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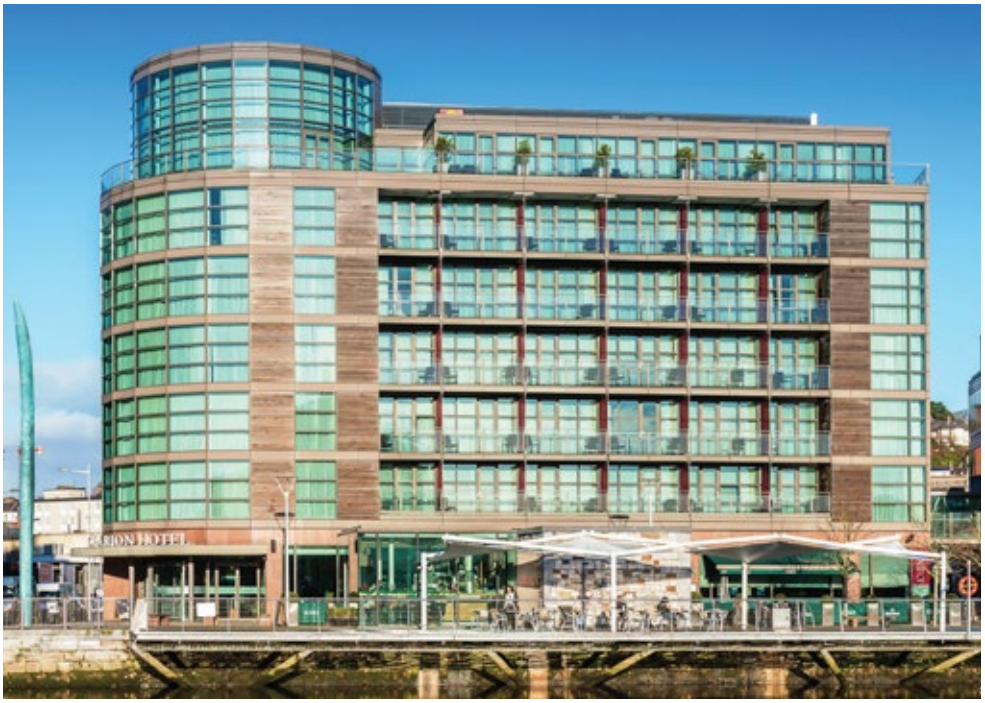
Savills World Research
Ireland Hotels & Leisure

Hotels & Leisure Market in Minutes Q1 2016

Castlemartyr Resort, Co. Cork - Sold Q3 2015

Economic Overview

Ireland's economy continues to outperform with the latest national accounts indicating GDP growth of 7% in the year to September. This momentum persisted in Q4 with monthly indicators such as employment, income tax receipts, VAT returns and retail sales all strongly positive. Consequently, Ireland is on track to have been the fastest growing EU economy in 2015. Looking ahead, the economic outlook remains very positive. Ireland's key trading partners - America and the UK - are performing solidly and there are signs that growth is also picking up in the larger EU economies. At the same time, the extension of the ECB's quantitative easing programme should ensure that interest rates remain low and that the Euro remains at a competitive level well into 2017. Combined with lower oil prices and modest tax cuts at home, this will underpin both international and domestic demand for hotel services.



Clarion Hotel Cork - Sold Q4 2015

Reflecting the positive international landscape, overseas arrivals for the period Jan–Nov 2015 rose to almost 8m - a 14% year-on-year increase. This represents an increase of almost one million trips compared with the same period in 2014. Reflecting the proximity of the UK market and the favourable Sterling exchange rate, more than two fifths of visitors originated from Great Britain, with just under one fifth coming from the USA and Canada.

On the domestic front a combination of strong jobs creation and reduced personal taxation have led to a sharp recovery in household disposable incomes. These factors have also driven consumer sentiment to its highest level in ten years and this is feeding through to an increased demand for hotel services from Irish guests. Reflecting this, total domestic trips increased by 3.8% in the 12 months to Q3 2015, while estimated expenditure rose by 6.2%.

TABLE 1

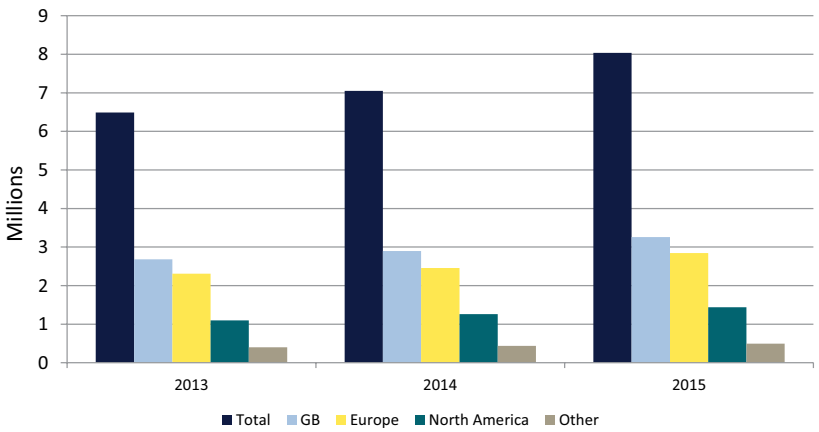
Macro-Economic Dashboard

Indicator	% Change Y/Y
Unemployment	-13.3
Real Domestic Demand	10.2
Real Household Disposable Incomes	8.6
Real GDP	7.0
Real GNP	3.2
Real Personal Consumption Expenditure	3.6
Full Time Employment	3.8
Real GNP	5.3
Full Time Employment	3.8

Sources: CSO, Dept. of Finance.

FIGURE 1

Total Trips to Ireland and Origin of Visitors



Sources: CSO, Dept. of Finance.

Hotel Market Transactions

Savills estimates that hotel transactions in Ireland exceeded the €1bn mark for the first time in 2015. This figure was mainly driven by over 60 single asset sales with a combined value of in excess €650m. The balance comes from the 11 Irish hotels in the Moran Bewleys and Jurys Inn Groups, which were acquired by Dalata Plc and Lone Star respectively in early 2015.

Dalata also emerged as the purchaser of the freehold of the Clarion Hotel Cork for €35m, which is leased to and operated by the Choice Hotel Group. Other recent high profile sales included the purchase of the Dawson Hotel (including Sam's Bar and the former Dawson Brasserie) for in excess of €17m by one of Ireland's most acquisitive hotel groups, Tetrarch Capital. The 5 star Castlemartyr Resort & Spa, Co. Cork sold to UK hotel owners and iNua Hospitality completed its 4th hotel purchase with the Hibernian Hotel in Kilkenny.

Entering 2016, over 15 hotels are Sale Agreed, with total transaction values of over €70m. These hotels include the Tara Towers in Dublin 4, Clarion Hotel Limerick (freehold), Clarion Hotel Sligo, Diamond Coast Hotel in Enniscrone, Co. Sligo, Lough Rynn Castle, Co. Leitrim and Kilronan Castle Co. Roscommon. These will contribute to an active first quarter 2016 for transactions, as will a number of high profile hotels due to be launched in the coming weeks.

Loan sales were a major feature of the property market in 2015 and are in addition to the €1bn+ of hotel asset sales which completed in the year. The major vendors of loan portfolios, which included significant hotel assets, were Lloyds Bank (BOSI), NAMA and Ulster Bank. These loan sales subsequently resulted in some hotels coming to the market as asset sales, such as the Radisson Athlone in late 2015. Secondary sales from these loan books will have a strong influence on the number of hotel transactions in 2016, as many of the traditional institutions which were highly active vendors over the past three years exit the market.

TABLE 2

Notable Irish Hotel Transactions – 2nd Half 2015

Hotel	Status	Rooms	Approx. Price / Guide	Room Price €000's	Buyer Nationality
Ballsbridge & Clyde Court Hotels*	Sold Q3 2015	585	€180m	308	Middle Eastern
Clarion Hotel Cork City*	Sold Q4 2015	191	€35m	184	Irish
Fitzwilliam Hotel Belfast	Sold Q3 2015	130	€23m	177	Irish
The Dawson Hotel, Dublin 2*	Sold Q3 2015	36	€17m	n/a	Irish
Castlemartyr Resort & Spa, Co Cork*	Sold Q3 2015	103	€16m	155	UK
Grafton Capital Hotel, Dublin 2	Sold Q3 2014	74	€12m	162	Irish
Lough Erne, Enniskillen	Sold Q3 2015	120	€10m	84	US
Kilkenny Hibernian Hotel	Sold Q3 2015	46	€7m	152	Irish
Heritage Hotel, Portlaoise*	Sold Q3 2015	110	€3m	27	Irish
Kinnitty Castle Hotel, Offaly*	Sold Q3 2015	37	€2.5m	68	US

*Savills advised on the transaction

Lough Rynn Castle, Co. Leitrim - Sale Agreed Q4 2015

Irish Hotel Performance

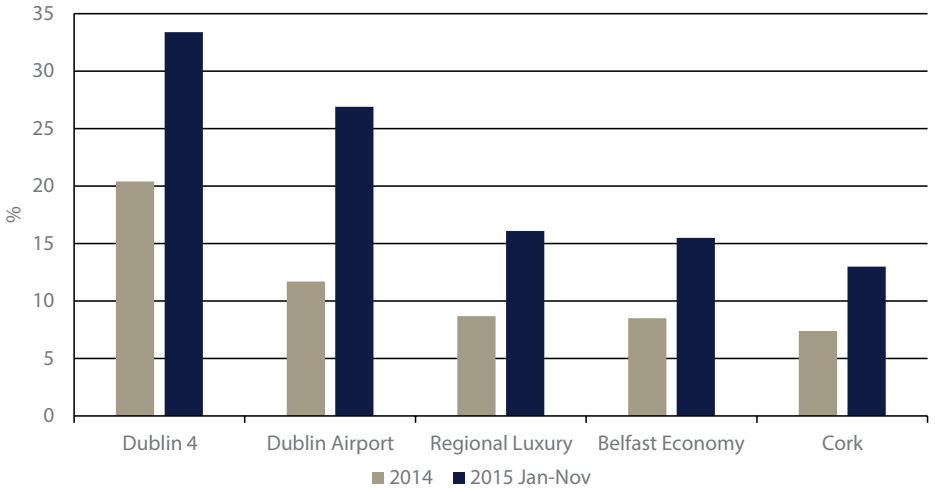
Dublin had another strong year of trade recovery in 2015. STR reported that Dublin occupancy was projected to reach 82% for the full year of 2015. While this is one of the highest occupancy percentages in Europe, it is much lower than the Ryanair monthly load factor which was over 90% since March 2015. The current/next phase of growth in Dublin hotel statistics will be driven by higher Average Daily Rates (ADR), which remain low by European/Global standards (STR forecasted €111 for Dublin). RevPAR was forecast to grow by over 21% in 2015, the strongest increase since the recovery began in late 2010.

In the eleven months to November 2015, RevPAR growth for hotels at the key Irish gateway of Dublin airport grew by 27% compared with 2014. This was among the highest growth rates in Ireland, only surpassed by hotels in Dublin 4, up 33%. For the first time in this recovery, good double digit RevPAR growth was achieved outside of Dublin, with the Regional Luxury performance driven by both ADR and occupancy growth.

Led by Dublin, the hotel market is now moving beyond recovery and into a period of sustainable growth. With overseas visitors up over 14% in the eleven months to November, the sector is benefiting from an upturn in tourism from all key markets – UK, US and Continental Europe.

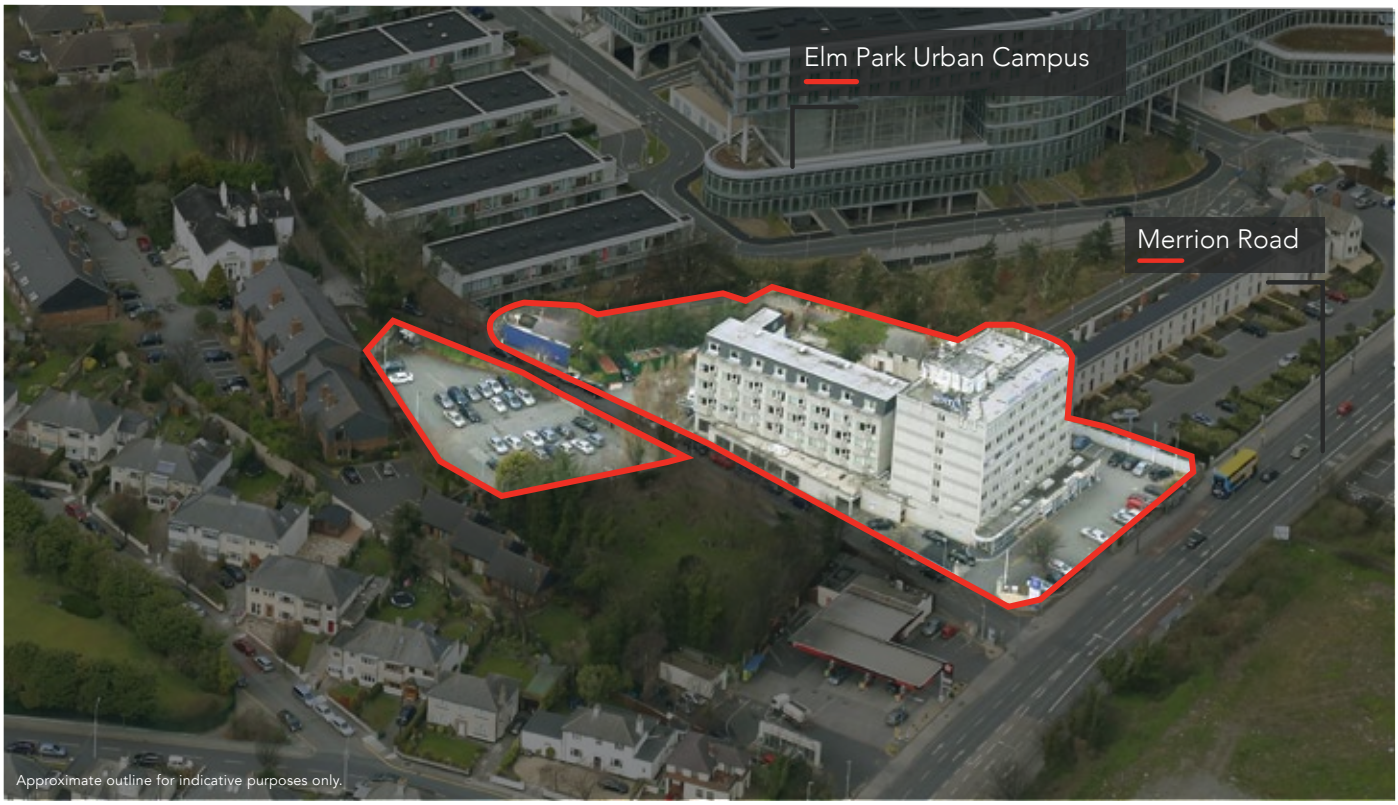
FIGURE 2

RevPAR Growth 2014 & November YTD 2015



Source: STR

Project Trinity - Ballsbridge & Clyde Court Hotels - Sold Q3 2015



Tara Towers, Dublin 4 - Sale Agreed Q4 2015

Hotel Development

The Irish hotel market, consisting of approximately 800 hotels and 56,000 bedrooms, has moved from widespread oversupply to requiring additional bedrooms in some locations. Supply is particularly an issue in Dublin which currently accounts for around one third of the Irish hotel stock. Dublin hotels are achieving high occupancy rates, which is leading to more positive pricing. The Irish Tourism Industry Confederation (ITIC) estimated that Dublin required 30 new hotels or 5,000 bedrooms by 2020 to accommodate the expected growth in visitor numbers.

A number of hotel development sites in Dublin have been granted planning permission and, if all of these proceed, we could see a 20% lift in Dublin hotel bedroom supply. This new supply could meet the majority of the ITIC's forecast demand.

In our opinion, the most likely areas for successful new hotels in Dublin are the Docklands (north & south), areas adjacent to O'Connell St, Christchurch and The Liberties and finally Dublin Airport. These areas benefit from site availability, less competition from office and residential use and strong underlying demand from nearby attractions such as The Convention Centre Dublin, dockland office developments and the Guinness Storehouse.

FIGURE 3

Potential New Hotel Bedrooms by Key Dublin Locations

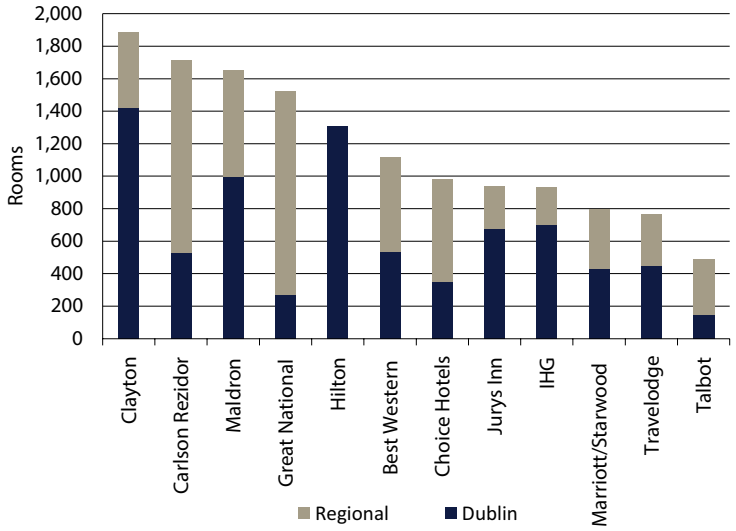
Source: Savills

Hotel Brands in Ireland

- Over 25% of hotel bedrooms in the Republic of Ireland are now branded.
- Of the hotel brands in Figure 4, 57% of the bedrooms are located in Dublin. Clayton (19%), Hilton (18%) and Maldron (13%) account for 50% of these hotel bedrooms.
- Outside of Dublin, Carlson Rezidor (21%) and Great National (21%) are the largest brands by number of bedrooms.
- With the pending merger of Marriott and Starwood, this new group will have four hotels in Ireland – two from each brand group.

FIGURE 4

Key Hotel Brands in the Republic of Ireland



Source: Savills

Clarion Hotel Sligo - Sale Agreed Q4 2015

Kilronan Castle, Co. Roscommon - Sale Agreed Q4 2015

Clarion Hotel Limerick - Sale Agreed Q4 2015

Dawson Hotel, Dublin 2 - Sold Q3 2015

Diamond Coast Hotel, Co. Sligo - Sale Agreed Q4 2015

OUTLOOK

The introduction of the 9% VAT rate for the tourism sector in July 2011 had a positive impact on hotel performance and contributed to the creation of around 30,000 jobs in the industry – more than one fifth of all new jobs generated in Ireland over this period. The retention of this measure in Budget 2016 will continue to support the industry, particularly in the regions. Tourism is a vital industry and accounts for over 4% of GNP in Ireland.

The hotel industry has now moved beyond what was a recovery into a period of stabilised growth. With global macro-economic factors likely to remain supportive and with the benefits of the recovery finally beginning to reach the domestic consumer, occupier demand for hotel services should remain robust through the remainder of 2016. This will underpin operating performance and facilitate further transactional activity in hotel and leisure assets. In saying this, 2015 is likely to have been a peak year for hotel trades. As the deleveraging process runs its course an increasing number of properties are finding their way into the hands of their long-term owners. Therefore, while there will continue to be some re-trades of assets bought early in the cycle, the market will gradually return to more normalised trading between traditional hotel operators and owners.

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