

Intelligence Update December 2009

TSE Research & Intelligence - Keeping you in the picture

Headline Regional Tourism Trends

2009: Year of the "Staycation"

As another year draws to a close, now is a good time to reflect on 2009 performance - and what a year it's been! After the collapse of the global financial markets in the summer of 2008, and the outbreak of the H1N1 influenza virus, 2009 brought with it many 'doom and gloom' headlines for the UK tourism industry. The tourism industry in the UK and worldwide felt the impact of the crisis with many consumers choosing the "staycation" over travelling abroad and businesses tightened their purse strings on all types of costs including corporate travel. As a result, hotels, airlines and tour operators all saw a fall in performance and sales this year.

Other sectors of the tourism industry, however, hugely benefited from the growth in holidaying at home. In the South East many of our visitor attractions saw admission numbers soar by as much as 50% over the summer. Value-minded consumers also turned to budget accommodation such as camping and caravanning giving some of these businesses their best ever trading year. The latest national statistics show that 5.7 million Brits took a staycation holiday in the South East this year, a whopping 37% increase on last year's figures.

As the autumn leaves fall, business confidence in the region remains mixed about the future ahead, though overall confidence for 2009 has improved. The market for the hotel sector in 2010 is expected to remain difficult. There are signs, however, that the downward spiral of declining occupancy levels among the region's hotels is levelling off. The latest figure for October shows that on average, hotels in the South East saw room occupancy drop by only 1% point compared to last year. A combination of price cutting and innovative marketing campaigns to keep leisure demand ticking over has stalled any further drop in demand.

Business Confidence

According to the most recent UK Business Confidence Monitor produced by the Institute of Chartered Accountants business confidence has risen in all regions for the third consecutive quarter. Businesses in the South East, along with those in London, reported the largest rises in confidence. Both regions recorded a negative Confidence Index in the previous quarter. These two regions combined account for over a third of UK economic output, so this strong increase in business confidence is particularly encouraging at this time.

[To read the latest ICAEW report click here](#)

Confidence among the region's tourism businesses is improving. TSE's regional How's Business Monitor found that just under half of all businesses (46%) surveyed said that they had seen improved business performance during July and September 2009 (5% more than for the same period in 2008) and 78% of these businesses highlighted an increase in the domestic market as the main factor behind this.

[To read the latest How's Business Monitor please click here](#)

Domestic & Inbound Visitors Figures

National results from the International Passenger Survey (IPS) show that in the first nine months of 2009, overseas residents made nearly 23 million visits to the UK and spent £12.5bn. While the number of visits is 8 per cent down compared to 2008, visitor spend is unchanged partly because most visitors' currencies are going further this year and also because visitors are spending more on average. Sterling was, on average, 11% weaker against the Euro and 9% weaker against the US Dollar in September 2009 compared to September 2008.

The drop in inbound trips to the UK is not uniform across all international markets. Business travel experienced the greatest slump but leisure trips have been holding up well. During the peak summer months of July to September, 3% more international visitors holidayed in Britain than over the same period in 2008, equivalent to 100,000 additional holiday-makers. The latest regional results from IPS will be available in the new year and will be reported in the February edition of *Market Intelligence Update*.

In sharp contrast to the trends witnessed in global travel, the latest figures from the United Kingdom Tourism Survey (UKTS) reveal a buoyant domestic tourism market. Nationally, overnight domestic trips during the first nine months of 2009 increased by 7% and spend increased by 5% compared to last year. The South East did far better; the number of overnight trips made by UK residents to the region increased by 13% and spend by 9% for this period. The staycation boom is strongly evident in the figures. Pure holiday trips increased by a significant 37%. The increase here was slightly offset by a 10% drop in domestic business trips and 'other' trips. Visits to friends and family on the other hand increased by 5%.

[To look at the latest visitor statistics click here](#)

Occupancy Trends

The latest figures show that occupancy levels among the region's hotels are showing signs of recovery. Following several months where occupancy dropped by 5% or more, average room occupancy in October stood at 69% only 1% lower to the same month last year. However, margins are down following reduction in prices. Compared to October last year, average room rate dropped by 19.1% to £73.66, resulting in a 20.1% drop in revPAR or room yield to only £50.93 (from £63.90 in October 2008). TSE's regional occupancy survey show that during October, B&Bs and Guest Houses saw average room occupancy drop by 4.0% points to 56.2% and average unit occupancy for self-catering businesses also fell by 2.1% points to 63.5%.

Despite the difficult trading conditions, plans for hotel expansion and investment in the South East continue. Included are the development of a 200 plus room subterranean hotel and luxury spa at Hershaw Golf Club, Surrey, and new budget hotels from Premier Travel Inn (Medway Valley Leisure Park) and Travelodge (High Wycombe, Maidenhead, Newbury and Farnborough).

Whereas 2009 has been a tough year for the serviced accommodation sector, the "staycation" phenomenon has led to a revival in some traditional markets which has boosted trade for other accommodation sectors such as caravan, camping and holiday parks. It's been a boom year for the region's camping and caravan parks with many operators reporting their best ever trade. According to the Camping and Caravanning Club, year-to-date, unit occupancy at their sites in the South East averaged at 70% and advanced bookings for next year are currently 67% up on this time last year.

[To look at the latest regional avg. occupancy figures click here](#)

Visitor Attraction Performance

According to the VisitEngland 'England Attractions Monitor', visitor attractions in the South East reported an overall increase of 5% over the third quarter (Jul to Sep) of 2009. Average performance in admission numbers was higher in some sectors than others (see below). Historic and cultural attractions performed the best, but the overall regional increase was offset by a 21% drop in trips to farm attractions across the region, most likely caused by public concerns over health risks following the e-coli outbreak on a farm in Surrey.

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| Castles & Forts | +20% | Historic Houses | +13% |
| Farms | -21% | Museums & Art Galleries | +11% |
| Gardens | +17% | Safari Parks & Aquariums | -1% |
| Heritage Centres | +5% | | |

The popularity of historic properties and sites are also confirmed by figures released by the National Trust. National Trust properties in Kent, Surrey and Sussex saw a 20% increase in admissions for the period March to November, while properties in Berkshire, Buckinghamshire, Hampshire, Isle of Wight and Oxfordshire saw an increase of 19% during the same period.

According to the Attractions Monitor, over a third of the region's attractions taking part in the survey reported to be "a little more optimistic" or "more optimistic" about business projects for the rest of the year than they were last year.

[To read the latest England Attractions Monitor please click here](#)

Meanwhile, the British Association of Leisure Parks, Piers and Attractions (BALPPA) has launched a campaign to persuade the Government to reduce VAT for tourism businesses to 5% in the wake of Germany's decision to cut the VAT rate on over-night stays in hotels from 19% to 7% from the start of next year.

It is currently estimated that the tourism sector generates £115bn per year for the UK economy, 5% of GDP, and pays £20bn per annum to the Treasury in taxes. The reduction in the tax burden will give the industry a much needed boost and according to the BALPPA will create up to 23,000 additional tourism related jobs.

[To read the BALPPA summary report 'The Impact of Lower VAT Rates on UK Visitor Attractions and Accommodation' please click here](#)

Hospitality Trends

According to PricewaterhouseCoopers, the rate of restaurant insolvencies has risen 25% over the last nine months compared to the same period last year and, in the run-up to Christmas, the industry could be facing its quietest festive season since the 1990s. This is supported by research from the Chartered Management Institute which found that only 42% of companies are funding Christmas parties this year compared with 72% in 2006. The insolvency rate is expected to peak again in the New Year, precipitated by the squeeze in spending from both the public and private sectors, and a squeeze on corporate spending.

New figures released by the British Beer and Pubs Association (BBPA) also suggest that 2009 has been a tough year for the pub sector. On average 8 pubs a week in the South East closed their door for good in 2009.

[To read the full BBPA article please click here](#)

Market Intelligence Profiles: UK Hotels Forecast - Some Relief on the Horizon

It comes as no surprise that trading conditions for the UK hotel sector in 2009 have been tough. Hotels dependent on the international corporate sector and midscale brands suffered the most in 2009. Meanwhile, the budget sector was more resilient to economic change and continues to expand.

PwC's latest UK hotels forecast shows that, despite the continuing fall-out from missing corporate travellers and the slump in the conference sector, hoteliers are more optimistic than they were earlier this year. However, although leisure travel may have stepped in to fill up some rooms as hotels see a boost from an uplift in domestic short breaks and the exchange rate may have driven more visitors from abroad the UK hotel sector is not out of the woods yet and sustained recovery certainly remains some way off.

[To read the full PWC report please click here](#)

Latest Research Reports: The Travel & Tourism Competitiveness Report 2009

The theme of this third edition of the Travel and Tourism Competitiveness Report, "Managing in a time of turbulence," reflects the myriad of challenges facing the industry at this time, including the economic downturn, the impact of higher oil prices, and the need for destinations to embrace sustainable tourism development. The report includes insightful contributions from a number of industry experts who examine what must be overcome to ensure strong sectoral growth going into the future.

The report contains detailed profiles for each of the 133 economies featured in the study, as well as an extensive section of data tables with global rankings covering over 70 indicators.

[To read the full report please click here](#)

Latest News from Around the Region

Buckinghamshire

- Milton Keynes are one of 15 cities across England hoping to form part of England's bid to host the 2018 World Cup. A decision on which applicants have been successful in gaining Host City status is expected to be made in December.
- Travelodge have also announced plans to open a new property in High Wycombe.

Berkshire

- Go Ape have confirmed that they plan to open a course at Black Park Country Park, near Slough, as part of their expansion proposals.
- West Berkshire Council has revealed plans for the redevelopment of Newbury pavilion.
- Travelodge have announced plans to open 2 new properties in Maidenhead and Newbury.

Hampshire & Isle of Wight

- Portsmouth has pulled out of the race to become a Host City for the 2018 World Cup due to the local authority's decision not to continue in the application process.
- Southampton airport is to benefit from a £7m investment programme over the next year, including new restaurants and improved access for rail passengers. Over £2 million is also being spent in partnership with South West Trains on a new covered footbridge.
- Eastleigh Borough Council has given the go ahead for a new £250,000 Go Ape forest adventure course to be built at Itchen Valley Country Park.
- Fort Nelson, the military museum in Fareham, is to undergo a £3.5m revamp. The plans include a new visitor centre.
- Winchester City Council has unveiled plans to develop the historic Guildhall as part of £3.2m redevelopment.
- Work has started on the £48m redevelopment of the Rose Bowl stadium, which aims to transform the venue into a leading international cricket venue.
- The 29-bedroom Lime Wood, near Lyndhurst, Hampshire opened in November. Developed at a cost of £30m, the hotel boasts two restaurants and a 16,000 square feet spa which opens in summer 2010.

Latest News from Around the Region

Hampshire & Isle of Wight

- Budget hotel chain Travelodge has unveiled plans to open a new site in Farnborough by the end of 2009 as part of a £22m investment programme.
- Jurys Inn has confirmed that it plans to add to its portfolio of 29 hotels in the UK with the opening of a new property in Portsmouth by 2010-11.
- The Association of Independent Festivals (AIF) estimates that Bestival on the Isle of Wight generates £600,000 in extra revenue for ferry companies to the island.

Kent

- Canterbury City Council's draft budget for the 2010-11 financial year could result in the closure of two of the city's museums (Roman Museum and the West Gate Towers Museum) as part of efforts to reduce expenditure.
- Members of the British Guild of Travel Writers have voted Down House at Downe as the best UK Tourism Project for 2009. The English Heritage-managed house gained the award for a new exhibition and interpretation which opened in February to mark the 200th anniversary of Darwin's birth.
- Margate has won a £3.7m grant from Sea Change to build the world's first vintage theme park. Rides salvaged from other parks around the world will feature at Dreamland in Margate. The project also received backing from the Heritage Lottery Fund earlier this year when it was awarded a Stage One pass for grants of £2.9 million.
- Some £2 million of Sea Change funding has also been spent helping to transform the Great Tower at Dover Castle. The Tower was visited by Culture and Tourism Minister Margaret Hodge during November and she described the transformation as "stunning".
- Two hotel development schemes are still on track to start development in 2010. A 120 bedroom IBIS hotel at Gillingham Waterfront is due to begin site works in early 2010 and a 120-bedroom Premier Travel Inn hotel will start to be built in February 2010 at Medway Valley Leisure Park.
- According to a new study by English Heritage, £16m will be spent on overhauling Canterbury Cathedral in Kent to ensure that it is more welcoming to visitors.

Oxfordshire

- Blenheim Palace has become the 2,000th member of the Green Tourism Business Scheme. The Oxfordshire stately home was awarded a silver grading by the tourism body in recognition of its commitment to helping the environment.

Surrey

- A new £800,000 pavilion has been unveiled by Reigate and Banstead Borough Council (RBBC) in Woodmansterne as part of a wider scheme to improve leisure facilities across the area.
- Claude Venture Holdings propose to build a 200 plus room subterranean hotel and luxury spa at Hersham Golf Club, Surrey. The 5-star development will be wholly underground in order to blend in with the natural environment and will include high quality restaurants and bars, business facilities and improvements to the golf course.

Sussex

- The South Downs, stretching from Beachy Head in East Sussex to the edge of Winchester in Hampshire, was officially confirmed as a National Park on the 12 November after consent for protected status was granted in March.
- The sale of Gatwick Airport for £1.51 billion was completed on Friday 4 December.
- Visit Brighton has reported that August this year was the busiest month in four years for people going to their visitor information centre and online bookings in July and August were the highest they have had for at least two years.

Latest News from Around the Region

Sussex

- The new-look Bexhill Museum was re-opened on 25 November following the completion of a £2m scheme to upgrade and modernise the 95-year old attraction.
- Brighton and Hove City Council (BHCC) has revealed that the city has withdrawn from the race to become the UK's first City of Culture in 2013 to focus on supporting local artists.
- The future of Hastings Grand Pier remains uncertain after the owners of the Grand Pier in Weston-super-Mare, Somerset, pulled out of a deal to acquire the attraction. According to Grand Pier Limited's engineers, it would cost more than £24m to repair the pier in Hastings and a similar amount to provide the attraction with new visitor facilities.
- The new £20 million Ocean hotel at Butlins' Bognor Regis has run at 89% capacity since it opened in August. 70% of guests are reportedly first time visitors to Butlins.