












Cheshire West and Chester Visitor Accommodation Study – Executive Summary

CBRE Limited

On Behalf of Cheshire West and Chester Council | October 2022

Cheshire West and Chester

CBRE

CBRE Hotels Disclaimer

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Further Disclaimer

We note that all recommendations detailed in this report should be subject to further considerations to include planning constraints and policy requirements.

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Project Introduction

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Introduction

- This Visitor Accommodation Study was prepared for Cheshire West and Chester Council (CWC) to gather evidence and greater understanding of the factors that influence the demand, supply and sustainability of visitor accommodation in the Borough.
- The research and analysis for this study was undertaken between June and September 2022.

Sources of Information

In preparing our report, we have used a range of public and third-party data sources, including information provided to us by CWC. To support our findings we have also carried out zoom meetings, two surveys (questionnaires), telephone interviews, online and desk-based research.

In undertaking our research we:

- Obtained market and operational data on the accommodation, leisure and other relevant commercial sectors within the Borough;
- Determined the existing and future characteristics of markets which we consider to be of relevance within the Borough;
- Determined the present supply of facilities serving the markets which we consider to be of relevance and obtained further data from third-party data providers and authoritative sources on planned developments;
- Obtained other pertinent information relating to the economy, communications infrastructure and general economic development of CWC;
- Issued a questionnaire to tour operators and corporate occupiers, to understand their accommodation requirements within the Borough; and
- Interviewed international hotel brands, hotel operators, government agencies, leisure attractions and other local organisations to understand their views of the current tourism sector and requirements for accommodation facilities.

Through our primary and secondary research, we have assessed the current commercial and economic position of the Borough and the likely future market environment. This market research has been used to formulate our conclusions and recommendations in relation to assessing the future demand for accommodation facilities of appropriate scale and quality within the Borough.

We would recommend that for any future accommodation development an independent market and feasibility report be completed in order to assess the chosen site and to determine the sustainability and viability of a proposed development.

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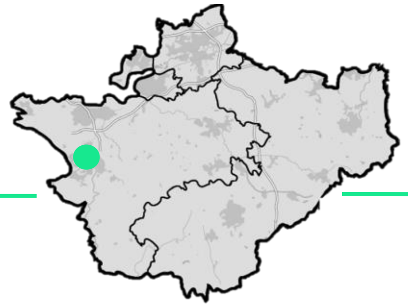
Executive Summary

Hotel Accommodation

Chester



Key Insights

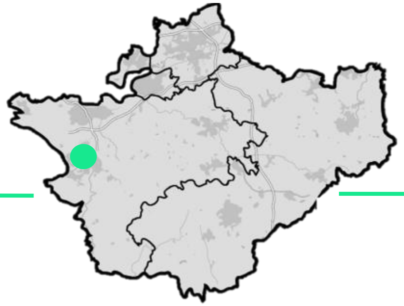
- Chester is positioned as a popular tourist destination benefitting from its historic urban environment, a number of major tourist attractions and an established business hub. It also benefits from its proximity to Liverpool and Manchester.
- Across the wider Borough, the Serviced Accommodation sector (including Hotels, Guest Houses, B&B & Inns) is a key contributor to the local economy, employing 2,484 workers in 2019, representing 9.6% of total visitor employment. In 2019 the sector generated an economic impact of £233.1m.[1]
- Despite its existing status as an established heritage destination, we believe that there is potential for Chester to more fully realise its heritage assets and tourist attractions and to become recognised as a tourism destination of national and international significance.
- This opportunity becomes evident when comparing the historic performance of the local tourism sector against more established heritage destinations in the UK.
- Oxford, Bath and York attract a significantly higher proportion of international travellers. For example, York attracted a total of 297,000 international visitors in 2019, which is three times more than what Chester recorded for the same year.[2]
- Chester recorded a total of 13.6m day visitors in 2018, which accounted for 97.0% of all tourist visitors.[1] The proportion of day visitors is higher compared to other heritage destinations such as York (84%), Bath (84%) and Oxford (90%). The current reliance on day visitation represents an opportunity to convert day visitors into overnight tourists. This would positively impact the local hotel sector and the economy through a higher expenditure per visitor.
- The reliance on day visitation and lower levels of international demand are contributing factors to why Chester achieves lower hotel occupancy and ADR levels compared to more established heritage destinations in the UK.[3]

[1] Global Tourism Solutions (STEAM Report)

[2] Visit Britain

[3] STR. Republication or other re-use of this data without the express written permission of STR is strictly prohibited

Chester (cont.)



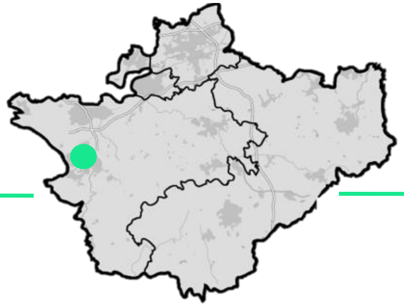
Hotel Accommodation Gaps in the Market

In the following bullet points, we provide a summary of the identified hotel accommodation gaps in the market based on the existing hotel supply and trends in the wider market place. Our views on the potential development opportunity, taking into account market demand as well as approved pipeline projects, is discussed in further detail on the page overleaf.

- The local hotel market in Chester offers a good range of hotel categories, catering to affluent travellers as well as more budget oriented guests. Hotel accommodation types that are currently underrepresented in the market place, include 5-star hotels as well as serviced apartments.[1]
- Serviced apartments currently account for 2.9% of the total bedroom supply in the market and are small in size with an average of 23 units.[1] Historically, serviced apartments primarily catered to corporate travellers, such as people on temporary project assignments and training courses. But the typical demand segments of serviced apartments have changed in recent years, accelerated by the introduction of new brands as well as COVID-19. In line with recent trends, we anticipate the demand and appeal for serviced apartments to remain strong from both leisure and corporate travellers, compounded by growing consumer awareness of the model and brands within this space. This also includes the growing segment of “bleisure” travellers, who combine business travel with leisure time and thus desire a flexible accommodation offer, suitable for work and leisure.
- Based on the findings of the survey, there is currently no requirement for serviced apartments from the corporate sector. Despite the survey findings, we believe there is a gap in the market for a quality serviced apartment offer, with this offer complementing and enhancing the current short-stay focused hotel market in Chester. A serviced apartment offer appeals to a range of different demand segments, both long-stay and short-stay (e.g. individual leisure travellers, families, corporates travellers and long-stay project workers). Although there is a gap in provision for this accommodation type, considering pipeline projects (two schemes with 71 units), the existing demand levels in Chester and recent supply additions, we do not believe the current market environment to be suitable for the development of a further serviced apartment offer. This is discussed in further detail on the page overleaf.
- The lack of 5-star hotels can be attributed to the comparatively high development costs, which combined with the average room rate performance in Chester makes a development of this type challenging to deliver and commercially unviable. Average room rates within the luxury hotel segment in Manchester are in the region of £200 (2021 data), which is more than double the average performance of the wider hotel market in Chester.
- Based on conversations with Marketing Cheshire, we understand that Chester is well placed to attract a larger proportion of visitors from younger demographic groups due to its growing night-time economy. This includes an improving food and beverage offer, driven by development projects such as Chester Northgate. The future development of a lifestyle hotel would support such a strategy by providing an accommodation offer that appeals to the younger generation of travellers. Lifestyle hotels have a boutique style and look to offer guests a more authentic experience than traditional hotel concepts. They often include a lobby space that encourages social interaction, a food and beverage program with regionally inspired menus and entertainment that involves locally based artists. Examples of hotel brands within the lifestyle sector include Tribe and Ibis Styles by Accor and Moxy and Aloft by Marriott. At present branded lifestyle hotels account for a relatively small proportion of total bedroom supply in Chester at 8.0% with current branded supply dominated by legacy hotel brands.[1] Lifestyle accommodation providers appeal to the leisure segment and increasingly the corporate segment, as business travellers seek accommodation with attractive social spaces in which to work and play. In terms of pipeline projects within the lifestyle segment we are aware of the proposed development of a Radisson Red Hotel with 162 rooms.

[1] STR. Republication or other re-use of this data without the express written permission of STR is strictly prohibited

Chester (cont.)



Potential for new Hotel Accommodation

The following bullet points summarise our view on the potential development opportunity for new hotel stock in Chester. This takes into account current demand levels in the market place as well as future hotel pipeline projects (confirmed and with planning approval).

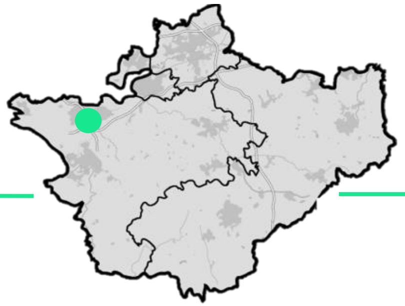
- On the back of major regeneration projects that delivered new office, retail and leisure facilities, Chester has witnessed an increase in visitor volumes pre-pandemic. This was also driven by national tourism trends such an increased staycation demand and a heightened popularity for city breaks. This is supported by STEAM data, which shows a notable increase of 7.0% in tourism volumes (staying visitors) for Chester between 2017 and 2018 (latest available data) as well as a continued positive trend in visitor numbers for the wider Borough until 2019.[1] Notable investment projects such as the delivery of new Grade A office space at City Place in 2016 and the opening of the £37m Storyhouse in 2017, are likely to have contributed to additional leisure and corporate related demand in Chester. This is evidenced by the market-wide hotel performance in Chester, which recorded occupancy levels close to 80.0% in 2018.[2]
- The increased levels of tourism demand and positive movements in hotel market performance in Chester have attracted investors and hotel operating companies with a notable rise in hotel openings between 2019 and 2021. Over this time period, a total of six hotels opened, adding 505 bedrooms to the market. Based on these new supply additions, the hotel operating performance is likely to have come under increased pressure, evidenced by a decline in both occupancy (74.7%, -5ppts) and ADR (£76, -3.0%) in 2019. On a national level (excluding London), hotel performance also softened in 2019 as a result of strong supply additions in some cities with occupancy down -0.2% and ADR -1.3%.[2]
- Due to the lingering effects of COVID-19 and the significant increase in hotel supply in recent years, we do not believe the current market environment to be suitable for the development of a new hotel in Chester. This also takes into account confirmed future hotel openings as well as several projects that have already gained planning permission and could be delivered over the foreseeable future.
- As the wider UK market, including Chester, fully recovers from the pandemic and hotel supply is successfully absorbed into the market place, it will become evident if there is a requirement for additional hotel stock. Whilst the recovery is well underway, we note that based on year-to-date June 2022 data, hotel occupancy levels in Chester remain approximately 10.0% below 2019 levels.[2]
- Whilst we currently do not believe there to be a requirement for additional hotel stock in Chester, major development projects such as plans for a new conference centre at the Chester Racecourse would attract further visitors to the area and could result in the requirement of a new hotel to support and complement such a venue in the future.
- Based on our conversations with hotel operators and brands, IHG, Hilton, Marriott, Hyatt, Accor, Travelodge and Premier Inn have all expressed interest in having a further hotel in Chester.

We would recommend that for any future hotel development an independent market and feasibility report be completed in order to assess the chosen site and to determine the sustainability and viability of a proposed hotel. A study will be key in confirming market positioning, size, concept and likely financial performance based on a rigorous assessment of the local current and anticipated hotel market conditions.

[1] Global Tourism Solutions (STEAM Report

[2] STR. Republication or other re-use of this data without the express written permission of STR is strictly prohibited

Ellesmere Port



Key Insights

- Ellesmere Port is an established industrial hub, benefitting from a good presence of companies of national and international significance within the manufacturing, chemicals and energy sector. This contributes to strong midweek hotel accommodation demand with occupancy levels above 80.0% being recorded at present.[1]
- Whilst Ellesmere Port is not a renowned leisure tourism destination, it benefits from the presence of a few major tourist attractions that support hotel accommodation demand, particularly on Saturday nights. These include the Cheshire Oaks Designer Outlet Village, the Blue Planet Aquarium and the National Waterways Museum. Accommodation demand during the remainder of the weekend however is weak, providing evidence that the current tourism offer does not incentivise leisure travellers to stay beyond one night.[1] This can also be attributed to Ellesmere Port's close proximity to Chester, which is a more appealing overnight destination with a wider range of tourist facilities.
- Existing hotel supply is located along key arterial routes (e.g. Welsh Road) and in proximity to key corporate/leisure demand drivers. There is currently no hotel stock in the town centre.

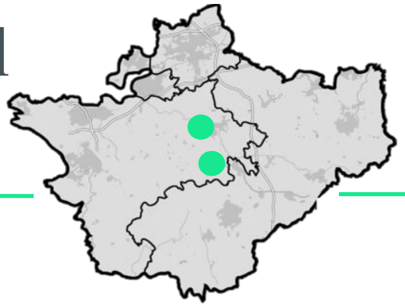
[1] STR. Republication or other re-use of this data without the express written permission of STR is strictly prohibited

Potential for new Hotel Accommodation

- Based on current performance trends of local hotels, we would consider there to be an opportunity for the development of a new hotel in the Ellesmere Port area. Both occupancy and ADR levels have recovered and already exceed 2019 levels, demonstrating a faster recovery than the Chester hotel market. Demand levels above 80.0% on Tuesday, Wednesday and Saturday nights indicate a supply constrained market.[1] This is also supported by survey responses from local companies, who have indicated that they are dissatisfied with the current accommodation offer due to limited hotel availability.
- Despite recent improvements in ADR performance, the current profile and perception of Ellesmere Port does not lend itself for the development of an upscale hotel and a quality economy hotel development is considered more suitable for the local hotel market.[1]
- The opportunity for a new hotel development could also become a stronger commercial opportunity as the area becomes established as a green industrial cluster with additional investment and employment. Similarly, the potential redevelopment of the Ellesmere Port town centre, could present an opportunity for the development of a hotel as part of a placemaking strategy or wider mixed-use development.
- We note that it is becoming increasingly challenging for hotel projects to stack due to the ongoing construction cost inflation coupled with the rise in financing costs. Therefore we believe that it is unlikely that the pure commercial development returns from a hotel in Ellesmere Port would appeal to a wide selection of private sector investors. The development of a new hotel would therefore likely require some level of intervention from the Local Authority.

We would recommend that for any future hotel development an independent market and feasibility report be completed in order to assess the chosen site and to determine the sustainability and viability of a proposed hotel.

Northwich & Winsford



Conclusion

- Northwich and Winsford are important economic contributors to the wider Borough economy with sector strengths in chemicals, financials and manufacturing. Whilst the area benefits from having a strong and growing industrial base, office-based employment is more limited. This combined with the presence of only a few leisure attractions explains the limited hotel accommodation supply in the area at present. Leisure attractions in the local area are more dispersed across rural areas and very few are located in the town centre.
- **Winsford** faces challenges in relation to a declining town centre and poor transport links between the employment and residential areas. Whilst the town is well connected to the wider road network (e.g. A54 and M6), train services are infrequent. The local train station is located 1.5 miles outside of the town centre. Current regeneration schemes such as the redevelopment of the Winsford Cross Shopping Centre have the potential to increase the appeal of the town centre for residents and visitors.
- Whilst **Northwich** also lacks larger leisure demand drivers in the town centre, it has a good presence of attractions within a short driving distance, including the Anderton Boat Lift, Delamere Forest and Arley Hall & Gardens. Further to this, the town's location at the confluence of two rivers provide an untapped opportunity on which to develop the local visitor economy.
- The few hotels with a presence in the local market achieved an occupancy in excess of 76.0% in 2019, indicating strong levels of accommodation demand. Pre-pandemic, demand was particularly strong and growing during midweek (Tuesday and Wednesday) and on Saturday nights with occupancy levels well above 80.0%. This provides evidence that the market is supply constrained with the current hotel stock unable to satisfy demand during peak demand periods.[1]

[1] STR. Republication or other re-use of this data without the express written permission of STR is strictly prohibited

Potential for new Hotel Accommodation

- Our research suggests there is a lack of leisure demand generators within the town centres and there is a need to develop the offering within both Winsford and Northwich to improve attractiveness for corporate and leisure travellers.
- Based on the historic performance of hotels located in the local market, there appears to be demand for additional hotel stock. We note that there are two potential new hotel projects, which could deliver new hotel supply into the market. Both would be operated by Premier Inn, further increasing the dominance of budget hotel stock in the local area.
- We do not consider a development of a higher market positioning to be viable based on the current accommodation demand profile of the area as well as achieved average daily rates of local hotels, which suggests that demand is price sensitive.
- Having said that, we are aware of a planned hotel development of a 4-star quality as part of a new sports and leisure complex at the former Knights Grange Golf Club in Winsford. At present limited details have been announced to the public and we are of the opinion that the hotel would need to become a destination in its own right to drive demand and maximise utilisation of facilities.
- As the overall visitor experience and profile of Winsford and Northwich improves a hotel of a higher positioning could be explored.
- We would recommend that a detailed Market Feasibility report be completed for any future hotel development in Northwich or Winsford.

Other Visitor Accommodation Types

Holiday Accommodation Market

Conclusion

In addition to the hotel accommodation market across the borough, we have also examined the holiday park sector, which includes glamping, pods, caravans and lodges.

- The provision of holiday accommodation is significant across the county. Overall numbers are disguised by no single registration or public directory. Therefore, it is difficult to quantify the full provision of holiday accommodation in the Borough.
- Accommodation varies from a single pitch set within a garden to large, principally water based parks set around Delamere. There are some national operators who operate within the county although these tend to be the smaller regional operators rather than the 'big three'. These operators include Haulfryn, Thornley Leisure and Forest Holidays. The size of sites are generally dwarfed by larger, coastal holiday parks which sit within the same competitive environment.
- Demand for new sites remains robust, ranging from small one off schemes to larger new development sites with national interest. Sites can often extend to in excess of 100 acres although density is based upon spacing of units (you can fit less twin units than single units in an acre). Land values with planning approval can significantly eclipse agricultural values.
- The provision of small schemes (one or two units) are often constructed within permitted development regulation. As such, the tracking of these schemes can be challenging, especially if they are developed for private residential use.
- CWC has a good provision of lakes and canals which are significant demand drivers, as are forest and attractive views. The A road and motorway network provide good connectivity to occupiers.

Potential for new Accommodation

- Future development is likely to continue to witness infill and expansion of existing properties together with opportunistic development and diversification of existing non holiday properties (such as farms). Holiday parks have often been developed from redundant sites including quarries and landfill. There are an abundant number of live and former quarries surrounding Delamere.
- There is an opportunity for CWC to:
  - Identify surplus sites for development. These might include existing CWC properties, brownfield sites together with former and redundant sites. Present policy is to develop on a small scale which there is likely to be an ongoing demand.*
  - Considering recent expansion of existing holiday parks we believe there could potentially be a demand for larger scale development.
  - Identify development requirements from existing operators. CWC should consider and identify land within their ownership which adjoins or abuts existing sites and assess where there is merit in disposing to existing operators to extend their operations.

*Reference LPP1 policy ECON3: Camping and caravan sites will be supported where there is an unmet need. Proposals should be small in scale to limit impact on landscape and amenity and utilise or be well related to existing rural buildings.

Key Stakeholder Insights

Key Insights

Common Themes from Interviews

Chester

As part of our research and data collection, we have conducted interviews with a total of ten external stakeholders. On this page, we summarise the key insights and common themes that were gathered from these interviews. We note that these insights are based on anecdotal evidence such as personal observations and opinions and not always factual data.

- All interviewed parties provided positive feedback on the Council's initiative to assess and understand the supply and demand for additional visitor accommodation facilities in key locations within the Borough.
- Some of the interviewees are of the opinion that the **tourism sector in Chester** is lagging behind other heritage destinations (e.g. York), as a result of lower levels of investment and budget constraints. This can be evidenced in the city's night-time economy and declining retail offer, impacting both day and overnight visitation. Interviewees are encouraged by the Northgate development and believe this will help improve the food and beverage offering of Chester. Manchester and Liverpool were also commended for their positive evolution in recent years, however, it was mentioned this growth has started to overshadow Chester.
- Several interviewees believe that Chester lacks a major **tourist attraction** to support overnight accommodation demand. Chester Racecourse was mentioned as an important asset but which is currently being underutilised (i.e. not a 365-day destination).
- The wider local area offers a number of major tourist attractions but interviewees mentioned that the promotion of these is **disjointed** and there is a **lack of collaboration** between stakeholders. Chester as a tourism destination also **lacks a clear identify** that would support the promotion in the market place. We understand that this is starting to improve as a result of initiatives led by both Marketing Cheshire and the private sector. This includes the creation of 'Destination Chester', a public-private collaboration between key tourism stakeholders working together with the aim of increasing visitor numbers in Chester.

Chester

- Many interviewees commented on the benefits that a **large conference venue** in the city centre could deliver such as helping to attract events and exhibitions of a national and international scale.
- **Public transport connections** around the city are not considered optimal, with limited connections to key attractions such as Chester Zoo and Cheshire Oaks Designer Outlet Village. Whilst there are direct train connections to Liverpool and Manchester, these are infrequent and long journeys. This has increased the reliance on car transport which has put pressure on the limited car parking available in the city centre.

Ellesmere Port

- Based on current and planned development projects in Elsmere Port, there is considered to be the potential to strengthen the local corporate market by attracting high profile companies to the area (e.g. first Net Zero Carbon Industrial cluster). This could generate additional bed nights for local hotels.
- At the same time, the industrial nature of the area was highlighted as a main concern for the development of the leisure tourism sector.
- Existing tourist attractions drive some overnight accommodation demand but the majority of this gets captured by Chester due to the wider range and quality of hotel stock on offer.

Northwich & Winsford

- **Northwich** benefits from significant heritage assets to drive tourism demand. Challenges that inhibit the tourism sector from becoming more established, include **a poor transport network** as well as the **lack of overnight accommodation facilities**. The main train station is located outside of the town centre and there are no public transportation links to Anderton Boat Lift and Lion Salt Works. Despite these challenges, the town has been successful in developing an annual calendar of events, which drive good footfall. Employment sites, such as Gadbrook Business Park, are disconnected from the rest of the town and cannot be accessed by public transportation.
- It was noted that Northwich was a more significant destination than Winsford due to having a more established food and beverage offer and several tourist attractions. Interviewees commented that **Winsford** is predominantly a residential town **with a limited leisure offering**. The river could become a key asset in driving tourism demand and the development of **a waterways strategy** is therefore considered key.

Key Insights

Key Insights from Surveys

As part of our research we have conducted a survey with both local businesses and tour operators. For the corporate survey a total of fifteen responses were received and seven for the tour operator survey.

- Chester was evidenced as the key city for both corporate and tour operator demand. Winsford had the minimum interest as a destination.
- The majority of respondents for the corporate and tour operator survey expect their demand for visitor accommodation to remain the same over the near-term.

Corporate

- The most booked accommodation type for local companies is 4-star hotels, followed by 3-star and budget accommodation.
- The majority of the respondents (64%) are satisfied with the current accommodation provision in the Borough. *Limited Hotel Availability / No Room Availability (43%) and Poor Quality of Existing Hotels (29%)* are the two main reasons why survey respondents are unsatisfied with the current accommodation provision. 55.0% of the participants experience either *Sometimes* or *Often* difficulties when reserving a room at their preferred accommodation provider due to no room availability.
- Northwich was identified as having the largest need for an additional hotel out of the key locations, with 25.0% identifying the town, followed by Ellesmere Port and Chester (both at 17%).
- There appears to be no requirement for long-stay accommodation from the companies surveyed.
- The majority of the surveyed companies (53%) have a requirement for meeting facilities and this is typically for smaller meetings between 1-25 delegates.

Tour Operators

- The surveyed tour operators highlighted limited demand for alternative visitor accommodation types such as camping, glamping and cabins. The preferred accommodation types includes 4-star hotels, followed by 5-star and 3-star.
- Chester was the main location identified for tour operator demand and respondents did not express current accommodation demand for other key locations.
- 60% of the respondents believe Chester would benefit from additional supply.