



Horwath HTL™

Hotel, Tourism and Leisure



ABN-AMRO

MARKET REPORT

**Dutch Hotel
City Index 2018:
*Ranking Dutch
Hotel Cities***

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Dutch Hotel City Index 2018 Ranking Dutch City Hotels

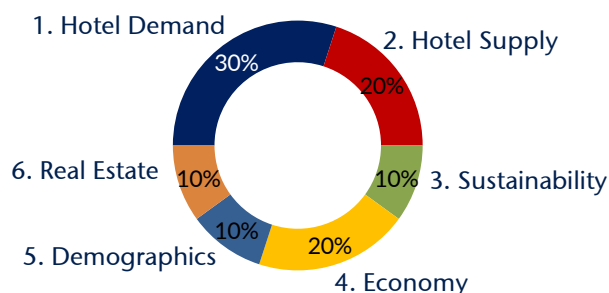
Rank	City	Index
1	Amsterdam	183
2	Utrecht	168
3	Rotterdam	165
4	The Hague	161
5	Almere	160
6	Haarlemmermeer	160
7	Leiden	154
8	Eindhoven	153
9	Enschede	151
10	Groningen	145
11	Haarlem	143
12	Maastricht	137
13	Noordwijk	130
14	Amersfoort	107



Source: Horwath HTL

Methodology

The Dutch City Hotel Index is a joint publication by Horwath HTL and ABN AMRO. Based on six categories, the index shows which cities boast the best hotel investment climate. Only larger cities were analysed, defining the domain as: ‘cities with a minimum of three hotels with at least 100 rooms’. The analysis focused on both long- and short-term growth.



1. **Hotel Demand:** The hotel market’s key performance indicators are imperative and are given the highest weight for determining the feasibility of hotel investments. The occupancy rates and average room rates result in the RevPAR (Revenue Per Available Room).

- 2. **Hotel Supply:** Both current and future supply has been analysed as well as the hotel size and the penetration rate of large hotel chains per city.
- 3. **Sustainability:** The sustainability category shows which city performs the best in air quality improvement (nitrogen dioxide and fine particles), and in increasing public transport usage over time.
- 4. **Economy:** The economic environment has been analysed using growth in both regional GDP and number of companies per city.
- 5. **Demographics:** An analysis of the demographic development per city: the growth in population, jobs and the average disposable income per household.
- 6. **Real Estate:** An analysis of the demographic development per city: the growth in population, jobs and the average disposable income per household.



Conclusion

The Dutch hotel market continues to grow, but there are large differences. The four larger cities show stable growth in supply and are more likely to absorb potential economic downturns due to their mature markets. Local markets, such as Almere, Eindhoven and Maastricht, tend to react stronger to economic changes, both to upturns and downturns. This offers potential for opportunistic hotel investors.

Amsterdam tops the ranking; the Dutch capital boasts a strong economic performance and tourism has been growing exponentially over the past years, driving up room rates. Furthermore, the hotel development stop in the city centre is putting the break on supply growth. Consequently, existing hotels are poised to reap the harvest.

Which cities offer the best perspective after Amsterdam?
The ranking shows that the markets in Utrecht, Rotterdam and The Hague are experiencing steady growth.

Utrecht performs well economically and demographically, from which the hotel market clearly benefits. The city shows the second-best average room rate, while supply is expected to grow exponentially the coming years.

Rotterdam maintains its strong position by competing in GDP and job growth, showing an outlook in which new hotel room supply is expected to be absorbed easily by the growing demand generated by the local economy.

The Hague experienced a large growth in number of companies in 2017. At the same time, the local population increases on the short and long term. RevPAR grew by 9%, driven by an increase in room rates, while supply and occupancy remained stable.

Almere, a smaller city in population, seems to have a strong momentum. The city has a distinct economic character compared to other cities, and experienced an economic uplift boosting the growth of the hotel market. Nevertheless, local hoteliers consider the market thin, and the pipeline contains a large number of new rooms, which could put pressure on occupancies and average room rates.

1. Hotel Demand

Amsterdam retains the first position in terms of RevPAR with €132 in 2017, but the strongest growth took place in Rotterdam: 14% in 2017.

The growth in Rotterdam was driven by a surge in room rates of 7%. The Amsterdam market showed a RevPAR-growth of 10%. In the long run of four years, Leiden showed growths of 40% in RevPAR, followed by Amsterdam with 30%. Compared to the larger 14 hotel municipalities, these results appear to be relatively high as the average growth in RevPAR was 27%.

Average room rates remain the highest in Amsterdam (€156) but grow stronger in Groningen with 11%. In Amsterdam the increase was 9%, which indicates the first signs of slower growth, but not yet of stagnation. Provincial markets are expected to show the strongest growth, creating opportunities for hotel investors.

Top 10 hotel cities in 2017 ranked by RevPAR

	City	Price €	Occ. %	RevPar €	Growth in RevPar in 2017
1	Amsterdam	156	85	132	10%
2	Utrecht	107	72	77	5%
3	The Hague	102	74	76	9%
4	Rotterdam	100	73	73	14%
5	Haarlemmermeer	89	82	73	11%
6	Haarlem	100	69	69	-4%
7	Leiden	81	81	66	12%
8	Noordwijk	92	66	60	9%
9	Groningen	74	66	49	9%
10	Maastricht	95	68	65	-10%

Source: Horwath HTL

2. Hotel Supply

The transaction volume of single assets in the four larger cities was €2 billion during the past two years, averaging €163k per room. Increasingly, the number of rooms grew in 2017, but demand does not yet outweigh supply in most cities.

Regional differences exist in the balance between supply and demand. Utrecht's supply remains scarce, whereas Eindhoven seems to show a slight oversupply, considering the slower growth in room rates compared to the well-performing regional economy.

The second highest transaction volume was in Rotterdam, driven by the sale of the RoomMate Hotel for €242k per room and the Hilton for €210k per room. Notable planned openings include the Tribute by Marriott in the Slaakhuys, containing 74 boutique hotel rooms. The total pipeline in Rotterdam contains 1,950 new rooms.

The Hague saw similar price tags per room: Marriott The Hague, close to the World Forum conference centre, was sold for €205k and the B-aparthotel Kennedy for €185k. During the upcoming years, 1,400 new rooms will be added gradually to the market.

Utrecht has a relatively large pipeline: 2,000 new rooms are being developed, primarily concentrated in the city centre.

Top 5 hotel cities in 2017 ranked by absolute growth

	City	Total	Absolute Growth	Relative Growth
1	Amsterdam	30.627	1.320	5%
2	Haarlemmermeer	6.442	296	5%
3	Utrecht	1.952	230	13%
4	Enschede	1.001	156	18%
5	Rotterdam	5.502	121	2%

Source: Horwath HTL



3. Sustainability

Sustainability increasingly impacts consumer behaviour, and environmental practices influence hotel performance. Therefore, the cities were ranked on their performance regarding air quality and public transport usage.

Considering the decline in nitrogen dioxide and fine particles in the outside air quality per inhabitant, and increase in public transport usage, Groningen outperforms the rest. This leads to the following top 3 cities by sustainability.

Many municipalities show an improvement of the air quality, but the strongest improvement took place in the city of Groningen. Therefore, the city performs best on sustainability level.

Driven by the growing population, Utrecht saw the largest increase in public transport usage. The city aims for a second intercity station to absorb the growth in travellers.

Source: NSL, RIVM, CROW

4. Economy

The economic growth per municipality has been measured by the increase in number of companies present as well as the GDP growth. Amsterdam also ranks first in this category, driven by the large financial services sector. The city has a high penetration of consultants, notaries and ICT-companies. This is an important indicator for the hotel- and congress market. Furthermore, the local health care sector is performing well-regarded: hospitals and the soon to be opened European Medical Agency are expected to stimulate growth in room nights.

Almere is for many readers a new city in this ranking. The city is characterised by different business industries than the larger four cities, with less ICT and financial services, but more rental and business services.

The fastest economic growth took place in the city of Eindhoven, due to the acceleration of its technology, human capital and design cluster, Brainport. Consequently, the area showed a 4.9% GDP-growth, compared to 3.9% in the capital and Haarlemmermeer, and 3,2% nationally. These regions are expected to continue to grow. In turn, local hotel markets might see the benefits.

Ranking growth in companies per city

	City	Growth companies 2013-2017
1	Amsterdam	21%
2	Haarlem	20%
3	Utrecht	19%
4	Noordwijk	18%
5	Almere	18%

Growth GDP 2017

	City	Growth GDP 2017
1	Eindhoven	4,9
2	Amsterdam	3,9
3	Almere	4,2
4	Haarlem	3,6
5	Enschede	3,6

Source: Statistics Netherlands



5. Demographics

A growing local population, with a simultaneous growth in jobs, often causes a surge in the average disposable income per household. Growth in these areas can be an indication for increased revenues in the hotel market.

The population increased strongly in Almere, due to local growth and to increasing housing costs in the Randstad area. Eindhoven saw the strongest job growth, with 5% compared to 2016.

The capital saw an increase of 9% in average disposable income. Combining absolute with relative statistics, this results in the following top 3 of best performing cities:

- Amsterdam
- Utrecht
- Eindhoven

Source: CBS

6. Real Estate

The hotel industry often develops parallel to the office market; a healthy office market is therefore considered an indicator for a well-performing hotel market.

The office market ratio indicates the relation between take-up and supply; a higher ratio means a better balance. Amsterdam, Breda and Utrecht showed the largest increase in this metric during 2013-2017, comparable to the long-term growth of the hotel market in these municipalities.

Growth office market ratio 2013-2017:

- Amsterdam (27%)
- Breda (22%)
- Utrecht (21%)

Source: Dynamis

Horwath HTL Netherlands:



Ewout Hoogendoorn
Managing Director
Horwath HTL Netherlands
hoogendoorn@horwathhtl.nl



Marco van Bruggen
Senior Consultant
Horwath HTL Netherlands
vanbruggen@horwathhtl.nl



Desirée Oey
Junior Consultant
Horwath HTL Netherlands
oey@horwathhtl.nl



Stijn Boogaarts
Junior Consultant Intern
Horwath HTL Netherlands
boogaarts@horwathhtl.nl

Horwath HTL
Van Hengellaan 2
1217 AS Hilversum
The Netherlands
Tel. +31 (0)35 773 26 05



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