

PRESS RELEASE

HOSTA2009report

Dutch hotel markets suffering under crisis

The Dutch hotel market has been hit hard by the economic crisis. The HOSTA2009 report by consulting firm Horwath HTL shows that both occupancies and average room rates of the hotels have decreased. It is expected that the results for 2009 will be even lower than in 2008.

The research was carried out by Horwath HTL among 288 three, four and five star hotels in The Netherlands. The research shows that the average occupancy has dropped from 72.5% in 2007 to 68.1% in 2008, a decline by 4.4 percentage points. This strong decrease marks the end of a recovery period for the Dutch hotel market. It is the strongest drop since 2003, bringing hotel occupancies below the level of 2005.

The average room rate dropped by 4.5%, from €110 to €105. This is the first time since 2004 that the average room rates have declined.

Because of the decrease in both occupancies as average room rates, the RevPAR or Revenue Per Available Room also declined. The RevPAR decreased by 10% and the strongest decrease since 2003.

Five star hotels hit the hardest

The occupancy decreased most strongly in the five star hotels. The occupancy of the deluxe hotels dropped from 74.8% in 2007 to 68.0% in 2008. Unlike the three and four star hotels, that saw the first decline in occupancy in 2008, the crisis for the five star hotels started in 2007. In 2006, the occupancy in the five star hotels was 77.1%. In 2 year time, the occupancy dropped by 9 percentage points. Although the average room rate in the five star category still increased slightly, from €178 in 2007 to €180 in 2008, the RevPAR dropped from €133 to €122.

The cause for the strong decline in the five star market can be found in the economic crisis. Since the start of the credit crunch and the government bail-outs that were given to businesses such as banks in both the US and The Netherlands, company spending is watched closely. The news items on festive retreats organised by companies such as Fortis and AIG have contributed to this. Luxury hotels now have an image problem. Many companies will no longer allow their employees to stay in five star hotels. As a result, Sheraton Amsterdam Airport and NH Amsterdam Centre have already decided to drop their fifth star and to continue as four star hotels.

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Average room rates in Amsterdam in strong decline

The Amsterdam hotel market is especially dependent on international companies and therefore extra sensitive to the economic crisis. The occupancy in Amsterdam decreased in 2008 from 81.4% to 74.9%, while the average room rates decreased from €140 to €236. As a result, the RevPAR decreased from €114 to €94. This is a decrease of over 17.5%. The last time the RevPAR decreased this strongly in Amsterdam was during the 1993 recession, over 15 years ago.

Outside the Amsterdam region the occupancy decreased as well, from 67.3% to 64.0%. The average room rates here did increase slightly, from €90 to €91. The RevPAR decreased by only 3.3%, from €60 to €58.

Profits also decreased

Due to the decreasing occupancies and average room rates, the profitability of the hotels has also decreased. The gross operating profit of the three, four and five star hotels was 34.9% of total revenues in 2008. In 2007, this was 35.9%. Especially the payroll expenses have increased in relation to the revenues. The payroll expenses, the largest costs for hotels, increased from 29% of total revenues to 32% of total revenues. The increase is seen in both room departments and Food & Beverage departments. The number of employees per room was higher in 2008 than in 2007, 0.43 FTE per room against 0.40 FTE per room. The increase may be a result of the recovery in 2007, when occupancies were increasing and hotels were hiring more personnel.

Hotels have indicated that strong measures are taken to diminish the effect of the economic crisis. There is more focus on sales and marketing, and many hotels have lowered their rates. Budgets have also become stricter, including personnel costs. Vacant positions are no longer filled, and many annual contracts are ended.

Forecast

Hotel managers are looking to a swift recovery of the economy: 79% of respondents indicated they expect the economic recovery to start in 2010. As the hotel market follows the economy, 61% also expects that the hotel market will show the first signs of recovery in 2010. Approximately 25% however expects that the recovery of the hotel market will not start before 2011.

Experience has taught that the decline of the hotel market is quicker than the following recovery. Especially a decrease in average room rates, due to price dumping, can take years to recover from. Therefore, only 10% of hotel managers expects that the hotel market will be fully recovered in 2010. Approximately 45% expects full recovery to be achieved in 2011, and 33% in 2012. Some 12% of hotel managers expects full recovery will not be achieved before 2013 or 2014.

For 2009, the expectation is that the average occupancy will continue to decrease, from 68.1% to 62.2%. The average room rates will decrease by 3.8% in 2009, to €101. As a result, the RevPAR will decrease by 12.5% to €63. For 2010, hopes are for a partial recovery of the occupancy to 65.7%, but a further decrease in average room rates to €99 is expected. The RevPAR could then increase to €65.

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The table below shows a review of occupancies and average room rates per region in The Netherlands.

Occupancies and average room rates per region (2008)

Region	Occupancy	Average room rate
The Netherlands	68.1%	€105
Amsterdam region	74.9%	€125
Rotterdam region	66.2%	€105
The Hague region	64.6%	€113
Utrecht Region	70.6%	€103
North-Holland	69.8%	€79
Leiden/Gouda	66.6%	€74
Arnhem/Nijmegen	64.6%	€83
Veluwe	59.2%	€84
Noord-Brabant	59.2%	€84
Limburg	65.1%	€85
Zeeland	66.3%	€90
Eastern region	62.6%	€86
Central region	58.7%	€84
Northern region	64.0%	€78

Bron: Horwath HTL

HOSTA2009

The HOSTA 2009 report is published by consulting firm Horwath HTL. The report gives the results of the hotel industry in The Netherlands, Belgium and Luxembourg. Over 375 three, four and five star hotels in the Benelux have participated in the research.

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