ISLE OF MAN
HOTEL FUTURES

Final Report

Prepared for:
Isle of Man Government
Department of Economic Development

January 2016

hotel solutions
the hotel development consultancy

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EXECUTIVE SUMMARY

Hotel Supply and Development

The Isle of Man has 31 hotels and large guest houses with 1,290 letting bedrooms, principally 3 and 4 star hotels and large 3 and 4 star guest houses. In addition there is one boutique hotel and one aparthotel. The island has no budget hotels. 91% of the hotel supply is in Douglas. Around one quarter of the hotels close during the winter. There are quality issues with a number of the hotels which are tired and in need of investment. Most do not provide disabled access and none have AA rosettes for food. There has been a sustained loss of hotels – over 1,000 bedrooms in 10 years. Significant closures include the Mount Murray Hotel & Country Club, the Castletown Golf Links Hotel, Castle Mona Hotel, the Imperial, the Grand Island in Ramsey and the Ocean Castle in Port Erin. The most recent new hotels to open on the island are the Town House (2007), Sefton Express (2007) and Ramsey Park (2012). The only hotel to receive multi-million pound investment in the past 5 years has been The Claremont, now a contemporary 4 star business hotel. In terms of new hotel development, the 54 bedroom 4 star Mannin Hotel is to open in Douglas in 2016; there are proposals for a hotel within the Lord Street mixed use development scheme in Douglas; and plans for the redevelopment of the Castletown Golf Links Hotel site and possibly the Bay Queen Hotel at Port St Mary. There are also proposals for a number of other hotel schemes at an early stage. The Mount Murray Hotel & Country Club has just been sold, so will hopefully reopen later in 2016. The Isle of Man is lagging behind competitor island and resort destinations in terms of the scale and quality of its hotel offer, the geographic spread of hotels, and representation of branded and luxury hotel operations.

Hotel Performance and Markets

The performance of 3 and 4 star hotels on the Isle of Man is significantly below UK provincial averages in terms of occupancy (67% compared to 76% in 2015). This is primarily due to the seasonal nature of the island's hotel market. Achieved room rates for the island's 4 star hotels are strong (£82.40 in 2015) due to year round corporate business, double occupancy from the summer leisure market, and premium rates for key events. 3 star achieved room rates (£59.40 in 2015) are well below UK averages due to the dominance of coach tour business. Occupancies outside Douglas are considerably lower. The market is highly seasonal concentrated in the 5 months between May and September. Key markets are event visitors, domestic leisure breaks, coach holidays, special interest groups and corporate demand. The corporate market includes an element of high end demand for luxury hotel accommodation and some long stay demand from international visitors and those working on company projects. Secondary markets include: on-island leisure breaks; long holidays; residential conferences; conferences at the Villa Marina; weddings; visits to friends and relatives; contractors; overseas tourists; aircrew and delayed air passengers. A number of hotels regularly deny bookings during the peak season, and all deny significant business during the TT. Other issues affecting hotel performance include staff recruitment and the need for work permits, and limited marketing skills particularly regarding online routes to market.

The Potential for Growth in Demand

The Isle of Man economic growth strategy forecasts annual growth of 3-4% in GDP and up to 1000 jobs p.a. through to 2020. The vision focuses on delivering an international business centre of excellence, with a focus on wealth creating sectors, both existing and emerging opportunities, including financial and professional services, the visitor economy, e-commerce/e-gaming, ICT, green energy, bio-medics, aerospace and shipping. Funding is in place to support growth in these sectors, including a new £50m Enterprise Development Fund. The Isle of Man is in a good position to benefit from current visitor market trends that forecast continued tourism growth in terms of an ageing but active population with time, money and interest for short break and holiday taking: stronger demand for short breaks; increasing online booking and marketing activity; and a growth in health, wellness and activity tourism. The new Destination Management Plan is based on an average annual growth rate of 2-4% in tourism through growth in the UK short break and family markets and the extension of the season through off-peak events and marketing campaigns.

Hotel Company Interest

The survey of UK and international hotel companies identified some limited interest in being represented on the Isle of Man at a budget and 4 star level, though some doubts around the ability to make the economic case for a new full service 4 star hotel given current hotel performance and high development costs on the island. In terms of location, Douglas was the focus of this interest. There are also a number of on-island developers and investors that are at the early stages of working up hotel development proposals on the island.

Hotel Planning Policy

There is no evidence-based hotel-specific policy in the Island Plan and no explicit hotel retention policy. Whilst the Area Plan for the South identifies four hotel sites to retain, there is no evidence base that makes the case for their retention. It will be some time before Area Plans are in place for the East, North and West.

Hotel Investment Requirements and Opportunities

The Hotel Futures Study shows a need for a higher quality hotel offer on the island and a requirement for additional hotel provision to grow peak season demand, cater for events-related business, better meet the needs of the corporate market, and replace further losses of poor quality guest house stock that look likely to occur in the next few years. New hotels are however likely to dilute winter trade. The priority going forward therefore is about renewing the island's hotel offer through investment in existing hotels and large guest houses alongside some new hotel development and the managed exit of poor quality stock that cannot feasibly be improved.

Investment in Existing Hotels

Accelerating investment in existing hotels and guest houses is a priority at all levels in the market, particularly on Douglas seafront. This could include the re-positioning of one or two properties as boutique offers. Beyond Douglas the reopening of the Mount Murray Hotel and Country Club is a priority. Key to accelerating investment in existing hotels and guest houses will be an integrated approach that helps secure funding and provides financial assistance for upgrading projects; delivers business planning and marketing advice to smaller operators; increases corporate demand through economic growth; boosts leisure tourism demand through stronger marketing and events development, focused particularly on extending the season; and facilitates development through the planning system, including when needed allowing enabling development to secure investment.

New Hotel Development

In terms of new hotel development, there is market interest in budget hotel development in Douglas; a new 4 star hotel at The Fort in Douglas; boutique hotels possibly in Douglas, Port St Mary and at Castletown Golf Links; and a number of other hotel schemes at an early stage. There could also be market potential for a small boutique hotel in Peel; a further small aparthotel in Douglas; country house hotels, given suitable properties for conversion; and hotels possibly on other golf courses. There are real challenges however to the delivery of new hotels, particularly in terms of a full service 4 star hotel in Douglas and luxury hotels, that will require some form of Government intervention in terms of financial assistance and/or enabling development. The impact of new hotels on existing stock will need to be alleviated through Government support to help existing hotels and guest houses to refocus their marketing and investment strategies, alongside efforts to boost shoulder season and winter demand through the implementation of the Destination Management Plan and Vision 2020 economic strategy.

The Future for Abandoned Hotels on Douglas Seafront

The exit of abandoned hotels on Douglas seafront will need to be managed, given the negative impact of their continuing deterioration on this key focus of visitor activity. Given the market's preference for sea view rooms, the potential to bring some of these properties back into use as up-graded hotels fit for the modern market merits further investigation. This will undoubtedly be a significant challenge and will require financial assistance from the Government, as well as a more proactive approach to attracting suitable investors and operators.

Recommendations

The Hotel Futures Study makes three key recommendations as the basis for an integrated forward programme of action to accelerate investment in existing hotels and large guest houses and bring forward new hotels that can help to grow the market:

- An easy to access Hotel Investment Fund to accelerate investment in existing hotels and the development of new hotels, managed by a dedicated Fund Manager to work alongside hotel operators, developers and lenders.

- A marketing programme to try to attract off-island interest in abandoned hotels on Douglas seafront, involving investigation of the potential for budget or boutique hotel conversion, and work with specialist UK hotel agencies to raise awareness of the opportunities and potential financial assistance and planning support from the Isle of Man Government.

- Supporting hotel investment and operation on the island, through a multi-faceted approach to remove some of the conditions constraining development, equip the industry to maximise the potential offered by future market growth, and implement the visitor economy and economic development strategies that will deliver that growth. Additional actions include exempting hotels and guest houses from the work permit system; a clear planning framework for hotels; a quality awareness programme; and support to improve the marketing and business management skills of hotel and guest house owners.

Concluding Comments

The Isle of Man Hotel Futures Study shows a hotel industry that has been in decline for some time and that has fallen behind competitor island and resort destinations in terms quality. With strategies now in place for economic, population and leisure tourism growth over a longer season there is a clear need and potential for the renewal of the island's hotel offer through investment in existing stock and some new hotel provision. The realities of operating and developing hotels on the island are however hampering the industry's ability to respond to these opportunities. There is a case therefore for Isle of Man Government intervention in terms of financial assistance , advice and planning support, alongside the implementation of the Vision 2020 economic growth strategy and the new Destination Management Plan, to achieve a more compelling and competitive hotel offer on the island. The challenge going forward is to translate the recommendations of the Hotel Futures Study into an integrated programme of support that will accelerate investment in existing hotels and guest houses, and help bring forward new hotels that can meet the requirements of corporate hotel users and grow the island's leisure tourism market.

1. INTRODUCTION

1.1 Background to the Study

1.1.1 Isle of Man Government's Department of Economic Development (DED) is currently in the process of launching a new Destination Management Plan (DMP) for the Isle of Man. It focuses firmly on targeting the UK short break and family holiday markets to achieve a likely growth in tourism to the island of 2% per annum. The DMP identifies a need to improve the quality of the island's existing hotels and secure investment in new budget, boutique and resort hotels in order to achieve the targeted growth in these markets. At the same time the Government's Vision 2020 economic strategy for the island is seeking to establish the Isle of Man as an international business centre of excellence, with continued growth projected in financial and professional services, as the largest wealth generating economic sector, strong growth in e-Business, and growth too in the advanced manufacturing, energy, tourism and biomedical sectors. Improving the quality of the island's hotel stock, including the development of new branded hotels is also seen as being important to achieve the targeted growth in these sectors. There is however strong resistance to new hotel development from some of the island's existing hotel operators who are concerned about the potential dilution of their trade. DED has thus commissioned Hotel Solutions to make an objective assessment of the potential for investment in the island's existing hotels, the market need and potential for new hotels on the island, and the potential impact of new hotels on existing hotels.

1.2 Study Objective

1.2.1 The objective of the study was to make a robust, independent, evidence-based assessment of the potential for the future development of the Isle of Man's hotel offer in terms of:

- The potential to renew, reposition and redevelop existing hotels;
- The scope for new hotels, including as part of mixed-use development schemes that are coming forward on the island;
- The need to manage the loss of poor quality hotel stock and how best to achieve this.

1.2.2 The objective has been to assess these issues through a thorough examination of the following:

- The island's hotel supply, its quality, how it has been changing, and how it is set to change in the future;
- The current performance of the island's hotel sector;
- The prospects for future growth in demand for hotel accommodation on the island, and what will drive this growth, particularly in terms of winter demand;
- Comparisons with hotel provision and development in other comparable island and seaside destinations in the UK;
- Property developer and hotel company interest in investing in existing hotels and opening new hotels on the island.

1.3 Uses of the Study

1.3.1 The study findings will be used to:

- Shape a future hotel investment strategy for the island;
- Inform planning policy and decisions in relation to hotel development and retention;
- Guide DED interventions to support and accelerate hotel investment on the island;
- Ensure that Isle of Man Government politicians and officers and other stakeholders are better informed about the future prospects for the island's hotel sector.

1.4 Scope of the Study

1.4.1. For the purposes of the study we have defined a hotel as any serviced accommodation with 15 or more bedrooms. This therefore includes large guest accommodation rated establishments as well as star-rated hotels.

1.4.2. Appendix 1 provides a glossary of hotel definitions.

1.4.3. The study has not looked at the island's smaller guest house and B&B sector, either in terms of its future growth potential or the potential impact of new hotel development on small guest house and B&B performance.

1.5 Study Methodology

1.5.1. The study has involved the following modules of research and consultation:

- An audit of the current (December 2015) hotel supply on the Isle of Man and how this has changed over the past 5 years in terms of new hotel openings; the expansion, development and repositioning of existing hotels; and hotel closures. The audit has been based on information provided by DED, supplemented by our own Internet searches. It has also included an assessment of the quality of the island's current hotels through a review of Tripadvisor customer ratings and reviews.

- A review of current hotel development activity and proposals to identify the likely pipeline changes to the island's hotel supply in terms of new hotel openings and the development of existing hotels.

- Benchmarking hotel provision on the Isle of Man against comparator UK island destinations and seaside resorts in the North West of England and North Wales (Appendix 5).

- A survey of the island's hotel and large guest house managers and owners to gather data and information on room occupancy levels and trends, patterns of demand, achieved room rates, market mix, levels of denials, market trends, and future development plans. Interviews were conducted primarily through face-to-face interviews. A total of 24 hotel and guest house operators covering 31 properties took part in the survey. They are listed at Appendix 2. We are very grateful to all of the hotel managers and owners that gave so freely of their time and information to enable us to produce robust and accurate hotel performance data and market insight information for the island.

- A review of relevant policy and strategy documents to establish the policy framework for hotel development on the island and identify likely drivers of future growth in hotel demand.

- A review of UK tourism trends and forecasts of relevance to the Isle of Man.

- Stakeholder consultations with the relevant officers of the Isle of Man Government and representatives of other relevant stakeholder bodies and interested parties to deepen our understanding of:

    - The aspirations, requirements and potential for hotel renewal and development on the island;
    - The potential for future growth in demand for hotel accommodation on the island and what will drive this;
    - The potential for public sector support to accelerate the renewal and development of the island's hotel offer.

  A full list of stakeholder consultees is given at Appendix 3. We are grateful to all of these consultees for the time, information and views that they input into our research.

- A telephone survey of coach holiday and group travel companies and tour operators that are active in terms of bringing groups to the Isle of Man and selling holiday packages to the island. A full list of operators interviewed is provided at Appendix 4.

- A telephone survey of companies based on the island to assess their requirements for hotel accommodation, satisfaction with the island's existing hotel stock, and requirements for new hotel provision on the island. The full findings of the survey are reported at Appendix 6.

- A survey of hotel companies, developers, investors and property agents, to gauge their interest in operating and developing new hotels on the Isle of Man.

1.6 Structure of the Report

1.6.1. The report comprises chapters setting out the key findings and conclusions of the study regarding:

- Current hotel supply, recent changes, planned hotel development and comparisons with other island and seaside destinations;
- Current hotel performance and markets:
- Future market prospects and drivers of growth in hotel demand;
- Hotel company, property developer and investor interest in investing in existing and new hotels on the island.

1.6.2. The final chapter sets out our conclusions and recommendations regarding:

- The scope for investment in the renewal, redevelopment and repositioning of existing hotels;
- The potential for new hotel development to fill identified gaps in current provision and attract new markets to the island;
- The need to manage the loss of poor quality hotel stock and how best to achieve this;
- The planning policy implications of the research findings;
- Requirements for Isle of Man Government support to accelerate the renewal and development of the island's hotel offer and grow the Isle of Man hotel market - formulated into an Isle of Man Hotel Investment Strategy.

2. ISLE OF MAN HOTEL SUPPLY

2.1. Current Supply

Total Supply

2.1.1. There are currently 31 hotels and large guest houses on the Isle of Man, with a total of 1,283 letting bedrooms. This current supply is analysed below by standard and listed fully in the table overleaf.

Table 1

ISLE OF MAN HOTEL SUPPLY – DECEMBER 2015

Standard	Hotels	Rooms	% of Rooms
Hotels			
5 star/ Luxury	0	0	0
Boutique	1	12	0.9
4 star	4	342	26.7
3 star	9	439	34.0
2 star	2	89	6.9
Budget[1]	0	0	0
Aparthotel	1	15	1.2
Total Hotels	**17**	**897**	**69.9**
Guest Accommodation			
5 star	0	0	0
4 star	4	114	8.8
3 star	9	248	19.3
2 star	1	24	1.9
Total Guest Accommodation	**14**	**386**	**30.1**
Total Supply	**31**	**1283**	**100.0**

Notes:
1. Branded budget hotels – primarily Premier Inn or Travelodge

2.1.2. In addition to these permanent hotels a 160 bedroom portable Snoozebox hotel is deployed each year for the TT races at the Noble's Park TT Village. The site has permission for a portable hotel of up to 240 bedrooms.

Table 2

ISLE OF MAN CITY HOTEL SUPPLY – DECEMBER 2015

Hotel	Standard[1]	Rooms	Brand
Douglas			
Best Western Palace	4 star	136	Sefton Group/ Best Western
Regency	4 star Silver	48	
The Claremont	4 star Gold	56	Sleepwell Hotels
The Sefton	4 star Silver	102	Sefton Group
The Town House	4 star Gold Aparthotel	15	
Admiral House	3 star	23	
Ascot	3 star	40	
Chesterhouse	3 star	67	Sleepwell Hotels
Empress	3 star	102	
Hydro	3 star	56	
Penta	3 star	23	
Rutland	3 star	64	Sleepwell Hotels
Welbeck	3 star Gold	34	
Sugarland	2 star	50	
Acacia Boutique	4 star Boutique RWR	12	
Ellan Vannin	4 star Silver GA	29	
Inglewood	4 star Gold GA	16	
Glen Mona/ Mereside/Rosslyn[2]	4 star Silver GA	35	
At Caledonia	3 star GA	20	
The Devonian	3 star Silver GA	18	
Arrandale House	3 star GA	18	
Edelweiss	3 star GA	21	
St Heliers	3 star GA	23	
Seaview	3 star GA	35	
Silvercraigs	3 star GA	28	
Trevelyan	3 star GA	69	
Savoy	2 star GA	24	
Santon			
Santon Motel	3 star GA	16	
Balasalla			
Sefton Express	4 star GA	34	Sefton Group
Port Erin			
Falcon's Nest	2 star	39	
Ramsey			
Ramsey Park	3 star Silver	30	Classic Lodges

Notes:
1. Quality in Tourism . Boutique hotels are those that describe themselves as such on their websites. There is no official designation of a boutique hotel.
2. The Glen Mona, Mereside and Rosslyn guest houses operate as one business

Mix by Standard and Type of Hotel

2.1.3. The island mainly has a mix of 3 and 4 star hotels and large 3 and 4 star guest houses. It has one small boutique hotel – the Acacia Boutique. Although this property has fewer than 15 bedrooms and is graded as a 4 star 'Restaurant with Rooms' we have included it as a boutique hotel as it is not dissimilar to the small boutique hotels that have opened in other UK seaside resorts. The Isle of Man does not currently have any branded budget hotels, although the Sefton Express at Ronaldsway Airport operates along the lines of a limited service budget hotel.

2.1.4. The island has one small aparthotel – The Town House in Douglas. Four hotels also offer a number of suites and serviced apartments:

- The Sefton – 7 luxury on-bedroom suites;
- Regency – 10 suites and apartments in the main hotel and the separate Regency Lodge located 100m away;
- The Claremont – 4 suites with separate lounge areas with sofa-beds;

Distribution of Hotels Across the Island

2.1.5. 91% of the island's stock of hotel bedrooms is concentrated in Douglas. There is only one hotel left in Port Erin – the 2 star Falcon's Nest. There is one hotel at Ronaldsway Airport – the Sefton Express. Ramsey just has one hotel – the 3 star Ramsey Park.

Seasonally Operating Hotels

2.1.6. Over a quarter (8) of the island's hotels currently close during the winter. This includes most of the large 3 star guest houses in Douglas and two 3 star hotels here. The Empress also shuts off 36 single rooms during the winter and some of the other guest houses close for the Christmas and New Year period and during their owner's holidays over the winter period.

Table 3

ISLE OF MAN HOTELS THAT CLOSE IN THE WINTER

Hotel	Location	Standard	Rooms	Period Closed
Chesterhouse	Douglas	3 star	67	Nov-Feb
Rutland	Douglas	3 star	64	Nov-Feb
Arrandale House	Douglas	3 star GA	18	Early Dec – mid Jan
Devonian	Douglas	3 star GA	18	Dec/ Jan
Edelweiss	Douglas	3 star GA	21	Mid Dec – end Feb
Seaview	Douglas	3 star GA	35	Oct – March
Silvercraigs	Douglas	3 star GA	28	Christmas + Jan/Feb
Trevelyan	Douglas	3 star GA	69	Winter

The Quality of the Island's Current Hotel Stock

2.1.7. Our research shows clear issues with the physical quality of many of the Isle of Man's hotels and large guest houses. Tripadvisor ratings and reviews (Appendix 5) suggest that leisure customers are generally happy with the island's hotels and large guest houses. All establishments are currently achieving average ratings of at least 3 out of 5. Most are getting scores of at least 3.5 out of 5 and many are achieving ratings of over 4 out of 5. Establishments are getting relatively few 'Terrible' ratings. Customer comments are generally very favourable about welcome, service, the friendliness of owners and staff, breakfast, cleanliness, sea views, location and value for money. However, many establishments, including some of the major hotels and highest rated hotels, receive negative comments about their rooms and public areas looking tired and dated and bedrooms being small. Our survey of companies on the island (Appendix 7) also showed that the quality of most of the island's main hotels is an issue for virtually all corporate users. They particularly compare the current provision negatively against business destinations such as Jersey as well as UK cities, in terms of both physical product and service, and several voiced that they felt this was a weakness in terms of their relationships with customers and the image of the Isle of Man as a place to do business.

2.1.8. From our own experience of staying in, and looking round some of the island's hotels and large guest houses it is clear that some properties have seen very little recent investment and some are in a very poor condition. There are also three large 3 star guest houses that are not fully en-suite and some hotels and guest houses have very small and dated en-suite bathrooms and shower rooms. While many hotel and guest house owners continually reinvest their profits into their properties, most are only making enough money to achieve a gradual improvement in quality. Only a small minority of hotels and guest houses offer a more modern, contemporary style of accommodation and facilities.

2.1.9. There are no hotels on the Isle of Man that have restaurants that have been awarded AA rosettes for their food. The island has no hotels listed in the Good Hotel Guide.

Disabled Access

2.1.10. While we have not undertaken a detailed audit of the accessibility of the island's hotels, we noted during our fieldwork that very few hotels and guest houses have step free access. The Ramsey Park Hotel is the only hotel on the island that is graded under the National Accessible Scheme (NAS), achieving an M3i rating for use by independent wheelchair users. The only other hotels on the island that advertise disabled-friendly bedrooms are The Sefton, Sefton Express and Palace. The lack of hotels with good disabled access was identified as an issue by a number of the coach holiday companies that we spoke to.

2.2. Changes in Hotel Supply

Hotel Closures

2.2.1. The Isle of Man has seen a significant and sustained loss of hotels and large guest houses over the last 10 years. Data on the island's hotel supply shows a 39% fall in the number of hotel bedspaces on the island between 2004 and 2013 – a total loss of 1,073 bedspaces. The island's hotel supply has declined further in 2015 with the closure of the 4 star Mount Murray Hotel & Country Club at Santon.

Table 4

ISLE OF MAN HOTEL SUPPLY (BEDSPACES) – 2004-2013

Standard	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
5 star	0	0	0	0	0	0	0	0	0	0
4 star	672	641	650	638	706	718	776	954	954	670
3 star	986	952	930	921	703	732	814	769	835	835
2 star	696	1015	965	688	355	322	248	199	180	180
1 star	94	96	100	100	73	0	0	0	0	0
Pending	310	0	0	135	0	0	0	22	0	0
Total	**2758**	**2704**	**2645**	**2482**	**1837**	**1772**	**1838**	**1944**	**1969**	**1685**

Source: 2014 Digest of Economic & Social Statistics

2.2.2. The sharpest drop in hotel supply was in 2008. There was a slight increase in hotel supply in 2011 and 2012, before a further sharp decline in 2013. Most of the losses have been in terms of lower grade, poorer quality 2 star and 1 star hotels, either through closure or upgrading. There has however also been some loss of 3 and 4 star hotel provision.

2.2.3. Notable hotel closures have been as follows:

- As already noted above, the Mount Murray Hotel & Country Club at Santon closed in February 2015, 14 months after a major fire destroyed its largest accommodation block in November 2013. We understand that the hotel was of a 4 star standard and had 90 bedrooms, a health club and extensive conference and banqueting facilities. We understand that the hotel has just been sold, so it will hopefully reopen later in 2016.

- The Castletown Golf Links Hotel on the Langness Peninsula closed in 2007. It was purchased in 2012 by Fort Island Developments, part of the Isle of Man based property development company Dandara Group, for a reported £2.5 million. The company is reportedly currently progressing a £20 million project to create a boutique hotel and residential development on the site.

- The Castle Mona Hotel on Douglas seafront closed in 2006 after entering receivership. It was acquired by the Sefton Group in 2007. Its intention was reportedly to refurbish the building as a 4 star hotel but it has remained mothballed and fenced off ever since. We understand that the hotel had 99 bedrooms, a nightclub, bar and bowling alley, and was operating at a 2 star standard prior to its closure.

- The Imperial Hotel on Douglas seafront has been closed for a number of years. It is owned by the Burnbrae Group, the parent company of Sleepwell Hotels. Its application to demolish the hotel was withdrawn in 2013.

- Burnbrae also owns the closed Regal Hotel on Douglas seafront. We understand that it has 47 guest bedrooms.

- The closed Gresham Hotel on Douglas seafront (42 bedrooms) is currently on the market for sale through Isle of Man property agents Black Grace Cowley and Chrystals.

- Other hotels that have closed in Douglas in the past 5-6 years include the Nelson, Clarendon and Osborne.

- The Grand Island Hotel in Ramsey closed in February 2009 and was demolished in 2011. The latest plans for the site envisage the development of 11 large detached houses.

- Port Erin's Ocean Castle Hotel closed in 2007 and was demolished in 2010 to make way for the development of a block of flats. Other major hotels that have closed in Port Erin are the Imperial, which was demolished in 2007, and the abandoned Port Erin Royal, now owned by the Dandara Group, which plans to demolish the hotel and redevelop the site for residential apartments. The Port Erin Royal had 70 bedrooms. We have been unable to establish how many guest bedrooms the Ocean Castle and Imperial had, but they were evidently sizeable hotels.

- The 17-bedroom 4 star-rated Glen Helen Inn closed in 2014. It is currently being marketed for sale by Black Grace Cowley.

2.2.4. The following smaller hotels and large guest houses are currently closed on Douglas seafront:

- Hotel Marina;
- Berkeley House – previously trading as a 3 star guest house with 22 letting bedrooms. Currently on the market with Chrystals;
- Wyndham – 18 letting bedrooms – currently on the market with Chrystals;
- Pitcairn;
- The Belsfield Hotel;
- Kenilworth – currently being converted to 6 residential apartments.

New Hotels

2.2.5. The last new hotels to open on the Isle of Man were The Town House aparthotel in 2006, the Sefton Express in 2007, converted from former offices, and the Ramsey Park in 2012.

Investment in Existing Hotels

2.2.6. The only hotel on the island that has seen a multi-million investment in the last 5 years is The Claremont. Sleepwell Hotels has reportedly spent £3million on upgrading the hotel to a modern, contemporary 4 star business hotel.

2.2.7. Other significant recent investments in hotels and large guest houses have been as follows:

- The Town House opened 8 new apartments in June 2015 through the conversion of the adjacent former Mayfair Hotel, following the sale of Gloucester House to the Ellan Vannin Hotel in 2013.

- The Admiral House Hotel has upgraded its bar, restaurant and breakfast room.

- The Falcon's Nest Hotel at Port Erin has opened 4 additional bedrooms.

- The Ellan Vannin Hotel was acquired by new owners in March 2012, who have since refurbished the hotel throughout to bring it up to a 4 star Silver guest accommodation rating and one of the highest rated Isle of Man hotels on Tripadvisor. They acquired the Gloucester House holiday apartments in 2013 to extend the hotel to 29 bedrooms.

- The Inglewood was acquired by new owners in 2005, who gradually upgraded it to a 4 star Gold guest accommodation rating by 2009, and opened up two additional bedrooms.

- The owner of the Glen Mona guest house acquired The Mereside guest house in 2005 and gradually upgraded it to achieve a 4 star guest accommodation rating. She subsequently acquired the 4 star Rosslyn guest house in 2011, to which she has added 3 bedrooms. All three guest houses are now operated under the umbrella of the HQ Bar & Restaurant.

- The Edelweiss guest house was acquired by new owners in 2009. They have subsequently upgraded and modernised the guest house and converted staff accommodation to provide an additional three guest bedrooms.

2.2.8. Many of the island's other hotels and large guest houses have continually reinvested their profits into ongoing improvements to maintain their standards but have not been making enough money for significant upgrading and modernisation. A number of properties have seen very little investment for many years, and appear to be stuck in a downward spiral of a lack of investment resulting in poor quality, low prices, stagnant or reducing demand, reducing profits, and no money for reinvestment to break this cycle.

2.2.9. It is evident that the investment that has gone into the island's hotel sector over the last 10 years has come almost entirely from individuals that live on the Isle of Man and/or have other business interests on the island. There does not appear to have been any off-island investment into the Isle of Man hotel sector.

2.2.10. There has been very little take-up of the Government's Financial Assistance Scheme for hotel investment projects. The consistent feedback from hotel and guest house owners was that the Scheme is too onerous and complicated, which deters applications for potentially eligible projects. This issue is discussed further in Section 4.2.

2.3. Planned and Proposed Hotel Development

New Hotels Under Construction

2.3.1. The Mannin Hotel in Douglas is due to reopen in Spring 2016 as a 54-bedroom 4 star hotel following the demolition and re-build of the former hotel on the site.

Hotel Development Proposals

2.3.2. There are a number of proposals for the renewal of existing hotels and development of new hotels currently being talked about on the Isle of Man. Most of these are at an early stage and confidential therefore. Those that are in the public domain are as follows:

- The Lower Douglas Master Plan identifies the Lord Street and Middlemarch sites as being suitable for mixed use development schemes that could include a hotel. The Government is currently at the final stages of considering bids for the Lord Street site, which currently include hotel proposals.
- As previously noted, the Dandara Group is currently progressing a £20m project to create a boutique hotel and residential development on the site of the former Castletown Golf Links Hotel.
- Hartford Homes indicated potential plans in 2012 to redevelop the Bay Queen Hotel in Port St Mary as high quality apartments, a restaurant, boutique hotel and leisure spa.

Hotels for Sale

2.3.3. As we have already identified the Mount Murray Hotel & Country Club at Santon has just been sold.

2.3.4. As noted in Section 2.2 a number of closed hotels are on the market with island-based commercial property agents. In terms of operating hotels and guest houses, the Admiral House Hotel and Seaview Hotel in Douglas are currently up for sale. The commercial property agents that we spoke to on the island advised that there is currently no market demand for most of these properties as going concerns. The residential property market is also flat at present, resulting in limited demand for such properties for residential conversion.

Plans for Investment in Existing Hotels

2.3.5. Most hotels and large guest houses plan to continue to reinvest their profits to maintain their current quality. None are looking to significantly upgrade or reposition. A few lower grade hotels and guest houses are not making sufficient profits to allow reinvestment.

2.3.6. Two guest house owners indicated an interest in expanding into adjacent properties if they become available and installing lifts. No other hotels or guest houses indicated any intention to expand or invest in major capital projects.

2.3.7. A number of hotel and guest house owners indicated that they would like to sell up as they reach retirement age. However none of these owners felt that they would be able to find a buyer for their property as a going concern. As noted above this view is also shared by the island's commercial property agents. This, together with the currently flat residential property market, suggests that more hotels and guest houses may end up closing and being abandoned as their owners retire and are unable to find buyers. On the basis of our research we believe that there are at least 8 hotels and guest houses that could be at risk of closure and abandonment, with a total of 266 letting bedrooms.

2.4. Comparisons with Other Island and Resort Destinations

2.4.1. Appendix 5 provides a comparison between the Isle of Man's hotel supply and that of competitor island destinations, Scottish islands and seaside resorts in North West England and North Wales. Key points from this analysis are as follows:

- **Jersey** has a significantly greater and higher quality hotel supply than the Isle of Man, supported by much stronger market demand. It has a lot more luxury hotels, including three 5 star hotels, a Radisson Blu international 4 star hotel and twelve 4 star hotels, many of which offer a contemporary style of accommodation and luxury spas. Jersey also has a significant stock of 3 star hotels and has retained a good supply of 2 star hotels. The majority of hotels are family owned and operated. There are also four island-based hotel companies. The quality of Jersey's 2 and 3 star hotels is likely to be variable, but many hotels appear to offer a good standard of accommodation. Many of Jersey's 3 and 4 star hotels have outdoor swimming pools, gardens and terraces. Some have attractive beachfront settings and direct beach access. A number have indoor swimming pools and leisure facilities. Jersey has a large family resort hotel. It has two aparthotels operated by national and international serviced apartment operators. There are no budget hotels currently on Jersey, however Premier Inn has St Helier as a target location for a 100-bedroom hotel. Jersey's hotel stock is concentrated in the island's capital and commercial centre St Helier but there is also a good spread of hotels across the rest of the island.

- **Guernsey** has a smaller but not dissimilar hotel supply to Jersey in terms of range, quality and geographic spread, and a more significant and higher quality hotel offer than the Isle of Man. It has eight luxury hotels, including a 5 star property, three boutique hotels, an AA 4 Red Star hotel, and four high quality 4 star hotels with AA rosettes for food. Guernsey also has a number of contemporary 3 star hotels and a small 4 star golf hotel. The majority of Guernsey's hotels, including some of its 2 star hotels, have outdoor swimming pools. A number of hotels also have indoor pools, spas, and health clubs. Many hotels have gardens and grounds. Some are in attractive coastal or countryside settings. Guernsey's hotel stock is concentrated in the island's capital and commercial centre St Peter's Port. There is however also a good spread of hotels across the rest of the island. Most of Guernsey's hotels are family owned and operated. There are no aparthotels currently on Guernsey, and no budget hotels, although Premier Inn has Guernsey as a target.

- The **Isle of Wight** has a much greater supply of hotel accommodation that the Isle of Man. It's hotel supply is generally of a low standard however, with a much more significant stock of 2 star and ungraded hotels, many of which focus largely or entirely on the coach holiday market. The island also has a good stock of 3 star hotels, however many appear to be quite dated in terms of the style and quality of accommodation and facilities that they offer, and many also trade mainly in the coach holiday market. The island has a number of large hotels that are operated by coaching hotel companies. Some of the island's 2 and 3 star hotels have outdoor swimming pools and in some cases indoor pools. The Isle of Wight has very few high quality hotels. It only has two 4 star hotels, three boutique hotels, one AA 3 Red Star hotel, and a high quality 3 star country house hotel. Warner Leisure Hotels operates a 247-bedroom 3 star adult only hotel resort on the island. The Isle of Wight has a walkers hotel, operated by HF Holidays. It has three Travelodge and Premier Inn budget hotels, with a new Premier Inn due to open in January 2016. The Isle of Wight's hotel supply is concentrated in the main resorts of Shanklin and Sandown, although there is also a spread of hotels across other parts of the island.

- **Anglesey** has a much smaller hotel supply that the Isle of Man. It's hotel stock comprises primarily small, family run 2 and 3 star and ungraded hotels of varying quality. The island has two small high quality country house hotels and a boutique hotel. Anglesey has one Travelodge budget hotel in Holyhead. This is also a target location for Premier Inn.

- The **Isles of Scilly** have a limited stock of small, mostly independent 2,3 and 4 star hotels, many of which have attractive beachfront or coastal settings. The quality of hotels appears to be good. The islands have two luxury hotels and a contemporary 4 star hotel. Travelodge has the Isles of Scilly as a target location for a new hotel.

- **Scottish island destinations** have relatively small hotel supplies consisting mainly of small, family run hotels spread across each island. Some islands also have small island-based hotel companies The quality of hotels on Scottish islands appears to be highly variable. Many hotels look dated. Some have been refurbished recently and there are a number of standout high quality hotels on some islands, including luxury country house hotels, a number of boutique hotels, hotels with AA rosettes for their food, and a few hotels with luxury spas. There are no budget hotels currently on any of the Scottish islands, however Travelodge has Lerwick in the Shetland Islands and Kirkwall in the Orkney Islands as target locations for new hotels, while Premier Inn has identified Portree on Skye and the Shetland Islands as locations where it would like to open new hotels.

- There are a number of similarities between the hotel supplies of **North West England and North Wales seaside resorts** (Southport, Lytham St Annes, Morecambe, Llandudno and Aberystwyth) and Douglas. All have largely independent hotel sectors and hotels of varying quality, including a number of dated hotels that are in need of investment, and 2 and 3 star and ungraded hotels that are focused mainly on the coach holiday market. This is particularly the case in Llandudno. There are however a number of significant differences:

  - Southport has an international 4 star Ramada Plaza hotel;
  - Llandudno and Lytham St Annes have a number of high quality, contemporary hotels;
  - Llandudno, Southport. Morecambe, and Lytham St Annes each have boutique hotels;
  - Llandudno and Aberystwyth are serviced by luxury country house hotels;
  - Lytham St Annes has two family hotels;
  - Llandudno has a purpose-designed hotel for disabled people;
  - Many of the hotels in Llandudno and Lytham St Annes have indoor pools and some also have gyms and spas;
  - Llandudno and Lytham St Annes have a number of hotels with AA rosette awarded restaurants.
  - All of the North West and North Wales resorts have budget hotels, including some recent openings.

- So, compared to other island destinations the Isle of Man has:
    - A much smaller hotel supply than Jersey and the Isle of Wight, and fewer hotels than Guernsey;
    - More hotels than Anglesey, the Isles of Scilly and Scottish islands;
    - Far fewer hotels than Llandudno, a similar number to Lytham St Annes and Southport and substantially higher hotel provision than Morecambe and Aberystwyth;
    - Similar issues to the Isle of Wight, Scottish islands, and North West England and North Wales resorts with dated hotels that are in need of investment;
    - Fewer recently refurbished, contemporary 3 and 4 star hotels than most other comparator island and resort destinations;
    - Less provision in terms of boutique hotels;
    - Fewer coaching hotels than the Isle of Wight and Llandudno;
    - Very few hotels with swimming pools and leisure facilities – which many hotels in the Channel Islands and Isle of Wight have;
    - No hotels with spas;
    - No hotels with AA rosettes for food and no AA Red Star hotels;
    - No 5 star hotels – which Jersey and Guernsey both have;
    - No country house hotels;
    - No farmhouse hotels – Jersey has two;
    - No hotels in countryside or coastal settings;
    - No hotels with extensive gardens or grounds;
    - No golf hotels – since the closure of the Mount Murray and Castletown Golf Links hotels – however only Guernsey has a golf hotel;
    - No luxury family hotels – Jersey, Arran and Lytham St Annes all have family hotel resorts;
    - No adult only hotel resorts – the Isle of Wight has a Warner Leisure Hotel;
    - No hotels that are purpose-designed for disabled people – Llandudno has one;
    - No walkers hotels – the Isle of Wight has one;
    - No budget hotels – the North West England and North Wales resorts all have budget hotels, including some recent openings, and many of the comparator island destinations are target locations for Premier Inn and Travelodge;
    - Fewer aparthotels than Jersey;
    - A narrower geographic spread of hotels – with supply on the Isle of Man concentrated almost entirely in Douglas.

3. CURRENT HOTEL PERFORMANCE & MARKETS

3.1. Occupancy and Achieved Room Rates[1]

3.1.1. Our estimates of average annual room occupancies and achieved room rates for hotels and guest houses on the Isle of Man in comparison to national averages are set out in the table overleaf. Key points to note are as follows:

- Average annual room occupancies for the island's 3 and 4 star hotels are significantly below national UK averages. This is largely to do with the seasonal nature of the island's hotel market. It is very difficult for hotels to achieve much more than an annual room occupancy of 70% because of the lack of winter trade, particularly in terms of weekend leisure demand. Most 3 and 4 star hotels on the island only achieved average annual room occupancies of 60-65% in 2015, which was an improvement on their occupancy performance.

- 4 star hotel occupancies are stronger than for 3 star hotels as 4 star hotels attract a greater share of the corporate business that is available in the winter.

- Achieved room rates for the island's 4 star hotels are strong, due to the year-round base of corporate business; the strength of leisure demand in the summer, which is usually on double occupancy rates; and the premium rates that hotels achieve during the TT and Festival of Motorcycling.

- Achieved room rates for the island's 3 star hotels are below national UK averages, largely due to the dominance of coach holiday business for a number of 3 star hotels.

- Hotels in other parts of the island beyond Douglas achieve low room occupancies. Seasonality is more marked for such hotels, which are much more reliant on leisure demand. Achieved room rates are slightly ahead of equivalent standard hotels in Douglas however.

[1] The amount of rooms revenue (excluding food and beverage income) that hotels achieve **per occupied room** net of VAT, breakfast (if included) and discounts and commission charges.

Table 5
ISLE OF MAN HOTEL & LARGE GUEST HOUSE PERFORMANCE 2013-2015

Standard of Hotel	Average Annual Room Occupancy %			Average Annual Achieved Room Rate[11] £		
	2013	2014	2015[9]	2013	2014	2015[9]
UK Provincial Hotels (All Standards)[1]	**72.6**	**75**	**76[10]**	**59.94**	**62.07**	**64.73[10]**
UK Provincial UK 3/4 Star Chain Hotels[2]	**72.0**	**73.9**	**n/a**	**71.46**	**76.49**	**n/a**
4 Star Hotels - Douglas[3]	62	65	69	82.50	85.10	82.40
3 Star Hotels – Douglas (Open All Year)[4]	59	60	64	58.20	59.40	59.40
3 Star Hotels – Douglas (including Seasonally Open Hotels)[5]	56	57	59.5	58.60	59.90	60.40
3/4 Star Hotels – Douglas (Open All Year)	61	63	67	72.80	75.00	73.30
2/3 Star Hotels – Rest of the Island[6]	n/a	n/a	45	n/a	n/a	62.80
Large 4 Star Guest Houses – Douglas[7]	n/a	n/a	65.5	n/a	n/a	64.60
Large 3 Star Guest Houses – Douglas[8]	n/a	n/a	54	n/a	n/a	53.00
Hotels and guest houses with over 15 bedrooms (All island)	n/a	n/a	61	n/a	n/a	69.10

Source: Hotel Solutions – November 2015

Notes
1. Source: STR Global
2. Source: TRI Hotstats UK Chain Hotels Market Review
3. Sample: Sefton, Palace, Claremont, Regency
4. Sample: Empress, Welbeck, Hydro, Admiral House, Ascot
5. Sample: Empress, Welbeck, Hydro, Admiral House, Ascot + Chesterhouse, Rutland (annualised figures)
6. Sample: Ramsey Park, Sefton Express, Falcon's Nest, Sulby Glen
7. Sample: Ellan Vannin, Inglewood, Glen Mona, Mereside, Rosslyn
8. Sample: Edelweiss, Devonian, Arrandale, At Caledonia
9. Based on forecast figures provided by hotel managers
10. PwC UK Hotel Forecast 2015
11. Net of VAT and breakfast. Many hotels and guest houses provided gross average room rate figures including VAT, breakfast and commission charges. In such cases Hotel Solutions has calculated a net figure taking off VAT at 5% and an allowance of £10 for breakfast. It has not been possible however to calculate net figures excluding commission charges.

- Large 4 star guest houses are trading slightly ahead of 3 star hotels in terms of both occupancy and achieved room rate. Occupancies and achieved room rates are lower for large 3 star guest houses.

- Occupancies have improved for most of the island's hotels and large guest houses in 2014 and 2015 due to a number of factors:
    - An increase in corporate business as a result of Amaya Gaming Group's takeover of Pokerstars and the rebranding of Royal Skandia as Old Mutual International;
    - Additional contractor business from Manx Telecom in 2014;
    - More business coming through booking.com and other OTAs[1];
    - Some hotels taking more coach holiday business;
    - The closure of the Mount Murray benefitting some hotels in 2015;
    - More flexible room rate strategies and increased and improved marketing by some hotels and guest houses;
    - Investment in some hotels and guest houses;
    - Favourable Tripadvisor reviews generating additional business for a number of hotels and guest houses.

- Achieved room rates have reduced for some hotels as they have focused on more aggressive rate strategies and taken more lower-rated coach holiday and group travel business to drive up occupancy

[1] Online travel agents such as LateRooms, Expedia, Trivago and hotels.com

3.2. Seasonality

3.2.1. Our estimates of seasonal occupancies for 3 and 4 star hotels in Douglas are set out in the table below.

Table 6
ISLE OF MAN HOTELS – SEASONAL OCCUPANCIES 2014

Standard of Hotel	Average Seasonal Room Occupancy %		
	Low Season (Nov-Mar)	Mid-Season (April/ Oct)	High Season (May-Sept)
4 Star – Douglas	42	63	88
3 Star – Douglas (Open All Year)	35	62	89

Source: Hotel Solutions – November 2015

3.2.2. Key points to note are as follows

- The Isle of Man hotel market is highly seasonal. The island has a very short main season of just 5 months between May and September. Hotels achieve high occupancies and room rates during these months. Events play a key role in driving hotel demand in this main season.

- Hotel occupancies and room rates reduce substantially in April and October, and are very low in the five low season months between November and March, particularly at weekends. There is very little leisure business for hotels in these months, due largely to the weather and the fact that many of the island's attractions, shops and restaurants are closed. The only demand during the low season is corporate and contractor demand, together with some business from people visiting friends and relatives and attending funerals. There is also some on-island leisure break business but this is very offer driven as hotels seek to boost winter occupancies. Midweek occupancies are stronger during the winter but corporate demand is not sufficient to fill hotels during the week at this time of year.

- There has been very little change in the seasonal pattern of demand for hotel accommodation on the island over the last 5 years, other than a marginal increase in occupancies in April and October as a result of events held in these months, longer opening seasons for the island's key visitor attractions, and some growth in shoulder season coach holiday business for a few hotels in 2015.. Hotels and guest houses have however had little success in boosting low season demand. Many hotels lose money in the winter. The only reason that they remain open is so that they can retain their staff.

3.3. Key Markets

3.3.1. The main markets for the island's hotels and large guest houses are:

- Event visitors;
- Domestic leisure breaks;
- Coach holidays;
- Special interest groups;
- Corporate demand.

3.3.2. **Events** are a key driver of hotel and guest house business between May and September. Hotels and large guest houses are full at premium rates for an 8-10 day period during the TT and trade at very high occupancies and room rates for the two weeks of the Festival of Motorcycling. Other events that generate significant demand for hotel and guest house accommodation are the Walking Festival, Manx National Rally, Crown Green Bowling Festivals, End2End Mountain Bike Challenge, and Manx Heritage Transport Festival. There are also a few events that drive significant business in March, April and October, such as the International Darts Festival, Festival of Choirs, UK & Ireland Poker Tour Tournament, and Pokerstars International Chess Tournament. There are many other smaller events, such as the Isle of Man CMRA Beer & Cider Festival, Microgaming Lighthouses Challenge cycle race and Ramsey Angling Festival, that also generate some demand for the island's hotels and guest houses. Some large 3 star guest houses in Douglas rely very much on events business to sustain them.

3.3.3. **UK leisure break customers** are a key market for all hotels in the high season between May and September. This is generally an older market, with leisure break customers typically in their 50s, 60s or 70s. Key draws for these age groups are the island's heritage transport and Manx heritage attractions, scenery, nostalgia for those that visited the island as children for family holidays, walking, and to a lesser extent cycling. Demand from this market is highly price driven. Booking.com is a key driver of this business. Tour operators also drive some business through the short break packages that they sell. Many hotels and large guest houses also have high levels of repeat business from regular leisure break customers that come to them direct. Leisure break demand is strongest at weekends and between April and October. The island currently attracts very few UK leisure break customers during the winter.

3.3.4. Two 3 star hotels in Douglas focus largely on **coach holidays**, achieving high levels of occupancy from back-to-back coach breaks during their opening season between April and October. Coach holidays are a key market for two other 3 star hotels. Most other 3 star hotels and two 4 star hotels also take some coach holiday business. While coach holiday business is low-rated it can provide hotels with a profitable business model as it guarantees them with high levels of occupancy. Operating costs are also much lower for hotels that concentrate on the coach holiday market. The island's hotels that are currently trading in this market did not indicate any plans to switch more to private guests in the foreseeable future. Coach holiday demand for the island is limited to the period March to October. Coach holiday companies indicated that they have no demand for the Isle of Man in the winter and would not include the island in their winter programmes because of the likelihood of rough sea crossings and the danger of ferries being cancelled due to the weather.

3.3.5. **Special interest groups**, including rail tours, walking groups, cycling groups, motorbike tours, Enduro biking tours, and golf tours are an important secondary market for some hotels and large guest houses.

3.3.6. **Corporate demand** accounts for around 30-50% of trade for the island's 4 star hotels, 10-15% of occupancy for some 3 star hotels, and 30-40% of business for some large 4 star guest houses. Corporate business accounts for the bulk of winter trade for the island's hotels. It enables 4 star hotels to trade at reasonably good midweek occupancies during the winter, although hotels generally have midweek availability throughout the winter. Corporate rates are not particularly high on the island as the corporate market is highly competitive. In the summer months corporate demand is topped up by events and leisure break business, enabling hotels to achieve the high occupancies that they do between May and September.

3.3.7. Our company survey and discussions with BDMs shows that there is some corporate demand for luxury hotel accommodation on the island from senior executives, high net worth individuals and potential investors visiting the island, some of which is accommodated off-island due to the lack of a suitable luxury hotel on the island. While we have been unable to quantify the volume of this element of corporate demand, our research suggests that it is not significant.

3.3.8. There is also an element of long stay corporate demand on the island from international business visitors and those working on company projects. Much of this demand appears to be accommodated in serviced or self-catering apartments in Douglas, and in some cases in company flats and houses.

3.3.9. The findings from our survey of Isle of Man financial services, e-gaming, shipping, aviation, film production and manufacturing companies (Appendix 7), together with the inputs from Business Development Managers, provide the following insights into corporate demand for hotel accommodation on the island:

- Quality is an issue for virtually all corporate users. The Claremont, Regency and Town House, and to a lesser extent The Sefton, are the only hotels that get good reviews.
- Even within the stronger hotels for corporate business, there were some issues about standards and inconsistency of offer.
- Availability is an issue at various times.
- There is support for a 5 star hotel and a willingness amongst some to pay top rates for this, but the breadth and depth of this demand appears to be limited.

- There was broader support for a new branded 3 or 4 star hotel, split between those who felt it vital and others desirable for them to conduct business on the island.
- A new hotel or the upgrading of the island's existing hotels would be acceptable to many companies.
- Some additional business could be brought to the island with better quality hotels in place, but a new branded 3 or 4 star hotel would also result in companies switching some of their business away from the hotels that they are currently using.
- BDMs identify lost business due to the lack of a sufficiently high quality hotels for investors that require luxury accommodation, but not in sufficient volumes to support a new luxury hotel of any scale.
- The finance companies that are serving high net worth clients tend to fly out to meet them somewhere like London. They would not necessarily bring such clients to the Isle of Man.
- Most companies have modest requirements for hotel accommodation – typically up to 10-20 rooms per month.
- They also have demand for functions, meetings and leisure and perceive a gap in provision in these areas now that the Mount Murray Hotel has closed.
- There is limited evidence that companies are using off-island hotels and flying clients in and out in a day due to dissatisfaction with the island's current hotel offer. Only a small number of companies identified that they do this.
- A minority of companies do not bring people to the Isle of Man because of the standard of the island's hotels.
- There was an overwhelming view amongst corporate consultees that the standards of hotels on offer on the Isle of Man creates a very negative image of the island and what it has to offer, as a place to invest, work, live or visit. Particularly from the business development and investment angle, this was strongly felt to be at odds with what the Government is trying to achieve in establishing the Isle of Man as a world-leading business centre of excellence, with quality high on the agenda.

3.3.10. **Other lesser markets** for the island's hotels and guest houses are:

- On-island leisure breaks/nights away, driven through special offers that hotels promote during the winter.
- Long holidays – some hotels and guest houses still attract a few regular guests for week-long and two-week holidays in the summer.
- Residential conferences – a very limited market for a few hotels. Conference demand is mainly for day conferences, which may generate one or two bookings for speakers and organisers.
- Conferences at the Villa Marina e.g. the aviation and tax enforcement conferences that the venue has hosted in 2015.
- Wedding parties.
- People visiting friends and relatives on the island.
- Contractors and workmen.
- Overseas tourists – primarily US and Australian visitors tracing their roots, TT visitors, and some German, Swiss and Chinese visitors booking through booking.com.
- People attending funerals.
- Aircrew and air passengers that need to stay over when flights are delayed.
- Edge Hill University teacher training placements for some guest houses.
- School tours for one 3 star guest house.

3.4. Market Trends

3.4.1. Key trends in the Isle of Man hotel market have been as follows:

- Corporate demand has reduced significantly since 2008 for hotels, although there were some signs of recovery in 2015.
- Some large guest houses have seen an increase in corporate business in the last 2 years, particularly through booking.com, as companies have traded down to save money on their travel budgets.
- Leisure break business has increased for many hotels, although some reported a drop in this market in 2014 and 2015. A number of hotels have targeted leisure break business more proactively. Most hotels and large guest houses have seen an increase in leisure break bookings through booking.com. The 2015 Isle of Man Visitor Survey showed that the island attracted new visitors for short breaks, alongside a high level of return visiting. Growth was strongest from the over 55s.

- The last 5 years have seen some growth in demand in April and October as a result of new events and festivals such as the Festival of Choirs in October, first launched in 2010; the CAMRA Beer & Cider Festival in April, introduced in 2011; and the Pokerstars International Chess Tournament, which first ran in 2014. The extended operating season for the Manx National Heritage sites and museums and the island's heritage transport attractions has also helped to boost shoulder season leisure break and group travel business. The closure of much of the island's visitor infrastructure in the winter remains a major constraint to developing winter business however.
- The long holiday market has all but disappeared. Hotels and guest houses no longer attract the Irish family holiday market in the summer since the recession in Ireland and the reduction in ferry services from Dublin and Belfast.
- Some hotels have taken more coach holiday business to replace lost corporate and long holiday demand.
- Manx National Heritage and the Department for Public Transport have had some successes in attracting group travel business to the island;
- Some hotels have started to attract more rail tours.
- Demand from higher-rated group tours and car clubs has reduced with the closure of the Mount Murray Hotel, which a number of group travel organisers were using. While some have switched to other hotels, others have stopped coming to the island.
- Two properties have seen an increase in demand from Enduro bike tours.
- Contractor business has reduced in the last 5 years with the suspension of Isle of Man Government capital programmes.
- There has been a reduction in demand from film productions in 2015.

3.5. Denied Business[1]

3.5.1. A number of hotels and large guest houses regularly deny bookings from private leisure guests during the peak summer months (May – September) because they are fully booked with event visitors, coach holiday groups and/or corporate visitors. Some tour operators commented that they are currently constrained from growing peak season leisure break business because they are unable to secure space at hotels that are full with coach holiday groups during the summer. Some owners of the large guest houses on Douglas seafront advised that they are frequently unable to satisfy demand for sea view rooms.

3.5.2. All hotels and guest houses deny significant business for the TT. Most are fully booked at least a year in advance. Many hotels and guest houses also deny significant business for the Festival of Motorcycling. A tour operator also advised us that they have difficulty in securing enough hotel and guest house accommodation for some car rallies in May and September and the crown green bowling festivals in June and September.

3.5.3. Our company survey shows evidence of companies sometimes having difficulty in getting availability at their preferred hotels, most frequently in the peak summer months and during the TT. However, overall satisfaction levels with hotel availability were good, with issues primarily focused around availability at particular hotels, rather than a lack of sufficient hotel provision on the island.

3.5.4. Some hotels turn away coach holiday business because it is too low-rated, would not mix with their corporate business, or would block the hotel out to other higher-paying markets. Our survey of coach holiday and group travel operators showed that these markets are currently constrained by hotel availability between May and September: companies that already come to the island are unable to fully satisfy the demand that they have for the Isle of Man, and there are likely to be other coach holiday and group travel operators that would be interested in including the Isle of Man in their programmes if they could secure availability at the island's hotels.

[1] Business that hotels turn away because they are fully booked or because it is too low-rated

3.6. Other Issues Affecting Hotel Performance

3.6.1. Our research identified two other issues that are impacting on hotel performance and operation:

Staff Recruitment

3.6.2. Many of the hotel and guest house owners and managers that we spoke to on the island identified significant problems in terms of recruiting the staff that they need, caused primarily by the current work permit system for immigrant workers. Owners and managers consistently identified that there is a lack of suitable Manx staff that are willing to work in the hospitality industry. The process that they are required to go through in terms of advertising posts locally first (for which there are not usually suitable Manx candidates), and then applying for work permits for immigrant workers adds time, cost and inconvenience that hampers hotel operation on the island and the delivery of consistent standards of service.

Marketing Skills

3.6.3. Our discussions with the island's hotel and guest house managers showed relatively little proactive marketing activity to the UK leisure break market. Many hotels and guest houses rely mainly on business through booking.com and other OTAs, the Isle of Man guide and visitisleofman.com website, and in some cases business generated by tour operators. Very few undertake any sort of CRM or social media marketing. None are making use of voucher and deals site to drive off peak business and fill late availability.

4. STRATEGIC CONTEXT AND DRIVERS OF GROWTH

4.1. The Context for Growth in the Isle of Man Hotel Market

4.1.1. This section looks at a range of factors that shape the environment and dynamics for further hotel development on the Isle of Man. This includes the overall economic context and outlook for the island, followed by a focus on tourism, looking at national and local trends and the tourism strategy for the Isle of Man. Finally, it considers more area specific matters, looking at the planning context for hotel development and at key projects which could drive growth in hotel demand.

4.2 Economic Performance, Outlook & Delivery

4.2.1. Vision 2020 is the economic growth strategy for the Isle of Man, which identifies potential for annual growth of 3-4% in GDP, and 0.7-1% in jobs (500-1000 p.a.) through to 2020. The vision focuses on delivering:

- An international business centre of excellence
- A transparent international business centre
- An incubator for innovation
- A skilled technology centre
- A secure and safe environment
- A high quality of life

4.2.2. The Isle of Man economy has seen unbroken growth over the past 30 years, averaging 6% p.a. (double the average for the developed world) and in 2012 was ranked by the World Bank 8th in the world in terms of national income per head. Innovation has been key to this success, along with a focus on wealth-creating sectors. Going forward, the economic mix will continue to change, reflecting both global trends and emerging opportunities.

- Financial and professional services, which make up 40% of the island's economy and employ a quarter of the workforce, will remain the largest wealth-creating sector and grow further. Financial technology, digital currencies, crowdfunding, insurance and savings are all expanding areas. Some of the key companies in the financial and professional services sector on the island include Lloyds Bank International, Barclays, KPMG, Zurich, Friends Provident and Canada Life.

- Recent years have seen tremendous growth in the e-Business sector, particularly ICT and e-gaming, which now accounts for 25% of the island's economy. Continued strong growth in this sector is expected going forward. The attraction of Pokerstars' global headquarters from Costa Rico has been a notable success. Microgaming is another significant e-gaming company on the island.
- Established sectors such as manufacturing (aerospace and optics clusters) will continue to be important.
- The visitor economy is identified as having good growth potential whilst also supporting the wider economy and quality of life.
- Other emerging sectors include green energy and biomedics.
- Across all sectors entrepreneurs will be a key source of growth via small to medium sized businesses.

4.2.3. Strategies have been developed for each of these sectors, with staff and funding allocated to bring inward investment onto the island from across the globe, as well as to support those key businesses that have already chosen to invest here. Country marketing strategies are focused on winning business from private and corporate business in emerging economies such as the Middle East, India, China, Russia and Latin America. Annual funding in direct support of economic growth includes:

- Marketing and promotion £3m
- Financial assistance grants £4m
- Visitor economy events £3.3m
- Vocational skills training £2.2m
- Private sector expertise in key growth areas £0.6m

4.2.4. In addition, reserves are held to support economic growth, including a £16.1m Economic Development Fund, a £5.8m Marketing Initiatives Fund, and a £6.1m Regeneration Fund. How these funds are used needs to change to reflect the island's competitive position. The film and TV sector is a good example of this. It has benefitted from the Isle of Man Media Development Fund, with £170m having been invested since 1995. The fund provides equity funding, gap funding and tax credits. In 2012 the Government invested £24m in Pinewood Studios, with Pinewood sourcing and advising on film investment opportunities for which there is a £25m budget.

4.2.5. A new fund is being launched at the end of 2015, the Enterprise Development Fund. This is a £50m fund running over 5 years, and will provide grants, loans and equity investment to new Isle of Man start-ups, existing expanding Isle of Man businesses, and companies wishing to relocate to the Island. It is geared towards job creation and target/emerging growth sectors, and will be supported by professional fund managers. Amounts range according to the scale of the business in terms of turnover and number of employees, with grants of £5,000 to £25,000 available for small businesses, loans of up to £100,000 and equity investments of up to £250,000 available for small and medium sized expanding businesses, and equity investment of up to £1m available for medium to large companies.

4.2.6. The Financial Assistance Scheme has to some extent been used to support the hotel sector; the development of the new-build Ramsey Hotel is an example. Grants of up to 40% of capital costs are available. Take-up by existing hotels has however been limited. Feedback from hotel and guest house owners indicates a number of issues with the current scheme:

- The paperwork and need for supporting documentation is felt to be too onerous and bureaucratic;
- Payments are retrospective causing cashflow problems for small businesses often on the margins of profitability and unable to secure loan finance from Isle of Man banks;
- Repairs and renewals, e.g. roofing, plumbing, rewiring, and new windows, are not covered, yet given the age and condition of many properties, particularly on the seafront where weathering is especially harsh, such costs can be significant;
- Applicants often lack the skills to prepare marketing and business plans.

4.2,7, In addition to economic growth, the other key factor underpinning successful business development, including in the visitor economy, is the local population. The population of the Isle of Man at 2015 was just over 85,500, with the largest concentration (29,000) in Douglas. The population is forecast to increase to around 93,500 by 2026.

4.4. UK Tourism Trends

4.4.1. A number of factors affecting future tourism trends in the UK over the next five to ten years have been articulated by VisitEngland and others. Those most relevant to hotel demand on the Isle of Man include the following:

- **Continued tourism growth in the medium term**. Research undertaken by Deloitte and Oxford Economics for VisitBritain in 2013[1] projects an average annual growth in domestic tourism in the UK of 3% from 2013 to 2025. It also projects a 6.1% per annum growth in inbound tourism to the UK over this period. The greatest volumetric growth is forecast for traditional markets including the USA and Western Europe but the fastest relative growth will come from China and other emerging markets.

- **An ageing UK population** – the percentage of the UK population over 65 is increasing. This generation is a powerful and growing economic force, with sufficient time and disposable income to enjoy short breaks and regular holidays. It offers particular scope for off peak and midweek visiting. The increase in the number of elderly people in the UK population may also drive growth in the group tour market.

- **Stronger demand for short breaks -** with shifting patterns of holiday taking to higher frequency short breaks, with many people now taking multiple short breaks rather than one main holiday.

- **Online booking and marketing** - consumers are increasingly booking hotel accommodation through the growing number of third party hotel booking such as LateRooms, booking.com, Expedia and Trivago, and taking advantage of special offers promoted through daily deals sites such as Groupon, Living Social, Travelzoo and Secret Escapes. Hotels are also increasingly using e-marketing and social media channels to reach customers. This is resulting in an increasingly deal-driven and competitive market but enables hotels to affordably reach millions of potential customers both in the UK and overseas, and allows hotels to proactively market their late availability, albeit often at reduced rates. The growth of customer review sites, in particular Tripadvisor, is making it ever more important for hotels to

[1] *Tourism Jobs and Growth: The Economic Contribution of the Tourism Economy to the UK*, Deloitte/Oxford Economics, November 2013.

deliver excellent standards of service and facilities to ensure that they achieve favourable reviews and high rankings.

- **Maintenance of a strong VFR and functions market** - providing a stable or increasing demand for hotel accommodation and associated facilities in line with population growth.

- **Further growth in health and wellness tourism -** in particular spa breaks.

4.5. The Visitor Economy & Future Strategy

4.5.1. In terms of volume and value, tourism is an important part of the Isle of Man economy, attracting 280,000 leisure and business visitors each year, who spend over £107m, supporting more than 3,000 jobs, which is 7% of the workforce.

4.5.2. In terms of current markets and trends:

- 90% of visitors are from the British Isles, with North West England the most important source of visitors (35%) followed by the South East (16%) and the Midlands (13%).
- 91% stay overnight, with an average stay of 5.2 nights.
- The split by purpose of visit is:
    - 39% leisure/holiday;
    - 38% visits to friends and relatives;
    - 23% business visits.
- The island's biggest market is visitors without children.
- Visitor volumes have declined since 2003 from 337,418 to 276,900 in 2014.
- The fall in business visits is notable, from 92,658 in 2004 to 50,100 in 2014, a 43% decrease.
- The market is seasonal with 35% of visits in the summer quarter.
- 51% of visitors stayed in hotels and a further 25% in guest houses and B&Bs.
- The draw of the TT continues to be strong, attracting over 40,000 visitors.

4.5.3. From this base, the new Isle of Man Destination Management Plan 2016-2020 seeks to promote the Isle of Man as a quality leisure tourist destination, aiming to grow the visitor economy sustainably. The strategy is for a shift in focus to target potential growth leisure markets – specifically the UK short break and family markets – consolidate business and VFR markets, and extend the season with new events and off-peak marketing. Targets for growth to 2020 are based on a 'most likely' growth of 2% per annum and a 'best case' growth of 4% per annum, increasing tourism's value to £122-137m and volume to 311,900 to 350,500 visitors.

4.5.4. This will be achieved through:

- Greater partnership working, particularly with transport operators and across government.
- Promoting the island's distinctive image/brand, and attracting year-round markets – particularly family long and short breaks, and empty nester couples and their friends on short breaks, plus niche markets around motorsports, the cruise market, walkers, cyclists, coach groups, activity and special interest holidays, marine tourism and conferences/meetings.
- Providing an exceptional visitor experience – through the development of events and festivals, encouraging quality across all aspects of the physical product and service through investment, training and business support.
  - Creating a positive environment for investment and championing new product development in line with market opportunities – attractions, facilities, transport, events, support services and accommodation – all geared to the specific needs of target markets. Identified accommodation needs include:
    - Family holiday centres with on-site leisure and entertainment;
    - Family-friendly serviced and self-catering accommodation;
    - Accommodation suitable for multi-generational groups;
    - Resort hotels with spa and golf;
    - Budget hotels;
    - Boutique hotels;
    - Walking and cycling friendly accommodation;
    - 3-5 star hotel accommodation geared to business visitors;
    - International branded hotels with facilities for meetings and conferences and leisure.
  - Maintaining a strong programme of market intelligence gathering to base strategy on and measure progress.

4.6. Market and Consumer Response Data

4.6.1. A number of pieces of market research[1] have been undertaken in 2014 and 2015 to try and establish the scale and nature of markets that the Isle of Man is currently attracting or might now focus on targeting, and their propensity to visit. This panel and visitor survey research has helped to highlight the Isle of Man's potential strengths and weaknesses in relation to these markets, and what will be required to convert their potential interest into visits.

4.6.2. Some of the key findings in relation to the island's existing and potential markets include:

- Family market:
  - The potential size of this market for the Isle of Man is 2.6m people that would seriously consider visiting the island;
  - The strongest potential is for families with older children (over 12) for adventurous activity holidays;
  - There is a perception of not enough to do amongst families with young children.
- Wildlife and nature market
  - The size of this market for the Isle of Man is 5.6m people;
  - The top 5 priorities are for beautiful scenery, value for money, good weather, and the chance of seeing unusual animals.
- Food tourism:
  - There is a potential market of 7.3m people for food tourism on the Isle of Man;
  - The quality, variety and availability of local produce are important factors, as is value for money and a range of different eating out opportunities;
  - There was positive feedback from the visitor survey, especially in relation to freshness of food, with seafood, meat, cheese and ice-cream being highlighted.

[1] Panel research – Market Sizing, perceptions of Isle of Man and Preferences of Activity Doers, Strategic Marketing for Isle of Man Tourism, September 2014;
Panel research – Isle of Man Tourism, Strategic Marketing, July 2015;
Visitor Survey – Isle of Man Tourism, Strategic Marketing, August 2015

- Heritage markets
    - The market for visiting heritage attractions on the Isle of Man is 7.9m people, with reputation as a destination with rich history being a distinctive requirement;
    - Non visitors need to know more about what's on offer, but visitor survey feedback was very enthusiastic about the strength and depth of the offer – railways, castles, museums and the Laxey Wheel.
- Activity tourism
    - Walking offers by far the best potential for outdoor activities, with a large market and strong destination attributes;
    - Cycling offers less potential than walking but has good fit with the island's resources. Hills will be a barrier for some, and there is a need for safe cycling routes;
    - Mountain biking has potential for the island but needs the development of a wide variety of good trails;
    - Golf is not perceived as a strong offering due to the inclement weather (sunshine preferred) and a lack of top quality courses – though Castletown Golf Links does have a strong reputation;
    - Angling has potential given the opportunities for solitude and isolation that many fishermen seek;
    - Watersports is not a strong market due to the weather (warmer climate preferred).

4.6.3. In terms of general perceptions of the Isle of Man:

- Access is the main barrier to attracting British visitors to the Isle of Man, in terms of time, difficulty and cost. Many felt that the cost and time involved would not make it worthwhile when they could get to another European country for similar cost and time. There is however a lack of awareness of the opportunities for flying to the island.
- The intriguing qualities of an island were perceived as the main USP of the Isle of Man – tranquillity, beauty, a sense of escape and mystery.
- The poor British weather and a lack of awareness of the island's offering were also significant barriers.

4.8. Planning Policies Relevant to Hotel Development

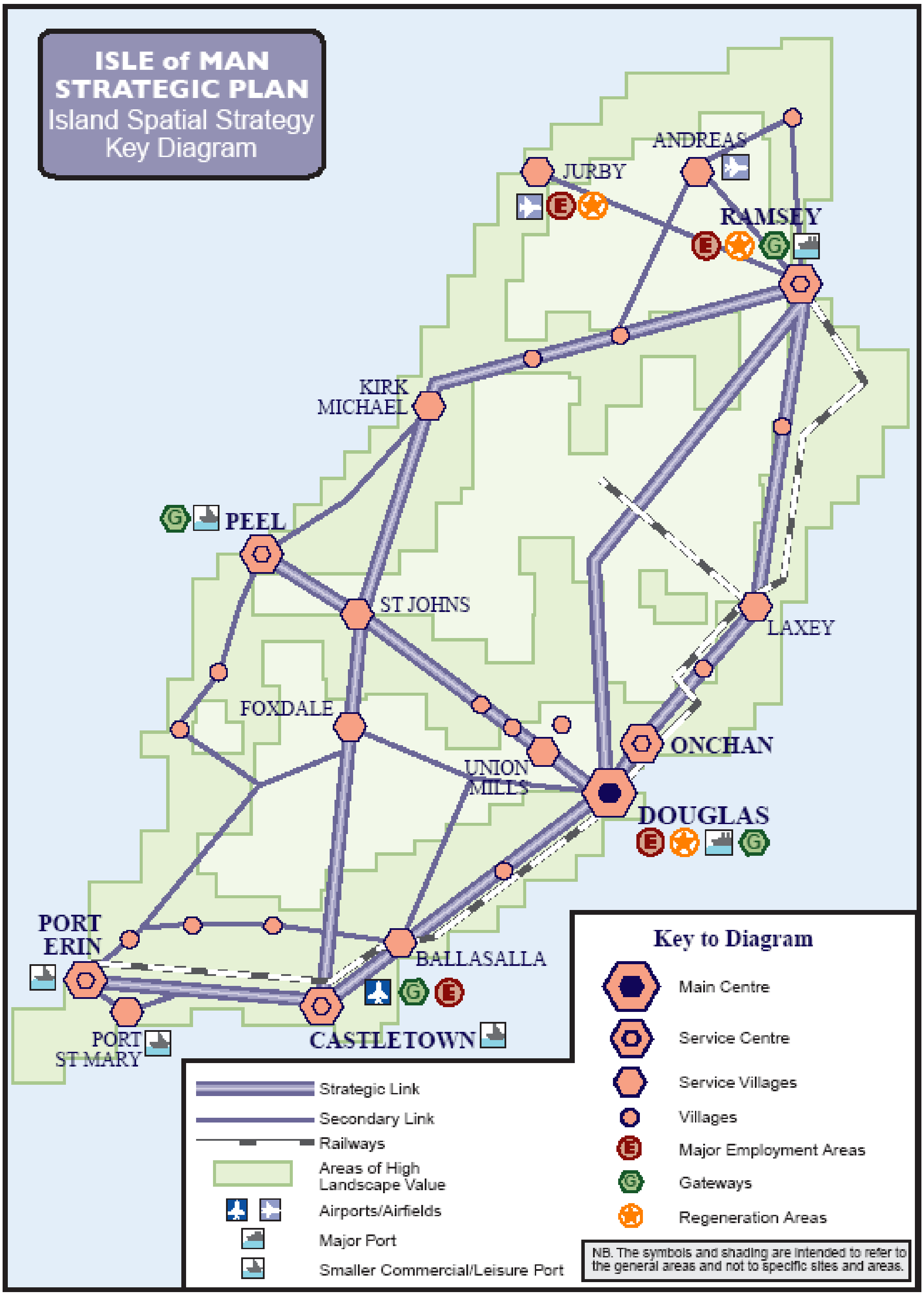
Isle of Man Strategic Plan 2007

4.8.1. The Isle of Man Strategic Plan is the adopted Island-wide policy framework, which contains broad policies covering the whole island, and which extends to 2016. The Plan has recently been the subject of a focused review. Beneath this are a series of Local Plans that set out more site-specific proposals; these are being replaced by Area Plans (the current intention is that there will be four of these). The Area Plan for the South is the only one currently in place. There are a total of 11 Local and Area Plans, plus the 1982 Development Plan which is still in operation in terms of detailed/site specific development management policies in areas not covered by a Local or Area Plan.

4.8.2. The Strategic Plan states its aim as to maintain and build on the high quality of life enjoyed by the island's community, to be achieved through 5 strategic objectives centred around resources, environment, economy, transport & communications and social needs. Tourism features in Strategic Policy 8, which reflects the general restriction on development outside development zones:

> *Tourist development proposals will generally be permitted where they make use of existing built fabric of interest and quality, where they do not affect adversely environmental, agricultural, or highway interests and where they enable enjoyment of our natural and man-made attractions.*

4.8.3. The island spatial strategy is focused around 4 areas – Douglas and the East, Ramsey and the North, Peel and the West, and the South. The development framework is based around regenerating key service centres, maintaining key gateway roles (Ronaldsway and the harbours at Douglas, Ramsey and Peel), protecting designated landscapes, and developing the potential of key employment areas. Douglas will remain the main employment and service centre for the island. The spatial strategy is summarized in the Key Diagram overleaf.


ISLE of MAN
STRATEGIC PLAN
Island Spatial Strategy
Key Diagram
ANDREAS
JURBY
RAMSEY
KIRK MICHAEL
PEEL
ST JOHNS
LAXEY
FOXDALE
ONCHAN
UNION MILLS
DOUGLAS
PORT ERIN
BALLASALLA
PORT ST MARY
CASTLETOWN
Key to Diagram
Main Centre
Service Centre
Service Villages
Villages
Major Employment Areas
Gateways
Regeneration Areas
Strategic Link
Secondary Link
Railways
Areas of High Landscape Value
Airports/Airfields
Major Port
Smaller Commercial/Leisure Port
NB. The symbols and shading are intended to refer to the general areas and not to specific sites and areas.

4.8.4. Policies for business and tourism are set out in Chapter 9 of the Isle of Man Strategic Plan. Some of the highlights backing these policies up include:

- 118 ha of land is allocated for industrial development, (9.1.4) much of this around the airport, and 20ha at Douglas (Cooil Rd) (9.1.5)[1]. Office development is focused in Douglas, though with low take up it is noted that some office sites have gone to residential (9.1.6).
- The text, referring to the then Tourism Strategy (9.5.4) identifies "the need to broaden the range of tourist accommodation" and ensure that "existing bed stock continues to upgrade".
- The text relating to the then Tourism Strategy goes on to state that "There also needs to be recognition that the local property market can have a major impact on future tourism development. If there is a continued loss of traditional resort accommodation taking advantage of the high cost of residential property, then there will be a heavy reliance on new build hotels if serviced stock levels are to be retained or increased"
- New forms of contemporary visitor accommodation are welcomed, including in rural areas, subject to complying with other policies in the Plan (9.5.5).
- A move away from broad area tourism designations, unless there are significant concentrations of tourism use such as Douglas promenade – to be replaced by more site-specific designations e.g. large individual hotel sites (9.5.7).
- New tourist accommodation may be incorporated into mixed use schemes.

4.8.5. The following tourism policies are included in the Plan:

Business Policy 11: tourism development must be in accordance with the sustainable development objectives of this plan; policies and designations which seek to protect the countryside from development will be applied to tourist development with as much weight as they are to other types of development. Within the rural areas there may be situations where existing rural buildings could be used for tourist use and Environment Policy 16 sets out the circumstances where this may be permitted.

[1] The Employment Land Review (2013) up-dates this to 279ha of land allocated, with 76% in the East and 14% in the South, and 98% of office floorspace in the East. Whilst the 20ha at Cooil Road was proposed as a Draft Development Order and was mentioned in the Strategic Plan 2007, this did not go ahead. A number of sites are currently being considered for potential Development Order status for employment land.

Business Policy 12: permission will generally be given for the conversion of redundant buildings in the countryside to tourist use providing that the development complies with the policies set out in paragraph 8.10. – housing policy 11.

Business Policy 13: permission will generally be given for the use of private residential properties as tourist accommodation providing that it can be demonstrated that such use would not compromise the amenities of neighbouring residents.

Business Policy 14: tourism development may be permitted in rural areas provided that it complies with the policies in the plan. Farmhouse accommodation or quality self-catering units in barn conversions and making use of rural activities will be encouraged but must comply with General Policy 3 and Business Policies 11 and 12. Other forms of quality accommodation in rural areas will be considered, including the provision of hostels and similar accommodation suitable for walkers but must comply with General Policy 3 and Business Policies 11 and 12.

Business Policy 15: in new area plans, the department will seek to identify buildings and sites which are redundant for tourist use, and will propose new uses for them therefore.

4.8.6. Other aspects of the 2007 Strategic Plan that could have a bearing on future visitor demand and the development of visitor accommodation include:

- The island's harbours – recognising the importance of commercial shipping to the island economy, there is reference to developing Douglas outer harbour to accommodate a larger replacement ferry on a new linkspan on the Victoria Pier. The text also refers to plans for marinas at Ramsey, Port St Mary and Peel Inner Harbour (11.7.1);
- Environmental Impact Assessments will be required for hotel complexes outside urban areas (Appendix 5);
- Parking standards for hotels are set at 1 per room, though will be relaxed in town centres.

The Area Plan for the South

4.8.7. The Area Plan for the South was approved in 2013. The Plan covers the Villages of Port Erin and Port St Mary, the town of Castletown and the Parishes of Rushen, Arbory and Malew (which includes the airport). Headlines in terms of potential development of relevance to generating hotel demand and the framework for hotel development include:

- 50ha of available employment land (6.4.1), the majority of which is on the Ronaldsway Business Park;
- Encouragement of mixed use schemes that could include hotels alongside residential, retail, professional services food and drink and other uses;
- Harbour improvements at Port St Mary could include a marina development (6.30.1);
- Consideration is also being given to further marine based leisure at Port Erin, with harbour improvements potentially taking in the development of the Marine Biological Station site, for which a Development Brief has been prepared (6.30.1).
- Given the importance of tourism to the South, the Plan seeks to facilitate tourism-related proposals (6.27.1);
- (6.29.1); The Department of Economic Development's approach at the time was "to support the retention of and development of tourist accommodation" but to "generally agree to the loss of tourist premises, where it is clearly demonstrated that they are no longer commercially viable" (6.29.1).
- Some sites with previous tourism/tourist accommodation designations have not been retained for tourism use, but have proposed designations as predominantly residential. These include Site 20 (Spaldrick, Port Erin, 4.57.1) and Site 25, the Bay View Hotel at Port St Mary (4.66).

4.8.8. The following relevant tourism policy is included in the Plan:

Tourism Proposal 1: the following hotels have been identified as important to tourism and must be retained for hotel use: the Castletown Golf Links Hotel; the Sefton Express airport hotel; the Cherry Orchard; and the Falcon's Nest Hotel. Proposals for redevelopment or re-use will not be permitted unless it can be demonstrated that hotel use is no longer commercially viable.

Local Plans

4.8.9. The following Local Plans are in place:

- Peel (1989)
- Braddan (1991)
- Kirk Michael (1994)
- Douglas (1998)
- Ramsey (1998)
- Foxdale (1999)
- St John's (1999)
- Sulby (1999)
- Onchan (2000)
- Laxey & Lonan (2005)

Having been produced between 10 and 16 years ago, they were based on very different market conditions: time has moved on and some of the sites referred to have now been developed.

Several of the Local Plans have sections on tourism, though much of this is about how they can make more of their assets rather than specific policies or proposals for visitor accommodation. Those that do reference visitor accommodation include:

- Douglas – refers to a significant number of hotels that are no longer viable or are marginal in terms of modern tourism, and will be considered for change of use to residential, possibly supplemented by offices or other business uses.
- Braddan – refers to development at Port Soderick and Mount Murray; also the need for a camp site and hotel at Castleward.
- Foxdale – refers to the conversion of farm buildings to tourist accommodation.
- Laxey – refers to potential accommodation development on the Pipe Factory site and in the Conservation Area.
- Onchan – refers to redevelopment of some tourism sites such as the Douglas Hotel and Majestic Hotel for tourism-related development (since developed), as well as the Howstrake Holiday Camp, expansion of the Glen Dhoo camp site, and new tourist accommodation appropriate to its siting.
- Peel – reference to approval for a hotel on the swimming pool site.

- Ramsey – policies seek to retain tourist accommodation, as well as extend and develop new visitor accommodation.
- St Johns – policies encourage the conversion of existing properties to tourist accommodation.
- Sulby – policies encourage extensions/improvements to the Sulby Glen and Ginger Hall Hotels and other tourist accommodation and conversion of existing residential to tourist accommodation.

4.8.10 Looking at these levels of planning policy and their application in overview, there is no overarching hotel policy covering hotel development or retention in the Strategic Plan, and whilst this is picked up in the Area Plan for the South, coverage of hotel accommodation in the Local Plans beyond this area is very limited and was drawn up against a very different market background. Within the Area Plan for the South, some sites have been designated for retention whilst others have not, the rationale and evidence base for which is unclear. The loss of hotel accommodation on the island has been significant, particularly in Douglas, Port Erin, Port St Mary and Ramsey. There are also mixed messages about the application of retention policies in Douglas, with some hotel owners telling us that they have not been allowed to change from hotel to alternative planning uses, and other sites appearing to have differing designations, either tourism or residential, or tourism or leisure, though we have not been able to establish the basis of this within the plan documents.

Central Douglas Masterplan

4.8.11. A Masterplan has recently been produced for Central Douglas to provide a framework for development that can help inform and drive forward investment. This will now be a material consideration in planning applications and will inform the preparation of the Area Plan for the East. The vision of the Masterplan states:

> *Douglas will be a place for all to be proud of. An economically strong, dynamic destination and the world class capital town. The gateway to the island, where the wealth of opportunities and activities provide all the freedom to flourish and enjoy island life.*

4.8.12. Delivery of the vision will be around a number of strategic objectives to be an exciting place to do business, a thriving town centre and shopping centre, a well-connected and accessible environment, an attractive and engaging place to spend time and a distinctive and sustainable capital of world class status.

4.8.13. The Masterplan introduces a series of character areas to define the town's functionality and identifies some of the key projects to help shape a new future for Douglas. The areas include:

- The Villa Maria Gateway (cultural hub)
- The Promenade (leisure destination)
- St George's (business/commercial core)
- Strand Street (retail core)
- Quayside (evening economy)
- The Fort (leisure-led mixed use)
- Maritime Gateway (sea terminal)
- Riverside Gateway

Key Projects Impacting on Hotel Demand

4.9.1. The delivery of the objectives for economic and population growth as set out in the Draft Strategic Plan 2015, 2020 Vision and Enterprise Isle initiatives will play an important part in growing demand for hotels on the Isle of Man from both business and leisure markets. The forecast increase in the island's population (from 84,497 in 2011 to 93,526 in 2026[1]) will move the island towards the sort of critical mass thresholds that many branded hotel companies require to consider placing their offers here. Behind the headlines this means attracting new companies to relocate to the island; growing indigenous businesses; developing an entrepreneurial culture and a hub for innovation; seeing allocated land for business parks and offices taken up; as well as new housing development (5100 new homes 2011-2026) and the associated infrastructure that goes with that.

4.9.2. Similarly, resourcing and implementing the Destination Management Plan to develop the Isle of Man as a quality visitor destination will be critical to boosting the contribution of the visitor economy, directly in terms of spend but also in terms of quality of life for residents. The targets set would see an additional 56,000 visitors p.a. coming to the island spending an extra £23m.

[1] Draft Isle of Man Strategic Plan 2015

4.9.3. The Douglas Masterplan in seeking to lead the way in terms of establishing Douglas as a world class business centre. It identifies a number of major projects that would help to kick start its regeneration, including:

- The development of The Fort site for a leisure-led mixed use scheme incorporating cinema, residential, offices, retail, food and drink outlets, and a hotel, helping to establish the Quayside as a night-time hub. This is at an advanced stage in a bidding process with firm interest from developers and end users.
- The redevelopment of Douglas Promenade, to strengthen connectivity along its length and with the town centre, and create a more attractive sense of place for visitors and investors. This is very much part of creating a world class gateway to the town and island, improving public realm and streetscape as well as traffic flow. The plans will include the development of a Cultural Quarter around the Sefton Hotel and Gaiety theatre, with areas for public art and street performances. Work will commence in 2016 at a cost of £24m.
- Proposals for the Maritime Gateway in Douglas include a new landmark building incorporating a purpose built port, sea terminal, cruise liner facilities, and associated commercial development such as food and drink uses overlooking the bay and cycle hire. Initial ideas also include potential for a high level viewing platform, either as part of the building e.g. alongside a penthouse restaurant, or as a free-standing structure, similar to the Spinnaker Tower in Portsmouth.

4.9.4. There are proposals for an International Centre for Technology at the Nunnery that could have a significant impact on up-skilling Isle of Man residents to support the growth of e-commerce and ICT businesses on, and relocating to the island, as well as encouraging innovation start-ups. Beyond its initial phase, courses would also be open to UK and international students from 2017, who would require visitor accommodation during their stay, as well as associated demand from parents. The College estimate this demand to be around 350 rooms per month.

4.9.5. All of the above physical projects and schemes, supplemented by wider infrastructure works, is likely to generate demand for hotel accommodation from the construction industry at both ends of the quality spectrum, involving builders and fitters, but also architects, engineers and project managers.

5. FUTURE POTENTIAL FOR HOTEL DEVELOPMENT

5.1 The Potential for Future Growth in Hotel Demand

5.1.1. There are a number of factors that point to potential future growth in demand for hotel accommodation on the Isle of Man:

- The new Destination Management Plan is firmly focused on growing the UK short break and family holiday markets, with the priority being to extend the season through the introduction of new events and targeted off-peak marketing campaigns. The strategy to 2020 is based on a 'most likely' 2% per annum growth in these markets and a 'best case' growth rate of 4% per annum. The UK leisure break market is growing strongly. The market research undertaken by Strategic Marketing in 2015 shows sizeable potential British and Irish markets that are interested in taking short breaks on the Isle of Man to visit the island's heritage attractions, go walking, participate in other outdoor activities, watch wildlife, and sample the island's locally-produced food and drink. Given effective marketing and the further development of the island's product for these activities and interest, the DMP targets for growth do not seem unachievable for the Isle of Man therefore.

- Hotels and guest houses can also use OTAs[1] more actively to target short break business, as well as potentially also social media channels and voucher sites like Groupon, Travelzoo, Living Social and Secret Escapes. Increased CRM[2] activity aimed at existing customers can also help them to secure repeat bookings.

- Emptynester couples offer the strongest potential for hotels and large guest houses to grow their short break business. There could also be some potential to attract families with older children for adventurous activity breaks, given more family-friendly hotels and guest houses with family rooms and suites, interconnecting rooms, children's play facilities and activities, and child-friendly menus and meal times.

[1] Online Travel Agents such as booking.com, Laterooms, Expedia
[2] Customer relationship marketing

- Our research suggests that there is good potential for growth in high season short break business for the island's hotels and guest houses, and potential for growth in April and October given the DMP's focus on boosting demand outside the main season. There are also fewer major events and festivals in these months, leaving more availability for leisure breaks and hotels and guest houses prepared to offer more attractive room rates. Attracting leisure break business during the winter months presents much more of a challenge however, given the winter weather conditions on the island and the winter closure of many attractions, shops and restaurants. With the winter leisure break market also being largely price driven, the Isle of Man is at a significant competitive disadvantage given the added cost of getting to the island.

- New branded hotels (if developed on the island) should attract new leisure break customers, as they will give the Isle of Man exposure to their customer bases and through their national and global reservations systems and marketing. They will however face the same challenges in attracting winter leisure break business, although may be able to drive some new business through the special offer promotions that they run in the winter.

- Events will remain a key driver of demand for hotels and large guest houses between May and September. The further development of events in these months alongside new events, such as the Isle of Man Cyclefest launching in May 2016 and the Pilates Conference at Knockaloe in July, will provide a further boost to the island's hotel market during these months. Increased hotel capacity would allow growth in demand for the TT, Festival of Motorcycling and car rallies, which is currently constrained by the island's hotel supply. The new events that have been set up in March, April and October should start to deliver additional demand for hotels and large guest houses in the shoulder season months, as will new events that are being considered for these times of year.

- Special interest visitors and groups are identified in the DMP as further target growth markets, which should generate new demand for the island's hotels and large guest houses and offer potential for off peak visiting in the shoulder season. Rail tours, walkers and walking groups, cyclists and cycling groups, mountain bikers, motorbike tours, Enduro riders and tours, car clubs and other motorsports visitors are already growth markets for a number of hotels and guest houses. There could be potential for the island to attract more car groups with a new 4 star hotel with golf, leisure and parking. This was a strong market for the Mount Murray Hotel. There may also be potential to attract stargazers and stargazing tours to the island. Special interest groups are generally looking for 3 star hotel accommodation. Some may prefer 4 star hotels and some may use budget hotels.

- While the consumer research that have been completed in 2015 suggests that the Isle of Man is relatively uncompetitive as a golf destination, there could be potential for redeveloped hotels at the Castletown Golf Links and Mount Murray Golf Clubs to attract golf groups and golf break business. We understand that both of these hotels used to attract these markets. Castletown Golf Links is within Rolex's top 1,000 golf courses in the World, was named as the 75th best links course in Great Britain and Ireland by National Club Golfer in 2015, and has previously hosted major golf championships.

- Given additional hotel provision there could be potential for growth in the coach holiday market between March and October. Coach holiday companies and group travel organisers that already use the island's hotels indicated that they are currently constrained from fully satisfying all of the demand that they have for the Isle of Man by the lack of hotel availability, and to a lesser extent ferry availability, particularly for Monday and Friday sailings, which are needed to tie in with coach holiday companies' transfer operations. There are also likely to be a number of other coach holiday companies that would be interested in featuring the Isle of Man in their programmes if they can secure hotel space on the island. Hotels that are not currently active in this market are not really interested in coach holiday business as they are currently able to fill with higher-rated business from other markets. They might switch to this market however if this situation changes. Coach holiday operators are primarily looking for 3 star hotel accommodation. There is some demand for 4 star hotels if reasonably priced. Budget hotels are not usually able to cater effectively for coach holiday groups. Ferry capacity for coaches during the peak summer months limits the potential for growth in peak season coach holiday traffic to the island however. Our research has shown no potential to attract coach holiday business to the Isle of Man in the winter. Coach holiday companies indicated that they have no demand for the island at this time of year. Concerns about rough sea crossings and ferry cancellations are also factors that deter them from including the Isle of Man in their winter programmes.

- While the DMP seeks to stabilise the corporate market, the economic growth strategy for the island suggests that there could be renewed growth in this market as companies on the island expand and new companies are attracted. The Vision 2020 economic strategy for the island projects an annual growth in employment of 0.7-1% through until 2020. This can be used as a measure of potential growth in the corporate market for hotel accommodation, so suggesting only slow growth. Our company survey shows some potential to grow the corporate hotel market, given a higher quality 4 star hotel offer on the island, although the findings suggest that the scale of growth that might be possible is not significant: relatively little corporate business is currently being lost due to company dissatisfaction with the island's existing hotels. There could however be scope for the island to capture some of the demand from high net worth individuals and investors that are looking at investment opportunities on the island that is currently being lost due to the lack of a suitable luxury hotel. Such demand does not appear to be significant however.

- Contractor demand for budget hotel and guest house accommodation is set to increase as the major construction projects are progressed on the island, depending on the extent to which off-island construction workers are employed to work on projects. This is a market that could provide a boost to winter demand for lower-priced hotel and guest house accommodation on the island.

- The International Centre for Technology could generate up to 350 roomnights of demand per month for lower-priced hotel and guest house accommodation from 2017, if it starts to attract the numbers of UK and international students that it is projecting.

- While the DMP seeks to stabilise the VFR market on the island, the projected increase in the island's population suggests that this market should grow for the island's hotels and large guest houses.

- There appears to be very little scope for the island to attract many more multi-day conferences that will generate hotel and guest house stays, due to the limited availability at the Villa Marina and the lack of hotels on the island that have sufficiently large conference rooms. The Villa Marina operates virtually at full capacity for much of the year due to bookings for events, shows, and on-island conferences. The only months when it has good availability are January and February, which are likely to be less attractive months for holding multi-day conferences on the island. A hotel with sufficiently large conference and meeting facilities may be able to attract annual conferences for some of the island's key sectors. We understand that the Mount Murray Hotel had some success in this market.

- There may be some scope for growth in demand from overseas tourist visitors to the island, albeit from a low base, given the projected UK growth in inbound tourism and the reach that hotels and guest houses now have to overseas visitor markets through booking.com and other OTAs.

- The island's highly competitive hotel and guest house market suggests limited scope for growth in hotel and guest house room rates. Indeed, average achieved room rates may decline as future growth is likely to be in lower-rated leisure business during the shoulder season. Revpar[1] should however increase with occupancy growth. Having said this, the success of The Claremont and Town House shows that there is a market that is prepared to pay more for hotels that offer a higher standard of contemporary accommodation, hotel facilities and service.

[1] Rooms revenue per available room after deduction of VAT, breakfast, discounts and commission charges.

5.2 Hotel Developer & Operator Interest in Isle of Man

Introduction and Approach

5.2.1. Testing potential interest from hotel developers, operators and investors provides a valuable opportunity to get a 'live' perspective on how they see the Isle of Man as a hotel investment location, the chances of moving the identified market and development opportunities forwards, and what might be needed to achieve this. Discussions with those at the sharp end bring a different viewpoint, and often a dose of realism to what is deliverable and viable.

5.2.2. To set the scene for the research findings, we initially describe below the current climate for hotel investment as well as the sorts of business models and funding routes that the major hotel companies are adopting to deliver hotel development, acquisition and brand representation.

5.2.3. The findings are then summarised by company, brand and standard of hotel, supported by a narrative around perceptions of the island as a hotel investment location, how conditions here match up to company/brand performance targets and site requirements, and the hotel developer perspective on obstacles to investment.

The Climate for Hotel Investment

5.2.4. The fortunes of the hotel industry are closely aligned to the national and local economy and so the economic downturn that began in 2008 and the subsequent climb out of recession has hit the sector in a number of ways. Hotel performance fell back with occupancy dropping below 70% from 2009, only recovering to pre-recession levels in 2013. In terms of achieved room rates, they have taken until 2014 to recover. The drop in performance affected end values in some cases to the point where it would cost more to build a hotel than its value, resulting in hotel investors holding back on new build schemes until yields improved. This has made funding more difficult to secure, especially for small hotel companies and franchisees, and when available often on less favourable terms, with less debt funding and more equity required. These trends have had implications for the type of new hotel being delivered, favouring conversions and re-brandings alongside refurbishment and improvement, encouraged by the ability to buy existing hotel stock at less than replacement value.

5.2.5. As a result of this risk-averse climate, many hotel companies are now focusing their development strategies on routes that don't involve them in capital outlay – or as one hotel company terms it 'an asset-light strategy'. A number of 4 star and luxury international brands like Hyatt have for some time only done management contract deals, but certainly their prevalence has spread as funding has become more difficult to secure. The development of such hotels involves significant levels of investment. What the operator brings to the table is their sector expertise and brand strength. This reinforces an earlier trend in the sector pre-recession, for hotel companies to divest themselves of their property assets whilst retaining the contract to operate – Hilton and Accor are good examples.

5.2.6. Whilst funding 3 and 4 star hotels has been a challenge during the economic downturn, budget hotel development has continued apace: Travelodge and Premier Inn have remained active, offering the advantage of their ability to take lease deals in developer-led schemes. One advantage of the downturn in the property market has been that residential and some commercial sites have come forward for hotel development that would not previously have been available or affordable. A weaker market has also seen some distressed hotels coming onto the market being bought up by chain hotel companies and re-branded. London is also an increasing focus of hotel development interest, driven by strong performance and the 2012 bounce.

5.2.7. PwC[1] identifies a solid return to revpar growth as critical to de-risking hotel investment. With revpar having turned the corner in 2014, access to finance should improve and the pace of new hotel development should accelerate. Growth will vary between regions and segments, with London likely to continue to see the highest growth in supply, and key regional cities having the largest active hotel development pipelines. The structural shifts that have taken place continue to squeeze the middle, with budget hotels making up 50% of total pipeline schemes identified in PwC's hotel forecast, and the 4 and 5 star segment accounting for almost 40%.

[1] UK Hotels Forecast 2015, PwC

5.2.8. In overview, the Credit Crunch and recession have inevitably had an impact on reining in the development plans of hotel companies, and seen new routes to delivery emerging. The upturn in the hotel market and economic growth now looks likely to improve the climate for hotel investment, though in counterbalance the up-turn in demand from residential and office markets will mean greater competition for land, making it harder and more expensive to acquire sites.

Hotel Business Models & Funding Routes

5.2.9. Hotels can be developed and operated under a number of different business models (summarised in the table below) with hotel brand owners, franchisees and property developers playing different roles in each case, with development and operating risks shifting under the different models. The levels of capital outlay as well as development risk required by a hotel company therefore vary considerably between these options. Many more operators, particularly at the 4 star level, which is much more capital intensive, are likely to be interested in options put to them that involve management contracts than in building and funding hotels themselves, as access to capital will naturally restrict the latter and require hotel companies to prioritise their investment locations. Many of the chain hotel companies will have a mix of structures in place, though some do prefer a single route. Often franchisees are looking to build the asset value of the company with a view to exit within a 5-10 year period, and in such situations are less likely to be interested in lease options.

Table 7
HOTEL DEVELOPMENT MODELS

Model	Property Developer Risk	Hotel Operator Risk
Hotel company (hotel brand owner) develops the hotel & subsequently operates and markets under one of its brands e.g. InterContinental Hotel Group(IHG) builds and operates a hotel under its Holiday Inn brand	x	√
Hotel company (hotel brand franchisee) develops the hotel then operates and markets under a franchised hotel brand name e.g. Sanguine Hospitality builds a hotel and operates it under a Holiday Inn franchise agreement with IHG	x	√
Property company develops the hotel & seeks a hotel company to lease the hotel e.g. Travelodge leases a hotel that has been built and funded by a property developer	√	√ (depending on the type of lease)
Property company develops the hotel & seeks a hotel company to purchase the freehold of the hotel	√	x
Property company develops the hotel & employs a hotel company to manage the hotel under a management contract	√	√ (some depending on the terms of the management agreement)

5.2.10. Lease models require a little more explanation, as there are some key issues surrounding lease structures that are impacting upon the ability to deliver hotel developments currently. Developers require hotel operators to take a fixed lease, a standard institutional lease that will give a guaranteed fixed payment per room over a period of 20-30 years. Once secured, this guaranteed income stream makes the development fundable, and the developer can secure finance on the back of this. On completion the developer may retain or sell the investment. Currently, only Travelodge and Premier Inn are able to take such leases, as only they have the strength of covenant required. One or two of the multiple brand chains have taken leases, but generally these will only be for large hotels in premium locations such as London or Edinburgh, where occupancy and high rates are guaranteed. There are accounting implications of fixed leases also, as they represent a financial commitment going forward, and this has also put hotel companies off this model.

5.2.11. More favoured by hotel companies are variable leases, made up of a combination of fixed base rental and a top-up rental related to turnover. Some guarantees can be built into these arrangements, but should the market fall back, the risk and impact is shared by the developer/funder and the operator. Their responsiveness and flexibility accounts for their appeal to hotel companies. Certainly in previous recessionary climates, fixed leases have contributed to the downfall of hotel companies, as they became unable to meet their rental commitments when trading performance fell back. However, there is evidence that these turnover leases make it difficult to fund hotel development because they do not give the same fixed income stream.

5.2.12. The differing objectives and requirements of developers/investors and operators has led to something of an impasse and resulted in it being difficult to get hotel schemes off the ground. During our consultations with hotel companies we have come across numerous schemes and sites that have stalled for this reason, with few hotel operators able or willing to do the sort of deal the funding institutions require.

5.2.13. The funding climate and the changes in the way that hotels are being delivered has had an impact on the development strategies of hotel companies, with schemes increasingly developer and/or investor-led. Many hotel developers and operators have stopped having target lists of locations where they would like to be, rather considering schemes put to them on an individual basis. Many are willing to respond to specific sites and schemes, and to work with a developer on sites and locations to determine the strength of the market and the most appropriate brand to consider. From a destination or landowner point of view, the response should be about making the case and evidencing the potential.

5.2.14. The difficulty in securing funding for hotel schemes has also led to other interventions being used to secure hotel schemes. Local authorities have begun to provide funding to support the development of hotels as part of strategically important mixed-use schemes and the conversion of architecturally important buildings to hotels. In Hampshire, Eastleigh Borough Council has funded the development of a new 4 star, full service Hilton hotel as part of the development of the Ageas Bowl cricket ground on the edge of Southampton. In Newcastle the City Council has played a pivotal role in enabling Silverlink to secure the funding package for an upscale 4 star Crowne Plaza hotel as part of phase 1 of the Stephenson Quarter through acquiring the site for staged buy-back. Travelodge has been working with a number of local authorities, which have used preferential government loans to invest in hotels which are then leased to Travelodge, with the rental income used to repay the loan and generate a surplus for the local authority. An example is the Redhill Travelodge and town centre mixed use scheme in Surrey. InterContinental Hotels Group (IHG) have also worked on several projects involving Council funding of hotels, most recently for Holiday Inn and Holiday Inn Express hotels in Stockport and Blackpool. In each case the Council has funded, developed and owns the hotel – or bought it back off the developer – and taken a franchise with IHG, with an option to put in place a management company.

Hotel Developer Interest in the Isle of Man

Sampling & Response

5.2.15. A sample of hotel developers, operators and investors to target was compiled based upon:

- Hotel products and brands that have fit with the identified market potential;
- Hotel operators understood to be associated with currently proposed hotel schemes;
- Hotel companies active currently, particularly in island & seaside destinations;
- Aspirational brands as expressed by stakeholder consultees.

5.2.16. Contact was also made with on-island property agents and with some of the larger UK specialist hotel agents to try and gain some measure of potential interest from independent hotel operators.

5.2.17. The research was conducted via an initial email followed up by a structured telephone interview with Acquisition/Development Directors and company MDs. Some face to face meetings were also held on the island. Consultees were asked about their interest by location and brand/standard of hotel, their view of the market, their site requirements, the type of deal they are seeking, and any obstacles to investment.

5.2.18. Contact was made with over 40 companies, a number of which represent and deliver multiple hotel brands, the sample being made up of operators, developers and investors as well as agents. Twenty-six responses were received.

The Isle of Man as a Hotel Investment Location

5.2.19. The majority of national and international hotel companies and brand owners did not know the Isle of Man market, and many had never visited the island. One or two had been contacted about the Lord Street opportunity, but none had done any real work to understand the market potential.

5.2.20. Premier Inn were the exception to this. They have a published requirement for Douglas, and have been looking for sites for a number of years, both for new build and for the conversion of an existing hotel. Travelodge also expressed firm interest and were actively looking at opportunities.

5.2.21. The national and international hotel brands have set criteria that they apply in identifying target locations. The Isle of Man does not conform to any of these, so would have to be viewed as a one-off opportunity. Most would want a major town or city with a population of at least 100,000 for example to support a new hotel of 100+ rooms. As an island, the hinterland is restricted, and poses other challenges relating to servicing the brand.

5.2.22. The fact that there are no branded hotels on the island has up and down sides when considering the Isle of Man as a hotel investment location. The up-side is the opportunity to secure a 'first mover' advantage for a new branded hotel. On the down side, hotel operators and investors feel the presence of other brands gives them confidence that there is a well-established market for branded hotels, which is more difficult to demonstrate with unbranded supply.

5.2.23. So to the main national and international brands, the island has no clear image, there is limited awareness of the hotel supply and market and a question mark over potential because there is no branded supply. There were also some negative impressions about the weather and impact on seasonality, and only limited knowledge of the strength of the corporate base.

5.2.24. In terms of competitor destinations, Jersey has a stronger and more positive image than the Isle of Man. It is seen as bigger, stronger in terms of its corporate base, warmer, and with greater leisure appeal.

5.2.25. On-island property developers and investors had mixed views on hotel investment potential on the Isle of Man. Four are currently pursuing hotel schemes that they think could work. Property developers that have looked at, or are currently progressing hotel projects, have found it challenging to make hotel schemes stack up from a purely property development perspective, as the end values that can be achieved for completed hotels are below the selling price that they will be able to achieve. The two local investors that have delivered/are delivering new hotels on the island indicated that they would not develop any more.

5.2.26. None of the national hotel agents had had any buyer interest in the Isle of Man that they could recall. There are some examples of off-island high net worth individuals that have relocated other business interests to the island and invested in hotels here. Jim Mellon's establishment of Sleepwell Hotels and more recent investment in The Claremont is a prime example. The Regency Hotel, which is owned by a German investor, is another. We also had some indications from on-island agents and Business Development Managers that investors from places like Jersey, Guernsey and China who are looking to do business on the Isle of Man might also consider investing in hotels here.

5.2.27. From the above and our own understanding of hotel company requirements as well as the Isle of Man hotel market, we would sum up the island's strengths and weaknesses as a hotel investment location as follows:

Strengths:

- The corporate market, particularly in terms of demand generated by companies headquartered here and operating in multiple jurisdictions;
- A reasonably strong achieved room rate resulting from a mix of corporate business, double occupancy in the leisure market, and premium rates for key events;
- An attractive island with potential for leisure break growth;
- Strong, high-rated demand generated by the TT and other events;
- The ability of the government to flexibly intervene, financially, in terms of land ownership, or in terms of legislative frameworks;
- Forecast growth in emerging sectors such as e-gaming – up to 1000 jobs p.a. – and forecast population growth.

Weaknesses:

- A general lack of awareness and neutral or negative image of the island as a hotel investment location;
- Seasonality of demand which effectively caps achievable annual room occupancy at around 70% in Douglas and 55% across the rest of the island;
- Increased development costs due to the high price of land; the need to import materials, especially steel and concrete; and higher costs of using Isle of Man contractors or bringing in and off-island construction company;
- The high costs involved in converting and re-positioning very tired and aged stock that may require significant remedial work;
- A population of less than 100,000 to support a strong retail and restaurant offer in the destination, as local resident demand is important for hotel facilities such as restaurants, leisure clubs and banqueting operations.

Interest in the Isle of Man by Brand, Standard, Location & Deal

5.2.28. Of the 12 national and international hotel brands that have responded to date, only two said a definite no to investing, developing or operating a hotel on the Isle of Man. The only firm expressions of interest were from Premier Inn and Travelodge. The remaining brands had some doubts about the potential, but were prepared to consider opportunities, particularly if some sort of financial incentive could be available. The response from this group in the main could not be described as enthusiastic – rather there is a requirement for evidence to convince them.

'We have operated on the Isle of Man before so have some knowledge. It's a tough market and not one we would invest in without grant or tax incentive - funding won't come without a tax break like BPRA[1] or a grant. There would need to be a concerted effort from the authorities to shake things up otherwise it will fall ever further behind. We wouldn't take a lease there it's still too risky'
(Boutique and 4 star operator)

[1] Business Premises Renovation Allowances – tax allowance available in Assisted Areas of the UK to support the renovation of empty office space, including to alternative business uses such as hotels.

'We wouldn't say no to this, but there needs to be a good story. This is a difficult location and one of our main concerns would be servicing and supporting the franchisee. We would prefer to brand an existing hotel/owner than build new here'.
(International 3, 4, 5 and upper tier budget brand owner)

'We are open-minded about the potential of the Isle of Man, but have no direct knowledge of the market. Our management partner has some knowledge being based in Liverpool and we are happy with the projections they have produced. We think we can out-perform current levels of performance in 3 and 4 star hotels due to the strength of our brand'
(International 3, 4 and 5 star brand owner)

5.2.29. It is possible for some of the national and international brands to trace through their distribution systems requests for certain locations. Below is one response from an international hotel company that was able to interrogate its global corporate accounts records:

'I think the corporate sector needs a decent hotel on the island. We were asked to quote for nearly 2,000 roomnights that we couldn't satisfy as we don't have anything on the island'
(International 3, 4, 5 star and lifestyle hotel brand owner)

5.2.30. Hotel operators are not only looking at the market for their hotel bedrooms, but also for their restaurants, bars, functions and events space and leisure clubs. This is another reason why the level of local population is important.

'This is not an obvious location for us, and the size of the population is an issue, particularly in terms of our leisure club. However, what you have told us about the corporate market and the potential for government incentives make it interesting. We would need to run our demographic model to see whether this location could meet our target thresholds'
(National 4 star developer and operator)

5.2.31. Consultees were provided with headline performance data for Isle of Man hotels, by standard. In response to this, for those operating multiple brands, the brand interest was much more at mid-scale/limited service upper-tier budget, 3 star or 4 star level than an up-scale/full service 4 star level. This is because full service 4 star hotels require achieved room rates of £100+ to stack up, alongside occupancies of at least 70%, but preferably 75%+.

5.2.32. In addition to branded hotel interest above, the local developer and agent consultations found potential interest in boutique and golf hotel development from independent investors. This was backed up by feedback from national UK hotel agents.

5.2.33. In terms of location, the interest was predominantly in Douglas, with some local interest in Castletown, the airport and Peel.

5.2.34. In terms of type of deal, only Premier Inn and Travelodge are likely to consider an institutional lease. Even in a very strong market such as London or Edinburgh few hotel companies will take leases. Most would want franchise or management contract arrangements, or in one case a freehold deal.

Barriers to Hotel Investment

5.2.35. Responses to perceptions of the Isle of Man as a hotel investment location identified a number of actual or perceived weaknesses that create obstacles to hotel investment on the island. To re-cap, these were: the seasonality of the market capping occupancy rates; high development costs due to importing materials, high land values, and higher contractor costs; the complexity and cost of re-positioning old and tired hotels; and the size of the local population.

5.2.36. When asked specifically about other barriers, some other issues were raised that are specific to the Isle of Man and the market here:

- It is very difficult to get hotel development on the island to stack up from a property development perspective as the end values for completed hotels are likely to be lower than the land and build costs, leaving property developers without an exit route.

- Isle of Man banks appear not to be interested in funding hotel investment projects.

- The Government's Financial Assistance Scheme is not currently being widely accessed to support hotel investment projects. Property developers and hotel and guest house operators consistently commented about the Scheme being too onerous and slow, with too many restrictions to justify the effort needed to apply for the funding available.

5.2.37. However, it's not just about the money. There are many pieces of the jig-saw to put in place to deliver a hotel, and any opportunity to streamline or facilitate these could make a significant difference to the chances of attracting a hotel. Sites and planning are two key areas of focus. The Isle of Man government has been very pro-active in bringing the Lord Street site forward with a hotel as part of a mixed use scheme, which will give it the best opportunity of being delivered with scope if required for cross-subsidy from higher value elements of the scheme. Enabling development has been used positively elsewhere, the Mount Murray Hotel & Country Club being an example. Going forward it is likely that similar approaches will be needed for some of the other proposed hotel schemes to be delivered. For abandoned hotels that may have the potential to be re-positioned, high development costs and the potential for renewed interest in residential conversion as the residential property market picks up, pose major challenges to bringing such properties back into use as hotels.

Key Conclusions

5.2.38. The Isle of Man is seen by the hotel development sector as a challenging if interesting market. The uniqueness of the island and its economic make-up means that its attributes fall outside all the standard requirements that the big hotel brands and investors normally look for in a market, resulting in a very limited understanding of what the potential might be. For these reasons the majority of the national and international brands tested did not have the island on their radar, needed to see and gather more evidence to be convinced, but were prepared to have a conversation. As they generally only develop new large full service 4 star hotels in major cities, most hotel companies indicated that they are only likely to consider their limited service mid-scale or 4 star hotel products for the island, unless there is a particularly attractive deal for a higher specification hotel. There was firm interest at budget hotel level from both Premier Inn and Travelodge, both of whom have been looking at opportunities on the island; they feel confident from their operations in other seaside and island locations that their brands would work here, and are less exposed to risk given the scale of development/investment and their ability to take a lease.

5.2.39. For all these reasons, the market left to its own devices is most likely to deliver budget hotels, and/or a limited service 3-4-star hotel, rather than the full service 4-star hotel that the corporate sector is looking for and which has best fit with achieving the island's vision as an international business centre of excellence. Delivering this is likely to need some sort of Government incentive.

5.2.40. The redevelopment and re-positioning of existing hotels on the Isle of Man is seen as a major challenge due to high costs of development; the difficulty of securing bank funding; the fact that values linked to trading make hotel property deals difficult to stack up; and the likely continued pressure from alternative higher value uses as the market picks up, particularly for residential. Supporting the existing hotel sector towards a viable future is therefore also likely to require government intervention and encouragement, via streamlined financial assistance, influence over funding institutions, enabling development, and potentially planning protection. Whilst there might not be a viable future for all, without this support there is a real danger of losing some prime characterful properties in the great seafront locations that the market so desires.

5.3 Hotel Site Availability

5.3.1. Some issues have been identified in terms of sites for hotel development around site values and competition from higher value uses, for both new hotel development and the up-grading and re-positioning of existing hotels. So sites may be potentially available, but values and the challenges of making development stack up make their deliverability difficult. However, we are not identifying lots of potential in terms of increasing overall capacity; potentially 2-3 new build hotels in Douglas, together with up-grading of existing stock. The Lord Street and AXA sites in Douglas are both strong hotel development sites, as is the Middlemarch site, though it lacks the immediate waterfront setting. The Isle of Man Government can influence hotel development on the Lord Street and Middlemarch sites through its ownership of these sites. It has no control over the AXA site however, which could be taken up for an alternative higher value use, such as office or residential. The potential redevelopment of the Palace Hotel, Casino and Cinema and Castle Mona Hotel site could provide another opportunity for a new hotel. There might also be scope for a hotel to be included in a mixed-use development on the Summerland site (should one proceed). The site is a little off-pitch for a hotel but has great views across Douglas Bay. Some of the larger abandoned seafront hotels, e.g. the Imperial, might also be of interest to Premier Inn or Travelodge. Given that there is a strong preference in the market for sea view rooms, potential sites for new hotels and existing hotels on the seafront should be treated as a priority in terms of any interventions to secure appropriate hotel investment.

5.3.2. There may also be empty offices in Douglas that could be suitable for conversion to a hotel use. This has happened a lot in cities such as Liverpool and Newcastle, where redundant offices have been converted into budget hotels.

5.3.3. Beyond Douglas a number of other sites have been/are being talked about for hotel development, including:

- Castletown Golf Links Hotel - the Dandara Group is currently progressing a £20m project to create a boutique hotel and residential development on this site;
- Bay Queen Hotel, Port St Mary - Hartford Homes unveiled plans in 2012 to redevelop the hotel as high quality apartments, a restaurant, boutique hotel and leisure spa;
- Port Soderick;
- Peel swimming pool/promenade;
- Peel, East Quay/Shore Road;
- Port Erin marine biological station;
- Port Erin outdoor swimming pool.

5.3.4. We have visited all of these sites as part of our fieldwork. While we have not undertaken or assessed detailed feasibility assessments for any of these hotel proposals and sites, from our experience we believe that small boutique hotels could work for the Castletown Golf Links Hotel and Bay Queen Hotel sites, most probably in conjunction with other visitor accommodation provision, spas and leisure clubs, and some residential development. The East Quay/Shore Road site in Peel could also be suitable for a small boutique hotel. We do not believe that any of the other sites would be able to support a viable hotel development.

5.3.5. Our research also identified a number of other hotel development proposals on the island. These are at a very early stage however and we are not at liberty to discuss them within this report.

6. CONCLUSIONS & RECOMMENDATIONS

6.1. Hotel Investment Requirements and Opportunities

6.1.1. Our research shows a need for additional hotel provision on the Isle of Man to grow peak season demand, cater for events-related business, and better meet the needs of the corporate market. We found evidence of shortages of good quality hotel and guest house accommodation in June, July, August and September for leisure break guests, event visitors and group visits. Our research suggests that these shortages will be exacerbated in the next few years as further poor quality large guest houses close, particularly as owners retire and are unable to find buyers for their properties as going concerns. New supply will be needed to replace these losses, particularly for event periods. The market research undertaken by Strategic Marketing in 2015 clearly shows that there are sizeable potential British and Irish markets for leisure breaks on the island during the summer and potentially also the shoulder season, that can be attracted given improved marketing and additional hotel provision. New high quality and branded hotels should also help to attract new business in terms of corporate demand that is currently being lost due to the quality of the current hotel offer, and leisure markets that can be attracted to higher quality hotels and through the brand strength, customer bases, national and international marketing and central reservations systems of branded hotels. Our research also shows evidence of the coach holiday market currently being constrained on the island by a lack of hotel availability during the summer months, although this is lower-rated business, which would not in itself support new hotel development. It is however also evident from our research that new hotels are likely to dilute winter trade, unless there is strong growth in corporate and contractor demand, as the potential for winter leisure demand on the island is very limited.

6.1.2. On balance we believe that the priority going forward is about renewing the island's hotel offer, rather than significantly increasing its hotel stock. This will require an integrated approach that accelerates investment in existing hotels and large guest houses alongside some new hotel development and the managed exit of poor quality stock that cannot feasibly be improved.

Accelerating Investment in Existing Hotels and Guest Houses

6.1.3. Accelerating investment in the modernisation of existing hotels and large guest houses must be a priority at all levels in the market. The island needs to offer a more contemporary standard of hotel and guest house accommodation to retain existing visitors and attract new markets. This could include the repositioning of one or two properties as boutique offers. The upgrading of seafront hotels in Douglas should be a key focus. Sea view rooms are always in greatest demand, so it is logical to seek to retain seafront properties where possible. It also makes sense to do so in order to complement the investment that the Government is making in Douglas Promenade, which will not achieve its objectives if the seafront remains blighted by abandoned, derelict hotels. Beyond Douglas, the reopening of the Mount Murray Hotel & Country Club is a priority.

6.1.4. Key requirements for investment in existing hotels and guest houses are in terms of:

- Modern en-suite bathrooms/ shower rooms;
- Good quality mattresses;
- The reconfiguration of small single rooms to create larger bedrooms and suites or provide en-suite bathrooms;
- Contemporary interior design, furniture and fixtures and fittings;
- Improved food and beverage offerings, including some AA rosette awarded hotel restaurants;
- The addition of spa and leisure facilities;
- More family rooms, interconnecting rooms and children's facilities;
- Purpose-designed accessible bedrooms and improved disabled access in public areas. This may include the installation of lifts;
- Wi-Fi;
- Modern, well-equipped meeting rooms and conference and banqueting facilities;
- Cycle and motorbike storage and wash-down areas;
- Walker-friendly facilities and services;
- Dog-friendly accommodation;
- Angler-friendly accommodation.

6.1.5. Accelerating investment in existing hotels and guest houses will require an integrated approach that includes:

- Easy to access Government financial support;
- Work to persuade Isle of Man banks to lend for hotel and guest house refurbishment;
- Business planning and marketing advice and support for smaller operators, delivered by a specialist working alongside owners to assist them in developing and implementing business plans and marketing strategies;
- Work to encourage national hotel property agencies to become more active in selling hotels and guest houses on the island;
- Stronger marketing of the island, and events development, particularly focused on boosting shoulder season leisure demand – which the new Destination Management Plan is seeking to do;
- Economic regeneration and inward investment activity to boost corporate and contractor demand and create a stronger winter hotel market on the island – which the Vision 2020 strategy is aiming to achieve;
- A need possibly to allow some enabling residential development in return for investment in existing hotels, ideally secured through legal agreement.

New Hotel Development

6.1.6. Our research suggests that a Premier Inn and/or Travelodge budget hotel would be the most deliverable and commercially viable type of new hotel for the island in the short term, if issues to do with construction costs can be resolved. Both companies are clearly interested in having a presence on the island and believe that they can trade well here. We believe that these two hotel brands would bring a number of benefits to the island (depending on the brand):

- They would replace the loss of accommodation stock that we think will inevitably occur in the next few years as further poor quality hotels and large guest houses close, thus maintaining capacity for peak season and events demand.
- Both companies would attract new business to the island through the strength of their brand, customer bases, national marketing and central reservations.
- They will help to attract the family market – Premier Inn and Travelodge bedrooms include sofa-beds for children and their food offering is very child-friendly.

- With limited food and beverage offers, particularly for Travelodge, such hotels would help to strengthen the evening economy as their guests will eat out at local restaurants at night.
- They could help to attract group visits from groups that prefer these types of hotel.
- They would provide guest bedrooms and public areas that are fully accessible for wheelchair users and other disabled visitors.

6.1.6. We think it unlikely that a new Premier Inn and/or Travelodge will have much of an impact on existing good quality hotels and guest houses during the peak season as we believe that there is potential for these brands to attract significant new business to the island at this time of year, and scope for existing hotels and large guest houses to replace any events business that they lose to new budget hotels with leisure break, group tour or coach holiday business. Lower grade hotels and guest houses may however be affected in the peak season if new budget hotels take event visitors from them. New budget hotels are likely to have a greater impact on existing stock during the shoulder season, and will undoubtedly have an impact in the winter, depending on how many new budget hotels open, how many bedrooms they have, when they open, how quickly corporate, contractor and International Centre for Technology business grows, and the extent to which they are able to drive new winter business through their special offer promotions. It is difficult to see how a Premier Inn or Travelodge will be able to generate significant new business for the island during the winter. Such hotels will thus be competing for a share of what corporate, contractor, VFR and on-island leisure break business there is at this time of year, resulting in a dilution of winter demand for existing hotels and guest houses. New hotels will also compete for staff, and are thus likely to exacerbate the hotel and guest house industry's staff recruitment problems, unless the current work permit restrictions on employing immigrant workers in the hospitality sector are relaxed.

6.1.7. There are however a number of reasons to think that the impact of new budget hotels may not be as detrimental as many of the island's hotel and guest house owners fear:

- They should not impact on the repeat customer and regular business that good quality hotels and guest houses are attracting;
- They will not compete for business that is coming through booking.com, as neither Premier Inn or Travelodge proactively use this booking channel;
- They will not affect business that comes through tour operators as they are unlikely to work with them;
- They are unlikely to affect business that comes through the Isle of Man guide or visitisleofman.com website as they will probably not advertise through these channels;
- They will not compete for coach holiday business;
- They will not compete for corporate customers that are looking for 4 star hotel accommodation: many of the companies that we spoke to on the island indicated that they would have no interest in using a budget hotel..

6.1.8. A Premier Inn or Travelodge will not meet the needs of much of the corporate market. Our research suggests that the priority for many of the island's companies and to meet the Vision 2020 vision for the Isle of Man as an international business centre of excellence is a full service 4 star hotel, with restaurant, bar, leisure, conference and banqueting facilities. An international 4 star brand would also open the island up to overseas tourist and group tour business.

6.1.9. There has long been talk of a new 4 star hotel at The Fort. Most of the international brand 4 star hotel models would be for 120-150 bedrooms. Our discussions with international hotel brand owners show that the Douglas market is only likely to be able to commercially support a limited service 4 star hotel of this scale, without full leisure facilities or significant conference and banqueting space. The achievable performance figures at this end of the market are not sufficiently high to support such a full service 4 star hotel. Some form of subsidy would be needed either from higher value uses in a mixed use scheme, or Government financial support, or both. A limited service 4 star hotel would otherwise be the best that could be commercially supported. Such a hotel may however by adequate if the Mount Murray Hotel reopens as a full service 4 star hotel, alongside the reopening of the Mannin Hotel at a 4 star level in 2016.

6.1.10. A new international brand 4 star hotel will more fully meet the needs of the corporate market, enhance the island as an international business centre, and attract new leisure visitors to the island. A new hotel of scale will undoubtedly have an impact on existing 4 star hotels, particularly during the winter, which is likely to cascade down to some of the 3 star hotels and large guest houses in Douglas. This is likely to require existing hotels to refocus their business, marketing and investment strategies, and could potentially threaten the continued operation of one or two hotels if they are unable to respond effectively in a more competitive market.

6.1.11. There could be potential for the development of boutique hotels in Douglas, Peel, Castletown, Port Erin and Port St Mary, including possibly a luxury boutique hotel in Douglas, given suitable properties for conversion. Such hotels would trade at high room rates, so should be supportable at the levels of occupancy that are achievable on the island. We believe that such hotels would add a new quality dimension to the island's hotel offer and would be capable of attracting a new market to the island that is looking for this type of hotel, as well as catering for the top end of the corporate market. Boutique hotels are successfully operating in other island, coastal and resort destinations. We see no reason to think that they cannot successfully operate on the Isle of Man.

6.1.12. There could be scope for another small aparthotel in Douglas to meet future growth in long stay corporate demand as the island's economy develops, existing companies expand and new companies are attracted. Such hotels are also becoming increasingly popular with leisure markets as the concept becomes more established in the UK.

6.1.13. There could be scope for additional hotel provision at Ronaldsway Airport as the business parks here expand. This is more likely to be achieved through the expansion of the Sefton Express than the development of a new hotel.

6.1.14. There could also be market potential for country house hotels, given suitable properties for conversion, and hotels on golf courses. These types of hotel are also operating successfully on other island destinations. The reopening of the Mount Murray Hotel and redevelopment of the Castletown Golf Links Hotel provide perhaps the strongest opportunities for golf hotels on the island. Other golf clubs might also want to look at some form of hotel or other accommodation provision.

6.1.15. Our research shows that it will be very difficult to get new-build hotel development to stack up on the island from a purely property development perspective. Property developers need to have a clear exit route. The seasonality of the Isle of Man hotel market effectively limits the profit levels that hotels can achieve here, to the extent that end values mean that a property developer will be unable to sell a completed hotel for more than the cost to develop it. New-build hotel development (and significant investment in existing hotels) will either need an investor that is prepared to invest for the long-term, some form of enabling higher value development to subsidise the hotel investment, most likely in terms of residential development, and/or financial assistance from the Government.

Managing the Exit of Abandoned Hotels

6.1.16. There are currently a number of abandoned hotels on Douglas seafront that detract significantly from the resort's appeal as a leisure destination and do nothing to enhance Douglas as a place to live or do business. From our discussions with the owners of some of these properties they have no current interest in investing in them as hotels. Commercial property agents on the island indicated that it will be very difficult to find buyers for these hotels that will be prepared to invest in them. Having said this, there appear to have been few attempts to sell hotels and guest houses on the island through the UK specialist hotel property agents that have access to large databases of prospective hotel buyers and investors. Premier Inn and Travelodge also both have track records of converting closed hotels in seaside resorts, so could be interested in suitably large hotels. There could therefore be merit in a final concerted effort to find new buyers for the abandoned hotels and guest houses on Douglas seafront to include marketing through the specialist hotel property agents in the UK and discussions between owners of the larger closed hotels and Premier Inn and Travelodge. Should such efforts prove fruitless the only way forward would seem to be for the Government to seek to accelerate the conversion of these abandoned hotels to alternative uses, including residential as soon as the residential property market picks up, or perhaps self-catering holiday apartments.

6.2. Hotel Planning Policy

6.2.1. This study provides an evidence base that can be used to better guide the development and retention of hotel accommodation across the island and strengthen policy for the sector. This could be done by:

- Including additional general/island-wide hotel policies into the Strategic Plan;
- Including policies in the Area Plans, including more site-specific policies and designations to reflect local circumstances and priorities;
- Issuing a separate Hotel Planning Policy Guidance Note based on the findings and recommendations of the Hotel Futures Study. This might be an informal guidance note which could be prepared relatively quickly, or a more formal Planning Policy Statement, which would take longer but carry more weight in its application.

6.2.2. Given that the Island Plan has just been revised, the Area Plan for the South is relatively recently approved, and the other 3 Area Plans are likely to take some time to put into place, some form of Hotel Planning Policy Guidance based on the findings of the Hotel Futures Study might be the most efficient route to achieving a more evidence-based approach to development management decisions on hotel planning and change of use applications as an interim measure. To be effective, a Hotel Planning Policy Guidance Note would need to have sufficient status to be a material planning consideration. It would give clearer guidance to the market on the potential for securing permission for the development of new hotels and the upgrading and redevelopment of existing stock. It could also include more specific guidance on the assessments around viability relating to retention and also enabling development, setting out what the applicant must prove. We have seen this applied very successfully in other destinations.

6.2.3. There are three aspects of planning for hotels that need to be clearly addressed in policy terms:

- Planning for new hotel development;
- Planning for the development of existing hotels and large guest houses;
- Planning for the retention or managed loss of existing hotels and large guest houses.

New Hotel Development

6.2.3. The planning framework - planning policy and development management - for new hotel development should play a role alongside inward investment and business support to assist the renewal of the island's hotel offer. It should give clarity to potential hotel developers and help secure the best fit new hotel provision on the optimum sites, so maximising the benefits to the destination. This can be achieved by:

- Clearly articulating the market and economic development rationale for seeking some new hotel development;
- Managing expectations about the level of new hotel development that the island can support;
- Directing interest towards the optimum type and standard of hotel to match market needs;
- Directing interest to the most attractive (from a market perspective) and deliverable sites;
- Permitting hotel development in Douglas and the main settlements, but also having sufficient flexibility to permit country house, golf, spa, and other types of destination hotel offers in countryside and coastal settings, subject to assessment of impact and other planning considerations;
- Refraining from adding planning conditions e.g. 30-day maximum let that will constrain hotels from accommodating long stay markets, particularly in the case of serviced apartments and aparthotels. In this case the condition could relate to tourist use and prohibit permanent residential use rather than defining a maximum period of time for any one let;
- Considering the benefits of site allocation for hotel use to ensure new hotel development can be delivered on the strongest sites, ideally on the seafront (this could be part of the Site Assessment Framework for the Area Plan;
- Considering the need for enabling residential development to help hotel schemes stack up.

The Development of Existing Hotels

6.2.4. Planning for the development of existing hotels should:

- Provide sufficient flexibility for existing hotels to up-grade, re-position and expand, in terms of bedrooms and associated facilities, to meet the expectations of the modern market
- Appreciate the commercial implications of any planning or design requirements attached to hotel schemes; whilst not wishing to undermine the quality of built development, over-burdening schemes with onerous conditions, given the challenging nature and high associated costs of working with old and weathered properties, can tip already marginal schemes beyond the point of financial viability;
- Consider the need for enabling residential development in return for securing investment in the remainder of the property to help deliver financially viable upgrading schemes (subject to full assessment at the time of application).

Hotel and Guest House Retention and Managed Exit

6.2.5. Planning for the retention or managed exit of existing hotels and large guest houses should:

- Accept that not all the existing supply can remain given the condition of some of the properties and the likely cost of bringing them back to an acceptable standard for the market.
- Recognise also that with the addition of some new hotel supply this will put pressure on existing hotels and could push some to the point of needing to exit the market.
- Seek to retain a reasonable supply of hotels on Douglas seafront, which is where much of the market wants to be, recognising that once these sites have gone to alternative uses they cannot be replaced.
- Consider whether any individual hotels or sites should be specifically safeguarded.
- Seek to retain some key hotel sites elsewhere on the island that provide unique opportunities for new hotels that would play an important role in the future development of the island's visitor economy. The Castletown Golf Links Hotel and Mount Murray Hotel & Country Club sites are the key ones to seek to retain in hotel use, we would suggest.

- Put in place a clear process and criteria for those properties wishing to exit the market whereby they:
    - Are marketed for sale for a minimum period of time through a reputable specialist UK hotel property agent, at a realistic price;
    - Demonstrate that the redevelopment of the hotel to modern market standards and its continued operation are not commercially viable;
    - Demonstrate that operating hotels have been well-run and marketed and not been deliberately run down to contribute to any non-viability case
- A more detailed specification of these criteria should be drafted – potentially as part of a Hotel Planning Policy Guidance Note - and supported by specialist advice/inputs (accountants, quantity surveyors, hotel management and marketing expertise) as required. This could be separately set up or tied in with the expertise to be sourced in support of the Financial Assistance Scheme.
- Consider the potential for the conversion of hotels to self-catering holiday apartments as an alternative use before permanent residential accommodation is permitted.
- Consider the potential to secure investment in hotel properties or sites when hotels in the same ownership are permitted to exit to higher value uses such as residential.

6.3. Recommendations

A Hotel Investment Fund for the Island

6.3.1. Our main recommendation from the study is for the Isle of Man Government to establish a Hotel Investment Fund to accelerate investment in existing hotels and the development of new hotels, perhaps drawing together enterprise, business support and conservation funding. All of our research points to a hotel industry on the island that without Government financial support can only gradually respond to the market requirements and opportunities that our research has shown. The Government needs to step in for a period with funding support to kick start the renewal of the island's hotel and guest house offer, improve the sector's profitability, and build confidence to support ongoing hotel and guest house investment going forward. Assistance could be in the form of grants, loans, equity investment and/or tax incentives. It needs to be easy to access and we suggest should be managed by a dedicated Fund Manager who will work alongside hotel and guest house owners, developers, and Isle of Man and UK banks and financial institutions to work up proposals for Government funding of hotel investment projects based on evidence of clear financial need. We recommend a simple funding formula, perhaps based on an amount of Government funding per hotel bedroom for different standards of hotel and guest house, with minimal other criteria, other than the evidence of financial need and fit with the Destination Management Plan and Vision 2020 economic strategy. Our research suggests that funding needs to be available for repairs and renewals as well as upgrading projects. The focus should be about achieving a more competitive hotel and guest house offer on the island, rather than job creation. Public sector bodies in the UK have clearly recognised this need to help fund hotel investment. Appendix 7 provides examples of how UK national, regional and local authorities are intervening. We recommend that the Isle of Man Government considers similar approaches as a matter of urgency.

Marketing Programme for Closed Hotels on Douglas Seafront

6.3.2. There is probably already sufficient interest from hotel companies looking at the development sites at The Fort and from Premier Inn and Travelodge to meet the market potential and requirements for new hotels on the island. There is also live interest in various hotel projects across the island, primarily from Isle of Man property developers and investors. There has however been very little market interest in hotels and large guest houses on Douglas seafront, many of which are now empty and gradually deteriorating. While finding buyers for such properties undoubtedly presents a significant challenge we believe that there could be merit a final attempt to find buyers for these hotels and guest houses before they deteriorate further. This should include working with UK specialist hotel property agents to raise awareness of the market opportunities and growth agenda on the Isle of Man, and provide information on the available properties and potential planning and funding support from the Isle of Man Government. It should also include attempts to facilitate discussions between the owners of the larger closed hotels on the seafront and Premier Inn and Travelodge regarding potential budget hotel conversions.

Supporting Hotel Investment and Operation on the Island

6.3.3. We further recommend that the establishment of the Hotel Investment Fund should be progressed alongside other measures to support and facilitate hotel investment and operation on the island in terms of:

- Exempting hotels and guest houses from the work permit system to allow them to employ immigrant workers to meet their staffing needs, alongside ensuring that all posts are advertised to Manx candidates.
- A clear hotel planning policy and development management approach based on the findings of the study, perhaps in the form of a Hotel Planning Policy Guidance Note.
- Improving the marketing and business management skills of hotel and guest house owners.
- A quality awareness programme for the island's hotel and guest house owners, to include case studies of modern hotels and guest houses in other destinations and study visits to such properties.
- Improved destination marketing for the island, particularly focused on boosting shoulder season demand – as is currently being progressed through the implementation of the new Destination Management Plan.

- New events development, particularly to boost shoulder season demand – as is currently being progressed through the implementation of the new Destination Management Plan.
- Economic regeneration and inward investment to grow corporate and contractor demand to boost the winter market for hotel accommodation on the island – as envisaged in the Vision 2020 economic strategy for the island.
- Active engagement with potential hotel developers, investors and operators to manage and support their potential interest and expectations, in line with the research findings and identified potential.

6.3.4. The full implementation of the Destination Management Plan will clearly be vital in terms of growing leisure demand for hotel accommodation on the island and boosting shoulder season business, while the implementation of the Vision 2020 strategy to grow the corporate market will be vital to strengthening the island's winter hotel market.

6.4. Concluding Comments

6.4.1. The Isle of Man Hotel Futures Study shows a hotel industry that has been in decline for some time, and that has fallen behind competitor island and resort destinations in terms quality. With clear strategies now in place for economic, population and leisure tourism growth over a longer season there is a clear need and potential for the renewal of the island's hotel offer through investment in existing stock and some new hotel provision. The realities of operating and developing hotels on the island are however hampering the industry's ability to respond to these opportunities and requirements. There is a clear case therefore for Isle of Man Government intervention in terms of financial assistance , advice and planning support, alongside the implementation of the Vision 2020 economic growth strategy and the new Destination Management Plan, to achieve a more compelling and competitive hotel offer on the island. The challenge going forward is to translate the recommendations of the Hotel Futures Study into an integrated programme of support that will accelerate investment in existing hotels and guest houses, and help bring forward new hotels that can meet the requirements of corporate hotel users and grow the island's leisure tourism market.

APPENDICES

APPENDIX 1

GLOSSARY OF HOTEL DEFINITIONS

Budget Hotel

A limited service hotel providing a basic, good standard en-suite bedrooms, with limited in-room facilities, services and extras e.g. toiletries, and minimal hotel facilities other than a breakfast room and possibly a bar and restaurant.
Brand examples include Travelodge, Premier Inn, Ibis, Tune

Upper Tier Budget

A limited service hotel that offers a higher specification room (3 star equivalent) than a budget hotel, with an integral bar/restaurant and limited meeting rooms; also sometimes a small gym/fitness room. They tend to be larger hotels of 100-120 rooms and will locate both on the approaches to towns if close to business/leisure drivers, in town/city centres, and close to major communications drivers such as airports.
Brand examples include Holiday Inn Express, Ramada Encore, Hampton by Hilton.

3 Star

A full service hotel that offers a restaurant and bar also open to the public, usually function/conference/banqueting facilities, and often leisure. Branded offers would tend to be 120-150 rooms+, but independent hotels may be smaller in size. Will locate in city centres and out of town where there are significant drivers of demand such as business parks.
Brand examples include Village, Holiday Inn, Courtyard by Marriott, Hilton Garden Inn, Ramada

4 Star

A full service hotel but with a higher specification and larger bedrooms than 3 star hotels, usually offering Isle of Man and shower, telephone, internet connection, and a wider range of services including full room service and porterage, and 24 hour reception. A quality restaurant, bar, a range of meeting rooms and business services, and a health and fitness centre. These tend to be large hotels, over 150 rooms, and sometimes up to 250 rooms+. Major city centres are the preferred locations.
Brand examples include Marriott, Crowne Plaza, Hilton, Radisson Blu, Apex

5 Star

A luxury, full service offer, with highly personalised service/high staffing levels, fine dining and luxury throughout the offer.
Brand examples include InterContinental, Renaissance, Radisson Edwardian

Boutique Hotel

Relatively small (30-50 rooms), high quality, individual hotels that feature contemporary design and a good food offer. They are often independent hotels or part of small chains that bear the signature of their founder. However, national brands are beginning to emerge that are larger format units (100+ rooms) and compete with 3 and 4 star hotels but achieve a premium on their rate due to their style and service.
Brand examples include Malmaison, Hotel du Vin, ABode, Hotel Indigo, Chapter

Aparthotels, Suitehotels and Serviced Apartments

A new generation of hotel accommodation that combines an element of self-catering through the provision of a kitchen in each unit, together with hotel services, including reception, daily cleaning, linen, toiletries and a hotel-style booking system. They are generally aimed at the extended stay market, and whilst they can offer rooms from one night upwards, most request a minimum stay. Some are purpose-built units in one ownership; others are individually owned and managed by an agency. Brands such as Staybridge Suites will also provide a limited food offer e.g. buffet style breakfast.
Brand examples include Staybridge Suites, Residence Inn, Beyonder, Bridge Street Worldwide, SACO.

Occupancy Rate

The percentage of all rooms sold as a proportion of all rooms available in that period.

Achieved Room Rate (ARR)

The net average amount of rooms revenue that hotels achieve per night per room let after deduction of VAT, breakfast (if included), discounts and commission charges. Hotel rooms revenue divided by the number of rooms sold.

Revpar

Revenue per available room. The net average amount of rooms revenue that hotels achieve per night per available room after deduction of VAT, breakfast (if included), discounts and commission charges. Hotel rooms revenue divided by the number of rooms available in the hotel.

APPENDIX 2

HOTELS INTERVIEWED

Establishment	Face-to-Face/ Telephone
Sefton Group	F
Sleepwell Hotels	F
Regency/Penta	F
The Empress	F
The Hydro	F
The Town House	F
Ramsey Park Hotel	F
The Welbeck	F
Ascot	F
Admiral House	F
Sugarland	F
Ellan Vannin	F
Inglewood	F
Glen Mona/ Mereside/Rosslyn	F
At Caledonia	F
Devonian	F
Arrandale House	F
Edelweiss	F
St Heliers	F
Seaview	F
Silvercraigs	F
Savoy	F
Santon Motel	F
Falcon's Nest	F

APPENDIX 3

STAKEHOLDER CONSULTEES

Organisation	Person Consulted
Department of Economic Development	Chris Corlett
Department of Economic Development	Robin Bischert
Department of Economic Development	Angela Byrne
Department of Economic Development	Nikki Salmon
Department of Economic Development, Special Projects	Steven Beevers
Department of Economic Development	Andy Bostock
Department of Economic Development	Paul Maddocks
Department of Economic Development	Stephen Moore
Department of Economic Development	Elissa Morris
Department of Economic Development	Simon Pickering
Department of Economic Development	Nick Preskey
Department of Economic Development	Mike Reaney
Department of Economic Development	Mark Robson
Department of Infrastructure	Diane Brown
Department of Environment, Food & Agriculture	Sarah Corlett
Department of Environment, Food & Agriculture	Jo Callow
Isle of Man Public Transport	Ian Longworth
Manx National Heritage	Edmund Southworth
Steam Packet Company	John Watt
Isle of Man Ship Registry	Dick Welsh
Isle of Man Chamber of Commerce	Jane Dellar
Quality in Tourism	Andrew Walker
International Centre for Technology	Philip Vermeulen
Independent Gaming & Leisure Advisor	Derek Cannon
Member of the House of Keys for Peel	Ray Harmer
Dandara Group	Seamus Nugent
Dandara Group	David Humphrey
Hartford Homes	James Greehalgh
Black Grace Cowley	Mark Grace
Mannin Hotel	Keith Lord

APPENDIX 4

COACH HOLIDAY COMPANIES, GROUP TRAVEL OPERATORS & TOUR OPERATORS INTERVIEWED

Company	Person Consulted
Steam Packet Holidays	Brian Convery
ORTG/ Manx Flights	Brian Kelly
IOM Event Services	Sally Helwich
Action Tours	Linda Roberts
Shearings Holidays	Caroline Narloch
Great Days	Dawn Bennison
Great Rail Journeys/ Rail Discoveries	David Scholfield
Just Go Holidays	Paul Mason

APPENDIX 5

HOTEL STOCK COMPARISONS – ISLAND DESTINATIONS, SCOTTISH ISLANDS & NORTH WEST ENGLAND/ NORTH WALES RESORTS

Introduction

The following appendix looks at how the Isle of Man's hotel stock compares to that of competitor island destinations, Scottish islands and seaside resorts in North West England and North Wales. Tables analysing the hotel supply of each comparator destination by standard and type of hotel are given at the end of the appendix. These focus only on hotels and not large guest accommodation rated serviced accommodation establishments. The following commentary highlights the key differences between the hotel supplies of the comparator destinations and the Isle of Man, and provides examples of exemplar hotels in comparator destinations, with web links to their websites, to illustrate the types of hotel that the Isle of Man could be striving to offer.

Jersey

Jersey has a significantly greater and higher quality hotel supply than the Isle of Man. It has a lot more luxury hotels, including three 5 star hotels, a Radisson Blu international 4 star hotel and twelve 4 star hotels, many of which offer a contemporary style of accommodation and luxury spas. Examples include:

- Grand Jersey Hotel & Spa
  www.handpickedhotels.co.uk/grandjersey
    - 5 star
    - 123 guest bedrooms and suites
    - Health club and spa
    - Conference and banqueting facilities
    - Business centre
    - Operated by Hand Picked Hotels

- The Club Hotel & Spa
  www.theclubjersey.com
  - 5 star boutique hotel
  - 46 guest bedrooms and suites
  - Luxury spa with indoor and outdoor pools, thermal suite and treatment rooms
  - Opened in 2005

- Longueville Manor
  www.longuevillemanor.com
  - AA 5 Red Star country house hotel
  - 31 guest bedrooms and suites
  - 3 AA rosettes
  - Member of Relais et Chateaux
  - Outdoor swimming pool, boutique spa, mini-gym, tennis court, croquet lawn

- Radisson Blu Waterfront
  www.radissonblu.com/en/hotel-jersey
  - International 4 star hotel
  - 195 designer guest bedrooms and suites
  - Conference and banqueting for up to 400
  - Health and fitness centre, with indoor pool

- L'Horizon Beach Hotel & Spa
  www.handpickedhotels.co.uk/lhorizon
  - 4 star
  - 106 guest bedrooms and suites
  - Beachfront location
  - Health club and spa
  - Operated by Hand Picked Hotels

- St Brelades Bay Hotel
  www.stbreladesbayhotel.com
  - 4 star
  - 74 bedrooms and suites
  - Beachfront location
  - Outdoor swimming pool
  - Indoor pool and health club opened in 2012
  - Family owned and run

- Chateau La Chaire
  www.chateau-la-chaire.co.uk
  - 4 star country house hotel
  - 14 bedrooms and suites
  - 2 AA rosettes

Jersey also has a significant stock of 3 star hotels and has retained a good supply of 2 star hotels. The majority of hotels are family owned and operated. There are also four island-based hotel companies – Amber Hotels, Seymour Hotels, Morvan Hotels and Dolan Hotels – which between them operate 12 of Jersey's 3 and 4 star hotels. The UK country house hotel operator Hand Picked Hotels operates two hotels on the island.

The quality of Jersey's 2 and 3 star hotels is likely to be variable, but many hotels appear to offer a good standard of accommodation.

Many of Jersey's 3 and 4 star hotels have outdoor swimming pools, gardens and terraces. Some have attractive beachfront settings and direct beach access. A number have indoor swimming pools and leisure facilities.

Seymour Hotels' Merton Hotel (www.seymourhotels.com/merton-hotel) is a family resort with 291 bedrooms and an extensive range of leisure facilities including an aquadome with waterslides, a Flowrider surf ride, a fitness centre, tennis court, table tennis, games zone, children's play areas, gardens, evening entertainment centre, choice of restaurants, and conference and banqueting facilities.

Jersey has two aparthotels operated by national and international serviced apartment operators – SACO Jersey – Merlin House (24 serviced apartments) and Liberty Wharf Apartments by Bridge Street (63 apartments www.libertyapartments.co.uk).

There are no budget hotels currently on Jersey, however Premier Inn has St Helier as a target location for a 100-bedroom hotel.

Jersey's hotel stock is concentrated in the island's capital and commercial centre St Helier but there is also a good spread of hotels across the rest of the island.

Guernsey

Guernsey has a smaller but not dissimilar hotel supply to Jersey in terms of range, quality and geographic spread, and a more significant and higher quality hotel offer than the Isle of Man. It has eight luxury hotels, including a 5 star property, three boutique hotels, an AA 4 Red Star hotel, and four high quality 4 star hotels with AA rosettes for food. Examples include:

- The Old Government House Hotel & Spa
  www.theoghhotel.com
    - 5 star
    - 62 guest bedrooms and suites
    - Health club and spa
    - 7 conference rooms
    - Operated by Red Carnation Hotels

- Fermain Valley Hotel
  www.fermainvalley.com
    - 4 star
    - 47 bedrooms
    - 2 AA rosettes
    - Indoor pool
    - Cinema room
    - Outdoor terrace and gardens

- Duke of Richmond Hotel
  www.dukeofrichmond.com
    - 4 star boutique hotel
    - 73 bedrooms and suites
    - Outdoor pool
    - 4 conference and banqueting rooms
    - Operated by Red Carnation Hotels

- Bella Luce Hotel, Restaurant & Spa
  www.bellalucehotel.com
  - 4 AA Red Star
  - 2 AA rosettes
  - 23 guest bedrooms and suites
  - Outdoor pool
  - Spa
  - Member of Small Luxury Hotels of the World

Guernsey also has a number of contemporary 3 star hotels. Examples include:

- Duke of Normandie
  www.dukeofnormandie.com
  - 3 star boutique hotel
  - 37 guest bedrooms

- Ziggurat
  www.hotelziggurat.com
  - Mid-market boutique hotel
  - 14 bedrooms

- Cobo Bay Hotel
  www.cobobayhotel.com
  - 3 star Visit Guernsey Gold Award
  - 34 bedrooms
  - Outdoor pool
  - Family owned and operated

- Best Western Hotel de Havelet
  www.dehaveletguernsey.com
  - 3 star Visit Guernsey Gold Award
  - 34 bedrooms
  - AA rosette
  - Indoor pool

Guernsey also has a golf hotel:

- La Grand Mare Hotel, Golf & Country Club at Castel
  www.lagrandemare.com
    - 4 star
    - 26 guest bedrooms and penthouses
    - 10 self-catering apartments
    - Timeshare holiday homes
    - Health club
    - 18-hole golf course

The island also has two farmhouse hotels:

- The Farmhouse Hotel
  www.thefarmhouse.gg
    - 4 star boutique
    - AA rosette
    - 14 guest bedrooms and suites
    - Outdoor pool
    - Gardens

- Fleur du Jardin
  www.fleurdujardin.com
    - 3 star
    - Outdoor pool

The majority of Guernsey's hotels, including some of its 2 star hotels, have outdoor swimming pools. A number of hotels also have indoor pools, spas, and health clubs. Many hotels have gardens and grounds. Some are in attractive coastal or countryside settings.

Guernsey's hotel stock is concentrated in the island's capital and commercial centre St Peter's Port. There is however also a good spread of hotels across the rest of the island.

Most of Guernsey's hotels are family owned and operated. The luxury hotel operator Red Carnation Hotels operates two hotels on the island (The Old Government House and Duke of Richmond). Hand Picked Hotels owns and operates one hotel (St Pierre Park). Two hotels are marketed as part of the Best Western consortium (Moores Hotel and Hotel de Havelet).

There are no aparthotels currently on Guernsey, and no budget hotels, although Premier Inn has Guernsey as a target for a 60-bedroom hotel.

Isle of Wight

The Isle of Wight has a much greater supply of hotel accommodation that the Isle of Man. It's hotel supply is generally of a low standard however, with a much more significant stock of 2 star and ungraded hotels, many of which focus largely or entirely on the coach holiday market. The island also has a good stock of 3 star hotels, however many appear to be quite dated in terms of the style and quality of accommodation and facilities that they offer, and many also trade mainly in the coach holiday market. The island has a number of large hotels that are operated by coaching hotel companies - Leisureplex Hotels, Holdsworth Hotels, Bay Hotels and Grand UK Hotels. A number of the island's 2 and 3 star hotels have outdoor swimming pools and in some cases indoor pools.

The Isle of Wight has very few high quality hotels. It only has two 4 star hotels – The Royal in Ventnor and the Lakeside Park Hotel & Spa at Wootton Bridge www.lakesideparkhotel.com . This latter hotel opened in 2008. It is privately owned and has 45 executive bedrooms, a spa and leisure centre, and conference and banqueting suite for up to 140 people. It is set in 17 acres of countryside, beside a tidal lake. The island also has an AA 3 Red Star hotel – The George at Yarmouth www.thegeorge.co.uk , and a high quality 3 star country house hotel at Seaview – Priory Bay Hotel www.priorybay.co.uk , with 20 bedrooms, two self-catering cottages and a number of luxuriously appointed yurts, together an outdoor swimming pool, 6-hole golf course, tennis court and croquet lawn.

The Isle of Wight has three boutique hotels, all in Ventnor:

- Hillside
  www.hillsideventnor.co.uk
  - 12 bedrooms
- The Hambrough
  www.thehambrough.com
  - 7 bedrooms
- The Wellington
  www.thewellingtonhotel.net
  - 3 star
  - 28 bedrooms

Warner Leisure Hotels operates the 3 star adult only Bembridge Coast Hotel (www.warnerleisurehotels.co.uk/hotels/bembridge-coast-hotel). It has 247 guest bedrooms of different standards, including new garden suites, and offers a wide range of leisure facilities and activities, including an indoor leisure club, indoor and outdoor bowls, archery, pitch and putt, croquet and tennis, and an evening entertainment centre.

The island also has a walkers hotel, operated by HF Holidays – the Freshwater Bay Country House (www.freshwaterbayhouse.co.uk).

The Isle of Wight has three budget hotels – two Travelodges in Newport and Ryde, and a Premier Inn in Newport. Premier Inn will open an 81-bedroom hotel at Sandown in January 2016.

The Isle of Wight's hotel supply is concentrated in the main resorts of Shanklin and Sandown. There is also a spread of hotels across other parts of the island, including Ventnor, Ryde, Newport, Seaview and Yarmouth.

Anglesey

Anglesey has a much smaller hotel supply that the Isle of Man. It's hotel stock comprises primarily small, family run 2 and 3 star and ungraded hotels of varying quality. The island has two small high quality country house hotels:

- Tre Ysgwen Hall Country House Hotel & Spa
  www.treysgawen-hall.co.uk
    - 4 star
    - 29 guest bedrooms and suites
    - 5 conference and banqueting rooms for up to 200
    - Health spa with indoor swimming pool, thermal suite, treatment rooms and gym.
- Chateau Rhianfa
  https://chateaurhianfa.com
    - Luxury country house hotel
    - 22 guest bedrooms and suites
    - Operated by Amazing Venues

Anglesey also has one boutique hotel – Ye Olde Bulls Head Inn & The Townhouse in Beaumaris (www.bullsheadinn.co.uk), with 26 bedrooms.

Anglesey has one budget hotel – a Travelodge at Holyhead with 54 bedrooms. Holyhead is a target location for Premier Inn for a 60-bedroom hotel.

Isles of Scilly

The Isles of Scilly have a limited stock of small, mostly independent 2,3 and 4 star hotels, many of which have attractive beachfront or coastal settings. The quality of hotels appears to be good. Hell Bay on Bryher (www.hellbay.co.uk)is an award winning 4 star hotel with 3 AA rosettes for its restaurant. It has 25 guest suites and houses a significant private collection of original, contemporary artworks by artists based on Scilly and in Cornwall in its bedrooms and public areas. The international travel and lifestyle resort operator Karma Royal Group acquired the 30-bedroom St Martin's Hotel in 2014, reopening it in 2015 as the Karma St Martin's with 27 luxury guest bedrooms and suites and a luxury spa complex www.karmagroup.com/find-destination/karma-retreats/karma-st-martins . The Star Castle Hotel in St Mary's is a contemporary 4 star hotel with 38 bedrooms and an indoor pool http://star-castle.co.uk .

Travelodge has the Isles of Scilly as a target location for a new hotel.

Scottish Islands

Scottish island destinations have relatively small hotel supplies consisting mainly of small, family run hotels spread across each island. Some islands also have small island-based hotel companies e.g. Brudolf Hotels and KGQ Hotels on the Shetland Islands, Isles Hotel Group on the Outer Hebrides, and Perle Hotels on Skye. The national hotel operator Bespoke Hotels runs three hotels on Skye and one on Mull, while the Scottish hotel company Crerar Hotels operates a hotel on Mull.

The quality of hotels on Scottish islands appears to be highly variable. Many hotels look dated (judging by the images that they include on their websites). Some have however been refurbished recently and there are some stand out high quality hotels on some islands, including luxury country house hotels, a number of boutique hotels, some hotels with AA rosettes for their food, and a few hotels with luxury spas. Examples include:

- Hotel Hebrides, Isle of Harris, Outer Hebrides
  www.hotel-hebrides.com
  - 4 star boutique hotel
  - AA rosette
  - 21 guest bedrooms
  - 4 self-catering cottages

- Auchrannie Resort, Arran
  http://auchrannie.co.uk
  - 4 star luxury family country house hotel – 28 bedrooms
  - 4 star spa resort – 56 bedrooms
  - 30 5 star self-catering lodges for timeshare ownership and rental
  - Two swimming pools, sauna, steam room, gym and spa treatment rooms
  - Children's indoor plan barn
  - An outdoor adventure centre
  - Three restaurants
  - A £14.7million investment since 1988

- The Douglas Hotel, Arran
  www.thedouglashotel.co.uk
  - 4 star boutique hotel
  - 20 guest bedrooms and suites
  - Opened May 2011
  - Best New Hotel 2012 – Scottish Hotel Awards
  - Boutique Hotel of the Year 2013 – Scottish Hotel Awards

- Altachorvie Island Retreat, Arran
  www.altachorvie.com
  - Boutique hotel
  - 13 guest bedrooms
  - 8 budget 'ramblers cabins'

- Duisdale House, Skye
  www.duisdale.com
  - 4 star boutique country house hotel
  - 17 guest bedrooms
  - 2 AA rosettes for the restaurant
- Kinloch Lodge Hotel & Restaurant, Skye
  www.kinloch-lodge.co.uk
  - AA 3 Red Stars
  - 10 bedrooms
  - AA 3 rosette restaurant
  - One of Conde Nast's top 25 small hotels in the world
  - Cookery courses

- Broadford Hotel, Skye
  www.broadfordhotel.co.uk
  - 4 star boutique hotel
  - 11 bedrooms
  - Operated by Skye-based Perle Hotels

- Tiroran House Hotel, Mull
  http://tiroran.com
  - 4 star Gold country house hotel
  - 11 bedrooms
  - 3 AA rosette restaurant
  - Scottish Hotel of the Year 2016, Alastair Sawday's Special Places to Stay

- The Tobermory Hotel, Mull
  http://thetobermoryhotel.com
  - Boutique hotel
  - 15 bedrooms
  - Family run

- Scalloway Hotel,
  www.scallowayhotel.com
  - Scottish Tourist Board 3 star Small Hotel
  - 23 guest bedrooms
  - Bathroom refurbishment completed in November 2015
  - 2 AA rosettes for food

- Bridgend Hotel, Islay, Inner Hebrides
  www.bridgend-hotel.com
    - Scottish Tourist Board 3 star Small Hotel
    - 11 guest bedrooms

There are no budget hotels currently on any of the Scottish islands, however Travelodge has Lerwick in the Shetland Islands and Kirkwall in the Orkney Islands as target locations for new hotels, while Premier Inn has identified Portree on Skye and the Shetland Islands as locations where it would like to open new hotels.

North West England & North Wales Resorts

There are a number of similarities between the hotel supplies of North West England and North Wales seaside resorts (Southport, Lytham St Annes, Morecambe, Llandudno and Aberystwyth) and Douglas. All have largely independent hotel sectors and hotels of varying quality, including a number of dated hotels that are in need of investment, and 2 and 3 star and ungraded hotels that are focused mainly on the coach holiday market. This is particularly the case in Llandudno, which has retained much of its poorer quality hotels that now cater primarily for coach holiday groups, including two large hotels operated by Britannia Hotels, and large hotels operated by the coaching hotel companies Leisureplex Hotels and Bay Hotels. Southport also has two large hotels run by Britannia Hotels that focus almost entirely on the coach holiday market.

There are however a number of significant differences:

- Southport has an international 4 star Ramada Plaza hotel with 133 bedrooms (www.ramadaplazasouthport.co.uk), a restaurant, fitness suite, 4 meeting rooms and a function room for up to 220 people. The hotel was developed by Liverpool-based property developer Neptune Developments as part of the £40million Southport Theatre and Convention Centre redevelopment of the Floral Hall complex. The scheme also included a casino, restaurants, bars and new conference and exhibition space. Neptune was able to reduce the development cost of the hotel to a viable level by cross-subsidising its development cost from the higher value elements of the project. Sefton Council also assisted by providing the land at no cost and support in terms of planning and project management.

- Llandudno and Lytham St Annes have a number of high quality, contemporary 2,3 and 4 star hotels:
    - St George's Hotel, Llandudno
      www.stgeorgeswales.co.uk
        - 4 star
        - AA Hotel of the Year for Wales 2015-16
        - Visit Wales Gold Award
        - 75 guest bedrooms and suites
        - 6 conference, banqueting and private dining rooms for up to 130 guests
        - Business centre
    - Tynedale Hotel, Llandudno
      www.tynedalehotel.co.uk
        - 3 star hotel
        - 54 bedrooms
    - Clifton Arms Hotel, Lytham St Annes
      www.cliftonarmslytham.com
        - 4 star
        - 48 bedrooms
        - Conference and banqueting facilities
    - The Grand, Lytham St Annes
      http://the-grand.co.uk
        - 4 star
        - 65 contemporary guest bedrooms and suites
        - A luxury spa with indoor pool, jacuzzi, steam room and gym
        - Three conference and function rooms
- D'Urberville Hotels acquired the Royal Clifton Hotel & Spa in Southport in 2015, with a view to upgrading it to be one of the leading hotels in the North West and a staycation destination for families and golfers. As well as luxury bedrooms and spa facilities, the investment will also include a new signature restaurant.

- Llandudno, Southport. Morecambe, and Lytham St Annes each have boutique hotels:
  - Llandudno Bay Hotel
    http://llandudnobayhotel.com
    - 4 star boutique hotel
    - 61 bedrooms
    - Opened April 2015
    - Formerly the Regency Royal Hotel. Redeveloped by property developer and operator Mbi Consulting through a collective funding scheme.

    Mbi Consulting is also currently renovating the Harrison Hotel in Llandudno and has purchased the former Belmont Hotel in the resort, which it is currently redeveloping as The Heritage Hotel. Both of these hotel projects are also being funded through collective funding schemes.

  - The Vincent
    http://www.thevincenthotel.com
    - 4 star boutique hotel
    - Gym and spa
    - 2 AA rosette restaurant
    - Function and meeting rooms
    - Opened in 2008
    - Converted from a former cinema
  - Inn on the Prom, Lytham St Annes
    www.innontheprom.co.uk
    - 3 star boutique hotel
    - 105 bedrooms
    - Ballroom and two conference rooms
    - Offers bridge and dance weekends
  - Mode, Lytham St Annes
    www.modehotel.co.uk
    - 4 star Guest Accommodation rated
    - 17 bedrooms
    - Recently sold to a Hong Kong-based private investor

- The Midland, Morecambe
  http://englishlakes.co.uk/hotels/lancashire-hotels/the-midland-hotel-morecambe
  - 4 star boutique hotel
  - 44 guest bedrooms, including 6 rooftop suites
  - Spa
  - The art deco Grade II listed Midland Hotel re-opened in June 2008 following an £11million refurbishment by Manchester-based property developer Urban Splash. The project included the restoration of many of the hotel's original art deco features and works of art created when the hotel first opened in the 1930s. The restoration of the hotel received grant aid through the Morecambe Townscape Heritage Initiative and funding support from the North West Regional Development Agency, Lancaster City Council, English Heritage and Heritage Lottery Fund.
  - In 2009 Urban Splash entered into a partnership with English Lakes Hotels to operate the hotel.

- Llandudno and Aberystwyth are serviced by luxury country house hotels:
  - Bodysgallen Hall & Spa, Llandudno
    www.bodysgallen.com
    - 4 star country house hotel
    - 31 bedrooms
    - 3 AA rosettes awarded to the hotel's restaurant
    - Luxury spa with swimming pool, sauna, steam room, gym and treatment rooms
    - AA Wales Hotel of the Year 2013
    - Operated by Historic House Hotels on the National Trust
  - Nanteos Mansion Country House Hotel
    www.nanteos.com
    - 5 star country house hotel
    - Visit Wales Gold Award
    - 14 guest bedrooms and suites

- Lytham St Annes has two family hotels:
    - Dalmeny Resort Hotel
      www.dalmenyhotel.co.uk
        - 3 star hotel
        - 112 contemporary bedrooms
        - Range of leisure facilities including an indoor pool, fitness centre, spa treatments, squash courts, snooker room and table tennis
        - Facilities for children including a games room, crèche and kids' club
        - Two restaurants
        - 10 conference and function rooms for up to 200
        - Currently undergoing a £2.5million refurbishment as part of a drive to increase leisure, corporate and events bookings. This will include the redesign of 80 bedrooms, including new family rooms and more bedrooms adapted for wheelchair users. The programme also includes a new bar and grill restaurant, a new function suite and ceremony room for weddings, and improvements to the hotel's spa facilities. The investment responds to an upsurge in bookings from older clients, an increase in weddings bookings, and growing demand from the family market.

    - St Ives Hotel, Lytham St Annes
      www.thestiveshotel.co.uk
        - 2 star
        - 65 contemporary guest bedrooms
        - Indoor pool and sauna
        - Children's games zone
        - Targeted at the family break market

- In Llandudno, Blackpool-based care provider Safehands acquired the Esplanade hotel in 2014 and has invested £2million in it to create a purpose-designed 40-bedroom hotel for disabled people, which opened in February 2015. http://safehandsholidays.co.uk/llandudno/llandudno-hotel.php

- Many of the hotels in Llandudno and Lytham St Annes have indoor pools and some also have gyms and spas.

- Llandudno and Lytham St Annes have a number of hotels with AA rosette awarded restaurants.

- All of the North West and North Wales resorts have budget hotels, including some recent openings. An 82-bedroom Travelodge opened in Llandudno in April 2015 through the conversion of the former Clarence Hotel on the seafront, which closed in 2009. A 101-bedroom Travelodge opened in Southport in April 2014 through the conversion of the derelict Grade II listed Ribble Building. Travelodge also opened hotels in Morecambe in 2011 and Lytham St Annes in 2012. In Aberystwyth, Marston's Inns opened a 26-bedroom budget hotel adjacent to its new Starling Cloud pub in 2013. Premier Inn has Blackpool, Lytham St Annes, Morecambe, Llandudno and Rhyl as target seaside locations in the North West and North Wales. Travelodge is interested in opening new hotels in Formby, Pwllhelli, Rhyl and Whitehaven.

HOTEL STOCK COMPARISONS TABLES

HOTEL STOCK COMPARISONS – ISLAND DESTINATIONS – DECEMBER 2015

Standard	Isle of Man		Jersey		Guernsey		Isle of Wight		Anglesey		Isles of Scilly	
	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms
Hotels												
5 star			1	123	1	62						
5 star Country House Hotel			1	31					1	29		
International 4 star			1	195								
4 star	4	342	12	924	4	273	2	102	1	29	2	63
4 star Country House			1	14								
AA 4 Red Star					1	23						
4 star Golf Hotel					1	25						
Boutique	1	12	1	46	3	65	3	47	1	26		
3 star	9	439	24	1831	18	641	16	858	8	203	4	113
AA 3 Red Star							1	17				
3 star Country House Hotel					1	40	2	29	4	55		
2 star	2	89	9	399	9	275	16	643			2	36
1 star							1	48				
Ungraded					1	21	30	973	4	68		
Budget							3	158	1	54		
Svcd Apartments/Aparthotel	1	15	2	87								
Total	**17**	**897**	**52**	**3650**	**39**	**1404**	**74**	**2875**	**20**	**464**	**8**	**212**

HOTEL STOCK COMPARISONS – SCOTTISH ISLANDS – DECEMBER 2015

Standard	Shetland Islands		Orkney Islands		Outer Hebrides		Arran		Skye		Mull	
	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms
Hotels												
5 star					1	12						
5 star Country House Hotel												
International 4 star												
4 star			3	35	2	55	2	112	3	49		
4 star Country House Hotel									2	36	1	11
AA 4 Red Star												
4 star Golf Hotel												
Boutique					1	21	2	33	2	25	1	15
3 star	9	256	8	208	4	55	7	104	7	196	3	130
AA 3 Red Star									1	10		
3 star Country House Hotel	1	22							1	18		
2 star					2	94			1	81		
1 star												
Ungraded	3	86	1	11	9	172			2	39	2	21
Budget												
Svcd Apartments/Aparthotel												
Total Hotels	13	364	12	254	19	409	11	249	19	454	7	177

HOTEL STOCK COMPARISONS – NORTH WEST ENGLAND/ NORTH WALES RESORTS – DECEMBER 2015

Standard	Isle of Man		Llandudno		Aberystwyth		Southport		Lytham St Annes		Morecambe	
	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms	Estabs	Rooms
Hotels												
5 star												
5 star Country House Hotel					1	14						
International 4 star							1	133				
4 star	4	342	3	233					2	91		
4 star Country House Hotel			1	22								
AA 4 Red Star												
4 star Golf Hotel												
Boutique	1	12	1	61			1	59	2	122	1	44
3 star	9	439	6	265	5	152	1	120	6	392	4	150
AA 3 Red Star			1	18								
3 star Country House Hotel												
2 star	2	89	4	194	1	22			1	71	1	51
1 star												
Ungraded			22	1155	4	82	7	336	5	168	2	79
Budget			3	170	1	27	2	195	1	61	1	60
Svcd Apartments/Aparthotel	1	15										
Total Hotels	17	897	41	2118	12	297	12	843	16	905	9	384

APPENDIX 6

ISLE OF MAN COMPANY SURVEY

Introduction

The Isle of Man government is keen to attract a new quality hotel to the Isle of Man as part of the forward strategy to establish the island as an international business centre of excellence, as well as a high quality visitor destination. Alongside this, there is a drive to encourage improvements to the quality of the existing hotels, with targeted economic and tourism growth presenting opportunities to diversify and re-position the current hotel offer to meet a wide range of corporate and leisure visitor needs.

The Isle of Man is unusual compared to a number of other island and seaside destinations in having a significant corporate sector, including international companies and global headquarters, with many professional roles being at senior and highly skilled level in specialist sectors. These include financial and professional services, e-gaming, e-commerce, ICT, green energy, aerospace and shipping. In addition the advantages the island can offer as offshore companies attracts potential investors – both high net worth individuals and senior decision-makers such as the chairmen of banks – to visit the island to consider investment opportunities and continue existing business arrangements.

The hotel roomnights that this generates is evidenced to some degree in the occupancy of the existing hotels. However, anecdotal evidence indicates that due to the quality, and at times the capacity of the existing hotels, business is denied and roomnights lost to the island. A number of business leaders on the island, as well as Business Development Managers trying to attract inward investment, indicated that they could bring more business to the island if a better quality of hotel was on offer, in keeping with the expectations of their high level, wealthy and travel savvy clients, including the potential to host company conferences and events on island.

In order to try and gather some hard evidence of the levels of corporate demand and the additional roomnights that local corporates might generate for the future hotel offer, Hotel Solutions was commissioned to undertake a survey of the hotel needs of island-based companies. Initial email contact was made with senior managers nominated by the Department of Economic Development, and subsequently questionnaires completed either by email or structured telephone interview (or a combination of both) with the relevant personnel within the company that have direct responsibility for hotel bookings. The areas that were probed included current and potential future requirements for hotel accommodation on the island; satisfaction with existing hotels; the degree to which hotel business is placed in UK hotels due to the lack of suitable hotel provision on the island; interest in seeing new hotels developed on the island, and preferred standard, type and location of any new hotels.

The survey was undertaken in November and December 2015, alongside a wider Hotel Futures Study being conducted by Hotel Solutions, with the intention of weaving the findings into the evidence base and recommendations of this bigger piece of research. Over 50 companies were contacted as part of the company survey, and responses were received from 26. The following report summarises the key findings of the survey and the implications of this research in terms of the future hotel offer that can best meet the needs of the island's corporate sector.

A list of the companies interviewed is provided at Annex A.

Current Demand for Hotel Accommodation

Volume of Demand

Over 80% of the companies responding (21) booked 20 hotel rooms or less per month, with two-thirds (16) booking up to 10 rooms. Beyond this there were one or two larger users, notably Pokerstars, booking from 60 rooms up to 200 rooms per month on the island. The other large users were linked to specific drivers of demand, notably film industry demand associated with Pinewood.

Some of the companies that we spoke to were unable to advise on their total requirements for hotel accommodation on the island, either because a number of different people are involved in booking accommodation, or because visitors and clients book their accommodation directly. In some cases a booking agency is used, but accessing total rooms booked via this route has proved a challenge.

Whilst respondents were asked for their average usage per month, for some this did fluctuate across the year, with some months higher and others lower.

In addition to these regular requirements, some also indicated that they had occasional need for hotel rooms associated with company events and functions, where hotel rooms would be booked/used by on-island staff.

Nature of Demand

The variation in usage of hotels is very much a function of the nature of the business, who and where their customers are based, and their reach in terms of the geographic areas they cover. A company headquarters on the island may generate visits because of this, and if an international headquarters these could be from across the globe. However, if there is no need for the client to visit the island, companies will often go to their clients rather than the other way around, and cross-jurisdiction meetings of company staff might take place more centrally to their network.

> *'98% of our business is off-island, so we generate limited roomnights (3-4 per month) for Isle of Man hotels, however more is likely to be generated by companies with offices in multiple jurisdictions and those with headquarters here.'*

In general, companies appear to require hotel accommodation for a range of different visitors and purposes, including:

- Visitors from Head Office – MDs, CEOs and senior management;
- Client/customer visits;
- Visiting sales managers;
- Staff attending training courses;
- Staff visiting from other offices;
- Project-related staff;
- Strategy & planning meetings;
- Sales meetings;
- Relocating staff.

Hotels Used

The Claremont is the first choice hotel for many of the companies interviewed, and was the most quoted as used, followed by the Regency, the Sefton and the Palace. Smaller numbers of companies reported using the Town House, the Admiral House and the Empress. The Town House was the hotel of choice for a number that quoted using it.

The majority of companies were wanting accommodation for their senior executives or middle management (80% of roomnights); demand related to meetings and training was the next most significant (14%) followed by project teams and long stay demand (6%).

Demand from Pinewood is clearly different, with a cross section of needs for A-list actors and supporting cast, senior staff and crew. This can give rise to demand from 5 star to basic hotel accommodation, and will extend also into the guest house sector, particularly when the island is busy and also reflecting rates.

Prices Paid

Corporate rates quoted ranged from £70 at the bottom end to £250+ at the top end. Over two-thirds the responding sample were in the £90-£150 range, with the biggest cluster around £100. Four companies were willing to pay more than £150 for their senior and VIP visitors. These rates did not vary greatly across the category of hotel user, and some companies reported having a 'one size fits all' policy with regard to room rates.

Decision-making around which hotels to use did not necessarily centre around pricing and could be flexed should different – and particularly higher quality – hotels come forward.

> *'Price is not the deciding factor for any category of user or accommodation'*

> *'A higher rate might be acceptable in the event that the standard of the hotel is significantly higher than existing hotels'*

Satisfaction with Existing Hotels

Companies are generally satisfied with the Claremont and the Regency, which consistently scored above average (satisfied or very satisfied) in terms of quality and service, and were the most widely used by local corporates. They are seen as being of the right standard for clients and managers and are appropriately priced to meet the requirements and budgets of companies for these types of visitor. The Claremont is perhaps seen as having the edge in terms of its location closer to the city centre. Levels of satisfaction were also high for the Town House, particularly for clients that prefer to be more independent.

A number of companies made the comment that the overall hotel provision is poor in quality and choice compared to other destinations in which they do business, and the standards and expectations of their staff and clients, particularly in terms of high end provision.

> *'Hotels on the Isle of Man are not up to the standard of business hotels elsewhere, either in metropolitan cities or other jurisdictions. The Claremont and the Town House we find the best, but VIP clients would be accommodated in our own apartment complex.'*

The lack of facilities such as leisure was identified by a number of responding companies, as well as function rooms to cater for large events, and the loss of the Mount Murray was mentioned by several as having previously met this need.

'The main drawback even of the better hotels is the lack of additional facilities that would be available in a modern 4 or 5 star hotel, especially leisure, and the lack of 'wow' factor in communal areas'

'One key issue we have encountered is the lack of function/conference facilities since the closure of Mount Murray, leaving only one commercial, viable option on the island'

'One of the biggest problems we have is the ability of a hotel to host the entirety of our company for social events. The loss of Summerlands and now Mount Murray means we are very limited to hotel venues that can hold 300+'.

'The loss of the Mount Murray has been a blow'.

'The standard of hotels generally is embarrassing.; Mount Murray was good for conferencing – though generally guests prefer to be in town'.

There were some very critical comments made about a number of the hotels. being 'tired and even dirty', 'to be avoided', 'used only as a last resort', with 'poor to dreadful service, dour and unhelpful staff'

Availability of rooms in preferred hotels only seems to be an issue for most in the summer, leading some to spill over into lower preference hotels, and others to re-schedule their business to a date when they could secure their hotel of choice. This applies to the TT and the peak summer months.

Demand Accommodated Off-Island

Discussions with Business Development Managers on the island and other anecdotal evidence indicated that there were times when potential visitors would have come to the island and corporate day visitors to the island would have stayed overnight if the right quality of accommodation was on offer. Other feedback had intimated also that more overnight business could be brought to the island, including potentially group and global meetings, conferences, functions and events if the right type and scale of hotels were to be available. It was therefore interesting to test this with island based companies to try and assess the degree of potential business that might be captured from these sources.

Three of the responding companies said that they placed business in UK hotels because of the quality and availability of hotels on the Isle of Man. For one this was quite significant at 70 rooms per month, the majority of which was for training courses and company meetings and conferences.

> *'There are no hotels suitable on the Isle of Man. The hotels are old and tired, service is poor, they have given up trying. Compared to the Channel Islands the hotel offer is poor'.*

However, others did refer to:

> *'Some visitors would fly in and out in a day rather than using island hotels, but would not necessarily use UK hotels instead'*

> *'We do have clients that prefer to come to London and day trip to the Isle of Man to avoid staying in a hotel on the island'*

> *'If we use UK hotels in this way it would generally be for convenience or a matter of individual choice'*

> *'We cannot recall any occasion where we have flown to London rather than meet a client on the island because of the standard of the hotels. The issue is more likely to arise because of flights/timing/convenience'.*

'Our UK board directors do visit the island each quarter for board meetings but choose to travel and return on a day trip rather than stay overnight. This does not mean that UK hotels are used in preference over island hotels as they travel home. A better choice of hotel on the island may mean directors stay overnight rather than a day trip'.

'The number of employees and business guests who regrettably refuse to stay in Isle of Man hotels I find very sad. This is in direct contrast to the Channel Islands and Gibraltar where I have office arrangements and visitors/business guests that even seek to extend their stay by 1 or 2 nights'.

Likely Future Demand

Fourteen of the companies interviewed indicated that their demand for hotel accommodation on the Isle of Man is likely to increase in the future. Four of these indicated this increase was likely to be significant.

One significant source of new demand relates to the International Centre for Technology. This is currently in its start-up phase, but seeks to provide academic and applied IT education to students with incubator spin-offs. Initially the IT education and incubators will be focused on local students, but once established will be expanded to UK and international students. From 2017 this has the potential to generate up to 350 roomnights per month from a combination of students, parents and people on training courses.

Requirements for New Hotels

Twenty one of the 26 companies that responded identified that new hotels were important to their ability to do business effectively on the Isle of Man. Of these, 10 said new hotels were vital, and 11 said they were desirable to achieve this goal.

The strongest requirement was for a new international 4 star hotel (such as Hilton, Marriott or Radisson), supported by 21 companies, followed by a 5 star hotel (supported by 19 respondents). 9 companies wanted to see a new international 3 star hotel, such as Holiday Inn, or a budget hotel, such as Premier Inn or Travelodge.

'We badly need a 5 star hotel on the island…. even if it is a boutique style hotel…that understands what good service, good quality and good food is all about'.

'The greatest need is for a top class hotel to attract the more discerning customer and entice HNWIs to stay on the island rather than flying in and out in a day'.

'For our needs, 4 star, however for general attractiveness of IOM to global markets it would need to be of a high standard'

'A good standard budget hotel would be beneficial at this end of the market, as hotels/guest houses are often hit and miss in terms of cleanliness and service'.

However there was also some debate about the value of/need for a budget hotel to serve the corporate market.

'Budget hotels are not a concern. Unfortunately the biggest impact for the IOM is the perception by clients and business introducers that it is not a desirable place to do business due to the standard of accommodation and leisure facilities. Budget hotels would simply reinforce that impression'.

'If the island is to invest in a significant new hotel brand or project it should be at 4 star or above. If the budget brands wish to come that is fine, but central support should be limited'.

There was least demand for a new country house hotel (5 companies), but over a quarter of the sample supported new boutique hotels, golf hotels and aparthotels/serviced apartments.

'Golf is a key selling point for the island and a hotel to cater for the needs of golfers at all levels would be a fantastic advantage for the Isle of Man'

'We are starting to use serviced apartments more and more as an alternative to traditional hotel rooms'

'An apartment complex would be very useful for those staff staying for longer periods'

The preferred location for new hotels was strongly in favour of Douglas, identified by all respondents. There was also some perceived need for hotels at the airport (3 companies), Castletown (2 companies) and Peel (1 company).

Those that didn't feel that new hotels were needed to do business effectively on the island supported investment in the existing stock.

'We don't need any more capacity we just want investment into what we already have'.

'Generally the cost of hotels on the island is on a par with UK hotels but the quality of the rooms in most hotels need up-dating. I don't think the answer is to build new hotels but make the ones we have better and support our local businesses'.

The Impact of New Hotels

Companies were asked about the impact that new hotels at different levels in the market might have on their hotel booking behaviour.

- In terms of new 3 or 4 star hotels, 3 companies indicated they would move all or most of their business to the new hotel, whilst a further 16 companies said they would move some of their business. 4 would move none or little of their business. In addition, 7 of the respondents indicated they would be able to bring more business to the island if a new hotel at this standard was developed on the Isle of Man.
- If a new budget hotel was to be developed on the island, 7 companies said they would move some of their business to the new hotel, whereas 12 said they would move none or little of their business. Additionally 4 felt they could bring more business with a budget hotel in place, and 1 said they would be able to place business here currently placed in UK hotels.

Over a quarter of responding companies (7 in all) thought they would be able to bring residential conferences and business events to the island if a new modern 3 or 4 star hotel was to open on the Isle of Man. These would include Group conferences and planning meetings drawing together staff from multiple jurisdictions where events might be rotated between countries, in-house presentations, and large client events. One company had a regular requirement for 60 rooms for 3 days three times a year.

'We run annual conferences which are of multi-jurisdictional interest – if there was a hotel of sufficient standard with the conferencing facilities and room availability this type of event may attract a wider audience to the island and needs to be at least 4 star'

Conclusions

Our survey findings suggest that there is a high level of dissatisfaction with the physical and service standards of the majority of hotels on the Isle of Man, and a strong desire to see new hotels come on stream that can deliver a modern offer that is synonymous with the expectations of the corporate market based on the Isle of Man and their wider client, colleague and investor networks.

The strongest support is for an international 4 star hotel and a 5 star hotel, followed by modern 3 star and budget hotel offers. This reflects the nature of the corporate market on the island which is up-scale, highly skilled, wealthy, and travel savvy. In terms of location, demand is very focused on Douglas, then to a much lesser extent the airport/Castletown. In addition to demand for quality bedrooms, there is a clear demand also for leisure facilities and conference/functions space. Room rates do not seem to be an issue – the rates most companies are prepared to pay for senior and middle management would have fit with a 3 or 4 star hotel, and though likely much smaller in volume, 5 star rates of £180-£500 are synonymous with what is required to support a hotel at this level.

There would seem to be some potential to secure additional hotel roomnights for the island, through extending corporate day trips to staying visits; companies conducting business on, rather than off-island; scope for some meetings and conferences business to be captured; and potential for 'bleisure' trips, combining business and leisure purposes. Quantifying the scale of additional displaced, discretionary and potentially footloose business is however very difficult. One company reported over 800 regular roomnights and over 500 conference and meetings related roomnights being spent off-island annually, but others reported no off-island demand, and it is difficult to know how representative this response might be. We have seen that demand for hotel rooms varies significantly by type of business, with the majority placing relatively small numbers of roomnights (up to 20) per month, and a small number requiring much larger numbers of rooms (up to 200 per months).

In terms of other evidence on corporate demand gathered as part of the wider Hotel Futures study, Business Development Managers reported frequently not having the capacity or required standard of hotels to be able to bring investors to the island. One example from the financial services sector was 30 senior bank executives/chairmen from China, and this type of unaccommodated demand potentially happening 10 times a year. We also have one example of evidence from a branded hotel operator of the requests they have had from their larger corporate clients for rooms on the Isle of Man exceeding 2000 roomnights p.a.

On top of this, there are some new demand drivers that could create demand for new hotels, the International Centre for Technology being a significant one.

Whilst the Claremont, the Regency and the Town House are satisfying the corporate market currently, and received a number of complimentary comments from respondents, there is a bigger picture. There are two key facets to this. The first is how Isle of Man hotels compare with hotels in competitor business destinations, summed up by one respondent below:

> *'By Isle of Man standards the Claremont is the best. Viewed comparatively within other jurisdictions it would be regarded as acceptable'*

The second relates to how the current hotel provision reflects on the Isle of Man's aspirations for business excellence, as well as the perceptions of those corporate and investor decision-makers the government is endeavouring so hard to influence. Two respondents sum this up well.

> *'We have recently been told by a long standing producer of business from the US that he no longer feels able to introduce clients to the IOM due to the perceived quality of life here – instead he has been introducing clients to Switzerland and Liechtenstein. His argument is that the types of client he would like to introduce expects to see quality facilities – hotels, restaurants etc. – in countries where they will do business and that this is an area where the IOM is well behind the competition'.*

> *'The current standard and choice of hotels on the island is an absolute embarrassment and stops me from inviting business contacts here. There is a vital requirement for a new high quality hotel/s on the island if we are to continue to project ourselves as a top class destination of choice for business and leisure.'*

Clearly, hotels are an important part of any destination's infrastructure, for those that visit on business, for leisure, and for those that live and work there. They are currently a part of the problem – but there is an opportunity for them also to be part of the solution.

ANNEX A

COMPANIES TAKING PART IN THE SURVEY

The following companies were interviewed as part of the Isle of Man Company Survey:

- Abacus
- Alexander Elliott
- Appleby
- Barclays
- BP Maritime Services
- Cains Advocates
- Cube
- Dohle (IOM)
- Douglas Aviation
- DQ Advocates
- First Names Group
- Grant Thornton
- ILS World
- International Centre for Technology
- Integralife International
- KPMG
- Lloyds Bank International
- LT Ugland
- Micro-Gaming
- PDMS
- Pinewood Studios Group
- Pokerstars
- The Premier Group (IOM)
- Skanco Business Systems
- SMP Partners
- Zurich Bank International

APPENDIX 7

PUBLIC SECTOR FUNDING OF HOTEL DEVELOPMENT SCHEMES IN THE UK

1. Introduction

Public sector funding in one form or other is increasingly being used to support hotel development schemes across the UK in terms of:

- Tax allowances for the conversion of redundant office buildings to hotels;
- Local authority borrowing at preferential rates;
- Growth fund grants;
- Heritage grants for the conversion of historic buildings to hotels;
- Local authority freehold purchase of a building for hotel conversion;
- The contribution of local authority owned land or properties for hotel development;
- Local authority partnerships with universities.

Such public sector investment in hotel schemes is being justified in terms of:

- Finding a new use for a redundant building;
- Enabling a strategically important hotel that cannot secure bank finance to proceed;
- Kick starting and enabling key regeneration schemes that include a hotel as a component;
- Generating an income stream for a local authority at no cost to the tax payer;
- Helping to boost tourism growth;
- Job creation.

Examples of these types of public sector funding of hotel projects are given in the following paragraphs.

2. Business Premises Renovation Allowance (BPRA)

The Business Premises Renovation Allowance (BPRA) scheme was introduced under the Finance Act 2005 to bring redundant offices and business premises in disadvantaged areas that have been unused for at least a year back into use. The scheme gives an investor a tax allowance of 100% on expenditure incurred in the conversion and renovation of unused business premises. The scheme runs until 31 March 2017 for Corporate Tax and 5 April 2017 for Income Tax.

Hotel BPRA structures typically involve investors obtaining BPRA by investing either via a form of trust or via a special purpose vehicle – which can take the form of a limited partnership or limited liability partnership depending on the details of the specific transaction and/or jurisdiction. The partnership may own both the hotel and the hotel operating company. The operating company is able to enlist the services of a specialist hotel operator or alternatively the hotel may be leased to a hotel company.

An overview of how a hotel BPRA scheme is structured and operated is give below. Models seen to date involve buying an office block in a city centre and converting it to a hotel. The numbers can look something like this:

Cost of office building:	£2m
Cost of renovation:	£10m
Total expenditure:	**£12m**

It is the renovation cost of £10m that attracts the BPRA. A typical scheme will involve a combination of investors' monies and bank finance along the following lines:

Investor capital:	£6m
Bank finance:	£6m
Total capital:	**£12m**

And therefore as far as the qualifying tax relief is concerned the numbers in this example work out as follows:

Qualifying expenditure:	£10m
Tax rebate for 45% taxpayers:	**£4.5m**

Producing a final net position of:

Investors' contribution:	£6m
Investors' tax rebate:	(£4.5m)
Net cash invested:	**£1.5m**

Therefore, in this example, investors now own a £12m property (subject to a £6m mortgage) with just a £1.5m net investment. The bank finance needs to be serviced and that is done through the rent received from the tenants. This can either be through a straightforward rental agreement with an arm's length tenant but, more typically, the investors also own the company running the hotel (sub-contracted to a specialist management team). The rent is used to pay the loan interest and loan capital.

Hotel developers in particular have been able to take advantage of BPRA. A typical investment scheme involves buying a dilapidated, unoccupied office building for a low capital value and spending a large sum of money converting it into a branded hotel, such as "Hampton by Hilton", "Hotel Indigo", "Holiday Inn Express" or similar, with a good dose of leverage. Investors then hold the hotel for seven years with a view to selling once the qualifying period has expired. The reason BPRA works so well for hotels is because the higher the cost of the works as a proportion of total costs the higher the tax relief, and converting an office building into a hotel is an expensive business.

BPRA has been widely used to help fund hotel schemes in major cities with Assisted Area wards, including Liverpool, Cardiff, Newcastle, Birmingham and Glasgow. Examples are listed in the table overleaf.

BPRA HOTEL SCHEMES

Hotel/ Location	Standard	Bedrooms	Date/Year Opened	Total Cost £m
Liverpool				
Titanic Hotel	4 star	153	June 2014	36
Z Hotel	Budget Boutique	92	April 2013	4
Hotel Indigo	Boutique	151	2011	15
Birkenhead				
Premier Inn	Budget	67	Jan 2015	5
Birmingham				
Holiday Inn Express Birmingham Snowhill	Upper-Tier Budget	224	June 2013	23
Hampton by Hilton	Upper-Tier Budget	285	2012	30
Premier Inn Birmingham Waterloo Street	Budget	153	n/k	22
Newcastle				
Hotel Indigo	Boutique	148	June 2012	20
Hampton by Hilton	Upper-Tier Budget	160	Mar 2015	n/k
Tune Hotel	Budget	104	Oct 2014	8.3
Cardiff				
Hotel Indigo	Boutique	100	2016	13.75
Middlesbrough				
Holiday Inn Express	Upper-Tier Budget	138	Aug 2015	12.4
Glasgow				
Ibis Styles	Budget Boutique	101	Oct 2015	7
Travelodge Queen Street	Budget	171	2015	16.4
Park Inn Glasgow City Central	3 star	91	Apr 2013	10.5
Hotel Indigo	Boutique	95	Apr 2011	n/k
Hampton by Hilton	Upper-Tier Budget	88	2014	11
Wigan				
Premier Inn	Budget	83	n/k	n/k
Llandudno				
Travelodge	Budget	82	n/k	4.6
Bude				
Premier Inn	Budget	55	n/k	n/k

3. Local Authority Borrowing at Preferential Interest Rates

A number of local authorities across England have used their prudential borrowing powers to take our preferential rate loans to help fund hotel schemes, typically entering into a lease arrangement with a hotel operating company to generate a rental income to repay the loan and in some cases generate a surplus profit for the authority. This has enabled a number of hotel schemes that have been unable to secure commercial funding to go ahead, at no cost to Council tax payers and in some cases giving an investment return to the council. Examples are as follows:

Travelodge Partnerships with Local Authorities

Travelodge has been working in partnership with a number of local authorities to develop new hotels with funding from low interest government loans from the Treasury through the Public Works Loans Board. The hotels are built on local authority land and leased to Travelodge on a 25-year term, with the councils repaying the debt using the rental income from Travelodge and any other tenants. Travelodges have so far been developed using this mechanism in Eastleigh and Aylesbury, and are currently being progressed in Bicester, Thetford and Redhill. When complete the local authority can choose whether to retain ownership of the hotel or to sell it with Travelodge as the operator.

Pullman Hotel, Liverpool

Liverpool City Council is currently funding the £66m Exhibition Centre Liverpool and Pullman Hotel adjacent to the Liverpool Arena and Convention Centre (ACC Liverpool) on Liverpool's waterfront, through borrowing that will be supported directly from the revenue generated by the expanded ACC Liverpool campus. The scheme will thus be funded at no cost to tax payers. The hotel will have 216 bedrooms and be of an upscale 4 star standard. It will act as the headquarters hotel for conferences and exhibitions taking place at convention and exhibition centres. Exhibition Centre Liverpool is one of Mayor Anderson's priority projects. Having an on-site 4 star hotel is seen as critical to its success. After initial investigations to find a private sector partner to fund and develop the hotel failed the City Council decided to fund the hotel directly itself alongside its funding of the exhibition centre. The hotel will be wholly owned by the City Council and operated under management contract by Branded Hotel Management through a franchise agreement with Accor Hotels.

Crowne Plaza Newcastle

Newcastle City Council has borrowed £30m to help fund the development of the 250-bedroom 4 star Crowne Plaza hotel as part of the first phase of the Stephenson Quarter business district scheme in Newcastle city centre. This is a key regeneration project that the City Council sees as being of vital importance to the future development of Newcastle. The developers, Silverlink Holdings (now renamed as the Coulston Group) had secured commercial backing for other elements of the scheme but were unable to secure a loan for the hotel as the banks were reluctant to fund this type of use. With the hotel being a key element of the scheme, the City Council stepped in to borrow the money to help progress the hotel. It has lent a large slice of the money that it has borrowed to the developer to fund the construction of the hotel. The Council will use the rest of the money to buy plots of land near the hotel and kick-start work on buildings that will be sold on at commercial rates. The hotel is due to open in July 2015. It will be operated under management contract by the InterContinental Hotels Group (IHG). The hotel will add a major new business conferencing and banqueting facility to the city. Its main conferencing suite will seat and cater for around 400 people. The hotel will also offer eight adaptable meeting rooms that can accommodate small seminars of 12 people up to large private meetings of 32 and delegate meetings of 100. Combining the large conference suites and meeting rooms, the hotel can provide more space to become an ideal venue for exhibitions.

Hilton Ageas Bowl, Hampshire

Eastleigh Borough Council has recently purchased the now completed 175-bedroom, 4 star Hilton hotel at the Ageas Bowl cricket ground near Southampton, home of Hampshire County Cricket Club. In a deal signed in 2012, the Council agreed to pay £27.5m for the completed hotel to enable it to go ahead. Its construction was funded by Omni Capital. The investment has required the Council to take out a loan, which will be repaid with the revenue from the hotel. The Leader of the Borough Council, Cllr Keith House, has consistently said that the surplus income, particularly in the longer-term once the loan has been cleared, will be used to keep Council Tax down.

Lancashire County Cricket Club 4 Star Hotel

The Greater Manchester Combined Authority and Trafford Metropolitan Borough Council have stepped in to help bridge the funding gap for a proposed 150-bedroom 4 star hotel at Lancashire County Cricket Club's Emirates Old Trafford ground after the club failed to secure a bank loan for the project. A meeting of the Combined Authority in February 2015 agreed a loan of £5m towards the £12m hotel from the Greater Manchester Growth and Growing Places Funds, while Trafford Metropolitan Borough Council agreed to a loan of £4m in March. The Cricket Club turned to these public sector bodies after being turned down for funding by its bank. The Club had also rejected an offer of a loan from the Greater Manchester Pension Fund because the level of fees and proposed interest rate of 9% could not be supported by the hotel scheme. Trafford Council will borrow the £4m from the Public Works Loan Board resulting in an annual interest cost of £106,000. The Cricket Club will pay the Council £221,000 over the loan period, leading to a net profit for the Council of £115,000.

Stockport Exchange

Stockport Council is using its prudential borrowing powers to access an £18.5m preferential rate loan to forward fund the construction of a 115-bedroom hotel and 50,000 sq ft office building as the second phase of the Stockport Exchange mixed-use development scheme in Stockport town centre in conjunction with its development partner Muse Developments. The Council bought the 10.4 acre site in January 2011. The first phase of the development, which included highways improvements and a 1,000 space multi-storey car park was completed in 2014. The Council sees the scheme as being crucial to the success of Stockport town centre. It took the decision to use its preferential rates of borrowing to kick start phase 2 and attract further investment at a time when commercial funding has proved difficult to secure. The income generated will cover the cost of the loan. The Council has done extensive research and financial modelling to ensure its financing of the hotel and office development will be at no extra cost to the Council Tax payer.

4. Grants for Hotel Projects

Grants from the European Regional Development Fund (ERDF), UK Government Growing Places Fund and Regional Growth Fund, Welsh Government, Scottish enterprise agencies and individual local authorities have helped to fund a number of hotel schemes across the UK. Heritage Lottery Fund grants have also been secured to support the conversion of a number of historic buildings into hotels. Examples of grant schemes and grant assisted hotel projects are as follows

Welsh Government Tourism Investment Support Scheme (TISS)

The Welsh Government operates a discretionary capital grant scheme, which is available to both existing and new tourism businesses of all sizes (SMEs and large companies) that are looking to undertake capital investment. Support is available for the purpose of upgrading the quality of existing tourism business premises and increasing capacity where there are clear gaps in the market. The scheme has two elements offering grants of up to £75,000 and £500,000. Grants are non-repayable up to £25k, but may be repayable over £25k, subject to appraisal. The guideline intervention rate is 25% but up to 50% can be considered. A wide range of hotel projects have been supported, including a grant of £500k to support the upgrading of the Ruthin Castle Hotel to 4 stars and a £1.1m investment in the St Brides Hotel at Saundersfoot.

Highlands & Islands Enterprise

Highlands & Islands Enterprise offers a range of financial assistance to support capital investment projects, including grants, loans and direct equity investment, and works with Scottish Development International to develop investment propositions to take to market. The agency has funded a number of hotel projects including investments in 2015 of £217,500 to support a £1.4million expansion of the Isle of Eriska Hotel near Oban, and a £200,000 investment to support the expansion of the Kylesku Hotel in the Highlands.

Titanic Hotel, Liverpool

Liverpool City Council provided a £5.5m grant from the Regional Growth Fund to enable developers Harcourt to progress the conversion of the North Warehouse at Stanley Dock in north Liverpool into a 150-suite 4-star hotel at a cost of £30m. The project is part of the first phase of a £130m plan to regenerate the entire Stanley Dock site. The regeneration of north Liverpool is a key priority for the city's Mayor. The City Council decided that investment in the hotel was justified as a statement of confidence in the area, a means of finding a new use for a building that had been derelict for many years, and in terms of the new jobs that it has created. The hotel has also benefitted from BPRA. It opened in June 2014.

Premier Inn Blackburn

A 60-bedroom Premier Inn budget hotel is currently under construction as part of the £25 million Blackburn Cathedral Quarter development in Blackburn town centre, Lancashire. The scheme also includes an office block, restaurants, shops, a new bus interchange and housing for Cathedral staff. It has been funded by the Homes and Communities Agency (£4.75m), European Regional Development Fund (£3.6m), Blackburn with Darwen Council (£3.8m), Blackburn Cathedral (£1.7m), Lancashire LEP's Growing Places Fund (£3.9m) and commercial developer Maple Grove (£7.8m). The hotel has been let to Premier Inn. It is due to open in November 2015.

Hampton by Hilton Humberside Airport

North Lincolnshire Council is part funding the development of a £7m, 103-bedroom Hampton by Hilton hotel at Humberside Airport through a Regional Growth Fund grant. The hotel is being developed by regional hotel operator Nightel, who will operate it under a franchise agreement with Hilton Worldwide. It is due to open in mid-2016. The Council has supported the development of the hotel on the basis of the contribution it will make to the development of the airport, the continuing expansion of the offshore oil, gas and renewable energy sectors and the new jobs that it will create.

Belfast Titanic Hotel

The derelict office building in which RMS Titanic was designed is to be developed into an 84-bedroom 4 star hotel thanks to a £4.9m grant from the Heritage Lottery Fund. The Titanic Foundation will use the grant to restore the B+ listed Harland and Wolff headquarters building on Queen's Island, Belfast, which has been vacant since 1989. The grant has been awarded through HLF's Heritage Enterprise programme. It is designed to help when the cost of repairing an historic building is so high that restoration is not commercially viable. Grants of £100k to £5million bridge the financial gap, funding the vital repairs and conservation work needed to convert derelict, vacant buildings into new, usable commercial spaces that can have a positive impact on local economies.

Buxton Crescent Hotel

The £46m redevelopment of the former St Ann's Hotel in Buxton's Grade I listed Georgian Crescent into a 79-bedroom, 5 star hotel incorporating the neighbouring natural baths into a state-of-the-art thermal natural mineral water spa, is currently being progressed with funding support from a variety of public sector sources, including the Heritage Lottery Fund (£23.8m), English Heritage (£0.5m), Derbyshire County Council (£2.7m), High Peak Borough Council (£2m) and D2N2 LEP (£2m). The developers, the Trevor Osborne Property Group, are contributing £15m. The project first commenced 10 years ago, but stalled after £5m of funding from the East Midlands Development Agency (EMDA) was withdrawn with the demise of the agency in 2011. The delay caused by losing the EMDA funding meant that because of the financial climate at the time the developers were unable to borrow the amount that they needed from the banks. Given the importance of the project to Buxton and the rest of Derbyshire the County Council stepped in with a loan to help bridge the funding gap. Further funding was also secured from the D2N2 LEP and HLF awarded an additional £11.3 m for the completion of the project in November 2014. Construction has now restarted with the hotel due to open in 2016. It is projected to generate an additional annual contribution of £4m into Buxton's visitor economy.

5. Local Authority Freehold Purchase

Aloft Liverpool

Liverpool City Council facilitated the conversion of the historic Royal Insurance building in Liverpool city centre into a 116-bedroom Aloft budget boutique hotel by purchasing the freehold of the building for £1.95 million. This unlocked £18million of private sector investment in the project, which has been progressed by Runcorn-based developer Ashall Property. The City Council was keen to bring this landmark building back into use. It had been unoccupied for 20 years and was on the National Buildings at Risk Register. English Heritage also supported the scheme with a grant of £297,500. The hotel opened in November 2014. It is operated by BDL Management under a franchise agreement with Starwood Hotels & Resorts Worldwide.