



**23 August 2017**

## **A landmark year for the hotel sector**

### **News Release**

ASM Chartered Accountants today released the 2016 edition of its annual hotel industry survey.

The study gathers detailed trading information from 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:

- the demand for hotel bedrooms across Northern Ireland in 2016 increased to a record high occupancy rate of 77.9%, a small but nonetheless important improvement over 2015 when the average occupancy rate was 77.5%;
- the average room rate, which is the price a guest pays for a room excluding VAT, increased by 4.1% to £77.95;
- combining these two measures gives the room yield or revenue per available room. The Northern Ireland average for 2016 was £60.74 which is a 4.6% increase year on year;
- total revenues per room, which includes income from all hotel activities, increased by 15.7% to £53,363 in 2016. This means that there was revenue growth in all areas of hotel operations; and
- the uplift in revenues boosted profits (before rent, interest, depreciation, amortisation and tax) by 17.7% to an average of £10,816 per room. Overall, this was a great result.

As is normally the case, there are regional variations in performance. Belfast had another outstanding year with record room demand levels (and an occupancy rate of 83.5%), room rates and profits. Similarly, rural and resort/spa hotels had a great year with increased revenues and profits (the bedroom occupancy rates were 76.0% and 80.3% respectively). In Derry City however, while the demand for bedrooms increased, income in other areas of operations declined. In tandem with increased operating costs, profits in Derry City also declined during 2016.



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<b>Northern Ireland - all hotels averages</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Room Occupancy %	76.0%	77.5%	<b>77.9%</b>
Average Daily Room Rate	£70.78	£74.91	<b>£77.95</b>
Revenue per Available Room	£53.79	£58.05	<b>£60.74</b>
Total Revenue per Room	£44,566	£46,113	<b>£53,363</b>
EBITDA per Room	£9,775	£9,190	<b>£10,816</b>
EBITDA %	21.9%	19.9%	<b>20.3%</b>

Commenting on the results Michael Williamson, Director of Consulting at ASM noted "2016 turned out to be an outstanding year overall and broke many records, although for some, there was a sluggish start to the year.

*Without doubt, the almost instant decline in the value of sterling on the back of the EU referendum result in June 2016 boosted our competitiveness as a destination and in Belfast especially this made a tangible difference to the demand for accommodation in the second half of the year. But it would be wrong to credit all of the progress achieved in 2016 to the exchange rate movement. There was already underlying growth in many areas outside of the capital city, while in Belfast, the opening of the extended Waterfront Hall has massively improved its appeal to the meetings, conventions and exhibitions segments – a very important and high spending tourism market that we expect to add materially to the demand for accommodation in future years.*

*Of course, not only is Northern Ireland better value for money to those travelling from Europe, but we are just as appealing to the Great Britain market since travelling to Europe is now more expensive for UK residents. Consequently, it comes as no surprise that the survey shows an increase in the proportion of out of state visitors using hotels in Derry City and in Belfast. Demand from these markets has grown to 67% of bedrooms occupied in Derry City as against 62% in 2015, while in Belfast City the proportion of rooms accounted for by out of state visitors increased from 73% in 2015 to 78% in 2016. It is now that we should be maximising the opportunities offered by the relative weakness of £ sterling by increasing our marketing efforts in Great Britain and in other out of state markets. We can be sure that our key competitors will continue to invest heavily in marketing their destinations such is the importance of the tourism industry to their respective economies".*

The performance of the tourism industry over the past 5 years has led to a wave of new hotel announcements in Belfast, Derry City and along the North Coast and at Slieve Gullion. In Belfast, there are around 1,100 new hotel bedrooms currently under development with the prospect of further development within the next 2 years. On the North Coast, there are plans for an upmarket resort/spa hotel and in Derry City new mid-market product is expected to come to market in 2019. The Slieve Gullion project (a boutique hotel and wellness centre) will be located within a small castle and its outbuildings.



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Looking at the substantial supply side movement in Belfast, Michael Williamson observes *"it is a testament to the City and indeed to Northern Ireland more widely, that new investment is now actually taking place rather than being talked about. Let us not forget that investors in hotels can choose to develop almost anywhere that they may wish to, so to commit funds to Northern Ireland is a great vote of confidence in our future. Certainly, the level of development in Belfast is unprecedented and will add around one-third to the supply of room stock by the end of 2019. It's hard to see how the demand for rooms can grow at this level in the short-run, so I fully expect there to be some decline in average bedroom occupancy rates from 2018 onwards. But let's remember that we are coming off a very high occupancy rate, so the impact may not be severe as that experienced during the last wave of development in 2009 and 2010.*

*Importantly, our star is in the ascendancy, so there are reasons to be optimistic that tourism still has lots of growth potential in which case we expect average occupancy rates in Belfast to return to high levels relatively quickly.*

*Moreover, no destination should aspire to stand still, so we need to ensure that as an industry we all pull collectively to ensure that the dynamic that is now within tourism continues to drive us forward through the attraction of more visitors".*

**[ENDS]**

### **Note to editors:**

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