



Hotel Capacity Study

Summary Document

May 2009

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Introduction

Introduction

Gloucester City Council, Cheltenham Borough Council and Tewkesbury Borough Council commissioned Marketing Planning Associates and Lambert Smith Hampton to prepare this hotel capacity study to inform their Joint Core Strategy (JCS) being prepared as part of their individual Local Development Frameworks (LDF). Please see www.gct-jcs.org for information on the Joint Core Strategy.

This document contains the summary of the information that is presented in the main study document.

The two documents can either be read together or independent of one another, depending on what level of detail the reader requires.

Methodology

In establishing the background to the study, the consultants have:

- Met with Council Officers to source data and background information, and discuss key issues.

- Reviewed relevant current data.

- Established and agreed a database of all known hotel accommodation within the study area, based on information provided by Council Officers.

In order to assess current supply and demand, we have:

- Designed and circulated a performance data and market mix questionnaire to all hotels on the database provided/agreed.

- Interviewed management at many of the properties about business performance.

- Purchased benchmark performance data for a cross section of the supply.

- Developed a computer model of current supply and demand for the area's serviced accommodation businesses, segmented geographically and by source of business.

In order to establish future relevant serviced accommodation supply and demand, the team has:

- Sought information from Council Officers on active and prospective hotel development projects.

- Obtained economic and tourism growth projections for the area.

- Obtained the views of hotel owners/operators on future demand prospects for their businesses.

The conclusions reached in this report are based on a Supply & Demand spreadsheet model, covering:

Supply

Current supply is taken from database information on hotels provided by the project sponsors and supplemented by MPA research. We also note in the report the supply of other serviced accommodation, such as B&Bs, guest houses and small ungraded hotels.

Future known supply is based on planning applications and available information on active developments.

Demand

Current demand is based on information gathered by questionnaire, interviews and purchased benchmark data.

Future demand is based on growth projections of tourism and economic factors. These are detailed in the appropriate section of the report.

The projected demand data is subjected to a sensitivity analysis to show the impact of varying growth projections.

Supply & Demand Balance

Comparison of projected supply and projected demand is used to identify specific areas of under/over supply of serviced accommodation.

Supply and Demand

Supply and Demand

The study area is defined by the boundaries of Gloucester City Council, Cheltenham Borough Council and Tewkesbury Borough Council.

Hotel users purchase hotels by their location and facilities, independently of which Local Authority area the hotel is located. As a consequence, we have allocated the supply to 'hotel hubs' to reflect our view of their location as seen by consumers and as driven by market forces as opposed to administrative boundaries such as the JCS area. This primarily affects hotels in Tewkesbury Borough whose market focus is either Cheltenham or Gloucester, eg Cheltenham Chase and Hatton Court's market focus is Gloucester, Hotel de la Bere's market focus is Cheltenham.

The serviced accommodation supply database was provided by Council Officers for the three Local Authorities and, subsequently, added to by MPA field research.

We have also considered hotels beyond the study area, but we have concluded that they are unlikely to play a role in the need for more hotels within the study area.

The Cheltenham, Gloucester and Tewkesbury 'hotel hub' properties are shown and their locations illustrated over page.

Overall, the supply covering 3/4 Star hotels, (eg Holiday Inn, Gloucester), Limited Service hotels (eg Premier Inn) and Small Private hotels/inns (eg Willoughby House Hotel, Cheltenham; The New Inn, Gloucester; Hop Pole, Tewkesbury) amounts to:

	Properties	Bedrooms
Cheltenham Hub	20	1,098
Gloucester Hub	17	1,015
Tewkesbury Hub	8	411
Total	45	2,524

Supply and Demand Analysis

We have undertaken detailed supply and demand analyses for:

- Cheltenham Hub
- Gloucester Hub
- Tewkesbury Hub

The full analysis for each hub is presented in the **main study document**. The following sections represent a summary of the overall findings.

Cheltenham Hub

Cheltenham Hub Supply & Demand - Summary

The following summarises the supply and demand situation for potential future hotel developments in and around Cheltenham or along key access routes, and summarises Section 1 of the Technical Appendix document.

Current Supply (Cheltenham hub)

20 hotels with 1,098 bedrooms

Total supply is distributed:

- Town Centre 48%, Outer area 52%.
- Full Service (eg Mecure Queen's) 57%, Limited Service (eg Premier Inn) 37%, Small Hotels 6% (although there are a significant number of B&Bs in Cheltenham – discussed later in the report).

Within the Central area, consumers have a choice of 207 Full Service rooms and 259 Limited Service rooms.

The town centre Full Service hotels have an average capacity of 52 rooms – small in hotel terms.

From the perspective of hotels, Cheltenham is a typical 'city', with a choice of hotels in the Central area and a further choice in the 'suburbs' and along the principal access routes from the M5 motorway.

Future Supply (Cheltenham hub)

The only current active development is the Kandinsky Hotel – 60 rooms (closed Autumn 2008 and expected to reopen May 2010).

There are several potential further hotel developments but work is not currently 'in hand' (May 2009).

Current Demand (Cheltenham hub)

Overall, Cheltenham Hub 'sold' a total of 270,000 rooms, this represents 68% of the total rooms available (in hotel industry terms, 68% Occupancy).

As would be expected, occupancy varies by location: Town Centre 71%, Outer areas 64%. These occupancy levels are indicative of consumers normally being able to book accommodation in Central Cheltenham and if it is not available, they should be able to book into hotels in the Outer area.

Our more detailed (and confidential) data shows that Full Service and Limited Service property occupancies are similar.

Future Demand to 2016 (Cheltenham hub)

Demand is projected to fall sharply in 2009 (reflecting the economic situation at May 2009) and not fully recover until 2011. Thereafter, demand is projected to grow at circa 2.8% p.a.

Demand is projected to grow from 270,000 rooms p.a in 2008 to 307,000 rooms p.a in 2016 – a growth of 14% or 37,000 rooms.

Under an optimistic growth projection, demand in 2016 would be 25% or 67,000 rooms higher than 2008.

Supply & Demand Balance – Hotel Room Occ.% (Cheltenham hub)

Based on the demand projections, and allowing for hotel developments already proceeding (at May 2009), occupancy is projected to rise from 67% in 2008 to 81% in 2016 (89% in the optimistic demand growth scenario).

Need for more hotels (Cheltenham hub)

Under current supply (as known at May 2009), the projected occupancy of 81% in 2016 (89% under optimistic projection) would lead to many potential visitors to Cheltenham not being able to find accommodation at a time and price to suit them.

It is our view that the area achieving around 70% occupancy (say, 68%-72%) represents a reasonable balance between the interests of consumers in finding accommodation at a price and the time they require it, and hoteliers to fund development and maintain ongoing refurbishment and standards. On this basis:

At our projected level of demand, Cheltenham may well need 100 rooms coming on stream by 2013 and a further 50 by 2015.

At our optimistic level of demand, Cheltenham may well need 100 rooms coming on stream by 2012 and an additional 100 in 2014 and 50 in 2016.

We note that in 2008, Central area occupancy was 71% and Outer area occupancy 64%. Clearly, the need for extra capacity will be most strongly felt in the central areas. If it is delivered in the outer areas, lack of appropriate capacity in the town centre may deter visitors coming to Cheltenham.

The industry will decide on what is an appropriate investment decision, but an ideal scenario might be 100 Full Service bedrooms and 100 Limited Service bedrooms coming on stream 2012/2013/2014, but ideally not in the same year. However, industry trends are likely to want to deliver the majority of supply as Limited Service.

Gloucester Hub

Gloucester Hub Supply & Demand - Summary

The following summarises the supply and demand situation for potential future hotel developments in and around Gloucester or along key access routes, and summarises Section 2 of the Technical Appendix document.

Current Supply (Gloucester hub)

17 hotels with 1,015 bedrooms.

Gloucester is somewhat unusual as a city in that, from its historical origins, it has essentially expanded north, east and south, but not west - the River Severn acting as a barrier. As a consequence, the city centre is, in effect, on the western edge of the city.

This historical development of the city appears to have shaped the provision of hotels – with just 12% (118 rooms) of the capacity in five Small Hotels in the city centre.

Hotel supply is located around the outskirts of the city, along the access/ring road and a significant proportion is to the east of the M6 (almost as close to Cheltenham centre as Gloucester centre).

The Full Service hotels are not all the same:

The Holiday Inn, an international modern branded hotel located near junction M5 11a. The guests at this property, we suggest, have a direct need to be visiting Gloucester and the guest profile will be, predominantly, individual business travellers.

At the other Full Service hotels, we suggest that, whilst many are staying because they have a need to be in/around Gloucester, a significant proportion have been attracted to the property by the conference and leisure facilities on offer and promoted by the properties themselves.

The five Premier Inns around Gloucester reflect the historical connections with Whitbread, which was the dominant pub owner/brewer in the area and, hence, the availability of development sites.

The lack of capacity in the City Centre is about to change, with the opening of a Travelodge (discussed later) due to open Summer 2009.

Future Supply (Gloucester hub)

The only current active developments are: Travelodge Gloucester Central – 120 rooms opening June 2009; Little Thatch (23 rooms) expected to close spring 2009.

There are several potential further hotel developments but work is not currently 'in hand' (May 2009).

Current Demand (Gloucester hub)

Overall, Gloucester Hub Occ.% for 2008 was 70%, with a total of 258,000 rooms sold.

Our more detailed (and confidential) data shows that Full Service and Limited Service property occupancies are similar, but the City Centre Small Hotel occupancies are lower than the average.

Some properties are doing significantly better than the average. In common with any hotel market, performance depends on a wide variety of factors and the more things that support performance the better a specific hotel can perform, such as location/setting, access, facilities, brand awareness and marketing, proximity to demand sources, etc. as well as price.

Future Demand to 2016 (Gloucester hub)

Demand is projected to fall sharply in 2009 (reflecting the economic situation at May 2009) and not fully recover until 2011. Thereafter, demand is projected to grow at circa 3.1% p.a.

Demand is projected to grow from 258,000 rooms p.a in 2008 to 304,000 rooms p.a in 2016 – a growth of 18% or 46,000 rooms.

Under an optimistic growth projection, demand in 2016 would be 336,000 p.a – a growth of 30% or 78,000 rooms higher than 2008. This is 32,000 rooms higher than the projection, which is the equivalent of 126 rooms at 70% occupancy. (NB. Optimistic model assumes from 2010 onwards that demand will grow 50% faster than the projection).

Supply & Demand Balance – Hotel Room Occ.% (Gloucester hub)

Based on the demand projections, and allowing for hotel developments already proceeding (at May 2009), occupancy is projected to rise from 70% in 2008 to 75% in 2016 (83% is the optimistic demand growth scenario).

Need for more hotels (Gloucester hub)

Under current supply (as known at May 2008), the projected occupancy of 75% in 2016 would lead to some potential visitors to Gloucester not being able to find accommodation at a time and price to suit them. Under the optimistic projection of 83%, many potential visitors would not find suitable accommodation.

It is our view that the area achieving around 70% occupancy (say, 68%-72%) represents a reasonable balance between the interests of consumers and hoteliers. On this basis:

At our projected level of demand, Gloucester may well need 100 rooms coming on stream by 2016.

At our optimistic level of demand, Gloucester may well need 100 rooms coming on stream by 2014 and an additional 100 in 2016.

Our detailed analysis suggests that, following the opening of the Travelodge in mid-2009, there is no need for further Limited Service supply. However, that assumes that the central Travelodge attracts a significant share of its business from the existing Limited Service properties in the 'Outer' areas; if this does not

happen, additional low levels of capacity may be appropriate in the Outer area. It is likely that following the opening of the Travelodge, some of the existing City centre supply will find trading difficult, and some may exit the market.

Our detailed analysis also suggests that the additional further supply should be in the Full Service sector (either 3 or 4 Star), currently with a supply of over 500 rooms. However, in this sector, much of the business has to be attracted to the hotels by the hoteliers rather than by the City as a destination in its own right.

Tewkesbury Hub

Tewkesbury Hub Supply & Demand – Summary

The following summarises the supply and demand situation for potential future hotel developments in and around Tewkesbury or along key access routes, and summarises Section 3 of the Technical Appendix document.

Current Supply (Tewkesbury hub)

8 hotels with 411 bedrooms.

Limited Service and Small hotels

Located in Tewkesbury they will derive much of their business from guests who wish, and/or need, to be in Tewkesbury – whether that is for business leisure or personal (eg attending weddings) reasons.

Full Service 'Country Club hotels'

Located on the outskirts, the majority of the business at these hotels will have been created by the facilities and marketing activity of the hotels; their location at Tewkesbury is essentially incidental to the reason guests are there.

Full Service 'Rural' hotels

Located in rural areas, the majority of the business at these hotels will have been created by their rural location, property appeal and marketing, rather than any direct association with Tewkesbury. Their general location and access to Cheltenham, the Cotswolds and Tewkesbury are probably also important.

Future Supply (Tewkesbury hub)

There are no current plans for further hotel development in and around Tewkesbury.

Current Demand (Tewkesbury hub)

Overall, Tewkesbury Occ.% for 2008 was 73%, with a total of 110,000 rooms sold.

The Limited Service properties outperform the area average.

Future Demand to 2016 (Tewkesbury hub)

Demand is projected to fall sharply in 2009 (reflecting the economic situation at May 2009) and not fully recover until 2011. Thereafter, demand is projected to grow at circa 2.7% p.a.

Demand is projected to grow from 110,000 rooms p.a in 2008 to 125,000 rooms p.a in 2016 – a growth of 14% or 15,000 rooms.

Under the optimistic growth projection, demand in 2016 would be 137,000 rooms p.a – a growth of 25% or 27,000 rooms higher than 2008. This is 12,000 rooms higher than the projection, which is the equivalent of 47 rooms at 70% occupancy. (Please note that the Optimistic model assumes from 2010 onwards that demand will grow 50% faster than the projection).

Supply & Demand Balance – Hotel Room Occ.% (Tewkesbury hub)

Based on the demand projections, and noting that there are no hotel developments proceeding (at May 2009), occupancy is projected to rise from 73% in 2008 to 83% in 2016 (91% in the optimistic demand growth scenario).

Need for more hotels (Tewkesbury hub)

The occupancy data shown in the above section does not tell the full story at Tewkesbury.

Our demand projections suggest two development opportunities:

Limited Service - at present, this sector appears to be extremely busy and there may well be frustrated demand. Without making allowance for any potential frustrated demand our detailed projections suggest that the area could not support a new Limited Service property of say 40 rooms until 2015. However, if there is significant frustrated demand the need for more capacity may be earlier. Based on our projections it may well be that extensions covering 10 to 30 rooms in total may be appropriate over the period 2010-2014.

Full Service - our detailed projections suggest small extensions at Puckrup or Tewkesbury Park may be appropriate to take advantage of demand growth towards the latter part of the planning period (2016). Although, it must be borne in mind that these hotels effectively create their own demand rather than it being delivered by direct association with their location at Tewkesbury - in this respect they are vulnerable to competitive pressures from a much wider area of the country.

JCS Area

JCS Area Supply & Demand - Summary

Overall, there are 45 hotels with 2,524 bedrooms in the JCS area. In 2008, this supply 'sold' 640,000 rooms.

	Properties	Bedrooms	Annual Demand – rooms sold
Cheltenham Hub	20	1,098	270,000
Gloucester Hub	17	1,015	258,000
Tewkesbury Hub	8	411	110,000
Total	45	2,524	638,000