



HotelBeat

Destination: LUXEMBOURG CITY, LUXEMBOURG

September 2013



DESTINATION OVERVIEW

Landlocked in the heart of Europe and one of its smallest countries, Luxembourg has often been at the centre of European history. Today, it has one of the strongest economies in the world and generates employment within many of its neighbouring countries. Much of its early economic expansion was fuelled by a flourishing steel industry in the early 20th century. More recently it has evolved into a leading international financial centre, and is home to many EU institutions. It has few towns and only the capital is deserving of city status. Luxembourg City is not only home to the financial sector and EU institutions, but also to the country's international airport. Despite tourism not being core to the development of Luxembourg's overall economy, it nonetheless accounts for 5.7% of GDP and Luxembourg City accounts for some 50% of total national hotel room supply. Notable attractions in the city include: 23km of underground defence passages (Casemates), the Grand Duke's Palace, its UNESCO World Heritage listed Old Town and the modern architectural landmarks of Kirchberg.

ECONOMIC TRENDS

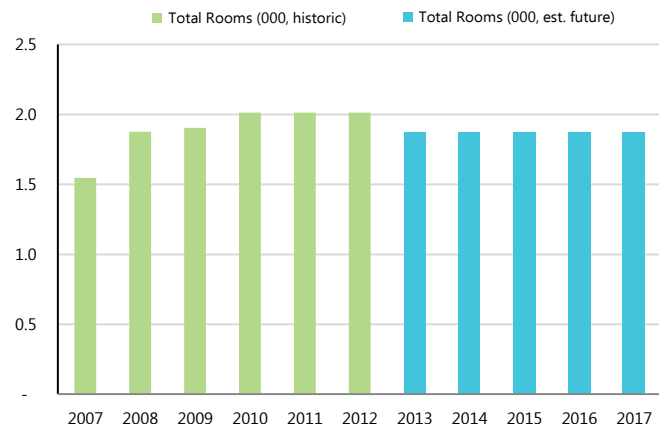
Buoyed by a strong financial services environment, Luxembourg experienced strong economic growth during the 1990's and early 2000's – far exceeding that of other European countries. After the global financial crisis struck in 2008, GDP fell by 5.3% in 2009, marking Luxembourg's worst recession since the 1970's. A stimulus package in 2010 boosted growth, but GDP slowed again in 2011 and 2012. Longer term more reasonable growth levels are expected, whilst international visitation is also expected to recover as the tourism authorities invest more in marketing and promotion in future.



Source: IMF and Statoc

HOTEL SUPPLY

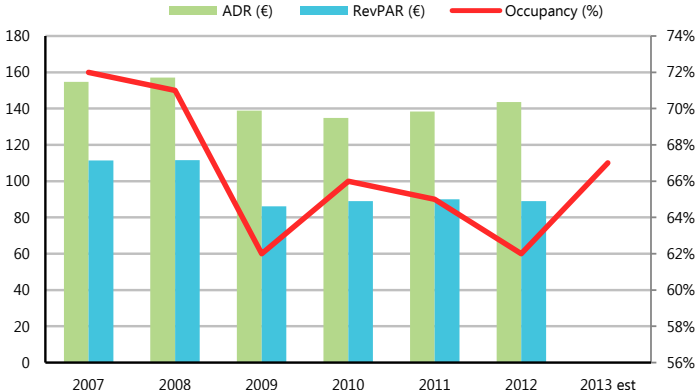
There are currently four five-star and 19 four-star hotels in the city (graphs below and right track the quality end of the market). The majority of these rooms are internationally branded (rather than independent). Leading up to the financial crisis a number of hotels were in developed and opened (including Melia, Sofitel Le Grand Ducal and Hotel Le Place D'Armes). In 2012, the Hilton underwent conversion to a DoubleTree and reduced its room count, and Hotel Rix closed to be redeveloped into office space. Looking forward, there are no confirmed plans for new hotels in the city.



Source: Whitebridge Hospitality research

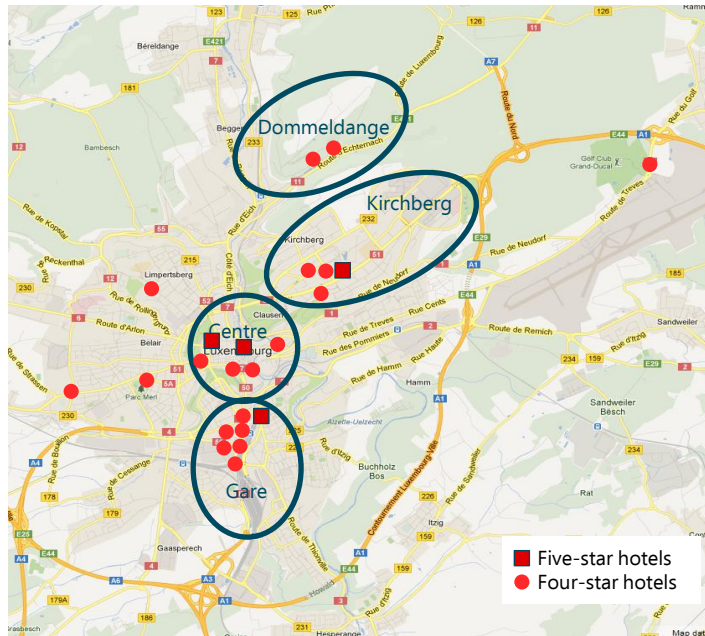
HOTEL PERFORMANCE TRENDS

The performance data presented below shows how volatile occupancy levels have been since the mid-2000's. The economic crisis has clearly had an impact, but it is also partly due to the EU hosting fewer meetings in the city in recent years, as holders of the EU presidency elect to host more meetings in their respective countries. Thus local hotels have sought other sources of demand, including a greater emphasis on leisure (majority of demand, over 60%, is corporate related), and occupancy is expected to pick up in 2013. By contrast, ADR is relatively stable and has grown annually since 2010.



Source: Whitebridge Hospitality research

DESTINATION MAP



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