Leeds CITY COUNCIL

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Report of Director of City Development

Report to Executive Board

Date: 19 April 2017

Subject: Hotel Investment in Leeds

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	☒ No
Are there implications for equality and diversity and cohesion and integration?	☐ Yes	☒ No
Is the decision eligible for Call-In?	☒ Yes	☐ No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3) Appendix number: 2	☒ Yes	☐ No

Summary of main issues

1. From 2013 onwards there have been significant investments and profile raising activities which are driving an upward trend in the Leeds visitor economy sector. In recent years Leeds has seen significant investment in the city centre in the leisure, retail and office sectors. This is predicted to continue as the city bids for European Capital of Culture 2023.

2. The visitor economy trend and the requirements for a successful Leeds 2023 bid is driving momentum for investment and development of existing and new venue, hotel, and accommodation bed stock in Leeds which is evidenced by investment committed since 2013, hotels opening in 2017, and future investments secured and opportunities announced for 2018 and beyond.

3. Looking forward the Council plans to continue delivering data required to attract hotels, alongside a programme of proactive interaction with national and international investors, developers and brands to work to the quality and brand mix ambitions aligned to the growth strategy for Leeds visitor economy and the Leeds 2023 strategy.

Recommendations

4. Executive Board is requested to:

   i) note the current position in relation to hotel investment in Leeds as outlined in the background factsheet taking into account current demand and future challenges;

ii) note the estimated required growth should Leeds win European Capital of Culture 2023;

iii) note the growth in bed stock to date in 2017;

iv) note the recent announcement and progress with regards to hotel investments and the proactive forward plan for City Development directorate; and

v) agree to the Council continuing to deliver a programme of interaction with national and international investors to support the growth of the hotel market in Leeds.

1 Purpose of this report

1.1 The purpose of the report is to update Executive Board on the current position in relation to hotel investment in Leeds, the predicted growth requirements and the forward plan of the Council's interventions to stimulate and manage this growth.

2 Background information

2.1 In recent years Leeds has seen significant investment in the city centre in the leisure, retail and office sectors. This growth has been successfully balanced with the expansion of out of city centre developments including White Rose and Thorpe Park. Investment in the city centre is helping to drive complementary growth in the hotel sector.

2.2 Members will recall that in June 2016 Executive Board considered and approved the recommendations of the Growing the Leeds Visitor Economy report and the relevant economic strategy in the context of Leeds City Council (LCC), Best Council Plan including supporting economic growth and economic opportunities, supporting a resilient, inclusive cultural and creative sector, and the breakthrough project of world class events and a vibrant city centre that all can benefit from.

2.3 From 2013 to date there has been a concerted effort from the Council to deliver improved product which has supported significant growth in the visitor economy and contributed to a lively and vibrant city centre for all. As outlined in the September 2016 Executive Board paper Visitor Economy and Vibrant City Centre this has included the **first direct arena** which attracts one million extra visitors to the city contributing £25m to the local economy (FSP Research); **Trinity Leeds** which has recently introduced international tax free shopping and attracts a footfall of around 23 million a year; a thriving **independent events** scene including Leeds Indie Food, Leeds Digital Festival and Leeds International Festival; hosting major world class events such as the **Rugby League World Cup in 2013**, the most successful **Grand Départ** ever staged in 2014, the **Rugby World Cup 2015**, the **MOBOs**, **British Art Show 8** the **BBC Sports Personality of the Year**, the **Arias, Teach First** and the **Columbia World Triathlon series 2016** which will return to Leeds in 2017 and 18 alongside **International Cricket** at Headingley. 2016 saw Leeds move from fourth to third in the National Retail Ranking as the best place to shop in the UK with the completion of the 2017 MIPIM World award winning shopping centre **Victoria Gate** (Source Javelin Group Venue Score 2015 – 2016), alongside the refurbishment of **Kirkgate Market** completed. Leeds is home to a wealth of **museums, galleries and theatres**, the backdrop to **global film product** such as **Victoria,** and the Council is now investing further in supporting an inspiring and vibrant cultural scene by working with a range of partners with city wide support to deliver the 2017 European Capital of Culture bid, **Leeds 2023**.

2.4. Leeds is the UKs fastest growing city and is the main driver of a city region economy worth £62 billion per annum. It is currently identified as the most attractive city in the North for inward investment and is home to the largest number of high growth businesses outside of London and the South East. It has a growing workforce currently at 1.5 million and has one of the most diverse economies of all of the UK's main employment centres. The visitor economy and in particular the hotel and accommodation sector is embedded and critical to this economy, providing the necessary levels of supply, demand, quality, brand, choice, price and availability of bed stock to accommodate visits to Leeds for business, meetings, conferencing, events, city breaks, holidays, longer stays and visits to friends and relatives.

2.5 Tourism is a significant and growing sector of the Leeds economy and a major contributory factor to the success of the city benefitting everyone who lives and works here. We are the 6th most popular visitor destination for overnight visitors in the UK and the 5th most popular UK conference destination. Visitor numbers and tourism spending in Leeds is growing rapidly, at a faster rate than the national average. In 2015 the city welcomed 26.21 million visitors to Leeds; 5.3% higher than in 2013. The visitor economy is worth an estimated £1.53 billion to the local economy. Between 2013 and 15 staying visitors in the city grew by 12.5%, spending on average of 2.3 days in the city and £155 million on local accommodation. In 2016 Leeds moved up to being ranked as the 5th most popular conference destination and in 2015 hosted an estimated 58,400 meetings/conferences, 3.9 million delegates with the business tourism sector worth an estimated £501 million to the local economy. (STEAM, UKCAMS and BMEIS).

3 Main issues

3.1 The Leeds visitor economy is growing. With leisure and business research results for the visitor economy for the year 2016 due in July 2017, it is estimated year on year growth will be evidenced again for both leisure and business visits. This is further supported by the growth between 2013 and 2015 of 12.5% for overnight visitors staying on average 2.3 days and the even bigger growth of 19% in visitor days/nights staying in service hotels and accommodation. 2016 annual hotel occupancy was 78% and average daily rate was up 3.9%, (Source STR Global Ltd. Republication or other re-use of this data without the express written permission of STR Global is strictly prohibited). 2017 will reveal further data and insights into the current and future required accommodation sector as VisitLeeds completes a new 12 month destination visitor survey working in partnership with Leeds 2023.

3.2 Maintaining and developing the quality and facilities in the current supply of hotels and venues to Leeds is important. Recent examples of investment include but are not limited to the £2 million investment in a new 120 seat restaurant at Weetwood

Hall; £3 million investment from 2015 to date so far for the Clayton rebrand and refurbishment; £4.5 million investment in Cloth Hall Court Leeds Beckett venue set to open summer 2017. Further significant investments are in the pipeline with significant announcements expected in the next quarter.

Currently there is a supply of 68 hotels with 6,041 beds in Leeds. The hotel development pipeline is 23 hotels with 2,656 beds as of March 2017, (AM:PM Hotel Data and Intelligence). From 2012 to 16 Leeds has been fortunate in experiencing a consistent supply as only three hotels with 61 beds have closed. 2015/16 saw two of the largest 3* hotels convert to 4*, The Clayton and Jurys Inn, and the Art Hostel opened with 8 bedrooms in 2016. 2017 sees three global brand hotels open totalling an additional 383 rooms of which 270 are budget and 90 are 4*, the Premier Inn, Ibis Styles and the Dakota respectively. The current status of hotel investment in the wider context of success to date in improving the visitor economy offering is illustrated in Appendix 1 or via the following link. http://mediafiles.thedms.co.uk/Publication/YS-Leeds/cms/pdf/Hotel%20Investors%20Fact%20Sheet.pdf

3.3 Leeds is bidding to be European Capital of Culture 2023 and for the October 2017 bid submission there is a specific question to answer in terms of capacity to deliver, “What is the city's absorption capacity in terms of tourists' accommodation?”. As such industry experts working with the Council estimate that Leeds will need to grow the current level of hotel bed stock to 83 mid-size hotels with 8,541 beds. In 2016 hotel construction was up 72% on 2015 thereby growing in significance as a sector type of construction activity. http://mediafiles.thedms.co.uk/Publication/YS-Leeds/cms/pdf/Leeds%20Capital%20of%20Culture%20Hotel%20Split.pdf

3.4 VisitLeeds, the inward investment team for the Council and Leeds City Region are taking positive steps to stimulate growth for the right types of hotel and accommodation for Leeds and have a current pipeline of enquiries which are being nurtured. Immediate targets are international/global brands which are 4* as they accommodate business tourism and the brands resonate with national and international customers who may also focus on loyalty programmes, brand portfolios and consumer confidence e.g. Hilton Honours. Boutique hotels are also another strong target for Leeds to attract as they often work well with the high value VIP and luxury leisure market, differentiating on price, service and style. New on trend brands are also a target.

3.5 The Council in partnership with investors have made progress including three significant hotel announcements in March 2017 at MIPIM – The world’s leading property market exhibition:

- A 14 storey **Hampton by Hilton** franchise agreement for 192 bedrooms to open late 2019 which will be part of the first phase of a new landmark regeneration project being developed by a consortium of Singapore-listed companies led by Heeton Holdings Ltd within the Bridge St site. http://www.visitleeds.co.uk/conferences/pr-news/Hampton-by-Hilton-makes-Leeds-debut.aspx

- The launch of the **Lisbon St** city centre opportunities which has the potential for mixed used development including high quality hotel space. Developers and investors have now been invited to register their interest. See background document Lisbon St Leeds seeks expressions of interest for major city centre development site. http://news.leeds.gov.uk/leeds-city-council-seeks-expressions-of-interest-for-lisbon-street-city-centre-development-site/

- Following the launch at MIPIM UK 2016 the Council was able to announce Idé Real Estate as the preferred purchaser for its complex of three grade II listed buildings, **Leonardo, Thoresby and Great George Street**. The specialist in mixed-use assets and developments revealed that two of the buildings will be refurbished as millennial grade offices, while the third will be transformed into a "distinguished" hotel with 140 rooms within the existing footprint and rooftop extension, with a further potential 200 rooms in a new building on the current car park site. http://www.visitleeds.co.uk/conferences/pr-news/Ide-Real-Estate-plans-for-Leeds.aspx

- It is anticipated that future Council announcements may include plots around the **first direct arena** which may also be suitable for hotel development later in 2017 and in addition **Victoria Gate** phase 2 may also include hotel development plans bought forward by Hammerson.

3.6 Hotel developers and brands were targeted by the Council at MIPIM world March 2017 as part of the sales mission which included a Placing a value on cities and culture: Leeds 2023 panel event with Leaders, Chief Execs and other leaders from councils, chambers and cultural organisations from Leeds, Manchester, Liverpool, Bradford and Newcastle. General feedback from hotel investors and developers to the team was that the quality end of the market has not been looking at Leeds for a while but that it is a location which has gained traction and interest. The Hotel in Leeds Fact Sheet and the availability of free data made to investors and developers was appreciated and assisted alongside ability to announce live sites with hotel opportunities included. It was also noted that management agreements are less attractive to developers but that is the way to get high end stock and brand.

3.7 Going forward it is proposed that the Council continues to deliver the data required to attract hotels, alongside a programme of proactive interaction with national and international investors, developers and brands to work to the quality and brand mix ambitions aligned to the growth strategy for Leeds visitor economy and the Leeds 2023 strategy. This will be reviewed and progress reported to on a regular basis to the Director of City Development.

3.8 With respect to the hotel market in Leeds, Members will be aware that the Arena Hilton remains in an incomplete state. An update on the current position and the discussions that Council officers have had with the Co-op Bank and the Administrator (Duff & Phelps) is contained in confidential Appendix 2. The Appendix remains confidential as it relates to the financial or business affairs of a particular person / organisation (including the authority holding that information), and of the Council under Access to Information Procedure Rules 10.4 (3). The information is not publicly available at the present time and the release of the information would, or would be likely to, prejudice future transactions to secure hotel investment in Leeds.

4. Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Consultation and engagement has been embedded in the overall partnership approach including detailed conversations with all relevant stakeholder groups not limited to but including those in accommodation, retail, culture, attractions, hotels, venues, event organisers, transport providers, developers and brands.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1. To be a successful host to visitors it is critical that the infrastructure and services are accessible to all. The diverse background of all users of the city has been recognised and the offering provided to accommodate to harness this diversity. An Equality and diversity, cohesion and integration screening has been completed and is attached as Appendix 3. .

4.2.2 Equality and diversity, cohesion and integration have and will be continued to be picked up at various stages of continued implementation.

4.3. Council policies and Best Council Plan

4.3.1 The objectives for hotel investment in Leeds are in line with the priorities in the LCC Best Council Plan including supporting economic growth and economic opportunities, supporting a resilient, inclusive cultural and creative sector, and the breakthrough project of world class events and a vibrant city centre that all can benefit from.

4.4. Resources and value for money

4.4.1 The recommendations in this report demonstrate the continued approach of the Council Leeds working in partnership with private and public sector stakeholders, investors and developers to drive and support infrastructure developments and visitor economy initiatives.

4.5. Legal Implications, Access to Information and Call In

4.5.1 This is not a key decision and there are no legal or access to information implications.

4.5.2 Appendix 2 is designated as exempt from publication as it relates to the financial or business affairs of a particular person / organisation (including the authority holding that information), and of the Council under Access to Information Procedure Rules 10.4 (3). The information is not publicly available at the present time and the release of the information would, or would be likely to, prejudice future transactions to secure hotel investment in Leeds.

4.6. Risk Management

4.6.1 Post Brexit may see a trend develop in cities of international corporate and conferencing markets going on hold or negative impact with the uncertainty. However increases in international leisure and staycation, (UK residents increasing number and spend on UK located tourism) are anticipated to continue due to value of £1 as demonstrated by up to date UK tourism figures and monitoring delivered by VisitBritain.

4.6.2 Future trends in the UK and in particular cities with regards to AirBNB's appeal and market share growth or decline should be considered. There is evidence from some cities that if can help expand the supply needed to successfully host major events, however there is a risk that it may undermine investment in traditional products as well as compete on price.

5. Conclusions

5.1 Leeds continues to make significant progress in the development of its visitor economy. This success has been delivered through strong partnership working linking private sector development and investment alongside initiatives which the Council has also bought forward.

5.2 To continue this growth the hotel and accommodation sector requires focus and where appropriate Council stimulus to meet future demand and to support the Leeds 2023 ambition.

6. Recommendations

6.1 Executive Board is requested to:

i) note the current position in relation to hotel investment in Leeds as outlined in the background factsheet taking into account current demand and future challenges;

ii) note the estimated required growth for should Leeds win European Capital of Culture 2023;

iii) note the growth in bed stock to date in 2017;

iv) note the recent announcement and progress with regards to hotel investments and the proactive forward plan for City Development directorate; and

v) agree to the Council continuing to deliver a programme of interaction with national and international investors to support the growth of the hotel market in Leeds.

7. Background documents[1]

[1] The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

7.1 None.