

## HOTEL PERFORMANCE AND DEMAND

### Occupancies and Achieved Room Rates

Hotel occupancies on the Island across all standards and locations appear to have been fairly steady overall in the past 3 years. Occupancies have increased for some hotels, but reduced for others. 2003 appears to have been a particularly good year due to the good weather experienced. Many hotels reported a drop in occupancy in 2005 due to a poor start to the season with an early Easter that year.

#### ISLE OF WIGHT HOTEL SECTOR AVERAGE ANNUAL ROOM OCCUPANCY 2004

Standard of Hotel	Average Annual Room Occupancy 2004 %	Range in Average Annual Room Occupancies %
3/4 Star	56	36-71
2 Star	67.5	28-85
4/5 Diamond	46	28-61
3 Diamond	42	17-69
<b>All Hotels<sup>2</sup></b>	<b>62</b>	

Very few Isle of Wight hotels monitor achieved room rates (the average amount of income that hotels achieve per room net of VAT, meals, commission and discounts). From the information that we have been able to gather from hotels and our analysis of current hotel prices on the Island, we would estimate achieved room rates as follows for the Island's hotel sector:

#### ISLE OF WIGHT HOTEL SECTOR – ACHIEVED ROOM RATES 2004

Standard of Hotel	Estimated Achieved Room Rates <sup>1</sup>
3/4 Star	<ul style="list-style-type: none"> <li>▪ Most typically around £50</li> <li>▪ Range £32-80</li> <li>▪ Higher quality 3/ 4 star hotels and country house hotels are achieving higher rates (around £70-80)</li> </ul>
2 Star (catering primarily for coach holidays)	<ul style="list-style-type: none"> <li>▪ Most typically around £20-25</li> <li>▪ Even lower for hotels that trade purely with national coach holiday operators</li> </ul>
2 Star (catering primarily for private guests)	<ul style="list-style-type: none"> <li>▪ £30-50</li> </ul>
4/5 Diamond	<ul style="list-style-type: none"> <li>▪ £35-90</li> <li>▪ Higher quality 4/5 diamond hotels appear to be achieving room rates of around £55-60</li> <li>▪ Achieved rates for other 4 diamond hotels appear to be around £35-45</li> </ul>

3 Diamond	▪ Most typically £25-35
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Source: Tourism Solutions/ ACK Tourism

### Current Performance

- Hotel performance on the Island varies significantly between hotels, with higher quality hotels generally performing better:
  - 3 star hotels generally achieve higher occupancies and rates than 2 star hotels that cater primarily for private guests;
  - 5 diamond B&Bs achieve better rates than 4 diamond hotels, and some 3 star hotels;
  - 4 diamond hotels generally trade at higher levels of occupancy and rates than 3 diamond hotels, and many 2 star hotels;
  - hotels with awards for food and service achieve higher occupancies and rates.
  
- Hotels in Ventnor, West Wight, Cowes and East Wight generally achieve higher rates than equivalent standard hotels in Shanklin and Sandown, and in some cases higher occupancies.
  
- Some smaller, lower grade hotels in Shanklin and Sandown, particularly those that are not so well located (on the periphery of the resorts or in side streets) do not perform so well, in some cases achieving very low occupancies and rates.
  
- Hotels with a good range of leisure facilities and programmes of entertainment and activities achieve higher occupancies.
  
- Hotels that cater primarily in the coach holiday market achieve very high occupancies and long seasons, but very low rates, particularly if they are trading purely with national coach holiday operators.
  
- 3/4 star hotel occupancies on the Island are on a par with 3 star occupancies in the New Forest, and possibly other primarily leisure-driven destinations. They are lower than the Hampshire 3 star average, however, and much lower than national averages for 3/ 4 star chain hotels.
  
- The room rates achieved by Isle of Wight hotels are likely to be lower than those achieved by equivalent standard hotels on the mainland due to the additional cost of ferry travel, which limits the amount that the Island's hotels feel they can charge if they are to remain competitive with mainland hotels.
  
- Occupancies and achieved room rates appear to have been relatively stable over the past few years. The Island's hotel sector appears to have seen little change in occupancy and only slow

growth in rates, as hotels have been nervous about increasing prices too much.

- The Isle of Wight hotel market remains highly seasonal. The main season is between June and September, with many hotels consistently filling and turning away business during these months, both during the week and at weekends. Occupancies dip in early July.
- May and October occupancies have strengthened in recent years due to the growth in the short break market, particularly at weekends, when some hotels are frequently filling and turning business away.
- Occupancies are very low between November and March, other than over the Christmas and New Year period. Many hotels that stay open in the winter are empty or virtually empty for most of the time. Many stay open primarily to retain their staff, or because owners live on site anyway. Few make any money during the winter. Many hotels still close in the winter, although increasing numbers are remaining open all year.
- The coach holiday and groups visit market appears to be the only market that has the potential to deliver volume business during the winter. Rates are very low, however.
- The schools market is important for some 2 star and diamond-rated hotels in terms of providing volume business in the early season.
- A number of hotels have had success in extending the season through:
  - Internet marketing;
  - the promotion of special offer breaks;
  - special events e.g. the Fat Cat Beer Festival in March at the Sandpiper's Hotel at Freshwater;
  - themed breaks for private guests and groups e.g. bowls tournaments, dancing breaks, skittles weekends, gourmet weekends;
  - targeting special interest groups.

### **IOW Hotel Performance Trends**

The Island's hotel sector has seen strong growth in the short breaks market in the last 5-10 years, and should see further growth in the future. There are two key short break market segments: Emptynester and Retired Couples visiting both at weekends and during the week, and Career Couples coming primarily for weekend breaks. There also appears to be a growing family market for breaks on the Island at weekends and during school holidays.

There is a growing trend towards shorter breaks on the Island of 2-3 nights, rather than 4-5 nights. The cost of ferry travel is thus becoming a more significant element of the total cost of a break on the Island. Many hotels indicated that they are increasingly losing short break business as a result. The trend towards shorter breaks also means that hotels are having to work ever

harder to maintain their occupancies, with increased marketing effort and expenditure.

There is a stable market for week-long holidays in hotels between June and September, particularly from the family market in the school summer holidays. Some hotels only take week-long stays during these months. Many are turning away week-long holiday business in the summer.