HOTEL MARKET SNAPSHOT FINLAND 2022

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CHRISTIE & CO

Introduction

This publication analyses the recovery of the Finnish hotel market, highlighting the evolution of the key performance indicators between 2019 and 2022, particularly comparing the results of the last year, 2022, versus 2019. Applying the top-down approach, first, we started nationwide, following a thorough look at Helsinki Metropolitan Area and eventually at key provincial markets.

The findings overall present a positive trend, with 2022 marking a year of impressive rebound across all destinations in Finland. The destinations more reliant on international visitation are still expecting to break even the 2019 figures. While rural areas, lakeside and seaside resorts, fuelled by strong domestic demand, have already outperformed 2019 levels in several parameters.

Methodology

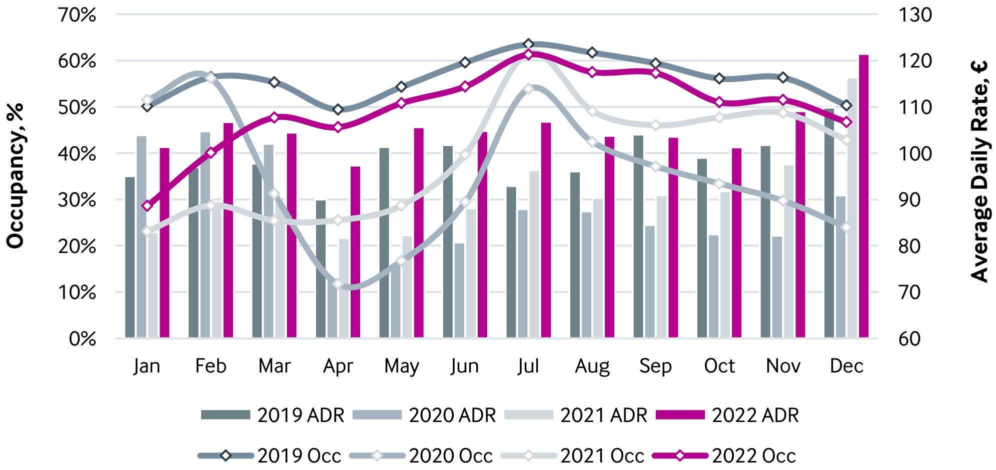
The data on hotel occupancies and average daily rates used in the report is extracted from the publicly available database of Statistics Finland. The charts, metrics and eventual conclusions are conducted by Christie & Co's hotel analysts and consultants.

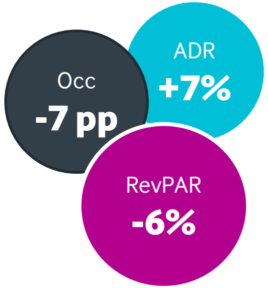
Glossary

YTD	Year-To-Date	**HMA**	Helsinki Metropolitan Area
YOY	Year-On-Year	**PP**	percentage points
ADR	Average Daily Rate	**CAGR**	Compound Annual Growth Rate
KPI	Key Performance Indicators	**M**	Million
RevPAR	Revenue Per Available Room	**C.**	circa
OCC	Occupancy Rate	**Approx.**	approximately
FY	Full Year	**MICE**	Meetings, Incentives, Conferences, Events

Picture credit: Visit Finland

RECOVERY OF THE FINNISH HOTEL MARKET





	ADR	RevPAR	Occupancy
FY 2022	€106	€52	49%
FY 2019	€99	€55	56%

Source: Christie & Co Research; Statistics Finland

Going into 2022, Finland's hotel market was still under the effects of the pandemic. Then, as pandemic-related measures started to ease all over the world, the full-scale invasion of Ukraine by Russia started on February 24th and imposed a whole new range of obstacles on the way to the recovery of international travel.

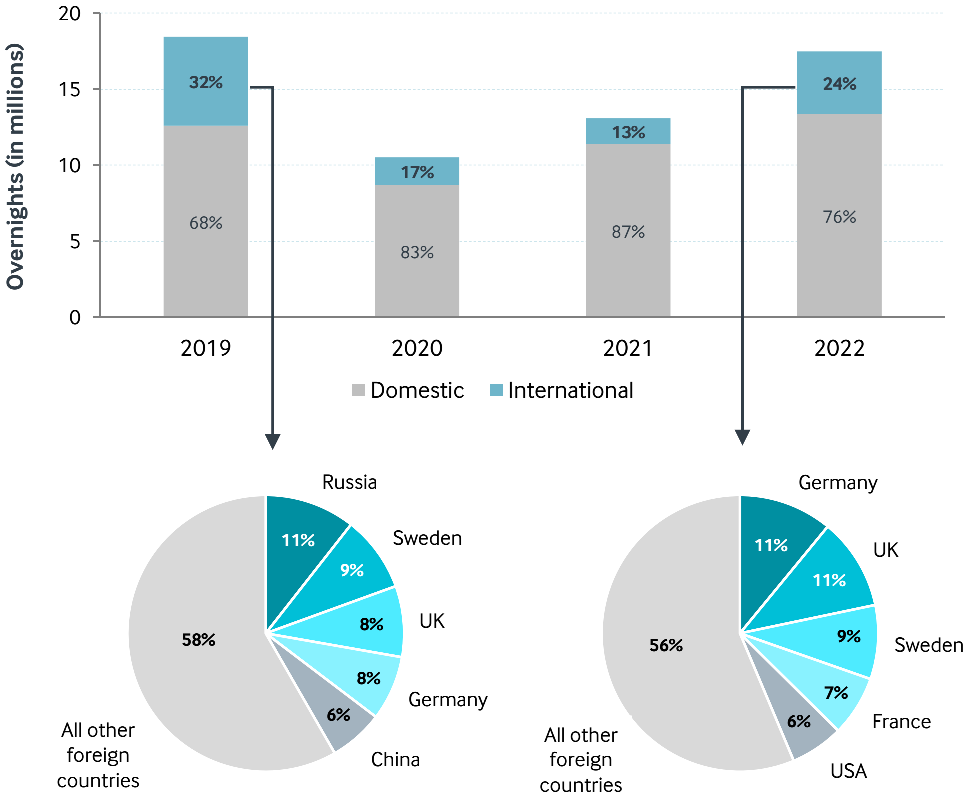
On the demand side, with no tourists flocking from the Far East, coupled with a drastically decreased number of Russian-speaking visitors, these had an immediate severe impact on Finnish hotels' performance.

In 2022, the hotel market's notable recovery has been primarily fuelled by strong domestic demand. The destinations less reliant on international tourists were able to rebound to pre-pandemic figures way faster. Key provincial markets have experienced the moments of their lifetime recently, setting new record figures.

Driven by the gradual resurgence of international travel and the increase in inflation at the same time, the ADR in 2022 (c. €106) has surpassed its pre-pandemic levels (c. €99) and set a new record country-wide.

Despite the rise in ADR, the occupancy rates in hotels have not fully recovered, now hovering around 50%, thus leading to a lower RevPAR (-6% behind compared to 2019 levels).

HOTEL OVERNIGHT STAYS AND MAIN FEEDER MARKETS



Source: Christie & Co Research; Statistics Finland

In 2022, Finland recorded an ample increase in hotel overnight stays year-on-year (+34%), registering almost 17.5M nights and arriving very close to the record figure of 2019 (18.5M nights).

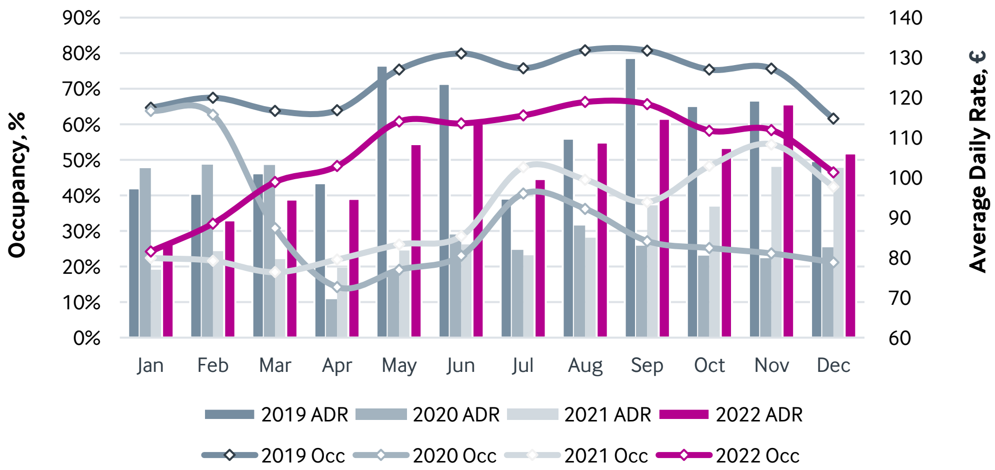
The number of overnight hotel stays produced by local residents has increased by 6%, whilst the number of nights by overseas travellers decreased by 30%.

As it was rightly predicted, the long-haul non-European demand is taking the longest to recover. Still largely closed for mass outbound travel, the Chinese and Japanese markets alone generated approx. 10% of all hotel nights before the pandemic. Considering these markets

Furthermore, amid Russia's war of aggression against Ukraine, the borders of Finland remain impassable for visitors from Russia as well as new tourist visas for its citizens are suspended until further notice.

The full recovery of outbound travel will largely depend on how quickly the war between Ukraine and Russia sets the stage. As soon as Russian airspace re-opens, Finland will be able to utilise one of its most vital strengths, i.e. serving as a gateway between West and East.

RECOVERY OF HELSINKI METROPOLITAN AREA (HMA)



Occ
-20 pp

ADR
-6%

RevPAR
-32%

	ADR	RevPAR	Occupancy
FY 2022	€103	€54	52%
FY 2019	€110	€79	72%

Source: Christie & Co Research; Statistics Finland

The Helsinki Metropolitan Area comprising of Helsinki, Espoo and Vantaa, also includes smaller municipalities surrounding the capital city. This ever-expanding area of economic activity and the country's power hub is one of the largest metropolitan areas in Northern Europe, with a population of c. 1.6 million people. The HMA is known for its high standard of living – the GDP per capita of its residence (€66,000 as of Q3 2022) is 25% and 35% higher than that of Finland's and EU average, respectively.

Hotels in HMA still lag significantly in occupancy rates (c. 52% in 2022 vs c. 72% in 2019). The leading causes are: (1) a prevalent share of international travellers in hotel overnights, (2) a dramatic decrease in the number of Chinese and Russian travellers who accounted for every fifth night pre-pandemic and a slower revival of corporate and MICE segments.

Furthermore, the new additions to supply amid not fully recovered demand, all coupled with the above, prevented HMA hotels from fully recuperating in ADR (last year reaching 94% of the 2019 level).

Despite the above, we see a lot of appetite from international hotel brands and operators to penetrate to the local market, and there is a significant hotel pipeline all around the metropolitan area as evidence of it.

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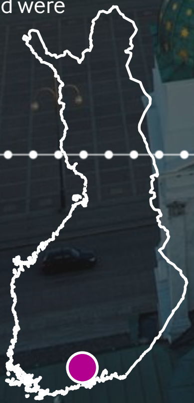
2022 vs 2019

ADR ↓ 3%

OCC ↓ 22 pp

REVPAR ↓ 32%

A dramatic decrease in the number of Russian and Asian visitors (over 80%) coupled with reduced demand for corporate and MICE travel and continuously expanding supply side, all had a considerable impact and were reflected in the KPIs of the Finnish capital.



HELSINKI

Picture credit: Visit Finland. Data source: Statistics Finland

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2022 vs 2019

ADR ↓ 20%

OCC ↓ 13 pp

REVPAR ↓ 37%

The country's second-largest city and home to numerous headquarters, Espoo is very much reliant on corporate travel; hence, the slower recovery of this segment led to 2022 KPIs still being notably behind 2019 levels.

ESPOO

Picture credit: Visit Espoo. Data source: Statistics Finland

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2022 vs 2019

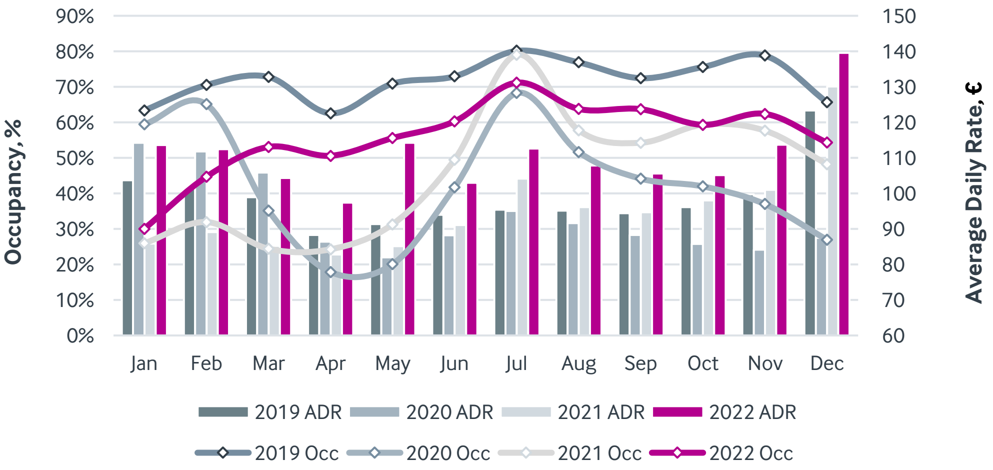
ADR	↓	**4%**
OCC	↓	**11 pp**
REVPAR	↓	**20%**

Home to Helsinki Airport, the multicultural municipality of Vantaa is one of the fastest-growing areas in the country and the closest to getting back to its pre-pandemic KPIs among individual municipalities of the Helsinki Metropolitan Area.

VANTAA

Picture credit: Helsinki Airport. Data source: Statistics Finland

RECOVERY OF KEY PROVINCIAL MARKETS



Occ
-16 pp

ADR
+13%

RevPAR
-12%

ADR	RevPAR	Occupancy
€111	**€62**	**56%**
	FY 2022	
€98	**€71**	**72%**
	FY 2019	

Source: Christie & Co Research; Statistics Finland

Rural leisure destinations, resorts, and medical and wellness retreats have fuelled the rebound of tourism throughout the pandemic era.

Thus, the secondary and tertiary markets have continued their strong performance, started in May 2021, and in 2022 showcased yet another triumphal season. We foresee this momentum to persist throughout 2023 as provincial markets remain a vital force in countrywide tourism recovery.

Key provincial markets considered in this study are indicated in the following table (the number are valid as of 2022):

City	Population	No. of hotels	No. of rooms
Tampere	245,000	30	3,740
Oulu	210,000	9	1,360
Turku	196,000	23	2,570
Jyväskylä	145,000	14	1,590
Kuopio	122,000	14	1,430
Lappeenranta	73,000	7	900
Vaasa	68,000	9	1,030
Rovaniemi	65,000	22	1,800

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2022 vs 2019

ADR ↑ 19%

OCC ↓ 2 pp

REVPAR ↑ 15 %

Finland's second-largest urban area has continued its impressive performance throughout 2022, achieving the best RevPAR growth compared to 2019 among all destinations in Finland. This year it will be hosting IIHF World Championship for the second consecutive year, and local hotels expect to enjoy the strong ADR in May, which hovered around €150 last year.

TAMPERE

Picture credit: Visit Finland. Data source: Statistics Finland

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2022 vs 2019

ADR	↑	**8%**
OCC	↓	**12 pp**
REVPAR	↓	**11%**

Finland's former capital and its oldest city with c. 800 years old history, registered the highest average hotel occupancy in the summer of 2022 (72%) among the cities included in this study.

TURKU

Picture credit: Visit Finland. Data source: Statistics Finland

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2022 vs 2019

ADR ↑ 5%
OCC ↓ 4 pp
REVPAR ↓ 4%

With a multitude of museums and art galleries, Vaasa is a cultural epicentre of the Ostrobothnia region and home to Finland's nature-classified UNESCO World Heritage Site, i.e., the Kvarken Archipelago.

VAASA

Picture credit: Visit Vaasa. Data source: Statistics Finland

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2022 vs 2019

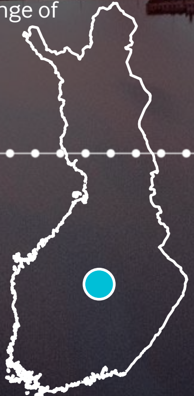
ADR ↑ 4%

OCC ↓ 3 pp

REVPAR ↓ 2%

Proclaimed as the Athens of Finland, the country's educational centre and second-largest city in the Lakeland region, Jyväskylä saw its ADR growing from €92 in 2019 to €96 in 2022, while occupancy and RevPAR levels arrived very near the pre-pandemic range of 57% and €53 respectively.

JYVÄSKYLÄ



Picture credit: Visit Jyväskylä. Data source: Statistics Finland

2022 vs 2019

ADR	↑	**10%**
OCC	↓	**0.5pp**
REVPAR	↑	**9%**

Situated on the shore of stunning Saimaa Lake, the capital of South Karelia region and once the second most visited city by Russian tourists, Lappeenranta was the only city among destinations included in the study to break even or surpass in all three KPIs.

LAPPEENRANTA

Picture credit: Visit Lappeenranta. Data source: Statistics Finland

2022 vs 2019

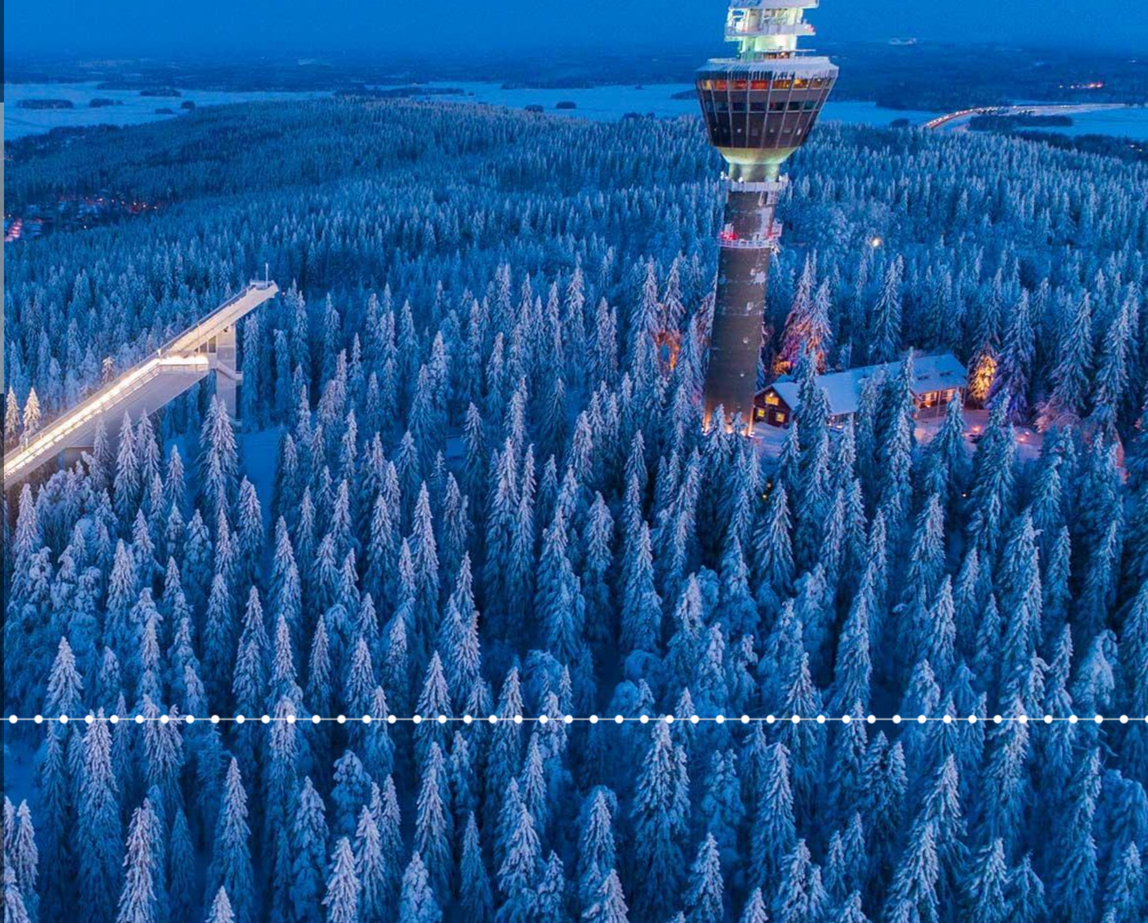
ADR ↑ 8%

OCC ↓ 2 pp

REVPAR ↑ 4%

Known as the cultural centre of Eastern Finland, this university and sports city showed a strong performance throughout 2022. ADR rose from €98 to €106 and RevPAR from €55 to €58.

KUOPIO



Picture credit: Visit Kuopio. Data source: Statistics Finland

2022 vs 2019

ADR	↑ 13%
OCC	↓ 6 pp
REVPAR	↑ 3%

The destinations in northern parts of Finland can boast with better ADR recovery compared to other regions. The most populous of northern cities, Oulu, which has been chosen as the European Capital of Culture for 2026, is not an exception. The local hotels achieved an average occupancy of 62% in 2022 – still behind 2019 figures, but the highest among all others included in this study.

OULU

Picture credit: Visit Oulu. Data source: Statistics Finland

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2022 vs 2019

ADR ↑ 27%
OCC ↓ 9 pp
REVPAR ↑ 5%

The heart of Finnish Lapland experienced the moment of its lifetime in 2022: annual ADR arrived close to €160 vs €130 in 2019, marking the best progress among all destinations. At the same time, hotels in Rovaniemi operated at their all-time high in December by achieving an average occupancy of 95% (previous record 92-93%) and at a stellar RevPAR level of c. €260.

ROVANIEMI

Picture credit: Visit Finland. Data source: Statistics Finland

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