

## Outlook 2014

The macro-economic outlook for 2014 is considerably brighter than it was at this time last year. Significant progress has been made in restructuring Ireland's sovereign debt and bringing the fiscal deficit under control. This has cemented Ireland's reputation as a place to do business and has opened up access to new capital opportunities. Led by a rebounding labour market and a recovery in the global economy, Ireland emerged from recession in mid-2013. This recovery is now well established and, according to the latest forecasts, the economy is likely to expand by around 2.1% this year and a further 2.6% in 2015.

The more upbeat macro-economic context is likely to have positive implications both for trading performance in the hotel industry and for the transactional market in hotel assets.

Key trends for 2014 include:

- A strong transactional market with broadly based demand from international and local buyers
- Further stock coming for sale – in addition to a number of properties already on the market, NAMA and Foreign Banks are expected to release more assets for sale throughout 2014
- Continuing improvement in trading conditions with good growth levels expected across all the major cities. Regional locations will benefit from improved local demand and increased tourism from overseas
- Visitor numbers to Ireland will continue to increase, driven by a recovering global economy and the continuation of successful marketing campaigns by Tourism Ireland
- Continuation of public policy support - Extension of the 9% VAT rate and abolition of the travel tax from April 2014 will help to underpin demand for hospitality services. Meanwhile continuation of the CGT exemption for the remainder of 2014 will underpin demand in the transactional market
- New / additional flight routes were added by both Aer Lingus and Ryanair for 2014, with the latter targeting a 1m increase in passenger numbers
- Capacity on Aer Lingus' transatlantic routes is expected to increase by 24% in 2014. United Airlines, Emirates and Etihad have all announced the introduction of additional flights this year

## Savills Hotels

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# Market in Minutes

## Irish hotel market

February 2014



Source: The Raddison Blu Hotel, Cork

### Hotels Market 2013

Driven by an improving domestic economy and a 6% increase in tourist numbers, 2013 was a positive year for the Irish hotels market. Around €200m of hotel transactions took place during the year. Savills was at the forefront of this activity and was involved in almost 80% of hotel deals that took place in the €5m+ category.

Notable deals in Dublin included; The Trinity Capital Hotel (€35m), The Clarion Hotel IFSC (€33m), The Hilton Hotel, Dublin (€30m) and The Clarion Hotel Dublin Airport (€15m).

Outside Dublin, there was a high level of activity in Cork with six hotels sold / sale agreed last year. The River Lee Hotel was sold by Savills early in the year for €25m, while the high profile Fota Island

Resort sold for over €20m. The Radisson Blu, Little Island and The Kingsley Hotel were also sold by Savills for in excess of €9m and €6m respectively. Elsewhere in the provinces the Rivercourt Hotel in Kilkenny is sale agreed for €9m, while two well-known Limerick hotels were also brought to the market in 2013; Jurys Inn sold for €2m while the Radisson Blu, Limerick remains on the market.

This strong level of activity is set to continue in 2014. A number of properties have already been put up for sale, and NAMA has recently announced its intention to bring further hotel assets to the market this year. Properties recently launched include Oriel House Hotel and Blarney Hotel & Golf Resort, both in Cork, with asking prices of €6m and

€2.5m respectively. The Charleville Park Hotel in Cork was also launched recently with an asking price of €3.75m. In Dublin, The Westin Hotel and Portmarnock Hotel & Golf Links are expected on the market shortly.

An interesting feature of the market during 2013 was the restructuring and / or sale of Irish hotel debt. Notable loan deals during the year include the sale of the former Ritz Carlton Powerscourt loans to Brehon Capital, the sale of Bank of Ireland and IBRC's debt on the Shelbourne Hotel to Kennedy Wilson, and the sale of the Moran Group's senior debt with Ulster Bank and Lloyds to Canyon Capital, a Californian Hedge Fund. ■

TABLE 1  
**Notable Hotel Deals**

Hotel	Date	Rooms	Status	Price (approx.)	Buyer
Burlington Hotel, Dublin 4	Q4 2012	501	Sold	€67m	US
Trinity Capital Hotel, Dublin 2	Q3 2013	195	Sold	€35m	US / Irish
Clarion Hotel IFSC, Dublin 1*	Q4 2013	165	Sold	€33m	UK / Irish
River Lee Hotel, Cork*	Q1 2013	182	Sold	€25m	Irish
The Morrison, Dublin 1	Q2 2012	138	Sold	€22m	Russian
Jurys Inn Parnell St, Dublin 1*	Q1 2013	253	Sold	€21m	Irish
Fota Island Resort, Cork	Q3 2013	131	Sold	€20m	Chinese
Ashford Castle, Mayo*	Q2 2013	83	Sold	€20m	South African
Clarion Hotel, Dublin Airport*	Q1 2014	247	Sold	€15m	Irish
Doonbeg Golf Resort, Clare	Q1 2014	N/A	Sold	€15m	US
Parknasilla Resort, Kerry*	Q4 2012	83	Sold	€11m	Swiss
Radisson Blu Hotel & Spa, Cork*	Q1 2014	126	Sold	€9m	Irish
Kingsley Hotel, Cork*	Q1 2014	131	Sold	€7m	Chinese
Sheen Falls, Kerry*	Q1 2013	66	Sold	€5m	UK
Citywest Hotel, Dublin*	Q4 2013	774	Sale Agreed	€30m	International
Hilton Hotel, Dublin 2*	Q4 2013	193	Sale Agreed	€30m	US
River Court Hotel, Kilkenny	Q1 2014	90	Sale Agreed	€9m	Irish
Shelbourne Hotel, Dublin	Q1 2014	265	Sold (loan)	€111m	US
Ritz Carlton, Powerscourt	Q2 2013	200	Sold (loan)	N/A	Swiss

\* Sold / Sale Agreed by Savills

Source: Savills

## Hotel Transactional Market 2013

### Buyers

Both international and domestic buyers continue to show strong interest in Irish hotel assets. International buyers are mainly focused on prime city centre hotels and trophy assets in regional locations. Meanwhile domestic buyers are more focused on regional stock. It was positive to see a number of repeat buyers in the market during 2013. Examples include; The Kang Family (Fota Island and Kingsley Hotel), Red Carnation Hotels (Ashford Castle and Lisloughrey Lodge), Dovas Group (Glenlo Abbey, Trinity Capital Hotel and Hilton Hotel, Dublin) and Brehon Capital (Marker Hotel and Ritz Carlton Powerscourt). The Trump Organisation recently acquired Doonbeg Golf Resort, Co. Clare. ■

### Capital Expenditure

Reflecting strong confidence in the sector, many hotels that sold since 2012 are now undergoing extensive refurbishments. Following its sale to a Russian buyer, the Morrison Hotel underwent a €7m Capital Expenditure programme. The Double Tree Hotel on Dublin's Burlington Road is currently being transformed at a cost of €16m, while a €20m refurbishment programme is also underway at Ashford Castle in Mayo. Meanwhile capital investment is also expected on the Trinity Capital Hotel, the Clarion Hotel IFSC, Fota Island, The Kingsley Hotel, Sheen Falls and the Clarion Hotel at Dublin Airport, which is now the Maldron Hotel Dublin Airport. ■

### Bank Lending

AIB and Bank of Ireland are now actively involved in the hotel sector again. Both banks are demonstrating a willingness to lend to domestic and international buyers of hotel assets, support refinancing and provide working capital for existing hotel operators – ranging from high-profile Dublin hotels to regional, locally managed businesses. In recent months, Ulster Bank has also provided debt to fund hotel acquisitions. ■

## Tourism Performance 2013

The number of foreign residents visiting Ireland reached its highest level for six years in 2013. The UK remains our largest market with some 2.9m trips made to Ireland by GB residents last year - 42% of all visits to Ireland. Year-on-year this represents a 5.6% increase on the 2012 total. Interestingly, UK visitor numbers rose particularly sharply in the latter part of 2013 with a 12.5% year-on-year increase in the October – December period. This

reflects an accelerating rate of GDP growth in the UK as Britain's economic recovery, which began in 2012, has become more strongly embedded.

Our other largest tourism market – the US & Canada – performed even better, with visitor numbers up almost 14% in the year. A significant factor in this was The Gathering which proved to be a big success and helped to boost tourism exports by 17.9% year-on-year in Q3 2013.

As with the UK, a strong performance by the US economy throughout 2013 has also contributed to an increased number of American tourists coming to Ireland.

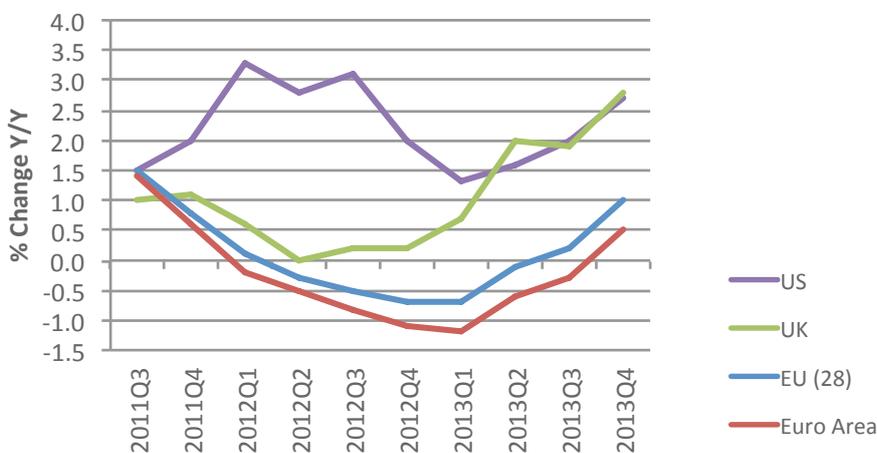
Tourism Ireland has been actively marketing Ireland as a tourist destination in China and Australia. The benefits of this can be seen in increased arrivals from Australia & New Zealand, which rose by over 20% in 2013. Similarly, visitor numbers from Asia and The Middle East increased by 16%. ■

## Business Travel

Ireland was ranked as the 'Best Country in Which to do Business' in 2013 by Forbes magazine (forbes.com). Reflecting this business-friendly environment and IDA Ireland's ability to sell Ireland abroad, the Dublin region in particular remains an attractive location for global international capital. High levels of FDI are naturally correlated with business travel as executives, employees, clients, and suppliers come in and out of Ireland to conduct business. The total stock of FDI in Ireland increased by almost 15% between 2011 and 2012, and with a strong recovery now underway in the US economy, inward investment can be expected to exert a continuing positive influence on Dublin hotels' trading performance. ■

GRAPH 1

### GDP Growth – Ireland's Key Tourism Markets



Source: Eurostat

## Hotel Performance – Dublin and Regions

The Dublin market maintained its status as the strongest performer in the Irish hotel sector and one of the best performing capital cities in Europe. Market analysts STR Global reported RevPAR growth of 8% to €71 per room in 2013.

Hotels in Ireland's regional cities including Cork, Galway, Kilkenny and Limerick also experienced positive RevPAR growth. To illustrate this, market analysis website Trending.ie reported RevPAR growth for Cork up 10% to €52, Galway up 9% to €53, Kilkenny up 12% to €50 and Limerick up 7% to €30.

Kilkenny was crowned National Tourism Town of the Year in 2013 and experienced increased visitor numbers with occupancy of almost 70% (Trending.ie). Limerick finally started to experience better hotel performance in 2013 and, following its

selection as City of Culture 2014, we believe that this is likely to continue.

Outside of the cities a recovery has begun, albeit at a slower pace. The increase in visitor numbers to Ireland, the recent announcement by Ryanair of 8 new routes from Shannon, and abolition of the travel tax from April 2014 should aid this recovery process in the regions. In addition, with the labour market rebounding strongly and household disposable incomes stabilising, domestic expenditure on tourism and hospitality is likely to increase.

Further investment in regional tourism infrastructure, a good example of which is The Wild Atlantic Way touring route which stretches from Donegal to Kinsale in Co. Cork, will also assist a recovery in the regions. ■

TABLE 2

### Dublin Hotel Performance

Year	RevPAR	vLY
2011	€58	12%
2012	€66	13%
2013	€71	8%

Source: STR Global

TABLE 3

### Regional Hotel Performance

2013 v 2012	Occ %	ARR %	RevPAR %
<b>Cork</b>	+7.3	+2.4	+9.9
<b>Galway</b>	+5.7	+2.9	+8.8
<b>Limerick</b>	+4.6	+1.8	+6.5
<b>Kilkenny</b>	+6.1	+5.3	+11.6

Source: Trending.ie