact of the newly opened Travelodge in Aldershot and the new Premier Inn that will open in Fleet in August are the key factors behind the less optimistic views of hotel managers in the Farnborough/Aldershot/Fleet/North Hampshire area.

- The managers of the county's luxury country house hotels, boutique hotels, adults only hotel and luxury family hotel mostly expect to see continuing strong, and in some cases improved occupancy performance and achieved room rate growth for their hotels in 2013. The managers of luxury country house hotels do not seem unduly concerned about the opening of Heckfield Place.

- In terms of prospects by market in 2013:

    - Corporate demand looks set to begin to strengthen in most parts of the county as the economy starts to recover and corporate rates are likely to continue to increase. Most economic commentators expect to see a gradual improvement in the prospects for the UK economy in 2013. GDP is forecast to grow by approximately 0.9%. While this is half of the UK's long term average, it would still signal an improvement in comparison with both 2011 and 2012. Hampshire hotels started to see an improvement in corporate demand at the end of 2012, a trend that many of the county's hotel managers expect to see continuing in 2013. As noted above the loss of Huawei from Basingstoke is likely to result in an even more competitive corporate market in the town in 2013, as the hotels that lose business from this company seek to compete for other corporate demand. Corporate rates are unlikely to grow here therefore and may reduce further. The other location where hotel managers do not expect to see much growth in corporate demand in 2013 is Havant.

    - Government business could reduce further for Hampshire hotels as MOD and public sector cuts continue to be implemented.

    - Most managers of 3 and 4 star hotels in the county do not expect to see any recovery in residential conference business for the foreseeable future. The managers of the following types of hotel are however more positive about their future prospects for residential conference business and are actively seeking to target this market:

        - Luxury country house hotels;
        - New Forest hotels;
        - Residential conference centres;
        - Some golf hotels;
        - Winchester hotels.

    - Contractor demand for budget hotel accommodation should increase in some parts of the county where there is renewed construction activity e.g. Southampton, the Southampton/Eastleigh M27 Corridor, Portsmouth and Basingstoke.

- Leisure break demand could reduce for many of the county's hotels in 2013 as UK residents opt for overseas holidays rather than 'staycations' following the poor summer weather in 2012. In BDRC Continental's recently published 'Holiday Trends' survey three quarters of respondents stated that they will take an overseas vacation this year and the numbers planning a 'staycation' had dropped for the first time in 4 years. The over 55s leisure break market could also reduce as this age group continues to see poor returns on investments and pensions. Hotels are however likely to be able to continue to drive leisure break business through third party websites, online travel agents and online deal companies, albeit at discounted rates. The opening of the Mary Rose Museum in Portsmouth should provide a boost to leisure break business for hotels in the city and potentially also in Fareham, Gosport and Havant.

- Group tour business is likely to remain unchanged for those hotels in the county that take it. Some hotels may take more group tours if leisure break demand reduces.

- Most of the county's hotel managers reported a downturn in wedding bookings in 2013 as people are unwilling to get married this year because of superstitions about the number thirteen. Forward wedding bookings for 2014 are looking much stronger however.

- Cruise business looks set to increase further in 2013 in Southampton and Portsmouth, with record numbers of cruises departing from the two ports this year.

- Demand from overseas tourists could increase in 2013. VisitBritain is forecasting a 3% growth in the volume of international tourism to Britain, with the country benefitting from the increased exposure in 2012 as a result of the London Olympic and Paralympic Games and the Queen's Diamond Jubilee.

- Demand for hotel accommodation from ferry passengers travelling through Portsmouth could increase in 2013 as more UK residents take holidays abroad and international tourist arrivals increase.

- Demand for hotel accommodation from air passengers travelling through Southampton Airport could also increase in 2013 for the same reasons.

- Farnborough International Airshow is not taking place in 2013. Hotels in Farnborough, Aldershot, Fleet and North Hampshire may see a drop in occupancy and achieved room rate as a result.

3.10. Requirements for Boosting the Hotel Market

- The county's hotel managers identified the following requirements for boosting the demand for hotel accommodation in their area:
  - Office and business park development and the attraction of more companies, particularly national, European and international headquarters operations, to boost midweek corporate demand.
  - The development of major conference centres in Southampton and Portsmouth – hotel managers in both cities identify a need for such a facility in their city.
  - The attraction of more major conferences to Southampton;
  - Improvement and better promotion of Portsmouth Guildhall as a conference venue;
  - Stronger promotion of Winchester Guildhall as a conference venue.
  - Increased promotion of FIVE for exhibitions and conferences.
  - Improved leisure tourism marketing to raise awareness and improve the image of Southampton, Portsmouth, Winchester and the New Forest as leisure break destinations and position Basingstoke and North Hampshire as bases for short break guests to visit surrounding visitor attractions and destinations.
  - The promotion of Hampshire as a 'foodie' destination – seen as a requirement by the managers of some country house and boutique hotels.
  - Increase international exposure for the county's luxury country house hotels.
  - The development of an arena and/or concert hall in Southampton and Portsmouth – seen as a requirement by hotel managers in both cities.

- The development of major visitor attractions in Basingstoke and Farnborough – seen as being needed to develop weekend business in both locations.
- Further development of Southampton's leisure tourism product.
- More visitor attractions in East Hampshire;
- The development of all-weather visitor attractions in the New Forest.
- The establishment of major multi-day events to boost shoulder season business for hotels.
- The regeneration of Farnborough and Havant town centres and Portsmouth city centre.
- Measures to reduce traffic congestion into Portsmouth city centre, across the New Forest and from the M3 into Basingstoke.
- A reduction in VAT for hotels. This is a national issue that the hospitality industry is lobbying for.
- Improvements to visa application arrangements for international visitors, especially for Chinese visitors. This is another national issue that the hospitality and tourism industry is lobbying for the government to address.
- A reduction in business rates for hotels, which were set in 2007 when the hotel market was much more buoyant.

4. FUTURE MARKET PROSPECTS

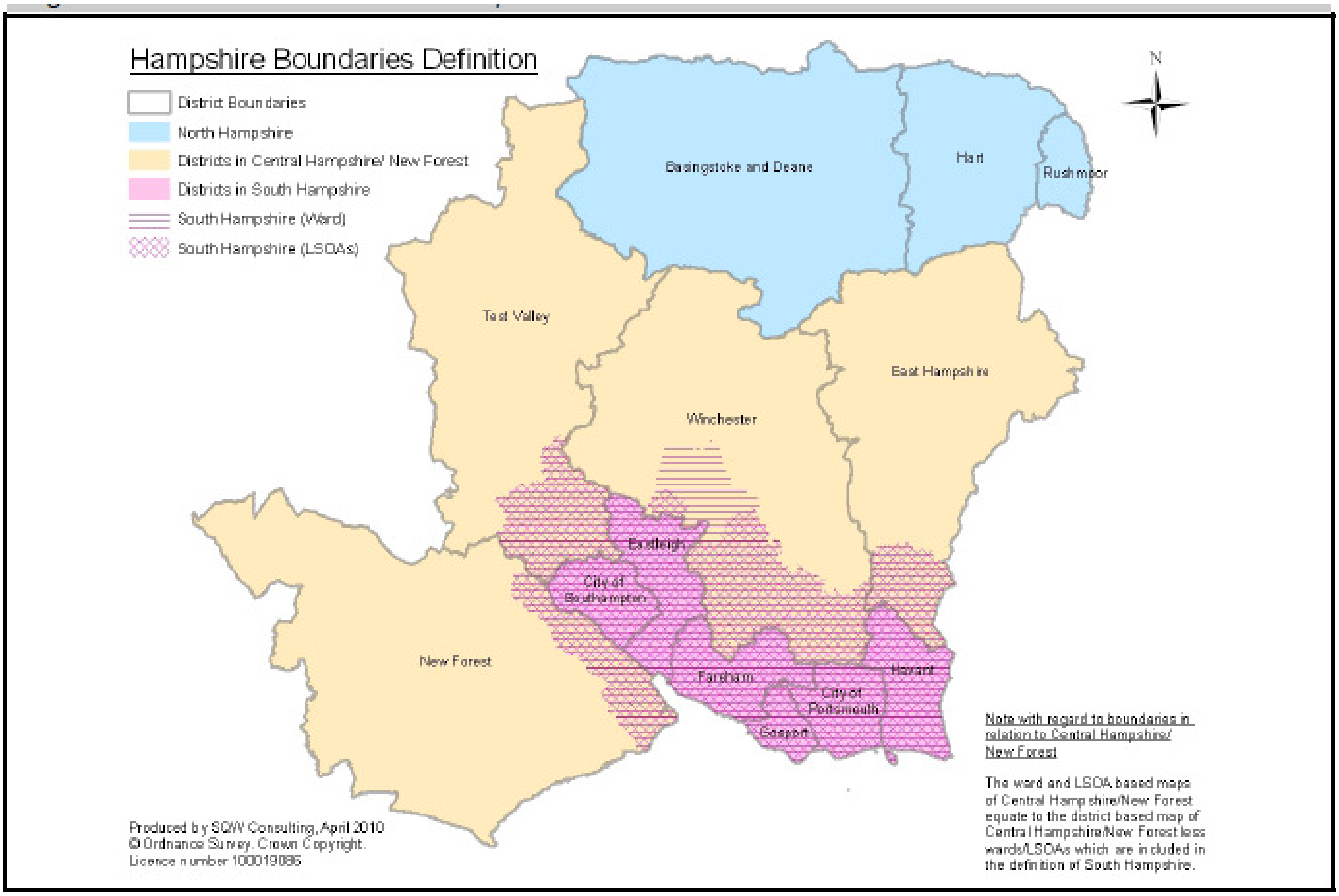
4.1. Strategic Context – The Growth Agenda

- Any analysis of future market prospects for the hotel sector needs to be based upon an assessment of the business and leisure drivers that have the ability to drive growth in demand. The fortunes of the hotel sector are closely allied to trends in the local and national economy, so employment trends and forecasts together with GDP and GVA trends and forecasts are good indicators of potential business demand, particularly if available by sector. Leisure demand is important for weekend and holiday periods and for locations that are less business-orientated. Forecasts for tourism growth, attendance at key attractions and events and growth in population and housing are all useful indicators of how this element of the market might grow.

- The Hampshire Economic Assessment is a useful starting point for much of the above. The county falls into 3 distinct economic areas (see map overleaf). The Hampshire economy is dominated by three sectors representing three-quarters of jobs: finance and business services, public administration/education/health; and retail/hotels/catering. However, there are differences across the 3 areas:

    - North Hampshire's profile is more like Berkshire, and has strengths in the knowledge economy. Priority sectors here are life sciences and health technology, ICT and digital media, and aerospace and defence;
    - Central Hampshire/New Forest has strengths in the primary sector, and the marine sector is a distinctive strength of the Solent Waterfront area;
    - Engineering-related specialisms are evident in South Hampshire – advanced engineering, aerospace and defence, and marine sectors. Most of the largest employers are here, as are the county's two cities.

HAMPSHIRE ECONOMIC AREA – SUB AREAS



Source: SQW

- In terms of growth, some of the key messages include:
  - A population increase of 10.2% is forecast for the Hampshire Economic Area over 20 years. This growth will vary by sub-area, with the strongest growth in South Hampshire (11.1%, 112,000 people). North Hampshire is forecast to grow by 10.6% and Central Hampshire/New Forest by 7.2%;
  - More detailed population forecasts are available for the period 2012-2019. Over this period Hampshire's population is forecast to grow by over 34,500 to 1,775,000. The fastest growth will occur in Winchester (8700), accounting for one quarter of the county increase, and Southampton (5200, 15%);
  - Employment is expected to increase by 86,800 jobs between 2006 and 2026; the majority of this growth (51,200 jobs) to be in South Hampshire (Central Hampshire 17,600 jobs, North Hampshire 18,000 jobs);

- The table below sets out what this means in terms of employment floorspace requirements by District and type of business use.

Table 1: HCC[1] employment floorspace requirement projections based on Experian employment forecast and DTZ methodology, 2011-2026

	B1		B2		B3		Total
Basingstoke and Deane	183,000	204,000	37,000	55,000	95,000	118,000	315,000
East Hampshire	68,000	71,000	26,000	40,000	38,000	44,000	132,000
Eastleigh	84,000	91,000	38,000	57,000	60,000	77,000	182,000
Fareham	61,000	68,000	24,000	36,000	51,000	62,000	136,000
Gosport	13,000	14,000	10,000	15,000	17,000	21,000	40,000
Hart	62,000	70,000	8,000	12,000	25,000	27,000	95,000
Havant	48,000	53,000	30,000	44,000	23,000	28,000	101,000
New Forest	56,000	60,000	28,000	42,000	54,000	64,000	138,000
Rushmoor	103,000	115,000	13,000	19,000	54,000	61,000	170,000
Test Valley	52,000	59,000	42,000	63,000	78,000	100,000	172,000
Winchester	96,000	107,000	21,000	32,000	31,000	39,000	148,000
Portsmouth	96,000	107,000	42,000	63,000	30,000	44,000	168,000
Southampton	159,000	178,000	35,000	53,000	22,000	32,000	216,000
Hampshire County Area	825,000	914,000	278,000	417,000	526,000	639,000	1,629,000
Hampshire Economic Area	1,080,000	1,199,000	355,000	532,000	578,000	715,000	2,013,000

[1] HCC projections are based on the baseline forecasts for employment change and do not consider any policy based interventions to improve the labour market conditions locally. Figures are rounded to the nearest 1,000.

Source HCC

- Hampshire's GVA will grow at a similar rate to the regional average (2.2%) and faster than the UK as a whole (1.9%). At sub-area level, North Hampshire will see the fastest growth (2.7%). Growth will accelerate after 2016;
- Structural change will reflect the area's high dependence on the public sector and a re-balancing of the economy. Government and other services will decline by 2.4%; financial and business services will lead the growth, but the area will also see relative growth in employment in construction, distribution, hotels and catering. Increases in productivity will be led by pharmaceuticals, electronics, motor vehicles, electricity and gas supply and communications.

NATIONAL, REGIONAL & COUNTY GVA & PRODUCTIVITY FORECASTS (SOURCE: LEFM)

	2001-2006	2006-2016	2016-2026	2006-2026
GVA				
UK (national data)	2.8%	1.4%	2.4%	1.9%
South East (regional data)	2.1%	1.7%	2.8%	2.2%
Hampshire Economic Area	2.5%	1.6%	2.7%	2.2%
• North Hampshire	2.5%	2.2%	3.2%	2.7%
• Central Hampshire/New Forest	2.2%	1.6%	2.6%	2.1%
• South Hampshire	2.5%	1.5%	2.6%	2.0%
GVA/Employment (Productivity)				
UK (national data)	1.8%	1.5%	2.1%	1.8%
South East (regional data)	1.6%	1.5%	2.2%	1.9%
Hampshire Economic Area	1.7%	1.3%	2.0%	1.7%
• North Hampshire	2.4%	1.9%	2.5%	2.2%
• Central Hampshire/New Forest	1.2%	1.3%	2.0%	1.6%
• South Hampshire	1.6%	1.2%	1.9%	1.5%

Source: Data provided by Hampshire County Council

- Whilst the above overview presents the big picture of forecast economic and population growth across the county to 2026, the devil is in the detail – in particular, which schemes, projects and initiatives will combine to deliver this growth, and the likelihood of them coming forward, particularly in the next 5 years.

- Clearly, the period since 2008 has been very challenging economically. The financial crisis has resulted in job losses with more potentially to come – the impending closure of the Ford plant at Swathling in July 2013 will result in 500 job losses, 220 jobs are going at B&Q's Chandler's Ford head office, and up to 1400 jobs are under threat at BAe Systems in Portsmouth when the contract for Royal Navy aircraft carriers winds down. Other local impacts are being felt with the relocation of Nokia from Fleet and Huawei from Basingstoke. The recessionary climate has also resulted in key development and regeneration schemes being put on hold, and there has been a scarcity of funding amongst both public and private sectors to get growth and development back on track. The changing economic and political framework also means that planning and regeneration strategies are being re-visited – the PUSH Joint Planning Strategy now has a target of 1million sq m of employment space, compared to 2 million sq m in its previous strategy, and with the advent of LEPs new priorities are being worked up to tie in with new funding streams. It is a time of uncertainty, all of which makes forecasting potential growth a challenge.

- In terms of the role and potential of the tourism sector in Hampshire:
    - Tourism is one of the sectors that has performed more strongly in the county during the past 5 years, and remains a priority sector. Visitors to Hampshire spend £2.4 billion a year and support 59,000 jobs.
    - Hampshire's 'destination brands' with strongest awareness amongst UK markets are the New Forest, Winchester, Portsmouth, Southampton, and the South Downs. There is strong awareness of some of the county's top attractions including Portsmouth Historic Dockyard, Beaulieu and Paulton's Park.
    - Target markets for Hampshire are:
        - Domestic day visitors, visitors to friends and relatives, and short break stays from within a 2-3 hour drive;
        - International visitors from near European markets and further afield including Asia Pacific;
        - Travel trade – group tour operators and travel organisers;
        - Business visitors, including conferences, meetings and events;
        - Location managers for TV and film.
    - Hampshire County Council's strategy for a sustainable visitor economy is to focus on value not volume, making the accommodation sector an important part of maximising the potential of higher-spending staying visitors. The strategy advocates that product development should be market-focused and evidence based. Hotel development will need to support tourism in both rural areas and the county's cities, as well as helping develop a distinctive offer and attract year round business.

- Trends in tourism markets nationally present opportunities for Hampshire to build its leisure tourism markets, in particular:

  - Austerity and the continuing staycation encouraging more holidays in Britain – although there are signs that this trend may not continue as consumer confidence returns and as a result of the poor summer weather in 2012;
  - A recovery in inbound tourism boosted by the events of 2012;
  - Recovery in the business tourism and meetings market, although value for money remains important;
  - A powerful grey market as the UK population ages;
  - Younger markets with more economic power for travel as they stay at home longer and delay marriage;
  - The continued time-poor appeal of short breaks;
  - A thirst for 'experiences' rather than just places;
  - Greater interest in outdoor activities, health and fitness;
  - Climate change, concern about environmental impact, and increasing demand for 'green' destinations and visitor experiences and products;
  - The increasing use of the internet and smart phones to research, enquire and book travel, and to spread awareness via social networks;
  - The growth of central sales and brand deals resulting in an increasingly deal-driven holiday market.

- These trends, strengths and opportunities will help form the basis of a new tourism strategy for the county to be prepared in 2013.

4.2. Major Drivers of Growth in Hotel Demand in Hampshire

- Beneath any economic forecasts lie a number of key projects 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 and the nature of the hotel demand they are likely to generate will help steer future locational strategies for hotel development and the size and standard of hotel that will have best fit with the identified potential.

- Whilst there have been many business and leisure developments proposed and aspired to across the county, often featured in key strategies and plans for destinations, the challenge for assessing potential growth in related hotel demand is to try and understand which of these projects are likely to come forward and over what timescales – especially given the constraints of recent economic conditions.

- In the short term (over the next 5 years) a number of strategic initiatives are beginning to kick-start schemes with a view to leveraging in private sector investment. Specifically:

    - Growing Places funding is a key source of investment support that can be accessed by LEPs to enable development to come forward, particularly in terms of infrastructure development. This has been instrumental in getting a number of schemes off the ground. Contributions from developers related to the value of the land developed will create a revolving fund to help finance future projects.

    - The designation of Daedalus Airfield as the Solent Enterprise Zone, one of 24 new designations that brings with it funding and streamlined processes to accelerate development. This 200 acre site seeks to deliver 3500 jobs and 200 homes by 2026. Its focus is advanced manufacturing in the aviation and marine sectors and 2 occupiers are now on site - Sapphire Aviation and Bournemouth Avionics. £15m of investment from the LEP, HCA and Hampshire County Council will unlock 21 acres of land in Phase 1 and secure improvements to site access and the route from the M27, creating around 900 jobs. £12m is being invested in a world class advanced manufacturing training facility for engineering skills – CEMAST – due to open in September 2014 (150 jobs) plus a further £2.79m of expansion funding for related businesses (350 jobs) to March 2015.

- Potential City Deal status for Portsmouth-Southampton, currently being fast-tracked. This is a £1.5 billion package, most of which will come from the private sector as land is developed, but also with public sector contributions, including £500m from local authorities. City Deal status aims to boost inward investment through bringing development sites forward and investing in infrastructure. The proposed City Deal for Portsmouth-Southampton is focused on the expansion of a globally-competitive maritime economy in the Solent area. It seeks to maximise the potential of the area's internationally recognised maritime businesses, unlocking investment from companies linked to the port in Southampton and the defence sector in Portsmouth. An announcement is to be made on the success of the bid in June 2013

- Specific schemes with the potential to drive growth in hotel markets on which there appears to be some activity and/or which are linked to funding pots and bids include:

  - **In Southampton:**

    - Southampton's masterplan launched in 2012 targets the creation of 24,000 jobs, £2.3bn of investment, 270,000 sq m of retail, 300,000 sq m of offices, 5000 homes and 3000 hotel beds.

    - The first phase (residential) of the mixed use waterfront development at **Centenary Quay** is now complete. Work is expected to start on a marine employment quarter in 2013, creating 1000 jobs.

    - Redevelopment of the **Royal Pier Waterfront** (Morgan Sindall Investments), a leisure-led development that will also include some offices and waterfront space for the Southampton Boat Show and other major events, creating 6000 jobs. A masterplan is currently being prepared.

    - A 200,000 sq ft leisure-led development by Hammerson at **Watermark West Quay** that will incorporate a luxury cinema and flagship restaurants, to complement the adjacent regional retail offer, with a start on site in 2014.

- **Southampton Marine and Maritime Institute**, a development by the University of Southampton and Lloyds Register, is now underway. The £120m development of the Boldrewood site will create a world-leading centre for innovation, engineering, science and maritime clusters. Phase 1 research facilities, due for completion in 2014, will create 400 jobs.

- Work has now started on Grosvenor Developments Cultural Quarter **New Arts Complex**, due to open 2015, which will incorporate a contemporary art gallery and performing arts facilities. Associated development includes apartments, restaurants and some retail.

- Further development at **Ocean Village** is underway with the £74m Admiral's Quay under construction and due for completion at the end of 2014 – 299 apartments, 8 restaurants and bars and Southampton's tallest building. By 2016 the development will be complemented by the 5 star Harbour Hotel that will also include accommodation to improve facilities for ocean racing.

- Kier Property is currently in the process of redeveloping the **former Ordnance Survey** site on Romsey Road to provide 179 new homes, new offices, shops and a restaurant, creating 150 new jobs.

- Barker-Mill Estates is developing the 75-acre **Adanac Business Park** at Nursling to the west of Southampton. There has been no activity here however since the opening in December 2010 of the Ordnance Survey's new headquarters building.

- Plans for a new **Lidl distribution centre** employing up to 400 people have been unveiled for a site in Nursling adjacent to Adanac Park

- The **Southampton Airport** Masterplan was produced in 2006 and is intended as a long term vision to 2030. Passenger numbers at that point were forecast to grow from 1.9 million to just over 3 million by 2015 and 6 million by 2030. In reality, the recessionary climate has hit air travel, and passenger numbers in 2012 had fallen back to 1.69 million. Recovery will be linked to improved economic performance in the region and more disposable income for leisure travel. Growth is therefore likely to be slower than originally forecast. 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 South Hampshire's 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. For the reasons above, these forecasts are likely to take longer to achieve.

- **Southampton's cruise business** is set to continue to grow over the next 20 years. Already the UK's premier home port cruise liner terminal, catering for 50% of the UK market, 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. By 2010 passenger numbers had increased to 1.2m, and are forecast to increase to 1.5 million by 2020 and 1.9 million by 2030. The port operator has developed a masterplan for its future expansion. A fifth cruise terminal is due to open in 2013. Southampton is primarily a port of embarkation and disembarkation, which generates demand for hotels pre- and post-cruise, as well as between cruise stays. The number of calls to port continues to increase – 360 in 2011 and 430 anticipated in 2013. Royal Caribbean is introducing an additional ship into Southampton from May 2013 with a 3100 passenger capacity (Adventure of the Seas). P&O Cruises are to introduce another ship in 2015 with a 3600 passenger capacity.

- **In Portsmouth**

  - Portsmouth's city vision and masterplan also launched in 2013 looks to deliver up to £1bn of economic benefit, over 16,000 jobs and 5000 homes.

  - **Investment in road transport infrastructure** is a key first step, with improvements to bridges, motorway junctions, a new road into the city centre and park and ride facilities to be phased over the next 6 years. The first of these will be a bridge over the railway at Cosham that has secured £11m from the Department of Transport.

- **Lakeside North Harbour** is an established office campus covering 101 acres with over 600,000 sq ft of offices including IBM's headquarters. Owners Highcross have submitted a planning application for a 1m sq ft office-led development. The proposals seek to deliver a major business centre for Portsmouth with support facilities. De Vere Hotels is to develop a 3 acre site here for a 124 bedroom 4 star Village Urban Resort hotel.

- **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), and a 150-bedroom hotel. Funding has been secured from the Department of Transport to build a new junction on the M275 and a 663 space park and ride facility. Work began in January 2013. When developed out, the site will deliver 1500 new jobs.

- The **Northern Quarter**, retail, housing and leisure development, forecast to deliver 2000 jobs. Whilst the scheme has been scaled down from the original pre-recession proposals, it will still attract £275-£300m of investment, and key tenants such as John Lewis are still on board. Access works will start on site in 2016, with an opening target for the centre of 2018.

- **The cruise market** continues to grow at Portsmouth International Port. 2012 saw 34 cruise ship calls, an increase from 14 in 2010. 38 are booked for 2013. The majority of these are for embarkation/disembarkation. The increase in cruise ship activity at Portsmouth is a reflection of the growth in demand for no-fly cruises; the fact that the majority of cruise passengers live in the south of England; the investment in terminal facilities at Portsmouth; and increased appeal for stop-off calls. Forecasts are for 45 calls by 2015, 65 by 2020 and 75 by 2026.

- **Continental ferry traffic** continues to be an important part of the port's business. Passenger numbers in 2010 were 2.29m. There has been a gradual decline in numbers since 2005 (3.15m). This is a national trend, impacted by increasing fuel costs. Nonetheless forecasts long term suggest continued growth in car accompanied passengers of 1.5% p.a., and new services to Spain should result in capacity led demand for destinations in Northern Spain. The port has various infrastructure investments planned, following the opening of the new £16.8m ferry terminal building in 2011.

- Portsmouth and Southampton are jointly bidding to be the **UK City of Culture in 2017**.

- **In Basingstoke:**

  - **Basing View** – redevelopment of a 15 acre site, to be delivered through a partnership of Basingstoke & Deane Council and Muse Developments. A £200m mixed-use scheme is proposed incorporating 650,000 sq ft of offices and a hotel. Access and public realm improvements and better linkage to the Festival Place retail and leisure offer will also be undertaken. Demolition of some of the old office buildings is underway, and a start on site is scheduled for spring 2014.

  - **Network Rail** controls the adjacent 8 acre site and work has now started on its 146,000 sq ft control centre office development.

  - An **indoor sky-diving tunnel** is under construction at Basingstoke Leisure Park.

  - The Government has announced plans for a £4.3 million investment to revamp the **Black Dam Roundabout** in a bid to reduce congestion at Junction 6 of the M3. The scheme will provide better access to the town centre and Basing View and will reduce queuing on the other arms of the roundabout. The investment is seen as vital to secure future jobs in Basingstoke.

- **In Farnborough:**

  - The continued development of **Farnborough Business Park**, where 17 acres of land remain for development. Costco have recently taken a site here and development is underway.

  - Plans are being mooted for the expansion of capacity and facilities at **FIVE** (Farnborough International Venue and Events).

  - **Farnborough Airport** was granted permission in 2011 to nearly double the number of flights it handles each year. It is now allowed to cater for 50,000 flights per year, almost twice its previous limit of 28,000.

  - Prologis and PRUPIM have launched a search for tenants for their 1.3m sq ft **Hartland Park** distribution centre on a 119-acre former MOD testing facility in Farnborough. Construction is expected to begin in early 2014.

- **In Aldershot:**

  - Grainger plc submitted an outline application to Rushmoor Borough Council at the end of 2012 for the development of the **Wellesley Aldershot Urban Extension**, comprising up to 3,850 new homes, schools and a range of other community facilities

- **In Winchester Council area:**

  - The development of a new community at **Barton Farm**, where Cala Homes will develop 2000 houses.

  - The MoD has submitted a planning application for a £270m scheme at **Worthy Down** to turn the army base into a training camp for all three services. The scheme would double the personnel here to 2000.

  - Plans for a £70m **hospital and specialist cancer treatment centre** north of Winchester, with a target for opening by 2018.

  - City centre regeneration via the **Silver Hill** retail, residential and office scheme which has now received Secretary of State approval for associated compulsory purchase. The scheme, on a 6 acre site incorporating the bus station, will be delivered in partnership with Henderson Global Investors.

  - Cavendish & Gloucester is developing the 5-acre **Chilcomb Park** business park just off the M3 to the east of Winchester.

- **In Andover:**

  - **Andover Business Park**, which has detailed consent for 1.6m sq ft of commercial space, is now underway with 32 acres pre-let to the Co-op and 11 acres under offer to Stannah. There is also consent for a hotel, retail, leisure and community uses, and Marstons have taken a site here for a pub/restaurant.

- **Elsewhere in Hampshire:**

  - The £48 million development of **The Ageas Bowl** into a Model Test Match ground, currently underway, is due to be completed in 2014. The scheme has so far seen the construction of new stands to increase the venue's capacity to 25,000. The final stages currently under construction include a 175-bedroom 4 star Hilton hotel, additional conferencing and hospitality facilities, an 18-hole golf course and a state-of-the-art media centre. Once complete, the ground will become Britain's only Model Test Match venue as defined by the England and Wales Cricket Board, as well as one of the leading destinations for sport, leisure and entertainment in the UK.

  - A masterplan has now been produced for the **Whitehill-Bordon Eco-Town** setting out the framework for the development and regeneration of the town, which will incorporate 4000 new homes, employment space for 5500 new jobs, a new town centre, community facilities, public transport improvements and 200ha of green space, on 340 acres. A Delivery Board has been established and £15m of funding secured.

  - The proposed **Boorley Green** development to the north of Botley will deliver 1,400 new homes together with community facilities. The scheme was granted outline consent by Eastleigh borough Council in March 2013.

  - The planned **Welborne New Community North of Fareham** will see the development of between 6500 and 7500 new homes, post 2016. The plans for the community are being worked up by Fareham Borough Council in 2013 and 2014.

  - **Dunsbury Hill Farm**, on the A3 north of Havant, has for some time been the subject of a business park proposal. An outline planning application has recently been submitted for the business park and hotel with detailed permission being sought for a link road into the site to open it up for development.

  - Plans are being progressed for the **West of Waterlooville Major Development Area**. The scheme will include 3000 new homes, employment uses, live/work units, community and recreation facilities and new access roads. Work has commenced on the initial phases of housing.

  - BAE Systems submitted outline plans to Havant Borough Council in 2012 for the redevelopment of the **BAE Systems Technology Park** at Waterlooville. The proposal envisages the demolition of the existing buildings on the site to make way for a development of modern offices together with a hotel, restaurants and a car showroom.

- The key message on growth appears to be about gradual evolution rather than transformational revolution. Opportunities for associated hotel development are thus similarly likely to evolve as the major regeneration and development schemes begin to generate increased demand for hotel accommodation, both during their development phase and as they attract occupiers.

4.3. Future Market Prospects

4.3.1. Corporate Demand

- Corporate demand for hotel accommodation in Hampshire looks set to slowly increase over the next 2-3 years as the economy recovers, companies expand and business travel resumes. Economic growth forecasts suggest relatively slow growth through until 2016, possibly followed by stronger growth from 2017 onwards.

- Growth in corporate demand for hotel accommodation looks likely to happen more quickly in locations where business park and office development schemes are being progressed:

    - Portsmouth – where Highcross is progressing a new phase of the development of the Lakeside North Harbour business park;
    - Farnborough – where the re-branded Farnborough Business Park continues to develop and attract new occupiers;
    - Basingstoke – where Network Rail has started preparatory work on the development of its new control centre in the town centre, Muse Developments are moving forward with the regeneration of Basing View and there has been some recent movement in office lettings. The relocation of Huawei from the town in 2013 will however result in a loss of significant corporate business for some of the town's hotels.
    - Gosport – where the Solent Enterprise Zone on Daedalus Airfield is being progressed;
    - Andover – as the Andover Business Park develops here;
    - Whitehill-Bordon – as the business park element of the Eco Town project is progressed over the next 2 years.

- Increases in corporate demand look likely to happen more slowly in the following parts of Hampshire, where there are no clear signs of office, business park and industrial development projects likely to come to fruition in the next 2-3 years:

    - Southampton City Centre- where the major development schemes that look likely to be progressed in the next few years are primarily leisure schemes;
    - The Southampton/Eastleigh M27 Corridor – where the Ford Transit plant will close in July 2013;
    - Fareham – where there does not appear to be any current planned activity in terms of business park development;
    - Havant – unless the Dunsbury Hill Farm business park development comes forward more quickly;
    - Alton and Petersfield – where there is very little employment development land available.

4.3.2. Government Business

- Government business looks likely to reduce further for Hampshire hotels as defence and other public sector cutbacks are implemented.

4.3.3. Residential Conferences

- The residential conference market may slightly recover for Hampshire hotels as the economy starts to grow again but is unlikely to return to pre-recession levels. Many companies have developed their own in-house meet and training facilities over the last 5 years, have got used to not holding meetings or are increasingly making use of video and teleconferencing technology, thus reducing the need for face-to-face meetings.

- Hotels that have greater appeal for residential conferences and those that are more proactively targeting such business could see stronger growth in residential conference demand. This includes:

    - 4 and 5 star country house hotels;
    - 4 star golf hotels;
    - Hotels in the New Forest, Winchester and Farnborough;
    - Residential conference centres;
    - Hotels that can cater effectively for large (100-150 + delegate) conferences.

- There should be some supply-led growth in the residential conference market in Hampshire over the next 2 years as such hotels open i.e. Heckfield Place and the Hilton Ageas Bowl.

4.3.4. Association Conferences/ Major Business to Business Conventions, Exhibitions and Events

- There could be potential for Southampton to target association conferences, business-to-business events and trade exhibitions related to the key business sectors in the city and specialisms of the University (maritime and marine industries, oceanography, aviation, medical) using existing conference and exhibition facilities e.g. the Heartbeat Education Centre at Southampton General Hospital, the National Oceanography Centre and the cruise terminals.

- Similarly, there could be scope for FIVE in Farnborough to attract such events associated with the key business sectors in this part of the county (aerospace, defence and security industries).

- There could be potential for Portsmouth Guildhall to re-establish itself as a venue for association conferences.

- Some hotel managers in Winchester also see potential for Winchester Guildhall to be marketed as a venue for conferences.

- Portsmouth and Southampton universities should continue to attract association and academic conferences during vacation periods, which could generate some bedroom business for nearby hotels. Portsmouth University has previously identified that it may be able to attract more conferences during term time if there was a sufficiently large hotel in the vicinity of the University.

- A purpose-built conference and exhibition centre in Southampton or Portsmouth could generate substantial new demand for hotel accommodation. Hotel managers in both cities have long seen the development of such a facility as having a key role to play in stimulating growth in hotel demand. As far as we have been able to establish there are no plans currently for such a project in either city.

4.3.5. Contractors

- Contractor demand for budget hotel accommodation looks likely to increase in the next few years in those parts of Hampshire that are starting to see renewed or ongoing construction activity:
  - Southampton City Centre
  - Portsmouth
  - Basingstoke
  - Farnborough
  - Gosport
  - Whitehill-Bordon

- Construction projects should also generate some demand for 3 and 4 star hotel accommodation from architects, civil engineers and other professionals that are working on them.

4.3.6. Airport-Related Demand

- While passenger numbers travelling through Southampton Airport have reduced, they may begin to increase again as business air travel and demand for overseas holidays starts to grow again as the country comes out of the recession. This should generate increased demand for hotel accommodation in the vicinity of the airport from aircrew and air passengers. Growth in these markets is however unlikely to be as significant as had originally been projected in the Airport Masterplan.

- Aircrew demand looks set to grow in Farnborough, with the airport here having been granted permission to significantly increase the number of flights that it can handle.

4.3.7. Leisure Breaks

- 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. There is no reason to think that tourism should not grow at a similar rate in Hampshire and that there will not be further growth in leisure break demand for the county's hotels. Having said this there are some signs that the recent 'staycation' trend may not continue as UK residents opt again for overseas holidays as the economy and consumer confidence recovers and in response to the poor summer weather in 2012. The significantly reduced budgets for marketing the county's destinations may also weaken their ability to compete for leisure break business. It is also clear that the UK leisure break market will remain largely price sensitive (other than possibly at the top end of the market), with customers continuing to look for good deals and buying primarily through online travel agents and third party websites.

- The New Forest, Winchester and Portsmouth are likely to remain strong leisure break destinations. The opening of Portsmouth's Mary Rose Museum in 2013 should provide an added boost to leisure break demand in the city. Hotels in Fareham, Gosport, Havant and East Hampshire may also be able to capitalise on the museum to attract leisure break stays.

- Leisure break demand could also increase for hotels located in and around the South Downs National Park as it becomes more widely recognised as a destination.

- Southampton should begin to develop as a stronger city break destination given the planned development of its waterfront and leisure and cultural offer.

- The award of UK City of Culture 2017 to Southampton and Portsmouth would provide a significant boost to the development of the two cities as leisure break destinations.

- The development of The Ageas Bowl could motivate new leisure break business in Southampton and the Southampton/Eastleigh M27 Corridor, stimulated by major cricket matches, concerts, events and other sports fixtures.

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

- The development of new leisure led hotels (including the luxury Heckfield Place country house hotel, new boutique hotels, gastropubs with boutique bedrooms, the New Park Manor luxury family hotel and Sinah Warren adults only hotel) should result in supply led growth in leisure break demand. The Hilton Ageas Bowl should also generate new leisure break business, as could new budget hotels as they target the leisure break market to attract weekend demand.

- Growth in leisure break demand in Basingstoke and the Farnborough/ Aldershot/Fleet/North Hampshire area will be dependent on the development of major new attractions and events in these parts of the county. It is unlikely that the Basingstoke sky diving tunnel will be sufficient in itself to act as a draw for leisure break stays in the town, but it could provide an added reason for choosing to stay in Basingstoke as a base for visiting nearby theme parks, attractions and destinations, and even London. Leisure events at FIVE may generate leisure break business for hotels in the Farnborough/ Aldershot/Fleet/North Hampshire area but are unlikely to put this area on the map as a leisure break destination.

4.3.8. Overseas Tourists

- The future prospects for overseas tourism to Britain look very promising as a result of the heightened exposure of the country during 2012. VisitBritain is currently projecting that the volume of international tourism to Britain will grow by 3% in 2013. Future years could also see similar levels of growth. There is no reason to think that Hampshire will not benefit from this trend. The county's key visitor destinations (Winchester, Portsmouth and the New Forest) are likely to see the strongest growth in visits by overseas tourists. Luxury country house hotels could also see strong growth in overseas tourist demand.

4.3.9. The Cruise Market

- The cruise market is set to continue to grow in both Southampton and Portsmouth. Cruise passenger embarkations from Southampton are projected to increase by 25% between 2010 and 2020 and a further 25% between 2020 and 2030. Cruise ship traffic through Portsmouth is also forecast to increase significantly through to 2026, albeit from a much lower base than Southampton. A number of hotel managers in Southampton expressed concerns that Southampton may lose cruise business to Liverpool now that embarkations are allowed from here. With the strongest growth in cruise demand coming from the South of England it seems likely however that Southampton will continue to be the most popular UK port of departure for UK cruise passengers. Southampton is also much better connected to the London airports for cruise passengers from the US and other countries.

4.3.10. Ferry-Related Demand

- Ferry-related demand for hotel accommodation in Portsmouth could increase over the next few years if demand for outbound overseas holidays starts to grow again as the country comes out of the recession and international visitor arrivals from near Europe increase as anticipated.

4.3.11. Weddings and Functions

- Demand for hotel accommodation related to weddings and functions is likely to grow as Hampshire's population increases.

4.3.12. 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.

4.3.13. Clubbers/ Stag & Hen Parties

- Clubbers and stag and hen parties are likely to remain a key weekend market for budget and some 3 star hotels in Southampton and Portsmouth city centres. Demand could increase from these markets as the evening economies of the two cities develop.

4.3.14. Group Tours

- There could be scope for existing 3 and 4 star hotels in Hampshire to take more group tour business if they need to if demand from other leisure markets is diluted as new hotels come on stream and /or leisure break demand reduces if the 'staycation' trend wanes. 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 nights and periods. There could be some supply-led growth in group tour business if new 3 and 4 star hotels target this market.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 The Market Potential for Hotel Development 2013-2018

- Our analysis of the survey findings suggests the following opportunities for hotel development in Hampshire over the next 5 years, subject to renewed economic growth and strengthening tourism demand.

HAMPSHIRE HOTEL DEVELOPMENT OPPORTUNITIES 2013 -2018

Location	Standard/ Type of hotel that could be developed	Commentary
Southampton City Centre	Luxury	▪ There is evidence to suggest that the upper end of the Southampton cruise and corporate markets may be strong enough to support the development of a modest new luxury hotel. The planned Harbour Hotel & Spa at Ocean Village will meet this opportunity. The planned investment in the Grand Harbour will also see this hotel re-established as a luxury hotel.
	An international 4 star brand	▪ The anticipated future growth in the cruise market, growth in corporate demand and continuing high-rated demand for Southampton Boat Show and other major events in the city may be sufficient to support the development of a new 4 star hotel in Southampton City Centre. None of the leading international 4 star hotel brands (Marriott, Hilton, Radisson Blu, Crowne Plaza) are currently represented in Southampton City Centre. An international brand would be of most benefit to the city, offering the potential to generate new business. With no proposals currently for such a hotel in the city centre, Southampton is unlikely to see the opening of such a hotel before 2016 or 2017. Strong growth in corporate demand would be a key requirement for the city to be able to support a new hotel at this level. The development of a conference centre in Southampton (if progressed) would need to be supported by an on-site 4 star hotel.
	Boutique	▪ There could be scope for further boutique hotels in Southampton City Centre. The city may be able to attract some of the leading boutique brands (Hotel du Vin, Malmaison, Indigo), which have already developed in other UK cities. Such brands would add to the city's hotel offer and should attract new business to the city.

Location	Standard/ Type of hotel that could be developed	Commentary
Southampton City Centre cont'd	Budget	▪ There is clear evidence of market potential for further budget hotels in Southampton City Centre. Existing budget hotels here are trading at high levels of occupancy and consistently turning business away during the week and at weekends, at times to a significant degree. The survey findings suggest potential for further budget hotels over and above the proposed Travelodge. Southampton City Centre may attract an upper-tier budget brand (Holiday Inn Express, Hampton by Hilton, Ramada Encore) or one of the emerging boutique budget brands (e.g. Sleeperz, Z Hotels). Additional budget hotels are likely to challenge some of the city centre's independent 2 and 3 star hotels. A significant increase in budget hotel supply in the city centre could result in an overly competitive hotel market leading to a reduction in achieved room rates and occupancies.
	Serviced Apartments	▪ Given further growth in the corporate market, there could be scope for additional serviced apartments in Southampton City Centre to cater for long stay corporate demand. This could be either purpose-built serviced apartment buildings or residential apartments that are let out on a serviced apartment basis.
Southampton/ Eastleigh M27 Corridor	3/4 star	▪ The opening of the Hilton at The Ageas Bowl in 2014 is likely to result in a much more competitive 3/4 star hotel market in this part of the county. It is difficult to see potential for another new 3 or 4 star hotel in this area for at least the next 5 years. The opportunities are more likely to be in terms of investment in the area's existing 3 and 4 star hotels in terms of refurbishment and possibly additional bedrooms and facilities if corporate demand recovers sufficiently and begins to grow again.
	Budget	▪ There is clear evidence of market potential for additional budget hotels in the Southampton/Eastleigh M27 Corridor. Existing budget hotels in this area are achieving high levels of occupancy and regularly turning business away both during the week and at weekends. The strongest potential is likely to be at Southampton Airport. There could be scope for an upper-tier budget hotel here. New budget hotels are likely to compete strongly with the area's independent 3 star hotels.

Location	Standard/ Type of hotel that could be developed	Commentary
Portsmouth	3/4 star	▪ The potential for the development of new 3 and 4 star hotels in Portsmouth will be dependent on further growth in corporate demand. While 3/4 star hotel occupancies are strong and there is evidence of hotels turning business away both during the week and at weekends, 3/4 star achieved room rates are relatively low. ▪ The Village Urban Resort at the expanding Lakeside North Harbour business park looks likely to proceed for an opening in 2014 or early 2015. The hotel should be able to attract good corporate demand from IBM and existing and newly attracted companies on this business park. ▪ The Jury's Inn 3 star hotel may proceed in the city centre in the next year or so. This would be a significant increase to the city centre hotel supply, resulting in a much more competitive hotel market here and a possible reduction in achieved room rates. ▪ There could be scope for a 4 star hotel in Portsmouth city centre, given strong growth in higher rated corporate demand to enable a hotel at this level to achieve the room rates that it would need to. An international 4 star brand, such as Hilton, Radisson Blu or Crowne Plaza would add the most to the city's hotel offer and should be able to generate new business for the city. This is likely to be a longer-term opportunity once the corporate market has grown in the city. The progression of the Village Urban Resort and Jury's Inn may weaken the feasibility case for a 4 star hotel at least in the short-term. The development of a conference centre in Portsmouth (if progressed) would need to be supported by an on-site 4 star hotel.
	Boutique	▪ On the basis of the current strong performance of the boutique hotels that have opened in Southsea, there could be potential for further boutique hotels in Southsea and Portsmouth. The opportunities are most likely to be for fairly modest sized boutique hotels progressed by independent operators. There could be scope for some existing hotels to be repositioned as boutique hotels. There may be scope for a Hotel du Vin in Portsmouth, given a suitable property for conversion. There may also be potential for a larger Malmaison or Indigo boutique hotel, as an alternative to a new 4 star hotel. New boutique hotels would add to the city's hotel offer and should be able to generate new business for the city.

Location	Standard/ Type of hotel that could be developed	Commentary
Portsmouth cont'd	Budget	▪ There is clear evidence of market potential for additional budget hotel provision in Portsmouth. The city's existing budget hotels are achieving very high occupancy levels and frequently denying significant business. The proposed Premier Inn and Travelodge (if they go ahead) are likely to meet much of the requirements for additional budget hotel provision in the city for the next 5 years. There may be scope for a second upper-tier budget hotel or possibly a boutique budget hotel. New budget hotels are likely to challenge some of the city's 3 star hotels, particularly those that are independently operated, less well located and/or in need of investment. A significant increase in budget hotel supply could result in an overly competitive hotel market in Portsmouth that might affect overall hotel performance, particularly in terms of achieved room rates.
	Serviced Apartments	▪ There could be scope for additional serviced apartments in Portsmouth to cater for long stay corporate demand. This could be either purpose-built serviced apartment buildings or residential apartments that are let out on a serviced apartment basis.
Fareham	Budget	▪ There is clear evidence of market potential for additional budget hotels in Fareham. Both Premier Inn and Travelodge have requirements here. There may be scope for an upper-tier budget hotel here, possibly on one of the business parks. A significant increase in budget hotel provision in Fareham is likely to have an impact on the performance of the existing 3 star hotels here.
	3/4 star	▪ There may be scope for a new 3 or 4 star hotel in Fareham given further business park development and the attraction of new companies. Existing hotels at these levels in the market are trading strongly during the week, frequently at capacity on Tuesday and Wednesday nights. Weekend business is more of a challenge here however. With no indications of current or imminent renewed activity in terms of business park development the potential for another 3 or 4 star hotel in Fareham is likely to be longer term.

Location	Standard/ Type of hotel that could be developed	Commentary
Havant	Budget	▪ The strong performance of most of the existing budget hotels in the Havant area suggests market potential for further budget hotel provision in this part of the county, either in terms of the expansion of the existing budget hotels and/or the development of new budget hotels. New budget hotel supply in this area is likely to challenge the existing 3 and 4 star hotels in the Borough, possibly to the point where one or two of them may decide to exit the market.
	3/4 star	▪ There may be scope for a 3/4 star hotel as part of the Dunsbury Hill Farm business park development, depending on the number and type of business occupiers that are attracted here. This is likely to be a longer term opportunity. An upper-tier budget or budget hotel may be a better fit with the opportunity here. ▪ There is a need for investment in the existing 3 and 4 star hotels in the Borough in order for them to meet current and future market expectations in terms of quality. Most of them are not currently trading well or generating sufficient profit for reinvestment. The Havant corporate market and the potential for leisure business here are not strong enough to enable hotels here to achieve higher occupancies and room rates. It may be difficult for hotel owners to justify investment in relation to the returns that this would yield. Additional budget hotel provision would exacerbate the prognosis for these hotels.
	Adults only hotels	▪ There is clear market potential for the expansion and further development of the Sinah Warren adults only hotel on Hayling Island
Waterlooville	Budget	▪ The development of employment uses as part of the West of Waterlooville Major Development Area together with the planned development of the BAE Systems Technology Park may support the development of a budget hotel at Waterlooville. Travelodge has a requirement here.
Gosport	Budget	▪ There may be potential for a second budget hotel in Gosport, depending on how the new Premier Inn performs when it opens later in 2013 and how corporate and contractor demand grows as the Solent Enterprise Zone is developed.

Location	Standard/ Type of hotel that could be developed	Commentary
East Hampshire	Budget	▪ There could be market potential for further budget hotel provision in **Petersfield**, either in terms of the expansion of the Premier Inn here and/or the development of a second budget hotel. Travelodge has a requirement for Petersfield. ▪ There may be scope for a budget hotel to be developed in **Alton**, given a suitable site. Premier Inn has a requirement here. A budget hotel at Alton is likely to challenge the town's existing hotels, pub accommodation businesses and guest houses. ▪ There may be scope for a small budget hotel in **Whitehill-Bordon** if a budget hotel operator can be convinced of the potential demand for hotel accommodation related to the Eco Town business park development and population growth. Premier Inn is likely to be the strongest prospect here. It is the only budget hotel operator that has the market penetration and network of hotels in the surrounding area to be able to support a hotel in this location. Travelodge has just sold its Liphook hotel so is less likely to be interested in Whitehill-Bordon. The other possibility in this location could be the development of budget hotel bedrooms associated with an existing or new pub restaurant.
	A small boutique hotel and/or gastropub with boutique bedrooms in Petersfield	▪ There could be potential for the development of such forms of boutique accommodation in Petersfield, given suitable properties for conversion. As a key centre in the South Downs National Park, Petersfield has a distinct lack of good quality visitor accommodation. As far as we have been able to establish no suitable properties are available for conversion to a boutique hotel and none of the town's pubs are actively considering the development of boutique guest bedrooms.
	The expansion and further development of the Old Thorns Manor	▪ There is good potential for the development of additional guest bedrooms at the Old Thorns Manor to enable the hotel to meet the demand it is attracting for wedding and golf and spa break business at weekends and to allow it to cater more effectively for larger residential conferences and corporate golf events.
	Country house hotels	▪ There could be potential for the development of 3 and 4 star and luxury country house hotels in East Hampshire, given suitable properties for conversion.

Location	Standard/ Type of hotel that could be developed	Commentary
Basingstoke	Budget	▪ There is clear evidence of market potential for budget hotel development in Basingstoke. The town's existing budget hotels are achieving high occupancies and consistently turn away significant business during the week and to a lesser extent at weekends. This could include potential for an upper-tier budget hotel. New budget hotels in the town are likely to challenge some of Basingstoke's existing 3 and 4 star hotels, particularly those that are independently operated, less well located and/or in need of investment.
	A new 3/4 star at Basing View	▪ The potential for a new 3 or 4 star hotel at Basing View will be dependent on recovery and renewed growth in the local corporate market. Corporate demand has reduced significantly in Basingstoke as companies have downsized or closed their operations in the town. The loss of business from Huawei will further weaken corporate demand in 2013. Much will depend on the levels of business that Network Rail's new control centre generates for the town's hotels, how quickly Basing View is regenerated and attracts new occupiers, and the extent to which new occupiers are found for vacant space at Basingstoke's business parks. Weekend demand will continue to be a challenge for hotels in Basingstoke and could weaken the case for a new 3 or 4 star hotel unless it has a strong leisure offer to help attract leisure break stays. A brand such as Village Urban Resorts could be a good fit in this respect.
	3/4 star – expansion and development of existing hotels	▪ There may be scope for Basingstoke's existing 3 and 4 star hotels to expand if the corporate market here recovers and starts to grow again. There could also be scope for hotels to develop additional leisure and spa facilities and function spaces to try to boost weekend demand.
	Serviced apartments	▪ There may be potential for the development of further serviced apartments in Basingstoke to meet demand from long stay corporate guests. This could be in terms of purpose-built serviced apartment complexes or residential apartments being let as serviced apartments.
Hook	Budget	▪ There could be potential for a budget hotel in Hook given a suitable site. There are a number of companies here that might have a requirement for budget hotel accommodation. Such a hotel is likely to have an impact on the existing 3 and 4 star hotels in this part of the county however.

Location	Standard/ Type of hotel that could be developed	Commentary
Farnborough	3/4 star	▪ There is clear potential for the development of further 3 or 4 star hotels in Farnborough, given the very strong achieved room rate performance for 3/4 star hotels here and the high levels of denied business during the week. There is less potential to attract weekend demand in this part of the county but the strength of the midweek market can support further provision at a 3 or 4 star level. There may be scope for a 3/4 star hotel to be incorporated into the future plans for FIVE.
	Budget	▪ There is clear market potential for a further budget hotel in Farnborough, given the high levels of occupancy that are currently being achieved by the town's budget hotels and the levels of midweek business that they are consistently turning away. The Premier Inn proposed for the town centre is likely to satisfy much of the immediate requirement for additional budget provision, particularly given the opening of the new Premier Inn in Fleet in 2013. In the longer term there may be potential for a further budget hotel, possibly at upper-tier budget level, if corporate and contractor demand continues to grow.
	Serviced apartments	▪ There could be potential for the development of further serviced apartments in Farnborough to meet long stay corporate demand. This could be in terms of purpose-built serviced apartment buildings or the letting of residential apartments on a serviced apartment basis.
Aldershot/ Fleet/ North Hampshire	Budget	▪ Given the recent openings of budget hotels in Aldershot, Farnborough and Camberley, the opening of the new Premier Inn in Fleet in 2013, and plans for a second Premier Inn in Farnborough, there is no clear need for further budget hotel development in these parts of Hampshire.
	Upgrading of 3 star hotels	▪ A number of this area's independent 3 star hotels are in need of investment to modernise their product. This is likely to prove a challenge given the recent and continuing growth in the area's budget hotel supply, which has had a largely detrimental impact of the performance of such hotels. Owners are struggling to justify investment given the returns that they are likely to achieve in the much more competitive market place that these hotels are now in. Some owners may decide to exit the market.

Location	Standard/ Type of hotel that could be developed	Commentary
Andover	Budget	▪ There is clear market potential for further budget hotel provision in Andover, possibly at upper-tier budget level. Travelodge have a requirement here.
Winchester	Budget	▪ There would appear to be market potential for a budget hotel in Winchester, given the lack of such hotel accommodation serving the city at present. The planned Premier Inn may meet this requirement. Travelodge also has a requirement for Winchester.
	Boutique	▪ There may be scope for further boutique hotels and/or gastropubs with boutique bedrooms in Winchester, given the strong performance of such hotels currently in the city.
	3/4 star	▪ The Winchester market does not appear to be strong enough to support another new 3/4 star hotel for the foreseeable future. There may however be scope for existing hotels to develop additional bedrooms and leisure, spa and banqueting facilities e.g. the proposed expansion of the Holiday Inn at Morn Hill.
New Forest	3/4 star Boutique	▪ The priority in the New Forest is for ongoing investment in existing 3 and 4 star hotels to ensure that they remain competitive in the leisure break and residential conference markets. ▪ There may be scope for further 3 star hotels to upgrade to 4 stars or reposition as boutique hotels. Upgrading or repositioning may be required to generate a sufficient return on investment. ▪ There is scope for New Forest hotels to continue to develop spas and other leisure facilities to enhance their appeal for leisure breaks, particularly out-of-season.
	Budget	▪ There could be market potential for the development of budget hotels in the New Forest. Premier Inn has a requirement for Lyndhurst and Lymington. Budget hotels have successfully been developed in other National Parks.

Location	Standard/ Type of hotel that could be developed	Commentary
Rural Locations Smaller Market Towns	Luxury country house hotels Golf hotels/resorts Spa hotels Family hotels – luxury and mid-market Adults only hotels/ resorts	▪ There could be further potential for the development of these types of leisure-led hotel in Hampshire's rural areas, given suitable sites and properties available for conversion. These types of hotel are all trading very strongly in the county.
	Gastropubs with boutique bedrooms Restaurants with Rooms	▪ There may be potential for the further repositioning of pubs and restaurant in Hampshire's towns, villages and rural locations to provide high quality dining experiences allied to boutique guest accommodation. Pubs and restaurants in the county that have so far gone down this route have generally found a strong market.

5.2. Requirements for Public Sector Intervention

- The last few years have clearly been a difficult trading period for Hampshire's hotel industry as a result of the recession and the impact that this has had on corporate and conference demand and the stalling of previously proposed major regeneration and development schemes and hotel projects. New hotels have opened however, particularly at the budget and boutique levels, and there are signs of renewed interest in hotel development in some parts of the county alongside plans for investment in a number of existing hotels. Recovery and renewed growth in the hotel market, particularly in terms of corporate demand, is first needed however, before new hotel development and investment can be more proactively supported by the county's public sector agencies. We discuss below some of the key requirements for public sector intervention to contribute to hotel market recovery and growth and inform and support hotel development and investment decisions over the next 5 years.

5.2.1 Supporting Hotel Market Recovery and Renewed Growth

a) Developing the Corporate Market

- Renewed growth in corporate demand for hotel accommodation will be the key prerequisite for boosting the performance of existing hotels and supporting new hotel development in most parts of Hampshire. This will require the progression of office and business park projects and the attraction of companies that will generate strong, high-rated demand for hotel accommodation. Regional, national, European and global head office operations will be key in this respect. Hotel development will generally follow strong growth in the corporate market: it does not usually take place ahead of growth in corporate demand and rarely leads regeneration and development projects.

b) Developing the Leisure Tourism Offer

- The further development of the leisure tourism offer in some of Hampshire's destinations will be important, particularly in terms of boosting weekend and winter and shoulder season demand. The key priorities identified through the Hotel Trends Survey are as follows:

    - The continued development of Southampton's waterfront, attractions, cultural, leisure, retail and events offer – to establish the city as a stronger city break destination.
    - The ongoing development of Portsmouth's attractions, cultural, leisure, retail and events offer – to ensure that the city remains competitive as a city break destination.
    - The development of a major visitor attraction and major events to generate weekend business for hotels in Basingstoke and the Farnborough/Aldershot/Fleet/North Hampshire area.
    - The development of additional all-weather attractions in the New Forest to help boost off-peak business and reduced seasonality.

- The development of events at off peak times would help to reduce seasonality for the county's hotels.

- Better co-ordination of events calendars would help to maximise the benefits of events for the county's hotels by avoiding instances when events coincide to generate significant demand for hotel accommodation which cannot be met and is thus displaced to other areas.

c) Leisure Tourism Marketing

- While local authority budgets for leisure tourism marketing have reduced significantly in recent years, most hotel managers in Hampshire still see an important role for the county's local authorities to play in terms of raising awareness of their area for leisure break stays. Priorities are seen as raising awareness within target leisure break markets of Hampshire's key destinations – Southampton, Portsmouth, Winchester, the New Forest and the South Downs – and promoting Basingstoke and North Hampshire as leisure break bases for visiting surrounding attractions and destinations and travelling into London.

d) Developing Conference and Exhibition Business

- While many of the county's hotel managers see little prospect of recovery and renewed growth in residential conference business, the managers of some types of hotel and in some parts of the county are more optimistic and looking to target this market more actively through sales and marketing activity and in some cases the development of their conference facilities. This includes :
    - 4 and 5 star country house hotels;
    - Some golf hotels;
    - Residential conference centres;
    - New Forest hotels;
    - Hotels in Winchester;
    - Hotels in Farnborough.

- The managers of a number of such hotels expressed interest in working with the County Council to proactively target residential conference, team building and incentive travel business.

- There could be scope for Southampton and Farnborough to make fuller use of their existing conference and exhibition venues to attract and/or establish major new trade exhibitions and conferences linked to the key business sectors for each location. This would require public sector investment in targeted marketing activity, possibly through conference and exhibition ambassador programmes to support local business leaders in attracting their sector's conferences and exhibitions to their area.

- There could also be scope for Portsmouth Guildhall to re-establish itself as an association conference venue, given City Council investment in its conference offer and renewed marketing activity. There may also be scope for Winchester Guildhall to be more proactively promoted for association conferences.

- The County Council is currently reviewing its options for working with Hampshire's hotels, conference venues and destinations with regard to its future investment in MICE[1] marketing activity.

[1] Meetings, Incentives, Conferencing, Exhibitions

- Hotel managers in Southampton and Portsmouth have long seen the need for a purpose-built conference and exhibition centre in their city to support the development of the hotel market and new hotel development. As far as we have been able to establish the feasibility of developing such a facility in either of the two cities has never been fully investigated. Undertaking such work would give clarity as to whether either of the cities could support such a development and how it might be progressed and funded. There may be an opportunity to consider this as part of the current Southampton Waterfront masterplanning exercise.

5.2.2 Informing and Supporting Hotel Development and Investment

a) Informing Hotel Development and Investment Decisions

- This Hampshire Hotel Trends Survey report provides a lot of very useful information to aid hotel development and investment decisions. It will be important therefore for the report to be fully circulated to the managers and owners of all of the participating hotels and to be made available to the hotel development community. This will include hotel developers, property developers, hotel consultants and hotel property agents. Some form of marketing and PR activity will be required to publicise the availability of the report. The report should also be circulated to all relevant local authority officers to inform their engagement with the hotel development community and the established hotels in their area.

- Hotel developers are usually interested in specific locations rather than a county as a whole. Similarly, the managers and owners of existing hotels will primarily be interested in information on hotel performance, market trends and future growth prospects for their area. There may therefore be a case for re-packaging the information in the report into a series of Hotel Market Fact Files for specific destinations to meet these more specific information requirements.

- The 2013 Hotel Trends Survey provides a snapshot of hotel performance, market trends, growth prospects and development potential at one point in time. It will be important to plan to update the survey in 2-3 years time to ensure that hotel investment decisions continue to be made on the basis of up-to-date information.

b) Targeting Hotel Products and Brands That Can Add Value

- The findings of the 2013 Hotel Trends Survey show no clear need for proactive hotel investment activity to bring forward or accelerate hotel development in Hampshire. The immediate opportunities for new hotels in some locations, primarily budget hotels, are already being picked up by hotel companies. Other opportunities for hotel development are longer term, given renewed market growth, particularly in terms of corporate demand.

- Having said this, there could be a case for some more proactive work aimed at attracting hotel brands and products that will add value to the county's hotel offer and attract new business to the county. This could be in terms of the following:
    - An international 4 star brand (Crowne Plaza, Marriott, Hilton, Radisson Blu) for Southampton and Portsmouth city centres, given growth in high-rated corporate demand.
    - A leading 3 or 4 star brand with a strong leisure offer for Basingstoke (Basing View) and Farnborough (possibly linked to FIVE).
    - National boutique hotel brands (Malmaison, Hotel du Vin, Indigo) for Southampton and Portsmouth city centres, given growth in the market.
    - Small independent boutique hotels in Winchester and Petersfield.
    - Leisure-led hotel products that are currently trading strongly in Hampshire:
        - Luxury country house hotels;
        - Golf hotels/resorts;
        - Spa hotels;
        - Family hotels;
        - Adults only hotels.

- Hotel Solutions is conducting a survey of hotel companies in May 2013 to assess their interest in developing new hotels in Hampshire. This should provide a clearer insight into whether the operators of such hotel brands and products have any interest in investing in Hampshire and requirements for public sector support to attract them to the county.

- With regard to supporting the development of leisure-led hotel products in the county the key requirement for public sector intervention at this stage is in terms of work to identify suitable sites and properties that can be marketed to potentially interested hotel companies.

c) Planning Effectively for Hotel Development and Retention

- Planning is frequently cited by hotel developers as a major barrier to progressing hotel development projects. What is needed are:
    - Planning policies that will allow hotel development where there is identified market potential, subject to satisfying all relevant material planning considerations;
    - Development management policies and planning conditions that reflect the economics of hotel development and avoid unnecessarily adding significant cost to hotel schemes, sometimes to the point where they are no longer viable.

- The county's local authorities need to give due consideration to planning effectively for hotel development as they move forward with their Local Development Schemes in terms of:
    - Reviewing and finalising Core Strategies;
    - Preparing site allocations and development management policies DPDs;
    - Developing Area Action Plans, development briefs and masterplans for specific locations and sites.

- This 2013 Hampshire Hotel Trends Survey report provides a wealth of detailed information that local authority planning teams can draw on as they prepare and finalise such documents. It will be important therefore to ensure that the report is widely circulated to such teams. The suggested development of Hotel Market Fact Files for specific parts of the county could be helpful in this process by making the information in the county report more accessible for planners.

- There could be a case for preparing a Hotel Planning Policy Guidance Note for Hampshire to give greater clarity to planning teams on how to plan successfully for hotels. Hotel Solutions has previously prepared such guidance at a regional level for TSE but this is now out of circulation.

- There may also be a case for some form of presentation of the Hotel Trends Survey results and hotel planning policy recommendations to the county's planners.

- Planning for hotel development is largely reactive at present, with development control teams determining hotel planning applications as they come forward. There could however be a case for local authorities to take a more strategic and proactive approach to planning for hotels through the development of hotel development strategies for their area, or specific parts of it, that would set out:

    - The capacity for new hotel supply;
    - The standards and types of hotel that the local authority would like to see developed in order to add value to the destination's hotel offer and attract new business;
    - Key locations where the local authority wishes to encourage hotel development.

- The development of such strategies would give greater clarity to the market and would assist local authority planning teams in terms of:

    - A more effective application of the sequential test for hotel development;
    - Assessing the need to allocate sites for hotel development;
    - Determining the need for hotel retention policies.

- Hotels are considered to be a city or town centre use in planning terms, yet hotel planning applications frequently come forward for sites in edge-of-town centre or out-of-town sites, sometimes linked to specific drivers of demand in such locations e.g. business or leisure parks. The sequential test is generally applied to such applications, with applicants required to provide evidence of the need for the hotel in the proposed location and the absence of suitable city or town centre sites. Applicants typically commission consultancy studies, which invariably make a positive case for the proposed hotel. Development control teams generally do not have the expertise to be able to challenge such studies. A more robust approach would be for local authorities to fully consider sequential test issues as part of a strategy for hotel development for their city or town. Local authorities would then be in a much stronger position to determine whether hotel development is likely to be viable in town and city centres and to identify out-of-town centre locations where hotel development might be appropriate and would not undermine the potential to secure city or town centre hotels.

- A clear strategy for hotel development would also enable a local authority to determine the need to allocate sites for hotel development. Given the current state of the hotel market across Hampshire and the number of hotel proposals that have already been granted planning permission it is difficult to see a clear case for local authorities to be allocating sites for hotel development at the present time. There may however be some instances where allocating a site for hotel development may be appropriate:

    - Where the delivery of a hotel is seen as critical to a wider scheme of strategic importance e.g. the development of a major conference and exhibition centre would need to be supported by an on-site 4 star hotel, so allocation of a site for such a hotel may be warranted;
    - Where a hotel is a preferred use and best fit with destination objectives for a particular building or site;
    - Where there is a known requirement for additional hotel provision and little alternative in terms of other suitable sites;
    - Where a specific property with potential for conversion to a hotel is identified and its retention sought e.g. characterful buildings in both urban and rural settings with potential for conversion to boutique or country house hotels.

- Where sites are to be allocated for hotel development it will be important to test the market to ensure that the site or building can meet hotel developer and operator requirements and that the location has fit with market potential.

- Another issue that local authorities will need to consider from a planning policy perspective is the need for 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, HMOs or care homes. New Forest District Council's Core Strategy makes reference to the need to retain existing serviced accommodation as part of its tourism policy. Other locations where pressure for conversion of otherwise viable hotels to alternative uses could be an issue are Winchester, the South Downs, Southsea and possibly some of the county's smaller towns e.g. Alton and Romsey. There are examples in other parts of the county of hotels that are not currently trading well as a result of the downturn in demand and the opening of new budget hotels. Some of these hotels could well seek to exit the market. Their retention is such circumstances is unlikely to be achievable.

- 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.

d) Unlocking Sites

- There are a number of hotel sites with planning permission in some parts of Hampshire that have been mooted for hotel development for some time. Where such sites are strong prospects for delivering strategically important hotels there may be a case for research to assess what is holding up progress of such hotel schemes and whether public sector intervention is required to unlock sites and in what form. Local authorities will then be able to judge whether and how to deliver the required support. Securing commercial finance for hotel projects is a significant challenge in the current climate. There is an emerging trend across the UK for local authorities to take some form of financial stake in strategically important hotel projects to enable them to proceed. A robust case will however be needed to justify local authority investment in hotel development schemes and care must be taken to ensure that such investment does not distort the hotel market by giving the supported hotel project a competitive advantage over existing hotels e.g. in terms of allowing it to trade at below market room rates.

e) Easing Congestion

- Traffic congestion is identified by hotel managers as a constraint on hotel demand in the New Forest and Portsmouth. Road access into Portsmouth city centre and traffic congestion here are also barriers to hotel development in the city. Road access to Gosport has also been identified as a constraint on hotel demand and development potential in this part of the county. Plans are currently being progressed to address these issues in Portsmouth and Gosport. Action is urgently required to resolve traffic congestion issues in the New Forest.

5.3. Moving Forward – Next Steps

- This report provides a lot of detailed information on Hampshire's hotel market and its future growth and development potential and makes a series of recommendations for boosting the county's hotel market and supporting sustainable hotel investment as the market recovers and grows again. The key next steps for making full use of the information in the report and acting on the recommendations are as follows:

a) Distribution of the Report and Dissemination of its Key Messages

- The report needs to be effectively distributed to three key audiences:

    - Local authority tourism, economic development, regeneration and planning officers;
    - The owners and managers of participating hotels;
    - The hotel development community – hotel developers and operators, property developers, hotel consultants, hotel property agents.

- This process should be supported by some form of **PR activity** to raise awareness of the report's availability. The re-packaging of the detailed information in the report into a series of destination-specific **Hotel Market Fact Files** would also assist in making the information more accessible and useable. There may also be merit in holding a **hotel investment conference** or giving a series of **presentations** to relevant audiences or forums as a means of disseminating the key findings and messages from the Hotel Trends Survey.

b) Assessing Hotel Developer Interest

- Hampshire County Council has commissioned Hotel Solutions to undertake a survey of national, regional and local hotel developers to assess their interest in developing new hotels in Hampshire. This will identify whether such companies are already picking up on the identified market opportunities for hotel development in the county and bringing forward hotel schemes in line with the anticipated growth in demand for hotel accommodation in each part of the county. It will also identify whether there are any barriers holding back hotel development in Hampshire and requirements for public sector intervention to overcome them. The survey will identify whether there are any requirements for proactive hotel investment marketing activity to raise awareness of hotel development opportunities that the hotel development community has not picked up on in the county. The survey is being progressed in May 2013.

c) Encouraging a Proactive Planning Approach for Hotel Development

- A key recommendation of the report is for local authorities to develop a more proactive approach to planning for hotel development and where appropriate retention. The preparation of Hotel Planning Policy Guidance and some form of presentation, conference or workshop for planners would help to achieve this recommendation.

d) More Detailed Local Work

- Some of the county's local authorities may require more detailed work to interpret the findings and recommendations of the Hotel Trends Survey at a local level to inform planning policy documents, regeneration strategies and/or masterplans and development briefs for specific sites. Basingstoke & Deane Borough Council and East Hampshire District Council have commissioned such work from Hotel Solutions. Other local authorities may have similar requirements once they have had time to digest the report.

e) Site Identification for Leisure-Led Hotel Products

- The key requirement for public sector intervention to encourage and support the development of leisure-led hotel products is work to identify and assess potentially suitable properties for conversion to boutique or country house hotels and sites for the development of golf resorts and other types of leisure hotel. Such properties and sites can then be matched against interest from the operators and developers of such hotel products that is ascertained through the hotel developer survey that Hotel Solutions is progressing.

f) Research Stalled Sites for Strategically Important Hotel Projects

- There could be merit in undertaking research to assess why proposals for strategically important hotel projects have stalled and requirements for public sector support to unlock them. Hampshire County Council and its local authority partners would then be in stronger position to consider what case there may be for public sector support for such projects and how this might be delivered.

5.3. Concluding Thoughts

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

APPENDIX 1

SAMPLE OF PARTICIPATING HOTELS

4 STAR

De Vere Grand Harbour, Southampton[1]
Hilton Southampton
Mercure Dolphin
Hilton Portsmouth
Marriott Portsmouth
The Langstone, Hayling Island
Hilton Basingstoke
Audley's Wood, Basingstoke
Basingstoke Country
Apollo, Basingstoke
Hampshire Court, Basingstoke
Mercure Wessex, Winchester
Holiday Inn Winchester
Norton Park, Sutton Scotney, Winchester
Solent, Fareham
Botleigh Grange
Village Urban Resort, Farnborough
Aviator, Farnborough
Balmer Lawn, Brockenhurst

4/5 STAR COUNTRY HOUSE

Lime Wood
Four Seasons Hampshire
Lainston House
Tylney Hall
Chewton Glen
Rhinefield House
Audley's Wood, Basingstoke

4 STAR GOLF HOTELS

Macdonald Botley Park
Marriott Meon Valley
Old Thorns Manor, Liphook

1. Hotel Solutions estimate based on data sourced from another industry survey

BOUTIQUE

Hotel du Vin, Winchester
The Clarence, Southsea
The White Star Tavern, Southampton
Cargo, Southampton
Hotel Terravina, New Forest

ADULT ONLY HOTEL RESORTS

Sinah Warren, Hayling Island

LUXURY FAMILY HOTELS

New Park Manor, Brockenhurst

RESIDENTIAL CONFERENCE CENTRES

New Place

SERVICED APARTMENT OPERATORS

ESA
Max Serviced Apartments, Farnborough
Living Space Apartments, Farnborough
House of Fischer
SACO
Deep Blue
Silver Door

3 STAR

Novotel Southampton
Jurys Inn Southampton
Holiday Inn Southampton
Highfield House, Southampton
Holiday Inn Portsmouth
Innlodge, Portsmouth
Royal Beach, Southsea
Raven, Hook
White Hart, Hook
Winchester Royal
Holiday Inn Fareham
Red Lion, Fareham
Lysses House, Fareham
Holiday Inn Basingstoke
Potters International, Aldershot
Holiday Inn Farnborough
Lismoyne, Fleet
The Elvetham, Hartley Wintney
Casa, Yateley
Ely, Ely
Bear, Havant
White Hart, Andover
Esseborne Manor
Grosvenor, Stockbridge
Chilworth Manor
Holiday Inn Eastleigh
White Horse, Romsey
Alton House, Alton
Swan, Alton
Langrish House, Petersfield
Master Builders House, Bucklers Hard
South Lawn, Milford-on-Sea
Bartley Lodge, New Forest
Moorhill House, Burley
Forest Lodge, Lyndhurst
Beaulieu
Crown, Lyndhurst
Woodlands, Milford-on-Sea
Elmer's Court, Lymington
Forest Park, Brockenhurst

2 STAR

Elizabeth House, Southampton
Royal Maritime Club, Portsmouth

NON-INSPECTED

Alverbank Country, Gosport
The Manor, Gosport

BUDGET

Premier Inn Southampton City Centre
Premier Inn Southampton West Quay
Premier Inn Southampton West
Premier Inn Southampton North
Holiday Inn Express Southampton West
Premier Inn Southampton Airport
Travelodge Eastleigh Central
Premier Inn Eastleigh
Days Inn Rownhams
Holiday Inn Express Portsmouth Gunwharf Quays
Ibis Portsmouth
Ibis Budget Portsmouth
Ibis Southampton
Ibis Budget Southampton
Premier Inn Portsmouth (Port Solent)
Premier Inn Portsmouth (Port Solent East)
Premier Inn Southsea
Premier Inn Basingstoke Central
Innkeeper's Lodge, Basingstoke
Premier Inn Fareham
Premier Inn Aldershot
Premier Inn Farnborough
Travelodge Southampton
Travelodge Portsmouth
Travelodge Basingstoke
Travelodge Farnborough
Travelodge Alton Four Marks
Travelodge Liphook
Travelodge Rowland's Castle
Premier Inn Havant
Premier Inn Horndean
Premier Inn Andover
Premier Inn Petersfield
Travelodge Emsworth
Travelodge Winchester A34 Sutton Scotney, Northbound & Southbound

APPENDIX 2

HAMPSHIRE HOTEL SUPPLY –JANUARY 2013

Hotel	Standard/Type	Bedrooms
Southampton City Centre		
De Vere Grand Harbour	4 star	173
Novotel Southampton	4 star	121
Mercure Southampton Centre Dolphin	4 star	90
The White Star Tavern	Boutique	13
The Pig-in-the-Wall	Boutique	12
Ennio's	Boutique	10
Cargo	Boutique	13
Holiday Inn Southampton	3 star Branded	126
Jury's Inn Southampton	3 star Branded	270
Southampton Park (Forestdale Hotels)	3 star	72
The Star	2 star	44
Elizabeth House	2 star	53
Blue Keys	n/a	10
Premier Inn Southampton City Centre	Budget	172
Premier Inn Southampton West Quay	Budget	155
Travelodge Southampton	Budget	57
Ibis	Budget	93
Ibis Budget	Budget	124
Town or Country	Serviced Apts	25
Southampton/Eastleigh M27 Corridor		
Hilton Southampton	4 star	135
Macdonald Botley Park	4 star Golf Hotel	130
Marriott Meon Valley	4 star Golf Hotel	113
New Place	4 star Conference/Wedding Venue	110
Botleigh Grange	4 star	56
Holiday Inn Southampton Eastleigh	3 star Branded	129
Best Western Chilworth Manor	3 star	94
Highfield House	3 star	68
Ellington Lodge	3 star	35
Marwell (Bespoke Hotels)	3 star	68
Holiday Inn Express Southampton M27 Jct7	Upper Tier Budget	176
Holiday Inn Express Southampton West	Upper Tier Budget	105
Premier Inn Southampton North	Budget	50
Premier Inn Southampton West	Budget	67
Premier Inn Southampton Airport	Budget	121
Premier Inn Southampton (Eastleigh)	Budget	60
Travelodge Eastleigh Central	Budget	60
Travelodge Southampton Eastleigh	Budget	44
Days Inn Southampton Rownhams	Budget	39

Romsey		
White Horse, Romsey	Boutique (4 star)	31
Potters Heron, Ampfield	3 star	54
Cromwell Arms	4 star Inn	10
Fareham		
Solent	4 star	115
Holiday Inn Fareham	3 star Branded	124
Red Lion (Old English Inns)	3 star	46
Lysses	3 star	21
The Old House, Wickham	3 star	16
Premier Inn Fareham	Budget	61
TravelRest Solent Gateway	4 star GA	18
Roundabout	n/a	16
Portsmouth		
Marriott Portsmouth	4 star	174
Hilton Portsmouth	4 star	119
Holiday Inn Portsmouth	3 star Branded	165
Innlodge	3 star	74
Royal Maritime Club	2 star	101
Keppel's Head	n/a	30
Duke of Buckingham	n/a	15
Holiday Inn Express Gunwharf Quays	Upper Tier Budget	130
Premier Inn Portsmouth (Port Solent East)	Budget	65
Premier Inn Portsmouth (Port Solent)	Budget	108
Travelodge Portsmouth	Budget	108
Travelodge Portsmouth Hilsea	Budget	33
Ibis Portsmouth	Budget	144
Ibis Budget	Budget	120
Town or Country	Serviced Apartments	20
Southsea		
Queen's	3 star	73
Best Western Royal Beach	3 star	124
Westfield Hall	3 star	26
Somerset House	Boutique	7
Florence House	Boutique	7
Stattons	Boutique	9
The Clarence	Boutique	8
G! Boutique	Boutique	14
Ashby's Gastropub & Boutique Hotel	Boutique	7
Seacrest	2 star	28
Ocean	2 star	20
Premier Inn Southsea	Budget	48
Sandringham	n/a	50
Saville	n/a	45
Gosport		
The Manor	n/a	12
The Anglesey	n/a	26
The Old Lodge	n/a	11
Alverbank Country Hotel	n/a	10

Havant/ Emsworth		
Langstone, Northney	4 star	148
Brookfield, Emsworth	3 star	39
Bear (Old English Inns), Havant	3 star	42
Premier Inn Portsmouth (Havant)	Budget	37
Horndean/ Rowland's Castle		
Hampshire Hog (Fuller's Hotels & Inns), Clanfield	5 star Inn	20
Ship & Bell (Fuller's Hotels & Inns), Horndean	3 star Inn	14
Premier Inn Portsmouth (Horndean)	Budget	25
Travelodge Havant Rowlands Castle	Budget	21
Travelodge Chichester Emsworth	Budget	36
Jingles, Emsworth	4 star GA	28
The Crown, Emsworth	n/a	9
Hayling Island		
Sinah Warren	3 star Adult only resort	258
Newtown House	3 star	27
Petersfield		
Langrish House	3 star Country House	13
Premier Inn Petersfield	Budget	50
Liphook		
Old Thorns Manor	4 star Golf Hotel	100
Travelodge Liphook	Budget	40
Alton		
Alton House (Hollybourne Hotels)	3 star	43
Swan (Old English Inns)	3 star	36
The Angel, Privett	4 star GA	42
Travelodge Alton Four Marks	Budget	50
Bordon		
Headley Park	n/a	18
Basingstoke		
Apollo	4 star	125
Audley's Wood	4 star Country House	72
Hilton	4 star	141
Basingstoke Country	4 star	100
Hampshire Centre Court	4 star	90
Oakley Hall	4 star Conference/Wedding Venue	18
Holiday Inn	3 star Branded	86
Red Lion (Hollybourne Hotels)	3 star	59
Premier Inn Basingstoke South	Budget	28
Premier Inn Basingstoke Central	Budget	71
Travelodge Basingstoke	Budget	44
Innkeeper's Lodge Basingstoke	Budget	22
Hook		
Four Seasons Hampshire, Dogmersfield	5 star Country House	133
Tylney Hall	4 Red star Country House	112
Raven (Old English Inns), Hook	3 star	41
The George, Odiham	3 star	28
White Hart	n/a	21
Hook House	n/a Wedding/conference venue	20

North Hampshire		
Warbrook House	4 star Conference/Wedding Venue	74
Highfield Park	4 star Conference/Wedding Venue	58
Wellington Arms (Hall & Woodhouse), Stratfield Turgis	3 star	28
Casa, Yateley	3 star	63
Ely (Old English Inns), Blackwater	3 star	35
New Inn, Heckfield	Inn	16
Farnborough		
Aviator	4 star	162
Village	4 star	123
Holiday Inn	3 star Branded	142
Falcon	3 star	30
Premier Inn Farnborough	Budget	62
Travelodge Farnborough	Budget	77
Aldershot		
Potters International	3 star	102
Premier Inn Aldershot	Budget	60
Travelodge Aldershot	Budget	91
Fleet		
Lismoyne	3 star	62
The Elvetham	3 star	72
Days Inn Fleet	Budget	58
Travelodge Fleet	Budget	40
Winchester		
Lainston House	5 star	50
Hotel du Vin	Boutique	24
Norton Park (Q Hotels)	4 star	175
Mercure Winchester Wessex	4 star	92
The Winchester	4 star	96
Holiday Inn Winchester	4 star	141
Winchester Royal (Akkeron Hotels)	3 star	75
Harestock Lodge	3 star	17
Travelodge Winchester A34 Northbound	Budget	31
Travelodge Winchester A34 Southbound	Budget	40
Days Inn Winchester M3	Budget	40
Wykeham Arms (Fuller's Hotels & Inns)	4 star Inn	14
No 5 Bridge Street	Boutique Inn	6
King's Head, Hursley	4 star Inn	8
New Alresford		
The Swan	2 star	22
Stockbridge		
Grosvenor (Old English Inn)	3 star	26
The White Hart (Fuller's Hotels & Inns)	4 star Inn	14
Andover		
Quality	3 star	49
Esseborne Manor	3 star Country House	19
Danebury	3 star	21
White Hart (Marston's Inns)	n/a Inn	22
Premier Inn Andover	Budget	81
Travelodge Barton Stacey	Budget	20

Hythe/Marchwood		
Pilgrim Inn (Fuller's Hotels & Inns), Marchwood	5 star Inn	14
Fountain Court, Hythe	n/a	21
The Boathouse	n/a	10
The Maples	n/a	9
New Forest		
Chewton Glen, New Milton	5 star	70
Lime Wood, Lyndhurst	5 star	29
The Pig, Brockenhurst	Boutique Restaurant with Rooms	26
Stanwell House, Lymington	Boutique	30
Master Builders House (Hillbrooke Hotels), Beaulieu	Boutique/Quirky Luxury (3 star)	26
Hotel Terravina, Woodlands	Boutique	11
Rhinefield House, Brockenhurst	4 Red star Country House	50
Carey's Manor, Brockenhurst	4 star	78
Balmer Lawn, Brockenhurst	4 star	53
Montagu Arms, Beaulieu	4 star	22
New Park Manor (Luxury Family Hotels), Brockenhurst	Luxury Family Hotel	21
Lyndhurst Park (Forestdale Hotels), Lyndhurst	3 star	59
Forest Park (Forestdale Hotels), Brockenhurst	3 star	38
Burley Manor (Forestdale Hotels), Burley	3 star	38
The Crown Manor House, Lyndhurst	3 star	38
Passford House, Lymington	3 star	50
Macdonald Elmer's Court, Lymington	3 star	42
Best Western Forest Lodge (New Forest Hotels), Lyndhurst	3 star	36
Bartley Lodge (New Forest Hotels), Cadnam	3 star	40
Moorhill House (New Forest Hotels), Burley	3 star	31
Beaulieu (New Forest Hotels), Beaulieu	3 star	28
South Lawn (Bespoke Hotels), Milford-on-Sea	3 star	24
Bell Inn, Brook	3 star	27
Sway Manor, Sway	3 star	15
Woodlands Lodge, Woodlands	3 star	16
Penny Farthing, Lyndhurst	3 star	23
Cloud, Brockenhurst	2 Red star	18
The Stag (New Forest Pub Company), Lyndhurst	2 star	11
The Watersplash, Brockenhurst	2 star	23
Beach House (Hall & Woodhouse), Milford-on-Sea	n/a	14
Rose & Crown (Marston's Inns), Brockenhurst	n/a Inn	14
Ormonde House, Lyndhurst	n/a	24
White Rabbit (Good Night Inns), Lyndhurst	n/a Inn	15
The Burley Inn (New Forest Pub Company), Burley	n/a Inn	10
Original White Hart (Marston's Inn), Ringwood	n/a Inn	15
Pilgrim Inn (Fuller's Hotels & Inns), Marchwood	5 star Inn	14
White Buck Inn (Fuller's Hotels & Inns), Burley	4 star Inn	8
Travelodge Stoney Cross	Budget	32