



Hotel, Tourism and Leisure Sector Review

Quarter 1, 2016



Welcome

Welcome to the Quarter 1 2016 issue of our Hotel, Tourism and Leisure Sector Review.

2015 was a stellar year for the Irish tourism industry. Visitor numbers grew to over 8.5m. The recovery of RevPAR continued at pace, with a 5th year of double digit growth in Dublin. 2015 also saw a record year on the transaction front.

The outlook for 2016 remains very favourable: continued recovery in the domestic economy; attractive exchange rates; increased access and positive global economic conditions.

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

Naoise Cosgrove
Managing Partner | Advisory

Trends in the International Tourism Industry

We recently published a review of the 10 global trends which will influence both demand in the tourism sector and changing supply.

Key forces which will shape future demand levels included:

- **The Silver Hair Tourists:** An increasing global population and longer life expectancy means that it is expected that the global population over the age of 60 is expected to rise from 12% in 2013 to 21% in 2050. (In Ireland 13% of the population are over 65 years and this is projected to grow to 24% by 2030). This segment require tailor-made services and generally prefer to deal with travel agents and tour operators who can guarantee comfort and life experiences.
- **The Millennials:** The Y and Z Generation is the most rapidly growing segment and are expected to represent 50% of all travellers by 2025. Unlike the older generation, these are tech savvy travellers who prefer to do their research and booking online. Hotels need to provide a high quality digital offering which promotes customer connection, interaction and emotional experience.
- **Technological Evolution & Digital Channels:** aligned to the Y and Z Gen markets, hotels need to embrace the

change in how tourists search, explore and book travel. Online travel intermediaries (OTAs) currently stand at 25% of total travel sales and it is expected there will be further consolidation of OTAs similar to the mergers of Expedia, Trivago, Hotels.com and HomeAway.

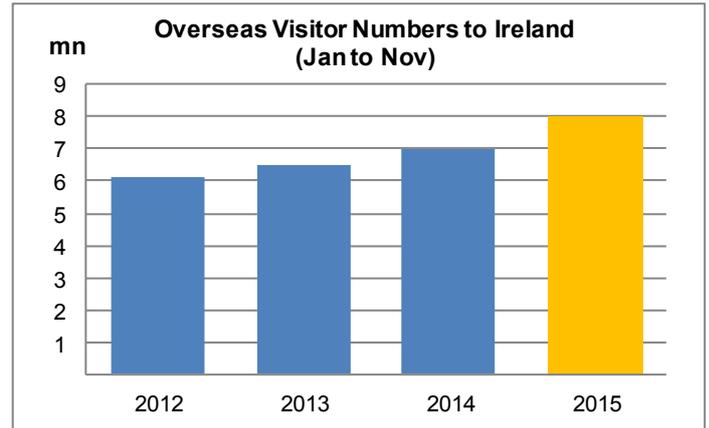
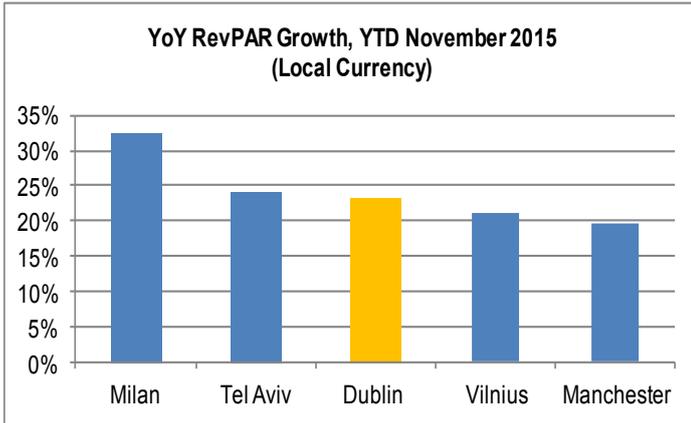
- **Emerging markets and destinations:** the Asia-Pacific region is expected to drive significant increases in demand. New markets in the Asia Pacific area are exploiting their tourism potential to attract international visitors.
- **Innovative lifestyle brands:** Hotel chains are introducing innovative lifestyle brands to target younger travellers, who want a greater link between hotel offerings and their everyday life.

While the emphasis of the report is on the need for tourism companies to adapt their offering so as to benefit from increasing demand levels, it also notes that political issues and terrorism events can have a direct negative impact on tourism.

To read the full report on Tourism Megatrends go to the news section of our website www.crowehorwath.ie. Our specialist consultants are available to provide strategic business planning advice around the issues raised in the report.

Inside This Issue:

- Trends in the International Tourism Industry
- General Domestic Tourism Trends
- Transactional Activity



Tourism Trends

2015 has seen improvements in hotel performance across all regions with increases in both occupancy and ADR resulting in year-on-year RevPAR growth.

Hotel RevPAR Trends 2015	
Dublin	↑
Cork	↑
Galway	↑
Limerick	↑
Regional	↑

A combination of the strengthening domestic economy, advantageous currency conditions and improved air access has driven higher levels of demand for hotel rooms. 2015 will be a record year for overseas tourism to Ireland, with international visitor numbers exceeding 8.5m and generating estimated revenue of €5.4bn for Ireland.

Dublin is benefitting from the high levels of demand. The city recorded a 5th consecutive year of double digit RevPAR growth (23%) in 2015, which has been largely driven by increasing ADR as occupancy for the city sits at over 80%.

Hoteliers are optimistic for 2016 with a recent survey showing 92% of hoteliers anticipate further upturn in 2016. The current capacity constraints in Dublin and the limited supply being introduced within the next 2 years will create an opportunity for yielding higher room rates. However, there is a cautionary note in relation to protecting the perception of value-for-money and remaining competitive in an international context.

Supply Activity

A number of new hotel projects have been announced in recent months to include:

- The new 198-bed Holiday Inn Express hotel at Findlater House on O'Connell Street is due to open by summer 2016
- Ronan Group Real Estate has announced plans to build 4 new hotels around Dublin. This includes a 70-bed boutique hotel at the Bewleys building on Grafton Street, 167-bed hotel adjacent to Tara Street station, re-development of the 200-bed Enniskerry Park Hotel and a new hotel in Delgany, Wicklow
- Tetrarch have submitted a planning application for a 158-bed hotel in Dublin 1, by converting an existing

building behind the former Clerys store

- BAM Property plan to commence construction on a 202-bed hotel at the Blackpitts site in Dublin 8, while a 97-bed hotel is planned for Iveagh Markets

Transaction Activity

The accelerated pace of transaction activity has continued in Q4 with a number of sales completed or agreed. An overview of some of the larger transactions include:

- Dalata Hotel Group acquired the 3-star Tara Towers Hotel in Dublin for €13.2m and plans to invest a further €4.5m for refurbishment works to convert the hotel to a 4-star property.
- Tifco Hotel Group has acquired the 4-star Hilton Hotel Kilmainham and will continue to operate the property under the Hilton franchise.
- The 4-star 158-bedroom Clarion Hotel Limerick is offered for sale at a guide price in excess of €3.5m.
- The Marriott International acquisition of Starwood should create the largest international hotel company.