

DESTINATION DUBLIN

A Collective Strategy for
Tourism Growth to 2020

Developments in Dublin's Accommodation Capacity & Tourism Outlook

June 2014

Table of Contents

1. Executive Summary	1
Introduction	1
Main Findings	1
2. Dublin's Recent Tourism Performance & Outlook .	2
Returning to 2007's Peak	2
Ambitious Growth Planned.....	3
Conclusions.....	4
3. Dublin's Tourist Accommodation Capacity – The Supply Side Story	5
Hotel Capacity	5
Other Tourist Accommodation Capacity	6
Spatial Analysis	6
Conclusions.....	8
4. Dublin's Tourism Accommodation Occupancy – The Demand Side Story	9
Hotel Room Occupancy	9
Other Tourist Accommodation Occupancy	10
Conclusions.....	11
5. Financial Performance	12
The Hotel Sector in Dublin.....	12
An International Comparison	13
Conclusions.....	14

Notes:

- Fáilte Ireland drafted this issue specific briefing paper following on from the publication of *Destination Dublin – A Collective Strategy for Growth to 2020*.

1. Executive Summary

Introduction

The aim of this briefing paper is to highlight the fact that accommodation occupancy rates in Dublin, particularly hotel occupancy rates, are now at very high levels. This presents both an opportunity and a challenge. It is an attractive opportunity for those willing and able to supply additional accommodation stock. It is a challenge for those wider stakeholders with an interest in developing the tourism sector – growth could be constrained unless there is an increase in accommodation stock in line with the anticipated growth in tourist arrivals.

Main Findings

- On several key tourism metrics, particularly bed-nights and earnings, Dublin is either at or close to the peak overseas tourism performance levels.
- Credible and ambitious plans are in place to grow tourism in Dublin through the concerted efforts of public and private sector bodies. If these plans are to be achieved, then the city's tourism accommodation capacity will have to increase by somewhere between one-third and two-thirds based on a simple projection of anticipated tourist arrivals.
- Dublin's accommodation stock is very heavily concentrated in hotels.
- While the number of hotels, 151, has not increased notably in recent years, the number of hotel bedrooms has increased by 15% (to 18,718) since 2007.
- After hotels, hostels represent the next most important source of tourism accommodation capacity. Dublin's hostels have some 3,241 bedspaces.
- The supply of registered self-catering units, at 50, is very low for a city of Dublin's size.
- Dublin's hotel occupancy rates are returning to pre-recession levels of +70%.
- In European terms, Dublin based hotels are reported to be amongst the top performers on room occupancy.
- In pre-recessionary times, occupancy rates of this level were associated with an increase in either hotels or hotel rooms.
- Occupancy rates in the other forms of tourist accommodation are also high.
- It appears that the city's hotels are performing better in financial terms than they were a few years ago. Yet, profits before tax are below pre-recession levels.

2. Dublin's Recent Tourism Performance & Outlook

Returning to 2007's Peak

The table below shows how Dublin has performed recently in terms of overseas tourism.

Table 2.1: Overseas Tourists Visits to Dublin 2007-2013P

	2007	2008	2009	2010	2011	2012	2013P
Tourist Nos (000s)	4,449	4,310	3,876	3,413	3,739	3,641	3,973
Tourist Nights (000s)	21,040	22,741	21,664	19,036	20,013	21,440	22,215
Tourist Revenue (€mn)	1449.7	1415.3	1,368.1	1,152.8	1,107.4	1,267.1	1,395.1
Avg nights	4.7	5.3	5.6	5.6	5.4	5.9	5.6
Spending per capita (€)	325.85	328.38	352.97	337.77	296.18	348.01	351.15
Spending per diem (€)	68.90	62.24	63.15	60.56	55.33	59.10	62.80
Holidaymakers (000s)	2,435	2,268	1,915	1,693	1,943	1,881	2,066
Holiday Nights (000s)	8,320	8,354	7,597	6,633	6,636	6,667	7,152
Avg Holiday Nights	3.4	3.7	4.0	3.9	3.4	3.5	3.5

Notes:

- 2013 data is provisional.
- Holidaymakers are tourists whose main purpose of visit is to holiday. Other purposes of visit include taking business trips and spending time with family and friends.

Source: Fáilte Ireland

The main points to note are as follows:

- The number of overseas tourists peaked at 4.4 million in 2007 and fell to 3.4 million in 2010. Since then demand has recovered strongly, last year the city welcomed some 4 million overseas tourists. However, this is still 10% below the 2007's peak.
- Owing to an increase in the average length of stay, 2013 recorded 22.2 million bed-nights, which was 5.5% more than in 2007. The lengthening trip duration also helps explain why visitor earnings in 2013 were also on a par with 2007's levels.
- Last year overseas holidaymakers made an estimated 2 million visits to Dublin, which is some 17% down on 2007's results. The number of holidaying bed-nights was estimated at 7.2 million, with the average trip being 3.5 nights.

While the decline in overall numbers is of concern, the change in the market mix of visitors has helped to mitigate the decline in visitor revenue. More significantly, when looking at the "discretionary" or "promotable" visitor – those whom it is possible to influence to visit, such as leisure and conference visitors as opposed to those whose

business requires them to travel and are therefore not open to influence in the choice of their destination – the decline in holiday visitors to Dublin from Britain is marked. However, mainland European holiday visitors show a relatively static pattern over the last four years and North American holiday visitors are recovering well.

Ambitious Growth Planned

A new plan for tourism in Dublin, *Destination Dublin – A Collective Strategy for Growth to 2020*, offers a roadmap for growing Dublin's tourism in the years ahead: including identifying those market segments with most promise; outlining the need for a new brand; and stressing the need for all interests in Dublin to come together to achieve the targets set. More details are available [online](#).

The plan identifies five sectors that offer the best potential for significant growth and the best return on investment:

- Holidaymakers identified as 'Social Energisers' – young couples and adult groups looking for excitement, new experiences, and fun, social getaways to novel destinations.
- Holidaymakers identified as 'Culturally Curious' – mostly older couples or solo travellers with time (and money) to spend.
- Business Tourism – where visitor expenditure is amongst the highest of all visitors and who are more prone to visit in times when cash flow for Dublin businesses is critical, i.e., in the shoulder and off-seasons.
- Cruise Tourism – those who come to Dublin as part of a European cruise.
- Event Tourism – those coming to Dublin specifically to attend an event or festival, be it sporting, cultural, corporate or any other type of event.

Table 2.2 presents the results under the plan's three illustrative scenarios.

Table 2.2: 2020 Outlook – Three Scenarios

Business As Usual		Return to Growth		Peak Performance	
Overseas Tourist Numbers	Overseas Tourist Revenues	Overseas Tourist Numbers	Overseas Tourist Revenues	Overseas Tourist Numbers	Overseas Tourist Revenues
4,379	€1,383 mn	5,265	€1,874 mn	6,176	€2,230 mn

Source: *Destination Dublin – A Collective Strategy for Growth to 2020*

The scenarios are as follows:

- Business As Usual: In this worst case scenario, Dublin grows at a modest rate of 2.2% p.a. in overseas tourists and 1% in revenue per year. This is unlikely to happen given the change in public policy and private sector thinking about the opportunity at hand.

-
- **Return to Growth:** If tourism to Dublin were to resume the growth it enjoyed between 1999 and 2007, we could expect overseas tourists numbers to grow by 4.7% a year, and related spending to increase by around 5% annually. This is best understood as a lower end projection of the 2020 outcome.
 - **Peak Performance:** This is the most ambitious scenario, and the one that the Grow Dublin Taskforce has agreed to pursue. It sees, by 2020, a doubling of tourism earnings and a two-thirds increase in tourist trips to the capital city.

Conclusions

- On several key tourism metrics (e.g., bed-nights and earnings), Dublin is either at or close to the peak overseas tourism performance of 2007.
- Credible and ambitious plans are in place to grow tourism in Dublin through the concerted efforts of public and private sector bodies. This growth means that the city's tourism accommodation capacity will have to increase by somewhere between one-third and two-thirds. This is based on the enabling assumption that overall trip characteristics remain unchanged.

3. Dublin's Tourist Accommodation Capacity – The Supply Side Story

Hotel Capacity

The table below presents an analysis of the city's hotel capacity by contrasting the picture today with the situation in 2007, when overseas tourist numbers peaked at 4.4 million.

Table 3.1: Hotel Capacity in Dublin 2007 & 2014

	Premises		Bed Rooms		Beds	
	2007	2014	2007	2014	2007	2014
5 Star	9	10	1,832	1,681	3,705	3,421
4 Star [^]	23	48	3,803	8,386	8,169	17,946
3 Star	56	68	6,232	7,869	14,363	18,335
2 Star	23	21	852	700	1,845	1,518
1 Star	4	4	75	82	164	175
Other [^]	35	0	3,488	0	8,056	0
Total	150	151	16,282	18,718	36,302	41,395

[^] The 'other' category has shrunk over time due to changes in the hotel registration and grading framework. In the majority of cases hotels that were previously ungraded secured a 4 star grading.

Source: Fáilte Ireland

The main points from Table 3.1 are as follows:

- While hotel stock has remained relatively unchanged at 151, there has been an apparent move up the quality ladder with more hotels graded as three star or higher. Of Dublin's 151 hotels, 126 (83%) are three star or better.
- Since 2007 the stock of hotel bed rooms has increase by 15%, with most of the increase taking place in three star and four star premises.
- Of Dublin's 18,718 hotel bed rooms, 17,936 (96%) are in hotels graded between three and five star. Four star hotels alone represent some 45% of available bed rooms.
- The average Dublin hotel has 124 bed rooms (well above the national average of circa 70 rooms).
- The growth in beds mirrors the growth in hotel bedrooms.

In terms of a national comparison, Dublin accounts for 19% of all of the hotels in Ireland but 33% of the bed stock. This is pretty much unchanged since 2007.

Other Tourist Accommodation Capacity

Before looking at other forms of tourism accommodation in detail, it is fair to say that Dublin's accommodation stock is very heavily concentrated in the hotel sector. This is readily apparent when we look at the bed data in Table 3.1 and Table 3.2.

It should be noted that hotels, guesthouses and hostels have a statutory obligation to register with Fáilte Ireland. No such obligation exists for B&Bs and certain types of self-catering operations. While there is anecdotal evidence to suggest that not all of Dublin's self-catering and B&B stock is listed with Fáilte Ireland, in overall terms the total amount of such stock is believed to be very low in comparison with the city's stock of hotel.

Table 3.2 gives an overview of how the stock of registered/listed guesthouses, B&Bs, hostels and self-catering units has changed in the city between 2007 and 2014.

Table 3.2: Other Tourist Accommodation Capacity in Dublin 2007 & 2014

	2007	2014	Change
Guesthouses (beds)	1,975	1,235	-37%
B&Bs (beds)	1,614	700	-57%
Hostels (beds)	2,514	3,241	29%
Self-catering Group (units)	60	50	-17%

Source: Fáilte Ireland

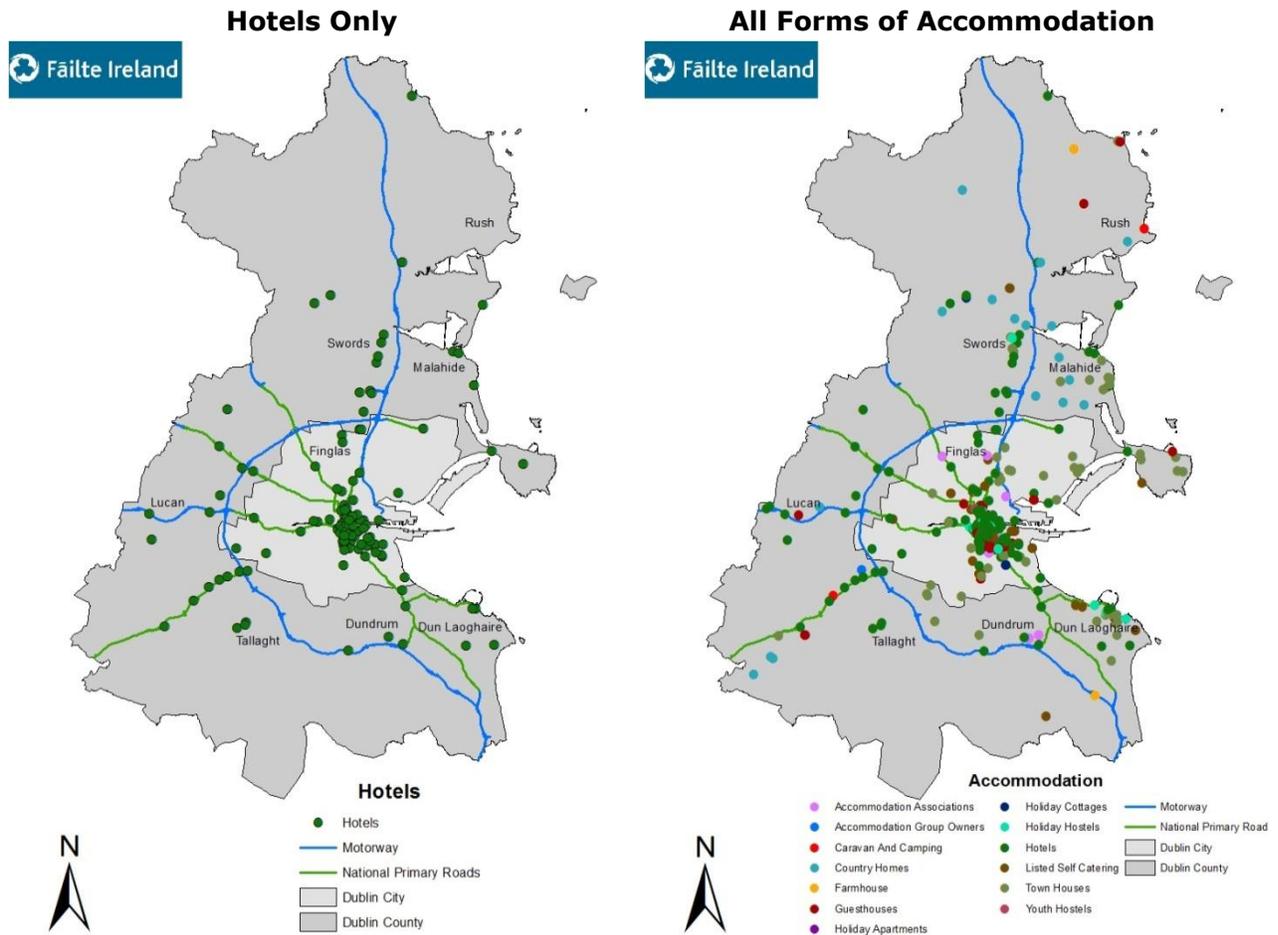
The main points to note are as follows:

- The downward trend in stock of guesthouses, B&Bs and self-catering units nationally is also evident in Dublin.
- Guesthouse stock, as measured in bed capacity fell by 37% between 2007 and 2014. Over the same period, B&B stock declined by 57%.
- Dublin has only 50 self-catering group schemes listed with Fáilte Ireland, down 17% since 2007.
- The stock of hostels and the supply of hostel beds both increased, with beds available up 29%. The increase in hostel beds observed in the capital was well ahead of the national average of 4%.

Spatial Analysis

Figure 3.1 shows the spread of all tourist accommodation units across Dublin city and county, with each unit shown as a 'dot'. This is based on registrations/listings with Fáilte Ireland.

Figure 3.1: Location of Accommodation Stock in Dublin 2014



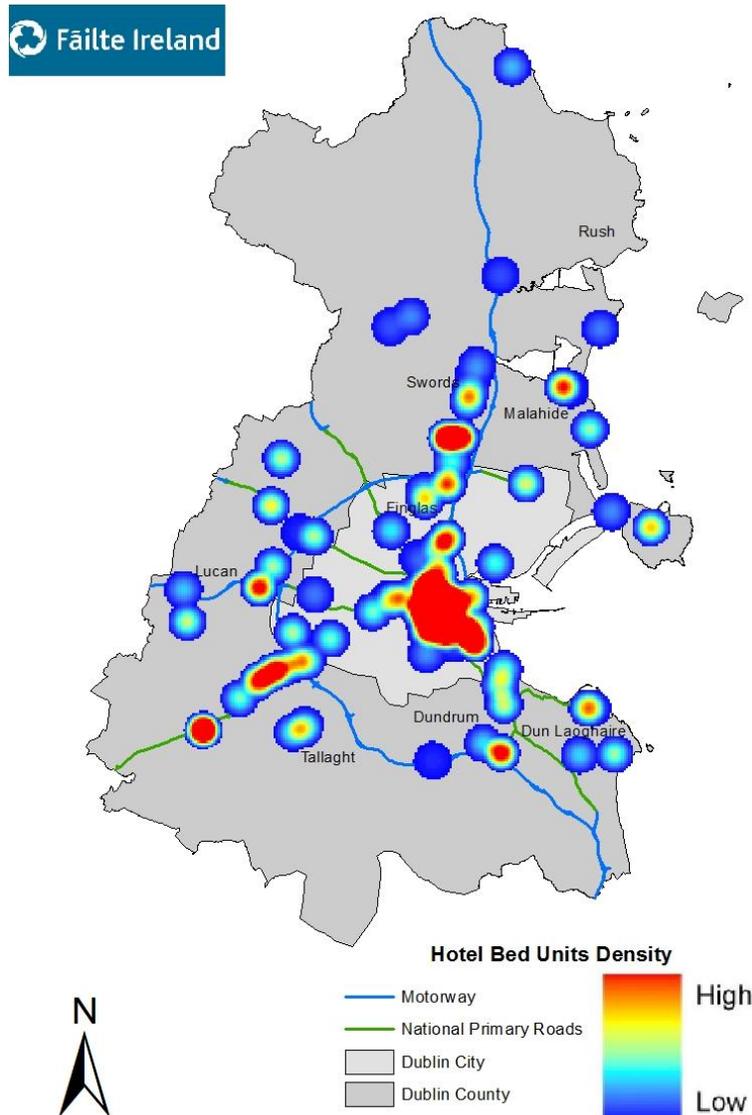
Source: Fáilte Ireland

Figure 3.1 suggests that:

- Dublin's hotel stock is largely concentrated within the city centre.
- Outside of the city centre, there is significant hotel clustering (a) near the airport, (b) along the main commuter routes into the city and (c) close to major industrial hubs.
- Dublin's guesthouse stock is largely concentrated within the city centre. The same applies for hostels.

The next map, Figure 3.2, complements the previous analysis by showing the spatial concentration of hotel bedrooms. This is done via hotspot analysis which allows us to take account of the difference between the location of hotels and the location of hotel capacity as measured in bedrooms. The two hotel specific maps, taken together, build a more comprehensive picture of where capacity is situated.

Figure 3.2: Hotel Bed Density in Dublin 2014 – Hotspot Map of Hotel Beds



Source: Fáilte Ireland

Conclusions

- Dublin's accommodation stock is very heavily concentrated in the hotel sector.
- The majority of the hotel stock lies within the city centre.
- While the number of hotels (151) has not increased notably in recent years, the number of hotel bedrooms has increased by 15% to 18,718.
- After hotels, hostels represent the next most important source of tourism accommodation capacity. Dublin's hostels have some 3,241 bedspaces.
- The supply of registered self-catering units, at 50, is very low for a city of Dublin's size.

4. Dublin's Tourism Accommodation Occupancy – The Demand Side Story

Hotel Room Occupancy

Hotel room demand is typically measured in terms of occupancy. Before the recession (pre-2008), annual occupancy rates in Dublin were in the range 72%-74%. Table 4.1 gives the results for the years 2007-2013.

Table 4.1: Dublin Hotels Annual Occupancy Percentage 2007-2014

	2007	2008	2009	2010	2011	2012	2013
Room Occupancy	72%	66%	63%	62%	64%	69%	70%
Bed Occupancy	53%	47%	46%	44%	46%	48%	49%
<i>Room Occupancy by Grade</i>							
4 – 5 Star	73%	63%	60%	55%	61%	63%	61%
3 Star	73%	70%	64%	69%	67%	76%	77%
1 – 2 Star	79%	69%	56%	63%	66%	74%	75%

Source: Fáilte Ireland

Hotel occupancy rates in the city are returning to pre-recession levels. This correlates with the earlier analysis which found that, for several key tourism metrics, Dublin is either at or close to the peak overseas tourism performance levels of 2007.

Looking at occupancy rates by hotel grade, the pattern is that occupancy falls as the star grading increases. Four and five star hotels are the only grades with occupancy significantly below the 2007's levels. This can be explained, in large part, by the significant increase in the supply of hotels graded as four star.

In order to make international comparisons we have to make use of third-party data. Drawing on a recent report by PwC, it would appear that Dublin is amongst the top performing European cities in terms of hotel occupancy and this performance is expected to be maintained for the foreseeable future.

Table 4.2: European Cities Hotel Occupancy Rankings 2014-2015

2013	2013 Rank	2014	2014 Rank	2015	2015 Rank
London (82.4%)	1	London (82.7%)	1	Edinburgh (83.0%)	1
Paris (81.2%)	2	Paris (81.7%)	2	London (82.9%)	2
Edinburgh (79.6%)	3	Edinburgh (81.5%)	3	Paris (82.0%)	3
Dublin* (78.7%)	4	Dublin (79.0%)	4	Dublin (79.5%)	4
Amst'dam (75.4%)	5	Am'dam (75.2%)	5	Amst'dam (75.5%)	5
Berlin (72.6%)	6	Berlin (72.8%)	6	Berlin (73.0%)	6
Zurich (72.3%)	7	Zurich (72.7%)	7	Zurich (73.0%)	7
Barcelona(71.7%)	8	Barcelona(71.9%)	8	Barcelona (72.1%)	8
Vienna (70.6%)	9	Vienna (71.2%)	9	Vienna (71.7%)	9
Prague (69.3%)	10	Prague (69.7%)	10	Prague (70.1%)	10
Moscow (67.5%)	11	Frankfurt(68.6%)	11	Frankfurt (69.2%)	11
Frankfurt(68.3%)	12	Moscow (68.6%)	12	Moscow (69.1%)	12
Rome (67.0%)	13	Rome (67.0%)	13	Lisbon (67.4%)	13
Brussels (66.8%)	14	Brussels (66.7%)	14	Brussels (67.3%)	14
Geneva (65.2%)	15	Geneva (66.1%)	15	Rome (67.2%)	15
Lisbon (65.0%)	16	Lisbon (65.7%)	16	Geneva (66.6%)	16
Milan (63.3%)	17	Milan (64.3%)	17	Milan (65.0%)	17
Madrid (61.4%)	18	Madrid (61.9%)	18	Madrid (62.6%)	18

* The results for Dublin presented in this table differ from Fáilte Ireland results owing to differences in the hotels surveyed and in the scope of coverage.

Source: PwC, Room to Grow (March 2014)

Other Tourist Accommodation Occupancy

For completeness we present data in Table 4.3 on occupancy levels for other forms of tourist accommodation.

Table 4.3: Other Tourist Accommodation Occupancy Percentage 2010-2014

Dublin Occupancy	2010	2011	2012	2013
Guesthouses (room)	59%	61%	70%	70%
B&Bs (rooms)	36%	45%	47%	51%
Self-Catering (units)	67%	76%	57%	70%
Hostels (beds)	59%	60%	66%	68%

Source: Fáilte Ireland

The overall trend in occupancy is significantly upwards, but a strong note of caution is attached to this observation. It is very difficult to draw definitive conclusions for these accommodations sectors in light of the earlier finding around:

- Their relatively small share of Dublin's accommodation stock, and

- The fall in supply of guesthouses, B&Bs and self-catering units means that occupancy rates would naturally increase even if demand was held constant or fell at a slower pace than the decline in supply.

The existence of B&B and self-catering capacity that is not registered/listed with Fáilte Ireland is unlikely to affect these conclusions given that this is a niche sector with limited growth potential given the competing uses to which such properties can be put.

Conclusions

- Dublin's hotel occupancy rates are returning to pre-recession levels of +70%.
- In European terms, Dublin based hotels are reported to be amongst the top performers on room occupancy.
- In pre-recessionary times, occupancy rates of this level were associated with an increase in either hotels or hotel rooms.
- Occupancy rates in the other forms of tourist accommodation are also high.

5. Financial Performance

The Hotel Sector in Dublin

While occupancy rates are important, additional information on room rates allows us to build a more comprehensive picture. Financial advisors Crowe Horwath conduct an annual survey which tracks the financial performance of hotels. Unfortunately, comparable data is not available for the other accommodation sectors.

Table 5.1: Dublin Hotels' Financial Performance 2007-2012

	2007	2008	2009	2010	2011	2012
Achieved Average Room Rate ¹	€116.59	€107.29	€87.51	€79.03	€81.01	€86.04
Revenue per Available Room ²	€88.74	€74.89	€56.62	€53.03	€57.11	€63.58
Profit Before Tax per Room	€11,687	€9,392	€6,813	€6,226	€7,690	€10,038

Source: Crowe Horwath, Ireland Hotel Industry Survey 2008-2013

Crowe Horwath's surveys reveal that the financial performance of Dublin's hotels worsened in 2008. When occupancy rates fell below 70% revenue fell 20%-30% and profits were down by similar amounts. This underlined the fact that with much of the cost base is fixed; hotel margins are very sensitive to occupancy changes.

Keeping in mind the earlier analysis regarding Dublin returning to the strong bed-night performance levels of 2007, it appears that the city's hotels are performing much better in financial terms than they were a few years ago. That said, profits before tax are still below pre-recession levels.

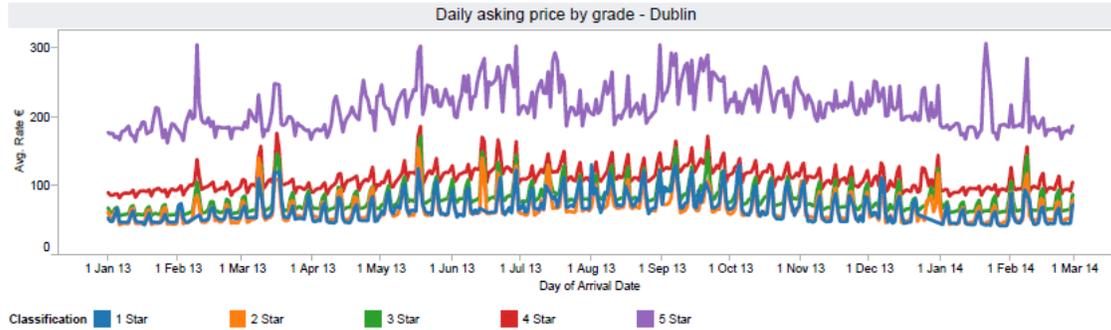
It is an open question as to whether or not the hotel rates (and margins) achieved in 2007 were sustainable given the relatively poor value-for-money rating achieved at the time.

Looking at hotel asking prices, Figure 5.1 illustrates the recent pattern by grade.

¹ Average Daily Rate represents the average rental income per paid occupied room in a given time period. It calculated by dividing room revenue earned by the number of rooms that earned revenue.

² Revenue per available room is calculated by dividing a hotel's total guestroom revenue by the room count and the number of days in the period being measured

Figure 5.1: Dublin Hotels' Asking Price by Grade



An International Comparison

The *Room to Grow* report by PwC provides comparative room revenue data on Dublin relative to other major European cities.

Table 5.2: European Cities Hotel Revenue Per Available Room Rakings 2014-2015

2013	2013 Rank	2014	2014 Rank	2015	2015 Rank
Geneva (€151.3)	1	Geneva (€152.3)	1	Geneva (€151.5)	1
Zurich (€139.9)	2	Zurich (€142.7)	2	Zurich (€145.2)	2
London (€131.1)	3	London (€135.5)	3	London (€142.7)	3
Paris (€122.3)	4	Paris (€126.9)	4	Paris (€130.0)	4
Rome (€95.5)	5	Rome (€96.7)	5	Rome (€98.6)	5
Moscow (€94.5)	6	Moscow (€92.2)	6	Moscow (€92.4)	6
Amst'dam (€89.9)	7	Amst'dam (€90.5)	7	Amst'dam (€91.5)	7
Barcelona(€83.9)	8	Frankfurt (€84.9)	8	Frankfurt (€87.1)	8
Frankfurt (€82.5)	9	Barcelona (€84.9)	9	Barcelona (€86.3)	9
Milan (€80.8)	10	Milan (€82.4)	10	Milan (€83.5)	10
Edinburgh (€74.2)	11	Edinburgh (€76.4)	11	Edinburgh (€78.7)	11
Brussels (€73.9)	12	Brussels (€74.0)	12	Dublin (€76.8)	12
Dublin (€70.3)	13	Dublin (€73.9)	13	Brussels (€74.9)	13
Vienna (€66.7)	14	Vienna (€68.5)	14	Vienna (€69.3)	14
Berlin (€63.6)	15	Berlin (€65.6)	15	Berlin (€66.8)	15
Lisbon (€55.1)	16	Lisbon (€55.6)	16	Lisbon (€57.5)	16
Madrid (€50.6)	17	Madrid (€49.2)	17	Prague (€49.4)	17
Prague (€48.8)	18	Prague (€48.6)	18	Madrid (€48.4)	18

Source: PwC, *Room to Grow* (March 2014)

It shows that, based on revenue per available room, Dublin is a mid-ranking performer.

Conclusions

- With much of the cost base is fixed, hotel margins are very sensitive to occupancy changes.
- It appears that the city's hotels are financially performing better than they were a few years ago. Yet, profits before tax are below pre-recession levels.