Horwath HTL

Hotel, Tourism and Leisure *Celebrated 100 years in 2015*

Special Market Reports

Issue 64 - IRELAND

May 2016

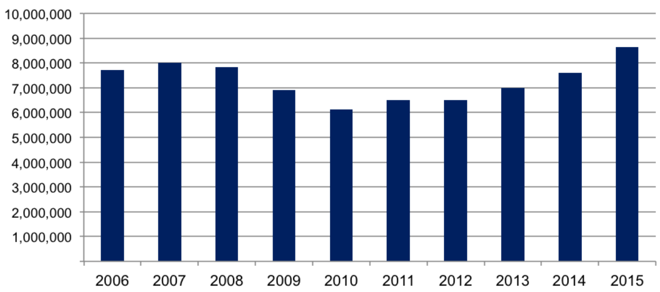
Recovery of the Irish hotel sector

Ireland experienced a stellar tourism performance in 2015 with record numbers of overseas visitors, a 5th consecutive year of RevPAR growth recorded for Dublin hotels and further growth predicted for the sector in 2016. Occupancy levels for hotels in Dublin city centre are now over 80%, which means that there is an immediate requirement for new room supply in the core city-centre market. In this article we will look at the underlying drivers of this recovery and government initiatives which have supported the sector, how Dublin's hotel performance compares to other European cities and the growth projections for the sector.

Tourism is one of Ireland's largest indigenous industries accounting for almost 4% of gross national product (GNP) and supports approximately 224,000 jobs, which is equivalent to 11% of total employment in the country.

2015 was a record for the Irish tourism industry with overseas tourism and domestic tourism generating €7.3 billion for the Irish economy. Overseas visitor numbers, which generates close to 75% of Ireland's total tourism, had a bumper year with almost 8.6m international visitors arriving directly via our airports and sea ports (+14%). Over 90 percent of these visitors stayed for at least 1 night which produced demand for over 61m bed nights, a 12% year-on-year increase.

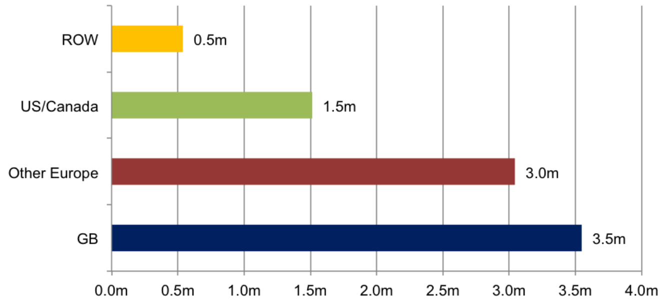
Overseas Visitor Numbers to Ireland



2016 has also got off to a strong start with over 2m visiting Ireland year to date, which is a 16% increase on the same period in 2015. Visitors from North America for this period increased by almost 20% year-on-year and Ireland now welcomes 10% of all American visitors to Europe. Visitors from North America tend to stay longer when visiting Ireland, preferring to stay in hotel accommodation and therefore generate higher average spend per visitor. It is estimated that the North American market generated €1.2bn, or 16% of the total tourism expenditure, which in 2015 which was a 25% increase on the previous year.

Factors such as the advantageous currency trends, positive economic conditions in our key source markets and international campaigns such as the Wild Atlantic Way and The Gathering have strengthened Ireland's brand positioning and supported continued growth in visitor numbers to Ireland. Each of Ireland source markets produced double digit growth in visitor numbers in 2016.

Overseas Visitors to Ireland by Area of Residence - 2015



The government has re-confirmed their commitment to supporting the tourism sector with a range of initiatives including the following:

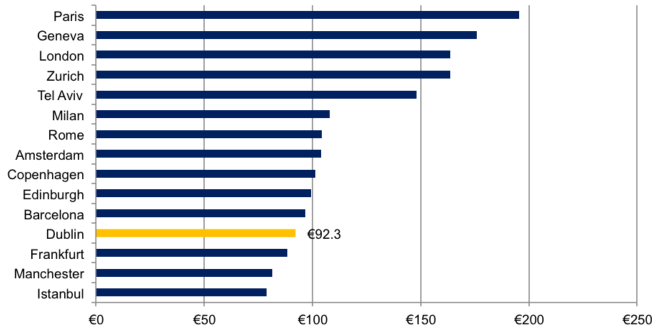
- 0% airport travel tax
- Retention of the 9% tourism VAT rate on hotel accommodation and food
- €100m of capital funding for the Wild Atlantic Way and development of a nationwide greenways network

Plans have also been announced to commence the development of a second runway at Dublin Airport which is expected to be delivered by 2020. This will increase capacity via Dublin airport, which is a key gateway for Irish tourism, and will support sustained growth in air access. In 2015 Dublin Airport recorded passenger numbers of 25m, which was a 15% growth on the previous year. Increasing capacity has been a key objective at Dublin Airport where 22 new routes were added in 2015 and a further 11 routes are planned for 2016.

Improvements in Ireland's domestic economy has also boosted demand and supported the growth in the Irish tourism sector. Ireland is expected to be the fastest growing economy in Europe in 2016 with predicted GDP growth rate of 4.9 percent, this can be compared to the euro zone average of 1.6 percent growth forecast. GDP increased by 7.8% for 2015, which was the fastest pace of growth since 2000. Unemployment rates are under 10% and consumer expenditure show increases of nearly 10%.

The confluence of higher international visitor numbers and increased demand from domestic visitors to Dublin has meant that the Dublin hotel market, as the capital city and gateway to Ireland, has been experiencing strong trading performance. Hotels in Dublin city had occupancy levels of over 80% for 2015 and this level of demand allowed hotels to lift their average room rate by 18% in 2015. Dublin had the highest growth in revenue per available room (RevPAR) in 2015 in Europe, growing by 23.3 per cent and this follows four years of consecutive RevPAR growth. While Dublin tops the leaderboard in terms of annualised RevPAR growth, Dublin's actual RevPAR ranks outside of the top 10 of actual RevPAR achieved by European cities in 2015. This shows that Dublin still represents a good value proposition for international visitors considering a city break in Europe.

Top 15 European Performers by RevPAR (2015, in Euros)



Source: STR Global

Outside of Dublin hotels are seeing an improvement in performance, however not to the same strong levels as the Dublin properties. Regional hotels are benefitting from the uplift in the domestic economy, improved consumer sentiment and an increase in weddings. Tourism Ireland has been marketing regional Ireland under two key brands – the Wild Atlantic Way, which is the world's longest coastal route running along the west coast of Ireland, and Ireland's Ancient East, which is a touring region that includes tourism attractions rich in 5,000 years of heritage and history.

Looking ahead the Tourism Action Plan has a target of 10m visitors to Ireland by 2025 generating €5bn in overseas tourism revenue. These targets appear somewhat conservative considering the growth that has been achieved since the plan was published in early 2015.

Tourism Targets for Ireland	2015	2025	Growth	Annual Growth
Visitors	8.6m	10.0m	+16%	+1.5%
Earnings	€4.2bn	€5.0bn	+19%	+1.7%
Employment	200,000	250,000	+25%	+2.3%

Source: Department of Transport, Tourism and Sport

A real concern now is that the Dublin hotel market will not have the capacity to cater for a further lift in visitor numbers to Ireland. Hotels in Dublin city centre are achieving over 80% occupancy year-round with occupancy levels of over 90% in the high season. There is an immediate need for new hotels today in prime Dublin city location.

In the last 6 years 3 new hotels have opened in Dublin city centre generating an additional 490 rooms, which is a 3% increase in hotel supply in Dublin. There is one new hotel due to open this summer, the Holiday Inn Express, offering 198 bedrooms however a 185-bedroom hotel in Dublin closed earlier this year with the intention to re-develop this site into apartments. Over the next 5 years Dublin needs an additional 30 hotels or 5,000 additional rooms. However, the construction and development sector is slow to ramp up activity with planning and funding of these projects the key hurdles.

Planning has been granted for c.1,500 new hotel rooms via new hotel builds and a further 500 hotel rooms could be introduced as existing hotels take advantage of the uplift in demand and obtain planning for bedroom extensions. Adequate supply to relieve the capacity issues in Dublin is unlikely to be delivered until 2018/2019.

Irish hoteliers are optimistic that 2016 will generate further improvements in trading performance. Many hoteliers were forced to learn the hard lessons of cutting costs and introducing leaner operating systems to maximise profits during the recessionary years of 2008 to 2011 when total sales were falling year-on-year. Ireland is vulnerable to global economic cycles and there is a correlation between global recovery and the performance of the Irish hotel sector. These hotels are now primed to benefit from the uplift in demand and will continue to drive recovery within the Irish hotel sector.

Overall there is a very positive outlook for the Irish hotel sector in the short to medium term with strong inbound activity and a growing domestic economy expected to support further growth. The Dublin market has seen a strong rebound in economic activity with hotels in Dublin city centre experiencing occupancy levels of over 80%, which underlines an immediate need for new hotels in prime Dublin city locations. Hotels outside of Dublin are also seeing an improvement in performance and further growth is forecast for 2016 on the back of a very strong 2015 performance.

WRITTEN BY:

CHRISTINA CONNOLLY
Manager
Horwath HTL Ireland
email: cconnolly@horwathhtl.com

Christina is a Manager at Horwath HTL, Dublin. She specialises in feasibility studies, independent business reviews, property benchmarking, strategic reviews, advising on property disposals, due diligence, financial monitoring and market analysis. Christina also manages the publication of the annual Ireland Hotel Industry Survey, which serves as a benchmarking tool for the Irish hotel sector.

HORWATH HTL IRELAND
Marine House, Clanwilliam Court
Dublin 2
Dublin
Ireland
+353 1 448 2200

www.horwathhtl.com

Horwath HTL™

Hotel, Tourism and Leisure

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ischweder@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
rdewit@horwathhtl.com

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

ABIDJAN, IVORY COAST
cspecht@horwathhtl.com

KIGALI, RWANDA
fmustaff@horwathhtl.com

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BELGRADE, SERBIA
slovreta@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

BERLIN, GERMANY
office.germany@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LIMASSOL, CYPRUS
cmichaelides@horwathhtl.com

LONDON, UK
eheiberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
austria@horwathhtl.com

WARSAW, POLAND
dfutoma@horwathhtl.com

ZAGREB, CROATIA
scizmar@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mschnurle@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
speralta@horwathhtl.com

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
pbreslin@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

MIAMI, USA
acohan@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
pbreslin@horwathhtl.com

TORONTO, CANADA
pgaudet@horwathhtl.com

www.horwathhtl.com