

Melvin Gold Consulting Ltd

Specialist Consultants to the Hotel Industry

Study of Market Demand and Estimated Financial Performance for a Potential Hotel in the City of Winchester, Hampshire

Prepared for:



October 2020

Melvin Gold Consulting Ltd

Specialist Consultants to the Hotel Industry

Winchester City Council
Colebrook Street
Winchester
SO23 9LJ

28 October 2020

Dear Sirs

Re: Potential Hotel Development in the City of Winchester

Thank you for retaining us to undertake a study of Market Demand and Estimated Financial Performance for a Potential Hotel in Winchester, Hampshire as part of the emerging Central Winchester Regeneration scheme, and to consider the market, key performance indicators and financial estimates for the potential hotel assuming that this element of the project progresses as part of the multi-component development envisaged.

Our report is contained herein, based on research conducted during September 2020, and from it you will note that, based on our research and hotel industry experience, we are generally positive about the market and financial prospects for the potential hotel component of the development. The development including the hotel component is still some way from reaching fruition and the timing in which it may eventuate is consequently unclear, but we have envisaged it to the extent possible at present, albeit without a developer, investor, hotel operator or specific design at this stage. Nonetheless we consider the component would be a commercially appropriate attribute of the development and is likely to prove financially attractive and synergistic within the context of the overall development. Naturally as further stakeholders assume roles within the development project they will finesse the scheme to become optimally financially viable within the development.

This report has been prepared during a period when the Covid-19 pandemic continues to impact the UK and the world. This has caused, and continues to cause, many economic and market issues and by necessity we assume the pandemic has subsided prior to the opening date of the hotel, as we discuss and caveat further within the body of the report.

As is usual in such reports we have, by necessity, made a number of assumptions (generally following research) which lead us to the conclusions contained herein. But in any such report which is forward-looking there are risks implied by changes of future circumstances, and of course judgement, in considering how the market might develop in the future and how a hotel on the subject site may perform within that market. Whilst this report sets out our opinion, after considering all the factors of which we were aware, the ultimate decision as to whether to proceed with development and the risks inherent in such a project remain with the project principals.

In accordance with our engagement letter we have used our best endeavours to research and consider the market now, and the way in which it would most likely develop in the circumstances described. Whilst we have used all reasonable care and skill in undertaking the assignment we are not responsible and cannot be held responsible for any losses or other liabilities arising from the conduct of this assignment, or from any actions taken as a result of the information provided. Furthermore the report was commissioned by Winchester City Council and its advisers on the Central Winchester Regeneration scheme and is intended for those parties use only. It does not constitute advice to any other third

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party to whom you may choose to communicate it and they should retain their own independent advice.

We thank you for having retained us on this most interesting assignment and remain at your service for further advice or discussion concerning this report or our findings generally.

Yours faithfully



Melvin Gold
Managing Director

Table of Contents

1. Introduction	1
2. Executive Summary	2
3. Economic and Tourism Overview	4
4. The Potential Hotel Site	15
5. The Winchester Hotel Market	19
6. Evaluation of the Opportunity	31

Appendices

- A. Intended Winchester Festival Programme 2020

1 – Introduction

Introduction

Winchester City Council is seeking the comprehensive redevelopment of an area of Central Winchester known as the Central Winchester Regeneration scheme. The vision for the area is for the delivery of a mixed-use, pedestrian-friendly, quarter that is distinctly ‘Winchester’ and supports a vibrant retail and cultural / heritage offer, which is set within an exceptional public realm and incorporates the imaginative re-use of existing buildings. The Council is currently working to finalise the development framework and delivery approach for the area based on the guidance set out in the approved Supplementary Planning Document (SPD).

Winchester City Council has commissioned Melvin Gold Consulting Limited, a specialist consultancy for the hotel industry with significant experience of the UK hotel market, to research the Winchester hotel market and provide an independent market report that explores the potential for development of the site as an optimal hotel development. Within the report we consider both the current market circumstances as well as the future prospects given the development plans insofar as they are known at present.

We have conducted this assignment during the period in which the Covid-19 pandemic continues, albeit after the main initial lockdown period. Some of the hotels in the area remain closed and we have had to be cautious in our inspection of any of the hotels due to continuing guidance and restrictions when visiting hotels which are not as freely accessible as in normal circumstances. The operating environment for hotels and tourism generally is not normal and we have sought to reflect on a return to normality in the future.

Scope of Work and Methodology

In conducting this assignment we have undertaken a visit to Winchester in order to undertake in situ research. During our research programme we have:

- Visited and evaluated the potential hotel site from the perspective of future hotel use taking account of key factors such as location, visibility, accessibility and proximity to demand generators. We have taken account of the plans for the proposed development based on a briefing by the project team and a brief review of the SPD, taking account of the location as well any potential synergies from any other project elements;
- Reviewed local hotels to the extent possible (given the pandemic situation) and held telephone discussions with the management of some of them to explore local hotel market characteristics;
- Held telephone discussions with tourism and economic development officials at Winchester City Council, and with the Director of Winchester BID;
- Considered any current planning applications in terms of the way they may impact hotel supply in the future;
- Purchased some historic market data for a suitable set of hotels from STR. This provides historic information on the market and its performance;
- Conducted further desk based research by telephone, internet and e-mail as required including taking account of a variety of published information produced by others and related to the local economy and hotel/tourism market in the city or region.

Our report, which is intended to be reasonably concise and commercially focused, seeks to provide a commercial view of the potential hotel development opportunity in the future market conditions which we expect to prevail at the time of opening. This is expected to be appropriate for Winchester City Council’s use in considering the potential opportunity and the future strategy to adopt in this regard.

2 – Executive Summary

- Readers of this report cannot fail to be aware of the Coronavirus Covid-19 global pandemic which continues to have a significant impact around the world at the time of writing. Given that the subject hotel is not anticipated to open for several years we have assumed that the hotel market and the economy will have recovered by then, and that the virus has either passed into history or a vaccine is developed and widely distributed. Without such an assumption financial estimates for a hotel development would be severely impaired at the present time.
- The potential hotel site lies within the context of the emerging Central Winchester Regeneration scheme which covers 4.5 hectares of land within the city centre, defined by Upper Brook Street to the west, Friarsgate and Middle Brook Street car park to the north, St John's Almshouses and the Lower Brook stream to the east and the Broadway and lower High Street to the south.
- The hotel is currently envisaged in an L-shaped building to be located at the corner of Middle Brook Street and Friarsgate. The building would comprise up to 5 storeys with bedrooms on floors 1 to 5 and food and beverage areas on the ground floor. We consider the site well suited to create a new hotel to serve a diverse visitor base.
- The proposed hotel site lies within the city of Winchester in the heart of Hampshire. The district boundaries extend well beyond the outskirts of the city and thus take in an area of some 255 square miles (66,097 hectares), encapsulating a population of 124,900 people. The area is classified as 'Affluent England' and has a relatively wealthy population and a predominantly service-based economy.
- Full employment in the area and the relatively high price of housing lead to a key characteristic of the local labour market, the level of commuting both outbound and inbound. The 2011 census illustrated there was a net commuter worker inflow of 18,362 people considering the whole administrative area. Those *living* in Winchester are earning a higher salary level overall than those *working* within the local authority area.
- The area has excellent road, rail and air communications in the regional context, the M3 motorway being critical to the area's road network. Winchester Station lies on the main line between Southampton and London Waterloo.
- Tourism is a key economic activity in the Winchester economy. The Cathedral is the city's leading attraction in terms of a 'must do' and it welcomes some 300,000 visitors annually but the city also provides an attractive environment for 'experience-led' tourism with a range of eateries, shops and special events.
- Direct expenditure generated by tourism in Winchester in 2018 was £269.8m. This tourism-related expenditure is estimated to have supported 3,938 FTE jobs, some 5,352 actual jobs given that many are part-time or seasonal. £78.6m of tourism expenditure was generated by 351,000 overnight guests to Winchester in 2018, predominantly in hotels and bed and breakfasts. Although 81% of overnight visitors were domestic, international visitors stayed longer and were higher spending.
- We consider the city's hotel supply to predominantly comprise some 23 hotels with 1,079 rooms although there are also some smaller guest houses/bed and breakfasts. Some of the hotels are in an area around the city but we primarily consider the city centre properties to comprise the competitive environment for the subject hotel, particularly 6 hotels comprising 440 bedrooms.

- The hotels' performance has consistently been above 75%, once almost reaching 80%, since 2014, and Average Room Rate has risen from £58 to £66.50 in the same period. This is despite the entry of 2 branded budget hotels in the period. This is a creditable level of performance despite the hotels not having enjoyed much investment, and presenting variable standards.
- Hotels enjoy strong performance of more than 80% Occupancy from May to October. The January to March period is weakest in both Occupancy and Average Room Rate and encouragingly December, which is often weaker in other locations, achieves a reasonable level of Occupancy and strong Average Room Rate.
- Occupancy is strong – above 80% – on Tuesdays, Wednesdays and Saturdays. The Average Room Rates achieved on Friday and Saturday nights are highest, hoteliers reporting leisure travellers are less price sensitive than corporate travellers.
- The regeneration provides the opportunity for a hotel development which would be the first 'full service' hotel to be developed in Winchester for many years. We envisage the opportunity to be for a hotel that is positioned between the existing larger city centre hotels but below the Hotel du Vin (and most likely the Wykeham Arms). The development should aspire to a modern, lifestyle-oriented boutique or design-led hotel most likely under an appropriate brand.
- We envisage that the hotel's facilities would comprise:
 - 100 bedrooms;
 - Around 10 of the bedrooms should be premium rooms,;
 - A modern open lobby style design to include an all-day restaurant and bar as well as the hotel reception and any other guest services facilities;
 - Two small meeting rooms also suitable for private dining;
 - And, a Mini-gym for guest use, with exercise machines and weights.
- Our financial estimates are summarised as follows:

Summary statement of estimated operating profitability for a potential 100 bedroom hotel in Winchester in the first five years of operation in 2020 values										
	Year 1	Ratio	Year 2	Ratio	Year 3	Ratio	Year 4	Ratio	Year 5	Ratio
	£	%	£	%	£	%	£	%	£	%
Total Revenue	3,994,893	100.0%	4,289,159	100.0%	4,590,328	100.0%	4,590,328	100.0%	4,590,328	100.0%
Total Dept. Costs	1,919,115	48.0%	2,011,700	46.9%	2,104,285	45.8%	2,104,285	45.8%	2,104,285	45.8%
Gross Profit	2,075,778	52.0%	2,277,459	53.1%	2,486,043	54.2%	2,486,043	54.2%	2,486,043	54.2%
Total Undistributed Costs	857,137	21.5%	874,229	20.4%	890,524	19.4%	890,524	19.4%	890,524	19.4%
Income Before Fixed Charges	1,218,641	30.5%	1,403,230	32.7%	1,595,519	34.8%	1,595,519	34.8%	1,595,519	34.8%
Total Fixed Costs	327,767	8.2%	346,226	8.1%	365,455	8.0%	365,455	8.0%	365,455	8.0%
R&R Provision	79,898	2.0%	128,675	3.0%	183,613	4.0%	183,613	4.0%	183,613	4.0%
Ebitda after provision	810,975	20.3%	928,329	21.6%	1,046,451	22.8%	1,046,451	22.8%	1,046,451	22.8%
Statistics										
Room Occupancy	72.0%		74.0%		76.0%		76.0%		76.0%	
Average Room Rate	91.35		96.43		101.50		101.50		101.50	
Rooms Yield	65.77		71.35		77.13		77.13		77.13	

Source: Melvin Gold Consulting Estimates

- This indicates a stabilised profit conversion of £1.046m in 2020 values, some 22.8% of revenue. These will need to be considered alongside likely development costs and the levels of return that an investor would wish to achieve from such an opportunity but overall we expect the hotel development to be commercially attractive and viable.

3 – Economic and Tourism Overview

Introduction

Winchester lies in the heart of Hampshire in Southern England. The district boundaries extend well beyond the outskirts of the city and thus take in an area of some 255 square miles (66,097 hectares). This encapsulates a population of 124,900 people according to 2019 data. In Saxon times Winchester was England's capital city and with its cathedral and other sites has much to interest modern-day tourists. It is also Hampshire's county town and thus is an important administrative and commercial centre with good transport links.

Demographics, economy and employment

Under the Office of National Statistics' (ONS) 2011 Area Classification of UK Local Authorities, Winchester is classified as 'Affluent England'. The Acorn analysis summarised in Table 1 portrays an economic and social analysis of the population. It can be seen that the population is relatively wealthy compared to the Great Britain average and the Affluent Achievers and Rising Prosperity categories are significantly above the national average whereas the other categories are generally under represented (except those not living in private households). In 2018 the Office of National Statistics estimated Winchester's population to grow relatively modestly to 135,735 by 2043.

Table 1
Acorn Geodemographic Segmentation of Winchester versus Great Britain

Acorn Category Description	Winchester No. of people	Winchester %	Great Britain %
1. Affluent Achievers	61,899	51.1	22.8
2. Rising Prosperity	16,156	13.3	9.3
3. Comfortable Communities	15,715	13.0	26.6
4. Financially Stretched	18,943	15.6	22.7
5. Urban Adversity	6,109	5.0	17.7
6. Not Private Households	2,227	1.8	0.9

Source: Invest in Winchester brochure

Some 75,000 people within the city council area are estimated to be between the ages of 16 and 64, some 60% of the population. This is similar to the overall level in Hampshire but slightly below the overall England average of 62.4%. Table 2 below summarises the Economically Active population within the city council boundaries compared to Hampshire and England as a whole.

The area's population is slightly less economically active than for England as a whole, and even more so compared to Hampshire overall. The predominant reasons for inactivity are not wanting to work or looking after the family and/or home. This reflects the relative affluence of the area.

Table 2
Employment and Unemployment in Winchester, Hampshire and England
(Apr 2019-Mar 2020)

	Winchester (Numbers)	(%)	Hampshire (%)	England (%)
Economically Active	62,800	78.3	82.1	79.4
In Employment	58,600	72.8	79.8	76.2
Employees	45,900	58.3	68.9	64.9
Self Employed	12,300	13.8	10.7	11.1
Unemployed	1,700	2.8	2.7	3.9

Source: ONS annual population survey via NOMIS

Unemployment is (or was during the period analysed) relatively low at 2.8% of the economically active population, in line with Hampshire overall, and well below the English national average during the period under review. In terms of the total population of the city area, unemployment is some 1.4%.

Business statistics illustrate that there are 8,805 business units in the Winchester district, as illustrated in Table 3 below, employing some 83,000 people. However 82.7% of these units employed less than 9 people and thus employed a relatively small proportion of the workforce. In contrast 2.4% of companies employed more than 50 people and just 30 businesses, some 0.3%, employed over 250 people. Although this is not untypical of the national picture it does highlight the relatively small number of major employers in the area.

	Winchester (Numbers)	(%)	Hampshire (Numbers)	(%)
<i>Enterprises</i>				
Micro (0 To 9)	6,785	84.7	56,890	89.5
Small (10 To 49)	1,075	13.4	5,575	8.8
Medium (50 To 249)	125	1.6	885	1.4
Large (250+)	30	0.4	220	0.3
Total	8,010	-	63,570	-
<i>Local Units</i>				
Micro (0 To 9)	7,285	82.7	61,665	85.0
Small (10 To 49)	1,275	14.5	8,925	12.3
Medium (50 To 249)	215	2.4	1,725	2.4
Large (250+)	30	0.3	230	0.3
Total	8,805	-	72,550	-
NB. An Enterprise is the smallest combination of legal units which has a certain degree of autonomy within an Enterprise Group. An individual site (for example a factory or shop) in an enterprise is called a local unit.				
Source: Inter Departmental Business Register (ONS) via NOMIS				

Winchester Sub-Area Economic Profile (July 2017) concluded “By any measure of economic performance Winchester is a successful and prosperous place... it is the fastest growing economy in Hampshire with highest levels of economic prosperity. With £4.8bn in total output (Gross Value Added, GVA) in 2015 Winchester was the second largest economy in the Hampshire County Council area. Nominal economic growth in the area averaged 4.6% p.a. since 2010, much faster than the Hampshire or the UK average. Winchester is by far the most prosperous local economy in Hampshire. In terms of GVA per head of population Winchester is almost 50% more prosperous than the Hampshire average and almost a quarter more prosperous than the next most prosperous district in Hampshire.”

We illustrate GVA for the Winchester District and, notionally, its constituent parts in Table 4 using data from the same source.

The publication also reported that “Economic growth in Winchester was driven by a handful of sectors. The broad distribution sector accounted for over a fifth of the overall growth in GVA in Winchester District since 2010. Business services and information & communication (ICT) are much smaller but significant sectors in the local economy. They accounted for about a fifth of the overall growth in the economy respectively. Several smaller sectors such as agriculture performed well over the period. Finance & insurance was another strong performer. Faster growth in the economy was held back by the broad

public sector that accounts for almost a fifth of total output (GVA) in Winchester and sluggish performance of several smaller sectors.”

Proxy estimates (£ million)	Winchester District	Market Towns & Rural	South Winchester	Winchester Town
Agriculture, forestry and fishing	£43	£34.30	£6.30	£2.40
Production	£318	£99.60	£153.80	£64.60
Construction	£205	£78.10	£83.80	£43.20
Distribution; transport; accommodation and food	£928	£258.40	£398.70	£270.90
Information and communication	£656	£421.40	£148.80	£85.80
Financial and insurance activities	£340	£13.20	£274.60	£52.20
Real estate activities	£544	£190.50	£110.30	£243.20
Business service activities	£717	£188.30	£317.50	£211.10
Public administration; education; health	£911	£236.10	£71.70	£603.20
Other services	£162	£62.30	£24.90	£74.80
Total Gross Value Added	£4,824	£1,582	£1,590	£1,651
% change p.a. (2010-2015)				
Agriculture, forestry and fishing	11.5	12.4	16.3	-3.6
Production	3.5	-0.2	4.9	6.8
Construction	4.7	0.4	8.2	7.5
Distribution; transport; accommodation and food	5.9	2.7	9.9	4
Information and communication	7.5	4.2	18	11.6
Financial and insurance activities	8.6	-7.8	11.5	2.5
Real estate activities	1.9	8.3	11.9	-4.4
Business service activities	6.7	3.2	7.8	8.7
Public administration; education; health	1.7	2	2.9	1.4
Other services	0.2	-0.7	3.2	0.2
Total Gross Value Added	4.6	3.2	9.3	2.2
NB. Original Source states that “Sub-area proxy shares need to be treated with a degree of caution”				
Source: ONS (2016) and HCC (2017) estimate via Winchester Sub-Area Economic Profile – July 2017				

In Table 5 overleaf we further illustrate the breakdown of jobs in Winchester by sector activity, and compare this to that in Hampshire and England overall. Some 55,000 local jobs are full time and 28,000 are part time.

The largest sector of employment in Winchester is Human Health and Social Work activities which employs 14,000 people, some 16.9% of the labour force. This illustrates the importance of the town as a county town and regional capital with the hospital and health facilities that are typical of such centres. This activity is far more significant than in the remainder of Hampshire and in England as a whole.

Wholesale and Retail activity is the next most significant employer although 15.7% of employment is in line with the national average but below Hampshire overall. Importantly for the matter at hand, Accommodation and Food Service activities provides some 6,000 jobs, 7.2% of total employment being marginally below the Hampshire and England averages.

Information and Communication; Financial and Insurance Activities; and, Professional, Scientific and Technical activities are all more significant than within the county or within England although importantly, and perhaps unsurprisingly, Manufacturing is substantially

less significant within Winchester than in Hampshire or England. This further evidences the city as a predominantly serviced-based economy.

	Winchester		Hampshire	England
	(Employee Jobs)	(%)	(%)	(%)
Total Employee Jobs	83,000	-	-	-
Full-Time	55,000	66.3	67.0	67.9
Part-Time	28,000	33.7	33.0	32.1
<i>Employee Jobs by Industry</i>				
B : Mining and Quarrying	10	0.0	0.1	0.1
C : Manufacturing	4,000	4.8	8.3	8.1
D : Electricity, Gas, Steam and Air Conditioning Supply	25	0.0	0.4	0.4
E : Water Supply; Sewerage, Waste Management and Remediation Activities	350	0.4	0.7	0.7
F : Construction	4,000	4.8	5.8	4.7
G : Wholesale and Retail Trade; Repair of Motor Vehicles And Motorcycles	13,000	15.7	17.1	15.4
H : Transportation and Storage	3,000	3.6	4.1	4.9
I : Accommodation and Food Service activities	6,000	7.2	7.5	7.5
J : Information and Communication	6,000	7.2	5.6	4.4
K : Financial and Insurance Activities	3,500	4.2	3.2	3.5
L : Real Estate activities	1,000	1.2	1.3	1.8
M : Professional, Scientific and Technical activities	8,000	9.6	9.5	9.0
N : Administrative and Support Service activities	6,000	7.2	8.3	9.2
O : Public Administration and Defence; Compulsory Social Security	3,000	3.6	3.3	4.0
P : Education	7,000	8.4	8.6	8.9
Q : Human Health and Social Work Activities	14,000	16.9	11.3	12.8
R : Arts, Entertainment and Recreation	1,750	2.1	2.3	2.4
S : Other Service Activities	1,250	1.5	2.5	2.0

Source: ONS Business Register and Employment Survey via NOMIS

Table 6 below further evidences the type of jobs enjoyed by the city's working population compared to the county and national averages. This depicts employment of citizens rather than the jobs within the city illustrated above, and there is significant inbound and outbound commuting as we subsequently discuss.

Table 6
Employment by occupation in Winchester, Hampshire and England
(Apr 2019-Mar 2020)

	Winchester (Numbers)	(%)	Hampshire (%)	England (%)
Soc 2010 Major Group 1-3	37,400	64.2	52.4	48.5
1 Managers, Directors and Senior Officials	8,800	15.0	13.4	11.9
2 Professional Occupations	18,300	31.2	23.3	21.7
3 Associate Professional & Technical	10,400	17.7	15.6	14.8
Soc 2010 Major Group 4-5	8,700	15.0	20.0	19.6
4 Administrative & Secretarial	n/a	n/a	9.9	9.7
5 Skilled Trades Occupations	5,000	8.6	10.0	9.8
Soc 2010 Major Group 6-7	5,600	9.6	15.2	15.7
6 Caring, Leisure and Other Service Occupations	n/a	n/a	9.3	8.8
7 Sales and Customer Service Occs	n/a	n/a	5.9	6.8
Soc 2010 Major Group 8-9	6,500	11.2	12.4	16.1
8 Process Plant & Machine Operatives	n/a	n/a	4.4	6.0
9 Elementary Occupations	n/a	n/a	8.0	10.1

Source: ONS annual population survey via NOMIS

There is a strong orientation to managerial, professionals and skilled jobs with categories 1 to 5 in the table accounting for 79.2% of all employment compared to 72.4% in Hampshire and 68.1% for England as a whole.

Full employment in the area and the relatively high price of housing lead to another characteristic of the local labour market, the level of commuting both outbound and inbound.

The Winchester Sub-Area Economic Profile provides statistical analysis of the commuter dynamics for the city, albeit dating to the 2011 Census output. Analysis relating to 'Winchester Town', effectively the city itself without the surrounding parts of the council area, reports that of the resident worker population some 6,692 people commute out of the area whereas 19,745 people commute into the town centre, albeit some from the city's suburbs within the borough. The outbound commuters work in London, Basingstoke, Southampton and Eastleigh as well as Winchester's suburbs. The inbound commuters predominantly live in Eastleigh, Southampton and the Test Valley although a significant number do live in the town's suburbs within the borough. Nonetheless taking the whole local authority area into account it was calculated that there is a net commuter worker inflow of 18,362 people.

In Table 7 below we present earnings data which illustrates the earnings of workers by their place of residence compared to their place of work. This serves to illustrate that those *living* in Winchester are earning a higher salary level overall than those *working* within the local authority area. Simplistically put this would seem to indicate that those commuting out of the area are earning higher average salary levels than those commuting in to the area. This is supported by the above data shown in Table 6 which illustrates the predominance of managerial, professional and skilled workers among the population but a relatively low level of those in groups 6 to 9 who are required by local employers with such roles likely filled by inward commuters.

	Earnings by place of residence (£)			Earnings by place of work (£)		
	Winchester	Hampshire	England	Winchester	Hampshire	England
<i>Gross Weekly Pay</i>						
Full-Time Workers	688.7	636.4	591.3	583.3	604.3	591.4
Male Full-Time Workers	731.7	696.9	634.7	677.9	662.0	635.2
Female Full-Time Workers	623.7	533.2	530.7	525.9	509.8	529.9
<i>Hourly Pay - Excluding Overtime</i>						
Full-Time Workers	18.08	16.18	14.94	15.32	15.23	14.94
Male Full-Time Workers	18.94	17.35	15.54	17.21	16.18	15.55
Female Full-Time Workers	17.10	14.20	14.02	13.60	13.51	14.00

Source: ONS annual survey of hours and earnings via NOMIS

Transport and communications

The area has excellent road, rail and air communications in the regional context and we discuss key aspects of these below.

Road

The M3 motorway is critical to the area's road communications in terms of the north-south axis. Junctions 9 and 10 provide best access to the city, depending on whether approaching from the north or south and which area of the city is being visited. Junction 9 also provides access to the A34 and Junction 10 provides access to the A31.

The motorway begins at Sunbury – just inside the M25 to the south of Heathrow Airport – and finishes on the north side of Southampton where it adjoins with the area’s other major motorway, the M27. This east-west motorway joins the New Forest with Portsmouth, running parallel to the coast. The M3 facilitates access to Heathrow Airport in around 45 minutes from Winchester, and to the M25 in slightly less time than that (depending on traffic conditions). Southampton’s Airport, located just north of that city near Eastleigh, can be reached in around 15 minutes from Winchester.

As well as its motorways the area has several major A roads. The A34 runs north to Newbury and Oxford, the A303 connects the M3 with Andover and then runs west to Exeter, and the A31 connects Winchester to Guildford.

Rail

Winchester Station lies on the main line between Southampton and London Waterloo which provides an excellent link to the two cities and to other connections beyond. Journey time to London is just over an hour and Southampton can be reached in around 15 minutes.

Air travel

The nearest airport, as commented on above, is Southampton Airport near Eastleigh. In 2019, 1.8m passengers used the airport in the 36,473 flight movements that took place. 1.14m passengers were domestic with some 634,394 passengers flying between the airport and Europe. There were 26 European routes and 10 UK routes with reasonably significant levels of travel, most significantly Manchester, Edinburgh, Glasgow, Jersey, and Guernsey domestically, and Amsterdam and Dublin on European routes.

The airport is owned and operated by AGS Airports which also owns and operates Aberdeen and Glasgow Airports. Although the predominant airlines are budget and charter planes the airport does present a viable option in terms of UK and European destinations which it serves.

As we have also noted, Winchester is located around 45 minutes by road from Heathrow. Heathrow is among the world’s busiest international airports and as it will be well known to readers we have not included a statistical analysis.

Tourism

Tourism is a key economic activity in the Winchester economy and we briefly review the city’s tourism in terms of product and data.

The area’s attractions

There are a wealth of attractions in the city of Winchester and the area generally which prove to be a draw for visitors. Its location in the heart of southern England with relative ease of transport links, a range of events and attractions, a compact and historical city environment and the surrounding scenery are all factors behind the area’s touristic success.

Unsurprisingly the Cathedral is the city’s leading attraction in terms of a ‘must do’ and it welcomes some 300,000 visitors annually, including pilgrims, tourists, families and school groups from across the country and overseas. Other popular attractions within the city are Castle Great Hall & Round Table, Winchester City Museum, and the remains of Wolvesley Palace. Relatively few of the city’s visitor attractions provide visitor data to the Visit England survey of visitor attractions but we summarise those that do in Table 8 overleaf.

Attraction	2012 visitors	2013 visitors	2014 visitors	2015 visitors	2016 visitors	2017 visitors	2018 visitors
Winchester City Mill & Shop	39,477	40,647	42,193	44,677	45,840	52,054	46,883
Royal Hampshire Regiment Museum	N/A	N/A	N/A	13,734	16,583	16,743	14,137
Royal Green Jackets Museum	12,844	13,528	12,386	16,142	12,451	13,966	12,689

Source: Visit England Survey of Visitor Attractions

The city also provides an attractive environment for ‘experience-led’ tourism (as opposed to attraction-led) with a range of eateries, shops and special events adding to the visitor experience accessed by simply walking around the city. Given the surrounding agricultural area there tends to be a food theme to much activity, for example the twice-monthly Winchester Farmers’ Market in Winchester Cathedral Close. It is officially the largest Farmers’ Market in the UK (95 stalls) and was voted best in the country by the Guardian Food Magazine. The city’s Christmas Market and Ice Rink attracts large numbers of visitors and a festival programme is active throughout the year and important to the visitor economy. We present the 2020 programme (that would have taken place) in Appendix A.

The success of Hotel du Vin, the first of which was established in Winchester, has underpinned this trend, being a food and beverage-led hotel concept focused on lifestyle and experiences. Other hotels have more limited programmes and the River Cottage Kitchen, from TV personality Hugh Fearnley-Whittingstall was a popular restaurant attraction until recently when it announced closure during the Covid pandemic.

The surrounding area contains a wealth of attractions for the car or coach traveller. These include The New Forest National Park, Salisbury, Southampton, The South Downs National Park and, slightly further afield, Stonehenge and Oxford. Surrounding towns, villages and countryside are attractive as are specific attractions such as Marwell Zoo and The Mid Hants Steam Railway. Just on the other side of Andover there is the Thruxton motor racing circuit which also can attract visitors to the area as can further afield events such as Goodwood horse racing and the International Boat Show (in Southampton).

The city is attractive from a tourism perspective but most likely competes with cities such as Chichester, Canterbury and Salisbury rather than England’s most internationally recognised regional tourist cities such as Stratford-upon-Avon, Bath, Oxford and Cambridge. However it has an attractive, well-established tourism product and a reasonable accommodation supply base to enable the attraction of overnight visitors.

Trends and statistics

in common with much of the UK’s tourism data, the available tourism statistical information is somewhat out of date but nevertheless provides a useful picture of the visitation to the area.

Winchester City Council has regularly commissioned a report on ‘The Economic Impact on Tourism on Winchester’. The most recent version we have been provided with reports on 2018 data.

The report estimates that direct expenditure generated by tourism in Winchester in 2018 was £269.8m, some 3% lower than 2017 although there are inconsistencies in methodology and compilation over the years. This direct expenditure is translated to £339.1m worth of income for local businesses through additional indirect and induced effects (multiplier spend). This tourism-related expenditure is estimated to have supported 3,938 FTE jobs in Winchester although many of these jobs are part-time or seasonal in nature and translate

into an estimated 5,352 actual jobs. We summarise some of the key statistics in Tables 9 and 10 below.

Table 9 illustrates that some £78.6m of tourism expenditure was generated by some 351,000 overnight guests to Winchester in 2018, predominantly (59%) in serviced accommodation (hotels and bed and breakfasts). Although 81% of overnight visitors were domestic, international visitors stayed longer and were higher spending. Thus international visitors comprised 37.2% of tourist nights and expended 37.2% of the overnight visitor spend. As is normal, guests in serviced accommodation were higher spending than those in other categories, £100.25 per person per night compared to £65.74 on average. International serviced accommodation guests spent £114.77 per person per night compared to £94.18 for domestic visitors. Although day visitors provide the bulk of tourism expenditure, £184.8m in 2018, this is obtained from 4.7m visitors, expenditure of just £39.66 per visitor. Per capita overnight visitors are far more valuable to the city.

	****Domestic****			****International****			****Total****		
	Staying Trips	Staying Nights	Staying Spend (000s)	Staying Trips	Staying Nights	Staying Spend (000s)	Staying Trips	Staying Nights	Staying Spend (000s)
Overnight Visitors									
Serviced	169,000	409,000	£38,518	38,000	171,000	£19,625	207,000	580,000	£58,143
Non-serviced	5,000	25,000	£726	2,000	11,000	£538	7,000	36,000	£1,264
Group/campus	5,000	11,000	£537	3,000	41,000	£2,055	8,000	52,000	£2,592
Second homes	2,000	6,000	£369	1,000	5,000	£281	3,000	11,000	£650
Other	4,000	13,000	£199	1,000	3,000	£88	5,000	16,000	£287
Paying Guests in private houses			£0	0	3,000	£138	0	3,000	£138
With friends and relatives	99,000	287,000	£8,950	22,000	211,000	£6,536	121,000	498,000	£15,486
Total 2018	285,000	751,000	£49,298	66,000	444,000	£29,262	351,000	1,195,000	£78,560
Day Visits (UK and International)									
	Trips		Spend						
Total 2018	4,660,000		£184,807						

Source: The Economic Impact of Tourism on Winchester 2018 (commissioned by WCC from Tourism South East)

Table 10 overleaf illustrates a breakdown of tourism revenue by the various categories of expenditure. It illustrates that Accommodation is the highest item of expenditure for overnight tourists followed by Catering and Shopping although Travel is also significant for domestic visitors. Shopping is the highest item for day visitors, followed by Catering.

	Domestic Staying		Overseas Staying		Day Visitors		Total	
Accommodation	£17,025	35%	£10,280	35%	£0	0%	£27,305	10%
Retail	£7,802	16%	£6,971	24%	£83,348	45%	£98,121	38%
Catering	£9,807	20%	£6,272	21%	£65,052	35%	£81,131	31%
Attractions	£4,072	8%	£2,850	10%	£17,926	10%	£24,848	9%
Travel	£10,592	21%	£2,888	10%	£18,481	10%	£31,961	12%
Total 2018	£49,298		£29,261		£184,807		£263,366	
Other trip related expenditure							£6,450	
Total 2018 with 'other' expenditure							£269,816	
Source: The Economic Impact of Tourism on Winchester 2018 (commissioned by WCC from Tourism South East)								

Slightly more recent visitor statistics, from a different source, are most easily viewed separately for domestic and inbound (international visitors). Day visitors are not similarly divided and as shown above, are a substantial part of the city's visitation although far less valuable per visitor in financial terms. In Table 11 below we illustrate Day Visitor and Domestic Overnight Tourism to Winchester. Because of a relatively small sample size Visit England only release these statistics on the basis of a three year period although the actual figures are averaged to reflect a single year. It appears that the 2017-19 figures rather understate the city's tourism in comparison to prior years data and the above differently sourced figures but we report it according to the original source, albeit with some scepticism. We show historic data subsequently. The table illustrates the city received 4.69m day visitors generating expenditure of £106m in the average year from 2017 to 2019 noting the above comment. As is usual, the number of overnight visitors is far fewer than day visitors but on a per capita basis they generate far more revenue within the city. On average per annum between 2017 and 2019 there were reported to be 244,000 overnight domestic visitors that stayed 672,000 visitor nights in the city and spent £36m per annum.

Table 11
Summary of Annual Domestic Visitation to Winchester (annual average 2017-19)

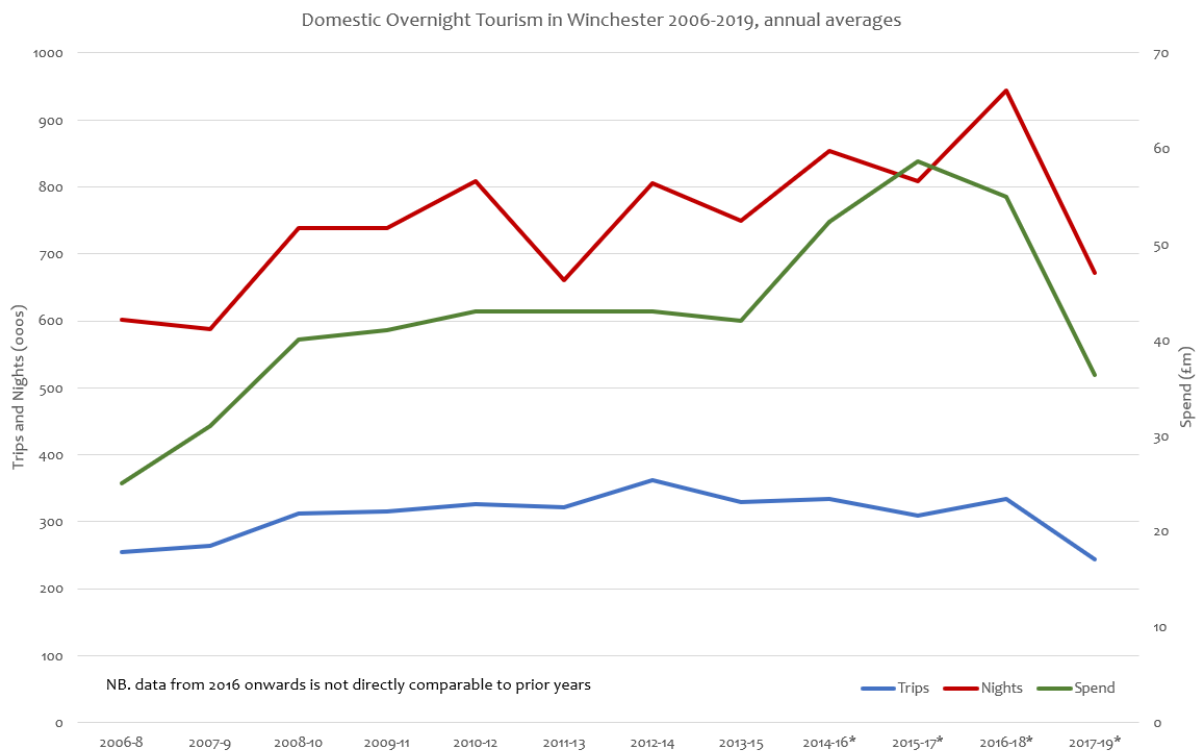
	Trips/Visits (million)	Nights (million)	Spend (£million)	Spend per Trip	Spend per Night	Trips/Visits %	Nights %	Spend %
Day Visits	4.69		106	22.60				
Overnight Tourism	.244	.672	36	147.54	53.57	100.0	100.0	100.0
of which:								
Holidays	.087	.203	19	218.39	93.60	35.7	30.2	52.8
VFR	.115	.352	10	86.96	28.40	47.1	52.4	27.8
Business	.026	.086	4	153.85	46.51	10.7	12.8	11.1

Source: Visit England

It can be seen that the highest number of visitors are reported to be Visiting Friends and Relatives although Holidays – which includes all Leisure travel such as short breaks – were the largest revenue generator with some £19m of the total £36m revenue. Per the above we have some scepticism with regard to 2017-19 data and do not further comment, unfortunately a comparable breakdown for prior years is not easily available.

In the chart overleaf we have illustrated the statistics for domestic tourists since 2006 in the three year periods in which the statistics are presented. There is a caution that figures

incorporating 2016 and subsequent are not directly comparable to those prior due to a change of methodology. The number of visits was relatively consistent across the period from 2008 to 2018, ranging from 312,000 to 362,000, the highest figure being in 2012-14. 2017-19's slump seems unjustified and is most likely an aberration as stated above. Nights spent have fluctuated more significantly, the 943,300 achieved in 2016-18 being by far the highest and the slumps in 2011-13 and 2017-19 being out of kilter with the norm which has typically been in the 850,000 region +/- 50,000. This is not easily explained by hotel industry performance nor by supply changes and perhaps casts some doubt on the accuracy of the high-level statistics. Expenditure rose to a peak of £58.7m in 2015-17 but has fallen back in the two most recent periods under review.



In terms of International Visitors, we illustrate Winchester's performance from 2010 to 2019 using Visit Britain data. These statistics contain a warning about over-reliance due to the relatively small sample sizes. Thus there are fluctuations in the time series below. Data is only available in terms of visitor numbers, albeit sub-divided by motivation, as illustrated in Table 12 below. The data shows some fluctuations with peaks in 2011, 2013 and 2019 in the range 84,000 to 90,000 although most other years are somewhat lower. Interestingly the Visit Britain data estimated 78,000 international visitors in 2018 compared to 66,000 in the Winchester report reported earlier.

Holiday is the largest motivation of travel followed by, and sometimes superseded by, Visiting Friends and Relatives. Business travel accounts for only a relatively small proportion of International visitors.

Table 12
International Visitors to Winchester 2010-2019 (000s)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Holiday	24	48	17	34	22	22	19	20	28	40
VFR	32	28	32	30	26	17	24	30	40	32
Business	4	13	13	15	9	8	16	11	4	12
Study	0	1	1	1	2	4	1	3	0	1
Other	0	1	2	5	1	2	2	6	0	n/a
Total	60	90	65	84	58	52	59	67	78	86

Source: Visit Britain

Domestic Visitors are more numerous in Winchester than International visitors, albeit that macro data tends to show that normally International visitors are higher spending than Domestic travellers.

In Table 13 below we summarise the leading international markets for Winchester since 2010. Once again we note that the samples on which this data is based are small, and therefore there are fluctuations. European countries dominate the table of the top 11 markets of origin although the USA and Australia both feature. Data shows that Germany, Netherlands, Spain and France are typically the largest European markets albeit there is no particular reliance or dominance on one particular country.

Table 13										
Staying Visits in Winchester by Key Overseas Markets 2010 – 2019 (000s)										
Country of Residence	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Germany	7	7	5	8	4	4	8	3	6	14
USA	9	8	7	7	4	6	6	12	8	9
Netherlands	4	11	3	8	4	2	2	5	2	7
Spain & Andorra	4	3	7	3	6	2	6	5	6	6
All other E. Europe		12				1	1	1		5
Australia	3	5	7	6	5	5	4	2	2	5
Italy & San Marino	6	12	2	4	6	6		8	9	5
Hungary				3						5
Turkey						1				4
Portugal	2	1	1							3
France & Monaco	3	8	7	12	6	3	8	8	15	3
Source: Visit Britain										

4 – The Potential Hotel Site

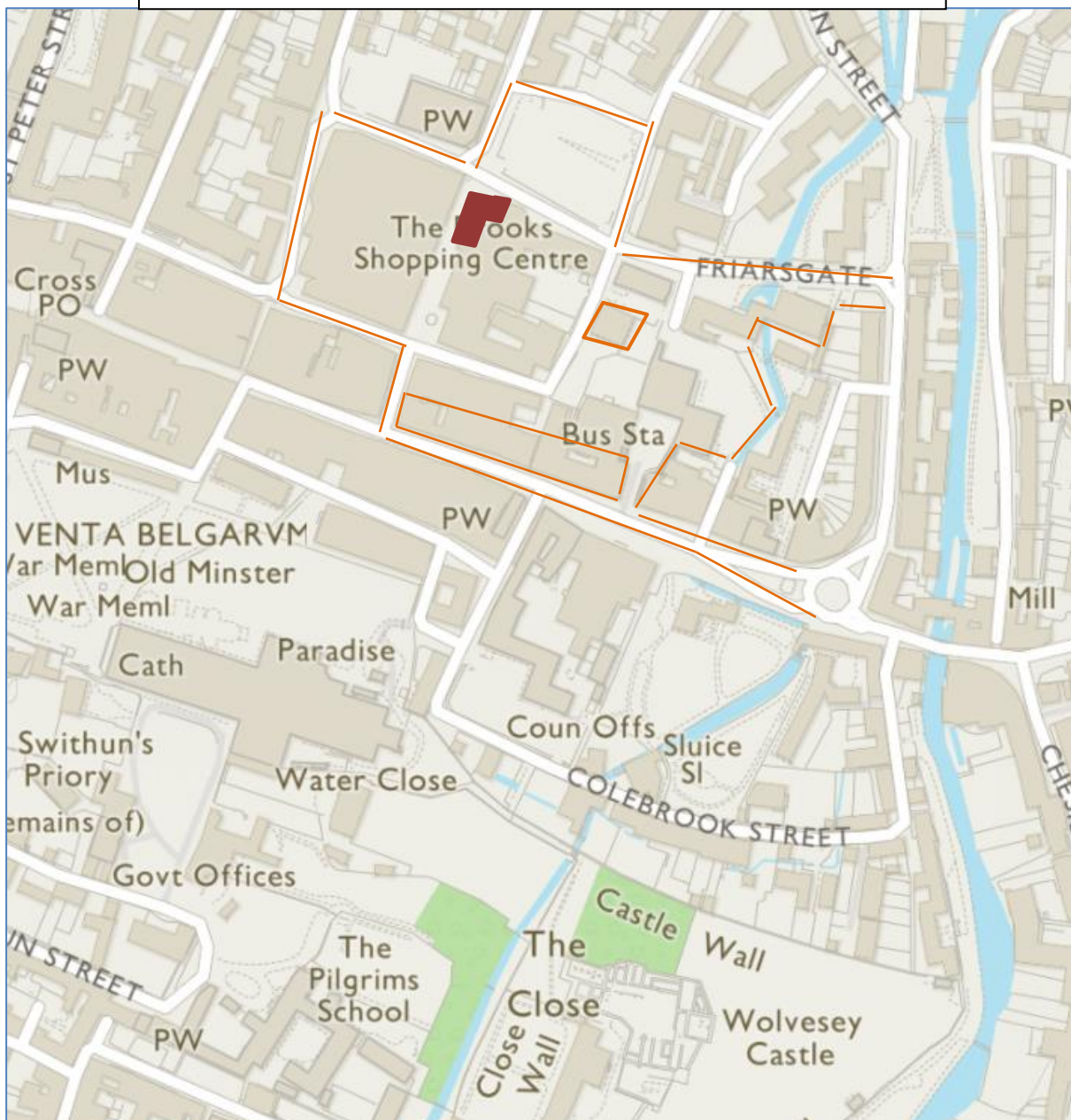
Introduction

In this section we consider the potential hotel site within the context of the emerging Central Winchester Regeneration scheme. We comment on factors that are key to hotel development such as location, accessibility, visibility and proximity to demand generators and consider these in both the current situation as well as within the future development scenario to the extent this can be envisaged.

The Central Winchester Regeneration scheme and Potential Hotel Site

The area of the Central Winchester Regeneration scheme is approximately defined within the orange lines on Map 1 below, noting two 'excluded areas', and the hotel site is currently envisaged on a L-shaped site towards the north west of the scheme. The scheme and its proposals are still emerging and the area and the hotel site are depicted based on our current understanding.

Map 1
Location of Central Winchester Regeneration and potential hotel site



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Central Winchester Regeneration (CWR) scheme

CWR¹ will most likely be better known to readers of this report than to ourselves, and given that planning and development proposals are ongoing it will have further progressed before the hotel proposition comes to fruition. We have had a briefing from the project team and have seen, but not received copies of, proposals just prior to the date of this report. Nonetheless our commentary is relatively brief in the above context.

CWR is based on a Supplementary Planning Document (SPD)² which was adopted by Winchester City Council in June 2018. The SPD explains that “The Central Winchester Regeneration is an opportunity to bring positive changes to the city centre by delivering a dynamic mix of uses which will reinforce the cultural/heritage and retail heart of the city, alongside providing additional residential and other appropriate uses.”

The document defines the area, in 1.3.1 to 1.3.4 as follows:

- “The CWR area covers 4.5 hectares of land within the city centre, defined by Upper Brook Street to the west, Friarsgate and Middle Brook Street car park to the north, St John’s Almshouses and the Lower Brook stream to the east and the Broadway and lower High Street to the south.
- Located on the eastern edge of the city centre, the regeneration area is at an important interface between the commercial uses and markets of the High Street, the civic buildings and spaces of the Broadway and Guildhall, and residential streets to the east and the north.
- The regeneration area includes the Broadway, bus station, health centre, Kings Walk, Friarsgate retail area, The Brooks shopping centre, plus parking and delivery areas. There are also a number of vacant and under-used buildings.
- The whole area is located within the Walled City character area of the Winchester Conservation Area. There are no listed buildings within the regeneration area, however existing buildings of interest include the Antiques Market and Woolstaplers’ Hall.”

The subsequent and continuing work being undertaken by the project team envisages a mixed use development consistent with the SPD objectives, including:

- Residential;
- Retail;
- Hotel;
- Offices;
- Workspaces including creative, artistic and maker space;
- Food and beverage;
- Street Market.

It is envisaged as a relatively low density area with built space of some 32,167m² currently being envisaged compared to the 50,700m² permitted by the SPD. This takes account of subsequent public comment during consultation. It is hoped that additional river frontage will be opened up on the eastern side of the site which would add attractiveness and animation.

The envisaged hotel would be part of a mixed use development mainly fronting Middle Brook Street opposite the existing Brooks Shopping Centre. This is envisaged to contain some 10,320m² of built space with around half comprising the hotel.

¹ <https://www.winchester.gov.uk/projects/5744/central-winchester-regeneration>

²

<https://www.winchester.gov.uk/assets/attach/16338/Central%20Winchester%20Regeneration%20Supplementary%20Planning%20Document.pdf>

Hotel Location

The hotel is currently envisaged in an L-shaped building to be located at the corner of Middle Brook Street and Friarsgate. The location is currently approximately occupied by Iceland and Poundland stores. The longer leg of the 'L' would be along Middle Brook Street and the building would comprise up to 5 storeys with bedrooms on floors 1 to 5 and food and beverage areas on the ground floor. The frontage onto Middle Brook Street would be envisaged as part of the street animation to be created by the development along its western fringe opposite the shopping centre. We assume the main hotel entrance would be on Friarsgate to facilitate vehicular drop-off and pick-up although the detail of this is not yet envisaged.

Accessibility

The hotel site is highly accessible within Winchester although we envisage some changes to the road system may occur in light of the major development to take place. Middle Brook Street in front of the potential hotel is currently, and would still be, pedestrianised. However Friarsgate is part of the B3331 which runs through the centre of Winchester with traffic in a one way direction from east to west from Eastgate Street.

Traffic from the M3 Junction 9 would likely approach the city centre down Wales Street, onto Union Street which leads into Eastgate Street and then into Friarsgate. Traffic coming from the south would exit the M3 at Junction 10 and join Bar End Road towards the city centre before joining Eastgate Street and Friarsgate.

For those arriving by train at Winchester Station there are a number of potential routes that local taxis may use to reach the hotel but the car journey time is normally around 5 minutes outside peak periods. However the station is around 0.7 miles walk, a journey of some 15 minutes and some will choose to walk, especially with the ease of wheeled suitcases these days.

While we do not consider it essential for the hotel to have its own car parking it is important that those arriving by their own car have easy access to car parking in proximity to the hotel, including ideally relatively low cost overnight car parking. There is adequate car parking in proximity to the hotel although some of this closes overnight at present and this may need to be reviewed in future to ensure spaces are available.

Visibility

We expect the hotel to be visible within the locality but not widely from around the city, given sensitive historical views and relatively narrow streets that are likely to restrict visibility from further afield. It is important that the hotel is allowed reasonably prominent signage, albeit appropriate to the local environment. The internet and GPS navigation have changed the importance of roadside visibility of hotels to some extent but it is still important to create local awareness, and enable road users to easily pinpoint the property.

Adjacent Land Use

As we have previously discussed the adjacent and surrounding land will predominantly be redeveloped as part of CWR and consequently its current use is largely irrelevant but any synergistic future use, as envisaged, will be important.

Middle Brook Road is pedestrianised along its frontage with the future hotel, and this is expected to remain the case although animation and interest should improve. Across the road is The Brooks Shopping Centre which has an important retail offer, notably some larger stores. Anchor tenants include Primark and TK Maxx and other retailers include mainly branded stores compared to the more specialist and independent offer in much of the rest of Winchester.

Proximity to Demand Generators

As befits its name, Central Winchester Regeneration scheme lies in the centre of Winchester and provides easy access to the city's experience economy in terms of retail, restaurants and tourist attractions, all of which are within a 15 minute walk of the site. To the north along the remainder of Middle Brook Street and across into Park Street lies the University of Southampton art campus which educates 1,800 students.

Although many of the city's larger companies are located on business parks and devolved locations around the city and are thus not in particular proximity to the hotel, we are aware that companies' visitors do utilise hotels in the city centre and the subject hotel is not locationally disadvantaged in that regard over most of the existing supply.

We consider the site well suited to create a new hotel to serve a diverse visitor base to the city.

5 – The Winchester Hotel Market

Introduction

In this section we review Winchester's hotel market from both demand and supply perspectives. In the preparation of this section we have briefly visited most of the hotels in the city from a customer perspective (public areas only, and relatively brief visits due to the Covid-19 environment), reviewed available information on the properties, evaluated some performance data on the competitive market and spoken with some of the city's hoteliers. This has enabled a reasonably informed view of the current hotel market which frames the context for the envisaged future hotel development.

The Impact of the Coronavirus Covid-19 Pandemic

Readers of this report cannot fail to be aware of the Coronavirus Covid-19 global pandemic which continues to have a significant impact around the world at the time of writing. While this began as primarily a health issue it has subsequently affected the social environment in almost every country, and as a consequence tourism and the economy have suffered deeply. The pandemic continues at the time of writing and as at 24 September there had been more than 32.2m identified cases and over 980,000 deaths around the world.

On 23 March 2020 the UK Government ordered all hotels in the country to close unless they were solely accommodating keyworkers or a social purpose (such as the homeless). Hotels in England were permitted to open from 4 July but many did not open immediately and some are still to reopen. Some segments of demand are perceived to be weak (or absent) and international travel is constrained by mandatory quarantine from many countries of origin. The virus remains at significant levels in many countries.

Apart from international travel generally, many market segments are still curtailed. Large gatherings are banned which prevents conferences, networking events and weddings and social events from taking place, and there are many restrictions in place. Many companies are deterring their employees from business travel. Unsurprisingly the UK economy, along with most around the world, is entering a period of recession, possibly severe recession. Unemployment is rising and it is still too early to assess the full impact and the period during which economic malaise will remain, and the length of time until recovery.

It has to be noted that we are preparing this report, and the accompanying financial estimates, in that context. Given that the subject hotel is not anticipated to open for several years we have assumed that the hotel market and the economy will have recovered by then, and that the virus has either passed into history or a vaccine is developed and widely distributed. Without such an assumption the consideration of a new hotel development would be especially uncertain, and financial estimates would be substantially impaired. We trust that readers will take account of such caveat when considering the market and financial context within which our report is prepared.

Supply of Hotels in Winchester

We have considered the Winchester hotel market using a variety of information which is in the public domain, as well as our own research and hotels database.

The most recent report on the city's hotel accommodation commissioned by Winchester City Council was produced in July 2019, entitled 'Winchester Hotel Market Fact File'³ and researched by Hotel Solutions. Hotel supply data is shown in Table 14 overleaf.

³ <https://businesshampshire.co.uk/wp-content/uploads/2019/12/WINCHESTER-HOTEL-MARKET-FACT-FILE-2019.pdf>

	Hotels	Rooms	% of Rooms
5 Star	1	50	4.9
Boutique	2	38	3.8
4 Star	5	585	57.7
3 Star	1	67	6.6
Budget	5	274	27.0
Total	14	744	100.0
Source: Winchester Hotel Market Fact File July 2019 (City of Winchester Tourism Department and Hotel Solutions)			

Although this encapsulates the main hotels in and around the city our research showed that there were other smaller hotels omitted and of course, as in most of the UK, there are a number of small bed and breakfast establishments and guest houses in and around the city. We have not sought to quantify those but using our own database of hotels, updated for this purpose, we have sought to update our own hotel database which we have maintained for many years and was last fully updated at the end of 2017. By factoring key openings and closures, changes of bedroom stock in existing hotels, and internet research we have updated our listing of the hotels in Winchester. We mainly reflect properties with more than 10 bedrooms although some smaller establishments are included and thus it comprises a slightly longer listing than the above Hotel Solutions data. This database is summarised in Table 15 below.

Our notional classification system reflects on corporate hotels in three categories, Full Service (quality hotels with a full range of hotel facilities), Mid Market (hotels with a slightly lower quality), and branded budget hotels which tend to have limited other facilities beyond their bedrooms (but some have a multi-functional food and beverage offer). Consortia are independent hotels that market themselves through a recognised consortium such as Best Western and Pride of Britain. Independent hotels tend to be smaller and we categorise them by their ownership/operatorship rather than in qualitative terms. In most locations they tend to be most numerous in terms of number of hotels but fewer in bedrooms due to small sizes.

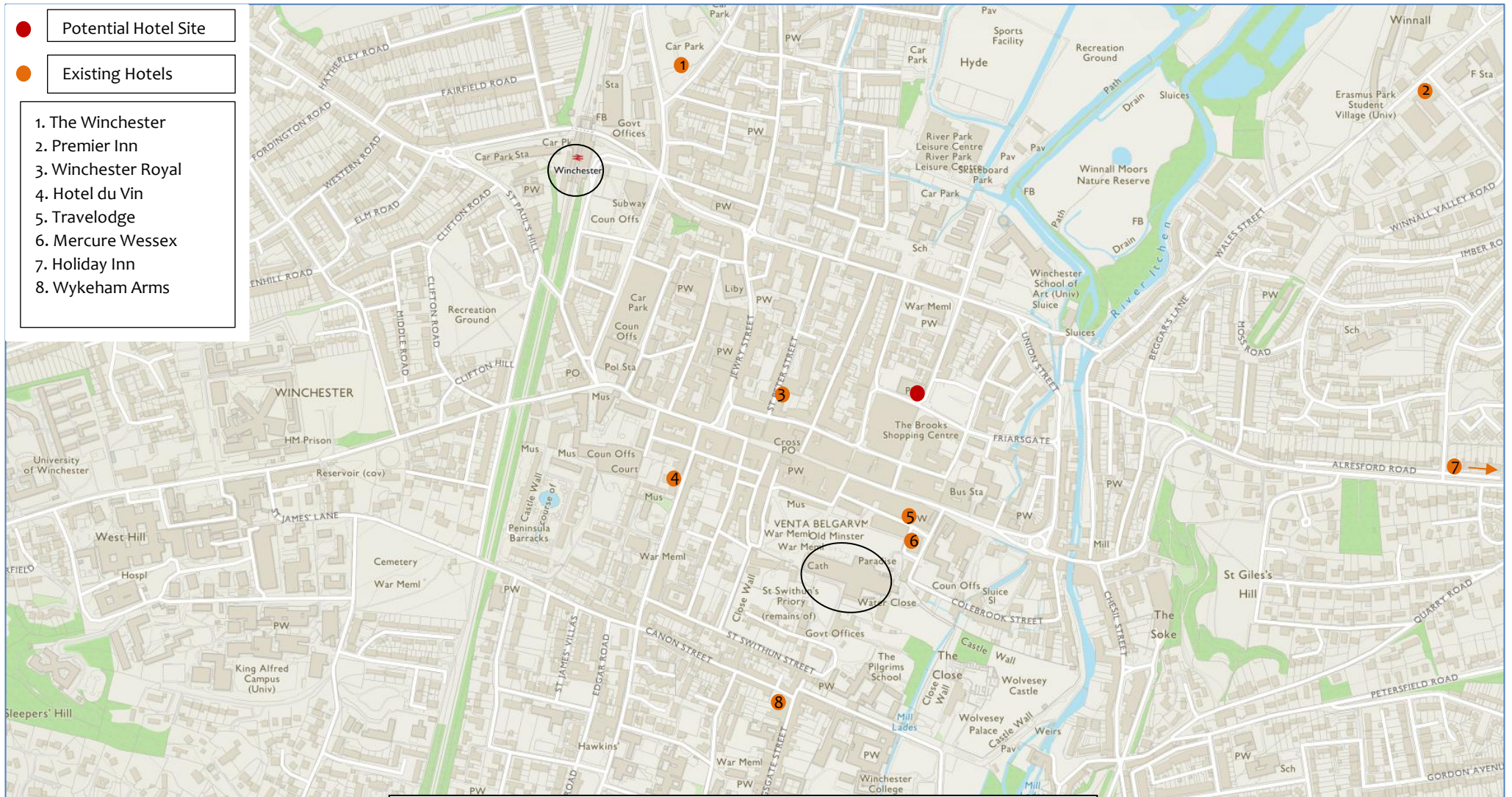
	Hotels	Rooms	Average Rooms per hotel
Full Service	3	239	79.7
Mid Market	3	293	97.7
Branded Budget	6	294	49.0
Consortia	1	81	81.0
Independent	10	172	17.2
Total	23	1,079	46.9
Source: Melvin Gold Consulting research			

The full listing of these 23 hotels, including the categories we have notionally attributed to each, is included in Table 16 overleaf. We have considered the hotels in terms of those which are located relatively centrally within Winchester and those that are in more outlying locations. The hotels are listed in room size order within the notional category that we have attributed to them.

Table 16				
Listing of the Main Hotels in and around Winchester at September 2020				
Name	Postcode	Brand	Rooms	Notional Category
Central Winchester				
Hotel Du Vin Winchester	SO23 9EF	Hotel Du Vin Ltd	24	Full Service
Winchester Royal Hotel	SO23 8BS	Best Western/ Castlebridge Hospitality	81	Consortia
Holiday Inn Winchester	SO21 1HZ	Holiday Inn/ Castlebridge Hospitality	131	Mid Market
Mercure Winchester Wessex Hotel	SO23 9LQ	Mercure	94	Mid Market
Premier Inn Winchester	SO23 7RT	Premier Inn	101	Branded Budget
Travelodge Winchester	SO23 9AL	Travelodge	62	Branded Budget
Winchester Hotel	SO23 7AB		96	Independent
Wykeham Arms	SO23 9PE	Fullers English Inns	14	Independent
Giffard House Hotel	SO23 9SU		13	Independent
Westgate Inn	SO23 8TP		10	Independent
Black Hole	SO23 9NQ		10	Independent
Bridge Street House	SO23 0HN		6	Independent
The Old Vine	SO23 9HA		6	Independent
King Alfred	SO23 7DJ		5	Independent
The Cricketers Inn	SO21 1EJ		2	Independent
Winchester Surroundings				
Norton Park Hotel	SO21 3NB	Qhotels/Aprirose	165	Full Service
Lainston House Hotel	SO21 2LT	Exclusive Hotels	50	Full Service
Marwell Hotel	SO21 1JY	Bespoke Hotels	68	Mid Market
Days Inn Winchester	SO21 1PP	Days Inn	40	Branded Budget
Days Inn Winchester Sutton Scotney S.	SO21 3JY	Days Inn	40	Branded Budget
Days Inn Sutton Scotney N.	SO21 3JY	Days Inn	31	Branded Budget
Barton Stacey	SO21 3NP	Travelodge	20	Branded Budget
Running Horse Inn	SO22 6QS		10	Independent
Source: Melvin Gold Consulting research				

We show the locations of the main hotels in central Winchester on Map 2 on the following page.

Map 2 – Map of Winchester area competitive hotel supply



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As is evident from the foregoing, Winchester and its environs have a relatively low number of hotels and supply is qualitatively and locationally diverse. Two of the hotels that we categorise as Full Service are located some distance from the city, the remaining one, the Hotel du Vin, is small. The hotel stock within the city is predominantly Mid Market with just 2 branded budget hotels.

The largest hotel in the area is Norton Manor, some 10 miles outside the city and now comprising 165 bedrooms after extension by Qhotels following acquisition in the early years of this century. The former manor house is now dwarfed by more modern extensions comprising bedrooms and conference rooms. Although the manor house is at its heart and its rooms attract a premium price, the hotel, now owned by Aprirose, is predominantly a conference hotel during the midweek period with leisure guests attracted at the weekend. This activity is supported by the spa and leisure club and the hotel, within extensive grounds, is also a popular wedding venue. The property is now the largest hotel within the Winchester market.

Lainston House is probably the best hotel within reach of the city, some 4 miles to the north west. The property is a country house style hotel with some 50 bedrooms and compact food and beverage and conference and events facilities including the attractive 17th Century Dawley Barn. It is the only 5-star hotel in the area and is operated by Exclusive Hotels.

Hotel Du Vin is located in Southgate Street in the city centre in a listed Georgian building. It was the first Hotel du Vin in the UK, and among the smallest with just 24 rooms. The restaurant, bar and private dining facilities tend to underpin the business and we understand are typically a motivation for the stay of most guests. Nonetheless the hotel tends to be the highest priced within the city centre and we assume is first choice for visiting senior executives and popular with leisure guests as is typical of the brand.

There are three other major hotels located in Central Winchester. The most attractive in terms of first impression is the Winchester Hotel and Spa which is independently owned and operated. Having previously been a Queens Moat House hotel, and then owned and operated by Pedersen Group, the current owners have clearly invested in the property to allow it to emerge positively from a rather chequered history. The hotel is located slightly north of the centre not far from the station although the forecourt, comprising a public car park and public toilet facilities, provides a less than inspiring sense of arrival. The hotel also includes a full leisure centre and spa, the only one among the city centre properties. There is also a restaurant, bar and 4 meeting rooms capable of handling up to 200 people.

Best located is the Mercure Wessex Hotel, franchised from Accor hotels. The hotel enjoys an unparalleled central location adjacent to the Cathedral grounds with some uninterrupted views. The building itself is a rather bland modern building and the public areas appear rather dated and uninspiring. The hotel's main banqueting suite can accommodate dinners for up to 200 but there are only four other meeting rooms and so syndicate and break out facilities would be a constraint for conferences. The hotel has car parking for 60 cars although the car parking further detracts from the attractiveness of the hotel. There is no doubt that the hotel enjoys a superb location but its true potential would only be unlocked by significant capital expenditure which has not been forthcoming for many years.

On the north side of the city centre lies the Winchester Royal hotel. The property is currently closed and we were unable to visit even its public areas although we did see the hotel some years ago under previous ownership. This is a three star property which has developed from a private residence and was formerly a Bishop's residence and a convent. As such, parts of the property have charm but its age poses some operational constraints as well. The restaurant is in conservatory style, overlooking a pleasant garden, and the

hotel also has a lounge and bar as well as car parking for around 50 cars. The conference and banqueting facilities can accommodate 120 for dinner in the largest room and there are 5 smaller rooms. It is difficult to comment further, and unfair to do so, without recent inspection. The hotel re-opened post-Covid on 25 September.

The Holiday Inn Winchester is in similar owner- and operatorship to the Winchester Royal, albeit operated under a franchise agreement. A General Manager oversees both properties. Until recently the hotel was operating as an NHS post-operative care facility (or similar) to free-up hospital capacity for other patients and we were unable to gain access during our visit and have not previously visited this property. It opened in 2010 and recently underwent a refurbishment programme at a cost of some £2.5m. The hotel reduced its number of bedrooms from 141 to 131 during that programme in order to create a larger spa and leisure club facility. The hotel has incorporated the Holiday Inn Open Lobby concept with the Restaurant and Bar incorporated into the reception area. We understand the hotel has 9 conference and events rooms capable of events up to 180 people, and also benefits from a leisure club and spa. The hotel is located close to Winchester Science Centre not far from the M3 on the outskirts of Winchester. The hotel will open again as a hotel by the end of September.

The Wykeham Arms is attractively located in the narrow streets around Kingsgate and although classified as a boutique hotel by Hotel Solutions is actually marked as a Pub with Beautiful bedrooms by owners Fullers. From its website it has a boutique style among the 14 bedrooms and it is apparently able to compete in price terms with leading hotels in the city, especially for leisure visitors.

There are 6 branded budget hotels around the city although only two are in the city centre. The 101 bedroom Premier Inn is located on Easton Lane between the city and Junction 9 of the M3 close to an industrial park. The Travelodge, located between High Street and Market Lane in the city centre, is the newest hotel in the city having opened in 2019. The remaining 4 budget hotels are located in motorway or roadside service areas around the city and most likely host transient travellers passing through the area, and contractors and other mobile workers.

There are two other hotels worthy of mention. 13 bedroom Giffard House Hotel is located in a residential area close to the centre and achieves the distinction of being the number one ranked hotel in the city on TripAdvisor. It is unclear how it is marketed since it does not even have its own website and the pictures on TripAdvisor are not especially attractive and yet it is one of only two hotels in Winchester to achieve 4.5/5 for its guest reviews, the other being Lainston House. However no reviews have been posted since December 2019 and it did not appear to be open at the time of our visit.

Marwell Hotel, located adjacent to Marwell Zoo some 8 miles to the south of the city comprises 68 bedrooms with supporting food and beverage and conference and events facilities as well as a leisure club. The property is operated by bespoke Hotels and we believe is active in the leisure and conference markets.

Changes in Hotel Supply

Our interrogation of the Winchester City Council planning website reveals no current applications for new hotels nor any historic applications that are still pending. The most recent new addition to supply, as mentioned above, was the Travelodge in June 2019.

The Holiday Inn reduced its bedrooms count by 10 in the first quarter on 2019 and at some stage the 13 bedroom Harestock Lodge Hotel closed its door for conversion to a nursery.

Lainston House has approval to add a conference room in one of its courtyards and this would reduce its bedroom count by 3 rooms. This was approved in 2018 but it has not

proceeded to date and it may be questionable as to whether it would be viable in the Covid-19 environment although we have not discussed this with the company.

We are unaware of any other changes to Winchester’s hotel supply nor any others that are planned.

Hotel Performance in Winchester

We have considered hotel performance in Winchester through the data presented in the 2019 Hotel Solutions report but especially through a bespoke data sample that we have commissioned for this purpose.

In the Winchester Hotel Market Fact File July 2019 Hotel Solutions presented the data summarised in Table 17 below in respect of three samples of hotels in the city for the years 2016 to 2018. This illustrates that the city’s hotels demonstrate strong level of occupancy performance at levels above 75% for all samples, around the typical UK regional average during that period. The sample including the boutique hotels – Hotel du Vin and Wykeham Arms – and excluding the Holiday Inn and Norton Park shows the highest Occupancy and Average Room Rate above 80% and £82 respectively.

	Occupancy %			Average Room Rate (£)			RevPar (£)		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Winchester 4 Star Hotels ¹	76.5	75.4	75.0	75.07	77.07	79.17	57.43	58.08	59.40
Winchester City Centre 4 Star & Boutique Hotels ²	82.8	82.0	82.4	82.21	83.00	85.15	68.04	68.10	70.18
Winchester Hotels (All Standards) ³	77.8	77.3	76.3	80.11	81.55	83.43	62.34	63.02	63.67
1. Sample: Mercure Wessex, The Winchester, Winchester Royal, Holiday Inn Winchester, Norton Park									
2. Sample: Mercure Wessex, The Winchester, Winchester Royal, Hotel du Vin, Wykeham Arms									
3. Sample: Lainston House, Mercure Wessex, The Winchester, Winchester Royal, Holiday Inn Winchester, Norton Park, Hotel du Vin, Wykeham Arms, Premier Inn Winchester									
Source: Winchester Hotel Market Fact File July 2019 Hotel Solutions survey of Winchester hotels May-July 2019									

Hotel Solutions analysis stated “4-star achieved room rate and revpar performance in Winchester has been below the national average for UK provincial 3/4-star chain hotels, due largely to a largely leisure driven market here and a lack of high-rated corporate business. Achieved room rates are stronger for city centre 4-star and boutique hotels, but are still below the national 3/4-star chain hotel average. Overall achieved room rate and revpar performance for all standards of hotel is well ahead of national averages, however this is not really a valid comparison due to the dominance of 4-star hotels in the Winchester hotel supply and the inclusion of the 5-star Lainston House in the Winchester data.”

We have obtained a data sample from STR, a firm which receives operating data from hotels and provides benchmarking and data samples as a service to the sector. The data commissioned includes the contributing city centre hotels although we have excluded the branded budget hotels. High level key performance indicator data is included in Table 18 overleaf, and the contributing hotels are named within the table.

The sample size is reasonably consistent over time although the Holiday Inn reduced its bedrooms by 10 in Q1 2019 and the Wykeham Arms only entered the survey from January 2018. It should also be noted that the 59 bedroom Travelodge entered the market in June 2019 and although it is not included in the sample its impact on performance of the other hotels should be considered.



As would be expected the data is reasonably consistent with that reported by Hotel Solutions although our sample does not precisely coincide with any of their samples. RevPar declined in 2019 which may be partly impacted by the opening of the Travelodge but is most likely more in line with the industry cycle which was flattening in many places after years of growth since the 2007/8 recession. It could be argued that the city's hotels have performed well in sustaining several years of growth as well as a new market entrant.

From an industry and city perspective we would argue that it is disappointing that the city's hotels have not enjoyed more investment given the strength of performance, albeit that some investment has taken place at The Winchester Hotel and The Holiday Inn. We also note that hotel performance does not support the decline in overnight tourism which is reported in the tourism data presented previously.

Monthly Performance of Winchester's Hotels

In Table 19 below we present the 2018 and 2019 monthly data the sample of Winchester Hotels.



The data illustrates a strong performance of more than 80% Occupancy from May to October in both years, most likely supported by the strength in both the corporate and leisure markets in that period. January is clearly the most difficult month and the only month when Occupancy dips below 60%. It also sees the weakest Average Room Rate performance as hotels yield manage to shore up Occupancy.

The January to March period is clearly weakest in both Occupancy and Average Room Rate and encouragingly December, which is often weaker in other locations, achieves a reasonable level of Occupancy and strong Average Room Rate. The strongest month in RevPar terms in 2018 was September and June was strongest in 2019. We understand that events within easy reach can create peaks of demand and the ability for hoteliers to premium price. Events mentioned were the Southampton International Boat Show, Goodwood Horse Racing, the Farnborough Airshow and the Boomtown festival.

Daily Performance of Winchester Hotels

In Table 20 below we summarise daily hotel performance for the sample of hotels for the past three years ending in March each year. The downturn of business, especially in March 2020 as the UK entered the Covid-19 lockdown, does have a slight distorting effect on the 2019/20 data.

The data illustrates the significant importance of Saturday nights throughout the year, especially in Average Room Rate terms. Although Occupancy is strong – consistently above 80% – on Tuesdays, Wednesdays and Saturdays, the Average Room Rates achieved on both Friday and Saturday nights are significantly above those achieved in the rest of the week. Hoteliers report that individual leisure travellers are far less price sensitive than corporate travellers (and most likely their procurement teams) and the demand at the weekends and other strong leisure periods enables premium pricing to be obtained.



Despite this, Tuesday and Wednesday nights typically achieve higher RevPar than Fridays. Sundays are by far the weakest by all key performance measures, a common problem in most UK locations.

Underlying data shows that Saturday nights in July and August are the strongest nights/months of the year and that no other night in any month is able to breach the £100 RevPar (net of VAT and breakfast) mark.

Market Segmentation of Winchester Hotels

Given the variety of different types of hotel in the area, the variances in location and other factors previously discussed, we have not sought to produce a market segmentation analysis and neither is a consolidated market segmentation likely to be useful in this particular case. The averages would likely significantly disguise the variances. Instead we briefly comment on the segments which are evident in the area and we also note the further relevant commentary within the 'Winchester Hotel Market Fact File July 2019'.

Corporate. Business concentrations in Hampshire tend to be either along the south coast in areas around Portsmouth and Southampton or along the upper M3 corridor from Basingstoke north through Farnborough. Winchester is not a major business centre although there are major companies, such as Arqiva and IBM, present in the area as well as a large number of smaller businesses and public sector organisations. The larger companies tend to have corporate rate agreements in place with their preferred hotels and these are typically negotiated at a discounted rate depending on the volume produced. We understand that such contracts are highly competitive within the area and buyers typically have the upper hand in negotiations. There are also transient business people travelling along the area's major thoroughfares or visiting smaller companies in the area and they may book through hotels' own websites or through online travel agencies at the prevailing rates. As we have shown above, achieved room rates tend to be lower in midweek which reflects the hotels' pricing in that period compared to the more leisure dominated weekend and holiday periods.

Winchester Hotel Market Fact File reported that "Corporate demand is the key source of midweek trade for Winchester hotels, accounting for just over half of weekday occupancy. Winchester hotels primarily cater for overspill corporate demand from companies in Eastleigh, and to some extent also in Andover, Basingstoke and Southampton. There is very little corporate demand for hotel accommodation from Winchester itself. The local corporate market consists mainly of small amounts of business from the companies that are located in the city." While recognising the volume reported in that report our discussions with hoteliers tended to focus on the pricing and balance of negotiations in favour of the corporates rather than the need to attract business from further afield.

Conference. Many of the hotels in the area offer conference facilities and are seen as being attractive locations in the central southern England context. Facilities, brand affiliation and marketing, and key relationships are factors which influence where such business is placed and the extent of the business therefore varies from hotel to hotel. Clearly hotels outside the city centre with significant conference facilities – especially Norton Park and the Holiday Inn Winchester, but also Marwell Hotel and to some extent Lainston House – tend to be more focused on this market than the city centre hotels.

Individual Leisure. This is a key business source, especially for the central Winchester hotels. We have earlier discussed the city's tourism attractiveness, attractions and statistics. Outside the city centre the hotels also attract this source to some extent, although this is partly driven by their own facilities and visitors are likely to strike a balance between external tourism and leisure and dining activity within the hotel.

Leisure demand is also driven by events that take place in the area, both private and public. Thus weddings and private parties tend to bring visitors to the area but also events in the area such as the Boat Show and Goodwood horse racing. Winchester Hotel Market Fact File noted that "University graduations generate high demand for hotel accommodation in Winchester when they are held in the summer."

Group Leisure. Although there is demand for tour groups to the area and its hotels, this demand source tends to be low priced and hoteliers tend to prefer other higher priced demand sources. Winchester Hotel Market Fact File observed that “UK and overseas group tours are a minor market for Winchester hotels. This is generally a low-rated market which hotels do not really need as that are able to fill with higher-rated leisure business.” Thus the small volume of business from this source is not necessarily due to lack of demand but more that it is displaced in favour of ‘better priced business’.

Cruise Passengers. Winchester Hotel Market Fact File stated that “Cruise passengers leaving from Southampton that either specifically want to have a pre-cruise stay in Winchester or that opt to stay in Winchester due to the price or unavailability of hotel bedrooms in Southampton.” We were unable to quantify this source of demand and it was difficult to discuss in the current pandemic environment given the impact of Covid-19 on the cruise industry.

In general Winchester’s hotel market has a fairly typical UK regional demand pattern with corporate and conference demand being relatively dominant in the midweek, except during the holiday periods, and individual leisure demand being far more important at the weekends. Importantly hoteliers are able to achieve higher prices from leisure travellers and some hotels – such as Hotel du Vin and Lainston House – are actually the prime motivation for the visit.

Best Available Tariff Comparison

We have sought to investigate the Best Available Rate tariffs currently available at some of Winchester’s hotels. Hotels no longer operate with a standard published tariff and instead fluctuate their pricing according to demand. This reflects on both their own website as well as through third party online travel agencies. Not all rooms are sold at the Best Available Rate, some rooms in the corporate, leisure and conference segments being subject to contracted or specially negotiated rates.

This exercise is hampered by the post-closure period related to the Covid-19 pandemic, whereby hotels are only relatively recently opened (some were not yet open but planned to do so), and still re-entering the market and trying to attract guests who still have some reluctance to travel and visit hotels. Thus tariffs may not be at the normal levels, and different hotels may have adopted strategies that are contrary to their, or the market, norm. Nonetheless, this type of analysis can be important and revealing, at least in terms of relative pricing and positioning in the market, and we present it despite its current potential constraints.

We have compared the Best Available Rate for a double/twin room at each hotel for a Wednesday night and a Saturday in each of October and December 2020 and April 2021. We also show the ranking position of each of the hotels in terms of rate set on each night, where 1 is the highest priced and 10 is the lowest. The results are shown in Table 21 overleaf.

The analysis shows that, unsurprisingly, Lainston House is typically the highest priced hotel in the area normally followed (and once superseded) by the Hotel du Vin. They are typically priced significantly above the remainder of Winchester’s hotels.

The Wykeham Arms is normally ranked 3rd and we note that sometimes it offers Saturday nights only as part of a 2-night stay, it is not possible to stay for Saturday only. This is common practice in some strong leisure destinations but we only found it evident at this property. It is likely that in ‘normal’ times other hotels in the area would apply a similar approach.

The Winchester Hotel once achieves 3rd place but is more typically 4th or 5th ranked, Norton Park and the Winchester Royal both vying for 4th place on occasions. As might be expected

the branded budget hotels, Travelodge and Premier Inn, tend to be placed 9th and 10th with Travelodge normally above Premier Inn in contrast to their national positioning, most likely due to Travelodge's more central location and smaller size (although Premier Inn is higher looking forward to April).

The Holiday Inn and Mercure Wessex hotels also tend to be relatively low ranking, most likely reflecting location in the case of the former and condition of the property in the latter hotel. This is despite them being the only hotels in the city to benefit from strong international brands.

There is little variance of pattern in the rankings depending on midweek or weekend which often might be the case if a particular hotel had a discernible strength in either the leisure or corporate market.

Lowest Published Tariff (£)	Wed 28 Oct	Sat 31 Oct	Wed 9 Dec	Sat 12 Dec	Wed 21 Apr	Sat 24 Apr
Hotel Du Vin Winchester	174	229	155	229	149	229
Winchester Royal Hotel	89	109	139	159	129	129
Holiday Inn Winchester	74	80	79	80	75	77
Mercure Winchester Wessex	68	83	89	139	72	78
Premier Inn Winchester	46	38	41	66	59	81
Travelodge Winchester	49	52	49	96	52	58
Winchester Hotel	89	129	109	199	99	159
Wykeham Arms	144	164	144	164	144	179
Norton Park Hotel	101	101	101	122	101	101
Lainston House Hotel	166	256	166	319	175	256
Rank per Day						
Hotel Du Vin Winchester	1	2	2	2	2	2
Winchester Royal Hotel	5	5	4	5	4	5
Holiday Inn Winchester	7	8	8	9	7	9
Mercure Winchester Wessex	8	7	7	6	8	8
Premier Inn Winchester	10	10	10	10	9	7
Travelodge Winchester	9	9	9	8	10	10
Winchester Hotel	5	4	5	3	6	4
Wykeham Arms	3	3	3	4	3	3
Norton Park Hotel	4	6	6	7	5	6
Lainston House Hotel	2	1	1	1	1	1
NB. Prices are headline Double 'from' price on hotels' own websites, which may include advance purchase						
Source: Melvin Gold Consulting research using hotel websites						

Conclusion

The city and its environs has a varied hotel base and demand profile. There appears to be little immediate prospect of any change in the supply situation given no current applications for new hotels and no identified plans for capital investment in the existing properties.

There is a varied demand base although supply-led segments, such as the leisure and conference markets, are especially evident and the corporate market is comparatively weak albeit the major segment in midweek. Tourists typically prefer city centre locations for convenience, although there can be concerns relating to traffic congestion and/or car parking, and also sometimes they are drawn to outlying properties by the ambience or facilities on offer. Any future hotel within the CWR will have to compete in this market

circumstance, albeit that it will evolve further and hopefully normalise again after the pandemic has subsided.

6 – Evaluation of the Opportunity

Introduction

In light of the foregoing, in this section we consider the future prospects for the potential hotel development. In order to do this we have considered the type and style of hotel to optimise the site and best utilise the market characteristics. The factors that we expect to influence the development of the market in the future have also been taken into account. We then estimate the key performance indicators and financial performance of the subject hotel in that context.

The future opening date of the potential hotel is unknown at the present time, nor the precise schedule of the surrounding development site. As we have discussed earlier, we assume that by the time the hotel is open the Coronavirus Covid-19 pandemic will have passed into history and that hotel trading and the economy in general will have resumed a ‘normal’ pattern similar to 2019.

Type, size and potential branding of hotel

As we have discussed earlier, we consider that the site is well suited to hotel development and would fit well within the multi-component development envisaged which will be intended to bring a ‘younger vibe, animation, look and feel’ to this regenerated zone within the centre of Winchester.

The regeneration provides the opportunity for a hotel development which would be the first ‘full service’ hotel to be developed in Winchester for many years. Nonetheless the development needs to be appropriate for the city and its hotel market and we envisage the opportunity to be for a hotel that is positioned between the existing larger city centre hotels but below the Hotel du Vin (and most likely the Wykeham Arms). It is not evident that a new hotel of any significant size could, or should, attempt to rival the Hotel du Vin within the city centre nor Lainston House which lies outside the city and thus the development should aspire to a modern, lifestyle-oriented boutique or design-led hotel.

This ‘genre’ would enable the hotel to be positioned at the optimum tier to fit the market gap without the obligations to provide all the facilities of a more traditional hotel brand. It also fits well with the younger vibe envisaged for the development overall.

We envisage that the hotel’s facilities would comprise:

- 100 bedrooms (+/- 10 bedrooms would not affect the ‘per room’ economic outcome);
- Around 10 of the bedrooms should be premium rooms, most likely 2 one-bedroom-suites and 8 larger rooms/studios/junior suites;
- A modern open lobby style design to include an all-day restaurant and bar as well as the hotel reception and any other guest services facilities;
- Two small meeting rooms also suitable for private dining. A larger space sub-divisible into two parts would provide maximum flexibility;
- And, a Mini-gym for guest use, with exercise machines and weights.

To the extent possible the premium bedrooms should optimise available views, especially if they can be positioned on the upper floor(s) of the building and oriented to facilitate Cathedral views. This will be commercially sensible in attaining the premium pricing for these bedrooms, especially from the leisure market which we understand is already seeking premium rooms, but also would be attractive in the photography and marketing of the hotel.

We do not believe the hotel needs to have its own car park but an arrangement will need to be made with a nearby car park (or car parks) whereby hotel guests can park there

overnight. The Brooks Shopping Centre car park or Middle Brook car park are close enough to facilitate this. Many hotel guests are likely to arrive by car and in many ways this is desirable so that they can enjoy the area's attractions – such as the South Downs, Marwell Zoo etc – and extend their visit beyond a couple of nights, or schedule a return visit. It is unlikely that guests would use their cars to get around the city centre, it is easily walkable and best enjoyed on foot.

We believe the hotel would quickly become known as the best of the larger hotels in the city, given its newness compared to the other properties but also the modern vibe that would be created by its style and design. It will need to be actively marketed by the operator/brand but also the city's tourism marketing may need to be enhanced to ensure that the city attracts sufficient additional visitors to maximise the opportunity provided by the first significant expansion of 'full service' hotel stock for many years.

It is likely that a new property would put pressure on the existing hotels in the city to refurbish and modernise, they may suffer a declining market condition without such investment. Given that the subject hotel will likely not materialise for many years they will have time to react, and it would be disappointing if they did not do so because this is an opportunity, through free market forces, for an improvement in the city's hotel stock to occur. However it would be a reputational risk for the city if the existing hotels did not take the opportunity to upgrade and the overall hotel stock deteriorated in standards despite the creation of a new hotel.

It is likely that the new hotel will be branded under a recognised hotel brand name, although there are many examples of boutique and design-led hotels which have been established without such a brand and many have been successful with such an approach. This depends on a brave and bold approach to becoming established within given location, and some have then spawned a small group of hotels. Indeed it could be argued that Hotel du Vin was successful through such an approach, the first being in Winchester. Similarly Malmaison from its first property in Edinburgh and Hoxton from the East End of London.

Although boutique and lifestyle hotels started with individual owners developing a property and demonstrating creative flair and marketing to reap rewards, hotel brands have tended to follow the design trends and some have developed (or bought) their own brands conforming to the genre. Some of these are positioned in the upper tiers of the market and are only really suited to gateway and capital cities (eg. Edition by Marriott and Kimpton from IHG) but others are potentially well suited to the Winchester opportunity, as follows:

Indigo. This is an IHG brand described as 'a global lifestyle hotel brand' by its owner. IHG further state that the brand is 'Driven by the character and stories of its neighbourhoods, Hotel Indigo attracts travellers who want to be immersed in the culture and experience the neighbourhood like a local, while still enjoying the assured service of a leading global brand.' To date there are 19 Indigo hotels in the UK, including locations such as Bath, Chester, Durham, Stratford upon Avon, and York which demonstrates that they are suited to market town/city locations such as Winchester.

Malmaison. Now owned by Frasers Hospitality (same ownership as Hotel du Vin) the group was established in 1994 and now has 15 hotels in the UK including smaller cities such as Oxford, Reading, Brighton, and Cheltenham, and is shortly to open in York. The group uses the strapline "Hotels that dare to be different." and further state that they are "pioneers of the modern metropolitan townhouse hotel, with an emphasis on chic, high quality bedrooms. Food and drink are also central to the character of each Malmaison hotel; our bars and brasseries are popular destinations within their local areas. Each hotel is a unique transformation, designed with a bold, adventurous vision of luxurious hospitality."

Tapestry by Hilton. Hilton have further brands due to enter the UK market of which it appears that Tapestry is the most suited to the Winchester opportunity. Tapestry is described as “a portfolio of upscale, original hotels that offers guests unique style and vibrant personality, and encourages guests to explore the local destination.” The first European property is due to open in Madrid and we assume that by the time this opportunity is ready for the market then Hilton will have Tapestry or another brand suited to the opportunity.

MGallery by Accor. “This is a collection of storied boutique hotels to discover the world and beyond, providing a delightful and unique experience inspired by the local essence of the hotel and its authentic story. With 91 addresses globally, each MGallery location leaves guests enriched with a collection of emotions that make their stay truly memorable.” The brand is present in the UK in London and Bath and the further development strategy is unclear at present but it is an individualistic design-led brand that could work on the site.

MamaShelter by Accor. If MGallery is not suited then MamaShelter may be worthy of consideration, a young brand which certainly has a young vibe and now established in East London. The company say “Mama is much more than somewhere to eat and sleep. It’s an urban kibbutz, a lively place for meeting and sharing. Mama is like motherly love. It’s like being in her arms—cosy and snug, a sanctuary, somewhere that feels good. Mama also feeds you like a mother, with generous, unique dishes designed by fantastic chefs. Like a mother, Mama just wants to take care of you!”

Hoxton Hotel. Hoxton is “A series of open-house hotels inspired by the diversity and originality of the streets and scenes that surround us.” Part of a smaller chain than the foregoing, the company is now embarking on an international strategy and after 3 hotels in London it is now open in Amsterdam, Paris, Chicago, New York and other key global cities. It is likely that it is not expanding in the UK regions for the time being but this may change in the future.

Moxy by Marriott. The Moxy brand is a stylish budget brand and is not suited to the core Winchester strategy, nor appropriate for the market opportunity that we perceive, but it is a very interesting and quirky boutique brand which is currently expanding in various UK locations. It has the appropriate young vibe but bedrooms are far smaller than envisaged and a redesign would be necessary and different financial estimates (from a larger number of small rooms) than those we have currently formulated. Marriott state “Work Hard, Play Hard. All Day, All Night. At Moxy Hotels, we don’t take ourselves too seriously. But we’re seriously into showing you a good time with small but smart rooms, stylish communal spaces and bars you’ll love.”

The above are examples of brands that may be considered for the subject property although, as stated previously, there may also be an independent owner and/or operator who would have appropriate financial strength, knowledge and experience to develop a suitable hotel on the site in the way that Hotel du Vin once did elsewhere in Winchester.

In terms of size, unless at the budget level we do not envisage the hotel being larger than 100 bedrooms given the competitive environment and market size and characteristics. This size is consistent with the other larger city centre properties and although it does not benefit from many economies of scale in its operation at this size, any larger would contain more market risk especially as we envisage the hotel mainly competing in the leisure market as we discuss subsequently.

Factors influencing future hotel performance

In considering both the market and the specific opportunity for the potential hotel there are a number of factors which we have taken account of, both relative to the existing

market and in terms of the way it may develop in the future. We briefly comment on these as follows:

- The hotel supply base is likely to remain relatively unchanged based on the absence of new proposals and the apparent limited availability of other sites in the city centre. The pandemic environment will also slow progress in other proposals coming forward most likely. Wide awareness of the subject hotel opportunity in such a central location is also likely to act as a deterrent for any less well located sites in respect of hotel use;
- It is hoped that a new hotel in the city will spur investment in the less well invested of the existing properties, some of which have not been refurbished or updated for some years. Such hotels would be ill-advised to remain passive in the face of increased more modern competition. This would change the competitive environment to some extent, especially in attracting aspirational leisure visitors but also in enabling consumer choice in respect of quality rather than price. This would have the beneficial effect of supporting the pricing estimated for the subject hotel;
- The UK appears to be entering a period of recession, possibly severe recession, along with much of the world, caused by the effects of the pandemic. Once the country emerges from this period there will naturally be a period of recovery and growth which normally would enable recovery to pre-recession levels of economic activity in real terms (based on economic history). In the medium to long terms it is reasonable to assume modest economic growth in and around Winchester. The development within which the potential hotel would be located is a key economic growth driver within the city and there is also a development project envisaged close to the station. The city has a relatively affluent population and a vibrant economic base, albeit supported by significant commuting in and out of the city, and this will be expected to remain the case as the city lies at the heart of a significant community in its economic hinterland;
- The city is a popular tourism location with a solid visitor base established over many years. The most valuable element of tourism for any location is Staying Visitors and the limited growth of visitor accommodation in the city has most likely acted as a constraint in this regard. Only the Premier Inn and Travelodge have opened in the past five years and at least one smaller hotel has closed in the same period. During the period the Occupancy (and Average Room Rate) of the main full service and mid market hotels in the city centre has risen. The Travelodge that opened in mid-2019 was only accompanied by marginal impact on the existing hotel market which can be explained by the stage of industry cyclicity. Logically when tourism figures for 2019 are fully available they should show an upturn in Staying Visitors facilitated by market expansion;
- A capacity increase in visitor accommodation should facilitate a growth in demand that can be accommodated although the limits of demand cannot easily be measured. There is relatively little marketing of the destination at present, although the website is easily searched and contains much information. We would expect city marketing and marketing by the hotel operator to act as a stimulus for demand. This is most likely to occur in the leisure segments rather than corporate demand which already appears to be adequately provided for and there is no evidence of displacement at present. Conferences can also be attracted by sales and marketing activity but are not an intended target market for the subject hotel. Leisure demand does have seasonality constraints of course, but the city has already gone some way to addressing these through the festival programme which draws new visitors as well as encouraging previous visitors to return;
- Leisure visitation can also be motivated by visits to friends and family, some visitors staying in hotels at all tiers of the market. There are modest population growth forecasts for Winchester and of course part of that growth will occur on the site adjoining the hotel. The hotel will seek to build links with its surrounding community in any case, so that it attracts food and beverage sales in the restaurant,

bar and private dining areas, and it is natural that it would seek to attract those visiting friends and relatives nearby. The hotel site is also well located for the Art Faculty of the University of Southampton which we understand educates some 1,800 students on that campus. The graduation period attracts visitors but it is also natural for family and friends to visit students during the period of study but also to drop them and collect them at the start and end of term.

Room Occupancy and Average Room Rate

In this section we have estimated the room occupancy and average room rate of the potential hotel. These two indicators combined underpin a hotel's total rooms revenue which is typically the major driver of profit for a hotel. The table overleaf sets out the appropriate calculation for a typical year of operation once the property has stabilised its performance (after the market entry period), although we note that details are sketchy at this stage, we neither know the hotel design nor brand nor the date of opening. Thus we take account of the various potential segments of demand that we expect the hotel to be able to attract, and the respective pricing applicable to each segment in current 2020 values and taking account of the conditions that prevailed during 2019 (in light of the foregoing).

In particular we have considered that:

- Most hotels no longer work with a published tariff and instead use dynamic pricing to reflect the supply and demand environment. Prices rise when there is strong demand and fall when it is weaker. Different hotels and hotel companies adopt different strategies as to how to best optimise their trading. We have earlier shown that the strongest pricing in Winchester is normally achieved in the stronger trading periods of the week/year, and vice versa. In our market segmentation estimate we have reflected the Best Available Rate that is achieved from non-contracted business at the hotel at £115 net of VAT and any package elements. There will certainly be nights when the best available price would exceed that amount, and others when it would be lower. We estimate some 20% of rooms being sold on this basis. Predominantly this segment reflects non-contracted corporate and leisure business visiting or passing through the area, for example from companies that do not have a contracted rate or leisure travellers booking via online travel agents (which is commissionable) or a hotel's own website or by telephone;
- We have estimated that the main source of demand for the potential hotel would eventuate from leisure motivated segments. As we have discussed earlier there are many stimuli for such demand in Winchester and leisure demand tends to be less price sensitive than contracted corporate demand. We have estimated an average net rate from this source at £105 although the actual price achieved will vary by month and day of the week in accordance with market characteristics. We further envisage that some leisure travellers will upgrade their stay to the suites and premium rooms to be created at the hotel and existing hoteliers report that this trend is already evident in their hotels. Winchester is an attractive location for a special occasion break and we expect the premium rooms to be in demand among aspirational travellers. The premium for those rooms is accounted for in this segment (and others such as Best Available Rate to some extent). We have estimated some 50% of the hotel's demand to emanate from leisure contracts, promotions and other marketing initiatives that attract visitors to the city;
- Although Corporate demand is a mainstay of the midweek period for some of the city centre hotels, and those in the surrounding area, we have envisaged it at a relatively limited level in the subject hotel. Given the market position of the hotel as the leading larger hotel in the city centre, we envisage it to attract the less price sensitive segments of corporate demand including companies with appropriate budgets, and senior executives who are less price constrained. We estimate this at 20% of the hotel's demand at an average net price of £90. The hotel would have a local sales manager to actively engage with the business community, and most

likely the brand would have national or international contracts in place with the largest companies or their agents, such contracts being appropriately priced for the quantum of demand from this source that the hotel seeks to accommodate;

- We have not specifically envisaged demand related to conferences and events in the hotel's meeting and private dining rooms although some might be attracted. This is not expected as a significant segment of demand at the hotel and would be incorporated in either leisure or corporate segments as appropriate;
- We have estimated some 10% of demand accommodated from Groups and Tours. These tend to be low priced and we have reflected that at £80 net of VAT and breakfast and expect that the hotel would only use it as a top up in low demand periods. Most of the city's hotels displace most of the Groups and Tours enquiries and we expect the potential hotel to do likewise. However there can be smaller and more exclusive tours using minibuses rather than full size coaches which have a more exclusive clientele and these may be attractive within the hotel's marketing strategy;
- We consider that, in a commercial environment, the existing hotels will compete to the fullest extent possible using the tools at their disposal including brand, pricing and, as discussed, probably through refurbishment. Of course these hotels will have the opportunity to take advantage of these market circumstances while the potential hotel is still in the development and construction phases. Although we do not yet know the envisaged opening date for the hotel the rates reflected are reasonable for the market circumstances that may exist at the time of opening taking account of rates in 2020 values, the market conditions that prevailed until the end of 2019 and which will develop in the future, as well as the market positioning of the hotel as discussed previously.

Estimate of Room Occupancy and Average Room Rate (stabilised performance, 2020 values)						
	Rooms Let	% Segmentation	Total Occupancy %	Average Room Rate (£)	Total Revenue £	Double Occupancy Ratio
Best Available Rate (B.A.R)	5,548	20.0%	15.2	115.00	638,020	1.5
Corporate	5,548	20.0%	15.2	90.00	499,320	1.1
Leisure	13,870	50.0%	38.0	105.00	1,456,350	1.8
Groups and Tours	2,774	10.0%	7.6	80.00	221,920	1.9
Total/Average	27,740	100.0%	76.0%	101.50	2,815,610	1.61
Source: Melvin Gold Consulting Ltd. Estimates						

We have also considered how this demand may be spread through the year and through the week using an analysis similar to that shown using the STR data for the current market earlier in this report. We have reflected a similar, but not identical pattern of demand in Tables 23 and 24 overleaf.

These estimates take account of the various market demand sources as shown above, and the market including the quality and intended positioning of the hotel. Thus pricing is consistently at a premium to the current market although this is especially reflected in periods of the strongest demand and we consider the market will be more competitive in the weaker trading periods constraining room rates available. Estimates are in 2020 values and will be rounded to an Average Room Rate of £101.50 and 76% Occupancy in our subsequent financial estimates.

Table 23
Estimate of Monthly Seasonality of the Potential Hotel

Month	Days	Rooms Available	Rooms Sold	Occupancy	ARR (£)	Revenue (£)
January	31	3,100	1,550	50.0%	75.00	116,250
February	28	2,800	1,764	63.0%	80.00	141,120
March	31	3,100	2,015	65.0%	85.00	171,275
April	30	3,000	2,160	72.0%	90.00	194,400
May	31	3,100	2,480	80.0%	95.00	235,600
June	30	3,000	2,550	85.0%	120.00	306,000
July	31	3,100	2,697	87.0%	120.00	323,640
August	31	3,100	2,697	87.0%	110.00	296,670
September	30	3,000	2,550	85.0%	120.00	306,000
October	31	3,100	2,635	85.0%	110.00	289,850
November	30	3,000	2,250	75.0%	90.00	202,500
December	31	3,100	2,387	77.0%	95.00	226,765
Total	365	36,500	27,735	76.0%	101.32	2,810,070

Source: Melvin Gold Consulting Ltd. Estimates

Table 24
Estimate of Monthly Seasonality of the Potential Hotel

Day	Days	Rooms Available	Rooms Sold	Occupancy	ARR (£)	Revenue (£)
Monday	53	5,300	3,710	70.0%	95	352,450
Tuesday	52	5,200	4,316	83.0%	97	418,652
Wednesday	52	5,200	4,316	83.0%	97	418,652
Thursday	52	5,200	3,744	72.0%	95	355,680
Friday	52	5,200	4,264	82.0%	110	469,040
Saturday	52	5,200	4,524	87.0%	130	588,120
Sunday	52	5,200	2,860	55.0%	75	214,500
Total	365	36,500	27,734	76.0%	101.58	2,817,094

Source: Melvin Gold Consulting Ltd. Estimates

The estimates illustrated in the above tables reflect a typical year of operation once the hotel's trading reaches a stabilised level. In order to portray the pattern of performance, including the build-up to optimum trading performance we have, in Table 25 below, presented our view of room occupancy and average room rate during the first five years of operation of the hotel in 2020 values. This calculation takes account of the following:

- Reduced levels of performance during the market entry period with occupancy building up from 72% initially to 76% when stabilised
- A -10% impact in Average Room Rate in year 1 and a -5% impact in year 2. This should allow for rates to normalise in comparison to existing market levels in other hotels.
- It is normal for hotel trading to build over a period of time. We estimate optimisation will occur in the third year of operation in this case (although timing and trading patterns can vary).

Table 25
Estimates of Room Occupancy and Average Room Rate during the first five years of operation in 2020 values

Year of Operation	1	2	3	4	5
Room Occupancy (%)	72.0%	74.0%	76.0%	76.0%	76.0%
Average Room Rate (£)	91.35	96.43	101.50	101.50	101.50

Source: Melvin Gold Consulting Estimates

Estimates of Financial Performance

Having arrived at our estimates of future room occupancy and room rate in 2020 values, from which the key revenue generator, rooms revenue, is derived, we have then considered the remaining factors which we expect to influence the potential hotel's operating profitability. We state the key assumptions below and then present our earnings estimates during the first five years of operation in current 2020 values in Table 26.

In preparing our statement of operating profitability we have specifically taken account of the following:

- The statement of operating profitability considers normal levels of operation in UK regional hotels by reference to industry norms and our own experience of hotel operations. However they have been adjusted for specific local characteristics of hotels in southern England, local hotel market circumstances and those of the envisaged subject hotel;
- We have assumed that the hotel will be competently and efficiently managed by an experienced hotel management company appointed by the owners, and that the hotel would be branded through a management and/or franchise agreement with a hotel brand similar to those discussed earlier. We have assumed that the hotel will be operated by a suitably experienced hotel General Manager supported by a management team. However we have reflected management fees as a Base Fee of 3% of Revenue and an Incentive Fee of 10% of Income before Fixed Charges (a proxy for Adjusted Ebitda [Earnings Before Interest, Taxes, Depreciation, and Amortisation]). There are various possible structures and this level of fees should be adequate to provide for most eventualities. Other brand costs are reflected within the estimated Administration and General costs and Sales and Marketing costs, including reservation and system fees, and loyalty scheme costs;
- We have assumed a build-up during the market entry phase to reach stabilised trading in the third year of operation. We have reflected relative efficiencies and inefficiencies during the market build up phase, for example additional Sales and Marketing activity in the early years to facilitate market awareness and trading, but reduced Maintenance costs in the initial years due to the 'newness' of the hotel;
- In assessing the food and beverage revenues we have borne in mind that the hotel will receive both resident and non-resident trade in its restaurant and bar. In particular we have assumed a high take up of breakfast given the preponderance of leisure guests who often have breakfast included in their room rate. There are plenty of restaurants in Winchester and the local restaurant scene has a strong reputation featuring independent and chain restaurants. However we expect the reputation of the hotel to be strong including its restaurant and we expect most guests to eat in the hotel restaurant on at least one night of a multi night stay. We also expect some non-residents to be attracted to the hotel for lunch and dinner. Lunch take up from residents will be less significant than for dinner and lower priced, but some will partake. We have also assumed that the open lobby environment will be attractive for residents and non-residents to enjoy a cup of tea or coffee and other light refreshments, perhaps even using the lobby as a suitable work environment given the 'open laptop' trend in many hotel lobbies and coffee shops etc;
- We expect the hotel to offer room service for its guests and have considered a modest take up for all meal sessions;
- We have proposed that the hotel includes some small meeting and private dining rooms and have factored a small amount of room hire as well as teas and coffees and lunch for conference guests, and some dinner revenue from the private dining;
- Beverage Revenue has been estimated as a percentage of food spend taking account of both bar sales as well as beverages with meals;
- Our cost estimates and ratios take account of industry norms and local market conditions. They are intended to reflect local economic conditions and particularly labour costs in a market area with 'full employment' and a variety of other

employment opportunities. For each area of the hotel we have considered Payroll and related costs, Costs of Sales and the other operational costs envisaged. This is a reasonably detailed approach for this stage of a hotel development;

- We have not prepared a specific staffing schedule for the hotel but envisage it may employ around 60 full time equivalent staff (some will be part time or casual), a ratio of 0.6 staff per bedroom which is not unreasonable for the quality of hotel envisaged taking account of some level of multi-tasking to ensure maximum efficiency, and this will be facilitated by the open lobby layout and the efficient layout of facilities in a new-build modern hotel. The construction of our financial estimates enables us to extract a payroll cost figure, including on-costs, bonuses etc, at £1.35m, some 29.3% of revenue at stabilisation. This would equate to some £22,417 per employee based on full time equivalents and management and staffing;
- Property Taxes cannot be accurately estimated at this stage but our estimates reflect, on a per available room basis, the levels at other hotels in the city centre as well as the market positioning and location of the hotel;
- We have provided for a Furniture, Fittings and Equipment (also known as Renewals and Replacements) provision of 4% (once stabilised).

Our estimates indicate that the subject hotel should enjoy revenues of roundly £4.6m when stabilised, with Rooms as the main revenue source but a significant Food and Beverage revenue as well, albeit this has high departmental costs associated with it. Costs take account of all operating and fixed costs but also allow for Management Fees and a Furniture, Fittings and Equipment provision. This indicates a profit conversion of £1.046m in 2020 values, some 22.8% of revenue. This is a reasonable level although as stated earlier the hotel has few economies of scale. These will need to be considered alongside likely development costs and the levels of return that an investor would wish to achieve from such an opportunity but overall we expect the hotel development to be commercially attractive and viable.

Table 26

Statement of estimated operating profitability for a potential 100 bedroom hotel in Winchester in the first five years of operation in 2020 values

	Year 1	Ratio	Year 2	Ratio	Year 3	Ratio	Year 4	Ratio	Year 5	Ratio
	£	%	£	%	£	%	£	%	£	%
Revenues										
Rooms	2,400,678	60.1%	2,604,439	60.7%	2,815,103	61.3%	2,815,103	61.3%	2,815,103	61.3%
Food & Beverage	1,534,924	38.4%	1,620,198	37.8%	1,705,472	37.2%	1,705,472	37.2%	1,705,472	37.2%
Rentals and Other Income	59,290	1.5%	64,522	1.5%	69,754	1.5%	69,754	1.5%	69,754	1.5%
Total Revenue	3,994,893	100.0%	4,289,159	100.0%	4,590,328	100.0%	4,590,328	100.0%	4,590,328	100.0%
Departmental costs and expenses										
Rooms	734,742	30.6%	775,561	29.8%	816,380	29.0%	816,380	29.0%	816,380	29.0%
Food & Beverage	1,161,908	75.7%	1,212,426	74.8%	1,262,943	74.1%	1,262,943	74.1%	1,262,943	74.1%
Rentals and Other Income	22,465	37.9%	23,713	36.8%	24,962	35.8%	24,962	35.8%	24,962	35.8%
Total Dept. Costs	1,919,115	48.0%	2,011,700	46.9%	2,104,285	45.8%	2,104,285	45.8%	2,104,285	45.8%
Gross Profit	2,075,778	52.0%	2,277,459	53.1%	2,486,043	54.2%	2,486,043	54.2%	2,486,043	54.2%
Undistributed Costs										
Admin. & General	270,278	6.8%	282,030	6.6%	293,781	6.4%	293,781	6.4%	293,781	6.4%
Sales & Marketing	227,221	5.7%	216,893	5.1%	206,565	4.5%	206,565	4.5%	206,565	4.5%
Base Management Fee	119,847	3.0%	128,675	3.0%	137,710	3.0%	137,710	3.0%	137,710	3.0%
Property Operation & Maintenance	123,939	3.1%	130,824	3.1%	137,710	3.0%	137,710	3.0%	137,710	3.0%
Utilities	115,852	2.9%	115,807	2.7%	114,758	2.5%	114,758	2.5%	114,758	2.5%
Total Undistributed Costs	857,137	21.5%	874,229	20.4%	890,524	19.4%	890,524	19.4%	890,524	19.4%
Income Before Fixed Charges	1,218,641	30.5%	1,403,230	32.7%	1,595,519	34.8%	1,595,519	34.8%	1,595,519	34.8%
Fixed Costs										
Incentive Management Fee	121,864	3.1%	140,323	3.3%	159,552	3.5%	159,552	3.5%	159,552	3.5%
Property Taxes	160,000	4.0%	160,000	3.7%	160,000	3.5%	160,000	3.5%	160,000	3.5%
Insurance	45,903	1.1%	45,903	1.1%	45,903	1.0%	45,903	1.0%	45,903	1.0%
Total Fixed Costs	327,767	8.2%	346,226	8.1%	365,455	8.0%	365,455	8.0%	365,455	8.0%
Net Operating Profit/EBITDA	890,873	22.3%	1,057,004	24.6%	1,230,064	26.8%	1,230,064	26.8%	1,230,064	26.8%
R&R Provision	79,898	2.0%	128,675	3.0%	183,613	4.0%	183,613	4.0%	183,613	4.0%
Ebitda after provision	810,975	20.3%	928,329	21.6%	1,046,451	22.8%	1,046,451	22.8%	1,046,451	22.8%
Statistics										
Room Occupancy	72.0%		74.0%		76.0%		76.0%		76.0%	
Average Room Rate	91.35		96.43		101.50		101.50		101.50	
Rooms Yield	65.77		71.35		77.13		77.13		77.13	
Rooms Let	26,280		27,010		27,735		27,735		27,735	
Double Occupancy Percentage	61.0%		61.0%		61.0%		61.0%		61.0%	
Number of Guests	42,311		43,486		44,653		44,653		44,653	

Source: Melvin Gold Consulting Estimates

Indications of Value

We have been requested to provide an indication of the investment value of the subject development. We are not hotel valuers, nor are actively involved in the hotel investment or transaction market except in assisting clients from time to time from their own perspective, but we have agreed to provide an indicative range for the council and their advisers to consider initially within the project context. Nonetheless we have not provided,

and are unable to provide, anything beyond this indicative range of values. We would recommend that a formal valuation of the site and any resultant hotel is undertaken at the appropriate time as the project progresses.

It should further be noted that the Royal Institution of Chartered Surveyors (RICS) has been offering advice to their members in respect of valuations conducted within the Covid-19 affected period (a period discussed earlier in this report). Despite this project being envisaged only at an unknown future date, the uncertainties of the current environment which particularly impacts the hotel and hospitality sectors is likely to cause the invocation of such a 'Material Uncertainty' clause along the lines recommended by the RICS.

In preparing our range of Indications of Value we have considered our previously presented earnings estimates and have used a discounted cash flow (DCF) based approach to estimate the value since any simple multiple approach could not properly take account of the build-up of trade in the early years of the hotel post-opening until earnings reach stabilisation.

In any formal valuation of a hotel a valuer would take account of market circumstances, comparable transactions, the 'safe value of money' illustrated by government bonds, as well as investor appetite, the returns they would seek, and where a buyer and seller might 'strike a deal' on a transaction in the envisaged market conditions. We are seeking to provide a range of indications of value in current circumstances and have consequently illustrated this within a range of yields from 5% to 7.5% which we believe would cover the likely array of options given market circumstances in recent years.

For our DCF approach we have reflected each yield in 0.5% increments. We have taken account of our earnings estimates for each of the 5 years in 2020 uninflated values, and have reflected the long term or perpetual earnings for the hotel within the 5th year of operation by applying the appropriate yield to that year's earnings. As an example, when we have applied a yield of 5% to the earnings stream we have also calculated the terminal value in the 5th year utilising the same yield. We have applied this to each 0.5% increment. We believe this is a valid methodology for calculating an appropriate range of indicative values.

The resultant range of Indications of Value are illustrated in Table 27 below taking into account our earnings estimates, the 'valuation' assumptions and methodology discussed above, and the envisaged range of yields. It is possible that once the hotel is established in the market a valuer would adopt an even more aggressive approach than at the pre-development stage, and in any case once the hotel reaches trading stabilisation the early years build-up could be omitted which would also have a beneficial valuation impact. Until the hotel is formally valued by a suitably qualified valuer we believe the range below provides a broad but adequate indication of the range into which the hotel's value might fall.

	Yield	Resultant DCF	Indicative Value per room
100 rooms	5.0%	£20,597,619	£205,976
100 rooms	5.5%	£18,697,056	£186,971
100 rooms	6.0%	£17,113,576	£171,136
100 rooms	6.5%	£15,774,000	£157,740
100 rooms	7.0%	£14,626,058	£146,261
100 rooms	7.5%	£13,631,419	£136,314
NB. Amount in 2020 values assuming hotel is completed			
Source: Melvin Gold Consulting calculation			

Festival	Dates
LGBT History Month	February
Winchester Sausage and Cider Festival	8 February
Children of Winchester Festival	15 February 2020
Winchester Comedy Gala	7 March 2020
Winchester Beer and Cider Festival	13 - 14 March 2020
Winchester Fashion Week	20 – 24 April 2020
Hampshire Pride	25 April 2020
Winchester Chamber Music Festival	30 April - 3 May 2020
Winchester and County Music Festival	16 May 2020
Winchester Mayfest	16 May 2020
Winchester Ukulele Festival	30 May 2020
The Grange Festival	5 June – 19 July 2020
Stone Festival	5 June – 7 June 2020
Alresford Music Festival	June 2020 (dates tbc)
Winchester Prosecco Festival & Gin	6 June
Winchester Cocktail Week	8 – 14 June 2020
Winchestival	13 June 2020
Winchester Criterium and CycleFest	14 June 2020
Winchester School of Art Degree Show	12 - 18 June 2020
Writers' Weekend	10 – 12 July 2020
Hampshire Food Festival	1 - 31 July 2020
Hat Fair	3 - 5 July 2020
Wickham Festival	6 – 9 August 2020
Boomtown	12 - 16 August 2020
Taste of Wickham	11 September 2020
Cheese and Chilli Festival	15 - 16 August 2020
Winchester Heritage Open Days	11 - 20 September 2020
Winchester Comedy Festival	25 September - 4 October 2020
Winchester Guitar Festival	1 - 4 October 2020
Winchester Poetry Festival	8 - 11 October 2020
Harvest Festival	3 - 4 October 2020
Winchester Writers' Festival	9 - 11 October 2020
Winchester Design Festival	22 - 30 October 2020
Winchester Bonfire and Fireworks	7 November 2020
Winchester Film Festival	9 - 15 November 2020
Winchester Wine Festival	27 -28 November 2020
Christmas Lights Switch On	12 November 2020
Christmas Market	19 November - 22 December 2020
Christmas Ice Rink	19 November 2020 -3 January 2021
Christmas Lantern Parade	27 November 2020