

SOUTHEND-ON-SEA HOTEL INVESTMENT FACT FILE

March 2010

INTRODUCTION

Southend-on-Sea is on the brink of significant employment, population and tourism growth that is set to create new opportunities for hotel development in the town in the next 10-15 years.

Southend-on-Sea is identified in the East of England Plan as a Key Centre of Development and Change with a target to deliver 6,500 new homes and 13,000 new jobs by 2021. Growth could be even stronger if the higher growth scenarios for housing development that are being considered for the period from 2011 to 2031 are adopted.

The strategy for Southend-on-Sea focuses on the regeneration of the town centre and seafront and the expansion of London Southend Airport. The town is also identified as a cultural and intellectual hub and higher education centre of excellence, with plans for the expansion of the University of Essex campus in the town centre and aspirations to be the cultural capital of the East of England.

The planned development of the town will create opportunities for further hotel development over the next 10-15 years as the town's economy and population expand and its cultural and leisure tourism offer develops. The Southend-on-Sea Hotel Investment Fact Sheet has been produced to assist hotel operators, developers and investors in assessing these opportunities. It provides the latest information available on:

- The town's current hotel supply;
- Proposed hotel projects;
- Current hotel performance and markets;
- Prospects for growth in demand for hotel accommodation;
- Hotel development opportunities.

All of the data included in the Fact Sheet is drawn from the Southend-on-Sea Futures Study undertaken by consultants Hotel Solutions in January 2010 and the Essex Hotel Futures Study completed by Hotel Solutions in December 2009.

INTRODUCTION

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SOUTHEND-ON-SEA HOTEL SUPPLY

Current Hotel Supply

- There are currently 9 hotels in Southend-on-Sea with a total of 569 letting bedrooms:

CURRENT HOTEL SUPPLY – SOUTHEND-ON-SEA – MARCH 2010

Standard	Hotels	Rooms	% of Rooms
4 star	-	-	-
3 star	6	390	68.5
2 star	-	-	-
Upper-tier Budget ¹	-	-	-
Budget	3	179	31.5
Total Hotels	9	569	100.0

SOUTHEND-ON-SEA HOTEL SUPPLY

Hotel	Grade	Rooms
Balmoral	3 star	33
Camelia	3 star	34
Essex County	3 star	74
Park Inn Palace	3 star	137
Roslin Beach	3 star	57
Westcliff	3 star	55
Premier Inn Southend-on-Sea (Thorpe Bay)	Budget	43
Premier Inn Southend-on-Sea West	Budget	80
Travelodge Southend-on-Sea	Budget	56

- The 3 star boutique style Maison Renouf at Rochford (21 bedrooms) and Premier Inn Basildon (Rayleigh) at Rayleigh Weir on the A127 (50 bedrooms) are located just outside Southend-on-Sea and trade partly in the Southend-on-Sea hotel market.
- Southend-on-Sea also has 11 guesthouses with a total of 116 letting bedrooms, including two large establishments with 20 and 25 bedrooms. They are a mix of 2, 3 and 4 star graded guest accommodation properties located primarily on the seafront at Thorpe Bay and in Westcliff-on-Sea.

SOUTHEND-ON-SEA HOTEL SUPPLY

- The Borough's hotel supply is a mix of 3 star and branded budget hotels located primarily on the seafront at Thorpe Bay and in Westcliff-on-Sea. The Travelodge Southend-on-Sea is the only hotel in the town centre. Two hotels are located on the outskirts of the Borough – the Premier Inn Southend-on-Sea West on the A127 and the Essex County on Aviation Way backing onto Southend-on-Sea Airport.
- Other than the recently opened Park Inn Palace, Southend-on-Sea's 3 star hotels are all relatively small and independently operated. The Borough's 3 star hotels offer variable standards of accommodation, facilities and service.

Changes in Supply 2005-2010

- The Park Inn Palace opened on 6 March 2010 on Western Esplanade overlooking the Thames and Southend-on-Sea Pier. It has 137 bedrooms, 6 meeting rooms including a large ballroom and a spa and health club.
- The Roslin Beach completed a £6 million refurbishment and development programme in 2009, which included the development of an additional 9 bedrooms. The hotel now offers a high standard of accommodation and facilities and may achieve a 4 star rating when it is next inspected.
- The Westcliff has been partially refurbished as part of a 3-year investment programme.
- The Balmoral has been refurbished over the past 4 years.

¹ Brands such as Express by Holiday Inn, Ramada Encore, Hampton by Hilton

SOUTHEND-ON-SEA HOTEL SUPPLY

Proposed Hotel Development

Proposed Hotels

- There are seven proposals currently for new hotels in and around Southend-on-Sea:

SOUTHEND-ON-SEA – PROPOSED HOTELS (as at January 2010)

Proposed Hotel/Site	Standard	No. Rooms	Details
Ramada London Southend Airport	3 star	130	Plans announced for a Ramada hotel with conference facilities
Ambassador	n/a	126	Cleared site with permission for a 67-bedroom hotel with spa and associated residential development. Subsequent proposal for a 126 -bedroom hotel
Esplanade	n/a	64	Permission granted for a 38 room hotel as part of a mixed-use scheme alongside residential development, student accommodation and retail. Application pending for revised scheme with 216 flats and a 64 room hotel.
Dizzyland, Marine Plaza	n/a	100	Permission for a 100-bedroom hotel, casino, leisure, entertainment facilities and residential.
St Johns Quarter	n/a	n/a	Hotel included as an ancillary use in major mixed-use extension to the town centre.
Garons Park	4 star	n/a	Proposal for a hotel to be developed alongside the new pool and international diving centre.
Fossetts Farm	n/a	114	Proposed football stadium with associated hotel, casino, retail and leisure uses.

SOUTHEND-ON-SEA HOTEL SUPPLY

Planned Development of Existing Hotels

- A number of hotels in the Borough have plans for refurbishment, development and expansion:

SOUTHEND-ON-SEA – PLANNED DEVELOPMENT OF EXISTING HOTELS (as at March 2010)

Hotel	Standard	No. Rooms	Proposed Development
Westcliff	3 star	55	Completion of 3-year refurbishment programme.
Essex County	3 star	74	Some refurbishment planned between January and March 2010.
Balmoral	3 star	33	Planning permission granted in January 2010 for a 10-bedroom extension

CURRENT HOTEL PERFORMANCE & MARKETS

3 Star Hotel Performance

Occupancy and Achieved Room Rates

- Average annual room occupancies and achieved room rates for Southend-on-Sea 3 star hotels are estimated as follows for 2007, 2008 and 2009.

SOUTHEND-ON-SEA 3 STAR HOTELS OCCUPANCIES & ACHIEVED ROOM RATES 2007-2009

Year	Average Annual Room Occupancy %		Average Annual Achieved Room Rate ^a £	
	Southend-on-Sea 3 Star Hotels ^b	Essex 3 Star Hotels ^c	Southend-on-Sea 3 Star Hotels ^b	Essex 3 Star Hotels ^c
2007	64.6	66.7	59.44	61.60
2008	62.2	64.9	58.21	61.14
2009 ^d	66.7	62.0	61.57	59.00

Source: Hotel Solutions

Notes:

- The net amount of rooms revenue that hotels achieve per room sold after deduction of VAT, breakfast and any other meals included in the price, discounts and commission charges.
- Sample: Roslin Beach (Hotel Solutions estimates), Westcliff, Camelia, Balmoral (Hotel Solutions estimates)
- Source: Essex Hotel Futures, Hotel Solutions, December 2009
- Projected year-end figures based on the estimates provided by hotel managers

CURRENT HOTEL PERFORMANCE & MARKETS

- Occupancies and achieved room rates for Southend-on-Sea 3 star hotels were estimated to be slightly below the Essex 3 star average in 2007 and 2008. They increased in 2009 however to above the county average due to the significant improvement in the performance of the Roslin Beach following its refurbishment. The other 3 star hotels in the Borough saw a drop in occupancy and achieved room rate levels in 2009 however as a result of the recession and its impact on corporate demand and for at least one hotel the loss of business to the improved Roslin Beach.

Midweek Demand and Markets

- Midweek occupancies are generally strong (typically 75-90%) for Southend-on-Sea 3 star hotels, with most hotels regularly filling and turning business away on Tuesday and Wednesday nights and two hotels also frequently turning business away on Monday and Thursday nights. Occupancies on these latter nights are low for two hotels however. Midweek denials can be quite high on occasions, particularly in the summer months if the weather is good, when hotels also pick up midweek leisure break business in addition to corporate and contractor demand.
- Midweek occupancies have dropped in 2009 for most of Southend-on-Sea's 3 star hotels as a result of the recession, although increased for one hotel following its refurbishment.
- The main midweek market for Southend-on-Sea 3 star hotels is local corporate demand. Much of this business is government-related. HMRC is a key generator of demand for hotel accommodation in the Borough.
- Hotels also attract some midweek leisure break demand during the summer. One hotel attracts families for weeklong holidays in the summer school holiday period.
- Two hotels take some contractor business during the week.
- One hotel attracts some residential conference business. This is a very minor midweek market for it however. Other 3 star hotels do not currently attract residential conferences.

CURRENT HOTEL PERFORMANCE & MARKETS

- Southend-on-Sea Airport generates some midweek demand for 3 star hotel accommodation from aircrew, engineers working on planes and flying courses.
- Southend-on-Sea hotels do not currently take midweek group tours or coach holidays as they are able to fill with higher paying corporate business.

Weekend Demand and Markets

- Saturday occupancies are generally very high (85-100%) for Southend-on-Sea 3 star hotels. Most hotels are usually full and turn business away on Saturday nights throughout the year. Saturday denials can be very high in the summer months. Friday and Sunday occupancies are generally very low however, typically around 15-30%, although Friday occupancies can be higher in the summer.
- The key weekend markets for Southend-on-Sea 3 star hotels are people attending weddings and family parties and weekend break customers. Weekend break demand for Southend-on-Sea 3 star hotels is strong but primarily only for one-night stays on a Saturday night. Hotels do however attract 2-3 night weekend break stays in the summer months. Demand appears to come primarily from emptynester couples in East and North London, the Home Counties and the Midlands. Families are also attracted for breaks in the summer. The seafront, theatres and casinos appear to be key draws for weekend break stays. One hotel does not currently target the weekend break market due to the strength of its weddings and functions business on Saturday nights. Southend-on-Sea 3 star hotels achieve good weekend rates in the summer. Weekend business is more offer driven in the winter however.
- Southend Air Show generates significant demand for the Borough's 3 star hotels. Other events in Southend-on-Sea also generate some demand for hotel accommodation.

CURRENT HOTEL PERFORMANCE & MARKETS

Budget Hotel Performance

Occupancies

- Average annual room occupancies for Southend-on-Sea budget hotels are estimated as follows for 2007, 2008 and 2009:

SOUTHEND-ON-SEA BUDGET HOTELS – AVERAGE ANNUAL ROOM OCCUPANCY 2007-2009

Year	Average Annual Room Occupancy %	
	Southend-on-Sea Budget Hotels	Essex Budget Hotels ¹
2007	83.7	78.5
2008	83.2	77.0
2009	80.7	70.8

Source: Hotel Solutions

Notes:

1. Source: Essex Hotel Futures, Hotel Solutions, December 2009

- Average annual room occupancy levels have been very high for Southend-on-Sea budget hotels for the last 3 years and well above the county average for budget hotels. Occupancies dropped slightly in 2009 but were still over 80%.

Midweek Demand & Markets

- Southend-on-Sea budget hotels achieve very high midweek occupancies (usually at least 90-95%) throughout the year. They generally fill and turn business away on Tuesday and Wednesday nights, frequently to a significant extent, particularly in the summer months. Monday and Thursday occupancies are a little lower (although still very high) and denials on these nights not as frequent or significant.
- Contractors and business visitors are the key midweek markets for Southend-on-Sea budget hotels. They also attract families during the week in the summer for leisure breaks or to visit friends and relatives. Southend-on-Sea Airport generates some midweek aircrew demand.

CURRENT HOTEL PERFORMANCE & MARKETS

Weekend Demand & Markets

- Saturday occupancies are very high (typically 95-100%) for Southend-on-Sea budget hotels. Friday occupancies are also very high (typically 85-95%) for budget hotels on the seafront and in the town centre. Sunday occupancies are lower, ranging from 40-60%.
- All of the Borough's budget hotels regularly turn business away on Saturday nights throughout the year. Saturday denials are high during the summer. They are slightly lower in the winter. Budget hotels on the seafront and in the town centre also frequently deny business on Friday nights, particularly in the summer.
- Key weekend markets are people attending weddings and other family parties and people visiting friends and relatives. There is also good demand for seafront budget hotel accommodation from families coming to Southend-on-Sea for a weekend break. The key market for budget hotel accommodation in the town centre is clubbers coming for a night out in the town. Southend Air Show generates significant demand for budget hotel accommodation in the Borough. Other events generate some demand for budget hotel accommodation on the seafront.

PROSPECTS FOR GROWTH

Strategic Context

- Southend-on-Sea forms part of the Thames Gateway South Essex Growth Area, a regional and national priority for urban regeneration under the Sustainable Communities Plan. The strategy for this sub-region as set out in the East of England Plan is to achieve transformational development and change. Southend-on-Sea is identified as a Key Centre for Development and Change – one of 21 in the region, 6 of which are in Essex. Priorities to be delivered include an urban renaissance of the town centre, up-grading of public transport access including access to London Southend Airport, and the development of employment uses at the airport. Southend-on-Sea is also identified as a cultural and intellectual hub and higher education centre of excellence, and aspires to become the cultural capital of the East of England.
- Southend-on-Sea is tasked with delivering 13,000 new jobs to 2021, and 6,500 new homes. Much of the focus for this will be in the town centre (6,500 jobs and 2,000 homes), London Southend Airport (4,900 jobs), the seafront (750 jobs and 550 homes), Shoeburyness (1,500 jobs and 1400 homes), and priority urban areas including the main employment sites.
- Beyond 2021 growth is set to continue. Under the various scenarios for growth for the period 2011 to 2031 that are currently out to consultation as part of the East of England Plan Review, Southend-on-Sea Borough looks likely to see additional growth over and above the 2001-2021 targets, with a housing growth target potentially of up to 14,000 new homes.
- Although perhaps best known as a seaside resort attracting more than 6 million visitors a year, Southend-on-Sea is an important regional/sub-regional office, shopping, leisure and cultural centre, with a population of over 160,000. As such it is the biggest town in Essex and the most urbanised Borough in the East of England Region.

PROSPECTS FOR GROWTH

- Some of the key projects to deliver the forecast growth and potentially drive increased hotel demand in the Borough include:
 - Southend-on-Sea Town Centre Regeneration - The town centre and central area is the main focus of regeneration and growth in Southend-on-Sea, led by the development of the University of Essex Campus, with major mixed-use projects proposed on key sites at Victoria Avenue, Warrior Square, St Johns Quarter, London Rd and the seafront.
 - London Southend Airport - A £35 million investment is underway here, as part of a plan to increase passenger numbers to 2 million (as identified in the Government's Aviation White Paper) and deliver 4,900 new jobs. Proposals include associated business park development (1,000 jobs), an extended runway pre-2012 (for which planning permission has now been granted), a new rail station, and an aviation skills training academy.
 - Southend-on-Sea International Pool, Garons Park - Currently under construction, Garons Park will provide an international standard eight-lane competition pool and a diving pool with associated dry land harness and trampoline training facilities. The facility should act as a venue for major swimming and diving competitions that could generate demand for hotel accommodation.
 - Southend Football Stadium and Casino - Proposal to develop a new football stadium at Fossetts Farm to relocate Southend United FC from its more central location. Associated development could include a casino, hotel, retail and other leisure uses. The stadium could be used as a venue for major concerts and events that may generate demand for hotel accommodation.
 - Southend-on-Sea Seafront and Pier Regeneration - Proposals for extensive public realm work and a ground breaking lighting scheme along the seafront, and for redevelopment at the end of the pier to create a flexible cultural space for events and exhibitions.

PROSPECTS FOR GROWTH

- 2012 Mountain Bike Course, Hadleigh Farm - The venue for the Olympic mountain biking event, which may remain as a permanent mountain biking course (still to be decided).

- Major transport and infrastructure schemes including:
 - The development of Southend Central and Victoria Stations as strategic transport interchanges;
 - Junction improvements to the A127 from the Borough boundary to the town centre;
 - The development of a new station at London Southend Airport;
 - Surface access improvements to London Southend Airport (£21.4m).

Future Prospects by Market

- **Corporate demand** for hotel accommodation in Southend-on-Sea should grow as new offices are developed in the town centre, the planned business park at Southend-on-Sea Airport is progressed and the industrial estates along the A127 are improved and further developed. Ambitious targets have been set for employment growth in the Borough, which if achieved would result in a 20% increase in jobs¹ by 2021, equivalent to an average annual growth rate of 1%. The latest regional forecasts² for employment growth currently project the rate of employment growth in the Borough at an average of 0.58% per annum between 2009 and 2031. Employment growth should translate into increased demand for hotel accommodation as existing companies and organisations expand and new companies and organisations are attracted to the Borough.

- The expansion of the **University of Essex** campus in Southend-on-Sea town centre could generate some additional midweek demand for hotel accommodation.

¹ Based on the number of people in employment but excluding those in self employment

² Source: East of England Forecasting Model (EEFM) – Autumn 2009 – Local Authority Forecasts

PROSPECTS FOR GROWTH

- The new Park Inn Palace may be able to attract **association conferences** given its large ballroom and other conference facilities. Associations often choose seaside resorts for their annual conferences. Such conferences could be fairly large (200-300 delegates) and could thus also generate demand for other hotels and guesthouses in the vicinity of the Park Inn Palace. Other new full-service 3 or 4 star hotels (if developed) may also be able to attract this market.
- There could be scope for some growth in demand for **residential conferences** in Southend-on-Sea as the town's economy develops and new companies and organisations are attracted. The Park Inn Palace may also be able to attract residential conferences given its meeting and leisure facilities and effective targeting of this market.
- **Contractor demand** for budget hotel accommodation is likely to grow strongly in the Southend-on-Sea given the number of major construction projects that are planned in the Borough including the regeneration of the town centre and seafront and the expansion and development of Southend Airport.
- The expansion of Southend Airport should generate increased **airport-related demand** for hotel accommodation from aircrew, companies involved in aviation maintenance, repair and overhaul, flying schools and the proposed aviation training academy. The expansion of the airport is unlikely to generate much demand from air passengers departing on holiday flights e.g. for Park & Fly packages, as such passengers are expected to come from a predominantly local catchment area.
- There would appear to be good prospects for growth in midweek and weekend **leisure break demand** for Southend-on-Sea hotels given the planned public realm improvements on the seafront and in the town centre; the planned development of the town's retail, cultural, entertainment, attractions and events offer; and proactive targeting of leisure break business by the town's hotels and the Borough Council. The Park Inn Palace should be able to build strong leisure break business given its location, product and likely marketing strategy.

PROSPECTS FOR GROWTH

- Demand for hotel accommodation from people attending **weddings, family parties and other functions** and from people **visiting friends and relatives** should increase as the Borough 's population expands. Regional forecasts³ currently show an 10.9% increase in the Borough's population between 2009 and 2031, equivalent to an average annual growth rate of 0.5%. Rates of population growth could be even higher if more ambitious targets for housing development in the Borough are set.
- The further development of Southend-on-Sea town centre's evening economy in terms of bars and nightclubs could generate increased demand for budget hotel accommodation in the town centre from **clubbers** staying overnight after a night out in the town.
- There may be scope for the Park Inn Palace and other new 3 or 4 star hotels (if developed) to attract business from **Masonic lodge or Rotary club weekends**. Seaside resorts are often chosen as locations for such weekends.
- There should be scope for hotels in Southend-on-Sea to attract **coach holidays and breaks** if they wish to. While such demand is low-rated, hotels may be able to use it to boost off peak periods.
- Southend-on-Sea hotels are likely to attract demand related to the **London 2012 Olympic and Paralympic Games** in the next two and half years. Teams coming to train at the Southend-on-Sea Leisure & Tennis Centre (which has been designated as a London 2012 training camp) and the new swimming and diving pool at Garons Park may require hotel accommodation. Southend-on-Sea hotels are likely to attract significant demand from spectators during the summer of 2012 coming to see the mountain biking event at Hadleigh Farm and commuting into the Olympic Park from Southend-on-Sea.

³ Source: East of England Forecasting Model (EEFM) – Autumn 2009 – Local Authority Forecasts

FUTURE HOTEL DEVELOPMENT OPPORTUNITIES

The Southend-on-Sea Hotel Futures Study identifies potential for the following hotel development in Southend-on-Sea over the next 10-20 years as the town's economy and leisure tourism offer develop:

- Scope for existing 3 star hotels to up-grade and possibly expand, dependent upon the impact of the Park Inn Palace;
- Longer-term potential for an additional 3 star hotel, depending on how strongly the market develops;
- Possible scope for small (20-30 bedroom) independent boutique hotels, depending on the development of the cultural offer and high-rated corporate business. This could be through re-positioning existing hotels or conversion of suitable properties;
- Immediate market potential for a further budget or upper tier budget hotel and longer term potential for further budget or upper tier budget hotels, depending on how strongly the market grows;
- Possible scope for residential apartments to be let as serviced apartments for long stay corporate customers.

SOURCES OF FURTHER INFORMATION

For further information and contacts, or to discuss your requirements contact:

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The following websites also provide further information on the plans and strategies for Southend-on-Sea:

Invest in Southend
www.investinsouthend.co.uk

Renaissance Southend
www.renaissancesouthend.co.uk