



Welcome

Welcome to our latest Hotel, Tourism and Leisure Sector Review.

As the Irish hotel industry continues to grow, we examine a number of key trends impacting the industry at present. With the Dublin hotel market entering a development phase we discuss the anticipated growth in the select service market segment which is growing in popularity in other major markets. We comment on the application of technology within the hotel sector to enhance the guest experience and improve property management techniques.

Brexit is a hot topic across most sectors of the economy and the hotel sector is no different in that regard. The UK is a major source market for tourism and the impact Brexit will have needs to be carefully monitored as events unfold. Our Hotel, Tourism and Leisure consultants are working closely with clients in identifying Brexit risks and opportunities and devising appropriate strategies around these.

For further information on any of the topics covered in this review, please contact any member of our team.

Naoise Cosgrove
Managing Partner

Hotel, Tourism & Leisure Sector Review Quarter 2, 2017

Current Hotel Topics

While there are many trends worth watching in the hotel industry at present, we have selected the following as three of the most important in the Irish hotel sector.

Select Service Hotels

As Dublin hotel supply increases over the next few years, we expect to see a significant increase in the number of select service hotels. These properties offer a balance of facilities and services based on location and customer base. In Dublin, for example, there is a large base of transient leisure travellers, so a hotel may offer limited food and beverage facilities with guests dining predominantly off-site. Part of the attraction for hoteliers is improved operating efficiencies and a higher profit margin, and while historically this brand type may have had a more budget feel, some newer boutique offerings are competing with upscale properties. Starting with the opening of the Aloft Hotel in 2018, we anticipate that several such properties will come to market in the coming years.

Technology

The ever-adapting world of technology is helping to make hotel operations more efficient. Innovative technology is a boon from both a guest and operations perspective. Guest-relevant technology includes mobile check-in, premium sound systems and seamless connectivity, and we will see these in more and more hotels in Dublin, especially as new developments

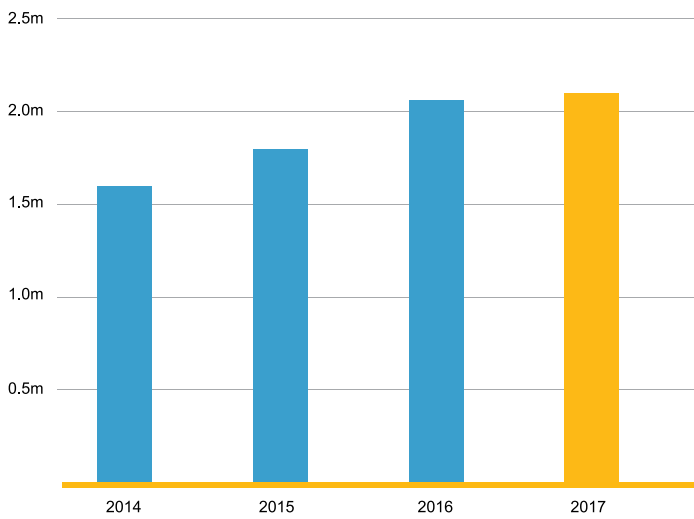
enter the marketplace. While Property Management Systems (PMSs) are now a mainstay of hotels, not all hotels are utilising these to their full potential. Reporting and analytics provide information to help make smarter revenue and cost decisions. Other technologies that are assisting management include scheduling, content management and energy management systems.

Before introducing new technologies, many Irish hoteliers are investing in networks and WiFi. Good, reliable wifi connectivity is a basic requirement for guests. Security is paramount here, particularly as payments become more mobile.

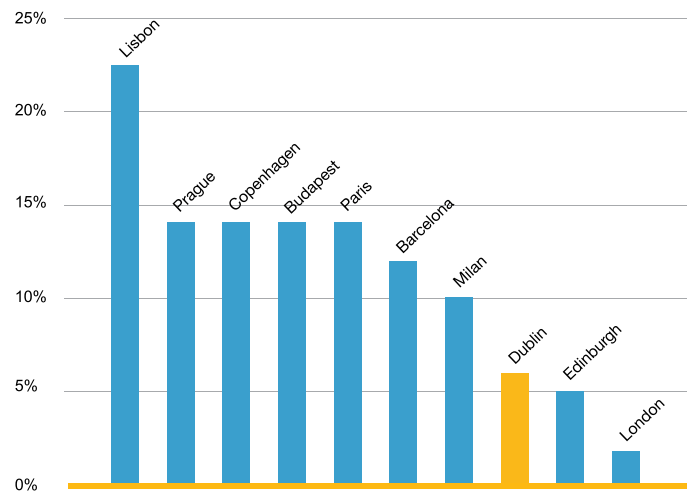
Brexit

Despite remaining a relative unknown Brexit needs to be a part of future planning. A key strategy of Tourism Ireland since 2014 has been market diversification. This can be seen in the increase in visitors from Europe and the US. Tourism Ireland projects that although GB is our largest source of visitors (c. 40% in 2016), Other Europe is the largest financial contributor of tourism revenue, and within the next couple of years the US will take the number two spot. Year-to-date figures from the CSO show that visitors from the UK are down from first-quarter 2016 by 6.5%. The current Pound / euro exchange rates are having an impact on visitors at the moment, particularly in the border counties.

Overseas trips to Ireland (Feb to Apr)



YoY RevPAR Growth, YTD April 2017 (euro)



Tourism Trends

2016 was a record year for Irish tourism with tourist numbers up 11% year-on-year to over 9.5 million visitors. The increase in both international and domestic visitors had a positive impact on the Irish hotel sector, which has performed extremely well with year-on-year improvements in terms of occupancy, ADR and RevPAR in Dublin and other key locations in 2016.

CSO data shows that the number of overseas visits to Ireland for the period February to April 2017 has had an overall increase of 0.1% compared to the same period in 2016.

Visitor numbers from Great Britain have decreased by 10.7% while trips by visitors from Other Europe increased by 2.2%.

North America continues to show growth with an increase of 25.7% on the same period from last year, while trips to Ireland from Other Areas increased by 16.7%.

Market diversification will be important and Ireland's tourism businesses will need to look to other international markets to mitigate any losses from the UK as well as working hard to continue to attract visitors from the UK.

RevPAR in Dublin continues to show growth over the first four months of 2017 (up 6.2%). ADR is the main driver of this growth (up 5.3%). On a national basis, there is a similar growth pattern with RevPAR up 7.6%. Lisbon is one of the top performing markets in Europe, with occupancy growth of 11% and ADR growth of 10%, giving RevPAR growth of 22% over this period.¹

On a regional level both occupancy and average rate have both seen increases in the first quarter of 2017 in comparison to the same period last year. Galway has seen the biggest increase in occupancy (1.6%), with Limerick having the largest increase in rate (10.6%), albeit this has been off a lower base.²

Supply Activity

- Celtic Lodge Hotel, the two-star 29-bedroom hotel, has applied to Dublin City Council to convert the adjacent building at 79/80 Talbot Street into a 44-bedroom hotel with a bar and function room at ground level.
- Paddy McKillen Jnr and Matthew Ryan have applied to Dublin City Council for permission to demolish the existing building located at 7-8 Mount Street and replace it with a newly constructed 53-bedroom boutique hotel, which will extend to c. 35,000 sq. ft. over six storeys and contain a rooftop restaurant on the top floor.
- Gannon Properties has applied to Dublin City Council to construct a new 209-bedroom, seven-storey hotel and 20 apartments at Station Square in Clongriffin in North Dublin City.
- Brown Table Solutions Ltd has lodged an application with Dublin City Council for permission to convert the Loreto Convent Hall building at 77 St Stephen's Green into a 95-bedroom hotel.
- River House, the vacant former motor tax office on Chancery Street near Dublin's Four Courts, may be demolished to make way for an eight-storey, 249-bedroom hotel.
- Dublin City Council has declined a planning application to demolish the Tivoli Theatre, located on Frances Street in the Liberties area, and construct a five-storey, 298-bedroom aparthotel.

¹ STR ² Trending.ie

Transaction Activity

- Mount Wolseley Hotel & Golf Resort in Tullow, Carlow is reportedly sale agreed at close to its guide price of €14.25m.
- Knightsbrook Hotel Spa & Golf Resort in Trim, Co. Meath is currently on sale at a guide price of €18m.
- Connemara Coast Hotel in Furbo, Co. Galway is currently for sale at a guide price of €12m.
- The Hillgrove Hotel in Monaghan has been acquired by hotel group iNua Hospitality. iNua Hospitality purchased the Radisson Blu Athlone in 2016. They also own the Radisson Hotels in Cork and Limerick, Muckcross Park Hotel Killarney and Hibernia Hotel Kilkenny.
- The Abbey Hotel, located on Middle Abbey Street, Dublin 1, has recently been put on the market for sale by private treaty, with offers in excess of €3.5m.

About Us

Established in 1941, Crowe is a leading accountancy and business advisory firm in Ireland. Throughout our 75-year history, we have developed an unrivalled understanding of the Irish business environment and built a national reputation in auditing, tax and business consultancy.

We work with a variety of clients across commercial and public sectors. Our services include Audit & Assurance, Tax, Corporate Insolvency & Recovery, Corporate Finance, Consultancy, and Outsourcing.

We are also independent members of the eighth-largest accountancy network in the world, with colleagues in over 750 offices across 130 countries. Through this global reach we are able to offer clients a seamless service when trading internationally.

Our success is the result of our exceptional client service. Together with our clients, we work to optimise the present and maximise the future, tirelessly exploring all possibilities until we find the right solution. We help clients make smarter decisions today that create lasting value for tomorrow.

Smart decisions. Lasting value.

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