



02 July 2018

Hotel performance reflects the strength of Northern Ireland tourism

News Release

ASM Chartered Accountants today released the 2017 edition of its annual hotel industry survey.

The study gathers detailed trading information from 3, 4 and 5 star hotel businesses and is considered a bellwether report on the state of the wider tourism industry given the comprehensive insight that it offers.

The headline performance figures from the report show that:

- unprecedented demand for hotel bedrooms across Northern Ireland in 2017 led to approximately 2.26 million room nights being sold during the year – a new record. The bedroom occupancy rate for the year was 76.8%, a small but nonetheless important improvement over 2016 when the average occupancy rate was 75.7%;
- the average room rate, which is the price a guest pays for a room excluding VAT, increased by 10.4% to £90.48;
- combining these two measures gives the room yield or revenue per available room. The Northern Ireland average for 2017 was £69.53 which is a 12.0% increase year on year;
- total revenues per room, which includes income from all hotel activities, increased by 7.5% to £66,206 in 2017. There was revenue growth in all areas of hotel operations; and
- the uplift in revenues boosted profits (before interest, depreciation, amortisation and tax) by 18.9% to an average of £13,900 per room. Overall, this is a great result.

Northern Ireland - all hotels averages	2015	2016	2017
Room Occupancy %	77.5%	75.7%	76.8%
Average Daily Room Rate	£74.91	£81.96	£90.48
Revenue per Available Room	£58.05	£62.06	£69.53
Total Revenue per Room	£46,113	£61,560	£66,206
EBITDA per Room	£9,190	£11,684	£13,900
EBITDA %	19.9%	19.0%	21.0%

There are of course, regional variations in performance. Belfast, which has recorded bedroom occupancy rates in excess of 80% for the past 4 years, did not experience any material growth in bedroom sales because demand is now so strong for 10 months of the year that capacity is a constraint to further growth. While hotel managers did push room rates upwards by 8% to a record average of £91.83, overall profitability in the city remained static year on year because of cost pressures.



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Hotels in rural settings and those offering leisure and spa facilities had a very strong year recording average bedroom occupancy rates of 71.3% and 76.3% respectively – both useful increases on 2016. Room rates improved by 6.4% and 8.1% respectively to an average of £98.31 at rural hotels and £106.51 at hotels with leisure/spa offers. Both classes of hotel recorded higher profits. In rural hotels, profit improved from 15.5% of turnover in 2016 to 18.7% in 2017, while in hotels with leisure and spa facilities profits averaged 16.6% of turnover in 2017 as against 15.7% in 2016.

To some extent, Derry City was the star of the show. Typically stymied by low levels of demand during the winter season and relatively low room rates for most of the year, 2017 could be the year when the city turned the corner. While securing bedroom demand during the off season remains a challenge, hotels in the city did experience growth. The bedroom occupancy rate for the full year averaged 70.7% - a worthwhile increase on the 68.6% recorded in 2016. However, with that increase in demand came a very substantial improvement in room rates which increased by 15.7% year on year to an overall average of £67.15.

Historically, profitability as a percentage of turnover at hotels in Derry City has trailed the national average, but in 2017 a combination of strong revenue growth and good cost management (which hoteliers in the city have always excelled at) delivered improved profitability at 19.7% of turnover. This is a material improvement on the 12.4% recorded in 2016.

Commenting on the results Michael Williamson, Director of Consulting at ASM noted:

“2017 turned out to be an outstanding year overall and broke many records, although for some, things remained good rather than having improved in comparison to 2016.

While the decline in the value of sterling on the back of the EU referendum result in June 2016 boosted our competitiveness in the second half of that year, there was some modest level of recovery in sterling in 2017 and it is reassuring that despite this, the demand for hotel accommodation hit record levels. This suggests that Northern Ireland as a destination has more substance to it than simply being good value which is positive testament to all of the work that has gone into building a credible and robust tourism industry over the past decade.

There has been a tendency for the local industry to rely too heavily on domestic demand in my opinion, so it is reassuring to announce that the volume of bookings by out of state tourists increased in 2017. There was growth in the number of hotel guests from North America, Europe, Ireland and Asia, evidencing the general upward trend in out of state visitors recorded in official tourist statistics.

This trend is important because it is well recognised that out of state visitors stay longer and spend more each day than is the case for domestic tourists, important that the local market is to the overall health of the industry”



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Adrian Patton, Senior Manager of Consulting at ASM added:

"Overall, the hotel industry had a good year in 2017. With the exception of Belfast, profits increased across the board and there is now a confidence in the sector that at periods of high demand, yielding higher prices can not only be achieved, but is the norm in other destinations. Given the high investment in hotel assets and staffing, it is important that the sector offers hotel owners a realistic rate of return if further development is to take place since it is clear that overall bedroom occupancy rates are such that further expansion of the industry during the peak and shoulder seasons can only occur if additional bedroom supply is introduced to the marketplace".

The performance of the tourism industry over the past 6 years has led to a wave of new hotel announcements in Belfast, Derry City along the North Coast and in County Down. So far in 2018, three new hotels have entered the market in Belfast and further supply will enter this market soon.

Michael Williamson: *"In Belfast and the outlying areas, the scale of new hotel development is causing hotel owners and managers some concern. Certainly with the volume of new bed stock entering the marketplace, I fully expect average occupancy rates and room rates in the City to "soften" in 2018 and 2019, but it may be the case that hotels located on the periphery of Belfast are more affected than those in the city centre.*

However, given the momentum that Northern Ireland has as a tourist destination and with upcoming events such as the return of The Open in 2019 offering the prospect of outstanding exposure in international markets, I would not be surprised if average occupancy rates in Belfast were back to current levels by 2021. Perhaps the bigger challenge facing the industry is not the arrival of new bedroom supply, but the availability of well trained and experienced staff to ensure that the growing number of visitors receive the quality of service that they have a right to expect".

[ENDS]

Note to editors:

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