

# Opportunities in the Zurich hotel market

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## 1. Introduction

### 1.1. Background

Zurich is, albeit not the capital, the largest city of Switzerland with over 400'000 inhabitants (2017). It is home to many international companies, an important financial center and features the largest railway station and airport in the country. Zurich lists over 5 million overnight stays a year (2017) from both, domestic and international tourists. As such it is home to many hotels but still holds a strong pipeline of future hotel projects. Since my professional background is in hospitality, I have decided to conduct this study on the Zurich hotel market and its opportunities in the different neighborhoods.

### 1.2. Problem

This report intends to assess the current Zurich hotel market including existing hotels, focus on business or leisure customer segments, proximity to tourist attractions, gastronomy and any other relevant feature for guests visiting Zurich. In addition, the pipeline of future hotels will be analyzed such as hotels being currently built and signed hotel deals that are about to be constructed.

Based on this assessment, an analysis will be conducted to identify a neighborhood in Zurich where future hotel developments may take place. Recommended location(s) will be shown on a map along with further details on target customer segment, food and beverage outlets and further facilities such as a spa.

### 1.3. Interest

Zurich being a target of many investors, this report will be of interest to any real estate developer or investor that considers entering the hotel market in Zurich. Furthermore, investors and hotel managers currently present in the market might be interested in the current assessment of the market and its opportunities.

## 2. Data

The data used to conduct this study is listed below.

- Tourism statistics to give a general overview over the hotel industry in Zurich from [https://www.stv-fst.ch/sites/default/files/2018-07/stiz\\_en.pdf](https://www.stv-fst.ch/sites/default/files/2018-07/stiz_en.pdf)
- Neighborhoods in Zurich from <https://flatfox.ch/de/staedte-schweiz/zuerich/quartiere-zuerich/>
- Foursquare API to find common venues, cluster neighborhoods and find existing hotels within Zurich
- Hotel pipeline data from [https://www.hvs.com/StaticContent/LondonInFocusZurich/HVS-Zurich-Snapshot\(1\).pdf](https://www.hvs.com/StaticContent/LondonInFocusZurich/HVS-Zurich-Snapshot(1).pdf) and <https://www.nzz.ch/finanzen/neues-liebkind-der-investoren-wie-nachhaltig-ist-der-hotel-boom-in-zuerich-ld.142190>

## 3. Methodology

### 3.1. Districts in Zurich

Unfortunately, no website was found with data on the district and neighborhood names, postal codes as well as coordinates. However, the district names in Zurich are fairly straightforward (Kreis 1-12).

Therefore, the initial data frame was created manually, please see below the first three rows below

	District	Neighborhood
0	Kreis 1	Altstadt
1	Kreis 2	Enge, Wollishofen, Leimbach
2	Kreis 3	Wiedikon

Further, the coordinates of each neighborhood was found using the geocoder function, see the example of district 1 below.

```
address = 'Kreis 1, Zurich, Switzerland'

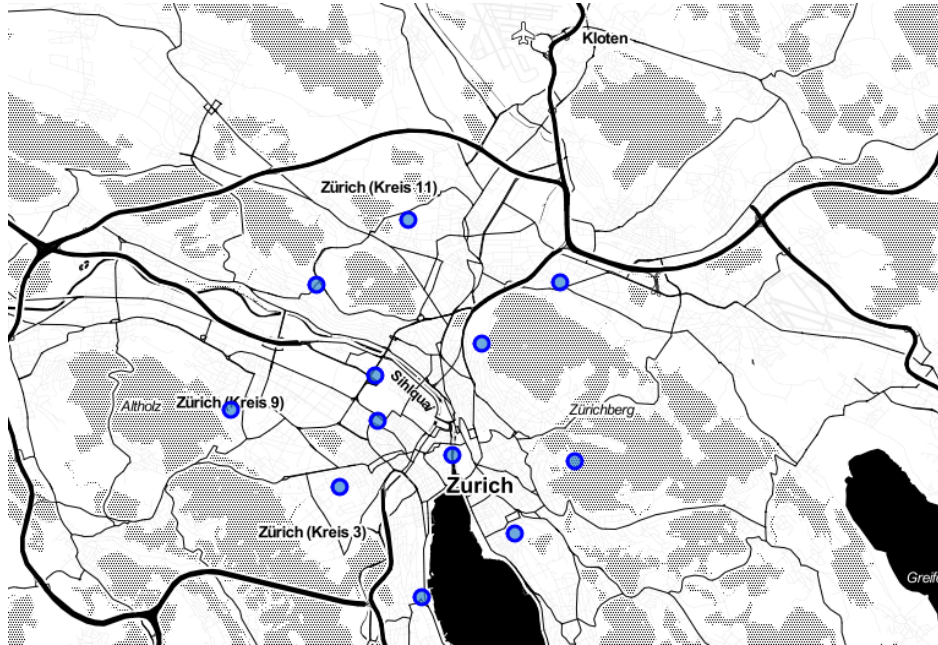
geolocator = Nominatim(user_agent="foursquare_agent")
location = geolocator.geocode(address)
lat1 = location.latitude
long1 = location.longitude
print(lat1, long1)

47.3722329 8.5423291
```

Once all coordinates were found, they were added to the initial data frame to create the below table (first 3 rows depicted).

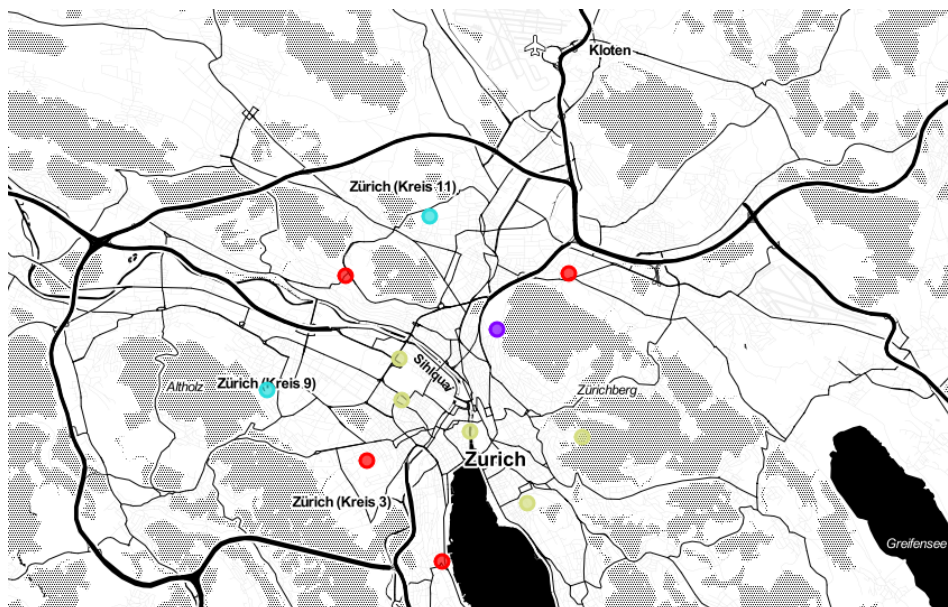
	District	Neighborhood	Latitude	Longitude
0	Kreis 1	Altstadt	47.372233	8.542329
1	Kreis 2	Enge, Wollishofen, Leimbach	47.345345	8.533627
2	Kreis 3	Wiedikon	47.366267	8.510713

The following map depicting the neighborhoods of Zurich was then created to give an overview over all 12 districts in Zurich.



### 3.2. Clustering of districts in Zurich

As a next step, the 12 districts in Zurich were clustered according to most common venues. In order to do this, the Foursquare location data was used. The machine learning algorithm applied was k-means ( $k=4$ ). The below map shows the clustered neighborhoods in Zurich.



The clusters were then analysed based on the common venues as well as the location from the city center, the main railway station as well as the airport.

**Residential** - Cluster 1 consists of four districts, all of which are very well connected to the tram network. In addition, restaurants are very popular in these areas. However, these areas are quite far from the center and the present grocery stores and supermarkets indicate residential areas.

Neighborhood	1st Most Common Venue	2nd Most Common Venue	3rd Most Common Venue	4th Most Common Venue	5th Most Common Venue
Enge, Wollishofen, Leimbach	Tram Station	Bus Station	Supermarket	Restaurant	Mediterranean Restaurant
Wiedikon	Tram Station	Italian Restaurant	Lounge	Asian Restaurant	Video Store
Wipkingen, Höngg	Café	Grocery Store	Tram Station	Health & Beauty Service	Gym Pool
Schwamendingen	Tram Station	Bus Station	Italian Restaurant	Swiss Restaurant	Fast Food Restaurant

**University** - Cluster 2 consists of only one district. This district is home to the university of Zurich as well as the ETH Zurich. It is located on the hillside of Zurich and hence offers scenic lookouts.

Neighborhood	1st Most Common Venue	2nd Most Common Venue	3rd Most Common Venue	4th Most Common Venue	5th Most Common Venue
Oberstrass, Unterstrass	Scenic Lookout	Tram Station	Athletics & Sports	Middle Eastern Restaurant	Snack Place

**Suburb** - Cluster 3 consists of two districts and are the furthest away from the city center. Both of them are however well connected to the bus network. In addition, Oerlikon, Seebach and Affoltern are located quite close to the airport.

Neighborhood	1st Most Common Venue	2nd Most Common Venue	3rd Most Common Venue	4th Most Common Venue	5th Most Common Venue
Altstetten, Albisrieden	Bus Station	Pizza Place	Middle Eastern Restaurant	Soccer Field	Wine Bar
Oerlikon, Seebach, Affoltern	Bus Station	Martial Arts Dojo	Thrift / Vintage Store	Swiss Restaurant	Restaurant

**Old town** - Cluster 4 is the biggest cluster and consists of five districts. These are located closest to the city center, offer a lot of restaurants and bars as well as shops. In addition, there are a lot of hotels in district 7.

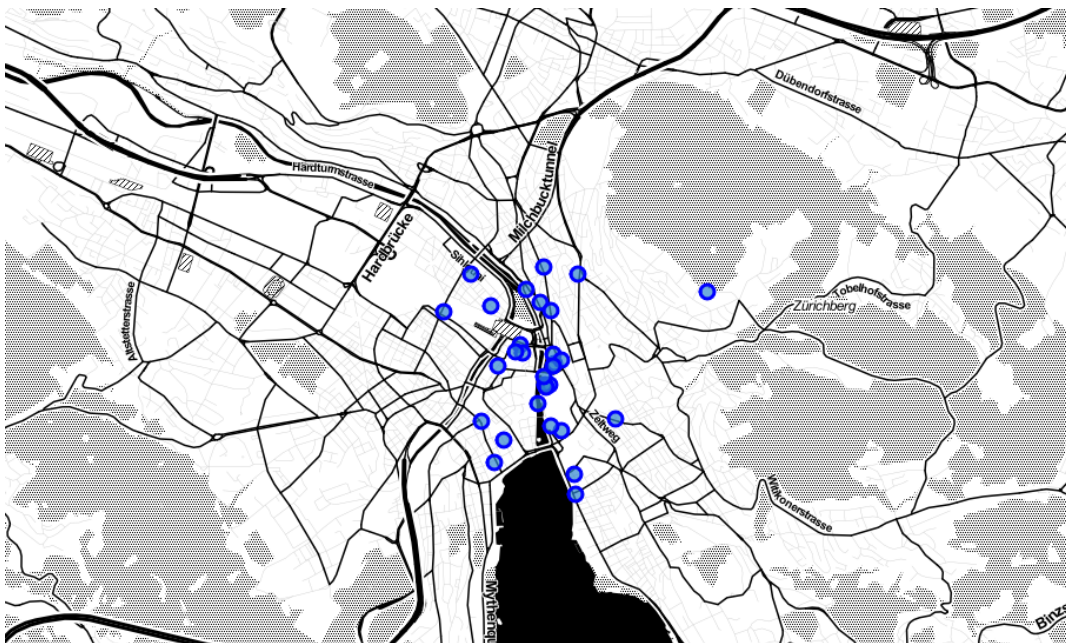
Neighborhood	1st Most Common Venue	2nd Most Common Venue	3rd Most Common Venue	4th Most Common Venue	5th Most Common Venue
Altstadt	Swiss Restaurant	Café	Cocktail Bar	French Restaurant	Lounge
Werd, Langstrasse, Hard	Bar	Café	Italian Restaurant	Swiss Restaurant	Restaurant
Industriequartier	Nightclub	Bar	Accessories Store	Furniture / Home Store	Convenience Store
Fluntern, Hottingen, Hirslanden, Witikon	Swiss Restaurant	Molecular Gastronomy Restaurant	Spa	Hotel	Tram Station
Seefeld, Mühelbach, Weinegg	Supermarket	Italian Restaurant	Tram Station	Restaurant	Bakery

### 3.3. Existing hotels in Zurich

With a search query on the Foursquare API and a radius of 6km from the city center, 29 existing hotels were found.

	name	categories	address	cc	city	country	crossStreet	distance	formattedAddress	labeledLatLngs	lat	lng
0	Zurich Marriott Hotel	Hotel	Neumuehlequai 42	CH	Zürich	Schweiz	NaN	630	[Neumuehlequai 42, 8006 Zürich, Schweiz]	[[{"lng": 8.540505, "label": "display", "lat": ...	47.382572	8.540505
1	Hotel Schweizerhof Zürich	Hotel	Bahnhofplatz 7	CH	Zürich	Schweiz	NaN	139	[Bahnhofplatz 7, 8001 Zürich, Schweiz]	[[{"lng": 8.539562147437913, "label": "display", "lat": ...	47.377046	8.539562
2	Hotel City Zürich	Hotel	Löwenstrasse 34	CH	Zürich	Schweiz	NaN	440	[Löwenstrasse 34, 8001 Zürich, Schweiz]	[[{"lng": 8.536323809816984, "label": "display", "lat": ...	47.374993	8.536324

Below map shows these 29 hotels.



Comparing this map to the neighborhoods map it is very clear that most hotels are within the cluster “Old Town”. This was also supported that one common venue within this cluster was “Hotels”.

### 3.4. Hotels in the pipeline in Zurich

The following new hotels were found to be in construction or have a signed deal and are planning to open in a few years.

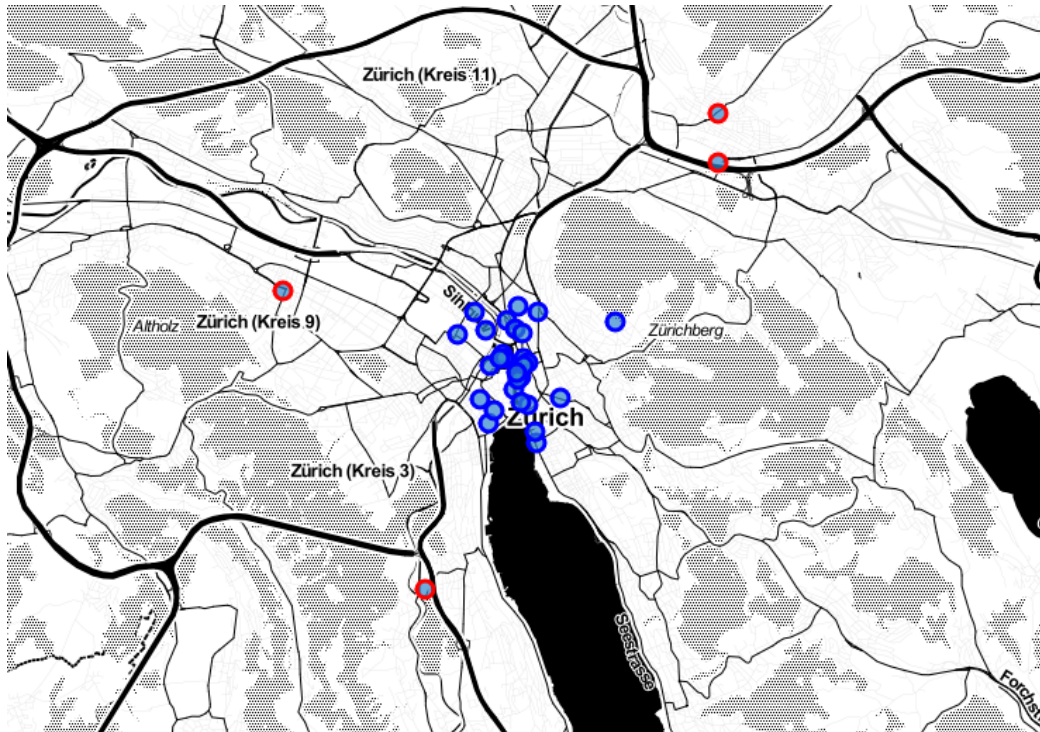
- B&B hotel in Wallisellen
- Harry's Home in Wallisellen
- A-ja resort in Altstetten
- Meininger hotel in Wollishofen

The coordinates of these hotels were found with the geocoder function.



	Address or Neighborhood	Name	Latitude	Longitude
0	Richtistrasse 6, Wallisellen	B&B	47.408603	8.591999
1	Seidenplatz 3, Wallisellen	Harry's home	47.416620	8.591999
2	Altstetten	A-ja resort	47.387403	8.486061
3	Greencity, Wollishofen	Meininger	47.338154	8.520427

And finally, these four new hotels in the pipeline were added to the hotel map with red markers.



## 4. Results

Zurich has a total of 12 districts which can be clustered into 4 clusters as follows: Residential, University, Suburban and the Old Town. Most hotels are located within the old town of Zurich where lots of sightseeing, shops, restaurants and bars are offered. To be noticed is that in all clusters there seem to be many restaurants present which provides some basic infrastructure for both, leisure and business guests.

Further, all four hotels in the pipeline are about to be built a little outside of Zurich in the residential part. Zurich is very congested already in the city center and is well known for its high property prices. It is therefore not surprising that hotels in the pipeline are not in the city center.

## **5. Discussion and Recommendation**

Based on the above analysis, we see that the city center has a good supply of hotels already. Also seeing that future hotels are being built outside of the city center, we may assume that it is much more lucrative on these secondary locations. It would be interesting to further analyze these locations and conduct proper feasibility studies to see where a new property might make most sense. All these neighborhoods offer many restaurants and even sightseeing spots such as in the neighborhood “Kreis 6”.

## **6. Conclusion**

Concluding this report, it can be said that although supply is rising in Zurich and occupancy hovers around 65%, all clusters apart from the Old Town offer many opportunities to build further hotels. The above analysis however is by far not enough to pinpoint one location in particular where a hotel will be profitable and further analysis needs to be done.