NORTHAMPTON HOTEL FUTURES

Hotel Audit & Demand Assessment

Final Report

Prepared for:
Northampton Borough Council

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hotel solutions
the hotel development consultancy

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EXECUTIVE SUMMARY

Current Hotel Provision in Northampton

- Northampton is currently served by 24 hotels with a total of 1,670 letting bedrooms. Budget/limited service hotels account for 55% of this hotel stock. Branded 3 and 4 star hotels account for 22%. Northampton does not currently have any boutique hotels, and very little provision in terms of aparthotels and serviced apartments. 32% of the town's hotel supply is in the town centre. The other 68%, including Northampton's two 4 star hotels, is primarily located in the vicinity of the main business parks around the town.

- A new Premier Inn opened in Northampton town centre in December 2015. This was the first new hotel opening in the town since 2011. Three independent, unbranded hotels have closed since 2011, with the loss of 59 bedrooms. In overall terms there has been a net increase in Northampton's hotel supply of 45 bedrooms (2.8%) in the last 5 years.

- A new 13-bedroom boutique hotel and restaurant is due to open in Guildhall Road in the Cultural Quarter in late 2016. The Plough Hotel in the town centre has planning permission for an 89-bedroom extension/ adjacent new hotel. Outline planning permission has also been granted for a further 4 hotels, although none of these proposals are being actively progressed at present.

- Northampton has fewer hotel bedrooms that the comparator towns and cities of Leicester, Milton Keynes, and especially Reading. It most noticeably differs in terms of 4 star hotel provision, and when compared to Reading and Leicester, town centre hotel supply. Reading is the only comparator town/city with a 5 star hotel and a branded boutique hotel (a Malmaison). All three comparator towns/cities have hotels linked to football stadia, and more significant provision in terms of serviced apartments. Leicester City Council has a stated aspiration for a 4/5 star hotel with a major conference facility in Leicester, while in Reading the town's football club is progressing a scheme for a sustainable urban quarter that includes a 250-bedroom hotel, 5,000 seat convention centre and concert venue, and 102 serviced apartments. A new Premier Inn is due to open in Milton Keynes' Theatre District in summer 2016.

Current Hotel Performance and Markets

- Although gradually improving, the performance of Northampton's branded 3/4 star hotels has been well below national averages over the last three years, for all performance indicators (room occupancy, achieved room rates and revpar[1]). Achieved room rates were stronger for 4 star hotels, but still some way below the £85-95+ level currently required to support new up-scale 4 star hotel development in provincial locations. In contrast, branded budget hotel performance has been very strong, with the majority of Northampton's branded budget hotels trading at average annual room occupancies of 75-80% in 2015. Budget hotel occupancies may however drop back slightly in 2016 following the opening of the new town centre Premier Inn at the end of 2015. Occupancies and room rates are very low for some of Northampton's independent, unbranded hotels.

- Midweek occupancies and room rates are very high for all standards of hotel in Northampton, with hotels consistently filling and turning business away on Tuesday and Wednesday nights for much of the year, and achieving high room rates on these nights. Corporate demand for hotel accommodation in Northampton is very strong and growing during the week. Contractor demand for budget hotels is also high and increasing on weekdays. Weekends are much more challenging for Northampton hotels, with weekend occupancies and room rates at much lower levels, particularly during the winter. Saturday occupancies are generally good between April and October as a result of demand from weddings parties and people attending motorsports events at Silverstone. Friday, and especially Sunday occupancies and room rates are a lot lower. Budget hotels generally trade at higher weekend occupancies than 3/4 star hotels. Weekend occupancies are very low for some independent, unbranded hotels. Northampton hotels reported very little change in weekend demand over the last 3 years.

[1] Rooms revenue per available bedroom

NORTHAMPTON HOTEL PERFORMANCE 2013-2015

Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate[6] £			Average Annual Revpar[7] £		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
UK Provincial Hotels (All Standards)[1]	**72.6**	**75.4**	**76**	**59.94**	**64.03**	**67**	**43.53**	**48.27**	**51**
UK Provincial 3/4 Star Chain Hotels[2]	**72.0**	**73.7**	**74.9**	**71.46**	**74.90**	**80.51**	**51.48**	**55.20**	**60.33**
Northampton Branded 3/4 Star Hotels[3]	68.4	72.0	71.7	65.57	68.09	73.25	44.86	49.02	52.55
Northampton Branded Budget Hotels[4]	72.3	77.4	77.2	42.5	47.16	53.14	30.74	36.51	41.00
Northampton Unbranded Hotels[5]	44.4	55.3	57.6	38.31	40.45	48.41	17.03	22.39	27.88
Northampton – All Hotels	68.5	73.6	73.6	50.31	53.87	59.66	34.46	39.65	43.89

Notes

1. National averages - source: STR Global
2. National averages - source: Hotstats
3. Source: STR Global. Sample: Northampton Marriott, Hilton Northampton, Holiday Inn Northampton, Park Inn by Radisson Northampton
4. Source: STR Global. Sample: all branded budget hotels in Northampton.
5. Source: Hotel Solutions survey of Northampton hotels –March 2016 Sample: Hopping Hare, The Plough, Westone Manor (unbranded hotels)
6. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
7. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges

Future Growth Prospects

- In terms of the prospects for future growth in demand for hotel accommodation in Northampton:

  - Corporate demand is set to increase significantly given the planned office development and employment growth in the Enterprise Zone.
  - There will be substantial growth in contractor business, particularly for budget and lower-priced unbranded hotels, given the scale of construction work that is planned in and around Northampton.
  - There could be some scope for growth in residential conference business, but this market is likely to remain constrained by the lack of 3/4 star hotel bedroom availability on Tuesday and Wednesday nights, and Northampton's limited supply of 4 star hotels with good conferencing facilities.
  - There could be scope for the town's larger hotels and the conference venues at Northampton's rugby and football stadia and cricket ground to attract weekend association conferences, exhibitions and events.
  - Motorsports events at Silverstone will continue to be a key driver of weekend business for Northampton hotels. The MotoGP is however moving to the Circuit of Wales in 2018, and the proposed hotels at Silverstone could soak up much of the demand for smaller motorsports events.
  - The proposed Silverstone Motor Sport World attraction could however provide a new draw that Northampton hotels can use to attract weekend leisure break stays.
  - Northampton's improving cultural and heritage offer could be used to develop stronger weekend break business for Northampton hotels, given a concerted effort to raise awareness of what the town has to offer for a weekend leisure stay.
  - Demand from people attending weddings and family parties, and visiting friends and relatives in Northampton should grow strongly as the area's population grows.
  - There could be potential for hotels to target weekend group tours.
  - Population growth and the development of the evening economy in Northampton town centre could generate an increase in demand from clubbers wanting to stay over in town centre budget hotels after a night out.

Hotel Development Opportunities in Northampton

- Our hotel demand projections for Northampton and the other findings of our research show the following potential for hotel development in Northampton Borough[1] through until 2029:

    - Potential in the short term (the next 3 years up to 2019) for:
        - The new boutique hotel on Guildhall Road;
        - Additional serviced apartments, primarily in terms of residential apartments let out by serviced apartment operators, but potentially also for a small aparthotel or purpose-built serviced apartment complex;
        - The expansion of existing hotels;
        - Scope possibly for a small lodge/budget hotel.

    - Potential in the medium (2020-2024) to longer-term (2025-2029) for:

        - One, and perhaps two full service 3 or 4 star hotels, given strong growth;
        - Up to three more budget/ limited service hotels;
        - Further serviced apartments, again primarily in terms of residential apartments let out by serviced apartment operators, with potential possibly for some purpose-built aparthotel or serviced apartment provision.

- It remains to be seen whether Northampton will be able to support further boutique hotels beyond the new one on Guildhall Road. Much will depend on how this hotel trades. One multiple hotel brand owner indicated that its boutique hotel brand is likely to be more deliverable in Northampton than a full service up-scale 4 star hotel. This could be an option to explore therefore, perhaps as a conversion opportunity for 9 Guildhall Road.

[1] The range given reflects whether low, medium or high growth in the market is achieved.

- Our growth projections are not intended to be targets or limits on new hotel provision: they merely provide an indication of the level of new hotel development that market growth is likely to support, assuming that all hotels receive their fair share of available business. They do not take account of the new corporate, residential conference or leisure demand that new hotels might be able to generate as a result of their brand and/or conferencing and leisure offer, or the extent to which new hotels might take more than their fair share of the market through competing well with existing hotels. New hotels could therefore be developed ahead of our growth projections if hotel companies feel that they can compete well in the Northampton market and/or they are confident of attracting new business. It must also be borne in mind that it can take at least 2-3 years for a new hotel to be delivered on the ground, so hotel companies that might be looking at Northampton now will be considering hotels that will not be operational until 2019 or 2020, when the market should have grown to support new hotel provision.

Implications for Planning Policy

- The study findings have a number of implications for the Northampton Local Plan (Part 2) in relation to hotel development:

  - A need to plan for up to five new hotels and potentially one or two aparthotels or serviced apartment complexes in the Borough by 2029.
  - The need for a planning policy approach that will allow consideration of hotel development in the town centre and across the Enterprise Zone, including edge of centre and out of centre sites, without the need to rigorously apply the sequential test to Enterprise Zone sites.
  - A continuing need for a sequential test approach to hotel development in other parts of the Borough in order to promote new hotel provision in the town centre and Enterprise Zone, unless there are significant business park developments that will create new micro corporate markets that need to be serviced by on-site or nearby hotels, or leisure drivers, e.g. golf courses and leisure attractions, that can sensibly support new hotel provision that will attract new leisure and business tourism demand without substantially undermining the potential for new hotels to be delivered in the town centre and Enterprise Zone.

- No clear need to allocate sites for hotel development in the Borough, unless evidence comes forward of hotels being squeezed out of potential hotel sites by higher value uses.

- No need for a hotel retention policy.
- A policy approach that supports the development of existing hotels as well as new hotel provision.
- A streamlined planning process for hotel planning applications, without onerous and expensive conditions that adversely affect the viability of hotel development projects.

Other Requirements for Borough Council Intervention and Support

➢ Other interventions to further support the development of the hotel sector and its long term viability and sustainability include:

- Using the Hotel Futures Study, or a version of it, perhaps in the form of a Northampton Hotel Market Fact File, to inform the thinking of site owners and property developers that may be considering hotel schemes in Northampton; guide the disposal of Borough Council sites and property that have potential for hotel development; respond to hotel companies that are looking at hotel development opportunities in the town; and support wider inward investment marketing,
- Consideration of direct Borough Council investment in hotel schemes that are strategically important and/or that can deliver a new revenue stream to the Council.
- Investigating further the deliverability of the strongest hotel sites and their fit with hotel company requirements.
- Updating the study in 2019 to determine whether more proactive hotel investment marketing and/or direct Borough Council investment are needed to secure a full service 3/4 star hotel in the town centre or Enterprise Zone.
- The development and implementation, with appropriate partners, of a strategy for growing weekend demand for hotel accommodation in Northampton, through more proactive marketing to potential target markets and weekend events development.
- Ongoing monitoring of hotel performance and development activity and interest in Northampton to ensure that future decision-making is based on up-to-date market intelligence, so that priorities can be adjusted as required.

1. INTRODUCTION

1.1 Background to the Study

1.1.1 The Northampton Hotel Futures Study has been commissioned by Northampton Borough Council to provide an assessment of the future potential for hotel development in Northampton to inform the Northampton Local Plan 2, particularly in terms of the review of the Northampton Central Area Action Plan and the need to allocate sites for hotels, and the Borough Council's Regeneration Strategy, with regard to mixed use sites that are coming forward that could include hotels.

1.2 Study Objectives

1.2.1 The objectives of the study were to:

- Assess the current and proposed hotel supply in Northampton against comparator locations and national hotel development trends;
- Understand current hotel performance and market demand for hotel accommodation in Northampton;
- Identify likely drivers of future growth in demand for hotel accommodation in Northampton, forecast how the market might grow over the next 14 years (through until 2029), and evaluate what future market growth could mean in terms of requirements for additional hotel provision;
- Assess potential hotel sites;
- Recommend a strategy for hotel development in the Borough to capitalise on the identified opportunities.
- Identify what interventions will be required from the Borough Council to support hotel development going forward, in terms of planning policy formulation and implementation, site allocations (if required), and perhaps more proactive interventions to help bring forward new hotels to meet the anticipated growth in demand.

1.3 Uses of the Study

1.3.1 The study findings will be used to:

- Encourage a more strategic and co-ordinated approach to hotel development across the Borough;
- Inform the preparation of the Local Plan Part 2, including site allocations and development management policies;
- Help up-date and inform other planning documents including the Northampton Central Area Action Plan and emerging masterplans;
- Inform other relevant strategies for tourism and economic development;
- Support Development Management functions in assessing hotel planning applications;
- Identify barriers to hotel investment and how to overcome them;
- Support hotel investment marketing activity to attract and manage hotel developer interest to ensure that new hotel investment helps to underpin and deliver the wider vision for the town and Borough.
- Inform other actions needed by the Borough Council and its partners to support the development of existing hotels.
- Identify other possible interventions that the Borough Council may be able to make to support the development of the Borough's hotel sector e.g. in terms of direct investment in hotel projects and action to help grow the Borough's hotel market.

1.4 Scope of the Study

1.4.1. The study has sought to assess the future potential for the development of all types and standards of hotel across Northampton Borough. For the purposes of the study we have defined a hotel as any serviced accommodation with more than 20 guest bedrooms

1.4.2. In terms of types of hotel the study has looked at the potential for:

- Full service 3 and 4 star hotels;
- Boutique hotels;
- Budget/limited service hotels;
- Serviced apartments/ aparthotels – in terms of both residential apartments that are let out on a serviced apartment basis, usually for extended stays, and purpose-built serviced apartment complexes and aparthotels.

1.4.3. Appendix 1 provides a full glossary of definitions for the different types of hotel and hotel performance terms that we use in the report.

1.4.4. We have not investigated the potential for a 5 star hotel in Northampton as we know from experience that 5 star hotels can only be supported in London, other major cities like Manchester and Glasgow, and key heritage cities such as Bath, York, Chester and Edinburgh. It is highly unlikely that Northampton would be able to sustain a 5 star hotel.

1.4.5. Geographically the study findings have been presented for Northampton Town Centre and the rest of the Borough.

1.5 Study Methodology

1.5.1. The study has involved the following modules of research and consultation:

- A review of national trends in hotel performance and development of relevance to Northampton.

- An audit of the current and potential future hotel supply in Northampton, identifying any recent changes in terms of new hotels; the expansion, development or upgrading of existing hotels; and any hotel closures. The audit has been based on Internet searches.

- Benchmarking of current hotel supply and recent and planned hotel development activity in Northampton with that of Leicester, Milton Keynes and Reading.

- A survey of hotel managers and owners in Northampton to gather data and information on room occupancy levels and trends, achieved room rates, market mix, levels of denials, market trends, and future development plans. Interviews were conducted primarily through face-to-face interviews supplemented with telephone interviews as required. In order to fill some data/information gaps where we were unable to engage hotel managers in our research, we also obtained hotel performance data for Northampton's 3/4 star and budget hotels from STR Global and accessed performance data for some hotels from our contacts at hotel company head offices. The hotels included in our samples are listed at Appendix 3.

- A stakeholder consultation with the relevant officers of Northampton Borough Council (Planning Policy, Development Control, Economic Development, Heritage and Estates).

- Email and telephone consultations with other stakeholders and interested parties including Northamptonshire Enterprise Partnership, SEMLEP, neighbouring local authorities, the University of Northampton, Northampton Town FC, Northampton Saints and Northants Cricket.

- A review of relevant current policy and strategy documents and employment and population forecasts to establish the policy framework for hotel development in the Borough and identify likely drivers of future growth in hotel demand.

- The preparation of hotel demand forecasts to provide a quantitative estimate of the level of new hotel development that future market growth might support in Northampton through until 2029.

- A survey of national, regional and local hotel developers/operators to test hotel developer interest in Northampton, establish their site and location requirements, and identify any obstacles they face relative to investing here.

- A review of potential hotel sites in the Borough to assess their fit with hotel operator requirements.

1.6 Structure of the Report

1.6.1. The report comprises an initial chapter setting out the current and emerging national, and local policy context for hotel development in Northampton Borough, followed by chapters setting out the key findings and conclusions of the study regarding:

- National hotel performance and development trends;
- Current hotel supply, recent changes and planned hotel development;
- Current hotel performance and markets:
- Future market prospects;
- The future potential for hotel development in the Borough in terms of future growth in demand, hotel developer and operator interest, and site availability.

1.6.2. The final chapter of the report provides a summary of the identified potential for hotel development in Northampton, our planning policy recommendations, and recommendations for other requirements for Borough Council intervention and support to accelerate hotel development and strengthen the hotel market in the Borough.

2. THE POLICY FRAMEWORK

2.1. National Planning Guidance

2.1.1 With the publication of the **National Planning Policy Framework** in March 2012, planning policy has been streamlined. National planning practice guidance has subsequently been completely refreshed and updated to support the NPPF and in March 2014 was launched via a new website.

2.1.2 The NPPF says relatively little about tourism. It only refers to tourism in the context of ensuring the vitality of town centres. The NPPF focuses on a town centre first approach for tourism uses, with sequential testing to be applied should these uses wish to locate elsewhere and not be in accordance with an up-to-date Local Plan. This means proving that no alternative suitable sites in or closer to the town centre are available or viable.

2.1.3 In terms of other policies in the NPPF, key threads of relevance to developing the hotel and visitor accommodation sector and some of the issues identified in this study include:

- Retention of the presumption in favour of sustainable development;
- A continued significant focus on supporting economic growth, also reflecting local circumstances;
- Encouragement to plan positively, meeting objectively assessed needs with flexibility to adapt to change;
- A streamlined and speedy approach to decision-making on schemes that accord with the development plan;
- Retention of requirements relating to the setting of local car parking standards, reflecting local levels of ownership, and encouragement of sustainable modes of transport;
- Re-affirmation of the commitment to the Green Belt, with review only in exceptional circumstances;
- Policies should seek to address potential barriers to investment;
- Pro-active engagement with applicants is a key strand, with positive planning and pre-application discussions encouraged;

- Joint working is expected between local authorities on cross-boundary issues, in relation to which there is a duty to co-operate;
- Weight will also be given to relevant policies within emerging Local Plans dependent on stage of preparation and conformity with the NPPF.

2.1.4 The Government consulted in 2013 on proposals to permit hotels to convert to other uses under permitted development rights. The proposal to allow hotels to convert to state funded schools and childcare nurseries was granted, but the proposal to allow hotels to convert from C1 to C3 residential was not.

2.1.5 Prior to March 2014, national planning guidance on the development of hotels and other forms of visitor accommodation came in the form of the 'Good Practice Guide on Planning for Tourism' (2006), which contained a specific appendix on tourist accommodation, dealing principally with the location of accommodation. There was also previously a specific section on hotel development in the 'Practice Guidance on Need, Impact and the Sequential Approach' (2009). With the advent of the NPPF, both of these have been cancelled. There is a lack of clarity around how much of this is now reflected in current policy and guidance. Initial advice indicates that:

- The Planning Practice Guidance published by DCLG alongside the NPPF only makes reference to tourism under the section entitled 'Ensuring Vitality of Town Centres' Paragraph 007 – 'What should local authorities consider when planning for tourism?'. This refers to engaging with the tourist industry, considering their locational and operational needs, analysing the opportunities for tourism to support local services and the environment, and paying regard to non-planning guidance.

- Specific tourism planning guidance appears to have been reduced to a six-point framework that can be found on the VisitBritain/VisitEngland website[1] (see Appendix 2). This addresses the following issues:

    - How should tourism developers maximise the economic benefits of tourism for their areas;
    - How should tourism uses be accommodated in urban areas?
    - How should tourism be accommodated in rural areas?
    - What are the key locational considerations in choosing the best site for tourism development?
    - How can tourist accommodation be maintained as a tourism use?
    - What about applications for permanent staff accommodation?

2.2 Local Planning Policies

West Northamptonshire Joint Core Strategy Local Plan (Part 1)

2.2.1 The West Northamptonshire Joint Core Strategy Local Plan (Part 1) was adopted in December 2014 and provides up to date planning policies for the whole of Northampton Borough. This Plan covers the period to 2029. Part 2 of the Local Plan is in preparation and will set out site specific allocations for Northampton Borough, as well as development management policies for the use of land and buildings. It will include a review of the Central Area Action Plan (CAAP). It will still cover the period to 2029.

[1] http://www.visitengland.org/england-tourism-industry/gov_tourism_policy/tourism-planning.aspx"

2.2.2 Tourism is considered in the Joint Core Strategy (JCS) as part of the area's economy and the drive for economic advantage. There is one general tourism policy under which hotel development would be considered, policy E7:

POLICY E7 - TOURISM, VISITOR AND CULTURAL INDUSTRIES

TOURISM, VISITOR AND CULTURAL DEVELOPMENT PROPOSALS WILL BE SUPPORTED WHERE:

a) THEY CONTRIBUTE TO THE ACHIEVEMENT OF REGENERATION AIMS AND OBJECTIVES;
b) THEY STRENGTHEN THE OVERALL TOURISM OFFER;
c) THEY BENEFIT LOCAL COMMUNITIES AND BUSINESSES; AND
d) DEVELOPMENT IS OF A USE, FORM AND SCALE WHICH DOES NOT HARM THE QUALITY OF THE NATURAL OR BUILT ENVIRONMENT.

ATTRACTIONS AND FACILITIES OF A SIGNIFICANT SCALE SHOULD BE LOCATED FIRSTLY WITHIN TOWN CENTRES, THEN ON THE EDGE OF TOWN CENTRES, AND THEN AT OTHER ACCESSIBLE LOCATIONS.

RURAL VISITOR ATTRACTIONS SHOULD CONFORM TO POLICY R2.

2.2.3. The supporting text talks refers to tourism development supporting the regeneration of Northampton and to sites for hotel development around the waterside being identified in the CAAP.

2.2.4 Other references to hotels in the JCS of relevance to this study include a policy for the development of the Silverstone Circuit and knowledge-based cluster, supporting its role as an international venue for motorsport and associated employment, tourism and leisure development, including up to 3 hotels.

2.2.5 There are no specific development management policies relating to hotel development – these could be developed if necessary a part of Local Plan Part 2. There is a general employment retention policy that could possibly be applied to retain hotel accommodation, although loss of hotel stock does not seem to have been an issue of any significance.

Northampton Central Area Action Plan

2.2.6 The Northampton CAAP was adopted in January 2013 and provides up to date policies for the town centre and surrounding area. The Plan identified a need for 405-480 hotel rooms (section 7.24) between 2011 and 2026 (although it is not clear on what evidence this is based): the phasing of these (possibly linked to the availability/deliverability of sites coming forward) is indicated as:

- 105 rooms 2011-2016;
- 50-75 rooms 2016-2021;
- 250+ rooms 2021-2026.

2.2.7 The section on leisure and tourism within the Spatial Development Strategy discusses interest from hotel companies in locating in Northampton and identifies a number of sites capable of accommodating hotels (6.13):

- Town centre sites first, including St John’s and Angel Street;
- Edge of centre sites including Waterside St Peter’s and Castle Station;
- Out of centre sites, including Avon/Nunn Mills/Ransome Rd.

2.2.8 Hotels then feature in certain site-specific policies including:

- Policy 17 – Grosvenor Centre redevelopment (including the Greyfriars site);
- Policy 20 – St John’s (now delivered by Premier Inn);
- Policy 21 – Angel Street (now gone to alternative use);
- 6.67 refers to hotel use in relation to Avon/Nunn Mills though this is not specifically in Policy 28; a 50-75 bed hotel for this site is identified on p112;
- A hotel is identified as a Phase 3 output for Castle Station (2021-2026), though is not specifically mentioned in Policy 19 or the supporting text;
- The Waterside Southbridge West has a 100 bed hotel as a development requirement on p112, though this does not feature in Policy 27 or the supporting text.

2.2.9 It is our understanding that although a hotel use has been identified in relation to a number of the CAAP sites, a hotel does not have to be delivered on them. They are sites for mixed use, so there is potential for them to go entirely to non-hotel uses – which can often deliver better values.

Community Infrastructure Levy (CIL)

2.2.10. CIL was introduced to Northampton borough from April 1st 2016 but does not apply to hotels.

3. NATIONAL HOTEL TRENDS

3.1. National Hotel Performance Trends

3.1.1 The provincial UK hotel industry is currently booming. UK provincial hotel occupancies, achieved room rates[1] and revpar[2] figures strengthened substantially in 2014 and 2015, returning to pre-recession levels in 2014, and reaching record highs in 2015. Further, but slightly slower growth is projected in 2016. With many hotels now frequently trading at full capacity, the opportunities going forward are more to do with growth in room rates than further increases in occupancy.

Table 1
UK PROVINCIAL HOTEL PERFORMANCE 2008-2016

Year	Average Annual Room Occupancy %		Average Annual Achieved Room Rate £		Average Annual Revpar £	
	3/4 Star Chain Hotels[1]	All Hotels[2]	3/4 Star Chain Hotels[1]	All Hotels[2]	3/4 Star Chain Hotels[1]	All Hotels[2]
2008	70.5	68.6	74.45	64.16	52.52	44.02
2009	68.2	65.8	68.65	59.73	46.83	39.32
2010	69.5	69.5	68.20	58.88	47.40	40.90
2011	69.6	70.9	68.40	58.64	47.61	41.56
2012	69.6	69.8	69.97	59.22	48.72	41.32
2013	72.0	72.6	71.46	59.94	51.48	43.53
2014	73.7	75.4	74.90	64.03	55.20	48.27
2015	74.9	76	80.51	67	60.33	51
2016F[3]	n/a	77	n/a	69	n/a	53

Notes:
1. Source: Hotstats UK Chain Hotels Market Review
2. Source: STR Global
3 PwC UK Hotels Forecast 2016

1. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges, calculated as total rooms revenue divided by number of rooms let
2. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges, calculated as total rooms revenue divided by number of rooms available
3. Forecast

3.2. National Hotel Development Trends

3.2.1. National hotel development trends of relevance to Northampton Borough are as follows:

Budget Hotel Development

- The ongoing development of **Premier Inn and Travelodge budget hotels** with new hotels opening in a whole range of different types of location including towns such as Trowbridge in Wiltshire, Northampton, Luton, Bicester in Oxfordshire, Telford, and Hitchin in Hertfordshire. As the market leaders in the UK budget hotel sector Premier Inn and Travelodge have continued to open hotels apace across the UK. Travelodge has announced that it will open 19 new hotels in 2016, with an investment value of £140 million. This expansion is expected to create 450 new jobs and increase the company's network to 542 hotels. New locations include further hotels in London, key business locations such as Bristol, Glasgow and Derby, seaside resorts and smaller towns. In addition to the 2016 openings, Travelodge has identified 250 further locations where it would like to open new hotels. Premier Inn opened 28 new hotels in 2015, including a new hotel in Northampton town centre and additional hotels in other major towns and cities, including Basingstoke, Chelmsford, Maidenhead and Nottingham. It has already opened 20 new hotels so far in 2016 in locations such as Derby, Newcastle, Colchester, Exeter and Bristol. The company is aiming to increase to 830 hotels and 75,000 bedrooms by 2018. Both Travelodge and Premier Inn are now focusing on town and city centre or edge of town hotel development. They are no longer developing roadside hotels in the way that they were in the early 1990s.

- In terms of **other established budget hotel brands**, the French hotel company **Accor** has relaunched its budget hotel offer under three brands – Ibis, Ibis Budget (replacing Etap) and Ibis Styles as a budget boutique brand for franchised independent hotels. The company opened 4 Ibis Styles hotels in 2015 in Barnsley, Crewe, Haydock and at Birmingham NEC. Four further Ibis Styles hotels are due to open in 2016 in Greenwich, Birmingham, Manchester, and at Heathrow Airport, together with Ibis hotels at London Canning Town and in Cambridge.

- A new entrant to the UK budget hotel market is the Malaysian budget hotel operator **Tune Hotels**. It has rapidly established itself in London and is now targeting other UK cities, so far opening in Liverpool, Newcastle and Edinburgh in 2015. It is aiming to open up to 25 new hotels in the UK by 2020, targeting major business cities such as London, Manchester, Birmingham and Leeds.

- At the **upper-tier budget/ limited service 3 star level**, the **Holiday Inn Express** and **Hampton by Hilton** brands have continued to develop, with new hotels opening or planned across the UK in locations such as Sheffield, York, Wakefield, Birmingham, Luton, Newcastle, Bournemouth, Wigan, Leigh, Oxford, Bridgewater, Stockport, London Vauxhall Nine Elms, and Stansted, Bristol and Humberside Airports. Holiday Inn Express has recently unveiled its new generation hotel product that will feature the latest in-room smart technology, redesigned bedrooms with a flexible work/rest corner, and a new food and beverage concept. The first UK hotels to feature the new product are at London's Park Royal, Ealing, Grimsby and Portsmouth.

- In terms of other upper-tier budget brands, Wyndham's **Ramada Encore** brand has seen its UK presence diminish as a number of its franchised hotels have been sold and new owners have switched to other brands such as Ibis Styles, Pentahotel and Travelodge. London-based glh Hotel Group announced plans in 2015 for its new **Thistle Express** budget hotel concept. The first hotel will open under the brand in London in 2016, and the company has plans to open a further 10 hotels over the next 5 years.

- At the other end of the spectrum, **Easyhotel** has announced plans to significantly expand its super-budget hotel chain across the UK. It has identified 36 major towns and cities where it wants to have owned or franchised hotels. New Easyhotels are due to open in Liverpool and Manchester in 2016 and planned for Birmingham and Ipswich for 2017.

- A more recent trend has been the emergence of **budget boutique hotels** in major cities from companies such as Nadler Hotels (previously Base2Stay), Big Sleep (with hotels in Cheltenham, Eastbourne and Cardiff), Sleeperz (with hotels in Newcastle and Cardiff), Citizen M (with hotels in London and Glasgow) and Starwood Hotels' Aloft brand (which opened a second UK hotel in Liverpool in 2014 to add to its first property at London ExCeL, and has plans to open another two hotels in 2017 in Brighton and London). These are limited service hotels that feature contemporary interior design and a high-tech fit out. The German budget boutique hotel operator Motel One has entered the UK market, with new hotels in 2014 and 2015 in London, Edinburgh, Manchester and Newcastle. The company is due to open a second hotel in Manchester in 2017 and a new hotel in Glasgow in 2018. Marriott has announced plans to introduce its Moxy budget boutique hotel brand into the UK, with hotels announced for London, Heathrow, Edinburgh Airport, Aberdeen, York and Southampton. The French hotel company Accor is planning to launch its Mama Shelter designer budget hotel brand in London.

- Another emerging trend in UK city centres is the development of **small format budget boutique hotels** which offer compact, sometimes windowless bedrooms that feature contemporary design and high tech features for a very affordable price. The small bedroom size allows highly economical hotel development which can be passed onto the customer in terms of lower room rates. Key brands that are developing these types of hotel are Hub by Premier Inn (which opened its first hotel in London's Covent Garden in November 2014, followed by a second London hotel in 2015 and plans for a further 13 hotels in London and Edinburgh); Z Hotels (which now has 8 hotels in London, Liverpool and Glasgow and a hotel under construction in Bath), Qbic Hotels (which launched in London and has announced plans for a further 4 hotels in the capital and a possible roll out to other major cities such as Edinburgh, Glasgow and Manchester), Bloc Hotels (with hotels at Gatwick and in Birmingham city centre); and Yotel (which has hotels at Heathrow and Gatwick and plans for hotels in Manchester and London).

- These newer budget, budget boutique and small format budget boutique hotel companies will focus initially on London, major metropolitan cities and airport locations before looking at other towns and cities once they have a stronger market presence and hotel network in the UK.

4 Star Hotel Development

- 4 star hotel development in the UK has been focused on London and other major cities with 4 star brands Doubletree by Hilton, Hilton, Crowne Plaza, Hotel La Tour, INNSIDE by Melia, Pullman, Radisson Blu, Apex, Park Plaza and Novotel opening or building new hotels in cities such as Glasgow, Manchester, Birmingham, Liverpool, Newcastle, Leeds, Southampton, Bath and Cambridge.

Table 2
PROVINCIAL UK 4 STAR HOTEL DEVELOPMENT 2015-2017

Hotel Brand	Provincial UK Openings 2015-2017
Crowne Plaza	Newcastle Cambridge Manchester
Hilton	Southampton Leeds Cambridge
Doubletree by Hilton	Liverpool
Radisson Blu	Hull Birmingham Airport
Pullman	Liverpool
Novotel	Brentford
Park Plaza	Manchester
INNSIDE by Melia	Manchester Birmingham Glasgow
Park Regis	Birmingham
Hotel La Tour	Milton Park, Oxfordshire
Sandman	Gatwick Airport Aberdeen
Apex	Glasgow Bath

- London-based hotel group glh launched a limited service 4 star hotel brand called 'every hotels' in 2014 through the rebranding of four of its Thistle branded hotels. It is looking to expand the brand to other UK cities through management contracts. Leonardo Hotels, the European arm of the Israeli Fattal Hotels Group, opened its first UK property at Heathrow Airport in March 2015, as the first stage in its plans to expand in the UK. The German Steigenberger hotel company is looking to introduce its InterCity Hotels 4 star brand into major UK cities. Other 4 star brands looking to enter the UK market are Louvre Hotel Group's Golden Tulip brand and the Portuguese hotel company Pestana Hotels.

3 Star Hotel Development

- At the 3 star level Village Hotels opened three new hotels in Scotland in 2014/15, in Aberdeen, Edinburgh and Glasgow. The brand's new owners (KSL Capital Partners, who acquired the hotels from De Vere in 2014) are planning to invest in expanding the brand across Southern England. Planning permission was secured in December 2015 for a £21million, 153-bedroom Village hotel on the Lakeside North Harbour business park in Portsmouth. Hilton opened a 3 star Hilton Garden Inn at Heathrow Airport in December 2014. The company has been slow to introduce this brand into the UK market, with Birmingham, Glasgow and Luton being the only other locations where Hilton Garden Inns have so far been built. A Hilton Garden Inn is due to open in Sunderland in 2016 and plans have been announced for Hilton Garden Inn hotels in Manchester and Hull. New Holiday Inn hotels have opened in 2013 and 2014 in Huntingdon, Watford, Cardiff, London West and Glasgow. IHG has also entered into franchise agreements for the conversion of hotels at Darlington and Cannock to the Holiday Inn brand. A new Holiday Inn is currently under construction in Manchester city centre. Marriott is looking at rolling out its redefined Courtyard by Marriott midmarket brand in the UK, with a new hotel due to open in Edinburgh city centre in 2016. Rezidor opened a Park Inn by Radisson in Glasgow in 2013. Amaris Hospitality (the hotel division of the global private equity firm Lone Star Funds) has announced major expansion plans for the 3 star Jurys Inn brand following its acquisition by Lone Star in July 2015. Eight Amaris hotels were converted to the Jurys Inn brand in November 2015 and the company is looking to grow the Jurys Inn portfolio across the UK by targeting leasing opportunities as well as development sites. US hotel company Wyndham Hotel Group signed a development agreement in December 2014 with Lester Hotels Group to open 20 Ramada hotels across the UK in the next 10 years, primarily through the rebranding of existing hotels. Beyond the agreement with Lester Hotels, hotels in Oxford, Wakefield and Hounslow have been rebranded under the Ramada badge in 2014.

Boutique Hotel Development

- A key trend in the last 20 years has been the development of boutique hotels through the upgrading and repositioning of existing hotels, the conversion of suitable, and sometimes unusual buildings, and in a few cases the development of new-build boutique hotels. These are high quality hotels that feature contemporary interior design and good food and service, often with quite a relaxed atmosphere. The first boutique hotel to open in the UK was the Hotel du Vin in Winchester in 1994. Hotel du Vin has gone on to open a further 15 hotels in locations such as Royal Tunbridge Wells, York, Cambridge, Brighton, Cheltenham, Henley-on-Thames and Newcastle. It was followed by other boutique hotel companies including Malmaison (which now has 14 hotels in major cities such as London, Manchester, Liverpool, Newcastle and Oxford); Abode Hotels (with hotels in Manchester, Glasgow, Chester, Canterbury and Exeter); and Myhotel (with two hotels in London and one in Brighton). The Malmaison and Hotel du Vin Group was acquired by Frasers Hospitality in June 2015. The new owners acquired 4 hotels in 2015 in Bristol, Exeter, Brighton and Cheltenham as part of its plans to expand the two brands. A new Hotel du Vin is also under development in Stratford-upon-Avon, with an opening scheduled for the end of 2016.

- Independent boutique hotels have also opened in many different types of location, including:

    - Historic towns and cities such as Bath, Shrewsbury, Royal Tunbridge Wells, Cambridge, Lincoln and Oxford;
    - Market towns such as Cirencester, Ludlow, Romsey in Hampshire, Helmsley in North Yorkshire and Stamford in Lincolnshire;
    - Other towns and cities such as Luton, Peterborough, Leicester, Nottingham, Derby, Colchester, Ipswich and Farnborough;
    - Rural locations in terms of the development of boutique country house hotels

- International hotel chains have also launched boutique and lifestyle hotel brands in major UK cities. Leading the field in this has been IHG (InterContinental Hotels) with its Hotel Indigo brand, with hotels now open in Liverpool, Newcastle, Birmingham, Edinburgh, Glasgow, Brighton, York, Cardiff and London, and hotels planned for Oxford, Durham and Manchester. Accor launched its MGallery boutique brand in the UK in 2012, with hotels in London and Bath. It added two new hotels in 2015 in Cheltenham and Windsor, through the repositioning of former Mercure branded hotels.

- In terms of **lifestyle hotel brands**, Hilton launched the Canopy by Hilton lifestyle hotel brand in 2014, with plans for a UK roll out starting with London. Rezidor has announced plans to introduce its Radisson Red lifestyle hotel brand into the UK, with its first hotel planned for Glasgow. Luxury international hotel operator Hyatt opened its first UK Hyatt Place lifestyle hotel at Heathrow in 2015, and has ambitions to introduce the brand into major UK cities. Marriott is launching its AC by Marriott lifestyle hotel brand in the UK in 2016, with new hotels opening in Manchester and Birmingham. The German 'neighbourhood lifestyle' hotel operator Pentahotels is rapidly expanding in the UK, with the opening of a new hotel in Warrington in 2013, and new hotels in 2014 in Birmingham, Derby, Inverness and Ipswich (through the conversion of former Ramada Encore branded hotels).

- Recent research[1] shows that the next generation of hotel guests will be looking for a different type of hotel experience than is currently available, with more emphasis on a relaxed atmosphere, distinctive style, design and service, public areas where guests can relax, congregate and interact and full connectivity in terms of Wi-Fi and bandwidth capabilities that enable guests to use multiple devices while away from the office or home. The major hotel companies are beginning to recognise these needs through the development of this new generation of design-led, technology-focused lifestyle hotels, as well as the development of some of the budget boutique and new small format budget boutique hotel products that are emerging.

[1] 'A New Breed of Traveller: How Consumers are Driving Change in the Hotel Industry', HVS, November 2013

Pub Hotels

- Another trend that could be of relevance to Northampton has been the development of hotel bedrooms in association with pubs by some of the national pub companies. JD Wetherspoon opened 6 new pub hotels in 2015 at Camborne, Tavistock, Southend-on-Sea, Worcester, Barrow and Rochester, taking its total number of hotels to 40, and its total bedroom stock to over 1,000 rooms. The rapidly expanding Coaching Inn Group added three sites to its 10-strong UK-wide portfolio of coaching inn in 2015, and is aiming to further expand through additional acquisitions in 2016. Marston's Inns is planning to expand its hotel business, with around 5 new budget hotel openings per year alongside new-build pubs. It currently operates over 50 inns and hotels across the UK, with almost 900 bedrooms. Greene King is also embarking on a programme of developing lodges adjacent to its pub restaurants.

5 Star Hotel Development

- 5 star hotel development has focused on London, with a number of international 5 star brands having opened here in recent years or with hotels under development in the capital, including Shangri-La Hotels, Dorsett Hospitality International, Rosewood Hotels, InterContinental, Four Seasons, the US luxury hotel operator Thompson Hotels, Bulgari, Marriott International's Autograph Collection and Rezidor's new Quorvus Collection.

- Beyond London, it is only major cities like Manchester, Edinburgh and Glasgow, and the leading heritage cities of York, Bath, Chester and Oxford that are able to support 5 star hotels. The new Gainsborough Bath Spa hotel opened in Bath in 2015. Plans have been unveiled for the conversion of a former Bank of England building in Bristol into a 5 star hotel, while in Liverpool long-standing plans for the development of the former Martin's Bank building into a 5 star hotel appear to be moving forward following the purchase of the property by the Principal Hayley Group in 2015.

Serviced Apartments and Aparthotels

- Another significant trend in the UK hotel market has been the development of the serviced apartment and aparthotel sector in UK cities and business locations. There are two main models that have developed in the UK. The first is serviced apartment companies that manage and market residential apartments on behalf of their owners. This can range from the letting of individual apartments to whole floors and blocks of apartments in a residential complex. These companies tend to be local or regional operations. These companies also work with national and international serviced apartment booking agencies such as Silverdoor, Citybase and ESA. The second model is purpose-built aparthotels or serviced apartment complexes that are being developed either by local independent operators; small, mainly regional serviced apartment companies (e.g. MAX Serviced Apartments, Go Native and Cotels); national serviced apartment companies (e.g. SACO, Staycity, Roomzzz, Premier Apartments, Apple Apartments and the newly launched Beyonder ApartHotel and Urban Villa brands); international serviced apartment companies (e.g. Bridgestreet, Fraser Hospitality, Cheval); and increasingly international hotel chains that are launching extended stay hotel products in the UK (e.g. IHG's Staybridge Suites, Accor's Adagio Aparthotel, Marriott's Residence Inn, Starwood's Element and Hyatt's Hyatt House brands). Serviced apartment companies and aparthotels generally trade at very high levels of occupancy. They primarily target long stay corporate demand and infill with weekend leisure business between corporate lets. This form of accommodation is becoming increasingly popular with both business and leisure guests as it provides more space, greater flexibility and usually good value for money. The sector is predicted to see substantial growth as UK customers begin to more fully understand the concept and how it can work for them. A report by The Association of Serviced Apartment Providers (ASAP) and Savills, published in December 2015 suggests that the UK serviced apartment sector is set to double in size over the next 2 years. It predicts growth of 122 per cent for national operators and 82 per cent for regional providers by the end of 2017, effectively doubling the total number of serviced apartment units across the UK.

- In terms of recent trends in the sector and future plans:
  - Staycity opened a new aparthotel in Birmingham in February 2016, and has announced plans for aparthotels in London, York and Liverpool. Large cities in the UK continue to be a key target for the brand;
  - Roomzzz opened a new aparthotel in Chester in April 2015, and will open aparthotels in 2016 in London Stratford, Manchester, and Harrogate, and York and Liverpool in 2017;
  - Cotels opened a new serviced apartment operation in Luton in 2015;
  - The Serviced Apartment Company (SACO) has announced that it is to double the size of its operation, with new properties opening in London, Edinburgh and Aberdeen in 2016;
  - The Dublin-based Prem Group has launched two sub-brands alongside its Premier Apartments brand – Premier Suites and Premier Suites Plus. It is also expanding in Scotland, with the opening of a Premier Suites Plus in Glasgow, taking its UK portfolio to nine serviced apartment buildings;
  - Bridgestreet is set to launch its Mode Aparthotel by Bridgestreet brand in the UK in 2017, with openings targeted for London, Edinburgh, Glasgow, Leeds, Birmingham, Oxford and Cambridge over the next 3-4 years;
  - Starwood Hotels will introduce its Element extended stay brand to the UK in London's Tobacco Dock in 2017;
  - A new Staybridge Suites aparthotel is due to open in Manchester at the end of 2016.

Golf Hotels and Resorts

- Recent years have seen the opening of new golf hotels and resorts in Cheshire in 2012 (Mere Golf Resort at Knutsford) and near Darlington (the 5 star Rockcliffe Hall Hotel, Golf & Spa). A number of proposals are also being progressed for new golf resorts in various locations across the UK, including projects in Kent (a 130-bedroom 5 star hotel and spa at the London Golf Club); Hertfordshire (a 125-bedroom 4 star hotel at the Hertfordshire Golf & Country Club); Surrey (a proposal for an 84-bedroom Hilton hotel as part of the new regional headquarters of the PGA at Wildwood Golf & Country Club in Cranleigh); and on the Wirral (at Hoylake), together with a number of proposals in Scotland.

- On a smaller scale there has also been some activity in terms of the development of hotels on golf courses e.g. a 43-bedroom hotel at the Bowood golf course, near Chippenham in Wiltshire in 2009; a 50-bedroom hotel at The Oxfordshire Golf Club near Thame in 2010; a 30-bedroom Best Western Plus hotel at the Magnolia Park Golf and Country Club in Buckinghamshire in 2014; a 40-bedroom hotel at the Sandford Springs Golf Club near Basingstoke in 2014; and a 34-bedroom hotel at Chipping Norton Golf Club in Oxfordshire.

Sports Stadia Hotels

- Hotels have been developed or are planned for a number of sports stadia in the UK. A 4 star Marriott opened at Twickenham stadium in 2009; a 4 star Doubletree by Hilton hotel opened at the MK Dons football stadium in Milton Keynes in 2009; a 4 star Hilton opened at Hampshire County Cricket Club's Ageas Bowl cricket ground in Southampton in 2015; a 120-bedroom Premier Inn opened at Worcestershire County Cricket Club in 2014; Lancashire County Cricket Club is planning to develop a 150-bedroom Hilton Garden Inn at its Emirates Old Trafford ground in Manchester; a 141-bedroom Hilton Garden Inn opens at Sunderland FC's Stadium of Light in May 2016. There are also proposals for a hotel as part of the redevelopment of Edgbaston cricket ground; plans for a hotel as part of the development of Surrey County Cricket Club's Kia Oval stadium at Kennington in London; plans for a 150-bedroom Hampton by Hilton hotel at Durham County Cricket Club's ground at Chester-le-Street; and proposals for a hotel as part of Southend United FC's new Fossetts Farm stadium.

University Hotels and Conference Centres

- Another trend in UK cities has been the development of university hotels and conference centres. A number of major universities, such as Loughborough, Lancaster and Stirling have had hotels on their campuses for some time and others have recently developed, or are considering developing, hotels and conference centres, in some cases working with major hotel operators. In most cases universities are looking at hotel development to enable them to accommodate overseas students and business executives attending their growing short course programmes, or to enable them to target academic, association and research conferences both during term time and in vacation periods. Hotels on university campuses also cater for university visitors and in some cases trade in the local corporate and leisure tourist markets when they have spare bedroom capacity. The University of Nottingham opened the £20m, 202-bedroom 4 star Orchard Hotel adjacent to the East Midlands Conference Centre on its campus in November 2012. The University of Leicester opened the 123-bedroom College Court conference centre in 2013 and the University of Manchester is currently progressing the development of a 220-bedroom Crowne Plaza hotel and a 116-suite Staybridge Suites aparthotel as part of the £1bn development of its Manchester campus. Other universities that have been looking at hotel development are the University of Kent at Canterbury, Keele University at Stoke-on-Trent, Sunderland University, and the University of Surrey in Guildford.

4. NORTHAMPTON HOTEL SUPPLY

4.1. Current Supply

4.1.1. There are currently 24 hotels serving Northampton[1], with a total of 1,670 letting bedrooms. This current hotel supply is analysed below by category/standard and location and listed fully in the table overleaf.

Table 3
NORTHAMPTON HOTEL SUPPLY – MAY 2016

Category/ Standard of Hotel	Northampton Town Centre		Edge of Town Locations		Northampton Borough	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
4 star			2	259	2	259
4 star Inn			1	19	1	19
Boutique					0	0
3 star	1	146	3	206	4	352
Upper-tier Budget			1	126	1	126
Budget	3	320	8	460	11	780
Lower grade	2	63			2	63
Serviced Apartments/Aparthotel	1	10	1	29	2	39
Conference centre			1	32	1	32
Total	**7**	**539**	**17**	**1131**	**24**	**1670**

4.1.2. Northampton's hotel supply is split between Northampton town centre (which accounts for 32% of the total hotel stock) and edge of town locations (accounting for 68% of the total), with many hotels in these locations being close to the main business parks around the town.

4.1.3. The town centre hotel supply is dominated by budget hotel provision, which accounts for 59% of the total stock of hotel accommodation in the town centre. Travelodge, Premier Inn and Ibis are represented here. The 3 star Park Inn by Radisson is the only full service branded hotel in the town centre. Cotels has a small serviced apartment operation in the town centre.

[1] Not all of these hotels are in Northampton Borough. Some are in South Northamptonshire or Daventry districts but still serve the Northampton hotel market. Those hotels that are not in Northampton Borough are indicated in the table overleaf.

Table 4
NORTHAMPTON HOTELS – MAY 2016

Establishment	Category/Grade[1]	Rooms
Northampton Town Centre		
Park Inn by Radisson Northampton	3 star	146
The Langham	Lower grade/Self-rated 3 star	25
The Plough	Lower grade/Self-rated 3 star	38
Premier Inn Northampton Town Centre	Budget	104
Travelodge Northampton Central	Budget	65
Ibis Northampton Centre	Budget	151
Cotels Serviced Apartments	Serviced Apts	10
Edge of Town Locations		
Northampton Marriott	4 star	120
Hilton Northampton[2]	4 star	139
Hopping Hare	4 star Inn	19
Holiday Inn Northampton	3 star	104
Overstone Park[3]	3 star	31
Westone Manor	3 star	71
Sunley Conference Centre	Conference centre	32
Coach House Hotel	Aparthotel	29
Brackmills Serviced Apartments by Claire Walton Property	Serviced Apartments	2
Holiday Inn Express Northampton[2]	Upper-tier Budget	126
Premier Inn Northampton South Wootton	Budget	50
Premier Inn Northampton West (Harpole)[2]	Budget	75
Premier Inn Northampton Bedford Road	Budget	44
Premier Inn Northampton Great Billing/A45	Budget	60
Travelodge Northampton Wootton	Budget	51
Travelodge Northampton Upton Way	Budget	62
Travelodge Northampton Round Spinney	Budget	31
Campanile Northampton[2]	Budget	87

Notes:

1. Official AA or VisitBritain and/or unofficial gradings on booking.com or LateRooms
2. In South Northamptonshire District
3. In Daventry District

4.1.4. Northampton's two 4 star hotels (the Marriott and Hilton hotels) are both located on the outskirts of Northampton. The outer parts of the town also have a branded 3 star Holiday Inn, an upper-tier budget Holiday Inn Express and eight budget hotels (four Premier Inns, three Travelodges and a Campanile hotel). There is one small independent aparthotel (the Coach House Hotel) on Kettering Road on the north eastern edge of the town centre, and Bedford-based Claire Walton Property operates two serviced apartments at Brackmills. Junction 15 of the M1/ Grange Park is a key hotel location on the outskirts of Northampton, with three hotels (the Hilton, Holiday Inn Express and Campanile). The A45 corridor is another focus of hotel provision, with seven hotels along its route through Northampton.

4.1.5. In overall terms Northampton's hotel supply is dominated by budget/limited service hotels, which account for 55% of total stock. Branded 3 and 4 star hotels account for 22% of the total hotel supply. Northampton does not have any boutique hotels, and very little provision in terms of aparthotels and serviced apartments.

4.1.6. Beyond the town there are three significant hotels and conference centres in the surrounding area:

- Sedgebrook Hall Hotel at Chapel Brampton – a self-rated 4 star country house hotel and conference centre with 102 bedrooms, operated by PH Hotels.
- Highgate House at Creaton – a conference and events venue with 97 bedrooms and 34 meeting rooms, operated by the Sundial Group.
- The Aviator Hotel at Sywell Aerodrome – an independent 3 star hotel with 50 bedrooms.

4.2. Changes Since 2011

New Hotels

4.2.1. The Premier Inn Northampton Town Centre opened in December 2015. There have otherwise been no new hotel openings in Northampton since 2011.

Hotel Extensions, Refurbishment and Rebranding

4.2.3. Our research has identified the following changes to Northampton's hotel supply over the last 5 years, in terms of investment in existing hotels:

- The Park Inn by Radisson has completed a £1m refurbishment programme, which has included the upgrading of 32 bedrooms to superior bedrooms and the renovation of the hotel's main function room.
- The Holiday Inn Express has completed a soft bedroom refurbishment.
- All of Northampton's Travelodges have been upgraded to the new Travelodge bedroom product.
- The Premier Inn Northampton South Wootton has added 20 bedrooms.
- The new owners of the Westone Manor have refurbished the hotel's restaurant and added a new reception area and conference room.

4.2.4. None of Northampton's other 3 and 4 star hotels have seen any substantial investment in the last 5 years.

Hotel Closures

4.2.5. Three independent hotels have closed in Northampton since 2011:

- Lime Trees Hotel – 27 bedrooms, 3 star
- Aran Hotel – 18 bedrooms, lower grade
- Aarandale Regent Hotel – 14 bedrooms, lower grade

4.2.6. The Lime Trees Hotel was the most significant loss. It was previously operated as part of the Best Western marketing consortium. The hotel had suffered from a lack of investment and went into administration in 2012. It was sold in 2013 for conversion to a residential college. The Aran and Aarandale Regent Hotels have been converted to residential apartments.

4.2.7. The closure of these types of hotel in a town like Northampton is not unusual: similar hotels have closed in other towns, particularly as budget hotels have opened.

Changes in Northampton Town Hotel Supply 2011-2016

4.2.8. The opening of the new town centre Premier Inn and extension to the Premier Inn Northampton South Wootton, offset by the closure of the three hotels has resulted in a net increase in Northampton's hotel supply of 65 bedrooms (4%) since 2011.

4.3. Future Changes

Hotels Under Construction

4.3.1. A new 13-bedroom boutique hotel and restaurant is currently being developed in Guildhall Road through the conversion of two vacant Edwardian buildings next to the Derngate Theatre. The hotel, to be known as The Guild Hotel & Restaurant, is scheduled to open in late 2016.

Planned Investment in Existing Hotels

4.3.2. In terms of planned investment in existing hotels in Northampton, our research has identified the following:

- The Plough Hotel has planning permission for an 89-bedroom extension/ adjacent new hotel, and has a current application pending to deliver instead 56 serviced apartments.
- A full refurbishment of the Marriott Hotel is scheduled for 2017/18.

Potential New Hotels

4.3.3. The University of Northampton is planning to develop a 32-bedroom basic standard hotel on its new Waterside Campus to replace the Sunley Conference Centre on its current campus, in order to maintain and potentially increase its conference business, and as part of its proposals to introduce hotel management courses. The outline planning permission for the Nunn Mills Road site also included provision for a 150-bedroom hotel.

4.3.4. In addition, outline planning permission has been approved or is pending for a further 4 new hotels/serviced apartment complexes in the Borough. The table overleaf provides the latest information that we have been able to glean on these hotel proposals.

4.3.5. An application to extend the time limit on an outline planning permission for a proposed business park at Milton Ham Farm on Towcester Road, which included two hotels, was refused in July 2012 on the grounds that the application did not meet the sequential test requirements for the town centre uses included in the scheme, including the two hotels and the office component.

4.3.6. Beyond Northampton Borough the Silverstone Masterplan includes provision for three hotels, and the plans for the Rushden Lakes retail and leisure development on the A45 at Rushden include a proposal for a hotel. Previous outline plans for the Midway Park business park at Junction 16 of the M1 indicated a possible hotel, although the recently submitted application (February 2016) appears to confine use to B2, B8, ancillary B1 and lorry park plus access/infrastructure works.

4.3.7. The owners of Collingtree Golf Club had pre-application discussions with the Borough Council in 2008 about a possible 40-bedroom hotel overlooking the golf course. The scheme was not progressed however.

Table 5

NORTHAMPTON – POTENTIAL NEW HOTELS – AS AT MAY 2016

Proposed Hotel/ Site	Location	Standard	No Rooms	Current Status
Newspaper House	Derngate	Serviced apartments	57	Pending application for the conversion and redevelopment of the former Post Office sorting office to 57 serviced apartments.
The Plough Hotel	Bridge Street	n/a (Serviced apartments)	89 (56)	Outline planning permission was granted in 2013 for an 89-bedroom hotel alongside The Plough Hotel. A reserved matters application (January 2016) is pending for amendment to 56 serviced apartments.
University of Northampton Waterside Campus	Nunn Mills Road	n/a	32 150	The University is planning to develop a 32-bedroom hotel on the new Waterside Campus to replace the Sunley Conference Centre on its current campus and support its proposals to introduce hotel management courses. Outline planning permission was granted on 12 September 2014 for a hotel of up to 7,000 sq m/ 150 bedrooms as part of the University of Northampton's new Waterside Campus
Land adjacent to Sixfields Stadium	South Parade	n/a	100	Outline planning permission was granted in December 2014 for a conference centre and linked 100-bedroom hotel as a first floor level extension of Sixfields Stadium's West stand, as part of a mixed use development of the stadium and adjacent land, which also includes a retail park, petrol filling station and up to 255 homes. The football club and adjacent land were sold to a local consortium (Northampton Town Ventures Ltd) in November 2015. The consortium is currently reviewing its options for the future development of the stadium and adjacent land.
Proposed hotel & spa	Duston Mill Lane Upton Way	n/a	112	Outline planning permission was granted in 2011 for a 112-bedroom hotel with a spa and leisure complex. Subsequent applications to vary some of the planning conditions and for reserved matters relating to the landscaping for the spa and leisure complex were approved in 2012 and 2013. There has been no further movement on the scheme
Dallington Grange	Mill Lane Kingsthorpe	n/a	n/a	The current outline planning application for the Dallington Grange Sustainable Urban Extension includes a proposal to redevelop Grange Farm for a café/restaurant/public house or hotel

4.4. Comparator Town/City Benchmarking

Current Hotel Provision

4.4.1. In order to provide some further context for looking at how Northampton's hotel supply might grow and develop in the future we have looked at how the town's current hotel offer compares to that of three larger towns and cities – Leicester, Milton Keynes and Reading. A detailed analysis of the current hotel supply of each town/city is provided at Appendix 4, together with full hotel listings for each location. Our key observations from this analysis are as follows:

- Northampton has 31% fewer hotel bedrooms than Leicester, almost 38% fewer than Milton Keynes, and less than half the number of hotel bedrooms as Reading has. Reading has a much more significant stock of hotel accommodation than any of the other towns and cities.

- Northampton has a much smaller proportion of its hotel stock in the town centre – 32% compared to 39% in Milton Keynes, 52% in Reading and 58% in Leicester.

- Northampton has a similar budget hotel supply to Leicester, more budget hotel bedrooms than Milton Keynes, but a lower level of budget hotel provision than Reading.

- Where Northampton most noticeably differs to the comparator towns/cities is in terms of 4 star hotel provision: it has significantly fewer 4 star hotel bedrooms than the other locations, especially Reading.

- Northampton has a similar 3 star hotel supply to Leicester, but far fewer 3 star hotel bedrooms than Milton Keynes and Reading.

- Reading is the only comparator town/city with a 5 star hotel. It also has a Malmaison boutique hotel and an independent boutique hotel at Sonning on the edge of the town.

- Leicester has a small boutique hotel. There are no boutique hotels in Milton Keynes.

- Milton Keynes has two large residential conference centres.

- Leicester and Reading Universities both have on-site hotels/residential conference centres. The University of Leicester opened the 123-bedroom College Court hotel and conference centre in 2013.

- All three comparator towns/cities have hotels linked to football stadia. Milton Keynes and Reading have 4 star hotels incorporated into their football stadia, while in Leicester there is a Holiday Inn Express upper-tier budget hotel alongside Leicester City FC's King Power Stadium.

- All three comparator locations have a greater supply of serviced apartments than Northampton, primarily in terms of residential apartments that are let out by serviced apartment letting agencies. Reading also has a purpose-built aparthotel.

Potential Future Hotel Development

4.4.2. In terms of potential future hotel development in Leicester, Milton Keynes and Reading, our research has identified the following:

- The Leicester Economic Action Plan 2012-2020 sets out an ambition to attract a new 4/5 star hotel with a major conference facility to Leicester city centre. A proposal was put forward in 2013 by a local consortium to convert Leicester City Council's New Walk offices into a £35m 5 star hotel and 2,000 seat arena. This has not so far progressed. Plans were unveiled in 2015 to convert the run-down Great Central Railway Station into a 100-bedroom boutique hotel.

- A 130-bedroom Premier Inn is due to open in Milton Keynes' Theatre District in summer 2016 as part of a mixed retail and leisure development. The Milton Keynes Ramada Encore upper-tier budget hotel is currently in the process of being converted to a Travelodge.

- Reading Football Club is progressing plans to develop the 15-hectare site around its Madkeski Stadium into the Royal Elm Park sustainable urban quarter, to include a 250-bedroom hotel, 102 serviced apartments, a 5,000 seat convention centre and concert venue (The International), an ice rink, 630 homes, and a public square and park with cafes, restaurants and shops. Construction is due to start in 2016, with the hotel and convention centre scheduled to open in 2018.

5. CURRENT HOTEL PERFORMANCE & MARKETS

5.1. Occupancy, Achieved Room Rates[1] and Revpar[2]

5.1.1. Our estimates of average annual room occupancies, achieved room rates and revpar figures for Northampton for 2013, 2014, 2015 (based on the data that we have sourced from STR Global and the information provided by hotel managers and owners) are summarised in the table overleaf.

5.1.2. The table shows that the performance of Northampton's branded 3/4 star hotels has been well below national averages over the last three years, for all performance indicators. There is a marked difference in achieved room rate performance between Northampton's 3 and 4 star hotels, with 4 star hotels trading considerably ahead of 3 star hotels. Achieved room rates for Northampton's 4 star hotels were however still some way below the £85-95+ level currently required to support new up-scale 4 star hotel development in provincial locations.

5.1.3. In contrast, branded budget hotel performance has been very strong, with the majority of Northampton's branded budget hotels trading at average annual room occupancies of 75-80% in 2015. Achieved room rates varied substantially between the budget hotel brands represented in Northampton, with Premier Inn hotels generally achieving the highest average room rates.

[1] The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per occupied room** net of VAT, breakfast (if included) and discounts and commission charges.

[2] The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per available room** net of VAT, breakfast (if included) and discounts and commission charges.

Table 6
NORTHAMPTON HOTEL PERFORMANCE 2013-2015

Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate[6] £			Average Annual Revpar[7] £		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
UK Provincial Hotels (All Standards)[1]	**72.6**	**75.4**	**76**	**59.94**	**64.03**	**67**	**43.53**	**48.27**	**51**
UK Provincial 3/4 Star Chain Hotels[2]	**72.0**	**73.7**	**74.9**	**71.46**	**74.90**	**80.51**	**51.48**	**55.20**	**60.33**
Northampton Branded 3/4 Star Hotels[3]	68.4	72.0	71.7	65.57	68.09	73.25	44.86	49.02	52.55
Northampton Branded Budget Hotels[4]	72.3	77.4	77.2	42.5	47.16	53.14	30.74	36.51	41.00
Northampton Unbranded Hotels[5]	44.4	55.3	57.6	38.31	40.45	48.41	17.03	22.39	27.88
Northampton – All Hotels	68.5	73.6	73.6	50.31	53.87	59.66	34.46	39.65	43.89

Notes
1. National average figures – source: STR Global
2. National average figures – source: Hotstats
3. Source: STR Global. Sample: Northampton Marriott, Hilton Northampton, Holiday Inn Northampton, Park Inn by Radisson Northampton
4. Source: STR Global. Sample: all branded budget hotels in Northampton.
5. Source: Hotel Solutions survey of Northampton hotels –March 2016 Sample: Hopping Hare, The Plough, Westone Manor (unbranded hotels)
6. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
7. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges

5.1.4. The performance of Northampton's unbranded, independent hotels has varied significantly between hotels. Achieved room rates for all of the unbranded hotels that we spoke to have been low over the last three years. Two hotels reported reasonably good levels of room occupancy in 2014 and 2015, that were broadly on a par with the averages for Northampton's 3/4 star hotels. One unbranded hotel reported very low room occupancies however, which significantly reduced the overall occupancy performance for this category of hotel.

5.1.5. In line with the national trend hotel performance in Northampton strengthened significantly in 2014 and 2015, particularly for budget hotels and unbranded hotels, but also for branded 3/4 star hotels. This was largely due to stronger corporate demand and longer corporate stays boosting Monday, Thursday and Sunday night occupancies.

5.1.6. Most of the established budget and unbranded hotels in the town centre reported a sharp drop in room occupancy levels in the first quarter of 2016, as a result of the opening of the new Premier Inn in the town centre. This hotel has also affected occupancies for some of the Premier Inns around the town. Occupancies have however quickly built for the new Premier Inn, which is already consistently filling during the week and on Saturday nights. It seems likely therefore that its impact on existing hotels will lessen during the rest of 2016 as the market starts to settle down.

5.2 Patterns of Demand

Weekday/Weekend Occupancies

5.2.1. Estimates of average annual weekday and weekend occupancies for hotels in Northampton for 2015 are summarised in the table below.

Table 7
NORTHAMPTON HOTELS
WEEKDAY/ WEEKEND OCCUPANCIES – 2015

Standard of Hotel	Average Annual Room Occupancy %			
	Mon-Thurs	Friday	Saturday	Sunday
Branded 3/4 Star Hotels[1]	82.6	58.9	77.7	34.0
Branded Budget Hotels[1]	84.6	69.0	85.6	45.6
Unbranded Hotels[2]	82	23	41	16

Notes:
1. Source: STR Global
2. Hotel Solutions

5.2.2. Midweek occupancies are very high for all standards of hotel in Northampton. Tuesday and Wednesday night occupancies are particularly high, with Northampton's hotels generally filling and turning business away on these nights for much of the year. Monday and Thursday night occupancies are also strong, particularly for branded budget hotels and some unbranded hotels, which frequently fill and deny business on these nights also. Thursday occupancies are a little lower, and more variable for 3/4 star hotels, but their Monday night occupancies are generally strong. Monday and Thursday night occupancies have increased in 2014 and 2015 as corporate lengths of stay have lengthened.

5.2.3. Most of Northampton's hotels achieve high occupancies on Saturday nights, particularly in the summer months between April and October, when demand from wedding parties and events at Silverstone increases. Friday, and especially Sunday night occupancies are much lower. Budget hotels generally trade at higher weekend occupancies than 3/4 star hotels. Friday and Sunday occupancies are very low for unbranded hotels, and one unbranded hotel attracts minimal bedroom business on Saturday nights.

Weekday/Weekend Room Rates

5.2.4 There is also a significant difference between midweek and weekend achieved room rates in Northampton. The average annual midweek achieved room rate for Northampton's 3/4 star hotels was £17 ahead of the weekend average in 2015, while for budget hotels the differential was £13. The difference is even more marked at the 4 star end of the market, with a differential of around £30 between midweek and weekend achieved room rates. This is a result of the strong midweek corporate and contractor demand for hotel accommodation in Northampton, and the lack of weekend demand, resulting in hotels significantly reducing their room rates to compete for what weekend business there is in the area. Northampton's weekend hotel market is very price competitive as a result.

Table 8
NORTHAMPTON HOTELS
WEEKDAY/ WEEKEND ACHIEVED ROOM RATES – 2015

Standard of Hotel	Average Annual Achieved Room Rate £			
	Mon-Thurs	Friday	Saturday	Sunday
Branded 3/4 Star Hotels[1]	79.68	60.17	63.13	66.71
Branded Budget Hotels[1]	58.23	41.87	51.30	39.94

Source: STR Global

5.2.5. Room rates are particularly high on Tuesday and Wednesday nights. Northampton's 4 star hotels are currently charging B&B room rates of around £150-160 for their standard rooms on these nights, compared to £95 on Thursday nights and £65 on Friday nights. Northampton's budget hotels are charging room only rates of £80-90 on Tuesday and Wednesday nights, compared to £55-60 on Thursday nights and £40-45 on Friday nights.

Seasonality

5.2.6. In terms of seasonality, hotel occupancies are at their strongest in Northampton between June and October, when weekend demand from wedding parties and people attending events at Silverstone increases. Occupancies are lower in December and January, when midweek corporate and contractor demand reduces and weekend demand is at its lowest. Hotel occupancies are otherwise stable between February and May and in November.

Table 9
NORTHAMPTON BOROUGH HOTELS
MONTHLY OCCUPANCIES – 2015

Month	Room Occupancy %	
	Branded 3/4 Star Hotels	Branded Budget Hotels
January	57.6	66.3
February	71.2	75.9
March	74.2	78.6
April	70.8	78.6
May	72.2	78.7
June	74.7	83.8
July	78.6	86.8
August	73.2	78.5
September	81.3	85.7
October	77.6	80.6
November	70.3	74.0
December	59.5	60.9
2015	**71.7**	**77.2**

Source: STR Global

5.3. Midweek Markets

5.3.1. The key midweek market for Northampton's 3 and 4 star, and upper-tier budget hotels, and one unbranded hotel is corporate demand from local companies, in terms of demand from managers, staff and customers visiting companies or attending meetings and training courses.

5.3.2. Corporate demand for hotel accommodation in Northampton comprises a series of micro corporate markets, with hotels primarily serving the companies in their immediate vicinity. Key corporate hotel markets are around Brackmills and Grange Park. Hotels at Junction 15 of the M1 and along the A45 corridor also attract transient corporate demand from business travellers using the M1. Some of the hotels on the western side of Northampton reported attracting overspill corporate business from Milton Keynes.

5.3.3. Residential conferences are a secondary midweek market for Northampton's 3 and 4 star hotels, accounting for 10-25% of midweek occupancy. They are generally for 20-40 delegates, staying for 1-2 nights. Northampton hotels attract a mix of conference business from local companies and footloose conferences that are attracted by the town's central location and good motorway links. Hotels also attract some weekend association and charity conferences. They attract some midweek demand for larger conferences of 100+ delegates. Hotels generally turn away conferences of this size if they want Tuesday and Wednesday nights, as they know that they can fill with high-rated corporate demand on these nights. They are more likely to take larger residential conferences on Monday and Thursday nights, but most tend to want to include a Tuesday or Wednesday night.

5.3.4. Northampton's budget hotels generally attract a mix of midweek corporate demand from local companies and contractor business related to construction projects in the town and surrounding area.

5.3.5. Contractors are the key source of midweek business for two of the town's unbranded hotels.

5.4. Weekend Markets

5.4.1. Key weekend markets for Northampton hotels are:

- People attending weddings, functions and other family occasions;
- People visiting friends and relatives in the town;
- People attending events in the area, particularly at Silverstone.

5.4.2. Two 3/4 star hotels indicated that they attract some weekend leisure break business through their company short break programmes or online travel agents (OTAs) such as booking.com. This is very price driven business. The majority of Northampton's hotels reported that they do not attract weekend or midweek leisure break business. The town's hotel managers feel that there are no compelling reasons for people to come to Northampton for a leisure break that they can use to target such business.

5.4.3. At least two of Northampton's 3/4 star hotels take some weekend group tours that combine a visit to Althorp with trips to Warwick, Cambridge or the other historic houses and gardens in Northamptonshire. This is low-rated business that the hotels take to boost its weekend occupancies.

5.4.4. In terms of events that generate demand for hotel accommodation in Northampton:

- The British Formula 1 Grand Prix in July and British Grand Prix MotoGP in September at Silverstone generate significant demand for hotel accommodation in Northampton.
- Silverstone has a full programme of other motorsports events on most weekends between May and October, which generate demand for Northampton's hotels from participating teams and spectators. Key events mentioned by hotel managers are the Blancpain Endurance GT Series, British Superbike Championship, Silverstone Classic, British Touring Car Championship, International GT Open and FIA World Endurance Championship.
- Events at Santa Pod Raceway generate demand for some budget and unbranded hotels in Northampton.
- Football, rugby and cricket teams playing in Northampton occasionally require hotel accommodation in Northampton. Home football, rugby and cricket matches do not generally produce business for hotels from visiting spectators.
- Two hotels on the western side of Northampton reported occasionally attracting demand from people attending concerts at the MK Bowl.
- The Alive@Delapre concerts have generated some demand for hotel accommodation in the town.
- Two hotels located close to Billing Aquadrome attract some demand from the Northampton Balloon Festival and some of the other events that are held at the Aquadrome. Other hotels did not report any demand from these events however.
- One hotel occasionally attracts demand from golf championships at Collingtree Park Golf Club.

5.4.5. Other weekend markets for Northampton hotels are:

- Clubbers staying over after a night out in the town, for some town centre budget hotels;
- Visiting sports teams, for some budget and unbranded hotels;
- Association conferences for two 4 star hotels;
- Car groups for one 4 star hotel.

5.4.6. Corporate arrivals for the week ahead are a key market on Sunday nights.

5.5. Market Trends

5.5.1. Key trends in the Northampton hotel market have been as follows over the last 3 years:

- Corporate demand has grown in 2014 and 2015. Corporate lengths of stay have increased, boosting Monday and Thursday occupancies. Corporate arrivals on Sunday nights have increased, resulting in stronger Sunday occupancies for many hotels. One hotel reported an increase in overspill corporate business from Milton Keynes.
- Residential conference business has increased for 4 star hotels.
- Contractor demand for budget and lower-priced unbranded hotels has increased in 2014 and 2015, as a result of higher levels of construction activity in the town.
- Town centre budget and unbranded hotels have lost corporate and contractor business to the new town centre Premier Inn in the first quarter of 2016. It remains to be seen whether they will recover this business as the market settles in 2016.
- Northampton hotels reported very little change in weekend demand over the last 3 years. One hotel has seen a slight increase in demand from wedding parties. One has driven more weekend business through OTAs, such as booking.com and LateRooms. One hotel has seen more business from motorsports events at Silverstone. On the whole, however, weekend demand has remained largely unchanged since 2013.

5.6 Denied Business[1]

5.6.1. Northampton's 4 star hotels regularly deny business on Tuesday and Wednesday nights for much of the year, to a fairly significant degree for one hotel. They do not tend to turn business away on Monday or Thursday nights however, and rarely deny weekend business, other than for the British Formula 1 Grand Prix and the MotoGP at Silverstone. While we were unable to speak to the town's 3 star hotels, we suspect that they also deny business on Tuesday and Wednesday nights, but rarely turn business away on any other night of the week, other than for the two main events at Silverstone.

[1] Business that hotels have to turn away because they are fully booked

5.6.2. A number of Northampton's budget hotels consistently deny fairly significant numbers of bookings on 3 or 4 midweek nights and Saturday nights for most of the year. Some budget hotels also turn significant business away on Friday nights between May and September. The new town centre Premier Inn is already filling and turning business away during the week and on Saturday nights, and many of the budget hotels around the town have continued to deny midweek and Saturday night business in the first quarter of 2016, despite the opening of this new hotel. Other budget hotels deny midweek business less frequently and to a lesser degree, and rarely turn business away at weekends.

5.6.3. One unbranded hotel regularly turned midweek business away in 2015, and occasionally on Saturday nights, but has not done so thus far in 2016 as a result of the opening of the new Premier Inn. Other unbranded hotels occasionally turn business away on Tuesday and Wednesday nights.

5.7. Prospects for 2016

5.7.1. Northampton's 4 star, upper-tier budget and budget hotels generally expect to maintain their 2015 occupancy levels in 2016, and most (although not all) hotels expect to see further growth in their achieved room rates this year. Continuing buoyancy in the corporate and contractor markets was cited as the key factor behind the optimistic outlook for Northampton hotels in 2016. With continuing high midweek occupancies but limited scope to grow weekend demand, many of Northampton's hotels are effectively trading at their maximum achievable occupancy.

5.7.2. Some of Northampton's budget and unbranded hotels expect 2016 to be a very challenging year for them because of the opening of the new town centre Premier Inn and the impact that it is having on their occupancies and achieved room rates. 3 star hotels may also have been affected by the new Premier Inn.

6. FUTURE GROWTH PROSPECTS

6.1 Strategic Context

6.1.1 Northampton forms part of two overlapping Local Economic Partnerships – the South East Midlands Local Enterprise Partnership (SEMLEP) and the Northamptonshire Economic Partnership (NEP). Both have ambitious plans for growth set out in their Strategic Economic Plans (SEPs):

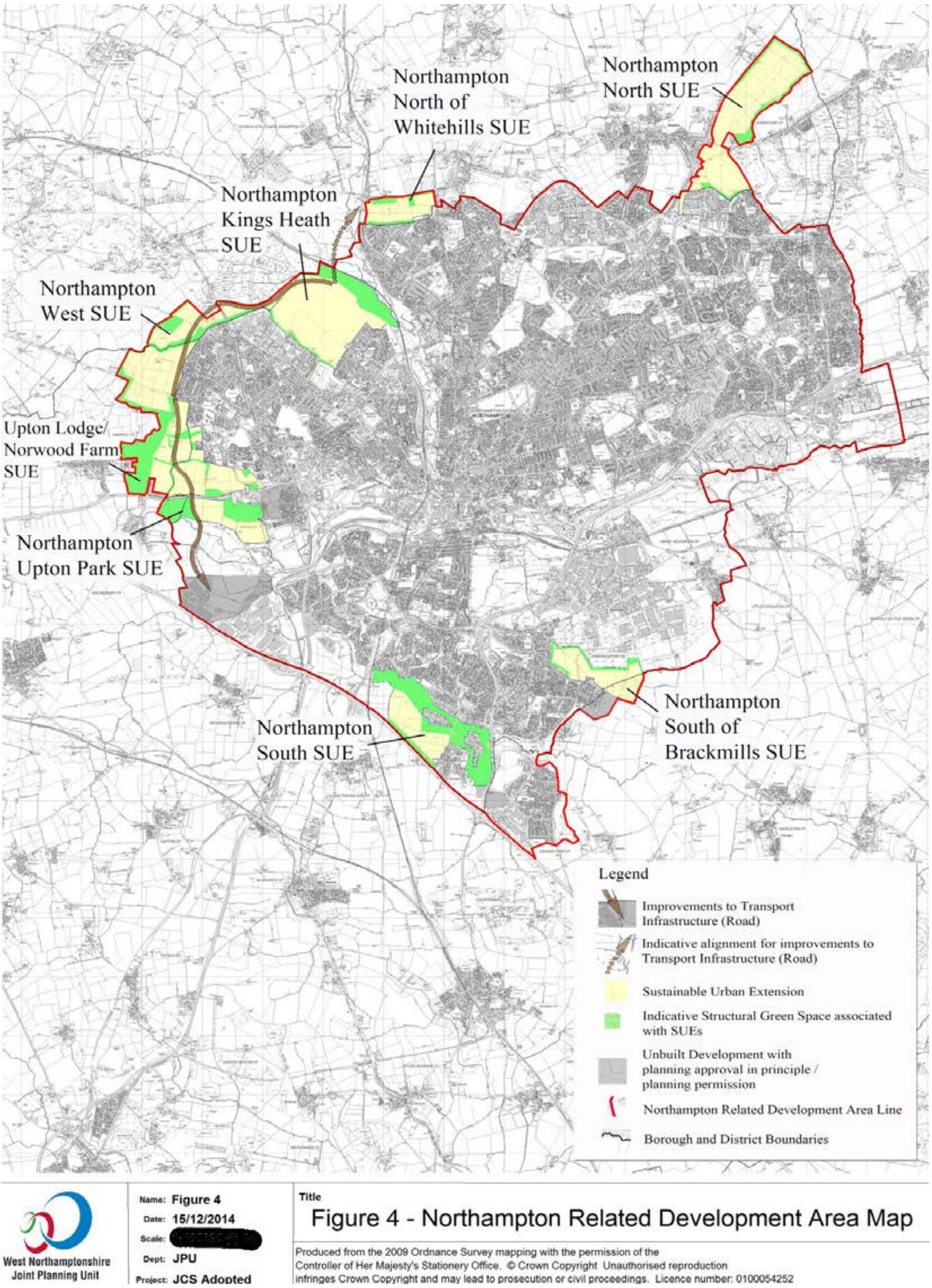
- SEMLEP seeks to create 94,700 new jobs by 2020, build 70,600 new homes and invest £60m of Local Growth Fund resources in 2015/16 alone, alongside over £200m of local public and private sector investment.
- NEP is targeting growth of 32,500 jobs by 2021 alongside 37,000 homes

6.1.2 Four key sectors are identified in both SEPs as having the capability, the major assets and the greatest potential to rapidly grow. These are High Performance Technology, Logistics, Manufacturing and Advanced Technology (including Food and Drink) and the Cultural and Creative Sectors (including the visitor economy and sport). The strategies and interventions focus on projects that will develop these sectors, but also on infrastructure projects, including transport improvements, that will enable them to flourish.

6.1.3 Northampton has an important role to play in driving the economy of the wider region. The West Northamptonshire JCS targets the delivery of 28,000 new homes and 28,500 new jobs, with much of this around Northampton. The Council is employing a high growth strategy, set at twice the national average for growth in both population and economy. The 2012 Employment Land Study identified potential for over 26,000 jobs to be delivered in and around Northampton, the majority of these (over 18,500) in office uses. In addition to the four growth sectors set out in the SEPs (advanced manufacturing, logistics, high performance technology and culture), the Borough identifies the importance of construction, retail, financial services and office development to future growth. In terms of population growth, the latest ONS Sub-national Population Projections (2013) forecast that the Borough population will increase from 215,000 in 2012 to 251,000 by 2029.

6.1.4 Much of the focus for the delivery of this growth in Northampton Borough will be on the Waterside Enterprise Zone, plus a number of strategic development sites and Sustainable Urban Extensions (SUEs) around the town, some of which are located within the boundaries of neighbouring authorities.

NORTHAMPTON RELATED DEVELOPMENT AREA MAP



Source: WNJCSLP, 2014

6.2 Key Development Projects

The Northampton Waterside Enterprise Zone

6.2.1. The Waterside Enterprise Zone covers an area of some 120 acres of land and 20+ strategic development sites running along the River Nene, into and beyond the town centre. It aims to become a national centre of excellence for high performance technology and low carbon sustainable industry, and will deliver over 420,000 sq m of high value commercial and industrial floorspace, alongside new homes, leisure and community facilities. The Enterprise Zone can offer a simplified planning process, investment in infrastructure and business rate relief amongst other incentives for businesses. Some of the key projects are detailed below:

- **University of Northampton Waterside Campus**
  - The University of Northampton is currently developing a landmark modern, purpose-built campus for more than 15,000 students at a cost of £330m. Due to open in September 2018 it will provide state of the art academic facilities plus residential facilities for 1200 students and leisure facilities open to the wider community. The 58-acre site is located on the Bedford Rd approach to the town centre, well-connected to the Cultural Quarter and adjacent to Avon's headquarters.

- **Four Waterside**
  - This site, which extends south of St Peters Way from the Carlsberg brewery site to the railway station, will house the main concentration of future office development in Northampton – potentially 43,000 sq m of office floorspace. The first phase of 60,000 sq ft is to be developed in partnership with Kier. At the far end of the site, opposite Castle station, the University of Northampton Innovation Centre is now complete – an £8.5m investment that will provide accommodation for up to 55 small businesses.

- **Northampton Castle Railway Station**
    - Phase 1 of Castle Station, which is now complete, involved a £20m investment to create a new gateway station building. The second phase of the 5.4 ha station development will be a 1300 space car park, followed by 26,000 sq m of office/commercial development, 270 dwellings, retail, cafes, restaurants, and potentially a hotel.
- **Project Angel**
    - This is an office development which will be a new headquarters for the County Council. The building will be capable of housing up to 2,000 office workers. 12 public sector offices will be vacated into one fit for purpose energy efficient building in the town centre.
- **Greyfriars**
    - The Greyfriar's site formerly housed the town's bus station and Brutalist office building, now demolished. Expressions of interest in developing this site have been sought, for a mixed use scheme incorporating office, leisure, homes and a hotel,.

Developing the Leisure and Business Tourism Offer

6.2.2. There are a number of recently completed, pipeline and proposed projects that will contribute to the development of Northampton's leisure and business tourism offer:

- **Franklin's Gardens Barwell Stand Conference Facilities**
    - The recently completed multi-million pound development of the Barwell Stand at Northampton Saints' Franklin's Gardens stadium includes two large suites capable of hosting conferences and functions for up to 750 people, the new Elite Suite conference space for up to 100 delegates, and 12 Executive Boxes that can be used for breakout rooms, giving Northampton a new large-scale conference, exhibitions and functions venue.

- **Sixfields Stadium Development**

    - Northampton Town Football Club have long-standing proposals to redevelop the Sixfields Stadium to increase capacity, and potentially incorporate a hotel and conference centre. The Club was loaned £10m by the Borough Council, in exchange for which the surrounding land will be developed for leisure uses. These proposals are currently being revisited by the new owners of the Club.

- **Cultural and Heritage Product Development**

    - There are a number of current and planned regeneration projects in Northampton town centre that will combine to create a much stronger cultural and heritage offer for the town:

        - The continuing development of the **Cultural Quarter** in terms of the current development of the former Vulcan Iron Works into a cultural hub of managed workspace for up to 70 creative businesses; the planned expansion of the Northampton Museum and Art Gallery, and the proposed relocation of the Museum of Leathercraft to the Cultural Quarter.
        - The current restoration and development of **Delapre Abbey** as a visitor attraction and wedding and events venue.
        - The potential longer-term development of the area around Marefair as a **Heritage Gateway**.

- **Northampton BID**

    - The Northampton BID has been successfully renewed and started its new 5-year term on 1 January 2016. One of the aims of the new BID plan is to improve the image of Northampton as a weekend destination, focusing on the development and promotion of the Cultural Quarter to build the critical mass necessary for the town to be considered as a worthwhile destination for a weekend break. The BID team are working with Partnerships for Better Business, who were behind the successful development of the Cathedral Quarter in Derby.

- **Prospects for Renewed County Destination Marketing Activity**

    - The Northamptonshire Enterprise Partnership is currently in the process of developing a new Visitor Economy Strategy for Northamptonshire to provide a framework for renewed marketing of the county to target staying leisure visitor markets and the development of the county's visitor experience and product. The strategy is due to be completed by the end of June. The Enterprise Partnership will then seek resources, and establish a mechanism to implement the strategy. This could include the establishment of a new Destination Management Organisation for Northamptonshire through some form of public-private sector partnership.

Other Demand Drivers

6.2.3. Other drivers of growth in hotel demand in Northampton will be:

- **Construction-Related Demand**

    - Northampton is growing fast, involving significant levels of construction work on new developments – major regeneration schemes, housing developments, infrastructure projects. This demand can be at many levels – builders/fitters may require budget hotel accommodation, but designers, engineers and senior staff from construction companies may be looking for more up-scale hotel accommodation. We would expect hotel-related demand to increase as more schemes come on stream.

- **Demand Related to Housing/Population Growth**

    - The substantial number of new homes being proposed and developed will result in an increase in the local population. This will fuel growth in demand for hotel accommodation from people attending weddings and other family occasions and those visiting friends and relatives in the area, and should increase alongside population growth.

6.3. Key Projects in Surrounding Areas

6.3.1. Key projects in surrounding areas that could drive growth in demand for hotel accommodation in Northampton, at least during their construction phase, are as follows:

- **Silverstone Circuit** is currently undergoing a 20-year development programme that will include the development of:
    - Silverstone Park business and technology park for high performance technology and motorsports industries that will deliver 6m sq ft of mixed used accommodation and create up to 3,000 jobs;
    - An education campus;
    - Three hotels;
    - New spectator facilities;
    - The Silverstone Motor Sport World museum of motor sports;
    - Leisure and events spaces, including a karting track and outdoor stage.

- **Silverstone Motor Sport World** will bring to life the heritage of Silverstone and British motor racing through a series of interactive exhibitions and displays and tours of the Silverstone circuit. It will include a state-of-the-art accessible archive to house the extensive British Racing Drivers' Club collection, alongside a welcome area, shop, café, education rooms and circuit viewing gallery. It is projected to attract 400,000 visitors per year.

- The development of Silverstone presents something of a double-edged sword for Northampton hotels. The construction phases are likely to generate contractor demand for hotel accommodation in Northampton, and the Silverstone Motor Sport World attraction could provide a draw that Northampton hotels can use to attract weekend break business. The development of the business and technology park could generate corporate demand for Northampton hotels, however the proposed on-site hotels may well soak up most of this business. The on-site hotels will undoubtedly cater for demand from spectators attending the motorsports events at Silverstone, which could lessen this business for Northampton hotels at weekends.

- The original plans for **Midway Park** employment and distribution site at Junction 16 of the M1 included 35,000 sq. m of office space, 56,400 sq. m of general industrial space, 345,000 sq. m of distribution warehousing, and a possible hotel. Developers Hampton Brook submitted a formal request to South Northamptonshire District Council in February 2014 for a screening opinion. The Council advised that an Environmental Impact Assessment would be needed for the proposal. We understand they have now submitted this EIA (February 2016) and that the revised scheme is for B2, B8, ancillary B1, a lorry park and infrastructure/access works.

- Two major urban extensions are being progressed in **Wellingborough** – Stanton Cross (for 3,200 dwellings) and Wellingborough North (for 3,000 dwellings). Developer Prologis has secured outline planning permission for its £150m Appleby Lodge logistics park.

- In East Northamptonshire plans are being progressed to develop the **Rushden Lakes** retail and leisure scheme. The first phase of stores for Marks & Spencer, House of Fraser and Primark will be built in 2016 for a spring 2017 opening. The developers are in the process of submitting an updated application for a range of leisure and entertainment facilities on the site, including a 12-screen cinema, a tenpin bowling alley, an indoor climbing structure, additional restaurants, and cycle hire facilities. The construction phase could generate contractor demand for Northampton budget hotels along the A45 corridor. We would not expect the completed development to generate demand for Northampton hotels however.

6.4. Growth Prospects by Market

6.4.1. Our research suggests the following prospects for future growth in demand for hotel accommodation in Northampton Borough:

- **Corporate demand** for hotel accommodation looks set to increase significantly given the planned office development and employment growth in the Enterprise Zone. This could include an increase in long stay corporate demand, depending on the type of companies that are attracted to the new office space.

- There will also be significant growth in **contractor business**, particularly for budget and lower-priced unbranded hotels, given the scale of construction work that is planned in and around Northampton. Construction projects could also generate business for 3 and 4 star hotels.

- There could be some scope for growth in **residential conference business** for hotels that can cater for it, given the continuing national recovery in this market; the development of Northampton's economy and attraction of new companies; and the appeal of Northampton for footloose corporate and association conferences, given its central location and motorway access. Stronger promotion of the town as a conference destination could also boost this market. The potential for hotels to develop this market will however continue to be constrained by the lack of hotel bedroom availability on Tuesday and Wednesday nights, and Northampton's limited supply of 4 star hotels with good conferencing facilities. It seems likely therefore that potential demand for larger residential conferences will continue to be frustrated.

- There could be potential for Northampton to attract **large multi-day corporate and association conferences, exhibitions and events**, given the new conference facilities at Northampton Saints' Franklin's Gardens Stadium and the proposed conference centre and hotel at Northampton Town FC's Sixfields Stadium. The limited hotel availability on Tuesday and Wednesday nights is however likely to limit the potential for these venues to target such business, certainly for weekdays. There could be more mileage in them targeting weekend association conferences, exhibitions and events.

- **Motorsports events at Silverstone** will continue to be a key driver of weekend business for Northampton hotels. The MotoGP is however moving to the Circuit of Wales in 2018. The planned hotels at Silverstone could also soak up much of the demand for smaller motorsports events, thus lessening this business for Northampton hotels.

- On the other hand, the Silverstone Motor Sport World attraction could provide a draw that Northampton hotels can use to attract weekend leisure break stays, perhaps through the development of **motorsports breaks**. These might combine a visit to the attraction with attendance at a motorsport event or car show/rally at Silverstone, Santa Pod, Rockingham Motor Speedway or Billing Aquadrome, or simply involve a visit to the Motor Sport World attraction when there are no events on.

- There could also be scope for Northampton's hotels to use Northampton's improving cultural and heritage offer to develop **weekend break business**. This will need a concerted effort, with support from Northampton Borough Council, the Northampton BID and the Northamptonshire Enterprise Partnership to raise awareness of Northampton as a potential weekend break destination, and further complement the improving visitor offer through a programme of events and festivals with sufficient pulling power to attract staying visitors.

- There may be some scope for Northampton's 3/4 star hotels to attract more **weekend group tours**, using them as a base for visiting Althorp and the other historic houses and gardens in Northamptonshire, or for motorsports themed tours, perhaps for car clubs.

- Demand from **people attending weddings and family parties and visiting friends and relatives** in Northampton should grow strongly as the area's population grows. The development of new wedding venues, in terms of Delapre Abbey, the banqueting facilities at Franklin's Gardens and those proposed for Sixfields Stadium, and perhaps also Abington Manor once it is refurbished, could also help to drive an increase in demand from wedding parties.

- Population growth and the development of the evening economy in Northampton town centre could generate an increase in demand from those wanting to stay over in town centre hotels, especially budget hotels, after a night out.

7. FUTURE POTENTIAL FOR HOTEL DEVELOPMENT

7.1 Hotel Demand Projections for Northampton

7.1.1. In order to provide an indication of the number of new hotel bedrooms that might be needed in Northampton through to 2029 as Northampton's hotel market grows, we have prepared projections of possible future growth in hotel demand in Northampton from 2016 to 2019, 2024 and 2029, using our Hotel Futures demand forecasting model. Projections have been prepared for 3/4 star hotels and budget hotels taking Northampton's current supply of hotels[10] and our estimates of 2015 roomnight demand as the baselines for the projections. Projections have been prepared for low, medium and high growth scenarios, taking the latest available employment and population forecasts for the Borough as a starting reference point. The projections assume that growth will be unconstrained by site availability and planning policy. The methodology and assumptions used for the projections are set out at Appendix 5.

7.1.2. The results of our demand projections are set out in the table below.

Table 10
NORTHAMPTON
PROJECTED REQUIREMENTS FOR NEW HOTEL DEVELOPMENT – 2016-2029

STANDARD OF HOTELS/YEAR[11]	PROJECTED NEW ROOMS REQUIRED		
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH
3/4 Star Hotels			
2016 – 2019	45	56	67
2020 – 2024	83	109	137
2025 – 2029	123	168	216
Budget Hotels			
2016 – 2019	9	27	46
2020 – 2024	88	134	182
2025 – 2029	175	254	337
TOTAL NEW HOTEL ROOMS			
2016 – 2019	54	83	113
2020 – 2024	171	243	319
2025 – 2029	298	422	553

[10] Including the new town centre Premier Inn
[11] Short term 2016-2019; Medium term 2020-2024; Long term 2025-2029

7.1.3. These results, and our other research findings show the following in terms of the potential for hotel development in the Borough:

- No immediate potential for a new 3 or 4 star or budget hotel in the next 3 years.

- The short term opportunities for additional hotel provision in the Borough are in terms of:

    - The boutique hotel on Guildhall Road (13 bedrooms);
    - Further serviced apartments, primarily in terms of residential apartments let out by serviced apartment operators, but possibly also a small aparthotel (30-40 units) or purpose-built serviced apartment complex;
    - The expansion of existing hotels;
    - Scope possibly for a small lodge/ budget hotel.

- Given high growth, the projections suggest potential for a new 3 or 4 star hotel by 2024, and possibly a further 3 or 4 star hotel by 2029. Lower levels of growth are only likely to support one new 3 or 4 star hotel by 2029.

- It remains to be seen whether there is a market in Northampton to support additional boutique hotels. Much will depend on how the Guildhall Road boutique hotel trades.

- High levels of growth could support another two budget hotels in Northampton by 2024 and a third potentially by 2029. Lower levels of growth are likely to support one new budget hotel by 2024 and a second additional budget hotel by 2029.

- There could be potential for further serviced apartments in the medium to long term, to cater primarily for long stay corporate demand, and other long stay markets e.g. cast and crew members involved in theatre productions.

7.1.4. The above growth projections are not intended to be targets or limits on new hotel provision: they merely provide an indication of the level of new hotel development that market growth is likely to support, assuming that all hotels receive their fair l share of available business. They do not take account of the new corporate, residential conference or leisure demand that new hotels might be able to generate as a result of their brand and/or conferencing and leisure offer, or the extent to which new hotels might take more than their fair share of the market through competing well with existing hotels. New hotels could therefore be developed ahead of our growth projections if hotel companies feel that they can compete well in the Northampton market and/or they are confident of attracting new business. It must also be borne in mind that it can take at least 2-3 years for a new hotel to be delivered on the ground, so hotel companies that might be looking at Northampton now will be considering hotels that will not be operational until 2019 or 2020, when the market should have grown to support new hotel provision.

7.2 Hotel Developer & Operator Interest in Northampton

Introduction and Approach

7.2.1. Testing hotel developer and operator interest in a destination brings a live perspective on hotel investment from the sharp end of those involved in developing new hotels. It is an opportunity to probe perceptions of Northampton and its hotel market, specific brand interest and locational preferences, gain feedback on any sites reviewed, and a view on the obstacles to gaining representation here.

7.2.2. By way of context, we initially provide below some ‘scene setting’ in terms of the impact of the performance of the economy on hotel development, followed by an outline of hotel business models and funding routes, which should help to explain the hotel developer and operator responses, particularly in terms of the challenges faced to get new hotels off the ground.

The Economic Backdrop

7.2.3. Hotel performance and the hotel investment cycle is closely linked to trends in the national and local economy and so the economic downturn that began in 2008 and the subsequent climb out of recession has hit the sector in several ways. Hotel performance fell back with occupancy dropping below 70% from 2009, only recovering to pre-recession levels in 2013. In terms of achieved room rates, they have taken until 2014 to recover to these levels. The drop in performance affected end values in some cases to the point where it would cost more to build a hotel than its value, resulting in hotel investors holding back on new build schemes until yields improved. This has made funding more difficult to secure, especially for small hotel companies and franchisees, and when available often on less favourable terms, with less debt funding and more equity required. These trends have had implications for the type of new hotel being delivered, favouring conversions and re-brandings alongside refurbishment and improvement, encouraged by the ability to buy existing hotel stock at less than replacement value.

7.2.4. As a result of this risk-averse climate, many hotel companies are now focusing on asset-light development strategies that don't involve them in capital outlay. A number of 4 star and luxury international brands have for some time only done management contract deals, but certainly their prevalence has spread as funding has become more difficult to secure. These schemes involve significant levels of investment and what the operator brings to the table is their sector expertise and brand strength. This reinforces an earlier trend in the sector pre-recession, for hotel companies to divest themselves of their property assets whilst retaining the contract to operate – Hilton and Accor are good examples.

7.2.5. Whilst funding 3 and 4 star hotels has been a challenge during the economic downturn, budget hotel development has continued apace: Travelodge and Premier Inn have remained active, offering the advantage of their ability to take lease deals in developer-led schemes. One advantage of the downturn in the property market has been that residential and some commercial sites have come forward for hotel development that would not previously have been available or affordable. A weaker market has also seen some distressed hotels coming onto the market being bought up by chain hotel companies and re-branded. London has also been a key focus of hotel development interest, driven by strong performance and the 2012 bounce.

7.2.6. PwC, one of the UK's leading hotel consultancies, identifies a solid return to revpar growth as critical to de-risking hotel investment; with revpar having turned the corner in 2014, access to finance should improve and the pace of new hotel development should accelerate. Growth will vary between regions and segments, with London likely to continue to see the highest growth in supply, and key regional cities having the largest active hotel development pipelines. The structural shifts that have taken place continue to squeeze the middle, with budget hotels making up 50% of total pipeline schemes identified in PwC's hotel forecast, and the 4 and 5 star segment accounting for almost 40%.

7.2.7. In overview, the Credit Crunch and recession have inevitably had an impact on slowing the development plans of hotel companies, and seen new routes to delivery emerging. The upturn in the hotel market and economic growth looks likely to improve the climate for hotel investment, though in counterbalance the upturn in demand from residential and office markets will mean greater competition for land, making it harder and more expensive to acquire sites.

Hotel Business Models & Funding Routes

7.2.8. Hotels can be developed and operated under a number of different business models (summarised in the table overleaf) with hotel brand owners, franchisees and property developers playing different roles in each case, with development and operating risks shifting under the different models.

7.2.9. The levels of capital outlay as well as development risk required by a hotel company therefore vary considerably between these options. Many more hotel operators, particularly at the 4 star level, which is much more capital intensive, are likely to be interested in options put to them that involve management contracts than in building and funding hotels themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations. Hotel development has thus become largely driven by property developers who bring in hotel companies to manage the hotel under an established brand, allowing them to secure finance from institutional investors.

7.2.10. Many of the chain hotel companies will have a mix of the above structures in place, though some do prefer a single route. Often franchisees are looking to build the asset value of the company with a view to exit within a 5-10 year period, and in such situations are less likely to be interested in lease options.

HOTEL DEVELOPMENT & OPERATING MODELS

Hotel Development/Operating Model	Property Company Risk	Hotel Company Risk
Hotel company (hotel brand owner) develops the hotel & subsequently operates and markets under one of its brands *e.g. Whitbread builds and operates a hotel under its Premier Inn brand*	x	√
Hotel company (hotel brand franchisee) develops the hotel then operates and markets under a hotel brand through a franchise deal with a hotel brand owner *e.g. Sojourn Hotels builds a hotel and operates it under a Hampton by Hilton franchise agreement with Hilton Hotels*	x	√
Property company develops the hotel & seeks a hotel company to lease the hotel *e.g. ABC Estates builds the hotel and leases to Travelodge*	√	√ (depending on the type of lease)
Property company develops the hotel & seeks a hotel company to purchase the freehold of the hotel	√	x
Property company develops the hotel & employs a hotel company to manage the hotel under a management contract *e.g. XYZ Estates builds the hotel and brings in Hilton to manage it under its Hampton by Hilton brand*	√	√ (some depending on the terms of the management agreement)

7.2.11. Lease models require a little more explanation, as there are some key issues surrounding lease structures that are impacting upon the ability to deliver hotel developments currently. Developers require hotel operators to take a fixed lease, a standard institutional lease that will give a guaranteed fixed payment per room over a period of 20-30 years. Once secured, this guaranteed income stream makes the development fundable, and the developer can secure finance on the back of this. On completion the developer may retain or sell the investment. Currently, only Travelodge and Premier Inn are able to take such leases, as only they have the strength of covenant required. One or two of the multiple brand chains have taken leases, but generally these will only be for large hotels in premium locations such as London or Edinburgh, where occupancy and high rates are guaranteed. There are accounting implications of fixed leases also, as they represent a financial commitment going forward, and this has also put hotel companies off this model.

7.2.12. More favoured by hotel companies are variable leases, made up of a combination of base rental and a share of turnover. Some guarantees can be built into these arrangements, but should the market fall back, the risk and impact is shared by the developer/funder and the operator. Their responsiveness and flexibility accounts for their appeal to hotel companies. Certainly in previous recessionary climates, fixed leases have contributed to the downfall of hotel companies, as they became unable to meet their rental commitments when trading performance fell back. However, there is evidence that these turnover leases make it difficult to fund development because they don't give the same fixed income stream.

7.2.13. The differing objectives and requirements of developers/investors and operators has led to something of an impasse and resulted in it being difficult to get hotel schemes off the ground. During our consultations with hotel companies we have come across numerous schemes and sites that have stalled for this reason, with few hotel operators able or willing to do the sort of deal the funding institutions require.

7.2.14. The funding climate and the changes in the way that hotels are being delivered has had an impact on the development strategies of hotel companies, with schemes increasingly developer and/or investor-led. Many hotel developers and operators have stopped having target lists of locations where they would like to be, rather considering schemes on an individual basis, if they are live. Many are willing to respond to specific sites and schemes, and to work with a developer on sites and locations to determine the strength of the market and the most appropriate brand to consider. From a destination or landowner point of view, the response should be about making the case and evidencing the potential.

7.2.15. The difficulty in securing funding for hotel schemes has also led to other interventions being used to secure hotel schemes. Local authorities have begun to provide funding to support the development of hotels as part of strategically important mixed-use schemes and the conversion of architecturally important buildings to hotels. In Hampshire, Eastleigh Borough Council has funded the development of a new Hilton as part of the development of the Ageas Bowl cricket ground on the edge of Southampton. In Newcastle, the City Council has borrowed £30m to help fund the development of a 250-bedroom 4 star Crowne Plaza as part of the first phase of the Stephenson Quarter regeneration scheme. Travelodge has been working with a number of local authorities nationally, where the Council has invested in the hotel; an example is the Redhill Travelodge and town centre mixed use scheme in Surrey. InterContinental Hotel Group (IHG) have also worked on several projects involving Council funding of hotels, most recently for Holiday Inn and Holiday Inn Express hotels in Stockport and Blackpool. In each case the Council has funded, developed and owns the hotel – or bought it back off the developer – and taken a franchise with IHG, with an option to put in place a management company. We provide further information on these and other examples of public sector funding of hotel development schemes in the UK at Appendix 9.

Assessing Hotel Company Interest in Northampton – Sampling and Approach

7.2.16. In order to establish the likelihood of bringing hotel development forward in line with the market potential identified, Hotel Solutions undertook a hotel developer and operator testing exercise, via structured telephone interviews with the Acquisitions Directors of the major hotel brand owners in the UK as well as the developers and operators of some emerging hotel offers known to be active in the market currently.

7.2.17. A total of 18 companies were contacted[1]. Many of these, such as Accor, InterContinental Hotel Group and Hilton operate multiple brands from budget through to luxury offers, so the coverage in terms of brands tested is much more extensive, with over 40 brands being represented by these target hotel companies. At the time of writing, 9 responses had been received, which included all the major multiple brand owners, with 32 brands amongst their offers. The sample was selected to have fit with the market potential identified, both immediate and medium to longer term, as well as destination aspirations, and to test out the conditions that would make delivery of other standards and types of hotel deliverable.

[1] A full list of the sample and response can be found at Appendix 6

7.2.18 Seven companies expressed potential interest in Northampton for 10 brands. The one company not currently interested was already well-represented in and around Northampton. We suspect that a number of the non-respondents haven't replied because they are not interested in being represented here. As an example, we understand well the target locations for Malmaison and Hotel du Vin and the rationale behind these (large cities and historic towns with high rated demand, strong leisure drivers as well as corporate base, and international profile), and are aware that this does not currently have fit with Northampton as a destination. Similarly the two main budget hotel providers already have multiple hotel units in and around Northampton, including a very recent development by Premier Inn.

7.2.19 Amongst those potentially interested, there was a reasonable market knowledge derived from having operated in the market area. Accor has an Ibis in Northampton; Hilton has a Hilton 4 star hotel; Marriott has a Marriott, and InterContinental Hotel Group has both Holiday Inn and Holiday Inn Express brands in and around Northampton. Easyhotel had Northampton on their target list, and Moxy had already visited the town and met with the Economic Development Team. Feedback about the market from those companies already represented in the town generally indicated that it was a relatively flat market for them, and there was a perceived rate ceiling based upon the performance of their existing hotels. However, for the most part this did not put them off considering additional representation, rather it sharpened up their appreciation of the most apt brands to place here currently.

7.2.20 In terms of standard and type of hotel offer, there was interest from budget, upper tier budget, budget boutique, 3 star and potentially boutique and 4 star brands. The 4 star interest was caveated with a need to demonstrate that the market was there at this level, and particularly that required rates could be achieved. One multiple brand owner indicated that its boutique hotel brand (which could trade in the 4 star market) is likely to be more deliverable in Northampton than a full service more up-scale 4 star offer. No interest was established from serviced apartment or aparthotel operators.

7.2.21 In terms of location, many of the brands that expressed interest in Northampton would normally choose a town centre location, provided there are enough demand drivers there – particularly offices for corporate demand, and leisure drivers/some evening economy uses. However, the respondents we spoke to in the main did not know the town centre well enough to identify this as their favoured location. There is also the fact that there are a number of demand drivers in out of centre locations around Northampton, particularly in terms of drivers of corporate demand on the business parks and Sixfields Stadium and surrounding leisure uses, which could be of potential interest for hotel development. Whilst there was limited knowledge amongst consultees of Northampton's growth plans and Enterprise Zone status, the fact that there are major regeneration schemes underway and proposed in the town centre is likely to be of appeal and be considered by a number of the brands. However the same applies to several of the schemes along the river in the Enterprise Zone, many of which are edge of centre and in some cases out of centre locations.

7.3 Hotel Site Availability

7.3.1. The availability of suitable hotel sites will clearly be a key determinant of future hotel development in Northampton. There are a number of potential sites that include several that were identified for possible hotel use in the Central Area Action Plan; others that have come forward through the planning system as part of individual or mixed use schemes; plus some 'windfall' sites that are not allocated or the subject of proposals but could offer potential from a planning and market perspective.

7.3.2. Potential sites identified include:

- **Town Centre**
  - Greyfriars
  - 9 Guildhall Road
  - Plough Hotel
  - Victoria St car park

- **Edge of Centre**
  - Avon/Nunn Mills Rd (adjacent to the University Campus)
  - Four Waterside (EZ13)
  - Castle Station (EZ12)
  - Waterside Southbridge West

- **Out of Centre**
  - Sixfields Stadium & surrounds
  - Duston Mill Lane/Upton Way (EZ1)
  - Milton Ham Farm urban extension
  - Dallington Grange urban extension

7.3.3. We offer the following comments on potential hotel sites in overview:

- There are considerably more sites here than we have identified market potential for.
- However, it is unlikely for a number of reasons that all of these would come forward/be delivered for hotel use. Indeed, amongst those identified for hotel use in the CAAP, some have already gone to alternative uses e.g. Angel St. This is particularly so in view of the fact that many of the allocated sites are part of mixed use schemes – a hotel is an acceptable use but does not have to be delivered.
- In terms of location, these sites are in town centre, edge of centre and out of centre locations. In order for edge of centre and out of centre schemes not to undermine the potential to deliver town centre schemes, it will be important that they are associated with some new driver of demand that will help to grow the market.
- The sites that are the strongest generally from a locational and market view are those:
    - Associated with other demand-generating development, particularly offices for corporate demand (Four Waterside, Castle Station, Greyfriars) and leisure market drivers (Sixfields Stadium/surrounds).
    - With good access and visibility to main routeways and transport hubs, and on-site parking.
- Conversion opportunities in the Cultural Quarter (9 Guildhall Road) could attract interest for boutique or aparthotel development as the Cultural Quarter develops as a stronger weekend destination.
- In terms of the suitability of sites for different types and standards of hotel, the best strategic fit from these initial assessments would seem to be:
    - Four Waterside and Nunn Mills Road as the strongest sites within the Enterprise Zone for full service 4 star or 3 star hotels;
    - Sixfields stadium as a site with sufficient land for a full service hotel with a more extensive land take, or a budget/limited service hotel;
    - Greyfriars for a budget/limited service hotel or aparthotel, given its slightly off-pitch location in relation to the major regeneration sites along the river in the Enterprise Zone;
    - Castle Station for a budget/limited service hotel;
    - Guildhall St for boutique or aparthotel, given its location in the Cultural Quarter and the heritage appeal of the building.

More detailed sites assessment are provided at Appendix 7

- This is a high level assessment only. In order to more fully match site opportunities to market potential and developer/operator requirements, more detailed work would be needed to establish the scale of potential development (number of rooms and height of development), a planning view, and the deal sought by the owner or potential developer/investor.

8. CONCLUSIONS & RECOMMENDATIONS

8.1. Hotel Development Opportunities in Northampton

8.1.1 Our hotel demand projections for Northampton and the other findings of our research show the following potential for hotel development in Northampton Borough[1] through until 2029:

- Potential in the short term (the next 3 years up to 2019) for:
  - The new boutique hotel on Guildhall Road;
  - Additional serviced apartments, primarily in terms of residential apartments let out by serviced apartment operators, but potentially also for a small aparthotel or purpose-built serviced apartment complex (30-40 units);
  - The expansion of existing hotels;
  - Scope possibly for a small lodge/budget hotel.

- Potential in the medium (2020-2024) to longer-term (2025-2029) for:
  - One, and perhaps two full service 3 or 4 star hotels, given strong growth;
  - Up to three more budget/ limited service hotels;
  - Further serviced apartments, again primarily in terms of residential apartments let out by serviced apartment operators, with potential possibly for some purpose-built aparthotel or serviced apartment provision.

8.1.2. It remains to be seen whether Northampton will be able to support further boutique hotels beyond the new one on Guildhall Road. Much will depend on how this hotel trades. One multiple brand owner indicated that its boutique hotel brand (which could trade in the 4 star market) is likely to be more deliverable in Northampton than a full service more up-scale 4 star offer. This could be an option to explore therefore, perhaps as a conversion opportunity for 9 Guildhall Road .

[1] The range given reflects whether low, medium or high growth in the market is achieved.

8.2. Implications for Planning Policy

A Need to Plan for Hotel Growth

8.2.1 The Hotel Futures Study shows market potential for up to five new hotels in Northampton, and potentially one or two aparthotels or serviced apartment complexes by 2029, depending on how strongly corporate and contractor demand grows, and the extent to which weekend demand can be boosted. The new Northampton Local Plan (Part 2) thus needs to plan for additional hotel development in Northampton.

8.2.2. Planning policy cannot determine the standard of hotels that will be delivered: permission can only be granted for a hotel use, not a particular standard of hotel. Reference to the conclusions and recommendations of the Hotel Futures Study in the supporting text to a hotel development policy in Local Plan (Part 2) would however be helpful in terms of giving direction to the market on the opportunities for new hotel provision. Other, more proactive interventions will be needed by the Borough Council to try to influence the standard of hotels that are delivered. We discuss these requirements below under 8.3.

A Locational Strategy for New Hotels – The Need for Some Sequential Test Flexibility

8.2.3. Planning policy can have more of an influence over the location of new hotels. National planning policy guidance prioritises town centre locations for hotel development and requires the satisfaction of a sequential test for hotel proposals in edge of town centre and out-of-town locations. While Northampton town centre is a suitable location for new hotels, and there are some good potential hotel sites here, there are equally good, if not better hotel sites in the Enterprise Zone e.g. Four Waterside, Castle Station, Avon/Nunn Mills Road and Sixfields Stadium, where it would be appropriate to encourage new hotels. One or more of these sites might offer a suitable opportunity for full service 3/4 star hotels with leisure facilities, which it may not be possible to accommodate on town centre sites (due to their land take).

8.2.4 We would thus recommend an approach in Local Plan (Part 2) that prioritises hotel development both in the town centre and the Enterprise Zone, without the need to rigorously apply the sequential test to Enterprise Zone sites. Hotel proposals in other parts of the Borough should however continue to be the subject of the sequential test, particularly in the case of hotels of any scale. Smaller developments in out of centre locations, say up to 40 rooms, such as might come forward attached to a pub/restaurant as part of one of the urban extensions, are unlikely to impact on the delivery of major town centre/edge of centre hotels, and flexibility in relation to such developments could be built into planning policy.

8.2.5 In terms of the opportunity for hotel development in other parts of the Borough, there could be potential associated with existing drivers of demand, such as business parks, golf clubs (e.g. Collingtree Park), or other leisure attractions (e.g. Billing Aquadrome), as well as new drivers of demand in terms of major new business parks. We have not identified any current interest in hotel development in such locations, but it could come forward at some point in the future. With a locational strategy that seeks to focus hotel development on the town centre and Enterprise Zone, any proposals for hotels of scale that come forward in these types of location should be required to justify the market and business case for their development in terms of how far they will service and/or attract demand that cannot be accommodated by hotels in the town centre or Enterprise Zone.

No Need to Allocate Hotel Sites for Northampton?

8.2.6 The case for allocating sites for hotel development is strongest in locations where there is a paucity of good hotel sites, and where hotel development is being frustrated by competition from higher value uses such as offices or residential. These factors are not clearly evident in Northampton. There are a number of sites already with outline planning permission for hotels, and other sites that could come forward for hotel development. In overall terms there are more potential hotel sites than we are identifying market potential for new hotels. Other than the fact that the Angel Street site has gone entirely to office use, there is no evidence that hotel projects are currently being, or are likely to be squeezed out by alternative uses. Moreover, there is no certainty that new hotels can be commercially delivered in Northampton, because of the lack of weekend demand. Allocating sites for hotel development could therefore sterilise them for alternative uses when hotel projects on them might not get off the ground.

8.2.7 On the balance of current evidence therefore, we do not see a clear case to allocate hotel sites in Local Plan (Part 2). There could however be merit in identifying sites where a hotel use would be encouraged, but no need to go as far as allocating them for hotel use in the Local Plan. Our assessment of potential hotel sites in the Borough (Appendix 7) can be used as a basis for identifying which sites to identify in Local Plan (Part 2) as being the most suitable for hotel development in terms of contributing to the development of the town centre and Enterprise Zone.

8.2.8 However, should the Council's knowledge of demand from alternative uses indicate otherwise, and it be felt that hotel uses might not be delivered on some of the strongest sites identified due to the challenge on value of alternative uses, one route that might be considered is a more limited approach to allocation. An example might be to plan through allocation for the number of hotels required in the low growth scenario (up to 3 hotels), and leave the balance of the identified potential at medium and high growth rates (a further 2 -4 hotels) to the market. If the Council decides to go down the allocation route, it will be important to investigate deliverability of the strongest sites in terms of developer and operator requirements.

No Need for a Hotel Retention Policy

8.2.9. Some independent, unbranded hotels in Northampton have been affected by the town centre Premier Inn, and are likely to be affected by further budget hotel openings in the future. Northampton has already lost a number of independent hotels, primarily to residential conversion, and some of those that remain have an uncertain future, particularly if they are not well located. With new budget hotel supply having opened recently in the town centre, and the prospect of additional budget hotels opening in the future, we see no need for a policy in Local Plan (Part 2) that seeks to resist the loss of the Borough's remaining independent, unbranded hotels, if it is clear that they do not have a viable future. Much will depend on how the market settles down in 2016 and 2017 following the opening of the new Premier Inn, and the number of new budget hotels that come forward in the future.

Supporting the Development of Existing Hotels

8.2.10. Supporting the development of existing hotels will also be important going forward to ensure that they have a viable future, continue to meet market expectations, and attract new markets. This includes potential expansion in terms of additional bedrooms, upgrading, and the development of additional facilities such as spa and leisure facilities and conferencing and banqueting facilities to enhance appeal to new markets, generate new income streams and help underpin long term business viability. Local Plan (Part 2) should thus also reflect this need to support the development of existing hotels as well as the development of new ones.

A Streamlined Planning Process without Onerous Conditions

8.2.11. It is gratifying to see that Northampton Borough Council is not intending to introduce a CIL charge on hotel development, as in some parts of the country this is having a significant impact on the deliverability of hotel schemes. However, other conditions e.g. to do with design, environmental credentials such as BREEAM and Green Travel Plans, can add a significant burden to the cost of a hotel scheme and can have the same impact on project viability. Careful consideration needs to be given when applying such conditions to a hotel scheme in terms of the impact they might have on viability.

8.3. Other Requirements for Borough Council Intervention

No Immediate Need for Hotel Investment Marketing

8.3.1 The Hotel Futures Study shows that the potential for new hotels in Northampton is more in the medium term, probably post 2022. While it can take 3-4 years to get a full service 3/4 star hotel off the ground, it is too early for the Borough Council to need to undertake any proactive hotel investment marketing activity to secure a new hotel at this level. At this stage the priority is for the Borough Council to use the Hotel Futures Study (or a version of it, perhaps in the form of Northampton Hotel Market Fact File) to:

- Inform the thinking of site owners and property developers that may be considering hotel development schemes (e.g. Northampton Town Ventures or the Greyfriars developers);
- Guide the disposal of Borough Council sites and properties that have potential for hotel development;
- Respond to hotel companies that are looking at hotel development opportunities in the town;
- Support wider inward investment marketing activity.

8.3.2. Strategically the Borough Council might want to prioritise full service, international brand 3/4 star hotels with conference, banqueting and leisure facilities, to help in attracting major national and international companies to the Enterprise Zone, and to develop Northampton as a conference destination. Such hotels might also have a better chance of attracting weekend weddings, functions and leisure break demand. A second boutique hotel in the Cultural Quarter would also be desirable, and there could merit in encouraging aparthotels to cater for long stay corporate demand. There are however challenges in securing these standards and types of hotel in Northampton because of the lack of weekend demand and the impact that this has on achievable hotel performance here. Limited service/ budget hotels may therefore be more deliverable. They would perhaps also contribute more to the development of Northampton's evening economy than full service hotels, in terms of generating demand for restaurants and bars, so should not be discouraged. The priority in this case is more about attracting limited service hotel brands that are not already represented in Northampton e.g. Hampton by Hilton, or the new budget boutique hotel brands e.g. Ibis Styles or Moxy, that would add something new and different to the town's hotel offer.

8.3.3. We would recommend that the study is updated in 2019 to determine whether more proactive hotel investment marketing activity is then needed to attract a full service 3/4 star hotel to the town centre or Enterprise Zone.

A Possible Need to Consider Direct Hotel Investment

8.3.4. Securing a new 4 star hotel, and perhaps even a full service 3 star hotel, on a purely commercial basis could be a challenge in Northampton because of the low weekend demand and room rates, and the impact that this has on achievable hotel performance in the town. The Borough Council might therefore need to consider what role it could play in terms of direct investment to achieve the delivery of a new 4 star or full service 3 star hotel in the town centre or Enterprise Zone, if such a hotel is seen as a priority for the development of the town's economy and completion of the Enterprise Zone, particularly in terms of attracting new national and international companies.

8.3.5 Local authorities across the UK are increasingly looking at hotel investment for these reasons, and as a way of generating an onging revenue stream. Some have taken out Public Works Loans to fund hotels that they then lease to hotel companies, with the rental income repaying the loan and generating a surplus for the Council. This approach has mainly been applied to budget hotel development, but has also been used for some 4 star hotel projects. In other cases local authorities have provided grants or loans using their capital reserves or have accessed Central Government funding through Local Enterprise Partnerships. The Northamptonshire Enterprise Partnership indicated that its Growing Places Fund might be a potential source of funding to support a hotel scheme in Northampton. Land ownership is a further way of influencing hotel development, with the potential to partner a hotel developer on a JV basis being another route that local authorities can look at pursuing, whether or not they invest in the construction of the hotel as well. We have provided at Appendix 9 a review of how local authorities and public sector bodies in the UK have started to invest in hotel development schemes.

8.3.6. The Hotel Futures Study shows the potential for a new 3/4 star hotel to be more in the medium term, so the need to consider direct hotel investment may not be an immediate issue for the Borough Council. However, in reality, the timescale of when schemes come forward is often beyond the control of the Council, unless it owns the site concerned. Should a property developer or hotel company wish to deliver a desirable hotel scheme at an earlier stage, and it is a hotel/site of strategic importance to the town centre and Enterprise Zone, the Council might consider investment in order to secure wider and longer-term benefits for the destination.

Working Up Site Opportunities

8.3.7 A more immediate action, which could have a role in inputting to both emerging planning policy and on-going inward investment work (as well as potentially the Council's property and estates strategy), would be to undertake some more detailed work on the identified hotel site opportunities, as a follow up to the high level assessment undertaken as part of this study. This would enable a more detailed understanding of site owner/developer interest in hotel development, the scale and type of hotel that can be delivered, and the sort of deal that might be available to a hotel operator. Work can then be undertaken to match sites to target brands to come to a view on deliverability, and potentially influence future landowner/developer plans in the longer term. A template is attached at Appendix 8 as the basis for this follow-on work and from which a matching process could follow.

Boosting Weekend Demand

8.3.8 The lack of weekend demand and low weekend room rates are clearly constraints on achievable hotel performance in Northampton and a barrier to new hotel development, particularly at the 3/4 star level. Borough Council action to boost weekend demand for hotels should thus be a priority. We recommend that the Borough Council should develop and implement a weekend hotel market growth strategy in partnership with Northampton's hotels, theatres and museums, Billing Aquadrome, the Northampton BID and Northamptonshire Enterprise Partnership. Our research suggests that this could include some or all of the following:

- The development and promotion of motorsports themed weekend break packages, using motorsports and car-related events at Silverstone, Santa Pod and Billing Aquadrome, and the new Silverstone Motor Sport World attraction (when it opens) as the key hooks;
- The development and marketing of theatre breaks;
- The development and promotion of new weekend events with the pulling power to attract weekend stays;
- A marketing strategy to target weekend association, charity and religious conferences, exhibitions and events to Northampton's 3/4 star hotels and the conference venues at the rugby and football stadia and the cricket ground.
- A marketing strategy to attract weekend groups business e.g. using Northampton as a base for visiting the historic houses and gardens in the area, or car clubs and motorsports enthusiast groups.
- The promotion of Delapre Abbey both as a wedding venue to generate associated overnight stays at weekends, and as a heritage asset as part of a wider Northamptonshire-wide heritage breaks promotion.

Monitoring Hotel Development & Performance

8.3.9 Keeping a handle on how the hotel market is performing and what is coming on stream in terms of new hotels and proposals will be important going forward, to ensure that future decision-making is based upon live market intelligence so that priorities can be adjusted as required. In terms of hotel performance, we would suggest a periodic review of the Hotel Futures Study to ensure an in depth understanding of Northampton's hotel market and how it is changing. This could be complemented by accessing hotel performance data for Northampton from STR Global. We would not recommend the setting up of a hotel performance monitoring survey by the Borough Council, which we think would be too costly and time-consuming to run. Monitoring of hotel development activity and proposals might be best achieved through the planning system on an on-going basis, though it will be important to allocate responsibility and resource to do this.

APPENDICES

APPENDIX 1

GLOSSARY OF HOTEL DEFINITIONS

Budget Hotel

A limited service hotel providing a basic, good standard en-suite bedroom, with limited in-room facilities, services and extras e.g. toiletries, and minimal hotel facilities other than a breakfast room and possibly a bar and restaurant.
Brand examples include Travelodge, Premier Inn, Ibis, Tune

Upper Tier Budget

A limited service hotel that offers a higher specification room (3 star equivalent) than a budget hotel, with an integral bar/restaurant and limited meeting rooms; also sometimes a small gym/fitness room. They tend to be larger hotels of 100-120 rooms and will locate both on the approaches to towns if close to business/leisure drivers, in town/city centres, and close to major communications drivers such as airports.
Brand examples include Holiday Inn Express, Ramada Encore, Hampton by Hilton.

3 Star

A full service hotel that offers a restaurant and bar also open to the public, usually function/conference/banqueting facilities, and often leisure. Branded offers would tend to be 120-150 rooms+, but independent hotels may be smaller in size. Will locate in city centres and out of town where there are significant drivers of demand such as business parks.
Brand examples include Village, Holiday Inn, Courtyard by Marriott, Hilton Garden Inn, Ramada

4 Star

A full service hotel but with a higher specification and larger bedrooms than 3 star hotels, usually offering bath and shower, telephone, internet connection, and a wider range of services including full room service and porterage, and 24 hour reception. A quality restaurant, bar, a range of meeting rooms and business services, and a health and fitness centre. These tend to be large hotels, over 150 rooms, and sometimes up to 250 rooms+. Major city centres are the preferred locations.
Brand examples include Marriott, Crowne Plaza, Hilton, Radisson Blu, Apex

5 Star

A luxury, full service offer, with highly personalised service/high staffing levels, fine dining and luxury throughout the offer.

Brand examples include InterContinental, Renaissance, Radisson Edwardian

Boutique Hotel

Relatively small (30-50 rooms), high quality, individual hotels that feature contemporary design and a good food offer. They are often independent hotels or part of small chains that bear the signature of their founder. However, national brands are beginning to emerge that are larger format units (100+ rooms) and compete with 3 and 4 star hotels but achieve a premium on their rate due to their style and service.

Brand examples include Malmaison, Hotel du Vin, ABode, Hotel Indigo

Lifestyle Hotel

A new generation of hotel that offers casual hospitality in a smartly designed, high-tech and modern environment. Hotels feature sleek, contemporary design, relaxed public areas for guest check-in, mingling and relaxing; a 24/7 freshly prepared food offer; and bedrooms with a modern and high-tech fit out.

Brand examples include: Radisson Red, Hyatt Place

Budget Boutique

A hotel with similar qualities to a traditional boutique hotel, particularly in terms of being design-led, but pitched at the mid-market and with less emphasis on levels of service.

Brand examples include Moxy, Aloft, Ibis Styles, Z Hotels, Hub by Premier Inn, Citizen M, Motel One

Serviced Apartments

Usually studio, one, two or three bedroom apartments with kitchens that are let out on a fully serviced basis, with daily cleaning. They provide an alternative to a hotel stay, offering more space and greater flexibility in terms of the option to self-cater. They are generally aimed at the extended stay market, and whilst they can offer rooms from one night upwards, most request a minimum stay. They are generally residential apartments that are let out on a serviced apartment basis, either individually by their owners, or by a local serviced apartment letting agency that markets a collection of serviced apartments on behalf of their owners, or leases an entire floor or block of apartments to sublet as serviced apartments. There are also a few operators that are developing purpose-built serviced apartment complexes e.g. PremGroup, SACO, Bridge Street Worldwide and Beyonder. Whilst there is no strict legal, planning or operational definition of serviced apartments, what differentiates them in the main from residential tenancies is the flexibility they offer in terms of length of let, many from 1 night, with no fixed period in terms of length of let, together with the fact that they are serviced daily as a hotel room would be.

Aparthotels/ Suite Hotels

Purpose-built hotels that purely offer apartments or suites, that include a kitchen or kitchenette. They will include a reception area and usually some form of restaurant and bar.
Brand examples include Staybridge Suites, Residence Inn, Element

Occupancy Rate

The percentage of all rooms sold as a proportion of all rooms available in that period.

Achieved Room Rate (ARR)

The net average amount of rooms revenue that hotels achieve per night per room let after deduction of VAT, breakfast (if included), discounts and commission charges. Hotel rooms revenue divided by the number of rooms sold.

Revpar

Revenue per available room (number of rooms in the hotel). The net average amount of rooms revenue that hotels achieve per night per available room after deduction of VAT, breakfast (if included), discounts and commission charges. Hotel rooms revenue divided by the number of rooms available in the hotel.

APPENDIX 2

NPPG - TOURISM PLANNING GUIDANCE (From March 2014)

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The Department for Communities and Local Government is responsible for national planning policy and guidance. Guidance on ensuring the vitality of town centres includes reference to tourism.

NPPG

Ensuring the vitality of town centres

Paragraph: 007 Reference ID: 2b-007-20140306

- What should local planning authorities consider when planning for tourism?

Please see here for the World Tourism Organisation's definition of tourism.

Tourism is extremely diverse and covers all activities of visitors. Local planning authorities, where appropriate, should articulate a vision for tourism in the Local Plan, including identifying optimal locations for tourism. When planning for tourism, local planning authorities should:

- consider the specific needs of the tourist industry, including particular locational or operational requirements;
- engage with representatives of the tourism industry;
- examine the broader social, economic, and environmental impacts of tourism;
- analyse the opportunities for tourism to support local services, vibrancy and enhance the built environment; and
- have regard to non-planning guidance produced by other Government Departments.

Local planning authorities may also want to consider guidance and best practice produced by the tourism sector. Further guidance on tourism can be found on the Visit Britain/Visit England website.

https://www.visitbritain.org/tourism-planning-guidance

http://planningguidance.planningportal.gov.uk/blog/guidance/ensuring-the-vitality-of-town-centres/ensuring-the-vitality-of-town-centres-guidance/ - paragraph_007

Revision date: 06 03 2014

See overleaf for the guidance.

VISIT BRITAIN[1]

1. How should tourism developers maximise the economic benefits of tourism for their areas?

Where appropriate key players in the tourism industry should seek a constructive dialogue with local planning authorities and involve those who have a role in delivery of tourism schemes and programmes. This will help to ensure that applications are developed with the benefit of a realistic and sustainable commercial perspective, and accord with planning policy.

The Local Plan's approach to tourism will need to be based upon a robust understanding of business needs within the tourism industry including a quantitative and qualitative assessment of future tourist accommodation, including hotels and holiday parks, visitor attractions, and supporting facilities, including concert, conference and exhibition space, theatres, museums, cafes, restaurants, pubs, nightclubs and sporting facilities as may be appropriate to the area and any strategy for tourism growth.

There may be circumstances where a traditional market has changed and the local tourism provision needs to restructure; in some areas long standing changes in visitor numbers may have left a considerable surplus of hotel, guest house, pub and bed & breakfast accommodation. This can leave many businesses struggling on very low turnover, unable to reinvest in improving their facilities. In such circumstances, owners and developers will need to work collaboratively with local planning authorities and others to provide where appropriate a productive alternative use for premises.

With declining income from beer sales, many pubs are increasingly dependent upon their food offer. This may lead to proposals to expand the kitchen, install flues, increase the number of covers through extensions, provide additional parking and enhanced garden areas. Some pubs may also look to provide bed & breakfast accommodation to support the continued pub use. Applications to adapt premises need to be mindful of adverse impacts on the appearance of what are often important historic and cultural buildings to the local community.

Even with the proper stakeholder involvement and thorough research, it will not be possible to predict and forecast all potential tourism growth opportunities.

2. How should tourism uses be accommodated in urban areas?

There are many types of tourist and leisure activities that particularly lend themselves to cities and major urban locations. The NPPF sets out the sequential test for main town centre uses that are not in an existing centre and are not in accordance with the Local Plan.

[1] **Tourism Sector Tourism Planning Guidance,** Source Visit Britain/VisitEngland corporate website

3. How should tourism be accommodated in rural areas?

Paragraph 28 of the NPPF supports sustainable rural tourism and leisure development as part of a prosperous rural economy.

In rural areas it may not always be possible to provide for all types and size of tourist facility within the tightly drawn boundaries of market towns and villages. Neither will it always be appropriate for a tourism facility to be located within a settlement. In rural areas the market for a rural tourism facility may often be in attractive countryside locations designated to protect their landscape beauty which may be distant from main service settlements.

4. What are the key locational considerations in choosing the best site for tourism development?

In order to be commercially successful, tourism sites must be accessible to their target market for visitors. New tourism developments should, where reasonable, facilitate the use of sustainable modes of transport.

Many small scale rural tourism developments are car dependent and the use of the car does not by default make the proposal unsustainable. Encouraging greater domestic tourism has the potential to support jobs and facilities in rural areas reducing out-commuting from those areas.

Many accommodation businesses of all types want to be located where customers can easily reach them by car, and the NPPF recognises that different policies and measures will be required in different communities and opportunities to maximise sustainable transport solutions will vary from urban and rural areas.

5. How can tourist accommodation be maintained as a tourism use?

As tourism is an all-year business, conditions restricting tourist accommodation to seasonal use should only be used where it is clear that the condition can be justified as being necessary, and meeting the other tests for lawful conditions laid out in paragraph 206 of the NPPF.

In locations where residential development would not be appropriate, local planning authorities may attach conditions to planning permissions for tourist accommodation to ensure that they are used for holiday purposes only. Where circumstances change, developers may wish to negotiate with their local planning authority the removal of already imposed conditions.

6. What about applications for permanent staff accommodation?

For many types of tourist accommodation, an on-site residential managerial presence is often essential, to deliver quality service to the customer, security for the property, and to meet the obligations of health and safety regulations. Accommodation may also be needed for key members of staff. In such cases there may be applications for conversion of suitable existing buildings at the site. Where this is not a feasible option, developers may apply to provide new, on-site accommodation, which should normally be in a form similar to that of the holiday accommodation of the site. Local planning authorities may wish to impose conditions to ensure that such accommodation is occupied for this purpose only. Applicants will need to note the restrictions on such development in certain sensitive areas, especially the Green Belt.

APPENDIX 3

NORTHAMPTON – HOTELS INTERVIEWED

Establishment	Face-to-Face/ Telephone/ Head Office Data/STR Data
Northampton Marriott	F/STR
Hilton Northampton	F/STR
Holiday Inn Northampton	HO/STR
Park Inn by Radisson Northampton	STR
Holiday Inn Express Northampton	T/STR
Premier Inn Northampton South (Wootton)	HO/STR
Premier Inn Northampton West (Harpole)	HO/STR
Premier Inn Northampton Great Billing/A45	HO/STR
Premier Inn Northampton Town Centre	HO/STR
Premier Inn Northampton Bedford Road	HO/STR
Travelodge Northampton Central	HO/STR
Travelodge Northampton Round Spinney	HO/STR
Travelodge Northampton Upton Way	HO/STR
Travelodge Northampton Wootton	HO/STR
Campanile Northampton	STR
Ibis Northampton	F/STR
Westone Manor	F
The Plough	F
Hopping Hare	F
Sedgebrook Hall	F

COMPARATIVE HOTEL SUPPLY – NORTHAMPTON/LEICESTER/MILTON KEYNES/ READING – 2016 APPENDIX 4

Location/ Standard	Northampton		Leicester		Milton Keynes		Reading	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Town/City Centre								
5 star							1	23
4 star			1	104			4	585
Boutique			1	14			1	75
3 star	1	146	3	301	3	569	3	106
Upper-tier Budget			2	225				
Budget Boutique								
Budget	3	320	5	358	3	277	4	618
Super Budget								
Lower Grade	2	63	5	146			2	43
Conference Centre								
University Hotel			1	123				
Aparthotels/ Serviced Apartments	1	10	2	120	6	196	8	234
Total Town/City Centre	**7**	**539**	**20**	**1391**	**12**	**1042**	**23**	**1684**
Outside Town/City Centre								
4 star	2	259	2	406	4	402	4	621
Boutique							1	50
3 star	3	206	1	75	3	172	10	695
Upper-tier Budget	1	126			1	178		
Budget Boutique							1	97
Budget	8	460	7	466	6	420	4	333
Super Budget			1	73				
Lower Grade	1	19					3	105
Conference Centre	1	32			2	467	1	36
Aparthotels/Serviced Apartments	2	31						
Total Outside City Centre	**18**	**1133**	**11**	**1020**	**16**	**1639**	**24**	**1937**
Total Town/City								
5 star							1	23
4 star	2	259	3	510	4	402	8	1206
Boutique			1	14			2	125
3 star	4	352	4	376	6	741	13	801
Upper-tier Budget	1	126	2	225	1	178		
Budget Boutique							1	97
Budget	11	780	12	824	9	697	8	951
Super Budget			1	73				
Lower Grade	3	82	5	146			5	148
Conference Centre	1	32			2	247		
University Hotel			1	123			1	36
Aparthotels/Serviced Apartments	3	41			6	196	8	234
TOTAL TOWN/CITY	**25**	**1672**	**31**	**2411**	**28**	**2681**	**47**	**3621**

NORTHAMPTON HOTEL SUPPLY – 2016

Hotel	Standard	No Rooms
City Centre		
Park Inn by Radisson Northampton	3 star	146
The Langham	Lower grade	25
The Plough	Lower grade	38
Premier Inn Northampton Town Centre	Budget	104
Travelodge Northampton Central	Budget	65
Ibis Northampton Centre	Budget	151
Cotels Serviced Apartments	Serviced Apts	10
Outside City Centre		
Northampton Marriott	4 star	120
Hilton Northampton	4 star	139
Hopping Hare	4 star Inn	19
Holiday Inn Northampton	3 star	104
Overstone Park	3 star	31
Westone Manor	3 star	71
Sunley Conference Centre	Conference centre	32
Coach House Hotel	Aparthotel	29
Brackmills Serviced Apartments	Serviced Apartments	2
Holiday Inn Express Northampton	Upper-tier Budget	126
Premier Inn Northampton South Wootton	Budget	50
Premier Inn Northampton West (Harpole)	Budget	75
Premier Inn Northampton Bedford Road	Budget	44
Premier Inn Northampton Great Billing/A45	Budget	60
Travelodge Northampton Wootton	Budget	51
Travelodge Northampton Upton Way	Budget	62
Travelodge Northampton Round Spinney	Budget	31
Campanile Northampton	Budget	87

LEICESTER HOTEL SUPPLY – 2016

Hotel	Standard	No Rooms
City Centre		
Mercure Leicester The Grand	4 star	104
Hotel Maiyango	Boutique	14
Belmont	3 star	75
Holiday Inn Leicester	3 star	194
Regency	3 star	32
College Court	University Hotel	123
Leicester City Hotel	Lower grade	36
Stoneycroft	Lower grade	43
Grafton House	Lower grade	25
Comfort Nights	Lower grade	22
Croft	Lower grade	20
Ramada Encore Leicester City Centre	Upper-tier Budget	115
Holiday Inn Express Leicester	Upper-tier Budget	110
Premier Inn Leicester City Centre	Budget	135
Premier Inn Leicester Central	Budget	76
Travelodge Leicester Central	Budget	95
Ibis Leicester	Budget	94
Campanile Leicester	Budget	93
Quality City Serviced Apartments	Serviced Apartments	70
UK Stay Serviced Apartments	Serviced Apartments	50
Outside City Centre		
Leicester Marriott	4 star	227
Hilton Leicester	4 star	179
Ramada Leicester Stage	3 star	75
Premier Inn Leicester South (Oadby)	Budget	30
Premier Inn Leicester (Forest East)	Budget	40
Premier Inn Leicester-Braunstone	Budget	44
Premier Inn Leicester Fosse Park	Budget	170
Travelodge Leicester Markfield	Budget	60
Travelodge Leicester Hinckley Road	Budget	31
Days Inn Leicester	Budget	91
Ibis Budget Leicester	Super Budget	73

MILTON KEYNES HOTEL SUPPLY 2016

Hotel	Standard	No Rooms
Town Centre		
Holiday Inn Milton Keynes Central	3 star	166
Jurys Inn Milton Keynes	3 star	279
Novotel Milton Keynes	3 star	124
Premier Inn Milton Keynes Central	Budget	38
Travelodge Milton Keynes at The Hub	Budget	159
Travelodge Milton Keynes Central	Budget	80
Savvy Serviced Apartments	Serviced Apartments	39
Shortstay MK	Serviced Apartments	37
City Apartments	Serviced Apartments	34
City Stay Apartments	Serviced Apartments	40
Cotels	Serviced Apartments	38
Bourdeux Hub Apartments	Serviced Apartments	8
Outside Town Centre		
Doubletree by Hilton Milton Keynes	4 star	127
Mercure Milton Keynes Abbey Hill	4 star	88
Mercure Milton Keynes Parkside House	4 star	49
Hilton Milton Keynes	4 star	138
Peartree Lodge Waterside	3 star	39
Best Western Milton Keynes	3 star	80
Holiday Inn Milton Keynes East M1 Jct 14	3 star	53
Kents Hill Park	Conference Centre	330
De Vere Venues Harben House	Conference Centre	137
Holiday Inn Express Milton Keynes	Upper-tier Budget	178
Premier Inn Milton Keynes Central South West – Furzton Lake	Budget	120
Premier Inn Milton Keynes South	Budget	41
Premier Inn Milton Keynes East	Budget	41
Travelodge Milton Keynes Shenley Church End	Budget	50
Campanile Milton Keynes	Budget	78
Days Inn Milton Keynes East	Budget	90

READING HOTEL SUPPLY 2016

Hotel	Standard	No Rooms
Town Centre		
The Fordbury	5 star	23
Crowne Plaza Reading	4 star	122
Pentahotel Reading	4 star	209
Mercure George	4 star	76
Novotel Reading Centre	4 star	178
Malmaison Reading	Boutique	75
Quality Hotel Reading	3 star	52
Great Expectations	3 star	29
Thameside Hotel	3 star	25
Ibis Reading	Budget	182
Premier Inn Reading Central	Budget	151
Premier Inn Reading (Caversham Bridge)	Budget	75
Travelodge Reading Central	Budget	104
Rainbows Lodge	Lower Grade	25
Crescent Hotel	Lower Grade	18
Reading Serviced Apartments	Serviced Apartments	44
The Faculty Serviced Apartments	Serviced Apartments	15
SACO Reading – Clipper House	Serviced Apartments	12
SACO Reading – Castle Crescent	Serviced Apartments	28
Flexi-Lets@Queens Wharf Reading	Serviced Apartments	20
Flexi-Lets@Blakes Quay Reading	Serviced Apartments	20
House of Fisher City Wall House	Serviced Apartments	45
House of Fisher Kings Road Aparthotel	Serviced Apartments	50
Outside Town Centre		
Hilton Reading	4 star	210
Best Western Plus Reading Moat House	4 star	129
Millennium Madesjki	4 star	201
Reading Lake Hotel	4 star	81
The Great House at Sonning	Boutique	50
Holiday Inn Reading M4 Jct 10	3 star	174
Holiday Inn Reading South M4 Jct 10	3 star	202
Holiday inn Reading West	3 star	50
The Abbey House Hotel	3 star	21
Parkside International	3 star	52
Best Western Calcot	3 star	80
Elmhurst	3 star	60
Comfort Hotel Reading West	3 star	33
Bath Hotel	3 star	23
The French Horn, Sonning	3 star	31
Hillingdon Prince	2 star	69
The Cedars	University Hotel	36
Ibis Style Reading	Budget Boutique	97
Premier Inn Reading South	Budget	32
Travelodge Reading Whitley	Budget	113
Travelodge Reading M4 Eastbound	Budget	86
Travelodge Reading M4 Westbound	Budget	102
Beech House Hotel	Lower Grade	18
The Lawn Hotel	Lower Grade	18

APPENDIX 5

NORTHAMPTON
PROJECTED FUTURE HOTEL DEVELOPMENT REQUIREMENTS – 2016-2029

Methodology Used for the Projections

In order to provide an indication of the number of new hotel bedrooms that might be needed in Northampton Borough through to 2029, Hotel Solutions has prepared projections of possible future growth in hotel demand in Northampton from 2016 to 2019, 2024 and 2029. Projections have been prepared for full service 3/4 star hotels and limited service budget hotels taking Northampton's current supply of hotels and 2015 roomnight demand as the baselines for the projections. The projections assume that growth will be unconstrained by site availability and planning policy.

In projecting future requirements for hotel accommodation we have first calculated an estimate of current (2015) baseline midweek and weekend roomnight demand for each standard of hotel, based on the hotel occupancy data that we purchased from STR Global. To these figures we have added estimates of the roomnights that hotels of each standard are currently denying (based on the information provided to us by hotel managers) to provide an adjusted baseline figure of the true (unconstrained) roomnight demand for each standard of hotel. We have then applied assumed low, medium and high growth rates to these adjusted baseline figures to calculate estimated roomnight demand for each standard of hotel by 2019, 2024 and 2029.

Using these projections of future hotel demand, we have calculated the number of hotel bedrooms of each standard that our roomnight projections would support, assuming an average annual room occupancy of 70% for all 3/4 star hotels and 75% for budget hotels (as the levels of occupancy that hotel developers and operators are usually looking for to support new hotel development). Applying these figures to current numbers of hotel rooms (including the new Premier inn in the town centre) provides figures for the numbers of new hotel bedrooms of each standard that may be needed in the future if the projected growth in the market takes place.

Making any sort of market forecasts is an uncertain process: all forecasts are based on judgement and assumptions, and are susceptible to unforeseen changes. The projections we have prepared should thus be taken as indicative only. They have been prepared to provide an illustration of the numbers of new hotel bedrooms that might be needed under different growth scenarios. They are not intended to be accurate projections of how the market will grow. Clearly the further ahead that one looks, the more difficult it is to project growth accurately. Projecting much further ahead than 5 years is very difficult. The projections to 2024 and 2029 should thus be treated with some caution and should be periodically reviewed.

Assumed Growth Rates

3/4 Star Hotels

Midweek Demand

Employment forecasts provide an indicator of local business development and new companies coming into an area. They provide the best indicator of potential growth in midweek corporate demand for hotel accommodation therefore. The West Northamptonshire Employment Land Study 2012 Review identified a development pipeline of employment projects that will generate a total of 26,269 new jobs between 2011 and 2021. Against a baseline of 128,400 jobs in the Borough in 2011[1] this equates to a 20.45% increase in jobs, equivalent to an average annual growth rate of 2.05%. We have thus taken this figure as the starting point for considering growth rates in midweek corporate demand for 3/4 star hotels.

Growth in corporate demand for hotel accommodation could be at a higher level if national and international companies that have high requirements for hotel accommodation are attracted to Northampton. There could also be some growth in residential conference business as this market recovers, Northampton's economy expands, new companies are attracted to the town, and existing and new hotels target this market more proactively. Growth in midweek demand for 3/4 star hotel accommodation could thus be higher than the projected growth in employment.

[1] Source: Business Register Employment Survey (quoted in the West Northamptonshire Annual Monitoring Report 2012/13)

A lower growth scenario also needs to be considered in case the planned employment and office development does not materialise as envisaged or if it attracts occupiers that will have much lower requirements for hotel accommodation e.g. call centres and distribution companies.

Taking account of these factors, we have assumed the following average annual growth rates for midweek demand for 3/4 star hotel accommodation in Northampton:

3/4 STAR HOTELS – NORTHAMPTON
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2029 %
Low	1.5
Medium	2
High	2.5

For simplicity's sake we have based our projections on an average annual growth rate. Clearly growth in demand will fluctuate from one year to the next. There is insufficient data to factor in different growth rates per year, however.

Weekend Demand

Our research suggests that the strongest growth in weekend demand for 3/4 star hotel accommodation in the Borough is likely to come from people attending weddings and functions in the area. There could be some growth in weekend leisure break business as Northampton's visitor offer develops and as a result of the opening of Silverstone Motor Sport World, but this could be offset if demand from spectators attending motorsports events at Silverstone is soaked up by the new hotels that are planned here. Population growth is thus the best indicator to use for potential growth in weekend demand for 3/4 star hotel accommodation in the Borough.

The latest ONS 2012-based Subnational Population Projections forecast that the Borough's population will increase from 215,000 in 2012 to 251,000 by 2029. This equates to an increase of 16.74% and is equivalent to an average annual growth rate of 0.98% Taking account of the potential also for some growth in weekend leisure break demand we have assumed the following average annual growth rates for weekend demand for 3/4 star hotels through to 2029:

3/4 STAR HOTELS – NORTHAMPTON
ASSUMED GROWTH RATES FOR WEEKEND DEMAND

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2029 %
Low	1
Medium	1.5
High	2

Budget /3 Star Hotels

Midweek Demand

Growth in midweek demand for budget hotels is likely to be stronger than growth in midweek demand for 3/4 star hotels due to the significant growth anticipated in the contractors market as construction projects are progressed. Average annual growth rates for midweek demand for budget hotels have thus been assumed as follows:

BUDGET HOTELS – NORTHAMPTON
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2029 %
Low	2
Medium	2.5
High	3

Weekend Demand

We see no reason to assume that weekend demand for budget hotels should not grow at the same pace as growth in weekend demand for 3/4 star hotel accommodation. Growth in weekend demand should similarly come from an increase in demand related to weddings and functions as the Borough's population grows, together with some potential growth in weekend leisure break demand related as Northampton's visitor offer develops. We have assumed the following average annual growth rates for weekend demand for budget hotels through to 2029:

BUDGET HOTELS – NORTHAMPTON
ASSUMED GROWTH RATES FOR WEEKEND DEMAND

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2029 %
Low	1
Medium	1.5
High	2

Note:

The above growth projections are not intended to be targets or limits on new hotel provision: they merely provide an indication of the level of new hotel development that market growth is likely to support, assuming that all hotels receive their fair share of available business. They do not take account of the new corporate, residential conference or leisure demand that new hotels might be able to generate as a result of their brand and/or conferencing and leisure offer, or the extent to which new hotels might take more than their fair share of the market through competing well with existing hotels. New hotels could therefore be developed ahead of our growth projections if hotel companies feel that they can compete well in the Northampton market and/or they are confident of attracting new business. It must also be borne in mind that it can take at least 2-3 years for a new hotel to be delivered on the ground, so hotel companies that might be looking at Northampton now will be considering hotels that will not be operational until 2019 or 2020, when the market should have grown to support new hotel provision.

APPENDIX 6

NORTHAMPTON HOTEL DEVELOPER TESTING – SAMPLING & RESPONSE

HOTEL COMPANY/ BRAND	RESPONSE	INTEREST
Accor	Y	Y
Beyonder/SACO	N	
Bridge Street	N	
Easyhotel	Y	Y
Greene King	Y	Y
Hilton	Y	Y
Hotel du Vin/Malmaison	N	
IHG	Y	Y
Marriott	Y	Y
Marston’s	N	
Moxy	Y	Y
Premier Apartments	N	
Premier Inn	N	
Rezidor	N	
Sleeperz	N	
StayCity	N	
Travelodge	Y	N
Village	N	

APPENDIX 7

NORTHAMPTON HOTEL SITE ASSESSMENTS

NAME OF SITE	LOCATION & Postcode	SITE DETAILS Ownership/Size/ Availability/ Timescale	PROPOSED USE	MARKET VIEW/OPPORTUNITY (Fit with operator requirements/ Market Potential/ Standard & Type of Offer)
TOWN CENTRE				
Greyfriars	North part of the centre, north of the Grosvenor Centre NN1 3BZ	Part of the Primary Shopping Area/ extension Owner: NBC 4 acres (1.62 ha) Immediate availability	Formerly the town's bus station and Brutalist office building, now demolished. Proposals for a mixed use scheme, including offices, leisure, residential and potentially a hotel.	Strategically located site for the town centre, easy to access from the ring road. Scheme would presumably involve associated parking. A little dislocated from the major regeneration schemes along the river in the Enterprise Zone. Associated office uses could generate some demand – difficulty letting these in the past. Most suitable for budget/limited service or aparthotel.
Victoria Street/Upper Mounts Car Park	Victoria St. Opposite Greyfriars, north part of the centre NN1 3EL			A good strategic location though slightly dislocated from the weight of development along the river, as Greyfriars. Most suitable for budget/limited service or aparthotel.

NAME OF SITE	LOCATION & Postcode	SITE DETAILS Ownership/Size/ Availability/ Timescale	PROPOSED USE	MARKET VIEW/OPPORTUNITY (Fit with operator requirements/ Market Potential/ Standard & Type of Offer)
9 Guildhall Rd	In the Cultural Quarter NN1 1PF	Owner: NBC Currently the Northampton Contemporary Gallery		Adjacent to the boutique hotel currently under development at 11-13 Guildhall Rd. This is an attractive building in the emerging Cultural Quarter, in close proximity to the Derngate Theatre and opposite the town's Museum and Art Gallery. Could be suitable for a boutique hotel, depending on the number of bedrooms that could be achieved and how the market for this type of hotel develops in the town. Could also be suitable for an aparthotel. The availability of car parking and requirement for drop off could be an issue. Access one way so will require signage/instruction. Ground floor bar/restaurant would add to the vitality of the area/evening economy.
Plough Hotel			Planning permission granted for an 89-bedroom hotel 2013; reserved matters application January 2016 for 56 serviced apartments.	Good visible site with proximity to major regeneration schemes and the town centre and Cultural Quarter. Access around here confusing. Likely serviced apartments.
Newspaper House	Derngate NN1 1TY		A full planning application is currently pending for the redevelopment of the site to provide 57 serviced apartments	This is a good location in the Cultural Quarter for a serviced apartment complex

NAME OF SITE	LOCATION & Postcode	SITE DETAILS Ownership/Size/ Availability/ Timescale	PROPOSED USE	MARKET VIEW/OPPORTUNITY (Fit with operator requirements/ Market Potential/ Standard & Type of Offer)
EDGE OF CENTRE				
Avon/Nunn Mills Rd	NN1 5RA		Planning granted 2013 for a 7000 sq m hotel alongside the new university campus. No current plans to implement. The University is however planning to develop a 32-bedroom hotel on the new Waterside Campus to replace the Sunley Conference Centre on its current campus and support its proposals to introduce hotel management courses. Wider site south of the river CAAP allows for 2,000 dwellings, 16,000 sq m office floorspace, a school and neighbourhood retail/commercial leisure.	Strong site on major route around the town, close to town centre, adjacent to Avon offices, Carlsberg close by. New £330m University campus opening 2018. 300,000 sq ft of office proposed adjacent to the university, plus associated sports, retail and leisure. Attractive site and environment. Hotel would ideally have good visibility from the A428 Bedford Rd. Suitable for full service 3/4 star hotel.
Four Waterside	St Peters Way NBC NN1 1SY		CAAP allows for up to 43,000 sq m of office floorspace, 4-6 storey development with landmark buildings in gateway locations.	Strong site on major route through the town, well-connected to the major regeneration schemes along the river, and close to the town centre and station. 60,000 sq ft office development planned with Kier. University Innovation Centre developed at the far end of the site, opposite Northampton Station. Office uses should generate demand – proximity to Avon and Carlsberg also. Access and visibility from St Peter's Way needed for hotel. Suitable for full service 3/4 star hotel.

NAME OF SITE	LOCATION & Postcode	SITE DETAILS Ownership/Size/ Availability/ Timescale	PROPOSED USE	MARKET VIEW/OPPORTUNITY (Fit with operator requirements/ Market Potential/ Standard & Type of Offer)
Castle Station	NN1 1SP	Network Rail	Identified in CAAP for hotel in phase 3 – 2021-2026. CAAP also allows for 26000 sq m of office development here, 270 dwellings, retail, cafes and restaurants.	Strong site as known and signed transport hub close to town centre and Enterprise Zone/riverside regeneration schemes, employment uses and office development. Not clear where on the site the hotel would go but would need visibility and easy access with parking. More suitable for budget/limited service hotel.
Waterside Southbridge West	Cotton End NN4 8BX		CAAP designates for leisure, residential or office use.	This site is a little off-pitch and would need major up-grading of the surrounding environment if it was to come forward. Although on the river this is not particularly attractive in its current form, and the views across the river are to the Carlsberg factory.
OUT OF CENTRE				
Sixfields Stadium & Surrounds	Edgar Mobbs Way NN5 5QA	Northampton Town Ventures Ltd – acquired the football club and adjacent land in November 2015	Outline planning permission was granted in December 2014 for a conference centre and linked 100-bedroom hotel as a first floor level extension of Sixfields Stadium's West stand, as part of a mixed use development of the stadium and adjacent land, which also includes a retail park, petrol filling station and up to 255 homes. Past proposal for a hotel nearby, on the roundabout at Walter Tull Way, adjacent to the stadium, for a Tulip Inn, 2006, withdrawn.	Good general location on one of the gateway approaches into town. Reasonable proximity to corporate demand drivers in the Enterprise Zone, the town centre, and out of centre employment sites /business parks. Lots of new housing being developed nearby. The proposed conference centre could generate new demand for hotel accommodation. Nearby restaurants and leisure uses also of appeal. Scope possibly for a hotel incorporated into the football stadium (as already proposed) or a standalone hotel on the adjacent land. Suitable for full service 3 star hotel with more extensive land-take or budget/limited service hotel.

NAME OF SITE	LOCATION & Postcode	SITE DETAILS Ownership/Size/ Availability/ Timescale	PROPOSED USE	MARKET VIEW/OPPORTUNITY (Fit with operator requirements/ Market Potential/ Standard & Type of Offer)
Duston Mill Lane/Upton Way	NN6 4EG	Applicant Willow Inns Ltd Towcester	Permission granted 2011 for a 112 room with spa and leisure.	Good site with visibility and easy access to M1 and out of centre business parks. Potential to undermine delivery of a hotel at Sixfields Stadium and/or in the town centre.
The Sixfields Hungry Horse	Walter Tull Way NN5 5QL	Greene King	Existing pub/restaurant – currently closed following fire but being redeveloped.	Greene King are beginning a programme of developing lodges adjacent to their pub/restaurants. They have hotel expertise being the owners and operators of Olde English Inns and a number of more modern hotels and lodges. If adjacent land could be acquired they would consider this option for this site. Likely to be a small scale development of 20-40 rooms. Could meet the short term requirement for additional hotel provision in Northampton. Could undermine the potential for a budget/limited service hotel at/adjacent to Sixfields Stadium, but would have minimal impact on the potential to secure a full service 3/4 star hotel here.

NAME OF SITE	LOCATION & Postcode	SITE DETAILS Ownership/Size/ Availability/ Timescale	PROPOSED USE	MARKET VIEW/OPPORTUNITY (Fit with operator requirements/ Market Potential/ Standard & Type of Offer)
Milton Ham Farm	Towcester Rd NN4 9RN	Travis Perkins	2008 proposal for Milton Lake Business Park including 2 hotels (150 room 3/4 star and 96 room budget). An application to extend the time limit on the outline planning permission was refused in July 2012 on the grounds that the application did not meet the sequential test requirements for the town centre uses included in the scheme, including the two hotels and the office component. More recent proposal refused and appealed for B1/B2/B8 logistics hub.	A major business park development here could support a hotel without significantly undermining the potential to secure town centre hotel development. The business park would essentially create a micro corporate market that an on-site hotel would serve. Logistics uses would not support a hotel development.
Dallington Grange	Mill Lane Kingsthorpe NN1 1DP	Persimmon Homes/ Barratt Homes	Persimmon Homes and Barratt Homes proposal being discussed since 2006, application 2014 to be determined. Major urban extension – up to 3,500 dwellings, local centre including pub/restaurant.	Possibly suitable for a lodge development/small budget hotel associated with a pub/restaurant, as being developed by Marston's.

APPENDIX 8

DETAILED SITE ASSESSMENT TEMPLATE FOR FOLLOW-UP

HOTEL SITE TEMPLATE	
SITE NAME/ADDRESS	
LOCATION	
OWNERSHIP	
PLANNING STATUS/ VIEW/ PROPOSAL	
SITE/BUILDING SIZE (& capacity re: potential size of hotel)	
TENURE/DEAL SOUGHT/VALUE	
TARGET HOTEL OFFER/STANDARD	
RELEVANT HISTORY	
CONSTRAINTS/ OBSTACLES TO DELIVERY	
SURROUNDING ENVIRONMENT	
TIMESCALE/ AVAILABILITY	
CONTACT DETAILS	

APPENDIX 9

PUBLIC SECTOR FUNDING OF HOTEL DEVELOPMENT SCHEMES IN THE UK

1. Introduction

Public sector funding in one form or other is increasingly being used to support hotel development schemes across the UK in terms of:

- Local authority borrowing at preferential rates;
- Growth fund grants;
- Heritage grants for the conversion of historic buildings to hotels;
- Local authority freehold purchase of a building for hotel conversion;
- The contribution of local authority owned land or properties for hotel development;
- Local authority partnerships with universities.

Such public sector investment in hotel schemes is being justified in terms of:

- Finding a new use for a redundant building;
- Enabling a strategically important hotel that cannot secure bank finance to proceed;
- Kick starting and enabling key regeneration schemes that include a hotel as a component;
- Generating an income stream for a local authority at no cost to the tax payer;
- Helping to boost tourism growth;
- Job creation.

Examples of these types of public sector funding of hotel projects are given in the following paragraphs.

2. Local Authority Borrowing at Preferential Interest Rates

A number of local authorities across England have used their prudential borrowing powers to take our preferential rate loans to help fund hotel schemes, typically entering into a lease arrangement with a hotel operating company to generate a rental income to repay the loan and in some cases generate a surplus profit for the authority. This has enabled a number of hotel schemes that have been unable to secure commercial funding to go ahead, at no cost to Council tax payers and in some cases giving an investment return to the council. Examples are as follows:

Travelodge Partnerships with Local Authorities

Travelodge has been working in partnership with a number of local authorities to develop new hotels with funding from low interest government loans from the Treasury through the Public Works Loans Board. The hotels are built on local authority land and leased to Travelodge on a 25-year term, with the councils repaying the debt using the rental income from Travelodge and any other tenants. Travelodges have so far been developed using this mechanism in Eastleigh and Aylesbury, and are currently being progressed in Bicester, Thetford and Redhill. When complete the local authority can choose whether to retain ownership of the hotel or to sell it with Travelodge as the operator.

Pullman Hotel, Liverpool

Liverpool City Council is currently funding the £66m Exhibition Centre Liverpool and Pullman Hotel adjacent to the Liverpool Arena and Convention Centre (ACC Liverpool) on Liverpool's waterfront, through borrowing that will be supported directly from the revenue generated by the expanded ACC Liverpool campus. The scheme will thus be funded at no cost to tax payers. The hotel will have 216 bedrooms and be of an upscale 4 star standard. It will act as the headquarters hotel for conferences and exhibitions taking place at convention and exhibition centres. Exhibition Centre Liverpool is one of Mayor Anderson's priority projects. Having an on-site 4 star hotel is seen as critical to its success. After initial investigations to find a private sector partner to fund and develop the hotel failed the City Council decided to fund the hotel directly itself alongside its funding of the exhibition centre. The hotel will be wholly owned by the City Council and operated under management contract by Branded Hotel Management through a franchise agreement with Accor Hotels.

Crowne Plaza Newcastle

Newcastle City Council has borrowed £30m to help fund the development of the 250-bedroom 4 star Crowne Plaza hotel as part of the first phase of the Stephenson Quarter business district scheme in Newcastle city centre. This is a key regeneration project that the City Council sees as being of vital importance to the future development of Newcastle. The developers, Silverlink Holdings (now renamed as the Coulston Group) had secured commercial backing for other elements of the scheme but were unable to secure a loan for the hotel as the banks were reluctant to fund this type of use. With the hotel being a key element of the scheme, the City Council stepped in to borrow the money to help progress the hotel. It has lent a large slice of the money that it has borrowed to the developer to fund the construction of the hotel. The Council will use the rest of the money to buy plots of land near the hotel and kick-start work on buildings that will be sold on at commercial rates. The hotel is due to open in July 2015. It will be operated under management contract by the InterContinental Hotels Group (IHG). The hotel will add a major new business conferencing and banqueting facility to the city. Its main conferencing suite will seat and cater for around 400 people. The hotel will also offer eight adaptable meeting rooms that can accommodate small seminars of 12 people up to large private meetings of 32 and delegate meetings of 100. Combining the large conference suites and meeting rooms, the hotel can provide more space to become an ideal venue for exhibitions.

Hilton Ageas Bowl, Hampshire

Eastleigh Borough Council has recently purchased the now completed 175-bedroom, 4 star Hilton hotel at the Ageas Bowl cricket ground near Southampton, home of Hampshire County Cricket Club. In a deal signed in 2012, the Council agreed to pay £27.5m for the completed hotel to enable it to go ahead. Its construction was funded by Omni Capital. The investment has required the Council to take out a loan, which will be repaid with the revenue from the hotel. The Leader of the Borough Council, Cllr Keith House, has consistently said that the surplus income, particularly in the longer-term once the loan has been cleared, will be used to keep Council Tax down.

Lancashire County Cricket Club 4 Star Hotel

The Greater Manchester Combined Authority and Trafford Metropolitan Borough Council have stepped in to help bridge the funding gap for a proposed 150-bedroom 4 star hotel at Lancashire County Cricket Club's Emirates Old Trafford ground after the club failed to secure a bank loan for the project. A meeting of the Combined Authority in February 2015 agreed a loan of £5m towards the £12m hotel from the Greater Manchester Growth and Growing Places Funds, while Trafford Metropolitan Borough Council agreed to a loan of £4m in March. The Cricket Club turned to these public sector bodies after being turned down for funding by its bank. The Club had also rejected an offer of a loan from the Greater Manchester Pension Fund because the level of fees and proposed interest rate of 9% could not be supported by the hotel scheme. Trafford Council will borrow the £4m from the Public Works Loan Board resulting in an annual interest cost of £106,000. The Cricket Club will pay the Council £221,000 over the loan period, leading to a net profit for the Council of £115,000.

Stockport Exchange

Stockport Council is using its prudential borrowing powers to access an £18.5m preferential rate loan to forward fund the construction of a 115-bedroom hotel and 50,000 sq ft office building as the second phase of the Stockport Exchange mixed-use development scheme in Stockport town centre in conjunction with its development partner Muse Developments. The Council bought the 10.4 acre site in January 2011. The first phase of the development, which included highways improvements and a 1,000 space multi-storey car park was completed in 2014. The Council sees the scheme as being crucial to the success of Stockport town centre. It took the decision to use its preferential rates of borrowing to kick start phase 2 and attract further investment at a time when commercial funding has proved difficult to secure. The income generated will cover the cost of the loan. The Council has done extensive research and financial modelling to ensure its financing of the hotel and office development will be at no extra cost to the Council Tax payer.

3. Grants for Hotel Projects

Grants from the European Regional Development Fund (ERDF), UK Government Growing Places Fund and Regional Growth Fund, Welsh Government, Scottish enterprise agencies and individual local authorities have helped to fund a number of hotel schemes across the UK. Heritage Lottery Fund grants have also been secured to support the conversion of a number of historic buildings into hotels. Examples of grant schemes and grant assisted hotel projects are as follows

Welsh Government Tourism Investment Support Scheme (TISS)

The Welsh Government operates a discretionary capital grant scheme, which is available to both existing and new tourism businesses of all sizes (SMEs and large companies) that are looking to undertake capital investment. Support is available for the purpose of upgrading the quality of existing tourism business premises and increasing capacity where there are clear gaps in the market. The scheme has two elements offering grants of up to £75,000 and £500,000. Grants are non-repayable up to £25k, but may be repayable over £25k, subject to appraisal. The guideline intervention rate is 25% but up to 50% can be considered. A wide range of hotel projects have been supported, including a grant of £500k to support the upgrading of the Ruthin Castle Hotel to 4 stars and a £1.1m investment in the St Brides Hotel at Saundersfoot.

Highlands & Islands Enterprise

Highlands & Islands Enterprise offers a range of financial assistance to support capital investment projects, including grants, loans and direct equity investment, and works with Scottish Development International to develop investment propositions to take to market. The agency has funded a number of hotel projects including investments in 2015 of £217,500 to support a £1.4million expansion of the Isle of Eriska Hotel near Oban, and a £200,000 investment to support the expansion of the Kylesku Hotel in the Highlands.

Titanic Hotel, Liverpool

Liverpool City Council provided a £5.5m grant from the Regional Growth Fund to enable developers Harcourt to progress the conversion of the North Warehouse at Stanley Dock in north Liverpool into a 150-suite 4-star hotel at a cost of £30m. The project is part of the first phase of a £130m plan to regenerate the entire Stanley Dock site. The regeneration of north Liverpool is a key priority for the city's Mayor. The City Council decided that investment in the hotel was justified as a statement of confidence in the area, a means of finding a new use for a building that had been derelict for many years, and in terms of the new jobs that it has created. The hotel has also benefitted from BPRA. It opened in June 2014.

Premier Inn Blackburn

A 60-bedroom Premier Inn budget hotel is currently under construction as part of the £25 million Blackburn Cathedral Quarter development in Blackburn town centre, Lancashire. The scheme also includes an office block, restaurants, shops, a new bus interchange and housing for Cathedral staff. It has been funded by the Homes and Communities Agency (£4.75m), European Regional Development Fund (£3.6m), Blackburn with Darwen Council (£3.8m), Blackburn Cathedral (£1.7m), Lancashire LEP's Growing Places Fund (£3.9m) and commercial developer Maple Grove (£7.8m). The hotel has been let to Premier Inn. It is due to open in November 2015.

Hampton by Hilton Humberside Airport

North Lincolnshire Council is part funding the development of a £7m, 103-bedroom Hampton by Hilton hotel at Humberside Airport through a Regional Growth Fund grant. The hotel is being developed by regional hotel operator Nightel, who will operate it under a franchise agreement with Hilton Worldwide. It is due to open in mid-2016. The Council has supported the development of the hotel on the basis of the contribution it will make to the development of the airport, the continuing expansion of the offshore oil, gas and renewable energy sectors and the new jobs that it will create.

Belfast Titanic Hotel

The derelict office building in which RMS Titanic was designed is to be developed into an 84-bedroom 4 star hotel thanks to a £4.9m grant from the Heritage Lottery Fund. The Titanic Foundation will use the grant to restore the B+ listed Harland and Wolff headquarters building on Queen's Island, Belfast, which has been vacant since 1989. The grant has been awarded through HLF's Heritage Enterprise programme. It is designed to help when the cost of repairing an historic building is so high that restoration is not commercially viable. Grants of £100k to £5million bridge the financial gap, funding the vital repairs and conservation work needed to convert derelict, vacant buildings into new, usable commercial spaces that can have a positive impact on local economies.

Buxton Crescent Hotel

The £46m redevelopment of the former St Ann's Hotel in Buxton's Grade I listed Georgian Crescent into a 79-bedroom, 5 star hotel incorporating the neighbouring natural baths into a state-of-the-art thermal natural mineral water spa, is currently being progressed with funding support from a variety of public sector sources, including the Heritage Lottery Fund (£23.8m), English Heritage (£0.5m), Derbyshire County Council (£2.7m), High Peak Borough Council (£2m) and D2N2 LEP (£2m). The developers, the Trevor Osborne Property Group, are contributing £15m. The project first commenced 10 years ago, but stalled after £5m of funding from the East Midlands Development Agency (EMDA) was withdrawn with the demise of the agency in 2011. The delay caused by losing the EMDA funding meant that because of the financial climate at the time the developers were unable to borrow the amount that they needed from the banks. Given the importance of the project to Buxton and the rest of Derbyshire the County Council stepped in with a loan to help bridge the funding gap. Further funding was also secured from the D2N2 LEP and HLF awarded an additional £11.3 m for the completion of the project in November 2014. Construction has now restarted with the hotel due to open in 2016. It is projected to generate an additional annual contribution of £4m into Buxton's visitor economy.

4. Local Authority Freehold Purchase

Aloft Liverpool

Liverpool City Council facilitated the conversion of the historic Royal Insurance building in Liverpool city centre into a 116-bedroom Aloft budget boutique hotel by purchasing the freehold of the building for £1.95 million. This unlocked £18million of private sector investment in the project, which has been progressed by Runcorn-based developer Ashall Property. The City Council was keen to bring this landmark building back into use. It had been unoccupied for 20 years and was on the National Buildings at Risk Register. English Heritage also supported the scheme with a grant of £297,500. The hotel opened in November 2014. It is operated by BDL Management under a franchise agreement with Starwood Hotels & Resorts Worldwide.