

**NEWQUAY HOTEL & HOLIDAY ACCOMMODATION MARKET &  
PLANNING POLICY APPRAISAL**

**RESTORMEL BOROUGH COUNCIL**

**FINAL REPORT**

**MAY 2005**



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# CONTENTS

|          |  |           |
|----------|--|-----------|
| <b>1</b> | <b>INTRODUCTION</b> .....                                      | <b>1</b>  |
| 1.1      | BACKGROUND .....   | 1         |
| 1.2      | HLL HUMBERTS LEISURE LTD .....                                 | 1         |
| 1.3      | METHODOLOGY .....  | 1         |
| 1.4      | RECOGNITION OF RISK .....                                      | 2         |
| <b>2</b> | <b>EXECUTIVE SUMMARY</b> .....                                 | <b>3</b>  |
| <b>3</b> | <b>ECONOMIC CHANGE IN SEASIDE TOWNS</b> .....                  | <b>6</b>  |
| 3.1      | RECENT RESEARCH .....  | 6         |
| <b>4</b> | <b>OVERVIEW OF CORNWALL &amp; NEWQUAY</b> .....                | <b>7</b>  |
| 4.1      | INTRODUCTION .....   | 7         |
| 4.2      | LOCATION .....   | 7         |
| 4.3      | TRANSPORT & COMMUNICATIONS.....                                | 7         |
| 4.4      | ECONOMIC BACKGROUND AND REGENERATION.....                      | 10        |
| 4.5      | POPULATION PROFILE.....  | 13        |
| 4.6      | SUMMARY .....  | 15        |
| <b>5</b> | <b>TOURISM AND LEISURE PROFILE</b> .....                       | <b>16</b> |
| 5.1      | CORNWALL'S TOURISM ASSETS .....                                | 16        |
| 5.2      | VISITOR ATTRACTIONS IN RESTORMEL.....                          | 16        |
| 5.3      | VOLUME AND VALUE OF TOURISM.....                               | 18        |
| 5.4      | PROFILE OF TOURISM TO NEWQUAY .....                            | 19        |
| 5.5      | SEASONALITY .....  | 21        |
| 5.6      | BENCHMARKING OF NEWQUAY TO SIMILAR RESORTS .....               | 21        |
| <b>6</b> | <b>COMPETITIVE HOTEL ENVIRONMENT IN NEWQUAY</b> .....          | <b>25</b> |
| 6.1      | INTRODUCTION .....   | 25        |
| 6.2      | LUXURY HOTELS .....  | 25        |
| 6.3      | BOUTIQUE HOTELS.....   | 25        |
| 6.4      | MID MARKET HOTELS .....  | 26        |
| 6.5      | BUDGET / LIMITED-SERVICE HOTELS .....                          | 28        |
| 6.6      | GUESTHOUSES.....   | 30        |
| 6.7      | HOSTEL SUPPLY .....  | 31        |
| 6.8      | SIZE & QUALITY OF NEWQUAY'S SERVICED ACCOMMODATION STOCK ..... | 31        |
| 6.9      | LOSS OF SERVICED ACCOMMODATION STOCK IN NEWQUAY.....           | 35        |
| <b>7</b> | <b>DEMAND AND PERFORMANCE CHARACTERISTICS</b> .....            | <b>38</b> |
| 7.1      | INTRODUCTION .....   | 38        |
| 7.2      | SERVICED ACCOMMODATION OCCUPANCY & SEASONALITY .....           | 38        |
| 7.3      | MARKET SEGMENTATION .....                                      | 40        |
| 7.4      | RECENT FINANCIAL PERFORMANCE AND OPERATIONAL ISSUES.....       | 42        |
| <b>8</b> | <b>OTHER ACCOMMODATION SECTORS</b> .....                       | <b>44</b> |
| 8.1      | DEMOGRAPHIC TRENDS.....  | 44        |
| 8.2      | TOURING CARAVAN AND TENT PITCHES.....                          | 44        |
| 8.3      | HOLIDAY PARKS AND STATIC CARAVANS .....                        | 47        |
| 8.4      | HOLIDAY HOMES & APARTMENTS .....                               | 51        |
| 8.5      | VACATION OWNERSHIP .....                                       | 53        |
| 8.6      | SECOND HOMES .....   | 55        |
| <b>9</b> | <b>ECONOMIC IMPACT</b> .....                                   | <b>58</b> |
| 9.1      | INTRODUCTION .....   | 58        |
| 9.2      | MAGNITUDE OF CHANGE .....                                      | 58        |
| 9.3      | IMPACT ON VISITOR NUMBERS .....                                | 59        |
| 9.4      | IMPACT ON VISITOR SPENDING.....                                | 59        |

|           |   |           |
|-----------|---|-----------|
| 9.5       | IMPACT ON LOCAL JOBS.....                           | 60        |
| 9.6       | IMPACT ON SUPPLIERS (MULTIPLIER).....               | 61        |
| 9.7       | IMPACT UPON IMAGE OF RESORT.....                    | 62        |
| 9.8       | SOCIAL IMPACT .....                                 | 62        |
| 9.9       | IMPORTANCE OF MARKETING, FESTIVALS AND EVENTS ..... | 63        |
| 9.10      | ECONOMIC IMPACT SUMMARY.....                        | 63        |
| <b>10</b> | <b>PLANNING POLICY APPRAISAL .....</b>              | <b>65</b> |
| 10.1      | PLANNING POLICY BACKGROUND .....                    | 65        |
| 10.2      | PLANNING APPLICATION BACKGROUND .....               | 69        |
| 10.3      | EFFECT OF PLANNING DECISIONS ON HOTEL SUPPLY.....   | 72        |
| 10.4      | OTHER HOTEL RELATED PLANNING APPLICATIONS.....      | 74        |
| 10.5      | OTHER POLICY APPROACHES .....                       | 74        |
| <b>11</b> | <b>RECOMMENDED APPROACH.....</b>                    | <b>81</b> |
| 11.1      | INTRODUCTION.....                                   | 81        |
| 11.2      | HOTEL AREAS.....                                    | 81        |
| 11.3      | RECOMMENDED POLICY FRAMEWORK .....                  | 83        |
| 11.4      | HOTEL VIABILITY ASSESSMENT .....                    | 85        |
| 11.5      | ALTERNATIVE USE ASSESSMENT.....                     | 87        |
| 11.6      | POLICY APPROACH OR METHODOLOGY .....                | 88        |
| 11.7      | MONITORING FRAMEWORK .....                          | 89        |
| 11.8      | NEXT STEPS AND FURTHER WORK.....                    | 90        |

**APPENDIX ONE:** HOTEL CLOSURES 2000-2005

**APPENDIX TWO:** HOTEL APPLICATION ASSESSMENT

# 1 INTRODUCTION

## 1.1 Background

Over the last year Restormel Borough Council has received several applications for the redevelopment of hotel sites for residential development. The Council would like to know whether by granting permission for these applications it is weakening the local tourism economy, or, whether it may be doing a service by removing redundant or poor quality stock.

The Council would therefore like to have a better understanding of the local tourism market to determine the quantity, quality and type of hotel and holiday accommodation to meet current needs and future demands.

HLL Humberts Leisure has been commissioned by Restormel Borough Council to advise on the Newquay hotel and holiday accommodation market and planning policy to deal with applications for hotel redevelopment.

## 1.2 HLL Humberts Leisure Ltd

HLL Humberts Leisure is a firm of specialist advisors in leisure business and property. The company operates out of five offices nation-wide with over 50 staff dealing with all aspects of leisure and community property.

Our *Consulting* Division was formed from the merger of Anderson Associates and Fleury Manico into Humberts Leisure in the late 1990s and has since expanded rapidly. The division provides strategic property advice to clients in the leisure industry ranging from local authorities, major institutions, private land owners and property investors to business occupiers of commercial and leisure property.

Over the years we have built up considerable contacts and clients within the public and private sector and we have a clear understanding of trends and development via our comprehensive research databases which monitor property transactions, activity and trends in the leisure sector. Currently our work experience ranges from SE Asia, through Europe and the UK to the West Indies.

## 1.3 Methodology

In order to complete the study and meet the requirements of the brief we have undertaken the following:

- Visited Newquay and its surrounds, including inspecting a sample of properties.
- Held discussions with hotel owners/managers across various sizes and grading of property.
- Consulted with the tourism officer, planning team and Newquay Association of Tourism & Commerce (NATC).
- Reviewed current trends in development in the hotel, holiday property and residential markets.
- Evaluated current and future demand for holiday accommodation in Newquay through an evaluation of the location, surrounds, communications, local economy, tourism profile, published statistics from the tourism board and other surveys, and our interviews with hotel and coach operators.

- Benchmarked the accommodation stock against comparable resorts.
- A quantitative and qualitative assessment of the accommodation stock including an inspection of facilities at a sample of existing hotels, including a quantification of those lost over the last five years and consideration of those currently on the market
- Considered the likely impact of the changes to accommodation stock on the local economy.
- Undertaken a planning appraisal of current policy with regards to existing hotel accommodation and examined the policy for hotel change of use in comparable resorts.
- Provided a recommended policy approach for the consideration of future planning applications for change of use.

#### **1.4 Recognition of Risk**

Our recommendations and conclusions have been based upon the historic and current planning situation, development proposals and other local tourism and economic data furnished to us by you upon whom we have relied, our own knowledge of demand sources and trends, our in-house database and the status of the competitive market at the time of our research in January 2005. We have made no provision for any unforeseen events which could impact the leisure market or planning in the UK.

This report is provided for the stated purpose agreed in our proposal of December 2004 and subsequent correspondence and is for use only of the parties to whom it is addressed, or their appointees. It is not suitable for any other use or any other persons. As per our standard practice, neither the whole nor, any part of this report, or any reference thereto may be included in any document, circular or statement without our prior approval of the form and context in which it will appear.

## 2 EXECUTIVE SUMMARY

- There has been a national decline in the domestic family holiday market to British Seaside Resorts since the 1960s which has in general had an adverse impact upon seaside resorts. Larger, more accessible resorts have been able to diversify into the conferencing sector and others have built up other business sectors. Smaller resorts have had to look to other markets, from coaches to surfers to urban weekenders.
- Newquay has similarly been affected by the change in patterns of demand for tourism to the British Seaside. The family market has remained relatively strong during school holidays but new markets have had to be attracted for the remainder of the year. In addition to its own attractions such as the surf and extreme sports culture, Newquay is well located to take advantage of the resurgence of popularity of Cornwall in the short break market, and is especially well placed to take advantage of the 'Eden effect'.
- Newquay itself is a small town but a relatively large resort. Therefore, it does not have a very diversified economy at present although there are plans to address this. Although it does attract a very high number of visitors compared to other resorts, Newquay does appear to have a very large hotel bedroom supply, particularly at the ungraded level, relative to other seaside resorts in the UK. This may explain why many hotels have struggled despite these new market opportunities.
- Newquay has also attracted a lot of developer interest in the development of new apartments or second homes. This has combined with the struggle to compete to encourage a significant number of closures and planning applications to convert or redevelop some of the poorer hotels to new 'luxury' apartments.
- Over the last 5 years, we estimate that 640 hotel rooms and 1,443 bedspaces have been lost from the resorts hotel stock through closure. Not all of these have actually applied for planning consent for change of use and redevelopment. This represents around 11% of room and bedroom stock on supply in 2000.
- Over the same period, some 528 hotel rooms have been granted outline or full planning consent to change use and redevelop. Not all these hotels have actually closed or ceased trading – only 386 of these hotel rooms have actually been lost directly with planning consent for change of use or redevelopment.
- As a result of these closures, hotels that we interviewed who operated in the same market as those that had closed, stated that they had benefited noticeably through increased tariffs, revenues and operational efficiencies such as less pressure on staffing. This has had beneficial impacts in the ability to re-invest in the improvement and upgrading of their hotels.
- Planning applications permitting the redevelopment of hotels have led, or will lead, to the development of approximately 291 residential or holiday apartments to replace 386 bedrooms in generally poor quality hotels.

- Evidence suggests that these apartments are generally being marketed as second homes and that they will therefore mostly be used for a quasi holiday purpose.
- We do not have evidence that visitor numbers to Newquay are reducing as a result of loss of serviced accommodation. It is changing demand patterns that influences supply, not the other way around. Our assessment of the economic impact of this change is, therefore, neutral to positive for a number of reasons. Expenditure in the remaining hotels is increasing, many of the hotels which have gone out of business did not employ staff, their poor quality product was undermining the profile of the market, and any income and jobs lost are replaced by income and jobs in new sectors either directly or indirectly (such as the growing and improving restaurant sector) servicing the second homes and their occupiers.
- The leading role of Newquay as a visitor destination and resort in Cornwall and the South West is not determined by the quantity of serviced accommodation. If the old stock remained and did not adapt to new markets, as the old markets declined the role of the resort would decline with them. It is important that Newquay can address new visitor market requirements in order to preserve its role as a the major staying visitor destination.
- At present Restormel Borough Council is fairly unique in that it oversees a major resort with no designated prime hotel area and retention policy. Although at present there is no apparent danger of the leading hotels seeking to exit the market place (indeed they should become more viable as the redundant stock reduces), there could be a longer term danger of this if the trend for change of use is not checked.
- We therefore suggest a Primary Hotel Area encompassing four clusters:
  - The Tourism Heritage Area (Harbour to Killacourt)
  - The Town Centre
  - Narrowcliff
  - The Esplanade (Pentire)
- Within this Primary Hotel Area the policy should be to retain all hotels and guest houses and hotel sites unless they can prove that the site would never become viable even in a more favourable future hotel market.
- Outside of the primary hotel area there should be an 'Other Areas' policy which is more flexible in allowing for the redevelopment of hotels that can prove that they cannot be made viable within the prevailing hotel market. Those that are considered to be in exclusive/desirable locations within the 'Other Areas' would be subject to the same assessment as those in the Primary Hotel Area.
- In order to assess viability we recommend the inclusion of a questionnaire/submission form within Supplementary Planning Guidance which asks questions about the property and seeks evidence of the past three years trading (current viability), the costs of reinvestment/upgrading the hotel and subsequent projections (potential viability in a future market),

and where appropriate (prime hotel areas and sites) evidence of the proper marketing of the property at hotel market prices.



### 3 ECONOMIC CHANGE IN SEASIDE TOWNS

The UK has 43 principal seaside towns, with a combined population of approximately 3.1 million. The largest populations are in resorts such as Brighton (247,000), Bournemouth (163,444) and Blackpool (142,283) with Swanage in Dorset (10,200) having the smallest population.<sup>1</sup>

Seaside towns have historically developed around the tourism industry with the arrival of the railways, which was generally the key reason for their expansion in the nineteenth century and it sustained their development well into the twentieth century. But since the 1960s profound changes have affected the resorts. Instead of taking holidays by the sea in Britain, more and more people have opted for foreign holidays and the traditional core business of Britain's seaside towns declined.

#### 3.1 Recent Research

The Economic and Social Research Council recently funded *The Seaside Towns Research Project*. The study sought to ascertain whether the same downward trends that were taking place in coastal towns had previously been witnessed in other *single industry* areas. The report, published in June 2003, came to some important conclusions. It stated that employment and migration trends suggest that Britain's seaside towns actually have quite a robust economy and have adapted well to the declining popularity of the traditional British seaside holiday. Resorts have diversified and sought to attract greater business and conference visitors alongside the burgeoning short breaks market. Broadly the seaside economy, including the parts most closely linked to tourism, has continued to show growth in employment. This has encouraged in-migration, which in turn has fuelled employment growth.

The evidence points to a distinctive role for seaside towns in the British urban system. Despite all the changes in holiday patterns over the last thirty years, the towns do remain centres of the tourist industry and this continues to support a major part of their economy. But seaside towns are more than just resorts. In particular, they have become important destinations for older migrants of working age – men and women in their late 30s, 40s and 50s. This is in addition to their established role as a destination for retirees.<sup>2</sup>

High levels of in-migration, possibly attracted by employment opportunities, have led to lower unemployment in seaside towns. It is important to note that this varies across different towns – often in direct correlation with the regional economy.

The report identified four key policy implications which are summarised below:

1. Economic trends in seaside towns place their problems in a different category to those of older industrial areas.
2. The common assumption that the British seaside tourist business is in terminal decline is profoundly wrong,
3. There need to be continuing efforts to promote job creation in most seaside towns.
4. There is a need to differentiate between towns.

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<sup>1</sup> Census 2001

<sup>2</sup> The Seaside Economy June 2003

## **4 OVERVIEW OF CORNWALL & NEWQUAY**

### **4.1 Introduction**

In this section of the report, we present a brief background to Cornwall and the Borough of Restormel, in order to illustrate the general geographic, socio-economic, tourism and environmental conditions in which the hotel and accommodation sectors are operating.

### **4.2 Location**

Cornwall covers an area of 354,920ha and is the second largest county in the region in terms of area but has the lowest population density. Cornwall is a rural and maritime county with a population of approximately 500,000. Less than a third of the population lives in towns of over 10,000 inhabitants, compared with four-fifths in England and Wales.

Its geographical position has ensured that Cornwall has remained, until recently, one of the more remote and isolated parts of Britain. The nearest major centre outside the county, Plymouth, is approximately 75 miles from Penzance, while Bristol, the regional centre, is 180 miles from Penzance and London is approximately 280 miles away.

Largely because of its relative isolation, the county has maintained much of its own identity in traditions and culture. These characteristics have influenced both its natural and socio-economic development.

Despite a past history of mining, over a century of growth as a holiday area and some more recent development of manufacturing industry, Cornwall remains essentially rural in character. Agriculture is the predominant land use. Much of the countryside and the varied coastline are of high landscape value, and many towns and villages retain an attractive and relatively unspoilt appearance. The uplands and much of the coastline, due to the climate and location of the county, have considerable importance as wildlife habitats, and there are also a large number of relatively undisturbed sites of great historical and archaeological interest.

### **4.3 Transport & Communications**

#### **4.3.1 Road**

Infrastructure is improving in the region. In the past, one of Cornwall's drawbacks was the road system, which resulted in slow progress once the motorways had ended. However, the A30 forms the backbone of Cornwall's road network and now is largely dual carriageway between Launceston and Penzance. The A38 provides the southern entry to the county over the newly extended suspension bridge on the River Tamar and the A39.

Central government has given provisional funding approval to construct a new A391 link road between St Austell and the A30 with Restormel Borough. The Government has allocated £30 million for the road and Cornwall County Council hopes to start construction in the autumn of 2007 for completion by early 2010. The road will link the St Austell area with the trunk road network. Not only will this help boost the economic regeneration of St Austell, but villages along existing routes will be relieved of through traffic. The road scheme is 9 km long and is estimated to cost

around £44 million.<sup>3</sup> The scheme will also improve access to the china Clay area and the Eden Project.

The following table shows approximately driving distances between Newquay and a number of major towns and cities in the UK.

**Figure 1: Distance from Newquay to Key Settlements**

| Destination | Approx. Distance in Miles | Approx. Drive Time |
|-------------|---------------------------|--------------------|
| Truro       | 15                        | 0h25               |
| St Austell  | 17                        | 0h30               |
| Penzance    | 33                        | 0h45               |
| Plymouth    | 52                        | 1h10               |
| Exeter      | 84                        | 1h50               |
| Bristol     | 168                       | 3h20               |
| Southampton | 201                       | 4h20               |
| London      | 284                       | 5h20               |

*Source: Humberts Leisure Research*

#### 4.3.2 Rail

Newquay lies at the end of a branch line that connects to the main Penzance line. Rail users normally have the option of changing at Par or Plymouth to obtain further connections. The town has somewhat restricted rail access, with Wessex Trains running services between Par and Newquay around four times daily. First Great Western operates many services on the Penzance line (as indeed do Wessex) and it is possible to reach either London or Birmingham by changing service just the once.

The following table summarises the approximate journey times between Newquay and a number of major towns and cities in the UK.

**Figure 2: Average Rail Journey Times & Changes from Newquay**

| Destination          | No. of Changes Required | Approx. Journey Time |
|----------------------|-------------------------|----------------------|
| Par                  | 0                       | 0h45                 |
| St Austell           | 1                       | 1h00                 |
| Plymouth             | 0                       | 1h45                 |
| Penzance             | 1                       | 2h00                 |
| Bristol Temple Meads | 1                       | 4h30                 |
| London Paddington    | 1                       | 4h55                 |
| Southampton          | 2                       | 5h30                 |
| Birmingham           | 1                       | 5h50                 |

*Source: Humberts Leisure Research*

#### 4.3.3 Air

Newquay is served by Newquay Cornwall International Airport – located just five miles east of the town close to the A359 road. The airport is served by three air transport operators. Ryanair fly twice daily between Newquay and London Stansted Airport, whilst Air Southwest have taken over the route formerly operated by British

<sup>3</sup> Cornwall County Council

Airways and now fly four times daily between Newquay and London Gatwick Airport's North Terminal. There is also a frequent Skybus service serving the offshore Isles of Scilly. Alongside these regular services, the airport attracts a number of one-off charter flights from European destinations, and to Madeira and Croatia as well as Christmas shopping flights to Germany and Scandinavia.

Passenger numbers at the airport have risen significantly from around 85,000 in 2001 to 235,000 in 2003. Much of this growth is due to Ryanair. Following the introduction of the Ryanair service in May 2002, traffic more than doubled reaching a passenger throughput of 184,000. It is estimated that the Ryanair service will generate an additional 100,000 passengers a year.

To accommodate this growing demand, a £2.3 million investment programme was launched in 2002 to increase the size of the terminal building, funded by the EU KONVER programme. The new development included three new departure lounges, catering facilities and car parking and security search area extensions. A further development is planned to increase passenger capacity to around 400,000 through building a new terminal to double the amount of terminal space provided at the airport. However these plans are currently on hold as confusion reigns over government plans for air transport in the region. At present the risk of closure has not been ruled out<sup>4</sup>, and local MPs are calling for urgent clarification of future plans.

The following table provides a summary of the number of passenger movements and number of air transport movements over the period 1998 to 2002 at Newquay airport, and clearly highlights the growing importance of Newquay as a business and leisure destination.

**Figure 3: Newquay Airport Passenger & Air Transport Movements**

| Year   | Newquay  |        |
|--|----------|--------|
|  | PAX      | ATM    |
| 1998   | 68,000*  | 5,500* |
| 1999   | 75,000*  | 5,700  |
| 2000   | 80,000*  | 5,200* |
| 2001   | 87,000*  | 6,800* |
| 2002   | 184,000* | 8,200* |
| *Mid-year to mid-year figures eg 1998-1999<br>PAX – Passenger<br>ATM – Air Transport Movements per annum<br>Source: <i>Air Transport Strategy for the Far South West, 2003</i> |          |        |

#### 4.3.4 Plymouth Airport

Plymouth Airport has experienced growth of 3.2 per cent per annum over the period 1991 to 2000. By 2001 the airport had grown to a throughput of 120,000 passenger movements. However, the BA CitiExpress network at Plymouth was reduced at the beginning of 2002, which resulted in the withdrawal of services such as Dublin and Cork leaving only the London/Newquay service and a daily service to Bristol. Passenger movements therefore declined to 75,700.

However, numbers have begun to increase again. Figures for July 2004 showed that 11,062 passengers used the airport over the month – an increase of 47% on figures

<sup>4</sup> Newquay Cornish Guardian 3 February 2005

for July 2003. Much of this growth has been attributed to the success of Air Southwest, which took over services from Plymouth to London Gatwick in October 2003 following the aforementioned withdrawal of British Airways. The airline has since launched further new services from Plymouth to Bristol, Manchester and Jersey. Swansea-based airline Air Wales has also increased services from Plymouth, introducing new flights to Cardiff and Newcastle, to add to its regular services to Dublin and Cork.<sup>5</sup>

#### 4.3.5 Sea

The three main ports in Cornwall are Falmouth, Fowey and Par. Falmouth, the principal port in Cornwall, is the third largest natural harbour in the world after Sydney and Rio de Janeiro.

There are several ferry services in operation in the County. In addition to the "Scillonian" link to the Isles of Scilly from Penzance, there are seven, year round estuarial ferries, two across the River Tamar, two across the River Fowey, two across the River Fal and one across the River Camel.

Ferry services operate from Plymouth to Roscoff in France (six hours) and to Santander in Spain (twenty-four hours).

### 4.4 Economic Background and Regeneration

#### 4.4.1 Cornwall

Gross Domestic Product (GDP) for Cornwall in 1998 was £8,185 per head (65% of the UK figure). 1998 figures produced by the European Union in February 2001 show that Cornwall's GDP is only 70% of the EU average. Cornwall's GDP has continued to fall as the local economy has struggled, and by February 2004 accounted for just 59.5% of the EU average. Given that Cornwall's GDP per capita has remained below 75% of the EU average, the county secured Objective One funding status in 2000.

The county has experienced significant recent growth in its tourism economy; however, traditionally this has been a predominantly a seasonal employer and one which provides relatively low rates of pay. Average earnings in Cornwall are extremely low and each year the county consistently comes at, or near the bottom, of the league table of counties.

#### 4.4.2 Restormel

Agriculture only contributed 1.3% of output to the Restormel economy in 2003. In terms of contribution to GDP manufacturing and tourism are much more important at 10% each, with distribution and retail services making up almost 20%, real estate and business services 22% and public services contributing about 15% to output<sup>6</sup>. Tourism is discussed in detail in Section 5.

The borough has around 216ha of employment land spread over six main areas, of which around 146ha had already been developed for employment use in 2001. The area of most growth has been central Restormel with a total of 106ha either developed (74ha) or available. Of the existing developed sites 41ha is occupied by

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<sup>5</sup> Plymouth City Airport Press Release 24/08/04

<sup>6</sup> The Restormel Economy 1993-2003 – Local Intelligence Network Cornwall

one employer, Imerys. Victoria Business Park and Indian Queens would provide 18ha of serviced land with planning permission. Central Restormel accounts for over 42% of identified business land. St Austell is the second largest provider of employment land with over 80ha over 24 sites, of which 53ha are occupied.

#### 4.4.3 The Eden Effect

The management of the Eden Project has looked at companies with which they deal directly, the businesses which are directly affected by Eden as a visitor magnet such as the accommodation sector, and the businesses which may benefit from Eden as a confidence builder, to measure the 'Eden Effect', or rather the economic impact of Eden locally and regionally.

Eden has received £55.4 million of Lottery funding through the Millennium Commission since it was built. Over the same period, the project is estimated to have generated £462 million in economic impact on the local economy. The project pumps around £8 million of wages annually into the community – and has year-round core staffing levels of 380. The most recent economic impact study shows that 39% of local businesses have said they are convinced they have witnessed the “Eden Effect” first hand as trade and footfall increases.

As the Eden Project continues to develop further this impact should increase, particularly with the efforts that have been made to reduce seasonality. For winter 2004/05, a winter ice rink has been built amid a raft of new weatherproof attractions.

#### 4.4.4 Newquay

Newquay has over 22ha of employment land identified at three sites, Teloggan, Whitecross and the Newquay Growth Area, but only 6.5ha actually occupied. There is an allocation of 13.5ha in the Growth Area which is dependent upon new road infrastructure and the completion of a masterplan for Newquay town expansion.

The town of Newquay does not benefit from a wealth of industry. Tourism is the main sector, originally based on the traditional two week family bucket and spade trade. This is a declining market but Newquay is seeking to maintain its tourist numbers through coaching holidays and surfing, which we discuss in more detail in Section 5. The success of the Eden Project and other important developments such as Ryanair services to Newquay, and Rick Stein's success at Padstow, has helped to raise the profile of the area.

#### 4.4.5 Newquay Action Framework

Recognising the potential of Newquay and the growing developer interest in the town, Restormel Borough Council and the South West of England Regional Development Agency formed the “Surf Capital Steering Group” (SCSG) in 2002. The SCSG worked to produce the framework for the regeneration of Newquay.

The vision for the town sees Newquay as the “Surf Capital of the UK” and seeks to capitalise on Newquay's unique asset, the quality of surf and beaches, by being a quality resort for tourists and locals alike. Also, to be a leader in sustainable coastal tourism, where a superb and accessible natural environment supports a healthy and vibrant resident community of all ages.<sup>7</sup>

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<sup>7</sup> Newquay Action Framework

The Newquay Action Framework provides a co-ordinated tool for planning, public realm enhancement and development. It identifies how the development of the key sites should be prioritised and sets out a comprehensive plan for action. The aims of the framework are to:

- Extend the attraction of Newquay throughout the year;
- Maintain the vitality of the town throughout the year;
- Broaden the economic base of the town;
- Provide greater choice in housing, workplaces, shopping, leisure and recreation provision;
- Improve public transport provision;
- Improve the quality of the built environment;
- Direct the strategy on the balance between peripheral growth and renewal.

There are twelve priority sites outlined in the framework vision, and these sites are viewed as the real catalyst for regeneration. Three sites have been given priority, and these are **The Station**, **Towan Square**, and **Manor Road**.

**The Station** is a 4.8 hectare site around the existing railway line and station to the east of the town centre. It is envisaged that the area should become a mixed use development incorporating retail, employment and community uses together with a modern, efficient transport interchange in the heart of Newquay, integrating rail, bus, shuttle, car, and pedestrians. It incorporates the Beachcroft Hotel site, which is an integral part of the development with a residential / hotel / mixed use scheme providing an attractive edge to the space. The area should be focused on an urban, civic space which defines the start of Newquay town centre and which provides an exciting and memorable sense of arrival at the sea.

**Towan Square** is a focal part of the town with links to Killacourt. The site covers 0.48 hectares and comprises of a building formerly used as a bus station, council-owned toilets and existing retail units. The area is characterised by poor urban quality and contributes little towards civic quality. The action plan has identified the site as the primary civic space located within the heart of Newquay. The area will become a comfortable uncluttered space with sea views. The space would connect East Street, Bank Street, Marcus Hill and Killacourt, whilst accommodating a range of uses including eating, drinking and seating. The site is mostly in private ownership, whereas the old tramway route and the WC building adjacent to the former bus station are on Restormel Borough Council freehold land.

**Manor Road** is an area within the town centre, currently used as temporary bus stations, and is located immediately to the south of the main commercial spine. This makes the site attractive for future expansion of retail and community uses. It is envisaged that the area will be a lively mix of uses with continuous frontage along Manor Road ending with a landmark building at the corner of Manor Road and St George's Road, and small public space linked to Central Square. The street will be lively both by day and night, potentially with a new public transport link delivering people in the centre of town. A mix of new uses including residential accommodation will contribute to the vitality of the town centre.

Furthermore, it has recently been announced that GVA Grimley has been commissioned to advise the Council on this major regeneration programme to attract

investment into Newquay. GVA Grimley will evaluate strategic sites in the town and surrounding areas for redevelopment to meet action framework objectives.<sup>8</sup>

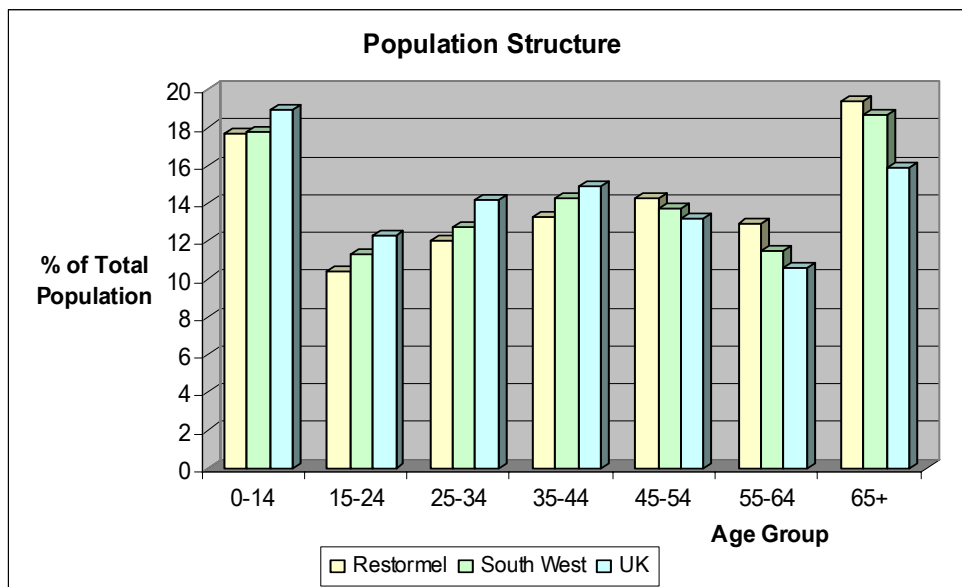
#### 4.5 Population Profile

Newquay is situated in the Borough of Restormel on the northern coast of Cornwall. The Borough has a population of 95,562<sup>9</sup> - and the population has grown by 9.8% (8,500 people) since 1991.

Restormel's main settlements are Newquay and St Austell. The Borough is predominantly rural – much the same as for Cornwall – and has a population density of just 2.1 people per hectare.

The Borough has an ageing population with almost half the population – 46.6% - aged 45 and over. This is noticeably higher than the comparable regional figure for the South West (43.9%) and for the UK (39.7%). The population profile of Restormel is illustrated in Figure 4.

Figure 4: Population Structure Comparison



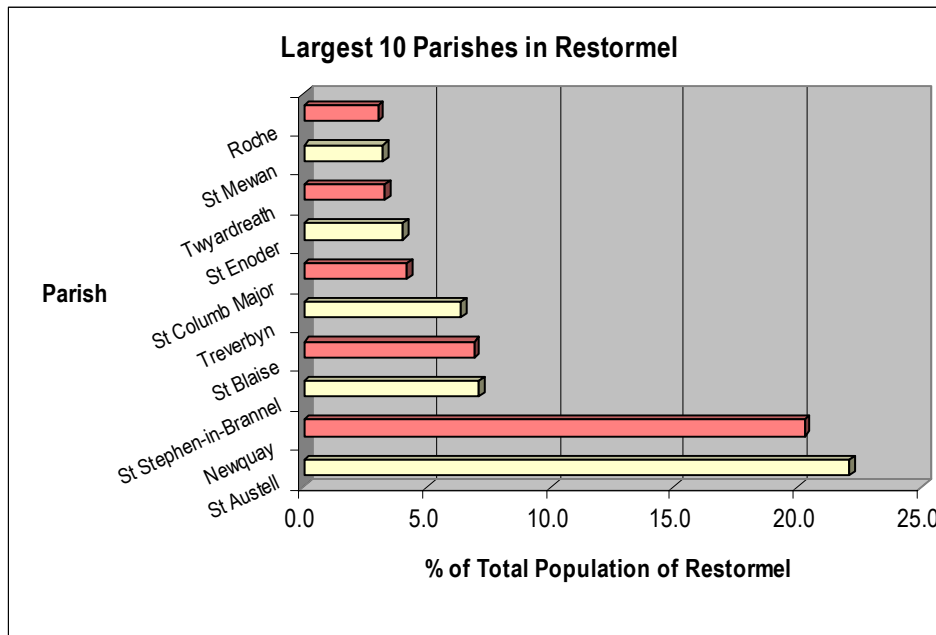
According to the 2001 Census, Newquay's population is 19,423, just behind St Austell (21,110). Together, these two areas account for over 40% of the total population of the district of Restormel. Figure 5 shows the populations of the ten largest parishes in Restormel in 2001 as a percentage of the total district population.

<sup>8</sup> Planning 7 January 2005

<sup>9</sup> Census 2001



**Figure 5: Ten Largest Parishes in Restormel by Population 2001**



#### 4.5.1 Employment Statistics

The retired population of Restormel, at 17.3% in 2003, is much higher than that of Great Britain at 13.7%. This is reflected in the ageing population structure in both Restormel and the wider county. Conversely the student population of Restormel at 4.8% is much lower than that of the country as a whole (7.4%). Although this is being addressed with new higher education facilities and we understand that the out-migration of young people has slowed such that there is now a net gain of young people.<sup>10</sup>

Unemployment in Restormel (3.3% in 2003) remains broadly in line with county and national averages. However, much of this employment tends to be low paid and seasonal tourism-related employment. The following illustrates employment in Cornwall by sector.

**Figure 6: Employment in Cornwall by Sector**

| Industry Sector                  | Number of Employees | % of Total Employees |
|----------------------------------|---------------------|----------------------|
| Agriculture, Forestry & Fishing  | 9,750               | 4.6                  |
| Manufacturing                    | 26,590              | 12.4                 |
| Construction                     | 17,355              | 8.1                  |
| Hotels & Catering                | 18,710              | 8.7                  |
| Transport & Communications       | 11,165              | 5.2                  |
| Banking & Financial Services     | 22,740              | 10.6                 |
| Public Admin, Education & Health | 56,630              | 26.4                 |
| Other Sectors                    | 51,320              | 24.0                 |
| <b>Total</b>                     | <b>214,260</b>      | <b>100.0</b>         |

Note: Figures may not sum due to rounding.  
 Source: Office of National Statistics, Census 2001

<sup>10</sup> Cornwall County Council

## **4.6 Summary**

Newquay has a relatively small resident population of 19,423, although the District population has grown by 9.8% during the 1990s and is set for further population growth with the designation of a major residential growth area to the east of the town during the 2000s.

It is relatively isolated compared to many of England's major seaside resorts (for example, Brighton or Blackpool), Truro and St Austell being the nearest major towns some thirty minutes drive time from Newquay.

The town has suffered from the emigration of younger people to other parts of the UK, and as such has an ageing population profile similar to other rural areas of the country. There are continued efforts to regenerate Newquay and the Borough of Restormel and establish the resort as a year round destination for a wide range of visitors.

The area has benefited from Ryanair's introduction at Newquay Cornwall International Airport, Air Southwest's capture of British Airways flights to London Gatwick and the subsequent terminal redevelopments and growth in passenger numbers in recent years. However the threat of airport closure has still to be ruled out by national government and a degree of uncertainty will inevitably remain until this has been clarified.

## 5 TOURISM AND LEISURE PROFILE

### 5.1 Cornwall's Tourism Assets

In terms of tourism and leisure appeal, Cornwall offers an ancient Celtic kingdom with a unique culture and a mild climate. For decades it has been seen as a summer tourism destination, yet Cornwall boasts some unique features. These are considered to be:

- The 'quality of light' a combination of the seascapes, coastal scene and landscapes that inspires artists. Newlyn and St Ives have seen the development of their own artistic schools, the Tate St Ives has proved to be a success as Cornwall's artistic flagship since its opening in the early 1990s. Plans for a phase 2 are now well advanced.
- The mild climate, resulting in the claim that more plants grow in Cornwall than anywhere else in the world. The county has 52 gardens open to the public and the successful opening in 2001 of the Eden Project – which attracts well over one million people annually. Eden is growing and evolving constantly, with plans afoot to expand the site further.
- The coastline and maritime heritage. Cornwall has a special attraction as a destination for water sports activity, in particularly sailing and surfing. The opening of the National Maritime Museum represents the latest addition to Cornwall's tourism asset base.

One of the more recent tourism and leisure related developments in Cornwall has been in the culinary arena, which has been associated with Rick Stein. With his high profile television series he has put North Cornwall on the map. Stein has three restaurants and several other hospitality businesses in the town of Padstow which attract a large number of tourists to the area.

The tourism appeal of Cornwall continues to grow. Traditionally associated with images of family holidays in caravans or cheap hotels, with the growth of stag and hen weekends, surfing holidays, and middle-class short breaks or second holidays, there are clear signs that Cornwall is no longer just somewhere to go for a week during the peak season. It is developing into a high-class, year-round destination with plenty to offer, even in bad weather. This has led to an influx of operators providing quality accommodation for those wanting to take advantage of Cornwall's renaissance.

### 5.2 Visitor Attractions in Restormel

Figure 7 shows visitor attraction numbers from 2000 to 2003 across some of Restormel's key attractions.

**Figure 7: Cornwall Visitor Attraction Numbers 2000 – 2003**

| Visitor Attraction       | Number of Visitors Annually |           |           |           |
|--------------------------|-----------------------------|-----------|-----------|-----------|
|                          | 2000                        | 2001      | 2002      | 2003      |
| The Eden Project         | 498,000                     | 1,700,000 | 1,832,482 | 1,404,372 |
| Newquay Zoo              | 220,000                     | 230,000   | 230,000   | 240,000   |
| Holywell Bay Fun Park    | 100,644                     | 101,153   | 97,930    | 108,395   |
| Trelice (National Trust) | 44,261                      | 45,125    | 57,126    | 61,237    |

*Source: VisitBritain*

The largest paid admission visitor attraction in Cornwall is the **Eden Project**. The site is located just outside St Austell, close to the village of St Blazey at the edge of the Borough of Restormel. Since opening, Eden is thought to have generated £462m for the local economy, and employs 380 full-time staff – increasing to 600 in peak season<sup>11</sup>. In 2003 Eden attracted over 1.4 million visitors, and was the most popular paid visitor attraction outside London. However figures recently released by the Association of Leading Visitor Attractions (ALVA) show a 12% drop in visitor numbers in 2004 to just over 1.2 million. Section 5.5 looks at the “Eden Effect” in greater detail.

**Newquay Zoo** is part of the Trenance Leisure Park in Newquay. The park also incorporates Newquay Water World and Wooden Waves Skate Park across 26 acres of “fun and fascination” and other activities including horse-riding and a miniature railway. The zoo was council-run from its opening in 1969 to 1994, when the attraction passed into private hands. Since August 2003, the zoo has been part of the Whitley Wildlife Conservation Trust, along with Paignton Zoo in Devon and other wildlife attractions and urban nature reserves in the South West including Living Coasts. The zoo has also run BTEC and HND courses in partnership with both St Austell College and the University of Plymouth since September 2000. In 2004, the facility won the “Sustainable Tourism” award run by the Cornwall Tourist Board (CTB) as well as being a finalist in the “Visitor Attraction of the Year” award – also run by the CTB.

**Trerice Manor** is a National Trust property located three miles south-east of Newquay at Kestle Mill. Built in 1571, the site incorporates an Elizabethan manor house and intimate garden and was used as a setting for the 1996 film of Twelfth Night. The property is famous for its perennials and gold and purple colours in the front court which blend with the stone of the Elizabethan manor house.<sup>12</sup> There is also a gift shop and tea room – and over 60,000 visited during 2003.

**Tunnels Through Time** is located in the centre of Newquay. This museum offers an insight into Cornwall’s bygone days. The museum is also home to the Dungeons of Despair, which highlights the horrors of so-called justice in earlier times.

The **Blue Reef Aquarium** in Newquay is one of a chain of three. (The others are located in Southsea and Tynemouth). The aquarium includes a coral reef display housed within a 250,000 litre ocean tank and an underwater walk-through tunnel that runs through the centre of the reef. The aquarium attracted approximately 185,000 paying visitors in 2004 – a number that has remained constant for the past couple of years. Furthermore, the aquarium hopes to expand in the near future but is constrained by the existing sea wall.

A group of 13 family visitor attractions – all within ten miles of the centre of Newquay - working together for marketing purposes have created the **Newquay Attractions Trail**. The attractions involved are Tunnels Through Time, the Lappa Valley Steam Railway, Springfields Fun Park & Pony Centre, Dairyland Farm World, the Screech Owl Sanctuary, Holywell Bay Fun Park, Holywell Bay Golf Park, Cornwall Pearl, the Cornish Cyder (sic) Farm, Newquay Water World, World in Miniature, Crealy Adventure Park and Oasis at Hendra Holiday Park.

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<sup>11</sup> Eden Project Press Release October 2004

<sup>12</sup> National Trust

### 5.2.1 Surfing in Newquay

Newquay has become extremely popular with surfers and hosts numerous national events throughout the year. It is estimated that surfing is now worth upwards of £40 million a year to the town.

Events such as the World Pro Kite Surfing Championships have been held on **Watergate beach** at the east end of the resort. Watergate beach is privately owned and is home to the **Extreme Academy** – hosting a variety of extreme sports in a purpose-built training centre.

**Fistral Beach**, to the west of the town, is Cornwall's most famous surf venue. It is one of the area's largest beaches and plays host to some of the biggest surfing events held in Newquay such as the annual Rip Curl Boardmasters Surf Festival in August. In July 2003, Newquay's **International Surf Centre** opened at Fistral beach. The project has provided a range of improved and extended facilities, and is expected to attract an additional 15,000 visitors to Fistral each year. It is further anticipated that five new international surf events and competitions will be held at the beach annually, generating an estimated £450,000 in extra income for Newquay.<sup>13</sup>

## 5.3 Volume and Value of Tourism

### 5.3.1 Cornwall and Restormel

Cornwall is one of the major holiday areas in Great Britain and thus tourism is one of the county's largest industries. Some of the key facts on tourism in Cornwall are displayed below<sup>14</sup>:

- 29% of all employment is tourism-related;
- Five million staying and over 22m day visitors;
- Total visitor spend of more than £1.6 billion;
- Over 24m staying visitor nights were spent in the county;
- Estimated spend of more than £11m by second home owners;

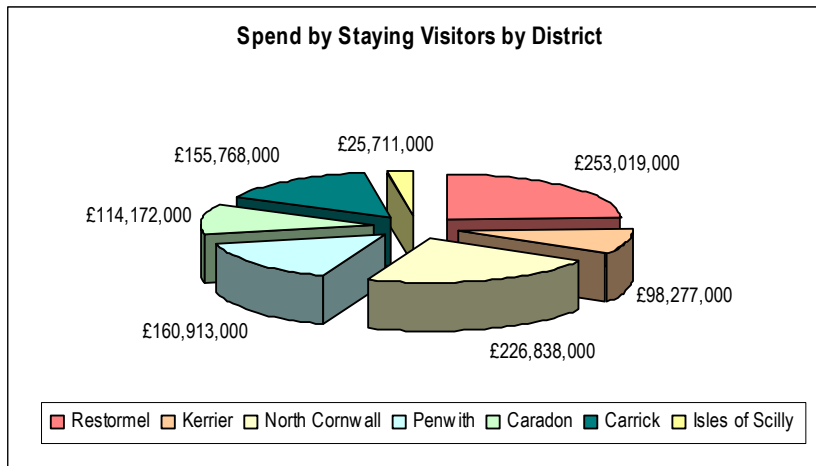
Restormel is one of the most important districts for tourism in Cornwall, generating over £250m in staying visitor spend – 25% of the county total. The importance of Restormel's contribution compared to other districts is illustrated in Figure 8.

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<sup>13</sup> Objective One Press Release 16/05/03

<sup>14</sup> Cornwall Economic Impact Study 2001

**Figure 8: Cornwall Staying Visitor Spend by District 2001**



Restormel comfortably generates the highest staying visitor spend and much of this is due to the combined effects of Newquay and the Eden Project. Similarly the proportion of staying visitors is equally important, with over 24% of visitors to Cornwall staying in Restormel. Other key facts about tourism in Restormel are shown in Figure 9.

**Figure 9: Volume & Value of Tourism in Restormel**

| Tourism Measurement              | Total amount | % of Cornwall Total |
|----------------------------------|--------------|---------------------|
| Trips by Staying Visitors        | 1,213,000    | 24.3                |
| Staying Visitor Nights           | 5,382,000    | 22.3                |
| Spend by Staying Visitors        | £253,019,000 | 24.5                |
| Day Visits                       | 3,883,000    | 17.3                |
| Spend by Day Visitors            | £87,645,000  | 16.6                |
| Jobs Related to Tourism Spending | 12,043       | 19.2                |

*Source: Cornwall Economic Impact of Tourism 2001*

The table above shows that staying visitors are far more important to Restormel than day visitors. Just 16% of the county day visitor spend is in Restormel.

Despite the contribution of the tourism industry in Restormel to the county as a whole, figures indicate that there is still more economic diversity in the district than in other districts of Cornwall. It is estimated that 28% of all employment in Restormel is supported by tourism, with just Kerrier and Caradon having less reliance – 16% and 18% respectively – on the sector. Indeed, a massive 43% of all employment on the Isles of Scilly is supported by tourism.

#### 5.4 Profile of Tourism to Newquay

Visitor surveys have been undertaken in Newquay in 2001, 2002 and 2004. They were each carried out over different time scales, by different companies/organisations and therefore are not directly comparable. However they do each show key characteristics and trends which are important for our understanding of demand in Newquay and how that would affect the accommodation sector. We provide a summary of the key findings in the following table and are also able to compare this to Cornwall as a whole for 2004.

Figure 10: Findings from Recent Newquay Visitor Surveys

| Category                           | 2001   | 2002   | 2004  | Cornwall 2004  |
|------------------------------------|--|--|---|--|
| Company undertaking survey         | Tourism Associates   | South West Tourism   | South West Tourism  | AcumeniA   |
| Period of survey                   | May-Oct 2001   | July & August 02   | July & Aug 04   | July 2002-June 2003  |
| Type of visitor %                  | Day 31%<br>Overnight 68% - of which<br>Long holiday 53%<br>Short break 14%   | Day 36%<br>Overnight 64%   | Day 31%<br>Overnight 68%  | 38% main holiday<br>27% second holiday<br>29% short break                            |
| Group composition %                | 75% adult only<br>25% with one + child under 16  | 65% adult only<br>22% 2 adults with one + child  | 72% adult only  | Nearly half are couples<br>Families dominate in summer<br>32% have children under 15 |
| Ave group size                     | 2.3  | -  | 2.6   | 2 people 44%<br>4 people 22%   |
| Age break down %                   | 0-15 – 16%<br>16-24 – 10%<br>45-64 – 32%<br>65+ - 18%  | 0-15 – 22%<br>16-24 – 14%<br>45-64 – 24%<br>65+ - 13%  | 0-15 – 16%<br>16-24 – 11%<br>45-64 – 27%<br>65+ - 20%                           | 35-55 - 58%<br>55+ - 43%   |
| Socio-economic grouping %          | retired 29%<br>Working 68% - of which<br>Professional/Managerial 26%<br>Skilled non manual 21%<br>skilled manual (C1) 33%<br>Semi/unskilled 19%                            | ABs 18%<br>C1s 30%<br>C2 30%<br>DE 31%   | ABs 11%<br>C1s 27%<br>C2 31%<br>DE 31%  | Working managerial 55%<br>Retired 27%  |
| Origin of visitor %                | West Midlands 9%<br>Lancashire 5%<br>S Yorks 5%  | Yorkshire 10%<br>West Midlands 7%<br>Lancashire 6%   | West Midlands 9%<br>Lancashire 5%<br>S Yorks 4%                                 | Home counties 22%<br>South 17%<br>Midlands 15%                                       |
| Accommodation used %               | Hotel 54%<br>B&B 13%<br>Camping 4%<br>Touring caravan 3.2%<br>Rented self catering 7%<br>24% all self catering inclu:<br>static caravans, youth hostel<br>& holiday centre | Hotel 47%<br>B&B 15%<br>Camping 12%<br>Touring Caravan 6%<br>Rented self catering 3%<br>Self catering 15%??? | Serviced 63%<br>Self catering 19%<br>Camping & touring 12%                      | Hotel 18%<br>B&B 15%<br>Camping/caravan 19%<br>Self catering 31%<br>Holiday Park 10% |
| Repeat visitation                  | 82%  | 70%  | 74%   | 78%  |
| Average length of stay             | 7.6 nights   | 7.7 nights   | 7.7   |  |
| Length of holidays %               | 4-6 nights 31%<br>8-14 nights 18%  |  |   | 3-4 nights 19%<br>7 nights 36%<br>14 nights 13%                                      |
| Means of transport %               | Own car 68%<br>Coach 25%   | Own car 57%<br>Coach 8%  | Own car 56%<br>Coach 13%  | Own car 88%<br>Coach 5%  |
| Proportion on coach/organised tour | 21% rising to 33% for long stay visitors and 53% of the over 60s   | 17% rising to 24% of long stay visitors  | 22%   |  |
| Influence of Eden Centre on trip % | 12%  |  |   | 11%  |
| Average spend of visitor type      | <b>Long stay:</b><br>Hotel £42<br>B&B £39.47<br>Self catering £47.92<br><b>Short stay :</b><br>Hotel £50.86<br>B&B £54.05<br>Day visitors £18.23                           | Hotel guests £44.68<br>B&B £40.55<br>Self catering £29.28<br>Day visitors £15.47                             | Hotel guests £47.90<br>B&B 47.33<br>Self catering £34.08<br>Day visitors £16.80 |  |

It is important to state that this data is not completely comparable year on year as it covers different periods for each year, and the shorter the period the less representative the results. That said, some key points can be drawn out.

The relative importance of the resort for overnight stays is evident, with 64-68% of visitors staying overnight. Furthermore a much higher proportion of overnight guests stay in serviced accommodation than for the rest of Cornwall. The average spend of hotel and B&B guests also appear to be increasing. The role of families is still important in the key summer holiday period, but overall, between 65-75% of visitors have been found to be adult only. Perhaps contrary to the recent images of the town projected in the national media, it is interesting that the surveys found that only between 10-14% of visitors were aged between 16-24 years of age.

## **5.5 Seasonality**

The seasonal influx of visitors has a far reaching effect on Cornwall's character and life during the summer. It enables many services to be provided which would not otherwise be viable but the pressure of numbers creates problems such as traffic congestion, pressure on services and environmental damage. The growth of festivals, the increasing popularity of visits to historic gardens and the success of many major attractions offers Cornwall the opportunity to extend its season and offer more highly-paid, permanent jobs.

Unemployment levels during the winter period are above those for the South West Region and England as a whole, with pockets of particularly high unemployment and deprivation in parts of West Cornwall. This reflects the importance of tourism and other seasonally related jobs to the local economy.

The tourist season historically ran from May to September. This extended to April to October to take the half term holidays into account. Today many of the larger hoteliers and some attractions are required to stay open all year round in order to maintain their work force on full time contracts. Likewise it is advantageous to the economy to attract visitors on a year-round basis. Nevertheless seasonality is still an issue which affects profitability for accommodation providers.

## **5.6 Benchmarking of Newquay to Similar Resorts**

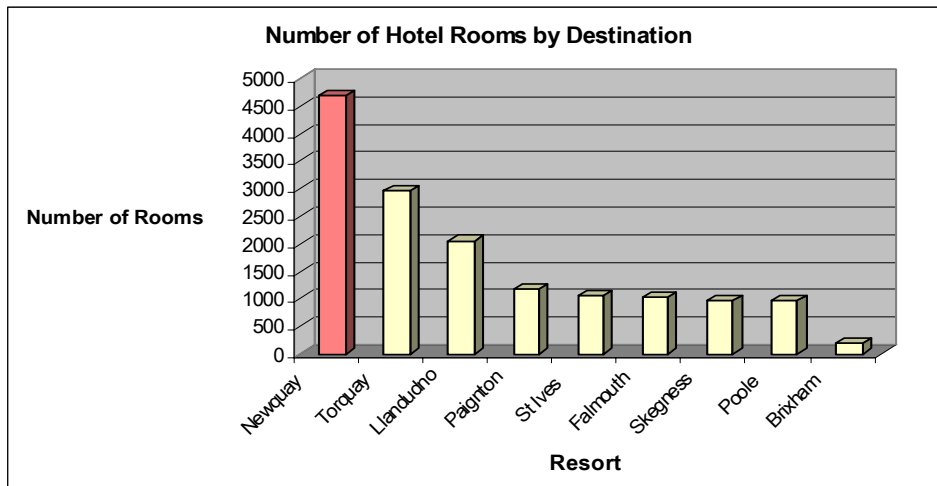
In this section we compare Newquay's hotel market stock with that of other comparable resorts. Each resort is unique in its physical attributes, history, past and current tourism markets. Nevertheless, we can make some interesting comparisons based on resort population size and economy which can give an approximate indication of the likely size of any corporate or VFR markets (assuming they use serviced accommodation), and staying visitor numbers, which represents the leisure market. We have selected a number of other British coastal resorts, with roughly similar populations, and similar roles in serving the traditional family and older coach markets.

Figure 11 compares each resort by number of hotel bedrooms. It is clear from this graph that Newquay with an estimated 4,700 hotel bedrooms (excluding hostel bedspaces) has far more than most similar-sized resorts. Only Torquay comes close, if its estimated 3,000 bedrooms are combined with neighbouring Paignton's 1,100 and Brixham's 200, to give a Torbay total of 4,300. However, Torbay also has a population six times that of Newquay and also a conference destination, providing the area with much greater prospects of gaining from business tourism.



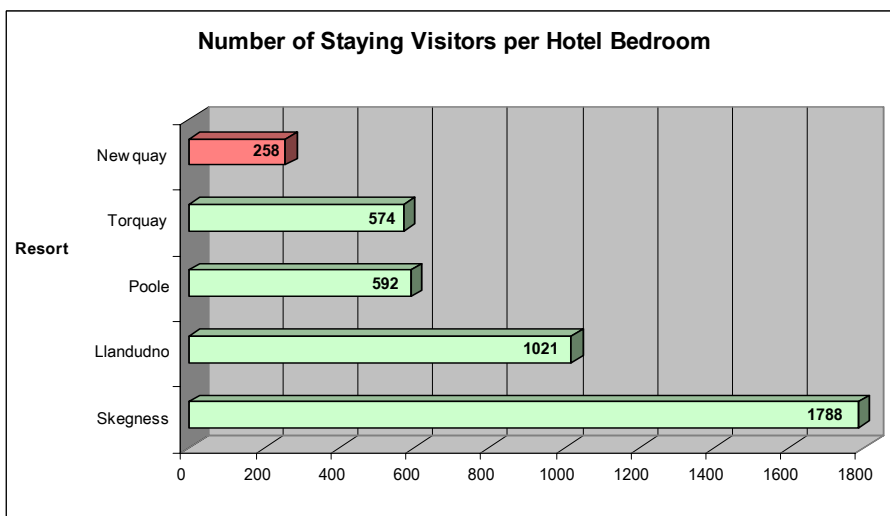
Llandudno has the next largest number of hotel bedrooms after Torquay. It has a similar sized population, two sandy bays, an attractive hotel lined esplanade and strong coach holiday market, is the location for the North Wales Conference Centre and yet has only 2,000 hotel bedrooms. Other Cornish resorts such as St. Ives and Falmouth only have 1,000 hotel bedrooms each. Skegness, a similar resort in terms of distance from larger centres of population, with a similar resident population and a strong family market also has only 1,000 hotel bedrooms.

**Figure 11: Number of Hotel Rooms by Destination**



Comparable figures for staying visitors at each resort are hard to come by. Most figures are only obtainable at a District level. In figure 12, therefore, we compare the number of hotel bedrooms at the main resort in each District (which could also be the whole District e.g. Poole) to staying visitors in each district. This provides as close an approximation of comparative visitors numbers for each resort per hotel bedroom available as we can illustrate. This graph shows that Newquay has far less staying visitors per room than the other resorts, a indication of a possible over-supply. It has less than half the number of staying visitors per hotel bedroom as Torquay and Poole, and a quarter of those for Llandudno.

**Figure 12: Number of Staying Visitors per Hotel Bedroom**



We provide a detailed comparison of the resorts in figure 13 below.

**Figure 13: Comparative Resort Destination Provision**

| <b>Destination and location</b> | <b>Population and unemployment</b>   | <b>Hotel supply in area</b>  | <b>Development</b>  |
|---------------------------------|--|--|---|
| Brixham, Devon                  | Pop'n: 17,500<br>U/e: 4.1%   | Largest hotel: 32 bedrooms<br>Number of hotels: 19<br>Total hotel bedrooms: 190<br>Average rooms per hotel: 10                                 | See Torquay   |
| Paignton, Devon                 | Pop'n: 45,000<br>U/e: 4.1%   | Largest hotel: 84 bedrooms<br>Number of hotels: 81<br>Total hotel bedrooms: 1,173<br>Average rooms per hotel: 14                               | See Torquay   |
| Torquay, Devon                  | Pop'n: 60,000<br>U/e: 4.1%<br>Staying Visitors: 1,700,000 (Torbay)                         | Largest hotel: 175 bedrooms<br>Number of hotels: 130<br>Total hotel bedrooms: 2,960<br>Average rooms per hotel: 22                             | Torquay Waterfront Regeneration Project has received £21 million from SWRDA & EU Objective Two.           |
| Falmouth, Cornwall              | Pop'n: 20,775<br>U/e: 3.1%   | Largest hotel: 123 bedrooms<br>Number of hotels: 64<br>Total hotel bedrooms: 1,033<br>Average rooms per hotel: 16                              | National Maritime Museum Cornwall opened in 2002. Redevelopment of Docks. Plans for Falmouth Harbour side |
| St Ives, Cornwall               | Pop'n: 11,165<br>U/e: 4.2%   | Largest hotel: 85 bedrooms<br>Number of hotels: 93<br>Total hotel bedrooms: 1,056<br>Average rooms per hotel: 11                               | Work recently completed at St Ives harbour and Smeaton Pier.  |
| <b>NEWQUAY, CORNWALL</b>        | <b>Pop'n: 19,423</b><br><b>U/e: 3.3%</b><br><b>Staying Visitors: 1,213,000 (Restormel)</b> | <b>Largest hotel: 120 bedrooms</b><br><b>Number of hotels: 233</b><br><b>Total hotel bedrooms: 4,698</b><br><b>Average rooms per hotel: 20</b> | <b>Newquay Vision &amp; Action Framework regeneration masterplan</b>                                      |

**Figure 13: Comparative Resort Destination Provision (continued)**

| <b>Destination and location</b>   | <b>Population and unemployment</b>                                       | <b>Hotel supply in area</b>  | <b>Development</b>  |
|---|--|--|---|
| Skegness, Lincolnshire  | Pop'n: 18,910<br>U/e: 3.1%<br>Staying Visitors: 1,745,000 (East Lindsey) | Largest hotel: 48 bedrooms<br>Number of hotels: 72<br>Total hotel bedrooms: 976<br>Average rooms per hotel: 13     | Plans to regenerate southern foreshore to be completed by end of 2008.  |
| Poole, Dorset   | Pop'n: 138,288<br>U/e: 2.2%<br>Staying Visitors 575,000                  | Largest hotel: 125 bedrooms<br>Number of hotels: 69<br>Total hotel bedrooms: 972<br>Average rooms per hotel: 14    | Full Sail Ahead – a ten year project to provide a second harbour crossing, new homes and employment opportunities.                                |
| Llandudno<br>North West Wales   | Pop'n: 24,000<br>U/e: 3.7%<br>Staying Visitors: 2,100,000 (Conwy)        | Largest hotel: 112 bedrooms<br>Number of hotels: 111<br>Total hotel bedrooms: 2,056<br>Average rooms per hotel: 18 | Heritage Lottery Fund has spent £6.3 million to regenerate historic parks and gardens in the region. North Wales Conference Centre redevelopment. |
| <i>Source: Destination Visitor Guides, Census 2001, Humberts Leisure Research</i> |  |  |   |

## **6 COMPETITIVE HOTEL ENVIRONMENT IN NEWQUAY**

### **6.1 Introduction**

The prospects for the accommodation market in Newquay depend on many factors and criteria. The hotel sector is a cyclical industry with peaks and troughs in performance, which is impacted by both changes in market demand and external factors such as the political and economic climate. It is important therefore to set the condition of the Newquay accommodation market against the trends that have been experienced in the hotel sector as a whole.

### **6.2 Luxury Hotels**

#### **6.2.1 National Trends**

These hotels usually provide high quality bedroom facilities, large conference suites, quality bars and catering, health spas and other leisure facilities. They target the national and international business and conference trade and luxury short breaks. They tend to be located in major metropolitan centres, at international airports, large coastal resorts with an established conference industry or within former country houses. It is increasingly expensive to develop new build luxury hotels in the UK and operators have to be sure of high returns. This has led many groups to expand by acquisition rather than development. In times of economic uncertainty the luxury end of the hotel market is often hit hardest. Many of the larger international chains have had to curb their expansion plans in the last couple of years.

Leading groups or brands in the UK in this sector include Hilton, Intercontinental, Radisson SAS, Marriott, Thistle, De Vere and Millennium and Copthorne. The only coastal resorts in the UK to have a number of four and five-star hotels are the large conference resorts of Brighton, Bournemouth and Blackpool.

#### **6.2.2 Local Supply**

Newquay has just one four star hotel – the Headland located at Fistral Beach. The hotel has 104 rooms, and is the only hotel on the North coast of Cornwall to have attained a four star rating. However, the 101-bedroom Bedruthan Steps Hotel at Mawgan Porth is currently in the process of applying for four-star accreditation. Both are independently run.

### **6.3 Boutique Hotels**

#### **6.3.1 National Trends**

There has been a developing trend towards niche markets, in particular the recent emergence of 'boutique' or 'designer', and 'townhouse' hotels. These hotels vary in size (townhouse hotels tend to be small, boutique hotels can be larger) but they all place emphasis on high levels of personal service and design. Some specialise in excellent food and beverage, such as Hotel du Vin, and most usually have limited or meeting rooms or health and fitness facilities. These hotels require a demand pool of young professionals who consider design and environment important. Operators such as Myhotels, Eton Group, Alias Hotels, Malmaison and Hotel du Vin generally seek 'up-and-coming' locations within newly fashionable cities, often in off-centre locations, where there is a growing business sector and preferably with a cluster of creative and media industries. It is a small but growing sector. However, like other

segments of the market, this sector has also proved vulnerable to economic and political upheavals.

### 6.3.2 Local Supply

There are no recognised boutique hotels as such in Newquay or the wider Borough of Restormel. However possible contenders could be the Watergate Bay Hotel, following its multi-million pound refit and the renamed and refurbished Watermark Hotel at Porth Beach (formerly the Glendorgal).

## 6.4 Mid Market Hotels

### 6.4.1 National Trends

The 'mid-market' (mostly two and three-star) hotel sector has come under increasing pressure from both above and below. Upper-end hotels (four-star plus) often compete for mid-market customers in difficult trading conditions through dropping their rate, while at the same time better quality limited-service hotels also offer a quality product at prices that undercut the mid-market. Traditional three-star hotel groups and brands such as Holiday Inn, Queens Moat Houses, Corus Regal and Jarvis Ramada have struggled for a number of years. Independent hotels, which still represent the largest proportion of this sector, have found it even more difficult without a national and international marketing network. For this reason, many choose to join consortia such as Best Western to increase their market presence. In response to the threat to their market share, many three-star hotels have had to invest in extending and upgrading their product offering to include leisure (spas, health & fitness) and business facilities (conference and function space).

### 6.4.2 The Coach Market

One of the main segments of demand for many mid-market hotels is the coach segment. This is particularly true for British coastal resorts where coaches offer guaranteed occupancy year round and are essential in the off-season when the individual family segment has low demand and where there is little business demand to off-set the leisure segment.

The coach holiday market, like other sectors of the travel industry, has experienced several turbulent years. Just as the industry was beginning to show signs of recovery post-11 September 2001, further political instability (Iraq war) and health scares (SARS) in 2003 ensured tough trading conditions. Domestic and overseas coach travel declined sharply in 2003 but operators reported a brighter picture for 2004. Domestic sales have increased with the continued threat of overseas terrorist activity and a renewed interest in domestic travel. Nevertheless the domestic market is a fairly static one due to the intense competition in the marketplace as a whole.

The principal market for coach holidays in the UK are the over-55s, those in the post-family stage or what is described as the "Third Age" travellers. Around 10% of over-55s take UK originating coach holidays, with 14% using the coach to get to a holiday destination.<sup>15</sup> The product is developing with operators offering products specifically targeted towards a healthier, more affluent 55+ market. Themed and activity tours are now commonplace, ranging from garden tours to more adventurous pursuits such as kayaking and trekking.

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<sup>15</sup> Mintel European Bus & Coach Travel June 2003

The Confederation of Passenger Transport report “The Role of the Coach in the Economy” estimated that, in 1998, British residents made 4.2 million coach tours by non-scheduled coach, staying 15.8 million nights away from home and spending a total of £643 million. There were a further 36.2 million day trips from home by non-scheduled coach, spending £844 million.

In the table below we illustrate the spread of the coach holiday sector by region. It can be seen that the South West accounts for the highest proportion of both UK holiday trips and of all UK coaching holidays. Indeed it has more than its fair share of coaching holidays. This is very significant because any changes in demand from this segment will have a direct impact on tourism to the South West.

**Figure 15: UK Coach Holiday Market by Tourist Board Region 2001**

| <b>Tourist Board</b>       | <b>% of all UK Holiday Trips</b> | <b>% of all UK Coach Holidays</b> |
|----------------------------|----------------------------------|-----------------------------------|
| <b>South West</b>          | <b>14</b>                        | <b>16</b>                         |
| Southern                   | 8                                | 12                                |
| London                     | 8                                | 11                                |
| South East                 | 8                                | 9                                 |
| Heart of England           | 13                               | 9                                 |
| North West                 | 8                                | 7                                 |
| East of England            | 8                                | 5                                 |
| Yorkshire / Humberside     | 6                                | 5                                 |
| Cumbria                    | 3                                | 4                                 |
| Northumbria                | 2                                | 2                                 |
| Other                      | 2                                | 1                                 |
| <b>TOTAL ENGLAND</b>       | <b>80</b>                        | <b>81</b>                         |
| Scotland                   | 11                               | 13                                |
| Wales                      | 8                                | 6                                 |
| Northern Ireland           | 1                                | N/A                               |
| <i>Source: Mintel 2003</i> |                                  |                                   |

There are many small family-run companies in the market, although the coach operator market in the UK is dominated by the recent £200 million merger between Coach Holiday Group (owners of Wallace Arnold) and Shearings. The deal will create the UK's fourteenth largest hotel group and take a 14% share of the £2.1 billion coach holiday market in the UK. The new group will account for more than one million bednights a year, have a fleet of 447 coaches, an annual passenger capacity of almost one million people and a pooled database of more than 2.5 million customers.<sup>16</sup>

Higher penetration of the target group (aged 55+) plus a proportion of the over-45 market is essential for operators to grow domestic and overseas sales. UK demographics are favourable in this respect with a forecast growth within the 'grey market'.

<sup>16</sup> The Caterer 2 February 2005

### 6.4.3 Supply of mid-market hotels in Newquay

This is the largest single sector of the hotel bedroom supply in Newquay. We have identified ten three-star hotels in Newquay offering at total of 751 rooms – 15.2% of the total. This equates to an average of just over 75 rooms per hotel. Figure 16 shows the three-star hotels in Newquay ordered by size.

**Figure 16: Newquay's Three Star Serviced Accommodation Stock**

| Hotel  | Number of Bedrooms |
|--|--------------------|
| Hotel Victoria                                   | 120                |
| The Bay Hotel                                    | 97                 |
| Edgcumbe Hotel                                   | 88                 |
| Barrowfield Hotel                                | 81                 |
| Bristol Hotel                                    | 74                 |
| The Esplanade Hotel                              | 73                 |
| Kilbirnie Hotel                                  | 66                 |
| Watergate Bay Hotel                              | 62                 |
| Hotel Riviera                                    | 49                 |
| Hotel Trebarwith                                 | 41                 |
| <b>TOTAL 10 HOTELS</b>                           | <b>751</b>         |
| <i>Source: Newquay Visitor Guide 2005 / NATC</i> |                    |

The largest of these is the Hotel Victoria (120 bedrooms), and the smallest the 41-room Trebarwith Hotel. In addition, there are a further nine two-star establishments. The largest is the 76-room Eliot Cavendish, whilst the Whipsiderry Hotel has just 20 bedrooms.

The coach market in Newquay is served by Shearings own hotels in the resort – the 108-bedroom Berrisford and the 58-bedroom Marina Hotel. These hotels have a four and three-diamond rating respectively. Wallace Arnold owns the 71 bedroom Pentire hotel. Many of the larger two and three-star independent hotels also serve and rely on the coach market.

### 6.5 Budget / Limited-Service Hotels

Much of the growth in the hotel sector in the 1990s stemmed from the emergence of the budget sector in the UK. Already established in the USA and France, prior to the 1990s only Forte's Travelodge catered to this market in the UK. It has been estimated that 20+ years ago only one in 20 people in the UK stayed in hotels, now this is one in four and much of this has been attributed to the rise of the budget hotel which attracted users who before would not have considered staying in a hotel.

Traditionally these purpose built hotels averaged 40 bedrooms, with few staff or in-built facilities. They relied on the presence of a co-located, but separate, pub-restaurant (normally from the same holding group) to provide catering facilities. Usually located adjacent to motorway or key trunk road junctions and near major centres of economic activity, budget hotels provide plenty of parking to attract the business traveller and families travelling long distances.

However in recent years the sector has moved away from this old formula. Operators have been attracted to well-located town centre sites where they have been prepared to abandon their previous need for large amounts of dedicated free car parking. The average size has increased from 40 bedrooms in 1993 to 60 in

2003. There is also an increasing trend for increasing 'amenity creep' which has created a top tier of limited service hotels which could no longer be considered 'budget'. These tend to have all the facilities associated with mid-market hotels – some food and beverage, meeting space, air-conditioning, satellite TV – and yet offer a modern, branded, consistent product at very competitive pricing. Examples include Express by Holiday Inn, Premier Travel Inn (formed through the merger of Premier Lodge and Travel Inn), Days Inn, Ramada Encore, Tulip Inn and Sleep Inn.

The performance of the budget hotel market has been identified as the biggest success story of the hotel industry. This was underlined by their resilience in the face of the pressures of Food and Mouth Disease (FMD) and 11 September 2001. When the rest of the hotel sector announced reduced occupancy and average rate, many budget brands (but not all) saw consistent if not improved performance. The total UK budget sector including London saw room occupancy increase by 1.7% in 2002 on 2001 and average rate by 3%.

The biggest deal in the budget hotels sector in 2004 was the purchase of Premier Lodge from The Spirit Group by Whitbread in July for £505 million. All hotels have been re-branded as Premier Travel Inn<sup>17</sup> making it the largest budget hotel operator in the UK with 29,141 rooms in 461 locations.

At the end of 2003, there were an estimated 979 budget hotels in the UK with a total of 63,043 rooms, representing an increase of 4.9% and 10.6% respectively from 2002. Figures for the end of 2004 have yet to be published. Deloitte & Touche forecasts that the number of branded budget hotel rooms is predicted to rise to 75,000 by the end of 2005 and to 87,000 by 2007. This will mean adding between 6,000 and 6,300 new bedrooms each year and maintaining the level of growth seen in 2003, when more than 6,000 new budget bedrooms were opened.<sup>18</sup> The top three criteria for new sites are: good business catchment, major road access and price of land. The least three important factors are: airport access, rail access and resort location.

### 6.5.1 Supply of budget hotels in Newquay

There are no branded budget hotels in Newquay. The nearest lies outside the town at St Columb Major on the – some fifteen minutes drive time from the centre of Newquay. Figure 17 shows the nearest location of some of the top budget brands (by number of rooms).

**Figure 17: Budget Brand Locations Closest to Newquay**

| Brand                  | Location                | Distance (miles) | Drive Time |
|------------------------|-------------------------|------------------|------------|
| Premier Travel Inn     | Penhale, Fraddon        | 9.1              | 0h15       |
| Travelodge             | Saltash                 | 45.0             | 1h00       |
| Innkeeper's Lodge      | Plymouth                | 51.6             | 1h10       |
| Travelodge             | Widdon Down, Oakhampton | 60               | 1h15       |
| Express by Holiday Inn | Exeter                  | 89.8             | 1h55       |

*Source: Humberts Leisure Research*

<sup>17</sup> The Caterer 23 July 2004

<sup>18</sup> The Caterer 25 November 2004



## 6.6 Guesthouses

Guesthouses, as part of the commercial serviced accommodation sector, fall between hotels and bed and breakfast accommodation. Like B&Bs they tend to be independently owner-managed, often in private dwellings, town houses and converted residences, but tend to offer more facilities than B&Bs, where the guest often cannot use the room during the day and no evening meal is provided. This sector is not represented by any national level association, although in some localities guesthouses have organised themselves into marketing consortia.

There is no legal definition of any category of accommodation but the British Hospitality Association offers the following guideline: A Guesthouse is accommodation offering bed and breakfast, normally in a commercially rated business with more than three bedrooms. The proprietor or staff will generally be available throughout the day and registered guests will have easy access to their accommodation at all times. Guest facilities, including bathroom(s), will be separate from the proprietor's own accommodation, some of which could be en suite. Evening meals will be available for all residents. Quality classification will vary between one and five 'Diamonds'.

Guesthouses are rated by tourist boards together with B&B's, Inns and Farm B&B's using the diamond rating scheme. One diamond represents an acceptable level of quality, clean, comfortable accommodation, providing breakfast and a helpful service. Five diamonds means that the property has exceptional quality and interior design, and outstanding level of customer care.

There is very little published information on this sector. According to the ETC in 2000 there were 8,552 guesthouse establishments in England, which accounted for approximately 25% of all serviced accommodation. It was also reported that the number of bedspaces of guesthouses was 158,330 compared with 582,441 in the hotel sector and 116,297 in B&Bs. The average size of guesthouses in this study was 27 bedspaces compared with 9 in B&B's and 77 in hotels.

The ETC publishes a UK Occupancy Survey for Serviced Accommodation which breaks out occupancy for the varying types of accommodation. This is detailed in Figure 18 below for the years 1997-2001.

**Figure 18: UK Occupancy Survey 1997 - 2001**

| Category     | 1997 % | 1998 % | 1999 % | 2000 % | 2001 % |
|--------------|--------|--------|--------|--------|--------|
| Hotels       | 63     | 63     | 61     | 61     | 61     |
| Guest houses | 53     | 54     | 52     | 51     | 50     |
| B&Bs         | 44     | 43     | 44     | 42     | 42     |

Guesthouse and B&B accommodation is often portrayed as downmarket or cheap accommodation, however their appeal is not restricted to visitors on a tight budget and they can often offer very high quality accommodation, often better than some hotels. Guesthouses particularly appeal to the VFR and self-employed business traveller sectors.

The growth of the budget hotel sector has provided unwelcome competition to the guesthouse and two-star hotel market in the wake of the declining domestic family market. Guesthouses and small hotels are too small in terms of turnover to attract the capital necessary to up grade their product and modernise their systems to

justify their prices and without the necessary economies of scale cannot reduce their costs enough to remain profitable if prices drop. In fact they are often forced to incur increasing costs in order to remain competitive. Today's customer is well travelled and is no longer satisfied with the standards offered at many of the 'traditional' guesthouse/small hotels – which can suffer from a negative 'Fawlty Towers' legacy. In a market place which is increasingly aware of 'value for money' these independent properties are finding it hard to compete with the brands and chains.

## **6.7 Hostel Supply**

As Newquay has grown as a surfing haven, so the resort's accommodation stock has adapted to cater for the large numbers of surfers and backpackers that now visit Newquay annually. According to data supplied by the NATC, there are twenty hostels in Newquay serving the surfing and backpacker community. These vary in size and quality as do the hotels, however they are not all basic or cheap. In particular the former St Anne's Hotel has had £1.2m investment to become the Reef Surf Lodge offering design led accommodation for the urban surfers from London and Manchester. Tariffs range from £15-29.50 pppn depending on the season.

Hostels are not serviced accommodation in the traditional sense, and some establishments have rooms in the form of dormitories. As such, some of Newquay's hostels offer a much higher number of bedspaces than the serviced accommodation stock (for example, the 20-bedroom Holywell House offering eighty bedspaces – an average of four bedspaces per room). Overall Newquay's registered hostels offer 476 rooms (an average of 24 rooms per hostel), and a total of 1,185 bedspaces (49 per hostel). This equates to an average of 2.5 bedspaces per room.

Late in 2003 the former Ambassador Hotel was transformed from a poor quality hotel to a fashionable surf hotel – the Endless Summer Surf Lodge -- with a scuba diving school, two surf schools, aromatherapist, sport masseur, internet café, bar, restaurant and swimming pool. However, by February 2004 it had been sold and closed with the expectation of converting to residential, although detailed planning permission is still required.

## **6.8 Size & Quality of Newquay's Serviced Accommodation Stock**

### **6.8.1 Size & Quantity of Serviced Accommodation in Newquay**

As discussed, the majority of serviced accommodation providers in Newquay are mid-market hotels or small guest houses / bed and breakfast establishments. The database provided by NATC<sup>19</sup>, coupled with our own research, has revealed that there are currently 233 serviced accommodation establishments (excluding hostels) in Newquay with a total of 4,698 rooms and 11,001 bedspaces, and average size of 20 bedrooms and 47 bedspaces. In addition, there are a further twenty hostels which are excluded from the analysis of hotel supply in Figure 19 below.

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<sup>19</sup> Newquay Association of Tourism and Commerce 2004

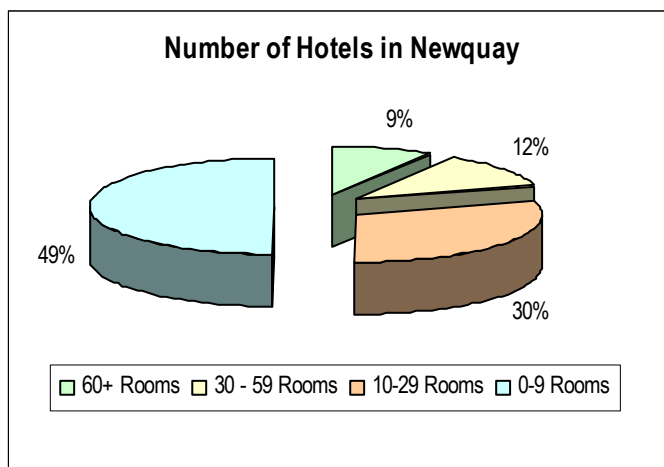
**Figure 19: Total Hotel Supply in Newquay**

| Hotels by Size | No. of Hotels | No. of Rooms | % of Total Rooms | No. of Bedspaces | % of Total Bedspaces |
|----------------|---------------|--------------|------------------|------------------|----------------------|
| 60 + Rooms     | 21            | 1,755        | 37               | 4,316            | 39                   |
| 30 – 59 Rooms  | 27            | 1,117        | 24               | 2,315            | 21                   |
| 10 – 29 Rooms  | 69            | 1,098        | 23               | 2,614            | 24                   |
| 0 – 9 Rooms    | 116           | 728          | 16               | 1,756            | 16                   |
| <b>Total</b>   | <b>233</b>    | <b>4,698</b> | <b>100</b>       | <b>11,001</b>    | <b>100</b>           |

*Source: Newquay Visitor Guide 2005 /NATC/HLL research*

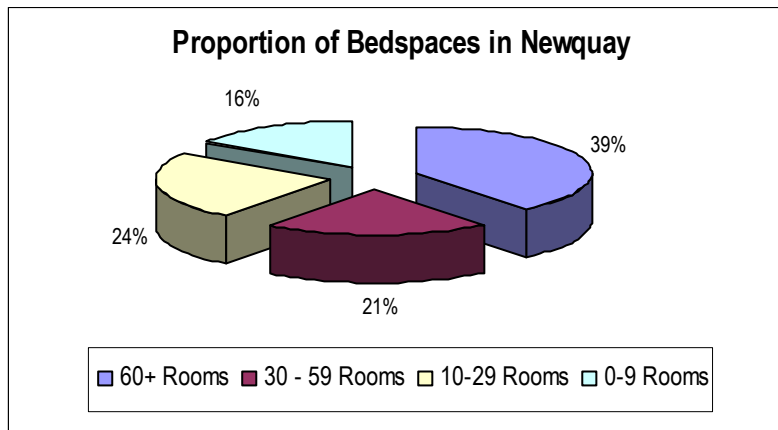
The largest hotel in terms of bedrooms is the 120-bedroom Hotel Victoria but the largest hotel in terms of bedspaces is the 101-bedroom Bedruthan Steps Hotel at Mawgan Porth which offers 334 hotel bedspaces. This is due to the latter having a significant number of family suites with more than two bedspaces per room. The 60+ bedrooms sector comprises just under 9% of all hotels in Newquay, the smallest sector in terms of number of properties. However, these hotels account for 39% of all bedspaces and 37% of rooms and therefore are the single largest contributor to serviced supply. Conversely, hotels or guesthouses with less than 10 rooms account for nearly 50% of the total supply of properties but provide only 16% of rooms and 16% of beds. In other words, nearly half of all accommodation suppliers actually contribute a very small proportion of the total room supply.

**Figure 20: Serviced Accommodation Sector in Newquay**



Indeed 80% of all hotel stock constitutes properties of no more than 29 bedrooms. However, whereas those hotels with less than 10 rooms provide the least number of bedspaces in Newquay, those in the 11-30 bedroom category provide nearly one quarter of all bedspaces, more than the 30-59 bedrooms category, and therefore are an important sector of Newquay’s accommodation product, second only to the largest hotels (60+). This is illustrated in Figure 21.

**Figure 21: Serviced Accommodation Sector by Bedspaces**



### 6.8.2 Quality of Serviced Accommodation in Newquay

The majority of Newquay’s hotel stock is ungraded. The largest graded room stock is in the three-star category. Figure 22 shows total hotel supply in the resort by grading.

**Figure 22: Total hotel supply in Newquay**

| Hotels by star grading         | No. of Hotels | No. of Rooms | Av. Rooms per Hotel | % of Total Rooms |
|--------------------------------|---------------|--------------|---------------------|------------------|
| Four star                      | 1             | 108          | 108                 | 2                |
| Three star                     | 10            | 759          | 75                  | 16               |
| One - Two star                 | 10            | 413          | 41                  | 9                |
| Branded Budget/limited service | 0             | 0            | 0                   | 0                |
| One-Five Diamond               | 24            | 412          | 17                  | 9                |
| Un-graded                      | 188           | 3,006        | 15                  | 64               |
| <b>Total</b>                   | <b>233</b>    | <b>4,698</b> | <b>20</b>           | <b>100</b>       |

*Source: Newquay Visitor Guide 2005/NATC/HLL research*

With around two-thirds of total rooms in un-graded accommodation this naturally raises a question mark over quality. Initial discussions with several of the larger un-graded hotels indicate that some of these used to have a star rating but claim to have dropped the service because they believe that the costs of this outweigh the benefits. By this we understand they mean the cost of investing in upgrading in order to meet the standards rather than the cost of the scheme itself.

We were informed during our interviews that some properties would like to achieve quality assured status but that prices are so low for rooms in Newquay that it is not worth the cost of the investment to achieve the standards because this cost cannot be covered by increasing the room rate. The significant underinvestment in many of the properties has occurred largely in properties that do not generate a profit to reinvest, which becomes a self-perpetuating cycle.

We understand from the NATC database that there are currently 57 properties in Newquay either with NQAS or are working towards it. These provide 4,655 bedspaces or 1,922 bedrooms. This shows that some properties that are currently ungraded should achieve NQAS status in the future. Some £3.7m has been made available for Newquay hotels to improve their standards, including a capital grant of

around £30,000 per hotel, as well as offering business advice and practical support. This is not an insignificant sum, especially for the smaller properties. The scheme is being backed by £1.3m from European Objective One funding.

Councils across England are being urged to crack down on sub-standard hotels, guesthouses and B&Bs after the launch of a new government initiative from the DCMS in early February. *Fitness for Purpose: Quality Counts* is targeted at those hotels, guesthouses and B&Bs which are failing to meet minimum legal requirements on health and safety, food safety and hygiene, trading standards and fire safety, in order to help them to improve. The scheme aims to realise the following benefits:

- Better consumer protection;
- Clearer regulatory standards for businesses and consumers;
- Businesses better informed about their obligations;
- Local authorities co-ordinating inspections more effectively, and less red tape for businesses;
- More self-assessment for well run businesses.<sup>20</sup>

It should be pointed out that the general lack of investment in many of the properties does not extend to the professionally run, leading hotels in Newquay, those which are considered a serious business by the owners. These hotels understand the need for constant reinvestment. For example: The Sands Resort hotel rebranded from the Trevelgue Hotel in 2000 to position itself in a new market and it has taken the last four years to refurbish the whole property. The hotel has just spent £50,000 on refitting the spa alone. The Watergate Bay has spent £1.5m to add 18 bedrooms and raise its standards to four-star. A further £300,000 is being spent on the public areas this winter. The owners of the Bay hotel have spent £1m to bring it up to three-star standard (roughly £10,000 per room). They are hoping to provide leisure and meeting facilities this year. The health suite is likely to cost an additional £1m. Similarly, when the Riviera was bought in 1998 it was very run down and has now been upgraded to three-star. Most of the bedrooms have been redecorated, the bathrooms are being refurbished for less than £1,000 each and many old windows are being replaced. The Headland Hotel has also invested in repositioning itself from three to four star.

There has not been a new-build hotel in Newquay for many years and many that have closed were not necessarily suitable for today's hotel guests' needs. Those that were purpose-built are Victorian and required modernising, reducing the room stock to provide bathrooms etc. In many cases there is little owners of these properties can do without extensive expenditure, which they would need to generate from profit. To improve the quality of the hotel product would involve increasing the bedroom size, providing ensuite bathrooms, modernising bar and restaurant facilities and creating leisure and function space. This would necessarily reduce the amount of bedrooms available. In other words, the way forward for Newquay is to take stock out of the bottom and replace it with quality supply (even within the existing properties) but not at the same quantity.

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<sup>20</sup> DCMS 2005

## 6.9 Loss of Serviced Accommodation Stock in Newquay

The NATC has monitored hotel stock since 2000. In that year there were 278 properties listed with 5,800 bedrooms and 13,563 bedspaces including hostels. At the time of our research in March 2005 we have calculated there were 253 properties trading with 5,174 bedrooms and 12,186 bedspaces including hostels.

The 25 properties which have been lost and are included in figure 23 are those that we are informed or have found to have ceased trading or closed, whether or not they have planning permission, have been demolished or converted. In other words some hotels may have had their planning permission refused but they are still closed. On the other hand, it does not include properties that have applied for or received planning permission for change of use, if they are currently still operating as hotels. It must also be noted that some of the existing hotels have extended in this time.

This represents the following loss:

**Figure 23 – Hotel Stock lost through Closure, Demolition or Redevelopment**

|           | Actual | % of 2000 supply |
|-----------|--------|------------------|
| Hotels    | 25     | 9                |
| Bedrooms  | 640    | 11               |
| Bedspaces | 1,443  | 11               |

The average size of property lost is 26 bedrooms, with 57 bedspaces. We provide details of these 25 properties in Appendix One.

In addition there are a number of hotels which have received either detailed planning consent, or, more normally outline consent and are pursuing reserved matters, but which are **still trading**. These include:-

| Hotel                      | Bedrooms | Bedspaces | Comment   |
|----------------------------|----------|-----------|---|
| Bella Vista/Safi bunkhouse | 46       | 101       | Planning is approved. Open 2005 season but not sure after |
| Bredon Court               | 76       | 139       | Outline approval but still trading                        |
| White Lodge                | 18       | 42        | Planning approved but hotel still trading                 |

In addition the following hotels have sought planning consent for a change of use or redevelopment which has been **withdrawn**:-

| Hotel          | Bedrooms | Bedspaces | Comment           |
|----------------|----------|-----------|-------------------|
| Philema        | 33       | 108       | Opening at Easter |
| Trenance Hotel | 57       | 115       | Still open        |

In addition the following hotels have sought planning consent for a change of use or redevelopment which has been **refused**:-

| Hotel     | Bedrooms | Bedspaces | Comment                                   |
|-----------|----------|-----------|---|
| Trevalsa  | 52       | 24        | Status unknown                            |
| Tredragon | 27       | 90        | Is intending to operate for 6 more months |

In addition there are 3 further hotels which have approached the council for **pre-application** discussions, presumably with a view to submitting a planning application.

Should the first three categories either implement their consents, re-apply, or find future success in gaining planning consent, then there would be a further loss of 7 hotels, comprising 309 bedrooms, bringing total hotel loss up to 11.5% since 2000, and a room loss of 16%.

### 6.9.1 Hotels on the market

As at the time of our research in February 2005 we able to find the details of a number of hotels and guest houses in Newquay that were on the market. These are provided below.

**Figure 24: Examples of hotels for sale in Newquay, February-March 2005**

| Hotel                               | Bedrooms | Sales Price | Price per room £ | Comment   |
|-------------------------------------|----------|-------------|------------------|---|
| Longbeach Hotel                     | 7        | £600,000    | 85,714           | Owner operated, year round  |
| Porth Lodge, Porthbean Rd           | 19       | £1.25m      | 65,789           | Owner operated, year round  |
| Porth Bay                           | 12       | £725,000    | 60,417           | Large restaurant  |
| Gannel View Lodge, Pentire Rd       | 10       | £520,000    | 52,000           | Husband and wife B&B<br>TO £46,000  |
| The Hainault Hotel, Higher Tower Rd | 8        | £325,000    | 40,625           |   |
| Ocean Breeze, Edgcumbe Ave          | 7        | £280,000    | 40,000           | Seasonal trade  |
| Ingleside, Mount Wise               | 8        | £315,000    | 39,375           | All year trade driven by coaches, run by husband and wife                                   |
| Hepworth Hotel, Edgcumbe Ave        | 13       | £495,000    | 38,077           | Year round trade  |
| Fairways                            | 9        | £335,000    | 37,222           | Owner operated  |
| Trevellis, Trebarwith Crescent      | 8        | £275,000    | 34,375           |   |
| The Deauville, Mount Wise           | 22       | £725,000    | 32,955           | Gross TO £197,000   |
| La Felicia, Henvver Road            | 24       | £750,000    | 31,250           | Hens & Stag trade only, Trades March – Sept, weekends only<br>Gross TO £46,000              |
| The Glendevour, Mount Wise          | 34       | £975,000    | 28,676           | Year round business derived from coaches. Husband and wife team.<br>Gross Turnover £460,000 |
| Fort Wayne Hotel, Henvver Rd        | 25       | £695,000    | 27,800           | Trading from May-Sept. Owners retiring<br>TO £89,000 for 8 months                           |
| Barrowcliff, Henvver Road           | 24       | £600,000    | 25,000           | Owner operated, year round trade, coaches<br>TO £72,000                                     |
| Cumberland, Henvver Road            | 36       | £825,000    | 22,917           | Mainly coach trade<br>TO £325,000   |
| Lyncroft, Tower Rd                  | 22       | £430,000    | 19,545           | Husband and wife team, trading Easter-Oct<br>TO £35,000                                     |
| <i>Source: HLL Research</i>         |          |             |                  |   |

These 18 properties provide a snapshot of the market place. They range from B&Bs to small hotels, largely run by couples and are owner operated. This is a lifestyle choice by many. For those with turnovers of less than £50,000 this would probably be supplementing another income. There are many small operators who run such accommodation almost as a hobby, and choose to keep the turnover below £50,000 in order to avoid having to become VAT registered. Once VAT is incurred business and turnover need to increase substantially before the same net income can be achieved. We understand from commercial agents that this time of year is always very busy with hotel owners testing the market place while their business is closed.

The sale prices vary considerably when analysed on a per room basis, which is a typical benchmarking method for the comparison of hotel values. It would be normal to expect the hotel business to be valued as a multiple of Operating Profit. Although we do not have access to the operating profit of these hotels, in some cases the turnover is included. For example the 24 bedroom La Felicia is for sale at £31,250 per room with a turnover of only £46,000 whereas the 34 bedroom Glendevor Hotel is available at £28,686 per room with a turnover of £460,000. From this we can see that in some instances the existing businesses are not worth the sale value and therefore the sales price could be more reflective of an achievable residential price. Although, in itself, a hotel on the market does not represent a potential loss of stock, a serious hotel operator would only purchase a property where they felt a profit can be made. We understand that it is very common in Newquay for hotels which do not trade in winter to test the market and if they do not sell they re-open for the summer season.



## 7 DEMAND AND PERFORMANCE CHARACTERISTICS

### 7.1 Introduction

According to the Newquay visitor surveys, a much larger proportion of overnight visitors stay in serviced accommodation in Newquay than for Cornwall as a whole. In fact around two thirds of visitors to Newquay state that they stay in serviced accommodation (including B&Bs) compared to one third in all Cornwall. This is partly due to the factor of the large supply of serviced accommodation at a range of prices. It is also partly a factor of the popularity of coach tours to Newquay, which accounts for at least 20% of over night visitors, rising to over 30% for long stay visitors and over 50% of those aged 60 or above.

### 7.2 Serviced Accommodation Occupancy & Seasonality

South West Tourism monitors the room and bedspace occupancy for serviced accommodation in Cornwall, and is able to break down the results by district. Figure 25 shows room occupancy levels for Cornwall's districts from January through to December 2004.

Figure 25: Cornwall Room Occupancy 2004 by District

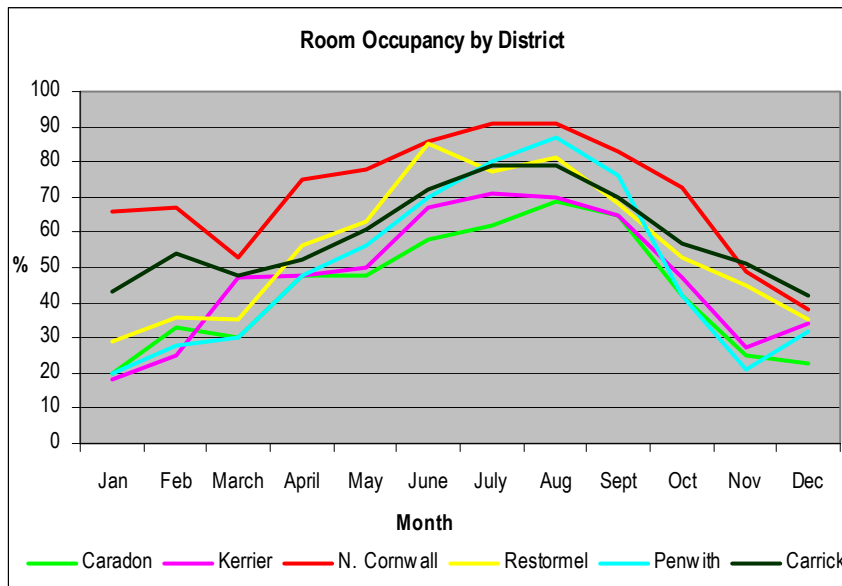
| Month | Room Occupancy % |         |             |           |         |         |                  |
|-------|------------------|---------|-------------|-----------|---------|---------|------------------|
|       | Caradon          | Kerrier | N. Cornwall | Restormel | Penwith | Carrick | Cornwall Average |
| Jan   | 20               | 18      | 66          | 29        | 20      | 43      | 31               |
| Feb   | 33               | 25      | 67          | 36        | 28      | 54      | 40               |
| March | 30               | 47      | 53          | 35        | 30      | 48      | 41               |
| April | 48               | 48      | 75          | 56        | 48      | 52      | 56               |
| May   | 48               | 50      | 78          | 63        | 56      | 61      | 63               |
| June  | 58               | 67      | 86          | 85        | 70      | 72      | 75               |
| July  | 62               | 71      | 91          | 77        | 80      | 79      | 79               |
| Aug   | 69               | 70      | 91          | 81        | 87      | 79      | 82               |
| Sept  | 65               | 65      | 83          | 68        | 76      | 70      | 73               |
| Oct   | 42               | 47      | 73          | 53        | 42      | 57      | 55               |
| Nov   | 25               | 27      | 49          | 45        | 21      | 51      | 39               |
| Dec   | 23               | 34      | 38          | 35        | 32      | 42      | 35               |

*Source: South West Tourism*

Restormel's room occupancy is very close to the average for the county as a whole. It must be remembered however that this is a relatively small total sample of 40 to 68 properties, varying by month, and many of the contributors will be small guesthouses and B&Bs. The Restormel sample ranges from only 11-16 properties, which is a very small proportion of the total hotel supply. Occupancy will vary greatly depending on the size, grading and branding.

We illustrate the pattern of occupancy over the year in the graph below.

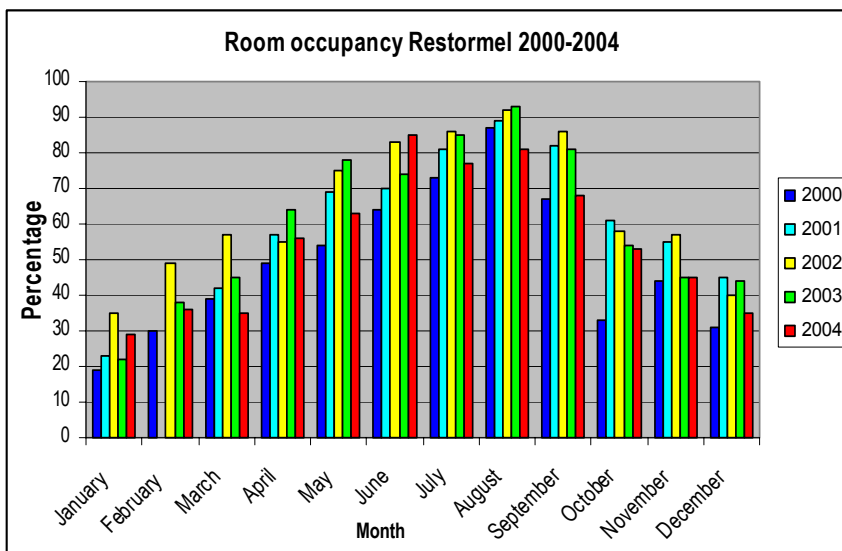
**Figure 26: Cornwall Room Occupancy by District 2004**



Occupancy in Restormel follows a similar seasonality pattern to that of all Cornwall although North Cornwall's is less pronounced than the other districts. In the off-season Carrick also outperforms Restormel. Penwith appears to have higher occupancies in the summer than Restormel but much lower winter occupancies. It must be remembered that Restormel also has the largest supply of rooms, as this will impact the occupancy for the market. The season in Newquay used to be very short (May to September) but has increased gradually over the years to year-round.

South West Tourism has collected data on occupancy for Restormel over a number of years. We present the room occupancy for Restormel hotels over the last five years in the graph below.

**Figure 27: Room Occupancy for Restormel Hotels 2000-2004**



Over the last five years, it appears that hotels in Restormel experienced some uplift in room occupancy in 2001 and 2002. This coincides with the opening of the Eden Project in March 2001. The importance of this attraction on demand cannot be

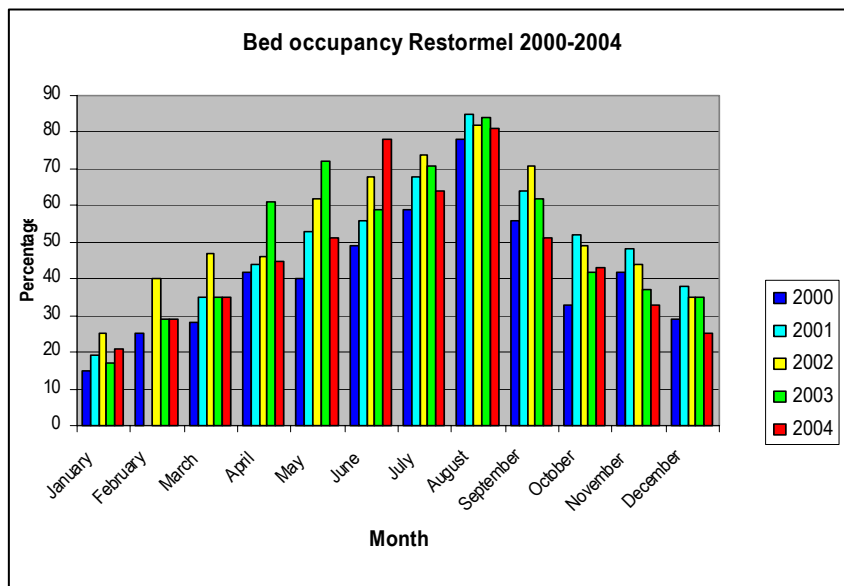
underestimated, as witnessed by the fact that around 12% of visitors to Newquay in 2001 stated that Eden was a key influence on their decision to come to the area.

There was a slight drop in 2003 on 2002 but in general occupancy remained stronger than in earlier years. In particular August 2003 was a very good month. This coincided with a very hot spell. Occupancies in 2004 have dropped further however, in most cases to below 2001 levels, although they are still higher than 2000. This is in line with the experience highlighted by hoteliers during our research. They have stated that this fall in demand has continued into 2005, which has started worse than previous years, largely due to the late cancellation of large coach bookings, upon which they rely from January to March.

Again it must be remembered that this represents a small sample of hotels, only 11-16 properties which choose to submit their data and cannot be considered as entirely representative of all Newquay hotels. However it does provide an illustration of performance over the last few years and seasonality during the year.

Most hotels in Newquay measure occupancy by bed occupancy rather than room occupancy, because they charge tariffs on a per head basis rather than a per room basis. The graph below shows Restormel's bed occupancy between 2000 and 2004 compared as per South West Tourism's Occupancy Survey.

**Figure 28: Bedspace Occupancy in Restormel 2000-2004**



No hotels report a 100% bed occupancy, even in the peak summer months. All hotels note a decline in occupancy when compared to the end of the 1990s, although this has been the experience nationwide.

### 7.3 Market Segmentation

There are two key markets in Newquay in terms of value and volume and a number of smaller markets which are growing. Those hotels which can afford to are trying to diversify business away from an over reliance on the traditional sectors and are adapting to and encouraging new segments. We discuss the characteristics of the demand segments in the following paragraphs.

### 7.3.1 Family market

Newquay used to be predominantly a family resort but families are no longer coming in the same quantity as in the past. Indeed those who are coming now are often not looking for serviced accommodation but self catering or camping and caravanning. The family market used to be strong from Easter through to October but is now restricted in general to the school holiday periods, half terms, Easter and six weeks in the summer. For many hotels during this time the rooms are full and business is still dominated by families. Although in terms of volume it is no longer the largest segment, in terms of value it is still the most important as the family market can be charged 10-20% more than other markets.

Hotels where parking is limited are restricted to the number of individual clients they can accommodate and are still forced to supplement demand with coaches even in peak times. Hotels without leisure facilities also find it very difficult to attract the family market. The family market tends to stay around 3 nights but at some properties this still extends to a week.

### 7.3.2 Coach market

For most properties in the lower to mid-market sectors, the coach market is dominant year round, and most important in the shoulder seasons. However even the coach market has been declining in recent years. 2004 was mentioned as a particularly poor year with all hotels interviewed reporting a decrease revenues generated from the coach market and a decrease in occupancy from coach party cancellations. This has carried through to 2005.

Rates charged in the coach market are extremely competitive. Winter coach tariffs are around £12.50-13.00 DBB per head, of which £8 covers food and £4 the room. This is not enough to cover operational costs, particularly if entertainment is also required. This increases to £40DBB pppn in the peak season. One of the key benefits of some of the poorer stock being removed from the supply is that it has allowed the better properties to increase their tariffs, which assists with generating profit that can be reinvested. This year winter coach tariffs have been increased to around £16-20DBB per head.

The coach market is largely domestic however there is some demand from the higher paying German coach market. They are attracted to Cornwall by the writer Rosamunde Pilchar and base themselves in Newquay while they visit the sites from her novels. They tend to pay £42-45 DBB pppn but only go to the better quality hotels.

In the winter months (January, February and March) most hotels are empty during the week but budget for coaches over the weekends, or host functions. Many hotels use this quiet period to refurbish. Before Christmas the hotels can attract 'tinsel and turkey' tours which keep the hotels half full for November and December. Most coaches tend to stay three to four nights, bringing 25-50 people per coach. When they can hotels try to divide the week into three night and four night bookings, offering packages over Monday to Thursday and Friday to Sunday, whether for groups or individual bookings.

We have confirmed with the coach operators that demand for Newquay is not as high as it was. There was an increase in demand on the back of Eden but now this has tailed off and coach users are looking for different destinations, even within Cornwall. Some mentioned the poor image of Newquay as portrayed on TV has not

helped, others say it does not make a difference. If a hotel is located out of town away from the night life it would not impact so much on the guests.

Many of the hotels do not have adequate parking for the independent traveller. Taking coaches at present resolves this matter but if the coach market reduces further these hotels would find it difficult to compete in the independent market.

### 7.3.3 Other segments

Depending on the size, type and quality of hotel, demand is topped up from other segments. For some properties, this includes workmen, contractors, groups of stags and hens and surfers. At B&Bs, guest houses and hostels they tend to pay £20-30pppn B&B depending on the season and length of stay. Many guest houses restrict guests to two night stays minimum. However, whereas some hotels specialise in single sex group demand, others will not take it at all. A number of the hotels mentioned that the Tourist Information Centre was a good source of last minute bookings.

Backpackers and surfers are a relatively new and growing segment in the town, particularly as the number of events increases in the town. However these customers do not always look for serviced accommodation, instead preferring self-catering.

A few of the hotels have completely repositioned themselves and modernised are trying to attract the 25-45 year old urban market with high disposable incomes and couples with no children outside holiday times. For this market the hotels are also competing with self-catering establishments as well as more fashionable destinations in Cornwall.

There is very little corporate demand. What there is tends to be attracted to three-star plus properties. It is mostly day meetings or functions with little overnight demand generated for bedrooms. However this is a segment that the leading hotels are now trying to pursue, particularly in association with corporate activities. The airport has made a small difference in that it can bring in more corporate or conference business and weekend short breakers. However the volume of visitors arriving by air is still extremely small when compared to those arriving by car.

Marketing initiatives led by the hotels themselves to attract new segments of demand are of benefit to the whole town, through raising the profile and image of the resort among groups who may not have considered visiting Newquay in the past.

## 7.4 Recent Financial Performance and Operational Issues

All hotels interviewed reported a drop in turnover in 2004 on 2003, following a number of years of sustained increases turnover and occupancy increasing. Coach cancellations have a major impact on revenues because the packages are dinner, bed and breakfast and therefore food revenues are hurt as well as rooms' revenues. Nevertheless a number of the better establishments were able to make up some revenue through attracting the higher spending individual/private customer. Private customers pay 10-20% more than coach customers.

Attracting individual customer demand, and alternative markets, particularly at short notice, can be expensive however and therefore it is hotels with the capital available who are able to run marketing campaigns.

The largest cost for the hotels is wages. In the winter months the wages bill cannot be covered by turnover. Historically the hotels were able to employ staff on a seasonal contract and could close in winter. Now in order to retain good staff hotels have to employ staff on a year round permanent contract. This in turn forces the hotels to stay open. It was commented upon however, that the reduction in hotel supply has eased the pressure on staffing somewhat.

Other costs that are also increasing and placing pressure on the profitability of some hotels are the new regulations in licensing, health and safety, fire, children's clubs, swimming pools and so on. Although some of the costs are one-off, poorer quality hotels cannot always afford the investment required to meet the new standards. This often leads to hotels continuing to operate under potentially illegal and dangerous conditions or finding ways around the situation such as closing the swimming pool altogether.

Given the strong seasonality which still persists in Newquay, most hotels make the majority of their profit in the months from April to September, and most of that is actually generated from the two summer months.

## **8 OTHER ACCOMMODATION SECTORS**

In this section we look at demographic trends in the holiday property market, alongside demand and supply of non-serviced accommodation in Newquay and the surrounding area. The burgeoning second homes market is also examined.

### **8.1 Demographic Trends**

#### **8.1.1 Greater Affluence**

The total population of the UK rose by 17% between 1951 and 2001. As well as increasing in size, the UK population is now also older overall than it was in 1951. For the first time ever there are more people aged over 60 than there are children. This ageing of the population reflects longer life expectancy due to improvements in living standards and health care.<sup>21</sup>

In tandem with the increased living standards has been the rise in affluence of the population. According to the 2001 Census, 51.7% of all people aged 16 and over fall within the ABC1 social grades. Just 16% of economically active UK residents are classed as grade E (on state benefit, unemployed, or lowest grade workers). Indeed, between 1998 and 2002 household disposable income grew by 24.8%. As disposable income has increased, expenditure on holidays also increased by 31.3% over the same period, with spending on short breaks increasing by 35.5%.

#### **8.1.2 Changing Holiday Trends**

In the 1990s, the UK market for short breaks grew more rapidly than the overall UK holiday market, as a result of demand for more frequent breaks away from busy lifestyles. The average length of holiday is decreasing primarily due to the increase in the number of short breaks taken and the propensity of travelers to take one or more short breaks each year in addition to – or in some cases instead of – a traditional fourteen night holiday.<sup>22</sup>

With such a large proportion of the population engaged in managerial and professional occupations, more people are taking shorter breaks on a more frequent basis to escape the stress of the workplace and maintain the work-life balance. Companies and organizations are also putting more pressure on employees not to be absent for long periods, and this encourages shorter holidays.

The UK short breaks market now accounts for 51.7% of the total holiday market in terms of volume, with 70.4 million short breaks being taken in 2003.<sup>23</sup>

### **8.2 Touring Caravan and Tent Pitches**

With over a million caravans in use, caravanning has become one of the fastest-growing leisure activities in the UK. Generally, the camping and caravanning market has benefited from the increasing trend towards independent activity and short-break holidays, particularly among families.<sup>24</sup>

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<sup>21</sup> National Statistics

<sup>22</sup> Key Note Short Breaks Market January 2004

<sup>23</sup> UKTS

<sup>24</sup> Key Note Camping & Caravanning March 2002

Caravanning is a £3 billion plus industry employing around 90,000 people in the UK alone, with nearly a fifth of all holiday nights spent in caravans.<sup>25</sup> Furthermore, research commissioned by the Caravan Club suggests that caravanning is now the most popular paid-for holiday in the UK, with a 17% share of all UK holiday spending. The typical caravanner (touring) will own a well-cared for, top of the range vehicle, be aged 35-64 and have a high disposable income.<sup>26</sup>

Between 1996 and 2000, the production of caravan holiday homes grew by 68%, whilst tourer output only increased by 4.4%. In the past few years, the production and sales of touring caravans has begun to increase at a higher rate. Figures recently published by the National Caravan Council show that 2003 was a record year for touring caravans and motorhome sales. UK production/sales of tourers was up by 14% at 28,350 (and a further 3,300 imported) – with a value of more than £30 million - whilst nearly 7,500 motorhomes were registered, rising from 4,815 in 2000, representing a 55% increase.

**Figure 29: The UK Caravan Market by Value (£million) 1997-2001**

| Sector                       | 1997       | 1998         | 1999        | 2000       | 2001       |
|------------------------------|------------|--------------|-------------|------------|------------|
| Caravans                     | 662        | 616          | 689         | 749        | 810        |
| % Change Year on Year        | N/A        | - 6.9        | 11.9        | 8.7        | 8.1        |
| Motorhomes                   | 74         | 68           | 76          | 83         | 90         |
| % Change Year on Year        | N/A        | - 8.1        | 11.8        | 9.2        | 8.4        |
| <b>Total</b>                 | <b>736</b> | <b>684</b>   | <b>765</b>  | <b>832</b> | <b>900</b> |
| <b>% Change Year on Year</b> | <b>N/A</b> | <b>- 7.1</b> | <b>11.7</b> | <b>8.9</b> | <b>8.2</b> |

*Source: Key Note*

*N.B. Includes Caravan holiday homes and residential park homes.*

Great Britain has now overtaken both the Netherlands and the declining German markets, and is now the largest market in Europe for touring caravans and the second largest market in the world, after the USA. The table below illustrates the UK's position in terms of new touring caravans registered each year.

**Figure 30: Top 5 Touring Caravans Markets 2000-2003 by number of Caravans Registered**

| Country / Market     | 2000          | 2001          | 2002          | 2003          |
|----------------------|---------------|---------------|---------------|---------------|
| USA                  | 199,100       | 175,900       | 216,600       | 231,200       |
| <b>Great Britain</b> | <b>21,700</b> | <b>20,450</b> | <b>24,300</b> | <b>31,650</b> |
| Netherlands          | 23,500        | 23,550        | 24,000        | 25,150        |
| Germany              | 26,200        | 24,570        | 22,660        | 22,600        |
| Canada               | 11,200        | 9,100         | 10,800        | 16,800        |

*Source: NCC Vital Statistics 2003*

It is estimated that there are more than 4,200 parks in the UK that are licensed to take six or more caravans. This includes 1,600 parks with residential pitches in England, Scotland and Wales. Figure 23 shows the number of parks that participated in the Tourist Boards' Star Grading Scheme in 2002.<sup>27</sup>

<sup>25</sup> National Caravan Council Vital Statistics 2003

<sup>26</sup> The Caravan Club

<sup>27</sup> National Caravan Council Vital Statistics 2003



**Figure 31: Number of Star Graded Parks in the UK**

| Country                                  | No. of Star Rated Parks |
|--|-------------------------|
| England                                  | 1,059                   |
| Scotland                                 | 292                     |
| Wales                                    | 260                     |
| Northern Ireland                         | 50                      |
| <b>TOTAL</b>                             | <b>1,661</b>            |
| <i>Source: NCC Vital Statistics 2003</i> |                         |

### 8.2.1 Supply of Caravan Parks in Newquay

Humberts Leisure research has identified 42 caravan parks in Newquay and the surrounding area, but we have only been able to analyse data from 36. Of these 25 (69.4%) have touring caravan or tent pitches. The largest number of pitches is at the Hendra Holiday Park which has 588 touring and tent pitches. The park is one of the largest caravan sites in the area and also boasts a wide range of facilities including an on-site water fun park including indoor and outdoor pools.

Across the twenty-five sites, our research has identified 4,534 touring and tent pitches – an average of 181 pitches per site. Figure 32 shows the top ten sites in terms of number of pitches.

**Figure 32: Top 10 Parks by Number of Touring / Tent Pitches in Newquay**

| Park Name                                       | No. of Touring & Tent Pitches |
|---|-------------------------------|
| Hendra Holiday Park                             | 588                           |
| Trevornick Holiday Park                         | 500                           |
| Newperran Holiday Park                          | 380                           |
| Perran Sands Holiday Park                       | 350                           |
| Sunnyside Holiday Park                          | 300                           |
| Trevella Park                                   | 289                           |
| Smugglers Haven                                 | 250                           |
| Trevelgue Holiday Park                          | 250                           |
| Newquay Holiday Park                            | 222                           |
| Quarryfield Caravan Park                        | 158                           |
| <i>Source: Newquay Visitor Guide / UK Parks</i> |                               |

The majority of the above also have static caravan pitches which are discussed in 8.3. Of these parks, just Trevornick Holiday Park has no static caravan pitches. There are a further four smaller sites which have no static caravans or park homes. These are: Watergate Bay Holiday Park (120 touring & tent pitches); Trekenning Tourist Park (75); Treloy Tourist Park (60); and Crealy Great Adventure Park (5).

Camping pitches are also provided in two static pitches, Tregustick Holiday Park and Sunnyside Holiday Park which do not accept touring caravans or motorhomes. These two parks offer 20 and 300 camping pitches respectively.

### 8.2.2 Occupancy

In recent years, the popularity of touring caravans and campsites has increased overall in Cornwall. Many touring parks only open from April – September due to the

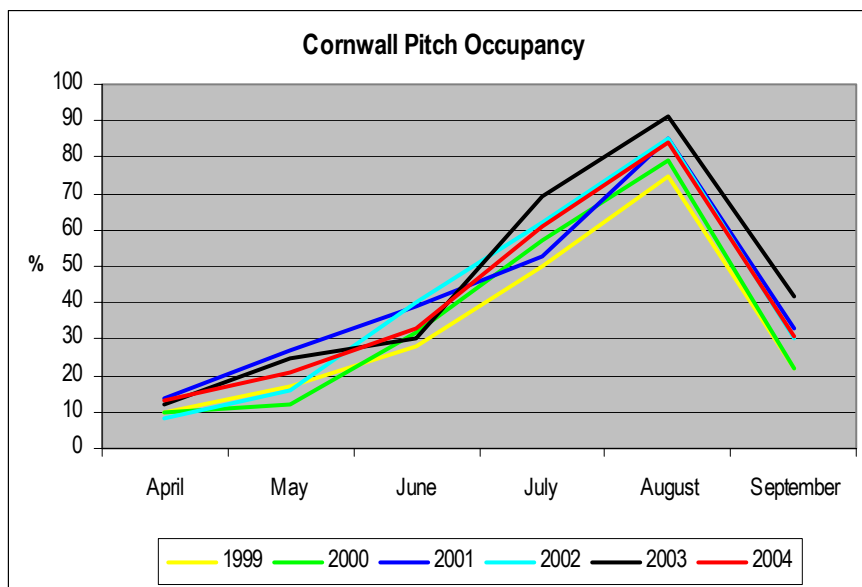
high degree of seasonality associated with this. With the exception of the summer of 2003 – the hottest in Europe for 500 years<sup>28</sup> - peak August pitch occupancy has stabilised since 2001 at 84-85%. It is also noticeable that Cornwall's touring pitches appear not to have suffered unduly from the impact of FMD in 2001 – with just July showing a small decrease in pitch occupancy levels. Figures 33 and 34 show pitch occupancy from 1999 to 2004 inclusive.

**Figure 33: Touring Caravans / Camping Pitch Occupancy % 1999 – 2004**

| Year        | Month     |           |           |           |           |           |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
|             | April     | May       | June      | July      | August    | September |
| 1999        | 10        | 17        | 28        | 50        | 75        | 22        |
| 2000        | 10        | 12        | 32        | 57        | 79        | 22        |
| 2001        | 14        | 27        | 39        | 53        | 85        | 33        |
| 2002        | 8         | 16        | 40        | 62        | 85        | 30        |
| 2003        | 12        | 25        | 30        | 69        | 91        | 42        |
| <b>2004</b> | <b>13</b> | <b>21</b> | <b>33</b> | <b>61</b> | <b>84</b> | <b>31</b> |

*Source: South West Tourism*

**Figure 34: Touring Caravans / Camping Pitch Occupancy % 1999 – 2004**



### 8.3 Holiday Parks and Static Caravans

There has been a move towards the provision of static caravans and residential park homes, as park operators have become more marketing-orientated and are responding to changing consumer needs. Increased investment in many holiday parks has transformed them into value-for-money holiday resorts and multcentres, with varied entertainment and sports facilities, as well as activities aimed at families.

Another reason for the move to static caravans is the rise in the size of the older population. This constitutes an important purchasing group for static and residential park homes. The popularity of caravan holiday homes can be attributed to the growth of short-break holidays taken by consumers who tend to use their mobile

<sup>28</sup> BBC News 5 March 2004

home as a second home. It is estimated that over 60% of short-break holidays in the UK are taken in static caravans. As well as providing consumers with a cheaper option than buying their own static or touring caravans, static caravans offer more convenience and greater flexibility.<sup>29</sup>

Expenditure by users of holiday parks is illustrated by the recent UKTS spending estimates shown below.

**Figure 35: Estimated Visitor Spend by Holiday Park Sub-Sector 2002**

| Sub-Sector                            | Estimated Annual Spend (£million) |
|---------------------------------------|-----------------------------------|
| Stays in Rented Caravan Holiday Homes | 694.1                             |
| Touring Caravans & Motorhomes         | 520.6                             |
| Privately-Owned Caravan Holiday Homes | 520.6                             |
| Camping Holidays on Park Pitches      | 347.0                             |
| Stays at Holiday Camps and Villages   | 173.5                             |
| <b>TOTAL</b>                          | <b>2,255.8</b>                    |
| <i>Source: UKTS / BH&amp;HPA</i>      |                                   |

Within this sector there has also been a growth in a new sub-sector, timber lodges, to rent or to buy, which are discussed in more detail below.

### 8.3.1 Holiday Lodges

Timber holiday lodges have been developed mainly in response to a perception in the market that holiday makers require more sophisticated accommodation than is offered by static caravans. In the 1980's there was a strong belief that they would usurp the role of static caravans which would gradually be phased out. This has proved to be incorrect partly because the specification of static caravans has also improved dramatically and also because lodges are considerably more expensive than the average caravan.

In recent times, many caravan parks have begun to upgrade their existing static caravans to holiday lodges in response to the rise in demand for lodge-style accommodation from a population grouping with a higher disposable income.

There has traditionally been a tendency to associate the parks industry with holidaymakers driven largely by a concern for good value rather than high quality. As a result, the industry is regarded as serving the more popular end of the tourism spectrum. The caravan rental sector attracts visitors across all social grades, with 21% of such visitors being C2 residents. However, those who purchase caravan holiday homes and lodges as second homes – which can cost in excess of £500,000 – have a strong AB bias and are aged over 40 years old.<sup>30</sup>

Many of these new lodge developments have associated themselves with other developments and activities that are popular amongst the older and more affluent members of the population. In particular, lodge developments have sought to align themselves with marinas and water-based activities such as sailing. The Watermark

<sup>29</sup> Key Note Camping & Caravanning March 2002

<sup>30</sup> BH&HPA press release April 2004

Club is one of several new lodge developments in and around the Cotswolds Water Park aimed at the exclusive end of the market. Their Landings development offers a range of facilities with all lodges on the edge of the Isis Lakes in the park. Prices range from £395,000 to £595,000 for a detached four-bedroom New England-style lodge.

New developments are increasingly offering more sophisticated leisure facilities. For example, the Whitsand Bay Lodge Park at Torpoint in Cornwall is offering lodges within a development including an indoor swimming pool, children's indoor and outdoor play, sauna, multi-sports centre and bay-view restaurants and bars.

Other developments such as Kenwick Woods in Lincolnshire are extensions to hotels. At Kenwick Woods, the existing country house hotel and large estate has been augmented by the construction of two and three bedroom holiday lodges which benefit from use of the facilities at the neighbouring Kenwick Park hotel. These include an award winning restaurant as well as an 18-hole championship golf course and fitness facilities.

Generally, these upmarket lodge developments have proved extremely popular with prospective second home owners. Many lodges have sold out within months of being made available, and many developments have been constructed in small numbers in phases to reinforce the idea of exclusivity. Lodge developments offering guaranteed rental income have proved especially popular, as this helps to offset the large capital outlay associated with the purchase of new lodges and offers investors a minimum expected return on their initial investment.

Research undertaken at the end of 2004 by Humberts Leisure indicates that lodge parks offer an average of around forty lodges per development, with almost 70% of sites being located in the West Country. Our survey suggests that the average price per lodge at present is just over £235,000.

### 8.3.2 Supply of Holiday Parks

Our research has found that twenty-five parks out of thirty-six have static caravans for hire - a presence of just under 70%.

The largest number of static caravans is found at the Perran Sands Holiday Park – 600 statics – located at Perranporth, which is a few miles along the coast from Newquay.

Parkdean Holidays have one of the largest presences of the main caravan park operators, with four parks in and around Newquay: Crantock Beach Holiday Park, Holywell Bay Holiday Park, Newquay Holiday Park and White Acres Holiday Park. Combined, these four parks offer 702 static caravans and 330 touring and tent pitches – with Crantock Beach the only park offering solely static caravans. All four sites feature in the top ten static parks as displayed in Figure 36.

**Figure 36: Top 10 Parks by Number of Static Caravans for Hire**

| Park Name                   | No. of Statics |
|-----------------------------|----------------|
| Perran Sands Holiday Park   | 600            |
| Hendra Holiday Park         | 253            |
| White Acres Holiday Park    | 246            |
| Trevelgue Holiday Park      | 186            |
| Crantock Beach Holiday Park | 169            |
| Sunnyside Holiday Park      | 155            |
| Holywell Bay Holiday Park   | 144            |
| Newquay Holiday Park        | 143            |
| Summer Lodge Holiday Park   | 140            |
| Trenance Holiday Park       | 131            |

*Source: Newquay Visitor Guide / UK Parks*

In total, we have identified 2,545 static caravans at the twenty-five sites surveyed. This equates to an average of just under 102 caravans per park, and is far less than the 181 touring pitch average per park.

Furthermore, a number of caravan parks also offer some holiday lodges or chalets. The largest is White Acres, which offers fifty chalets. A total of eight – 22% - caravan parks offer such accommodation, and several parks also offer Eurotents, which are ready-pitched tents on site for use by pre-booking holidaymakers.

### 8.3.3 Occupancy

In terms of occupancy static caravans are marginally less seasonal than tourers and the season extends to March and October. Like touring pitches, however, much of the demand outside the core months of July, August and September (the latter month is particularly popular with older visitors staying outside school holiday periods) is dependent on the vagaries of the weather.

Figures 37 and 38 show static caravan occupancy levels from over the past six years, from April – October.

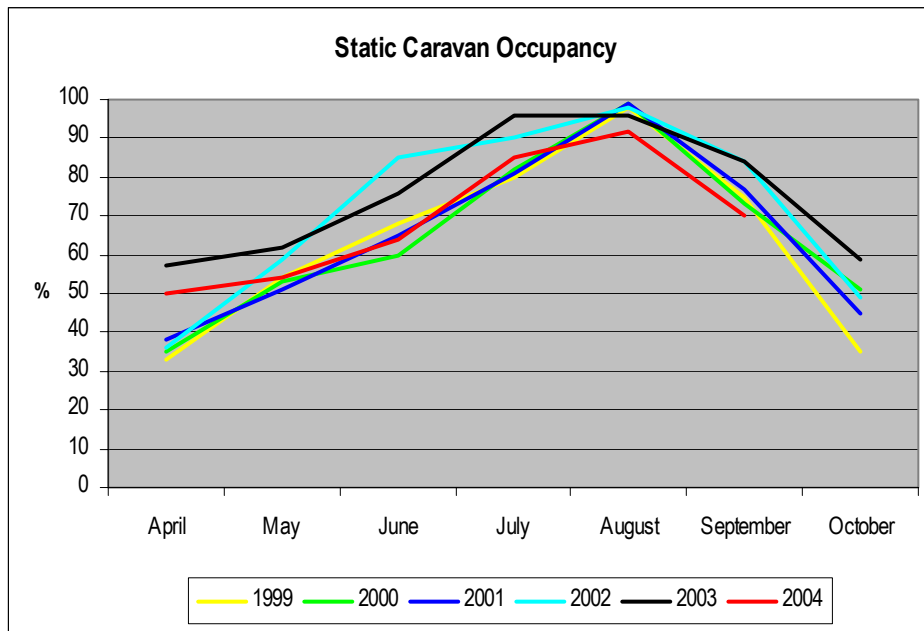
**Figure 37: Static Caravan Occupancy % in Cornwall 1999 – 2004**

| Year | Month |     |      |      |        |           |         |
|------|-------|-----|------|------|--------|-----------|---------|
|      | April | May | June | July | August | September | October |
| 1999 | 33    | 54  | 68   | 80   | 98     | 75        | 35      |
| 2000 | 35    | 53  | 60   | 82   | 99     | 73        | 51      |
| 2001 | 38    | 51  | 65   | 81   | 99     | 77        | 45      |
| 2002 | 36    | 59  | 85   | 90   | 98     | 84        | 49      |
| 2003 | 57    | 62  | 76   | 96   | 96     | 84        | 59      |
| 2004 | 50    | 54  | 64   | 85   | 92     | 70        | N/K     |

*Source: South West Tourism*

Occupancy has increased, particularly out of season, since 1999, with 2002 and 2003 being particularly good years. However there appears to have been a drop in demand again in 2004.

Figure 38: Static Caravan Occupancy in Cornwall 1999 – 2004



## 8.4 Holiday Homes & Apartments

This is a very fluid sector and difficult to quantify. For example it can include second homes let for a season and not for other seasons, or those not let on the open market but privately to friends and family. This category of holiday accommodation can include apartments, chalets, cottages, flats, gîtes, studios, village houses and villas. Some are let through specialised agencies, others let directly. They are usually let for a week at a time. Although this is being challenged by increasing demand for short breaks, but occupancy and yield still tend to be measured weekly.

Rented accommodation is used by more than one third (35%) of all consumers who choose to take a self-catering holiday. Depending on the type of accommodation chosen and the destination, rented accommodation can offer consumers not only a cost-effective holiday but also flexibility and independence.<sup>31</sup>

### 8.4.1 Supply of holiday homes & apartments

The highest density of cottage properties is in the South West of England, approximately 20% of the UK total. Newquay and the surrounding area has a wide range of holiday homes and apartments – both independent and those offered by major self-catering operators such as Hoseasons and Haven.

Much of the supply in Newquay is independent, with most operators offering just one or two cottages. The Newquay Guide lists 76 operators, some of which offer a range of apartments, flats and cottages. One of the newest developments is the Island Point Apartments overlooking Whipsiderry Beach, a development of just two two-bedded apartments sleeping up to six people. Another recent development has been the Tolcarne Beach Village. These offer two two-bedroom and three three-bedroom apartments overlooking the beach and are open from June until the end of the year.

<sup>31</sup> Mintel Self Catering Holidays UK March 2003

For 2005 **Hoseasons** have five locations offering twelve holiday properties of between one and four bedrooms, although just the Fistrall Cottage on the Pentire Headland is in Newquay itself. The other properties are located in surrounding coastal villages such as Perranporth.

Furthermore some local hotels have diversified into self-catering rented accommodation. The Headland Hotel opened ten holiday cottages in 2000 in the grounds of the four-star hotel. Due to high demand a further seven cottages were constructed, and these opened in June and July 2004. In September, further work started on the remaining phase of twenty-two cottages, with opening due for summer 2006. When completed, the Headland Cottages will offer a range of accommodation from two and three-bed cottages to studio and one-bed apartments.

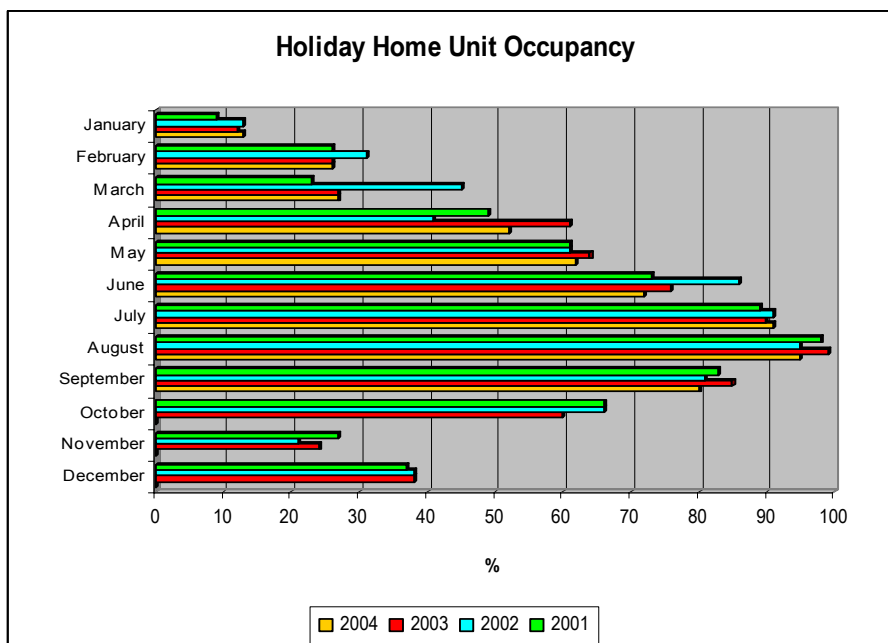
The Watermark Hotel at Porth Beach has a range of two and three bedroom houses available as self-catering accommodation. Sleeping up to six people, all the homes have private balconies with some having views over Porth Bay. Peak season rental (mid-July to September) is £1,420 per house per week – £236.67 per person based on six sharing. Furthermore, the Watermark Co-Ownership Club offers a timeshare facility enabling owners to swap for a holiday in thousands of different resorts through the RCI Worldwide Exchange system.

In some instances, holiday apartments and flatlets have replaced hotels. The Thorncliff Hotel has now been replaced by the Thorncliff Apartments. These offer three different apartments: Deluxe (2 bed); Penthouse (3 bed); and Garden (4 bed), the latter being capable of accommodating two families.

#### 8.4.2 Occupancy

Self-catering holiday accommodation has a greater year-round appeal than either static or touring caravans. Occupancy levels tend to increase over holiday periods (such as Christmas or February half-term). Figure 32 shows the unit occupancy levels for self-catering holiday homes in Cornwall from 2001 through to September 2004.

**Figure 39: Self Catering Holiday Unit Occupancy % in Cornwall 2001 – 2004**



## 8.5 Vacation Ownership

Vacation ownership covers a range of accommodation schemes from new concepts such as GuestInvest to the well-established such as the timeshare industry. In this section, we look at some of the more high profile concepts of recent times as well as the continued importance of the timeshare market.

### 8.5.1 GuestInvest

GuestInvest is a relatively new concept introduced by entrepreneur Johnny Sandelson. The concept is part buy-to-let and partly a vacation ownership scheme. The concept is new within commercial property investment, where customers can buy their own hotel room on a 99 year lease and receive 45-50% of that room's income as well as using that room for up to 52 nights per year at a nominal rate of £20 per night. The concept was introduced in 2003 at Guesthouse West in London's Notting Hill, and all twenty bedrooms were sold within eight weeks. Investors in Guesthouse West have enjoyed returns on their investment of around 6.5%, and the sole investor to sell their hotel room so far enjoyed a 10% increase in the room price within just four months. Room prices at this first development started at £235,000.

Following on from the success of the first hotel, GuestInvest have recently announced an ambitious expansion programme. In October, Alias Hotels – a five strong designer boutique hotel brand – was sold to GuestInvest for £30 million.<sup>32</sup> The initial agreement with Alias is to offer a total of 153 bedrooms for sale at the Kandinsky in Cheltenham, Barcelona in Exeter and the Rossetti in Manchester. Prices for rooms at these three hotels will start at £140,000 on a 99 year leasehold basis.

Since GuestInvest was launched, two new projects have been announced. Firstly, Galliard Hotels launched an option in June to purchase suites in The Apart Hotel at County Hall on London's South Bank. Secondly, property entrepreneur Lee Magner has teamed with hotelier and restaurateur Steve Cox to launch an apartment hotel in Penzance in South Cornwall based on the GuestInvest model.<sup>33</sup>

### 8.5.2 Deganwy Quay Apart-Hotel and Spa

This property is the last phase of the Deganwy Quay Marina development in north Wales. It offers a 'five-star leaseback investment' as an alternative to buy-to-let. This offers the investor:

- Property purchase providing annual fixed returns with the opportunity for capital appreciation.
- The units will be sold on long leaseholds (125 years) and be operated as an integral part of a hotel complex through a hotel operating company.
- Owners will receive a fixed rate return based upon the purchase price at the following rates: 1st/2nd year 5%, 3rd/4th year 6%, 5th year 7%, Returns for years 6 onwards will be reviewed at the end of year 5 and at five yearly intervals

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<sup>32</sup> Travel & Hospitality Industry Digest 15 October 2004

<sup>33</sup> Financial Times 11 September 2004



- Owners will have the opportunity to re-sell the units on the open market at any time.
- As all units will be operated as a hotel, owners will not have rights to occupy their units. However they can enjoy seven nights complimentary accommodation which equates to a return per year at 2004 room rate prices of £1,000-£2,000 subject to property purchase price. Owners will be able to stay at the hotel with a 20% discount of normal room rates.
- 52 units will be sold at the following prices:
  - Studios £149,500-216,600
  - 1 bed apt £269,900-325,325
  - 2 bed apt £444,125-570,240
- Owners then pay an annual ground rent from £200-£400 depending on the size of property. There will be no other additional bills.

We believe that either in addition to or instead of a traditional hotel, these new forms of providing holiday accommodation could offer potential for the mixed use scheme at Port Penrhyn.

### 8.5.3 Carlyon Bay

The Beach at Carlyon Bay is a proposed £110 million holiday resort complex close to the Eden Project in South Cornwall. The proposed development, consists of 500 serviced apartments, a boutique hotel, shops, bars and a spa. Each apartment is individually designed, offering a holiday home opening directly onto a sandy beach and the sea. The scheme replaces a number of derelict buildings and is intended to revive the glamour associated with the bay.<sup>34</sup>

The complex is being developed by entrepreneur Johnny Sandelson through the Ampersand Group, and offers a “Live & Let” scheme to potential investors. The idea of this is to guarantee a 5% per annum return on the purchase price for the first two years, with the right to enjoy the property as a holiday home for up to six weeks of the year. The condition of this deal is that property owners must use Baylife PLC (a partnership between LHM PLC and the Ampersand Group) as letting and managing agents on the property.<sup>35</sup>

It is claimed that this scheme will eliminate much of the hassle traditionally associated with holiday home ownership. Prices for new apartments start at £200,000 on a 999 year lease.

### 8.5.4 Timeshare

In 2002 it is estimated that there were \$9.4 billion of timeshare sales worldwide, with 6.7 million households owning the rights to about 10.7 million timeshare weeks.<sup>36</sup> According to figures produced by the Organisation for Timeshare in Europe (OTE) there are 5,425 timeshare resorts worldwide. These resorts provide approximately 325,000 accommodation units worldwide – an average of 60 units per resort.

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<sup>34</sup> Country Life 1 November 2004

<sup>35</sup> [www.carlyonbeach.com](http://www.carlyonbeach.com)

<sup>36</sup> RCI Resort Timesharing Worldwide: 2003 Edition Summary Report

Typical timeshare buyers are upper-middle income, middle-aged and married homeowners. However, timeshare products priced to attract ordinary working people, and others oriented to only the very affluent, are also available.

There are an estimated 1.4m owners of timeshare in Europe of which around 31% are from the UK, the single largest purchaser of timeshare, however much of this is overseas. Just 16% of UK timeshare owners own property in the UK, with the remaining owners preferring hotter and sunnier destinations in the Mediterranean, as illustrated in the table below.

**Figure 40: Distribution of UK citizens' timeshare ownership**

| Location                | No. of Owners  | % Mix of Owners |
|-------------------------|----------------|-----------------|
| Canary Islands          | 193,202        | 43.7            |
| Spain & the Balearics   | 118,731        | 26.9            |
| <b>United Kingdom</b>   | <b>70,815</b>  | <b>16.0</b>     |
| Portugal                | 37,462         | 8.5             |
| Malta                   | 13,129         | 3.0             |
| Other Locations         | 8,493          | 1.9             |
| <b>TOTAL</b>            | <b>441,832</b> | <b>100.0</b>    |
| <i>Source: OTE 2001</i> |                |                 |

Further research produced by OTE, identified that there were a total of 1,452 timeshare resorts in 25 countries across Europe as of 1 February 2001. These resorts contained 83,026 units, an average size of 57 units per resort. Comparable research from 1995 estimated that there were 1,188 resorts across Europe. On this basis, a growth of around 22.2% - or 264 resorts - occurred between 1995 and 2001. The heaviest concentration is in Spain and the Canary Islands, but the UK has the fourth largest supply, with 129 resorts, or a 9% market share.

The distribution of resorts in the UK is dominated by England with 91, 26 in Scotland and 12 in Wales. The profile of UK timeshare is dominated by small resorts. 49.6% of all resorts have fewer than 25 units and no resort has over 200 units. The average size is 31 units per resort of mainly one and two bedroom properties. There is no real geographic concentration and very few in Cornwall. There nearest to Newquay is in Carvynick at Summer Court. This resort comprises 31 cottages built around the central courtyard of a 17th century grade 2 listed farmhouse, with its own 'pub' on site. It is set amidst 20 acres with views to the coastline some 10kms away. Carvynick has its own nine-hole par 3 golf course, indoor swimming pool, solarium and badminton. We are also aware that timeshare is proposed as part of the White House resort in Tregorrick. The OTE research also revealed that the UK market is expanding rapidly with 1,360 units planned, a 34% growth in stock.

## 8.6 Second Homes

The second home, once the preserve of a moneyed elite, is fast replacing skiing holidays as a badge of middle-class mass affluence. The Survey of English Housing (SEH) conducted by the Office of the Deputy Prime Minister (ODPM) has shown that 295,000 English households owned a second home in England in 2003-04. A further 25,000 own second homes in Scotland, Wales or Northern Ireland. The West Country is the favourite location for second homes, accounting for about a fifth of

total homes. Furthermore, Devon and Cornwall account for around a third of all holiday homes in the UK. The South East is next, followed by London where many commuters are buying up small properties near their workplaces.<sup>37</sup>

Figure 41 shows the rise in second homes amongst English households over recent years.

**Figure 41: Households with a Second Home (Excluding those held solely as an investment)**

| Year    | Location of Second Home |          |            |
|---------|-------------------------|----------|------------|
|         | England                 | Other GB | Outside GB |
| 1995-96 | 154,000                 | 17,000   | 111,000    |
| 1996-97 | 164,000                 | 26,000   | 132,000    |
| 1997-98 | 184,000                 | 25,000   | 118,000    |
| 1998-99 | 205,000                 | 28,000   | 113,000    |
| 1999-00 | 173,000                 | 39,000   | 124,000    |
| 2000-01 | 182,000                 | 27,000   | 135,000    |
| 2001-02 | 149,000                 | 29,000   | 147,000    |
| 2002-03 | 175,000                 | 37,000   | 144,000    |
| 2003-04 | 208,000                 | 20,000   | 165,000    |

*Source: ODPM Survey of English Housing*

As Figure 41 shows, the number of second homes in England as a proportion of the total has not altered a great deal over the past ten years (59% of all second homes – a rise of 1% on 1995 figures). However, volumes have increased dramatically in line with the increasing affluence of the population.

### 8.6.1 Supply of second homes in Cornwall

In recent years Cornwall has witnessed increasing demand for second homes from wealthy urbanites and the affect has been to push up property prices. Between March 2001 and September 2002, house prices in Cornwall increased by 49% whilst Cornish weekly wages increased by just 3.5%.<sup>38</sup>

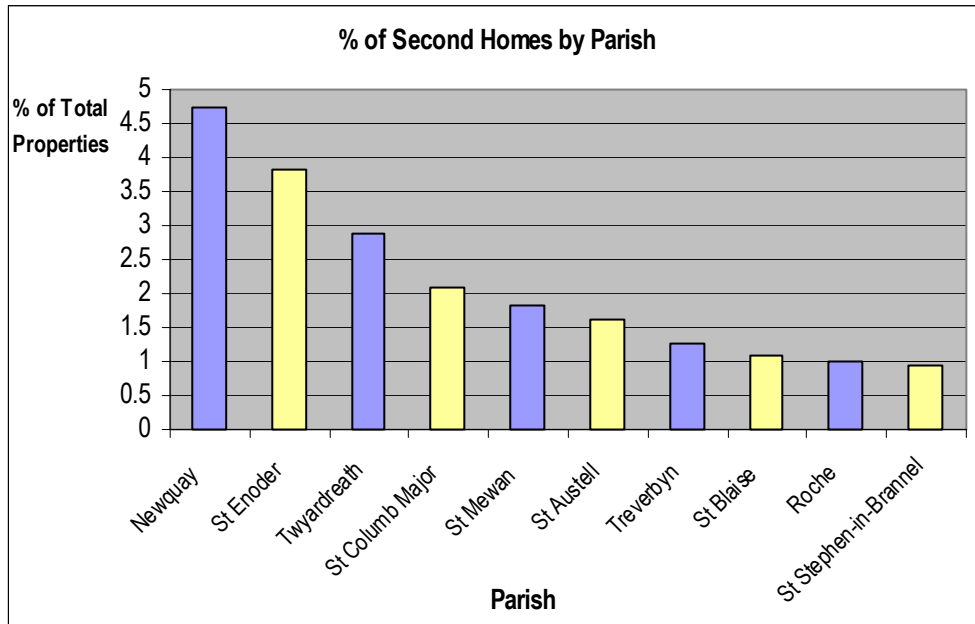
According to the 2001 Census, there were 10,787 second homes and holiday lets registered in Cornwall and the Isles of Scilly. This equates to 4.64% of total households in the county, compared to 0.6% of households nationally.

Within Restormel, Newquay has the highest percentage of second homes (as a proportion of total properties) amongst the largest ten parishes in the district with some 405 homes registered as second homes for Council Tax purposes equating to 4.73%. This is slightly above the county average. Figure 42 shows second home ownership in the largest parishes within the district.

<sup>37</sup> Sunday Times 12 September 2004

<sup>38</sup> National Statistics

**Figure 42: Second Home Ownership in Restormel by Parish**



Source: Restormel Borough Council

While some second home properties are new build, others are conversions, sometimes from former hotels.

In Newquay the following schemes illustrates the growth of apartment building, many of which are being sold as second homes:

- Trathen Properties have developed Atlantic View – a development of eight two and three bedroom apartments at Headland Point on Fistral Bay. These properties were initially marketed for between £275,000 and £335,000. However, take up appears to have been slow, and recent information from the selling agent, Knight Frank, indicates that just one apartment has been sold with one more reserved. Prices on the remaining six have been cut by £20,000 apiece.
- The Horizons development of thirty individually designed apartments with onsite leisure facilities located in Mount Wise. Prices are lower than Atlantic View starting at £175,000 and eight apartments had already been reserved by the date of the official launch.
- The Tregarn Hotel has also been converted into Tregarn Court, a development of sixty-seven apartments suitable for residential or investment occupation. Prices here range from £155,000 to £265,000.
- The Spinnakers, twenty-four seafront apartments located on Pentire Headland above Fistral Beach. The site has been developed by SJS Developments, also responsible for the adjacent Fistral Heights Apartments that have now been fully sold. Of the twenty-one apartments so far released at The Spinnakers, five have been sold, with a further three reserved. This is despite higher prices than Horizons or Tregarn Court – from £209,950 to £324,950.

## **9 ECONOMIC IMPACT**

### **9.1 Introduction**

As part of this study we have been asked to identify the likely impact on the local tourism economy of the changes to the structure of the visitor accommodation stock we have highlighted in this report. Essentially, we need to answer the question, is the loss of serviced hotel's adversely affecting the local economy?

### **9.2 Magnitude of Change**

Firstly, it is important to understand the magnitude and significance of change. In Section 6.9 we have identified an estimated loss of 640 hotel rooms or 1,443 bedspaces either through redevelopment, change of use back to residential or through ceasing trading or closure. This represents an 11% loss of hotel bedrooms over last five years, leaving a current supply of 5,174 rooms or 12,186 bedspaces. With a further potential loss of 309 bedrooms at hotels which are currently trading but which have or are seeking planning permission, this could rise 16% of bedroom stock. Although this is a relatively substantial number of hotel rooms, there is still a very large stock available by comparison to other resorts (see section 5.6 - benchmarking).

In addition to hotel rooms, visitors to the resort also have access to an estimated 2,545 static caravans (approximately 10,180 bedspaces), 4,534 touring and tent pitches (approx. 13,602 bedspaces), plus, at a very rough estimate about 300 holiday cottages and apartments and 405 second homes (say 2,800 bedspaces). In this context, the loss of 1,443 hotel bedspaces is only 4% of the total estimated tourist bedspace accommodation available at the resort during peak months.

Those hotels which have, or are about to be redeveloped, are almost all being replaced by new holiday and residential apartments. These are mostly 2 bedroom with two bathroom/shower rooms, integrated kitchen/lounge areas with balconies overlooking the sea and no separate dining area. They are clearly designed to appeal to the holiday market and irrespective of whether the consent is for holiday apartments or residential, they mostly seem to be being marketed effectively as second homes or as buy to let investments. Therefore, the hotel stock is effectively being replaced by apartments, many of which are going to be used for holiday purposes, by visitors who are likely to spend more in the local economy outside the hotel stock.

Our analysis of these planning applications shows that 17 hotels which formerly provided a total of 386 rooms have actually been closed and gained planning consent either by council approval or appeal since 2000, and these have, or will be, replaced by 291 holiday or residential apartments (approx 1,164 bedspaces). Therefore, some 291 new holiday and residential apartments with 1,164 bedspaces are being added to the town's potential visitor accommodation in substitution for the 640 hotel rooms and 1,443 bedspaces which have been lost either with planning consent (the 386 rooms) or simple closure (the balance).

Overall therefore, we believe that the scale of the loss or change of accommodation is relatively small when compared to the overall variety of visitor accommodation and the new supply of holiday apartments and second homes that is replacing the lost hotel bedrooms.

### **9.3 Impact on Visitor Numbers**

There are no year-on-year statistics recording actual staying visitor numbers or nights in Newquay over the last five years. Therefore it is not possible to make a direct link between a fall in visitor numbers and hotel closures. However, we do know that there is a direct connection between demand and supply. When market demand is very strong new hotels enter the market and existing hotels expand. When market demand is weak there is certainly no gain in supply and often a contraction of supply, starting with those most vulnerable. Therefore it is possible that a downturn in the number of visitors seeking the type of accommodation provided by the majority of hotels in Newquay has occurred to cause hotel closures. However, we have not found any evidence that hotel closure has led to a downturn in visitor numbers.

In fact, over the period of recent closures and conversions, published occupancy statistics have shown a general rise in occupancy, until last year. This could be a factor of either higher demand (opening of the Eden Project) or contracting supply (the samples are not constant year on year). Either way, we know from our interviews that most successful hotels had experienced occupancy increases until last year, but that occupancy was not as good as in the peak years at the end of the 1990s.

It is also important to note that over this same period occupancy statistics for other forms of accommodation – touring and static caravans, holiday homes and cottages for example - have shown a similar pattern with increasing demand over the last few years, and a fall last year. Again the sample sizes are unlikely to be constant, however expansion in supply in these sectors suggests increasing user numbers.

Other evidence of increasing visitor numbers is the experience at local attractions. We know that Newquay Zoo has increased its visitor numbers from 220,000 in 2000 to 240,000 in 2003, while Trerice Manor, has increased visitor numbers from 44,261 to 61,237 during the same period. Meanwhile, we understand that the Blue Reef Aquarium visitor numbers have remained constant at 185,000 over the past couple of years. Obviously, we cannot say what proportion of visitors to attractions are staying visitors, however, it is reasonable to assume that if staying visitor numbers were declining in the area, attractions would also be suffering.

Most importantly, the hotels which have been lost to redevelopment through the planning system or which have just closed without making any application for redevelopment have all been either two star or ungraded. Many of them have been small and poorly located. None of the leading hotels we have spoken to seem to be in danger of going and indeed their businesses seem to have been enhanced with less low-grade supply pulling down the rates.

From the evidence, therefore, it would appear that Newquay has experienced an upturn and then fall in visitor numbers similar to the rest of Cornwall affected by national trends, the weather, and the Eden effect (and hangover). It would not appear that this change in visitor numbers has been affected by the loss of hotel stock, rather, the loss of poorer hotel stock has been precipitated by a fall in demand for this type of low grade hotel accommodation and accelerated by the overall decline of visitors of the last two seasons.

### **9.4 Impact on Visitor Spending**

In terms of spending, with some of the cheaper hotel supply gone, the remaining hotels have been able to move their tariffs upwards.

However, the coach market, although important in terms of out of season occupancy, is not a profitable sector for the hotels. Neither do they provide much additional expenditure for the town because the customers are on pre-paid packages with all food and evening entertainment included at the hotel. Furthermore their daily excursions are often outside Newquay, with potentially no more than a day spent in Newquay itself.

The most lucrative markets for both the hotels and the town are independent visitors, families, corporate visitors and even surfers. These guests tend to eat and drink out more in the town, use local amenities, and are prepared to pay more for better quality accommodation, whether this is serviced or self-catering. They are less likely to be attracted to the low-grade accommodation in Newquay.

We can see from the visitor surveys undertaken in Newquay between 2001 and 2004 that the actual average spend by visitors per day using serviced hotel accommodation has largely increased year on year. In 2002 long stay hotel guests spent an average of £42 and short stay hotel guests spent £51. Long stay B&B guests spend £39.50 and short stay £54. In subsequent years the length of stay was not taken into account but the average hotel guest spend almost £45 in 2002 (summer) and almost £48 in 2004 (summer) (NB there are large seasonal differences in prices in Newquay). Similarly B&B guest expenditure was £40.55 in 2002 and £47.90 in 2004. This illustrates both that serviced accommodation suppliers have been able to increase prices and that users of self-catering accommodation are willing to pay more.

Generally speaking, the average spend of visitors using serviced accommodation is normally higher than other forms of accommodation. Therefore, there could be an impact on total visitor expenditure if the hotel supply contracted significantly. However, in the case of Newquay, it would appear to be largely the lower (therefore cheaper) end of the hotel supply that is contracting, where hotel guests are paying extremely low average rates for dinner, bed and breakfast packages where they are unlikely to spend very much else in the local economy. By contrast new visitors coming to stay in Newquay's new holiday apartments and second homes which are replacing these poor quality hotels are more likely to spend more in the local economy at local shops and restaurants.

Overall, therefore, it is not possible to say that the loss of hotel bedspaces has resulted in a fall in visitor spending. Those visitors 'displaced' from the hotels which have closed have been partly absorbed by the remaining hotels and partly absorbed by other types of accommodation and the new holiday and residential apartments being developed in place of the former stock. This shift to higher spending staying visitors is likely to have a positive economic impact on the local economy.

## **9.5 Impact on Local Jobs**

The closure of any hotel will result in a loss of the jobs connected with that hotel, assuming the hotel was large enough to employ external staff in the first place - many of the smaller properties rarely employ staff, except perhaps in the peak season. Overall, we would expect there to be a net loss of employment in the local hotel industry, although we are aware that the remaining hotels have benefited from the release in pressure on the very stretched labour market. Indeed, it is still the case that many of the positions are filled by workers from overseas.

At the same time, the use of holiday apartments and second homes by their owners as lettable self-catering accommodation may create demand for new jobs as key holders, holiday letting agents, and apartment cleaners.

New jobs will also be created in the construction industry through the conversion of hotels and development of residential property. If some of this labour needs to be sourced outside the area, they would also provide more demand for the smaller, cheaper hotels.

Without a detailed before and after survey it is difficult to say whether the loss of hotel jobs and their replacement with jobs building and serving the new apartments has led to a net loss of jobs. However, we do know that in February 2000 the unemployment rate in the Newquay Travel to Work Area was 9.7% (1,323 registered unemployed) compared to a national rate of 4.2% whereas in February 2005 the local rate was 3.3% (684 registered unemployed) compared to a national rate of 2.6%.

## **9.6 Impact on Suppliers (Multiplier)**

With the closure of hotels, local suppliers will lose such hotels as customers. Some of this could be replaced by increased orders from remaining hotels who have benefited from the closures but overall, we would expect a fall in sales by local suppliers to the hotel sector.

Compared to the coaching holiday makers, who spend little outside the hotels, independent holiday makers using the new holiday and residential apartments for self-catering holidays are generally more likely to spend in the local area, whether at supermarket chains, or local supplies. Second home owners will also require the services of letting agents, maintenance teams and so on.

Many self-caterers will be drawn from higher socio-economic groups who tend to purchase local produce such as fish, fruit and vegetables as part of their staying experience. These groups are also more likely to eat out creating a bigger market for restaurants, and their suppliers. The development of these apartments, therefore, will create new markets for local suppliers to new shops and restaurants. Indeed, this process already seems to be underway as we noted a number of new higher quality restaurants and cafes during our visit.

These new restaurants, and any future new shops, will, in turn, create new jobs of their own. These new employees will also re-spend a proportion of their wages in the local economy.

As we have discussed above, there is evidence that the loss of ungraded hotels and the shift in market demand segments raises the prospects for upgrading the remaining hotel stock and further re-investment in the town. For example we have witnessed this impact at:-

- the Watergate Bay Hotel which has spent £1.8m on the refurbishment of the hotel and the addition of 18 further hotel bedrooms,
- the recent £1.2m investment in renovating the former St Anne's Hotel into the Reef Surf Lodge,
- the £1m refurbishment and upgrade of the Bay Hotel to three star, and
- the upgrades of the Watermark, the Treglos Hotel at Mawgan Porth, the Headland hotel and Sands Resort.



The upgrading of these properties should result in a more secure future for their staff, who would also benefit from better wages. Most of Newquay's leading hotels are run by local family businesses, and therefore, there will be a strong multiplier on this investment as they are more likely to use local building contractors and suppliers.

### **9.7 Impact upon Image of Resort**

Closed and boarded up hotels can leave a poor impression of the state of a resort. Equally, a stay at a poor quality hotel with poor facilities and service can also, by word of mouth, lead to a poor image of the resort being promoted among potential new customers. The removal of poor stock and its replacement with luxury apartments or other land uses may therefore act to improve visitor impressions of Newquay and its image among potential visitors.

On the other hand, the saturation of the market with new apartments which then could not be sold could also be damaging to the resort's image. This could lead to a danger of hotels closing and being boarded up without the prospect of redevelopment and empty completed, or half completed, apartments waiting for buyers. A balance needs to be in the restructuring of the resort to address new visitor markets.

We have noted some concerns raised about the behaviour of young people giving the town a poor image. By replacing cheap hotel and lodge accommodation with 'luxury' apartments, there is a greater chance of attracting more mature couples and families who may act to change other visitor's impressions and image of the resort.

Finally, if developers are active in the town, it can give the image of 'boom-town'. This may in turn make it easier to attract other investment in new shops, restaurants and infrastructure. In turn, this could make it easier to attract developer and investor interest in some of the bigger aspirations of the Newquay Action Framework vision.

The remaining hoteliers are working hard to ensure that their businesses survive the change. They are investing in marketing to new segments, such as corporate activities, urban weekenders and so on. This will expand the reputation of Newquay beyond its original market place.

Ultimately, it is important to remember that the status and quality of a resort is not determined solely by the number of hotel bedrooms that are available.

### **9.8 Social Impact**

Many other resorts faced by declining staying visitor numbers have witnessed many of their hotels becoming hostels or bedsits used by urban authorities to place homeless people or refugees. An over concentration of such uses can undermine the economy by bringing in too many people on very low incomes with very low spending power. The replacement of failing hotels with apartments can therefore pre-empt this problem.

Obviously, there may be concern in Newquay, as in many parts of Cornwall at the growth in the proportion of properties being used as second homes. However, it could be argued that it may be better for new apartments to be effectively built as second homes, rather than family houses and cottages becoming second homes to the detriment of local schools, shops and services. Equally, it could be argued that it may be better for new second homes to be concentrated in a large town, where they

will still be dominated by the presence of normal housing, and to be located in a resort where their use as holiday accommodation is to the advantage of local tourist services such as specialist shops, restaurants and take-aways.

Again, however, there must be a balance. Too many new apartments bringing in too many 'outsiders' or 'weekenders' may offend or antagonise local people who might not appreciate the potential benefits they may bring to the town's economy. In this context, however, the development of new residential apartments provides the opportunity to negotiate an affordable housing element in accordance with housing planning policy.

## **9.9 Importance of Marketing, Festivals and Events**

Newquay needs to continue to nurture its existing staying visitor markets and to develop new markets. In this context Newquay needs to be strongly marketed within the framework of Cornwall's growing tourism market sectors.

Events are an efficient way of involving the whole community and raising the profile of the resort with potential staying visitors. For example, it is estimated that surfing is worth £40 million a year to the town. The recent opening of the Newquay International Surf Centre is expected to attract 15,000 visitors each year contributing an additional £450,000 in extra income to Newquay. Many of the hotels instigate their own marketing initiatives from which the whole town also benefit.

Newquay is close to other resorts at Padstow, Falmouth and St Ives. It could work together with these resorts to develop other surfing, culinary, maritime and arts festivals. Newquay has far more bedspaces than any of these resorts. Therefore, if it is a part of successful festivals in these areas, it will pick up more than its fair share of staying visitors.

These events should be targeted to take place outside of the peak summer weeks. Such events should be eligible for funding from SWRDA and Europe and co-ordination and marketing assistance from the County Council and regional tourist board.

## **9.10 Economic Impact Summary**

In determining the likely economic impact of the current changes to the hotel stock in Newquay we have not identified any negative impact at present. The resort is clearly undergoing an evolutionary restructuring of its tourism industry, as already experienced at many seaside resorts such as, on a larger scale, Bournemouth and Brighton, which have succeeded in re-inventing themselves.

Rather than a decline in visitor numbers, we would suggest that there is a shift in visitor type, backed up by the provision of new facilities in the town.

In terms of the magnitude of change, there has been what initially appears to be a substantial loss of 640 hotel bedrooms or 1,443 bedspaces but this must be viewed in the context of the resort's wider stock of visitor accommodation in caravan parks, holiday cottages and apartments, and compared to the size of the accommodation sector in other similar resorts.

In particular, where the new apartments that are replacing the former hotels are being marketed as holiday or second homes they will still have a role in providing a form of holiday accommodation. These would still be occupied by tourist visitors,

most likely with higher spending patterns than those who would previously have occupied what were lower graded and ungraded hotel rooms.

In general terms, therefore, we consider that the economic impact of the loss of hotels over the last few years has been neutral to positive, in that:-

- there does not seem to have been a decline in visitors or, visitor spending;
- some jobs have been lost in the hotel sector, but some of these have been replaced at the remaining hotels who were short-staffed or importing labour, by new jobs in directly or indirectly servicing the new holiday apartments, and in construction;
- some suppliers will have lost hotel clients, but there are new opportunities opening up in supplying shops and restaurants aimed as servicing the new holiday apartment occupiers;
- the removal of boarded up hotels and their replacement with new apartments, coupled with the building work itself, can create a boom-town image which may work to the resort's advantage in attracting the new investment needed to bring forward its aspirations; and,
- the replacement of low-cost hotels by apartments is pre-empting their use for housing low-income groups which could undermine the local economy, while Newquay may be more easily able to absorb a growth in 'second homes' without detriment to local schools and other services.

However, it is important that the resort is allowed to restructure in a balanced and controlled way. The planning system is there to control the excesses of the market. If there is no control, there is a danger that too many hotels could close, or those that are considered more desirable to maintain could start to go, without there being a market for their redevelopment, particularly as residential property. This could undermine the rest of the resort. However it is likely that many of the poorer quality hotels will continue to close over time, regardless of their planning status, as demand requirements shift. If the owners/operators no longer wish to continue, and purchasers for the business cannot be found, they cannot be forced to stay open.

Therefore the planning system needs to keep a very careful check on what is being allowed to go, where, why and what it is being replaced with. The planning policy should allow for the steady restructuring of the resort's accommodation and general leisure offer. This is something we examine in the next section.

## 10 PLANNING POLICY APPRAISAL

In this section we examine the national and local policy background for treating applications for the change of use or redevelopment of hotels in Newquay, and the interpretation and implementation of that policy. We also look at other policy approaches in other coastal resorts.

### 10.1 Planning Policy Background

#### 10.1.1 National Policy

**PPG21** sets out the government's policy with regard to planning for tourism. It states that the government's policy is that the tourism industry should publish in response to the market while respecting the environment which attracts the visitors. It states that the central objective is to achieve sustainable development that serves the interests of both economic growth and conservation of the environment (paragraph 1.2).

The PPG states that local plans may contain policies to facilitate tourist development and to protect the tourist industry by ensuring that other land uses are distributed in a way which respects the qualities that underpin the tourist industry (para 4.13).

Paragraph 5.24 deals specifically with seaside resorts and states that:-

**The conversion of hotel stock to alternative uses can weaken a seaside town's ability to retain its status as a tourist destination. This problem needs to be addressed in local plans for such areas. Well defined, but economically realistic policies should be consistently applied. Authorities should not, however, seek to use the planning system to attempt to perpetuate outdated forms of tourist activity and accommodation for which there is no longer a demand.**

The recent planning decisions to allow the redevelopment of hotels in Newquay have been undertaken in this context.

The government has stated that it intends to delete PPG21 without replacement, as it considers that is relating to new tourism development can be adequately dealt with by the new Planning Policy Statements for Town Centres (PPS6) and for Rural Areas (PPS7).

The new **PPS6** continues the concept of the sequential test for major retail and leisure development proposals. This requires such new traffic generating development to be located in town centre close to transport nodes and services. Proposals for new hotels will be required to demonstrate that they have chosen the sequentially most preferable site for their new development. This sequential approach requires that locations are considered in the following order: first existing centres, then; edge of centre, and then; out-of-centre sites.

The new PPS also states the main types of development and land use to which the policy applies. This list includes, among others, hotels, restaurants, health and fitness and conference facilities (paragraph 1.8). It states that local planning authorities should adopt a positive and proactive approach to planning for the future of all types of centre within their areas (paragraph 2.15). It states that local planning authorities should identify and allocate sites for retail and leisure development and set out criteria based policy for assessing new development proposals on sites not allocated in the development plan documents (paragraph 2.16).

Unfortunately, the whole wording of PPS6 is phrased in the context of planning for town centres essentially and retail and entertainment centres. It is therefore not a

very able substitute for PPG21 when dealing with seaside resorts with hotel stock spread across the town. However, the message is clear, Local Development Frameworks should seek to concentrate hotel uses in town centres whether planning for growth, or decline.

The PPS goes on to state that planning authorities should work closely with business, including leisure operators, developers, other stakeholders and the community when considering sites for allocation in development plan documents (paragraph 2.30).

Although paragraph 3.1 introduces a Development Control Chapter which sets out considerations which should be taken into account in dealing with applications for town centre uses including the redevelopment of existing facilities, there is no specific advice on dealing with proposals to change the use of hotels to other uses contained within the new PPS6.

The recently adopted **PPS7** sets out the government's policies for the sustainable development of rural areas. It states that the government expects most tourist accommodation to be located in, or adjacent to, existing towns and villages, supports the conversion of rural buildings to provide hotel or other serviced accommodation, and supports the provision of self-catering accommodation in rural areas (paragraphs 37, 38, and 40 respectively). However, there is no advice specific to coastal resorts and villages in rural areas or the change of use of hotels to other uses.

#### 10.1.2 Structure Plan Policy

The 1997 Cornwall Structure Plan formed part of the development plan for decision making until it was recently superseded (September 2004). This structure plan included Policy **TOUR 4** to protect the county's hotel stock. This policy stated:-

**In considering development proposals, account will be taken of the need to protect and enhance visitor facilities and other features which contribute to, or have the potential to add to, the County's overall attraction for tourism. This will include in particular:**

**protecting hotel areas that contribute significantly to the character and amenity of tourist areas from change to uses other than tourist accommodation; and**

**protecting sites and buildings which are important in terms of local heritage or cultural interest from development incompatible with an interpretative use.**

In justifying this policy the county council accepted that the redevelopment of hotels was part of process of a general adaptation of tourism to changing conditions, but felt that in some circumstances there was cause for concern, particularly where there is a recognisable area in a town where hotels are the predominant land use and especially when buildings of architectural or historic interest are involved. In such areas, the council felt, the conversion of hotels to non-tourist uses could affect the whole character of the area adversely from a tourism point of view. The justification went on to state that it would be most appropriate for local plans to identify such areas within these resorts and elsewhere where the character of the area may be significantly affected by the loss of hotel accommodation.

The new Cornwall County Structure Plan was only recently adopted in September 2004. Its new policy for tourism facilities is contained in **Policy 13** which states:-

**The quality and opportunity for tourism and recreation should be enhanced by improvements to the existing resource and through appropriate new provision.**

Development should seek, in the first instance, to improve existing tourism and recreation sites and infrastructure in sustainable locations. Major development should be in, or well related to, towns. Proposals that support the Plan's regeneration priorities will be encouraged.

Outside towns and villages development should be limited to accommodation and facilities that could not, reasonably, be within them, or the adaptation and improvement of existing sites including the conversion and re-use of appropriate redundant buildings.

Development should not harm visitor facilities or other features that contribute to Cornwall's attraction for tourism and recreation.

The supporting text states that the emphasis is on improving and adapting existing provision to meet changing circumstances and modern requirements before making new provision, particularly in rural areas. It states that development for accommodation needs will seldom be justified in the countryside or locations where permanent residential use would be unacceptable, other than the conversion of redundant buildings that merit conservation. The plan specifically states that development should not dilute or undermine the value of existing tourism assets, for example, through the loss of accommodation which has significant importance to the locality.

### 10.1.3 Local Plan Policy

**Policy 65** of the The Restormel Borough Council Local Plan 2001 – 2011 provides the council's current policy for dealing with applications for new hotel development and for the redevelopment of hotel sites for alternative uses. It states:-

- (1) Proposals for the conversion of existing houses in the countryside in large grounds into hotel and other holiday accommodation will be permitted subject to the proposals not prejudicing policies for the countryside or introducing an unacceptably intensive use into a generally quiet area.
- (2) When considering individual planning applications for change of use or redevelopment of hotels, guest houses or holiday apartments, the Local Planning Authority will have regard to the following criteria:
  - (A) The location of the premises in terms of its importance as a prime site for tourism purposes
  - (B) The nature of land uses surrounding the site and whether the premises are within an area where tourism accommodation or tourism uses are the principle land uses
  - (C) The uniqueness of particular premises from the viewpoint of quality of accommodation and whether its loss would deprive the stock of tourist accommodation of a particular type or quality of facility
  - (D) The number and quality of bedspaces included in the particular premises the subject of the planning application. In this context proposals involving the loss or reduction of holiday accommodation may not be acceptable
  - (E) The potential of particular sites or premises for refurbishment or redevelopment to provide an improved level of tourist accommodation and associated facilities. Factors such as location, the nature and condition of the building, space standards, the curtilage of the property and ability to expand the curtilage and its capacity for vehicle parking are relevant factors in the context of this criterion
  - (F) The effect on the physical character of the building and/or area particularly if in a Conservation Area or Area of Local Architectural and Historic.

The Local Plan also explains the background to this policy. It explains that in the mid 1980s there was a concern that hotels in Newquay were being allowed to change use to residential and nursing homes with particular concern about the possible loss of the main hotels. A draft primary hotel core area was drawn up which

included Narrowcliff and next to the Killacourt. A policy was adopted in 1985 which sought to resist development involving the loss of hotel/guest house accommodation in this area. However, the specific areas where this policy would apply were never confirmed and the policy was rarely, if ever, used as a reason for refusal.

Therefore, when the Newquay Area Local Plan was being considered in early 1991 it was felt that a hotel policy area or a general hotel policy was not appropriate for Newquay. There was a surplus of serviced accommodation and a severe recession with rapidly rising unemployment. The new Local Plan noted that guest houses and small hotels could be used for residential, office or other purposes as a way of providing for housing and employment needs without using Greenfield sites. This approach was supported from 1991 through to 1994 in considering the Newquay Area Local Plan revisions and in the Borough Local Plan.

During the production of the Borough Local Plan for 2001-2011, the main concern was related to the use of hotels for hostel or other Houses in Multiple Occupation (HMO) uses. At the same time, the Council's Tourism and Leisure Strategy confirmed that there was still surplus hotel stock in Newquay and a need for a reduction. A trend toward unserviced accommodation and towards higher quality serviced accommodation was also observed. At the same time, permanent residential use, through the use of surplus hotel stock, was felt to be a legitimate way of meeting housing needs identified in the Council's Housing Strategy.

The Council felt that the experience of the recession in the late 1980s had shown that the main hotels are unlikely to be lost through a lack of policy to retain hotels, whereas, defining an area in which to apply a core hotel policy was considered divisive and virtually impossible to justify because of the dispersed nature of the hotel sector in Newquay. There was also a feeling that planning could not influence long term trends in tourism and that the changing pattern and nature of holidays had created a surplus hotel stock.

In view of this background the Council determined to adopt a more general policy aimed at protecting the tourism character of an area. Policy 65(2) was considered to be a practical way of assessing proposals which would involve a loss of holiday accommodation whilst still allowing the tourism industry to adapt to economic changes. Given the need for flexibility it was not considered appropriate to try and resist this process by defining an area within Newquay and attempting to prevent the loss of hotels.

In the meantime, part (1) of the policy was developed to guide investors wishing to develop new hotels through the conversion of larger buildings in the countryside.




Although there is no hotel area defined in the Local Plan, paragraph 27.34 explains that the Council's Tourism and Leisure Strategy identifies a Tourism Heritage Sector in Newquay stretching from the Harbour along Fore Street and Bank Street to the Killacourt. This is intended to serve as a quality visitor facility with improved quality shops, interpretation centres, sensitively controlled development and entertainment and other tourist initiatives.

The Local Plan also designates a comprehensive development area at the eastern edge of Newquay for major new residential development. Policy N7(1) details this land which should see the building of a total of 1,169 new dwellings (at 26 dwellings per hectare). This will lead to a significant growth in Newquay's resident population approaching 3000 people, or more, if higher densities are achieved. We understand

that the Duchy of Cornwall is interested in bringing a similar approach to urban design to that used with success at Poundbury in Dorchester which has achieved quite high densities.

## 10.2 Planning Application Background

In the context of this policy background the council has received a significant number of planning applications to redevelop hotels for alternative uses. We summarise some of the most recent applications below.

|   |   |
|---|---|
| <p><b>Lobster Pot Hotel</b> – This 2002 application sought to redevelop the 21 bedroom hotel as 14 residential apartments. The council refused the application as being against structure plan policy TOUR 4 and local plan policy 65 in that it would result in the loss of serviced hotel accommodation on a prime site for tourism purposes.</p> <p>The appeal inspector agreed that site was prime for tourism purposes but was doubtful that the site could be considered a 'hotel area' in the terms of Policy TOUR4 and noted that 'no hotel areas are identified in the local plan'. He did not feel that the accommodation had any feeling of uniqueness and did not find any evidence to suggest that the proposed re-development would deprive Newquay of a particular type and quality of visitor accommodation. He felt that the constraints of the site meant that it could not be viably refurbished or redeveloped for hotel use. In view of the above the Inspector felt that loss of the hotel by re-development to residential was justified and allowed appeal.</p> |    |
| <p><b>Tremont Hotel</b> – this 2003 application sought the redevelopment of this 63 bedroom hotel located on Pentire Avenue for 59 residential apartments.</p> <p>The proposal was considered against PPG21 and Structure Plan Policy TOUR 4 and Policy 65 of the Local Plan. The Planning Officer considered the hotel site to be in an area of mixed development and use where large hotels are interspersed with smaller residential buildings. In this context loss of hotel would not have demonstrable impact upon the role of Pentire Headland as a tourist location. Refurbishment of the building to modern standards was considered difficult and profit and loss accounts submitted for past three years were considered unlikely to attract the investment required to redevelop the site as a hotel. In view of the above permission was granted.</p>  |  |
| <p><b>Beachcroft Hotel</b> – this 2003 outline application sought to redevelop the former hotel as an Aldi supermarket.</p> <p>The proposal was considered against tourism, shopping policies and draft town centre regeneration framework. The planning officer found that there was no evidence that the permanent loss of site for holiday use would undermine the role of Newquay as a holiday centre. However, the hotel was refused due to the harm that development proposal would have upon the emerging Newquay Action Framework which seeks to create a key area of public open space at the front of the railway station with links to the cliff top. This decision was upheld by the Inspector at appeal.</p>   |  |
| <p><b>Bewdley Hotel</b> – this 2004 application sought to demolish this 29 bedroom hotel and redevelop the site for 14 residential apartments.</p> <p>The proposal considered against PPG21 and Local Plan policy 65. In this context, the planning officer felt that the loss of the hotel would not result in any harm to Newquay as a visitor</p>  |   |



destination, that its loss would not harm the number of bedspaces of this quality and type, that it could not attract investment to be refurbished or redeveloped as a hotel, and that the building was not of any architectural merit. On this basis the application could not be refused as being contrary to policy 65, however, the application was refused, due to concerns over the design and massing of proposed development.

**Mount Wise** – this 2004 application sought to demolish the 35 bedroom hotel and redevelop the site for 30 holiday apartments. The proposal was considered against PPG21, Structure Plan Policy TOUR 4 and Policy 65 of Local Plan. The planning officer considered the hotel site to be in an area of mixed development and use with hotels interspersed with residential. The loss of the hotel was not considered to have demonstrable impact upon visitor accommodation in general or Newquay as a tourist destination. The quality of the hotel accommodation was considered poor and type of bedspaces which would be lost could be found elsewhere in Newquay. Refurbishment or redevelopment as a hotel was considered unviable. Architecturally, the building was not considered worthy of retention. The planning application was therefore approved and the hotel has been demolished.

**Bella Vista** – this 2003 application sought to demolish this 50 bedroom hotel on Narrowcliff and develop restaurant with 6 holiday apartments and 14 residential apartments. We believe that this hotel is now trading as the **Safi Bunkhouse**. The applicants presented evidence concerning the structural defects of the building caused by the insertion of a basement pool area. The application was approved because the restaurant and holiday apartment mix of the proposal would retain a tourism purpose at the site and maintain economic vitality of the street.



**Palma Nova** – this 2003 application sought the demolition of an existing 37 bedroom hotel and detached dwelling and erection of 14 residential and 9 self-catering holiday apartments. The planning officer considered that the hotel site was located within a quiet residential area interspersed by hotels which was not predominated by serviced hotel accommodation and other tourist facilities. Therefore, the officer did not feel that it could be argued that the site should be retained for such uses or that the loss of the hotel would cause harm to the tourist economy of Newquay. The application was therefore approved. With regard to the provision of holiday apartments, NATC had expressed concern over the proper tourist use and standards of this. The planning consent was therefore accompanied by an informative<sup>39</sup> to attempt to ensure that the apartments were provided to NQAS standards.<sup>40</sup>

**The Rocklands Hotel** – this site has been subject to several applications. A 2003 application sought to redevelop the hotel for 25 residential apartments. This application was withdrawn before being determined. A second application for 21 residential apartments in 2003 was refused on the basis that the site was considered a prime site for tourist purposes and that the council was not convinced that the site could not continue to provide facilities for tourist accommodation or associated uses through refurbishment or redevelopment. This application was therefore refused as being contrary to Policy 65, TOUR4 and PPG21. A third application in 2003 sought to redevelop the site as anew 30



<sup>39</sup> An informative is a non-binding recommendation that may accompany a planning consent. It is used where the local planning authority wishes to inform the applicant of a particular issue it would like to see addressed but which it does not believe could be justifiably imposed as a binding condition. The informative in this case, reads like a second home and does not mention NQAS standards.

<sup>40</sup> NQAS – National Quality Accommodation Standards

|   |  |
|---|--|
| <p>bedroom hotel backed by Rick and Jill Stein. This was withdrawn. A fourth application was submitted in 2004 to construct a larger five storey 42 bedroom hotel for the same. This application was approved.</p>  |  |
| <p><b>Bredon Court Hotel</b> – this application, submitted in 2003, sought to redevelop this 76 bedroom hotel adjoining the Tower golf course and replace it with 43 residential apartments and 8 town houses.</p> <p>The application was considered against PPG21 and TOUR4 and local plan policy 65. The planning officer stated that Tower Road is not exclusively limited to tourist accommodation and the loss of the hotel from this particular site would not have a significant impact on Tower Road as a tourist destination. The officer stated that the loss of the hotel would not have significantly harm the number of bedspaces of this type and quality in the resort as the quality of the bedspaces was similar to that found elsewhere in Newquay in the myriad of guesthouses and small hotels.</p> <p>The hotel had been marketed unsuccessfully for three years, however, there were no profit and loss accounts to guide investors. The officer concluded that the hotel could not be viably refurbished to provide the quality of accommodation that the local plan wishes to encourage and protect.</p> <p>The application was therefore granted outline planning consent.</p> |  |

With regard to the implementation of Policy TOUR 4 and Policy 65(2) we can make the following observations.

The Inspector’s decision at the Lobster Pot seems to have informed the way in which subsequent applications for the redevelopment of hotel sites have been treated by officers. Although the Inspector agreed that the Lobster Pot was located in a prime tourist area he contended that it was not located in a ‘hotel area’ (as required by TOUR 4) and noted that the council had not defined any such areas as suggested by the 1997 Structure Plan).

This decision seems to have in-turn affected policy 65 in that it has been difficult for officers to justify resisting any applications for the redevelopment of hotels in the Harbour/Headland, Tower Road, Pentire and Mount Wise areas, as in each case, they are mixed with residential properties and could not be said to be ‘hotel areas’ whether or not they may be considered prime tourist areas. The application of criteria (B) - whether the site is within an area where tourist accommodation uses are the principle uses – therefore seems to have over-ridden criteria (A) – prime tourist areas.

With regard to the application of criteria (B), even in areas where tourist accommodation or tourist uses are the principle use such as at the Beachcroft or at the Bella Vista (Safi Bunkhouse), the council has not felt that there is sufficient justification to resist the loss of some quite large hotels. On the other hand, criteria (A) and (B) were used to refuse an application for the residential redevelopment of Rocklands Hotel.

With regard to criteria (C), officers have generally found the hotel stock in the applications to be of a similar type to much other stock in Newquay and have used this as one of the justifications for allowing redevelopment. Officers even felt that the Beachcroft could not be defended as being sufficiently unique.

With regard to criteria (D) and the number and quality of bedspaces, planning officers seem to have considered quality to be a factor over-riding size. Again, some quite large hotels such as the 63 room Tremont, 50 room Bella Vista, and 76 room Bredon Court have been given consent for residential development on the basis that

their quality of bedspaces does not meet the aspirations of the local plan for the resort. Although, this may be linked to the fact that officers had already decided that redevelopment of the hotels was acceptable under (C).

Viability, criteria (E), rarely seems to have been considered on any objective basis. Officers seem to have assumed (and may well be right) that it would be difficult to refurbish the subject properties or to upgrade them, and, that it would not be viable to redevelop them. In only one instance (that we have seen) were profit and loss accounts used to justify this assertion, while in another the lack of profit and loss accounts seems to have been taken as an indication of the difficulty of attracting a new investor.

Criteria (F), regarding the effect on the physical character of the building and/or area, seems to have been rarely, if ever, considered appropriate to the buildings being considered (in Newquay).

We believe that some key issues arise from the council's consideration of planning applications for the redevelopment of hotels. The questions which we hope to address further in this report are:-

1. Is the fact that an area is not predominantly hotels sufficient reason to state that its loss would not affect local tourism economy? On the other hand, is the fact that an area is dominated by serviced tourist accommodation sufficient reason to prevent the loss of a hotel?
2. Is it possible to defend hotels in prime tourist areas if those areas have not been defined and justified in the written statement and delineated on the proposals map? Clearly, the Lobster Pot appeal decision weighs against this.
3. On what basis can the judgement be made that there are too many of any particular size or quality of hotel? On what objective measure has oversupply for any particular type been adjudged? How can a judgement be made that a large 76 bedroom hotel overlooking a golf course is similar to a myriad of guesthouses and small hotels? What quality of accommodation does the local plan seek to encourage and protect? Is there a market for this quality of accommodation?
4. On what basis have planning officers determined whether a hotel could be viably refurbished or the site viably redeveloped for a new hotel? Is there a way of providing officers with objective tools to consider viability?
5. What marketing activity is taking place to increase demand for hotel bedspaces, by individual hotels themselves, by the resort, the council and higher authorities?

### **10.3 Effect of Planning Decisions on Hotel Supply**

We summarise the results of all the applications for the conversion or redevelopment of hotels we have come across in Newquay over the last five years in figure 43 below. These applications relate to 27 hotels or guest houses providing 871 rooms<sup>41</sup>.

The average hotel size among the 27 hotels was 32 bedrooms.

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<sup>41</sup> Excluding the Continental Hotel for which we are unable to find any information.

Only three of the hotels have, or had, any nationally recognised grading. All three were 2 star graded. A further eight hotels met the minimum standards required to be members of the Newquay Association of Tourism and Commerce. The remaining hotels were all ungraded.

Of the 27 hotels, 17 have received planning consent for redevelopment or change of use, either as an outline or full planning approval, and account for 528 hotel rooms. The remaining 10 hotels were either refused permission, their applications were withdrawn before a decision was made, or, their applications are still being considered by the council at time of writing.

However, not all these hotels have ceased trading. Some such as the Bredon Court are still open for business. The total number of bedrooms that have actually currently been lost through planning decisions, in that they have planning consent for redevelopment and have closed for business, is 14 hotels accounting for a total of 386 rooms.

**Figure 43: Hotels Subject to Recent Planning Applications for Redevelopment**

| Hotel Name      | Location           | Total Rooms | Grading   | Application date | Applied for                                 | Result                       |
|-----------------|--------------------|-------------|-----------|------------------|---|------------------------------|
| Pebble Hotel    | Henver Road        | 22          | None      | 9 Oct 2000       | Flats                                       | Refused                      |
| Tamarisk        | Crantock Street    | 9           | NATC      | 18 April 2001    | 2 dwellings                                 | Approved                     |
| Bon Ami         | Trenance           | 9           | None      | 28 Jan 2002      | 1 dwelling                                  | Approved                     |
| Far Horizons    | Pentire (Avenue)   | 14          | None      | 29 Jan 2002      | 8-10 resi apartments                        | Outline Approved, RM Refused |
| Lobster Pot     | Harbour            | 21          | None      | 19 July 2002     | 14 resi apartments                          | Refused, Appeal Allowed      |
| Continental     | Pentire            |             | None      | 2 March 2003     | Bungalow                                    | Approved                     |
| Beachcroft      | Town Centre        | 69          | None      | 29 July 2003     | Supermarket                                 | Refused, Appeal Dismissed    |
| Fistral Beach   | Pentire            | 13          | None      | 9 Aug 2003       | 6 flats                                     | Approved                     |
| Bredon Court    | Tower Road         | 76          | NATC      | 21 Aug 2003      | 43 flats & 8 town houses                    | Outline Approval             |
| Trevalsa        | Watergate Road     | 24          | None      | 20 Oct 2003      | 2 Flats                                     | Refused                      |
| Tremont         | Pentire (Avenue)   | 63          | AA 2 star | 27 Oct 2003      | 59 apartments                               | Approved                     |
| Ambassador      | Mount Wise         | 102         | None      | 19 Nov 2003      | 64 Flats                                    | Outline Approval             |
| Tregarn         | Pentire            | 42          | NATC      | 19 Dec 2003      | 67 Flats                                    | Outline Approved             |
| The Bella Vista | Narrowcliff        | 48          | None      | 1 Dec 2003       | Restaurant & 6 holiday & 14 resi apartments | Approved                     |
| Rocklands       | Town Centre        | 44          | NATC      | Jan 2002         | 25 resi apartments                          | Withdrawn                    |
|                 |                    |             |           | Jan 2003         | 21 resi apartments                          | Refused                      |
|                 |                    |             |           | Late 2003        | 30 bedroom hotel                            | Withdrawn                    |
|                 |                    |             |           | 17 Dec 2003      | 42 bedroom hotel                            | Approved                     |
| Palma Nova      | Pentire (Crescent) | 37          | NATC      | 30 Dec 2003      | 14 resi, 9 holiday flats                    | Approved                     |
| Surf Beach      | Pentire            | 7           | None      | 14 Jan 2004      | 1 resi, 4 holiday flats                     | Approved                     |
| Mount Wise      | Mount Wise         | 35          | NATC      | 23 Jan 2004      | 30 holiday apartments                       | Approved                     |
| Golden Bay      | Pentire            | 12          | None      | 5 May 2004       | 6 flats                                     | Approved                     |
| Trenance        | The Crescent       | 57          | AA 2 Star | 21 June 2004     | 8 resi, 16 holiday flats                    | Withdrawn                    |
| Bewdley Hotel   | Pentire (Road)     | 29          | NATC      | 1 Aug 2004       | 14 resi apartments                          | Refused                      |
| White Lodge     | Mawgan Porth       | 18          | None      | 27 Aug 2004      | 4 resi, 5 holiday flats                     | Approved                     |
| Seaways         | Pentire            | 18          | None      | 6 Oct 2004       | 12 flats                                    | Refused                      |
| Philema         | Pentire            | 33          | AA 2 Star | 3 Nov 2004       | 14 apartments                               | Withdrawn                    |
| Tredragon       | Mawgan Porth       | 27          | None      | 2005             | 37 apartments                               | Refused                      |
| Fairway         | Headland           | 19          | None      | 2005             | 14 resi, 4 holiday flats                    | Current Application          |
| White House     | Headland           | 23          | NATC      | 2005             | 13 dwellings                                | No Info                      |
| Total           |                    | 871         |           |                  |   |                              |

In addition, we understand that three other hotels have had pre-application discussions with the Council. The NATC have also identified eight other hotels which they believe have submitted or intend to submit planning applications for a change of use, however, the Council have not been contacted by any of these hotels.

#### **10.4 Other Hotel Related Planning Applications**

We have seen the Inspector's reports relating to two planning applications to build new hotel facilities in Restormel.

The first, at the 'Auberge Asterisk, on the A30 sought to build a major conference and exhibition centre with accommodation.<sup>42</sup> The application was refused and the appeal dismissed on the basis that the proposed facility had not been subject to a robust sequential site assessment to consider whether the proposed facility could be broken into smaller elements and accommodated within the town centre or edge of centre areas, while the location itself was considered inaccessible by means of transport other than the private car and therefore unsustainable.

The second, was for the erection of a 'Brewsters' pub-restaurant and 'Travel Inn' limited service hotel located at the eastern edge of St Austell close to the junction of the A390 and A391. Again, this application was refused and the Council provided evidence at the inquiry of three more central sites which could be used to develop a hotel, two of which already had planning consent. The Inspector agreed with the Council that at least one of these sites could be developed for the type of hotel proposed and that the appeal should be dismissed.

The key lesson from these decisions is that policy for the development of new hotels is being controlled by PPG6 which focuses development of such facilities in town centres. However, town centre sites more difficult to develop than edge of town, where hotel developers have to compete for sites with higher retail and residential land values. Therefore, any hotel retention policies must safeguard hotel sites from redevelopment for alternative uses where they are in a sequentially favourable town centre location.

#### **10.5 Other Policy Approaches**

In considering any new hotel retention policy for Newquay, it may be useful to take a look at how some other planning authorities with resorts have sought to deal with changing tourism demands through planning policy.

##### **10.5.1 Cornish Resort and Holiday Areas**

Other Cornish local planning authorities have also had to frame their local plans in the context of former structure plan policy TOUR 4, so it is interesting to see how they have translated this policy to their own local circumstances.

The **Carrick** District Wide Plan has Policy 11C restricting the conversion of hotels and guest houses to uses other than holiday accommodation in the 'prime seafront hotel area' of Falmouth.

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<sup>42</sup> The precise nature of this outline proposal, and particularly the nature of the accommodation and whether it would be solely for delegates or take other non-delegate tourists, was never fully resolved by the inquiry.

The District of **Penwith** which includes resorts such as Penzance and St. Ives has Policy TM-2 in its recently adopted local plan (2004) which states that the loss of holiday accommodation will not be permitted where it would have an adverse effect on the tourist industry.

Although there are important tourist destinations such as Padstow and Bude, **North Cornwall** District does not have any major resorts. It is possibly for this reason that the Local Plan does not have any policies to control or guide the conversion or redevelopment of existing hotels.

Similarly, **Caradon** District only has small tourist destinations such as Looe and Polperro, and again, there are no policies in the local plan to resist the conversion or redevelopment of existing hotels.

There are no major resorts in **Kerrier** District, nevertheless, the Local Plan has a Policy R2 seeking the retention of hotels which states that the change of use of a hotel will not be permitted where it would significantly harm the availability of access to employment opportunities for the village community in which it is located.

Therefore, of the six planning authorities in Cornwall, four have hotel retention policies (including Restormel), while two authorities have no retention policy at all. Only one District, Carrick, has a 'hotel areas' policy to safeguard hotels from conversion.

#### 10.5.2 Devon

In Torbay, covering the resorts of Torquay, Paignton and Brixham, the Torbay Local Plan includes a Policy TU7 which states that within the Principle Holiday Accommodation Area's proposals for new building, extensions, change of use or other developments which are to the detriment of the character and function of the area will be resisted. The loss of holiday accommodation or important tourism – related facilities may be acceptable within PHAAs where the following criteria apply:

- a. the premises lack an appropriate basic range of facilities and do not offer scope or potential for improvements, thereby failing to meet the reasonable requirements of the tourist.
- b. the premises have restricted bed space capacity
- c. the loss of the premises would not be to the detriment of the holiday character of the particular identity
- d. the proposed new use or development is compatible with the surrounding tourism related uses and does not harm the holiday character and atmosphere of the area.

The supporting justification states that the conversion of Torbay's holiday accommodation stock to alternative uses can undermine its ability to sustain its role as a tourist destination. The plan therefore sets out PHAAs within which decline will be resisted outside of which a separate policy TU8 allows for more flexibility. Together, these policies allow for the 'managed decline' of the over supply of bedspaces whilst protecting the stock of holiday accommodation in key tourist areas.

Policy TU8 therefore states that the redevelopment or change of use of hotels will be permitted outside the Principle Holiday Accommodation Areas where:

1. The loss of the holiday accommodation would not undermine the range of facilities or accommodation offered by the resort;
2. the site of the accommodation is of limited significance in terms of its holiday setting, view and relationship to tourism facilities
3. the loss of the premises would not undermine the holiday character of the locality, or set an unacceptable precedent in relation to other holiday premises nearby
4. the new use would be compatible with the character and other uses in the area.

Where applications meet the above criteria, the type of alternative use proposed will be subject to the relevant policies set out in the local plan. To assist the diversification and restructuring of the local economy, and the sustainable development of land within the urban area, commercial, leisure and residential uses will be supported in principle.

### 10.5.3 Dorset

**Poole** is a popular residential area and it has suffered from the effects of developers seeking to redevelop hotels for residential use. The Local Plan includes Policy TO8 which states, simply, that development affecting hotels and guest houses will not be permitted where it would result in the loss of accommodation. This policy is justified on the basis that occupancy rates in the Borough were 63% in 2000 which was considered an economically viable rate for all guest houses and hotels anywhere in the Borough. However, the town is suffering from a loss of hotel and guest house accommodation to permanent accommodation which could damage the role of its tourism industry. Nevertheless, the plan recognises that where it can be 'conclusively demonstrated' that a hotel is unviable or unsaleable for that purpose, this will be material in considering proposals for change of use, conversion or redevelopment.

In neighbouring **Bournemouth** the Local Plan (adopted 2002) includes Policy 7.2 which states within the Town Centre Tourism Area the loss of or change of use from, tourist accommodation to other uses will not be permitted unless the proposed use will maintain or enhance the tourism role of the area. The supporting text states that the Council considers that there are parts of the Town particularly suited to meeting the needs of the tourist industry. These areas are characterised by a proliferation of guest house, hotel and holiday flat accommodation and are designated as 'Tourism Core Areas', an approach endorsed by the Southern Tourist Board. The existing level investment in these areas is considered to be an important asset to the Town.

The policy above is balanced by Policy 7.5 which states that outside the Tourism Core Areas and the Town Centre Tourism Area changes of use or redevelopment to form hotels or guest houses will be granted planning permission providing there are no adverse effects on the character of the area or the amenities of local residents.

The council's policy to retain hotels has been taken forward in Supplementary Planning Guidance adopted on 30<sup>th</sup> March 2004. This states that the local planning authority will seek evidence that the premises are firstly not economically viable in their current use, and secondly are incapable of being made viable as tourist accommodation. It emphasises that 'potential' will be the key test as current performance is no guide to potential. The SPG gives key criteria that the Council will look to be satisfied and the evidence that they require. These include evidence that the property has been marketed – at hotel market value – for at least 18 months.

In **Weymouth** the Local Plan (Review - Revised Deposit 2003) has a three tier hotel retention policy approach.

Policy T011 states that proposals for changes of use from serviced accommodation to other uses will not be permitted within the primary Serviced Tourist Accommodation Area, as defined on the proposals Map, except where:

- (i) the proposal would provide improved tourist facilities in keeping with the seafront area, or;
- (ii) the proposal would benefit the role and status of the town as a tourist destination, or would enhance the defined area.

Policy TO12 states that in the Secondary Tourist Accommodation Area on the Esplanade (beyond the Primary Serviced Tourist Accommodation Area), proposals that would involve the loss of tourist accommodation will not be permitted within the Area, defined on the proposals Map, except where one or more of the following is applicable:

- (i) the proposal would provide improved tourist facilities in keeping with the Esplanade area, or;
- (ii) the proposal would benefit the role and status of the town as a tourist destination, or
- (iii) the proposal would enhance the defined area.

Policy TO13 states that in other areas proposals involving the loss of serviced accommodation will only be permitted where:-

- (i) loss of the site will not result in the reduction of an adequate supply of important serviced accommodation;
- (ii) a tourism accommodation use can be proven to be non-viable and it is demonstrated that positive efforts have been made to market the site for serviced accommodation uses.

These policies are justified by reference to the Council's Economic and Tourism Development Strategy, Tourist Board Strategy, and regional Planning Guidance for the South West encourage investment to improve the quality and range of accommodation, in order to meet those higher expectations. That the loss of holiday accommodation would be detrimental both to the image of the town and the local economy. However, the plan recognises that it would be inappropriate to try to resist the loss of all hotel and guesthouse accommodation in Weymouth and therefore limited areas where the change of use from hotel and guesthouses would be unacceptable have been identified.

In Dorset, Bournemouth and Weymouth both operate hotel core policies, where as Poole operate a blanket policy restriction. Bournemouth supports its policies with detailed Supplementary Planning Guidance.

#### 10.5.4 Sussex

Arun District includes the resorts of **Bognor Regis** and **Littlehampton**. The Local Plan (2003) includes Policy DEV36 which states that any proposal to change the use of an existing hotel and guest house accommodation to other types of use will be refused unless it can be demonstrated that the current use is no longer viable. The policy also states that the applicant will be required to submit a viability study, to change the use. This policy is justified on the basis that a large percentage of the District's tourist accommodation has been lost through changes of this type in recent



years and that the Council wishes to preserve the tourist accommodation that remains.

The **Hastings** Local Plan includes Policy T4 which states that a change of use of a hotel will only be granted where detailed evidence is provided that the building is no longer viable and the proposal would result in a major upgrading of the structural condition of the building. This policy is justified on the basis that Hastings has already lost a considerable quantity of seafront holiday accommodation to other uses and if the town is to maintain and enhance its visitor appeal it is important to safeguard hotels and guest houses – particularly along the seafront. However, the local plan accepts that if there is little prospect of them ever being reused as holiday accommodation then other uses may need to be considered.

**Eastbourne** Borough Plan (adopted 2003) includes Policy TO2. This states that within the tourist accommodation area identified on the proposals map, planning permission will not be granted for the redevelopment or change of use of tourist accommodation to any other use.

Only when the tourist accommodation is not viable will planning permission be granted for any other use.

In determining viability the following factors will be taken into account:

- b) the location of the premises;
- c) the physical condition and cost of repair of the premises;
- d) the potential for refurbishment, including the cost of works;
- e) the potential for conversion to other uses, including the costs of works;
- f) the market valuation of the property reflecting the above factors;
- g) whether the direct costs of running the business can be covered; and
- h) whether a commercial rate of return on investment can be achieved.

Factor g) is excluded from the viability analysis in all instances where the operator has private accommodation on the premises comprising at least 10% of the building (habitable floor area).

This policy is justified on the basis that maintaining the stock of serviced establishments is vital if Eastbourne is to seek to capitalise further on the increasing trend toward short-break holidays, especially for older couples. The plan states that although the loss of one property does not materially affect the stock of such accommodation available, the cumulative effect, could, if uncontrolled, significantly affect Eastbourne's role as a major resort.

The Eastbourne policy is also supported by Supplementary Planning Guidance which has recently been adopted by the Council. This states that planning permission for the change of use of tourist accommodation is unlikely to be granted without evidence that the accommodation has been available on the open market for a reasonable period of time and that prospective buyers have not come forward. The guidance goes on to provide the detailed criteria and information required including a detailed form seeking the required information to be completed by the applicants.

Although this guidance requires detailed operational figures, we wonder if it would deter a hotel owner from running down a hotel over a three year period to provide the figures necessary to prove unviability, and, of course, figures can be fiddled. There is still something to be said for Bournemouth's policy requiring potential rather than actual trading figures.

In **Brighton and Hove**, Local Plan Policy SR18 states that a change of use of hotels and guest houses in the 'core area' of Brighton and Hove will not be permitted unless clear evidence is provided to demonstrate that:

- a. a hotel/guesthouse is no longer viable for use as such; and
- b. alternative types of holiday accommodation suitable for the property (including dual uses for out of season times) are not viable.

The supporting text goes on to state that in order to demonstrate non-viability, proof will be required to show that a hotel or guest house has been marketed extensively for at least a year and at a competitive price. Evidence will also be required of occupancy rates for the previous three years at least, business plans, previous marketing, ease of access, transport etc. In assessing whether the accommodation is not viable, the council will seek the independent views of the South East Tourist Board. This policy is justified in the local plan by the statement that during periods of economic downturn, an area dominated by tourist accommodation may show signs of economic and social malaise.

In considering the hotel retention policies of these Sussex local plans there is a clear onus upon the applicant to provide detailed evidence with regard to the hotel's previous trading and future viability. Eastbourne's policy is perhaps the most detailed in this respect while Brighton's also requires the applicant to demonstrate that the property cannot be put to alternative holiday accommodation uses. The policies within these two, also apply to specific hotel core areas. Eastbourne also has very detailed Supplementary Planning Guidance, including a detailed assessment form which as to be completed by applicants.

#### 10.5.5 Essex

The **Southend-on-Sea** Local Plan (adopted 2004) includes Policy L7 which states that development which would involve the loss of any form of hotel/guest house accommodation in the Central Seafront Area and in Visitor Accommodation Areas, and elsewhere in establishments of 20 or more bedspaces, will not normally be permitted unless:

- 1.) there is an overriding need for the development which cannot be met elsewhere;
- 2.) the development will enhance the quality and viability of the hotel/guest house;
- 3.) there are overriding environmental reasons for the development;

This policy is justified on the basis that the town's hotel and guest houses provide for only 983 bedspaces in a total of 36 establishments. Compared to other resorts around the country, this provision is very low, which the Council has taken as indicating a major shortfall in visitor accommodation necessary for a vital tourist economy.

#### 10.5.6 Other Resorts Hotel Retention Policy Summary

Our review of hotel retention policy in other resorts has shown that Cornish local planning authorities are in the minority in not using a **hotel core or area policy** to protect key areas of holiday accommodation from redevelopment or conversion to alternative non-tourism uses. In Cornwall, only parts of Falmouth are protected by such a policy.

By comparison, resorts such as Torquay, Weymouth, Bournemouth, Brighton, Hastings, Eastbourne, and Southend all operate some form of primary hotel policy

area. Exceptions are Poole, Bognor and Littlehampton, but these each have significantly less hotel stock than Newquay.

The Torbay Local Plan seems to provide well justified policies that allow for the managed rationalisation of Torquay's hotel stock in the face of declining visitor numbers without harming key tourist areas. There seem to be some key parallels to the experience facing Torquay, with that facing Newquay.

Weymouth is also facing similar pressures, and provides an example of a more sophisticated three tier hotel retention policy system which might suit an area like Newquay with its different types of hotel area. Meanwhile, Bournemouth's retention policy is supported by Supplementary Planning Guidance.

Another, interesting lesson is the greater degree of sophistication found with some of the Sussex resort retention policies with regard to the detailed requirements laid upon the applicant to demonstrate that a hotel is no longer **viable**, cannot be made viable, cannot be sold to an alternative operator, and cannot be redeveloped as a viable alternative tourist accommodation use. In the case of Eastbourne a detailed Supplementary Planning Guidance and Assessment Form have been prepared.

## 11 RECOMMENDED APPROACH

### 11.1 Introduction

The Cornish tourism market has been changing for the past forty years as the traditional domestic family holiday market has steadily declined. The family market is still important during the school holidays, but as the hotel season has extended and trends in leisure breaks have altered, new markets have been developing. At first, the growth of the coach market may have eased or indeed masked the impact of the decline in the family market, but the coach market is now proving to be unreliable in Newquay. It is clear from our evaluation of supply that Newquay has, for historic reasons, developed an oversupply of cheap ungraded serviced accommodation, and a lack of quality hotels. Similarly, our benchmarking exercise has shown that Newquay has far more hotel bedrooms than other resorts of a similar size and role.

**We therefore believe that the Newquay hotel infrastructure must be allowed to restructure in two ways:-**

- **A reduction in the number of bedrooms available; and**
- **The replacement of poorer quality room stock with higher quality stock.**

This process is not unique to Newquay. Nearby, Falmouth and Torquay are facing similar pressures. The remaining hotels will only be able to maintain or improve standards if their own profitability increases, and a significant factor in this is the reduction in competitive stock. There is some initial evidence of this investment beginning to take place in Newquay on the back of recent hotel closures.

The situation in Newquay is both aided and complicated by the strong demand for holiday apartments and second homes. The process therefore needs to be managed to avoid losing the better hotels in the better locations to the long term detriment of the town's ability to function as a staying visitor resort. Newquay has the largest number of serviced bedrooms in Cornwall, and as such, has a vital role to play in providing accommodation for all types of visitors who are attracted to Cornwall.

Although the idea of a hotel policy area has been considered and rejected by the council in the past, we believe that this will be the optimum method of safeguarding the best located hotel sites. Within such areas the retention policy will need to be more rigid than that outside the area, which should necessarily be more flexible. Within the core area it would not be desirable to have truly unviable units left to decay and outside the core area it would not be desirable to lose some of the better hotels. Therefore ultimately each application must be considered in light of its own merits, while adhering to the structure of the recommended evaluation process.

### 11.2 Hotel Areas

Newquay's hotel supply can be largely grouped into eight geographical areas where hotels have clustered naturally. These are as follows:-

**Harbour to Killacourt** – identified as the town's 'Tourism Heritage Area' this area has the character of a traditional 'fishing village'. It consists of a number of small hotels and guest houses interspersed with pubs, restaurants, bars and tourist shops and including hotels such as The Lobster Pot (closed), The Harbour Hotel, and the former Bay View Hotel, and, the Minerva, Lynton, Beaconsfield, Trenance, and

Avalon Crescent hotels and guest houses forming a continuous strip along The Crescent overlooking an attractive putting green above Towan Beach. Most of these hotels are concentrated at the Killacourt above Towan Beach.

**Town Centre** - consisting of major hotels such as the Victoria, Beachcroft (closed), Great Western and Rocklands (closed). These hotels are situated along a busy shopping street - Cliff Road - and sit above the Great Western and Tolcarne beaches, offering attractive views. Given the proximity to the railway station most of these hotels were originally purpose-built, serving tourists arriving by train. Today, two of the four main hotels have closed including the Beachcroft which has come under pressure for retail development.

**Narrowcliff** – extending east along the coast from the town centre, this area consists of a large number of key hotels including the Beresford, Tolcarne, St Brannocks, Marina, Cliffdene, Bristol, Narrowcliffe, Kilbirnie and Edgcombe Hotels. These hotels overlook Tolcarne Beach and Barrow Fields. The large Hotel Riviera is located at the far end of this area on Lusty Glaze Road, overlooking Lusty Glaze Beach. The large Barrowfield Hotel is situated behind this strip on Hilgrove Road, and therefore has no views.

**Headland** – a dramatic spur of land forming the north western tip of the resort. The supply consists of a disparate range of hotels and guest houses ranging from the large four-star luxury Headland Hotel, through the large mid-market Atlantic Hotel to the smaller Atlantic Lodge.

**Pentire** – situated to the far west of the resort, away from the town centre. A mix of large coaching hotels and smaller guest houses spread within a generally quiet, detached residential area of Victorian and Edwardian villas inter mixed with post-war bungalows, overlooking Fistril Beach to the north and Crantock Beach/Gannel Valley to the south. Hotels such as the Esplanade, Surfside, Fistril Beach and Bay Hotel front the Esplanade overlooking Fistril Beach, whereas those along Pentire Avenue including the large Pentire, Trenant (closed) and Fistril Bay hotels are further back, but still mostly retain bay views. Hotels on Pentire Crescent such as the Tregarn Hotel (closed) have no sea views, and Hotel California and Woodlands Hotel overlook the Gannel Valley.

**Mount Wise** – located above the town centre, linking Pentire with Cliff Road, Mount Wise is one of the main routes across town. A number of smaller hotels and guest houses occupy this prominent location, with distant sea views. The area is mainly characterised by Victorian terraced housing.

**Henver Road** – This area is an extension of Narrowcliff but turns inland, away from the sea. It is characterised largely by suburban residential development and is some way from the town centre and beaches. Accommodation here consists of post war, small hotels, guest houses and bed and breakfasts including Fort Wayne, Kellboro, Cumberland, Barrowcliff and Ivydale hotels. Some of the hotels are in poor condition, and many were for sale during the winter period of our research. The area has little 'unique' character.

**North West Bays** – stretching along the coast to the North West from Newquay are a number of attractive bays with small clusters of hotels, such as the Watermark, Sands, Watergate Bay, and Bedruthan Steps hotels. These hotels generally, provide a more specific hotel product and act as destinations in their own right. It is

probably no surprise that the two or three hotels that come closest to providing a boutique or designer hotel experience are based along these bays.

### 11.3 Recommended Policy Framework

In view of the oversupply of poorer quality serviced visitor accommodation, and the fact that the resort is evolving as it diversifies to attract a wider range of markets, in our opinion it would not be appropriate to develop a planning policy which sought simply to resist further redevelopment or conversion of hotels to alternative uses.

It is however, important to safeguard a range of different types of accommodation in different settings to satisfy all demand. We would therefore recommend a hotel area retention policy that allows for each of these markets to evolve and prosper while at the same time allowing for the redevelopment of hotels outside core tourist areas which do not meet the market requirements. This would result in a reduction in surplus, less attractive/suitable supply and improved demand for tourist accommodation within the hotel core areas or which serve a specific market. We would distinguish the two key policy areas as:-

- (A) Primary Hotel Area, and
- (B) Other Areas.

We detail those in the following paragraphs

#### 11.3.1 Primary Hotel Area

This includes:-

- **The *Tourist Heritage Area* stretching from Towan Beach to Killacourt;**
- **The *Town Centre Area* stretching from the Victoria Hotel to Rocklands;**
- **The *Narrowcliff Area* stretching along Cliff Road and Narrowcliff to the Riveira Hotel;**
- **The *Esplanade* stretching along the road of the same name at Pentire overlooking Fistral Beach.**

Within this primary area there would be a presumption against the change of use or redevelopment of all hotels and guest houses, except where there is clear evidence provided that they are not currently viable and cannot be made so in prevailing or future market conditions. Applicants would also have to provide supporting evidence that they had marketed their properties at hotel market value for a considerable period of time without success. Where a hotel in the Primary Area is proven to be unviable in prevailing or future market conditions and unable to attract a buyer at hotel market value, developers would be expected to put forward a scheme which maintains the tourist use of the site (see section 11.5 below).

Although the only continuous strip of hotels in the primary hotel area exists along the Golden Mile, it would be difficult for an Inspector to find that the Town Centre should not be the sequentially most suitable place for new hotel investment or re-investment, or that the Tourist Heritage Area was not an appropriate place to retain existing hotel development or that the superb views enjoyed from all of these areas could not allow a hotelier to develop a viable hotel business, *once* the rest of the town's hotel stock has declined to a sustainable level.

Given the age of most properties in this area, many suffer from a lack of sufficient parking. This is a key ingredient for success, especially if they are to attract the car-

borne family and couples markets as opposed to coaches. We note the proposed Park & Ride facility off the A392 near Mount Wise, however, hotel guests normally expect to have easy access to their cars which they may use frequently during their stay and do not like to carry their luggage far. The council will therefore need to support this policy with proposals for improved long stay parking close to this hotel area, perhaps through the redevelopment plans for the station area where guests would also be able to pick up taxis to their hotels.

In addition to maintaining existing stock, new sites that become available for hotel use within the Primary Hotel Area should be encouraged.

### 11.3.2 Other Areas

Outside the primary hotel area we recommend an 'Other Areas' policy which allows for the gradual loss of the poorest hotels and guest houses while resisting the loss of larger hotels and better hotel sites which are either already good quality, or, have the potential to be refurbished or redeveloped to provide good quality accommodation.

We do not believe it would be reasonable to insist that every property with the 'Other Areas' should automatically have to adhere to the planning policy assessment. We recommend an initial assessment of the property is necessary, according to the following three categories:

1. Those of a certain size (we suggest less than 10 bedrooms<sup>43</sup>) should be excluded (i.e. allowed to change use back to residential) if they no longer wish to run their homes as guest houses. These tend to be converted residential properties, run by couples as a lifestyle choice with a turnover that does not exceed the VAT limit (£50,000). At the same time, if new entrants come into the market and wish to open a guest house, the planning policy should be sufficiently flexible to allow for this.
2. Those properties which have 10 bedrooms or more should undergo more detailed scrutiny in terms of their current and potential viability in the current market.
3. Any other hotel which is in a desirable location outside the Primary Hotel Area (e.g. a headland or bay side location) should have to conform to all the procedures relevant to those within the Primary Hotel Area.

All the hotels or hotel sites which fall within categories 2 or 3 above should be assessed against the following criteria:

- **Location;** proposals for the redevelopment of hotels in prominent or exclusive positions overlooking beaches, bays, or attractive estuaries would normally be resisted (e.g. category 3 hotels).
- **Site size;** a site which is considered to be of a size sufficient for hotel expansion or redevelopment in the same use, or a related tourism use, without adversely impacting the character or appearance of the area should be resisted.
- **Contribution to the tourism product;** the current or potential role the hotel is or could add to the diversity of markets required to support tourism

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<sup>43</sup> Figure 19 in section 6.8.1 shows that these hotels provide only 16% of Newquay's total hotel rooms.

development in Newquay. The loss of a hotel which serves a niche market, or has the potential to attract a new market, should be resisted.

- **Quality;** where the property offers the potential to upgrade the rooms and facilities, even if it involves a reduction in the number of rooms, or to be upgraded through the addition of rooms and facilities, change of use should be resisted.
- **Market demand and viability;** hotels which are considered to be able to attract sufficient demand and operate viably would be resisted unless it can be proven otherwise.
- **Marketing for sale;** hotels (within category 3 only) that cannot provide evidence of efficient and effective marketing on the open market at hotel market values for a sufficient period of time should be resisted.

We do not believe that the existence or otherwise of other hotels or residential property in the Other Areas should be a reason to approve or refuse planning consent for change of use outside the primary hotel areas.

### 11.3.3 Policy impact

Within the Primary Hotel Area there are currently 1,776 hotel rooms and 3,877 bedspaces which would be protected by policy<sup>44</sup>. In addition, key hotels such as the Headland, Atlantic, California, Watergate Bay, Sands and Bedruthan Steps which are outside this area but which occupy prime destination resort sites, account for a further 557 hotel rooms and 1,615 bedspaces which would also be protected by the 'other areas' policy. As a minimum, therefore, we believe that 2,333 hotel rooms and 5,492 bedspaces would be protected by this policy – which is still more than comparable major resorts such as Llandudno.

It does not necessarily follow that because a hotel or guest house falls outside the strict protection of these policies, the owners will instantly apply for planning consent. If their business continues to provide them with a livelihood and return which meets their aspirations they will continue to trade. Moreover, as businesses outside the protected area are allowed to convert, the viability of those that remain should improve, further reducing pressure to close. Indeed, this effect will be picked up by the policy which will require certain, specific types of hotels outside primary hotel area to prove that their businesses are no longer viable in the prevailing market. As that prevailing market improves, the more viable the remaining hotels should become.

## 11.4 Hotel Viability Assessment

### 11.4.1 Understanding viability

The key criteria for considering applications for the change of use and redevelopment of hotel sites will be an assessment of existing trading performance, potential viability in the prevailing market, and, for hotels within the Primary Hotel Area and category 3 hotels in the Other Areas, potential viability in the future.

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<sup>44</sup> We have excluded the Lobster Pot and Bella Vista/Safi Bunkhouse from these figures as these hotels have already been given outline planning consent for redevelopment



Hotel viability is determined by whether the net income made by the business is sufficient to cover operational costs, meet current debt and loan repayments or attract future funding for capital costs associated with refurbishment or upgrading and cover the repayment, and still provide a satisfactory living for the business owner.

- **Net Income or Revenue** is determined by the number of customers/rooms sold, what they spend at the hotel (achieved room rate, plus bar and restaurant) and any other sources of income, particularly from non-residents, such as meetings, room hire, functions, use of leisure etc. In audited accounts all revenues should be shown net of VAT.
- **Operational costs** are the costs of running the business including staffing, cleaning and laundry, cost of providing food and drink and room consumables, commissions, marketing, energy, normal maintenance, and other administrative and sundry items.
- **Capital costs** are those associated with any debt related to the purchase of the property, loans for past hotel improvements which still have to be repaid and reserve/sinking fund for any future plans to upgrade the premises. Some of this may be shown as depreciation.

Revenue minus operational costs, results in an Operational Profit or EBITDA (earnings before interest, taxation, depreciation and amortisation). The owners of the business will normally expect to make a living from the operation (provide themselves with a salary) particularly if they run and manage it. This would be recorded within the total payroll costs, before EBITDA. Beyond this the owner and other investors would likely require a **satisfactory return** on their investment, but this is after any capital costs are accounted for. Operating profit or EBITDA can be utilised as a benchmark by which to measure a simple return or viability, but it is also essential to consider further capital costs in considering whether an operation can continue.

The viability of a hotel property must be related to the size, quality and type of business that is being considered. Small operations, owner managed as a life-style choice, would be likely simply to be required to provide or supplement a living for the owner-manager, and investment returns would be less important or relevant, unless substantial capital costs were required to be funded.

#### 11.4.2 Viability assessment procedure

The applicant will need to demonstrate that the premises are not economically viable in their current use and are incapable of being made viable as serviced accommodation. To illustrate the current level of trading performance and viability hotels could submit the last three year's audited trading accounts.

Historic accounts alone should not be considered the only method to illustrate the potential viability of the hotel. Hoteliers or developers would have to prepare business plans to show the likely trading accounts of the hotel in the future if it were to receive any investment necessary and marketing necessary to operate in the market, under competent management. Capital expenditure requirements should be supplied by qualified quantity surveyors, but officers should be wary of over large costs. Costs vary considerably according to the work and quality of finish required as illustrated by the following examples:

- Reportedly the Watergate Bay spent £1.5m on providing an additional 18 new rooms to four-star standard and ensuring all other rooms were upgraded to the same quality. This equates to £83,000 a room for the new rooms (including construction), but, £21,000 when spread over all 70 bedrooms (including refurbishment). It has since completely refurbished all public areas for a further £300,000. In total therefore the hotel has expanded and significantly upgraded for a total of £1.8m or £26,000 per room.
- We were informed that the Bay Hotel was completely refurbished the whole hotel for £1m and successfully upgraded to 3 star for £10,000 per room.
- A number of guest houses recently purchased and modernised in terms of the product but with no structural changes involved, have spent as little as £2,000 per room.

Such refurbishment should result in an uplift in occupancies and average achieved room rates and additional spend per head. At some properties however, it may be necessary to upgrade facilities just in order to maintain current levels of performance. This is known as defensive refurbishment. However, the level of upgrading, amount spent and return witnessed relies heavily on the size, location and market positioning. One particular grey area is the requirements to comply with the new DDA standards. These must be thoroughly researched and understood. Again structural changes required and therefore investment required varies greatly depending on the nature of the property and the reasonableness of making the adjustments. Complying with DDA standards need not be as onerous as sometimes thought.

It will be difficult to develop a 'one-size fits all' model of hotel and guest house viability. In order to try to assess each application fairly, according to the same criteria, we suggest that applicants are asked to complete a standard form included within the adopted Supplementary Planning Guidance before a planning application can be validated for consideration by the local planning authority.<sup>45</sup>

Consideration of viability is a specialised professional task, for which planning officers are not normally trained. We would therefore suggest that these forms, together with all supporting documents, are assessed by professional hotel financial consultants to provide officers with a evaluation of the quality of the submission and whether the hotel is viable or could be reasonably made so.

## 11.5 Alternative Use Assessment

We have already discussed in detail whether the development of apartments should be restricted to holiday apartments. Our view is that as holiday apartments the units are probably being sold as second homes and that as residential apartments, they are also largely being sold as second homes. Where the redevelopment of a hotel outside the primary hotel area is considered acceptable, therefore, we do not believe that there should be any restriction of the use of the apartments to holiday use. This is unnecessary (the majority will be in quasi-holiday use anyway) and prevents the authority from pursuing an affordable element as developers simply reduce the

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<sup>45</sup> There is a slight problem with this in that applicants can appeal outline applications where the council invalidates them. Although, these applications are also seeking change of use – which is cannot be made as an outline application.

number of 'residential' apartments to 14, with the remainder 'holiday' to fall below the 15 dwelling threshold for affordable housing.

However, where a hotel or hotel site is proven to be unviable within the primary hotel area we believe that developers should normally be able to put forward viable schemes which include other tourist uses. These could be 'proper' holiday apartments which are made available as weekend and week holiday lets with restaurant, leisure, key holding and cleaning services provided by an adjoining or nearby hotel. As part of the development, especially in the Towan Beach to Killacourt and Town Centre areas, a bar, restaurant and small shops could be incorporated as ground floor uses facing shopping/tourist streets, squares or the seafront. These should be able to attract occupiers seeking to address the new markets being created by the upgrading of hotels and the influx of second home occupiers and higher quality self-catering.

## **11.6 Policy Approach or Methodology**

Within the Primary Hotel Policy area we are recommending a rigid policy stance which seeks to retain the best hotels and hotel sites in hotel use even where the market may be weak at present. Owners of hotels or hotel sites will therefore need to prove that a hotel could not be refurbished or redeveloped on these sites even if there was a substantial uplift in average occupancies and achieved room rates arising from the loss of hotel stock outside the hotel policy area together with other initiatives to drive demand at the resort. If that is proven, and they can prove that there is no buyer for the hotel at hotel market value, then developer would be expected to come forward with a mixed development that maintains the tourism role of the site.

Outside the hotel policy area, owners of hotels with 10 or more bedrooms would only need to show that the hotel could not be made viable through upgrading the hotel within the prevailing market, unless the hotel is located in a particularly attractive location overlooking a beach, bay or estuary, in which case it would also need to show that it could not be made viable in a more favourable market.

In summary, in assessing applications for the redevelopment of hotels, the methodology would be as follows:-

- **Firstly, applicants and officers would be required to consider the location of the development. Is it in the primary hotel area or in exclusive location that overlooks the sea, a bay, or an estuary?**
- **If Yes,**
  - **Is the hotel or guest house currently viable?**
  - **Could it be made viable in the prevailing market, through refurbishment, upgrading, improved marketing or marketing to new sectors, or through improved management and operation?**
  - **Could it be made viable in the future with a reduction in surplus hotel supply and through refurbishment, upgrading, improved marketing or marketing to new sectors, or through improved management and operation?**
  - **Has the site been effectively marketed for a considerable period at hotel market value?**

- **Could it be redeveloped to retain the site in other tourist uses including a smaller higher quality hotel, rented self-catering holiday apartments, a restaurant, small shops, or other leisure and entertainment uses, or a mix of such uses?**
- **If No,**
  - **Does it have 10 or more rooms?**
  - **Is it currently viable?**
  - **Could it be made viable in the prevailing market, through refurbishment, upgrading, improved marketing or marketing to new sectors, or through improved management and operation?**

We have prepared a flow diagram as Appendix Two to illustrate this methodology for the assessment and consideration of applications.

What would have happened to recent planning decisions with the application of this policy approach? Obviously, we haven't seen detailed submissions of the kind required by this policy, however, we would suspect that the Beachcroft and Bella Vista applications would have been refused as the loss of a hotel in the primary hotel area with potential viability in the future market, whereas, the Lobster Pot application might still have been approved as having no future potential. The Tremont and Tregarn applications might have still been approved as being outside the primary area, located away from the beach, and with no possibility of being made viable in the prevailing market.

## **11.7 Monitoring Framework**

It will be important to monitor change in the number of hotel rooms and bedspaces as a result of the implementation of these policies. It will be necessary to consider these changes from both a planning perspective, and actual implementation, as there may be instances where hotels achieve planning consent, but remain operational. There are three options for monitoring as follows:

1. **NATC.** Monitoring of changes in the hotel stock is currently being undertaken by the NATC. However, they are not planning officers and do not have direct access to planning application records. If the NATC were to take on the responsibility officially the Council would have to work more closely with them to ensure accurate recording of the receipt and decision of each planning application. With the NATC based in Newquay itself they would then be able to monitor the implementation or otherwise of the approved applications. They are also able to monitor hotel closures that occur irrespective of planning consent.
2. **Planning Department.** We know that the Council already has a planning applications database recording the receipt of planning applications and their final decision. We also expect that the Council have a building control database which will record applications for building control approval, start and completion of works. If these two databases are, or could be, brought together, then the Council would be able to monitor the receipt and decision of planning applications and their implementation. However, this system would not highlight hotels which have simply stopped trading.

3. **Tourism Officer.** As a council employee the tourism officers is in regular contact with the planning officers. The tourism officer is consulted on all applications involving the loss or change of use of a hotel and is informed of subsequent decisions. The tourism officer is also based in Newquay and is in regular contact with the local hotels and the NATC and is therefore well-informed with regard to impending and actual hotel closure and the implementation of planning consents.

## **11.8 Next Steps and Further Work**

### **11.8.1 Supplementary Planning Guidance & Application Questionnaire**

Detailed policy and reasoned justification needs to be written from the framework we have provided above and incorporated into Supplementary Planning Guidance which can be debated, amended if necessary and adopted by the Council for Development Control purposes.

The SPG should include a detailed questionnaire to be completed by applicants for planning permission for the change of use or redevelopment of a hotel or guest house. This questionnaire will follow the approach detailed in section 11.6 above and the flow diagram in Appendix Two, and require the submission of detailed management accounts, business plans with current, future and alternative tourism use scenarios, and details of property marketing as appropriate.

### **11.8.2 Incorporation into the Local Development Framework**

The policies detailed in the SPG should be incorporated in the Local Development Framework during the consultation and review period. It may be necessary to incorporate changes to the policy during the formulation of the LDF in response to monitoring, economic change, consultation and appeal decisions.

### **11.8.3 Use of Apartments and the Impact of Second Homes**

We suggest that it would be appropriate to monitor the actual use, social and economic impact of the new apartments and other uses permitted by these policies. Research is needed to identify how many actually become second homes or used as holiday apartments, how frequently they are used and by how many people, and what the spending habits are of these visitors, or of any permanent residential occupiers. Their contribution to affordable housing should already be being monitored, but this could be incorporated into any detailed study.

### **11.8.4 Impact of the loss of Hotels**

The number of jobs directly lost from converted hotels should also be monitored through the hotel redevelopment questionnaire.