



Ireland and Northern Ireland Hotel Industry Survey

June 2011

Introduction

Horwath Bastow Charleton has recently published its 16th Annual Hotel Industry Survey. Below is a summary of the key findings of the survey. If you are interested in receiving the full detailed report with analysis by Classification, Region and Size please contact a member of our Hotel, Tourism and Leisure Team.

Republic of Ireland Results

	2010	2009	% YOY Change
Occupancy	59.7%	59.4%	+0.5%
ADR	€73.51	€77.81	-6%
RevPAR	€43.89	€46.22	-5%
Sales per Room	€41,702	€44,798	-7%
Profit before tax*	€4,239	€4,650	-9%
Payroll %	43%	44%	-2%

*Net profit before finance costs

The hotel sector remains very competitive, but there are early signs of impending recovery.

In 2010 occupancy levels were up for hotels located in the Dublin and Midlands and East regions and slightly down for South West and Western Seaboard.

Dublin occupancy levels should allow hotels to yield rate in 2011. Other regions, where occupancy levels are below 60% will have limited opportunity to yield rate, but should see occupancy levels increase.

Dublin	ADR (lowest month)	ADR (highest month)	Difference
2010	€69	€83	€14
2006	€103	€145	€42

Even in the Dublin region, where occupancy for 2010 was 67.1%, the variance in rate between the highest performing month over the lowest performing month

was just €14. This has fallen from €42 5 years ago and demonstrates the competitive nature of the Dublin market.



Pictured at the launch of the 2011 Hotel Survey from left to right: Anne Walsh (HBC), Eimear Harney (HBC), Michael Ring, TD, Minister of State at the Department of Transport, Tourism & Sport and Aiden Murphy (HBC).

Payroll

As sales have fallen in recent years, the payroll % cost has been rising.



2010 results show early signs of moderation in payroll levels. 30% of hotels implemented redundancies and 60% of hotels agreed pay cuts with staff which helped reduce the payroll burden. There is still some way to go if we are to get back to the historical norm of a 38% payroll cost percentage.

Domestic Market & Overseas Visitors

For profits to recover, Irish hotels will require an ongoing increase in demand for hotel accommodation. The domestic market now represents 13 million guest nights. There is however a risk of overdependence with 65% of all hotel guest nights generated from the Irish market. This will come under pressure with reduced household incomes as a result of higher costs and taxes.

This leaves the overseas market as the most likely driver of additional occupancy.

Overseas Visitor Numbers	2010 (000s)	2006 (000s)
All	6,037	7,709
UK	2,738	4,060
Other Europe	2,045	2,281
USA & Canada	936	1,055
Other areas	318	313

Overseas visitor numbers to Ireland have fallen 22% since 2006 and are down 1.7 million over the same period.

It is however positive to note that for the first quarter in 2011 overseas visitor numbers are up by 9% and hopefully this trend will continue.

Changes by Classification

	2010 ADR	2006 ADR	2010 OCC	2006 OCC
Luxury	€123.52	€167.70	57.3%	70.7%
First Class	€69.21	€94.33	60.5%	67.7%
Mid Price	€58.27	€79.41	61.4%	73.8%
Economy	€45.79	€61.25	58.1%	61.8%

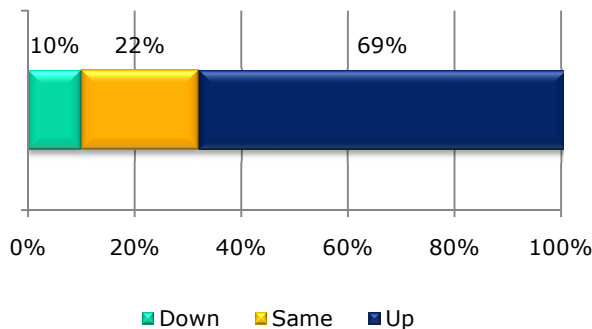
Only one third of guests at luxury hotels were from the Republic of Ireland in 2006. This has increased to half of all guests by 2010 and prices have dropped in order to attract the domestic market.

The four star hotels have reduced rates to compete more aggressively with three star hotels.

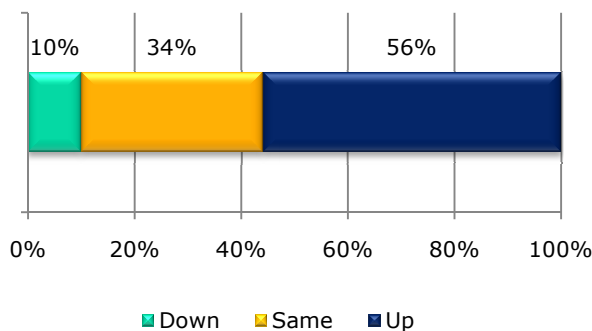
Economy hotels, while expected to do well in an economic downturn, have also experienced rate declines in line with the market.

Outlook for 2011

Occupancy



Rate



The expectation of hoteliers is that 2011 will be a year of improvement for room sales. With more efficient cost base it is expected that higher sales will readily convert into higher profits and put the sector on the path to recovery.

Horwath Bastow Charleton

Chartered Accountants

Marine House
Clanwilliam Court
Dublin 2

Tel: 353 1 676 0951

Website: www.hbc.ie

Naoise Cosgrove

Partner

naoise.cosgrove@hbc.ie

Anne Walsh

Director

anne.walsh@hbc.ie

Aiden Murphy

Partner

aiden.murphy@hbc.ie

Eimear Harney

Consultant

eimear.harney@hbc.ie

Horwath Bastow Charleton is a member of Crowe Horwath International, a Swiss Verein (Crowe Horwath). Each member firm of Crowe Horwath is a separate and independent legal entity. Horwath Bastow Charleton and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath or any other member of Crowe Horwath and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath or any other Crowe Horwath member. The material in this publication is for general information purposes only. Professional advice should always be sought in relation to any specific matter. No liability will be accepted by Horwath Bastow Charleton for any losses incurred by those relying solely on this publication.