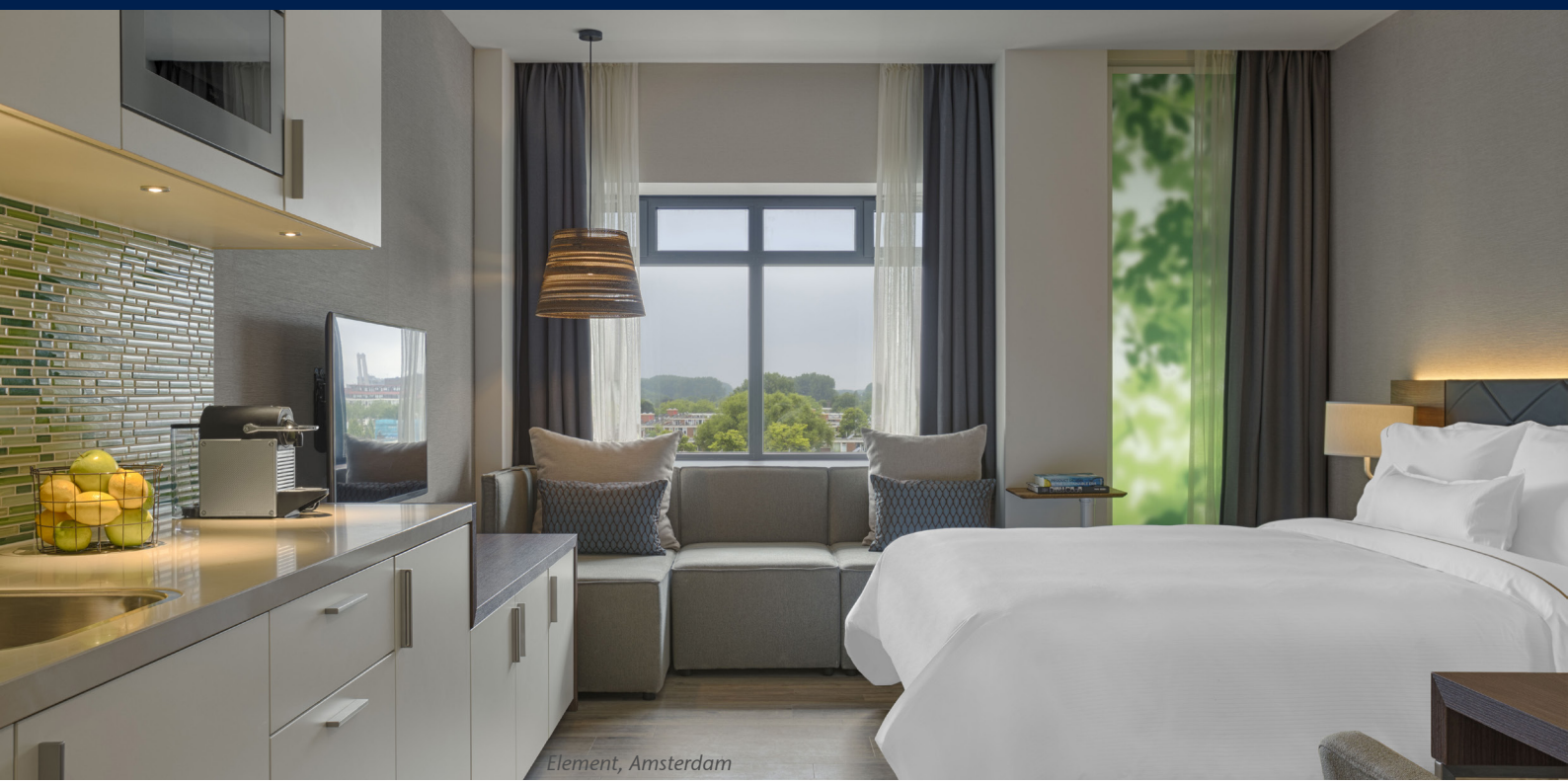


Element, Amsterdam

Horwath HTL™

Hotel, Tourism and Leisure

MARKET REPORT

The Netherlands: Serviced Apartments Market

JANUARY 2018

Source: Cityden UP, Amsterdam South

Introduction

This Horwath HTL Special Market Report provides insights into the fastest growing and frequently overlooked accommodation segment – Serviced Apartments.

The following report includes a general introduction to the serviced apartments market and summarizes the outcome of a survey conducted by Horwath HTL Netherlands (Q4 2017).

In the past, the serviced apartments market in the Netherlands had a distinct position between hotels and housing. Over the past few years however, this position has changed. One of the reasons is that more and more hotels and hotel chains are offering hotel apartments specificly catered to the extended stay market.

The other main reason is that current serviced apartments providers also rent out the apartments on a nightly basis, in effect entering the hotel market. As a result, the market for serviced apartments can now be considered a distinct part of the overall hotel market.

Figure 1: Dutch City Hotel Index

RANK	CITY	INDEX
1	Amsterdam	329
2	Utrecht	292
3	Rotterdam	277
4	The Hague	262
5	Eindhoven	233
6	Haarlemmermeer	230
7	Noordwijk	211
8	Breda	208
9	Groningen	203
10	Bergen (NH)	188
11	Maastricht	182
12	Arnhem	181
13	Schouwen-Duiveland	175
14	Apeldoorn	156
15	Texel	147
16	Valkenburg aan de Geul	118

Source: Horwath HTL / ABN AMRO

Rise of the main cities

The Dutch hotel market recorded significant growth for the eighth consecutive year in 2017. The popularity among international travelers visiting the Netherlands, resulted in a considerable 38% compounded growth in hotel overnight stays (see Table 1).

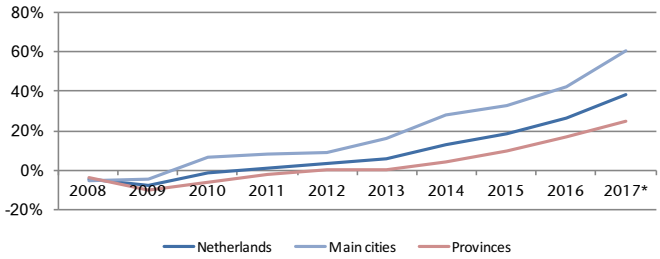
The growth rate was considerably higher in the 5 main hotel cities (Amsterdam, Rotterdam, The Hague, Maastricht and Utrecht) than in the rest of the country: 61% in the main cities against 25% in the provinces. The distribution of overnight stays indicates that the interest of both domestic and international travelers has started shifting towards the urban areas. In 2008, 36% of the total overnight stays took place in one of the five main Dutch cities. This number rose to 43% in 2017.

The Dutch City Hotel Index, published by Horwath HTL and ABN AMRO, shows that the hotel markets with the most positive outlook in the Netherlands are Amsterdam, Utrecht, Rotterdam, The Hague and Eindhoven.

These cities not only show favourable circumstances and developments in demographics and economics, but also achieve the highest occupancies and average room rates. By comparison, non-urban areas and smaller cities are performing at a lower level.

Unsurprisingly, the largest hotel cities in the Netherlands are also the most prominent cities for the serviced apartments market.

Figure 2: Compounded growth of hotel overnight stays in the Netherlands



Source: CBS Statline, Horwath HTL
**) Projection based growth rate YTD September 2017*

Source: B-aparthotel Kennedy, The Hague

New player in the market

The increasing mobility of the global workforce and vanishing line between business and leisure has affected the overall attitude towards travel. The new lifestyle and changing consumption patterns of the modern-day traveler has stimulated the rise of alternative accommodation types in urbanized areas. The Dutch hotel industry is taking notice of the growing presence and fierce competition of serviced apartments.

This emerging segment positioned itself between the short stay hotel and longer-term rental accommodation markets, offering a hybrid of residential apartments with hotel services. While these types of accommodations are a well-established phenomenon in the US and Asia Pacific, serviced apartments have only recently gained traction in the Netherlands. As the segment is developing and receiving increasing attention from investors and customers, serviced apartments have become a credible player within the hospitality industry.

Serviced apartments definition

The various takes on serviced apartments market make this particular segment challenging to define. Based on the longer average length of stay, hoteliers generally refer to serviced apartments as 'extended-stay' or 'long-stay'. On the opposite side, the residential sector has been referring to this market as 'short-stay', due to the lower average rental period of the tenant. For the purpose of this report, serviced apartments are considered to be fully furnished apartment units with (private) kitchen facilities. The units are available for both short-term and long-term stay, and come with accompanying amenities such as housekeeping service, laundry facilities, utilities and wireless internet. While the previously mentioned characteristics are the foundation of the segment, the variation in terms of concept and operational approach, resulted in the current presence of three main sub-categories:

Corporate Housing: Individual apartments generally owned by third parties and operated by rental agencies. As the apartments are spread out over various locations, additional facilities are often not present.

Aparthotels: This category consists of serviced apartments grouped together in a property. The building also offers additional facilities such as a reception, communal lounge or an on-site gym.

Hotel Residences: Serviced apartments integrated in a hotel property. All services and facilities available for the hotelguests, can be used by extended-stay guests. For example, 24/7 reception, room service, fitness and wellness facilities.

Corporate housing is the most common type of serviced apartments in the Netherlands. This category has its roots in the temporary relocation of expats and is currently receiving increased attention from leisure guests and families.

Source: The Student Hotel, Amsterdam West

Current supply

At the time of writing, the Dutch serviced apartments market is composed of 27 main providers offering a total of over 3,500 serviced apartments. With over 1,900 serviced apartments (16 providers), Amsterdam Metropolitan Area is responsible for 56% of the total supply.

Most providers offer a range of studios and apartments, varying from one bedroom to five bedrooms per apartment. The apartment units of the main specialized serviced apartments providers range from approx. 20 sqm to 300 sqm, compared to the average size of hotel rooms ranging from 15 sqm to 30 sqm. Most serviced apartments in The Netherlands include a fully equipped kitchen, with a minority of providers offering a kitchenette or a shared kitchen.

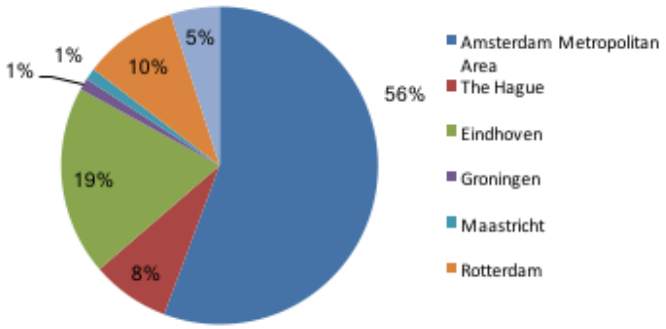
The accummulating demand towards serviced apartments is addressed by both existing and new market participants. The landscape is evolving rapidly with international chains entering the market and innovative hotel startups reshaping the industry. Figure 4shows the positioning of the main (inter)national brands currently active in the Netherlands.

Currently, the majority of serviced apartments providers in the Netherlands are independent organisations or relatively small, local chains.

The larger international hotel chains have only recently entered the Dutch serviced apartments market with Novotel Suites opening in The Hague in 2014, Element Amsterdam opening in 2016 and Residence Inn by Marriott Amsterdam opening in 2018. An overview of the characteristics of the main providers of serviced apartments in the Netherlands is shown in appendix 1.

Over the last three years, at least 17 new accommodations were opened in The Netherlands, offering a total of over 3,000 apartments.

Figure 3: Distribution of supply serviced apartments, the Netherlands 2017



Source: Horwath HTL

Source: Zoku, Amsterdam

Figure 4: Sample of the Dutch serviced apartments brand positioning

Source: Horwath HTL

New supply

The recently opened serviced apartments providers include local independent companies (such as Cityden Up, Zoku and Hotel2Stay), hotel operated brands (such as Amrâth Apart-Hotel, Premier Suites Plus and Element) and international serviced apartments providers such as B-aparthotel and Eric Vökel. The Student Hotel is a unique participant in the serviced apartments market, as this international hospitality group focuses on providing temporary accommodation to students, and to a lesser extent on short and extended stay guests. As a result, only an estimated 20% of the total number of apartments of The Student Hotels are offered on the market for serviced apartments. The rapid expansion of the market for branded serviced apartments is expected to continue in the coming years. A large number of new developments are planned, including at least 8 new developments in Amsterdam, with a total of at least 900 apartments by 2020.

Table 1: Recently opened serviced apartments providers in The Netherlands

SERVICED APARTMENTS	CITY	NO. OF APARTMENTS	OPENED
Amrath Apart-Hotel	Badhoevedorp	98	2017
TWENTY EIGHT	Amsterdam	56	2017
Cityden Up Amsterdam South	Amstelveen	81	2017
Premier Suites Plus Rotterdam	Rotterdam	104	2017
SACO Wittenberg	Amsterdam	115	2017
The Student Hotel Maastricht	Maastricht	74 (of 371)	2017
The Student Hotel Eindhoven	Eindhoven	80 (of 400)	2017
Eric Vökel Amsterdam Suites	Amsterdam	28	2016
B-aparthotel Kennedy	Den Haag	60	2016
Hotel2Stay	Amsterdam	157	2016
Zoku Amsterdam	Amsterdam	133	2016
Element Amsterdam	Amsterdam	160	2016
The Student Hotel Groningen	Groningen	73 (of 365)	2016
Victoriapark Lightning	Eindhoven	625	2016
YAYS Zoutkeetsgracht	Amsterdam	31	2015
YAYS Oostenburgergracht	Amsterdam	43	2015
The Student Hotel Amsterdam City	Amsterdam	114 (of 571)	2015

Table 2: Pipeline of serviced apartments developments in the Netherlands

SERVICED APARTMENTS	CITY	NO. OF APARTMENTS	OPENING
Residence Inn by Marriott Amsterdam	Amsterdam	60	2018
Corendon Village	Amsterdam	298	2018
B-Aparthotel Westgate	Amsterdam	60	2018
Cityden AMS	Amsterdam	89	2018
Toren van Oud	The Hague	38	2019
Yays Zeeburg	Amsterdam	85	2019
Long stay hotel Overhoeks Amsterdam	Amsterdam	100	2019
Boot & Co Houthavens	Amsterdam	82	2019
Adagio The Hague	The Hague	100	2019
Premium Suites Zuidas	Amsterdam	115	2020
Long stay hotel DE	Utrecht	73	2020
Cinema Palace	Maastricht	42	2020

Source: Horwath HTL

Current demand

Despite the fast growth in supply in the serviced apartments market, the occupancies and average room rates in the participating providers have increased in 2017. The average occupancy level dropped from 77% to 73% in 2016, but increased to 79% in 2017. Average room rates meanwhile remained stable at € 119 in 2016, and increased to € 126 in 2017. As a result, the RevPAR for serviced apartments in the Netherlands decreased from € 91 to € 87 in 2016, but increased to € 100 in 2017.

While the supply pipeline shows at least 1,000 new serviced apartments are planned in the coming three years, demand is expected to increase at a similar or even higher level. The serviced apartments providers participating in the survey almost unanimously project increased occupancies and average room rates in 2018, resulting in a projected record high for the Revenue Per Available Room. In Amsterdam, the RevPAR is projected to increase by 8.3% in 2018, compared to an average increase of 6.3% in other cities.

Traditionally, serviced apartments in the Netherlands were primarily aimed at the corporate segment, as well as private guests.

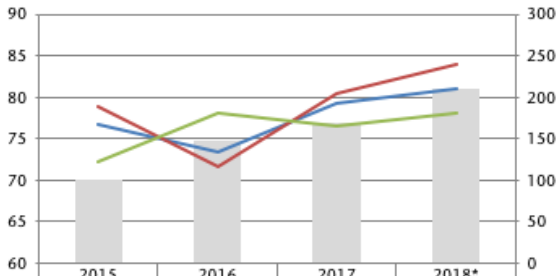
Typical guests would include:

- corporate trainees, staff and management who are assigned to a project at a differenct location for a number of months;
- government employees, diplomats and military personnel who are stationed away from home for longer periodes;
- new employees who need temporary housing until a permanent residence is found;
- business travellers who frequently stay for a short period;
- private guests following a disaster, divorce or during remodeling.

Now that serviced apartments are closer to the hotel market and allow for shorter stays of one to five nights as well as longer stays, the apartments are also aimed at the tourism markets and are directly competing with hotels.

In 2017, approximately 60% of all serviced apartments guests were business related, while 40% were leisure guests. In Amsterdam, the market share of leisure guests is larger than in the other cities in the Netherlands.

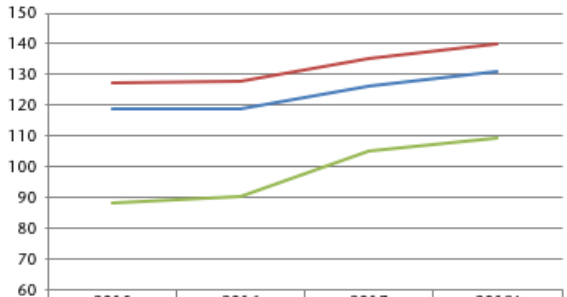
Figure 5: Occupancy Serviced Apartments 2015-2017 and projection 2018 in %



	2015	2016	2017	2018*
Supply index	100	147	168	211
Netherlands	76.8	73.3	79.3	81
Amsterdam	78.9	71.7	80.5	84
Other cities	72.2	78	76.6	78

Source: Horwath HTL

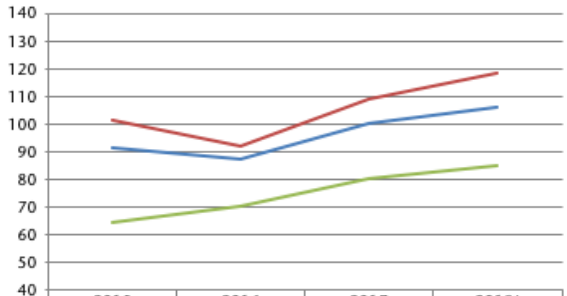
Figure 6: Average room rates Serviced Apartments 2015-2017 and projection 2018 in €



	2015	2016	2017	2018*
Amsterdam	127	128	135	140
Netherlands	119	119	126	131
Other cities	88	90	105	109

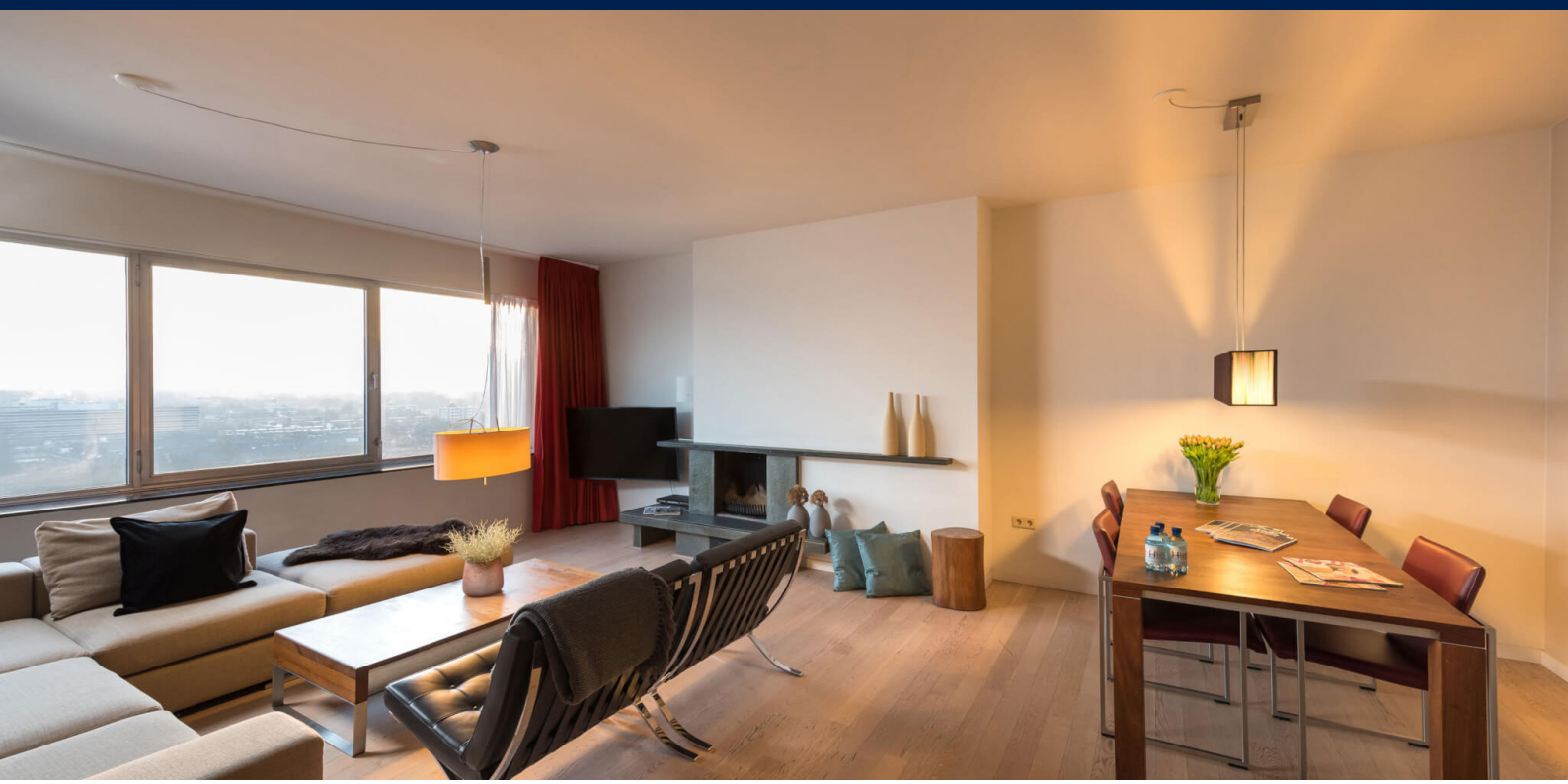
Source: Horwath HTL

Figure 7: RevPAR Serviced Apartments 2015-2017 and projection 2018 in €



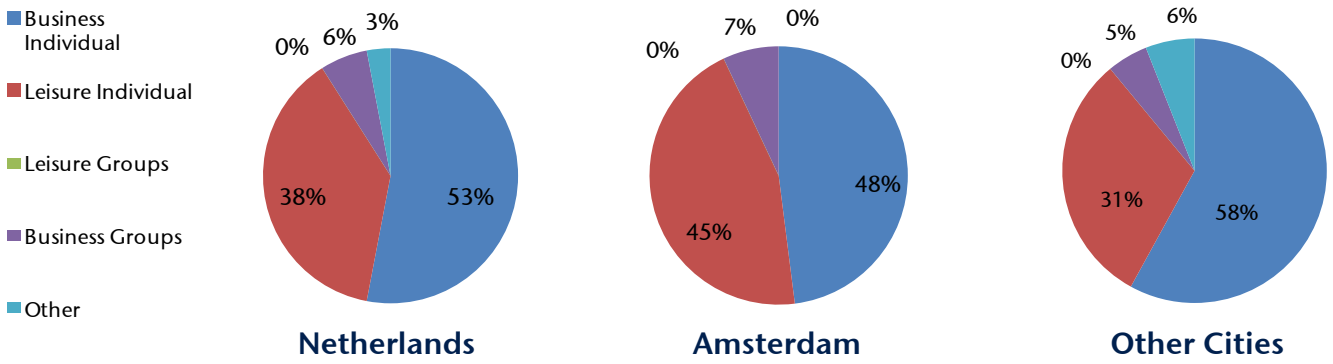
	2015	2016	2017	2018*
Amsterdam	101	92	109	118
Netherlands	91	87	100	106
Other cities	64	70	80	85

Source: Horwath HTL



Source: Htel Serviced Apartments, Amsterdam

Figure 8: Market segmentation Serviced Apartments 2017

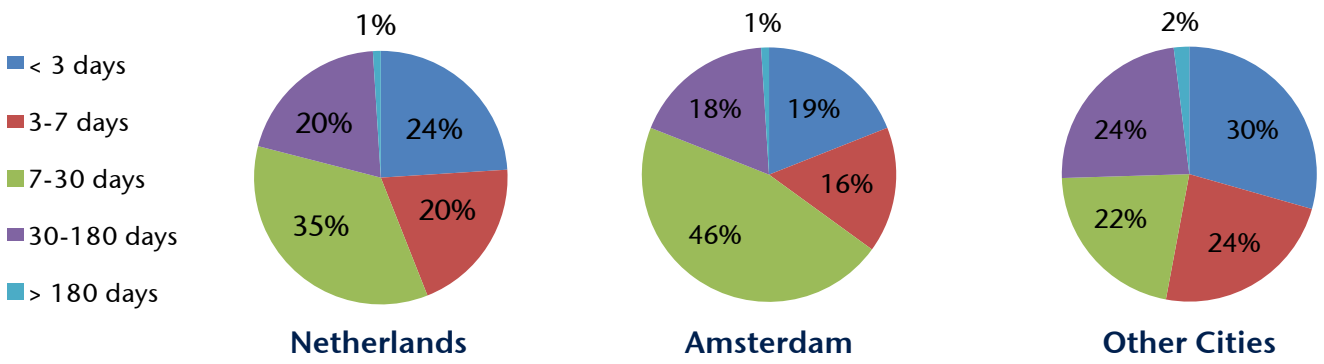


Source: Horwath HTL

The largest segment of guests, 35% of the serviced apartments market in 2017, stayed between 7 and 30 days. Still, almost 45% of guests has a stay of less than 7 days. Only 20% of guests stay more than 30 days, and only 1% has a length of stay of more than 180 days.

In Amsterdam, the average length of stay is notably longer, with over 46% staying 7 to 30 days and only 35% staying less than 7 days. In other cities, over 54% of guests stay less than 7 days.

Figure 9: Length of stay Serviced Apartments 2017

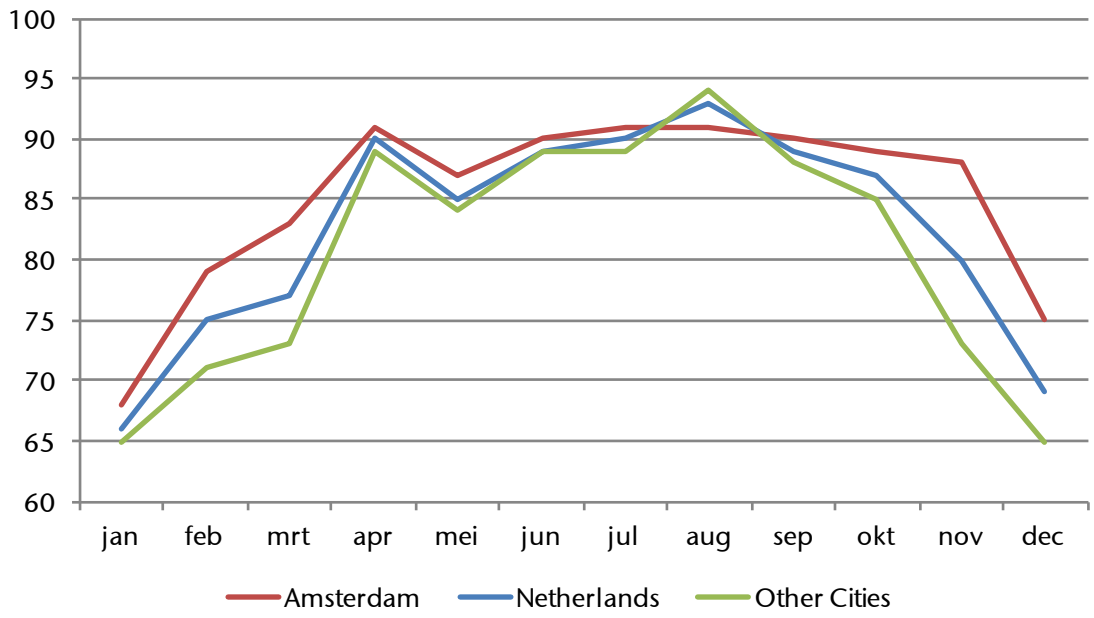


Source: Horwath HTL

The relatively high occupancies of the serviced apartments market in the Netherlands are maintained throughout the year. The highest occupancies are achieved in the period from April to November, with only slightly lower occupancies in the period from December to March.

Occupancies in Amsterdam are higher than in other cities in the Netherlands in most months, with the exception of August. Over the year, Amsterdam shows a slightly more stable occupancy, with occupancies per month between 68% and 91%, while in other cities the average occupancy per month can vary between 65% and 94%.

Figure 10: Occupancy per month in %



Source: Horwath HTL

Conclusion

The serviced apartments market is the fastest growing hospitality market in the Netherlands. Both supply and demand have increased considerably over the past few years.

The current providers are reporting high occupancies and average room rates, particularly in the Amsterdam Metropolitan Area. The high RevPAR for serviced apartments, as well as the lower operating costs compared to the hotel market, has helped create a highly profitable market segment.

As a result, the serviced apartments market is a sector of high interest for both (inter)national hotel operators and real estate investors. The pipeline of new serviced apartments facilities beween now and 2020 confirms the market will continue to grow for the foreseeable future.

Appendix 1: Brand overview serviced apartments providers, the Netherlands

	Active since	Brand	Location	# Units	Sq M	Facilities*
	2002	Htel Serviced Apartments	Amsterdam Amstelveen	305	22-300	Gourmet bar, meeting rooms, fitness & wellness, business center, private parking and bike rental
	2017	The Wittenberg, SACO	Amsterdam	115		Bar/lounge, terrace, fitness and bike rental
	2014	YAYS	Amsterdam	102	20-70	Available bike
	2016	Element, Marriott	Amsterdam	160	29-42	Restaurants, bar/lounge, terrace, meeting rooms, business center, fitness and bike rental
	2016	Hotel2Stay	Amsterdam	157	20-40	Roof terrace, business center, fitness, sauna and bike rental
	2016	Zoku	Amsterdam	133	12-24	Restaurant, bar/lounge, café, rooftop terrace, meeting rooms, business center and bike rental
	2012	City ID Group	Amsterdam	150	25-150	Restaurant, bar/lounge, café and bike rental
	2002	Eric Vökel Boutique Apartments	Amsterdam	28	40-75	Private parking
	2017	Urban Residences	Rotterdam Maastricht	97	55-120	Bike rental
	2014	Premier Suites Plus PREM Group	Rotterdam	104	30-60	Gourmet bar, business center and fitness
	2016	Novotel Suites, Accor	The Hague	118	30	Gourmet bar, fitness and bike rental
	2016	The Student Hotel	Amsterdam Rotterdam The Hague Groningen Eindhoven Maastricht	321**	21-30	Restaurant, bar/lounge, terrace, meeting rooms, fitness, private parking and bike rental
	2016	Kennedy. B-aparthotel	The Hague	60	30-55	Restaurant, fitness and bike rental
	2012	Cityden UP, Cityden	Amsterdam	81	20-40	Restaurant, rooftop terrace, private parking, fitness and bike rental

AUTHORS:

EWOUT HOOGENDOORN
Managing Director
Horwath HTL Netherlands
ehoogendoorn@horwathhtl.com

Ewout Hoogendoorn is owner and managing director of Horwath HTL Benelux, member of Crowe Horwath International. Crowe Horwath International is an international organisation of accountants, tax consultants and management consultants. The management consultancies have a strong focus on Hotel, Tourism and Leisure Industries with 50 offices worldwide and approximately 350 people.

Ewout studied architecture and Business Administration in Delft and has over 30 years of experience in developing and implementing strategies, project management, market research and development of market strategies in the following sectors: building industry, general consultancy, and hotel tourism and leisure industries.

Horwath HTL presents marketing and financial figures of the Benelux hotel industry at an annual conference initiated and chaired by Ewout as of 1998, and sponsored by ABN AMRO as of 2017. Ewout maintains strong relationships with the hospitality desks of all major Dutch banks and a number of foreign banks. As Horwath takes a leading position in consulting to the hotel industry, Ewout is involved in almost all major Dutch hotel developments. He enjoys working based on facts and figures, and is inspired by turning that knowledge into an instrument for active change management. A quote which particularly appeals to him is the following: *'At the end of the day, a fine balance needs to be secured between the 'soft' and 'hard' sides of an organization.'*

MARCO VAN BRUGGEN
Senior Consultant
Horwath HTL Netherlands
mvanbruggen@horwathhtl.com

As senior consultant with Horwath HTL, Marco van Bruggen has carried out over 150 market analyses, feasibility studies and valuations for stand-alone and mixed-use projects including hotels, meeting centres, golf courses and leisure facilities in The Netherlands, Belgium and Luxembourg. Notable projects include a study into the hotel market in all 10 municipalities along the Flemish coast, an analysis of hotel development potential and opportunities in the Dutch province of Zeeland and a feasibility study for the extension of hotel and conference facilities of Novotel Amsterdam. Additionally, Marco organises and coordinates all annual and bi-annual market statistics available from Horwath HTL Benelux, including the annual Hotel Statistics (HOSTA). Marco also maintains press relations for Horwath HTL and has written articles for publications such as Hospitality Management, NRIT Magazine and Global Hotel Network.

FILIP SCHMIDT
Consultant
Horwath HTL Netherlands
fschmidt@horwathhtl.com

Filip Schmidt is a Junior Consultant at Horwath HTL Netherlands. Prior to joining Horwath HTL, he graduated from Ecole hôtelière de Lausanne with a Master's degree in Global Hospitality Business – specializing in Hotel Real Estate Finance & Investment, Corporate Finance and Strategy. He also completed a Bachelor in International Hotel & Hospitality Management at EuroCollege Hogeschool in Rotterdam, the Netherlands. Filip gained operational experience in luxury hotels and other hospitality related industries (e.g. Ritz-Carlton, LVMH), also worked as a consultant on a strategic project for Thai hotel chain Dusit International in Bangkok. Since his arrival at Horwath HTL Netherlands he has taken part in various market analysis, valuation and concept development projects throughout the Netherlands and Europe.

THE HORWATH HTL SERVICED APARTMENTS SURVEY:

The survey findings represent the performance data collected from 18 participants, offering 1,800 apartments across various regions in the Netherlands.

56% of the participating apartments are located in the Amsterdam Metropolitan Area, and 44% in the other cities.

The outcome is a baseline reference on the operational performance of this market segment.

HORWATH HTL:

Horwath HTL is the world's largest hospitality consulting brand with 45 offices across the world providing expert local knowledge. Since 1915 we have been providing impartial, specialist advice to our clients and are recognized as the founders of the Uniform System of Accounts which subsequently has become the industry standard for hospitality accounting.

Horwath HTL exists to serve our clients by helping them achieve a broad range of goals. Our success as consultants and our international reputation in this industry depend entirely on how well we meet this fundamental challenge. It is our proven success record of achieving results that makes Horwath HTL the first choice for the world's leading hotel, travel and tourism investors, lenders and operators.

Our regional project experience, market research and analysis capabilities underpin the planning process for new hotel and tourism related developments. By thoroughly understanding local market characteristics, trends and opportunities, Horwath HTL provides product positioning, sizing and facilities configuration recommendations designed to optimize project performances. Financial feasibility is then tested by estimating cash flow and investment returns. Through financial and development sensitivity analyses, we are able to determine the project and financial structure which best meets the objectives of the developer or land owner.

Horwath HTL studies are relied upon by developers, operators, lenders and third parties requiring an impartial assessment of project viability, while our market and product descriptions form the basis for architectural briefs.

Horwath HTL assists buyers and sellers of travel and tourism industry businesses and investors to optimize their objectives through a suite of tailor-made specialty services. These services cover activities from investment and divestment strategy development and transaction services, through to equity and debt finance raising. For lenders, these services extend into pre-lending reviews of hotel projects and acquisitions.

Horwath HTL Netherlands
Van Hengellaan 2
1217 AS Hilversum
The Netherlands
Tel. +31 (0)35 773 26 05
www.horwathhtl.nl
email: info@horwathhtl.nl

Horwath HTL™

Hotel, Tourism and Leisure

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
Health and Wellness
ischweder@horwathhtl.com

BANGKOK, THAILAND
nikhom@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
rdewit@horwathhtl.com

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

ABIDJAN, IVORY COAST
cspecht@horwathhtl.com

KIGALI, RWANDA
fmustaff@horwathhtl.com

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BELGRADE, SERBIA
serbia@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

BERLIN, GERMANY
germany@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LIMASSOL, CYPRUS
cmichaelides@horwathhtl.com

LONDON, UK
eheiberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
austria@horwathhtl.com

WARSAW, POLAND
dfutoma@horwathhtl.com

ZAGREB, CROATIA
zagreb@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
ochudnobsky@horwathhtl.com

SANTO DOMINGO,
DOMINICAN REPUBLIC
speralta@horwathhtl.com

MIDDLE EAST

DUBAI, UNITED ARAB EMIRATES
eheiberg@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
pbreslin@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

MIAMI, USA
acohan@horwathhtl.com

NEW YORK, USA
jfareed@horwathhtl.com

NORFOLK, USA
mcummings@horwathhtl.com

ORLANDO, USA
jfareed@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

TORONTO, CANADA
pgaudet@horwathhtl.com

www.horwathhtl.com