



Durham Visitor Accommodation Development Strategy 2018 Executive

Summary

Prepared for Durham County Council and Visit County Durham by Hotel Solutions.

Purpose and Basis

To provide a clear forward strategy for hotel development in Durham. It focuses on securing a higher quality and diverse hotel offer for the city to enable it to compete more effectively with other UK heritage city destinations, together with identifying priority locations in the city for hotel development.

Current Hotel Supply and Performance

Durham is currently served by 13 hotels with a total of 1,007 letting bedrooms. This current hotel supply is split between Durham City Centre (58.5% of hotel stock) and the outskirts of the city (41.5%). The current supply is polarised between 4 star (Marriott, Radisson, Ramside Hall) and budget hotels (Premier Inn, Travelodge). 3 star provision is limited and there is no upper tier budget hotel and only one small independent boutique hotel. In terms of recent changes in supply, with the addition of new bedrooms at Ramside Hall, Premier Inn North and The Kingslodge Inn, but the closure of The Three Tuns, Durham's hotel supply has increased by only 15 rooms in the past 5 years. However, a new 81 bedroom Hotel Indigo boutique hotel will open in Durham in March 2018, a new 92 bedroom Premier Inn is proposed at Milburngate, and The Kingslodge Inn has plans for an additional 29 bedrooms.

Room occupancies are very strong in Durham at both 4 star and budget levels (around 80%), ahead of national provincial averages, and Achieved Room Rates (ARRs) are in line with national figures. Hotel occupancies and ARRAs have strengthened considerably since 2011 for both 4 star and budget hotels.

Durham Hotel Performance 2017

Standard of Hotel	Average Annual Room Occupancy %	Average Annual Achieved Room Rate	Average Annual revenue per available room (RevPAR) £
UK Provincial Hotels (All Standards)	76	71	54
UK Provincial 3/4 Star Chain Hotels	76.5	86.43	66.14

Durham 4 Star Hotels	80	84	67
Durham Budget Hotels	80	55	44
Durham – All Hotels	80	71	57

The highest occupancies in Durham’s hotels are achieved Tuesday, Wednesday and Saturday. Midweek markets are predominantly corporate, including from surrounding business parks, though midweek breaks are also a strong weekday market in the summer months, predominantly from empty nester and retired couples. Key weekend markets are weekend breaks, wedding guests, the parents of students at the University, and events.

The Potential for Growth in Durham’s Hotel Market

There are good prospects for future growth in Durham’s hotel market:

- UK and overseas tourist demand should continue to grow given the work of Visit County Durham to promote to these markets, the continuing development of the city’s visitor offer and evening economy, and the development of surrounding attractions. Durham is now firmly on the map as a heritage city destination and should benefit from the projected growth in domestic and inbound overseas tourism.
- Corporate demand for hotel accommodation should increase as Durham’s economy develops, existing companies expand, and new companies are attracted to new offices and strategic employment sites.
- Contractor demand for budget hotel accommodation is set to grow strongly as major construction projects are progressed.
- The continuing expansion of Durham university will generate increased demand for hotel accommodation from university visitors, students’ parents visiting, and for graduation ceremonies.
- There could be scope for some growth in conference business for Durham hotels, both hotel-accommodated residential conferences and bedroom business from Gala Theatre and university conferences.
- Demand for hotel rooms from people staying over after a night out in the city is likely to grow as Durham’s evening offer develops and new budget hotels open in the City Centre.
- Population growth should fuel increased demand for hotel accommodation from people attending weddings and other family occasions, and those visiting their friends and relatives in the city.

The Potential for Hotel Development in Durham

Durham is set to see an increase in hotel supply in the next 2 years, with the opening of the Hotel Indigo and the planned Premier Inn at Milburngate. Beyond this additional hotel

supply, our growth projections show market potential for another 3-5 hotels in Durham by 2032. The more immediate potential (to 2022) beyond the Indigo

and Premier Inn is for a boutique, lifestyle, budget boutique, upper tier budget or aparthotel. Longer term (by 2025) there is likely to be scope for a full service 4-star hotel, depending on how the market grows, as well as an additional budget hotel, possibly a second one by 2028. New hotels could be developed ahead of these growth projections if they are able to generate additional demand as a result of their brand and offer.

There is hotel developer, operator and investor interest from brands that would have strong fit with the identified potential, as well as offering scope to grow the market through their global distribution networks and market following. The city centre is their clear priority, though with the development of a major corporate driver like the business/office park at Aykley Heads a hotel as a supporting use would likely attract interest. The strongest sites identifiable for new hotel development currently are 17 Claypath/Millennium Place, Milburngate (potentially as part of a later phase), the bus station site and Aykley Heads. Active engagement with site owners/developers and target hotel brands would help to match the optimal hotel to the best fit site to maximise destination benefits.