

BASINGSTOKE HOTEL FUTURES 2013 UPDATE

FINAL REPORT

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Basingstoke & Deane Borough Council

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EXECUTIVE SUMMARY

The Story

- Basingstoke has 13 hotels with 924 letting bedrooms, almost two thirds of which are of 4 star standard. There has been limited new hotel development and investment in existing hotels in the past 5 years. A new 4 star hotel, the Sandford Springs at Kingsclere, opened in October 2013, adding 40 new rooms to the area's supply. There is also a proposal for an 81 bedroom Premier Inn in Basingstoke.
- The performance of 3 and 4 star hotels in Basingstoke is above national and county averages for achieved room rates (£73), but lower in terms of occupancy (66%). Budget hotel occupancies are high (77%) but below county averages. Mid-week demand is strong with some denials, but weekend occupancies are relatively low and seasonal. Saturday nights are strong for budget hotels.
- There is a heavy business bias to the market mix. Business markets include local corporate demand, residential conferences and contractors. Corporate demand has reduced in the recession as has residential conference business. Leisure breaks are the main weekend market, plus weddings, group tours, functions and events related demand. Leisure markets in the main have been stable but have become more price-sensitive.
- Our survey of local companies identified some difficulty booking hotel rooms, some dissatisfaction with high prices and poor quality of hotel accommodation, and interest in a new hotel being developed in a town centre location at mid-price level.
- Basingstoke is to see substantial levels of growth in the next 15 years – around 13,500 new homes, 16,500 new jobs and a population increase in the order of 19,500. This growth will drive an increase in the demand for hotel accommodation, particularly in and around Basingstoke and related to office and professional services business development.

- The research identified some interest from hotel developers and operators in being represented in Basingstoke, at budget, mid-scale and up-scale level, and Basing View was a site/location of interest to most. However Basingstoke's lack of leisure appeal and weekend demand drivers puts it at a competitive disadvantage as a hotel investment location compared to other regional cities, particularly in relation to up-scale hotel development.
- The planning framework for hotels as proposed in the emerging Local Plan is generally permissive, pushing hotel uses into the town centre, prioritising Basing View, and introducing some flexibility to locate hotels on employment sites/business parks. In the rural area, policies permit conversions to visitor accommodation and the extension of existing accommodation businesses of appropriate scale.

The Findings

- The **demand forecasts** have identified:
 - Immediate potential for a budget or upper tier budget hotel, and scope for further budget hotel development up to 2029;
 - Longer term potential for a new 3 or 4 star hotel at Basing View, linked to new corporate development and strengthening leisure demand;
 - Scope for existing 3 and 4 star hotels to expand and add facilities to boost weekend usage;
 - Possible potential for serviced apartment development for long stay corporate markets, either as purpose built aparthotels or the letting of residential apartments as serviced accommodation;
 - In the rural area, potential for opportunistic development subject to the availability of suitable sites and properties, including country house hotels, golf hotels, quality pub accommodation/boutique bedrooms associated with gastropubs, and the addition of spas and function facilities to existing hotels.
- In terms of a **forward strategy**, the recent opening of the Sandford Springs and the proposed Premier Inn will meet the immediate potential identified. Given this, and that the market is likely to drop back further in 2013/14 with the closure of Huawei, a period of recovery is needed. The short term focus should be on building the market, with regeneration and investment in the destination leading the way, which further hotel development will follow.

- It is recommended that the study findings be used to:
 - **Inform the emerging Local Plan and planning process**
 - In order to further prioritise Basing View as a hotel investment location and to help resist hotel development elsewhere until this hotel is delivered, the Council should consider making the Masterplan into an SPD once the Local Plan is adopted.
 - In order to permit the hotel development potential identified for the rural area, clarify and possibly amend the rural tourism policy accordingly, particularly to give flexibility to permit larger scale development where appropriate.
 - In order to help secure viable hotel development schemes, ensure they are not over-burdened with additional costs relating to design, sustainability and quality standards.
 - Recognise these issues of viability relating to hotel development in the setting of CIL charges and ensure they are set on an informed evidence base.
 - **Inform the development strategy for Basing View**
 - Whilst it may be possible to secure a budget or upper tier budget hotel for Basing View in the short term, the potential for the desired 3 or 4 star hotel is longer term. The choice is whether to hold out for this, amidst concern that other hotels may come on stream elsewhere and further undermine this potential.
 - One option would be to incentivise the hotel development at Basing View in some way e.g. giving the land and/or delivering other infrastructure for the hotel to cut costs and improve viability. However, securing earlier delivery of an upscale hotel could impact negatively on performance and particularly rate across the supply.
 - There is hotel operator interest in Basing View, but currently this is not a priority for most; there are stronger locations without the competitive disadvantages Basingstoke has. There is merit in some pro-activity to open more detailed discussions with some of these operators to present the market case and understand the barriers to entry and how these can be overcome.
 - In planning for a hotel here and identifying suitable sites, the benefits of delivering a hotel with leisure and the ability to generate weekend

demand should be acknowledged. This might mean identifying/allocating a larger site.

- The potential market for serviced apartments at Basing View should also be built into future planning of the site.

- **Inform the Council's approach to supporting the hotel sector**
 - Developing the corporate market to deliver strong rated hotel demand mid-week, particularly directing this to Basing View, and focusing on sectors that are productive for hotel demand.
 - Developing the leisure offer to boost weekend demand, particularly in terms of events and attractions.
 - Increased leisure break marketing to position Basingstoke hotels as a base for group tours visiting the surrounding area and London.
 - Investigating the potential to attract weekend conferences, especially in the associations market.

- **Inform the business development strategies of the area's existing hotels**
 - The research has a lot of useful information which the existing hotel supply in Basingstoke will find valuable to inform their future marketing and development strategies. It can provide an evidence base for hotel managers to make a case to their owners to invest in refurbishment, extensions, and the addition of new facilities to help retain and grow demand in the face of increasing competition.

- It will be important to **disseminate the study findings** to all who could benefit from the information it delivers, including the audiences above. Hampshire County Council will be doing this on a multiple destination basis, using the Hotel Market Fact Files produced for key destinations. There could be merit in Basingstoke & Deane Borough Council working alongside the County Council in this co-ordinated approach to dissemination, as well as an element of **targeted pro-activity** with hotel operators.

1. INTRODUCTION

1.1. Background

- This report sets out the findings of the Basingstoke Hotel Futures Study Up-date, undertaken by Hotel Solutions between May and September 2013 for Basingstoke & Deane Borough Council.
- The study draws on market and performance data delivered as part of the Hampshire Hotel Trends Survey commissioned by Hampshire County Council, the research for which was undertaken between January and April 2013. The Hampshire-wide work also included the testing of hotel developer interest in destinations across the county, and an assessment of future drivers of market growth, at a strategic and destination level.
- The Borough Council have commissioned a more focused, local report to enable the outputs of the more strategic study to be tailored to Basingstoke & Deane, and to be linked to and to inform destination-specific economic development and planning policy development activity.
- A similar study was carried out in 2008, and the study outputs will up-date these findings using comparable methodologies.

1.2. Research Objectives and Purposes

- The objectives of the 2013 Basingstoke Hotel Futures Update 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.
 - Assess the prospects for future growth in demand for hotel accommodation.
 - Determine what market opportunities there could be for hotel development and investment in existing hotels.
- The purposes of the study are to provide:

- An evidence base to inform the development of the Local Plan, covering the period 2011-2029, which is at pre-submission stage and out to consultation in the autumn of 2013.
- Outputs that will inform the Council's approach to the development of Basing View, its key regeneration scheme and business/office park development, and specifically the potential to attract a hotel developer/operator, and the type and standard of hotel that the market will support – now and in the future.
- An understanding of the sector that will enable the Council and its partners to determine how best to support its future development, particularly in terms of growing the hotel market and supporting investment in existing and potential new hotels.
- Benchmarking data, intelligence and market insight to assist the borough's existing hotels in formulating their future business strategies.

1.3. Methodology

- The Hampshire Hotel Trends study involved the following modules of research covering the Borough:
 - An **audit of the current supply** of hotels in Basingstoke & Deane.
 - 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.
 - A **review of current proposals** for new hotels and investment in existing hotels.
 - **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 10 hotels in Basingstoke were interviewed (listed at Appendix 1) through a programme of face-to-face and telephone interviews and email surveys.
 - An email and telephone **survey of hotel developers**, operators and investors to establish their potential interest in Basingstoke & Deane, the type of deal they would be looking for, and the size and standard of hotel they would see as having best fit with the destination.

- The additional modules of work commissioned by Basingstoke & Deane have included:
 - **Hotel demand projections** for Basingstoke, using our established hotel demand forecasting model and the 2012 baseline data, to which growth rates are applied to calculate potential roomnight growth and the need for additional hotel provision at different levels in the market.
 - A **review** of current and emerging **planning policy** documents, and past decision-making on hotel-related planning applications, on which to base planning policy guidance. This will also be informed by the identified market potential and the impact that hotel development might have on delivering wider destination development priorities.
 - A **survey of Basingstoke companies** to ascertain their current and potential demand for hotel accommodation, by standard and location.
 - The preparation of a Basingstoke **hotel development opportunities report**, including recommendations for BDBC intervention and forward action.

2. BASINGSTOKE HOTEL SUPPLY

2.1 Current Hotel Supply

- Basingstoke is currently served by 13 hotels, with a total of 924 letting bedrooms. 4 star hotels account for almost two thirds of this supply. This includes the Audley's Wood country house hotel and Oakley Hall country house conference/ wedding venue, and the recently opened Sandford Springs Golf Hotel. The town's supply of 3 star and budget hotel accommodation is relatively limited for a town of Basingstoke's size. While there is no aparthotel or purpose-built serviced apartment complex currently in Basingstoke, the town has a growing supply of residential apartments that are let out as serviced apartments by local and national serviced apartment letting agencies.

CURRENT HOTEL SUPPLY – BASINGSTOKE - OCTOBER 2013

Standard	Hotels	Rooms	% of Rooms
4 star	4	456	49.3
4 star Country House Hotel	1	72	7.8
4 star Country House Conference/Wedding Venue	1	18	2.0
4 star Golf Hotel	1	40	4.3
3 star	2	145	15.7
Budget	4	193	20.9
Aparthotel/ Serviced apartment complex	0	0	0
Total Hotels	13	924	100.0

BASINGSTOKE HOTEL SUPPLY –OCTOBER 2013

Hotel	Standard/Type	Bedrooms
Basingstoke		
Apollo	4 star	125
Audley's Wood	4 star Country House	72
Hilton	4 star	141
Basingstoke Country	4 star	100
Hampshire Court	4 star	90
Oakley Hall	4 star Conference/Wedding Venue	18
Sandford Springs	4 star Golf Hotel	40
Holiday Inn	3 star Branded	86
Red Lion (Hollybourne Hotels)	3 star	59
Premier Inn Basingstoke South	Budget	28
Premier Inn Basingstoke Central	Budget	99
Travelodge Basingstoke	Budget	44
Innkeeper's Lodge Basingstoke	Budget	22

2.2 Changes in Supply 2008-2013

2.2.1 New Hotels

- The Oakley Hall conference and wedding venue opened in 2011, with 18 bedrooms.
- The 4 star 40 bedroom Sandford Springs golf hotel opened at Kingsclere in October 2013.
- There have otherwise been no new hotel openings in Basingstoke in the last 5 years.

2.2.2 Investment in Existing Hotels

- Audley's Wood opened a new garden pavilion in 2012 for weddings and conferences.
- The Hampshire Court has opened a new gym.
- The Apollo has added two new spa treatment rooms.
- The Holiday Inn has upgraded to meet the new Holiday Inn brand standards.
- The Basingstoke Central Premier Inn added 28 bedrooms in 2012.
- There has otherwise been no significant recent investment in hotels in Basingstoke, other than ongoing upkeep and minor improvements.

2.2.3 Hotels Under Construction

- There were no hotels under construction at the time of writing

2.2.4 Proposed Hotels

- Developer Fishron and Premier Inn are currently proposing 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.
- 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 at Basing View.

2.2.5 Planned Development of Existing Hotels

- Q Hotels has planning permission for an additional 56 bedrooms and a conference suite at the Hampshire Court Hotel. The permission expires in November 2013.
- There are otherwise no known proposals at present for the development of the other hotels in Basingstoke.

3. CURRENT HOTEL PERFORMANCE & MARKETS

3.1. Occupancy, Achieved Room Rates¹ and Revpar²

- Average annual room occupancies, achieved room rates and revpar figures for Basingstoke hotels for 2010, 2011 and 2012 are summarised in the table overleaf.
- Achieved room rates for Basingstoke 3/4 star hotels are slightly ahead of county and national averages but occupancies and revpar averages are below the county and national figures, primarily due to the comparative weakness of weekend demand in Basingstoke. Occupancy and revpar figures dropped slightly for Basingstoke 3/4 star hotels in 2012 as a result of the downturn in the town's corporate market with the closure or downsizing of some of the town's companies.
- Budget hotel occupancies are high in Basingstoke but slightly behind the county average due to lower weekend demand in the town. Budget hotel achieved room rates and revpar are however ahead of the county averages.

3.2 Patterns of Demand

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

BASINGSTOKE HOTELS - WEEKDAY/ WEEKEND OCCUPANCIES – 2012

Standard	Typical Room Occupancy %			
	Mon-Thurs	Friday	Saturday	Sunday
3/4 Star Hotels	80	48	63	35
Budget Hotels	89	66	80	49

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

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.

BASINGSTOKE HOTEL PERFORMANCE 2010-2012

Location/ Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate ² £			Average Annual Revpar ³ £		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
UK Provincial 3/4 Star Chain Hotels¹	68.9	69.6	70.3	68.01	68.40	69.39	46.88	47.61	48.38
Hampshire 3/4 Star Chain Hotels	69	72	72	69	69	72	48	49	52
Basingstoke 3/4 star	67	69	66	71	72	73	47	49	48
Hampshire Budget Hotels	n/a	n/a	80	n/a	n/a	48	n/a	n/a	39
Basingstoke Budget	n/a	n/a	77	n/a	n/a	52	n/a	n/a	40

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

Notes

1. Source: TRI Hotstats UK Chain Hotels Market Review
2. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
3. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges.

- Midweek occupancies are strong for Basingstoke 3/4 star hotels. Tuesday and Wednesday nights are the strongest, with most hotels generally filling and turning business away on these nights for most of the year. Monday occupancies are also strong but hotels do not fill and turn business away very often on this night. Thursday is generally more of a shoulder night, with occupancies typically running at around 60-65% for most 3/4 star hotels.
- Weekend occupancies are relatively low for Basingstoke 3/4 star hotels. They tend to be stronger between April and October and can be very low during the winter. Saturdays are stronger than Fridays and Sunday night occupancies are generally very low. Basingstoke 3/4 star hotels rarely deny business at weekends.
- Basingstoke budget hotels trade at very high occupancies on all four midweek nights. They frequently fill and turn business away on three weekday nights and often on all four nights, frequently to a significant extent.
- Saturday occupancies are strong for Basingstoke budget hotels. They consistently fill and turn away substantial business on Saturday nights between April and October, Friday nights are also strong during the peak summer months, when Basingstoke budget hotels often fill and turn business away, but are low at other times of the year. Sunday occupancies typically run at around 50%.

3.3 Market Mix

- The midweek market mix for Basingstoke hotels is heavily biased towards business demand. The weekend market mix is strongly weighted towards leisure demand, although less so for 3/4 star hotels, which attract weekend business demand from long stay corporate guests working on projects or from overseas, and corporate arrivals on Sunday nights.

BASINGSTOKE HOTELS – MIDWEEK & WEEKEND MARKET MIX

Standard of Hotel	Midweek Market Mix		Weekend Market Mix	
	Business %	Leisure %	Business %	Leisure %
3/4 star Hotels	90	10	15	85
Budget Hotels	95	5	5	95

3.4 Business Markets

- Corporate demand associated with companies in Basingstoke, Hook and to some extent Andover, is the key business market for Basingstoke's 3 and 4 star hotels, accounting for around 90-95% of business demand for most hotels. 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.
- Residential conferences are an important market for the Audley's Wood country house hotel. It has started to attract large conferences to its new garden pavilion, generating overspill bedroom business for nearby hotels. Residential conferences are an important secondary business market for another 4 star hotel in Basingstoke, but are otherwise a minor market for the town's 3 and 4 star hotels, typically accounting for 5-10% of their business demand.
- Basingstoke's budget hotels attract a broadly even mix of midweek demand from business visitors and contractors working on construction and development projects

3.5 Leisure Markets

- Leisure breaks are the main weekend market for Basingstoke's branded 3 and 4 star hotels, accounting for 75-90% of their weekend trade. This is primarily rate-driven business that hotels attract through advance purchase rates and discounted offers promoted through their company leisure break marketing programmes and third party websites. Legoland Windsor and Peppa Pig/ Paulton's Park are the key visitor attractions that Basingstoke's branded hotels promote to draw leisure break business. Non-branded hotels attract very little leisure break business.
- Weddings are the key weekend market for two of Basingstoke's 4 star hotels. They otherwise account for 8-14% of leisure demand for Basingstoke's 3 and 4 star hotels.
- A number of Basingstoke's hotels organise tribute nights, dinner dances and other functions that generate some bedroom business. Dine & Stay packages that some hotels promote in the local market also generate some bedroom business.
- UK group tours are a further leisure market for some of Basingstoke's 3/4 star hotels, accounting for 10-12% of their leisure trade. This is low-rated business that hotels largely take in the absence of other weekend demand or to provide them with a level of base weekend business. Key draws for group tours are Winchester, Salisbury, Legoland Windsor, Highclere Castle/ Downton Abbey, Jane Austen's house and Winchester Christmas Market. Some group tours also use Basingstoke hotels as a base for going into London.
- People attending weddings and other family occasions and visiting friends and relatives are the key leisure markets for the budget hotels in Basingstoke.
- Events that generate good demand for hotels in Basingstoke are:
 - Farnborough International Airshow (every other year)
 - Car Fest
 - Jalsa Salana Muslim Convention, near Alton
 - Ice skating competitions at the Planet Ice Arena at the Basingstoke Leisure Park (for budget hotels)
 - Winchester Christmas Market (group tours)

3.6 Market Trends

- **Corporate demand** for hotel accommodation in Basingstoke has generally reduced during the recession and as a result of the loss of a number of companies from the town and the downsizing of their operations in Basingstoke by others. This trend will continue in 2013, with the Chinese telecom company Huawei, a significant generator of demand for a number of Basingstoke's hotels, relocating to Reading. Corporate lengths of stay have reduced as a result of tighter business travel budgets, affecting Thursday night occupancies. The corporate market has also become much more price competitive, with local companies demanding lower room rates from the town's hotels. Basingstoke hotels no longer attract overspill corporate business from Farnborough since the new hotels have opened there.

- In line with the national trend, **residential conference business** reduced sharply in 2009 for Basingstoke hotels, and has remained a very challenging market over the last three years. 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.

- Audley's Wood has started to attract large (100 + delegate) conferences to its new garden pavilion. Another 4 star hotel in Basingstoke also reported a slight upturn in residential conference business in 2012.

- Lengths of stay have reduced in the **contractors** market, affecting Thursday occupancies for some of the town's budget hotels.

- **Leisure break business** has been fairly steady or has increased for Basingstoke hotels 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 these channels generate business for hotels, they force hotels to keep their room rates very competitive and hotels have to pay fairly high commission charges on the bookings they receive.
- The **weddings** market has generally remained stable or slightly increased for Basingstoke hotels but has become more price sensitive, with many hotels now offering discounted wedding packages. The numbers of weddings being held in hotels appears to have increased but weddings have reduced in size. There has been growth in second weddings, civil partnership ceremonies, winter weddings and midweek weddings. Fewer weddings are being held in 2013 because of the number thirteen in the year. Forward bookings for 2014 look much stronger however.
- One Basingstoke hotel reported an increase in **group tour business** in 2012 related to Highclere Castle/ the Downton Abbey television series. The filming of the next series has however curtailed this business in 2013.
- Basingstoke hotels have been attracting less business from the **Farnborough International Airshow** since the new hotels opened in Farnborough.

3.7 The Local Company Perspective

- Given the significance of the corporate market to Basingstoke's hotels, both in terms of volume and rate, and its importance in driving hotel development forwards, a local company survey was conducted as part of the Hotel Futures study update in order to probe this market in more detail. The purpose was to elicit information on:
 - Hotel booking behaviour
 - Views on current hotel provision and usage
 - Future hotel accommodation needs
 - Interest in additional hotel provision in Basingstoke and specifically at Basing View.

- A total of 42 companies were contacted; full interviews were conducted with 25 of these, and a further 6 indicated they had limited demand for overnight accommodation. The full report of findings can be found at Appendix 2 of this report.

- Key highlights of the research were as follows:
 - Usage ranged from 1-2 nights per week to 120; the biggest users were Motorola, Thales, Care Fusion and Linde Material Handling. Demand included international visitors from global corporations, particularly Europe and the USA. There was limited demand for long stay accommodation.
 - The Apollo was the most frequently used hotel, reasons cited being due to its quality and location. The Hampshire Centre Court and Audley's Wood were the next most frequently used hotels. The chief criticisms of the existing hotels were about high rates and poor quality, not offering value for money.
 - Availability was also an issue, particularly on Tuesday and Wednesday nights, and when large events are taking place. Business is then displaced to Farnborough, Reading, Newbury and Winchester.
 - Most of the sample wanted to see additional hotels in Basingstoke:
 - 14 wanted a contemporary 3-4 star hotel with leisure, ideally an international brand of appeal to overseas visitors, price range up to £120
 - 10 companies wanted a 3 star hotel such as Jurys, price up to £100
 - 8 companies supported additional budget hotels, up to £80
 - 3 companies expressed a preference for a boutique or country house hotel with leisure and good food in a rural location close to Basingstoke
 - A location close to the town centre with parking was preferred – including Basing View, which also has the advantage of being close to the station

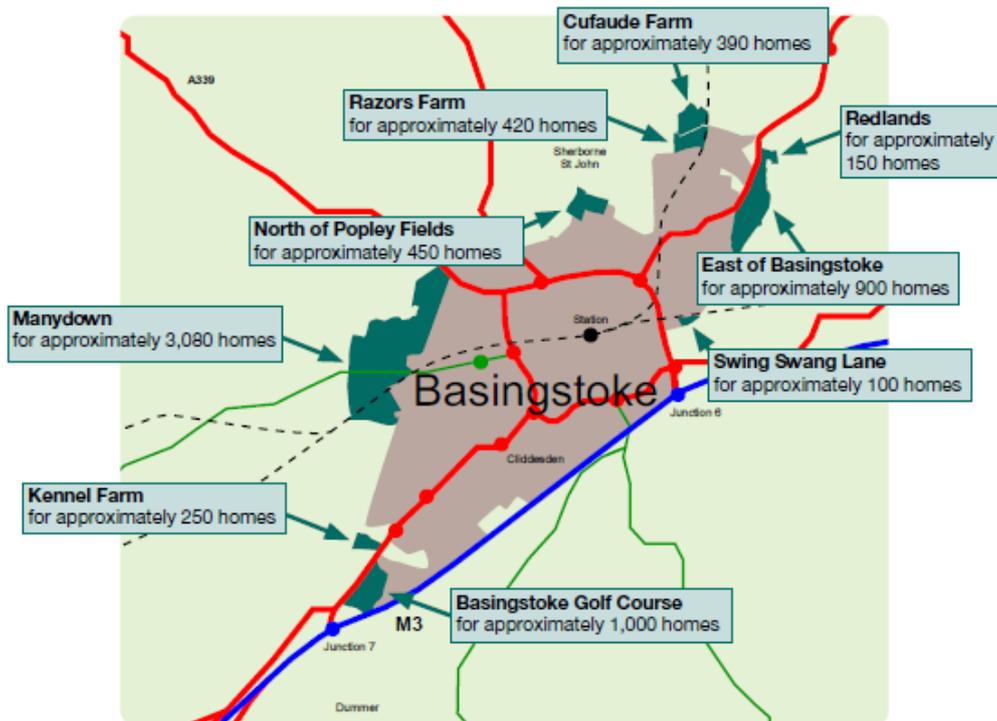
4. FUTURE MARKET PROSPECTS

4.1. The Big Picture

- 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 identifies Basingstoke as part of the North Hampshire sub-area; 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. North Hampshire is forecast to see:
 - A population increase of 10.6% over the next 20 years.
 - An increase in employment of 18,000 jobs.
 - GVA growth of 2.7%, accelerating after 2016.
 - Growth led by financial and business services.
- Basingstoke & Deane has its own targets for population and employment growth, which have formed the evidence base for the emerging Local Plan. Plan policies and site allocations must make provision for this growth. Key growth forecasts include¹:
 - 13,464 new dwellings to 2029
 - A population increase of 19,512 to 188,062 to 2021
 - 156,000 sq m of additional B1 employment floorspace to 2029
 - 16,400 new jobs to 2026, with 9300 of these in business services

¹ Subject to change dependent upon the outcome of further consultation work from March 2014

- Critical to the delivery of this forecast growth will be a number of key schemes, projects and initiatives. The challenging economic climate since the financial crisis of 2008 has had a major impact across the UK on many of such schemes coming forward, with a scarcity of funding from both public and private sectors, and a fall back in demand for residential and commercial space which were often the lead uses in mixed use schemes. The recessionary climate has also resulted in job losses, with a number of companies having closed or downsized their operations in Basingstoke, with more to come in 2013 – Huawei's move from Basingstoke to Reading being one which will impact on the market over the next 12 months. This remains a time of great uncertainty making forecasting growth a challenge.
- Basingstoke has a diverse economy with particular strengths in knowledge-based sectors (including advanced manufacturing and ICT), as well as financial and business services, logistics/distribution and environmental technologies. Strengths in the rural economy include food production, equestrian-related businesses, and rural crafts. Basingstoke town is the focus of 80% of the Borough's employment, and much of the forecast growth will be concentrated here, on key employment and business parks, and most notably at Basing View. Basingstoke also accounts for 60% of the Borough's population, and much of the new housing growth will take place on major sites around the town (see map below).



- Tourism is recognised as an important industry for Basingstoke, both in terms of the business tourism markets that the town's corporate sector generates, but also in terms of wider cultural and leisure provision to serve both local and visitor markets. The Borough attracts over 3.5 million day visits and over 300,000 staying visits which together generate almost £195 million of tourism expenditure. Key business visitor markets for Basingstoke are local corporates, contractors and residential conferences; key leisure markets are weddings, group tours, functions and events. Future strategies seek to target the short breaks market and to boost the events offer to generate more events-related visits.

- Trends in tourism markets nationally that could present opportunities for Basingstoke include:
 - Austerity and the continuing staycation encouraging more holidays in Britain – although there are signs that this trend may not continue as consumer confidence returns;
 - A recovery in inbound tourism boosted by the events of 2012 and their legacy;
 - 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

4.2. Major Projects

- Major development projects that are planned in Basingstoke that have the potential to drive growth in hotel markets, on which there seems to be some activity or which are linked to funding pots and bids, include:
 - **Basing View** – the redevelopment of this 15 acre site is currently being progressed by 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 linkages to the Festival Place retail and leisure offer will also be undertaken. On completion (15 years) Basing View is forecast to deliver around 9000 jobs; current employment on site is 4500. Demolition of some of the office buildings is underway, and a start on site 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 62 acre Leisure Park is currently being marketed by Basingstoke & Deane Council as a major commercial leisure investment opportunity, with a view to attracting other complementary activities such as extreme sports.
 - The Government has announced plans for a £4.3 million investment to revamp the **Black Dam Roundabout** 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.
 - Bacardi will open the new multi-million pound **Bombay Sapphire gin distillery and visitor centre** at Laverstoke Mill between Overton and Whitchurch in September 2013. The site will be the sole production facility for Bombay Sapphire gin. The development will include two innovative glass houses where the 10 botanical ingredients that go into making the gin will be grown. The visitor centre will include a café, interpretation centre and bar on the River Test and a heritage element celebrating the history of the mill and including a glass floor through which the original horizontal water wheel can be viewed. It is hoped that 100,000 visitors from around the world will visit the site.

4.3 Future Market Prospects

- The Basingstoke **corporate market** is set to contract further and become even more competitive in 2013 with the relocation of Huawei to Reading. It should however start to recover post 2014 as the economy picks up and business travel resumes and particularly if new occupiers are attracted to the regenerated Basing View and the other business parks in Basingstoke. Network Rail's new control centre and the new Bombay Sapphire distillery may also generate new demand for hotel accommodation in the town, as could the planned development of Andover Business Park, although proposed new hotels in Andover may eventually reduce the amount of business that Basingstoke hotels attract from Andover companies.
- The **residential conference market** may slightly recover as the economy starts to grow again but is unlikely to return to pre-recession levels. Many companies have developed their own in-house meeting and training facilities over the last 5 years, have got used to not holding meetings or are increasingly making use of video and teleconferencing technology, thus reducing the need for face-to-face meetings.
- **Contractor demand** for budget hotel accommodation looks likely to increase in the next few years as the redevelopment of Basing View is progressed and other development and infrastructure projects are taken forward. 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.
- Basingstoke's branded hotels should be able to continue to attract **leisure break** business through their company leisure break marketing programmes and third party websites, albeit at heavily discounted rates. The new Bombay Sapphire visitor centre may provide a new draw for hotels to attract leisure break stays. Basingstoke itself is unlikely to develop as a leisure break destination however. The town really needs a major visitor or leisure attraction to do this. The new indoor sky-diving tunnel will give the town a new leisure attraction but is unlikely to provide the sort of draw that will result in a step change in Basingstoke's appeal for leisure breaks.
- Demand for hotel accommodation related to **weddings and other family occasions** is likely to grow as Basingstoke's population increases.
- The **visiting friends and relatives** market is also likely to grow in line with growth in population. This is a particularly strong market for budget hotels.

- There could be scope for Basingstoke hotels to take more **group tour business** if they wish to. This is however generally lower-rated business that hotels will seek to limit if they are able to attract demand from other higher paying markets, although it can be useful in helping hotels to boost occupancies for off-peak nights and periods. The Bombay Sapphire visitor centre could provide a draw that Basingstoke's hotels can use to attract special interest group tours, which will often pay a higher rate for hotel accommodation.

4.4 Projected Market Requirement for Additional Hotel Bedrooms in Basingstoke

- In order to provide an indication of the number of new hotel bedrooms that might be supported by future growth in the Basingstoke hotel market Hotel Solutions has prepared projections of possible future growth in midweek hotel demand to 2018, 2023 and 2029. We have based our projections on growth in midweek demand as we feel that this will be the key determinant of future hotel development in the town. Developing strong and high-rated weekend business is likely to continue to be a challenge for hotels in Basingstoke. Existing and new hotels will thus need to achieve high midweek occupancies and room rates to ensure their viability.
- Our projections are based on the intelligence that we have gathered about the current midweek demand for hotel accommodation in Basingstoke and our assessment of the prospects for future growth in each of the main midweek markets for hotel accommodation in the town. We have prepared projections for 3/4 star hotels and budget hotels.
- The projections have been prepared using our Hotel Futures hotel demand projection model. It is based solely on volume (occupancy). It is not possible to model future changes in value (achieved room rates) although this will clearly also be a factor in determining the future potential for hotel development.

- The projections use our estimates of 2012 satisfied midweek roomnight demand at each level in the market as their starting point. We have then adjusted these figures to take account of the likely further decline in the corporate market in Basingstoke in 2013, with the departure of Huawei from the town; the levels of midweek business that the town's hotels advised us that they were declining in 2012; and the potential increase in demand from the contractors market - to provide an adjusted 2013 baseline for the projections. We have then applied assumed Low, Medium and High growth rates to our baseline midweek roomnight figures – as set out in the table below.

**BASINGSTOKE HOTEL DEMAND PROJECTIONS 2013-2029
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND**

Average Annual Growth Rate %		
Low Growth Scenario	Medium Growth Scenario	High Growth Scenario
1	2	3

- Our assumed growth rates are based on the employment forecasts for the Borough as reported in the Basingstoke & Deane Employment Land Review undertaken by Roger Tym & Partners in January 2009. They projected an increase in total employment in the Borough of 16,400 jobs between 2006 and 2026, equivalent to an average annual growth rate of 0.93% - and an increase in office jobs of 40%, giving an average annual growth rate for office employment of 2.02%. The strongest growth is forecast to be in the business services sector, which is usually productive in terms of generating demand for hotel accommodation. There should also be strong growth in midweek contractor demand, particularly for budget hotel accommodation, as the major construction projects are progressed. The town's hotels may be also able to win back some of the residential conference business that they have lost during the recession, although recovery in this market is likely to be slow and only partial. On the basis of this analysis we have thus chosen the above growth rates as the basis for our hotel demand projections.

- Applying the assumed growth rates to our 2013 baseline figures we have calculated the number of hotel bedrooms that the projected 2018, 2023 and 2029 midweek roomnights will support assuming that all hotels achieve a midweek occupancy of 80%. We believe that this is the level of occupancy that hotels in Basingstoke will need to achieve in order to be able to yield their midweek room rates and to compensate for the weaker weekend market in the town.
- The results of our calculations in terms of the future numbers of hotel bedrooms of each standard that would be supported by our projected growth in midweek demand in the town are summarised in the table below.

**BASINGSTOKE
PROJECTED MARKET REQUIREMENT FOR NEW HOTEL BEDROOMS
2018-2029**

Standard of Hotel/Year	Projected New Rooms		
	Low Growth	Medium Growth	High Growth
3/4 Star			
2018	16	52	89
2023	52	129	214
2029	98	233	389
Budget			
2018	91	105	121
2023	106	137	170
2029	124	178	241

- Making any sort of market forecasts is an uncertain process: all forecasts are based on judgement and assumptions, and are susceptible to unforeseen changes. The projections we have prepared should thus be taken as indicative only and should be reviewed at regular intervals. They have been prepared to provide an illustration of the numbers of new hotel bedrooms that might be needed under different growth scenarios. They are not intended to be accurate projections of how the market will grow. Clearly the further ahead that one looks, the more difficult it is to project growth accurately. Projecting as far ahead as 10-15 years is very difficult. The projections to 2023 and 2029 should thus be treated with caution.

- Our projections suggest the following in terms of hotel development opportunities in Basingstoke:
 - The potential for a new 3 or 4 star hotel is likely to be longer-term, probably post 2020;
 - In the more immediate future there could be scope for the expansion of some of the town's existing 3 and 4 star hotels e.g. the proposed extension to the Hampshire Court;
 - There is immediate scope for additional budget hotel provision in terms of a new budget hotel and the possible expansion of existing budget hotels. The proposed Premier Inn in the town centre would meet much of the requirement for the next 5 years. In the longer term there could be potential for at least one further budget hotel.
- In terms of options for a hotel at Basing View these would seem to be in terms of:
 - a) Holding out for a 4 star hotel, accepting that this is likely to be a longer term proposition;
 - b) Settling for the standard of hotel that can be attracted in the next 2-3 years – most probably a budget or upper-tier budget hotel, or possibly a 3 star operation.
- Attracting sufficient weekend demand at good rates will continue to be a challenge for a 3 or 4 star hotel in Basingstoke. A hotel with good leisure facilities is likely to be required. De Vere's Village Urban Resort brand would have a good fit in this respect. Its business model is based on an extensive health and leisure club, which enables its hotels to attract weekend trade as well as providing a revenue stream in its own right from local membership. The company's Farnborough hotel, which opened in 2009, is trading very strongly.

5. HOTEL DEVELOPER INTEREST

5.1 Context – The Climate for Hotel Investment

- These are challenging times for the hotel sector: its fortunes are closely linked to the economy, and the recessionary climate has seen occupancies and rates falling, end values drop back, and funding hard to come by and on less favourable terms. This makes new-build hotels difficult to deliver, and conversions and re-brandings more attractive. Many hotel companies have moved to asset-light development strategies, focusing on management contracts and franchise arrangements. The budget sector has fared better in the recession, and the ability of Premier Inn and to a lesser extent Travelodge to lease given their covenant strength has enabled their continued expansion particularly in mixed use schemes. It remains a difficult market where caution and investor-led development pre-dominate.
- An extract from the Hampshire Hotel Trends Survey 2013 can be found at Appendix 4 which provides more detail on the climate for hotel investment, including an explanation of hotel business models, the impact on hotel development strategies, and an overview of hotel development trends and emerging offers.

5.2 Approach and Sampling

- The potential interest of hotel developers, operators and investors was tested as part of the Hampshire Hotel Trends Survey. This module of work provides an opportunity to gain an insight into some of the key challenges being faced by the hotel development sector. Whilst many schemes and proposals are put forward and discussed in the press, the ability to deliver them is key. Discussions with those at the sharp end bring a different viewpoint, and often a dose of realism to what is achievable and viable, particularly in the current climate. On a positive note, an understanding of where hotel developers would like to be and what would help them succeed in bringing forward hotel projects presents an opportunity to intervene and support their efforts, particularly where there is a wider destination benefit to be secured.

- A sample of hotel developers, operators and investors was compiled based upon:
 - Products that had fit with the identified market potential;
 - Developers and operators associated with various schemes and sites, as identified in the hotel development and proposals module of the work programme;
 - Developers and operators known to be active currently, albeit in other parts of the country, particularly in comparator cities and towns;
 - Some local and regional developers and operators with an interest in Hampshire and the wider region.
- The research was conducted via an initial email followed up by a structured telephone interview with Acquisition/Development Directors. Consultees were asked about their interest by location and brand/standard of hotel, their view of the market, their site requirements, the type of deal they are seeking, and any obstacles to investment. For Basingstoke, specific interest in Basing View was also probed.

5.3 The Response - Overview

- Over 60 hotel developers, operators and investors were contacted to glean their views on and interest in acquiring or developing hotels in Hampshire. Individual destination and site interest was probed – including Basingstoke and Basing View - based upon the market potential identified and the aspirations of the destination. A number of consultees represented multiple brands and offers at different levels in the market e.g. Accor might develop brands from upscale luxury and boutique, through 4 star business class and aparthotel, to budget at boutique, upper tier and economy level. One response therefore in some cases resulted in multiple development interest. The total sample and response can be found at Appendix 4 to this report.
- Responses have been received from 36 developer, operator and investor consultees. Given the challenging climate for investment, this response rate, at almost 60%, was good – though it took some considerable time to achieve. Developers and operators are not jumping at opportunities, but are prepared to consider them; and they are busy and focused on what's achievable and tangible.

- There was a handful of companies that wouldn't look at anywhere in Hampshire currently – primarily because their focus was on London and the larger provincial cities (Birmingham, Manchester, Glasgow etc), especially in the case of new entrants to the market. Others were doubtful of the viability of building in the regions or attracting funding for this.
- Within Hampshire, Basingstoke emerges as a 'second tier' city/large town, with Southampton and Portsmouth the main targets for those products requiring a city/large town location. This means that it does get considered by the main brands, but is not necessarily a priority for them. In a difficult market where triple A locations with strong performance is what is driving new hotel investment – certainly at the top end of the market – this makes attracting an up-scale hotel operator/developer/investor a challenge.

5.4 Interest in Basingstoke

- A total of 15 brands expressed potential interest in Basingstoke as a location for hotel development, investment or operation – or a combination of these. The market knowledge of these respondents was variable, so some responses were more informed than others. However, the sample included a number of hotel brands who had seriously considered Basingstoke or been involved with potential sites at various points in time.

COMPANY	BRAND INTEREST	STANDARD
Accor	Novotel Ibis	4 star Budget
Bespoke	Bespoke	4 star
DCB Consulting	n/a	Budget
De Vere	Village Urban Resort	3/ 4 star
Greene King	Old English Inns	Inn
Hilton	Garden Inn/Hampton	3 star/upper tier budget
<i>Jurys*</i>	<i>Jurys</i>	<i>3 star</i>
Marstons	Marstons Inns	Budget
Prem Group	Premier Apartments?	Serviced apartments
Rezidor	Radisson Blu/Park Inn	4 star/3 star
Sandman	Sandman Signature	4 star
Spires	Spires?	Serviced apartments
Travelodge	Travelodge	Budget
Whitbread	Premier Inn	Budget

* Non-respondent: Interest ascertained from other intelligence

? Uninformed interest

- IHG – who operate Holiday Inn, Crowne Plaza, Express and other brands, are currently unable to have any other brand presence in Basingstoke due to an exclusivity agreement with the owner of the current Holiday Inn. In different circumstances we would expect one of their additional brands – or another, larger Holiday Inn – to seek a presence here.

- There was budget, mid-scale and up-scale interest in Basingstoke:
 - Premier Inn has a scheme going forward; Travelodge who lost this site during their refinancing, remain keen to secure an additional hotel; also at budget level, Marstons may consider a budget/lodge development if an opportunity for a pub/restaurant in a suitable location came forward.
 - Hotel companies delivering a variety of brands at different levels in the market were in some cases unsure of which brand to pitch in Basingstoke.
 - Accor indicated they would look at both a Novotel (4 star) and Ibis (budget);
 - Hilton wouldn't put a 4 star hotel here because of their existing presence, but would consider a Garden Inn (3 star) or a Hampton (upper tier budget).
 - Rezidor would need more market information to determine best fit between a Radisson Blu and a Park Inn.
 - There were three other 4 star brands that would consider Basingstoke: Village, Sandman and Bespoke. However, this was not a priority location for any of them.
 - The serviced apartment interest was uninformed; neither Prem Group or Spires had Basingstoke as a target for acquisition, but both were prepared to consider the town if a demand could be evidenced.

- Basing View as a site-specific location was of interest to most of those identifying Basingstoke as a potential target. Radisson, Village, Accor and others had looked at sites here at various points in time. Others such as Sandman – new to the UK and currently only represented in Newcastle – had limited knowledge of the destination or this specific site.

- The wider survey identified a number of barriers to investment – principally access to funding, but also site availability, planning issues, a lack of information/evidence of the potential in a location, and unrealistic expectations re land values and deals. More detail on this can be found in the Hampshire-wide report. However, specific obstacles to investment in Basingstoke as cited by consultees included:
 - Concern about what would fill hotel rooms at weekends, including a limited appeal to leisure markets and a need to heavily discount at weekends to fill rooms e.g. from coach groups.
 - A lack of 'critical mass' as a destination, compared to top tier regional cities such as Southampton, Portsmouth and others, both in terms of the corporate market and leisure drivers.
 - The image of Basingstoke – or rather the lack of it, and particularly its lack of appeal to leisure markets to complement the corporate mid-week demand.
 - The performance data is not compelling, in terms of occupancy and rate; investment in other locations with higher occupancies and rates and more diverse market appeal would likely be similar but yield better returns.

- All of the above suggests that Basingstoke is at a competitive disadvantage on several levels, placing it behind a number of other national and regional cities and towns in terms of the hierarchy of target locations for acquisition and development. Whilst there is potential interest there, Basingstoke must be able to make a clear and strong case – and arguably some incentive – to turn the heads of hotel companies, particularly at the mid and up-scale levels of the spectrum.

6. THE FRAMEWORK FOR HOTEL DEVELOPMENT

6.1 National Planning Guidance

- Since 2006, national planning guidance on the development of hotels has come in the form of the '**Good Practice Guide on Planning for Tourism**' (GPGPT), which contains a specific appendix on tourist accommodation, dealing principally with the location of accommodation (see extract at Appendix 5).
- On a general note, the guidance recognises the economic benefits that tourist accommodation can bring to the areas in which they are located and advocates that this should bear weight in assessing schemes. In relation to hotels, the GPGPT covers general locational principles and guidance relating to particular types of serviced accommodation (major hotels, budget hotels/lodges, rural/pub accommodation).
- Some of the key principles include:
 - Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry;
 - Major hotel developments should look to the town centre first, because of their transport and regeneration implications;
 - Outside the development plan process site selection should follow the sequential approach;
 - There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location;
 - New hotel developments in historic towns and cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact;
 - The potential to convert and re-use historic buildings in towns should be recognised;
 - Similarly, the conversion of rural buildings to hotel and other serviced accommodation should be acceptable subject to scale and impact, even in National Parks and Areas of Outstanding Natural Beauty;

- Extensions to existing hotels or other facilities e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate;
 - Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres;
 - Lodges catering for stop-over traffic may require a location on a major routeway, ideally edge of town rather than in open countryside.
-
- The issues surrounding tourism and hotel development were also addressed in **PPS 4**, which required local authorities to adopt a positive and flexible approach to economic development (including tourism and leisure development). It also emphasised the importance of an evidence base to understand industry/sector needs, using relevant market and economic information, particularly where proposals are not specifically supported by plan policies. The associated **Practice Guidance** on need, impact and the sequential approach 'Planning for Town Centres' includes an Appendix on its application to hotels (see extract at Appendix 6). It sets out an approach to assessing future need through gap analysis by location and standard/type of hotel, refined using performance data and forecasting techniques, to provide an evidence base against which individual hotel schemes can be assessed.

 - With the publication of the **National Planning Policy Framework** in March 2012, planning policy has been streamlined and many of the detailed planning policy statements and guidance notes have been revoked. This includes PPS4 referred to above, although we understand that the associated Practice Guidance on need, impact and the sequential approach is still in place. The Good Practice Guide on Planning for Tourism has not been revoked, and so remains a material consideration in guiding and assessing applications for hotel development.

- The NPPF says relatively little about tourism. There are two principal references:
 - Tourism development (including hotels) is identified as a main town centre use (para. 23):
 - The NPPF focuses on a town centre first approach, with sequential testing to be applied should these uses wish to locate elsewhere and not be in accordance with an up-to-date Local Plan. This means proving that no alternative suitable sites in or closer to the town centre are available or viable;
 - However, it also indicates that the sequential approach need not apply to applications for small scale rural development (para 25);
 - Tourism development is also dealt with in the NPPF's rural policy (para.28) which guides tourism in the countryside in support of a prosperous rural economy. Sustainable rural tourism development that can benefit rural businesses, visitors and communities and which respects the character of the countryside should be supported. This includes the provision and expansion of tourist accommodation and visitor facilities in appropriate locations.
- In terms of other policies in the NPPF, key threads of relevance to developing the hotel sector and associated issues include:
 - Retention of the presumption in favour of sustainable development;
 - A continued significant focus on supporting economic growth, also reflecting local circumstances;
 - Encouragement to plan positively, meeting objectively assessed needs with flexibility to adapt to change;
 - A streamlined and speedy approach to decision-making on schemes that accord with the development plan;
 - Retention of requirements relating to the setting of local car parking standards, reflecting local levels of ownership, and encouragement of sustainable modes of transport;
 - Re-affirmation of the commitment to the Green Belt, with review only in exceptional circumstances;
 - Policies should seek to address potential barriers to investment;
 - Pro-active engagement with applicants is a key strand, with positive planning and pre-application discussions encouraged;

- Joint working is expected between local authorities on cross-boundary issues, in relation to which there is a duty to co-operate;
- Weight will also be given to relevant policies within emerging Local Plans dependent on stage of preparation and conformity with the NPPF.

6.2 Basingstoke & Deane Hotel Planning Policy

- Basingstoke & Deane Borough Council is in the process of preparing a Local Plan which will cover the period 2011-2029. This document includes strategic policies, development management policies and site allocations. The 2008 Hotel Futures study formed part of the evidence base for the preparation of the Draft Local Plan. Policies relating to hotels and to tourism are principally covered in the section on Employment¹.
 - EP1 directs new office and hotel development to town centres, but recognises the limitations of site availability, and applies a sequential approach beyond this – first to edge of centre sites, particularly Basing View; then to other previously developed business parks out of centre. Employment uses of appropriate scale might also be permitted on strategic housing sites with mixed use potential.
 - EP2 sets out policies relating to the alternative use of employment sites, including for supporting uses such as retail and leisure. This flexibility would enable hotels to be considered as an alternative use.
 - EP4 policies refer to development in the countryside, permitting development of previously developed land, conversion and replacement of existing buildings, limited extension to existing buildings, and development that will enable existing businesses to expand.
 - EP5 in effect translates these policies for rural tourism uses, including visitor accommodation, permitting the conversion of existing buildings provided no major alteration or extension is required, and also allowing the extension of existing businesses, of appropriate scale.
 - The strategic sites policy for Basing View, SS8, identifies this location as the main focus of employment and office development for Basingstoke and a key regeneration priority. Hotels are identified as a complementary use, alongside retail, leisure, restaurant and serviced apartments.
 - There is no retention policy as such for hotels, though there are other policies in the Plan that protect key services and employment uses.

¹ The policies may be revised subject to further consultation work

- The current Adopted Plan (1996-2011) and the NPPF form the planning policy framework until the new Local Plan has been adopted. The Pre-Submission Local Plan is out to consultation at the time of writing and is scheduled for adoption in February 2015.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 The Market Potential for Hotel Development

- Our analysis of the survey findings suggests the following opportunities for hotel development in Basingstoke, subject to renewed economic growth and strengthening business and leisure demand.
 - **Budget Hotels**
 - There is clear evidence of immediate 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. The proposed Premier Inn in the town centre would meet much of the requirement for the next 5 years. In the longer term there could be potential for at least one further budget hotel.
 - **3 and 4 star Hotels**
 - 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.

- As the potential for a new 3 or 4 star hotel at Basing View would appear to be longer term, probably post 2020, the options would seem to be to either hold out for a 4 star hotel over this timescale, or settle for a hotel that would match where the market is in the short term – a budget, upper tier budget or possibly 3 star operation.
 - 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.
- **Aparthotels/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 an aparthotel or purpose-built serviced apartment complexes or residential apartments being let as serviced apartments.
- **In the Rural Area**
- There could be potential for opportunistic development of various forms of serviced accommodation in the rural parts of the Borough, subject to suitable sites and properties being available, including:
 - Country house hotels, given suitable properties for conversion;
 - Golf hotels, including the addition of hotel bedrooms and facilities on existing golf courses;
 - Quality pub accommodation and boutique bedrooms associated with gastropubs, either using space within existing buildings, or through converting or extending existing buildings;
 - Bedroom extensions and the addition of spas, weddings and functions space to existing hotels to enhance their offer, broaden market appeal, and boost weekend occupancy.

7.2. Acting on the Findings

- Like many other parts on the country and county, Basingstoke's hotels have faced difficult trading conditions over the past 5 years as a result of the recession, with the corporate demand it relies on so heavily falling back and key development schemes that would generate growth stalling.
- In terms of a **forward strategy**, the opening of the Sandford Springs and the proposed Premier Inn in Basingstoke town centre will meet the immediate potential identified. Given this, and that the market is likely to drop back further in 2013/14 with the closure of Huawei, a period of recovery is needed. The short term focus should be on building the market, with regeneration and investment in the destination leading the way, which further hotel development will follow.
- The study outputs can be used in a number of ways to inform the framework for hotel development, critical projects, and the potential for existing hotels to act on the findings, as well as to flag up actions that can help grow the market.

7.2.1 Informing the Emerging Local Plan and Planning Process

- The Local Plan is currently out to consultation, and there remains an opportunity to influence its content. On the whole, the policies are generally permissive of hotel development and direct it to town and village centres then edge of centre locations. Some flexibility has been introduced to consider hotel development on existing business park sites, which was recommended in the 2008 study.
- The policies for visitor accommodation development in the countryside are however somewhat ambiguous in terms of the potential identified. They imply that any development would need to be small in scale and through conversion of an existing building or a limited extension. Whilst most proposals for new-build hotel and pub accommodation in the rural areas are likely to be small-scale, some larger-scale proposals might come forward for the redevelopment and expansion of existing hotels and/or for the provision of accommodation at rural tourism businesses such as golf clubs and wedding venues. The conversion of country houses to hotels might also require some new-build development to achieve an operationally and commercially viable scheme. Subject to meeting environmental, traffic and local impact considerations, there could therefore be a case for some larger-scale new-build hotel development in the countryside in order to secure a viable future for existing hotels,

country houses and rural tourism businesses; meet market demand for hotel accommodation in the Borough; and deliver economic and employment benefits for the rural areas. The flexible application of proposed policies would hopefully permit this, but it may be helpful to include some text along these lines in the final version of the Local Plan to acknowledge (in the right circumstances) a willingness to consider larger-scale hotel development projects in Basingstoke & Deane's countryside.

- Basing View is identified as a strategically important site in the Plan policies, and a hotel is identified as an acceptable supporting use. The Masterplan earmarks a specific site for a 3 or 4 star hotel – The Gateway Site. However, this is not a hotel allocation as such; the site could be developed for other uses, and a hotel doesn't have to be delivered within Basing View as policies stand. If a hotel is seen to be critical to the future success of this proposed 21st century business park for the facilities it would deliver to occupants, there may be a need to strengthen policies and use other tools to ensure its delivery. This is particularly because the market potential is likely to be longer term, and should other hotels be delivered elsewhere in advance of this, they could further undermine delivery here. In order to further prioritise Basing View as a hotel investment location and to help resist hotel development elsewhere until this hotel is delivered, the Council could consider making the Masterplan into an SPD, once the Local Plan is adopted. An SPD would give more weight and further clarity to the aspirations for Basing View, and help strengthen the development management process should hotel proposals come forward on other edge of centre or out of centre sites, particularly on business parks. As a town centre use it will be difficult to resist hotel proposals in the centre however. There are other considerations around what qualifies for SPD treatment that are beyond the scope of this study, but we would advocate that the issue, need and threat to the delivery of a hotel at Basing View be thrown into the mix when this is debated.
- The viability of hotel development in Basingstoke is demonstrably fragile, undermined by the weakness of the weekend market, the need to secure high occupancies and rates mid-week, and the destination's competitive disadvantages compared to other regional cities like Southampton and Portsmouth. It will be important therefore not to over-burden hotel schemes with additional costs relating to design, sustainability and quality standards, or this could impact on their delivery.
- These issues of viability should similarly be recognised in the setting of CIL charges. This is a new area, but some initial investigations recently conducted alongside another consultancy commission show significant variations in what is being proposed: some

London Boroughs are charging £450/sq m for hotel schemes, adding 27% to the development cost for some hotel projects, whereas viability assessments by other authorities e.g. Cambridge City Council have resulted in a zero charge being applied to hotel schemes. The Council has commenced its viability work on CIL. We would recommend that learning from the experience of other authorities and consultations with private sector hotel companies are built into the setting of CIL charges to ensure that assumptions relating to costs and viability are accurate for hotel development schemes.

7.2.2 Informing the Development Strategy for Basing View

- The research indicates that the potential for a 3 or 4 star hotel at Basing View is longer term – probably post 2020. If securing a hotel as quickly as possible is the main objective, it may be possible to secure a budget or upper tier budget hotel in the short term. In this scenario, it could be possible to deliver food and beverage units at ground floor level, and to separately secure a business & meetings offer such as Regis and a leisure club offer separately – and/or to plan for a 'hub' where these could co-locate.
- The alternative strategy is to hold out for a 3 or 4 star hotel until the market is sufficiently strong and more occupiers have been secured for Basing View. The challenge to this is the danger that other hotel proposals may come forward in the interim that in planning terms could be hard to resist – especially if in a town centre location. If they did happen they would take market share and further undermine and delay the delivery of a hotel at Basing View.
- Another option is to consider incentivising the hotel development at Basing View in some way e.g. giving the land and/or delivering other infrastructure for the hotel, to cut costs and improve viability. However, securing earlier delivery of an upscale hotel in advance of market growth could impact negatively on the performance and particularly room rate across the Borough's existing hotel supply.
- It has to be said that whilst there is hotel operator interest in Basing View, at budget, mid-scale and up-scale levels, the destination is not a priority for most; there are stronger locations without the competitive disadvantages Basingstoke has. There could be merit in the Council undertaking some pro-active work to targeted brand operators to open up more detailed discussions, present the market case and understand the barriers to entry and how these can be overcome. This could then

feed into the future development strategy for Basing View and any site allocation or SPD work. We would suggest that serviced apartment operators might also be approached to better inform the future strategy of their needs.

7.2.3 Informing the Council's Approach to Supporting the Hotel Sector

- Developing the corporate market is the key to delivering strong, high-rated hotel demand midweek, which is what most of the area's hotels rely on for their viability. As Basing View is the prioritised location for employment development, directing these new employment uses to this location should be a priority in order to support a hotel development here: as the company research has shown, most corporate users prefer to stay close to the location of their business. It will be important in terms of growing the hotel market to focus on sectors that are productive for hotel demand – professional and financial services, pharmaceuticals, research and technology, telecoms sectors, and regional, national and international headquarters offices.

- The weakness of the weekend market in Basingstoke and its leisure appeal has been alluded to at several points in this report, and has a significant part to play both in the performance of existing hotels and the viability of any hotel development proposals. Opportunities to boost weekend demand that could be explored include:
 - Further developing the leisure offer, particularly in terms of events, but also potentially in terms of new 'attractors'. An enlarged Leisure Park could have a part to play in this, but would need to be of sufficient critical mass and uniqueness in terms of its offer to draw visitors to the extent that they would need or desire overnight accommodation.
 - Increased leisure break marketing to position Basingstoke hotels as a base for group tours visiting the surrounding area and London.
 - Investigating the potential to attract weekend conferences, especially in the associations market.

5.2.4 Inform the Business Development Strategies of Existing Hotels

- The research has a lot of useful information which the existing hotel supply in Basingstoke will find valuable to inform their future marketing and development strategies. It can provide an evidence base for hotel managers to make a case to their owners to invest in refurbishment, extensions, and the addition of new facilities to help retain and grow demand in the face of increasing competition.

7.2.5 Dissemination & Pro-activity – a Co-ordinated Approach?

- It will be important to **disseminate the study findings** to all who could benefit from the information it delivers, including the audiences above. Hampshire County Council will be doing this on a multiple destination basis, using the Hotel Market Fact Files produced for key destinations, including Basingstoke. There could be merit in Basingstoke & Deane Borough Council working alongside the County Council in this co-ordinated approach to dissemination, as well as an element of **targeted pro-activity** with hotel operators.

APPENDIX 1

BASINGSTOKE HOTELS INTERVIEWED

Audley's Wood
Hilton Basingstoke
Apollo
Hampshire Court
Basingstoke Country
Holiday Inn Basingstoke
Premier Inn Basingstoke Central
Premier Inn Basingstoke South
Travelodge Basingstoke
Innkeeper's Lodge Basingstoke

BASINGSTOKE HOTEL STUDY – JUNE 2013 COMPANY SURVEY

Approach to the Survey

- Hotel Solutions contacted a range of local businesses based predominantly in and around Basingstoke. Structured interviews were conducted by telephone using a questionnaire. The purpose of the interviews was to elicit information on companies':
 - Hotel booking behaviour;
 - Views on current hotel provision and usage;
 - Future needs regarding accommodation and;
 - Level of interest in additional hotel provision in Basingstoke town centre and specifically at Basing View.

- A total of 42 companies were contacted. 25 of these elicited full interviews and an additional 6 companies indicated that they had limited demand for overnight accommodation in Basingstoke; further details of these and their responses are outlined in the Appendix to this paper.

Nature of Hotel Demand

- The table below outlines the 25 companies that had more than occasional demand for hotel accommodation locally. The nature of this demand is summarised in **Table 1 overleaf**.

Table 1

NATURE OF HOTEL DEMAND			
Company	Location	Average Room Nights	
		Per Month	Per Week
Motorola	Viabes Industrial Estate, Basingstoke	-	120
Thales UK	Basing View, Basingstoke-	-	86
Care Fusion	Jays Close, Basingstoke	-	20-50
Linde Material Handling	Kingsclere Road, Basingstoke	155	-
Taylor Made Golf	Jays Close, Basingstoke	-	20
First Drink ⁵	Hook	-	12
BNP Paribas Leasing Solutions	Basing View, Basingstoke	-	10-12
Game Retail Ltd	Telford Road, Basingstoke	-	10-12
Micro P	Chineham Business Park, Basingstoke	-	5-10
BioMerieux*	Grafton Way, Basingstoke	-	3-5*
Barclays Asset Finance	Churchill Way, Basingstoke	-	5
Kofax (UK) Ltd	Chineham Business Park, Basingstoke	-	5
Imtech Design	Jays Close, Basingstoke	-	5
Balfour Beatty Ground Engineering	Ashwood Way, Basingstoke	-	5
Kier Facilities	Basing View, Basingstoke	20	-
The Automobile Association	Basing View, Basingstoke	-	3-5
LabCold	Wade Road, Basingstoke	9-18	-
Dot Hill Systems Europe Ltd	Basing View, Basingstoke	10-15	-
JDSU UK Ltd	Chineham, Basingstoke	10	-
Multitone Electronics	Kempshott	10	-
Metso Automation Ltd	Chineham Business Park, Basingstoke	10	
Gist	Chineham Business Park, Basingstoke	7-8	-
Oxoid (Thermo Fisher Scientific)	Wade Road, Basingstoke	-	1-2
Scott Wilson	Alencon Link, Basingstoke	Varies depending on projects	
ITT Industries	Viabes Industrial Estate, Basingstoke	-	1-2

*For one of a number of bookers

⁵ Information provided by Leading Lights Booking Agent

- Key findings were:
 - The most significant users of hotel accommodation amongst those surveyed are Motorola, Thales UK, Care Fusion and Linde Material Handling. Thales UK highlight that they can have as many as 60-100 staff staying in Basingstoke on a single night.
 - Taylor Made Golf also have significant levels of demand which although average at 20 room nights per week, can increase to 100 room nights per week depending upon events.
 - On the whole, overnight accommodation requirements primarily relate to staff that are visiting company premises in Basingstoke; these range from sales teams and engineers through to senior management staff and Managing Directors. As there are a number of international companies in Basingstoke, senior staff can be travelling from overseas, predominantly from other European countries and the United States.
 - Overall, the findings indicate that demand for hotel accommodation from the corporate sector is relatively buoyant particularly from some of the larger global corporations. Of note however, is the fact that a few companies reported that their demand for overnight accommodation has declined compared with previous years.
 - Demand for serviced apartments or suite hotels to accommodate long stay guests in Basingstoke is negligible and there is no apparent difficulty in finding availability at such accommodation, when this is required. It is interesting to note that for some companies that do have long stay visitors, their preference is still for hotel accommodation as opposed to serviced apartments. The ability to guarantee availability for long stay visitors was highlighted as imperative by some company representatives.
 - Likewise there is no apparent issue with the availability of meeting and conference space at hotels in Basingstoke when this is required however it was reported by one company that finding suitable venues to host their Supply Event (for 100 people) can prove problematic.

Accommodation Used

- As highlighted in table 2 below, the Apollo is the most frequently used amongst the 25 companies interviewed with the proximity to company premises and the quality of accommodation being cited as the primary reasons for corporate usage of this hotel.

Table 2

ACCOMMODATION USED		
Hotel	Number of Companies	Reasons for Usage
Apollo	17	<ul style="list-style-type: none"> Proximity to Company Good quality hotel Have corporate rate Meets standard of Accommodation required Used for larger group bookings
Hampshire Court	12	<ul style="list-style-type: none"> Proximity to Company Meets standard of Accommodation required Have corporate rate
Audley's Wood	10	<ul style="list-style-type: none"> First Choice – used for Executives travelling from overseas Proximity Have corporate rate
Hilton	9	<ul style="list-style-type: none"> Proximity to Company Meets standard of Accommodation required Used for overseas Executives
Holiday Inn	8	<ul style="list-style-type: none"> Proximity to Company Meets standard of Accommodation required
Premier Inn Basingstoke Central	8	<ul style="list-style-type: none"> Proximity to Company For junior level staff/engineers/sales teams Cost Effective
Tylney Hall	4	<ul style="list-style-type: none"> Quality Hotel For Company Directors Have corporate rate
Wellington Arms, Baughurst	4	<ul style="list-style-type: none"> For availability Good rate
Red Lion	3	<ul style="list-style-type: none"> Proximity to Company When can't get availability at first choice accommodation
Premier Inn Basingstoke South	2	<ul style="list-style-type: none"> Proximity to Company
Basingstoke Country	1	<ul style="list-style-type: none"> Proximity to Company Meets standard of Accommodation required
Travelodge Basingstoke	1	<ul style="list-style-type: none"> Proximity to Company
Oakley Hall	1	<ul style="list-style-type: none"> Quality hotel and specifically requested by some staff
Hook House Hotel	1	<ul style="list-style-type: none"> Has better availability than Basingstoke hotels
Next Door, Odiham	1	<ul style="list-style-type: none"> Overseas visitors love the rural environment

- The Hampshire Court is used by 12 companies, Audley's Wood by 10 companies and the Hilton by 9 of the companies interviewed; proximity to company premises and quality of accommodation are the main reasons highlighted for usage.
- Rates vary according to levels of usage with tariffs for higher level corporate users ranging from £65-£80B&B to £95-£135B&B for lower level corporate users, for 4 star accommodation premises. However, some companies highlight that when availability is limited tariffs can increase to as much as £200B&B. Meanwhile 3 star accommodation rates can range between £89-£109B&B. Premier Inn hotel rates are reported at between £65-£90B&B.
- It is apparent that for some corporate users there is dissatisfaction with hotel accommodation rates being charged in Basingstoke; dissatisfaction is most marked amongst those companies with lower levels of demand. Comments centred on the fact that rates compared with the quality of accommodation available does not offer value for money. The following comments regarding rates and quality of accommodation available were made:
 - *“For the Apollo the rate is £140B&B and for a 4 star property that hasn't been refurbished in years and whose rooms are looking really tired, that is extortionate”.*
 - *“Even the Premier Inns, where typically these cost £50-£60B&B, they charge £80-90B&B in Basingstoke”.*
 - *“Don't use the Holiday Inn – too high priced – not value for money – rooms are too small”.*
 - *“Cost of £90-£100B&B for the Holiday Inn is too high. Premier Inn rates are extortionate”.*
 - *“Hotels can charge whatever they want when there is limited availability”.*
 - *“The average price of accommodation is high and this carries on because they know (the hotels) that demand outweighs the supply and charge accordingly during the week. You can get deals at the weekends but that is no good to most businesses”.*
 - *“Cost of the Hampshire Centre Court and Apollo are too high for Basingstoke – it is not a nice area to go out in, in the evening - it's not a Windsor. They never move on the rate”.*
 - *“Rates of £110-£130B&B are too much for Basingstoke”.*

- *"The issue really is the rate- £109B&B is high but you can pay up to £170B&B".*
 - *"Hilton and Holiday Inn are not up to scratch".*
 - *"Holiday Inn is not a great standard".*
 - *"Holiday Inn is too small, poor layout and clients don't like bedroom corridors style".*
 - *Travelodge is poor quality.*
 - *"Wouldn't put people in the Red Lion".*
 - *"The Red Lion is a bit rough".*
 - *"Cleanliness is an issue at the Red Lion. Have had complaints from staff who have stayed there".*
- Beyond the issues related to rates and quality of accommodation for a number of companies, it is apparent that availability at hotels in Basingstoke is a major issue amongst the majority of those company representatives interviewed. Difficulties with availability are most notable around major events such as the Farnborough Air Show and during the peak summer months, from May through to September. Other companies however cite that lack of availability is an issue year round. In addition, whilst some companies highlight difficulty in getting availability on Tuesdays and Wednesdays, others highlight this is an issue Monday to Thursday. All companies are in agreement that finding rooms at short notice is a particular problem and as such most corporates try to book 2-3 weeks in advance. In addition, availability for larger group bookings (e.g. 20-30 rooms per night) is also proving problematic.
 - In the instances when companies can not get availability with their preferred hotel, they try their second, third, fourth choices etc. in Basingstoke. At least half of the companies interviewed highlight that they then travel outside of the area to the Wellington Arms at Baghurst and to hotels in Hook, Farnborough, Reading (e.g. Millennium Madejski Hotel), Newbury or Winchester for example.

- 4 of the 25 companies indicated that their demand for accommodation will increase in the next few years; both Micro P and Kofax expect their demand to increase due to handling more staff training at their Basingstoke company base. Game Retail Ltd envisages an increase of approximately 10% on their hotel room usage next year compared with their current usage.
- Interestingly, one of the largest corporate users of hotels in Basingstoke, Thales UK, has indicated that their business environment in Basingstoke has changed from manufacturing to an office environment and investment in meeting rooms and facilities will see the potential of more staff and customers visiting the site in 2013/14. As such, availability issues for hotels in Basingstoke are likely to continue should the number of hotel bedspaces remain the same.

Requirement for New Hotels

- Given the apparent difficulties in getting availability at hotels in Basingstoke, 23 companies expressed a preference for additional hotel accommodation in Basingstoke. Some companies highlighted a requirement for more than one type of new hotel, as follows:
 - 14 companies expressed a preference for: Quality, contemporary 3-4 star hotel (£65- £120 B&B range) with leisure facilities (gym and pool). Some company representatives reported a requirement for an internationally known brand such as Marriott, Hilton, Sheraton, Crowne Plaza to meet the expectations of their European and Northern American visitors. The De Vere Village in Farnborough was highlighted by one company as an excellent example of the standard, style and quality of accommodation required to meet the needs of Basingstoke's blue chip companies.
 - Meeting facilities for sales meetings or board meeting was viewed as a nice extra but as many companies have their own meeting facilities coupled with the fact that availability of meeting rooms in existing hotels is not an issue, meeting rooms was not viewed as being vital in any new hotel premises. Overall, a location close to the town centre (to include Basing View) was most popular as it was highlighted that this would allow visitors to walk into town in the evenings to eat in local restaurants.

- 10 companies reported a need for a 3 star hotel (similar in style and standard to Jury's Inn) and supported Basing View (£80-£100BB) as a potential location given the ease of access to the rail station and the town centre. The town centre itself was highlighted as a preferred location by some. For half of these companies, the inclusion of leisure facilities were viewed as important and, as above, meeting rooms would be a good extra.
- 8 companies supported the need for additional budget accommodation in Basingstoke. Preferences were expressed specifically for Premier Inn standard accommodation as opposed to Travelodge style accommodation (£65-£80BB). A town centre location with parking facilities was preferred.
- 3 companies highlighted a preference for a Boutique and/or Country House hotel with leisure facilities and an excellent food offer, in a rural location but close to Basingstoke. It was reported that this would provide an additional choice for their US visitors as on occasions it can be difficult to get availability at Tylney Hall and Audley's Wood. Rates companies were willing to pay were similar to those for a new 4 star property.

APPENDIX – COMPANIES WITH LIMITED DEMAND FOR OVERNIGHT ACCOMMODATION

	Company	Location	Comments
1.	Dalmec	Edison Road, Basingstoke	Demand for hotel accommodation is minimal – they only need this 3-4 times per year when their Managing Director from Italy and their No.2 visit. On these occasions they use the Apollo as this is close to them. They have used the Oakley Hall and Audley's Wood too. Report that they need a good quality, 4 star like Audleys or similar but at a reasonable price. A couple of years ago you used to be able to get a room for £95-£100B&B. Even a new 3 star would be good at a reasonable price.
2.	Southern Communications	Dummer	Have staff and monthly telesales teams travelling from the Midlands and Manchester to their premises and they use the Holiday Inn. Happy with this hotel. They don't use the Travel Inn Southern as this is not the standard of hotel they require. Supportive of a new hotel closer to them, similar in standard to the Holiday Inn (i.e. at Dummer). Hotels in the town centre or at Basing View wouldn't be ideal for them given the location
3.	Centerprise International Ltd	Hampshire International Business park, Basingstoke	Have booked only 2-3 rooms this year (until end of June 2013). Have a corporate account with Premier Inn. Try to book 2-3 weeks advance to avoid availability issues.
4.	Middlesex Group Ltd	Telford Road, Basingstoke	Rarely use hotels for overnight accommodation. Used to be frequent hotel users a few years ago and there was difficulty with availability then, so staff travel to and from home when required now.
5.	Vitacress Salads	Saint Mary Bourne	Infrequent use of hotel accommodation and when they do they use pub and hotel accommodation in Andover as Basingstoke is too far away from them.
6.	Barracuda Networks	Grafton Way, Basingstoke	Have demand for 1-2 room nights per month only. They use the Apollo Hotel and have not had difficulty in getting availability. Do not see need for more accommodation, given their limited demand.

EXTRACT FROM THE HAMPSHIRE HOTEL TRENDS SURVEY 2013 THE CLIMATE FOR HOTEL INVESTMENT

The Economic Backdrop - A Challenging Time

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

These trends have implications for the type of new development being delivered and its impact on existing stock.

'The shortage of debt funding has meant many new projects are conversions, involving rebranding and considerable refurbishment and improvement. Cities around the UK have seen new branded products like Doubletree, Indigo, Hampton by Hilton, Park plaza and Radisson Blu and this has increased pressure on existing under-invested operators' (PcW UK Hotels Forecast 2013)

'We are experiencing a benign new-build market for the roll-out of new developments in the UK, with limited finance about and the ability to buy existing hotel stock at less than replacement value' (Marriott international)

In such a risk-averse climate, a number of hotel companies are now focusing their development strategies on routes that don't involve them in capital outlay – or as Accor term it *'an asset-light strategy'*. A number of 4 star and luxury international brands like Hyatt and Millennium & Copthorne have for some time only done management contract deals, but certainly their prevalence has spread as funding has become more difficult to secure. These schemes involve significant levels of investment and what the operator brings to the table is their sector expertise and brand strength. This reinforces an earlier trend in the sector pre-recession, for hotel companies to divest themselves of their property assets whilst retaining the contract to operate – Hilton and Accor are good examples.

Whilst funding 3 and 4 star hotels remains difficult, there are some up-sides to the current market conditions. Budget hotel development is still happening; Travelodge and Premier Inn remain active, offering the advantage of their ability to take lease deals in developer-led schemes. One advantage of the downturn in the property market has been that residential and some commercial sites are now coming forward for hotel development that would not previously have been available or affordable. A weaker market has also seen some distressed hotels coming onto the market being bought up by chain hotel companies and re-branded. London is also an increasing focus of hotel development interest, driven by strong performance and the 2012 bounce.

In terms of prospects, as one consultee put it:

'It remains a difficult market, and we are still bumping along the bottom....' (Chardon Management).

PwC's UK Hotel Forecast 2013 summarises the climate as *'cloudy but improving'*, with the sunshine coming out sooner in London and the South East, which will lead the recovery, compared to the rest of Provincial UK. In their report *'After the Party'*, PwC identify mixed demand driver messages for 2013: business travel spending to pick up slightly; leisure travel to suffer from continued tightening of belts; a bottoming out of the meetings and events markets; some gains from overseas markets induced by the *'Olympic effect'*, but tough market conditions in Europe, an important demand generator. At the same time, there is more supply to come on stream, in London and other major cities, a supply spike that will need to be absorbed requiring adjustment and impacting on occupancies and rates.

In overview, the Credit Crunch and recession have inevitably had an impact on reining in the development plans of hotel companies, and seen new routes to delivery emerging. The climate remains challenging, both in terms of market performance and access to funding, and whilst there is some glimmer of recovery, hotel development activity is unlikely to come back quickly. However, there remains some activity out there in the market, albeit that the approach is more cautious and investor-led; development has slowed but not stopped.

Hotel Business Models & Funding Routes

Hotels can be developed and operated under a number of different business models (summarised in the table overleaf) with hotel brand owners, franchisees and property developers playing different roles in each case, with development and operating risks shifting under the different models.

The levels of capital outlay as well as development risk required by a hotel company therefore vary considerably between these options. Many more operators, particularly at the 4 star level, which is much more capital intensive, are likely to be interested in options put to them that involve management contracts than in building and funding hotels themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations.

Many of the chain hotel companies will have a mix of the above structures in place, though some do prefer a single route. Often franchisees are looking to build the asset value of the company with a view to exit within a 5-10 year period, and in such situations are less likely to be interested in lease options.

HOTEL DEVELOPMENT & OPERATING MODELS		
	Developer Risk	Operator Risk
Hotel company (hotel brand owner) develops the hotel & subsequently operates and markets under one of its brands <i>e.g. InterContinental Hotel Group(IHG) builds and operates a hotel under its Holiday Inn brand</i>	√	√
Hotel company (brand owner) leases and manages a hotel that is owned and developed by a property developer <i>e.g. Travelodge leases a hotel that has been built and funded by a property developer</i>	x	√
Hotel company (hotel brand franchisee) develops the hotel then operates and markets under a franchised hotel brand name <i>e.g. Sanguine Hospitality builds a hotel and operates it under a Holiday Inn franchise agreement with IHG</i>	√	√
Property company develops the hotel & seeks a hotel company to lease the hotel	√	√ (depending on the type of lease)
Property company develops the hotel & seeks a hotel company to purchase the freehold of the hotel	√	x
Property company develops the hotel & employs a hotel company to manage the hotel under a management contract	√	√ (some)

Lease models require a little more explanation, as there are some key issues surrounding lease structures that are impacting upon the ability to deliver hotel developments currently. Developers require hotel operators to take an fixed lease, a standard institutional lease that will give a guaranteed fixed payment per room over a period of 20-30 years. Once secured, this guaranteed income stream makes the development fundable, and the developer can secure finance on the back of this. On completion the developer may retain or sell the investment. Currently, only Travelodge and Premier Inn are able to take such leases, as only they have the strength of covenant required. One or two of the multiple brand chains have done leases, but generally these will only be for large hotels in premium locations such as London or Edinburgh, where occupancy and high rates are guaranteed. There are accounting implications of FRI leases also, as they represent a financial commitment going forward, and this has also put hotel companies off this model.

More favoured by hotel companies are variable leases, made up of a combination of base rental and a share of turnover. Some guarantees can be built into these arrangements, but should the market fall back, the risk and impact is shared by the developer/funder and the operator. Their responsiveness and flexibility accounts for their appeal to hoteliers. Certainly in previous recessionary climates, fixed leases have contributed to the downfall of hotel companies, as they became unable to meet their rental commitments when trading performance fell back. However, there is evidence that these turnover leases make it difficult to fund development, exactly because they don't give the same fixed income stream.

The differing objectives and requirements of developers/investors and operators has resulted in something of an impasse and resulted in it being difficult to get such schemes off the ground. During the consultations for this study we came across numerous schemes and sites that had stalled for this reason, and few operators able or willing to do the sort of deal the funding institutions require.

The difficulty in securing funding for hotel schemes has led to other interventions being used to secure hotel schemes. The Ageas Bowl Hilton is one example, where public sector support has enabled the hotel to go ahead, for the wider benefit of the area. A similar intervention has taken place in Newcastle-upon-Tyne, where City Council funding has bridged a gap to secure a Crowne Plaza hotel for the Stephenson Quarter, which will anchor a much larger regeneration scheme. BPRAs, available in Assisted Areas, has also been used as a vehicle to fund hotel development in some key cities, the tax incentives associated with such schemes,

where redundant commercial buildings are brought back into use, being the key to a different financial equation that can enable a viable hotel scheme to be delivered.

Impact on Hotel Development Strategies

'The lack of development funding is the main barrier to securing hotel development currently' (DCB Business Consultants)

'It's all about what's fundable' (Sanguine Hospitality)

Two key themes stand out from the feedback with our consultees:

- From a performance viewpoint, there is focus on targeting and delivering AAA sites i.e. sites in premium locations, in the top performing cities. For most this would be London, followed by Edinburgh and Aberdeen. Some other cities are also known to perform well in terms of both occupancy and ARR, such as Bath. The banks, agents and Acquisitions Managers are informed about these markets through research and presentations.
- Beyond these locations, which take in most of the Provinces, anyone trying to get a hotel scheme off the ground knows it is going to be extremely difficult, and difficult means potentially abortive time and effort.

For these reasons many hotel developers and operators have stopped having target lists of locations where they would like to be, however, they are prepared to consider schemes on an individual basis, if they are live. There has always been an element of opportunism in the development cycle, but this round of consultation and testing has found this to be even more so in the current climate. Many were willing to respond to specific sites and schemes, and to work with a franchise or other partner on sites and locations to determine the strength of the market and the most appropriate brand to consider. From a destination – or landowner - point of view, the response should be about making the case and evidencing the potential – especially as many Acquisitions Managers, a number of whom cover all the UK or even Europe and the Middle East as well, had limited knowledge about some of the locations we probed, and admitted that having less hands-on experience they were willing to be persuaded.

Hotel Development Trends and Emerging Offers

In terms of trends in the nature of hotel development, perhaps the key one is the 'squeezing of the middle'. New supply has focused on both high end and budget offers, this polarisation impacting from both sides on mid-market hotels struggling to differentiate themselves.

In terms of budget hotel development, the market leaders Premier Inn and Travelodge have continued to open hotels apace across the UK, although Travelodge has cut back on its development programme as a result of its financial restructuring and prioritisation of investment in existing hotels. Accor has relaunched its budget hotel offer under three brands – Ibis, Ibis Budget (replacing Etap) and Ibis Styles for franchised independent hotels. At the upper-tier budget level, the Hampton by Hilton, Ramada Encore and Holiday Inn Express brands have continued to become more established, with new hotels across the UK. The Malaysian budget hotel operator Tune Hotels has rapidly established itself in London and is now targeting other UK cities, with plans announced for hotels in Liverpool and Newcastle. A more recent trend has been the emergence of budget boutique hotels from companies such as Base2Stay, Z Hotels, Sleeperz and Citizen M. These are limited service hotels that feature contemporary interior design and a high-tech fit out. Whitbread has just launched its new Hub by Premier Inn brand to compete in this market. The German budget boutique hotel operator Motel One is also looking at entering the UK market in London, Newcastle and Liverpool. Bespoke Hotels has been looking at rolling out its B² budget boutique brand based on its Bermondsey Square Hotel in London. Marriott has announced plans to introduce its Moxy budget boutique hotel brand into the UK.

Another recent trend is the development of hostel chains, including Eurohostel (which has opened in Edinburgh and Newcastle) and most recently boutique hostel operator Hoax Hostels, which opened its first hostel in Liverpool in 2013.

Aparthotels and serviced apartments are another growth product in the UK. Accor has recently opened its first Adagio aparthotel in Liverpool. Plans have been unveiled for new Urban Villa aparthotels in Stratford (East London) and Portsmouth. The Roomzzz aparthotel chain has expanded with new units in Newcastle and Manchester. Serviced apartment operators SACO, Spires, Max, Premier Apartments, Blue Rainbow and Bridgestreet have all recently opened new operations in a number of UK cities. These types of hotel have proved popular with business and leisure tourism markets, and in many cities are achieving extremely

high occupancies and often 4 star equivalent rates. Some focus primarily on the extended stay corporate market, while others compete more directly in the general hotel market.

Another key trend has been the growth of boutique hotel brands from some of the major hotel chains. Leading the field in this has been IHG (InterContinental Hotels) with its Hotel Indigo brand, with openings in Liverpool, Newcastle, Birmingham, and London, and a hotel under construction in Manchester. Starwood has opened its first UK Aloft boutique hotel at London ExCel and will open a second in Liverpool in 2014. Accor has launched its MGallery boutique brand with its first UK franchised hotel in Bath. The Malmaison and Hotel du Vin boutique brands may be further developed in the UK now that they have a new owner.

Smaller boutique hotel chains have also been established and expanded. Robin Hutson (the founder of Hotel du Vin) has launched The Pig boutique hotel company with two hotels in the New Forest and Southampton and a third under development in Dorset. Hilbrooke Hotels has opened a new hotel in Stamford, Lincolnshire and is interested in further opportunities for 'quirky luxury' hotels. Bespoke Hotels has opened new boutique hotels in London and Leeds and is currently looking for new boutique hotel opportunities in other UK cities. Small independent boutique hotels have also opened in many locations across the country, including small towns and rural locations, and there is no reason to think that this trend will not continue.

At the 4 star level, Hilton has rapidly expanded its Doubletree by Hilton brand in the UK through franchise deals. This has included the rebranding of the Mint Hotels chain of eight 4 star hotels following its acquisition in 2011 by Blackstone, together with deals with other franchisees for Doubletree by Hilton hotels in locations such as Lincoln, Newcastle Airport, Liverpool, Chester, Milton Keynes and Cambridge. IHG is expanding its Crowne Plaza brand in the UK, with a new hotel having recently opened in Oxfordshire, a hotel under construction in Newcastle and a Crowne Plaza proposed for Sheffield. Millennium & Copthorne Hotels has taken on a management contract for a Copthorne hotel in Sheffield. Luxury international hotel operator Hyatt has plans to introduce its upscale Hyatt Place brand into major UK cities. The German Steigenberger hotel company is looking at introducing its InterCity Hotels 4 star brand into the UK, while Spanish operator Melia has plans to open its first UK Inside hotel in Manchester. The French hotel group Accor is expanding its upscale Pullman brand with a second UK hotel planned for Liverpool.

At the midmarket level, De Vere has announced plans to further develop its Village Urban Resorts brand, with a new hotel planned for Portsmouth. Marriott is looking at rolling out its redefined Courtyard mid-scale brand. Hilton's Garden Inn brand has been slow to develop in the UK however, although a Garden Inn is currently proposed for Sunderland.

At the luxury end of the market there has been activity in terms of the development of luxury country house hotels, including the opening of Lime Wood in the New Forest and the soon to open Heckfield Place near Hook in Hampshire. 5 star hotel development has focused on London, with a number of international 5 star brands having opened here in recent years or with hotels under development in the capital.

There are a number of proposals for new golf resorts in various locations across the UK, including Kent, Yorkshire and the Wirral, together with a number of proposals in Scotland.

Product innovation is key to satisfying the customer, and anticipating their needs. Strong brands have the ability to develop a following of their own, and in doing so can add value to a destination's overall offer and help grow the market.

HOTEL DEVELOPER TESTING - SAMPLING & RESPONSE

Standard/ Type Of Hotel & Brand/Company	Response
MULTIPLE BRANDS	
Accor	Y
BDL/Redefine	N
Chardon	Y
Hilton	Y
Hyatt	Y
IHG	Y
London Town Group	N
Marriott	Y
Rezidor	Y
Sanguine	Y
Somerston	Y
Sojourn	N
Starboard	Y
Starwood	N
Steigenberger	N
Wyndham	N
4 STAR only	
Millennium Copthorne	N
Pestana	Y
Sandman	Y
Steeltower/Astu	Y
3 STAR only	
Jurys	N
Village	Y

Boutique/Lifestyle	
Abode	N
Bespoke	Y
Chapter	N
Hotel du Vin	N
Malmaison	N
Penta	Y
BUDGET BOUTIQUE	
Citizen M	Y
Sleeperz	Y
Z Hotels	Y
SMALLER BOUTIQUES	
Delicious Dining	N
Faucet Inn	N
Home Grown Hotels	N
Ideal Collection	N
Hilbrooke	Y
Silks	Y
CORE BUDGET	
David Curtis-Brignall	Y
Motel One	Y
Moxy	Y
Premier Inn	Y
Travelodge	Y
PUB/RESTAURANT ROOMS	
Hall & Woodhouse	N
Milsoms/Loch Fyne	Y
Marstons	Y
Oakman Inns	N
OEI	Y

Peach Pub Co.	N
Relaxinnz	N
Shepherd Neame	Y
Thwaites (Christies)	N
Wetherspoons	Y
APARTHOTELS/SVICED APTS	
Base2Stay	Y
Bridge Street	N
Max	N
Premier Apartments	Y
Roomzz	N
SACO	Y
Spires	Y
Staycity	N
OTHER	
Halcyon/Luxury Family Hotels	Y
Nicholas James Group	Y

EXTRACT FROM DCLG GOOD PRACTICE GUIDE ON PLANNING FOR TOURISM

Tourist Accommodation

1. Tourism accommodation takes many different forms, including hotels, guesthouses and bed and breakfast premises, self-catering, touring and static caravans and camping, and caters for a variety of tastes and budgets. But all are capable of bringing economic benefits to the areas in which they are located. These benefits will need to be assessed alongside other issues such as suitability of the location in terms of its sustainability.
2. The issues that will need to be addressed in considering planning applications or tourist accommodation will vary according to the type, size, and nature of the accommodation being provided. These are considered further below.

Hotel and serviced accommodation

GENERAL LOCATIONAL PRINCIPLES

3. The process of identifying suitable locations for hotel and serviced accommodation, whatever its nature, should be an integral part of the plan making process. Local planning authorities and the tourist industry should therefore engage constructively to identify suitable locations in plans for hotel accommodation to meet identified current and future needs. This is particularly important for major hotels – for example those with business, conference and banqueting facilities, or large hotels catering for tourists – where the preference should be to identify town centre sites wherever possible, in line with national policies set out in PPS6. Such sites are the most sustainable in planning terms, since they allow greater access by public transport, contribute to urban vitality and regeneration, and allow visitors to easily access other town centre facilities and attractions. Where proposals for major hotel facilities come forward outside the development plan process, their location should be assessed in line with the policies in PPS6 and the sequential approach to site selection.
4. Proposed locations for other types of hotel and serviced accommodation should also be considered through the plan process

wherever possible. The emphasis, whatever the type of accommodation, should be on identifying the most sustainable locations, having regard to national planning policies. But in allocating sites in plans, or considering planning applications that come forward outside of the plan process, developers and planning authorities need to recognise that the particular market being met by the accommodation may influence the nature of the location chosen. So, for example, accommodation catering for those seeking to enjoy the natural environment through walking and outdoor recreation may be better located in a rural area, in or at the edge of the centre of a village or small town, rather than in a major town centre some distance away from the attractions it serves.

5. Whatever the type of hotel or serviced accommodation and whatever its location, it should:
 - Fit well with its surroundings, having regard to siting, scale, design, materials and landscaping; and
 - Be in harmony with the local environment (taking account of, amongst other factors, residential amenity, noise, traffic and parking in the vicinity).

HOTEL ACCOMMODATION IN RURAL AREAS

6. National planning policies set out in PPS7 *Sustainable Development in Rural Areas* makes it clear that the expectation is that most tourism accommodation requiring new buildings should be located in, or adjacent to, existing towns and villages. PPS7 also recognises that proposals to convert existing rural buildings to provide hotel and other serviced accommodation should be acceptable, subject to any general criteria that may be set in development plans on the re-use of such buildings.
7. National Parks and Areas of Outstanding Natural Beauty attract visitors who wish to enjoy the special qualities of the landscapes and the countryside of these areas. It is important that sufficient accommodation of a suitable range of types is provided for these visitors. However, particular care needs to be taken over the number, scale and location of accommodation facilities in these designated areas to ensure that the particular qualities that justified the designation are conserved. These considerations are best addressed through the plan process wherever possible.

HISTORIC TOWNS AND CITIES

8. Historic towns and cities are an attraction to tourists from home and overseas and there is pressure to increase hotel accommodation in them. Great importance is attached to the preservation of buildings of architectural or historic interest both for their intrinsic qualities and for the contribution they make to our towns and villages, and to tourism. It is therefore important that any proposals for new hotel accommodation in such towns and cities are sensitive to their surroundings.
9. Conversion into hotels is often a realistic proposition for ensuring the retention and maintenance of historic buildings provided it is sensitively handled, does not materially alter the character or historic features of the building, and provided the new use does not generate traffic movements which cannot be accommodated.
10. Many historic buildings in town and country are already in use as hotels. If carefully designed, additions can be achieved without adversely affecting the historic fabric or character and maintain the historic building in viable use. But large-scale buildings in a small-scale setting, buildings which adversely affect the existing skyline, and those which by their design, materials, illumination or building line are out of sympathy with neighbouring historic buildings will normally be unacceptable.

MODERNISATION AND EXTENSIONS

11. Aside from historic buildings, there are many redundant or semi-obsolete buildings – such as closed mills, distilleries, warehouses, or railway stations – that can lend themselves well to adaptation and modernisation as hotels, other forms of serviced accommodation or restaurants. To convert such buildings to compatible use can bring life back to an otherwise wasted asset – thus conserving a useful and often attractive building, improving a neglected site and helping the local economy.
12. Similarly, moderate-sized extensions to an existing hotel or public house, including the addition of bedroom accommodation, can help to ensure the future viability of such businesses. This may satisfy a local need as well as a tourism one, by fully utilising the potential of the site but without any disproportionate increase in scale. In all cases, careful consideration should be given to ensure that the size of the extension proposed is not disproportionate for the location concerned.

BUDGET HOTELS, MOTELS, AND TRAVEL LODGES

13. Where budget hotels are designed to cater for longer stays at a destination (for example, those catering for visitors to historic towns and cities), their location should be considered in light of policies in the development plan and national policies in PPS6 on town centres. Location of such hotels in town centres maximises the opportunities for visitors to easily access other town centre facilities and attractions.
14. Other types of budget hotels and similar types of development such as motels and travel lodges cater more for car-born travellers, often for a single overnight stay – e.g. business travellers en-route to a destination. In such cases, the preference of developers will be for sites on major traffic routes outside of the centre of large towns or tourist centres. However the aim should be to make any development as sustainable as possible, and it will not normally be appropriate for such developments to be located in open countryside away from major settlements. Edge of town centre locations, for example on a ring road or on a major route out of the town centre, will usually be the most appropriate locations if a town centre location is not suitable, available or viable.
15. For out-of-centre locations, design and layout of the development is likely to be of considerable importance in deciding whether it is acceptable in planning terms. Depending on the setting, an open layout in which careful attention has been paid to achieving a high standard of design and landscaping is likely to be more acceptable than a dense concentration of buildings.
16. Where a proposal includes other new facilities, such as a petrol station or shop, these will have to be considered on their own merits. If they are objectionable in themselves, the fact that they are combined with a hotel will not remove the objections. Restaurants, fast food outlets, leisure, fitness and other facilities open to the general public as well as residents are also sometimes combined with hotel proposals, in which case the extra traffic they are likely to generate and its effect on the highway must also be taken into account.

CAR PARKING

17. Maximum car parking standards for hotel and serviced accommodation may be included in development plans. Where such standards are not included in plans, planning authorities will need to

consider what are appropriate levels of parking, based on the market which the hotel serves, its location and availability of public transport facilities. In addition, for those hotels where a substantial part of the parking needs are attributable to public rooms used mainly for functions which attract non-residents, then the availability of public parking in the vicinity of the hotel will also need to be taken into account.

18. Planning authorities should also take account of the proposed arrangements for service loading and unloading and setting down space for visitors. Organised tours demand adequate loading and unloading facilities for coaches. Access and waiting areas should be designed with this in mind. Access points should be sited so as to minimise turning movements across traffic and to avoid congestion of the highway caused by vehicles queuing to pick up or drop passengers. Developers should discuss proposed access arrangements with the highway authority at the earliest possible stage.

EXTRACT FROM PRACTICE GUIDANCE ON NEED IMPACT & THE SEQUENTIAL APPROACH
Appendix C: Assessing the Scope for Other Town Centre Uses

vii) Hotels

- c.48 There is a range of different types of hotel accommodation, as recognised in the practice guidance on planning for tourism. When planning for new hotel accommodation it is important to understand the future need and market demand for a broad range of new facilities so that appropriate provision can be made for their future development and new applications for development can be assessed against any established need.
- c.49 A general indication of need can be derived through 'gap analysis' and a planning authority should consider whether there is an absence or paucity of hotel or serviced accommodation, catering to different market segments, within reasonable proximity to serve a town centre or a major visitor attractor. This involves identifying the geographical pattern of hotel room provision in a given survey area by type and standard (i.e. quality rating), and plotting imbalances and shortfalls in the provision and distribution; this 'survey area' may be a local authority's borough boundary or a sufficient drive-time 'isochrone' from the town centre or major attractor that a particular hotel proposal is intended to serve. Identifying locational need at this local level serves the purposes of sustainable development by seeking to reduce the need to travel and promoting balanced sub-regional development.
- c.50 It may be relevant to refine this gap analysis on the basis of the occupancy levels per quality rating. Hotels cater to different market segments and while occupancy rates may be low at one end of the market, there may be turnaway trade occurring at the other end due to high levels of demand in that segment leading to hotels being booked up to capacity. High annualised occupancy rates (where seasonal fluctuations cause instances of turnaway trade) in a given market segment are an indication of local hotel need. Occupancy rates rise as demand for hotel facilities increases, when occupancy rates rise to the point that turn-away trade occurs in accommodation of a certain quality category there is a need for additional hotel facilities catering to that market segment.

- c.51 It is possible to assess quantitative, by comparing the current and projected demand for staying visitor nights, with available and planned stock in each category. The starting point is to establish the existing stock of hotel rooms in a given survey area using a variety of data sources, and categorise them by their quality ratings to indicate which market segment they serve. Although regional assessments may wish to identify a broad need for hotel accommodation across a region, the assessment of need for hotel accommodation is normally best undertaken at local level where it may be appropriate to differentiate between the need for different market sectors (e.g. business, short stay and holiday/visitor accommodation).
- c.52 The next step is to establish the existing average annualised occupancy rate per quality category (i.e. the average occupancy rate among the number of hotels in each quality category), noting the range of seasonal fluctuations in occupancy. Where occupancy levels are above optimal levels, indicated by instances of turnaway trade in a given quality category, then need is demonstrated in that specific market segment. If the occupancy levels in each quality category are within the optimal range, projected increases in visitor numbers may pressurise the existing hotel stock.
- c.53 Estimates of growth in tourism and visitor activity can be identified using an econometric approach (based on global GDP projections and the consequent impact on tourism trends) and/or through discussions with the tourism industry in the context of future long-term growth trends at a regional, sub-regional and local level. Once the increase in visitor numbers is established it may be necessary to consider other factors, accounting for expected trend shifts, in order to estimate the number of extra visitor nights that the hotel provision will be expected to accommodate over a given time horizon. These include:
- Average number of staying nights spent by foreign and domestic visitors.
 - Estimated percentage of visitors who stay in hotels.
 - Estimated average number of people per room.
- c.54 This information is used to calculate the estimated percentage increase in staying visitor nights, which can be used to grow the existing room stock in each quality category, preserving the same occupancy levels.
- c.55 Having established a gross need by category, the final stage is to subtract any hotel commitments or developments coming through the pipeline (or anticipated loss of rooms) to leave a residual hotel room need in each quality category in a given survey area.