

SOUTHAMPTON CITY CENTRE – HOTEL PERFORMANCE 2006-2007*

3/4/5 Star Hotels

Occupancy and Achieved Room Rates

- Average annual room occupancies and achieved room rates for Southampton city centre 3/4/5 star hotels are estimated¹ as follows for 2006 and 2007:

Southampton City Centre 3/4/5 Star Hotels¹ Average Annual Room Occupancy and Achieved Room Rates 2006-2007

	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £
2006	73.4	74.74
2007	74.9	77.35

Note:

1. Sample: De Vere Grand Harbour, Holiday Inn, Novotel, Jurys Inn, Southampton Park

- Occupancies dropped significantly for existing 3/4 star hotels in the city centre in 2005 and 2006 as a result of the opening of the Jurys Inn. Occupancies have recovered strongly in 2007 however. One hotel reported a fairly significant drop in occupancy in 2007 however, due to a downturn in corporate business.
- The above estimated average achieved room rate figures mask significant differences in achieved room rate performance between 5 star, upper-end 3 star and mid-range 3 star hotels. Achieved room rates for 5 star and one upper-end 3 star hotel are very strong, well above national and county averages, but not as strong for mid-range 3 star hotels.
- Achieved room rates increased significantly for Southampton city centre hotels in 2007 and have grown substantially since 2004 for established hotels in the city centre.

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

Weekday/ Weekend Occupancies and Seasonality

- Weekday occupancies are generally very high – 80-90%.
- Southampton city centre 3/4/5 star hotels generally fill on Tuesday and Wednesday nights. Monday occupancies are still strong and some hotels often fill on this night also. Thursday occupancies are weaker, with hotels rarely filling on this night.
- Saturday occupancies are generally strong (80-90%) particularly in the summer months.
- Friday occupancies are not as strong (60-70%), although tend to be higher in the summer.
- Sunday nights are generally weaker, with occupancies typically running at 40-50%.
- Southampton city centre 3/4/5 star hotels most want additional business on Thursday nights, weekdays during January, February and school holiday periods, and on Friday and Sunday nights, particularly in the winter.

Market Mix

- The market mix for Southampton city centre 3/4/5 star hotels is biased towards business demand – accounting for 65-75% of total roomnights for hotels.
- The corporate market is the primary source of business demand for most hotels – accounting for 70-95% of business demand for most hotels.
- Residential conferences are the primary source of business demand for one hotel that has actively targeted large conferences (100 delegates+) as its corporate market has weakened. Residential conferences are otherwise a minor secondary business market for city centre hotels – accounting for 5-15% of business demand.
- Contractors are a key source of business demand for one 3 star hotel and a secondary source of business for another.
- One 3 star hotel attracts business demand from cruise liner crews.
- Leisure breaks are a key leisure market for most Southampton hotels – accounting for 40-50% of leisure business for most hotels. This business is primarily rate-driven through special offer leisure break rates that hotels promote through the Internet.
- Cruise passengers are the other key leisure market in Southampton – accounting for 40% of leisure business for most hotels. This is generally high-rated business for hotels in the city centre.
- The Southampton Boat Show generates significant high-rated business for Southampton hotels for a period of 10 days. Other major events that generate good business for hotels in the city centre are Cowes Week and Seaworks.
- Group tours are the main leisure market for one 3 star hotel.
- Weddings and functions are a minor source of leisure business for most hotels in the city.

- Other minor leisure markets for some Southampton hotels are:
 - Overseas tourists;
 - Clubbers and stag & hen parties;
 - Football;
 - Channel Island Christmas shoppers;
 - Concerts at St Mary's Stadium;
 - Major shows at the Mayflower Theatre;
 - Parents visiting students.

Market Trends

- The key growth market in Southampton has been the cruise passenger market.
- Leisure break demand has also increased significantly as hotels have driven leisure break business through the Internet.
- The corporate market in Southampton has declined as companies in the city (e.g. BAT) have closed or downsized.
- Residential conference business has increased significantly for one hotel that has actively targeted this market as corporate demand has reduced.
- The group tour market has grown in Southampton, with one 3 star hotel in the city now actively targeting it. Other hotels have reduced their group tour business however as cruise and leisure break business has increased.

Denied Business

- Only two hotels in the city centre regularly deny business on Tuesday and Wednesday nights, although not to any significant degree. The other city centre hotels reported only occasional midweek denials, primarily during major events, peak corporate weeks or when hotels have major conferences in. Midweek denials have decreased since 2004 as a result of the opening of the Jurys Inn and the recent downturn in the corporate market.
- Some city centre hotels occasionally deny business at weekends during the summer when a lot of cruise ships are departing and during major events. Other hotels rarely deny business at weekends.
- All Southampton hotels deny significant business during the Southampton Boat Show and Cowes Week.

Prospects for 2008

- Most hotels in the city centre expect to maintain or slightly increase their occupancy levels in 2008 and grow their achieved room rates. One hotel saw less scope to grow its rates however. Further growth is expected in the cruise market. Some hotels are aiming to increase their leisure break business through Internet marketing. One hotel is aiming to grow its residential conference business.

Longer Term Prospects

- There is likely to be good growth in the corporate market for hotel accommodation in Southampton city centre, given the level of office development planned as part of the West Quay 3, East Park Terrace, Mayflower Plaza, Central Station and Centenary Square development schemes. Ordnance Survey is however moving its headquarters from the city centre to Adanac Business Park.
- The cruise market is set to continue to grow in the city, with the planned development of a fourth cruise terminal and increasing numbers of cruise ships departing from Southampton.

Budget Hotels

Occupancy

- Average annual room occupancies for Southampton city centre budget hotels are estimated as follows for 2006 and 2007:

Southampton City Centre Budget Hotels¹ Average Annual Room Occupancy 2006-2007

	Average Annual Room Occupancy %
2006	79
2007	82

Note:

1. Sample: Premier Inn Southampton City Centre, Travelodge Southampton, Ibis Southampton (estimated figures)

- Budget hotel occupancies are high in Southampton City Centre, although not as high as in Portsmouth and Basingstoke (although the budget hotel supply is much more limited in these locations).
- Budget hotel occupancies increased slightly in 2007.

Weekday/ Weekend Occupancies and Seasonality

- Southampton city centre budget hotels achieve very high occupancies during the week. They generally fill on Monday to Wednesday nights. Thursday occupancies are not quite as strong.
- Saturday occupancies are strong for city centre budget hotels for most of the year – typically running at around 80-100%.
- Friday occupancies are very high (90-100%) for one budget hotel in the city centre, but lower (40-60%) for the other two.
- Sunday occupancies are generally low (25-50%).

Market Mix

- The market mix for Southampton city centre budget hotels is typically 60% business, 40% leisure;
- Corporate demand accounts for around 60% of business-related demand and contractors/workmen for around 40%. Cruise ship crews are also an important market for at least one budget hotel in the city centre.
- Leisure markets are a mix of cruise passengers, people attending weddings or visiting friends and relatives in the city, clubbers and stag and hen parties, people from the Channel Islands on Christmas shopping breaks; football supporters and people attending events in the city.

- Key events that generate business for city centre budget hotels are the Southampton Boat Show, Cowes Week, concerts at St Mary's Stadium and major productions at the Mayflower Theatre.
- Southampton city centre budget hotels attract very little business from overseas tourists.

Market Trends

- Growth markets for city centre budget hotels in the last two years have been cruise ship crews and passengers and the corporate market.
- Demand has reduced from football supporters now that Southampton City is no longer in the Premiership.

Denied Business

- Southampton city centre budget hotels regularly deny business during the week to a significant extent, particularly on Monday to Wednesday nights.
- Budget hotels in the city centre are also regularly denying significant business on Friday and Saturday nights, especially during the summer months.

Prospects for 2008

- Southampton budget hotels are generally positive about their prospects for 2008. The Etap does not appear to have had much impact on most of the budget hotels in the city centre.

HOTEL DEVELOPMENT OPPORTUNITIES

Standard/ Type of hotel that could be developed	Commentary
4 star	<ul style="list-style-type: none"> ▪ Potential for new 4 star hotel development ▪ High 4 star occupancies and achieved room rates but not significant denials ▪ Planned city centre office development ▪ Cruise market continuing to grow ▪ Millennium and Radisson SAS hotels planned ▪ 175-bedroom 4 star hotel also planned at the Rose Bowl
Boutique	<ul style="list-style-type: none"> ▪ Possible potential
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/ aparthotel ▪ Aparthotel proposed as part of the East Park Terrace development
Budget Upper-tier Budget	<ul style="list-style-type: none"> ▪ Potential for further budget and/or upper-tier budget hotels ▪ High budget hotel occupancies + significant denials ▪ Growth likely in the corporate, contractors and cruise passenger markets. ▪ No upper-tier budget hotel currently in the city centre