4. CURRENT DEMAND

4.1 Hotels

4.1.1. Occupancy

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

Oxford Hotels[1] – Occupancy 2005-2007

Standard[2]	**Average Annual Room Occupancy %**		
	2005	**2006**	**2007**[3]
Hotels			
4/5 Star - Citywide	75	75	76
4/5 Star – City Centre	68	70	73
4 Star – City Outskirts	78	79	78
3 Star	73	78	79
Provincial UK 3/4 Star Chain Hotels[4]	70	71	72[5]
Budget	76	80	80

Notes:

1. Sample of participating hotels given at Appendix 2
2. Our assessment of current hotel demand has not included 2 star hotels
3. Based on projected figures provided by hotel managers
4. Source: TRI Hotstats UK Chain Hotels Market Review
5. Source: Price Waterhouse Coopers Hospitality Directions

- Hotel occupancies are very high in Oxford, well above national averages, and not far behind London hotel occupancies.

- There is a noticeable difference in occupancy performance between city centre 4/5 star hotels and 4 star hotels on the edges of the city. Average annual room occupancies for city centre 4/5 star hotels are much lower overall, primarily due to weaker midweek demand during the winter. There is a significant difference in occupancy performance between city centre hotels, however. The small boutique hotels here achieve very high occupancies. Occupancies are lower for the larger city centre hotels.

- The average annual room occupancy for city centre 4/5 star hotels has reduced since 2004 following the expansion of the Randolph. Boutique hotel occupancies have remained very high, however. City centre 4/5 star hotel occupancies increased slightly in 2006, despite the opening of the Malmaison. Occupancies have built very quickly for this hotel and it has had only a marginal impact on the occupancies of other city centre hotels.

- Occupancies have remained high for 4 star hotels on the out of the city centre/ on the city outskirts.

- 3 star hotel occupancies reduced in 2005 as a result on the disruption caused during the refurbishment of the Eastgate, which contributed to a reduction in occupancy for this hotel.

- Budget hotel occupancies reduced in 2005 as a result of the Travelodge extension. They have recovered in 2006, however, despite the extension to the Premier Travel Inn.

4.1.2. Achieved Room Rates

On the basis of our research, we estimate average annual achieved room rates[2] for Oxford hotels as follows for 2005 to 2006, and projected for 2007:

Oxford Hotels[1] - Achieved Room Rates 2005-2007

Standard	Average Annual Achieved Room Rate £		
	2005	2006	2007[2]
Hotels			
4/5 Star - Citywide	79.90	85.09	88.05
4/5 Star – City Centre	102.66	108.07	112.20
4 Star – City Outskirts	68.89	71.40	73.11
3 Star	66.37	69.76	73.92
Provincial UK 3/4 Star Chain Hotels[5]	66.95	70.02	70.21[4]
Budget	48.45	47.30	49.39

Notes:

1. Sample of participating establishments give at Appendix 2
2. Based on projected figures provided by hotel managers
3. Source: TRI Hotstats UK Chain Hotels Market Review
4. Source: Price Waterhouse Coopers Hospitality Directions

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

- Achieved room rates in Oxford are high by national standards.

- Room rates achieved by city centre 4/5 star hotels are very high, almost on a par with London hotels. The city centre boutique hotels perform particularly well in terms of achieved room rates.

- Achieved room rates are much lower for 4 star hotels on the outskirts of the city, however. This is primarily due to the lower weekend rates that these hotels achieve as they drive weekend occupancy mainly through discounted weekend break rates and special offers.

- Achieved room rates have steadily increased in 2005 and 2006 for most hotels, and are projected to rise further in 2007. Hotels have generally been able to push up their rates and manage their yield more effectively in the strong Oxford hotel market.

- The Malmaison put pressure on city centre rates when it first opened. They have since recovered however.

4.1.3. Weekday/ Weekend Occupancy

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

Oxford Hotels - Weekday/ Weekend Occupancies – 2006

Standard	Average Room Occupancy %			
	Mon-Thurs	Friday	Saturday	Sunday
4/5 Star - Citywide	83	67	90	44
4/5 Star – City Centre	75	69	93	39
4 Star – City Outskirts	88	67	88	48
3 Star	80	66	92	42
Budget	89	71	89	38

- Weekday occupancies are strong for Oxford hotels, particularly the 4 star and budget hotels on the outskirts of the city. They are not quite so strong for some of the city centre hotels however.

- Tuesday and Wednesday occupancies are generally very high, with most hotels in the city regularly filling on these nights for much of the year. Monday, and especially Thursday nights are not quite so strong for most hotels.

- Saturday occupancies are very high for all hotels. Most hotels regularly fill on Saturday nights other than in the winter months. Friday occupancies are weaker and Sunday occupancies generally low for all hotels. Weekend occupancies are slightly stronger for city centre hotels . They also generally achieve very good room rates at the weekend. Hotels on the outskirts of the city are able to achieve good weekend occupancies but only through discounted weekend break rates and offers. Their weekend achieved room rates are relatively low as a result.

4.1.4. Seasonality

- Oxford hotel occupancies are strong for most of the year. Occupancies dip for most hotels in January and February, and in December for some hotels. August is also a quieter month for most hotels due to the downturn in corporate and University demand at this time of year. Some hotels replace this business with leisure demand, but on much lower rates.

- The hotel market is more seasonal in the city centre than on the outskirts of the city. Both weekday and weekend occupancies are low for city centre hotels during the winter. Weekday occupancies are strong during these months for hotels outside the city centre, however, although their weekend occupancies also dip.

4.1.5. Market Mix

a) Weekday Market Mix

On the basis of our research we estimate the weekday market mix for Oxford hotels as follows for 2006:

Oxford Hotels – Estimated Weekday Market Mix – 2006

Standard	Market Mix %						
	Corporate	Contractors	Residential Conferences	Leisure Breaks	Overseas Tourists	Group Tours	Other
4/5 Star – Citywide	64		23	7	3	3	
4/5 Star – City Centre	70		10	8	9	3	
4 Star – City Outskirts	61		30	6		3	
3 Star	66		3	12	10	5	4
Budget	67	22		2	2		7

Note:

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

b) Weekend Market Mix

Our estimates of weekend market mix for Oxford hotels are as follows for 2006:

Oxford Hotels – Estimated Weekend Market Mix – 2006

Standard	Market Mix %						
	Corporate	Contractors	Leisure Breaks	Overseas Tourists	Group Tours	Weddings/ Functions	Other
4/5 Star – Citywide	8		53	13	3	17	6
4/5 Star – City Centre	7		53	26		5	9
4 Star – City Outskirts	9		54	5	4	24	4
3 Star	5		53	20		8	14
Budget	7	4	53	13	2	3	18

Note:

These estimates should be taken as indicative only.

c) Key Markets

- The **corporate market** is the primary source of midweek business for Oxford hotels, accounting for two thirds of total weekday roomnights. There appear to be quite distinct city centre and out-of-city centre corporate markets in Oxford. City centre hotels derive corporate business primarily from the University and companies and research institutes associated with it. Some hotels here also attract business from companies located at the Oxford Science Park and Cowley. Hotels on the outskirts of the city attract corporate business mainly from the Oxford Business Park, Oxford Science Park, BMW and companies located at Milton Park, Abingdon and Kidlington. They also attract transient corporate business due to their ease of access and parking. They attract very little corporate business from the University or city centre companies and organisations.

- Corporate rates are strong in Oxford, typically £100-£110 room only.

- **Conferences held at the University** are a key source of midweek business for city centre hotels.

- **Residential conferences** are a strong market for 4 star hotels on the outskirts of the city that have good access, conference facilities and parking. Oxford is a good location for residential conferences, being strategically located midway between London and Birmingham and with good access via the M40 and A34. Residential conferences are a less significant market for city centre hotels due to their more limited conference facilities, lack of parking and city centre traffic congestion.

- Residential conferences are typically for 20-50 delegates and durations of 1-3 nights. There is some demand for larger conferences of 100-200 delegates. Hotels tend to deny such business however, as it usually blocks out the week for corporate business.

- **Contractors** are a significant market for budget hotels, and we suspect also 2 star hotels.

- **Leisure breaks** are a strong market for hotels of all standards across the city. Demand is strongest in the city centre. Hotels here are able to command high weekend rates. Hotels on the outskirts of the city primarily attract weekend break business through discounted leisure break rates and offers marketed through their head offices. Most hotels in the city also attract some midweek leisure break business during the summer. This is on discounted leisure break rates for some hotels.

- **Overseas tourists** are an important market for city centre hotels, particularly during the summer. They are a much less significant market for hotels on the outskirts of the city however.

- **Weddings** are a significant weekend market for two 4 star hotels outside the city centre. They also generate some weekend business for other hotels in the city.

- **Parents visiting students** are another key source of business at weekends. **Graduations** in particular generate significant demand for hotel accommodation.

- **Student reunions and stag and hen parties** are other weekend markets.

- **Events,** such as the British Grand Prix at Silverstone and pop concerts at Blenheim Palace, generate significant demand for hotel accommodation in Oxford.

4.1.6. Market Trends

- The Oxford hotel market appears to have been broadly stable over the past two years: no markets have particularly grown or declined.

- One or two hotels reported a reduction in residential conference business.

- Two hotels reported the loss of aircrew business from Brize Norton, as it has moved to a Swindon hotel.

- Some hotels reported growth in leisure break business, particularly through the Internet.

- Oxfam's move to the Oxford Business Park has generated new corporate business for the Premier Travel Inn.

- The Malmaison appears to have successfully attracted corporate and leisure break business without significant detriment to other hotels in the city. This suggests that it has attracted new leisure break business, and that it has been able to satisfy corporate business that was previously being displaced out of the city.

4.1.7. Denied Business[3]

- All city centre hotels regularly deny business at weekends, particularly on Saturday nights. Weekend denials of 5-10 rooms were typically reported, rising on occasion to 20-30 rooms. Levels of denied business at weekends are higher in the summer and very high for graduation weekends and major events.

- Some city centre boutique and 3 star hotels occasionally deny business on Tuesday and Wednesday nights, typically up to 10 rooms.

- Levels of denied business in the city centre have reduced since the Malmaison opened.

- Some city centre hotels deny residential conference business due to their lack of conference facilities. This is most typically for conferences for 20-40 delegates, and occasionally for larger conferences of 100-150 delegates.

- All city centre hotels deny tour group business as it is too low-rated for them.

- Some of the 4 star hotels on the outskirts of the city regularly deny business on Tuesday and Wednesday nights, typically around 20-30 rooms. Some of this business appears to be denied on rate. Levels of midweek denials are increasing.

- Some 4 star hotels outside the city centre also regularly deny business at weekends, particularly on Saturday nights during the summer months. Weekend denials of up to 20-30 rooms are typical for these hotels.

- 4 star hotels on the outskirts of the city typically receive 1-2 enquiries per month for large residential conferences for 100-250 delegates that they are unable to accommodate.

- All 4 star hotels on the outskirts of the city deny tour group business due to its low-rated nature.

[3] 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

- All budget hotels on the outskirts of the city regularly deny business during the week. One is denying significant amounts of business. Weekday denials have increased for two budget hotels, but reduced for the third.

- Two of the budget hotels on the outskirts of the city also regularly deny business at weekends, particularly on Saturday nights. Weekend denials are very high for one of them.

4.1.8. Future Prospects

Almost all hotels in the city are optimistic about their future prospects. They all expect to either maintain their current high occupancy levels or increase occupancy, and see further rate growth.

One hotel on the outskirts of the city expressed concern about the impact that the roadworks on the A34 will have when they start in 2008. Most city centre hotels expressed concerns about the impact that possible new hotels in the city centre could have on their business. Concerns were also expressed by at least one city centre hotel about the potential impact that the introduction of a congestion charge in Oxford could have on the city centre hotel market.

4.1.9. Parking

Parking is a major problem for city centre hotels that have limited or no on-site parking. It is a frequent source of guest complaints for them, and a number feel that they lose business because they are unable to provide parking spaces for all guests. Those hotels in the city centre that have adequate car parking indicated that it would otherwise be very difficult for them to trade effectively. While some markets, such as overseas tourists and University conference delegates, mainly arrive by train and coach, it is evident from our research that the majority of city centre hotel guests arrive by car. However, hotel operators, developers and investors accept this as a given constraint in an historic city like Oxford.

4.2. Guesthouses

4.2.1. Occupancy Trends

Our research shows evidence of some recovery in guesthouse occupancies across the city in 2005, and particularly 2006. Occupancies have not returned to pre-2001 levels, however, and have been down so far in 2007.

Guesthouse occupancies remain highest in the city centre, Headington, North Oxford and Cumnor Hill, and weaker on Iffley Road and Abingdon Road. Some establishments in Summertown have seen a drop in occupancy since Oxfam relocated to Cowley.

Reasons cited for changes in occupancy levels are as follows:

- An increase in business demand in most parts of the city;
- Reduced demand since Oxfam moved to Cowley (Summertown establishments)
- Increased demand from contractors working on the new hospital in Headington;
- The US tourist market starting to come back;
- The completion of the roadworks on Abingdon Road, enabling guesthouses here to begin to regain the business that they had lost while they were being undertaken.

While guesthouse occupancies have increased it is clear that guesthouses in the city continue to operate in a much more competitive environment than 5-6 years ago, with increasing competition from budget hotels; the youth hostel; chain hotels offering very low leisure break rates and last minute deals to boost off-peak occupancies; and the expanding stock of college accommodation.

4.2.2. Patterns of Demand

There have been no significant changes in the last 3 years in the pattern of demand for guesthouses. Weekend demand remains strong throughout the year, other than in December, January and February. Weekdays are more seasonal, other than in Headington, where midweek demand is strong all year round. Weekday occupancies have generally increased during the summer months. The season does not appear to have extended, however.

4.2.3. Prices

The majority of guesthouses across the city appear to have increased their prices in the last 2-3 years. Price increases appear to have been lowest for guesthouses on Iffley Road and Abingdon Road and a number of guesthouses here have not increased their prices.

4.2.4. Key Markets

There have been no changes in the key markets for guesthouses in the city in the last three years. They remain as follows:

- Business visitors;
- Contractors and workmen:
  - for guesthouses that are prepared to take them (not all are):
- Conference delegates:
  - attending conferences at the University or large hotels e.g. the Oxford Spires Four Pillars;
- Language schools:
  - including students, parents and tutors;
- Hospitals (for Headington guesthouses):
  - including patients and their families; consultants, doctors and nurses; and people attending courses at the hospitals.
- Parents of students studying in the city:
  - particularly at the start of the academic year and for graduations
- Leisure break visitors
- Overseas tourists;
- Weddings and family gatherings;
- People visiting friends and relatives;
- People coming for major events in and around the city.

4.2.5. Market Trends

Our research has identified the following key market trends in the Oxford guesthouse market over the last 3 years:

- Demand from the business market appears to have increased across the city, other than for some Summertown guesthouses since Oxfam relocated to Cowley. A number of guesthouses on Iffley Road and London Road reported an increase in business from Oxfam and BMW.

- Contractor demand has increased in Headington from workmen working on the new hospital.

- The US tourist market has started to come back.

- A number of guesthouses have increased their leisure break business through Internet marketing.

4.2.6. Denied Business

Our research suggests that there has been no real change in the levels of business that guesthouses in the city are declining. Most guesthouses regularly deny business at weekends, particularly on Saturday nights during the summer. Weekday denials occur mainly in the summer months, other than in Headington where guesthouses deny midweek business all year round. Levels of denied business are lowest for guesthouses on Iffley Road and Abingdon Road.

4.2.7. Profitability

A number of guesthouses on Iffley Road and Abingdon Road reported reducing levels of profit in the last 3 years as their operating costs have been rising more quickly than their income. Guesthouses here have seen the smallest improvements in their occupancy levels and prices and thus appear to have been less able to absorb increases in operating costs than guesthouses in other parts of the city. Reducing profitability was not raised as an issue by the guesthouses that we spoke to elsewhere across the city.

4.2.8. Future Prospects

Guesthouses on Iffley Road and Abingdon Road are much less optimistic about their future prospects than those elsewhere in the city. A number here are quite pessimistic and see little long-term future for their business. Guesthouses in other parts of the city generally have a more positive outlook however.

4.2.9. Future Plans

A number of the guesthouse owners that we spoke to indicated that they are considering selling up in the near future either due to retirement, because they have had enough of running a guesthouse, or because of insufficient profit levels to warrant continuing in business. Some of these owners indicated an intention to sell their guesthouse as a going concern. Others would prefer to sell for residential development.

4.3. Hostels

Our research suggests that there is a strong and growing market for good quality hostel accommodation in the centre of Oxford. The average annual bed occupancy for the two star-rated hostels in the city was 70.6% in 2006. Occupancies are very strong between March and October, typically running at 80-100%. Occupancies are lower between November and February, especially during the week. Weekend occupancies can still be quite strong.

The key markets for hostels are:

- Groups
    - Overseas and UK school and university groups on a tour of the UK, usually staying 1-4 nights in Oxford – a lot are from overseas;
    - Student reunions;
    - Visiting sports teams.
- Individuals
    - Backpackers;
    - Older tourists opting for hostel accommodation rather than B&Bs and guesthouses;
    - Overseas and UK
- Families
    - UK and overseas tourists;
    - Families attending graduations.

The hostels in Oxford deny significant levels of group business, particularly in the peak months for school and university group visits of May, June, September and October. They also regularly deny business at the weekend from individuals and families, particularly during the summer, and during the week in the peak summer months.

4.4. Serviced Apartments/ Self-Catering Accommodation

Our research shows strong demand for serviced apartments in Oxford. Apartments in Oxford, the operator of the city's only purpose-built serviced apartment complex, reported average apartment occupancies for 2004-2006 above the average room occupancies for city centre hotels. Serviced apartments achieve a similar pattern of demand to hotels: occupancies are strong between April and November, but a little weaker between December and March.

Serviced apartments in Oxford attract the same markets as hotels: corporate customers; University visitors; delegates attending conferences at the University; leisure break customers; overseas tourists; parents visiting students at the University and attending graduations; and student reunions. They do not appear to attract markets that are particularly long-stay.

Our research shows evidence of regular midweek denials for serviced apartments in Oxford on Monday, Tuesday and Wednesday nights, and regular Friday and Saturday night denials between April and October.

The study has not included any research to assess the demand for self-catering accommodation in Oxford.

4.5. College Accommodation

The study has not included any research to assess the demand for college accommodation in Oxford. We understand that this is mainly used for delegates attending conferences held at the University during vacation periods.

4.6. Summary of Key Points

Hotels

- Our research shows a strong hotel market in Oxford, with hotels of all standards achieving high occupancies and achieved room rates, and regularly denying business both during the week and at weekends.

- The research shows that there are distinct city-centre and out-of-city-centre hotel markets in Oxford and significant differences in hotel performance between these two locations.

- 4 star hotels on the outskirts of the city achieve higher average annual room occupancies (79% in 2006) but lower average achieved room rates (£71.40 in 2006) than city centre 4/5 star hotels. Midweek occupancies and levels of denied weekday business are higher for 4 star hotels outside the city centre due to the strength of corporate demand from companies located at the Oxford Business and Science Parks, BMW, and companies in Abingdon and Milton Park. These hotels also attract transient corporate business and good levels of residential conference demand due to their easy road access and parking. Weekend leisure demand is much weaker however, and is primarily driven through leisure break offers promoted by their head offices. They are still able to achieve good weekend occupancies as a result, but their weekend achieved room rates are much reduced.

- City centre 4/5 star hotels achieve lower average annual room occupancies overall (70% in 2006), but much higher average achieved room rates (£108.07 in 2006). The small boutique hotels in the city centre achieve very high occupancies and average room rates, however. The corporate market is not as strong in the city centre. It is related primarily to the University and companies and research institutes associated with it. Hotels in the city centre derive less business from companies on the outskirts of the city. They also attract fewer residential conferences, due to their more limited conference facilities and lack of parking. Weekend break demand is strong in the city centre, with city centre hotels able to achieve high weekend rates. Demand from overseas tourists is also strong in the city centre: overseas tourists tend to opt for city centre hotels rather than those on the outskirts of the city.

- Most of the larger 4/5 star hotels across the city regularly deny large residential conferences for 100-250 delegates. They also deny tour group bookings due to the low rates that they require.

- City centre 3 star hotels achieve high levels of occupancy and achieved room rate. They also deny business during the week and at weekends.

- Budget hotels on the outskirts of the city achieve very high occupancies through a good mix of corporate, contractor and leisure demand. All of them deny business during the week, one to a significant extent. Two of them also regularly deny business at weekends. It is not possible to say how much of the demand accommodated by the budget hotels on the outskirts of the city might opt for city centre budget hotels if they were to be developed.

Guesthouses

- Our research shows evidence of some recovery in guesthouse occupancies across the city, particularly in 2006. Occupancies have not returned to pre-2001 levels however. There remain significant differences in guesthouse performance across the city. Guesthouse occupancies remain high in the city centre, Headington , North Oxford and Cumnor Hill but lower for Iffley Road and Abingdon Road establishments. Guesthouses here have seen only a slight improvement in occupancy and have not been able to put their prices up as much as guesthouses in other parts of the city. With operating costs rising, most of these guesthouses reported falling profits. They are generally much less optimistic about their future prospects. A number are looking to exit the market. Guesthouses in other parts of the city generally have a much more positive outlook. Some of the guesthouses in Summertown reported a drop in occupancy that they felt was linked to Oxfam's moved to Cowley.

Hostels

- Our research shows a strong and growing market for good quality hostel accommodation in the centre of Oxford. Existing hostels are achieving high levels of occupancy and turning away significant numbers of group bookings and weekend business from individuals and families.

Serviced Apartments

- Our research also suggests a strong market for serviced apartments in the city centre as an alternative to hotel accommodation. Occupancy levels for existing serviced apartments are high and business is regularly being turned away both during the week and at weekends.