

**EASTLEIGH
BOROUGH
HOTEL MARKET
FACT FILE**

August 2019

INTRODUCTION

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

- The current hotel supply in and just outside Eastleigh Borough;
- Current hotel development proposals;
- Recent hotel performance (2017-2018)
- The key markets for hotel accommodation in the borough;
- Recent market trends;
- The prospects for growth in demand for hotel accommodation and what will drive this.

All of the data and information included in the Fact File is drawn from a survey of Eastleigh and Southampton M27 Corridor hotel managers undertaken by consultants Hotel Solutions between May and July 2019.

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EASTLEIGH BOROUGH HOTEL SUPPLY

Current Hotel Supply

- There are currently 14 hotels in and just outside Eastleigh Borough, with a total of 1,393 letting bedrooms. This supply is split broadly evenly between 4-star, 3-star and budget hotels. The Hilton at the Ageas Bowl stands out as an upscale 4-star hotel with a spa, golf course and extensive conference and banqueting facilities. The quality of the borough's 3-star hotels is mixed, with some hotels having seen recent investment but others looking tired and dated and receiving frequent negative customer reviews on TripAdvisor. In terms of location, the M27 Corridor is a key hotel location in the borough, with six hotels located at motorway junctions, or just off them. There is only one hotel in Eastleigh town centre (the Travelodge Eastleigh Central) and only one hotel at Southampton Airport (the Premier Inn Southampton Airport). There are two hotels at the Ageas Bowl – the Hilton and the Holiday Inn Express.

CURRENT HOTEL SUPPLY – EASTLEIGH BOROUGH AUGUST 2019

Standard	Hotels	Rooms	% of Rooms
4 Star	3	436	31.3
3 Star	6	449	32.2
Upper-tier Budget ¹	1	176	12.6
Budget	4	332	23.9
Total Hotels	14	1393	100.0

Notes:

1. Brands including Holiday Inn Express and Hampton by Hilton

EASTLEIGH BOROUGH HOTEL SUPPLY

EASTLEIGH BOROUGH HOTEL SUPPLY – AUGUST 2019

Hotel	Standard/Type	Bedrooms
Eastleigh Borough		
Hilton at the Ageas Bowl	4 Star	171
Macdonald Botley Park Hotel & Spa	4 Star	130
Botleigh Grange	3 Star	52
Holiday Inn Southampton Eastleigh	3 Star	129
Ellington Lodge at The Concorde	3 Star	35
Holiday Inn Express Southampton M27 Jct7	Upper Tier Budget	176
Premier Inn Southampton Airport	Budget	148
Premier Inn Southampton Eastleigh	Budget	80
Travelodge Eastleigh Central	Budget	60
Travelodge Southampton Eastleigh	Budget	44
Just outside the Borough		
Doubletree by Hilton Southampton	4 Star	135
Best Western Chilworth Manor	3 Star	97
Highfield House	3 Star	68
Marwell Hotel	3 Star	68
Total Bedrooms		1393

EASTLEIGH BOROUGH HOTEL SUPPLY CHANGES

Changes in Supply 2015-2019

New Hotels

- The Hilton at the Ageas Bowl opened in May 2015. There have been no other hotel openings in Eastleigh Borough in the last 4 years.

Investment in Existing Hotels

- In terms of investment in existing hotels in the borough:
 - The Premier Inn Southampton Airport added 27 bedrooms in March 2017.
 - The Macdonald Botley Park Hotel's golf course has closed for redevelopment for housing.
- In the immediate surrounding area:
 - The Hilton Southampton was rebranded as the Doubletree by Hilton Southampton in 2016.
 - Chilworth Manor completed a bedroom refurbishment in 2016 and upgraded its conference and function rooms in 2017.

Proposed Hotel Development

Hotels Under Construction

- A 153-bedroom midmarket Village Hotel is currently under construction on Bournemouth Road in Eastleigh. The hotel will have a state-of-the-art gym and swimming pool, a bar, restaurant, coffee shop, business hub and conference and banqueting facilities. It is likely to open towards the end of 2020, or early in 2021.
- In Southampton city centre, a 213-bedroom Moxy budget boutique hotel is due to open in October 2019.

EASTLEIGH BOROUGH HOTEL SUPPLY CHANGES

Proposed Hotels

- A potential hotel opportunity has been identified as part of the Southampton Airport Economic Gateway. There are no firm proposals for a new hotel here as yet however.
- In Southampton there are currently 7 hotel proposals at various stages of planning that could deliver 841 new hotel bedrooms if they all proceed.

Planned Development of Existing Hotels

- In terms of planned and potential investment in existing hotels in the borough:
 - The Macdonald Botley Park Hotel has planning permission for an additional 44 bedrooms, new conference and leisure facilities, tennis courts and a wedding pergola.
 - The Holiday Inn Southampton Eastleigh will undergo a ground floor refurbishment in 2020 to meet the Holiday Inn 'Open Lobby' brand standard.
 - The Doubletree by Hilton Southampton is planning to convert unused office space into three additional bedrooms and may add a spa.

EASTLEIGH BOROUGH HOTEL PERFORMANCE

Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for Eastleigh Borough hotels for 2017 and 2018 are summarised in the table overleaf.
- 3/4-star hotel occupancies are very strong in Eastleigh Borough, on a par with the UK provincial 3/4-star chain hotel averages. Annual room occupancies vary significantly between hotels however, with two hotels achieving over 80% and two hotels reporting annual room occupancies closer to 70%.
- Achieved room rates are well below the national averages for the borough's 3/4-star hotels. The Hilton at the Ageas Bowl is the only hotel that is trading ahead of the national average. The borough's other 3 and 4-star hotels are achieving much lower room rates.
- Some of the borough's 3 and 4-star hotels saw a drop in room occupancy in 2015 and 2016, following the opening of the Hilton at the Ageas Bowl and as a result of business lost to Southampton city centre hotels. Occupancies, achieved room rates and revpar figures all recovered in 2017 however, and grew further in 2018. The Hilton at the Ageas Bowl has evidently attracted significant new business, particularly in terms of large residential conferences and spa and golf break stays.
- The borough's budget hotels achieved very high room occupancies in 2018, and room rates that are typical for budget hotels. Achieved room rates vary significantly by budget hotel brand.

EASTLEIGH BOROUGH HOTEL PERFORMANCE

EASTLEIGH BOROUGH HOTEL PERFORMANCE 2017-2018

Location/ Standard of Hotel	Average Annual Room Occupancy %		Average Annual Achieved Room Rate ⁵ £		Average Annual Revpar ⁶ £	
	2017	2018	2017	2018	2017	2018
UK Provincial 3/4 Star Chain Hotels¹	76.5	76.7	86.43	88.95	66.14	68.19
UK Provincial Hotels (All Standards)²	76	76	71	72	54	55
Eastleigh Borough 3/4 Star Hotels ³	76.4	77.3	75.50	77.38	57.74	59.83
Eastleigh Borough Budget Hotels ⁴	n/a	82.4	n/a	55.02	n/a	45.38

Source: Hotel Solutions survey of Eastleigh Borough hotels May-July 2019

Notes

1. Source: TRI Hotstats UK Chain Hotels Market Review
2. Source: STR Global
3. Sample: Hilton Ageas Bowl, Doubletree by Hilton Southampton, Chilworth Manor, Holiday Inn Southampton-Eastleigh, Botleigh Grange, Macdonald Botley Park (Hotel Solutions estimates)
4. Sample: Premier Inn Southampton Eastleigh, Premier Inn Southampton Airport, Travelodge Eastleigh Central, Travelodge Southampton Eastleigh, Holiday Inn Express Southampton M27 Jct 7
5. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
6. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges.

PATTERNS OF DEMAND

Patterns of Demand

- Midweek occupancies are strong for hotels in Eastleigh Borough. Most hotels consistently fill and turn business away on Tuesday and Wednesday nights. Monday, and especially Thursday night occupancies are not as strong for some 3-star hotels, but remain high for 4-star and budget hotels.
- Weekend occupancies are more seasonal. Friday and Saturday occupancies are strong between April and October, with hotels often filling and turning business away on Saturday nights. Friday and Saturday night occupancies and room rates are much lower in the winter however. Sunday occupancies are low all year round, but a little higher in the summer. Only one budget hotel trades at high Sunday occupancies.

EASTLEIGH BOROUGH HOTEL MARKETS

Midweek Markets

- Local corporate demand from companies in Eastleigh, Chandler's Ford, Southampton Science Park, Hursley (IBM), Romsey and Southampton is the primary midweek market for most of the 3 and 4-star hotels in Eastleigh Borough.
- Residential conferences are a strong midweek market for the Hilton at the Ageas Bowl, due to its extensive and large capacity conference, exhibition and meeting facilities. The hotel has been successful in attracting larger 200-400+ delegate conferences that it works with other nearby hotels to accommodate. Residential conferences are otherwise a minor midweek market for the borough's other 3 and 4-star hotels.
- Eastleigh 3/4-star hotels attract strong demand for midweek break stays in the summer months, particularly from families visiting Peppa Pig World at Paulton's Park. This is rate-driven business that enables hotels to achieve high midweek occupancies throughout the summer, but reduces their achieved room rates. The Hilton at the Ageas Bowl attracts good midweek demand for spa breaks, and golf breaks in the summer.
- Cruise passengers are a strong weekday market for Eastleigh 3 and 4-star hotels during the summer. They tend to compete for this business primarily on price: higher spending cruise passengers will usually stay in Southampton city centre hotels.
- Group tours are a minor source of midweek trade for some 3/4-star hotels. This is very low rated business that hotels do not usually take.
- The Southampton Boat Show, Seawork and biennial Ocean Business events in Southampton generate midweek business for Eastleigh Borough hotels, primarily from exhibitors.
- Some of the Cricket World Cup matches in June 2019 generated midweek demand for hotel accommodation in the borough. The borough's hotels attracted high midweek demand from the D-Day 75 commemorations in Portsmouth in June 2019, primarily from the security and police teams that were involved in the event.

EASTLEIGH BOROUGH HOTEL MARKETS

- The key midweek market for the borough's budget hotels is contractors working on construction and development projects in the area. Local corporate demand is also a strong market for some budget hotels.
- Other midweek markets for budget hotels are:
 - Families visiting Peppa Pig World at Paulton's Park in the summer months;
 - Cruise passengers in the summer;
 - Air passengers;
 - Aircrew requiring overnight accommodation when flights are cancelled;
 - Conference delegates attending conferences at the Hilton at the Ageas Bowl;
 - People requiring temporary accommodation that are placed in hotels by the Borough Council's Housing Department;
 - Hospital visitors from the Channel Islands.
 - ICC Cricket World Cup match spectators in June 2019.

Weekend Markets

- Key weekend markets for hotels in Eastleigh Borough are:
 - Families visiting Peppa Pig World at Paulton's Park, booking through third party websites;
 - Other leisure break guests coming for golf and spa breaks or to visit the New Forest, Winchester or Portsmouth;
 - Cruise passengers between May and September, usually staying in Eastleigh hotels as a lower-cost option to Southampton city centre hotels;
 - Wedding-related demand, which varies in importance between hotels.

EASTLEIGH BOROUGH HOTEL MARKETS

- Other weekend markets are:
 - Air passengers – a key market for the Premier Inn Southampton Airport, and a secondary market for some other hotels;
 - People visiting their friends and relatives staying at budget hotels;
 - People breaking their journey en-route to the Isle of Wight and the South Coast;
 - Event visitors.
- Events that generate weekend demand for hotels in the borough are:
 - ICC Cricket World Cup matches in June 2019;
 - Other cricket matches – for the two hotels at the Ageas Bowl;
 - Concerts, tribute nights and other events at the Ageas Bowl;
 - Tribute nights, bands playing, and other events at the Concorde Club;
 - Concerts at St Mary's Stadium in Southampton;
 - Southampton FC home matches;
 - Goodwood Festival of Speed and Revival;
 - Sports events at Places Leisure Centre in Eastleigh – for some hotels at Eastleigh;
 - Winchester Christmas Market – for group tours in November and December.

MARKET TRENDS

Market Trends

- In terms of total roomnight demand the Eastleigh Borough hotel market grew significantly in 2016 as a result of the opening of the Hilton at the Ageas Bowl, which has attracted significant new residential conference and golf and spa break business. Hotel roomnight demand grew further in 2017, but growth slowed in 2018 and looks likely to be largely static in 2019. Underinvested hotels have seen a downturn in demand, but other hotels have seen steady improvement.
- In terms of trends in specific market segments:
 - The local corporate market for hotel accommodation in Eastleigh Borough grew in 2018 but has reduced in 2019. This downturn is largely attributed to the Brexit uncertainty resulting in some companies cutting their travel budgets.
 - Two hotels have been successful in attracting more families that are coming to visit Peppa Pig World at Paulton's Park.
 - Two hotels reported an increase in demand from cruise passengers, but one hotel reported a downturn in this market.
 - One hotel has seen an increase in weddings business.
 - One hotel reported a slight increase in residential conference business. This remains a minor market for the hotel however.
 - The ICC Cricket World Cup generated significant demand for hotel accommodation in the borough in June 2019.
 - The D Day 75 commemorations in Portsmouth at the beginning of June 2019 generated substantial business for the borough's hotels, largely from security and police teams.
 - All hotels reported a downturn in business from the Southampton Boat Show as a result of the drop in the number of visitors attending the show, the opening of new hotels in Southampton, and a trend for exhibitors to stay in apartments that they can book through Airbnb and other online booking platforms.

DENIED BUSINESS¹

Denied Business

- Most of the 3 and 4-star hotels in and around Eastleigh Borough consistently fill and turn business away on Tuesday and Wednesday nights and also frequently on Saturday nights. Denials on these nights are generally higher and more consistent during the summer. One 4-star hotel reported less frequent and lower levels of denied business, and one of the poorer quality 3-star hotels rarely denies any business.
- The borough's budget hotels consistently deny business on Monday to Wednesday nights throughout the year, and sometimes also on Thursday nights. They also regularly deny business on Saturday nights, and occasionally also on Friday nights. Denials are generally higher and more frequent in the summer months.

1. Business that hotels turn away (deny) because they are fully booked

FUTURE PROSPECTS

Prospects for 2019

- The managers of the 3 and 4-star hotels in and around Eastleigh Borough have mixed views about the prospects for their hotels in 2019. Two expect to maintain and slightly increase their high room occupancies, two don't anticipate any change, and one is projecting a sharp drop in occupancy as a result of a downturn in corporate business. The majority of 3/4-star hotel managers expect to see an increase in achieved room rates in 2019, with the ICC Cricket World Cup and D-Day 75 commemorations in June driving very strong room rates for the borough's hotels. The Ocean Business conference and exhibition in Southampton, which generates demand for Eastleigh hotels when it is held every other year, has also been held in 2019.
- The borough's budget hotel managers have similarly mixed views about the prospects for their hotels in 2019. Most expect to maintain their high room occupancies and see growth in achieved room rates. One is more pessimistic however, and is projecting little change in either room occupancy or achieved room rate in 2019.

Prospects for 2020 and Beyond

- Looking ahead to 2020 and beyond, most of the 3 and 4-star hotels in and around Eastleigh Borough are concerned about the opening of the Village Hotel at Eastleigh in late 2020 or early 2021. They are expecting the hotel to compete strongly in the local corporate market and to take a share of Peppa Pig World short break and cruise passenger business. Hotels are also concerned that the opening of the Moxy hotel in Southampton in October 2019, and the other proposed hotels in the city, will result in less corporate and cruise passenger business being displaced to Eastleigh Borough hotels.
- On a more positive note there are a number of indicators of likely future growth in demand for hotel accommodation in the borough:
 - The proposed expansion of Southampton Airport, with a longer runway that will be able to take larger planes, allowing the airport to service a wider route network to major European cities, will provide a significant boost to demand for hotel accommodation at the airport. The draft

FUTURE PROSPECTS

Southampton Airport Master Plan (2018) projects a doubling of air passenger numbers between 2017 and 2027 to 4 million, equivalent to a 10% average annual growth rate. Air transport movements are projected to rise from 39,300 in 2017 to 53,100 in 2027, equivalent to an increase of 36%.

- Economic forecasts produced for PUSH (the Partnership for Urban South Hampshire) and the Solent LEP project an average annual growth in GVA of 2.7% and an average annual growth rate in employment of 0.8%. In Eastleigh Borough, the Southampton Airport Economic Gateway is set to be a key focus for employment growth, delivering up to 132,000 sq m of new employment floorspace across four development sites. The proposed North of Bishopstoke and North East of Fair Oak Strategic Growth Option could also deliver 30,000 sq m of office and light industrial space, while the Eastleigh Town Centre Urban Renaissance Quarter will be a key focus for office development.
- The significant levels of housing development that are taking place and planned across Eastleigh Borough should generate increased demand for hotel accommodation from people attending weddings and family parties and visiting their friends and relatives. The borough's population is projected to increase from 131,658 in 2018 to 147,816 in 2025¹, a rise of 12.28%, equivalent to an average annual growth rate of 1.76%. Major housing developments that are set to deliver over 12,000 new homes are underway or planned at Boorley Green, Stoneham Park (Chestnut Avenue), Hedge End, Botley, Horton Heath and the proposed North of Bishopstoke and North East of Fair Oak Strategic Growth Option.
- The expansion of Southampton Airport, employment development projects, major housing schemes and infrastructure projects are likely to result in increased demand for budget hotel accommodation from contractors, and some additional business for 3 and 4-star hotels.

¹ Source: Hampshire County Council Small Area Population Forecasts

FUTURE PROSPECTS

- The continuing expansion of Paulton's Park, with its new Tornado Springs zone opening in May 2020, should generate increased demand for leisure break stays, which Eastleigh Borough hotels will be able to capitalise on.
- There is also potential for Eastleigh Borough hotels to promote their proximity to Winchester and the New Forest in order to attract leisure break stays.
- Cruise passenger demand for hotel accommodation in Eastleigh Borough looks set to increase as the Southampton cruise industry continues to grow. The UK cruise industry reached a record 2,009,000 passengers in 2018, up 2% on 2017. With 80% of UK cruises departing from the city, Southampton has been a major beneficiary. Further growth is projected going forward, with new, ever larger cruise ships set to launch in Southampton over the next three years. UK cruise operators are also evolving their offer to attract families, the Generation Z age group, female-centred cruises and solo travellers; going to new destinations; and introducing more off-peak cruises. New hotel openings in Southampton may lessen the benefits of cruise market growth for Eastleigh Borough hotels, although they should still be able to attract cruise passengers on price.
- On a negative note, the Borough's hotel industry is facing continuing challenges with staff recruitment, which are likely to be exacerbated by Brexit if EU hotel workers are no longer allowed to come to the UK.

SOURCES OF FURTHER INFORMATION

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