PORTSMOUTH
HOTEL FUTURES

Final Report

Prepared for:
Portsmouth City Council
SEEDA
and
Tourism South East

October 2007

hotel solutions
the hotel development consultancy

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EXECUTIVE SUMMARY

Introduction

- The findings of the Portsmouth Hotel Futures Study show potential for significant hotel development in Portsmouth over the next 20 years, with a requirement potentially for up to 20 new hotels by 2026, depending on how quickly the hotel market grows and whether a purpose-built conference centre is developed in the city.

Current Hotel Performance

- The Portsmouth hotel market is currently strong, although performance varies between hotels depending on their standard and location. 4 star, upper-tier budget[1] and budget hotel occupancies are currently high, with hotels of these standards regularly denying business, particularly on Tuesday, Wednesday and Saturday nights. Budget hotel occupancies and levels of denied business are especially high. 3 star hotel occupancies are lower and more seasonal however. This is primarily due to their quality, location and independent operation. 3/4 star achieved room rates are however comparatively low by national standards. This is primarily a function of relatively low corporate rates and the strength of leisure demand in the market mix for 3/4 star hotels, which tends to be lower rated business.

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

The Potential for Growth in the Portsmouth Hotel Market

- The Portsmouth hotel market is likely to grow significantly in the next 20 years given:

  - The planned office development, particularly in the city centre, that will drive growth in the corporate and residential conference markets;
  - The envisaged expansion of the naval and ship building industry, providing a further boost to corporate demand for hotel accommodation;
  - The number of major construction projects that are planned in the city, resulting in increased demand from the contractors market;
  - The potential for the city to compete more effectively for association conferences given new hotel development close to the Guildhall, and particularly if a new purpose-built conference centre or large conference hotel are built in the city;
  - The continued development of the city's attractions, retail, cultural and events offer, fuelling growth in the leisure break market;
  - Supply-led growth in the leisure break market as new hotels open;
  - The envisaged growth in demand for budget hotel accommodation from the clubbers and stag & hen party market as the city's offer in terms of nightlife develops, and increased demand from football supporters, particularly if a new larger football stadium is built.

Opportunities for New Hotel Development

- The growth projections that Hotel Solutions have prepared for the Portsmouth hotel market suggest potential for the following numbers of new hotels in the city by 2026, depending on how quickly the market for hotel accommodation grows.

  - Up to 3 new 4 star hotels;
  - Up to 2 new 3 star hotels;
  - Up to 3 new upper-tier budget hotels;
  - Up to 9 new budget hotels.
  - A total of up to 17 new hotels.

  These figures do not take account of the additional demand for hotel accommodation that a purpose-built conference centre might generate if it were to be built in the city. Such a facility would undoubtedly support further new hotels and would require an on-site 4 star hotel and a choice of hotels of other standards within walking distance. An early decision on the conference centre is vital therefore as this will have a key role to play in the locational strategy for new hotels in the city. An alternative strategy might be to seek to attract a large conference hotel to the city centre. This would also need to be supported by other nearby hotels.

There may be scope for some of the potential for new 4 star hotels to be met through the development of boutique hotels, either through the conversion of suitable properties or the repositioning of existing 2 and 3 star hotels. Some of the potential for new 4 star hotels could also be met through the development of suite hotels and/or serviced apartments.

Given the current achieved room rate performance of the city's 4 star hotels, new 3 star hotel development is probably a more realistic proposition for Portsmouth than 4 star hotel development, at least in the short term. Significant rate growth will be needed to make 4 star hotel development viable. Much will depend on the pace of office development in the city and the type of companies that the city attracts in the future.

Hotel Developer Interest

- There is significant interest in Portsmouth from hotel operators wanting to develop in the city. The strongest interest is from budget, upper-tier budget and 3 star hotel brands, although there was also interest from 4 star operators. Hotel developers expressed interest in all parts of the city, including the city centre, edge of city centre and out-of-town locations, as well as the waterfront and Southsea. By far the greatest barrier to investment cited by hotel developers was the difficulty of securing sites, in terms of availability, values, competition from other higher value uses, and ownership and control.

The Availability of Hotel Sites

- There are some excellent sites for hotel development in Portsmouth, a number of which (possibly 8-10) have the potential to come forward within the next 12 months to 2 years. There are few sites in the ownership or control of the City Council however, and no current allocated sites for hotels. In the light of intense competition for sites there is a real danger that hotels will get squeezed out by higher value uses, without some form of intervention.

A Locational Strategy for Hotel Development in Portsmouth

- In terms of matching sites to hotel developer requirements and informing a locational strategy for hotel development, Hotel Solutions broadly advocates the following:
    - 4 star development in the city centre and main office concentrations;
    - A conference centre (if developed) will need to be supported by an on-site 4 star hotel, and a cluster of hotels of other standards within walking distance, ideally around the station;
    - Boutique hotels are best suited to leisure hubs e.g. the waterfront, Gunwharf Quays, The Hard and Southsea;
    - Suite hotels in central locations close to large corporate offices, the University, shops and bars, but waterfront sites would also appeal;
    - Budget and upper-tier budget hotels in central locations, possibly above retail and restaurant uses and within a city centre hotel cluster, but also suited to out of town locations for transient markets.

Moving Forward

- Going forward there are a number of next steps actions that the City Council and its partners will need to start putting in place to help support and influence new hotel development in the city in terms of:

    - A pro-active, co-odinated hotel investment marketing campaign;
    - Work to bring hotel sites forward;
    - Developing a locational strategy for hotels that relates to the vision for the destination and key future generators of hotel demand, particularly new office developments, the conference centre or a large conference hotel (if either goes ahead), and new drivers of leisure demand.
    - Research to assess the city's potential as a conference destination to inform decisions regarding the development of a purpose-built conference centre or large conference hotel.
    - Research to update the previous survey of Portsmouth companies to assess their satisfaction with the city's current hotel offer and their interest in seeing new hotels develop.
    - Communicating the findings and recommendations of the Hotel Futures study to all relevant partners and stakeholders.

- Continued work will also be needed in terms of:

    - The development of the local corporate market for hotel accommodation and conference facilities, particularly in terms of winning back business that is being lost to other areas as the city's hotel offer develops and improves;
    - The development of a strong office market in the city centre;
    - Proactive marketing of Portsmouth as a leisure break destination;
    - The development of a strong events programme, particularly out of season.
    - Ongoing monitoring of hotel performance and development activity.

- The Hotel Futures study clearly has some extremely positive messages about the potential for new hotel development in Portsmouth. It provides a sound evidence base and starting point for the City Council and its partners to proactively plan for, manage and support hotel investment in the city, to ensure that the hotel sector plays its full part in supporting economic and tourism growth. 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

Portsmouth City Council has actively sought out hotel developers through its past inward investment work, supporting this work with research to identify local business needs, identifying sites with hotel development potential, and preparing quality inward investment materials. The Council is aware that there is still interest in the city from hotel developers, and a perceived need for a full service city centre hotel, but that the deliverability of sites has been a barrier to this investment being realised. The preparation of the Local Development Framework presents an opportunity to shape policy and site allocation to facilitate the development process for the sector, but needs an evidence base to inform and direct this.

Portsmouth is set for a period of significant change that will deliver managed growth of the economy linked to key infrastructure schemes, focused on a number of major projects to be delivered around the city. The vision is of a vibrant cosmopolitan city, with new office quarters, city centre living and an expanding visitor economy. The success of the regeneration of the waterfront and establishment of Gunwharf Quays as a major visitor draw has heightened the city's profile and sends out a powerful message about the renaissance of the city, of which this is just the beginning.

Hotels clearly have a role to play in the delivery of this vision. With increasing numbers of business and leisure visitors to Portsmouth, the City Council and its investment partners are keen to bring in new hotel products from the UK and overseas that will differentiate the city's hotel offer and provide a quality hotel infrastructure to meet the needs of the market as it expands.

Past work on the hotel sector commissioned by Hampshire County Council and Tourism South East – the Hampshire Hotel Trends Survey 2003/4 – reviewed the market and identified potential for new upper tier budget, boutique and 3/4 star hotels to be developed and developer interest in these products. The City Council is now keen for a more focused piece of work to be undertaken that can both provide an up-date on market performance and potential, and also enable a better understanding of hotel developer requirements and interest in potential sites.

Portsmouth City Council, with the support of SEEDA and Tourism South East, has therefore commissioned Hotel Solutions to undertake research into the future need and potential for hotels in Portsmouth, to provide a base of evidence to inform the preparation of the Local Development Framework and to support hotel investment marketing activity for the city.

1.2 Objectives of the Study

The principal objectives of the study are to:

- Assess the current demand for hotel accommodation in Portsmouth, and forecast how demand might grow over the next 20 years.

- Determine the market opportunities for new hotel development in Portsmouth in terms of the number, size and standard of hotels that might be supported.

- Identify and evaluate potential hotel sites against hotel developer requirements and location drivers.

- Gauge hotel developer interest in Portsmouth and identify key decision-makers.

The findings of the study will be used to develop an up-to-date hotel investment strategy for the city, and to inform the preparation of the Local Development Framework, both in terms of policy formulation and site allocation.

1.3 Study Methodology

The study methodology has involved the following modules of research:

- An initial **commissioning meeting** with the Portsmouth City Council, SEEDA and TSE 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**.

- A **review of relevant policy and research documents** including the City Plan, City Growth Strategy, the emerging LDF documents (core strategy issues and options), the PUSH strategy and background employment study documents, plus Area Action Plans and SPDs for key project areas around the city

- **Stakeholder consultations** with key officers from the City Council.

- An **audit of the existing supply** of hotels in Portsmouth, 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.

- **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 15 hotels were interviewed (listed at Appendix 1) either in person or by telephone.

- **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 city; specific site requirements; views on 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 and their match with developer requirements.

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 Portsmouth 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 1996[1], and achieved room rates[2] 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 £81.72[1] 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 £70.02[1] 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 3/4 star 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 3/4 star 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 April, provincial hotel occupancy was down by 0.2 percentage points on the same period last year but achieved room rates have risen by 3.5%

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 county.

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 Inn, and Days Inn and 'upper-tier' budget brands such as Express by Holiday Inn, Ramada Encore, Sleep Inn 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 Inn, Travelodge and Express by Holiday Inn).

- The expansion of new upper-tier budget brands such as Sleep 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 upper-tier budget brand to the UK, with hotels already planned for Leeds and Derby.

- Continued development of the boutique and town house hotel sector, with further expansion by Malmaison, Hotel du Vin, 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, Novotel, Holiday Inn, Park Plaza, 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), Park Inn, Courtyard by Marriott and Future Inns. 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 is also starting to see the development of suite hotels. Staybridge Suites hotels will open in London and Liverpool in 2008. Hotels are also planned in Birmingham and Newcastle. Other US suite hotel brands such as Country Inns & Suites, Residence Inn may also come to the UK.

- 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 23 hotels currently in Portsmouth, with 1,612 letting bedrooms (listed in the table overleaf).

Current Hotel Supply – Portsmouth – by Standard
October 2007

Standard	Estabs	Rooms	% of Rooms
5 star	-	-	-
4 star	3	458	28.4
3 star	4	298	18.5
2 star	3	68	4.2
Upper-tier Budget[1]	2	238	14.8
Budget	5	389	24.1
Boutique	2	13	0.8
Non-inspected/ Lower grade	4	147	9.2
Total Hotels	**23**	**1,612**	**100.0**

Key observations on the current hotel supply in Portsmouth are as follows:

- Portsmouth has a good mix of hotels of different standards.
- The current hotel supply is dominated by 4 star and budget hotels, with a good supply also of 3 star and upper-tier budget hotels
- There is no 5 star hotel in Portsmouth.
- Portsmouth has only one small boutique hotel operation, split over two properties opposite each other in Southsea – Florence House and Somerset House.
- The city has a limited supply of 2 star and lower grade hotels.

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

Current Hotel Supply – Portsmouth – October 2007

Hotel	Standard	Rooms	Leisure Club	Conference Facilities		Midweek Rack Rate 2006[1]	
				No Rooms	Max Capacity[2]	Single £	Double £
Central Portsmouth							
Express by Holiday Inn	Upper-tier Budget	130		2	50	85-105*	85-105*
Ibis	Budget	144		2	30	58	58
Travelodge	Budget	108				56	56
Keppel's Head	n/a	30				65*	79*
M27/A27 Corridor							
Portsmouth Marriott	4 Star	174	✔	9	350	129-135	129-135
Hilton Portsmouth	4 Star	119	✔	6	80	155	155
Innlodge	3 Star	74		5	140	59.95	59.95
Tulip Inn	Upper-tier Budget	108		3	30	90	90
Premier Inn Portsmouth	Budget	64				55	55
Innkeeper's Lodge Portsmouth	Budget	33				58*	58*
Southsea							
Holiday Inn	4 Star	165	✔	9	150	117-133	117-133
Queen's	3 Star	74		5	150	57	72
Royal Beach	3 Star	124		4	250	55*	65*
Westfield Hall	3 Star	26				56.50*	85*
Florence/ Somerset House	Boutique	7		2	25	80*	110*
Somerset House	Boutique	6				80*	110*
Seacrest	2 Star	28				58*	78*
Ocean	2 Star	20				50*	68-85*
Beaufort	2 Star	20				55*	75*
Saville	n/a	45				30*	45*
Sandringham	n/a	53				30	50
Duke of Buckingham	n/a	20				45*	60*
Premier Inn Southsea	Budget	40				60	60

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

Current Hotel Supply – Portsmouth – by Standard
October 2007

Standard	Central Portsmouth		M27/A27 Corridor		Southsea	
	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms
4 Star			2	293	1	165
3 Star	-	-	1	74	3	224
2 Star	-	-			3	68
Upper-tier Budget	1	130	1	108		
Budget	2	252	2	97	1	40
Boutique					2	13
Lower Grade	1	30			3	118
Total Hotels	**4**	**412**	**6**	**572**	**13**	**628**

- The current hotel supply serving Portsmouth is spread between central Portsmouth, Southsea and the M27/A27 corridor.

- In central Portsmouth the supply is split between Gunwharf Quays/ the Historic Waterfront, the city centre and North End. There is only one hotel (the Ibis) in the city centre.

- The hotel supply in Southsea is dominated by independent 2 and 3 star hotels and lower grade non-inspected hotels. The 4 star Holiday Inn and Southsea Premier Inn budget hotel are also located in Southsea.

- There is a stronger supply of 4 star hotels along the M27/A27 corridor, with two 4 star operations here – the Marriott and Hilton.

- The city's 3 star hotels are primarily independently operated. There are no national 3 star hotel brands represented in the city, although the Royal Beach is part of the Best Western marketing consortium.

- There is a good supply of conference facilities in Portsmouth hotels, however only two hotels are able to cater for more than 150 delegates.

- The city's 4 star hotels all have leisure facilities.

3.2. Recent and Planned Changes in Supply

3.2.1. New Hotels

The following new hotels have opened in Portsmouth in the last 5 years:

New Hotels – Portsmouth – 2002-2007

Hotel	Location	Standard	Rooms	Year Opened
Express by Holiday Inn	Gunwharf Quays	Upper-tier Budget	130	2003
Tulip Inn	M27/A27 Corridor	Upper-tier Budget	108	2004
Florence House	Southsea	Boutique	7	2005
Somerset House	Southsea	Boutique	6	2006

A new boutique guesthouse, The Retreat, has also opened in Southsea in 2007, with 4 letting bedrooms.

3.2.2. Hotel Extensions and Refurbishments

The Travelodge added 30 bedrooms in 2004.

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

The following hotels have undergone major refurbishment programmes in the last year:

- The Marriott has just completed a full bedroom refurbishment, with the introduction of the new Marriott bedroom product and air conditioning in all bedrooms. The public areas, meeting rooms and leisure club are all being refurbished in 2007.
- The Hilton and Holiday Inn have undertaken some refurbishment work.
- The Innlodge is currently undergoing a major refurbishment.
- The Royal Beach has refurbished its main function room and bars.
- The Ibis has refurbished its ground floor public areas. A major bedroom refurbishment is planned for the end of 2007.
- The Sandringham in Southsea has been refurbished in 2007.

3.2.3. Hotel Closures

A significant number of independent hotels have closed in Southsea over the past 5 years, primarily for conversion to residential apartments. We have not been able to access data to be able to quantify this loss of stock however. Sizeable hotels that have closed have included the Solent (50 rooms) and Glendower (40 rooms).

This process of independent hotels in Southsea closing for conversion to residential apartments looks set to continue. The Saville and Seacrest hotels both indicated that they have plans along these lines. Other remaining hotels in Southsea may well follow suit in due course.

3.2.4. Changes in Hotel Supply 2002-2007

Taking account of the above new hotel openings and hotel extensions the supply of hotel accommodation in Portsmouth has increased by 22% (281 rooms) since 2002. This does not take account of the hotel closures in Southsea however, for which data is not available.

Changes in Portsmouth Hotel Supply 2002-2007[1]

Year	No. Hotels	No Rooms	Increase/ (Decrease)	% Change +/(-)
2002	19	1331		
2003	20	1461	130	9.8
2004	21	1599	138	9.4
2005	22	1606	7	0.4
2006	23	1612	6	0.4
2007	23	1612	-	-
2002-2007			**281**	**21.1**

Note:
1. Excluding Southsea hotel closures

3.2.5. Proposed New Hotels

At the time of the study the following plans and proposals for new hotels in Portsmouth were identified:

- A 120-bedroom Etap budget hotel is under construction at the Pompey Centre next to Portsmouth FC's Fratton Park Stadium. It is due to open in 2008.

- Plans for a 150-bedroom 4 star hotel are included in Centros Miller's proposals for the Northern Quarter development/ City Centre North site. The overall development is due for completion in 2011.

- The Wymering Manor boutique hotel (9 rooms) is due to open in 2008.

3.3.6. Planned Development of Existing Hotels

Our research has identified the following plans and proposals for hotel extensions in Portsmouth:

- The Holiday Inn is planning to add 4 new bedrooms in 2008 through the conversion of some unused offices.

- The Tulip Inn will be rebranded as a Premier Inn following the company's recent acquisition of the UK portfolio of Tulip Inns. This hotel had plans for a 43-bedroom extension. We have been unable to establish whether Premier Inn will proceed with this.

- The Innlodge is currently seeking planning permission for a 42-bedroom extension.

- The Portsmouth Premier Inn has plans for another 20 bedrooms.

- Two other hotels are considering plans to reposition their offer – one as an upper-tier budget brand, the other as a smaller hotel upgraded to a 4/5 star standard.

3.4. Summary of Key Points

- Portsmouth has a good mix of 4 star, 3 star, upper-tier budget and budget hotels. It has no 5 star hotel and only two small boutique hotel operations.

- The current supply of hotels serving Portsmouth is split between Portsmouth, the M27/A27 corridor and Southsea. There is only one hotel (the Ibis) in the city centre. The Portsmouth hotel supply is otherwise split between Gunwharf Quays/the Historic Waterfront and North End.

- Southsea hotels are primarily independent 2 and 3 star operations and lower grade non-inspected hotels. The 4 star Holiday Inn and Southsea Premier Inn budget hotel are also located in Southsea. A significant number of hotels have closed here in recent years, for conversion to residential apartments. This process looks set to continue as further hotels convert to residential use.

- There is a stronger supply of 4 star hotels in the M27/A27 corridor, with two 4 star hotels here – the Marriott and Hilton.

- Excluding the closure of Southsea hotels, Portsmouth's hotel supply has increased by 21% (281 rooms) in the last 5 years, with the opening of two upper-tier budget hotels the Express by Holiday Inn Gunwharf Quays and Tulip Inn), the expansion of the Travelodge, and the opening of the Florence House and Somerset House boutique hotels.

- A new Etap budget hotel (120 rooms) is due to open at the Pompey Centre in 2008. A 150-bedroom 4 star hotel is proposed as part of the Northern Quarter development. A number of Portsmouth hotels have plans to extend or reposition.

- There is a good supply of conference facilities in Portsmouth hotels, however only two hotels can cater for conference of more than 150 delegates.

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 hotels that we interviewed, we estimate average annual room occupancies for hotels in Portsmouth to be as follows for 2005 and 2006 and projected for 2007.

Portsmouth Hotel Occupancy 2005-2007

Standard	Average Annual Room Occupancy %		
	2005	2006	2007[1]
Provincial UK 3/4 Star Chain Hotels[2]	70	71	72[3]
Portsmouth 3/4 Star Hotels	70	72	72
Portsmouth 4 Star[4]	73	74	75
Portsmouth 3 Star[5]	65	68	69
Portsmouth Upper-tier Budget[6]	n/a	n/a	n/a
Portsmouth Budget[7]	86	88	88

Notes:

1. Based on projected figures provided by hotel managers
2. Source: TRI Hotstats UK Chain Hotels Market Review. Provincial UK figures are a more appropriate comparison for Portsmouth than UK figures, which are inflated by London hotel performance.
3. Source: Price Waterhouse Coopers Hospitality Directions
4. Sample: Marriott, Hilton, Holiday Inn
5. Sample: Innlodge, Royal Beach, Queen's (estimated)[1]
6. Express by Holiday Inn, Tulip Inn – we are unable to publish occupancy figures for upper-tier budget hotels with a sample of only 2 hotels
7. Sample: Premier Inn Portsmouth, Premier Inn Southsea, Travelodge, Ibis, Innkeeper's Lodge (estimated)[2]

- Occupancies for Portsmouth 3/4 star hotels are in line with the national average for provincial 3/4 star chain hotels.
- 4 star hotel occupancies are strong, although vary between the city's three 4 star hotels: two hotels are achieving very high occupancies, while the third trades at lower levels of occupancy.

[1] The Queen's Hotel did not take part in the survey of existing hotels. Occupancy figures have been estimated for this hotel.
[2] The Innkeeper's Lodge did not take part in the survey of existing hotels. Occupancy figures have been estimated for this hotel.

- 3 star hotel occupancies are much lower than for 4 star hotels. The quality and location of the city's 3 star hotels could to some extent be a factor in this.

- Upper-tier budget hotel occupancies are high, although vary significantly between the city's two upper-tier budget hotels.

- All Portsmouth budget hotels are trading at very high levels of occupancy. They consistently fill both during the week and at weekends and are regularly turning away business, frequently to a significant extent.

- Comparing the results of our survey of Portsmouth hotels to the findings of the Hampshire Hotel Trends Survey 2003-2004[3], hotel occupancies have increased strongly in Portsmouth since 2004 for all standards of hotel. The Portsmouth hotel market grew strongly in 2005 and 2006 as a result of growth in the corporate market, the development of Gunwharf Quays and the Spinnaker Tower, the railway signalling project and the strong events programmes, particularly in 2005 with the Trafalgar 200 and D-Day celebrations. Some hotels reported a poorer start to 2007. Average annual room occupancies for 2007 may well drop back therefore, depending on how the market picks up in the second half of the year.

[3] Source: Hampshire Hotel Trends Survey 2003-2004 – ACK Tourism/ Tourism Solutions – prepared for Hampshire County Council, Tourism South East and the Hampshire Local Authorities – April 2005

4.3. Achieved Room Rates

On the basis of our research, we estimate average annual achieved room rates[4] for Portsmouth hotels as follows for 2005 to 2006, and projected for 2007:

Portsmouth Hotels - Achieved Room Rates 2005-2007

Standard	Average Annual Achieved Room Rate £		
	2005	2006	2007[1]
Provincial UK 3/4 Star Chain Hotels[2]	66.95	70.02	70.21[3]
Portsmouth 3/4 Star Hotels	57.71	59.03	60.64
Portsmouth 4 Star[4]	65.50	66.25	67.77
Portsmouth 3 Star[5]	43.11	45.88	47.61
Portsmouth Upper-tier Budget[6]	n/a	n/a	n/a
Portsmouth Budget[7]	41.72	43.09	43.06

Notes:

1. Based on projected figures provided by hotel managers
2. Source: TRI Hotstats UK Chain Hotels Market Review. Provincial UK figures are a more appropriate comparison for Portsmouth than UK figures, which are inflated by London hotel performance.
3. Source: Price Waterhouse Coopers Hospitality Directions
4. Sample: Marriott, Hilton, Holiday Inn
5. Sample: Innlodge, Royal Beach, Queen's (estimated)[5]
6. Express by Holiday Inn, Tulip Inn – we are unable to publish occupancy figures for upper-tier budget hotels with a sample of only 2 hotels
7. Sample: Premier Inn Portsmouth, Premier Inn Southsea, Travelodge, Ibis, Innkeeper's Lodge (estimated)[6]

- Achieved room rates for Portsmouth 3/4 star hotels are low by national standards.

- Achieved room rates for the city's 4 star hotels are below the national average for provincial 3/4 star chain hotels, although there is a significant difference in achieved room rate performance between them. Only one hotel is achieving room rates above the national average however.

[4] 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.
[5] The Queen's Hotel did not take part in the survey of existing hotels. Occupancy figures have been estimated for this hotel.
[6] The Innkeeper's Lodge did not take part in the survey of existing hotels. Occupancy figures have been estimated for this hotel.

- Key factors behind the comparatively low achieved room rates for the city's 4 star hotels appear to be the difficulty that hotels have in securing high corporate rates in Portsmouth and the strength of leisure demand in their market mix. A lot of corporate demand in Portsmouth is government business, which tends to be relatively low rated, or comes from a small number of very large corporate users of hotel accommodation that have the buying power to command low rates from the hotels. Leisure demand is strong in Portsmouth, but tends to be primarily rate driven through special offer leisure break rates. These two factors combine to depress achieved room rate performance for the city's 4 star hotels.

- Achieved room rates for the city's 3 star hotels are relatively low. While they vary between hotels, no 3 star hotel in the city is achieving particularly high room rates. Key factors are again the low corporate rates in Portsmouth and the strength of leisure demand in the market mix for 3 star hotels. All of the city's 3 star hotels also take group tour business during the week to at least some extent in order to boost midweek occupancies. This is very low-rated business, which tends to further drive down their achieved room rates.

- The city's upper-tier budget hotels are achieving good average room rates, only slightly below the 4 star average. One upper-tier budget hotel is achieving average room rates that are above those achieved by two of the city's 4 star hotels.

- Achieved room rates for the city's budget hotels are typical for this standard of hotel.

- Achieved room rates have slowly increased over the last 2 years for all standards of hotel. One upper-tier budget hotel achieved very strong growth in achieved room rates in 2006 and expects to see a significant further rise in 2007

4.4. Weekday/ Weekend Occupancy

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

Portsmouth Hotels - Weekday/ Weekend Occupancies – 2006

Standard	Average Room Occupancy %			
	Mon-Thurs	Friday	Saturday	Sunday
4 Star	83	60	90	39
3 Star	71	76	87	28
Upper-tier Budget	n/a	n/a	n/a	n/a
Budget	93	90	95	63

- Weekday occupancies are very strong for 4 star, budget and upper-tier budget hotels but not so strong, and more seasonal, for 3 star hotels.
- 4 star hotels generally fill on Tuesday and Wednesday nights. Monday, and especially Thursday nights are a little weaker for two hotels, but still strong for the third.
- Upper-tier budget and budget hotels generally fill on all four midweek nights. Monday and Thursday nights are slightly weaker for two hotels.
- 3 star hotels in the city are more reliant on leisure break and group tour business during the week. These markets are seasonal. This results in strong midweek occupancies for 3 star hotels during the summer months, but low midweek occupancies in the winter.
- Saturday occupancies are high for hotels of all standards throughout the year.
- Friday occupancies are generally weaker and more seasonal, other than for budget hotels.
- Sunday occupancies are very low for most hotels and the quietest night of the week for all standards of hotel. Budget hotels still trade reasonably well on Sundays, particularly during the summer.

4.5. Seasonality

- There is a degree of seasonality in the Portsmouth hotel market. Occupancies peak for all standards of hotel between April and October. All standards of hotel achieve high occupancies during these months both during the week and at weekends. Occupancies are generally lower for most hotels from January to March and in November and December for some hotels

- Weekends tend to be more seasonal than weekdays: seasonal variations in occupancy are less pronounced during the week other than for 3 star hotels which have much more seasonal midweek trading patterns.

- August dips for some hotels but remains a strong month for others. The market mix changes significantly in August and late July however, with a downturn in corporate and conference business replaced by strong demand from ferry passengers and people on leisure breaks. The switch to primarily leisure demand in July and August depresses midweek achieved room rates however, as the rates that can be achieved in the leisure market are much lower than those that the corporate and conference markets are prepared to pay.

- The 3 star market is the most seasonal in Portsmouth. The budget and upper-tier budget hotel market is the least seasonal.

4.6. Key Markets

4.6.6. Weekday Markets

- The **corporate market** is the primary source of weekday demand for 4 star, 3 star and upper-tier budget hotels, and an important weekday market for budget hotels. It accounts for 60-80% of midweek demand for 4 star hotels, around 70% for 3 star hotels, 85-90% for upper-tier budget hotels and 45-50% for budget hotels.

- The corporate market for hotel accommodation in Portsmouth is dominated by demand related to the naval dockyard and from companies in the defence industry and marine technology sector. A lot of corporate demand is government-related business, which tends to be lower rated. A lot is project related, making it difficult to predict. The Portsmouth corporate market is also dominated by a few very large producers of business for hotels (the MOD, BAE Systems, Pall Europe, IBM, Lockheed

Martin and EADS Astrium) that are able to command lower corporate rates from the hotels because of the volumes of business they are placing. This factor, combined with the high levels of government-related business reduces the corporate rates that Portsmouth hotels can achieve.

- There are distinct city centre and out-of-city-centre (M27/A27 corridor) corporate markets in Portsmouth, but movement between the two. Companies located along the M27/A27 corridor will tend to use hotels in this area, but will also use city centre hotels. Companies and organisations located in the city centre and naval dockyards will tend to use city centre hotels, but may also use hotels in the M27/A27 corridor.

- **Contractors** and workmen are the other key midweek market for budget hotels, typically accounting for 25-45% of weekday demand.

- **Association conferences** held at the Guildhall are a minor midweek market for city centre and Southsea hotels. The Guildhall hosts 4-5 large association conferences per year that generate business for hotels in these parts of the city.

- **Residential conferences** are a secondary midweek market for 3 and 4 star hotels, typically accounting for 10-20% of their weekday demand. Conferences are typically training courses and sales meetings for 20-40 delegates, staying for 1-3 nights. 3 and 4 star hotels occasionally host larger residential conferences of 100-150 delegates plus. They will generally refuse residential conferences of this size however as they will block out the rest of the week for corporate business and potentially result in reduced levels of occupancy on nights either side of the conference.

- **Midweek breaks** are an important market for one 4 star hotel and one 3 star hotel in the summer months. Budget hotels also attract some midweek leisure break business.

- **Group tours** are a secondary midweek market for 3 star hotels and one 4 star hotel. One upper-tier budget hotel also takes some midweek tours to boost occupancy in quieter corporate weeks. Group tour business is generally very low-rated. Hotels will only take it in the absence of other business therefore.

- Budget hotels attract some midweek business from **ferry passengers** during the summer, primarily on Thursday nights. This market typically accounts for 5-10% of weekday trade for budget hotels. Hotels of other standards appear to attract very little ferry-related business during the week.

4.6.7. Weekend Markets

- **Weekend breaks** are the main weekend market for the Portsmouth 4 star hotels and an important weekend market for hotels of other standards. Portsmouth is becoming a strong leisure break destination, with the attractions of the Historic Dockyard as a key draw, now complemented by Gunwharf Quays and the Spinnaker Tower.

- 4 star weekend break business is primarily driven through hotel company leisure break marketing programmes. Much of this business if rate-driven, through tactical special offers and late availability deals. Hotels of other standards also drive weekend break business primarily through special offer rates that they promote through Internet sites. Hotels in the city centre appear to be able to command good rates for weekend breaks however. Hotels along the M27/A27 corridor and outer fringes of the city generally have to offer reduced rates to attract weekend break business.

- **Weddings and functions** are the main weekend market for 3 star hotels, but a relatively minor weekend market for 4 star hotels.

- People coming to the city for weddings and family parties are an important source of weekend business for upper-tier budget and budget hotels.

- **Masonic Lodge weekends** are an important weekend market for 3 star hotels in Southsea.

- The city's 4 star hotels take some **group tours** at weekends, from both the UK and overseas. This is a minor market for them, and one that they use primarily to fill off-peak times, due to its very low-rated nature. One 3 star and one budget hotel also take some weekend group tours.

- **Ferry passengers** are an important weekend market for budget hotels in the summer. They account for 20-40% of weekend business for budget hotels. This is a very limited market for hotels of other standards however.

- **Clubbers and stag and hen parties** are the main weekend market for one city centre budget hotel and an important weekend market for the other city centre budget and upper-tier budget hotels.

- **Football supporters** are a key weekend market for one budget hotel. It is usually fully booked by supporters for home matches. Other hotels attract some business from football supporters, but not to a significant extent.

- **People visiting friends and relatives** in the city are a strong weekend market for budget hotels.

- **Events** generate good business for Portsmouth hotels of all standards. Key events are the International Festival of the Sea, Global Challenge, Volvo Ocean Race, and Goodwood motor racing. Hotels are usually full a long way in advance for these events and will turn away significant levels of business for them. Most hotels increase their rates for these events. Other events that generate business for Portsmouth hotels are Cowes Week, the Southampton Boat Show and the Great South Run. Apart from the Great South Run, most events are held in the summer when hotels would be busy anyway. Events tend to displace other leisure markets therefore, rather than generate additional business for hotels.

- Other weekend markets are parents visiting naval students, hospital visitors, sports teams and occasional weekend association conferences.

- Hotels also attract corporate customers and contractors arriving on Sunday nights, or staying over the weekend.

4.7. Market Trends

- The corporate market for hotel accommodation in Portsmouth grew strongly in 2005 and 2006 as a result of MOD project work and the railway signalling project. Corporate demand appears to have weakened for some hotels at the start of 2007 however.

- The contractors market has grown strongly in 2005 and 2006 as a result of developments such as the Gunwharf Quays apartments, Spinnaker Tower and the railway signalling project.

- Business from city conferences tends to be cyclical, with conferences such as the Prison Officers Association on a two-year cycle. City conference business increased in 2006, will drop back in 2007, but then recover in 2008. The underlying trend is that this is a largely static market for the city's hotels however.

- There appears to be no significant change in the residential conference market. One hotel reported a drop in residential conference business, which it attributed to companies developing their own in-house meeting and training facilities and no longer needing to use hotels. Another hotel reported no change in residential conference demand. No hotel reported a growth in this market.

- A number of hotels have increased their leisure break business through marketing. The development of the city's tourism offer in terms of Gunwharf Quays and the Spinnaker Tower is also likely to have contributed to the growth in leisure break business for the city's hotels.

- Ferry-related demand has reduced since P&O Ferries pulled out of Portsmouth in 2004.

- Demand from the weddings market does not appear to have changed much in the last 2 years. One hotel reported a downturn in weddings business. Other hotels did not report any change in this market.

- A number of hotels have reduced the number of group tours that they take as demand from other higher-paying markets has increased. One 3 star hotel reported reduced numbers on group tours so far in 2007.

- With no major events in the city in 2007, event-related demand will reduce this year.

4.8. Denied Business[7]

- One 4 star, one 3 star and one upper-tier budget hotel regularly deny business on Tuesday and Wednesday nights, and to a lesser extent on Monday and Thursday nights. Tuesday and Wednesday night denials can be significant depending on the time of year. Other 4 star, 3 star and upper-tier budget hotels only occasionally deny business on Tuesday and Wednesday nights, but not usually to any great extent.

- All budget hotels regularly deny business during the week, especially during the summer months. One budget brand reported extremely high levels of denied midweek business for the Portsmouth area. The other budget hotels did not report such high levels of midweek denials, although did not know how much business is being denied for Portsmouth through their central reservations service and company website.

- Most hotels regularly deny business on Saturday nights, at times to a significant extent, particularly in the summer. Budget hotels regularly deny significant levels of business on Saturday and Friday nights. One budget brand reported extremely high Friday and Saturday denials for Portsmouth. Two 4 star hotels only occasionally deny business on Saturday nights, and not to any great extent.

- One budget brand reported significant Sunday night denials during the summer.

- All hotels deny significant levels of business during major events.

- Two 4 star hotels reported denying large residential conferences of 100+ delegates on a reasonably frequent basis.

- A survey of local companies undertaken by the City Council in 2000/01 showed that some 30% of Portsmouth companies were using hotels in other locations due largely to issues to do with the city's hotels in terms of quality, customer care and value for money. Further research is needed to assess the extent to which this is now happening.

[7] Business that hotels have turn 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 City Council's Conference Office identified that Portsmouth currently loses association conferences to other destinations due to one or more of the following factors:

    - The limitations of the Guildhall as a conference venue, particularly in terms of it not being purpose-built for conferences and only having one main hall;
    - The lack of hotels within walking distance of the Guildhall;
    - The lack of bedroom availability at hotels;
    - The difficulty of getting sufficiently low rates for association conferences from hotels as they are already busy with higher-rated corporate business during the week.

  The Conference Office was unable to quantify the numbers of association conferences that the city loses, but clearly feels that Portsmouth could attract significantly more conferences than it does currently if it had a purpose-built conference centre and/or more hotels in the city centre.

4.9. Future Prospects

- The city's hotels are generally positive about their future prospects. Most expect to maintain or further increase their occupancies and to grow their achieved room rates. Only one hotel was concerned about its future prospects.

- Budget hotels were generally very positive about their future prospects, although one expects to see a drop in occupancy when the Etap opens in 2008.

- Key factors that hotels identified that would affect their future prospects were as follows:

    - A number of 3 and 4 star and upper-tier budget hotels expressed concern about new hotels of these standards coming into the city. The general feeling from these hotel managers was that hotel supply and demand in Portsmouth are currently fairly evenly balanced, and that new hotels will only dilute the market if they open ahead of growth in the market.

    - The regeneration of the city was seen as a key requirement for boosting the city's hotel market and a requirement for supporting new hotel development.

- Budget hotels expect to see significant growth in demand from the contractors market as a result of the planned development of the city centre.

- Many hotel managers commented about the need for a purpose-built conference centre in Portsmouth to support the development of the city's hotel sector.

- Events at off-peak times were identified as a key requirement for reducing seasonality and boosting hotel performance.

4.10. 2 Star/ Lower Grade/ Boutique Hotels

- We were only able to interview three 2 star/ lower grade hotels and the new Florence House/ Somerset House boutique hotel as part of the Hotel Futures study. Other 2 star and lower grade hotels refused to take part in the study for a variety of reasons. Two hotels indicated that they are planning to close for conversion to residential apartments.

- On the basis of the interviews that we were able to conduct it would appear that the performance of the city's 2 star and lower grade hotels is variable, depending primarily on the quality of facilities and service that they provide. Some hotels of these standards are trading well and attracting a regular clientele and good repeat business. Others are trading less well.

- 2 star and lower grade hotels attract business from a broad mix of markets, including leisure break guests, overseas tourists, contractors, ferry passengers, week-long holidaymakers, special interest groups, people attending weddings and family functions, hospital patients and visitors (particularly from the Channel Islands) and people coming for events.

- The 2 star/ lower grade hotel market is relatively seasonal, especially in Southsea. Hotels achieve high occupancies during the summer months and regularly deny business at this time of year, particularly at weekends, for major events, and if the weather is good. Occupancies are much lower during the winter. Weekend occupancies hold up reasonably well, especially Saturday nights. Midweek occupancies are lower, with hotels relying mainly on business from contractors and workmen.

- A significant number of 2 star and lower grade hotels have closed in Southsea in the last 5 years, and some of the remaining hotels here have plans to follow suit. This has boosted business for one of the remaining hotels that we spoke to in Southsea. The other appears not to have benefited greatly however.

- 2 star and lower grade hotels appear to have been affected to at least some extent by the new budget hotels that have opened in the city. Being well-located, well-resourced and powerfully marketed, budget hotels can attract demand in locations where small independent hotels fail. Budget hotels have primarily affected the winter trade of lower grade hotels by taking much of the contractors business that they were previously attracting at this time of year.

- Our research suggests that there is still a market for 2 star and lower grade hotels in Portsmouth and Southsea. However, their market is highly seasonal, and further budget hotel development in the city centre and Southsea is likely to eat into their out of season business further, impacting on their viability. Further losses to residential conversion are likely at this end of the market if left to market forces.

- The success of Florence House and Somerset House has demonstrated a market for a high quality boutique hotel offer in Southsea, for which people are prepared to pay a premium price.

4.11. Summary of Key Points

- The 4 star hotel market is strong overall in Portsmouth, although performance varies significantly between the city's 4 star hotels. 4 star occupancies are high as a whole but achieved room rates are comparatively low by national standards. This is a function of the relatively low corporate rates in Portsmouth and the strength of leisure demand in the market mix for 4 star hotels. There is evidence of some denied business in the 4 star market, particularly on Tuesday, Wednesday and Saturday nights. Not all 4 star hotels are consistently denying business at these times however. Previous research has show that Portsmouth companies were using 4 star hotels in other locations as they were not satisfied with the city's 4 star hotels. The extent to which this is still happening requires further research.

- The 3 star market is not as strong as the 4 star market with 3 star hotel occupancies lower and more seasonal. 3 star achieved room rates are also low, with 3 star hotels affected by the same issues in terms of the low corporate rates and the strength of leisure demand in their market mix. They also take group tour business during the week to boost midweek occupancies. This is very low-rated business, which further reduces their achieved room rates. There is evidence of 3 star hotels denying some business both during the week and at weekends, particularly in the summer months.

- The upper-tier budget hotel market is strong in Portsmouth, although there is a significant difference in performance between the city's upper-tier budget hotels. Upper-tier budget hotel occupancies are very high. Achieved room rates are only slightly below the 4 star average and above the rates achieved by some of the city's 4 star hotels for one upper-tier budget hotel.

- The budget hotel market is extremely strong in Portsmouth. Budget hotel occupancies are very high. All budget hotels consistently fill throughout the week and regularly deny business both during the week and at weekends, to an extremely high level for at least one budget brand.

- The corporate market for hotel accommodation is strong in Portsmouth. A lot of corporate demand is government business, which tends to be lower-rated. The corporate market in Portsmouth is also dominated by a small number of very large producers of demand for hotel accommodation, which are able to command low rates from the city's hotels due to their buying power. These two factors combine to depress corporate rates for the city's hotels. A lot of corporate demand in the city is project-related and therefore difficult to predict. The corporate market grew strongly in 2005 and 2006, but appears to have slipped back so far in 2007.

- Residential conferences are an important secondary weekday market for 3 and 4 star hotels in the city. This market appears to be largely static currently.

- Association conferences are a minor weekday market for city centre and Southsea hotels. This market is largely static at present. The City Council's Conference Office believe that Portsmouth is losing association conferences due to its lack of a purpose-built conference centre and limited supply of hotels in the city centre.

- Contractors are a strong and growing market for budget hotels.

- Leisure breaks are a key weekend market for 3 and 4 star hotels and a secondary midweek market for some. Leisure break business has grown as a result of increased marketing by hotels and the city's developing tourism offer, with the opening of Gunwharf Quays and the Spinnaker Tower.

- 3 star hotels take group tour business during the week to boost midweek occupancies. This is low-rated business that depresses their achieved room rates. Some other hotels also take group tour business to boost quiet periods, but have generally reduced this business as other higher paying markets have grown.

- Clubbers, stag and hen parties and football supporters are key weekend market for some budget hotels and a minor weekend market for hotels of other standards.

- Ferry passengers are an important weekend market for budget hotels during the summer. They are a minor market for hotels of other standards however.

- Weddings and functions are a key weekend market for 3 star hotels and generate weekend business also for budget and upper-tier budget hotels. They are a minor weekend market for 4 star hotels.

- Major events generate good business for hotels in the city. They tend to be held at times when hotels would be busy anyway and are thus primarily displacing other leisure markets rather than generating additional business for hotels.

- Most hotels are optimistic about their future prospects. Key factors seen as determining future hotel performance are identified as follows by hotel managers:

    - The regeneration of the city and development of the city centre as key drivers of future growth in the corporate and contractors markets;
    - New hotel development and the impact that it will have on existing hotels;
    - The need for a purpose-built conference centre in the city;
    - The need for events at off-peak times to help reduce seasonality.

- Our research suggests that there is still a market for 2 star and lower grade hotels in Portsmouth and Southsea. Hotels of this standard may however be adversely affected by the development of new budget hotels in the city centre and Southsea, and further losses to residential conversion are likely at this end of the market.

- The success of Florence House and Somerset House has demonstrated a market for a high quality boutique hotel offer in Southsea.

5. THE POTENTIAL FOR GROWTH

5.1. The Strategic Context

The current economic development strategies for Portsmouth focus on attracting office-based employment in the city centre and developing tourism in the city, both of which should deliver increased demand for hotel accommodation in the city.

The City Growth Portsmouth Strategy (2006) focuses on the development of three business clusters identified as having the best prospects for growth – tourism, retail & leisure; marine and advanced engineering; and ICT. The Strategy also seeks to encourage the development of business services in the city and includes an action to investigate the potential for developing a purpose-built conference centre in the city. Other issues to address to realise growth include transport and infrastructure challenges, improving the city's image, and pro-active marketing for office space, all of which form part of an Action Plan for public-private sector partnership delivery.

A vision for Southsea's future is still being developed, recognising the importance of defining its role in the light of the significant investment going into Portsmouth. Current thinking points towards developing a new identity for Southsea as a premier food centre and unique shopping destination that will build on its tourism and infrastructure strengths and complement the retail and visitor offer elsewhere in the city. The focus could be on the development of a quality cultural quarter and healthy living complex that will attract speciality retailers, fitness operators, quality and niche restaurant businesses and provide the environment to develop a café culture and creative industries offer.

Portsmouth is part of the PUSH (Partnership for Urban South Hampshire) partnership of 11 local authorities formed to deliver regeneration to the core urban areas of South Hampshire, focused on the cities of Southampton and Portsmouth. The PUSH area is identified as a 'Diamond for Growth' in the Regional Economic Strategy and is one of 9 Sub-Regions as identified in the South East Plan. The PUSH sub-region is planning for increased levels of development, to realise potential, improve economic performance and address social deprivation in Portsmouth and Southampton, with a target of achieving GVA growth of 3.5% p.a. by 2026. This will require land for business development and increased investment in transport and infrastructure. The strategy is one of 'conditional managed growth' with the pace of growth and development determined by the rate of infrastructure investment.

Business services and office development are an important part of the future PUSH development strategy, with B1 office uses accounting for 62% of the estimated floor space requirement to 2026 and 72% of all new jobs. The city centres of Portsmouth and Southampton will be the main focus for this. To deliver success, Portsmouth has to improve its image as an office location through pro-active marketing activity. It will require a step change in the supply of office floor space in Portsmouth city centre, involving making the city centre more accessible and attractive and increasing the density of provision, including offices as part of mixed-use schemes.

In terms of tourism marketing, a Destination Marketing Strategy and Plan are currently in preparation for the city, but at the time of writing have not been finalised. Broad priorities include targeting mid-market families for short breaks, better-off empty nesters seeking a quality, cultural offer, and potentially the higher end of middle markets for short breaks. This will have implications in terms of the type of hotel product sought, with budget hotels and boutique offers for example having a role to play in meeting these future needs.

The strategic context for future growth in hotel demand in Portsmouth is thus one of growth in city centre office employment and the development of tourism, leisure and retail in the city, together with the possible development of the city as a conference destination if aspirations for a purpose-built conference centre are realised. This all points to growth in demand for hotel accommodation in the city. The following section considers in more detail the prospects for growth for each of the main markets for hotel accommodation in Portsmouth.

5.2. Future Market Prospects

5.2.1. The Corporate Market

With the future of the Naval Base now secure, the corporate market for hotel accommodation in Portsmouth is likely to grow over the next 20 years as the city's economy develops, existing companies win new contracts and expand their operations, and new companies are attracted to the city.

The growth sectors for the city identified in the City Growth Portsmouth and PUSH strategies (marine industries and related advanced engineering, ICT and business services) are all sectors that are productive in terms of demand for hotel accommodation. New office development in the city centre will create additional demand for hotel accommodation as new companies come in to occupy the offices as they are developed e.g. the redevelopment of the Zurich HQ. Corporate demand is also likely to increase from shipbuilding companies based in the dockyard following their recent successes in winning new contracts.

There are good prospects therefore for future growth in the corporate market for hotel accommodation in Portsmouth, especially in the city centre. Much will depend on the pace of office development and the success in attracting companies to the city.

5.2.2. Contractors

The contractors market is likely to grow significantly in Portsmouth over the next 5-10 years, and possibly beyond, given the level of retail, office and residential development planned in the city, the number of major construction projects and the growth in shipbuilding activity. Demand is likely to be strongest for budget hotels. Demand for 3/4 star and upper-tier budget hotels should also increase from project managers, consultants, civil engineers etc.

5.2.3. Residential Conferences

Our research suggests some potential for growth in the residential conference market in Portsmouth. This is already a reasonably strong secondary weekday market for the city's 3 and 4 star hotels and one that should grow as the city's economy expands and its image improves, particularly given continued marketing of the city as a conference destination. The residential conference market for hotels is highly competitive however and is generally static at present. There is a trend towards shorter duration meetings and conferences and the development of in-house training and meeting facilities by increasing numbers of companies. Competition is fierce from hotels and residential conference centres and other destinations. This market is unlikely to grow significantly for Portsmouth hotels therefore.

5.2.4. Association Conferences

Our research suggests limited potential to develop association conference business in Portsmouth with the city's current supply of conference venues and hotels. New city centre hotels may enable the City Council to attract more association conferences to the Guildhall. The rates that hotels will be prepared to offer are likely to continue to be an issue, however. A new city centre 4 star hotel will need to focus on attracting high-rated corporate business during the week if it is to be viable and give a sufficient return on investment to its developers. It would not want to release rooms at lower rates for conferences at the Guildhall unless they help in boosting quiet nights and periods e.g. Thursday and Sunday nights, and winter periods.

In the longer term there could be potential to develop association business in the city if a new conference centre were to be developed supported by a number of hotels on-site and within walking distance. Such a proposition clearly requires further research, however.

5.2.5. Leisure Breaks

Demand from the leisure break market should grow in Portsmouth, given further development of the city's attractions, cultural, retail and events offer and continued proactive market of the city as a leisure break destination. New hotels are likely to create their own leisure break business through corporate marketing activity. There is also potential for hotels to drive additional leisure break business through marketing, albeit possibly at reduced rates, particularly outside the peak summer months.

Portsmouth is becoming a strong leisure break destination, with the attractions of the Historic Dockyard now complemented by Gunwharf Quays and the Spinnaker Tower. The City Growth Portsmouth Strategy includes an action plan to develop the city's tourism offer and improve the marketing and promotion of the city as a visitor destination. This includes actions to encourage the development and improvement of the city's heritage attractions, a regular International Festival of the Sea and improved signage to link retail centres and the city's tourism and leisure offer. The Destination Marketing Strategy and Marketing Plan currently being prepared for the city focus on marketing Portsmouth as a short break destination.

The Cultural Strategy for the city and Culture Group's plans to develop the Unicorn building into a cultural hub will help to develop the city's cultural offer. The planned city centre retail development should significantly strengthen the city's retail offer. The Southsea Town Centre Area Action Plan could help to develop Southsea's appeal as a visitor area, with its focus on repositioning the Southsea retail offer and developing its tourism and heritage assets.

Portsmouth should benefit from the overall growth in the leisure break market in the South East anticipated as a result of the heightened awareness of the Region due to the London 2012 Olympics, and the cultural and sporting events that will be held in the South East in the run up to the Games and afterwards.

5.2.6. Football Supporters

The City Growth Portsmouth Strategy's Tourism, Leisure & Retail Cluster Action Plan includes actions to improve the experience of visitors to Fratton Park and encourage visiting supporters to stay in and visit the city. These measures should result in stronger demand for hotel accommodation from football supporters. The proposed development of a new larger football stadium (with capacity increased from the current 20,000 to 36,000) could also help to boost demand from football supporters.

5.2.7. Clubbers/ Stag & Hen Parties

Demand for budget hotel accommodation in the city centre should continue to grow from the clubbers/ stag & hen parties market, given further development of the city's offer in terms of nightclubs, bars and evening entertainment venues.

5.2.8. Overseas Tourists

Portsmouth should benefit from the general growth in overseas tourism to the South East that is anticipated in the run up to and beyond the London 2012 Olympic Games. Overseas visitors are a relatively small market for the city's hotels currently however. Even given strong growth, this is unlikely to become a major market for Portsmouth hotels.

5.2.9. Group Tours

Existing and new hotels in Portsmouth 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. Hotels are likely to reduce group tour business as other higher paying markets grow.

5.2.10. Events

New events could drive additional business for hotels, particularly if staged at off-peak times. The City Growth Portsmouth Strategy includes actions for developing a regular International Festival of the Sea and investigating the potential to attract more yacht racing events to the Portsmouth area. New events in the winter and shoulder season months will also be needed to boost off-peak periods for hotels.

5.2.11. Ferry Passengers

Our research did not identify any indicators of likely future growth in demand for hotel accommodation from ferry passengers in terms of new ferry services starting from Portsmouth.

5.2.12. Cruise Passengers

Cruise passengers could develop as a market for Portsmouth hotels if the city is successful in developing docking facilities for cruise ships and attracting cruise operators to depart from Portsmouth. The City Growth Portsmouth Strategy includes actions to investigate such opportunities. The Portsmouth Continental Ferry Port and MoD are also in discussions about establishing a cruise ship terminal in the Dockyard.

5.2.13. Weddings and Functions/ VFR Market

The weddings and functions, and visiting friends and relatives markets, are likely to grow slowly in Portsmouth in line with the projected growth in the city's population (0.3% per annum).

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 Portsmouth over the next 20 years, Hotel Solutions has prepared projections of possible future growth in hotel demand to 2011, 2016, 2021 and 2026. Projections have been prepared for 4 star, 3 star, upper-tier budget and budget hotels. The projections assume that growth will be unconstrained by site availability and planning policy.

Projections have been prepared under two scenarios:

Scenario 1- Without a purpose-built conference centre

Scenario 2 – With a purpose-built conference centre

In projecting future requirements for hotel accommodation in Portsmouth under both scenarios, we have first calculated an estimate of current (2006) baseline midweek and weekend roomnight demand for each standard of hotel, based on the hotel occupancy data that we collected through our survey of hotel managers. To these figures we have added estimates of the roomnights that hotels of each standard are currently denying, based on the information provided to us by hotel managers, to provide an adjusted baseline figure of the true (unconstrained) roomnight demand for each standard of hotel. We have then applied assumed low, medium and high growth rates to these adjusted baseline figures to calculate estimated roomnight demand for each standard of hotel by 2011, 2016, 2021 and 2026.

Using these projections of future hotel demand we have then calculated the number of hotel bedrooms of each standard that our roomnight projections would support, assuming an average annual room occupancy of 70% for 4 star, 3 star and upper-tier budget hotels and 80% for budget hotels (the minimum levels of occupancy that hotel developers and operators usually seek to achieve). Applying these figures to current numbers of hotel rooms provides figures for the numbers of new hotel bedrooms of each standard that may be needed in the future if the projected growth in the market takes place.

Under Scenario 2 we have added estimates of the roomnight demand that we think a purpose-built conference centre might produce for hotels of each standard in Portsmouth. These estimates are based on an evaluation undertaken by Hotel Solutions in relation to the conference centre that is currently being built in Liverpool, drawing on forecast usage levels prepared by specialist conference consultants, The Right Solution.

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. In terms of the immediate need for sites/new development, the first 5 year period to 2011 sets this out. 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

Midweek Demand

Employment forecasts provide an indicator of local business development and new companies coming into an area. They provide the best indicator of potential growth in corporate demand for hotel accommodation therefore. GVA forecasts also take account of improvements in productivity as well as employment and are not such a good indicator of growth in corporate demand for hotel accommodation therefore.

The latest economic forecasts for Portsmouth available from Experian Business Strategies' Local Markets Database (December 2006 issue), project an average annual increase in employment of 0.68% for Portsmouth between 2006 and 2020.

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

- Much of the growth in employment in Portsmouth will be in sectors that are productive in terms of hotel demand, including business services, ICT and advanced engineering.
- Growth in demand from the construction sector related to the major development schemes in the city will also contribute to an increase in midweek demand for hotel accommodation.

- The residential conference market may well grow in Portsmouth as the city's economy develops, its image improves and its hotel stock develops.

We have thus assumed the following average annual growth rates for midweek demand and for 3/4 star hotel accommodation in Portsmouth:

3/4 Star Hotels – Portsmouth
Assumed Growth Rates for Midweek Demand

Growth Scenario	Average Annual Growth Rate 2006-2026 %
Low	1
Medium	2
High	3

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.

Weekend Demand

Recent Mintel forecasts for the UK short breaks market show no growth in the volume of short breaks taken in the UK over the next 5 years, although a significant (32%) real-term growth in expenditure on short breaks. Given the recent and planned future development of the city's tourism, leisure, cultural and retail offer, and assuming continued proactive marketing of the city as a short break destination, it is reasonable to assume that leisure break demand will grow in Portsmouth over the next 20 years. New hotels will also generate additional leisure break business through their own marketing. Growth is also likely in overseas tourist visits. The latest VisitBritain forecasts for inbound tourism to the UK project a growth of 4% in total visits in 2007. Growth is likely to accelerate in the run up to the London 2012 Olympics. There is no reason to suggest that Portsmouth should not benefit from this growth. This is likely to remain a small market for Portsmouth hotels however. Population growth is likely to determine growth in the weddings and functions and visiting friends and relatives markets. The latest population forecasts for Portsmouth are for an increase of 6.5% in the city's population between 2006 and 2026, equivalent to an average annual increase of 0.3%.

Taking account of these indicators of potential growth in leisure demand, we have assumed the following average annual growth rates for weekend demand for 3 and 4 star hotels in the city through to 2026:

3/4 Star Hotels - Portsmouth
Assumed Growth Rates for Weekend Demand

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

b) Budget/ Upper-Tier Budget Hotels

Midweek Demand

Growth in midweek demand for budget and upper-tier budget hotels is likely to be stronger than growth in demand for 3 and 4 star hotels due to the significant growth anticipated in the contractors market as a result of the major construction projects planned in the city. Average annual growth rates for midweek demand for budget and upper-tier budget hotel accommodation have been assumed as follows:

Budget/ Upper-Tier Budget Hotels – Portsmouth
Assumed Growth Rates for Midweek Demand

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

Weekend Demand

We see no reason to assume that weekend demand for budget and upper-tier budget hotel accommodation should not grow at least at the same pace as growth in demand for 3 and 4 star hotel accommodation. We have assumed the following average annual growth rates for weekend demand for the budget/ upper-tier budget hotel accommodation in Portsmouth through to 2026:

Budget/ Upper-Tier Budget Hotels – Portsmouth
Assumed Growth Rates for Weekend Demand

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

c) Potential Conference Centre Demand

On the basis of projections prepared for the Liverpool Convention Centre, we estimate the possible roomnight demand that a purpose-built conference centre might generate for hotels in Portsmouth as follows:

Portsmouth Conference Centre
Potential Hotel Demand

Standard of Hotel	Average Annual Roomnights Stabilised Trading Year
4 Star	25,000
3 Star	11,000
Upper-tier Budget	5,500
Budget	11,000
Total	**52,500**

For the purposes of our projections, we have assumed that a conference centre would not be built until at least 2011 or 2012 and that it would not reach a stabilised trading pattern until 2016.

5.3.3. Projected Future Hotel Development Requirements

The results of our calculations in terms of future numbers of hotel bedrooms required by standard are summarised in the tables below, broken down into 5 year periods. With the lead times for hotel development, sites need to be allocated for new hotels now in order to fulfil the requirements to 2011:

Portsmouth – Projected Requirements for New Hotel Development – 2011-2026 Without a Conference Centre

Standard of Hotels/Year	Projected New Rooms Required by This Year		
	Low Growth	Medium Growth	High Growth
4 Star[1]			
2011	74	101	129
2016	112	171	235
2021[2]	153	250	361
2026[2]	197	339	510
3 Star			
2011	30	46	63
2016	54	90	130
2021[2]	80	140	209
2026[2]	108	197	302
Upper-Tier Budget			
2011	83	99	116
2016	117	155	193
2021[2]	154	215	286
2026[2]	194	288	400
Budget[3]			
2011	266	299	333
2016	335	410	491
2021[2]	411	538	684
2026[2]	495	687	917
TOTAL NEW HOTEL ROOMS			
2011	453	545	641
2016	618	826	1049
2021[2]	798	1143	1546
2026[2]	994	1511	2129

Note:
1. The projected figures for new 4 star hotel rooms include the 150-bedroom 4 star hotel proposed as part of the Northern Quarter development.
2. 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.
3. The projected figures for new budget hotel rooms include the Etap hotel that will open in 2008 (120 rooms)

Portsmouth – Projected Requirements for New Hotel Development – 2016-2026
With Conference Centre

Standard of Hotels/Year	Projected New Rooms Required by This Year		
	Low Growth	Medium Growth	High Growth
4 Star[1]			
2016	194	269	332
2021[2]	251	348	458
2026[2]	295	437	608
3 Star			
2016	97	133	171
2021[2]	123	183	251
2026[2]	151	240	346
Upper-Tier Budget			
2016	138	176	214
2021[2]	175	237	308
2026[2]	216	309	421
Budget[3]			
2016	373	448	537
2021[2]	449	576	721
2026[2]	533	724	955
TOTAL NEW HOTEL ROOMS			
2016	802	1026	1254
2021[2]	998	1344	1738
2026[2]	1095	1710	2330

Note:
1. The projected figures for new 4 star hotel rooms include the 150-bedroom 4 star hotel proposed as part of the Northern Quarter development.
2. 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.
3. The projected figures for new budget hotel rooms include the Etap hotel that will open in 2008 (120 rooms)

6. FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

6.1. Summary

Our growth projections suggest potential for significant new hotel development in Portsmouth, particularly in terms of budget and upper-tier budget hotels, with potential also for new 3 and 4 star hotels. Our projections suggest potential for 5-9 new hotels in the city in the next 10 years, depending on how quickly the market grows, and potential for 9-17 new hotels in the next 20 years. The requirement for new hotels would be even higher if a purpose-built conference centre is developed in the city.

6.2. Opportunities by Standard of Hotel

6.2.1. 4 Star Hotels

Our growth projections show potential for an additional 112-235 4 star hotel bedrooms in the city by 2016, depending on how strongly the city's hotel market develops. This would equate to at least one new 4 star hotel of around 150 bedrooms within the next 10 years, and possibly within the next 5 years if the market grows quickly, together with the possible expansion of existing 4 star hotels. In the longer term there could be scope for a further 4 star hotel by 2026. The development of a purpose-built conference centre in the city would require the development of a further 4 star hotel ideally on-site, to act as the headquarters hotel for conferences.

Rate will be the key issue determining whether Portsmouth can attract new 4 star hotel developments. 4 star achieved room rates are currently well below the target levels required by 4 star hotel developers. Significant rate growth will thus be required. Much will depend on office development in the city centre and the type of companies that the city attracts in the future.

There might be potential for a large (200 bedrooms +) 4 star hotel with extensive conference and exhibition facilities in the city centre. Our research identified evidence of large residential conferences (100-150 + delegates) currently being denied by the city's existing 4 star hotels. A large conference hotel may be able to service this demand alongside corporate business. Such a hotel might be a more realistic proposition for Portsmouth than a purpose-built conference centre, given the proximity of the major conference centres in Brighton and Bournemouth. It may be better to seek to encourage such a hotel with a view to targeting corporate and association conferences of up to 500 delegates. While it would not have the same impact as a purpose-built conference centre in terms of generating business for the city's other hotels, it would generate some extra business for them, possibly on a more frequent basis, as not all conference delegates would be accommodated in the main hotel.

There may be scope for the 3 star hotels in Southsea to reposition themselves as 4 star hotels, possibly boutique offers, particularly if Southsea is successfully repositioned as a more upmarket retail, restaurant, cultural and heritage area. This may require partial conversion to residential to raise funds to invest in upgrading these hotels.

6.2.2. Boutique Hotels[1]

Some of the potential for new 4 star hotels could be met through the development of new boutique hotels in the city in terms either new-build boutique hotels, the conversion of suitable properties or the repositioning of the 3 star hotels in Southsea (as suggested above). Boutique hotels would help to broaden the city's hotel offer and boost its image as a more upmarket destination. They should also attract new high-rated leisure break business to the city. Boutique hotels generally perform very well in the leisure break market. Boutique hotel brands such as Hotel du Vin and Malmaison have strong and loyal bases of leisure break customers.

There could also be scope for guesthouses in Southsea to reposition as boutique accommodation.

6.2.3. Suite Hotels/ Serviced Apartments

Some of the 4 star potential could potentially be met through the development of a suite hotel or serviced apartment complex. These types of hotel product appeal particularly to long stay corporate customers. Given the level of project-related corporate demand in the city, these types of hotel product could find a good market in Portsmouth.

[1] Hotels that feature highly contemporary design usually with a high quality, but fairly informal food and beverage offer.

6.2.4. 3 Star Hotels

Our growth projections show potential for an additional 54-130 3 star hotel bedrooms in the city by 2016 and 108-302 bedrooms by 2026. This could equate to one new 3 star hotel by 2016 alongside the proposed expansion of the Innlodge. There may then be potential for a second new 3 star hotel by 2026 if the Portsmouth hotel market grows very strongly. A further 3 star hotel still would be needed to support a conference centre in the city.

The potential for new 3 star hotel development is probably stronger than these figures suggest however. Much of the potential identified for new 4 star hotel bedrooms might equally be met through additional 3 star provision. Indeed, 3 star hotel development is probably a more realistic proposition for the city in view of the achieved room rates that 4 star hotels are currently achieving.

6.2.5. Upper-Tier Budget Hotels

Our growth projections show potential for 117-193 upper-tier budget hotel bedrooms by 2016 and 194-400 bedrooms by 2026. This would equate to one and possibly two new upper-tier budget hotels in the next 10 years, one of which could probably be supported in the next 5 years. In the longer term there could be potential for at least one further upper-tier budget hotel. The development of a conference centre could support a further upper-tier budget hotel still.

6.2.6. Budget Hotels

Our growth projections show immediate potential for up to 3 budget hotels[2] in the next 5 years, and up to 5 new budget[2] hotels by 2016, together with the possible expansion of the Portsmouth Premier Inn and Tulip Inn (which will be rebranded as a Premier Inn in 2008). The budget hotel market is very strong in Portsmouth, with significant levels of denied/frustrated demand for this type of hotel product currently. Given the strong growth anticipated in demand from the contractors market, our research suggests clear potential for significant budget hotel development in Portsmouth. In the longer term the projections show potential for 5-9 new budget hotels[2] by 2026, and up to 10 hotels if a conference centre is developed.

[2] Including the Etap hotel currently under construction.

6.3. Required Hotel Development Sites

Assuming an average size of 150 bedrooms for new 4 star hotels, 130 bedrooms for 3 star hotels, 120 bedrooms for upper-tier budget hotels and 100 bedrooms for budget hotels, our projections suggest a requirement for up to 17 hotel development sites in Portsmouth over the next 20 years under the High Growth Scenario, and up to 20 sites if a conference centre is developed. Under the Medium Growth Scenario (which is probably the more realistic scenario to consider) up to 12 hotel sites are needed in the next 20 years, and up to 15 if the conference centre goes ahead.

Portsmouth - Required Hotel Sites – 2011-2026

Standard of Hotels/Year	Projected Hotel Sites Required by This Year		
	Low Growth	Medium Growth	High Growth
4 Star[1]			
2011	0	1	1
2016	1	1	1
2021[2]	1	2	2
2026[2]	1	2	3
3 Star			
2011	0	0	0
2016	0	0	1
2021[2]	0	1	1
2026[2]	1	1	2
Upper-Tier Budget			
2011	0	1	1
2016	1	1	2
2021[2]	1	2	2
2026[2]	2	2	3
Budget[3]			
2011	3	3	3
2016	3	4	5
2021[2]	4	5	7
2026[2]	5	7	9
TOTAL SITES REQUIRED			
2011	3	5	5
2016	5	6	9
2021[1]	6	10	12
2026[1]	9	12	17

Note:

1. The projected figures for new 4 star hotel sites includes the 4 star hotel proposed as part of the Northern Quarter development.
2. 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.

3. The requirements for budget hotel sites includes the Etap hotel that is currently under construction)

Portsmouth - Required Hotel Sites – 2016-2026
With Conference Centre

Standard of Hotels/Year	Projected Hotel Sites Required by This Year		
	Low Growth	Medium Growth	High Growth
4 Star[1]			
2016	1	2	2
2021[2]	2	2	3
2026[2]	2	3	4
3 Star			
2016	0	1	1
2021[2]	1	1	2
2026[2]	1	2	2
Upper-Tier Budget			
2016	1	1	2
2021[2]	1	2	3
2026[2]	2	3	4
Budget[3]			
2016	4	4	5
2021[2]	4	6	7
2026[2]	5	7	10
TOTAL SITES REQUIRED			
2016	6	8	10
2021[2]	8	11	15
2026[2]	10	15	20

Note:
1. The projected figures for new 4 star hotel rooms include the 150-bedroom 4 star hotel proposed as part of the Northern Quarter development.
2. 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.
3. The requirements for budget hotel sites includes the Etap hotel that is currently under construction)

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 for budget and upper tier budget offers, rising to a maximum £30,000 per room for full service hotels in the very strongest of market locations);
  - 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, edge of centre and out-of-town sites, depending upon the geography of the destination and the location of prime business drivers;
  - The need for associated development where land values are high;
  - Redevelopment sites where opportunities are limited and competition for sites strong, including office conversions and development and branding of existing hotels.

- **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-£48 (budget), £55-£75 for upper tier budget and 3 star 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 Portsmouth, 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 – particularly at the 4 star level which is much more capital intensive - are likely to be interested in options put to them that involve management contracts than in building and funding 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 Portsmouth

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 Portsmouth;
- Image of the area as a hotel investment location;
- Views on the hotel market here;
- Key issues influencing hotel investment decisions;
- The size and standard of hotel they would seek to develop;
- Preferred locations for hotel development, particularly probing city centre, edge of centre and out-of-town locations;
- 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 Portsmouth, the 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 standards and types of hotel for which a market potential 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. A summary of interest by brand is presented in the table overleaf.

Below we provide an overview of developer responses and the key issues emerging from the consultations:

- The majority of respondents had some interest or potential interest in investing in hotel development or operation in Portsmouth. In most cases those that were not interested were either already represented in the destination or close by e.g. Golden Tulip, or had a particular geographic focus/current priority e.g. Yotel presently focusing on capital cities and airports.

- In some cases, operators with existing representation in and around Portsmouth were looking for additional sites, either for a sister brand (e.g. Courtyard by Marriott and Novotel - part of the Accor group alongside Ibis and Etap), or as with Premier Inn and Travelodge, for second and third hotels serving different parts of the city.

- The things that make Portsmouth and its surrounds attractive to hotel investors and operators include:

    - A strategic location along the south coast;
    - Good access, with the M27 and links to the M3 and A3 transport corridors, including links to London and access to the Greater London market;
    - The leisure appeal of the waterfront plus ferry business to supplement/complement the corporate market.

HOTEL DEVELOPER INTEREST IN PORTSMOUTH

STANDARD/ TYPE OF HOTEL	BRAND INTEREST
4 STAR	• Hilton[1] • Millennium & Copthorne • Ramada Plaza • Novotel • Radisson SAS[2]
DESTINATION/COUNTRY HOUSE	• Cadbury House Hotel Group
BOUTIQUE	• The Place Hotels • Hope Street Hotels • Hotel du Vin
3 STAR	• Jurys Inn • Park Inn[2] • Hilton Garden Inn • Courtyard by Marriott • Village • Days Hotel • Future Inns[3]
BUDGET BOUTIQUE	• Big Sleep • Hoxton Urban Lodge
UPPER TIER BUDGET	• Ramada Encore • Express by Holiday Inn • Hampton by Hilton • Sleep Inn
BUDGET	• Premier Inn • Travelodge • Days Inn • Etap[4] • Campanile
QUALITY PUB ROOMS	• Greene King
SUITE HOTELS	• Staybridge

1 Possibly subject to the future of the existing out-of-town Hilton

2 No direct response but could be developed under franchise by HLH

3 Interest at time of previous sites review for Hampshire, no response to developer testing during current survey

4 Under construction

- In terms of the desired location of new hotel development, there was a varied response from developers and operators, and interest in city centre, edge of centre, the waterfront, approach roads and out-of-town locations. One hotel operator summed the situation up well:

  "The problem with Portsmouth is there is no clear and obvious centre to the city".

  In essence, hotel companies want to be wherever the business is in that destination:

  - In Portsmouth's case, some of the major corporate bookers of rooms are out near the motorway, including IBM and BAe. In addition, the M27 is a strategic corridor, and hotels here will serve not only Portsmouth but also serve a wider market. Locating here also avoids the problems of congestion experienced in the city centre at peak times.
  - Some consultees had a clear strategy to be close to the station, especially as offices like Zurich, the Council and the universities are nearby. Proximity to retail, cafes bars and restaurants was also seen as advantage in this location.
  - Other hotel developers had a preference for a waterfront location, linked to the activity around Gunwharf Quays and The Hard, seeing this as a plus for the leisure market at weekends and holiday times, and also a draw for the business market in the week by providing a vibrant setting with plenty of choices for eating, drinking and evening entertainment.
  - A final group of developers were looking for gateway sites with visibility, located on the edge of city centre on one of the main routes into the city.

- The overall message in terms of location is about relating hotel development to the generators of demand, which may or may not be in one location in a city. Here the geography of the city has resulted in a series of 'destination hubs' and it would seem to make sense to integrate hotel development within these in order to minimise traffic movement. In terms of future growth, development proposals that will generate hotel demand will therefore be key to future hotel location.

- Whilst the majority of interest was for Portsmouth itself, there was some potential interest in locating in Southsea. The developers and operators looking for opportunities here included:

    - Travelodge (already represented to the north/west of the city)
    - Steeltower/Hilton
    - Millennium & Copthorne

- There was interest in developing a range of hotel offers in Portsmouth from budget and upper tier budget through to 3 star, 4 star and niche offers. Budget, upper tier budget and 3 star interest was probably the strongest; developers that 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, whilst strong, tends to drag the overall rate down.

- Amongst the brand interest, there was a strong international dimension, including Hilton's new US brands about to be introduced to the UK (Garden Inn and Hampton by Hilton), the Wyndham brands (Days and Ramada), Accor, Marriott and IHG amongst others.

- Portsmouth has also made the hit list of a number of 'niche' hotel offers. They tend to be smaller groups in the initial stages of development rather than global brands, and often have a trendy, quirky dimension to them. They include Hotel du Vin (top end boutique hotel operator with fine dining offer), Big Sleep/Sleep on the Beach (budget boutique/design hotel operator), Hoxton Urban Lodge (budget boutique only in London to date) and others. This demonstrates that they see some character to the destination and leisure potential, and provides an opportunity to differentiate the hotel offer in the city.

- We also picked up some interest in serviced apartments/suite hotels from a number of franchisees of IHG, who develop and operate Staybridge Suites. Suite hotels tend to do well in locations where you have headquarters offices, research & development functions and other corporates generating long stay contracts. Universities also generate demand for this type of offer.

- Many of the hotel companies we spoke to knew Portsmouth reasonably well and had visited at some point. A number were actively looking, having recently visited or were planning a visit – including Jurys Inn, BDL/Ramcore, Bropar, Millennium & Copthorne, Big Sleep and Steeltower. However there were one or two who had more limited knowledge, and several who didn't feel they had got a handle on the destination and the optimum location for their offer. All wanted to know more about what was currently happening and proposed for the future of the city. There is still therefore a communications job to do.

- 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. It will affect their ability/willingness to go into some mixed-use schemes. However there is clearly a lot of flexibility across the market, with examples of hotels being converted from office blocks and listed buildings, as well as operating as one element of a residential and commercial tower or above ground floor retail. Standalone hotel developments are of course the simplest and cleanest solution for most.

- 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 120-150 rooms, although can be up to 200-250 rooms in city locations. Most of the respondents wanted to develop their larger models in Portsmouth - a function of the difficulty of getting into the market here, and of making the most of any site that can be secured.

- Finally, with hotel development interest in Portsmouth from 29 brands to date, there is a clear message coming through from the market – to quote from one developer:

  "It has to be one of the hottest cities around".

  There is a real opportunity to maximise the benefit of this interest for the future of the destination vision by managing this interest and taking steps to ensure delivery.

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 – Portsmouth's island location and the fact that a significant area all along the coast has floodplain designation act as constraints on the availability of land. Add to this intense competition from other uses – particularly residential but also retail, office and employment – plus sequential test issues blighting a number of out-of-town sites that had previously been seen as development targets, and deliverability becomes a serious issue. The City Council has experienced this first hand following their previous hotel investment campaign, which generated interest that couldn't be matched with available sites.

- Timing in terms of when identified sites might come forward – this is always a complication when major development schemes are underway, but there are other issues with some of the potential sites for hotel and associated development that will delay them coming to the market. This includes contamination on several sites from previous shipbuilding activities, and in the case of schemes involving major infrastructure works, serious legal hurdles to overcome e.g. to permit new access roads off the M275. An additional factor here relates to the timing of schemes that will help develop new markets for the city e.g. offices and conferencing.

- 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. As a city centre use for allocated sites without any priority over higher value uses, there is a real concern that hotel use would get squeezed out on many of the key sites.

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

30 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. More detail on each of these locations can be found in the table at Appendix 4.

We offer the following comments in overview:

- The City Council has been pro-active in the past in identifying and promoting hotel sites and nurturing as well as monitoring hotel developer interest. The main problem has been the deliverability of sites, principally in terms of timeframe.

- Whilst many of the sites in the original portfolio were on the approaches to the city or alongside the M275 and M27 motorways, the requirement for sequential testing has effectively led the Council's policy-making away from allocating such sites for hotel use, with a focus on hotel development in the city centre.

- However, there are no allocations for hotel use in the city centre – hotels are one of the identified uses for city centre sites. Hotels feature in some schemes but are not favoured over other uses in terms of specific allocations. The danger is that value may well prevent hotel use coming forward on some of the mixed-use sites.

- With regard to timing, the down side of the scale of change underway in Portsmouth 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 have the potential to come forward in the short term i.e. the next 12-18 months. In the table below we have banded the sites into short, medium and long-term in terms of their likely deliverability:

TIMEFRAME FOR DELIVERY	SITE
SHORT TERM (12 months-2 years)	• Zurich 1 • Zurich 2 • North of Station St • Debenhams • Pyramids • Tulip Inn (extension)[1] • Innlodge/Farmhouse (extension) • Premier Inn (extension) • Etap/Pompey Centre[2]
MEDIUM TERM (2 –5 years)	• Guildhall • Civic Offices • IBM East • CCN • ABC • John Lewis • Victoria Swimming Pool • Brunel House • Keppels Head (repositioning as boutique) • Royal Mail[3]
LONGER TERM (5-10 years+)	• Tipner • Port Solent

1 Unclear whether this will go ahead as the hotel has been taken over by Premier Inn

2 Under construction

3 Potential to slip into longer term

- 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 authority 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. Where this is not the case, there will be a job to do to influence site owners in favour of hotel development.

- 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.

- In progressing these sites and 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;
    - Part of a destination 'hub', whether In the city centre, adjacent to a key demand driver such as a business park, or in a visible gateway/roadside location;
    - 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 Portsmouth hotel market;
- Significant levels of interest in Portsmouth from hotel developers, operators and investors;
- Strong interest in the city centre but also in other 'destination hub' sites where drivers to demand are located;
- Some excellent hotel sites, a number of which have the potential to come forward in the next 12 months to 2 years;
- Some obstacles to deliverability of sites and a danger that hotels could get squeezed out on value by competing uses;
- An opportunity to manage interest and prioritise sites to fit with the destination vision, including the creation of a hotel cluster that would support a conference node around the station;
- A potential need for 1,500 new hotel rooms by 2026 and up to 12 hotel sites (under the Medium Growth Scenario), and up to 1,700 new hotel rooms and 15 hotel sites if a purpose-built conference centre is developed in the city.

8. THE POLICY CONTEXT

8.1. The Big Picture

Clearly it is important that the hotel infrastructure of Portsmouth 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 in the city.

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 city.

8.1.1. National Planning Guidance

National guidance for tourism development was contained in PPG21until 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 3. 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 include:

- Identifying suitable locations for hotel accommodation should be an integral part of the plan making process, and should involve the tourist industry;
- Major hotel developments should look to the town centre first, because of their transport and regeneration implications;
- Outside the development plan process site selection should follow the sequential approach;
- There is a need to recognise the market being served by different types of hotel when allocating sites and considering applications, as this will affect the optimum location;
- New hotel developments in historic towns and cities need to be sensitive to their surroundings; conversions may also be a realistic proposition subject to impact;
- The potential to convert and re-use historic buildings in the town and countryside should be considered;

- Extensions e.g. to pubs to add bedroom accommodation can help support the viability of these businesses, but need to be proportionate;
- Budget hotels catering for longer staying markets should generally be destination focused i.e. in town centres;
- Lodges catering for stop-over traffic may require a location on a major routeway, ideally edge of town rather than in open countryside.

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:

1. Facilitate a consistent approach to planning for accommodation
2. Ensure planning policies reflect both the diversity of the sector and market reality
3. 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.

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.*
6. *Facilitate the upgrading and enhancement of existing unserviced accommodation, including extensions where this will not harm landscape quality or identified environmental assets. Particular attention should be paid to identifying suitable sites for the relocation of holiday parks under threat from coastal erosion or flooding.*

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.

These national and regional policies form the backcloth to the emerging Local Development Framework for Portsmouth. At a time of such change, there is a clear opportunity to tailor the emerging policies and guidance to meet the needs and aspirations of the destination, 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 needs.

8.2. Local Policy and Development Priorities

In terms of planning policy, the City Plan 2001-2011 (July 2006) is the adopted local plan. There are no specific tourism or hotel policies within the City Plan – indeed there has been an attempt to move away from these specific land-use policies generally. Previous policies had been very prescriptive, both in terms of directing hotel development to particular locations and retaining specific named hotels, and were felt not to have worked well. Tourism is seen primarily as an economic development issue, making a positive contribution to the economy, and is covered broadly under strategic policy SP8 which seeks the '*maintenance and further development of the tourism industry*', but there is no development control policy either for new hotel development or retention. There are also no specific site allocations for hotels, although hotels feature as part of potential mixed-use schemes e.g. City Centre North. Hotel applications would therefore be judged alongside other city centre uses, with PPS6 as the location guide and the sequential test applied.

Clearly, the LDF will take these policies forward, and the preparation of Area Action Plans, SPDs and Planning Briefs for a number of the major development schemes are and will be taking hotel needs on board, based upon the findings of this Hotel Futures research. The Draft Core Strategy Issues & Options document (September 2006) includes a tourism section within the Economy theme. It recognises the need for additional hotel accommodation at all levels – budget, 3 or 4 star and boutique - (based on the Hampshire Hotel Trends Survey) - and identifies the need to overcome barriers to investment in the sector – a lack of sites, site values/competing uses for sites, a lack of allocations for hotel, and introduces the issues surrounding location strategy for hotels. The recommendations of this Hotel Futures Study will help move this forward and inform the refinement of policies in these areas.

Key development sites in and around the city that will be the focus of future growth – many of which could offer the potential for associated hotel development – include:

- IBM/Science & Technology Park
- Port Solent
- Tipner
- City Centre North
- Mountbatten Centre
- ABC cinema site
- City Centre South/Station Square
- The Hard
- Fratton Park redevelopment
- The Pyramids, Southsea

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.

This document 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.

Retention policies have been tried and to a large extent have been found difficult to implement in the past in Portsmouth. There does not seem to be any significant pressure for change of use from hotels in Portsmouth. In Southsea, the majority of the stock has already been lost, and there are indications that others may wish to exit, or partially convert. In the Way Forward section of this report we discuss these issues in relation to the vision for the destination and the implications for future policy direction. Should this route be chosen, the guidance can provide more detailed advice on implementation, bearing in mind both destination objectives and best practice procedures in place in other destinations.

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 Portsmouth have been built into the 'Moving Forward' section of this report.

9. MOVING FORWARD

Portsmouth is going through a period of rapid change. The success of Gunwharf Quays in transforming the city's waterfront is just the beginning of a much wider programme of major development projects that will transform the city centre into a vibrant commercial, economic, residential and visitor destination.

The hotel sector clearly has a role to play in supporting this process and the long-term sustainability of both business and leisure-related activity in Portsmouth. The Hotel Futures research has identified both market potential for significant new hotel development, at all levels, and strong levels of interest from hotel developers, operators and investors eager to be represented here.

Going forward, there are a number of next steps actions that the City Council and its public and private sector partners will need to start putting in place to turn this interest into development on the ground and to maximise the potential identified:

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

  The study has identified a lot of hotel development interest in Portsmouth. There is a real opportunity to maximise the benefit of this interest for the future of the destination vision by managing this interest and taking steps to ensure delivery. Without this, no doubt some development will happen, but it may not be in the optimum location or be the best type of hotel product for achieving the future vision for the city.

  Whilst we are identifying potential for up to 20 hotels, there is brand interest from a considerably greater number of hotel developers and investors, and we would suggest a pro-active approach to target those offers that will best meet particular destination needs and site/ownership requirements would better manage the hotel investment process, as opposed to leaving it to market forces alone.

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

- Agreeing lead responsibility to drive this area of work and identify and required resources.
- Given the number of individuals, departments and organisations dealing with potential enquiries from hotel investors and with other issues to be addressed that would impact upon a hotel investment campaign, it may be appropriate to establish a **Portsmouth City Hotel Investment Group** as a vehicle to co-ordinate information and implement action. Membership would need to include representatives of the City Council's Economic Development, Tourism, Planning Policy and Estates teams, plus lead officers for the major development schemes. Beyond the City Council, membership could extend to Tourism South East, SEEDA and Hampshire County Council who could all usefully input and act for the group in moving hotel investment marketing forward for the city. There may also be value in extending this group to the PUSH partners, or even countywide, as many of the hotel investors we consulted were interested in developing in other key centres in the PUSH area and other parts of Hampshire, including Southampton, Fareham, Havant, Winchester, Eastleigh and Basingstoke.
- Setting up a series of visits to Portsmouth for key hotel investor targets that have expressed interest or that are identified targets for other reasons; it will be important to use these visits to better understand their needs and site interest and to inform future work on bringing sites forward.
- Preparing appropriate inward investment materials to support these visits and other contact from hotel developers, which should include fact sheet-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, maps showing both potential sites and existing hotel and business infrastructure, and key information on the destination relating to tourism, employment, population. 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. Details of key contacts in inward investment, planning and tourism teams should be included.
- Making the hotel sector fully aware of the Portsmouth story. Some of the hotel developer interest is informed, some less so. A key points summary to include with the inward investment pack above, covering the destination vision and

major projects proposed, 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 Portsmouth in the journals that are regularly read by hotel developers and investors, including Estates Gazette and possibly Leisure Management and Opportunities.

- **Bringing Hotel Sites Forward**

The City Council has experienced first hand the problems faced by hotel developers in securing sites for development, following their previous hotel investment marketing work. Developers consulted have identified site availability and deliverability as a continuing barrier to investment. The market forecasts are indicating potential for many more hotels than there are currently sites available, or deliverable in the short to medium term, so the need for additional sites, and to bring those identified forward to delivery, is a real issue to be addressed. The market forecasts indicate the need for 12-15 hotel sites in the medium growth rate scenario over the next 20 years (rising to a potential 17-20 sites if the high growth rate scenario were to be achieved).

Only a small number of the sites assessed are in Council ownership. The City Council therefore needs to work with landowners 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/waterfront, city centre, and sites relating to the motorway/arterial routes. We will cover prioritising these locations under 'Planning for Hotels'.

As part of the research for this study, the consultants have provided an initial evaluation of around 30 sites that came out of the stakeholder consultations and discussions with developers. Many of these offer potential for hotel use from the developer/operator perspective in terms of location. 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.

- **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.

- The **locational strategy** for hotels needs to be directly related to the vision for the destination and the spatial interpretation of this. It would seem that the city centre is the priority for investment, yet if major development schemes are taking place on the edge of centre, out-of-town and on the waterfront, they may well generate a demand for hotel accommodation that from sustainability principles, minimising transport movements, would be better served within that 'destination hub'.

  Bearing this in mind, and the particular locational preferences of the brands, we would broadly advocate:

  - A large 4 star hotel is a perceived gap in the city centre, and those we spoke to seemed to have a preference for locating near the station and main office concentrations. Much will also depend on the location of future office development.

  - We are aware of the City's aspirations to develop the conference market, whether this is via the use of the Guildhall facility, through the development of a purpose-built conference centre, or a 4 star hotel developing extensive conference provision. The station area would seem to hit all the right buttons in terms of public transport provision and restaurants and the support facilities of the city centre within walking distance. A conference centre would also need a range of other hotels within walking distance – 3 star, upper tier budget, budget – to create a cluster that would meet the needs of a range of delegates; there are several potential hotel sites all in close proximity to the station that could enable this 'cluster' to be achieved. A decision needs to be made on future strategy in relation to conference development to inform the locational priority for hotels.

- Boutique hotels generally have a stronger leisure dimension to them and prefer characterful, heritage, cultural or city living locations; the waterfront (The Hard, Gunwharf Quays, The Point) and Southsea would seem to be the most suitable locations for this type of hotel.

- Suite hotels rely on large corporates and university driven business and generally prefer to be central with shops and restaurants around them, but the waterfront would also appeal.

- Budget hotels and upper tier budgets could locate centrally as part of the hotel cluster, possibly above retail and restaurant uses in mixed use schemes as they don't need ground floor presence. They are also well suited to edge of town and out of town sites as a lot of their trade is transient and not necessarily destination specific. They also serve local residential markets in terms of visits to friends and relatives, so again fringe and out of town locations provide proximity to these drivers.

How to make this happen will require some further thought; the city centre is the immediate priority for investment and the requirements of the sequential test direct development here, but there may still be a case for development elsewhere, as discussed above. Creating 'town centres' in some of the 'destination hubs' may be one route, as is being considered for The Hard. In relation to delivering a conference cluster, one option might be to designate a 'hotel investment zone' where hotels would take priority over other uses, or would need to be delivered as part of mixed-use schemes. There is a real danger that sites could be sold and developed for other uses without some sort of allocation or prioritisation, and indeed sites for hotels have been lost to other uses in the past, e.g. student accommodation.

The allocation of sites for hotel use and building the desire to deliver hotels on key sites into Development Briefs and Area Action Plans are additional ways for the planning system to support the process of identifying and delivering sites for hotel development in market conditions that may well act against them. The issue of site values is a very real one, and we would encourage the City Council to use the planning system to help ensure that hotels don't get squeezed out of sites by competing uses that can offer higher values than hotels.

- In several destinations we have worked in**, impact assessments** are required to support planning applications for major developments. These usually look at the benefits e.g. economic, spend, job creation of a scheme, but also the environmental and traffic impacts. Few however evaluate the tourism impacts of schemes. If tourism is to be a key component of future economic growth in Portsmouth, we would advocate that tourism impacts should be a part of this process. Identifying the potential for additional hotel business from a scheme would provide a valuable input to thinking relating to the future locational strategy for hotels.

- The issue of **retention of hotel accommodation** is another area that requires consideration in future policy-making. The pressure for hotels to convert to higher value residential uses has been felt most strongly in Southsea, and indeed the majority of the stock has been lost here. Much of this lost stock failed to meet market needs in terms of standard and location, and a seasonal market has impacted on their viability. There remain however two significant hotels – The Queens and The Royal Beach – both sizeable and with sea views. There are also some smaller establishments still operational here, a mixed bag in terms of offer and performance, but there does still seem to be a market for Southsea, backed up by the fact that there was also some developer interest in this location. Indeed there is a bigger market for modern branded budget hotels that are well-located, well-resourced and powerfully marketed that enables them to develop a viable alternative where smaller independent hotels have often failed.

  There is an Area Action Plan for Southsea that appears to be directing significant investment into re-positioning Southsea as the speciality shopping and boutique location in a three-centre retail strategy, supported by restaurants, leisure events and the seafront. Hotels could well have a part to play in this strategy in terms of maximising spend and length of stay. If the vision is one of creating a trendy visitor destination with hotels as part of the mix, then the Council should be considering a retention policy to secure key sites for continued hotel use.

  Hotels should be encouraged to up-grade and re-position to fit the vision and the needs and expectations of target markets. This may involve partial conversion to alternative use – most likely residential – to generate the means to secure investment in the hotel; if so, the investment needs to be tied up by legal agreement. If existing owners don't want to be part of this way forward, there may well be others that would take on the site, and marketing for sale would establish whether this was the case. In some cases, it may not be possible to do this either in a viable way, or because the business may have other locational or physical disadvantages. In such circumstances, exit may be the best route forward. However, it will be important for the Council to have a clear process with required evidence and criteria clearly set out, against which applications for change of use would be judged, involving both evidence of marketing for sale and viability. The Tourism South East planning guidance 'Here To Stay' can help with this.

- There are some **existing hotels looking to extend**, that are located out of town and therefore not a priority location in terms of sequential test. It clearly makes sense to add rooms on where they can be serviced by existing infrastructure and facilities, and this would seem to be an efficient and effective way of delivering more supply whilst at the same time helping to sustain the long-term viability of existing establishments. Planning policies should be supportive of extensions, subject to the normal requirements relating to mass and impact. Policies relating to development in **flood zones** are currently causing some problems in terms of delivering potential sites and hotel extensions.

- **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. The consultation should not just be with the local Hotels Association, but also with hotel companies not represented in the destination. The contacts we provide in the Appendix to this report would be helpful in this regard.

- **Developing Portsmouth as a Conference Destination**

We are aware from our consultations with stakeholders in Portsmouth, and from feedback from hotel managers in the city, of the aspiration for a purpose-built conference centre for Portsmouth. The city is currently losing large association conferences because it does not have the hotel capacity or a state of the art conference venue to meet the needs of this market.

An important part of the forward strategy will be to take a proper look at the market potential and economic case for a purpose-built conference centre, and the implications of such a facility for hotel development in the city. Key issues to consider will be:

- The most appropriate target conference markets for Portsmouth, bearing in mind the city's proximity to the major conference centres at Brighton and Bournemouth;
- Potential sites for a conference centre;
- The likely costs of developing a conference centre;
- How the development and operation of a conference centre might be funded, and the extent of public sector funding that would be required;
- Whether enabling development (e.g. residential, offices) would be needed to fund the development of a conference centre commercially;
- The need for subvention funding from the City Council to attract association and political conferences;
- The need for hotels to support a conference centre.

The development of a conference centre would have significant implications for the locational strategy for new hotels. It would need to be supported by an on-site 4 star hotels (to act as the headquarters hotel for conferences) and a range of hotels of other standards within walking distance. There is clearly an opportunity to set policy in the Local Development Framework to support this if this the agreed way forward, but it does first need full investigation.

An alternative to developing a purpose-built conference centre and supporting hotels could be to encourage and support the development of a large city centre 4 star hotel with extensive conference and exhibition facilities, to target corporate and association conferences of around 250-500 delegates. Such a proposal might fit better with the conference market potential for Portsmouth, bearing in mind its proximity to the major conference centres at Brighton and Bournemouth. While it would not have the same impact as a purpose-built conference centre in terms of generating additional business for the city's other hotels, it would generate some extra business for them, possibly on a more frequent basis, as not all conference delegates would be accommodated in the main hotel.

Commissioning a piece of research to investigate this potential further would we feel be timely, both in terms of identifying hotel needs associated with a potential conference centre, and potentially influencing either the conference facility component of a large 4 star hotel in the city centre, or the decision to develop a stand alone conference facility here.

- **Developing the Hotel Market**

The projections for future growth in hotel demand set out in this report are contingent upon the further development of the city's hotel market. There are a number of factors critical to future growth and success of the hotel market in Portsmouth:

- The development of the existing corporate market for hotel accommodation and conference facilities, particularly in terms of winning back corporate business that is being lost to hotels in other areas as the city's hotel offer improves. Updating the survey of Portsmouth companies would be a good starting point in this respect to assess whether there is any ongoing dissatisfaction with the city's hotels and the actions required to address this. Marketing initiatives to target the corporate market might also be worth considering.

- The development of a strong office market in the city centre – close to the station cluster, but possibly also at other destination hubs. Business and professional services are big generators of rooms for hotels, and this sector is being targeted as part of the PUSH strategy. Currently however the city centre office market is weak, so there is a way to go.

- Continuing to position Portsmouth as a strong leisure break destination, through strengthening the attractions, cultural and retail offer, the quality of public realm, and support facilities, and effective destination marketing for the city.

- A varied events programme throughout the year has a part to play also. The priority is for further events at off-peak times to help boost weaker periods of hotel demand and extend the season for hotels. Most of the events that currently take place in the city occur during the summer months when hotels are already busy. They merely displace other leisure markets therefore, rather than generating additional business for hotels. A spread of events across the year is the priority in terms of developing additional hotel demand.

- Proposals for a new football stadium could offer potential to further boost demand for hotels in and around the city – not only for football matches but also for concerts and other events. The facility to use this space as an arena should be built into discussions with the developers.

  - Similarly, a conference centre would provide an additional source of demand outside the main holiday season that could further help support the hotel sector.

- **Communicating to Partners and Stakeholders**

Communicating the findings of the Hotel Futures study internally and to public and private sector partners will be an important part of the forward strategy. The findings have implications for a wide range of organisations, businesses, council functions and individuals, who will all need to be working in a common direction to deliver maximum gain from the potential identified.

The communications strategy is likely to require different versions of the report, including:

- An edited version for the city's existing hotels that provides detailed feedback on current hotel performance and future growth prospects.
- An Executive Summary of key findings for Members and public sector partners

The City Council planning, tourism and inward investment teams liase regularly with partner organisations and other key stakeholders and can use these forums to communicate the study findings and agree their future role in delivery.

- **Keeping a Finger on the Pulse**

On-going monitoring of both hotel supply and demand will also be an important strand of the forward strategy. We are aware that the City Council has been reviewing the Bench and TRI services that provide monthly reports based upon a sample of hotels. Hotel Solutions can also provide a monitoring service.

In determining future monitoring needs, it will be important to identify the key information required and how it will be used.

From a planning and inward investment perspective, trend information at intervals would suffice – policies would not be adjusted in response to monthly shifts in performance. Intervals of 2-3 years are acceptable, unless there is any significant change in the market environment or significant new supply comes on stream. It is however important to have access to data on the performance of hotels of different standards, rather than for the Portsmouth hotel sector as a whole as there are significant variations in occupancy and achieved room rate performance and market mix between the different standards of hotel. Building into the monitoring a mechanism for measuring denied business will also be important.

The Hotel Futures study clearly has some extremely positive messages about the potential for new hotel development in Portsmouth. It provides a sound evidence base and starting point for the City Council and its partners to proactively plan for, manage and support hotel investment in the city, to ensure that the hotel sector plays its full part in supporting economic and tourism growth. 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
Marriott	Bared-Jan Schreuder, Cluster General Manager UK South	P
Hilton	Claire Donnelly, Acting Revenue Manager	P
Holiday Inn	Kevin Israel, General Manager	P
Innlodge	Kevin Bun gay, General Manager	P
Royal Beach	Chris Gilmore, General Manager	T
Tulip Inn	Frank Postal, General Manager	P
Express by Holiday Inn	Steve Wilson, General Manager	T
Travelodge	Tom Shear, Area Manager	T
Ibis	Clint Marsh, General Manager	P
Premier Inn Portsmouth	Kim King, Manager	P
Premier Inn HQ	Neil Harris	T
Keppel's Head	David Grist, Proprietor	P
Ocean	Dawn Sait, Manager	T
Bembell Court	Elaine Irwin, Proprietor	P
Florence House/ Somerset House	Jody Taylor, Manager	P

APPENDIX 2

UK HOTEL DEVELOPMENT ACTIVITY

APPENDIX 2

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	Neat
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

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
COLUMBUS (5 Star)					Brook lands, 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	Sedge moor Warwick Gretna Green Birmingham Clacton-on-Sea Leicester Stinted	Haverhill Nuneaton		Winchester	
DE VERE (4/5 star)			Loch Lemon (Golf Resort)			
EASYHOTEL (Budget)			London		Luton	
ETAP (Budget)				Birmingham	Glasgow Leeds Southampton Sheffield Cardiff Bradford	
EURO HOSTELS (Hostels)					Newcastle	

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
EXPRESS BY HOLIDAY INN (Upper-Tier Budget)	Chester Portsmouth Nottingham Northampton London x2 Druidic Swindon	Preston Bedford Edinburgh Newport Heel Hempstead Corydon Stevenage	London Finches Stinted Warrington Newcastle	Leicester Cardiff Airport London Earls Court London Swiss Cottage Leeds Doncaster Dunfermline Liverpool Airport Newport Norwich Stevenage Preston	Red ditch Slough Walsall Whitney Lakes London Gilders 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					
HAMPTON BY HILTON (Upper-tier Budget)						Leeds Derby
HILTON (4 Star)		Newcastle		Manchester London Canary Wharf London Tower Bridge		Reading Liverpool Wembley Chester Leeds Heathrow

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
HOLIDAY INN (3 Star)		Bristol Airport	London Brantford	Aberdeen Manchester	Norwich	Chessington
HOTEL DU VIN (Boutique)	Harrogate	Henley-on-Thames			Cheltenham Glasgow Cambridge York	Newcastle Edinburgh
HOXTON URBAN LODGE (Boutique Budget)				London		
HYATT (5 Star)						London – Battersea
IBIS (Budget)	Carlisle	Leeds	London	Bristol Aberdeen Reading York	Swansea Borehamwood Nottingham	
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	

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
MILLENNIUM & COPTHORNE (4 Star)						Southampton Sheffield
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			Edinburgh Airport Peterborough Rotherham Grimsby
PARK PLAZA (4 Star)	Leeds Cardiff	Belfast	London			London

HOTEL COMPANY	2003	2004	2005	2006	2007	2008
PREMIER 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

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)						Liverpool London Newcastle Birmingham
THE CHAMBERS (Srvcd Aprtments)			Leeds	Leeds		

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

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

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.

APPENDIX 4

SITE ASSESSMENTS

PORTSMOUTH HOTEL SITE ASSESSMENTS

NAME OF SITE & LOCATION	SITE DETAILS (Location/Access/Size/ History)	STATUS (Proposals/Timescale/ Constraints/Planning Status)	HOTEL SOLUTIONS' VIEW OF SITE (Match to Operator Requirements/ Destination Objectives)
OUT-OF-CENTRE		**All of these sites are subject to the PPS6 sequential test for hotel use**	
PORT SOLENT	Residential, retail and leisure site at intersection of M27/M275.	Area Action Plan to be produced in 2008, likely 3 years to adoption. Some contamination on the site. Site is in the tidal floodplain.	Attractive site of interest to numerous hotel developers/operators. Depending on location within the site, unlikely to get visibility from the motorway, and access a little convoluted, but a known destination and well signed. Good for nearby corporate users and M27 business.
IBM EAST	Site adjacent to M27	Development site owned by Highcross allocated in the Local Plan for office use. Masterplanning for office campus development currently underway. Site is in the tidal floodplain.	Already an established hotel location with the Marriott ,Tulip Inn and Premier Inn close by. Easy access and visibility from the M27 an advantage. Proximity to IBM, a major generator of roomnights, a big plus. Office campus would generate additional demand for rooms in this area.
LAND ADJACENT TO MARRIOTT	Land to north of M27.	Open space – would need replacing.	Established hotel location as above.
TULIP INN	Existing hotel close to M27/M275 junction and Tesco superstore.	Proposal to add 40 rooms.	Natural growth of the business in a strong hotel location. Unclear whether this will now go ahead due to the recent takeover of the business by Premier Inns.
PREMIER INN	Existing hotel between the Marriott and Tulip Inn	Plans to add 20 rooms	Natural growth of the business in a strong hotel location.

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TIPNER	Land either side of the M275 entrance to the city.	Proposals for employment uses, residential (1600-2000 units), and leisure including regional sports venue, cafes, bars, restaurants and moorings. Tipner Development Company preparing an application – City and SEEDA have ownership. 2 new slip roads to be created to give access off the motorway. Potential for 1-2 hotels here. Contamination on site (former breakers yard for ships).	Strong site with motorway access and 'destination hub' appeal but dependent upon significant infrastructure and decontamination works, and on surrounding development. Longer term therefore.
HILSEA LIDO	Site to the south of the M27/M275 interchange with a community swimming facility.	Has been promoted as a hotel site in the past but residents objected to losing the lido facility to the north of the city. Council owned. Commitment to retaining for community use. Site is in the tidal floodplain.	Remains a strong location – several hotel companies have reviewed and expressed interest in the past and there is still current interest in hotel development here. Would suit an operator with a more extensive land take than city centre would allow, possibly with leisure, or a budget operator.
HILTON	Existing hotel on the M27 to the north and east of Portsmouth.	Hotel known to be on the market, offering an opportunity for a re-branding/re-positioning. Issues relating to the lease and negotiations re: value thought to have held a possible sale back.	Still a good hotel location; ability to serve Havant and A3 traffic as well as Portsmouth and A/M27. Poor quality of existing buildings and layout plus access and value issues point towards a potential redevelopment of this site for hotel plus other uses? Sequential test however may then come into play, if hotel was demolished and rebuilt.
INNLODGE/ FARMHOUSE	Existing pub and hotel run by Greene King Innlodge brand on the eastern approaches to the city, south of the Hilton junction.	Proposal to expand hotel by adding 40 rooms – planning application currently held up by issue of development in flood zones.	Strong performance shows demand for rooms in this location; natural evolutionary growth of the business that can be served by existing facilities on site.

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CARAVAN SITE, EASTERN ROAD	East of Portsmouth, on the Eastern Road, south of Hilton and close to Innlodge.	Past interest from budget hotel company. Sequential test issues. Council owned site. Likely to renew lease. Site is in the tidal floodplain.	Good site as above, although without the advantage of existing use on site.
POMPEY CENTRE	Redevelopment of land adjacent to the football stadium due east of city centre.	Mixed-use scheme. Etap budget hotel under construction – due to open 2008.	Values likely more favourable for budget hotel development out of the city centre, and surrounding development will create 'hub' especially if business and residential are part of the mix.
BRUNEL HOUSE	Redundant office block located along from Keppells Head towards Gunwharf Quays. Close to the Historic Dockyard.	Unattractive building with potential to assemble into larger site by acquisition of adjacent uses. Privately owned. Site is in the tidal floodplain.	Strong potential site for demolition and new build, likely mixed use to maximise value. Hotel would work here because of the draw of the waterfront. Congestion an issue re traffic and parking in this area.
KEPPEL'S HEAD	Existing hotel on The Hard, close to Historic Dockyard and bus station. Close to the Historic Dockyard.	Poor quality hotel in a potentially excellent and busy tourist location. Opportunity to up-grade and re-position. Hard Masterplan will look at this.	Potentially a strong location for a character hotel, possibly a boutique hotel offer.
THE HARD	Waterfront location adjacent to Gunwharf. Close to the Historic Dockyard.	Area of search.	Strong hotel location and plenty of developer interest.
CAMBER/ THE POINT	Waterfront location south of Gunwharf.	Attractive part of Old Portsmouth. No specific buildings put forward for hotel. Area of search.	Generally attractive characterful location that could suit a boutique style hotel if suitable land and buildings could be identified.

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CITY CENTRE			
CITY CENTRE NORTH/ NORTHER QUARTER DEVELOPMENT	24-acre site bounded by Commercial Rd, Charlotte St, Hope St and Market Way.	Major retail-led development scheme on the northern gateway to the city. John Lewis to anchor. At least one hotel proposed here – thought to be looking for a 4 star, but operator as yet unknown. Developer is Centros Miller. 2010 opening.	Likely to be plenty of interest in this site, depending on the type of deal being offered – some operators won't take leases. If hotel location within the scheme is above retail, is likely to be better suited to a budget or upper tier budget operator.
ABC	Former ABC cinema adjacent to Sainsburys on approach to the city from the north.	Small site contingent on taking in some other land from road re-alignment associated with CCN. Could be a tall building. Gateway location would need an iconic design. No sequential test issues. Mixed use potential.	Good visible site on main route into the city; whole area will be improved by the new retail-led scheme here. Opportunity for a hotel to lead a scheme here rather than being a small part of CCN? Might better suit objectives of some developer/operators.
STANHOPE ROAD WEST * STATION SQUARE WEST	Land to the north and south of the Zurich office building.	Offices and two adjacent sites on the market. Allocation for city centre uses including hotel. Existing building 14 storeys. Northern Irish developer McAleer & Rushe has purchased the site for a mixed use scheme that will be brought forward when Zurich vacate the site in March 2008. Site promoted for hotel development in the Station Square & Station Street SPD.	Excellent location for a hotel and most probably the location for a 4 star conference hotel given proximity to station and adjacent quality offices. Several other sites nearby that could form a hotel cluster if conference centre/facility development becomes a priority.
SURREY STREET EAST	North of Station Street.	Known interest from hotel operators. Overlooks the station and retail/commercial uses. Site promoted for hotel development in the Station Square & Station Street SPD.	Good site due to proximity to station but not as much of a quality setting as the Zurich sites. Suit a budget, upper tier or 3 star offer.

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STATION STREET NORTH	North of Station Street, to the east of Debenhams car park.	Possible relocation of the Royal Mail sorting office but likely to be expensive and therefore may not be viable. Site not promoted for hotel development in the Station Square & Station Street SPD.	As above.
SURREY STREET WEST	North of Station Street to the west of Debenhams car park.	Site owned by Robert Gamelin. Thought to have been hotel interest.	As above.
MATALAN	South of Station Street	Site for redevelopment, likely residential and office; could include hotel.	As above.
KWIKFIT	Durham Street	Potential for redevelopment.	Less profile to this site as it is that bit further away from the station/Commercial Rd hub.
GUILDHALL	Adjacent to Civic Offices	Currently used for conferences and meetings as well as administration.	Character building in central area and close proximity to station and Law Courts. Potential for boutique hotel? Plus associated uses.
CIVIC OFFICES	Guildhall Square.	May be relocated.	Central location, proximity to station. Possible conversion to hotel as part of mixed-use scheme?
VICTORIA SWIMMING POOL	Victoria Park, off Anglesea Rd.	Pool will close in the next 2 years. Site overlooks the park and lies due west of Zurich and the station.	Good location on the edge of the office/retail area and en route to the waterfront and University buildings. Profile to the through road here also. Residential values a threat to hotel use on this site. May be an opportunity for a stand-alone hotel development?

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SOUTHSEA			
PYRAMIDS	Leisure centre on the waterfront at Southsea.	In Council ownership but not economic to operate and will be closed. Looking for alternative uses. Possible resident objections to uses that don't offer community benefit? Site is in the tidal floodplain.Sequential test issues also.	Have established some interest from hotel operators in Southsea. Prominent and visible site, if a little isolated from mainstream activity in the city centre. Southsea however is subject to an Area Action Plan and the town centre is to be redeveloped. Southsea is seen as fulfilling a speciality shopping role along with boutiques, restaurants and events. Leisure use on the Pyramids site helpful in terms of values re hotel.
JOHN LEWIS	Palmerston Rd/Osbourne Rd, central retail area of Southsea.	To be vacated on completion of the CCN scheme which John Lewis will anchor. Timescale 2010.	Developer/operator interest in this site. Lacks profile to passing traffic by road but potential for hotel above retail or restaurant uses in central spot.
DEBENHAMS	Portland Rd/Osbourne Rd, central retail area of Southsea.	Currently operating two sites in Southsea and Portsmouth, but potential for this site to close.	As above.