North East Lincolnshire Council & Cofely

Hotel Study for North East Lincolnshire

Addendum Report

February 2014
Dear David

Hotel Study for North East Lincolnshire – Addendum Report

Further to your instructions we are pleased to submit our Addendum Report for the above. This report should be read in conjunction with the report we issued in July 2013.

Our findings and conclusions have been prepared on the basis of the information we obtained during our research programme, our own knowledge of demand sources and trends in the UK hotel market, and the status of the hotel market in North East Lincolnshire area at the time of our desk research in February 2014.

We have made no provision for any unforeseen events which could impact the hotel market in the UK. The estimates contained in this report have been conscientiously prepared using the research findings and with reference to statistical trends in the UK and North East Lincolnshire hotel market.

This report is provided for use only of the parties to whom it is addressed, or their appointees. It is not suitable for any other use or any other persons. Neither the whole nor any part of this report or any reference thereto, may be included in any document, circular or statement without our prior approval of the form and context in which it will appear.

Yours sincerely

Bridget Baker
1.0 Introduction & The Local Economic Environment

1.1 Introduction

Since undertaking our initial research in the Spring of 2013 for our Hotel Study Report for North East Lincolnshire; that was finalised in July 2013, there has been significant economic activity in the region. This further underpins the attractiveness of North East Lincolnshire for new hotel development and thus we provide in this addendum an update of our key findings.

Where in some areas capital projects can take many years to come to fruition, in North East Lincolnshire and the Humber area generally, many of the projects we mentioned in our last report have proceeded already and other new ones have emerged.

These projects are causing significant interest in the area, and are stimulating growth in local economic activity, resulting in inward investment and regeneration. In this section, we therefore provide an update on the activity since our previous report.

1.2 Employment and Economic Activity

Over recent years the renewable energy sector and North Sea industries are providing new forms of employment for local people as well as attracting skilled staff to the area for short and long term work. Grimsby, North East Lincolnshire and the Humber area as a whole are emerging as a destination of choice for the offshore wind industry, which is already having a positive impact on the local economy and employment.

Whilst unemployment remains above regional and national averages, the number of people claiming job seeker’s allowance in North East Lincolnshire fell for the eighth consecutive month (December 2013). It means that 5.2% of the working age population are claiming unemployment, compared to the national average of 2.9% for the same period. The upward trend mirrors the wider recovery in the UK jobs market but more specifically all of the new job creation from projects in the area.

1.3 Key Sectors and Industries

Since the demise of the sea fishing industry the area has seen positive growth in a number of key industrial sectors. These sectors include food and drink, port and logistics, petro-chemical and processing industries and the burgeoning renewable energy sector. Over the past year investment and growth in these sectors has moved forward and we detail as follows some of the key highlights:
Food Manufacturing

- Grimsby continues to successfully build upon its worldwide recognition as ‘Europe’s Food Town’. The importance of this sector was underpinned recently by a number of key developments; Morrison’s new manufacturing plant on the site of the former Kwoks factory at Europarc (who also acquired the adjoining land with future development in mind), and the consolidation of Young’s in Grimsby, which created 300 additional jobs. In the summer of 2013, North East Lincolnshire Council was successful in securing part of an ongoing funding bid of £3.3m for a proposed Food Manufacturing Cluster programme. The funds will be used to deliver private sector food projects; the latest will see some £26m of private sector leverage and creation of 389 new jobs.

Port and Logistics

- North East Lincolnshire’s two ports, Grimsby and Immingham, continue to develop and expand their operations. This includes a new £26m river terminal which opened in September 2013 – the single biggest investment carried out at the port in over 160 years – significantly increasing its capacity - 800 to 3,000 vehicles. The Port of Grimsby handles about 500,000 vehicles a year. At Immingham, a new master plan gives an impressive development guide, with 13 major projects planned over the next twenty years.

Petro-Chemical and Process Industries

- The refineries near Immingham employ around 15,000 people in 120 companies across the wider Humber region, with a number of significant global players located on the South Bank of the Humber Estuary. Major projects continue to make significant contributions to the local economy. This included a South Bank refinery which started a multi-million pound maintenance programme in 2013. It is anticipated to provide a significant boost to the local economy in the next four years.

Renewable Energy

- The growth of the offshore renewable energy sector has already had a substantial impact on the North East Lincolnshire economy in recent years – attracting global
energy firms such as Centrica, Siemens, E-ON and RES. Growth in the coming years is expected to support 1,500 jobs by 2023.

The renewable energy sector is a significant growth market for the area, with a number of major developments currently underway or planned. Leading energy companies are making significant investments locally – underlining their long term commitment to have a presence in the area.

Major developments include E.ON’s Humber Gateway offshore wind farm project which continues to progress. The first phase of turbines was completed in September 2013 - 24 turbines built. All 73 turbines are anticipated to be built by end of 2014. E.ON’s purpose-built base on Grimsby’s North Quay will be used for on-going operations and maintenance.

In the summer of 2013, Centrica Storage and Centrica Energy signed a £29m agreement with CHC Helicopter to secure an improved helicopter service to meet its operational needs across key oil and gas fields in the North Sea. CHC started operating out of Humberside Airport at the end of 2013 – relocating its activities from Yarmouth.

On shore based renewables growth is also being realised, with a number of developments planned – including a £130 million biomass-fuelled energy plant that is being developed by Real Ventures and is due to become operational in 2015.

1.4 Further Regeneration and New Developments

Aside from the projects that are already underway, there are a number of other key developments which are set to represent further major investment in North East Lincolnshire and that will continue to assist the growth in generating demand for hotel accommodation locally. The key developments updates are:

- **Able Marine Energy Park (AMEP)** – Plans to create a world-class centre for the renewable energy industries has received government approval. The proposed £450m AMEP will provide state-of-the-art quayside facilities for the manufacture, assembly and installation of offshore renewable technologies. On completion, it will create the largest offshore wind farm in Europe and generate some 25,000 jobs directly and indirectly. Planning has yet to be granted, although it is anticipated that construction will commence this year. Able has already invested over £50million in the first stage of its development which is currently used for vehicle import, storage and distribution activities.
This is a significant development and will be a major catalyst for renewable energy companies. This potential was underlined recently by the news that a major Foundation manufacturer, Strabag, identified AMEP as its preferred location for its’ 500 European production facility.

- **Able Logistics Park** – covering 1,500 acres, the Able Logistics Park has been granted planning permission. The scheme will assist the wider development of AMEP – creating more than 5,300 new jobs.

- **Port of Grimsby East** - Global offshore wind farm market leader, Dong Energy, agreed plans in December 2013 to develop a new harbour and pontoon facilities with the town’s Royal Dock. We understand development has started and is expected to generate around 100 jobs. Dong Energy recently acquired a 100% ownership interest in the UK offshore wind development project Race Bank, from Centrica – securing their commitment to the area.

- **Port of Immingham** - the wider expansion of the Port of Immingham through ABP’s development master plan will also generate significant new employment opportunities’ a catalyst to attract further inward investment.

- **Freshney Place** – A major new development at Freshney Place has been kick started by the closure of the bus station to create space for the future expansion of Freshney Place Shopping Centre – forming part of the town’s £6m regeneration. The revamp will see the creation of a new public space on the Riverhead, and new bus interchange.

- **Europarc** – the owners of Europarc, the Wykeland Group, continue their expansion plans to develop the remaining 44 acres on the site. This includes a recent planning consent for a Greene King Pub.

### 1.5 Tourism and Leisure

There have been a number of recent developments which are extremely positive in terms of the area’s tourism potential. These are:

- **Cleethorpes Pier** – A consortium of business investors have recently announced plans to develop the pier and enhance its offering to include a multi-purpose ballroom, restaurant, cocktail bar and, potentially, boutique cinema. Planning and funding are currently being sought.
• **Humber Seafood Summit** – The 2-day event held in 2013 experienced a record number of visitors (50% increase compared to the previous year) attracting over 160 delegates from the UK and overseas. It will be held again in 2014.

• **British Fish Craft Competition** – A new event to Grimsby which has been secured for 2014 and 2015 and has been previously held in Cardiff in the last four years. The event typically attracts around 70 competitors across 12 different disciplines with up to 400 people watching each.

• **World Seafood Congress 2015** – Grimsby has been successful in securing a major international event which will run for five days in September 2015 at Grimsby Institute – attracting delegates from more than 50 countries. The event will bring an influx of visitors to the area who will require overnight accommodation.

• **UK City of Culture 2017** – In November 2013, Hull was named the UK City of Culture 2017 which will have significant economic benefits to the entire region, including North East Lincolnshire.

### 1.5 Transportation

The most recent activity relates to developments at Humberside Airport.

**Humberside Airport**

The key focus of Humberside Airport is activity from the heliport, where there are at least 70,000 passenger journeys made to the southern North Sea each year from the heliport each year. With all of the wind farm activity this is set to increase in the future.

From 2015, the newly privatised helicopter search and rescue service will operate out of Humberside Airport – creating an additional 70 jobs. In the future, a ‘139’ helicopter flight simulator may be brought to the facility which is set to offer further training and development opportunities. This should bring in pilots from the UK and overseas for specialist training.

In terms of airline passengers, the airport showed a small increase last year, to almost 235,000 annual passengers. The airport is an important arrival point for business people and technicians working in the area.

The regular flights to Amsterdam Schiphol give travellers the options to link to many international destinations and this was further improved since October 2013 when SAS started
a five times weekly flight to Copenhagen. This has opened up onward links to many Scandinavian cities, an important source market for the North Sea/offshore segment.

For leisure travellers jetXtra.com is committed to its operations following the launch of new flights to Spain which began last year. They have also announced new flights to Tenerife for 2014 – the first time since 2008. Some of these flights will be shared with British Airways.

1.6 Conclusion

Whilst Grimsby, Cleethorpes and Immingham are three very different areas in terms of the current and potential attractiveness for business and tourism, these developments are extremely positive for the whole area.

These developments will provide a further boost to North East Lincolnshire’s visitor economy, enhanced further by the UK’s wider economic recovery – stimulating both day and overnight visitor demand.
2.0. Hotel Accommodation Overview

2.1 Introduction

In this section we provide an update to the local accommodation market in terms of recent activity, developments and current demand trends.

2.2 Serviced Accommodation Stock

Since our last report we have not been made aware of any significant openings or closures in North East Lincolnshire. Further to the north, however, the 27-bedroom Reeds Hotel in Barton upon Humber was badly flooded in the storms in early 2014 and is unlikely to re-open.

There are some potential new additions and to set these in context we summarise the current local provision (hotels, guest houses and B&B’s) as follows:

Table 2.1 – Analysis of Serviced Accommodation Stock, by Location, N E Lincs

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of Establishments</th>
<th>Total Bedrooms</th>
<th>% of all Bedrooms</th>
<th>Average Size (Rms)</th>
<th>Number Accredited</th>
<th>% Accredited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grimsby</td>
<td>9</td>
<td>354</td>
<td>39.6</td>
<td>39.3</td>
<td>7</td>
<td>77.8</td>
</tr>
<tr>
<td>Immingham</td>
<td>8</td>
<td>118</td>
<td>13.2</td>
<td>14.8</td>
<td>2</td>
<td>25.0</td>
</tr>
<tr>
<td>Cleethorpes</td>
<td>52</td>
<td>422</td>
<td>47.2</td>
<td>8.1</td>
<td>13</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>TOTAL NE LINCS</strong></td>
<td><strong>69</strong></td>
<td><strong>894</strong></td>
<td><strong>100.0</strong></td>
<td><strong>13.0</strong></td>
<td><strong>22</strong></td>
<td><strong>31.9</strong></td>
</tr>
</tbody>
</table>

NB: Grimsby includes Healing, Laceby and Waltham. Immingham includes Habrough, Stallingborough and North Killingholme.
Source: Bridget Baker Consulting research

Below, we summarise the list of hotels in Grimsby. There has been no change in the existing supply of hotels since our last report.

Table 2.2 – Grimsby (and area) Serviced Accommodation Stock

<table>
<thead>
<tr>
<th>Property</th>
<th>No. Bedrooms</th>
<th>Operator/Consortia</th>
<th>Grading</th>
<th>Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Leisure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Club</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Restaurant</td>
</tr>
<tr>
<td>St James Hotel</td>
<td>125</td>
<td>Corus</td>
<td>3*</td>
<td>N</td>
</tr>
<tr>
<td>The Humber Royal Hotel</td>
<td>58</td>
<td>Icon/Bespoke</td>
<td>4*</td>
<td>N</td>
</tr>
<tr>
<td>Premier Inn Grimsby</td>
<td>58</td>
<td>Whitbread</td>
<td>Budget</td>
<td>N</td>
</tr>
<tr>
<td>Oaklands Hall Hotel</td>
<td>46</td>
<td>Best Western</td>
<td>3*</td>
<td>N</td>
</tr>
<tr>
<td>Millfields Hotel</td>
<td>27</td>
<td>-</td>
<td>3*</td>
<td>Y</td>
</tr>
<tr>
<td>The Beeches Hotel</td>
<td>18</td>
<td>-</td>
<td>3*</td>
<td>N</td>
</tr>
<tr>
<td>Guest Houses [3]</td>
<td>22</td>
<td>-</td>
<td>GA</td>
<td>N</td>
</tr>
<tr>
<td><strong>TOTAL GRIMSBY</strong></td>
<td><strong>354</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GA = Guest Accommodation. All other properties have hotel grading.
Source: Bridget Baker Consulting research
2.3 Hotel Pipeline Supply

Since our 2013 report there has been progress on some of the hotel projects in North East Lincolnshire as well as some other potential additions in neighbouring areas. These are shown as follows:

<table>
<thead>
<tr>
<th>Site</th>
<th>Project</th>
<th>Potential bedrooms</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meridian Point, Cleethorpes</td>
<td>Premier Inn</td>
<td>60</td>
<td>Planning approval granted, on site. Likely to open late 2014</td>
</tr>
<tr>
<td>Wellowgate, rear Grimsby Railway station</td>
<td>Holiday Inn Express</td>
<td>80</td>
<td>Planning application submitted, likely to open 2014/15</td>
</tr>
<tr>
<td>Humber Royal extension</td>
<td>extension</td>
<td>40</td>
<td>Planning approval granted</td>
</tr>
<tr>
<td>Humberside Airport</td>
<td>TBC</td>
<td>TBC</td>
<td>Under discussion/No planning application submitted</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>180+</td>
<td></td>
</tr>
</tbody>
</table>

Source: North East Lincolnshire Council/Bridget Baker Consulting research

We note as follows changes to the larger projects:

- The **Premier Inn** project, along with a Brewers Fayre Restaurant, obtained planning permission and work is due on site imminently. The budget hotel at Meridian Point in Cleethorpes could be open by the end of this year and will offer 60 bedrooms.

- The planned **80 bedroom hotel at Wellowgate**, to the rear of Grimsby railway station, obtained planning permission. We were advised by the InterContinental Hotels Group that contracts have been signed with them to provide a Holiday Inn Express, and funding is reportedly in place.

- The **4-star Humber Royal in Grimsby** has obtained planning permission to add a £30m extension of 40 bedrooms. The owners cited high demand levels causing significant turn-away business and a healthy events business, as the reasons for seeking to expand the hotel.

- The **Best Western Oaklands** has also been investing in their facilities including more than a £1m upgrade of the bedrooms and function rooms.

- We understand that consideration is being given to developing a **full-service hotel at Humberside Airport**, located adjacent to the contractors’ hotel (Nightel). Planning permission has not yet been sought for this project.
Since the announcement that Hull has been granted 2017 UK City of Culture this has caused some projects to re-merge. This includes a 168 bedroom Radisson Blu project at the Manor Mill site in the city. The hotel is due to open in 2017. Whilst this is some distance from North East Lincolnshire, and requires the crossing of the Humber Bridge, it shows how the development and tourist activity in the area is stimulating hotel development.

The foregoing projects in North East Lincolnshire are set to add 180 hotel bedrooms to the North East Lincolnshire supply in forthcoming years. This is approximately 20% new bedroom stock to the existing supply in North East Lincolnshire if all of the projects proceed.

### 2.4 Other Potential Hotel Sites

In our previous report we identified six potential sites in North East Lincolnshire that may also be suitable for hotel development. The current status of these is as follows:

<table>
<thead>
<tr>
<th>Site</th>
<th>Location</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cartergate</td>
<td>Grimsby</td>
<td>Mixed use identified</td>
<td>Plot available for office/retail and hotel use Site to be marketed in short term</td>
</tr>
<tr>
<td>Birchin Way</td>
<td>Grimsby</td>
<td>available</td>
<td>Planning exists although there is no movement on this site.</td>
</tr>
<tr>
<td>Europarc</td>
<td>Grimsby</td>
<td>available</td>
<td>The owners are keen to develop a hotel on site and have recently secured planning for a Greene King pub.</td>
</tr>
<tr>
<td>Victoria Street</td>
<td>Grimsby</td>
<td>available</td>
<td>There is no movement on this site.</td>
</tr>
<tr>
<td>Various</td>
<td>Cleethorpe</td>
<td>available</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: North East Lincolnshire Council/ Bridget Baker Consulting research

Since our report, we understand that there has been no movement, in terms of hotel development, on any of the above sites although they may offer potential to satisfy future accommodation needs and be available for new projects.
2.5 Recent Hotel Market Performance

In our 2013 report, we provided our overall estimates of local hotel market performance for 2011 and 2012.

<table>
<thead>
<tr>
<th>Year</th>
<th>Room Occupancy (%)</th>
<th>Av. Room Rate (£)</th>
<th>Rooms Yield (£)</th>
<th>% Change (Yield)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>65.2</td>
<td>51.40</td>
<td>33.51</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>67.1</td>
<td>52.26</td>
<td>35.06</td>
<td>+ 4.6</td>
</tr>
</tbody>
</table>

Source: Bridget Baker Consulting research & estimates

From the desk research we have been unable to provide an update to the total market figures although we are able to comment on the 2013 performance based on our discussions with local representatives and in context of a wider provincial UK market performance.

We compare this performance to the wider UK provincial hotel market for 2011 to 2013 in annualised data for the UK provinces, as reported by PKF/BDO.

<table>
<thead>
<tr>
<th>Year</th>
<th>Room Occupancy (%)</th>
<th>Av. Room Rate (£)</th>
<th>Rooms Yield (£)</th>
<th>% Change (Yield)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>70.5</td>
<td>58.53</td>
<td>41.25</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>69.9</td>
<td>60.15</td>
<td>42.10</td>
<td>2.1</td>
</tr>
<tr>
<td>2013</td>
<td>72.5</td>
<td>59.88</td>
<td>43.38</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: PKF/BDO

We comment, as follows:

- The underlying trend for hotels locally is that of recovery and growth, broadly mirroring the overall provincial UK market following an improvement to economic conditions.

- Occupancy for hotels in North East Lincolnshire in 2012 was above the growth achieved by the overall provincial UK market; the upward trend would have continued in 2013 and the prospects for 2014 are very encouraging. The activity centred on the energy sector has been a key driver and a clear growth market.

- The conference sector in the UK still remains highly competitive. Some local hotels however reported an increase in meetings and conference business last year.
• Rates for local hotels still remain relatively compressed, although the lower rates achieved by the local hotel market compared to the overall provincial UK market is still largely influenced by the quality and structure of hotels.

2.7 Conclusion

Since our last report, there have been a number of new developments which is stimulating demand for local accommodation providers, boosted further by the economic recovery in the UK. This is evidenced by local hoteliers who have, and continue to, invest in their hotel product.

As the offshore and other capital projects continue it is certain that they will stimulate further demand for hotel rooms in the area.
3.0 Key Findings

There have been a number of exciting developments recently which are having a positive impact on the serviced accommodation market in North East Lincolnshire.

Overall, serviced accommodation providers have enjoyed an increase in demand since 2012. This has mainly been driven by improved business confidence and the continued activity in the oil, gas and renewable energy sectors in particular. Companies in this sector are flocking to the area to invest, which has constantly been providing a stream of new business for local hotels and guest houses. This is set to continue as more capital projects are announced and implemented on almost a monthly basis.

Unsurprisingly, recent development activity has resulted in a number of proposed hotel schemes moving forward or re-emerging; indicating that the economic climate, inward investment potential and visitation levels in the area are stimulating hotel development interest.

That SAS have started operating regular flights to Copenhagen out of Humberside Airport shows the confidence that not that not just UK, but international firms, have in the area. The Airport is set to continue to be an important access point for many business visitors to the area.

The prospects for the local hotel market remain very positive; particularly as and when developments such as the AMEP start progressing. Confirmed projects or events such as the World Seafood Congress in 2015 will stimulate new demand.

The addition of the two budget branded hotels (Premier Inn, Cleethorpes and the Holiday Inn Express, Grimsby) and the additional rooms at the 4-star Humber Royal will allow some displaced demand to return to the borough. We also estimate that there will be further opportunities for new hotel development as these projects are absorbed into the market. If the current growth levels continue, we consider that the market should be in a position to support the development of a new full-service hotel of around 100 bedrooms. Ideally this would be branded and offer a product that is currently not available in North East Lincolnshire.

In summary, the future growth in demand will depend on the success and delivery of projects and ability to attract inward investment, at present the indications for this are very positive.