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# Dublin Hotel Pricing: A Comparative Review

## Dec 2023

Audit | Tax | Advisory


# Background & Context

# Background

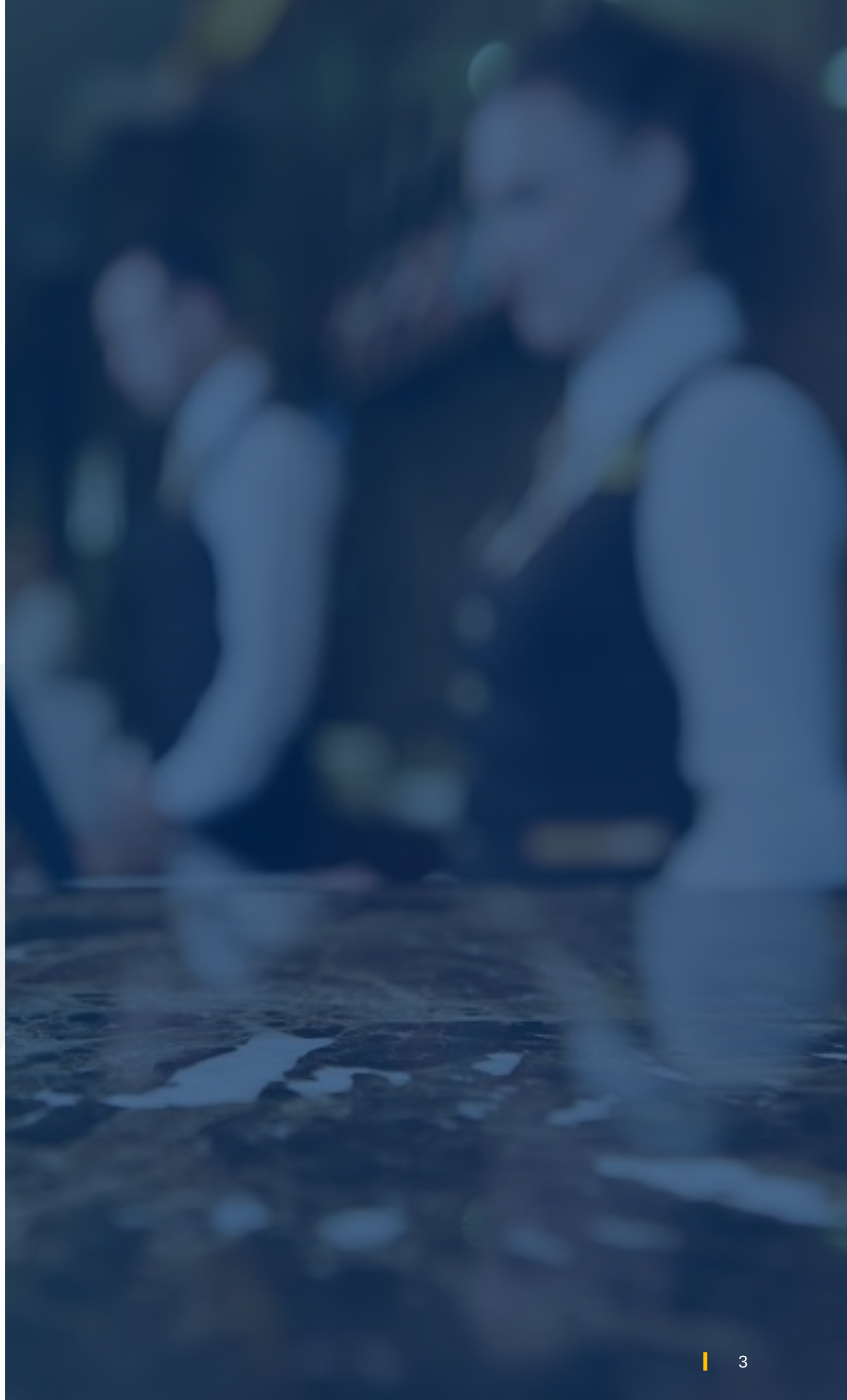
**Introduction**

With the ongoing and welcome recovery of the tourism sector post-Covid there has been an increased focus on pricing of tourism accommodation, particularly hotel rooms in Dublin.

The public focus on this raises questions around value for money. This report examines these questions in the context of the Department's request outlined below.

**Purpose (as per DTCAGSM correspondence)**

1. *“To bring independent empirical analysis to the situation, with reference inter alia to:*
   - *the scale of price increases compared to increases in the costs of doing business*
   - *European comparators.*
2. *To establish the nature and scale of the potential problem (if any) including the collation and analysis of the available empirical data.”*



# Recovery in Overseas Tourism

Air capacity in 2023 is at 103% of 2019 levels.

CSO data from Q3 2023 on inbound travel indicated:

- 2.0 million overseas tourists
- With an average length of stay of 9.0 nights in the country
- Total expenditure of €2.0 billion (excluding airfares).

While this data series is not directly comparable with pre-Covid statistics, it points to an ongoing recovery in inbound tourism.



**They spent a total of €2bn (ex. fares)**

**These visitors stayed a total of 17.6 million nights…**

**…with an average length of stay of 9 nights**

*Source: CSO*

| Scheduled Seat Capacity of 2019 Levels | | | | |
|---|---|---|---|---|
| **Origin** | **2020** | **2021** | **2022** | **2023** |
| Great Britain | 35% | 28% | 85% | 100% |
| Mainland Europe | 38% | 39% | 95% | 105% |
| North America | 30% | 24% | 86% | 100% |
| Rest of the World | 38% | 39% | 80% | 113% |
| **Total** | **36%** | **33%** | **90%** | **103%** |

*Source: OAG*

# Recovery in Domestic Tourism

The number of domestic trips made has significantly improved since the pandemic and in 2022 surpassed 2019 levels.

2022 vs. 2019 Domestic Activity

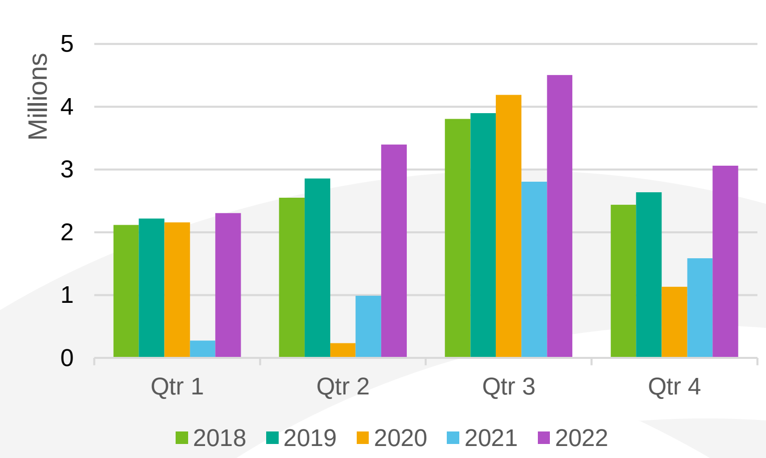
- Trips: surpassed 2019 levels by 14%.
- Nights: also grew by 14%

Q1 2023 data shows that:

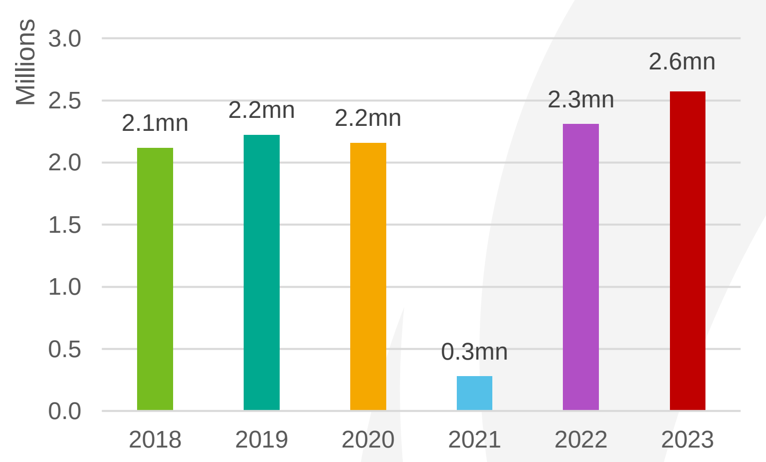
- Irish residents took 2.6 million domestic overnight trips, up 11% from 2.3 million trips when compared with the same period in 2022.
- The number of nights spent in Irish hotels by Irish residents was 17% higher in Q1 2023 than in the same quarter in 2022 (1.9 million nights and 1.6 million respectively).

**Domestic Trips only 2018 – 2022**


**Domestic Trips Quarterly 2018 – 2022**




**Q1 Domestic Trips by Year 2018 – 2023**




**Source:** CSO Household Travel Survey

# Irish economy performing well

While the Irish economy grew strongly post pandemic, it now looks set to experience more moderate rates of growth.

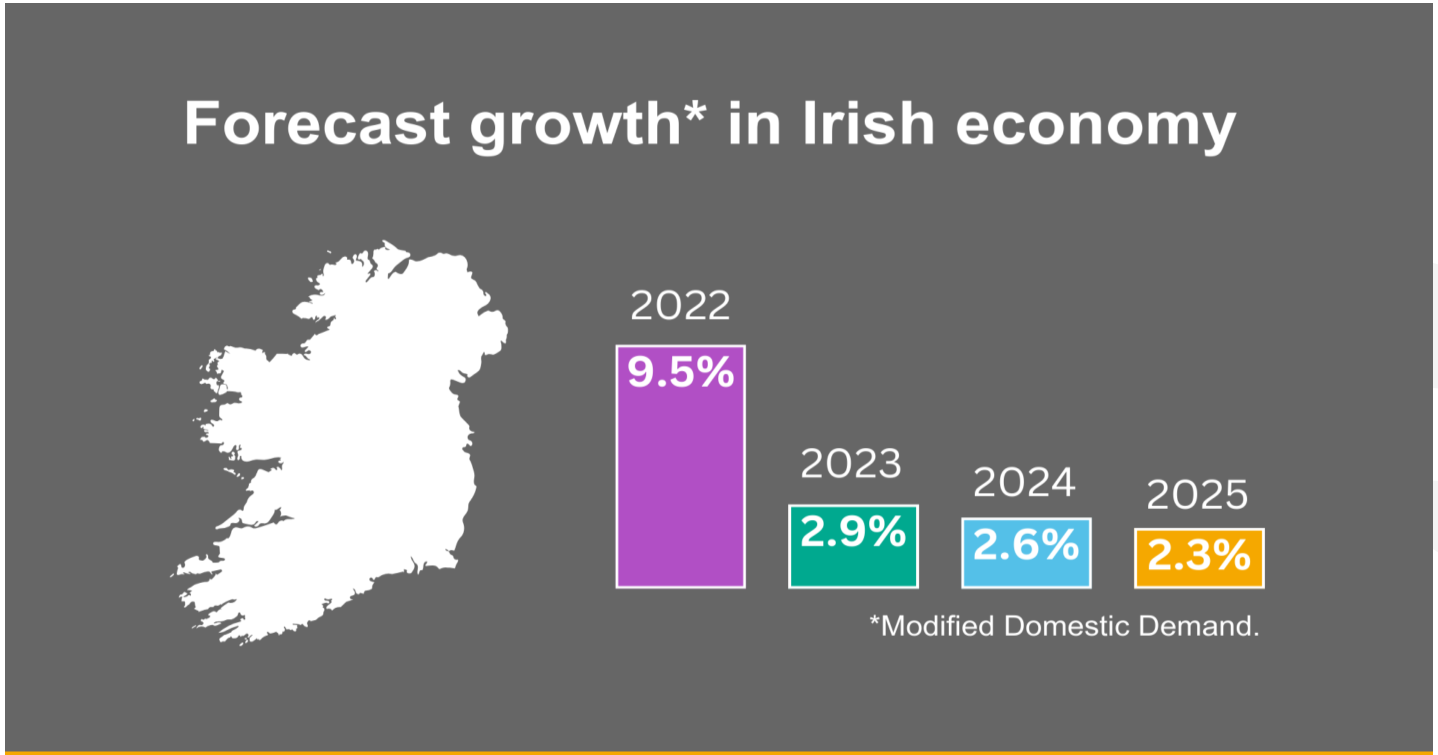
CSO data for September 2023 shows that the annual inflation rate for Ireland was 6.4% (using the Consumer Price Index).

International economic activity is slowing:

- inflation remains elevated
- interest rates have increased sharply
- demand in many countries has faltered.

Despite these factors, the Irish economy, as measured by Modified Domestic Demand (MDD), is projected to continue to expand at a solid pace.

Importantly from a tourism perspective, consumer spending growth is forecast to remain robust over the forecast horizon.




| | 2022 | 2023f | 2024f | 2025f |
|---|---|---|---|---|
| Modified Domestic Demand | 9.5 | 2.9 | 2.6 | 2.3 |
| Gross Domestic Product | 9.4 | 2.9 | 2.5 | 4.8 |
| Personal Consumer Expenditure | 9.4 | 4.1 | 3.9 | 3.0 |

*Source: Central Bank of Ireland – Sept 2023*

# Labour market is tight

The Irish labour market continues to perform robustly, with unemployment remaining below 5% over the past year, indicating the economy is close to, or at, full employment.

An estimated 2,643,000 people were in employment in Q2 2023, a new record high for Ireland.

This is an unusual situation for tourism, as it finds itself in recovery mode at a time of zero slack in the labour market.

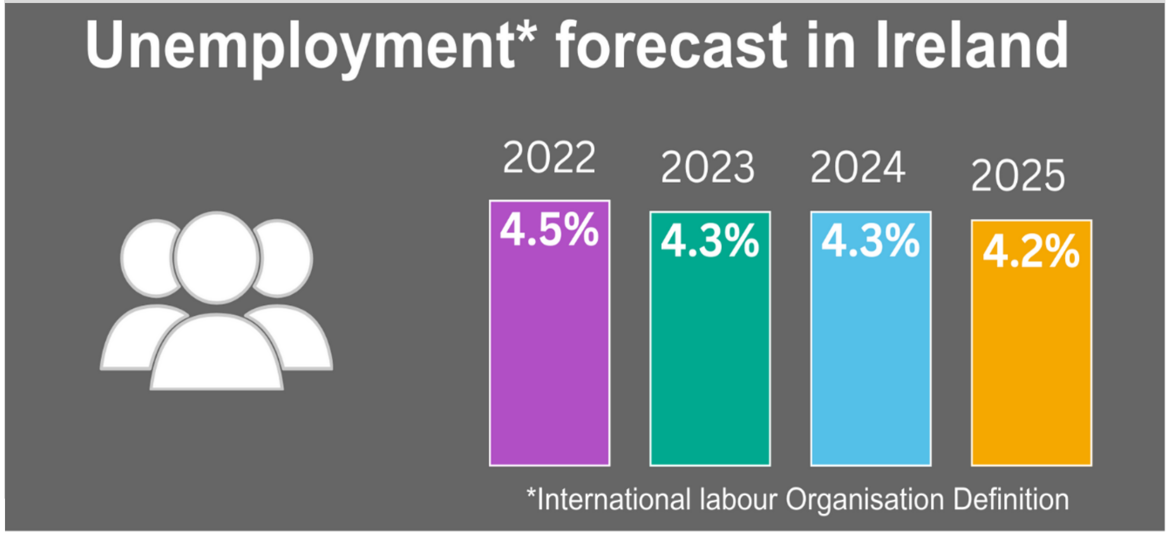



**Table 3: Labour Market Projections**

| | 2021 | 2022 | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| **Employment # (000s)** | 2,389 | 2,547 | 2,639 | 2,682 | 2,723 |
| **% change** | 6.1% | 6.6% | 3.6% | 1.7% | 1.5% |
| **Labour Force (000s)** | 2,547 | 2,667 | 2,757 | 2,802 | 2,843 |
| **% change** | 6.5% | 4.7% | 3.4% | 1.6% | 1.5% |
| **Participation Rate (% of Working Age Population)** | 63.3% | 64.8% | 65.4% | 65.4% | 65.5% |
| **Unemployment (000s)** | 158 | 119 | 119 | 120 | 121 |
| **Unemployment Rate (% of Labour Force)** | 6.2% | 4.5% | 4.3% | 4.3% | 4.2% |

*Source: Central Bank of Ireland – Sept 2023*

# Section Conclusions

### Strong Tourism Demand

**Tourism has recovered well from the pandemic, but not fully.**

In particular, domestic tourism has reached a new peak and overseas demand is on track to return to pre-COVID levels.

### Economic Recovery

**The Irish economy showed robust growth post-pandemic and now looks set to experience more moderate rates of growth.**

Despite this, the economy is projected to continue to expand at a solid and more normalised pace for an advanced economy.

### Booming Labour Market

**The Irish labour market is in solid heath, with record employment levels.**

This is a significant departure from the previous norm whereby tourism's recovery was always associated with excess unemployment.


# Benchmarking Business Costs & Consumer Prices

# Labour Costs

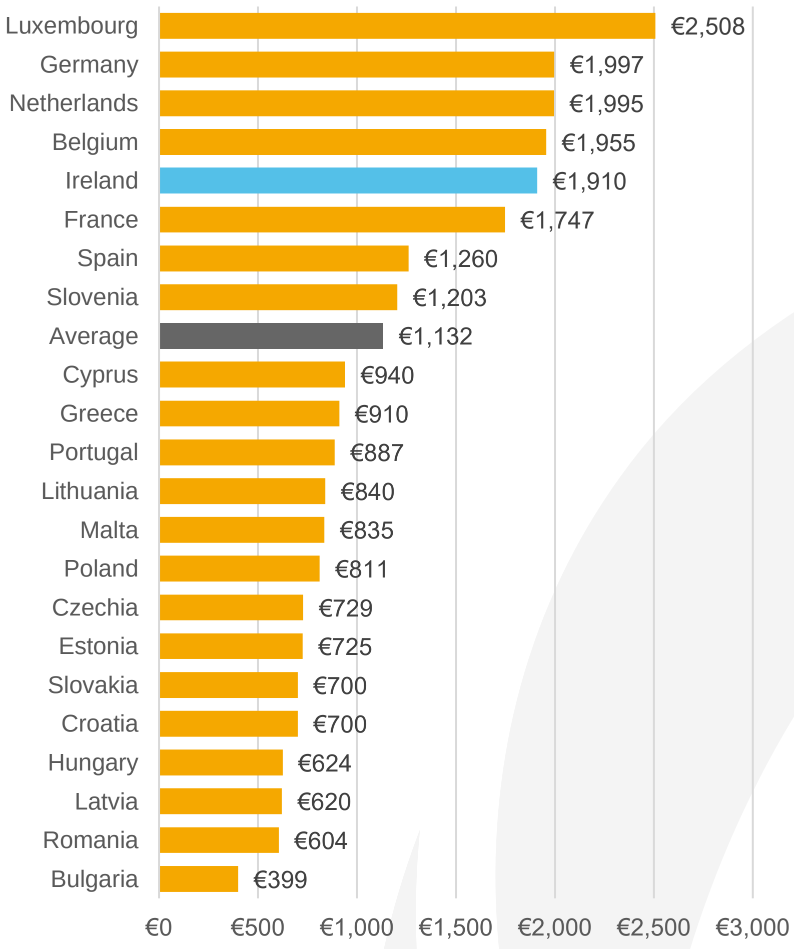
Though wages are rising across most EU Member States, Ireland's labour costs remain comparatively high.

Ireland's minimum wage rate sits among the leading group and was 69% above the EU average in 2023.

Wages & Salaries in Ireland's Accommodation & Food sector are, on average, 23% higher than the EU average.

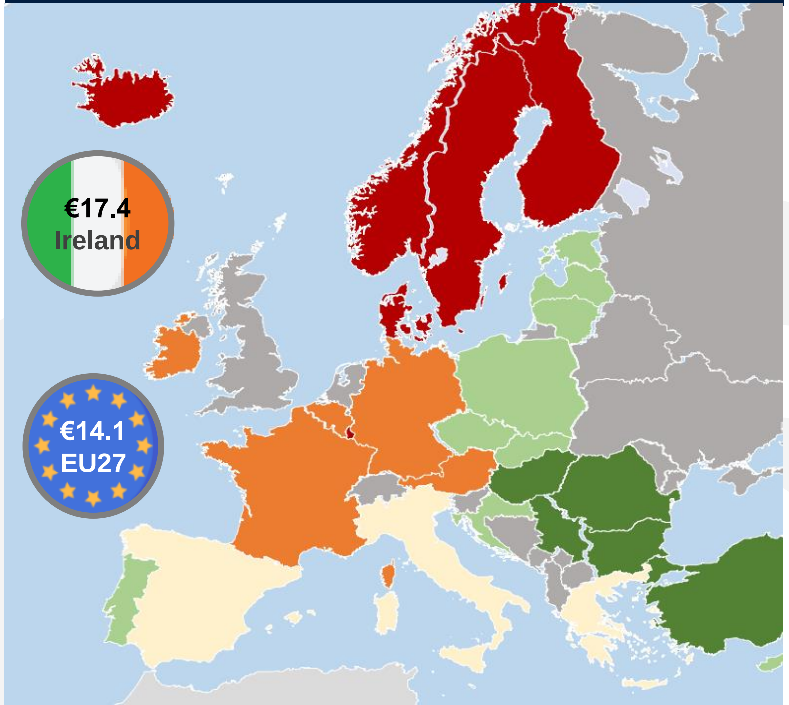
The latest 12.4% increase in the minimum wage pushes Ireland up towards the top on this metric.

**Monthly Minimum Wage (July 2023)**




**Source:** *Eurostat*

**Average Hourly Labour Costs (Wages & Salaries) – Accom & Food**




| LEGEND | | |
|---|---|---|
| Color | Min. | Max. |
| | €0.00 | €5.90 |
| | €6.00 | €9.90 |
| | €10.00 | €13.90 |
| | €14.00 | €19.90 |
| | €20.00 | €100.00 |

**Source:** *Eurostat, 2022*

# Cost of Credit

Borrowing costs in Ireland have historically been among the highest in Europe.

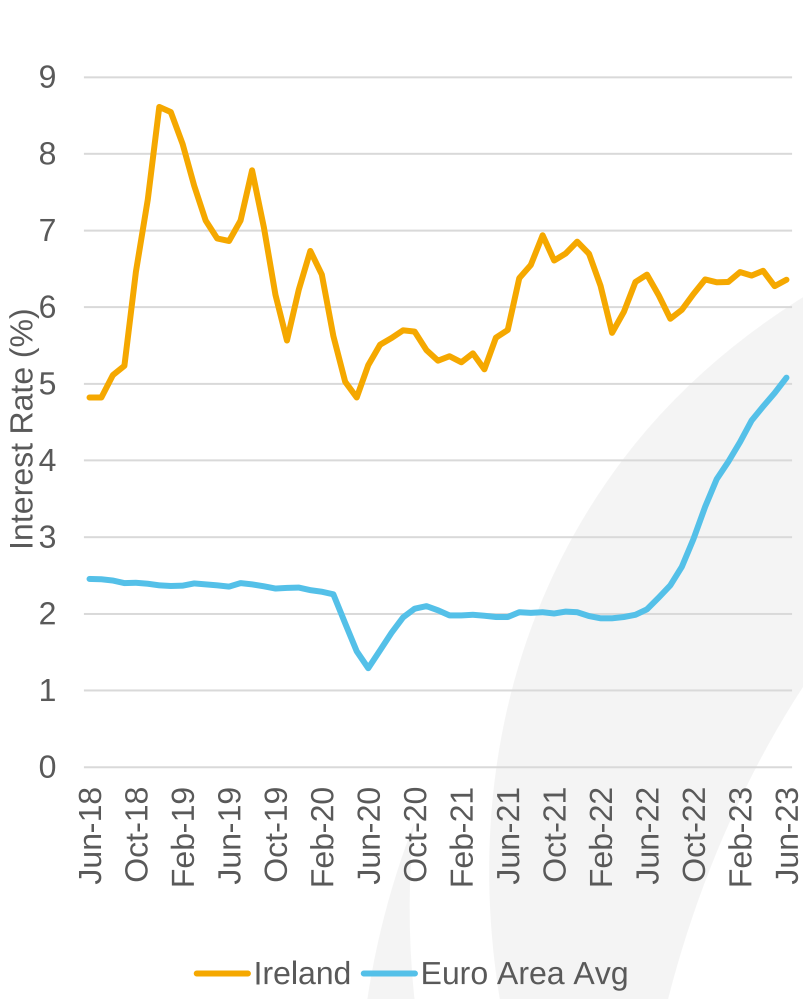
The Central Bank of Ireland “find evidence that on average pass-through [of higher interest rates] is stronger in Ireland for outstanding business loans [versus peer European countries]”

The legacy of the 2008 financial crisis continues to have an impact on the cost of credit in Ireland (due to the higher levels of loan defaults experienced).

Another factor impacting the cost of credit in Ireland is the relatively limited competition on lending to SMEs.

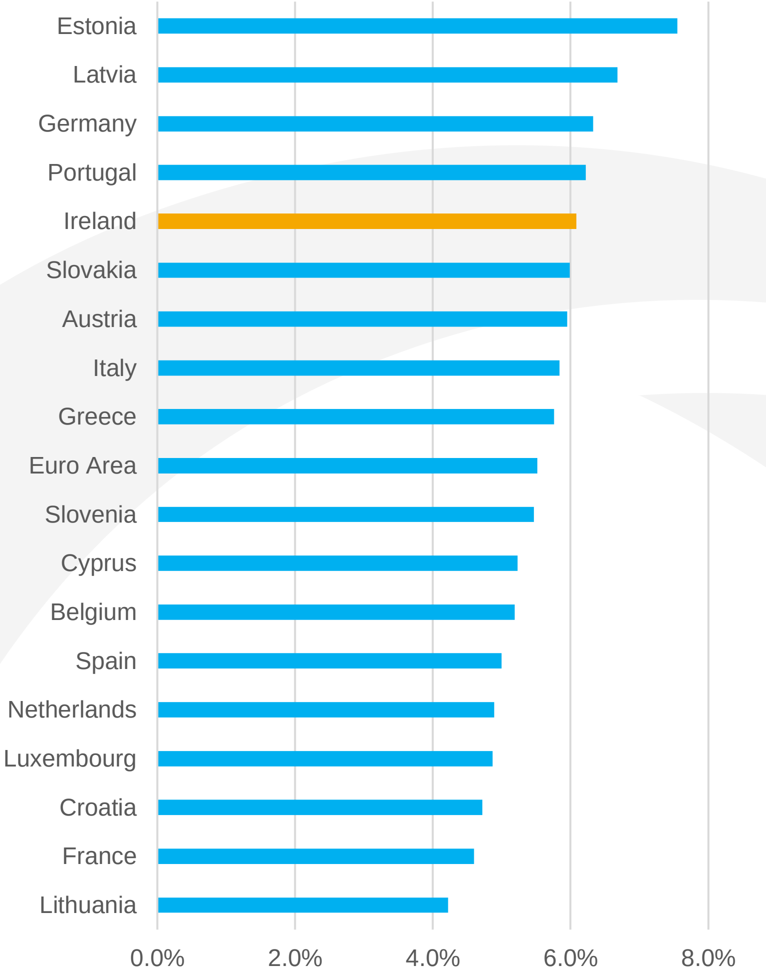
For now, interest rates on business loans in Ireland are likely to remain above those in most other European countries based on the size of the market, the legal and governmental system and legacy issues within the State.

**Interest Rate for Non-financial Corp Loans up to €250k (3mma)**




**Source:** *Eurostat, ECB*

**Loans to Non-financial Corporations up to €250k – August 2023 (% per annum, floating rate)**



# Other Core Business Costs

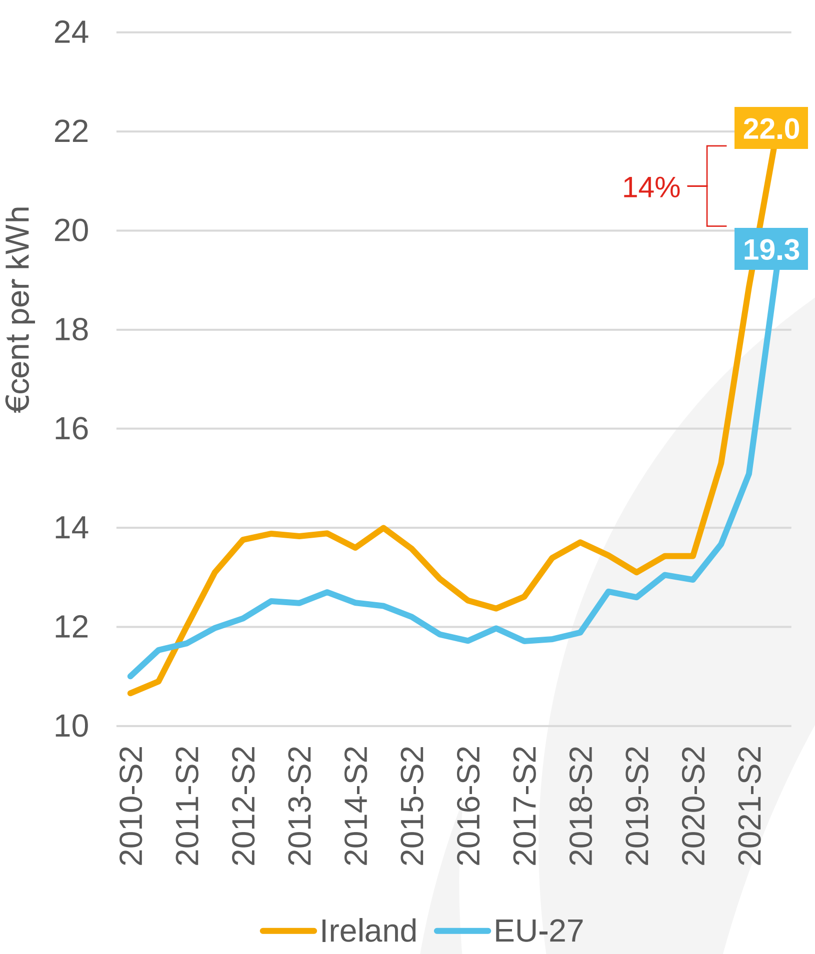
Other core business costs i.e. utilities are also relatively high in a European context.

Electricity prices for businesses in Ireland have been above the European average. *"Ireland's business electricity prices are amongst the highest in Europe, typically ranking 4th to 6th highest compared to all other EU member states"* - SEAI

While average gas prices for businesses in Ireland are not out of line with European counterparts, they have risen sharply since the war in Ukraine meaning the cost of doing business has risen.

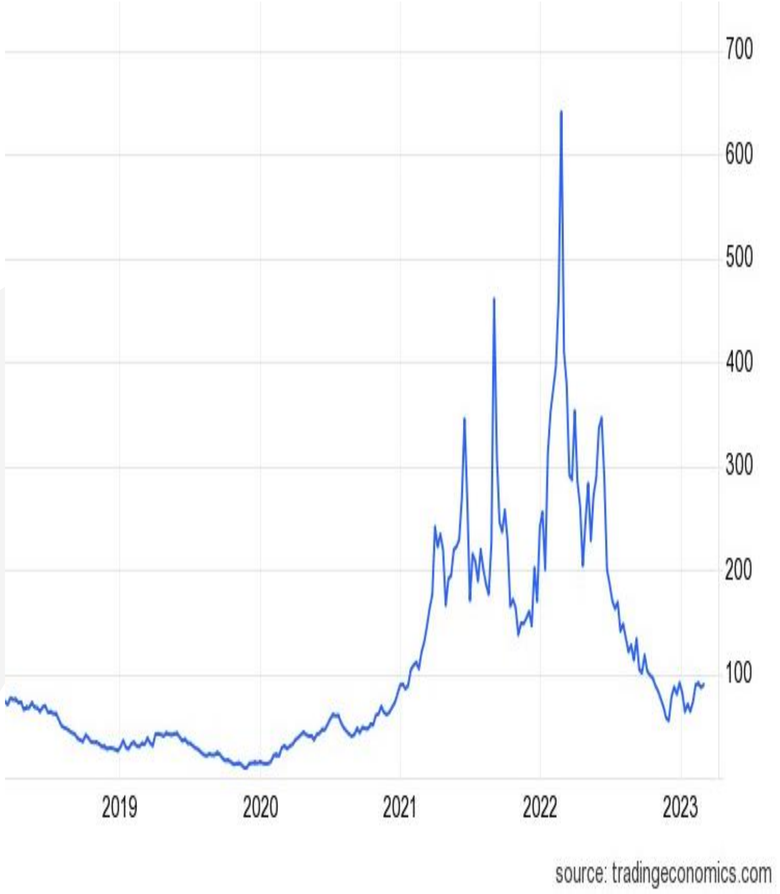
Wholesale gas prices have fallen sharply, yet the pass through to retail energy prices has been slow.

**Average Electricity Prices for Businesses (Ex. VAT)**




**Source:** *SEAI*

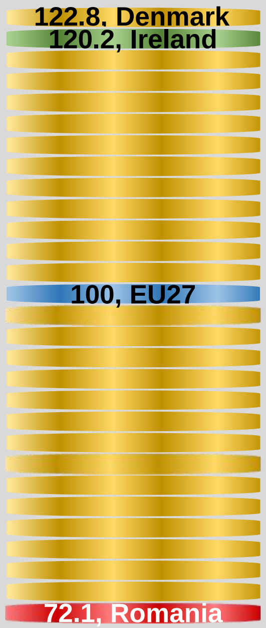
**UK Wholesale Natural Gas Futures (GBP per therm)**



# Consumer Prices Overall

Comparatively high input costs feed directly into higher general consumer prices, including across tourism.

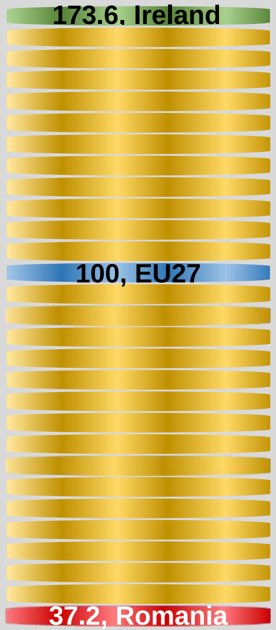
## Consumer Goods




Ireland ranks 2nd most expensive for Consumer Goods (food, beverages, clothing etc.) across the EU.

**Source:** *Eurostat (2022 prices)*

## Consumer Services




Ireland ranks most expensive for Consumer Services (taxi fares, hairdressing, hotels etc.) across the EU.

**Source:** *Eurostat (2022 prices)*

***Note:*** *This data provides a comparison of countries' price levels relative to the EU average. If the price level index is higher than 100, the country is relatively expensive compared to the EU average, and if it is lower than 100, then the country is relatively inexpensive compared to the EU average. The EU average is calculated as the weighted average of the national Price Level Indices (PLIs), weighted with expenditures from national accounts. PLIs are not intended to rank countries strictly but provide an indication of the order of magnitude of the price level in one country in relation to others, particularly when countries are clustered around a very narrow range of outcomes.*

# Section Conclusions

### Competitive Pre-COVID

**Before the onset of COVID-19, from a tourism perspective Ireland was considered high cost but competitive.**

Competitiveness was clearly demonstrated by the arrival of almost 10m overseas tourists per annum.

### Labour Costs

**Labour costs in Ireland sit near the top of the European ‘leaderboard’.**

For example, we have the one of the highest minimum wage rates in the EU and wages & salaries in Ireland’s Accommodation & Food sector are, on average, 23% higher than the EU average.

Wage costs are growing due to tightening labour markets in Ireland and across the EU.

### Other Input Costs

**Business costs in Ireland are relatively high in a European context. Core tourism-related costs are often among the highest in Europe.**

For example, the cost of capital in Ireland has historically been among the highest in Europe.

### Rising cost pressures

**Cost pressures are not easing, some are getting worse.**

This throws business models into question and leaves the sector highly exposed to cost pressures and recruitment and retention issues. These issues have been further exacerbated by energy price spikes.


# Hotel Regulations and Planning Issues

# Hotel Regulations – Time for an Update

- Fáilte Ireland, under Section 12 of the Tourist Traffic Acts (TTA), register and grade specific categories of tourist accommodation via what are known as Prescribed Terms. There are 33 prescribed terms, for example, ‘Hotel’ which is supplemented by the 2016 Hotel Regulations (Regulations) which specify the requirements for registration.

- Both the primary legislation and the accompanying regulations require updating. Increasingly properties in Dublin cannot register as hotels as their room sizes (as specified in the 2016 Regulations) are too small. Some of these register voluntarily on Fáilte Ireland’s Welcome Standard (13% of new hotel type bedspaces in Dublin in 2023). A further unknown number do not register at all under any quality scheme. There are several other issues which also require updating to better reflect consumer expectations and market demands.

- The TTA will be updated via the planned Short Term Tourist Letting (STTL) Bill in H1 2024. This will allow the opportunity for Fáilte Ireland to undertake a process to revise all statutory and non-statutory quality requirements to:

  a) better reflect market characteristics

  b) meet the expectations of visitors

  c) support the development of more efficient bed stock in keeping with the sector’s carbon reduction targets.

# Lengthy Planning Permission Timeline

- Statutory timelines in place for Planning Permission at Local Authority level are 8-12 weeks from date of application (if no further information is required).

- An Bord Pleanála has no statutory timelines to decide cases* and is currently dealing with a significant backlog of cases.

- Securing planning permission for hotels in Dublin can take 12-15 months and even longer in some cases.

**While the Board has a statutory objective to try to decide cases within 18 weeks, this is not being met in almost all cases for tourism accommodation appeals at the moment. The timeline for decisions on appeals is exceeding the objective. Two examples are provided to illustrate this point.*

# Hotel Delivery Timeline: Example 1

**Arran St East & Mary's Lane**
**Ruby Molly 272 Bed Hotel**

10/09/2019

- Planning Application Received

15/06/2020

- Granted planning permission by Dublin City Council

06/07/2020

- Appealed to An Bord Pleanála

24/11/2020

- Granted planning permission by An Bord Pleanála

Due to open Q3 2024

# Hotel Delivery Timeline: Example 2

**Hotel & Aparthotel Abbey Street & Great Strand Street**
**252-room hotel and 222-room aparthotel**

22/05/2022

- Planning Application Received

13/07/2022

- Granted planning permission by Dublin City Council

10/08/2022

- Appealed to An Bord Pleanála

27/10/2023

- Granted planning permission by An Bord Pleanála

# Analysis of Past Planning Decisions

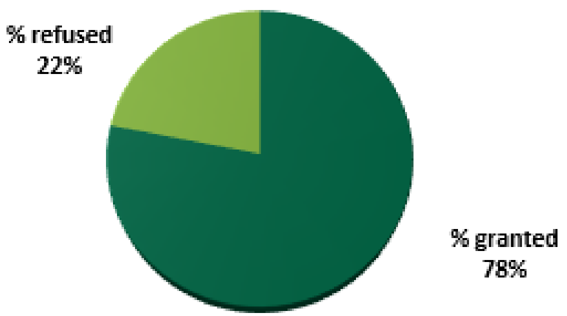
An analysis of 105 valid planning permission applications spanning from 2000 to 2022 showed a lack of planning applications for new tourist accommodation between 2008 and 2015, followed by a resurgence.

The majority (78%) of applications were granted, reflecting the positive role that hotels can play in the development of an area.

Most of the submissions were made to South Dublin or Dublin City County Councils (98%). In Dublin City, 81% of applications for new tourist accommodations were granted, while in South Dublin, the success rate was 65%.

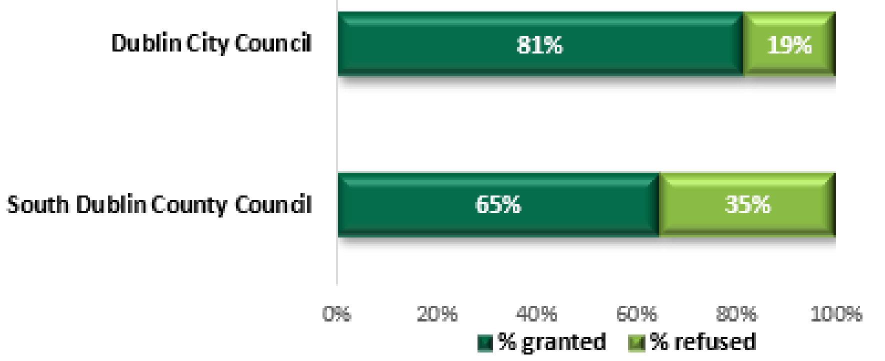
Time delays aside, historically securing planning permission was not a barrier to development with most planning applications for tourist accommodation in Dublin approved. However, time delays do incur costs and add risk to projects.

*Historical LA approval/rejection of planning applications, Dublin (2000 – 2022)*




Source: Indecon Analysis of Department of Housing, Local Government and Heritage Data

*Historical LA approval/rejection of planning applications, By LEA (2000 – 2022)*




Source: Indecon Analysis of Department of Housing, Local Government and Heritage Data

# New Planning Policy: Dublin City

- The new Dublin City Development Plan 2022-2028 states that “to ensure a balance is achieved between the requirement to provide for adequate levels of visitor accommodation and other uses in the city such as residential, social, cultural and economic uses, there will be a general presumption against an overconcentration of hotels and aparthotels.”
- The Development Plan does not include a definition or threshold for ‘overconcentration’.
- Since the new DCC development plan was adopted in December 2022, 15 hotel and related applications have been permitted and 4 refused for overconcentration
- An objective of the plan is to conduct and analyse supply and demand for tourism-related accommodation in Dublin City area to assist in the consideration of applications for hotel, aparthotel, and hostel accommodation. There is, as yet, no timeframe for delivery of this analysis.
- The new Dublin City Development Plan may result in greater difficulties in securing planning permission in certain areas of the city e.g. D2, D7 & D8.

# Section Conclusions

### Updating Hotel Regulations

Updating hotel regulations as part of the STTL legislation is an opportunity to:

- better reflect market characteristics
- meet the expectations of visitors
- support more efficient development of bed stock.

### Planning Delay

Planning delays are lengthy and add an unwelcome uncertainty to project backers.

Hotels granted approval in Dublin are invariably subject to appeal to An Bord Pleanála.

An Bord Pleanála has no statutory timelines currently to decide cases.

### The Overconcentration Test

The new Dublin City Development Plan may result in greater difficulties in securing planning permission in certain areas of the city.


# Accommodation Supply Consideration

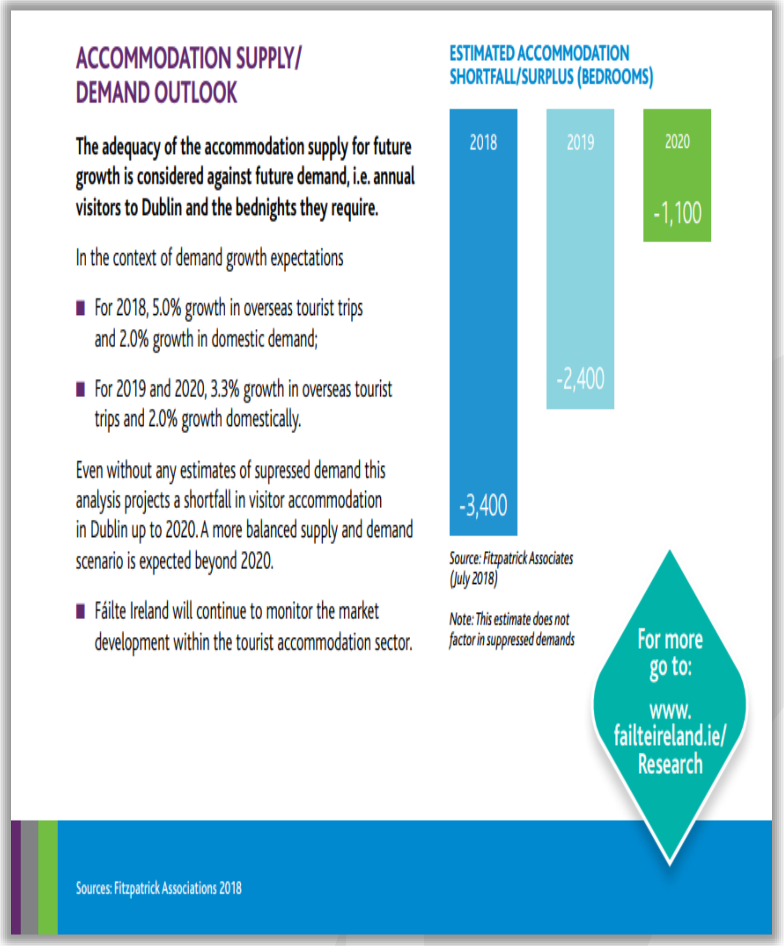
# Longstanding Under Supply in Dublin

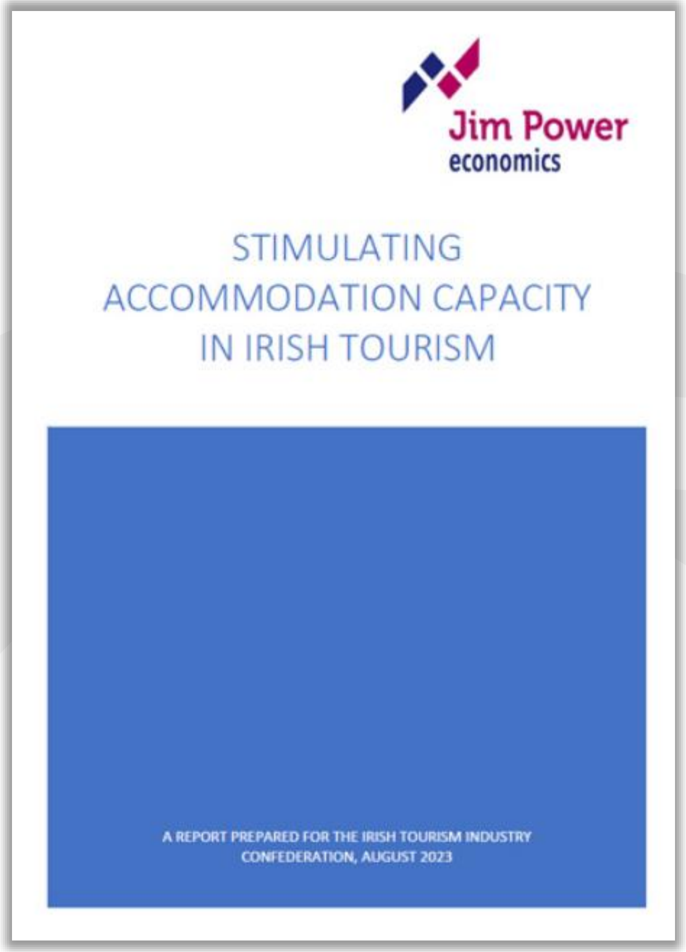
Pre-COVID there was a well-recognised shortage of tourist accommodation in Dublin.

Fáilte Ireland's own estimates put the shortfall at 3,400 rooms in 2018, with higher estimates from other sources such as CBRE, Savills etc.

More recent analysis by ITIC (Jim Power, Aug 2023) took a national view and put the national shortfall at 11,500 hotel rooms over the next decade.

On a pro rata basis, Dublin would need over 4,000 rooms to meet anticipated demand.



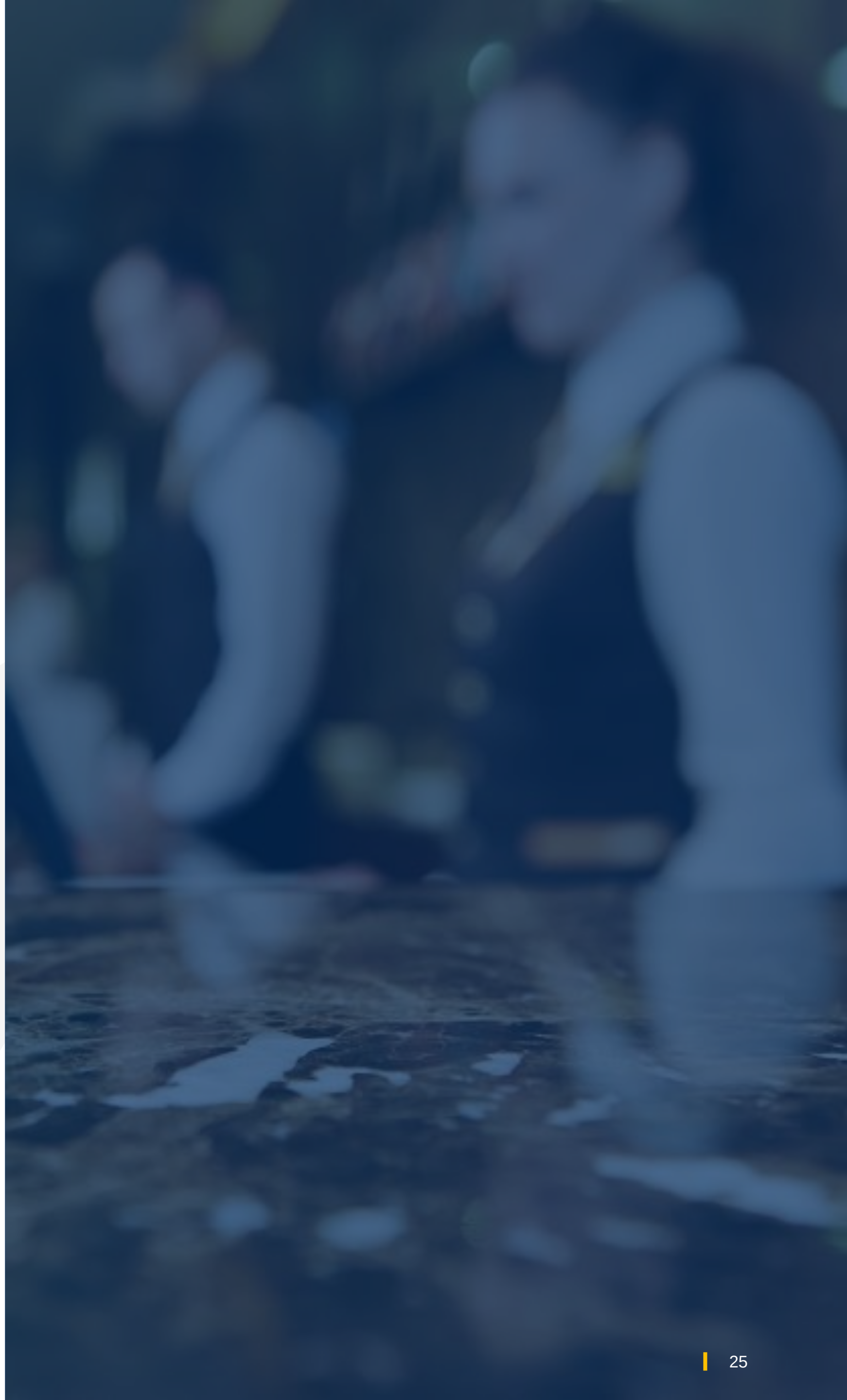
# Tourism Accommodation Availability Issues

**Government Contracts**

Hosting displaced Ukrainians and others seeking international protection is taking tourist accommodation stock out of the market that would otherwise be available for use by tourists.

In Dublin:

- 10% of all Fáilte Ireland registered stock is under contract. This amounts to 6,800 beds.
- Another 9,100 beds are under contract in unregistered establishments.



# STTL Legislation – Potential Capacity Implications

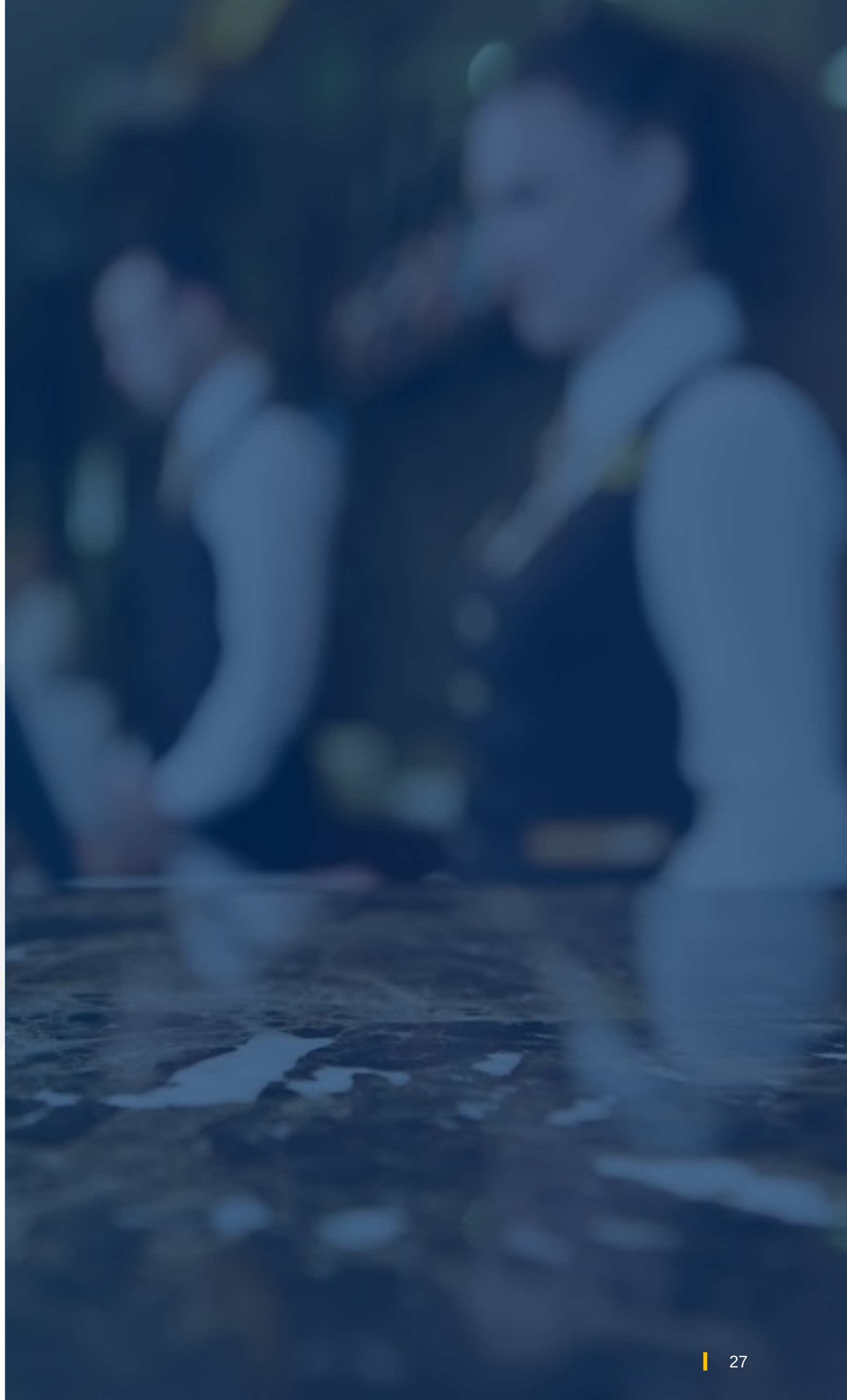
- As part of the Government's *Housing for All* plan, Fáilte Ireland is working to establish a register of up to 34,000 short-term tourist letting (STTL) properties in Ireland currently being advertised to tourists. STTL proprietors advertising for periods of up to and including 21 nights will have a statutory obligation to register their property with Fáilte Ireland and display their registration number on all listings and advertisements for their property.
- While the STTL Bill does not change, alter, or add to existing planning requirements (provided for under separate legislation), it is a reality that significant planning issues are present in the sector. Once the STTL Bill is enacted, these properties will be more visible to Local Authorities who are likely to take enforcement action for properties that do not have the required 'change of use' planning permission.
- Currently there are approx. 6,000 short-term tourism let properties in Co. Dublin being advertised to tourists on platforms such as Airbnb and Bookings.com.
- Of these, Fáilte Ireland estimates that 2,500* may be suitable for long term rental after the STTL Bill is enacted. It is likely these 2,500 units may leave the tourism sector and will no longer be available for use by tourists.

* An estimate prepared for the Joint Oireachtas Committee on Tourism in 2023.

# Barriers to Growing Supply

A series of interconnected factors can combine to undermine the commercial viability of developments, including:

- **Construction Costs**: there has been significant inflation in construction costs to the point where construction costs can exceed the value of the room.
- **Funding**: the cost of capital has increased materially and there is now limited market funding available for many new projects.
- **Risk Aversion**: developers are now more risk averse given market volatility in recent years.
- **Planning**: challenges exist in securing timely approvals for development. This issue was addressed in an earlier section.
- **Hotel Regulations:** due to minimum size restrictions on rooms under Fáilte Ireland’s current regulations, as outlined earlier in this report, those who want hotel designation must accept lower room density and a lower rate of return.



# Construction Costs

Out of the 24 European cities included in the Turner & Townsend Construction Market Survey, Dublin ranked as the 5th most expensive city in which to build.*

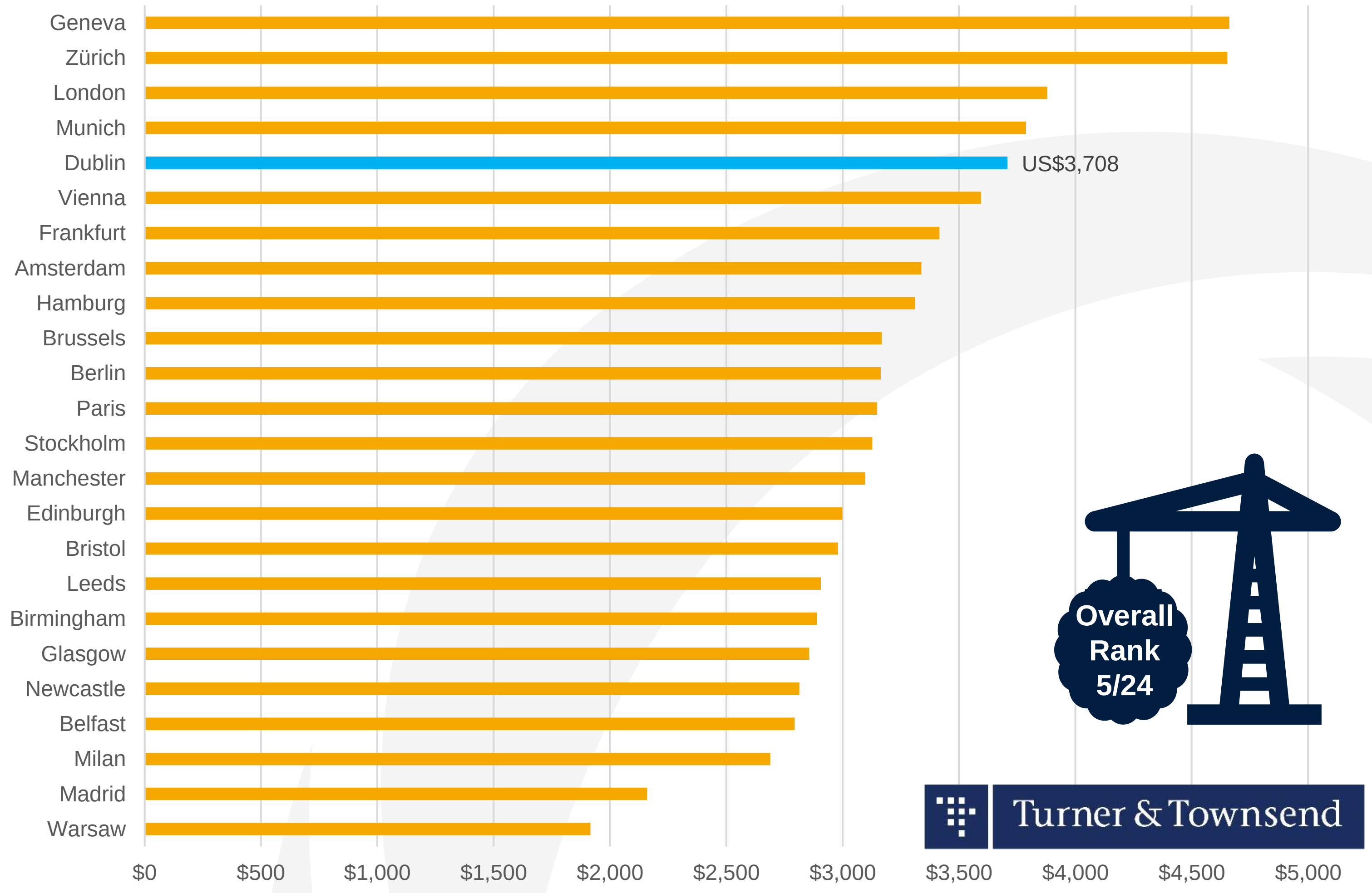
Peak construction cost escalation may have passed, but costs are likely to remain high, considerably impacting projects and programmes the world over, irrespective of demand conditions.

Skilled labour shortages continue to be one of the biggest constraints impacting global construction markets.

Building material costs are showing signs of slower price growth as input constraints weaken.

**To identify the most expensive place to build, the average cost in USD of four different building types were assessed; CBD Office (Grade A), Large Shopping Centre, Large Distribution Warehouse and Townhouses.*

**Most Expensive Place to Build 2023 (USD per m²)**




***Source:** Turner & Townsend* International Construction Market Survey

# Section Conclusions

Fáilte Ireland

### Under-supply of Bed Stock

**Pre-COVID there was a well-recognised shortage of bed stock in Dublin.**

Recent developments such as large-scale government contracts for accommodation and the anticipated STTL legislation exacerbates this situation by taking tourism accommodation out of the market.

### Growth barriers

**A number of challenges combine to undermine the feasibility of growing hotel stock, including:**

- Cost of construction
- Cost of capital
- Developers risk appetite
- Regulatory issues.

### Construction Costs & Interest Rates

Current marketplace realities mean that it is it harder to justify in commercial terms the return on building new bed stock.


# Recent Trends in Dublin Hotel Pricing & International Benchmarking

# Dynamic Pricing Explained

**Dynamic pricing is the practice of adjusting prices to reflect market conditions including supply and demand, the cost of production, competition and other factors. It is also known as surge pricing.**

Dynamic pricing models are more common in markets supported by pricing engines which monitor and react to market conditions in real-time. In Ireland it first came into the public's conscious when it was rolled out by the airline sector. It is commonly used in accommodation too.

Dynamic pricing can be unclear for customers when:

- rates are compared with "prices from" advertising
- they infrequently engage with the market and the lowest rate is expected consistently
- prices offered reflect the higher end of the pricing model at times of heightened demand.

## Dynamic Pricing

**Dynamic pricing is the preferred approach of many industries:**

- Airlines
- Accommodation
- Events
- Utilities
- Ride-sharing
- E-commerce

# Media Headlines

When hotel rates are quoted in the media, it is usually for rooms:

- booked at short notice for a major event
- booked at times of exceptionally high demand e.g., where demand peaks in a short, concentrated period for a large-scale event
- in more upmarket hotels
- priced via an online travel agent (intermediaries such as Booking.com or the like) rather than directly from the hotel.

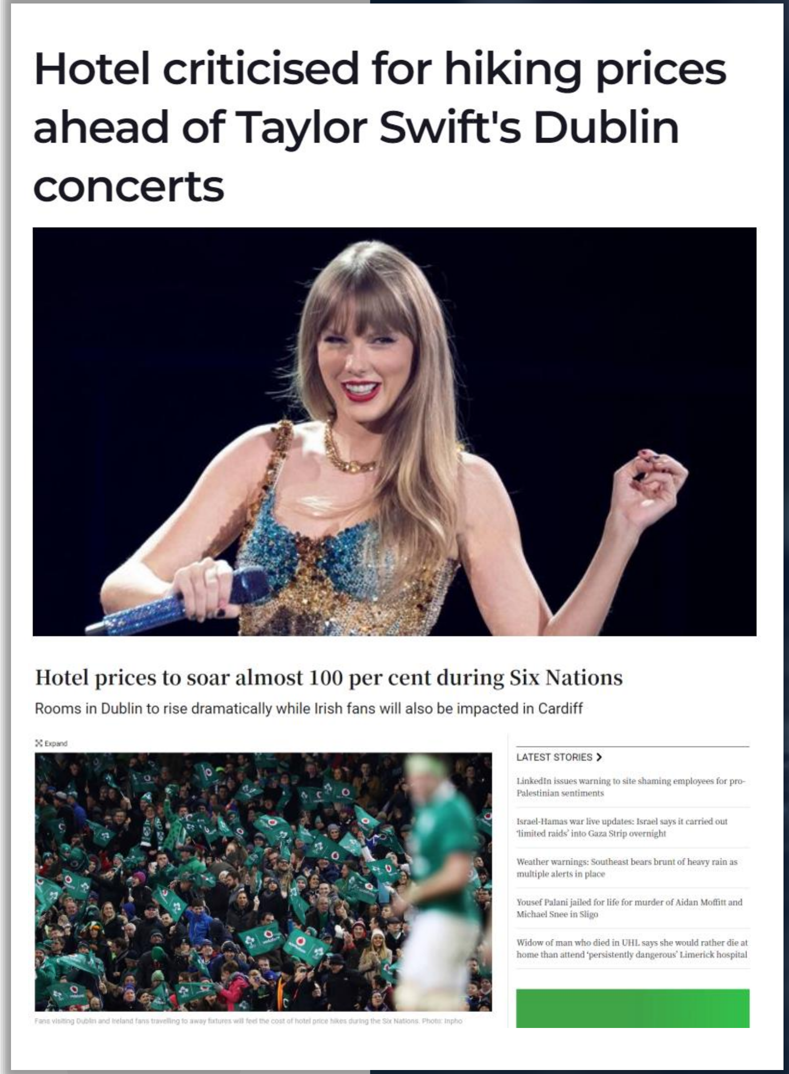
As with other dynamic pricing models e.g., airfares:

- late booking will always attract a premium
- going direct tends to be cheaper than using an intermediary.

While the pricing of the last remaining rooms can be headline-grabbing, the vast majority of rooms sold for any given night are:

- contracted well in advance
- priced at rates well below those of the last available rooms.

Median prices, i.e., the mid-point rate paid by guests, are a truer reflection of the marketplace reality. In the analysis to follow, median rates are used where possible.



Hotel criticised for hiking prices ahead of Taylor Swift's Dublin concerts

Hotel prices to soar almost 100 per cent during Six Nations

Rooms in Dublin to rise dramatically while Irish fans will also be impacted in Cardiff

Expand

Fans visiting Dublin and Ireland fans travelling to away fixtures will feel the cost of hotel price hikes during the Six Nations. Photo: Inpho

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# STR data and Median data

Hotel performance data is available via STR, a leading provider of performance benchmarking data for the hotel industry. Hotel rates supplied by STR are net room rates, excluding VAT and breakfast meaning they are not fully reflective of actual end consumer prices.

STR data is, however, seen as a fair reflection of trends in the market, allowing for easy, insightful comparisons across a competitor set. STR data is analysed to show Average Daily Rates over time and on Compression Night, both defined below.

**Average Daily Rate (ADR):** A key hotel performance indicator, this is a measure of the average paid for rooms sold.
*Calculation: ADR = Room Revenue / Rooms Sold*

**Compression Nights:** High-demand periods where occupancy exceeds a particular threshold, for example 95%. This is a symptom of a supply / demand imbalance in the market which often goes hand-in-hand with elevated room rates.

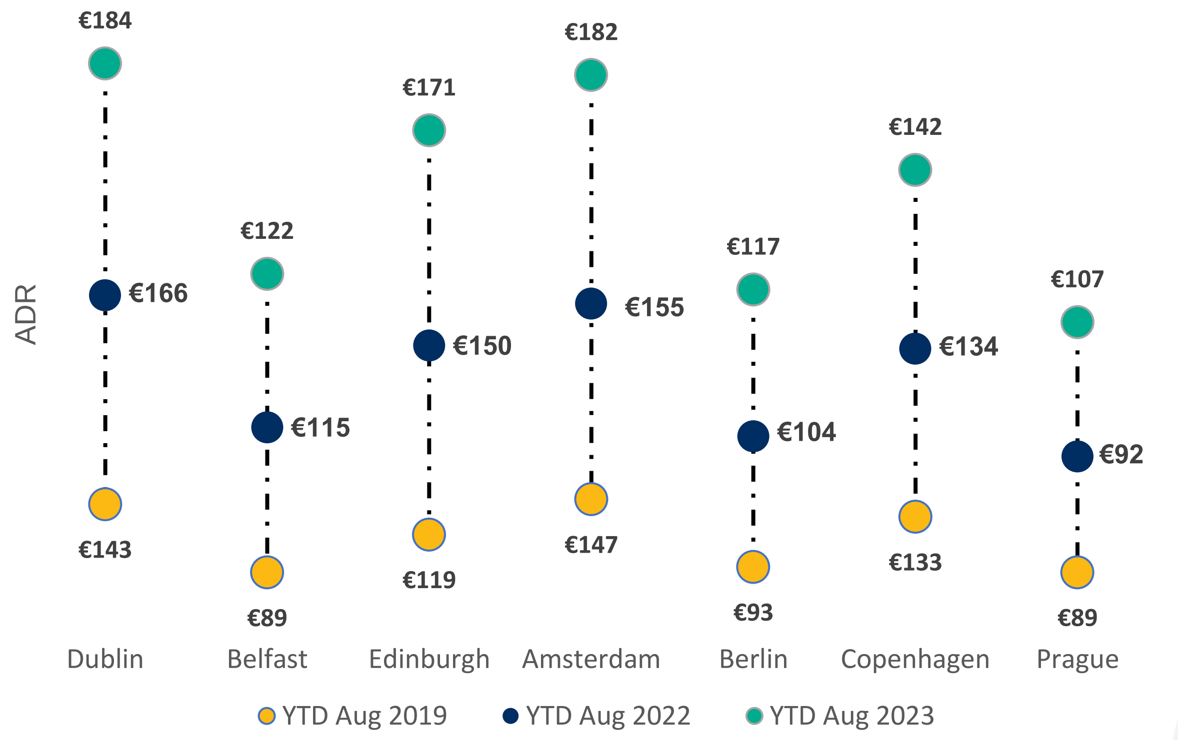
Median data is also presented to show rates paid by hotel guests when booking through an Online Travel Agent (OTA) (which includes VAT and OTA commission).

*Source: STR*

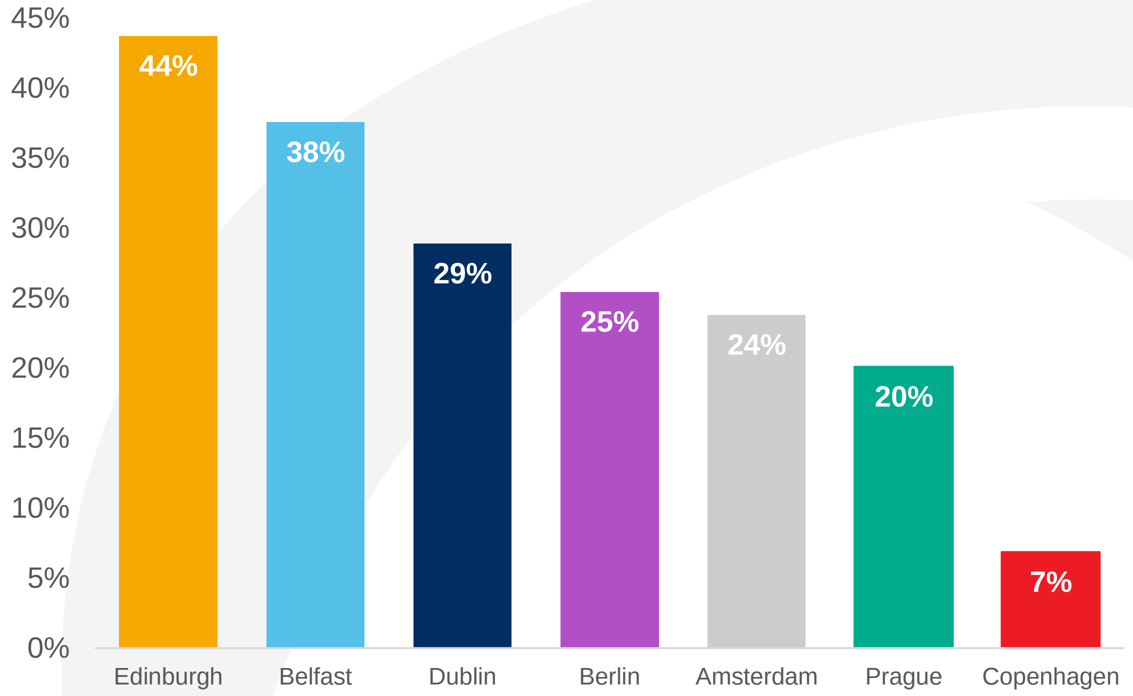
# Hotel Rates from STR

- As a city destination, Dublin is commonly benchmarked against Belfast, Edinburgh, Amsterdam, Berlin, Copenhagen and Prague.
- Dublin achieves a similar Average Daily Rate (ADR) to that of Amsterdam & Edinburgh.
- Since 2019, Dublin's ADR (+29%) has grown at a similar pace to that of Berlin (+25%) & Amsterdam (+24%), and notably slower than in Edinburgh (+44%) and Belfast (+38%). Copenhagen (+7%) has recorded much slower growth over the same timeframe.

**Evolution of Average Daily Rates (ADRs)**




**% Change in ADRs – YTD Aug 2019 vs. YTD Aug 2023**




*Source: STR*

# Compression Nights from STR

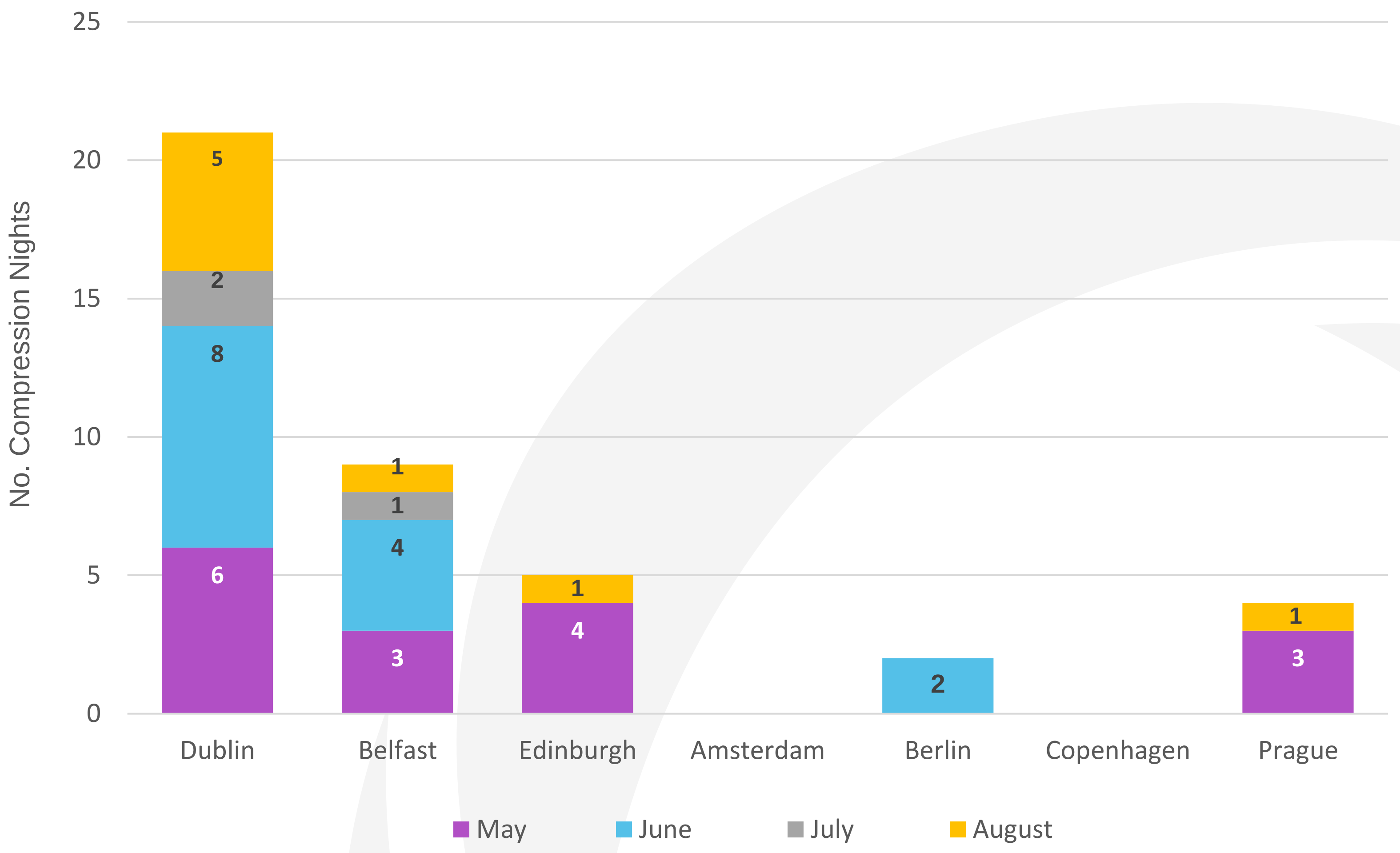
Compression nights often coincide with large events - e.g., concerts, sporting occasions etc.

The live events bounce-back following cancellations & postponements during the Covid-19 pandemic has resulted in a busy schedule across cities.

Over the course of the 2023 high season, Dublin experienced a higher volume of compression nights than all other destinations within the competitor set.

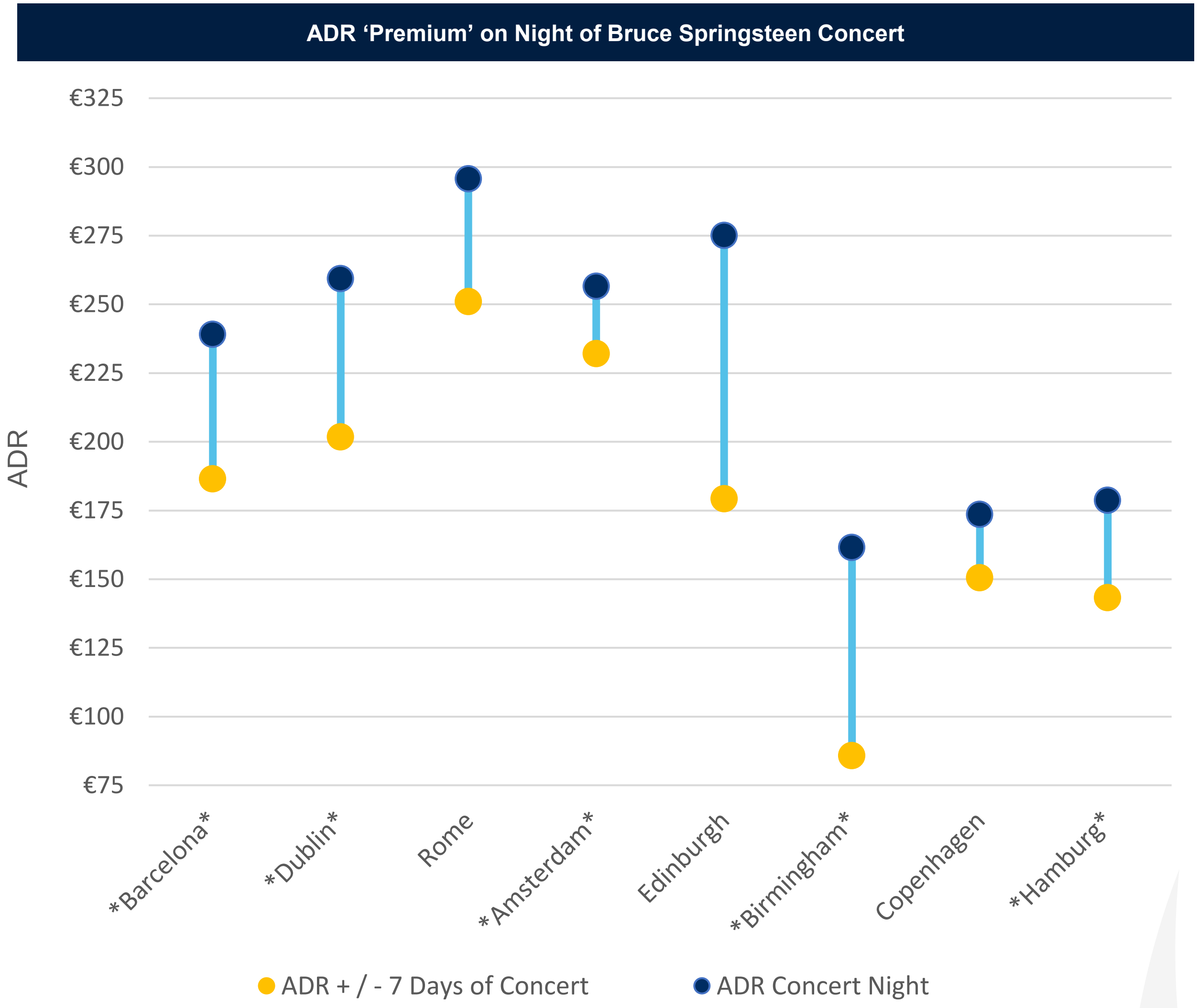
These compression nights are a symptom of supply struggling to meet demand and, in an era of dynamic pricing, high-demand nights put strong upward pressure on room rates.

**Number of Hotel Compression Nights per Month in 2023 (95%+ Occupancy)**




*Source: STR*

# Concert Night ‘Premiums’ from STR




Hotel room rates charged on concert nights have attracted media and consumer attention. For example, for the Bruce Springsteen’s 2023 European tour concert in Dublin on May 5th:

- occupancy surpassed 90% and ADR was above €250.
- by contrast on the same night the following week, occupancy was 83% and ADR was €200.

Dublin is not atypical in this regard. ADR ‘premiums’ were recorded on tour dates across Europe. While these vary by location, the following should be considered:

- the night of the week (i.e. was the concert on a weekend when overall demand is strongest);
- the time of year the event took place;
- the degree to which the city can absorb additional demand (i.e. what is the baseline occupancy rate).

'Baseline' ADR (yellow marker) reflects the lower of the two ADRs + or –7 days of the concert
* * denotes a Friday or Saturday night tour date

*Source: STR*

# ADR Premium on Gig Nights from STR

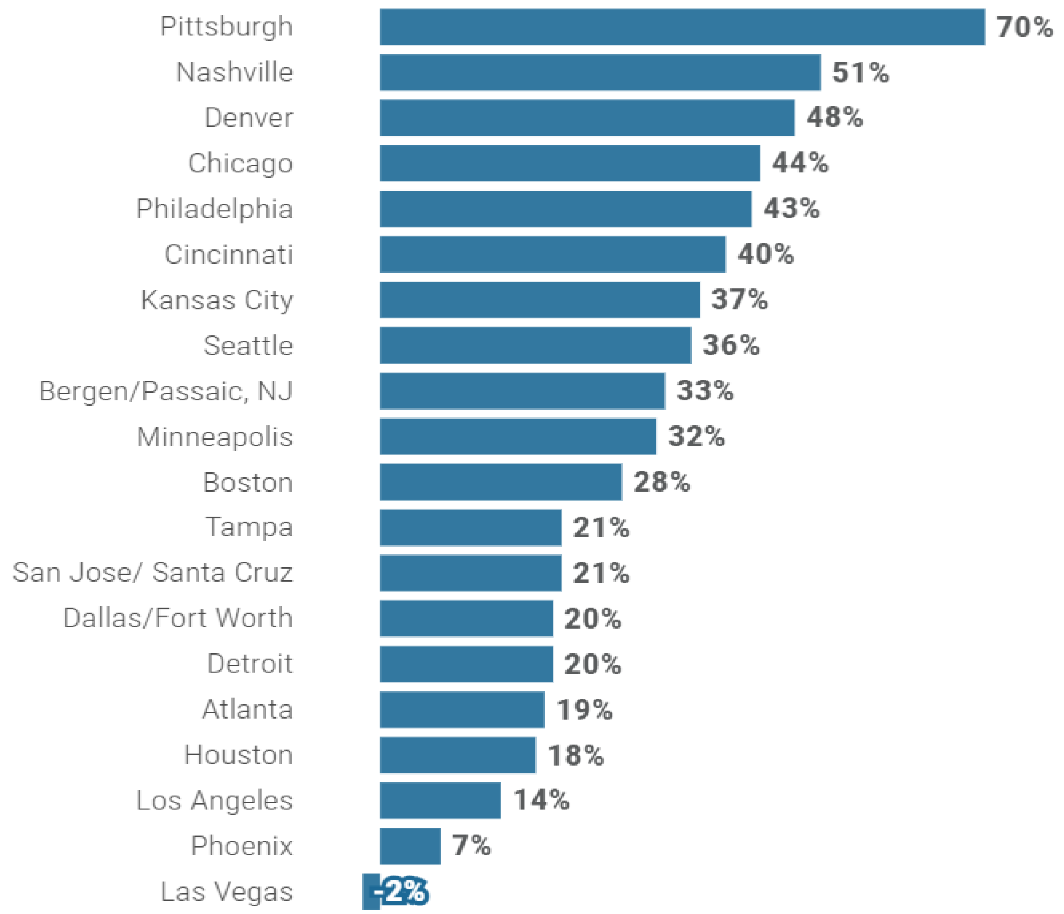
Other examples further demonstrate the frequency of hotel room rate 'premiums' on the concert nights of headline acts across the globe.

In the US, Taylor Swift tour dates have also resulted in higher-than-normal ADRs.

Again, the extent of the 'premium' varies by market. For example, while Pittsburgh recorded a significant increase in its ADR versus baseline, Las Vegas saw no impact. This is because with close to 170,000 rooms, the latter market is well positioned to facilitate additional accommodation demand.

For many hotel markets, including that of Dublin, available hotel stock cannot facilitate the extra demand pressure that comes with an event of such magnitude.

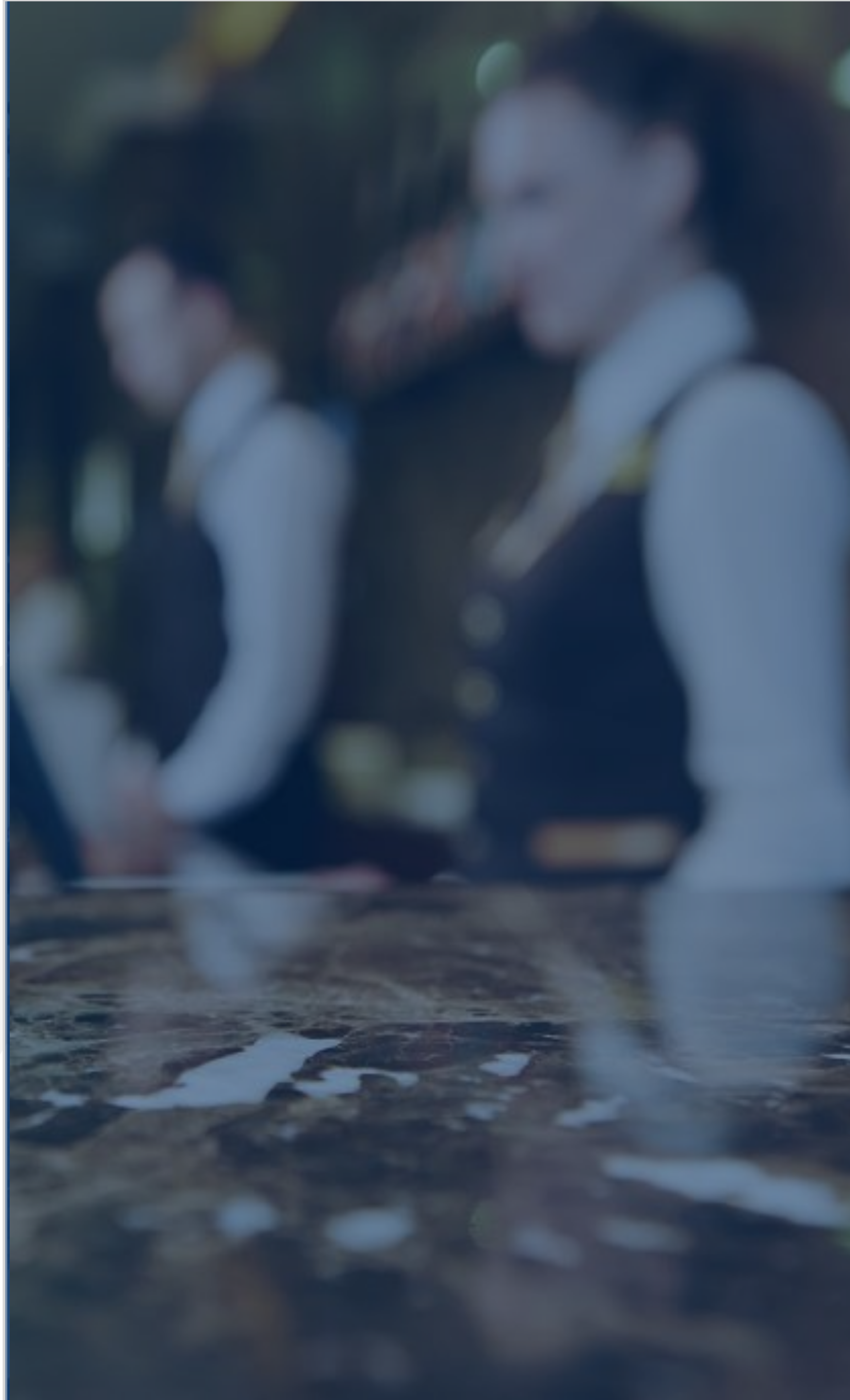
**ADR 'Premium' on Night of Taylor Swift Concert in the US**




*Source: [Taylor Swift impact grows to $208M in U.S. hotel room revenue | STR]*

# Key Takeaways from STR Data

- As a city destination, Dublin is commonly benchmarked against Belfast, Edinburgh, Amsterdam, Berlin, Copenhagen and Prague.
- Dublin achieves a similar average daily rate (ADR) to that of Amsterdam & Edinburgh and is not an outlier within its competitor set.
- Over the course of the 2023 peak season, Dublin experienced a higher volume of compression nights than all other destinations within its competitor set.
- Compression nights are a result of supply struggling to meet demand and, in an era of dynamic pricing, high-demand nights put strong upward pressure on room rates.
- Dublin is not atypical with respect to room rate 'premiums' during big events. Cities across the world typically exhibit similar pricing patterns.
- In destinations with adequate bed stock to facilitate additional accommodation demand stemming from big events (e.g., Las Vegas), there is evidence of little or no rate 'premium'.
- Many hotel markets, including Dublin's, simply struggle to facilitate the extra demand pressure that comes with large scale events.



*Source: STR*

# OTA Hotel Pricing Patterns

Fáilte Ireland

Looking at the actual consumer rates charged over an extended period, i.e.. median prices:

- Hotel stays in Dublin are competitive within the comparator set.
- Dublin tends to be less expensive than Amsterdam and Edinburgh, but more expensive than Copenhagen and Belfast.

*Pricing based on median nightly rate for available hotel rooms with a 4-star rating on Booking.com.*

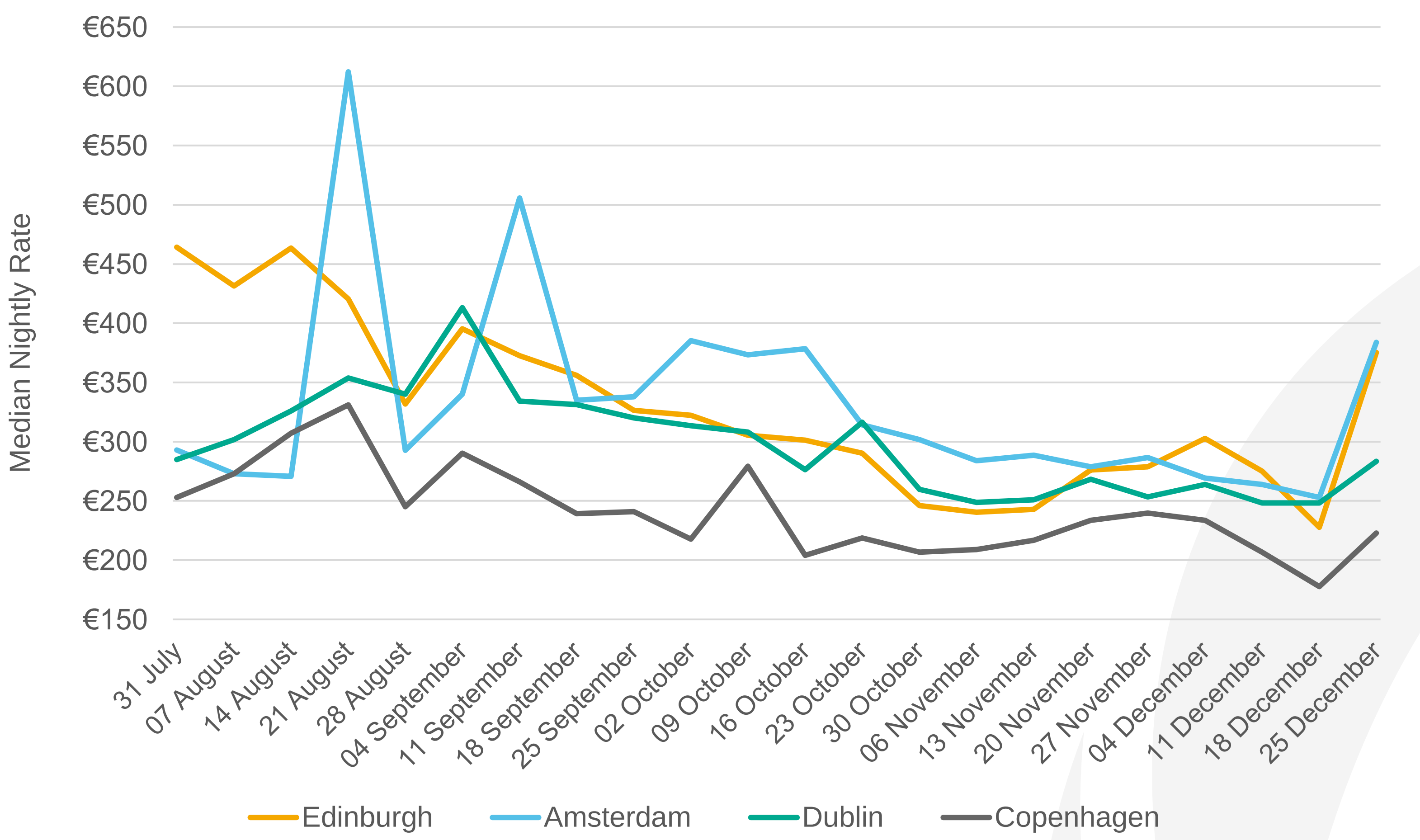
## Heat Mapping Median Nightly Hotel Price for 2 Persons Sharing - Fri and Sat

| WK Commencing in 2023 | Belfast | Berlin | Copenhagen | Dublin | Edinburgh | Prague | Amsterdam |
|---|---|---|---|---|---|---|---|
| 31 July | €257 | €154 | €253 | €285 | €464 | €257 | €293 |
| 07 August | €226 | €149 | €273 | €302 | €431 | €190 | €273 |
| 14 August | €230 | €146 | €307 | €326 | €463 | €165 | €271 |
| 21 August | €442 | €155 | €331 | €354 | €420 | €162 | €612 |
| 28 August | €273 | €281 | €245 | €340 | €332 | €179 | €293 |
| 04 September | €223 | €237 | €290 | €413 | €395 | €187 | €340 |
| 11 September | €227 | €203 | €266 | €334 | €372 | €199 | €506 |
| 18 September | €237 | €352 | €239 | €331 | €356 | €193 | €335 |
| 25 September | €240 | €202 | €241 | €320 | €326 | €201 | €338 |
| 02 October | €231 | €182 | €218 | €314 | €322 | €178 | €385 |
| 09 October | €265 | €202 | €279 | €308 | €305 | €177 | €373 |
| 16 October | €198 | €173 | €204 | €276 | €301 | €171 | €378 |
| 23 October | €216 | €168 | €219 | €316 | €290 | €167 | €314 |
| 30 October | €201 | €152 | €207 | €260 | €246 | €146 | €302 |
| 06 November | €208 | €154 | €209 | €249 | €241 | €131 | €284 |
| 13 November | €228 | €151 | €217 | €251 | €243 | €133 | €289 |
| 20 November | €216 | €151 | €234 | €268 | €276 | €139 | €279 |
| 27 November | €231 | €173 | €240 | €253 | €279 | €177 | €287 |
| 04 December | €229 | €168 | €234 | €264 | €303 | €193 | €269 |
| 11 December | €231 | €152 | €207 | €248 | €275 | €170 | €264 |
| 18 December | €181 | €139 | €178 | €248 | €228 | €171 | €253 |
| 25 December | €215 | €224 | €223 | €283 | €375 | €355 | €384 |

Source: Booking.com data via Lighthouse screen scraping

# OTA Hotel Pricing Patterns

2023 Median Nightly Hotel Rates (Fri & Sat)




Narrowing the competitive set to those destinations that charge similar prices to Dublin:

- Dublin’s seasonal fluctuation in pricing is not out of line with the market.
- Price spikes are more pronounced in Edinburgh and Amsterdam.

*Pricing based on median nightly rate for available hotel rooms with a 4-star rating on Booking.com.*

**Source:** *Booking.com data via Lighthouse screen scraping*

# Key Takeaways from OTA Data

As a city destination, Dublin is commonly benchmarked against Belfast, Edinburgh, Amsterdam, Berlin, Copenhagen and Prague.

Hotel room rates in Dublin are at similar median room rates to those in Amsterdam and Edinburgh, but above the rates generally quoted for Berlin, Prague, Belfast and Copenhagen.

While the overall pattern in median hotel rates across the cities analysed is broadly comparable, each city's pricing is clearly affected by large scale events hosted within the destination.


# Recent Trends in Dublin Hotel Performance & International Benchmarking

# Data Sources on Hotel Operating Margin

HotStats data is used to compare Dublin and four cities in the competitor set:

- Amsterdam
- Berlin
- Edinburgh
- Prague

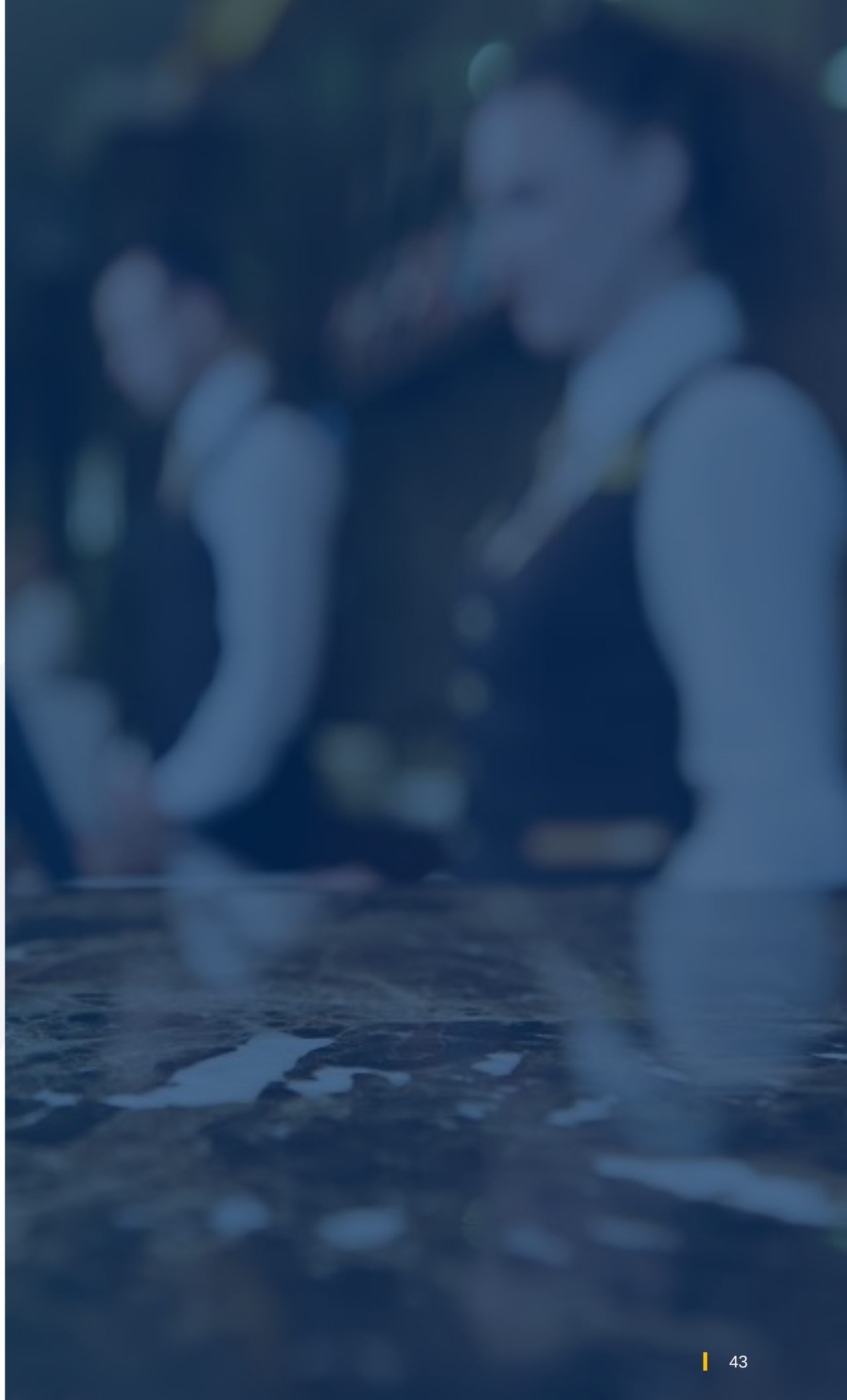
For this comparison, Annual and Monthly Total Operating Margin (TOM) is used.

**Total Operating Margin (TOM)** is calculated as: Revenue less (Cost of Goods Sold + Operating Expenses + Depreciation + Amortisation).

Note: Total Operating Margin and Monthly Operating Margin are appropriate measures when analysing room rates. However, this is merely the gross margin from the rooms' operation and does not reflect the overall net profit, which would be arrived at after deducting costs such as

- admin and general expenses
- sales and marketing expenses
- utility costs
- repairs and maintenance
- insurance
- rates.

STR compression night data is used to assess the relationship of compression nights and **Monthly Operating Margin (MOM)**.



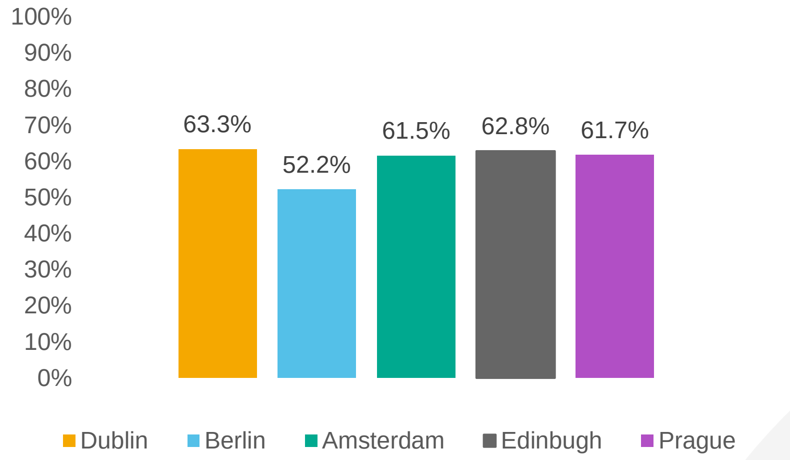
# Total and Monthly Operating Margin

Across the September 2022 to August 2023 period, performance in Dublin remains in line with the competitor set on an annual and monthly basis.

On an annual basis, TOM in Dublin is marginally above Amsterdam, Edinburgh and Prague. with a variance no more than 1.8%. While variance is more pronounced on a monthly basis across the set, TOM in Dublin varies less by comparison.

Therefore, Dublin does not appear to be performing in excess of competitor cities with four of the five cities closely clustered.

**Total Operating Margin – 12 Months to August 2023**



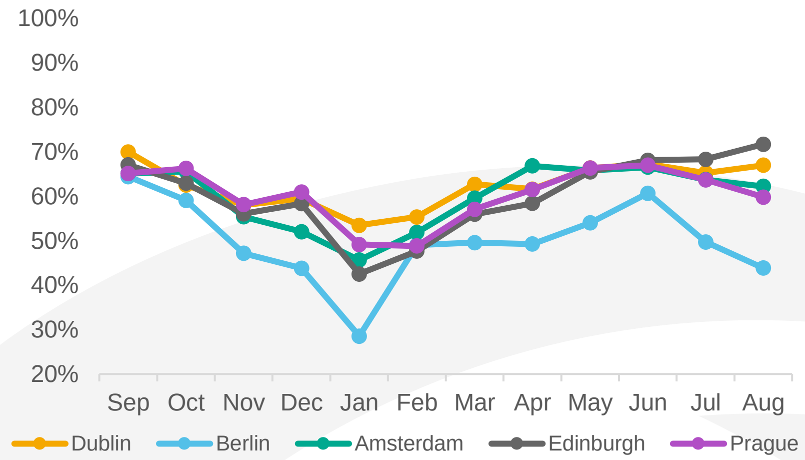

Dublin is broadly in line with key competitor markets. Total Operating Margin for four of the cities is clustered between 61% and 64%:

- Dublin (63.3%)
- Edinburgh (62.8%)
- Amsterdam (61.5%)
- Prague (61.7%).

Berlin is an outlier at 52.2% TOM for the period, with lower levels of MOM throughout the year, particularly in January.

*Source: HotStats*

**Monthly Operating Margin –12 Months to August 2023**




Examining Monthly Operating Margin from September 2022 to August 2023, the data reflects seasonality with higher performance in the summer season across the competitor set.

Edinburgh records the highest MOM across the period at 71.7% which coincides with the Fringe Festival, a time of peak demand in the city. Dublin's peak in 2023 is in June at 67.2%.

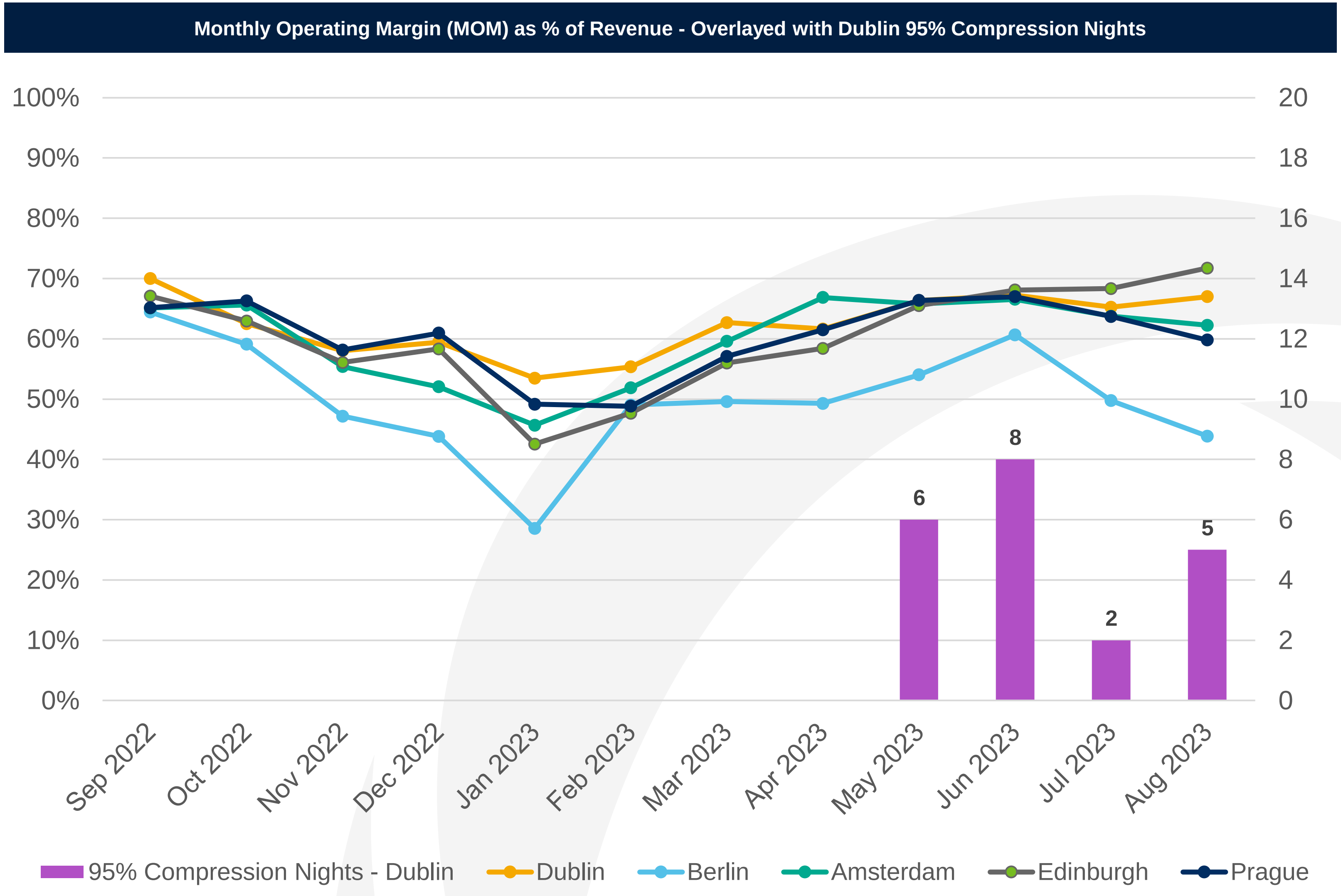
While there is variation in some months across the competitor set, performance levels in Dublin are in line with competitor cities overall.

# Operating Margin – Compression Night Impact

In months where Dublin hotels experienced the highest number of compression nights, Monthly Operating Margin in the city remains between 66% and 68% broadly in line with competitor markets.

For the period of highest compression nights, performance in the competitors is as follows:

- Dublin between 66% and 68%
- Edinburgh between 65% and 72%
- Amsterdam between 62% and 66%
- Prague between 60% and 67%
- Berlin between 43% and 61%.




*Source: HotStats and STR*

# Section Conclusions

### Operating Margin in Line with Competitor Set

Across annual and monthly timeframes between September 2022 and August 2023, levels in Dublin are in line with the competitor set of Amsterdam, Edinburgh and Prague.

Berlin is an outlier from the competitors with a lower level of Total Operating Margin and Monthly Operating Margin.

### Seasonality

Seasonality is a key factor for pricing in the hotels sector, as it is for all tourism related sectors.

Total Operating Margin in Dublin is in line with the competitors especially during peak summer months. It is interesting to note that levels in Dublin are higher than the competitor set in the months of January, February and March.

### Compression Nights

Compression nights, i.e., periods of high demand, are reflected in higher rates, though their impact on performance over the examined period is less evident.

Compression nights are pronounced during periods of already high demand (the peak summer months) when a large number of rooms are already booked.


# Findings and Conclusions

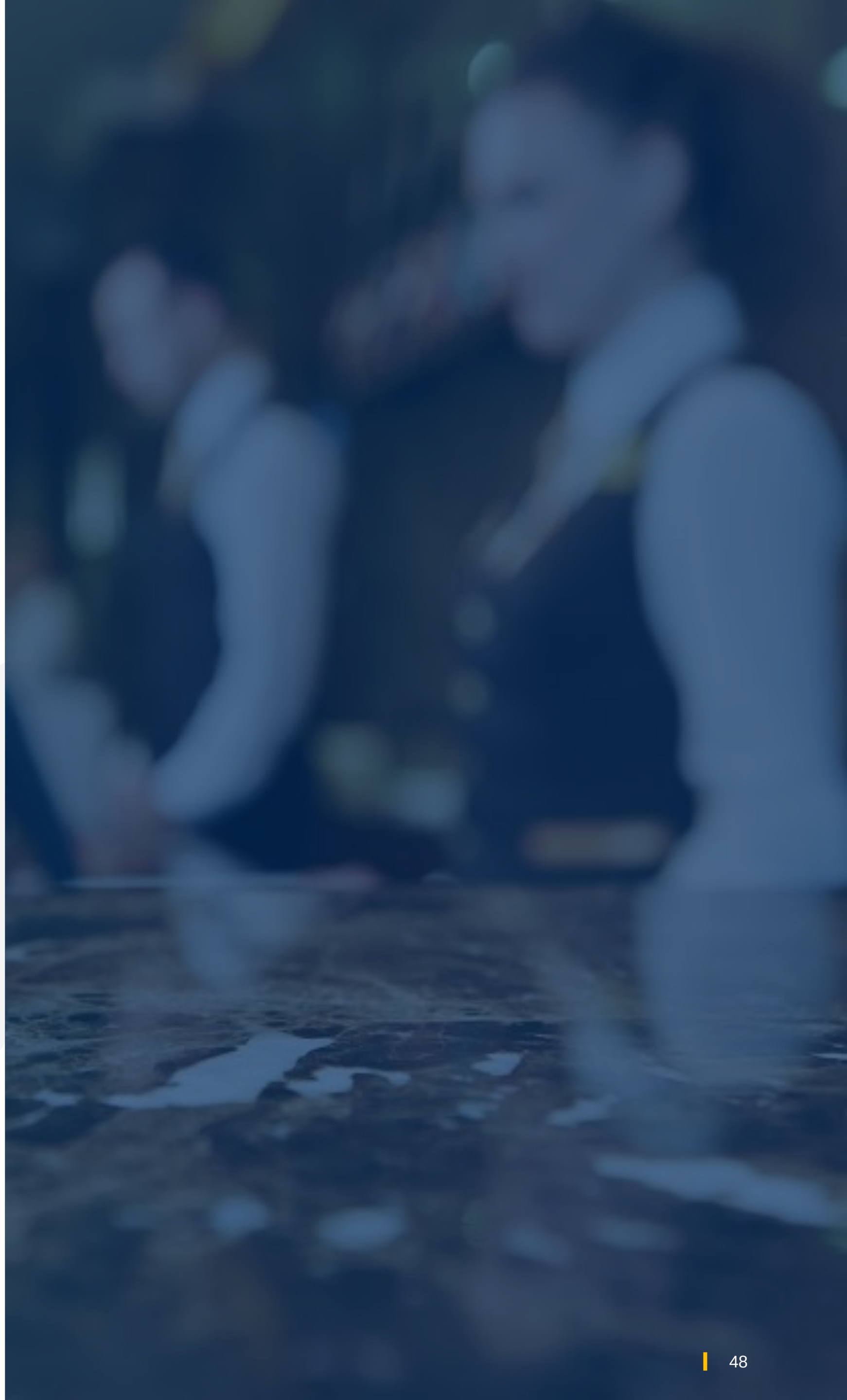
# Key Findings: The Market Context

By comparison to the competitor set, Dublin hotels are broadly in line in terms of:

- Average Daily Rate (ADR).
- Levels of Operating Margin (TOM).
- Use of dynamic pricing models i.e., adjusting rates to reflect level of demand.

By comparison to the competitor set, Dublin hotels are not comparable in terms of:

- Cost of doing business: costs are often higher in Dublin.
- Number of compression nights: Dublin experiences many more nights with very high hotel occupancy rates. This is an indictor of relative under supply.



# Key Findings: Market Dynamics

### Short-Term Normalisation

There is an undersupply of hotel rooms in Dublin at present.

Increased hotel stock is not possible in the short-term nor can “resources” be reallocated (as, for example, in the airline industry where planes can be rerouted to meet spikes in demand).

Therefore, short-term rate normalisation is not a feasible option for hotels.

### Compression Nights

Compression nights, where the number of rooms is exceeded by or is in line with demand, are a feature of undersupply of hotel rooms. Occupancy levels in Dublin, frequently at 90% and 95%, are a reflection of undersupply.

A reduction in compression nights would only occur where there is a weakening in demand or increased supply.

### Timing

Sudden spikes in demand happen when an event is announced and interested consumers are trying to book a hotel room at the same time. This is exacerbated when super events occur in peak season where occupancy is already high.

Dynamic pricing results in higher room rates when short bursts of crunch demand occur and demand exceeds supply.

# Key Conclusions: Policy Considerations

### Policy Context

Any consideration of policy in this area would require:

- Clear short- and long-term policy intent
- A well-defined understanding of the desired outcomes of potential interventions
- A recognition that a reduction in compression nights will only happen with an increase in supply (or if demand reduces).

### Price Controls

Introducing price controls could have unintended consequences including:

- distorting the market
- reducing supply of rooms
- dis-incentivising investment in hotel stock
- contradicting existing central and local Government policy in relation to economic development plans for the tourism sector.

### Incentivising Supply

Incentivising supply is a long-term solution. Decisions to invest in hotels are multifaceted and driven by numerous factors including:

- cost of construction
- cost of operation
- expected profitability
- policy framework from government, including a conducive tax and support environment
- expedient planning environment.

### Registration

To increase visibility of available beds, consideration should be given to making registration of all bed stock obligatory. This could be timed to coincide with the Short-term Tourist Letting legislation.

# Potential Policy Solutions

The review shows that, compared with peer cities, hotels in Dublin are more expensive (a) to build and (b) to operate.

Therefore, policy solutions should seek to create an environment more conducive to improve financial viability of new and existing hotels.

Short-term policy solutions to support long-term investment in new hotel stock include:

1. Update hotel regulations as part of the STTL legislation, as an opportunity to support more efficient development of bed stock;
2. Introduce obligatory statutory timelines for decisions on appeals cases to An Bord Pleanála.