



Welcome

Welcome to the Quarter 2 2018 issue of our Hotel, Tourism and Leisure Sector Review.

In this issue we consider the Irish Tourism Industry Confederation (ITIC) strategic plan for the tourism industry, which sets out a roadmap for growth to 2025. We examine the overall objectives of the plan and the key enabling factors required to achieve the targets.

In our last issue we assessed international tourism demand for Ireland, with a particular focus on long-haul demand. We now evaluate the importance of the domestic market for the Irish hospitality sector.

We also provide an update on some of the development projects and transactions in the 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 2, 2018

Tourism: An Industry Strategy for Growth to 2025

Irish Tourism Industry Confederation (ITIC) recently published Tourism: An Industry Strategy for Growth to 2025, which sets out ambitious goals and objectives for Irish inbound tourism to 2025. The main goals of this strategy are illustrated in the

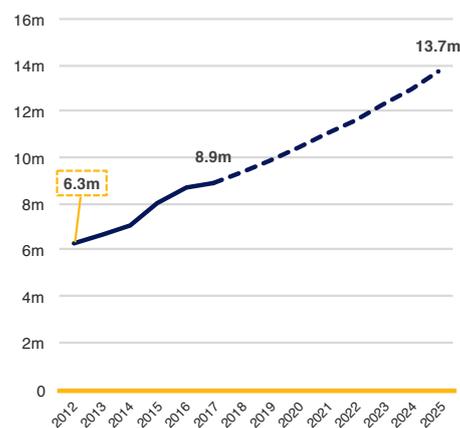
	2017	2018	Growth
International visitors to Ireland	8.9m	13.7m	+54%
Value of sector	€4.9bn	€8.1bn	+65%
Employment	230,000	310,000	+35%
Exchequer receipts	€1.13bn	€1.86bn	+65%
Hotel bedrooms			+11,000

According to the UNWTO World Tourism Barometer, global international tourist arrivals grew by an average of 7% per annum to reach a total of 1.3bn travellers in 2017. While Northern Europe is a more mature market, international tourist arrivals still grew by 5%. UNWTO is predicting that international visitors to Europe will grow by an average of 3.5%-4.5% per annum to 2030.

Ireland is seen as a very attractive destination and has seen growth in visitor numbers by 7.2% per annum over the last 5 years. ITIC's goal for 2025 is based on more moderate annual growth of 5.5%, which does not look unreasonable. It will be important that source markets continue to diversify with the most buoyant markets expected to be in the Asia-Pacific region.

The strategy identifies the need to increase Ireland's air and ferry capacity by 40% and develop 11,000 additional bedrooms nationally by 2025 to accommodate the projected visitors.

Overseas visitors to Ireland



The report recommends that Fáilte Ireland monitor the hotel stock annually, comparing current and projected demand, to ensure that the market is in sync. Bedrooms are already becoming a constraining factor in Dublin and while a number of projects are in the pipeline, appropriate policies are needed to stimulate construction activities. Additional infrastructure will also be needed with facilities such as restaurants and visitor attractions.

ITIC's key pillars for tourism success

- **Competitiveness:** Competitiveness is a key ingredient for sustainable tourism growth.
- **Exchequer capital investment in Irish tourism:** Within the 10-year national development plan tourism has been allocated €300m up to 2027 which is half of what ITIC have recommended should be invested over the next decade.
- **Managing the challenge of Brexit:** As the single biggest potential challenge to the tourism sector in Ireland, it is important that a Common Travel Area between Ireland the UK is protected which would include the safeguarding of the all-Ireland marketing strategy and the harmonisation of regulatory standards North and South.
- **Delivering a better regional and seasonal spread of tourism:** While every county in Ireland benefits from tourism, pro-tourism policies should be felt more strongly in regions which currently have higher seasonality enabling a more spread year-round business where possible.
- **Getting marketing right – selling Ireland to the world:** Promoting and effectively marketing Ireland as a tourism destination is vital to achieving the projected growth.
- **A balanced portfolio of tourism markets:** While the UK is still Ireland's largest single source market, the growth in Other Europe and the North American markets over the last number of years provides Ireland with the potential for a more balanced portfolio of source markets. The UK will still remain a key market, but diversification of our tourist base should minimise risk during downturns and shifts in overseas visitors.

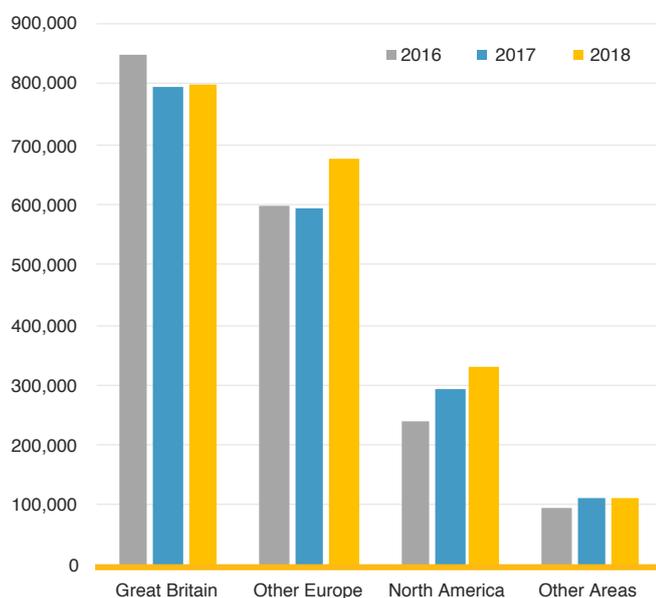
Tourism trends

International demand continues to grow with CSO data showing the number of overseas visits to Ireland in the first three months of the year increasing 7% to 1.92m visitors when compared with the same period in 2017.

The greatest increase was from Other Europe, up 13.8% over the quarter. The continued strength in international demand bodes well for Ireland, particularly if it continues into the peak summer months.

We expect to see additional growth from emerging markets as air access from Asia continues to increase. In March, Chinese airline Hainan Airlines announced that they will begin direct flights between Beijing and Dublin from June, and Cathay Pacific have also announced a direct route between Hong Kong and Dublin. These new routes open Ireland up to an array of new markets.

Overseas travel – January to March 2018



Source: CSO

Domestic tourism

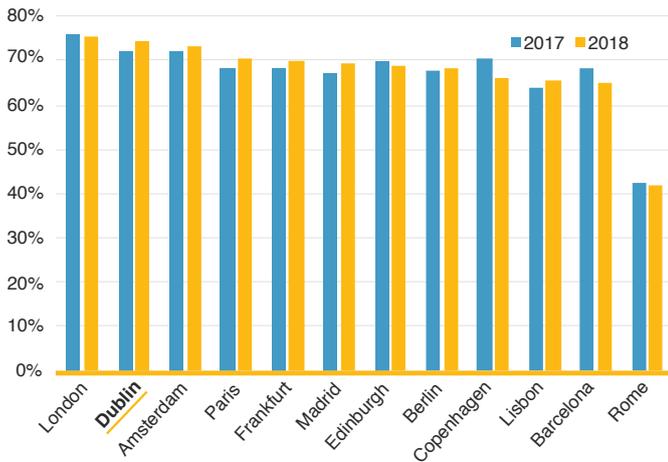
The domestic economy remains vitally important to the Irish tourism sector. Information from the Central Statistics Office reveals that domestic trips have increased steadily from 8.2m in 2012 to 9.6m in 2017, a 16.1% increase. Total expenditure on domestic trips in 2017 amounted to €1.9bn – an increase of 24% since 2012. A total of €1.1bn of this was accounted for by domestic holidays, while those visiting friends or relatives spent €353m in 2017.

The domestic market generated 25.5m bednights across all accommodation types in 2017, which is a similar level to 2016. The hotel sector benefited from 7.2m domestic bednights in 2017, representing growth of 1% on 2016. The low growth in domestic bednights may be attributed to a range of factors, including affordability (due to the rise in accommodation prices) and the increase in demand for other short-term rental accommodation options.

Domestic guests are an important source market for hotels, particularly in regional locations. For that reason, it is essential that hotels seek to maintain the growth in domestic demand by focusing on competitive pricing, quality service and attractive off-season packages.

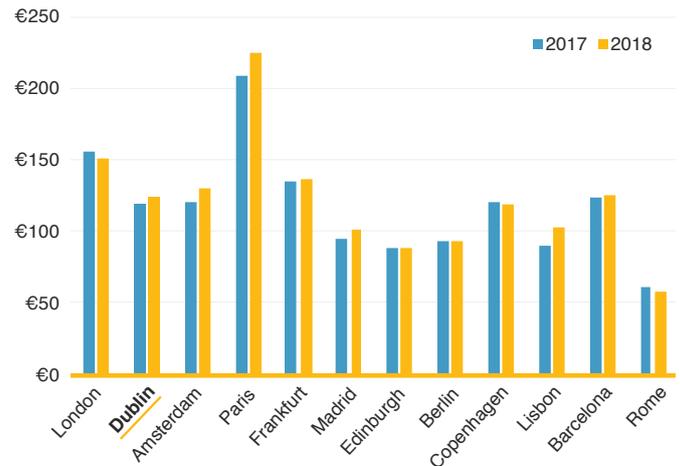


Occupancy Q1 2018



Source: STR Global

ADR Q1 2018



Source: STR Global

Hotel performance

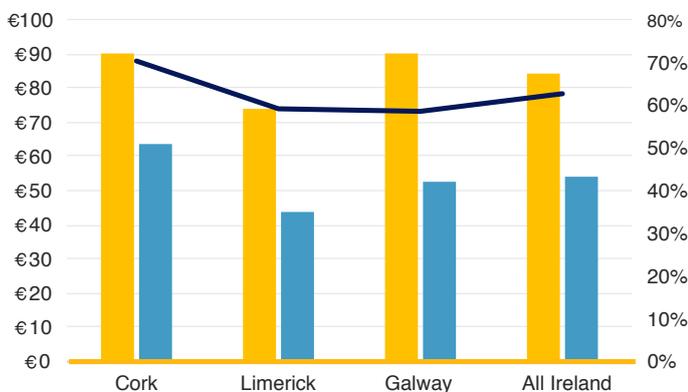
Dublin

Hotel performance in Dublin continues to show strength as seen in the tables above for Q1 2018. Average Daily Rate (ADR) in Dublin increased by 4.6% in Q1 over the same period in 2017 to c. €124, while occupancy increased by 2.2 percentage points to 74.2%. RevPAR for Q1 grew by 7.8% to €91.94.

Dublin continues to perform well in a European context, which is important as the city competes with other European cities for the short-break and conference markets. While occupancy in Dublin remains among the highest in Europe, Dublin's ADR is on a par with Amsterdam, Copenhagen and Barcelona. It is important that Dublin remains competitive when compared with other markets.

Regional

According to Trending.ie regional hotels have performed well in the first three months of the year in comparison to 2017.



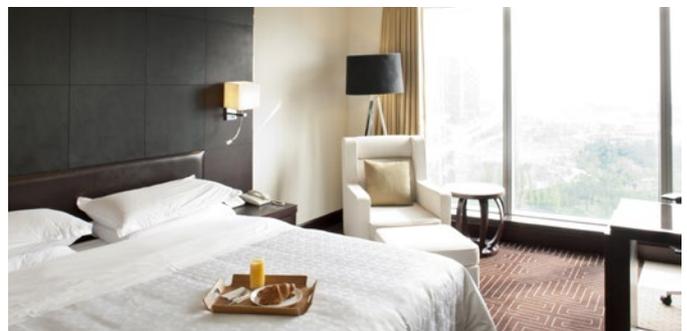
Source: Trending

Legend: ADR (Yellow), RevPAR (Blue), Occupancy (Blue Line)

- Limerick had RevPAR growth of 13%, followed by Cork which saw RevPAR growth of 11% and Galway which had RevPAR growth of 5%.

- Limerick RevPAR growth was generated from ADR increasing 10% to €74.10 and occupancy increasing 2% to 59%.
- Cork witnessed a 7% increase in ADR to €90.44 and a 2% increase in occupancy to 70%.
- RevPAR growth for Galway was driven by an increase in ADR of 7% to €89.78. However, occupancy decreased 2% in the same period to 58%.

Supply activity



- The Iveagh Garden opened in February, adding 152 bedrooms to the Dublin market.
- The Maldron Hotel Kevin Street in Dublin, comprising 138 bedrooms, is due to open in July 2018. It will be the seventh Maldron hotel in the Dublin market.
- The former motor tax office on Chancery Lane in Dublin 8 has received planning permission from An Bord Pleanála for a 249-bedroom hotel. The hotel is to be operated under the Hampton by Hilton brand.
- The backers of the Tivoli Theatre have recently received approval for a major urban regeneration project on Francis Street which will include a 260-bedroom aparthotel, restaurant units, a gymnasium, a shop as well as a theatre and performance art venue.
- Cork City Council gave the green light to the expansion and refurbishment of the Metropole Hotel. The plans also involve the construction of a new 'M Hotel' on the quay – fronting site of the former PJ O'Hea garage.

Investment activity

- The Tifco Group is currently being offered for sale by existing shareholders including Goldman Sachs.
- The Hilton Hotel Dublin Airport is currently on the market for €22.5m. The four-star hotel is located 8km from Dublin Airport and includes 166 bedrooms.
- The 5-star Heritage Hotel & Spa in Killenard, Co. Laois is on the market for €9m. The 98-bedroom hotel includes conference and banqueting space for over 400 delegates.
- The Radisson Hotel in Sligo was purchased by iNua. The recent acquisition brings their portfolio to seven hotels encompassing 743 bedrooms.
- A portfolio of hotel and guesthouse accommodation has sold for over €7.5m. The properties are located on Gardiner Street Lower. The portfolio included Maple House and adjoining Othello Guesthouse, the Glen Guesthouse and Avondale House. The accommodation combined comprised 96 bedrooms.
- The former St. Mary's Carmelite seminary located on Bloomfield Avenue in Donnybrook, Dublin 4 sold to a hotel group for c. €16m.
- A Galway city centre site with planning permission for a 134-bedroom hotel has recently been acquired by Press Up Entertainment for €4.5m.
- Other transactions over Q1 included the sale of the Citywest Hotel to Tetrarch and the sale of the Hilton Garden Inn by Amaris as part of the disposal of its overall portfolio.



GDPR deadline

With only weeks away to the 25 May GDPR deadline, find out about how the GDPR team at Crowe can help hoteliers and hospitality businesses devise and implement a plan to ensure compliance with the Regulation.

Quick links to a number of recent GDPR web posts:



[Top 10 frequently asked questions about GDPR](#)



[The impact of GDPR on the hotel sector](#)



[Implications of GDPR for marketing](#)



[10 Practical steps to get compliant with GDPR](#)

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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