Bank of Ireland

Hospitality Sector H1 2026 Insights and H2 2026 Outlook

July 2026

Right with you

H1 2026 Insights

H1 was not simply a demand recovery story; performance was rate-led, uneven by geography, and increasingly dependent on operators' ability to convert RevPAR into margin. June YTD RevPAR increased across Dublin, Galway, Cork, Limerick, Kilkenny with ADR remaining the primary driver of growth[1].

Improved air access supported inbound recovery, with trips to Ireland up 18% year-on-year in the five months to May 2026. European trips were up 24%, while North American trips increased by 15%. Holiday travel was the strongest segment, up c.30%, while business travel grew more modestly at c.12%[2].

Unemployment in Ireland for June 2026 has increased marginally to 5% up from 4.6% last year[3]; The modest rise in unemployment is not yet undermining domestic travel, but it is a watchpoint for discretionary spend if household confidence weakens through H2[4].

The easing of State-contracted accommodation is also becoming a more relevant supply-side factor. Fáilte Ireland's June 2026 update shows 51,617 Beneficiaries of Temporary Protection/ International Protection (BOTP/IP) beds under State contract, a 10% annual reduction, with 9,110 of these in registered tourism properties. Nationally, 3.7% of registered tourism bed stock remains under State contract, down materially from 13.0% in summer 2023, as the phased withdrawal of State-contracted commercial accommodation by March 2027 continues[5].

Key Trends

- Rate-led growth continues to support RevPAR. ADR remains the main driver of performance across most ROI markets, with occupancy gains more modest.
- Regional performance is positive but uneven. Galway, Limerick, and Kilkenny are outperforming on a June YTD basis, Cork is growing more moderately, Belfast has returned to marginal RevPAR growth, while Derry/Londonderry remains under pressure.
- State-contracted accommodation is gradually returning to tourism supply. Fáilte Ireland reports that registered bed stock under Beneficiaries of Temporary Protection/ International Protection State contract has fallen from 13.0% in summer 2023 to 3.7% in May 2026, creating a measured supply-side tailwind rather than an immediate market reset.
- North America remains strategically important. Higher-spending US and Canadian visitors provide upside but increase exposure to exchange rates, air access, and consumer sentiment.
- Market polarisation is becoming more pronounced, with strongest investor and customer momentum at the luxury/lifestyle and budget/value ends of the market. Mid-market and larger independent hotels may need clearer positioning, brand affiliation, or experience-led differentiation to protect relevance and pricing power. This is visible in the growth of budget/economy supply in Dublin and branded/ boutique development in Northern Ireland, where NIHF notes that new entrants are increasingly brand-led, boutique or hybrid.

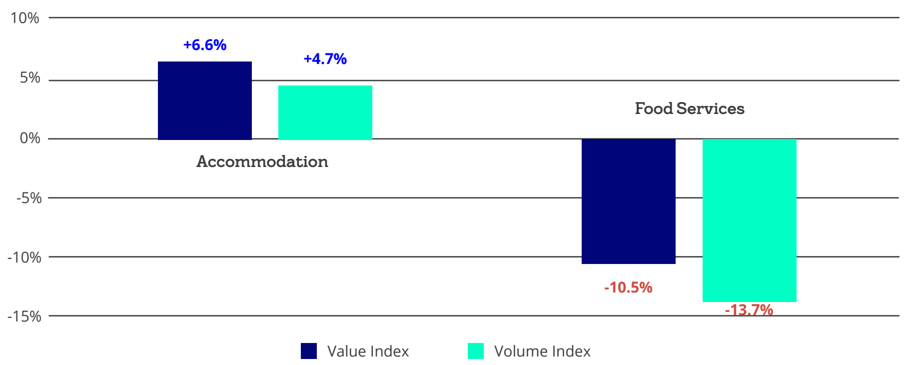
Average visitor expenditure €[6]

Market	Jan to Dec			Jan to May		
	2023	2024	2025	2025	2026	26 vs 25
Great Britain (England, Scotland and Wales	481	509	502	464	473	2%
Other Europe (3)	836	884	857	728	745	2%
USA & Canada	**1,411**	**1,525**	**1,277**	**1,150**	**1,219**	**6%**
Other Residencies	1,537	1,415	1,464	1,279	1,347	5%
All Residencies	860	915	855	731	758	4%

Key Trends (Cont.)

- Domestic demand remains the stabiliser. Irish residents continue to underpin regional and shoulder-season trading, particularly where value and experience are clearly positioned.
- Lead in times for hotel bookings have shortened this year. Operator feedback points to shorter booking windows and a rise in last-minute bookings which can be challenging from a revenue management perspective.
- Capital investment is focused on enhancement. Refurbishment, repositioning, energy efficiency, and guest experience upgrades are taking priority over speculative new-build expansion.
- Technology adoption is becoming operational rather than optional. AI, automation, revenue management tools, and energy monitoring are increasingly important to protect service standards and margin.
- Accommodation remains the stronger performer, with value and volume both growing in 2026 YTD[7], supported by resilient hotel demand and rate discipline. Food services face a more challenging backdrop, with both sales value and volume declining, while demand continues to shift toward limited-service restaurants. This points to a more value-conscious consumer environment across hospitality.

Services Index Ireland, Jan to May 2026 vs 2025 (variance)



Market Dynamics, Conditions & Drivers

Accommodation Statistics CoStar STR June 2026

Accommodation KPI's Ireland // 2023-2025	June YTD											
	Occupancy %				Average Room Rate €				RevPAR €			
Location	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Dublin All	81	80	81	**82**	179	172	167	**170**	145	137	136	**140**
Dublin City Centre	79	78	81	**81**	205	193	182	**185**	161	150	146	**151**
Galway	71	70	70	**70**	157	163	170	**180**	112	114	118	**126**
Cork	75	73	72	**72**	152	151	156	**161**	114	111	112	**116**
Limerick	78	78	78	**77**	168	172	180	**200**	132	134	141	**154**
Kilkenny	68	69	69	**69**	164	167	174	**188**	111	115	120	**129**
Ireland Provincial	71	70	68	**69**	145	151	158	**164**	103	105	108	**114**
Belfast	75	77	73	**75**	116	133	129	**127**	88	102	94	**96**
Derry/Londonderry	67	66	61	**59**	100	109	124	**123**	67	71	75	**73**

June YTD '26 vs '25	
€	%
3	**2.32**
4	**2.76**
8	**6.90**
3	**2.91**
13	**9.43**
9	**7.81**
6	**5.42**
2	**2.33**
-3	**-3.52**

Market Dynamics, Conditions & Drivers (Cont.)

Accommodation demand remains broadly supportive, but the performance picture is more nuanced at the half-year point. Dublin continues to benefit from corporate demand, events, and air access, although RevPAR growth is more modest than in some regional markets due to increased capacity in recent years. June YTD data shows stronger RevPAR momentum in Limerick (+9.4%), Kilkenny (+7.8%) and Galway (+6.9%), while Cork grew at a more moderate pace (+2.9%). Northern Ireland is mixed, with Belfast back in positive territory (+2.3%) while Derry/Londonderry remains under pressure (-3.5%).

This should be positive for destination capacity over time, particularly in counties where contracted accommodation previously constrained tourism supply. The impact will vary materially by location. Louth still has the highest share of registered bed stock under contract at 10.0%, followed by Wicklow at 9.4%, Meath at 8.2% and Offaly at 6.9%, while Dublin is closer to the national average at 3.5%. The national direction of travel is clearly positive, but the release of stock is unlikely to translate into a uniform or immediate uplift in commercial supply. Investors and operators continue to focus on assets where there is a clear route to operational improvement, repositioning, energy efficiency, or brand-led value creation. Consolidation and M&A activity are likely to remain opportunistic, with well-capitalised groups better placed to acquire or reinvest where cost inflation, succession issues or capex requirements create pressure for smaller operators.

Regulatory and policy developments remain important. The reduction in VAT for foodservices to 9% which came into effect on July 1st should support the wider hospitality ecosystem, particularly food-led businesses, but it will not fully offset wage, supplier, insurance, and utility pressures. The phased withdrawal of State-contracted commercial accommodation by March 2027 is another important policy-linked factor, with the potential to improve tourism accommodation availability while also requiring careful local market monitoring.

Consumer behaviour continues to recalibrate. Guests remain willing to spend where the experience is clear, differentiated, and dependable, but value scrutiny is high. This places pressure on operators to balance rate growth with service consistency, product quality, and visible value. Pricing power remains available in strong markets, but the ability to convert revenue into sustainable profitability will depend on disciplined cost control, channel mix, payroll deployment, and procurement management.

H2 2026 Outlook

The H2 2026 outlook remains cautiously positive for the Dublin market. Dublin's full year 2026 forecast also points to a broadly stable occupancy of 83.8%, ADR of €176.11 and RevPAR of €147.53 , modestly ahead of 2025 with an expected RevPAR growth of 1.1%[8]. Summer demand, air capacity, and events should support trading, while the continued reduction in State-contracted tourism accommodation may provide a gradual supply-side benefit in some regional markets. Operators should not assume this will materially dilute pricing power in the near term; rather, it should improve availability and destination capacity where demand remains healthy.

Base case: low-to-mid single digit RevPAR growth, mainly ADR-led.
Upside: stronger North American/European demand, favourable exchange rates and event-led compression.
Downside: weaker consumer confidence, higher airfares, geopolitical disruption or cost shocks reducing discretionary travel and exposing operators over-reliant on rate increases.

- Opportunities on the radar: Peak-season inbound travel, domestic short breaks, corporate/event demand, targeted refurbishment, and higher-value visitor segments.
- Geopolitical risk should be treated as a more direct demand variable for H2. Bank of Ireland card-spend data released this year showed airline spending down 5% year-on-year between January and April and down 6.4% year-on-year in May, alongside weaker spend in the US and Gulf States[9]. This suggests that higher long-haul costs, security concerns, and geopolitical uncertainty are already influencing travel decisions. For Irish hotels, the risk is two-sided: softer outbound air travel may support domestic staycations, but any sustained deterioration in geopolitical conditions could weigh on inbound sentiment, corporate travel confidence, airfares, and higher-value long-haul demand.
- Transaction activity is expected to remain selective, with priority given to assets where repositioning, capex or operational improvement can unlock value.
- Emerging players and future influencers: International brands, alternative accommodation, hostel operators, outdoor accommodation, and technology-led operating models are increasing competitive pressure.
- Accelerating trends: Energy efficiency, automation, revenue management, direct booking strategies, experience-led packages, and tighter labour scheduling will become more important through H2.

Strategic implications and action points

H2 is about margin conversion, not volume recovery. Trading momentum is positive, but operators will need to convert RevPAR growth into cashflow while responding to shifting supply, value-conscious consumers, and persistent cost inflation.

- Protect rate integrity while monitoring local supply. The return of some State-contracted beds should support destination capacity, but operators need to understand the timing, quality and location of stock returning to market.
- Prioritise profit conversion. Occupancy growth alone will not solve margin pressure; payroll deployment, procurement, channel mix, and energy management remain key levers.
- Invest where payback is visible. Refurbishment, bedroom upgrades, food and beverage repositioning and energy efficiency should remain priority uses of capital.
- Sharpen market segmentation. Operators exposed to North American demand should tailor packages, partnerships and service expectations while remaining relevant to domestic customers.
- Use technology to reduce operational friction. Focus practical AI and automation on rostering, revenue management, guest communications, back-office processes, and energy monitoring.
- Reframe labour strategy around a smaller, more skilled workforce, using technology to remove repetitive tasks while redeploying people toward high-value guest-facing service, sales, and experience delivery.
- Maintain prudent leverage and liquidity. Positive trading momentum should not obscure the need for working capital buffers given seasonality, cost volatility, and capex requirements.
- Track three H2 watchpoints monthly: RevPAR growth versus payroll/energy cost inflation, booking lead times versus cancellation patterns, and inbound source-market mix, especially North America and Europe.

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

Bank of Ireland

Sources: [1] CoStar STR Accommodation KPIS, June 2026 [2] CSO, Inbound tourism stats, May 2026 [3] CSO, Unemployment Statistics, June 2026 [4] CSO, Household Travel Survey, Q1 2026 [5] Fáilte Ireland, An Updated Overview of Beneficiaries of Temporary Protection and International Protection Contracted Bed Stock, June 2026 [6] CSO, Inbound tourism stats, May 2026 [7] CSO, Services Index, Seasonally Adjusted Volume and Value June 2026 [8] CoStar STR & Tourism Economics, Dublin Forecast June 2026 [9] Bank of Ireland card-spend analysis, reported in Irish media in 2026