

Irish Hotels Market in Minutes

June 2014

Economic Conditions and Tourism Performance

Ireland's economy is firmly established on a path to recovery. GNP expanded by 3.4% in 2013, with stronger growth of 4.6% recorded in the second half of the year. Internationally, we are also seeing economic recovery in Ireland's main trading partners. While US GDP declined by 1% in Q1 2014, as a result of severe weather, it is widely expected that the US economy will return to strong growth in the coming quarters. The underlying strength of the US economy can be seen in the continued decline in unemployment, falling to 6.3% in April.

Overall, the improved economic backdrop is beginning to feed through to both domestic and foreign tourism activity. The number of domestic trips by Irish residents increased in 2013 for the first time since 2008 with expenditures up by 2.1% in 2013. The number of overseas trips to Ireland by non-residents also continues to rise.

Visitor numbers have increased by 13.8% since 2010, with around half of this growth occurring in the last year. While the UK remains Ireland's largest market, providing 42% of all visitors, the US and Canada are driving the increase in visitor numbers with 25% growth since 2010. Influenced in part by *The Gathering*, 1.16m US and Canadian visitors came to Ireland in 2013, the highest figure ever recorded. Moreover, we are also seeing a significant increase in the number of German tourists visiting Ireland, up 14.2% in the last three years.

This resurgence in tourism activity is driving the demand for hotel services in Dublin. Occupancy rates have risen in each year since 2010 and reflecting this, revenue per available room (RevPAR) increased in each successive year since 2011. This is all feeding through to significant employment creation in the sector with 14,000 jobs added in the year to Q1 2014 (+11.4%). ■

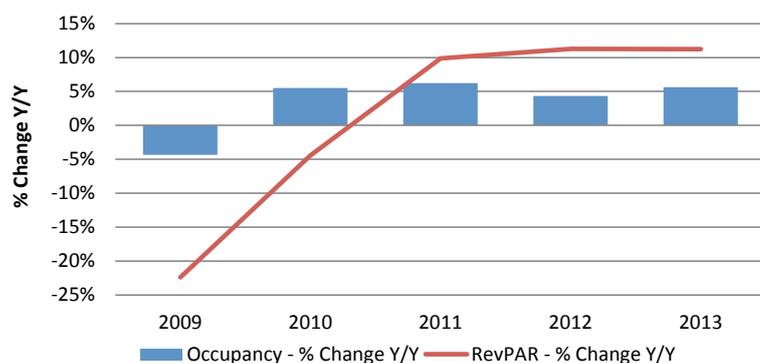
Hotel Development and Refurbishment

There has been relatively little hotel development in recent years, with the exception of the 252 bedroom Gibson (2010) and the 187 bedroom Marker (2013), both in Dublin City. However, improved trading conditions have led to renewed interest in hotel development in Dublin. This represents a positive trend. Currently, there are a number of planned developments which could see an increase in bedroom stock.

In Dublin, planning has been granted for a 3 star 198 bedroom hotel conversion of Findlater House on O'Connell Street. Planning has also been granted for a 143 bedroom hotel on Camden Street. A first step into the Irish market for Tune Hotels is delayed as planning was refused for 170 bedrooms in the former Ormonde Hotel on Dublin's Quays. Similarly, initial permission for 130 bedrooms in the former Irish Lights building on Pembroke Street was refused by An Bord Pleanála. Aside from new developments, a number of existing hotels in Dublin have planning for additional bedrooms. These include the Merrion Hotel (20 suites), The Gresham (23) and the Grafton Capital Hotel (45). As a result, Savills estimate that there is potentially in excess of 1,000 additional bedrooms planned for Dublin City Centre. Dalata Plc have also stated that they intend to develop new hotels in Dublin.

Outside Dublin, there is development activity in Cork with the Kingsley Hotel due to reopen this July under the ownership of the Kang Family. The Beasley Street Hotel Development, with frontage onto Parnell Place and South Mall, is expected to provide a 120 bedroom 4 star hotel on an infill city centre site. ■

GRAPH 1
Percentage Change in Occupancy and RevPAR - Dublin



Source: STR Global

→ Hotel Transaction Market

Following an active year in 2013, the Irish hotel transaction market has continued to perform strongly. Hotels to the value of €115m have been sold in the first five months of the year with a further €107m worth of hotels sale agreed. Hotels currently on the market have an approximate value of €105m. In addition, the market looks set to release further hotels in the coming weeks and months. As a result, Savills expects the value and volume of hotel transactions in 2014 to be well in excess of last year's total of €200m (35 hotels).

There is currently a mix of domestic and overseas buyers chasing hotel opportunities in the Irish market. This includes both investors from outside of the hotel industry and career hoteliers. The latter are motivated by the opportunities arising from increasing tourist numbers, improving trading conditions and buying at below cost. Some buyers see value in buying loss-making properties with significant turnaround potential. ■

TABLE 1
Notable Hotel Deals – 2014

Hotel	No. of Rooms	Status	Price (approx.)	Buyer	Qtr 2014
Hilton Hotel, Dublin 2*	193	Sold	€30m	US	Q1
Clarion Hotel, Dublin Airport*	247	Sold	€15m	Irish	Q1
Doonbeg Lodge, Clare	8 suites & golf	Sold	€12m	US	Q1
Radisson Blu Hotel & Spa, Cork*	126	Sold	€9m	Irish	Q1
Rivercourt Hotel, Kilkenny	90	Sold	€9m	Irish	Q2
Oriel House Hotel, Cork*	78	Sold	€8m	Irish	Q2
Kingsley Hotel, Cork*	131	Sold	€7m	Chinese	Q1
Portmarnock, Co Dublin*	138	Sale Agreed	€30m	N/A	Q2
Maldron Hotel, Parnell Square, Dublin 1* (Investment Sale)	126	Sale Agreed	€15m	Irish	Q2
Pearse Hotel, Dublin 2	101	Sale Agreed	€13m	Irish	Q2
Charleville Park Hotel, Cork*	91	Sale Agreed	€4m	Irish	Q2
Metro Hotel, Dublin 9*	88	Under Offer	€5m	N/A	Q2
Westin Hotel, Dublin 2 (Investment Sale)	163	On the Market	€60m	N/A	Q2
The Heritage, Killenard, Co. Laois	98	On the Market	€6m	N/A	Q2
Mount Juliet, Kilkenny	83	Sale Agreed	€10m+	N/A	Q2

Source: Savills *Advised by Savills

2014 OUTLOOK

The outlook for the second half of 2014 is positive. At the macroeconomic level, further growth in GNP and employment numbers is expected to support a continued recovery in domestic tourism. In addition, very low base interest rates should see the Euro, which has fallen significantly in recent months, continue to weaken against sterling and the dollar. This should help to underpin demand from non-euro area tourists coming to Ireland.

As a result of the improved trading environment, transactional activity in the hotels market is expected to be well up on 2013 with more hotels coming to market in the coming weeks and months. We expect NAMA and Ulster Bank to be active in this respect and it is likely that a similar strong mix of buyers will remain in the market.

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