

Operations

Amsterdam anti-tourism measures spark ADR, investment

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Amsterdam's 18-month freeze on hotel development is polarizing hoteliers, but the city remains one of the most attractive hotel investment markets in Europe as the scarcity of properties forces prices higher.



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AMSTERDAM—To curb the number of visitors to Amsterdam, city administrators last year introduced tough measures, including a halt to city-center hotel development.

In 2017, 17 million tourists visited the city, up from 12 million in 2011. The Mastercard Global Destination Cities Index 2017 ranked Amsterdam as the 13th most-visited city in the world and the fifth in Europe.

Amsterdam responded with the January 2017 “Overnight Policy” or “Overnachtingsbeleid,” which ruled out all new hotel development in Zone 1, the World Heritage canal belt, and allowed only a smattering of opportunities for new projects in Zone 2—that is, the rest of the city. The ban applies equally to new-build hotels, conversions and room inventory expansion, and also to extended-stay hotels and hostels.

Since the policy went into effect, the city has granted no additional building permits for inner-city hotels, according to Peter Schickling, GM of the Amsterdam Marriott Hotel.

“There are still a handful of hotels coming up, about 5,000 beds in the next three years, but mostly outside Amsterdam,” he said. “Inside Amsterdam, within the ring road, for sure there are some renovations going on, but nothing new is coming to the market. You cannot build in the inner circle.”

“The idea is to restrict tourism a little, but I think the problem of uncontrolled tourism is not coming from hotels, but, like in the whole world, it’s Airbnb.”

Schickling said he doesn’t blame the city for taking action with the hotel moratorium, but occupancies and average daily rates are high, which has made many tourists turn to Airbnb.

“I can live with this ban. There are new hotels coming. For example, on the other side of the harbor, there is a Maritim Hotel, from Germany’s largest owner-managed hotel group, and at the RAI Amsterdam exhibition center, there is a NH Group Hotel property, a 650-room Nhow, underway, so there is still stuff going on,” he said. “But I think downtown, if there is not enough space, it is not a problem for me.”

Schickling said hotel demand in Amsterdam is top-heavy.

“There is not enough supply, so there is definitely space for more hotels, especially during peak times,” he said. “During my four years here, the demand is growing nonstop.”

According to Schickling, Amsterdam hotels are recording occupancy between 85% and 90% with just a couple of winter troughs as Amsterdam’s mix of canals, culture and partying grows increasingly popular.

Tourism weight

Amsterdam has a population of 900,000 and is expected to receive 18 million visitors in 2018. Proponents of stricter tourism regulations want more laws to curb Airbnb and to see an increase in tourism taxes.

The principal problem, according to Paul Kurstjens, owner of urban planning firm Kurbin, comes down to Amsterdam’s size.

“In London, most attractions lie within a six-kilometer radius, but in Amsterdam, which is much smaller, it’s half of that,” Kurstjens said. “The approximately 100 hotels in the pipeline will probably still be built in the coming years, while the Airbnb rental period is to be slashed from 60 days to 30 days.”

Jan Steinebach, senior director and head of hotels at CBRE, The Netherlands, said the rooms shortage in Amsterdam will only worsen as ADRs soar.

“About 7,000 additional rooms are still in the pipeline until 2022,” he said. “We believe the growth of visitor numbers will increase more than the supply, hence occupancy will remain at the high historic levels as they are now. Occupancy growth is difficult to achieve at the current levels, so with increasing demand, ADRs are expected to grow even more.”

For Marco Lemmers, owner-CEO of Dutch hotel group Conscious Hotels, the moratorium is an obstacle to growth and is forcing property prices to dizzying heights.

“The Amsterdam market is really locked,” he said, “so we have to look outside the ring or take over an existing property. But the latter would only be sustainable if the interior was entirely written off. It is not very sustainable to acquire a place, put everything out on the street and then refurbish it yourself.”

The license for the latest of the group’s four hotels—the 89-room Conscious Hotel Westerpark on the site of a former gas works in Amsterdam West—was approved a few years before the moratorium.

While Lemmers said he would love to add to his Amsterdam portfolio, the moratorium is making it impossible.

“Big amounts are being paid in the market at the moment . . . so I do not know if we are going to grow in Amsterdam,” he said.

Steinebach shared similar concerns.

“This will drive certain groups out of the city limits (to) stay in secondary cities at more attractive rates,” he said. “This results in growing performances in the Dutch secondary cities, which automatically increases the interest of investors.

“The investment possibilities in Amsterdam have dried up. Current owners are holding on to their assets. The demand for hotel investments is still high. In case of an investment possibility, prices are driven to historic heights (and) low yields.”

Not all gloom

More attractive markets, according to Lemmers, include The Hague and Copenhagen, which he said will be a litmus test for expansion in Northern Europe as other markets struggle with over-tourism.

“We are already well-advanced in pinpointing a location in The Hague,” he said. “Outside of the Netherlands, Copenhagen would be a very beautiful city for our hotels. Eco-sexiness fits well in that market. I hope to open the first one in about three years’ time. If Copenhagen works out well, I can also see our concept fit in cities such as Oslo, Stockholm or Hamburg.”

As growth in rooms gradually dries up in Amsterdam, occupancies in other Dutch cities, including The Hague, Rotterdam and Utrecht, are reportedly experiencing notable spikes.

Yet sources said the ban is contributing to Amsterdam’s thriving hotel investment market and causing property prices to soar.

Schickling believes the Amsterdam market is “fantastic” and that “there are opportunities for everyone.”

Another challenge facing Amsterdam hoteliers is staffing, he said.

“We need a lot of manpower, and it’s difficult to find good employees,” Schickling said, adding the increase in Airbnb has led to more pressure on housing for residents, including hotel staffers. “Airbnb creates problems with personnel and is forcing prices to go up,” he said.