

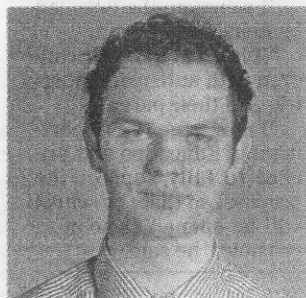
# News Feature

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Generous tax breaks were a big factor in the building of so many high-quality local hotels – but now there's an oversupply of rooms

# THERE'S ROOM AT THE INNS



**GERARD FITZGIBBON**

THE surge in hotel developments in Limerick shouldn't make any sense. After all, the Celtic Tiger is now limping, the Shannon-Heathrow service has shuffled up north and the American economy has headed south. So the taps are being squeezed in every direction – but a time when the local industry should be stuttering to a halt, millions are being pumped into making Limerick's hotel business a high-rise, high-profile affair.

There are 1,000 more hotel beds in Limerick today than 12 months ago. Hotels here now have international name recognition, with words like Hilton and Marriott jutting out into the city skyline.

Further out, ambitious developments like the Charleville Park Hotel are squaring up to the notion that local tourism is under siege. Quality and choice have appeared, almost overnight.

But eyebrows have been raised. Variety is vital to competition, but industry figures are asking serious questions about this spate of hotel building. Is it viable? Is it sustainable? And are there other motives behind it?

Michael Vaughan, chairman of the Shannon branch

of the Irish Hotels Federation, feels that a pinch is coming: "The number of hotels in Limerick has increased beyond the rate of tourism coming in. That's just a plain fact. It has become a very tight market, and I fear that 2008 will be one of the hardest years in decades, perhaps even resulting in one or two high-profile casualties."

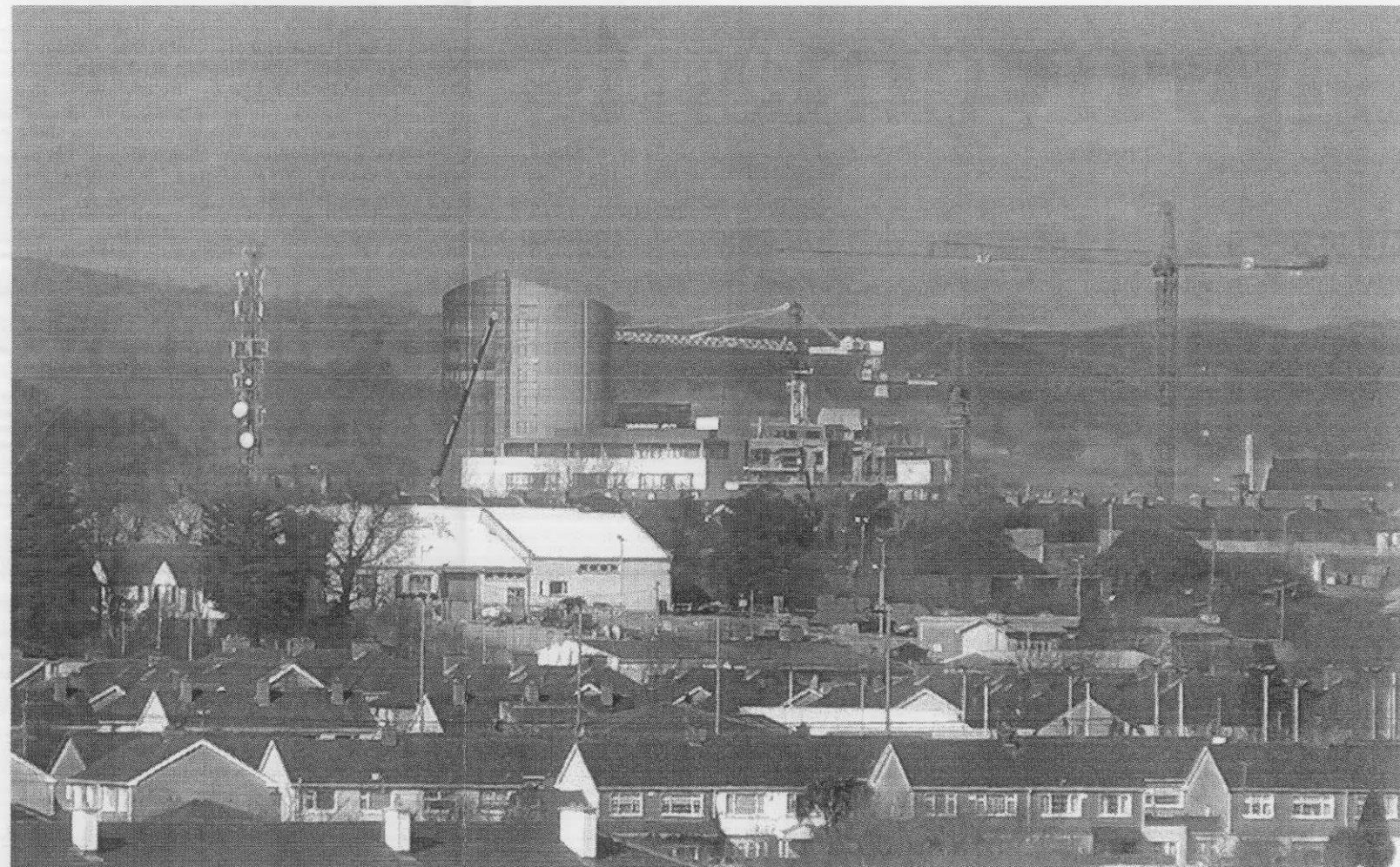
Aside from the long pedigree of an enclave like Adare, Limerick was historically not associated with high-quality hotel accommodation. That situation has changed – dramatically – but has it swung too far in the other direction? "There was a huge deficit in quality hotel rooms in Limerick, and that's thankfully not the case anymore. But Limerick is still lagging behind in customers. Hotels in Kilkenny sell three times the number of hotel nights than Limerick every year," said Mr Vaughan.

It's the scale of the investment that has caught the imagination. Hotels like the Marriott on Henry Street aren't being shoehorned into Georgian bedsits. They're anchoring modern, ambitious residential and retail developments.

The Park Point development on the Dublin Road is an example of this style of multi-faceted build. Park Point will be flagged on the Limerick skyline by a multi-storey hotel and office block.

An ambitious project in itself, Park Point personifies how the addition of a hotel turns an office block into a landmark; a retail park into a hub of local tourism. The prongs of the service industry coming together.

But Limerick doesn't have the tourist bounty of a place like Galway. What are the incentives to build?



**Building boom:** with the construction of several hotels over the Celtic Tiger years, the number of hotels in the Mid-West has increased dramatically in the last decade

Changes to the capital allowance tax break, which allows developers to write off the costs of building hotels, have provided a clear window of opportunity. Without delving too deeply into the horrors of legislation, the tax break allows a developer to write off more than 75 per cent of the total building costs for a hotel development once a timetable of phased development is met.

Practically, this means that

if a hotel costs €100 million – with 15 per cent built in 2006 and the rest in 2007 – the developer can write €78.75 million off his tax bill over the next seven years. The break is wrapped in clauses, but it is nonetheless a clear impetus to add another hotel to the local portfolio.

Sean Lally, regional manager of the Clarion Hotels group, believes that the capital allowance break has been a driving force: "This grant

has brought a lot of success to Ireland and has backboned a lot of the developments in our group. But I think there should have been a cap in some areas. I personally feel that the market has become over-saturated."

Would we have seen this level of investment if people had seen the Shannon-Heathrow crisis coming? "Maybe not to the scale that we've seen, but I think there the investment would still

have been there. But the bottom line in all this is that the consumer who benefits," said Mr Lally.

So how does Limerick start filling all of these hotel rooms? Brendan Comerford, manager of the Charleville Park Hotel, feels the local market will always be an anchor: "A hotel like ours can't try and court international business. We're just too far from an airport. But local businesses and wed-

dings are already the bedrock of our trade. From our point of view, there's a huge gap in the market. There isn't a high quality hotel for 20 miles in any direction in Charleville."

Many feel the region needs a heavyweight attraction and two particular words have been bandied about for a long time: conference centre.

"If you look at the figures, at least 50 per cent of the business coming into local hotels is corporate," said Mr

'The number of hotels in Limerick has increased beyond the rate of tourism coming in. That's just a plain fact. It has become a very tight market and I fear that 2008 will be one of the hardest years in decades'

Vaughan. "Limerick is ideally suited for an international conference centre."

An iconic project or conference centre – something that would "make people turn left instead of right when they land at Shannon" as Mr Lally puts it – would help greatly to fill those rooms. But for now, a combination of tax breaks and a faltering economy means that Limerick has plenty of supply – but not enough demand.