

SOUTHAMPTON/ EASTLEIGH M27 CORRIDOR – HOTEL PERFORMANCE 2006-2007*

3/4 Star Hotels

Occupancy

- Average annual room occupancies for 3/4 star hotels in the Southampton/Eastleigh M27 Corridor are estimated as follows for 2006 and 2007:

**Southampton/ Eastleigh M27 Corridor 3/4 Star Hotels
Average Annual Room Occupancy and Achieved Room Rates 2006-2007**

	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £
4 Star Hotels¹		
2006	67.5	71.40
2007	69	75.60
3 Star Hotels²		
2006	73	58.10
2007	72	59.60

Note:

1. Sample: Hilton Southampton, Botleigh Grange, Macdonald Botley Park, Marriott Meon Valley
2. Sample: Holiday Inn Eastleigh, Ellington Lodge, Chilworth Manor, Highfield House (2007)

- Occupancies for 4 star hotels in the Southampton/ Eastleigh M27 Corridor were below the county 4 star average in 2006 and 2007 and significantly below the occupancy levels achieved by Southampton city centre 4 star hotels. Achieved room rates were broadly on a par with the county 4 star average but well below the levels achieved by Southampton city centre hotels.
- 3 star hotel occupancies were stronger than for 4 star hotels overall. They were above the county 3 star average and broadly on a par with the occupancy levels achieved by 3 star hotels in Southampton city centre. Achieved room rates were below the county 3 star average and slightly below the levels achieved by Southampton city centre hotels. There was a significant difference in occupancy and achieved room rate performance between branded and independent 3 star hotels in the area.
- 4 star occupancies increased slightly in 2007. Achieved room rates rose significantly however.
- 3 star occupancies reduced slightly as a result of the re-opening of the Highfield House hotel, which has not yet reached its full trading potential. The achieved room rate performance of this

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

hotel in 2007 also masked otherwise strong growth in 3 star achieved room rates in the area, with two hotels achieving growth of £4-6 in 2007.

- 3 and 4 star occupancies and achieved room rates appear to have grown significantly in the Southampton/ Eastleigh M27 Corridor in the last 3 years.

Weekday/ Weekend Occupancies and Seasonality

- Weekday occupancies are strong for 3 and 4 star hotels in the Southampton/ Eastleigh M27 Corridor - typically running at around 80%. Tuesday and Wednesday nights are the strongest, with some (although not all) hotels regularly filling on these nights. Monday, and especially Thursday nights are more shoulder nights. Weekday occupancies dip during school holiday periods and Bank Holiday weeks.
- Weekend occupancies are not as strong for hotels in the area. Saturday occupancies are the strongest, particularly during the summer, with some 3/4 star hotels regularly filling on summer Saturdays. Friday occupancies are weaker, typically running at around 45-60%. Sunday occupancies are low, generally around 30%.

Market Mix

- The market mix for 3/4 star hotels in the Southampton/ Eastleigh M27 Corridor is strongly biased towards business demand – typically accounting for 70-80% of total roomnights for most 3/4 star hotels in the area. Two 4 star hotels had a more balanced mix of business and leisure demand, with business demand accounting for 57-60% of their total roomnights.
- The corporate market is the primary source of business demand for most 3/4 star hotels in the area – generally accounting for 75-95% of total business roomnights. The exceptions are the 4 star country club/golf hotels in the area, for which residential conferences are a much more significant source of business demand (although still secondary to the corporate market). Residential conferences are also an important secondary business market for two other hotels.
- Hotels in the area draw corporate business from the M27 Corridor, Eastleigh, Chandler's Ford, Chilworth (Southampton Science Park), Southampton, Romsey and Fareham. Some hotels also attract some corporate business from Winchester, Portsmouth and Basingstoke.
- Weddings and functions are the main source of leisure business for some hotels and a secondary leisure market for others.
- Golf breaks and societies are the main leisure market for country club/golf hotels in the area.
- Leisure breaks are a secondary market for most other hotels and the main leisure market for at least one branded hotel. Leisure break business is primarily rate-driven through special offer rates promoted through the Internet. Country club/golf hotels achieve good leisure break rates in the summer however.
- Cruise passengers (on Park & Sail packages) are an important source of leisure business for the area's hotels – accounting for 10-20% of leisure roomnights.
- Most hotels take some coach tour business. This generally accounts for around 5-10% of leisure business for hotels in the area.

- Overseas tourists are a minor market for the area's hotels. Some hotels see this as an important market to be targeted at a destination level to help boost weekend trade. Individual hotels do not have the marketing budgets to target overseas tourists themselves. The area's country club/golf hotels would like to see a golf breaks marketing campaign targeted at overseas markets (particularly the Scandinavian and Dutch markets) for the area, county or region.
- Key events that generate business for hotels in the area are the Southampton Boat Show, Cowes Week, concerts and cricket matches at the Rose Bowl, the New Forest Show, Beaulieu Auto Jumble, Broadlands Show, Goodwood motor racing and Farnborough Air Show.
- Only one of the area's hotels reported attracting Park & Fly business from holidaymakers departing from Southampton Airport.

Market Trends

- The corporate market for hotel accommodation in the Southampton/ Eastleigh M27 Corridor appears to be broadly static across the area as a whole. Corporate demand has increased for Eastleigh hotels. Other hotels in the area have increased their share of the local corporate market. Others have seen a reduction in corporate demand with the closure or downsizing of a number of major companies. Rate negotiations with corporate clients have been much tougher for some hotels in 2008.
- Residential conference business has been static overall. One hotel has increased its residential conference trade through more proactive marketing and improved standards of service for conferences. Other hotels reported a downturn in residential conference business, with fewer, shorter and smaller conferences in 2006 and 2007 and a growing trend for companies to hold conferences in-house.
- The key growth market for the area's hotels has been cruise passengers on Park & Sail packages.
- Leisure break business has reduced for some hotels. Others have grown their leisure break trade through Internet marketing.
- Golf business was down for the area's country club/golf hotels in 2007 due to the poor summer weather.
- The weddings market appears to be broadly static. It grew for some hotels in 2007 but reduced for others.
- The Park & Fly market appears to be growing.
- Group tour business reduced for a number of hotels in 2007. One hotel is targeting this market in 2008 to boost its Thursday and Friday night occupancies.
- Demand from overseas tourists appears to have reduced. This is a very small market for hotels in the area.

Denied Business

- Some, but not all 3/4 star hotels in the Southampton/ Eastleigh M27 Corridor regularly deny business on Tuesday and Wednesday nights, typically around 10 rooms each per night. Other

hotels only occasionally deny business on Tuesday and Wednesday nights. Monday and Thursday night denials are rare.

- Some, but again not all hotels regularly deny business on Saturday nights in the summer, at times to a significant extent. Other hotels rarely deny business on Saturday nights. Hotels do not generally deny business on Friday and Sunday nights.

Prospects for 2008

- 3/4 star hotels in the Southampton/ Eastleigh M27 Corridor are generally positive about their prospects for 2008. Most expect to see growth in both their occupancy and achieved room rate levels. Achieved room rates may reduce for one hotel as it drives weekend leisure business in 2008. There were some concerns however about the corporate market becoming more competitive following the closure and downsizing of some major companies in the area.

Longer Term Prospects

- The following factors suggest good potential for growth in the demand for hotel accommodation in the Southampton/ Eastleigh M27 Corridor:
 - The development of the Adanac Park office park alongside the M271 – Ordnance Survey will move its headquarters to this site from Southampton city centre;
 - The expansion of the Southampton Science Park;
 - The development of Eastleigh Northern Business Park, the Fulcrum site at Solent Business Park at Junction 9 of the M27 and the North Hedge End and North Fareham Strategic Development Areas.
 - The continued growth of the cruise market, with plans for a fourth cruise terminal in Southampton;
 - The expansion of Southampton Airport – with passenger numbers set to quadruple over the next 25 years and plans being considered for a possible second terminal building;
 - The development of the Rose Bowl;

Budget/ Upper-Tier Budget Hotels

Occupancy

- Average annual room occupancies for budget/upper-tier budget¹ hotels in the Southampton/ Eastleigh M27 Corridor are estimated as follows for 2006 and 2007:

Southampton/Eastleigh M27 Corridor Budget/ Upper-Tier Budget Hotels¹ Average Annual Room Occupancy 2006-2007

	Average Annual Room Occupancy %
2006	78
2007	78

Note:

1. Sample: Premier Inn Eastleigh, Travelodge Eastleigh, Premier Inn Southampton North, Premier Inn Southampton Airport, Premier Inn Southampton West, Express by Holiday Inn Southampton M27 Jct7, Express by Holiday Inn Southampton West
- Budget hotel occupancies in the Southampton/ Eastleigh M27 Corridor are lower overall compared to other parts of the county. Occupancies vary significantly by location however. They are very high in Eastleigh and to the north and west of Southampton but relatively low for budget/ upper-tier budget hotels at Southampton Airport and to the east of Southampton.
 - Occupancies increased in 2007 for most budget/ upper-tier budget hotels in Eastleigh and to the north and west of Southampton but remained static or slightly down for budget/ upper-tier budget hotels at the airport and to the east of Southampton.
 - Budget/ upper-tier budget hotel occupancies have steadily increased along the M27 corridor following the opening of the Express by Holiday Inn Southampton M27 Jct 7 in 2003 and the Premier Inn Southampton Airport in 2004.

¹ Brands such as Express by Holiday Inn, Ramada Encore and Hampton by Hilton

Weekday/ Weekend Occupancies and Seasonality

- Weekday occupancies are high (85-100%) for budget and upper-tier budget hotels in the Southampton/ Eastleigh M27 Corridor. Weekday occupancies are strongest in Eastleigh and to the north and west of Southampton.
- Saturday occupancies are strong throughout the year for budget/ upper-tier budget hotels in Eastleigh and to the north and west of Southampton, particularly during the summer months when hotels usually fill on Saturday nights. Saturday occupancies are not as strong for budget/ upper-tier budget hotels at Southampton airport and to the east of Southampton, other than in the summer.
- Friday occupancies are generally weaker, although are higher in the summer and higher overall in Eastleigh and to the north and west of Southampton.

Market Mix

- Business related demand accounts for 60-75% of business for budget and upper-tier budget hotels in the Southampton/ Eastleigh M27 Corridor .
- Business-related demand is a broadly even mix of business from the local corporate market in the area and contractors and workmen working on construction and fitting out projects.
- Leisure demand is a mix of business from people attending weddings and family parties, transient leisure travellers, people visiting family and friends in the area, leisure break guests, cruise passengers, people flying off on holiday from Southampton Airport (for hotels in the immediate vicinity of the airport) and people attending events in the area. Overseas tourists are a very minor market for budget and upper-tier budget hotels in the area. The airport does not currently appear to generate a significant amount of demand for hotel accommodation.
- Key events that generate business for budget and upper-tier budget hotels in the area are concerts and cricket matches at the Rose Bowl, the Southampton Boat Show, Seaworks, Cowes Week, Goodwood motor and horse racing, the New Forest Show , Beaulieu Boat and Auto Jumbles and concerts at Broadlands.

Market Trends

- The corporate market for budget/ upper budget hotels in the area generally increased in 2006 and 2007, other than to the east of Southampton where it has reduced as corporate project work has come to an end.
- The contractors market appears to have been largely static in the area in 2006 and 2007, Only one hotel reported a growth in this market.
- Demand from air passengers departing from Southampton Airport is increasing as the airport expands its operations.
- Leisure demand appears to have reduced for budget/ upper-tier budget hotels in the area so far in 2008.

Denied Business

- All budget and upper-tier budget hotels in the Southampton/ Eastleigh M27 Corridor regularly deny business on Tuesday and Wednesday nights. Budget hotels in Eastleigh and to the north and west of Southampton deny significant levels of business on all 4 weekday nights throughout the year and Saturday nights, especially during the summer. Budget/ upper-tier budget hotels in other parts of the area rarely deny business at weekends.

Prospects for 2008

- Most budget hotels in the Southampton/ Eastleigh M27 Corridor expect to maintain or increase their occupancy levels in 2008. Two budget hotels expect to see a drop in occupancy however as a result of reduced weekend trade. One hotel felt that it had lost some business following the opening of the Etap in Southampton city centre.

Longer term Prospects

- In the longer term demand for budget and upper-tier budget hotel accommodation is likely to increase in the Southampton/ Eastleigh M27 Corridor due to a number of factors:
 - Corporate demand should increase as the planned business parks develop along the M27/ M271.
 - Contractor demand should increase as a result of the development of the Rose Bowl, the widening of the M27, the development of the Swan Shopping Centre in Eastleigh, the expansion of the airport, and other construction projects in the area.
 - Demand is set to increase significantly from the airport as it expands.
 - Hotels in the area should benefit from the continued expansion of the cruise market in Southampton.
 - The development of the Rose Bowl is likely to generate increased demand related to concerts, cricket matches, weddings, conference and events held here.

