



STOCKHOLM, SWEDEN
Hotel Market Snapshot

The Stockholm Option

December 2014





HIGHLIGHTS

Stockholm is the economic, cultural and administrative capital of Sweden. Built on 14 islands around one of Europe's best preserved medieval city centre, the capital **is one of the fastest growing cities in Europe** and has become a hotspot for tourism in Northern Europe over the past years.

According to the 10th edition of the European Cities Marketing Benchmark Report 2013-2014, Stockholm ranks number thirteen on the list of the most attractive destinations in Europe, just after Amsterdam and before Dublin and Milan.

Our Stockholm Market Snapshot will give you a comprehensive insight of the city's hotel market today and in the near future.

WHAT'S NEW? WHAT'S COMING UP IN STOCKHOLM?

- As one of the fastest growing cities in Europe in terms of population, Stockholm's authorities are planning to invest approximately € 103 billion by 2020 in order to improve the city's overall accessibility and in particular its transport connections with the regions.
- The hotel Scandic Continental, in front of the Central Station, was demolished in 2013 due to the ongoing construction of the City Line metro. A new hotel of 400 rooms and a conference centre of 1 000 m², is currently under construction and is scheduled to open in 2017.
- In May 2014, **Scandic opened in Stockholm its first hotel under its hotel brand called HTL**. The new hotel concept aims to offer chic lifestyle accommodation in city centre locations. A second HTL is in the pipeline for Stockholm's city centre in 2015.
- The Swedish capital will also welcome the Nobel Centre along its central waterfront, with completion aimed for 2018. The centre aims to become one of Stockholm's most attractive meeting and event venues and will feature a large auditorium which will host the annual Nobel Prize Award Ceremony. It will also comprise spaces for exhibitions, events and interdisciplinary meetings.

STOCKHOLM - Key facts & Figures (2013)

Population	890 000
GDP (including Stockholm county)	€ 114 852 million
GDP per capita (inc. Stockholm county)	€ 54 390
Expected GDP growth (CAGR 2013/25)	2.5%
Unemployed	6.8%
Overnights stays	6 771 000
% Leisure clientele	56%
% Business clientele	44%
% Domestic tourism	67%
% International tourism	33%
Number of hotels	148
Number of hotel rooms	18 400

Source: BNP Paribas Real Estate Hotels Research, ICCA, Swedish Agency for Economic and Regional Growth/Statistics Sweden



Waterfront (Source: © Oleksiy Mark-Fotolia .com)



Source: © compuinfoto-Fotolia.com

ACCESSIBILITY

Stockholm Arlanda Airport, one of the 4 airports of Stockholm, is the principal gateway for international air travel in Sweden and largely contributes to the city's business and tourism sector. It is located 37 km North of the capital and is one of the 2 major hubs for Scandinavian Airlines.

In 2013, the **number of air passengers at Stockholm's airports reached a record high level for the third year in a row** with 25 million passengers, recording an increase of +44% over the past ten years. This level is primarily explained by a substantial increase in air traffic passengers from international countries, a trend that has gained momentum over the years as their share went from 59.9% in 1996 to 76.5% in 2013.

With a continuous ambition to create the most competitive, attractive and environmentally adapted airport in Scandinavia, regular investments are made. In 2013, the airport renovated and extended its terminal 2 and future projects are planned for terminal 5.

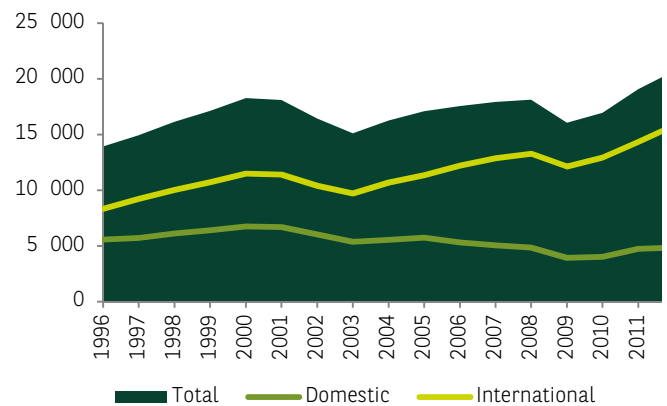
The airport is easily connected to the city of Stockholm within 20 minutes thanks to the Arlanda Express, an electric rail which runs four to six times per hour.



Passenger ships arriving in Stockholm (Source: © Pavel Losevsky-Fotolia.com)

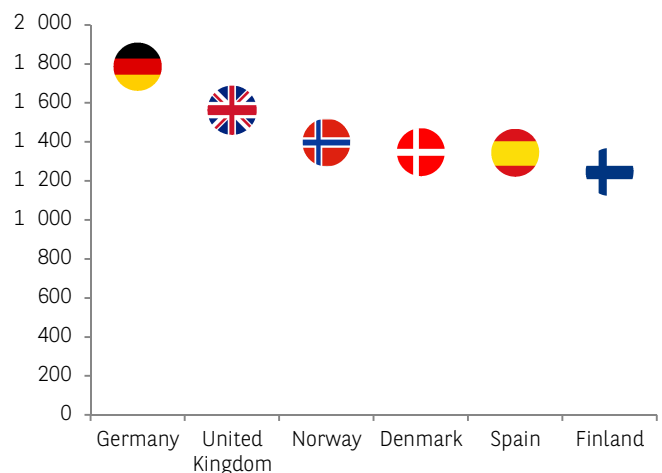
In addition to air connection, the importance of the ports of Stockholm for the tourism industry has to be pointed out. Indeed in 2013, despite a slight drop in the total number of passengers, just over 11 million passengers chose to travel to and from Stockholm by ferry. On an annual basis, the ferry passengers generated approximately 20% of total tourist consumer spending.

Arlanda Airport – Passenger numbers and origins 1996-2013 (in thousands)



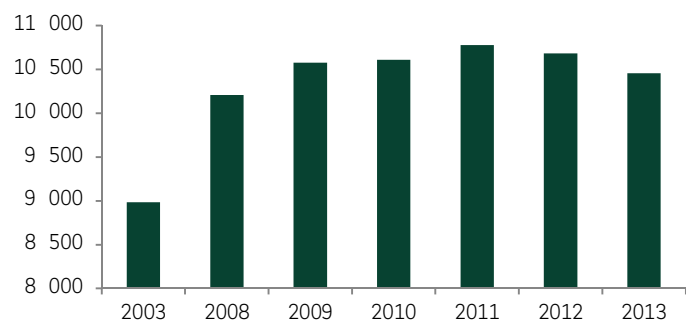
Source: Arlanda Airport

Arlanda Airport – Most represented international countries 2013 (in thousands)



Source: Arlanda Airport

Ports of Stockholm – Arriving and departing ferry passengers 2003, 2008-2013 (in thousands)

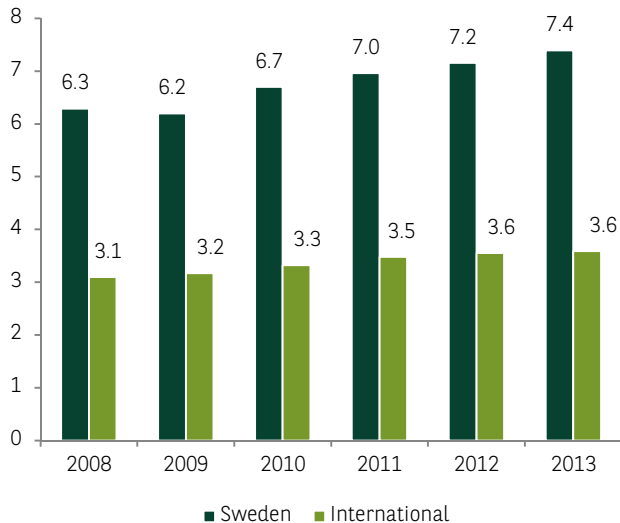


Source: Ports of Stockholm

DEMAND

In line with the increase in air and ferry passenger traffic, Stockholm County¹ reached a new record in tourism demand with almost **11 million commercial overnights²**, securing its place as one of Europe's leading tourism destinations.

*Stockholm County - Commercial overnight stays
All accommodations - 2008-2013 (in millions)*



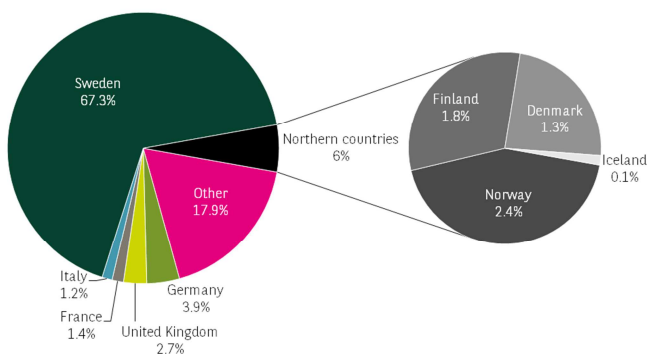
Source: Swedish Agency for Economic and Regional Growth/Statistics Sweden

The number of commercial overnights has been on an upward trend since 2008 from nearly 9.4 million overnight stays to almost 11 million in 2013, an average annual increase of approximately +3.2%. To be noted that approximately **87% of commercial overnight stays were accommodated by hotels**.

The strongest increase was recorded from non-European countries with a compound annual growth rate (CAGR) of +8.1% compared to +2.7% for European countries. The two most noticeable growths over the last three years were recorded by Brazil (+118%) and India (+195%) partially explained by the arrival of new airlines at Arlanda Airport such as Emirates and Qatar Airways offering more convenient connections.

A closer analysis of the commercial overnights points out that **Stockholm hotels primarily serve a domestic market**. Indeed, over the period running between 2008 and 2013, 33% of overnights were represented by the international segment whereas domestic clients amounted to over two third with 67%.

*Stockholm County- Commercial overnight stays by nationality
All accommodations - 2013*



Source: Swedish Agency for Economic and Regional Growth/Statistics Sweden

The **top 5 international feeder markets were Germany, United Kingdom, Norway, Finland and France** which combined represented 12% of the total commercial overnight stays.

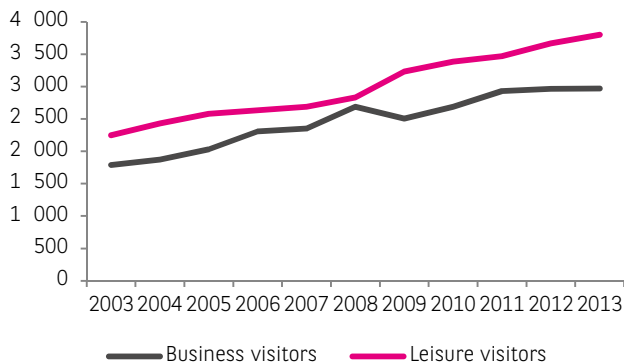
Nordic countries (excluding Sweden) accounted for only 6.0% of total overnight stays, while international countries (excluding Europe) and European countries (excluding Nordic countries) accounted respectively for 11.0% and 16.0%.

¹ Stockholm County includes the city of Stockholm and 26 municipalities around it

² Including hotels, vacation villages, hostels, campings and commercially arranged private cottages and apartments

The city of Stockholm **benefits from a well-balanced client mix**, attracting leisure, corporate and trade fair/congress business.

City of Stockholm - Overnights in hotels
According to purpose of visit 2003-2013 (In thousands)



Source: Resurs AB

Business Tourism

In 2013, business demand - including corporate and meetings, incentives, conferences and exhibitions (MICE) - **represented about 44.0% of total room nights in the city of Stockholm.**

Indeed, Stockholm is an important trade fair and congress destination in northern Europe offering a wide range of high quality exhibition centres, congress and event facilities, most of which are centrally located and well serviced by different modes of transport.

The city's principal facilities include amongst others the **Stockholmsmässan, northern Europe's largest convention facility** with a capacity for up to 4 000 delegates, but also the Stockholm City Conference Centre, Kistamässan, and the Brewery.

Most recent infrastructures comprise the Stockholm Waterfront Congress Centre which opened in March 2011, the Friends Arena opened in October 2012 and the Tele2 Arena inaugurated in August 2013. Having opened only quite recently, these three venues are still in their launch period and are expected to attract an increasing number of events in the coming years.

In addition to the existing facilities, a new meeting centre will be built alongside Stockholm's central waterfront called the Nobel Centre. The construction is expected to start in 2015 and construction works should be completed in December 2018.

After witnessing a buoyant **+67.8% increase over the last ten years, total overnight stays in the inner city of Stockholm reached 6 771 000 in 2013.**

The structure of the demand has remained fairly stable over the past few years, except in 2008 when business and leisure both generated approximately the same number of room nights. The leisure visitors represented in 2013 56.2% of the total demand.

Between 2008 and 2013, business demand remained fairly stable with a CAGR of +2.0% compared to the leisure segment which witnessed a CAGR of +6.1% over the same period benefiting from the dynamism of emerging markets.

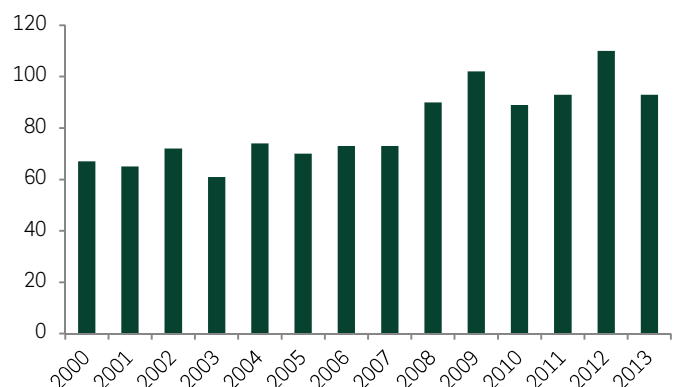


Stockholm Waterfront Congress Centre (Source: © Mikael Damkier-Fotolia.com)

Trade fair and congress demand in Stockholm has witnessed a steady growth since 2000, from 67 meetings to 93 in 2013, with a record in 2012 at 110. According to the International Congress and Convention Association (ICCA), the city of Stockholm ranked 20th* in 2013.

**It should be noted that the ICCA ranking should only be considered as a benchmark tool, as it only includes international meetings which rotate in a minimum of three different countries.*

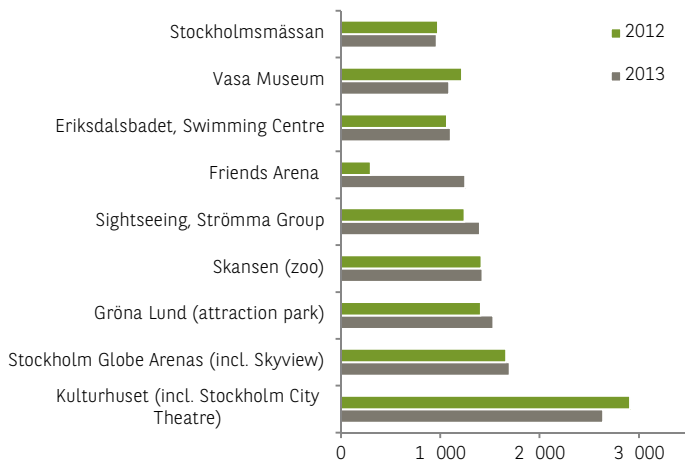
Number of international conferences & exhibitions
City of Stockholm, 2000-2013



Source: ICCA

Leisure tourism

Major tourist attractions / events venues - Visitors
City of Stockholm 2012-2013, visitors (in thousands)



Source: Stockholm Visitors Board

In 2013, the leisure segment, attracted by the capital's cultural offerings including large numbers of museums and other leisure activities, represented about 56% of total room nights in the city of Stockholm.

The Kulturhuset (the house of culture) which hosts many contemporary cultural events is the attraction that welcomed the most visitors in 2013, with over 2.5 million visitors on an annual basis. It is followed by Stockholm Globe Arena, also called the Ericsson Globe, the largest hemispherical building in the world primarily used for Ice Hockey events.

Gröna Lund, created in 1883, is the oldest Swedish attraction park and one of the few to be located in a capital's city centre. Skansen, the 4th largest cultural attraction, is an open air museum and a zoo.



Attraction Park Gröna Lund
(Source: © balickaya-Fotolia.com)



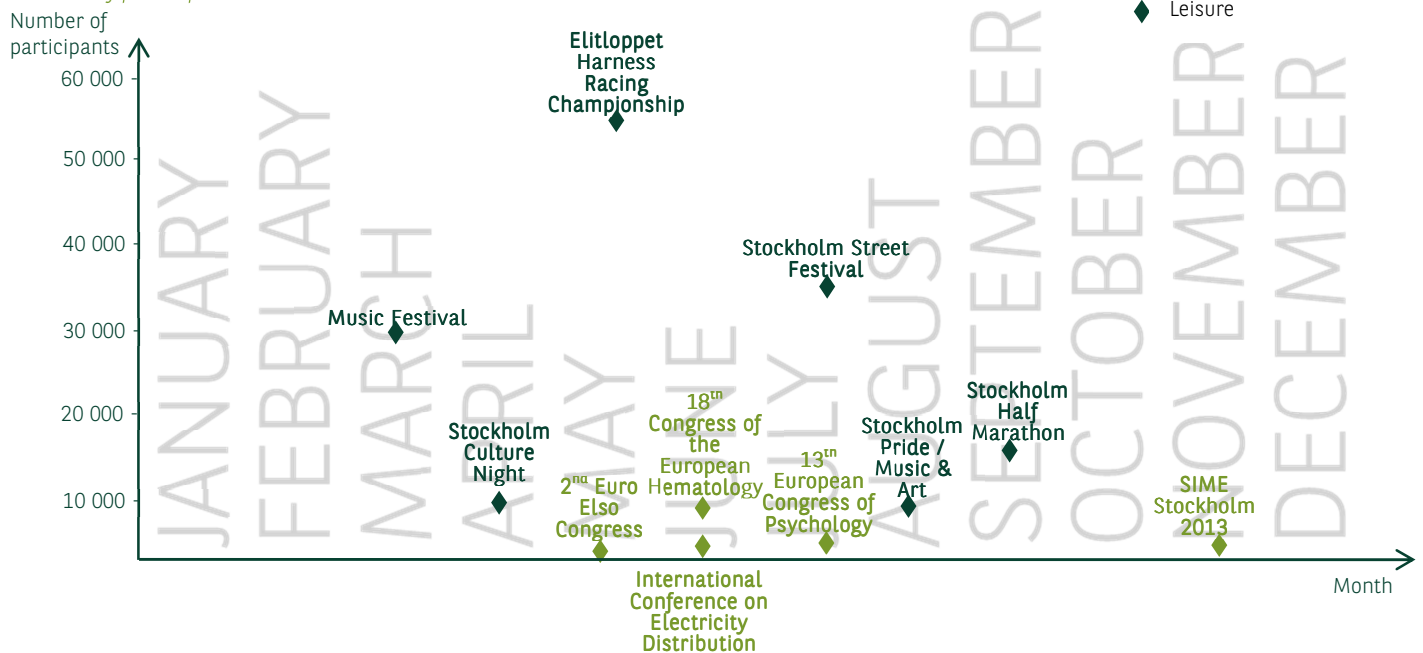
Vasa Museum, Warship built in 1626-1628
(Source: © prescott09-Fotolia.com)



Stockholm Globe Arena
(Source: © cittadinodelmondo-Fotolia.com)

Main recurrent events hosted in Stockholm each year

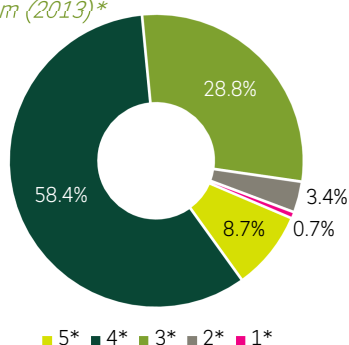
Number of participants in 2013



Source: Stockholm Visitors Board, BNP Paribas Real Estate Hotels France

SUPPLY

Hotel rooms per category
City of Stockholm (2013)*



* Of the 18 400 hotels rooms in total for the City of Stockholm, only 40% are covered by the classification system.

However, the graph represents the entire spectrum following HUI Research AB's own assessment of hotels that are not included in the official star classification.

Source: Vista and HUI Research

City of Stockholm - Hotel supply evolution
2008 - 2016 forecast



Source: Vista and HUI Research, Statistics Sweden

City of Stockholm - Hotel supply - Recent openings
2010-2014

Year	Category	Hotel	Rooms	District
2010	5*	Nobis Hotel Stockholm	201	Norrmalm
2010	NC	Courtyard by Marriott Stockholm	278	Kungsholmen
2011	4*	Scandic Grand Central	397	Norrmalm
2013	2*	Omena Stockholm	200	Norrmalm
2014	NC	Nobis Stallmästaregarden	+30*	Norrmalm
2014	NC	Miss Clara	92	Norrmalm
2014	NC	Motel L	226	Södermalm
2014	NC	Scandic HTL	275	Norrmalm
2014	NC	Central Hotel	+17*	Norrmalm
2014	NC	Motel L Hammarby Sjöstad	228	Norrmalm
Total Rooms			1944	

*Room extension - NC: Not Classified

Source: Byggfakta, Stockholm Business Region Development, Sweco, Visita, Annordia, BNP Paribas Real Estate Hotels

In 2013, the hotel supply in the city of Stockholm accounted for 61.3% of the supply in Stockholm County with 148 hotels and 18 400 rooms. Most of the supply is not covered by a hotel classification system for tax reasons. Also, hotel managers in Stockholm tend to say that the domestic clientele is rather focusing on the brand identity than on star ratings.

The market can be considered as rather unbalanced and of high standards as **two thirds of Stockholm's hotels are judged to be of 4 or 5-star standard.**

Over the period between 2008 and 2013, the number of hotels increased from 127 to 148 units, and room supply recorded relatively strong growth with a CAGR of +4.3% over the 2008-2013 period, from 14 900 to 18 400 rooms.

Many of Stockholm's hotels belong to one of the major Nordic chains: Elite, First, Nordic Choice or Scandic. These hotel chains are well known to Nordic travellers but are relatively unfamiliar to visitors from further afield.

Stockholm is an attractive city for operators seeking to develop their network in northern Europe, but the city has high barriers to entry due to high development costs and the fact that there are relatively few hotels for sale on the market.



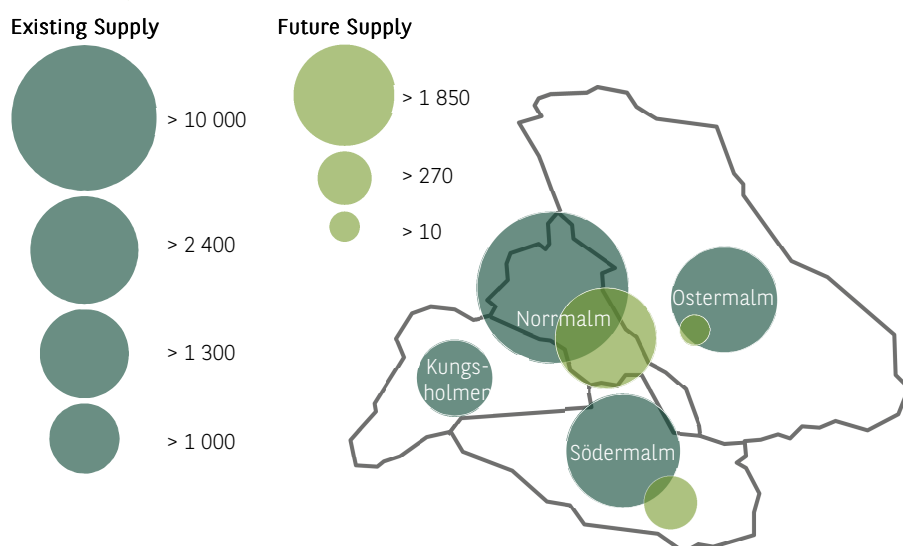
HTL Hotel Stockholm (Source: Hotel)

Recent openings included the launch of Scandic's new hotel brand called HTL. The concept is chic lifestyle accommodation in central locations. The first property opened in May 2014 at Kungsgatan 53 and a second hotel is in the pipeline for 2015. The chain plans to have 20 HTL hotels operating in the major Nordic cities within five years.

At the same time, several new boutique hotels opened or will soon open in historic settings in the city's best locations, including Motel L in which fixed room prices are offered through the year, Miss Clara and Hotel Kungsträdgården. The latter will occupy a historic building from the 16th century and contain 105 rooms, all decorated in classic Gustavian design.

As shown on the map of the city of Stockholm below, **the majority of the existing and future supply is mainly situated in the Norrmalm area**, a district which comprises Vasagatan, the commercial and business centre of Stockholm home to many companies' headquarters.

Hotel room supply – Existing & Future
2015-2017 forecast



Source: Byggbakta, Stockholm Business Region Development, Sweco, Visita, Annordia, BNP Paribas Real Estate Hotels

In the short to medium term, Stockholm's city centre is expected to see the opening of an additional 1 444 rooms. AMF Fastigheter, a leading Swedish property investor and developer, has unveiled a contract with Petter Stordalen, the owner of Nordic Choice Hotels. The contract comprises the development of two hotels with two distinct concepts: business and boutique. Both are part of a larger city project called Urban Escape and will be situated in the heart of Stockholm. The project also includes offices, meeting spaces and restaurants. Constructions have started in October 2014 and the hotels are expected to open in March 2017.

Hotel supply – Future openings
2015-2017 forecast

Year	Hotel	Rooms	Districts
2015	Hotel Kungsträdgården / Hotel Kings Garden	105	Norrmalm
2015	Scandic HTL, Norra Bantorget	115	Norrmalm
2015	Villa Källhagen	14*	Östermalm
2015	Hotell Södermalm	50	Södermalm
2016	Scandic Continental	400	Norrmalm
2017	2 Hotels - Gallerian (Urban Escape)	540	Norrmalm
TBC	Scandic HTL	120	n/a
TBC	Hotel Mamskillnadsgatan	100	Norrmalm
Total Rooms		1 444	

*Room extension

Source: Byggbakta, Stockholm Business Region Development, Sweco, Visita, Annordia, BNP Paribas Real Estate Hotels

HOTEL PERFORMANCES

In terms of seasonality throughout the year, the most dynamic months for hotel demand are typically May, August and September, the summer months being indicative of the high level of leisure demand, particularly domestic tourism. From March to May, and late September to October, demand is mainly driven by conference and exhibition business, which drive most of the city's occupancy.

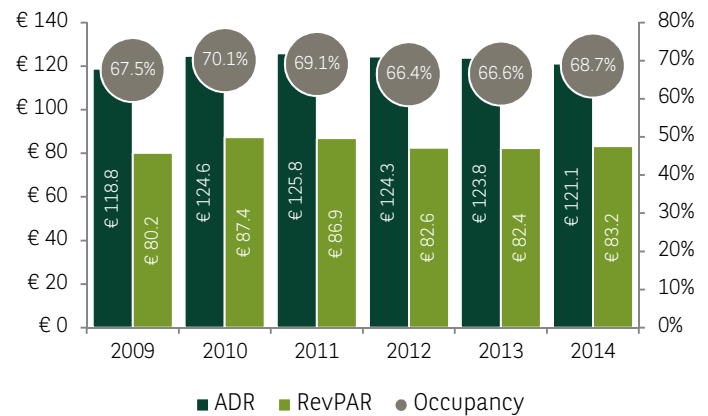
The low season runs typically from November to February, primarily on account of the year-end holidays and the winter season.

Trading performances in the Stockholm hotel market have shown fluctuations over the 2009-2014 period. In 2012, occupancy fell to its lowest level but then recovered gradually to reach 68.7% in 2014. However, this occupancy growth was gained at the expense of ADR (-0.4% in 2013 and -2.2% in 2014), resulting in a stabilisation of RevPAR.

These variations can partly be explained by stronger increase in leisure demand, a more price sensitive segment compared to the business segment.

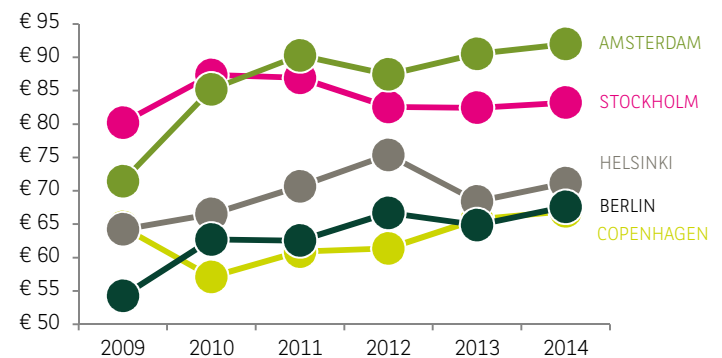
The opposite graph shows a comparison of the hotel performances of three Scandinavian cities including Stockholm, Berlin and Amsterdam against each other. As currencies differ, a comparison in euros is employed. In 2014, RevPAR ranged between € 66.9 for Copenhagen and € 92.0 for Amsterdam, the latter clearly outperforming the other cities. **Stockholm ranked 2nd with a RevPAR of € 83.2.** Due to the high proportion of domestic tourism, **the city has shown less exposure to worldwide economic downturns than other European cities.**

Hotel trading performances
2009-2014



Source: MKG Hospitality Database

Key cities - RevPAR evolution
2009-2014



Source: MKG Hospitality Database



Stockholm (Source: © Alexi TAUZIN-Fotolia.com)

INVESTMENT MARKET

In Stockholm, hotel transactions remain rare and sporadic although interest is strong for quality products in prime locations.

A major recent portfolio deal was the sale of the Rica Hotels portfolio in February 2014, which included 72 properties, of which 65 in Norway and 7 in Sweden (4 in Stockholm) to Scandic hotels. The owner of Rica Hotels, the Rivelslud family, will retain ownership of the real estate of 20 properties in the Rica Hotels portfolio through the company Rica Eiendom Holding. The hotels will however be operated with Scandic as leaseholder and the full rebranding process should be finalised by 2015.

The major recent single asset deal is the sale of the Sheraton Stockholm, bought by Host Hotels & Resorts in 2013 for approximately € 102 million.

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2010	4*	Courtyard by Marriott	278	66 000 000	237 410	-	Invesco European Hotel Real Estate Fund
2010	NC	Park Inn By Radisson Solna	247	22 000 000	89 069	Unibail-Rodamco	Pandox
2011	5*	Radisson Blu Strand	152	65 500 000	430 921	Home Properties AB	Swedish Order Of Freemasons
2011	4*	Scandic Grand Central	400	13 100 000	32 750	Diligentia	KLP Eiendom
2011	3*	Scandic Broma	144	13 700 000	95 139	Pandox	JM
2012	NC	Hotel J Nacka Strand	158	15 200 000	96 203	Vasakronan	Carlyle Group
2012	NC	Ibis Stockholm Hägersten	190	12 700 000	66 842	Pandox	Svea Fastigheter/ Midstar/ Event Holding
2013	NC	Sheraton Stockholm	465	102 000 000	219 355	Blackstone	Host Hotels & Resorts
2014	NC	Rica Portfolio (72 hotels, including 4 in Stockholm)	-	Not disclosed	Not disclosed	Rivelslud family	Scandic

NC: Not classified

Source: BNP Paribas Real Estate Hotels

OUTLOOK

The future of Stockholm's hotel market looks **bright**. The Swedish capital has planned major investments in infrastructure, housing and office buildings up to 2020. Approximately € 103 billion will be spent in order to improve the city's overall accessibility and in particular its transport connections with the regions.

Stockholm hotels primarily serve a domestic market, in terms of both leisure and corporate demand. The improvement in the national economy is therefore an encouraging sign for hotel demand. Indeed, **Stockholm's GDP is forecast to increase by +2.5% per year up to 2025**, and by + 1.9% on average on a national level, outperforming some other major European markets*.

Also in the continuity of the past years, a further increase of demand from international travellers, especially from emerging markets, should be recorded thanks to commercial efforts from the city to extend the season for leisure guests on months other than July and August.

Additionally, demand from business clientele should also witness further growth given the ramp up period of the most recent convention centres and the **future development of new infrastructures**.

These factors combined lead us to believe that the 15 million overnight stays threshold should be reached by 2020 in the Stockholm County, as announced by the Stockholm's Business Region Office. If all planned and potential projects are carried out, further rooms will still be needed to remain competitive, especially for the organisation of large international fairs and events.

Considering also the **historical stability of the trading performances**, we believe the Northern capital should arouse the interest of international investors looking for secured assets mainly through a lease structure or with a high-quality management contract, should these be offered on the market.

* Source: BNP Paribas Economic Research



INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS

Hong Kong



U.A.E



USA



- Our locations
- Our alliances



BNP PARIBAS REAL ESTATE HOTELS

BNP Paribas Real Estate Hotels is part of BNP Paribas Real Estate, one of the leading international real estate companies.

BNP Paribas Real Estate is present in 40 countries* with more than 150 offices worldwide, offering local solutions to global requirements.

Our international team of hospitality real estate professionals offers a wide range of services, including **strategic consulting, development and feasibility studies and valuations** as well as **assistance in asset acquisitions and disposals**.

We cover every stage of the hospitality property cycle and have a thorough understanding of the different challenges faced by private owners, institutional investors, financing institutions or developers. We provide targeted expertise in response and our service offer is fully adaptable to meet your specific needs and requirements.

For more information, please do not hesitate to contact us.

* 18 under direct ownership and 22 alliances

Cover picture: Night View of Stockholm's Old City (Source: © Mikael Damkier-Fotolia.com)

Authors



Nils Berzia
Consultant

nils.berzia@bnpparibas.com

Direct line: +33 (0)1 47 59 21 97



Blandine Trotot
Junior Consultant

blandine.trotot@bnpparibas.com

Direct line: +33 (0)1 47 59 20 06

Direction

Bruno Juin
Managing Director – Hotels
bruno.juin@bnpparibas.com

Maaïke Smorenborg
Deputy Director – Hotels Consulting & Valuation
maaïke.smorenborg@bnpparibas.com



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

www.realestate.bnpparibas.com