



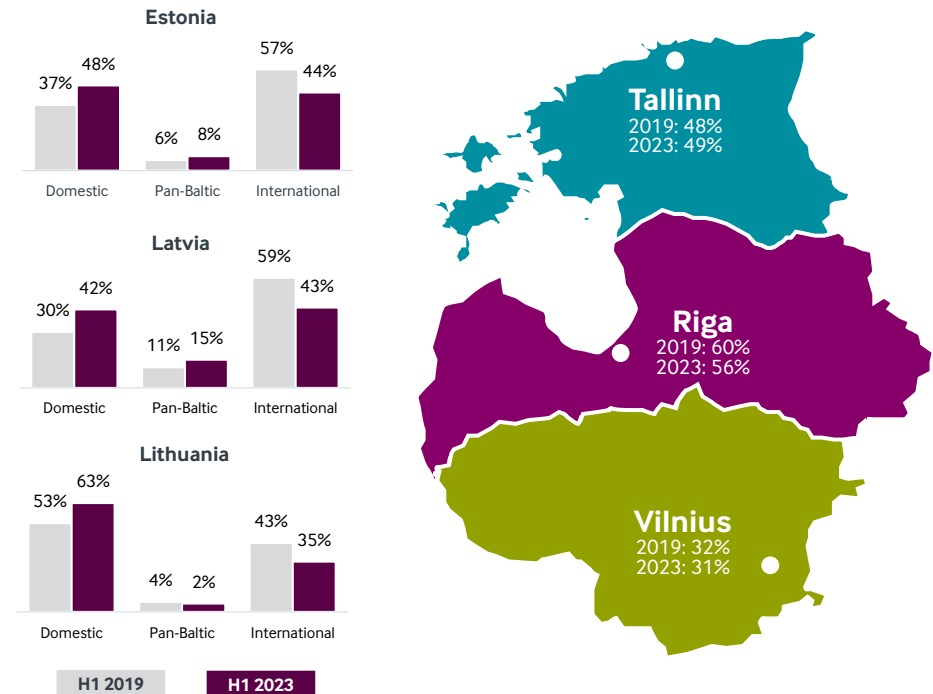
BALTIC HOTEL MARKET – UPDATE H1 2023

ESTONIA | LATVIA | LITHUANIA

christie.com

- In the first six months of 2023, tourism has shown a notable recovery from the same period of last year, when the region was still under the impact of the COVID-19 pandemic and the war in Ukraine that Russia began in February 2022. In particular, there is a notable increase in total overnight hotel stays, driven by a revival in the number of international tourists coupled with a consistent, heightened domestic demand – a trend that strongly intensified post-pandemic.
- One of the most significant challenges to complete recovery is the marked reduction in Russian visitation. Notably, there was a similar 94% decline in overnight stays generated by Russians across all three Baltic states. However, Latvia felt the most substantial impact in absolute terms, as pre-pandemic Russians accounted for 10-12% of all overnight stays. In comparison, Estonia had 7-8%, and Lithuania only 5%.
- Lithuania as a whole is primarily domestic demand prevalent, while Latvia, strategically situated between the other two Baltic states and home to Air Baltic – the premier air carrier of the region – dominates in intra-Baltic travel.
- The current inflationary pressures and the implementation of new environmental initiatives have played a major role in the increased cost of air travel, combined with reduced demand for corporate travel and the lesser amount of conferences and congresses held in the region are still slowing down the rebound of air traffic volume. As a result, the passenger turnover to the airports of capital cities remains 8-15% below 2019 figures.

Distribution of overnight stays by origin and Capital City's % share in country-wide total in H1 2019 and H1 2023

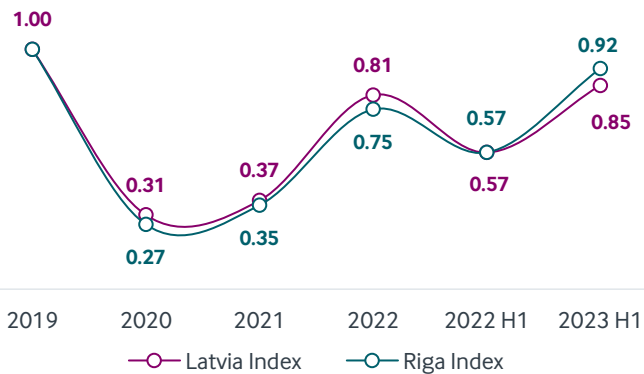
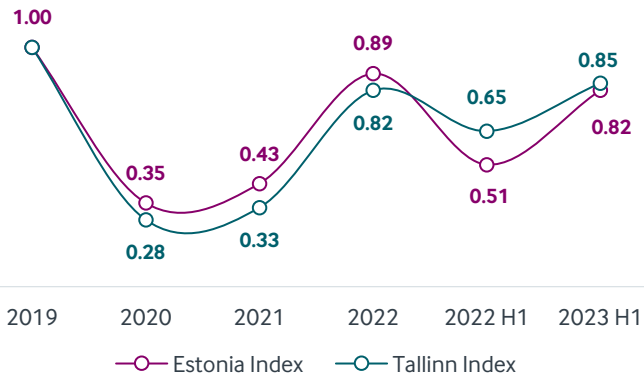


Tourism in Baltics, Key Changes, 2023 H1 vs 2022 H1					
Country	Overall Tourist Arrivals	Total Overnight Stays	Domestic Overnight Stays	Foreign Overnight Stays	Air Passenger Turnover*
Estonia	+11.5% ▲	+15.0% ▲	+1.6% ▲	+30.6% ▲	+16.0% ▲
Latvia	+22.4% ▲	+21.2% ▲	+2.6% ▲	+39.2% ▲	+37.1% ▲
Lithuania	+1.5% ▲	+1.5% ▲	-4.7% ▼	+14.2% ▲	+17.5% ▲

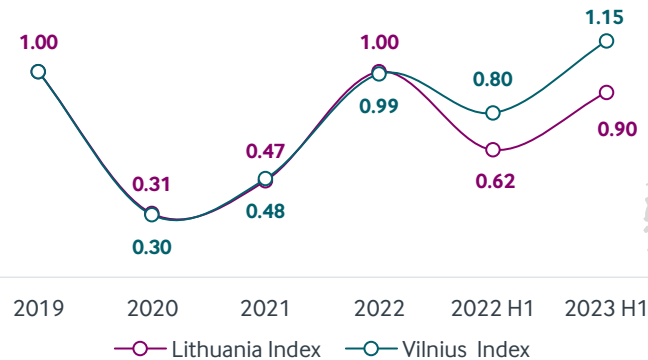
Tourism in Baltics, Key Changes, 2023 H1 vs 2019 H1					
Country	Overall Tourist Arrivals	Total Overnight Stays	Domestic Overnight Stays	Foreign Overnight Stays	Airport* Passenger Turnover
Estonia	-9.4% ▼	-7.4% ▼	+18.1% ▲	-22.5% ▼	-8.0% ▼
Latvia	-17.9% ▼	-23.8% ▼	+6.5% ▲	-36.6% ▼	-14.4% ▼
Lithuania	-8.3% ▼	-11.7% ▼	+4.6% ▲	-30.2% ▼	-15.5% ▼

Source: Statistics Estonia; Central Statistical Bureau of Latvia; Statistics Lithuania; * Capital City Airports – IATA: TLL, RIX, VNO








RevPAR Index (2019 = 1.00)







- Of the three Baltic nations, Lithuania stands at the forefront in nearing its 2019 performance on a national scale. While its capital, Vilnius, commemorating its 700th anniversary in 2023, has notably surpassed 2019 metrics, boasting an impressive RevPAR recovery rate of 115%. The abundance of events celebrating the city's anniversary, coupled with activities leading up to the NATO summit held in Vilnius in July, contributed to maintaining a robust 65% average occupancy rate at an average rate between €70-75, a notable increase from the €60-65 range in 2019.
- When benchmarked to its own historical data, Latvia is the second closest to the full recovery. It reports a 58% occupancy both on a country-wide scale and in its capital, Riga, still far from the 65% level in 2019, as mentioned earlier, largely attributed to a significant drop in Russian visitors. On a good note, however, Latvia has witnessed the most notable increase in average daily rates (ADR), nearing a record-breaking €80 in H1 2023, which represents a 20% increase versus H1 2019. Heavily one feeder market reliant (i.e. Finland), combined with an increase in room supply, Estonia has not yet achieved its pre-pandemic occupancy average of 70% (currently trading at 60%), whilst the ARR in H1 2023 finally arrived on par with the 2019 level of c. €90.
- It is worth highlighting that the second half of the year in the Baltics tends to demonstrate superior performance when compared to the first half. Hence, there is a likelihood that the 2023 full-year indicators may equal or even exceed the figures registered in 2019.



OPENINGS, RENOVATIONS & TRANSACTIONAL ACTIVITY IN H1 2023

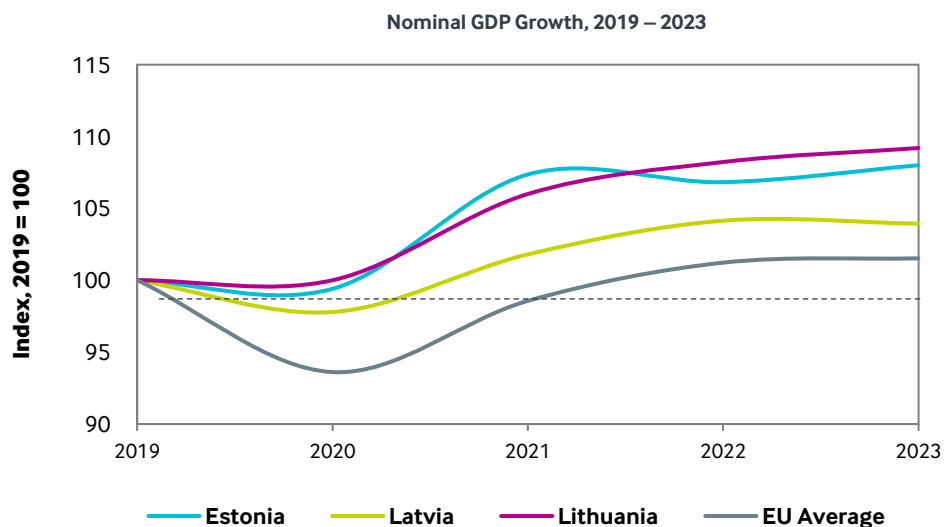
	Hotel	Class	Opened	Rooms	Facilities	Notes	Brand
 REBRANDING & OWNERSHIP CHANGE	L'Embitu Hotel (Mövenpick Tallinn from 01.10.2023) Tallinn, Estonia	Upscale	Q3 2020	125 Rooms 2 Room Types: 25-35 m ² 2 Suite Types: 45-60 m ²	Restaurant, Lobby Bar, Wine & Tapas, Swimming Pool, Fitness, Spa, Six Meeting Rooms	Effective June 2023 , the hotel was acquired by local entrepreneurs Madis Mägi and Janno Parik and will be managed by Duco OÜ, joining the Accor network.	
 REBRANDING, RENOVATION & OWNERSHIP CHANGE	Hotel L'Ermitage (ibis Styles Tallinn from Q1 2025) Tallinn, Estonia	Midscale	2004	122 Rooms 3 Room Types: 9-29 m ² 2 Suite Types: 36-55 m ²	Restaurant, Café, Lobby Bar, Fitness, Spa, One Meeting Room	Acquired by the same entrepreneurs as the L'Embitu Hotel, this hotel is set to undergo refurbishments to reopen in alignment with the brand standards ibis Styles of Accor.	
 REBRANDING & RENOVATION	Our Hub Hotel – Handwritten Collection Tallinn, Estonia	Midscale	Reopened following a renovation in Q2 2023	55 Rooms 5 Room Types: 14-39 m ² 1 Suite Types: 45 m ²	Bistro, Co-working Area, Meeting Rooms, Yoga Room, Do-It-Yourself Room	Following a renovation, an existing independent hotel joined Accor's newly established midscale collection brand.	
 RENOVATION & CONVERSION	Nunne Boutique Hotel Tallinn, Estonia	Upscale	Reopened following a renovation in Q2 2023	74 Rooms 5 Room Types: 15-31 m ² 2 Suite Types: 35-45 m ²	Restaurant, Bar, Wine Cellar, Spa	The former Imperial Hotel underwent expansion and renovation, incorporating an adjacent building. It reopened in the summer of 2023 as a high-end establishment at the doorsteps of the Old Town.	Non-Affiliated

OPENINGS, RENOVATIONS & TRANSACTIONAL ACTIVITY IN H1 2023

	Location	Class	Opened	Rooms	Facilities	Notes	Brand
 NEW OPENING	Aston Hotel Riga, Latvia	Upper-Midscale	Q2 2023	54 Rooms 2 Room Types: 18-30 m ² 1 Suite Type: 41 m ²	Restaurant, Roof Terrace, Bar, Fitness, Car Park, Meeting Rooms	Opened in May 2023 following €12m reconstruction of the existing building.	Non-Affiliated
 RENOVATION	Conti Hotel Vilnius, Lithuania	Midscale	Reopened in Q2 2023 following renovation	80 Rooms 6 Room Types: 18-30 m ² 1 Suite Type: 65 m ²	Restaurant, Lobby Café, Lounge Bar, Meeting Rooms	Nestled in the very heart of the Old Town Vilnius, this independent hotel reopened in May 2023 following an extensive renovation	Non-Affiliated
 REBRANDING & RENOVATION	Radisson Collection Astorija Hotel Vilnius, Lithuania	Upper-Upscale	Reopened in Q1 2023 following renovation	119 Rooms 5 Room Types: 20-32 m ² 4 Suite Types: 38-89 m ²	Restaurant, Bar, Seasonal Rooftop Lounge, Wine Cellar, Gin Bar, Meeting and Banqueting Venues	Formerly known as Radisson Blu Royal Astorija, the property underwent an extensive renovation and reopened under Radisson's most upscale brand.	 RADISSON COLLECTION

Despite the challenges posed by the current economic environment and geopolitical instabilities in neighbouring countries, the tourism and hotel industry performance presents an optimistic outlook for the Baltic region. The above-mentioned projects, which were initiated a few years ago, were successfully concluded in the first half of 2023. This underlines that regardless of current hurdles the local markets remain resilient and that active transactions are persistently happening. Several hotels have resumed operations after thorough refurbishments, while some other independent establishments that were not previously brand-affiliated, have now aligned with larger hotel chains. This trend signifies a shift towards well-known hotel networks that can ultimately offer better marketing solutions, broader (global) reach, and potentially increased number of reservations. Concerning the projects in the pipeline, as mentioned in the previous snapshot, there is overall a good amount of proposed developments, particularly in the capital cities. Nevertheless, many remain tentative due to obstacles in securing investments, obtaining senior debt, increasing interest rates and the fact that many investors categorize this region as opportunistic.

- The COVID-19 pandemic has flagged the chronic issues of the local economies, especially exacerbating existing inequalities in the Baltics. The highly-skilled and more affluent part of the population has seen their wealth increase; meanwhile, the less qualified fell further behind, and risk becoming long-term unemployed.
- Lower growth predictions in 2023 are owing to higher inflation, negative confidence effects of Russia’s war of aggression against Ukraine and weaker external demand. Private consumption is negatively affected by higher unemployment and a contraction of real wages.
- Despite the less mature hotel market and proximity to Russian borders, we notice an increasing number of regional and international investors convinced of the potential and upside of these markets.
- Apart from solid economic fundamentals and improving performance indicators, there are a great number of large-scale developments emerging in the region, like Rail Baltica, Riga Port City and RIX Airport City, to name but just a few.



Macroeconomic Projections, 2023 – 2025

Country	Annual Inflation, %, YoY			
	2023F	2024F	2025F	Trend
Estonia	9.1	3.9	2.5	▼
Latvia	8.5	2.4	3.0	▼
Lithuania	8.9	2.7	2.9	▼

Country	Unemployment Rate, %, YoY			
	2023F	2024F	2025F	Trend
Estonia	6.5	6.1	6.2	=
Latvia	6.7	6.4	6.4	=
Lithuania	7.8	6.7	6.2	▼

Country	GDP Growth, %, YoY			
	2023F	2024F	2025F	Trend
Estonia	-1.0	2.4	3.5	▲
Latvia	1.2	3.1	3.5	▲
Lithuania	-1.3	2.9	2.7	▲

Christie & Co Helsinki

Technopolis II Ruoholahti
Energiakuja 3
00180 Helsinki
Finland
T +358 (0) 9 4137 8500

CHRISTIE & CO NORDICS TEAM

COVERING: FINLAND | SWEDEN | NORWAY | DENMARK | ICELAND | ESTONIA | LATVIA | LITHUANIA

Kimmo Virtanen – Director

T +358 (0) 9 4137 8501
M +358 (0) 40 358 1414
E kimmo.virtanen@christie.com

Henri Hakala – Consultant Investment & Letting

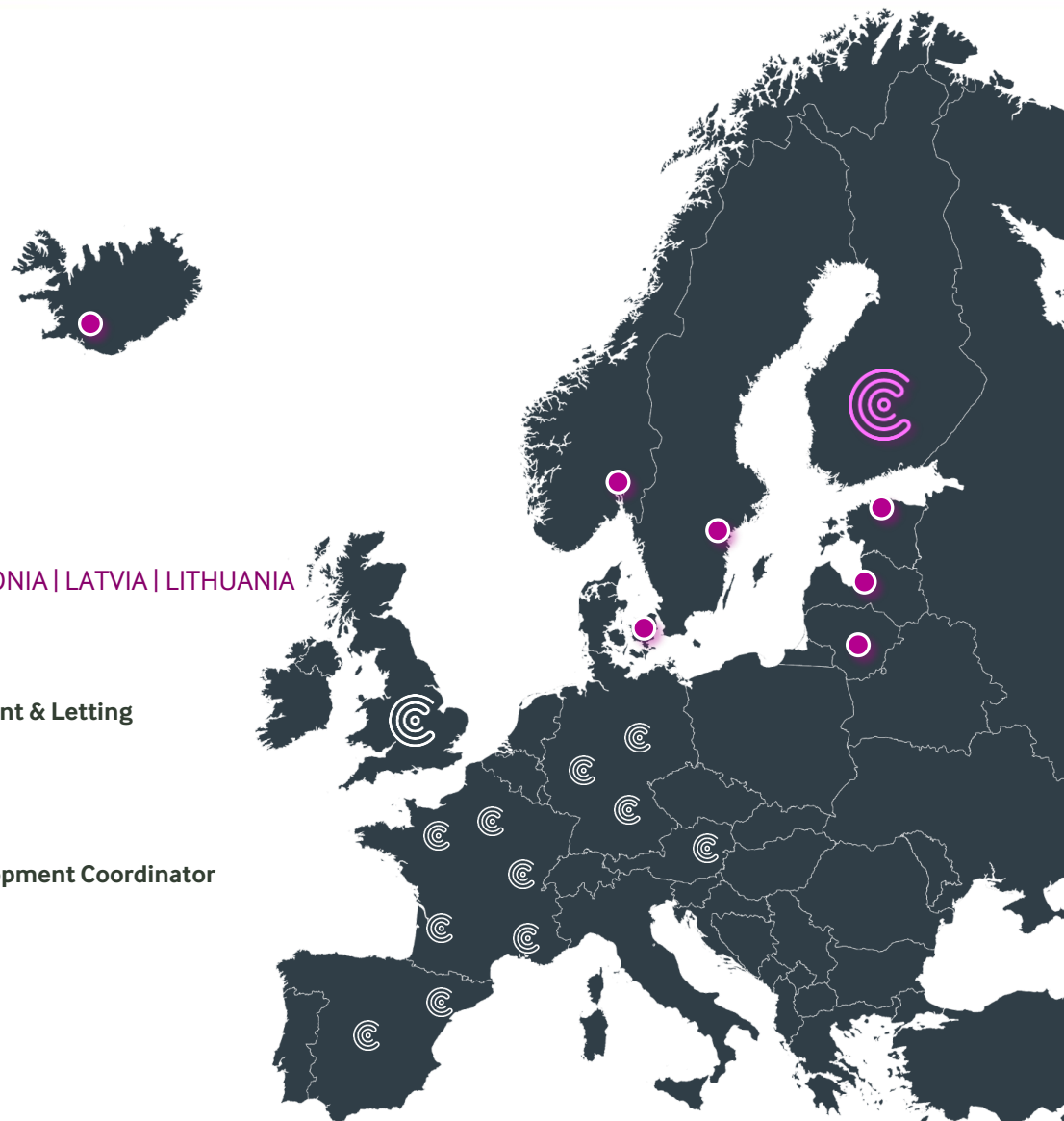
T +358 (0) 9 4137 8502
M +358 (0) 40 767 4407
E henri.hakala@christie.com

Yernar Kabył – Hotel Analyst

T +358 (0) 9 4137 8503
M +358 (0) 40 717 0224
E yernar.kabył@christie.com

Claudio Borrromei – Business Development Coordinator

T +358 (0) 9 4137 8504
M +358 (0) 40 717 1670
E claudio.borrromei@christie.com





The study was performed in cooperation with

**BENCHMARKING
ALLIANCE**



CHRISTIE & CO

AUGUST 2023