BRIGHTON & HOVE VISITOR ACCOMMODATION STUDY UPDATE 2018

Final Report

Prepared for: Brighton & Hove City Council

April 2018



CONTENTS

EXEC	CUTIVE SUMMARY	i
1.	INTRODUCTION	
1.1	The Purpose of the Study Update	
1.2	The Scope of this Report	
1.3	Study Methodology	
1.4	Hotel & Visitor Accommodation Definitions	3
2.	BRIGHTON & HOVE VISITOR ACCOMMODATION SUPP	LY 4
2.1.	Current Visitor Accommodation Supply	
2.2.	Changes Since 2006	7
2.3.		
3.	CURRENT ACCOMMODATION SECTOR PERFORMANCI	E. 12
3.1.	Hotels	12
3.2.	Guest Houses	
3.3.	Short-Term Lets	16
4.	THE PROSPECTS FOR FUTURE MARKET GROWTH	17
4.1.	Future Growth Drivers	17
4.2.	Growth Prospects by Market	19
5 .	HOTEL & GUEST HOUSE DEVELOPMENT OPPORTUNITIES	21
5.1.	Potential Development of Existing Hotels	
5.2.	The Guest House Property Market	
5.3.	Pipeline New Hotels	
5.4.	Hotel Developer Interest	
5.5.		
5.6.		
5.7.	1 ,	
5.8. 5.9.		
	·	
6.	PLANNING POLICY IMPLICATIONS	
6.1. 6.2.	The Need to Plan for Hotels Options for Meeting Future Hotel Requirements	
6.2. 6.3.		
6.4.	Reviewing the Hotel Core Zone	
6.5.	Retaining Conference and Banqueting Provision in Hotels	
7.	REGULATING SHORT-TERM HOLIDAY LETS AND HOME	
/ .		27
	SHARING	
7.1.		
7.2.	,	39
8.	REQUIREMENTS FOR PROACTIVE CITY COUNCIL	
	INTERVENTION TO SUPPORT HOTEL DEVELOPMENT	43
8.1.	Options for City Council Intervention to Support Hotel Development	43

APPENDICES

- Glossary of Hotel & Visitor Accommodation Definitions
- 2 Hotel & Visitor Accommodation Business and Organisations Interviewed
- 3 Brighton & Hove Current Supply of Hotels and Guest Houses March 2018
- 4 Brighton & Hove Airbnb Supply 2016/17
- 5 Brighton & Hove Short-term Holiday Let Supply January 2018
- 6 Brighton Hostels
- 7 Brighton & Hove Hotels and Guest Houses Repositioned as Boutique Accommodation 2006-2017
- 8 Brighton & Hove Guest House and B&B Closures 2006-2017
- 9 Current Hotel Performance & Markets
- 10 Survey of Guest Houses Results
- 11 Brighton & Hove Airbnb Occupancy and ADR Performance 2017
- 12 Brighton Hotel Demand Projections Methodology & Assumptions
- 13 The Regulation of Short-Term Rentals Case Studies
- 14 The Hotel Developer Perspective
- 15 Public Sector Funding of Hotel Development Schemes in the UK
- 16 Brighton Hotel Sites Assessment



the hotel development consultancy

Lynn Thomason **Hotel Solutions** Deleanor House High Street Coleby Lincoln LN5 0AG

t. 01522 811255

e. lynn@hotelsolutions.org.uk

Andrew Keeling **Hotel Solutions** Mill Field House Mill Fields Bassingham Lincoln LN5 9NP t. 01522 789702

e. andrew@hotelsolutions.org.uk

EXECUTIVE SUMMARY

The Purpose of the Study

The Brighton & Hove Visitor Accommodation Study Update 2018 has been commissioned to provide an updated assessment of future market requirements for visitor accommodation (hotels, guest houses, aparthotels, short-term holiday lets and home sharing) in Brighton & Hove. It updates the Brighton & Hove Hotel Futures Study, completed by Hotel Solutions in 2007, that was used to inform City Plan Part One. The updated study will be used to guide the assessment of planning applications for new hotels; support the preparation of City Plan Part Two in terms of guidance on hotel site allocation and visitor accommodation development management policies; and assist the City Council in considering the need and options for regulating short-term holiday lets and home sharing.

Changes in Visitor Accommodation Supply Since 2006

Brighton & Hove's visitor accommodation supply has grown and changed significantly since 2006. Key changes have been:

- A net overall increase in hotel provision of just over 350 bedrooms (11%), with new hotel openings offset slightly by the closure of some hotels and the repositioning of others as hostels or boutique guest houses;
- The loss of the city's 5-star hotel with The Grand now generally rated as a 4-star hotel on booking sites, albeit a luxury one;
- An increase in 4-star hotel provision of 346 bedrooms (39%) through the repositioning of hotels to this level and the additional bedrooms created as part of the conversion of the former Umi Hotel to the Brighton Harbour Hotel;
- A significant improvement in the quality of the city's 4-star hotel offer as a result of major refurbishment programmes at a number of hotels, with other 4-star hotels to be refurbished in 2018 under new owners;
- A significant increase in the provision of boutique hotels, guest houses and B&Bs, offering high quality accommodation with contemporary interior design;
- Very little overall change in 3-star hotel provision, with the opening of the Jurys Inn
 Brighton at the station in 2008 offset by the upgrading of the former Ramada hotel
 and the repositioning of the former Quality Hotel as the Travelodge Brighton
 Seafront budget hotel;

- A doubling of branded budget hotel bedrooms, with the repositioning of the former
 Quality Hotel to a Travelodge and the opening of the Ibis;
- The loss of 169 2-star hotel bedrooms;
- The closure of some poor quality guest houses and conversion of others to hostels, serviced apartments or group houses;
- A significant increase in hostel provision;
- A substantial increase in the supply of residential properties being let as short-term holiday lets through online booking platforms such as airbnb, Owners Direct, HomeAway, Holiday Lettings, and the holiday letting agencies that operate in the city. There could now be as many as 1,500-2,000 short-term holiday let properties that are actively being marketed in the city, including around 250 larger properties/group houses that cater for stag and hen parties and other large group bookings;
- A rapid growth in home sharing through airbnb: there are currently around 1,000 homeshare rooms listed on airbnb in Brighton & Hove;
- A significant increase in student accommodation being made available for tourist stays in vacation periods.

Pipeline New Hotels

There are 5 potential new hotels that look likely to come forward in Brighton over the next 5 years, which between them would deliver an additional 400 bedrooms, equating to a 13% increase in hotel supply:

- Under construction are the Super City aparthotel (56 rooms), opening in 2018, and the new Hotel Indigo boutique hotel (94 rooms).
- Planning permission has been granted for the redevelopment of the Club Barcelona site on West Street as a Premier Inn budget hotel (133 bedrooms).
- The adjacent site on West Street is likely to achieve planning permission in the next month as legal agreements are now about to be signed. This is likely to come forward as a budget boutique hotel (91 rooms plus 11 hostel rooms).
- Wetherspoons have an application to develop 14 bedrooms above their Bright Helm pub currently under consideration.

How Brighton Compares

Compared to other major cities in the South East (Southampton and Portsmouth) and competitor UK conference cities (Birmingham, Manchester, Liverpool and Bournemouth) Brighton:

- Is under-represented in terms of international hotel brands:
- Has fewer budget hotels;
- Is not seeing the development of the new contemporary hotel products and brands that are developing in London and other cities, in terms of branded aparthotels, lifestyle hotels targeted as the Millennial/Generation Y traveller; and limited service budget boutique hotels that feature contemporary interior design for an affordable price.
- Has a much larger independent hotel and guest house sector, including a significant stock of small boutique hotels and guest houses, which is an integral part of Brighton's appeal as a leisure and business tourism destination.

Current Accommodation Sector Performance

The key findings of the study regarding current accommodation sector performance in Brighton are as follows:

Hotels

Brighton has one of the strongest hotel markets in the UK. Occupancies for the city's
hotels are ahead of provincial UK averages. Achieved room rate performance is
significantly stronger than the national picture.

BRIGHTON HOTEL PERFORMANCE 2017

Standard of Hotel	Average Annual Room Occupancy %	Average Annual Achieved Room Rate £
UK Provincial Hotels (All Standards)	76	71
UK Provincial 3/4 Star Chain Hotels	76.5	86.43
Brighton Boutique Hotels	78.1	115.23
Brighton 4 Star Hotels	73.8	105.84
Brighton 3 Star Hotels	86.0	75.74
Brighton 3/4 Star Hotels	77.8	94.97
Brighton Budget Hotels	79.9	70.60
Brighton - All Hotels	78.3	91.77

- Weekend demand for hotel accommodation in the city remains very strong.
 Brighton hotels are consistently fully booked and turn away significant business on Saturday nights throughout the year, and Friday nights between April and September.
- Midweek demand for the city's hotels has increased significantly since 2006 as a result of much stronger midweek leisure break business and an increase in city conferences since the refurbishment of the Brighton Centre in 2012. Brighton hotels achieve high weekday occupancies and turn midweek business away in the summer months and the peak conference months of January, March, April, September, October and November.

Guest Houses

• The survey of guest house owners undertaken as part of the study shows that while Brighton & Hove's guest house sector has been affected by increased competition from airbnb home sharing, short-term holiday lets and new budget hotels, there remains a strong market for good quality guest houses in the city. The majority (83%) of guest houses that took part in the survey reported an average annual occupancy of over 60%. While 39% of guest house owners reported a decrease in occupancy in the last three years, an almost equal number (33%) reported an increase. Boutique, 4-star and budget guest houses are generally trading more strongly than 3-star guest houses. Revenues and profits have evidently reduced in 2017 for many guest houses, as shown by the BHHA survey of its members. Guest houses are clearly trading in a more competitive and challenging environment, however there remains strong demand for this type of accommodation in Brighton & Hove, certainly throughout the summer months from April to October.

Short-Term Holiday Lets

• The study shows a strong market for short-term holidays lets in Brighton & Hove. Holiday letting agencies report high demand for weekend breaks in smaller holiday let properties and weekend demand from stag and hen parties and other group bookings for group houses. They also report good midweek demand from business visitors, contractors, conference delegates, language students, and for short breaks and holidays in the summer months. Data from AirDNA shows airbnb entire home listings as achieving an average annual occupancy of 59% in 2017, and hotel comparable listings (studios and one-bedroom properties) achieving an average annual occupancy of 62%.

Prospects for Future Growth in Visitor Accommodation Demand

All indicators point to continuing growth in demand for all forms of visitor accommodation in Brighton & Hove, particularly from the leisure tourist markets, but from other markets also:

- UK and overseas tourist demand should continue to grow given the ongoing development of the city's visitor offer. Tourism consultants Blue Sail, who are currently developing a new Visitor Economy Strategy for Brighton & Hove, have identified growth opportunities for the city in the UK short breaks and international tourist markets. There is no reason to think that these markets cannot grow in Brighton & Hove at least in line with the national forecasts of 3% per annum for domestic tourism and 6% per annum for inbound overseas tourism, given additional hotel and visitor accommodation provision. Growth is currently constrained by the lack of accommodation availability at weekends and during the summer months. Blue Sail are identifying the Generation Y (pre-family couples) and Grey (post family/ retired couples) markets as having the greatest growth potential for the city.
- There is some scope for growth in conference business, although limits on the potential for increased demand from this market due to its seasonal nature, even with a new venue at Black Rock.
- Corporate demand for accommodation should increase as the city's economy develops, existing companies expand, and new companies are attracted to the planned new offices.
- Contractor demand for budget hotel accommodation should grow strongly as major construction projects are progressed.
- The continuing expansion of the city's universities will generate increased demand for accommodation from university visitors, students' parents visiting, and for graduation ceremonies.
- Population growth should fuel increased demand for accommodation from people attending weddings and other family occasions, and those visiting their friends and relatives in the city.

Taking account of the potential for growth in all of these markets, we believe that visitor accommodation demand in the city could easily grow by 2-4% per annum over the next 5 years.

The Potential for Hotel Development in Brighton

Hotel Demand Projections

In order to provide an indicative quantification of the number of new hotels that hotel market growth might potentially support in Brighton, Hotel Solutions has prepared hotel demand projections under three different growth scenarios for upscale, midmarket and budget hotels for the short-term (2018-2022) and longer-term (2023-2030). The projections do not take any account of the Brighton Waterfront proposals. The longer-term projections beyond 2022 will need to be reconsidered once these proposals are confirmed as going ahead. The projections do not model the market potential for aparthotels. There is however strong aparthotel operator interest in Brighton, so demand also for sites for this type of hotel.

The results of the projections are set out in the tables below.

BRIGHTON

PROJECTED HOTEL DEVELOPMENT POTENTIAL – 2018-2030
IN ADDITION TO PIPELINE NEW ROOMS¹

STANDARD OF HOTELS/PERIOD	POTENTIAL NEW HOTEL ROOMS IN ADDITION TO PIPLELINE HOTELS ¹						
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH				
Upscale							
2018 – 2022	14	75	138				
2023 – 2027	159	253	357				
2028 - 2030	103	171	252				
Midmarket							
2018 – 2022	165	205	246				
2023 – 2027	82	129	182				
2028 - 2030	52	86	121				
Budget							
2018 – 2022	0	40	81				
2023 – 2027	83	103	189				
2028 - 2030	53	89	127				
TOTAL POTENTIAL NEW HOTEL ROOMS							
2018 – 2022	179	323	465				
2023 – 2027	324	512	728				
2028 – 2030	208	346	500				

¹ Hotel Indigo, Premier Inn West Street, the second hotel on West Street

BRIGHTON
POTENTIAL NUMBER OF ADDITIONAL HOTEL SITES REQUIRED¹ – 2018-2030

STANDARD OF HOTELS/PERIOD	POTENTIAL NUMBER OF HOTEL SITES REQUIRED ²							
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH					
Upscale								
2018 – 2022	0	0	1					
2023 – 2027	1	2	2					
2028 – 2030	1 1		1					
Midmarket								
2018 – 2022	1	1	1					
2023 – 2027	0	1	2					
2028 – 2030	1	1	0					
Budget								
2018 – 2022	0	0	0					
2023 – 2027	1	1	2					
2028 – 2030	1	1	1					
TOTAL POTENTIAL	TOTAL POTENTIAL HOTEL SITES REQUIRED							
2018 – 2022	1	1	2					
2023 – 2027	1	4	6					
2028 – 2030	3	3	2					

The projections we have prepared should 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, assuming that growth is unconstrained by hotel site availability or planning policy (which is clearly unlikely to be the case given the current limited land availability in Brighton and the requirements to provide new affordable housing in the city and additional office space). They are not intended to be accurate projections of how the market will grow, targets for hotel development, or limits on new hotel provision. 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 2027 and 2030 should thus be treated with some caution and should be periodically reviewed.

vii

¹ Assuming an average size of hotel of 150 bedrooms

Short-Term Hotel Site Requirements (2018-2022)

Our Low and Medium Growth scenario projections show market potential for at least one additional site for a new midmarket hotel by 2022, in addition to the planned pipeline hotels that are set to open in the next 2-3 years (Hotel Indigo, Premier Inn West Street, and the second West Street hotel). There is also likely to be developer demand for sites for perhaps one or two aparthotels (in addition to the Super City aparthotel that is currently under construction). Our High Growth scenario projections show a potential demand for up to a further 2 hotel sites.

The growth projections also show scope for the expansion of existing hotels as well as new hotels. Some of the market potential for additional upscale hotel provision, particularly in terms of boutique hotels, could also be satisfied through the redevelopment of existing 2 star and lower quality 3-star hotels in prime locations.

Longer-Term Hotel Site Requirements (2023-2030)

The growth projections show market potential for a further 4-8 new hotels in Brighton between 2023 and 2030, depending on how strongly the city's hotel market grows - a total requirement therefore for up to a further 10 hotel sites in the next 12 years, together with additional requirements for sites for aparthotels.

Hotel Developer Interest

Our survey of hotel companies shows strong hotel developer, investor and operator interest in Brighton, with interest from over 30 brands in being represented in the city, from luxury through to budget offers. The strongest interest came from serviced apartment/aparthotel, budget boutique, boutique and lifestyle hotel brands. Many of these are new brands to the UK, innovative offers often with a hip and cool, design-led angle to them, from both new start-ups and established hotel companies. This shows the strength of the market and reflects the uniqueness and alternative positioning of Brighton as a destination. These innovative offers present an opportunity to grow the market with a differentiated and more contemporary hotel offer that will appeal to the Generation Y traveller. In terms of hotel developer requirements, the interest from the market was very much on the city centre, including the area around the station, and the seafront. Many were ideally looking to develop large hotels (150-250 rooms) if sites could accommodate them, an indication of both confidence in the market and the need to maximise returns on high land values. Both new build and conversion opportunities were of interest, including mixed use schemes, but few would take the sort of institutional lease that many property developers were seeking.

Hotel Site Availability

Feedback from the hotel development sector clearly demonstrates that the delivery of new hotels in Brighton is being constrained by site deliverability, the key components of which are availability, cost, and suitability in planning terms. Higher value uses, notably residential and student accommodation are making it difficult for hotels to compete, including in mixed-use schemes. These other uses are given greater priority, locally and nationally, and given that the city is constrained in terms of land availability for both residential and office requirements this has been reflected in planning policy, with hotels not generally being identified as a use for major development sites and not considered as a suitable use for identified employment sites.

Planning Policy Implications

The Need to Plan for Hotels

There are a number of reasons why the City Council should plan for new hotels as part of City Plan Part Two:

- This Visitor Accommodation Study Update shows a greater requirement for additional hotel provision than was projected in the 2006 Brighton & Hove Hotel Futures Study, as a result of the much stronger than anticipated growth in the city's hotel market and significantly improved hotel performance since 2006; the fact that the expected additional 4-star hotel provision planned in 2006 did not materialise; and the modelling that we have now been able to do for budget hotel accommodation.
- As a destination, Brighton cannot grow staying tourism without additional hotel accommodation, because of capacity issues. The city's hotels are full and turning business away for much of the time at weekends and during the peak holiday season, but also during peak conference months. Other types of visitor accommodation are also trading at, or close to capacity at these times.
- Brighton is under-represented in terms of international hotel brands, which would deliver new business for the city as a result of their brand strength, marketing, customer bases, loyalty programmes and central reservations systems. Brighton is not seeing the development of the sort of contemporary hotel products and brands that competitor destinations are attracting in terms of branded aparthotels, lifestyle hotels and budget boutique hotels. This provision will be important to attract the Generation Y traveller, a key target market for the forward Visitor Economy Strategy and for whom Brighton has strong appeal.

The hotel demand growth projections show market potential for a further 5-10 hotels in Brighton by 2030. However, hotel companies are struggling to find and secure hotel sites in the city, and this is a major constraint on the delivery of new hotels. A positive approach to planning for additional hotel provision within City Plan Part Two would assist in addressing this situation. Given the site constraints in Brighton and the lack of certainty regarding making longer-term projections, it would seem sensible to plan for the low growth projection of up to 5 new hotels over the plan period, leaving further hotels to come forward potentially on windfall sites.

Options for Meeting Future Hotel Requirements

With intense pressure for development in Brighton from all sources, and local and national housing and employment needs being prioritised in planning policy, securing sites for hotel development is a key challenge and constraint on the future growth of the hotel sector in Brighton, and the city's visitor economy therefore. Some sort of structural, policy-based support or intervention is therefore needed to unlock sites for hotel development. This needs to be mindful however of the adopted strategy, policies and site allocations in City Plan Part 1, and the progress that has already been made on plans for a number of the major development sites in the city.

There is potential for new hotels to be more positively planned for in CPP2 in a number of the Development Areas identified in CPP1, where they could add value and improve vitality and viability, provided that this would not compromise or undermine the other uses to be delivered in these areas. This would require intensification of use, through greater height or mass, where there is capacity to do so. There are four key locations of opportunity for hotel development amongst the identified Development Areas in CPP1:

The Brighton Centre and Churchill Square Area (DA1)

This is a high-profile site in a prime position on the seafront and well connected to the city centre. Additional hotel facilities feature in the Strategic Allocation for this area. CPP2 might usefully identify the potential for re-provision of existing hotels but also encourage additional hotels, including perhaps along the West Street frontage of Churchill Square.

Black Rock/Brighton Marina/Gas Works Area (DA2)

This is a suitable location to consider for a number of hotels, with or without the development of a new conference and entertainment venue at Black Rock, given its seafront location and Brighton Marina's established role as a leisure destination. It is likely that the new venue will require an on-site 4-star hotel and a cluster of hotels within walking distance if it is to be competitive as a conference venue. The opportunity to deliver a headquarters hotel alongside the proposed venue should be considered as the scheme and business case are worked up. There could be potential for a hotel as part of the inner harbour site at Brighton Marina if the proposals here are reconsidered.

• New England Quarter (DA4)

This is a key business and office location close to the station and as such a strong location for hotel development to serve the corporate market that will develop here. It is already an established hotel location with the Jurys Inn open and the Hotel Indigo in development. There may be an opportunity to intensify the amount of development that can be accommodated on some of the key sites allocated for office and residential development in City Plan Part 1. The capacity to do so should be explored as part of revisiting the masterplan for the New England Street area.

• Hove Station Area (DA6)

This is not considered to be a significant opportunity area, given its secondary hotel location, but there is hotel company interest that we are aware of for Hove. The station area could be considered as an appropriate location for the development of a budget hotel alongside other identified uses. This could be considered as part of the emerging Hove Station Neighbourhood Plan.

Beyond these potential hotel development opportunity areas, additional hotel development could come forward on windfall sites; considered as part of mixed-use allocations that might come forward in CPP2; and progressed on out of centre sites that have associated demand drivers, such as the Amex Stadium and Brighton Racecourse. There is no need for allocation of hotel sites in outer locations however, as they are second choice locations for both visitors and hotel companies, where hotel development proposals can be left to the market to bring forward.

It is recommended that a new policy should be developed as part of CPP2 that identifies the four locations of opportunity for hotel development. The supporting text should draw on the evidence presented in this Visitor Accommodation Study Update to explain the rationale and market case and encourage proposals for hotel development to come forward that are in line with this, as well as supporting their assessment against Policy CP6 in City Plan Part 1. The council should also consider the role that new sites could play in meeting the identified need for new hotel development when undertaking site assessments to inform the site allocations in City Plan Part 2.

Hotel & Guest House Retention

The Visitor Accommodation Study Update shows a clear case for the City Council to continue to seek to retain the existing hotels and guest houses in the Hotel Core Zone. While the market for small independent hotels and guest houses has clearly become more competitive as the supplies of hotel accommodation, home sharing through airbnb and short-term holiday lets have increased, there remains a strong market in the city for good quality independent hotels and guest houses. While some guest house operators are reporting a downturn in business, an almost equal number report an increase. There is also a strong market for buying small hotels and guest house businesses in Brighton, even in more fringe locations in the Hotel Core Zone. Brighton's independent hotel and guest house offer clearly remains a key part of the city's appeal as a leisure and business tourism destination, and merits retention therefore. An element of flexibility is however required to allow guest houses to exit the market if they cannot find buyers. On balance, therefore, we believe that Part 6 of Policy CP6, which requires hotels and guest houses in the Hotel Core Zone to have been effectively marketed for sale for a reasonable period of time before a change of use will be allowed, is an entirely appropriate policy approach.

Reviewing the Hotel Core Zone

Given the flexibility that Part 6 of Policy CP6 allows to consider a change of use for hotels and guest houses that cannot find a buyer; the continuing demand for good quality independent hotels and guest houses; and the strong interest for buying small hotels and guest house businesses in Brighton, including in more fringe locations in the Hotel Core Zone, there is no compelling evidence of a need to redraw the current boundaries of the Hotel Core Zone. There could be a case for excluding the station area and Jubilee Street, where there are only newly built hotels that are unlikely to come forward for change of use, but there is no particular need to do this. We have noted that the Hotel Core Zone does not include The Brighton Hotel or the Mercure Brighton Seafront. There could be merit therefore in extending the boundary to include these two hotels.

Retaining Conference Provision

City Plan Part One articulates a strategy to position Brighton as one of Europe's leading conference and meeting destinations through the development of a new state-of-the-art conference centre. It makes no reference however to the important role that conference and banqueting provision in some of the city's 4-star hotels plays in attracting conference business to Brighton. A significant reduction in conference and banqueting provision in the city's 4-star hotels would weaken Brighton's competitive position as a conference destination. As it stands at present the City Council has no policy basis in City Plan Part One to resist the loss of hotel conference and banqueting facilities. There could therefore be merit in the City Council including a policy in City Plan Part 2 that seeks to resist the substantial loss of conference and banqueting facilities in the city's hotels,

Regulating Short-Term Holiday Lets and Home Sharing

The Need for Regulation

Residential properties being let out as short-term holiday lets through booking sites such as airbnb, Owners Direct, HomeAway, Holiday Lettings and booking.com have become a significant element of Brighton & Hove's visitor accommodation supply. While it is difficult to know exactly how many properties are being actively marketed for short-term holiday lets at any one time, we believe that it could be as many as 1,500-2,000. This includes around 250 larger properties/group houses that cater for stag and hen parties and other group bookings. These numbers could rise if the higher tax bills that residential landlords are set to face as the Finance Act 2015 Section 24 tax changes are phased in by 2020 encourage more landlords to switch to holiday letting.

There are two key reasons to consider regulating this type of visitor accommodation in Brighton & Hove:

- To control the impact on the city's housing stock and residential lettings market. This has clearly been the key driver of regulation in other cities like Paris, Amsterdam, Berlin, Barcelona, San Francisco and New York. Research is first needed to clearly establish what impact short-term holiday lets are having on the city's housing supply.
- To assist the relevant enforcement agencies in ensuring compliance with the regulations that cover short-term holiday lets.

There does not appear to be a need for regulation to control noise and disturbance caused by stag and hen parties and other groups staying in group houses. This was the key focus of the 2014 Scrutiny Panel that looked at short-term holiday lets. The Best Practice Guidelines for Large Group Rentals that were introduced by the Brighton & Hove Holiday Rentals Association in 2014, and management of group houses by professional letting agencies, appear to have reduced these problems to a minimal and very occasional level. Environmental Health reported very few noise and disturbance problems from group houses.

There is perhaps not the same need to regulate home sharing in terms of its impact on housing supply, but still a case for regulation in terms of ensuring compliance with fire safety and other health and safety regulations that cover home sharing properties.

The Options for Regulating Short-Term Holiday Lets

a) A Requirement for Change of Use Permission for Group Houses

The City Council could look at regulating group houses through the planning system, in terms of a requirement for large residential properties that are being let as short-term holiday lets to have change of use permission to a holiday let as a *sui generis* use. The key question then is whether such regulation is necessary. There are a number of factors that suggest that it may not be:

- There is a relatively small (but growing) supply of group houses in Brighton & Hove (we think around 250 properties). As such, their impact on housing supply and the residential lettings market may not be that significant.
- It is much easier for the Fire & Rescue Service to identify and inspect group houses as there are fewer of them, and many of them are managed by holiday letting agencies that work closely with the Service to ensure that group houses meet fire safety standards.
- The noise and antisocial behaviour problems associated with group houses are now well managed.
- There is strong weekend demand for group houses in Brighton & Hove, and these properties are making a significant contribution to the city's visitor economy.
- BHRA contend that a change of use requirement would reduce the supply of group houses and contribution to the city's visitor economy therefore, with landlords not wanting to lose the flexibility to revert to residential use.

If the City Council decides to pursue this option it will need to establish criteria regarding which holiday let properties will be required to have change of use permission and will need to consider the staff resource implications of a more proactive policy approach to requiring group houses to apply for change of use.

The City Council could not require a change of use for smaller short-term holiday lets as the government considers them to be a residential (C3) use. Any change to planning legislation to require a change of use for short-term holiday lets would thus have to come from central government and is not within the power of the City Council to introduce.

b) A Licensing System

The second option that the City Council might eventually be able to consider is the introduction of a short-term holiday let licensing system along the lines of the systems that other major European cities have introduced. This is not an option at present, as there is no current legislation that would allow the City Council to introduce such a system. The Tourism All-Party Parliamentary Group (APPG) is however currently considering the statutory registration of visitor accommodation using the legislation that already exists under the Development of Tourism Act 1969 for the National Tourist Boards to implement a statutory registration scheme, which they may then delegate to local councils to implement. Brighton & Hove City Council might therefore want to support this move and could consider putting Brighton & Hove forward as a pilot location for a licensing system.

Requirements for Pro-active City Council Intervention to Support Hotel Development

Given the challenges identified in Brighton to deliver the scale of hotel development for which market potential has been identified, there is a case for more pro-active City Council intervention to influence hotel development. The rationale for intervention is to help direct and secure the delivery of new hotels – in terms of type of hotel and location to underpin and maximise wider destination objectives, enable demand to grow, and achieve a sustainable hotel market. The priorities for City Council intervention include:

Clearly Articulating a Hotel Investment Strategy for Brighton

The strategy should set out the scale and nature of the market potential identified for hotel development in Brighton & Hove; the key hotel products and brands that the city wants to attract to support its future development as a leisure and business tourism destination; and the key locations of opportunity for hotel development in the city. The strategy should focus on attracting hotel products and brands that will help to attract new markets to the city and strengthen the city's competitive position as a business and leisure tourism destination in terms of:

- o International hotel brands that will bring new business to the city through their customer base, national and international marketing, brand strength, loyalty programmes and distribution channels.
- Lifestyle and budget boutique hotel and aparthotels to attract the Generation Y business traveller and leisure guest.
- London-based hotel brands that are looking to expand beyond the capital that can bring their customers to Brighton.

Sharing the Hotel Investment Strategy with the Property and Hotel Development Community

Given that hotel development is now primarily progressed by property developers, it will be important to share the Hotel Investment Strategy with them, as well as with hotel developers, investors and operators. This will include those that expressed interest in developing in Brighton as part of this study.

Owning the Strategy Across the City Council

The Hotel Investment Strategy also needs to communicated within the City Council, across departments, so that those responding to hotel development enquiries are clear about the type of hotel the city needs and the optimum locations for hotel development in the advice they give.

• Pro-active Use of Council Resources

Where more direct intervention might be required to bring forward a hotel of strategic importance that the market may not deliver, the City Council could consider financial intervention or the use and contribution of Council owned sites.

• Influencing Hotel Delivery in Negotiations on Key Strategic Schemes

In addition to communicating the Hotel Investment Strategy, there is a more focused role for key Council officers in its implementation in relation to the key locations of hotel development opportunity. Promoting the inclusion of hotel facilities within mixed-use schemes in these locations – and the right type and standard of hotel – will be important when engaging with the developers in each case and should form an on-going part of these negotiations.

1. INTRODUCTION

1.1 The Purpose of the Study Update

- 1.1. The following report provides the findings of the Brighton & Hove Visitor Accommodation Study Update 2018 and discusses their implications for the City Council's planning policy approach to hotel development, hotel and guest house retention, and the management of the use of residential properties for home sharing and short-term holiday lets. The study updates the Brighton & Hove Hotel Futures Study 2006 that was used to inform Policy CP6 of City Plan Part One. It will be used to:
 - Guide the assessment of hotel planning applications;
 - Inform City Plan Part Two regarding site allocations and development management policies for hotels;
 - Advise of the need for the City Council to continue to seek to retain existing
 hotels and guest houses in the Hotel Core Zone, and whether the
 boundaries of the Hotel Core Zone need to be amended in any way;
 - Assist the City Council in considering the need and options for regulating short-term holiday lets and home sharing.

1.2 The Scope of this Report

1.2.1. The report provides:

- A review of the changes that have taken place in Brighton & Hove's visitor accommodation supply since 2006, and their impact on the city's visitor accommodation market.
- An assessment of the current (2017) demand for different types of visitor accommodation in the city, and recent trends in sector performance.
- An assessment of the potential for growth in demand for visitor accommodation in the city over the next 5 years to 2022.
- An analysis of future requirements for additional hotel provision and hotel development sites in terms of the numbers of new hotel bedrooms that market growth might potentially support at each level in the market, and the interest from hotel companies in opening new hotels in Brighton & Hove.
- Case studies of how other cities are regulating short-term holiday lets.
- Conclusions regarding the planning policy implications.

1.3 Study Methodology

1.3.1. The study has involved the following modules of work:

- A review of relevant policy and strategy documents and plans for major development projects in the city;
- Consultations with relevant City Council officers and representatives of stakeholder organisations;
- A review of national hotel performance and development trends, to provide a context for considering hotel performance and development opportunities in Brighton & Hove;
- An audit of the current supply of visitor accommodation in the city and comparisons with the supply information included in the 2006 Brighton & Hove Hotel Futures Study to determine what changes have taken place over the last 11 years;
- Meetings and telephone interviews with hotel managers in the city;
- The purchase and analysis of STR hotel performance data for the city;
- A telephone survey of guest house and B&B owners;
- Telephone consultations with the chair of the Brighton & Hove Hoteliers
 Association and a representative of the Brighton & Hove Holiday Rentals

 Association:
- A telephone survey of Brighton holiday letting agencies;
- A telephone survey of hostel managers;
- The purchase and analysis of data on airbnb supply and performance from AirDNA;
- The preparation of hotel demand projections;
- An assessment of potential hotel sites in the city;
- A telephone survey of hotel company development managers;
- Consultations with local property agents on the market for buying and selling guest houses, B&Bs and small hotels;
- Case studies of the regulation of short-term lets in other major cities in the UK and around the world.

1.4 Hotel & Visitor Accommodation Definitions

- 1.4.1. We have included at Appendix 1 a list of definitions for the different types of hotel and visitor accommodation that are covered by the study. It should be noted that the distinction between hotels and guest houses can be difficult to determine, particularly with the reduced focus on the National Quality Assessment Scheme. Under the scheme only formal, full-service or branded hotels could be rated as hotels. All other forms of serviced accommodation were treated as guest accommodation. With the lower emphasis now on national grading, what might have been deemed to be guest house businesses are now free to market themselves as hotels. For the purposes of this study we have generally treated smaller serviced accommodation businesses with under 15 bedrooms as guest houses and larger businesses as hotels, unless it is apparent that they are operating as small boutique hotels or large B&B businesses.
- 1.4.2. With fewer and fewer accommodation businesses now taking part in the National Quality Assessment Scheme, is has become more difficult to categorise visitor accommodation by standard. Some of the online travel agents (OTAs) such a booking.com, Expedia and LateRooms apply their own star ratings to the accommodation businesses that list on their sites, while other online booking sites allow self-rating. In categorising accommodation by standard, we have drawn on these various sources of information.
- 1.4.3. There are also some difficulties in categorising boutique hotels, inns, guest houses and B&Bs, as there is no official national grading for such accommodation and the OTAs do not use this term to categorise accommodation businesses. We have defined these types of boutique accommodation in Appendix 1 as high quality accommodation businesses that feature contemporary interior design, furnishings and fittings. Some hotels and guest houses that do not necessarily meet these criteria describe themselves as offering boutique accommodation. In categorising boutique accommodation, we have reviewed the marketing websites of accommodation businesses to make a subjective judgement as to whether they appear to meet our criteria, based on the images that they include of their bedrooms and facilities.

2. BRIGHTON & HOVE VISITOR ACCOMMODATION SUPPLY

2.1. Current Visitor Accommodation Supply

Hotels

2.1.1. There are currently 48 hotels in Brighton & Hove, with a total of 3,519 letting bedrooms. The city's hotel supply is analysed by location and standard in the table below and listed in full at Appendix 3.

Table 1
BRIGHTON & HOVE HOTEL SUPPLY – MARCH 2018

Standard		on City Seafront	Но	ve	City O	utskirts	То	tal
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
4 Star	7	1234					7	1234
Boutique	9	255	1	11	1	71	11	337
3 Star	12	903	6	303	1	18	19	1224
2 Star	4	110			1	33	5	143
Budget	3	438			2	111	5	549
Ungraded	1	32					1	32
Total	36	2973	7	314	5	233	48	3519

- 2.1.2. The city's hotel supply is concentrated along Brighton seafront and the squares and streets that are immediately adjacent to it. There are very few hotels in other parts of the city centre only the Jurys Inn Brighton and Ibis budget hotel in the station area; the Premier Inn Brighton City Centre budget hotel on North Street; the 3-star Britannia Study Hotel on Western Road; and the My Brighton boutique hotel on Jubilee Street. These are mainly new-build branded hotels that have opened in the last 10 years. The seafront/city centre hotel supply is dominated by 4-star and 3-star hotels, with a smaller supply of boutique and budget hotel rooms.
- 2.1.3. Hove has a small number of independent 3-star hotels of varying quality.
- 2.1.4. There are very few hotels in other parts of the city. The most notable is the Malmaison Brighton boutique hotel at Brighton Marina.
- 2.1.5. The city has no provision in terms of aparthotels, other than the Queens Hotel Apartments (13 serviced apartments).

Guest Houses and B&Bs

2.1.5. Brighton & Hove have 88 guest houses and B&Bs, with a total of 844 letting bedrooms. The city's guest accommodation supply is again focused primarily on Brighton seafront and the immediately adjacent streets and squares. The supply here is a mix of boutique, 4-star and 3-star guest houses. Hove has a dozen guest houses and B&Bs of different standards. There is only one small guest house in the outer parts of the city.

Table 2
BRIGHTON & HOVE GUEST HOUSE AND B&B SUPPLY – MARCH 2018

Standard		on City Seafront	Но	ve	City O	utskirts	Tot	al
	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms
5 Star	1	11	1	11			2	22
Boutique	22	194	2	12			24	206
4 Star	18	204	4	43			22	47
3 Star	25	249	3	28	1	9	29	286
2 Star	4	36	1	8			5	44
Ungraded	5	37	1	2			6	39
Total	75	731	12	104	1	9	88	844

Home Sharing

2.1.6. The data that we purchased from AirDNA (Appendix 4) indicates that there were typically around 1,000 private rooms available to rent on airbnb in homes in Brighton & Hove at any one time in 2017. This is an increase from around 900 in the second half of 2016.

Holiday Lets

2.1.7. It is very difficult to know exactly how many holiday let properties are available to rent in Brighton & Hove at any one time, as there are so many channels through which holiday let properties can now be booked, and property owners are often using a number of them. Our interrogation of the main holiday let booking sites that have properties in Brighton & Hove (Appendix 5) showed that around 2,350 properties were listed on these sites in January 2018. There is likely to be an element of double-counting however, with properties listed on multiple sites. Taking account of this, we believe that there could be around 1,500-2,000 holiday let properties that are actively being marketed in Brighton & Hove throughout the year, with a bedspace capacity of 9,000-12,000 per night. The AirDNA data that we purchased (Appendix 4) shows an increase in entire homes available to rent on airbnb in the

summer months of around 40%. This suggests that the total number of holiday let properties in the city could be as many as 2,000-2,500 in the summer, offering a nightly bedspace capacity of 12,000-16,000.

2.1.8. Our interrogation of holiday let booking sites identified 385 properties that can sleep 10+ people, which could be deemed to be group houses. Allowing for double counting due to listings on multiple sites, we believe that there are around 250-300 group houses in Brighton & Hove.

Hostels

2.1.9. There are 15 hostels in Brighton & Hove that cater for a range of different visitor markets. Brighton has 12 hostels, and there are three hostels in Hove.

Student Rooms

2.1.10. The University of Brighton now makes its Phoenix Halls of Residence (295 en-suite bedrooms) available for tourist bookings between June and September. Student accommodation is also available during the summer vacation period at the University of Sussex's Falmer campus. Availability fluctuates depending on usage by students that stay on in Brighton in the summer months and work that is taking place on the campus.

2.2. Changes Since 2006

- 2.2.1. Brighton & Hove's visitor accommodation supply has grown and changed significantly since 2006. Key changes have been as follows:
 - The city's hotel supply has increased by 351 bedrooms, amounting to an 11% increase in hotel provision, equivalent to an average annual increase of 1% over the last 11 years. This is below the market projections for additional hotel bedrooms in the city that were included in the 2006 Hotel Futures Study (346-641 additional 3 and 4-star hotel bedrooms by 2016), particularly given the fact that the 2006 projections did not model the future potential for additional budget hotel provision.
 - Key changes by standard of hotel have been as follows:
 - Brighton has lost its 5-star hotel with The Grand now generally rated on booking sites as a 4-star hotel, albeit a luxury one.
 - The city's 4-star hotel supply has increased by 346 bedrooms (39%) as a result of the downgrading of The Grand, the upgrading of the former Ramada to the 4-star Mercure Brighton Seafront, and the additional bedrooms that have been created as part of the conversion of the former Umi Hotel to the Brighton Harbour. The Radisson Blu hotel opened in the former Royal York Hotel building in 2007 but subsequently closed in 2012.
 - o Brighton & Hove's boutique hotel supply has increased by 86 bedrooms (24%) as a result of the opening of the My Brighton hotel in 2008, the repositioning of a number of guest houses as boutique hotels, and the expansion of the Hotel du Vin, offset by the closure of the Lansdowne Place Hotel in Hove in 2013.
 - There has been very little overall change in 3-star hotel provision, with the opening of the Jurys Inn Brighton at the station in 2008 and expansion of the Royal Albion, offset by the upgrading of the former Ramada hotel and the repositioning of the former Quality Hotel as the Travelodge Brighton Seafront budget hotel.
 - The city has seen the loss of 169 2-star hotel bedrooms in terms of the closure of the Abbey Hotel and Miami Hotel, the redevelopment of the Brighton Beach Hotel as a boutique guest house (A Room with a View), and the redevelopment of the Palace Hotel as the Hostelpoint Brighton hostel.

o There has been a doubling of budget hotel provision in the city, with the opening in 2013 of the Ibis and the repositioning of the former Quality Hotel as the Travelodge Brighton Seafront.

Table 3
BRIGHTON & HOVE – CHANGES IN HOTEL SUPPLY 2006-2017

Hotel	Standard	Rooms	Year Opened/ Closed
Hotel Openings			
Radisson Blu (Royal York)	4 star	51	2007
Jurys Inn Brighton	3 star	234	2008
My Brighton	Boutique	80	2008
Artist Residence ¹	Boutique	24	2008
Ibis Brighton City Centre Station	Budget	140	2013
Britannia Study Hotel	3 star	35	2013
The Charm ¹	Boutique	22	2016
The Square Hotel ¹	Boutique	10	2017
The Ginger Pig, Hove	Boutique	11	2017
Hotel Extensions			
Hotel du Vin	Boutique	12	2008
Brighton Harbour	4 star	16	2017
Best Western Princes Marine	3 star	9	2015
Royal Albion	3 star	11	2014
Hotel Closures			
Radisson Blu (Royal York)	4 star	51	2012
Lansdowne Place Hotel	Boutique	84	2013
Abbey Hotel	2 star	90	
Palace Hotel	2 star	28	
Brighton Beach Hotel	2 star	27	
Miami Hotel	2 star	24	
Net Change in Hotel Rooms		351	

Note:

1. Redevelopment of former guest house/s

Table 4
BRIGHTON & HOVE – HOTEL RE-BRANDINGS/RE-POSITIONINGS

2	006		2017			
Previous Hotel Name	Standard	Rooms	New Hotel Name	Standard	Rooms	
Belgrave	4 star	63	Brighton Harbour	4 star	79	
Brighton Thistle	4 star	71	Jurys Inn Brighton Waterfront	4 star	208	
Alias Seattle	Boutique	208	Malmaison Brighton	Boutique	71	
Ramada Brighton	3 star	123	Mercure Brighton Seafront	4 star	126	
Quality	3 star	140	Travelodge Brighton Seafront	Budget	138	

Table 5
BRIGHTON & HOVE – CHANGE IN HOTEL SUPPLY BY STANDARD 2006-2017

Standard	20	2006 2017		17	% Change
	Hotels	Rooms	Hotels	Rooms	(Rooms)
5 star	1	200	0	0	-100%
4 star	5	888	7	1234	+39%
Boutique ¹	7	271	11	357	+24%
3 star1	19	1196	19	1224	+2%
2 star	9	312	5	143	-54%
Budget	3	271	5	549	+103%
Ungraded	1	32	1	32	n/c
Total	45	3170	48	3519	+11%

Note:

- 1. Includes a number of large diamond-rated guest accommodation businesses that are now trading as hotels. For comparison purposes we have treated these establishments as hotels in 2006
- The quality of the city's 4-star hotel offer has improved significantly in the last few years as a result of major refurbishment programmes at a number of hotels (The Grand, Jurys Inn Brighton Waterfront, Holiday Inn and Brighton Harbour formerly the Umi Hotel). Further 4-star hotels (the Old Ship and Mercure) are due to be refurbished under new owners.
- Most boutique, 3-star and 2-star hotels have also seen investment in ongoing refurbishment and upkeep.
- There has been a significant increase in the supply of boutique guest houses and B&Bs in Brighton since 2006. Our research (Appendix 7) has identified 16 guest houses that have repositioned as boutique guest accommodation. This includes two guest houses on the fringes of the Hotel Core Zone (No 27 in Upper Rock Gardens and Motel Schmotel in Russell Square), and two guest houses outside the Hotel Core Zone Snooze and Brighton Inn in St George's Terrace. In addition, the Guest and the City guest house in Brighton and The Arthouse B&B in Hove are new boutique accommodation properties. Taking account of these changes, the supply of boutique guest accommodation in Brighton & Hove has increased by 143 bedrooms, equivalent to just over a threefold increase in supply. Additionally, the former Arlanda Hotel and Ascott House guest house in New Steine have been converted to The Charm boutique hotel, and the former Malvern Hotel and George IV Hotel have been converted to the Artist Residence boutique hotel.

- We list at Appendix 8, 31 guest houses that have closed since 2006 and been converted into residential properties, or in a few cases hostels, serviced apartments or hotel bedrooms. This represents a loss of 271 guest accommodation bedrooms since 2006, equivalent to a 24% reduction in guest accommodation supply. The majority of the closed guest houses were outside the Hotel Core Zone, including 7 properties in Hove, however 10 were located inside the Hotel Core Zone. Most of the closed guest houses appear to have been of a poor quality.
- The city has seen a significant increase in hostel provision, including through the conversion of former hotels and guest houses. Of the 15 hostels listed at Appendix 6, 13 have opened since 2006.
- Brighton & Hove have seen a significant increase in the supply of residential properties being let as short-term holiday lets through booking sites, such as airbnb, booking.com, Owners Direct and Holiday Lettings, and holiday letting agencies (Brighton Holiday Homes, Crown Gardens, City Pad Brighton, Best of Brighton). It is not possible to quantify the growth in the supply of short-term lets since 2006, as there is no baseline data for this type of visitor accommodation, however we think that it has been substantial.
- In common with other cities, Brighton & Hove have seen a rapid growth in home sharing through airbnb, since the company's launch in 2009.

2.3. How Brighton Compares

- 2.3.1. From our knowledge of hotel provision and development in other major cities in the South East (Southampton and Portsmouth) and competitor UK conference cities (Birmingham, Manchester, Liverpool and Bournemouth):
 - Brighton is under-represented in terms of international hotel brands. It has no
 Marriott or Radisson hotel, and only one Hilton, IHG and Accor hotel.
 International hotel brands are important as they will bring their own market
 and thus generate new business for the city. If Brighton doesn't have these
 hotel brands, their customers will go to other cities.
 - Brighton has fewer budget hotels and no upper-tier budget hotels. Other
 competitor cities typically have 2 or 3 Premier Inn and Travelodge budget
 hotels, and a Holiday Inn Express and/or Hampton by Hilton upper-tier budget
 hotel.
 - Brighton is not seeing the development of the new contemporary hotel products and brands that are developing in London and other cities, in terms of branded aparthotels, lifestyle hotels and budget boutique hotels (see Appendix 1 for definitions). Some of these hotel products and brands are designed specifically for the Generation Y/Millennials¹ market, which is a key target market for Brighton.
 - Brighton has a much larger independent hotel and guest house sector than other cities, including a significant stock of small boutique hotels and guest houses, which is an integral part of Brighton's appeal as a leisure and business tourism destination.

_

¹ People born around the turn of the century, now in their 20s and early 30s and pre-family.

3. CURRENT ACCOMMODATION SECTOR PERFORMANCE

3.1. Hotels

Our survey of Brighton & Hove hotel managers, supplemented by the hotel performance data that we purchased for the city from STR Global (reported in full at Appendix 9) shows Brighton as having a very strong hotel market, one of the strongest in the UK.

Our estimates of average annual room occupancies, achieved room rates¹ and revpar² for Brighton hotels in 2017 are set out in the table below for boutique, 4-star, 3-star, 3/4 star and budget hotels, compared with national figures for provincial hotels and provincial 3/4-star chain hotels.

BRIGHTON HOTEL PERFORMANCE 2017

Standard of Hotel	Average Annual Room Occupancy %	Average Annual Achieved Room Rate ⁸ £	Average Annual Achieved Revpar ⁹ £
UK Provincial Hotels (All Standards) ¹	76	71	54
UK Provincial 3/4 Star Chain Hotels ²	76.5	86.43	66.14
Brighton Boutique Hotels ³	78.1	115.23	89.97
Brighton 4 Star Hotels ⁴	73.8	105.84	78.12
Brighton 3 Star Hotels ⁵	86.2	75.44	65.00
Brighton 3/4 Star Hotels ⁶	77.8	94.97	73.87
Brighton Budget Hotels ⁷	79.9	70.60	56.41
Brighton - All Hotels	78.3	91.77	71.83

Notes

- 1. National average figures source: STR Global
- 2. National average figures source: Hotstats
- 3. Source: STR Global. Sample: Hotel du Vin, My Brighton, Malmaison, Brighton Harbour
- Source: STR Global. Sample: The Grand Brighton, Hilton Brighton Metropole, The Old Ship, Jurys Inn Brighton Waterfront, Holiday Inn Brighton Seafront, Brighton Harbour, Mercure Brighton Seafront
- 5. Source: Hotel Solutions. Sample: Queens, Kings, Brighton, Jurys Inn Brighton, Britannia Study, Best Western Princes Marine, Amsterdam
- 6. Source: STR Global + Hotel Solutions data combined
- 7. Source: STR Global. Sample: Premier Inn Brighton City Centre, Travelodge Brighton Seafront, Ibis Brighton City Centre Station, Travelodge Brighton, Innkeeper's Lodge Brighton Patcham
- 8. The average price per **room sold** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges.
- The average price per available room that hotels achieve net of VAT, breakfast (if included), discounts and commission charges

Hotel Solutions 12 April 2018

-

¹ The average price per **room sold** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges.

² The average price per **available room** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges

Key observations on Brighton hotel performance and market trends are as follows:

- 3/4-star hotel occupancies and achieved room rates are well ahead of national provincial averages, particularly in terms of achieved room rates (£95 in Brighton in 2017, compared to a national average of £86).
- 4-star hotel performance is set to improve substantially in 2018 as hotel refurbishment programmes are completed and newly renovated hotels start to fully trade again. We estimate that 4-star room occupancies will climb to 76% in 2018, while achieved room rates could exceed £111.
- 3-star hotel occupancies are very strong (86% in 2017).
- Boutique hotels are trading at very high occupancies (78% in 2017) and achieved room rates (£115).
- Budget hotel occupancies are very high (80% in 2017).
- Weekend demand remains very strong. Brighton continues to be a very popular weekend break destination for career couples living in London and the South East. The city's hotels also attract weekend demand from a number of other leisure markets, including overseas tourists, group tours, demand from weddings and functions, and demand from people visiting friends and relatives in the city. All hotels achieve very high occupancies and room rates on Friday, and especially Saturday nights. The city's hotels are consistently fully booked and turn business away on Saturday nights throughout the year, and Friday nights between April and September. Sunday occupancies are also strong in the summer months. There is however some evidence of a softening of weekend demand, with hotels finding it harder to hold out for 2-night stays at the weekend in a more competitive accommodation market in the city as supply has grown.
- Midweek demand has increased significantly since 2006 for a number of reasons:
 - The emergence of online travel agents (OTAs), in particular booking.com, which have enabled hotels to attract midweek leisure business;
 - The growth of grey market midweek staycations during the recession that followed the Credit Crunch in 2008, and more recently as a result of the drop in the pound following the result of the EU Referendum in 2016;
 - An increase in city conferences since the refurbishment of the Brighton Centre in 2012.

• Brighton's midweek hotel market remains largely seasonal, with hotels achieving high weekday occupancies and turning business away in the summer months, and peak conference months (March to May and September to November), but lower midweek occupancies and room rates at other times of year, and especially during the winter. Midweek breaks have grown to become the main source of weekday business for many hotels. Major conferences at the Brighton Centre, Hilton Brighton Metropole and The Grand are a vital source of midweek business in off-peak months. Corporate demand for hotel accommodation is relatively weak in Brighton, and picked up mainly by city centre, rather than seafront hotels. Budget hotels attract a good mix of midweek contractor, business and leisure demand.

3.2. Guest Houses

- 3.2.1. Our survey of Brighton & Hove guest house owners (reported in full at Appendix 10) paints a picture of a strong guest house market in Brighton & Hove, but one that has become more competitive. The majority of the interviewed guest houses are achieving high occupancies by national standards, and consistently or frequently filling during the summer months. A significant proportion of guest houses have however seen a drop in occupancy in the last 3 years, although others have seen an increase. Key findings from our guest house survey are as follows:
 - Guest house performance in Brighton & Hove is generally strong. 83% of the guest house owners that we spoke to reported an average annual room occupancy of over 60%, and 47% reported a room occupancy of over 70%.
 - Boutique, 4 star and budget guest houses are generally performing very well. 3-star guest house performance is not as strong.
 - Weekend and summer demand is very strong, with the majority of guest house owners reporting that they are frequently fully booked and turning business away at these times. Weekend denials are much less likely in the winter however, and midweek denials are very rare in the winter months.

- A significant proportion (39%) of the guest houses surveyed reported a decrease in occupancy levels over the last 3 years, which they mainly attribute to competition from airbnb and new hotels, and business lost due to the Southern rail strikes. However, an almost equal proportion (33%) of guest house owners reported an increase in occupancy, which they attribute to the investment that they have made in their property; improved marketing; more business coming through booking.com; and stronger UK and overseas leisure tourist demand as a result of the fall in the pound. 3-star guest houses most commonly reported a drop in occupancy, but around a third of boutique and 4 and 5-star guest houses also reported a downturn in business. Investment has not necessarily translated into improved performance: as many guest house owners that have invested reported a fall in occupancy as an increase.
- Looking ahead, guest house owners are generally more optimistic: fewer guest house owners expect to see a decrease in occupancy, more expect their business levels to remain the same, and a slightly higher number anticipate an improvement in occupancy.
- 3.2.2. Our survey largely confirms the findings of the survey that the Brighton & Hove Hotels Association (BHHA) completed of its members in 2017 but paints a generally more positive picture in terms of the levels of occupancy that guest houses are achieving in the city and the frequency of full occupancy in the summer months. These issues were not assessed through the BHHA survey. It focused on changes in revenue and profits, which we did not assess. Both surveys paint a picture of a more competitive visitor accommodation market in Brighton & Hove. We would accept the BHHA survey finding that this has resulted in reduced revenues for many guest houses, which have had to reduce room rates, particularly at off-peak times. We are also aware that guest house businesses in Brighton & Hove (as elsewhere in the country) have seen an increase in their operating costs in terms of commission payments to online travel agents (OTAs) and higher wage costs as a result of the increases in the National Minimum Wage. We understand that guest houses in Brighton & Hove are also facing significant increases in their business rates. It seems likely therefore that many of Brighton & Hove's guest houses have seen a fall in profits as the BHHA survey shows.

3.2.3. While our survey of the city's guest house owners confirms the picture painted by the BHHA survey of a more competitive and challenging trading environment for guest houses in the city, it also shows that there remains strong demand for this type of visitor accommodation in Brighton & Hove.

3.3. Short-Term Lets

- 3.3.1. Our research shows a strong market for short-term holidays lets in Brighton & Hove. The holiday letting agencies that we spoke to in the city reported high demand for weekend breaks in smaller holiday let properties and strong weekend demand for group houses from stag and hen parties and other group bookings. They also reported good midweek demand for short-term holiday lets from business visitors, contractors, conference delegates, language students, and for short breaks and holidays in the summer months. The data that we purchased from AirDNA (Appendix 11) shows airbnb entire home listings as achieving an average annual occupancy of 59% in 2017. Demand is seasonal, with occupancies ranging from 42% in January to 70% in July. Occupancies are higher for hotel comparable listings (studios and one-bedroom properties) at 62% in 2017, ranging from 45% in January to 70.5% in July. Average daily rates achieved for entire home listings range from £134 in January to £162 in April, and for hotel comparable listings range from £81 in February to £94 in August, broadly in between the room rates that are being achieved by the city's 3-star and 4-star hotels.
- 3.3.2. It is clear from our research that many short-term holiday lets are being run as businesses as:
 - They are available year-round;
 - They are charging high prices, particularly at weekends;
 - They are achieving good occupancies;
 - They are achieving a high level of income, significantly more than can be achieved through residential letting. The Pass the Keys holiday rental property management company (www.passthekeys.co.uk) that is active in Brighton advertises on its website that 'A short term let typically generates 50-100% more income than a long term let'. From the prices that many short-term holiday lets charge in Brighton it is easy to see why this might be the case if a reasonable level of occupancy is being achieved.
 - There are a number of property owners that have multiple short-term holiday let properties that are clearly running short-term holiday let businesses.

4. THE PROSPECTS FOR FUTURE MARKET GROWTH

4.1. Future Growth Drivers

Strategic Context

- 4.1.1. As a growth hub for the wider City-Region, Brighton & Hove is set to see significant tourism, employment and population growth over the City Plan period to 2030 through:
 - The continuing development of the city as a visitor destination, in line with the City Plan aspiration to be a world class cultural and heritage city as well as one of Europe's best year-round conference and meeting destinations;
 - The allocation of 18 employment sites for industrial and office development and mixed-use employment-led development, and expected growth in employment of c. 1000 jobs p.a.¹;
 - The development of an average of 660 new homes p.a., 13,200 over the Plan period, on 8 major development sites, and an expansion in the city's population to over 311,000 (from a 2017 baseline of 289,000);
 - The ongoing expansion of the city's universities and related science and technology businesses.

Key Projects

4.1.2. Key projects that will drive growth in the next 5 years include:

Seafront Strategy & Investment Programme

- A series of schemes involving a mixture of public and private sector investment, of which some e.g. the Brighton Zip and the new i360 attraction are complete, others which are longer term. In the next 5 years, key schemes likely to come on stream are:
 - o Brighton Marina overall plan for 853 flats plus retail, commercial and community facilities, £250m, under construction;
 - Soho House, the redevelopment of Aquarium Terraces, to deliver a private members club, starting on site in early 2018;
 - o Re-building of the Seafront Arches, phase 2 underway, cost £5m;
 - Rebuilding of the West St Shelter Hall, currently underway, complete
 2018.

¹ Source: Brighton & Hove City Council Employment Land Study 2012, Nathaniel Lichfield & Partners

The Development of Brighton's Universities

- Brighton is home to 2 universities, which between them have in the region of 35,000 students. Both have substantial plans for redevelopment and expansion, which have started or will be starting on site, and in some cases completed, in the next 5 years;
- The University of Brighton has a major development plan for its Mouslecoomb Campus in Brighton, taking in the development of the Preston Barracks site. The £150m scheme will deliver a new Central Research Laboratory for new hi-tech and design-led start-up companies and entrepreneurs, new university academic space, 1338 student bedrooms, 368 new homes plus associated retail, starting Spring 2018, completing 2022-23;
- The University of Sussex has a £500m campus masterplan that will see a new student village with 2000 residences built, a new School of Life Sciences, 8 state-of-the-art academic and research buildings, and will create 2400 new jobs. Work started in 2017 and is due to complete in 2020. Student numbers are targeted to increase from 13,000 to 18,000.

Key Office and Mixed-Use Development Schemes

- New England Quarter, the business quarter and office cluster behind the station, which is seeing active development currently:
 - A 65,000 sq ft office development being delivered by McAleer Rushe (Brinell Building) completing in 2019, aimed at media and tech companies and financial/professional services, and will create 600 jobs;
 - A 28,000 sq ft office being developed by Square Bay along with a new Hotel Indigo;
 - The development of New England House to increase office space here by 7089 sq m, again focused on creative, digital and IT sectors; a £25m development;
 - o This Quarter is scheduled to deliver 20,000 sq m of office space in total.
- Circus Street the old municipal market site that will deliver a mixed-use scheme and 'Innovation Quarter' 142 homes, 2046 sqm of commercial development, 450 student beds, a dance studio and University facilities.
 Construction has started on this £105m scheme, due to complete 2020.

- The former Amex House site in the Edward Street Quarter the old office has now been demolished and emerging proposals indicate the potential for 15-20,000 sq m of office plus circa 150 residential units and some retail.
- 4.1.3. Beyond 2022, there are a number of other major development schemes that will deliver growth, including:
 - The Waterfront Project, to develop a new state-of-the-art Brighton Centre conference and entertainment venue at Black Rock; a £530m project creating 2000 jobs;
 - The redevelopment of the existing Brighton Centre site, including the extension of Standard Life's Churchill Square shopping centre;
 - The redevelopment of the King Alfred Leisure Centre site to provide a new sports centre and 560 new homes; project value £200m. completion 2025/26
 - Toads Hole Valley the development of a new community on the outskirts of Brighton fronting the A27, scheduled to deliver 700 new homes and 25,000 sq m of new employment floorspace focused on office development.

4.2. Growth Prospects by Market

- 4.2.1. Our research shows good potential for further growth in demand for all forms of visitor accommodation in Brighton & Hove, particularly from the leisure tourist markets, but from other markets also:
 - Brighton & Hove should benefit from the anticipated continuing growth in the domestic tourism/staycation and overseas tourist markets in the UK. Tourism consultants Blue Sail have identified growth opportunities for the city in UK short breaks and international markets in the new Visitor Economy Strategy for the city. Forecasts prepared for VisitBritain¹ project an annual growth in domestic tourism of 3% through to 2025 and a 6% annual growth rate for inbound tourism. There is no reason to think that leisure tourist demand for Brighton & Hove cannot grow at least in line with these national forecasts, given additional hotel provision. The city currently has very limited scope to grow leisure tourist demand at weekends and during the summer, due to the limited hotel availability at these times. Blue Sail are identifying the pre-family/Generation Y and grey markets as offering the greatest

¹ 'Tourism: Jobs and Growth – The Economic Contribution of the Tourism Economy to the UK' Deloitte/Oxford Economics, November 2013

growth potential for Brighton & Hove. The city will need to attract some of the contemporary hotel products and brands that are targeted at the Generation Y traveller if it is to compete effectively for this market.

- There appears to be relatively limited scope for growth in city conference business, even with a new venue at Black Rock, due to the seasonal nature of this market. The Brighton Centre is already trading close to capacity during the conference months. The manager of the Brighton Centre felt that there could be scope for an increase in the Centre's conference business of around 5% in terms of larger and longer duration conferences.
- There is some potential for other hotels with conference facilities to attract smaller residential conferences. This is a key target market for VisitBrighton Conferences.
- Corporate demand for visitor accommodation should grow steadily as the planned new offices are occupied by new companies, and existing companies expand. Employment numbers are forecast to increase by around 1000 jobs p.a. over the period 2010-2030, with a significant amount of this growth in office employment.
- Contractor demand, particularly for budget accommodation, should grow steadily, given the scale of construction work that is planned in the city.
- Demand from visitors to friends and relatives is likely to grow in line with population growth, which is forecast to grow by 9000 (3%) between 2017 and 2022
- University-related demand for accommodation should increase as the city's universities continue to expand.
- 4.2.2. Taking account of the potential for growth in all of these markets, we believe that visitor accommodation demand in the city could easily grow by 2-4% per annum over the next 5 years.

5. HOTEL & GUEST HOUSE DEVELOPMENT OPPORTUNITIES

5.1. Potential Development of Existing Hotels

- 5.1.1. Our research has identified the following potential interest in the upgrading and development of existing hotels in Brighton & Hove:
 - The Grand is planning further refurbishment to perhaps take the hotel up to a 5-star standard and may revisit a previous proposal to add 40 bedrooms.
 - The new owners of the Jurys Inn Brighton Waterfront may look at re-branding the hotel to an alternative 4-star brand.
 - The Old Ship Hotel is looking at adding 40 bedrooms.
 - The Mercure Brighton Seafront will commence a £5 million refurbishment programme in March 2018 to upgrade the hotel to a contemporary 4-star standard.
 - The Queens Hotel has planning permission for an additional 8 bedrooms and a rooftop bar, but no immediate plans to progress the development currently.
 - A number of other hotels are planning some form of refurbishment.

5.2. The Guest House Property Market

5.2.1. Our discussions with the commercial property agents that are involved in selling hotels and guest houses in the city shows a strong demand for buying hotels and guest houses in Brighton, including demand for lower quality properties and guest houses in fringe locations within the Hotel Core Zone. The market had slowed during the recession but has picked up in the last 4 years due to greater confidence in the market as a result of the growth in staycations and overseas tourist visits, and an increased willingness on the part of banks to lend for hotel and guest house purchase and renovation. There is also strong interest from Middle Eastern buyers who will buy Brighton hotels and guest houses as an investment and put tenants in to run the business. One agent is currently selling eight guest houses in the city, seven of which are sold or under offer as going concerns. Hotels and guest houses that come onto the market in Brighton are generally selling and achieving good prices, currently averaging around £100,000 per room. One agent advised that guest houses are unlikely to command higher prices for residential redevelopment than they are currently achieving as going concerns.

5.3. Pipeline New Hotels

- 5.3.1. Our research has identified 5 potential new hotels that look likely to come forward in Brighton over the next 5 years, which between them would deliver an additional 400 bedrooms, equating to a 13% increase in hotel supply:
 - Under construction are the Super City aparthotel (56 rooms), opening in 2018, and the new Hotel Indigo boutique hotel (94 rooms).
 - There is one scheme with planning permission, Club Barcelona (West Street), that is proposed to come forward as a Premier Inn (133 bedrooms). There is active engagement currently to amend the planning consent to meet operator requirements.
 - The adjacent site on West Street is likely to achieve planning in the next month as legal agreements are now about to be signed. This is likely to come forward as a budget boutique hotel (91 rooms plus 11 hostel rooms).
 - Wetherspoons have an application to develop 14 bedrooms above their
 Bright Helm pub currently under consideration.
 - Other schemes in the planning process are for small numbers of additional bedrooms and reconfigurations whose overall impact on the city's stock is likely to be minimal.
- 5.3.2. Another site that might eventually deliver new hotels is the Brighton Centre and Churchill Square Development Area new hotels are identified as a potential use that might be permitted as part of the redevelopment of the site under Policy DA1 of City Plan Part One.
- 5.3.3. A number of the hotel schemes identified in paragraph 5.3.1. have come forward on windfall sites (sites that have not been specifically identified in the local plan process as being available for hotel development), and there may be similar potential future opportunities within Central Brighton. For example, the Hippodrome on Middle Street has been the subject of a recent press article saying that the owners are considering a 70-bedroom boutique hotel as part of a mixed-use scheme for the site. Any hotel proposals on windfall sites will have to be tested through the planning process. Even if planning permission is granted, however, hotel schemes can fall by the wayside in favour of higher value uses, especially residential. The recent Brighton Square boutique hotel (26 rooms), for example, is now coming forward as a residential scheme.

5.4. Hotel Developer Interest

- 5.4.1. Testing hotel company interest in developing hotels in a destination is a good way to gain a live perspective on actual and potential developer intent direct from the development and investment market. As part of the Brighton Visitor Accommodation Study Up-date therefore Hotel Solutions undertook a telephone survey of over 20 national, regional and local hotel companies (developers, investors and operators) representing over 50 hotel brands to establish their interest in bringing forward and operating new hotels in Brighton & Hove. The sample was drawn from our own hotel development database as well as the wider research that has informed this study in terms of active players nationally and in competitor/benchmark cities, and companies associated with past and current sites and projects. Brands were also targeted that had good fit with the market potential and the aspirational markets identified in the emerging Visitor Economy Strategy.
- 5.4.2. Our survey of hotel companies shows strong hotel developer, investor and operator interest in Brighton; all but four of those contacted responded, with interest from over 30 brands in being represented in the city, from luxury through to budget offers. The strongest interest came from serviced apartments/aparthotel, budget boutique, boutique and lifestyle hotel brands. Many of these are new brands to the UK, with innovative offers often with a hip and cool, design-led angle to them, from both new start-ups and established hotel companies. This shows the strength of the market and reflects the uniqueness and alternative positioning of Brighton as a destination. These innovative offers present an opportunity to grow the market with a differentiated and more contemporary hotel offer that will appeal to the Generation Y traveller.
- 5.4.3. As a hotel investment location, Brighton is a 'wannabe' city. It has a strong reputation in terms of its market referred to by one developer/operator as 'a goldmine market' with published surveys of hotel performance such as Hotel Britain, STR and HotStats showing high levels of occupancy and Achieved Room Rates that are amongst the leading cities of the UK, that include London, Edinburgh and Bath. Equally however, it is known that this is a hard market to get into, expensive in terms of site and development costs, as well as extremely competitive given the tightly constrained nature of the city landscape. In addition to levels of performance and investment values, Brighton benefits from its relative proximity and accessibility to London for both domestic and overseas markets, and for new

entrants into the hotel market it is a close hop from their London base to become a second city for their initial expansion outside the capital. The city itself also hits all the right buttons in terms of the sort of criteria that hotel developers use to assess development potential, such as population, critical mass of business and leisure demand drivers, as well as the financial performance criteria referred to above (more detail is provided on this at Appendix 14 on The Hotel Developer Perspective).

5.5. Hotel Site Availability

- 5.5.1. The hotel developers, investors and operators we spoke with in the main wanted ideally to be located in the city centre, frequently mentioning the seafront, and close proximity to the station and to restaurants and bars. Some of the budget/upper tier budget brands and to a lesser extent serviced apartment brands would look at more peripheral sites, particularly given the difficulty of securing anything in the city centre. Many brands would look at either conversion of an existing hotel, conversion of a non-hotel property, or at new build, including being incorporated into mixed use schemes. A relatively small number would take an institutional lease significant because many developers want to run with this model because it enables funding to be secured. In terms of size, most brands would want at least 100 bedrooms/25,000 sqm, with many indicating they would develop larger hotels of up to 250 rooms if a suitable site was available, a reflection of both confidence in the market and a need to maximise returns in a city with a real scarcity of land at high values.
- 5.5.2. Feedback from the hotel development sector clearly demonstrates that the delivery of new hotels in Brighton is being constrained by site deliverability, the key components of which are availability, cost and suitability in planning terms. Higher value uses, notably residential and student accommodation are making it difficult for hotels to compete, including in mixed-use schemes. These other uses are given greater political priority, locally and nationally, and given that the city is constrained in terms of land availability for both residential and office requirements this has been reflected in planning policy, with hotels not generally being identified as a use for major development sites and not considered as a suitable use for identified employment sites. Permitted Development Rights have also made it easier for redundant office blocks to convert to residential and so eaten into this source of property for potential conversion to hotel. Even beyond the city centre

hotel developers identify strong competition for roadside sites from uses such as discount food operators and coffee/other food and beverage drive-thrus.

- 5.5.3. From our assessment of a range of potential sites and locations for hotel development in and around Brighton (detailed at Appendix 16), we believe that four of the Development Areas identified in City Plan Part One could have potential for hotel development alongside the other envisaged uses:
 - The Brighton Centre and Churchill Square (DA1) where new hotel facilities are envisaged in the Strategic Allocation;
 - Brighton Marina/Black Rock/Gas Works (DA2) where hotel development can perhaps be considered as part of the leisure uses envisaged, alongside the additional residential, employment, retail and community facility development planned here. The new conference and entertainment venue that is now planned at Black Rock may need to be supported by an on-site 4-star hotel and a cluster of other hotels within walking distance if it is to compete effectively as a conference venue.
 - The New England Quarter (DA4) where further hotels might be considered to complement the employment uses that are developing here
 - Hove Station Area (DA6) which could have potential for the development of a budget hotel
- 5.5.4. These areas of opportunity for hotel development offer the optimum locations for additional hotel supply, where hotel development should be positively encouraged, along with interventions to match these sites with optimum target brands. Beyond these, windfall sites and mixed-use sites that could come forward but have yet to be identified could help to meet some of the additional demand, as could some out of centre sites should they have on-site demand drivers, such as the Amex Stadium and Brighton Racecourse.
- 5.5.5. This sort of planned approach and identified locational strategy to securing hotel development would both create the capacity to underpin the desired growth in the visitor economy and maximise destination benefit.

5.6. Hotel Demand Projections

5.6.1. In order to provide an indicative quantification of the number of new hotels that hotel market growth might potentially support in Brighton, we have prepared hotel demand projections under three different growth scenarios for upscale¹, midmarket ²and budget hotels for the short-term (2018-2022) and longer-term (2023-2030). The methodology and assumptions for the projections are set out in Appendix 2.

The projections do not take any account of the Brighton Waterfront proposals. The longer-term projections beyond 2022 will need to be reconsidered once these proposals are confirmed as going ahead.

- 5.6.2. We have not attempted to model the market potential for aparthotels. There is however strong aparthotel operator interest in Brighton, so demand also for sites for this type of hotel.
- 5.6.3. The results of the projections are set out in the tables overleaf.
- 5.6.4. 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, assuming that growth is unconstrained by hotel site availability or planning policy (which is clearly unlikely to be the case given the current limited land availability in Brighton and the requirements to provide new affordable housing in the city and additional office space). They are not intended to be accurate projections of how the market will grow, targets for hotel development, or limits on new hotel provision. 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 2027 and 2030 should thus be treated with some caution and should be periodically reviewed.

Hotel Solutions April 2018

26

-

¹ 4 and 5-star, boutique and lifestyle hotels

² 3-star, upper-tier budget and budget boutique hotels

BRIGHTON PROJECTED HOTEL DEVELOPMENT POTENTIAL – 2018-2030 IN ADDITION TO PIPELINE NEW ROOMS¹

STANDARD OF HOTELS/PERIOD	POTENTIAL NEW HOTEL ROOMS IN ADDITION TO PIPLELINE HOTELS ¹			
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH	
Upscale				
2018 – 2022	14	75	138	
2023 – 2027	159	253	357	
2028 – 2030	103	171	252	
Midmarket				
2018 – 2022	165	205	246	
2023 – 2027	82	129	182	
2028 - 2030	52	86	121	
Budget				
2018 – 2022	0	40	81	
2023 – 2027	83	103	189	
2028 - 2030	53	89	127	
TOTAL POTENTIAL NEW HOTEL ROOMS				
2018 – 2022	179	323	465	
2023 – 2027	324	512	728	
2028 – 2030	208	346	500	

BRIGHTON
POTENTIAL NUMBER OF ADDITIONAL HOTEL SITES REQUIRED² – 2018-2030

STANDARD OF HOTELS/PERIOD	POTENTIAL NUMBER OF HOTEL SITES REQUIRED ²			
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH	
Upscale				
2018 – 2022	0	0	1	
2023 – 2027	1	2	2	
2028 - 2030	1	1	1	
Midmarket				
2018 – 2022	1	1	1	
2023 – 2027	0	1	2	
2028 - 2030	1	1	0	
Budget				
2018 – 2022	0	0	0	
2023 – 2027	1	1	2	
2028 – 2030	1	1	1	
TOTAL POTENTIAL HOTEL SITES REQUIRED				
2018 – 2022	1	1	2	
2023 – 2027	1	4	6	
2028 – 2030	3	3	2	

Hotel Solutions April 2018

27

-

¹ Hotel Indigo, Premier Inn West Street, the second hotel on West Street

² Assuming an average size of hotel of 150 bedrooms

5.7. Short-Term Hotel Site Requirements (2018-2022)

- 5.7.1. Our Low and Medium Growth scenario projections show market potential for at least one additional site for a new midmarket hotel by 2022, in addition to the planned pipeline hotels that are set to open in the next 2-3 years (Hotel Indigo, Premier Inn West Street, and the second West Street hotel). There is also likely to be developer demand for sites for perhaps one or two aparthotels (in addition to the Super City aparthotel that is currently under construction). Our High Growth scenario projections show a potential demand for up to a further 2 hotel sites.
- 5.7.2. Our growth projections also show scope for the expansion of existing hotels as well as new hotels. Some of the market potential for additional upscale hotel provision, particularly in terms of boutique hotels, could also be satisfied through the redevelopment of existing 2 star and lower quality 3-star hotels in prime locations.

5.8. Longer-Term Hotel Site Requirements (2023-2030)

- 5.8.1. Our Low and Medium Growth projections show market potential for a further 4-7 hotel sites between 2023 and 2030.
- 5.8.2. Our High Growth Scenario projections show market potential for a further 8 hotel sites between 2023 and 2030 a total requirement potentially for a further 10 hotel sites in the next 12 years, together with additional requirements for sites for aparthotels.

5.9. The Potential Impact of New Hotels

5.9.1. Our projections for the numbers of new hotel bedrooms that hotel market growth might support in Brighton are calculated on the basis that all existing hotels will continue to achieve the same levels of room occupancy as they achieved in 2017. The levels of new hotel provision that the projections show potential for are thus based entirely on hotel market growth and new hotels meeting currently unsatisfied demand, as far as we have been able to estimate it. The projections do not take account of the new business that new hotels may be able to bring to Brighton as a result of their brand, product, marketing and customer base. The forward Hotel Investment Strategy that we recommend in chapter 8 is focused very much on attracting new hotel brands and products that will help to attract new markets to the city, and hence grow the market. New hotels often have some short-term impact on existing hotels until the market settles and demand grows to absorb the new supply.

Given the constraints on hotel site availability in Brighton, we think it unlikely that the levels of new hotel development required to meet our medium and high growth hotel demand projections can be realised. This is likely therefore to keep the city in undersupply and hotel performance consequently still very strong. This latent demand, combined with a strategy that focuses on hotel brands and products that will bring new business to Brighton, means that the more likely low growth scenario can be achieved with relatively little lasting impact on existing hotels, unless market growth does not occur, or the market drops back due to unforeseen circumstances.

5.9.2. New hotels could have an impact on the performance of the city's guest house sector, both in terms of occupancy levels and achieved room rates, although it is not possible to quantify the exact effect. Much will depend on how the city's leisure and business tourism markets grow; the number, type and brand of new hotels that open; and the levels of new business that new hotels bring to the city. The planned second Premier Inn budget hotel could impact on some guest houses. The new Hotel Indigo boutique hotel could have an impact of some of the city's boutique guest houses and small boutique hotels. The health of the city's guest house sector should thus be carefully monitored going forward in order to support an informed application of Part 6 of Policy CP6 relating to guest house retention.

6. PLANNING POLICY IMPLICATIONS

6.1. The Need to Plan for Hotels

6.1.1. There are a number of reasons why the City Council should plan creatively for new hotels as part pf City Plan Part Two:

- This Visitor Accommodation Study Update shows a greater requirement for additional hotel provision than was projected in the 2006 Brighton & Hove Hotel Futures Study, as a result of the much stronger than anticipated growth in the city's hotel market and significantly improved hotel performance since 2006; the fact that the expected additional 4-star hotel provision planned in 2006 did not materialise; and the modelling that we have now been able to do for additional requirements for budget hotel accommodation.
- As a destination, Brighton cannot grow staying tourism without additional hotel accommodation, because of capacity issues: the city's hotels are full and turning business away for much of the time at weekends and during the peak holiday season, but also during peak conference months. The strength of the market is evidenced by the high occupancies and average room rates being achieved in the city (some of the highest in the UK).
- Brighton is under-represented in terms of international hotel brands. The city needs these brands in addition to its distinctive independent hotels, guest houses and B&Bs to be competitive as a destination. Competitor destinations have them, so their customers will go to them rather than Brighton. Their distribution networks and loyalty schemes have the ability to drive new business to the city.
- Brighton is not seeing the development of the sort of contemporary hotel products and brands that competitor destinations are attracting, in terms of branded aparthotels, lifestyle hotels and budget boutique hotels. This is particularly an issue for attracting the Generation Y traveller, for whom Brighton has strong appeal. While some contemporary hotel provision might be delivered through the re-positioning of existing hotels and large guest accommodation businesses, there is potential and need for new hotels of these types also.

- Faced with very strong competition from higher value residential and student accommodation uses and clear planning priorities for residential and office development, the hotel companies that are keen to open new hotels in Brighton are clearly struggling to secure sites.
- 6.1.2 The hotel demand growth projections prepared as part of the Visitor Accommodation Study Update show market potential for a further 5-10 hotels in Brighton by 2030. However, hotel companies are clearly struggling to find and secure hotel sites in the city, and this is a major constraint on the delivery of new hotels. A positive approach to planning for additional hotel provision within City Plan Part Two would assist in addressing this situation.

6.2. Options for Meeting Future Hotel Requirements

- 6.2.1 With intense pressure for development in Brighton from all sources, and local and national housing and employment needs being prioritised in planning policy, securing sites for hotel development is a key challenge and constraint on the future growth of the hotel sector in Brighton, and the city's visitor economy therefore. Some sort of structural, policy-based support is therefore needed to help unlock sites for hotel development in the city.
- 6.2.2 There is potential for new hotels to be more positively planned for in CPP2 in a number of the Development Areas identified in CPP1, where they could add value and improve vitality and viability, provided that this would not compromise or undermine the other uses to be delivered in these areas. This would require intensification of use, through greater height or mass, where there is capacity to do so. There are four key locations of opportunity for hotel development amongst the identified Development Areas in CPP1:

• The Brighton Centre and Churchill Square Area (DA1)

This is a high-profile site in a prime position on the seafront and well connected to the city centre. Additional hotel facilities feature in the Strategic Allocation for this area. CPP2 might usefully identify the potential for re-provision of existing hotels but also encourage additional hotels, including perhaps along the West Street frontage of Churchill Square.

• Black Rock/Brighton Marina/Gas Works Area (DA2)

This is a suitable location to consider for a number of hotels, with or without the development of a new conference and entertainment venue at Black Rock, given its seafront location and Brighton Marina's established role as a leisure destination. It is likely that the new venue will require an on-site 4-star hotel and a cluster of hotels within walking distance if it is to be competitive as a conference venue. The opportunity to deliver a headquarters hotel alongside the proposed venue should be considered as the scheme and business case are worked up. There could be potential for a hotel as part of the inner harbour site at Brighton Marina if the proposals here are reconsidered.

New England Quarter (DA4)

This is a key business and office location close to the station and as such a strong location for hotel development to serve the corporate market that will develop here. It is already an established hotel location with the Jurys Inn already open and the Hotel Indigo in development. The opportunity here is to intensify the amount of development that can be accommodated on some of the key sites allocated for office and residential development. The capacity to do so should be explored as part of revisiting the masterplan for the area.

Hove Station Area (DA6)

This is not a significant opportunity but given the hotel company interest that we are aware of for Hove, the station area could be an appropriate location for the development of a budget hotel alongside other identified uses.

6.2.3 In terms of planning policy implications, City Plan Part 2 could usefully include a policy about hotel development, recognising the greater market potential now identified in this study, and pointing to these Development Areas as locations of opportunity for hotel development alongside identified uses, whilst being careful not to undermine the aspirations for other uses in these areas.

- 6.2.4 These four locations of opportunity could potentially deliver the hotels required to meet the levels of demand forecast at the lower growth rate. Beyond this, there are three other routes to securing additional hotel development:
 - Windfall sites the sort of opportunities that have come forward on West
 Street for example, which can be supported under Policy CP6 of CPP1;
 - Mixed use sites that could come forward in CPP2 but have yet to be identified. Hotels might be usefully identified as a use for such sites, alongside other uses;
 - Out of centre sites that have on-site demand drivers, such as the Amex Stadium and Brighton Racecourse. There is no need to allocate these sites for hotel use however. Out of centre locations are not really where the market or hotel developers want to be but given the difficulty of securing city centre sites have a potential role to play in overall hotel provision and are likely to be able to satisfy sequential test requirements.
- 6.2.5 City Plan Part 2 could usefully reinforce the above in the new policy proposed at 7.2.3, together with some supporting text that draws on new evidence provided in the Visitor Accommodation Study Update to explain the rationale and market case.

6.3. Hotel & Guest House Retention

- 6.3.1. The Visitor Accommodation Study Update shows a clear case for the City Council to continue to seek to retain the existing hotels and guest houses in the Hotel Core Zone, for a number of reasons:
 - While the market for small independent hotels and guest houses has clearly become more competitive in recent years, there remains a strong market for such accommodation in Brighton and evidence of shortages of these types of accommodation in the summer months. While some owners of small independent hotels and guest houses are reporting a fall in occupancy, an almost equal number indicate that occupancies have increased. Boutique and 4-star guest houses are generally achieving good occupancies. Budget guest houses are also trading well. 3-star guest houses and small 2-star hotels are not performing as well however, suggesting that it is these standards of hotel and guest house that have been most impacted by the increased competition from other forms of accommodation.

- There is a strong market currently for buying small hotels and guest house businesses in Brighton, including lower standard properties and guest houses in more fringe locations in the Hotel Core Zone e.g. Upper and Lower Rock Gardens and Russell Square. Small hotels and guest houses that come onto the market are generally selling and fetching good prices as going concerns. Many previously poor quality hotels and guest houses have been upgraded under new owners to boutique, themed and contemporary accommodation. Current market conditions suggest that this trend will continue for the foreseeable future.
- Brighton's independent hotel and guest house offer clearly remains a key part of the city's appeal as a leisure and business tourism destination, and merits retention therefore.
- 6.3.2. There is however a need for flexibility to allow guest houses that are unable to find buyers to exit the market, particularly if competition from new hotels, airbnb and short-term holiday lets continues to increase, and if the trading environment for guest houses becomes more challenging as a result of continuing rises in operating costs.
- 6.3.3. On the basis of this assessment, we believe that Part 6 of Policy CP6, relating to hotel and guest house retention, is an entirely appropriate policy approach. It seeks to retain hotels and guest houses in the Hotel Core Zone but has the flexibility to allow the change of use of hotels and guest houses that are unable to find buyers when existing owners no longer wish to operate them.
- 6.3.4. Part 6 of Policy CP6 allows the loss of hotels and guest houses in the Hotel Core

 Zone to be considered where it can be demonstrated that:
 - The premises have limited potential to upgrade and position itself viably in the market;
 - The loss of the premises would not set an unacceptable precedent in relation to the concentration and role of nearby/adjacent serviced accommodation;
 - The new use would be compatible with the character and other uses in the area.

- 6.3.5. The policy requires applications for change of use to be accompanied by:
 - Proof of marketing for sale as a going concern for a minimum of 12 months at a competitive price, taking account of current trading performance and condition;
 - Evidence of business performance;
 - Evidence of professional management, including marketing and business plans.
- 6.3.6. For smaller 'lifestyle' businesses evidence of marketing for sale may be sufficient. Evidence of attempts to save the business will be required for premises that are well-located or have something special to offer as a building. The council states that it will be flexible in its approach and have regard to material considerations at the time of application, including being responsive to changes in the market, the economy and visitor accommodation supply.
- 6.3.7. We believe that this is an entirely appropriate and sufficiently flexible approach to hotel and guest house retention in the Hotel Core Zone.
- 6.3.8. There could be merit in defining the term 'smaller lifestyle businesses' to which just the proof of marketing for sale test will be applied. We would suggest that this should be guest houses with fewer than 10, or perhaps 8 bedrooms.
- 6.3.9. There could also be merit in defining the term 'premises that are well located' that are also required to provide evidence of attempts to save the business. We would suggest that this should be any hotel or guest house with a sea view, so including all seafront properties and hotels and guest houses in the two key squares of New Steine and Regency Square.

6.4. Reviewing the Hotel Core Zone

6.4.1. Given the flexibility that Part 6 of Policy CP6 allows to consider a change of use for hotels and guest houses that cannot find a buyer; the continuing demand for good quality independent hotels and guest houses; and the strong interest for buying small hotels and guest house businesses in Brighton, including in more fringe locations in the Hotel Core Zone, there is no compelling evidence of a need to redraw the current boundaries of the Hotel Core Zone. There could be a case for excluding the station area and Jubilee Street, where there are only newly built hotels that are unlikely to come forward for change of use, but there is no particular need to do this.

6.4.2. We have noted that the Hotel Core Zone does not include The Brighton Hotel or the Mercure Brighton Seafront. There could be merit therefore in extending the boundary to include these two hotels.

6.5. Retaining Conference and Banqueting Provision in Hotels

6.5.1. City Plan Part One articulates a strategy under Policy DA1 to position Brighton as one of Europe's leading conference and meeting destinations through the development of a new state-of-the-art conference centre in a landmark building in the Brighton Centre and Churchill Square Development Area. City Plan Part One makes no reference however to the important role that conference and banqueting provision in some of the city's 4-star hotels plays in attracting conference business to Brighton. The Hilton Brighton Metropole provides the largest residential conference centre in the South of England. It has 33 conference and meeting rooms, can cater for conferences of up to 3,000 delegates, and can provide 5,000 sq m of exhibition space. The Grand Hotel has 13 conference and meeting rooms and can cater for conferences of up to 900 delegates. Other 4-star hotels, including the Old Ship. Jurys Inn Brighton Waterfront, Holiday Inn and Mercure Brighton Seafront have extensive and large-capacity conference and banqueting rooms. These conference and banqueting facilities in hotels attract residential conferences to Brighton, including many large-scale conferences, particularly at the Hilton Brighton Metropole and The Grand, and play an important role in attracting major conference to the Brighton Centre in terms of providing facilities for breakout sessions and evening gala dinners. A significant reduction in conference and banqueting provision in the city's 4-star hotels would weaken Brighton's competitive position as a conference destination. As it stands at present the City Council has no policy basis in City Plan Part One to resist the loss of hotel conference and banqueting facilities, and indeed Part 5 of Policy CP6 could be used to support it, as it allows the partial conversion of hotels. There could therefore be merit in the City Council including a policy in City Plan Part 2 that seeks to resist the substantial loss of conference and banqueting facilities in the city's hotels,

7. REGULATING SHORT-TERM HOLIDAY LETS AND HOME SHARING

7.1. The Need for Regulation

- 7.1.1. Our research has identified a number of reasons to look at regulating short-term holiday lets in Brighton:
 - To control the impact on housing supply and the residential property and lettings market. Analysis of the regulation of short-term holiday lets in other destinations (Appendix 3) shows that this has been the main driver for regulation in other cities, where the growth of the short-term holiday letting of residential properties has been shown to be impacting on housing supply. No research has as yet been undertaken to identify whether and how short-term holiday lets are impacting on housing supply in Brighton & Hove. Our research findings demonstrate that short-term holiday lets are now a significant and growing element of the city's visitor accommodation supply. The City Council will need to determine whether the loss potentially of 1,500-2,000 residential properties to short-term holiday letting is an issue. It will also need to consider whether the impact might increase in the future as a result of the higher tax bills that residential landlords will face as the Section 24 landlord tax changes introduced under the Finance Act 2015 are phased in by 2020. Some commentators are suggesting that more landlords might switch to holiday letting as holiday lets are not covered by the Section 24 landlord tax. The strength of demand for holiday lets will also be a factor in landlord decisions.
 - To ensure compliance with fire regulations and other health and safety regulations. The East Sussex Fire & Rescue Service advised us that they are finding it a major challenge to enforce fire safety regulations in the holiday let sector because of the number of holiday let properties that are now listed on online booking sites and the difficulties in making contact with owners.
 - To avoid noise and disturbance to neighbouring residential properties caused by antisocial behaviour from stag and hen parties and other large groups staying in group houses. This was the key focus of the Scrutiny Panel that looked into the issue of short-term holiday lets in the city in 2014. The Brighton and Hove Holiday Rental Association (BHRA) claim that these problems are now being managed effectively, with the majority of group houses now let by holiday letting agencies that are signed up to the BHRA's Best Practice Guidelines for Large Group Holiday Rentals. The City Council's Environmental

Protection Team confirm that there are currently no serious noise and disturbance problems being caused by group houses.

- To control the impact on other types of visitor accommodation. It is debatable however whether the regulation of short-term holiday lets should be used to interfere with the competitive visitor accommodation market in the city. Our research suggests that the growth in the supply of short-term holiday lets has resulted in a more competitive accommodation market in the city, and it is not unreasonable to assume that this could be a factor behind the drop in occupancy that some guest house owners have reported to us. However, our research shows that there is still a strong market for small independent hotels and guest houses in Brighton, and the city's hotels are trading at record levels of occupancy and room rate, despite the growth in holiday let provision and airbnb room sharing. It is also evident that there are other factors behind the fall in occupancy for some hotels and guest houses, including the recent rail strikes, the quality of some establishments, and a lack of effective marketing in some cases.
- To ensure that short-term holiday let properties have appropriate public liability insurance.
- To ensure that short-term holiday lets that are available for more than 140 days per year pay business rates and use a commercial waste collection service. This could however result in less income for the City Council if the business rates due on a holiday let are lower than the Council Tax that would be due on the property as a residential home, and if the owner is entitled to Small Business Rate Relief on a property with a rateable value of under £12,000.
- To achieve a level playing field with other visitor accommodation businesses that are required to have change of use permission. It is evident from our research that many short-term holiday lets are operating as businesses. They are available year-round; charge high prices, particularly at weekends; are achieving high occupancies; and are generating high levels of income, much higher than if they were being let as residential properties. It is also clear that a number of professional hosts operate in Brighton & Hove with multiple holiday let properties. A material change of use is evidently taking place in many cases. It seems reasonable therefore that holiday lets that are

- operating as businesses should be treated the same as other types of accommodation business for which change of use permission is required.
- 7.1.2. The key reasons to consider regulating short-term holiday lets are therefore in terms of controlling the impact on housing supply and assisting the enforcement of fire safety and other health and safety regulations.
- 7.1.3. There is perhaps not the same need to regulate home sharing in terms of its impact on housing supply, but still a case for regulation in terms of ensuring compliance with fire safety and other health and safety regulations that cover home sharing properties.

7.2. The Options for Regulating Short-Term Holiday Lets

a) A Requirement for Change of Use Permission for Group Houses

- 7.2.1. The City Council could look at regulating group houses more proactively through the planning system, in terms of a requirement for group houses to have change of use permission to a holiday let as a sui generis use. Planning Enforcement already does this on a reactive basis in cases where group houses are causing disturbance to neighbouring residents. The key question then is whether such regulation is necessary. There are a number of factors that suggest that it may not be:
 - There is a relatively small (but growing) supply of group houses in Brighton & Hove (we think around 250 properties). As such, their impact on housing supply and the residential lettings market may not be that significant.
 - It is much easier for the Fire & Rescue Service to identify and inspect group houses as there are fewer of them, and many of them are managed by holiday letting agencies that work closely with the Service to ensure that group houses meet fire safety standards.
 - The noise and antisocial behaviour problems associated with group houses are now well managed.
 - There is strong weekend demand for group houses in Brighton & Hove. Such properties are making a significant contribution to the city's visitor economy.
 - BHRA contend that a change of use requirement would reduce the supply
 of group houses and contribution to the city's visitor economy therefore,
 with landlords not wanting to lose the flexibility to revert to residential use

- 7.2.2. If the City Council decides to pursue this option it will need to establish criteria regarding which short-term holiday let properties will be required to apply for change of use permission, in terms of:
 - The size of property we would suggest 10 bedspaces or more as a possible criterion;
 - How many days they are available for or occupied for short-term lets per year. The London Boroughs use a figure of 90-days but find it very difficult to enforce. Availability for short-term lets is easier to determine than occupation, which relies on information provided by the landlord. Planning Enforcement advised however that they can only take action on the basis of actual occupation, rather than potential future occupation i.e. availability.
- 7.2.3. The City Council will also need to consider the staff resource implications of a more proactive policy approach to requiring group houses to apply for change of use, with potentially at least 250 applications that could come forward.
- 7.2.4. As we understand it the City Council could not require a change of use for smaller short-term holiday lets as the government considers them to be a residential (C3) use. Any change to planning legislation to require a change of use for short-term holiday lets would thus have to come from central government and is not within the power of the City Council to introduce.

b) A Licensing System

7.2.5. The second option that the City Council might eventually be able to consider is the introduction of a short-term holiday let licensing system along the lines of the systems that other major cities have introduced. This is not an option at present however, as there is no current legislation that would allow the City Council to introduce such a system. The Tourism All-Party Parliamentary Group (APPG) is however currently considering the statutory registration of visitor accommodation using the legislation that already exists under the Development of Tourism Act 1969 for the National Tourist Boards to implement a statutory registration scheme, which they may then delegate to local councils to implement. Brighton & Hove City Council might therefore want to support this move and could consider putting Brighton & Hove forward as a pilot location for a licensing system.

- 7.2.6. A short-term let licensing system would in the first instance allow the City Council to be able to identify which residential properties are being let as short-term holiday lets, and how many of them there are. It could also be used in a number of ways to regulate short-term holiday lets in the city in terms of:
 - Providing a database of short-term holiday let property owners that the Fire
 Rescue Service can work from and that can be contacted to promote
 best practice and compliance with other health and safety regulations.
 - Allowing the City Council to revoke licenses in cases of persistent noise and antisocial behaviour from group houses, and also to restrict short-term holiday lets and group houses in quiet residential areas, if there is a clear need to do so.
 - Allowing the City Council to limit the number of short-term holiday lets to reduce the impact on housing supply of a significant increase in such visitor accommodation. Robust evidence of such a need would first be needed.
 The impact on the visitor economy also needs to be taken into account.
 - Giving the City Council the opportunity to limit the number of nights that a short-term holiday let can be occupied for, should there be evidence that such a restriction is necessary to limit the impact on housing supply.
- 7.2.7. The introduction of a short-term holiday let licensing system need not in itself result in a reduction in the supply of holiday let properties if licenses are easy and affordable to obtain. It would only be a more restrictive system that would do this, if a reduction in holiday let supply is proven to be necessary to protect housing provision.
- 7.2.8. The operation of a short-term holiday let licensing system will require a team of licensing officers. Their salaries will need to be covered by license fees and perhaps also fines for unlicensed holiday let properties.
- 7.2.9. If the City Council decides to look further at this option in the future, we would suggest a simple system that requires anybody that wants to let an entire residential property for short-term holiday lets to have a license, irrespective of how many nights per year they want to let it for. The experience in the London Boroughs, where a 90-day threshold now applies for requiring short-term holiday let properties to have change of use permission, has shown how difficult it is to enforce a system where a license would not be required for holiday let properties that are only letting for a certain number of days.

- 7.2.10. A licensing short-term holiday let licensing system might also be extended to home sharing in order to ensure compliance with fire safety and other relevant health and safety regulations that home sharing properties need to meet.
- 7.2.11. If the City Council eventually decides to go down the route of a short-term holiday let licensing system it will need to engage with the holiday let booking sites to get them on board in helping to ensure compliance by the holiday let properties that they represent. In practice however, it is very difficult to make contact with the managers of these sites. We were unable to make contact with airbnb to engage them in this study, despite numerous attempts.

8. REQUIREMENTS FOR PROACTIVE CITY COUNCIL INTERVENTION TO SUPPORT HOTEL DEVELOPMENT

8.1. Options for City Council Intervention to Support Hotel Development

8.1.1. Whilst hotel development is ultimately a matter for the private sector to determine, there are interventions that local authorities can make to influence hotel development, particularly given the challenges identified in Brighton to deliver the scale of hotel development for which market potential has been identified. The rationale for intervention is to help direct the delivery of new hotels – in terms of type of hotel and location - to underpin and maximise wider destination objectives, enable demand to grow, and achieve a sustainable hotel market. The options for City Council intervention are set out below.

a) Clearly Articulating a Hotel Investment Strategy for Brighton

A good starting point is to clearly articulate the Hotel Investment Strategy for Brighton, for which this study provides the evidence base. The strategy should set out the scale and nature of the market potential identified; the key hotel products and brands that the city wants to attract to support its future development as a leisure and business tourism destination; and the key locations of opportunity for hotel development in the city.

The strategy should focus on attracting hotel products and brands to Brighton that will help to attract new markets to the city and strengthen Brighton's competitive position as a business and leisure tourism destination in terms of:

- International hotel brands that will bring new business to the city through their customer base, national and international marketing, brand strength, loyalty programmes and distribution channels. Marriott and Radisson are the two key international hotel brands not currently represented in Brighton, so perhaps the priority to target, however Hilton, IHG and Accor only have one hotel each in Brighton, so could also be worth targeting for second brands.
- Lifestyle and budget boutique hotels and aparthotels, e.g. Aloft, 25hours, Moxy, Locke, Cuckooz, to attract the Generation Y business traveller and leisure guest.

• London-based hotel brands, e.g. Apex and Z Hotel, that are looking to expand beyond the capital that can bring their customers to Brighton.

b) Sharing the Hotel Investment Strategy with the Property and Hotel Development Community

Given that hotel development is now primarily progressed by property developers, it will be important to share the Hotel Investment Strategy with the city's property developers, but also with national developers, a number of whom have been active in the city already. Similarly, the strategy should be shared with hotel developers, investors and operators. This will include those that expressed interest in developing in Brighton as part of our hotel developer testing work, but there is a much wider network that could also be engaged in this process. Sharing the strategy presents an opportunity to direct and influence the market, which experience tells us it will respond well to, providing confidence for hotel operators and developers to work up hotel schemes.

c) Owning the Hotel Investment Strategy Across the City Council

There is also a communications exercise to be undertaken within the City Council to ensure that the Hotel Investment Strategy is understood and owned by all who are likely to come into contact with hotel and property developers that might be interested in developing hotels in the city. Enquiries might be directed to Planning Policy, Development Management, Economic Development, Inward Investment, Estates or Tourism teams, who should all be clear about the type of hotel the city needs and the optimum locations for hotel development in the advice they give.

d) Pro-active Use of Council Resources

There may be some circumstances where more direct intervention might be required to bring forward a scheme of strategic importance that the market may not deliver. This could take the form of direct financial intervention, or the use and contribution of Council-owned sites. This was the case for example in Liverpool, where the City Council have funded the development of a 4-star headquarters hotel for the conference and exhibition centre through Prudential borrowing, having put it to the market and failed to secure a developer. The wider strategic need case was the need to be competitive in securing

conferences and exhibitions that deliver a much wider economic and tourism benefit to the city as a whole, including to other hotels. A similar approach could be adopted at Black Rock if the market doesn't bring forward a hotel here on viability grounds. Council funding of hotels also provides an opportunity to generate an income stream to boost Council budgets, which is an additional consideration to take on board. Appendix 15 provide further information and examples.

e) Influencing Hotel Delivery in Negotiations on Key Strategic Schemes

In addition to communicating the Hotel Investment Strategy, there is a more focused role for key Council officers in its implementation in relation to the key locations of hotel development opportunity. Promoting the inclusion of hotel facilities within mixed-use schemes in these locations – and the right type and standard of hotel – will be important when engaging with the developers in each case and should form an on-going part of these negotiations. This also presents an opportunity to gain greater insight into the issues around project viability in relation to hotel use, and potentially to explore other interventions that may be needed to help bring hotel projects forward.

APPENDICES

APPENDIX 1

GLOSSARY OF HOTEL & VISITOR ACCOMMODATION DEFINITIONS

Hotel

Formal commercial serviced accommodation with full service (AA definition)

Types of Hotel

Budget Hotel

A limited service hotel providing a basic, good standard en-suite bedroom, with limited inroom 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, Easyhotel

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

3 Star Metro

3-star standard hotels that only provide bed and breakfast i.e. no evening meals.

4 Star

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

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

5 Star

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

Brand examples include InterContinental, Renaissance, Radisson Edwardian

Boutique Hotel

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

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

Lifestyle Hotel

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

Brand examples include: Radisson Red, Hyatt Place, Aloft, A C by Marriott

Budget Boutique

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

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

Upscale Hotels

4 and 5-star, boutique and lifestyle hotels, trading at the top of the market in terms of price point.

Midscale Hotels

3-star, upper-tier budget and budget boutique hotels trading at a mid-market price point

Aparthotels

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, Adagio

Other Types of Serviced Accommodation

Guest Accommodation

Informal commercial serviced accommodation (e.g. B&B or inn) with limited service (AA definition).

Inn

Bed and breakfast accommodation within a traditional inn or pub.

Boutique Inn

High quality inns that feature contemporary interior design, furnishings and fittings in guest bedrooms and public areas.

Restaurant with Rooms

Guest bedrooms provided above or alongside a restaurant operation. The restaurant is normally the most significant element of the business and is usually open to non-residents as well as staying guests. Breakfast is normally provided.

Guest House

A guest house normally has at least 4 letting bedrooms with en-suite or private bathroom facilities. It is usually run as a commercial business and will have been granted planning permission as such. Breakfast is usually provided and evening meals may also be offered.

B&B

Accommodation offering bed and breakfast, usually in a private house. B&Bs normally accommodate no more than 6 guests and may or may not serve an evening meal. Will not usually require planning permission unless the primary use of a property.

Boutique Guest House/B&B

High quality bed and breakfast accommodation that features contemporary, chic interior design, furnishings and fittings.

Serviced Apartments

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

Non-Serviced Accommodation

Short-Term Holiday Lets/ Self-Catering

Residential properties that are let on a short-term basis (from a few days to a few weeks) for holiday or other temporary stay purposes e.g. work, business visits, conference attendance, study. Such properties are increasingly being let online through a number of booking sites, such as Owners Direct, Holiday Lettings, airbnb, booking.com, Expedia, or can be let through holiday letting agencies.

Home Sharing

The letting of private or shared bedrooms in somebody's home, most commonly through airbnb, but also through other online booking sites, such as Wimdu and Homestay

Youth Hostels

Simple accommodation in private, shared or dormitory rooms with double, single and bunk beds. Most hostels will have a self-catering kitchen. Some also provide meals. More modern hostels may have en-suite family rooms.

Luxury Hostels

Hostels that feature contemporary interior design and offer a higher quality of accommodation.

Hotel Performance Terms

Occupancy Rate

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

Achieved Room Rate (ARR)

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

Revpar

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

APPENDIX 2

HOTELS & ACCOMMODATION BUSINESSES/ORGANISATONS INTERVIEWED

Business/Organisation	Personal/ Telephone/ Head Office
Hotels	
The Grand	Р
Jurys Inn Brighton Waterfront	Р
Jurys Inn Brighton	Р
Old Ship	T
Holiday Inn Brighton Seafront	Р
Mercure Brighton Seafront	Р
Drakes	Р
Hotel du Vin	T
Blanch House	Р
The Square Hotel	T
Hotel Pelirocco	T
The Ginger Pig	Р
Best Western Princes Marine	Р
Queens/ Kings/ Brighton	Р
Amsterdam	Р
Britannia Study Hotel	Р
Ambassador	Р
Premier Inn Brighton	НО
Travelodge Brighton Seafront	НО
Travelodge Brighton	НО
Representative Bodies	
Brighton & Hove Hotels Association	T
Brighton & Hove Holiday Rentals Association	T
Holiday Let Agencies	
Brighton Holiday Home	T
Best of Brighton Holiday Lets	T
Crown Gardens	T

APPENDIX 3

BRIGHTON & HOVE – CURRENT SUPPLY OF HOTELS AND GUESTHOUSES – MARCH 2018

Establishment	Address	Grading ¹	Rooms
Hotels		_	
4 Star			
Brighton Harbour	64 King's Road	4 star	79
Hilton Brighton Metropole	King's Road	4 star	340
Holiday Inn Brighton Seafront	137 King's Road	4 star	131
Mercure Brighton Seafront	149 King's Road	4 star	126
Jurys Inn Brighton Waterfront	King's Road	4 star	208
Old Ship	31-38 King's Road	4 star	154
The Grand	King's Road	4 star	196
Boutique			
Artist Residence	33 Regency Square	Boutique	24
Blanch House	17 Atlingworth Street	Boutique	12
Drakes	43-44 Marine Parade	Boutique	20
The Ginger Pig	3 Hove Street, Hove	Boutique	11
Hotel du Vin	Ship Street	Boutique	49
Hotel Pelirocco	10 Regency Square	Boutique	19
Hotel Una	55-56 Regency Square	Boutique	19
Malmaison Brighton	Brighton Marina	Boutique	71
My Brighton	17 Jubilee Street	Boutique	80
The Charm	20-21 New Steine	Boutique	22
The Square Hotel	4 New Steine	Boutique	10
3 Star			
Albany Hotel	19-23 The Drive, Hove	3 star	37
Amsterdam	11/12 Marine Parade	3 star Metro	23
Best Western Princes Marine	153 Kingsway, Hove	3 star	48
Britannia Study Hotel	150 Western Road	3 star	42
Brunswick Square Hotel	Brunswick Square, Hove	3 star	21
Courtlands	15-27 The Drive, Hove	3 star	61
Granville	124 King's Road	3 star Metro	21
Imperial	First Avenue, Hove	3 star	76
Jurys Inn Brighton	101 Stroudley Road	3 star	234
Kings	139-141 King's Road	3 star	90
Langfords	8-16 Third Av, Hove	3 star	60
Legends Hotel	31-34 Marine Parade	3 star	38
New Madeira Hotel	19-23 Marine Parade	3 star	34
Prince Regent Hotel	29 Regency Square	3 star	20
Queens	1 King's Road	3 star	94
Royal Albion	35 Old Steine	3 star	219
The Brighton	143-145 King's Road	3 star	55
The Lanes Hotel	70-72 Marine Parade	3 star	33
White Horse Hotel	Marine Dr, Rottingdean	3 star Inn	18

Hotel Solutions April 2018

_

¹ Official AA or VisitBritain grading, gradings awarded by OTAs (booking.com, Expedia, LateRooms), self-rating, and self-description (of boutique properties)

Establishment	Address	Grading ¹	Rooms
2 Star			
Ambassador Hotel	22 New Steine	2 star Metro	24
Preston Park	216 London Road	2 star	33
Queensbury Hotel	58 Regency Square	2 star	16
New Cosmopolitan Hotel	29-31 New Steine	2 star	40
The Beach Hotel	2-4 Regency Square	2 star	30
Branded Budget			
Ibis Brighton City Centre Station	88-92 Queens Road	Budget	140
Innkeeper's Lodge Brighton	London Rd, Patcham	Budget	17
Premier Inn Brighton City Centre	144 North Street	Budget	160
Travelodge Brighton	165-167 Preston Road	Budget	94
Travelodge Brighton Seafront	West Street	Budget	138
Ungraded			
Churchill Palace Hotel	2-5 Middle Street	n/a	32

¹ Official AA or VisitBritain grading, gradings awarded by OTAs (booking.com, Expedia, LateRooms), self-rating, and self-description (of boutique properties)

Establishment	Address	Grading ¹	Rooms
Guest Accommodation			
5 Star			
Claremont House	13 Second Avenue	5 star	11
Kemp Town House	21 Atlingworth Street	5 star	11
Boutique	1 0 0.0		
A Room with a View	41 Marine Parade	Boutique	9
Beachpad Escape	17 Madeira Place	Boutique	5
Brighton Inn	20 St George's Terrace	Boutique	7
Brighton Marina House Hotel	8 Charlotte Street	Boutique	9
Brightonwave	10 Madeira Place	Boutique	8
Fab Guest	9 Charlotte Street	Boutique	14
Five Brighton	5 New Steine	Boutique	10
Guest and the City	2 Broad Street	Boutique	7
Kemp Town House	21 Atlingworth Street	Boutique	11
Lime House	19 New Steine	Boutique	8
Motel Schmotel	37 Russell Square	Boutique	10
Nineteen	19 Broad Street	Boutique	8
No 27 Brighton	27 Upper Rock Gardens	Boutique	5
One Broad Street	1 Broad Street	Boutique	8
Red Brighton Blue	7 Charlotte Street	Boutique	10
Sea Spray	25 New Steine	Boutique	17
Snooze	25 St George's Terrace	Boutique	8
The Arthouse	21 Wilbury Road, Hove	Boutique	2
The Griffin	14 Madeira Place	Boutique	9
The Oriental	9 Oriental Place	Boutique	9
The Southern Belle	3 Waterloo Street, Hove	Boutique	10
The Twenty One	21 Charlotte Street	Boutique	8
The White House	6 Bedford Street	Boutique	9
Whitburn Lodge	12 Montpelier Road	Boutique	5
4 Star	12 Mornpeller Rodd	Boolique	J
Adastral Hotel	6 Westbourne Villas, Hove	4 star	19
Amherst	2 Lower Rock Gardens	4 star	10
Aquarium Guest House	13 Madeira Place	4 star	6
Brighton House	52 Regency Square	4 star	14
Brighton Surf Guest House	16 Charlotte Street	4 star	10
Brightside	4 Shirley Road, Hove	4 star	3
Four Seasons Guest House	3 Upper Rock Gardens	4 star	7
Greys	11 Charlotte Street	4 star	12
Gulliver's Hotel	10 New Steine	4 star	11
Kempfield House	18 Madeira Place	4 star	13
Lichfield House	30 Waterloo St, Hove	4 star	9
New Steine Hotel	10-11 New Steine	4 star	20
Number 14	14 Upper Rock Gardens	4 star	6
Paskins Town House	18/19 Charlotte Street	4 star	20
Regency Hotel	28 Regency Square	4 star	13
Royal Pavilion Townhouse	12a Regency Square	4 star	8
Sea Breeze Hotel	13 Upper Rock Gardens	4 star	7
Seafield House	23 Seafield Road, Hove	4 star	12

¹ Official AA or VisitBritain grading, gradings awarded by OTAs (booking.com, Expedia, LateRooms), self-rating, and self-description (of boutique properties)

Establishment	Address	Grading ¹	Rooms
The Alvia	36 Upper Rock Gardens	4 star	12
The Cavalaire	34 Upper Rock Gardens	4 star	10
The Kelvin	9 Madeira Place	4 star	10
Topps Hotel	17 Regency Square	4 star	15
3 Star	, , , , , , , , , , , , , , , , , , , ,		
Adelaide House	51 Regency Square	3 star	12
Alston House	28 New Steine	3 star	11
Andorra Guest Accommodation	15-16 Oriental Place	3 star	23
Atlantic Seafront	16 Marine Parade	3 star	9
Avalon Lifestyle Guest House	7 Upper Rock Gardens	3 star	7
Boydens Guest House	27 St James' Avenue	3 star	7
Churchill Brighton Guest House	44 Russell Square	3 star	8
Colson House	17 Upper Rock Gardens	3 star	8
Court Craven Guest House	2 Atlingworth Street	3 star	11
Coward's Guest House	12 Upper Rock Gardens	3 star	6
Downs Hotel	Woodingdean	3 star	9
Grand Pier Guest House	11 Madeira Place	3 star	10
Hamptons	3 New Steine	3 star	13
Hudsons	22 Devonshire Place	3 star	9
Istanbul EV Guest House	8 Madeira Place	3 star	8
Marina by the Sea	3 Lower Rock Gardens	3 star	8
Marine View	24 New Steine	3 star	11
Market Inn	1 Market Street	3 star	2
Old Palace Guest House	7 Madeira Place	3 star	9
Pink Pavilion	12 Madeira Place	3 star	7
Regency Lansdowne Guest House	45 Lansdowne Plc, Hove	3 star	7
Russell Guest House	19 Russell Square	3 star	8
Sandpiper Guest House	11 Russell Square	3 star	8
SoBo Guest House	10 Seafield Road, Hove	3 star	6
Strawberry Fields	6-7 New Steine	3 star	27
The Beach Pad	18 Broad Street	3 star	7
The Gather Inn	330 Kingsway, Hove	3 star	15
The Moreland	33 Montpelier Road	3 star	8
Westbourne Guest House	46 Upper Rock Gardens	3 star	12
2 Star			
Bow Street Runner	62 Brunswick Street	2 star	3
Brighton Breeze Hotel	17 Charlotte Street	2 star	11
Cecil House Hotel	126 King's Road	2 star	12
Chatsworth House	9 Salisbury Road, Hove	2 star	8
Valentine House Hotel	38 Russell Square	2 star	10
Ungraded			<u> </u>
Blythcote Guest House	Kingsway, Hove	n/a	2
Maon Hotel	26 Upper Rock Gardens	n/a	9
Chimera House	18 Lower Rock Gardens	n/a	9
The Willows	27 Lower Rock Gardens	n/a	12
The Yard	2/6 Atlingworth Street	n/a	4
Wayne's Place	3/5 Atlingworth Street	n/a	3

¹ Official AA or VisitBritain grading, gradings awarded by OTAs (booking.com, Expedia, LateRooms), self-rating, and self-description (of boutique properties)

BRIGHTON & HOVE AIRBNB SUPPLY - 2016/17

Month	Entire Home Listings	Private Room Listings
Jun 2016	921	779
Jul 2016	1147	843
Aug 2016	1307	919
Sep 2016	1200	911
Oct 2016	1135	937
Nov 2016	1086	883
Dec 2016	1235	922
Jan 2017	1197	944
Feb 2017	1044	831
Mar 2017	1080	900
Apr 2017	1301	946
May 2017	1344	1022
Jun 2017	1504	1073
Jul 2017	1693	1120
Aug 2017	1833	1188
Sep 2017	1611	1089
Oct 2017	1564	1041
Nov 2017	1411	980
Dec 2017	1562	1055

Source: AirDNA, December 2017

BRGHTON & HOVE SHORT-TERM HOLIDAY LET SUPPLY – JANUARY 2018

Booking Agency/Site	Size of Property					Total	
	Sleeps 2	Sleeps 3-5	Sleeps 6-9	Sleeps 10-20	Sleeps 21-30	Sleeps 31-40	Properties
Brighton Holiday Homes	28	75	22	33	8	1	167
Crown Gardens	6	16	16	38	2		78
City Pad Brighton	8	23	21	13	1		66
Best of Brighton	12	28	8				48
Owners Direct/HomeAway	49	62	15	27	3		156
Holiday Lettings/TripAdvisor	44	153	110	85	11		403
Airbnb	636	458	303	159	4		1254
Wimdu	26	15	9				33
Cottages.com		7	1				8
Total	809	837	505	355	29	1	2213
booking.com							146
Total							2359

BRIGHTON HOSTELS

Hostel	Address	Grade	Bedspaces	New Since 2006
Baggies Backpackers	33 Oriental Place			
Bond Hotel	41 Bond Street			$\sqrt{}$
Brighton Youth Hostel	11 Seafield Road, Hove			$\sqrt{}$
HAPPY Brighton	23 Broad Street			$\sqrt{}$
Home Brighton	33 Richmond Place			$\sqrt{}$
Hostelpoint Brighton	10-12 Grand Junction Road			$\sqrt{}$
Kipps Backpackers Hostel	76 Grand Parade	3 star		$\sqrt{}$
Seadragon Backpackers	32 Waterloo Street, Hove			$\sqrt{}$
Smart Brighton Beach	78-81 West Street			$\sqrt{}$
Smart Sea View Brighton	9-12 St Aubyns, Hove			$\sqrt{}$
The Grapevine Central	74-76 Middle Street			
The Grapevine North Laine	29-30 North Road			$\sqrt{}$
The Grapevine Seafront	46-48 Kings Road			V
The King's Arms Hostel	56 George Street			
YHA Brighton	Old Steine	4 star	180	

APPENDIX 7

BRIGHTON & HOVE - HOTELS AND GUEST HOUSES REPOSITIONED AS BOUTIQUE ACCOMMODATION 2006-2017

Previous Name	Address	Standard in 2006	Rooms	New Name	Rooms
Ascott House/ Arlanda Hotel	20-21 New Steine	4 diamond/n/a	14/15	The Charm	22
Brighton Beach Hotel	41 Marina Parade	2 diamond	27	A Room with a View	9
Brighton Marina House Hotel	8 Charlotte Street	3 diamond	9	Brighton Marina House Hotel	9
Brighton Pavilions	7 Charlotte Street	4 diamond	10	Red Brighton Blue	10
Charlotte House	9 Charlotte Street	n/a	9	Fab Guest	14
Christina Guest House	20 St George's Terrace	n/a	9	Brighton Inn	7
Diana House	25 St George's Terrace	n/a	9	Snooze	8
Funchal Guest House	17 Madeira Place	3 diamond	5	Beachpad Escape	5
Georjan Guest House	27 Upper Rock Gardens	3 diamond	5	No 27 Brighton	5
Iron Duke Hotel	3 Waterloo Street, Hove	n/a	9	The Southern Belle	10
Malvern Hotel/George IV Hotel	33/34 Regency Square	4 diamond/4 star	13/7	Artist Residence	24
One Broad Street	1 Broad Street	3 star	7	One Broad Street	8
Oriental Hotel	9 Oriental Place	3 diamond	9	The Oriental	9
Griffin Hotel	14 Madeira Place	3 diamond	11	The Griffin	9
The Townhouse	19 New Steine	4 star	8	Lime House	8
The Twenty One	21 Charlotte Street	4 diamond	8	The Twenty One	8
Whitburn Lodge	12 Montpelier Road	n/a	4	Whitburn Lodge	5
Willow Guest House	37 Russell Square	n/a	12	Motel Schmotel	10

APPENDIX 8

BRIGHTON & HOVE - GUEST HOUSE AND B&B CLOSURES 2006-2017

Establishment	Address	Grade	Rooms	Commentary
Amblecliff	35 Upper Rock Gardens	3 star	12	
Aymer Guest House	13 Aymer Road, Hove	4 diamond	3	
Beynon House	24 St George's Terrace	3 star	6	
Black Horse	Montague Place	n/a	6	
Brighton Charter Hotel	12-15a King's Road	n/a	17	Now Queens Hotel Apartments
Brighton Kingsway	2 St Aubyns, Hove	4 diamond	15	
Brighton Royal Hotel	76 Grand Parade	n/a	10	Now Kipps Backpackers Hostel
Central Guest House	42 Russell Square	n/a	11	
Chimera House	18 Lower Rock Gardens	n/a	9	
Cinderella Hotel	48 St Aubyns, Hove	n/a	11	
Dorset Guest House	17 Dorset Gardens	n/a	8	
Dove Hotel	18 Regency Square	3 star	9	Currently on the market with Flude Commercial
Forty-One	41 Cornwall Gardens	4 star	1	
Garden Annexe @ Florence House	18 Florence Road	3 diamond	5	
Greenways Guest House	369 Kingsway, Hove	n/a	3	
Keehans Hotel	57 Regency Square	n/a	21	
Kempton House Hotel	33/34 Marine Parade	n/a	12	
Leona House	74 Middle Street	4 star	7	Now the Grapevine Central Hostel
Lichfield House	30 Waterloo Street, Hove	4 diamond	9	
Marina West Hotel	26 Oriental Place	3 diamond	11	
Millards Hotel	23 Broad Street	3 star	8	Now the HAPPY Hostel
Montpelier Hall Hotel	Montpelier Terrace	n/a	9	
Morgan's View Guest House	Kingsway, Hove	n/a	6	
Palm Court	371 Kingsway, Hove	n/a	7	
Rowland House Guest House	21 St George's Terrace	3 diamond	11	
Sussex Art Club	7 Ship Street	n/a	7	Now part of the Hotel du Vin
The Garth	28 Cornwall Gardens	3 diamond	2	
The Heathers	4-5 Lower Rock Gardens	3 diamond	19	
Vavoom	31 Old Steine	n/a	4	
The Neo	19 Oriental Place	Boutique	9	
Windhaven Guest House	Marine Drive, Rottingdean	n/a	3	

CURRENT HOTEL PERFORMANCE & MARKETS

Brighton Hotel Performance 2017

Our estimates of average annual room occupancies, achieved room rates¹ and revpar² for Brighton hotels in 2017 are set out in the table below, based on our discussions with the city's hotel managers and the hotel performance data that we purchased for Brighton from STR Global. The data has been analysed for boutique, 4-star, 3-star, 3/4 star and budget hotels, and compared with national figures for provincial hotels and provincial 3/4-star chain hotels.

BRIGHTON HOTEL PERFORMANCE 2017

Standard of Hotel	Average Annual Room Occupancy %	Average Annual Achieved Room Rate ⁷ £	Average Annual Achieved Revpar ⁸ £
UK Provincial Hotels (All Standards) ¹	76	71	54
UK Provincial 3/4 Star Chain Hotels ²	76.5	86.43	66.14
Brighton Boutique Hotels ³	78.1	115.23	89.97
Brighton 4 Star Hotels ⁴	73.8	105.84	78.12
Brighton 3 Star Hotels ⁵	86.2	75.44	65.00
Brighton 3/4 Star Hotels	77.8	94.97	73.87
Brighton Budget Hotels ⁶	79.9	70.60	56.41
Brighton - All Hotels	78.3	91.77	71.83

Notes

- 1. National average figures source: STR Global
- 2. National average figures source: Hotstats
- 3. Source: STR Global. Sample: Hotel du Vin, My Brighton, Malmaison, Brighton Harbour
- 4. Source: STR Global. Sample: The Grand Brighton, Hilton Brighton Metropole, The Old Ship, Jurys Inn Brighton Waterfront, Holiday Inn Brighton Seafront, Brighton Harbour, Mercure Brighton Seafront
- 5. Source: Hotel Solutions. Sample: Queens, Kings, Brighton, Jurys Inn Brighton, Britannia Study, Best Western Princes Marine, Amsterdam
- 6. Source: STR Global. Sample: Premier Inn Brighton City Centre, Travelodge Brighton Seafront, Ibis Brighton City Centre Station, Travelodge Brighton, Innkeeper's Lodge Brighton Patcham
- 7. The average price per **room sold** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges.
- 8. The average price per **available room** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges

¹ The average price per **room sold** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges.

² The average price per **available room** that hotels achieve net of VAT, breakfast (if included), discounts and commission charges

Key observations on Brighton hotel performance in 2017 are as follows:

- Brighton has a very strong hotel market, one of the strongest in the UK.
 Occupancies for the city's hotels are ahead of provincial averages. Achieved room rate and revpar performance is significantly stronger than the national picture.
- Brighton 3/4-star hotel performance is ahead of the national provincial 3/4-star chain hotel performance, particularly in terms of achieved room rate and revpar.
- 4-star performance would have been even stronger had it not been for the major renovation work taking place at The Grand.
- 3-star hotel occupancies are very strong.
- Boutique hotels are trading at very high occupancies and achieved room rates.
- Budget hotel occupancies are very high.

Hotel Performance Trends 2013-2017

The table overleaf presents the data that we purchased from STR Global for boutique, 4-star and budget hotel performance over the past 5 years. This shows a steady improvement in hotel performance to reach record levels in 2017. While occupancies dipped for boutique and budget hotels in 2017, achieved room rates grew significantly to produce record revpar results for these categories of hotel. 4-star occupancies rose to a record level in 2017, and while achieved room rates dropped back slightly, the improvement in occupancy resulted in a record level of revpar for the city's 4-star hotel sector.

Trends in 4-star hotel performance have however varied between hotels. One 4-star hotel saw a sharp drop in occupancy and achieved room rate in 2017 as a result of major refurbishment work. Two 4-star hotels reported a drop in occupancy as a result of the rail strikes. Three hotels reported an increase in occupancy and achieved room rate following refurbishment and as a result of increased sales and marketing activity.

Trends in boutique hotel performance also differed between hotels. One boutique hotel reported a significant fall in occupancy and achieved room rate in 2017 during major renovations. Two boutique hotels reported a drop in occupancy as a result of new boutique hotel openings and re-brandings. One boutique hotel reported no change in performance. Two boutique hotels have seen an increase in occupancy and achieved room rate following refurbishment and as a result of increased marketing.

BRIGHTON HOTEL PERFORMANCE 2013-2017

Year	Boutique Hotels			4-Star Hotels			Budget Hotels		
	Room Occupancy %	Average Room Rate £	Revpar £	Room Occupancy %	Average Room Rate £	Revpar £	Room Occupancy %	Average Room Rate £	Revpar £
2013	80.4	93.91	75.47	71.5	88.18	63.02	n/a	n/a	n/a
2014	82.5	94.30	77.79	72.1	95.46	68.80	78.3	59.39	46.51
2015	82.4	96.75	79.76	72.6	99.54	72.23	80.5	63.52	51.14
2016	n/a	n/a	n/a	71.3	107.42	76.62	81.5	68.74	56.01
2017	78.1	115.23	89.97	73.8	105.84	78.12	79.9	70.60	56.41

Source: STR Global

While we are unable to provide data for 3-star hotel performance in the city over the last 5 years, from the discussions that we had with 3-star hotel managers, room occupancies dropped back in 2016 and 2017 and achieved room rates dipped for a number of seafront 3-star hotels. Hotel managers attributed this to the disruption caused by the rail strikes, and a more competitive hotel market as a result of the growth of airbnb in the city and some 4-star hotels having offered substantially reduced room rates during refurbishment.

Patterns of Demand

The daily and monthly room occupancy, ARR¹⁸ and revpar¹⁹ data for boutique, 4-star and budget hotels that we purchased from STR Global is set out in the tables overleaf. The data that we have compiled for midweek and weekend occupancy for the city's 3-star hotels (from the information provided by 3-star hotel managers) is set out in the table below. We did not collect midweek and weekend ARR and revpar data for 3-star hotels.

BRIGHTON 3.	-STAR HOTELS -	MIDWFFK &	WFFKFND C	CCUPANCY
		MIDITELL	TILLILID C	

Day/s	Average Room Occupancy %
Mon-Thurs	85.6
Friday	81.1
Saturday	96.2
Sunday	56.3

This data shows very strong weekend (Friday and Saturday) demand for hotel accommodation in Brighton, with all categories of hotel achieving very high levels of occupancy, ARR and revpar, particularly on Saturday nights. All hotels consistently fill and turn business away on Saturday nights for most of the year, and many hotels also fill and deny bookings on Friday nights in the summer. Midweek hotel performance is not quite as strong for boutique and 4-star hotels. 3-star and budget hotel occupancies remain high but achieved room rates are not as strong in the week. Tuesday and Wednesday nights are the strongest midweek nights. Occupancies, ARRs and revpar figures dip a little on Monday and Thursday nights. Sunday night is the weakest night of the week for all categories of hotel, although some hotels still achieve an occupancy of over 60% on Sunday nights.

Hotel Solutions April 2018

¹⁸ Achieved room rate

¹⁹ Rooms revenue per available room

BRIGHTON HOTEL PERFORMANCE 2017 - BY DAY OF THE WEEK - BOUTIQUE/4-STAR/BUDGET HOTELS

Day	Boutique Hotels				4-Star Hotels			Budget Hotels		
	Room Occupancy %	Average Room Rate £	Revpar £	Room Occupancy %	Average Room Rate £	Revpar £	Room Occupancy %	Average Room Rate £	Revpar £	
Monday	70.2	96.09	67.44	66.9	93.85	62.81	79.3	57.24	45.39	
Tuesday	77.0	100.26	77.15	75.4	95.65	72.09	82.6	63.74	52.65	
Wednesday	76.9	98.56	75.77	75.8	92.37	70.03	82.0	61.40	50.35	
Thursday	76.9	99.78	76.76	73.8	96.25	71.02	80.1	57.74	46.27	
Friday	84.5	124.68	105.36	80.1	108.67	87.10	81.7	76.37	62.37	
Saturday	92.3	172.59	159.37	86.5	146.31	126.59	88.4	114.38	101.11	
Sunday	68.9	99.17	68.34	58.4	98.03	57.61	65.5	56.66	37.10	

Source: STR Global

BRIGHTON HOTEL PERFORMANCE 2017 - BY MONTH - BOUTIQUE/4-STAR/BUDGET HOTELS

Day	Boutique Hotels			4-Star Hotels			Budget Hotels		
	Room Occupancy %	Average Room Rate £	Revpar £	Room Occupancy %	Average Room Rate £	Revpar £	Room Occupancy %	Average Room Rate £	Revpar £
January	52.1	89.61	46.67	50.0	84.67	42.32	60.8	49.60	33.61
February	65.0	99.23	64.51	64.9	91.75	59.50	76.2	55.92	44.73
March	70.4	103.14	72.60	67.7	97.74	66.12	74.5	60.55	44.96
April	82.3	118.20	97.31	77.3	111.72	86.41	82.8	73.60	63.14
May	77.5	118.05	91.46	75.5	109.65	82.75	83.1	73.99	60.25
June	85.8	126.99	108.90	80.9	116.98	94.66	85.7	84.79	70.52
July	92.0	121.44	111.73	87.4	113.56	99.26	86.8	83.87	72.58
August	91.0	120.43	109.59	85.6	112.79	96.58	89.6	84.35	72.73
September	90.1	134.20	120.94	85.0	118.15	100.47	83.6	88.50	74.76
October	81.5	111.69	91.05	75.0	99.18	74.37	82.0	65.79	53.43
November	78.4	106.94	83.86	70.6	99.12	70.02	77.9	58.64	44.83
December	70.3	114.04	80.17	65.5	98.32	64.45	72.4	54.62	41.13

Source: STR Global

In terms of seasonality, the data shows Brighton as having a seasonal hotel market. Hotel performance is very strong for all categories of hotel between April and October, but not as strong between November and March. Occupancies and ARRs are very high between June and September. Winter demand is more price driven, particularly during the week. January is the weakest month of the year. Some hotels reported that they make a loss in this month. Midweek occupancies and room rates are stronger between May and September. They otherwise fluctuate in other months depending on conference business.

Midweek Markets

Midweek breaks are the main weekday market for Brighton's boutique hotels and one 3-star hotel, and the key midweek market for most of the city's 4-star hotels, typically accounting for 50-65% of their weekday occupancy. Midweek break customers are primarily emptynester/retired couples from London and the South East that come to Brighton for the city's heritage attractions and shopping, and to be beside the sea. Boutique hotels also attract this age group for special occasion breaks. 3-star hotels also attract other age groups for midweek breaks. OTAs, in particular booking.com, are a key driver of this midweek break business.

Large association and corporate conferences are a key secondary midweek market for the Hilton Brighton Metropole and The Grand, which both have large capacity conference facilities. Their conferences often also generate business for nearby hotels.

Residential conferences are a key secondary midweek market for another 4-star hotel, and a lesser midweek market for other 4-star hotels and some boutique hotels. Residential conferences at these hotels are generally smaller, typically 15-20 delegates.

Major political party, union and association conferences at the Brighton Centre typically account for 5-10% of midweek occupancy for seafront hotels. This is an important source of business for hotels in off-peak months. Brighton Centre conferences generate demand for all categories of hotel. The hotels closest to the Brighton Centre benefit the most. Hotels that are further away only attract business from the very large conferences that the Brighton Centre hosts.

Coach holidays are the main midweek market for one 3-star hotel, a key secondary midweek market for one 4-star hotel, and a minor midweek market for some other 4-star hotels.

Corporate demand is a key midweek market for one city centre 3-star hotel, and a minor midweek market for 4-star and boutique hotels, typically accounting for 5-10% of their midweek occupancy.

Key midweek markets for budget hotels are likely to be contractors and midweek breakers. They may also be attracting conference delegates and business visitors.

Other midweek markets are:

- Overseas tourists:
- University visitors
- Language school students, for 2-star hotels.

Weekend Markets

Weekend breaks are the main weekend market for Brighton's hotels, typically accounting for 55-95% of weekend occupancy. All categories of hotel attract this market. Many hotels apply a minimum 2-night stay for weekends, particularly during the summer. Weekend break customers are generally of a younger age profile than those that come for midweek breaks. They tend to be career couples aged 30-50 from London and the South East that are coming to the city for shopping and nightlife. One 4-star hotel also attracts a family market at weekends. Boutique hotels attract strong demand for special occasion and celebration weekends.

Overseas group tours are an important secondary weekend market for one 4-star hotel, and a market that one 3-star hotel uses to boost Sunday occupancy. This is otherwise a very minor market for other hotels.

UK coach holidays are the main weekend market for one 3-star hotel. This market is otherwise too low-rated to be of interest for other hotels in the city, which can fill with higher-rated weekend break business.

Weddings and functions are a key source of weekend bedroom business for one 4-star hotel, but otherwise a minor weekend market for other 4-star hotels and some boutique hotels.

Stag and hen parties and clubbers are the main weekend market for one 3-star hotel, and likely to be the main source of weekend trade for the city's budget hotels. Stag and hen parties are also a minor weekend market for one 4-star hotel, but a market that other 4-star hotels try to avoid.

Events are a key driver of weekend business and often a motivator for a weekend break stay. Key events that generate significant business for the city's hotels are:

- Brighton & Hove Pride
- Brighton Marathon
- The Great Escape music festival
- Major concerts at the Brighton Centre

Other events that some Brighton & Hove hotel managers identified as generating weekend demand for their hotel are:

- Brighton Festival
- Brighton Fringe Festival
- Paddle Round the Pier
- London to Brighton Veteran Car Run
- Great Britain Irish Dance Championship, Brighton Centre
- Let's Dance schools dance competition, Brighton Dome
- Foodies Festival
- Brighton Tattoo Convention
- Wild Life music festival, Brighton City Airport, Shoreham
- Brighton & Hove Triathlon
- London to Brighton Mini Run
- London to Brighton Bike Ride
- University graduations
- Goodwood Festival of Speed
- Football matches

Other weekend markets for the city's hotels are:

- Overseas tourists;
- Parents of university students visiting for the weekend;
- People visiting friends and relatives in the city.

Market Trends

Key trends in the Brighton hotel market have been as follows:

- Many of the city's hotel managers reported growth in midweek leisure breaks, which most hotels have driven through the OTAs¹. One hotel reported a slight drop in this market however, and another reported no change.
- Weekend break demand remains very strong, although some hotel managers reported that it is becoming increasingly difficult to achieve 2-night weekend break stays.
- City conference business has grown significantly since the refurbishment of the Brighton Centre in 2012. A few hotels reported a slight downturn in city conference business in the last two years however.
- Midweek corporate demand has increased slightly for a few hotels but reduced for others, primarily due to investment and the repositioning/re-branding of some hotels, particularly at the boutique end of the market.
- Two hotels reported a slight increase in residential conference business.
- One hotel reported a slight increase in bedroom business related to weddings.
- Two 4-star hotels have gradually been phasing out group tour business as higherrated demand from the leisure break market has grown.
- Some hotels indicated that they have seen an increase in demand from overseas tourists since the fall in the pound following the EU Referendum result in June 2016.
- Two hotels reported that they have lost stag and hen party business to airbnb group houses.

Hotel Solutions April 2018

_

¹ Online travel agents/ accommodation booking sites such as booking.com, Expedia, LateRooms

Compared to 2006, weekend demand for hotel accommodation in Brighton & Hove has remained very strong, although there are some signs of a weakening of Friday night occupancies as a result of the city's more competitive accommodation market, with hotels finding it harder to achieve a 2-night weekend stay. Midweek demand has however increased significantly since 2006 for a number of reasons:

- The emergence of online travel agents (OTAs), in particular booking.com, which have enabled hotels to attract midweek leisure business;
- The growth of grey market midweek staycations during the recession that followed the Credit Crunch in 2008, and more recently as a result of the drop in the pound following the result of the EU Referendum in 2016;
- An increase in city conferences since the refurbishment of the Brighton Centre in 2012.

Denied Business¹

Seafront hotels of all standards regularly deny business at weekends, particularly on Saturday nights. Saturday denials can be very high in the summer months. Friday night denials have become less frequent in 2017. Midweek denials are less common for seafront hotels and have reduced for 3-star hotels in 2017. Seafront hotels generally only turn midweek business away in the peak summer months and when there is a major conference at the Brighton Centre.

3-star and budget hotels in the city centre are consistently turning business away, both during the week and at weekends. Some budget hotels could frequently fill again if they were able to accommodate the levels of business that they are turning away.

Prospects for 2018

4-star hotel occupancies, achieved room rates and revpar are set to increase substantially in 2018 as hotel refurbishment programmes are completed and newly renovated hotels start to fully trade again. Other 4-star hotels also expect to see an increase in occupancy and achieved room rate in 2018, although there is some concern about the impact of the Hotel Indigo when it opens. From the information that 4-star hotel managers provided to us, we estimate that 4-star room occupancies will climb to 76% in 2018, while achieved room rates could exceed £111.

Hotel Solutions April 2018

_

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

Boutique hotels are not expecting to see much change in their occupancy and achieved room rate performance in 2018, largely as a result of the opening of the Hotel Indigo. Two boutique hotels expect to see a reduction in profits as a result of rising wage costs and a sharp increase in business rates.

3-star hotels also generally expect to see little change in their performance in 2018, again largely because of the knock-on impact of the Hotel Indigo, which they think will limit any improvement that they might otherwise have seen.

Budget hotels are likely to maintain their current high levels of occupancy in 2018 and should see some uplift in achieved room rates.

Hotel managers identified the following factors as causes for concern going forward:

- The potential negative impact on city conference business of any announcement about the closure of the Brighton Centre;
- The impact on customer confidence of further rail strikes;
- The state of the city and numbers of homeless people on the streets detracting from Brighton's image as a place to visit;
- The continuing growth of airbnb;
- Brexit and the impact that it is having on staff recruitment, with many Brighton hotels having relied in the past on EU workers, who are now returning to their home countries;
- The cost and difficulty of parking in the city.

BRIGHTON & HOVE VISITOR ACCOMMODATION STUDY UPDATE 2018 SURVEY OF GUEST HOUSES - RESULTS

1. Purpose of the Survey

The purpose of the survey of Brighton & Hove guest houses was to provide an insight into the performance and markets for this category of visitor accommodation in the city. A key objective was to provide robust evidence of the extent to which guest house businesses have seen a drop in occupancy due to increased competition from airbnb and new hotel openings.

2. Methodology and Sample

The survey was undertaken through a CATI (computer assisted telephone interview) survey of guest houses in Brighton & Hove. All of the city's guest houses were sent an email alerting them to the survey. Guest house owners were then contacted by telephone to invite them to take part in the survey. A total of 36 interviews were eventually completed with guest house owners. This represents a robust sample of 40.9% of the city's guest houses.

The sample of participating guest houses is analysed in the tables below by location; Visit Brighton membership; how long operators have been in business; size of guest house; and standard.

TABLE 1: SURVEY SAMPLE - LOCATION

Location	Number of Completed Interviews	%
Brighton	31	86
Hove	5	14
Total Interviews	36	100

TABLE 2: SURVEY SAMPLE - MEMBERSHIP OF VISIT BRIGHTON

Visit Brighton Membership	Number of Completed Interviews	%
Visit Brighton Member	15	42
Non-Member	21	58
Total Interviews	36	100

TABLE 3: SURVEY SAMPLE - LENGTH OF TIME IN BUSINESS

Length of Time in Business	Number of Completed Interviews	%
Under 3 years	10	28
3 years or more	26	72
Total Interviews	36	100

TABLE 4: SURVEY SAMPLE - SIZE OF GUEST HOUSE

Number of Bedrooms	Number of Completed Interviews	%
Under 5	4	11
5 to 10	23	64
11 to 20	8	22
21+	1	3
Total Interviews	36	100

TABLE 5: SURVEY SAMPLE – STANDARD OF GUEST HOUSE

Standard ¹	Number of Completed Interviews	%
Boutique	16	44
5 star	1	3
4 star	7	19
3 star	7	19
Budget	5	14
Total Interviews	36	100

Note:

1. Standard as described by the guest house owner

3. Recent and Planned Investment

3.1. Investment in the Last 3 Years

53% (19) of the guest houses interviewed indicated that they have invested in refurbishment and upgrading in the last 3 years. In most cases this has been in terms of redecoration, new carpets and new furniture. A few guest houses have also refurbished bathrooms and two have added new en-suite bathrooms to bedrooms.

3.2. Planned Investment in the Next 2 Years

35% (13) of the guest houses interviewed said that they have plans for investment in the next 2 years. In most cases this is in terms of ongoing refurbishment and upgrading of bedrooms. A few guest houses are also planning more substantial investment in terms of a new kitchen; expanded a dining and lounge area; increasing the size of some bedrooms; a new roof; the addition of a bar; and the installation of Sky boxes.

3.3. Help Needed to Progress Investment Plans

23% (3) of the guest house owners that have investment plans indicated that financial assistance would help them to progress their plans. All of the other guest house owners that are looking at progressing investment said that they did not need any assistance.

4. Occupancy Levels, Trends and Future Prospects

4.1. 2017 Occupancy Levels

The survey results paint a picture of strong occupancy performance for guest houses in Brighton & Hove, with 83% of the interviewed guest house owners reporting an overall room occupancy for 2017 of more than 60%, and 47% reporting a room occupancy of at least 70%. This compares to the national average for guest houses in England of 57% in 2016 (the last full year for which national data on guest house performance is available).

¹ Source: England Occupancy Survey - December 2016

Occupancy performance is even stronger for boutique, 4 star and budget guest houses. 3-star guest houses are however generally trading at lower levels of occupancy, with only 58% of 3-star guest house owners reporting an average annual room occupancy of more than 60%

TABLE 6: OCCUPANCY LEVELS 2017 - BY STANDARD OF GUEST HOUSE

Standard of Guest House	% of Guest Houses Interviewed Reporting This Occupancy Level					
	Above 70%	61-70%	31-40%	Under 30%		
Boutique	56	38	6			
4 star	43	43		14		
3 star	29	29	29	14		
Budget	60	20	20			
All Guest Houses	47	36	11	6	_	_

Refurbishment and upgrading does not appear to have made much of a difference to occupancy performance: a greater proportion of guest houses that have not invested reported higher levels of room occupancy than those that have invested.

TABLE 7: OCCUPANCY LEVELS 2017 – BY RECENT UPGRADING/REFURBISHMENT

Recent Upgrading/						cupancy
Refurbishment	Above 70%	61-70%	51-60%	41-50%	31-40%	Under 30%
Yes	42	37	11	11		
No	53	35	12			
All Guest Houses	47	36	11	6		

4.2. Occupancy Trends 2015-2017

The survey results point to a more competitive trading environment for guest houses and B&Bs in Brighton & Hove, with 39% of guest house owners reporting a drop in occupancy in the last 3 years, which they are largely attributing to increased competition from airbnb and the new hotels that have opened in the city. A third of guest house owners reported an increase in occupancy however, which they put down to the investment they have made in their business and improved marketing. Other results from the survey do not however show a correlation between investment and improved occupancy performance.

TABLE 8: OCCUPANCY TRENDS 2015-2017 – BY STANDARD OF GUEST HOUSE

Standard of Guest House	% of Guest Houses Interviewed Reporting a Change in Occupancy in the Last 3 Years							·				
	An Increase	Don't Know										
Boutique	31	25	31	13								
5 star			100									
4 star	43	29	29									
3 star	29		71									
Budget	40	40	20									
All Guest Houses	33	22	39	6								

Prompted reasons cited for a reduction in occupancy were:

- Competition from airbnb (cited as a reason by 25% of the guest house owners that were interviewed);
- Competition from new hotels (cited as a reason by 11% of the guest house owners interviewed);
- Competition from party houses (only identified as a reason by one guest house owner).

Other reasons mentioned as contributing to a fall in occupancy were:

- Brexit;
- Fewer people visiting Brighton;
- Rail strikes;
- People visiting for shorter stays;
- Brighton looking tatty;
- The cost of parking

Prompted reasons for an increase in occupancy were:

- Investment in the business (cited as a reason by 20% of the interviewed guest house owners);
- Improved marketing (cited as a reason by two guest house owners).

Other reasons mentioned as reasons for improved occupancy performance were:

- More leisure business:
- Good online customer reviews;
- A lot of loyal returning customers;
- Reduced prices.

TABLE 9: OCCUPANCY TRENDS 2015-2017 – BY RECENT UPGRADING/REFURBISHMENT

Recent Upgrading/ Refurbishment	% of Guest Houses Interviewed Reporting a Change in Occupancy in the Last 3 Years						
	An No A Do Increase Change Decrease Kn						
Yes	37	16	42	5			
No	29	29	35	6			
All Guest Houses	33	22	29	6			

4.3. Future Prospects

Looking forward, guest house owners are generally more optimistic about the prospects for growth in their occupancy levels in the next 3 years. 36% of the interviewed guest house owners expect to see an increase, while only 14% anticipate a decrease. Most of the remaining guest house owners do not expect to see any change.

TABLE 10: OCCUPANCY PROSPECTS 2018 -2019

Expected Change in Room Occupancy in Next 2 Years	% of Guest Houses Interviewed Expecting This Change
An Increase	36
No Change	39
A Decrease	14
Don't Know	11

5. The Extent to Which Guest Houses Trade at Full Capacity

The survey findings show that the city's guest houses are consistently or frequently trading at full capacity during the summer months, both at weekends and during the week. 97% of the guest house owners that were interviewed reported that they are consistently or frequently fully booked at weekends between April and October, and 84% of guest house owners indicated that they consistently or often trade at full capacity during the week in the peak summer months of June to September. Guest houses also sometimes fill at weekends in the winter, between November and March, and to a lesser extent during the week in these months.

TABLE 11: WEEKEND DEMAND – THE EXTENT TO WHICH GUEST HOUSES ARE FULLY BOOKED

Time of Year	% of Guest Houses Trading at Full Capacity				
	Every Most Some Not Many No Weekend Weekends Weekends Weekends				
Summer (April-October)	58	39	3		
Winter (November-March)	17	22	36	22	3

TABLE 12: MIDWEEK DEMAND – THE EXTENT TO WHICH GUEST HOUSES ARE FULLY BOOKED

Time of Year	% of Guest Houses Trading at Full Capacity				•
	Most of the Time	Quite Often	Occasionally	Not Very Often	Not At All
Peak Summer (June-Sept)	56	28	14	3	
Winter (November-March)	6	11	22	31	31

6. Key Markets and Their Future Growth Potential

6.1. Key Markets for Brighton & Hove Guest Houses

Key markets for Brighton & Hove guest houses are people coming to the city for a weekend break, followed by business visitors, conference delegates, overseas tourists, and people coming for a midweek break. Contractors/workmen and young people coming for Brighton's nightlife are key markets for fewer guest houses. Stag and hen parties are not a market for the majority of guest houses.

TABLE 13: KEY MARKETS

Visitor Market	% of Guest Houses Interviewed Indicating This Rating			
	Very Important	Quite Important	Slightly Important	Not At All Important
People coming to stay for a weekend break	94	6		
People coming to stay for a midweek break	67	19	11	3
Young people coming for Brighton's nightlife	33	28	19	19
Stag and hen parties	11	6	3	81
Overseas tourists	75	22		3
Conference delegates	78	11	8	3
Business visitors	81	11	3	6
Contractors and workmen	44	22	17	17

6.2. Potential Growth Markets for the Future

All of the current key markets for Brighton & Hove guest houses (weekend breakers, business visitors, conference delegates, overseas tourists and midweek breakers) were identified by guest house owners as the main markets that offer growth potential going forward. Very few guest house owners see stag and hen parties as a growth market, and only eight guest house owners identified young people coming for Brighton's nightlife as a market that offers growth potential for them. 39% of the guest house owners interviewed also identified contractors as a market with growth potential.

TABLE 14: GROWTH MARKETS

Visitor Market	% of Guest Houses Interviewed Identifying This Market as Offering Growth Potential
People coming to stay for a weekend break	61
People coming to stay for a midweek break	50
Young people coming for Brighton's nightlife	22
Stag and hen parties	8
Overseas tourists	50
Conference delegates	47
Business visitors	47
Contractors and workmen	39

9. Future Plans

Guest house owners were asked how much longer they plan to remain in business running their guest house. The majority of the interviewed guest house owners indicated that they are planning to remain in business for the foreseeable future. Half of those interviewed said that they will continue to run their guest house for at least another 5 years, and 8% said that they are planning to remain in business for another 3-5 years. Only 17% said that they are not planning to remain in business for longer than 1-2 years. The key reasons that these guest house owners gave for this were retirement, insufficient demand and too much competition from airbnb and new hotels.

TABLE 15: FUTURE PLANS

How much longer guest house owners plan to remain in business	% of Guest Houses Interviewed	
Not much longer	3	
1-2 years	14	
Another 3-5 years	8	
5+ years	50	
Don't know	25	

APPENDIX 11

BRIGHTON & HOVE - AIRBNB OCCUPANCY AND ADR PERFORMANCE 2017

Month	Entire Home Listings		Hotel Com Listing	
	Occupancy %	ADR¹ £	Occupancy %	ADR £
January	41.6	134	44.9	83
February	53.3	142	57.5	81
March	51.0	156	54.8	86
April	57.8	162	59.8	90
May	58.3	159	60.0	89
June	62.6	161	64.6	62
July	70.1	159	70.5	92
August	66.4	152	68.9	94
September	65.2	153	67.8	93
October	59.6	147	64.1	85
November	54.6	148	58.1	85
December	56.3	159	58.5	87
2017	58		62	

Source: AirDNA

Notes:

1. Average daily rate achieved

2. Studio and one-bedroom properties

BRIGHTON HOTEL DEMAND PROJECTIONS METHODOLOGY & ASSUMPTIONS

Methodology Used for the Projections

In order to provide an indication of the number of new hotel bedrooms that market growth might support in Brighton through to 2022 and 2030, Hotel Solutions has prepared projections of possible future growth in hotel demand in the city centre from 2017/18 to 2022, 2027 and 2030, using our Hotel Futures hotel demand forecasting model. Projections have been prepared for upscale (4-star and branded boutique) hotels, midmarket (3-star) hotels, budget (limited service) hotels, taking the current city centre supply of hotels and 2017/2018¹ roomnight demand as the baselines for the projections. The projections assume that growth will be unconstrained by site availability and planning policy (which is unlikely to be the case given the limited land availability in Brighton and the competition for sites from other higher-value uses, in terms of residential and student accommodation.

Our short-term projections (to 2022) assume no negative impact from any announcement about the closure of the Brighton Centre for a period, while the new venue at Black Rock is under construction and the current site being redeveloped. Our longer-term projections (for the period 2023-2030) make no attempt to model the impact of the new venue at Black Rock either during the construction phase or once open. This will require a further piece of work, once the market potential of the new venue is known and decisions have been taken about the project.

Given the strength of weekend demand for hotel accommodation in Brighton, we have run our growth projections on the basis of growth in midweek demand: we have taken the continuing strong weekend hotel market in the city as a given, and assumed that the strength of midweek demand, and the potential for new hotels to achieve an acceptable level of midweek occupancy, will be the key factor that will determine whether new hotels come forward in Brighton.

¹ Our projections for upscale hotels take 2018 as their base year, as the 2017 performance data for this standard of hotel is distorted by the refurbishment of The Grand. We have used the 2018 occupancy forecasts that the managers of 4-star and branded boutique hotels gave us to calculate a 2018 baseline roomnight figure for upscale hotels. Our projections for midmarket and budget hotels take 2017 as their baseline.

In projecting future requirements for hotel accommodation, we have first calculated an estimate of current (2017/2018) baseline midweek roomnight demand for each standard of hotel, based on the information provided by hotel managers, the hotel occupancy data that we purchased from STR Global, and the data that we obtained from our head office contacts in some of the hotel companies represented in the city centre. To these figures we have added estimates of the roomnights that hotels of each standard are currently denying during the week (based on the information provided to us by hotel managers) to provide an adjusted baseline figure of the true (unconstrained) midweek roomnight demand for each standard of hotel. We have then applied assumed low, medium and high growth rates to these adjusted baseline figures to calculate estimated midweek roomnight demand for each standard of hotel in 2022, 2027 and 2030.

Using these projections of future hotel demand, we have calculated the number of hotel bedrooms of each standard that our midweek roomnight projections will support, assuming an average annual midweek room occupancy of 75% for all hotels (as the level of midweek occupancy that hotel developers and operators will be looking for to support new hotel development in the city). Applying these figures to current numbers of hotel rooms provides figures for the numbers of new hotel bedrooms of each standard that may be needed in the future if the projected growth in the market takes place. We have then deducted the pipeline new hotel bedrooms to produce figures for the number of additional hotel bedrooms of each standard that the projected market growth will support beyond the pipeline new supply. To calculate the number of hotel sites that the projections equate to, we have assumed an average size of hotel of 150 bedrooms.

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, targets for hotel development, or limits on new hotel provision. 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 2027 and 2030 should thus be treated with some caution and should be periodically reviewed.

Assumed Growth Rates

Growth in midweek demand for hotel accommodation in Brighton is most likely to come from the UK short break/staycation market and overseas tourist visits to the city. Brighton is well placed to benefit from the forecast national growth in these markets. Forecasts prepared for VisitBritain¹ project an annual growth in domestic tourism of 3% through to 2025, and a 6% annual growth rate for inbound tourism. These forecasts give an indication of the scale of growth that could be achieved in these markets in Brighton. There could additionally be some growth in midweek conference demand, in terms of both large city conferences in Brighton's main conference venues, and residential conferences in hotels with conference facilities; a steady increase in corporate demand for hotel accommodation as new office developments are occupied and existing companies expand; increased contractor demand, particularly for budget hotel accommodation, but also potentially for 3/4-star hotels, as construction projects are progressed; and growth in university-related business as the city's universities expand.

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

BRIGHTON
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2017/18-2030 %
Low	2
Medium	3
High	4

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.

¹ 'Tourism: Jobs and Growth – The Economic Contribution of the Tourism Economy to the UK' Deloitte/Oxford Economics, November 2013

Note:

Our hotel demand projections are not intended to be targets or limits on new hotel provision: they merely provide an indication of the level of new hotel development that market growth is likely to support, assuming that all hotels receive their fair share of available business. They do not take account of the new corporate, residential conference or leisure demand that new hotels might be able to generate as a result of their brand and/or conferencing and leisure offer, or the extent to which new hotels might take more than their fair share of the market through competing well with existing hotels. New hotels could therefore be developed ahead of our growth projections if hotel companies feel that they can compete well in the Brighton market and/or they are confident of attracting new business. It must also be borne in mind that it can take at least 2-3 years for a new hotel to be delivered on the ground, so hotel companies that might be looking at Brighton now will be considering hotels that will not be operational until 2020 or 2021, when the market should have grown to support new hotel provision.

THE REGULATION OF SHORT-TERM RENTALS - CASE STUDIES

London

Short-term lets have been strictly regulated in London since the 1970s, but new legislation introduced in 2015 has made it easier for Londoners to participate in the sharing economy. Up until 2015 planning permission was required for the short-term letting of a residential property. The new legislation introduced by DCLG in 2015 removed the need for planning permission to rent out a room or an entire home for fewer than 90 days per year. Property owners are still required to have planning permission to let their property for holiday rentals for more than 90 days a year.

There are concerns in London that the growth of online booking platforms that property owners can now use for short-term lets, including airbnb, HomeAway, Owners Direct, Holiday Lettings, Wimdu, and others, is resulting in properties that would previously have been available for private rent now being used for short-term lettings by landlords wishing to increase their income. The issue in London is that the local authorities do not have the resources to enforce the 90-day rule for planning permission and are unable to do anything about this trend therefore. The Borough Councils have been looking to the booking platforms to help them to enforce this rule. In December 2016, airbnb agreed to do this. The focus now is on encouraging the other booking platforms to follow suit.

Edinburgh

Edinburgh City Council is currently working with the Scottish Government on options to regulate short-term holiday lets in Edinburgh in response to growing concerns about the over-provision of holiday rentals, the safety of visitors staying in holiday let properties, and issues around waste collection, noise and community cohesion. Two options are being considered – new legislation that would require homeowners that want to list their property for short-term holiday lets for more than 90 days to seek permission to change the use from residential to commercial, and a licensing scheme similar to the licensing process for HMOs. The Scottish Government has commissioned research to look at the implications of the proposed regulations, and a working group has been established within the City Council.

Research undertaken in 2017 by Alasdair Rae of the University of Sheffield found that there were 9,638 properties listed in Edinburgh on airbnb in September 2017, representing an increase of 54% in just over a year, from 6,272 in July 2016. 5,474 (56.8%) were entire homes, 4,126 were private rooms, and 38 were shared rooms. The analysis, based on figures from Inside Airbnb, showed that there were 38 landlords running lettings businesses renting out multiple entire homes through the airbnb site. The research found that one host had 80 properties listed, seven hosts have more than 20 properties, and 28 hosts had 10 or more properties listed.

Isle of Man

Accommodation registration and inspection is a legal requirement on the Isle of Man. The Government's Tourism Team have tried to work with airbnb to get them to ensure that any properties that they list on the island are registered correctly, but with only limited success. The Tourism Team monitors airbnb and other holiday rental sites on a weekly basis to identify unregistered holiday let properties and find out who the host is and the property address. They then send them a letter to inform them of the legal requirement to be inspected. This is a fairly informal approach initially, that if ignored is escalated to a more official letter, at which point property owners either register with the Government or come off the sites that they are listed on. Some may reappear within 48 hours, so constant checking is required.

Guernsey

Guernsey Tourist Laws regulate the provision of commercial visitor accommodation on the island. A permit is required from the Committee for Economic Development by anybody that wishes to provide accommodation on a paid for basis for a period of three weeks or less. All short-term holiday lets thus require a permit. The permit system is there to prevent overcrowding and ensure basic standards of cleanliness and comfort for visitors. Penalties for operating without a permit include the revocation of permits, fines and imprisonment for up to 3 months. In addition, under Planning Law on the island the use of a private dwelling as visitor accommodation for more than 6 weeks requires a planning application for change of use.

In terms of enforcement of these regulations, the Tourism Team regularly check holiday rental sites and contact the owners of unregistered properties.

Amsterdam

Amsterdam has well defined policies for holiday rentals and short stay rentals.

The policy on holiday rentals allows city residents to rent out their home while they are away, to a maximum of four guests for up to 60 days a year. Each holiday rental must be reported to the City Council. The tourist tax must be paid on all holiday rentals. The rental must not cause any nuisance to neighbours and the property must meet appropriate fire safety standards. Property owners who do not report holiday rentals can be fined €6,000 or more.

The Amsterdam short stay policy is designed to cover the commercial rental of non-subsidised housing for periods from seven nights to six months to people working in the city on a temporary basis, in the city for conferences, and longer staying tourists. Short stay letting is only allowed in the privatised rental sector, to ensure the availability of affordable housing for city residents on low incomes. The owner of the property must first secure a permit for short stay rentals. In order to protect the housing market only 10% of the private housing in each of the city districts can be licensed for short stay rentals. The City Council stopped granting new short stay permits at the beginning of 2014 because this level of short stay provision had been reached. As such, only newly constructed buildings can now apply for a short stay permit. The presence of short stay residents in the city must not be at the expense of the quality of life in city neighbourhoods. There is a 24/7 hotline for city residents to report any disturbances.

The City Council strictly monitors landlords who provide short stay rentals for valid permits, fire prevention and safety measures, the number of overnight stays, and nuisance to neighbours. Transgressing landlords may lose their permits and can face fines of up to €20,500.

Paris

In France it is illegal to rent out a primary residence for short-term holiday lets for more than 120 days per year. From December 2017 all Paris residents renting out their apartments on short-term apartment rental sites like airbnb, Owners Direct and Holiday Lettings, are required to register the property at City Hall. The move is designed to stop the illegal permanent use of residential apartments for short-term holiday lets. Paris is taking advantage of an amendment to France's internet laws that allows cities with a population of more than 200,000 to monitor the short-term rental market by forcing landlords to register rental properties with city authorities. French cities can now introduce regulations to control short-term holiday lets if they are shown to be a threat to housing affordability. Rental platforms are being asked to fall into line and delete landlord profiles if they are found to be exceeding the 120-day legal limit on short-term holiday letting.

Berlin

From 1 May 2016, Berlin has banned home owners and tenants from renting out their home to short-term visitors unless they occupy at least 50% of the home themselves. This is a ban therefore on entire home renting for short-term lets. Shared home renting is still legal. The law was introduced to protect the residential lettings market. It is now illegal in Berlin to rent out apartments to tourists that should be available to residential tenants. Fines of up to €80,000 can be imposed on those that are found to be contravening the new law. The ban does not apply to apartments that were registered as commercial holiday apartments before 1 May 2014.

The Berlin ban resulted in a 49% reduction in entire home listings on airbnb, a 5% increase in the prices charged by the remaining airbnb hosts, and a 55% reduction in monthly income from airbnb properties¹.

Barcelona

Barcelona City Council has taken steps to reduce the number of holiday rentals in the city in response to evidence that the upsurge in the renting of apartments to tourists as short-term holiday lets is driving up residential rents for the city's resident population. All holiday rentals in Barcelona are required to have a tourist licence, costing €227 per year. Since the introduction of a new City Development Plan in 2016, the City Council has stopped issuing or renewing tourist licences for apartments in the most heavily visited parts of the city. It has also introduced a telephone hotline for reporting illegal holiday apartments (which received almost 2,800 calls in 2016) and has employed a team of 40 holiday let inspectors to clamp down on illegal holiday rentals. The owners of illegal holiday rental properties can be fined up to €60,000. A substantial proportion of the fines collected is invested in the department in charge of implementing the policy, and in the improvement of the neighbourhoods where holiday rental properties are located.

While Barcelona clearly has a very robust policy in place to control short-term holiday lets in the city and is well resourced in terms of manpower to implement the policy, with the significant incentives for property owners and visitors to use holiday rentals, the City Council is finding it almost impossible to fully implement the policy without the collaboration of the online platforms that organise this market. It has thus invited them to help design some aspects of the policy. As part of this process the City Council has successfully agreed with airbnb and other holiday rental platforms that they will collect the city tourist tax from their guests by incorporating it into the price that hosts are charging. It is also using the regional law to make holiday rental platforms partly responsible for infractions committed through their sites, requiring them to remove unlicensed apartments from their websites. In 2016 it fined airbnb €600,000 for advertising illegal holiday rentals.

.

Madrid

The regional government of Madrid introduced new regulations in 2014 setting a minimum stay of 5 nights for short-term holiday lets in private homes and apartments, thus limiting the use of airbnb and other holiday rental platforms in the city. Hosts are now required to register their homes if they want to let them for short-term holiday rentals, and must meet certain standards related to size, pricing, accessibility and services. Holiday rentals must be furnished; provide heating, air conditioning and internet service; and provide guests with a customer service phone number. Every holiday let property must display a certificate of accreditation, with clearly displayed rental rates. While government agencies said that the new regulations were motivated by a need to collect taxes, address noise complaints, and create health and safety standards for holiday rentals, the city's hotel industry had been lobbying hard for restrictions and standards, arguing for a level playing field.

Iceland

Iceland introduced regulations in June 2016 to control airbnb lettings in response to concerns that the growth in visitor numbers that airbnb was creating unsustainable visitor pressure on the country's unspoilt landscapes, and that the substantial increase in airbnb letting on the island was affecting house prices and the availability of properties for residential renting. Essentially the regulations:

- Restrict the number of days that a property owner can offer airbnb rentals to 90 days per year;
- Limit the gross income that a property owner can make from airbnb letting to 1 million ISK (around £7,000), effectively limited the amount that an airbnb host can charge per night to 11,111ISK (around £78);
- Require airbnb hosts to register their property with their county seat every year at a cost of 8,000 ISK (£56);
- Require all airbnb properties to meet all relevant health and safety requirements;

If an airbnb host exceeds the 90-day limit of 1million ISK earnings limit the county seat can de-register the property and can issue fines from 10,000ISK to 1 million ISK.

San Francisco

San Francisco City Council enacted a law on 1 February 2015 to legalise short-term rentals in the city. The purpose of the new law was to ensure that short-term rentals do not negatively affect the city's housing supply or damage the character of the city's neighbourhoods. Under the law:

- A short-term rental is defined as a rental of all or a portion of your home for periods of less than 30 nights;
- Only primary residences can be let as short-term rentals. Only permanent residents that spend at least 275 nights in a property can let it for short-term rentals;
- Absentee owners who live in San Francisco for less than 275 nights are not eligible to engage in short-term rentals;
- Anybody wanting to let a property for short-term rentals must obtain a Business Registration Certificate from the San Francisco Office of the Treasurer & Tax Collector;
- They must then obtain a certificate from the Office of Short-Term Rentals. The certificate number must be posted on all listings advertising the short-term rental. There is a \$250 fee to register for 2 years;
- Hosts are required to be covered by liability insurance with cover of at least \$500,000. This requirement can be covered through insurance provided by hosting platforms;
- Hosts are required to post a clearly printed sign inside the front door showing the location of all fire extinguishers in the property and building, gas shut off valves, fire exits and fire alarms;
- Hosts who are tenants must notify their landlords and are not allowed to charge their guests more rent than they are paying to their current landlord. Tenants who violate this provision may be fined up to \$1,000 per day and have their property delisted;
- The 14% San Francisco hotel tax (Transient Occupancy Tax) must be collected from renters and paid to the City Council. A hosting platform can collect and pay this tax on behalf of owners. Airbnb now does this.
- The property can only be let for unhosted short-term rentals (where the owner is not present in the property) for up to 90 nights per calendar year;
- Owners are required to self-report the number of days that their property is let as a short-term rental each year on 1 January;
- Owners who rent out their property for more than 90 nights are subject to a daily fine of \$484 for first-time offenders up to \$968 for repeat offenders;

Hosting platforms offering short-term rental bookings in San Francisco are required
to verify that all properties on their site are registered with the Office of Short-Term
Rentals and must inform their hosts of the city's law.

The introduction of the new law resulted in a 5% decrease in airbnb listings in San Francisco and a 15% decrease in reservation days. Listings by professional hosts reduced by 16%¹.

New York

The New York State Multiple Dwelling Law (MDL) prohibits unhosted rentals of less than 30 days in multiple dwelling buildings occupied by three or more families living independently. The purpose of the MDL is to protect multiple dwellings for permanent residential use. The law does not prohibit hosted short-term rentals (home sharing) or rentals of longer than 30 days. A report issued by the State Attorney General in 2016 found that 75% of the 16,000 airbnb listings in the NYC conurbation were contravening the MDL. New legislation was thus introduced in October 2016 to allow fines of up to \$7,500 for those who advertise vacant apartments in a multi-unit building for fewer than 30 days.

Santa Monica

Santa Monica introduced a new ordinance on 12 June 2015 banning the short-term renting of entire homes, and restricting home sharing renting to those who obtain a business license and pay the 14% hotel tax on all stays. Those who violate the law can face fines of up to \$500. The introduction of the new law has resulted in a 37% decrease of entire home listings on airbnb and a 51% reduction in reservation days.

¹ Impacts of airbnb Regulation in Berlin, Barcelona, San Francisco and Santa Monica

KEY LEARNING POINTS

The key learning points from these case studies are as follows:

- The key driver for the regulation of short-term holiday lets is most commonly their impact on housing supply and residential rents.
- Avoiding nuisance to local residents and ensuring the safety of visitors are other reasons for regulation.
- Regulation is only possible where a register of short-term holiday lets can be compiled through a licensing system or requirement to have change of use planning permission.
- Once such a register is in place it is then possible to implement regulations to restrict short-term holiday lets if this is proven to be necessary.
- Regulation is primarily targeted at entire home letting rather than home sharing,
 which is not generally seen as such a cause for concern.
- A significant staff resource is needed to enforce regulations effectively in major cities.
- The booking platforms cannot be relied upon to support enforcement.

APPENDIX 14

THE HOTEL DEVELOPER PERSPECTIVE

The Economic Backdrop

Hotel performance and the hotel investment cycle are closely linked to trends in the national and local economy. The UK hotel sector has taken until 2014 to recover to pre-2008 levels of performance due to the recession, and over this period new hotel development was difficult to fund, with investment going into re-branding and re-furbishing existing stock that could be bought cheaply. As a result, many hotel companies are now focusing on asset-light development strategies that don't involve them in capital outlay, with a preference for management contracts or franchise agreements. However, the budget hotel sector has continued to develop counter to this trend, with the leading players, Travelodge and Premier Inn, remaining very active, offering the advantage of their ability to take lease deals in developer-led schemes due to their strength of covenant.

With the recovery in hotel performance since 2014, access to finance has improved and the pace of new hotel development is beginning to accelerate again. However, there is a new uncertainty in the market as a result of Brexit, which could impact on the economy and property markets, possibly weakening hotel demand and attitudes to capital investment.

Hotel Business Models & Funding Routes

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, and development and operating risks shifting under the different models.

The levels of capital outlay as well as development risk required by a hotel company therefore vary considerably between these options. Whilst there remain some 'own and operate' companies that are often privately owned, the key trend has been the PropCo/OpCo split (sometimes referred to as separating the bricks from the brains), with the majority of global brands now management contract or franchise driven. Their commitment to investment is limited to possible contributions to fixtures and fittings and only in exceptional circumstances in prime highly desirable capital city locations do they consider investing in new hotels. 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 and other investors.

In the majority of cases a combination of site owner, developer, operator, franchisee and funder is required to get a hotel development off the ground. The financing of any project will depend on the assessment of the operating potential of the management team/brand, the structure of the deal struck between the parties, and the long term aims of the investor group. The investor/operator model has also become blurred with third party (sometimes unbranded) hotel operators now willing to manage a hotel on a short-term basis, say 5 years, then allowing the owner to maintain a franchise longer term or relinquish management and retain the franchise 'manchise' option.

HOTEL DEVELOPMENT & OPERATING MODELS

Hotel Development/Operating Model	Development Risk	Operating/ Business 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	Hotel Co	Hotel Co
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	Hotel Co	Hotel Co
Property company develops the hotel & seeks a hotel company to lease the hotel e.g. ABC Estates builds the hotel and leases to Travelodge	Investors/ Property Co	Hotel Company takes risk- responsible for P&L and paying rent
Property company develops the hotel & seeks a hotel company to purchase the freehold of the hotel	Investors/ Property Co	Unlikely but Hotel Co then takes business risk
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	Investors/ Property Co	Investors/ Property Co - who pay fees to the management and/or brand owner

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 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 hotel development fundable, as the developer can secure finance on the back of this. On completion, the developer may retain or sell the hotel. 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.

More favoured by hotel companies are variable leases, made up of a combination of base rental and rental related to turnover or profits. Some guarantees can be built into these arrangements, but should the market fall back, the risk and impact are shared by the developer/investor and the operator. Their responsiveness and flexibility accounts for their appeal to hotel companies.

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 some hotel schemes off the ground. During our consultations with hotel companies over the years 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.

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 operators have stopped having target lists of locations where they would like to be, rather considering schemes on an individual, opportunistic 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.

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 hotel as part of the development of the Ageas Bowl cricket ground on the edge of Southampton. In Newcastle, the City Council borrowed £30m to help fund the development of a 250bedroom 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.

In recent years. crowdfunding of hotel projects, also sometimes referred to as hotel room investment or buy-to-let hotel investment, has emerged as a new way of funding hotel schemes. It allows hotel developers to raise equity from a larger pool of small investors. Each investor takes a stake in a hotel development or refurbishment project, often buying a bedroom or number of bedrooms, which then gives them a guaranteed income on their investment from the operation of the hotel. Depending on how the investment opportunity is structured, investors may also receive a share of hotel profits, an element of personal use of the hotel, and in some cases guaranteed capital growth, with the option to sell the hotel room/s back to the hotel developer for a guaranteed price after a certain period. In the UK this funding approach is increasingly being used for the upgrading and repositioning of existing hotels. Examples include The Harrison Hotel in Llandudno and the Wyncliffe Hotel in Fishguard. It has also been used to fund new hotels e.g. Signature Living's Shankly Hotel in Liverpool and Exchange Hotel in Cardiff. Key investment companies that are actively involved in crowdfunding of hotel schemes in the UK include Emerging Developments, Gladfish and Invest in Rooms.

Funding routes for non-branded and independent hotels are much more variable, particularly as they are less readily packaged offers than the well-established branded hotel investments, and potentially are perceived as carrying greater investment risk. Private investors play a big part, but their motivations are wide-ranging, being influenced by everything from a straight cash return to vanity hotel projects by celebrities and wealthy individuals. Examples of celebrity hotel investors include Andy Murray and David Coulthard. Other examples of funding secured by small expanding hotel chains include venture capital (Helmsley Hospitality) and Business Growth Fund (The Coaching Inn Group). There are also some specialist investment funds out there that fund hotel acquisitions and re-positionings alongside other business sectors; an example is Downing Investments who recently acquired Dunkeld House near Perth.

In terms of influencing hotel development without direct investment, local authorities can and have used their property assets to incentivise hotel development, for example via a favourable or nil consideration land deal, or putting the land into a JV, effectively taking out a slice of the development cost and therefore helping to reduce risk and underpin viability. Councils can also use their planning powers to facilitate the delivery of hotel schemes, and in some cases to enable the development for example through permitting some residential development in return for the investment in the hotel, as has happened at Ramside Hall Hotel.

Key Hotel Company Investment Criteria & Site Requirements

Hotel companies usually have a set of criteria that they work to when assessing site opportunities for hotel investment. These include factors relating to the location, the site, the market and financial / performance criteria.

Location

Location factors include:

- A population threshold of c. 100,000 for large (100+ bedrooms) hotels, this being indicative of a certain critical mass of businesses and infrastructure to generate volume demand. Budget hotel and pub lodge companies will look at smaller communities from 10,000-50,000 often for smaller hotels (40-60 rooms) but will take into account also the potential to generate transient demand if located on a strategic routeway.
- Easy access from a main routeway and visibility to and from that routeway for passing traffic.

- An attractive and well maintained surrounding environment and neighbours that will not impact negatively on the hotel and the security of guests.
- On-site parking or access to nearby public parking at a reasonable rate with drop-off at the hotel.
- Locations both in city/town centres (a product of sustainable development principles and sequential testing) as well as more fringe locations where there are associated demand drivers such as business parks.

Site Factors

6.2.17. Land take varies considerably according to hotel type and also type of location. Budget hotels of 40-60 rooms with minimal central facilities will have a much smaller land take than a 150-200 bedroom 4-star hotel with much larger bedrooms, restaurant, conference suite and leisure facilities. Parking requirements and the opportunity for shared parking can also significantly affect the land take. There will also be many more locations where market conditions will support a small budget hotel compared to a larger 4-star hotel with premium tariffs. In town and city centre locations where space is tight and value at a premium, hotel developers will convert office buildings, develop high rise buildings, and go into mixed use schemes, and can often reduce car parking requirements by using public car parks and with some guests to arrive by train. Some typical requirements by product type and location are set out in the table below.

DEVELOPER SITE SIZE/SPACE REQUIREMENT BY HOTEL TYPE

Hotel Type	Central Site Area	Out of Town Site Area	No of Rooms	Gross Floorspace per Room	Facilities
Budget	0.5-0.7 acre	1-2.5 acre	40-100	32-35m ²	 21 sq m room size limited restaurant and meeting rooms
3-star	0.75 acre	1-3 acre	120-150	55-65m ²	24 sq m room sizerestaurant, barconference/syndi cate rooms
4-star	1 acre	3-6 acre	150-200+	75m ² +	 30 sq m room size restaurant, bar banqueting conference/syndicate suites, leisure

Source: Hotel Solutions

Market Factors

The criteria that hotel developers, operators and investors look for in relation to the market and hotel demand include:

- A strong base of corporate demand to fill the hotel at high rates mid-week, ideally in proximity to the hotel.
- Leisure demand drivers to fill the hotel at weekends tourist attractions, events and demand from the resident population for functions, weddings and friends and relatives staying.
- Existing supply to evidence a demand and an opportunity to steal market share
 although hotel companies do also recognise the opportunity to be the hotel of choice when entering a new market not supplied with hotels currently.
- Increasingly hotel companies will want a market study evidencing demand to convince them of the opportunity and to take it to the next level, involving putting time and effort into working up a site and scheme and introducing it to developers and investors.
- Importantly, hotel developers and operators do not want to develop ahead of the market; the demand drivers need to be in place on day one of opening. So, in the case of transformational projects, major regeneration schemes and new communities requiring significant levels of infrastructure to precede other development, the hotel would expect to be part of a later phase once a critical mass of businesses and leisure demand is evident.

Financial and Performance Criteria

The viability of any hotel development will be a function of the development cost, the occupancy rate (how full the hotel is throughout the year), and the achieved room rate (the average rate per room let, taking into account discounts on the published tariff). Most hotel companies have performance targets in each of these areas.

- Occupancy targets are typically to achieve 70-75% plus by year three of operation. For smaller, budget hotels, the target may be slightly higher than this, around the 80% level. Boutique hotels many of which are smaller units appealing to niche, high value, business and leisure markets commonly aim at occupancies in excess of this and can achieve 85-90%.
- Achieved room rate targets range from £45 £55 (net of VAT) for a budget hotel to £85 £95 for a 4-star hotel. In general, budget hotel discounting is limited, though many now offer reduced weekend rates, particularly where the leisure market is weak. At the top end of the market, boutique hotels average £100 £120, luxury brands often considerably in excess of this.

HOTEL DEVELOPMENT PERFORMANCE TARGETS

Hotel Type	Occupancy	Achieved Room Rate
Budget hotels	80-85%	£45 - £55
Upper tier budget hotels	75-80%	£55 - £70
Three-star hotels	70-75%	£70 - £80
Four-star hotels	70-75%	£85 - £95+
Boutique hotels	85-90%	£100 - £125

Source: Hotel Solutions

APPENDIX 15

PUBLIC SECTOR FUNDING OF HOTEL DEVELOPMENT SCHEMES IN THE UK

1. Introduction

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

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

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

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

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

2. Local Authority Borrowing at Preferential Interest Rates

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

Travelodge Partnerships with Local Authorities

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

Pullman Hotel, Liverpool

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

Crowne Plaza Newcastle

Newcastle City Council has borrowed £30m to help fund the development of the 250bedroom 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.

APPENDIX 16

BRIGHTON HOTEL SITES ASSESSMENT

NAME OF SITE	STATUS (Availability/Scheme Details/History/Constraints/ Planning)	MARKET VIEW/OPPORTUNITY (Fit with Operator Requirements/ Market Potential/Destination Objectives/Standard & Type of Offer)
Brighton Centre/ Churchill Square	Site to be redeveloped with the development of a new venue at Black Rock. Extension of Standard Life's Churchill Square shopping centre. Supported by policy DA1. New hotel and leisure facilities identified in the policy.	A high-profile site in a prime position on the seafront, with hotel uses incorporated/closely associated. It will be important to retain existing hotel capacity and associated conference capacity in hotels such as The Metropole and The Grand. Additional hotels should be provided here, not just replacement of existing capacity. Ideal location to serve the leisure market.
New England Quarter	The New England Quarter is the business and office cluster behind the station, scheduled under DA4 to deliver 20,000 sqm of office space, plus student accommodation and some residential. There has been hotel developer and operator interest in sites here, including GB Liners and the Network Rail car park site. Employment land is protected under this policy to prevent required floorspace being lost to alternative uses.	This is a strong hotel location being a gateway to the city and a focus of corporate activity. Hotel development here has included the Jurys Inn and the Hotel Indigo. Hotels here can serve both business and leisure markets. This could be an opportunity area for hotel development, and the capacity of sites to accommodate hotel alongside office and residential through intensification/additional height and massing could be investigated as part of revisiting the masterplan for the New England Quarter.
Black Rock/ Marina/ Gas Works	Proposed as a mixed-use development area in policy DA2, with improved connectivity between all three sites and potentially a transport link to the city centre. The Waterfront Project now identifies Black Rock as the location for the new state-of-the-art conference and entertainment centre. Brighton Marina Inner Harbour identified for 1000 residential units, retail, leisure and community uses. Gas Works site identified for 2000 sqm of business floorspace, 85 residential units and ancillary retail.	It will be crucial for a new conference centre to be supported by a headquarters hotel at the venue and a cluster of other hotels within walking distance, which could include additional hotels at the marina and on the gas works site. The Black Rock site is tight however. The need for hotels here should be fed into emerging master planning, technical, viability and market assessments for all 3 sites.

NAME OF SITE	STATUS (Availability/Scheme Details/History/Constraints/ Planning)	MARKET VIEW/OPPORTUNITY (Fit with Operator Requirements/ Market Potential/Destination Objectives/Standard & Type of Offer)
Hove Station	Hove Station is proposed in CPP1 for mixed-use employment-led development under policy DA6. 525 residential units, retention/replacement of 13,000 sqm of employment floorspace. Links to town centre and seafront.	Known budget hotel interest for Hove and the station one of the preferred locations.
West Street	There is planning permission for the Club Barcelona site to deliver a 133-bedroom hotel by Premier Inn South Street/West Street scheme in planning, to be approved subject to legals for a 91-bedroom hotel and 11 hostel rooms, operator unknown. Wetherspoons scheme to develop 14 bedrooms above	Well connected to the seafront, the Brighton Centre and surrounding entertainment/bars and restaurants. Established hotel location. Windfall site in main city centre. Hotels smaller than most operators seeking.
Hippodrome, Middle Street	New owners reported to be considering a 70-bedroom boutique hotel as part of a mixed-use restoration of this listed venue. There is strong opposition to the proposal from the Theatre Trust and local campaigners.	Generally, a good central location close to the seafront and well connected to city centre facilities. We are unable to comment on the feasibility of converting the building.
Amex Stadium	Past proposal for an Aloft lifestyle hotel here that was refused on design grounds. The owners of the site are not currently pursuing a hotel use on the site. They are looking for an office and/or education use.	This out of centre site could cater for demand from an element of the Brighton market, and has associated demand drivers in terms of the stadium and the two universities, as well as the potential to pick up footloose business from the A27.
Patcham Court Farm	Strategic employment allocation for 6500 sqm of employment floorspace. Past interest from Village hotels in developing here.	Hotel here would cut across CPP1 policies which safeguard employment land.