

# Briefing Note

## Hotel market: Amsterdam destination number one

Autumn 2014

### Economy and tourism

Despite economic headwind tourism towards and within the Netherlands has been increasing since 2010. The World Tourism Organisation attributes this growth to the adaptability of the touristic sector, while the increased ease of booking accommodation and travel arrangements via internet is likely to have also contributed.

Specifically for Amsterdam 2013 was an important year as the three major art museums (Rijksmuseum, Stedelijk Museum and Van Gogh Museum) all reopened. This had a positive impact on tourism towards the capital and the number of overnight stays in hotels rose by 6.6% from 10.56m in 2012 to 11.26m in 2013.

This growth continued in H1 2014 as the 5.93m overnight stays matched a 11.5% yoy increase. For the Netherlands the trend was similar, albeit less strong, and H1 2014 showed a 6.85% growth yoy.

The largest percentual growth in the number of overnight stays in H1 2014 took place within Rotterdam: 13.7%. The new architectural developments in this city puts Rotterdam high on the "places to visit" lists by a.o. The New York Times and the Rough Guide.

The largest absolute growth in visitors of the Netherlands came from within Europe (259,000 or 3.6%), while percentage wise the major growth came from Asia (9.6% or 76,000). Last year 225,000 Chinese visited our country. The National Tourism Board expect this number in 5 years to grow to 400,000.

### Business travellers

Business travellers make up a very substantial part of overnight stays within the major cities. H1 2014 counted around 8.2 million overnight stays from business travellers in the Netherlands, a 4.6% yoy increase. This increase can partly be attributed to the increase of conventions, of which the 30,000 delegate conference of the European

Society of Cardiology in Amsterdam was the most substantial, and part to better economic circumstances.

Amsterdam accounts for as much as 28.2% of all overnight stays by business travellers in the Netherlands, Rotterdam being second with 5.1%. As Amsterdam is also the most important leisure destination, the actual share of business travellers within the total number of overnight stays within the city is relatively low: 39.9%. In the other large cities this share is much higher: 57.6% in Rotterdam, 54.4% in The Hague and 54.6% in Utrecht.

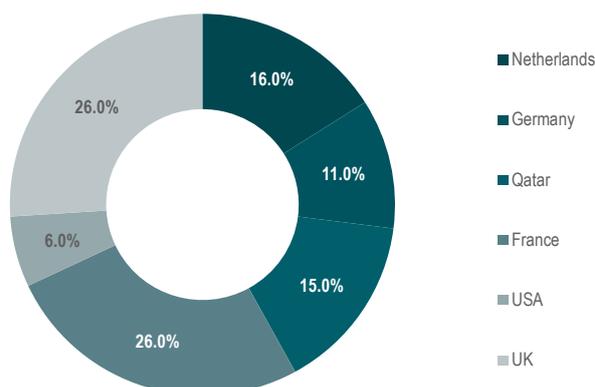
### Supply and projects

Over the past two years the number of hotels in the Netherlands has grown by 1.4%, the number of rooms by 5.7% and the number of beds by even 6.3%. Within the Dutch capital this increase was even more substantial with 8.0% more hotels, 14.1% more rooms and 15.6% more beds. Especially the supply within the three and four stars hotels increased.

Most noticeable hotel developments in 2014/2015 are generally aimed at the large cities and include a Van der Valk hotel in Utrecht (180 rooms; opens in 2015), a Room Mate Hotel in Rotterdam (230; 2014) and within Amsterdam: The Hoxton (110; 2014), Motel One (315; 2015), the Clink Hostel (200; 2015), the Hyatt Regency (211; 2015) and the W-Hotel (169; 2015).

Furthermore, there are at least six operators of serviced apartments aiming to open properties totaling over 550 rooms in Amsterdam, while Chinese operators have multiple advanced plans for hotels aimed at Chinese tourists around Schiphol. →

GRAPH 1  
**Hotel investments by nationality Q1 2013 - Q3 2014:**  
Diverse origin of investors; France and UK dominant



Graph source: Savills

## Room rates, occupancy and RevPARs

Despite the growing supply, the latest Horwath research showed an increase in occupancy rates in 2013, after a slight drop in 2012, from 66.7% to 67.5%. Prices fell slightly, from €97 to €95 per room, thus resulting in a lower RevPAR: €64 (from €65).

Within the Netherlands private home-owners wanting to participate in Airbnb primarily have to comply to safety regulations and have to pay taxes.

So far hotel operators in Amsterdam have adopted a rather neutral approach as they state this is a trend that simply cannot be stopped, that

Blu (bought by Union, Germany), the Amstel Hotel (by Katara, Qatar), NH Amsterdam Centre (by Foncière de Région, France) and the Holiday Inn at the South Axis (by Apollo, USA).

Hotels outside of Amsterdam are generally purchased by Dutch investors, with the exception of Apollo purchasing Crowne Plaza Schiphol and Accor purchasing a national 1 hotel portfolio from Moor Park.

"Hotel investments increased substantially over the past five years and will remain attractive." Dennis Leib, Netherlands Investments

Hoteliers have positive expectations and forecast a growth in occupancy and room rates in both 2014 and 2015, resulting in increasing RevPARs.

the effects on the regular hotels has been limited so far and that hotels

simply have to distinguish themselves. Recently Room Mate hotels started doing just that by setting up a hybrid business model in which home-owners are encouraged to collaborate with a Room Mate hotel nearby.

Over the past five years hotel investments have grown substantially from around €50m in 2009 to €580m in 2013. The €430m invested in Q1-Q3 2014 is just slightly lower than the €450m in the same period last year, while a number of large hotels are currently actively marketed and while recently Bouwinvest REIM stated they aim to grow their hotel portfolio to around €300m. We therefore expect that the 2014 totals will be in line with those of last year.

## The threat of the sharing economy

Perhaps the largest threat for the hotel market stems from Airbnb. Recent research (De Volkskrant 30/8/2014) showed that over the past 2.5 years the number of Amsterdam home-owners on Airbnb rose from around 1,000 to 5,700. Within the Netherlands over 10,000 dwellings are currently available via Airbnb.

In a number of cities Airbnb and other sharing economy companies like Uber and Lyft are met with strict legislation and are sometimes even prohibited.

## Hotel investments remain stable

From international perspective the Dutch hotel market is not too large and it is mainly Amsterdam and Schiphol which are attracting foreign investments. In 2014 so far around €270m has been invested in Amsterdam, compared to €160m for the remainder of the Netherlands. Within Amsterdam the most noticeable transactions concerned the Radisson

## Outlook

Supported by the growing economy the hoteliers in the Netherlands forecast a growth in both occupancy and room rates, despite the growth in number of rooms. For hotel investors these new developments provide for investment opportunities, while at the same time the limited possibilities of building new hotels in Amsterdam city centre will provide for stable values.

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