Horwath HTL

Hotel, Tourism and Leisure

Special Market Reports

Issue 5 - Netherlands

COUNTRY / FACTS & FIGURES - 2012	
Population	16.7 million
GDP (Gross Domestic Product)	USD 807 billion (€616 billion)
GDP Growth	-0.8 %
FDI (Foreign Direct Investment)	USD 11.3 billion (€8.6 billion)
CPI (Consumer Price Index)	2.5 %
Major cities (population)	
Amsterdam	780,000
Rotterdam	610,000
The Hague	495,000
Utrecht	311,000

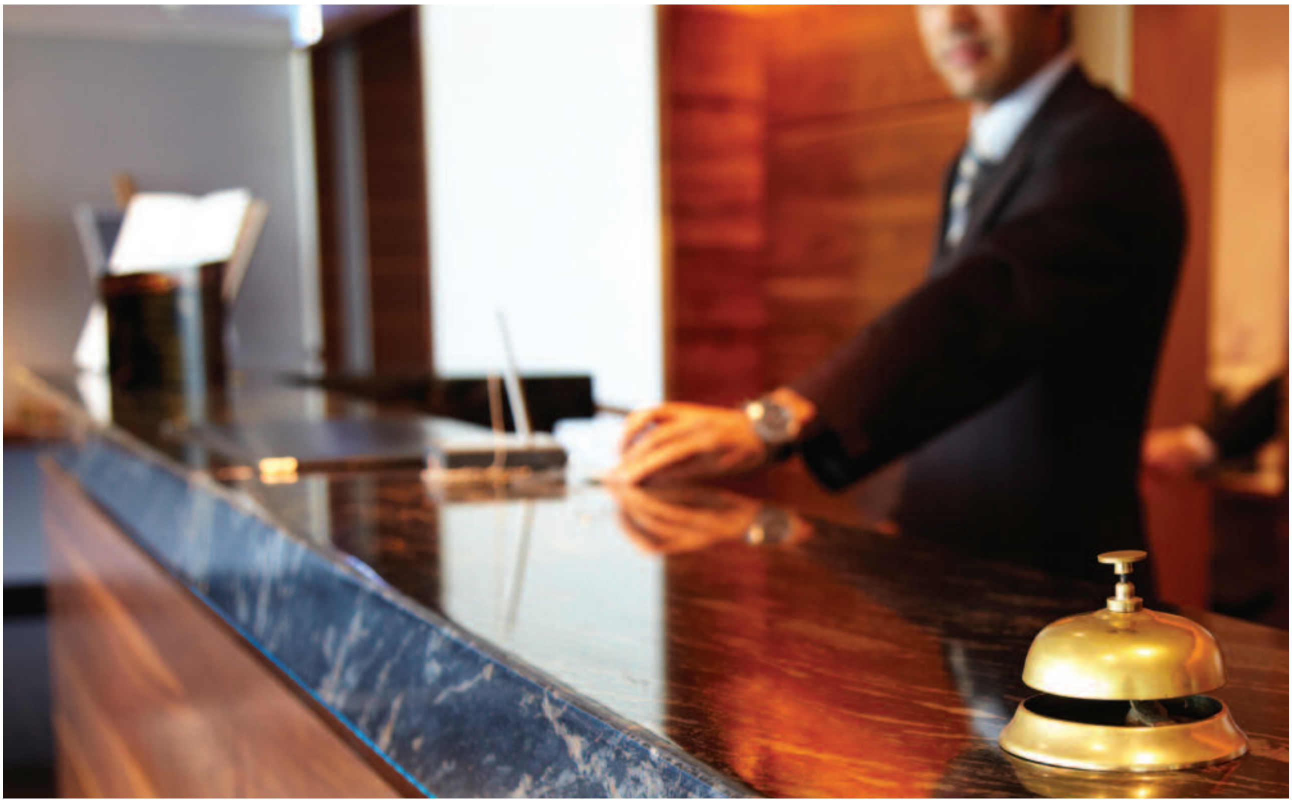
HOTEL / FACTS & FIGURES - 2011	
Total Registered Hotels	2,192
Total Rooms	94,927
Major cities (rooms)	
Amsterdam	19,608
Rotterdam	3,615
The Hague	3,547
Utrecht	1,332
% of upscale rooms in total	56%
Occupancy	66.6%
ADR	€99 ($135)
RevPAR	€60 ($83)

DUTCH ECONOMY: AIMING FOR RECOVERY

Like most western countries, the Dutch hotel industry has a strong focus on the business segment and as such is very much dependent on the development of both the national and international economy.
The Dutch economy was hit hard in the recent financial crisis, leading to a economic decline of -4% in 2009, followed by a slow recovery in 2010. In the third and fourth quarter of 2011, the economy was once more in decline as a result of the European debt crisis. The outlook for 2012 and 2013 is a slow economic growth at best.

Further complicating the economic problems is the political instability in The Netherlands. A minority government of the liberal VVD and the Christian CDA, elected in 2009 and dependent on support from the right-wing party PVV, was unable to agree upon new austerity measures and resigned in April 2012. As a result, new elections are expected to take place in September, prolonging the uncertainty.
The fall of the government and the lack of agreed-upon austerity measures may also negatively impact the rating of the country by organisations such as Moody's and Standard & Poor's. As of yet, The Netherlands have maintained their AAA rating, unlike other European countries such as France, Austria, Italy and Spain.

The Netherlands has also improved its ranking on the World Economic Forum's Global Competitiveness Report, from 8th to 7th in 2011-2012, due in part to the efficiency and stability of its financial markets. Dutch businesses are considered highly sophisticated and innovative, rapidly harnessing new technology for productivity improvements. Also well regarded are its educational system and the infrastructure.



As a country to do business, The Netherlands scores relatively well, being ranked 31st out of 183 economies according to World Bank's Doing Business 2012 Index. The country scores particularly high on resolving insolvency, trading across borders and enforcing contracts. More challenging aspects to doing business in the Netherlands are starting a business, dealing with construction permits and protecting investors. Specific challenges for hotel developments in The Netherlands include the zoning laws, which can make redevelopment of former housing or office buildings a particularly time-consuming effort. The capital of The Netherlands, Amsterdam, is ranked as the fourth city to do business in Europe, after London, Paris and Frankfurt.

DESTINATION THE NETHERLANDS: POLISHING UP OUR IMAGE

As a tourist destination, The Netherlands has a dual image. On the one hand, there is the history and folklore, symbolized by tulips, wooden clogs and windmills. On the other hand, particularly in Amsterdam, is the liberal image of legal soft drugs and prostitution. The latter is slowly being reduced, as legislature has been created to limit the sale of soft drugs to citizens of the Netherlands, and as the famous red light district in Amsterdam has partially been repositioned as a fashion district. It is unclear whether this development will be beneficial to the tourism industry in the long term.

In 2011, The Netherlands attracted a total of 11.3 million international tourists, 3% more than in 2010. The increase primarily took place in the first 6 months, when the economy was still growing. Also beneficial were an increase in the number of airlines both at Amsterdam Schiphol Airport and at regional airports, and relatively good weather conditions in the spring and fall.

The main countries of origin for The Netherlands are Germany (3.0 million visitors), Great Britain (1.5 million), Belgium (1.3 million) and USA (1.0 million). Important new countries are the BRIC countries (Brazil, Russia, India, China), which totaled 475,000 visitors and increased by 24% in 2011.

Tourism is an important sector of the Dutch economy, generating an estimated €35 billion annually and creating 400,000 jobs in 50,000 companies.

Despite the economic downturn, an additional 60,000 to 70,000 jobs are expected to be created in the next 10 years.

According to the Travel & Tourism Competitiveness Report, published by the World Economic Forum, The Netherlands is ranked in 14th place out of 139 countries. High marks are given to the open borders, particularly the efficiency and transparency of customs and border administration, as well as the transport infrastructure and services and the ICT infrastructure. However, the country is ranked in 132nd place in terms of price competitiveness. Other negative influences are a low prioritization of travel and tourism in the regulatory framework, and a low affinity for travel & tourism in the working population.

As a destination for international conferences, The Netherlands was ranked in 13th place in the ranking by UIA, and in 13th place by ICCA.

SUPPLY: QUICK EXPANSION FROM HOTEL CHAINS

The Netherlands has a total of almost 2,200 hotels with almost 95,000 hotel rooms. The hotel market is dominated by the capital Amsterdam, where 21% of all hotel rooms are located. On average, 56% of all hotel rooms in the Netherlands are in the four and five star categories. This same division is true for Amsterdam. The five star market is virtually non-existent outside of the capital, which offers 63% of all five star hotel rooms. The other main cities however have a much stronger focus on the four star market, which reflects their focus on the business segments.

By contrast, Amsterdam also has a strong representation of the one and two star segments, indicative of its equal attractiveness to both the tourist and business markets.

The Dutch hotel market increased by 4% last year. In the last 10 years, supply has increased by 22%; in the last 15, by 44%. The growth in the past decade has primarily been in the four star segment, which increased by 66%. The three star segment also increased, but the one, two and five star segments decreased. The decrease in the lower segments reflects an upgrading of the hotel market. The decrease in the five star segment was mainly caused by a redefinition of the criteria in 2004, causing many five star hotels to be reclassified as four star hotels.

The hotels in the Netherlands have a high rate of chain affiliation: only 39% of the hotel rooms is still independent of hotel chains. This is a reversal from 10 years ago, when only 35% of the hotel rooms was chain affiliated. No less than 50 hotel chains are active in the Netherlands, with a total of 63 hotel brands. Of the chain affiliated hotel rooms, 53% are part of an international hotel chain. Still, the largest hotel chain in the Netherlands is of Dutch origin: Van der Valk Hotels. The second and third largest hotel chains are the international chains NH and Accor.

Most recent hotel developments are also chain affiliated, ranging from established international brands such as the 553-room DoubleTree by Hilton Amsterdam to relatively new hotel chains like EasyHotel and The Set (with Conservatorium Hotel Amsterdam).

DEMAND: A SHIFT FROM BUSINESS TO LEISURE

The demand for hotel rooms in The Netherlands generally follows the development of the economy. It is therefore no surprise that hotel results decreased in 2008-2009, and recovered slowly in 2010-2011. The average room occupancy in the Dutch three, four and five star hotel market increased from 65.1% in 2010 to 66.6% in 2011, which is still well below the level of 2007. Despite the ongoing financial crisis, the average room rates also increased in 2011, for the first time since 2007. The rates increased from €93 to €99 an increase of 6%.

The division between the hotel market in the capital and the rest of the country is also visible on the demand side. In Amsterdam, occupancy levels have historically been close to 80%; even higher for hotels in the city centre. In the rest of the country, occupancy levels of 65% to 70% are the norm. The recent recovery was also primarily visible in Amsterdam, where the occupancy increased from 75.1% in 2010 to 77.0% in 2011 and the average room rates increased by 12% to €122. Outside of the capital region, occupancies increased only slightly, and average room rates dropped by 2%.

In the past, demand in the Dutch hotel market was split between business and leisure approximately 60/40. In recent years, this has changed, as the economic crisis has led to a decrease in business demand, particularly from international business travelers. The recent recovery has come primarily from the leisure segments, and particularly from domestic tourists and from leisure guests from nearby countries such as Germany and Belgium. Still, the most important countries of origin for the Dutch hotel market remain Great Britain and the USA, especially in the Amsterdam market.

MARKET OUTLOOK:
SHORT TERM AND LONG TERM

In the short term, the market outlook for the Netherlands is relatively pessimistic. The first results for 2012 indicate a new downturn in hotel occupancies and average room rates, particularly in the Amsterdam market. The continued financial difficulties in the European region are expected to result in low growth rates, especially for business demands.

The situation is further complicated by a continued increase of supply. On the one side, many long-term developments, started during the recent boom of 2007-2008, are now entering the market. Furthermore, the failing office market has resulted in a number of fast-tracked transformations from offices to (often very large) hotels, most located on the outskirts of cities such as Amsterdam and Rotterdam.

In Amsterdam, new developments range from the hotel/hostel Meininger (opening July 2012) to the five star Waldorf Astoria (opening 2013). In Rotterdam, planned openings include a Nhow hotel from NH and more budget oriented development from upcoming hotel chains EasyHotel and CitizenM.

In the long term, the outlook remains positive. Despite the current downturn, the economy in the Netherlands and the surrounding companies is expected to show a moderate but consistent growth over the next five to ten years, which bodes well for the business demand. Additionally, the Netherlands remain an attractive tourist destination, particularly for upcoming markets such China and Brazil. The coming years will show if this demand can increase fast enough to meet the growing supply.

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