Hospitality Sector H2 2025 Insights and H1 2026 Outlook

January 2026

Gerardo Larios Rizo
gerardo.lariosrizo@boi.com
087 795 1253

Bank of Ireland

H2 2025 Insights

- Strong accommodation sales performance for the second half of the year supported by a positive average room rate trend across most locations in Ireland. RevPAR Increased by 3% for year-end December 2025 vs 2024[1], with Belfast the main exception, recording a 5% decline.
- Resilient but uneven demand across source markets. Encouraging trend in inbound visitor trips for the second half of the year following a soft start to 2025. Increased dependency on the North American market. Visitors from US and Canada now account for 28% of inbound visitor nights into Ireland (3% up on last year)[2].
- Domestic travel softened slightly (-6% trips at Q3), although expenditure remained stable. Outbound travel increased 12%, with spend up 4%[3].
- Irish Foodservice turnover reached €10.8bn driven by inflation reported for 2025; restaurant menu prices for the year were 25.8% up on 2020[4]. Despite price increases, profit margins remain a significant challenge for the sector due to a combination of cost increases and shifts in dinning behaviour.

3% — YOY Increase in Irish Hotels RevPAR (2025 vs 2024)

28% — Percentage of visitor nights from US & Canada

€237 — Avg Spend per trip for domestic residents

€10.8bn — Foodservice t/o estimate for 2025

Key Trends

- Technology adoption, including AI, continues accelerating as operators seek efficiencies and improved service quality.
- Growth in alternative accommodation. Development of new Hostels in Dublin including a 496-bed hostel by Marlet in Macken Street, a 588-bed hostel in Sackville place and a 670-bed hostel in Foley Street. Fáilte Ireland recently launched an outdoor accommodation toolkit[5] to tap into the surge in demand for nature-based stays as they encourage sustainable tourism and have the potential to boost regional economies.
- Sector consolidation & brand penetration. Dominant players in the hotel sector including Dalata, Galgorm, Talbot Hotels, Address Collective, TMR and JMK continue to grow their footprint. International Hotel brands made significant strides in the Irish market in 2025 with Citizen M and Hoxton entering the market last year.
- Irish travellers remain value conscious. While still seeking authentic cultural experiences and sustainable options, value for money is increasingly shaping travel decisions[6]. The impact to date has been more pronounced in foodservices; the CSO reported a 12% decline in the Service Index Volumes (SIVO), and an 8% decline in Service Index Value (SIVA) for Foodservice Activities in the 10 months to October 2025 while a modest 2% increase in SIVO and 4% increase in SIVA was reported for accommodation services for the same period[7].
- Staffing costs remain a challenge. A combination of increases in wages, training expenses and focus on staff wellbeing continues to impact staffing costs across hotels, bars, restaurants, and visitor experiences. Recruitment and retention have improved for the hospitality sector in Ireland but remain a key business focus.

[1]STR Co Star, December 2025. [2]CSO, Inbound Visitors, November 2025. [3]CSO, Household Travel Survey, Q3 2025. [4]Bord Bia, Irish Foodservice Market Insights Report 2025. [5]Fáilte Ireland, Outdoor Tourism Accommodation Toolkit 2025. [6]Travel times, "Where Are the Irish Travelling This Summer? Travel Trends 2025, Aug 11, 2025. [7]CSO, Service Index (Seasonally Adjusted) Volume and Value, Oct 2025.

Classification: Green

Market Dynamics, Conditions & Drivers

- Government support for the sector. New tourism strategy "A New Era for Irish Tourism" highlights culinary tourism as a key driver for year-round tourism[8] and commits to the development of a dedicated Culinary Tourism Strategy. Another long-awaited support is the reduction in the VAT for foodservices, which will drop to 9% from the 1st of July 2026.
- Positive air access capacity trend for summer 2025 (6.5% increase in seat capacity vs summer 2024) supported a bounce-back on inbound travel on the second half of 2025 (3% year-on-year growth)[2] following a 13% decline vs last year reported by the CSO for H1 (Table 1). However, a sustained decline in the average trip length has eroded visitor expenditure over the last few years; total travel expenditure for inbound visitors in the 11 months to November is 11% behind last year.
- Strong Air capacity to/from US which now accounts for 13% of all seats to ROI[9], the growth in capacity supported a 5% year-on-year increase in US/Canada visitor trips.
- Record breaking hotel sector transaction activity in ROI, estimated at €1.7bn for 2025[10]. Landmark deals completed in the second half included the Dalata group, the government's acquisition of Citywest Hotel for €148m, TMR Collection acquisition of the Kilkenny Ormonde for €32m and the acquisition of the Absolute Hotel in Limerick by the Talbot Collection. Transaction activity was less buoyant in NI following a strong 2024 when the NIHF reported £100m in transactions.
- Tourism accommodation supply:

New developments. Dublin, 652 rooms across four new hotels (Hoxton, Point A, Citizen M, Moxy Docklands), Wexford 49 rooms (Ravenport), Northern Ireland 155 new hotel rooms (Marcus, Dunclue, Walled City Hotel)[11]. A moderate hotel development pipeline for Dublin and Belfast should support the delivery of around 1,000 new hotel bedrooms in Ireland in the coming year.

Government Contracts. The Irish government continues to wind down contracts with accommodation providers as the need for accommodation for people fleeing the war in Ukraine is decreasing. Hotels are reporting a reduction in the number of contracted bed spaces as well as shorter contracts.

- Encouraging accommodation KPIs across most locations (Table 2).[12]

Dublin – Performance in Dublin driven by strong occupancy which finished the year 2% up on last year in the city centre despite additional supply. Events including the NFL match, the Oasis concert and other sporting & entertainment events allowed average rate to remain on par with last year.

Galway – Marginal year-on-year (YOY) increase in occupancy which finished the year at 75%, delivered with a 4% increase in average rate which closed the year at €186. The modest increase in occupancy trend could relate to new stock (increased supply), as the Radisson RED only opened in December 2024 increasing the bedroom stock in Galway city by 177 rooms (6%)

Cork – Robust YOY RevPAR growth of 5.2% delivered in 2025 supported by a 4.2% increase in average room rate and a softer 0.7% increase in occupancy.

Limerick – Marginal decline in occupancy (-1%), compensated by a €7.5 increase in average room rate for year ending December 2025 vs. 2024.

Kilkenny – Star performer for year-end December 2025 with €8.4 (6.6%) increase in RevPAR reported for the period vs. last year. YOY increase in RevPAR supported by a €13.40 surge on average room rate.

Belfast – 2025 was a challenging year with a reported YOY decline in both occupancy (-2%) and room rate (- €4) despite bumper trade in July due to the NI Open. Overall RevPAR declined by €5.40 vs year-end 2024.

Derry – A noticeable drop in occupancy (4% decline) for the year, compensated by average room rate which grew by €14 during 2025 vs. the same period last year.

Table 1- CSO Inbound visitor trips. Year-on-year change Apr 2024 to Nov 2025

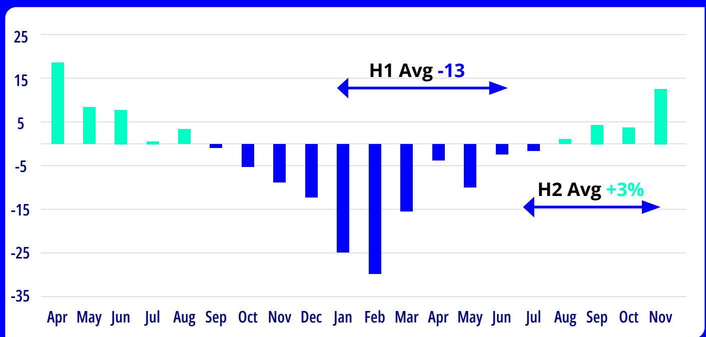

Table 2 – Hotel Accommodation KPIs trend YE Dec (CoStar STR)

Accommodation KPI's Ireland: 2022-2025	December YTD									RevPAR Variance '25 vs '24	
	Occupancy %			Average Room Rate €			RevPAR €				
Location	2023	2024	2025	2023	2024	2025	2023	2024	2025	€	%
Dublin All	82	82	84	180	174	174	147	143	146	2.7	1.9
Dublin City centre	80	81	83	204	196	197	163	159	163	4.7	3.0
Galway	75	74	75	174	179	186	131	133	139	6.3	4.7
Cork	77	75	75	157	157	163	121	117	123	6.1	5.2
Limerick	80	81	80	180	184	191	145	148	153	4.8	3.3
Kilkenny	72	73	73	170	174	187	122	128	136	8.4	6.6
Ireland Provincial	74	72	72	156	160	168	115	116	121	5.5	4.8
Belfast	78	78	76	124	136	132	97	106	100	-5.4	-5.1
Derry/Londonderry	69	67	63	106	118	132	73	80	83	3.7	4.7

[8]Government of Ireland, A New Era for Irish Tourism, Dec 2025. [9]Fáilte Ireland, Air & Sea Access, May 2025. [10]CBRE, Record Year for Irish Hotel Transactions, Dec 2025. [11] NIHF, Hotel Landscape, Nov 2025. [12]STR Co Star, Hotel Accommodation Statistics, December 2025.

H1 2026 Outlook

- Removal of the cap at Dublin airport this coming winter expected to support a 15% increase in last winter season's levels with close to ten million scheduled seats to ROI[13]. The increased capacity could support a healthy increase in the number of inbound visitor trips and expenditure in the first quarter of 2026.
- Rising labour costs. From January 1st 2026, businesses in ROI are facing a 4.8% increase to the national minimum wage (€14.15p.h.), as well as a 1% contribution for the new pension "auto enrolment" and next October, employer's PRSI contributions are set to increase by 0.15%. In Northern Ireland minimum wage is going up to £12.71 (4% increase) next April. Businesses in NI had already experienced a 9% hike in National Insurance in April 2025.
- Refurbishments, repositioning, and product enhancement expected to dominate capital investment decisions in the coming year as owners prioritise asset life extension, energy efficiency and guest experience upgrades over new-build expansion, particularly outside Dublin.
- Bord Bia forecasts foodservices in Ireland to grow around 5% in the coming year; a stronger increase anticipated in the Limited Services sector which like institutional catering has been gaining ground over the last couple of years. Strong demand within the Quick services segment has attracted the attention of international brands like Chik-Fil-A, Taco Bell and Wendys which entered the market last year and could lead to further openings.

Strategic implications and action points

- Ireland's tourism performance is now more exposed to US economic sentiment and exchange-rate movements, increasing both opportunity and vulnerability. Evolving visitor profiles require targeted commercial strategies as businesses, particularly toward the US/Canada Markets.
- Sustained capital investment in iconic and high-end properties (e.g., The Dunloe and Dromoland) is likely to push rate expectations upwards across multiple markets. Operators should ensure product positioning, segmentation strategies, and revenue-management practices are aligned to maintain competitiveness and protect rate integrity.
- Labour cost inflation will intensify cost pressures, especially for businesses heavily reliant on food and beverage revenue. Operational reviews, tech-enabled labour optimisation, flexible service models, and strategic re-tendering of supplier contracts will be essential to protect margins.
- Sustainability remains a core strategic imperative, with the 2030 emissions reduction milestone accelerating the need for structured ESG planning. Tools such as the BOI Sustainable Business Coach[14] can help operators create actionable sustainability roadmaps, prioritising energy efficiency, waste reduction, and green procurement.
- Increased competition from international brands and alternative accommodation. Independent and regional groups should re evaluate brand positioning and differentiate through local experiences, loyalty strategies, and partnerships with cultural or regional tourism bodies.

[13] Fáilte Ireland, Air & Sea Access - Planned Capacity for Winter 2025/26 (Nov 2025 – Mar 2026), Nov 2025. [14] Bank of Ireland, Sustainable Business Coach