



NORTHERN
IRELAND
HOTELS
FEDERATION

Hotel Market in Northern Ireland

A report from the Northern Ireland Hotels Federation
on the hotel market and the challenges it faces.

March 2023



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**£1bn hotel
investment
since 2003**
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The Current Landscape

The hotel sector in Northern Ireland is an integral part of the tourism sector, which has seen over £1 billion of investment over the last two decades. The result is a vibrant, diverse industry which supports over 15,000 jobs (direct, indirect and induced) with a direct payroll of around £250m in 2023. There have been periods of considerable growth in the past but growth has slowed and projects under consideration may simply be shelved because of inflated construction costs, difficulties in procurement and fiscal pressures.

The post-pandemic hotel scene is an interesting one. It consists of 141 hotels with 9,432 bedrooms.

The number of hotels has reduced since 2019, with some closures and others recertifying as Guest Accommodation. Over 80% of Northern Ireland's hotel bedrooms are less than 15 years old and in 2022, 2.46m bedrooms were sold bringing the sector almost back to the record levels of 2018.

The table below is a snapshot of accommodation

provision across all categories as of March 2023. Hotels remain the dominant provider in the serviced accommodation sector. A significant increase in self-catering product is also evident. Several hotels now offer a choice of accommodation on site including self-catering dwellings with the opportunity to avail of hotel food, beverage, and leisure services on a selective basis.

This trend is likely to continue along with the growth in blended aparthotel or "homotel" products. These types of developments will be a challenge for the current certification framework but are proving popular alternatives to the traditional hotel offering in the post pandemic accommodation market.

Type	Premises	Rooms
Hotels	141	9,432
Guesthouses	69	627
Guest Accommodation	385	1,927
Bed & Breakfast	469	1,621
Self-Catering	3,746	4,783
Bunk Houses	13	34
Hostels	40	481
Campus Accommodation	9	4,145
Total	4,872	23,050

Table 1: Northern Ireland Accommodation Stock by Sector

Historical Position and Market Mix

The hotel sector has invested heavily since the turn of the century, pouring over £1billion into new properties, expansion, and refurbishment. This has resulted in the number of hotel bedrooms growing by 88%, a movement towards upper scale classifications balanced by a good offering of branded budget properties and a sector that offers considerable choice of new and refurbished rooms.

The industry has undergone a seismic change. The pattern of growth in the local hotel market has come in concentrated bursts which have seen the addition of branded budget properties, an influx of international brands and the advent of the resort property. The market has shifted and, in many ways, polarised with 46% of rooms classed

as four or five star and 26% falling between budget brands and unclassified. The one, two and three-star hotels, often seen in the nineties, have either moved up, closed or opted out of the grading system. In 2000 there were 130 hotels with 5,013 rooms with the average hotel having 38 bedrooms in a market dominated by three-star product. Today the average property has 67 bedrooms in a market which is heavily branded and becoming increasingly diverse.

The market has grown very little since 2019 after undergoing a period of substantial growth between 2016-18. There were significant plans in the pipeline pre-pandemic but many of these may not now come to fruition.

Hotels by Grade	Hotels	No of Rooms	% by Grade
Five Star	4	365	4%
Four Star	41	3,920	42%
Three Star	49	2,081	22%
Two Star	2	72	0.8%
Budget Brand	10	976	10%
Awaiting Grading	10	511	5%
Ungraded	25	1,507	16%
Total	141	9,432	100%

Table 2: Northern Ireland Hotels by Grade 2023

Hotels by Grade	Hotels	No of Rooms	% by Grade
Five Star	2	300	6%
Four Star	13	1,063	21%
Three Star	42	1,853	37%
Two Star	40	1,088	22%
One Star	19	316	6%
Ungraded	14	393	8%
Total	130	5,013	100%

Table 3: Northern Ireland Hotels by Grade 2000

Hotel Performance

After an exceptionally difficult couple of years of closures, restrictions and uncertainty, the hotel sector returned to full trading in March 2022. Table 4 shows the journey from its peak in 2018 through the pandemic and out the other side. The market had hoped to have a time to settle but the onset of an energy crisis, rampant inflation and an ongoing staffing shortage have made trading very challenging.

Turnover has increased but keeping pace with and forecasting price increases has proved to be nigh on impossible. The coming year will see businesses trading a very fine line between profitability, performance and keeping pricing at an attractive level.

Continuity of supply, together with increases in the cost of services and utilities, as well as the introduction of new travel visa requirements - (Electronic Travel Authorisation for the UK) - could also impact on the coming year.

These factors affect not only the hotel sector but also its customers. A reduction in disposable income, additional costs and bureaucracy all have a negative effect on business. Anything that makes Northern Ireland less attractive in the eyes of the customer and threatens full recovery is of concern. A delay in new product coming to market will help existing businesses in terms of yield and demand. Regrettably, the cost-of-living crisis, a dearth of staff and fiscal uncertainty have heightened concerns for businesses who have increased their debt burden considerably over the last two years. Forecasts for the coming year predict a good

performance in terms of occupancy in most regions, with limited new stock entering the market and room rates remaining around a similar level to 2022. Industry turnover in total terms should return to pre-pandemic levels but cost control is going to be the number one factor in business success for the coming twelve months. For example, sales of £700m support a payroll of £250m. While room rates have increased, it is important to note that the National Minimum wage will have increased by 33% by April 2023, energy costs have in many cases more than doubled and consumables are subject to double digit inflation.

The deployment of hotels and other accommodation providers by the Government to provide housing has taken stock out of the market. This currently accounts for about 8% of the overall hotel bed stock and is likely to continue well into 2023. It is difficult to quantify the exact impact of these contracts for the overall sector and a lack of social housing may see tourist accommodation being the solution to housing issues for some time to come.

The two big drivers for 2023 will be people and profit. Retaining your staff and keeping costs under control will be a difficult act to balance.

Year	2022	2021	2020	2019	2018
Occupancy (%)	71.5%	49.7%	33.2%	70.9%	73.3%
Average Daily Rate	£100.15	£93.66	£72.22	£78.26	£79.32
RevPAR	£71.63	£46.59	£24	£55.54	£58.16

Table 4: Hotel Performance by Year (STR)

Growth and Expansion

It would be a mistake to think that the industry has stagnated over the last three years. There have been several high-profile sales: **Hilton Templepatrick**, the **Slieve Donard** and the **Bushmills Inn**. Current inflated construction costs make purchasing an existing property an attractive option and there are likely to be more transactions of note in the next eighteen months. Northern Ireland has been flagged as a good region to invest in and has begun to attract attention from international operators and investment funds who view the local market as one offering a good return with considerable headroom. Even with limited openings predicted for 2023, the sector will invest in the region of £100m over the course of the year between construction, sales, and refurbishments.

The onset of the pandemic, increased costs and uncertainty in the marketplace have brought about a delay in projects coming to fruition. This is about to change albeit at a slower pace than was originally predicted. Several prospective projects have taken the decision not to progress with a hotel option, but the majority are starting the process for moving from concept to construction. The sector has been predicted to break the 10,000-bedroom barrier since 2019 but is unlikely to reach this level until 2024 at the earliest.

Expansion in the hotel sector in Northern Ireland is unusual and differs from the norm in other regions where it tends to be linear. Growth locally has been a stop-start process resulting in large quantities of product arriving in market in a compressed timeframe. This concertina effect presents challenges for the market which must adjust to rafts of bed stock coming on stream in short bursts. The next phase of growth looks likely to unfold in a similar vein. There are likely to be two major openings in 2023: **Room2** in Belfast with 175 rooms and the **Ebrington Hotel** in Derry-Londonderry with 91 rooms (there is a proposed second phase which would see the property expand to 151 rooms). There are over forty other projects in the public domain but it appears unlikely that they will open before the end of the year.

Hotels are a considerable investment and those entering the market are looking at new styles of accommodation: aparthotels, boutique properties and mixed accommodation operating on a shared site. Often driven by consumer demand, the appeal of luxury remains but the reality of affordability is playing a larger role in the local market.

Not all projects planned or in concept come to fruition. Historical market intelligence indicates that about 25% of those mooted for construction come to fruition. Some have languished in planning eventually opening after considerable alteration; others have decided that the hotel option is not viable but with over 4,000 rooms still in the mix, growth is inevitable and will be spread across the entire region.

Increased construction costs, planning constraints and limitations on investment interest in the local market may result in a further constraining factor as purchasing existing properties may offer better value and provide more timely access to local market.

Belfast & North Down

Currently, there will be one opening in Belfast this year despite over twenty other potential projects in the public domain. The majority of these are concentrated in the city centre and 2024 may bring a considerable amount of new product. Belfast is very much on the investment radar for hotel operators and a number of brands are looking at opportunities in the city. This could alter the hotel landscape in the city which supports over 50% of Northern Ireland's hotel stock.

The city will also see a diversity of new product beyond hotels with a number of aparthotels, guest accommodation and smaller townhouse product in the mix. The product portfolio held by Signature Living has also come to market with the **Scottish Mutual Building** bought by the Martin Property Group who plan to rebrand with a view to opening in early 2024.

Trading outside the city has proved more challenging but major investment in the **Old Inn** and **Clandeboye Lodge** has created a strong pocket of product in the North Down/ Belfast hinterland. Bangor is also the subject of a major development scheme.

Derry-Londonderry

This market has consolidated over the last five years with new product bedding in and the city now dominated by four-star product. The **Ebrington Hotel** with 91 bedrooms will open in June (a further 60 may be added later). This will be the thirteenth hotel to open in the city and will increase bedroom stock by 12%. Several boutique hotels have been proposed in the city with other properties investing heavily in the coming year. The mood music is good particularly given the city's exposure in Tourism Ireland's new promotional campaign.

The North Coast

The North coast has seen some investment over the last five years with two openings (the **Salthouse** and the **Elephant Rock**) and expansion at the **Bayview** and **Marine Hotel Ballycastle** adding 32 rooms. The return of The Open in 2025 has stimulated interest. The **Dunluce Lodge** and the **Andras House** development in Portrush which are both through planning will add 118 new rooms to the local hotel stock. Other movement in the market includes the sale of the **Premier Inn** which will rebrand to one of the Accor suite of brands and the sale of the **Adelphi** which will be run by Marine & Lawn, their second foray into the Northern Ireland market. Expansion of a couple of other properties could also hugely increase stock in a market dominated by self-catering product. New projects have struggled with planning proving to be a significant stumbling block. Developments that were proposed and planned for the Open in 2019 are not materialised. Some have resubmitted planning in the hope of being open by 2025.

Fermanagh & Southwest Ulster

This region did well during the pandemic but has seen a softening in rate. The market is very mixed in

terms of location and segment. Traditionally hotels have been reliant on the wedding market and new hotel openings have been limited. Several hotels have invested heavily over the last couple of years with **Lough Erne** planning a major refurbishment in 2023 and a redevelopment of the **Carrybridge Hotel** on the cards.

Armagh, Newry, Mourne & Down

This is a large area consisting of several resort properties and traditional seaside destinations spread over three council areas. A couple of projects have been on the cards but the big story here is around spending with major investments in the **Slieve Donard**, the **Burrendale** and the **Avoca Killeavy Castle Estate** has continued to invest in expanding their product offering and **Hillyard House** recently opened as a hotel. There is a desire to have new properties in several urban locations which may come to fruition and a number of resort style projects could proceed with investment.

Antrim Area

There has been a lot of investment in Antrim with the **Dunadry Hotel & Gardens**, the **Rabbit** and the **Hilton Templepatrick** at the Kingfisher Estate all undergoing major refurbishment. **Galgorm Resort** continues to grow with the addition of self-catering and guest accommodation options. The **Maldron** at the Airport has also undergone a significant refurbishment. Trading in some locations has been challenging with staffing issues and costs impacting negatively. There are a couple of new projects in this area, mainly from those already in the sector, and more investment is likely.

Mid-Ulster

There has been limited new product development in this area with only a couple of smaller non-hotel products in the market. There are no major projects in the pipeline and there is a limited hotel stock at this time.

Conclusion

The hotel sector has invested over £1billion over the last two decades but the pipeline has now slowed. A further £300m could be invested by the end of 2025. The industry's role as an economic driver should not be overlooked and more favourable Government policy would secure the sector's true potential - regrettably, this was not evident in the 2023 budget. Addressing the VAT imbalance between ROI and NI remains a priority.

Expansion in the 2023-24 timeframe will be an interesting process as finance becomes more expensive, costs remain uncertain and staffing continues to be of concern. There is genuine interest in visiting Northern Ireland which bodes well for business but there is a fine balance to be found in covering costs and pricing to attract the guest.

As a region, Northern Ireland has reached a wider audience not only in visitors but also investors. This development could open the door to new brands, increase the value of local hotels and make selling an attractive option for current operators.

It is important to note that the cost of doing business has rocketed with food inflation, energy costs and increased wage levels impacting on profitability. Businesses have little to no control over these factors. Average Room rates have grown but are not keeping pace with current cost pressures. Many businesses have also taken on additional debt as a result of the pandemic which they have to service.

Trading in the post Brexit climate has presented difficulties with supply with the departure from the EU contributing to higher prices. It has also resulted in the sector being cut off from an important labour pool. The hope would be that the Windsor Framework will bring about a political settlement, a restoration of Executive as well as a simplified supply chain providing greater stability.

Attracting people remains a real challenge, exacerbated by Brexit and compounded by the pandemic. Businesses have had to curtail activity over the last year in line with staffing levels.

Food and beverage provision has become increasingly important for the sector as restaurants have not moved back to a full week of trading. A limited offering outside premises may have a detrimental effect in the longer term and make Northern Ireland a less attractive destination.

ROI market growth has become very important and grown not only in terms of visitors but also in spend. A significant multi-strand promotional campaign has underpinned this success. Fears about tourism budget cuts and a reduction in promotion are of concern.

ETA UK and additional visa requirements may make travel to Northern Ireland less attractive to visitors from international destinations.

Government contracts have taken supply not only out of the hotel market but are being used in the wider tourism accommodation sector for housing.

Increased construction charges and the cost of borrowing money may make some envisaged expansion unviable and could also put pressure on businesses that have increased borrowing to survive the COVID-19 pandemic.

Changes to legislation and new serviced accommodation products may see new developers move away from the traditional hotel product.

Hotel expansion will be about 2% of bedroom stock in 2023. It is unlikely that room stock will break the 10,000-bedroom mark before Q3 in 2024.