

KENT THAMESIDE HOTEL FUTURES

Final Published Report

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and
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EXECUTIVE SUMMARY

Introduction

- The Kent Thameside Hotel Futures has been commissioned by the Kent Thameside Delivery Board, with the support of Tourism South East, to provide a robust evidence base of the current and potential future demand and development potential for hotels in Kent Thameside.

- The findings will be used to:
 - Inform the plans for the major regeneration projects in Kent Thameside in terms of the potential for hotels to be included as part of their development mix;
 - Support hotel investment marketing activity for Kent Thameside;
 - Feed into the preparation of the Local Development Frameworks for Dartford and Gravesham.

- The Study has involved the following modules of research:
 - A review of national hotel performance and development trends;
 - An audit of the existing competitive supply of hotels, and assessment of recent and planned future changes to the area's hotel supply in terms of closures and planned new hotels and hotel extensions;
 - Interviews with the managers and owners of existing hotels to assess recent and current performance levels and trends;
 - A review of relevant policy documents and research reports;
 - Consultations with key officers in Dartford and Gravesham Borough Council planning, economic development, estates and tourism teams;
 - Consultations with other stakeholders including the Kent Thameside Delivery Board, Land Securities, Locate in Kent, Eurostar and the Olympic Delivery Authority.

- An assessment of factors that could influence future demand for hotel accommodation, including the impact on demand of planned major development projects, Ebbsfleet International station and the London 2012 Olympic and Paralympic Games;
- A telephone survey of local companies to assess their current and potential future requirements for hotel accommodation;
- The preparation of forecasts for the potential growth in demand for hotel accommodation over the next 5, 10, 15 and 20 years;
- Consultations with a sample of hotel developers to assess their interest in developing in Kent Thameside;
- A review of potential hotel development sites in the area.

Trends in the UK Hotel Market

- The UK hotel industry has steadily recovered in the last 3 years following a difficult trading period between 2001 and 2003 due to the impact of major events and crises, including the Foot & Mouth epidemic, 9/11, the Iraq War and the SARS scare. Provincial hotel performance has been more stable than for the UK as a whole, the latter being affected by London hotel performance, which has been more significantly influenced by international events. Provincial hotel occupancies have been relatively stable over the past 5 years with average annual room occupancies running at around 70-71%. Achieved room rates¹ grew only slightly between 2001 and 2003 but have risen sharply in the last 3 years to reach a record high of £70.02 in 2006.
- Both established and new hotel brands have continued to expand in the UK. The budget hotel sector has grown strongly, with continued expansion by Premier Travel Inn, Travelodge and Express by Holiday Inn, and the emergence of new budget hotel brands. In the 3/4 star market small boutique and town house hotel chains, such as Hotel du Vin and Malmaison have rapidly expanded. The development of large branded 3 and 4 star hotels has been focused primarily in major city centres.

¹ The net amount of rooms revenue that hotels achieve per room occupied after deduction of VAT, breakfast and any other meals included in the price, commission charges and discounts.

Current Hotel Supply

- Kent Thameside is currently served by 15 hotels with a total of 1,231 letting bedrooms. This includes hotels in Bexley, Bexleyheath and Brands Hatch (which draw much of their midweek corporate business from Dartford and Gravesend companies) as well as hotels in Dartford and Gravesend.

Current Hotel Supply – Kent Thameside – by Standard May 2007

Standard	Estabs	Rooms	% of Rooms
5 star	-	-	-
4 star	6	625	50.8
3 star	3	166	13.5
2 star	-	-	-
Upper-tier Budget ²	1	126	10.2
Budget	4	276	22.4
Non-inspected	1	38	3.1
Total Hotels	15	1,231	100.0

- The current hotel supply is primarily a mix of 4 star and budget/ upper-tier budget hotels, together with three independent 3 star hotels and one non-inspected hotel in Gravesend.
- Dartford accounts for the largest share of the current stock of hotel bedrooms (40%).
- The supply of hotel accommodation in Gravesend is more limited. The hotels here are of variable quality.
- There has been no change in the Dartford hotel supply over the last 4 years, but signs that this may change over the next few years, with a new hotel to be developed possibly at The Bridge, three sites for hotels identified at Ebbsfleet Valley and at least two hotels in Dartford considering expansion plans.
- Two independent hotels have closed at Gravesend in the last three years. Neither hotel is thought to have been trading particularly well.

- 3 and 4 star hotels in the Kent Thameside offer a good range of conference facilities. The area is also served by five non-residential conference venues at Dartford , Gravesend and Swanley.

Current Demand

- On the basis of our research, and the information provided to us by the managers and owners of the existing hotels in the area that we interviewed, we estimate average annual room occupancies and achieved room rates³ for hotels in the Kent Thameside area to be as follows for 2005 and 2006 and projected for 2007.

Kent Thameside Area Hotel Occupancy 2005-2007

Standard ¹	Average Annual Room Occupancy %		
	2005	2006	2007 ²
Branded 4 Star ³	67	70	73
Provincial UK 3/4 Star Chain Hotels ⁴	70	71	72 ⁵
Budget/ Upper-tier Budget ⁶	77	80	81

Kent Thameside Area Achieved Room Rates 2005-2007

Standard	Average Annual Achieved Room Rate £		
	2005	2006	2007 ²
Branded 4 Star	63.38	65.24	68.57
Provincial UK 3/4 Star Chain Hotels ⁴	66.95	70.02	70.21 ⁵
Budget/ Upper-Tier Budget	43.73	44.53	46.75

Notes:

1. Insufficient data was obtained from 4 star country house hotels and 3 star hotels in Gravesend to enable us to publish average occupancy figures for these standards of hotel
2. Based on projected figures provided by hotel managers
3. Sample: Hilton Dartford Bridge, Marriott Bexleyheath, Holiday Inn Bexley, Thistle Brands Hatch
4. Source: TRI Hotstats UK Chain Hotels Market Review
5. Source: Price Waterhouse Coopers Hospitality Directions
6. Sample: Express by Holiday Inn Dartford Bridge, Travelodge Dartford, Campanile Dartford, Premier Travel Inn Gravesend, Premier Travel Inn Gravesend South

² Brands such as Express by Holiday Inn, Ramada Encore and Tulip Inn

³ The net amount of rooms revenue that hotels achieve per room occupied after deduction of VAT, breakfast and any other meals included in the price, commission charges and discounts.

4 Star Hotels

- There is a significant difference in performance between the 4 star hotels in the Kent Thameside area. Three hotels achieved average annual room occupancies of 72-74% in 2006, slightly above the national average for provincial 3/4 star chain hotels. One hotel trades at much lower levels of occupancy however..
- Achieved room rates for branded 4 star hotels in the Kent Thameside area are low by national standards, although are increasing. This is primarily due to the low weekend rates that they achieve. Midweek rates are generally strong.
- There is a significant difference in achieved room rate performance between the branded 4 star hotels in the area. Only one hotel achieved an average annual room rate above the national average in 2006 however.
- The corporate market is strong and increasing in Dartford. Midweek occupancies and achieved room rates are consequently high here. Weekday corporate business is regularly being displaced to Dartford budget hotels and 4 star hotels in Bexley, Bexleyheath and Brands Hatch.
- The corporate market is much weaker in Gravesend and appears to have reduced.
- The residential conference market appears to be relatively weak and declining in Kent Thameside. Demand is primarily for day meetings.
- Weekend demand is much more difficult to attract and is primarily rate driven. Hotels are able to achieve good Saturday occupancies by offering special offer rates. Achieved weekend room rates are relatively low as a result. There are no real drivers of weekend leisure demand for Kent Thameside other than Brands Hatch events (5-6 times per year) and Bluewater, which generates demand from Christmas shoppers wanting to stay overnight in November and December. Demand generated by weddings appears to be limited for 4 star hotels.

Budget Hotels

- The contractors market is very strong for budget hotels, particularly in Gravesend. Budget hotels also attract strong demand from the Dartford corporate market and transient business travellers. Midweek occupancies are very high for Kent Thameside budget hotels. Most of them regularly deny business during the week, at times to significant levels. Midweek denials are especially high for Gravesend budget hotels.
- Saturday occupancies are also strong for budget hotels. Friday and Sunday occupancies are lower, but pick up in the summer months as a result of increased trade from people attending weddings and family functions, families travelling en-route to the Continent and Brands Hatch events. Group tours are also a significant weekend market for one budget hotel.

3 Star Hotels

- The 3 star market is relatively weak in Gravesend. The corporate market does not appear to be particularly strong here, with only one 3 star hotel attracting good business from local companies. The other hotels trade primarily in the contractors market during the week. Weekend business appears to be primarily related to weddings and functions.
- Our company survey suggests some demand for a mid-range/ 3 star hotel in the Dartford area. Some companies here are dissatisfied with the choice of hotel accommodation in Dartford, with nothing between the 4 star Hilton and the budget hotels.

Future Market Prospects

- Our research suggests potential for significant growth in demand for hotel accommodation of all standards in Kent Thameside over the next 20 years, particularly from the corporate and contractors market.
- The corporate market for hotel accommodation is set to see huge growth as a result of:
 - The completion of Crossways Business Park;
 - The development of The Bridge and London Science Park;
 - The development of Ebbsfleet as a major new office and business centre in the South East;
 - The development of other employment and business space elsewhere in Kent Thameside.

These developments are likely to attract a significant number of companies and organisations in sectors that generate high demand for hotel accommodation.

- Given the level of construction planned in Kent Thameside, and the development of the London 2012 Olympic Park and associated infrastructure, there is likely to be huge growth in demand for hotel accommodation in Kent Thameside from construction companies and contractors. Demand is likely to be strongest for budget hotels. Laing O'Rourke, which has its corporate headquarters at the Crossways Business Park in Dartford, expects to double its demand for hotel accommodation as a result of its work on overseeing the construction of the Olympic stadium and athletes village.
- There could be potential for new 4 star hotels with good conference facilities to develop residential conference business. Ebbsfleet could be a strong location for national and international conferences given 4 star hotel development here.
- The planned exhibition and events venue at Bluewater could generate new demand for hotel accommodation from the exhibitions that it will host.

- Eurostar is likely to create new demand for hotel accommodation in Kent Thameside once services start from Ebbsfleet International in November 2007, from both business and leisure customers requiring accommodation the night before they depart and looking for park & ride hotel options. Eurostar will not be running services to EuroDisney from Ebbsfleet however, and expects the majority of its customers boarding at Ebbsfleet to come from within a 90-minute drive time. Demand for hotel accommodation from Eurostar customers is unlikely to be significant therefore, as the majority will not need to stay overnight before departure. Demand from incoming passengers from the Continent is not expected to be high initially, but could grow as Ebbsfleet becomes more established as a transport interchange for continental travellers coming into the UK.
- The London 2012 Olympic and Paralympic Games are likely to generate a significant increase in demand for hotel accommodation in Kent Thameside both during the Games themselves and in the run up to the Games in the next 5 years primarily from construction companies and contractors working on the Olympic Park and possibly also judo teams coming to train at the Dartford Dojo judo centre.
- The leisure break market is likely to grow as new hotels open, but will continue to be primarily rate driven through special offer promotions. Hotels in Kent Thameside may be able to promote themselves as value-for-money alternative base for visiting London once the new high-speed domestic services into central London start from Ebbsfleet in 2009. Leisure break demand may also increase as the area's leisure product develops e.g. with the development of the proposed events venue at Bluewater.
- Hotels in Kent Thameside may benefit from the general growth in overseas tourism to the South East that is anticipated in the run up to and beyond the Olympics, particularly with Ebbsfleet International becoming a new gateway and interchange for continental visitors.
- There is scope for hotels in Kent Thameside to attract significant group tour business. Hotels will limit the amount of business they take from this market, however, due to its low-rated nature.

- The weddings and functions and visiting friends and relatives markets are likely to grow strongly given the level of house building and the projected growth in the area's population. This will create additional demand particularly for budget hotels.

Opportunities for Hotel Development

- In order to provide an indication of the number of new hotel bedrooms that might be needed in Kent Thameside over the next 20 years, Hotel Solutions has prepared projections of future growth in roomnights for 3/4 star and budget/ upper-tier budget hotels to 2011, 2016, 2021 and 2026.
- The growth projections show potential for the following numbers of new hotels over the next 5,10 , 15 and 20 years. The 15 and 20-year projections should be treated with caution, as it is clearly very difficult to project change this far ahead.

Kent Thameside – Projected Requirements for New Hotel Development 2011-2026

Standard of Hotels/Year	Projected New Rooms Required		
	Low Growth	Medium Growth	High Growth
3/4 Star			
2011	158	174	191
2016	230	272	316
2021 ¹	273	343	424
2026 ¹	320	426	553
Budget/ Upper-Tier Budget			
2011	229	259	290
2016	345	418	498
2021 ¹	420	546	689
2026 ¹	504	693	921

Note:

1. It is very difficult to project change over a 15-20 year period. The projections for 2021 and 2026 should be treated with caution, therefore. It is unlikely that growth in demand will be sustained at the assumed growth rates over such a long period.

- In terms of actual numbers of hotels, these projections would equate to the following:
 - One new 3/4 star hotel by 2011, and a second by 2016;
 - A further one or two 3/4 star hotels by 2026;
 - Potential for up to 5-9 budget and upper-tier budget hotels by 2026, with immediate potential for at least one new budget hotel and scope for a further 1-2 budget/ upper-tier budget hotels by 2011.

- The rates currently being achieved by 4 star hotels in the Kent Thameside area suggest that the potential for new 3/4 star hotels may be stronger for 3 star than 4 star hotels. Some 4 star operators may however be interested in developing in Kent Thameside.

- Some of the potential for additional 3/4 star hotel accommodation could also be met through the development of a boutique hotel or suite hotel.

- There may be scope for a large (200+ bedroom) 4 star conference hotel at Ebbsfleet, given its excellent road, air and especially rail connections. Such a large hotel in this location may struggle to achieve sufficiently high weekend occupancies and rates to ensure its viability however.

- In terms of hotel development sites, our research and projections suggest a requirement for up to 13 hotel sites in Kent Thameside over the next 20 years, as follows:

Kent Thameside - Required Hotel Sites – 2011-2026

Standard of Hotels/Year	Projected Hotel Sites Required		
	Low Growth	Medium Growth	High Growth
3/4 Star			
2011	1	1	1
2016	1	2	2
2021 ¹	2	2	3
2026 ¹	2	3	4
Budget/ Upper-Tier Budget			
2011	2	2	3
2016	3	4	5
2021 ¹	4	5	7
2026 ¹	5	7	9

Hotel Developer Interest

- Over 30 hotel developers, operators and investors were contacted to test their interest in developing hotels in Kent Thameside. Of the more than 20 responses received, the majority were interested in hotel development opportunities in the area. They were attracted primarily by:
 - The area's excellent access via the M25 and A2;
 - The proximity to London and potential for London overspill;
 - The density of businesses here and visible business activity.
- There was some awareness of the major development activity underway and planned in Kent Thameside, but not among all companies. Few hotel developers and operators were aware of the detailed plans or their implications in terms of generating demand for hotel accommodation. Most were unaware of the full impact of Ebbsfleet station and did not know about the high-speed domestic services that will be running into London,
- In terms of locations for hotel development, most developers want to be close to areas of business activity and have access also to key drivers of leisure demand. Business park and office locations, including Crossways Business Park, The Bridge and Ebbsfleet, were thus generally preferred. There was also interest in Bluewater as a location for hotel development. Visibility from the M25 and A2 was also felt to be an added bonus. There was less interest in Dartford and Gravesend town centres, other than from the main budget hotel operators (Premier Travel Inn and Travelodge).
- There was interest in developing a range of hotel offers in Kent Thameside, from budget to 4 star. The strongest interest was in budget, upper-tier budget and 3 star hotel development. There was less interest from 4 star operators, primarily due to concerns about the rates that can be achieved in Kent Thameside and the perceived difficulty in attracting good rated weekend leisure business in this location. There was limited interest in boutique and suite hotel development in the area.
- Most of the developers and operators that expressed interest in Kent Thameside indicated that they would want to develop their larger units here,

due to the difficulty of getting into the market and to make the most of any site that can be secured.

- The Olympics is not a key driver of hotel development interest in Kent Thameside. Few hotel developers and operators associated the area with the Olympics, and none were aware of the planned high-speed rail link to the Olympic Park from Ebbsfleet. A number of hotel companies indicated that the Olympics might encourage them to bring hotel projects forward more quickly in Kent Thameside. Their primary concern however would be to be sure that there would be a sustained demand for their product beyond 2012.

Sites Assessment

- Over 20 sites with potential for hotel development have been identified and assessed within the study. Very positively, there are currently 6 strong sites with planning permission or where hotels are included as part of master plans – these include sites at The Bridge, Bluewater, Ebbsfleet Valley and Gravesend Heritage Quarter. A number of these could come forward in the next 12 months to 2 years. In addition, there are a further 4 well-located sites that have the potential to meet hotel developer requirements, but where planning and other issues would need to be resolved.
- On the down side, the scale of change underway across Kent Thameside means that some site availability is likely to be contingent on associated infrastructure development pushing them into the medium term. There is also little site availability in the control of the public sector, and an issue relating to site values and pressure for development from alternative uses that could squeeze hotel development off some sites. With market potential for almost 1,500 new rooms meaning a likely need for 13 hotel sites, further sites will need to be identified and brought forward.

Moving Forward

- The development of Kent Thameside over the next 20 years is going to result in its dramatic transformation to create a vibrant new commercial, economic and residential centre. The hotel sector clearly has a role to play in supporting this process, both in terms of supporting business development and developing leisure-related activity. The Hotel Futures study has identified market potential for significant new hotel development of all standards, and strong levels of interest from hotel developers, operators and investors eager to invest in Kent Thameside.

- Going forward, there are a number of next steps actions that the Kent Thameside Delivery Board and its public and private sector partners will need to start putting in place to turn this interest into new hotels on the ground and to maximise the potential identified:
 - A pro-active, co-ordinated hotel investment marketing campaign;
 - Measures to tackle the sites issue and bring more sites forward;
 - A positive and enabling planning framework;
 - Positioning Kent Thameside for the Olympics market;
 - Investigating opportunities to develop the area's leisure tourism offer;
 - Monitoring systems to keep a finger on the pulse;
 - Research to identify the potential of the conference market.

- The Hotel Futures study clearly has some extremely positive messages about the potential for new hotel development in Kent Thameside. It provides a sound evidence base and starting point for KTDB and its partners to proactively plan for, manage and support hotel investment in the area, to ensure that the hotel sector plays its full part in supporting the development of Kent Thameside as a major economic growth centre in Thames Gateway and the South East. Action is now needed to ensure a co-ordinated and proactive approach to capitalising on these opportunities.

1. INTRODUCTION

1.1 Background to the Study

Kent Thameside is one of the largest regeneration projects in Europe and a key focus of commercial and residential development at the heart of the government's priority Thames Gateway Region. With 22 square miles of regeneration proposals focused on the urban areas of Dartford and Gravesham Boroughs, the area is set to see massive expansion over the next 20 years, with the development of 30,000 new homes and the creation of 50,000 jobs in new office, commercial, industrial, leisure and retail developments. At the heart of the regeneration plans is Ebbsfleet International station as a new international and domestic high-speed rail interchange on the Channel Tunnel Rail Link, that will improve access for all of Kent Thameside. Due to open in November for international services and 2009 for domestic services, it will provide journey times of 17 minutes to central London, 10 minutes to the London 2012 Olympic Park and 2 hours to Paris. With plans for a 1035-acre mixed-use development centred around the new station, Ebbsfleet Valley is set to become a major new commercial, office, retail and residential centre that will act as a new focus for growth in the South East.

The Kent Thameside Delivery Board sees hotels as having an important role to play in supporting the regeneration plans for Kent Thameside. Hotels and conference facilities will be a vital part of the business tourism infrastructure that companies attracted to the area will need to do business effectively. New hotels are also likely to be needed to service demand generated by the new Ebbsfleet station from international business and leisure travellers, and may be able to develop weekend leisure break business for the area. The London 2012 Olympics and Paralympics may also provide an impetus for bringing forward hotel development projects in Kent Thameside. The Delivery Board is concerned therefore to plan effectively for new hotel development in the area as the detailed plans for regeneration sites are being worked up, to ensure that an appropriate mix of hotels is developed and to avoid hotels potentially being squeezed out of development schemes by higher value uses.

The Delivery Board, with the support of Tourism South East, has therefore commissioned Hotel Solutions to undertake research into the future need and potential for hotels in Kent Thameside, to provide a base of evidence to inform the detailed planning of regeneration projects and to support hotel investment marketing activity for the area.

1.2 Objectives of the Study

The principal objectives of the study are to:

- Assess the current and potential future demand for hotel accommodation in Kent Thameside, with specific consideration of the potential for new hotels at Ebbsfleet to serve demand related to the London 2012 Olympics and Paralympics over the next 5 years.
- Forecast how the market for hotels in Kent Thameside might grow in the next 20 years.
- Determine the market opportunities for new hotel development in Kent Thameside in terms of the number, size and standard of hotels that might be supported.
- Identify and evaluate potential hotel sites against hotel developer requirements.
- Gauge hotel developer interest in Kent Thameside.

The findings of the study will be used to:

- Inform the development plans for regeneration projects in terms of the potential for them to include hotels.
- Support hotel investment marketing activity, including feeding information into TSE's regional hotel investment website.
- Inform the preparation of the Local Development Frameworks for Dartford and Gravesham in terms of policies on hotel development and site allocation for hotels.

1.3 Study Methodology

The study methodology has involved the following modules of research:

- An initial **commissioning meeting** with the Kent Thameside Delivery Board to set the scene for the study, agree the objectives, and gather relevant documentation and contacts.
- A **review of national hotel performance and development trends**.
- **Stakeholder consultations** with the relevant officers of Dartford and Gravesham Borough Councils (Planning Policy, Development Control, Economic Development, Town Centre Management, Estates, Communications and Tourism) and representatives of Land Securities, Eurostar, London & South Eastern Railway, Locate in Kent, Kent Tourism Alliance, Kent Conference Bureau, and the Olympic Delivery Authority.
- A **review of relevant policy and research documents** including the Kent Thameside Regeneration Framework, The Thames Gateway Interim Plan, the emerging LDF documents (issues and options stages), Gravesend, Town Centre Strategy, Masterplan and Heritage Quarter Regeneration Plans, the Knight Frank LLP study of the potential of Ebbsfleet as an office location, and the Olympic Delivery Authority Review of Impacts study.
- An **audit of the existing supply** of hotels in Kent Thameside and the immediate surrounding area, assessing provision by standard, size, location and the representation of national hotel brands. This assessment identifies recent changes in supply in terms of new openings, extensions and up-gradings, and closures. The audit has been based on information provided by the Kent Thameside Delivery Board, cross-checked with Tourism South East's known accommodation stock records and our own Internet searches and site visits to the area.
- **Interviews with the managers and owners of existing hotels** to gather information on current, recent and projected future performance in terms of occupancy, achieved room rate, market mix, market trends and denied business. A total of 10 establishments were interviewed (listed at Appendix 1) either in person or by telephone. Data on the performance of other hotels in the area has also been drawn from the Hotel Futures studies that we have completed in recent years for Sevenoaks

District (2004) and Medway (2005), when hotels in Kent Thameside were also interviewed.

- A **telephone survey of local companies** to assess their current and potential future demand for hotel accommodation and conference facilities and their satisfaction with the current Kent Thameside offer.
- **Forecasting of future hotel demand** over the next 5, 10, 15 and 20 years.
- Telephone **consultations with a sample of hotel developers and operators** to establish their interest in the area; specific site requirements; views of the market; obstacles faced; and views of the planning framework, both in terms of policy and process.
- **Site visits** to assess potential sites for new hotel development.

These modules of research have then been drawn together into a series of conclusions and recommendations regarding:

- Current hotel performance;
- The market potential for new hotel development;
- Interest in Kent Thameside from hotel developers;
- Specific sites and locations that could be of interest to hotel developers;
- Requirements for attracting new hotel investment.

2. THE UK HOTEL SECTOR

2.1 National Demand Trends

Other than in seaside resorts and rural locations, demand for hotels is principally driven by business tourism, with leisure tourism filling rooms at weekends and during holiday periods often at discounted rates. The peaks and troughs of the economy together with events in the national and international tourism marketplace therefore impact directly on the hotel sector.

At the end of 2000, the UK hotel industry found itself on a 20 year high, with average annual room occupancies stable at 73% since 1996¹, and achieved room rates² steadily increasing year on year. 2001 saw some dramatic events affecting tourism and the economy worldwide, in the form of 9/11 and the Foot and Mouth epidemic. During 2002 the market remained nervous and performance of the hotel industry fragile, with the UK economy, its place in the global economy, and the drop in the numbers of high spending overseas visitors being key factors. As a result occupancies and achieved room rates dropped back. The war on Iraq in 2003 provided a setback to recovery, particularly in London, which is more susceptible to international events. The downturn in the financial services sector also hit the capital and other financial centres badly in 2003. With weakening corporate demand the UK hotel market became markedly more competitive and rate aggressive. Occupancies and achieved room rates dropped back as a result.

The UK hotel industry has recovered well in the last 3 years, however, with a steady improvement in occupancy and strong growth in achieved room rates. Since 2003 achieved room rates for UK 3/4 star chain hotels have increased by 17.5% to reach a record level of £81.72¹ in 2006.

Provincial hotels generally operate at slightly lower occupancy and considerably reduced achieved room rates to the UK average, the latter being inflated by the inclusion of London. At an overall level, provincial hotel occupancies have been more stable over the past 5 years. Achieved room rates were stable between 2001 and 2003 at around £62, but have increased strongly in 2004 and further still in 2005 and 2006, reaching a record high of £70.02¹ in 2006.

¹ Source: TRI Hotstats UK Chain Hotels Market Review

² The net amount of rooms income that hotels achieve room let, after deduction of VAT, breakfast, discounts and commission charges

UK Hotel Performance 1990-2006

Year	Occupancy %		Achieved Room Rate £	
	UK	London	UK	London
1990	65.5	75.0	49.57	74.54
1991	58.8	63.7	51.79	81.62
1992	57.7	63.0	46.57	82.36
1993	61.4	69.4	45.93	82.92
1994	65.0	75.9	47.43	81.52
1995	69.6	81.9	50.17	88.57
1996	72.6	83.8	55.01	98.10
1997	74.3	83.4	63.41	105.33
1998	72.7	80.4	64.51	108.76
1999	72.7	80.5	65.19	107.96
2000	73.7	82.6	68.78	91.82
2001	71.8	75.6	70.05	89.80
2002	72.2	77.7	68.38	82.77
2003	71.7	77.1	67.86	82.11
2004	73.5	80.9	70.87	88.07
2005	73.5	78.4	77.34	94.50
2006	75.1	82.6	81.72	101.90

Comparative Hotel Performance by Location – Occupancy

	Occupancy %						
	2000	2001	2002	2003	2004	2005	2006
Provincial hotels	70.6	70.4	70.2	69.8	70.8	70.4	71.4
UK	73.7	71.8	72.2	71.1	73.5	72.5	75.1
London	82.6	75.6	77.7	77.1	80.9	77.1	82.6

Comparative Performance by Location – Average Room Rate

	Average Room Rate £						
	2000	2001	2002	2003	2004	2005	2006
Provincial hotels	59.23	62.12	62.50	62.16	63.72	66.95	70.02
UK	68.78	70.05	68.38	67.86	70.87	76.45	81.72
London	91.82	89.80	82.77	82.11	88.07	94.96	101.90

Source: TRI HotStats UK Chain Hotels Market Review

The UK hotel industry has continued to perform strongly so far in 2007. As at March, provincial hotel occupancy was up 0.6 percentage points on the same period last year and achieved room rates for provincial hotels have risen by 3.8%

2.2 National Supply Trends

The UK continues to see significant activity in terms of new hotel development of all standards and in all parts of the country.

The budget or limited service hotel sector continues to see the fastest rate of expansion in the UK, with a continuing trend towards differentiation in the sector. There are now 5 visible tiers of budget provision, ranging from hostels (St Christopher Inns, Globetrotter Inns, Euro Hostels and Smart City Hostels) and 'super economy' brands (Formule 1, Easyhotel and Etap), to budget brands like Travelodge, Premier Travel Inn, Sleep Inn and Days Inn and 'upper-tier' budget brands such as Express by Holiday Inn, Ramada Encore and Tulip Inn. At the upper end of the spectrum 'budget boutiques' that combine high design with limited service, such as Dakota, Big Sleep, Yotel, Nite Nite and Hoxton Urban Lodges are starting to develop.

New product development by the key national and international brand operators in the UK is summarised at Appendix 2. The active players to watch include:

- The continued expansion of the main budget brands (Premier Travel Inn, Travelodge and Express by Holiday Inn).
- The expansion of new budget hotel brands such as Days Inn and Sleep Inn, and upper-tier budget brands, including Tulip Inn and Ramada Encore. BDL Management has recently announced that it will launch a new hotel group (Ramcore Hotels) to develop around 40 Ramada Encore hotels in the UK over the next 7 years.
- New entrants to the budget sector include: Easyhotel (part of the Easyjet Group), which opened its first in London in 2005; French hotel group Accor's Etap budget brand, which opened its first UK hotel in Birmingham in 2005; the recently launched Yotel budget boutique brand that is looking for sites in the UK; the Dakota budget boutique brand founded by Ken McCulloch of Malmaison fame, which opened its first hotel in Nottingham in 2004; the new boutique budget concept Nite Nite which opened its first hotel in Birmingham in 2006; the Big Sleep budget boutique brand that has recently announced expansion plans with a new hotel under development in Cheltenham to add to the existing Cardiff Big Sleep; Hoxton Urban Lodges that

opened their first hotel in London in 2006; and Sleeperz which is working with Network Rail to develop budget hotels at city centre rail stations. Hilton has also announced plans to bring its Hampton by Hilton budget brand to the UK.

- Continued development of the boutique and town house hotel sector, with further expansion by Malmaison, Hotel du Vin, Alias and Myhotel and the development of newly established boutique hotel companies such as Apex, Bespoke, Abode, Niche, Finesse, Le Monde and Milsoms, together with the development of one-off boutique hotels by independent hoteliers.
- A number of 4 star operators are also active, including Macdonald, Park Plaza, Marston, Marriott, City Inns, Ramada and Radisson SAS, all of whom are seeking to expand their UK representation. There is also the possible development of Cendant's Wingate 4 star brand in the UK.
- There will be further openings in the 3 star market from operators such as Jury's Inn, Village (part of the De Vere Group), Novotel, Park Inn, Courtyard by Marriott, Future Inns and Holiday Inn. Village has particularly ambitious expansion plans, with a target of opening 5 new hotels per year by 2009/10. Marriott International has plans to develop a further 50 Courtyard by Marriott hotels in Europe, including the UK. Aston Hotels is a newly established 3 star operator that is looking to expand across the UK. Entrepreneur Duncan Bannatyne has opened a new hotel in Durham as the first of 5 planned Bannatyne Hotels. Hilton is also planning to bring its mid-market Hilton Garden Inn brand to the UK.
- Leisure operators look likely to continue to diversify into hotels, with for example the development of hotels at theme parks (e.g. Alton Towers, Drayton Manor, Chessington and Blackpool Pleasure Beach), sports stadia (e.g. the De Vere Whites hotel at Bolton's Reebok stadium and the planned Marriott at Twickenham stadium) and racecourses (e.g. the Express by Holiday Inn at Chester Racecourse and proposals for a hotel at Wolverhampton racecourse).
- There could be further development in the serviced apartment sector with the expansion of new serviced apartment operators The Chambers, Base2Stay, BridgeStreet Worldwide and Club Quarters. The UK may also begin to see the development of suite hotels, such as the US Country Inns & Suites, Residence Inn and Staybridge Suites brands.

- Other niche hotel products, including adult only hotels (Warner's Just for Adults), family hotels (Luxury Family Hotels) and luxury hostels (Smart City Hostels) may also develop further.

Minimising risk is key to hotel investment decision-making, and there is understandably a lot more interest in budget and limited service development than in full service 4 star development – the former represent investments of £2-4 million, the latter £15-45 million. Whether companies expand by owning and developing their properties or via lease, joint venture and/or management contract also affects the pace of development. The availability of affordable sites is also becoming a major issue for budget hotel operators, especially in London and the South East where hotels are unable to compete for sites with residential developments.

3. CURRENT HOTEL SUPPLY

3.1 Current Hotel Supply

Our research has identified a total of 15 hotels that serve Kent Thameside currently, with 1,231 letting bedrooms (listed in the table overleaf). Hotels in Bexley, Bexleyheath and Brands Hatch attract a significant amount of their weekday trade from companies in Dartford and Gravesend. Hotels in these locations have thus been included as part of the Kent Thameside competitive hotel supply. Hotels in Thurrock do not attract much business from Dartford companies however, and have not therefore been included in the competitive supply.

Current Hotel Supply – Kent Thameside – by Standard - May 2007

Standard	Estabs	Rooms	% of Rooms
5 star	-	-	-
4 star	6	625	50.8
3 star	3	166	13.5
2 star	-	-	-
Upper-tier Budget ¹	1	126	10.2
Budget	4	276	22.4
Non-inspected	1	38	3.1
Total Hotels	15	1,231	100.0

Key observations on the current hotel supply in the Kent Thameside area are as follows:

- The current hotel supply is split primarily between 4 star and budget/ upper-tier budget hotels. The supply of 3 star hotels is more limited and concentrated in the Gravesend area.
- Dartford accounts for the largest share of hotel accommodation in the area (40%).
- Gravesend has a more limited supply of hotel accommodation. The hotels here are of variable quality and a number are not graded under the National Accommodation Quality Grading Scheme.

¹ Brands such as Express by Holiday Inn, Ramada Encore and Tulip Inn

- Kent Thameside is served by two high quality country house hotels – Rowhill Grange and Brandshatch Place.

Kent Thameside Hotel Futures

Current Hotel Supply – Kent Thameside – May 2007

Hotel	Standard	Rooms	Leisure Club	Conference Facilities		Midweek Rack Rate 2006 ¹	
				No Rooms	Max Capacity ²	Single £	Double £
Dartford							
Hilton Dartford Bridge	4 Star	178	✓	17	240	145.00	145.00
Express by Holiday Inn Dartford Bridge	Upper-tier Budget	126				79.00*	79.00*
Travelodge Dartford	Budget	65				60.00	60.00
Campanile Dartford	Budget	125		2	25	54.95	54.95
Gravesend							
Best Western Manor	3 Star	59	✓	5	200	89.00*	99.00*
Inn on the Lake	3 Star	78		4	160	69.50*	79.50*
Overcliffe	3 Star	29				65.00*	75.00*
Granby	N/a	38		1	20	40.00*	56.00*
Premier Travel Inn Gravesend	Budget	55				62.00	62.00
Premier Travel Inn Gravesend South	Budget	31				62.00	62.00
Bexley/Bexleyheath							
Marriott Bexleyheath	4 Star	142	✓	8	250	119.00	119.00
Holiday Inn Bexley	4 Star	38	✓	6	130	139.00	139.00
Rowhill Grange	4 Star Country House	108	✓	3	160	165.00*	190.00*
Brands Hatch							
Thistle Brands Hatch	4 Star	121	✓	18	270	140.00	140.00
Brandshatch Place	4 Star Country House	38	✓	5	160	150.00	150.00

Notes:

1. Tariffs quoted are for standard rooms on a Room Only basis, inclusive of VAT, unless otherwise indicated
 2. Maximum capacity theatre style
- * Bed & Breakfast tariff

- The current supply is dominated by branded hotels. There are few independent hotels.
- There is a good supply of conference facilities in hotels in the Kent Thameside area, with 4 hotels able to cater for conferences of 200 delegates. The Hilton Dartford Bridge is the only hotel in Kent Thameside itself that has extensive conference facilities, however.
- Most of the full service hotels in the area have leisure facilities. Rowhill Grange and Brandshatch Place have spas.

3.2. Recent Changes in Supply

3.2.1. New Hotels

One new hotel has been built in the Kent Thameside in the last 5 years – the Travelodge on Crossways Business Park which opened in 2002. Prior to this the last hotel to open was the Express by Holiday Inn Dartford Bridge, in 1999.

3.2.2. Hotel Extensions and Refurbishments

The Premier Travel Inn Gravesend added 19 bedrooms in February 2007.

No other hotels in the area have been extended in the last 5 years.

Most of the 4 star hotels in the area have undergone, or are currently undergoing refurbishment. The Marriott Bexleyheath has recently completed a £1.4 million bedroom refurbishment. Brandshatch Place underwent a complete refurbishment in 2004 following its acquisition by Hand Picked Hotels.

3.2.3. Hotel Closures

The Tollgate Hotel (112 rooms) on the A2 at Gravesend has recently closed. It is now being used by Skanska to accommodate workers involved in the widening of the A2. The hotel was not trading particularly well before its closure.

The Clarendon Royal (24 rooms) at Gravesend closed in 2004, and has recently been granted planning permission for residential use.

3.2.4. Proposed New Hotels

There are no firm proposals currently for new hotels in Kent Thameside, although a site for a hotel is identified in the plans for The Bridge at Dartford, and three sites for hotels have been identified in the plans for Ebbsfleet Valley.

3.2.5. Planned Hotel Extensions and Refurbishments

Our research has identified the following plans and proposals for hotel extensions and major refurbishment programmes:

- The Campanile Dartford is at the early stages of considering plans for an additional 40-60 bedrooms and a conference room for up to 100.
- The new owners of the Hilton Dartford Bridge are understood to be looking at investing in the hotel in terms of upgrading it and possibly an extension.
- A £1 million bedroom refurbishment programme is planned for the Thistle Brands Hatch in 2008.
- Brandshatch Place was refused planning permission for an 18-bedroom extension in 2006 as the hotel lies within the Green Belt.

3.3. Non-Residential Conference Venues

There are five non-residential conference venues in the Kent Thameside area:

Kent Thameside Area – Non-Residential Conference Venues

Venue	Location	No. Conference Rooms	Max Capacity (Theatre style)
Regus Dartford Admirals Park	Dartford	9	140
Swanley Banqueting	Swanley	8 (over 3 sites)	270
Woodville Halls	Gravesend	1	700
Heritage Conference Centre, Stone Castle	Stone	6	60
Nucleus, The Bridge	Dartford	3	70

3.4. Summary of Key Points

- Kent Thameside is served by a good supply of hotels in Dartford, Gravesend, Bexley, Bexleyheath and Brands Hatch.
- The current hotel supply is primarily a mix of 4 star and budget/ upper-tier budget hotels, together with three independent 3 star hotels in Gravesend.
- Dartford accounts for the largest share of the current stock of hotel bedrooms.
- The supply of hotel accommodation in Gravesend is more limited. The hotels here are of variable quality.
- There has been no change in the Dartford hotel supply over the last 4 years, but signs that this may change over the next few years, with a new hotel to be developed possibly at The Bridge, three sites proposed at Ebbsfleet Valley, and at least two hotels considering expansion plans.
- Two independent hotels have closed at Gravesend in the last three years. Neither hotel is thought to have been trading particularly well.
- 3 and 4 star hotels in the Kent Thameside offer a good range of conference facilities. The area is also served by five non-residential conference venues at Dartford and Swanley.

4. CURRENT DEMAND

4.1 Occupancy

On the basis of our research, and the information provided to us by the managers and owners of the existing hotels in the area that we interviewed, we estimate average annual room occupancies for hotels in the Kent Thameside area to be as follows for 2005 and 2006 and projected for 2007.

Kent Thameside Area Hotel Occupancy 2005-2007

Standard ¹	Average Annual Room Occupancy %		
	2005	2006	2007 ²
Branded 4 Star ³	67	70	73
Provincial UK 3/4 Star Chain Hotels ⁴	70	71	72 ⁵
Budget/ Upper-tier Budget ⁶	77	80	81

Notes:

1. Insufficient data was obtained from 4 star country house hotels and 3 star hotels in Gravesend to enable us to publish average occupancy figures for these standards of hotel
 2. Based on projected figures provided by hotel managers
 3. Sample: Hilton Dartford Bridge, Marriott Bexleyheath, Holiday Inn Bexley, Thistle Brands Hatch
 4. Source: TRI Hotstats UK Chain Hotels Market Review
 5. Source: Price Waterhouse Coopers Hospitality Directions
 6. Sample: Express by Holiday Inn Dartford Bridge, Travelodge Dartford, Campanile Dartford, Premier Travel Inn Gravesend, Premier Travel Inn Gravesend South
- The average annual room occupancy for branded 4 star hotels in the Kent Thameside area has been below the national average for provincial 3/4 star chain hotels for the past two years. There are significant differences in occupancy performance between the area's 4 star hotels, however, with one hotel trading at considerably lower occupancy levels than the other three. Excluding this hotel the average annual room occupancy for 4 star hotels was 70% in 2005 and 73% in 2006.
 - All 4 star hotels in the area are projecting strong growth in occupancy in 2007, primarily as a result of strengthening corporate demand. Increased activity at Brands Hatch in terms of events, track days and testing is also generating increased business for the Thistle Brands Hatch
 - Average annual room occupancies for the 4 star country house hotels that serve Kent Thameside are estimated at 60% in 2005 and 65% in 2006. These are typical levels

of occupancy for this type of hotel, which tend to trade at relatively low midweek occupancies, but high weekend occupancies.

- Occupancies for budget and upper-tier budget hotels are very strong and increasing. All hotels of this standard in the area reported high occupancies in 2006. Budget hotels in Gravesend achieve particularly high occupancies. They have relatively few rooms to fill, however. Occupancies increased significantly in 2006 for one budget hotel in Dartford as a result of the special offer rates that it was offering, which helped to boost weekend business for the hotel.
- Occupancy levels are low for 3 star hotels that we interviewed in Gravesend. The Tollgate was operating at an average annual room occupancy of 40% before it closed. Its closure does not appear to have boosted business for the other 3 star hotels in Gravesend.

4.2 Achieved Room Rates

On the basis of our research, we estimate average annual achieved room rates¹ for hotels in the Kent Thameside area as follows for 2005 to 2006, and projected for 2007:

Kent Thameside Area Achieved Room Rates 2005-2007

Standard	Average Annual Achieved Room Rate £		
	2005	2006	2007 ¹
Branded 4 Star	63.38	65.24	68.57
Provincial UK 3/4 Star Chain Hotels ²	66.95	70.02	70.21 ³
Budget/ Upper-Tier Budget	43.73	44.53	46.75

Notes:

1. Based on projected figures provided by hotel managers
2. Source: TRI Hotstats UK Chain Hotels Market Review
3. Source: Price Waterhouse Coopers Hospitality Directions

¹ The net amount of rooms revenue that hotels achieve per room occupied after deduction of VAT, breakfast and any other meals included in the price, commission charges and discounts.

- Achieved room rates for branded 4 star hotels in the Kent Thameside area are low by national standards. This appears to be primarily due to the low weekend rates that they achieve. Their midweek rates are generally strong.
- There is a significant difference in achieved room rate performance between the branded 4 star hotels in the area. Only one hotel achieved an average annual room rate above the national average in 2006 however.
- Achieved room rates for the area's branded 4 star hotels increased by almost 3% in 2006 and are projected to increase by a further 5% in 2007. Hotels are more able to push midweek rates in the stronger corporate market. The Thistle Brands Hatch has also significantly increased its rates for Brands Hatch events.
- The 4 star country house hotels that serve Kent Thameside are thought to achieve very high room rates. From the data that we have on the performance of these hotels, we estimate that they achieved an average annual room rate of around £105 in 2006. This is typical of the performance of these types of hotel elsewhere in the South East, which generally achieve relatively modest occupancies but very high average room rates.
- Average room rates achieved by the area's budget and upper-tier budget hotels are typical for this standard of hotel.
- Achieved room rates are very low for the two 3 star hotels in Gravesend that we spoke to.

4.3 Weekday/ Weekend Occupancy

Our estimates of average weekday and weekend occupancies for the area's hotel sector in 2006 are as follows:

Kent Thameside Area Hotels - Weekday/ Weekend Occupancies – 2006

Standard	Average Room Occupancy %			
	Mon-Thurs	Friday	Saturday	Sunday
Branded 4 Star	80	51	78	45
Budget/ Upper-tier Budget	94	64	80	58

- Weekday occupancies are very strong for branded 4 star, budget and upper-tier budget hotels. 4 star hotels generally fill on Tuesday and Wednesday nights and sometimes on Mondays. Thursday nights tend to be a weaker night. Budget and upper-tier budget hotels generally fill on all four midweek nights.
- Weekday occupancies are relatively low for the 4 star country house hotels in the area and tend to fluctuate depending on residential conference business. We estimate the average midweek occupancy for these hotels to be around 52% in 2006.
- Midweek occupancies for the two 3 star hotels in Gravesend that we spoke to are relatively low.
- Saturday occupancies are generally strong for hotels in the Kent Thameside area, with the exception of one of the 3 star hotels in Gravesend. A lot of this business is driven through special offer rates. Friday, and especially Sunday occupancies are much lower for all hotels other than one of the country house hotels that attract spa break business on these nights.

4.4 Seasonality

- The hotel market in the Kent Thameside area is not particularly seasonal. Midweek occupancies are strong all year round, only dipping slightly in January and February, and November, December and March for some hotels. Hotels did not report a dip in midweek occupancies in July and August, which can occur in business tourism destinations when corporate and conference demand reduces during these months. This does not appear to happen in the Kent Thameside area.
- Weekend demand is more seasonal, with weekend occupancies peaking for many hotels between April and October when demand from people attending weddings, transient leisure business and demand from Brands Hatch events is at its highest. Weekend occupancies are also stronger for many hotels in November and December as a result of Christmas parties or people coming to Bluewater for their Christmas shopping.

4.5 Market Mix

4.5.1 Weekday Market Mix

On the basis of our research we estimate the weekday market mix for hotels in the Kent Thameside area as follows for 2006:

Kent Thameside Area – Estimated Weekday Market Mix – 2006

Standard	Market Mix %						
	Corporate	Contractors	Residential Conferences	Leisure	Overseas Tourists	Group Tours	Other
Branded 4 Star	84		11	2		1	2
Budget/ Upper-tier Budget	52	37	3	7			1

Note:

These estimates of market mix are based on estimated figures provided by hotel managers and our own judgement where hotel managers were unable to provide estimates or we were unable to interview hotels. All of the hotels we interviewed record market mix data under different categories. The estimates should be taken as indicative only therefore.

- The country house hotels that serve Kent Thameside attract a broadly even mix of corporate and residential conference business during the week. This is typical for this type of hotel.
- Contractors are the key midweek market for the 3 star hotels that we spoke to in Gravesend. Midweek party nights are also a key source of midweek demand for the Inn on the Lake. The two hotels that we interviewed attract very little corporate business in the week. We suspect that this is the key midweek market for The Manor, however.

4.5.2 Weekend Market Mix

Our estimates of weekend market mix for hotels in the Kent Thameside area are as follows for 2006:

Kent Thameside Area – Estimated Weekend Market Mix – 2006

Standard	Market Mix %						
	Corporate	Contractors	Leisure Breaks	Group Tours	Weddings/ Functions	Transient Leisure	Other
Branded 4 Star	4		53	4	17	12	10
Budget/ Upper-tier Budget	3	14	83 ¹				

Note:

These estimates should be taken as indicative only.

4. This figure is for all weekend leisure markets catered for by budget hotels. We were unable to obtain more precise market mix data for weekend leisure markets for budget hotels.
- The country house hotels that serve Kent Thameside attract a broadly even mix of weddings and leisure break business at weekends.
 - Weddings and functions are the key weekend market for the 3 star hotels that we spoke to in Gravesend, and we suspect also the key weekend market for The Manor.

4.6 Key Markets

4.6.1 Weekday Markets

- The **corporate market** is the primary source of weekday demand for branded 4 star hotels in the Kent Thameside area, and an important midweek market for budget and upper-tier budget hotels, and we suspect also The Manor at Gravesend. Corporate demand comes primarily from companies in Dartford and is strong here. The corporate market appears to be weaker in Gravesend, with relatively few companies here that generate demand for hotel accommodation. Hotels in Bexleyheath and Bexley also attract corporate business from companies in Bexleyheath, Erith and Greenwich. Kent Thameside hotels attract very little business from companies in Thurrock: the bridge and tunnel appear to act as a barrier to the movement of corporate business across the river.
- From the results of our survey of local companies (Appendix 3) it would appear that the Hilton Dartford Bridge is generally the preferred hotel for Dartford companies. The Dartford budget hotels and Bexleyheath Marriott appear to be second choice hotels when companies can't get into the Hilton. Budget hotels are also used for more junior staff. Rowhill Grange is used for VIP visitors. The Manor is the main hotel used by Gravesend companies.
- Our company survey showed some dissatisfaction with the range of hotels available in the Kent Thameside area, particularly in terms of the lack of a mid-range/ 3 star hotel in the Dartford area.
- Hotels in the Kent Thameside area also attract a high level of transient corporate business due to their location close to the M25 and A2/M2.
- Corporate rates paid for branded 4 star hotels are currently around £90-100 B&B, although can be lower than this for high volume corporate customers.
- **Residential conferences** are a secondary weekday market for branded 4 star hotels. They are only a significant market for one hotel however, Residential conferences are a minor weekday market for the other three branded 4 star hotels in the area. This market is primarily for sales meetings and training courses, typically for 15-25 delegates and lasting for 1-2 nights.

- Our survey of local companies showed demand primarily for day meetings rather than residential.
- Senior management residential conferences and team building courses are a key weekday market for the two country house hotels in the area. They particularly attract such business from London companies.
- **Contractors** are a key midweek market for budget hotels and the lower-priced 3 star hotels in Gravesend. This is a very strong market in the area currently, with significant demand generated by the Grain power station and gas pipeline project, the development of the Channel Tunnel Rail Link and Ebbsfleet International station and the widening of the A2.

4.6.2 Weekend Markets

- **Leisure breaks** are the main weekend market for the branded 4 star hotels in the Kent Thameside area. This business is primarily rate driven through national hotel chain special offer promotions and Internet sites. Weekend rates can be very low. A lot of leisure break business also appears to be very local, driven by special events and functions that the hotels put on. Again this is very low rated business.
- The country house hotels in the area attract spa break business at weekends.
- **Weddings and functions** are a secondary weekend market for branded 4 star hotels. They are the main weekend market for one hotel, but a minor market for the area's other branded 4 star hotels. Weddings are a key weekend market for the area's country house hotels. Weddings, functions and parties are the main source of weekend trade for Gravesend 3 star hotels.
- People attending weddings and family parties are a key source of weekend business for the area's budget hotels.
- Most of the area's branded 4 star hotels take some **group tours** at weekends. This is a very minor market for them, however, and not one that they actively target due to its very low-rated nature.
- Group tours are a significant weekend market for one budget hotel, which is used by groups as a base for visiting London.

- **Families travelling en-route to France and other transient leisure business** are significant weekend markets for one branded 4 star hotel and at least 3 budget hotels, particularly during the summer months. This is one night stay business however that at least one budget hotel closes out to in favour of two night stays.
- **Brands Hatch** events are a key weekend (and weekday) market for the Thistle Brands Hatch. They also generate good business for hotels in Gravesend and Dartford on 5-6 weekends per year.
- **Bluewater** generates some weekend business for hotels in November and December from people coming to do their Christmas shopping there.
- **People visiting friends and relatives** in the area are an important weekend market for budget hotels.
- Hotels in Kent Thameside did not identify **overseas tourists** as a market that they particularly attract.

4.7. Market Trends

- The corporate market appears to have strengthened significantly in Dartford as new companies have been attracted to the Crossways Business Park. It appears to have reduced in Gravesend, however, as companies here have closed, downsized or relocated.
- Two hotels reported an increase in residential conference business in recent years. Two reported a downturn in this market, however, as companies have started to opt for day, rather than residential meetings, and the duration of residential meetings has reduced.
- The contractors market has been very strong for budget and lower-priced 3 star hotels for some time.
- Leisure break business has increased for most hotels through national marketing of special offer rates by hotel companies.

- One branded 4 star hotel has pulled out of the group tour market due to its low-rated nature, although is considering going back into this market to help boost its occupancy levels. Group tour business has increased for the budget hotel that is actively targeting this market.
- A number of the area's hoteliers felt that the Kent Thameside hotel market is currently benefiting from the current strength of the London hotel market, although we did not find any specific evidence of business being displaced out of central London to Kent Thameside hotels.

4.8. Denied Business²

- The branded 4 star hotels in the Kent Thameside area are currently denying business on Tuesday and Wednesday nights. Only one hotel reported denying business on Monday nights. No hotels reported Thursday night denials.
- Our survey of local companies did not identify any major difficulties with hotel availability other than sometimes at the Hilton Dartford Bridge. On such occasions companies are opting to use the Dartford budget hotels or the Bexleyheath Marriott.
- 4 star hotels in Bexley, Bexleyheath and Brands Hatch reported that much of their corporate business comes from companies in Dartford and to some extent also in Gravesend. This suggests that corporate business is currently being displaced from Kent Thameside due to either a lack of availability at the Hilton Dartford Bridge; the lack of a 4 star hotel in Gravesend; more favourable rates offered by hotels in these other areas; or because companies are tied into national agreements with the brands represented in the other areas. It is likely that some of this business could potentially be retained in Kent Thameside given new 3 or 4 star hotel development here.
- Two of the branded 4 star hotels in the area regularly deny business on Saturday nights between April and October as a result of strong demand from people attending weddings, transient leisure travellers and Brands Hatch events. The other two branded 4 star hotels occasionally deny business on Saturday nights, particularly when there are major events at Brands Hatch and in the run up to Christmas. The branded 4 star hotels do not deny business on Friday and Sunday nights.

² Business that hotels have turned away because they are full or for other reasons such as rate or lack of availability of specific room types e.g. single rooms

- The area's branded 4 star hotels occasionally get enquiries for large residential conferences of 100-200 delegates that they are unable to accommodate. This is not usually the sort of business that hotels want other than on Thursday nights, as it blocks out the rest of the week for corporate business.
- The country house hotels in the area rarely deny business during the week but regularly turn business away on Saturday nights, particularly between April and October.
- Most of the budget hotels in Kent Thameside consistently deny business during the week. Midweek denials are very high for Gravesend budget hotels. They are less consistent for one budget hotel in Dartford. Budget hotels appear to be turning away significant levels of business particularly from the contractors market.
- Gravesend budget hotels are regularly turning away business on Saturday nights, although Saturday night denials are only significant for one of them. Dartford budget hotels do not generally turn business away on Saturday nights other than for major Brands Hatch events.

4.9. Future Prospects

- All of the branded 4 star hotels in the Kent Thameside area expect to see further growth in occupancy in the next 2 years. Two hotels are also projecting further growth in achieved room rate. One sees less scope for rate growth, however, due to the highly competitive nature of the local corporate market, and limited scope therefore to increase corporate rates.
- Two of the budget hotels in Kent Thameside expect to see further growth in occupancy in the next 2 years. One felt that it has reached its realistic capacity in terms of occupancy and will focus its future strategy on rate growth therefore.

- Key factors that hotels believe will drive future growth were identified as follows:
 - Eurostar services from Ebbsfleet. This is seen primarily as a leisure opportunity related to families and holidaymakers requiring accommodation the night before their departure and looking for park & ride accommodation options.
 - The continuing regeneration of the area and development of The Bridge and Ebbsfleet both in terms of contractor business during the construction phase and additional corporate business as new companies open offices in these locations.
 - Demand generated from the construction industry related to the building of the Olympic Park and other facilities for the 2012 Games.
 - A boom in the London hotel market, creating overspill business for hotels in the Kent Thameside area.
 - Demand generated from concerts, exhibitions and conventions at the new O2 Arena at Greenwich.
 - The further development of events at Brands Hatch.

4.10. Summary of Key Points

4.10.1. The 4 Star Hotel Market

- The corporate market is strong and increasing in Dartford. Midweek occupancies and achieved room rates are consequently strong here. Weekday corporate business is regularly being displaced to budget hotels and 4 star hotels in Bexley, Bexleyheath and Brands Hatch.
- The corporate market is much weaker in Gravesend and appears to have reduced.
- The residential conference market appears to be relatively weak and declining in Kent Thameside. Demand is primarily for day meetings.
- Weekend demand is much more difficult to attract and is primarily rate driven. Hotels are able to achieve good Saturday occupancies by offering special offer rates. Achieved weekend room rates are relatively low as a result. There are no real drivers of weekend leisure demand for Kent Thameside other than Brands Hatch events (5-6 times per year) and Bluewater, which generates demand from Christmas shoppers wanting to stay overnight in November and December. Demand generated by weddings appears to be limited for 4 star hotels.

4.10.2. The Budget Hotel Market

- The contractors market is very strong for budget hotels, particularly in Gravesend. Budget hotels also attract strong demand from the Dartford corporate market and transient business travellers. Midweek occupancies are consequently very high for Kent Thameside budget hotels. Most of them regularly deny business during the week, at times to significant levels. Midweek denials are especially high for Gravesend budget hotels.
- Saturday occupancies are also strong for budget hotels. Friday and Sunday occupancies are lower, but pick up in the summer months as a result of increased trade from people attending weddings and family functions, families travelling en-route to the Continent and Brands Hatch events. Group tours are also a significant weekend market for one budget hotel.

4.10.3. The 3 Star Hotel Market

- The 3 star market is relatively weak in Gravesend. The corporate market does not appear to be particularly strong here, with only one 3 star hotel attracting good business from local companies. The other hotels trade primarily in the contractors market during the week. Weekend business appears to be primarily related to weddings and functions.
- Our company survey suggests some demand for a mid-range/ 3 star hotel in the Dartford area. Some companies here are dissatisfied with the choice of hotel accommodation in Dartford, with nothing between the 4 star Hilton and the budget hotels.

5. THE POTENTIAL FOR GROWTH

5.1. The Strategic Context

Kent Thameside is part of the Thames Gateway, an area selected by Government to absorb a substantial proportion of the South East's future growth. It covers the area to the east of the M25 bounded by the River Thames to the north and the A2 to the south. Kent Thameside is set to become an international business centre with a major new business district being developed at Ebbsfleet Valley around the new Ebbsfleet International station. It is a top priority for the sub-region and complements the revitalisation of Dartford and Gravesend town centres. There is a target of 30,000 new homes and 50,000 new jobs in Kent Thameside for the period 2001-2026. Much of this growth will be accommodated in Ebbsfleet Valley but there are other key development schemes along the waterfront and in the two town centres, most notably The Bridge and London Science Park at Dartford Bridge. The development of Kent Thameside over the next 20 years is clearly going to generate a substantial increase in demand for hotel accommodation from:

- construction companies and contractors involved in the development projects;
- the corporate market as companies locate and expand in the area;
- people visiting family and friends as the area's population grows.

Eurostar is also likely to generate demand for hotel accommodation once services start from Ebbsfleet in November 2007. The London 2012 Olympics is also likely to generate a significant increase in demand for hotel accommodation in Kent Thameside, particularly related to the construction of the Olympic Park and associated infrastructure.

5.2. Future Market Prospects

5.2.1. The Corporate Market

The corporate market for hotel accommodation in Kent Thameside is set to see huge growth in the next 20 years as a result of:

- the completion of the Crossways Business Park;
- the development of The Bridge and London Science Park;
- the development of office space at Ebbsfleet;
- the development of other employment and business space elsewhere in Kent Thameside.

The Bridge will provide 1.5 million sq ft of business space. This will include the London Science Park as a major new centre for science and technology with 328,000 sq ft of office, laboratory and studio space with access to regional and London universities. The Science Park includes The Nucleus, a 30,000 sq ft state-of-the-art innovation centre designed to help pioneering science and technology companies, which opened in March 2007. The Bridge will also include a further 500,000 sq ft of office space and is projected to create 7,500 new jobs.

Ebbsfleet will provide 4.8 million sq ft of high quality offices. It is set to become a key administrative and business centre in the South East, attracting companies in the professional and business services, ICT and business and finance sectors. It also has the potential to become a base for international companies and European headquarters of multi-national companies given its international rail links and ease of access to all London airports via the M25. With direct access to Stratford and the Olympic Park, Ebbsfleet also has the potential to become an important hub for the business services that will be required in the run up to the London 2012 Olympic and Paralympic Games from industries such as marketing and media. The development of Ebbsfleet is projected to create over 16,000 new office jobs by 2020, 10,000 of which are likely to be in business services alone¹. Office development is likely to gain momentum from 2009 following the opening of the domestic rail service from Ebbsfleet International.

¹ Source: The Potential of Ebbsfleet, Kent Thameside, as a future office location, Knight Frank LLP, June 2006

With the development of The Bridge and Ebbsfleet and other office and business spaces in Kent Thameside it is evident that Kent Thameside is set to attract a significant number of new companies and organisations in sectors that are likely to generate good demand for hotel accommodation. There will thus clearly be significant growth in corporate demand for hotel accommodation in Kent Thameside over the next 20 years.

5.2.2. Contractors

Given the level of construction planned in Kent Thameside, and the development of the London 2012 Olympic Park and associated infrastructure, there is likely to be huge growth in demand for hotel accommodation in Kent Thameside from construction companies and contractors in the next 20 years, and particularly in the next 5 years. Demand is likely to be strongest for budget hotels. Demand for 3/4 star hotels should also increase from project managers, consultants, civil engineers etc. Hotels in the Kent Thameside area are already starting to attract demand related to the construction of the Olympic Park. Laing O'Rourke, which has its corporate headquarters at the Crossways Business Park in Dartford, expects to double its demand for hotel accommodation as a result of its work on overseeing the construction of the Olympic stadium and athletes village, and will have a significantly increased requirement for hotel accommodation in the Dartford area.

5.2.3. Residential Conferences

Our research suggests potential for growth in the residential conference market in Kent Thameside. This is likely to remain a secondary weekday market for hotels however.

Research undertaken to assess the potential impact of the London 2012 Olympic and Paralympic Games² on the South East Region suggests that additional domestic and international conference tourism will be attracted to the South East as a result of the Games. With its ease of access to the M25 and proximity to London and the Olympic Park, Kent Thameside could benefit from this growth in conference demand. Given the development of 4 star hotels with good conference facilities, Ebbsfleet will be a strong location for national and international conferences with its national and international rail, air and motorway links. There could also be potential for new hotels here to target conference business from London companies, given the high-speed rail links from central London.

² Review of the Impacts of the London 2012 Olympic and Paralympic Games on the South East Region, Locum Consulting, April 2006

Set against these positive indicators of potential growth in the residential conference market in Kent Thameside, there are number of more negative indicators that suggest growth may be more limited. The residential conference market generally appears to be declining as a result of shorter duration residential meetings, a switch to more day meetings, and the development of in-house meeting and training facilities by many companies. The residential conference market is also becoming increasingly competitive in the South East, with more and more hotels and conference centres trying to target it.

Our research showed evidence of some unsatisfied demand for larger residential conferences of 100-200 delegates. This is usually business that hotels are reluctant to take, however, as it can block them out to the corporate market for the rest of the week.

Ebbsfleet could be a good location for major national and international conferences given the development of a major 4 star hotel with conference facilities, supported by a choice of hotels of other standards within walking distance. This could be a longer-term opportunity depending on how hotels develop at Ebbsfleet.

The planned Bluewater exhibition and events venue could also generate demand for hotel accommodation.

5.2.4. Eurostar

Eurostar is likely to create new demand for hotel accommodation in the Kent Thameside area once services commence from Ebbsfleet in November 2007. Demand is likely to be generated for pre-travel accommodation and park & ride hotel deals from outbound business travellers and leisure tourists travelling to Paris and Brussels. Eurostar will not be running services to EuroDisney from Ebbsfleet however. These will continue to run from Ashford and St Pancras.

Eurostar envisages that the majority of outbound passengers boarding at Ebbsfleet will come from within a 90-minute drive time. Only a minority are likely to require hotel accommodation therefore. Ebbsfleet will not benefit from demand for accommodation from families from the North of England travelling down to join Eurostar services to EuroDisney in the way that Ashford currently does. Demand for hotel accommodation at Ebbsfleet from outbound passengers is unlikely to be significant therefore.

Demand for hotel accommodation at Ebbsfleet from inbound Eurostar passengers is likely to grow as Ebbsfleet becomes more established as an international transport interchange. Eurostar does not expect such demand to be significant in the initial years however.

5.2.5. The Olympics

The London 2012 Olympic and Paralympic Games are likely to generate a significant increase in demand for hotel accommodation in Kent Thameside both in the run up to the Games over the next 5 year; immediately before and during the Games themselves; and in the years after the Games.

The 'Review of the Impacts of the London 2012 Olympic and Paralympic Games on the South East Region', undertaken by Locum Consulting in April 2006, identified the potential for accommodation providers in the South East to attract the following markets in the run up to, during and after the Games:

- **During the build up to 2012**
 - International media on scouting missions to the UK.
 - International Olympic teams on preparation and acclimatisation trips to the UK.
 - Domestic and international leisure tourists attracted as a result of increased marketing and awareness of London and the UK, and the programmes of sporting and cultural events to be held in the run up to the Games.
 - Domestic and international business tourists attracted as a result of London 2012 business opportunities.

We would add demand from construction companies and contractors involved in building the Olympic Park and its support infrastructure, together with demand related to the organisation of the Games.

- **In the immediate build up to, and during the Games**
 - International media teams – proximity to the Olympic Park will be vital to them.
 - Support teams for competing countries that are not able to, or decide not to stay in central London.
 - Domestic and overseas spectators.
 - Domestic and overseas business tourists attracted to events programmes alongside the Games.

- **After the Games**
 - Domestic and overseas leisure and business tourists attracted by the significant increase in awareness of London and the UK that will result from the Games, and their legacy of cultural events and facilities for future major sporting events.

Kent Thameside is well placed to attract many of these markets:

- The area is well placed to service demand from construction companies and contractors working on the development of the Olympic Park. Hotels in the area are already starting to see demand from this market. As noted above, demand is likely to increase significantly from Laing O'Rourke.

- As an Olympic standard facility, the Dartford Dojo judo centre is likely to be used as a training camp by at least two Olympic judo teams. The Canadian and US teams have already visited the centre and are understood to be very interested in using it in the run up to the London 2012 Olympics and Paralympics. Teams will require accommodation for a period of 3-4 months in the run up to the Games in 2012, and also in 2011 and possibly 2010. They may require hotel accommodation in the Dartford area, probably a 3/4 star full service hotel. Much will depend on whether accommodation facilities are incorporated into the destination sports facility currently proposed by Dartford Borough Council next to the Dartford Dojo.

- With its direct high-speed rail link to the Olympic Park, Ebbsfleet will clearly be an excellent location for spectators to stay, given hotel development here.

- Kent Thameside hotels may benefit from the growth in domestic and overseas leisure and business tourism that the Games are expected to fuel, and from some of the sporting and cultural events planned in the run up to the Games. Central London is

more likely to be the preferred location for these markets, however, we would suggest. Hotels in Kent Thameside may, however, benefit from overspill business, or may be able to compete on price.

While the Olympics provide opportunities for hotels in Kent Thameside and may help to bring forward new hotel development here, especially at Ebbsfleet, it must also be recognised that significant new hotel development is likely to take place in central London, Stratford and other parts of the South East and East of England, which will compete for Olympic-related demand. It is estimated that over 15,000 new hotel rooms will come on stream within 50km of the Olympic Park by 2012.

5.2.6. Leisure Breaks

Existing and new hotels in Kent Thameside may benefit from the overall growth in the leisure break market in the South East anticipated as a result of the Olympics, the heightened awareness of London, and the cultural and sporting events that will be held in the South East in the run up to the Games and afterwards, possibly with Olympic venues as their focus e.g. for concerts.

Hotels in Kent Thameside may be able to market themselves more effectively as a base for visiting London once the high-speed domestic services into central London start from Ebbsfleet International in 2009. We are not convinced that significant numbers of leisure break customers wanting to visit London will choose this option over staying in central London, however, unless Kent Thameside hotels offer a significant price incentive.

Hotels in Kent Thameside may attract new leisure break business from people attending major concerts at the O2, and events at the new exhibition and event venue at Bluewater.

We suspect that the leisure break market for Kent Thameside hotels will continue to be primarily rate driven through special offer promotions. The area is not really a leisure break destination of choice, and will require significant investment in the leisure offer in terms of new attraction, cultural, entertainment and leisure development to achieve the step change required to deliver this. Until then, existing and new hotels will primarily need to drive leisure business on price.

5.2.7. Overseas Tourists

Hotels in Kent Thameside may benefit from the general growth in overseas tourism to the South East that is anticipated in the run up to and beyond the Olympic Games, particularly with Ebbsfleet International becoming a new gateway for continental visitors. Hotels in the area are most likely to attract one night stays from transient overseas visitors, but could also attract overseas visitors to use Kent as a base for London and continental Europe.

5.2.8. Group Tours

Existing and new hotels in Kent Thameside can potentially attract significant group tour business. This is a market that hotels will usually limit, however, as it is very low-rated business. They will generally only take group tours to help boost quiet nights and periods e.g. Thursday, Friday and Sunday nights.

5.2.9. Weddings and Functions/ VFR Market

The weddings and functions, and visiting friends and relatives markets, are likely to grow strongly in Kent Thameside, given the level of house building planned and the projected growth in the area's population. This is likely to result in growth in demand particularly for budget hotels.

5.3 Projected Future Requirements for Hotel Development

5.3.1. Methodology Used for the Projections

In order to provide an indication of the number of new hotel bedrooms that might be needed in Kent Thameside over the next 20 years, Hotel Solutions has prepared projections of future growth in roomnights for 3/4 star and budget/ upper-tier budget hotels to 2011, 2016, 2021 and 2026. The projections assume that growth will be unconstrained by site availability and planning policy.

a) 3/4 Star Hotels

Our projections for future requirements for 3/4 star hotel accommodation are based on growth in midweek demand. The ability to achieve high midweek occupancies will be the key factor that will determine the viability of new 3/4 star hotels in Kent Thameside. While new hotels here should be able to attract weekend demand, our research suggests that this will continue to be at relatively low rates, driven primarily through special offer promotions. New 3/4 star hotels will thus need to achieve high midweek occupancies (at least 85%) and high midweek rates if they are to be viable in Kent Thameside.

In projecting future requirements for 3/4 star hotel accommodation in Kent Thameside we have first calculated an estimate of current (2006) baseline midweek demand based on our estimates of current midweek roomnights for the Hilton Dartford Bridge and an assumed proportion of the corporate demand that we have estimated for the Marriott Bexleyheath, Holiday Inn Bexley and Thistle Brand Hatch that we have assumed that these hotels derive from Dartford and Gravesend companies. To these figures we have added estimates of roomnights that hotels are currently denying, based on information provided to us by hotel managers, to provide an adjusted baseline figure. Of true roomnight demand. We have then applied assumed low, medium and high growth rates to this estimate of baseline roomnights to calculate estimated midweek roomnight demand by 2011, 2016, 2021 and 2026.

Using these projections of future hotel demand we have then calculated the number of 3/4 star hotel bedrooms that our roomnight projections would support, assuming an average annual midweek room occupancy of 85% for all hotels (the level of midweek occupancy that we believe hotels will need to achieve to ensure their viability). Applying these figures to current numbers of hotel rooms provides figures for the numbers of new 3/4 star hotel

bedrooms that may be needed in the future if the projected growth in the market takes place.

b) Budget Hotels

Our projections for future requirements for budget/ upper-tier budget hotel accommodation are based on growth in both midweek and weekend demand. There is very little difference in achieved midweek and weekend rates for budget and upper-tier budget hotels. They thus need to achieve good occupancies throughout the week.

In projecting future requirements for budget/ upper-tier budget hotel accommodation we have taken our estimates of current (2006) budget/ upper-tier budget hotel roomnight demand as the baseline. To this we have added an estimate of the roomnights that Kent Thameside budget/ upper-tier budget hotels are currently denying, based on the information provided to us by hotel managers, to provide an adjusted baseline figure. We have then applied assumed low, medium and high growth rates to this adjusted baseline roomnights figure to give estimates of future budget/ upper-tier budget roomnight demand by 2011, 2016, 2021 and 2026.

Using these projections of future demand we have then calculated the number of budget/ upper-tier budget hotel bedrooms that our roomnight projections would support, assuming an average annual room occupancy of 80% for all hotels (the level of room occupancy that budget hotel companies generally seek to achieve). Applying these figures to current numbers of hotel rooms provides figures for the numbers of new budget/ upper-tier budget hotel bedrooms that may be needed in the future if the projected growth in the market takes place.

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. 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, however. Clearly the further ahead that one looks, the more difficult it is to project growth accurately. Projecting as far ahead as 15-20 years is very difficult. The projections to 2021 and 2026 should thus be treated with caution.

5.3.2. Assumed Growth Rates

a) 3/4 Star Hotels

The latest economic forecasts for Kent Thameside, sourced from Experian Business Strategies' Local Markets Database (December 2006 issue), project an average annual increase in employment of 1.39% for Kent Thameside between 2006 and 2020, and an average annual growth in GVA of 3.52% for Dartford and 2.66% for Gravesham. Projections prepared by Experian Business Strategies for the Knight Frank LLP study of the potential of Ebbsfleet as a future office location, estimated that Ebbsfleet will create 16,000 full-time equivalent office jobs by 2020. Together with the estimated jobs that The Bridge will create (7,500) total employment in Dartford could increase by an average of 3.5% per annum. Taking account of the projected growth in employment in Gravesham, these projections suggest an average annual increase in employment across Kent Thameside of 2.4%.

A number of factors suggest that growth in midweek demand for hotel accommodation in Kent Thameside is likely to be much higher than these employment forecasts:

- Most of the growth in employment in Kent Thameside will be in sectors that are productive in terms of hotel demand, such as science & technology, business and professional services, ICT, banking and finance, and international companies that might be attracted to Ebbsfleet.
- There is likely to be a huge growth in demand from the construction sector related to the development of the Olympic Park and associated infrastructure and the development of Kent Thameside. The growth in demand from Laing O'Rourke alone could contribute to an increase of at least 3-5% in the Kent Thameside hotel market.
- There is likely to be new midweek demand for hotel accommodation at Ebbsfleet from Eurostar business travellers.
- Hotels in Kent Thameside may see demand related to the Olympics over the next 5 years e.g. from international media teams and judo teams coming to train at the Dartford Dojo.
- There is potential for new hotels in Kent Thameside to attract new residential conference business.
- Kent Thameside hotels may benefit from overspill business from London and major exhibitions and conferences held at the O2.

Our research suggests strong growth in midweek demand for 3/4 star hotel accommodation over the next 10 years. We suspect that growth may start to slow in the longer term as the major regeneration schemes are completed. We have thus assumed the following average annual growth rates for midweek demand and for 3/4 star hotel accommodation in Kent Thameside:

**3/4 Star Hotels – Kent Thameside
Assumed Growth Rates for Midweek Demand**

Growth Scenario	Average Annual Growth Rate 2006-2016 %	Average Annual Growth Rate 2016-2026 %
Low	4	2
Medium	5	3
High	6	4

For simplicity's sake we have based our projections on an average annual growth rate. Clearly growth in demand will fluctuate from one year to the next. There is insufficient data to factor in different growth rates per year, however.

b) Budget/ Upper-Tier Budget Hotels

Midweek Demand

There is no reason to suggest that midweek demand for budget/ upper-tier budget hotel accommodation should not grow at least in line with the growth in demand for 4 star hotel accommodation. Growth could be even stronger for budget hotels from the contractors market. We have, however, factored in a significant level of currently denied business from this market in our estimates of current baseline demand for budget/ upper-tier budget hotels.

Average annual growth rates for midweek demand for budget/ upper-tier budget hotel accommodation have been assumed as follows:

**Budget/ Upper-Tier Budget Hotels – Kent Thameside
Assumed Growth Rates for Midweek Demand**

Growth Scenario	Average Annual Growth Rate 2006-2016 %	Average Annual Growth Rate 2016-2026 %
Low	4	2
Medium	5	3
High	6	4

Weekend Demand

Our research suggests that growth in weekend demand for budget hotel accommodation in Kent Thameside is likely to be at a slower rate than growth in midweek demand. The primary weekend market for budget hotels in Kent Thameside is people attending weddings and family parties or visiting friends and family in the area. Population growth is likely to be the best indicator of potential growth in this market. Population forecasts prepared by the Analysis and Information Team at Kent County Council show an average annual growth in Dartford's population of 1.96% and an average annual growth of 0.16% for Gravesham. Budget hotels may also attract increased demand at weekends from the domestic leisure break and overseas tourist markets, particularly in the run up to the Olympics and once the high speed rail services into London commence in 2009. New budget/ upper-tier budget hotels are also likely to attract new leisure break business through their marketing and branding. Forecasts for growth in the domestic leisure break and overseas tourist markets for the South East and the UK put growth at between 3-4% per annum in the run up to 2012.

Taking account of these indicators, we have assumed the following average annual growth rates for weekend demand for the budget/ upper-tier budget hotel accommodation in Kent Thameside through to 2026:

**Budget/ Upper-Tier Budget Hotels – Kent Thameside
Assumed Growth Rates for Weekend Demand**

Growth Scenario	Average Annual Growth Rate 2006-2021 %
Low	2
Medium	3
High	4

5.3.3. Projected Future Hotel Development Requirements

The results of our calculations in terms of future numbers of hotel bedrooms required by standard and location are summarised in the tables below:

Kent Thameside – Projected Requirements for New Hotel Development – 2011-2026

Standard of Hotels/Year	Projected New Rooms Required		
	Low Growth	Medium Growth	High Growth
3/4 Star			
2011	158	174	191
2016	230	272	316
2021 ¹	273	343	424
2026 ¹	320	426	553
Budget/ Upper-Tier Budget			
2011	229	259	290
2016	345	418	498
2021 ¹	420	546	689
2026 ¹	504	693	921

Note:

1. It is very difficult to project change over a 15-20 year period. The projections for 2021 and 2026 should be treated with caution, therefore. It is unlikely that growth in demand will be sustained at the assumed growth rates over such a long period.

6. FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

6.1. Opportunities by Standard of Hotel

6.1.1. 3/4 Star Hotels

Our projected future requirements for 3/4 star hotel accommodation in Kent Thameside show potential for a further 158-191 4 star bedrooms in the next 5 years and 230-316 in the next 10 years, depending on how strongly the market grows. This equates to one new 150-bedroom 3/4 star hotel by 2011 and a second possibly by 2016. Our projections through to 2026 show potential for 320-553 additional 3/4 star hotel rooms. This could equate to a further one or two new 4 star hotels in the high growth scenario is achieved. Some of these rooms could be delivered via the expansion and up-grading of existing hotels.

The rates currently being achieved by 4 star hotels in the Kent Thameside area suggest **stronger potential for 3 star than 4 star hotel development**. While new 4 star hotels would be able to achieve high midweek rates, achievable weekend rates are likely to remain low, and will continue to keep overall achieved room rates below the target levels for many 4 star brands. Our survey of local companies also identified a requirement for a mid-range hotel in the Dartford area. Some 4 star operators may however be interested in developing in Kent Thameside given the projected growth in the corporate market and the potential to attract residential conference business here.

Some of the potential for additional 3/4 star hotel accommodation could be met through the development of **a boutique hotel**. Our survey of local companies identified demand for a hotel of this style. Such a hotel is likely to be able to attract higher-rated leisure business. It could also compete well with Rowhill Grange and Brandshatch Place for the top end corporate business that they attract from companies in the Kent Thameside area.

Some of the potential for additional 3/4 star hotel accommodation could also be met through **a suite hotel**. Such hotel products (commonly found in the US) are now starting to come into the UK. Ebbsfleet might be a suitable location for such a hotel, particularly if international companies locate offices here.

Our research and projections suggests that there could potentially be scope for a large (200+ bedroom) 4 star **conference hotel** at Ebbsfleet. With its excellent road, air, and especially rail connections, Ebbsfleet could be a good location for major national and international conferences, given the development of a large hotel with extensive conference facilities. This would need to be supported by a choice of hotels of other standards within walking distance if the associations meetings market is to be targeted. It may be difficult for such a large hotel to achieve sufficiently high weekend occupancies and rates to ensure its viability however.

6.1.2. Budget/ Upper-Tier Budget Hotels

Our growth projections show potential for significant budget and upper-tier hotel development in Kent Thameside over the next 20 years. Our research suggests immediate potential for at least one new budget hotel in the area and a further 1-2 budget/ upper-tier budget hotels in the next 5 years. In the longer term, our projections show potential for another 5 to 9 budget or upper-tier budget hotels in Kent Thameside by 2026 in addition to the current supply.

6.2. Required Hotel Development Sites

Assuming an average size of 120-150 bedrooms for new 3 or 4 star hotels and 100 bedrooms for new budget or upper-tier budget hotels, our projections suggest a requirement for up to 13 hotel development sites in Kent Thameside over the next 20 years.

Kent Thameside - Required Hotel Sites – 2011-2026

Standard of Hotels/Year	Projected Hotel Sites Required		
	Low Growth	Medium Growth	High Growth
3/4 Star			
2011	1	1	1
2016	1	2	2
2021 ¹	2	2	3
2026 ¹	2	3	4
Budget/ Upper-Tier Budget			
2011	2	2	3
2016	3	4	5
2021 ¹	4	5	7
2026 ¹	5	7	9

7. THE DEVELOPER PERSPECTIVE

7.1 Hotel Developer Requirements

Hotel companies generally work to a set of key investment criteria that they use to help them put together their national development strategy and trawl for sites. Clearly there is some variation between different types of hotel product, but below we set out some of the main criteria in outline:

- **Location** – achieving critical mass and geographic spread is important to all national hotel brands. They will target primary locations first, which tend to be larger regional cities, then move on to secondary and tertiary locations, which can be better supported by the rest of the group once brand awareness is high.

- **Site requirements** include:
 - Strategic locations with good access;
 - Visibility to passing traffic;
 - A strong business base close by, with sectors that are productive for hotel roomnights (e.g. financial and business services, regional and national headquarters);
 - Leisure drivers to fill the rooms at weekends (proximity to attractions, speciality shopping, restaurants, events);
 - Site areas of 0.5-6 acres (dependent upon range of offer and ability to develop vertically);
 - Land values that reflect hotel economics (£5,000-£15,000 per room);
 - An attractive environment;
 - Minimum population of 50,000-100,000 for smaller units and budget/ mid-market offers, 100,000-150,000+ for larger developments and products at the quality end of the market;
 - City centre and out-of-town sites;
 - The need for associated development where land values are high;
 - Redevelopment sites where opportunities are limited and competition for sites strong.

- **Development costs** – the control of costs is critical to hotel viability, but land and building costs have been driven upwards since the recovery from the recession of the early 1990s. This has resulted in:
 - A move towards larger hotels;
 - The need to tailor the hotel product and design to the site;
 - The development of hotels in association with other uses (restaurants, bars, leisure clubs, residential).

- **Financial and performance criteria** – viability is a function of development cost, occupancy and achieved room rate, and performance ranges will vary by product type. Typically:
 - Occupancy targets of 70-75% - or 80%+ for smaller budget hotels;
 - ARR (Achieved Room Revenue, ex discounts, VAT and breakfast) targets of £35-£45 (budget), £55-£75 for upper tier budget offers, and £80+ for 4 star products, with luxury 4/5 star, country house and boutique/ town house hotels often looking to achieve £100-£150+;
 - Return on investment ranges of 15%-25%.

7.2 The Nature of Hotel Investment

As a backcloth to assessing potential hotel developer interest in Kent Thameside, it is important to have an appreciation of the nature of hotel investment and operation, as well as the structures that are used for the financing of hotels. There are four principal vehicles for hotel development and operation:

- Some hotel companies wholly own and manage their hotels themselves. They raise the capital, and as hotel development is capital intensive and returns longer term, this can restrict the pace at which such companies can develop.

- Other hotels are run via management contract – an agreement between the owner of the hotel and a hotel company for the latter to run the hotel. The hotel would still appear to the public to be part of the operating chain. The hotel operator gets a fee for this task, usually a percentage of turnover.

- A further option is a lease, whereby an operator pays a rent for use of the building or land; the risks are then with the operator not the owner, as the latter has a fixed return.
- Franchise agreements are also commonly used in the hotel industry, giving an operator or investor the right to use a brand name although the hotel is in separate ownership from the chain. Fees are charged for this relating to royalties, reservations and marketing.

The levels of risk and capital outlay required by a hotel company therefore vary considerably between these options. Many more operators are likely to be interested in options put to them that involve management contracts than in building and funding development 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.

It can be seen from the above that the owners of hotels need not themselves be hotel companies, and include property and institutional investors. Due to the levels of investment involved in larger high quality 4 star hotels, there is a greater likelihood of these being developed via management contract, franchise and lease. A number of the newer, expanding brands such as Tulip Inn, Ramada Encore and Days Inn are also going down the franchise route in order to expand the brand quickly.

7.3 Hotel Developer Interest in Kent Thameside

During the course of the Hotel Futures research, Hotel Solutions contacted a sample of hotel companies to get feedback from them on:

- Current or potential interest in developing in Kent Thameside;
- Image of the area as a hotel investment location;
- View of the hotel market here;
- Key issues influencing hotel investment decisions;
- The impact of the Olympics and the opening of Ebbsfleet International station on their view of the market and investment decision-making;
- The size and standard of hotel they would seek to develop;
- Preferred locations for hotel development;
- Progress with site acquisition or obstacles faced;
- Type of deal they would be interested in;

- Support required in furthering any interest;
- In the case of any companies not interested in investing in Kent Thameside, the identification of reasons behind this, and the conditions that would be required for this to change.

The testing was not intended as a comprehensive trawl but as a taste of the market across the range of providers for which a demand has been identified. Whilst the responses provide a useful basis for follow-up at a later date, a good deal of the value they offer currently is to provide a steer on some of the key issues surrounding potential sites and locations for development.

Over 30 hotel developers, investors and operators were contacted. More than 20 responses were received. We provide a summary of their responses in terms of brand interest in hotel development in Kent Thameside below:

HOTEL DEVELOPER INTEREST IN KENT THAMESIDE

STANDARD/ TYPE OF HOTEL	BRAND INTEREST
4 STAR	<ul style="list-style-type: none"> • Hilton • Millennium & Copthorne • Crowne Plaza • Ramada Plaza • Novotel • Radisson SAS • Holiday Inn
DESTINATION/COUNTRY HOUSE	<ul style="list-style-type: none"> • Cadbury House Hotel Group
BOUTIQUE	<ul style="list-style-type: none"> • The Place Hotels • Hope Street Hotels
3 STAR	<ul style="list-style-type: none"> • Jurys Inn • Park Inn • Hilton Garden Inn • Courtyard by Marriott • Village • Days Hotel
UPPER TIER BUDGET	<ul style="list-style-type: none"> • Ramada Encore • Tulip Inn • Express by Holiday Inn • Hampton Inn • Sleep Inn
BUDGET	<ul style="list-style-type: none"> • Premier Travel Inn • Travelodge • Days Inn • Etap/Ibis
QUALITY PUB ROOMS	<ul style="list-style-type: none"> • Greene King

Below we provide an overview of the responses from hotel developers and the key issues emerging from these consultations:

- The majority of respondents had some interest or potential interest in investing in hotel development or operation in Kent Thameside. In most cases those that were not interested either felt it wasn't quite right as a location for their product, particularly where the offer was a niche product, or, in the case of smaller regional developers, their focus initially is on a tighter geographic area that at the present time does not take in Kent Thameside.
- The things that make this area attractive to hotel investors and operators include:
 - Excellent access, with the M25 and the A2 key transport corridors;
 - Proximity to London and the potential for London overspill;
 - Density of businesses and visibility of business activity.
- There was some awareness of the major development activity underway in the Kent Thameside area, but not among all companies. Those who had been active in the market clearly had a greater awareness of this, and many had read about Ebbsfleet station and the associated development here. Few however were aware of the detailed implications of this and the associated timing.
- In terms of the location of development, the majority of those consulted did not know Dartford and Gravesend town centres. The two biggest budget hotel operators (Premier Travel Inn and Travelodge) were the exception to this. Both companies have been looking at town centre sites here as well as out-of-town and roadside locations. Most developers wanted to be first and foremost close to business activity and if possible also to have access to leisure drivers and to be easily accessible. A location at a 'destination' in Kent Thameside therefore, e.g. a business park like Crossways or The Bridge, or a retail attraction like Bluewater, was attractive to the bulk of those consulted. Visibility from the M25 or A2 would also give the brand exposure and was felt to be an added bonus. These locations were also felt to have the potential to pick up transient business passing through Kent. Ebbsfleet station had strong appeal to developers and operators of all types of brand, with its excellent access and support signage and infrastructure adding to benefits of being sited here.

- Whilst we did find evidence of some developer interest in all three centres (Dartford, Gravesend, Ebbsfleet), along key routeways and at destination/activity 'hubs', the interest was stronger around Dartford and Ebbsfleet because the current and potential future corporate market was seen to be much stronger here. The leisure market was felt to be a challenge for this area as a whole, although the amount of new homes being developed in this area was felt to be a plus for VFR business (visits to friends and relatives) particularly for the budget hotels.
- There was interest in developing a range of hotel offers in Kent Thameside from budget through to 4 star. Budget, upper tier budget and 3 star interest was probably the strongest; developers who operate a range of offers were sometimes opting for their 3 star or upper tier budget product rather than their 4 star offer. There was a sense that currently achieved room rates are not as strong as some locations, and that the leisure market and limited weekend leisure appeal was dragging the overall rate and occupancy down.
- We had a limited response in terms of boutique hotel developer/operator interest. Many of these developer/operators are looking for either heritage locations or trendy city living quarters. A quality environment is very important to their setting, as is local affluence to fuel their quality food and beverage offer. There are no locations in Kent Thameside that clearly meet these requirements.
- We also picked up only lukewarm interest in serviced apartments/suite hotels. There was uncertainty about whether a market would exist for this type of offer in Kent Thameside, particularly in terms of long stay corporate demand. Much will depend upon the take up of the office space at Ebbsfleet and the type of companies this attracts.
- These perceptions may well change as development unfolds in Kent Thameside, and as the impact of Ebbsfleet and surrounding development is felt, together with other major developments such as The Bridge and the regeneration schemes in the two town centres. It is difficult for the potential hotel investor to see this currently – indeed several referred to the area as 'looking like one big building site'. Hotel developers do not usually want to lead the way or come in ahead of market growth. They generally tend to follow development and wait until it starts to generate demand for hotel accommodation.

- The type of deal sought by consultees varied according to their interests. Certain operators will only take freehold or long leasehold sites – others are more flexible and would look at the range of options including shorter leases, joint ventures and management contracts. It very much depends upon their investment strategy and the strength of the site opportunity presented to them.
- In terms of size of hotel, most hotel brands have one or more standard models that they employ in different situations: boutique and town house hotels tend to be relatively small (20-50 rooms); budget hotels are commonly 40-60 rooms, but can be up to 100-120 rooms in city centre locations; upper tier budget hotels are usually 80-120 rooms; and 3 and 4 star hotels are typically 120-250 rooms, although can be up to 200-250 rooms in city locations. Most of the respondents wanted to develop their larger models in Kent Thameside - a function of the difficulty of getting into the market here, and of making the most of any site that can be secured.
- Many of the hotel developers that we consulted had been approached with opportunities associated with the Olympics around Stratford. They did not particularly associate the Kent Thameside area south of the river with the Olympics and no one was aware of the high-speed rail link that will operate from Ebbsfleet to the Olympic Park during the Games. There was a general feeling that all of London and its surrounds would experience some uplift from the build up to 2012, from construction business and media interest, to training camps and a general increase in tourist business as the Games draw nearer.
- Undoubtedly London will be full and its profile will heighten which has to be good for hotels within striking distance of the city and the Olympic village. However, a number of hotel operators quoted negative experiences after the Sydney Olympics when many hotels rushed in to benefit from the Olympic effect only to find the area dead after the Games. Several of the major players lost hotels as a result. There have been similar experiences closer to home after the Dome and Millennium celebrations. What is key to the hotel developers, operators and investors is the core level of demand in the area; they have to ensure a sustainable business in the long term, and whilst the Olympic effect is a bonus and could accelerate development, it will only do so if they are convinced there will be a strong market for their offer beyond 2012.

7.4 Barriers to Investment

By far the biggest obstacle to investment identified by hotel developers, investors and operators was the difficulty of securing sites. All those we spoke to flagged this up, with the main problems being:

- Availability of land – the Green Belt constrains development south of the A2, Crossways is built out, plus there is intense competition from other uses – particularly residential but also retail, office and employment.
- Site values – particularly in the light of strong competition from other uses, especially residential and offices, and the values these generate, which hotels often struggle to compete with.
- Timing in terms of when identified sites might come forward – always a complication when major development schemes are underway, but additionally here timing in terms of new markets that are likely to be opened up by the major development projects underway.

Increasingly in the South of England but also in many cities, hotel companies are having to consider mixed-use schemes as their only option to realise a hotel development, but for a number of reasons they generally don't favour these (given a choice) because of:

- a lack of control over ownership, development and operation;
- the length of time they take to come to fruition;
- the difficulty of keeping the vision and commitment together that means they can fall apart at any time;
- the complexity of development;
- the fact that the hotel at a lower value often gets pushed into a less favourable/visible location within the mix, or squeezed out of the development altogether;
- the fact that many are offered on a leasehold only basis – a barrier to some but not all hotel operators.

A lot of hotel development is opportunistic, and clearly hotel developers have the opportunity to focus their investment and site search and acquisition activities where the route to development is more straightforward and less competitive. For this reason their attention is frequently diverted to other strong locations where they can make something happen – and often where local authorities and regeneration agencies are aiding this process.

7.5 Site Assessments

Over 20 sites have been assessed during the course of this study, with a view to identifying their potential for hotel use and their suitability in terms of hotel developer requirements.

In overview, we offer the following comments:

- There are 6 sites within the list reviewed that either have planning permission for hotels, or where hotels have been agreed as part of the mix within a larger scheme that is approved. This is very positive.
- The fact that this area is undergoing such radical change and has therefore been the subject of various masterplanning exercises is a big plus from this point of view. There are further sites still undergoing this process where hotel uses could be built in should demand and developer interest provide a supportive evidence base. Land Securities, as an example, is a major landowner in Kent Thameside and is planning very positively for hotel development, with 3 hotel sites within Ebbsfleet Valley; they recognise that there could be further potential for hotel development within Ebbsfleet Valley and have sufficient flexibility within their development scheme to accommodate this as needed.
- The down side of the scale of change underway here is that a number of the sites are likely to be medium term, as a result of the infrastructure works / change to the surrounding environment required. In some cases this will be needed to create the market for additional hotel demand.
- However there are some sites that could come forward in the short term i.e. the next 12-18 months.
- The fact that some of the sites are likely to be part of mixed-use schemes or otherwise tied in with wider development programmes also makes them more complicated to deliver. However, it might also present an opportunity to 'enable' hotel development by developing schemes that include higher value uses.

- There are few sites that are in the ownership/control of the local authorities or other public bodies. These will often be favoured by hotel operators, and offer a greater opportunity for the stakeholders to influence the development and the deal.
- Whilst we have not examined in any detail the likely type of deal that will be sought by site owners, freehold or long leasehold arrangements are preferred by most hotel developers, and we are conscious that this may not be an option for some sites, particularly in mixed use schemes.
- Some of the sites we have looked at could be developed for alternative uses, in part or in full, either residential or commercial. This could result in the potential hotel use being squeezed out on value if left to market forces, or without some form of intervention, planning or otherwise.

The strongest sites currently in the frame are:

- Those with planning or identified in master plans:
 - The Bridge
 - Bluewater
 - Ebbsfleet station
 - Ebbsfleet A2 (2 sites)
 - Gravesend Heritage Quarter
- Well-located sites where planning and other issues would need to be resolved:
 - Stone House Hospital
 - Dartford Northern Gateway
 - Land adjacent to Princes Park/The Lakes
 - Land adjacent to Morrisons/A2

In identifying further sites, the ability to meet as many of the 'win' criteria identified by developers and operators as possible should be the guide, being:

- In Council/public sector ownership;
- On a main routeway, adjacent to a key demand driver such as a business park, or in one of the town centres;
- Affordable in terms of alternative use value – particularly residential – or have the opportunity to benefit from associated development value;
- Be available freehold or on long leasehold;
- Have fit with market potential;
- Have on-site parking or access to parking nearby;
- Able to come forward in the short to medium term; ideally with planning permission.

7.6 Summary of Key Points

The research to date has clearly shown:

- Strong demand and growth potential in the Kent Thameside hotel market;
- Significant levels of interest in Kent Thameside from hotel developers, operators and investors;
- A preference by developers for motorway and destination hub sites but some interest in the town centres from the main budget hotel operators;
- The availability of some excellent hotel sites, a number of which have the potential to come forward in the next 12 months to 2 years;
- A danger that hotels could get squeezed out of some of the other identified sites on value by competing uses;
- A potential need for almost 1,500 new hotel rooms by 2026 and up to 13 hotel sites.

8. THE POLICY CONTEXT

8.1. The Big Picture

Clearly it is important that the hotel infrastructure of Kent Thameside helps to support and grow the tourism industry and the wider economy, and deliver the strategic objectives as identified by the public and private sector partners.

The past five years has been a time of significant change and review in the national, regional and local planning and tourism policy framework, with on-going developments in this field that will impact upon the context in which hotel development will take place in the area.

8.1.1. National Planning Guidance

National guidance for tourism development was contained in PPG21 until its cancellation in September 2006. It has been replaced by a '**Good Practice Guide on Planning for Tourism**'. This document contains a specific appendix on tourist accommodation, dealing principally with the location of accommodation.

The sections relating to hotel accommodation are attached at Appendix 4. The guidance 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 of relevance to Kent Thameside 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;
- 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.

8.1.2. Regional Planning Policy

Regional policies for tourism are set out in the emerging **South East Plan**. These policies were developed initially in 'Destination South East', a land-use and planning strategy for the tourism industry that was approved in November 2004 as a formal alteration to RPG9. RPG9 has now become the adopted Regional Spatial Strategy as amended in November 2004, and is being rolled forward as the South East Plan.

RPG9 and the emerging South East Plan incorporate specific policies relating to the tourist accommodation sector. These policies seek to:

- Facilitate a consistent approach to planning for accommodation;
- Ensure planning policies reflect both the diversity of the sector and market reality;
- Provide clear guidance on the location of development.

These policies are set out in TSR5. Part I) sets out six aspects of tourist accommodation that should be addressed in development plans, whilst Part ii) advocates that the Regional Tourist Board and local authorities should jointly monitor the demand for and supply of accommodation. The policies are detailed overleaf insofar as they relate to hotel development.

POLICY TSR 5

The diversity of the accommodation sector should be positively reflected in tourism and planning policies.

- 1) *In formulating planning policies and making decisions local planning authorities should:
 1. *Consider the need for hotel developments to be in the proposed location, including links with the particular location, transport interchange or visitor attraction, and seek measures to increase access by sustainable transport modes.*
 2. *Provide specific guidance on the appropriate location for relevant accommodation sub-sectors. This should be informed by their different site requirements and market characteristics and how these relate to local planning objectives.*
 3. *Encourage the extension of hotels where this is required to upgrade the quality of the existing stock to meet changing consumer demands.*
 4. *Include policies to protect the accommodation stock where there is evidence of market demand.*
 5. *Strongly encourage the provision of affordable staff accommodation as part of new and existing accommodation facilities in areas of housing pressure. The criteria for the application of such a requirement should be clearly set out in the development plans.**

- 2) *Tourism South East and local authorities should, working together, undertake active monitoring of the demand for and supply of tourism accommodation on a regional and sub-regional basis.*

These general principles are adopted in a statutory document and as such have the same status as the Local Plan. They seek to guide local authorities in the completion of current Local Plans and the preparation of the new Local Development Frameworks.

The emerging South East Plan and its predecessors have identified a number of issues that inform this policy, including:

- Development plans should be based on a thorough understanding of the needs of accommodation developers and operators and the demands of their markets.
- This should be built upon an on-going dialogue between planners and the industry.
- And supported by regular monitoring and assessment of both demand and supply.
- Hotel developers find it difficult to compete with land values in many urban areas.
- Mixed-use developments may be the only way to achieve town centre hotel development.
- The exceptions to sequential testing for hotels out of town are country house hotels and provision associated with key transport gateways and regionally significant visitor and sporting attractions, although hotels serving markets that don't need to go into a town centre, e.g. one-night stopovers, may also be better located on the outskirts of towns.

At a time of such change in the national and regional planning framework, there is a clear opportunity to influence the emerging policies and guidance as required, but this should be based on an informed approach to the issues with the evidence to back arguments up. The Hotel Futures report will provide a sound research base for issues relating to hotel development in Kent Thameside.

8.2. Local & Sub-Regional Policy and Development Priorities

8.2.1. Kent & Medway Structure Plan

A new Kent & Medway Structure Plan was adopted in 2006. Area based policies direct major development to the Thames Gateway/North Kent and to Ashford.

Tourism policies seek to secure sustainable tourism development (EP10), and underpin regeneration priorities (EP11) – especially in Thames Gateway, Ashford and the East Kent coastal resorts. Tourist accommodation policies are set out in policy EP12 and seek to retain good quality accommodation, to identify sites for budget hotels and high quality business and conference hotels in urban areas, and to improve the range and quality of the accommodation offer.

Policy EP12: Tourist Accommodation

- a) *Sites for the development of high quality tourist, business and conference hotels and for budget hotels will be identified as first priority in, or adjacent to, centres within the strategic hierarchy of centres as identified on the Key Diagram and in Table EP4.*
- b) *Proposals for hotel development must demonstrate that they will have no significant adverse environmental or transport impact.*
- c) *Proposals which would result in the loss, without replacement, of good quality accommodation will not be permitted unless there is overriding economic advantage to the area from the development;*
- d) *The conversion or extension of existing buildings to provide small hotels, bed and breakfast or self-catering accommodation will be permitted provided this causes no harm to the local environment.*
- e) *The improvement of touring and static caravan and camping sites will be permitted if the development benefits the local environment.*

Tourism policies recognise that the County lacks modern attractions that could draw visitors in substantial numbers from the UK and abroad, and encourages flagship projects – tourism, sport and entertainment - that take advantage of international transport links. Kent Thames Gateway is identified as a priority location for such developments (EP13).

8.2.2. Dartford

Dartford's Local Plan dates back to 1995 and got to 2nd Deposit stage in 2004/5. The LDF is at preferred options stage for the Core Strategy and Site Allocations.

There are currently no policies relating to hotel development as such, although hotels are mentioned in relation to Dartford Town Centre (PPA44) where hotels are identified alongside restaurants, the theatre and other leisure uses to expand the evening economy.

Locational priorities focus on urban areas, brownfield sites, sites that will support the viability and vitality of the town centre, the riverfront and Ebbsfleet Valley and station. Hotels are not mentioned in relation to any of the key sites in the site allocation document although we are aware that a number of the proposals for these sites do include hotels, and some have planning permission. However, the thinking on some of these locations is still progressing, and clearly there is time and opportunity to think about including a hotel use as part of the Action Plan process.

Key sites include:

- The Bridge
- Stone Lodge
- Thames Europort
- Ingress Park east
- Dartford Northern Gateway
- Acacia Hall
- Ebbsfleet
- Bluewater

A number of these sites have been reviewed for their hotel development potential as part of this study.

8.2.3. Gravesham

Gravesham's Local Plan dates back to 1994 and includes little in terms of hotel or tourism development. With regards to the Local Development Framework, the Council is currently working on the Core Strategy with a view to consulting on Preferred options in late 2007/early 2008. The same stage for the Site Specific Allocations document is programmed for March/April 2009.

The Council recognises the importance of hotel development to help underpin its objectives for both business and leisure development. Gravesend town centre and its revitalisation is a key priority, and there is a desire to attract hotel development here. However, in planning terms they recognise also the need for hotel development to support activity around Ebbsfleet and along the A2 corridor.

There has been some loss of hotel accommodation, most recently with the closure and sale of the Clarendon Hotel on the waterfront. This looks likely to go into residential use. The Tollgate on the A2 has also closed as a hotel. It is currently being used by Skanska as a base for the A2 widening project. There are no retention policies currently in place to challenge change of use applications.

Key development sites that are the focus of investment over the plan period include:

- Gravesend Heritage Quarter
- Gravesend Station Quarter
- Northfleet Embankment
- The Canal Basin
- Ebbsfleet
- The A2 corridor.

The Heritage Quarter includes provision for a new hotel of 40-60 rooms. Comments on a number of these sites in terms of hotel development potential can be found at Appendix 7.

8.3. Hotel Sector Planning Policy Guidance

Tourism South East has worked with Hotel Solutions and partner local authorities in the region on a number of accommodation studies over the past 5 years. These studies have resulted in a series of best practice planning guidance documents being produced which are intended to aid Local Authority Planning, Tourism and Economic Development Units in shaping future policy and action with regard to the accommodation sector. Here we provide a summary of each and reference the source material that can be accessed via the Tourism South East website.

8.3.1. 'Here To Stay' – Tourist Accommodation Retention and Loss (October 2006, Tourism South East)

With more and more cases relating to change of use from hotel going to appeal, particularly where a residential permission is likely to deliver a hotel owner a significantly higher return than the sale of the property as a going concern, many local authorities have recognised the need to tighten up their policies and procedures regarding hotel retention.

This 'Here to Stay' guidance looks at the case for retaining tourist accommodation and various approaches to accommodation retention policy across a range of destinations. It then identifies key issues and guiding principles relating to retention policy and sets out an evaluation tool that can be used by local authorities and adapted as required to local circumstances.

Hotel retention does not appear to be a significant issue in Kent Thameside and there is no clear need for either of the two Borough Councils to have hotel retention policies at present.

8.3.2. Attracting Hotel Investment (Tourism South East, 2004)

Tourism South East has also issued planning guidance to Local Authorities on attracting Hotel Investment. The guidance identified four cornerstones of good practice in attracting hotel investment:

- Effective communication;
- Positive planning;
- Pro-active inward investment;
- Market-focused monitoring.

The key recommendations from this as appropriate to the potential identified in Kent Thameside have been built into the 'Moving Forward' section of this report.

9. MOVING FORWARD

The development of Kent Thameside over the next 20 years is going to result in its dramatic transformation to create a vibrant new commercial, economic, residential and visitor destination. The hotel sector clearly has a role to play in supporting this process, both in terms of supporting business development and developing leisure-related activity. The Hotel Futures study has identified market potential for significant new hotel development of all standards, and strong levels of interest from hotel developers, operators and investors eager to invest in Kent Thameside.

Going forward, there are a number of next steps actions that the Kent Thameside Delivery Board and its public and private sector partners will need to start putting in place in order to turn this interest into new hotels on the ground and to maximise the potential identified:

- **A Pro-active, Co-ordinated Hotel Investment Marketing Campaign**

There is already some hotel investment activity in Kent Thameside in terms of hotel developers seeking sites and speaking with landowners and agents making initial approaches to hotel companies with regards to the sites they are marketing. Enquires from hotel companies have to date been dealt with by a variety of individuals and organisations, including Locate in Kent and the planning, economic development, town centre management and special projects teams in the two local authorities, with relatively little communication and co-ordination between them. This makes life difficult for hotel developers, who are often frustrated by having to speak to so many different people to obtain the information that they need to assess investment opportunities.

Clearly there would be a benefit in trying to co-ordinate the handling of hotel development enquiries in Kent Thameside, and the action required to follow up hotel developer interest identified in the Hotel Futures study. A number of the developers and operators we spoke to are interested in several locations which would cross administrative boundaries and involve sites in a variety of ownerships. Some also are looking for multiple sites within Kent Thameside. KTDB has an overarching responsibility for the Kent Thameside area, and would seem to be the natural place to start. We are aware that there are structures in place already that involve representation from both local authorities, major landowners like Land Securities and organisations such as Locate in Kent, that could probably serve as a forum for co-ordinating hotel investment marketing and enquiry handling across Kent Thameside.

Whilst our projections suggest potential for up to 13 new hotels in Kent Thameside over the next 20 years, there is interest from a considerably greater number of hotel developers and investors than this. We would thus recommend a pro-active approach to target those brands and offers that will best meet the needs of Kent Thameside in terms of providing a choice of hotels and making optimum use of available hotel sites. Leaving hotel development to market forces alone may not necessarily achieve this. There is a case, therefore, for public sector intervention, we feel.

We suggest that action planning to deliver a pro-active, co-ordinated hotel investment marketing campaign should include:

- Agreeing a structure/forum to drive this area of work and identify lead responsibilities and required resources.
- Preparing appropriate hotel investment materials to send to target hotel developers and investors and use to respond to hotel investment enquiries. These should include factsheet-based extracts from the Hotel Futures report on current and proposed supply, the market and how it is forecast to grow, and the identified potential for new hotel development. These should be supplemented with information on available sites. The information should be available in printed and web format, and also be linked to Tourism South East's hotel investment website www.hotel-investment.co.uk.
- Setting up a series of visits to Kent Thameside for key target hotel developers and investors and those that have expressed interest in developing hotels here¹.
- Making the hotel sector fully aware of the hotel development opportunities in Kent Thameside. Some of the hotel developer interest is informed, some less so. A lot of developers and investors we spoke with were not aware of the detailed plans and proposals for Kent Thameside, or indeed of the scale of change, particularly in terms of commercial development at Ebbsfleet and the role and impact of the international and domestic rail links. A key points summary to include with the inward investment pack above would be helpful together with directing them to the relevant websites. Advertising and PR activity should also be undertaken to ensure coverage of the hotel development opportunities in Kent Thameside in the journals that are regularly read by hotel developers and investors, such as Estates Gazette, Property Week and Leisure Opportunities.

- **Bringing Hotel Sites Forward**

The fact that there are some sites already in Kent Thameside with planning for hotel development that could be available in the short to medium term is a positive in terms of moving hotel development forward. Our research and projections identify a need for a greater number of hotel sites than those already identified, however - up to 13, depending upon the size of hotels developed. There is clearly further work to be done therefore to bring other sites forward.

KTDB should be seeking to work with landowners and the two local authorities to identify other sites and bring these to the market. In doing so there is a need to be mindful of the site requirements of the different brands and hotel developers, and the need for sites in all three types of location:

- destination hub e.g. business park, Ebbsfleet station;
- town centre;
- sites relating to the motorway/A2/arterial routes.

As part of the research for this study, the consultants have provided an initial evaluation of around 20 sites that came out of the stakeholder consultations and discussions with developers. Many of these offered potential for hotel use from the developer/operator perspective. The next stage is to take a much more serious look at these and other potential sites to understand how realistic their delivery could be, and any obstacles to bringing them forward. It will be important to work with site owners on this exercise as well as to be mindful of the issue of value and how to ensure delivery of a hotel in the face of competition for sites from higher value uses.

¹ We have provided a list of hotel developer, investor and operator contacts that expressed interest in Kent Thameside at Appendix 6 for follow up activity.

- **Planning for Hotels**

There is an opportunity in the preparation of the new Local Development Frameworks to include more explicit supportive policies on hotel development, using the evidence base presented in this Hotel Futures study. The principles relating to the location of development is one aspect to raise here, to ensure all three types of site above can be considered acceptable in planning terms.

Bearing in mind the need to identify additional sites for hotels, there may be ways for the planning system to support this process, potentially through site allocation and building the desire to deliver hotels on key sites into Development Briefs and Area Action Plans. The issue of site values is a very real one, and we would encourage both councils to use the planning system to help ensure that hotels do not get squeezed out of sites by competing uses that can offer higher values than hotels.

Consultation with hotel developers and operators should extend to the plan-making process, providing them with an opportunity to make an input to the future framework for development. This will help to ensure that the LDF and Area Action Plans reflect commercial realities, and are deliverable.

- **Positioning Kent Thameside for the Olympic Market**

Whilst hotel developers and investors indicated they would not build hotels on the back of the Olympics alone, all those who saw long-term potential for their offer in Kent Thameside were keen to maximise the potential business that could be generated for a hotel in the run up to 2012 and during the Games themselves. The same is true for existing hotels in the area.

There is clearly an over-arching role here to lobby the Olympic Delivery Authority and the Accommodation Manager that it is appointing, and to be a voice for the area's hotel sector. The aim would be to position Ebbsfleet, and all those locations that can access the rail links here, as an accommodation base to benefit from Olympic-related demand. This may be a role for the Kent Tourism Alliance as there is a potential for other parts of Kent, particularly the North Kent corridor, to similarly capitalise on this potential.

- **Developing the Leisure Tourism Offer of Kent Thameside**

Kent Thameside is not currently a leisure destination of choice for visitors, and would require significant development of its leisure and heritage offer to achieve this – probably involving the development of a major attraction, leisure, sports or entertainment facility of national or certainly regional significance as a key draw for visitors. Tourism South East in partnership with Kent Tourism and Medway Council is about to commission a tourism product development strategy, the outputs of which might usefully provide a starting point for proposals to deliver the step change needed for a new leisure positioning for Kent Thameside. Undoubtedly, could this be achieved, it would have the potential to create significant levels of business for hotels at weekends and during holiday periods, to complement their corporate trade during the week. Effective and appropriate destination marketing will be required to support the Kent Thameside leisure offer as it develops.

- **Keeping a Finger on the Pulse**

On-going monitoring of hotel supply and demand will also be an important strand of the forward strategy in order to fully understand how the hotel market is evolving in Kent Thameside as new developments and generators of accommodation demand come on stream, and hotel supply increases. This will enable the forward hotel investment strategy to evolve effectively as the market and supply develop.

- **Researching the Conference Potential at Ebbsfleet**

We have identified possible potential for Ebbsfleet to develop as a destination for major national and international conferences, given its accessibility by air, road and rail, particularly to central London and European markets. Commissioning a piece of research to investigate this potential further would we feel be timely, both in terms of identifying the potential for a conference centre and/or conference hotel at Ebbsfleet and understanding the wider implications for additional hotels and other facilities to support such a facility here.

The Hotel Futures study clearly has some extremely positive messages about the potential for new hotel development in Kent Thameside. It provides a sound evidence base and starting point for KTDB and its partners to proactively plan for, manage and support hotel investment in the area, to ensure that the hotel sector plays its full part in supporting the development of Kent Thameside as a major economic growth centre in Thames Gateway and the South East. Action is now needed to ensure a co-ordinated and proactive approach to capitalising on these opportunities.

APPENDICES

APPENDIX 1

HOTELS INTERVIEWED

APPENDIX 1**HOTELS INTERVIEWED**

Hotel	Interviewee	Personal/ Telephone
Hilton Dartford Bridge	Marco Vismara, General Manager	P
Bexleyheath Marriott	Ross Paton, General Manager	P
Holiday Inn Bexley	Wayne Bowring, General Manager	P
Thistle Brands Hatch	Richard O'Riordan, General Manager	P
Brandshatch Place	David Dalli, General Manager	P
Premier Travel Inn HQ	Neil Harris	T
Premier Travel Inn Gravesend South	Tracy Datlen, Manager	P
Travelodge Dartford	Kerry Caulson, Manager	T
Campanile Dartford	Gregory Fargues, General Manager	T
Inn on the Lake, Gravesend	Jamie Clayton, General Manager	P
Overcliffe, Gravesend	Trevor Thomas, Proprietor	T

Note:

Information on the performance of the Premier Travel Inn Gravesend, Express by Holiday Inn Dartford Bridge and Rowhill Grange was also drawn from other recent Hotel Futures studies (Sevenoaks and Medway) and other sources.

APPENDIX 2
UK HOTEL DEVELOPMENT ACTIVITY

UK HOTEL DEVELOPMENT ACTIVITY

HOTEL COMPANY	HOTEL OPENINGS					
	2003	2004	2005	2006	2007	2008
ABODE (Boutique)			Glasgow Exeter	Canterbury Devon		Chester
ALIAS (Boutique)	Manchester Brighton					
APEX (Boutique)	Dundee		London			London Edinburgh
ASTON (3 star)				Dumfries	Sheffield	Neath
BANNATYNE (3 star)					Durham	
BASE2STAY (Boutique Serviced Apartments)				London		
BESPOKE (Boutique)			Slough	St Austell		
BEWLEY'S (3 star)	Leeds					
BIG SLEEP (Boutique Budget)				Cheltenham	Exeter	
BONNINGTON (4/5 star)						London
CAMPANILE (Budget)	Glasgow Leicester					
CITY INN (4 Star)	London - Westminster				Manchester	London-City

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
COLUMBUS (5 Star)					Brooklands, Surrey	
COURTYARD BY MARRIOTT (3 Star)						Gatwick
CROWNE PLAZA (4 Star)	Marlow					Manchester
DAKOTA (Boutique Budget)		Nottingham		Glasgow	Edinburgh Farnborough	
DAYS HOTELS (Upper-Tier Budget)		Birmingham Manchester	Derby Luton			
DAYS INN (Budget)	Dundee Derby Telford Belfast Ruislip	Sedgemoor Warwick Gretna Green Birmingham Clacton-on-Sea Leicester Stansted	Haverhill Nuneaton		Winchester	
DE VERE (4/5 star)			Loch Lomond (Golf Resort)			
EASYHOTEL (Budget)			London		Luton	
ETAP (Budget)				Birmingham	Glasgow Leeds Southampton Sheffield Cardiff Bradford	
EURO HOSTELS (Hostels)					Newcastle	

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
EXPRESS BY HOLIDAY INN (Upper-Tier Budget)	Chester Portsmouth Nottingham Northampton London x2 Droitwich Swindon	Preston Bedford Edinburgh Newport Hemel Hempstead Croydon Stevenage	London Finchley Stansted Warrington Newcastle	Leicester Cardiff Airport London Earls Court London Swiss Cottage Leeds Doncaster Dunfermline Liverpool Airport Newport Norwich Stevenage Preston	Redditch Slough Walsall Witney Lakes London Golders Green London Newbury Park Hull	
FINESSE (Boutique)					Derby	
FOUR PILLARS (4 Star)					Cotswold Water Park	
FOUR SEASONS (5 Star)			Basingstoke			
FUTURE INNS (3 Star)		Cardiff		Plymouth		Bristol
GLOBETROTTER INNS (Hostel)	Edinburgh London					
HILTON (4 Star)		Newcastle		Manchester London Canary Wharf London Tower Bridge		Reading Liverpool Wembley Chester
HOLIDAY INN (3 Star)		Bristol Airport	London Brentford	Aberdeen Manchester	Norwich	Chessington
HOTEL DU VIN (Boutique)	Harrogate	Henley-on-Thames			Cheltenham Glasgow	Newcastle Edinburgh

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
HOXTON URBAN LODGE (Boutique Budget)				London		
HYATT (5 Star)						London – Battersea
IBIS (Budget)	Carlisle	Leeds	London	Bristol Aberdeen Reading York		
JURY'S INN (3 Star)	Croydon Newcastle Glasgow	Leeds London Heathrow	Southampton Nottingham	Milton Keynes	Brighton Plymouth	Liverpool Derby
KEMPINSKI (5 Star)					London	
LE MONDE (Boutique)				Edinburgh		
MACDONALD (4 Star)		Peebles (golf resort) Cardiff	Sheffield	Whitchurch, Shropshire (golf resort)	Manchester Bristol	
MALMAISON (Boutique)	London	Belfast	Oxford	Liverpool	Reading	Aberdeen
MARRIOTT (4 Star)		London Canary Wharf		Leicester		Twickenham
MARSTON (4 Star)			Cambridge	Nottingham		
MENZIES (4 Star)					Leeds	
MILLENNIUM & COPTHORNE (4 Star)						Southampton Sheffield

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
MILSOMS (Boutique)			Poole			
MYHOTEL (Boutique)					Brighton	
NICHE (Boutique)		Newcastle	Cardiff			London
NITE NITE (Budget)				Birmingham		
NOVOTEL (4 Star)		Bristol Edinburgh London Excel	Cardiff London - Greenwich	Reading	Edinburgh London - Paddington	
PARK INN (3 Star)		Heathrow	Dundalk, N Ireland			
PARK PLAZA (4 Star)	Leeds Cardiff	Belfast	London			London

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
PREMIER TRAVEL INN (Budget)	Blackburn Bridgwater Bristol (Bradley Stoke) Bury Evesham Horley Lancaster Liverpool (City Centre) London Excel Heathrow Norwich Airport Oldham (Central) Taunton (Central) Wembley	Perth Durham Birmingham- M6 Toll Manchester Southport	Borehamwood Dunfermline Merton Swansea Swindon Watford Bradford Gloucester Grantham Harwich	Reading Hemel Hempstead Andover Carrickfergus Petersfield Eastbourne North London- Hammersmith North Shields Frome Tonbridge Norwich	Belfast East Midlands Airport Bracknell East Kilbride Doncaster Wolverhampton Hinckley Glasgow Ascot Guildford Burton-upon-Trent Skipton Yeovil Peterborough Thetford Cambridge St Austell Horndean Bournemouth x2 Durham Ebbw Vale Chesterfield Colchester Littlehampton Llanelli Weston-super- Mare Worksop	Stratford-upon- Avon Reading

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
QUALITY (3 Star)			Manchester			
RADISSON EDWARDIAN (5 Star)	London		Manchester London Syon Park		London - Docklands	
RADISSON SAS (4 Star)	Glasgow	Liverpool Stansted Airport		Birmingham	St Helier, Jersey	Bristol Brighton Durham
RAMADA (4 Star)			Crewe	Coventry		Doncaster
RAMADA PLAZA (4 Star)				Wrexham		
RAMADA ENCORE (Upper-tier Budget)		London Swansea		Milton Keynes Bournemouth		Birmingham NEC Belfast
ST CHRISTOPHER'S INNS (Hostel)	Brighton Bath					
SLEEPERZ (Budget)				Cambridge	Manchester Cardiff	Newcastle
SLEEP INN (Budget)	Leeds		Tewkesbury	Derby Shrewsbury	Doncaster Birmingham Star City London – City Braehead	
SMART CITY HOSTELS (Hostels)				Edinburgh		
STAYBRIDGE SUITES (Suite Hotel)				London South Bank Brentford		Newcastle Birmingham Liverpool
THE CHAMBERS (Srvcd Aprtments)			Leeds	Leeds		

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
TRAVELODGE (Budget)	Cheltenham Leeds East Perth Plymouth Royston	Wolverhampton Leamington Spa Cambridge London x3 Romford Barrow-in-Furness Leatherhead Leeds/Bradford Airport Harrogate Harlow Leicester Livingston Southend-on-Sea Buckingham Bedford Glenrothes Berwick-upon-Tweed	Bournemouth Manchester Manchester SportCity Guildford Inverness Scunthorpe Tolworth Worcester Bury Crewe Dunfermline Gateshead London City Airport Mansfield Norwich Newport St Austell Shrewsbury Swindon Nottingham Oxford Dundee Aberdeen Airport Pembroke Dock Ashton-under-Lyne	Ayr Barnstaple Birmingham - Fort Dunlop Birmingham - Maypole Blackpool Bristol Camberley Caterham Cockermouth Croydon Feltham Hatfield Hayle Hereford Holyhead Kendal London Holborn Ludlow Manchester- Trafford Park Peterborough Paignton Romford Sheffield Stansted Stockport Watford	London City London Euston London Southwark Farnborough Margate Luton Glastonbury Swindon Swansea Newport (Isle of Wight) Blackpool Holyhead Cheshunt Redditch Eastbourne Windsor Heathrow Sunbury Walsall	Newcastle Bracknell

Kent Thameside Hotel Futures

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
TULIP INN (Upper-tier Budget)	Glasgow	Gateshead Portsmouth	Castleford		Belfast Stoke Sheffield Chippenham Bournemouth Manchester Airport	
VILLAGE (3 Star)		Maidstone Walsall	Bournemouth	Hull	Swansea	Farnborough Leeds South Elstree Manchester- Ashton Moss Solihull
VON ESSEN (Country House/ Boutique)						London
YOTEL (Boutique Budget)					Gatwick Heathrow	

Source: Hotel Solutions – UK Hotel Development Monitor

APPENDIX 3
KENT THAMESIDE COMPANY SURVEY

APPENDIX 3

KENT THAMESIDE HOTEL FUTURES STUDY - LOCAL COMPANY SURVEY SUMMARY FINDINGS

1. APPROACH TO THE SURVEY

1.1 Introduction

Hotel Solutions contacted a range of local companies based in Dartford and Gravesend. Structured interviews were conducted by telephone using a questionnaire. The purpose of the interviews was to elicit information on company:

- Requirements for hotel accommodation and meeting/conference facilities;
- Views on current hotel and meeting/conference facility provision in Kent Thameside;
- Future needs regarding hotel accommodation and meeting/conference facilities.

1.2 Profile of Companies Interviewed

The table below outlines the companies that were interviewed during the course of this survey, including location details and number of employees in the company.

Table 1

PROFILE OF COMPANIES INTERVIEWED		
Company Contacted	Location	No. Of Employees
Laing O'Rourke	Crossways Business Park, Dartford	1,000
Crown House Technologies	Crossways Business Park, Dartford	700
Howard Hunt Group	Crossways Business Park, Dartford	380
JP Fresh	Crossways Business Park, Dartford	312
Colorcon	Crossways Business Park, Dartford	250
Comma Oil Chemicals Ltd	Gravesend	233
Britannia Refined Metals	Northfleet	160
Arjo Wiggins, Dartford Paper Mill	Dartford	120
Remel Europe Ltd	Crossways Business Park, Dartford	110

In addition to the above businesses, a further 2 companies which were contacted, indicated that they had minimal demand for local hotel accommodation. These companies are listed in the table below.

Table 2

COMPANIES WITH MINIMAL HOTEL DEMAND	
Company Name	Location
Honeywell Building Solutions	Crossways Business Park, Dartford
Micron Technologies Ltd	Crossways

2. SURVEY RESULTS

A total of 9 detailed consultations were undertaken. The key findings arising are outlined below.

2.1. Current Demand for Hotel Accommodation

2.1.1. Factors in Choice of Hotel

- Location, in terms of ease of access to the hotel from the company offices/base, is rated the most influential factor overall in companies choosing local hotels.
- Standard of accommodation also has an important bearing, with service and price also having an influence.

Table 3

	Very Important				Not Important
	1	2	3	4	5
• Ease of Access (to hotel)	7	2			
• Parking	2	4	2	1	
• Tariff	3	5	1		
• Standard of Accommodation	4	5			
• Quality of Food	2	7			
• Level of Service	4	5			
• Bar Facilities		4	4	1	
• Meeting room availability		1	2	3	3
• Leisure facilities		1	4	2	2

2.1.2. Current Hotel Demand

- Average monthly roomnights booked amongst those companies using hotel accommodation varies quite considerably, ranging from a low of 5-6 roomnights to an average of 170-190 roomnights per month, in the case of precision engineers, Crown House Technologies.

Table 4

CURRENT HOTEL DEMAND	
Company Name	Average Room Nights/Month
Crown House Technologies**	170-190
Laing O'Rourke	120-180 estimated
Arjo Wiggins, Dartford Paper Mill*	60
Britannia Refined Metals	30
Comma Oil Chemicals Ltd	20-30
Remel Europe Ltd	17
Colorcon	15
JP Fresh	10
Howard Hunt Group	5-6

* Currently have people on secondment due to exceptional investment taking place at the company.

** This figure does not include demand from the company's own staff, who book accommodation directly with hotels.

2.1.3. Prices

- Prices paid range from £50.00-£55.00 for budget accommodation to a maximum of £130.00 per night for 4 star accommodation.
- Amongst those companies interviewed, the average per person per night tariff paid (incl. breakfast) is between £90 to £100. Laing O'Rourke, as a significant user of hotel accommodation in the area, is able to negotiate significantly lower rates however.

2.1.4 Hotels Used

- Whilst companies use a variety of hotels, the most frequently used hotel is the Hilton Dartford Bridge.

Table 5

HOTELS USED		
Hotels Used	No of companies using hotel	Reason
• Hilton Dartford Bridge	7	<ul style="list-style-type: none"> • Good facilities • Good location • Good rate
• Campanile Dartford	3	<ul style="list-style-type: none"> • Good rate • Good restaurant facilities • Close to office • Used for company staff
• Best Western Manor, Singlewell	2	<ul style="list-style-type: none"> • Proximity to company • Good corporate rate • Has health club
• Travelodge Dartford	2	<ul style="list-style-type: none"> • Used for company staff • Used as a cheaper alternative to other hotels (e.g. Hilton Dartford Bridge)
• Rowhill Grange	2	<ul style="list-style-type: none"> • Used by those clients/staff travelling by car • Nicer than the Hilton Dartford Bridge • If wanting to stay somewhere different for VIP clients – more authentically English
• Holiday Inn Express Dartford Bridge	2	<ul style="list-style-type: none"> • Good rate • Used when can't get availability at Hilton Dartford Bridge

2.1.5. Satisfaction Ratings and Key Issues

- There are no significant difficulties for the majority of the companies interviewed, in relation to obtaining availability at their chosen hotel(s). On the rare occasions when this does occur, companies tend to be able to get availability at the cheaper budget hotels in Dartford, or in some instances, clients travel to Rowhill Grange in Wilmington or to the Marriott Bexleyheath. In Laing O'Rourke's case, they tend to use hotels in London when their first choice (Hilton Dartford Bridge) is fully booked.
- One company highlighted dissatisfaction with the range of hotels in the Dartford area, as they are at either end of the scale in terms of quality/price – i.e. either budget or expensive; it was reported that provision of a mid-range hotel would be ideal.
- There was some dissatisfaction with the quality of the product and standards of service in some hotels.
- In relation to the budget hotels, a particular difficulty cited was the lack of a hotel with reasonable restaurant facilities with a changing menu.

2.2. Demand for Meeting/ Conference Facilities

- Three companies interviewed have fairly regular demand for meeting/conference facilities; a further two companies use such facilities on an infrequent basis only.
- The nature of demand for external meeting/conference facilities is summarised in the table below.

Table 5

DEMAND FOR MEETING/CONFERENCE FACILITIES IN DARTFORD/GRAVESEND	
Comma Oil Chemicals Ltd	Host an annual conference (110pax) with overnights. Have used hotels in Barcelona, London and Maidstone, in the past. In Jan 08 are using the Thistle Brands Hatch hotel, as it was cited that there is nothing locally to host this type of event. They also use the Best Western Manor, Singlewell for monthly sales and marketing meetings ('lock-aways) to cater for up to 15 pax (day meetings).
Remel Europe Ltd	Day meetings 2-3 times per year at the Regus Business Centre. In July 2008, they have a meeting for 50-55 pax – likely to be overnights associated with this but this hasn't been confirmed – this is to be held at the Hilton Dartford Bridge.
Howard Hunt Group	Host monthly management meetings and training courses (no overnights).
Crown House Technologies	Occasional use of hotels for meetings/conferences only, as they have their own in-house facilities. Tend to use Hilton Dartford Bridge for day meetings.
JP Fresh	Very rarely have demand for facilities to host meetings/conferences. On such occasions, they tend to use the Regus Centre for day meetings. Also have their own in-house meeting facilities.

2.3. Future Requirements

- Despite the apparent lack of difficulty in obtaining availability of hotels in the area, all of the companies interviewed indicated that they would welcome provision of an additional hotel.
- In terms of new accommodation, preferences expressed by the various companies interviewed are highlighted below:

4 Star/Boutique Hotel

- **Laing O'Rourke:** 4 star or Boutique style hotel with an excellent food offer and a high standard of service and cleanliness. Cited that value for money is more important than price. Ebbsfleet would be a good location given that many of their senior staff travel between London and their head office at Dartford.
- **JP Fresh:** Contemporary style hotel with health club facilities. Would be willing to pay £90-£100. Bluewater would be a good location for a new hotel.
- **Crown House Technologies:** Top quality hotel, with good restaurant facilities and facilities for occasional day meetings of 30-50 people. Would pay £110. Bluewater would be a good location but would also consider using a hotel at Ebbsfleet.
- **Colorcon:** A more contemporary hotel with a restaurant and which offers better service than the Hilton. Facilities for hosting meetings of 30+ would be useful but would be used only occasionally. Would pay up to £120 if such a hotel offered good value for money. Either Bluewater or The Bridge would be good locations for a new hotel.
- **Britannia Refined Metals:** Boutique style hotel which offers something more unique. Would pay £100 + for something of this nature. Ebbsfleet would be an ideal location for this company. Conference facilities would not be a priority

3/4 Star

- **Howard Hunt Group:** 3-4 star hotel – something in between the budget and 4 star Hilton Dartford Bridge. Provision of meeting facilities for their monthly management meetings and training courses (no overnights) to host 25-30 pax would be useful. Should also offer a good, value for money restaurant. Would be willing to pay £80-£100. Bluewater would be an ideal location.
- **Remel Europe Ltd:** A hotel similar in style to the Hilton with a restaurant. Provision of a health club and meeting facilities for 55+ people would be useful. Would pay £90-£100. Either Bluewater or The Bridge would be good locations for a new hotel.
- **Comma Oil Chemicals Ltd:** With conference facilities (up to 110 pax incl. overnights) and for hosting day meetings of 15 pax (hosted monthly). Provision of health club facilities would be welcomed. Price of £80-£90. Bluewater would be an ideal location.

Budget

- **Arjo Wiggins, Dartford Paper Mill:** A new budget hotel with reasonable restaurant facilities with a changing menu. £60 per night and located in the Dartford area with easy access to the mill.

3. SUMMARY OF FINDINGS

- Location, in terms of ease of access/proximity to the hotel from the company offices/base is rated the most influential factor overall, in companies choosing local hotels. Standard of accommodation also has an important bearing, with service and price also having an influence. Parking is and will continue to be a key issue for one of the most significant users of hotels in the area, Laing O'Rourke.
- Amongst those companies interviewed as part of this study, current hotel usage varies from a low of 5-6 roomnights to an average of 170-190 roomnights per month. Tariffs paid range from £50.00-£55.00 for budget accommodation to a maximum of £130.00 per night, with the average per person per night tariff paid (incl. breakfast) being between £90 to £100.
- Whilst a number of hotels are used by the survey participants, the most frequently used hotel is the Hilton Dartford Bridge.
- Three companies interviewed have fairly regular demand for meeting/conference facilities; a further two companies use such facilities on an infrequent basis only. Requirements are primarily for day meetings.
- There are no significant difficulties for companies interviewed, in relation to obtaining availability at their chosen hotel(s). On the rare occasions when this does occur, companies tend to be able to get availability at the cheaper budget hotels in Dartford, or in some instances, clients travel to Rowhill Grange in Wilmington, to the Marriott Bexleyheath and indeed to a variety of hotels in London.
- Despite the apparent lack of difficulty in obtaining availability at hotels in the area, all of the companies interviewed indicated that they would welcome provision of an additional hotel, primarily to increase the choice of hotels available in the area. Preferences were expressed for the following types of new hotel:
 - Five companies cited a preference for an 'unique' and 'contemporary' 4 star standard/boutique-style hotel with a good quality restaurant, meeting and health clubs facilities. Ebbsfleet, Bluewater and The Bridge were considered good locations for provision of such a hotel (depending upon the location of the company surveyed). Participants indicated a willingness to pay a nightly tariff (incl breakfast) of £90-£120.
 - Three companies cited a preference for a 3/4 star hotel again with meeting facilities and perhaps the addition of health club facilities. In this instance Bluewater or The Bridge were seen as being the ideal locations. Participants indicated a willingness to pay a nightly tariff (incl breakfast) of £80-£100.
 - One company expressed a preference for a new budget hotel with reasonable restaurant facilities, with a changing menu, at a nightly tariff of £60. A location in Dartford was felt to be most suitable in this instance.

- With the exception of Laing O'Rourke, there are no significant plans for company expansion amongst those companies interviewed. Their demand for hotel accommodation is likely to remain more or less static over the medium term therefore. In the case of Laing O'Rourke, who have secured the contract to oversee the construction of the London 2012 Olympic stadium and athletes village, they envisage that their business will double over the next three years and agreed that it was reasonable to assume that their demand for hotel accommodation could also double over the same timeframe. Whether this additional demand would be directed into the local area may to a large extent be dependent on the provision of a new hotel which meets their future requirements, as outlined above.

APPENDIX 4

**EXTRACT FROM DCLG GOOD PRACTICE GUIDE ON PLANNING FOR
TOURISM**

EXTRACT FROM DCLG GOOD PRACTICE GUIDE ON PLANNING FOR TOURISM

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 its 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 reuse 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 that 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 that 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 arrangements with the highway authority at the earliest possible stage.