

EXECUTIVE SUMMARY

Introduction

- The Brighton & Hove Hotel Futures Study has been commissioned by VisitBrighton, with funding support from Tourism South East, to provide up-to-date information on hotel and guest accommodation performance and development potential in Brighton & Hove. This information is required to inform the planning policies for hotels and guesthouses that will be included in the new Local Development Framework for the city, and to provide a base of evidence for determining hotel and guest accommodation development and change of use applications.
- The study provides a detailed assessment of:
 - The current and potential future demand for hotel and guesthouse accommodation in the city, taking account of the potential impact of the planned major development projects;
 - The capacity of the city for new hotel development;
 - The potential impact of new hotels on the existing stock of hotels and guesthouses in the city.
- The Study has involved the following modules of research:
 - a review of national hotel performance and development trends;
 - an audit of the existing supply of hotel and guest accommodation in the city and assessment of recent and planned future changes to the city's serviced accommodation supply in terms of closures and planned hotel developments;
 - interviews with hotel managers within the city to assess recent and current hotel performance;
 - a review of relevant policy documents and research reports;
 - consultations with key officers in VisitBrighton, Brighton & Hove City Council and the Brighton & Hove Hotels Association;

- an assessment of factors that could influence future demand for hotel and guest accommodation in the city, including the impact on demand of the planned major development projects;
- the preparation of demand forecasts to identify how the hotel market in the city might grow through to 2026 and the levels of new hotel development that such growth might potentially support;
- consultation with a sample of hotel developers, both those that have recently secured sites in the city and those that are seeking representation here;
- a review of potential hotel development locations in the city.

Trends in the UK Hotel Market

- The UK hotel industry has steadily recovered in the last 3 years following a difficult trading period between 2001 and 2003 due to the impact of major events and crises, including the Foot & Mouth epidemic, 9/11, the Iraq War and the SARS scare. Provincial hotel performance has been more stable than for the UK as a whole, the latter being affected by London hotel performance, which has been more significantly influenced by international events. Provincial hotel occupancies have been relatively stable over the past 5 years, and in 2006 were 70.1%. Achieved room rates grew only slightly between 2001 and 2003 but have risen sharply in the last 3 years to reach record levels of £69.24 in 2006.
- Both established and new hotel brands have continued to expand in the UK. The budget hotel sector has grown strongly, with continued expansion by Premier Travel Inn, Travelodge and Express by Holiday Inn, and the emergence of new budget hotel brands. In the 3/4 star market small boutique and town house hotel chains, such as Hotel du Vin and Malmaison have rapidly expanded. The development of large branded 3 and 4 star hotels has been focused primarily in major city centres.

Current and Planned Hotel Supply

- Our research has identified a total of 160 hotels and guest accommodation establishments in Brighton & Hove with a total of 4,293 letting bedrooms.

Current Hotel and Guesthouse Supply – Brighton & Hove – by Standard September 2006

Standard	Estabs	Rooms	% of Rooms
Hotels			
5 star	1	200	4.7
4 star	11	1,128	26.3
3 star	12	1,000	23.3
Budget	3	271	6.3
Total Hotels	27	2,599	60.5
Guest Accommodation			
5 diamond/star	1	11	0.2
4 diamond/star	41	503	11.7
3 diamond/star	42	610	14.2
2 diamond/star	6	87	2.0
Non-assessed	43	483	11.3
Total Guest Accommodation	133	1,694	39.5
Total Supply	160	4,293	100.0

- Brighton & Hove has a significant stock of hotel and guesthouse accommodation across all standards and sizes. The city's hotel stock comprises mainly 3 and 4 star hotels. Brighton is one of the few UK destinations outside London to have a 5 star hotel. The city has few branded budget hotels and no upper-tier budget hotels. The city has a large stock of small, mainly 3 and 4 diamond/star guest accommodation establishments, many using the term hotel in their trading name. The vast majority of hotels and guesthouses are quality assured. The standard of some of the non-assessed properties appears to be relatively low.
- The bulk of the city's serviced accommodation supply is in Brighton. Hove has a much smaller supply of hotels and guesthouses. The supply in Brighton is concentrated in certain key streets and squares. The seafront and streets and squares running immediately off it account for the majority of Brighton's current supply of hotel and guest accommodation. There is relatively little accommodation outside the city centre. Hotels and guesthouses are more widely spread in Hove, with no concentrations of establishments.

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- The most significant change in the city's hotel and guest accommodation supply in recent years has been the rapid expansion of the boutique sector, with the opening of two new boutique hotels (Hotel du Vin and the Alias Seattle) and the upgrading and repositioning of a growing number of existing hotels and guesthouses as boutique accommodation offers. There has been relatively little loss of hotels and guesthouses to residential and HMO use. Losses have been more significant in Hove than Brighton. The Grand Ocean at Saltdean has been the most significant hotel to close. This hotel was a long way out of the city in an isolated location, however.
- Six new hotels are currently under construction or proposed for the city. They will significantly add to the city's stock of hotels and serviced accommodation if they all go ahead.

Brighton & Hove – Planned New Hotels

Hotel/ Site Name	Location	Standard	Rooms	Current Status
Myhotel	Jubilee Street	4 star boutique	80	On site
Royal York Buildings	Old Steine	4 star boutique	51	On site
Jury's Inn	Brighton Station site	3 star	234	Planning permission approved April 2006
Radisson SAS	Brighton Station site	4 star	196	Planning permission refused April 2005 – appeal lodged
Ibis	Queen's Road	Budget	147	Planning application currently under consideration
Brighton Centre Hotel	Brighton Centre	4 star	315	Being considered as part of the redevelopment of the Brighton Centre

If all of these hotels go ahead they would result in a net increase of almost 900 hotel rooms, representing a 35% increase in the city's hotel supply, and a 21% increase in the total supply of serviced accommodation in the city.

Current Hotel Demand

- Estimated occupancy and achieved room rate figures for the city's hotel and guest accommodation sector are summarised in the tables below.

Brighton & Hove Hotel and Guest Accommodation¹ Occupancy 2004-2006

Standard	Average Annual Room Occupancy %		
	2004	2005	2006 ²
Hotels			
4/5 Star ³	68	69	70
3 Star	69	70	71
Brighton & Hove 3/4 Star ³	68	69	70
Provincial UK 3/4 Star Chain Hotels ⁴	71	70	72 ⁶
4 Star Boutique	77	79	77
Budget	n/a	n/a	77
Guest Accommodation			
4 Diamond/Star	63	61	63
2/3 Diamond/ Star	n/a	n/a	64 ⁷

Brighton & Hove Hotel and Guest Accommodation¹ Achieved Room Rates 2004-2006

Standard	Average Annual Achieved Room Rate £		
	2004	2005	2006 ²
Hotels			
4 Star ^{3/4}	72.25	73.18	76.60
3 Star	52.89	56.00	56.07
Brighton & Hove 3/4 Star ⁴	63.23	65.19	67.11
Provincial UK 3/4 Star Chain Hotels ⁵	63.72	66.95	69.75 ⁶
4 Star Boutique	97.58	104.97	106.89
Budget	n/a	n/a	n/a
Guest Accommodation			
4 Diamond/Star	n/a	n/a	59.35 ⁷
2/3 Diamond/ Star	n/a	n/a	n/a

Notes:

- Sample of participating establishments give at Appendix 1
- Based on projected figures provided by hotel managers
- Excluding boutique hotels
- The De Vere Grand has not been included in the sample for the achieved room rate calculations. As a 5 star hotel it achieves room rates that are considerably above those of 4 star hotels in the city. The inclusion of its figures in a 4/5 star achieved room rate figure would give a distorted picture of 4 star hotel performance in the city
- Source: TRI Hotstats UK Chain Hotels Market Review
- Year to date as at September 2006
- Small sample – view result with caution

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- 3/4/5 star hotel occupancies in Brighton & Hove are broadly on a par with the national average for provincial UK 3/4 star chain hotels. Achieved room rates for 3/4 star hotels in the city are slightly below the national average, however. As a 5 star hotel the De Vere Grand achieves much higher room rates than the city's 4 star hotels.
- The newly opened boutique hotels in the city have rapidly established themselves in the marketplace and are already achieving high occupancies and room rates.
- Budget hotel occupancies are higher than those achieved by the city's 3 and 4 star hotels, but lower than those achieved by budget hotels in other cities in the South East, such as Portsmouth and Southampton.
- Occupancies achieved by guest accommodation establishments are generally lower than those achieved by hotels and vary significantly between establishments. Boutique guest accommodation establishments generally achieve higher occupancies (in line with those achieved by 3 and 4 star hotels) and can achieve room rates above those of some of the city's 4 star hotels.
- Hotel and guest accommodation occupancies and achieved room rates have been broadly static in the city over the last 3 years. Occupancies are understood to have declined significantly since 2000 as a result of the loss of aircrew business from Gatwick (for some 4 star hotels) following 9/11 and the loss of major conferences from the Brighton Centre.
- Weekend demand is very strong in Brighton & Hove, with all hotels and guest accommodation establishments consistently filling and turning away significant levels of business on Friday and Saturday nights for most of the year. Weekend breaks are the main source of weekend business for 3, 4 and 5 star hotels, boutique hotels and 4 diamond/star guest accommodation establishments. Brighton & Hove has a particular niche in the gay and lesbian leisure break market. Budget hotels, 2/3 diamond guest accommodation establishments and some 3 star hotels cater primarily for stag and hen parties and clubbers at the weekend.

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- Weekday occupancies are much lower, particularly for guest accommodation establishments. Hotels and guest accommodation establishments rarely deny business during the week other than when major conferences are being held in the city, or during the peak summer months.
- Midweek demand for most 3 and 4 star hotels is a fairly even mix of business from the corporate, city conference, residential conference, leisure break and group tour markets. Residential conferences are the key weekday market for the De Vere Grand, Hilton Brighton Metropole and the city's larger boutique hotels. Midweek breaks are the key weekday market for the city's smaller boutique hotels and 4 diamond/star guest accommodation establishments. Group tours are an important midweek market for three 3 star hotels, with one of them catering primarily for this market during the week. Contractors working on construction projects in the city are the primary weekday market for 2/3 diamond guest accommodation establishments and a key midweek market for budget hotels.
- The corporate market is relatively weak in Brighton & Hove, with few major companies in the city that generate significant demand for hotel accommodation.
- Conferences held at the Brighton Centre generated business for the city's hotels and guest accommodation establishments for only 4-6 weeks in 2006. This should increase from 2007 onwards, however. Establishments located closest to the Brighton Centre benefit the most (as delegates usually want to stay as close as possible to the Centre). Large conferences held at the De Vere Grand and Hilton Brighton Metropole also generate overspill business for nearby hotels and guest accommodation establishments for around a further 4-6 weeks.
- The most significant change in the Brighton hotel and guest accommodation market has been the decline in Brighton Centre conference and exhibition business. Many hotels and guest accommodation establishments have however been able to build new business from other markets, in particular the leisure break and residential conference markets, to offset the loss of city conference business to at least some extent. Midweek leisure break business is usually on discounted rates. A number of hotels and guesthouses have successfully built this business through Internet marketing.

- Most hotels and guest accommodation establishments are optimistic about their prospects for 2007 and 2008 due to the projected recovery in the city conference market as a result of VisitBrighton's increased efforts to market the city to the associations meetings market.

Future Market Prospects

- Our research suggests the following future prospects for the City's hotel and guest accommodation market:
 - Modest growth in the corporate market; although the Experian economic forecasts for the city show relatively slow growth in employment, Brighton's role as a diamond for growth; the expansion plans of key employers in the city; the Council's targeting of sectors that are productive for hotel demand; and the planned new office developments indicate that growth in corporate demand for hotel and guest accommodation could exceed these forecasts;
 - Increasing demand, particularly for budget-priced accommodation, from contractors resulting from the large number of major development projects underway and proposed;
 - Good potential for growth in demand from city conferences, given the active marketing programme of VisitBrighton and the Brighton Centre conference sales team, benefiting hotels closest to the Brighton Centre most. The redevelopment of the Brighton Centre will eventually result in even greater growth in demand from this market;
 - Potential for further growth in residential conference demand for 4 star hotels with good facilities that are targeting this market;
 - Continued growth in both weekend and mid-week leisure break demand, particularly as the major projects proposed such as the Arena, the i360 observation tower and the Gehry buildings add to the offer and create new reasons to visit and stay;

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- With a historic and cultural product of appeal to overseas markets, Brighton should benefit from the projected increase in inbound visits forecast for the UK;
 - A reduction in group tour business as demand increases from higher spending markets;
 - The stag and hen party and clubbers markets are likely to remain strong for those hotels prepared to take this business;
 - Slow growth in the weddings and functions market in line with forecasts for growth in the city's population.
- There are currently a dozen major regeneration projects proposed and underway in Brighton that are key to the city delivering sustainable growth in its economy, population and tourism industry over the next 20 years. These include:
 - Redevelopment of the Brighton Centre;
 - Brunswick and Explore Living residential and retail schemes at Brighton Marina;
 - International Arena development at Black Rock;
 - The i360 observation tower at West Pier;
 - Jubilee Street development including Myhotel;
 - Development of the New England Quarter mixed use scheme including two new hotels, offices, residential and retail;
 - Municipal market development at Circus Street for mixed use;
 - Sports centre development on the King Alfred Leisure Centre site at Hove along with residential towers designed by internationally renowned architect Gehry;
 - Shoreham Harbour mixed use regeneration scheme;
 - Office and employment development at Patcham Court Farm A23/A27;
 - Redevelopment of Preston Barracks for an employment-led mixed use scheme;
 - Community stadium development at Falmer.

All these schemes have a role to play in delivering growth and in developing Brighton's image and profile as a national and international city in which to live, to invest and to visit. From a tourism perspective, and more particularly in terms of the generation of overnight visits, the redevelopment of the Brighton Centre will make the most significant contribution by far to creating additional midweek hotel demand in the future. The i360 and the International Arena are also seen as key projects to help secure further growth in the city's hotel market.

Opportunities for New Hotel Development

- Growth projections have been prepared to provide an indication of the number of new 3 and 4 star hotel bedrooms that might be needed in Brighton and Hove to 2011, 2016 and 2026. Given the strength of the weekend market in Brighton and the relatively weaker midweek market, the projections have been based on midweek market performance and assume the need for all hotels to achieve midweek occupancies of at least 65%. Low, medium and high rate growth forecasts have been applied to each of the mid-week markets under two future scenarios – with the current Brighton Centre continuing to operate and given improved marketing of the city to the associations meetings market, and with a new Brighton Centre (assumed to have achieved a stabilised trading pattern by 2016). The projections show potential for the following numbers of new 3 and 4 star hotel rooms over the next 5, 10 and 20 years:

BRIGHTON & HOVE
PROJECTED FUTURE REQUIREMENTS FOR 3 AND 4 STAR HOTEL DEVELOPMENT
2011-2026¹

Scenario 1 – Current Brighton Centre

Standard of Hotels/Year	Projected New Rooms Required		
	Low Growth	Medium Growth	High Growth
4 Star			
2011	199	266	333
2016	239	341	448
2026 ¹	328	519	738
3 Star			
2011	90	120	152
2016	107	148	193
2026 ¹	110	172	237

Scenario 2 – Proposed new Brighton Centre

Standard of Hotels/Year	Projected New Rooms Required		
	Low Growth	Medium Growth	High Growth
4 Star			
2016	537	602	672
2026 ¹	626	779	962
3 Star			
2016	270	275	280
2026 ¹	309	346	386

Notes:

1. It is very difficult to project change over a 20-year period. The projections for 2026 should be treated with caution, therefore. It is unlikely that growth in demand will be sustained at the assumed growth rates over such a long period.

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- The projections and the other findings of the Hotel Futures Study suggest the following opportunities by type of hotel:
 - Potential for an existing 4 star hotel to up-grade to a **5 star**;
 - Potential for a further 239-448 **4 star** rooms by 2016 with the current Brighton Centre (depending on how quickly markets grow and assuming effective marketing of the city for association conferences) and 537-672 new 4 star rooms with the proposed new Brighton Centre. The currently planned 4 star and boutique hotels would largely meet these requirements under the medium and high growth scenarios, but could exceed them if only low growth occurs. These figures do not take account of the potential for growth in the boutique hotel market, however. Our projections suggest, however, that there is no need for a further 4 star hotel in the city for the next 10 years over and above those already planned, other than possibly further **boutique hotels**, given the strong performance of these types of hotel in the city and their potential to develop new residential conference and leisure break business.
 - Our longer term projections suggest potential for further 4 star hotels in the city by 2026, although clearly it is impossible to accurately predict market growth this far ahead.
 - There could also be potential for a 4 star suite hotel or serviced apartments in the city; these products are new to the UK and Brighton is likely to have appeal for such products which would add diversity to the city's accommodation offer;
 - Potential for existing 4 star hotels to up-grade and add new facilities including leisure clubs, conference facilities and possibly casinos;

Brighton & Hove Hotel Futures

- o Potential for a further 107-193 **3 star** rooms by 2016 with the current Brighton Centre and 270-280 new 3 star rooms with the proposed new Brighton Centre. The Jury's Inn will significantly exceed the requirement for additional 3 star rooms with the current Brighton Centre (depending on how strongly markets grow) and together with the planned expansion of some existing 3 star hotels would largely meet the requirements for new 3 star rooms with the proposed new Brighton Centre. This suggests that there is no need for a further 3 star hotel in the city in the next 10 years in addition to the Jury's Inn and that this hotel could result in an oversupply at this end of the market during midweek periods, at least in the short term.
- o Our longer term projections show possible potential for an additional 3 star hotel by 2026 if the Brighton Centre is redeveloped, but otherwise no clear potential for a further 3 star hotel.
- o The strength of demand for **budget** hotels particularly at the weekend and from the construction industry suggests potential for further budget hotel development in and around the city. The planned Ibis will help meet this need but there is known interest from other budget, upper-tier budget (e.g. Express by Holiday Inn) and emerging boutique budget operators (e.g. Big Sleep);
- o There is scope for further 2 and 3 diamond accommodation establishments to up-grade to 4 diamond/star and boutique guest accommodation.

Future Policy Direction

- Current policies for the protection of existing tourist accommodation and the development of new hotels in Brighton and Hove appear to have worked reasonably well. With the exception of one large resort hotel on the edge of the city, losses of hotels and guest accommodation have been small; the City Council does not receive large numbers of applications from hotels for change of use; and new hotel development has happened with further development proposed.
- On the down side, the loss of accommodation to HMO use is impacting negatively on the operating environment of other hotels and guest accommodation; new hotel development is increasingly (though not exclusively) happening outside the Core Area; and site availability and value are major obstacles to hotel developers securing sites especially in central Brighton.
- There appears to be strong interest from hotel companies in developing in Brighton, but securing sites is the key challenge. Most were having to consider mixed-use schemes but often this is not their preferred option. Central Brighton and the seafront were the preferred locations for most operators, but other hubs of activity like the marina and arterial routes into the city were also target locations.
- Future policy direction in relation to hotels should focus on:
 - Introducing greater flexibility so that policies can be more responsive to prevailing factors over time;
 - Directing new hotel development to the city centre but not within any defined Core Area, and recognising the challenges of securing central sites accepting the principle of hotel use at other hubs and generators of demand and along main arterial routes serving these nodes;
 - Pro-actively directing hotel development to key sites – including employment sites - in the central area, either through the site allocation process and/or Development Briefs, particularly where the Council has site ownership;

Brighton & Hove Hotel Futures

- o Continuing to protect existing hotel and guest accommodation unless non-viability can be demonstrated, but recognising that with a net increase in hotel stock of up to 1,000 rooms in the next 5-10 years some poorer quality, less well-located establishments may need to exit;
- o A Core Area could have a role to play in protecting existing hotel clusters, though it could be significantly reduced to focus on a shorter stretch of seafront and a north-south stretch taking in the station to the seafront and the parallel A23. The advantage of a Core Area delineation is it gives a clear and visible sign that can be translated on the ground that the City Council means business, and other resorts clearly feel zoning has stopped potential applicants pursuing change of use applications;
- o The alternative would be to drop the delineation of a Core Area and rely on evidence presented on a case-by-case basis. This will undoubtedly result in challenges, given the strength of the market for residential in Brighton. We are aware that other leading edge local authorities like Bournemouth are considering dropping their Core Zone policies, but they have very sophisticated procedures in place to deal with change of use applications. Without either tool the Council would be very exposed;
- o Tightening up of policy and procedure in relation to change of use of hotels, which may or not involve an SPD. A transparent definition of evidence sought in relation to marketing for sale and demonstration of non-viability is required together with a structure and expertise in place with industry understanding to provide capacity to assess and challenge submitted evidence;

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- Restricting HMO uses in areas where there are key accommodation clusters, and encouraging conversion to residential where HMO use has been established in these areas. This could form part of a Core Area policy for the protection of existing hotels, or if not adopted could apply purely to HMO policy. Key streets include:

- The seafront (Kings Rd, Grand Junction Rd, Marine Parade to Bedford St)
- Regency Square
- New Steine
- Madeira Place
- Upper and Lower Rock Gardens
- Charlotte St
- Russell Sq
- Oriental Place

Active monitoring is required to prevent future certificates of lawfulness being applied for.

- Policy support to encourage the up-grading of existing accommodation, including the addition of facilities such as spas, health clubs and casinos.
- Active monitoring of demand and supply to enable policy interpretation to take account of changing forces on the market will be key to future implementation of the new policy framework. Systems will need to be put in place to deliver this.