



# News Release

## City Review: Newcastle & Gateshead Compiled by Christie + Co

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Newcastle & Gateshead together form the most significant growth centre in the North East of England, with Newcastle functioning as the region's capital. The conurbation benefits from excellent transport connections, with fast trains from Newcastle to London taking around three hours. Major regeneration in recent years has led to significant growth in demand for hotel accommodation in both Newcastle & Gateshead. Established leisure demand has been enhanced by new cultural attractions such as The Sage Gateshead and the Baltic Centre for Contemporary Art, whilst business demand continues to grow on the back of increasing commercial development and activity in the area.

According to data sourced from The Bench, the Newcastle & Gateshead hotel market showed an increase of 5.3% in RevPAR in 2006 over 2005. This has been driven by strong occupancy performance, up 5 percentage points. This information is derived from a sample of 11 separate hotels, comprising 1,772 rooms.

The Bench Performance Monitor - Newcastle & Gateshead 2006 v 2005									
2006			2005			Variance			
	Occ (%)	ARR (£)	RevPAR (£)	Occ (%)	ARR (£)	RevPAR (£)	Occ (pts)	ARR (%)	RevPAR (%)
January	62.00%	66.85	41.44	58.92%	70.94	41.79	3.08	-5.77%	-0.84%
February	76.13%	70.25	53.49	71.39%	73.35	52.36	4.74	-4.21%	2.14%
March	73.42%	70.09	51.46	71.48%	72.40	51.75	1.94	-3.19%	-0.57%
April	76.05%	68.95	52.43	72.57%	70.07	50.85	3.48	-1.60%	3.12%
May	77.26%	68.72	53.10	70.42%	70.02	49.31	6.84	-1.86%	7.68%
June	80.87%	68.49	55.39	77.65%	71.75	55.71	3.22	-4.54%	-0.58%
July	80.64%	69.18	55.79	77.32%	70.66	54.63	3.33	-2.09%	2.12%
August	78.85%	62.18	49.02	70.33%	63.85	44.90	8.52	-2.62%	9.18%
September	85.11%	72.38	61.60	79.40%	73.26	58.16	5.71	-1.20%	5.91%
October	86.40%	72.33	62.49	78.87%	70.28	55.43	7.53	2.92%	12.74%
November	84.62%	73.03	61.79	76.43%	71.41	54.58	8.19	2.26%	13.23%
December	64.33%	69.45	44.67	60.90%	67.45	41.08	3.42	2.96%	8.75%
<b>Full Year</b>	<b>77.08%</b>	<b>69.41</b>	<b>53.50</b>	<b>72.10%</b>	<b>70.49</b>	<b>50.82</b>	<b>4.98</b>	<b>-1.54%</b>	<b>5.26%</b>

Numbers are rounded and may not cast correctly  
The Bench uses consistent samples to ensure comparability of data  
Source: The Bench, © 2007 The Bench Limited

The Bench Performance Monitor - Newcastle & Gateshead YTD 2007 v 2006									
2006			2005			Variance			
	Occ (%)	ARR (£)	RevPAR (£)	Occ (%)	ARR (£)	RevPAR (£)	Occ (pts)	ARR (%)	RevPAR (%)
January	62.08%	72.06	44.74	62.85%	68.47	43.03	-0.77	5.24%	3.96%
February	76.36%	74.43	56.84	77.76%	72.04	56.02	-1.40	3.32%	1.46%
March	77.13%	75.39	58.15	74.91%	71.91	53.87	2.22	4.84%	7.94%
April	74.55%	73.61	54.87	76.72%	70.63	54.18	-2.17	4.22%	1.27%
May	77.86%	74.07	57.66	78.78%	70.06	55.19	-0.92	5.72%	4.48%
June	80.15%	74.44	59.66	82.15%	70.29	57.74	-2.01	5.91%	3.32%
<b>YTD</b>	<b>74.63%</b>	<b>74.06</b>	<b>55.27</b>	<b>75.45%</b>	<b>70.60</b>	<b>53.27</b>	<b>-0.82</b>	<b>4.90%</b>	<b>3.77%</b>

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According to a sample of 9 separate hotels, comprising 1,517 rooms, RevPAR for the Newcastle & Gateshead market has risen by 4% during the first six months of 2007. This increase in RevPAR has been driven by a 5% rise in ARR. Occupancy hints at another strong year, but growth in ARR (which is contrary to that shown in 2006 versus 2005) signals maturing of the market, as Newcastle & Gateshead establish themselves as credible leisure and corporate destinations.

The most significant hotels to open in Newcastle & Gateshead have been the Jury's Inn in March 2003; the Hilton and the Tulip Inn in 2004; and the Express by Holiday Inn in August 2005. There have also been additions to branded budget hotel supply in and around Newcastle & Gateshead. These openings have added a large number of bedrooms to the area without significantly impacting on the market's performance. This is most impressive and demonstrates the strength and growing volume of leisure and business visitation to the area.

Once again, there are now a significant number of hotel developments expected to come online during 2008. Travelodge is expected to open a 167-bedroom hotel close to St James Park football stadium. A 180-room Ramada hotel is currently under construction at Newcastle International Airport, and Sleeperz is building a 100-bed hotel near Newcastle Central Train Station. In addition to this, MWB is planning to open a 42-bed Hotel du Vin, converting the former Tyne Tees Shipping Company HQ, to complement the existing Malmaison hotel. Construction is expected to start shortly on a 120-unit Staybridge Suites aparthotel in the city centre. In addition to these developments, there is a large pipeline of hotels planned as part of some of the large mixed-use developments being proposed for the city. There are substantial 4-star hotel development projects proposed for Stephenson Quarter, Gateshead Quays, Gateshead riverside and the former Scottish & Newcastle brewery bottling plant at Gallowgate. Amazingly, there are at least four possible hotels being proposed on sites within a mere half mile of the Baltic Centre and The Sage, in Gateshead.

Although there have been relatively few single asset transactions in Newcastle in the past 18 months, there have been numerous portfolio transactions involving hotel properties in the area. In March last year the Holiday Inn Newcastle City Centre was sold as part of a portfolio of seven hotels that Whitbread acquired from LRG. Also in April last year, RBS purchased a portfolio of 46 Marriott-branded hotels from Whitbread and Marriott, which included both the Newcastle Gateshead Marriott and Newcastle Marriott Gosforth Park. In September 2006, AHG Venice, the buyout vehicle of Richard Balfour Lynn, purchased the De Vere Group, with Slaley Hall in Hexham changing hands as part of the deal, while in October the Menzies Silverlink Park Hotel changed hands when the Menzies Hotel Group was sold to Piccadilly Hotels (R20 and aAIM). The Holiday Inn at Seaton Burn is currently on the market as part of a portfolio of 18 QMH hotels. Similarly the Malmaison may change hands as part of a portfolio deal within the next few months.

Although there are many hotels either planned or actually under development in the Newcastle & Gateshead area, it is extremely unlikely that all will eventuate. However, should three or four of the currently proposed hotels come onto the market in the next two or three years, it is possible that there may be a short-term supply and demand imbalance. It should be noted however that the area's hotel market has proved its resilience in the past and it still ranks as one of the most sought after UK markets for investors and operators.

#### **Notes to Editors**

Christie + Co uses desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by The Bench.

Founded in 1935, **Christie + Co** is the leading firm of surveyors, valuers and agents specialising in the hospitality, leisure, retail and care sectors. Currently employing close to 400 professional and specialist staff, it has 16 offices throughout the UK – with valuation, agency, development and investment teams focused on its key sectors. Christie + Co's international operations are based in Barcelona, Berlin, Frankfurt, Hamburg, Dusseldorf, London, Madrid, Munich, Paris and Marseilles.

**The Bench**, global partner with Smith Travel Research (STR), is a market leader in providing online daily benchmarking data to more than 2,500 hotels in 100 markets worldwide. As the sole provider of an online benchmarking solution offering real time data, The Bench brings accurate hotel performance statistics to the market at an unparalleled speed. With the flexibility and ease of creating an unlimited number of competitive sets, configure reports at will in a multiple of formats and access all information on a 24 hour basis, The Bench users are able to increase their RevPAR penetration and maximize returns by measuring their daily performance against their competitors.

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