

PORTSMOUTH – HOTEL PERFORMANCE 2006-2007*

4 Star Hotels

Occupancy and Achieved Room Rates

- Average annual room occupancies for Portsmouth 4 star hotels are estimated as follows for 2006 and 2007:

**Portsmouth 4 Star Hotels¹
Average Annual Room Occupancy 2006-2007**

	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £
2006 ²	74	66.25
2007	72.5	69.00

Notes:

1. Sample: Portsmouth Marriott, Hilton Portsmouth, Holiday Inn Portsmouth
 2. Source: Portsmouth Hotel Futures - October 2007, Hotel Solutions
- 4 star hotel occupancies are strong overall in Portsmouth although vary significantly between the city's 4 star hotels. Two hotels are achieving very high occupancies. The third trades at much lower levels of occupancy.
 - Achieved room rates for Portsmouth 4 star hotels are below the national average for provincial 3/4 star chain hotels overall, although vary significantly between hotels. Only one 4 star hotel is achieving average room rates above the national and county averages.

* Source: Hampshire Hotel Trends Survey 2006-2007, Hotel Solutions, April 2008

Weekday/ Weekend Occupancies and Seasonality

- Weekday occupancies are very strong for Portsmouth 4 star hotels (averaging 83% in 2006. 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.
- Saturday occupancies are strong throughout the year (averaging 90% in 2006). Friday occupancies are generally weaker (averaging around 60% in 2006) and more seasonal. Sunday occupancies are low (averaging 39% in 2006).

Market Mix

- The corporate market is the primary source of weekday demand for Portsmouth 4 star hotels, typically accounting for 60-80% of their midweek roomnights.
- 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 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.
- Residential conferences are a secondary weekday market, accounting for 10-20% of business demand.
- Association conferences held at the Guildhall are a very minor market for one 4 star hotel in the city.
- Leisure breaks are the main weekend market for Portsmouth 4 star hotels. Midweek leisure breaks are also an important market for one hotel. Leisure break business is primarily driven through hotel company leisure break marketing programmes. Much of this business is rate-driven, through tactical special offers and late availability deals.
- Weddings and functions are a relatively minor market for the city's 4 star hotels.
- The city's 4 star hotels take some group tours at weekends. One hotel also takes group tours during the week. This is a minor market for the city's 4 star hotels and very low-rated business. Hotels use it primarily to fill off-peak periods.
- Overseas tourists are a minor leisure market for Portsmouth hotels.
- Key events that generate good business for Portsmouth 4 star hotels are the Global Challenge, the Volvo Ocean Race, Goodwood motor and horse racing, the Great South Run, Southampton Boat Show and Cowes Week.

Market Trends

- The corporate market for hotel accommodation grew strongly in Portsmouth in 2005 and 2006 as a result of MOD projects and the railway signalling project in the city. Demand has dropped back in 2007 however, following the completion of these projects.
- The residential conference market appears to be largely static and possibly declining. 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.
- 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, dropped back in 2007, but should recover in 2008. The underlying trend is that this is a largely static market for the city's hotels however.
- Portsmouth 4 star hotels have increased their leisure break business through Internet marketing. The development of the city's tourism offer in terms of Gunwharf Quays and the Spinnaker Tower also appears to have contributed to the growth in leisure break business for the city's hotels.
- Demand from the weddings market appears to be largely static.
- Some 4 star hotels have reduced the number of group tours that they take as demand from other higher paying markets has increased.

Denied Business

- One Portsmouth 4 star hotel regularly denies business on Tuesday and Wednesday nights, and to a lesser extent Monday and Thursday nights. Tuesday and Wednesday night denials can be significant for this hotel, depending on the time of year. The city's other 4 star hotels only occasionally deny business on Tuesday and Wednesday nights, but not usually to a significant degree.
- One 4 star hotel regularly denies business on Saturday nights, particularly in the summer. The city's other 4 star hotels only occasionally deny business on Saturday nights, but not to any great extent.
- Two 4 star hotels reported denying large residential conferences of 100+ delegates on a reasonably frequent basis.

Prospects for 2008

- Portsmouth 4 star hotels are generally positive about their prospects for 2008: most expect to maintain or further increase their occupancies and to grow their achieved room rates.

Longer Term Prospects

- 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, 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.
- Demand for residential conferences could grow as the city's economy expands and its image improves as a potential conference destination. This is generally a static or declining market for 4 star hotels however. Significant growth seems unlikely therefore. There could be potential for a significant new 4 star hotel in the city, with good conference facilities, to attract large residential conferences.
- 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 marketing of the city as a leisure break destination. 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 development of the new Mary Rose museum and the city centre retail offer will further enhance Portsmouth's appeal 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 Internet marketing, albeit possibly at reduced rates.

3 Star Hotels

Occupancy and Achieved Room Rates

- Average annual room occupancies for Portsmouth 3 star hotels are estimated as follows for 2006 and 2007:

Portsmouth 3 Star Hotels¹
Average Annual Room Occupancy 2006-2007

	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £
2006 ²	68	45.88
2007	70	47.94

Notes:

1. Sample: Innlodge, Royal Beach, Queen's (Hotel Solutions estimated figures)
 2. Source: Portsmouth Hotel Futures - October 2007, Hotel Solutions
- Portsmouth 3 star hotel occupancies are lower than for the city's 4 star hotels but slightly above the Hampshire 3 star average. The city's 3 star hotels achieved average room rates significantly below the county average in 2006 and 2007 however, and well below the rates achieved by the city's 4 star hotels. While they vary between hotels, no 3 star hotel in the city is achieving particularly high room rates. Key factors are 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 quality and location of the city's 3 star hotels could also be a factor.
 - In comparison with the findings of the 2003-2004 Hampshire Hotel Trends Survey, Portsmouth 3 star occupancies and achieved room rates have increased substantially since 2004.

Weekday/ Weekend Occupancies and Seasonality

- Weekday occupancies for Portsmouth 3 star hotels (averaging 71% in 2006) are not as strong as for 4 star 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 strong throughout the year (averaging 87% in 2006). Friday occupancies are reasonably good (averaging 76% in 2006) and stronger than for 4 star hotels. Sunday occupancies are very low (averaging 28% in 2006).

Market Mix

- The corporate market is the primary source of weekday demand for Portsmouth 3 star hotels, accounting for 70% of their midweek roomnights.
- Residential conferences are a secondary weekday market, accounting for 10-15% of business demand.
- Coach groups are the primary leisure market for one 3 star hotel and a secondary leisure market for the others.
- Weddings and functions are an important source of leisure business for Portsmouth 3 star hotels.
- The city's 3 star hotels attract some leisure break business but not to the same extent as 4 star hotels.
- Masonic Lodge weekends are a secondary leisure market for two of Portsmouth's 3 star hotels.
- Events in the city also generate business for Portsmouth's 3 star hotels.

Market Trends

- The corporate market grew for 3 star hotels in 2006 and 2007.
- There appears to have been no change in the residential conference market for the city's 3 star hotels.
- One 3 star hotel reported reduced numbers on coach tours in 2007.
- Demand for Masonic Lodge weekends has reduced.

Denied Business

- One 3 star hotel regularly denies business on Tuesday and Wednesday nights, and to a lesser extent Monday and Thursday nights. Tuesday and Wednesday night denials are not particularly significant for this hotel however. One of the city's other 3 star hotels only occasionally denies business during the week.
- One 3 star hotel regularly denies business on Friday and Saturday nights, particularly in the summer. Another of the city's 3 star hotels occasionally denies business at weekends, primarily in the summer.

Prospects for 2008

- Portsmouth 3 star hotels are generally positive about their prospects for 2008: most expect to maintain or further increase their occupancies and to grow their achieved room rates.

Budget Hotels

Occupancy and Achieved Room Rates

- Average annual room occupancies and achieved room rates for Portsmouth budget hotels are estimated as follows for 2006 and 2007:

**Portsmouth Budget Hotels¹
Average Annual Room Occupancy 2006-2007**

	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £
2006 ²	88	43.09
2007	83	44.26

Notes:

1. Sample¹: Premier Inn Portsmouth (Port Solent), Premier Inn Portsmouth(Southampton Road), Premier Inn Southsea, Travelodge, Ibis, Innkeeper's Lodge
2. Source: Portsmouth Hotel Futures - October 2007, Hotel Solutions

- Budget hotel occupancies remain very high in Portsmouth. They increased in 2006 (compared to 2005) but have reduced in 2007 as a result of the conversion of the Tulip Inn to a Premier Inn part way through the year. This hotel has not yet had a full trading year as a budget hotel therefore.

Weekday/ Weekend Occupancies and Seasonality

- Weekday occupancies are very strong for Portsmouth budget hotels – averaging 93% in 2006. Budget hotels generally fill on all four weekday nights. Monday and Thursday occupancies are slightly weaker for two hotels.
- Friday and Saturday occupancies are also very high – with Friday occupancies averaging 84% and Saturday occupancies averaging 95% in 2006.
- Sunday occupancies are lower (averaging 58% in 2006) although Sunday occupancies can be strong during the summer.

¹ The Express by Holiday Inn upper-tier budget hotel at Gunwharf Quays has not been included in the Portsmouth budget hotels sample as it trades at much higher rates than the other budget hotels in the city. It achieves similar occupancies to the city's other budget hotels.

Market Mix

- The corporate market and contractors are the two key weekday markets for Portsmouth budget hotels. Corporate demand typically accounts 45-50% of weekday trade for budget hotels in the city. Contractors generally account for 25-45% of midweek business, although are the main weekday market for two budget hotels.
- Key leisure markets are leisure breaks, people coming to the city for weddings and family parties, ferry passengers, events and people visiting friends and relatives.
- Ferry passengers account for 20-40% of leisure business for budget hotels in the city.
- 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 hotels.
- Football supporters are a key weekend market for one budget hotel. It is usually fully booked by supporters for home matches. Other budget hotels attract some business from football supporters, but not to a significant extent.
- Other leisure markets are parents visiting naval students, hospital visitors and visiting sports teams.

Market Trends

- The contractors market grew strongly for Portsmouth budget hotels in 2005 and 2006 as a result of developments such as the Gunwharf Quays apartments, Spinnaker Tower and the railway signalling project. Contractor demand reduced in 2007 however with the completion of these projects.
- Leisure break business has grown for budget hotels as Portsmouth's tourism offer has increased and through budget hotel company leisure break marketing.
- Ferry-related demand has reduced since P&O Ferries pulled out of Portsmouth in 2004.

Denied Business

- 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.
- Budget hotels regularly deny significant levels of business on Friday and Saturday nights. One budget brand reported extremely high Friday and Saturday denials for Portsmouth.
- One budget brand reported significant Sunday night denials during the summer.
- All budget hotels deny significant levels of business during major events.

Prospects for 2008

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

HOTEL DEVELOPMENT OPPORTUNITIES

Standard/ Type of hotel that could be developed	Commentary
3/4 star	<ul style="list-style-type: none"> ▪ Potential for new 3/4 star hotel development ▪ Significant office development planned in the city centre + along the M27 ▪ Two hotels regularly denying business on Tuesdays, Wednesdays and Saturdays ▪ Achieved room rates are relatively low – suggesting greater potential possibly for 3 star than 4 star hotels – although one 4 star hotel in the city is achieving high average room rates and occupancies ▪ 150-bedroom 4 star hotel planned as part of the Northern Quarter development scheme
Serviced apartments/ Suite hotel	<ul style="list-style-type: none"> ▪ Possible scope for serviced apartments (purpose-built, or residential apartments let as serviced apartments) or a suite hotel
Boutique	<ul style="list-style-type: none"> ▪ Possible potential
Budget Upper-tier Budget	<ul style="list-style-type: none"> ▪ Potential for new budget/upper-tier budget hotels ▪ High budget and upper-tier budget hotel occupancies + significant denials ▪ Etap hotel opens at the Pompey Centre in 2008