CANTERBURY
HOTEL MARKET
FACT FILE

June 2015

INTRODUCTION

The Canterbury Hotel Market Fact File provides the latest available information on:

- The current (June 2015)hotel supply in Canterbury;
- Recent hotel development;
- Current hotel development proposals;
- Recent hotel performance (2013-2014);
- The key markets for hotel accommodation in Canterbury;
- The prospects for growth in demand for hotel accommodation and what will drive this.

All of the hotel performance data and market intelligence included in the Fact File is drawn from research undertaken by consultants Hotel Solutions in May and June 2015.

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CANTERBURY HOTEL SUPPLY

Current Hotel Supply

- There are currently 20 hotels, inns, large guest houses and serviced apartment operations in Canterbury and the immediate surrounding area with a total of 701 letting bedrooms. The city's hotel supply comprises a number of small independent 3 star hotels, an ABode boutique hotel, a small 4 star hotel, two city centre budget hotels and an upper-tier budget and budget hotel to the west of the city along the A2. National hotel brands represented in the city are Abode, Best Western, Holiday Inn Express, Premier Inn, Travelodge and Innkeeper's Lodge. The city's hotels are otherwise independently owned and operated. The Canterbury-based Demlyn Group now owns three of the city's smaller hotels. Canterbury also has a number of inns, one large guest house and one serviced apartment operation, together with a significant stock of guest houses and B&Bs. The city's tourist accommodation stock is boosted significantly at Easter and from mid June to mid September when the University of Kent's student accommodation is let for religious and association conferences, language schools, group tours and school visits.

CURRENT HOTEL SUPPLY – CANTERBURY – JUNE 2015

Standard	Hotels	Rooms	% of Rooms
5 star	0	0	0
Boutique	1	72	10.3
4 star	1	35	5.0
3 star	8	217	31.0
2 star	0	0	0
Upper-tier Budget[1]	1	89	12.7
Budget	3	219	31.2
Inns	4	45	6.4
Large Guest Houses (10+ bedrooms)	1	16	2.3
Serviced Apartments	1	8	1.1
Total Hotels	**12**	**453**	**100.0**

Notes:
1. Brands including Holiday Inn Express, Ramada Encore and Hampton by Hilton

CANTERBURY HOTEL SUPPLY

CANTERBURY - HOTELS – JUNE 2015

Establishment	Grade[1]	Rooms
Canterbury		
ABode Canterbury	Boutique	72
Canterbury Cathedral Lodge	4 star	35
Best Western Abbots Barton	3 star	53
Ebury	3 star	15
The Falstaff	3 star	46
Victoria	3 star	33
Canterbury	3 star	15
Castle House	3 star Metro	15
Cathedral Gate	3 star	25
The Pilgrims	3 star Inn	15
Innkeeper's Lodge Canterbury	3 star Inn	9
Millers Arms Inn	Inn	12
Black Horse Inn	3 star Inn	9
House of Agnes	4 star GA[2]	16
Premier Inn Canterbury City Centre	Budget	120
Travelodge Canterbury Chaucer Central	Budget	59
Ebury Serviced Apartments	Serviced Apts	8
Surrounding Canterbury		
Howfield Manor, Chartham Hatch	3 star	15
Holiday Inn Express Canterbury, Upper Harbledown	Upper Tier Budget	89
Travelodge Canterbury West, Dunkirk	Budget	40

Notes:
1. Gradings may be official VisitEngland or AA ratings or unofficial ratings on booking.com
2. GA = Guest Accommodation

CANTERBURY HOTEL SUPPLY

Changes in Supply 2010-2015

New Hotels

- The Travelodge Canterbury Chaucer Centre opened in April 2011 following the conversion of the former Chaucer Hotel.
- The Premier Inn Canterbury City Centre opened in December 2013. With 120 bedrooms this hotel resulted in a 21% increase in the city's hotel supply.

Changes in Hotel Ownership

- The Demlyn Group acquired the former Thannington Hotel in 2013 and has since changed its name to the Canterbury Hotel.
- The Demlyn Group also acquired The Pilgrims in 2015.
- New independent owners took over at the Cathedral Gate Hotel in March 2013.

Investment in Existing Hotels

- Canterbury Cathedral Lodge refurbished 6 bedrooms in 2012/13.
- The public areas of the Holiday Inn express were refurbished in 2014.
- The Demlyn Group refurbished the Canterbury Hotel in 2014 and has invested in the refurbishment of The Pilgrims since it acquired this property earlier in 2015.
- The new owners of the Cathedral Gate Hotel have upgraded the hotel's bathrooms and bedrooms.

Proposed Hotel Development

- There are currently 4 proposals for new hotels in and around Canterbury. Details are provided in the table overleaf.

- Several major development projects around the city could incorporate hotel development at a later stage. These include the Kingsmead leisure-led mixed use development, and the Mountfield Park urban extension.

- In terms of proposed investment in existing hotels:

  - The Falstaff is currently undergoing a ground floor refurbishment that includes the development of a new restaurant, bar and lounge. The hotel is also part way through a rolling programme of bedroom refurbishment. It will remain as a 3 star hotel.

  - The Best Western Abbots Barton is part way through a project to develop an additional 27 bedrooms, a banqueting room for up to 200 people, two meeting rooms and a spa. The shell of the building has been built. Fitting out of the building should be completed in 2016, subject to the availability of finance to complete the project.

  - Oakside Lodge at Upper Harbledown has applied for planning permission to develop the existing B&B into a 14 bedroom boutique hotel.

  - The Demlyn Group is planning to invest in upgrading the bathrooms at the Castle House Hotel.

- A planning application is currently pending for the conversion of the Ebury Hotel into student accommodation for the adjacent CATS College international chool.

CANTERBURY – PROPOSED NEW HOTELS – AS AT JUNE 2015

Proposed Hotel	Location	Standard	No Rooms	Current Status
University of Kent	University Campus	3 Star	150	The University has plans for a 150-bedroom residential conference centre at Chaucer Fields on its Canterbury campus overlooking the city. It will provide accommodation for students on short course programmes and allow the University to compete more effectively in the academic conference market, both during term time and in vacation periods. It will also be able to cater for UK leisure break stays, overseas tourist visits to Canterbury and group tours at weekends and during the summer months and may be able to attract business from the local corporate market to top up its midweek occupancies. There has been considerable local opposition to the development of the Chaucer Fields site, including a Town & Village Green application by those opposing the scheme, the outcome of which should be known in September 2015. Once the result of this is known the University will review the situation and decide how to move forward.
Slatters Hotel Redevelopment	St Margaret's Street	Upper Tier Budget	130	Proposals are at an advanced stage for a 130 -bedroom Hampton by Hilton upper-tier budget hotel with conference facilities and gym, plus roof top destination dining restaurant and retail below, on the site of the former Slatters Hotel in Canterbury City Centre. The scheme has planning permission and is due to open in December 2016.
The Thomas Ingoldsby	Burgate	Budget	12	J D Wetherspoon has proposals to develop 12 hotel bedrooms on the upper floors of their existing pub restaurant in central Canterbury.
The Old Coach House	Dover Road, Barham	n/k	100	Planning permission was granted in December 2010 for the development of a 100 bedroom hotel and restoration of the former Old Coach House coaching inn that has been closed for some time. The site has been actively marketed with no take up to date.

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

- Average annual room occupancies, achieved room rates and revpar figures for Canterbury hotels for 2013 and 2014 are summarised in the table overleaf.

- Canterbury hotel occupancies have been very strong over the last 2 years and have improved significantly since 2010. The majority of hotels in the city, other than some small, independent hotels, traded at average annual room occupancies of over 75% in 2014. Some 3 star hotels achieved occupancies of over 80% for the year.

- Average room rate and revpar performance varies significantly between different standards of hotel. Average room rate and revpar figures for Canterbury's 3/4 star hotels are well ahead of the national averages for UK provincial 3/4 star chain-operated hotels. There is however a £40 differential in average room rate performance between the city's 4 star/boutique and 3 star hotels. The city's budget hotels are trading at relatively low average room rates compared to budget hotels in other historic cities such as Bath, Oxford and Cambridge. Most of the city's small independent hotels achieved relatively strong average room rates in 2014, above budget hotels in most cases.

- Most of Canterbury's established hotels saw a significant improvement in occupancies, average room rates and revpar in 2013 and 2014, or maintained their performance, despite the opening of the Premier Inn. This hotel also quickly established itself in the market to achieve high occupancies. One small independent hotel has reduced its prices in 2015 to compete with the Premier Inn but it does not otherwise appear to have impacted on the city's other hotels.

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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.

CANTERBURY HOTEL PERFORMANCE 2013-2014

Location/ Standard of Hotel	Average Annual Room Occupancy %		Average Annual Achieved Room Rate[2] £		Average Annual Revpar[3] £	
	2013	2014	2013	2014	2013	2014
UK Provincial 3/4 Star Chain Hotels[1]	**72.0**	**73.9**	**72.00**	**76.49**	**51.84**	**56.53**
3/4 Star Hotels	78	79	83	85	65	67
Budget Hotels	75	77	45	49	34	37
Small Independent Hotels	n/a	73	n/a	56	n/a	41

Source: Hotel Solutions – May 2015

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/Weekend Occupancies

- Estimated average weekday and weekend occupancies for Canterbury hotels in 2014 are summarised in the table below.

CANTERBURY HOTELS - WEEKDAY/ WEEKEND OCCUPANCIES – 2014

Standard		Typical Room Occupancy %			
		Mon-Thurs	Fri	Sat	Sun
3/4 Star Hotels	Summer	91	96	98	92
	Winter	64	78	91	51
Budget Hotels	Summer	87	96	97	66
	Winter	61	70	75	40
Small Independent Hotels	Summer	83	97	98	58
	Winter	50	81	86	36

Source: Hotel Solutions – May 2015

- Weekend demand for hotel accommodation in Canterbury remains strong throughout the year, other than in January and February. Most of the city's hotels achieve very high weekend occupancies and frequently fill on Friday and Saturday nights, particularly during the summer months. Room rates are also strong on Friday and Saturday nights during the summer, but are generally lower in the winter, when weekend business tends to be more deal driven. Sunday occupancies are also strong between May and October but low in the winter.

- Midweek demand is more seasonal. Demand is strong between April and October: most of the city's hotels consistently achieve midweek occupancies of 80-90% during these months and often fill on midweek nights between June and September. Midweek occupancies are lower (around 60-70%) between November and March and can be lower still (around 40-60%) between December and February.

Midweek Markets

- Midweek demand for hotel accommodation in Canterbury is largely leisure driven. Hotels primarily attract a mix of midweek business from overseas tourists and domestic short break guests. Group tours are a key midweek market for one 3 star hotel and a secondary source of weekday business for another 3 star hotel and the city's budget hotels.

- Midweek leisure break guests are predominantly emptynesters and retired visitors coming from London, the South East and the Home Counties. They typically spend 2-3 nights in the city. Some also stay a little longer, using Canterbury as a base to visit other parts of Kent. Midweek leisure break business tends to be largely price-driven during the winter months. Some hotels use voucher sites to attract this market at this time of year. Leisure break demand is otherwise primarily driven through online travel agents such as booking.com, Expedia and LateRooms, although hotels are increasingly trying to get their customers to book direct to avoid having to pay the commission charges that these agents demand.

- Overseas tourists come primarily from France, Belgium, Germany and the Netherlands. Canterbury hotels also attract some demand from US and Chinese visitors. Overseas tourists typically stay 1-2 nights and are visiting Canterbury primarily for its heritage and culture. Some may stay longer to explore Kent and possibly also go into London. Canterbury hotels also attract first and last night stops by European tourists arriving/departing through Dover.

- Midweek group tours are a mix of UK and overseas (primarily European) groups, staying either for a 4 night break to visit Canterbury and other parts of Kent/ the Garden of England, or a single night stop-over en-route to/from the Continent.

- Corporate demand from local companies is a minor market for most of Canterbury's hotels: there is very little corporate business in the city.

CANTERBURY HOTEL PERFORMANCE & MARKETS

- The city's universities generate midweek business for most of Canterbury's hotels from visiting academics, examiners and conference delegates and speakers. Graduation ceremonies generate strong demand for hotel accommodation in the city in July, September, November and January. University open days also drive demand for the city's hotel. Most hotels also pick up business from visiting parents, particularly when they are dropping their children off in September, and from overseas students when they first arrive and are looking for accommodation in the city.

- The King's School public school and CATS College international school also generate demand for hotel accommodation in Canterbury from visiting parents.

- Contractors working on construction and fitting out projects are a key midweek market for the city's budget hotels and some small independent hotels. Some 3 star hotels also attract a small amount of business from this market.

- Residential conferences are a secondary source of weekday bedroom business for some 3 and 4 star hotels. Much of this business is related to the Cathedral or the city's universities. Some is from the corporate conference market.

- One hotel attracts midweek demand from church groups, religious retreats and pilgrimage groups.

- Cricket Week at the beginning of August generates demand for a number of the city's hotels.

Weekend Markets

- The main weekend market for Canterbury hotels is weekend leisure breaks. Canterbury is a strong leisure break destination for retired, emptynester and career couples, particularly from London, other parts of the South East and Essex. The city's hotels achieve high weekend rates for much of the year and promote weekend break offers in the winter.

- Overseas tourists are an important weekend market for some of the city's hotels.

- Hotels also attract weekend demand from people attending weddings and other family occasions in the city. This is an important market for three hotels that have a strong weddings and functions trade.

- Two 3 star hotels take some group tours at weekends, primarily during the winter.

- The city's budget hotels attract weekend demand from stag and hen parties.

- Events and festivals that drive weekend and some midweek business for Canterbury's hotels are:

    - Canterbury Festival;
    - Canterbury Christmas Market;
    - Cricket matches.

- Other weekend markets for the city's hotels are:

    - Parents of university students visiting their children;
    - People stopping off en-route to catch a ferry from Dover;
    - Visiting choirs;
    - People visiting friends and relatives in the city;
    - People coming to see major productions at the Marlowe Theatre.

Market Trends

- Key trends in the Canterbury hotel market have been as follows in 2013 and 2014:
    - Domestic leisure break demand has increased both during the week and at weekends. The online travel agents (OTAs) have driven much of this growth, with the market now buying hotel accommodation largely through these channels. Some hotels also use the growing number of voucher and daily deals sites, such as Wowcher, Amazon Local, Living Social and Groupon, to attract leisure break business during quieter periods.
    - Demand from overseas tourists has grown, especially from European markets.
    - One hotel has taken more group tours.
    - Weddings demand has increased.
    - Demand from overseas students that temporarily require accommodation when they first arrive in Canterbury has grown as the numbers of overseas students at the city's universities and private schools has increased.
    - Contractor demand for budget hotel accommodation has grown as a result of increased construction activity in the city.
    - The only market that has contracted is the corporate market, largely due to the closure of Pfizer's operations at Sandwich. The new companies that have been attracted to the Sandwich Discovery Park do not appear to need hotel accommodation in Canterbury. Some 3 star hotels have lost corporate business to the Premier Inn and Travelodge.

- The Premier Inn has clearly brought a lot of new business to Canterbury. It has quickly achieved high occupancies and does not appear to have greatly affected the city's other hotels, most of which saw occupancy growth in 2014.

Denied Business[3]

- All of Canterbury's hotels regularly deny business on Friday and Saturday nights throughout the year. Weekend denials can be high during the summer months and are very high for city centre budget hotels.

- The city's hotels also frequently fill and turn business away during the week throughout the summer months. Midweek denials are very high between July and September for one city centre budget hotel, which also consistently turns away fairly significant numbers of midweek bookings at other times of the year.

- Levels of denied business have generally increased in 2014, despite the opening of the Premier Inn.

Prospects for 2015

- All of Canterbury's hotels expect to maintain their high levels of occupancy in 2015 and some expect to see further occupancy growth. Prospects in terms of average room rate performance are more mixed. Most hotels expect their average room rates to remain flat for the year in what has become a more price competitive market since the opening of the Premier Inn. A few hotels are projecting some improvement in average room rate performance in 2015. Only one hotel expects to see a drop in average room rate.

[3] Business that hotels turn away because they are fully booked

PROSPECTS FOR GROWTH

Strategic Context

- Canterbury is identified in the South East LEP's Strategic Economic Plan as East Kent's leading centre for high-value employment, centred around the city's four expanding universities, currently catering for over 30,000 students. In addition, Canterbury's role as set out in the Destination Management Plan as the tourism capital of Kent, attracting more than 7 million visitors, places it firmly on the map as an iconic heritage city with both UK and overseas tourists.

- The city's strategy is to build on these strengths to deliver sustainable economic growth that will achieve a dynamic and strong economy as well as a distinctive cultural and visitor experience. Within this, rebalancing the economy, with greater private sector job creation, is an important strand. Three sectors form the focus of this strategy:

    - The knowledge economy – increasing jobs in knowledge-based sectors (IT, finance, business, research and development, creative industries, higher education), and hi-tech manufacturing (electronics, engineering, pharmaceuticals and new environmental technologies);
    - The Canterbury experience – increasing the value of the experience economy (culture, tourism, heritage and leisure) through broadening the available experiences and increasing income from higher spending and longer staying tourists;
    - The green economy – sustainable development, environmental technologies, and high tech jobs in green energy, construction and agriculture.

- New housing and land for business development are key to achieving this vision, with over 15,000 new homes planned through to 2031 alongside over 96,000 sq m of employment land, and 50,000 sq m of retail development in Canterbury city centre. The population of the District is set to increase by 26,700 over this period (from 155,300 to 182,000)

PROSPECTS FOR GROWTH

- Some key projects that will help drive the city's vision forward include:

    - Mountfield Park, a proposed new urban extension to the south of Canterbury that envisages the development of 4,000 homes, 70,000 sq m of employment uses, relocation of the Kent and Canterbury hospital, a new park and ride facility and a range of community facilities.

    - Regeneration of the Kingsmead area of Canterbury, in partnership with developer Buoygues, that will deliver a leisure-led mixed use scheme incorporating a multiplex cinema, restaurants, indoor leisure outlets, and a public performance/events space together with an element of residential and student accommodation. Work is expected to start on site in 2016.

    - Further development of Canterbury's universities. In terms of short term development, the University of Kent is currently developing Turing College, which will see an additional 801 student rooms delivered together with a hub building. The University also has an aspiration to develop a residential conference centre on its campus to expand its short course programme and attract more academic conferences. Canterbury Christ Church University has recently bought the former Canterbury Prison site to enable the expansion of its North Holmes site. With regard to longer term development plans, both universities are embarking on the development of Master Plans that will articulate their expansion and development plans for the next 20 years.

    - Developing the visitor market and offer to grow the value of tourism and deliver a distinctive quality-driven and sustainable visitor economy. Policies seek to attract more overseas tourists and UK short breaks, increasing both spend and length of stay, and to even out seasonality peaks and troughs. Encouraging new visitor accommodation development is an important part of building capacity both for short breaks and to serve the needs of the expanding knowledge economy. Key target markets are Belgium, Holland, US, Germany and France; visits to friends and relatives; learning families and groups (alumni, pilgrims, historians, mature learners); and cultural boomers. Developing more major events and festivals and signature festivals that have the ability to drive demand is an important part of the forward strategy, as is developing the Canterbury 'brand' and place marketing.

PROSPECTS FOR GROWTH

- The Canterbury BID is supporting both of these areas with resource, with £2.5m of funds being invested in the city over the next 5 years.

- A number of infrastructure schemes are planned between 2015 and 2019 to improve access to Canterbury and relieve congestion, focused on new and improved junctions with the A2 and the A28.

PROSPECTS FOR GROWTH

Future Prospects by Market

- **University-related demand** for hotel accommodation in Canterbury is set to increase given the continuing expansion of the city's universities and the increasing numbers of overseas students that they are attracting.

- **Corporate demand** for hotel accommodation in the city should grow over the next 5-10 years given the envisaged economic development, employment growth and office and business park development . The key target sectors of financial and business services, IT, the creative industries and high-tech manufacturing could all be productive in terms of hotel demand if they can be attracted. The development of a stronger corporate market in the city will compliment the already strong weekend and summer demand from leisure markets and help to reduce seasonality in the Canterbury hotel market.

- There is potential for the University of Kent's proposed residential conference centre to attract **academic and association conferences** that may also generate some bedroom business for the city's hotels. Canterbury is not well located for corporate conferences although the city's appeal as a visitor destination could provide a draw for conferences that include social and partner programmes. The development of the city's economy and attraction of new companies and industries could also drive some growth in corporate residential conference business.

- **Contractor demand** for budget hotel accommodation is likely to increase significantly in Canterbury over the next 5-10 years, given the levels of construction work that will be taking place as the major development and regeneration schemes are progressed. 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.

PROSPECTS FOR GROWTH

- **Leisure break demand** should continue to be strong for Canterbury hotels given the strong appeal of the city as a leisure break destination; the city's developing retail, leisure and evening offer; the increased funding for destination marketing from the Canterbury BID; and continuing coverage of Canterbury in Visit Kent's leisure break marketing campaigns. Research undertaken by Deloitte and Oxford Economics for VisitBritain in 2013[4] projects an average annual growth in domestic tourism in the UK of 3% and a real annual growth rate in domestic tourist spending on overnight stays of 8.7% from 2013 to 2025. Increased demand for short breaks, particularly from the expanding grey market, will be a key driver of domestic tourism growth There is no reason to think that leisure break business in Canterbury cannot grow at least in line with, if not ahead of, this national forecast. Additional hotel provision will however be needed for the city to fully capitalise on the opportunities in this market. Canterbury's hotels already trade at full capacity and turn away leisure break business at weekends and during the week in the summer months. New supply is thus needed at these times.

- The future prospects for **overseas tourism** to Britain look very promising as a result of the heightened exposure of the country during 2012. The Deloitte/Oxford Economics report for VisitBritain projects a 6.1% per annum growth in inbound tourism to the UK and an average real annual growth rate of just over 14% in overseas tourist spending in the UK through to 2025. Strong growth is expected to come from the emerging economies such as China, UAE, India, Brazil and Russia due to the increasing wealth of consumers in these countries. There could however be a reduction in demand from near European markets with the slowdown in the Eurozone economy. It must also be recognised that London is likely to be the main beneficiary of inbound tourism growth, especially from long-haul markets. VisitBritain is however very focused on spreading the benefits across the UK and there are opportunities for all parts of the country to see growth in near overseas tourist markets. As one of the UK's leading heritage cities, with good connections to the Continent and London, Canterbury should see continued strong growth in demand from overseas tourists wanting to come and stay in the city's hotels. The city's hotels should also benefit from the coverage of Canterbury in Visit Kent's European marketing campaigns, which have been boosted by new funding through the SEACO and COOL Interreg programmes.

[4] Tourism Jobs and Growth: The economic Contribution of the Tourism Economy to the UK, Deloitte/Oxford Economics, November 2013.

PROSPECTS FOR GROWTH

- Demand from people attending **weddings, funerals, family parties and other functions** and from **people visiting friends and relatives** should increase steadily, given the projected growth in Canterbury's population.

- Canterbury hotels should continue to attract **group tour demand**. They may begin to reduce their midweek group tour business as higher-rated corporate demand builds.

SOURCES OF FURTHER INFORMATION

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