STOKE-ON-TRENT HOTEL FUTURES

An Assessment of Hotel Supply, Performance and Development Potential

Prepared for:
Stoke-on-Trent City Council
and InStaffs

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1. INTRODUCTION

1.1 Purpose of the Study

The Stoke Hotel Futures Study has been commissioned by Stoke-on-Trent City Council with the support of InStaffs to provide up-to-date information on hotel performance and development potential in the Stoke-on-Trent City Region[1]. The study seeks to build on and refresh the Stoke-on-Trent Hotel Development Study undertaken by RGA Ltd in 2002.

1.2 Objectives of the Study

The objectives of the study are to provide up-to-date assessments of the following:

- The current supply of hotel accommodation in the Stoke-on-Trent City Region;
- Hotel performance in the Stoke-on-Trent City Region;
- The potential for future growth in the demand for hotel accommodation and the level of new hotel development that this might potentially support;
- The potential impact of new hotel development on existing hotels.

1.3 Study Methodology

The study methodology has involved the following modules of research:

- a **briefing session** with the City Council's Tourism team and other key stakeholders to set the scene in terms of the area context for the study; to discuss the study objectives; and to review what might change in the city and surrounding area over the study period that could materially affect the demand for hotel accommodation from the business and leisure markets.

[1] The areas covered by Stoke-on-Trent City Council and Newcastle-under-Lyme Borough Council

- a **review of the existing hotel stock** in and around the city, assessing provision by size, standard and location, and identifying any recent development to have taken place in the last 5 years .

- **interviews with hotel managers** from the existing hotels in Stoke-on-Trent and Newcastle-under-Lyme, to gather performance-related data on occupancy, achieved room rate, market mix, levels of denials, and market trends. A total of 14 hotels were interviewed (listed at Appendix 1).

- a **review of relevant policy and strategy documents** and reports relating to the economic development and regeneration of the City Region, including economic, employment and population forecasts.

2. STOKE-ON-TRENT HOTEL SUPPLY

2.1. Current Hotel Supply

The Stoke-on-Trent City Region is currently served by 21 hotels with a total of 1,287 letting bedrooms. This includes hotels in Stoke-on-Trent and Newcastle-under-Lyme, together with two hotels in Alsager and Barthomley just outside the City Region. Details of all of these hotels are summarised in the table overleaf.

An analysis of the City Region's current hotel supply by standard of hotel provides the following breakdown:

Current Hotel Supply – Stoke-on-Trent City Region – by Standard – August 2006

Standard	Estabs	Rooms	% of Rooms
4 star	1	147	11.4
3 star	10	602	46.7
2 star	5	198	15.4
Upper-tier Budget[1]	1	123	9.6
Budget	4	217	16.9
Total Supply	**21**	**1,287**	**100.0**

Key observations on the current hotel supply in the Stoke-on-Trent City Region and surrounding area are as follows:

- The current hotel offer in the Stoke-on-Trent City Region does not compare well with that of competitor city destinations of a similar size e.g. Nottingham, Derby, Leicester, Coventry, Liverpool, Sheffield, Telford:
  - It has only one 4 star hotel, which is not one of the leading UK 4 star brands;
  - It has no really high quality or distinctive hotel. The closest hotels of this type are Crewe Hall at Crewe and the Moat House at Acton Trussel;
  - It has a limited budget hotel offer, with neither of the two leading UK budget brands currently represented in Stoke-on-Trent.

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

Current Hotel Supply – Stoke-on-Trent – August 2006

Hotel	Standard[1]	Rooms	En-suite Rooms	Leisure Club	Conference Facilities		Midweek Rack Rate 2006[2]	
					No Rooms	Max Capacity[3]	Single £	Double £
Stoke-on-Trent								
Moat House	4 star	147	147	✔	14	650	129.00*	129.00*
Quality	3 star	136	136	✔	8	300	110.00*	120.00*
North Stafford	3 star	88	88		9	450	88.00	105.00
Swallow George, Burslem	3 star	40	40		4	40	65.00	85.00
Tollgate, Blurton	3 star	27	27		2	60	59.95	59.95
Haydon House	3 star	23	23		2	80	50.00	70.00
Upper House, Barlaston	3 star	22	22				58.00	85.00
Plough Motel	2 star	36	36				49.50*	55.00*
Weathervane, Meir Park	2 star	39	39				49.95*	49.95*
Crown, Longton	2 star	42	42				42.50	55.50
Sneyd Arms, Tunstall	2 star	14	7				39.95	55.00
Express by Holiday Inn	Upper-tier Budget	123	123		2	45	70.00*	70.00*
Innkeeper's Lodge, Trentham	Budget	31	31				52.50	52.50
Newcastle-under-Lyme								
Holiday Inn	3 star	119	119	✔	9	70	110.00*	110.00*
Clayton Lodge	3 star	50	50		6	270	65.00	85.00
Borough Arms	3 star	40	40		2	90	60.00	75.00
Stop Inn	2 star	67	67				50.00*	50.00*
Premier Travel Inn	Budget	82	82				51.00*	51.00*
Travelodge Stoke, Talke	Budget	62	62				46.00*	46.00*
Alsager								
Manor House	3 star	57	57		5	200	98.00	120.00
Barthomley								
Travelodge	Budget	42	42				46.00*	46.00*

Notes:
1. Where hotels are not officially graded an assumed equivalent rating has been allocated to hotels
2. Tariffs quoted are for standard rooms on a Bed & Breakfast basis, inclusive of VAT, unless otherwise indicated
3. Maximum capacity theatre style
* Room only tariff

- Hotels are quite widely spread across the City Region:

- There is only one hotel in the city centre – the Quality;

- The City Region has few branded 3 and 4 star hotels. The only 3/4 star brands currently represented are Best Western, Quality, Holiday Inn and Swallow. Hilton was previously represented in the city when it operated the hotel that is now the Quality. Jarvis has recently sold the Clayton Lodge to an independent operator.

- Further afield there is a very limited supply of hotels in Leek and Uttoxeter. As a consequence the major companies located in these towns (Britannia Building Society, JCB) tend to use hotels in the City Region.

2.2. Recent Changes in Hotel Supply

New Hotels

The most recent new hotel opening in the City Region was the Express by Holiday Inn at Trentham Lakes in 1999.

Hotel Extensions and Refurbishments

The following hotels have expanded in the last 5 years:

- The Plough Motel in Stoke-on-Trent added 16 bedrooms in 2002.

- The Premier Travel Inn Newcastle-under-Lyme added 24 bedrooms in October 2005.

The following hotels have recently undergone refurbishment programmes:

- The ground floor areas have been refurbished at the Moat House, together with a partial bedroom refurbishment.

- The Quality is part way through a refurbishment programme.

- A new conference room has been added at the North Stafford.

- The bedrooms were refurbished at the Swallow George in Burslem in 2005 following its takeover by Swallow.

- Haydon House is currently refurbishing.

- The Innkeeper's Lodge at Trentham underwent a full bedroom refurbishment in 2005.

2.3. Planned Development of Existing Hotels

None of the existing hotels in the City Region have expansion or development plans currently other than ongoing refurbishment work by some hotels. The Moat House has plans to convert a bar area into a new conference room to enable it to compete more effectively for conference business. A major refurbishment programme is due to commence shortly at the Holiday Inn.

2.4. Planned New Hotels

Plans for at least 6 new hotels in the Stoke-on-Trent City Region are currently being mooted:

- Tulip Inn, Trentham
    - Plans are at an advanced stage for the development of a 120-bedroom upper-tier budget Tulip Inn at Trentham to open within the next 18 months.

- Trentham Hall
    - Phase 4 of the Trentham regeneration project, scheduled for 2008 includes the redevelopment of Trentham Hall as a deluxe hotel with conference and leisure facilities.

- Wedgwood Hotel
  - Wedgwood is currently awaiting the outcome of a public inquiry for the development of a 100 bedroom 4 star hotel with spa and conference facilities at its site at Barlaston. The application, which was approved by the City Council, was called in as the site is in Green Belt land.

- Keele Science and Business Park
  - A 4 star hotel has been mooted as part of Phase 3 of the development of the Keele Science and Business Park.

- Waterworld
  - Proposals for a hotel to be developed adjacent to Waterworld have been mooted.

- Casino and Hotel, Hanley
  - An outline planning application has recently been lodged by Lear Management Ltd for a casino and 100 bedroom hotel at Waterloo Road in Stoke-on-Trent city centre.

Premier Travel Inn and Travelodge are also understood to be close to signing deals on sites for new hotels in Stoke-on-Trent.

Proposals have also recently been unveiled for the development of the Evolution Leisure Village environmentally friendly holiday village at Maer Hills near Newcastle-under-Lyme, which includes plans for two hotels.

Further afield, Alton Towers is understood to be considering the development of a third hotel, which would be likely to compete with Stoke-on-Trent hotels in terms of Alton Towers leisure break business.

3. CURRENT HOTEL DEMAND

3.1. Large Branded 3/4 Star/ Upper-Tier Budget Hotels[1]

Occupancy

Average annual room occupancies are estimated as follows for branded 3/4 star and upper-tier budget hotels in the Stoke-on-Trent City Region for 2004-2006:

Stoke-on-Trent City Region – Large Branded 3/4 Star/ Upper-Tier Budget Hotels Average Annual Room Occupancy 2004-2006

Year	Average Annual Room Occupancy %
2004	71
2005	67
2006[2]	68

The average annual room occupancy for the City Region's large branded 3/4 star and upper-tier budget hotels was on a par with the national average for UK provincial 3/4 star chain hotels in 2004(70.8%[3]) but below the national average in 2005 (70.4%). Occupancies have dropped in 2005 and 2006, primarily due to the A500 roadworks and the considerable problems of access to hotels that have resulted, together with the impact of the completion of the railways project through the area in 2004, which had been generating significant demand for hotel accommodation. Internal factors for some hotels in terms of management, marketing and rebranding also had an impact. Occupancies vary between hotels, with 3 hotels set to achieve average annual room occupancies of around 70% in 2006 and 2 hotels set to achieve only around 60%.

[1] Sample: Moat House, Holiday Inn (assumed figures), Quality, North Stafford, Express by Holiday Inn
[2] Projected figure based on projections provided by hotel managers
[3] Source: TRI Hotstats UK Chain Hotels Market Review

Achieved Room Rates

Average annual achieved room rates are estimated as follows for branded 3/4 star and upper-tier budget hotels in the City Region for 2004-2006:

Stoke-on-Trent City Region – Large Branded 3/4 Star/ Upper-Tier Budget Hotels Average Annual Achieved Room Rates 2004-2006

Year	Average Annual Achieved Room Rate £
2004	51
2005	51
2006[4]	52

Achieved room rates for the City Region's branded 3/4 star and upper-tier budget hotels are well below the national average for UK provincial 3/4 star chain hotels (£66.95 in 2005[5]). This appears to be primarily due to the relative weakness of the corporate market in the City Region, although the quality of some of the City Region's hotels could also be a factor that limits their ability to command higher rates. Achieved room rates have been static for the last 3 years, with some hotels having seen a slight decrease and others a slight increase. Most hotels have either dropped their rates or switched to lower-rated leisure business in an effort to boost their occupancies during the A500 roadworks. Achieved room rates vary significantly between hotels. The Moat House achieves the highest rates (as the City Region's only 4 star hotel), but still trades below the national average. Two hotels are achieving very low room rates of only just over £40.

[4] Projected figure based on projections provided by hotel managers
[5] Source: TRI Hotstats UK Chain Hotels Market Review

Weekday/Weekend Occupancy

Average weekday and weekend occupancies for large branded 3/4 star and upper-tier budget hotels in the City Region are estimated as follows for 2006:

Stoke-on-Trent City Region – Large Branded 3/4 Star/ Upper-Tier Budget Hotels Weekday/ Weekend Occupancy 2006

Day of the Week	Average Room Occupancy %
Mon-Thurs	75
Friday	55
Saturday	79
Sunday	33

Weekday occupancies are generally strong although vary between hotels, ranging between averages of 63-85%. Tuesday and Wednesday nights are the strongest, with 3/4 star and upper-tier budget hotels usually filling on these nights for much of the year. Monday and Thursday nights are generally weaker and more variable.

Saturday occupancies are generally very strong, particularly for full service hotels, which are typically achieving occupancies of 80-85% on Saturday nights. Friday night is weaker and Sunday occupancies are very low.

Seasonality

Weekday occupancies peak in July and August due to strong demand from families visiting Alton Towers during the school holidays in addition to corporate and group tour business.

Weekends are similarly strongest in the summer months due to Alton Towers leisure break business. Saturdays are strong throughout the year. Winter weekends are very quiet for some hotels.

Market Mix

The weekday and weekend market mix for large branded 3/4 star and upper-tier budget hotels in the City Region is estimated as follows for 2006:

Stoke-on-Trent City Region – Large Branded 3/4 Star/ Upper-Tier Budget Hotels Weekday/ Weekend Market Mix 2006

Market	Weekday Market Mix %	Weekend Market Mix %
Corporate	59	5
Contractors	5	
Residential Conferences	11	1
Leisure Breaks	7	52
Group Tours	8	11
Weddings/ Functions		30
Other	10	1

Weekday Markets

Corporate demand is the primary source of weekday business for the City Region's large branded 3/4 star and upper-tier budget hotels. The local corporate market is relatively weak and low-rated, however, with the result that most hotels have to take midweek group tours, and in one case students from a local college, to boost weekday occupancies. There are few large corporate users of hotel accommodation in the City Region. Corporate demand is often project-related. Hotels attract very little demand from pottery companies. Local corporate rates range from £53 to £89 B&B, and are most typically around £60-65 B&B.

Stoke-on-Trent City Region hotels also attract corporate business from major companies in Leek and Uttoxeter due to the lack of hotels in these locations. Some also attract transient corporate business.

Residential conferences are a significant market only for the Moat House as this market tends to want 4 star hotel accommodation.

Group tours are a significant weekday market for two hotels.

All hotels attract midweek leisure break business from Alton Towers during the summer. This business tends to be rate driven on special offer rates for some hotels, although others achieve good rates from this market.

Weekend Markets

Families visiting Alton Towers are the primary weekend market for the City Region's large branded 3/4 star and upper-tier budget hotels. As in the week, this business is rate driven for some hotels while others achieve good rates from this market. Stoke-on-Trent itself appears to attract very little leisure break business in its own right.

The other key weekend market is weddings and functions. Some hotels also take group tour business at the weekends. This tends to be very low rated business. Two hotels reported attracting good business from gymnastics and fencing competitions held at Fenton Manor Sports Centre.

Market Trends

The corporate market has declined significantly in the last two years as a result of the A500 roadworks and the difficulties this has caused in terms of people being able to reach the city's hotels, and the completion of the railways project and Bentley factory development in Crewe in 2004, which had been generating significant demand for hotel accommodation in the City Region. Business from the pottery companies has steadily declined as they have closed. Other major companies, such as Phones4U and Michelin have also reduced their demand for hotel accommodation. The new companies that have come into the City Region have been mainly distribution and call centres, which do not generate much demand for hotel accommodation other than during their initial construction and set up phase.

One hotel has seen an increase in residential conference business through increased marketing and improved conference handling. Other hotels report a downturn in residential conference business as companies have developed their own in-house meeting and training facilities.

Trends in leisure break business vary between hotels. One hotel reported a downturn in Alton Towers leisure break business since the opening of the Alton Towers hotels and as a result of the high price of Alton Towers tickets resulting in families increasingly downgrading on the hotel element of their break. Another hotel reported an increase in Alton Towers leisure break business through increased Internet marketing.

Group tour business has reduced for two hotels.

The weddings and functions market appears to be largely static, and has decreased for one hotel.

Denied and Lost Business

There is evidence of some denied business[6] on Tuesday and Wednesday nights, particularly during the summer months due to the additional demand generated by Alton Towers. Midweek denials are most common and significant at the 4 star end of the market. They are less frequent and significant for 3 star and upper-tier budget hotels, and confined primarily to the summer months. Midweek denials have reduced in the last two years.

There is little evidence of top end corporate business being displaced to other areas due to companies being dissatisfied with the quality of the City Region's hotels for their senior executives and VIP visitors. The company survey undertaken by RGA Ltd for the 2002 Stoke-on-Trent Hotel Development Study did not identify this as an issue. Some top end corporate business may be being lost to Crewe Hall as this hotel is actively targeting Stoke-on-Trent companies. The volumes of such lost business are not thought to be significant, however.

Full service hotels regularly deny business at weekends during the summer, at times to a significant degree. Denials can be more on rate than availability, however. Hotels are not regularly denying weekend business at other times of the year.

There is evidence of significant denied residential conference business at the 4 star end of the market. 3 star hotels do not appear to be denying residential conference business to the same extent, however.

[6] Business that hotels turn away because they are full or due to rate

3.2. Small 2/3 Star Hotels[7]

Occupancy

Average annual room occupancies are estimated as follows for small 2/3 star hotels in the Stoke-on-Trent City Region for 2004-2006:

Stoke-on-Trent City Region – Small 2/3 Star Hotels
Average Annual Room Occupancy 2004-2006

Year	Average Annual Room Occupancy %
2004	53
2005	52
2006[8]	57

Occupancies are low for the City Region's small 2/3 star hotels. There is no significant difference in occupancy performance between 2 and 3 star hotels. Occupancies dropped in 2005 as a result of the access problems caused by the A500 roadworks and reduced corporate demand as companies have closed or downsized. Occupancies have improved in 2006, primarily as a result of increased Internet marketing by a number of hotels that has yielded increased leisure break business from families coming to visit Alton Towers.

[7] Sample: Swallow George, Tollgate, Upper House, Haydon House, Weathervane Lodge, Plough, Crown

[8] Projected figure based on projections provided by hotel managers

Achieved Room Rates

Average annual achieved room rates are estimated as follows for small 2/3 star hotels in the City Region for 2004-2006:

Stoke-on-Trent City Region – Small 2/3 Star Hotels
Average Annual Achieved Room Rates 2004-2006

Year	Average Annual Achieved Room Rate £
2004	37
2005	38
2006[9]	39

Achieved room rates for the City Region's 2/3 star hotels are low, although increasing steadily for most hotels. 3 star achieved room rates are higher at a projected average of £44 for 2006. This is above the achieved room rates projected for some of the City Region's larger 3 star hotels. Achieved room rates for the City Region's 2 star hotels are projected to be £35-36 in 2006.

Weekday/Weekend Occupancy

Average weekday and weekend occupancies for small 2/3 star hotels in the City Region are estimated as follows for 2006:

Stoke-on-Trent City Region – Small 2/3 Star Hotels
Weekday/ Weekend Occupancy 2006

Day of the Week	Average Room Occupancy %
Mon-Thurs	58
Friday	62
Saturday	76
Sunday	24

Midweek occupancies are low for most of the City Region's smaller 2/3 star hotels. Only 2 hotels are achieving high midweek occupancies. Tuesday and Wednesday nights tend to be the strongest weekday nights. Monday and Thursday night occupancies are weaker for most hotels.

[9] Projected figure based on projections provided by hotel managers

Saturday occupancies are strong for most hotels throughout the year. Friday occupancies are also strong for some hotels, particularly during the summer, but weaker for others. Sunday is a very quiet night for all hotels.

Seasonality

Weekdays are busiest in July and August when occupancies are boosted by Alton Towers leisure break business.

Weekends are strong between March and October, when Alton Towers is open. Winter weekends can be very quiet.

Market Mix

The weekday and weekend market mix for small 2/3 star hotels in the City Region is estimated as follows for 2006:

Stoke-on-Trent City Region – Small 2/3 Star Hotels
Weekday/ Weekend Market Mix 2006

Market	Weekday Market Mix %	Weekend Market Mix %
Corporate	44	3
Contractors	43	5
Residential Conferences	1	
Leisure Breaks	10	45
Group Tours	1	2
Weddings/ Functions		44
Other	1	1

Weekday Markets

Weekday demand is a mix of corporate and contractor business. Corporate demand is highly localised for most hotels, with hotels serving companies in their immediate vicinity. Some hotels attract corporate business from across the City Region as well as from Leek and Uttoxeter. Some hotels also attract transient corporate business. Corporate rates achieved by 3 star hotels range from £45-70 B&B and are most typically around £50.

The City Region's smaller 2/3 star hotels attract very little residential conference or group tour business. Most hotels attract midweek leisure break business in the summer from people visiting Alton Towers.

Weekend Markets

The main weekend market for the City Region's smaller 2/3 star hotels is Alton Towers leisure break business. A number of hotels have been successfully targeting this business through the Internet. Rates from this market are generally good, with many hotels achieving rack rate or slightly below it for Alton Towers breaks. The other key weekend market is people attending weddings and other family functions. Weddings are the only weekend market for one 3 star hotels that focuses specifically on weddings business which blocks out its rooms for leisure break customers.

Market Trends

Corporate demand has reduced for the City Region's smaller 2/3 star hotels in the last 2 years due to the impact of the A500 roadworks, the closure of pottery and manufacturing companies and cutbacks at other companies such as Michelin.

Demand from the contractors market has generally increased due to the construction work that has been taking place in the area.

A number of hotels have attracted increased Alton Towers leisure break business through Internet marketing. Others reported a drop in this market. Demand from leisure break visitors coming for the potteries has reduced as the potteries have closed.

Demand from people attending weddings and functions appears to be largely static, although has increased for one hotel since it received a weddings licence.

Denied Business

Some of the City Region's smaller 2/3 star hotels occasionally deny business on Tuesday and Wednesday nights, primarily in the summer. Levels of such denied business are not significant, however. Other hotels rarely deny midweek business.

2 star hotels regularly deny Alton Towers leisure break business on Saturday nights between March and October. Such denials can be reasonably significant and are increasing as hotels actively target this business through the Internet. 3 star hotels are not denying such business to the same extent. They report only occasional Saturday denials, and just a few rooms when they do deny business on Saturdays.

The City Region's smaller 2/3 star hotels rarely deny residential conference business.

3.3. Budget Hotels[10]

Occupancy

Average annual room occupancies are estimated as follows for budget hotels in the Stoke-on-Trent City Region for 2004-2006:

Stoke-on-Trent City Region – Budget Hotels
Average Annual Room Occupancy 2004-2006

Year	Average Annual Room Occupancy %
2004	82
2005	78
2006[11]	80

Budget hotel occupancies are strong, particularly for the leading UK budget brands represented in the City Region. Occupancies dropped in 2005 due to the extension of the Premier Travel Inn, the problems caused for hotels by the A500 roadworks, the completion of the railways project in 2004, and contraction in the local corporate market as companies have cut back. Occupancies have recovered strongly in 2006, however.

Weekday/Weekend Occupancy

Average weekday and weekend occupancies for budget hotels in the City Region are estimated as follows for 2006:

Stoke-on-Trent City Region – Budget Hotels
Weekday/ Weekend Occupancy 2006

Day of the Week	Average Room Occupancy %
Mon-Thurs	90
Friday	72
Saturday	81
Sunday	37

[10] Sample: Premier Travel Inn Newcastle-under-Lyme; Travelodge Stoke (Talke) (assumed figures); Innkeeper's Lodge, Trentham
[11] Projected figure based on projections provided by hotel managers

Weekday occupancies are strong for two of the City Region's budget hotels, although weaker for the third, other than in the peak summer months when leisure break business from Alton Towers boosts midweek occupancy.

Friday, and especially Saturday occupancies are strong, particularly in the summer months due to Alton Towers leisure break business. Sunday occupancies are generally very low, although the Innkeeper's Lodge at Trentham is currently achieving good Sunday occupancies through the company's current 3 nights for 2 offer.

Market Mix

The weekday and weekend market mix for budget hotels in the City Region is estimated as follows for 2006:

Stoke-on-Trent City Region – Budget Hotels
Weekday/ Weekend Market Mix 2006

Market	Weekday Market Mix %	Weekend Market Mix %
Corporate	77	
Contractors	18	
Leisure Breaks	5	70
Weddings/ Functions		22
Other		8

Key weekday markets are business visitors and, to a lesser extent, contractors.

Weekend demand is predominantly from families visiting Alton Towers. Other weekend markets are people attending weddings and other family functions, sports teams playing in the area and people visiting family and friends.

Market Trends

Business demand has reduced in the last two years as a result of the disruption caused by the A500 roadworks and a contraction in the local corporate market.

Contractor demand has increased, particularly from the Trentham Lakes development.

Alton Towers leisure break demand has increased.

The weddings market appears to be largely static.

Denied Business

The leading budget brands represented in the City Region are understood to be regularly denying significant levels of business during the week. Levels of denied business have reduced since the extension to the Premier Travel Inn.

All of the City Region's budget hotels are thought to be regularly denying business at the weekend, at times to a significant degree.

4. THE POTENTIAL FOR GROWTH

4.1. The Policy Context

Stoke-on-Trent is one of the West Midlands' key regeneration areas (part of the North Staffordshire Regeneration Zone), and is also a ReNew area. There are now ambitious plans to revitalise the city centre as a key economic driver to achieve the city's regeneration. A series of transformational projects are proposed that will see hundreds of millions of pounds spent here in the next 10-15 years to deliver an exciting physical and economic environment for investment, with the city centre as its focus.

A Development Framework and Investment Strategy for the City Centre has now been produced that identifies key projects set around a series of districts and quarters that will provide a focus and clarity within the city core. The Framework seeks to deliver ' a prosperous city centre that is the heart, soul and mind of the region' and the vision includes recognition and therefore improvement of Stoke-on-Trent, to cover:

- Re-inforcing Stoke-on-Trent as a regional shopping centre, through the improvement and expansion of the Retail District;
- Economic regeneration through a high value Business District, a new destination for office development;
- The expansion of the cultural offer, and the creation of a Civic and Cultural Quarter;
- A new mixed use district with opportunities for City Living - Hope Village;
- Good connection through multi-modal movement options
- The creation of a high quality public realm.

Three new strategic routes will be created – University Boulevard (SW-NE), Business Boulevard (W-E) and Heritage Boulevard (N-S). These routes will link the city centre to key nodes of activity – the University, the station, the City Council offices, Festival Park, Burslem/City Waterside. The city centre ring road will also be completed and will define the boundaries of the centre and create locations for new investment.

From a hotel perspective the Business District will be a key driver of core weekday demand and is of critical importance to growth in the corporate market. The Business District will create a new working and business environment with high quality office space in close proximity to the facilities of a vibrant city centre. The new Business District will form the gateway to the revitalised city and provide the opportunity to deliver high quality architecture and design to raise both the profile and image of the city.

4.2. Future Market Prospects

4.2.1 The Corporate Market

Growth in the corporate market for hotel accommodation in the City Region is most likely to be linked to growth in the local economy and employment. The North Staffordshire Integrated Economic Development Strategy sets out a strategy for arresting the current decline in employment in the short term, creating 5,000 new jobs in the medium term and 25,000 jobs in the longer term. The strategy envisages a continuing decline in manufacturing industries in the conurbation that will need to be offset through growth in service sector employment. This suggests relatively slow growth in corporate demand in the short to medium term and potentially stronger growth in the longer term.

Target sectors for future growth identified in the IEDS and the Stoke-on-Trent Regeneration Strategy are:

- Financial, professional and business services, including call centre operations;
- Medical technologies;
- High value consumer goods, particularly ceramics products;
- Construction and building technologies;
- Distribution and logistics, including associated office-based functions;
- Higher and further education;
- ICT;
- Advanced engineering;
- Applied design.

Most of these sectors are likely to be good generators of demand for hotel accommodation, particularly as companies set up in the City Region.

Major development projects to support the growth of these sectors are identified as follows:

- The development of a new University teaching hospital;
- The expansion of Keele Science & Business Park;
- The development of the University Quarter and expansion of the universities;
- The development of a new Business District in the city centre;
- Completion of the Trentham Lakes development;
- Regeneration of Etruria Valley;
- Development of the Chatterley Valley employment site.

Most of these development projects are likely to generate additional demand for hotel accommodation, depending on the types of company and operation that they attract.

Growth in corporate demand will thus depend on the extent to which the City Region attracts the target growth sectors and the speed with which the development projects come on stream and are occupied.

4.2.2. Contractors

The major development projects and regeneration schemes planned for the City Region over the next 5-10 years are likely to generate increased demand for hotel accommodation from the contractors market, particularly for budget and low-priced accommodation.

4.2.3. Residential Conferences

With its central location and excellent communication links, Stoke-on-Trent is potentially a strong conference destination, albeit secondary to Birmingham and Manchester. There is evidence of significant unsatisfied residential conference demand for Stoke-on-Trent at the upper end of the market which could potentially be satisfied through the planned development of conference facilities at the Moat House and/or the development of the 4 star hotels that are currently being mooted in the area (if they go ahead).

4.2.4. Leisure Breaks

Leisure break demand from families visiting Alton Towers is likely to remain strong and could grow further, particularly for budget and lower-priced hotels. Demand could, however, reduce at the upper end of the market if the third Alton Towers hotel is built and Alton Towers ticket prices continue to rise, resulting in more people downgrading their hotel requirements.

Stoke-on-Trent may attract more leisure break business in its own right as the regeneration of the city centre takes place and the City Region's attractions, cultural, retail , events and eating and drinking product develops. Significant growth in this market is likely to be more longer term, however.

4.2.5. Group Tours

Group tours are likely to remain as a market for some 3 star hotels, although they are likely to seek to reduce this market as other higher paying market segments develop.

4.2.6. Weddings and Functions/ VFR Market

Growth in the weddings and functions and visiting family and friends markets is likely to be linked to population growth. Population forecasts for the City Region show a continued decline in the short to medium term followed by limited growth in the longer term. This suggests limited scope for growth in these markets.

5. FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

5.1. Opportunities for New Hotel Development

Our assessment of the potential for future growth in the City Region's hotel market suggest the following potential opportunities for new hotel development in the Stoke-on-Trent City Region over the next 5 to 15 years, assuming that the anticipated growth is achieved:

- Potential for a new upper-tier budget hotel in the next 5 years given growth in the corporate and residential conference markets. The Tulip Inn at Trentham should more than meet this requirement and could have a significant impact on existing 2 and 3 star and upper-tier budget hotels, at least in the short term, if it opens ahead of strong market growth.

- Possible scope for a further 3/4 star or upper-tier budget hotel in the next 10-15 years, and possibly a further hotel by 2021 if very high economic growth is achieved. The strongest potential is likely to be for upper-tier budget/ limited service 3 star hotels. Achieved room rates are not currently sufficiently high to support a large new 3 or 4 star, other than possibly a 3 star Village Hotel or Jury's Inn (as these two companies have relatively low achieved room rate targets). 3/4 star achieved room rates in Stoke-on-Trent are currently a long way off the rates that would be needed to support a 4 star hotel, other than possibly an upmarket destination hotel and spa (e.g. the proposed Wedgwood and Trentham Hall hotels) that may be able to attract high end residential conference, leisure break and weddings business. Much will depend on the development costs for such a hotel, its financing and the return on investment targets and other objectives of its developer.

- Possible opportunities for a small upmarket boutique or country house hotel given a suitable property for conversion.

- Potential for a large new budget hotel in Stoke-on-Trent in the next 5 years (given the levels of business that existing branded budget hotels in the City Region are currently denying), and possibly a further budget hotel in the next 10 years. The planned Premier Travel Inn and Travelodge hotels are likely to meet, if not exceed this requirement, and could have a significant impact on the city's 2 and 3 star hotels.

5.2. The Impact of New Hotels on Existing Hotels

Our assessment of the potential for new hotel development in the City Region is based on the assumption that all hotels (both existing and new) will achieve an average annual room occupancy of 70%. In reality, new hotels are likely to take more than their 'fair share' of the market, which could result in them taking business from existing hotels, depending on the number and size of hotels that are developed and how quickly the market grows.

There is currently more new hotel development proposed in the City Region than our growth projections show potential for; if this happens, then clearly there is a danger of oversupply and potential for new hotels to seriously impact on existing hotels in the City Region, reducing their occupancy and achieved room rates and possibly threatening the future viability of some hotels.

It may of course be that not all of the proposed development is delivered. Our experience in other destinations like Liverpool also tells us that there can be some positive benefits from new hotel development. New quality hotels can help to reaffirm a destination as a strong hotel location, ultimately raising rates for other hotels and helping to encourage investment in existing hotels. National brands also generate their own demand due to their brand strength and established customer base and can generate overspill business for nearby hotels. We would suggest, however, that a number of existing hotels in the City Region are likely to find it very difficult to compete with the more modern product that new hotels will bring.

5.3. Developing the City Region's Hotel Market

Stoke-on-Trent's ability to support a strong and developing hotel industry will depend on the further development of the City Region's hotel market, particularly in terms of the expansion of the corporate market and the development of residential conference and leisure break business. Key requirements, therefore, will be:

- The implementation of the North Staffordshire Integrated Economic Strategy and Stoke-on-Trent Regeneration Strategy and achievement of their targets in terms of:
    - Attracting new companies from those target growth sectors that are likely to generate good hotel demand – financial, professional and business services, medical technologies, ICT, advanced engineering, higher education.
    - Delivery and letting of the major development projects.
- Continued proactive marketing of Stoke-on-Trent as a conference destination;
- The development of the City Region's leisure break product in terms of:
    - Improving the city centre environment;
    - The development of the attractions, cultural, leisure, entertainment, events and eating and drinking product
- Effective marketing of the City Region as a leisure break destination.

APPENDICES

APPENDIX 1

HOTELS INTERVIEWED

APPENDIX 1

HOTELS INTERVIEWED

Hotel	Interviewee	Personal/ Telephone
Moat House	Mark Thacker, General Manager	P
Holiday Inn	Wendy Wortley, General Manager	T
Quality	Richard Marsh, General Manager	P
North Stafford	Anne Daulby, General Manager	P
Express by Holiday Inn	Angela Nicholls, General Manger	P
Haydon House	Terry Rollins/ Sonia Machin	P
Plough Motel	Dominic Whittaker, General Manager	P
Swallow George	Jurgen Kruijt, General Manager	P
The Upper House	Jackie Nutt, General Manager	P
Weathervane	Daniel Hope, General Manager	P
Tollgate	Adrian Oldfield, General Manager	P
Innkeeper's Lodge	Sue Newton, General Manager	P
Crown, Longton	Richard Chambers, Proprietor	P
Premier Travel Inn Newcastle-under-Lyme	Neil Harris, Commercial Manager, Premier Travel Inn	T