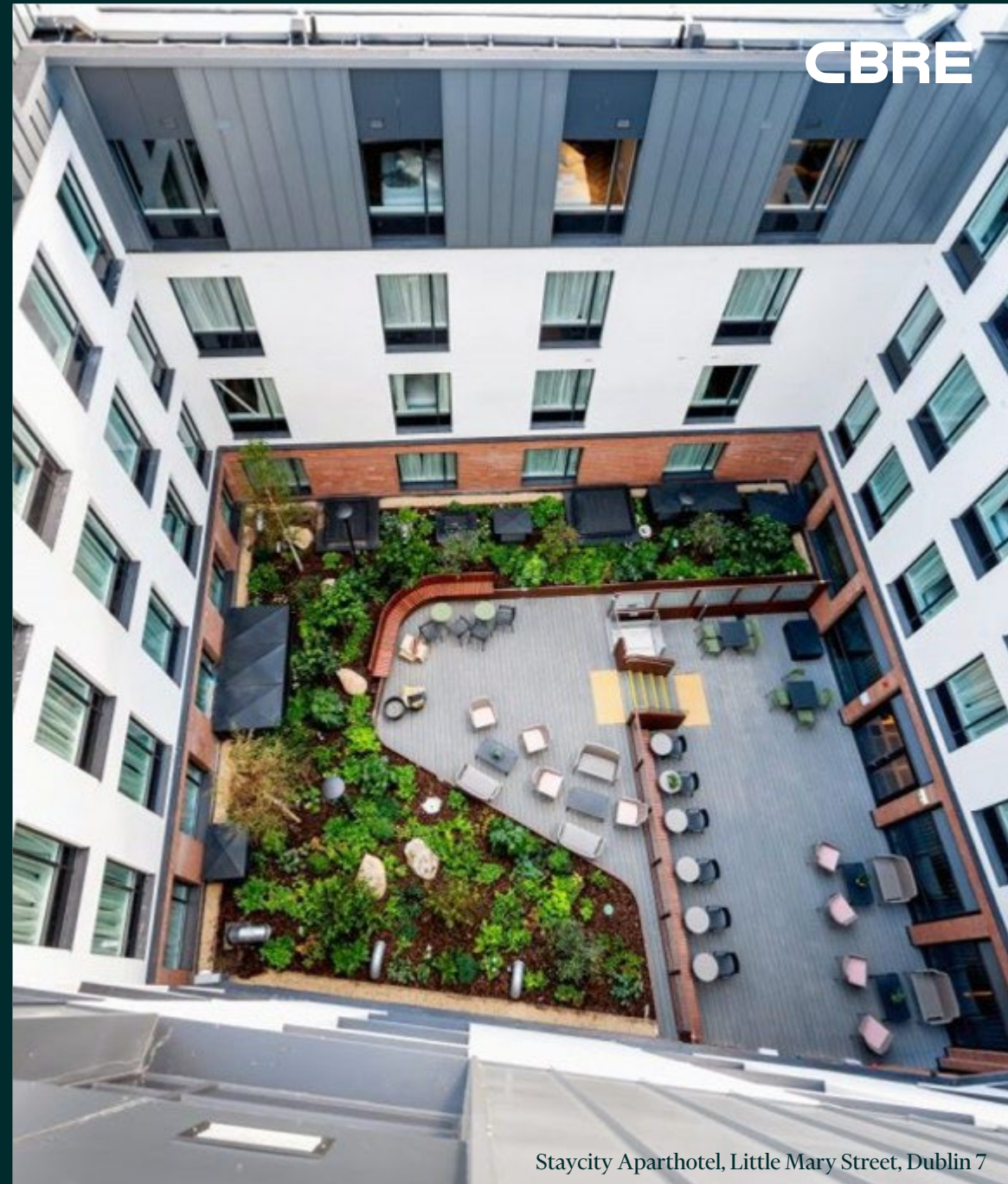


Figures

Ireland Hotel Market Update November 2022

Hotel Trading Performance
& Transactional Activity
Continue to Rebound

CBRE RESEARCH
NOVEMBER 2022



Staycity Aparthotel, Little Mary Street, Dublin 7

FIGURES | IRELAND HOTEL MARKET OVERVIEW | NOVEMBER 2022

Hotel Trading Performance & Transactional Activity Continue to Rebound

▲ €160m

Hotel Transaction Volumes Q3

▲ 77%

Dublin Hotel Occupancy*
YTD (September 2022)

▲ €162

Dublin Average Room Rate*
YTD (September 2022)

▲ 4.15%

Prime Leased Hotel Yields

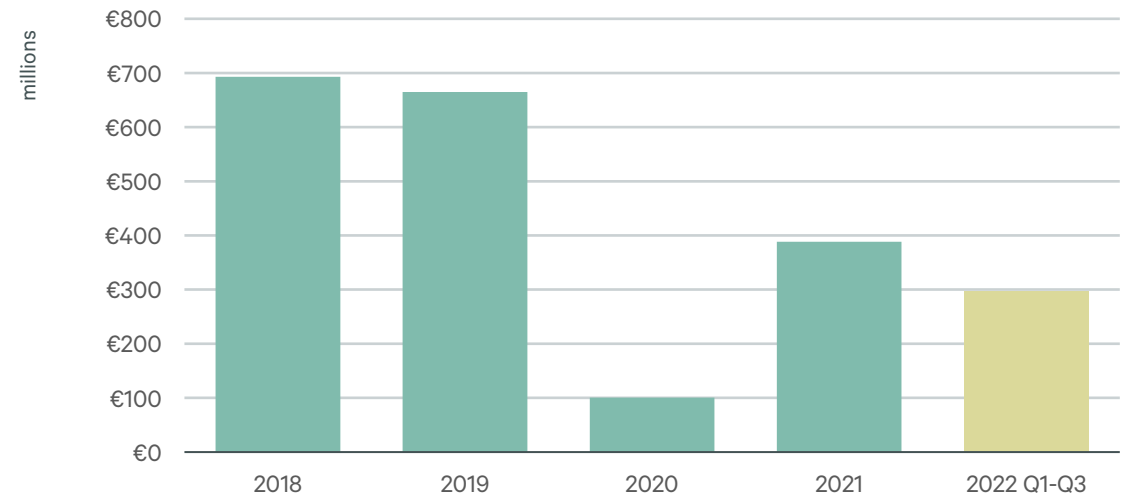
Note: Arrows indicate change from previous quarter.

*Source: STR

Q3 Highlights

- The Irish hotels market recently enjoyed its strongest quarter of transactional activity since the onset of the Covid-19 pandemic
- A total of €160m of hotel transactions completed in Q3, the highest level since Q4 2019, when over €200m of trades occurred
- Notable transactions in the quarter included the sale of the 340-bedroom Staycity aparthotel in Dublin 7 to Song Capital (advised by CBRE) for a reported €100m, and the sale of the Samuel Hotel in Spencer Place as part of Blackstone’s acquisition of the new Salesforce HQ
- While hoteliers are starting to feel the impact of energy and input price inflation, trading performance has proved exceptionally strong in recent months, with Dublin and the other major Irish cities benefitting from strong demand
- Occupancy levels on a year-to-date basis in Dublin reached 77% to the end of September, well ahead of the same period in 2021 (30%) but still behind 2019 (84%)
- In the investment market, while pricing for Irish hotels has softened, the sector has remained more resilient to price declines than other parts of the market

FIGURE 1: Hotel Transaction Volumes 2018 – 2022 (Q1-Q3)



Source: CBRE

Transactional Activity

The third quarter of 2022 represented the strongest quarter for hotel transactional activity since 2019, reflecting investors’ and operators’ renewed focus on the sector following a strong rebound in occupational demand.

A total of €160m of trades completed in Q3 taking the overall spend in the first three quarters of the year to almost €300m. This is slightly ahead of the 10-year average for Q1-Q3 spend in the Irish hotels market, which is approximately €280m.

Transaction Commentary & Forecast Volumes

Almost 90% of the €160m transacted in Q3 was accounted for within two large investment transactions. These included Song Capital’s purchase of the 340-bedroom Staycity aparthotel in Dublin 7, and Blackstone’s purchase of the Samuel Hotel which formed part of the acquisition of the new Salesforce office HQ from Ronan Group Real Estate/Fortress Capital.

The Staycity and Samuel Hotel deals respectively represent the continuation of large institutional investors seeking to deploy capital into Dublin hotels sector as they actively seek to take advantage of the opportunities created by the Dublin market’s strong underlying fundamentals.

As we move through Q4, several notable Irish hotel transactions are set to conclude. This will bolster full year transactional volumes for 2022. A further €100m of transactions are likely to close by year end. There are further deals at various stages of the sale process, and should they complete, this could bring the total volume of transactions towards €500m for the year.

FIGURE 2: Notable Hotel Transactions Q3 2022

Hotel	County	Grade	Bedrooms	Price (Approx.) (Million)	Deal Structure
Staycity Little Mary Street	Dublin	Aparthotel	340	€100.0	Investment
The Samuel Hotel	Dublin	4-star	204	Confidential	Investment
Temple Bar Lane Hotel	Dublin	3-star	36	€11.0	Trading


Source: CBRE Research

FIGURE 3: Q3 2022 Transaction Highlight – Staycity Little Mary Street

LOCATION
Little Mary Street, Dublin 7
North Dublin City Centre

DETAILS
A 340-bed aparthotel, purchased by Song Capital using a forward purchase option. The hotel opened in September and is operated by Staycity on a 25-year lease.

COMMENTARY
The largest Dublin hotel transactions in 2022, it was made possible by a creative lease structure negotiated by Song Capital and Staycity.



Source: CBRE Research

Trading Performance

Occupancy and room rates across all four major Irish cities have rapidly increased as the year has progressed. Occupational demand continues to far outstrip supply in the context of the simultaneous rebound of tourism and business travel, and large numbers of State financed emergency accommodation provisions.

Full year occupancy rates in the Dublin market in the year to the end of September have now increased to 77%. Average Room Rates (ARR) and Revenue per Available Room (RevPAR) have also continued to increase. Indeed, ARR in Dublin, to the end of September, has reached €162, up by approximately 22% versus the same period in 2021. RevPAR is now €117, an increase of 42% versus the same period in the prior year.

The acute shortage of residential stock in the Irish market has led to an increased number of Dublin hotels now in use for emergency accommodation. Ireland has welcomed an estimated 60,000 Ukrainian refugees since February. The Irish Department for Children, Equality, Disability, Integration and Youth has recently stated that it has contracted approximately 25% of available hotel beds in Ireland for emergency use. This is having a discernible impact on both availability and room rates in-turn which will not dissipate in the near-term.

Concerns abound regarding cost inflation, with 4- and 5-star hotels particularly exposed to energy price increases, while budget hotels may have more flexibility in managing input costs. We expect the effects of rising energy prices will begin to have greater impact on hospitality businesses operating costs through Q4 and into 2023. During Q3, as part of the Irish national Budget for 2023, the Department of Finance announced its intention to return the VAT rate for the hospitality sector back to 13.5% (from its current 9%) – such a move will negatively impact hotel occupiers when combined with the challenge of input cost inflation.

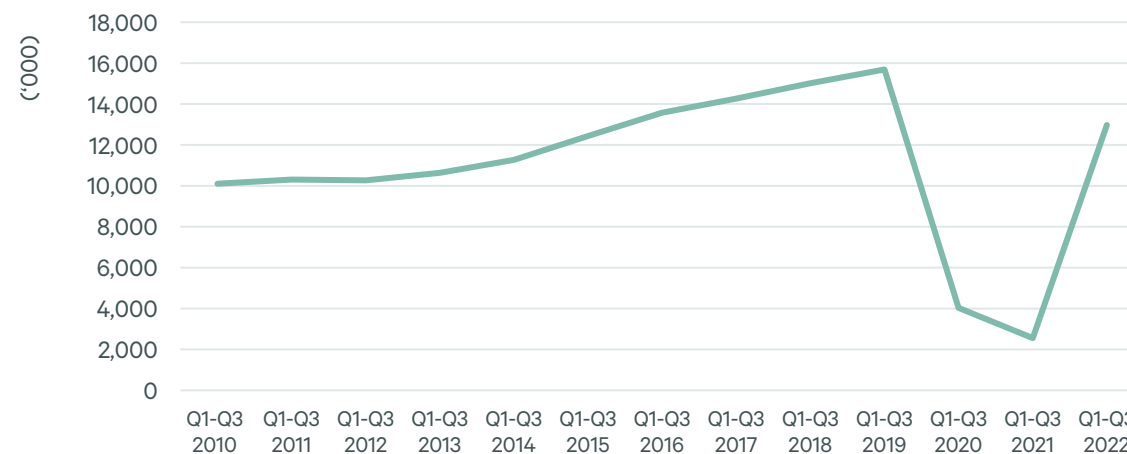
CSO data on passenger arrivals to Ireland indicate visitor numbers have mostly rebounded towards longer-term trends pre-pandemic, as tourism and business travel continue to normalise. Indeed, ‘Air & Sea Travel Arrivals’ to the Republic of Ireland in the first three quarters of the year totalled almost 13 million people.

FIGURE 4: Occupancy, ARR, and RevPAR Year-to-Date (Jan-Sept) 2022

City	Occupancy	ARR	RevPAR
Dublin	77%	€162	€117
Cork	74%	€144	€107
Limerick	78%	€109	€82
Galway	76%	€141	€108

Source: STR (Dublin); Trending.ie (Cork, Limerick & Galway)

FIGURE 5: Ireland Air & Sea Travel, Arrivals, Q1-Q3, 2010-2022



Source: Central Statistics Office Ireland

Dublin Hotel Supply & Investment

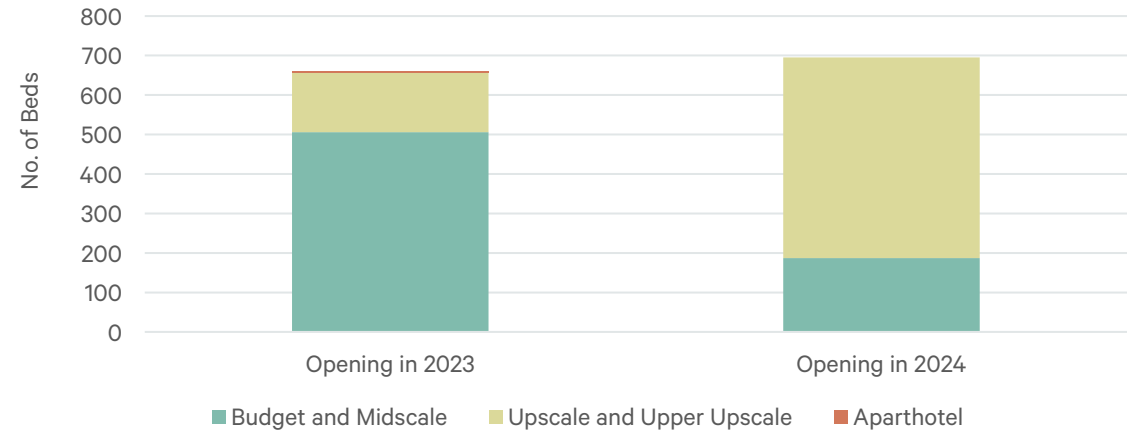
Much of the new supply in Dublin has been largely focused on the budget end of the market as well as the aparthotel segment.

Following the delivery of almost 2,700 new beds to the Dublin market in 2022, we expect to see a slowdown of new hotel construction completions in 2023 and 2024 with between 650-700 expected each year in 2023 and 2024.

Investment Yields & Outlook

- Real estate markets and debt providers continue to digest Federal Reserve and ECB rate hikes, and this has put pressure on the pricing of assets across Europe, including Dublin.
- Prime (leased) hotel yields expanded by 15bps in October.
- While there is also pricing pressure on vacant possession segment of the market, we have not seen this translate into transactional activity to date.
- There continues to be a pool of institutional investors and developers monitoring the Dublin market. While standing product has been the primary focus for deal activity in recent months, several development opportunities remain on the market and will likely be sought after when more visibility on debt costs, construction financing and yields emerges.

FIGURE 6: Dublin Hotel Bedroom Supply 2023 - 2024



Source: CBRE Research

FIGURE 7: Ireland Hotel Equivalent Yields

Category	Yield	Trending
Prime Leased	4.15%	Weaker
5 Star Dublin VP	6.00%	Weaker
4 Star Dublin VP	6.50%	Weaker
3 Star Dublin VP	7.00%	Weaker

Source: CBRE Research

FIGURE 8: Vicar Street Hotel Development Site, Dublin 8; Currently Available for Sale



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