

SURREY HOTEL FUTURES

PLANNING POLICY IMPLICATIONS

Prepared for:
Surrey County Council

June 2015



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INTRODUCTION

Study Purpose and Content

The Surrey Hotel Futures Study was undertaken by Hotel Solutions between October 2014 and June 2015 for Surrey County Council.

The County Council commissioned the study to provide an in depth analysis of future opportunities and requirements for hotel development across Surrey to inform its future plans and those of its District and Borough Council partners and the two LEPs in terms of:

- Developing and delivering a Tourism Strategy for Surrey;
- Informing hotel planning policies as part of the future review and updating of Local Plans;
- Informing Local Growth Fund investment by the LEPs;
- Supporting Enterprise M3's work to investigate demand for a large conference, exhibition and events space in their area;
- Attracting hotel investors and accelerating the next wave of hotel development in the county

The full study report includes the following:

- An audit of current hotel supply across the county;
- A review of hotel proposals and planning applications;
- An analysis of national hotel development trends;
- Detailed insight into hotel performance and markets across the county;
- A review of the strategic context and drivers to hotel demand growth across the county;
- An assessment of hotel company interest in developing new hotels in each part of Surrey and the barriers that they are encountering in progressing hotel schemes in the county;
- Conclusions regarding the market potential for hotel development in Surrey;
- Conclusions and suggestions regarding the planning policy implications of the research findings;
- Recommendations for proactive public sector/ local authority intervention to accelerate hotel development in the county and develop the hotel market to support existing and new hotels.

The Purpose of This Document

This document is aimed at the planning policy and development management teams of Surrey's District and Borough Councils. It provides a concise summary of the identified opportunities and needs for new hotel provision across Surrey and sets out the consultants' conclusions and suggestions regarding the planning policy implications of the research findings in terms of general principles that will support hotel development to meet the identified needs and overcome the barriers reported by hotel companies.

The full Surrey Hotel Futures Study report is available from Nikki Nicholson at the County Council - Email: nikki.nicholson@surreycc.gov.uk

HOTEL DEVELOPMENT OPPORTUNITIES AND NEEDS

Hotel Solutions' analysis of current hotel performance and markets, the future prospects for growth in hotel demand, and hotel company interest in the county, shows the following opportunities and requirements for hotel development in Surrey:

- **Investment in Existing Hotels**

There is clear potential, and in many cases a need, for investment in the upgrading, expansion and development of existing hotels in terms of:

- The redevelopment, repositioning and possible expansion of some country house and golf hotels to a 5 star level or boutique style of hotel.
- The upgrading of 3 star hotels that have seen little recent investment, including repositioning to more contemporary 3 star, 4 star or boutique hotels.
- The potential repositioning, redevelopment and expansion of any of the country house conference hotels that Starwood Capital dispose of in the county, including as luxury or boutique country house hotels, spa hotels or luxury family hotels.
- The expansion of existing hotels in terms of adding bedrooms to satisfy demand that is currently being turned away.
- The development of additional facilities to enable hotels to develop new markets and income streams and improve their viability, including:
 - Leisure facilities and spas - to develop weekend leisure business;
 - Function rooms - to develop weddings and function trade at weekends;
 - Conference facilities - to compete more effectively in the conference market.
- The granting of C1 use permissions for country house conference hotels to enable them to trade fully in the weddings, functions and restaurant markets to allow them to attract new trade to ensure their long-term viability and allow reinvestment to improve their offer.

- **5 Star Country House Hotels**

The current performance of 5 star country house hotels in Surrey, Berkshire and Hampshire, particularly in terms of achieved room rates, suggests potential for the development of further such hotels in Surrey, give suitable properties for conversion and sites for development. There are already two such proposals in the county in terms of the conversion of Cherkley Court and the proposed hotel at Hurtwood Park Polo Club. Such hotels should be able to attract strong demand for residential conferences, leisure breaks and weddings, particularly from companies and individuals coming out of London.

- **4 & 5 Star Golf Hotels**

There is scope for the development of further 4 star, and possibly 5 star hotels on golf courses in Surrey, particularly in the M25 Corridor. There are already three such proposals in the county. Golf hotels can cater for local corporate demand and residential conferences in the week and weddings and golf, leisure and spa breaks at weekends.

- **International 4 Star Hotels**

Additional international 4 star hotels are needed in the following locations to satisfy the current and future hotel requirements of existing and new companies:

- Guildford
- Woking
- Weybridge
- Sunbury

Existing full service hotels in these parts of the county are trading at high levels of occupancy and room rate during the week and consistently turning business away on Tuesday and Wednesday nights and sometimes also on Monday nights. Given the projected future growth in corporate demand in these locations, and the potential for growth in residential conference business, additional 4 star hotels are clearly required and can be supported here. There is strong hotel developer interest in these parts of the county, and already proposals for new 4 star hotels in Guildford and Woking.

Weekend demand could present a challenge in these locations however. New hotels will thus need leisure facilities and spas, banqueting facilities, and the support of the leisure break marketing campaigns and customer loyalty programmes of an international hotel brand to enable them to achieve sufficiently high weekend occupancies and room rates.

The hotel development potential in these locations might also, or alternatively be for 3 star hotels, depending on the requirements of local companies. The hotel developers that are interested in these parts of the county are however more likely to want to place their 4 star brands here, given the room rates that can be achieved. Weekend demand is also likely to be even more of a challenge for 3 star hotels. With much of the corporate demand being from international executives it also seems likely that company demand will be primarily for international 4 star hotels. There may however be merit in some further research to fully understand the hotel requirements of companies in these locations in terms of the need for 3 star hotel provision.

- **The Proposed Training Hotel and Conference Centre at the University of Surrey**

There is good potential and a strong case for the University of Surrey to develop a training hotel and conference centre on its Guildford campus in terms of meeting some of the requirement for additional hotel provision in Guildford, consolidating the University's potential as one of the leading international centres for hospitality management training, and helping the University to develop its academic conference business, particularly during term time. The University of Essex opened a fully commercial training hotel on its Colchester campus in 2012 and there are proposals for training hotels/ hotel schools in Oldham and Bournemouth. There is no reason to think that the University of Surrey could not develop a similar facility, particularly given the strength of demand for hotel accommodation in Guildford. A number of UK universities, including Nottingham, Leicester, Loughborough, Stirling and Lancaster, have successfully developed on-site residential conference centres and hotels, and a number of other universities are looking at similar proposals. Such facilities have enabled these universities to develop a strong residential conference business, at the same time as catering for university-related demand for hotel accommodation, together with the local corporate market and leisure break and group tour business at weekends and during the summer months. Again there is no reason to think that the University of Surrey could not do the same.

- **Boutique Hotels**

There could be potential for new boutique hotels to be developed in the following locations, given suitable properties for conversion or existing hotels that can be repositioned:

- Guildford
- Esher
- Dorking

These are the heritage towns in Surrey that have a strong enough corporate market and suitable leisure offer to support boutique hotel development. A number of hotel companies also expressed interest in placing their boutique brands in some of Surrey's other towns. This was however largely uninformed interest that we doubt would be converted to boutique hotel development projects, other than possibly in terms of the repositioning of existing small 3 star hotels e.g. in Chertsey, Staines, Weybridge and Farnham.

- **Budget Hotels**

The current high budget hotel occupancies and levels of denied business show potential for further budget hotels to be developed in the following locations in Surrey:

- Addlestone
- Cobham
- Esher
- Weybridge
- Epsom
- Guildford
- Redhill/Reigate
- Banstead
- Chertsey
- Staines
- Walton-on-Thames
- Caterham
- Woking
- West Byfleet

Most of these locations may be able to support an upper-tier budget/ limited service 3 star hotel¹ instead of, or possibly in addition to budget hotels.

There is potential for further budget hotel development at Gatwick Airport, which will be even stronger if the second runway gets the go ahead. Budget hotel companies are however only interested in site opportunities on the airport itself: they are not interested in building hotels in Horley, although might be interested in suitable sites in Reigate & Banstead on the perimeter of the airport.

Premier Inn and/or Travelodge have also identified the following locations in Surrey as targets for new hotels:

- Farnham
- Leatherhead
- Dorking
- Shepperton

Budget and 3 star hotel performance is not as strong in these parts of the county, so new budget hotel development is not such a priority here. New budget hotels are likely to challenge existing hotels in these locations.

- **Aparthotels and Serviced Apartment Complexes**

There is potential for the development of aparthotels and serviced apartment complexes in the following locations in Surrey:

- Guildford
- Woking
- Weybridge
- Esher
- Egham
- Chertsey
- Staines
- Walton-on-Thames
- Sunbury
- Redhill/Reigate
- Leatherhead
- Epsom
- Camberley/Frimley

¹ i.e. Holiday Inn Express, Hampton by Hilton, Ramada Encore or Tulip Inn hotels

There is strong long stay corporate demand in these parts of the county from visiting international executives and people working on company projects or relocating to the area. Aparthotels and serviced apartments provide an attractive alternative to hotel stays for these markets. There is also scope for them to attract weekend leisure demand, particularly from the family market that is attracted for theme park breaks, weddings and to visit friends and relatives.

- **Hotels at Racecourses**

There is potential for hotels to be developed at Kempton Park and Sandown Park racecourses to cater for local corporate demand, residential conferences and weddings and leisure breaks at weekends. Lingfield Park and Epsom Downs have already successfully developed hotels and there is no reason to think that these other racecourses could not do the same. Kempton Park already has planning consent for a hotel.

- **Hotels at Attractions**

Merlin Entertainments opened the Thorpe Shark Hotel at Thorpe Park in 2014 and is progressing plans for a 250-bedroom, full service on-site hotel.

Denbies Wine Estate is currently looking at the feasibility of developing a hotel. It already provides farmhouse bed & breakfast accommodation, which trades at extremely high levels of occupancy, and is confident that there is demand for an on-site hotel. There may be scope for the Estate to develop the type of wine hotel that some European and overseas vineyards operate.

The tables overleaf summarise the potential for hotel development in Surrey in terms of the market potential for new hotels, hotel developer interest and consented proposals for hotels.

SURREY HOTEL DEVELOPMENT OPPORTUNITIES BY DISTRICT/BOROUGH

District/Borough	Luxury Country House and/or Golf Hotels			4 Star Hotels			Boutique Hotels			Budget Hotels			Aparthotels/ Serviced Apartments		
	Market Potential	Hotel Company Interest ¹	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal
Elmbridge	√			√	√		√	√		√	√		√	√	
Epsom & Ewell	√									√	√		√		
Guildford	√			√	√	√	√	√		√	√		√	√	
Mole Valley	√		√				√	√		√	√		√	√	
Reigate & Banstead	√							√		√	√	√	√	√	
Runnymede	√							√		√	√	√	√	√	
Spelthorne				√	√			√		√	√		√	√	
Surrey Heath	√				√			√		√	√		√	√	
Tandridge	√	√	√							√	√				
Waverley	√	√	√					√		√	√	√			
Woking				√	√	√		√		√	√	√	√	√	

Note:

1. The research did not fully test country house and golf hotel company interest in Surrey. There are very few country house and golf hotel companies that are actively developing new hotels, although some may respond to specific opportunities that are put to them. Country house and golf hotel projects are most commonly progressed by individual property and golf course owners or developers, who may then seek to work with a suitable hotel management company.

SURREY HOTEL DEVELOPMENT OPPORTUNITIES BY TOWN

Town	4 Star Hotels			Boutique Hotels			Budget Hotels			Aparthotels/ Serviced Apartments		
	Hotel Company Interest ¹	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal	Market Potential	Hotel Company Interest	Live Proposal	Market Potential
Addlestone							√	√	√			
Banstead							√		√			
Caterham							√		√			
Camberley/Frimley	√			√			√			√		√
Chertsey				√			√		√	√		√
Cobham							√		√			
Dorking				√		√	√		√			
Egham												√
Epsom							√		√			√
Esher				√		√	√		√			√
Farnham				√		√	√	√	√			
Godalming							√					
Guildford	√	√	√	√		√	√		√	√		√
Leatherhead							√		√	√		√
Redhill/Reigate				√			√	√	√	√		
Shepperton							√					
Staines				√			√		√	√		√
Sunbury	√		√				√		√	√		√
Walton-on-Thames				√			√		√	√		√
West Byfleet							√	√	√			
Weybridge	√		√	√			√		√	√		√
Woking	√	√	√	√			√		√	√		√

These tables show the following:

- The potential for luxury country house and golf hotels is matched by proposals with hotel companies on board in Waverley and Tandridge and by proposals that are being progressed by individual site owners and development companies in Mole Valley and Waverley. The potential for such hotels in other parts of the county is not yet matched by proposals.
- There are proposals coming forward for 4 star hotels in Guildford and Woking but the market potential and hotel company interest for 4 star hotel development in Elmbridge and Spelthorne is not yet matched with proposals.
- No boutique hotel conversion opportunities have been identified to meet the market potential and hotel company interest for boutique hotel development in Guildford, Esher, Farnham and Dorking. The hotel company interest in boutique hotel development in other parts of Surrey is not matched by clearly identified market potential or proposals. This interest was largely uninformed however, so may not convert to boutique hotel proposals.
- Budget hotel schemes are at various stages in Addlestone, Redhill, West Byfleet and Farnham. There are otherwise no live budget hotel proposals to meet the market potential and hotel company interest for budget hotels in other parts of the county.
- Proposals for aparthotels and serviced apartment complexes do not appear to be being progressed in any of the locations in Surrey where there is market potential and hotel company interest for these types of accommodation.

PLANNING POLICY IMPLICATIONS

Whilst it was not part of the brief for the Hotel Futures Study to review current Local Plan/Core Strategy policies for hotels or the status and progress of the District and Borough planning policy documents, a planning output in terms of the general principles that will support the future development of the county's hotel sector was an objective. The Hotel Futures Study shows significant potential and need for hotel development in all Surrey Districts and Boroughs and clearly demonstrates that further hotel development is vital to support the future growth of the county's economy. Many parts of the county are already short of hotel provision to fully meet midweek demand from local companies. With the projected continuing strong growth in the county's economy these shortages will become even more pronounced if new hotels are not developed. Hotel development is also needed to grow the county's visitor economy. Many hotels are frequently fully booked on Saturday nights, so weekend leisure tourist demand is often constrained. There is potential for growth in leisure break, overseas tourist, weddings, visiting friends and relatives and conference demand, but additional hotel supply is needed to fully capitalise on these opportunities. New high quality destination hotels can do well in Surrey. All of this points to a need for the county's District and Borough Councils to plan effectively for hotel growth. The findings of the Hotel Futures Study point to the following key requirements for doing this:

- Policies that support the development of existing hotels;
- Clear locational priorities for new hotels - and planning policies and tools that will support the delivery of hotels in them;
- Clearly articulated hotel development strategies at a District and Borough level that give direction and certainty to the market and Development Control teams;
- Planning conditions that reflect the commercial realities of hotel development;
- Clearly set our policies for the retention of existing hotels;
- Policies that support the provision of on-site live-in accommodation for hotel workers.

These issues are discussed further in the paragraphs that follow.

Policies that Support the Development of Existing Hotels

The Hotel Futures Study shows clear potential, and in many cases a need, for investment in existing hotels in terms of:

- Upgrading and repositioning - which in some cases may require reconfiguration and extension of existing hotel buildings;
- The addition of new guest bedrooms to satisfy currently denied demand;
- The development of new facilities such as leisure clubs, spas, function rooms and conference space to attract new markets and give additional income streams;
- The granting of C1 use for country house conference hotels to allow them to fully trade in the weddings, functions and restaurant markets.

Policies are needed that will support these types of investment in existing hotels in order to help address hotel capacity issues; develop the county's hotel offer to attract new markets; and improve the viability of established hotels.

Locational Priorities for New Hotels

Surrey is an area of significant planning constraint and high competition for development sites. The Hotel Futures Study identifies four types of location where new hotels can most realistically, productively and acceptably be located in the county:

- **Town centres**
 - where hotels and serviced apartments can contribute to the development of the evening economy; meet the accommodation needs of companies with town centre office bases; provide an upper-floor use within mixed-use regeneration schemes; and perhaps present a new use for a redundant office building. National planning guidance fully supports town centre hotel development. Town centres are also sustainable locations for hotels in terms of providing the opportunity for guests to access them by public transport.
- **Business parks**
 - where hotels can form an important part of the infrastructure that companies require to do business effectively, and where many business visitors prefer to stay.

- **Established leisure sites**, such as golf courses, racecourses and visitor attractions
 - where hotels can attract local corporate demand and residential conferences during the week and which may have established generators of weekend demand in terms of weddings, events and leisure visits.
- **The conversion of country house properties**
 - providing a viable future for what might otherwise be redundant assets.

Given the challenges of securing deliverable hotel sites in Surrey, hotel permissions should not be restricted to these locations, but they seem to be the most appropriate to direct hotel development to. Securing hotels in them may require more proactive planning interventions and/or flexibility:

Town Centre Hotels

As a lower value use hotels will often struggle to secure sites in town centres where there is strong competition from residential, office and other commercial uses, or may get dropped from mixed-use schemes where they have initially been included. This has happened in a number of locations in Surrey such as Guildford. With the upturn in the residential, commercial and office property markets in the county this situation is likely to worsen going forward. It may therefore be necessary to consider measures such as allocating sites for hotels or some form of legal agreement to ensure that the hotel component of mixed-use schemes is delivered.

Where sites are to be allocated for hotel development it will be important to test the market to ensure that the site or building can meet hotel developer and operator requirements and that the location has fit with market potential. Some town centre hotel schemes have been refused or withdrawn in some of Surrey's towns due to concerns about their traffic impact or impact on neighbouring uses because of scale. The importance of pre-application discussions is key here to ensure that appropriate hotel proposals that address these impacts are brought forward. A further consideration is to recognise hotels as a suitable new use for redundant office buildings that may not have a viable future for other employment uses.

Business Park Hotels

For hotel proposals on business parks it would seem appropriate to relax sequential test assessment requirements if business parks are accepted as suitable locations for hotel development in Surrey. There may also be a need to allow flexibility in relation to policies on the allocation and protection of employment sites, recognising hotels as an appropriate supporting and employment generating use in such locations. Hotels are not formally recognised as an employment use in planning terms, yet it is important for planning authorities to appreciate the benefits they can bring in terms of enabling companies to do business effectively, as well as the jobs that they create. Hotels can also provide an after use for office buildings that are no longer fit for purpose. A more flexible approach that recognises the vital role of hotels as part of an area's business infrastructure and the employment and other benefits that they can bring could open up some strong sites for hotel development.

Hotels on Leisure Sites

There may be a need for some flexibility in the consideration of appropriate hotel proposals on leisure sites in Green Belt locations on the grounds that they would not significantly increase the built footprint of such sites or encroach into the undeveloped countryside of the Green Belt; ensure the sustainability of existing leisure businesses; and deliver significant job creation, tourism and economic benefit where they are of a luxury standard with a strong leisure offer. Green Belt policy must however be adhered to: hotel development in the Green Belt can only be allowed under special circumstances.

Country House Hotels

There may be a need for flexibility to allow some new-build extensions, e.g. to provide additional guest bedrooms, leisure facilities, a spa, or conference and function space, to achieve a commercially viable country house hotel conversion proposal.

Judging by the hotel consents that have been granted across the county, most of Surrey's District and Borough Councils appear to be positively disposed to hotel development in these types of location.

Clear Hotel Development Strategies

Local Plans will often only have a very general policy about hotel development, if they include one at all. While this is in line with national planning guidance, there is merit in local authorities thinking through and articulating a hotel development strategy for their District or Borough that sets out the number, scale, type and location of new hotels that are seen as being needed to meet the Council's economic development and tourism growth ambitions. This may require further research to determine the quantum of new hotel provision that will be needed to meet projected market growth at each level in the market, together with work to more fully understand the hotel requirements of local companies and the deliverability of potential hotel sites. The strategy can be reflected in the supporting text to the Local Plan and used to inform other planning policy documents including Area Action Plans, Site Allocations DPDs, and masterplans and development briefs for specific sites. While resourcing the required work may present a challenge, having a clear hotel development strategy in place would be beneficial in terms of giving direction and certainty to the market, supporting Development Control teams in their discussions with hotel applicants at pre-application stage, and optimising hotel development to achieve regeneration, economic development and tourism growth objectives.

Planning Conditions that Reflect Commercial Realities

Hotel developers and operators were keen to foster a greater understanding of the commercial implications of the various requirements and conditions that are often attached to planning approvals for hotel schemes. It is important for local authorities to recognise that the costs of meeting the conditions that they place on hotel consents, e.g. relating to building design, external treatments, environmental standards, parking and travel plans, can potentially tip a hotel scheme beyond the point of viability.

Hotel Retention Policies

Local authorities also need to consider the requirements for hotel retention policies. Such policies are usually needed to ensure that an adequate supply of hotels is retained in locations where there is pressure for alternative uses, most commonly residential, HMOs or care homes. The study has identified some loss of hotels in Surrey. Given the difficulty in securing sites for new hotels, there could be a case for seeking to retain existing hotels through planning policy, particularly where properties are well-located and have the potential for re-development or re-positioning. It is accepted however that some small independent hotels will be impacted by the opening of new budget hotels and may seek to exit the market. Robust retention policies require local authorities to clearly set out the criteria and evidence needed for the assessment of change of use applications for hotels, providing clarity for both applicants and Development Control teams. These should include a minimum period of marketing for sale at a realistic price and through a reputable specialist hotel property agent, alongside evidence that the continued operation of the hotel and investment in it would not be financially viable.

Staff Accommodation for Hotel Workers

Securing and retaining staff for hotels is a major challenge in Surrey, where high levels of employment and housing costs compound the problem. Many hotels rely on immigrant workers that require live-in accommodation, or need to be able to offer staff accommodation to attract workers from other parts of the UK. Planning policies thus need to recognise this need and allow hotels to provide the on-site staff accommodation that they require to operate effectively.