



Local Plan 2035
Planning for the future

**HOTEL FUTURES UPDATE 2014 –
ADDENDUM NOVEMBER 2016**

April 2017



Your Borough: Planning for the future

BEDFORD BOROUGH HOTEL FUTURES UPDATE 2014

Addendum

Revised Hotel Demand Projections for
Bedford Town

Prepared for:
Bedford Borough Council

November 2016



1. Introduction

Hotel Solutions completed an update of the 2009 Bedford Borough Hotel Futures Study for Bedford Borough Council in 2014, to inform the hotel planning policies in the new Local Plan for the Borough. The study included projected requirements for new hotel provision in Bedford Town for the period 2015-2032, which were calculated using our Hotel Futures hotel demand forecasting model. The projections were based on assumed growth rates for midweek demand, based on employment forecasts as a proxy measure for growth in corporate and contractor business, and assumed growth rates for weekend demand based on population forecasts, given that weekend demand for hotel accommodation in the town comes primarily from people visiting friends and relatives and attending weddings and other family functions.

In progressing the new Local Plan the Borough Council is now working on revised employment growth forecasts and an extended timeframe for the Plan through to 2035. The Borough Council has thus asked us to re-run our hotel demand projections for the town to take account of these changes.

The following report sets out the revised basis for the new hotel demand projections, the results from them, and their implications in terms of the additional hotel provision that the Borough Council needs to plan for over the Plan period. The methodology and assumed growth rates for the projections are detailed at Appendix 1.

2. The Basis of the Revised Hotel Demand Projections

The revised hotel demand projections for Bedford Town have been based on the following changes to the 2014 projections:

- The baseline year for the revised projections has been taken as 2015. Hotel roomnight demand for 2015 has been estimated on the basis of the views that the town's hotels expressed as part of the 2014 hotel manager survey on the trading prospects for their hotels in 2015.

- Estimates of denied hotel roomnights (business that hotels turn away because they are fully booked) for 2015 have been made on the basis of the following:
 - The positive economic environment in 2015;
 - Hotel manager expectations of increased corporate demand;
 - The start on site of the Riverside North scheme, which is likely to have generated additional contractor demand;
 - The major films that have been in production at Cardington Studios (Star Wars Episode VIII and Fantastic Beasts).

- The assumed growth rates for midweek demand have been adjusted to take account of the revised employment growth forecasts. The growth rates used for the 2014 and 2016 projections are set out in the table below.

**BEDFORD TOWN HOTEL DEMAND PROJECTIONS
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND**

GROWTH SCENARIO	ASSUMED AVERAGE ANNUAL GROWTH RATE			
	%			
	2014 PROJECTIONS		2016 PROJECTIONS	
	4 Star/ Boutique Hotels	Budget/ 3 Star Hotels	4 Star/ Boutique Hotels	Budget/ 3 Star Hotels
Low Growth	0.75	1.5	0.5	1
Medium Growth	1.25	2	0.75	1.5
High Growth	2	3	1	2

- The assumed growth rates for weekend demand have remained the same as for the 2014 projections. These are based on population forecasts as weekend demand for hotel accommodation in Bedford primarily comes from people visiting friends and relatives in the town and attending weddings and other family events. The latest population forecasts for the Borough do not give significantly different average annual percentage growth rates, so there has been no need to adjust the weekend growth rates for the revised projections.

- The projections have been run through until 2035 to coincide with the Local Plan period.

The projections are presented for the period 2015-2035. They thus include the Pilgrims Progress budget hotel (31 bedrooms) that opened in the town in April 2016 and the new Premier Inn budget hotel (100 bedrooms) that will open in the first quarter of 2017 as part of the Riverside North development.

3. The Results and Implications of the Revised Hotel Demand Projections

The results of the revised hotel demand projections are set out in the table below. The projections show the estimated requirements for new hotel provision for the period 2015-2035, including the Pilgrims Progress hotel and the new Premier Inn at Riverside North. They are presented at five-yearly intervals from 2020 to 2035.

**BEDFORD TOWN
PROJECTED REQUIREMENTS FOR NEW HOTEL DEVELOPMENT – 2015-2035
November 2016 Projections**

STANDARD OF HOTELS/YEAR	PROJECTED NEW ROOMS REQUIRED		
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH
4 Star/Boutique			
2020	46	50	54
2025	52	62	71
2030	63	76	90
2035	71	90	110
Budget/3 Star			
2020	100	113	127
2025	128	157	187
2030	157	204	254
2035	188	254	327
TOTAL NEW HOTEL ROOMS			
2020	146	163	181
2025	180	219	258
2030	220	280	344
2035	259	344	437

For comparison purposes, the results of the 2014 projections are shown below.

**BEDFORD TOWN
 PROJECTED REQUIREMENTS FOR NEW HOTEL DEVELOPMENT – 2015-2032
 2014 Projections**

STANDARD OF HOTELS/YEAR	PROJECTED NEW ROOMS REQUIRED		
	LOW GROWTH	MEDIUM GROWTH	HIGH GROWTH
4 Star/Boutique			
2019	46	52	60
2024	56	69	87
2029	67	87	117
2032	74	99	136
Budget/3 Star			
2019	95	109	133
2024	133	163	215
2029	173	221	309
2032	199	258	372
TOTAL NEW HOTEL ROOMS			
2019	141	161	193
2024	189	232	302
2029	240	308	426
2032	273	357	508

The results of the revised (2016) hotel demand projections show future requirements for slightly fewer new hotel bedrooms than the 2014 projections showed, but not dissimilar opportunities in terms of the number of new hotels that future hotel market growth is likely to support in the town. They show the following potential for additional hotel provision over the Local Plan period:

- Scope for the expansion of existing hotels;
- One, and possibly two new boutique hotels (assuming 30-40 bedrooms per hotel);
- Up to 3 further new budget/ limited service hotels under the High Growth scenarios;
- Possible scope for one or two smaller midmarket hotels;
- A new full service 3 or 4-star hotel potentially by 2035 under the High Growth scenario, depending on whether existing 3/4 star hotels have expanded and new boutique hotels have opened in the town.

The revised projections show that in the short to medium term (through until 2025) the opportunities for hotel development in Bedford are primarily in terms of the expansion of existing hotels, new boutique hotel openings, an additional budget hotel, and possibly a small midmarket hotel. The new Pilgrims Progress hotel and Riverside North Premier Inn should fully meet the short-term need for additional budget and 3 star hotel provision in the town. Another new budget hotel is unlikely to be required much before 2030. The potential for a new full-service 3 or 4-star hotel is likely to be towards the end of the Local Plan period (2030-2035).

Making any sort of market forecasts is an uncertain process: all forecasts are based on judgement and assumptions, and are susceptible to unforeseen changes. The projections we have prepared should thus be taken as indicative only. They have been prepared to provide an illustration of the numbers of new hotel bedrooms that might be needed under different growth scenarios. They are not intended to be accurate projections of how the market will grow. Clearly the further ahead that one looks, the more difficult it is to project growth accurately. Projecting much further ahead than 5 years is very difficult. The projections to 2025, 2030 and 2035 should thus be treated with some caution and should be periodically reviewed.

**BEDFORD TOWN
PROJECTED FUTURE HOTEL DEVELOPMENT REQUIREMENTS – 2015-2035**

Methodology Used for the Projections

In order to provide an indication of the number of new hotel bedrooms that might be needed in Bedford Town through to 2035, Hotel Solutions has prepared projections of possible future growth in hotel demand in the town to 2020, 2025, 2030 and 2035. Projections have been prepared for 4 star/boutique hotels and budget/3 star hotels taking the current supply of hotels of these standards in and around the town as the baselines for the projections. Our 2014 survey of hotel managers showed very little difference in achieved room rate performance between Bedford's budget and 3 star hotels, while 4 star and boutique hotels in the town trade at higher room rates. We have therefore prepared projections for these two categories of hotel. The projections assume that growth will be unconstrained by site availability and planning policy.

In projecting future requirements for hotel accommodation in Bedford we have first calculated an estimate of 2015 baseline midweek and weekend roomnight demand for each standard of hotel, based on the hotel occupancy data that we collected through our survey of hotel managers and their views on the business prospects for their hotels in 2015. To these figures we have added estimates of the roomnights that hotels of each standard were denying in 2015 (based on the information provided to us by hotel managers, adjusted to take account of the anticipated stronger market for hotel accommodation in the town in 2015) to provide an adjusted baseline figure of the true (unconstrained) 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 roomnight demand for each standard of hotel by 2020, 2025, 2030 and 2035.

Using these projections of future hotel demand we have calculated the number of hotel bedrooms of each standard that our roomnight projections would support, assuming an average annual room occupancy of 70% for all hotels (the minimum levels of occupancy that hotel developers and operators usually seek to achieve). Applying these figures to current (2015) 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.

Assumed Growth Rates

a) 4 Star/Boutique Hotels

Midweek Demand

Employment forecasts provide an indicator of local business development and new companies coming into an area. They provide the best indicator of potential growth in midweek corporate demand for hotel accommodation therefore. The Borough Council's latest forecast for employment growth envisages a mid-range estimate of 11,400 jobs to be created by 2035. Compared to a 2015 baseline of 81,600 jobs in the Borough this equates to a 14% increase, equivalent to an average annual growth rate of 0.7%.

The target sectors of high performance technology, advanced manufacturing and engineering, life sciences and biotechnology, low carbon technologies, finance and business services and film, digital, media and design, could all be productive in terms of demand for hotel accommodation, particularly if national and international companies can be attracted to the new business park developments around the town. There could also be some growth in residential conference business as this market recovers, Bedford's economy expands, new companies are attracted to the town, and existing and new hotels target this market more proactively. Growth in midweek demand could thus be higher than the projected growth in employment. The Borough Council has already allocated a range of employment sites and there is currently a significant level of development interest. Depending on the rate of development over the Local Plan period and eventual employment mix of the sites, the jobs figure could potentially be higher. The Council has thus asked us to look at higher jobs growth level of 15,000.

A lower growth scenario also needs to be considered however in case the planned business parks and offices do not develop as envisaged or if they attract occupiers that will have much lower requirements for hotel accommodation e.g. call centres and distribution companies.

Taking account of these factors, we have assumed the following average annual growth rates for midweek demand for 4 star/boutique hotel accommodation in the town:

**4 STAR/BOUTIQUE HOTELS – BEDFORD TOWN
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND**

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2035 %
Low	0.5
Medium	0.75
High	1

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.

Weekend Demand

Our 2014 research showed that demand from people attending weddings and functions was the main source of weekend business for the town's 4 star and boutique hotels. Population growth is thus the best indicator of potential growth in these markets. Population growth figures provided by the Borough Council indicate that the Borough's population could grow from 170,213 in 2015 to 201,473 by 2035. This would equate to an increase of 18.4%, equivalent to an average annual growth rate of 0.92%. There could also be growth in weekend leisure demand related to existing and new events and festivals in the town and surrounding area, as well as scope for growth in weekend break business if hotels develop spas and leisure facilities or if new boutique hotels (which generally have strong appeal for weekend breaks) open.

Taking account of these factors we have assumed the following average annual growth rates for weekend demand for 4 star/boutique hotels through to 2035:

**4 STAR/BOUTIQUE HOTELS – BEDFORD TOWN
ASSUMED GROWTH RATES FOR WEEKEND DEMAND**

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2035 %
Low	1
Medium	1.5
High	2

b) Budget /3 Star Hotels

Midweek Demand

Growth in midweek business and contractor demand for budget/ 3 star hotels is likely to be stronger than growth in midweek demand for 4 star/boutique hotels due to the significant growth anticipated in the contractors market as construction projects are progressed and demand from film production crews. Average annual growth rates for midweek demand for budget/3 star hotels have thus been assumed as follows:

**BUDGET/3 STAR HOTELS – BEDFORD TOWN
ASSUMED GROWTH RATES FOR MIDWEEK DEMAND**

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2035 %
Low	1
Medium	1.5
High	2

Weekend Demand

We see no reason to assume that weekend demand for budget/ 3 star hotels should not grow at the same pace as growth in weekend demand for 4 star/boutique hotel accommodation. Growth in weekend demand should similarly come from an increase in demand related to weddings and functions as the town's population grows, together with some potential growth in weekend demand related to events and festivals in and around the town. We have assumed the following average annual growth rates for weekend demand for budget/3 star hotels through to 2035:

BUDGET/3 STAR HOTELS – BEDFORD TOWN ASSUMED GROWTH RATES FOR WEEKEND DEMAND

GROWTH SCENARIO	AVERAGE ANNUAL GROWTH RATE 2016-2035 %
Low	1
Medium	1.5
High	2