

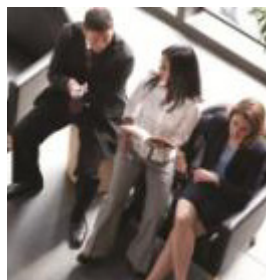


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HOTEL MARKET SNAPSHOT AMSTERDAM, THE NETHERLANDS

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Summary

Since our last review of Amsterdam's hotel market in late 2008, the global economic crisis together with a number of other specific market factors have influenced the city's hotel market performance and underlying dynamics. This article provides an overview of the main indicators driving hotel performance through the depths of the economic crisis, into the early recovery in 2010 and towards the fourth quarter of 2011. Furthermore, following our recent involvement in the market, we discuss recent hotel transactions, announced developments and values per room in the city, in order to review and discuss the outlook of this most fascinating hotel market.

Demand

The city of Amsterdam – similarly to other major European cities like Berlin, Paris, London and Vienna – has proved successful in attracting business and conference travellers as well as large numbers of tourists for extended weekends, owing to its easy access, conference infrastructure and numerous cultural and tourist attractions.

In 2010, Amsterdam was the ninth-largest European destination in terms of number of meetings according to the ICCA. The extension and renovation of the RAI (completed between 2003 and 2009) has further strengthened the destination's status. 2010 saw a 15% increase in the number of events, confirming the return of the meeting and conference sector to the city, while 2011 witnessed the return of large events, which is expected to result in considerably higher delegate numbers than in previous years. The signing of the IBC for 2012 and the European Society of Cardiology Congress in 2013 is expected to enable Amsterdam to maintain its position amongst the leading conference destinations in Europe and support continuing growth in hotel demand from this sector.

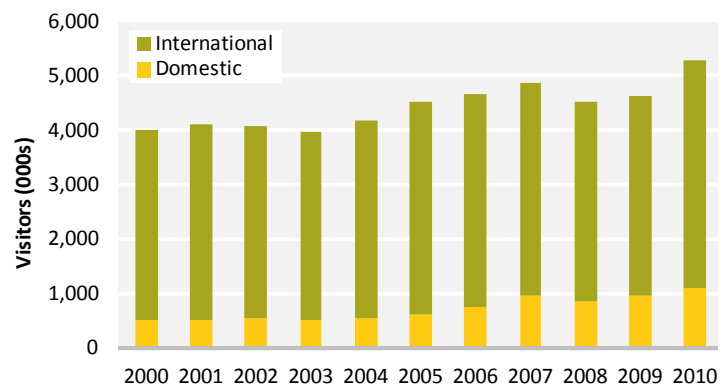
As seen in Figure 1, international and domestic visitors alike have experienced an overall increase since 2000, with continued growth between 2008 and 2010. In 2010, visitation exceeded the previous peak year of 2007. This trend continued into the first seven months of 2011 with a year-on-year growth rate of 3%.

The visitation trend is closely mirrored by accommodated bednights in Amsterdam. Year-to-July 2011 figures show that overnight stays have

remained stable compared with the same period in 2010, as a result of a 3.4% increase in international bednights being offset by a 6.4% decrease in domestic bednights; this decrease was most likely due to the improvement in the Dutch economy leading to improved consumer confidence, with some Dutch nationals switching back to international holidays as opposed to 'staycationing'.

The same phenomenon has been experienced by hotels at Amsterdam's Schiphol Airport, where passenger numbers increased at a compound annual rate of 1.4% over the last ten years. 2010 started off as a challenging year due to weather conditions; however, the sharp improvement in global market conditions in the second half of the year resulted in an annual increase of almost 4%. As reflected in year-to-October figures, passenger movements for 2011 demonstrate further improvements with 10.9%

FIGURE 1: VISITATION TO AMSTERDAM FROM 2000 TO 2010



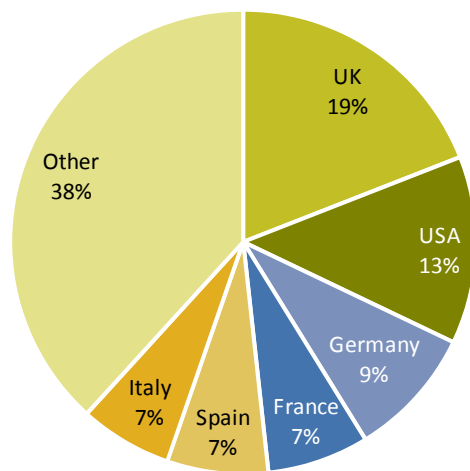
Source: European Cities Tourism

growth on the same period in 2010. These preliminary statistics confirm that the rapid recovery started in the second half of 2010 and continued at a solid pace in 2011, supporting expectations of continuous growth in passenger movements in the foreseeable future. While all indicators are showing positive signs for Amsterdam, we note, however, that recent fears over the Eurozone stability may curb the outlook for 2012.

International Feeder Markets

Nearly 50% of Amsterdam’s visitation is generated by only four countries, namely the UK, the USA, Germany and France. In addition to the strong rebound in international visitation in 2010 (+15%), another encouraging factor lies in the ranking of the main source markets, which remained stable. The

FIGURE 2: VISITATION SOURCE MARKETS 2010



Source: TourMIS 2010

strongest increases in visitor numbers reached nearly 30% for Spain and Italy. It is also worth noting that the downward trend that the USA and the UK experienced between 2006 and 2009 is largely the result of the global downturn and the strengthening of the euro against the US dollar and pound sterling, and was reversed in 2010 with marked increases of 15% and 10%, respectively.

Amsterdam has experienced growing popularity with other nationalities that have now become familiar with Europe (through stays in Paris and London, for instance). We therefore expect to see further increases in visitation from Asia as well as from the BRIC countries (Brazil, Russia, India and China) which will help support a solid pace of growth in overall visitation over the coming years.

Planned Developments

Together with the growth recorded over the last few years, the city is accordingly preparing for growth through planned development of numerous infrastructure projects and tourism initiatives.

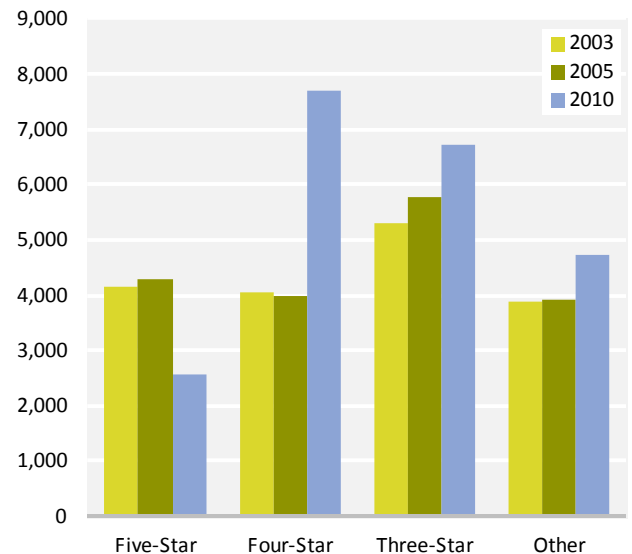
The Van Gogh museum and the Rijksmuseum are currently undergoing extensive renovations and are scheduled to reopen in July 2012 and mid-2013, respectively. Furthermore, urban improvements are being planned in Leidsplein, while the Zuidas area is already a major development zone in Amsterdam covering around 270 hectares and is expected to become home to an array of universities, medical facilities, public buildings and commercial, retail and residential developments. The construction of the North/South underground line started in 2002 and is scheduled to finish in 2017. This line will further integrate the southern districts of the city and facilitate the circulation of residents and visitors. Furthermore, the red light district is being rehabilitated, with the ultimate goal of reducing the size of the district, integrating new retail units and improving the overall appearance of the city.

In terms of events, three important anniversaries will take place in 2013: the 400th anniversary of Amsterdam’s canals, 200 years of the Dutch royal family and 150 years of the world-famous Heineken brewery. These celebrations are expected to foster interest by the media and travel professionals and stimulate visitation levels leading up to and during 2013.

Supply

The total number of hotels and rooms in Amsterdam increased steadily by 6.7% and 3.2%, respectively, between 2003 and 2010 (see Figure 3). Four-star hotels recorded the second-highest increase in the number of properties (with a compound annual growth of 6.3%) and the highest growth in rooms (9.6%). It is worth noting that the largest room inventory is found within the four-star category, which accounts for 36% of the room stock available in Amsterdam. The decrease in number of rooms in the five-star segment is partly due to re-classification to four-star category. As explained in the investment market section below, a large number of additions are expected to enter the market within the next two to three years, with particular focus on the four- and five-star segments, which are predominantly internationally branded.

FIGURE 3: AMSTERDAM HOTEL SUPPLY 2003-10



Source: Amsterdam in cijfers, Dienst Onderzoek en Statistiek

New Supply

In the past, high barriers to entry have prevented more new hotels from being developed in Amsterdam, thus limiting the growth potential of the city. In recent years, increases in supply in the city centre have been mainly the result of extensions of existing hotels rather than the development of new properties. In the coming years, however, a number of new hotels are expected to enter the market in a variety of locations, somewhat extending the city centre as submarkets consolidate, with city officials now in favour of new hotel developments. While responding to the growing demand for the city and the dynamic expansion of its business and conference infrastructure, this planned increase in supply is, however, likely to put pressure on marketwide occupancy levels in the short to medium term.

Some of the most recent announcements included the following developments.

- The **Conservatorium** hotel became Amsterdam's latest luxury hotel when it opened in December 2011. Formerly a music school and theatre, the hotel has 128 guest rooms and is operated by Alrov Luxury Hotels, the owner-operator's first venture outside of Israel (and soon to be followed with the Café Royal in London). The hotel enjoys a central location and is near the exclusive PC Hoofstraat shopping street;
- The 122-room **Andaz** hotel is expected to enter the market in mid-2012. It will be the second European venture for Hyatt's lifestyle boutique brand;
- A modern hotel tower in the southeast of the city (Atlas Arena Amsterdam) is due to open in October 2012 close to the AMC hospital. The development will be run by the **Fletcher** Hotel Group, a Dutch hotel operator, and is expected to comprise a 60-metre tower containing 120 rooms over 16 floors;
- In August 2012 the Wyndham group is expected to strengthen its footprint in the Dutch capital with the opening of the 446-room, four-star **Ramada** Apollo Amsterdam Centre on Staalmeesterslaan, adjacent to Rembrandt Park. This hotel will be operated under the Ramada brand through a franchise agreement with Apollo Hotels and Resorts, a Dutch hotel operator with properties in the Netherlands and Belgium;
- Hyatt Hotels corporation has announced the development of a **Hyatt Place** in Schiphol; the hotel will have 330 rooms;

- It has recently been announced that a 94-room **Waldorf Astoria** will be developed in six buildings along the Herengracht canal in central Amsterdam. The hotel will have 400 m² of meeting space, a health club and a destination restaurant. It is expected to open by the end of 2013;
- Rezidor is opening its third hotel in the Netherlands under the **Park Inn by Radisson** brand in Schiphol; the hotel will have 150 rooms and is due to open in the third quarter of 2013;
- The 100-room **art'otel** is still in the early stages of development and is expected to open in 2014 in the central station area (steps away from its sister hotel the Park Plaza Victoria);
- Following the acquisition by Blackstone, the **Mint** hotel has been rebranded as a Doubletree by Hilton.

Hotel Performance

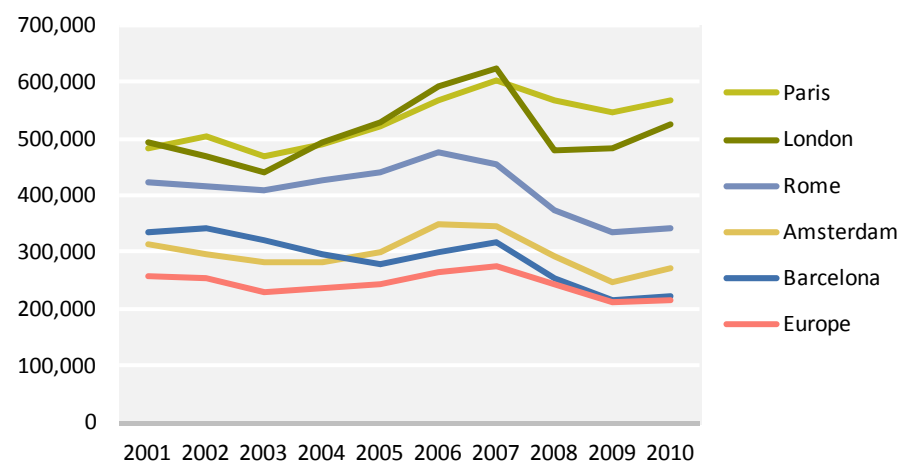
Historically, Amsterdam has had a broad seasonality pattern with only a few months when arrivals are slower, mainly December and January. Business travellers mainly come to the city from February to April, and leisure travellers from April to September. Overall, occupancy levels fluctuate around 75-80%, with hotels often fully booked at weekends. The average length of stay of 1.8 nights further illustrates Amsterdam's popularity as a short-break destination. According to statistics provided by STR Global, 2010 occupancy levels recorded an increase from 69% in 2009 to 75%, showing a strong recovery from the economic downturn. This trend was coupled with a 6% increase in average rate to €127 in 2010 and an overall RevPAR increase of 15.8%. Overall, occupancy over the first 11 months of 2011 outperformed the same period in 2010, highlighting the continuing improvement in occupancy. The year-to-November average rate shows an increase of 10.3% from €128 in 2010 to €141 in 2011, an overall RevPAR increase of 11.2%.

Investment Market

Amsterdam's investment market shows only a few hotel transactions having taken place since early 2010. In April 2010, Amsterdam saw the Holiday Inn in Schiphol being acquired by Park Plaza Hotels/Elbit Imaging from Melbourne Onroerende Zaken, a unit of Germany's Aareal Bank. The Hotel has since been rebranded as a Park Plaza. Further, in November 2010 the Hotel Symphony was sold to UBM Realitätenentwicklung by Phillips' Pension Fund; it has recently been renamed Crowne Plaza Zuidas. Most recently, the Mint Hotel was acquired by Blackstone as part of a portfolio transaction.

Amsterdam, like many other major European cities, showed a drop in hotel values per room in 2008 and 2009. In 2010, Amsterdam hotels saw an increase in value of 10%, and values are likely to increase further as a result of the city's continuing signs of improvement in trading and a number of positive prospects for 2012 and 2013. As per our annual publication, the European Hotel Valuation Index (HVI) in March 2011, Amsterdam was in the top ten of European hotel values and per our estimate should achieve around €300,000 per room in 2011 and €350,000 per room by 2015.

FIGURE 4: HOTEL VALUES PER ROOM 2001-10 (€)



Source: HVS Research

Conclusion

We consider Amsterdam to be an attractive city for increased business and leisure activity, owing to its numerous commercial and leisure demand generators. Amsterdam has effectively 'weathered the storm' of the past few years very well and seems almost to be leading the European hotels out of recession, through strong demand from the leisure sector and improving conference and meeting business.

While the active involvement of the municipality and tourism authorities greatly facilitate the marketing of the city, the resilience of the Amsterdam market, despite the influence of global economic factors, has sustained the interest of investors and international operators, as can be seen from the many developments planned for the city.

New developments are taking place not only in the established districts of Amsterdam (airport and city centre), but also in new pockets of the city, thus contributing to the expansion of the city centre (Zuidas and east of the city). We note, however, that the amount of new supply is likely to affect marketwide occupancy levels in the short to medium term, while consolidating the hotel landscape of Amsterdam.

The balanced mix of business and leisure visitors also makes this market relatively resilient to the current uncertainty in the Eurozone, and therefore maintains the interest of investors and supports the prospect of further growth in hotel values.



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In 2011, HVS was named 'Management Consultant of the Year' in the inaugural IHIF Awards.

About the Author



Luisa Pott is an Analyst in the London office of HVS. She joined the company in 2011 after completing her Bachelor of Science in International Hospitality Management at École hôtelière de Lausanne, Switzerland. Since joining HVS,

Luisa has conducted various valuations in the UK, the Netherlands, Austria and Germany, as well as market research across Europe.