

Manchester Hotel Study

Prepared by Graham + Sibbald UK LLP

On behalf of:

Manchester City Council
(Reference: Q20563)

Date:

31 July 2024

Our Ref:

HMA/WB/MAN-2024/02/0011



GRAHAM + SIBBALD

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1. Instructions + Introduction

On behalf of: Manchester City Council

Background + Purpose

Manchester City Council are in the process of reviewing the existing Local Plan to help guide policy in the city until 2040. As part of this, Graham + Sibbald ('G+S') has been commissioned by Manchester City Council (MCC) to undertake a Hotel Capacity Study. The purpose of the study is to prepare a city-wide assessment of the hotel market to inform the development of policies in the Local Plan.

Manchester's hotel sector has seen exceptional growth in recent years, thanks to its buoyant economy, leading conference and events industry, demand for its football teams and numerous visitor attractions and festivals. This results in high year-round hotel occupancy, with demand having grown substantially in recent years. Developments such as the opening of the Co-Op Arena and a significant pipeline of office developments are expected to increase demand moving forward.

The report provides a detailed assessment of the hotel sector, as well as the serviced apartment and short-term let markets. This includes both a qualitative and quantitative assessment of the sector, examining the current provision of hotel accommodation, its growth and performance in the last decade, as well as looking at the demand generators driving current and future growth in the city.

Methodology

Overview

This study provides an evidence base of the current and future status of the Manchester hotel market, along with identification of emerging trends in the sector.

We have undertaken the following:

- Prepared an overview of current levels of existing hotel accommodation supply, including serviced accommodation as well as short-term lets;
- An analysis of the future supply of hotels, through planning searches and using the CoStar database;
- Analysed hotel Manchester performance over the last decade, utilising STR, the global leader in hotel performance benchmarking;
- Examined economic and tourism trends in Manchester to understand current demand and future growth potential, along with key regeneration and development projects, which are likely to have an impact on demand;
- A review of macro-environmental trends in the hotel sector which are pertinent to the Manchester market;
- Held consultations with key stakeholders in the Manchester hotel sector to develop a deeper understanding of the market, including trends, issues and opportunities for growth;
- Conducted an online survey of those involved in the investment, development and operation of hotel accommodation in the UK to test their perceptions on Manchester as a location, including appetite for future development;
- Prepared a market model to project future need for additional hotels in Manchester to 2040, including an indication of the likely employment that the additional supply may generate;
- Detailed our main findings, identifying key policy responses which may be considered for the Local Plan.

2. Executive Summary

Executive Summary

This report has examined the future capacity for hotel development in Manchester, covering the period to 2040, to inform the development of policies in the Local Plan.

Manchester's hotel market has undergone significant growth in the last decade, with the supply of hotels in the Core Growth Area increasing by 61% between 2014 and 2024. Manchester Core Growth area (which is broadly represented by the area defined as Manchester Centre) this currently comprises of 100 hotels, providing 14,763 bedrooms. In addition, the supply of serviced apartment has also increased and now comprises of 22 properties (2,173 units).

The growth in supply has been driven by the strength of Manchester's visitor and business economy, which provides year-round demand for hotel accommodation, from both corporate and leisure visitors.

The growth in hotel supply will continue in the coming years, with this report identifying 22 schemes (hotels and serviced apartments) in the planning pipeline, which are either under development or are likely to proceed. These schemes will provide a potential additional 3,218 bedrooms.

Despite the huge growth in hotel supply in Manchester, demand (by number of bedrooms sold) since 2014 has kept pace. As a result (excluding the period during the Covid-19 pandemic), the city's hotels have maintained an annual occupancy level of around 75%-80%, which is above the regional UK average during this period. In addition, the average daily rate (ADR) of Manchester has shown a significant post-Covid recovery, with 2023's ADR surpassing 2019 levels by around £16.

Major development and regeneration activity is continuing across Manchester, with a number of major schemes likely to help increase the demand for future hotel accommodation in the city, along with the continuing strength of the city's business, events and conference sectors.

Our survey with some of the largest hotel brands, operators and developers in the UK has indicated very high levels of demand for new or additional hotel developments in the city, demonstrating Manchester's continued appeal as a hotel market. However, the study did highlight high land values and the lack of available sites as impediments to future development. Macro-environmental factors, such as development costs and the availability of labour, were also identified as issues, which are likely to continue in the short to medium term.

Notwithstanding this, the continued appeal of Manchester as a development location and the significant amount of new development schemes underway or proposed, will drive additional demand into the market. Our market model projections forecast capacity for 7,618 additional hotel bedrooms in Manchester by 2040 (including the 3,218 identified as under construction or likely to proceed).

In order to ensure that this market capacity can be realised, the report has identified a number of considerations as part of the Local Plan review:

1. **Hotels to be part of strategic development sites:** Our survey noted that the lack of available sites in Manchester city centre as being a previous and future impediment to new hotel development. At the same time, Manchester benefits from a number of large, emerging development sites in close proximity to the city centre, such as Ancoats, Holt Town and Eastlands. Therefore, there is an opportunity to develop hotels in these locations, bringing economic and employment benefits, and creating critical masses of commercial uses. This can also help alleviate concerns about ‘oversupply’ (raised during the consultations) and the lack of development sites in the city centre. However, when considering hotel use it will be important to ensure that their development does not happen at the detriment of long-standing communities; as highlighted in our consultations, and they should not be placed within overwhelmingly residential areas.
2. **Encourage more upscale hotels and embrace new hotel concepts:** Whilst there has been a growth in upscale hotels in Manchester within the last decade, economy and midscale remain the segments with the highest quantum; representing 61% of total bedroom supply. To help the city’s economic grow, it is important to ensure a greater balance of segments and therefore the development of upscale and luxury hotels should be encouraged, subject to meeting all planning criteria. The growth in the average daily rate in Manchester in the last decade will help support the viability of such hotels by providing the necessary return on investment developers require, which has not been the case historically. Finally, as it is considered a ‘pioneering city’, Manchester should look to embrace emerging accommodation types, such as those detailed in the Market Trends section, and other concepts that gain prominence in the coming years.

Although it is outside of the control of the Local Plan, another key consideration needs to be given at a local and national level to increase the availability of labour in the hospitality sector. There is currently a large skills shortage in the UK hospitality sector, and in order to deliver the forecasted hotel supply of over 7,600 additional bedrooms in Manchester (which we forecast will create in excess of 2,100 jobs), a significant emphasis needs to be placed, at both a local and national level, to encourage hospitality as a career choice to fill potential vacancies.

3. Hotel Market Supply

Introduction

In this section we present an overview of current levels of hotel supply and pipeline in Manchester. In arriving at what constitutes the Manchester market, we have focussed on the Core Growth Area, which covers the city centre, as well as parts of Trafford and Salford. The boundary of this area is illustrated within the supply maps throughout this section.

This section concentrates on the hotel market, but covers other areas of the serviced accommodation sector, including hostels, serviced apartments/apart-hotels and short-term lets, are detailed.

Current Supply: Hotels

We have identified 100 hotels within the set area in Manchester Core Growth Area, providing 14,763 bedrooms. In addition, we note that there are 112 hotels (15,470) bedrooms within the Manchester City Council area. The structure of the market is shown in the table below and a full list is provided in **Appendix A**.

Hotel Grade Table:

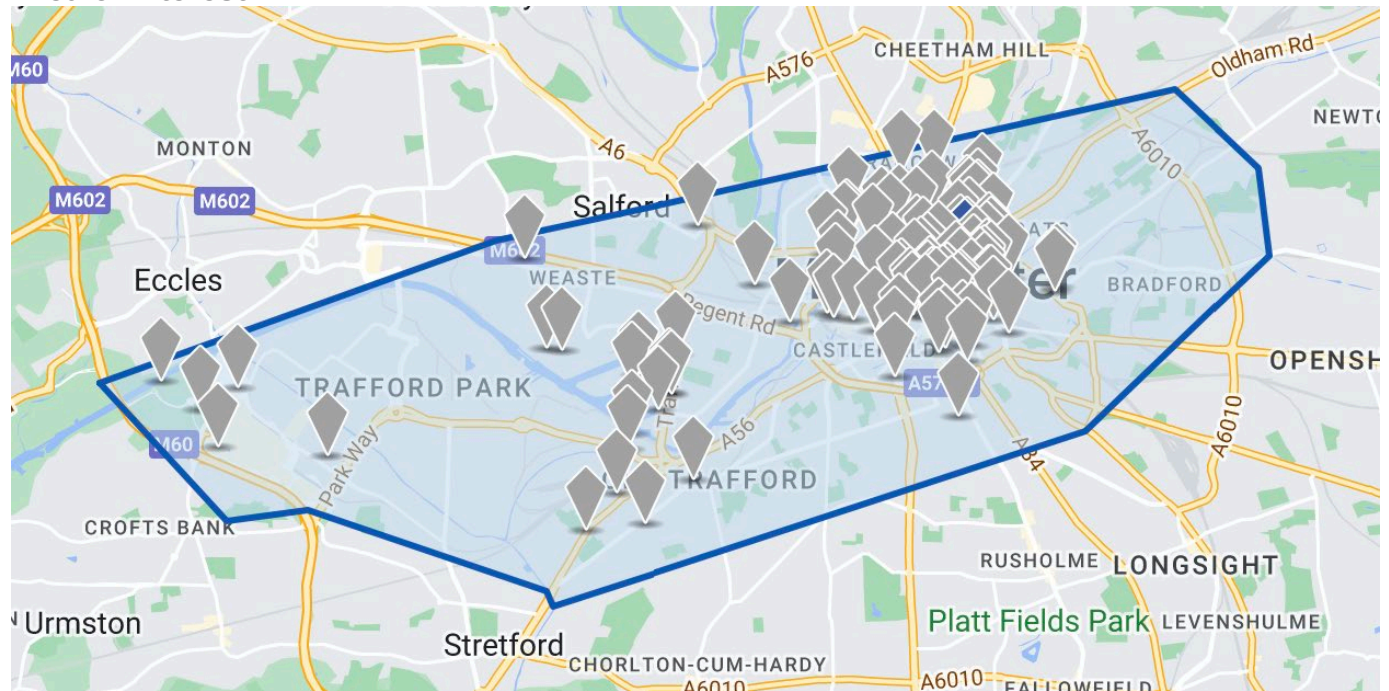
Grade*	No. of Hotels	No. of Rooms	% of Room Supply
Luxury	2	80	0.55%
Upper Upscale	18	2,593	17.56%
Upscale	14	3,143	21.29%
Upper Midscale	36	4,775	32.35%
Midscale	7	955	6.46%
Economy	23	3,217	21.79%
Total Supply	100	14,763	100%

Source: CoStar * definitions are outlined in Appendix 1

The highest percentage of room supply is provided by upper midscale hotels (32.3%). This is then followed by economy classed hotels (21.8%)

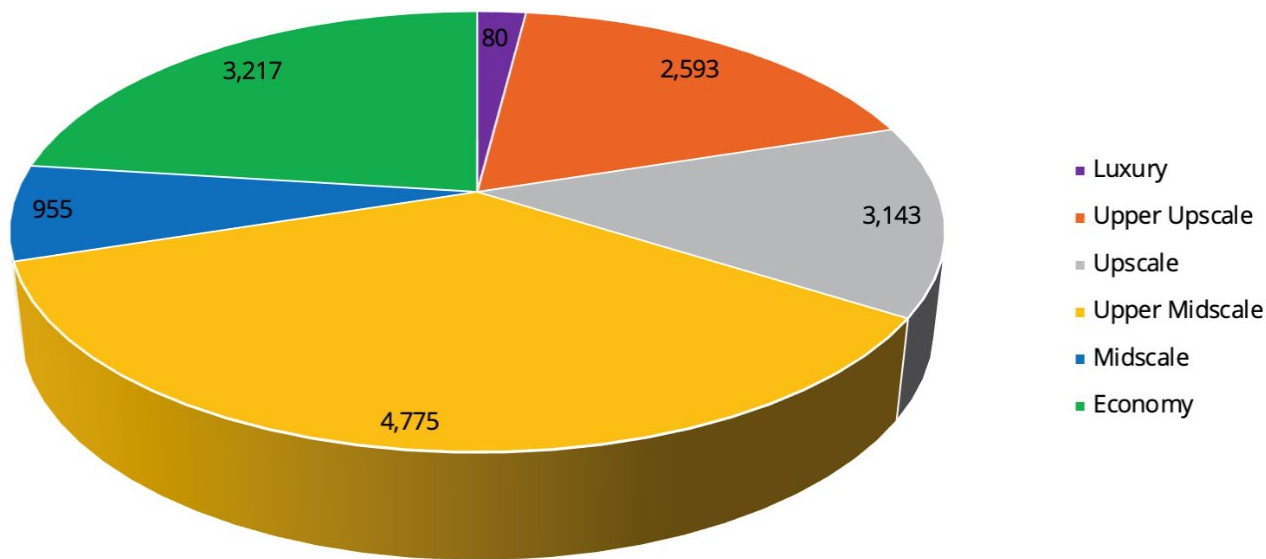
The map below shows the distribution of hotel supply in Manchester. As can be seen from the map, there are three concentrated areas; the core city centre, Old Trafford / Salford Quays and Trafford Park.

Area of Interest:



Source: CoStar

Hotel Classification – by No. of Hotel Rooms:



Source: CoStar

According to CoStar, there's only been one reported hotel closure in the last 10 years, Great John Street, which is currently awaiting a full programme of refurbishment.

Since 2014, 37 hotels have opened in Manchester (of which 32 are in the core growth area), adding 5,771 bedrooms to the market. This represents a 60.9% increase in supply within the last ten years. Of these 37 hotels, 28 are in the upper midscale, upscale and upper upscale categories. As a result of this 75.7% of all new hotel rooms opened in Manchester since 2014 have been in these categories.

Post-Covid there have been 8 hotel openings with a total of 1,356 rooms added to the market.

In what is defined as the Manchester City Council Area there have been 32 Hotel openings since 2014, adding an additional 5,222 rooms to the supply. Within this 25 Hotels are classified as Upper Upscale, Upscale or Upper Midscale.

Current Supply – Serviced Apartments

Serviced apartments (including apart-hotels) can be defined as properties offering a hotel-like room, but typically with larger than average or multiple bedrooms, including additional working and kitchen amenities (Source: CoStar).

We have identified 22 serviced apartments within Manchester providing a total of 2,173 units. The structure of the market is detailed in the table below.

Serviced Apartment Grade Table:

Grade*	No. of Serviced Apartments	No. of Keys	% of Supply
Luxury	2	145	6.1%
Upper Upscale	8	1,000	42.0%
Upscale	7	940	39.5%
Upper Midscale	2	173	7.3%
Midscale	3	121	5.1%
Economy	0	0	0%
Total Supply	22	2,379	100%

Source: CoStar

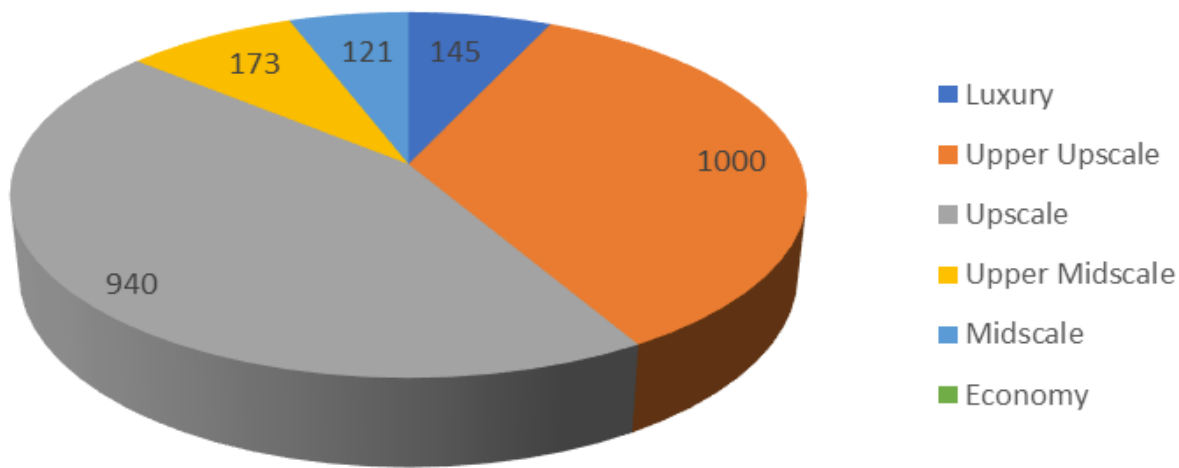
Serviced apartment supply in Manchester is fairly evenly weighted across the five categories; it is important to note that there are no “economy” or budget properties categorised, with serviced apartments tending to provide a level of quality similar to a mid to upscale hotel.

There have been a number of recent serviced apartment openings in the last five years, including:

- Dream Apartments (2021, 70 keys)
- City Suites II (2021, 142 keys)
- Stay City Manchester (2021, 224 keys)
- Leven Manchester (2021, 41 keys)
- Wilde Manchester (2022, 256 keys)

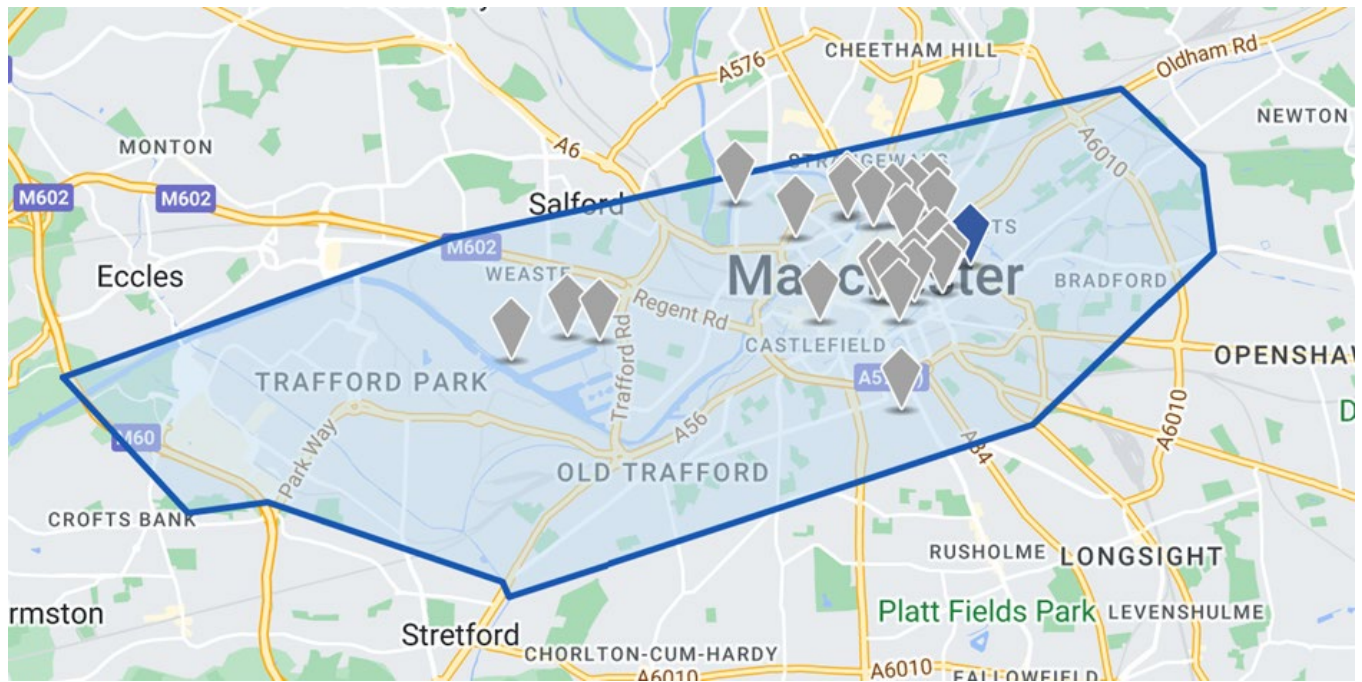
We note five serviced apartment closures since 2014 and of these, four have been permanently and one temporarily closure. The permanent closures include: Eleska’s Aparthotel (58 Dale Street M1 2HN, 5 Rooms), Premier Suites Manchester (62-66 Shudehill M4 4AA, 52 Rooms), The Heart Serviced Apartments (Blue Media City M50 2TJ, 50 Rooms) and The City Warehouse Aparthotel (6-14 Great Ancoats St, 6 Rooms).

Serviced Apartments per Grade



Source: CoStar

The map below shows the distribution of supply across Manchester for the service apartment sector. As can be seen from the map (similar to the hotel sector), there is a high concentration around the core city centre area. Serviced apartments by their nature are typically found in city centre locations, close to major office clusters, major visitor attractions and mainline railway stations.



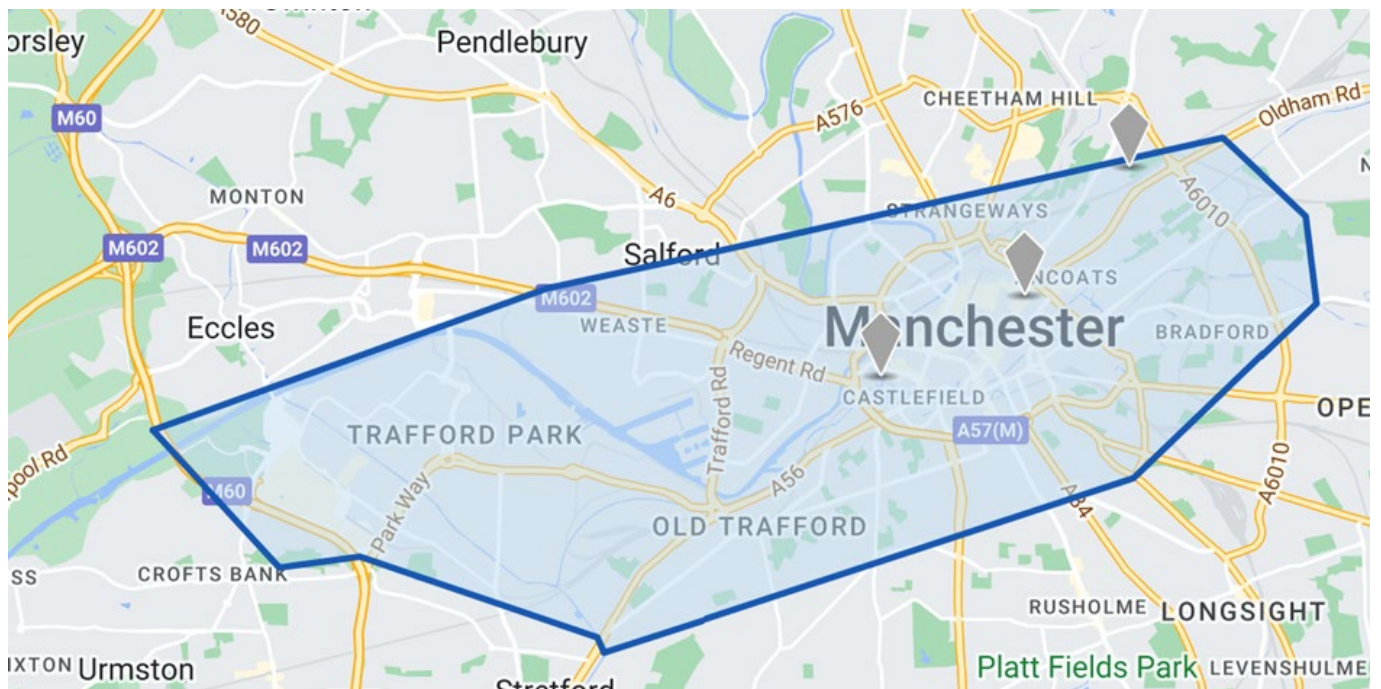
Services Apartments Map: Source: CoStar

Current Supply – Hostels

We have identified 3 hostels within Manchester, providing 102 rooms, with no new openings within the last ten years. Two of the three hostels in Manchester are independent, while the other is managed as part of the Youth Hostel Association (YHA) chain.

One closure has occurred in the last 10 years. Hatters Hostel Manchester was sold in February of 2019. Currently the building has no use and is unoccupied.

The map below shows the distribution of hostel supply across Manchester, again this is concentrated around the core city centre.

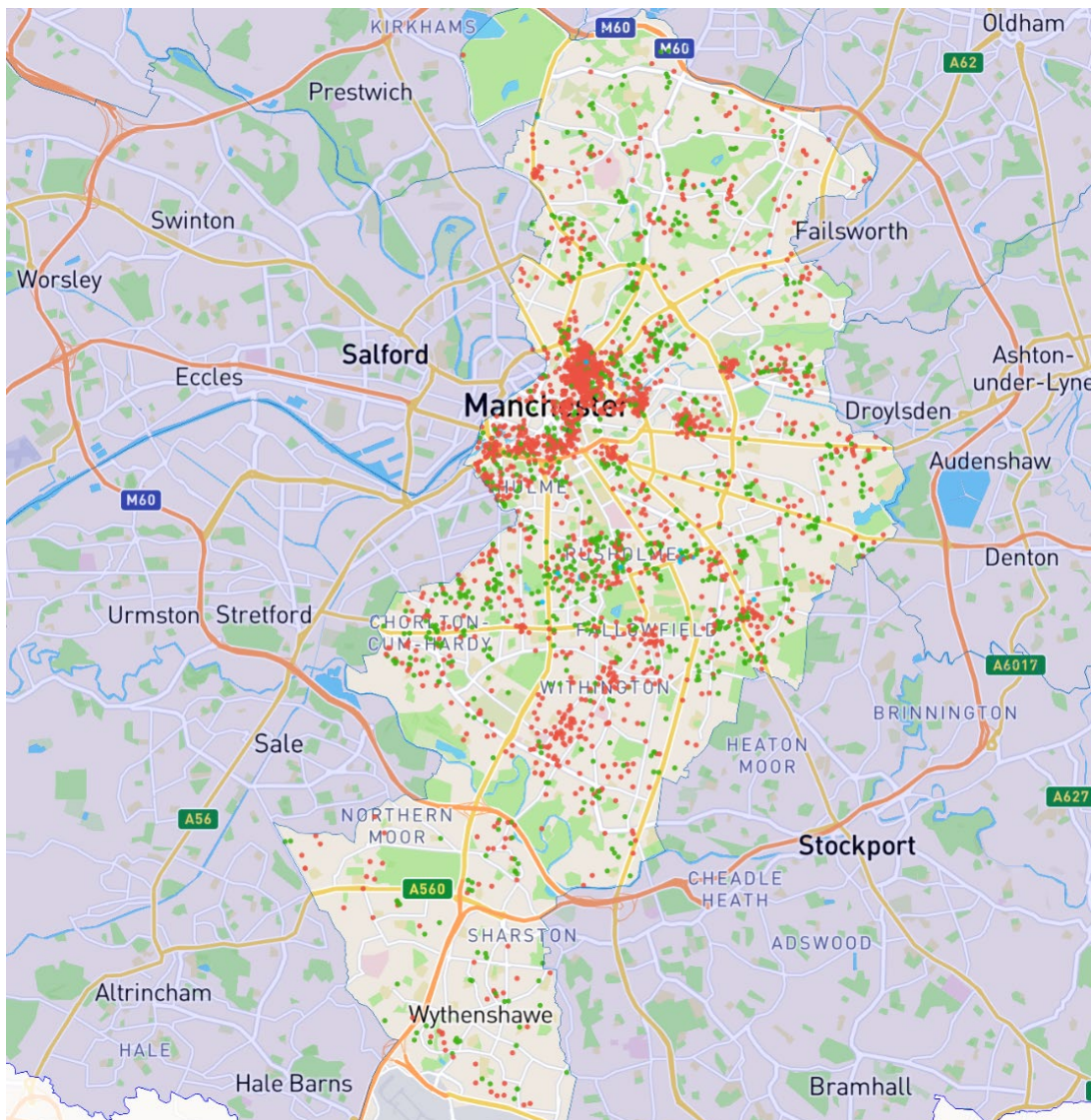


Hostel Supply Map: Source: CoStar

Current Supply – AirBnB

Due to the fluid nature of AirBnB supply (hosts can de-list properties at short notice), it is difficult to provide an exact figure of the number of short-term let properties in Manchester. As of December 2023, according to Inside AirBnB, there were 6,136 registered properties in Greater Manchester. Of these, 2,816 are located in Manchester. There has been significant growth in AirBNB properties in recent years.

The map illustrates the distribution of AirBnB properties in Manchester and highlights clear concentrations of supply in the Northern Quarter/Ancoats and the Oxford Road corridor. These areas are of high interest to a visiting individual or group due to the prime location within the city and the ease of access to attractions.



Source: AirDNA

Current Supply Summary

The current supply of the main accommodation types (excluding AirBNB) are summarised in the following table.

Type	No. of Properties	No. of Bedrooms/Units
Hotels	100	14,763
Serviced Apartments	22	2,173
Hostels	3	102
Total	125	17,038

Source: CoStar

Visitor Accommodation Pipeline - Hotels

We have examined the potential future hotel supply increases in Manchester, primarily using CoStar as a data source. However, the identified schemes have been cross-checked with the planning department at Manchester City Council and our own understanding of the Manchester market.

We have identified 31 hotel schemes in the Manchester market; this would present a potential increase of 4,784 bedrooms. It is highly unlikely that all of these proposals would come to fruition, particularly in light of the challenges of hotel development in the present environment. Also, many of the schemes that gained planning permission some years ago are yet to progress.

Hotel Pipeline Schemes by Grade – Manchester

Grade*	No. of Hotels	No. of Rooms	% of Schemes
Luxury	4	570	12.9%
Upper Upscale	4	637	12.9%
Upscale	6	1,246	19.4%
Upper Midscale	12	1,664	38.7%
Midscale	1	117	3.2%
Economy	4	550	12.9%
Total Supply	31	4,784	100%

Source: CoStar

Almost 60% of the identified schemes are graded in upper midscale or upscale categories. We summarise the status of all applications according to CoStar in the following tables.

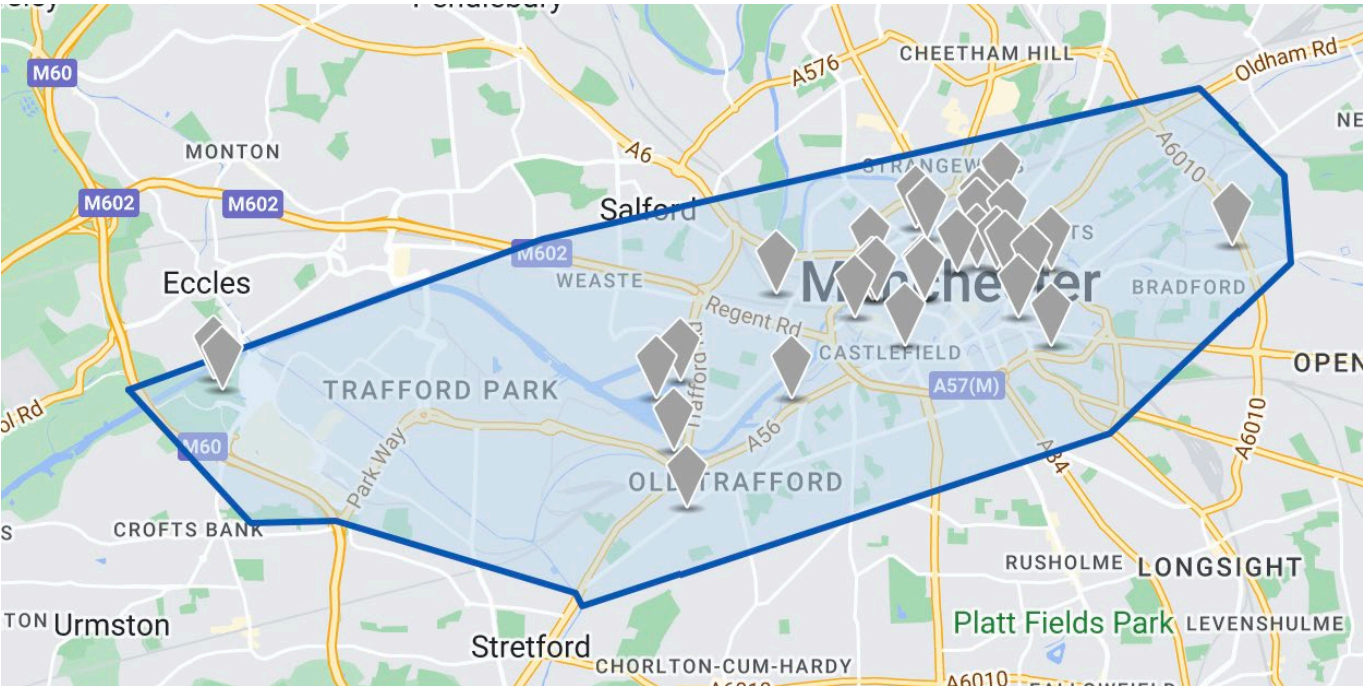
Hotel Pipeline Schemes Phase – Manchester

Status*	Schemes	Bedrooms	% of Schemes	% of Room Supply
Final Planning	11	1,537	36.7%	32.2%
In Construction	11	1,556	33.3%	32.5%
Proposed	5	1,383	16.7%	28.9%
Deferred	4	308	13.3%	6.4%
Total	31	4,784	100%	100%

Source: CoStar

As with the existing supply, the majority of proposed hotel developments are located within the city centre.

Manchester Hotel Pipeline Map



Source: CoStar

Hotel Schemes in Manchester Likely to Proceed

Hotel Name	Location	Opening	Grade	Bedrooms
Treehouse Hotel	Manchester City Centre	Q4 2024	Upscale	224
Maldron Hotel	Manchester City Centre	Summer 2024	Upscale	188
House of Gods	Manchester City Centre	Late 2024	Upper Midscale	31
Mollie's Motel & Soho House	Manchester City Centre	Early 2025	Upper Midscale	133
Inn Keepers Collection Hotel	Manchester City Centre	2025	Upper Midscale	46
High Street Hotel	Manchester City Centre	2025	Upper Midscale	26
Premier Inn Rochdale Road	Manchester City Centre	2025	Economy	229
Travelodge Manchester Deansgate	Manchester City Centre	2025	Economy	152
Liverpool Road Hotel	Manchester City Centre	2025	Upper Midscale	39
Larard's Still Northern Quarter	Manchester City Centre	2025	Midscale	117
Zedwell Royal Building	Manchester City Centre	2026	Luxury	187
Etihad Stadium Hotel	Manchester City Ground	2026	Upscale	401
W Hotel Manchester	Manchester City Centre	2027	Luxury	162

Number One St Michael's Hotel 2	Manchester City Centre	2027	Luxury	191
Prima Hotel	Salford City Centre	2028	Upper Midscale	247
Upland Hotel	Salford City Centre	2028	Upper Midscale	228
Talbot Road Hotel	Salford City Centre	2029	Upper Midscale	100
Trafford Waters 1	Trafford	2030	Upscale	200
Trafford Waters 2	Trafford	2030	Upscale	100
Great John Street Hotel	Manchester City Centre	TBC	Luxury	30
Victoria Warehouse Hotel	Trafford	TBC	Economy	40
Middlewood Locks	Salford/ Manchester	TBC	Midscale	250+

Visitor Accommodation Pipeline – Serviced Apartments

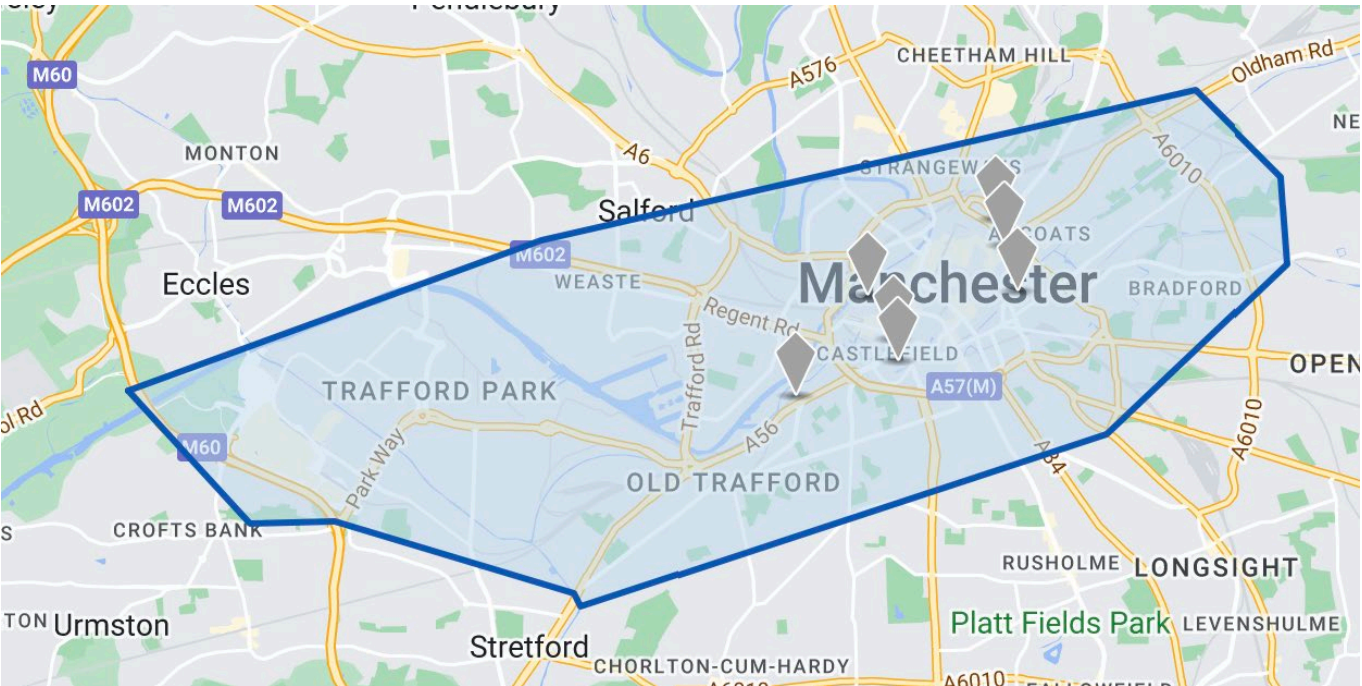
Five serviced apartments have been identified representing an increase of 615 rooms.

Visitor Accommodation Pipeline

Status	Schemes	Keys	% of Schemes	% of Room Supply
In Construction	1	147	20%	23.9%
Awaiting Determination	2	205	40%	33.3%
Deferred	2	263	40%	42.8%
Total	5	615	100%	100%

The scheme under construction is St. John's Aparthotel (147 luxury apartments, due 2025).

Manchester Serviced Apartments Pipeline Map



We summarise the potential pipeline in the following table.

Structure of the Manchester Visitor Accommodation Market – Potential Pipeline

Type	No. of Properties	No. of Bedrooms / Units
Hotels	31	4,784
Serviced Apartments	5	615
Hostels	0	0
Total	36	5,399

Policy

Places for Everyone Plan

The Places for Everyone is a Joint Local Plan of nine of the Greater Manchester Local Authorities. This Plan took effect and became part of the statutory development plan on 21st March 2024.

The Places for Everyone Plan is a long-term plan covering the nine of the ten Greater Manchester districts for the period 2022 – 2039. The Plan provides a strategic framework for local plans and sets out the vision for sustainable growth.

The Plan sets out a number of key strategic objectives. Objective 4 relates to maximising the potential arising from national and international assessments. This details that the PfE will:

- Focus development in the Core Growth Area, Manchester Airport and key growth locations;
- Improve visitor facilities in the City Centre, Quays and Manchester Airport and international and national sporting assets;
- Enhance the cultural, heritage and educational assets, improve sustainable transport and active travel access to these locations.

The Spatial Strategy set out in the plan recognises the key role that Manchester City Centre plays to Greater Manchester's economy and the North of England more generally. It is recognised that the City Centre offers a large range of employment, shopping, leisure and tourism opportunities, attracting significant numbers of visitors to Greater Manchester.

Policy JP-Strat2: City Centre states that:

“The role of the City Centre as the most significant economic location in the country outside London will be strengthened considerably. The City Centre will continue to provide the primary focus for business, retail, leisure, culture and tourism activity in Greater Manchester, but the increasingly important residential role of the City Centre will be expanded. Development will generally be high density. It will enable people to take advantage of the access to education and training and the extensive public transport offer, reducing the need to travel to work whilst supporting economic growth and reducing levels of poverty.

It will be a priority for investment in development and infrastructure. This will include addressing current network capacity issues in the City Centre, which will enable the future expansion of the rapid transit public transport network across Greater Manchester. Improvements in the public realm, walking and cycling facilities, and green infrastructure will help to enhance the local character and environmental quality of the City Centre, so that it can rival city centres across the globe, enabling it to compete effectively at the international level for investment, businesses, skilled workers, residents and tourists. A broad range of commercial accommodation will be delivered, helping the City Centre to capture growth across key economic sectors.

The new functions within the City Centre will be delivered in a way that complement, rather than displace the area's non-residential functions and will seek to protect and enhance the city centre's historic environment and assets."

Section 9 of the Plan relates to creating Places for People and includes a section on Culture.

Paragraph 9.19 states that "in Greater Manchester alone, the Visitor Economy is worth £2.6bn GVA per year and supports 105,000 jobs. The sector plays a vital role in Greater Manchester's international reputation. The city region is home to a diverse range of venues and organisations that bring life to the high streets and town and city centres and attract visitors from all around the world".

Paragraph 9.22 relates to retail and leisure and details that "varied and high-quality retail, leisure and cultural facilities are a key part of the overall tourism function of Greater Manchester, drawing visitors to the area".

Core Strategy

The Manchester Core Strategy was adopted on the 11th July 2012 and is the key document in the Manchester Local Plan. Some parts of The Core Strategy were superseded and updated in March 2024, after the adoption of the Places for Everyone Plan.

Within the current Manchester Core Strategy (2012-2017) hotel use is primarily addressed within **Policy CC 4: Visitors - Tourism, Culture and Leisure**, which highlights the importance of the hotel sector to the City region. The policy states:

"The City Centre will be the focus for culture and leisure in the City Region. Proposals to improve the appearance, use and accessibility of all cultural and visitor attractions and associated facilities will be supported. The improvement of facilities for business visitors will also be supported.

Development in the City Centre which improves facilities for visitors, including Manchester residents, will be promoted. In order that the existing visitor attractions can reach their potential it is also important that the City Centre has the infrastructure to accommodate the necessary volume of visitors. Hotels have become an increasingly important use across the City, and these will be particularly important in the City Centre. New hotel development which contributes to the quality of the City Centre hotel offer will be supported. Proposals for new hotels outside of the City Centre will be supported where they support visitor-oriented development and where the Council is confident that they will be deliverable.”

Paragraphs 8.37 – 8.39 of the Core Strategy continue to highlight a number of pertinent points to this study and details that:

“8.37: Manchester has a growing tourism industry, and many of the attractions are based in or around the City Centre. It has also developed an international reputation as a conference location, and this is considered an important area to build on in the future.

8.38: The availability of hotel rooms is important to support conference events, as well as other visitor-oriented activities. It is also vital that the quality of hotel provision enhances the reputation of the City to visitors. The Council will use the planning process as an opportunity to improve the quality of hotel developments.

8.39: Growth in a constrained area like the City Centre is only possible when land is managed effectively. Planning permissions which are unlikely to be implemented can distort land value and hinder development. Therefore, the Council believes that it is reasonable to expect developers to demonstrate the deliverability of their scheme from the outset, including details such as the operator.”

Hotels are also addressed elsewhere within the Core Strategy:

- Policy CC 7 (Mixed-Use Development) refers to hotels as economic opportunities as part of mixed-use developments in order to maximise employment opportunities.
- Policy MA 1 (Manchester Airport): the policy references that the provision of hotel accommodation is important to ensure the “operational efficiency or amenity of the Airport”

The Manchester Local Development Framework sets out several key targets that Manchester have to enhance the leisure offer within the city and increase its appeal to both existing visitors, as well as attracting new audiences. Other areas that it hopes to build on is continued economic growth. Some of the key commitments as part of this vision include:

- Ease of movement and improving access to jobs for all via public transport, walking and cycling;
- Improving the portfolio of employment premises, by providing a range of employment sites for small, medium and large businesses;
- Ensuring the continued economic, social and environmental regeneration of the city in order to grow in a sustainable manner;
- Ensuring connectivity to international markets to help visitors, but also the import and export of goods;
- Help developers consider the city's heritage in order to maintain the historic character;
- Targeting an average of 3,333 new homes per year until 2027.

Short Term Lets – Permitted Development and Planning

Position

Background

There are no specific local regulations on short-term lets in Manchester, so UK government rules apply. Currently, there is no restriction on the use of a property as a short-term let (outside of London) and no Change of Use is required.

Proposed Changes

Changes were proposed to this in February 2024 following a consultation by the Department for Levelling Up, Housing, and Communities (DLUC) of the then-Conservative government. These changes proposed the following:

- A new mandatory national register of short-term let properties;
- Creation of a new Planning Use Class for short-term lets (Class C5);
- Introduction of Permitted Development right for Change of Use from residential to short-term let and vice versa, which could then be removed by Article 4 Direction by local authorities if they deemed it necessary.

The proposed new Use Class C5 would be a dedicated Use Class for short-term lets, though property owners using their properties as a short-term let for 90-nights-or-less per year would not be required to obtain planning permission, allowing flexible and infrequent use of properties as short term lets. Additionally, properties already operating as short-term lets would automatically be reclassified as Class C5.

The introduction of a permitted development right for residential properties to go to Class C5 would mean that, in general, property owners should require no Change of Use to use their properties as a short-term let. However, the effect of formalising short-term lets within a distinct Use Class introduces the possibility for local authorities to control and limit the number of short-term lets in an area by introducing an Article 4 direction, which would remove this Permitted Development right.

In practice this will mean that properties being used as a short term let will only require Planning Permission for Change of Use where an Article 4 direction has been introduced by a Local Authority, which may be limited in its geographical coverage.

It should be noted that these changes were explicitly not applicable to hotels or bed & breakfasts.

However, as a result of the July 2024 General Election and the subsequent change in government, these changes have not yet been implemented and it remains to be seen whether they will remain on the policy agenda for the new Labour government. If the new government does seek to introduce changes, these may be in a different form from those set out above. The above changes remain “proposed” are not currently enacted.

Other Permitted Development Changes

Changes were enacted to permitted development legislation in March 2024, which allows the conversion of unlimited quantities of commercial floorspace (Class E, including shops, offices, restaurants, health centres, etc) to residential use without planning permission.

Previously, only up to 1,500sqm of such floorspace could be converted, and it must have been vacant for 3 months prior. This requirement was removed in March 2024. The lack of any distinction between residential and short-term let use opens the possibility for this floorspace to be converted to use for short-term let purposes (for up to 90 nights per year). This change can be managed through the introduction of Article 4 directions to remove these permitted development rights and give the local authority control over the process.

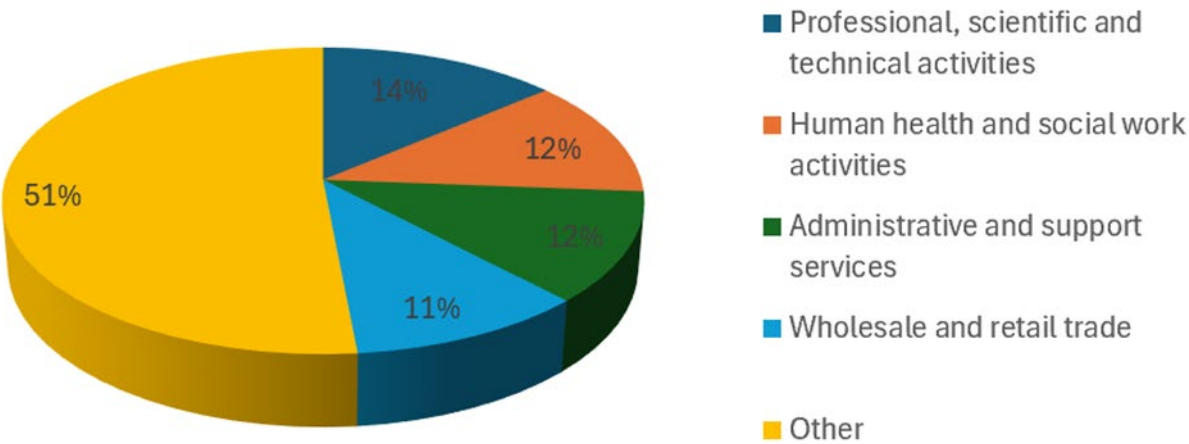
4. Market Background

Introduction

In this section, we examine the economic and tourism factors which help drive hotel demand in Manchester. Later in the section, we look into major projects and development areas in Manchester, which are likely to drive future demand in the city.

Demand Drivers - Economy

According to the Office of National Statistics, the largest sector for employment in the City of Manchester is professional, scientific and technical activities. This makes up for 13.8% of employment, 4.7% above the UK average. Other significant employment sectors include, human health and social work activities (12.4%), administrative and support services (11.7%), wholesale and retail trade (10.6%).



Employment in Manchester increased in 2023, with 71.4% of 16-64-year-olds living in Manchester being employed in the year ending December 2023, which was an increase on the previous year when the rate was 67.8%. As of December 2023, there were 289,000 people aged 16 and over in Manchester who were employed; this was also an increase from the previous year (271,000 people employed).

Manchester is the largest city region economy outside London, with a gross value added (GVA) of £78.7 billion. From 2010 to 2020, the economy expanded by 39%, with GVA rising from £53.89 billion to £78.7 billion. This city-region has been a significant driver of job growth in the UK, with an 84% increase in jobs between 2002 and 2015, double the growth rate of the broader northern region.

The global pandemic resulted in mandatory working from home guidance for most of 2020 and 2021. This had a dramatic effect on footfall across all areas of business in the city of Manchester. As the restrictions eased, most companies have moved to a more flexible/hybrid form of working, where employees could either work in the office or at home remotely. Whilst more employees are returning to office, levels are not believed to be back to where they were in 2019.

Some of the key areas for office activity in Manchester include the **Central Business District, NOMA, Spinningfields and Oxford Road Corridor**. These locations offer diverse office spaces that have the potential to draw in people for conferences, adding to the hotel market demand in these locations.

Another key area to Manchester is the **Manchester Central Convention Complex (MCCC)**. The centre attracts international attention from sporting events to music concerts. The centre also holds many conferences with many attendees traveling from abroad. As Manchester grows this will only become a greater asset which can be utilised to help Manchester become more internationally recognised.

Neighbouring Spinningfields is **Enterprise City**, a new creative district on the former ITV Granada site. The masterplan for the area is being developed by a partnership between Manchester City Council and Allied London, which will provide new jobs and opportunities (especially in the cultural and creative industries) and £1 billion of investment.

An increasingly key area of Manchester is **Spinningfields**. This is a relatively new business and leisure quarter, which offers high-quality office space, which has attracted large firms such as RBS, HSBC and Barclays. Along with another key area, which has been developed in the last decade, **Media City**, it has had a positive impact on the hotel sector, increasing the presence of business visitors to the city and visitors associated with the TV and Film production industry.

Enterprise City, is the commercial area of **St John's**, which will provide 560,000 sq. ft. of workspace, including new build, alongside the refurbishment of historic industrial buildings. At the heart of St John's is The Factory, a new centre for arts and culture. Key elements of Enterprise City include: Old Granada Studios; Bonded Warehouse; Water Street Co-Living and The Factory.

St Michaels (Bootle Street) is another mixed-use scheme being developed through a collaboration between Relentless Developments and stakeholders KKR, Salboy and Manchester City Council.

No.1 St Michael's is expected to be the first fully Net Zero Carbon commercial development in the city. The launch has seen the development set a new headline rent for offices in the city, with international law firms, Pinsent Masons and Hill Dickinson signing record-breaking deals for 26,842 sq. ft and 18,192 sq. ft respectively at No.1 St Michael's. The scheme includes a 41-storey development, which will include the 162-bed 5 Star W Hotel brand, plus 217 branded luxury residences.

Demand Drivers - Tourism

Manchester is a global leisure destination, with countless world-class attractions, including the Museum of Science & Industry, Manchester Art Gallery, the National Football Museum and the Manchester Museum.

The city is one of the UK's premier shopping destinations, with the main retail outlets located around Deansgate, King Street, Bridge Street and Market Street. The Arndale Shopping Centre is one of the largest indoor shopping centres in the UK with over 200 stores and over 41 million annual visitors.

The nightlife in Manchester is a big draw for tourists with restaurants, comedy shows and music events all contributing to tourist growth. Leading arts venues include the Manchester Opera House, the Palace Theatre, the Royal Exchange Theatre, as well as the recently opened Factory International. Throughout the year there are seasonal events like the renowned Manchester Christmas Markets, which draw in groups of people from all ages.

Manchester boasts one of the most developed event calendars in the UK, with concerts and world-class sporting events happening on a regular basis. The newly opened Co-op Arena is expected to play a vital role in enhancing Manchester's status as an events destination even further. It is the biggest arena of its kind in the UK and is expected to host 120 events each year.

As of 2023, football significantly contributed to Greater Manchester's economy, generating an estimated £330 million annually and supporting approximately 8,500 jobs. This economic impact highlights the sport's importance to the region, attracting fans and tourists, while creating numerous employment opportunities.

Events draw over 1.3 million visitors to Manchester annually, boosting the local economy and solidifying the city's reputation as a major hub for entertainment and events, being a key driver for accommodation demand.

In 2022, attractions in the city of Manchester attracted 49.9 million day visits up from 25.2 million in 2021, showing positive recovery from the impacts of the Covid-19 pandemic.

The following table details the volume and value of visitors to Manchester (excluding day visitors) in the five years to 2022 (latest available published data). All metrics witnessed growth between 2018 and 2019, before the impact of the Covid-19 pandemic can be seen in the following two years. Whilst total visits and spend in 2022 remained lower than pre-Covid levels, total nights fully recovered to 2019 figures, highlighting the strength of Manchester visitor accommodation market.

Total Annual Number of Visits to Manchester - with estimated spend and room nights:

	2018	2019	2020	2021	2022	% Change 2018 - 2022
Total Visits (million)	66.7	69.1	18.4	28.1	55.0	-17.54%
Total Nights (million)	4.93	5.18	1.62	2.85	5.18	+5.07%
Total Spend (£bn)	4.86	5.16	1.46	2.27	4.65	-4.32%

Source: CoStar

In 2022, a document named the ‘Greater Manchester International Strategy’ was published showing the direction which the city was aiming towards from 2022 to 2025. The document outlines the importance of tourism for local communities, providing employment and how crucial it is for the long-term prosperity of the city.

The report states that the ambition for Greater Manchester is to develop a world-class visitor hub for business and leisure tourism. It states that in order to grow, it must be done in a sustainable manner to increase the value and volume of visitors to the city region. There is another document in the pipeline to address the international strategy from 2025 to 2030 with updated targets.

Manchester Airport is an extremely important demand driver for the tourism in Manchester. At the peak in August 2023 3,086,665 passengers travelled from Manchester airport. As for the whole of 2023, 28.1million passengers travelled from the airport. Pre-Covid in 2019 the total passenger count was 29.3 million. This data trend is in line with the hospitality figures which have also almost surpassed pre-covid numbers.

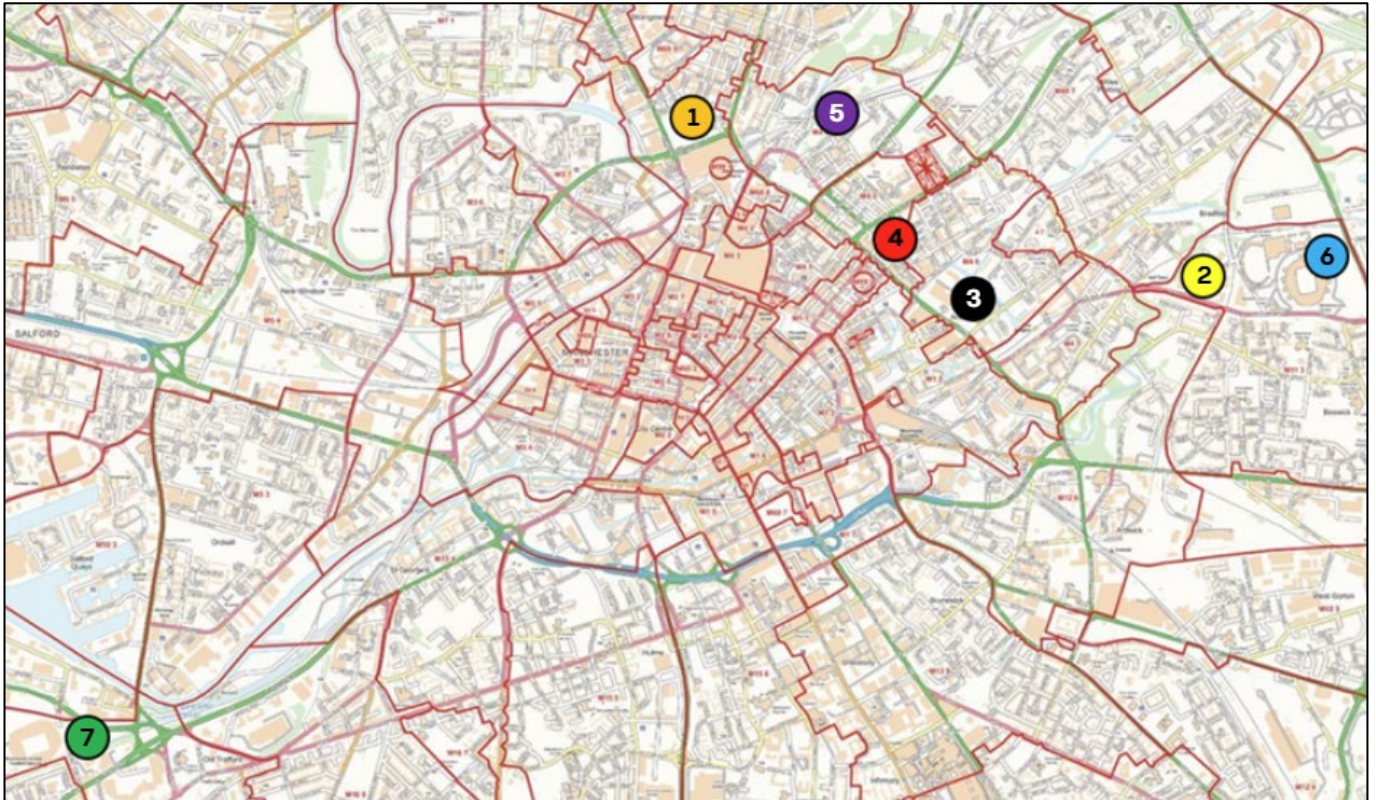
Moving into the future, the airport will continue to play a significant role in the growth of tourism in Manchester and consequently impact on the hotel market. Manchester ranks third on the list of UKs busiest airports and is the only non-London airport in the top five.

MAG (Manchester Airport Group) announced in early 2023 the final phase of their master plan which includes a £440m investment) This will mark and end to the airports £1.3bn scheme aimed at providing new facilities, which will attract new routes to the North.

Future Demand Drivers and Regeneration Initiatives

There are certain key areas of the city which have been outlined by Manchester City Council as areas for regeneration:

Key Regeneration Areas



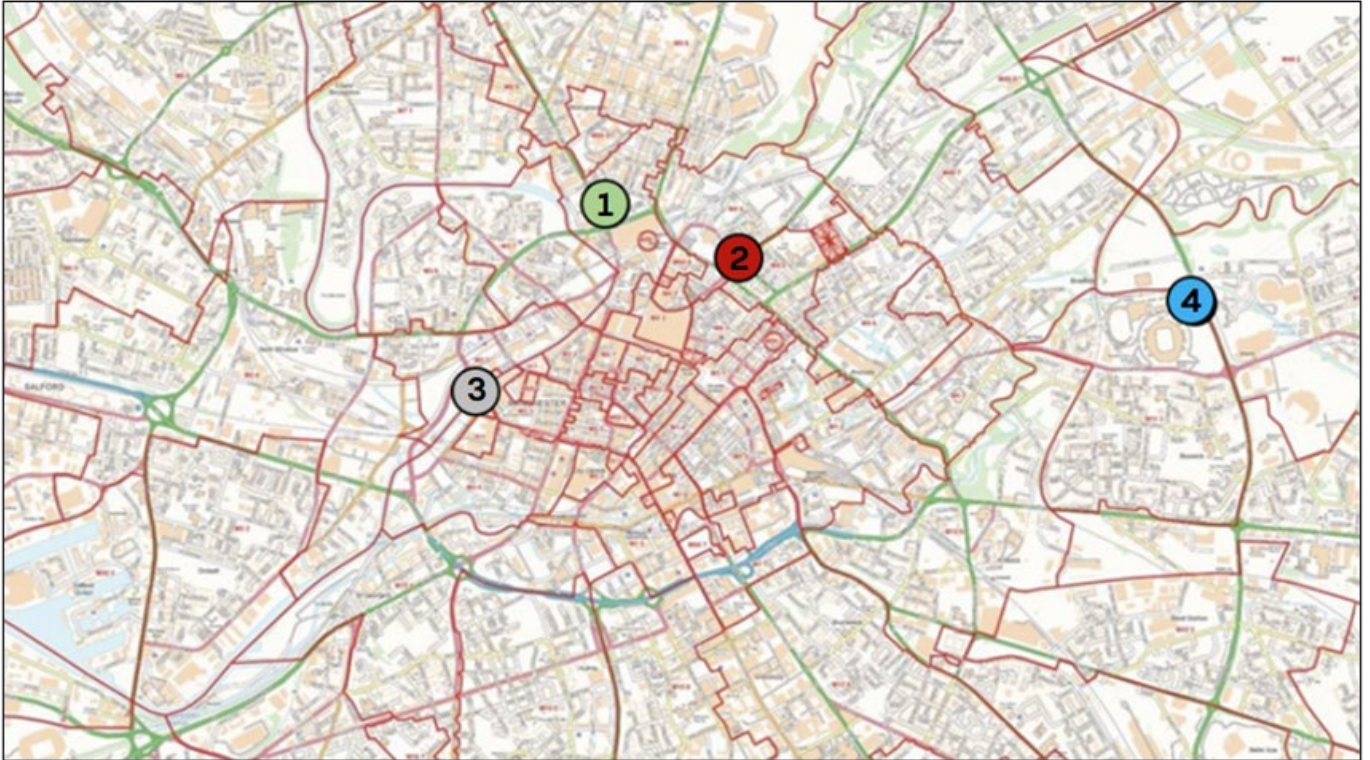
1 Strangeways: In recent years, there have been ongoing efforts to regenerate parts of Strangeways, aiming to improve infrastructure, housing, employment and public spaces to enhance the quality of life for residents and attract businesses. The close proximity to the city centre should allow residents and businesses to benefit from the amenities and opportunities available.

2 Holt Town: Manchester City Council is working with Homes England and GMCA to develop a new plan to help guide the long-term investment plan for this regeneration area measuring 30 hectares. The procurement competition was launched in October 2023, attracting international interest and a range of high-quality bids. The plans set out by the council will see a development of 4,500 new homes. The new development sits between the city centre and the Etihad Stadium to the East of central Manchester, which will allow for easier passage between these two important locations.

- 3 **Ancoats:** The investment will deliver a bigger and much-improved city centre park, new and enhanced green public spaces, an innovative mobility hub – with green living walls – and will also help unlock 1,500 new homes in the Ancoats area. Currently work is nearing completion, and the Green is expected to finish in late 2024.
- 4 **Central Retail Park:** The Council is in late-stage negotiations to begin the redevelopment of part of the former retail park by the Government Property Agency (GPA) to develop a new low carbon office destination.
- 5 **Victoria North:** Victoria North Neighbourhood in Manchester is a regeneration project on the edge of the city centre. Much like Ancoats and MediaCityUK, Victoria North saw decline over the past few decades. With a lot of planning, funding and new developments in place, the area is aiming to be one of the most desirable among young professionals and couples based in the Manchester area.
- 6 **Etihad Campus:** Further development around the Etihad campus is planned, following the completion of the Co-Op Arena. This includes the construction of a 400-bedroom hotel, whilst the development around the north stand will see a 3,000-capacity fan-zone. The north stand will also see a new club shop and museum, resulting in more day-time visitors.
- 7 **Manchester United** campus and surrounding area: there are early indications that Old Trafford stadium will be completely redeveloped or will be replaced by a new stadium adjacent. It is likely that this will form part of a wider transformation and development of the surrounding area.

The following list provides a snapshot of some of the key development schemes in Manchester (proposed, underway or just completed). These developments are expected to lead to an increase hotel demand from businesses and leisure visitors.

Key Development Schemes



AO Arena: there has recently been a £50 million renovation to the AO arena. The capacity has now been increased to 23,000 making it one of the largest arenas, not only in the UK, but in Europe. Along with the opening of the Co-Op Arena, this will further enhance the city's status as a major events destination.

NOMA: the NOMA development scheme is a £800 million project which aims to extend the city centre into the northern Quarter. The 20-acre site next to Victoria station will contain a mix of retail, restaurants and residential buildings.

St Johns Office Scheme: recently planning has been granted for a 200,000 sq ft office Space. The building is supposed to be net zero and have an excellent EPC and BREEM ratings. This £140 million scheme will attract high-level businesses and attention from international markets as the Manchester economy continues to grow.

Manchester City Football Club expansion to the fan zone and the inclusion of a 400-bedroom hotel.

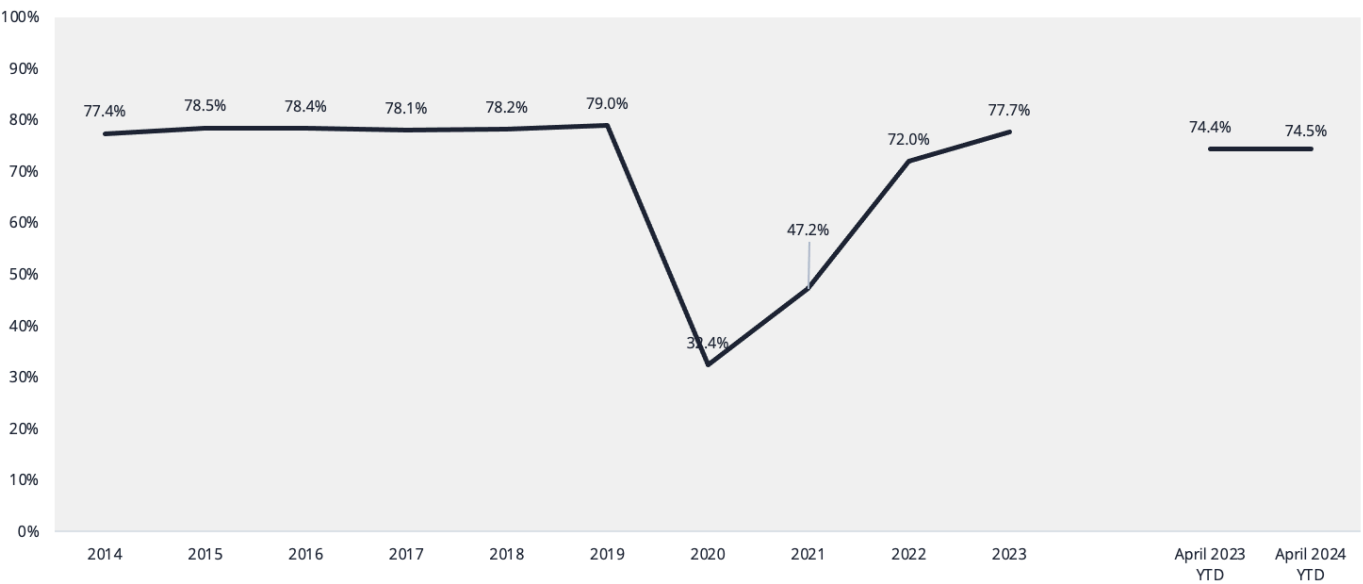
5. Hotel Market Performance

Introduction

In this section, we examine the performance of Manchester’s hotel sector, utilising data provided **by STR Global**; the market leaders in hotel benchmarking. We would refer you to the **Glossary of Industry Terms** specific to the hotel sector and Key Performance Indicators, **see Appendix 2**.

The following graph details the average annual occupancy of hotels and serviced apartments in Manchester over the last 10 years to December 2023, together with a comparison of year-to-date (YTD) performance to April 2023 versus the same period in 2024.

Hotel Occupancy in Manchester – 2014 to April 2024 YTD



Source: STR Global 2024

Occupancy in Manchester was relatively stable between 2014 and 2019, growing from 77.4% to 79.0% by 2019. This reflects the strong underlying level of demand growth in the city over the period, despite the significant new supply entering the market.

Based upon the STR global data, since 2014 there has been a 57.5% increase in supply, with demand keeping pace, growing by 58%, resulting in the relatively consistent performance. The data demonstrates that Manchester’s economic growth and continued development fuelled demand, which undoubtedly supported the continued strength of the overall market performance.

As with all hotel markets worldwide, Manchester was severely impacted by COVID-19, with occupancy declining by over 35% from 2019 to 2020. Occupancy increased to 72% in 2022, before growing to 77.7% in 2023. The 2024 YTD figures are almost at the pre-covid level. Again, the occupancy rate must be considered in the context of the further large increases in new supply since 2020.

The following graph details Manchester's **Average Daily Rate (ADR)** and **Revenue per Available Room (RevPAR)** performance between 2014 and 2024 April YTD, together with the data for the month of April 2023 & 2024.

ADR and RevPAR in Manchester – 2014 to 2024 YTD



Source: STR Global 2014

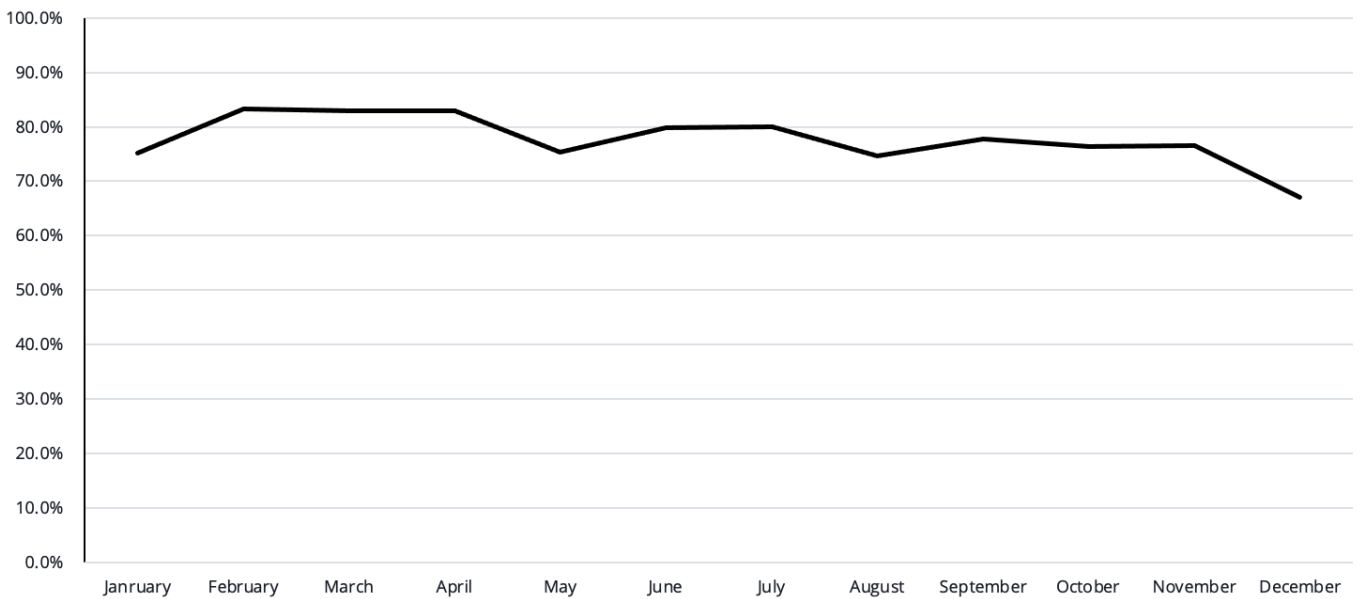


Manchester’s ADR showed consistent growth between 2014 and 2019, reaching a high of £80.06 in 2017. From March 2020, the market was then heavily impacted by COVID-19, with ADR declining to a low of £62.77 between 2020 and 2021. However, the subsequent two years have seen record ADR levels for the city, with 2023’s ADR surpassing 2019 levels by around £16.

The 2024 and 2023 year-to-date figures are extremely similar, with only a few pence difference. This suggests that the market is consistently able to absorb new supply well, with strong underlying demand fundamentals, providing a platform for sustainable future growth.

The RevPAR trend mostly mirrors that of the ADR, with growth pre-covid, peaking in 2019. Unlike ADR, there was then a significant drop due to Covid and the low occupancy experienced. Since then, RevPAR has significantly increased and has even outpaced pre-Covid levels, showing that the city has recovered very well from the pandemic and the supply growth in the last four years.

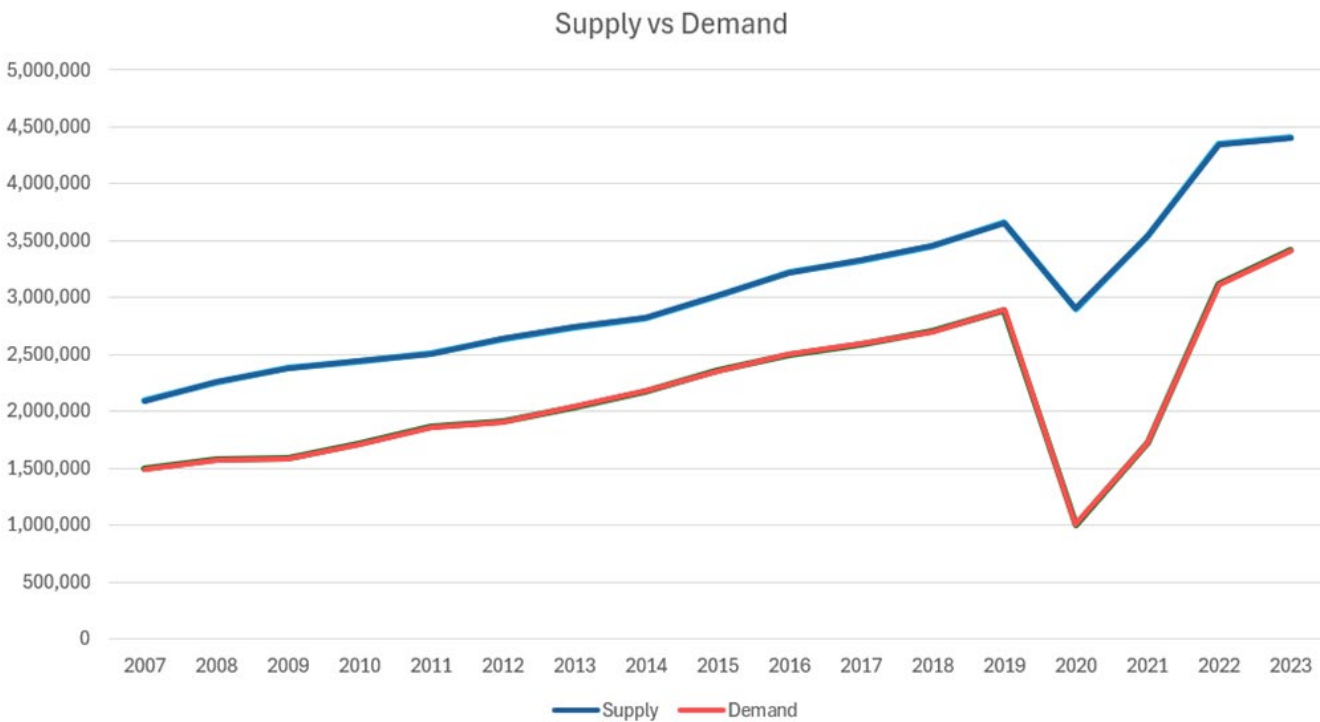
Occupancy Levels in Manchester – Monthly Performance 2023



Source: STR Global 2014

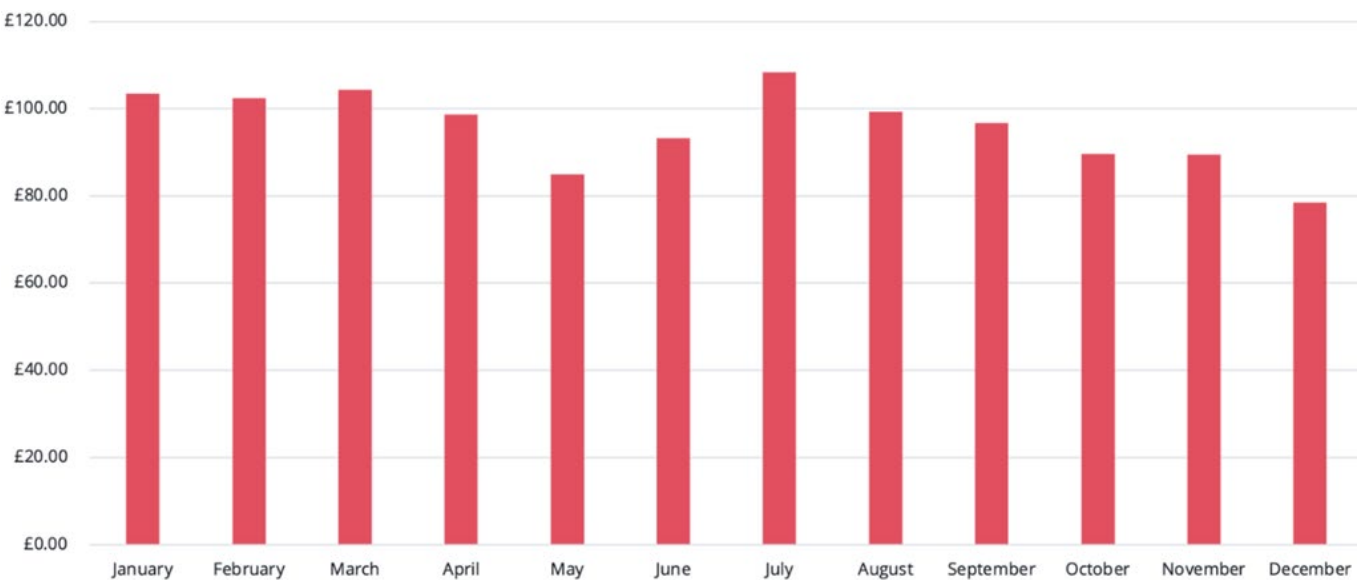
The graph above highlights strong year-round occupancy in Manchester in 2023, with no notable peaks or seasonality in demand patterns, with all of the above months being around 70% or greater. Occupancy generally peaks in Q1/Q2, with occupancy over 80% from February to April, only dropping below 70% in December.

Supply vs Demand in Manchester



The Supply vs Demand graph reinforces the fact that demand has kept up with supply and the market is not over saturated or becoming stagnant.

ADR in Manchester – 2023

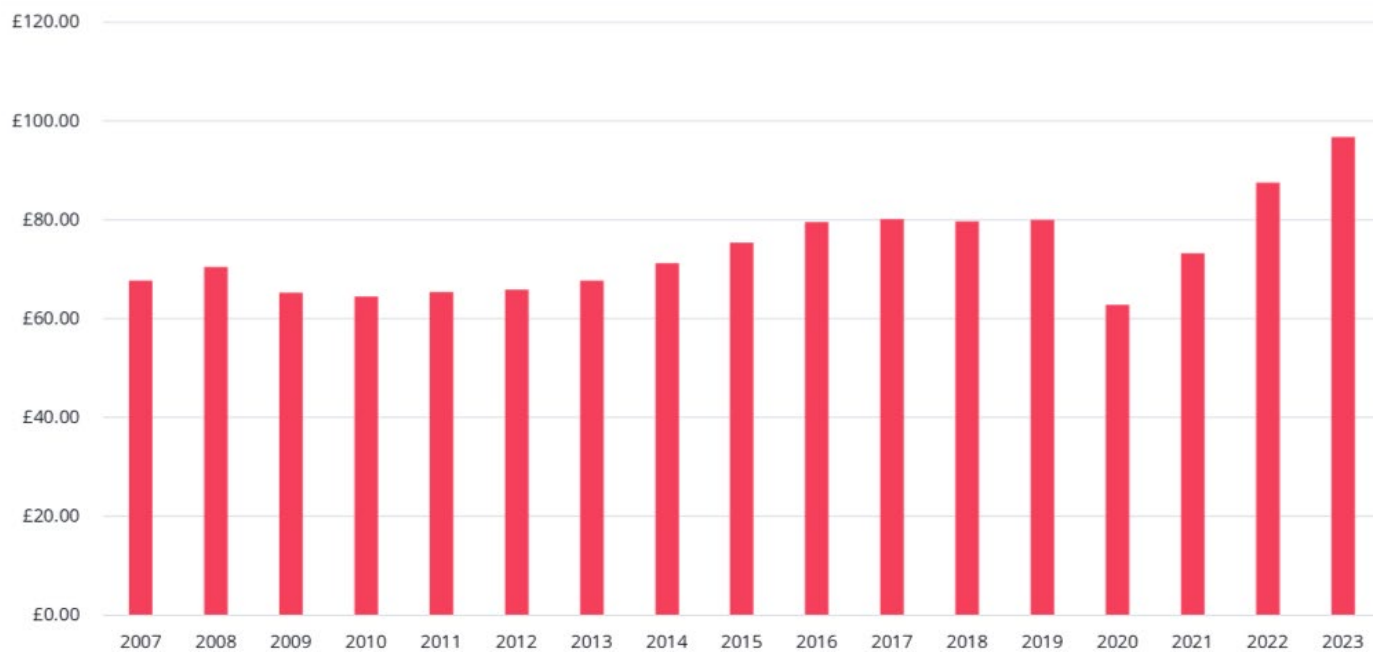


Source: STR Global 2014



The ADR is a similar story, with the peaks of the trend at the start of the year. Towards the winter the ADR does decline.

ADR in Manchester – 2007 to 2023



Source: STR Global 2014



When comparing Manchester with other large UK cities, such as Birmingham and Leeds, Manchester's RevPAR stands out as a key indicator of its strong market position with the UK Provincial market.

Birmingham vs Manchester Performance

Having considered the top ten UK hotel market performances, outside of London, in terms of population, market size and key economic criteria, it is evident that Birmingham has the greatest number of market similarities to Manchester. Accordingly, by way of comparison we highlight below the key hotel performance indicators in each city demonstrating the similarities, but also highlighting the differences.

Birmingham and Manchester are both large, vibrant and prosperous cities that each have thriving universities, fascinating histories and an abundance of cultural sights, entertainment, and activities to offer. Birmingham is twice the size of Manchester, geographically and in terms of population – with 1.15 million people to Manchester's c.550,000 (excluding the whole of Greater Manchester built-up area reaching c.2.6 million compared with Birmingham's 2.44 million).

Manchester's RevPAR was £73.51 in April 2024, significantly higher than Birmingham at £62.08. This demonstrates that Manchester's hospitality market is performing better in terms of revenue generated per available room, despite the challenges posed since the pandemic.

Manchester has historically had higher occupancy rates compared to Birmingham. The rebound in occupancy rates post-Covid has been faster in Manchester, indicating a quicker recovery and stronger demand relative to supply. The ADR in Manchester is at £93.85 as of April 2024, whereas in Birmingham is at £83.65 according to the most recent data.

Manchester's statistics are all the more impressive in the context of the substantial supply increase, demonstrating that increased demand levels have been matching supply, suggesting that the market can sustain new developments and expansions without oversaturating. The Manchester Centre Submarket (defined as the area below) saw 5,771 rooms added now totalling 14,763.



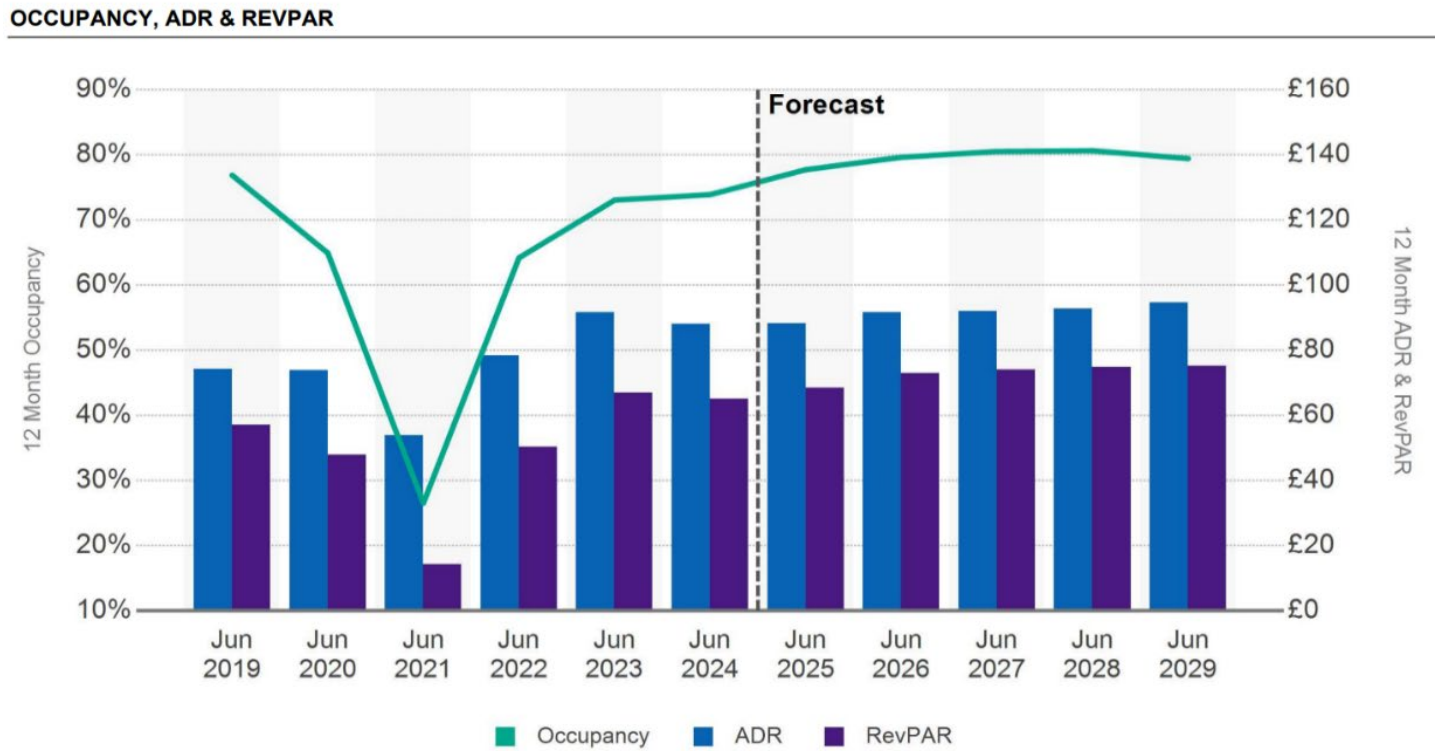
Source CoStar: Manchester Centre Submarket

The Birmingham Centre Submarket by comparison has around 9,800 rooms, most of which are Upper Midscale and Upscale. Branded hotels dominate the local supply, with approximately 80% of rooms belonging to a chain, ahead of the national average, which tends to be more fragmented. The city has benefitted from significant regeneration over the last 20 years, underpinning growth locally.

New room supply by contrast to Manchester has grown at a steady pace over the past 15 years, with a compound annual growth rate of approximately 2%. New room supply additions are expected to be limited in the short term. There are 877 rooms currently under construction, representing c. 6% of the existing inventory, which are expected to be delivered between April 2025 and July 2027. While final planning projects stand at around 1,400 rooms, many of these may not materialise given challenges in the construction industry, including financing.

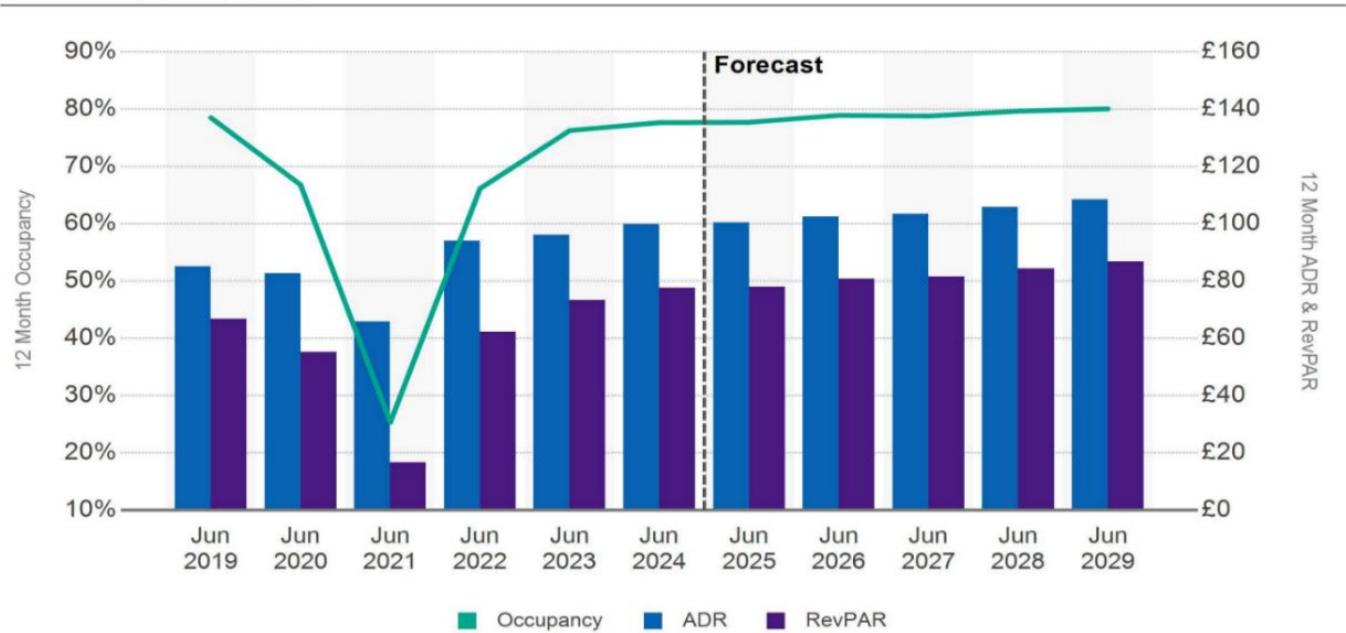
We set out in the graphs below key performance indicators for both Birmingham and Manchester, it should be noted that Birmingham was host to the Commonwealth Games in 2022. They also provide a comparison between the two major provincial cities, together with projections of expected performance over the next 5 years.

Birmingham Hotel Performance Data (June - Year on Year Comparison)



Manchester Hotel Performance Data (June - Year on Year Comparison)

OCCUPANCY, ADR & REVPAR



The data above highlights the continued and steady forecasted increase in both ADR and RevPAR in the Manchester market compared to Birmingham. We can see that Manchester has shown a more robust and consistent performance across the KPI's over each 12-month period.

The data also serves to highlight the strength of Manchester's underlying demand generators and ability to absorb new supply and support future growth in the hotel sector.

6. Market Trends + Issues

Introduction

In this section we highlight some of the macro-environment trends and issues within the wider UK hotel sector which are pertinent to the Manchester market.

Visitor Accommodation Sector Major Trends and Issues

Topic	Comment
Rising Costs	<ul style="list-style-type: none">• 2022 saw a significant increase in inflationary pressure across the hotel sector and the wider economy, which impacted on all aspects of the supply chain, particularly energy, food and drink and labour.• The effects of 2022 led to the ‘cost of living’ crisis’, with the fear that consumer spending on hospitality would be greatly reduced. However, this has not proved to have had a significant impact, with high ADRs achieved in most UK markets throughout 2022 and 2023, as consumers continue to prioritise leisure spending aided by savings generated during the pandemic. Recent research by Oxford Economics highlighted that they expect consumer spend on travel in 2024 to be prioritised over other areas of leisure spending.• The continued uncertainty of Brexit remains an ongoing issue, impacting on operating costs such as imported goods and the availability of staff (detailed further in the table).• More positively, the 2024 economic outlook suggests that interest rates have peaked, whilst inflation in June 2024 fell to 2.0%, hitting the Bank of England’s target.• However, whilst falling inflation has benefitted operators, costs are not expected to return to 2019 levels.• Labour costs continue impact bottom line, with increasing pay with the National Living Wage rising to £11.44 in April 2024 (a 10% increase), along with auto enrollment in Workplace Pensions and The Apprentice Levy (impacting those businesses with payroll over £3million).• The hotel sector also suffers from one of the highest rates of VAT in Europe and there is a campaign from the trade body UK Hospitality to see this drop to 12.5%, which they argue would boost employment, economic activity and Government revenues.

Labour Shortages	<ul style="list-style-type: none"> • The impact of both Brexit and the Covid-19 have caused large skill shortages in the visitor accommodation sector and resulted in increases in costs. • Brexit's impact has been on the migrant labour pool (which accounts for a large proportion of the sector's labour market), whilst the impact of the pandemic saw a large number of workers leaving the sector for jobs that offered higher wages, or greater flexibility and shorter working hours. • These staff shortages are estimated to be in the region of 132,000 vacancies (48% above pre-pandemic levels) across the entire hospitality sector (Source: UK Hospitality). • There are skills gaps specifically around chefs, with UK Hospitality reporting shortages ranging from 10% for head chefs, up to 21% for production chefs.
Sustainability	<ul style="list-style-type: none"> • The climate crisis has brought increasing concerns about the environmental impact that travel is having on the earth, with studies estimating that tourism accounts for around 8% of global greenhouse gas emissions. • The low carbon agenda is one of the most important issues for businesses and individuals and a study by Booking.com in 2023 noting that 76% of travelers wish to travel more sustainably over the next 12 months (an increase of 5 percentage points on the previous year). Leisure travelers in particular are making decisions that put the environment and sustainability at the forefront of their travel decisions, yet there remains little evidence to suggest consumers are willing to accept higher costs for doing so. • Sustainability is an important factor for most companies, with measures in place to limit the environmental impact of corporate travel and many businesses have committed to become net zero by 2030. This may lead to a decrease in corporate travel in the long term, with online meetings and events (which grew because of the pandemic), providing a simple and cost-effective way of engaging with clients. Nonetheless, it is still felt that for larger conferences and events, and a proportion of smaller meetings, there is no replacement for face-to-face meetings. • Sustainability is a growing area within the hotel development and investment market, with a push to put green initiatives to the forefront, including the development of net zero carbon hotels. As global environmental regulations gather pace, investors need to consider the environmental impact of their actions. JLL note that the increase in "green financing" has led to more prevalence of green bonds, with \$4.4 trillion of global impact bonds issued within the last decade.

Hotel Investment and Development Costs

- Whilst the ability to obtain hotel development funding remained challenging between the Financial Crash and the outbreak of Covid-19 pandemic, the increase in inflation and interest rates have worsened the situation post-pandemic. This has impacted the appetite for lenders to be involved in the sector and the debt servicing covenant they require, with much stricter requirements based on recent performance, strength and quality of asset and financial backing making it difficult for developers to acquire the level of required debt.
- Rising interest rates since 2022 have also led to more compressed loan-to-value ratios and softened investment yields, all of which have impacted greatly on the viability of developments.
- This is further impacted by the growing costs associated with hotel construction which often makes it difficult to justify the development case for a hotel. The main issues in terms of materials revolve around steel, concrete and timber due to supply-chain pressures that have been exacerbated since Covid. Whilst the rate of growth has cooled in the first half of 2024, it has not led to a reduction in costs.
- Skills shortages have also impacted on the labour force of construction, with a huge reduction in Eastern European workers. Therefore, the construction sector requires a greater focus by future governments for a “home grown” labour for the industry to reduce the reliance on foreign workers.
- More positively, the hotel sector remains attractive for investors and is no longer viewed as an ‘alternative’ asset class. There remains a substantial waiting pool capital for hotel investment when economic conditions become more favourable.
- 2024 hotel investment volumes should easily surpass 2023 given how low the bar was set last year, with JLL forecasting that European hotel investment volumes this year will grow by 15% on 2023 levels.

Bleisure

- The concept of “Bleisure” (‘business and leisure’) visits, which involves visitors adding extra days to their business trip to include free time for leisure activities has become rapidly prevalent since the pandemic. For hotels, this trend offers many benefits, most notably the additional spending of conference visitors.
- Research by Accor has highlighted that 56% of people worldwide have or are considering staying in places a few extra days to work remotely during weekends or holidays away from home, which highlights the growing potential of Bleisure demand.

Wellness Tourism

- Wellness tourism is a fast-growing segment in the tourism sector, growing by 4% annually from 2015-2020. According to the Global Wellness Institute, the UK Wellness Economy was worth \$158 billion, making the country ranked fifth worldwide.
- Covid-19 has accelerated wellness with increased staycations as well as an enhanced view on healthy living and work/life balances. Guests want to decompress from their stressful lives, explore new areas and have a digital detox.
- On average, UK tourists spend 5.8% more for an enhanced wellness offering at holiday resorts and hotels.
- For hotels, the concept of wellness has moved beyond the traditional spa visit to incorporate a more holistic well-being encompassing emotional well-being, nutrition, and mental health. Accor note this offers an opportunity for hotels to offer services such as meditation, as well as guidance on nutrition and mindfulness.

Technology

- New technology has always been in the forefront of the hotel sector. Recent technological trends have helped save on labour costs, which has been a huge advantage given the aforementioned skills shortage.
- Self-check-in terminals have been implemented by several hotel groups, helping to reduce front desk staff. Similarly, mobile room cards, with guests able to check in online and use their mobile phone to access their bedroom, save on front desk staffing.
- One of the biggest trends currently being implemented is the use of artificial intelligence (AI). Not only is AI seen as a way of enhanced efficiency and cost reduction across departments (thereby reducing labour and improving profitability), but it is expected to be utilised in order to enhance the guest experience. AI can personalise the guest experience using data to ensure that their stay is tailored to their every need. Hilton have introduced their own robot concierge, “Connie”, assisting guests with information about hotel amenities, dining recommendations and local attractions.

Emerging Accommodation Types

- Extended stay hotels (including apart-hotels and serviced apartments) have become increasingly popular in recent years as they offer the space and facilities of a traditional, larger serviced apartment, with the service levels of a hotel. This segment has seen growth in the Manchester market, with leading brands such as Residence Inn by Marriott, Hyatt House and StayCity all having opened in the last five years. The segment was one of the first to recover from the pandemic due to the ability to socially distance and the kitchen facilities provided in most units. From an investor and developer perspective, apart-hotels are an attractive opportunity which typically generate higher profit margins due to their typically low cost base (e.g. lower staffing than full service hotels).
- There is also the emergence of hotel products that provide guests with a more immersive experience of the locale. Brands such as Moxy and Locke (both located in Manchester) often turn their public areas into cultural hubs, hosting events, exhibitions, and performances by local artists. The Social Hub provide a hybrid concept, mixing hotel rooms, with longer stay student accommodation, as well as a bar, restaurant, meeting and co-working space. This results in a mix of user groups in the hotel such as student, tourists, entrepreneurs and locals. There are now 17 Social Hubs across Europe, with the first UK property – Glasgow – opening in 2024.
- Co-working space has seen consistent growth over the last few years, thanks to the rise of digital nomadism and the increasing flexibility of work since the pandemic. Many hotels have capitalised on this trend, often turning under-utilised meeting space into co-working spaces.

Source: G+S research

7. Manchester Sector Trends

Hotel Development Survey

Introduction

G+S has undertaken online surveys with key representatives involved in the UK hotel development sector. The purpose of these was to understand their individual experiences to date in branding, operating and developing hotels in Manchester, together with their aspirations to brand, operate or develop in Manchester in the future. Respondents were also asked to identify any perceived barriers that may impact on their ability to do so.

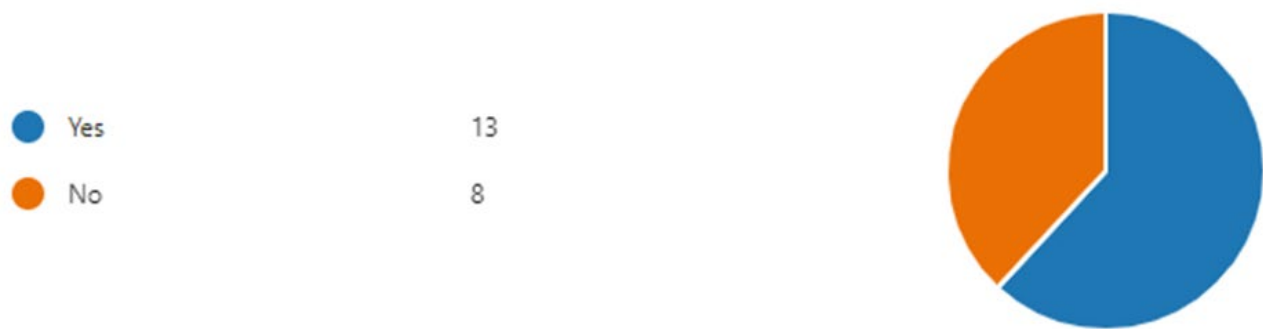
In total, 120 representatives of visitor accommodation brands/operators, developers and investors were asked to complete an online survey and the findings are reported in this section. Of the total 36 responses have been received to date (as of 19th July 2024). This equates to a response rate of 30%, which we believe to be a positive rate of return.

Brands + Operators

Surveys were sent to 55 hotel brands and operators, including those already present in the UK and new entrants. Of the total 21 responses were received from a range of brands and operators, including many well-known international hotel companies.

62% of respondents currently operate hotels in Manchester. Of the 38% of respondents that do not currently brand or operate hotels, several comments were received as to why this was, with all of them relating to the lack of available opportunities. No brand or operator noted that this was due to the underlying conditions of the Manchester hotel market.

Q. Do you currently brand or operate hotels in Manchester?

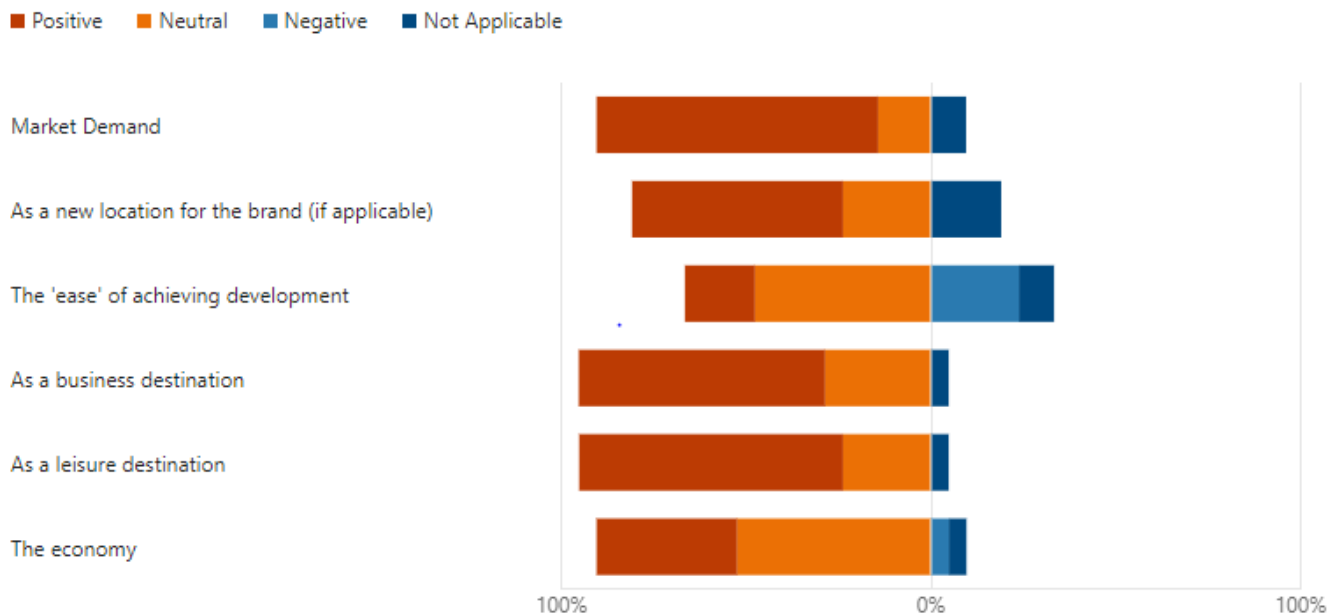


Source: G+S/Microsoft Forms

Respondents who have branded and operated in Manchester were asked how positive their experience of Manchester has been in terms of six criteria: market demand, as a new location for the brand (if applicable), the “ease” of achieving development, as a business destination, as a leisure destination and the economy.

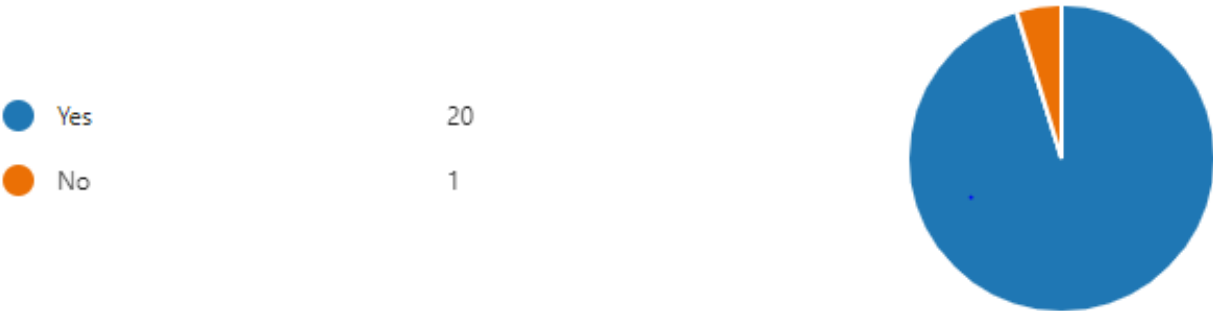
The figure below highlights a very positive experience in terms of market demand, as well as the city’s economic, business and leisure profile. However, most were less positive towards the ease of achieving development.

Q. What has been your experience to date in terms of branding or operating hotels in Manchester?



The graph below highlights that 95% of respondents (all but one) would consider branding or operating hotels in Manchester moving forward, which is a very positive level of response in our experience.

Q. Would you consider branding or operating hotels/further hotels in Manchester?

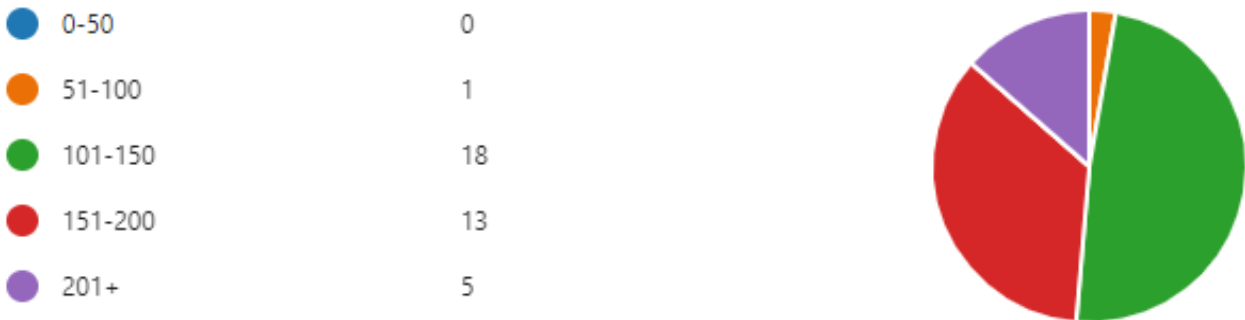


90% of respondents who confirmed “yes”, said that they would contemplate hotel development, with 37% considering serviced apartments and one would consider hostel, highlighting that the primary focus for expansion in Manchester moving forward is for hotel or apart hotel accommodation.

Respondents were asked regarding the minimum and maximum room numbers they would consider for a hotel/serviced apartment. The optimal level was identified as being between 101 and 150 bedrooms, followed by 151 to 200 bedrooms depending upon category.

Q. For a new property please describe the number of bedrooms considered

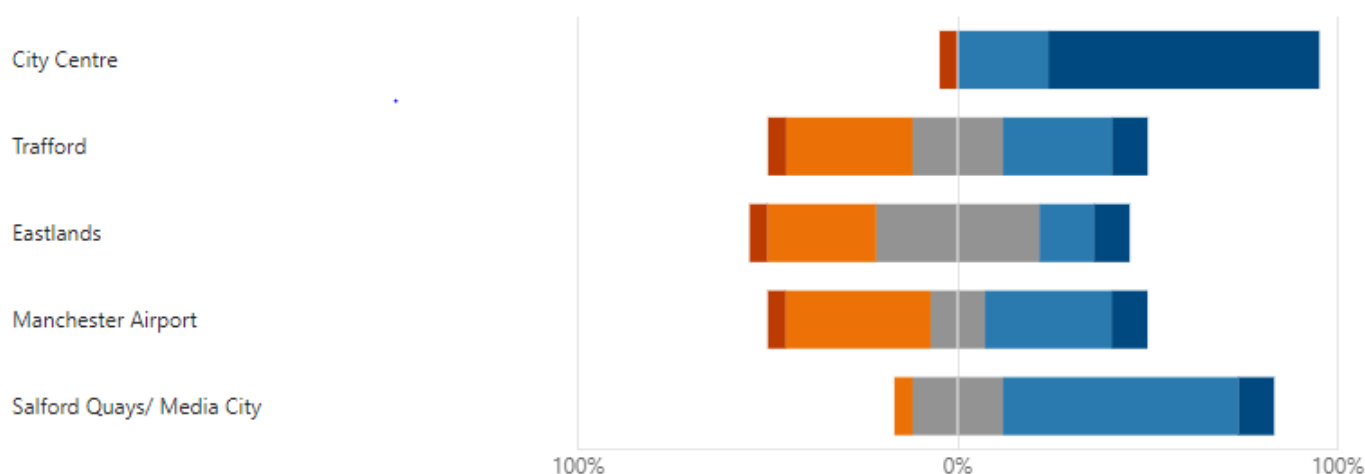
[More Details](#)



Respondents were asked how they perceived the following locations as being suitable for hotel development; city centre, Trafford, Eastlands, Manchester Airport and Salford/Media City.

Q. How attractive would you consider the following locations for hotel development?

Very unattractive Unattractive Unsure Attractive Very Attractive

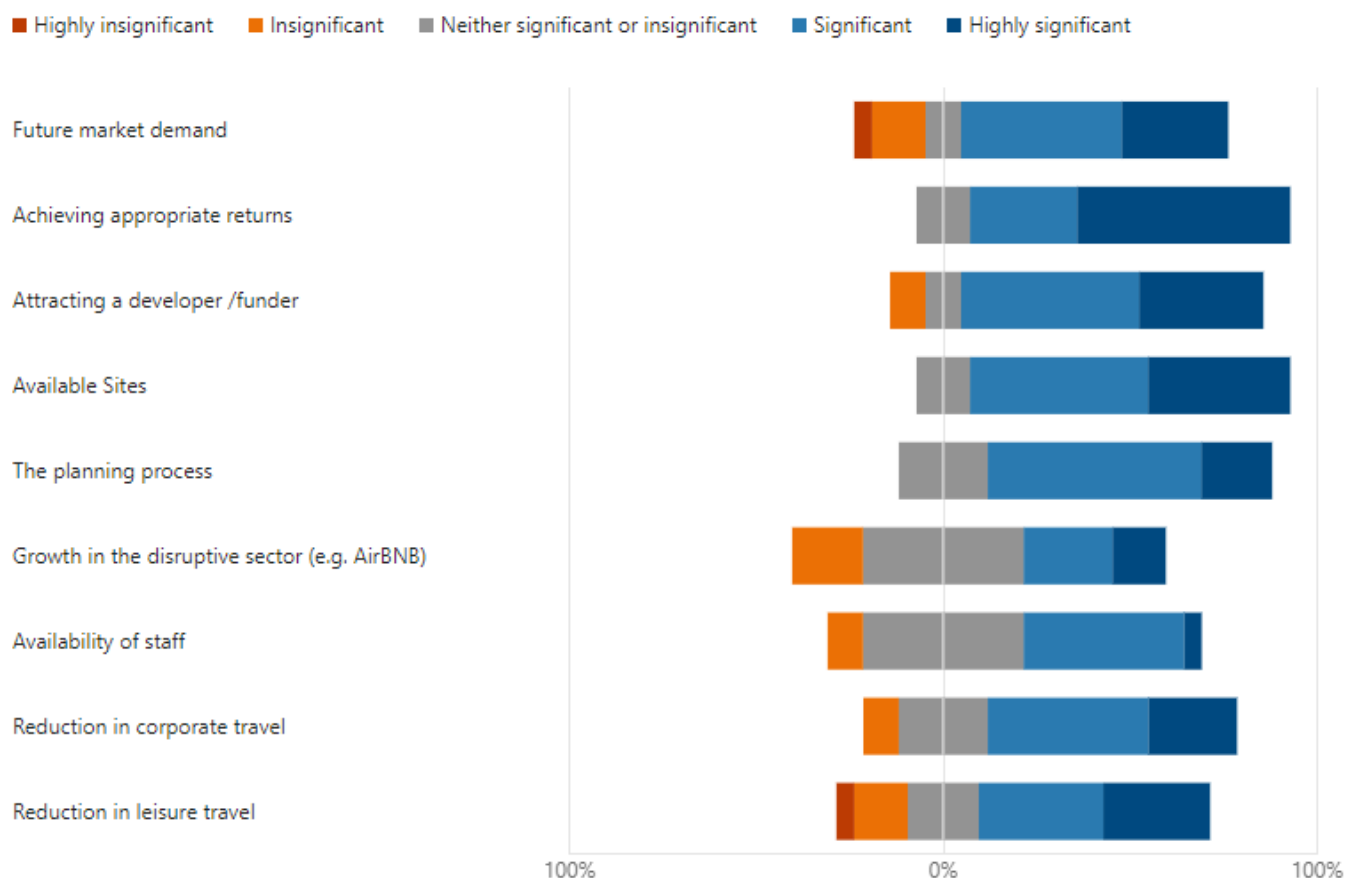


Unsurprisingly, the city centre was by far the most preferred, followed by Salford/Media City. The lowest appealing area was Eastlands.

Finally, all respondents were asked how significant they consider the following factors are in acting as barriers to development of future hotels in Manchester:

- Future market demand;
- Achieving appropriate returns;
- Attracting a developer / funder;
- Available sites;
- The planning process;
- Growth in the disruptive sector (e.g. AirBNB);
- Availability of staff;
- Reduction in corporate travel;
- Reduction to leisure travel

Q. How significant do you consider the following as barriers to development of future hotels in Manchester?



One of the most significant factor identified was the lack of available sites with an average weighting, followed by achieving appropriate returns and then the planning process. Of all the factors listed, growth in the disruptive sector was considered the least significant.

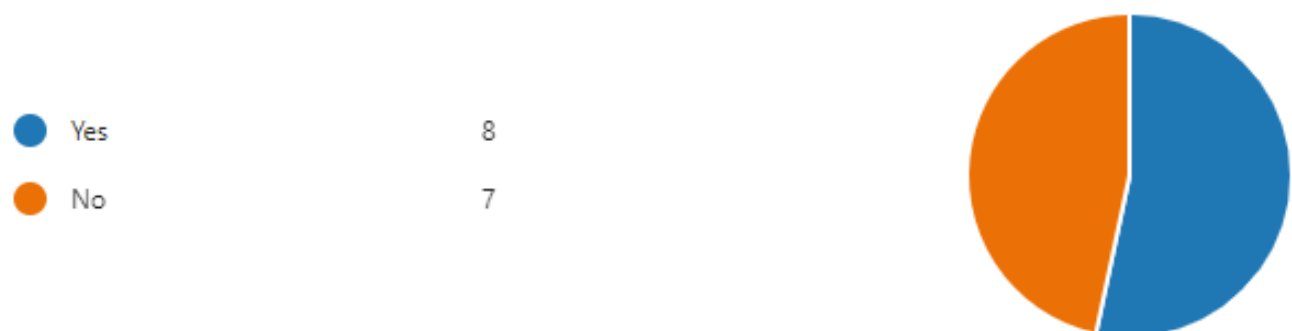
Respondents were asked if they had any further barriers not listed, with the following noted by several respondents:

- Political instability
- Construction costs and debt
- Taxation choices

Developers and Investors

Survey questionnaires were sent to 65 hotel developers and investors. In total, 15 surveys or 23% of the total were completed and returned.

Q. Have you developed or contracted any hotels in Manchester?

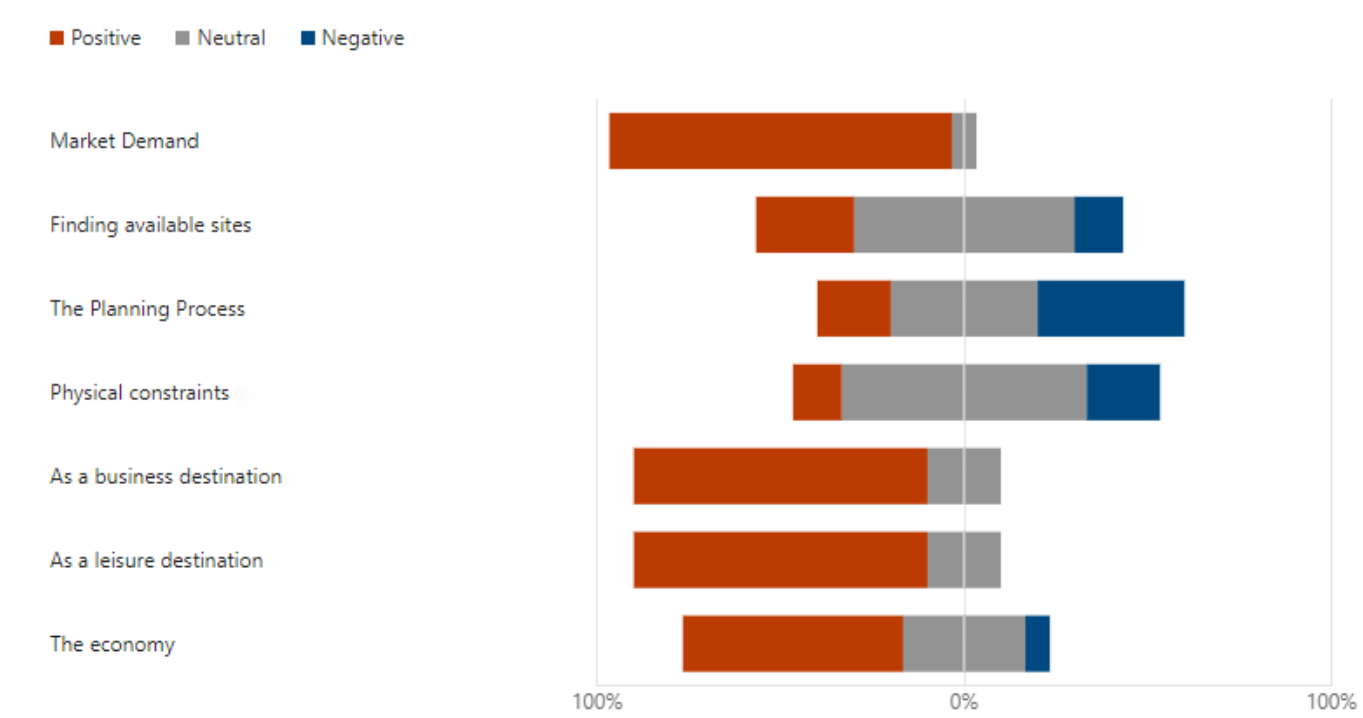


Of the respondents, 53% indicated that they had developed or contracted hotels in Manchester. As with the brands and operators, all comments received by those that selected ‘no’ indicated that it was due to the lack of appropriate opportunities.

Respondents who have contracted or developed hotels were asked how positive their experience of Manchester was in terms of **six criteria: market demand, finding available sites, the planning process, physical constraints, as a business destination, as a leisure destination and the economy.**

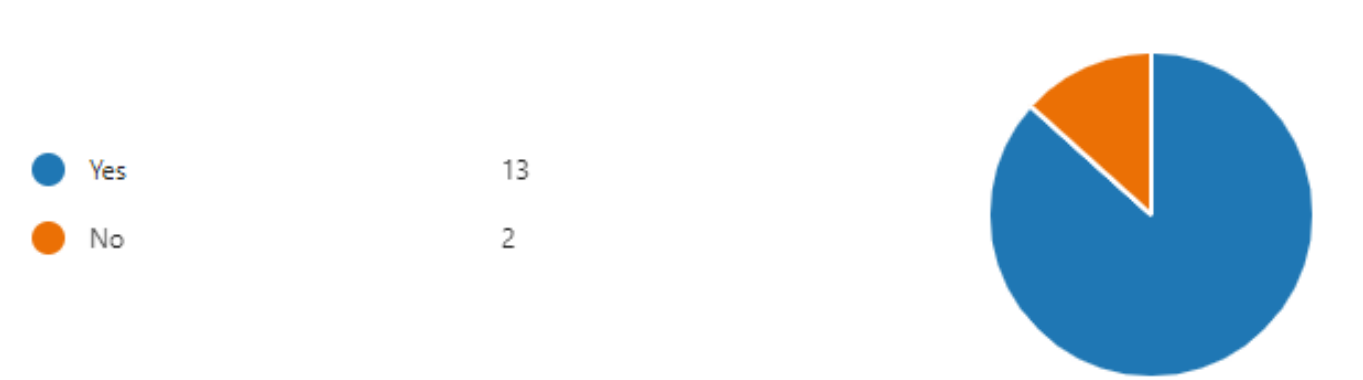
The figures below highlight a very positive experience in terms of market demand, as well as the city’s economic, business and leisure profile. However, very few were positive towards finding available sites and the planning process.

Q. What has been your experience to date in terms of developing visitor accommodation in Manchester?



The graph below highlights that 13 of the respondents would consider future hotel developments in Manchester, generally highlighting strong developer interest in the sector moving forward.

Q. Would you consider future hotel developments in Manchester?



100% of participants who responded ‘yes’ would consider hotel development, 84% would consider serviced apartments and 38% would consider hostel. Again, this highlights that the first two are the main focus for developer activity in Manchester moving forward.

Q. If “Yes” please state what types of accommodation you would consider (please select more than one if applicable)

[More Details](#)

Hotels	13
Serviced Apartments (including ...	11
Hostels	5
Other (please specify)	1



Respondents were asked regarding the minimum and maximum room numbers they would consider for a hotel/serviced apartment. The optimal level identified was between 151 and 200 bedrooms.

Q. For a new development please describe the number of bedrooms considered

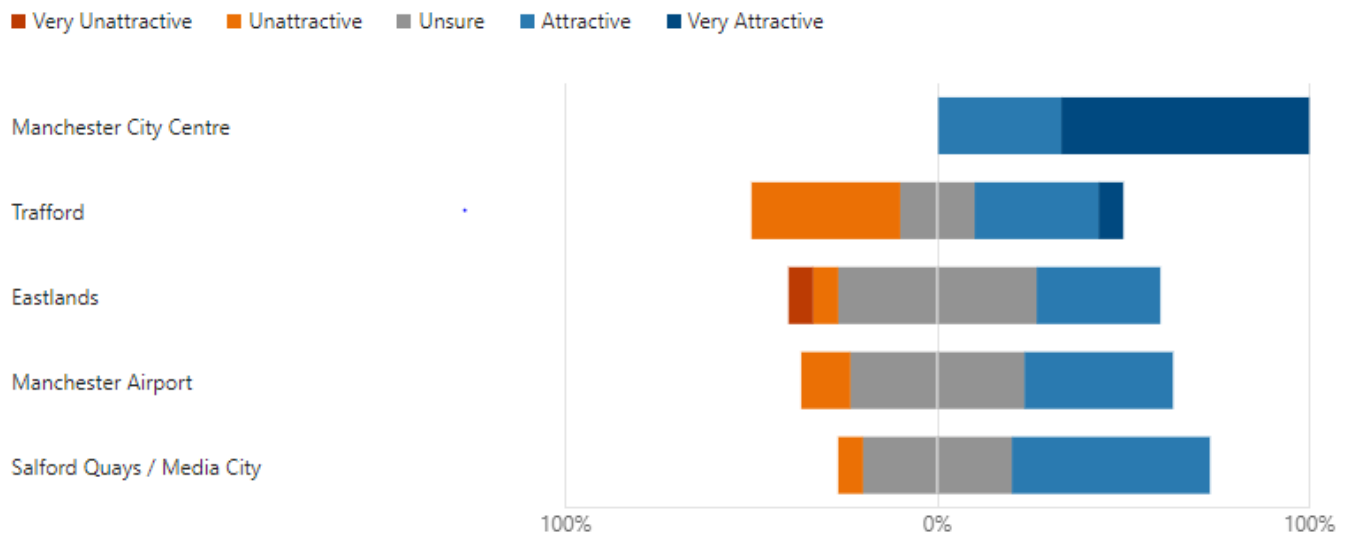
[More Details](#)

0-50	0
51-100	0
101-150	6
151-200	7
201+	2



As per the brand and operator survey, respondents were asked which of the four potential locations would be preferred for future development.

Q. How attractive would you consider the following locations for hotel development?

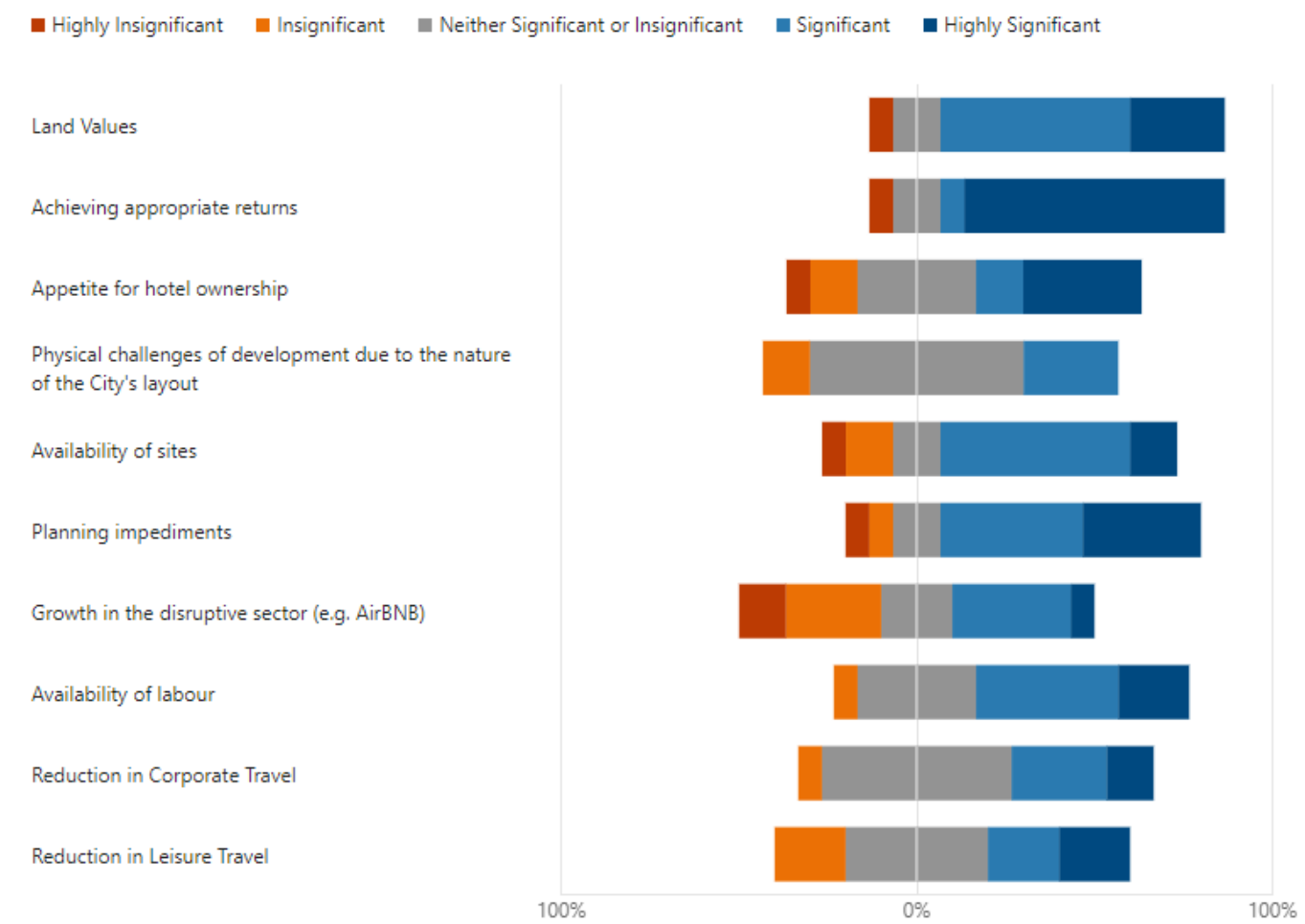


Again, the city centre was the most popular choice, however developers appear more willing to develop in Salford Quays/ Media City. Both the Eastlands and Trafford areas appear to be less attractive for developers.

Finally, all respondents were asked how significant they consider certain factors are in acting as barriers to development of future visitor accommodation in Manchester? The factors identified are:

- Land values;
- Achieving appropriate returns;
- Appetite for hotel ownership;
- Physical challenges of development due to the nature of the City's layout;
- Availability of sites;
- Planning impediments;
- Growth in the disruptive sector (e.g. AirBNB);
- Availability of labour;
- Reduction in Corporate Travel
- Reduction in Leisure Travel

Q. How significant do you consider the following as barriers to future hotel development in Manchester?



As with brands and operators, the most significant factors were achieving appropriate returns and land values. This was followed by achieving availability of labour and planning impediments. There were no specific other comments or points raised by respondents.

Stakeholder Consultations

To gauge views on the key trends and main issues in the Manchester visitor accommodation sector we have held consultations with the following stakeholders:

- Manchester City Council
- Salford City Council
- Manchester City Football Club
- Marketing Manchester
- Manchester Airport Group
- Manchester Hotel Association
- University of Manchester

The key trends and issues that were discussed are detailed in the following table:

Theme	Comments
Balance of Supply	<ul style="list-style-type: none">• Manchester was generally viewed by respondents as having a reasonably balanced hotel supply with no major oversupply of any one hotel grade, although it was noted that the economy and midscale segments were very well represented due to a number of fairly recent openings.• However, several commented that Manchester is still lacking in supply within the upper upscale / luxury segments. Notably, many noted that there is a lack of ‘unique’ upscale hotels, or a true five-star product, with many in this segment being older, more traditional properties.• New entries such as the soon to open Treehouse Hotel and the proposed W Hotel were viewed as improving this situation, but there is still believed to be room for growth in the luxury market.
Impact of short-term lets	<ul style="list-style-type: none">• The growth in short-term lets is viewed as a major issue in Manchester which is impacting on the residential market. Whilst not an issue in every part of the city, areas around Oxford Road (close to the Universities) and Eastlands (between the city centre and the Etihad) were identified as having an over-supply of short-term lets.• The growth in purpose-built short-term lets has put huge strain on the housing market, both in terms of the availability of stock and the affordability of rents (particularly family housing).

	<ul style="list-style-type: none"> • That said, all respondents believe the issue is a housing issue, rather than one that is having a negative impact on the hotel sector. • The growth in short-term lets has delivered positive benefits for the visitor economy, including providing a new type of accommodation for visitors (one that benefits visiting families in particular), whilst the growth in short-term let supply has had no impact on the performance of the hotel sector overall. • The only key issue with short-term lets and the hotel sector is an issue of perceived ‘fairness’, with short-term lets not beholden to the same regulation as serviced accommodation (e.g. fire regulation, tourism tax, health and safety etc.). The introduction of regulation may be a way in which this issue may be addressed, but is currently sitting with the UK government awaiting a decision.
Availability of Sites	<ul style="list-style-type: none"> • Prime development sites in Manchester continue to generate strong interest from a range of uses, which can often drive-up asking prices and therefore make it difficult for hotel developers to deliver new supply. One respondent noted that the core city centre is now “congested” with hotels. • That said, compared to other major cities, Manchester benefits from several regeneration sites, proposed or underway, as highlighted in the Market Background section. Many of these sites are in walking distance of the major demand generators in the city centre (there are also large development sites in close proximity to Manchester Airport). • Therefore, there are opportunities to create new hotel developments in these emerging locations, as part of new mixed-use destinations, with other uses such as commercial and residential. • It was noted, however, that new developments should aim to avoid creating conflicts with long-established residential neighbourhoods. The ability of the city to grow should not impact on the lives of long-standing communities. • In addition, many respondents considered Manchester City Council to have a proactive and welcoming view on new visitor accommodation (albeit our developer survey highlighted some dissatisfaction with their experience of the planning process) • One comment stated Manchester was a ‘pioneering’ city and is willing to consider ‘blue-sky thinking’ when it comes to new development.

Demand Generators	<ul style="list-style-type: none"> • The majority of respondents all commented that the biggest strength of Manchester as a destination was the huge amount of demand drivers that generate high levels of week-round and year-round demand. This is thanks to its buoyant corporate sector, status as a leading international conference destination, two major universities, as well as its leading sporting and events calendar. • One respondent stated that the offering within Manchester is unmatched anywhere in the UK outside of London.
Future Growth	<ul style="list-style-type: none"> • Thanks to the aforementioned regeneration schemes, prospects for the city's hotel sector were considered to be very positive, thanks to the range of large development sites and projects underway, albeit the quantum of new supply to 2026 may impact performance in the short-term. • The development of the Co-op Arena was viewed as very positive for Manchester City, changing the Etihad Campus from a '25 days a year destination' into a '365 day destination' • Manchester Airport will also continue to see a steady increase in passenger traffic as it moves towards annual passenger numbers of 45 to 50 million per annum, creating the need for additional hotels in proximity to the airport and also creating a greater influx of visitors, with the likely growth in long-haul destinations. • The projected growth in students at the University of Manchester, as well as projects in the south city centre area (such as ID Manchester) were likely to increase demand moving forward. • Positively, no major issues or barriers to future development were identified. However, several respondents noted the need to ensure that the city's infrastructure maintains a pace of growth to support the influx of new residents and visitors, as well as there being a need for better and safer cycling and walking routes to the Etihad Campus. • The lack of reliability of national rail services to Manchester are considered a present issue that needs a central government response. • Several respondents identified that a weakness of the city was its lack of a clear identity to overseas visitors, commenting that apart from its two football clubs, the city is lacking in an iconic attraction, or image. • Therefore, there needs to be more work undertaken to 1) generate more reasons for overseas visitors to come and 2) provide a more welcoming environment for overseas visitors (for example, multi-language signage, more tour buses). 3) Better orchestrate signage to key areas, transport and attractions within the city centre.

Impact of Tourism Tax

- The tourism tax that was introduced in 2023 was felt to have had no negative impact on the sector, with 100% compliance and over £3m generated in its first year. It is expected to generate £18m in its first five years.
- The implementation of tourism tax is now commonplace across leading European cities and it was considered that Manchester's charge of £1 per night reflected good value for money when compared to comparable cities.
- A tourism tax is not in effect in Salford and was something the council were not likely to consider in the immediate term.

8. Market Projections

Market Projections

This section presents our forecasts of hotel capacity in the Manchester market to 2040, considering both hotels and serviced apartments, which are by far the largest growth areas in the overall Manchester visitor accommodation market.

In assessing how hotel demand will increase to 2040, we have assessed historic and forecasted annual Gross Value Added (GVA) growth due to the broad correlation between this metric and hotel performance growth.

As noted in the Market Background Section, Manchester's GVA in the decade to 2020 grew from £53.9 billion to £78.7 billion, which equates to a combined annual growth rate (CAGR) of 3.9%. The latest GVA forecasts produced by EY predict an annual growth rate in Manchester of 2.2% between 2024 and 2027, outpacing the national growth rate (1.9%).

In the period 2012 to 2022 room demand (measured by room sold) in Manchester grew by 5.5%, higher than the supply increase (+4.8%). It would be difficult for any market to maintain such levels of continuous demand growth over a long period in light of extensive new supply, as Manchester will experience in the next three years.

Based on previous GVA and hotel performance (as outlined above), as well as the latest GVA forecasts by EY and potential growth generated by regeneration activity, we have assumed a realistic annual average demand growth rate to 2040 of 2.5%. Future growth will be subject to annual fluctuations relating to macro-economic factors (such as recessions) that are not possible to predict for the purposes of long-term modelling. Therefore, assuming an average annual growth rate is the most sensible approach.

In the Hotel Supply section, we analysed the quantum of hotels in the planning pipeline and identified a number of schemes that are under construction or with confirmed brand or opening date (i.e. not all hotels in the planning process), equating to 3,218 additional bedrooms (hotels and serviced apartments combined, as shown in the Table across pages 18 and 19). In our model, we have assumed that all of these projects will go ahead.

Our model demonstrates that based on an annual demand growth of 2.5% per annum to 2040, and that the existing pipeline of 3,218 hotel bedrooms are delivered by 2029, there is additional demand capacity for a further 400 rooms per annum in Manchester to 2040. This represents a total supply growth of 7,618 rooms over the 17-year period.

Based on this scenario, annual occupancy will be maintained at around 75% to 81% until 2036, similar to pre-Covid levels. Any supply increases greatly beyond 400 per annum (or 7,618 rooms across the period) may therefore bring market occupancy below historic levels; this may also impact the performance of existing hotels and also make Manchester a less attractive market for hotel developers and investors.

The addition of a further 7,618 bedrooms will provide a significant employment boost to the city. At present the average size of hotels in Manchester is 125 bedrooms. The number of full-time employees per hotel can vary greatly based on the facilities provided. However, on average a 125 bedroom hotel may be expected to employ at least 35 members of staff, or 0.28 employees per room.

Using the assumption of 0.28 employees per room, 7,618 bedrooms would potentially create an additional 2,133 jobs. This figure does not consider additional jobs created at the construction phase, or in the supply chain.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Annual Demand Growth @ 2.5%																	
Market Room Sold	12,997	13,322	13,655	13,996	14,346	14,705	15,072	15,449	15,835	16,231	16,637	17,053	17,479	17,916	18,364	18,823	19,294
Rooms available	16,256	17,047	17,803	18,391	18,814	19,289	19,689	20,089	20,489	20,889	21,289	21,689	22,089	22,489	22,889	23,289	23,689
Existing Pipeline	791	756	588	423	475	400											
Future Capacity							400	400	400	400	400	400	400	400	400	400	400
Total Room Supply	17,047	17,803	18,391	18,814	19,289	19,689	20,089	20,489	20,889	21,289	21,689	22,089	22,489	22,889	23,289	23,689	24,089
Market Occupancy	76.3%	75.5%	74.9%	75.3%	75.2%	75.5%	75.9%	76.2%	76.6%	77.0%	77.5%	78.0%	78.5%	79.0%	79.6%	80.2%	80.8%

9. Policy Response

Policy Response

This report has confirmed the strength of the Manchester hotel market and has not identified any major issues or barriers to its future growth and status.

There are several findings which may present an appropriate policy response that could feature in the Manchester Local Plan Review.

Hotels as part of strategic development sites: Manchester benefits from several large, emerging development sites such as Ancoats, Holt Town and Eastlands, which have the potential to either feature as part of an expanded city centre or be complementary as part of the Core Growth Area.

Manchester in this sense is unique, with few major cities having such space in which they can increase their city centres. Given their proximity to the city centre, there is therefore an opportunity to develop hotels in these locations, bringing economic and employment benefits, and creating critical masses of commercial uses.

To encourage the appeal of these locations as hotel opportunities, it is important that there is a critical mass of other developments underway, or committed, when marketing to hotel developers and operators. It is very rare that hotels lead development; notwithstanding the disruption to guests if they open whilst surrounding development works are ongoing, hotel developers and operators need to be convinced that their hotel will be part of a completed destination (with the required infrastructure).

As an example, Middlewood Locks as a 24 acre mixed use development has focussed on completing a number of initial development phases ahead of progressing the market opportunity for a 250+ key hotel. This will form part of Phase III and also ties in with the wider connectivity with Allied London's St John's scheme and Spinningfields. These schemes have been further supported by improved infra-structure and transport connections, crossing over the Manchester/Salford border.

Developing hotels in emerging sites can also help alleviate concerns about 'oversupply' in key locations (raised during the consultations) and the lack of development sites in the city centre (a common response in our surveys). Additionally, this can also help reduce traffic congestion, by drawing visitors out of the city centre core.

However, when considering hotel use, it will be important to ensure that development does not happen at the detriment of long-standing communities; as highlighted in our consultations and they should not be placed within mainly residential areas.

Encourage more upscale hotels and embrace new hotel concepts: a common point raised in our consultations was the lack of upper-upscale and luxury hotels in Manchester. Whilst there has been a growth in upscale hotels in the last decade, economy and midscale (including upper midscale) remain the segments with the highest quantum; representing 61% of the total bedroom supply.

To help the city's economy grow, it is important to ensure a greater balance of segments and therefore the development of upscale and luxury hotels should be welcomed (assuming they meet all planning obligations). The strong growth in the average daily rate in Manchester in the last decade will help better support the viability of such hotels by providing the necessary return on investment developers require, which has not been the case historically.

External factors, such as high build costs and high inflation, may impede the progress of further upscale hotel development. However, the scheduled openings of hotels such as the 'W' Hotel and Treehouse, should give comfort to other developers and operators, demonstrating that there is a viable opportunity in Manchester for additional luxury hotels.

In addition, several comments were made in our consultation regarding Manchester as a city being a 'pioneering city' and open to 'blue sky thinking'. This can be extended to the hotel market by the city embracing emerging accommodation types, such as those detailed in the Market Trends section, and other concepts that gain prominence in the coming years. Thanks to the city's wide range of existing and increasing demand drivers, this should encourage developers and operators to further consider Manchester and the opportunity it presents as a destination for emerging accommodation types.

We have also identified other trends and issues which need to be considered to ensure the continued growth of the hotel sector:

- The consultations undertaken for this study re-iterated that the huge growth in the short term lets market is causing significant pressure to the availability of residential accommodation in the city. However, research for this study has emphasised that the growth of short term lets has not had a major impact on the hotel sector, with hotel demand increasing in the last decade despite the rise in AirBNB listed properties. Our surveys and consultations have highlighted that the presence of short term lets in the city is not considered a major issue by operators or developers. It has brought benefits in terms of providing a new accommodation type to the city and has brought revenue for locals who can rent their property. However, it should be noted that the economic benefits of short-term lets are much lower than that of hotels. Hotels provide much greater employment opportunities for locals, not just directly in the property (as highlighted in the final bullet point below), but indirectly through the supply chain (such as the purchase of food and drink from local suppliers for the hotel's restaurant for example) and in the construction phase when it concerns a new development or conversion.
- From the perspective of the visitor accommodation sector, there is not a case to impose severe restrictions on short term lets in Manchester city centre. However, implementing greater regulation would help ensure more of a 'level playing field' with the rest of the visitor accommodation sector. This could include short-term let properties contributing to the tourism tax in the future.

- Several comments were made during our consultations that Manchester (with the exception of its football clubs) still lacks a clear brand that appeals to International Visitors. Although outside the scope of this report, we would comment that more research is required to assess ways in encouraging more overseas visitors to come to Manchester.
- Finally, one of the biggest challenges in the UK hotel sector is the ongoing skills shortage. We project that the Manchester market has capacity for over 7,600 hotels which could generate an additional 2,133 jobs in the sector (with further employment created in the construction phase and through the supply chain). To ensure there is no disruption to the growth of hotel supply in the city, a significant emphasis needs to be placed, at both a local and national level, to encourage hospitality as a career choice to fill potential vacancies.

Appendices

Appendix 1 Market Supply Lists

Hotel Market Supply

Property Name	No. of Rooms	Grade*
Innside - Melia	208	Upscale
MOXY	146	Upper Midscale
Holiday Inn	298	Upper Midscale
Stay Inn	65	Economy
Travelodge	181	Economy
King Street Townhouse	40	Luxury
Hyatt Regency	212	Upper Upscale
Premier Inn	112	Economy
Premier Inn	158	Economy
Velvet Hotel	36	Upper Upscale
Le Ville Hotel	24	Upper Midscale
The Mitre Hotel	39	Midscale
Maldron Hotel	188	Upscale
Black Lion Bar & Hotel	16	Upper Midscale
Salford Arms	5	Upper Midscale
Ibis Hotel	132	Midscale
Maldron Hotel	278	Upscale

Park Inn	252	Upper Midscale
Copthorne	166	Upper Midscale
Trivelles	23	Economy
Motel One	302	Upper Midscale
easyHotel	115	Economy
Premier Inn	193	Economy
YOTEL	261	Upscale
Hilton	279	Upper Upscale
The Lowry Hotel	165	Upper Upscale
Novotel Manchester Centre	164	Upscale
Motel One	328	Upper Midscale
Dakota	137	Upper Upscale
Trivelles In Express	16	Economy
Holiday Inn Express	192	Upper Midscale
Travelodge	117	Economy
Leonardo Hotel	275	Upper Midscale
Leonardo Hotel	265	Upper Midscale
Travelodge Manchester	200	Economy
Cown & Anchor	12	Upper Midscale

Premier Inn	143	Economy
Hotel Gotham	60	Upper Upscale
The Castlefield Hotel	48	Upper Midscale
Oxnoble at Potato Warf	10	Upper Midscale
Holiday Inn	82	Upper Midscale
Motel One	330	Upper Midscale
Monroes	7	Upper Midscale
The Bull Head Piccadilly	5	Upper Midscale
Marriot Hotel	338	Upper Upscale
Premier Inn	195	Economy
AC Hotel	172	Upscale
Holiday Inn Express	220	Upper Midscale
Cow Hollow	17	Upper Midscale
Stock Exchange Hotel	40	Luxury
Holiday Inn Manchester	83	Upper Midscale
Merchants Hotel	21	Upper Midscale
Campanile Manchester	104	Midscale
Holiday Inn Express	147	Upper Midscale
Kimpton Clocktower Hotel	270	Upper Upscale

The Edwardian Raddison Collection	263	Upper Upscale
The Midland Leonardo Royal	312	Upscale
Forty Seven	32	Upper Upscale
Malmaison Manchester	167	Upper Upscale
Travelodge	157	Economy
Gardens Hotel	101	Midscale
Abode Hotel	61	Upper Upscale
Double Tree Hilton	285	Upscale
Ibis Budget	150	Economy
Mercure Manchester Piccadilly	280	Upper Midscale
Ibis Styles	229	Midscale
Britannia	390	Upper Midscale
Clayton Hotel	329	Upscale
Voco Manchester	189	Upscale
Ibis Manchester Centre	127	Midscale
Townhouse Hotel	85	Upper Midscale
Premier Inn	233	Economy
The Alan	137	Upscale

New Union Hotel	13	Upper Midscale
Hampton Hilton Manchester	221	Upper Midscale
REM Hotel	6	Upper Midscale
Pendulum	117	Upper Midscale
Crowne Plaza	228	Upscale
Tribute Old Trafford Hotel	133	Upper Upscale
Burton Arms Hotel	10	Upper Midscale
Smithfield Hotel & Bar	9	Upper Midscale
Hilton Garden Inn	250	Upscale
Trafford Hall	54	Upper Midscale
Premier Inn	80	Economy
Sachas Hotel	223	Midscale
Hotel Indigo	187	Upper Upscale
Premier Inn	234	Economy
Premier Inn	62	Economy
Travelodge	156	Economy
AC Hotel Salford	142	Upscale
Travelodge	54	Economy
The Ainscow	86	Upper Midscale

Abel Heywood	15	Upper Midscale
Premier Inn	179	Economy
Marriot	148	Upper Upscale
Holiday Inn Express	120	Upper Midscale
Premier Inn	184	Economy
Holiday Inn	218	Upper Midscale
Dog House	18	Upper Upscale
Malmaison Manchester	70	Upper Upscale
Ibis Budget	210	Economy

* Co-Star group hotels based on their ADR performance; however, the following distinctions can be made:

- Economy & Midscale are defined as limited-service hotels with no F&B offering other than breakfast.
- Upper midscale and upper upscale hotels are select-service hotels that usually offer limited F&B and occasionally basic leisure facilities.
- Luxury and Upper-Upscale hotels are defined as full-service hotels with a wide range of services, such as Meeting and Event facilities, bars, restaurants, leisure facilities, etc.

Services Apartment Supply

Property Name	No. of Rooms	Grade
Residence Inn Marriot	155	Upscale
Dream Serviced Apartments	70	Midscale
Dreamhouse Serviced Apartments	14	Upper Upscale
Hyatt House	116	Upscale
Staycity Manchester	224	Upscale
CitySuites I	235	Upper Upscale
Leven Manchester	41	Upper Upscale
Super City Church Street	68	Upper Upscale
The James	40	Upscale
Native Manchester	162	Upper Upscale
Roomzzz Manchester Victoria	114	Upper Midscale
Dreamhouse	9	Upper Upscale
Cove Minishll	63	Upscale
City Suites II	142	Luxury
Staycity Piccadilly	182	Upscale
Roomzzz Manchester City	59	Upper Midscale

Whitworth Locke	160	Upscale
Wilde Aparthotels	256	Upper Upscale
Charles Hope	9	Upper Upscale
Media City Apartments	3	Luxury
Quay Apartments	23	Midscale
City Warehouse Apartments	28	Midscale

Hostel Supply

Property Name	No. of Rooms	Grade
YHA Manchester	37	Economy
PH Hostel Manchester	34	Upper Midscale
Parkland Hotel	31	Economy

Appendix 2 Glossary Of Hotel Terms – STR Global/AM:PM Hotels



AM:PM Hotel Industry Glossary

Introduction

An alphabetical guide to many commonly used terms and phrases in the hotel industry is provided below. For the UK & Ireland, a summary of the main categories of visitor accommodation assessed by the AA, Fáilte Ireland, Northern Ireland Tourist Board, Quality in Tourism (Visit England), Visit Scotland and Visit Wales is also provided at the end of this guide together with a high level overview of their respective hotel grading / rating systems, where this is available.

Accessible Room

A bedroom specifically designed to be suitable for guests with a form of disability. Doorways are widened and key room amenities and utilities will be configured for wheelchair access. Bathroom space will be larger.

Aparthotel

A property providing a hotel-like offering but typically with larger than average or multiple rooms, including additional working and kitchen amenities but reduced F&B facilities and less frequent housekeeping.

ARR

Revenue from bedroom sales (gross of any commission payable to third party distributors and excluding any food sales included within a room rate) divided by the number of bedrooms occupied (excluding complimentary rooms) in a specific time period. May also be referred to as ADR (Achieved Daily Rate or Average Daily Rate).

Asset Manager

An individual or entity that seeks to optimise the overall return on capital of a hotel. Typically, an asset manager may be appointed to represent a hotel owner in its dealings with a Management Company operating the hotel.

B&B

Bed & Breakfast – either the type or definition of property providing accommodation or the rate basis on which hotel accommodation is being provided.

Back of House

Property areas where hotel guests do not have access, i.e. kitchens, offices, plant equipment rooms, service areas.

BAR

Best Available Rate.

Base Fee

Fee payable by a hotel owner to a hotel operator, typically based on a pre-agreed fixed percentage of Revenue.

Boutique Hotel

No standard agreed definition exists, but a commonly used term to refer to generally smaller and typically independently operated high quality hotels which feature unusual style or design-led characteristics. Also often used interchangeably with properties referred to as a Lifestyle Hotel.

Budget Hotel

No standard agreed definition exists, but generally regarded as a branded Economy or Limited Service property whose primary focus is the provision of letting bedroom accommodation. Increasingly, many larger 'budget hotels' also offer on-site food and beverage facilities.

Capex

Capital Expenditure. Often referred to in the context of a major hotel refurbishment or renovation.

Competitive Set

A group of generally at least 4 competing hotels (not necessarily all located in the same area) against which a hotel's performance may be compared for benchmarking purposes and for Performance Test measurement.

CRS

Central Reservation System. The telephone and / or website operated by a hotel brand or group to manage reservations for multiple hotels in a portfolio.

DBB

Dinner, Bed & Breakfast.

DDA

Disability Discrimination Act 1995. UK legislation to promote the civil rights for people with disabilities. It bans disability discrimination by employers against disabled job-seekers and employees and by service providers, including hotels against disabled service-users.

Extended Stay Property

Also referred to as an Aparthotel or Serviced Apartment.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation. Often considered as a barometer of operational cash flow and a key ratio used as a reference for debt / transaction multiples and hotel valuations.

EBITDAR

Earnings Before Interest, Tax, Depreciation, Amortisation and Rent.

EMEA

Europe, Middle East & Africa.

Exclusion Zone

Designated geographical area defined in a Franchise Agreement or Management Agreement to restrict a hotel brand or group from opening or operating another hotel within a specified distance from the owner's hotel. Also known as Protected Area, Radius Restriction or Restricted Area.

F&B

Food & Beverage. Revenues generated from F&B include bar, restaurant and room services activities and incorporate related income from banquets, conferences, and weddings.

FF&E

Fixtures, Fittings & Equipment. Also known as Furniture, Furnishings & Equipment.

Franchise Agreement

A legal agreement signed between by the owner of a hotel brand (the Franchisor) and the owner or operator of a hotel (the Franchisee) to permit the operation of a hotel under a hotel brand for a set time period.

FRI Lease

Fully Repairing and Insuring Lease. The tenant of a hotel is responsible for paying for all property repairs and insurance, even where these are carried out and recharged by the landlord or hotel owner.

Front of House

The public areas of a hotel where employees interact directly with guests. This includes bars, concierge, reception, and restaurants.

Full Service

Hotel which offers a wide range of amenities including letting bedrooms, bar(s), restaurant(s) and meeting or conference facilities.

GDS

Global Distribution System. Electronic reservation systems by which travel agents make direct bookings with hotels.

GM

General Manager of the hotel, to whom all employees, often via departmental heads, typically report.

GOPPAR

Gross Operating Profit per Available Room.

Guest Accommodation

A general accommodation category used to classify a property not otherwise categorised.

Guest House

No standard industry definition exists, but generally regarded as a privately owned property that is larger than a B&B and smaller than a hotel, which may or may not offer a limited range of food and beverage.

Hotel

In the Hotel Proprietors Act 1956, which is the most recent relevant UK legislation, a hotel is defined as an establishment held out by the proprietor as offering food and drink and, if so required, sleeping accommodation, without special contract, to any traveler presenting himself who appears able and willing to pay a reasonable sum for the services and facilities provided and who is in a fit state to be received. The various grading bodies also have their own separate definitions for a hotel (please refer to the end of this document).

Hotel Owner

The person or party that owns or ultimately controls the physical hotel property.

IBFC

Income Before Fixed Charges.

Incentive Fee

Fee payable by a hotel owner to a hotel operator, typically based on a pre-agreed percentage of profit.

Independent Hotel

A hotel that is not affiliated to a widely recognised hotel brand, chain or group.

Keys

The number of separate letting guest rooms or apartments in a property. This may be lower than the total number of guest sleeping rooms or apartments as some keys may be for suites with more than one bedroom or apartment.

KPI

Key Performance Indicator.

License Fee

Fee payable for using a brand name. Also known as a Royalty Fee.

LFL

Like-for-like.

Limited Service

A hotel which offers few amenities besides letting bedrooms, i.e. no or restricted bar / restaurant services.

LTM

Last twelve months. Also known as Trailing or Rolling twelve months.

LTV

Loan to Value. The ratio of a debt (typically secured) as a percentage of the latest hotel valuation.

Management Agreement

A legal agreement between the owner of the hotel and the Management Company that operates it. Also referred to as a (Hotel) Management Contract or (Hotel) Operating Agreement.

Management Fees

Amounts paid by the hotel owner to a Management Company under a Management Contract. Fees are usually split between a Base Fee and Incentive Fee.

Management Company

A company that manages the hotel for the owner of the hotel in return for Management Fees. The Management Company may or may not have an investment in the hotel it manages.

MICE

Meetings, Incentives, Conferences & Exhibitions

Net Initial Yield

Annualised current passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs.

Occupancy

Total bedrooms occupied as a percentage of total bedrooms available.

OTA

Online Travel Agent, e.g. Booking.com, Expedia.

Performance Test

The mechanism, often including reference to the hotel's Competitive Set, by which a hotel owner will assess the overall performance of the Management Company in relation to the Management Agreement.

PIP

Property Improvement Plan. Often discussed at the time of a hotel being acquired by a new owner.

Pipeline

Possible or probable proposed development projects that could lead to an increase in bedrooms available as a result of new hotel construction projects or property extensions / internal reconfiguration at an existing trading hotel.

PMS

Property Management System. Computerised software platform used to manage various operational aspects of a hotel including accounting, housekeeping, invoices, maintenance, reservations and staffing.

Rack Rate

The published rate for a bedroom in a hotel before any discount. Also known as Walk-in Rate.

REIT

Real Estate Investment Trust. A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications.

Revenue Management

The process by which a hotel optimises the return it achieves on providing, through internal and external distribution channels with different commission costs, a finite supply of its product (bedrooms) based on variable and / or price elastic customer demand. Also known as Yield Management. More and more frequently being applied to non-bedroom related areas.

RevPAR

Revenue per Available Room - total bedroom revenue divided by bedrooms available. Also referred to as Room Yield.

Royalty Fee

Fee payable for using a brand name. Also known as a License Fee.

Serviced Apartment

A property providing a hotel-like room offering but typically with larger than average or multiple apartments, including additional working and kitchen amenities. Unlikely to offer any F&B facilities.

TRevPAR

Total Revenue per Available Room.