Savills Research – Review and Outlook 2024

Ireland Hotel Market

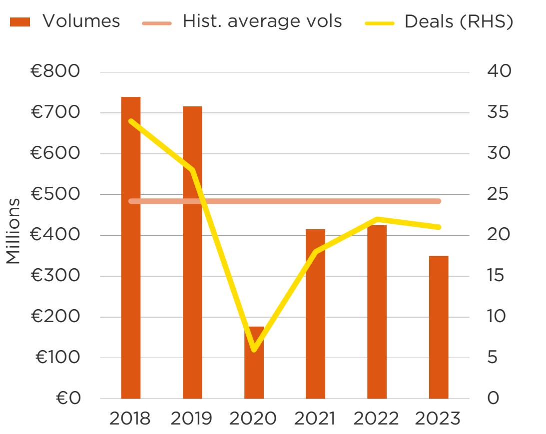
Market activity • Industry performance and trends • Outlook

Table 1: Key Statistics

	2019	2022	2023
Value of deals	€700m	€400m	€350m
Number of deals	28	22	20
Dublin occupancy	82%	78%	82%
Dublin ADR	€142	€170	€180
Dublin new rooms	1,600	2,200	1,200
Dublin airport passengers	33m	28m	33m

Source: STR, DAA, Savills Research

Figure 1: Deal activity



Source: Savills Research

Market Activity

- €350m worth of hotel sales took place in 2023
- Volumes down 30% on historical average, but bounce back expected in 2024
- Dublin 2023 average daily rate was 27% ahead of pre-pandemic figure
- 1,200 Dublin hotel bedrooms added in 2023, down from 2,200 in 2022
- 12% of tourist accommodation in use as emergency accommodation

OVERVIEW

Irish hotel transactions declined marginally in 2023, largely due to fewer vacant possession Dublin sales and no Dublin investment sales. Inflation and elevated interest rates pushed yields higher, thus reducing the value of investment properties, resulting in the postponement of some planned sales. The strong demand for regional hotels which emerged in 2022 continued into 2023 with 12 hotels selling for between €10m and €30m over the two-year period, compared to only three in this bracket from 2018 to 2021. Hotel transaction volumes for 2023 were an estimated €350m – 30% below the historical average of €500m.

Strong trade, attractive yields and the significantly higher replacement costs of regional hotels attracted owner operators, hotel groups and high-net-worth-individuals into the market. Given the fast-growing population and with over 2.6m people employed, domestic consumer demand for hotels is expected to grow steadily while regional supply is anticipated to remain constant, supporting prices. Furthermore, with a significant number of sale processes already well advanced, we expect 2024 to exceed the long-run historical average of approximately €500m.

Maldron Hotel, Oranmore, Co. Galway

Table 2: Significant deals 2023

Hotel	Location	Grade	Room count	Approx. price (millions)	Price per Key (000's)	Purchaser origin	Type
Hilton Belfast	Antrim	4-star	202	€45.5	€225	Swedish	City Franchise
Brooks Hotel	Dublin	4-star	98	€45.0	€459	Irish/US	Dublin VP
Imperial Hotel Cork	Cork	4-star	125	€25.0	€200	Irish	City VP
Tulfarris Hotel & Golf Resort	Wicklow	4-star	93	€15.5	€167	Asian	Regional VP
Dawson Hotel	Dublin	4-star	36	€15.0	€417	Irish	Dublin VP
Park Hotel Kenmare	Kerry	5-star	46	€15.0	€325	Irish	Regional VP
Maldron Hotel Oranmore	Galway	4-star	113	€13.0	€115	Irish	City Investment
D Hotel	Louth	4-star	111	€11.0	€99	Irish	Regional VP
Crowne Plaza Dundalk	Louth	4-star	129	€11.0	€85	Irish	Regional VP
Trim Castle Hotel	Meath	4-star	68	€10.5	€154	Irish	Regional VP

Source: Savills Research

Ruby Molly Hotel, Little Mary Street, Dublin 1 (opening 2024)

PORTFOLIO SALES

LHC Group, founded in the UK by former Ennismore chief investment and development officer Keith Evans, have agreed to purchase a majority share in The Dean Hotel Group. Although details of the amount paid have not been disclosed, the portfolio of 10 properties – with approximately 950 rooms (when all are opened) – has reportedly been valued at €350m. The Dean Hotel Group brand was developed by Paddy McKillen Jr., Matt Ryan and the Press-Up Hospitality Group. The potential to grow the brand internationally was a key factor in attracting the LHC Group, which has been backed by the US firm, Elliott Investment Management. This transaction is expected to complete in Q1 2024.

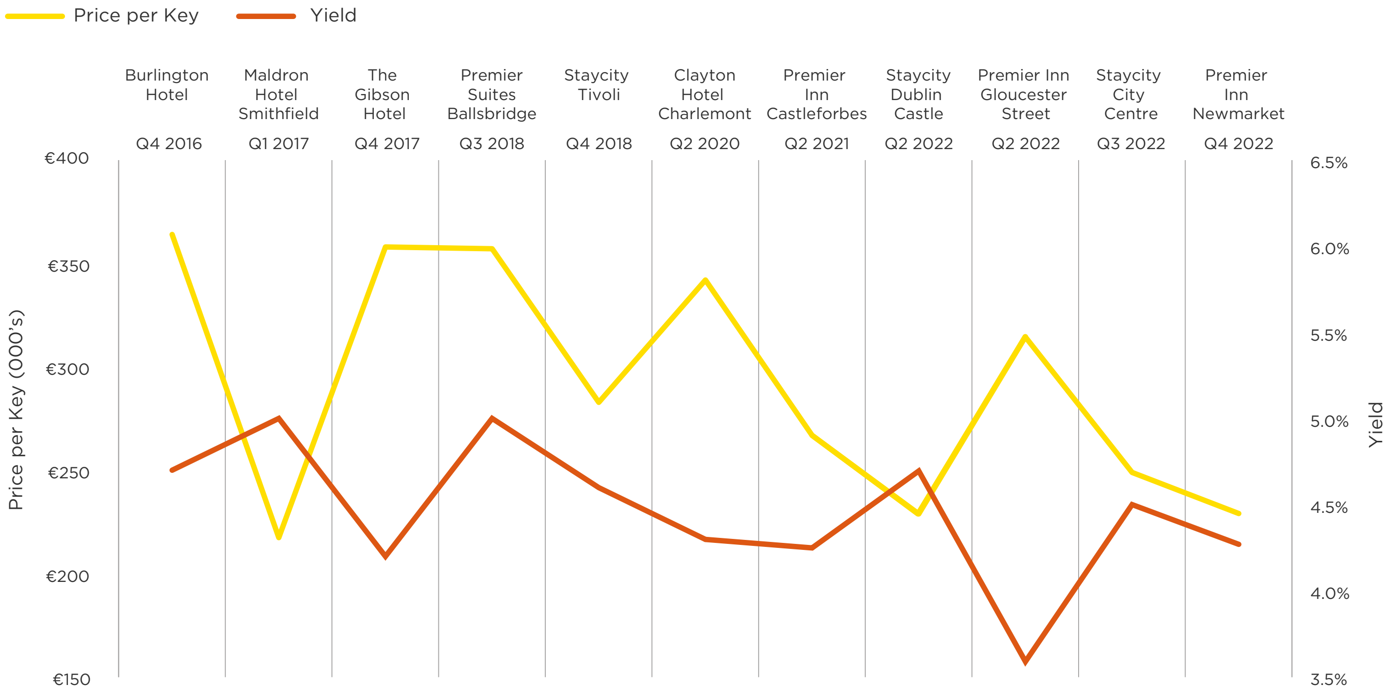
Elsewhere, Apollo launched a €500m sale process for Tifco - Ireland's second largest hotel chain, with 16 owned and leased hotels across Ireland. The portfolio includes eleven Travelodges, two Crowne Plazas and a Holiday Inn Express, with a total of approximately 2,000 leased and owned bedrooms. Tifco also manages five hotels, bringing the total room count to around 2,600. Government contracts account for a significant share of Tifco revenue.

DUBLIN INVESTMENT SALES

Prior to 2016, there were very few Irish hotels leased to third parties and even fewer investment transactions. In recent years, however, hotels have become a more mainstream property investment class, and Dublin hotels are now owned by the likes of Aviva, Blackstone, Deka, DWS and Union. The emergence of operators with institutionally acceptable covenants has helped to grow the asset class, with Dalata, Premier Inn and Staycity properties selling at yields of between 3.60% and 5.00% in recent years.

Figure 2 below tracks a sample of Dublin hotel investment transactions. Among these is Premier Inn, whose properties are all new builds and are supported by the Whitbread covenant (BBB rated by Fitch). While its Gloucester Street premises sold at a yield of 3.60% in early 2022, the last sale at Newmarket in late 2022 came in at 4.25%. By comparison, the 25-year-old Maldron Hotel Oranmore, Co. Galway, transacted at a 6.30% yield in early 2023.

Figure 2: Dublin investment sales pricing profile



Source: Savills Research

Nyx Hotel, Portobello, Dublin (opened Q4 2023)

DUBLIN IN A EUROPEAN CONTEXT

The Savills prime hotel yield series, which covers 25 city markets in Europe across leased, vacant possession/franchise operating structures and management contracts, saw outward yield shifts largely across the board in 2023. As a result, prime European headline yields averaged 5.00% on leased assets, 6.00% based on a vacant possession/franchise model and 6.75% on a management contract structure. Savills estimates that prime Dublin hotel yields are currently 4.75%, 6.75% and 7.25% across these sales types respectively.

Meanwhile, the base rate hiking cycle has likely peaked, as evidenced by a softening in the five-year swap rate. With rate reversals anticipated to begin by mid-2024, we believe prime headline yields have largely stabilised and will start to come back in by late 2024.

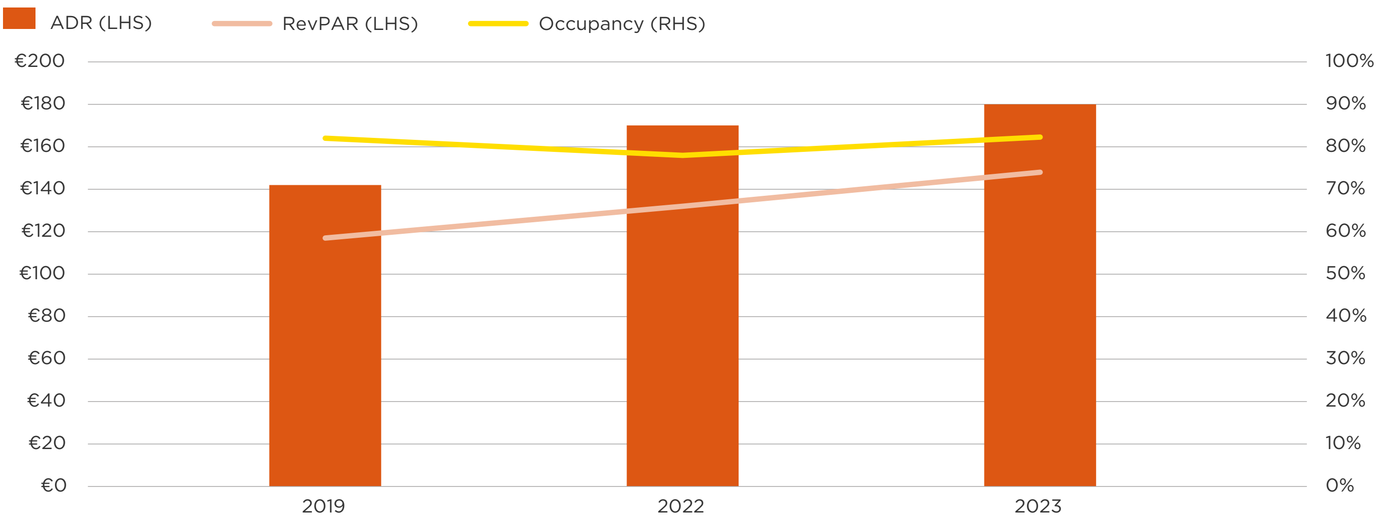
Industry performance and trends

Dublin hotel occupancy was back above 80% for 2023, in-line with pre-Covid occupancy rates. The 2023 average daily rate (ADR) of €180 per room was 27% above 2019 levels. Some regional hotel trade was even stronger, with revenue per available room (RevPAR) for a luxury set coming in around 50% higher than 2019 levels.

EVENT DRIVEN DEMAND

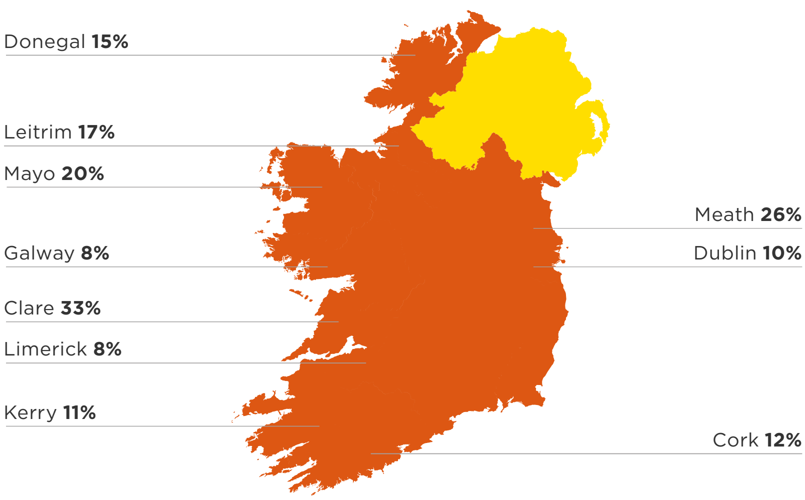
Early summer and early autumn are traditionally the strongest periods for the Dublin hotel market with plenty of corporate activity and summer leisure travel taking place. A very strong ADR of €206 per room was recorded at the time of the Bruce Springsteen concert in the RDS (50,000 people). The Notre Dame versus Navy American football game led Dublin occupancy to reach 99% at an ADR of €326 per room on the night of the game, with overall September occupancy at 93% and an ADR of €195. In 2024, the events pipeline includes Taylor Swift and Coldplay concerts as well as the UEFA Europa League Final in May. These will occur alongside the annual Guinness Six Nations rugby competition and a busy programme for the Dublin Convention Centre to include the European Congress on Immunology 2024.

Figure 3: Dublin performance metrics



Source: STR

Figure 4: Government contracted beds



Source: Fáilte Ireland

CONTRACTED BEDS

An estimated 12% of all beds in Fáilte Ireland registered properties were contracted to the government for the provision of emergency accommodation as of the end of last year. Additionally, a number of regional counties had over 20% of capacity out of normal and tourist use.

Regionally, hotel beds were mainly occupied by Ukrainian guests. In contrast, the majority of the contracted accommodation in Dublin was for asylum seeker and homeless accommodation, which is seen as a longer-term need. We believe most of this Dublin accommodation will not return to hospitality use in the short to medium term.

DEVELOPMENT PIPELINE

Dublin

Staycity has opened around 1,000 rooms in Dublin since 2018, while Dalata's figure stands at 850. JMK Group has opened a further 670 rooms, while The Dean Group has provided 280. In recent years, there has been a 37% increase in the total stock of rooms, with 7,200 Dublin hotel bedrooms opened between 2018 and 2023.

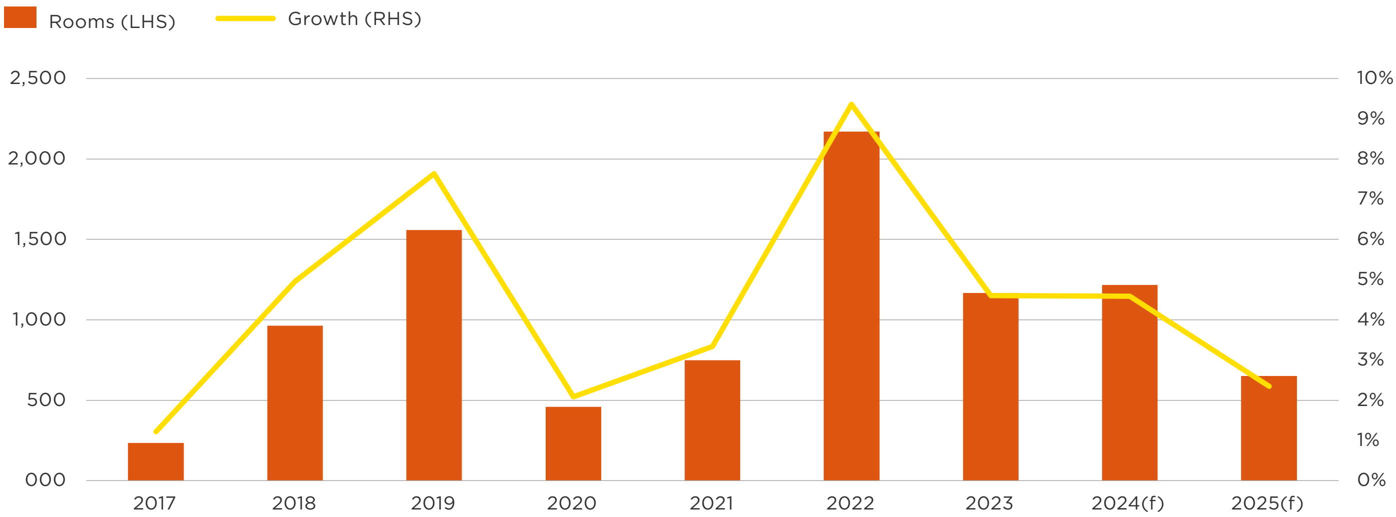
Nevertheless, fewer new hotels have been planned or commenced construction in the last four years compared to the previous four. Headwinds to development have included business interruption due to Covid, higher construction and debt costs as well as a more complex planning environment.

Although it is difficult to predict new supply, from our analysis of the hotel pipeline we expect average growth of only 3.0% per annum over the coming years. This would lead the total stock of hotel rooms in Dublin to exceed 30,000 by 2029.

Outside of Dublin

In Belfast, the room2 aparthotel on Queen Street opened late last year, providing 175 bedrooms. This was the first hotel to open in the city since 2020. Elsewhere, in Cork, Premier Inn will open 187 beds in Q1 2024 while JMK Group will open a Moxy (153 beds) and Residence Inn (48 beds) on Camden Quay with a combined bed count of 201 in summer 2024. Meanwhile, in Galway, JJ Rhatigan is constructing a 180-bed hotel at Crowne Square.

Figure 5: Dublin supply of new rooms



Source: AMPM, Savills Research

PLANNING

Planning risk in Dublin is a concern for hotel developers. This reflects the policy of the Dublin City Development Plan 2022-2028, which seeks to avoid an overconcentration of hotels and aparthotels in the city. Under the plan, those seeking permission to develop a hotel are required to submit a report detailing all existing and proposed hotel and aparthotel developments within a 1km catchment. It is within this context that a number of hotel permissions have been refused by Dublin City Council.

Among these was the refusal for CityID to amend an approved planning permission for a 142-bedroom hotel reconfiguration as a 105-bedroom aparthotel. This has been appealed to An Board Pleanála (ABP) and a decision is awaited. Permission was also refused for a 47-bedroom hotel in the Shamrock Chambers building on Dame St, Temple Bar, with that decision also under appeal. Planning permission was previously granted in 2017 for the change of use to a 39-bedroom hotel on the same site, but this permission has since expired.

On a more positive note, planning permission has been secured for a 90-bedroom hotel on Bolton Street and ABP granted permission for the combined development of a 252-bed Courtyard and a 222-bed Residence Inn by Marriott on Abbey Street Upper and Strand Street Great. Both of these decisions were made in the final quarter of last year.

Table 2: Selected Dublin pipeline

Hotel	Rooms	Opening
Ruby Molly Hotel, Little Mary Street	273	2024
Premier Inn, Castleforbes	262	2024
Telephone House Aparthotel, Marlborough Street	290	2025
citizenM, Bride Street	247	2025
Courtyard & Residence Inn by Marriott, Abbey Street	474	2026

OFFICE CONVERSIONS

Prior to 2023, few office to hotel conversions were considered. Over the past year, however, a number of hotel feasibility studies have been prepared for older offices located in central Dublin. This has been driven by the strong hotel trade, reduced demand from office occupiers for non-prime stock and the associated costs of extensive refurbishments and ESG upgrades.

The best-known office conversion project in Dublin is the JMK-owned Holiday Inn Express on O'Connell Street. JMK also recently commenced construction of a 290-bed aparthotel at the 82,800 sq ft Telephone House on Marlborough Street, which sold for €28m in 2023. Previously occupied by Eircom and more recently by HCL, the aparthotel is expected to open in late 2025. In the second half of 2023, office buildings on College Green, Abbey Street and South Frederick Street were publicly marketed as hotel opportunities, while many other potential office conversions are being discussed off-market. There are nevertheless challenges associated with conversions including planning and construction costs.

Telephone House, Aparthotel, Marlborough Street, Dublin (opening 2025)

MARKET CONSOLIDATION

Savills has analysed the growth of the top hotel groups in the country, with the Irish market showing some consolidation in recent years. Across the country, the top 10 groups account for 20,000 bedrooms or 27% of the total room supply, up from 22% in 2018. This trend is more pronounced in Dublin with the top 10 groups accounting for 43% of the total bedroom supply in 2023, up from 37% in 2018.

Biggest players

Dalata is the largest player in the Irish hotel market with around 6,500 rooms, having grown by 9% since 2018. Meanwhile, TMR Group and the Cliste Hospitality have more than doubled in size, with their efforts focused on expanding in regional Ireland. TMR has acquired seven hotels totalling nearly 900 bedrooms, while Cliste has added seven hotels and around 700 rooms to its portfolio since 2018.

On brand

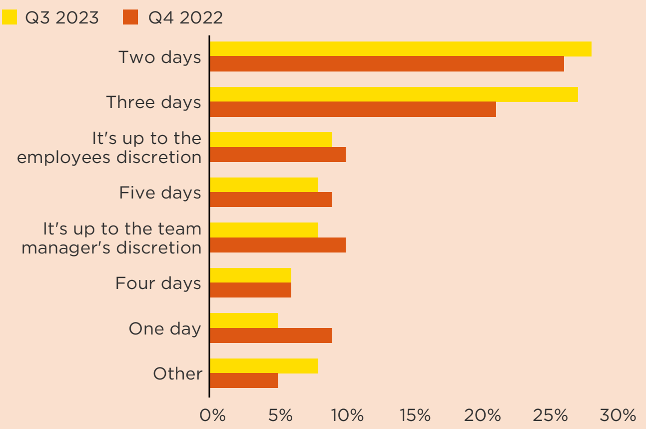
The Dublin market has historically been equally split between branded and unbranded hotel rooms. Since 2018, however, around 80% of newly opened rooms have been branded, contributing to the increase in market consolidation experienced in recent years. This trend has been driven by a number of groups including Staycity, which opened four hotels in Dublin with a total of 930 bedrooms in 2022. Meanwhile, JMK Group opened the 421-bedroom Holiday Inn at Dublin Airport in 2021, followed by the 249-bed Hampton by Hilton Four Courts in 2022. It has another 1,000 rooms in the pipeline in Ireland. Premier Inn has also grown its presence from only 213 bedrooms in 2018 to 574 today, with a further 1,000 rooms in the pipeline. Ultimately, Dublin is maturing as a market, making it a much more attractive location for international brands.

Office return to boost hotels

Dublin Chamber, in conjunction with Savills, first conducted a Business Outlook Survey analysing hybrid and remote working trends in Dublin in Q4 2022, with this survey repeated in Q3 2023. Over 320 companies throughout the Dublin region participated. There was a noticeable increase in the time spent in the office between the two surveys, with those typically spending two or three days a week in the office growing from 47% to 55%.

Flexibility around core days and hours reduced from 45% to 27% over the period. This increase in on-site attendance has a positive impact on the vibrancy of the city and corporate hotel business, bringing with it a return to in-person client meetings, inter-office collaboration and business travel.

Figure 6: Days worked in the office



Source: Dublin Chamber, Savills

Wren Urban Nest, St Andrew's Lane, Dublin

Outlook

2024 transactional activity is expected to grow from last year's levels, with signs that interest rates have plateaued providing prospective buyers with firmer foundations on which to make decisions. This renewed confidence is underpinned by large transactions such as The Dean Hotel Group sale, the probable Shelbourne Hotel sale and the possibility of the Tifco portfolio - or some individual assets - selling.

STR forecasts that Dublin hotel occupancy and ADR will dip slightly in 2024. From our work with Dublin hoteliers and looking at the strong events pipeline, Savills predicts some small RevPAR growth in 2024.

While last year's VAT rate increase from 9.0% to 13.5% was a headwind to ADR, the market was supported by a slowdown in the pipeline of new hotel openings. Elsewhere, travel into the country is growing strongly, with arrivals now 2% higher than they were before the pandemic. Indeed, the Irish Tourism Industry Confederation is targeting growth of 24% to generate annual tourism earnings of €15bn by 2030.

Finally, ESG will play an increasing role in the Irish hotel market, with more hoteliers and investors focused on securing green credentials. The Wren Urban Nest was the first Net Zero Operational Carbon hotel to open in Ireland. With rising energy costs putting pressure on margins, investing in sustainable practices will enable hotels to reduce their costs, improve profitability and boost their brands.

Savills team

Please contact us for further information

Tom Barrett
Director, Hotels & Leisure
+353 (0) 1 618 1415
tom.barrett@savills.ie

Conor Clarke
Analyst, Hotels & Leisure
+353 (0) 1 618 1367
conor.clarke@savills.ie

Ellen O'Donovan
Graduate, Hotels & Leisure
+353 (0) 1 618 1312
ellen.odonovan@savills.ie

Jarlath Quinn
Associate Director,
Professional Services
+353 (0) 1 618 1472
jarlath.quinn@savills.ie

Jennifer Warren
Associate Director,
Professional Services
+353 (0) 1 618 1453
jennifer.warren@savills.ie

John RIng
Director, Research
+353 (0) 1 618 1431
john.ring@savills.ie

Natasha Browne
Senior Research Analyst
+353 (0) 1 618 1773
natasha.browne@savills.ie