



**22 July 2019**

## Hotel performance mixed in 2018, but remains strong overall

### News Release

ASM Chartered Accountants today released the 2018 edition of its annual hotel industry survey.

The study gathers trading information from 3, 4 and 5 star hotels and is the only detailed insight into hotel performance in Northern Ireland.

The headline performance figures from the report show that:

- unprecedented demand for hotel bedrooms across Northern Ireland in 2018 led to approximately 2.363 million room nights being sold during the year which is an increase of 115,000 room nights , or 5%, than in 2017;
- however, a large increase in bedroom supply throughout the year resulting from new hotel openings and extensions (+1,100 bedrooms), particularly in Belfast, means that the average bedroom occupancy rate across the country actually declined to 75.6% compared to 76.8% in 2017. Nevertheless, this remains a high level of occupancy overall;
- on a Northern Ireland wide basis the average room rate, which is the price a guest pays for a room excluding VAT, increased by 7.1% to £96.90, another record;
- combining these two measures gives the room yield or revenue per available room per day. The Northern Ireland average for 2018 was £73.28 which is a 5.4% increase year on year;
- total revenues per room, which includes income from all hotel revenue generating activities, increased by an average of 4.4% to £69,158 in 2018. But that growth was not uniform across Northern Ireland. Belfast hotels and those in the Resort/Spa segment experienced a decline in food and beverage sales; and
- the uplift in revenues overall did not lead to increased profits. Higher operating costs mean that profit before interest, depreciation, amortisation and tax declined by 2.4% to an average of £13,567 per room. Overall this is a solid performance but no more than that, given the increase in total revenues.

<b>Northern Ireland - all hotels averages</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Room Occupancy %	75.7%	76.8%	<b>75.6%</b>
Average Daily Room Rate	£81.96	£90.48	<b>£96.90</b>
Revenue per Available Room	£62.06	£69.53	<b>£73.28</b>
Total Revenue per Room	£61,560	£66,206	<b>£69,158</b>
EBITDA per Room	£11,684	£13,900	<b>£13,567</b>
EBITDA %	19.0%	21.0%	<b>19.6%</b>

22 July 2019

## Hotel performance mixed in 2018, but remains strong overall

There are of course, regional variations in performance. New hotel openings and hotel extensions in Belfast mean that despite improved demand for overnight accommodation (+7% year on year), bedroom occupancy rates declined in 2018 and especially in the second half of the year. The bedroom occupancy rate averaged 79.9% compared to 82.9% in 2017. Average room rates increased year on year by 3.3% to £94.91 but that growth occurred in the first 6 months of 2018. Income from other hotel services declined in the year and with the added pressure of increased operating costs, profits averaged 22.6% of revenues as against 24.6% in 2017.

Hotels in rural settings experienced higher bedroom demand and revenue increases across the board. Bedroom occupancy improved by 1 percentage point to an average of 72.3% for the year with total revenues increasing by 5% to £98,654 per room, but increased costs mean the profits were flat at £17,473 per room. In effect rural hotels are having to work harder for the same outcome. At Resort/Spa hotels bedroom occupancy declined by 1.6 percentage points to an average of 74.7% and there was a decline in income from food and beverage operations, but a 10% improvement in bedroom letting rates to an average of £116.98 means that total revenues and profits were more or less unchanged year on year at £109,000 and £18,300 per available room respectively.

In Derry/Londonderry City, bedroom occupancy was 1% lower than in 2017 at 69.7% for the year, but higher room rates and improved income from other hotel services mean that total revenues improved by 5.3% to an average of £42,109 per available room. However, higher operating costs eroded this advantage and profits actually declined by 6% to an average of £7,391 per available room or 17.6% of turnover. Nevertheless this remains a material improvement on the 12.4% recorded in 2016.

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

*"The overall occupancy results for 2018 can be misleading in that the material increase in new supply entering the market place of 1,100 bedrooms, or 12%, completely overshadows the overall increase in the demand for bedrooms which grew at 5% compared to 2017 and which is twice the rate of growth that occurred in the previous 12 months. Indeed, at an estimated 2.36 million occupied hotel bedrooms in 2018, this is a new record for Northern Ireland and shows how much progress has been made since 2011 when we estimate that 1.78 million bedrooms were occupied.*

*Room rates have continued to improve but overall revenue performance has been somewhat patchy in other areas of hotel operations. The Brexit issue seems to have sapped confidence in the business community since bookings from this market have fallen. The decline in the value of sterling has certainly helped drive higher volumes of out of state visitors into Northern Ireland, but the flip side of that coin and the general uncertainty surrounding Brexit is that input costs have increased while the pool of experienced staff from EC countries has reduced leading to increased staffing costs, the impacts of which are clearly evidenced in declining profits. I expect this situation to carry over into 2019 at least.*

*But on balance, while profitability out-turn is a little disappointing it remains quite strong. Visitor numbers continue to grow, so the overall outlook remains positive".*



**22 July 2019**

## **Hotel performance mixed in 2018, but remains strong overall**

Adrian Patton, Senior Manager of Consulting at ASM added:

*"Overall, the hotel industry had a solid year, but the second half of 2018 was not kind to hotels in Belfast. Most of the new room stock coming to market did so in the Capital City from the summer onwards and our research shows that room and occupancy rates declined as that supply entered the market. During this period, income from bedroom sales slipped by 4.1% year on year and there was also a decline in food and beverage sales. Consequently, I expect overall hotel performance in Belfast to decline further in 2019 since all of the new supply will be available for the full year and even the most optimistic growth projections of bedroom demand in the City are less than the increase on the supply side.*

*For now, the addition of new room stock in Belfast has largely ended and this will give the industry a chance to recover lost ground. It is easily forgotten that Belfast faced a similar issue when a large volume of new room stock entered the market just as the financial crisis was taking hold in 2009 and 2010, but underlying growth in demand meant that the impact was not as severe as it may have been and the City soon returned to higher occupancy and room rates. There is no reason to believe that the same will not occur this time"*

Michael Williamson added: *"The absence of an Assembly and leadership is now starting to frustrate hotel owners and operators. There is real concern around the lack of progress on VAT, Air Passenger Tax and Corporation Tax and the fear that in the absence of sitting Ministers, key decisions on matters such as marketing and events budgets will simply not be taken, thereby undermining the excellent performance of the industry over recent years. While it is clear that there is considerable momentum in our appeal to out of state markets currently, I fully agree with the sentiments expressed by hotel managers.*

*While the return of The Open has delivered outstanding exposure in international markets beyond those interested in golf, we need to include and use this as a platform for developing a more comprehensive world class events programme to be delivered over the long term. Tourism is a highly competitive global marketplace and we are now competing on that global stage, so the development of a broader based programme of world class events will ensure that we get ongoing international exposure that will deliver wide ranging economic benefits across the industry and wider society. One only has to look at how The Open engaged, energised and embraced a wide range of organisations within and peripheral to tourism and hospitality across most of Northern Ireland to see the impact such events can have."*

**[ENDS]**

### **Note to editors:**

For further information and interviews with **Michael Williamson** please contact:

Tel: (028) 90249222  
Fax: (028) 90249333

Email: [michael.williamson@asmbelfast.com](mailto:michael.williamson@asmbelfast.com)