

Thought leadership

## What now for city tourism?

An All-Ireland perspective

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Written by



**Simon MacAllister**

Partner  
Strategy & Transactions  
[simon.macallister@ie.ey.com](mailto:simon.macallister@ie.ey.com)



**Yannick Cabrol**

Economist and Strategist  
Tourism & Leisure  
[yannick.cabrol@ie.ey.com](mailto:yannick.cabrol@ie.ey.com)



**Clodagh Nash**

Economist  
Strategy & Transactions  
[clodagh.nash@ie.ey.com](mailto:clodagh.nash@ie.ey.com)



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## The era of city tourism as a key driver of the market could be at an end for the foreseeable future

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The economic outlook remains fraught with risks, with our ways of working, living and socialising unlikely to ever revert to the way they were before the pandemic.

However, the evidence clearly tells us how much people miss from their lives. The desire to meet, to travel, to feel inspired and enriched remains strong and should give a degree of hope for many at a very challenging time.

### Neil Gibson

Chief Economist,  
EY Ireland



City tourism took off in the 2000's supported by low-cost airlines, who made shorter breaks in capital cities increasingly affordable. This was capitalised on by city authorities who enthusiastically marketed their city as an attractive destination. A decade later, this has led to the rise of a new hospitality model, with an extensive increase in the number of short-term rental options within cities.

While the rise of city tourism has supported the urban regeneration of some cities such as Bilbao, Belfast and Berlin, it also generated strong criticism for its impact on city residents, and on sustainability grounds.

The growth in city tourism has been perceived as negatively impacting local's quality of life leading to less accommodation available and higher rents as a result. Just prior to the impact of COVID-19 in February 2020, the mayor of Prague Zdeněk Hřib launched plans, "to give Prague back to the people of Prague", as he felt the lack of regulation regarding city tourism was "eating the city from the inside".

The environmental impact of increased levels of city tourism has been a factor attributed to a sharp increase in air traffic in recent years; in Europe for example, the number of overseas air trips per person per year increased by more than 30% between 2009 and 2018<sup>1</sup>. The aviation industry is currently responsible for 2.5% of CO2 transport emissions globally<sup>2</sup>; pre-COVID, if the rapid growth in aviation continued, then it was expected that plane emissions would account for 22% of the world's carbon by 2050<sup>3</sup>.

### City tourism relies heavily on international tourists

The city tourism model is directly impacted by the restricted activity in airports and the closing of borders, which affected up to 96% of all worldwide destinations at the beginning of April 2020, according to the UNWTO<sup>4</sup>. Although short-term emigration and longer holidays have been reduced by quarantine measures, city tourism has been more significantly impacted given its traditionally shorter trip duration. In Ireland, 75% of people indicate that they won't go on any form of holiday if they have to self-isolate at their destination<sup>5</sup>.

The varying impact of the crisis on household incomes globally means that some social categories will be more severely impacted than others. This in turn will affect consumers ability to take holidays in the short term. Workers specific to the hospitality, tourism, sport and culture industries are directly hit by this pandemic, with many receiving temporary government wage support, unlike those who are able to continue working from home. Data from the Irish Central Bank indicated that savings deposits were up 10.5% YoY in August<sup>6</sup>. This could represent significant recovery potential for the tourism sector in the years ahead. Given North America accounts for approx. 20% of all international tourists to Ireland<sup>7</sup>, the Oxford Economics forecast that private consumption of American tourists will decrease by 4% in 2020<sup>8</sup> and not return to pre-COVID-19 levels before 2022 is one of concern.

<sup>1</sup> UNWTO *Country Profiles Outbound Tourism* & EY Analysis

<sup>2</sup> New York Times, *Air Travel Emissions Vastly Outpace Predictions*, September 2019

<sup>3</sup> International Coalition for Sustainable Aviation (ICSA), *Link to Climate Change*, September 2016

<sup>4</sup> UNESCO, *CULTURE & COVID-19 Impact & Response Tracker: Issue 3*, April 2020

<sup>5</sup> Tourism Ireland, *Covid Tracker*, June 2020

<sup>6</sup> Central Bank of Ireland, *Table A.1 Summary of Irish Private Sector Credit and Deposits*, September 2020

<sup>7</sup> Fáilte Ireland, *Preliminary Key Tourism Facts 2019*, August 2020

<sup>8</sup> Oxford Economics, October 2020

In a COVID environment, city tourism is more severely impacted than any other form of tourism

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It is worth remembering how buoyant business tourism was prior to the COVID-19 outbreak – it will take time to recover but it will certainly recover. Virtual conferences & meetings are useful in the meantime and allow clients to engage.

As the situation improves and moves back towards normality people will again travel for conferences, business meetings and incentive trips.

### Patricia McColgan

Association of Irish Professional Conference Organisers (AIPCO)



### City tourism relies heavily on business tourists (meetings, incentives, conferences, professional events), the majority of which have been cancelled due to public health restrictions globally

The business tourism market, responsible for more than 1 in every 6 hotel nights in Ireland, faces an uncertain future. With the Eurozone already suffering a 12% decrease in GDP in Q2 2020<sup>9</sup>, it is likely businesses who have already seen considerable cost savings from reduced business travel may continue to retain some of these efficiencies.

Traditional in-person conferences that lead to tangible business development opportunities and foster company talents will still be organised but the sector will undoubtedly face digital disruption. With video conference providers reporting significant increases in revenue and users, there is no doubt communications technology has filled a void, and will continue to play a part in the post-pandemic world.



### City tourism is perceived as 'less safe' when compared with other forms of tourism by the wider population

According to a study carried out by the WTTC<sup>10</sup>, 40% of US travellers are re-thinking destinations in favour of beaches, small towns and rural areas. Research by the European Travel Commission<sup>11</sup> indicates that the top 5 points of concern for travellers in relation to health & safety were air travel (20% concerned), in-country transport (12% concerned), attractions, tours & activities (11% concerned), as well as public areas (11% concerned) and accommodation (11% concerned), all of which reduce consumer confidence in city tourism.

<sup>9</sup> Eurostat, *Euroindicators*, August 2020

<sup>10</sup> WTTC, *To Recovery and Beyond: The Future of Travel and Tourism in the wake of COVID-19*, September 2020

<sup>11</sup> European Travel Commission, *Monitoring Sentiment for Domestic and Intra-European Travel*, September 2020



The effect of COVID-19 on hotel occupancy is stronger in the capital cities than in the rest of the country

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Whilst many businesses are facing accumulated debt which has accrued since the beginning of the pandemic, there continues to be supports and options available in the market place for raising finance from a range of domestic and international capital providers.

### David Martin

Head of Debt Advisory,  
EY Ireland



## Case study

Benchmark based on occupancy rates during the last week of July and second week of September 2020 (%)



### Hotels located in the main cities suffered more from COVID-19 than the ones located elsewhere

EY benchmark analysis based on STR data<sup>12</sup> for 10 different European countries has found that hotel occupancy rates in Dublin were 56% lower than regional hotel occupancy rates during the last week of July and second week of September 2020. This trend is also witnessed in Europe, as occupancy rates in main capital cities are on average 41% lower than their regional counterparts.

Irish regional hotels have performed relatively well during the summer period analysed with a 54% occupancy rate, outperforming their European counterparts. Dublin hotels have underperformed with a 24% occupancy rate compared with 38% in a city like Berlin for example.

Ireland's relative urban tourism weakness is a result of three main factors. As a small open island economy, the levels of business tourism are very high, especially into Dublin where a significant proportion of Ireland's most successful businesses are located.

Irish residents with a higher purchasing power are located in Dublin and would be the ones driving the domestic tourism market. They decided to leave their city over the summer to work remotely or enjoy some time off. Last but not least, overseas visitors attracted by vibrant city destinations such as Dublin were driven away by the quarantine measures introduced.

### The capacity of domestic tourism to support the sector over the winter months remains uncertain

Regional occupancy was likely supported by domestic tourism over the summer months in typical summer holiday fashion, especially in places such as Northern Ireland and Ireland where quarantine measures were introduced. Will the coming months be as encouraging now that winter is coming, and the climate is no longer as favourable?

<sup>12</sup> STR, COVID-19 Europe Webinar - European Hotel Performance Update, August & September 2020

## In a post-COVID world, city tourism could become a local development tool enhancing quality of life

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Covid-19 has had a devastating impact on travel and tourism worldwide with the free movement of people effectively stopped in its tracks as Governments tackle the pandemic. Ireland, as an island nation depending principally on air connectivity, is particularly hard hit although research shows that in a post-COVID world we are well positioned as travellers will avoid large metropolis areas and look to more niche destinations.

### Eoghan O'Mara Walsh

Chief Executive, Irish Tourism Industry Confederation (ITIC)



### A vibrant city is attractive for domestic tourists

The summer saw a sharp increase in domestic tourism which compensated for some of the decline generated by quarantine measures. An example of this is the ratio of domestic to international Airbnb guests in Ireland which reversed compared to the typical trend. In May 2020 there were twice the number of domestic tourists compared to international. The year before, there were five times fewer domestic tourists than international<sup>13</sup>.

According to a survey recently carried out by Euromonitor<sup>14</sup>, 95% of tourists will reduce international travel in the future. This trend is growing at an exceptionally rapid rate, with +7.9% more consumers noting this behaviour change between April and July 2020.

Increases in domestic tourism could reduce the overall industry seasonality, and potentially reduce social tensions generated by mass-tourism around key attractions. The nature of tourism consumption is likely to evolve in this context, being less driven by sightseeing, and more so by unique experiences<sup>15</sup>.

### A vibrant city is increasingly attractive for talents and companies

According to the EY Attractiveness of Global Business Districts report in 2020<sup>16</sup>, 84% of companies think the key location factor is to be able to attract and retain talent, an increase of 14% since 2017. Unsurprisingly, the key location factor for talent is quality of life within the city, with 40% of survey respondents noting the quality of the urban environment as 'very important'.

### A vibrant city means a better quality of life for locals

Building a sustainable city tourism model means building a win-win model, where locals are benefitting from the economic and cultural activity generated by the tourists. They will contribute in return by making it a welcoming place to visit - the authenticity of human relationships has become a key tourism driver, with 66% of younger tourists on average agreeing that the authentic culture of a destination is of most importance<sup>17</sup>.

Working on a resilient and inclusive city tourism model benefitting locals and tourists is needed now more than ever. Identifying and delivering tangible projects to make this vision happen is a challenging but thrilling task for governments and cities in the months to come. In the end, *'the journey of a thousand miles begins with a single step'*<sup>18</sup>.

<sup>13</sup> Airbtics, *Ratio of domestic and international Airbnb guests in Ireland from May 2019 to May 2020*, August 2020

<sup>14</sup> Euromonitor, *COVID-19 Voice of the Industry Survey*, July 2020

<sup>15</sup> TrekkSoft, *Travel Trends Report*, 2019

<sup>16</sup> EY, *The Attractiveness of Global Business Districts report*, May 2020

<sup>17</sup> Expedia, *Millennial Traveller Report*, April 2016

<sup>18</sup> Lao Tzu, Chinese Philosopher and Writer

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