

TEES VALLEY HOTEL FUTURES

Summary Report

Prepared for:

Visit Tees Valley, Tees Valley Joint Strategy Unit,
Darlington Borough Council, Stockton Borough Council
Middlesbrough Council, Hartlepool Borough Council
Redcar & Cleveland Borough Council

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THE PURPOSE OF THE STUDY

The Tees Valley Hotel Futures Study was commissioned in June 2008 by the Tees Valley Joint Strategy Unit on behalf of Visit Tees Valley and the Tees Valley local authorities to assess the future potential for hotel development across the City Region. The purpose of the study is to help inform planning policy formulation for hotel development through the Local Development Framework process; contribute to providing market evidence to guide the strategies for hotel development as part of the key regeneration schemes in the Tees Valley; and aid the identification of other requirements for public sector intervention to support the development of the hotel sector in the City Region.

The study has considered the potential for new hotel development (in terms of market potential, site availability and hotel developer interest) and the potential for the expansion, development, upgrading and retention of existing hotels.

HOTEL DEVELOPMENT POTENTIAL - KEY FINDINGS BY AREA

The key findings of the study in terms of current hotel supply and demand, prospects for market growth, market potential for hotel development, hotel developer interest, locational priorities and the implications and actions required for each part of the Tees Valley are summarised in the following pages.

a) Stockton/Middlesbrough Area ¹

Current Hotel Supply and Demand

- Hotels in Stockton, Middlesbrough, Yarm and Guisborough trade largely in the same corporate market and have therefore been considered as part of the same market area. The country house hotels in the Yarm and Guisborough areas have stronger appeal for weekend leisure break and weddings business however.
- The Stockton/Middlesbrough market area has a good supply of hotel accommodation although few branded hotels. The area has the City Region's only branded 4 star hotel in the Middlesbrough Thistle. 3 star hotels are primarily independently operated and of variable quality. The area has a number of sizeable hotels in need of investment (Swallow Stockton, Sporting Lodge Inn, Blue Bell Lodge, Marton Hotel & Country Club). There are 5 budget hotels in the area, now all Premier Inns following this company's recent acquisition of the Stockton and Middlesbrough Express by Holiday Inns. A Travelodge opened in Middlesbrough in November 2008. Three upmarket country house hotels at Yarm (Crathorne Hall and Judges) and Guisborough (Gisborough Hall) serve the area.
- Midweek demand is strong from the corporate and contractor markets and set to grow as the area's economy develops. Midweek occupancies are high and there is evidence of increasing levels of denied business² during the week.
- Weekend demand is relatively weak currently. Middlesbrough could however start to develop as a stronger weekend leisure destination given the development of Middlehaven as a new waterside destination and the Temenos public artwork here; the expansion of the town's cultural offer lead by mima; and the possible development of a large casino, an arena/concert venue, major sports venues and major new events. The further development of the Tees Barrage may also generate new weekend leisure demand in Stockton-on-Tees.
- 3/4 star hotel performance in Stockton-Middlesbrough is the strongest in the Tees Valley, with occupancies above the national average and the average annual achieved room rate for the area's 3/4 star hotels estimated at around £69 in 2008. Achieved room rate performance varies significantly between hotels however.
- The country house hotels in the Yarm area and Guisborough take much of the top end of the corporate market in the Stockton/Middlesbrough area, particularly business visitors that may be staying for a few days. They also do well at weekends in terms of weddings and leisure break business.

¹ Including Yarm and Guisborough but excluding Wynyard

² Business that hotels turn away because they are fully booked.

- o The poorer quality 3 star hotels and larger lower grade hotels cater primarily for contractors and group tours and achieve room rates below the level achieved by budget hotels.
- o Budget hotels in the Stockton-Middlesbrough market area are achieving high occupancies both mid-week and at weekends and are denying significant levels of business midweek.

Growth Prospects and Market Potential for Hotel Development

- o While the expansion of the Stockton-Middlesbrough economy has slowed in the current economic climate, there are a number of positive factors that are likely to deliver growth in the Stockton-Middlesbrough hotel market in the longer term once the economy recovers:
 - The planned development of Middlehaven in Middlesbrough and North Shore in Stockton will deliver transformational change in the urban core and over 5,000 new jobs;
 - The local corporate market is likely to grow given the forecast long term growth in employment and the expansion of key growth sectors represented here and in the wider Tees Valley area;
 - The significant office development proposed in Stockton-Middlesbrough, which is likely to be a key driver of hotel demand;
 - The expansion of the universities and colleges could generate increased demand for hotel accommodation from visiting academics, parents, and university conferences;
 - The development of a 'designer quarter' in Middlesbrough and the growth of the digital media industry in the area have the potential to promote and support diversity in the hotel offer e.g. boutique hotels;
 - The potential development of a conference centre, arena and large casino could generate additional weekday and weekend demand and the critical mass required to stimulate additional hotel development, possibly at the 4 star level;
 - Demand from contractors is likely to grow given the scale of development proposed in the Stockton-Middlesbrough market area;
 - It may be possible to attract an element of the expanding weddings market to the urban area should facilities such as mima become licensed for weddings.

- Our research suggests market potential for the following hotel development projects in Stockton/Middlesbrough through to 2026:
 - New 3/4 star hotels in the urban core of Stockton-Middlesbrough.
 - Further budget/upper-tier budget hotel development in the urban core.
 - Boutique hotels in Middlesbrough, Yarm and Guisborough.
 - Serviced/self-catering apartments (residential apartments being let to corporate, contractor and leisure markets).
 - The expansion of existing country house hotels.
 - The up-grading and re-positioning of some of the poorer quality existing hotels to match the expectations of the modern hotel market.
- The development of a cluster of hotels within walking distance of hotels and venues with large capacity conference facilities e.g. the Thistle Hotel could enable Middlesbrough to begin to attract large association and corporate conferences.
- The development of a conference centre and large casino in Middlesbrough may be able to support the development of an associated 4 star hotel, depending on the deal that can be offered for such a hotel. Such a facility would also need to be supported by a choice of hotels of other standards within walking distance.

Hotel Developer Interest

- The Stockton-Middlesbrough market area attracted the strongest levels of interest from hotel developers in the Tees Valley.
- There was interest in developing hotels in Middlesbrough from 10 national hotel brands¹. In addition, one local entrepreneur is proposing a boutique hotel in the town centre. Interest from national hotel brands was primarily from budget and mid-range (upper tier budget and 3 star) operators.
- Interest in Stockton was similar, with 11 national brands interested in the town¹, again mostly budget and mid-range operators.
- The owners of the Tall Trees Hotel at Yarm also have plans for a major redevelopment, expansion and upgrading of this hotel.

¹ Some of the interest from hotel developers was not fully informed by an in depth knowledge of the hotel market in Middlesbrough and Stockton

Locational Priorities for Hotel Development

- The strongest locations for new hotels in Stockton and Middlesbrough from the perspective of the market and hotel developer requirements are:
 - Middlehaven, the town centre and A66 corridor in Middlesbrough;
 - The riverside area of the town centre, North Shore and visible sites along the A66 and A19 in Stockton.
- The local authorities' priority locations for new hotel development are Middlehaven and Middlesbrough town centre, and North Shore and the town centre in Stockton-on-Tees.

The Potential Supply Pipeline

- Assuming that the economic climate improves, it looks likely that the following new hotel projects could potentially be delivered or on-site in the Stockton/Middlesbrough area in the next 2-5 years, in addition to the Travelodge that opened in Middlesbrough in November 2008:
 - The redevelopment and expansion of the Tall Trees Hotel at Yarm (+70 rooms)¹;
 - A 3 star hotel (160 rooms) at Middlehaven;
 - A 3/4 star hotel (100-120 rooms) at Centre Square East in Middlesbrough town centre;
 - A 3 star or upper-tier budget hotel (150 rooms) at North Shore;
 - The Psyche boutique hotel in Middlesbrough (42 rooms);
 - A budget hotel at Gateway Middlehaven (60 rooms);
 - A budget hotel in Middlesbrough town centre (120 rooms).
- If they all proceed, these hotels, with a total of up to 722 rooms, would deliver a 42% increase in the Stockton-Middlesbrough hotel supply in addition to the Travelodge at Middlesbrough (55 rooms) and the extension to the Premier Inn Stockton-on-Tees/ Middlesbrough (28 rooms) that opened in November and October 2008. There are other hotel proposals that have the potential to come forward in both Middlesbrough and Stockton. However, some of these proposals are not in the priority locations identified by the Councils. There is a danger that such hotels could undermine the potential to secure hotel projects in the priority locations if they were to proceed. There is a need therefore to bring the hotel

¹ We were unable to speak to the owners of this hotel to confirm whether the development of the hotel will go ahead as planned.

schemes at Middlehaven, Middlesbrough town centre and North Shore forward as quickly as possible and to seek to use the planning system to resist hotel proposals in non-priority locations.

Planning Policy/ LDF Implications

Middlesbrough

- The Borough Council's priority locations for hotel development in Middlesbrough are Middlehaven and the town centre, especially the Cultural Quarter. There is a good fit therefore with hotel developer preferences for these locations. Plans for a hotel as part of Middlehaven Phase 1 are at an advanced stage. Another site at Middlehaven and a number of sites in the town centre also have planning permission and are attracting hotel developer interest. It looks likely therefore that the market will deliver new hotels in Middlesbrough in the priority locations. Interest in other sites is likely to wane as hotels are developed in these locations. PPS6 can however be used to resist hotel development proposals in other parts of the Borough if need be.
- Going forward Middlesbrough Borough Council may wish to re-affirm Middlehaven and other key sites in the town centre e.g. Central Square as the priority hotel locations in the town in LDF documents in order to resist hotel development elsewhere in the future.
- Should a large casino/conference centre or large casino/conference hotel be progressed in Middlesbrough it would need to be supported by a cluster of other hotels within walking distance in order for it to compete effectively for large association and corporate conferences and exhibitions. Depending on where such a project might be located, there may be a need to establish a hotel development zone around it as a priority location for further hotel development in the town, in order to ensure that the required mix of hotels are developed to fully support such a project and maximise the contribution that it can make to the development of business tourism in the City Region.

Stockton

- Plans for a hotel at North Shore are at an advanced stage. As this is the priority location for a hotel in Stockton-on-Tees, proposals for hotels on other sites will need to be resisted, certainly for larger 3/4 star and upper-tier budget hotels, until a

hotel is secured here. Proposals on out-of-town sites can be resisted under current Local Plan policies and PPS6. It would however be difficult for the Council to resist a hotel proposal on another town centre site should such a proposal come forward.

- o In moving forward with its LDF Stockton Borough Council may wish to re-affirm North Shore and the town centre/ edge of town centre as its priority locations for new hotel development, certainly if hotels have not been secured here in the next few years. Once a hotel has been secured at North Shore or in the town centre, new hotel development could be considered where associated with expanding business activity e.g. Preston Farm Industrial Estate and/or on sites that have good access to the A66 and A19. The Council may however wish to promote the town centre/ edge of town centre as the priority location for hotel development above such out-of-town locations in order to maximise the contribution that new hotels can make to improving the vitality and viability of Stockton-on-Tees town centre. This could include policies to resist out-of-town hotel development if the Council deems them to be necessary.

Hotel Retention Policies¹

- o Our research shows no need for hotel retention policies in Stockton or Middlesbrough: we found no evidence of pressure for conversion of hotels to alternative uses and good prospects of new hotels being developed. Indeed it may be necessary to allow some of the poorer quality and less well located hotels to exit the market, particularly as new budget hotel supply comes on stream.

¹ Hotel retention policies are typically used by local authorities to resist change of use applications for hotels where there is pressure for the conversion of hotels to alternative uses (most commonly residential) and little prospect of new hotels being developed to replace lost hotels. They are most commonly used in seaside resorts where local authorities wish to retain a good stock of hotels.

b) Wynyard

Growth Prospects and Market Potential for Hotel Development

- The Hotel Futures Study has identified potential for the following hotel developments at Wynyard:
 - Good potential for Wynyard Hall to develop further as a luxury country house hotel;
 - Strong potential for the proposed golf hotel/resort at Wynyard Golf Club;
 - Potential for hotel development at Wynyard Park, most probably at 3 star, upper tier budget or budget level.
- The level of hotel provision required at Wynyard Park will be linked to the scale and nature of future development on the site. Key drivers of hotel demand will be:
 - The development of the business park and the corporate users it attracts;
 - The development of conference business at the Wynyard Rooms;
 - The development of the hospital, potentially generating demand for hotel accommodation from visiting consultants and hospital visitors.
- The business park is likely to generate additional demand for hotel accommodation depending on the corporate users that locate here: corporate customers generally prefer to use hotels as close as possible to their company base or the companies they are visiting. Hotels in this location would help to support the development of the business park and add value to it. A level of hotel provision to meet the needs of business park users would therefore seem to be appropriate at Wynyard Park.

Planning Policy/ LDF Implications

- The development of Wynyard Hall as a luxury country house and the proposed hotel development at Wynyard Golf Club will be unique destination offers that have the ability to draw visitors in their own right. The quality and prestige of these hotels will clearly be an asset to the City Region. These types of hotel could not be developed in Middlesbrough, Stockton-on-Tees or Hartlepool town centres. They should thus be supported by the planning system in this location.

- o From a planning perspective, there should be flexibility to permit a justifiable amount of hotel development at Wynyard Park to serve the companies based at the business park and assist the Wynyard Rooms in developing new conference business. As the RSS, following the Examination in Public, now seeks to restructure the nature of the consents at Wynyard to limit large scale B1 development, it will be important to monitor the situation here and for a case to be made to support hotel development based on demonstrable need from business park occupiers.

c) Darlington

Current Hotel Supply and Demand

- Darlington has a significant hotel supply for a town of its size.
- Midweek occupancies are generally strong. C corporate demand is insufficient however to fill all of the town's hotels midweek. This results in a very competitive corporate market with hotels unable to achieve high corporate rates and a number of hotels taking low-rated group tour and leisure break business to boost midweek occupancies.
- Weekend demand is not as strong; most of the larger hotels fill with group tours at weekends. Other weekend markets are weddings and functions. 3 star achieved room rates are low in Darlington and are more typical of budget hotel rates than 3 star rates.
- Budget hotel performance is strong (although the town only has one budget hotel) and there is evidence of significant denied budget hotel demand.

Growth Prospects and Market Potential for Hotel Development

- There are good prospects for growth in demand from the corporate market given the planned office and business park development in and around the town. Demand from the contractor market should also increase given the number of major construction projects planned in the area. The further development of Central Park, the expansion of Durham Tees Valley Airport, the development of Amazon Park and the Excel Conference Centre at Aycliffe Industrial estate and new business generated by Rockcliffe Hall in terms of weddings, are all positive indicators for future growth in the hotel market.
- Our research suggests market potential for the following hotel development projects in Darlington through to 2026, depending on how strongly the market grows:
 - The extension of the Premier Inn;
 - New budget or upper-tier budget hotels;
 - A small boutique hotel possibly in the town centre;
 - The upgrading and possible expansion of existing 3 star hotels e.g. the Hall Garth, which has planning permission for a bedroom extension.
 - The Rockcliffe Hall Hotel (opening in 2009), which will trade at the top end of the Darlington and Tees Valley corporate and weddings markets and should also be able to attract residential conferences and golf and leisure break

business. It will compete strongly with Redworth Hall and the other Tees Valley country house hotels.

- Serviced/self-catering apartments (residential apartments being let to corporate, contractor and leisure markets).
- ° A favourable deal would be required to secure developer interest in a new 3 or 4 star hotel.

Hotel Developer Interest

- o There was interest in developing hotels in Darlington from 8 national hotel brands¹ primarily from budget and mid-range (upper tier budget and 3 star) operators.
- o Rockcliffe Hall will also see the development of a luxury hotel outside the town by an independent operator.

Locational Priorities for Hotel Development

- o The strongest locations for new hotels in Darlington from the perspective of the market and hotel developer requirements are:
 - The town centre fringe – along the inner ring road;
 - Central Park in the medium term, as the major regeneration project in the town and a key site for future office development;
 - The A66 intersections with arterial routes into and through the town;
 - Sites on/close to the business parks to the east of the town, especially Morton Park and Morton Palms.
- o The Borough Council's priority location for hotel development in Darlington is Central Park as the key regeneration site in the town.

¹ Not all of the hotel developer interest in Darlington, particularly from 3/4 star operators, was fully informed by an in depth understanding of the hotel market in Darlington and may not necessarily convert to hotel development projects following further investigation

The Potential Supply Pipeline

- In the next 2/3 years it looks likely that the following new hotel projects will be delivered in the Darlington area:
 - An extension to the Premier Inn (25 rooms);
 - Rockcliffe Hall (61 rooms);
 - An upper-tier budget hotel at Durham Tees Valley Airport (100 rooms) – this hotel will compete in the Darlington market we feel;
 - A budget or upper-tier budget hotel in Darlington town centre or along the A66 (75 rooms).
 - A training hotel at Darlington College (35 rooms).
- These hotels would deliver a total of 296 rooms in the short term.

A number of other potential hotel projects on the outskirts of the town and at the airport have planning permission or may come forward for planning approval. Hotel projects could also come forward on other sites in/on the edge of the town centre e.g. Feethams and the Ford garage. None of these proposals would deliver a hotel at Central Park and may well happen ahead of this site becoming available

Planning Policy/ LDF Implications

- The delivery of a 4 star hotel with conference facilities at Central Park is a key priority for the Borough Council. The site for the hotel component of the scheme is likely to be medium-term (5-8 years). There is a danger that other hotel proposals coming forward will be delivered in advance of the site becoming available here and that they may fully meet the market need for new hotels in the town. Rate is also clearly an issue for securing a 4 star hotel development in Darlington. The hotel component of the Central Park scheme may therefore need some review, depending on how the market develops, the office users that are attracted to Central Park, the other hotel projects that proceed in and around the town and at the airport, and the deal that can be offered for a 4 star hotel development here.
- If a hotel is still seen as critical to the delivery of the Central Park scheme, our research suggests that the Borough Council will need to resist pressure for hotel development elsewhere until the hotel is achieved here. It should be able to refuse further permissions for hotels on the outskirts of the town under the current Local Plan policies and PPS6. However, it will be difficult for the Council to refuse permission for hotel projects that might come forward elsewhere in the town centre/ edge of town centre locations.

- o In terms of the LDF, as the Central Park hotel development opportunity is likely to be 5-8 years down the line, the Borough Council may wish to prioritise Central Park as its preferred location for hotel development in the LDF and to consider how far it should then go in terms of policies that resist hotel development elsewhere until the hotel has been achieved here. The Council is likely to have difficulty in prioritising this site over other town centre and edge of town centre sites that might come forward however. The alternative is to leave future hotel development entirely to market forces. Much will depend upon the strategic importance of delivering a hotel within the Central Park scheme.
- o Our research shows no need for hotel retention policies in Darlington¹: we found no evidence of pressure for conversion of hotels to alternative uses and good prospects of new hotels being developed. Indeed it may be necessary to allow some of the poorer quality and less well located hotels to exit the market, particularly as new budget hotel supply comes on stream.

¹ Hotel retention policies are typically used by local authorities to resist change of use applications for hotels where there is pressure for the conversion of hotels to alternative uses (most commonly residential) and little prospect of new hotels being developed to replace lost hotels. They are most commonly used in seaside resorts where local authorities wish to retain a good stock of hotels.

d) Durham Tees Valley Airport

Current Hotel Supply and Demand

- The airport has a very limited supply of hotel accommodation currently, of variable quality.
- Hotels at the airport are achieving high occupancies but low room rates.
- The airport itself generates some demand for hotel accommodation from:
 - Aircrews;
 - Flying school, air ambulance and fire safety training courses;
 - Business travellers using the airport.
- Pre-flight hotel accommodation for holidaymakers departing on holiday flights appears to be only a small market as the airport draws from a relatively local catchment.
- The airport hotels also attract corporate and contractor business from across the Tees Valley and cater for group tours and weddings at weekends.

Growth Prospects and Market Potential for Hotel Development

- In terms of future growth, the airport is set to see significant expansion in passenger numbers and freight traffic. This should generate increased demand for hotel accommodation from aircrews. Growth in demand from holidaymakers departing from the airport will depend on the extent to which the airport starts to draw holiday passengers from further afield.
- The planned Skylink Business Park should generate increased demand for hotel accommodation at the airport, depending on the type of companies and business operations that it attracts.
- Our research suggests there is market potential for a new hotel to be developed at the airport, either at budget or upper-tier budget level.

Hotel Developer Interest

- The strongest interest in developing hotels at Durham Tees Valley Airport was from upper tier budget operators. Some hotel operators felt that the development of the business park at the airport would be critical to supporting a hotel of any scale (100+ rooms).

The Potential Supply Pipeline

- There are proposals currently for four hotels at the airport. The Spa Hotel also has permission for a further 36 bedrooms. All of the schemes are in good locations close to the airport/approaches. It seems likely that once one new hotel is secured here, interest in the other schemes will wane for the foreseeable future.

Planning Policy/ LDF Implications

- We think it unlikely that all of these hotel schemes will be progressed. It can be left to the market to sort itself out here we feel. There is no clear need or case for the local authorities to intervene in the market in planning terms.

e) Hartlepool¹

Current Hotel Supply and Demand

- Hartlepool has a limited supply of hotel accommodation. It has 4 small 3 star hotels of variable quality, and a number of lower grade non-inspected hotels/ large guesthouses, split between Hartlepool town centre and Seaton Carew. There is also one budget hotel at the marina.
- Midweek demand for hotel accommodation is strong. The key market is local corporate demand, particularly from British Energy and the petrochemicals companies at Seal Sands. Contractor demand is an important source of business mid-week, and also for some hotels over the weekend.
- Other sources of weekend demand include weddings, group tours, events and leisure breaks, though this varies between establishments.
- Achieved room rates are low for 3 star hotels.
- There is strong demand for budget hotel accommodation in the town and evidence of significant levels of denied budget hotel demand both during the week and at weekends.

Growth Prospects and Market Potential for Hotel Development

- The hotel market in Hartlepool looks likely to grow particularly as a result of the planned development of the petrochemicals industry at Seal Sands, the level of major construction projects planned in the town and the possible development of a new nuclear power plant. An expanding events programme – including the Tall Ships Race in 2010 – and the development of Victoria Harbour and the H2O water leisure centre could also generate some increase in leisure demand.
- Our research suggests market potential for the following hotel development projects in Hartlepool through to 2026:
 - An extension to the Premier Inn Hartlepool Marina – possibly 50 rooms;
 - Further budget hotel development;
 - Serviced/self-catering apartments (residential apartments being let to corporate, contractor and leisure markets);
 - Upgrading, expansion and redevelopment of existing 3 star hotels e.g. the Staincliffe.

¹ Excluding Wynyard

- Our research suggests that there would need to be significant growth in higher rated corporate business or a particularly favourable deal to secure an upper-tier budget or 3/4 star hotel project in Hartlepool given the requirements sought at these levels in the market.

Hotel Developer Interest

- There was interest in developing hotels in Hartlepool from 7 national brands at budget and mid-range (upper tier budget and 3 star) level). Some operators felt Hartlepool was a little too small too support their offer.

Locational Priorities for Hotel Development

- The strongest locations for new hotels in Hartlepool from the perspective of the market and hotel developer requirements are:
 - Trincomalee Wharf and the marina;
 - Victoria Harbour in the longer term;
 - Business parks along the southern approaches to the town.
- The Borough Council's locational priorities are the Marina/Trincomalee Wharf and Victoria Harbour. Interest from budget hotel developers in out-of-town sites has been discouraged because of concerns that development here would undermine the delivery of a hotel on priority sites.

The Potential Supply Pipeline

- There are two key locations in Hartlepool where hotels are being mooted currently:
 - Trincomalee Wharf – Jomast Developments is proposing a 150-bedroom 4 star hotel here. This is a good site for a hotel. Our research suggests that a hotel of budget or possibly upper-tier budget standard would be a better fit with market potential in Hartlepool.
 - Victoria Harbour – a hotel is identified as a possible use here, though it is a longer term proposition. Tees Valley Regeneration has indicated that the delivery of a hotel is not crucial to the Victoria Harbour scheme.
- In the next 2/3 years, it seems likely that the Trincomalee Wharf scheme, an extension to the Premier Inn and the redevelopment of the Staincliffe will come forward delivering 205 new rooms to Hartlepool. This would largely meet the

identified potential through to 2026. Should the hotel market grow more strongly, the Victoria Harbour site could meet this need. There remains interest from budget operators in sites approaching Hartlepool that would not deliver hotel rooms in priority locations however.

Planning Policy/ LDF Implications

- o The Council should work with the developers of the Trincomalee Wharf scheme to support the delivery of a hotel here that will fit with the market potential. This location has the greatest level of interest and potential in Hartlepool and can happen relatively quickly.
- o Victoria Harbour is a longer-term scheme and the need for a hotel here should be kept under review, dependent upon whether a large hotel is developed at Trincomalee Wharf and how the market grows.
- o The Council should refuse applications for hotel development on the outskirts of town, which it should be able to do under current Local Plan policies and PPS6. This approach should be rolled forward in the LDF.
- o Our research shows no need for hotel retention policies in Hartlepool¹: we found no evidence of pressure for conversion of hotels to alternative uses and good prospects of new hotels being developed. Indeed it may be necessary to allow some of the poorer quality and less well located hotels to exit the market, particularly as new budget hotel supply comes on stream.

¹ Hotel retention policies are typically used by local authorities to resist change of use applications for hotels where there is pressure for the conversion of hotels to alternative uses (most commonly residential) and little prospect of new hotels being developed to replace lost hotels. They are most commonly used in seaside resorts where local authorities wish to retain a good stock of hotels.

f) Redcar

Current Hotel Supply and Demand

- Redcar has a significant supply of small hotels, pub accommodation businesses and large guesthouses that primarily serve the contractors market working at the Corus steelworks or Wilton International petrochemicals plants. The majority of these establishments are not inspected and charge low room rates. Most appear to be of a fairly low quality, but are adequate to serve the needs of contractors. Few owners have aspirations to upgrade, reposition or become graded.
- Midweek demand in Redcar is strong. The key midweek market is contractors. Some hotels also attract business visitors. There is evidence of frequent and reasonably significant mid-week denials in Redcar.
- Weekend demand is low.
- Achieved room rates are very low, reflecting the quality of many establishments and the markets they are catering for.

Growth Prospects and Hotel Development Potential

- The hotel market in Redcar shows good potential for growth particularly in the contractors market given the planned expansion of the petrochemicals industry at Wilton International and the development of the new energy sector in South Tees.
- Our research suggests potential for a budget hotel to be developed in Redcar. A budget hotel is however likely to take business from existing hotels, pub accommodation business and guesthouses in the town centre and on the seafront, possibly forcing some establishments to exit the market.
- There appears to be only limited scope to encourage existing accommodation businesses to upgrade, reposition or become graded.

Hotel Developer Interest

- There was interest in developing hotels in Redcar from 3 national brands primarily at budget level. For many operators the town was seen to be too small to support their hotel offer.

Locational Priorities for Hotel Development

- o The strongest locations for new hotels in Redcar from the perspective of the market and hotel developer requirements are:
 - Coatham Enclosure
 - Redcar Racecourse
- o The town centre is a priority for the Borough Council in terms of regenerating Redcar, and Coatham Enclosure is a key regeneration scheme in an edge of centre location. A hotel at Coatham Enclosure could help to support the other planned uses for the site.

Planning Policy/ LDF Implications

- o If the Council wishes to see the delivery of a new hotel in Redcar town centre or at Coatham Enclosure it will be important to resist pressure for hotel development elsewhere on the outskirts of the town and approach roads.
- o Whilst hotel uses have been raised in relation to Redcar Racecourse, hotel use is not currently included in the plans for Coatham Enclosure. A hotel developer would need a good clean site and attractive deal to make an investment in Redcar stack up, so it may be necessary for a more interventionist approach to be taken, both through the planning process and through working with the developers of these sites.
- o Our research shows no need for hotel retention policies in Redcar¹: we found no evidence of pressure for conversion of hotels to alternative uses. Indeed it may be necessary to allow some of the poorer quality and less well located hotels to exit the market, particularly if a new budget hotel is developed in the town.

¹ Hotel retention policies are typically used by local authorities to resist change of use applications for hotels where there is pressure for the conversion of hotels to alternative uses (most commonly residential) and little prospect of new hotels being developed to replace lost hotels. They are most commonly used in seaside resorts where local authorities wish to retain a good stock of hotels.

g) The Saltburn Area

Current Hotel Supply and Demand

- The Saltburn area has a limited stock of hotels. The current supply comprises three 3 star hotels just outside Saltburn and at Brotton and Easington and one non-inspected hotel in Saltburn (the Spa). Rushpool Hall Hotel is primarily a wedding venue and does not actively seek business from other markets. Hunley Hall is located on a golf course.
- Weekend demand is strong for the area's hotels from weddings, golf breaks and golf parties, leisure breaks and walking groups. There is evidence of hotels in the area regularly denying business at weekends.
- Midweek demand is more limited. It consists of golf breaks and golf parties, leisure breaks and shooting parties. Corporate demand is relatively limited.

Growth Prospects and Hotel Development Potential

- There could be scope for hotels in the Saltburn area to attract more leisure break and golf break business and to further develop their weddings trade.
- Our research suggests potential for the existing hotels in the Saltburn area to upgrade, expand and possibly add leisure/ spa facilities and banqueting facilities to enable them to develop leisure break and weddings business. Grinkle Park has planning permission for an additional 32 rooms.
- We see no clear potential for new hotels in Saltburn. Opportunities for accommodation development here are more likely to be in terms of guesthouses, B&Bs, pub accommodation and possibly restaurants with rooms.

Planning Policy/ LDF Implications

- Redcar & Cleveland Borough Council should as far as possible seek to support the expansion and development of existing hotels in the Saltburn area as the most effective way of developing the hotel sector here and maximising its contribution to the development of tourism in these parts of the Borough.

h) Guisborough

Current Hotel Supply and Demand

- Guisborough has a limited stock of hotels and other accommodation businesses: Gisborough Hall (71 rooms), the Premier Inn Middlesbrough South (20 rooms), Pinchinthorpe Hall (6 rooms), 3 small pub accommodation establishments in Guisborough and two further pub accommodation businesses at Slapewath and Newton-under-Roseberry.
- The hotels and better quality pub accommodation operations trade largely in the Stockton/ Middlesbrough/ Redcar corporate market, attracting business customers looking for a more attractive location. There appears to be little corporate demand from Guisborough itself. The lower grade pub accommodation establishment trade primarily in the contractor market.
- The key weekend market in Guisborough is weddings. One hotel also attracts leisure break business.

Growth Prospects and Hotel Development Potential

- There are good prospects for growth in corporate and weddings demand in Guisborough as the Stockton/Middlesbrough/ Redcar economy develops and the area's population increases. Hotels and pub accommodation businesses here may also be able to develop leisure break business. Lower grade pub accommodation establishments should continue to attract strong demand from contractors given the anticipated growth in this market in the Stockton-Middlesbrough and Redcar/South Tees areas.
- The Hotel Futures Study has identified potential for the development of:
 - a small boutique hotel in Guisborough, subject to a suitable building being available for conversion;
 - a second budget hotel;
 - the development of quality rooms within or adjacent to pubs and restaurants;
 - the expansion of existing hotels, and/or the addition of leisure facilities.

Planning Policy/ LDF Implications

- In terms of the LDF, the Core Strategy and area spatial strategies recognise the importance of tourism development in Guisborough and the Development Policies DPD highlights the need for visitor accommodation development in the town. This is probably sufficiently enabling to permit the development of the products we have identified market potential for above.

CONCLUSIONS AND MOVING FORWARD

- The Hotel Futures Study provides a thoroughly researched market perspective on the potential for new hotel development across the Tees Valley. It identifies potential for significant levels of new hotel development and strong interest from hotel developers in all parts of the City Region. There are however a large number of hotel schemes being proposed not all of which would deliver new supply in priority locations in terms of destination objectives.
- The following next steps actions will be needed to act on the study findings in order to capitalise on the opportunities for hotel development and manage hotel development activity to maximise destination benefits:
 - Use the study findings to inform policy development for hotels in emerging LDFs in terms of developing locational priorities for hotel development in each local authority area; reviewing current and emerging LDF documents to ensure that they support the development of the types of hotel for which market potential has been identified; and assessing whether there is a need for policies to restrict hotel development in non-priority locations.
 - Review the plans for hotels as part of the key transformational schemes and Council priorities for each town and consider whether to adjust aspirations to the identified market potential, hotel developer interest and hotel projects coming forward on other sites:
 - At North Shore, Middlehaven and Middlesbrough town centre it will be important to accelerate the planned hotels to ensure that they are delivered ahead of proposals that are being advanced, or may come forward for hotels on other sites in Middlesbrough and Stockton;

- At Victoria Harbour and Central Park, due to the medium to long term nature of these schemes, their hotel content should be reviewed in due course, dependent upon whether competing hotel development comes on stream and how the hotel market develops in Hartlepool and Darlington;
 - In Redcar, the potential to incorporate a budget hotel into the Coatham Enclosure scheme should be considered in the light of its potential impact on existing hotels, guesthouses and pub accommodation businesses and the benefits that securing a branded budget hotel could bring to the town centre and the other elements of the Coatham Enclosure scheme.
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- Share the study findings with property developers and landowners with hotel schemes, to help inform and influence their proposals for hotels.
 - Share the factual content of the study with hotel developers and operators, via a Tees Valley Hotel Investment website, to help inform their decision-making on hotel sites and development opportunities in the City Region.
 - Undertake further research into the potential for a casino/conference hotel in Middlesbrough.
 - Continue to monitor hotel development activity across Tees Valley through the planning system, and put in place a plan and budget for up-dating hotel market performance on a regular basis (every 2-3 years).
 - Establish a Hotel Investment Group as a vehicle for sharing information on hotel development activity and hotel planning policy development, and for improving the handling of hotel investment enquiries.

- o Further develop the hotel market in terms of:
 - Attracting the right sort of companies to ensure continued expansion of the corporate market as a source of high-rated mid-week business for hotels year round;
 - Developing and actively marketing an expanding events programme;
 - Reviewing the strategy for leisure attraction development;
 - Developing the destination offer in terms of the retail, cultural, arts and attractions offer and the development of associated bars, restaurants and nightclubs, to create attractive urban destination environments for visitors to stay in.

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