

BASINGSTOKE HOTEL DEVELOPMENT ASSESSMENT

Prepared for:
Basingstoke & Deane Borough Council

August 2019



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Basingstoke Hotel Demand Assessment

The Scope of the Assessment

The following report sets out the key conclusions from a programme of research modules that Hotel Solutions completed for Basingstoke & Deane Borough Council between May and July 2019 to provide guidance to the Council on the potential for hotel development in Basingstoke and the rest of the borough, and to help inform the Council's forward planning policy approach to hotel development.

The modules of research were as follows:

- An audit of current hotel supply, recent changes, and current hotel development proposals.
- A survey of Basingstoke's hotel managers to compile detailed information on hotel performance and markets.
- An assessment of the potential for future growth in hotel demand in Basingstoke and of the key drivers that will deliver hotel market growth.
- Projections of future demand for hotel provision in Basingstoke.
- A telephone survey of hotel developers to gauge their interest in opening new hotels in Basingstoke.

The findings of each module of research are reported at Appendices 2 to 4.

Hotel Development Opportunities

Our analysis of the 3/4-star hotel market in Basingstoke, and the projections we have made for future growth in demand for hotel accommodation at this level in the town (Appendix 3) show no potential for additional new 3 or 4-star hotels in Basingstoke for the foreseeable future, over and above the new Village Hotel that will open at Basing View in 2020. The opportunities for 3/4-star hotel development will be primarily in terms of the refurbishment and possible re-branding of existing hotels, and perhaps repositioning of some of them as limited service budget, upper-tier budget or budget boutique hotels. Some of the hotel companies that we spoke to indicated an interest in such opportunities. Given the challenge of attracting weekend business and the highly competitive corporate market in the town, Basingstoke's existing 3 and 4-star hotels are already struggling to achieve good revpar results. The new Village Hotel will undoubtedly result in a much more competitive 3/4-star hotel market, adding further to the revpar challenge for existing hotels. Repositioning to a limited service offer should allow hotels to maintain their income levels but would reduce their operating costs and thus increase their profits. Limited service brands such as Holiday Inn Express, Hampton by Hilton and Ibis Styles could be good alternatives for some of the town's 3 and 4-star hotels,

Our projections for future growth in budget hotel accommodation in Basingstoke show that market growth should support the consented additional bedrooms at the Premier Inn West Churchill Way, and may support a new budget hotel by 2025. Market growth looks unlikely to be able to support two new budget hotels unless they attract significant new business. The proposed budget hotels at the Chineham District Centre and proposed Moto MSA at Junction 6 of the M3, if they are both consented and progressed, are thus likely to result in a significantly more competitive budget hotel market in Basingstoke, impacting on existing hotels. Depending on what happens with these two budget hotel proposals, there could be scope for a budget hotel to be developed as part of the regeneration of Basingstoke Leisure Park. This would be a strong location for a budget hotel, given the potential to attract weekend leisure demand here.

Beyond Basingstoke, the key opportunities for hotel development are in terms of the further development of the existing country house and golf hotels, through the addition of spa and leisure and function and wedding facilities, and possible development of additional bedrooms and perhaps alternative accommodation options such as lodges, cabins, pods, treehouses and glamping. They are already thinking along these lines. This is consistent with what is happening in other parts of the country in terms of the development of country house and golf hotels as resort

destinations. There may also be scope for other golf courses to add hotel bedrooms and facilities – permission has recently been granted for the Bishopswood Golf Course to develop a small hotel - and possible scope for further country house hotels given suitable properties for conversion.

Planning Policy Implications

The planning policy implications of our analysis of the future potential for hotel development in Basingstoke and the rest of the borough are as follows:

- There is no need to allocate sites for hotel development in Basingstoke, as the new Village Hotel at Basing View and proposed budget hotels at Chineham District Centre and the proposed Moto MSA at Junction 6 of the m3, if consented, will more than meet the projected potential for additional hotel provision through until 2030.
- While national planning policy guidance identifies hotels as a town centre use, in considering the sequential assessment relating to hotel planning applications, the Council's planners need to be aware that the opportunities for hotel development in Basingstoke re primarily on the outskirts of the town linked to specific drivers of demand – Basingstoke Leisure Park, Basing View and other business parks, Chineham District Centre, the proposed Moto MSA – rather than in the town centre.
- The Basingstoke Hotel Development Assessment shows a likely oversupply of hotel provision at the 3/4-star level for the next 10 years, following the opening of the new Village Hotel at Basing View, and only limited and longer-term potential for additional budget hotel rooms. Any new hotel proposals that may come forward in the next 5 years are thus likely to have an impact on existing stock. The effect of a new hotel on existing hotels is not a material consideration in assessing hotel planning applications, however. Impact assessments are not therefore required to support applications.
- The opportunities for 3/4-star hotel development in Basingstoke, and more widely in the borough, are primarily for the development of existing hotels in terms of the re-branding and possible repositioning as limited service hotels of Basingstoke's 3 and 4-star hotels, and the development of country house and golf hotels through the addition of spa and leisure and function and wedding facilities, additional bedrooms, and perhaps alternative types of accommodation unit. A policy approach that supports the development of existing hotels would thus be helpful.

Requirements for Council Intervention

In terms of proactive interventions by the Borough Council to support the growth of Basingstoke's hotel market, the key priorities are to:

- Attract new companies to the town that will generate strong demand for hotel accommodation, and support the expansion of existing companies.

- Boost weekend leisure demand for hotel accommodation in the town through:
 - The regeneration of Basingstoke Leisure Park;
 - The development of events and festivals that have the capacity to attract overnight stays.

The Borough Council could also consider direct investment in a new budget hotel, perhaps at Basingstoke Leisure Park, as a means of generating an income stream for the Council. Local authorities across the country are increasingly looking at hotel investment for this purpose, especially through Public Works Loan Fund financing of hotel projects that are then leased to hotel operators. Appendices 5 and 6 provide further information.

APPENDICES

GLOSSARY OF HOTEL DEFINITIONS

Types of Hotel

Budget

Branded limited service hotels with clean and comfortable standardised en-suite bedrooms with TV and tea and coffee making facilities and paid for Wi-Fi but otherwise limited in-room provision or services such as guest toiletries or room service. Will locate in a wide range of locations from major cities to smaller towns, seaside resorts and airport locations. Size will vary significantly by location. Tend to be larger hotels (100-200 bedrooms) in major cities and smaller hotels (50-60 bedrooms) in provincial town locations. Key markets are contractors, business visitors, families visiting for leisure breaks, people attending weddings and family parties, people visiting friends and relatives, and in town and city centres clubbers staying overnight after an evening out.

Key budget hotel brands in the UK are Travelodge, Premier Inn, Ibis

Economy budget brands (with a more basic bedroom product) include Ibis Budget, Zip by Premier Inn, Campanile and Easyhotel

Upper-Tier Budget

Branded limited service hotels that have a higher quality, 3-star standard bedroom offer than standard budget hotels, but still few hotel services and facilities. Appeal to both business and leisure markets.

Key brands are Holiday Inn Express and Hampton by Hilton.

3 Star

A full-service hotel that offers a restaurant and bar also open to the public, usually function/conference/banqueting facilities, and often leisure. Branded offers would tend to be 120-150 rooms+, but independent hotels may be smaller in size. Will locate in city centres and out of town where there are significant drivers of demand such as business parks. Local corporate demand and government business are the key midweek markets for 3-star hotels. Weekend markets are weekend breaks and weddings business. Some hotels will take group tours.

Brand examples include Holiday Inn, Hilton Garden Inn, Village, Jury's Inn, Park Inn

4 Star

A full-service hotel but with a higher specification and larger bedrooms than 3 star hotels, usually offering bath and shower, telephone, internet connection, and a wider range of services including full room service and portage, 24-hour reception, a quality restaurant, bar, a range of meeting rooms and business services, and a health and fitness centre. These tend to be large hotels, over 150 rooms, and sometimes up to 250 rooms+. Major city centres are the preferred locations. Trade at the top end of the market. Also attract residential conferences in the week. Weekend demand is for weekend break stays and related to weddings and functions. Not usually in the group tour market.

Brand examples include Marriott, Crowne Plaza, Hilton, Radisson Blu, Novotel, Doubletree by Hilton, Copthorne, Millennium, Pullman, Macdonald

Boutique

High quality hotels that feature contemporary design and a good food offer, although not usually fine dining. They are often relatively small independent hotels or part of small local of boutique hotels. National brands are also developing larger format branded boutique hotels (100+ rooms) and compete with 4-star hotels but achieve a premium on their rate due to their style and service. Strong appeal for leisure break stays.

Brand examples include Malmaison, Hotel du Vin, Hotel Indigo

Country House Hotels

A quality hotel, often a building of character, set in extensive grounds in a rural setting. Most are luxuriously appointed and the rooms frequently have special features often targeted at the leisure rather than the business guest. Some may have health and fitness facilities, swimming pools and spas and may be able to offer or arrange country sport activities such as clay pigeon shooting, falconry, horse riding and fishing. A number of country house hotels have added cookery schools. The atmosphere of a country house hotel should be one of relaxation, comfort and style. Strong appeal for leisure break stays and weddings. Residential conferences are often the key midweek market.

Golf Hotels and Resorts

Hotels attached to or developed with a golf course that can range considerably in their standard and the facilities on offer. Usually they would be at least 3 star in standard, and can be developed to 4 star and luxury standards, especially if in association with a championship course. As with country house hotels and other destination hotel offers that are more remotely located, most would usually offer, restaurants, bars, function/banqueting rooms, full leisure centres, often spas, and may also have other specialist facilities such as golf academies. Some also have shared ownership lodges in their grounds. Strong appeal for golf, leisure and spa breaks. Residential conferences are often the key midweek market.

Brand Examples include De Vere, MacDonald, Marriott

APPENDIX 2
BASINGSTOKE HOTEL MARKET FACT FILE

BASINGSTOKE HOTEL MARKET FACT FILE

August 2019

BASINGSTOKE HOTEL PERFORMANCE

Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for Basingstoke hotels for 2016, 2017 and 2018 are summarised in the table overleaf.
- 3/4-star hotel performance in Basingstoke has been well below the national averages for UK provincial 3/4-star chain hotels for the last 3 years in terms of room occupancy, achieved room rates¹ and revpar². This is primarily due to the lack of weekend demand in Basingstoke but also a relatively weak Monday and Thursday night corporate hotel market in the town. 4-star hotels generally trade at higher achieved room rates than 3-star hotels but there is very little difference in occupancy performance by standard of hotel.
- Room occupancies are stronger for Basingstoke's budget hotels but are not as high as in other parts of Hampshire, where budget hotels are typically achieving annual room occupancies of over 80%.
- There is very little difference in revpar performance between Basingstoke's 3/4-star hotels and the town's budget hotels, due to the low room occupancies that 3/4-star hotels achieve.
- 4-star hotels in other parts of the borough trade at lower room occupancies but higher room rates.
- 3/4-star hotel performance in the town has been largely flat over the last three years. While annual room occupancies have gradually increased, achieved room rates dropped slightly in 2018 as some hotels reduced their corporate rates in the more competitive corporate market that has resulted following the closure of a number of major companies in Basingstoke, most notably Shire, which has relocated from Chineham to Reading. This is in sharp contrast to the national trend, which has seen achieved room rates for 3/4-star chain hotels increase to reach record levels in 2018. With hotel revenues static, but operating costs rising fast, annual profits have reduced for some of Basingstoke's 3/4-star hotels.
- Budget hotel occupancies in Basingstoke reduced in 2017 and 2018, while achieved room rates have steadily grown.

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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

BASINGSTOKE HOTEL PERFORMANCE 2016-2018

Location/ Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate ⁶ £			Average Annual Revpar ⁷ £		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
UK Provincial 3/4 Star Chain Hotels¹	75.6	76.5	76.7	83.22	86.43	88.95	62.66	66.14	68.19
UK Provincial Hotels (All Standards)²	76	76	76	69	71	72	52	54	55
Basingstoke 3/4 Star Hotels ³	65.8	66.7	67.5	78.54	78.85	77.93	51.67	52.60	52.64
Basingstoke & Deane Borough 3/4 Star Hotels ⁴	64.0	64.5	65.4	78.63	79.86	79.17	50.34	51.55	51.75
Basingstoke Budget Hotels ⁵	81.2	78.6	77.4	61.92	63.07	64.50	50.29	49.59	49.95

Source: Hotel Solutions survey of Basingstoke May-July 2019

Notes

1. Source: TRI Hotstats UK Chain Hotels Market Review
2. Source: STR Global
3. Sample: Crowne Plaza, Apollo, Hampshire Court, Audley's Wood, Holiday Inn, Red Lion
4. Sample: Crowne Plaza, Apollo, Hampshire Court, Audley's Wood, Holiday Inn, Red Lion, Sandford Springs, Oakley Hall
5. Sample: Premier Inn Basingstoke West Churchill Way, Premier Inn Basingstoke Town Centre, Travelodge Basingstoke
6. 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.
7. 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.

PATTERNS OF DEMAND

Patterns of Demand

- 3/4-star hotel occupancies and room rates in Basingstoke peak sharply on Tuesday and Wednesday nights, when the town's 3/4-star hotels frequently trade at full occupancy and turn business away. Monday night occupancies are lower, typically 40-75%, and room rates also drop on a Monday. 3/4-star hotel occupancies and room rates are lower still on Thursday nights, and tend to be much more variable.
- Weekend occupancies and room rates are low for Basingstoke's 3/4-star hotels. Saturday nights are the strongest weekend night, when room occupancies typically run at 65-75%. Friday night occupancies are lower, typically 50-60%, and Sunday night occupancies are very low, usually no more than 30-40%. Weekend occupancies are stronger in the summer but can be very low in the winter.
- Patterns of demand for Basingstoke's budget hotels are very similar. They also achieve very high occupancies on Tuesday and Wednesday nights. Monday nights are also strong for two of the town's budget hotels, due to contractor business. Thursday night occupancies are generally lower. Weekend occupancies are stronger than for 3/4-star hotels. The town's budget hotels generally fill on Saturday nights. Friday night occupancies are not as strong, and Sunday nights are usually very quiet. Weekend occupancies are stronger in the summer.
- Trading patterns are similar for the borough's other country house and golf hotels.

MIDWEEK MARKETS

Midweek Markets

- Corporate demand from companies in Basingstoke is the key midweek market for Basingstoke's 3/4-star hotels, accounting for around 90-95% of their midweek occupancy. The corporate market in Basingstoke is largely a series of micro corporate markets, with hotels primarily catering for demand from companies on the business parks in their immediate vicinity. Basingstoke 3/4-star hotels no longer attract corporate demand from Andover companies since the opening of new hotels here, or from Hook following the closure of Virgin Media's operations here.
- There is some long-stay corporate business in Basingstoke, which now appears to be accommodated primarily by the town's serviced apartments. Only one hotel reported catering for long-stay corporate demand.
- One hotel reported attracting some demand from corporate visitors that commute up to London.
- Residential conferences are an important midweek market for the borough's country house hotels. The lack of availability and high room rates on Tuesday and Wednesday nights tends to block Basingstoke 3/4-star hotels out to this market.
- Three hotels reported attracting some midweek leisure, spa or golf break business in the summer months.
- Basingstoke 3/4-star hotels attract some displaced corporate business from Farnborough during the Farnborough Air Show, when it is held every other year. They also attract some displaced corporate business from Southampton during the Southampton Boat Show, and from Bracknell during Royal Ascot.
- Depending on their location and whether they offer on-site parking, Basingstoke's budget hotels attract a mix of local corporate demand and contractor business. Contractors tend to stay more in the hotels on the outskirts of the town that can offer free on-site parking.

WEEKEND MARKETS

Weekend Markets

- Family leisure breaks are the main weekend market for Basingstoke's branded 3 and 4-star hotels. 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 World/ Paulton's Park are the key visitor attractions that Basingstoke's branded hotels promote to attract families for weekend break stays.
- Basingstoke's non-branded 3 and 4-star hotels attract very little leisure break business. One attracts some demand through third party websites that promote Legoland and Paulton's Park leisure break packages.
- Two hotels that have spas attract some weekend spa break business through discounted spa break packages that they promote through the main spa break deal sites.
- Weekend breaks are a key weekend market for the borough's country house hotels that they attract because of their offer, acting very much as the destination for a weekend stay. Winchester, Bombay Sapphire and the New Forest are also draws for weekend break stays at the borough's country house hotels.
- Golf breaks are a key weekend market for the Sandford Springs Hotel.
- Weddings are the main source of weekend occupancy for the borough's country house hotels. Wedding parties are also the key weekend market for Basingstoke's independent 3 and 4-star hotels, and an important secondary weekend market for other hotels in the town.
- Events, dinners, parties and exhibitions held at The Hampshire Arena at the Hampshire Court Hotel generate weekend bedroom business for this hotel. Other hotels also generate some weekend business from tribute nights, dinner dances, Christmas parties and other functions that they hold.

WEEKEND MARKETS

- UK group tours are a further weekend market for some of Basingstoke's 3/4-star hotels. This is low-rated business that hotels largely take in the absence of other weekend demand. Key draws for group tours are Winchester, Salisbury, Legoland Windsor, Highclere Castle, Jane Austen's house and Winchester Christmas Market. Some group tours also use Basingstoke hotels as a base for going into London.
- Families visiting Basingstoke Leisure Park are the key weekend market for Basingstoke's budget hotels. Other weekend markets are people attending weddings and other family occasions, and people visiting friends and relatives. One budget hotel reported also attracting some weekend demand from families coming for Peppa Pig World at Paulton's Park.
- Events that generate weekend demand for hotels in Basingstoke are:
 - Farnborough Air Show, every other year;
 - Carfest;
 - 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).
- One town centre hotel reported attracting some demand from people coming to see shows and productions at the Haymarket and Anvil Theatres, together with some business from Hampshire's Octoberfest at Basingstoke Cricket Club.

MARKET TRENDS

Market Trends

- Corporate demand for hotel accommodation in Basingstoke has reduced in the last two years as a result of the closure of a number of major companies in the town. Thales and Shire closed its Basingstoke operations in 2017, resulting in the loss of 670 jobs. Motorola closed its Basingstoke offices in 2018. In addition, Basingstoke hotels are no longer attracting corporate business from Andover companies since the opening of new hotels here, and no longer attract corporate business from Hook following the closure of Virgin Media's offices here. The result of these trends has been a more competitive corporate hotel market in Basingstoke, with hotels having to cut corporate rates to maintain a share of local corporate demand.
- Residential conference business has reduced in 2019 for a number of Basingstoke hotels, largely due to the current Brexit uncertainty, which has resulted in a general downturn in this market across the country.
- A number of the borough's hotels reported a downturn in weddings business in 2019. One reported an increase however, and 2020 looks like being a much stronger year for weddings.
- Leisure break business has increased for three hotels and remained static for another.
- Basingstoke hotels have seen a reduction in displaced corporate demand from Farnborough and Southampton during the Farnborough Air Show and Southampton Boat Show as a result of new hotel openings in these locations.

Denied Business

- Basingstoke's 3/4-star hotels regularly fill and turn corporate business away on Tuesday and Wednesday nights, but not usually to a significant degree. Such business is currently being displaced to hotels in Winchester, Hook and Fleet. The town's 3/4-star hotels rarely deny any business on Monday or Thursday nights. Tuesday and Wednesday night denials have reduced in volume over the past two years as a result of the downturn in corporate demand that has followed the relocation away from Basingstoke of a number of major companies.
- The country house and golf hotels in other parts of the borough either occasionally or regularly deny some midweek business, again primarily on Tuesday and Wednesday nights, and sometimes on Monday nights.
- In terms of weekend denials, country house and golf hotels occasionally fill and turn business away on Saturday nights and some Friday nights in the summer, but not usually to a significant extent. Other 3 and 4-star hotels in Basingstoke rarely deny weekend business, other than when they have a major wedding, event or function on.
- Two of Basingstoke's budget hotels regularly turn away significant levels of business on Tuesday and Wednesday nights, and sometimes deny business on Monday nights. They also frequently fill and have to refuse bookings on Friday and Saturday nights, especially during the summer. The town's other budget hotel rarely denies business either during the week or at weekends.

1. Business that hotels have to turn away because they are fully booked.

FUTURE PROSPECTS

Prospects for 2019

- Basingstoke's 3/4-star hotels expect to see very little change in their trading performance in 2019. They do anticipate much of a recovery in corporate demand, and some hotels have further reduced corporate rates to remain competitive in this market. The Brexit uncertainty is affecting corporate and residential conference business. Weddings demand is down in 2019, and there is no Farnborough Air Show this year.
- Basingstoke's budget hotels also expect to see little change in their trading performance in 2019. Two hotels expect to see a slight improvement in occupancy, but no change in achieved room rates.
- Two of the borough's country house and golf hotels are projecting an increase in occupancy and room rates in 2019 as a result of growth in weddings, leisure break and golf break business.

Prospects for 2020 and Beyond

- The longer-term outlook for Basingstoke's hotel sector will depend on:
 - What happens with Brexit and the national economy, and the impact on the operations, future expansion plans and travel budgets of companies in the town;
 - The extent to which new companies are attracted to the key employment sites in Basingstoke, and particularly to Basing View;
 - Whether further companies leave Basingstoke or downsize their operations here;
 - The impact of new hotel openings.

Cruise Terminal Hotel, Liverpool

Liverpool City Council is developing a cruise liner terminal as part of its vision to create a world class experience for the cruise companies and their passengers, and see the delivery of an upscale 200-bedroom hotel as a vital ingredient to the overall offer. The hotel will be funded, developed and managed by the Council with a 25-year operator agreement in place to run the hotel on a franchise basis. The facilities have been supported by a £20m grant from the Local Growth Fund, awarded to the Liverpool City Region LEP and invested through the Liverpool City Region Combined Authority's Strategic Investment Fund. The site at Princes Jetty where the terminal and hotel will be built has been gifted to the City Council by Peel Land & Property. The project is seen as a core part of the transformation of Liverpool's waterfront which will represent a step-change in the city's tourism industry as well as positively impacting its economy.

Travelodge, Gainsborough

West Lindsey District Council are working in partnership with developer Dransfield properties to regenerate Gainsborough town centre, involving a series of initiatives to improve public realm, refurbish shopfronts, up-grade car parking, create a new Independent Quarter in the town, and attract new businesses. As part of this regeneration scheme, which focuses on the Market Street/Market Place/Church Street/North street gateway to the town, the Council has supported the development of the former Sun Inn site to deliver a 56-bedroom Travelodge hotel with a grant of £1.4m. The hotel opened in November 2018.

