



Welcome

Welcome to the first issue of our Hotel, Tourism and Leisure Sector Review for 2019.

The tourism industry finished on a high for 2018 with a record number of international travellers visiting Ireland. Equally, the hotel sector had a record year with growth in RevPAR in the capital and regionally during 2018. The outlook for 2019 remains encouraging, with positive domestic and international economic indicators, albeit with potential risks from Brexit, the threat of global trade wars and rising costs.

As we enter 2019 the landscape in the Dublin hotel sector is set to evolve as new supply enters the market. A number of new brands are expected to come on stream, which is a welcome addition and should further boost Dublin's appeal as a destination for domestic and overseas tourists.

We provide an update on the supply and transactional market. We also highlight some key considerations for existing and future hotel owners in relation to hotel branding. 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, 2019

Branding

The Dublin hotel market saw the addition of over 1,100 new bedrooms, or a 5.7% increase in room capacity, during 2018. This marks the largest annual increase in supply in the Dublin market in over 10 years. Much of this new supply in the city last year was branded. This includes new hotel additions for Dalata's Clayton and Maldron brands as well as extensions to Hilton Garden Inn and Premier Inn hotels.

A number of new brands have announced that they will enter the Dublin market, including the upscale lifestyle brands Aloft by Marriott, Moxy and Hyatt Centric. Other new entrants include Motel One, which is a budget lifestyle hotel, Hampton by Hilton, Hard Rock Hotel, Easy Hotel and Premier Inn's first city centre hotel.

A variety of brands across various segments are seeking opportunities in Dublin. These include 25hours, Ace Hotel, Citizen M, Hoxton, Mama Shelter, Soho House, Tune Hotels and Qbic Hotels. In addition, aparthotel brands such as the Dutch brand Zoku, Adagio by IHG and Wilde by Irish group StayCity, are seeking appropriate sites.

With this wave of new brands entering the Dublin market, new and existing hotels may consider adopting a recognised brand. A common question we are asked by owners and developers is whether they should take on a brand, and if so, what brand. A related question is whether the brand owner should manage the property.

These are not straightforward questions to answer and involve an analysis of the attributes of the particular property. Brands come at a cost, both direct and indirect. Therefore it is vital that a return

on investment appraisal is completed at the outset to identify the potential volume of customers which will be attracted by the brand, the potential premium that the brand will command and the overall competitive positioning of the property. Because a brand is a long-term commitment, picking the right branding solution is critical to the long-term success of a project.

With such a plethora of brands looking to locate in Dublin, at Crowe we can advise on the optimal operating and branding approach to best suit the needs and requirements of your hotel project.

U2 visitor centre

The long-planned U2 visitor centre in Dublin's Docklands has been given the green light. The visitor and exhibition space will be located at Grand Canal Quay and will house and display a range of the band's memorabilia from their long-spanning career. The visitor centre is expected to attract 390,000 U2 fans annually.

VAT rate

The rate of VAT for the hospitality sector increased from 9% to 13.5% on 1 January 2019. The VAT increase will impact rooms revenue and also food outlets such as restaurants, bars and cafes. Regional hotels, with a heavy reliance on food revenue, are expected to feel the greatest impact from the VAT hike.

Following the increase, Ireland has the sixth-highest VAT rate for hotel accommodation in Europe.

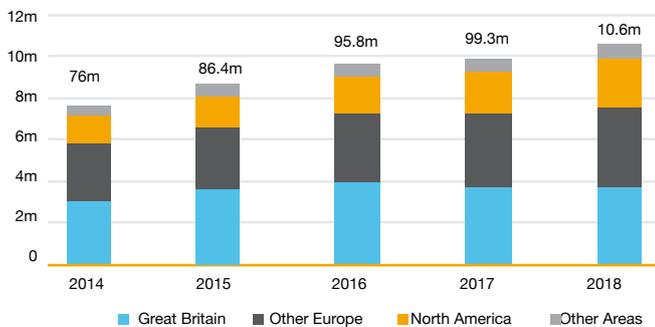
Tourism trends

Overseas

CSO data shows the number of overseas visits to Ireland reached a record 10.6m trips during 2018, an increase of 6.9% on the previous year.

- Visitor numbers from Great Britain increased marginally, up 0.8% over the year to 3.76m visitors.
- The largest increase was from the North American market, up 13% to 2.38m visitors.
- Other Europe increased 9% over the year, to 3.81m visitors, making it the largest source market and surpassing the UK for the first time.
- Other Areas were up 7% to 0.66m, benefiting from an increase in air routes to and from Ireland.

Overseas visitor trends



Source: CSO

Passenger numbers at Dublin Airport reached a record high of 31.5m passengers, a notable 6% increase year-on-year. 2018 was the eighth year in a row that passenger numbers have grown in the airport.

In November, Tourism Ireland and Fáilte Ireland launched their respective marketing plans for 2019. Tourism Ireland has announced it will increase its spending by €10m in 2019, to €45m, and will launch its first new global advertising campaign in seven years to help attract more overseas visitors to the island of Ireland. The organisation is targeting record numbers again this year and aims to grow overseas tourism revenue by 6% to €6.5bn across the island of Ireland.

Fáilte Ireland's 2019 plan focuses on growing the tourism industry in a sustainable way for visitors, industry, communities and the environment by focusing on developing the regions and extending the tourist season. Fáilte Ireland has a number of funding mechanisms available to support businesses and we would strongly recommend that tourism businesses seek out available supports to assist in their growth.

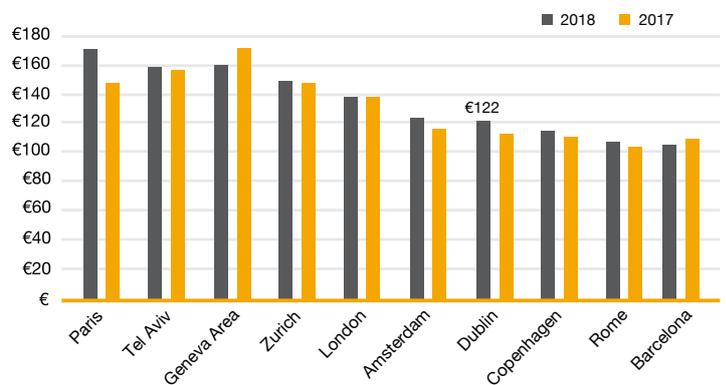
With all of the efforts emanating from Tourism Ireland and Fáilte Ireland it is imperative that hospitality and tourism businesses ensure they remain competitive and offer quality products and services.

Hotel performance

Results released from the STR European Hotel Review show that Dublin hotels continued to grow RevPAR in 2018. RevPAR for the full year grew 7% to €122, compared with €114 in 2017. Dublin's RevPAR now ranks seventh-highest in Europe ahead of major competing cities like Copenhagen, Rome, Barcelona, Lisbon and Edinburgh.

According to the report, Dublin's Average Daily Rate (ADR) reached €145, an increase of €9 (+6.4%) over the year. Occupancy increased by 0.5 percentage points to 83.8% for 2018 and stands at the highest occupancy rate among major European cities.

European RevPAR year end

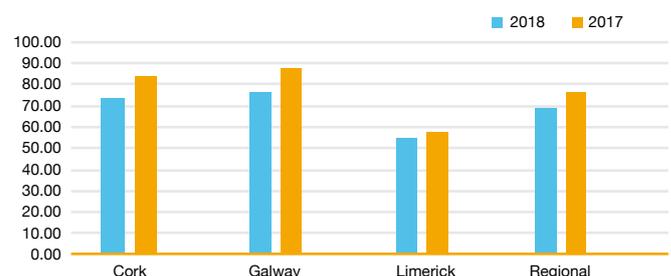


Source: STR

Regionally, hotels continued to perform well during 2018. According to Trending.ie, All Ireland (which includes Cork, Limerick, Galway, Dublin, Waterford and Kilkenny) has seen growth in occupancy of 0.65 percentage points to 77.2% and growth in ADR of 10% to €97.44.

- Cork and Galway have seen double-digit RevPAR growth of 14% and 12% respectively in 2018.
- In Cork, occupancy grew marginally by 0.8 percentage points to 80.3% while ADR increased 12% to €104.29 over the year.
- The Galway market is somewhat different: occupancy has remained static at 80% and ADR has grown 12% to €110.19 for the year. Galway's ADR is 6% ahead of Cork, driven by strong leisure demand.
- Limerick witnessed a marginal decrease in occupancy from 72% to 71%. However, ADR grew by 5% during the year.

RevPAR year end



Source: Trending

Supply activity

- A total of c.1,100 bedrooms opened during 2018. New openings included the 137-bedroom Maldron Kevin Street, which opened in July, and the 189-bedroom Clayton Hotel Charlemont, which opened in November. The Devlin Hotel located in Ranelagh, which has 40 bedrooms, a ground floor bar and restaurant as well as rooftop bar and restaurant, opened in November. The 152-bedroom Iveagh Garden Hotel on Harcourt Street opened in April.
- Fitzwilliam Real Estate Properties has received planning permission for a nine-storey 257-bedroom hotel beside Arnott's department store in Dublin city centre. The proposed hotel will be adjacent to their 365-bedroom Motel One Hotel.
- According to STR, as of November 2018 there are 3,696 rooms under construction in Dublin. They expect 2,682 to open by the end of 2019.
- Fáilte Ireland has released *An Analysis of Tourism Accommodation*, which highlights the need for more hotel beds in Cork, Galway and Kilkenny. The report projects 934 new rooms to open in Cork within the next five years, 600 of which are projected in the next 18 months. The report projects that there will be 490 new rooms in Galway by the end of 2022, while in Kilkenny the projections are more modest, at 40 new rooms.

Transaction activity

- Hotel transactions in Ireland reached over €730m during 2018.
- Key sales during the year include Project Trident (Tifco portfolio) comprising 19 hotels and two development sites, which was acquired by Apollo for a reported €400m.
- Two large sales during the year were the sale of the Hilton Garden Inn to Israeli-backed LRC Group for an estimated €100m and the sale of Citywest Hotel to Tetrarch for a reported €70m.
- A Singapore investor group has acquired the five-star Sheen Falls Lodge in Kenmare, Co. Kerry for €17m, achieving a price per room of €250,000.
- Barnacles Hostels in Dublin and Galway have sold for more than €12m. Barnacles Temple Bar with 171 bed spaces sold for in excess of €8m while Barnacles Galway with 112 bed spaces sold for in excess of €4m.
- Isaacs Hostel in Dublin 1 sold in December for €9.7m. The hostel has 290 bed spaces and is located near Busaras and Connolly Station.
- iNua Hotel Group have recently announced the purchase of Tullamore Court Hotel, adding to their existing portfolio of seven hotels.
- The five-star Conrad Hotel has recently been brought to the market, guiding at €115m. The hotel underwent an extensive refurbishment over the last two years. It is anticipated that the 192-bedroom hotel will generate strong interest. This will make it the third five-star hotel brought to the open market within a year. The K Club and Druids Glen are also actively on the market.
- The Kildare House Hotel is on the market for €1.1m. The boutique hotel has 21 rooms with a ground floor bar and restaurant.

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.

Smart decisions. Lasting value.

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