



Hotel, Tourism & Leisure Market Update

April 2024

Welcome to the first HTL market update of 2024. This snapshot will look at the first quarter of hotel performance, new hotel supply, hotel transactions, and tourism statistics, concluding with an industry news roundup.

Hotel Performance

Ireland's hotel sector performed well in 2023 despite a number of significant challenges including the increase in VAT from 9% to 13.5%, high utility costs, a shortage of skilled labour, increased pressure on payroll costs as well as higher interest rates.

The first few months of 2024 have seen a moderate slowdown in RevPAR performance in Dublin and Galway. Cork is holding up, with growth of 1%. Limerick has shown the greatest growth due to a shortage of accommodation capacity in the region.

In Dublin, RevPAR decreased 9% in the first two months of 2024, driven primarily by a decrease in ADR of 7% and a slight decline in occupancy. However, the fundamentals remain strong for Dublin. There are a number of large events scheduled this year including Taylor Swift, Coldplay and Bruce Springsteen for example.

Cork and Limerick grew ADR 4% and 6% YOY respectively. Cork grew occupancy marginally while Limerick grew occupancy from 69.7% to 71.8%.

While Galway occupancy decreased 12% in the first two months of the year, the city did manage to hold rate, growing 3% on the same period last year. This reflects the visitor profile and the reliance on leisure activity.

Hotel Transactions

2023 was a solid year for Irish hotel transaction volume owing to the strong fundamentals of the hospitality sector. There was solid momentum coming into 2024, with a number of transactions being signed early in the year.

The sale of the eight hotels forming the Dean Hotel Group to Lifestyle Hospitality Capital Group completed in Q1 2024.

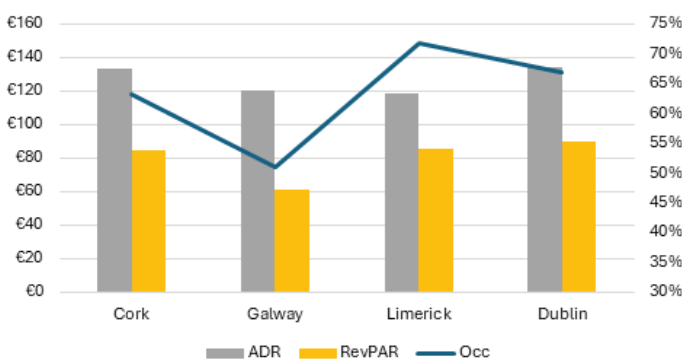
Kennedy Wilson recently completed the sale of the Shelbourne Hotel to Archer Hotel Capital, the owner of the Conrad Hotel. While the sale price has not been confirmed, it is understood to be in the range of €230m-€260m.

Jacobs Inn Hostel in Dublin 1 has sold to Spanish fund manager Azora, reportedly for over €30m or €72k per bedspace. This is the fourth time the property has been sold since 2014.

The Wellington Hotel sold in Q1 2024 to The Key Collection for a reported €14m, reflecting €362k per key.

It is reported that the Hard Rock Hotel Dublin, the Morrison Hotel in Dublin 1 and the Slieve Russell Hotel in Cavan are all due to come to the market.

Hotel Performance February YTD 2024



YTD February 2024	Occupancy	ADR	RevPAR	RevPAR YOY
Dublin	66.9%	€133.9	€89.6	-9%
Cork	63.2%	€133.0	€84.4	+1%
Galway	51.0%	€120.4	€61.6	-13%
Limerick	71.8%	€118.7	€85.3	+9%

Source: STR & Trending

Hotel Supply

There have been around 4,500 bedrooms added in the Dublin market since the beginning of 2019. There have been three new hotel openings since the beginning of the year: the Ruby Molly in Dublin 1 (272 rooms), the Leinster in Dublin 2 (52 rooms) and most recently the Chancery Hotel on Ship Street, Dublin 8 (153 rooms) which opened for St Patrick's weekend.

We estimate that a further 400 rooms are due to open by the end of 2024 with another 1,000 on-site.

Emergency Accommodation Supply

Approximately 13% of hospitality accommodation has been earmarked for IPAS use. While the need for this accommodation use is understood, the over-reliance on the hotel sector for humanitarian purposes is negatively impacting the wider Irish tourism economy.

The Irish Tourism Industry Confederation (ITIC) recently called on the Government to develop an alternative plan to house Ukrainian refugees and international asylum seekers.

The Government have since released a plan to address the issue and have pledged to provide 14,000 beds by the end of 2028. These beds will be delivered through acquiring larger turnkey properties, taking over empty offices and commercial buildings, and rolling out rapid builds on State-owned lands.

Our colleagues in Horwath HTL UK prepared an insight at the end of 2023 reviewing the Asylum Accommodation Contracts situation in the UK. For more information click [here](#).

VAT on Emergency Accommodation

An important point to note in relation to emergency accommodation is that in most cases the letting is specifically exempt for VAT purposes. VAT is therefore not charged on the room income.

However, related catering (if any) is looked at separately and is subject to VAT in the normal way.

Where a business provides emergency accommodation, VAT may not be reclaimed on goods or services incurred in providing the exempt service. This can be a complex area where costs relate to both VATable and non-VATable activities.

There may also be implications under the Capital Goods Scheme in respect of any VAT that was recovered on the construction, refurbishment or purchase of the property.

If you have a query on the tax implications of providing emergency accommodation, a member of our tax team would be delighted to assist.

Tourism

Dublin Airport welcomed 31.9m passengers through the airport in 2023. The current cap on arrival numbers at 32m is likely to cause significant capacity issues.

Dublin's passenger cap was imposed as a condition for permission to build a second terminal in 2007, in order to control congestion on the roads.

In December, Dublin Airport applied to Fingal County Council to lift the passenger cap to 40m (25% increase) as part of an overall application to expand facilities. Fingal County Council have sought further information on the passenger cap request. It is likely that An Bord Pleanála as the national independent planning body will have the final say.



Tourism statistics compiled by the CSO have changed post Covid-19. According to the CSO there were 3.4m overnight trips to Ireland from overseas visitors in H2 2023.

Great Britain accounts for the highest number of visitors, contributing 37% of overseas trips to Ireland in H2 2023. This is followed by Europe, accounting for almost 36% of overseas trips to Ireland.

USA and Canada account for 22% of overseas trips during the period July to December 2023.

Visitors from USA, Canada and Europe spend an average of 9 to 9.5 nights in Ireland.

The most recent CSO data relating to domestic travel has been tracked up to Q3 2023.

Irish residents took 10.9m domestic trips in the first three quarters of 2023, up 6.9% on the same period in 2022. Expenditure for these trips amounted to €2.3bn (up 1.3% on the corresponding period in 2022). Those on holiday spent €1.4bn.

Rising Costs

There is widespread coverage of the impact of rising costs for the tourism sector.



Fáilte Ireland recently published a report with input from Crowe's Hotel, Tourism and Leisure team which examines the impact of Government employment policies on the tourism and hospitality industries - click [here](#) to read it. The report studies the impact of the increase in minimum wage, the introduction of statutory sick pay and pension auto-enrolment, the additional public holiday and PRSI changes among others.

IBEC has called on the Government to pause all further labour market policy measures which involve a direct or indirect cost to employers. The Restaurant Association of Ireland says that the financial situation of the industry is so weak that two restaurants are shutting down every day in the country.

ITIC recently released a report that estimates that the tourism and hospitality industry will be hit with additional €1.4bn payroll costs by 2026 as a result of Government policy.

The Department of Enterprise and Employment also recently published a working paper assessing the cumulative impact of employment policies. It says that hospitality and retail, which are labour-intensive and low-margin sectors, will be among the most affected sectors.

If businesses are having trouble with rising costs, they should get professional advice as soon as possible. Crowe's restructuring team has a successful track record of helping viable businesses survive. Contact us today for a confidential initial consultation.

Hospitality News

Weldon Mather, Director of HTL prepared an insight on hotel sales structured as corporate transactions. For more information click [here](#).



Breakfast Briefing

Crowe, together with JLL, co-hosted this year's Irish Hotel Sector Briefing in February. Over 200 invited industry guests assembled to hear from guest speaker Keith Evans, founder, CEO and chairman of Lifestyle Hospitality Capital (LHC) backed by Elliot Capital Advisors. Keith spoke about LHC Group's acquisition of a majority stake in The Dean Hotel Group.



Other themes included opportunities to invest in a sector that is resilient and has excellent growth prospects over the medium term. For more information and full presentations click [here](#).

Hospitality Events

The Crowe HTL team have attended a series of hospitality events including the Recharge Conference in Northern Ireland, Hospitality Expo 2024 in Dublin, the annual Irish Hotels Federation Conference in Cavan and the Northern Ireland Hotels Federation Business Outlook Seminar in Belfast.



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