

# TEST VALLEY HOTEL MARKET FACT FILE

**July 2019**

# INTRODUCTION

The Test Valley Hotel Market Fact File provides the latest available information on:

- The current hotel supply in the borough of Test Valley;
- Recent hotel development;
- Current hotel development proposals;
- Recent hotel performance (2016-2018)
- The key markets for hotel accommodation in the borough;
- The future prospects for borough's hotel market.

All of the data and information included in the Fact File is drawn from a survey of Test Valley hotel managers undertaken by consultants Hotel Solutions between May and July 2019.

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# TEST VALLEY HOTEL SUPPLY

## Current Hotel Supply

- There are currently 21 hotels and inns in, and just outside Test Valley, with a total of 809 letting bedrooms.

### CURRENT HOTEL SUPPLY – TEST VALLEY JULY 2019

Standard	Hotels	Rooms	% of Rooms
4 star	1	29	3.5
3 star	9	355	42.5
Upper-tier Budget	1	105	12.6
Budget	6	300	35.9
Boutique Inn	4	46	5.5
<b>Total Hotels</b>	<b>21</b>	<b>835</b>	<b>100.0</b>

- There are three main locations for hotels in the borough – Andover, Stockbridge and the M27 Corridor in the south. Andover has four 3-star hotels and two budget hotels – a Premier Inn and a Travelodge. The hotel supply in Stockbridge comprises three small boutique inns and the former Greene King Inns Grosvenor Hotel, which the new owners are in the process of repositioning as a boutique hotel. The M27 Corridor has four budget hotels and the Chilworth Manor 3-star hotel. Hotels are otherwise located in Romsey, Ampfield, Barton Stacey, Cholderton and Hurstbourne Tarrant.
- In addition to this hotel supply there are a number of small boutique inns in rural villages around Stockbridge and Andover.

# TEST VALLEY HOTEL SUPPLY

## TEST VALLEY HOTEL SUPPLY –JULY 2019

Hotel	Standard/Type	Bedrooms
<b>Andover</b>		
Best Western Andover Hotel	3 star	49
The Star & Garter (Citylodge)	3 star	35
White Hart Hotel (Marston's Inns)	3 star	22
The John Russell Fox (J D Wetherspoon)	3 star	30
Premier Inn Andover	Budget	81
Travelodge Andover	Budget	76
<b>Hurtsbourne Tarrant</b>		
Esseborne Manor	3 star	17
<b>Barton Stacey</b>		
Travelodge Barton Stacey	Budget	20
<b>Cholderton</b>		
Gray Manor Hotel	3 star	26
<b>Stockbridge</b>		
The Grosvenor Hotel	3 star	26
The White Hart (Fuller's)	Boutique Inn	14
The Greyhound on the Test	Boutique Inn	10
The Peat Spade Inn	Boutique Inn	12
<b>Romsey/Ampfield</b>		
The White Horse, Romsey	4 star	29
The Cromwell Arms, Romsey (Fuller's)	Boutique Inn	10
The Potters Heron, Ampfield	3 star	53
<b>M27 Corridor</b>		
Chilworth Manor	3 star	97
Holiday Inn Express Southampton West, Adanac Park	Upper-tier Budget	105
Premier Inn Southampton North, Nursling	Budget	72
Premier Inn Southampton West, Ower <sup>1</sup>	Budget	111
Days Inn Southampton Rownhams	Budget	40

Notes:

1. Just outside the borough

# TEST VALLEY HOTEL SUPPLY - CHANGES

## Changes in Supply 2014-2019

### New Hotels

- The Travelodge Andover opened in February 2017.
- The John Russell Fox opened in Andover town centre in March 2018, following a £3.4m refurbishment of the pub and bedrooms.

### Investment in Existing Hotels

- The Premier Inn Southampton West at Ower (just outside the borough) added 30 guest bedrooms in February 2019.
- The Premier Inn Southampton North at Nursling added 22 bedrooms in 2014.
- The Best Western Andover hotel was refurbished in 2016.
- The White Hart at Stockbridge has been fully refurbished to a boutique standard.
- The Grosvenor Hotel was taken over by new independent tenants in March 2019 from Greene King Inns.
- A fire at the Potters Heron hotel at Ampfield in March 2018 resulted in the closure of the hotel's restaurant and 10 bedrooms for the rest of 2018.
- Chilworth Manor completed a full bedroom refurbishment in 2016.

# TEST VALLEY HOTEL SUPPLY - CHANGES

## Proposed Hotel Development

### Hotels Under Construction

- There are no hotels currently under construction in Test Valley

### Proposed Hotels

- There are no new hotels currently proposed in Test Valley.

### Planned Development of Existing Hotels

- In terms of planned investment in existing hotels:
  - The Premier Inn Andover lodged a planning application in February 2019 for an additional 20 bedrooms.
  - The Days Inn Rownhams was granted planning permission in July 2018 for a 40-bedroom extension.
  - The White Hart at Stockbridge is currently building 10 new bedrooms, which are due to open in September 2019.
  - The new tenants of the Grosvenor Hotel in Stockbridge are planning to gradually refurbish and extend the hotel to reposition it as a 33-bedroom boutique hotel with 6 accessible bedrooms and a bridal suite.
  - A major refurbishment programme is planned for the White Hart in Andover.
  - Chilworth Manor is refurbishing its leisure club in 2019 and has plans to refurbish its ground floor areas in 2020.
  - The White Horse Hotel in Romsey is no longer progressing the refurbishment and extension into the closed Abbey Hotel, which is now up for sale.

# TEST VALLEY HOTEL PERFORMANCE

## Occupancy, Achieved Room Rates and Revpar

- Average annual room occupancies, achieved room rates and revpar figures for Test Valley 3-star hotels for 2017 and 2018, and Test Valley M27 Corridor budget hotels in 2018, are summarised in the table overleaf.
- 3-star hotel occupancies in Test Valley were broadly in line with national averages in 2017 and 2018, but achieved room rate<sup>1</sup> and revpar<sup>2</sup> performance was very low and more in line with budget hotel figures.
- At over 80%, budget hotel occupancies were very high in 2018 in the Test Valley M27 Corridor. While data cannot be reported for budget hotels in Andover, budget hotel occupancy performance here is also very strong.
- A number of 3-star hotels reported an increase in room occupancy in 2018 as a result of investment and improved management and marketing. Other hotels reported a slight drop in occupancy. Achieved room rates remained broadly flat between 2017 and 2018.

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

# TEST VALLEY HOTEL PERFORMANCE

## TEST VALLEY HOTEL PERFORMANCE 2017-2018

Location/ Standard of Hotel	Average Annual Room Occupancy %		Average Annual Achieved Room Rate <sup>5</sup> £		Average Annual Revpar <sup>6</sup> £	
	2017	2018	2017	2018	2017	2018
<b>UK Provincial 3/4 Star Chain Hotels<sup>1</sup></b>	<b>76.5</b>	<b>76.7</b>	<b>86.43</b>	<b>88.95</b>	<b>66.14</b>	<b>68.19</b>
<b>UK Provincial Hotels (All Standards)<sup>2</sup></b>	<b>76</b>	<b>76</b>	<b>71</b>	<b>72</b>	<b>54</b>	<b>55</b>
Test Valley 3 Star Hotels <sup>3</sup>	74.8	77.3	62.67	62.76	46.89	46.44
Test Valley M27 Corridor Budget Hotels <sup>4</sup>	n/a	80.2	n/a	59.70	n/a	47.88

Source: Hotel Solutions survey of Test Valley hotels May-July 2019

### Notes

1. Source: TRI Hotstats UK Chain Hotels Market Review
2. Source: STR Global
3. Sample: Best Western Andover, White Hart Andover, White Hart Stockbridge, Potters Heron, Chilworth Manor
4. Sample: Premier Inn Southampton North, Premier Inn Southampton West, Days Inn Rownhams
5. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per occupied room net of VAT, breakfast (if included) and discounts and commission charges.
6. The amount of rooms revenue (excluding food and beverage income) that hotels achieve per available room net of VAT, breakfast (if included) and discounts and commission charges.

# PATTERNS OF DEMAND

## Patterns of Demand

- Estimated average weekday and weekend occupancies for Test Valley hotels in 2018 are summarised in the table below.

### TEST VALLEY HOTELS - WEEKDAY/ WEEKEND OCCUPANCIES – 2018

Location/Standard of Hotel	Typical Room Occupancy %			
	Mon-Thurs	Fri	Sat	Sun
Test Valley 3 Star Hotels	81	61	85	43
Test Valley M27 Corridor Budget Hotels	88	70	79	47

Source: Hotel Solutions survey of Test Valley hotels May-July 2019

- Midweek occupancies are generally very strong for the majority of hotels in Test Valley. Most hotels consistently fill and turn business away on Tuesday and Wednesday nights, and in some cases also on Mondays. Occupancies on Monday and especially Thursday nights are lower for some hotels. Two hotels reported lower midweek occupancies between November and February.
- Weekend demand for hotel accommodation in Test Valley is much more seasonal. Friday and Saturday occupancies are generally strong between April and October, typically running at over 90%, with hotels often filling and turning business away on Friday and especially Saturday nights during these months. Friday and Saturday occupancies are lower in the winter, typically running at 50-70%, and weekend demand is a lot more price driven, resulting in much lower achieved room rates. Sunday is the quietest night of the week. Sunday occupancies are a little stronger in the summer.

# TEST VALLEY HOTEL MARKETS

## Midweek Markets

- Key midweek markets for Test Valley's 3-star hotels are local corporate demand from companies in Andover, Winchester, Chandler's Ford, Romsey, Eastleigh and Southampton, and business from contractors working on construction projects. Residential conferences are a minor midweek market for two 3-star hotels. Two hotels attract some midweek leisure break business in the summer months.
- Contractors are the main weekday market for budget hotels. They also attract some midweek leisure break business in the summer, primarily from pre-school families coming for Peppa Pig World (at Paultons Park), together with some demand from cruise passengers leaving from Southampton, coach drivers, and overseas tourists and UK holidaymakers stopping off for a night en-route to the West Country.
- Some Test Valley hotels attract additional midweek business during the Southampton Boat Show, primarily in terms of corporate business that is displaced from Southampton, rather than demand specifically related to the Boat Show itself.

## Weekend Markets

- Weekend markets vary by location:
  - Andover hotels attract a broad mix of weekend markets including:
    - People visiting their family and friends based at the British Army Land Forces HQ;
    - Military reunions;
    - Weekend breakers and overseas tourists coming to visit Stonehenge, Salisbury, the Hawk Conservancy and Winchester;
    - UK holidaymakers and overseas tourists breaking their journey en-route to the West Country;
    - Wedding parties;
    - Cruise passengers leaving from Southampton;
    - Some fishing parties.

## TEST VALLEY HOTEL MARKETS

- Key weekend markets for Stockbridge hotels are:
  - Fishing parties between May and September;
  - Shooting parties in the winter;
  - Walkers;
  - People attending weddings and family parties;
  - UK holidaymakers and overseas tourists stopping off for a night on their way to the West Country;
  - People visiting their friends and relatives in the area;
  - Some cruise passengers.
  
- The main sources of weekend business for hotels in the Test Valley M27 Corridor are:
  - Families coming to visit Peppa Pig World (at Paultons Park);
  - Weekend breakers coming for the New Forest;
  - Weddings;
  - Cruise passengers staying the night before they depart from Southampton;
  - People visiting their friends and relatives locally;
  - People breaking their journey en-route to the West Country.
  
- Events also generate weekend demand for Test Valley hotels:
  - Key events that generate weekend business for hotels in Andover and Stockbridge are:
    - Thruxton motor racing events
    - Goodwood Festival of Speed;
    - Goodwood Revival;
    - Carfest;
    - The Summer Solstice at Stonehenge.

## TEST VALLEY HOTEL MARKETS

- Events that generate weekend business for hotels in the Test Valley M27 Corridor are:
  - Beggars Fair, Romsey
  - Major music concerts at St Mary's Stadium in Southampton;
  - The ICC Cricket World Cup matches at the Ageas Bowl in June 2019;
  - Events at Broadlands;
  - Beaulieu Autojumble;
  - Bournemouth Air Show;
  - The Future Cheer international cheerleading championships in Bournemouth

# MARKET TRENDS

## Market Trends

- A number of Test Valley hotels saw an increase in corporate demand in 2018. One reported a downturn in corporate business however.
- One 3-star hotel saw an increase in residential conference business in 2018.
- Contractor demand appears to have been broadly constant. One hotel reported an increase in contractor business, one saw a reduction and others didn't see any change.
- A number of hotels reported an increase in leisure break business as a result of proactive marketing to this market and increased demand from families visiting Peppa Pig World (at Paultons Park).
- Two hotels have seen an increase in business from cruise passengers departing from Southampton.
- Other leisure markets appear to have been largely stable.

# DENIED BUSINESS<sup>1</sup>

## Denied Business

- Hotels in Andover regularly fill and turn business away on Tuesday and Wednesday nights. Weekend denials are less common here, only occurring consistently when major motor racing meetings are held at Thrupton (usually six weekends per year).
- Two hotels in Stockbridge reported regularly filling and denying business both during the week and at weekends during the fishing season between May and October.
- Budget hotels in the Test Valley M27 Corridor frequently fill and turn business away in the week and at weekends between April and October. One budget hotel here also regularly denies midweek business during the winter.
- 3-star hotels in the southern part of the borough only occasionally turn business away on Tuesday nights and Saturday nights in the summer, and rarely to a significant degree.

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

# FUTURE PROSPECTS

## Prospects for 2019

- The majority of Test Valley hotel managers expect to see very little change in their room occupancy and achieved room rate performance in 2019. Only two hotel managers anticipate any improvement. The Brexit uncertainty is causing a slowdown in corporate and contractor demand for hotel accommodation at present.

## Prospects for 2020 and Beyond

- Looking further ahead, there are a number of indicators that suggest that demand for hotel accommodation will continue to grow across Test Valley, however this is dependent upon wider issues in terms of what happens with Brexit and the national economy more generally, beyond local conditions:
  - The current programme of army base expansion on Salisbury Plain may generate increased demand for hotel accommodation in Andover.
  - Future business park development at Andover may generate increased corporate demand for hotel accommodation as new companies are attracted.
  - The expansion of the University of Southampton Science Park and further development of Adanac Park should generate new corporate demand for hotel accommodation in the southern part of the borough.
  - Housing development at Andover and Romsey is likely to generate increased demand from people visiting their friends and relatives.
  - 2020 look set to be a strong year for weddings, with hotels reporting good forward wedding bookings.
  - The prospects for continuing growth in the staycation and overseas tourist markets are very positive. National forecasts for UK tourism<sup>1</sup> project an average annual growth rate for domestic tourism of 3% through to 2025, and an average growth of 6.1% per year in inbound tourism. Test Valley should benefit from this growth.

## FUTURE PROSPECTS

- Major events in Southampton, including events planned for the Mayflower 400 anniversary in 2020, will continue to generate demand for hotel accommodation in the southern part of the borough.
- The continuing growth of the cruise market in Southampton will generate increased demand for hotel accommodation in Test Valley, although this may be offset by new hotel openings in Southampton.
- On the negative side, 3-star hotels in the southern part of the borough expect to be affected by the new 3-star Village hotel that is currently under construction at Eastleigh, due to open in 2020.

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<sup>1</sup> Tourism: Jobs and growth: The economic contribution of the tourism economy to the UK – Deloitte/Oxford Economics, November 2013

## SOURCES OF FURTHER INFORMATION

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