



## Welcome

**Welcome to the Quarter 1 2018 issue of our Hotel, Tourism and Leisure Sector Review.**

After a record year in 2017, we assess international tourism demand for Ireland with a particular focus on long-haul demand and air capacity. We also assess the impact of Brexit and the UK market.

We examine the pressure on payroll levels as a result of the increase in minimum wage from January, as well as other factors including the additional bedroom supply entering the market and low unemployment levels.

We also look at hotel trading performance in the capital and regionally and provide an update on the supply and transactional market.

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

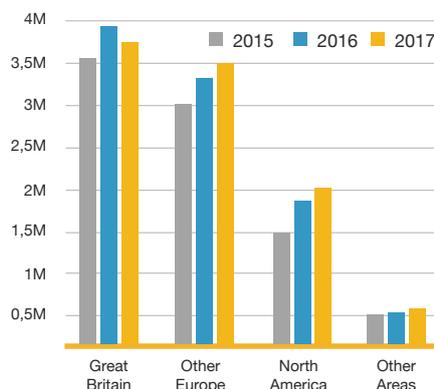
## Quarter 1, 2018

### International Demand

One of the key drivers for the hospitality business in Ireland over the past number of years has been the growth in international demand. 2017 was our best year yet, with 9.93m overseas visitors to Ireland up 3.6% on 2016.

The indicators remain positive for 2018 and further growth is anticipated. However, it is important that hotels (and the sector as a whole) understands its customer geographical base so it can ensure as wide a diversification as possible. This is particularly relevant as UK visitor numbers decreased by 5% in the past year due to Brexit and the weakness of Sterling. We provide a breakdown of those individual geographical markets from 2015-2017.

**Visitor Trends 2015 v 2017 (Q1 - Q3)**



Source: CSO

North American visitors have been on an upward trend, with an increase of 16% in 2017 (294k visitors). The North American market has witnessed 12.3% compounded annual growth rate from 2010 to 2017 resulting in a doubling of visitor numbers (+125%) since 2010.

Last year Aer Lingus announced new flights to Dublin from Seattle and Philadelphia, Air Canada now provide services between Toronto and Shannon and between Montreal and Dublin.

This increase in capacity should support the continued growth of the North American market, which is one of Ireland's most valuable overseas markets as these visitors tend to stay longer and travel more widely around the island.

Closer to home, the Mainland Europe markets are performing well with an overall increase of 5.5% in 2017. Visitors from France, Germany and Italy have increased 3.3%, 4.5% and 5.5% respectively. Germany is one of the world's largest outbound travel markets and the third most important source of visitors to the island of Ireland (after UK and US). The expectation is that German visitor figures in 2018 will surpass those of 2017.

China is the world's largest outbound travel market and one of the fastest-growing. By 2020, it is expected that 235m Chinese tourists will spend €400bn across the globe. Europe is a market that the Chinese middle class are increasingly travelling to, and Tourism Ireland have actively been promoting Ireland and Northern Ireland to China. Irish visa offices continue to highlight the British-Irish Visa Scheme, which enables leisure and business travellers from China to visit Ireland and the UK on a single visa. Fáilte Ireland have been working with hotels to 'get China Ready'. The welcomed announcement of a new flight service from Hong Kong direct to Dublin by Cathay Pacific should support growth of this developing market.



Brexit creates uncertainty in relation to the performance of the UK market. The continued devaluation of Sterling will impact Ireland's competitiveness as a destination for UK visitors. Individual hotels need to assess the risks to their business and respond to the changes they are currently experiencing and plan for the future. Crowe Horwath has developed a Brexit Readiness Check in conjunction with Fáilte Ireland which is designed to help prioritise areas to be addressed and define a Brexit response plan. For any further information on the Brexit Readiness Check please contact [Clodagh O'Brien](#).

## Air Access

Passenger numbers across Dublin, Shannon and Cork airports have been increasing in the last number of years. In 2017, Dublin Airport welcomed over 29.6m passengers, a 6% increase on the previous year (over 1.8m additional passengers).

According to the daa, Dublin Airports short-haul traffic increased 4% to 25.3m passengers and long-haul traffic increased 19% to 4.3m. Dublin Airport's transatlantic traffic has increased by 67% in the past five years. Dublin is now the fifth-largest airport in Europe for North American connectivity after Heathrow, Paris, Frankfurt and Amsterdam. The continued expansion of airline services will be key to increasing international visitor numbers to Ireland.



## Countdown to GDPR

With the May 25 enforcement deadline for the GDPR looming closer, it is imperative that hotels upgrade their data protection processes, or they face the risk of severe financial penalties. Hotels should consider the following 5 steps to prepare for GDPR:

**Step 1** – Data mapping

**Step 2** – IT and security assessment

**Step 3** – Update GDPR policies and appoint data protection officer

**Step 4** – Implementation of new GDPR policies

**Step 5** – Ongoing compliance and monitoring

[Find out more](#) about how the GDPR team at Crowe Horwath can help hoteliers and hospitality businesses devise and implement a plan to ensure compliance in advance of the deadline.

## Wage Pressure

The hotel sector has maintained cost control in recent years, following adjustments in the aftermath of the financial crisis. However, payroll costs are now increasing, owing in part to the minimum wage increase to €9.55 per hour effective 1 January 2018. This, coupled with an increasing skills shortage in the hospitality sector, particularly in the area of chefs / culinary, may add to the cost base.

With unemployment levels as low as c. 6% at the end of 2017, hotels and tourism businesses are competing with other sectors for high-quality staff. Important factors in retaining and attracting staff will be adaptable working conditions and flexibility. As a growing industry, it will become increasingly important to promote the sector as a career of choice.

An industry-led National Commis Chef Apprenticeship Programme was recently launched to provide a two-year formal education and training programme to help promote professional chef careers within the industry. This is one initiative being rolled out as a result of recommendations made by the National Oversight and Advisory Group to address the skills needs of the hospitality sector.

## Hotel Development

2018 will see a number of new additions to the Dublin hotel market - the largest change in supply in the last 10 years. The following is a selection of new hotels and extensions due to open this year.

Hotel	Location	Rooms	Type
Aloft by Marriott	Liberties, Dublin 8	202	New Hotel
Clayton Hotel	Charlemont, Dublin 2	180	New Hotel
Clayton Hotel	Dublin Airport	141	Extension
Hilton Garden Inn	Custom House Quay, Dublin 1	85	Extension
Iveagh Garden Hotel	Harcourt Street, Dublin 2	152	New Hotel
Maldron Hotel	Kevin Street, Dublin 8	138	New Hotel
Premier Inn	Dublin Airport	58	Extension
The Devlin	Ranelagh, Dublin 6	41	New Hotel
Trinity City Hotel	Pearse Street, Dublin 2	66	Extension

- In the regions, we expect new bedroom supply will be in the form of extensions.
- In Cork, a partially complete hotel at Beasley Street will deliver more than 230 bedrooms this year when it opens as a Maldron. The 4-star Kingsley Hotel has received planning for an additional 63 bedrooms.
- In Galway, the Maldron Sandy Road is undergoing an extension to deliver 20 new bedrooms, while construction is underway at the Park House Hotel for an additional 15 bedrooms. A number of other projects are in the pipeline as the city prepares for Galway2020 when it will be the European Capital of Culture.
- The Cahernane Hotel in Kerry is completing a €6m renovation which will include 22 new bedrooms.
- As hotels continue to trade profitably, we expect to see a number of hotels reinvest in their facilities.

## Hotel Investment

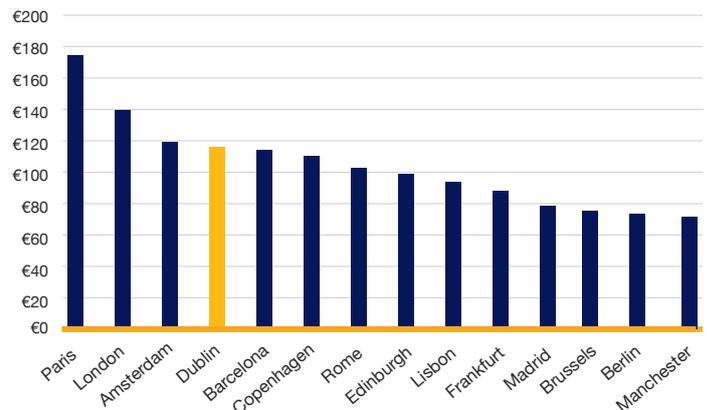
Hotel investment in Ireland had a notably slower year in 2017 than 2016, with c. €600m transacting compared with €850m in 2016 and €1bn in 2015.

- Q4 2017 saw significant transactions complete, such as:
  - The purchase of Carton House Hotel by Irish American businessman John Mullen for €57m.
  - The Gibson Hotel was purchased by Deka Bank for c.€90m.
  - The Radisson Blu in Galway sold for c. €50m to the MHL Group and has been rebranded The Galmont.
- The McWilliam Park Hotel in Claremorris, Co. Mayo was brought to market in Q4 2017. The 103-bedroom hotel was guiding €9m, which would equate to a price per room of c. €87,000.
- Knightsbrook Hotel Spa & Golf Resort in Trim, Co. Meath was sold to a group of Irish private investors for €19.5m, €1.5m more than the guide price.

## Trading Activity

STR data for Dublin shows continued RevPAR growth across Europe. YTD December 2017 occupancy in Dublin was 83%, just under Edinburgh at 83.7%, but above London at 81.7% and Amsterdam at 81.5%.

December YTD 2017 European RevPAR



On a regional level, results from Trending.ie show continued growth in trading performance across Cork, Galway and Limerick.

City	Occupancy	ARR	RevPar
Cork	79.8%	€96.99	€77.35
Limerick	72.1%	€76.03	€54.82
Galway	76.8%	€104.38	€80.15

## 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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