



Horwath HTL™

Hotel, Tourism and Leisure

**Benelux
Hotel Market
Sentiment Survey
Amid COVID-19 Pandemic**

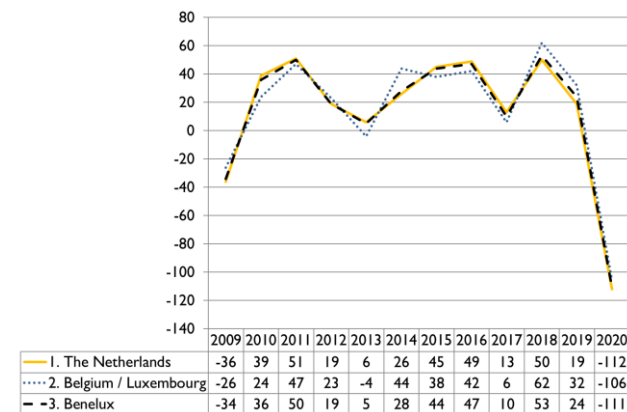
May 2020



INTRODUCTION

The Horwath HTL Benelux Hotel Market Sentiment Survey is part of a broad global survey that gives a quick assessment of the market outlook for the hotel industry. In this edition of the Benelux Hotel Market Sentiment Survey, the questionnaire is specially designed to examine how the pandemic is impacting hoteliers’ outlook for the Benelux hotel market, given that the spread of COVID-19 upends markets and roils businesses globally. The survey was carried out in the first half of April, 2020.

SENTIMENT SCORE



As a way to measure and compare the results across the years, we have created an index to formulate an overall average sentiment score from the questions regarding the hotel market outlook and the hotel performance expectation. Points are assigned to each corresponding response and compounded accordingly. The index utilizes a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook. The sentiment index or scores allow trends to be observed over time.

“This is the most negative score recorded since the sentiment survey began”.

The outlook for 2020 in the Benelux has a sentiment score of -111. This is the most negative score recorded since the sentiment survey began in 2009. The negative score is a direct result of the impact of the COVID-19 outbreak. The outlook in the Netherlands is slightly more negative than in Belgium and Luxembourg.

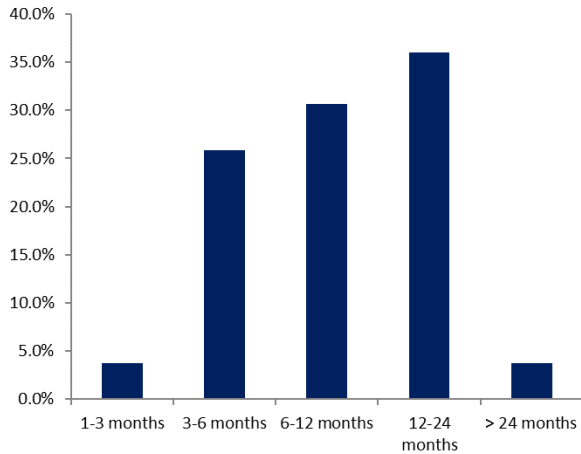
RANKING SCORE KEY

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

The following sections will detail and analyse the survey results.

IMPACT OF COVID-19

Expected duration of impact on the hotel market



Based on the current situation, for how long do you assess the influence of the COVID-19 outbreak on the hotel's operating performance will continue?

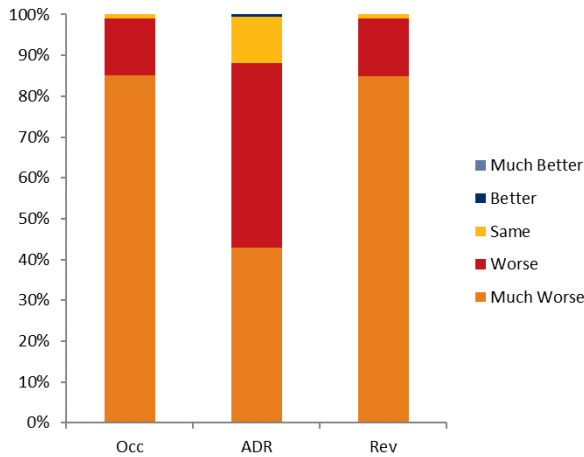
The first survey question gauged hoteliers' expectations on how long the impact of COVID-19 on the overall hotel performance would last. 36 percent of the hoteliers believe it will last for 12-24 months while 31 percent expect the impact to last 6-12 months. Another 26 percent believe the impact will last 3-6 months. Less than 4 percent of hoteliers believe the impact of the coronavirus will last for 3 months or less, while an equal percentage of hoteliers believe it will last for more than 24 months.

The first COVID-19 case was confirmed in December 2019 and the outbreak appeared in late January 2020 in China. The virus later widely spread to Japan, Korea, Europe and the United States. The first cases in Belgium were confirmed in early February 2020, while the first case in the Netherlands was reported in late February 2020. As the number of confirmed cases continues to rise across the world, it is unlikely to wane in a short period of time.

The health crisis also poses challenges to the global economy and discourages all international travel. Given the travel restrictions and mandatory quarantine measures imposed by more than 140 countries, resulting in a drastic decrease in visitor arrivals, the majority of hoteliers (70 percent) expect the impact of COVID-19 will last more than 6 months.

HOTEL MARKET OUTLOOK

Hotel market of 2020 vs 2019

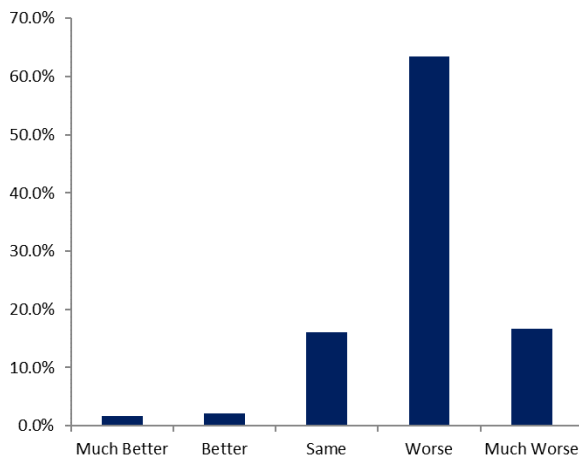


What is your assessment of outlook for the hotel market as a whole for 2020 vs 2019?

Looking at the hotel market as a whole in 2020 compared to the market in 2019, impact of the COVID-19 pandemic is obvious. Almost all respondents believe the hotel market in 2020 will do worse than 2019.

The pessimism in the hotel market today is much stronger than during the previous financial crisis. In 2009, when the Sentiment Survey was first started, 67 percent of the hoteliers expected the market occupancy to be worse, but only 10 percent of those believed it would be much worse. In 2020, 99 percent expect a worse performance, with over 85 percent expecting it to be much worse.

Impact COVID-19 vs financial crisis



How do you assess the influence of the COVID-19 outbreak on the hotel market performance, compared to the 2008 financial crisis?

The participating hotels in 2020 confirm that their view of the COVID-19 crisis is more negative than the previous financial crisis. Over 80 percent consider the current crisis to be worse or much worse. About 16 percent expect the two crises to be about the same, while only 4 percent believe the current crisis will ultimately be less influential.

“The pessimism in the hotel market today is much stronger than during the previous financial crisis.”

MARKET PERFORMANCE SCORE 2020

	Avg	Occ	ARR	Rev
The Netherlands	-125	-139	-97	-139
Belgium & Luxembourg	-123	-133	-104	-131
Benelux	-125	-138	-98	-138

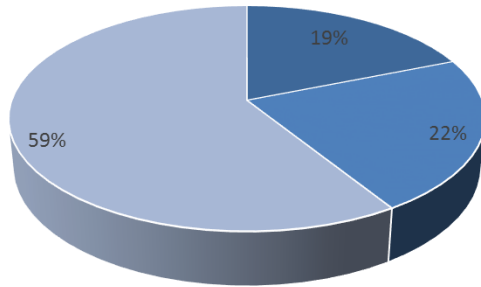
Index Score

As to be expected, the outlook for the hotel market results in a negative sentiment score for all three performance indicators. The sentiment for the average daily rate is only slightly less negative at -98, compared to -138 for both occupancy and total revenues.

OPERATIONAL DEPARTMENTS

The status of operational departments during coronavirus epidemic.

Rooms Department

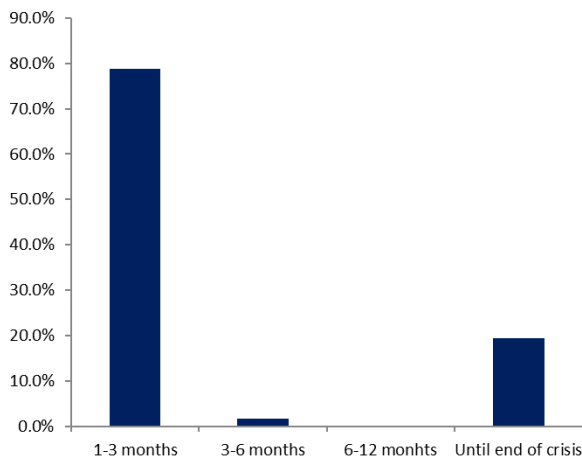


■ Operational ■ Partially closed ■ Fully closed

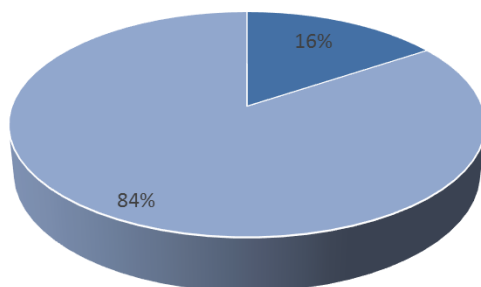
Rooms Department

Due to the rapid pace of booking cancellations, hotels operations are streamlined to reduce cost. In the first half of April 2020, almost 60 percent of participating hotels have completely closed all hotel operations. Additionally, 22 percent have partially closed their guestroom floors; only 19 percent of participating hotels still operate their room inventory in full.

Of the hotels that have closed all operations, almost 80 percent expect to be closed for 1-3 months, with only 2 percent expecting to remain closed for 3-6 months. While no hotelier expects to remain closed for more than 6 months, almost 20 percent have decided to remain closed until the end of the crisis.



F&B and Other Departments



■ Operational ■ Closed

F&B and Other Departments

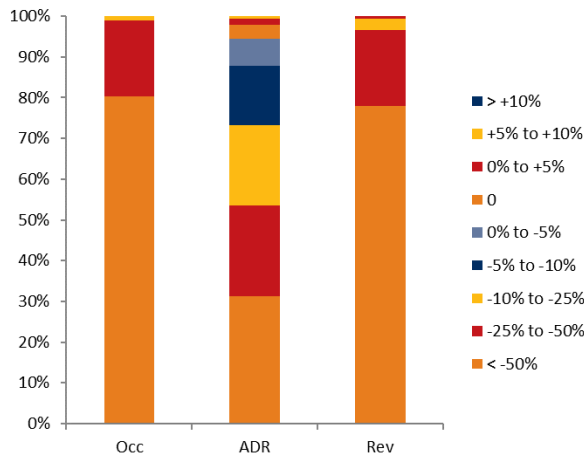
In the first half of April 2020, only 16 percent of respondents claim their F&B outlets are in operations, while 84 percent of respondents have temporarily shut down their F&B outlets. Due to government restrictions, the F&B outlets are only open to hotel guests.

As all (non-hotel) bars and restaurants are currently closed, there is a considerable demand for food delivery and takeaway services. To cater to this market, some restaurants at upscale hotels have started to promote and expand their takeaway and food delivery services.

HOTEL PERFORMANCE EXPECTATION

Considering the influence of the COVID-19 outbreak, what is your expectation for your hotel performance in 2020 vs. 2019?

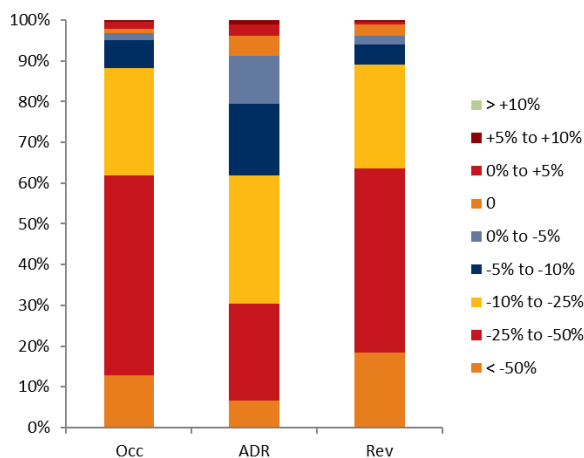
First half of 2020 vs first half of 2019



First half of 2020

The impact of the COVID-19 outbreak on the hotel market in the first half of 2020 cannot be understated. All participating hotels report a decrease in occupancies, with over 80 percent of participating hotels indicating that the hotel occupancy has decreased by more than 50 percent. At the same time, almost all participants report a decrease in average daily rates, with over 50 percent of participants reporting a decrease of more than 25 percent, and over 30 percent reporting a decrease by more than 50 percent. Total revenues have similarly dropped for all participating hotels.

Second half of 2020 vs second half of 2019



Second half of 2020

The outlook for the second half of 2020 is slightly less severe, but still very pessimistic. Some 97 percent of participating hotels expect a continued decrease in occupancies compared to last year, with almost 62 percent expecting a drop of more than 25 percent. Over 91 percent expect a decrease in average daily rate as well, although only 30 percent expect a decrease of more than 25 percent. As a result, total revenues will continue to decrease according to 96 percent of participating hotels, with 64 percent expecting a decrease of more than 25 percent.

“The outlook for the second half of 2020 is slightly less severe”

HOTEL PERFORMANCE SCORE 2020

	Avg	Occ	ARR	Rev
The Netherlands	-99	-113	-70	-115
Belgium & Luxembourg	-90	-107	-57	-106
Benelux	-98	-112	-68	-113

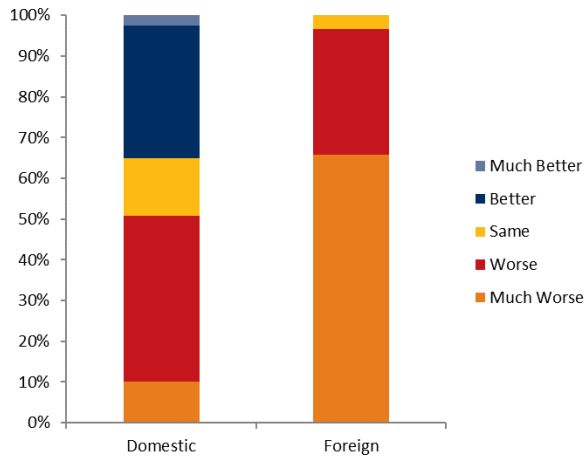
Index Score

Compared to the market view, the hoteliers are slightly less pessimistic about the prospects of their own property, particularly with regard to the average daily rate. However the overall outlook is still very negative.

IMPACT ON DEMAND SEGMENTS

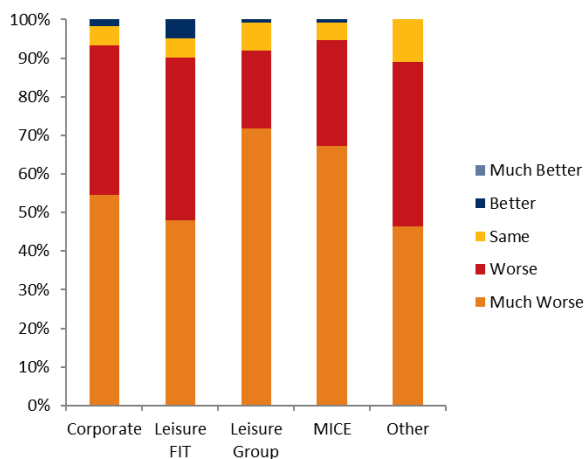
How are each of the major demand segments expected to perform in 2020 vs 2019?

Impact on domestic / foreign segments



The participating hotels are expecting the most negative impact on the foreign market. Almost 97 percent of respondents expect the foreign segment to do worse in 2020, of which over 66 percent expect the segment to do much worse. The outlook for the domestic market is better by comparison, but will still be worse than last year for more than 50 percent of respondents.

Impact on major demand segments



Comparing the outlook for the different demand segments, none inspire much optimism. For all major segments, at least 90 percent of respondents expect the results to be worse or much worse in 2020. The highest impact is seen in the leisure group segment, which will be much worse than last year according to almost 72 percent of respondents, followed by the MICE segment (67 percent much worse) and the corporate segment (55 percent much worse). The only segment to have any positive response at all is the Leisure FIT segment, where 5 percent of participating hotels expect an improvement compared to last year.

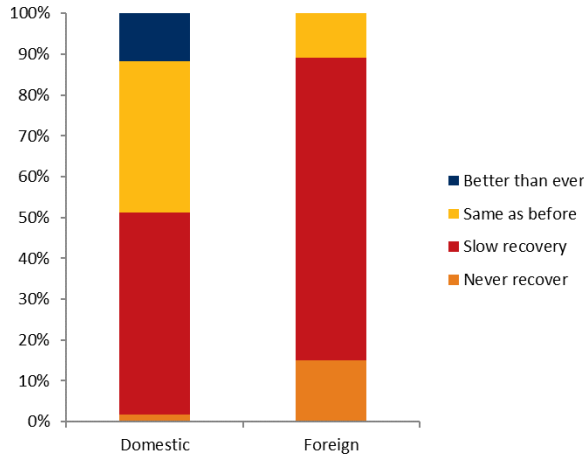
DEMAND SEGMENT RANKING

	DOMESTIC	FOREIGN	COR	LEISURE FIT	LEISURE GROUP	MICE	OTHER
The Netherlands	-12	-120	-110	-97	-120	-122	-100
Belgium & Lux.	-52	-131	-105	-117	-138	-110	-112
Benelux	-18	-122	-110	-100	-122	-121	-102

RECOVERY OF DEMAND SEGMENTS

How are each of the demand segments expected to recover, once the COVID-19 outbreak is over?

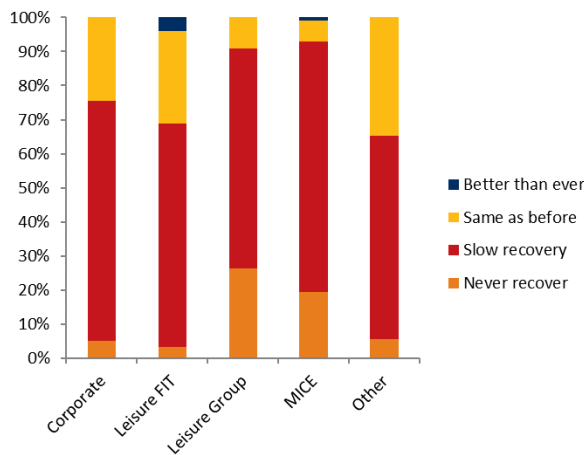
Recovery of domestic / foreign segments



The COVID-19 crisis is expected to have a long-lasting impact in all market segments. Again, the domestic market has the least negative outlook: only 2 percent of respondents expect the domestic market will not recover. And, although almost 50 percent believe it will be a slow recovery, a further 37 percent believe the domestic market will soon be the same as before the crisis. Almost 12 percent even believe that after the end of the crisis, the domestic market will be better than ever.

For the foreign market however, there is much less optimism. 15 percent of participating hotels believe the foreign market will never recover, and 74 percent believe it will be a slow recovery. While 11 percent do believe the foreign market will ultimately be the same as before the crisis, no one believes it will be better than before.

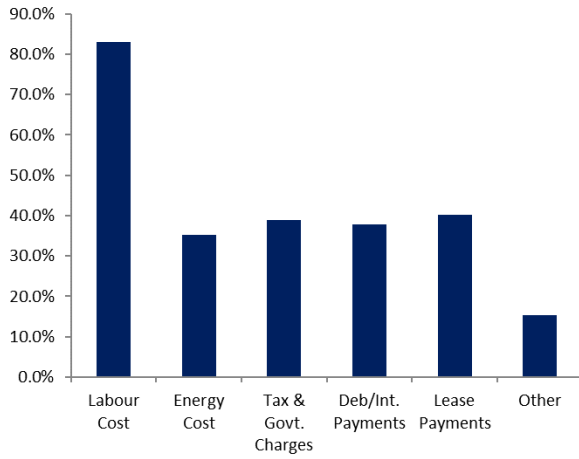
Recovery of major demand segments



Again, we see the most pessimistic outlook for the leisure group and MICE segments, followed by the corporate segment. While the Leisure FIT segment does inspire confidence in 4 percent of respondents, the sentiment remains overwhelmingly negative even for this segment.

MEASURES AND CONCERNS

Major business concerns

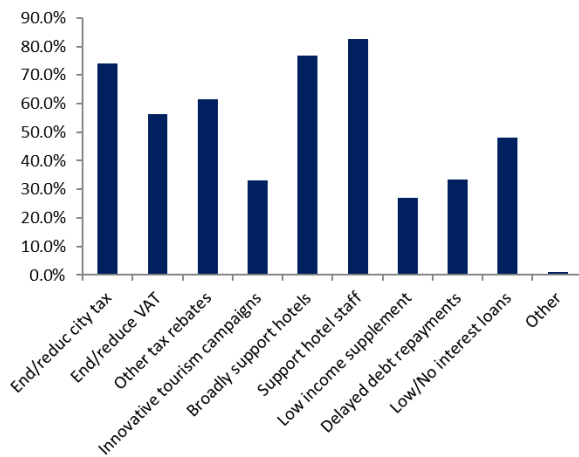


What are your major business concerns related to the COVID-19 outbreak?

Labour costs are the major business concern for over 80 percent of the participating hotels. Between 30 percent and 40 percent also list energy costs, taxes and government charges, debt and interest payment and lease payments as major concerns.

These concerns need to be addressed, as they have a high impact on cash flows and divert resources from business survival / regeneration measures.

Expected government measures



What do you expect government to provide/help for your industry during this situation?

Many countries have given subsidies to the hotel sector; some have permitted large lay-offs adding to unemployment. In the Benelux, the different governments have made several compensations available to businesses in general, including salary compensations, deferral of taxes, and a business loan guarantee scheme. Additional measures expected by the participating hotel managers include temporarily ending or reducing city tax and VAT as well as support for hotel staff and broad support for the hotel industry.

REVENUES AND COSTS

Actions to increase revenues

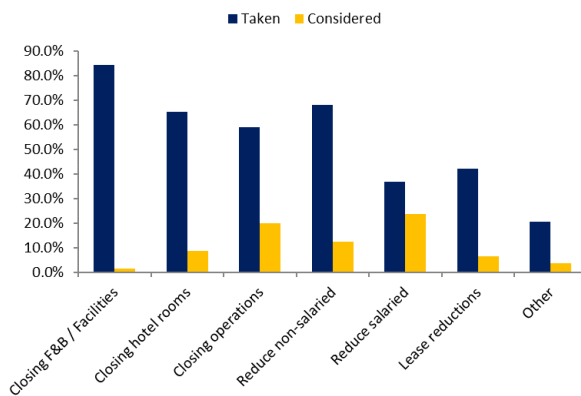


What actions have you taken to increase revenues? What actions are you considering?

As the impact of the COVID-19 outbreak has led to a significant decrease in revenues, many hotels have taken or are considering actions to increase revenues. These include increased sales and marketing activities (45%), selling vouchers for future use (36%) and offering hotel rooms for alternative use such as office or quarantine space (33%). Other initiatives to increase revenues include food deliveries and take-away, private dining in hotel rooms, and refocusing on the short stay market. Additionally, some hotels have offered use of the rooms to healthcare institutions or homeless shelters.

A number of hotels have decided against any actions to increase revenues during the lockdown, either because all operations have ceased or because sales and marketing efforts are considered inappropriate during the lockdown. A few hotels are using the down time to carry out renovations.

Actions to reduce costs



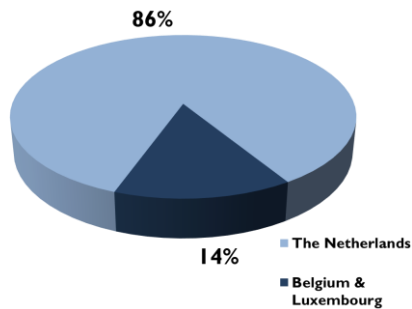
What actions have you taken to reduce costs? What actions are you considering?

On March 12th, the Belgium government announced all bars and restaurants were to be closed. The Netherlands followed on March 15th. The forced closures have since been extended to May 19th in The Netherlands and to June 8th in Belgium. Large events in both countries are cancelled until September 1st. Although hotels in the Netherlands are allowed to serve hotel guests in their restaurants, over 84 percent have closed the F&B and other facilities.

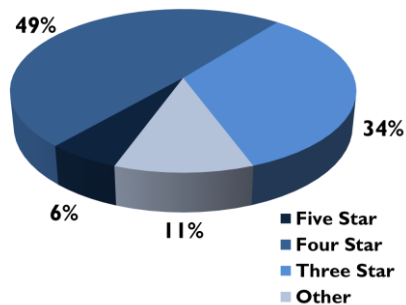
In addition to closing F&B and other facilities, closing hotel rooms or closing the hotel operations entirely, over 68 percent of respondents have reduced the number of non-salaried personnel. Furthermore, 37 percent have reduced the number of salaried personnel, with an additional 24 percent considering this measure. Over 42 percent of participating hotels have requested lease reductions from the hotel owner.

SHARE OF RESPONDENTS

By Location



By Classification



The Horwath HTL Hotel Market Sentiment Survey in general focuses on the current outlook for occupancy, average room rates and total revenue and what the operators feel is going to happen based on their experience. This 2020 edition focused on the assessment of the degree of the influence on the hotel market by the Coronavirus Disease 2019 (COVID-19) outbreak.

Supported by our valued hotel partners, we aggregated the sentiment of hoteliers in the Benelux.

Of the almost 200 respondents, 86 percent came from The Netherlands, and 14 percent from Belgium & Luxembourg.

CONCLUSION

While the fact of pain from this crisis is a certainty, so too is the fact that there will be a recovery.

The industry has provided its outlook, and business leaders’ and hotel managers’ expectation of gradual recovery is a realistic and sensible approach. However, while we may hope that the pace of recovery may be somewhat quicker (at least in some pockets) and at least to the levels where operating cash break-even (before debt service) is achieved, we also need to consider other scenarios. Even if the current pandemic can be overcome, there is a very real danger for a reappearance in the fall. The impact may last even longer if social distancing measures are extended into 2021, even if the actual lockdowns are ended.

Even in the most positive scenario, several hotels will likely find it hard to survive the current shutdown and even a three month slow period – this will inevitably lead to job losses and defaults. The sentiment can be turned into positivity by timely and effective support from the government; that would auger well for the long term health of the sector and its contribution to the overall economy.

Horwath HTL Netherlands

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 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.

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As senior consultant with Horwath HTL, Marco van Bruggen has carried out over 200 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.



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Ewout Hoogendoorn is owner and managing director of Horwath HTL Netherlands, a member of Crowe Global. Horwath HTL presents marketing and financial figures of the Benelux hotel industry at an annual conference initiated and chaired by Ewout as of 1996, and is sponsored since 2017 by ABN AMRO Bank. As Horwath HTL takes a leading position in consulting to the hotel industry, Ewout is involved in almost all major Dutch hotel developments.



Hotel, Tourism and Leisure

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