

# STOCKHOLM

## NEW SUPPLY: A SURMOUNTABLE HURDLE

### MARKET PULSE

#### HOTEL TRANSACTION VOLUMES – YEAR-TO-FEBRUARY 2018



▲ 12% YOY  
€221.2 MILLION

#### AIRPORT PASSENGERS – YEAR-TO-FEBRUARY 2018



▲ 2.7% YOY  
4.3 MILLION

#### BEDNIGHTS – YEAR-TO-FEBRUARY 2017

3.3% YOY ▲  
1.7 MILLION



#### CONFERENCE MARKET – 2016

13% YOY ▲  
101 CONFERENCES



## MARKET PROFILE

Stockholm is the economic, financial and business centre of Sweden, with a total population of around 950,000 (2017). The city ranks as a leading financial centre in the Nordics with a prevalence in areas such as innovation, technology, availability of capital and quality of life. Stockholm is commercial in nature: it is broadly recognised that business travellers account for 60% of the total hotel demand in the city. Nevertheless, the number of nights from leisure visitors has increased significantly in the past few years, whilst guest nights from business travellers have risen more slowly.

## TOURISM DEMAND

Stockholm is still dominated by local travellers, representing 57% of total bednights in 2017. However, international bednights grew at a higher compound annual rate (5.5%) compared to domestic demand (4.5%) between 2007 and 2017. In absolute terms, international bednights reached 4 million in 2017, a solid 3% increase on 2016. Year-to-February 2018 figures indicate a positive momentum with a year-on-year increase of 1.8%, primarily driven by international bednights at a remarkable 16.5% growth, whilst domestic bednights recorded a decline of 6%.

## HOTEL PERFORMANCE

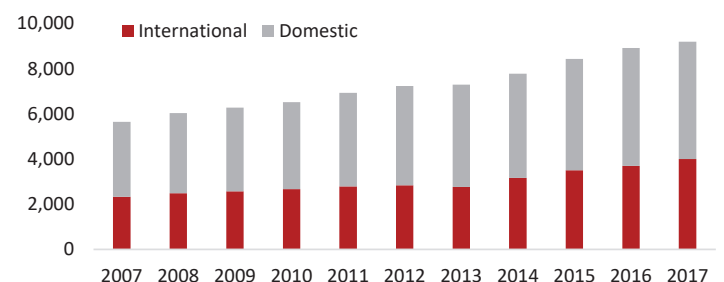
- Occupancy levels have remained fairly stable in the past three years but at historically high levels. Meanwhile, average rates recorded solid growth in 2016 of slightly over 5%. However, some pressure on both occupancy and average rate was to be expected for the city in 2017, following a substantial inflow of new supply during the year resulting in a declining RevPAR compared to 2016;
- Underpinned by a long track record of solid growth in both business and leisure demand, Stockholm is expected to quickly recover within the following months/year, as it did in 2011.

## ECONOMIC INDICATORS – SWEDEN

	2017A	2018F	24-MONTH FORECAST
GDP GROWTH (%)	+2.7	+2.5	▲
CPI (%)	+1.8	+1.6	▲
UNEMPLOYMENT (%)	6.7	6.3	▶

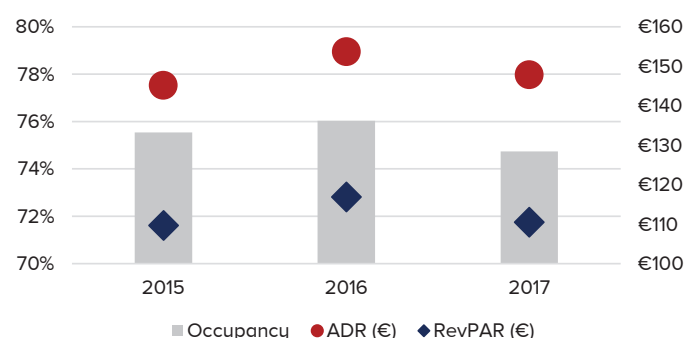
Sources: Economist Intelligence Unit; IMF

## HOTEL BEDNIGHTS (000s)



Source: Statistics Sweden

## KEY METRICS\*



Source: HVS Research

\*Branded hotels

## HOTEL SUPPLY

Stockholm experienced a large inflow of supply in 2011/12 with more than 15% of total supply added to the market. However, thanks to the sustained solid demand growth, the impact of new supply only had a short-term effect on the market; growth from the international leisure segment remained especially strong throughout. In 2017, around 1,700 rooms entered the market including the At Six Hotel and Hobo Hotel (Nordic Choice) and Downtown Camper (Scandic). The market is geared towards larger hotels (+250 rooms) in the midscale spectrum, accounting for more than 45% of the total room inventory.

The city will have circa 2,300 rooms entering the market in the next couple of years, predominantly within the midscale and budget segments. Owing to the scarcity of land and the predominance of operating lease arrangements, Stockholm remains a market with high barriers to entry for international players, and thus lacks internationally branded, high-end luxury hospitality products. Consequently, a vast majority of the current supply is operated by Nordic brands and a similar trend is seen in the pipeline, exclusively dominated by local operators.

## INVESTMENT MARKET

Stockholm's hotel investment market is relatively liquid. In terms of transaction volumes, 2017 ended on a slightly higher note than 2016 with a total of €221 million compared to €197 million. The most notable transactions were the 503-room Comfort Hotel Arlanda Airport at €132.8 million (€264,000 a key), Quality Hotel Friends at approximately €109 million (€273,000 a key) and the Clarion Collection Hotel Tapto at €36.6 million (€260,000 a key). For the latest value trend, please refer to our annual *European Hotel Valuation Index*.

## OUTLOOK

Stockholm's hotel market has historically demonstrated strong resilience, despite large inflows of new supply, and is expected to withstand another wave of hotel openings in the next few years due to continued healthy economic growth coupled with a solid hotel demand outlook. Stockholm is one of the most attractive markets in the Nordics, despite the expected short-term impact of the existing pipeline, as it offers political stability, favourable economic health and continued affordable debt. Despite the somewhat subdued performance of the market in 2017, mainly caused by new supply (and which is showing signs of continuing in 2018), the market is expected to return to solid performance growth in the short to medium term.

## HOTEL PIPELINE

Property	Rooms	Opening
Best Western Solna	170	Q3 2018
Bank Hotel	115	Q4 2018
Nobis Gävlegatan	264	Q4 2018
Comfort Hotel Kista	194	Q4 2018
Zleep Hotel Upplands Väsby	152	Q1 2019
Hotel Diplomat Östermalm's Saluhall	71	Q1 2019
Hotel Ulriksdal	223	Q1 2019
Hotel Sveavägen	100	Q2 2019
The Comfort Hotel Arlanda Airport	503	Q4 2019
Clarion Hotel Tapetfabriken	156	Q2 2020
Sergelhuset Hotel	280	Q2 2023
Project Sture	120	N/A

Source: HVS Research

## HOTEL TRANSACTIONS

Property	Sale Date	Rooms	Estimated Price (€)	Per Room (€)
Comfort Hotel Arlanda Airport (forward sale)	Dec 2017	503	132,800,000	264,000
Quality Hotel Friends	Dec 2017	399	109,000,000	273,000
Clarion Collection Hotel Tapto	Apr 2017	140	36,600,000	261,000
Quality Hotel Globe	Jul 2016	527	127,800,000	243,000
Hotel Hagaplan (forward Sale)	Jun 2016	221	104,600,000	473,000
Radisson Blu Waterfront Hotel	Dec 2015	414	190,000,000	459,000
Hotell Attaché	Mar 2015	60	4,300,000	72,000
Marriott Courtyard	Feb 2015	272	71,700,000	264,000

Source: HVS Research

## VALUE TREND

REVPAR

CAPITALISATION  
RATES

HOTEL VALUES



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