Hotel & Guest Accommodation Study

December 2011

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

Executive Summary

Current Supply

- Reigate and Banstead has 40 hotels and guest houses providing a total of 883 bedrooms.
- Four major chains are represented in the borough; Premier Inn, Travelodge, Best Western and Days Inn.
- Guest houses in the Horley area make a sizeable contribution to the total supply in the borough and also a valuable contribution to the local economy.
- Within approximately 5 miles of the borough there are a further 45 establishments providing more than 5,800 bedrooms, the majority of which are associated with Gatwick Airport.

Demand Drivers

- Economic projections estimate that Gross Value Added (GVA) and employment growth in the hotel and catering sector in the borough to 2026 will outstrip overall growth across the local economy.
- Both regionally and locally, tourism is reliant on people visiting friends and relatives (VFR). Business tourism is another key sector for the borough given the major businesses located in Redhill and Reigate; however, corporate demand remains constrained by the wider economic uncertainty.
- The regeneration of Redhill has the potential to generate additional demand in both the leisure and business sectors.
- Passenger numbers and the growth of Gatwick Airport will have an impact on demand and supply in the Horley area. The impact of Gatwick Airport makes quantitatively planning for hotel growth in the borough in isolation meaningless.
- The Olympics in 2012 will bring additional demand for accommodation to the area; however, it is likely to be a short term surge rather than sustained.

Estimating Future Demand

- Forecasts indicate that by 2016, there may be a need for additional hotel and guest rooms in the borough.
- By 2026, the mid-growth scenario indicates that an additional 194 rooms may be required in the borough, rising to more than 317 in the high-growth scenario.

Prospects for Future Development

- Redhill, Reigate and Horley all feature on target location lists of major budget operators.
- Previous studies demonstrate opportunities for budget and upper budget in Redhill, Reigate and Horley and additionally the potential for a 3 or 4 star hotel in the Redhill/Reigate area.
- Redhill offers the most attractive and appropriate location for hotel development given its strategic position and planned regeneration and expansion. Horley also

presents opportunities given its proximity to Gatwick and potential to offer an alternative to on-airport accommodation.

- The short term softening of the housing market has allowed hotel developers to compete for land with residential developers. However, in the long term, alternative development opportunities including mixed-use and redevelopment of commercial space are likely to be the most realistic modes of delivery in the borough given high land prices and competing priorities.
- In the short term, any additional demand is likely to be absorbed by the potential 98 bedroom hotel as part of the Warwick Quadrant redevelopment. In the medium to long term, recognition of hotel uses as a potential component of other mixed-use developments within the Redhill and Horley regeneration areas may be worth consideration.
- The sizeable guest house industry in Horley should be recognised and considered carefully when developing future policies given their contribution to the local economy

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Introduction

Study Overview

This evidence paper seeks to assess the current position of the hotel and guest accommodation sector in the borough of Reigate & Banstead and identify any potential for new hotel development into the future. The key aims of the study are to:

- Provide an overview of the tourism market and its contribution to the local area
- Generate an improved understanding of the current supply of hotel and guest accommodation in the borough
- Identify qualitatively any future growth potential in the local market through analysis of drivers and criteria for hotel development
- Highlight any pertinent considerations for future policy development

The recommendations and considerations that are raised in the study will be used to inform the policy development and possible land allocations in the Development Management Policies DPD.

Policy Background

Current National Policy & Legislation

Localism Act 2011

The Localism Act received Royal Assent in November 201. The Act predominantly aims to shift power back from central government towards local people and, amongst a number of issues, aims to make the planning system clear, more democratic and more effective. To achieve this, the Act contains a number of provisions including the abolition of Regional Spatial Strategies (RSSs), reforms to local plan making, a new tier of neighbourhood planning and establishes a Duty to Cooperate requiring neighbouring authorities to work together on cross-boundary planning issues.

Planning Policy Statement 4: Planning for Sustainable Economic Growth

Current national planning guidance for hotel development falls within the remit of PPS4 which was updated in December 2009. The guidance emphasises the Government's overarching objective of sustainable economic growth and policies within the document apply to all development which achieves one of the following objectives:

- Provides employment opportunities
- Generates wealth
- Produces or generates an economic output or product

All main town centre uses fall within this definition, including hotels and guest accommodation.

Much of the guidance concentrates on planning positively for sustainable economic growth and particularly for competitive town centre environments through mixed-use developments. The guidance supports the sequential approach but recognises that economic development may be suitable in out of centre, out of town or rural locations to support the wider economy. It highlights the role of local planning authorities in supporting sustainable rural tourism and leisure developments in order to deliver the Government's tourism strategy. In addition to this, specific tourism guidance in included within *Good Practice Guidance on Planning for Tourism* which contains a specific appendix dealing with general locational principles and guidance for the various types of tourist accommodation.

In particular, the document raises several key principles:

- Identifying suitable and complimentary locations for tourist accommodation should be an integral part of the plan making process and should involve the tourism industry
- Major hotel developments should look to the town centre first due to their transport and regeneration implications
- Outside the development plan process, tourism planning should follow the sequential approach
- There is a need to recognise the market which different types of accommodation serve as this will affect planning considerations
- New hotel developments in historic towns need to be sensitive to their surroundings but the re-use and conversion of historic buildings should be seen as realistic propositions
- Extensions to existing accommodation (i.e. for more bedrooms or additional facilities) can be important to the ongoing viability of businesses but they need to be proportionate
- Lodges catering for stop-over traffic may require a location on a major route.

Emerging National Policy

The recently published Draft National Planning Policy Framework (NPPF) articulates the Government's vision of sustainable development and highlights that this should be interpreted and applied locally to meet local aspirations. The NPPF sets out a commitment to ensuring that the planning system does everything it can to support sustainable economic growth and establishes a presumption in favour of sustainable development. The document also highlights the need to plan proactively and identify new or emerging sectors is identified as well as the need for flexible policies to accommodate growth rapidly or respond to changes in the market.

Regional Planning Policy

South East Plan (SEP)

The Localism Act established the official provisions for the revocation of RSSs in November 2011. By the time the Council's Core Strategy and Development Management Policies DPD are adopted, it is anticipated that the policies contained within the SEP will no longer be relevant. However, there are a number of observations and practices within the document which remain useful guidance when planning for guest accommodation moving forward.

Whilst the South East Plan does not recognise any parts of the borough as ‘tourism hotspots’, it also recognises the strength of the economy as a driver of business tourism and the relationship between guest accommodation and major gateways such as Gatwick Airport.

Policy TSR5 specifically addresses the need to plan for tourist accommodation within the region and for planning to recognise the diversity of the accommodation sector. Key principles of the policy include:

- To provide specific guidance on the appropriate location for relevant accommodation sub-sectors
- Encourage the extension of hotels where this is required to upgrade the quality of the existing stock to meet changing consumer demands
- Include policies to protect the accommodation stock where there is evidence of market demand

The South East Plan also identifies a series of issues which should inform policy including:

- The need for a thorough understanding of the needs of accommodation developers and operators
- On-going dialogue between planners and the industry
- Regular monitoring of demand and supply
- Mixed use development may be the only way to secure town centre hotel development due to high urban land values

Local Plans and Policy

Reigate & Banstead Corporate Plan 2011-2015

The Corporate plan recognises that the Borough as a whole enjoys relative affluence and a high environmental quality. The Borough’s location between London and Gatwick Airport presents real opportunities to improve and sustain our economic prosperity. The quality of life enjoyed in the majority of the Borough will be sustained by preserving their character and that of the surrounding countryside. The priority of regeneration and improving and sustaining our communities recognises that in order to improve and sustain the prosperity, economic health and social wellbeing of our Borough, we need to strengthen the local economy, particularly in Redhill and Horley. If hotel development is identified as necessary to strengthen the local economy, this would be in accordance with the Corporate Plan.

Reigate & Banstead Community Plan 2008 - 2020

The Community Plan has as its vision:

Reigate & Banstead will be one of the most desirable and attractive areas in the region. It will be a place where…people who live in, work in and visit the Borough enjoy the benefits of a prosperous economy.

Should hotel development be identified as needed to strengthen the local economy this would be in accordance with the Community Plan.

Borough Local Plan (BLP) 2005

The BLP includes polices for tourism. It recognises that despite a lack of major tourist facilities there are a lot of attractions to the casual visitor. It recognises that the most significant area for planning is that of accommodation as there is very little in the borough although there is a spread of facilities in adjoining boroughs. No evidence of a specific need was identified in the BLP so there are no current designated sites for hotels in the BLP. Policy RE13 provides for hotels and guest houses as follows:

> *Proposals for new hotels and guest houses, including change of use, and extensions to existing hotels and guest houses, will be considered against the following criteria:*
>
> *In the urban areas permission will normally be granted if:-*
>
> *(i) the residential character of the area is not adversely affected, where this is applicable;*
> *(ii) the proposal does not conflict with other policies of this Plan; and*
> *(iii) the appropriate design criteria set out in Policy Re2 are met in full.*
>
> *Outside urban areas permission will not normally be granted for new hotels or guest houses and/or ancillary conference facilities (whether as part of an existing or new hotel or guest house). Extensions to existing hotels and guest houses would need to be justified by very special circumstances under Policy Co1.*

Therefore in accordance with the local plan policy the appropriate location for hotels would be in the urban area. Policies for designated employment areas within the BLP only provide for B class uses so according to policy they would not be suitable for hotel use. The policy does not encourage hotels to locate outside the urban area.

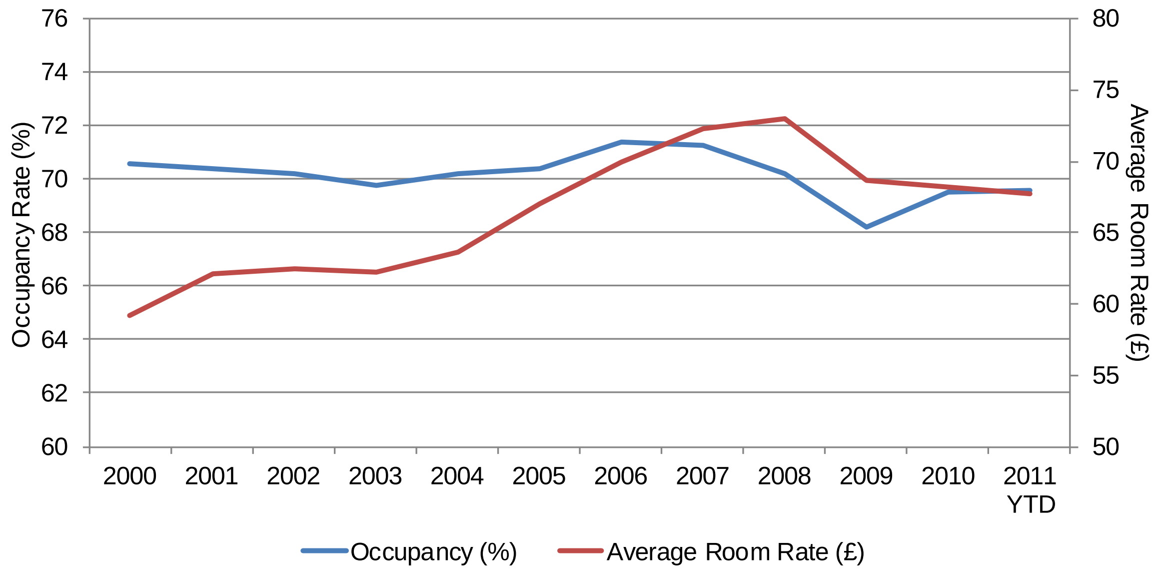
UK Hotel Sector Trends

Demand and Performance

Other than in seaside resorts and rural locations, demand for hotels is principally driven by business tourism, with leisure tourism filling rooms at weekends and during holiday periods often at discounted rates. The peaks and troughs of the economy together with events in the national and international tourism marketplace therefore impact directly on the hotel sector.

'Provincial' hotels generally operate at a lower occupancy and lower average room rate than the UK average as this is inflated by the performance of hotels in London. Since 2000, occupancy rates in provincial areas have been relatively stable; however, there is a noticeable drop coinciding with the onset of the economic downturn in 2008. Average room rates (ARR) rose steeply between 2000 and 2008 but again have dropped back over the past 3 years as performance has been squeezed. Severely reduced domestic business travel and the impact of the economic uncertainty on conference and business meetings means that ARR remain under pressure, particularly in the face of an oversupply.[1]

Figure 1: Occupancy and ARR Performance of UK Provincial Hotels (2000-2011)



Source: TRI Hospitality Consulting: UK Hotel Market Review (2000-2011)

Supply

Despite the economic downturn, the UK continues to see significant activity in respect of hotel development across all types. According to information from Lodging Econometrics, the UK has the largest hotel development pipeline in Europe, with more than 200 projects and a potential 27,600 rooms.[2]

[1] PWC: UK Hotels Forecast 2011-12
[2] Lodging Econometrics: Development Pipeline Report 2011

The budget hotel sector demonstrates the most significant growth. Travelodge has doubled the size of its estate over the past six years and plans to increase its 4.5% market share to around 1,000 hotels and 10% share by 2025 with 60% of the growth coming from new developments. Whitbread, parent of Premier Inn, plans to add a further 22,000 rooms to its portfolio by 2016 whilst also developing smaller format hotels to allow access to a broader range of locations.

Since 2005, a number of new operators have entered the UK market. Easyhotel opened its first establishment in London in 2005, Yotel moved into the UK market in 2007 and Sleeperz has been working with Network Rail to develop budget hotels at city centre rail stations. Additionally, a number of upper-tier operators including Accor and Marriott also hold significant growth plans, some of which will be directed towards the UK.[3]

Hotels are increasingly locating alongside leisure venues and nearby attractions such as Chessington World of Adventures and Lingfield Racecourse have both seen the development of on-site branded hotels in recent years.

[3] Tourism South East/Hotel Solutions: Attracting Hotel Investment in the South East – Local Authority Guidance 2009

Hotel Supply in Reigate & Banstead

Current Supply in Reigate & Banstead

There are currently 40 hotels and guest houses in Reigate & Banstead with a total of 883 letting bedrooms.

Table 1: Summary of Accommodation in Reigate & Banstead by Type

Type	Establishments		Rooms	
	Count	%	Count	%
Large Chain	5	12.5	284	32.2
Small Chain	3	7.5	121	13.7
Independent	2	5.0	139	15.7
Guest House	30	75.0	339	38.4
Total	**40**	**100**	**883**	**100**

The majority of letting bedrooms in the borough are provided in guest houses which account for 38% of supply. These tend to be small scale with the figures indicating an average size of 11-12 rooms per establishment. Large chain operators form the second largest source of supply, providing 32% of the borough's supply. These tend to be significantly larger with an average size of 56-57 rooms per establishment. Four well-recognised national chain operators are represented in the borough.

Table 2: National Chains in Reigate & Banstead

Hotel	Rooms
Premier Inn Burgh Heath	76
Premier Inn Salfords	48
Best Western Reigate Manor	50
Travelodge Redhill	37
Days Inn Gatwick (Horley)	73
Total	**284**

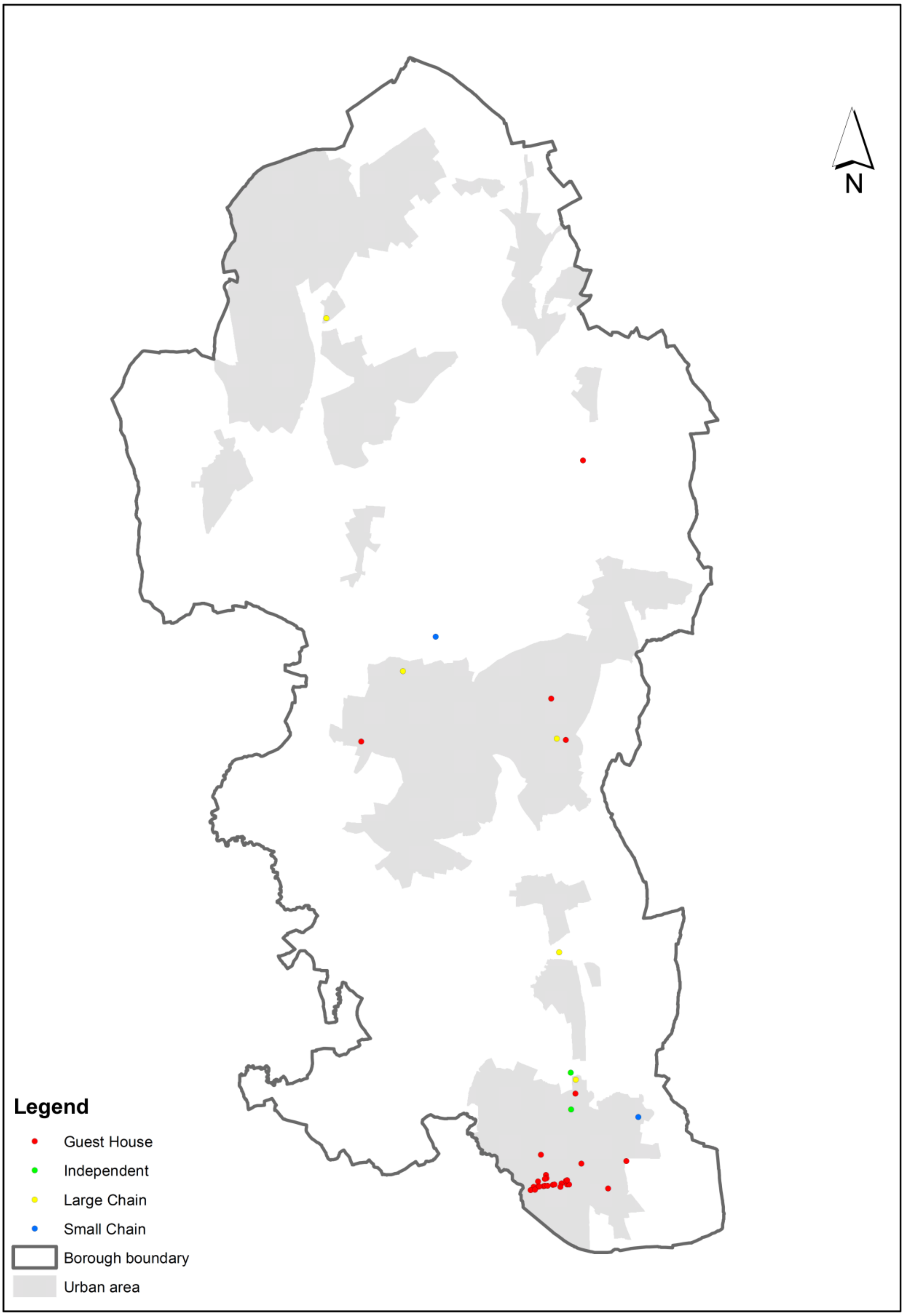
Table 3: Summary of Rooms by Type and Grade

Type	Budget	3 Star	4 Star	Not Graded
Large Chain	161	123		
Small Chain		39	82	
Independent		35	104	
Guest House		125	130	84
Total	**161**	**322**	**316**	**84**

Supply in the borough tends to be of a reasonable quality. Budget rooms; those typically provided by the national operators, account for 18% of the borough's supply. Around 9% of rooms are in establishments which do not have a recognised grade. The remainder of rooms are relatively evenly split between 3 and 4 star grades. Guest house rooms appear to be of a reasonably high standard, with the majority of establishments rated by the AA or Visit England and a few self-certified.

Given that it is the borough's primary centre and recognised as a sub-regional hub, Redhill town centre has only one large chain hotel (Travelodge) and in total offers only 51 rooms. Supply in Reigate is slightly higher with 3 establishments (2 of which are chains) providing 98 rooms. The vast majority of available rooms in the borough are concentrated in the southern area, largely due to the proximity to Gatwick Airport. Horley has a total of 546 rooms, more than 300 of which are in small guest houses. There is also a chain hotel located in Salfords on the main route into Horley which provides an additional 48 rooms. The concentration of guest house accommodation in Horley is particularly noteworthy as it is almost exclusively clustered around Massetts Road/Brighton Road.

Figure 2: Location of Hotels and Guest Houses in Reigate & Banstead



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Scale 1:80,000

Supply in Surrounding Areas

In addition to supply within the borough, it is important to consider competing supply in adjoining areas as hotel guests are not constrained by administrative boundaries. The search was therefore widened to approximately a 5 mile radius around the borough boundary in order to identify additional supply which would likely serve a similar market to Reigate & Banstead. In total, the search identified 45 establishments providing 5,820 rooms.

Table 4: Summary of Supply within Approximately 5 Miles

Type	Crawley	Epsom & Ewell	Sutton	Croydon	Mole Valley	Tandridge
Large Chain	3,992	264	119	252		116
Small Chain	379			145	128	120
Independent	152	22	37		57	
Guest House	31					6
Total	**4,554**	**286**	**156**	**397**	**185**	**242**

The impact of Gatwick Airport is critical in this respect. The airport is located just outside the borough’s southern boundary, as is a significant amount of related hotel supply. This particular dynamic makes it difficult to identify future demand in the borough in isolation as any hotel development at Gatwick Airport is likely to have an impact on need and demand within Reigate and Banstead.

The southern areas of the borough are therefore well served by the abundance of hotel and guest accommodation in the Crawley area and associated with Gatwick airport. Similarly, the north of the borough is well served by large chain hotels located in the Epsom, Sutton and Croydon areas. The central areas have the least access to accommodation outside of the borough.

Accommodation Performance

The study has not conducted a detailed assessment of hotel performance in the local area. However, information regarding occupancy rates and average rooms rates (ARR) for hotels is available produced at a regional level by Tourism South East.

Anecdotal evidence from the Gatwick Guest House Association indicates that the performance in this sector in the borough has struggled over the past couple of years with occupancy rates falling to around 78% having previously exceeded 80-90%. In particular, business trade has significantly reduced.[4]

[4] Telephone discussion with Gatwick Guest House Association/Horley Chamber of Commerce

Demand Drivers

Although the provision of guest accommodation is not pivotal to the delivery of the Council's emerging Core Strategy, such uses could play a role in supporting future economic development and contributing to the regeneration aims of the Council. Therefore, despite the implications that proximity to Gatwick Airport has on the accuracy of forecasting, there is value in estimating future demand. Prior to carrying out quantitative analysis, it is important to understand the drivers of room demand both now and moving forward within Reigate and Banstead and the wider area.

Tourism

South East Tourism Industry

Although accommodation demand is not primarily driven by tourism, the industry is one of the largest in the South East region, generating in excess of £10bn per annum, equivalent to around 8% of regional GDP and supporting a significant number of jobs.[5]

The table below shows the overseas and domestic visitor trends since 2000. With regards to overseas visitors, numbers of nights rose by around 7 million between 2000 and 2006.[6] However, since then, annual figures have fallen steadily to 28.9 million in 2010, largely compounded by the global economic situation. However, by and large, the total spend of overseas visitors has not fallen in line with these figures.

Domestic visitor trips and nights have fallen significantly from the high levels seen in 2001. Since 2001, domestic trips to the South East have fallen from 23.3 million to 16.3 million in 2010 and correspondingly, visitor nights have fallen from 73.6 million to 46.0 million. Domestic visitor spend has seen a particularly steep decline.[7]

Table 5: South East Visitor Numbers

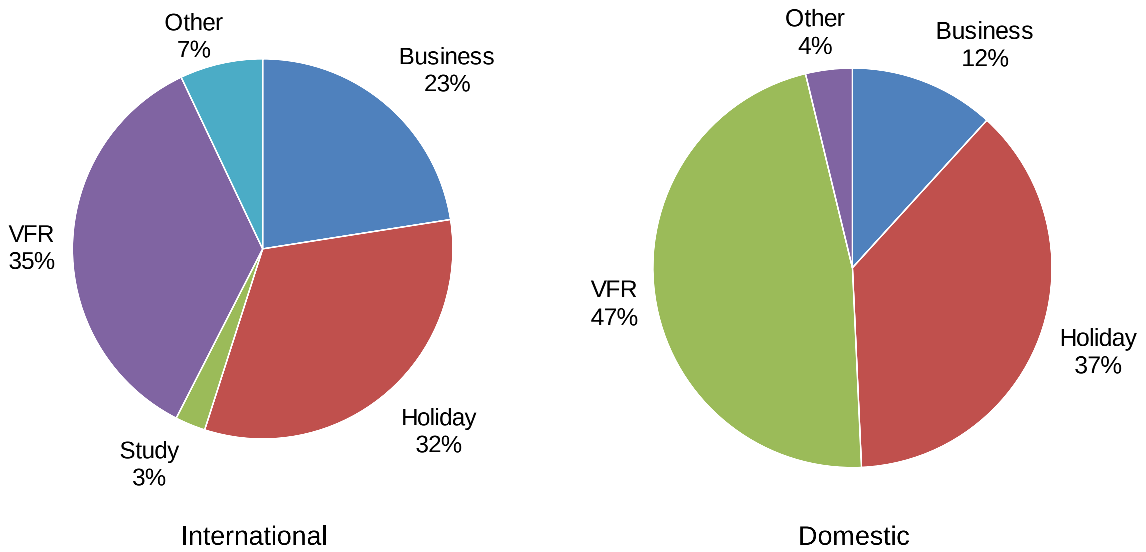
	Overseas Visitors			**Domestic Visitors**		
	Trips (mn)	**Nights (mn)**	**Spend (£mn)**	**Trips (mn)**	**Nights (mn)**	**Spend (£mn)**
2000	3.85	29.09	1,359	23.3	73.4	2,992
2001	3.58	28.84	1,399	23.3	73.6	3,391
2002	3.70	28.83	1,400	22.6	68.0	2,975
2003	3.59	28.37	1,295	21.0	60.1	3,001
2004	3.95	31.28	1,467	16.6	48.5	3,006
2005	4.14	32.69	1,470	18.2	51.3	2,644
2006	4.32	36.00	1,679	18.1	52.7	2,429
2007	4.41	32.13	1,592	17.9	50.0	2,353
2008	4.57	32.50	1,802	16.3	47.2	2,350
2009	4.27	31.37	1,819	18.3	52.8	2,595
2010	4.16	28.9	1,703	16.3	46.0	2,232

Source: Tourism South East 2011

[5] Tourism South East 2010
[6] International Passenger Survey (IPS): Numerous years
[7] UK Tourism Survey (UKTS): Numerous years

The majority of trips made by overseas visitors to the South East are to visit friends or relatives (VFR) residing within the region. This is closely followed by holidays whilst almost one quarter is for businesses purposes. The profile of domestic visits is similar with almost half of trips being visiting friends and relatives whilst 37% are holidays. The holiday bracket is dominated by short stays (less than 4 days) which account 67% of the total. Only 12% of domestic trips to the South East are for business purposes.

Figure 3: Breakdown of Domestic and International Visits by Purpose



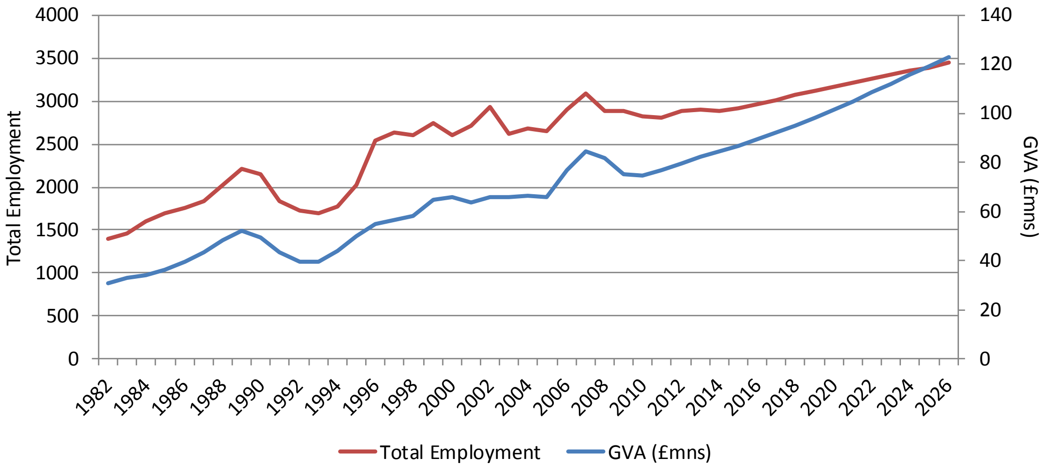
Source: IPS/UKTS 2010

Tourism in Reigate & Banstead

Economically speaking, the hotel and catering sector contributes around £75 million GVA to the economy in Reigate & Banstead, accounting for just over 2% of the total. The sector also employs around 2,820 people, accounting for around 4% of total employment in the borough.[8] The chart below shows that the sector's GVA is forecasted to grow by around 65% by 2026, slightly above overall GVA growth in the borough at 56%. Employment in the sector is projected to grow by around 22%, almost double the overall jobs growth for the borough.

[8] Experian economic forecasts for Reigate & Banstead commissioned in 2010

Figure 4: Employment and GVA Growth in Hotels & Catering (1982-2026)



Source; Experian Economic Forecasts, 2010

Sample data from the UKTS indicates that over the two year period between 2008 and 2010, the borough received on average 149,000 domestic trips per year around 13% of which are holiday visits. However, holidays account for only 10% of visitor nights in the borough, suggesting a high proportion are visiting friends/relatives or on business trips. Annual spend from domestic trips was estimated to be around £17 million.[9]

The borough is not home to any significant visitor attractions and whilst nearby locations such as Epsom Racecourse, Box Hill and theme parks such as Chessington World of Adventures may generate demand; it is likely that this would be absorbed by hotels nearer to the attraction. Therefore, the link between leisure tourism and demand for guest accommodation is less obvious and it is unlikely that leisure tourism alone will significantly increase the need for accommodation moving forward. However, with the significant planned housing growth in the borough, VFR trips could be a potential source of growth in the future.

Redhill Regeneration

Redhill is the borough's primary centre and is recognised as a sub-regional hub within the South East Plan. However, the town centre does not currently fulfil its potential and the Council is preparing an area action plan (AAP) to take forward the regeneration of the town centre. The document envisages the following significant growth:

- retail - at least 15,000sqm of comparison and 7,000sqm of convenience floorspace
- commercial - 7,000sqm of business space
- leisure - up to 3,000sqm of leisure and food and drink offer including a potential new cinema[10]

These plans aim to significantly enhance Redhill's position as a destination and increase both business and leisure visitors to the town centre.

[9] UK Tourism Survey 2010
[10] Draft Redhill Area Action Plan, Reigate & Banstead Borough Council 2011

Business Tourism

Business travel volumes experienced an unprecedented decline in 2009 and research by BDRC Continental shows that the domestic business market has shrunk to its lowest level since 2005 as a result of dwindling travel frequency and corporate cost saving measures.[11] Evidence suggests that whilst improved business confidence is resulting in some recovery to business travel, locations outside of London are still likely to find this a difficult market.

However, the borough is home to a number of major corporates, particularly in the Redhill and Reigate centres but also in out of town campus locations. The evidence discussed above suggests that the borough is more reliant on business tourism than leisure based tourism. A recovery in business confidence could generate increased short stay business related trips in the borough and an associated rise in demand for accommodation. Considering the regeneration ambitions for Redhill, it would be likely that growth in this respect could be accommodated in the town centre.

Gatwick Airport

Gatwick Airport is the world's busiest single runway two terminal airport averaging 52 aircraft movements an hour. It is the UK's second largest airport in terms of passenger numbers, accounting for almost 15% of passengers terminating in the UK. The draft masterplan for the airport indicates that most of the airports passengers travel from residences, hotels and businesses in London and the South East. UK leisure trips account for two-thirds of passengers to the airport, UK business 6.7%; foreign leisure 18.7% and foreign business 4.7%.[12]

Forecasts produced in 2011 estimate that, at base case, passenger numbers handled by the airport will rise to 40.5 million by 2020/21, with high growth scenario projecting more than 43.5 million passengers.

The masterplan recognises that the future growth of the airport may generate additional demand for ancillary facilities such as hotels; however, considering the airport operated at in excess of 35 million passengers prior to the economic downturn, it is likely that sufficient capacity exists in such facilities to absorb some of the growth. At the base case scenario, direct off-airport employment is expected to grow by only 100 by 2021; however indirect employment is projected to grow by 1,100. It would be reasonable to assume that some of this growth would be within hotel based employment.[13]

The draft Masterplan also continues to safeguard the option of moving to a twin-runway airport at some time in the future. This plan recognises that this would result in a substantial extension to landside facilities, particularly to accommodate facilities such as hotels.

[11] PWC: UK Hotels Forecast 2010-11
[12] Gatwick Airport Draft Masterplan 2011
[13] Gatwick Airport Draft Masterplan 2011

In the near term, it is anticipated that the Longbridge House office accommodation at the North Terminal will be converted to a 192-bed 3 star hotel in the near future.

London 2012 Olympics

On your marks…get set, go!, the Tourism South East Strategy for the 2012 Olympics recognises that the South East region will benefit significantly from increased visitor and business activity between 2008 and 2016. Estimates place this potential growth at around £50-100m during the Olympics and between £1-1.5bn over the 8 year period. [14]

The borough and surrounding areas are well positioned to capitalise on the benefits of the Olympics. The cycling road race route runs through Surrey, close to and briefly entering the borough's boundary around Box Hill, and a number of pre-event training camps and venues are located throughout Surrey. In addition to this, the area is well located to act as a base for visitors to the games and the County has established a dedicated website aimed at maximising benefits to the local area.

It is likely that the event will generate significant additional demand for hotel and guest accommodation throughout the region and the borough. However, it is likely to be a short-term surge in performance over the period of 2008-2016 rather than a sustained demand requiring additional hotel rooms.

[14] Tourism South East/SEEDA: On your marks…get set, go 2008

Estimating Future Demand

In order to provide an indication of the number of additional bedrooms that might be required in the borough over the plan period, a series of projections have been produced based on varying levels of future growth. Projections have been produced for the overall number of rooms for 5 yearly milestones within the plan period, i.e. 2011, 2016, 2021 and 2026. These projections assume that growth is unconstrained by site availability. Discussion of potential operators and types of establishment is addressed in the following section.

Projection Methodology

In projecting future requirements for hotel accommodation we have first calculated an estimate of current (2010) baseline roomnight demand based on average occupancy rates for UK provincial hotels. This total roomnight demand figure has then been apportioned between four main demand drivers as established in the previous section: business; Gatwick Airport, leisure and visiting friends and relatives (VFR).

For each of these demand drivers, three possible average annual growth rates have been developed.

Business

Employment forecasts prepared for Reigate and Banstead show that total employment in the borough will grow from 71,042 in 2010 to 79,298 by 2026, an annual average growth rate of 0.7%. In addition to this, the borough's GVA is estimated to grow by 3.5% p.a. over the same period.[15]

The borough's two main towns, Redhill and Reigate, are home to major business occupiers including Canon, Towers Watson, AXA, Total GP and Esure. Many of these are either national or regional headquarters operations which would be most likely to generate business travel. Additionally, growth in the borough's financial and business services sector is projected to outstrip the borough average over the period and this sector is seen the most productive in terms of hotel demand generation.

The projections assume that employment growth is directly correlated to roomnight demand has been taken to be the mid growth scenario with low and high growth scenarios set accordingly.

Low	0.5% p.a.
Mid	1.0% p.a.
High	2.0% p.a.

[15] Experian Economic Forecasts, 2010

Leisure

As previously mentioned, the borough does not have any significant leisure attractions. Whilst there are a number of major attractions in surrounding areas, the borough derives only minimal accommodation demand from this as a result of overspill at peak times. Similarly, whilst the Olympics will increase demand, it is likely to be a short term surge. Therefore, the study assumes that pure leisure trips are unlikely to be a significant source of demand growth moving forward.

As such, no growth is factored in for the low scenario; re taken to have a 0% p.a. impact upon roomnights. In the medium scenario, the two are taken to generate 0.5% p.a. growth and in the high growth scenario, it is assumed that some of the Olympics growth will be sustained, with overall growth placed at 1.0%.

Low	0.0% p.a.
Mid	0.5% p.a.
High	1.0% p.a.

Gatwick Airport

Gatwick has a more significant effect on hotel demand in the borough. Projections for its impact have been based upon passenger number forecasts in the draft Gatwick Airport Masterplan. These indicate average annual growth rates of 2.6% (base case); 1.4% (low case) and 3.3% (high case). Whilst, Gatwick passenger forecasts only run to 2021, demand growth has been applied throughout the period, assuming relatively unconstrained growth of the airport.[16]

Low	1.4% p.a.
Mid	2.6% p.a.
High	3.3% p.a.

Visiting Friends & Relatives

Whilst the borough doesn’t experience high levels of leisure travel, trips and roomnights associated with visiting friends and relatives form a significant proportion of trips within the South East Region.

Relatively significant housing growth is planned for the borough over the plan period. ONS population forecasts indicate that the borough’s population will grow from 138,600 in 2010 to 161,800 in 2026, an annual growth rate of around 1.0%.[17] Zero net migration forecasts commissioned by the Council indicate an annual growth rate of 0.5% over the period[18]. Again, population growth is assumed to directly correlate with increased roomnight demand for VFR trips and as such, the ONS and ZNM projections form the low and mid-range scenarios.

[16] Gatwick Airport Draft Masterplan 2011 forecasts by SH&E
[17] Office of National Statistics Sub National Population Projections 2008-2033
[18] Cambridge Econometrics 2011

Low	0.5% p.a.
Mid	1.0% p.a.
High	1.5% p.a.

Projected Demand

Applying these growth assumptions to the current baseline roomnights gives an indication of the likely roomnight demand at the various milestone years moving forward. This is then translated into the number of bedrooms supported assuming an occupancy rate of 75% which would likely be the minimum required to make hotel development viable and the rate at which denied business begins to become an issue.

It is important to note that these projections should be taken as indicative only. They are intended to act as a guide by illustrating the number of bedrooms that might be needed under each growth scenario rather than an accurate or definitive assessment. Indeed the outcomes should be seen as a number that *could* be needed rather than a figure that *should* be provided.

	Total Rooms Supported @ 75% Occupancy			Indicative New Rooms		
	Low	**Mid**	**High**	**Low**	**Mid**	**High**
2010 (Baseline)	824			-59		
2012	837	850	861	-46	-33	-22
2017	871	918	960	-12	35	77
2022	907	993	1072	24	110	189
2027	945	1077	1200	62	194	317

The projections support anecdotal evidence that the hotel market in the borough is current undersubscribed with current demand sufficient to support 824 rooms against a current supply of 883.

By 2016, the low growth scenario still shows the borough as overproviding, whilst the mid and high growth scenarios show a modest need for new bedrooms in the borough. This increases by 2021 and whilst the low growth scenario shows only limited demand for new rooms, the mid and high growth scenarios indicate a relatively significant potential for new rooms, unlikely to be accommodated in a single development.

By 2026, the mid scenario indicates that demand could potentially require 194 new bedrooms in the borough, whilst if high growth is realised then an additional 317 rooms may be needed in the borough.

Future Supply

Developer/Operator Requirements

Hotel operators generally work to a loose set of key criteria when considering future development strategies and in searching for potential sites.

Target Locations

At the strategic level, achieving critical mass and appropriate geographic spread is an important consideration for all national hotel brands. The types of location that a hotel group will target will be dependent upon a series of factors including market penetration, target sectors (i.e. business/leisure), brand and portfolio maturity and available funding.

For example, whilst operators with smaller UK portfolios will target primary gateway locations in regional cities, large budget groups such as Premier Inn and Travelodge have sufficient exposure and scale to allow them to target and support secondary and tertiary locations.

Niche hotel groups will tend to be far more stringent in terms of requirements as they will typically be looking for only 1-2 establishments per region. In particular, they will seek high quality locations, often in characterful towns or attractive country locations, and a strong base in both business and leisure markets.

Population base is also an important consideration and operators may prioritise locations on this basis. Smaller budget/mid-market offers will typically seek a population of 50,000-100,000 whilst large establishments and high-end operators may seek in excess of 100,000.[19]

Site Requirements

In addition to strategic geographic requirements, hotel operators will assess individual sites based on a series of criteria. These criteria will normally include:

- Strategic locations in terms of transport communications with good road access or town centre sites with public transport accessibility
- Visible and prominent pitches
- Proximity to demand generators:
    - Business base with sectors likely to generate room demand (financial/business services) or regional and national HQs
    - Leisure attractions, sports/events venues and retail along with a complimentary offer of cafes, bars and restaurants
    - Areas with high instances of VFR (visiting friends/relatives)
- An attractive environment or location planned for improvement

[19] Tourism South East/Hotel Solutions: Attracting Hotel Investment in the South East – Local Authority Guidance 2009

- Appropriate site areas (see table below) and land values which reflect hotel economics typically £5-10,000 per room for budget and upper budget rising to £20-30,000 per room for high end fully serviced hotels

Table 6: Typical Hotel Specifications

Hotel Type	Site Area		Rooms	Gross Floorspace per Room	Offer
	Central Location	Out of Town			
Budget	0.5-0.7 acre	1-2.5 acre	40-100	32-35sqm	21sqm rooms Limited dining and meeting rooms
3 Star	0.75 acre	1-3 acre	100-150	55-65sqm	24sqm rooms Restaurant and bar Conference rooms
4 Star +	1 acre	3-6 acre	100-200	75sqm+	30sqm rooms Restaurant and bar Banqueting and events space Conference rooms Leisure & Spa

Source: Tourism South East: Attracting Hotel Investment in the South East 2009

Increasingly, hotel operators are turning to alternative development models where suitable sites are scarce or land values are prohibitive. These include:

- Developments as part of a mixed-use scheme (typically incorporating retail, offices, residential or leisure)
- Redevelopment opportunities, typically office conversions
- Refurbishment and rebranding of existing ‘going concerns’

Evidence of such schemes locally is strong, suggesting this could be a potential source of new accommodation for the borough moving forward. Conversion of Lombard House office accommodation at Gatwick Airport to a 190 bed hotel is planned for the near future whilst the mixed-use redevelopment of Epsom rail station includes a 64 bedroom budget hotel. Additionally, two major chains have recently rebranded hotels in the borough with Travelodge taking the former Innkeepers Lodge in Redhill and Days Inn branding the previously independent Skylane Hotel in Horley.

Financial and Performance Requirements

The viability of hotel development is highly dependent upon potential performance in terms of occupancy and achieved room rates (ARR). These will naturally vary by product type but most operators will have targets in each of these areas:

Table 7: Typical Occupancy and ARR Requirements

Hotel Type	Occupancy	ARR
Budget	80-85%	£40-50
Upper Budget	75-80%	£55-70
3 Star	70-75%	£75-80
4 Star	70-75%	£80-95+
Boutique	85-90%	£100-125

Source; Tourism South East: Attracting Hotel Investment in the South East 2009

Additionally, like any development, land values impact upon the viability of hotel schemes. Evidence from operators and agents suggests that the uncertainty in the housing market over recent years has softened land values and allowed hotel developers to compete for land against residential uses. However, monitoring information indicates that the residential market in the borough has shown signs of recovery over the past year suggesting that this situation may not prevail for long into the future.

Opportunities for Reigate & Banstead

Operator Interest

The strongest indication of development interest in the borough will be from operators themselves. High-end/niche hotel brands tend to be more opportunistic with respect to locational selection, taking advantage of suitable sites or properties as they come to the market. However, large budget chains tend to have a more deliberate locational strategy. Two of the largest budget operators; Premier Inn and Travelodge publish lists of target locations and in September 2011, these lists identify interest in the following locations within the borough:

- Reigate (Premier Inn)
- Redhill/Reigate (Travelodge)
- Horley (Travelodge)

Findings from Previous Studies

The Surrey Hotel Futures Study indicated that there may be opportunities for new accommodation in the borough moving forwards. Whilst this study was carried out a number of years ago and before the recession, there has been little if any hotel development in the borough since. As such, in a fair market once economic conditions return to 2004 levels, the findings would be likely to remain valid.

The research suggested there may be potential for a 3/4 star hotel in the Redhill/Reigate area, particularly serving the business market with evidence of such demand being displaced to the Gatwick area due to a lack of supply. The research also indicated potential for budget hotel development in this area as well as in Horley.

The research also surveyed a range of hotel operators and identified operator interest from Express by Holiday Inn (part of the Intercontinental Hotel Group IHG) and Accor.[20]

Assessing Borough Areas

In addition to published demand and opportunities, the following discussion reviews how the borough's four main areas fit with the current drivers and requirements for hotel development.

Target Locations

Redhill is the main centre in the borough and identified as a sub-regional hub suggesting that it would be considered as a location where large chains would seek presence. Planning permission has been granted for a 98 bedroom hotel as part of the mixed-use redevelopment of the Sainsbury's supermarket on the Warwick Quadrant in Redhill and this is likely to be occupied by a budget hotel chain. The Redhill/Reigate hub is identified as a target location by two of the national budget chains.

Smaller towns in the borough may not be as attractive to larger chains and would likely be considered as secondary and tertiary locations. Horley is identified by Travelodge as a target location and its attractiveness is intrinsically linked with proximity to Gatwick, but would provide an alternative to airport based accommodation even where operators already have a presence.

No locations in the north of the borough (i.e. Banstead) are identified as target or opportunity locations. This area particularly falls within the catchment of hotels located in adjoining boroughs such as Epsom & Ewell, Sutton and Croydon.

Taken alone, the various areas of the borough are unlikely to serve occupier requirements in terms of population. Redhill alone has a population of only 34,000; however, taken together, the Redhill/Reigate hub has a population of around 63,000. Similarly, whilst Banstead alone does not suffice in terms of population, it is closely located to Sutton and Epsom and could potentially draw on this population base.

Demand Drivers

Both Redhill and Reigate are home to a number of major companies including the headquarters of Canon, AXA and Osborne. This would be likely to generate sufficient corporate demand to satisfy midweek performance. Reigate provides an attractive specialist retail offer along with proximity to Gatton Park and Priory Park which could generate leisure demand although it is unlikely to be significant. However, both centres are located close together and as such leisure opportunities in Redhill would likely stimulate hotel demand in Reigate. The regeneration of Redhill and vision to promote it as a 'destination' could provide sufficient weekend leisure demand in the future.

Horley benefits from its proximity to Gatwick airport which generates a significant amount of regular short stay demand. The regeneration of the town centre will improve the local

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[20] Tourism Solutions/ACK Tourism: Surrey Hotel Futures 2004

environment and services and would offer an attractive alternative to on-airport accommodation. Significant housing growth to the north of the town (c.2,200 homes) could increase the amount of VFR demand the area experiences.

Whilst the north of the borough is home to several large corporations in out of town locations (i.e. Pfizer, Legal & General and Toyota) which could generate corporate demand, there is little leisure demand in the area. Additionally, the area has a large amount of competition in adjoining areas such as Epsom, Sutton and Croydon.

Site Requirements

Redhill town centre offers the most strategic location, recognised within the South East Plan as a regional hub. The town centre benefits from good road access and lies on the main London to South Coast road and rail routes. There are a number of opportunity sites identified within the emerging AAP which would offer the prominent, visible location sought by major operators. Planned regeneration will have a positive impact on the image of and environment within the town centre. Standalone sites for hotels are unlikely to become available in the town centre due to high land values and competing ambitions; however, there are likely to be opportunities in respect of both mixed-use developments and potentially conversions.

Reigate town centre would also offer a well-connected location with excellent access to the M25. However, rail links to London and the South Coast are not direct. The town centre offers an attractive and historic location which would be particularly important for higher-end operators. The constrained nature of the town centre both in terms of sites but also conservation areas means limited opportunities for new development are likely to arise within the town centre. However, opportunities for converting existing commercial premises, particularly on the fringes of the centre may arise.

With its proximity to Gatwick Airport and the M23, Horley also offers a well-connected and accessible location. The town centre is undergoing regeneration and there are a number of potential redevelopment sites within the town centre which could offer a prominent location, most likely as part of a mixed-use scheme. Due to the number of existing establishments, the area also offers the most opportunities for operators to take over established ‘going concerns’. Land values in the area are also most likely to support standalone developments.

Whilst the north of the borough, namely Banstead, is well served in terms of road access to London and Croydon, public transport access is poor. There are limited opportunities for new developments and the area also has limited potential for redeveloping obsolete commercial buildings.

Discussion and Policy Considerations

The borough currently has a relatively healthy supply of hotel and guest accommodation across a diverse range of product types catering for different markets. Furthermore, the north of the borough is well served by accommodation in adjoining boroughs such as Epsom, Sutton and Croydon whilst supply at Gatwick Airport provides a significant supply for southern areas of the borough.

The medium growth scenario estimates that there could potentially be a need for an additional 194 hotel and guest bedrooms in the borough by 2027. Considering budget/upper budget hotels to typically be in the range of 40-100 bedrooms would suggest this room demand would be likely to require the development of between 2 and 3 new hotels in the borough over the life of the plan period alongside small scale extensions and additions to existing establishments to support their ongoing viability. Published operator demand indicates that new development on this scale is likely to be deliverable. Indeed, the Council has resolved to grant planning permission for a 98 bedroom hotel as part of the Warwick Quadrant redevelopment which is likely to absorb any short term uplift in demand.

In terms of suitable locations, the analysis carried out indicates that Redhill is the most appropriate and attractive for future hotel development in the borough. The area is well positioned to attract business demand and the regeneration of the area could provide extra leisure demand to support weekend demand. Whilst there is already resolution to grant permission for a 98 bedroom hotel in the town centre, it may be expedient for the Redhill Area Action Plan to recognise the potential for including hotel uses on other mixed-use sites planned for the medium to long term.

Similarly, it may be worth recognising the potential for including hotel uses on suitable regeneration sites in Horley, particularly in recognition of its proximity to Gatwick Airport. Attracting overnight stays associated with Gatwick Airport could also support the long term vitality and vibrancy of the town centre.

It is not deemed necessary to specifically designate sites for new hotels. The recent trend towards alternative redevelopment opportunities such as the conversion of vacant office space to hotel accommodation together with more relaxed employment requirements in the draft National Planning Policy Framework means that this could well be a likely and viable source of sites. Similarly, where sufficient interest exists, major mixed use developments will typically incorporate hotels as they provide a well secured investment stream and compliment other uses. Such is the case with the Sainsbury’s site in Redhill and nearby redevelopment of Epsom rail station.

In addition to new hotel development, the guest house situation in Horley is worthy of particular consideration. Not only is a significant proportion of supply in the area provided by these establishments, but anecdotal evidence suggests that they provide a valuable contribution to the local economy, not least in respect of supporting businesses (retailers and restaurants) within the town centre. Additionally, the majority are located within the Massetts Road conservation area and whilst this is because the large properties lend themselves to conversion, the guest houses do support the preservation and retention of these properties. It is possible that some of the future need could be accommodated through small scale extensions to these establishments, which would also serve to support their ongoing viability.

Policy Considerations

- Promote a positive approach to appropriate and proportionate extensions to existing guest houses to support their ongoing viability and consider using criteria-based policies to manage their effect on local character.
- When establishing development aspirations for regeneration sites in Redhill and Horley, consider recognising those sites which are suitable for and where there is potential for including hotel uses.
- Consider using policies to promote hotel development which is appropriate to the function and character of the area. In Redhill, hotel development should reflect its position as the borough’s primary commercial and retail centre, a sub-regional hub and the planned regeneration within the area. In Horley, new development should reflect its proximity to Gatwick Airport and the character of the town centre and surrounding area.
- Keep hotel provision and demand under review in order to identify any significant variance from the predicted forecasts.

Useful Supporting Documents

Local Authority Guidance on Attracting Hotel Investment in the South East (2009) – Tourism South East/Hotel Solutions

Surrey Hotel Futures: An Assessment of Market Growth and Development Potential (2004) Tourism Solutions/ACK Tourism

Appendices

Table 8: Summary of 'Fit' with Operator Requirements

	Target Location		Demand Drivers			Site Requirements						
	Primary Location	Population Base	Leisure	Business	Other (e.g. VFR or Gatwick)	Road Accessibility	Public Transport Accessibility	Prominent/Visible Sites	Attractive Location	Standalone Potential	Mixed Use Potential	Other Development Opportunities
Banstead		★★	★		★	★★			★★	★★		
Redhill	★★★	★★	★★	★★★	★	★★	★★★	★★★	★★		★★★	★★
Reigate	★★	★★	★★	★★★	★	★★	★★	★★	★★★	★	★	★★
Horley	★	★	★	★	★★★	★★	★★	★★	★★	★★	★★	★★

Table 9: List of Hotels and Guest Accommodation in Reigate & Banstead

Hotel Name	Location	Rooms	Grade	Operator	Type
Premier Inn Epsom South	Brighton Road, Burgh Heath	76	Budget	Premier Inn	Large Chain
Bridge House Hotel	Reigate Hill, Reigate	39	3 star	Classic British Hotels	Small Chain
Reigate Manor Hotel	Reigate Hill, Reigate	50	3 star	Best Western	Large Chain
Cranleigh Hotel	West Street, Reigate	9	Not graded		Guest House
Lynwood Guest House	London Road, Redhill	9	Not graded		Guest House
Premier Inn Redhill	Brighton Road, Salfords	48	Budget	Premier Inn	Large Chain
Travelodge Redhill	Redstone Hill, Redhill	37	Budget	Travelodge	Large Chain
Brompton Guest House	Crossland Road, Redhill	5	Not graded		Guest House
Little Orchard Guest House	London Road North, Merstham	4	Not graded		Guest House
Nutfield Priory	Nutfield, Redhill	60	4 star	Handpicked Hotels	Small Chain
Gatwick Cambridge Hotel	19 Bonehurst Road, Horley	35	3 star		Independent
Days Hotel Gatwick	34 Bonehurst Road, Horley	73	3 star	Days Inn	Large Chain
Menzies Chequers Hotel	Brighton Road, Horley	104	4 star	Menzies Hotels	Independent
The Ambers Gatwick	7 Vicarage Lane, Horley	17	4 star		Guest House
Langshott Manor	Ladbroke Road, Horley	22	4 star	Alexander Hotels	Small Chain
The Lawn Guest House	30 Massetts Road, Horley	12	4 star		Guest House
Castle Lodge Guest House	28 Massetts Road, Horley	10	3 star		Guest House
Southbourne Guest House	34 Massetts Road, Horley	13	4 star		Guest House
Gainsborough Lodge	39 Massetts Road, Horley	30	3 star		Guest House
Gatwick Belmont	46 Massetts Road, Horley	18	3 star		Guest House

Gatwick Turret Guest House	48 Massetts Road, Horley	10	3 star		Guest House
Springwood Guest House	58 Massetts Road, Horley	11	Not graded		Guest House
Glenalmond Guest House	64 Massetts Road, Horley	9	4 star		Guest House
Masslink Guest House	70 Massetts Road, Horley	8	Not graded		Guest House
Corner House Hotel	72 Massetts Road, Horley	31	4 star		Guest House
Acorn Lodge Gatwick	79 Massetts Road, Horley	22	4 star		Guest House
Cumberland House Gatwick	39 Brighton Road, Horley	6	3 star		Guest House
Gatwick White House Hotel	52 Church Road, Horley	27	3 star		Guest House
Rosemead Guest House	19 Church Road, Horley	6	4 star		Guest House
Berrens Guest House	62 Massetts Road, Horley	4	Not graded		Guest House
Gables Guest House Gatwick	50 Bonehurst Road, Horley	17	3 star		Guest House
Melville Lodge Guest House	15 Brighton Road, Horley	7	3 star		Guest House
Gatwick House Guest House	3 Brighton Road, Horley	10	Not graded		Guest House
Vulcan Lodge Guest House	27 Massetts Road, Horley	5	4 star		Guest House
Yew Tree Guest House	31 Massetts Road, Horley	4	Not graded		Guest House
Gable End Guest House	23 Church Road, Horley	5	Not graded		Guest House
Acorn Guest House	125 Balcombe Road, Horley	15	4 star		Guest House
Milton @ Gatwick	8 Lumley Road, Horley	4	Not graded		Guest House
Jordans	70 Smallfield Road, Horley	4	Not graded		Guest House
Lenton Lodge	36 Massetts Road, Horley	7	Not graded		Guest House