

MILTON KEYNES HOTEL STUDY- 2018

FINAL REPORT

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EXECUTIVE SUMMARY

Introduction

1. Carter Jonas ('CJ') was commissioned by Milton Keynes Council (the 'Council') to produce a hotel study to assess the following:
 - the number and geographical distribution of hotels and bedspaces within the City and the wider Borough area;
 - the future provision of hotel / bedspaces need to be made over the period 2016 – 2031;
 - bedspaces in the development pipeline;
 - the average occupancy rate;
 - provision of hotels in the context of the National Planning Policy Framework (NPPF) and main policies of the Plan:MK; and
 - the opportunities for hotel development within the Borough associated with the provision of new transport infrastructure.

Background

2. Over the years, CMK has successfully attracted inward investment. It has firmly established itself as a leading centre for computer programming & consultancy services, activities of head offices and management consultancy. The combined influence of a strong local economy and the rate of employment growth presents a significant amount of potential hotel demand.
3. The Council area and CMK in particular is also highly accessible and well connected. The M1 motorway runs to the east of Milton Keynes and serves the town from Junctions 13 and 14; this provides direct connections to Loughborough, Nottingham and Sheffield to the north, and Luton and London to the south. The area is set to benefit further from the East West railway that will improve Milton Keynes as a commuter destination and thereby potentially attract new employers and jobs. The East-West Rail will also place Bletchley at the intersection of strategic east-west and north-south rail routes linking key centres of economic activity.
4. In addition to the wider economic growth within the Council area, there are additional demand generators for visiting the Council area including the shopping offer (centre:MK, Intu Midsummer Place) and the critical mass of leisure facilities (Xscape, Hollywood Bowl, Cineworld, Snozone, Stadium MK, amongst others). Furthermore, the Council area is in close proximity to popular tourist destinations in the wider surrounds.
5. The combination of enhanced accessibility, employment growth, housing and population growth and a critical mass of retail and leisure provision provides the potential for positive growth in hotel demand across the wider Council area.

Current Supply & Performance

6. The current supply shows there is a broad representation of branded and independently-operated hotels across various grades and quality. The analysis has identified 34 hotels within the Council area, with 3,065 hotel bedrooms. Of the identified supply, there is an orientation towards 3-star establishments (50% of the existing stock) as well as budget hotels (22%) and 4-star properties (21%). The total number is anticipated to increase to 3,393 bedrooms should the extant planning permissions be implemented. Additionally this could increase to 3,899 bedrooms if pending applications are granted planning permission.

7. The analysis of hotel performance data for the Milton Keynes market shows:
- The average occupancy for hotels in Milton Keynes has risen over time to 75% and the market has historically enjoyed relatively high levels of occupancy over 70% especially since 2013.
 - Peak occupancy is highest on Tuesday (89.3%) followed by Wednesday (88.4%) with Sunday the lowest (45.3%).
 - The Average Daily Rate (ADR) in 2017 stood at £72.80 from £62.40 a decade ago representing an increase of 17% (compared with a South East average in 2017 of £76.20 and an increase of 9% over the same period).
 - Revenue Per Available Room (RevPAR) in Milton Keynes has increased by 31% from £41.38 in 2007 to £54.33 in 2017 (compared with a South East average growth of 13% over the same period).
 - Room revenues shows an increase from £24.4m on 2007 to £39m in 2017 (a 60% increase compared with a South East average of 54%).
8. The hotel market in the Council area shows a high average occupancy rate of 75% and RevPAR performance generally. Despite this broad level of growth, the hotel market has weekly and monthly variations. As with any market, increased supply in bedrooms by way of new developments is likely to result in a potential dilution in occupancy as there is potentially more availability of rooms. In this way, there is a need to ensure that demand is sustained in the Council area. This can be achieved through a diverse means of promoting cohesively facilities, venues and experiences based on the critical mass of retail, leisure and service offer across the Council area.

Future Potential

9. The future demand potential for the Council area indicates limited opportunity (up to 18-102 bedrooms) in the short term (2017-2022) after accounting for extant commitments. Over the medium term (2022-2037) capacity is identified for up to 272 and 454 bedrooms. Over the longer term (2027-2031) the identified potential is up to 489 and 762 bedrooms. These forecasts are indicative. Forecasts beyond a five year period should be treated with caution and should be subject to periodic review
10. The future potential for a new 3-star or 4-star hotel(s) in the Council area is linked and dependant on the growth in corporate demand. In terms of the prospect for a new 5-star hotel it should be noted that these are usually sustained in major cities such as London and Manchester or in cities with considerable heritage assets such as Oxford and York. At this stage it is unlikely that Milton Keynes would be able to sustain a 5-star hotel. Notwithstanding this, and over the longer term, the evolving demand from the critical mass of corporate, education and leisure sectors may lead to the market responding by way of a new type of provision such as a boutique 5-star provision. It is important for the Council to therefore regularly review the assessment for new bedroom space to account for national and local economic performance and supply side changes.
11. CMK benefits from its dominant economic status due to its critical mass in provision (employment, retail and leisure). In this way it can be expected that a majority of the forecast growth in bedroom provision will orientate towards the City. Notwithstanding this, the wider Council area is also set to benefit from infrastructure improvements where centres such as Bletchley are key nodes. In this way, it is highly likely there will be interest from hotel developers to locate in these locations.

Future Strategy

12. A sustainable level of occupancy growth in the Council area will depend on:
- Growth in corporate demand predicated on local economic performance;
 - Increasing the potential for growth in leisure or weekend break demand given the critical mass of leisure provision within and around the Council area and building on the Council area's current visitor offer;

- Enhancing the visitor offer through better and co-ordinated promotion of events and festivals in the Council area;
- The coherent and stronger promotion of the offer present in the Council area through joint promotion between key stakeholders including the Council, Destination MK, Association of Milton Keynes Hoteliers (AMKH) and other hoteliers;
- There may be scope for conference business/destination based on the performance of existing corporates or as a conference venue based on the Council area's good accessibility;
- The growth in the resident population resulting in an increase in those visiting friends and relatives;
- The aspiration of a new University which in itself would generate additional demand particularly in CMK;
- The growth of CMK's leisure offer and growth in its night time economy which has the potential to increase demand; and
- There is a need to raise weekend demand by way of better marketing or provisioning of Milton Keynes as a leisure destination.

1 INTRODUCTION

1.1 Carter Jonas ('CJ') was commissioned by Milton Keynes Council (the 'Council') to produce a hotel study to analyse and assess the existing level of hotel accommodation within Central Milton Keynes (CMK) and the Borough area as a whole. The broad objectives of the study brief was to assess:

- the number and geographical distribution of hotels and bedspaces within the City and the wider Borough area;
- the future provision of hotel / bedspaces need to be made over the period 2016 – 2031;
- bedspaces in the development pipeline;
- the average occupancy rate;
- provision of hotels in the context of the National Planning Policy Framework (NPPF) and main policies of the Plan:MK; and
- the opportunities for hotel development within the Borough associated with the provision of new transport infrastructure.

1.2 The output of this study will inform and assist the Council in plan-making and development management decisions across the local authority area. The findings of the study will specifically provide the robust evidence base required to help inform the preparation of the emerging local plan.

1.3 For ease of reference and to address the objectives of the brief the report is structured as follows.

- **Section 2:** provides an overview of relevant national and local plan policies (historic, extant and emerging), pertaining to hotel development.
- **Section 3:** provides a commentary on the key trends driving growth and demand for space in the commercial hotel sector.
- **Section 4:** provides an overview of the accessibility, the performance of the local economy, commercial environment, tourism profile and key infrastructure initiatives across the Council area.
- **Section 5:** details the current supply, extant commitments and distribution of hotels in the Council area.
- **Section 6:** details the current provision of hotel accommodation in Milton Keynes and the wider Council area. This stage also draws on the hotel data set from STR Global focussing (STR) on the key performance indicators relating to Occupancy, Average Daily Room Rate (ADR) and Revenue Per Available Room (RevPAR). These are the key performance metrics which underpin viability and performance in the hotel sector.
- **Section 7:** assesses the potential future requirement for new hotel bedrooms in the Council area over the period to 2031.
- **Section 8:** summarises the outputs of the analysis from the previous sections and provides a SWOT analysis and policy direction on a sustainable level of occupancy growth.

2 PLANNING POLICY

- 2.1 This section provides a high level overview of the relevant national and local development plan planning policy pertaining to retail and town centre uses, along with other material considerations.

National Planning Policy Framework (NPPF)

- 2.2 The NPPF was published in March 2012 and sets out the planning policies for England and how these are expected to be applied. It reinforces the importance of up-to-date plans and strengthens local decision making. The NPPF must be taken into account in the preparation of Local Plans and Neighbourhood Plans. At the heart of the NPPF is a presumption in favour of sustainable development, which is seen as *“a golden thread running through both plan-making and decision-taking”* (paragraph 14). The NPPF (paragraph 14) sets out the Government’s view of what sustainable development means in practice for both plan-making and decision-taking at the local level.
- 2.3 For plan-making the Framework states that local planning authorities should positively seek opportunities to meet the development needs of their area. Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change, unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits. The Framework (paragraph 15) states that policies in Local Plans should follow the approach of the presumption in favour of sustainable development so that *“...it is clear that development which is sustainable can be approved without delay”*.
- 2.4 The NPPF (paragraph 17) sets out twelve core planning principles that underpin both plan-making and decision-taking. Amongst other objectives these principles confirm that planning should be genuinely plan-led; proactively drive and support sustainable economic development to deliver thriving local places; promote mixed use developments; focus significant development in locations which are or can be made sustainable; and deliver sufficient community and cultural facilities and services to meet local needs.
- 2.5 The Framework (paragraph 150) emphasises that Local Plans are *“...the key to delivering sustainable development that reflects the vision and aspirations of local communities”*. They should be “aspirational but realistic” and should set out the opportunities for development and clear policies on *“...what will or will not be permitted and where”* (paragraph 154). Only those policies that provide a clear indication of how a decision maker should react to a development proposal should be included in the plan. Any additional Development Plan Documents (DPDs) should only be used where clearly justified (paragraph 153).
- 2.6 The NPPF (paragraph 156) requires strategic priorities for the area covered by the Local Plan to deliver the homes and jobs needed in the area; the provision of retail, leisure and other commercial development; and the provision of health, security, community and cultural infrastructure and other local facilities; etc. Crucially the NPPF (paragraph 157) indicates that Local Plans should, amongst other key requirements plan positively for the development and infrastructure required in the area; be drawn up over an appropriate time scale (preferably 15 years); indicate broad locations for strategic development on a key diagram and land-use designations on a Proposals Map; allocate sites to promote development and flexible use of land, bringing forward new land where necessary, and provide detail on form, scale, access and quantum of development where appropriate; and identify land where development would be inappropriate, for instance because of its environmental or historic significance.
- 2.7 In terms of the evidence-based approach to planning, the Framework states LPAs should ensure that the Local Plan is based on *“...adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area”* (paragraph 158). Furthermore the assessment of, and strategies for housing, employment and other uses should be integrated, and take full account of relevant market and economic signals. LPAs should use this evidence base to assess the needs for land or floorspace for economic

development, including for retail and leisure development; examine the role and function of town centres and the relationship between them; assess the capacity of existing centres to accommodate new town centre development; and identify locations of deprivation which may benefit from planned remedial action. The NPPF is clear that pursuing sustainable development requires “...careful attention to viability and costs in plan-making and decision-taking” (paragraph 173).

- 2.8 The NPPF consists of broad planning policies and therefore there are no specific policies relating to hotel development within the document.

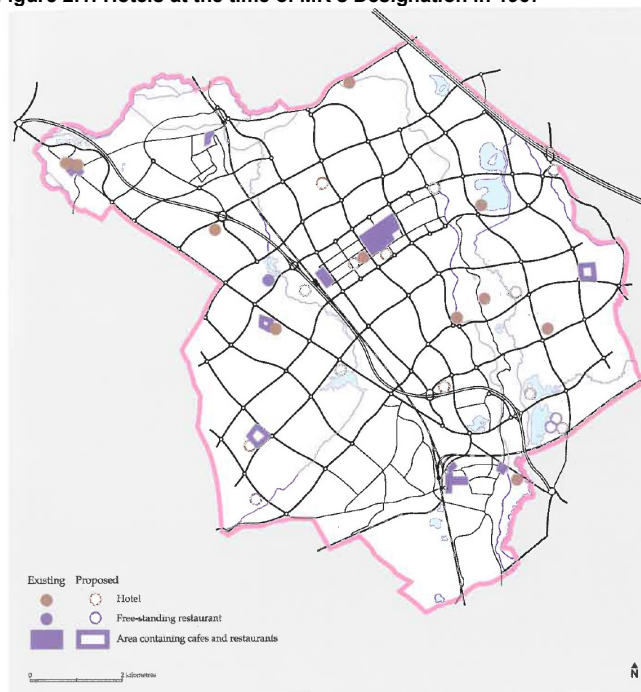
Local Planning Context: Historic to Current

- 2.9 Set out below is a broad review of historic planning policy documents influencing the planned provisioning and allocation of hotels in the Council area. The analysis shows that prior to the designation of the City/New Town, existing towns and villages dominated hotel provision, this was followed by the growth of Central Milton Keynes (CMK) and satellite areas. CMK at present continues to retain its dominant status but with growth now also planned for other areas such as Bletchley Park (as part of a wider regeneration strategy).

New Town Designation (1967)

- 2.10 The Milton Keynes Planning Manual provides that at the time of designation of the City/New Town in 1967 there were a number of hotels, public houses, restaurants and cafes, mainly concentrated in the existing towns and villages. The manual also makes the point in the early years after designation (but before the City had reached critical mass necessary to generate new hotel development), existing towns and villages provided accommodation. Thereafter, new hotels were developed on land disposed of by MKDC notably in CMK, Two Mile Ash, Willen Lake, Shenley Church End and Woughton. The Manual also identified new sites for potential hotel development as illustrated below:

Figure 2.1: Hotels at the time of MK's Designation in 1967



Source: Milton Keynes Planning Manual (1992), pg. 115

Milton Keynes Local Plan (adopted January 1995)

2.11 Moving forward to 1995, the then adopted Borough of Milton Keynes Local Plan identified seven locations for hotels and visitor accommodation at:

- Caldecotte Lakeside;
- Campbell Park;
- Central Business Exchange (Phase 3), CMK;
- Fenny Stratford;
- Heelands;
- West Ashland; and
- Westcroft.

Milton Keynes Local Plan (adopted 2005)

2.12 Policy L10 of this Plan referred to planning permission being granted for new hotel and other purpose-built visitor accommodation in CMK, town and district centres and for new visitor accommodation involving either the conversion of suitable existing dwellings or the reuse of existing farm buildings. The policy also identifies six locations for hotels all within the city at:

- Campbell Park;
- Central Business Exchange (Phase III), CMK;
- Heelands;
- Westcroft;
- Fox Milne; and
- Caldecotte Lake [south].

2.13 The preceding text to this Policy refers to a report by the Southern Tourist Board (2001) in which Milton Keynes was reported as recording very high occupancies. Furthermore that *'new purpose-built visitor accommodation is considered to be an urban use and will not normally be acceptable outside the Borough's main settlements. Concentrating visitor accommodation in existing centres will support town centre vitality and viability and increases the chances of public transport accessibility'*.

Milton Keynes Core Strategy (adopted 2013)

2.14 Within this document Policy CS7¹ states "Central Milton Keynes is a modern and carefully planned new city centre but needs to continue to evolve and change. It will retain and enhance its role as a regional centre and the city's focus for retail, office, hotel, leisure and cultural development, together with new housing and related facilities.' The Plan refers to specific facilities being provided at Newton Leys² (as part of the Master Plan for the site including a hotel and subject to market testing) and also refers to an outline permission at Tattenhoe Park³.

¹ Milton Keynes Core Strategy (adopted 2013), pg. 56

² Milton Keynes Core Strategy (adopted 2013), pg. 44

³ Milton Keynes Core Strategy (adopted 2013), pg. 47

Plan:MK Draft Plan Consultation (2017)

2.15 This is the consultation version of the Proposed Submission Version of Plan:MK. This plan when adopted will replace the saved policies of the 2005 Local Plan and the 2013 Core Strategy. The proposed submission version of the document will be submitted to the Secretary of State in Spring 2018 and the plan is to be adopted by the end of 2018.

2.16 In relation to hotel development this document states the following:

- Policy ER9 (on Employment Uses and the Rural Economy) provides that small scale tourism proposals including visitor accommodation are considered to be acceptable as long as they sustain and enhance the rural economy.
- Policy ER17 (on Hotel and Visitor Accommodation) states that 'planning permission will be granted for new hotel and other purpose-built accommodation in CMK, town, and district centres. The Council will also support the provision of new hotels and visitor accommodation to serve visitor attractions within the city'.
- Policy SD3 (on Central Milton Keynes - Growth and Areas of Change) refers to the provision of additional hotel floorspace in CMK.
- Policy SD19 (on Central Bletchley Urban Design Framework Area) states that the Council is seeking to deliver transformational regeneration in Central Bletchley over the plan period in conjunction with proposed delivery of East-West services. New development opportunities in this area could include a hotel to serve visitors to Bletchley Park amongst others.

3 HOTEL TRENDS

- 3.1 This section provides an overview of key national hotel market sector trends that are of significance to the Milton Keynes hotel market.
- 3.2 The UK hotel market has been on a roller coaster ride over the past decade. First, there was the 2008 recession, then the 2010 European debt crisis, before a raft of new hotel openings for the pre/post Olympics period (particularly in London). More recently, business has become more volatile due to terror attacks and political uncertainty as Brexit negotiations get underway.
- 3.3 The hotel market remains resilient. According to VisitBritain, tourism receipts for 2016 achieved £22.5 billion, up 2.1% on the previous year⁴. Whilst all parts of the country are affected by the general national economic conditions, the different regions have their own unique markets such as sports events and concerts in Manchester, holidays in coastal areas and Scotland, conferences in Birmingham and the oil industry in Aberdeen. In particular local industries shape the local demand for hospitality and this is a key driver within the Milton Keynes Council area.
- 3.4 Just ten years ago, brands including DoubleTree by Hilton, aloft and Hotel Indigo either had no presence in the UK, or were non-existent. The hotel development market continues to grow and at present there are no signs of letting up fuelled by both consumer demand and supply-side factors. **Figure 3.1** shows the development and entry of hotel brands over the last decade.

Figure 3.1: Hotel Brand Development



Source: Analysis by BDRC Continental

- 3.5 The devaluation of the pound after the Brexit vote has also had a positive effect on the number of visitors arriving to the UK. It has never been cheaper to come to visit the UK. Additionally, the weaker pound has made foreign holidays more expensive for British citizens, leading to an increase in staycations and domestic travel. In this way the provincial hotel market also benefits from domestic tourism.
- 3.6 Over the short term the uncertainty caused by the outcome of the general election and the lack of clarity regarding Brexit negotiations is causing concerns for hotels making business plans for the future.

⁴ Source: <https://www.visitbritain.org/visitor-economy-facts>

- 3.7 The following provides key development trends in the hotel sector by type of hotel and factors affecting the sector.

Budget Hotel Sector

- 3.8 Budget Hotels are dominant in the UK branded sector. These include well recognised brands such as Travelodge and Premier Inn and emerging ones such as citizenM, hub by Premier Inn and Qbic Hotels. They have become exceptionally popular with both leisure and corporate users. In addition, their national coverage and central reservation systems enable high recognition and ease of booking thus making them extremely powerful brands. Their size and scale and slimmed down service allows them to achieve economies of scale and cost efficiency.
- 3.9 **Premier Inn** is the UK's largest hotel chain with 760 hotels and over 68,000 bedrooms trading across the UK and Ireland. Premier Inn is aiming to develop 8 million sq ft of new hotel and restaurant space over the next five years to achieve a target of 85,000 bedrooms by 2020⁵.
- 3.10 **Travelodge** in the UK operated with 529 hotels with 39,608 bedrooms⁶. The group opened 19 new hotels in 2016, including in London, Glasgow and Milton Keynes and expects to open a similar number each year, on average, over the next three years⁷. Travelodge to open around 60 new hotels in the next three years as demand for 'staycations' rises.
- 3.11 Travelodge is also looking to team up with local authorities to develop hotels within wider regeneration projects. The company works together with the Council to build hotel on surplus local authority land. Funding is either provided by the local authority, low-cost funding from the Public Works Loan Board or via third party resources. Once a hotel has been built, local authorities have the choice of either retaining ownership of the hotel and receiving an annual rent or selling the hotel with Travelodge as its operator. Travelodge has completed seven local authority development partnership deals over the past three years in Aylesbury, Bicester, Dudley, Eastleigh, Redhill, Telford (opening 2018) and Thetford⁸.
- 3.12 In 2016, the UK hotel industry saw the opening of 16,000 rooms fuelled by growth in the budget hotel sector, which accounted for over half of all new supply⁹.
- 3.13 It is predicted that this sub-sector will continue to drive the growth of new hotel supply, with a further 11,600 expected to have opened in 2017. Representing 57% of the forecast new bedroom supply and 64% of all new build properties. By the end of 2017 the budget hotel sector is set to stand at over 165,000 rooms¹⁰.
- 3.14 The UK's supply pipeline continues to be dominated by budget properties with Premier Inn and Travelodge set to expand further. In 2016, together, these two brands accounted for some 68% of budget bedrooms openings in the UK.

⁵ Source: <https://www.whitbread.co.uk/our-brands/premier-inn.html>

⁶ Source: <https://www.travelodge.co.uk/sites/default/files/Hotel%20and%20room%20numbers%20Q2%202017.pdf>

⁷ Source: <http://www.independent.co.uk/news/business/news/travelodge-60-new-hotels-three-years-staycations-demand-brexiteconomy-uncertain-a7676411.html> (Independent 10/04/17)

⁸ Source: The Caterer: 'Travelodge targets local authorities for development potential' (30/10/2017)

⁹ Source: Knight Frank UK Hotel Development Opportunities 2017

¹⁰ Source: Costar: Budget hotels drive growth of the UK hotel sector (18/05/17)

3.15 Other new and growing entrants in the budget market include:

- **hub hotels** by Premier Inn: these have between 80 and 500 bedrooms in high footfall city centre locations. Guests seeking accommodation prioritise location, comfort, style and quality over room size.
- **citizenM**: dispenses with traditional features such as check-in desks, mini bars and an onsite restaurant offering instead small, hi-tech rooms and large, stylish communal areas at an affordable price. The room rates are based on the low-cost airline model i.e. the earlier you book, the cheaper the rate.
- **Qbic Hotels**: The Qbic design hotel is based on a simple concept. They take an unused building, equip each room with 'pre-fabricated bedrooms' i.e. a specially designed cubic pod containing everything provided in a conventional hotel room. The hotel seeks to recruit half its staff locally and partner with charities such as Food Cycle and Bike Works.
- **EasyHotel** owns three hotels with locations in London, Glasgow and Croydon with a combined 390 rooms and owns 19 franchised hotels around Europe with 1,643 rooms for a total of 2,033 rooms in both categories. EasyHotel currently has 1,527 new rooms in development, including 951 new franchise rooms and 576 rooms from five new owned hotel projects¹¹. The group believes there is the long-term potential for over 12,000 owned rooms, of which 8,000 would be in the UK and 4,000 in key gateway European cities. Meanwhile, the franchised portfolio could expand to more than 15,000 rooms, of which 4,000 would be in the UK and 11,000 in Europe and the Middle East¹².
- French Hotel company Accor has the **Ibis** sub-brand. It is one of a growing number of budget oriented chain hotels. The hotels are in prime locations close to major train stations and airports. In 2012 Accor rebranded the Etap chain as **Ibis Budget** and thus the Etap hotels are now part of the Ibis name.
- **Holiday Inn Express** is a mid-priced hotel chain within the InterContinental Hotels Group (IHG) family of brands. As a budget hotel the focus is on offering limited services and a reasonable price. Standard amenities lean toward the convenient and practical which cater to business travellers and short-term stays. The Holiday Inn Express concept was intended to target the "upper economy" market segment, offering limited service, low-price lodging. The group opened 4,000 rooms (24 hotels), including the 706 room Holiday Inn Kensington London¹³.
- **Ramada Encore** was created for business and leisure travellers looking for a great value, simple and smart hotel. This brand has seen its position diminish as its franchisees sell on to new owners and to other brands. By way of example, in April 2016, the Ramada Encore in Milton Keynes was sold to the Travelodge chain. More generally the Ramada hotels are anticipated to open twenty hotels across the UK over the next 10 years as part of a new development deal. The expansion of the midscale brand is the result of a development agreement between Ramada parent Wyndham Hotel Group and Lester Hotels Group.
- London-based GLH hotel group announced in 2015 the launch of a new budget hotel concept - **Thistle Express**. The brand aims to challenge competitors by offering the fastest free Wi-Fi in the budget sector, alongside a Choose Your Own Room service allowing guests to pick where they stay in the hotel before arriving. The first Thistle Express opened in Luton town centre in July 2017.
- **Motel One**, the German budget design hotel brand, has revealed plans to expand rapidly into the UK market. It has established itself in four cities (Manchester, London, Edinburgh and newly opened in Newcastle). The hotel brand positions itself as a 'design' or 'boutique' budget brand. The group is targeting the UK as its second most important market outside of Germany. In Manchester the group has three properties, the first Manchester venture – the 330-bed Motel One in Piccadilly - opened in 2015, and a 298-bed hotel on Cross Street opened in May 2017 and another signed in the pipeline in St Peter's Square.

¹¹ Source: City AM: EasyHotel reveals solid growth and a "pipeline" to increase brand presence 29/11/16

¹² Source: EasyHotel achieves 8% like-for-like revenue growth (Caterer 24/05/2016)

¹³ Source: Caterlyst: IHG reports steady global growth and robust UK results' (21/02/17)

- Marriot International and Inter Ikea's economy brand **Moxy** hotels is looking to expand in the UK and Germany. Moxy aims to open 150 hotels in the next ten years. Moxy announced plans for four new UK hotels as part of a significant European expansion in 2016 at: Moxy London Royal Docks, close to the ExCel Exhibition Areas and Canary Wharf; Moxy London Stratford, next to Westfield and adjacent to the Olympic Park; Moxy London Heathrow Airport and Moxy Aberdeen Airport. Marriott International will also make Milton Keynes part of the expansion of Moxy Hotels, (planning application 17/00137/OUT). Palmer Capital has submitted an outline planning application in 2017 to for the development of a hotel on an unoccupied site at the junction of Avebury Boulevard and South Fifth Street¹⁴.

3 / 4 / 5 Star Hotels

3.16 Hotel star rating systems are widely recognised as the definitive way to ascertain a hotel's overall quality. Four groups combined in 2007 to create a unified ranking system for Great Britain: the Automobile Association, VisitBritain, VisitScotland and VisitWales. A broad summary for each classification type follows below:

- **Three-star hotels:** There will almost definitely be several different categories of room available in these hotels, as well as a restaurant, basic gym facilities and a conference room or business centre available. In the UK, to qualify as a three-star hotel, residents must have access to the property at all times during the day and evening, without use of a key. Room service must also be available and Wi-Fi must be offered in public areas. All rooms will include en-suite bathrooms and an internal telephone system for guests to reach reception. Key operators in this market include Holiday Inn, Courtyard (by Marriot International), Jury's Inn, Hilton Garden Inn, Ramada, Park Inn (Radisson).
- **Four-star hotels:** The expectation for higher quality level of service is the norm across all departments. Higher staffing levels are also expected. There will be several room options available, including suites. There may also be several restaurants and bars on site, extensive business facilities, concierge services and a swimming pool and gym. In the UK, residents must have 24-hour access to the hotel and must always be met by on-duty staff. Additionally, 24-hour room service must be offered, as well as enhanced food and beverage options. Wifi, or another internet connection, will be provided in all bedrooms and all en-suite bathrooms must contain a thermostatically-controlled shower. Key operators in this market include Novotel, Crowne Plaza, Hilton, Doubletree by Hilton, Pullman, Radisson Blue, Apex, inside by Melia, QHotels. The focus of these operators is on major cities and centres.
- **Five-star hotels:** At a five-star property, accommodation will boast all of the facilities included in a four-star hotel, as well as exceptional levels of proactive customer service and care. Cleanliness, maintenance, hospitality and delivery of services must all adhere to an extremely high standard. In the UK, the hotel must also offer extensive fitness and spa facilities, valet parking, butler services, concierge services, 24-hour reception and room service, and a full afternoon tea. There must also be a choice of environments in public areas of sufficient size to provide generous personal space for guests. Additionally, at least one permanent suite - comprised of three separate rooms: a bedroom, lounge and bathroom - must always be available to rent. Major multinational operators operate in London and major cities such as Birmingham, Manchester and Edinburgh as well as historical centres such as Oxford and Bath. Key operators in this market include Shangri-La Hotels, Four Seasons, Rosewood, Bulgari and Intercontinental. London's standing as the world's leading tourism centre makes it a target market for the expansion of the five star hotel market and at the end of 2016 notable American hotel brands Montage Hotels and Resorts, Auberge Resorts Collection, SH Group and Hard Rock International – all announced their intention to enter the UK market, and in particular London¹⁵. A second Rosewood property will open in London after the luxury brand was announced as the operator of the 137-bedroom hotel to be developed at the former American Embassy. Located on Grosvenor Square in the heart of Mayfair, the

¹⁴ Source: <https://www.palmercapital.co.uk/news/palmer-capital-announces-milton-keynes-hotel-plans/>

¹⁵ Source: The Caterer: 'US brands eye up for London Expansion' (09/11/2016)

hotel will join the five-red-AA star, 306-bedroom Rosewood London on Holborn, which launched in 2014¹⁶.

- 3.17 Focussing on three and four star hotels, these usually provide high quality bedroom facilities, large conference suites, quality bars and catering and some form of leisure or health spa facilities. They tend to target the national and international business and conference trade and the short breaks leisure market. Such hotels need a strong base of corporate demand (including conferencing) as well as established leisure/tourism drivers to provide the balance of demand. The leading operators usually target key gateway locations, large metropolitan cities, international airports or large coastal resorts with an established conference industry. Strategic motorway locations are also considered – and can be appealing to operators with a strong conference brand. A number have also been developed from former country houses and operate in the golf resort market.

Boutique Hotels

- 3.18 Over the last five years, there has been a major shift in the hotel market in favour of boutique hotels with an expectation that this trend will continue over the next several years. Whilst some travellers like simple brand accommodation experiences, a rising number of travellers are opting to stay at lifestyle, design or unique concept hotels, which give them a greater sense of exploration and local interaction. Large and long-established branded hotel operators have noted this trend and a number have created new boutique brands or unique hotel fit-outs to rival smaller competitors. The boutique hotels are generally associated with being design-oriented hotels that have no more than 100 rooms and provide unique experience. Boutique hotel operators require sites in historic, University towns and 'up and coming' locations.
- 3.19 The term 'lifestyle' hotel has also been associated with boutique hotels as the mainstream chains have entered the market. This includes Hilton's "Canopy" brand, Meraas launched the "Evado" brand, Steigenberger Hotels launched the "Jaz" brand, 'W' by Starwood, Hotel Indigo by Intercontinental. Each brand offered a unique cultural lifestyle experience. For example, the Holiday Inn Manchester City Centre that was opened by the Dominvs Hotel Group in June 2016 has a unique design style which references the 1990s Manchester music scene.

University Hotels

- 3.20 Universities are also developing lodging facilities on or near their campuses. As hotel owners, universities are unique relative to more traditional owners as profit is often not the institution's primary consideration. Increasingly this type of accommodation is also being advertised through Online Travel Agencies (OTAs) targeting visitors, corporates as well as leisure travellers during non-term time. Additionally, they are often the largest lodging demand generator, and are very concerned with protecting the reputation of their brand and strive to integrate hotel operations and conference venues within their academic operations. Universities develop on-campus lodging facilities for a variety of reasons including:

- an enhanced visitor experience;
- accommodation for visiting friends and relatives;

¹⁶ Source: The Caterer: 'Rosewood to operate hotel at American Embassy' (20/09/2017)

- a potential catalyst for revitalizing a local area; and
- support of other internal interests (such as research and conferences).

3.21 Recent examples include:

- Loughborough University, Imago Venues and Campus Living have formed one of the most successful conference and hospitality groups in the university sector. Burleigh Court currently attracts blue-chip corporates, international academic conferences and high-profile sporting events. It is estimated that it contributed £4m to the local economy and supported 90 jobs in 2016¹⁷. Loughborough University is also creating a £7m Elite Athlete Centre and 44-bedroom hotel (due to open in 2018). The facility, set within the University campus and sports facilities will provide a sports hotel focusing on rest, relaxation, and access to facilities for athletes, businesses and fitness enthusiasts¹⁸.
- Nottingham University has a 202-bed eco-friendly Orchard Hotel (4-star) that opened in 2012. This is also adjacent to the East Midlands Conference Centre.
- The University of Manchester and Alliance Manchester Business School, is set to develop a landmark 19-storey building, which will feature a dual branded 328-room hotel (The Crowne Plaza and Staybridge Suites), with meeting facilities. The facility forms part of the University's £1billion masterplan to transform its campus.
- Cranfield University: The Cranfield Management Development Centre and onsite hotel Mitchell Hall has a total of 300 bedrooms.

ApartHotels

3.22 There is an increased interest in serviced apartment hotels. The serviced apartment or apart-hotel segment – also known as extended stay – is currently a relatively small part of the UK accommodation sector. This is set to change and with national operator targets pointing to a potential doubling of stock. According to the Association of Serviced Apartment Providers (ASAP) some 2,600 new units were set to open in the UK in 2017 alone, a 13.8% increase on current stock. Key new openings include¹⁹:

- CityStay Milton Keynes launched their first aparthotel (Platinum House) in Milton Keynes with 58 apartments in spring 2017;
- CitySuites Manchester have opened with 237 apartments; the property also offers a swimming pool and a 24-hour gym;
- Grange Hotels opened an all-suite hotel in London late 2017 with 270 suites and apartments in an iconic location overlooking the Tower of London and Tower Bridge; and
- Lateral City are opening 50 new luxury apartments in Edinburgh later in 2018, part of the Grand Central redevelopment.

3.23 Travellers who may need to stay for business at a location for more than one or two nights are becoming more inclined to stay at low key serviced apartment hotels where they can have bedroom, bathroom, kitchen and sitting room facilities and be at a home away from home. The Place and Roomzzz aparthotels in Manchester offer customers apartment accommodation at similar prices to mid-tier branded hotels. It is likely that serviced apartment facilities will grow to become a larger component of the overall hotel accommodation market in the years to come.

¹⁷ Commercial Business at UK Universities is Thriving – University Business (22/11/2017)

¹⁸ Loughborough Uni to open £7m Elite Athlete Centre and hotel - The Caterer 16/010/17

¹⁹ Source: Association of Serviced Apartment Providers (ASAP); Press Release (22/02/2017)

3.24 Expansion is set to be led by the regional markets with total stock expansion next year of 20.5%. The UK's largest operators continue to dominate the development pipeline. Fifty-four per cent of the c.3,800 units expected to be delivered by the end of 2019 will be operated by the 10 largest UK operators (Staycity, Cycas Hospitality, Saco, Marlin Apartments, Bridge Street, Go Native, Roomzzz, Ascott Group, Frasers Hospitality, Cheval Residences)²⁰.

Independent Hotels

3.25 Independent hotels are still a key force in the UK hospitality world. The independent sector accounts for a majority of the market – albeit only just, with a 51% share (just over 380,000 rooms in 2016 in slightly more than 38,000 hotels) – compared with just over 45% for the branded chains (nearly 337,000 rooms from just under 3,000 properties)²¹. The balance, almost 4%, consists of the various marketing consortia that have developed for independently-owned hotels, such as Best Western or Pride of Britain Hotels, which give some independents the benefits of a branded chain without losing their independent identity.

3.26 The UK Independent Hotel sector is shrinking, both in terms of its overall size and as a proportion of the country's serviced accommodation sector. Those that have survived (independent hotel rooms still comprise more than half of the serviced accommodation rooms in the UK) have adapted to the requirements of the 21st Century traveller and their requirements. However, over 40,000 hotel rooms in independent hotels have closed in a little over a decade²². In most cases failure to invest and innovate put them at risk in the face of a more discerning, better informed, consumer, and the marketing strength of hotel brands and OTAs (see later).

Stadia Hotels

3.27 Stadiums and sports venues are a source of local and international pride. Often built, not only for sporting reasons, but also for reasons of destination marketing and support for the wider community. Commercial reality also dictates that many stadiums create more income outside of match day events and generate much needed income independent of sport.

3.28 In this regard, hotels have a major role to play in both enhancing the fan experience and strengthening stadium profitability. Sport venue hotels are either integrated into the spectating facilities or on site but separate from the main stadium. Milton Keynes benefits from the Doubletree by which is a four star hotel and conference venue built into Stadium MK, with 304 bedrooms and 18 conference and event spaces.

Golf Course Hotels

3.29 Golf course hotels have become increasingly popular. Golf course hotels that host professional championship events are attractive as investments as the increase in trade that comes from the associated publicity and profile. Yet interestingly, investor demand for non-championship golf course hotels appears to be equally robust, with examples including Formby Hall in Merseyside, Hawkestone Park in Shropshire and Woodbury Park in Devon all changing hands in 2017. Within the Milton Keynes area, The Woburn Hotel associated with the Woburn Golf Club is a further example of this.

3.30 These hotels not only provide an opportunity to invest into a business, but also a substantial land asset that could prove to be a sound long-term investment. Several UK golf courses have also created a further income stream by adapting club house space for retail purposes, with large brands such as American Golf now operating from previously unused space.

²⁰ Source: Savills: The UK Extended Stay Market – Winter 2016/17

²¹ Source: Buying Business Travel 'UK Hotels: Independents are Fighting Back' (20/04/2017)

²² Source: <http://www.independenthotelshow.co.uk/report-the-uk-independent-hotel-sector-today>

Factors Affecting Hotel Development

AirBnB

- 3.31 Disruptors such as Airbnb have affected the mainstream hotel market. The sharing economy is here to stay and the growth of Airbnb reflects the growth of technological and social developments.
- 3.32 Unlike budget-conscious holidaymakers, who are willing to book a room in a stranger's home on Airbnb to save on costs, most businesspeople stay in hotels. Employers cite a duty of care to their employees (particularly in terms of safety) and therefore remain wary of booking spare rooms. This is to the benefit of hoteliers. As the growth of budget brands has shown, whilst business travellers may not yet be switching to Airbnb they are trimming their costs.
- 3.33 However those travellers using services like Airbnb would also appear to use hotels. What should be taken into account is that the services hotels provide are different to Airbnb and vice versa. Therefore, Airbnb is not a perfect replacement for the hotel experience. Additionally if in the future there any mandatory regulatory influences in relation to health and safety, unlawful short term letting and tax considerations, then this is likely to affect the growth of this sector.
- 3.34 It is too early to say what the long-term effect of the sharing economy will be on the more established hotel and hospitality industry in general, but the more pessimistic predictions are not coming true as hotels continue to see growth.

Online Travel Agencies (OTAs)

- 3.35 The game-changer in hotel distribution has been the impact of the OTAs, led by the two major players Expedia (Hotels.com) and Priceline (Booking.com). The growing OTA presence and their weight in the channel mix for hotels has seen them grow from nothing to being a very important channel of distribution for hotels. Conversely, this has also witnessed a decrease in other distribution channels, such as traditional tour operators. Additionally, this channel also provides a level playing field for independent hotels as they are as visible and searchable online as other hotels.
- 3.36 There is also now more focus and effort to understand customer behaviour to gain a competitive advantage in the marketplace. The bigger operators, who historically had the budgets to do this, have led this, but it is increasingly common practice with all hotel companies now. Segmentation is now done from a more revenue management point of view rather than sales point of view, with the focus moving from channels to actual customer booking behaviour. This means more investment in hotel technology e.g. revenue management systems, Customer Relationship Management (CRM) and distribution systems, and connectivity amongst them.
- 3.37 However for independents they usually lack the sophisticated revenue management tools used by major chains means they are often forced into offering competitive rates. At the same time, they still pay high rates of commission (up to 30%) to the OTAs on any business gained²³.
- 3.38 The big chains do not like paying high commissions either, but they have the advantage of having some formidable weapons in their armoury, particularly their extensive loyalty schemes – something independent hotels generally lack. But a Barcelona-based company called Wanup has sought to remedy this by developing an online loyalty club specifically for independent hotels, with more than 400 hotels already signed up²⁴.

²³ Source: Buying Business Travel 'UK Hotels: Independents are Fighting Back' (20/04/2017)

²⁴ Source: Buying Business Travel 'UK Hotels: Independents are Fighting Back' (20/04/2017)

- 3.39 In early spring 2016, Hilton was the first major chain to deploy its loyalty scheme 'muscle' when it launched a campaign (called 'Stop Clicking Around') to persuade travellers to book directly to secure exclusive discounts that aren't available to the OTAs. The only qualification was that guests had to be members of its loyalty scheme, Hilton Honors. Hilton's rivals, including Marriott, IHG and Hyatt, soon followed suit but the result has not been as decisive for the chains as they had hoped, and there is some suggestion the OTAs have picked up extra bookings from elsewhere, ironically including from independent hotels.
- 3.40 In 2016, AccorHotels bought 'Onefinestay', UK based international high-end serviced home rental group. The acquisition is part of its plan for countering competition from Airbnb. Additionally, part of AccorHotels financial success has been its cost-cutting, selective disposals and increases in internal efficiency. It has also been making moves to counter the strength of the OTAs, for example by opening up its booking platform to independent hoteliers²⁵.
- 3.41 In July 2017, the UK Competition and Markets Authority (CMA) launched an investigation into hotel-booking sites including Expedia and Booking.com following a series of complaints. The CMA were understood to be concerned about the clarity, accuracy, and presentation of information on these websites and their investigation will look into their search results, discount claims and hidden charges. The outcome of this may influence whether hoteliers increase competition by varying the deals they offer on OTA platforms.

Outlook

- 3.42 Over the next 12 to 18 months we anticipate the following in the hotel sector:
- The budget sector will continue to perform well due to tightening of both corporate and individual budgets.
 - The weakness of sterling will boost inbound tourism to the UK
 - Provincial hotel performance is closely linked to the strength of the UK and local economies.
 - Growth in the sector is likely to decelerate as a result of Brexit related uncertainties
 - Domestic tourism and 'staycations' will boost local tourism and the provincial hotel market.

²⁵ Source: Eye for Travel, 'AccorHotels creates new role for digital growth and greedy OTAs' (23/05/2016)

4 MILTON KEYNES IN CONTEXT

Introduction

- 4.1 This section provides an overview of the Milton Keynes Council area in terms of its accessibility, the performance of the local economy, commercial environment, tourism profile and key infrastructure initiatives. These factors influence the development of the hotel market and ones that may impact upon future hotel demand.

Transport and Connectivity

Road

- 4.2 Milton Keynes is strategically located as part of London's mega-city region that reaches through commuter links and trading links across much of southern and eastern England beyond Greater London. It is well connected by road. The M1 motorway runs to the east of Milton Keynes and serves the city from Junctions 13 and 14; this road provides direct connections to Loughborough, Nottingham and Sheffield to the north, Luton and London to the south. The A5 road runs straight through Milton Keynes. Other main roads are the A509, which links Milton Keynes with Wellingborough and Kettering, and the A421 and A422, both running west towards Buckingham and east towards Bedford.

Rail

- 4.3 Milton Keynes Central railway station serves Central Milton Keynes and the surrounding area of Milton Keynes. The station is located on the West Coast Main Line between the stations of Bletchley and Wolverton. It is served by Virgin Trains intercity services, and by West Midland and Southern regional services.
- 4.4 During off-peak daytime hours, West Midland operate five departures per hour to Euston, two trains per hour to Birmingham New Street (via Northampton), one train per hour to Crewe, and one train per hour that terminates at Northampton. There are additional West Midland services during the rush hour.
- 4.5 Virgin Trains call at Milton Keynes Central three times an hour in each direction off-peak on weekdays. Southbound services are to London Euston, northbound services are to Glasgow/Edinburgh via Birmingham New Street, to Manchester Piccadilly and to Chester. Additional services operate in the morning peak and evening peaks to and from Liverpool Lime Street, Preston, Glasgow Central, Wolverhampton, and other destinations.
- 4.6 Southern's West London Route provides an hourly service via the West London Line and Brighton Main Line to East Croydon (via Clapham Junction), avoiding central London.
- 4.7 Five other railway stations serve the Milton Keynes urban area including Wolverton (north Milton Keynes), Bletchley (south Milton Keynes), Fenny Stratford (south Milton Keynes), Bow Brickhill (south-east Milton Keynes) and Woburn Sands railway station.

Bus

- 4.8 The main bus operator within Milton Keynes is Arriva Shires & Essex, providing a number of routes which mainly pass through or serve Central Milton Keynes.
- 4.9 Milton Keynes is also served by Arriva-branded services from Aylesbury and Luton. Furthermore, Stagecoach East which operate routes to Oxford, Cambridge, and Stagecoach Midlands operates routes to Peterborough and Leicester.

4.10 Some local services are run by independent operators such as Z&S International and Centrebus.

Air

4.11 Milton Keynes nearest international airport is London Luton Airport, which is accessible by Stagecoach route 99 from MK Central Station. There is also a direct rail connection to Birmingham International station for Birmingham Airport.

Employment

4.12 ONS data shows that there are currently 138,000 economically active persons in the Milton Keynes Council area. This represents 80% of the potentially working population and is broadly in line with the South East average and marginally higher than the Great Britain (GB) average. Unemployment levels are higher than the South East average but lower than the GB average.

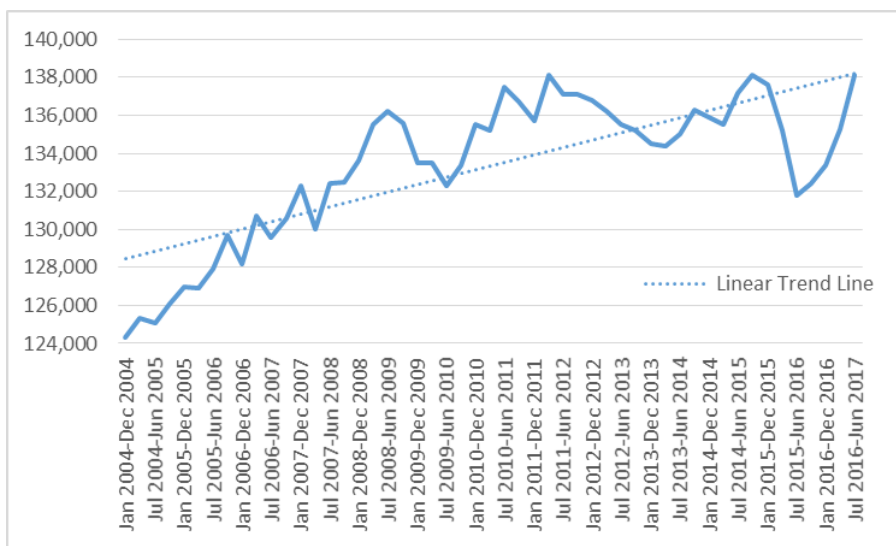
Table 4.1: Employment and Unemployment (Jul 2016-Jun 2017)

Profile	Milton Keynes (Numbers)	Milton Keynes (%)	South East (%)	Great Britain (%)
Economically Active	138,000	80	81	78
Unemployed	5,800	4.2	3.5	4.6

Source: ONS Nomis Data²⁶

4.13 Over time the broad trend in employment is positive with substantial growth since 2004 as shown below.

Figure 4.1: Milton Keynes LPA Area: Economically Active Persons (2004 – 2017)



4.14 The Council's Economic Growth and Employment Land Study (2017) forecasts employment growth in the order of +17% over the period 2016-2031 as detailed below:

- Based on Experian forecast estimates the number of jobs will increase from 157,300 in 2016 to 185,300 in 2031, an increase of 28,000 (17.8% overall or 1.1%pa over the period).
- Based on the East of England Forecasting Model (EEFM) total employment is expected to grow from 186,609 jobs in 2016 to 218,541 jobs in 2031, an increase of 31,932 (17.1% overall or 1.1%pa over the period) .

²⁶ See <https://www.nomisweb.co.uk>

- 4.15 The Experian forecasts predict employment growth will be dominated by ‘Land Transport, Storage and Post’ and ‘Professional Services’ whilst the EEFM data indicates that ‘Professional Services’ and ‘Business Services’ will experience the highest levels of employment growth. This data also suggests that there is a much higher expectation of growth within non-B Class employment, in particular ‘Retail’.

Commercial Environment

List of Major Employers

- 4.16 According to the latest ONS UK Business Count data²⁷, the Milton Keynes economy contained around 12,500 active enterprises in 2017. Most of these businesses are small, 90% employ fewer than 10 people. Analysis of business numbers by industrial sector illustrates the relative significance of business services in the area – in particular, computer programming & consultancy services (around 2,100 business units); activities of head offices and management consultancy (over 1,200 business units); and office administrative, office support and other business support activities (with almost 600 business units).
- 4.17 The Milton Keynes Council area also has a substantial urban economy. In this way it has developed a significant number of socio-economic assets, or “anchor institutions”. Anchor institutions are public and private sector assets that shape the character of towns and cities, contributing towards the development of the local economy. These are detailed below:

Table 4.2: Anchor Institutions with Substantial Employment and Leisure Base

Theme	Name of Institution	Notes
Large Private Sector Employers	Mercedes Benz	UK HQ
	Suzuki	UK HQ
	Home Retail Group	UK HQ
	Domino's Pizza	UK HQ
	Network Rail	HQ
	Santander	UK HQ
	Volkswagen Financial Services	UK HQ
	John Lewis / Waitrose	Opened major distribution centre in 2009
	River Island	Distribution centre.
	Mazars LLP	Large accountancy Firm
	Red Bull Racing	Technical research and manufacture.
AG Barr	Production and distribution centre.	
Prodrive	Works in the automotive, aerospace, marine sectors.	
Cultural, Sports & Leisure	The National Bowl	Outdoor venue for large scale events, accommodating 65,000 people.
	Bletchley Park	Wartime heritage sit and National Museum of Computing
	Milton Keynes Theatre	Auditorium seats 1,400. One of the region's leading live entertainment venues.
	MK Gallery	Contemporary art centre.
	The Stables	Music venue in village of Wavendon hosting over 350 concerts and around 250 education events a year.
	Chrysalis Theatre	Willen Park multi-function venue.
	Sports Stadium:MK	Stadium:MK holds a capacity of 30,500 and is home to MK Dons Football Club.
Universities & Further Education	Arena:MK	Arena:MK adjacent to Stadium:MK .
	Centre:MK	Major shopping centre
	Intu Milton Keynes	Southwards extension of the shopping centre that opened in 2000.
	Xscape	170m long indoor ski slope and indoor sky diving facility. Plus retail and leisure facilities.
	Formula Fast	Indoor Karting centre: one of the biggest indoor circuits in UK.
Universities & Further Education	Open University headquarters	The MK campus employs around 1,200 full time academics.
	University Campus Milton Keynes (UCMK)	Part of University of Bedfordshire.
	Milton Keynes College	Around 3,000 students on site.
Health Sector	Milton Keynes University Hospital	NHS Foundation Trust. University status through teaching with University of Buckingham.

Source: Source: Milton Keynes Local Economic Assessment (2016) and Milton Keynes Council (2018)

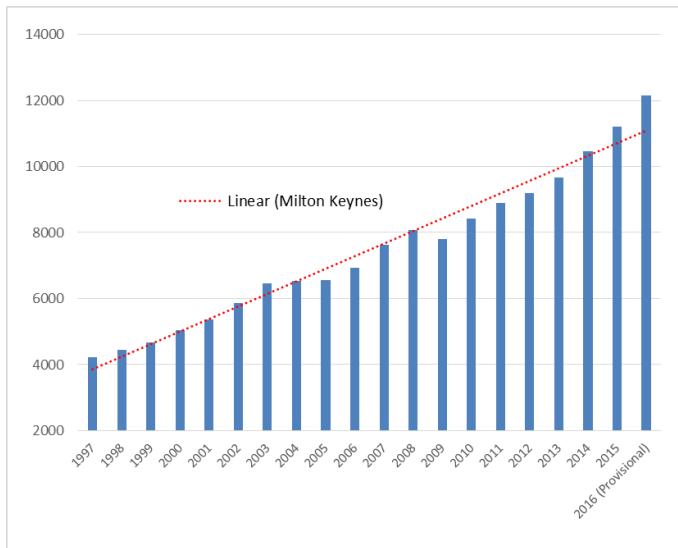
- 4.18 The combined influence of a strong local economy and the rate of employment growth (between 28,000 and 32,000) represents a significant amount of potential demand that has an inevitable bearing on the future growth of both the business and leisure hotel market in Milton Keynes.

²⁷ Source: Nomis - UK Business Counts - local units by industry and employment size band

GVA²⁸ Growth

- 4.19 The Council's Local Economic Assessment (2016) estimates that the annual economic output, measured as GVA generated is over £9.7 billion (in 2013). According to the ONS data over the period 1997 to 2016 the GVA for the Council area has grown from £4.2 billion to £12.14 billion (provisional) an increase of 187% or growth of 5.7% per annum representing a significant level of growth.

Figure 4.2: Milton Keynes GVA (1997 – 2016) (£bn)



Source: ONS Regional Gross Value Added (Income Approach) by Local Authority in the UK

- 4.20 The GVA of over £11.2 billion (in 2015) and £12.14 billion in 2016 (provisional) (an 8% increase), equates to GVA per worker of £64,800 per year which ranks labour productivity in Milton Keynes as the fifth highest of UK cities. The GVA produced within Milton Keynes is greater than that for comparable towns such as Bedford (£4.04 billion), Luton (£5.33 billion) and Swindon (£6.97 billion); and comparable to some of England's core cities such as Liverpool (£11.16 billion) and Nottingham (£9.06 billion). Overall the business base within the Council area has continued to reinforce a range of high productivity sectors, including distribution, finance and insurance and business services²⁹.

Infrastructure Improvements and Other New Investment

- 4.21 The following details the key upcoming infrastructure and development projects within the Milton Keynes Council area.

East West Rail Link

- 4.22 Support has been given by the Department of Transport to reopen an East West rail link between Cambridge and Oxford via Bicester, Milton Keynes, Aylesbury and Bedford. This line will connect the Thames Valley with South East Midlands and East Anglia including the east coast ports³⁰. Funding is committed for the western section of the line, which involves upgrading and reconstructing sections of existing and disused track to allow the reintroduction of passenger and freight services between Bedford and Oxford, Milton Keynes and Aylesbury. The government announced £110 million of funding in the 2016 Autumn Statement to accelerate work on the

²⁸ Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom.

²⁹ Source: Milton Keynes Council and Milton Keynes Development Partnership Employment Land Review and Economic Growth Study Phase 1 Technical Analysis: Final Report November 2015, Para.2.50 and Office for National Statistics: <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedincomeapproach>

³⁰ Source: PROMIS report for Milton Keynes (November 2017),

Oxford to Bedford link. Services from Milton Keynes to Oxford and from Milton Keynes to Aylesbury are due to commence in 2023/2024.

- 4.23 The implications are that it will improve Milton Keynes as a commuter destination and thereby potentially attract new employers and jobs. The proposed East-West Rail link, which is routed through Bletchley, has created interest in potential links with, and improvements to, Bletchley Railway Station. The East-West Rail will place Bletchley at the intersection of strategic east-west and north-south rail routes linking key centres of economic activity.

The Brain Belt

- 4.24 The Oxford-Cambridge Expressway, being developed in 'the Brain Belt' between Oxford and Cambridge is being considered as part of the Road Investment Strategy. The expressway, via Bedford and Milton Keynes, would link existing roads between Oxford and Cambridge and bring about improvements in travel times. As part of the Expressway a new section of dual carriageway road will be constructed in the area between the M1 and M40 linking Milton Keynes to Oxford and Cambridge.
- 4.25 Additionally, the National Infrastructure Commission's (NIC) proposals for growth along the Cambridge-Milton Keynes-Oxford arc provides a major opportunity for Milton Keynes to work closely with Oxford and Cambridge to attract investment to promote inclusive economic growth³¹.

Central Milton Keynes (CMK) Specific Development

- 4.26 Policy SD3 of the emerging Plan: MK sets out the CMK's growth and areas of change. It proposes CMK to accommodate 1,900 new homes; 150,000 sqm to 200,000 sqm office floorspace; a new university of Milton Keynes (MK:U) and the MK College; and additional hotel floorspace. This will add further critical mass to the centre. Other proposed developments include:
- The owners of the Intu centre have secured an outline permission for its redevelopment to create a maximum of approximately 11,000sqm of additional floor space (Planning Ref: 15/01074/OUT). The permission allows for flexibility in the final balance of uses but the following mix is indicated: 4000sqm of A1 (retail) & A2 (financial and professional), 1,500sqm of A3 (restaurant and café), 1,100sqm of A5 (hot food takeaway), 1800sqm of D2 (leisure) uses and over 2,600sqm of servicing areas and toilets. There would also be approximately 2600sqm of servicing areas and toilets. The outline scheme includes details of access and layout whereas matters related to scale, design and landscaping are reserved for future applications. The owners are looking to deliver a boutique cinema as part of the scheme.
 - The Point benefits from outline planning permission for its redevelopment which was granted in February 2015 (Planning Ref: 13/01729/OUT). This will provide a range of retail (use classes A1, A2, A3, A4 and A5) and leisure (use class D2) uses and incorporating a maximum of 20,600 sqm. (Gross Internal Area) floorspace. This site now forms a primary opportunity for redevelopment. We consider the redevelopment of this site as beneficial to the overall vitality of the centre.
 - The Theatre District, one of the less successful leisure destinations in the city, is being extended and refurbished with a new Premier Inn hotel opened in summer 2017. A new art gallery and boutique cinema will also be built on an adjoining plot. When complete, the scheme will be rebranded as '12th Street'.
 - Lloyds Court, 28 Secklow Gate was granted planning permission in March 2016 (Planning Ref: 15/01600/FUL). The scheme seeks to retain the existing façade, and to create 10,538 sqm space, including Use Class A1 convenience retail (up to 2,892 sqm), comparison retail (up to 10,413 sqm), service (up to 454 sqm), Use Class A2 retail (up to 3,561 sqm), Use Class A3 retail (up to 3,015 sqm), Use Class A4 retail (up to 694 sqm), sui generis betting office space (up to 291 sqm), and Use Class D1 space (up to 448 sqm). The scheme also includes demolition and removal of courtyards, retention of

³¹ Source: Milton Keynes: Making a Great City Greater – Summary (2016) (http://www.mkfutures2050.com/images/pdfs/reports/MK50_Futures_Summary_Report.pdf)

existing unit let to Lloyds Bank, and the addition of an enclosed delivery bay, cycle parking spaces and improvements to the public realm. The scheme aims to open in Autumn 2018.

- MK Gallery has been granted planning permission for refurbishment and extension of 1,287 sqm (Planning Ref: 14/02470/FUL) subject to a S106 Agreement being signed. This will incorporate ancillary D2 (Assembly and Leisure), A1 (Shops), A3 (Restaurants and Cafes) and A4 (Drinking Establishments) uses; refurbishment and alterations to the facade of the existing building; alterations to the existing landscaping, including the creation of a new cafe terrace and new access.
- A planning permission at 402 North Row will be issued following the signing of a S106 Agreement for phased clearance and redevelopment of the site to provide a new YMCA residential hostel (C1) with 196 residential units and a range of non-residential facilities (A1, A2, A3, B1, D1 and D2) alongside a residential apartment development providing up to 261 apartments, ancillary accommodation and commercial space capable of accommodating A1, A2, A3, B1 and D1 uses (Planning Ref 16/01769/FUL).

Other Development

- 4.27 An extension to MK1 Shopping Park at Denbigh was completed in 2017. A new freestanding block between Marks & Spencer and the leisure terrace was built with several retail units.

Population Growth

- 4.28 In 2017, some 267,135 people were estimated to be living in the Council area³². The Council's Strategic Housing Market Assessment (SHMA) (2017)³³ indicates that between 2016 and 2031, the population will increase by 43,300 during this period (based on Sub-National projections) and 47,229 persons (based on 10 year trend projections) over the same time. Historically the Council area has shown strong population growth, by way of example, between 2001 and 2013, the population of Milton Keynes increased by 43,000 – a growth of 20.2% compared with a growth rate of 8.9% for England.³⁴

Housing

- 4.29 Based on household projections and according to the Council's proposed Submission Plan (October 2017) the Council is proposing 29,000 dwellings over the 15-year period 2016-31³⁵, equivalent to an average of 1,933 dwellings per year. This may increase to 32,000 dwellings if a Housing Infrastructure Fund (HIF) funding bid by the Council is successful for infrastructure to develop land east of the M1 motorway³⁶.

Tourism and Leisure

Key Statistics

- 4.30 According to Visit England, in 2016 there were 7.5m visits to Milton Keynes representing an estimated £337 million of tourism spending. The majority of this spending (£273m) was by day visits with the remainder (£64m) representing overnight trips. Of the £64m overnight trips £25m was attributed to holidays, £19m to visiting friends & relatives and further £19m on business trips.
- 4.31 Of the 7.5m visits to Milton Keynes the majority of this, some 7.1m was by day visits with the remainder (0.4m) representing overnight trips. Of the 360,000 (i.e. 0.4m - rounded figure) overnight trips 89,000 was attributed to holidays, 192,000 to visiting friends & relatives and further 81,000 on business trips.

³² Source: Milton Keynes Council, Planning Department

³³ Milton Keynes Strategic Housing Market Assessment 2016-2031 (February 2017) Pg(s) 81, 84, 25

³⁴ Source: <https://www.milton-keynes.gov.uk/your-council-and-elections/statistics/population-statistics>

³⁵ Source: Plan:MK, Proposed Submission Plan:MK October 2017 Consultation (para 3.1)

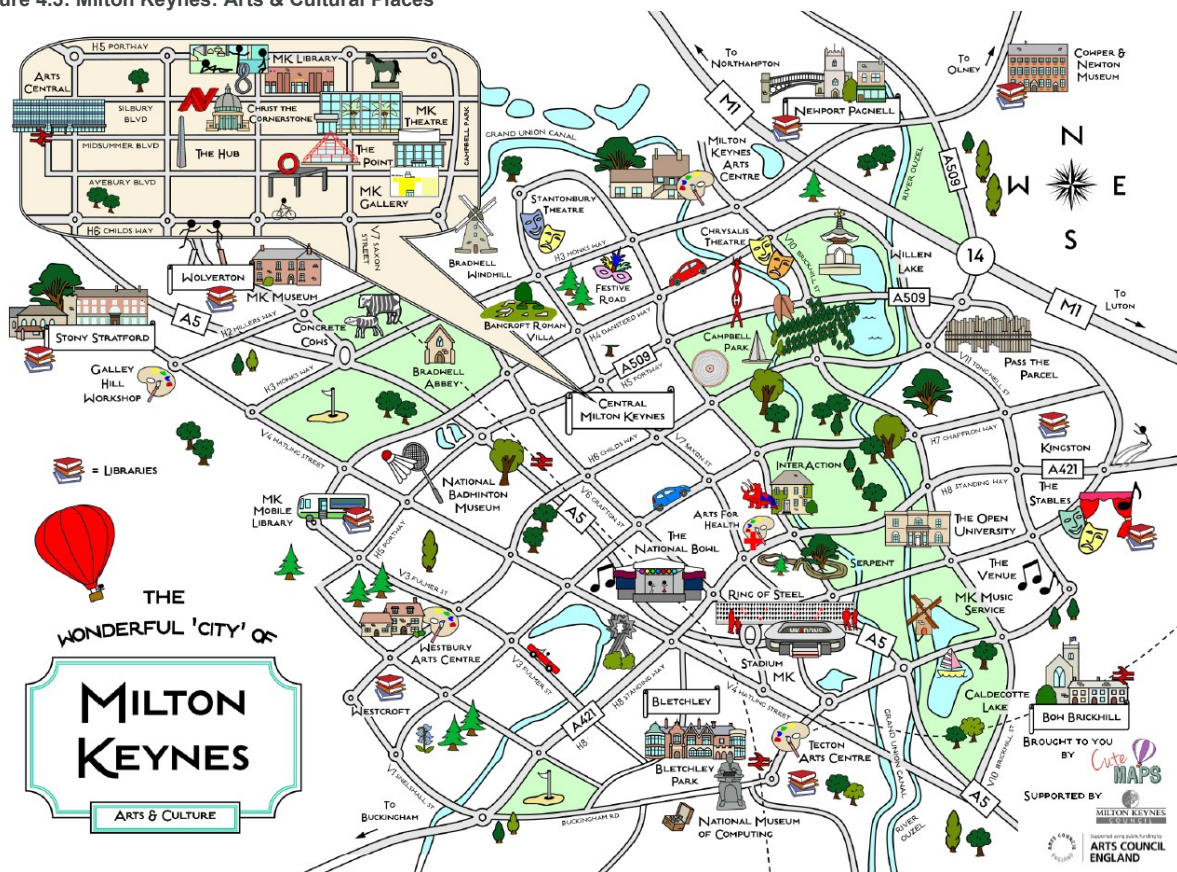
³⁶ Source: Milton Keynes Council, Planning Department

4.32 The Milton Keynes Local Economic Assessment (2016) provides that in 2012, 11,000 jobs in Milton Keynes were in tourism industries (encompassing jobs in accommodation, restaurants, and visitor attractions).

Tourism Demand Generators

4.33 The current leisure offer within CMK is varied with a choice for visitors to the Council area. Culturally and historically, Milton Keynes brings together theatre, museums, art, sculpture and architecture all within close proximity to CMK and the surrounding areas. Xscape offers a range of leisure activities including a bowling alley (Hollywood Bowl), cinema (Cineworld), indoor skydiving, indoor ski slope (Snozone) and a 24/7 casino, alongside a range of restaurants. The Milton Keynes Theatre and the art Gallery are also popular destinations. CMK has a growing leisure economy that caters for residents and those that work in the City but live outside the Council area. CMK is also served by a range of bars and restaurants.

Figure 4.3: Milton Keynes: Arts & Cultural Places



Source: Destination Milton Keynes

4.34 Beyond CMK, the Council area has 5,000 acres of parkland and woodland, over 150 public art sculptures, 21km of canal towpaths and network of over 270km of Redway cycle routes. Additionally there are sites of historical importance including code-breaking at Bletchley Par, John Newton’s ‘Amazing Grace’ in Olney and museums (National Badminton Museum, The National Museum of Computing and The Cowper & Newton Museum).

4.35 Notable festivals include Milton Keynes International Festival that transforms the city centre and green spaces of Milton Keynes. Festival-goers enjoy ten days of outdoor and large-scale performance, stand-up comedy, live music, family activities, and pop-ups. In 2016 the Electric Daisy Music Festival was also held at the Milton Keynes Bowl.

- 4.36 The Milton Keynes Local Economic Assessment (2016) provides that the most commonly visited attraction in Milton Keynes³⁷ was centre:MK, (91%), followed by Xscape (83%) and Intu Midsummer Place (72%).
- 4.37 Milton Keynes is also well located for a number of popular tourist destinations in the wider surrounds and is a potential base to explore these areas. According to Destination MK, the following key attractions are located within a 25 mile radius of Milton Keynes, namely:
- Woburn Safari Park – 8 miles away, it is Britain’s largest drive-through safari park.
 - The Forest Centre – 9 miles away, it is at the very heart of the Forest of Marston Vale – the 61 square mile area between Bedford and Milton Keynes.
 - Towcester Racecourse – 12 miles away, is one of the most picturesque racing venues in the country.
 - Woburn Abbey – 12 miles away, the ancestral home of the Duke of Bedford, houses private collections of art, furniture and porcelain on public view.
 - Grand Union Canal and Canal Museum, Stoke Bruerne – 12 miles away, The Canal Museum is at the heart of the village of Stoke Bruerne on the Grand Union Canal containing displays, films and collections all about British canals.
 - Silverstone Racing Circuit – 18 miles away, is internationally renowned as one of the world’s most famous motorsport venues and home of the British F1 Grand Prix and the British Racing Driver’s Club.
 - Dunstable Downs (National Trust) – 19 miles away, is an Area of Outstanding Natural Beauty and a kite-flying hotspot.
 - Whipsnade Zoo – 20 miles away, is one of Europe's largest wildlife conservation parks covering 600 acres.
 - Wrest Park - 20 miles away, English Heritage is reviving one of Britain's largest and most important 'secret gardens' – with a 90-acre historic landscape and French-style mansion.
 - Buckinghamshire Railway Centre, Quainton - 20 miles away, is a working steam museum on a 25 acre site.
 - Santa Pod Raceway - 22 miles away, is the home of European Drag Racing and is host to the televised FIA European Drag Racing Championships.
 - Waddesdon Manor (National Trust), near Aylesbury - 22 miles away, is a Renaissance-style château was built by Baron Ferdinand de Rothschild to display his outstanding collection of art treasures.
 - Ashridge National Trust - 25 miles away, consist of woodlands and chalk downland at the north end of the Chiltern Hills.

Summary

- 4.38 The contextual analysis illustrates that the Council area and CMK in particular is highly accessible and well connected. The M1 motorway runs to the east of Milton Keynes and serves the city from Junctions 13 and 14; this provides direct connections to Loughborough, Nottingham and Sheffield to the north, Luton and London to the south. The area is set to benefit further from the East West railway that will improve Milton Keynes as a commuter destination and thereby potentially attract new employers and jobs. The East-West Rail will also place Bletchley at the intersection of strategic east-west and north-south rail routes linking key centres of economic activity.
- 4.39 Employment in the Council area has been positive with substantial growth since 2004. Employment growth will be dominated by ‘Land Transport, Storage and Post’, ‘Professional Services’, ‘Professional Services’ and

³⁷ Source: Milton Keynes Local Economic Assessment (2016), Para.4.36.

'Business Services'. Over the years, CMK has successfully attracted inward investment and has firmly established itself as a leading centre for computer programming & consultancy services, activities of head offices and management consultancy. The combined influence of a strong local economy and the rate of employment growth represents a significant amount of potential demand.

- 4.40 In addition to the wider economic growth within the Council area, there are additional demand generators for visiting the Council area including the shopping offer (centre:MK, Intu Midsummer Place) and the critical mass of leisure facilities (Xscape, Hollywood Bowl, Cineworld, Snozone, Stadium MK, amongst others). Furthermore, the Council area is in close proximity to popular tourist destinations in the wider surrounds.
- 4.41 Overall the combination of enhanced accessibility, employment growth, housing and population growth and a critical mass of retail and leisure provision provides the potential for positive growth in hotel demand across the wider Council area.

5 HOTEL SUPPLY

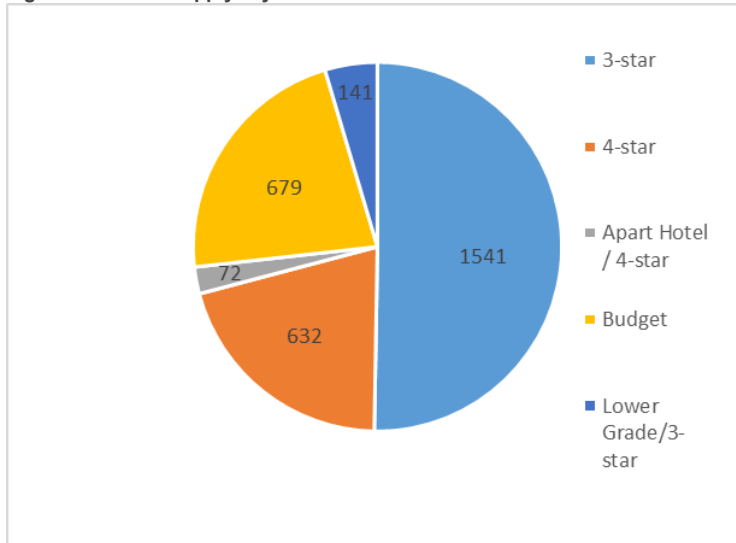
- 5.1 In quantifying the existing supply of hotel stock in the Council area we have incorporated 'registered' accommodation (i.e. accommodation including 'apart-hotels' listed with the AA who are responsible for providing a harmonised rating scheme for hotels in England). We have also included additional hotels listed with STR or through our own research. To note that STR do not apply the same harmonised star rating scheme to their database of hotels and in instances where they are not recognised by the AA we have interpolated star rating classifications from established OTA's such as Booking.com and Expedia.com and made our own judgements.
- 5.2 There are currently 34 hotels within the Milton Keynes Council area, with a total of 3,065 bedrooms in 2017. This current hotel supply is detailed below and shown in **Appendix 1**:

Table 5.1: 2017: Hotel Supply Summary

Hotel Name	Rating	No. of Rooms
Holiday Inn Milton Keynes East M1 Junction 14	3-star	53
Holiday Inn Milton Keynes Central	3-Star	166
Campanile Milton Keynes Fenny Stratford	3-Star	78
Best Western Milton Keynes Hotel	3-Star	31
Holiday Inn Express Milton Keynes	3-star	192
Novotel Milton Keynes	3-star	124
Jurys Inn Milton Keynes	3-star	279
Kents Hill Park Hotel Training & Conference Centre	3-star	330
Harben House Hotel	3-star	137
Swan Revived Hotel	3-star	40
Ramada Milton Keynes	3-star	101
Church House Hotel	3-star	10
Mercure Milton Keynes Abbey Hill	4-star	92
Hilton Milton Keynes Hotel	4-star	138
Woughton House MGallery by Sofitel	4-star	50
Doubletree Milton Keynes	4-star	304
Chicheley Hall	4-star	48
Cotels Vizion Milton Keynes	Apart Hotel / 4-star	44
ShortStay Milton Keynes	Apart Hotel / 4-star	28
Premier Inn Milton Keynes South	Budget	61
Premier Inn Milton Keynes Central	Budget	38
Travelodge Milton Keynes Shenley Church End	Budget	50
Travelodge Milton Keynes Central Hotel	Budget	80
Travelodge Milton Keynes @ The Hub Hotel	Budget	159
Premier Inn Milton Keynes South West Furzton Lake	Budget	120
Premier Inn Milton Keynes East Willen Lake	Budget	41
Premier Inn Milton Keynes Theatre District	Budget	130
The Queen Hotel	Lower Grade	11
Hatton Court Country House Hotel	Lower Grade/3-star	20
The Old George Inn	Lower Grade/3-star	10
Cock Hotel Stony Stratford	Lower Grade/3-star	30
The Bull Hotel	Lower Grade/3-star	12
Peartree Lodge Hotel Waterside	Lower Grade/3-star	39
The Different Drummer Hotel	Lower Grade/3-star	19
	Total	3,065

- 5.3 By way of summary, the current supply in terms of room numbers, is dominated by 3-star establishments accounting for 50% of the stock followed by Budget hotels (22%) and 4-star (21%) establishments. The serviced apart hotels account for only 2% of the stock.

Figure 5.1: Hotel Supply: By Hotel Grade and No. of Rooms



- 5.4 The current supply of stock shows that Milton Keynes does not have any five star or boutique hotels and very little provision in terms of aparthotels and serviced apartments.

Geographic Distribution of Supply

- 5.5 In terms of the geographical distribution of supply, three key sub-markets have been defined based on the broad criteria below:

- **Town Centres:** hotels located within 1 mile radius of CMK and other town centres;
- **Edge of Centre:** hotels located within 2 miles of CMK (as the dominant centre); and
- **Out-of-Centre:** all other hotels not within 2 miles of CMK and 1 mile of other centres.

- 5.6 **Appendices 2 and 3** illustrate locations of the hotels based on this criteria. **Table 4.2**, shows the tabulated data. In summary, the data shows the following:

- Of the 3,065 bedrooms identified in the Council area, almost half (1,440 bedrooms) are within a two mile radius of CMK, 1,048 bedrooms are within a 1-mile radius and a further 392 within a 2-mile radius;
- 288 bedrooms are located within a 1-mile radius of Newport Pagnell
- 71 bedrooms are located within a 1-mile radius of Stony Stratford
- 382 bedrooms are located within a 1-mile radius of Fenny Stratford
- 11 bedrooms within a 1-mile radius of Olney
- 873 bedrooms are located in Out-of-Centre locations

Table 5.2: Hotel Supply By Distance Geography

Distance Radius	Hotel Name	Rating	No. of Rooms
CMK: 1-Mile	ShortStay Milton Keynes	Apart Hotel / 4-star	28
	Premier Inn Milton Keynes Central	Budget	38
	Cotels Vizion Milton Keynes	Apart Hotel / 4-star	44
	Travelodge Milton Keynes Central Hotel	Budget	80
	Novotel Milton Keynes	3-star	124
	Premier Inn Milton Keynes Theatre District	Budget	130
	Travelodge Milton Keynes @ The Hub Hotel	Budget	159
	Holiday Inn Milton Keynes Central	3-Star	166
	Jurys Inn Milton Keynes	3-star	279
	Sub-Total		1048
CMK: 2-Mile	Peartree Lodge Hotel Waterside	Lower Grade/3-star	39
	Premier Inn Milton Keynes East Willen Lake	Budget	41
	Travelodge Milton Keynes Shenley Church End	Budget	50
	Woughton House MGallery by Sofitel	4-star	50
	Mercure Milton Keynes Abbey Hill	4-star	92
	Premier Inn Milton Keynes South West Furzton Lake	Budget	120
		Sub-Total	
Newport Pagnell: 1 Mile	Church House Hotel	3-star	10
	Swan Revived Hotel	3-star	40
	Ramada Milton Keynes	3-star	101
	Harben House Hotel	3-star	137
	Sub-Total		288
Stony Stratford: 1-Mile	The Old George Inn	Lower Grade/3-star	10
	The Bull Hotel	Lower Grade/3-star	12
	The Different Drummer Hotel	Lower Grade/3-star	19
	Cock Hotel Stony Stratford	Lower Grade/3-star	30
	Sub-Total		71
Fenny Stratford: 1-Mile	Campanile Milton Keynes Fenny Stratford	3-Star	78
	Doubletree Milton Keynes	4-star	304
		Sub-Total	
Olney: 1-Mile	The Queen Hotel	Lower Grade	11
		Sub-Total	
All Other / Out-of-Centre Locations	Hatton Court Country House Hotel	Lower Grade/3-star	20
	Best Western Milton Keynes Hotel	3-Star	31
	Chicheley Hall	4-star	48
	Holiday Inn Milton Keynes East M1 Junction 14	3-star	53
	Premier Inn Milton Keynes South	Budget	61
	Hilton Milton Keynes Hotel	4-star	138
	Holiday Inn Express Milton Keynes	3-star	192
	Kents Hill Park Hotel Training & Conference Centre	3-star	330
		Sub-Total	
	OVERALL TOTAL		3,065

- 5.7 Given the critical mass of CMK, there is a concentration of hotels in and around the central area. The growth of the provision in Fenny Stratford, Olney and Newport Pagnell has been organic based on the proximity of these centres to major road arteries. In the case of Fenny Stratford and Olney it is the A509 and M1 for Newport Pagnell. In relation to Stony Stratford this is based on historic growth and influenced by the old London Road/Watling Street and proximity to the current A5.

- 5.8 The distribution of the hotels also indicates a majority of the cluster are in built up areas. The exceptions to these are Chicheley Hall and Holiday Inn Milton Keynes East by the M1 at Junction 14.
- 5.9 The broad pattern of distribution also shows a distinct north/south divide with concentration of provision to the south of the Council area and little provision to the north.
- 5.10 The analysis of distribution also indicates that despite the concentration of hotel provision to the south of the Borough, and especially within the broad built-up area of the city, there is no provision within Bletchley, which is set to benefit from the East West Rail route.

Conference Facilities

- 5.11 Further analysis of the stock has been undertaken to determine the supply of conference/venue facilities as defined by meeting room floorspace. This is shown below:

Table 5.3: Meeting/Conference Facilities (capacity in terms of number of persons)

Hotel Name	Largest Meeting Space (sq m)	Total Meeting Space (sq m)
Kents Hill Park Hotel Training & Conference Centre	279	3,348
Doubletree Milton Keynes	884	2,086
Hilton Milton Keynes Hotel	655	1,838
Jurys Inn Milton Keynes	430	758
De Vere Horwood Estate	130	608
Chicheley Hall	84	349
Holiday Inn Milton Keynes Central	108	334
The Woburn Hotel	186	314
Woughton House MGallery by Sofitel	120	286
Mercure Milton Keynes Abbey Hill	84	269
Novotel Milton Keynes	63	161
Best Western Moore Place Hotel	42	115
Swan Revived Hotel	70	93
Premier Inn Milton Keynes Central	42	42
Holiday Inn Milton Keynes East M1 Junction 14	27	27
Ramada Milton Keynes	9	9
Total	3,212	10,635

Source: STR Data

- 5.12 The table shows that within the Council area The DoubleTree (built into Stadium MK) has the largest meeting space (884 sq m), followed by Hilton Milton Keynes (655 sq m), Jury’s Inn (430 sq m) and Kent’s Hill Hotel & Training (279 sq m). In terms of the total quantum of meeting space available, Kent’s Hill Hotel & Training ranks the highest (3,348 sq m) followed by DoubleTree (2,086 sq m). We understand that Kent’s Hill Park was initially exclusively used by British Telecom as a training facility until 2000 thereafter taken up by Accenture who made use of the site until 2010. Since then it has been marketed to the public via OTAs. In broad terms the Council area has a wide range of different sized conference and meeting venues, albeit oriented towards small to medium scale. This is an area that is perhaps undercapitalised in terms of the marketing of Milton Keynes as a potential conference destination and one that could be capitalised upon further.

Future Supply

- 5.13 The current provision of **3,065** rooms is anticipated to grow by a further **328** bedrooms to **3,393** bedrooms (11% increase) after accounting for the following extant commitments:

- Planning Ref: 17/02140/FUL: Norfolk House West Silbury Boulevard Central Milton Keynes Milton Keynes MK9 2AH. Change of Use from Office (Use Class B1) to Hotel (Use Class C1) granted planning permission in October 2017 for the conversion from office space to be used as a boutique hotel of **124 bedrooms**. At the time of writing this report press reports indicate that EasyHotel has conditionally acquired a 125 year leasehold and expected to open by mid-2019 at a cost of approximately £8.7m³⁸.
- Planning Ref: 17/02056/FUL: Broughton Hotel Milton Road Broughton Milton Keynes MK10 9AA. Two storey extension to existing hotel to provide **20 additional guest bedrooms** with associated car parking and landscaping granted planning permission in September 2017.
- Planning Ref: 17/01009/FUL: Mercure Parkside Hotel Newport Road Woughton On The Green, Milton Keynes MK6 3LR. Granted planning permission in August 2017 for the erection of part single and part two storey extension to provide **23 additional bedrooms**, car parking, landscaping and associated works.
- Planning Ref: 17/00918/OUT: Tattenhoe Park Snelshall Street H7 To H8 Milton Keynes. Permission granted in August 2017 for the renewal of outline planning permission 06/00856/MKPCO for residential development of up to 1310 dwellings, a mixed use local centre of up to 2,000 sq m, site for primary school (now delivered), community facilities, hotel (up to **50 bedrooms**) and public house, public open space and associated landscaping and infrastructure for an extended period of 10 years and amendments to the illustrative masterplan including removal of the bus link to Steinbeck Crescent, relocation of local centre to eastern boundary and relocation of sports pavilion and sites reserved for community use.
- Planning Ref: 13/00652/OUT: Land at Brooklands to NE of A5130 and East of Brooklands Farm. Permission granted in July 2013 for the variation of condition 2 (for the relocation of community reserve site within the approved Brooklands Development Brief) attached to outline planning permission 06/00220/MKPCO for residential development comprising up to 2501 units, a new mixed use commercial centre, a hotel, a segregated public transport route, public open space, sites for three schools, ancillary roads, structural landscaping and infrastructure including an extension to Broughton Brook Linear Park and construction of Brooklands Public Open Space Ridge along the eastern boundary of the site. The hotel could be up to up to 6,000 sq m (gross). We have calculated that this broadly equates to **111 rooms**³⁹.

5.14 In addition to the above, and at the time of writing this report, we have been informed by the Council that there are two further hotel applications pending determination, namely:

- Planning Ref: 17/03053/FUL: Planning application for full planning permission for hotel (use class C1) with ancillary facilities including conference restaurant and leisure facilities associated public realm works and access at Coach Park Marlborough Gate Central Milton Keynes. This application is for Hotel la Tour is for a **250 bedspace** hotel on the Coach Park between the John Lewis store in the centre:mk shopping building to the west and Marlborough Gate to the east.
- Planning Ref: 17/00137/OUT: Planning Application for a Moxy hotel (part of the Marriott group of hotels) with Palmer Capital Partners and Vastint Hospitality BV on land to the south-east of Cresswell Lane and north of Avebury Boulevard on Block C3 in Central Milton Keynes. The site lies at the junction of South Fifth Street at its junction with Avebury Boulevard. The application is for outline planning permission for the delivery of a hotel of 9,350 sq m gross external area with **256 bedrooms** with associated parking and landscaping. The hotel includes an ancillary bar and restaurant.

³⁸ Source: New £8.7m hotel to open in Milton Keynes (MK Citizen: 26/01/2018) <https://www.miltonkeynes.co.uk/news/new-8-7m-hotel-to-open-in-milton-keynes-1-8349923>

³⁹ Based on an assumed a gross to net of 65% to take into account service areas, corridors, plant areas etc and an assumed average room size of 35 sqm (for say a new 3-star or 4-star hotel).

- 5.15 If the above applications are positively determined the total number of bedrooms will increase to 3,899 representing a 27% increase from the current total. These schemes would also represent the entry of two new brands in to the Council area.

Summary

- 5.16 The current supply shows there is a broad representation of branded and independently-operated hotels across various grades and quality. The analysis has identified there were approximately 34 hotels within the study area, containing 3,065 hotel bedrooms. Of the identified supply there is an orientation towards 3-star establishments (50% of the existing stock) as well as budget hotels (22%) and 4-star properties (21%). The total number is anticipated to increase to 3,393 bedrooms should the extant planning permissions be implemented. Additionally this could increase to 3,899 bedrooms if the pending applications for Moxy Hotels and Hotel la Tour are granted planning permission.

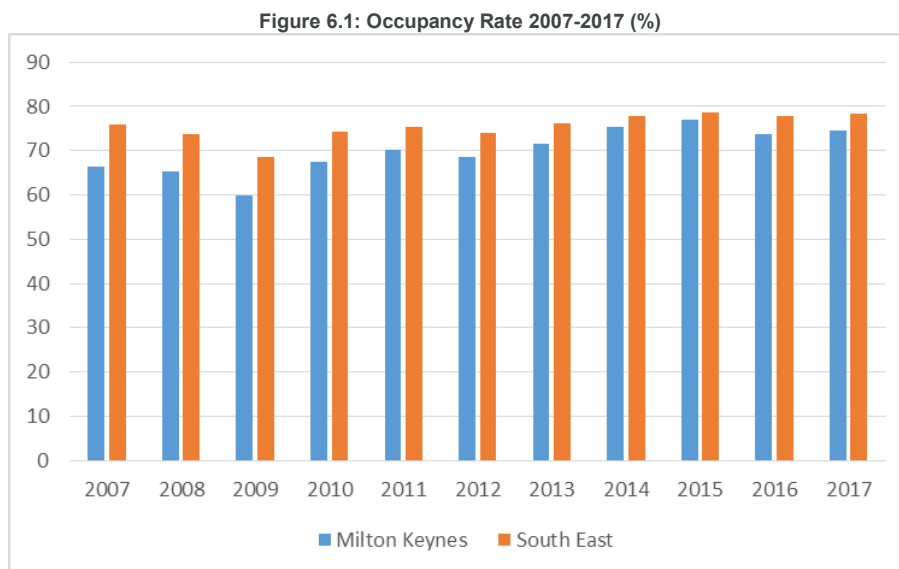
6 HOTEL PERFORMANCE

6.1 This section details the average annual room occupancies, average daily room rate (ADR)⁴⁰ and RevPAR⁴¹ figures for hotels in Milton Keynes over the period 2007 to 2017⁴². The primary source of the data is sourced from STR Global who provide performance data sourced from 27 hotels in the Council area. This data is then benchmarked against the performance of hotels in the South East Region of the UK (some 590 hotels). Additionally, the data has also been supplemented by information provided by the Association of Milton Keynes Hoteliers and with consultations with individual General Managers of hotels.

Occupancy

6.2 The data on occupancy shows that the average occupancy for hotels in the Milton Keynes Council area stood at 66.3% in 2007 and has risen over time to 74.6%. By way of comparison the 2009 HMAMK showed an average of 61.3% (in 2008).

6.3 When compared to the South East average, the data shows that between 2007 and 2010 there was broadly a difference of between 7-9%. This has decreased over time to between 2-4% between 2014 and 2017. This reflects the growing demand and take-up of rooms over time.



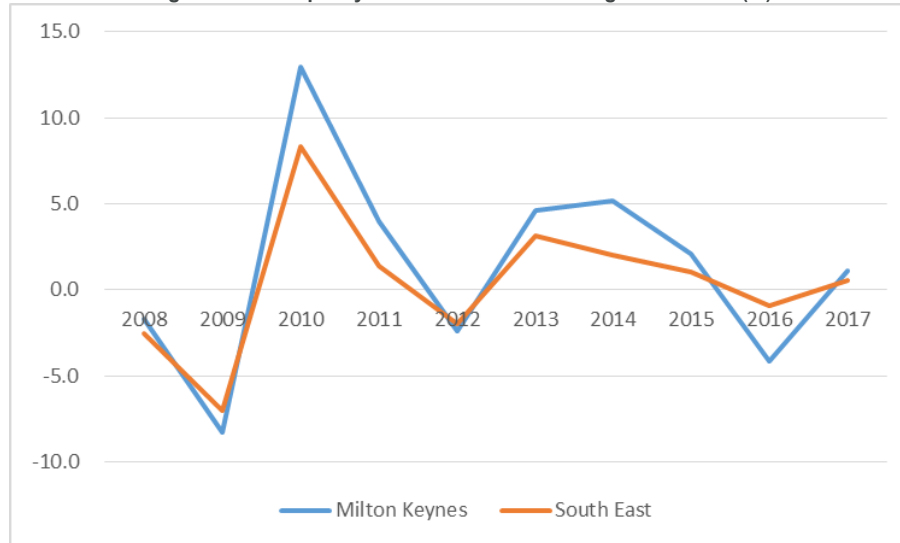
6.4 By way of further analysis the annual change in occupancy shows that the average for Milton Keynes was above that for the South East region except in 2012 and 2016.

⁴⁰ Average Daily Rate (ADR) – This is a measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold. It excludes VAT and other revenue such as breakfast and dinner.

⁴¹ Revenue Per Available Room (RevPAR) - Total room revenue divided by the total number of available rooms.

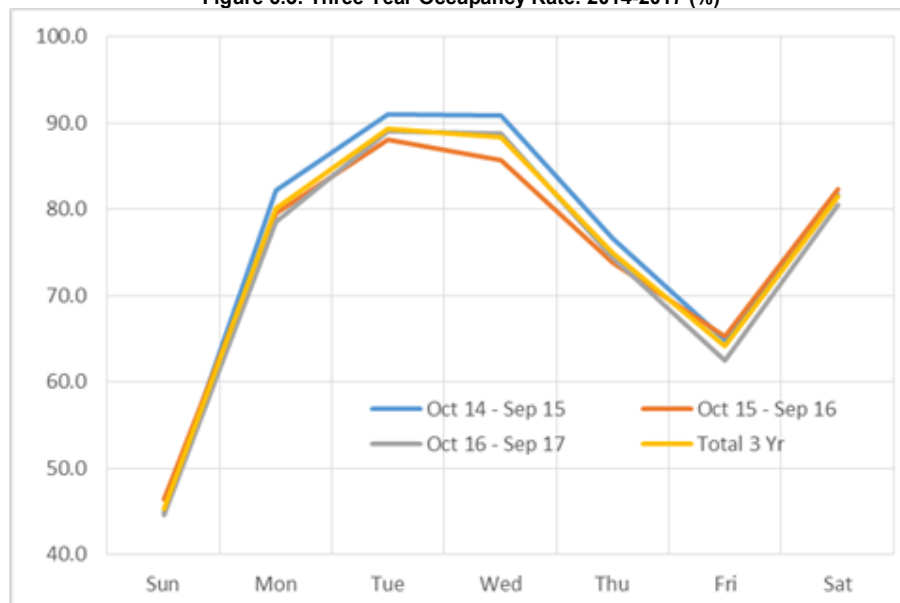
⁴² The data for 2017 refers to year to date total i.e. to September 2017

Figure 6.2: Occupancy Rate: Year on Year Change: 2008-2017 (%)



6.5 Whilst Sunday nights have the lowest occupancy, as experienced in many markets, weekend leisure guests lead to strong demand for Friday and particularly Saturday nights (although at a lower rate than weekdays).

Figure 6.3: Three Year Occupancy Rate: 2014-2017 (%)



6.6 We have also undertaken consultation with members of the Association of Milton Keynes Hoteliers (AMKH) and General Managers of hotels directly. Our consultations indicate that hotel occupancy averaged 75% which corresponds with the STR data figure of 74.6%. Furthermore, the occupancy by day of the week is of the following order:

Table 6.1: Occupancy – Consultation Outputs Compared

Day	Consultation Outputs	STR 3-Year Average
Sunday	45% - 65%	45%
Monday	80% - 85%	80%
Tuesday	99% - 110%	89%
Wednesday	87% - 90%	88%
Thursday	67% - 70%	75%
Friday	55% - 60%	64%
Saturday	50% - 70%	82%
Average	69% - 79%	75%

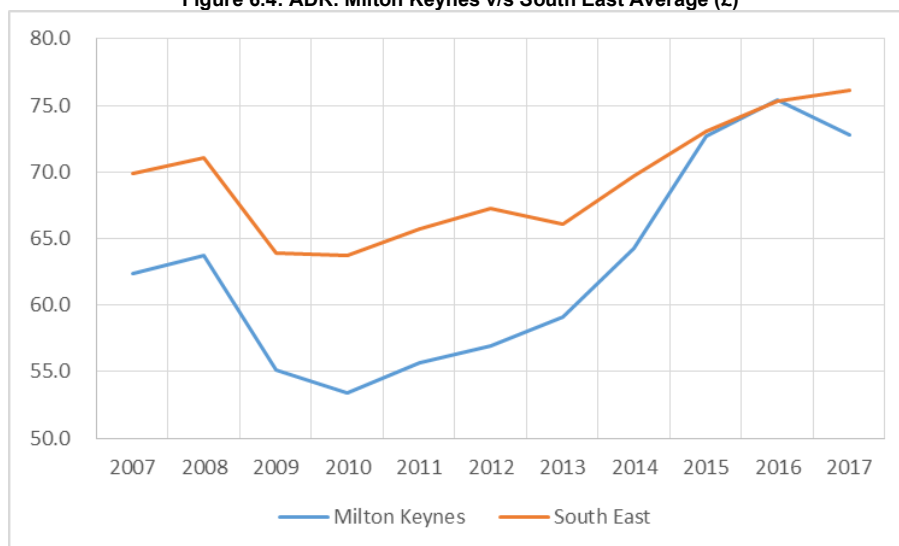
Source: Carter Jonas Research

- 6.7 Our consultations with local hoteliers reveal that the weekday occupancy is at its peak during Tuesdays and Wednesdays, primarily driven by demand from businesses especially the major employers in the Council area. This is when hotels are generally filling up and turning business away on these nights for much of the year. This is an indication of potential denied business. Our consultations with the General Managers of local hotels indicate that this pattern is fairly consistent across the hotel sector.
- 6.8 In relation to the weekend, occupancy is lower and is very much dependent on the location of the hotel. The higher rate of occupancy is seen at hotels offering wider facilities such as catering for weddings and functions as well as those with a leisure focus such as a golf course. In this way it could be considered that a different hotel product may be able to push higher weekend demand.

Average Daily Rate (ADR)

- 6.9 The ADR in 2017 stood at £72.80 from £62.40 a decade ago. This represents an increase of 17% over the period. When compared to the South East ADR, this stood at £76.20 in 2017 from £69.90 in 2007 representing an increase of 9%. The growth in the Milton Keynes ADR market is markedly higher than that of the South East.

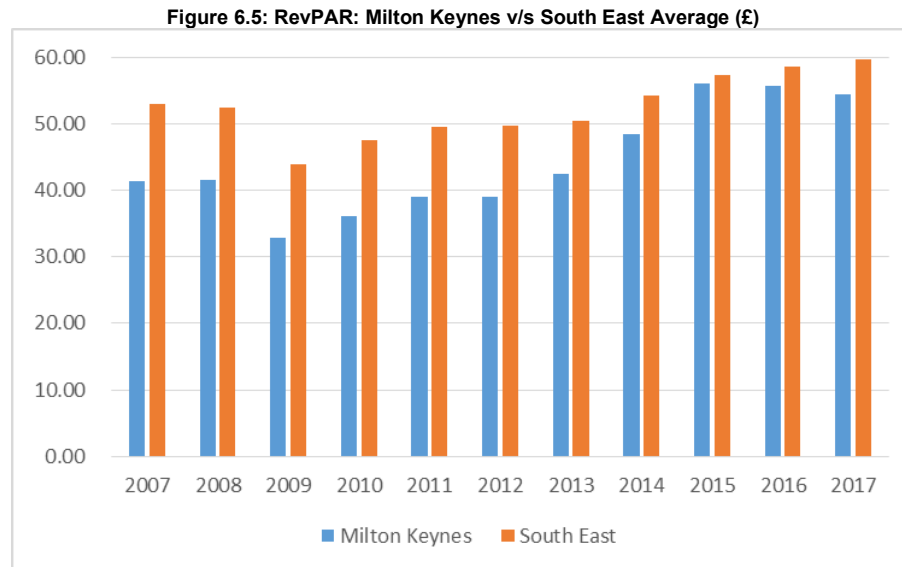
Figure 6.4: ADR: Milton Keynes v/s South East Average (£)



- 6.10 By way of reference, the 2009 HMAMK showed an ADR of £62.76 (in 2008).

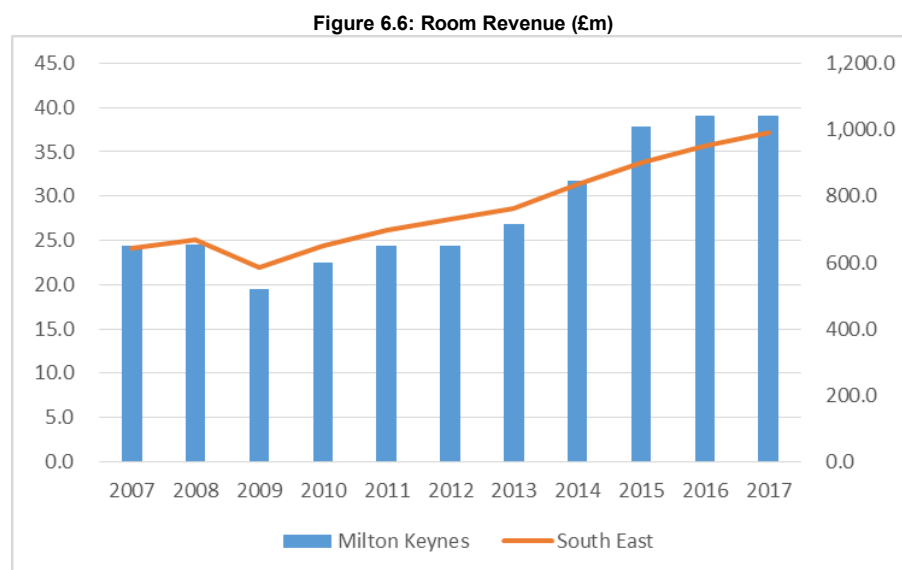
RevPAR

6.11 The 2017 average RevPAR in Milton Keynes is £54.33. This has increased from £41.38 in 2007. This represents an increase of 31% (2.8%pa over the period) compared with a South East average growth of 13%. The 2009 HMAMK showed a Milton Keynes average RevPAR of £38.64 (in 2008).



Room Revenue

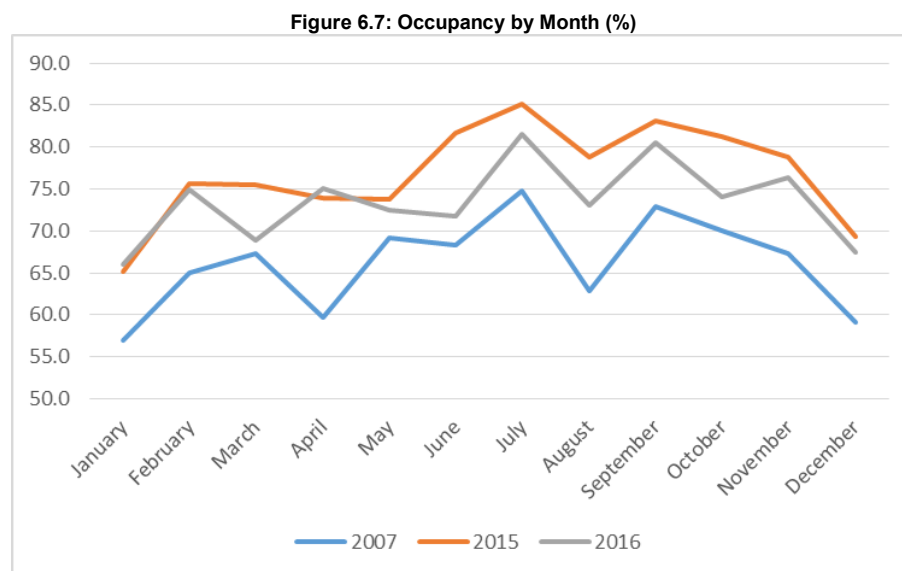
6.12 Room revenues based on the STR sample shows an increase from £24.4m on 2007 to £39m in 2017 – a 60% increase. In comparison revenues in the South East grew at a lower rate of 54% over the period 2007 (£641.6m) to 2017 (£989.7m).



6.13 By way of reference the 2009 HMAMK showed an ADR of £28.3m (in 2008).

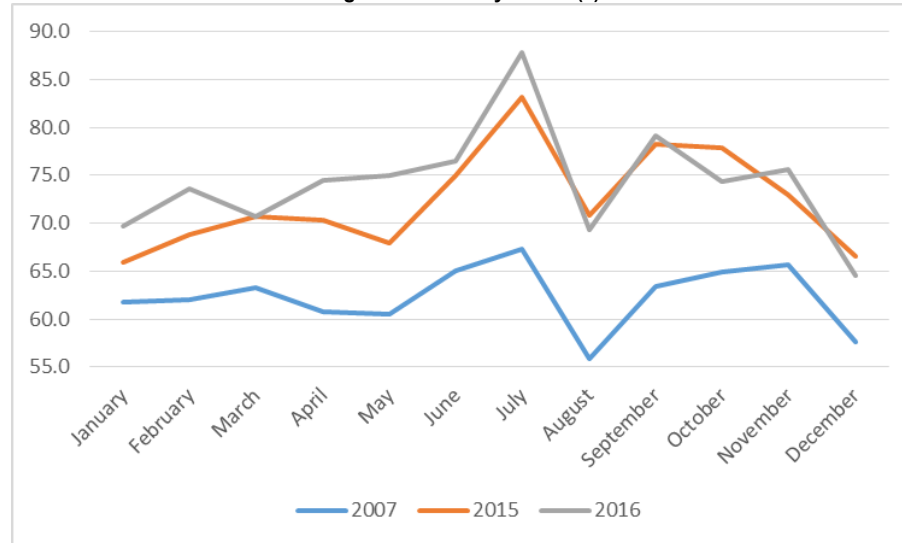
Seasonality

6.14 Focussing on patterns of demand over the year, the seasonality of peak occupancy can be seen clearly with July and September being the best performing months in 2015 and 2016. The peak occupancy level in July 2016 stood at 81.5% and at 85.2% in 2015. The annual average occupancy stood at 73.5% in 2016 and 76.8% in 2015. This is similar to the broad hotel occupancy average previously detailed (by day of the week) of 75%. The decline in occupancy experienced in August appears more pronounced because of the occupancy peaks typically experienced in July and September, where hotels enjoy strong corporate demand blended with leisure visitation. November to February typically provide hotels with the lowest levels of occupancy. Consultation with General Manager’s of hotels also reveals that Milton Keynes benefits from the spill over effects of the race events at the Silverstone motor circuit. Whilst there are events throughout the year the Formula 1 race is particularly popular. In July 2016 this coincided on the same weekend as the Electric Daisy Music Carnival resulting in a surge in demand for hotel accommodation across the Milton Keynes Council area.



6.15 The ADR data also corresponds to the occupancy levels with peak in July 2016 of £87.80 and in 2015 of £83.10. Interestingly whilst the occupancy level in July 2015 was higher than July 2016, the ADR was marginally lower.

Figure 6.8: ADR by Month (£)



6.16 In broad terms, the data shows that the Milton Keynes hotel market is not particularly seasonal albeit that there are notable peaks in July and September and troughs throughout the year, particularly in August and also primarily between November to February.

Summary

6.17 The analysis of hotel performance data for the Milton Keynes market yields the following:

- The average occupancy for hotels in Milton Keynes has risen over time to broadly around 75% and the market has historically enjoyed relatively high levels of occupancy over 70% especially since 2013.
- Peak occupancy is highest on Tuesday (89.3%) followed by Wednesday (88.4%) with Sunday the lowest (45.3%).
- The ADR in 2017 stood at £72.80 from £62.40 a decade ago representing an increase of 17%.
- RevPAR in Milton Keynes has increased by 31% from £41.38 in 2007 to £54.33 in 2017.
- Room revenues based on the STR sample shows an increase from £24.4m on 2007 to £39m in 2017.
- There is a need to raise weekend demand by way of better marketing or provisioning of Milton Keynes as a leisure destination.

7 FUTURE POTENTIAL

7.1 This section provides an indication of the potential future requirements for new hotel bedrooms in the Milton Keynes Council area together with advice in terms of the type and size of hotel(s) that could be suitable and where this requirement could be satisfied. This analysis seeks to identify the potential growth prospects for the Milton Keynes area in order to provide an indication of the potential number of bedrooms that could be supported over the period to 2031.

The CREATE[®] model

7.2 The potential for future hotel requirements by way of new hotel rooms has been undertaken using the Carter Jonas' CREATE[®] model. The model benchmarks demand growth projections against current and anticipated supply to derive the potential for future hotel rooms. The assessment provides the potential number of additional bedrooms based on market growth. The forecasts cover the short term (2017 to 2022), medium term (2022 to 2027) and long term (2027 to 2031).

7.3 It is generally recognised that where occupancy levels are above 70%, the market could potentially, support more bedrooms. The current average occupancy rate in the Council area of **75%** indicates a positive market prospect for the local hotel market. For a sustainable level of occupancy. And to account for any increases in supply, we have tested future provision at an aspirational **73%**.

7.4 In terms of anticipated growth in market demand/occupancy, we have tested two annual growth rates, a low growth rate of **1.5% per annum** and a higher **2% per annum**. This is after accounting for the following factors:

- Milton Keynes is a fast growth city with an annual GVA growth of 5.7%pa.
- Employment growth forecast of 17.8% (1.1% pa) over the period 2016 to 2031;
- RevPAR growth of 31% (2.8 %pa) over the period 2007 to 2017;
- Current occupancy levels of 75%;
- Strong mid-week corporate demand;
- Evidence of denied midweek business; and
- Expansion of local economy and increase in associated demand with business activity.

7.5 In relation to the current supply, we have allowed for extant planning schemes coming on stream towards the end of 2022 given the typical timeframe of hotel developments (normally around 2 to 3 years). On this basis, the current (in 2017) provision of **3,065 rooms** is anticipated to grow to **3,393 rooms** (by 2031) after accounting for the following extant commitments (detailed previously):

- Planning Ref: 17/02140/FUL: Proposed hotel of 124 bedrooms;
- Planning Ref: 17/02056/FUL: Proposed hotel to provide 20 additional guest bedrooms;
- Planning Ref: 17/01009/FUL: Proposed extension hotel to provide 23 additional bedrooms;
- Planning Ref: 17/00918/OUT: Proposed hotel to provide up to 50 bedrooms; and
- Planning Ref: 13/00652/OUT: Assumed hotel to provide up to 111 bedrooms.

7.6 Using the above baseline data, and by applying the growth rate(s) to the current (and future) number of hotel rooms, when benchmarked against an average future occupancy level of 73% derives the potential numbers of supportable new additional hotel bedrooms. It should be noted that forecasts beyond a five year period should be treated with caution and should be subject to periodic review. This is because long term trends in the national and local economy, consumer demand and the leisure market overall could have a significant impact on the potential capacity and need for new hotel bedrooms. The forecasts are therefore indicative based on current trends and are detailed below:

Table 7.1: Projected Potential Hotel Room Capacity

Time frame	Low Growth (1.5%pa)		High Growth (2%pa)	
	Total Number of Rooms to sustain 73% Occupancy Rate	Additional Potential Capacity (Rooms)	Total Number of Rooms to sustain 73% Occupancy Rate	Additional Potential Capacity (Rooms)
Short Term (2017 to 2022)	3,411	18	3,495	102
Medium Term (2022 to 2027)	3,665	272	3,847	454
Long Term (2027 to 2031)	3,882	489	4,155	762

7.7 Table 7.1 shows that:

- **Short term capacity:** after accounting for extant commitments and under the low growth rate scenario the potential is for incremental growth of existing provision based on the potential capacity of **18** rooms. The higher growth forecasts indicates an opportunity for a new build **100+** bedroom hotel, potentially a three star type product. Judging by the current provision the likely take up would be a budget hotel or a modern branded upper 3-star / 4-star hotel. The budget sector is already well served and the development opportunities lie within the development of full-service hotels.
- **Medium term capacity:** the projections based on the low growth rate is up to **273** rooms and under the higher growth scenario of up to **454** rooms. This suggests the potential for a combination of an upper 3 or 4 establishments. However it should be noted that the hotel requirement for the Council area is predicated on the continuity of the success of Milton Keynes area from both a commercial and leisure perspective.
- **Long term capacity:** the forecasts indicate up to **489** rooms under the lower growth scenario and up to **762** rooms under the higher growth scenario. As with the medium term scenario explanation, under this time frame, it has to be caveated by the fact that making any sort of market forecast is an uncertain process. It is extremely difficult to forecast accurately over such a long period of time and our medium and long term projections should be taken as indicative only. The forecasts are intended to be used as a guide to give an indication of how many bedrooms could be needed over a specified time period and the level of development which could be supported in the Council area. The hotel requirement for the Council area over the medium to long term is predicated by the performance of the Milton Keynes economy which, in turn, will generate opportunities for new hotel development across a broad range of sectors, from budget to upper 4-star.

7.8 The forecasts above do not encapsulate schemes that are currently not determined. Hence should the Hotel Ia Tour (Planning Ref: 17/03053/FUL, for a 250 bedspace hotel) and the Moxy Hotel (Planning Ref: 17/00137/OUT, for a 256 bedroom hotel) scheme(s) be positively determined, there will be a net addition of up to another 506 rooms. This inevitably will absorb a large part of the identified capacity over the medium to long term.

7.9 However, it is acknowledged that not all the schemes will be developed or be delivered at the same time. For new hotels the delivery time is between 2-3 years. In this way it is important for the Council to regularly review the assessment for new bedroom space to account for national and local economic performance and supply side changes.

Meeting Forecast Needs

7.10 In terms of meeting future needs, the location of a new hotel should be directed to the Council's town centres first in accordance with the sequential approach (as defined under NPPF). As detailed previously, the Proposed Submission Version of Plan:MK provides the following policy provisions in relation to the location of hotel development:

- Policy ER9 (on Employment Uses and the Rural Economy) provides that small scale tourism proposals including visitor accommodation are considered to be acceptable as long as they sustain and enhance the rural economy.
- Policy ER17 (on Hotel and Visitor Accommodation) states that 'planning permission will be granted for new hotel and other purpose-built accommodation in CMK, town, and district centres. The Council will also support the provision of new hotels and visitor accommodation to serve visitor attractions within the city'. Additionally that 'the preparation of a Central Bletchley Urban Design Framework may provide an opportunity to develop a hotel in close proximity to the existing visitor attractions at Bletchley Park' (Para 6.61).
- Policy SD3 (on Central Milton Keynes - Growth and Areas of Change) refers to the provision of an additional hotel floorspace in CMK.
- Policy SD19 (on Central Bletchley Urban Design Framework Area) states that Council is seeking to deliver transformational regeneration in Central Bletchley over the plan period in conjunction with proposed delivery of East-West services. New development opportunities in this area could include a hotel to serve visitors to Bletchley Park amongst others.

7.11 Within the Council area at present there is a concentration of establishments in and around CMK and around the built up areas. The north of the Council area has lesser provision. The location analysis has identified that the area around Bletchley is also under served.

7.12 Should the schemes pending determination also come forward this will add to the concentration of hotels within Central Milton Keynes. For example the proposed Moxy Hotel is to be set in Block C3 within Central Milton Keynes which already has a number of hotels including Holiday Inn, Jury's Inn and Travelodge, and, the proposed Hotel la Tour is on the Coach Park between the John Lewis store in the centre:mk shopping building (to the west) and Marlborough Gate (to the east). The extant permission for the office to hotel conversion of Norfolk House (Planning Ref: 17/02140/FUL) is also located on West Silbury Boulevard, Central Milton Keynes Milton.

Summary

7.13 The future demand potential for the Council area indicates limited opportunity (up to 18-102 bedrooms) in the short term (2017-2022) after accounting for extant commitments. Over the medium term (2022-2037) capacity is identified up to 272 and 454 bedrooms. Over the longer term (2027-2031) the identified potential is up to 489

and 762 bedrooms. These forecasts are indicative. Forecasts beyond a five year period should be treated with caution and should be subject to periodic review.

- 7.14 The future potential for new 3-star or 4–star hotel(s) in the Council area is linked and predicated on the growth in the local economy and associated corporate demand. In terms of the prospect for a new 5-star hotel it should be noted that these are usually sustained in major cities such as London and Manchester or in cities with considerable heritage assets such as Oxford and York. At this stage it is unlikely that Milton Keynes would be able to sustain a 5-star hotel. Notwithstanding this, and over the longer term, the evolving demand from the critical mass of corporate, education and leisure sectors may lead to the market responding by way of a new type of provision such as a boutique 5-star provision. It is important for the Council to therefore regularly review the assessment for new bedroom space to account for national and local economic performance and supply side changes.
- 7.15 CMK benefits from its dominant economic status and provision (employment, retail and leisure). In this way it can be expected that a majority of the forecast growth in bedroom provision will orientate towards the City. Notwithstanding this, the wider Council area is also set to benefit from infrastructure improvements where centres such as Bletchley are key nodes. In this way, it is highly likely there will be interest from hotel developers to locate in these locations. In market terms, we believe sites in town centres offering prominent frontage onto main roads would be appealing. Sites close to a retail core as well as say prominent transport nodes such as a railway station would also be appealing. Future hotel requirement will ultimately depend on how successful the Milton Keynes area continues to grow from a commercial perspective.

8 FUTURE HOTEL STRATEGY

- 8.1 This section summarises the key findings of the study drawing on the findings of the supply, performance and anticipated capacity in terms of potential future requirements of bedrooms in the Council area.

Milton Keynes in Context

- 8.2 The Council area benefits from the following factors that positively impact on future hotel demand:
- Good accessibility and connectivity;
 - Infrastructure improvements with potential to attract new employment and jobs;
 - Diverse and growing local economy;
 - Growing population;
 - Strong tourism generators
- 8.3 Overall, the strength and resilience of the local economy, combined with the growing population base and planned regeneration schemes, are all positive indicators of the future demand for hotel accommodation in the Council area.

Future Capacity

- 8.4 The future demand potential for the Council area indicates limited opportunity in the short term (2017-2022) after accounting for extant commitments. The capacity identified is up to 18-102 bedrooms.
- 8.5 Over the medium term (2022-2037) capacity is identified up to 272 and 454 bedrooms. Over the longer term (2027-2031) the identified potential is up to 489 and 762 bedrooms.
- 8.6 These forecasts take account of extant commitments but not those that have not been determined. In this way, if the applications that have not been determined (Hotel la Tour - Planning Ref: 17/03053/FUL for a 250 bedspace hotel or the Moxy Hotel - Planning Ref: 17/00137/OUT, for a 256 bedroom hotel) are positively determined, this will inevitably absorb a large part of the identified capacity over the long term. Notwithstanding this, it is unlikely that all the schemes identified (extant and not determined) will be delivered at the same time. Hence the above are indicative forecasts and as such should be reviewed periodically together with associated hotel and economic performance data.

Hotel Performance

- 8.7 The hotel market in the Council area shows a high average occupancy rate of 75% and RevPAR performance generally. Despite this broad level of growth, the hotel market has weekly and monthly variations. As with any market, increased supply in bedrooms by way of new developments is likely to result in a potential dilution in occupancy as there is potentially more availability of rooms. In this way, there is a need to ensure that demand is sustained in the Council area. This can be achieved through a diverse means of promoting cohesively facilities, venues and experiences based on the critical mass of retail, leisure and service offer across the Council area. The growth and take up of occupancy is also predicated on capitalising on the Council's area's

geography and accessibility, strong economic performance and setting with a diverse retail and leisure offer. There is a broad requirement that marketing initiatives are undertaken jointly between the Council and hoteliers to ensure that there is a coherent destination message of the offer being presented from within the broad Council area.

Policy Direction

- 8.8 The future provision of hotels when considered within a plan-led approach to development fosters and supports sustainable economic development and encourages the effective use of land and the promotion of mixed-use developments. This approach should positively seek to plan for further hotel provision and improvements to the quality of the existing supply of accommodation to encourage visitors to stay longer and spend more. The role of town centres and in particular CMK and District centres will be required to take an active role in supporting the provision of short stay accommodation.
- 8.9 This approach would encourage further provision of accommodation which would contribute to Milton Keynes long term goal of encouraging a higher percentage of visitors to stay overnight, facilitate corporate travel to support local businesses and therefore benefit the economy. Allowing for different types of accommodation in the centres will contribute to their vibrancy in line with the NPPF approach.
- 8.10 The right opportunity is obviously dependent upon a market and financial feasibility analysis for any particular site. We would recommend however that sites within town centres that offer opportunity to consolidate a mix of uses and linked to retail and/or leisure provision or transport node as the preferred locations.

SWOT Analysis

- 8.11 By way of a summary, the following table presents a high level SWOT of the Milton Keynes Council area in relation to its effects on the hotel market:

Table 8.1: Milton Keynes Council Area: SWOT Analysis in Relation to Hotel Development

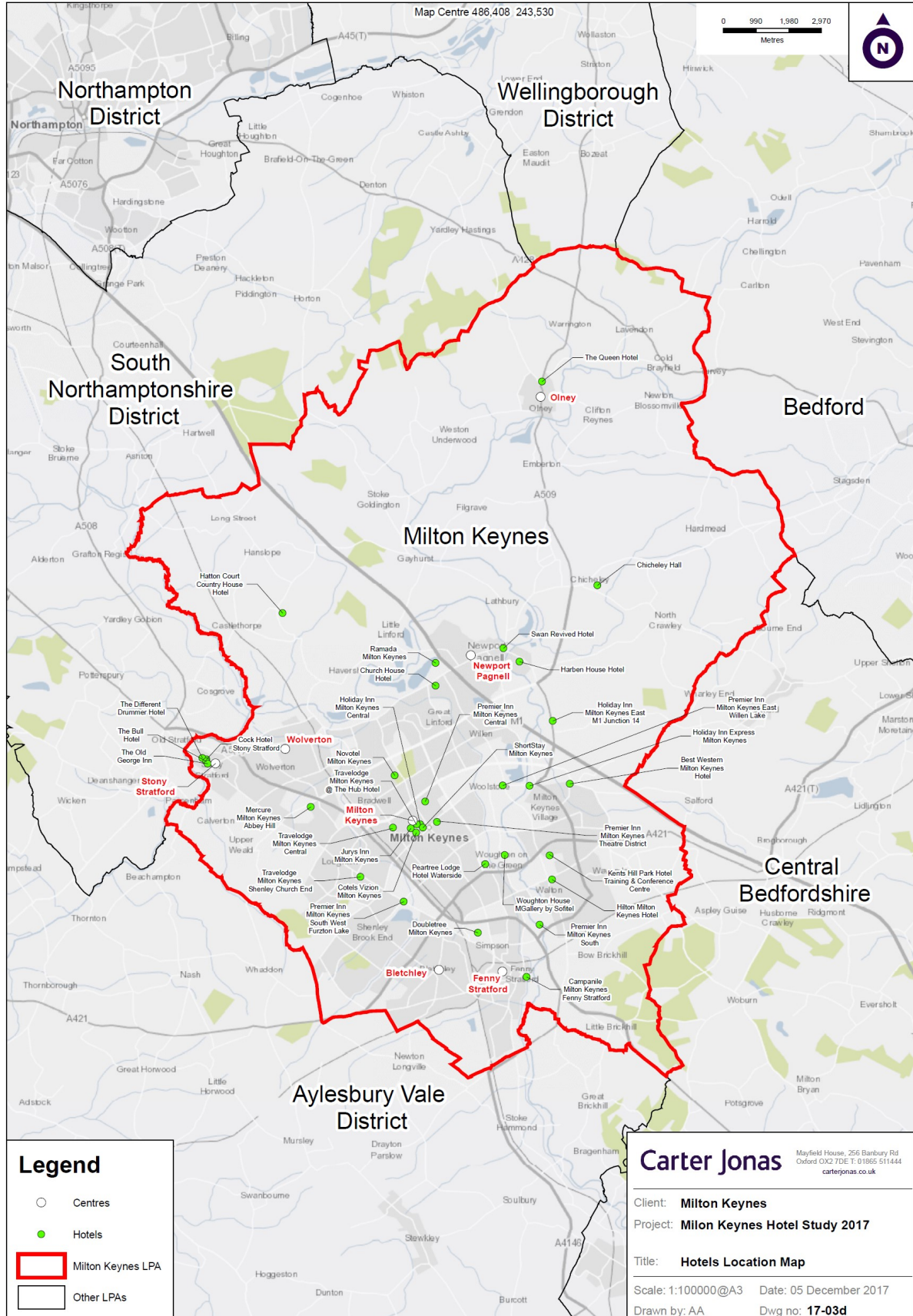
Strengths		Weaknesses	
1	Strong local economic growth.	1	Concentration of hotels around CMK.
2	Strong employment and GVA growth.	2	Poor weekend demand.
3	Good retail, leisure and service provision particularly within CMK.	3	Not perceived as a short break or leisure destination.
4	Varied employment base.		
5	High workplace labour productivity		
6	High level of economic activity.		
7	Good average occupancy level currently and historically.		
8	Growth in RevPAR.		
9	Varied hotel brand representation.		
10	High profile events held in and around Council area.		
11	Strategic location immediately off the M1 offering excellent accessibility to the UK motorway network.		
12	Good accessibility.		
13	Infrastructure investment and growth.		
14	Leisure demand generators for visiting the Council area (centre:MK, Intu Midsummer Place Xscape, Hollywood Bowl, Cineworld, Snozone, Stadium MK, et al).		
Opportunities		Threats	
1	Rising population and employment.	1	Economic uncertainty / stagnating growth.
2	Creative marketing of MK area as a leisure destination.	2	Development of multiple hotels at the same time.
3	Capitalise on key events within and around the Council area through a cohesive marketing framework e.g. International Festival and nearby Silverstone.	3	Competition from neighbouring locations such as Northampton.
4	Growth opportunities in infrastructure improvements and associated emerging transport nodes e.g. Bletchley.	4	Difficulties in attracting skilled workers to live or work in Milton Keynes.
5	Future potential to capitalise on visits arising from a new university in the Council area.	5	The negative effects of Brexit.

8.12 Based on the above, the key drivers for a sustainable level of occupancy growth will depend on:

- Growth in corporate demand predicated on local economic performance;
- Increasing the potential for growth in leisure or weekend break demand given the critical mass of leisure provision within and around the Council area and building on the Council area’s current visitor offer;
- Enhancing the visitor offer through better and co-ordinated promotion of events and festivals in the Council area;
- The coherent and stronger promotion of the offer present in the Council area through joint promotion between key stakeholders including the Council, Destination MK, AMKH and other hoteliers;
- There may be scope for conference business/destination based on the performance of existing corporates or as a conference venue based on the Council area’s good accessibility;
- The growth in the resident population resulting in an increase in those visiting friends and relatives;
- The aspiration of new University which in itself would generate additional demand particularly in CMK; and,
- The growth of CMK’s leisure offer and growth in its night time economy which has the potential to increase demand.

APPENDIX 1: CURRENT HOTEL SUPPLY IN THE COUNCIL AREA

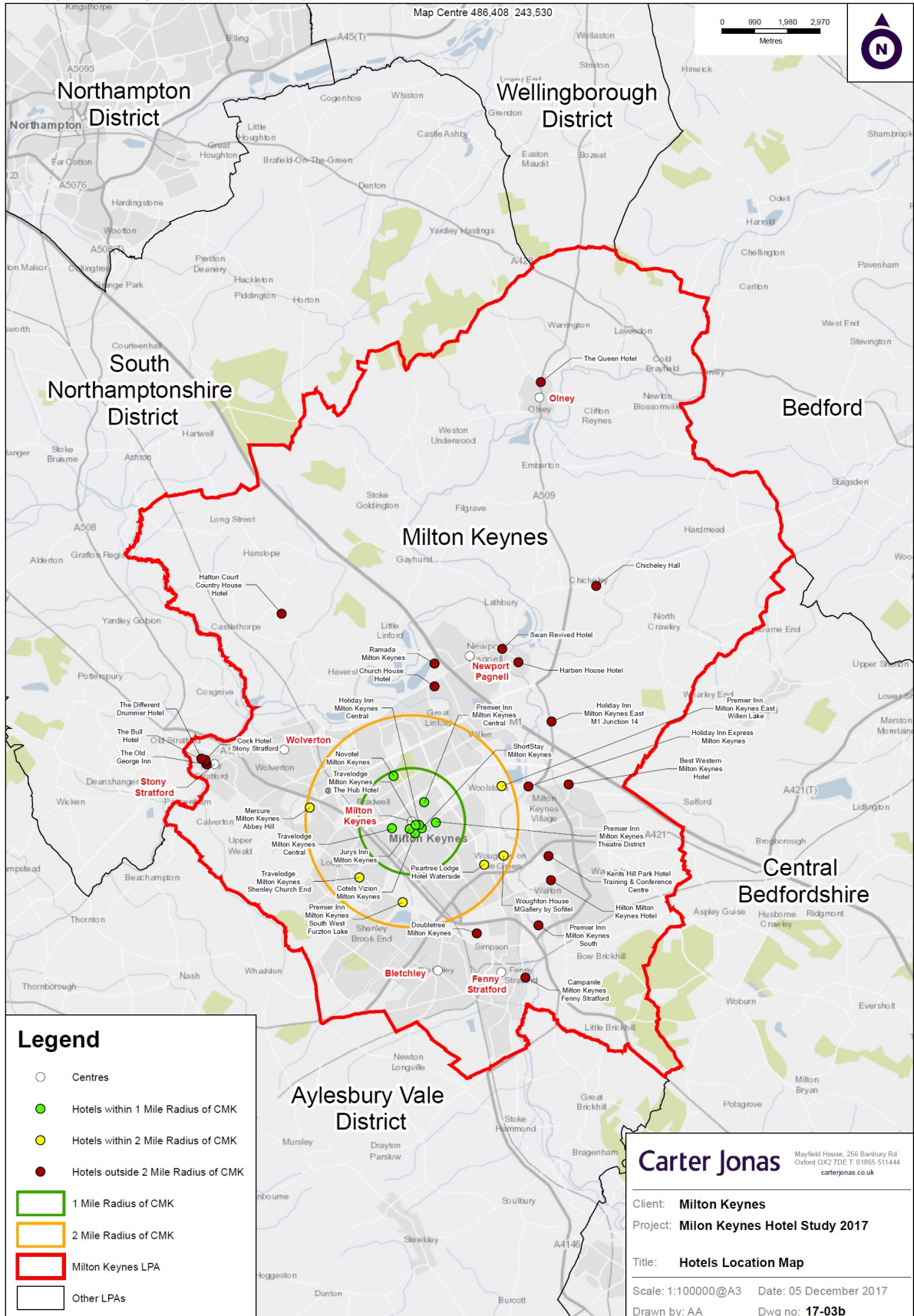
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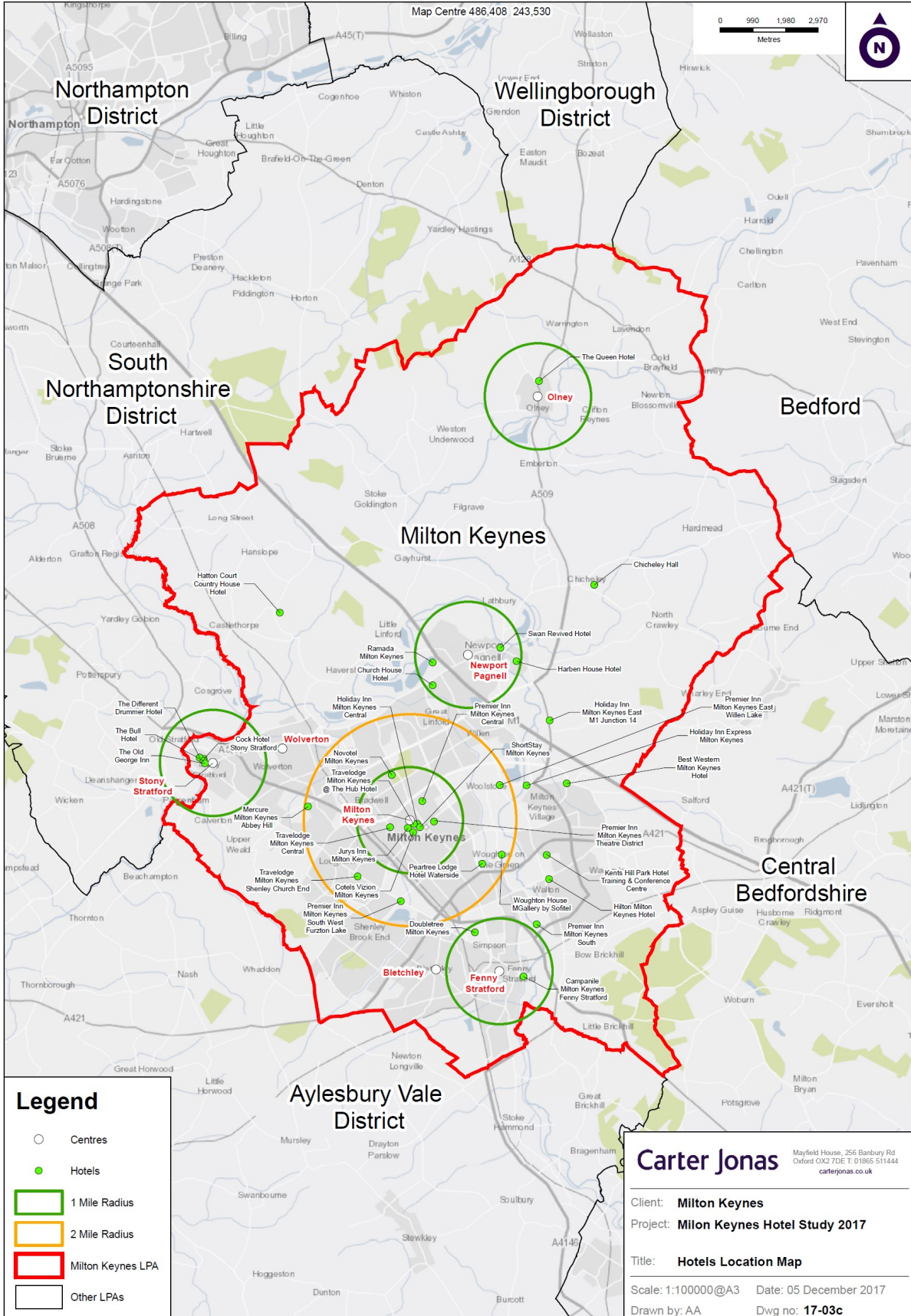
APPENDIX 2: DISTRIBUTION OF HOTELS AROUND CMK

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APPENDIX 3: DISTRIBUTION OF HOTELS AROUND CMK AND OTHER CENTRES



APPENDIX 4: GLOSSARY

AVERAGE DAILY RATE (ADR)	Is a measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.
OCCUPANCY	Is the proportion of available rooms sold during a specified time period. Occupancy is calculated by dividing the number of rooms sold by rooms available.
REVPAR	Revenue Per Available Room (RevPAR) is the total room revenue divided by the total number of available rooms.
STR GLOBAL	A leading independent hotel data provider.
TOWN CENTRES	Towns are the principal centre or centres in a local authority's area In planning the future of town centres, local planning authorities should consider the function of different parts of the centre and how these contribute to its overall vitality and viability.