

## Sporting events, corporate bookings and new flight routes to boost hotel performance in Edinburgh

Edinburgh's hotels can look forward to improved average room rates when Scotland stages the Commonwealth Games later this month and the Ryder Cup in September. Demand from corporate bookings and additional flight routes will also lift the city's hotels out of what has been a comparatively difficult seven years of trading.

Despite robust occupancy, Edinburgh's hotels have taken a blow over the past few years due to the growing number of new limited-service hotels, the recession and the impact of the London Olympics.

A new report from global hotel consultancy HVS London, says the longer-term picture looks much more positive for Edinburgh's hotel operators in part due to the additional 15 million passengers expected over the next five years as a result of EasyJet's new flights from European destinations, along with a new Air Canada Rouge route from Toronto.

A regular calendar of sporting and cultural events can also be relied on to bring over eight million people a year to Edinburgh & Lothian.

While the Average Daily Rate (ADR) achieved by the city's hotels is consistently above £60, excluding January and February, with occupancy at over 70-90%, the high volume of new limited-service hotels has prompted an overall decline in the hotel sector's ADR.

Continued economic pressure has also challenged the hotel trade, with occupancy declining to 76% in 2008. This climbed to 80% in 2011 but dropped again in 2012 when London staged the London Olympics, diverting visitors from Edinburgh. Rooms Revenue Per Available Room (RevPAR) in Edinburgh's hotels has fallen 31% over the past seven years.

Last year saw ADR improve in the city's hotels and while new limited-service supply is likely to continue to compromise occupancy in the short-term, the HVS report says that beyond 2015 hotels are expected to see a further growth in occupancy and improved RevPAR and ADR.

After a challenging operating period we anticipate a much more subdued increase in overall RevPAR in Edinburgh's hotels as the upscale market competes with the new limited-service hotel inventory, commented report author Harry Douglass.

Edinburgh remains an attractive market for investors, with high barriers of entry and one of the highest RevPARs in Europe. However, investors should be aware of the requirement to employ dynamic management to maintain market share. Intense competition from a range of hotels means operators need to work hard to maintain bookings and to ensure they are fulfilling guest expectations.

In Focus: Edinburgh Hotel Market. Homecoming Scotland 2014 by Harry Douglass MRICS can be downloaded at <http://www.hvs.com/article/6962/in-focus-edinburgh-hotel-market/>.

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