

# **BASILDON BOROUGH HOTEL FUTURES**

## Hotel Needs & Demand Review

**Final Report**

Prepared for:  
Basildon Borough Council

**September 2016**



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## EXECUTIVE SUMMARY

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### Current Hotel Provision in Basildon Borough

- ▶ Basildon is currently served by 13 hotels in the Borough and immediate surrounding area, with a total of 771 letting bedrooms. Further afield two 4 star country house hotels at Orsett and Stock serve the top end of the Basildon corporate market. Basildon Borough has 6 hotels, with a total of 505 letting bedrooms, comprising the 3 star Holiday Inn and 5 budget hotels. The Borough's hotel supply is predominantly in Basildon's A127 corridor. There are no hotels in Basildon town centre and no hotels in Billericay. Wickford is served by two small hotels located just outside the Borough. The Borough's hotel supply is dominated by budget hotels. The Holiday Inn is the Borough's only full service hotel. There are no serviced apartments in Basildon. Budget hotels also dominate the hotel supply in the wider Basildon Market Area. The Bell Inn at Horndon-on-the-Hill stands out as a high quality boutique inn.
- ▶ There has been very little activity in terms of hotel development in and around Basildon Borough over the last 5 years, and not a great deal is planned going forward. Two of Basildon's Premier Inns have expanded, adding 45 bedrooms to the Borough's hotel supply – a 9.8% increase. Full planning permission has been granted for a 27-bedroom hotel at The Gun public house in Pitsea. The new owners of the Basildon Holiday Inn are understood to be planning a major refurbishment of the hotel. A new spa building and 17 additional bedrooms are about to open at the 4 star Orsett Hall Hotel in Thurrock. A major refurbishment of the 4 star Greenwoods Hotel & Spa at Stock has recently been completed.

### Current Hotel Performance and Markets

- ▶ Basildon hotels have achieved very high average annual room occupancies over the last 3 years, well ahead of the national provincial hotel averages, and slightly in front of the average for South Essex hotels until 2015, when Basildon hotel occupancy dipped a little. Achieved room rates for Basildon hotels have however been well below the national provincial hotel averages. This is primarily to do with the dominance of budget hotels in Basildon.

- ▶ Demand for hotel accommodation in Basildon peaks sharply on Tuesday and Wednesday nights, and on Saturdays. Monday and Thursday occupancies are not quite as strong. Friday, and especially Sunday night occupancies are lower. Achieved room rate performance shows a similar pattern: they are high on Tuesday and Wednesday nights, not as strong on Mondays and Thursdays, but low at the weekend.
- ▶ The Basildon hotel market is not particularly seasonal. Occupancies peak between June and October, when demand from weddings boosts weekend occupancies. Occupancies and achieved room rates are weaker in December and January.
- ▶ The key midweek markets for Basildon hotels are corporate demand from local companies and business from contractors working on construction projects, particularly for budget hotels. Corporate demand is derived primarily from the major companies in the A127 Basildon Enterprise Corridor, which generally use the hotels that are closest to their company base as their first choice hotels. Senior executives and VIP visitors tend to stay in The Bell Inn at Horndon-on-the-Hill, the 4 star Orsett Hall country house hotel, or the 4 star Greenwoods Hotel & Spa at Stock.
- ▶ Key weekend markets are people attending weddings, functions and other family occasions, and people visiting friends and relatives in the town. People staying over after a night out are a further weekend market for Festival Leisure Park hotels, but demand has reduced with the rationalisation of the nightclub offer here.
- ▶ The markets for hotel accommodation in Basildon have all been largely static over the last three years: none have significantly increased or reduced.
- ▶ While some of Basildon's budget hotels consistently deny significant business on Tuesdays and Wednesdays, and occasionally also on Monday and Thursday nights, and Friday and Saturday nights in the peak summer months, other hotels only occasionally turn business away on Tuesday and Wednesday nights. In overall terms therefore, there appears to be only infrequent shortages of hotel accommodation in Basildon at present.

### BASILDON HOTEL PERFORMANCE 2013-2015

Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate <sup>5</sup> £			Average Annual Revpar <sup>6</sup> £		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
UK Provincial Hotels (All Standards) <sup>1</sup>	72.6	75.4	76	59.94	64.03	67	43.53	48.27	51
UK Provincial 3/4 Star Chain Hotels <sup>2</sup>	72.0	73.7	74.9	71.46	74.90	80.51	51.48	55.20	60.33
South Essex Hotels <sup>3</sup> (All Standards) <sup>1</sup>	72.9	78.6	78.6	55.99	57.69	59.26	40.80	45.35	46.60
Basildon Hotels <sup>4</sup> (All Standards) <sup>1</sup>	80.6	80.6	78.2	56.46	59.66	61.48	45.53	48.06	48.10

#### Notes

1. Source: STR Global
2. Source: Hotstats
3. Includes hotels in Thurrock, Brentwood, Rochford, Southend and Chelmsford
4. Includes all hotels in Basildon Borough and the Travelodge Basildon Wickford and Premier Inn Basildon Rayleigh in Rochford
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

## **Future Growth Prospects**

- ▶ In terms of the prospects for future growth in demand for hotel accommodation in Basildon:
  - Corporate demand for hotel accommodation looks set to increase significantly given the planned further development of the A127 Enterprise Parks Corridor and the potential new science park here.
  - There will also be significant growth in contractor business, particularly for budget hotel accommodation, given the scale of construction work that is planned in and around Basildon.
  - There is limited scope for growth in residential conference business.
  - Growth in weekend demand will be linked to population growth, which should drive an increase in demand from people coming for weddings and other family occasions, and people visiting friends and relatives in the area.
  - A stronger evening economy in Basildon town centre could generate demand for budget hotel accommodation here from people that want to stay over after a night out.
  - There could be potential in the longer term for Basildon hotels to attract families that are coming to visit the London Paramount resort, once it is open and the Lower Thames Crossing has been completed.
  - There might be scope for Basildon hotels to promote Park & Cruise packages as cruise departures increase from the London Cruise Terminal at Tilbury.

## **Hotel Developer and Operator Interest in Basildon**

- ▶ Fifteen hotel companies were contacted to test their potential interest in developing and operating a new hotel in Basildon, representing between them over 30 brands from budget to luxury/up-scale offers. Eleven responded, including the major multiple brand owners. Six companies expressed potential interest for budget hotels, upper tier budget hotels, and pub lodge accommodation. There was no interest in developing a full service hotel of 3 or 4 star standard – including a country club style hotel - predominantly due to a perceived weakness in the depth and breadth of the corporate market, achievable rate, and the challenge of filling hotel rooms here at weekends, which limits overall levels of performance.



## Hotel Development Opportunities in Basildon Borough

- ▶ Our hotel demand projections for Basildon and the other findings of our research show the following potential for hotel development in Basildon through until 2034:
  - Immediate opportunities (2017-2019) for additional hotel provision in terms of:
    - The proposed hotel at The Gun public house in Pitsea (27 bedrooms);
    - The expansion of existing hotels;
    - A small lodge (30-40 bedrooms) linked to a pub restaurant;
    - A small hotel (30-40 bedrooms) with conference and function facilities potentially at Basildon Golf Course;
    - Serviced apartments, primarily in terms of the letting of residential apartments, rather than a purpose-built serviced apartment complex.
  - Medium-term potential (2020-2024) for the above and potentially a new hotel of up to around 100 bedrooms, most likely of upper tier budget standard, given strong growth in demand.
  - Longer-term potential (2025-2034) for all of the above together with scope for a further new hotel of up to 150 bedrooms, potentially a full service 3 or 4 star hotel if accompanied by strong growth in corporate demand and ideally new drivers of weekend demand.
- ▶ There could also be opportunities for accommodation development in Billericay in terms of:
  - Pub rooms;
  - Restaurants with rooms;
  - A small boutique hotel possibly, given a suitable building for conversion;
  - A small budget hotel possibly, given a suitable site.
- ▶ The need for additional accommodation provision in Wickford is less clear, although there could be potential here for a small lodge linked to a pub restaurant, pub rooms, possibly a small budget hotel, and/or the expansion of the existing hotels that serve the town

## Implications for Planning Policy

- ▶ The study findings have a number of implications for the Basildon Borough Draft Local Plan in relation to hotel development, in terms of:
  - A need to plan for two large new hotels, some smaller hotels and possible extensions to existing hotels in Basildon, and potentially some small scale accommodation development in Billericay and Wickford through to 2034.
  - A locational strategy reflected in planning policy that will permit hotel development in the town centre but also in the A127 corridor.
  - Reflecting the aspiration for a town centre hotel in the Basildon town centre policy (R2), albeit the potential is not immediate and will require to be linked to leisure destination and evening economy development.
  - Reflecting the potential for identified accommodation development in policies R5 and R6 relating to Billericay and Wickford town centres.
  - Flexibility in the application of policy E12 in terms of permitting hotels on/in support of employment sites, with reference to the acceptability of this use in the text.
  - Flexibility with regards to sequential test for small hotel schemes (up to 40 rooms) coming forward outside the town centre, as they are unlikely to impact on the deliverability of a major hotel scheme.
  - No clear need to allocate sites for hotel development, unless evidence comes forward of hotels being squeezed out of potential hotel sites by higher value uses.
  - An urgent need to find a workable and acceptable solution for the the Toucan Way site, in order to decide on the need and scope for a hotel and/or other leisure use allocation of the site in the new Local Plan.
  - A policy approach that supports the development of existing hotels as well as new hotel provision.
  - A streamlined planning process for hotel planning applications, without onerous and expensive conditions that adversely affect the viability of hotel development projects.

## Other Requirements for Borough Council Intervention and Support

- ▶ Other interventions to further support the development of the hotel sector and its long term viability and sustainability include:
  - Sharing the study findings with key players shaping the future of Basildon (notably Wilson Bowden and BBP) as well as site owners to build the identified potential into future plans and actions.
  - Working with interested hotel companies to better understand their site and locational preferences and to better match these to potential sites.
  - Working up an acceptable and deliverable solution for the Toucan Way site.
  - Investigating further the deliverability of other strong hotel sites and their fit with hotel company requirements, and identifying sites in locations where none were proposed for assessment, notably Billericay.
  - Considering the case for Borough Council investment in hotels as a means to secure desired hotel brands on key sites and also generate a new revenue stream for the Council.
  - Attracting companies and business uses that will generate strong demand for hotel accommodation to grow the corporate market – particularly headquarters of IT, financial services, advanced engineering and pharmaceutical companies.
  - The development and implementation, with appropriate partners, of a strategy for growing weekend demand for hotel accommodation in Basildon, through more proactive marketing to potential target markets and weekend events development.
  - Ongoing monitoring of hotel performance and development activity and interest in Basildon to ensure that future decision-making is based on up-to-date market intelligence, so that priorities can be adjusted as required.

## 1. INTRODUCTION

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### 1.1 Background to the Study

1.1.1 The Basildon Borough Hotel Futures Study was commissioned by Basildon Borough Council to ensure that the Borough Council puts in place an appropriate planning policy approach in its new Local Plan that is in line with future market demand for hotel accommodation in the Borough, hotel operator location and site requirements, and national planning policy, and to guide other Borough Council intervention to support hotel development in the Borough.

### 1.2 Study Objectives

1.2.1 The objectives of the study as set out in the brief were:

- To provide a better understanding of the current performance of hotels in the Borough, compared to neighbouring authorities in South Essex;
- To identify gaps in the current supply of hotel accommodation in the Borough relative to demand;
- To make an objective assessment of the potential for a new 4 or 5 star hotel to be developed in the Borough;
- To establish a clear way forward for stimulating and attracting any hotel development for which potential is identified.

## 1.3 Uses of the Study

1.3.1 The study findings will be used to:

- Inform the Borough Council's planning policy approach to hotel development in the new Local Plan, in the context of the NPPF sequential 'town centre first' approach to planning for hotel development;
- Advise the Borough Council on the need to allocate sites for hotel development, including an assessment of the HCA site on Toucan Way, a proposed hotel site in Wickford, and the scope for a hotel as part of the potential science park development that the Borough Council is considering in the A127 Enterprise Corridor;
- Ensure that the Council can respond adequately to hotel development enquiries and hotel planning applications;
- Identify what other interventions the Borough Council can make to capitalise on any identified hotel development opportunities;
- Identify barriers to hotel investment and how to overcome them;
- Inform other relevant strategies for regeneration and economic development.

## 1.4 Scope of the Study

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

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

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

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

## 1.5 Study Methodology

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

- A review of national trends in hotel performance and development of relevance to Basildon Borough.
- An audit of the current and potential future hotel supply in the Borough, identifying any recent changes in terms of the expansion of existing hotels and any proposals for new hotels in the Borough.
- A survey of the managers of hotels in and around the Borough to gather data and information on room occupancy levels and trends, achieved room rates, market mix, levels of denials, market trends, and future development plans. Interviews were conducted primarily through face-to-face interviews supplemented with telephone interviews as required. In order to fill some data/information gaps where we were unable to engage hotel managers in our research, we also obtained hotel performance data for Basildon's hotels from STR Global and accessed performance data for some hotels from our contacts at hotel company head offices. The hotels included in our samples are listed at Appendix 3.
- The purchase of hotel performance data for South Essex from STR Global in order to provide a sub-regional context for how the Basildon hotel sector is performing.

- A consultation workshop with the relevant officers of Basildon Borough Council (Planning Policy, Development Control, Regeneration & Economic Development, Property).
- Email and telephone consultations with other stakeholders and interested parties including Basildon Hospital, Wilson Bowden, BBP Regeneration, Basildon Business Group, DP World, Visit Essex, Invest Essex, the South East LEP and the neighbouring local authorities in South Essex.
- A review of relevant policy and strategy documents and employment and population forecasts to establish the policy framework for hotel development in the Borough and identify likely drivers of future growth in hotel demand.
- The preparation of hotel demand forecasts to provide a quantitative indication of the level of new hotel development that future market growth might support in Basildon through until 2034.
- A survey of the development and acquisition managers of national hotel companies to test hotel operator interest in Basildon as a development location, establish their site and location requirements, and identify any obstacles they face relative to investing here.
- A review of potential hotel sites in the Borough to assess their fit with hotel operator requirements.

## 1.6 Structure of the Report

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

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

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



## 2. THE POLICY FRAMEWORK

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### 2.1. National Planning Guidance

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

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

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

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

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

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

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

- The Planning Practice Guidance published by DCLG alongside the NPPF only makes reference to tourism under the section entitled 'Ensuring Vitality of Town Centres' Paragraph 007 – 'What should local authorities consider when planning for tourism?'. This refers to engaging with the tourist industry, considering their locational and operational needs, analysing the opportunities for tourism to support local services and the environment, and paying regard to non-planning guidance.
- Specific tourism planning guidance appears to have been reduced to a six-point framework that can be found on the VisitBritain/VisitEngland website<sup>1</sup> (see Appendix 2). This addresses the following issues:

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<sup>1</sup> [http://www.visitengland.org/england-tourism-industry/gov\\_tourism\\_policy/tourism-planning.aspx](http://www.visitengland.org/england-tourism-industry/gov_tourism_policy/tourism-planning.aspx)

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

## 2.2 Local Planning Policies

### Basildon Borough Council Draft Local Plan (January 2016)

2.2.1 The Basildon Borough Draft Local Plan includes a Strategic Objective – SO7 – which focuses on capitalising on tourism opportunities, and which includes a desire to secure high quality accommodation to meet demand from local businesses.

SO7: Capitalising on Local Tourism Opportunities	Extend the Borough's leisure tourism offer by promoting its cultural and environmental assets.
	Securing the provision of high quality accommodation and support facilities in the Borough to satisfy demand for businesses.

2.2.2 There is no specific tourism or generic hotel policy – hotels are a town centre use and so should be covered in principle by the NPPF. The town centre policies (R2, R5, R6) in the Draft Local Plan do not mention hotel, in relation to Basildon, Billericay or Wickford. The Plan does however refer to the Basildon Town Centre Masterplan as planning for hotels.

2.2.3 Beyond the town centre, the Draft Plan makes reference to planning for needs that can't be accommodated in the town centre, and proposes the allocation of a hotel development site next to Basildon Golf Course (otherwise known as the Toucan Way or Nethermayne site) for a country house style hotel.

### Policy R 13

#### Hotel Development Site – Land adjacent to Basildon Golf Course

The provision of a small country house hotel will be permitted on land adjacent to Basildon Golf Course, as defined on the Policies Map, where the following criteria have been met:

- a. The proposal satisfies the sequential test and impact assessment for main town centres uses;
- b. The proposal is ancillary to Basildon Golf Course;
- c. The hotel will provide around 50 rooms;
- d. Where an ancillary facility such as a function suite is proposed as part of the hotel development, the proposal must demonstrate the need for such a facility and that it is economically viable;
- e. The design, scale, massing and layout of the proposal is sympathetic to the character of the surrounding area; and
- f. All other relevant policies in this plan have been complied with.

2.2.4 in terms of other relevant policies, Policy E12 relating to Non B-Class Uses in Employment Areas resists the loss of employment sites in employment areas and the development of non B-class uses that will undermine the vitality and viability of the town centre, unless it can be demonstrated that the proposed use is compatible with other existing uses within the employment area. Hotels might be a use to locate on employment sites, and could fall into this category.

#### Community Infrastructure Levy (CIL)

2.2.5 No Community Infrastructure Levy (CIL) charge is proposed for hotels but £70/sq m will apply for A2/A3/A4/A5 uses.

#### Basildon Town Centre Masterplan Interim Supplementary Planning Document (December 2012)

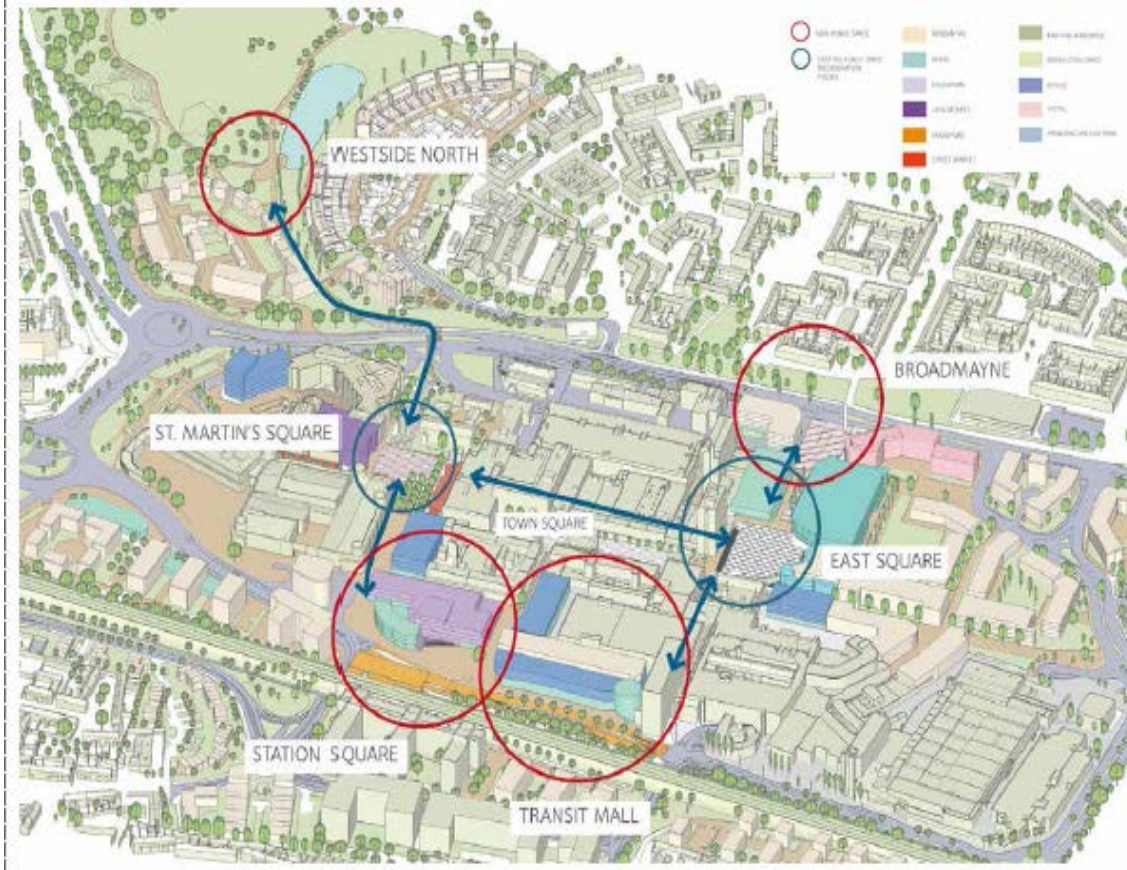
2.2.6 The Basildon Town Centre Masterplan articulates the following vision:

## The Vision...to 2030 & Beyond

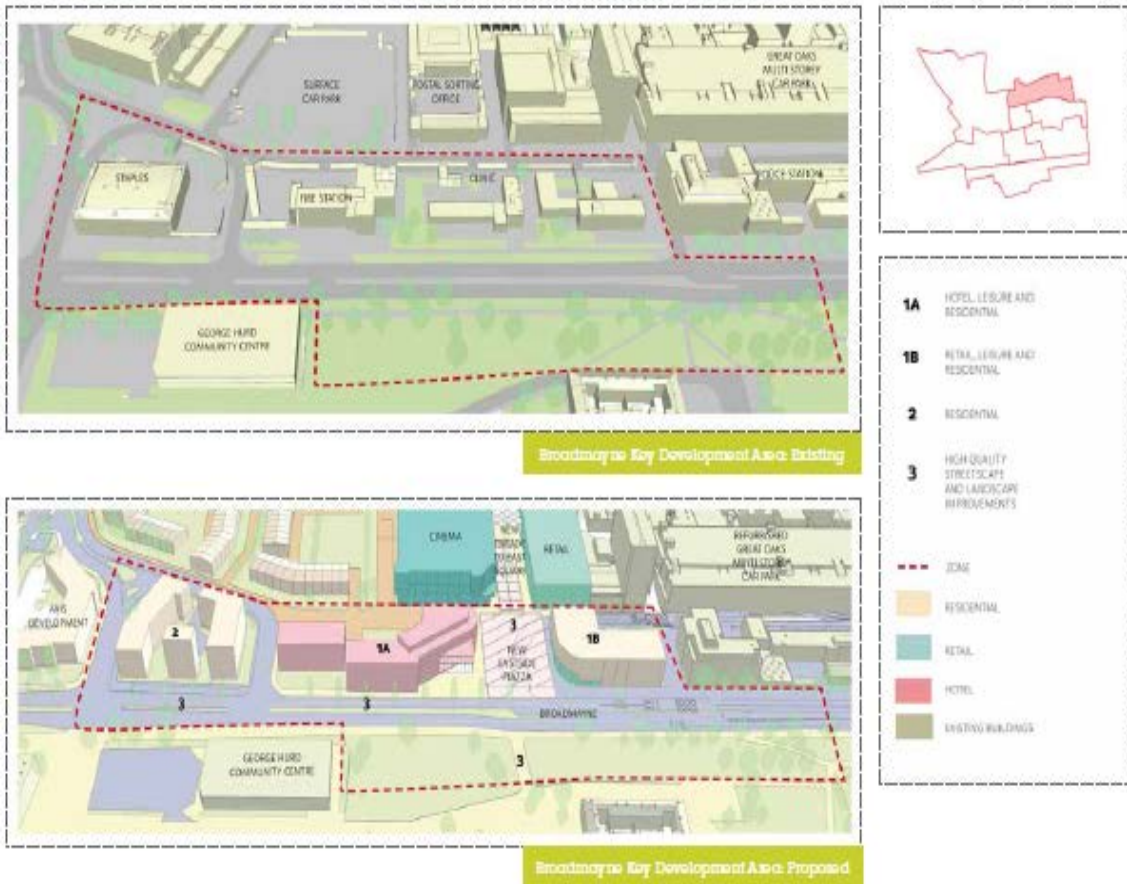
In twenty years time, the centre of Basildon will be a truly successful place – a town centre to be proud of. Businesses will want to locate here and people will want to live, work and spend their leisure time here.

It goes on to qualify this as ‘a destination of choice...living up to its economic potential...with an emphasis on quality....and a vibrant evening economy’.

2.2.7 As an SPD, the Masterplan forms part of the Council's new Local Plan, and informs both the strategic planning and regeneration of this area. It sets out a number of key development opportunity areas as detailed in the plan below.



2.2.8 Of particular relevance to this study is Broadmayne, described as a landscaped urban avenue and gateway to the town centre via a leisure hub north of East Square that will include a public piazza supported by a cinema, cafes, restaurants and a 150 room hotel. In other documentation about proposals for the town centre, Wilson Bowden have referred to this as a 4 star hotel, though no evidence or market testing has informed this. The plans below show how the hotel component (marked in pink) relates to other aspects of the scheme, retail, residential and leisure.



### 3. NATIONAL HOTEL TRENDS

#### 3.1. National Hotel Performance Trends

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

**Table 1**  
**UK PROVINCIAL HOTEL PERFORMANCE 2008-2016**

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

Notes:

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

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

## 3.2. National Hotel Development Trends

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

### Budget Hotel Development

- The ongoing development of **Premier Inn and Travelodge budget hotels** with new hotels opening in a whole range of different types of location including towns such as Trowbridge in Wiltshire, Northampton, Luton, Bicester in Oxfordshire, Telford, and Hitchin in Hertfordshire. As the market leaders in the UK budget hotel sector Premier Inn and Travelodge have continued to open hotels apace across the UK. Travelodge has announced that it will open 19 new hotels in 2016, with an investment value of £140 million. This expansion is expected to create 450 new jobs and increase the company's network to 542 hotels. New locations include further hotels in London, key business locations such as Bristol, Glasgow and Derby, seaside resorts and smaller towns. In addition to the 2016 openings, Travelodge has identified 250 further locations where it would like to open new hotels. Premier Inn opened 28 new hotels in 2015, including in a number of large towns and cities such as Basingstoke, Chelmsford, Northampton, Maidenhead and Nottingham. It has already opened 20 new hotels so far in 2016 in locations including Derby, Newcastle, Colchester, Exeter and Bristol. The company is aiming to increase to 830 hotels and 75,000 bedrooms by 2018. Both Travelodge and Premier Inn are now focusing on town and city centre or edge of town hotel development. They are no longer developing roadside hotels in the way that they were in the early 1990s.
- In terms of **other established budget hotel brands**, the French hotel company **Accor** has relaunched its budget hotel offer under three brands – Ibis, Ibis Budget (replacing Etap) and Ibis Styles as a budget boutique brand for franchised independent hotels. The company opened 4 Ibis Styles hotels in 2015 in Barnsley, Crewe, Haydock and at Birmingham NEC. Four further Ibis Styles hotels are due to open in 2016 in Greenwich, Birmingham, Manchester, and at Heathrow Airport, together with Ibis hotels at London Canning Town and in Cambridge.



- A new entrant to the UK budget hotel market is the Malaysian budget hotel operator **Tune Hotels**. It has rapidly established itself in London and is now targeting other UK cities, so far opening in Liverpool, Newcastle and Edinburgh in 2015. It is aiming to open up to 25 new hotels in the UK by 2020, targeting major business cities such as London, Manchester, Birmingham and Leeds.
- At the **upper-tier budget/ limited service 3 star level**, the **Holiday Inn Express** and **Hampton by Hilton** brands have continued to develop, with new hotels opening or planned across the UK in locations such as Sheffield, York, Wakefield, Birmingham, Luton, Newcastle, Bournemouth, Wigan, Leigh, Oxford, Bridgewater, Stockport, London Vauxhall Nine Elms, and Stansted, Bristol and Humberside Airports. Holiday Inn Express has recently unveiled its new generation hotel product that will feature the latest in-room smart technology, redesigned bedrooms with a flexible work/rest corner, and a new food and beverage concept. The first UK hotels to feature the new product are at London's Park Royal, Ealing, Grimsby and Portsmouth.
- In terms of other upper-tier budget brands, Wyndham's **Ramada Encore** brand has seen its UK presence diminish as a number of its franchised hotels have been sold and new owners have switched to other brands such as Ibis Styles, Pentahotel and Travelodge. London-based glh Hotel Group announced plans in 2015 for its new **Thistle Express** budget hotel concept. The first hotel will open under the brand in London in 2016, and the company has plans to open a further 10 hotels over the next 5 years.
- At the other end of the spectrum, **Easyhotel** has announced plans to significantly expand its super-budget hotel chain across the UK. It has identified 36 major towns and cities where it wants to have owned or franchised hotels. New Easyhotels are due to open in Liverpool and Manchester in 2016 and planned for Birmingham and Ipswich for 2017.

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

#### **4 Star Hotel Development**

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

**Table 2**  
**PROVINCIAL UK 4 STAR HOTEL DEVELOPMENT 2015-2017**

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

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

### 3 Star Hotel Development

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

## Boutique Hotel Development

- A key trend in the last 20 years has been the development of boutique hotels through the upgrading and repositioning of existing hotels, the conversion of suitable, and sometimes unusual buildings, and in a few cases the development of new-build boutique hotels. These are high quality hotels that feature contemporary interior design and good food and service, often with quite a relaxed atmosphere. The first boutique hotel to open in the UK was the Hotel du Vin in Winchester in 1994. Hotel du Vin has gone on to open a further 15 hotels in locations such as Royal Tunbridge Wells, York, Cambridge, Brighton, Cheltenham, Henley-on-Thames and Newcastle. It was followed by other boutique hotel companies including Malmaison (which now has 14 hotels in major cities such as London, Manchester, Liverpool, Newcastle and Oxford); Abode Hotels (with hotels in Manchester, Glasgow, Chester, Canterbury and Exeter); and Myhotel (with two hotels in London and one in Brighton). The Malmaison and Hotel du Vin Group was acquired by Frasers Hospitality in June 2015. The new owners acquired 4 hotels in 2015 in Bristol, Exeter, Brighton and Cheltenham as part of its plans to expand the two brands. A new Hotel du Vin is also under development in Stratford-upon-Avon, with an opening scheduled for the end of 2016.
  
- Independent boutique hotels have also opened in many different types of location, including:
  - Historic towns and cities such as Bath, Shrewsbury, Royal Tunbridge Wells, Cambridge, Lincoln and Oxford;
  - Market towns such as Cirencester, Ludlow, Romsey in Hampshire, Helmsley in North Yorkshire and Stamford in Lincolnshire;
  - Other towns and cities such as Luton, Peterborough, Leicester, Nottingham, Derby, Colchester, Ipswich and Farnborough;
  - Rural locations in terms of the development of boutique country house hotels
  
- International hotel chains have also launched boutique and lifestyle hotel brands in major UK cities. Leading the field in this has been IHG (InterContinental Hotels) with its Hotel Indigo brand, with hotels now open in Liverpool, Newcastle, Birmingham, Edinburgh, Glasgow, Brighton, York, Cardiff and London, and hotels planned for Oxford, Durham and Manchester. Accor launched its MGallery boutique brand in the UK in 2012, with hotels in London and Bath. It added two new hotels in 2015 in Cheltenham and Windsor, through the repositioning of former Mercure branded hotels.

## Lifestyle Hotels

- An emerging trends in the UK is the development of lifestyle hotels aimed at the Millennial generation. Recent research<sup>1</sup> shows that the next generation of hotel guests will be looking for a different type of hotel experience than is currently available, with more emphasis on a relaxed atmosphere, distinctive style, design and service, public areas where guests can relax, congregate and interact and full connectivity in terms of Wi-Fi and bandwidth capabilities that enable guests to use multiple devices while away from the office or home. The major hotel companies are beginning to recognise these needs through the development of this new generation of design-led, technology-focused lifestyle hotels.
- Hilton launched the Canopy by Hilton lifestyle hotel brand in 2014, with plans for a UK roll out starting with London. Rezidor has announced plans to introduce its Radisson Red lifestyle hotel brand into the UK, with its first hotel planned for Glasgow. Luxury international hotel operator Hyatt opened its first UK Hyatt Place lifestyle hotel at Heathrow in 2015, and has ambitions to introduce the brand into major UK cities. Marriott is launching its AC by Marriott lifestyle hotel brand in the UK in 2016, with new hotels opening in Manchester and Birmingham. The German 'neighbourhood lifestyle' hotel operator Pentahotels is rapidly expanding in the UK, with the opening of a new hotel in Warrington in 2013, and new hotels in 2014 in Birmingham, Derby, Inverness and Ipswich (through the conversion of former Ramada Encore branded hotels).

## Pub Hotels

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

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<sup>1</sup> 'A New Breed of Traveller: How Consumers are Driving Change in the Hotel Industry', HVS, November 2013

## 5 Star Hotel Development

- 5 star hotel development has focused on London, with a number of international 5 star brands having opened here in recent years or with hotels under development in the capital, including Shangri-La Hotels, Dorsett Hospitality International, Rosewood Hotels, InterContinental, Four Seasons, the US luxury hotel operator Thompson Hotels, Bulgari, Marriott International's Autograph Collection and Rezidor's new Quorvus Collection.
- Beyond London, it is only major cities like Manchester, Edinburgh and Glasgow, and the leading heritage cities of York, Bath, Chester and Oxford that are able to support 5 star hotels. The new Gainsborough Bath Spa hotel opened in Bath in 2015. Plans have been unveiled for the conversion of a former Bank of England building in Bristol into a 5 star hotel, while in Liverpool long-standing plans for the development of the former Martin's Bank building into a 5 star hotel appear to be moving forward following the purchase of the property by the Principal Hayley Group in 2015.

## Serviced Apartments and Aparthotels

- Another significant trend in the UK hotel market has been the development of the serviced apartment and aparthotel sector in UK cities and business locations. There are two main models that have developed in the UK. The first is serviced apartment companies that manage and market residential apartments on behalf of their owners. This can range from the letting of individual apartments to whole floors and blocks of apartments in a residential complex. These companies tend to be local or regional operations. These companies also work with national and international serviced apartment booking agencies such as Silverdoor, Citybase and ESA. The second model is purpose-built aparthotels or serviced apartment complexes that are being developed either by local independent operators; small, mainly regional serviced apartment companies (e.g. MAX Serviced Apartments, Go Native and Cotels); national serviced apartment companies (e.g. SACO, Staycity, Roomzzz, Premier Apartments, Apple Apartments and the newly launched Beyonder ApartHotel and Urban Villa brands); international serviced apartment companies (e.g. Bridgestreet, Fraser Hospitality, Cheval); and increasingly international hotel chains that are launching extended stay hotel products in the UK (e.g. IHG's Staybridge Suites, Accor's Adagio Aparthotel, Marriott's Residence Inn, Starwood's Element and Hyatt's Hyatt

House brands). Serviced apartment companies and aparthotels generally trade at very high levels of occupancy. They primarily target long stay corporate demand and infill with weekend leisure business between corporate lets. This form of accommodation is becoming increasingly popular with both business and leisure guests as it provides more space, greater flexibility and usually good value for money. The sector is predicted to see substantial growth as UK customers begin to more fully understand the concept and how it can work for them. A report by The Association of Serviced Apartment Providers (ASAP) and Savills, published in December 2015 suggests that the UK serviced apartment sector is set to double in size over the next 2 years. It predicts growth of 122 per cent for national operators and 82 per cent for regional providers by the end of 2017, effectively doubling the total number of serviced apartment units across the UK.

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



### **Golf Hotels and Resorts**

- Recent years have seen the opening of new golf hotels and resorts in Cheshire in 2012 (Mere Golf Resort at Knutsford) and near Darlington (the 5 star Rockcliffe Hall Hotel, Golf & Spa). A number of proposals are also being progressed for new golf resorts in various locations across the UK, including projects in Kent (a 130-bedroom 5 star hotel and spa at the London Golf Club); Hertfordshire (a 125-bedroom 4 star hotel at the Hertfordshire Golf & Country Club); Surrey (a proposal for an 84-bedroom Hilton hotel as part of the new regional headquarters of the PGA at Wildwood Golf & Country Club in Cranleigh); and on the Wirral (at Hoylake), together with a number of proposals in Scotland.
- On a smaller scale there has also been some activity in terms of the development of hotels on golf courses e.g. a 43-bedroom hotel at the Bowood golf course, near Chippenham in Wiltshire in 2009; a 50-bedroom hotel at The Oxfordshire Golf Club near Thame in 2010; a 30-bedroom Best Western Plus hotel at the Magnolia Park Golf and Country Club in Buckinghamshire in 2014; a 40-bedroom hotel at the Sandford Springs Golf Club near Basingstoke in 2014; and a 34-bedroom hotel at Chipping Norton Golf Club in Oxfordshire.

## 4. BASILDON BOROUGH HOTEL SUPPLY

### 4.1. Current Supply

4.1.1. There are currently 13 hotels serving Basildon<sup>1</sup>, with a total of 771 letting bedrooms. This current hotel supply is analysed below by standard and listed in full in the table overleaf. Further afield, the 4 star Orsett Hall Hotel in Thurrock (35 bedrooms) and Greenwoods Hotel & Spa at Stock (39 bedrooms) attract the top end of the Basildon corporate market. Basildon Borough also has two wedding venues that provide accommodation for wedding guests – Friern Manor at Dunton and Stock Brook Country Club at Billericay.

**Table 3**  
**CURRENT HOTEL SUPPLY – BASILDON MARKET AREA – SEPTEMBER 2016**

Standard	Hotels	Rooms	% of Rooms
4 star	-	-	-
Boutique	1	27	3.5
3 star	2	183	23.7
2 star	-	-	-
Upper-tier Budget <sup>2</sup>	-	-	-
Budget	8	476	61.7
Non-inspected	2	85	11.4
<b>Total Hotels</b>	<b>13</b>	<b>771</b>	<b>100.0</b>

4.1.2. Basildon Borough has 6 hotels, with a total of 505 letting bedrooms, comprising the Holiday Inn and 5 budget hotels.

**Table 4**  
**CURRENT HOTEL SUPPLY – BASILDON BOROUGH – SEPTEMBER 2016**

Standard	Hotels	Rooms	% of Rooms
4 star	-	-	-
Boutique	-	-	-
3 star	1	148	29.3
2 star	-	-	-
Upper-tier Budget <sup>2</sup>	-	-	-
Budget	5	357	70.7
Non-inspected	-	-	-
<b>Total Hotels</b>	<b>6</b>	<b>505</b>	<b>100.0</b>

<sup>1</sup> Not all of these hotels are in Basildon Borough. Some are in Rochford, Chelmsford, Brentwood and Thurrock, but still serve the Basildon hotel market. Those hotels that are not in Basildon Borough are indicated in the table overleaf.

<sup>2</sup> Brands such as Holiday Inn Express, Ramada Encore, Hampton by Hilton

**Table 5**  
**BASILDON MARKET AREA HOTEL SUPPLY – SEPTEMBER 2016**

<b>Hotel</b>	<b>Grade<sup>5</sup></b>	<b>Rooms</b>
<b>Basildon</b>		
Holiday Inn	3 star	148
Premier Inn Festival Leisure Park	Budget	84
Premier Inn East Mayne	Budget	55
Premier Inn Basildon South	Budget	61
Travelodge	Budget	60
Campanile	Budget	97
<b>Wickford</b>		
The Chichester <sup>1</sup>	3 star	35
Travelodge Basildon Wickford <sup>2</sup>	Budget	24
<b>Rayleigh</b>		
Premier Inn Basildon Rayleigh <sup>1</sup>	Budget	50
<b>East Horndon</b>		
Travelodge Brentwood East Horndon <sup>3</sup>	Budget	45
<b>Langdon</b>		
Langdon Hills Golf, Country Club & Hotel <sup>4</sup>	n/a	14
<b>Horndon-on-the-Hill</b>		
The Bell Inn <sup>4</sup>	Boutique Inn	27
<b>Bulphan</b>		
Ye Olde Plough House <sup>4</sup>	n/a	71

## Notes

1. In Rochford District
2. In Chelmsford City Council's area
3. In Brentwood Borough
4. In Thurrock
5. Official AA or VisitBritain and/or unofficial gradings on booking.com or LateRooms

- 4.1.3. The Borough's hotel supply is predominantly in Basildon's A127 corridor. There are 4 hotels in this part of the Borough, with 389 letting bedrooms – 77% of the Borough's total hotel supply. Three of these hotels are located at Festival Leisure Park. The Borough's other two hotels are located on East Mayne and the A13 to the south of Basildon. There are no hotels in Basildon town centre. There are no hotels in Wickford, although the town is served by the Travelodge Basildon Wickford on the A132 (in Chelmsford City Council's area) and The Chichester Hotel (in Rochford). There are no hotels in Billericay.
- 4.1.4. The Borough's hotel supply is dominated by budget hotels, which account for 70.7% of all hotel bedrooms. The Holiday Inn is the Borough's only full service hotel. As far as we have been able to establish there are no serviced apartments in Basildon.

4.1.5. Budget hotels also dominate the hotel supply in the wider Basildon Market Area, accounting for almost two thirds of all hotel bedrooms in the area. The Bell Inn at Horndon-on-the-Hill stands out as a high quality boutique inn. It has 27 individually-styled bedrooms and suites. It is listed in The Times Cool Hotel Guide and Alastair Sawday's Special Places, as well as The Sunday Times Food List as one of the top 10 gastropubs in the UK.

## **4.2. Changes Since 2011**

### **New Hotels**

4.2.1. There have been no new hotel openings in Basildon Borough in the last 5 years.

### **Hotel Extensions, Refurbishment and Rebranding**

4.2.2. Two of the Borough's Premier Inns have extended:

- The Premier Inn Basildon East Mayne added 24 bedrooms in 2016;
- The Premier Inn Basildon Festival Leisure Park added 21 bedrooms in 2014.

4.2.3. An application for a 20-bedroom extension to the Premier Inn Basildon South was refused in 2013 on Green Belt grounds.

4.2.4. The Holiday Inn Basildon has not seen any recent significant investment. A fairly common customer comment on Tripadvisor is that the hotel is tired and dated, and in need of investment. The hotel was acquired by new owners in November 2015, who we understand are planning to refurbish the hotel.

### **Hotel Closures**

4.2.5. There have been no hotel closures in Basildon Borough in the last 5 years.

### **Changes in Basildon Borough Hotel Supply 2011-2016**

4.2.6. The extensions to the two Premier Inns have resulted in a 9.8% increase in Basildon Borough's hotel supply since 2011.

## 4.3. Future Changes

### Hotels Under Construction

4.3.1. There are no hotels currently under construction in Basildon Borough, or the immediate surrounding area.

### Planned Investment in Existing Hotels

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

- The new owners of the Basildon Holiday Inn are understood to be planning a major refurbishment of the hotel;
- The Chichester Hotel is planning to update its bedrooms, remaining as a 3 star hotel;
- A new spa building with 17 additional guest bedrooms is about to open at Orsett Hall Hotel.

### Potential New Hotels in Basildon Borough

4.3.3. Full planning permission was granted in August 2015 for the development of a 27-bedroom hotel linked to The Gun public house in Pitsea.

### Potential New Hotels in the Surrounding Area

4.3.4. Potential hotel schemes identified by neighbouring authorities in the surrounding area include:

- A hotel at Lakeside, Thurrock, as part of a £100m investment into facilities here that will create a town square, extend the cinema and expand the wider leisure and entertainment offer;
- A hotel proposal at Canvey Island, currently a reserved matters application, for hotel alongside B1, B2, B8 and motor dealership uses;
- Proposals by Turnstone Estates to develop the Seaway car park in Southend-on-Sea together with surrounding property adjacent to the Royals Shopping Centre for a cinema and 12 retail units, also likely to include a hotel;

- The development of Fossett's Farm as a new home for Southend Football Club which also includes hotel alongside leisure uses;
- Henry Boot was granted planning permission in March 2016 for the 78,000 sq m Airport Business Park at Southend-on-Sea, to include a medi-tech campus, an innovation centre, a hotel, an aviation engineering centre, and hi-spec office space.
- Further afield, the plans for the Paramount London Resort on the Swanscombe Peninsula in North Kent include provision for up to 5,000 quality hotel bedrooms. It is envisaged that these hotels will cater for approximately 25% of the resort's visitors and that many other visitors will stay in hotels in Kent, Essex and London.

## 5. CURRENT HOTEL PERFORMANCE & MARKETS

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### 5.1. Occupancy, Achieved Room Rates<sup>1</sup> and Revpar<sup>2</sup>

- 5.1.1. Average annual room occupancies, achieved room rates and revpar figures for Basildon and South Essex for 2013, 2014, 2015, as sourced from STR Global, are set out in the table overleaf.
- 5.1.2. The table shows very strong average annual room occupancies for Basildon hotels, well ahead of the national provincial hotel averages, and slightly in front of the average for South Essex hotels until 2015, when Basildon hotel occupancy dipped a little. Achieved room rates for Basildon hotels have however been well below the national averages for provincial hotels, but slightly ahead of the South Essex averages. This is probably to do with the dominance of budget hotels in Basildon and South Essex. Revpar figures for Basildon hotels are broadly in line with the national averages due to the high occupancies compensating for the below average achieved room rates.
- 5.1.3. Hotel performance differs between the Holiday Inn and among Basildon's budget hotels, depending on their brand. The Holiday Inn trades at a room occupancy that is slightly below the average for all Basildon hotels, but is still strong. Its achieved room rate is stronger, as a full service hotel, but significantly below the national averages for provincial 3/4 star hotels. The national figures also include 4 star hotels, however, so you would expect this for a 3 star hotel. Basildon's Premier Inns are the strongest performing budget hotels in terms of both occupancy and achieved room rate.

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<sup>1</sup> 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.

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

Table 6

## BASILDON HOTEL PERFORMANCE 2013-2015

Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate <sup>5</sup> £			Average Annual Revpar <sup>6</sup> £		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
UK Provincial Hotels (All Standards) <sup>1</sup>	72.6	75.4	76	59.94	64.03	67	43.53	48.27	51
UK Provincial 3/4 Star Chain Hotels <sup>2</sup>	72.0	73.7	74.9	71.46	74.90	80.51	51.48	55.20	60.33
South Essex Hotels <sup>3</sup> (All Standards) <sup>1</sup>	72.9	78.6	78.6	55.99	57.69	59.26	40.80	45.35	46.60
Basildon Hotels <sup>4</sup> (All Standards) <sup>1</sup>	80.6	80.6	78.2	56.46	59.66	61.48	45.53	48.06	48.10

## Notes

1. Source: STR Global
2. Source: Hotstats
3. Includes hotels in Thurrock, Brentwood, Rochford, Southend and Chelmsford
4. Includes all hotels in Basildon Borough and the Travelodge Basildon Wickford and Premier Inn Basildon Rayleigh in Rochford
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



## 5.2 Patterns of Demand

### Weekday/Weekend Occupancies

- 5.2.1. Estimates of average daily occupancies for hotels in Basildon and South Essex for 2015/16 are set out in the table below.

**Table 7**  
**BASILDON/ SOUTH ESSEX HOTELS**  
**AVERAGE DAILY OCCUPANCIES – 2015/16<sup>1</sup>**

Day of the Week	Average Annual Room Occupancy %	
	Basildon	South Essex
Monday	80.2	78.2
Tuesday	90.0	86.4
Wednesday	88.0	84.4
Thursday	77.3	75.8
Friday	70.9	75.0
Saturday	88.9	88.1
Sunday	50.5	52.9

Source: STR Global

Notes:

1. May 2015-May 2016

- 5.2.2. Basildon hotels achieve very high room occupancies on Tuesday and Wednesday nights. Monday and Thursday occupancies are not quite as strong. Saturday occupancies are high, but Friday, and especially Sunday night occupancies are lower. Hotels in South Essex show a similar occupancy pattern, although achieve slightly lower midweek occupancies, but higher occupancy levels on Friday nights.

### Weekday/Weekend Room Rates

- 5.2.3 Achieved room rate performance for Basildon hotels shows a similar pattern of strong midweek demand but weaker and more price driven weekend demand. Basildon hotels achieve higher average room rates on Tuesday and Wednesday nights. Achieved room rates are lower on Monday and Thursday nights, and lower still at the weekend, especially on Friday and Sunday nights. Midweek achieved room rates are not as strong for hotels in other parts of South Essex, but Friday and especially Saturday achieved room rates are stronger.

**Table 8**  
**BASILDON/ SOUTH ESSEX HOTELS**  
**AVERAGE ACHIEVED DAILY ROOM RATES – 2015/16<sup>1</sup>**

Day of the Week	Average Achieved Daily Room Rate £	
	Basildon	South Essex
Monday	62.66	56.58
Tuesday	74.24	65.39
Wednesday	73.36	65.13
Thursday	58.68	54.40
Friday	45.63	49.89
Saturday	56.41	64.99
Sunday	47.34	47.87

Source: STR Global

Notes:

1. May 2015-May 2016

### Seasonality

5.2.4. The Basildon and South Essex hotel markets are not particularly seasonal. Room occupancies peak between June and October, when additional demand from weddings boosts weekend occupancies. Leisure break business in Southend also boosts the summer occupancy figures for South Essex. These additional summer markets tend to generate lower rated business however, so do not drive much of an increase in achieved room rates in these months. Occupancies and achieved room rates are weaker in December and January.

**Table 9**  
**BASILDON/SOUTH ESSEX HOTELS**  
**AVERAGE MONTHLY OCCUPANCIES - 2015**

Month	Room Occupancy %	
	Basildon	South Essex
January	68.8	69.5
February	78.2	77.9
March	74.7	76.1
April	75.5	76.5
May	76.2	79.7
June	82.1	80.2
July	85.2	86.3
August	83.1	85.6
September	82.0	81.6
October	80.4	81.1
November	78.9	77.3
December	73.8	71.1
<b>2015</b>	<b>78.2</b>	<b>78.6</b>

Source: STR Global

**Table 10**  
**BASILDON/SOUTH ESSEX HOTELS**  
**MONTHLY AVERAGE ACHIEVED DAILY ROOM RATES OCCUPANCIES - 2015**

Month	Average Achieved Daily Room Rate £	
	Basildon	South Essex
January	57.06	55.28
February	60.40	58.10
March	63.27	59.68
April	60.92	59.13
May	59.81	59.67
June	62.60	60.24
July	61.89	60.85
August	60.97	62.33
September	64.69	60.75
October	63.93	61.62
November	64.49	58.33
December	56.78	52.96
<b>2015</b>	<b>61.48</b>	<b>59.26</b>

Source: STR Global

### 5.3. Midweek Markets

- 5.3.1. The key midweek markets for Basildon hotels are corporate demand from local companies and business from contractors working on construction projects, particularly for budget hotels.
- 5.3.2. Corporate demand is derived primarily from the major companies in the A127 Basildon Enterprise Corridor. Our survey of these companies shows that they need hotel accommodation for a variety of different user groups, including directors and senior executives, visitors from overseas offices and headquarters, customers, suppliers, engineers and technicians, sales teams, and people attending training courses and induction programmes. The numbers of hotel rooms that companies require each month varies significantly, however we did not identify any very substantial users of hotel accommodation, although we were unable to establish the hotel requirements of Ford or CNH. Companies in the Basildon Enterprise Corridor primarily use hotels in Basildon. They tend to use the hotels that are the closest to their company base as their first choice hotels, to avoid unnecessary taxi fares. The Holiday Inn and Festival Leisure Park and Basildon South Premier Inns were identified as the most commonly used hotels. The Travelodge and Campanile are too basic for some companies, but used by others for some of their visitors. Some corporate visitors prefer the hotels at Festival Leisure Park owing to the choice of restaurants and evening entertainment there. Others feel that these hotels can be too noisy. Senior executives and VIP visitors tend to stay in The Bell Inn at Horndon-on-the-Hill, Orsett Hall Hotel and Greenwoods Hotel & Spa at Stock. Only one company reported using London or Brentwood 4 star hotels for such visitors due to the lack of a hotel of this standard in Basildon. The town's hotels also attract some demand from companies in Billericay, which also use the Greenwoods Hotel.
- 5.3.3. Some Basildon companies have periodic long stay demand from people involved in project work and occasionally overseas visitors.
- 5.3.4. Basildon hotels attract very little residential conference business. This market has reduced substantially as companies have developed their own in-house meeting and training facilities. Basildon hotels do not attract footloose residential conference business.
- 5.3.5. One hotel takes some midweek overseas group tours in the summer to boost its midweek occupancy when corporate demand reduces. This is low-rated business, which uses the hotel as a base for going into London.

5.3.6. Basildon hotels do not attract any midweek leisure business to speak of.

## 5.4. Weekend Markets

5.4.1. Key weekend markets for Basildon hotels are people attending weddings, functions and other family occasions, and people visiting friends and relatives in the town.

5.4.2. People staying over after a night out are a further weekend market for hotels at Festival Leisure Park. This market has reduced however with the rationalisation of the nightclub offer at Festival Leisure Park.

5.4.3. The V Festival at Chelmsford in August and Campaign Cup European paintballing competition at Barleylands in July generate significant demand for hotel accommodation in Basildon. The Essex Country Show at Barleylands in September also generates some demand for Basildon hotels.

5.4.4. Other weekend markets are:

- Overseas group tours for one hotel, that use it as a base for visiting London;
- Gymnasts training at the Basildon Sporting Village;
- Competitors and their families involved in gymnastics and other sports competitions at the Basildon Sporting Village.

5.4.5. Corporate arrivals for the week ahead are the main market on Sunday nights.

## 5.5. Market Trends

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

- Corporate demand has been largely static. Most of the Basildon companies that we spoke to reported no significant change in their requirements for hotel accommodation over the last 3 years. One company reported a significant reduction in its hotel requirements as a result of changed working practices that have reduced the need for business travel. One hotel reported an increase in project-related corporate demand in 2014 and 2015, but this has not repeated in 2016. Two hotels reported an increase in corporate business as a result of targeted marketing and increased availability on online booking channels.
- Weekend demand for Festival Leisure Park hotels from people staying over after a night out has reduced with the rationalisation of the nightclub offer here.
- The weddings market appears to have been largely static overall. Two hotels reported a downturn in weddings business in 2015 as a result of increased competition in the area, while one hotel reported an increase following targeted weddings marketing.
- There appears to have been little change in the visiting friends and relatives market.

## 5.6 Denied Business<sup>1</sup>

5.6.1. Some of Basildon's budget hotels are consistently denying significant business on Tuesday and Wednesday nights, and occasionally also on Monday or Thursday nights. They also regularly turn business away on Friday and Saturday nights between July and September, and sometimes also on Saturday nights at other times of the year. Other hotels only occasionally deny business on Tuesday and Wednesday nights, but not to any significant extent, and rarely turn business away at weekends. This suggests that in overall terms there are only infrequent shortages of hotel accommodation in the Borough.

## 5.7. Company Views on the Need for a New Hotel in Basildon

5.7.1. Three of the companies that we interviewed identified a need for a new hotel in Basildon for different reasons:

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<sup>1</sup> Business that hotels have to turn away because they are fully booked

- Due to occasional difficulties in securing hotel accommodation in the town, primarily at the budget level.
- To meet one company's requirement for 4 star hotel accommodation for senior executives and thus avoid the need to use 4 star hotels further afield and in London. This company is not placing a large volume of business at this level however.
- To provide an alternative 3 star hotel to the Holiday Inn.

5.7.2. The preference for all three of these companies was for a new hotel as close as possible to their company base in the A127 Basildon Enterprise Corridor. They were not interested in a new hotel in the town centre as they felt that there is nothing to do in the evening here and did not want the additional cost of parking in public car parks. They also felt that their female visitors would not want to stay in the town centre.

5.7.3. Key requirements from a new hotel were on-site parking, a good restaurant, and for some conference facilities for day meetings. Only one company identified a need for leisure facilities.

5.7.4. One company identified a need for serviced apartments for its long stay visitors.

5.7.5. Other companies did not feel that there was a need for any more hotels in Basildon. These were largely companies with only occasional requirements for hotel accommodation.

## **5.8. Prospects for 2016**

5.8.1. Basildon hotels generally expect to see a further slight increase in occupancy and achieved room rate in 2016. One hotel is looking at dropping its room rates in order to boost occupancy levels. Hotel managers did not identify any significant drivers of additional business in 2016.

## 6. FUTURE GROWTH PROSPECTS

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### 6.1 Strategic Context

6.1.1 Basildon Borough forms part of the South East Local Enterprise Partnership (SELEP), which covers East Sussex, Essex, Kent, Medway, Southend and Thurrock. By 2021, as set out in its Strategic Economic Plan (SEP), its ambition is to:

- Generate 200,000 private sector jobs (20,000 a year)
- Complete 100,000 new homes
- Lever investment of £10 billion

6.1.2 Priority sectors with strong cluster networks and growth prospects include advanced manufacturing, transport and logistics, life sciences and med-tech, low carbon and renewable energy, tourism and the creative, cultural and media sectors.

6.1.3 The priorities are being delivered through a number of local delivery boards. Basildon Borough sits within the Thames Gateway South Essex (TGSE) area, which is a national priority area for growth and regeneration, containing Thurrock (one of the largest port clusters in the UK), Basildon (one of the largest business agglomerations in the East of England) and Southend (the only expanding airport in the south east). The Growth Deal for TGSE identifies 4 key sectors from the list above – advanced manufacturing & engineering, transport and logistics, environmental technologies and energy, and digital, cultural and creative. Delivery targets (as set out in the SEP) include 7200 new homes and 21,750 new jobs to 2021.

6.1.4 TGSE has two major growth corridors, the A13 and the A127. Investment in key infrastructure projects, notably in transport schemes, is designed to increase capacity and open up opportunities for development.

Key projects in the A13 corridor include:

- London Gateway port and logistics park at Thurrock (DP World) (12,000 jobs);
- Thames Enterprise Park at Coryton, a 160ha environmental technologies hub (2000 jobs);
- The Port of Tilbury expansion (3,800 jobs);
- Lakeside Basin (Europe's largest retail complex) expansion (9000 jobs);



- Purfleet Centre (1500 jobs), including the 46,000 sq m film and TV studio complex, Royal Opera House and National Skills Academy;
- Grays town centre improvements (2000 jobs);
- Canvey Gateway town centre redevelopment and £30m Business and Enterprise Park (1100 jobs).

Key projects in the A127 corridor include:

- Basildon town centre regeneration and South Essex College relocation;
- An Innovation Warehouse at Basildon, supporting high growth technology start-ups;
- The expansion of London Southend Airport and development of 99,000 sq m of commercial floorspace and a high end business park (7380 jobs);
- Southend central redevelopment (6500 jobs)

6.1.3 At a more local level, the Basildon Borough Draft Local Plan identifies that the Borough should provide 15,260 new homes and 49ha of employment land up to 2034. An estimated 8600 new jobs are to be created by the end of the Plan period, and the population is set to increase by 15,000-17,000 from a baseline of 174,500.

6.1.4 Basildon Borough Council's Economic Development Policy focuses on four policy areas to deliver growth and enable the Borough to play its part in driving the regional economy. These include:

- Delivering essential strategic infrastructure and connectivity to promote economic growth;
- Attracting new businesses to invest and existing companies to grow, encouraging trade and innovation and building the Basildon brand as the entrepreneurial growth hub in South Essex;
- Up-skilling the local workforce to reduce under-employment and support the growth of Basildon Borough businesses;
- Facilitating business networking and providing high quality business support.

## 6.2 Key Projects

### Significant Projects in Basildon Borough

6.2.1. There are several significant projects in the Borough that should drive future growth in hotel demand:

- **A127 Enterprise Parks Corridor**

The Basildon Borough Economic Growth Strategy envisages that the role of the Corridor will be retained and grown through the intensification and regeneration of underutilised land and eastern and western extensions, with the aim of attracting new companies. Key businesses currently located here include Ford, New Holland Agriculture, Selex Galileo, Gardner Aerospace, international Financial Data Services, First Data, Konica Minolta and MK Honeywell. The main business parks are Burnt Mills, Pipp's Hill, Cranes Farm, Festival Leisure Park and Southfields. The parks are part of a master plan and major investment programme that will see at least £20m spent over a 20 year period to enhance Basildon's competitive position.

- **Science Park**

BBP Regeneration, jointly with SQW, are currently advising Basildon Borough Council on the development of a new state-of-the-art Science Park in the Borough, focusing on advanced manufacturing and engineering (particularly in the automotive and transportation sectors) and looking to develop opportunities for innovation and new technologies. This development proposal will benefit not only Basildon Borough but the wider South Essex/ Thames Gateway area by providing facilities, technical support and networks to enable start-ups, SMEs, corporates and FE/ HE institutions to collaborate, test and develop new innovation ideas, technologies and systems. It is intended that the scheme will provide physical space in a range of sizes and uses to cater for small and growing business and larger developable plots for bespoke developments and inward investors. It is also envisaged that business support and other core facilities and business infrastructure will be provided to enable business development and collaboration, including technical equipment, showcasing space and meeting rooms.

A number of sites have been reviewed as part of this commission however there are only a limited number of sites which are of sufficient size (10 Ha+) and in the right location to be able to accommodate this comprehensive concept. To date, no site has been selected and the Council is pursuing discussions with key landowners to secure the future of this opportunity within the Borough. Some indicative planning work has however been undertaken to highlight the type of development that would be required on a scheme of this nature (recognising that this would vary according to occupier's requirements), and assuming a site of some 10ha, and the broad mix of uses set out above. This work has suggested that there could be the opportunity to accommodate some 112,000 sq ft (10,500 sq m) of office/research accommodation and some 185,000 sf ft (17,200 sq m) of advanced manufacturing space. There could also be the opportunity to deliver other support facilities (such as a hotel) in order to complement the proposed uses and increase the attractiveness of the scheme to potential occupiers. In total approximately 405,000 sq ft (40,000 sq m) of accommodation could be provided over a 5 to 10 year period through a phased development approach. On this basis the scheme is likely to deliver over 1,300 jobs once completed with a strong focus on supporting companies and employment in the advanced manufacturing and engineering industries, particularly in the automotive and transportation sector and their supply chain.

- **Basildon Innovation Warehouse**

The development of a Thames Estuary Innovation Warehouse is part of a wider Innovation Programme being delivered by Basildon Borough Council's Economic Development team, providing innovation-led support to commercialise ideas for new products, services and processes. The Innovation Warehouse will provide managed work space to early stage, high growth, technology start-ups, with access to specialist equipment via Fablab Essex, enabling ideas to be developed, prototyped and commercialised en route to market. A preferred location has been identified within Wat Tyler Country Park, off the A13, close to Pitsea railway station, focused around the existing Green Centre, and so offering a quick route to delivery. The Warehouse can deliver over 1000 sq m of flexible commercial floorspace and can accommodate over 200 businesses and individuals.

- **Basildon Town Centre**

A masterplan for the regeneration of Basildon town centre was launched in December 2012. It envisages the development of 65,300 sq m of commercial leisure and comparison retail floorspace, a new market, a new 2,000 student college campus and residential development, with enhanced public transport connections and integration. A 150 bed hotel in a gateway location on Broadmayne, linking to a leisure destination and focus for the evening economy, is envisaged as part of this plan. Elements of the masterplan have already been delivered, with the remaining delivery expected to occur over the next 15-20 years.

- **Basildon University Hospital**

Basildon University Hospital is already a major employer in Basildon, with some 4500 staff, and with specialist facilities such as the Cardio-Thoracic unit, generates visits to the town from a wide area. The hospital is continuing to expand and refine its services and facilities. There are two specific proposals that could impact upon hotel demand in Basildon:

- A potential 'patient hotel' as a means of providing cost-effective overnight accommodation for a mix of ambulant patients pre- and post-care, families visiting and supporting patients in longer term treatment and care (particularly in specialist areas), and staff many of whom are on rotating contracts of anything from 1-12 months, or called in for cover at short notice. Currently these needs are catered for in hotels or by using a mixture of student and staff accommodation on site, but this is limited in capacity and more expensive to deliver. Patient hotels are being trialled at other UK hospitals, and can be run internally or by specialist operators, with potential to be run on a commercial basis, and depending upon hospital needs could be available to a wider market. Some of this demand could be catered for in serviced apartments. The hotel and serviced apartments could be on the hospital site or nearby, and could be an option for the Toucan Way site. These proposals are only at an early stage, but are being worked up.
- The possibility of Basildon University Hospital being designated as a specialist centre for emergency care. A county-wide emergency care review is currently

underway, to go to consultation in the Autumn, with the likelihood that Basildon will be one of three sites which will develop specialist care facilities, with Basildon becoming the major emergency care centre for the region. This will extend its reach and catchment much further, from Romford to the coast and A12, which as with the Cardio-Thoracic unit is likely to generate demand for overnight stays from relatives.

## **Significant Projects in South Essex/ the Thames Gateway**

6.2.2. There are a number of significant projects in South Essex and the Thames Gateway that could generate new demand for hotel accommodation in Basildon Borough:

- **London Gateway (DP World)**

Construction is progressing on the UK's newest deep-sea container port and Europe's largest logistics park on the northern bank of the Thames in Thurrock. The project has generated some contractor demand for hotel accommodation in Basildon Borough during the initial construction phase, however this has reduced now that the site is operational.

- **London Cruise Terminal**

Cruise passenger departures from the London Cruise Terminal at the Port of Tilbury increased substantially in 2015 as a result of Cruise and Maritime Voyages introduction a new cruise programme with departures from Tilbury. Further growth in cruise traffic from the London Cruise terminal could provide an opportunity for Basildon hotels to introduce Park & Cruise deals.

- **Paramount London Resort**

Plans are being progressed for a £2bn, world-class, 111-acre entertainment centre on the Swanscombe Peninsula in North Kent. The resort will include 50 rides and attractions themed around the film and television programmes of Paramount Pictures and British film and TV companies including BBC Worldwide, Aardman and the British Film Institute. 70% of attractions will be indoor. Other elements of the scheme include Europe's largest water park, a conference centre, high tech events space, a creative hub designed to attract creative

businesses to the site, and up to 5,000 quality hotel bedrooms. The resort is expected to attract 15 million visitors per year, around 50,000 on a typical day. Approximately 25% of visitors are expected to stay at the resort. Others will stay in Kent, Essex and London. The project is currently scheduled for an Easter 2021 opening.

- **The Lower Thames Crossing**

Options are currently being developed for a Lower Thames Crossing as an alternative to the Dartford Crossing. Three options are currently being considered, the most easterly of which will significantly improve access to Basildon Borough, potentially increasing transient corporate business. The construction phase could also generate significant contractor business for Basildon hotels, and the new crossing would provide a link to the Paramount London Resort that is planned in North Kent, potentially allowing Basildon hotels to cater for families visiting the resort.

## 6.3. Growth Prospects by Market

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

- **Corporate demand** for hotel accommodation looks set to increase significantly given the planned further development of the A127 Enterprise Parks Corridor and the potential new science park here. These developments are likely to generate good demand for hotel accommodation, depending on the occupiers and business uses that are attracted.
- There will also be significant growth in **contractor business**, particularly for budget hotel accommodation, given the scale of construction work that is planned in and around Basildon. Construction projects could also generate business for 3 and 4 star hotels.
- There is limited scope for growth in **residential conference business** for hotels that can cater for it, other than potentially some growth as companies relocate to Basildon.
- Growth in **weekend demand** will be linked to population growth, which should drive an increase in demand from people coming for weddings and other family occasions, and people visiting friends and relatives in the area.
- A stronger evening economy in Basildon town centre could generate demand for budget hotel accommodation here from people that want to stay over after a night out.
- There could be potential in the longer term for Basildon hotels to attract families that are coming to visit the London Paramount resort, once it is open and the Lower Thames Crossing has been completed.
- There might be scope for Basildon hotels to promote Park & Cruise packages as cruise departures increase from the London Cruise Terminal at Tilbury.

## 7. FUTURE POTENTIAL FOR HOTEL DEVELOPMENT

### 7.1 Hotel Demand Projections for Basildon

7.1.1. In order to provide an indication of the number of new hotel bedrooms that might be needed in Basildon through to 2034 as the town's hotel market grows, we have prepared projections of possible future growth in hotel demand in Basildon to 2019, 2024, 2029, and 2034 (to coincide with the Local Plan period), using our Hotel Futures demand forecasting model. The projections take Basildon's current supply of hotels and our estimates of 2015 roomnight demand as their baseline. The projections have been based purely on growth in midweek demand, as this will be the key determinant of new hotel development in Basildon: given the challenge of growing the weekend market in the town, hotel companies will want to be confident that they can achieve high occupancies and room rates during the week. The projections have been prepared for low, medium and high growth scenarios, taking the latest available employment and population forecasts for the Borough as a starting point. The projections assume that growth will be unconstrained by site availability and planning policy. The methodology and assumptions used for the projections are set out at Appendix 4.

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

**Table 11**  
**BASILDON**  
**PROJECTED REQUIREMENTS FOR NEW HOTEL DEVELOPMENT – 2019-2034**

YEAR	PROJECTED NEW ROOMS REQUIRED		
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH
2019	55	67	78
2024	84	111	139
2029	114	158	205
2034	146	210	279



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

- Immediate opportunities (2017-2019) for additional hotel provision in terms of:
  - The proposed hotel at The Gun public house in Pitsea (27 bedrooms);
  - The expansion of existing hotels;
  - A small lodge linked to a pub restaurant;
  - A small hotel (30-40 bedrooms) potentially at Basildon Golf Course<sup>9</sup>;
  - Serviced apartments, primarily in terms of the letting of residential apartments, rather than a purpose-built serviced apartment complex.
- Medium-term potential (2020-2024) for the above and potentially a new hotel of up to around 100 bedrooms, given strong growth in demand.
- Longer-term potential (2025-2034) for all of the above together with scope for a further new hotel of up to 150 bedrooms.

7.1.4. Our growth projections are not however intended to be targets or limits on new hotel provision: they merely provide an indication of the level of new hotel development that market growth is likely to support, assuming that all hotels receive an equal share of available business. They do not take account of new corporate, residential conference or leisure demand that new hotels might be able to generate as a result of their brand and/or conferencing and leisure offer. New hotels could therefore be developed ahead of our growth projections if hotel companies feel that they can compete well in the Basildon market and/or they are confident of attracting new business.

7.1.5. Our growth projections show potential for two new hotels in Basildon during the Local Plan period up to 2034. The medium-term opportunity (up to 2024) is most likely to be in terms of a budget/ limited service hotel. The priority, we feel, should be to try to attract an upper-tier budget or budget boutique hotel in order to add greater choice in Basildon's hotel offer.

7.1.6. Any potential for a full-service 3 or 4 star hotel is more likely to be in the longer term (post 2025), given strong growth in corporate demand, and ideally new drivers of weekend demand.

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<sup>9</sup> The Hotel Futures Study has not included any investigation of such an opportunity with the management of the golf course, however we think that it could be worth exploring further. A hotel here would have the potential to service the corporate market and attract weekend demand in terms of weddings and possibly golf breaks.

## 7.2 Hotel Developer & Operator Interest in Basildon

### Introduction and Approach

- 7.2.1. Testing hotel developer and operator interest in a destination brings a live perspective on hotel investment from the sharp end of those involved in developing new hotels. It is an opportunity to probe perceptions of Basildon and its hotel market, specific brand interest and locational preferences, gain feedback on any sites reviewed, and a view on the obstacles to gaining representation here.
- 7.2.2. By way of context, we initially provide below some 'scene setting' in terms of the impact of the performance of the economy on hotel development, followed by an outline of hotel business models and funding routes, which should help to explain the hotel developer and operator responses, particularly in terms of the challenges faced to get new hotels off the ground.

### The Economic Backdrop

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

- 7.2.4. As a result of this risk-averse climate, many hotel companies are now focusing on asset-light development strategies that don't involve them in capital outlay. A number of 4 star and luxury international brands have for some time only done management contract deals, but certainly their prevalence has spread as funding has become more difficult to secure. These schemes involve significant levels of investment and what the operator brings to the table is their sector expertise and brand strength. This reinforces an earlier trend in the sector pre-recession, for hotel companies to divest themselves of their property assets whilst retaining the contract to operate – Hilton and Accor are good examples.
- 7.2.5. Whilst funding 3 and 4 star hotels has been a challenge during the economic downturn, budget hotel development has continued apace: Travelodge and Premier Inn have remained active, offering the advantage of their ability to take lease deals in developer-led schemes. One advantage of the downturn in the property market has been that residential and some commercial sites have come forward for hotel development that would not previously have been available or affordable. A weaker market has also seen some distressed hotels coming onto the market being bought up by chain hotel companies and re-branded. London has also been a key focus of hotel development interest, driven by strong performance and the 2012 bounce.
- 7.2.6. PwC, one of the UK's leading hotel consultancies, identifies a solid return to revpar growth as critical to de-risking hotel investment; with revpar having turned the corner in 2014, access to finance should improve and the pace of new hotel development should accelerate. Growth will vary between regions and segments, with London likely to continue to see the highest growth in supply, and key regional cities having the largest active hotel development pipelines. The structural shifts that have taken place continue to squeeze the middle, with budget hotels making up 50% of total pipeline schemes identified in PwC's hotel forecast, and the 4 and 5 star segment accounting for almost 40%.
- 7.2.7. In overview, the Credit Crunch and recession have inevitably had an impact on slowing the development plans of hotel companies, and seen new routes to delivery emerging. The upturn in the hotel market and economic growth looks likely to improve the climate for hotel investment, though in counterbalance the upturn in demand from residential and office markets will mean greater competition for land, making it harder and more expensive to acquire sites.

### **Hotel Business Models & Funding Routes**

- 7.2.8. Hotels can be developed and operated under a number of different business models (summarised in the table overleaf) with hotel brand owners, franchisees and property developers playing different roles in each case, with development and operating risks shifting under the different models.
- 7.2.9. The levels of capital outlay as well as development risk required by a hotel company therefore vary considerably between these options. Many more hotel operators, particularly at the 4 star level, which is much more capital intensive, are likely to be interested in options put to them that involve management contracts than in building and funding hotels themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations. Hotel development has thus become largely driven by property developers who bring in hotel companies to manage the hotel under an established brand, allowing them to secure finance from institutional investors.
- 7.2.10. Many of the chain hotel companies will have a mix of the above structures in place, though some do prefer a single route. Often franchisees are looking to build the asset value of the company with a view to exit within a 5-10 year period, and in such situations are less likely to be interested in lease options.

**HOTEL DEVELOPMENT & OPERATING MODELS**

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

- 7.2.11. Lease models require a little more explanation, as there are some key issues surrounding lease structures that are impacting upon the ability to deliver hotel developments currently. Developers require hotel operators to take a fixed lease, a standard institutional lease that will give a guaranteed fixed payment per room over a period of 20-30 years. Once secured, this guaranteed income stream makes the development fundable, and the developer can secure finance on the back of this. On completion the developer can retain or sell the investment. Currently, only Travelodge and Premier Inn are able to take such leases, as only they have the strength of covenant required. One or two of the multiple brand chains have taken leases, but generally these will only be for large hotels in premium locations such as London or Edinburgh, where occupancy and high rates are guaranteed. There are accounting implications of fixed leases also, as they represent a financial commitment going forward, and this has also put hotel companies off this model.
- 7.2.12. More favoured by hotel companies are variable leases, made up of a combination of base rental and a share of turnover. Some guarantees can be built into these arrangements, but should the market fall back, the risk and impact is shared by the developer/funder and the operator. Their responsiveness and flexibility accounts for their appeal to hotel companies. Certainly in previous recessionary climates, fixed leases have contributed to the downfall of hotel companies, as they became unable to meet their rental commitments when trading performance fell back. However, there is evidence that these turnover leases make it difficult to fund development because they don't give the same fixed income stream.
- 7.2.13. The differing objectives and requirements of developers/investors and operators has led to something of an impasse and resulted in it being difficult to get hotel schemes off the ground. During our consultations with hotel companies nationally we have come across numerous schemes and sites that have stalled for this reason, with few hotel operators able or willing to do the sort of deal the funding institutions require.
- 7.2.14. The funding climate and the changes in the way that hotels are being delivered has had an impact on the development strategies of hotel companies, with schemes increasingly developer and/or investor-led. Many hotel developers and operators have stopped having target lists of locations where they would like to be, rather considering schemes on an individual basis, if they are live. Many are willing to respond to specific sites and schemes, and to work with a developer on sites and locations to determine the strength of the market and the most appropriate brand to consider. From a destination or landowner point of view, the response should be about making the case and evidencing the potential.

7.2.15. The difficulty in securing funding for hotel schemes has also led to other interventions being used to secure hotel schemes. Local authorities have begun to provide funding to support the development of hotels as part of strategically important mixed-use schemes and the conversion of architecturally important buildings to hotels. In Hampshire, Eastleigh Borough Council has funded the development of a new Hilton as part of the development of the Ageas Bowl cricket ground on the edge of Southampton. In Newcastle, the City Council has borrowed £30m to help fund the development of a 250-bedroom 4 star Crowne Plaza as part of the first phase of the Stephenson Quarter regeneration scheme. Travelodge has been working with a number of local authorities nationally, where the Council has invested in the hotel; an example is the Redhill Travelodge and town centre mixed use scheme in Surrey. InterContinental Hotel Group (IHG) have also worked on several projects involving Council funding of hotels, most recently for Holiday Inn and Holiday Inn Express hotels in Stockport and Blackpool. In each case the Council has funded, developed and owns the hotel – or bought it back off the developer – and taken a franchise with IHG, with an option to put in place a management company. We provide further information on these and other examples of public sector funding of hotel development schemes in the UK at Appendix 7.

### **Assessing Hotel Company Interest in Basildon - Sampling and Approach**

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

7.2.17. A total of 15 companies were contacted<sup>1</sup>. Many of these, such as Accor, InterContinental Hotel Group and Hilton operate multiple brands from budget through to luxury offers, so the coverage in terms of brands tested is much more extensive, with over 30 brands being represented by these target hotel companies. At the time of writing, 11 responses had been received, which included all of the major multiple brand owners. The sample was selected to have fit with the market potential identified, both immediate and medium to longer term, as well as destination aspirations, and to test out the conditions that would make delivery of other standards and types of hotel deliverable.

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<sup>1</sup> A full list of the sample and response can be found at Appendix 5

7.2.18 Six companies expressed potential interest in Basildon for their brands currently. In addition:

- One brand (a budget operator) had Basildon on their target list but would see this as a location to develop at a later date, with their focus prioritising large regional cities first;
- Another company did not respond to our approach, but we understand had expressed interest in the Toucan Way site, potentially for a 4 star hotel of 50-100 rooms.

7.2.19 Those not interested gave the following reasons:

- They were already well-represented in/around Basildon and not looking for further sites;
- There was an insufficient corporate base (for a large 4 star hotel); breadth and depth of the market at this level and associated rate were issues raised;
- The demographics of the town would not support their offer, particularly in terms of associated leisure club membership;
- Their brand would require a more urban/larger city environment with associated evening economy around it.

7.2.20. Amongst those potentially interested, there was a mix in terms of knowledge of the market and area. As an example, IHG and Travelodge have existing hotels in Basildon, so could speak from an informed place. However others admitted to limited knowledge of the market, and the need for a market study to further inform that knowledge and to interest potential investors.

7.2.21 In terms of standard and type of hotel offer, there was interest from budget brands, upper tier budget hotel offers, and pub accommodation operators. There was no interest in full service 3 or 4 star hotel offers in relation to the Basildon market, or for a country club style operation, which hotel brand owners fed back it is difficult to attract investor interest in even in strong market locations. The market is perceived as piece-sensitive, with limited leisure market potential, added to which is the above concern around the amount of corporate business that can be driven here.



7.2.22 In terms of location, there was limited feedback on where in or around the town hotel companies would want to site a hotel, principally because there was limited knowledge of the town. However, the general principles made around location were the need to be in close proximity to businesses/corporate users, and to have easy access and visibility to main arterial routes.

7.2.23 Below is a summary of the brands expressing interest:

HOTEL COMPANY	BRAND	STANDARD
Accor	Ibis/Ibis Styles	Budget/upper tier budget
Greene King	n/k	Pub accommodation/lodge
Hilton	Hampton by Hilton	Upper tier budget
IHG	Holiday Inn Express	Upper tier budget
Marstons	Marstons Inns	Pub accommodation/lodge
Travelodge	Travelodge	Budget

7.2.24 One hotel company was actively negotiating on a site in Basildon currently (Travelodge). In addition, Greene King are looking at developing bedrooms at their Four Seasons pub/restaurant at Laindon, which had a previous planning permission that has not been implemented.

7.2.25 The only potential interest expressed outside Basildon was in Billericay, by Travelodge. Whilst not on their current acquisitions target list, they indicated they would consider this location if a suitable site was to come forward.

## 7.3 Hotel Site Availability in Basildon Borough

7.3.1. The availability and deliverability of suitable hotel sites will be a key determinant of future hotel development in Basildon Borough. There are a number of potential sites that include some that have been identified for possible hotel use in the emerging Local Plan and the Town Centre Masterplan; others that could come forward as part of individual or mixed use schemes; plus some sites that are not allocated or the subject of proposals but could offer potential from a planning or market perspective.

7.3.2. Potential sites identified include:

- **A127 Corridor/Basildon North**
  - The potential Science Park at Dunton
  - Four Seasons, Laindon
  - Gloucester Park (no specific location identified)
  - HCA/Gardiners Link
  - Gardiners Lane South
  - Paragon, Cranes Farm Rd
  - Basildon Garden & Mower Centre, Nevendon Rd
  - Burnt Mills employment allocation – access to which could be improved by a proposed major new junction on the A127 at Pound Lane/Cranfield Park Road
  
- **Basildon Town Centre**
  - Broadmayne/Eastside
  - Station Way car park
  
- **Basildon South**
  - Toucan Way/Nethermayne
  - Basildon Golf Club
  - Basildon University Hospital
  
- **Wickford**
  - Gibraltar Walk/Golden Jubilee roundabout

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

- There are considerably more sites here than we have identified market potential for.
- In terms of location, we have loosely grouped the sites into A127 corridor/Basildon North, town centre, and Basildon South. The majority of sites identified fall within the A127 corridor/Basildon North zone, for a number of reasons:
  - This is where the majority of Basildon businesses are located;
  - This is also where there is further employment land that could offer potential for hotel alongside and in support of business development;
  - Sites and locations with frontage/exposure to the A127 also have the ability to pick up some more strategic/footloose business along this corridor, in transit or looking for a place to meet, so expanding their market potential;

- Within the A127 corridor there are ‘outlying’ sites to both the east and the west – the possible Science Park at Dunton and Burnt Mills; they are a little off-pitch in terms of the current centre of gravity of Basildon’s business activity, so associated drivers of demand coming on stream will be important to any hotel being developed here so that there is an immediate market to serve – this is true more so of Burnt Mills given the Ford research centre at Dunton and Southfields, plus the direct access currently off the A127.
- The town centre as it stands lacks appeal given the nature of the surrounding environment, and is disadvantaged from a hotel development perspective by distance from the business parks. Bringing a hotel forward in the town centre will require a major step-change in this environment, and the creation of a leisure destination and evening economy that will appeal to hotel guests. This is clearly the Masterplan aim, but is some way from being delivered.
- Only one potential site for hotel development was identified in Wickford; this appears to be a good location for a budget hotel. No sites were identified in Billericay.
- Whilst we have limited evidence, there could well be an issue relating to value that could push sites beyond the reach of hotels, particularly where residential use is an option. We have experience of a site in Wickford where this was the case that has now been developed for apartments, and suspect that sites like Station Way car park might go this way.
- Specific feedback was requested on the Toucan Way site, which the Borough Council is currently proposing to allocate for a country house of around 50 bedrooms, as an ancillary use to Basildon Golf Course. On the basis of our research, we believe that there could be scope for a small hotel of around 30-40 bedrooms with conference and function facilities to be developed in conjunction with the golf course. Such a hotel could cater for the top end of the Basildon corporate market and potentially attract some residential conference business during the week, and cater for weddings and some golf break business at weekends. We believe that such a hotel would be more deliverable as an extension to the golf clubhouse, possibly utilising the adjacent empty buildings, rather than as a standalone hotel on the Toucan Way site. We have not identified any hotel companies that would look at this latter option. The role of the Toucan Way site would thus be more in terms of opening up direct access to the golf course and hotel from Nethermayne, and perhaps also in terms of provision for car parking. The remainder of the site could then be used for other uses, such as a pub restaurant with an adjacent lodge or budget hotel, for which our research has also identified potential. Some form of accommodation to meet the needs of Basildon Hospital could be another option

to consider. Further work is urgently needed to find a workable and acceptable solution for a hotel linked to the golf course alongside the development of the remaining part of the Toucan Way site.

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

## **7.4. The Potential for Hotel Development in Wickford and Billericay**

### **Wickford**

- 7.4.1. Our research has not identified any clear need for additional hotel provision in Wickford. The town is already served by two small hotels – the Travelodge Basildon Wickford and The Chichester – although neither of them are in Basildon Borough. As far as we have been able to establish there does not appear to be a distinct corporate market for hotel accommodation in Wickford. The hotels here are primarily catering for overspill corporate business from Basildon, and are usually the last hotels to fill on Tuesday and Wednesday nights. New hotels in Basildon, if developed, are likely to reduce this overspill corporate business for them.
- 7.4.2. Any potential for additional hotel provision in Wickford is most likely to be in terms of the expansion of the existing hotels, a small lodge possibly linked to a pub restaurant, pub rooms, or possibly a small budget hotel, given a suitable site that can achieve planning permission. Budget hotel operators are however only likely to look at Wickford if they are unable to secure sites in Basildon, and our hotel developer testing did not establish any interest in Wickford from budget hotel companies.

### **Billericay**

- 7.4.3. We believe that there could be some scope for accommodation development in Billericay. It is unusual for a town of its size not to have any form of visitor accommodation. Our research suggests that there is some local corporate business in Billericay that is currently accommodated in Basildon hotels or the Greenwoods Hotel & Spa at Stock. There is also likely to be demand for accommodation in Billericay from

people attending weddings and family parties or visiting friends and relatives in the town.

7.4.4. We think that the opportunities for accommodation development in Billericay are most likely to be in terms of:

- Pub rooms;
- Restaurants with rooms;
- A small boutique hotel possibly, given a suitable building for conversion<sup>1</sup>;
- A small budget hotel possibly, given a suitable site<sup>1</sup>.

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<sup>1</sup> No such buildings or sites were identified as part of the Hotel Futures Study

## 8. CONCLUSIONS & RECOMMENDATIONS

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### 8.1. Hotel Development Opportunities in Basildon Borough

8.1.1 Our hotel demand projections for Basildon and the other findings of our research show the following potential for hotel development in Basildon town through until 2034:

- Immediate opportunities (2017-2019) for additional hotel provision in terms of:
  - The proposed hotel at The Gun public house in Pitsea (27 bedrooms);
  - The expansion of existing hotels;
  - A small lodge (30-40 bedrooms) linked to a pub restaurant;
  - A small hotel (30-40 bedrooms) with conference and function facilities potentially at Basildon Golf Course;
  - Serviced apartments, primarily in terms of the letting of residential apartments, rather than a purpose-built serviced apartment complex.
  
- Medium-term potential (2020-2024) for the above and potentially a new hotel of up to around 100 bedrooms, given strong growth in demand.
  
- Longer-term potential (2025-2034) for all of the above together with scope for a further new hotel of up to 150 bedrooms.

8.1.2. We also think that there could be opportunities for accommodation development in Billericay in terms of:

- Pub rooms;
- Restaurants with rooms;
- A small boutique hotel possibly, given a suitable building for conversion;
- A small budget hotel possibly, given a suitable site.

8.1.3. The need for additional accommodation provision in Wickford is less clear, although there could be potential here for a small lodge linked to a pub restaurant, pub rooms, possibly a small budget hotel, and/or the expansion of the existing hotels that serve the town (neither of which are in Basildon Borough).

## 8.2. Implications for Planning Policy

### A Need to Plan for Hotel Growth

- 8.2.1 The Hotel Futures Study shows market potential for two large new hotels, some smaller hotels and possible extensions to existing hotels in the Borough, and scope for some small-scale accommodation development in Billericay and possibly also in Wickford. The Local Plan therefore needs to plan for such hotel and accommodation development.
- 8.2.2. There are two key locations in Basildon where it would be appropriate to focus hotel development – the town centre in order to support regeneration here, and the A127 Basildon Enterprise Corridor to help promote business growth. National planning policy guidance prioritises town centre locations for hotel development and requires the satisfaction of a sequential test for hotel proposals in edge of town centre and out-of-town locations. While new hotel provision in Basildon town centre can contribute to regeneration objectives and help improve town centre vitality, additional hotel provision would also be appropriate in the A127 Enterprise Corridor.
- 8.2.3. Policy R2 on Basildon Town Centre Regeneration in the Draft Local Plan, as currently drafted, makes no mention of hotels as a use to encourage here. The town centre environment is not currently conducive to attracting hotel stays. Corporate hotel users primarily indicated a preference for hotels as close as possible to their company base in the A127 Basildon Enterprise Corridor. They are not currently interested in staying in a new hotel in the town centre as they feel that there is nothing to do here in the evening, the environment is unattractive, and they will be required to use and pay for public car parking. Female corporate customers are also likely to feel less safe in a town centre hotel. Contractors may be deterred from using a town centre hotel if they are unable to get their vans into the multi-storey car parks here. Hotel companies are less interested in Basildon town centre for the same reasons. A new hotel in the town centre is most likely to be secured as part of a significant mixed-use leisure destination development, probably in terms of a budget/limited service hotel. It is more difficult to see a full service 3 or 4 star hotel being secured here. It would be helpful to identify this potential for hotel development in the town centre as part of Policy R2, at least in the supporting text.
- 8.2.4. Policy E12 relating to Non B-Class Uses in Employment Areas resists the loss of employment sites in employment areas and the development of non B-class uses that

will undermine the vitality and viability of the town centre, unless it can be demonstrated that the proposed use is compatible with other existing uses within the employment area. We would suggest that hotels would fall into this category. Our evidence from talking to companies in the A127 Basildon Enterprise Corridor shows that companies want to use hotels as close as possible to their company base. Additional hotel provision in employment areas would therefore seem to be compatible with this requirement. Moreover, we think it will be challenging to secure more than one new hotel in the town centre, and difficult to attract a full-service 3 or 4 star hotel, particularly a full-service hotel model that requires a large land take. There is probably a better chance of securing a full service hotel, or perhaps a further upper-tier budget or budget boutique hotel, in the A127 Enterprise Corridor. On this basis, we think it would be helpful to make a specific reference to hotels as a use that might be more positively considered in employment areas as part of the supporting text to Policy E12.

- 8.2.5. Our suggested changes to these two policies should, we believe, make adequate planning policy provision for hotel development in Basildon town. We do not think that there is a need for a specific policy on hotel development. In line with national policy hotel proposals in other parts of the town should continue to be the subject of the sequential test, particularly in the case of hotels of any scale. Smaller developments in out of centre locations, say up to 40 rooms, such as might come forward attached to a pub/restaurant or at Basildon Golf Course, are unlikely to impact significantly on the delivery of a new hotel in the town centre, so flexibility in relation to such developments could be built into the Local Plan.
- 8.2.6. Policies R5 and R6 relating to Wickford Town Centre Regeneration and Billericay Town Centre Enhancement could usefully make reference in the supporting text to the potential for accommodation development that we have identified.
- 8.2.7. Chapter 14 of the Draft Local Plan sets out a series of detailed policies covering development in the Green Belt. The hotel development opportunities that we have identified can largely be accommodated within the urban areas of the Borough, without the need to consider hotel development in the Green Belt. Exceptions could include extensions to existing hotels in the Green Belt and hotels linked to other established leisure uses in the Green Belt, e.g. golf courses, wedding venues or visitor attractions, such as Barleylands. Any such proposals would need to comply with the Green Belt policies GB4 to GB8. Depending on how they are interpreted, we believe that these policies could allow for these types of hotel development in the Green Belt,



should proposals come forward. It may however be helpful to strengthen these policies with wording to this effect.

### **No Need to Allocate Hotel Sites**

- 8.2.8 The case for allocating sites for hotel development is strongest in locations where there is a paucity of good hotel sites, and where hotel development is being frustrated by competition from higher value uses such as offices or residential. These factors are not clearly evident in Basildon. Whilst we have not investigated the deliverability of the sites put forward for assessment, in overall terms there are more potential hotel sites than we are identifying market potential for new hotels, and no clear evidence that hotel projects are currently being, or are likely to be, squeezed out by alternative uses. Moreover, there is no certainty that new hotels can be commercially delivered in Basildon, because of the lack of weekend demand. Allocating sites for hotel development could therefore sterilise them for alternative uses when hotel projects on them might not get off the ground.
- 8.2.9 Policy R13 allocates a 2ha site off Nethermayne, adjacent to Basildon Golf Course, otherwise known as the Toucan Way site, for a small country house hotel of around 50 bedrooms, as an ancillary use to the golf course. The site is owned by the Homes & Communities Agency (HCA). Essex County Council has a covenant on the site to retain it for recreational use. HCA has recently been marketing the site, for which it has firm interest for a scheme including a family pub restaurant, budget hotel and two drive-thru restaurants. This is not however the type of development that the Borough Council had wanted to see here We viewed the site as part of our sites assessment work. Our market research suggests that there could be potential for a small full-service hotel of up to 30-40 bedrooms, with conference and function space, linked to the golf course. In our professional opinion, such a hotel would be most deliverable as an extension to the golf clubhouse and operated as part of the golf course. It is much more difficult to see how a standalone country house hotel of 50 bedrooms could be achieved on the Toucan Way site. The role that the site can play is more in terms of opening up direct access from Nethermayne to a hotel on the golf course, and possibly in terms of providing car parking for the hotel. This would leave the remaining part of the site available for another leisure use e.g. a pub restaurant with an adjacent lodge or budget hotel, which our research also shows potential for. Another option could be some form of hotel/serviced apartments to meet the needs of Basildon Hospital. Further work is urgently needed to find a workable and acceptable solution for the Toucan

Way site, in order to decide on the need and scope for a hotel and/or other leisure use allocation of the site in the new Local Plan.

### **Supporting the Development of Existing Hotels**

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

### **A Streamlined Planning Process without Onerous Conditions**

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

## **8.3. Other Requirements for Borough Council Intervention**

### **Disseminating the Study Findings**

8.3.1 Beyond informing the Local Plan, the key requirement is to share the findings of the Hotel Futures Study with Wilson Bowden, to better inform their forward strategy for regenerating Basildon town centre; the developers of the proposed science park, to inform their thinking on the potential inclusion of a hotel in the scheme; the owners of other potential hotel sites in the A127 Enterprise Corridor; HCA to inform its decisions about the Toucan Way site; and Basildon Golf Course regarding the identified possibility of a small hotel here.

8.3.2. The hotel developer testing work completed as part of the Hotel Futures Study provides a good starting point for identifying hotel companies that are likely to be most interested

in hotel development sites in the town centre and/or the A127 Enterprise Corridor, and can be shared with site owners in these locations. There may be a need for more detailed work to better understand the requirements of such hotel companies, including getting them to visit Basildon and view potential hotel sites.

### **Working Up a Solution for the Toucan Way Site**

- 8.3.3. As we have indicated, the Toucan Way site presents an opportunity to achieve a small hotel (30-40 bedrooms) with conference and banqueting facilities linked to Basildon Golf Course, potentially alongside a pub restaurant and lodge/ budget hotel or some form of overnight accommodation to meet the needs of Basildon Hospital. Further investigations are urgently needed to find a workable solution for the site, given that HCA has been actively marketing it and has interest for a development that is not entirely acceptable to the Borough Council. This will require discussions with all interested parties, and consideration of the role that the Borough Council can play as the owner of the golf course and as a potential investor in a scheme that meets its objectives.

### **A Case for Borough Council Hotel Investment?**

- 8.3.3. There may be a case for the Borough Council to consider direct investment in hotel development in order to secure new hotels and also potentially as a means of generating a new revenue stream to the Council. As already indicated, this could include investment in a potential hotel linked to Basildon Golf Course. While it has improved, commercial funding for hotel development remains a challenge, particularly for full service 3 and 4 star hotels, and in secondary locations like Basildon. While additional hotel provision will clearly be needed to service midweek corporate demand going forward, the challenge of attracting sufficient high-rated weekend demand in Basildon makes it difficult to get significant hotel development projects to stack up financially. Council investment may therefore be needed to help reduce the risk of developing new hotels here.
- 8.3.4. Local authorities across the UK are also increasingly looking at hotel investment as a way of generating an ongoing revenue stream. Some have taken out Public Works Loans to fund hotels that they then lease to hotel companies, with the rental income repaying the loan and generating a surplus for the Council. This approach has mainly been applied to budget hotel development, but has also been used for some 4 star hotel projects. In other cases local authorities have provided grants or loans using their capital reserves or have accessed Central Government funding through Local Enterprise Partnerships. Land ownership is a further way of influencing hotel development, with the potential to partner a hotel developer on a JV basis being another route that local authorities can look at pursuing, whether or not they invest in the construction of the hotel as well.
- 8.3.5. A review of how local authorities and public sector bodies in the UK have started to invest in hotel development schemes can be found at Appendix 6.

### **Working Up Site Opportunities**

- 8.3.6. A more immediate action, which could have a role in inputting to both emerging planning policy and on-going inward investment work (as well as potentially the Council's property and estates strategy), would be to undertake some more detailed work on the other identified hotel site opportunities (in addition to work on the Toucan Way site), as a follow up to the high level assessment undertaken as part of this study. This would enable a more detailed understanding of site owner/developer interest in hotel development, the scale and type of hotel that can be delivered, and the sort of deal that might be available to a hotel operator. Work can then be undertaken to match sites to target brands to come to a view on deliverability, and potentially influence future landowner/developer plans in the longer term.
- 8.3.7. The Hotel Futures Study suggests potential for accommodation development in Billericay to meet local corporate demand and weekend demand from people attending weddings and other family occasions and visiting their friends and relatives in the town. It did not however include consideration of any potential properties or sites that might be suitable for accommodation development. We would suggest therefore that there is a role for the Borough Council to play to identify potential accommodation development sites and properties in Billericay by raising awareness of the opportunities with the town's pubs and restaurants and land and property owners. This could also include consideration of the Council's own property assets in the town.

### **Attracting Companies**

- 8.3.8. Attracting companies and business uses that will generate strong demand for hotel accommodation will be key to growing the corporate market in Basildon. International, European and national headquarters of IT, financial services, advanced engineering and pharmaceutical companies are likely to be the most productive in terms of requirements for hotel accommodation. Call centres and logistics uses will not generate much demand for hotels.

## **Weekend Events Development**

8.3.9. The lack of weekend demand and low weekend room rates are clearly constraints on achievable hotel performance in Basildon Borough and a barrier to new hotel development, particularly at the 3/4-star level. The strongest prospect of developing a weekend leisure market for hotels in the Borough would be through the development of major events at Basildon Sporting Village and Barleylands. We would recommend therefore that the Borough Council should develop a weekend events strategy, working with Basildon Sporting Village, Barleylands and Visit Essex.

## **Monitoring Hotel Development & Performance**

8.3.10. Keeping a handle on how the hotel market is performing and what is coming on stream in terms of new hotels and proposals will be important going forward, to ensure that future decision-making is based upon live market intelligence so that priorities can be adjusted as required. In terms of hotel performance, we would suggest purchasing annual data for Basildon from STR Global. This should be sufficient to keep track of how the hotel sector is performing. Updating the Hotel Futures Study at some point in the future might also be useful, probably following new hotel openings in order to gauge how the market is settling down and whether additional hotels are still required. Monitoring of hotel development activity and proposals can be achieved through the planning system on an on-going basis, though it will be important to allocate responsibility and resource to do this.

## APPENDICES

## GLOSSARY OF HOTEL DEFINITIONS

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### **Budget Hotel**

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

Brand examples include Travelodge, Premier Inn, Ibis, Tune

### **Upper Tier Budget**

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

Brand examples include Holiday Inn Express, Ramada Encore, Hampton by Hilton.

### **3 Star**

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

Brand examples include Village, Holiday Inn, Courtyard by Marriott, Hilton Garden Inn, Ramada

### **4 Star**

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

Brand examples include Marriott, Crowne Plaza, Hilton, Radisson Blu, Apex

### **5 Star**



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

Brand examples include InterContinental, Renaissance, Radisson Edwardian

## **Boutique Hotel**

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

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

## **Budget Boutique**

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

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

## **Serviced Apartments**

Usually studio, one, two or three bedroom apartments with kitchens that are let out on a fully serviced basis, with daily cleaning. They provide an alternative to a hotel stay, offering more space and greater flexibility in terms of the option to self-cater. They are generally aimed at the extended stay market, and whilst they can offer rooms from one night upwards, most request a minimum stay. They are generally residential apartments that are let out on a serviced apartment basis, either individually by their owners, or by a local serviced apartment letting agency that markets a collection of serviced apartments on behalf of their owners, or leases an entire floor or block of apartments to sublet as serviced apartments. There are also a few operators that are developing purpose-built serviced apartment complexes e.g. PremGroup, SACO, Bridge Street Worldwide and Beyondor.

## **Aparthotels/ Suite Hotels**

Purpose-built hotels that purely offer apartments or suites, that include a kitchen or kitchenette. They will include a reception area and usually some form of restaurant and bar.

Brand examples include Staybridge Suites, Residence Inn, Element

## **Occupancy Rate**

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

### **Achieved Room Rate (ARR)**

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

### **Revpar**

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

## **NPPG - TOURISM PLANNING GUIDANCE (From March 2014)**

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

### **Ensuring the vitality of town centres**

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

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

Please see here for the World Tourism Organisation's [definition of tourism](#).

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

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

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

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

[http://planningguidance.planningportal.gov.uk/blog/guidance/ensuring-the-vitality-of-town-centres/ensuring-the-vitality-of-town-centres-guidance/-paragraph\\_007](http://planningguidance.planningportal.gov.uk/blog/guidance/ensuring-the-vitality-of-town-centres/ensuring-the-vitality-of-town-centres-guidance/-paragraph_007)

Revision date: 06 03 2014

See overleaf for the guidance.

## Tourism Sector Tourism Planning Guidance<sup>1</sup>

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

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

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

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

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

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

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

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

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<sup>1</sup> Source Visit Britain/VisitEngland corporate website

### **3. How should tourism be accommodated in rural areas?**

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

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

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

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

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

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

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

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

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

## **6. What about applications for permanent staff accommodation?**

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

**BASILDON MARKET AREA - HOTELS INTERVIEWED**

<b>Establishment</b>	<b>Face-to-Face/ Telephone/ Head Office Data/STR Data</b>
Holiday Inn Basildon	F/HO
The Chichester	F
Orsett Hall	F
Premier Inn Basildon Festival Leisure Park	HO/STR
Premier Inn Basildon East Mayne	HO/STR
Premier Inn Basildon South	HO/STR
Premier Inn Basildon Rayleigh	HO/STR
Travelodge Basildon	HO/STR
Travelodge Basildon Wickford	HO/STR
Campanile Basildon	STR

**BASILDON TOWN  
PROJECTED FUTURE HOTEL DEVELOPMENT REQUIREMENTS – 2019-2034**

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**Methodology Used for the Projections**

In order to provide an indication of the number of new hotel bedrooms that might be needed in Basildon town through to 2034, Hotel Solutions has prepared projections of possible future growth in hotel demand in the town to 2019, 2024, 2029 and 2034. The projections take Basildon's current supply of hotels and 2015 midweek roomnight demand as their baseline. They have been based purely on growth in midweek demand, as this will be the key determinant of new hotel development in Basildon: given the challenge of growing the weekend market in the town, hotel companies will want to be confident that they can achieve high occupancies and room rates during the week. The projections assume that growth will be unconstrained by site availability and planning policy.

In projecting future requirements for hotel accommodation we have first calculated an estimate of current (2015) baseline midweek roomnight demand for hotel accommodation in Basildon, based on the hotel occupancy data that we purchased from STR Global. To these figures we have added an estimate of the roomnights that are currently being lost from Basildon due to all hotels being full (based on the information provided to us by hotel managers and hotel company head offices) to provide an adjusted baseline figure of the true (unconstrained) midweek demand for hotel accommodation in the town. We have then applied assumed low, medium and high growth rates to these adjusted baseline figures to calculate estimated roomnight demand by 2019, 2024, 2029 and 2034.

Using these projections of future hotel demand, we have calculated the number of hotel bedrooms that our roomnight projections would support, assuming an average annual midweek room occupancy of 80% (as the level of midweek occupancy that hotel developers and operators would be looking for to support new hotel development in the town). Applying these figures to the current number of hotel rooms provides figures for the numbers of new hotel bedrooms that may be needed in the future if the projected growth in the market takes place.

Making any sort of market forecasts is an uncertain process: all forecasts are based on judgement and assumptions, and are susceptible to unforeseen changes. The projections we



have prepared should thus be taken as indicative only. They have been prepared to provide an illustration of the numbers of new hotel bedrooms that might be needed under different growth scenarios. They are not intended to be accurate projections of how the market will grow. Clearly the further ahead that one looks, the more difficult it is to project growth accurately. Projecting much further ahead than 5 years is very difficult. The projections to 2024, 2029 and 2034 should thus be treated with some caution and should be periodically reviewed.

It should also be noted that our growth projections are not intended to be targets or limits on new hotel provision: they merely provide an indication of the level of new hotel development that market growth is likely to support, assuming that all hotels receive an equal share of available business. They do not take account of new corporate, residential conference or leisure demand that new hotels might be able to generate as a result of their brand and/or conferencing and leisure offer. New hotels could therefore be developed ahead of our growth projections if hotel companies feel that they can compete well in the Basildon market and/or they are confident of attracting new business.

### **Assumed Growth Rates**

Employment forecasts provide an indicator of local business development and new companies coming into an area. They provide the best indicator of potential growth in midweek corporate demand for hotel accommodation therefore. The latest available employment forecasts for Basildon Borough put average annual employment growth in the Borough at 0.4%-0.6%. Office floorspace is projected to increase at an average annual growth rate of 0.98%. These percentages provide a starting point for gauging potential future growth in corporate demand for hotel accommodation. Growth could be at a higher level if national and international companies that have high requirements for hotel accommodation are attracted to Basildon. A lower growth scenario also needs to be considered in case the planned employment and office development does not materialise as envisaged or if it attracts occupiers that will have much lower requirements for hotel accommodation e.g. call centres and distribution companies.

In addition to growth in corporate demand, the planned construction activity in and around the Borough is likely to generate additional midweek contractor demand for hotel accommodation, primarily for budget hotel accommodation for construction workers, but also for full service hotel accommodation for project managers.

Taking account of these factors, we have assumed the following average annual growth rates for midweek demand for hotel accommodation in Basildon:

**BASILDON  
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND**

<b>GROWTH SCENARIO</b>	<b>AVERAGE ANNUAL GROWTH RATE 2016-2034 %</b>
Low	1
Medium	1.5
High	2

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

## BASILDON HOTEL DEVELOPER TESTING – SAMPLING &amp; RESPONSE

HOTEL COMPANY/ BRAND	RESPONSE	INTEREST
Accor	Y	Y
Beyonder/SACO	N	
Bridge Street	N	
Easyhotel	Y	Y <sup>1</sup>
Fairview Hotels	N	
Greene King	Y	Y
Hilton	Y	Y
IHG	Y	Y
Marriott	Y	N
Marston's	Y	Y
Moxy	Y	N
Premier Apartments	N	
Premier Inn	Y	N
Travelodge	Y	Y
Village	Y	N

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<sup>1</sup> Longer term; on target list for London but not a current priority

## **PUBLIC SECTOR FUNDING OF HOTEL DEVELOPMENT SCHEMES IN THE UK**

### **1. Introduction**

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

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

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

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

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

## **2. Local Authority Borrowing at Preferential Interest Rates**

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

### **Travelodge Partnerships with Local Authorities**

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

### **Pullman Hotel, Liverpool**

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

### **Crowne Plaza Newcastle**

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

### **Hilton Ageas Bowl, Hampshire**

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

### **Lancashire County Cricket Club 4 Star Hotel**

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

### **Stockport Exchange**

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

### **3. Grants for Hotel Projects**

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

#### **Welsh Government Tourism Investment Support Scheme (TISS)**

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

#### **Highlands & Islands Enterprise**

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

#### **Titanic Hotel, Liverpool**



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

### **Premier Inn Blackburn**

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

### **Hampton by Hilton Humberside Airport**

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

### **Belfast Titanic Hotel**

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

### **Buxton Crescent Hotel**

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

## **4. Local Authority Freehold Purchase**

### **Aloft Liverpool**

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