



MDT Leisure Solutions Ltd

Hotels - Licensed - Leisure

PROPOSALS FOR THE HOTEL/CLUBHOUSE

BAGBY AIRFIELD, NEAR THIRSK, NORTH YORKSHIRE YO7 2PH

HOTEL VIABILITY REPORT

MELVYN THOMPSON FRICS

For and on behalf of

BAGBY AIRFIELD

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Report – Melvyn Thompson FRICS

I am Melvyn Thompson, a Director of MDT Leisure Solutions Ltd, my Consultancy practice specialising in Hotels, Leisure and Licensed Property.

I am a Fellow of the RICS and have been extensively involved in the hotel sector since 1975 throughout the whole of the UK and Western Europe.

I am familiar with the proposals for Bagby Airfield and the background to the planning application.

I have been instructed by the owner of Bagby Airfield to prepare a report on the hotel/clubhouse development proposals.

The report will seek to establish how the proposals will relate to existing hotels in the area and the rationale behind the specific nature of the proposal to create a destination hotel niche product integral to the airfield operations.

Proposed Hotel/Clubhouse

Location and Situation:

The proposed hotel/clubhouse at Bagby Airfield is situated approximately 3 miles from the market town of Thirsk on the south west edge of Bagby village. The principal access to the airfield is from the A19, Teeside to York Road and it may also be accessed through the village of Bagby via the A170 Thirsk to Scarborough road.

Railway

The nearest railway station is Thirsk with limited direct trains to London and an hourly service to York station, which provides a frequent service to Kings Cross with a journey time of approximately 2 hours 10 minutes.

Airport

Teeside Airport, the nearest provincial airport, is 25 miles from Bagby Airfield.

Road

The distances by road from the airfield to nearby towns are as follows:

| | |
|----------------------|-----------------|
| Thirsk | 3 miles |
| Northallerton | 12 miles |
| Helmsley | 13 miles |
| Ripon | 14 miles |
| York | 21 miles |

The area surrounding the airfield is predominantly agricultural with the village of Bagby situated immediately to the north east.

Location for Trading

From a hotel trading perspective, the location can be described as follows

- Easily accessible from the major routes around Thirsk including the A1, A19, A168 and A170
- The principal demand driver will be the airborne business generated by the existing Bagby airfield and members of the Bagby Aero Club.
- Rural location with good access to the North Yorkshire Moors and Yorkshire Dales for additional leisure business.
- Proximity and ease of access to the nearby town centre and business areas of Thirsk.

Hotel Description

The proposed hotel/clubhouse will become an integral part of the overall planned development of Bagby Airfield, subject to the current planning application.

A new vehicular access, car parking and landscaped areas are to be developed and the positioning of the hotel /clubhouse within the site will create maximum visibility to the main runway and other aircraft hard-standing areas.

The new access will be on the western edge of the village and will be highly visible to guests approaching from the A19.

The hotel/clubhouse has been designed within the existing ground contours and utilises the most up to date building and services technology, with recycling and energy efficient building systems. In the longer term this will assist in the energy cost of running the hotel. Increasingly, particularly in the last few years, hoteliers have been much more aware of the impact of energy costs on the profitability of a hotel and the need to ensure that hotel plant and equipment is as efficient as possible.

The hotel/clubhouse will comprise 18 bedrooms and are to be equipped to a 4 star bedroom standard. The rooms are of a good size ranging between 25 and 30 sq m.

Adjacent to the Hall, the ancillary public areas comprise a bar, restaurant and members meeting room, all contained within an open plan area which directly leads to the kitchen, stores and other back of house areas

The reception area is open plan with an informal reception desk and feature fireplace, which will create an informal and relaxed clubhouse environment rather than a traditional formal hotel reception area with counter desk and back office.

In summary the hotel/clubhouse will focus on a 4 star quality of bedroom, food and beverage service and offer the guest a high level of comfort and service within an informal environment.

Hotel Market Supply and Competition

The following table shows the competing hotels within a 12 – 15 mile radius of the airfield:

| <u>Hotel</u> | Number of Bedrooms | Grade (AA star) | Double inc Breakfast Tariff Range | <u>Location and Comments</u> |
|------------------------------------|---------------------------|------------------------|--|--|
| Aldwark Manor Aldwark | 55 | 4 | £90 - £200+ | Rural location between Thirsk and York. 19 th Century Manor House, conference and banqueting, spa and golf. |
| Burn Hall Hotel Huby | 95 | 3 | £70 - £110 | Rural Victorian Country House hotel between York and Thirsk, conference and banqueting facilities. |
| Black Swan Hemsley | 45 | 3 | £100 - £120+ | Centre of Helmsley, function and meeting room facilities. |
| Feversham Arms Hemsley | 27 | 3 | £140 - £200+ | Town centre hotel. |
| Crown Hemsley | 12 | 3 | £80 | 16 th Century Inn, Market Square. |
| Golden Fleece Thirsk | 23 | 2 | £95 - £100 | Coaching Hotel centre of Thirsk with conference and banqueting. |
| Angel Topcliffe, Near Thirsk | 15 | 2 | £80 | Former Coaching Inn in the village of Topcliffe, south of Thirsk. |
| Oswalds Restaurant Thirsk | 16 | No AA Grade | £90 - £120 | Sowerby near Thirsk. Individually styled bedrooms. Award winning restaurant. |
| Divan Hotel Thirsk | 12 | No AA | £60 | Rural location on A170 east of Thirsk. Nearest hotel to Bagby |

| | | Grade | | Airfield. Conference and banqueting facilities. |
|--|------------|--------|------------|--|
| George Easingwold | 15 | 2 | £60 - £105 | 18 th Century Coaching Inn – small market town. |
| Solberge Hotel Newby Wiske Northallerton | 24 | 3 | £95 - £130 | Georgian Rural Country House with new self contained function suite. |
| Old Deanery Ripon | 11 | 3 | £77 - £135 | Centre of Ripon, restaurant, function and banqueting facilities. |
| Ripon Spa Hotel Ripon | 40 | 3 | £5 - £120 | Convenient for Ripon town centre with 5 acres of grounds. |
| Three Tuns Hotel Thirsk | 14 | Budget | £45 | Former Three Tuns Hotel in Thirsk Market Place |
| TOTAL BEDROOMS | 404 | | | |

Note: Excludes Hotels and Guest Houses with less than 10 Bedrooms.

Within a five mile radius of Bagby Airfield and the market town of Thirsk, there are only five principal competing hotels with a total of 80 bedrooms. The additional 18 bedrooms at Bagby Airfield Hotel/Clubhouse represent a 22.5% increase in the total number of bedrooms available within this five mile radius.

However, airborne visitors requiring hotel accommodation often travel as far away as Aldwark Manor, some 16 miles away.

Consequently, the identified hotels are all located within this wider catchment area including Thirsk, Ripon, Northallerton, York and Helmsley on the edge of the North York Moors. Due to the rural character of North Yorkshire, the hotels identified serve a wide catchment area, providing a total of approximately 404 bedrooms. The Bagby Airfield Hotel/clubhouse will only increase the bed stock by 4.5% within the identified competitive area.

In this area guests have a wide choice of different styles of hotels to suit their different personal needs and hotel requirements with the majority privately owned or operated by smaller hotel companies. It is worthy of note that the identified hotels in this area are generally smaller properties with an average of 29 bedrooms and offer a diverse range of style, services and facilities.

The latest hotel opening in the Thirsk area in December 2008 is the Three Tuns in Thirsk Market Square, redeveloped from the former hotel premises as a Lloyds No 1 Bar and Wetherspoon lodge bedrooms serving the budget hotel sector.

Hotel Market Trends

Since the Millennium there have been significant changes to the hotel industry.

- Hotel product segmentation has become more diverse range from budget hotels with limited facilities to the traditional 3 and 4 star mid market, including country house hotels up to 5 star luxury hotels. Niche or boutique hotels are also increasing, either in independent locations offering a 'unique' experience or attached to sporting venues such as football stadiums, golf courses and racecourses. In my view this trend is likely to continue in the future particularly once the current economic and financial climate improves as businesses will look to secure other income and profit streams by adding additional facilities such as hotels to their venues.
- Product branding has become significantly more focused with the larger chains and this has led to the wider segmentation.
- Growing demand by business guests for branded hotels, Hilton, Holiday Inn Express, Novotel, Ibis, Premier Inn etc, although such hotels are much less likely to penetrate the more rural type areas such as North Yorkshire.
- Rise of dedicated hotel websites, Internet searches and on-line reservations have enabled all hoteliers to improve their marketing.
- Over 70% of independent travelers research hotels on the Internet and increasingly more are booking on-line.
- Growing brand loyalty to the major hotel chains with special offers and 'reward points'.
- Rise of Budget Hotels such as Premier Inn, Travelodge etc. as an affordable, value for money hotel product, particularly relevant at the present time with the current financial economic situation.

- Many of the 3 star full service hotels developed in the 1970's and 1980's have now been converted to budget hotels with a more limited range of services, often due to the high cost of refurbishment of these hotels and reduced demand for this sector due to the increase in supply within the budget hotel sector.
- Boutique, Townhouse, Country House and Niche hotels have also been developed with specifically targeted markets.
- Hotels are constantly being integrated with existing sporting venues such as football stadia, race courses, motor racing circuits and golf courses.

The Bagby Airfield Hotel/clubhouse clearly sits very comfortably within the destination/ niche hotel market as an additional facility to be fully integrated within the overall leisure and private business operations at Bagby Airfield.

Business Considerations

Thirsk, with a population of approximately 10,000, is situated within Hambleton District which had a total population of approximately 86,000 in 2006.

Unemployment rates are running at approximately 1.6% which is typically half the national figure. Employment is characterised by a large stock of small business within Thirsk and the surrounding villages and predominantly agricultural land.

Tourism benefits from the links to 'Herriot Country' together with access to the North York Moors via Sutton Bank and the Yorkshire Dales. Race courses at Thirsk and Ripon will also attract further business.

The proposed hotel is intended to be a destination niche product integral to the current business at Bagby Airfield.

As indicated in Paul Pritchett's report attached to a letter of 17th June 2008, the number of airborne guests is targeted at 70% with an average stay of four days.

In year one the total occupancy is targeted at 30%. It is anticipated that the air side proportion will generate 70% of this business, equivalent to

approx 1,380 room nights per annum with other business accounting for approx 592 room nights per annum. The total annual occupancy in year one at 30% represents approx 1,972 rooms let from a total available of 6,570 room nights per annum.

The hotel/clubhouse should reach a stabilised trading position in its third full year in the region of 60% room occupancy and by this stage it is anticipated that airborne guests will represent 65% (approx 2,562 room nights per annum) and other guests 35% (approx. 1,378 room nights per annum).

It is anticipated that existing airborne visitors will generally stay for a period of between one and four days. Typical tourist guests will also stay for periods of between two and four days, usually centred on a weekend or midweek leisure break.

In addition to airborne guests the Aero Club has an annual membership fluctuating between 80 and 100 members. There are 44 aircraft based at the airfield and four are available for hire to qualified pilots.

The airfield has re-fuelling facilities for aircraft and helicopters, including police and air ambulance helicopters. From time to time weather conditions also generate a demand for overnight accommodation for airborne visitors to the airfield.

Additionally with the hotel/clubhouse facility, the business can be marketed to other aero club enthusiasts within the UK through dedicated specialist magazines.

The airfield is currently used by local jockeys and trainers and benefits from its proximity to Thirsk and Ripon Race courses and nearby racing stables in the North Yorkshire area.

The hotel/clubhouse will be managed directly by Bagby Airfield with the appointment of a general manager and creating employment for approximately 6 full time and 14 part time employees. As an integral part of the airfield business, there will be some minor economies in operating costs and manning. This is particularly important for manning as in smaller hotels; the levels of manning are more finely balanced and require more multi-skilling and flexible arrangements with working hours to ensure effective cost controls.

It is intended to operate the hotel at a 4 star quality level with room rates, subject to demand, between £75 and £125 per night. The restaurant business will be targeted to a discerning market with a typical 3 course dinner menu being priced in the region of £20.00 - £25.00. The restaurant and bar facilities will be available to the local market

It is also intended that, as at present, the hotel/clubhouse will have a full premises licence.

The principal demand drivers for the hotel/clubhouse are as follows:

- Airborne arrivals
- Aero clubs and aviation enthusiasts
- Local food and beverage
- Tourist
- Local economy/business

The owner of Bagby Airfield will be providing a niche hotel product which clearly cannot be created at any other locations within the area.

It should be acknowledged that the hotel/clubhouse would be unlikely to trade profitably if a condition of the planning seeks to restrict guests to the 'aviation market'.

Consequently, proposed marketing will be extended via the airfield website and web based reservation systems such as laterooms.com or activehotels.com. In addition, further marketing will focus on other aero clubs and specialist magazines.

I am advised that whilst no record is taken of the final destination of airborne guests, those requiring accommodation either use the Divan Hotel, which is the nearest hotel to the airfield, or Aldwark Manor, which clearly has superior accommodation and facilities, although it is located some sixteen miles from the airfield. Other airborne guests are usually visiting friends or family.

Conclusion

- The proposed development will become a destination/niche hotel product at a unique location, providing an additional facility to the Airfield with proven demand.
- Other than airborne guests, the airfield is easily accessible from the major trunk roads in the area and from Thirsk, the nearest town.
- The creation of a further 18 bedrooms within the potential catchment area around Thirsk is not likely, in my view, to have a significant dilution of business impact on the hotels identified in this report.
- There are many factors influencing a guest's decision to stay at a particular hotel such as convenience of the location, facilities and price. Within this area of North Yorkshire there is a wide range of hotels offering different amenities and standards of hospitality.
- The hotel/clubhouse is, in my view, likely to show steady and sustainable business growth rather than significant growth over the first 3 to 5 years of its existence.
- The forecast business mix between airborne (70%) and roadside (30%) is likely to change as the business develops an increased room occupancy which is more likely to be generated by proportionately more non airborne business, such as increased tourism.

In my view, therefore, the Bagby Airfield Hotel/Clubhouse falls into the category of a Niche/Boutique Hotel in view of the location, the nature of its primary market and its principal target clientele.

**For and on Behalf of
MDT Leisure Solutions Ltd**