Cardiff Hotel Market Update

September 2022

The expanding capital of Wales

Cardiff is the capital and commercial centre of Wales. Although the population of city and its immediate built-up area is around 450,000 the broader metropolitan area including the South Wales Valleys extends to over 1.1 million people – more that a third of the population of Wales.

Having grown in the 19th and early 20th Centuries around coal, steel and shipping, Cardiff has rapidly evolved over the past 30 years to become a dynamic centre of for finance and business services, IT and creative media as well as home of the Welsh Senedd (parliament) and administration.

Leisure and corporate events are key to hotel demand

Cardiff's hospitality industry is largely driven by local day-trip demand, as visitors flock to the city to enjoy sports, musical and cultural events, shopping and nights out. In 2019 just 10% of visitors to Cardiff stayed overnight in commercial accommodation.

Lacking a significant "staycation" market, Cardiff was one of the cities whose hotels suffered most through the Covid as leisure and corporate events were cancelled and restaurants and bars closed.

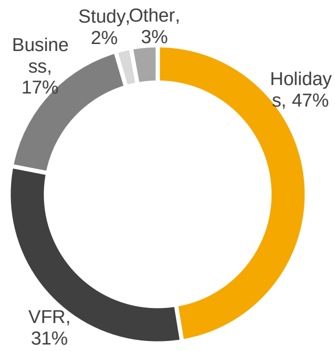
Local and national governments are funding significant ongoing infrastructure and regeneration in the City centre, Cardiff Bay and Atlantic Wharf to provide the platform for further investment in the city while broaden it's tourism offering – building on the success of the Millennium Stadium and International Sport Park.

New Supply set to increase pressure on occupancy and rates

We estimate there are currently some 5,782 quality hotel rooms in Cardiff most of which are between economy and upper-midscale segments.

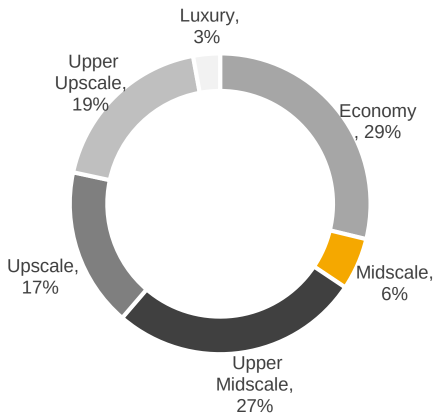
Around 790 new rooms have been added to the market over the past 3 years - a 16% increase in stock – and we understand that a further 12 hotels with 1,670 keys (29% of existing supply) are in the pipeline. If all the planned hotels come to fruition we would expect pressure on occupancy and rates in the medium term.

Visitor Profile (2019)



Source: International Passenger Survey, ONS

Current Hotel Supply (2022)



Source: STR, Horwath HTL research

Estimated Quality Room Supply in Cardiff

Rooms	Managed	Franchised	Independent	Total
Economy	1,732	46	38	1,816
Midscale	225	102	15	342
Upper Midscale	539	855	250	1,644
Upscale	496	129	174	799
Upper Upscale	205	534	273	1,012
Luxury	0	0	169	169
Total	**3,197**	**1,666**	**919**	**5,782**

Source: CoStar, Horwath HTL research

1) Due to Covid-19, latest available data up until 2019

Fragile recovery threatened by new supply and rising costs

After years of lacklustre performance, the Cardiff hotel market saw consistent RevPAR growth from 2013 to 2018.

Although heavily impacted by the pandemic lockdowns in 2020 and early 2021, hotels were able to command record room rates through the summer months, boosted by pent-up demand and a busy calendar of sport, concerts and cultural events.

While there is some optimism that the domestic corporate events and meetings market will continue to recover, rising costs are expected to dampen consumer confidence and spending through the winter months and into 2023.

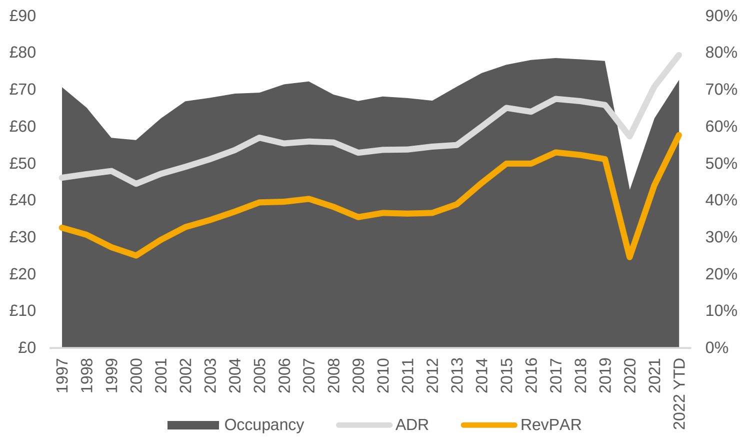
Investment interest limited and selective

Cardiff has not been a particularly active market for hotel transactions and indeed, only one notable property has traded in the past three years.

Despite reasonable recent top-line performance, increasing operating costs and pressure from upcoming hotels may encourage some hotel owners to consider sell.

Investors may see potential to selectively acquire, renovate and reposition such existing assets where pricing is sufficiently compelling.

Historic Annual Performance of Cardiff **(YTD 08-2022)**



Source: STR
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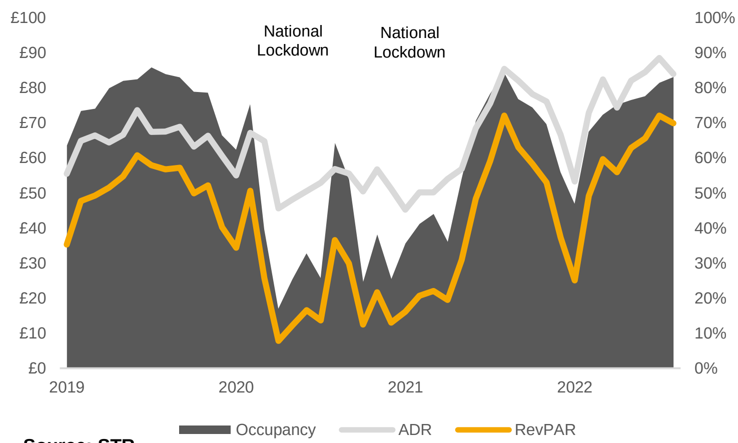
Monthly Performance of Cardiff **(YTD 08-2022)**



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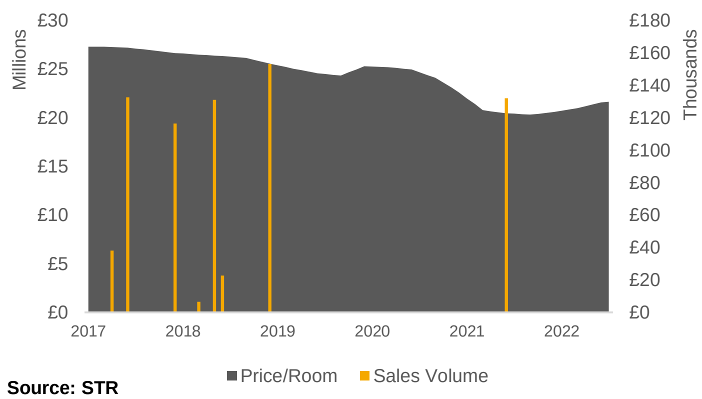
Recent Hotel Transactions **(YTD 08-2022)**



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