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The Impact Of The Stark Divergence In Profitability Levels Between City And Regional Hotels In Ireland

22nd / 23rd November 2019

1. Supply growth and size Dublin v regional Ireland
2. Capital value below replacement cost a challenge to new supply for regional Ireland
3. Implications for hoteliers in regional Ireland

Crowe Annual Hotel Industry Survey

"Benchmarking report for revenue, profit and operational metrics"

24th Year

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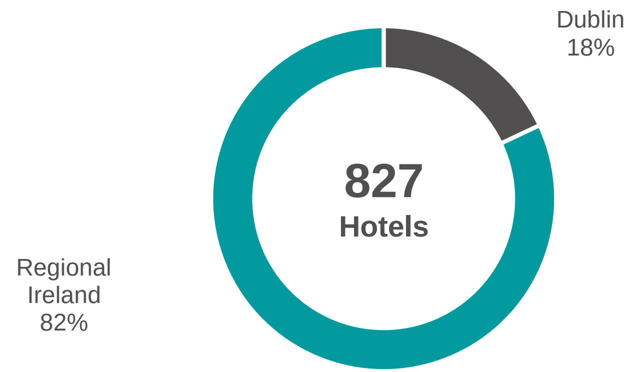
Supply Growth and Size Favouring Dublin v Regional Ireland

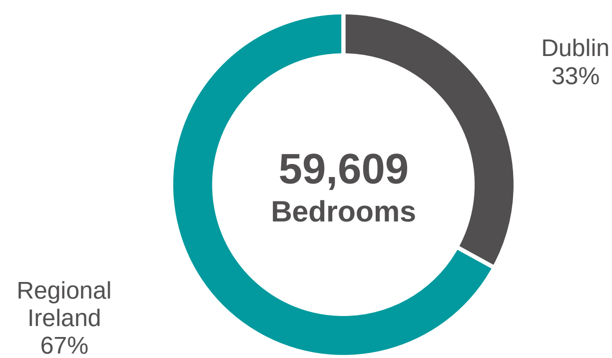
Overview of Hotel Supply - 2018

Average Hotel Size (No Rooms)		
Dublin	Regional Ireland	All
132	59	72

Hotels by Region



Rooms by Region



Source : Fáilte Ireland

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Supply Analysis – Dublin and Regional Ireland

Hotels	2002	%	2007	%	2018	%
Dublin	147	17%	151	17%	151	18%
Regional	711	83%	718	83%	676	82%
Total	858		869		827	

Rooms	2002	%	2007	%	2018	%
Dublin	12,605	30%	16,518	31%	19,913	33%
Regional	29,378	70%	36,788	69%	39,696	67%
Total	41,983		53,306		59,609	

Hotel Average Size	2002	2007	2018
Dublin Average Size	86	109	132
Regional Average Size	41	51	59

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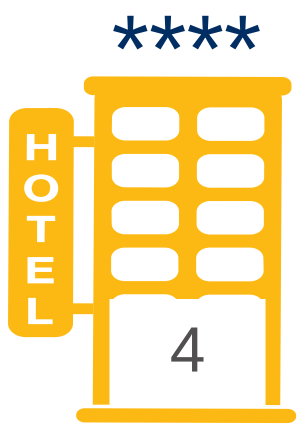
Source : Fáilte Ireland & Crowe

Dublin Hotels Classification

Hotel	2002	%	2007	%	2018	%
5 Star	8	5%	11	7%	10	7%
4 Star	15	10%	31	21%	60	40%
3 Star	47	32%	72	48%	61	40%
2 Star	24	16%	29	19%	14	9%
Other	53	36%	8	5%	6	4%
Total	147		151		151	



Significant investment has created a greater share for 4 star hotels

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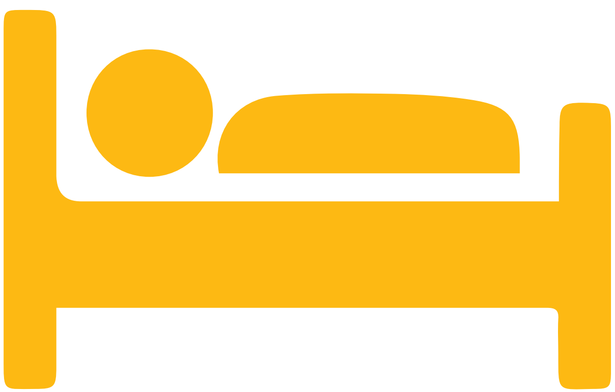
Source : Fáilte Ireland

Dublin Room Classification

Rooms	2002	%	2007	%	2018	%
5 Star	1,722	14%	1,859	11%	1,723	9%
4 Star	2,517	20%	5,575	34%	11,837	59%
3 Star	4,607	37%	7,832	47%	5,605	28%
2 Star	866	7%	1,058	6%	561	3%
Other	2,893	23%	194	1%	187	1%
Total	12,605		16,518		19,913	



On a similar basis 4 star product now 59% of Dublin Market

Source : Fáilte Ireland

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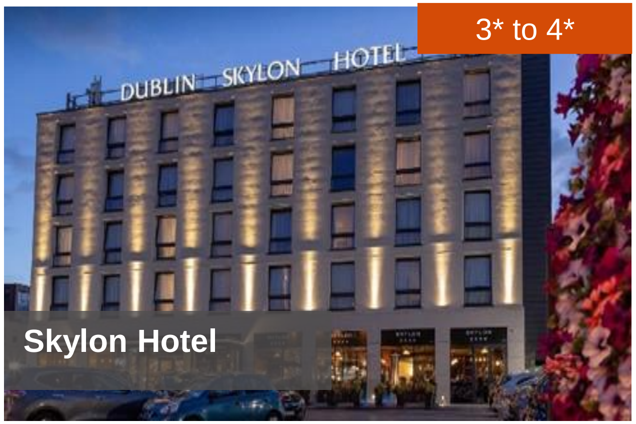
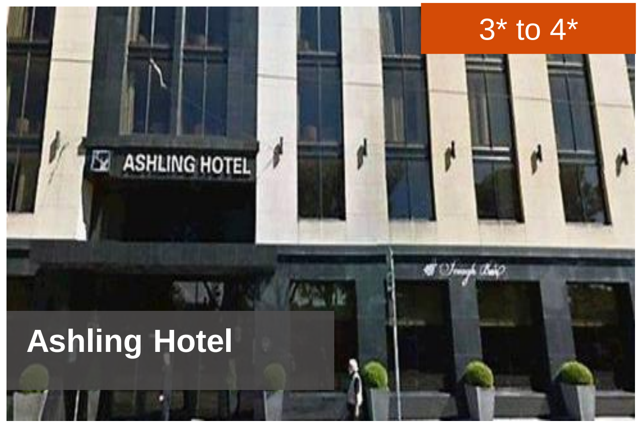
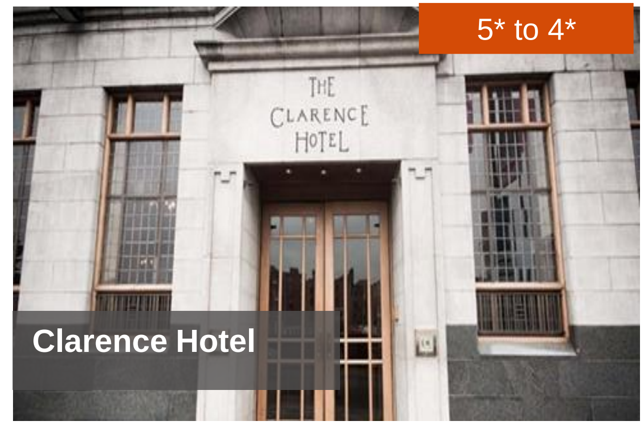
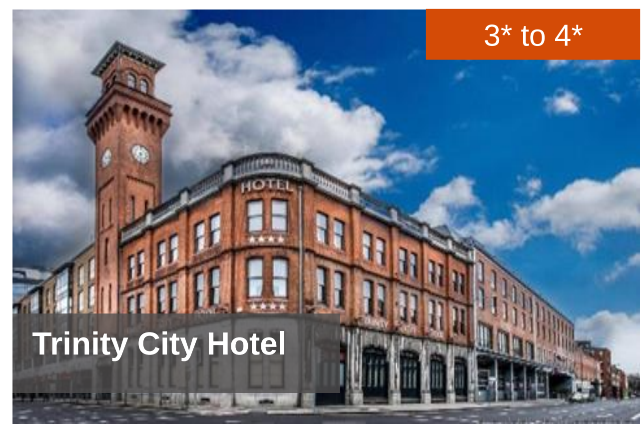
Repositioning and Investment of Dublin Hotels









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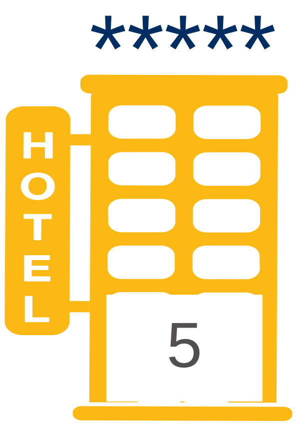
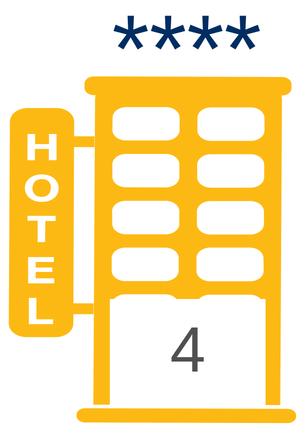
Source : Fáilte Ireland & Crowe

Regional Ireland Hotels Classification

Hotel	2002	%	2007	%	2018	%
5 Star	12	2%	14	2%	26	4%
4 Star	64	9%	81	11%	265	39%
3 Star	267	38%	256	36%	276	41%
2 Star	170	24%	122	17%	79	12%
Other	198	28%	245	34%	30	4%
Total	706		718		676	





Significant investment in Regional hotels with 43% now 5 star or 4 star

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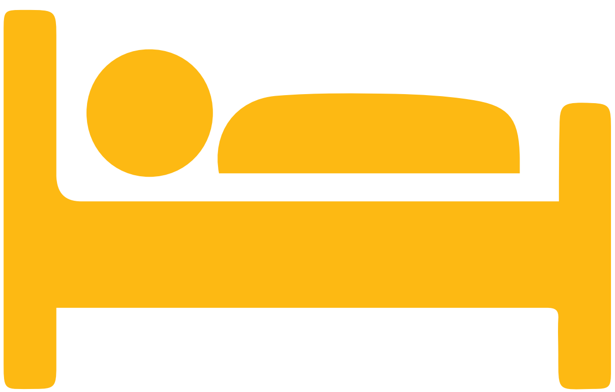
Source : Fáilte Ireland & Crowe

Regional Ireland Room Classification

Rooms	2002	%	2007	%	2018	%
5 Star	1,020	3%	1,236	3%	2,492	6%
4 Star	4,158	14%	6,348	17%	20,825	52%
3 Star	14,961	51%	15,929	43%	14,484	36%
2 Star	3,411	12%	2,654	7%	1,415	4%
Other	5,828	20%	10,621	29%	480	1%
Total	29,378		36,788		39,696	



4 star room classification has grown by multiple of 5 years over 20 years

Source : Fáilte Ireland & Crowe

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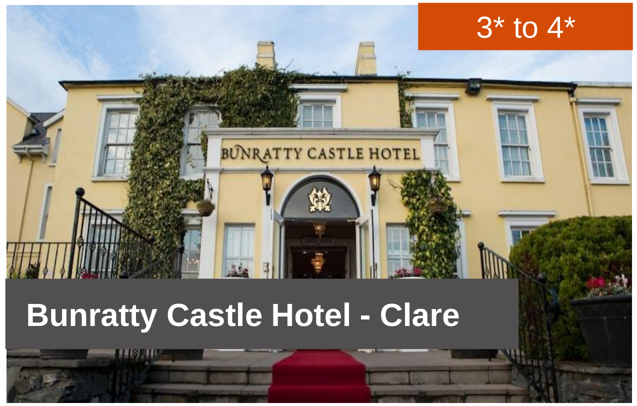
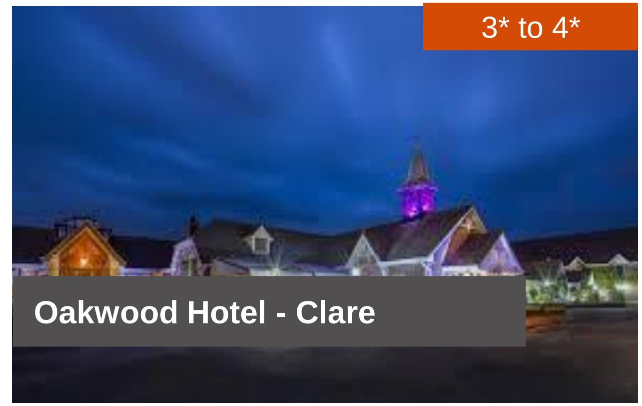
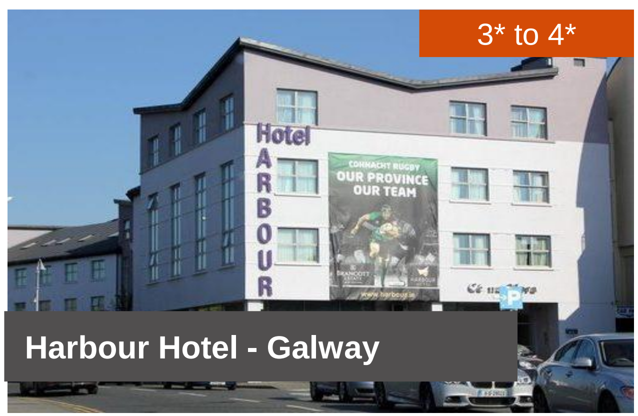
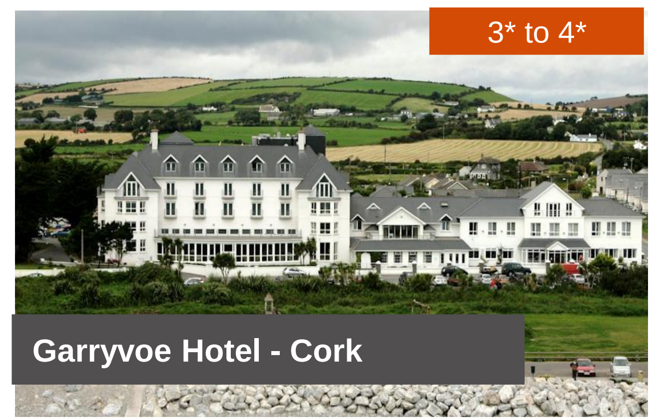
Repositioning and investment Regional Ireland Hotels









Source : Fáilte Ireland & Crowe

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Scale Advantage of Larger Hotels

	2002		2007		2018	
	Less than 50	Greater than 100	Less than 50	Greater than 100	Less than 50	Greater than 100
Revenue	€48,690	€48,270	€68,573	€57,982	€81,036	€70,101
EBITDAR	€7,083	€8,889	€8,385	€2,043	€12,663	€19,378
EBITDAR %	15%	18%	12%	21%	16%	28%
% Gap	3%		9%		12%	

Dublin and other larger cities have greater share of large hotels

Dublin room size of 132 versus regional room size of 59

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Source : Crowe

Room Performance Analysis

Dublin	2002	2007	2018	2018 v 2007
Occupancy	70.9%	76.1%	83.9%	7.8%
ARR	€102.94	€116.59	€145.82	€29.23
RevPAR	€72.98	€88.72	€122.34	€33.62

Regional	2002	2007	2018	2018 v 2007
Occupancy	63.5%	66.3%	70.2%	3.9%
ARR	€81.73	€86.12	€102.28	€16.16
RevPAR	€51.87	€57.10	€71.90	€14.80

Source : Crowe

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City Comparison – Room Performance

Dublin	2015	2018	18 v 15 Change
Occ	80.7%	83.9%	3.2%
ADR	€111.83	€145.82	€33.99
RevPAR	€90.25	€122.34	€32.09

Cork	2015	2018	18 v 15 Change
Occ	77.5%	81.0%	3.5%
ADR	€78.20	€106.58	€28.38
RevPAR	€60.60	€86.32	€25.72

Galway	2015	2018	18 v 15 Change
Occ	75.7%	77.1%	1.4%
ADR	€88.04	€114.37	€26.33
RevPAR	€66.68	€88.18	€21.50

Limerick	2015	2018	18 v 15 Change
Occ	68.3%	71.2%	2.9%
ADR	€60.00	€79.95	€19.95
RevPAR	€40.98	€56.92	€15.94

Source : Trending & Crowe

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Hotel Market Revenue & Profits – 5 Year EBITDAR Profit

	Dublin		Regional Ireland		
Year	EBITDAR Per Room	EBITDAR %	EBITDAR Per Room	EBITDAR %	Dublin and Regional Ireland EBITDAR % Gap
2007	€11,687	18.5%	€7,787	13.9%	4.6
2013	€11,362	24.8%	€5,794	12.0%	12.8
2018	€24,818	32.1%	€13,174	18.5%	13.6

Regional hotel sales mix is 36% rooms v Dublin Hotel 57%

Source : Crowe

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Capital Value Below Replacement Cost a Challenge to New Supply for Regional Ireland

Dublin 2028 Projections

Dublin New Hotels	Dublin Extensions
30 Hotels at 200 rooms = 6,000	40 Extension at 50 rooms = 2,000

+

= 8,000 new rooms

Source : Crowe

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Overview of Hotel Supply – Dublin

New Hotels

MARLIN

THE HENDRICK

HYATT CENTRIC™
THE LIBERTIES
DUBLIN

moxy
HOTELS

aloft®
DUBLIN CITY

Extensions

THE WESTIN
DUBLIN

Holiday Inn Express®

Cassidys Hotel
A Little Gem in the Heart of Dublin

O'Callaghan
MONT CLARE
HOTEL

Radisson BLU
ROYAL HOTEL, DUBLIN

Source : Crowe

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Regional Ireland 2028 Projections

Regional Ireland New Hotels		Regional Ireland Extensions
12 Hotels at 100 rooms = 1,200	+	80 Extension at 30 rooms = 2,400

= 3,600 new rooms

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Source : Crowe

Overview of Hotel Supply – Regional

New Hotels

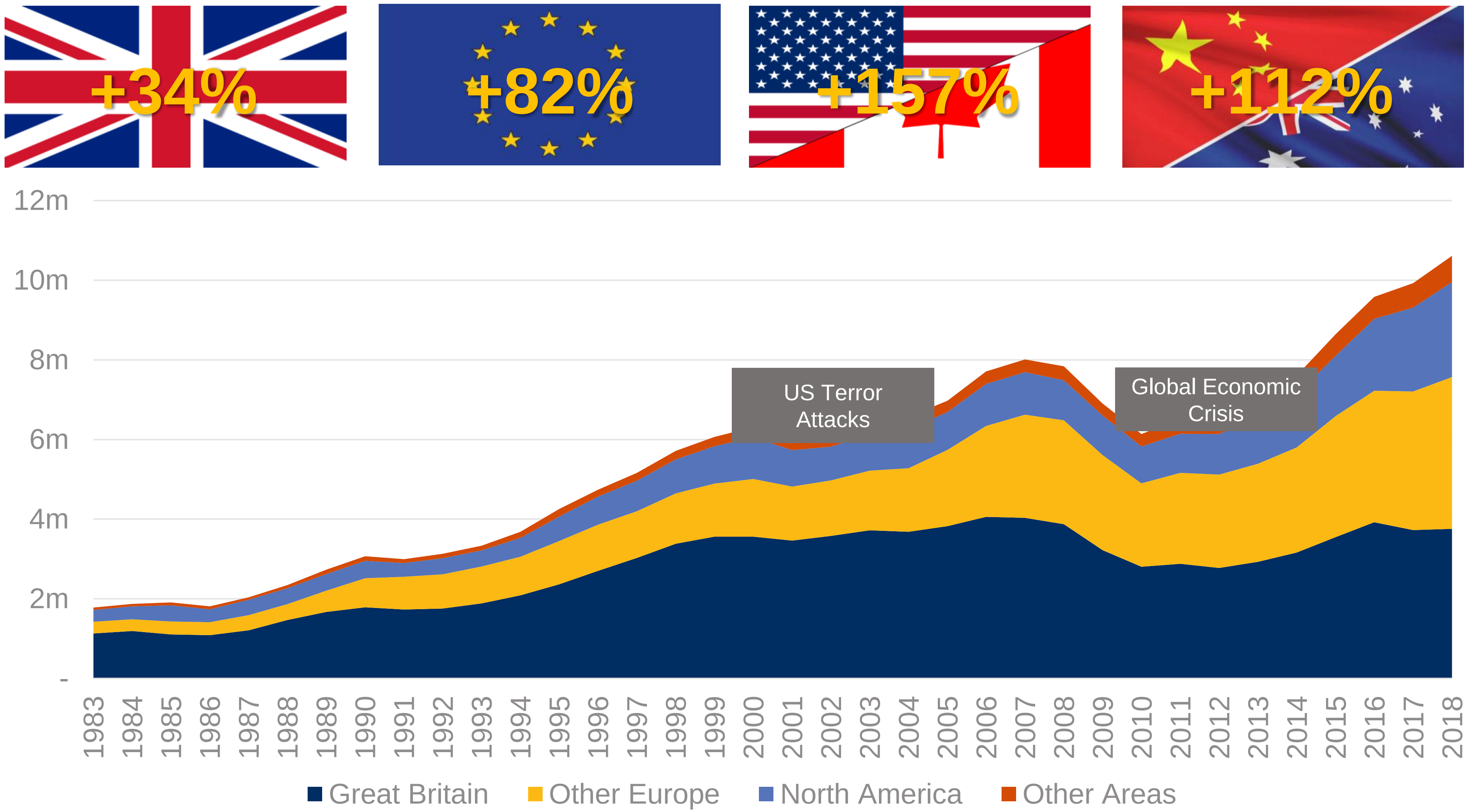
- Fairways Hotel Dundalk
- Maldron Hotel South Mall • Cork City
- Press Up Entertainment Group

Extensions

- Dingle Skellig Hotel ★★★★ Peninsula Spa
- Amber Springs Hotel and Health Spa ★★★★
- Limerick Strand Hotel
- Lawlors Hotel
- The Savoy ★★★★★ Luxury in Limerick

Source : Crowe

International Tourism Demand Growth to 2018



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Hotel Profit Projections to 2028

Dublin	2018	2028
Room Sales	€44.4k	€55.0k
Non Room Sales	€32.8k	€37.0k
Total Sales	€77.2k	€92.0k
Dept Profit	€44.9k	€54.4k
Undistributed	€16.1k	€18.7k
Fixed Cost	€4.0k	€4.6k
EBITDAR	€24.8k	€31.1k
EBITDAR %	32.1%	33.9%

Regional Ireland	2018	2028
Room Sales	€26.0k	€32.0k
Non Room Sales	€46.0k	€59.0k
Total Sales	€72.0k	€91.0k
Dept Profit	€32.6k	€40.2k
Undistributed	€15.9k	€20.2k
Fixed Cost	€3.6k	€4.1k
EBITDAR	€13.1k	€15.9k
EBITDAR %	18.5%	17.5%

Dublin	2018	2028
ARR	€146	€185
Occ	84%	81%
RevPAR	€118	€151
Payroll %	30.6%	31.6%

Regional Ireland	2018	2028
ARR	€102	€120
Occ	70.2%	72%
RevPAR	€72	€86
Payroll %	37.5%	39%

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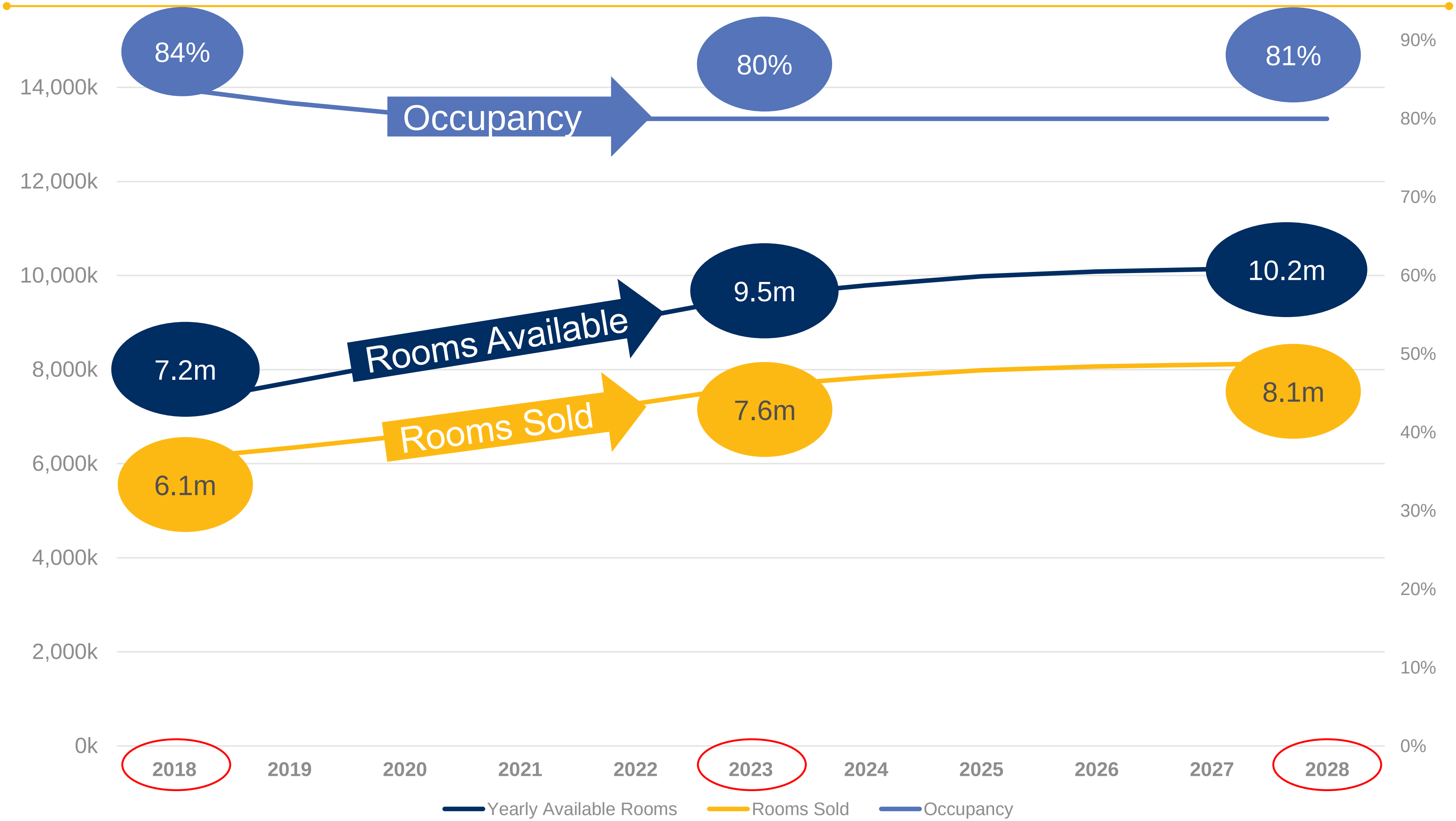
Dublin Hotel Market Revenue & New Supply



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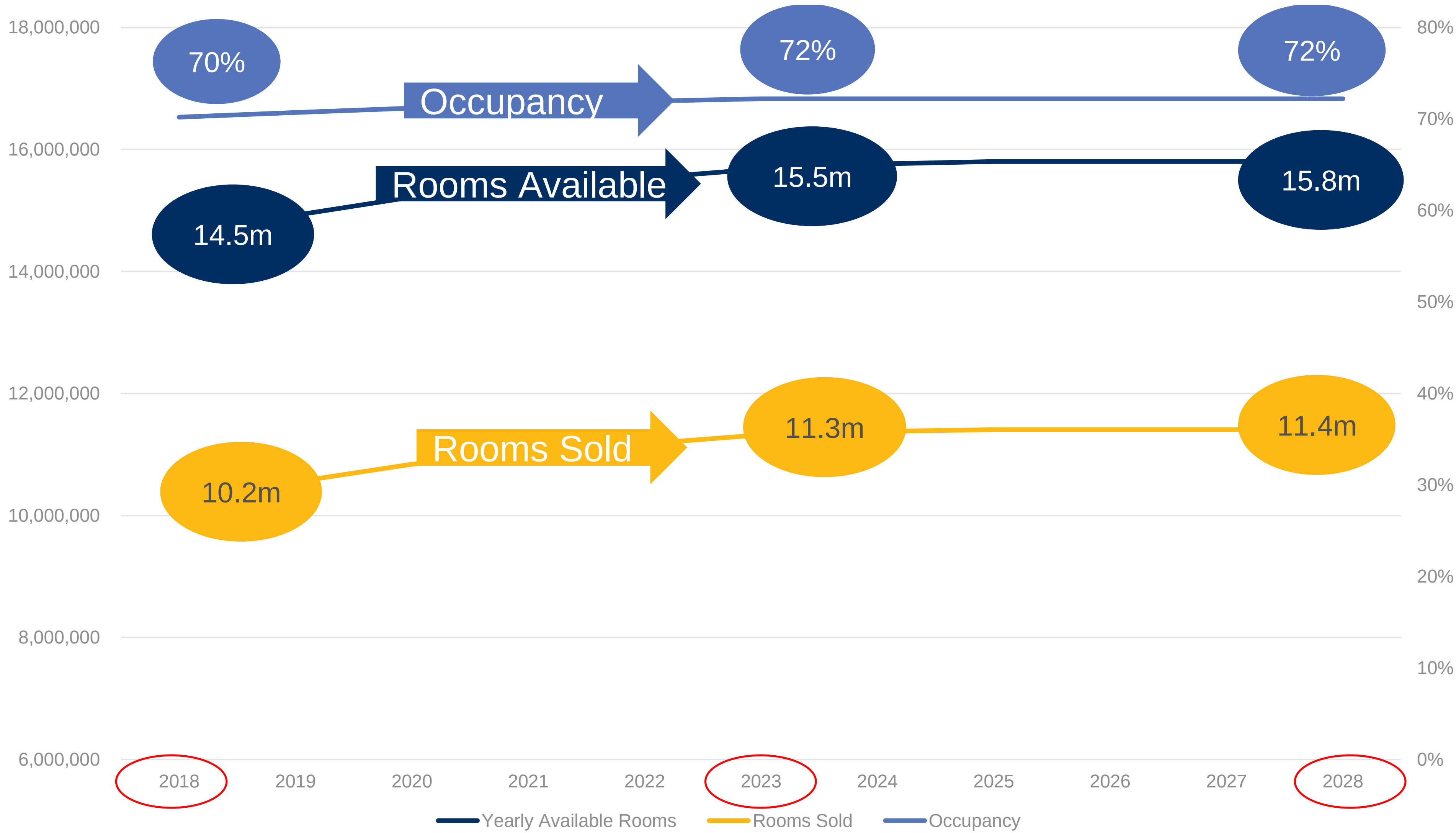
Source : Crowe

Regional Hotel Market Revenue & New Supply



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Source : Crowe

Dublin Per Available Room - Capital Values

Dublin	EBITDAR	Capex	Profit after FF&E	Multiple (E)	Value	Replacement Cost per room	Yield % (Replacement)
2002	€12,503	€1,718	€10,785	14	€150,993	€155,000	7.0%
2007	€11,687	€1,897	€9,790	14	€137,066	€170,000	5.8%
2018	€24,818	€2,319	€22,499	14	€314,987	€250,000	9.0%
2028 (P)	€31,000	€2,800	€28,200	14	€395,000	€370,000	7.6%

Dublin market valuation equates to rebuild cost

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Source : Crowe

Regional Ireland Per Available Room – Capital Values

Dublin	EBITDAR	Capex	Profit after FF&E	Multiple (E)	Value	Replacement Cost per room	Yield % (Replacement)
2002	€6,903	€1,379	€5,525	11	€56,213	€104,000	5.3%
2007	€7,787	€1,702	€6,085	11	€61,917	€120,000	5.1%
2018	€13,174	€1,379	€11,795	11	€120,013	€200,000	5.9%
2028 (P)	€16,000	€2,700	€13,300	11	€146,300	€290,000	4.6%

Regional Ireland hotels valuation are often 60% of rebuild cost

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Source : Crowe

Implications for Hoteliers in Regional Ireland

Implications for Hoteliers in Regional Ireland

- Gap between Dublin and Regional Ireland hotels in terms of profit and profitability continues to widen

- Greater share of hotel stock in Dublin and other cities

- Post recovery, profit growth will moderate as spare capacity has been filled

- Regional hotels may see margin reduction as:
  - Sales mix with higher food revenues having higher labour cost input
  - Busy ground floor operation leads to higher insurance
  - General pace at cost inflation in higher cost operations

- Caution as to incurring capital expenditure

- Changed banking landscape makes borrowing for expansion more difficult

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Implications for Hoteliers in Regional Ireland

- Lower valuations make borrowing more challenging

- Will this lead to consolidation of ownership?

- How can we help improve profits?
  - Innovation and changed processes and overcoming seasonality
  - Expand the accommodation base

- How to address investment/ funding need of the sector?
  - Is there a requirement for subsidised loan scheme

- Need focus on challenges facing hotels in regional Ireland – not allow strong performance at Dublin hotels to distract from ensuring regional hotels are supported

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Thank you!

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