GVA RGA

FINAL

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Hotel Needs Assessment

Preston, Lancashire

Prepared for: Preston City Council

April 2013

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1. INTRODUCTION

1.1.1 Background

Preston lies in the heart of Lancashire and is the County's administrative centre. The city is well located in terms of transport and communication links, close to the M6, M61, M55 and M65 motorways. The city's railway station also lies on the West Coast Mainline running between London and Glasgow.

Preston City Council is in the process of updating its evidence base to inform local planning policy in accordance with the new National Planning Policy Framework (NPPF). The NPPF advises that local planning authorities should recognise town centres as the heart of their communities and pursue policies that support their viability and vitality. In addition, the Good Practice Guide on Planning for Tourism advises on the importance of a robust evidence base to support planning policy.

1.1.2 Purpose

Against this background, Preston City Council has commissioned GVA RGA to undertake a Hotel Needs Assessment in order to examine the hotel capacity and 'need' for the city. The Study is being undertaken in tandem with the 'Retail and Leisure Study' for Preston, which has been recently commissioned by the Council and is nearing completion. The key objectives of this Study are, as follows:

- To undertake an audit of hotel supply within the city centre and the wider catchment area that serves the city centre, in both quantitative and qualitative terms;
- To provide an assessment of the performance of hotels, in terms of occupancy levels, located within the city centre and the wider catchment area that serves Preston;
- To benchmark Preston's hotel supply in quantitative and qualitative terms, against a range of similar towns and cities to Preston;
- To provide a list of consented hotels within the city centre and the wider catchment area that serves the city centre, including an assessment of the likely 'deliverability' of such schemes;
- To provide an understanding / consideration of current trading environment for hotel operators trading in the marketplace, particularly those that may have regional growth plans of relevance and
- To provide an indication of an overall hotel requirement for Preston, together with advice on how and where, this requirement could be satisfied over the 2013-2027 period. We have quantified and qualified this demand over a number of time horizons – the short, mid and long term.

Please note that the hotel market is constantly evolving and so we would, therefore, recommend that this Study and its conclusions be re-examined at regular intervals. We would suggest periodic reviews of between 6 and 12 months.

1.1.3 Methodology

GVA RGA has undertaken the following tasks in preparation of this Study:

- Conducted background research into the general economic conditions prevailing in the market area;
- An interrogation of our database to review the current trends in both performance and development in the wider regional hotel sector along with a review of those hotels operating in the Preston area specifically;
- A visit to the leading hotels in Preston and face-to-face meetings with local representatives (General Managers, Economic, Planning and Regeneration) to gauge the strength, prospects and characteristics of the local market;
- A quantitative and qualitative assessment of the current Preston hotel market;
- An evaluation of demand and trends amongst key booking intermediaries (corporate and hotel booking agents) through a series of primary demand interviews;
- An analysis of historic trading performance of hotels in Preston. We have commissioned a hotel performance data set for this market;
- A review of planning applications for new hotel developments in the market and assessment of overall suitability and deliverability of these projects;
- An assessment of the development opportunities, need and timeframe for potential hotels to serve Preston city centre and the wider catchment that serves Preston and
- An indication of the potential investment appetite and operator interest to meet future hotel capacity and 'need' for the city.

1.1.4 Quality Control

	Report Produced by:	Checked & Approved by:
Name	Nigel Mills	Richard Gaunt
Job Title	Consultant	Director
Date	4th March 2013	4th March 2013
Signed:		

2. EXECUTIVE SUMMARY

2.1 Background

Preston City Council is in the process of updating its evidence base to inform local planning policy in accordance with the new National Planning Policy Framework (NPPF). The NPPF advises that local planning authorities should recognise town centres as the heart of their communities and pursue policies that support their viability and vitality. In addition, the Good Practice Guide on Planning for Tourism advises on the importance of a robust evidence base to support planning policy. Against this background, Preston City Council has commissioned GVA RGA to undertake a Hotel Needs Assessment in order to examine the hotel capacity and 'need' for the city.

2.2 Preston Market Overview

Preston lies in the heart of Lancashire and gained city status in 2002. Together with Chorley and South Ribble, it forms the Preston Primary Urban Area (PPUA) which lies at the heart of the Central Lancashire sub-region.

Preston is the main economic driver and commercial centre of Lancashire – with three Universities (including one of the largest in the UK) and is the UK's leading centre for defence aerospace production. Around one million people live within 30 minutes drive of the city (Manchester and Liverpool are less than an hours drive away). The PPUA has a resident population of 356,500 people (2011).

The city is well located in terms of transport and communication links (close to the M6, M61, M55 and M65) and the city's railway station lies on the West Coast Mainline which runs between London and Glasgow. Over 4 million passengers used the station in 2010/2011.

The PPUA has a diverse and growing economy. It is a key employment centre across Lancashire and has remained one of the UK's best performing cities/urban areas in the current economic climate. Preston has firmly established itself as a leading centre for aerospace production and high-tech engineering. The majority of this activity is currently clustered out of the city centre – centred on employment zones close to the M6 – although there are a number of key employers located in the city centre such as the University and Preston City Council.

Whilst Preston is not considered to be an overnight leisure destination, it is strategically located for those travelling from one end of the country to the other, or as a base to explore tourist destinations in the wider area such as the Lake District, Blackpool and England's 'Golf Coast'.

There are a number of key regeneration priorities and projects for the forthcoming years in the area. The transformation of Preston city centre is the number one development priority, with key schemes focused on the delivery of a Central Business District, as well as other public realm, retail and leisure developments notably the 'Market Quarter'. There is also a strategy to promote strategic employment sites within the wider Central Lancashire Area focused on employment zones close to the motorways (M6), i.e. Preston East. Preston Riversway is also earmarked for residential, leisure, tourism and employment uses to the west of the city centre. Ensuring that there is a sufficient supply of quality hotels is a key priority.

2.3 Hotel Supply

We have identified 30 hotels providing a total of 1,657 bedrooms within an approximate 10-mile catchment of Preston city centre. There is a relatively good representation of branded and independently-operated hotels across various grades and quality. There is, however, an orientation towards budget, limited-service and three-star hotels.

The market is clearly defined by three sub-markets: City Centre, Edge of Centre and Out of Centre Hotels. There is a clear geographical orientation towards hotels that are located in Preston city centre, or properties located close to key arterial routes such as the M6, M61 and M55. Hotels all compete / interface with a range of demand drivers in the market.

In recent years, hotel supply in the city centre has doubled due to a number of new hotel openings, albeit this has been from a small base of just two hotels. Development activity out of the city centre has generally been limited to capital investment in properties and re-brandings of existing hotels.

There is a qualitative requirement to improve the quality and product offering of some of the existing full-service hotels, this view is supported by our discussions with key user groups. This has already been partly addressed though the re-positioning of the MacDonald Tickled Trout to a four-star hotel. The potential re-development of the Swallow Hotel will also aid this.

Currently, there is generally a lack of good quality upper three-star / four-star branded hotels serving Preston, with existing hotels in this sector primarily limited to the Holiday Inn (city centre), the Marriott (on the M55) and the MacDonald Tickled Trout (on the M6).

2.4 Hotel Demand

We have commissioned a hotel data set for hotels that submit hotel performance data to specialist Hotel Analyst STR Global. The key performance indicators relate to occupancy, Average Daily Room Rate (ADR) and Revenue Per Available Room (RevPAR) for the years 2007 to 2012. These are the key performance metrics which underpin viability and performance in the hotel sector. The sample is based on 12 hotels (1,046 bedrooms) and so is a reliable market indicator for the Preston hotel market.

The Preston hotel market has enjoyed relatively robust levels of occupancy (67% to 73% over the period) – consistently above that recorded by the overall provincial UK market between the years 2007 and 2010. Market conditions have, however, softened since the peak of 73% in 2007, which has been compounded further by recent hotel openings.

Whilst occupancy has yet to return to pre-recession levels (2007) there was a modest improvement in performance in 2012. Looking over a longer timeframe hotel room demand increased by 16,000 room nights between 2007 and 2012. Whilst new hotels have diluted market occupancy, these are relatively encouraging growth signals and underpin Preston's growing hotel economy.

Whilst there are positive signs in respect of occupancy, ADR however does fall below that of the overall regional UK hotel market (around £10 net lower), albeit this can largely be attributed to the high number of budget, limited-service and three-star hotels in the market.

That said there is an appetite for good quality hotel accommodation for which users are wiling to pay a price premium.

Mid-week corporate demand is high and is an important characteristic of the operating dynamic of the market. Tuesdays and Wednesdays are particularly busy with some hotels denying business and they are able to put a price premium on room rates. Hotels are not, however, generally denying business on the other days. These peak mid week demand spikes help to drive the overall annual strong occupancy performance of the market.

The occupancy and ADR performance of individual properties, however, varies fairly significantly and is driven by a number of influencing factors such as type and size of hotel, brand recognition, facilities, location and accessibility. There are a number of dated properties in the market which perform below the levels of the market set and are seen as a 'last resort' when the better quality hotels are full.

2.5 Hotel Benchmark Appraisal

We have undertaking a broad benchmark audit of some other hotel markets in the UK which have similar parameters to Preston in terms of location, transport connections, demographic and economic profile - Warrington, Derby and Peterborough. The key conclusion is that Preston's hotel supply (1,657 bedrooms) shows a similar structure to Peterborough (1,492) in terms of number of beds. Warrington (2,616) and Derby (2,491) have a greater number of beds. This is likely to predominantly reflect the greater urban catchment of Warrington and Derby respectively. When we look at the structure of these markets we note that they generally have a greater proportion of full-service branded hotels than Preston.

2.6 Hotel Development Appraisal

There are ***a number of factors that will drive interest and the viable delivery of hotel investment in and around Preston***. Development will depend on whether or not developer / operator criteria can be met, but more importantly the overall strength and growth prospects of the local hotel market.

Whilst operators have an appetite to increase their brand presence in the North West, much of this is focused in and around Manchester and Liverpool, as well as Blackpool. However, our discussions with both operators and developers active in the North West indicated that they would consider sites in and around Preston on an opportunistic basis. They highlighted the importance of prominent sites with good access to key commercial areas and arterial routes.

Any hotel scheme needs to be viable, deliverable and sustainable. That said Preston's hotel development potential will depend on a number of factors. Even some viable projects from a demand perspective are not being delivered. A key area 'holding' up developments is the lack of bank finance – there are only a handful of schemes being developed in the UK which do not have an element of bank finance (London being the exception). For schemes to progress in Preston the flow of development equity is an important factor. This financial 'log jam' is yet to be unlocked in the UK regional market which is reducing the number of delivered hotel schemes. This is likely to continue to be the case over the short term.

GVA RGA has undertaken an analysis in order to provide an indication of the potential hotel requirement for Preston, together with advice in terms of the type (positioning) and size of hotel(s) that could be suitable and where (zones) this requirement could be satisfied. For the purpose of this Study, we consider it relevant to provide an indication of hotel development opportunities over the next 15 years, i.e. 2013 to 2027.

GVA RGA has estimated future demand (room nights) for the wider Preston hotel market (currently 1,657 bedroom) from a base year (2012) and taking this forward using various growth rates to the year 2027. ***We believe the prospects for the Preston hotel market to be positive***, particularly when the inward investment / regeneration projects identified within this report move forward and following the mid term expected recovery in economic conditions in the UK.

It is generally considered that where market occupancy for an area is above 70%, the market could potentially support additional bedrooms – this is a strong demand (volume) indicator. The positioning of the hotels (budget to five-star) is also influenced by the ADR – what guests are prepared to pay for a room. We have calculated the number of additional bedrooms that may be required to meet any future demand growth in Preston, as follows:

Table 2.6.1: Estimated Potential Hotel Requirement for Preston

Timeframe	Daily Rooms Sold	Daily Rooms Required to Support 70% Occupancy	Additional Capacity Required (No Rooms)
Short Term (2013 to 2017)	1,232	1,760	**103**
Medium Term (2013 to 2022)	1,373	1,962	**305**
Long Term (2013 to 2027)	1,531	2,187	**530**

Source: GVA RGA Estimates

We comment on the potential hotel requirement for Preston based on these various timeframes. These are Short Term (2013 to 2017), Medium Term (2013 to 2022) and Long Term (2013 to 2027). Our methodology does not assume any loss of hotel rooms (due, for example to a hotel closing) from the market and is based upon the 2012 base year supply in the market – this is net growth.

Short Term Requirement (2013 -2017)

Similar to the overall provincial UK hotel market, the Preston hotel market has softened considerably in recent years following the UK's economic recession which has been compounded further by a number of recent hotel openings in the area.

Despite the current climate within the UK's provincial hotel market, however, there are a number of signals prevailing locally where demand is not being fully satisfied by some of the existing hotels in the area. Based on recent performance levels, ***the immediate opportunity lies with improving performance levels across the wider Preston hotel market and there are already a number of positive developments where this is already occurring***.

The ***Preston hotel market is showing positive growth signals*** across the key performance indicators. While many uncertainties remain, the overall outlook for the UK hotel sector is one of recovery albeit the rate of recovery will largely follow the UK's wider economic growth prospects. Preston's economic growth prospects appear to be encouraging and, whilst there is still some uncertainty relating to the rate of development and economic growth, there are already a number of local regeneration initiatives underway that should positively enhance Preston's hotel development prospects. The Fishergate scheme (expected to be completed by 2014) is an encouraging development which should increase the overall appeal of the city centre. These are positive developments for Preston which should, in turn, be a catalyst for inward investment and Preston's economic growth prospects.

Based on our overall knowledge of the Preston hotel market and understanding of key demand trends prevailing in the area, ***we consider the hotel development prospects for Preston to be positive***. Allowing for planning and development, the opportunity of a new hotel(s) coming on stream should come forward towards the end of the period (i.e. a hotel(s) coming on stream in the year 2016/2017). The market is unlikely to support a large hotel(s) coming on stream prior to this, without negatively diluting demand and the performance of the wider Preston hotel market – albeit this is unlikely given the typical timeframe of hotel developments which is normally around 2 to 3 years.

In terms of opportunities, we consider there to be ***a market opportunity for a new build branded upper three-star product, i.e.100+ bedrooms and commensurate food and beverage facilities***. There is generally a shortage and, demand for, a modern branded upper three-star / four-star hotel. The budget sector is already well served and we consider that development opportunities lies within the development of full-service hotels.

In market terms, we believe sites in the city centre offering prominent frontage onto the Ringway (A59) would be appealing – preferably on sites close to the core retail as well as the railway station. This would include the land which is available on the corner of Corporation Street and the Ringway which already has planning consent for hotel use. Overall, we consider this to be a very good site for hotel development given its prominent position on the Ringway. The outline consent for a hotel as part of the proposed development of the Queens Retail Park may be less appealing albeit this will depend on whether any hotel would enjoy frontage onto the Ringway, as well as the appeal of neighbouring uses as part of any mixed-use development. The development of hotels in the city centre should be carefully monitored given the relatively small base of existing hotels at present and, therefore, the potential impact a large hotel(s) could have on the performance of existing city centre hotels. ***Any wave of new hotels coming on stream over a relatively short period could potentially flood the market***.

Alternatively, sites located close to key motorway routes would be appealing (i.e. around M6 Junction 31A) and/or close to key employment centres such as Fulwood/Preston East. Sites for hotel development may, however, be better suited to meet the medium to longer term requirements which could, potentially, support a larger four-star branded hotel with conferencing – ideally as part of a wider mixed-use, office-led development and/or expansion of an existing Business Park. The Riversway area may also offer potential for hotel development however the area is likely to better suit a small budget type hotel.

Given the recent changes in local hotel supply and wave of hotel investment in the city centre, out of centre sites may be more acceptable in market terms as any new hotel which is well located to the motorway network is likely to have a strong regional appeal within the context of the wider business generating dynamic of Preston.

There are limited boutique hotel operators in the market, and operators such as InterContinental Hotels Group (Indigo) would not find Preston attractive enough given their overall development focus for major city centres. The market would not be strong enough to generate the sufficient volume of high rated business which would be necessary to support their business models and typical scaling of hotels developed, i.e. 50 to 100+ bedrooms. Nonetheless, we do consider that there is ***an appetite for an upper three-star / low four-star small boutique hotel (restaurant-with-rooms) offering around 20 to 40 bedrooms.***

Medium and Long Term Requirement (2013 to 2027)

We have indicated that ***the wider Preston hotel market could potentially support a total of around 500+ additional bedrooms*** over the next 15 years. The hotel requirement for Preston will, however, ultimately depend on how successful and how quickly Preston grows from both a commercial and leisure perspective – which will be spearheaded by the delivery of regeneration schemes identified within the City Centre Plan period (i.e. Market Square and Central Business District), and once investments as part of the Enterprise Zones and City Deals are realised.

It is important to recognise that making any sort of market forecast is an uncertain process and all forecasts are based on judgement and assumption and are therefore susceptible to unforeseen changes. It is extremely difficult to forecast accurately over such a long period of time and our medium and long term projections should be taken as indicative only. They are only intended to be used as a guide to give an indication of how many bedrooms could be needed over a specified time period and the level of development which we believe could be supported in and around Preston. The ***Preston hotel market will react to these developments which, in turn, will generate opportunities for new hotel development*** across a broad range of sectors, from budget to four-star.

New hotel development opportunities will largely depend on how the Preston hotel market moves and reacts to new developments. Identification of sites will likely include both city and out of centre sites and the development opportunities will be apparent following regeneration and inward investment activity. This may include, for example, the prospects of converting existing buildings within the city centre (i.e. the former Post Office and Amounderness House). Care should be taken in assessing the overall suitability of individual sites given the importance of accessible sites and the wider generating dynamics of the Preston hotel market. These underlying dynamics may of course change over time depending on the overall appeal of Preston from a commercial and tourism perspective.

2.7 Scenario Planning

Given the uncertainty of forecasting, we have undertaken some scenario planning in order to assess the impact if market growth rates were to increase or decrease. Based on a higher growth rates, this could result in **potential additional hotel capacity of around 697 hotel bedrooms by the year 2027**. Alternatively, our low case scenario indicates that this potential could fall to around 375 bedrooms. Overall, however, we consider that the potential for hotel development in Preston is positive.

3. PRESTON MARKET OVERVIEW

3.1 Introduction

In the following section we provide an overview of Preston and the wider Preston Primary Urban Area (PPUA) in terms of its accessibility, the performance of the local economy, commercial environment, tourism profile and key regeneration initiatives. This will assist us in determining the overall environment for opening hotels, as well as proposed developments which may positively impact upon future hotel demand.

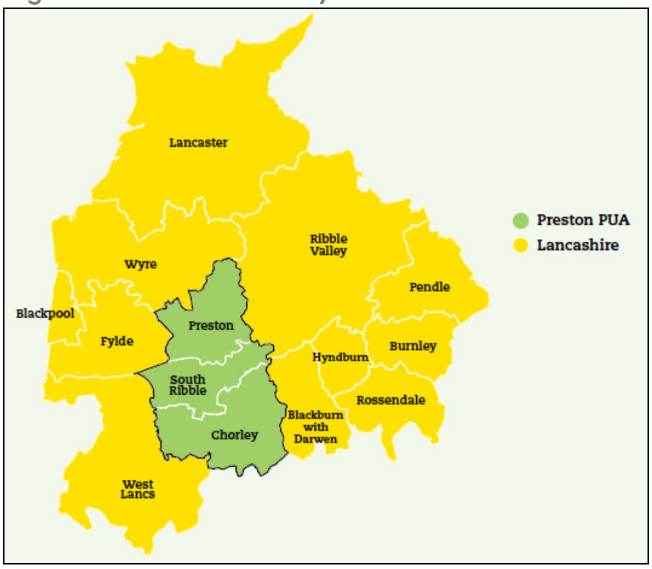
3.2 Background

Preston is a city and non-metropolitan district located on the north bank of the River Ribble in Lancashire, North West England. Together with Chorley and South Ribble, it forms the Preston Primary Urban Area (PPUA) which lies at the heart of the Central Lancashire sub-region. ***Preston itself was awarded city status in 2002*** by Her Majesty Queen Elizabeth II as part of her Golden Jubilee celebrations.

The district includes eight rural civil parishes (primarily to the north of Preston itself). Whilst the southern part of the district is mostly urbanised, the northern area remains relatively rural. We illustrate the city boundary and the location of Preston in Lancashire below. The focus of this Section is on Preston within the context of the Preston Primary Urban Area (PPUA).

Figure 3.2.1: Preston City Council Boundary

Figure 3.2.2: Preston Primary Urban Area in Lancashire

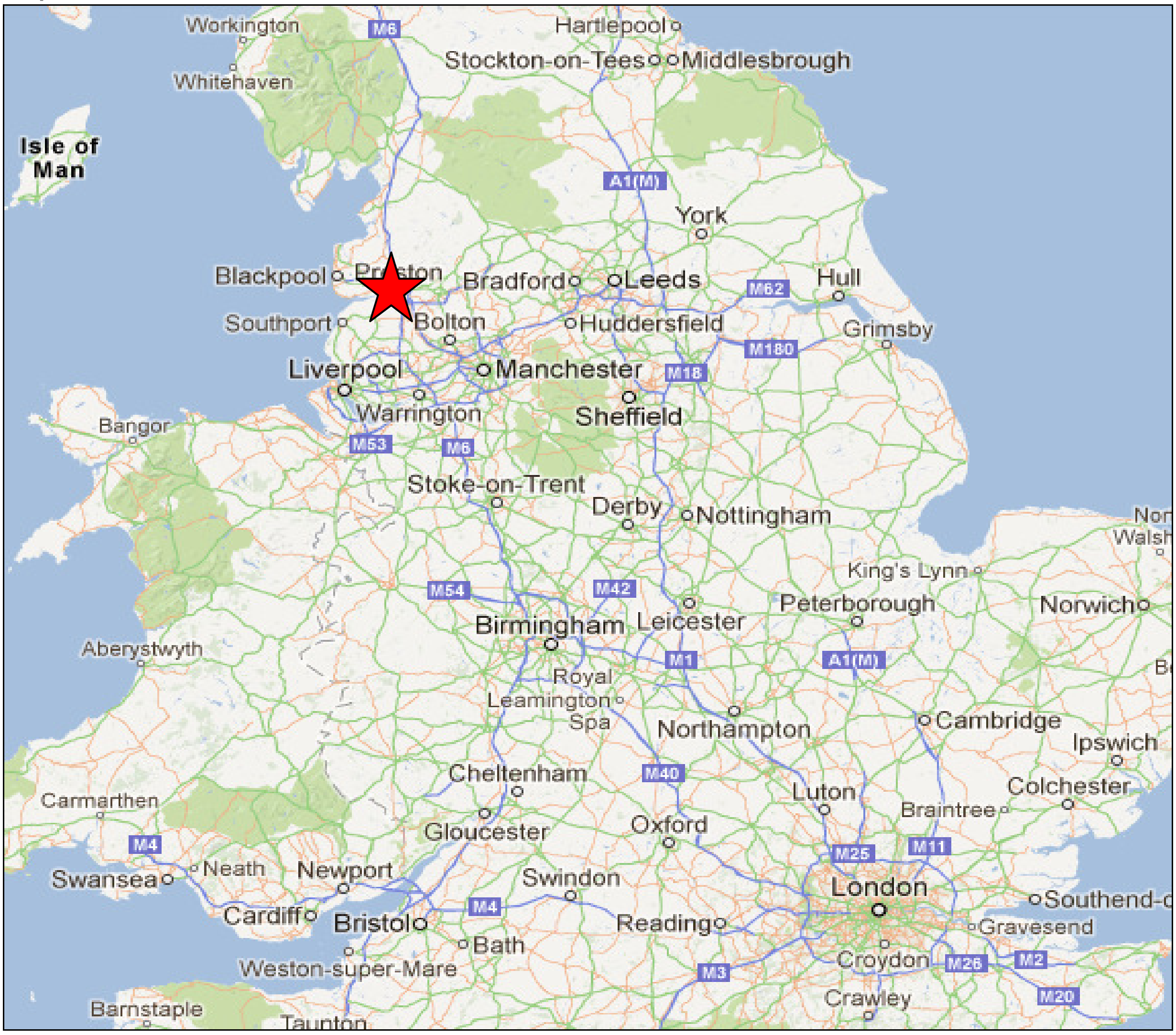


Source: Wikipedia

3.3 Location

Preston enjoys a central location within the North West region with major northern settlements such as Liverpool, Manchester, Blackpool and Leeds all within easy reach. It is a regional hub with excellent infrastructure, providing a gateway to national and international markets, and making large parts of the UK easily accessible.

Map 3.3.1: Location of Preston in the UK



Source: Google Maps

3.4 Transport and Communications

3.4.1 Road

Preston is well served by road. It lies at the junction of the North-South and East-West motorway corridors (M6, M61, M55 and M65), placing ***one million people within 30 minutes drive of the city*** and 90% of the UK population within five hours. The M6, in particular, is a key motorway linking the Midlands to the south and the north of England and Scotland. Other key arterial routes serving Preston include the A6 (from Bedfordshire to Cumbria) and the A59 (Merseyside to North Yorkshire), which provide access to major northern settlements. We outline the distance and drivetime from Preston to key towns and cities as follows.

Table 3.4.1: Distance and Drivetime from Preston to Key Towns and Cities

Destination	Approx. Distance (miles)	Approx. Drivetime (hrs/mins)
Blackburn	10.4	0h 17m
Blackpool	18.7	0h 26m
Southport	17.8	0h 29m
Bolton	23.9	0h 29m
Liverpool	36.9	0h 49m
Manchester	36.0	0h 50m
Leeds	68.6	1h 17m
Carlisle	89.1	1h 33m
York	96.2	1h 51m
Derby	10.1.1	1h 57m
Birmingham	107.0	2h 02m
Glasgow	184.2	3h 06m
Bristol	189.3	3h 21m
Cambridge	201.8	3h 38m
London	222.0	4h 06m

Source: AA Route Finder

3.4.2 Rail

Preston Railway Station is located on the West Coast Main Line which links London and Glasgow, with regular links to both cities as well as to Birmingham and Edinburgh. The station is located in the heart of Preston city centre. It is also served by local trains to Lancashire, Cumbria, Greater Manchester and Merseyside, and is a hub for connecting rail services to the North West with direct services to Bradford, Leeds and other major cities. In 2010/11 more than 4.1 million passengers used the station. We outline the approximate journey time for rail services between Preston and key towns and cities below.

Table 3.4.2: Approximate Journey Time for Rail Services from Preston to Key Towns and Cities

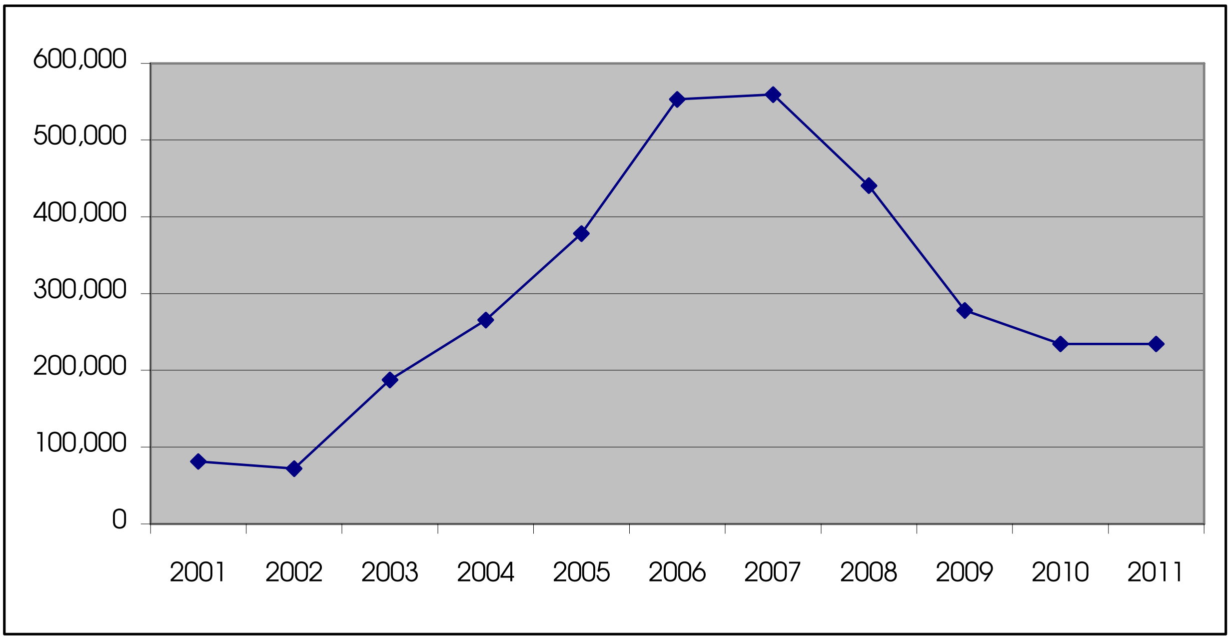
Destination	Approx. Rail Journey Time (hrs/mins)
Blackburn	0h 20m
Bolton	0h 25m
Blackpool	0h 32m
Manchester Piccadilly	0h 45m
Burnley Central	0h 53m
Liverpool Lime Street	1h 05m
Carlisle	1h 07m
Southport	1h 10m
Birmingham New Street	1h 38m
Leeds	1h 50m
London Euston	2h 14m
Glasgow Central	2h 25m
York	2h 25m
Bristol Temple Meads	3h 25m

Source: Trainline

3.4.3 Air

Blackpool International Airport is the closest airport to Preston, located just 25 minutes away. Airlines operating from the Airport include Jet2.com, Aer Lingus (regional arm) and City Wing – providing flights to a number of domestic and European cities with new routes added for summer 2013. Although the Airport experienced rapid growth in the early to mid 2000s peaking at more than 558,000 passengers in 2007, passenger numbers have since declined. This broadly mirrors the national picture – with air passenger traffic falling as a result of the impact of the economic recession on consumer's disposable income and air travel – but also reflects the loss of some routes in recent years and Ryanair's decision to terminate services from the Airport at the beginning of 2009. Annual passenger numbers remained largely static in 2010/11.

Graph 3.4.3 Annual Passenger Statistics at Blackpool International Airport, 2001 - 2011



Source: Civil Aviation Authority

In July 2007, the Blackpool International Airport Master Plan was published forecasting that the Airport could be used by in excess of three million people by 2030. These forecasts do not appear to have been updated – however, this level of growth would seem highly unlikely given the aforementioned loss of routes, limited number of carriers, and notable decline in passenger numbers in recent years.

The larger international airports at Manchester and Liverpool are both within an hours' drive of Preston. Although both airports have experienced a decline in passenger numbers in recent years, they recorded relatively healthy growth during 2011 handling around 18.9 million (+6.7%) and 5.2 million (+4.7%) passengers respectively.

3.5 Population Profile

In July 2012, the first outputs from the 2011 National Census were released. The data focuses on cities as defined by their Primary Urban Area (PUA) rather than local authority boundaries. According to the results, the ***PPUA has a resident population of 356,500***. This represents growth of 6.4% over the ten-year period since the last Census (2001) compared to 7.1% nationally across England and Wales.

Although the 2011 Census results have yet to be published at a local authority level, according to the 2011 Office for National Statistics (ONS) mid-year population estimates, ***the city and district of Preston has a resident population of 140,100*** – equating to around 39% of the PPUA population, with some 93,800 people of working age.

3.5.1 Population Projections

In October 2012, the ONS released revised interim population projections for the ten-year period to 2021. We summarise the local, regional and national predicted growth rates below.

Table 3.5.1: Population Projections 2011 to 2021

Area	Projected Population			% Change		
	2011	2016	2021	2011 2016	2016 2021	2011 2021
Preston	140,054	143,206	145,169	2.3%	1.4%	3.7%
South Ribble	109,181	113,136	116,964	3.6%	3.4%	7.1%
Chorley	107,591	110,764	113,926	2.9%	2.9%	5.9%
Lancashire[1]	**1,461,295**	**1,494,383**	**1,524,757**	**2.3%**	**2.0%**	**4.3%**
North West	**7,056,000**	**-**	**7,364,000**	**-**	**-**	**4.4%**
England	**53,107,000**	**-**	**57,688,000**	**-**	**-**	**8.6%**

[1] Based on the broader Lancashire area – comprises the 12 local district authorities within Lancashire County Council with the addition of Blackpool and Blackburn with Darwen unitary authorities

Source: Office for National Statistics

The projections forecast growth for all three districts within the PPUA - particularly South Ribble which is expected to rise by 7.1% by 2021 representing the highest growth rate of all districts in Lancashire. ***The expected growth in the local population has the potential to help drive hotel demand from key leisure markets, such as the Visiting Friends and Relatives (VFR) segment***.

Overall, the broader Lancashire population is forecast to grow by 4.3% which is broadly in line with the regional average, albeit the predicted growth for the North West is significantly behind that forecast nationally and is the lowest projected growth of all nine English regions.

3.6 Economic Environment

Preston - and the wider PPUA - is the main economic and commercial centre of the Central Lancashire sub-region. It has performed strongly in recent decades generating employment opportunities for the wider Lancashire economy, and has remained one of the best performing UK cities during the recession with only Cambridge (PUA) weathering the storm better than Preston (Centre for Cities 2011). Much of the recent growth – particularly in private sector employment – has occurred outside the core city centre, predominantly around motorway sites such as Bamber Bridge and areas to the north of Leyland. Nevertheless, the city centre remains the core economic driver accounting for the highest proportion of employment across the PPUA. The PPUA is expected to continue achieving above average employment growth over the forthcoming years.

It is estimated that 800,000 people of working age are within a 30km radius of the city, with 25% of the UK's workforce located within an hour's drive and 60% located within two and half hours. At present, it is thought that around 36,000 people travel to work in Preston from other areas of the North West – further highlighting the economic importance of the PPUA to both the wider Lancashire and regional economies.

One of the most recent developments relate to the Government's green light for Preston to secure a ***City Deal bid*** – providing Preston with greater independence from Whitehall to help boost economic growth. The proposal, which is currently being consulted on across the county, sets out a strategy to ***support the creation of around 23,000 new jobs, 15,000 new homes and nearly £1billion in economic growth over the next 10 years or so***. The primary focus for Preston is investment in infrastructure to unlock development potential, mainly for housing on the edge of the urban area. The proposals support a series of new housing developments that are constrained by the existing transport infrastructure, and complement current development plans and investment opportunities. Potential schemes include a new link road off the M55 the Enterprise Zone at Warton.

3.6.1 Key Employment Sectors

Preston has a broad and diverse economy with strengths in advanced manufacturing, high tech engineering, service provision, professional and business services. It is the ***UK's leading centre for defence aerospace production***, with BAE Systems – the UK's main military aircraft supplier – having major production facilities at Warton and Samlesbury, as well offices in the city centre. In total, there are around 140 companies (employing 30,000 people) operating within this field across the PPUA.

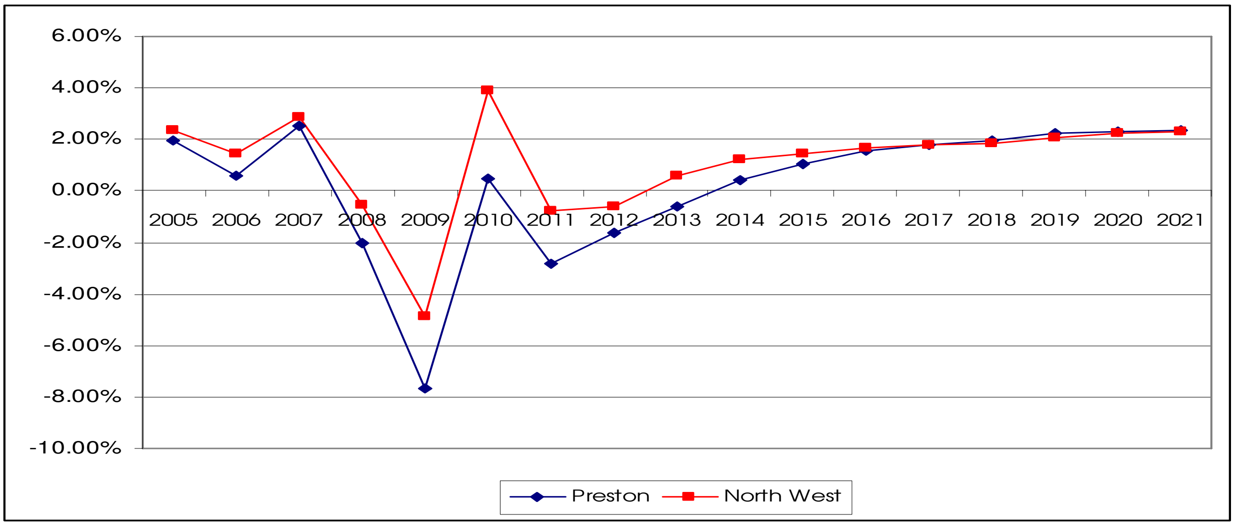
Both the ***Warton and Samlesbury sites collectively comprise around 150 hectares of land which form part of the Lancashire Enterprise Zone***. The Enterprise Zone is earmarked for further development by Lancashire Enterprise Partnership which is supported by BAE Systems. The plan is to develop these areas to build upon Lancashire's existing strengths in aerospace. Whilst development is largely speculative, this is very encouraging for Preston's economic growth prospects. Hotels, such as the existing Swallow hotel, will be well placed to meet the growing needs of these companies.

Other important sectors include financial and business services with a large number of consultancy, insurance and law firms in the area, and the public sector. Preston is the regional centre for Lancashire County Council, the Lancashire Police Headquarters and the law courts. The University of Central Lancashire (UCLan) is also based in the city and is a major local employer, directly contributing approximately £300 million to the local economy annually. Retail is also an important contributor to the local economy, with Preston being the main retail destination in Lancashire according to the Experian Retail Ranking Analysis.

3.6.2 GVA Growth

It is important to illustrate Preston's economy within the context of regional trends. Accordingly, we illustrate the annual percentage change and forecast growth in output - in terms of Gross Value Added (GVA) - for Preston and the North West overleaf.

Graph 3.6.2: Total Output, Gross Value Added, for Preston and the North West



Source: Experian

The Preston economy broadly mirrors the regional trend – albeit the fluctuations appear to be more pronounced locally than regionally, which can be party attributed to the inclusion of major economic centres such as Manchester within the North West figures. The graph shows that the local and regional economy is forecast to return to positive growth from 2014, in line with wider forecast improvements in national economic conditions.

3.7 Commercial Environment

Over the years, the wider Preston area has established itself as an attractive commercial location due to its proximity to the transport infrastructure and large potential labour force. This has sought to attract a number of national and international companies, many of whom have based their regional or national headquarters in and around the city.

In more recent years, there has been a trend towards businesses locating in satellite areas on the fringe of Preston city centre, with ***out-of-town employment sites proving sought after*** (particularly amongst companies within the financial and business services sectors). Key locations include Fulwood (M6, Junction 31A), Bamber Bridge, Leyland and Ribbleton, as well as a clustering of companies along the A59 corridor (near M6, Junction 31), A583 Riversway (Riverside Docklands to the west of Preston city centre) and A5085 Blackpool Road around Ashton-on Ribble. Preston East is a key zone for expansion amongst the commercial sector.

The trend towards out-of-town locations can be largely attributed the limited size, quality, lack of parking facilities and access associated with city centre office space. In comparison, out-of-town sites offer larger, superior facilities with on-site parking and easy access to key transport routes. As a result, smaller urban areas outside of the city are now commanding higher rental values than prime city centre office space. This situation may of course change as and when regeneration takes places in the city centre, such as the Central Business District (Section 3.9) which would attract investment through the provision of high-quality commercial floorpsace.

3.7.1 Major Local Employers

We list some of the key private and public sector employers in and around the PPUA as follows. As shown, BAE Systems are one of the largest providers of local employment with an estimated 6,000 staff at the Warton site alone. In total, it is estimated that BAE employ around 15,000 people across its centres in the North West.

Table 3.7.1: Major Employers in and around the Preston Primary Urban Area

Private Sector	Public Sector
BAE Warton	Lancashire County Council
Stage Coach North West	Wesham Park Hospital
Assystem UK Ltd	Royal Preston Hospital
Springfields Fuels Ltd	Chorley Hospital
Littlewood Shop Direct	Royal Mail
Enterprise Plc	Preston City Council
Leyland Trucks Ltd	University of Central Lancashire (UCLan)
BT Plc	Preston College
Homeserve Claims Mgmt	Runshaw College
James Hall & Co Ltd	Myerscough College
Inbev UK	Preston Primary Care Trust
Lancashire Evening Post	Chorley Council
Carphone Warehouse[1]	Lancashire County Property Group
Hinduja Global Solutions UK	South Ribble Borough Council
Fox's Biscuits	Land Registry
Stage Coach North West	Social Security Department
	HMP Kirkham
[1]Carpone Warehouse have a training facility in Preston so a lot of people from other offices come into the City to carry out training and development	

Source: EGi and Preston City Council

In the city centre, the key employer is the Council, other public sector organisations and the University. Winckley Square (which is a quiet part of town and close to the train station) has a number of offices comprising firms such as solicitors and legal practices.

3.7.2 Business Parks and Industrial Estates

We illustrate the location of some of the main business parks and industrial estates in the following table and map. This further highlights the clustering of business around motorway junctions and key arterial routes within the wider PPUA.

Table 3.7.2: Map Key for Business Parks and Industrial Estates in the Preston Primary Urban Area

Map Reference	Business Park
1	Wellfield Business Park
2	Preston Business Centre
3	Anchorage Business Park
4	Preston East Business Park
5	Red Scar Business Park
6	Meadowcroft Business Park
7	South Rings Business Park
8	Lancashire (Enterprise) Business Park
9	Matrix Business Park
10	Longton Business Park
A	BAE Samlesbury Aerodrome
B	BAE Warton Aerodrome

Source: GVA RGA Research

Map 3.7.2: Business Parks and Industrial Estates in the Preston Primary Urban Area

Source: Microsoft Map Point

3.7.3 Tertiary Education

Lancashire is home to three Universities; University of Central Lancashire (UCLan), Lancaster University and Edgehill University. ***UCLan is located in the city centre and is one of the largest universities in the UK with a student and staff body of around 38,000***. The University has grown rapidly over the last decade, with a 110 percent rise in student numbers since 1992/93 – increasing from around 15,500 to more than 32,500 in 2010/11.

The University has an established reputation for quality research across a range of disciplines and has one of the highest graduate employment rates in the UK and the second highest across the North West. ***In recent years, around £100 million has been invested in new teaching and leisure facilities*** including opening a new School of Dentistry (one of only two to be built in the UK for over 100 years), the £15 million media factory with state-of-the-art digital media and performing arts facilities, and a ***£13 million sports centre*** (which is now being promoted as being suitable for holding exhibitions). UCLan houses the only 'national centre of excellence for employability' dedicated to the creative and digital sector – enhancing the region's reputation as a major hub for the creative industries.

3.8 Tourism Profile

3.8.1 Volume and Value of Domestic Overnight Tourism

Preston is not an overnight leisure destination when compared to more traditional tourist hotspots in the county such as Blackpool and the city of Lancaster itself. Nevertheless, between 2009 and 2011 it is estimated an average of 360,000 domestic tourism trips were taken in Preston per year, generating an average of 841,000 tourist nights across the district and tourism spend of around £46 million within the local economy annually. Whilst the overall volume and value of trips has increased in recent years, the length of stay has fallen marginally over time (2.7 nights in 2007/09 compared to 2.3 nights in 2009/11).

Table 3.8.1: Volume and Value of Domestic Overnight Tourism to the PPUA (2007 – 2011)

District	Total Trips, 000s			Total Nights, 000s			Total Spend, £ million		
	2007 09	2009 11	% Chg.	2007 09	2009 11	% Chg.	2007 09	2009 11	% Chg.
Preston	320	360	12.5	849	841	-0.9	44	46	4.5
Chorley	48	101	110.4	125	181	44.8	4	30	650.0
South Ribble	17	32	88.2	48	74	54.2	2	5	150.0
Preston PUA	**385**	**493**	**28.1**	**1,022**	**1,096**	**7.2**	**50**	**81**	**62.0**
Lancashire	**3,058**	**3,050**	**-0.3**	**8,787**	**8,638**	**-1.7**	**478**	**507**	**6.1**
Note: All figures are per year, calculated as an average across a three-year period to provide a more accurate assessment of local tourism									

Source: Visit England

Alongside local growth in Preston, there has been significant tourism growth in Chorley and South Ribble with the wider PPUA recording a 28% rise in the number of trips and 62% increase in tourism related spend. This compares to a marginal decline in total trips and tourist nights across Lancashire (albeit with some growth in related spend), which highlights the relative strength of tourism in the PPUA area compared to the county. In addition to overnight visitors, Preston is a popular day visitor destination. We have, however, excluded the day visitor market from our analysis as day tourists do not generate a requirement for hotel accommodation.

3.8.2 Volume and Value of Inbound Overnight Tourism

We have been unable to source data detailing the volume and value of inbound/overseas tourism to the local (PPUA) area. However, we have obtained published statistics for the county and region which we outline as follows.

Table 3.8.2: Volume and Value of Domestic Overseas Tourism to Lancashire (2007 – 2011)

Area	Total Trips, 000s[1]				Total Nights, 000s[1]				Total Spend, £ million			
	2007	2009	2011	% Chg 07/11	2007	2009	2011	% Chg 07/11	2007	2009	2011	% Chg 07/11
Lancs	**291**	**264**	**262**	**-10.0**	**2,740**	**2,222**	**2,380**	**-13.1**	**168**	**110**	**122**	**-27.4**
North West	2,578	2,106	2,380	-7.7	18,838	14,360	15,337	-18.6	982	801	956	-2.6
England	100.2	102.9	105.7	5.5	307.8	312.9	304.9	-0.9	16,531	17,281	17,824	7.8

[1] Figures for England are in millions rather than thousands

Source: Visit England

In recent years, there has been a significant decline in the volume and value of overseas tourism to Lancashire. Although this mirrors the regional picture, the decline has generally been more pronounced than across the North West, whilst there has been positive growth in the total volume and value of inbound tourism trips to England. This suggests a more challenging local tourism environment with Lancashire not fairing as well as nationally.

According to Visit England, the majority of inbound trips to Lancashire are made by people Visiting Friends and Relatives (VFR) accounting for 50% of all trips made in 2011. Almost 28% are for holiday purposes, whilst 17% are business trips.

3.8.3 Tourism Demand Generators

Preston is extremely well located for a number of popular tourist destinations in the wider surrounds and is often used as a base to explore these areas. It is surrounded by attractive countryside (such as the Ribble Valley), is the gateway to the Lake District (with the Yorkshire Dales and Peak District nearby) and is within easy reach Blackpool, Morecambe, Southport, the Fylde Coast and England's 'Golf Coast'. For example, both the Royal Lytham St Anne's and the Royal Birkdale are within an approximate 30 minute drive of the city, and are highly acclaimed internationally renowned courses having hosted major tournaments such as the Open Championships and the Ryder Cup.

Preston also offers a number of sporting and event venues, museums, galleries and other small visitor attractions. ***Preston Guild Hall*** Entertainment Complex is one of the largest music venues in the city centre. The complex comprises the Grand Hall Arena seating over 2,000 people and the ***Charter Theatre*** hosting smaller productions with seating for up to 780 guests. It is estimated that the complex hosts around 300 events per year with over 100,000 visitors. ***53 Degrees*** is another popular venue for concerts, club nights and comedy. The £6.5 million building offers two venues in the heart of the city, with a capacity for up to 1,500 people.

Preston also has a multi-million pound Sports Arena (UCLan Sports Arena) offering extensive facilities for various sport disciplines. The city has two main shopping centres (both of which have undergone refurbishment in recent years), as well as a specialist retail venue (Miller Arcade) and four out-of-town retail parks. The Riversway Docklands also has some retail space.

Preston hosts several annual events and festivals including the Mela Festival - one of the largest festivals of Asian Cultures in the country – which attracts around 8,000 visitors to the city and surrounding area. As a multicultural community, the city also hosts the Caribbean Carnival and Chinese New Year which are popular local events, whilst the £3.6 million Gujarat Hindu Society Community Centre and Temple is a landmark building for the regional Hindu community.

Held only once every 20 years, ***Preston Guild*** was the most recent which was held in 2012 which is England's oldest festival dating back to around 1179 and is the only Guild to still be celebrated in the UK. Held from 31 August to 9th September, a busy programme of events (Guild City Festival hosted over 80 events across ten days with most ticketed events selling out) was scheduled which included various concerts, street performances, sporting events and other cultural activities. During the Guild year, over around 900,000 visitors came to Preston, generating over £25million to the local economy – total of 20,000 people took part in four processions over the 10 day period, culminating with Torchlight Procession which was watched by watched by an estimated 70,000 people. Hoteliers in Preston reported good levels of accommodation demand from people travelling from the wider area.

3.9 Regeneration and Development Initiatives

'Preston Vision' is a partnership between key public and private sector bodies with an aim "to create and establish a positive image for Preston reflecting the dynamism of the city and the Central Lancashire sub-region". In April 2012, the partnership published its key regeneration priorities and projects for the forthcoming years, aimed at spearheading growth and stimulating investment and regeneration. The Preston City Centre Investment Prospectus visualises Preston as a city 'famed for its creativity and entrepreneurial flair, driving a flourishing globally connected economy' – the transformation of the city is the number one development priority – a key aspect of the Plan will be to facilitate the economic improvement of the City Centre. This economic improvement needs to be all encompassing i.e. ***Preston needs to improve its retail offer, employment provision*** – fully harnessing all that the University has to offer, ***whilst also enhancing our leisure and tourism offer***.

We have focused our research on the city of Preston as the main economic driver and population base within the PPUA and Central Lancashire sub-region. We summarise the key projects for the city below:

- **Central Business District (CBD)** – A designated new CBD will be established in the area between UCLan, the Crown Courts, the core retail district and the mainline railway station. There is the capacity to accommodate up to 2 million sq ft of Grade A office accommodation, supported by complementary uses and set within attractive public outdoor spaces. The aim is to help address the perception of a lack of high quality office space in the city's core. The ***delivery of a Central Business District has been identified as one of the key priorities for Preston*** to improve the stock of commercial property. The most active site relates to a speculative office scheme (around 35,000 sq ft) at Hill Street Car Park on land on the corner of Corporation Street and the Ringway (close to the Premier Inn

Central). This site sits alongside a site owned by (McAleer & Rushe Group) which had been earmarked for a mixed-use office scheme (200,000 sq ft) including a proposed 150 bedrooms hotel. At the current time of writing, however, the scheme is not moving forward.

- **Winckley Square** – ***Re-energising the historic Winckley Square area to increase modern office accommodation***, alongside the release of some Council buildings/assets for investment opportunities, modernising historic properties and re-designing the public realm including access. The Winckley Square Community Interest Group (featuring locally based businesses) has been established to help drive the revival of the area.
- **Fishergate** – Fishergate lies at the heart of the city's retail core. It is the main pedestrian route between the train station and bus station and connects together all of the other city centre priority regeneration zones, i.e. towards Hill Street. The ***multi-million pound investment focuses on public realm improvements to the city centre*** in order to increase the overall image and feel of the area by reducing traffic flows, prioritising pedestrian access, increasing public amenities and facilities and facilitating the development of new complementary commercial and leisure space. A timetable for the scheme estimates that work could start at the Ringway and Corporation Street this spring with two further phases along Fishergate expected to be completed by summer 2014. The £3m scheme was boosted recently after securing £1.4m European Regional Development Funding.
- **Markets Quarter, St. John's and Bus Station** – This area was previously identified for ***the £700 million Tithebarn Project which is now not proceeding***. The area is, however, still earmarked for significant regeneration with revised scaled-back plans to ensure the scheme is deliverable over the forthcoming years. Plans for the three ***key sites now include the revitalisation of the markets, provision of city centre leisure uses (cinema, bars and restaurants), improved public transport facilities, enhanced public realm / retail offer*** and the preservation of the city's cultural and heritage assets. We understand that options to develop the St. John's area are currently being considered.
- **Civic Core** – The civic core lies immediately adjacent to the Markets Quarter and features a number of listed buildings. This includes ***Council-owned buildings which will be released as investment opportunities to help bring the buildings back into use,*** i.e. such as the former Post Office and Amounderness House.
- **Horrocks Quarter** – A new commercial zone located on the eastern edge of the city centre comprising a ***mix of retail, leisure and restaurant uses, car parking and some residential provision.*** Once developed, the quarter will incorporate a pedestrian route back to Church Street and the core city centre.

There is also a strategy in place to ***promote strategic employment sites within the wider Core Central Lancashire areas***, such as Cuerden and Salmesbury (sites along the M6 to the east and north of Preston) – which are vital for attracting larger inward investment opportunities and for meeting the expansion of indigenous firms. This includes, ***Preston East***, which is a key employment location for Preston. Delivering Preston East is a priority, alongside the delivery of other sites in sustainable locations, such as the Enterprise Zones.

In addition, ***Preston Riversway*** (west of Preston city centre) is also earmarked for development opportunities to capture the latent potential of Preston's waterways for ***residential, leisure, tourism and employment uses***.

3.10 Conclusion

Preston is a regional hub that gained city status in 2002 and forms part of the Preston Primary Urban Area – the main economic driver and commercial centre of Lancashire. It benefits from excellent infrastructure, providing a gateway to national and international markets and popular tourist destinations in the wider regional area such as the Lake District, Blackpool and England's Golf Coast. Preston has a strong retail centre, ranked as the primary shopping destination in Lancashire and one of the largest in the North West.

The PPUA has a diverse and growing economy. It is a key employment centre across Lancashire and has remained one of the UK's best performing cities/urban areas in the current economic climate. Over the years, it has successfully attracted inward investment and has firmly established itself as a leading centre for aerospace production and high-tech engineering. The majority of this activity is currently clustered out of the city centre. More recently, commerce has dispersed across the wider PPUA within other urban areas outside of the city centre – especially those around key motorway / arterial junctions - becoming increasingly popular and attractive to companies locating to the area.

The importance of the city as a commercial centre for Lancashire is being further underpinned by a number of regeneration initiatives, which seek to catalyse further inward investment in and around Preston.

Overall, the strength and resilience of the local economy, combined with the growing population base and planned regeneration schemes, are all positive indicators of the future demand for hotel accommodation in and the wider Preston area.

4. PRESTON HOTEL SUPPLY

4.1 Introduction

When considering the potential for hotel development in Preston, it is imperative to understand the structure and nature of current supply in qualitative and quantitative terms, as well its geographical distribution. It is also important to understand the recent changes in hotel supply, such as new hotel openings and planned/occurring investments in existing hotel stock.

4.2 Structure of the Preston Hotel Market

We have identified ***30 hotels serving the Preston hotel market collectively providing 1,657 bedrooms***. We consider this constitutes the leading hotels serving Preston, and is based on hotels affiliated with national accreditation schemes such as the AA and Visit Britain. This does not, therefore, include other serviced accommodation providers such as bed and breakfast establishments and guesthouses.

Table 4.2.1: Structure of the Preston Hotel Market – By Grading

Grading	No. Hotels	No. Rooms	% of Room Supply	Average Quoted Rate
4-Star	9	534	32.2%	£84.92
3-Star	7	352	21.2%	£68.03
2-Star	4	72	4.3%	£43.75
Budget / Limited-Service	10	699	42.2%	£49.90
Total	**30**	**1,657**	**100.0%**	**£63.82**
Note: Double room for single occupancy (best available rate) for 14.02.13. All prices based on B&B. Budget hotels are based on room only.				

Source: GVA RGA Research

The distribution of hotel supply indicates a relatively healthy mix of hotels across different grades. It is, however, generally orientated towards budget and mid-scale three-star properties - representing a total of approximately 68% of total hotel supply (bedrooms).

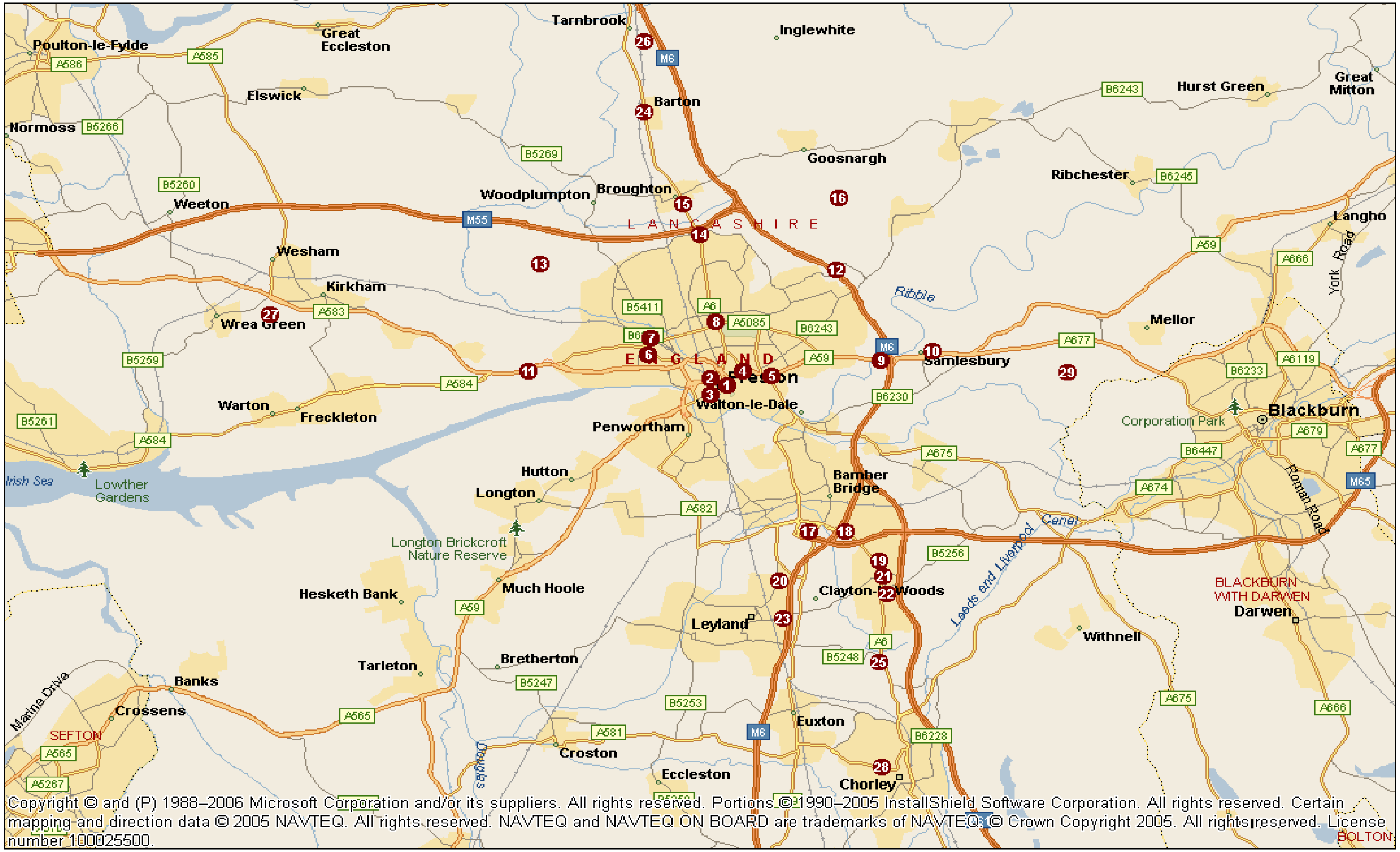
4.3 Geographical Distribution of Supply

In terms of the geographical distribution of supply, ***we are able to define the Preston hotel market by three key sub-markets.*** We have defined these categories as follows:

- **City Centre** – City centre hotels located within an approximate 1 mile radius of Preston city centre;
- **Edge of City Centre** – Hotels located on the edge of the city centre within an approximate 1-2 mile of the city centre; and
- **Out of Centre** – Hotels located over 2 miles outside Preston city centre. We have further defined these by: (1) hotels located on the outskirts of Preston within 2 to 5 miles of the city centre and, (2) hotels located over 5 miles.

Prior to commenting on these hotel sub-sets, we illustrate the location of these hotels in the following map. A list of hotels and map references is provided in Table 4.3.3.

Map 4.3.1: Map Illustrating Preston Hotel Supply



Source: GVA RGA Research / Microsoft Map Point

We provide a breakdown of these hotels by their respective category, as below. This enables us to better understand the geographical distribution of hotels, their overall appeal and the core markets they serve. This constitutes the main hotels of relevance in Preston – all these are graded hotels and, therefore, represent the majority of Preston's quality hotel supply. With the exception of a small boutique hotel (Inglewood Boutique Hotel), we have not included other un-graded hotels.

Table 4.3.2: Geographical Distribution of Hotel Supply

Location	No. Hotels	No. Rooms	% of Room Supply	Average Quoted Rate
City Centre (0 to 1 Miles)	4	373	22.5%	£59.31
Edge of City Centre (1 to 2 Miles)	4	115	6.9%	£44.25
Out of Centre (2 to 5 Miles)	9	641	38.7%	£62.89
Out of Centre (5 to 10 Miles)	13	528	31.9%	£71.87
Total	**30**	**1,657**	**100.0%**	**£63.82**
Note: Double room for single occupancy (best available rate) for 14.02.13. All prices based on B&B. Budget hotels are based on room only.				

Source: GVA RGA Research

Table 4.3.3: List of Hotels – The Preston Hotel Market

Hotel (Map Reference)	Grading	No Rooms	Conference[1]	Leisure	Parking
City Centre (1 to 2 Miles)					
Ashwood Hotel (3)	2-star	25	None	None	None
Premier Inn Preston Central (1)	Budget	140	1 (20)	None	None
Legacy Preston International (2)	3-star	75	3 (40)	None	None
Holiday Inn Preston (4)	3-star	133	6 (60)	Dry	Limited
Edge of City (1 to 2 Miles)					
Travelodge Preston Central (5)	Budget	72	None	None	Yes
The Park Hotel (6)	3-star	16	1(20)	None	Yes
The Claremont Hotel (7)	2-star	15	1 (80)	None	Yes
Whitburn House Hotel (8)	2-star	12	None	None	Yes
Out of Centre (2 to 5 Miles)					
MacDonald Tickled Trout (9)	4-star	98	14 (120)	Wet	Yes
Hotel Ibis Preston North (14)	Budget	82	1 (35)	None	Yes
Premier Inn Preston West (11)	Budget	38	None	None	Yes
Preston Marriott (15)	4-star	149	10 (220)	Wet	Yes
Preston Swallow (10)	3-star	78	8 (250)	Wet	Yes
Bartle Hall (13)	4-star	14	3 (170)	None	Yes
Premier Inn Preston South Cuerden (17)	Budget	42	None	None	Yes
Premier Inn Preston East (12)	Budget	65	1 (20)	None	Yes
Premier Inn Preston South Craven Drive (17)	Budget	75	None	None	Yes
Out of Centre (5 to 10 Miles)					
Express by Holiday Inn Preston South (18)	Budget	103	1 (70)	None	Yes
Brook House (19)	2-star	20	1 (20)	None	Yes
Barton Grange (24)	4-Star	51	5 (300)	Wet	Yes
Farington Lodge Hotel (20)	4-Star	27	6 (180)	None	Yes
Haighton Manor Country House (16)	3-star	8	2 (250)	None	Yes
Travelodge Preston Chorley (22)	Budget	40	None	None	Yes

Best Western Premier Leyland Hotel (23)	4-Star	93	14 (150)	Wet	Yes
Premier Inn Preston North (26)	Budget	42	None	None	Yes
Shaw Hill Golf and Country Club (25)	4-Star	30	6 (300)	Wet	Yes
Stanley House Hotel & Spa (29)	4-Star	30	2 (80)	Wet	Yes
Spa Hotel at Ribby Hall (27)	4-Star	42	1 (30)	Wet	Yes
Pines Hotel & Restaurant (21)	3-star	35	4 (250)	None	Yes
Inglewood Boutique Hotel (28)	UG	7	1 (40)	None	Yes
Total Supply		**1,657**			
Note: [1]Number of conference rooms (largest capacity)					

Source: GVA RGA Research

There is a clear ***geographical orientation towards hotels that are located in either Preston city centre, or properties located close to key arterial routes such as the M6, M61 and M55***.

4.4 City Centre Hotels

Until fairly recently, hotel supply in the city centre was limited to the ***Holiday Inn*** (three-star) prior to the arrival of two new hotels: the ***Legacy Preston International*** which opened in October 2008 (three-star), and the largest Premier Inn in the area (***Premier Inn Preston Central***) which opened in January 2011. This additional room supply represents a significant increase of 137% on previous city centre supply levels. Only the Holiday Inn offers dedicated car parking, albeit it is limited. There are, however, a number of local pay-and-display car parks close by. The Ashwood Hotel is also an established hotel, albeit it only offers 25 rooms and is independently operated. There are no four-star hotels in the city centre, albeit the Holiday Inn operates as a good three-star branded offering.

These hotels have a strong appeal with leisure and corporate users travelling by train, as well as visitors to the Universities.

4.5 Edge of City Hotels

Areas on the edge of Preston city centre (within around 2 miles) primarily comprise residential dwellings, retail or light industrial zones. The appeal of these areas to leisure and corporate visitors is mirrored in the limited number of hotels. That said, ***Travelodge Central*** is the only hotel worthy of note. The hotel has a secondary location, and this part of the city suffers from a degree of social and economic deprivation. The hotel has a competitive advantage of the city centre hotels as is provides on-site car parking.

4.6 Out of Centre Hotels (2 to 5 Miles)

These hotels collectively provide the largest proportion of bedrooms in the area (38.7%). They have a strong local and regional appeal given their ease of access via the motorway network (all offer free car parking) and are easily accessible to Preston and key commercial areas. Access and parking provides a competitive advantage over hotels in the city centre. They have a strong regional appeal, including transient users travelling from one part of the country to another.

This hotel sub-set includes a good balance of budget, three and four-star hotels, including the largest branded four-star operator in the area (***Marriot Preston***), and other full-service branded hotels including ***MacDonald Tickled Trout*** and the ***Preston Swallow Hotel***. The budget sector in this catchment is dominated by four ***Premier Inn*** hotels, as well as an 82-bedrooms ***Ibis*** hotel.

4.7 Out of Centre Hotels (5 to 10 Miles)

Hotels in this hotel sub-set are predominantly located close to the motorways (M6/M61/M65), as well as key commercial / industrial areas centred in around Leyland, Bamber Bridge and Fulwood (M6 Junction 31). Leading hotels include an ***Express by Holiday Inn*** (103 bedrooms), and the ***Best Western Premier Inn Leyland*** (93 bedrooms). There is also a small ***Travelodge*** and ***Premier Inn***. Whilst these hotels are able to tap into the Preston market, ***they mainly serve the commercial centres of Leyland and transient users travelling from one part of the country to another***.

The catchment also includes the majority of ***independently-operated country-house style*** hotels in the area, which includes the best hotel in the area (Stanley House Hotel and Spa). These hotels are much smaller, predominantly located in rural locations and operate very differently to the branded and larger hotels in the area.

4.8 Qualitative Hotel Assessment

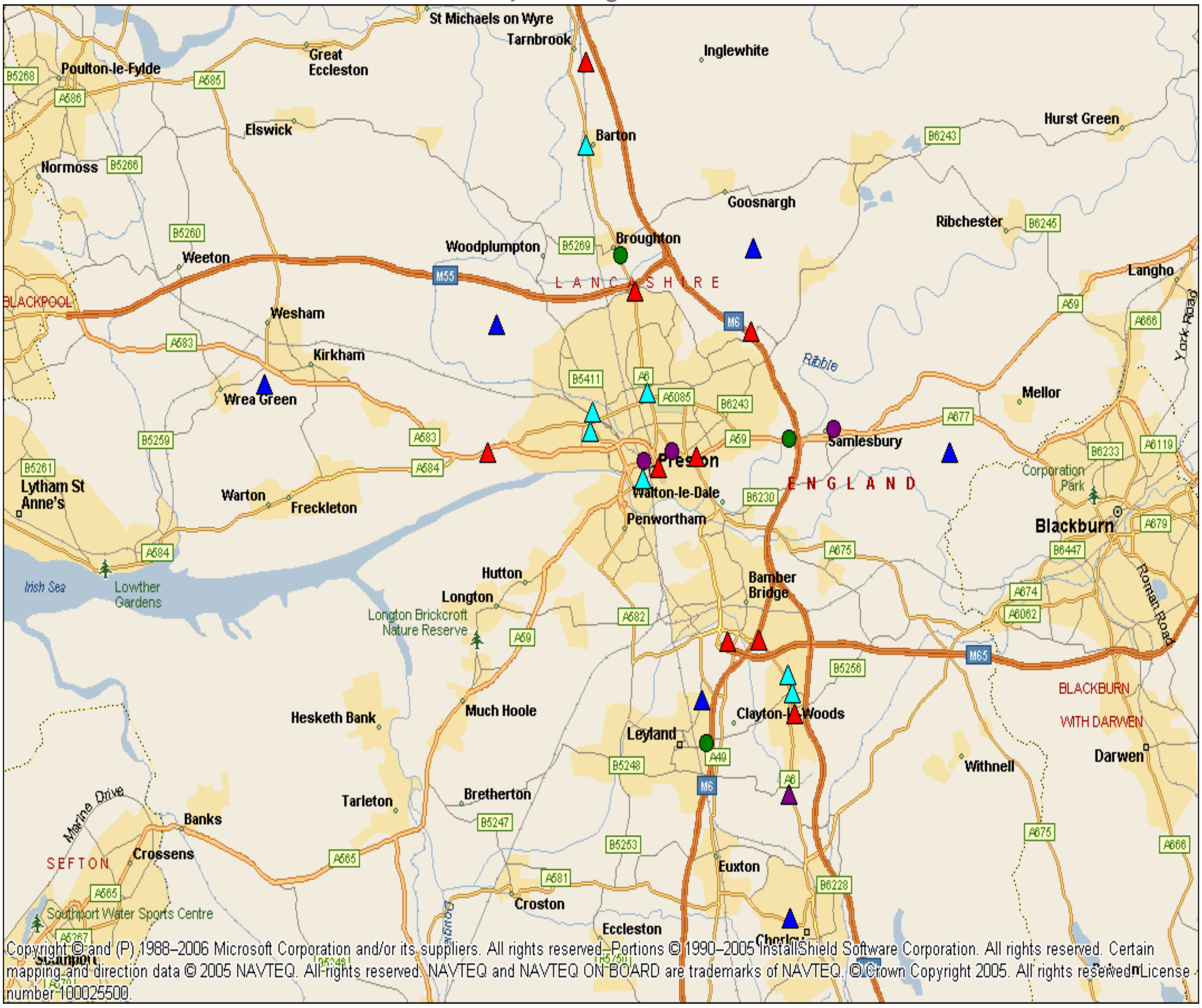
It is important to understand the geographical distribution of hotels in the area, by type of hotel and grading. This will enable us to assess gaps in qualitative terms. We illustrate the geographical spread of these hotels across the market area in Map 4.8.2. The colour coding applied for hotels are detailed below.

Table 4.8.1: Colour Coding for Hotels, By Hotel Type

Hotel Rating	Colour Coding
Branded Budget / Limited Service	**Red Triangle**
Branded Full Service, Three-star	**Purple Circle**
Branded Full Service, Four-Star	**Green Circle**
Independent, Country House	**Blue Triangle**
Independent, Golf Resort	**Purple Triangle**
Independent, Other	**Turquoise Triangle**

Source: GVA RGA Research

Table 4.8.2 Colour Coded Location of Hotels by Grading



Source: GVA RGA Research / Microsoft Map Point

We provide a breakdown of the type / grading of hotels in the following table.

Table 4.8.3: Breakdown of Hotel Supply, By Hotel Type

Hotel Classification	No. Hotels	No. Rooms	% of Room Supply	Av. Size Rooms
Branded Budget / Limited Service	10	699	42.2	70
Branded Full-Service, Three-star	3	286	17.3	95
Branded Full Service, Four-Star	3	340	20.5	113
Independent, Country House	6	128	7.7	21
Independent, Golf Resort	1	30	1.8	30
Independent, Other	7	174	10.5	25
Total	**30**	**1,657**	**100.0**	**55**

Source: GVA RGA Research

Overall, ***there is a limited supply of upper three-star and four-star full-service hotels in the area and, in particular, branded presence***. The two leading brands in this sector are Marriott Preston (four-star) and Holiday Inn (three-star). The MacDonald has recently reacted to this through re-positioning from a three to four-star earlier this year. Despite this investment, however, this is an old building which has a relatively limited appeal to the corporate market.

Whilst the Best Western Premier Leyland hotel is also a four-star and has recently undergone a soft refurbishment programme, it broadly positions itself as a three-star offering and primarily serves Leyland rather than Preston specifically. The other branded hotels (Swallow and Legacy) largely operate towards the lower end of the three-star market. The Swallow is very dated and in need of significant refurbishment. ***The dominance of budget, limited-service and mid-market three-star hotels in the area may indicate price sensitivity in the market***. ***It may also, however, identify a potential gap in the market for a new branded upper-thee/four-star product*** to better satisfy consumer demands.

4.9 Hotel Developments

There have been a number of changes in hotel supply in recent years, including hotel openings, closures and re-brandings. ***It is imperative to understand this as it may underpin overall confidence in the market and the potential appetite for hotel development locally***. The most relevant developments are:

4.9.1 Openings / Closures

- **The Legacy Preston International –** The hotel opened in October 2008 (75 bedrooms). The hotel is managed by Legacy Hotels and is conveniently located close to the University.

- **Premier Inn Central –** Premier Inn (Whitbread) has expanded its presence in the area with the opening of a 140-bedrooms hotel in the heart of Preston (January 2011). The hotel enjoys a central city centre location, with prominent frontage onto the Ringway and close the Railway Station.

- **Stanley House Hotel & Spa** – Stanley House is an upmarket country house hotel which launched in 2004 with 12 bedrooms. An additional 18-bedrooms extension and spa was completed in December 2012. This is the best hotel in the area.

- **The Express by Holiday Inn** – Formerly the Preston Hotel (prior to that it was branded Novotel), the hotel closed in September 2009 and then re-opened and was branded Express by Holiday Inn in September 2012. This has effectively added new supply into the market.

4.9.2 Other Developments

- **MacDonald Tickled Trout** – The hotel re-positioned from a three to four-star following refurbishment which was completed in December 2012.

- **Best Western Premier Leyland** – All 93-bedrooms have recently been refurbished (2012).

- **Travelodge Central Preston** – Following the recent turmoil of Travelodge's attempt to stave off administration, they are looking at a fundamental restructuring of its business, 'losing' a number of hotels and scaling back any secondary development the UK. The future of the existing Travelodge in Preston is, therefore, uncertain.

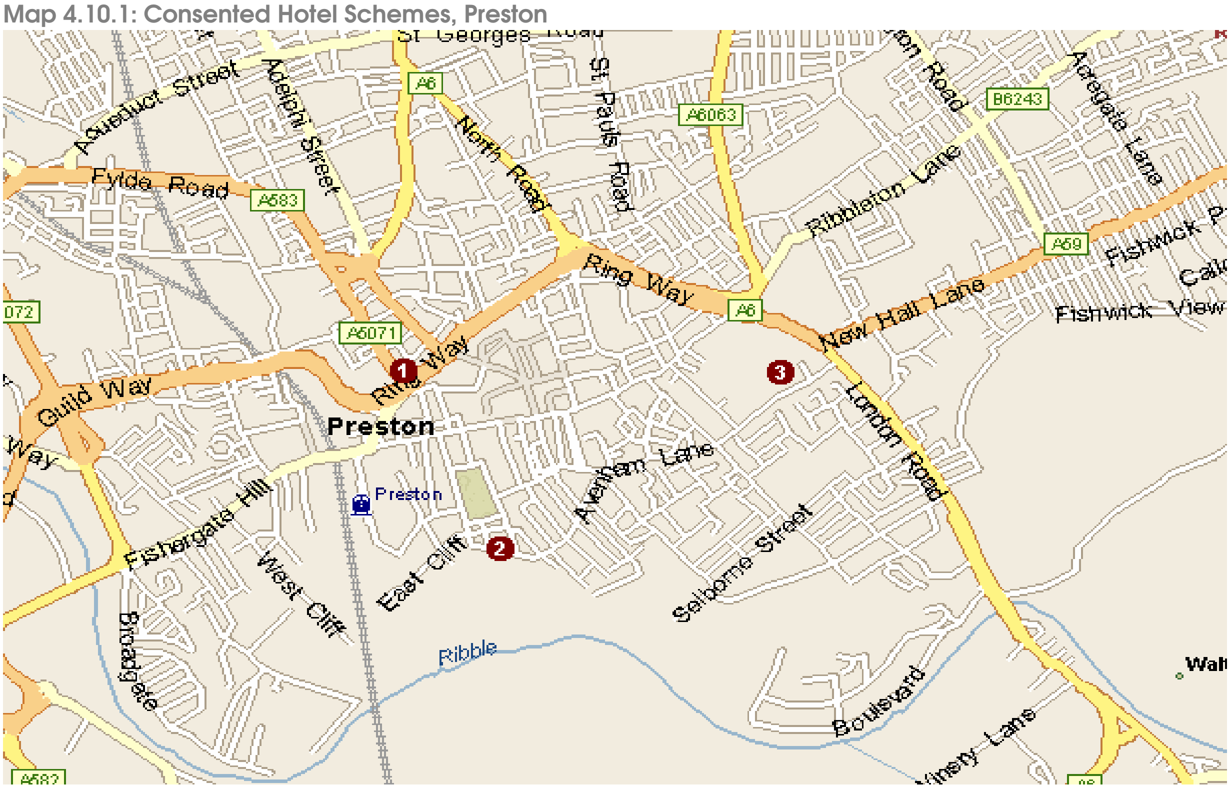
- **Preston Swallow** – We understand that the hotel was recently been placed into administration. It is, therefore, likely that the hotel will be put on the market in order to find an alternative investor / operator. Following a successful acquisition, it is anticipated that the hotel would undergo a significant re-branding and investment programme. Following any investment and branding, this would better position the hotel to the corporate market.

It is important to take into account the recent changes in existing hotel supply and how this supply-base may change when assessing potential hotel development.

4.10 Consented Schemes

Information was supplied by Preston City Council, AM:PM Hotels and Estates Gazette in order to identify sites which have planning consents for hotel use - applications submitted in the past five years are detailed in Table 4.11.1 and their locations are shown below.

Map 4.10.1: Consented Hotel Schemes, Preston



Source: GVA RGA Research / Microsoft Map Point

Full planning permission has been given to two hotels in Preston.

The first is for a 150 bedrooms hotel with conference facilities at the corner of Corporation Street and Ringway. The project received approval in 2008, although work never began on site as the mixed-use scheme was deemed unviable. The developer, McAleer & Rushe Group, submitted an application in 2012 (Map Reference 1) to extend the time limit on the previously approved application by a further three years. ***The scheme is on hold.***

The second proposal (Map Reference 2) that has received full planning permission is for a 12 bedroom boutique hotel. However, a further planning application for the site received consent in 2012 for conversion of the building into residential apartments and so a ***hotel moving forward on this site is unlikely.***

In addition, a 100 bedrooms hotel (Map Reference 3) has been proposed as part of a mixed-use redevelopment of Queens Retail Park. However, this is an ***outline proposal and is speculative***. We understand no hotel brand / operator has been identified.

Table 4.11.1: Future Hotel Developments within Preston

Map Ref	Application Date	Case Reference Number	Type of Application	Location	Applicant	Proposal	Status
1	25.11.2011	06/2011/0925	Full	Land at Corner of Corporation Street and Ringway Preston PR1 2UQ	McAleer & Rushe Group	Construction of a mixed use development comprising offices and approx. 150 bedroom hotel with conference facilities and basement car park (This is the application for extension of the time limit to previously approved application 06/2008/0786)	Approved 21.02.2012 Project appears to be on hold
2	20.10.2010	06/2010/0764	Full	3 Ribbesdale Place Preston PR1 3NA	Jones Cameron Financial Services Limited	Conversion of existing building to form 12 bedroom boutique hotel	Approved 14.01.2011 Project is unlikely to go ahead. A subsequent application 06/2012/0246 was approved in 2012 for conversion of building to residential apartments.
3	13.11.2008	06/2008/0840	Outline	Queens Retail Park Queen Street Preston PR1 4HZ	Brookhouse Group Limited	Mixed use development incorporating a retail store, shop, commercial units and a 100 bedroom hotel	Approved 21.04.2011

Source: GVA RGA Research / Preston City Council / EGi / AM:PM Hotels

4.11 Conclusion

We have identified 30 hotels providing a total of 1,657 bedrooms within an approximate 10-mile catchment of Preston city centre. There is a relatively good representation of branded and independently-operated hotels across various grades and quality. There is, however, an orientation towards budget, limited-service and three-star hotels.

The structure of hotel supply may suggest a qualitative requirement to improve the quality and product offering of some of the existing full-service hotels, and this view is supported by our discussions with key user groups. This has already been partly addressed though the re-positioning of the MacDonald Tickled Trout. The potential re-development of the Swallow Hotel will also aid this.

Currently, there is generally a lack of good quality upper three-star / four-star branded hotels serving Preston, with existing hotels in this sector primarily limited to the Holiday Inn (city centre), the Marriott on the M55 and the MacDonald Tickled Trout.

The market is clearly defined by three sub-markets: City Centre, Edge of Centre and Out of Centre Hotels. There is a clear geographical orientation towards hotels that are located in Preston city centre, or properties located close to key arterial routes such as the M6, M61 and M55.

In recent years, hotel supply in the city centre has doubled due to a number of new hotel openings, albeit from a small base of just two hotels. Development activity out of the city centre has generally been limited to investments and re-brandings of existing hotels.

We consider the hotel structure in the following section which examines the local hotel performance and the overall strength and characteristics of the market.

5. PRIMARY DEMAND RESEARCH

5.1 Introduction

Primary research was undertaken to ascertain demand for accommodation at hotels in Preston from key user groups. The aim of the research was to inform our Study in terms of the volume, value and accommodation preferences of demand from key market segments – do hotels meet their requirements, which hotels do they favour in product, pricing and geographical terms, and how much are they willing to pay for a room.

5.2 The Local Corporate Sector

Mid-week corporate demand emanating from people visiting local and regional-based companies is a significant demand driver for hotels. GVA RGA spoke to 20 of the largest employers in and around Preston to understand their requirements for hotel accommodation locally. These companies represent a total of around 4,500 employees with an average company size of 211.

Leading employers, such as BAE and Carphone Warehouse, generate a high volume of room nights for local hotels, albeit room nights from these companies have declined in recent years as a result of reduced business activities. For one of the leading branded full-service hotels, we understand room nights generated from one leading employer has reduced by around half since 2005, albeit this has, we understand, been partly replaced by national government-related project work.

When choosing a hotel, local companies resort to the typical selection parameters of price and proximity to their offices and major transport arteries. ***Few respondents surveyed place importance on meeting facilities - most of their events are conducted at the organisations' own premises***.

Table 5.2.1: Factors Influencing Hotel Choice

Factor	Score*
Location	4.5
Price	4.5
On-site Restaurant and Bar	3.6
On-site Parking	3.8
Leisure Facilities	1.4
Conference Facilities	1.2
*Results were quantified from 1 (not very important) to 5 (very important)	

Source: GVA RGA Research

There appears to be no significant influencing factor in terms of location, however, there is a clear orientation towards hotels located in the city centre, or close to the M6 given the ease of access via the motorway network and key employment commercial areas.

There are a wide range of hotels used by companies (from budget to four-star hotels). The Marriott Preston is the most preferred corporate hotel given its strong brand recognition associated with Marriott, and ease of access via the M55/M6. Congestion on this part of the M55 can, however, deter visitors.

There is a high level of mid-week corporate activity in Preston and the Marriott is enjoying a high volume of demand and inquiries. Tuesdays and Wednesdays are driving this, which is a trend also mirrored across other hotels locally. As the preferred hotel, the Marriott is often booked well in advance (with some frustrations by local companies to secure bedrooms) and is commanding premium room rates during these days – as much as £175+ bed and breakfast. We also understand that the hotel regularly adopts a minimum two-night stay policy. This ***trend highlights an appetite and potential unmet demand for four-star branded accommodation in the area, as well as the overall volume of corporate activity locally during the mid-week.*** Several of the larger companies have arranged corporate rates with local hotels. The rates paid by local companies who are able to generate a reasonable volume of business typically range from ***£60.00 to over £90.00, bed and breakfast***.

5.2.1 Additional Comments

A number of respondents commented that hotel located in or close to the city centre were budget to three-star. It was mentioned that if a visitor is looking for a hotel with more 'character' and of a better quality, then there was a ***lack of choice and availability of good quality hotels which are conveniently located to Preston and their respective businesses***. This often results in visitors using country house hotels which are generally not conveniently located, or trying to book into the Marriott (which is often full) or reluctantly downsizing to a three-star/budget hotel.

5.3 The Hotel Agents Booking Sector

Hotel booking agents act as intermediaries, booking hotels on behalf of corporate and leisure travellers, and therefore have a valuable part to play in the market dynamics.

GVA RGA contacted five hotel booking agents to establish the position of Preston in relation to their national demand levels. The booking agents contacted cater for a range of travellers, including corporate clients, leisure groups/individuals and short break visitors. Whilst booking agents primarily deal with major cities, such as Liverpool and Manchester, they also book hotels in secondary locations, including Preston. All hotel booking agents indicated occasional demand for accommodation in Preston. Hotels specifically mentioned included the Preston Marriott, Holiday Inn Preston, the Legacy Preston International and Macdonald Tickled Trout.

The main drivers influencing choice of hotel was indicated by location, price and facilities. A number of respondents highlighted that ***Preston was often cited as a convenient stopover point for clients travelling along the M6, as well as a base for exploring Blackpool / Fylde Coast*** and other attractions in the wider area.

The research showed that service and customer care were the most important attributes when booking a hotel, followed by location and proximity to transport hubs and visitor attractions. The main volume of room nights were for rooms priced between £40 and £80 (single occupancy, mid-week, including breakfast). One respondent stated that in 2012 they booked 406 rooms in the Preston area, with an average rate of £75.

5.4 The Conference and Events Sector

GVA RGA contacted five professional conference organisers (PCOs) in order to ascertain the demand for conference and events business at hotels in Preston – and their views on Preston as a conference destination.

One of the PCOs is a locally-based conference organiser who books conferences in the area. The others (including another Preston-based PCO) did not recall organising events locally. The PCOs organise a wide range of events from small corporate meetings to large association events.

Preston is promoted as a conference and events destination through initiatives such as Lancashire & Blackpool Conferences and Meetings. ***Preston is no, however, recognised as a key conference and event destination at present and this is mirrored with demand being reported by the leading hotels who indicate an overall difficulty in attracting national conferences***. There is, however, a requirement from local and regionally-based companies, although these are primarily for smaller day-related events.

There are a number of reasons why venues in the area are unable to fully exploit the conference and events market. The UK conference market is extremely competitive, and Preston is located close to other leading cities with strong conference products, i.e. Manchester, Liverpool and Blackpool. It was indicated, nonetheless, that there are a limited number of hotels/venues located in and around Preston with large scale conference facilities, and so events are restricted to the existing capacity.

The largest venue is Preston North End Stadium, which can host around 300 guests. The respondents stated that the city is highly accessible from the rest of the UK and demand for events could potentially increase if there were larger conference facilities available.

Research indicates that there has been a shift in budgets for events and overnight accommodation is less frequently requested. When accommodation is sought, more 'value for money' options are requested.

5.5 The Coach Tour Sector

Five coach tour operators were contacted catering for a range of markets including special interest groups, general UK tourists, and the over 55s.

It was indicated that the most popular destinations in the North West of England are Liverpool, Blackpool and the Lake District. ***Preston was highlighted as being a convenient base for coach tour operators to explore the region, or as a stopover*** whilst en-route travelling from one part of the country to another.

A number of the larger three-star hotels (i.e. MacDonald Tickled Trout, Holiday Inn, Legacy Preston International and Swallow Hotel) accept coach tours business. There is a good volume of demand from coach tour operators (one of these hotels takes around 100 coach tours a year), albeit this is a highly price sensitive market and one which hoteliers will accommodate in order to boost occupancy during low and shoulder periods. ***The level of coach tour business being accepted by some of the three-star hotels may indicate a low demand base from other***

higher- rated market segments outside the key mid-week corporate days of Tuesday and Wednesday.

5.6 The Independent Leisure Sector

The hotel market has changed radically since the development of the internet and is becoming increasingly consumer driven. GVA RGA has visited one of the most prominent consumer review websites and provided an overview of the hotel results for hotels in Preston. Consumer reviews are, in some part, driving demand and are worth noting. The following table shows the rating of the leading hotels in Preston.

Table 5.6.1: Preston Branded Budget Hotel Ratings on Booking.com*

Hotel	Overall Rating	Clean	Comfort	Location	Services	Staff	Value for Money
Holiday Inn Express Preston South	9.2	9.7	9.4	8.8	8.9	9.3	9.3
Premier Inn Preston East	8.8	9.0	9.0	8.7	8.6	9.3	8.3
Legacy Preston International Hotel	8.7	9.1	8.7	8.5	8.5	8.9	8.7
Premier Inn Preston Central	8.7	8.9	8.8	9.1	8.4	8.7	8.3
Premier Inn Preston North	8.7	8.9	8.7	8.8	8.3	9.4	8.2
Stanley House	8.7	9.2	9.1	8.4	9.1	8.9	7.5
Holiday Inn Preston	8.7	9.0	8.9	8.5	8.5	8.7	8.7
Best Western Premier Leyland Hotel	8.5	8.8	8.5	8.7	8.3	8.6	7.9
Preston Marriott Hotel	8.1	8.5	8.3	8.4	7.7	8.3	7.7
Ibis Preston North	8.0	8.4	7.8	8.1	7.4	8.1	8.3
Macdonald Tickled Trout Hotel	7.9	8.0	8.1	8.3	7.4	8.1	7.5
Premier Inn Preston West	7.6	8.0	7.7	7.2	6.6	8.8	7.1
Swallow Preston	7.0	6.3	6.4	7.9	6.5	7.4	7.2
* Scores are based on a 1 (poor) to 10 (excellent) rating system							

Source: GVA RGA Research / Booking.com

Whilst visitors appear to have reasonable levels of satisfaction with the hotels in Preston, there are a number of key points from consumer reviews indicated a degree of dissatisfaction. Firstly, there appears to be ***some frustrations from consumers relating to staffing, service levels, value-for-money and cleanliness of some of the full-service hotels*** in comparison to reviews for the majority of budget hotels which faired much better. Secondly, the new Premier Inn Central scored the highest in terms of location although some properties located close to key arterial routes (i.e. Holiday Inn Express) also scored highly. ***This is likely to indicate a consumer preference for city centre hotels, or hotels located close to major arterial routes, i.e. M6***.

5.7 Supplementary Research

5.7.1 Golfing Holiday Operators

GVA RGA contacted five golf holiday operators in order to establish demand for bedrooms in Preston through the golf tourism sector. The Royal Lytham and St Annes Golf Club is around 30 minutes drive from Preston. It was indicated that golfers prefer to stay in hotels located in Southport or Liverpool however Preston was convenient as an overspill location. It acts as a fairly good base or stopover point for golfing visitors to the area. ***This segment does not provide hotels in Preston with any significant volume of room nights***.

5.7.2 The University of Central Lancashire (UCLan)

The ***University is an important demand driver for hotels and, in particular, those located in the city centre***. It is difficult to quantify the volume of business generated for hotels as this is not reported as a separate market segment specifically. Demand predominantly emanates from parents visiting students (from the UK and overseas), enrolment, courses, open days and graduation ceremonies, as well as academic conferences / events taking place at the University, e.g. Annual Conference for the British Association of American Studies.

The Legacy Preston International Hotel is one of the most preferred hotels for visitors to the University given its location and affordable-price positioning. The new Premier Inn Central has also proven popular – indicating a preference for affordably-priced accommodation.

There are a number of academic conferences held at the University which generate room nights for hotels – typically held during the mid-week which is a peak demand period for hotels locally. ***There is an element of frustration from University representatives during these days in terms of securing hotel accommodation, with room nights being displaced out of the city centre during these days.***

During the academic year 2012/13, 16 academic conferences are scheduled, with expected delegate numbers ranging from 40 to 200. Seven of the conferences are expected to attract over 100 delegates. Six of the conferences will have international delegates in attendance and will generate hotel room nights; the majority of these events last three days. The remaining conferences are all one day events which generally generate a lower volume of room nights.

A representative from the University indicated that whilst the number of students and delegates attending Academic conferences have declined slightly in recent years, their overall volume of demand for hotels locally is likely to remain the same. This is largely due to an increase in the number of sports activities taking place which has off-set the fall in other University activities.

6. PRESTON HOTEL PERFORMANCE

6.1 Introduction

In this Section, we examine the performance of the Preston hotel market. It is important to understand the characteristics and strength of the market, how it performs within the context of the Provincial UK hotel market and how the market has reacted following recent economic challenges prevailing in the UK, as well as new hotel openings. This informs our understanding of the potential need for new hotel development in the area and the type and location of hotel(s) which may be required to satisfy that identified need.

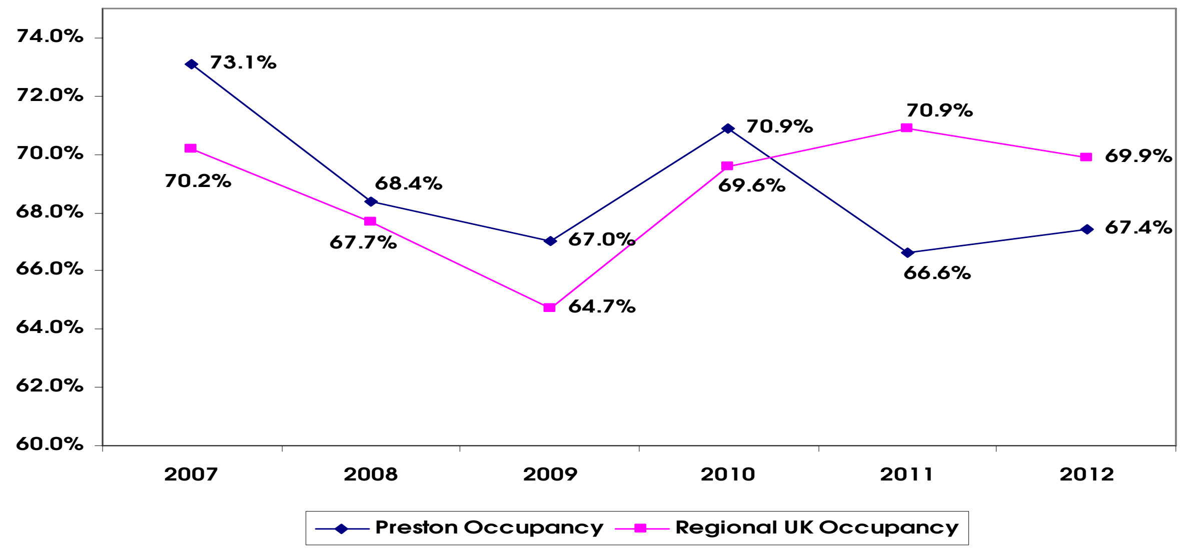
6.2 Preston Hotel Market Performance

We have commissioned a bespoke data set for hotels in Preston that submit hotel performance data - Occupancy, Average Daily Room Rate (ADR) and Room Revenue Per Available Room (RevPAR) - to specialist hotel analyst STR Global. The purpose of commissioning this data is to provide actual hotel performance data although we are acutely aware that this would not include all hotels operating in and around Preston. It is useful, however, to provide trends in performance in recent years, from 2007 to 2012. The sample includes 12 hotels providing 1,046 bedrooms and so we, therefore, consider this to be a reliable market performance indicator. Hotels included in the sample are shown in Appendix 1.

6.2.1 Annual Occupancy Performance

We present the performance of the Preston hotel market in the following graphs, alongside the performance of regional UK hotels (hotels across the UK, excluding London) for comparison.

Graph 6.2.1: Preston and Regional UK Annual Hotel Occupancy Levels (2007-2012)



Source: STR Global Ltd, © 2013

The Preston hotel market has historically ***enjoyed relatively robust levels of occupancy*** (between around 67% and 73% over the period) – ***consistently recording occupancy above the overall provincial UK market between the years 2007 and 2010***.

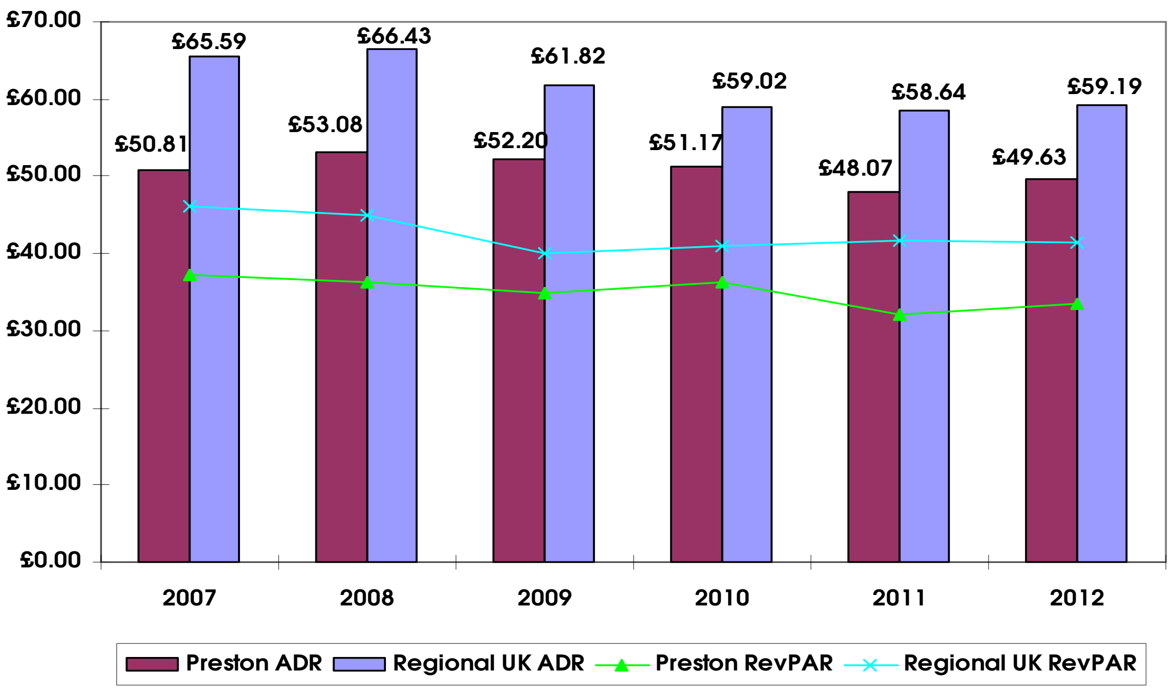
Following a decline from the peak occupancy recorded in 2007 (73.1%), occupancy declined in years 2008 and 2009 following the economic downturn. Whilst occupancy recovered in 2010 (5.8%), the impact of new supply entering the market (Premier Inn Central) hampered the recovery in 2011 - recording a decline of 6.1% compared to the previous year. Positively, however, occupancy increased by a modest 1.2% in 2012, showing the increased stock of the Premier Inn Central has now been absorbed by the market and that demand has grown. ***There is significant variation in terms of the occupancy levels being achieved by local hotels***.

Whilst occupancy in Preston has yet to return to its pre-recession levels (2007), the actual growth in demand (room nights) over the period (2007 to 2012) has increased by a compound annual growth of 1.3% - from 241,563 in 2007 room nights to 257,409 room nights in 2012 – an increase of nearly 16,000 room nights. Whilst new hotels have diluted the average occupancy percentage, this is positive in terms of increased demand for hotel accommodation in Preston.

6.2.2 Annual Average Room rates

We present the ADR and RevPAR performance for the Preston hotel market compared to Regional UK performance in the following graph.

Graph 6.2.2: Preston and Regional UK Average Daily Room Rates (ADR) and RevPAR (2007-2012)



Source: STR Global Ltd, © 2013

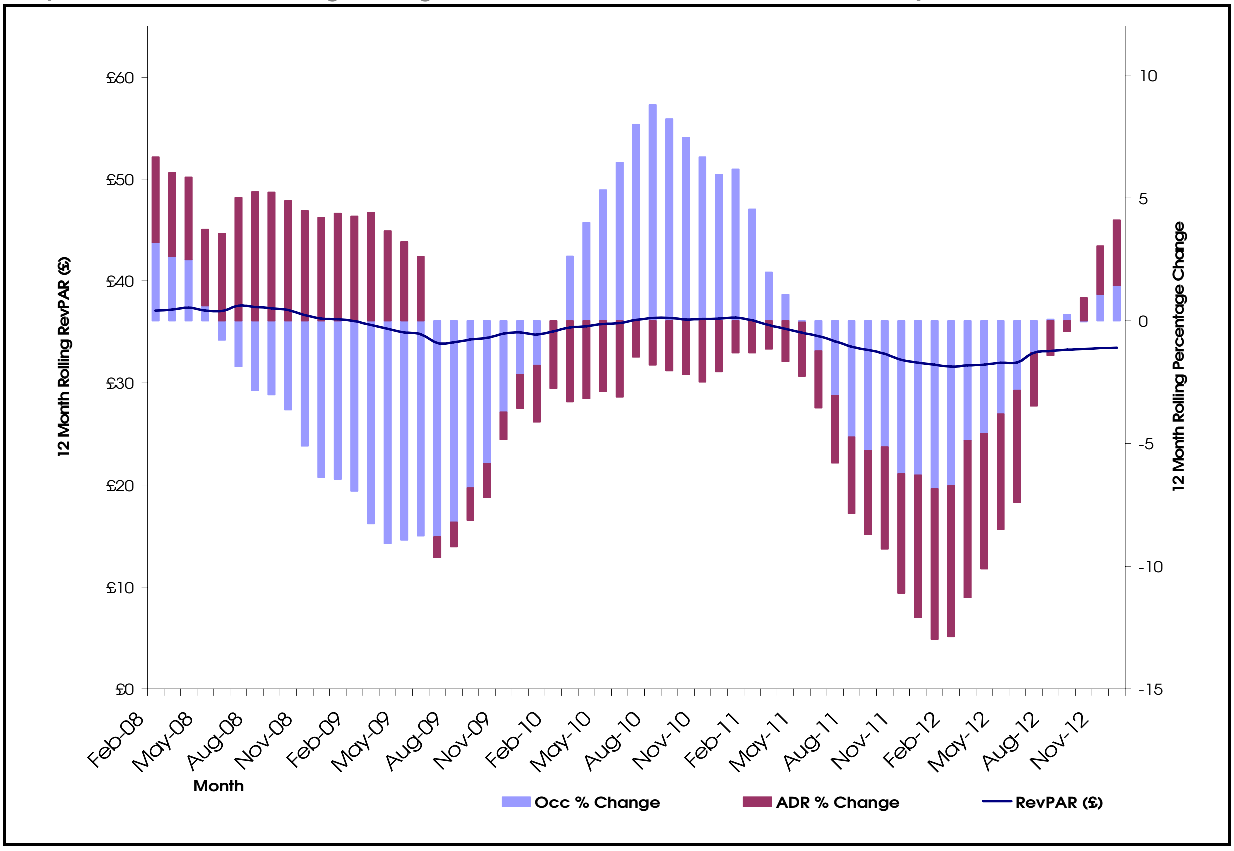
The ***ADR in Preston has consistently performed below that of regional UK hotels (around £10 lower net).*** Whilst there is some price sensitivity in the market (largely from leisure users and because three-star hotels accept low cost coach tours), the low ADR can largely be attributed to the high proportion of budget, limited-service and three-star hotels in the market. Whilst we are unable to divulge the average room rates of individual properties, we understand the ***leading branded hotel in Preston records ADR's of between around £65.00 and 70.00 net***.

The decline in RevPAR performance, which is the combined metric of occupancy and ADR, is clearly illustrated in the previous table. Whilst occupancy has been the significant driver behind this, the opening of the Premier Inn Central would have negatively impacted upon the ADR given its budget offering and other hotels lowering rates to maintain occupancy levels.

6.3 12 Month Rolling Average Performance

The following graph shows the performance for the Preston hotel market as a 12-month rolling average. The data displayed for a month is the average of that data for the previous 12 months (i.e. the RevPAR for January 2012 is the average RevPAR for February 2011 to January 2012). Displaying the data this way seasonally adjusts it, smoothing out the peaks and troughs, as it is always an average of 12 months. The more traditional method (of showing the performance for a calendar year) illustrates changes in performance, but these are only measured annually. The relationship of the underlying factors – demand and ADR – driving the change throughout the year cannot be determined. This relationship and its timing are important as it provides indicators that are useful for effective revenue management.

Graph 6.3.1: 12 Month Rolling Average of Hotel Performance – Preston (February 2008 – December 2012)



Source: STR Global Ltd, © 2013

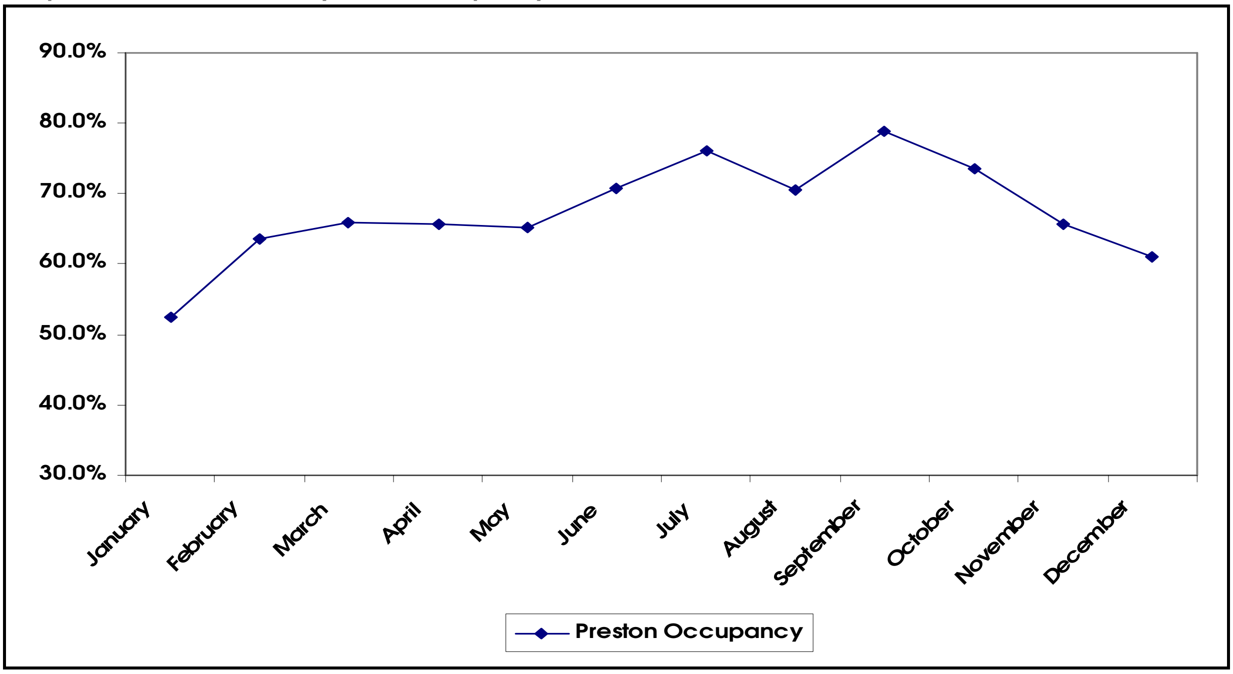
The solid line on the graph is the 12 month rolling average RevPAR line. The line clearly shows the impact of the global economic decline in 2008 and 2009 and whilst the recovery was evident in 2010, the impact of the new Premier Inn Central on market performance is clearly illustrated. Positively, however, ***the impact of new supply on market performance has been***

relatively short lived and, combined with an improvement to business confidence, the Preston hotel market is showing positive signs of recovery.

6.4 Seasonality of Demand

We illustrate the monthly hotel market occupancy in the following graph. This enables us to better understand any issues in terms of seasonality and demand patterns.

Graph 6.4.1: Preston Monthly Hotel Occupancy Levels (2012)



Source: STR Global Ltd, © 2013

The decline in occupancy experienced in August appears more pronounced because of the occupancy peaks typically experienced in July and September, where hotels enjoy strong corporate demand blended with leisure visitation and University demand. November to February typically provide hotels with the lowest levels of occupancy.

6.5 Day of the Week Analysis

The key performance indicators, by day of the week, are illustrated in the following graph.

Table 6.4.2: Preston Daily Occupancy, ADR and Rev PAR (2012)

	Occupancy (%)	ADR (£)	Rev PAR (£)
Sunday	38.0%	£42.84	£16.28
Monday	69.7%	£51.85	£36.14
Tuesday	80.4%	£54.20	£43.50
Wednesday	80.0%	£54.78	£43.82
Thursday	62.4%	£50.32	£31.40
Friday	63.7%	£43.28	£27.57
Saturday	78.4%	£45.66	£35.80

Source: STR Global Ltd, © 2013

The daily demand patterns underpin the strong levels of corporate mid-week activity, with Tuesday and Wednesday driving occupancy. During these days, some hotels are denying business. Demand is generally lower on Mondays and Thursdays and hotels do not currently appear to be denying any significant volume of business. Friday and Saturday occupancy is relatively strong considering Preston does not have a high profile as an overnight leisure destination. Sunday occupancy is very low, typical in our experience of most provincial city locations.

6.6 Performance of Individual Hotels

We are unable to provide commentary on the performance of individual hotels in Preston due to confidentiality reasons. It is important to recognise, however, that Occupancy and ADR varies fairly significantly between the properties, and is driven by a number of influencing factors such as type and size of hotel, brand recognition, facilities, location and accessibility.

6.7 Conclusion

The Preston hotel market has historically enjoyed relatively high levels of occupancy which, between the years 2007 and 2010, consistently fell above that recorded by the overall provincial UK market.

Market conditions have, however, softened fairly considerably since the peak performance of 2007, which was further compounded following a number of hotel openings which further diluted both occupancy and ADR. The total demand by room nights, however, increased 1.3% per annum between 2007 and 2012, which highlights a growing hotel economy.

There is a clear demand pattern across the hotel market, with Tuesdays and Wednesdays driving occupancy levels. Despite additional bedrooms entering the market, however there remains an element of frustrated demand during these days, as well as during certain events.

Room rates do remain low although this is partly due to the structure of hotel supply orientated towards budget and mid three-star sector. Whilst there are certain price sensitivities in the local market, there is an appetite for good quality, branded and easily accessible accommodation which is not being fully satisfied by existing hotels in the area.

7. HOTEL BENCHMARKING APPRAISAL

7.1 Introduction

In this Section, we consider Preston's hotel offer to comparable areas around the UK. We have selected three markets (Warrington, Derby and Peterborough) which we consider have similar parameters to Preston in terms of location, transport connections, demographic and economic profile.

Figure 7.1.1: Location of Preston

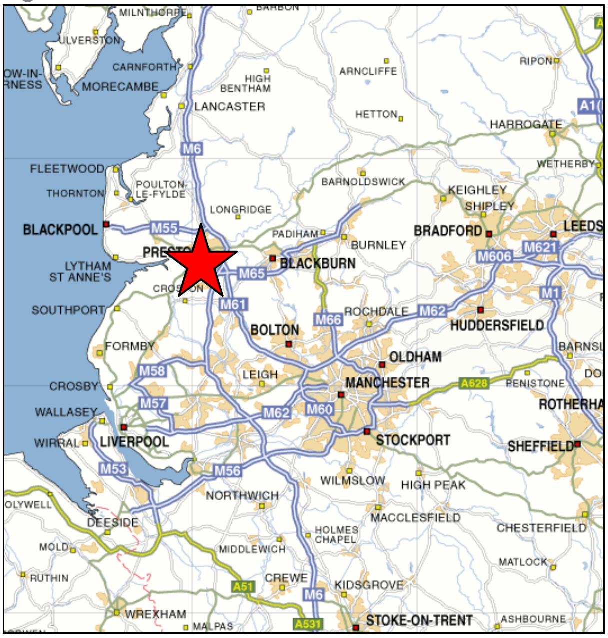


Figure 7.1.2: Location of Warrington

Figure 7.1.3: Location of Derby

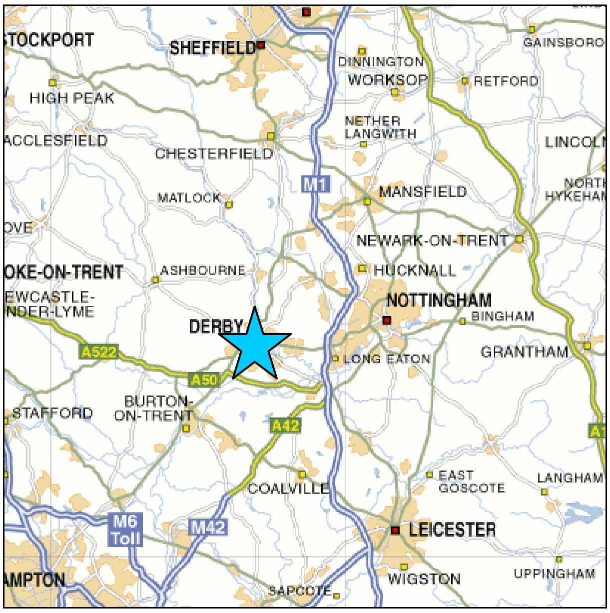


Figure 7.1.4: Location of Peterborough

Source: Streetmap

Although each destination is unique in its physical attributes, history, past and current tourism markets, we can make some interesting comparisons based on population size and overnight visitor numbers. This helps draw some useful insights into the likely size of any corporate, visiting friends and relatives (VFR) and leisure markets relative to the overall size of the hotel offer.

7.2 Summary of Hotel Stock

The size and structure of Preston's hotel supply is compared to Warrington, Derby and Peterborough using the same drivetime catchment parameters (10 miles from each respective city/town centre), as follows. The supply list does no include hotels that are not graded.

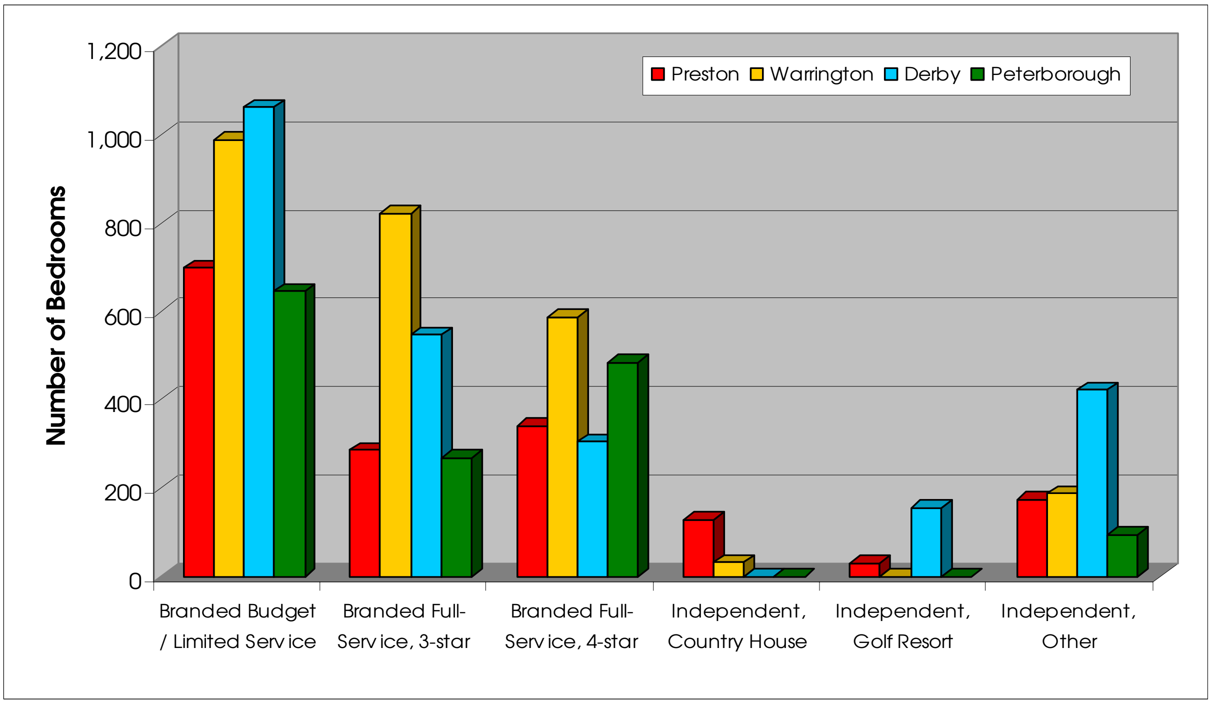
Table 7.2.1: Summary of Structure of Hotel Supply within 10 Miles - By Hotel Type and Location

Hotel Classification	No. Hotels	No. Rooms	% of Room Supply	Av. Size Rooms
Preston				
Branded Budget / Limited Service	10	699	42.2	70
Branded Full-Service, Three-star	3	286	17.3	95
Branded Full Service, Four-Star	3	340	20.5	113
Independent, Country House	6	128	7.7	21
Independent, Golf Resort	1	30	1.8	30
Independent, Other	7	174	10.5	25
Total	**30**	**1,657**	**100.0**	**55**
Warrington				
Branded Budget / Limited Service	19	988	37.8	52
Branded Full-Service, Three-star	9	821	31.4	91
Branded Full Service, Four-Star	4	587	22.4	147
Independent, Country House	1	32	1.2	32
Independent, Golf Resort	-	-	-	-
Independent, Other	5	188	7.2	38
Total	**38**	**2,616**	**100.0**	**69**
Derby				
Branded Budget / Limited Service	14	1,063	42.7	76
Branded Full-Service, Three-star	6	548	22.0	91
Branded Full Service, Four-Star	3	304	12.2	101
Independent, Country House	-	-	-	-
Independent, Golf Resort	3	155	6.2	52
Independent, Other	7	421	16.9	60
Total	**33**	**2,491**	**100.0**	**75**
Peterborough				
Branded Budget / Limited Service	10	645	43.2	65
Branded Full-Service, Three-star	4	268	18.0	67
Branded Full Service, Four-Star	4	484	32.4	121
Independent, Country House	-	-	-	-
Independent, Golf Resort	-	-	-	-
Independent, Other	3	95	6.4	32
Total	**21**	**1,492**	**100.0**	**71**

Source: GVA RGA Research

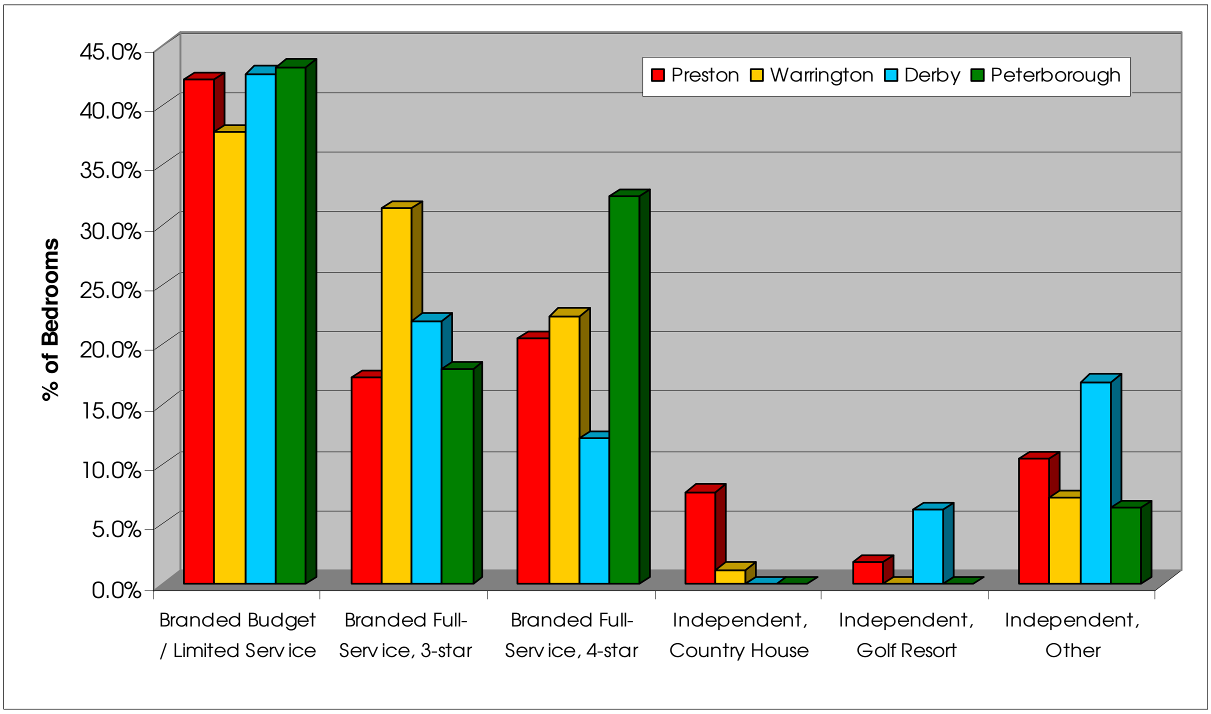
We provide an illustrative comparison of hotel bedroom stock by grading and location overleaf in order to benchmark Preston's hotel market supply relative to the comparable locations.

Figure 7.2.2: Structure of Hotel Supply - By Location and Hotel Type



Source: GVA RGA Research

Figure 7.2.3: Proportional Breakdown of Structure of Hotel Supply - By Location and Hotel Type



Source: GVA RGA Research

The graphs clearly show the dominance of the branded budget/limited service sector in all four locations, alongside a potential under supply in branded full-service hotel bedrooms in Preston relative to a number of the other locations. We discuss each market further in the following Sections.

Figure 7.2.4: Summary of Hotel Supply by Grading and Geographical Distribution – By Location

Grading	City Centre (0 to 1 Miles)			Edge of City Centre (1.1 to 2 Miles)			Out of Centre (2.1 to 5 Miles)			Out of Centre (5.1 to 10 Miles)		
	No. Hotels	No. Rooms	% Room Supply	No. Hotels	No. Rooms	% Room Supply	No. Hotels	No. Rooms	% Room Supply	No. Hotels	No. Rooms	% Room Supply
Preston												
Four-star	0	0	0.0%	0	0	0.0%	3	261	40.7%	6	273	51.7%
Three-star	2	208	55.8%	1	16	13.9%	1	78	12.2%	2	43	8.1%
Two-star	1	25	6.7%	2	27	23.5%	0	0	0.0%	1	20	3.8%
Budget / Limited Service	1	140	37.5%	1	72	62.6%	5	302	47.1%	3	185	35.0%
Ungraded	0	0	0.0%	0	0	0.0%	0	0	0.0%	1	7	1.3%
Sub-total	***4***	***373***	***100.0%***	***4***	***115***	***100.0%***	***9***	***641***	***100.0%***	***13***	***528***	***100.0%***
% of Total Supply		*22.5%*			*6.9%*			*38.7%*			*31.9%*	
Warrington												
Four-star	0	0	0.0%	1	116	40.3%	1	146	18.9%	3	359	24.8%
Three-star	0	0	0.0%	1	42	14.6%	4	307	39.7%	7	602	41.5%
Two-star	0	0	0.0%	2	56	19.4%	0	0	0.0%	0	0	0.0%
Budget / Limited Service	2	105	100.0%	1	74	25.7%	5	321	41.5%	11	488	33.7%
Ungraded	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Sub-total	***2***	***105***	***100.0%***	***5***	***288***	***100.0%***	***10***	***774***	***100.0%***	***21***	***1,449***	***100.0%***
% of Total Supply		*4.0%*			*11.0%*			*29.6%*			*55.4%*	
Derby												
Four-star	3	243	24.0%	0	0	0.0%	2	211	41.0%	1	32	6.3%
Three-star	3	276	27.3%	3	253	55.2%	2	66	12.8%	5	347	68.4%
Two-star	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Budget / Limited Service	4	492	48.7%	3	205	44.8%	5	238	46.2%	2	128	25.2%
Ungraded	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Sub-total	***10***	***1,011***	***100.0%***	***6***	***458***	***100.0%***	***9***	***515***	***100.0%***	***8***	***507***	***100.0%***
% of Total Supply		*40.6%*			*18.4%*			*20.7%*			*20.4%*	
Peterborough												
Four-star	0	0	0.0%	1	118	40.3%	3	366	53.6%	0	0	0.0%
Three-star	3	190	70.6%	2	103	35.2%	0	0	0.0%	2	70	28.3%
Two-star	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Budget / Limited Service	1	79	29.4%	1	72	24.6%	6	317	46.4%	2	177	71.7%
Ungraded	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Sub-total	***4***	***269***	***100.0%***	***4***	***293***	***100.0%***	***9***	***683***	***100.0%***	***4***	***247***	***100.0%***
% of Total Supply		*18.0%*			*19.6%*			*45.8%*			*16.6%*	

Source: GVA RGA Research

7.2.1 Warrington

Warrington is a town, borough and unitary authority area in Cheshire, which historically formed part of the county of Lancashire. It lies on the River Mersey, approximately midway between Liverpool and Manchester. Similar to Preston, it benefits from good transport links, with easy access to the M6 and M62, and regular direct rail services to London Euston and major northern conurbations.

Like Preston, the branded budget/limited-service sector is the single largest provider of hotel accommodation, accounting for half of all hotels and over 37% of total bedrooms. However, whilst there are a number of hotels in this sector, local budget/limited-service hotels are typically smaller than those in the other comparable locations (particularly Preston). Interestingly, branded three and four-star hotels account for almost 54% of total bedroom supply due to the average size/scaling of the hotels (which compares to around 38% of bedrooms in the Preston market). ***This may highlight a gap in the market within Preston's full-service three/four-star sector.***

7.2.2 Derby

Derby is a city and unitary authority in the East Midlands. It lies on the banks of the River Derwent in Derbyshire, approximately 15 miles to the west of Nottingham. It has good rail and road links (served by several major 'A' roads), and is well located for the M1 providing access to settlements between London and Leeds.

Supply in Derby is dominated by branded hotels, with most of the major brands and operators having a presence in the city. The budget/limited service sector is particularly well represented - largely due to the relative proximity and ease of access to the motorway network - with a number of the budget hotels located on the eastern side of the city, close to the A62 which provides direct access to the M1.

7.2.3 Peterborough

Peterborough is a cathedral city and unitary authority in the county of Cambridgeshire, East of England. It lies on the River Nene and is approximately 40 miles to the east and north-west of Leicester and Cambridge respectively. The railway station is a key stop on the East Coast Mainline between London and Edinburgh, and is served by key arterial routes including the A1139, A15 and A47. It is also within easy reach of the A1/A1(M).

At just under 1,500 bedrooms, Peterborough is the most similar size market (by bedroom numbers) to Preston. It also paints a similar picture in terms of the importance of the branded budget/limited service and three-star sectors, which account for a similar proportion of bedrooms as in the Preston market. Unlike Preston, however, branded four-star hotels make up almost one-third of bedrooms within the market area, compared to just one-fifth in Preston.

7.3 Hotel Benchmark Analysis - By Population

For the purpose of this Study, we have utilised demographic data for the relevant city or district in order to provide an indication of the number of hotel rooms per head of the population. However, as the ***data catchment sets are not strictly comparable***, ***this is purely for***

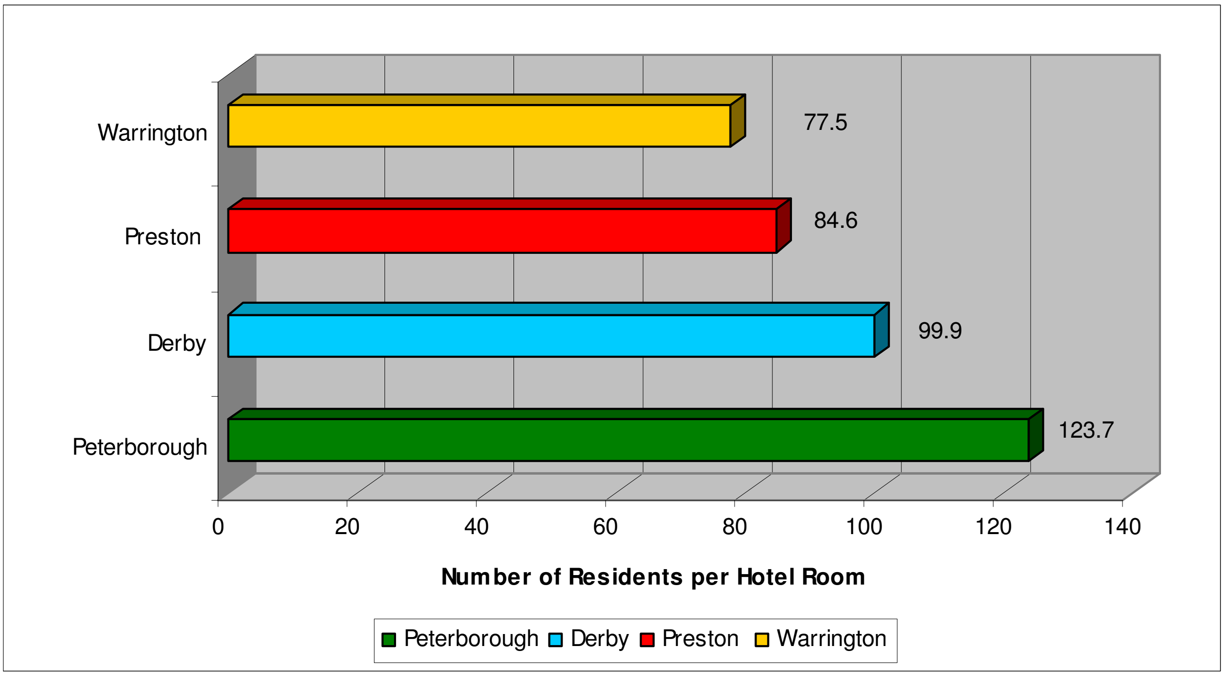
indicative/illustrative purposes and should be viewed with some caution. We present the population analysis overleaf.

Table 7.3: Analysis of Hotel Supply by Population, by Location

Market/Location	No. Hotels	No. Rooms	Population	No. Residents per Hotel Room
Warrington	38	2,616	202,700	77.5
Preston	30	1,657	140,100	84.6
Derby	33	2,491	248,900	99.9
Peterborough	21	1,492	184,500	123.7
Note: Population data based on Office for National Statistics 2011 mid-year population estimates				

Source: GVA RGA Research

Graph 7.3: Residents per Hotel Room, by Location



Source: GVA RGA Research

The graph highlights that ***Preston has one of the highest provisions of hotel bedrooms per head of the population*** with one hotel bedroom per 85 residents compared to 124 residents per bedroom in Peterborough, for example. On a simplistic level, this suggests that the Preston hotel market is currently well served relative to the population/size of the city.

7.4 Hotel Benchmark Analysis - By Staying Visitors

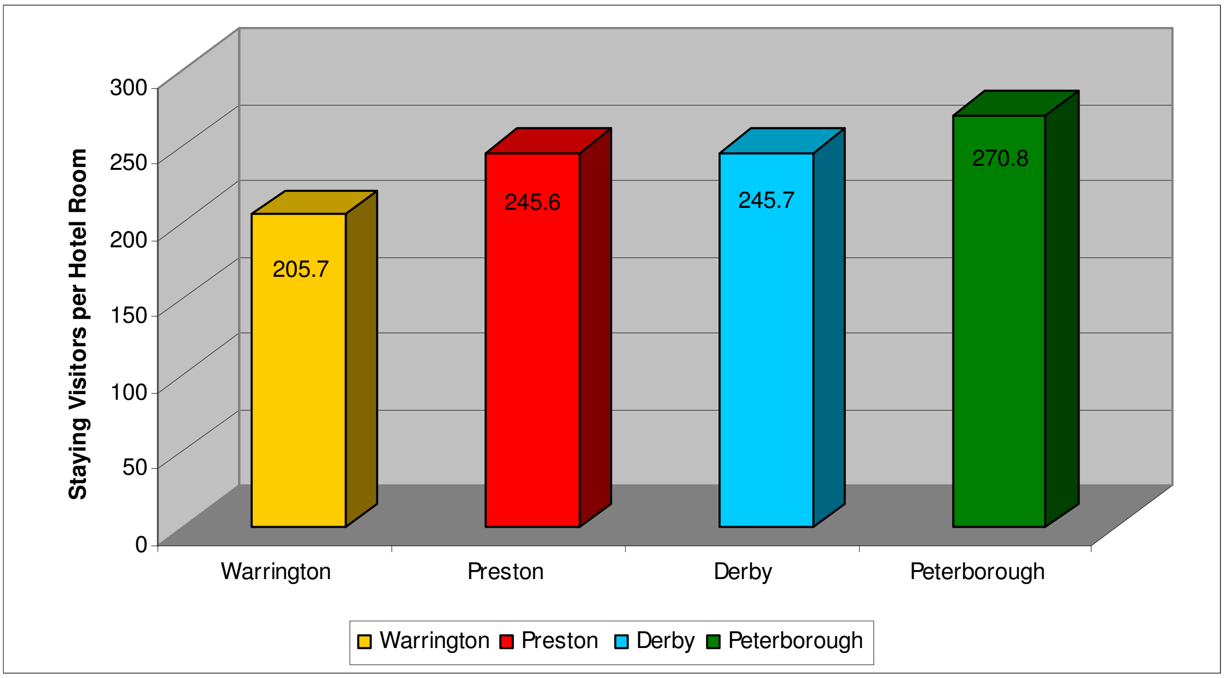
We have obtained overnight visitor statistics for each of the comparable locations in order to calculate the number of hotel rooms per staying visitor for each destination. We have based our analysis on available published data for each of the respective cities/local authorities (sourced from Visit England and Marketing Cheshire). We present our analysis overleaf which should again be viewed with caution and is purely for indicative/illustrative purposes only. It should also be noted that this is based on data for the total number of staying visitors as opposed to overnight trips taken in serviced accommodation (which is unavailable).

Table 7.4: Analysis of Hotel Supply by Staying Visitors, by Location

Market/Location	No. Hotel Rooms	No. Overnight Trips	No. Overnight Trips per Room
Warrington	2,616	538,190	205.7
Preston	1,657	407,000	245.6
Derby	2,491	612,000	245.7
Peterborough	1,492	404,600	270.8
Note: Overnight visitor trips based on domestic and inbound visitor statistics from Visit England. Data for Warrington was obtained from Marketing Cheshire.			

Source: GVA RGA Research

Graph 7.4: Staying Visitors per Hotel Room, by Location



Source: GVA RGA Research

Preston closely mirrors Derby in terms of the number of staying visitors relative to hotel supply, despite the latter having a much greater number of bedrooms and overnight visitors. On a simplistic level, by comparison, this could suggest that Peterborough has an under supply of hotel bedrooms relative to the size of the overnight visitor economy, whilst Warrington is potentially over-supplied.

8. HOTEL OPERATOR CONTEXT

8.1 Introduction

There are a number of factors and key criteria that will drive interest and delivery of hotel investment in and around Preston. Development will depend on whether or not developer / operator criteria can be met, but more importantly the overall strength and growth prospects of the local hotel market. The availability of funding for developments is currently the main constraint to hotel developments, even when other criteria have been met.

8.2 Hotel Operator Requirements

Prior to discussing the hotel opportunities which may exist in Preston, it is important to understand the key investment criteria of the major hotel operators. We briefly set out the general operator requirements, as follows.

8.2.1 Target Locations

One of the main trends to emerge in the hotel sector is that of achieving critical mass together with achieving geographical spread. The major operators will generally wish to be strategically located across the country in locations that will give them maximum exposure. In this report, we comment on various types of hotels which could be potentially considered in and around Preston. These are:

Boutique / Niche Hotels

There are a number of operators in this sector of the market, albeit they are usually small boutique chains that are independently operated. Over recent years there has been a developing trend towards niche markets, in particular the recent emergence of 'boutique', 'designer', 'townhouse' or even 'life-style' hotels. These hotels are small and personal (typically no more than 50 bedrooms) and focus on design, service and excellent food and beverage but do not generally provide other facilities such as meeting rooms or health and fitness. Most boutique hotel operators require sites in historic, University towns and 'up and coming' locations within newly fashionable cities.

Budget & Limited Service Hotels

These hotels are ideal for attracting a good mix of family leisure, local business and overnight meetings. They do not necessarily require prime city centre locations but generally want prominent sites close to key transport hubs offering easy access and a strong visibility profile. Limited service brands tend to have similar facilities associated with the three-star full service hotels, i.e. food and beverage, meeting space, air-conditioning, satellite TV – and yet offer a modern, branded, consistent product at very competitive pricing. They have therefore become exceptionally popular with both leisure and corporate users. In addition, their national coverage and central reservation systems enable high recognition and ease of booking thus making them extremely powerful brands. Their size and scale and slimmed down service enables them to achieve economies of scale and cost efficiency.

Three & Four-Star Hotels

These hotels usually provide high quality bedroom facilities, large conference suites, quality bars and catering and some form of leisure or health spa facilities. They tend to target the national and international business and conference trade and the short breaks leisure market. Such hotels need a strong base of corporate demand (including conferencing) as well as established leisure/tourism drivers to provide the balance of demand. The leading operators usually target key gateway locations, large metropolitan cities, international airports or large coastal resorts with an established conference industry. Strategic motorway locations are also considered – and can be appealing to operators with a strong conference brand. A number have also been developed from former country houses and operate in the golf resort market.

8.2.2 Typical Site Requirements

Most of the major hotel operators have criteria that they normally require in terms of identifying sites for new hotel development. For most of the leading groups, the site must have:

- A minimum residential population of 50,000-100,000 (but generally 250,000 to 500,000 for major four and five-star metropolitan chains). This is less important for hotels located at strategic motorway / road locations;
- Good access from main routes/public transport and high visibility;
- Convenience to business demand generators;
- Respectable adjacent land uses and a reasonably attractive environment;
- Town centre budget hotels typically require a site area of up to 0.9 acres for a central site (with car parking), assuming three storeys and 1.5-2.5 acres for out-of-town sites;
- A three-star hotel typically requires 1-3 acres and a four-star needs at least one acre in town and up to 6 acres out of town. Requirements do, however, vary significantly.
- Operators are increasingly attracted to mixed-use developments – both city centre and out-of-town sites;
- The cost (value) of the land must match the economics of the development;
- The increase in development costs is driving a number of changes in the sector – including the move towards larger hotels and the tailoring of the hotel product to the site.

8.2.3 Performance & Financial Criteria

Hotel market performance and potential financial performance are important criteria and operators will generally have performance targets in each of the key performance indicators, i.e. occupancy and achieved room rates (after discounting on the published tariff). As a rule of thumb, the performance targets required by most of the leading operators are, as follows.

Table 8.2.1 Typical Hotel Performance Targets, By Hotel Type

Type of Hotel	Typical Target Occupancy (%)	Typical Target ADR (£)
Boutique / Lifestyle	85% to 90%	£100 to £150
Four-Star	70% to 75%	£80 to £100
Three-Star	70% to 75%	£65 to £80
Upper Tier Budget / Limited Service	75% to 80%	£55 to £70
Budget Hotels	80% to 85%	£45 to £55

Source: GVA RGA Research

8.2.4 Deliverability and Development Hurdles

Any hotel scheme needs to be viable, deliverable and sustainable. That said Preston's hotel development potential and the delivery of sites identified for hotel use will depend on these broader parameters.

Finance / Deliverability - We are acutely aware of difficulties around development finance in the current climate – this has stalled and it is relatively tricky to fund projects out of major metropolitan cities. Despite the position of some banks 'we are open for business' this, in reality, is not the case although some banks are starting to show signs of flexing their lending position.

Hotel development is currently available through two main delivery mechanisms – for a developer to obtain a pre-let with a branded operator, such as Premier Inn or Travelodge – or to engage with a franchise company such as Accor, Hilton, InterContinental Hotels (IHG) and Wyndham - who would engage with the developer to brand / operate the hotel under one of their chains. Development finance is available for the first option but there is limited appetite for the second in the current environment. Whitbread (Premier Inn) is the only leading operator funding its own hotel developments – and already has a good presence in Preston.

In addition, there are a range of 'non branded' options where hotels are developed without aligning to one of the major brands / operators although, in terms of funding, these generally require a significant proportion of the finance to come direct from the developer unless they are luxury boutique hotels in central London or other major metropolitan cities, such as Manchester or Liverpool. Against this background, any new hotel must be positioned carefully to respond to the local demand base / profile and the wider business generating dynamic of Preston. Other key points in terms of the key barriers or obstacles to development are:

Planning – There is a real or perceived lack of consistency between the various planning authorities. What is acceptable to one might not be to another and this makes it difficult for standard models of hotels. Differentials also exist between the District and County levels. Specific grievances include unrealistic design requirements, excessive Section 106 agreements, delays in dealing with planning applications and inconsistent advice between various interested parties.

Development costs – These are impacted by factors such as design requirements, land values and competition for sites. The impact of increasing costs has been to force developers / operators to consider larger hotels, or to tailor the product to the site in order to enable maximum value or as part of a mixed-used scheme.

Competition for sites – The increasingly limited availability of sites for development in the UK has resulted in more competition from non-hotel users, which impacts further upon development costs and viability, as well as a higher demand for sites close or on the Green Belt or Conservation/Heritage areas.

8.3 Leading Hotel Brands and Development Activity

In the following tables, we list the leading hotel operators and their expansion plans. The expansion of the leading brands is being led by franchise and management agreements.

Table 8.3.1 Key UK Hotel Operators in the Full Service Hotels and Boutique/Lifestyle Hotels Sectors

Brand	Group/Owner	Rating	UK No. Hotels		North West No. Hotels[1]	
			Current	Pipeline	Current	Pipeline
Hilton	Blackstone	4/5	74	8	4	1 (Manchester)
Marriott	Marriott	4/5	52	2	5	None
Radisson Blu	Carlson Rezidor	4/5	25	4	2	None
Macdonald Hotels	Macdonald Hotels / Lloyds	4/5	54	5	12	None
Park Plaza	Carlson Rezidor Hotel Group	4/5	10	2	0	None
Grange Hotels	Globalgrange	4/5	16	2	0	None
Sheraton	Starwood Hotels & Resorts	4/5	5	0	0	None
Crowne Plaza	IHG	4	25	3	5	None
DoubleTree by Hilton	Blackstone	4	18	5	2	1 (Liverpool)
Principal Hayley	Principal Hayley	4	22	2	2	None
QHotels	Alchemy Partners	4	21	4	3	None
De Vere Venues	AHG / Lloyds	4	23	0	3	None
Copthorne	Hong Leong Inv.Holdings	4	13	2	1	1 (Liverpool)
Radisson Blu Edwardian	Carlson Rezidor	4	13	0	1	None
De Vere	AHG / Lloyds	4	11	0	2	None
Millennium	Hong Leong Inv.Holdings	4	7	1	0	1 (Liverpool)
Menzies Hotels	Cordial Hotels	4	16	0	0	None
Clarion Hotel	Choice Hotels Int.	4	9	0	0	None
Holiday Inn	InterContinental Hotels	3/4	132	12	13	None
Britannia Hotels	Alex Langsam	3/4	42	4	15	1 (Manchester)
Mercure	Accor	3/4	74	7	10	None
Thistle Hotels	Guoco Leisure	3/4	32	0	3	None
Novotel	Accor	3/4	31	5	3	None
Park Inn by Radisson	Carlson Rezidor Hotel Group	3/4	22	9	3	1 (Manchester)
Ramada	Wyndham	3/4	28	3	2	None
De Vere Village Urban Resorts	AHG / Lloyds	3	25	6	9	1 (Rochdale)
Bespoke Hotels	Bespoke Hotels	3	60	7	4	None
Quality	Choice Hotels	3	21	2	0	None
Note: [1] North West region includes Cumbria, Greater Manchester, Lancashire, Cheshire and Merseyside						

Source: GVA RGA Research / AM:PM Hotels

Table 8.3.2: Key UK Hotel Operators in the Budget / Limited Service Sector

Brand	Group/Owner	UK No. Hotels		North West No. Hotels[1]	
		Current	Pipeline	Current	Pipeline
Premier Inn	Whitbread	647	114	101	5 - Barrow-in-Furness, Birkenhead, Liverpool, Sandbach, Wigan
Travelodge	GoldenTree / Avenue / Goldman Sachs	531	73	63	7 - Liverpool, Manchester, Southport, St Helens, Stockport, Ulverston
Holiday Inn Express	IHG	127	21	12	None
Ibis	Accor	58	13	5	None
Jurys Inn	Oman Inv.	31	6	2	None
Days Inn	Wyndham	45	1	4	None
Ibis Budget	Accor	18	7	2	1 (Liverpool)
Ramada Encore	Wyndham	18	3	3	None
Campanile	Louvre Hotels	19	0	3	None
Hampton by Hilton	Blackstone	10	16	2	1 (Blackpool)
Days Hotel	Wyndham	12	0	2	None
Note: [1] North West region includes Cumbria, Greater Manchester, Lancashire, Cheshire and Merseyside					

Source: GVA RGA Research / AM:PM Hotels

8.4 Conclusion

Whilst ***operators have an appetite to increase their brand presence in the North West, much of this is focused in and around Manchester and Liverpool, as well as Blackpool***. Whilst Preston is not featured, and does not appear on the Target Lists of the leading operators, our discussions with both ***operators and developers who are active in the North West region, indicate that they would consider sites in and around Preston on an opportunistic basis***. They highlighted the importance of prominent sites with good access to key commercial areas and arterial routes. We discuss hotel development opportunities in Section 9.

9. HOTEL DEVELOPMENT APPRAISAL

9.1 Introduction

In this Section, we provide an indication of the potential hotel requirement for Preston, together with advice in terms of the type and size of hotel(s) that could be suitable and where this requirement could be satisfied. This analysis seeks to identify the ***potential growth prospects for Preston*** in order to provide an indication of the potential number of bedrooms that could be supported over a certain timeframe. For the purpose of this Study, we consider it relevant to provide an ***indication of the hotel development opportunities that could exist over the next 15 years*** – 2013 to 2027.

9.2 Preston Hotel Market – The Base Year

We consider the most appropriate way to forecast future room nights (demand) is by projecting room nights (occupancy) from a base year (2012 data) and taking this forward using various growth rates and assumptions. GVA RGA has, therefore, estimated the market occupancy for the Preston hotel market based on the existing 30 hotels (1,657 bedrooms).

Our estimates have been based on our understanding of the supply and demand trends prevailing in Preston, reference to STR hotel performance data and quotations of occupancy from local hotels. We summarise our estimates of market occupancy for 2012 (base year) for the Preston hotel market (1,657 bedrooms) as follows:

Table 9.2.1: Estimated Preston Hotel Occupancy Performance – 2012 Actual

Market Segment	Rooms Sold Per Day	Mix (%)	Occupancy (%)
Corporate	281	25.0%	17.0%
Transient Commercial	336	29.9%	20.3%
Conference	77	6.8%	4.6%
Independent Leisure	178	15.8%	10.7%
Short break	140	12.5%	8.5%
Coach/Tour	58	5.2%	3.5%
Other	55	4.9%	3.3%
Total	**1,125**	**100.0%**	**67.9%**

Source: GVA RGA Estimates / STR Global Ltd @ 2013

Based on our estimates, we illustrate the hotel performance (Occupancy and ADR) of the Preston hotel market, by hotel grading.

Table 9.2.2: Estimated Preston Hotel Market Performance - By Grading

Grading	No. Hotels	No. Rooms	Average Occupancy (%)	ADR (£)
4-Star	9	534	64.7%	£54.43
3-Star	7	352	69.0%	£45.71
2-Star	4	72	62.0%	£36.61
Budget / Limited Service	10	699	70.4%	£41.53
Total / Average	**30**	**1,657**	**67.9%**	**£45.41**

Source: GVA RGA Estimates / STR Global Ltd @ 2013

It is important to recognise that ***there is a significant variation in terms of the performance and appeal of different properties***. Hotels which have invested in their respective products and benefit from strong brand recognition are achieving strong performance across the key indicators (Occupancy and ADR). Conversely, there are a number of properties which are under performing. We cannot, however, divulge the Occupancy and ADR of individual hotels.

9.3 Market Growth Prospects

GVA RGA believes ***the prospects for the local hotel market to be positive***, particularly as and when the inward investment opportunities identified move forward. We have applied the following annual growth rates, by market segment.

Table 9.3.1: Demand Growth Factors

Market Segments	2013	2014	2015	2016+	Comments
Corporate – Businesses located in the area and national accounts.	1.5	2.0	2.4	2.4	▪ Strong mid-week corporate demand. ▪ Evidence of displaced/frustrated demand. ▪ Growth from proposed Central Business District. ▪ Activity arising from the City Deals bid. ▪ Expansion of key employment areas, i.e. Preston East ▪ Improvement to UK economy / business activity.
Transient Commercial – Business users travelling away from their office.	1.5	2.1	2.6	2.6	▪ Strong mid-week corporate demand. ▪ Evidence of displaced/frustrated demand. ▪ Growth from proposed Central Business District. ▪ Expansion of key employment areas, i.e. Preston East. ▪ Activity arising from the City Deals bid. ▪ Improvement to UK economy / business activity.
Conference – Generated by in house facilities and other non residential spin off.	1.0	2.0	2.2	2.2	▪ Residential conference demand is limited. ▪ Limited conference facilities currently. ▪ Manchester, Liverpool, Blackpool strong conferencing. ▪ Expansion of exhibition/conference space at UCLan. ▪ Improvement to UK economy / business activity.
Independent Leisure – leisure breaks, visiting, friends and relatives.	-	1.5	2.0	2.0	▪ Preston not considered an overnight leisure destination. ▪ Convenient stop-over for M6 users. ▪ Convenient base for Blackpool/wider visitor attractions. ▪ Leisure related demand from UCLan. ▪ Visiting, friends and relatives market – growing.
Short Break – Events and short break visitors.	-	1.0	1.5	1.5	▪ Preston not considered an overnight leisure destination. ▪ Events driven, but not a short break destination. ▪ Convenient base to explore the area. ▪ Improved appeal following proposed city centre regeneration, i.e. Fishergate/Markets Quarter.
Coach Tour – organised with a coach tour operator.	-	1.0	1.5	1.5	▪ Strategic location for tour operators. ▪ Highly competitive and low rated. ▪ A fill-in market during low demand from other segments. ▪ Likely to increase following improvement to UK economy.
Other – third party events.	-	1.0	1.5	1.5	▪ Overnight demand from in-house functions. ▪ Likely to increase as population grows. ▪ Relatively price sensitive.
Total / Average	**0.6**	**1.5**	**2.0**	**2.0**	
Note: 2016 annual growth rates applied to years to 2027.					

Source: GVA RGA Estimates

The growth rates take into account an overall improvement to UK economy but is primarily focused on the development of the local economy with the focus on local commercial activity and the proposed regeneration schemes planned for the area.

9.4 Indication of Hotel Development Potential

We have calculated the number of additional hotel bedrooms that could be supported to fulfil future need.

It is generally considered that where occupancy for hotels operating in the UK falls above 70%, the market could, potentially, support more bedrooms. As highlighted, however, there are a number of key criteria which developers / operators will consider prior to investing which would also need to be considered. Nonetheless, the following assessment illustrates the number of additional bedrooms based on market growth – providing some indication of the potential hotel requirement for Preston between 2013 and 2027.

Table 9.4.1: Estimated Potential Hotel Requirement for Preston

Timeframe	Daily Rooms Sold	Daily Rooms Required to Support 70% Occupancy	Additional Capacity Required (No Rooms)
Short Term (2013 to 2017)	1,232	1,760	**103**
Medium Term (2013 to 2022)	1,373	1,962	**305**
Long Term (2013 to 2027)	1,531	2,187	**530**

Source: GVA RGA Estimates

In the following paragraphs we comment on the potential hotel requirement for Preston for the Short Term (2013 to 2017), Medium Term (2013 to 2022) and Long Term (2013 to 2022).

Short Term Requirement (2013 -2017)

Similar to the overall provincial UK hotel market, the Preston hotel market has softened considerably in recent years following the UK's economic recession which has been compounded further by a number of recent hotel openings in the area.

Despite the current climate within the UK's provincial hotel market, however, there are a number of signals prevailing locally where demand is not being fully satisfied by some of the existing hotels in the area. Based on recent performance levels, the immediate opportunity lies with improving performance levels across the wider Preston hotel market and there are already a number of positive developments where this is already occurring. For example, this would include the potential investment and re-branding of the existing Swallow Hotel. We are aware that the Swallow hotel has been earmarked for a new investor to upgrade and re-position the property. We understand that there are plans to re-brand the hotel as a Mercure (Accor).

The Preston hotel market is showing positive growth signals across the key performance indicators. While many uncertainties remain, the overall outlook for the UK hotel sector is one of recovery albeit the rate of recovery will largely follow the UK's wider economic growth prospects. Preston's economic growth prospects appear to be encouraging and, whilst there is still some uncertainty relating to the rate of development and economic growth, there are already a number of local regeneration initiatives underway that should positively impact Preston's hotel development prospects. The Fishergate scheme which is expected to be completed by 2014 is an encouraging development which should increase the overall appeal of the city centre for visitors to the area. These are positive developments for Preston which should, in turn, be a catalyst for inward investment and Preston's economic growth prospects.

Based on our overall knowledge of the Preston hotel market and understanding of key demand trends prevailing in the area, ***we consider the hotel development prospects for Preston to be positive***. Overall, we consider that new hotel development opportunities will come forward during this time frame. Allowing for planning and development, the opportunity of a new hotel(s) coming on stream should come forward towards the end of the period (i.e. a hotel(s) coming on stream in the year 2016/2017). The market is unlikely to support any large hotel(s) coming on stream prior to this, without negatively diluting demand and the performance of the wider Preston hotel market – albeit this is unlikely given the typical timeframe of hotel developments (normally around 2 to 3 years).

In terms of opportunities, we consider there to be ***a market opportunity for a new build branded upper three-star product, i.e.100+ bedrooms and commensurate food and beverage facilities***. There is generally a shortage and, demand for, a modern branded upper three-star / four-star hotel. The budget sector is already well served and we consider that development opportunities lie within the development of full-service hotels.

In market terms, we believe sites in the city centre offering prominent frontage onto the Ring Way (A59) would be appealing – preferably on sites close to the core retail as well as the railway station. This would include the land which is available on the corner of Corporation Street and the Ringway which already has planning consent for hotel use. Overall, we consider this to be a very good site for hotel development given its prominent position on the Ringway. The outline consent for a hotel as part of the proposed development of the Queens Retail Park may be less appealing albeit this will depend on whether any hotel would enjoy frontage onto the Ringway, as well as the appeal of neighbouring uses as part of any mixed-use development. The development of hotels in the city centre should be carefully monitored given the relatively small base of existing hotels at present and, therefore, the potential impact a large hotel(s) could have on the performance of existing city centre hotels. ***Any wave of new hotels coming on stream over a relatively short period could potentially flood the market***.

Alternatively, sites located close to key motorway routes would be appealing (i.e. around M6 Junction 31A) and/or close to key employment centres such as Fulwood/Preston East. Sites for hotel development may, however, be better suited to meet the medium to longer term requirements which could, potentially, support a larger four-star branded hotel with conferencing – ideally as part of a wider mixed-use, office-led development and/or expansion of an existing Business Park. The Riversway area may also offer potential for hotel development however the area is likely to better suit a small budget type hotel.

Given the recent changes in local hotel supply and wave of hotel investment in the city centre, out of centre sites may be more acceptable in market terms as any new hotel which is well located to the motorway network is likely to have a strong regional appeal within the context of the wider business generating dynamic of Preston.

There are limited boutique hotel operators in the market, and operators such as InterContinental Hotels Group (Indigo) would not find Preston attractive enough given their overall development focus for major city centres. The market would not be strong enough to generate the sufficient volume of high rated business which would be necessary to support their business models and typical scaling of hotels developed, i.e. 50 to 100+ bedrooms. Nonetheless, we do consider that there is ***an appetite for an upper three-star / low four-star small boutique hotel (restaurant-with-rooms) offering around 20 to 40 bedrooms.***

Photograph of Winckley Street – Leading to Winckley Square

Winckley Square is a quiet and emerging part of Preston and is the only area centrally where we consider such a product is likely to work. There is a gap in the market and appetite for this type of product and, therefore, a hotel uniquely positioned in the market with a good food and beverage offering is likely to have strong appeal with the corporate market, as well as leisure users. Delivery will depend largely on the efficiencies and ease of converting existing building(s), as well as the ability to secure funding.

Medium and Long Term Requirement (2013 to 2027)

We have indicated that the wider Preston hotel market could potentially support a total of around 500+ additional bedrooms over the next 15 years. The hotel requirement for Preston will, however, ultimately depend on how successful and how quickly Preston grows from both a commercial and leisure perspective – which will be spearheaded by the delivery of regeneration schemes identified within the City Centre Plan period (i.e. Market Square and Central Business District), and once investments as part of the Enterprise Zones and City Deals are realised.

It is important to recognise that making any sort of market forecast is an uncertain process and all forecasts are based on judgement and assumption and are therefore susceptible to unforeseen changes. It is extremely difficult to forecast accurately over such a long period of time and our medium and long term projections should be taken as indicative only. They are only intended to be used as a guide to give an indication of how many bedrooms could be needed over a specified time period and the level of development which we believe could be supported in and around Preston. The Preston hotel market will react to these developments which, in turn, will generate opportunities for new hotel development across a broad range of sectors, from budget to four-star.

New hotel development opportunities will largely depend on how the Preston hotel market moves and reacts to new developments. Identification of sites will likely include both city and out of centre sites and the development opportunities will be apparent following regeneration and inward investment activity. This may include, for example, the prospects of converting existing buildings within the city centre (i.e. the former Post Office and Amounderness House). Care should be taken in assessing the overall suitability of individual sites given the importance of accessible sites and the wider generating dynamics of the Preston hotel market. These underlying dynamics may of course change over time depending on the overall appeal of Preston from a commercial and tourism perspective.

9.5 Scenario Planning – Hotel Requirements (2013 to 2027)

Given the uncertainty of forecasting over such a long time and, therefore, Preston's future development and economic growth prospects, we have undertaken some scenario planning in order to assess the impact if market growth rates were to increase or decrease (by an average of 0.5% growth per annum respectively across the various market segments) from our medium growth projections.

Accordingly, we have revised our estimated hotel requirements (i.e. 530 additional bedrooms required over the review period – 2013 to 2027 – medium growth scenario) to allow for an upside scenario as well as a downside scenario. We summarise our estimates as follows:

Table 9.4.2: Estimated Potential Hotel Requirement for Preston – Higher Growth Scenario

Timeframe	Daily Rooms Sold	Daily Rooms Required to Support 70% Occupancy	Additional Capacity Required (No Rooms)
Short Term (2013 to 2017)	1,263	1,804	**147**
Medium Term (2013 to 2022)	1,442	2,060	**403**
Long Term (2013 to 2027)	1,648	2,354	**697**

Source: GVA RGA Estimates

Table 9.4.3: Estimated Potential Hotel Requirement for Preston – Medium Growth Scenario

Timeframe	Daily Rooms Sold	Daily Rooms Required to Support 70% Occupancy	Additional Capacity Required (No Rooms)
Short Term (2013 to 2017)	1,232	1,760	**103**
Medium Term (2013 to 2022)	1,373	1,962	**305**
Long Term (2013 to 2027)	1,531	2,187	**530**

Source: GVA RGA Estimates

Table 9.4.4: Estimated Potential Hotel Requirement for Preston – Low Growth Scenario

Timeframe	Daily Rooms Sold	Daily Rooms Required to Support 70% Occupancy	Additional Capacity Required (No Rooms)
Short Term (2013 to 2017)	1,202	1,717	**60**
Medium Term (2013 to 2022)	1,307	1,868	**211**
Long Term (2013 to 2027)	1,423	2,032	**375**

Source: GVA RGA Estimates

10. APPENDIX 1

10.1 STR DATA SET HOTELS

Premier Inn Preston Central

Holiday Inn Preston

Travelodge Preston Central Hotel

Premier Inn Preston East

Best Western Premier Leyland Hotel

Premier Inn Preston North

Barton Grange Hotel

Marriott Preston Hotel

Ibis Preston North

Macdonald Tickled Trout

Premier Inn Preston South Cuerden Way

Premier Inn Preston South Craven Drive

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