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HOTEL MARKET SNAPSHOT: SCANDINAVIA 2022

FINLAND | SWEDEN | NORWAY | DENMARK | ICELAND

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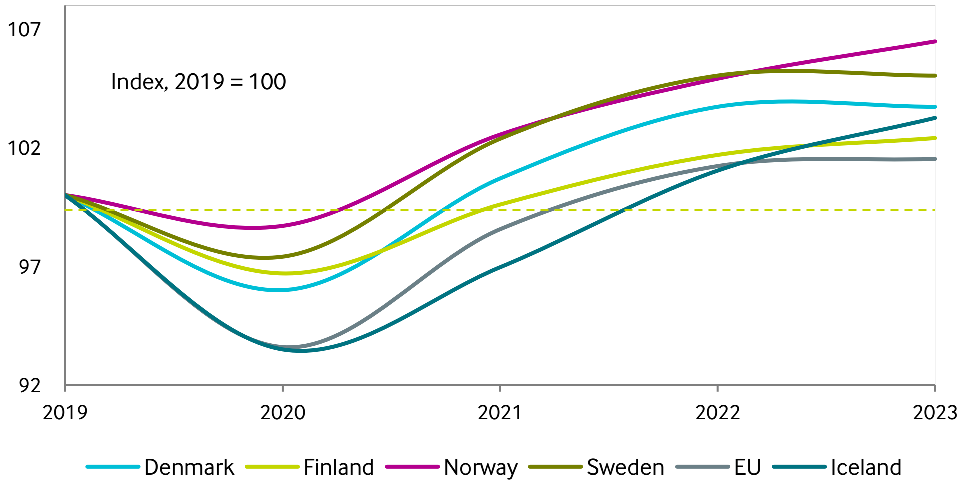
PROSPEROUS ECONOMIES

- Scandinavia, geographically referred to a group consisting of Denmark, Norway and Sweden, also includes Finland and Iceland on a more broad approach. It is home to approximately 28M people with strong common cultural, historical, linguistic and commercial ties.
- Despite the global economic slowdown due to the recent pandemic, Scandinavia is still one of the world's most prosperous and healthiest economies, with an overall long-term economic outlook remaining positive and ahead of the rest of Europe.
- The region has faired relatively well throughout the pandemic compared to other European nations in terms of public health and overall economic performance. Like so many others, the Scandinavian states have experienced an obvious downfall in GDP growth in 2020-2021 (c. -2%), although the decline was notably less and short-lived in comparison with an EU average (c. -6%). The only exception is Iceland, where tourism plays a more dominant role in the economy; almost 10% of Iceland's GDP is linked to travel-related fields, while the economies of Finland, Norway, Sweden and Denmark are not overly exposed to it (c. 3-5%).
- Furthermore, Scandinavian-five's average nominal GDP per capita remains two times the European Union average, according to 2022 data (€64,900 vs € 35,000).

NOMINAL GDP GROWTH, 2019-2023



Macroeconomic projections				
Country	**Annual Inflation, %**			
	2022	**2023**	**2024**	**Trend**
Finland	7.1	4.2	1.5	▼
Sweden	8.2	9.1	2.1	▼
Denmark	8.0	6.9	1.7	▼
Norway	5.8	4.7	2.2	▼
Iceland	7.5	4.9	3.3	▼
Country	**Unemployment Rate, %**			
	2022	**2023**	**2024**	**Trend**
Finland	6.9	7.3	7.0	▶
Sweden	7.4	7.8	8.2	▶
Denmark	4.6	5.3	4.9	▶
Norway	3.2	3.6	4.0	▶
Iceland	3.8	3.7	3.8	▶
Country	**GDP Growth, %**			
	2022	**2023**	**2024**	**Trend**
Finland	2.0	-0.2	1.6	▲
Sweden	2.9	-1.3	1.3	▲
Denmark	2.5	-0.5	2.5	▲
Norway	2.1	0.8	1.9	▲
Iceland	5.1	2.9	2.2	▲

Sources: International Monetary Fund (IMF); Christie & Co Research

RECOVERY LED BY DOMESTIC DEMAND

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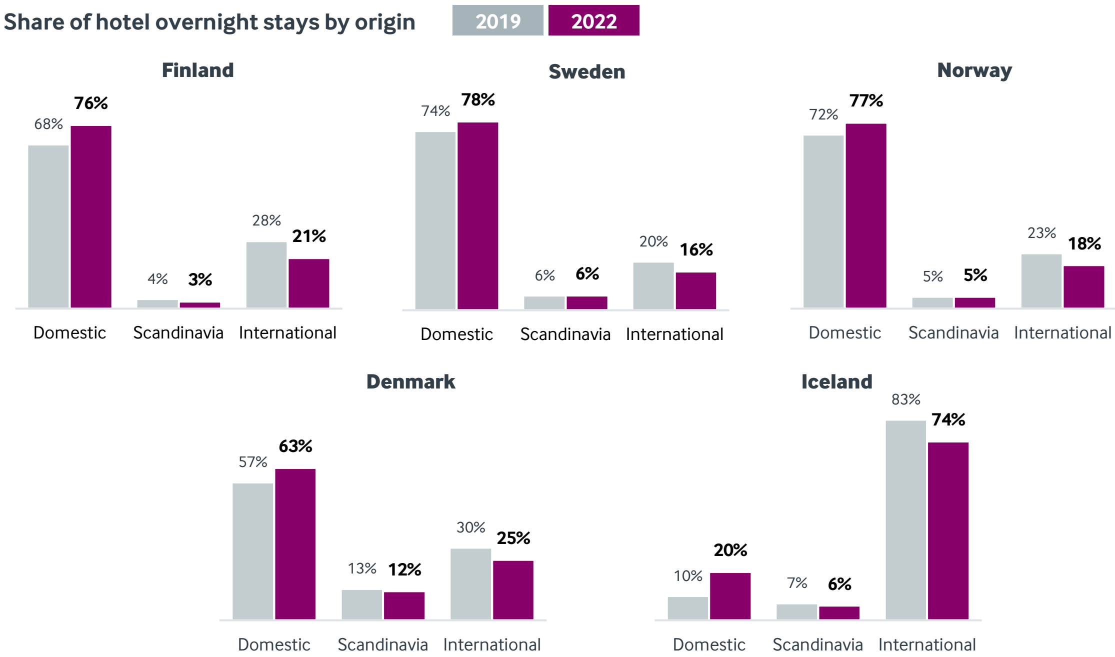
- The hotel market recovery in all five markets was primarily fuelled by domestic travel.
- Denmark and Iceland have already exceeded 2019 levels in overnight hotel stays by 8% and 4%, respectively. Sweden registered the exact same amount of nights, while Finland and Norway are only 5% and 4% behind.
- International travel is still underperforming; the hotel stays produced by outbound visitors are below 2019 numbers, with Iceland and Denmark being the closest to breaking even with a recovery of 92% each.
- The current inflationary environment, reduced demand for corporate travel and the lesser amount of congresses held in the region have impacted the recovery of passenger traffic volume. As a result, the arrivals to the airports of capital cities are below 2019 figures in the range of 15% to 40%.
- A number of new hotel openings were registered in the last four years. This, together with the reopening of existing properties, led to positive changes on the supply side.

Share of hotel overnight stays by origin



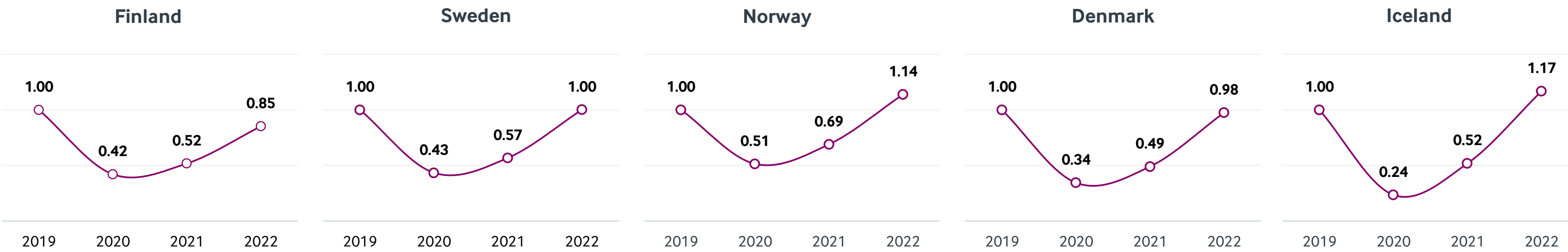
Tourism in Scandinavia, Key Changes, 2022, %-change vs 2019

Country	Total overnight hotel stays, M		Domestic overnight hotel stays		Foreign overnight hotel stays		Hotel guestroom supply		Capital city airports, passenger volume, M		Main air carrier's fleet, including subsidiaries, excluding orders	
Finland	17.5	▼ 5%	13.4	▲ 6%	4.1	▼ 30%	60K	▲ 5%	HEL: 12.9	▼ 41%	Finnair: 80	▼ 3%
Sweden*	33.9	on par	26.7	▲ 5%	7.2	▼ 13%	149K	▲ 8%	ARN: 18.0	▼ 25%	SAS: 135	▼ 14%
Norway	23.9	▼ 4%	18.4	▲ 3%	5.5	▼ 22%	58K	▲ 13%	OSL: 22.5	▼ 21%	SAS: 135	▼ 14%
Denmark	18.5	▲ 8%	11.6	▲ 21%	6.9	▼ 8%	90K	▲ 8%	CPH: 22.1	▼ 27%	Norwegian: 69	▼ 55%
Iceland	4.7	▲ 4%	0.9	▲ 113%	3.8	▼ 8%	11K	▲ 1%	KEF: 6.1	▼ 15%	Icelandair: 43	▼ 5%

** Data for Sweden covers the period from January 2022 to October 2022 (10 months);*
Sources: Statistics Finland; Swedish Agency for Economic and Regional Growth; Statistics Denmark; Statistics Norway; Statistics Iceland; Christie & Co Research

COUNTRY-WIDE PERFORMANCE

RevPAR Index (2019 = 1.00)



On the **overall country level**, the recovery of the hotel market in the Scandinavian region from the COVID-19 pandemic has been impressive last year:

FINLAND: Historically and geographically more reliant on Russian tourists and Asian travellers transiting from the far east to Europe, the Finnish hotel market recovery was hampered by their absence and has been slower compared to other countries in the group. Despite this, countrywide ADR reached a new record high: €110 in 2022 vs €105 in 2019. RevPAR and average occupancies, however, are still 15% and 11% behind.

SWEDEN: The largest hotel market of the Nordics by room count, Sweden, has achieved the exact same level of RevPAR in 2022 (c. €62) and surpassed the pre-pandemic ADR level (€105 vs €97). The occupancy level is only five percentage points behind compared to 2019.

NORWAY: Hotels in Norway witnessed an impressive rebound last year and came second-ranked, after Iceland, in KPI recoveries. RevPAR recovery exceeded 2019 figures by 14%, strongly supported by the highest ADR hike in the region (20%!) and an average occupancy coming very close (only four percentage points behind) to the pre-pandemic level of 60%.

DENMARK: Danish hotel market has been steadily recovering since mid-2021, driven, as in other Scandinavian states, by a surge in domestic tourism. It is worth highlighting that pre-pandemic Denmark had the highest occupancy rates, which usually hovered around 71-72%. In 2022, it gave way only to Iceland, with an occupancy of 65%. RevPAR is just slightly lower, whilst ADR surpassed by 7% (€123 in 2022 vs €115 in 2019).

ICELAND: The most stellar performance is registered by distant Icelandic hotels. With an average occupancy of 68% in 2022 (only a couple of percentage points behind 2019), Iceland is a regional leader in terms of both occupancy and RevPAR recovery (+17% above 2019!). The hotels reached a historic-high ADRs of €160, resulting in 16% growth compared to 2019.

Sources: Benchmarking Alliance; Christie & Co Research

PERFORMANCE OF CAPITAL CITIES

RevPAR Index (2019 = 1.00)

When it comes exclusively to the performance of **Scandinavian capital cities**, the picture is a little gloomier, with more markets apparently behind pre-pandemic levels. Generally speaking, it can be explained by: (1) the higher share of international tourists in overnight stays; (2) a stronger incline towards corporate and MICE travel (except Reykjavík), the segments recovering slower compared to the leisure segment; (3) more robust and diversified growth on supply side compared to the provincial areas.

HELSINKI: Pre-pandemic, almost one in five hotel nights were generated by the combined effort of Russian and Chinese tourists in the Finnish capital. The dramatic decrease in their numbers (up to 90%) has left a considerable mark and led to occupancy being 20 pp. behind pre-pandemic level (52% in 2022 vs 72% in 2019) and RevPAR being 31% short in comparison with 2019. At the same time, driven by the inflationary environment, ADR surpassed the previous record of 2019 by 3% and reached €116 last year.

STOCKHOLM: Considering its voluminous room supply, it will be fair to say that 2022 was a fruitful year for the Swedish capital. The third among five, Stockholm outperformed the 2019 ADR level by 4%, whilst occupancy and RevPAR rates are below by 9% and 10%, respectively.

OSLO: Norwegian capital and Reykjavík are the region's only capitals to break even and comfortably surpass the 2019 levels. An impressive rise in ADR by 21% from c. €110 in 2019 to c. €135 in 2022 helped the RevPAR index to exceed the threshold by 7%.

COPENHAGEN: Although RevPAR and occupancy are still 16% and 14% below the benchmarked 2019 levels, the Danish capital, however, was one of the leaders in absolute numbers among inland European capitals with an ADR of approx. €140 and an occupancy rate of 65% in 2022. The slower recovery of Copenhagen can also be explained by a slightly higher proportion of international demand compared to Helsinki, Stockholm and Oslo (pre-pandemic, more than one-fourth of overnight stays were generated by foreign tourists).

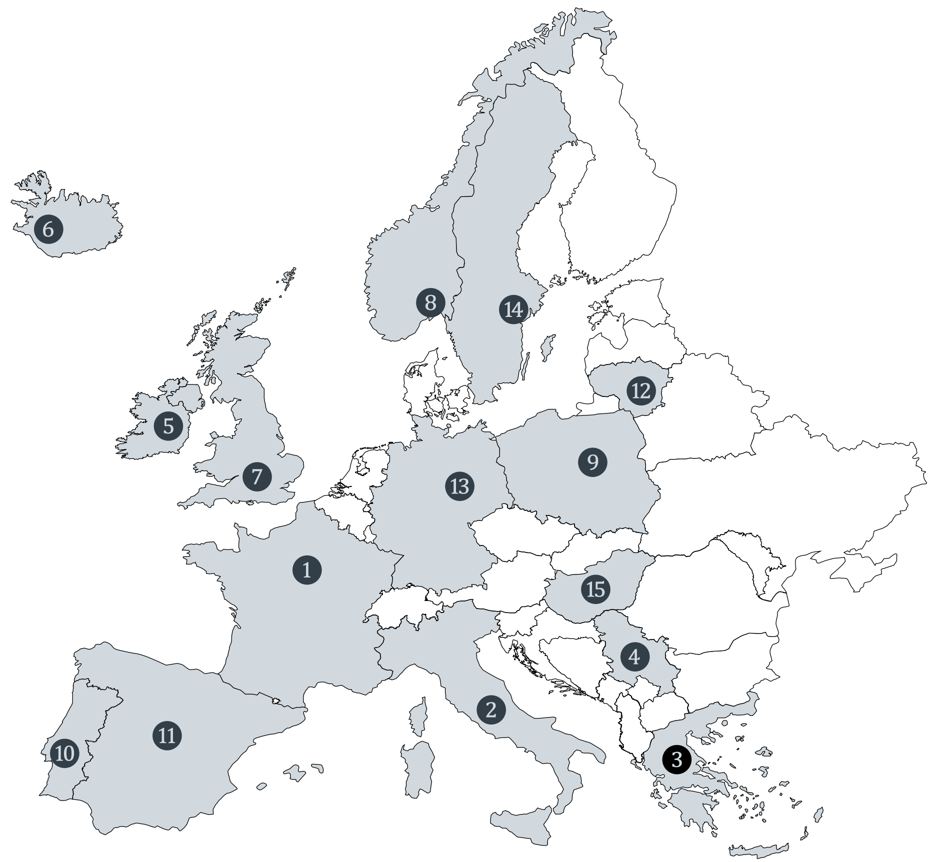
REYKJAVIK: A focal point of the tourism industry in Iceland, Reykjavík, with its two airports, owns the lion's share of both international and domestic passenger traffic arriving on the island. Not to mention a surge of globally-acclaimed hotels in the capital city in the last few years. At an average occupancy rate of 74-75%, the local hotels enjoyed an ADR of €160 and RevPAR of €120 last year, thus registering an improvement of 14% and 10%, respectively, compared to 2019.

Sources: Benchmarking Alliance; Christie & Co Research

PERFORMANCE OF CAPITAL CITIES

Top-15 European capitals by RevPAR recovery (vs 2019)

		ADR	Occupancy	RevPAR
1.	Paris	136%	-3 pp.	130%
2.	Rome	133%	-7 pp.	119%
3.	Athens	132%	-9 pp.	115%
4.	Belgrade	120%	-3 pp.	114%
5.	Dublin	119%	-4 pp.	113%
6.	**Reykjavík**	**114%**	**-3 pp.**	**110%**
7.	London	119%	-10 pp.	108%
8.	**Oslo**	**121%**	**-8 pp.**	**107%**
9.	Warsaw	104%	+1 pp.	104%
10.	Lisbon	119%	-11 pp.	101%
11.	Madrid	115%	-10 pp.	100%
12.	Vilnius	103%	-2 pp.	99%
13.	Berlin	113%	-14 pp.	94%
14.	**Stockholm**	**104%**	**-9 pp.**	**90%**
15.	Budapest	116%	-18 pp.	90%



Despite the fact that Scandinavian capitals' performance lagged behind their respective country's average, they still remain competitive in the overall continental ranking. In the analysis of 30 European capitals, Reykjavík and Oslo are within the top 10 performers by RevPAR recovery (6th and 8th spots, accordingly). Stockholm finds itself comfortably placed in the middle (14th). While more reliant on foreign demand, Helsinki and Copenhagen are unfortunately in the bottom part of the ranking as of now.

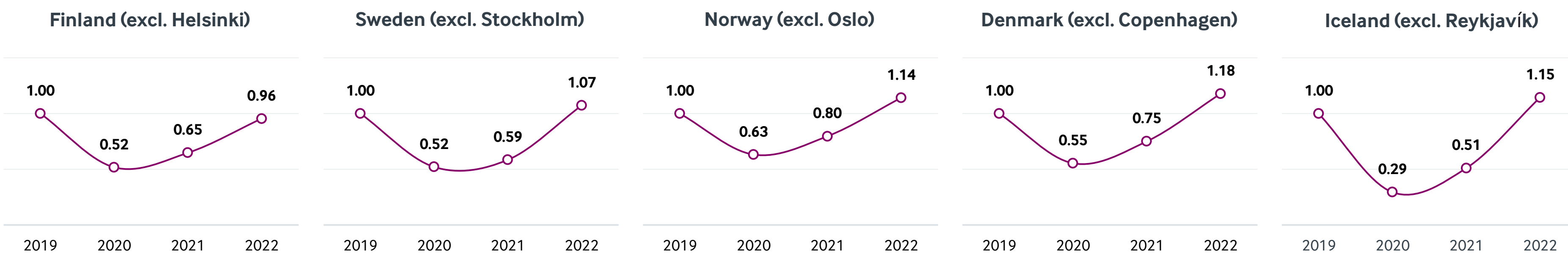
Key takeaways:

- As the table above indicates, RevPAR recovery in capital areas was primarily rate-driven, with only a handful number of European capitals close to breaking even pre-pandemic occupancy levels;
- The volume of overnight stays in capital cities is tied to a more diversified market mix. Some of the segments, e.g. corporate and MICE travel in particular, are rebounding at a slower pace than individual leisure and group leisure segments.
- The ever-growing supply side also hampers an increase in occupancy rates in capital cities.

Sources: Benchmarking Alliance; Christie & Co Research

PERFORMANCE OF KEY PROVINCIAL AREAS

RevPAR Index (2019 = 1.00)



When glancing away from capital regions and looking at **key provincial areas**, one instantly realises an entirely different change of scenery, where four of five markets have long gone beyond 2019 levels, and one is closely arriving at the doorsteps of full recovery. Rural leisure destinations, resorts, and medical and wellness retreats showcased triumphal performance last have and have acted as a vital force in countrywide tourism recovery.

FINLAND: It is worth highlighting that pre-pandemic key provincial areas of Finland had the second-highest RevPAR and ADR in the region (after Iceland), €60 and €100, respectively. In 2022, strongly boosted by the incredible performance of such destinations as Tampere, Oulu and Rovaniemi in particular, the provincial hotels' ADR surpassed the 2019 record by 6%, helping Finland to remain in the second spot in the ADR level. Furthermore, its RevPAR, which recovered by 96%, in absolute numbers, equals (c. €58) to the RevPAR of Sweden and Norway recovered by 107% and 114%, respectively.

SWEDEN: With more than 90,000 rooms located outside of the Stockholm Metropolitan Area (higher than other Scandinavian countries' total room supply), the secondary and tertiary cities of Sweden are continuously expanding and pose massive development opportunities. Last year, their ADR surpassed 2019 levels by 12% and had an average occupancy of 60%.

NORWAY: Pre-pandemic, the ADR and the occupancy rate in Norway's provincial areas were the lowest in Scandinavia. However, right from the beginning of the pandemic, the provincial ADRs have been steadily growing, leading to a 121% recovery in 2022 compared to 2019. Now hovering around €105, it climbed up and overtook Sweden and Denmark.

DENMARK: Provincial areas of Denmark have historically had the highest occupancy rates (c. 63%), which further increased by a couple of percentage points in 2022. This, coupled with ADR increasing by 16% compared to 2019, drove the much impressive RevPAR recovery of Danish provincial areas.

ICELAND: Hotels outside of Reykjavík Capital Area constitute only 30% of the country's hotel room stock. In 2022, they run at an average occupancy of 52%, the lowest compared to other Scandinavian states; however, when compared to its own historic (2019) figures, then we see an almost full recovery, missing only two percentage points. While ADR surpassed by 18% and now hovers around a whopping amount of €150.

Sources: Benchmarking Alliance; Christie & Co Research

PERFORMANCE OF KEY PROVINCIAL AREAS

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Some of the key secondary and tertiary destinations outside of capital regions:

- **Finland:** Tampere, Turku, Oulu, Rovaniemi, Jyväskylä, Kuopio, Lahti, Lappeenranta, Vaasa.
- **Sweden:** Gothenburg, Malmö, Jönköping, Helsingborg, Umeå, Lund, Örebro, Karlstad, Norrköping.
- **Norway:** Bergen, Trondheim, Stavanger, Kristiansand, Fredrikstad, Ålesund, Tromsø, Drammen.
- **Denmark:** Aarhus, Odense, Aalborg, Esbjerg, Randers, Herning, Kolding, Horsens.
- **Iceland:** Kópavogur, Hafnarfjordur, Akureyri.

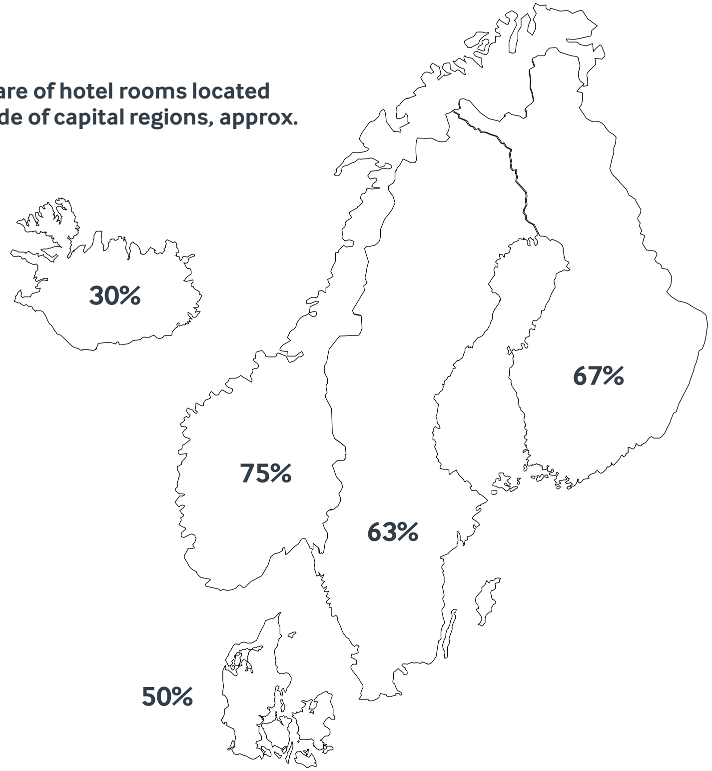

Rovaniemi, Finland


Umeå, Sweden


Aalborg, Denmark


Ålesund, Norway

%-share of hotel rooms located outside of capital regions, approx.



Key takeaways:

- In the provincial areas, a good part of the recovery was stemming from an increased volume of domestic visitation, unlike capital areas which benefit more from international demand.
- Notable RevPAR recoveries in provincial markets were led by volumes maintained at almost similar pre-pandemic levels, and further boosted by ADR increases between 5-20%.
- Although capital cities remain the primary target for prospective hotel investors, we anticipate a growing number of international hotel chains accelerating their expansion plans in the regional markets.

Sources: Benchmarking Alliance; Christie & Co Research

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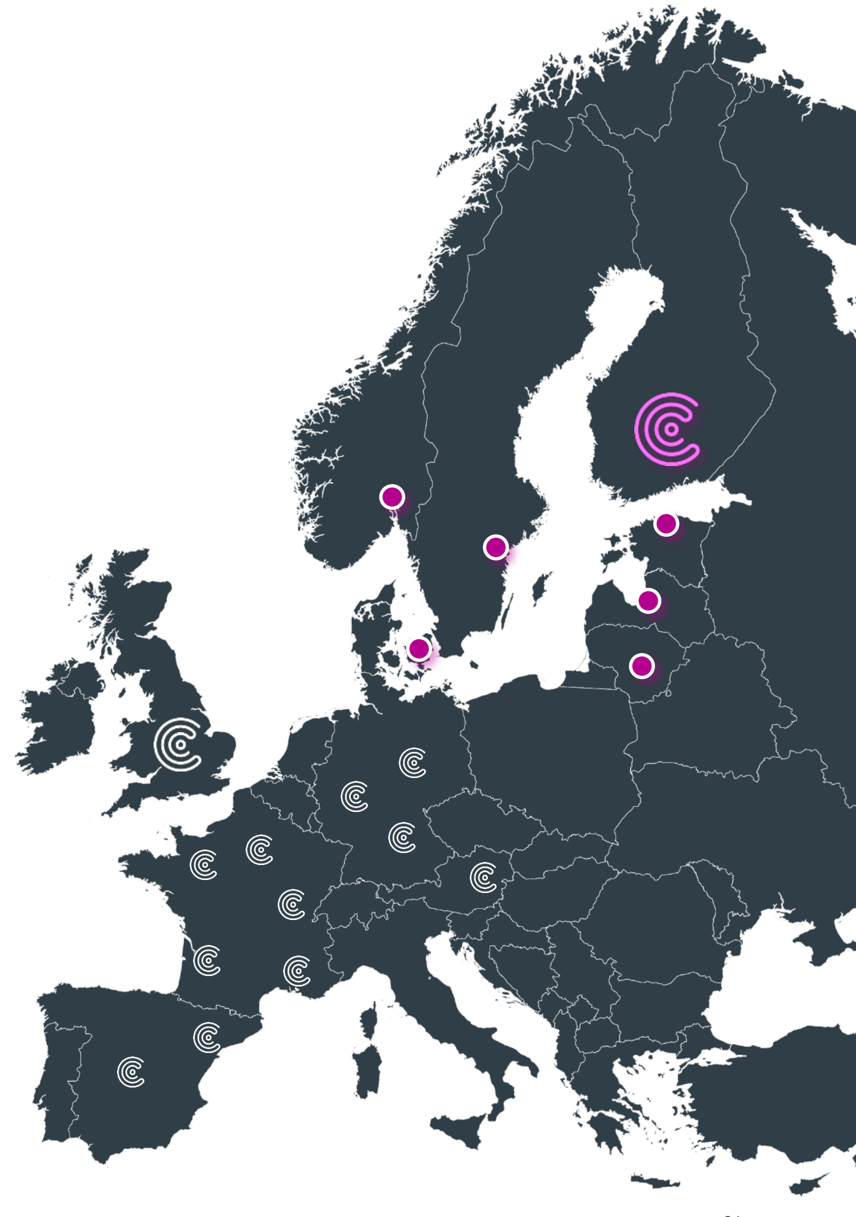

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