

Tourism erupts in Iceland, says HVS report

17 January 2017, London: Tourism in Iceland has experienced unprecedented growth since 2010 resulting in a healthy rise in occupancy levels amongst the country's hotel supply and prompting alternative accommodation to flourish, according to a new report from global hotel consultancy HVS.

Media coverage of the volcanic eruption of Eyjafjallajökull in 2010 heightened global awareness of Iceland and its natural beauty, which, along with a sudden affordability caused by the depreciation of its currency raised its profile to foreign tourists, particularly those from the UK, US and Germany.

The country's Keflavik International Airport has seen double-digit growth with arrivals and departures up 16% in 2011, 19% in 2014, and almost 25% in 2015. In the year-to-October 2016 growth was 34% over the same period in 2015, with more passengers than the previous year as a whole.

This has been welcome news for a hotel sector that prior to 2010 struggled to achieve annual occupancies of 50%. Achieved occupancies rose 36% between 2010 and 2015, with those in the capital and outlying areas up 42%. In 2015 the capital region achieved an overall occupancy of 79%, up from 55% in 2010, while the whole of Iceland saw an average occupancy of 64%, up from 47% in 2010.

According to data provided by Benchmarking Alliance, the country's capital Reykjavik is fast becoming one of the strongest performing cities in the Nordics with the highest occupancy in 2016 Q1, the strongest rate in Q2, and outperforming other Nordic capitals in Q3.

Room supply has increased 11% between 2010 and 2015, and by an annual 6% in Reykjavik, where trendy lifestyle properties have opened such as 101, Hotel Bork and Canopy by Hilton. The current development pipeline over the next three years of around 2,000 rooms still falls short of demand.

However, the HVS report warns that such an explosion of the sharing economy combined with a hefty hotel development pipeline could pose a threat to the hotel market, particularly if tourism growth were to slow, or even decline, forcing the hotel sector and the sharing economy to compete head-on. This would result in a fall in hotel occupancies and average rates.

?The growth of Airbnb in Iceland hasn't affected hotel occupancies yet, but it has created a low-cost alternative which can limit their ability to drive average rates during peak seasons, despite high occupancies,? commented report author Stephen Collins, senior associate, HVS London.

?Once hotel room supply begins to catch up with demand, it will prove to be an interesting to see whether hotels are able to reclaim the unaccommodated demand that had previously been forced into alternative accommodations when hotels were full.? **[ends]**

Access the full report **Red Hotel Growth In An Ice-Cold Land, an overview of Iceland's hotel market** by Stephen Collins
<https://www.hvs.com/article/7901-red-hot-growth-in-an-ice-cold-land-an-overview-of-icelands-hotel-market>

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About HVS

HVS, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, was established in 1980. The company performs 4,500+ assignments each year for hotel and real estate owners, operators, investors, banks and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of some 35 offices and more than 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [HVS.com](https://www.hvs.com)

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