Summary
Monitor hotel market municipality of Utrecht
15 June 2017
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Background
In 2010, the municipality of Utrecht issued a new hotel policy ‘Hotelnota en –beleid 2010-2020, A room with a view’. The policy includes the target to realise 1,000 new hotel rooms by 2020, compared to 1,400 existing hotel rooms in 2010. In February 2015, this policy was updated by the Board of Mayor and Aldermen.

In the preparation of the hotel policy, Horwath HTL has carried out a number of analyses of the hotel market in Utrecht. Based on these analyses, an approach was advised that includes a focus on the area around Utrecht Central Station and the monitoring of the developments on the hotel market.

Horwath HTL has been asked to provide this monitor for the hotel market in the municipality of Utrecht. In this monitor, the developments between 2014 and 2016 are analysed, and a projection is given for the hotel market in the period 2017-2024. Taken into account are the developments in the 9 municipalities that surround Utrecht, also known as the U10 region.

Analysis of supply
Per mid 2017, the municipality of Utrecht counted 89 hotels and B&B’s, with a total of 2,035 hotel rooms. The classified hotel supply consists of 25 hotels with a total of 1,881 hotel rooms. The four star segment clearly has the largest market share in the Utrecht hotel market, with 56% of the total supply. The three star segment is the second largest segment. The budget segment, consisting of one and two star hotels, is the smallest segment with 6% of the total supply.

The municipality of Utrecht contains almost half of the total hotel supply in the U10 region. Of the 89 hotels, 14 were opened after 2010. Recent hotel openings include the Eye Hotel (36 rooms), Hotel Sleep Well (19 rooms), Stayokay Utrecht Centrum (60 rooms) and Van der Valk Hotel Utrecht (185 rooms). At the same time, some smaller hotels have been closed or have been transformed into housing for students or the homeless.

Initiatives for hotel developments within the municipality of Utrecht are monitored by the municipality, using a model developed by Horwath HTL. For each of the known hotel initiatives, an analysis is made to determine the position in the development process. Based on the status of the hotel initiative, the model assigns a percentage for the likelihood that the initiative is realised.

Currently, there are 16 known hotel initiatives. Due in part to the recent economic crisis, several hotel developments were delayed in the past, but are now moving forward. The past few years three large initiatives have reached the realisation phase, meaning they will almost certainly be completed. While some older initiatives have been cancelled definitively, there are also a number of new hotel initiatives.

The 14 hotels opened between 2010 and 2017 added a total of 581 hotel rooms to the municipality of Utrecht, which means that 60% of the target for 2020 has already been achieved. Based on the status of the individual initiatives, it is expected that the total number of new hotel rooms added between 2010 and 2020 will be over 1,200. This means the target of 1,000 hotel rooms by 2020 will almost certainly be achieved, and will likely be surpassed.
Analysis of demand
After a slight decrease in 2013 and 2015, the hotel occupancy in Utrecht increased considerably in 2015. In 2016, the growth continued. As a result, the hotel occupancies are now considerably higher than they were in 2009. The average room rate in 2016 is still slightly below the level of 2009. Due to the higher occupancies, the RevPAR (Revenue Per Available Room) has increased by 6% between 2009 and 2016. For 2017 and 2018, hotel operators expect a further growth in occupancy. The hotels outside Utrecht achieve lower results than the hotels in the city. The other municipalities in the U10 also show a strong increase in occupancies, but not in average room rates. In the U10 region outside Utrecht, the increase in revenues was 2% between 2009 and 2016.

Strong potential target groups for the hotel market in Utrecht are care-related visitors, short stay, leisure visitors, scientists and youth/budget. Additionally, current hotel operators expect a new increase in business demand and conference demand in the coming years.

Closely related to the hotel market are the rise of short stay facilities and private rental. For both markets, there are clear differences in the target groups compared to the traditional hotel market. However, there are also overlaps and a shift can be seen from traditional hotels to new suppliers. The effect on the hotel market of both short stay facilities and private rental is seen as negative by most hotel managers. Despite these possible negative influences, hotel occupancies and average room rates increased in 2016 and 2017. As such, a concrete negative effect of short stay and private rentals is not visible in the hotel results.

In total, the number of hotel nights in the municipality of Utrecht increased by 4.5 percent per year between 2003 and 2016. Taking into account the economic developments and the tourism policy of the municipality of Utrecht, it is expected that the number of hotel nights will continue to increase in the coming years.

Market potential
The projected development of the hotel supply is compared to three scenarios for the development of demand: a positive scenario, a middle scenario and a negative scenario. Based on the ambitions of the municipality of Utrecht and the province of Utrecht, it is advised to aim for the positive scenario, but to also consider the middle scenario.

If the ambitions of the municipality of Utrecht are realised, the positive scenario creates potential for 720 new hotel rooms by 2024, if these additions are spread out in time. The calculated market potential is based on the existing market. Hotel developments that demonstrable create an additional demand, can further increase the market potential. This can be done based on the product-market combination, but also on the marketing power or brand awareness of the hotel chain involved.

The 16 known hotel initiatives in Utrecht represent a potential total of over 2,100 new hotel rooms. Based on the current position in the development process for these initiatives, it is expected that approximately 1,150 hotel rooms will be realised. Even taking into account the positive scenario, this number is larger than the calculated market potential for 2024. A guiding and restrained policy is advised. It is expected that some of the planned developments will be able to generate a demonstrable additional demand.
Advice
The Utrecht hotel market has increased considerably of the past few years. It is expected that the demand will continue to increase in the coming years, creating a potential for new hotel developments. Based on the current hotel initiatives, it is expected that the number of new hotel rooms in 2024 could exceed the market potential that has been calculated.

A guiding and restrained policy is therefore appropriate. It is advised no longer to stimulate new developments in the coming time period, and only to facilitate new developments that meet strict criteria with regards to concept, size and location, and if it can be demonstrated that the hotel will be able to generate its own demand.

If private rentals are done in accordance with the terms, and there is a level playing field with hotels, they will not necessarily threaten the hotel market. In order to be considered a level playing field, it is necessary that the rules for private rentals are upheld. The municipality of Amsterdam has instituted a ‘duty to report’ the private rental of residences. The results of this policy will be weighed, before a decision is made regarding a national ‘duty to report’. It is advised to wait for the results of the policy in Amsterdam, before deciding for a similar policy in the municipality of Utrecht.

The hotel policy does not stand on its own, but must also fit within the other policy areas in the municipality of Utrecht. An important item is the office policy, which is aimed at the transformation of existing (empty) office buildings. In line with the office policy, a preference can be expressed for hotel developments in existing buildings. For smaller (monumental) buildings in the city centre, boutique hotels can be considered. Smaller boutique hotels in the city centre will be seen as an enrichment of the hotel supply, as long as they are sufficiently distinctive. Budget hotels (less than three stars) can also be realised in existing buildings, but new construction projects could also be considered. For large scale three and four star hotels, other than the initiatives that are already in the realisation phase, the focus could be on transformations of existing office buildings and only in locations where a hotel development would be of added value for the area.

The hotel policy 2010-2020 seems to be successful: 60% of the ambition for 1,000 new hotel rooms has already been achieved, and it is expected that the ambition will be fully achieved or likely even surpassed by 2020. It is advised to continue to monitor and guide the hotel developments after 2020, to prevent the creation of a possible oversupply in the period 2020-2024.