

Report to: Resources Scrutiny Committee
Date: 24 April 2007
Report of: Principal Economic Development Officer
Subject: Peterlee Hotel Feasibility Study
Ward: All Peterlee Wards

1.0 Purpose of Report

1.1 The purpose of this report is to update Members on the findings of the Hotel Feasibility Study for Peterlee, that was undertaken to assess the hotel operator market investment potential of the area.

2.0 Consultation

2.1 This report has been prepared in consultation with the Executive Member for Regeneration and the Director of Regeneration and Development.

3.0 Background

3.1 Members will be aware that at the Executive on the 22nd February 2005, approval was granted to allocate up to £15,000 to appoint suitable consultants to carry out a hotel feasibility study into the potential for a hotel development in Peterlee. The aim of the study was to fully assess demand, examine the current and target market, identify preferred sites, identify the type and size of hotel required and the measures required to attract operators to the area. Following the tender process, RGA Consulting Ltd were appointed in April 2005 to carry out the feasibility study.

4.0 Research

4.1 The consultants reviewed the current local market economy, specifically highlighting location, accessibility and tourism. It was strongly felt that as a location Peterlee has strong communication links, as the A19 provides good access with the rest of the UK. An average of 47,734 vehicles pass Peterlee on the A19 per day. In addition, the number of visitors to County Durham is increasing and visitor numbers for serviced accommodation in the County also shows good growth. This, coupled an increasing number of visitor destinations within reach from East Durham, indicated through the market review that Peterlee could support new hotel accommodation.

4.2 RGA carried out extensive research to review and assess the current supply, demand and use of hotel accommodation in the District. Local hoteliers were interviewed to assess the current state of hotel accommodation within a five and ten mile radius of Peterlee. The report concluded that the current supply is of low to moderate standard with nine non branded or 2 star rated hotels and the luxury hotel Seaham Hall at the other end of the market. This demonstrated that a new branded 'lodge style' hotel could fill the gap which currently exists in the District. The study also highlighted that the existing hotel stock requires refurbishment and needs to revise its marketing strategies to increase competition and penetrate new customer markets.

4.3 Businesses located in the district were surveyed to find out how they currently use the hotel accommodation in the area and how any future developments could meet their client needs. The study confirmed that when businesses are

choosing accommodation, location quality and price were deemed to be most important. While businesses illustrated a strong demand for accommodation in the Peterlee area, it is currently met by branded hotels in Durham or Newcastle. This is due to the current standard of hotel stock in the area which was deemed as inappropriate to their needs due to quality. Businesses confirmed that East Durham required more three and four star hotels and concluded that they would welcome a new purpose built nationally branded lodge style hotel. Businesses also indicated their future accommodation demands would increase.

4.4 RGA researched the current conference facilities in the District and contacted several industry organisations including conference agents. It revealed they had little or no knowledge of Peterlee as a destination and many could not locate Peterlee on a map of the UK. Short break operators were also contacted to assess this market. Companies once again tended to use Durham and Newcastle hotels and felt that there was not a sufficient tourism product or leisure demand in the District to warrant it as a destination. However, it was indicated that should the area have a better branded hotel and conference venues provision, given the good access, East Durham could be considered a destination.

4.5 Hotel operators were surveyed to assess the possibility of locating in Peterlee. An interest was expressed from 'limited service'. The term 'limited service' refers to hotels whose overall economies are achieved through standardised, modern construction, simplified systems with very specific market positioning – such as nationally branded lodge style hotel providers. These providers require development sites of about 1 – 1.5 acres, which are visible and easy to access and prefer new built properties. Using this as a basis, RGA appraised seven possible development sites using the categories of access, visibility, proximity to main roads and distance from the city centre. Each site examined was found to be suitable for hotel development; however some sites were more attractive to potential providers than others.

5.0 Key findings

5.1 In summary the research findings highlighted:

- There is low quality/poor structure of hotel provision in Peterlee
- Accommodation demand is currently met in locations such as Durham or Newcastle
- There is an absence of branded hotels in the East Durham area
- Peterlee is not recognised as a leisure destination
- Peterlee suffers from a “non-image” amongst organisations such as short break operators and conference agents
- There is some potential to attract to the Peterlee area a branded, 75 bedroom hotel through targeted marketing.

6.0 Potential Hotel Sites

6.1 In total, seven possible 'candidate' sites were identified, five within the Peterlee area and two slightly further afield. However the critical consideration was seen to be immediate and ease of access to the A19 Trunk Road.

6.2 The most favoured developer/provider site was at Peterlee to the west of the A19 adjacent to Shotton Road within the South West Industrial Estate. This site is a premier business location and was seen to have attractive alternative use potential..

- 6.3 The second preferred site (but outside the market area) was Dalton Park, as the location offers excellent visibility from the A19 and is located adjacent to other demand generators, such as the existing retail development.

7.0 Study Recommendations

- 7.1 The study identified that there is demand for a three to four star hotel development of approximately 75 bedrooms in Peterlee with well equipped meeting room facilities and food and beverage facilities dependent on location. It is recommended that this development should be within a 5 mile radius of Peterlee. This demand is stimulated by the increasing use of the A19 and the location of the industrial estates to the west of Peterlee.
- 7.2 RGA recommended that the potential of the Shotton Road and Dalton Park sites should be pursued once the interests of the respective landowners had been ascertained.
- 7.3 The study also recommended that to realise a hotel development, a comprehensive marketing campaign should be considered to promote the district as a whole, addressing issues raised in the study regarding the perceived image of Peterlee by hotel operators and raising the profile of the area as a tourism/leisure destination as a whole.

8.0 Current Position

- 8.1 The Feasibility Study provided a comprehensive overview of the local tourist market in the district, identified demand and a number of key sites. With regards the two preferred sites, the Shotton Road site has long been seen as one of the most attractive employment generating sites within the estate and the present owners view towards its disposal have always been resistant due to their own land requirements. Furthermore, it is now understood that an agreement concerning the release of the land for employment uses is presently being negotiated. In respect to the Dalton Park site, such a hotel development scheme is dependant upon the realisation of Dalton Park Phase II. This development is therefore a private sector decision subject to wider commercial and business development considerations, though as part of a mixed use scheme a branded hotel would be a useful complementary element .
- 8.2 Additionally however, the detailed statistical analysis and general positive findings of the Feasibility Study have been utilised by East Durham Business Service in efforts to support and respond to developer and property investment inquires. For example the study has been used by a property development company to attract interest from a major hotel operator over a site in Seaham and discussions are currently ongoing between both parties. Potential hotel operator interest could also generated by the film studio proposal that includes a hotel as part of the emerging scheme. The study is therefore an important tool in responding to private sector interest for hotel development in the district.
- 8.3 Further work is required as part of the Easington Local Development Framework to identify additional potential sites, preferably close to the A19 so as to widen the quality of sites on offer. The availability of these sites, along with those already identified in the study, needs to be determined in terms of their acceptability within local planning and highways policy terms as well as environmental and landscape considerations.

9.0 Implications

9.1 Financial

It is not considered that the report has any financial implications for the Council.

9.2 Legal

It is not considered that the report has any legal implications for the Council.

9.3 Policy

It is not considered that the report has any policy implications for the Council.

9.4 Risk

A risk assessment will be completed and the necessary actions required to manage the identified risks will be implemented.

9.5 Communications

The Council will be provided with updates to keep them informed of progress with any developments with regards attracting a hotel to the area.

10.0 Corporate Implications

10.1 Corporate Plan and Priorities

The recommendations contained within this report comply with the Council's corporate objectives to secure economic wellbeing and provide quality, equal and diverse sustainable employment.

10.2 Equality and Diversity

It is not considered that this report has any equality and diversity implications for the Council.

10.3 E-Government

It is not considered that this report has any IT or e-Government implications for the Council.

10.4 Procurement

It is not considered that this report has any procurement implications for the Council.

11.0 Recommendations

11.1 That members note the report.

Background Papers/Documents Referred to:

Hotel Feasibility Report 2005 produced by RGA Consulting Ltd.
District of Easington – Corporate Plan.

Appendices

1. Executive Summary produced by RGA Consulting Ltd