

# LIVERPOOL HOTEL FUTURES 2014

## **Executive Summary**

Prepared for:  
Liverpool Hotel Development Group

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## EXECUTIVE SUMMARY

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### The Story

- Liverpool currently has 76 hotels and serviced apartment operations with a total of 7,263 letting bedrooms/apartments. 17 new hotels and serviced apartments have opened since the last Hotel Futures study in 2011, adding 1,529 rooms/apartments. A further new hotel with 116 bedrooms will open by the end of 2014. The 18 new hotels and serviced apartments represent a 28.7% increase in supply between 2011 and 2014. The new supply that came on stream between 2011 and 2013 was primarily budget and budget boutique hotels, aparthotels and serviced apartments. The latest wave of new hotels is upscale, with 2014 seeing the opening of the first new 4 star hotel in the city for 5 years and three new boutique hotels. The availability of BPRAs tax incentives for the conversion of redundant offices has clearly been a key driver of hotel development in Liverpool in the last 3 years. Looking further ahead there are 19 hotel development proposals that could come forward from 2015 with the potential to add over 2000 rooms to Liverpool's supply. The majority of these are for upscale full service hotels. Liverpool has had by far the greatest and most sustained growth in hotel supply of any of its comparator cities.
- In terms of total roomnight demand, the Liverpool hotel market grew by 19% between 2011 and 2013 and looks set to have increased by 26% by the end of 2014 compared to 2011. This compares to a 22% increase in hotel supply over this period. Midweek roomnight demand has grown by 27.7% from 2011 to 2013. 2013 has seen an improvement in all performance measures for most standards of hotel in Liverpool, which looks set to be sustained in 2014. Revpar performance for upper-tier 4 star hotels remains below the 2009 level however, and only climbed above the 2009 figure for midmarket hotels in 2014. Weekend demand remains very strong for Liverpool city centre hotels with very high Friday and Saturday occupancies and room rates. Friday demand has however softened for upper-tier 4 star hotels. Midweek demand remains a key challenge, particularly in terms of rate, the midweek market still being highly price-driven. Aparthotels and serviced apartments have a less marked difference between midweek and weekend performance as they focus more on the long stay corporate market. The midweek market mix has become more leisure driven since 2011, particularly at budget and mid-market levels. Football supporters, clubbers, stag and hen parties and domestic weekend breaks remain the key weekend markets for Liverpool city centre hotels.

**LIVERPOOL HOTEL PERFORMANCE 2012-2014**

STANDARD OF HOTEL	OCCUPANCY			ACHIEVED ROOM RATE			REVPAR		
	2012	2013	2014F <sub>1</sub>	2012	2013	2014F <sub>1</sub>	2012	2013	2014F <sub>1</sub>
<b>National</b>									
All UK Provincial Hotels <sup>2</sup>	69.8	72.6	n/a	59.22	59.94	n/a	41.32	43.53	n/a
UK Provincial 3/4 Star Chain Hotels <sup>3</sup>	70.2	71.9	n/a	69.72	70.71	n/a	49.05	50.81	n/a
<b>Liverpool</b>									
Liverpool 3/4 Star Chain Hotels <sup>4</sup>	69	71	72	68	70	73	47	49	53
Boutique <sup>5</sup>	68	73	75	77	79	83	62	68	73
Upper-tier 4 star <sup>6</sup>	71	74	76	79	80	83	57	59	63
Midmarket (Second-tier 4 star/ 3 star/ Upper-tier Budget/ Budget Boutique) <sup>7</sup>	69	72	73	55	56	59	37	40	43
Budget <sup>8</sup>	72	73	74	48	49	50	35	35	37
Serviced Apartments <sup>9</sup>	79	77	75	71	71	74	56	54	56
All Liverpool Hotels	70	72	74	60	61	64	42	44	47

Source: Hotel Solutions – Surveys of Liverpool Hotel Managers – May 2011 + June 2014

Notes:

1. Hotel Solutions' forecasts based on information provided by Liverpool hotel and serviced apartment managers. The forecasts are for existing hotels, excluding any new hotels that will open in 2014 i.e. the Titanic Hotel, 30 James Street, Aloft, Doubletree by Hilton
2. Source: STR Global
3. Source: Hotstats UK Chain Hotels Market Review
4. Sample: Crowne Plaza, Radisson Blu, Marriott, Hilton, Atlantic Tower by Thistle, Novotel, Holiday Inn, Jury's Inn
5. Sample: Hope Street, Hard Day's Night, Malmaison, 62 Castle Street, Hotel Indigo
6. Sample: Crowne Plaza, Radisson Blu, Marriott, Hilton
7. Sample: Atlantic Tower by Thistle, Novotel, Holiday Inn, Jury's Inn, The Liner, Feathers, Britannia Adelphi (Hotel Solutions estimates for 2012-2014 - this hotel did not take part in the 2014 survey), Holiday Inn Express Albert Dock, Hampton by Hilton, The Nadler/Bast2Stay, Heywood House, Z Hotel (from 2013)
8. Sample: Premier Inn Moorfields, Premier Inn Albert Dock, Premier Inn Liverpool One, Travelodge Central, Travelodge The Strand, Travelodge Exchange Street, Campanile (Hotel Solutions estimates for 2012-2014 - this hotel did not take part in the 2014 survey), Ibis, Days Inn, Dolby
9. Purpose-built serviced apartment complexes and suite hotels - Sample: Staybridge Suites, Premier Apartments, Bridgestreet, Adagio (from 2013)

- Beyond the city centre, the hotel market has weakened in Speke-Garston due to a downturn in project-related corporate demand and a reduction in airport-related demand. Outer Liverpool budget hotels perform at similar occupancy rates to city centre hotels, but lower achieved room rates. In general midweek occupancies are stronger than weekends, the latter substantially lower than the levels achieved by city centre budget hotels.
- Liverpool's continuing vision to establish itself as a world class international maritime city is likely to deliver substantial levels of growth through to 2025, including around 20,000 new jobs and a population increase of 11,000 to 481,000. The City Centre Strategic Investment Framework together with the activities of the Mayoral Development Corporation will support the delivery of a number of major regeneration and development projects on the Waterfront, in the Historic Downtown, the Commercial District, the Knowledge Quarter, the Creative Quarter and the Central retail area. The availability of public sector investment funding and the establishment of three Enterprise Zones covering Mersey Waters, the Central Business District and Sensor City, a University Enterprise Zone, will provide a significant boost to economic development in the city. The visitor economy will remain one of the key priority sectors underpinning Liverpool's growth, particularly through developing awareness of the Liverpool brand, attracting more conferences and exhibitions and international visitors, driving growth in domestic leisure visitors 7 days a week, developing a major events programme, and expanding the cruise market.

## **The Potential**

- The 2014 Hotel Futures study forecasts that growth in the hotel market could require the development of between 2472 (low growth) and 4140 (high growth) new hotel bedrooms in the ten years to 2025, which equates to between 18 and 29 new hotels. The scale of this growth at the high growth rate is similar to the number of new bedrooms that have been developed over the past 10 years.

**LIVERPOOL CITY CENTRE  
PROJECTED MARKET POTENTIAL FOR NEW HOTEL  
BEDROOMS - 2015-2025**

Standard of Hotel/Year	Projected New Rooms <sup>1</sup>		
	Low Growth	Medium Growth	High Growth
<b>Upper-Tier 4 Star/ Boutique</b>			
2015	141	170	189
2020	523	623	729
2025	751	955	1182
<b>Midmarket</b>			
2015	0	0	0
2020	400	549	708
2025	740	1045	1383
<b>Budget</b>			
2015	40	72	92
2020	348	456	597
2025	593	812	1055
<b>Aparthotels/ Purpose-Built Serviced Apartments</b>			
2015	92	101	107
2020	318	348	381
2025	388	450	520
<b>TOTAL NEW HOTEL ROOMS</b>			
2015	273	343	388
2020	1589	1976	2415
2025	2472	3626	4140

**LIVERPOOL CITY CENTRE  
PROJECTED MARKET POTENTIAL FOR NEW HOTELS  
2015-2025**

Standard of Hotel/Year	Projected New Hotels <sup>1</sup>		
	Low Growth	Medium Growth	High Growth
<b>Upper-Tier 4 Star/ Boutique</b>			
2015	1	1	1
2020	3	4	5
2025	5	6	8
<b>Midmarket</b>			
2015	0	0	0
2020	3	4	5
2025	5	7	9
<b>Budget</b>			
2015	1	1	1
2020	2	3	4
2025	4	5	7
<b>Aparthotels/ Purpose-Built Serviced Apartments</b>			
2015	1	1	1
2020	3	3	4
2025	4	4	5
<b>TOTAL NEW HOTELS</b>			
2015	3	3	3
2020	11	14	18
2025	18	22	29

Notes:

1. Excluding hotels that have opened or will open in 2014 - Titanic, 30 James Street, Aloft

- When the projected market potential for additional hotel supply in Liverpool city centre is compared to the pipeline of known hotel proposals, this shows that the new full service upscale hotels that will open in 2014 and 2015 will meet the requirements for additional supply at this level through to 2020, after which additional supply can be supported to 2025. The greater requirement for the next 5 years is for additional midmarket and budget hotels, for which there are few proposals, and serviced apartments/aparthotels. This reflects the fact that much of the market growth will be in price-sensitive leisure and conference/exhibition segments. The priority will be to develop a more distinctive midmarket and budget hotel offer in terms of attracting some of the new, innovative hotel products and brands that are emerging at these levels that can add greater choice and attract new markets. From a destination perspective simply adding more of the same types of budget hotel that the city already has may not be the optimal strategy and will do less to strengthen Liverpool's appeal as a leading international leisure and business tourism destination.
  
- Many hotel developers, operators and investors continue to be interested in being represented in Liverpool, with over 20 brands indicating they were either actively looking at opportunities in the city or would consider doing so. This potential interest included 5 star brands and a number of lifestyle and contemporary boutique offers, a number of which are innovation brands new to the UK that would add diversity to the city's hotel supply. Those hotel companies not interested in Liverpool cited the weakness in terms of the corporate market, a perception of oversupply, and low achieved room rates compared to some competitor cities, especially Manchester, as the key reasons for not looking at the city currently. Those that were interested were also aware of these market performance issues, and indicated that the right deal would be critical, also citing public sector intervention in terms of funding as frequently making the difference between a deal that would stack up and one that would not. The Waterfront/ACCL and the area around Lime Street were identified by a number of hotel companies as favoured locations for hotel development.
  
- The potential for hotel development in outer Liverpool is likely to be limited to budget hotels linked to growth drivers, such as the airport, the expansion of Liverpool FC's stadium and development of Anfield and business development in the Edge Lane area. In the longer term Liverpool Waters is likely to become a key location for the development of upper tier 4 star and lifestyle hotels as offices are occupied and the cruise liner terminal is operational.

## The Future Hotel Investment Strategy for Liverpool

- The forward hotel investment strategy for Liverpool should be focused around a number of strands:
  - **Developing a more distinctive midmarket and budget hotel offer**
    - The priority for the next 5 years is to achieve greater diversity through targeting the emerging national and international budget boutique hotel brands and contemporary 3 star hotels.
  - **Attracting hotel products and brands that can attract new leisure markets**
    - Examples would be lifestyle hotels, further boutique hotels, hotels with extensive leisure facilities, hotels with spas, themed hotels, branded aparthotels and international hotel brands. However, rate may constrain the development of these more niche full-service hotel offers, which could require public sector support to ensure their viability.
  - **A market-led locational strategy for new hotels**
    - The study findings point to a need to focus new hotel development for the period 2015-2025 on the Waterfront, with the Knowledge Quarter a secondary location for hotel development most likely at budget level and Hope Street as a proven boutique hotel location. The Commercial District is already well-supplied with hotels needing midweek corporate business and is less well-placed to serve the ACCL. In the longer term Liverpool Waters is likely to become a key location for upscale and lifestyle hotel development.



- **Public sector intervention to deliver the hotel investment strategy**
  - Leaving hotel development entirely to the market can result in the wrong hotels being delivered in the wrong locations. Planning has proved to be something of a blunt tool in managing hotel development, though articulating the hotel investment strategy in the text supporting the relevant Local Plan policy would give clarity and direction to the market. Public sector interventions should focus on publicising the hotel investment strategy, more pro-active targeting of added value hotel brands and putting them in touch with developers/site owners and engaging property developers to buy into the strategy. Care needs to be taken in relation to public sector intervention in hotel schemes in order to not distort the market. Building a market impact dynamic into the criteria for financially supporting hotel schemes would help minimise such impacts.
  
- **A continuing focus on boosting midweek demand**
  - Boosting midweek demand remains a key priority and should centre on attracting companies that generate high volumes of hotel demand; marketing Liverpool as a leading business tourism destination; increased exposure to target overseas markets; continued marketing of the city as a midweek leisure break destination; targeting higher rated group tour business; developing midweek events; continued investment in major development and infrastructure projects to generate contractor business; the development of the city's film, TV and digital media infrastructure to boost demand from film and TV crews; and the opening of the proposed larger cruise terminal to attract cruise departures that will generate hotel stays.