



# **HOTEL INVESTMENT GUIDE COAST & ARCHIPELAGO**

**HOW TO DO BUSINESS IN THE  
LAND OF SUCCESS STORIES.**

**INVEST IN  
FINLAND**

**INTRODUCTION  
TO COAST &  
ARCHIPELAGO**

**HOTEL MARKET  
DESCRIPTION**



# BUILD YOUR NEXT BIG THING IN FINLAND

THE FINNISH TRAVEL INDUSTRY  
OFFERS OPPORTUNITIES FOR  
INVESTMENTS AND GROWTH  
THROUGHOUT THE COUNTRY.

For anyone considering investing in Finland, there are three major regions to consider outside the well-known, densely populated Helsinki metropolitan area:

**LAPLAND**, known for its winter tourism, Northern Lights, and Santa Claus

**FINNISH LAKELAND**, known for its natural beauty, with more than 50,000 lakes covering a fourth of the area

**THE COAST AND ARCHIPELAGO**, home to 1,100 km of beautiful coastline and one of the largest archipelagos in the world

Every region, city, and town has something unique to stand out from the rest, harboring different hotel investment opportunities. For someone new to the country, navigating across such diverse regions might be a difficult task. Investment opportunities can be found almost anywhere, ranging from resorts amid tranquil nature to hotels in mid-sized cities. This guide gives you essential information for your journey through the regions.

EVERY REGION  
IN FINLAND  
OFFERS  
SOMETHING  
UNIQUE.

## DEFINITIONS OF THE KEYWORDS AND ABBREVIATIONS

<b>Approx.</b>	Approximately
<b>ARR</b>	Average Room Rate (exc. VAT)
<b>ca.</b>	Circa
<b>CAGR</b>	Compound Annual Growth Rate
<b>e.g.</b>	For example (exempli gratia)
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation, and Amortization
<b>etc.</b>	Et cetera
<b>F&amp;B</b>	Food & Beverage
<b>FF&amp;E</b>	Furniture, Fixtures, & Equipment
<b>FLA</b>	Fixed Lease Agreement
<b>GOP</b>	Gross Operating Profit
<b>HMA</b>	Hotel Management Agreement or Helsinki Metropolitan Area
<b>i.e.</b>	That is (id est)
<b>IFRS</b>	International Financial Reporting Standards
<b>km</b>	Kilometer
<b>KPIs</b>	Key Performance Indicators
<b>M</b>	Million
<b>OCC</b>	Occupancy
<b>P&amp;L</b>	Profit & Loss Statement
<b>RevPAR</b>	Revenue per Available Room
<b>SPV</b>	Special Purpose Vehicle
<b>TO</b>	Turnover



# CONTENTS

2	BUILD YOUR NEXT BIG THING IN FINLAND
8	INVEST IN FINLAND
10	DEFINITION OF THE REGIONS
12	ACCESSIBILITY OF THE REGIONS BY TRAIN & AIR
14	BRIEF INTRO TO COAST & ARCHIPELAGO
16	HOTEL MARKET DESCRIPTION
20	OULU
24	TURKU
28	PROVINCIAL CITIES VAASA, PORI, PORVOO & KOTKA
36	COAST & ARCHIPELAGO DESTINATIONS
34	KALAJOKI
36	YYTERI
38	HANKO
40	TEIJO-MATHILDEDAHL
42	OPERATORS & BRANDS
44	GENERAL PROFITABILITY OF HOTELS
46	LABOR COSTS IN FINLAND
48	REAL ESTATE OWNERS
50	MOST COMMON OPERATING AGREEMENTS
55	RECENT HOTEL TRANSACTIONS
56	ROAD MAP FOR HOTEL INVESTMENT
58	WELCOME TO FINLAND!



# 10 REASONS TO EXPAND INTO FINLAND

## #1

**NUMBER 1 BUSINESS  
ENVIRONMENT  
IN THE WORLD**

BY GLOBAL INNOVATION INDEX 2019

## #1

**DIGITAL  
COMPETITIVENESS  
IN THE EU**

BY THE EUROPEAN COMMISSION 2019

## #1

**MACROECONOMIC  
STABILITY**

BY THE GLOBAL COMPETITIVENESS  
REPORT 2018

## #1

**THE FREEST COUNTRY  
IN THE WORLD**

BY FREEDOM HOUSE 2018

## #1

**GOVERNED COUNTRY  
IN THE WORLD**

BY LEGATUM INSTITUTE 2018

## #1

**SKILLS OF THE WORKFORCE  
AND THE QUANTITY AND  
QUALITY OF EDUCATION**

BY THE GLOBAL COMPETITIVENESS  
REPORT 2018

## #1

**FINANCIAL SYSTEM  
IN EUROPE**

BY THE GLOBAL COMPETITIVENESS  
REPORT 2018

## #1

**THE SAFEST COUNTRY  
IN THE WORLD  
TO TRAVEL**

BY WORLD ECONOMIC FORUM 2017

## #1

**THE MOST STABLE  
COUNTRY  
IN THE WORLD FOR THE  
14<sup>TH</sup> YEAR IN A ROW**

BY THE FUND FOR PEACE 2019

## #1

**THE HAPPIEST  
COUNTRY  
IN THE WORLD**

BY WORLD HAPPINESS REPORT 2019



# INVEST IN FINLAND

DOING BUSINESS IN FINLAND IS SMOOTH, THANKS TO THE STABLE BUSINESS ENVIRONMENT, WELL-FUNCTIONING SOCIETY, AND LACK OF CORRUPTION.

Finland, one of the world’s northernmost countries, has a solid economy and a highly efficient and transparent business environment. The country benefits from a highly educated and skilled labor force. All of these factors make it easy for international companies to expand their business operations to Finland.

Finland enjoys excellent connectivity, with direct flights to and from Helsinki, and further through its well-developed regional airport network. In line with the global trend, tourism is booming in the country. The passenger volume at Helsinki Airport grew by 25% over the

last three years, further feeding the traffic to regional airports. Air connectivity is supported by well-developed rail and road network across the whole country.

Finland is called a land of thousands of lakes. There are 188,000 clear water lakes and almost endless deep green forests that offer visitors the unique peace and tranquillity of the Nordic nature. Finland offers an endless array of outdoor activities across all seasons, from chasing Aurora Borealis in the winter season to hiking and observing wildlife in the national parks during summer.

The rapidly increasing tourism can be seen in the number of overnight visits. In the last five years, we have seen the number of overnight visitors grow on average 5% a year.

Finland does not have a large number of internationally branded hotels. The Finnish hotel market is mostly dominated by domestic mid-market hotel operators. This offers international investors an excellent opportunity to enter the hotel market across the whole country.

INDICATOR	2015	2019	CAGR
Population, m	5.5	5.5	0.2%
GDP per Capita, EUR	38,570	43,484	3.0%
Investment Grade, S&P	AA+	AA+	n/a
Total Area, km²	338,424		n/a
Unemployment rate	9.3%	6.7%	n/a
Inflation change	n/a	n/a	0.5%
International overnights, m	5.5	7.1	6.4%

THE DEFINITIONS OF THE  
KEYWORDS AND ABBREVIATIONS  
USED IN THIS GUIDE CAN BE  
FOUND ON PAGE 3.





# DEFINITION OF THE REGIONS

FOR THIS GUIDE, FINLAND HAS BEEN SPLIT INTO FOUR MAJOR REGIONS: HELSINKI METROPOLITAN AREA, COAST & ARCHIPELAGO AREA, LAKELAND, AND LAPLAND.



LAPLAND



LAKELAND



COAST &  
ARCHIPELAGO  
AREA



HELSINKI  
METROPOLITAN  
AREA





# ACCESSIBILITY OF THE REGIONS BY TRAIN & AIR

BESIDES EXCELLENT ROAD CONNECTIVITY ACROSS THE COUNTRY, FINLAND ALSO BENEFITS FROM GREAT CONNECTIVITY BY AIR, WATER, AND RAIL.

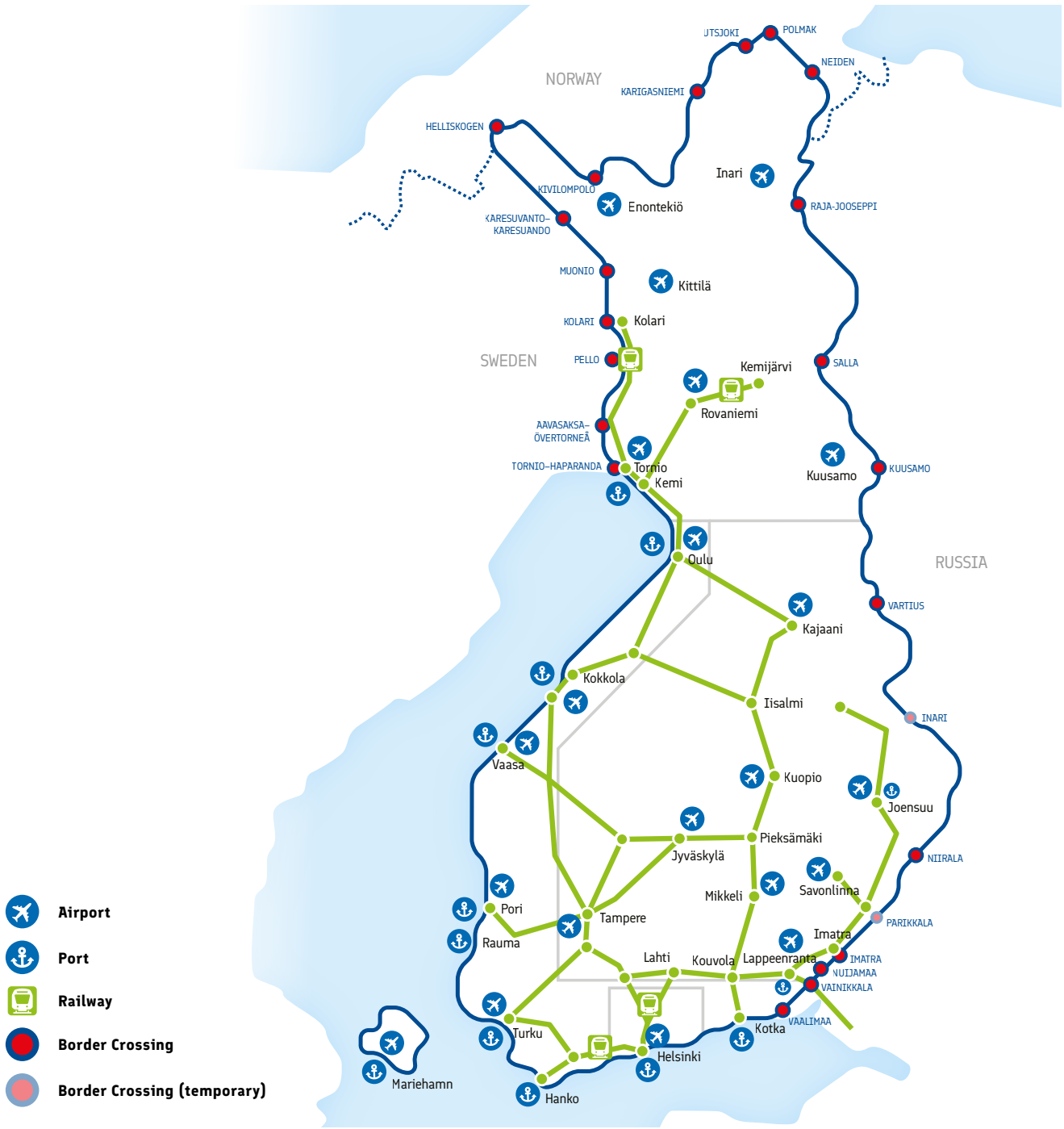
BORDER CROSSINGS  
FIN–RUS 2019

	2019	SHARE
Nuijamaa	3,002,694	30%
Vaalimaa	2,463,410	27%
Imatra	1,588,868	17%
Niirala	1,118,980	13%
Vainikkala (Rail)	656,107	6%
Vartius	383,562	4%
Salla	120,202	1%
Raja-Jooseppi	80,864	1%
Kuusamo	55,346	1%
Parikkala (temporary)	24,011	0%
Inari (temporary)	5,747	0%
Total	9,499,791	100%

Note that 81% of the FIN-RUS border crossings in 2019 took place at the very southeast part of Finland, corresponding with further access to St. Petersburg and beyond. Furthermore, an additional 12% of the crossings took place at the just slightly more northern Niirala crossing point.

Also note that driving was by far the most popular way of crossing the border, accounting for 93% of the crossings. Thus, just 7% of the border crossings were done via the Vainikkala rail crossing point (Helsinki–St. Petersburg train).

Source: The Finnish Border Guard



BORDER CROSSINGS  
FIN–SWE

Karesuvanto–Karesuando	Road 959/E45
Muonio	Road 954/404
Kolari	Road 943/403
Pello	Road 937/402
Aavasaksa–Övertorneå	Road 98
Tornio–Haparanda	Road E4

Source: Christie&Co Research

BORDER CROSSINGS  
FIN–NOR

Neiden	Road 92
Polmak	Road 970/895
Utsjoki	Road E75
Karigasniemi	Road 92
Kivilompolo	Road E45
Helligskogen	Road E8



# INTRODUCTION TO COAST & ARCHIPELAGO

THE COAST & ARCHIPELAGO COVERS FINLAND'S SEASIDE REGIONS FROM SOUTH TO NORTH. THE AREA IS A GREAT MIX OF STUNNING SHORES AND VIBRANT, MID-SIZED CITIES.

The Coast and Archipelago covers most of Finland's seaside regions, reaching from the Gulf of Finland in the South to the Bay of Bothnia in the North.

The cities in this guide were chosen according to their population base, with a threshold of about 100,000 inhabitants. Two cities reach that population in this area, Oulu and Turku.

To provide investment opportunities outside larger cities and towns, this analysis also focuses on some significant tourism hotspots in the area.

The map on the right shows the region's largest cities. Circle size equals annually generated market value by hotels in respective city.





# HOTEL MARKET DESCRIPTION

THANKS TO ITS BEAUTIFUL COASTLINE, THE COAST & ARCHIPELAGO IS AN EXTREMELY POPULAR SUMMER HOLIDAY DESTINATION.

427 HOTELS  
18K ROOMS  
+3.1% CHANGE TO 2019

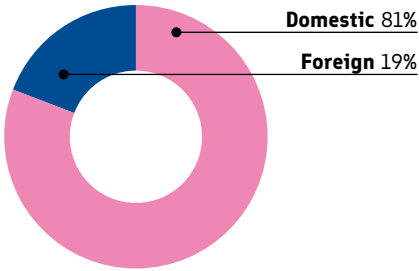
The Coast and Archipelago area covers most of Finland's seaside regions. Thanks to its beautiful coastline, the region is an extremely popular summer holiday destination. Because of its numerous harbors, it also plays a big part in Finland's economy.

ARR doesn't fluctuate much throughout the year. Occupancy usually spikes during summer months (June–Aug), when most Finns go on holiday, with occupancy surpassing a 60% mark in July. Weather conditions (i.e. cold and rainy weather) can have a large impact on hotel market performance.

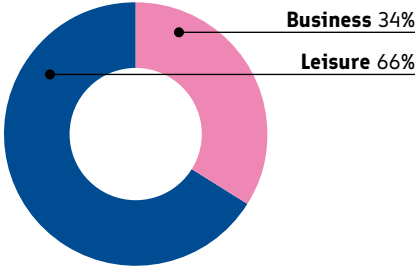
Even though the growth in hotel overnights slightly outpaced the growth in room supply during 2015–2019 (by 0.9% per annum), the market demonstrated significantly superior performance with 4.5% RevPAR growth on average per annum in the same period, mainly through a boost from ARR.

During the last few years, the market has recorded solid RevPAR growth; considering the increase in visitation, the prospects look good, with further (mainly ARR-driven) RevPAR growth.

OVERNIGHTS 2019  
5,767,000 +3.0%



BUSINESS VS LEISURE 2019



TOP 6 FOREIGN SOURCE MARKETS

OVERNIGHTS	2018	2019	CHANGE %
Sweden	276,700	277,600	+0.4%
Germany	118,000	124,800	+5.8%
Russian Federation	80,600	80,800	+0.3%
Estonia	61,100	67,400	+10.2%
Norway	36,000	37,800	+5.1%
United Kingdom	40,000	36,700	-8.3%

Source: Statistics Finland



CAGR 2015–2019

OCC	+0.8%
ARR	+3.0%
REVPAR	+3.3%

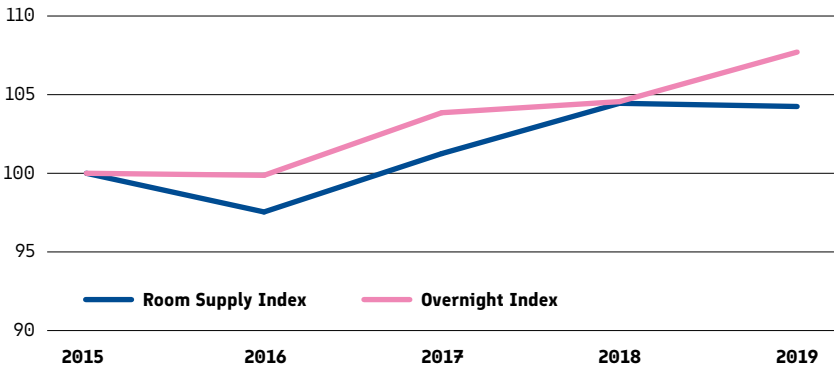
KPIs 2019

OCC	45% (+2.5%)
ARR	€87 (+5.3%)
REVPAR	€40 (+7.9%)

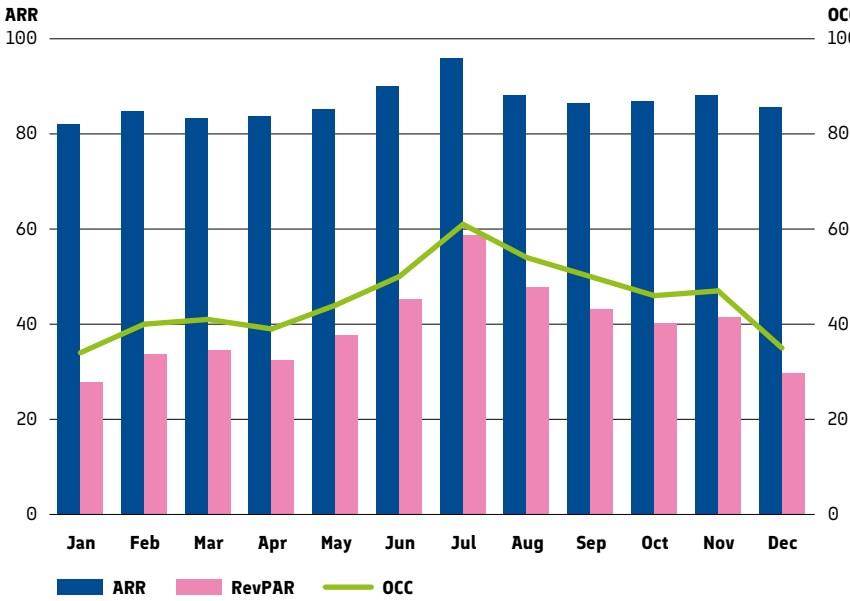
MARKET ROOM  
SALES 2019

264M (+7.7%)

SUPPLY VS DEMAND INDEX

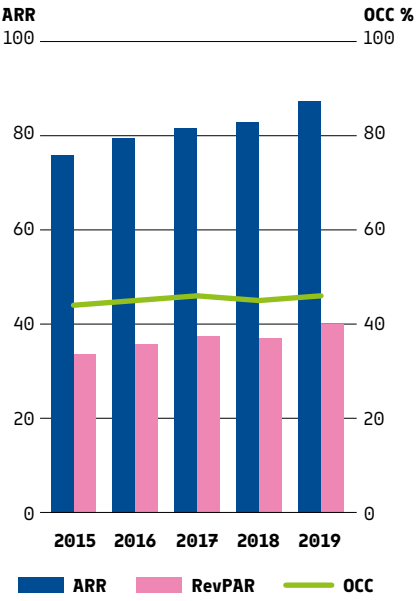


SEASONALITY 2019



Source: Statistics Finland

KPIs 2015–2019



Source: Statistics Finland

BEAUTIFUL  
BEACHES  
MAKE FOR  
ATTRACTIVE  
SUMMER  
DESTINATIONS





# OULU

KNOWN AS ONE OF THE LEADING  
TECH INNOVATION HOTSPOTS IN THE  
NORDICS, OULU IS ALSO THE FASTEST  
GROWING CITY IN FINLAND.

10 HOTELS  
1,399 ROOMS  
-7.6%  
CHANGE IN ROOMS  
2018-2019

206,000  
POPULATION (+0.4%)

1,057,000 FLIGHT PASSENGERS (-3.6%)  
1,224,000 TRAIN PASSENGERS (+7%)

Oulu, with approximately 205,000 residents, is the largest city in the Coast and Archipelago area, and the fifth largest city in Finland.

The city profits from its two universities that provide it with a highly educated workforce and make Oulu a leading tech innovation hotspot in the Nordics. As a result of the strong job market and relatively low cost of living, Oulu is the fastest growing city in Finland. The city's population is projected to increase by 20% in the next decade.

The city is well connected by air. In 2018, Oulu Airport had around 1.1 million passengers, and is the second busiest airport in Finland, right after Helsinki. On average, the airport has around 15 daily flights to and from Helsinki, as well as direct connections e.g. to the Canary Islands and Thailand.

Growth in overnight stays has outpaced the new supply by 6% between 2015 and 2019. As a result, RevPAR rose by 10% in the period.

Oulu, with 85% of overnight guests from Finland, has a rather highly domestically driven hotel market. The largest international source markets are also in the Nordics: Sweden and Norway account for approximately 1/4 of international overnights. The strong domestic market corresponds with a significant portion of overnight stays in the business segment.

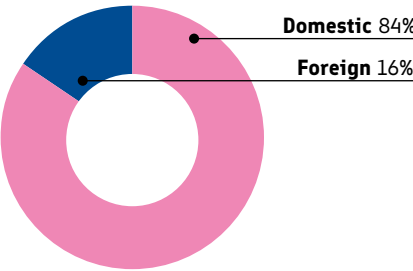
Considering the availability of skilled workforce in Oulu, as well as its status as a high-tech hotspot, along with its excellent connectivity and increasing population, the city has an extremely positive future outlook.

## TOP 6 FOREIGN SOURCE MARKETS

OVERNIGHTS	2018	2019	CHANGE %
Germany	12,100	14,200	+17.4%
Norway	13,200	13,000	-1.3%
Sweden	13,300	13,000	-2.3%
Russian Federation	7,100	7,000	-1.8%
China	4,100	5,100	+23.1%
Estonia	5,200	4,500	-14.5%

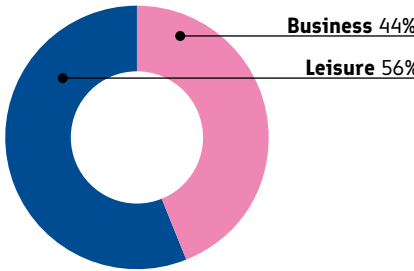
## OVERNIGHTS 2019

553,000 -3.8 %



← Sources: Statistics Finland, Finavia, VR

## BUSINESS VS LEISURE 2019



Source: Statistics Finland





KPIs 2019

OCC	68% (+3.4%)
ARR	€94 (+4.5%)
REVPAR	€64 (+10.0%)

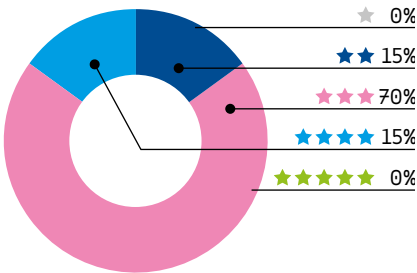
CAGR 2015–2019

OCC	+0.7%
ARR	+3.8%
REVPAR	+4.6%

MARKET ROOM  
SALES 2019

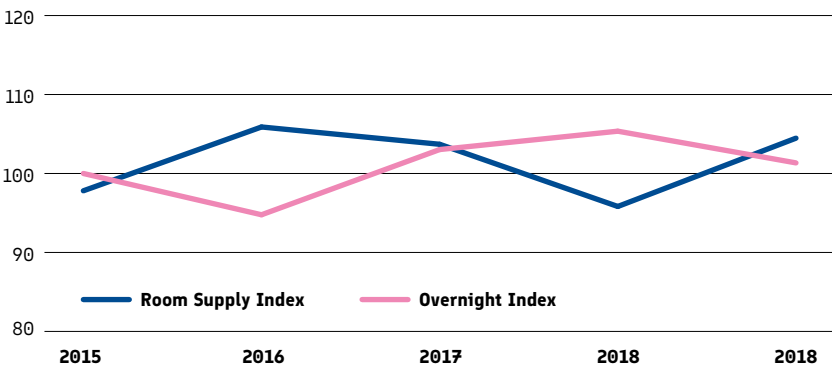
32.9M (+1.6%)

ROOM SUPPLY QUALITY  
DISTRIBUTION 2019



Source: Christie & Co Research

SUPPLY VS DEMAND INDEX



Source: Statistics Finland

NEW SUPPLY

ROOMS	NAME	OPENING
220	Terva Tower	TBD
130	MPG Services	TBD
175	Prime Hotels – Moxy	TBD

KEY DEMAND GENERATORS

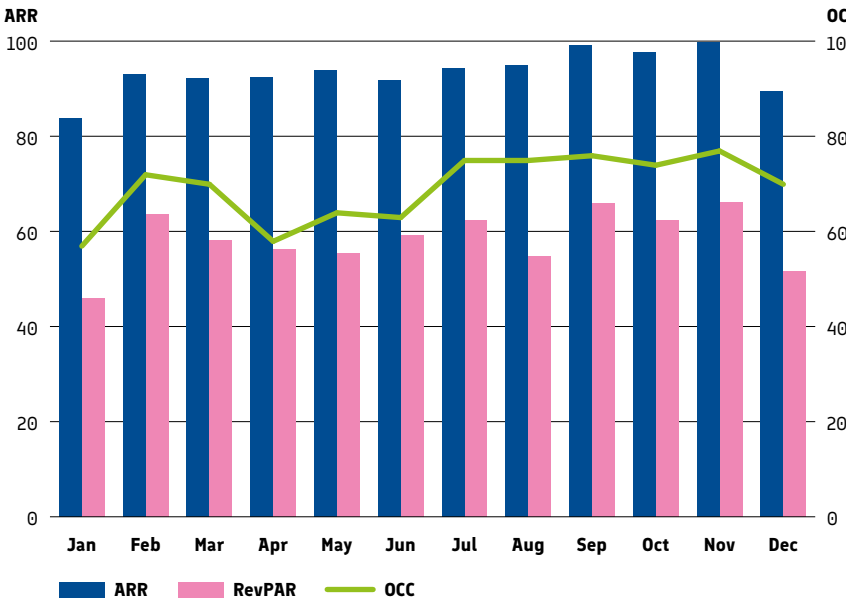
DEMAND GENERATOR	NO OF VISITORS
University of Oulu	
Oulu University of Applied Sciences	
Technopolis Plc and Medipolis Ltd science parks	
Port of Oulu	

KEY EVENTS

EVENT	EST. NO OF VISITORS
Lumo Light Festival	150,000
Oulu Days Festival	90,000
Oulu August (jazz) Festival	60,000
Northern Finland Outdoor Life Fair	38,000
Qstock Festival	35,000
Suomipop Festival	30,000

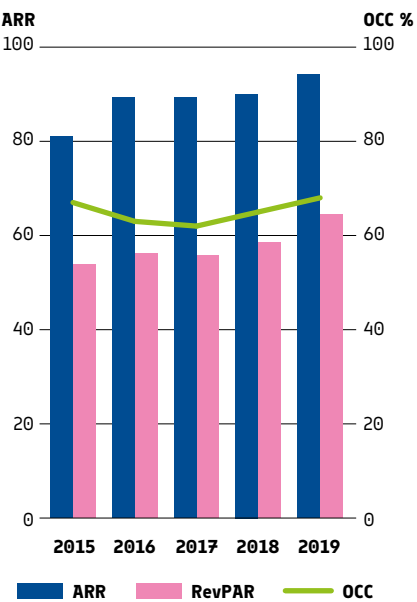
Source: Christie & Co Research

SEASONALITY 2019



Source: Statistics Finland

KPIs 2015–2019



Source: Statistics Finland



# TURKU

THIS SOPHISTICATED, SOUTHWESTERN GEM IS KNOWN FOR ITS QUALITY RESTAURANTS ON THE BEAUTIFUL AURA RIVER.

19 HOTELS  
1,936 ROOMS  
-1.3%  
CHANGE IN ROOMS  
2018-2019

193,000 POPULATION (+1.6%)  
3,100,000 CRUISE SHIP AND FERRY PASSENGERS

453,000 FLIGHT PASSENGERS (+23%)  
1,543,000 TRAIN PASSENGERS (-15%)

Located on the Southwest coast of Finland, Turku serves as a significant link between Finland and Sweden.

Turku, well recognized as a culinary hub, profits from its comprehensive and high-quality restaurants that cater to even the most sophisticated tastes. Some of the best restaurants in the city are located by the scenic riverbanks of Aura River. The city has several universities with almost 50,000 students, generating substantial visitor demand.

The city is well connected by land, water and air. Turku has the second busiest passenger harbor in Finland just after Helsinki, and one of the largest industrial ports in the country. Even though Turku airport is the fourth busiest airport in Finland after Helsinki, Oulu, and Rovaniemi, it has the second most international passengers. 72% of passengers are international.

The key industries in Turku are in tech and maritime, generating EUR 4.6 b and EUR -2.9 b annually, respectively. Turku accounts for approximately 3/4 of Finland's pharmaceutical industry (c. EUR 1 b) export and 1/2 of Finland's

diagnostics industry (c. EUR 600 m) export. HK Scan, a major food product manufacturer, has its headquarters in Turku, generating EUR 1.7 b in turnover and employing over 7,000 people.

The city's hotel market recorded solid performance in 2015-2019, with RevPAR growing by 41% over the period (9.0% on average per year). To a large extent, the strong performance was facilitated by hotel over night growth rate, outpacing new hotel room addition by 12% in the period.

While there is steady, year-round demand in Turku, the market, due to its spiking leisure segment, performs particularly well during the summer months, with occupancy averaging around 75% during June-August.

Around 86% of Turku's hotel room supply falls into the 3-star category. Considering the upward trend in room rates, there is an excellent opportunity for developing a higher quality hotel (i.e. in the 4-star segment), or alternatively, to consider a limited service sector opportunity. The current supply is highly concentrated around domestic mid-market products.

## TOP 6 FOREIGN SOURCE MARKETS

OVERNIGHTS	2018	2019	CHANGE %
Germany	21,900	29,200	+33.2%
Sweden	24,800	24,900	+0.3%
Italy	4,600	10,000	+119.3%
Russian Federation	10,900	9,700	-11.1%
United Kingdom	7,500	9,100	+21.5%
Philippines	900	8,800	+843.1%

Source: Statistics Finland

## NEW SUPPLY

ROOMS	NAME	OPENING
196	Original Sokos Hotel Kupittaa	2020
155	Kakola Hotel	2020
n/a	Scandic Hamburger Boers	2022

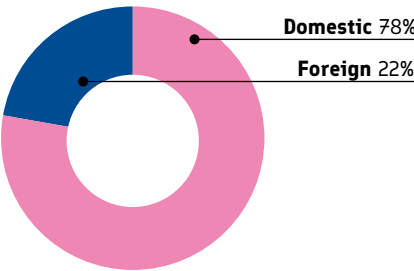
← Sources: Statistics Finland, Finavia, Port of Turku, VR

Source: Christie & Co Research

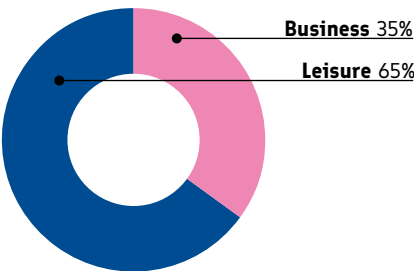


OVERNIGHTS 2019

779,000 +8.3 %

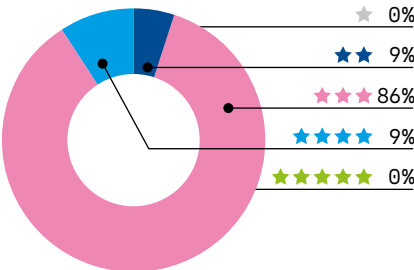


BUSINESS VS LEISURE 2019



Source: Statistics Finland

ROOM SUPPLY QUALITY  
DISTRIBUTION 2019



Source: Christie&Co Research

KPIs 2019

**OCC** 69% (+6.1%)  
**ARR** €94 (+4.8%)  
**REVPAR** €65 (+14.9%)

Source: Statistics Finland

KEY DEMAND GENERATORS

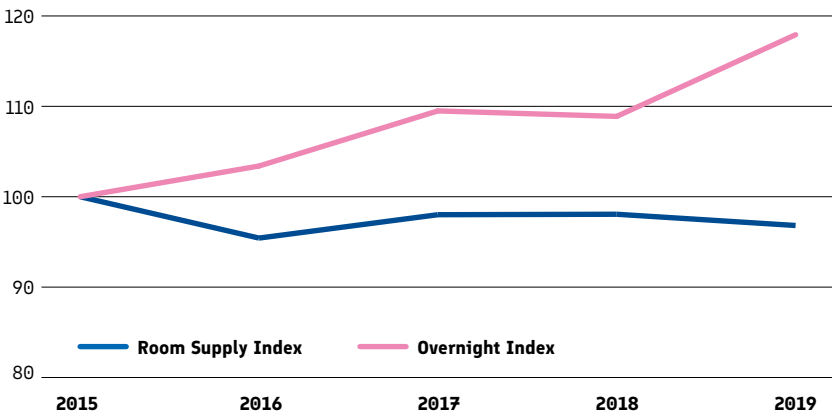
DEMAND GENERATOR	NO OF VISITORS
Turku Castle and city museums	500,000
Moominworld	250,000
Archipelago National Park	84,000
Kurjenrahka National Park	77,000
Aboa Vetus & Ars Nova museums	71,000
Archipelago Trail	48,000

KEY EVENTS

EVENT	EST. NO OF VISITORS
Turku Medieval Market	160,000
RuisRock Festival	105,000
Archipelago market	70,000
Turku Book Fair	24,000
Turku Music Festival	23,000
Paavo Nurmi Games	13,000

Source: Christie&Co Research

SUPPLY VS DEMAND INDEX



CAGR 2015–2019

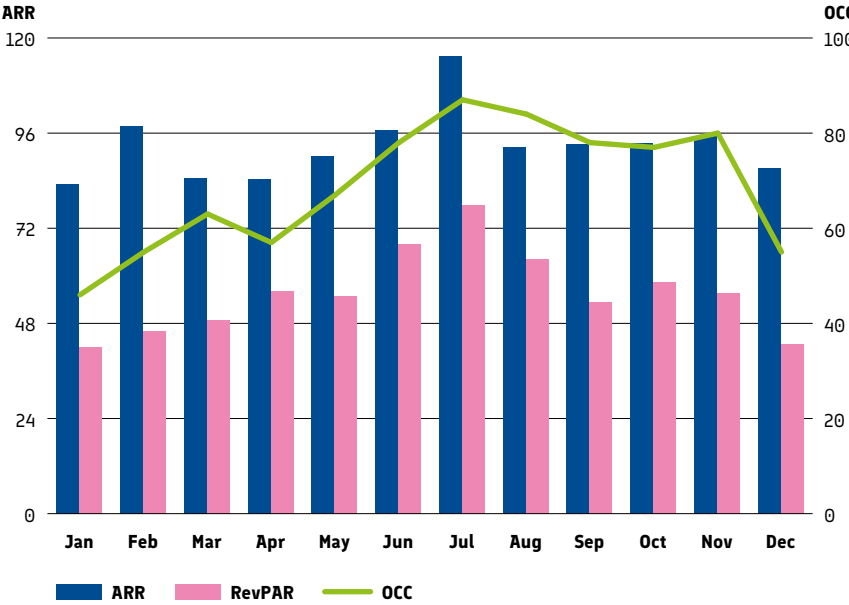
**OCC** 5.2%  
**ARR** 3.6%  
**REVPAR** 9.0%

MARKET ROOM  
SALES 2019

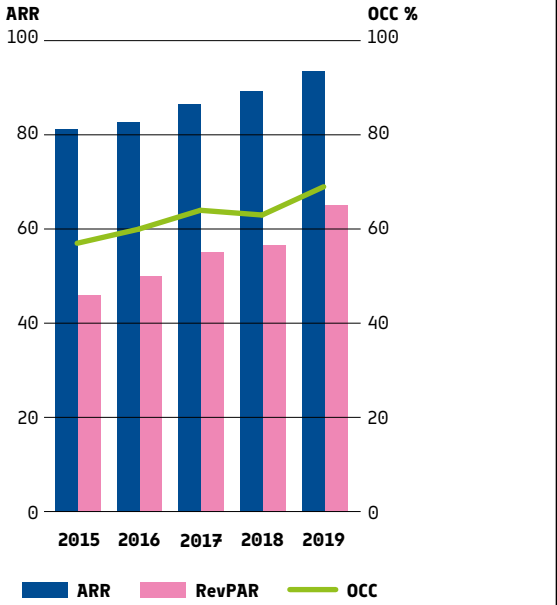
**40.2M** (+1.2%)



SEASONALITY 2019



KPIs 2015–2019



Source: Statistics Finland



# PROVINCIAL CITIES VAASA, PORI, PORVOO & KOTKA

82  
HOTELS

4,084  
ROOMS

+1.5%  
CHANGE IN ROOMS  
2018–2019

317,000  
POPULATION (-0.2%)

## SMALLER CITIES BENEFIT FROM EVENTS ATTRACTING VISITORS – SOME YEAR-ROUND.

Here, we take a brief look at some of the remaining largest markets in the Coast and Archipelago area, namely Vaasa, Pori, Porvoo and Kotka.

Despite a relatively small market, these four cities benefit from fairly reliable demand generators and events. Even though most of the demand generators and events take place in summer, some – such as Porvoo Christmas Market and Porvoo old town – manage to generate demand also outside the summer season.

Some of Finland’s largest companies are located in this area. Porvoo, for example, is able to generate a good amount of corporate demand, with Neste’s production plant and its approximately 2,000 employees in the city.

Vaasa has a concentration of energy companies, with approximately 10,000 people working in the field. The city is also home to world-famous energy company Wärtsilä. The city of Kotka has the largest commercial port operations in Finland.

The aggregated hotel market performance of the selected cities and towns has been reasonably positive, with RevPAR growing by 1.6% per year in the 2015–2019 period. The market performed well, despite hotel room supply and demand growing at a similar pace during the period, indicating either improved overall hotel quality or more sophisticated revenue management.

Regardless of a steady year-round overnight demand, the coastal markets have to tackle some seasonality. During summer, the markets benefit from aggregated RevPAR above EUR 50 (EUR 65 in July), in winter it slips below EUR 40 (below EUR 30 in December). The City of Vaasa is developing a new large mall with approximately 20,000 square meters, and in conjunction to this, a new 196-room Moxy hotel will be built.

### TOP 6 FOREIGN SOURCE MARKETS

OVERNIGHTS	2018	2019	CHANGE %
Sweden	27,000	29,300	+8.5%
Russian Federation	18,000	17,300	-3.7%
Germany	15,300	15,300	+0.0%
United Kingdom	9,400	7,800	-17.3%
Estonia	7,900	7,600	-3.2%
Portugal	2,700	6,800	+157.3%

Source: Statistics Finland



KPIs 2019

OCC	47% (-1.7%)
ARR	€90 (+0.1%)
REVPAR	€43 (-3.3%)

CAGR 2015–2019

OCC	-0.3%
ARR	+1.9%
REVPAR	+1.6%

MARKET ROOM  
SALES 2019

40.5M (-2.0%)

NEW SUPPLY

ROOMS	NAME	OPENING
150	Hotel at Vaasa station	TBD
150	Hotel at Kotka Kantasatama	TBD
140	Hotel and Villas 30 km west of Kotka	TBD
55	Hotel in Porvoo Old Town	TBD

KEY DEMAND GENERATORS

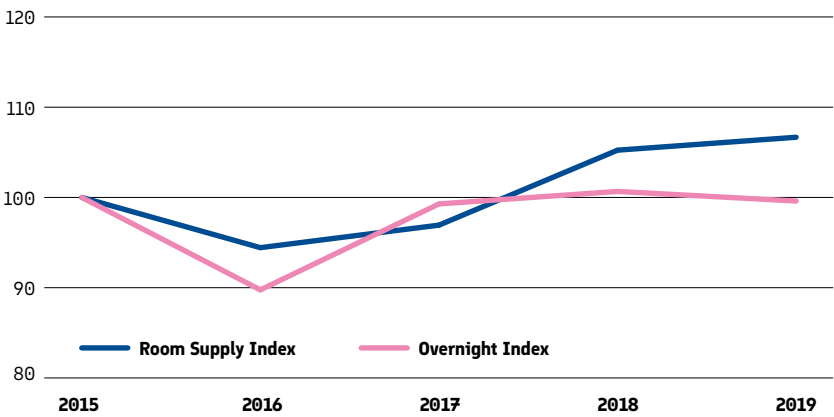
DEMAND GENERATOR	NO OF VISITORS
Porvoo old town	900,000
New Event Center in Kotka (in planning)	

KEY EVENTS

EVENT	EST. NO OF VISITORS
Pori Jazz Festival	285,000
Kotka Maritime Festival	235,000
Hamina Tattoo	150,000
Suomi Areena (Pori)	70,000
Porvoo Christmas Market	35,000

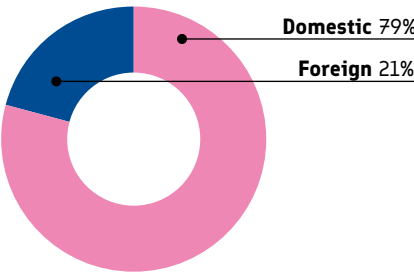
Source: Christie & Co Research

SUPPLY VS DEMAND INDEX



OVERNIGHTS 2019

745,000 -1.1%



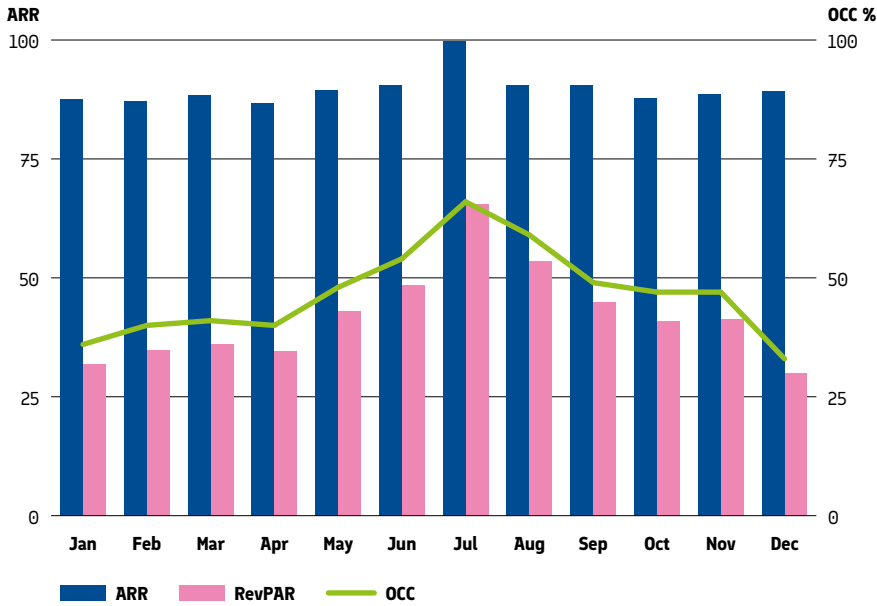
Source: Statistics Finland



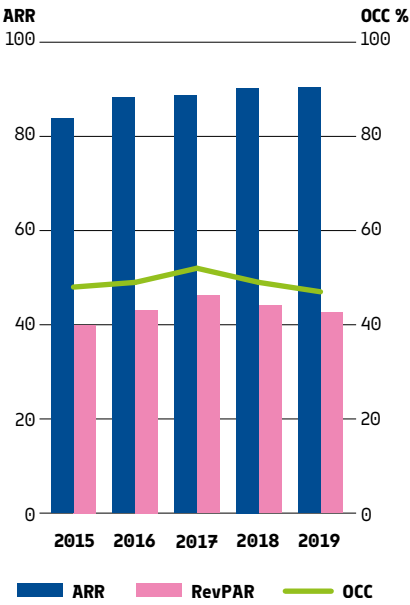




SEASONALITY 2019



KPIs 2015–2019



Source: Statistics Finland



# KALAJOKI

VISITORS OF ALL AGES TREASURE  
THIS COASTAL TOWN WITH ITS  
BEACHES AND ACTIVITIES.

---

Kalajoki is a coastal town, located around 130 km southwest of Oulu. With around 250,000 overnight stays every year, Kalajoki is a very popular summer destination. Visitors are especially attracted by its long, sandy beaches and picturesque dunes.

Besides its beautiful beaches, the town benefits from a broad array of services, such as a waterpark, an adventure park, a golf course, spa facilities and many others.

Kalajoki is well-connected by various modes of transport. While the nearby Kokkola and Oulu airports ensure good air connectivity, Ylivieska and Kokkola, provide good train connectivity. The town is well-accessible by road.

The town also offers interesting investment opportunities in the marina.





# YYTERI

## YYTERI IS CURRENTLY PROFILED AS A RESPONSIBLE TOURISM DESTINATION.

Yyteri is the largest dune area in the Nordic countries and unique in nature values. Tens of thousands of annual visitors enjoy the Yyteri sea, nature, events and services.

Yyteri is a strategic area for the city of Pori, both for its nature and as a responsible tourism destination. The city of Pori invests in the development of the area annually.

This unique place offers many possibilities and investment opportunities. Major landowners, particularly from the accommodation perspective, are developing the area.





# HANKO

BEAUTIFUL 19TH CENTURY  
VILLAS AND SUNNY  
WEATHER MAKE HANKO A  
POPULAR DESTINATION.

Hanko, Finland's southernmost city, is one of the most popular summer destinations in Finland. The city is located only 130 km from Helsinki, making it a great location for day trips and weekend getaways for people in the Helsinki area.

The city also benefits from the Port of Hanko, which is Finland's southernmost commercial port. The port is well connected to Europe and serves both as a passenger and industrial port.

With roughly 150 rooms, Hanko's hotel market is rather shallow, but has demonstrated encouragingly strong ADR performance of EUR 119 in 2019 (+51% from 2015) at a decent occupancy rate (for a very seasonal market) of 42%. This indicates a potential for future hotel investments.





# TEIJO- MATHILDEDAHL

TEIJO NATIONAL PARK AND  
MATHILDEDAL IRONWORKS VILLAGE  
ARE SOME OF THE BEST KEPT  
SECRETS OF SOUTHWEST FINLAND.

Mathildedal Ironworks village is a charming, lively village next to Teijo National Park that attracts both domestic and international visitors with its unique character and mix of history and culture. The idyllic village consists of artisan boutiques, small cafés and restaurants, a local bakery and brewery, a chocolate house and coffee roastery and accommodation services. Most of the services are open from early spring to late fall, and during the Christmas season.

Teijo National Park offers nature experiences and activities just a two-hour drive from Helsinki. Teijo's main attractions include peaceful lakes, a beautiful seaside, marshes and forests. Opportunities for hiking, canoeing and fishing are available all year round.





# OPERATORS AND BRANDS

INCREASING OPPORTUNITIES FOR NEW  
CONCEPTS AND OPERATORS



Overall, the Nordic market has continued to be a predominantly domestically driven operating business.

Due to historical market conditions, most markets have been local businesses, with only coops like Sokos and Restel having risen above this and become nationally dominating businesses. Due to its corporate acquisition of Restel hotel operations, Scandic has now achieved greater penetration in the country, and especially in the provincial markets. Lately, Scandinavian Choice acquired Kämp Hotel Group and achieved a more dominating position in the capital region market.

However, as most of the markets are driven by mid-market operators, such as Sokos and Scandic, there is ample space for other brands to penetrate the market. Similarly, the full-service market has historically been dominated by Radisson (with Sokos as the operator) and Hilton in the capital region (operated by Scandic due to the historical connection) and more recently, by Clarion (operated by Nordic Choice).

At the moment, there are fewer than 1,000 rooms (approx. 2.5%) of internationally branded capacity outside of the Helsinki Metropolitan Area (HMA).

As markets have evolved and demand for different types of accommodation concepts is on the rise, there are plenty of opportunities for new concepts to penetrate the markets in most categories, except for the more saturated mid-market category.

Currently, there are very few franchisers in the whole country. Franchisers would benefit from utilizing well tested and approved concepts and could potentially achieve quite rapid market penetration, both concept wise as well as geographically, in Finland.

Historically, the markets have been dominated by various lease agreements as the dominant operating form, leaving international management companies offshore. This may change in the near future, if fewer risk-averse investors would favor potentially higher market penetration over predictable and stable cash flow.

The provincial markets are dominated by very few players, such as Scandic, Sokos, Lapland Hotels, and Holiday Club, whose room stock represent approx. 25% of the number of hotels and 55% of room stock.

In general, the hotel supply is very fragmented, unit sizes are rather small (approx. 70 room on average), and a large proportion of the stock is somewhat dated.

## MAJOR OPERATORS (OUTSIDE HMA)



OPERATOR	HOTELS	ROOMS
Sokos Hotels	43	7,350
Scandic Hotels	55	9,021
Lapland Hotels	16	1,787
Radisson Hotels	3	493
Omena Hotels	5	336
Santa's Hotels	8	790
Holiday Club	8	1,145
Other operators	405	17,392
<b>Total</b>	<b>543</b>	<b>38,314</b>

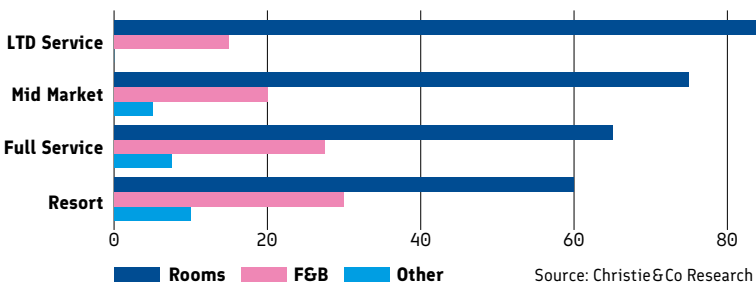
Source: Christie & Co Research



# GENERAL PROFITABILITY OF HOTELS

- Typically, the Rooms Revenue represent the largest share of Total Revenue in the Limited Service category, shrinking its share while the level of hotel services keeps increasing
- We consider the Rooms Revenue to represent a range of 60–90% of Total Revenue, depending on the concept and range of other services
- Food & Beverage Revenue tends to represent approximately 10–50% of Total Revenue, depending on the level and range of services
- When measured in GOP-%, the Limited Service Hotel sector is usually the most profitable
- Measured in euros, Resort or Full-Service Hotel operations may yield higher returns, but tend to be more labor-intensive and less profitable by percentage
- Seasonal markets, higher labor costs and harsher weather conditions than elsewhere in most of Europe may have a downward effect on the profitability of the hotel business
- Hotel operations based on a concept covering a wider range of market segments tend to have a less risky market position and better profitability

## REVENUE MIX



## ISSUES TO CONSIDER BEFORE EBITDA

A number of items will be deducted from GOP before reaching EBITDA, such as:

- Real Estate Tax and Insurances (around 2–3% of Turnover)
- On the Finnish market, Furniture, Fixtures, & Equipment Reserve is quite often an overlooked issue (3–5% of TO)
- Lease payments (25–35% of TO) or Hotel Management Agreement fees (around 6–10% of TO)

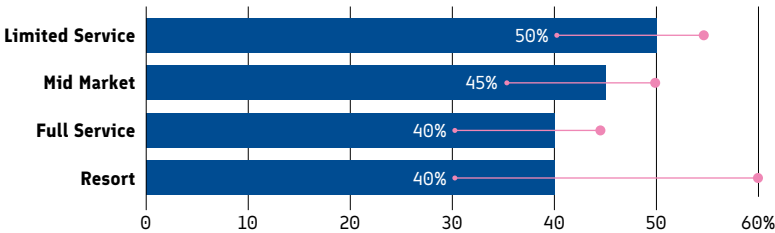
## ISSUES AFFECTING PROFITABILITY

Profitability is often a sum of several factors, such as, but not limited to:

- Accessibility and proximity to a wide range of demand generators
- Having access to a wide range of market segments and submarkets
- The ability to attract higher yielding customers at relatively low marketing costs
- Continuously keeping the hotel product competitive
- Access to global marketing distribution channels at a relatively low cost
- Brand recognition and membership reward programs



## GROSS OPERATING PROFITS (GOP)





# LABOR COSTS IN FINLAND

Hotel and Restaurant operations tend to be very labor-intensive segments, making labor costs one of the most important focus areas when thinking of successful and profitable hotel operations.

In Finland, labor costs tend to vary between approx. 25% and 35% of turnover, making it one of the most expensive cost items in operations.

The vast majority of the staff members belong to labor unions, and the employees are generally well protected, and Finnish labor and occupational and safety legislation covers all of the employees working in Finland, regardless of nationality.

In addition to basic salary, many issues such as overtime, working hours, vacations, sick leave and minimum wages are based on

## LABOUR COSTS VARY BETWEEN 25–35% OF TURNOVER

applicable collective agreements between workers and trade unions, which may be negotiated annually or biannually.

Furthermore, the employer will also face the costs of pension contributions, accident insurance, unemployment and group life insurance. Moreover, costs will be borne from the employer's social security contribution, potential annual bonus, and holiday pay, but also

from further training and sick leave coverage.

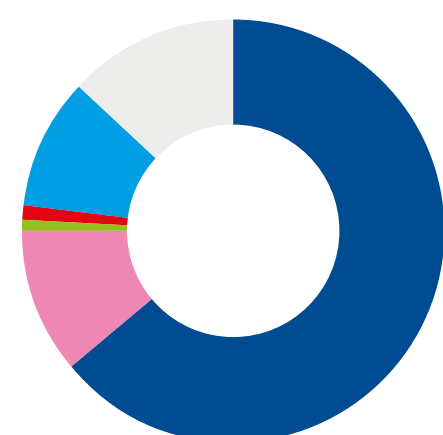
Although the country has a reasonably well-educated workforce that also speaks a minimum of three languages, the extra costs on top of the basic salary can reach 50–60%.

In the seasonal markets, there are shortages of domestic staff members; another important issue to consider is temporary accommodations for staff members.

Typical working hours are 112.5 h over a 3-week period and 30 days of vacation annually.

As collective union agreements in many sectors are due for update negotiations, including the hospitality sector, there is currently upward pressure to keep salaries competitive in the sector.

## OVERALL EMPLOYMENT COSTS

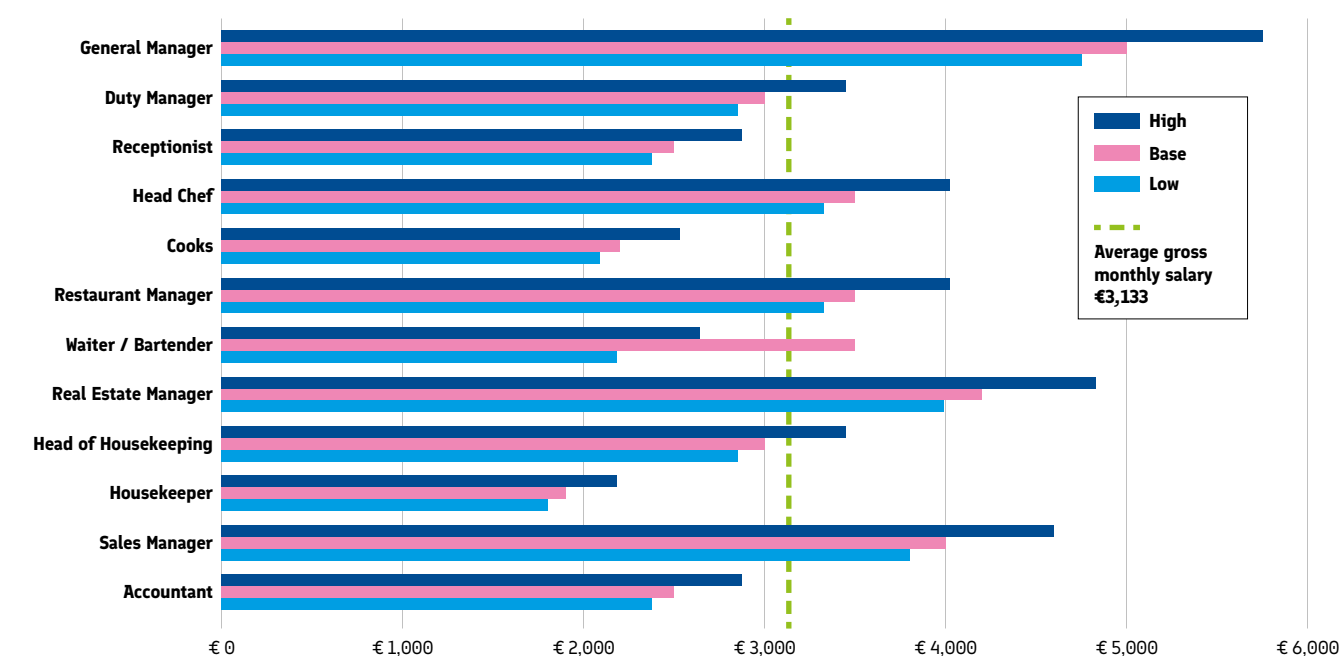


Source: Christie & Co Research

Gross Salary	64.09%
Pension Contribution	11.38%
Employment Accident Insurance	0.51%
Unemployment Insurance	0.42%
Group Life Insurance	0.04%
Employer's Social Security Contributions	0.55%
Annual Bonus and Holiday Pay	10.19%
Training & Sick Leave Coverage	12.82%

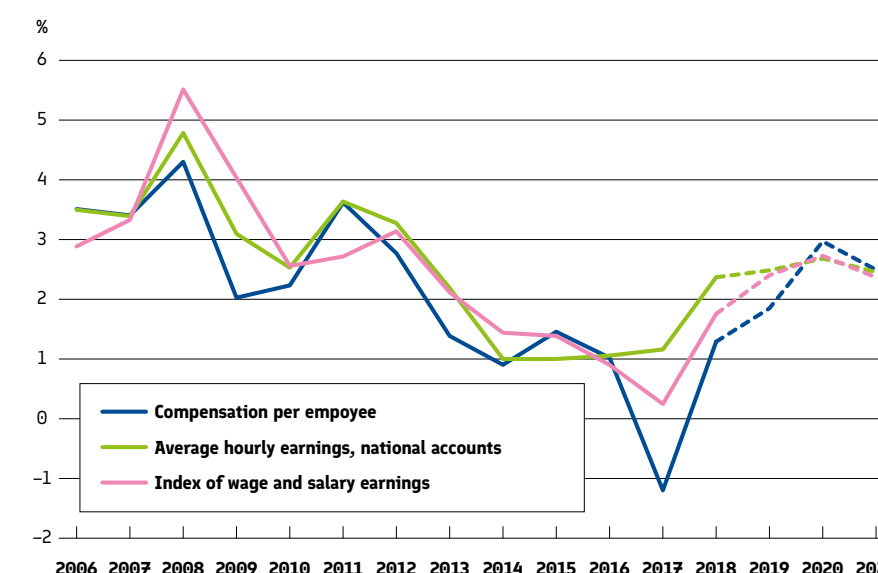
## 1.6X BASE SALARY

## TYPICAL AVERAGE BASE MONTHLY GROSS SALARIES IN THE INDUSTRY



Source: Hotel and Restaurant Collective Union Agreement; Christie & Co Research

## AVERAGE EARNINGS AND LABOR COSTS IN FINLAND



Source: Statistics Finland and Bank of Finland

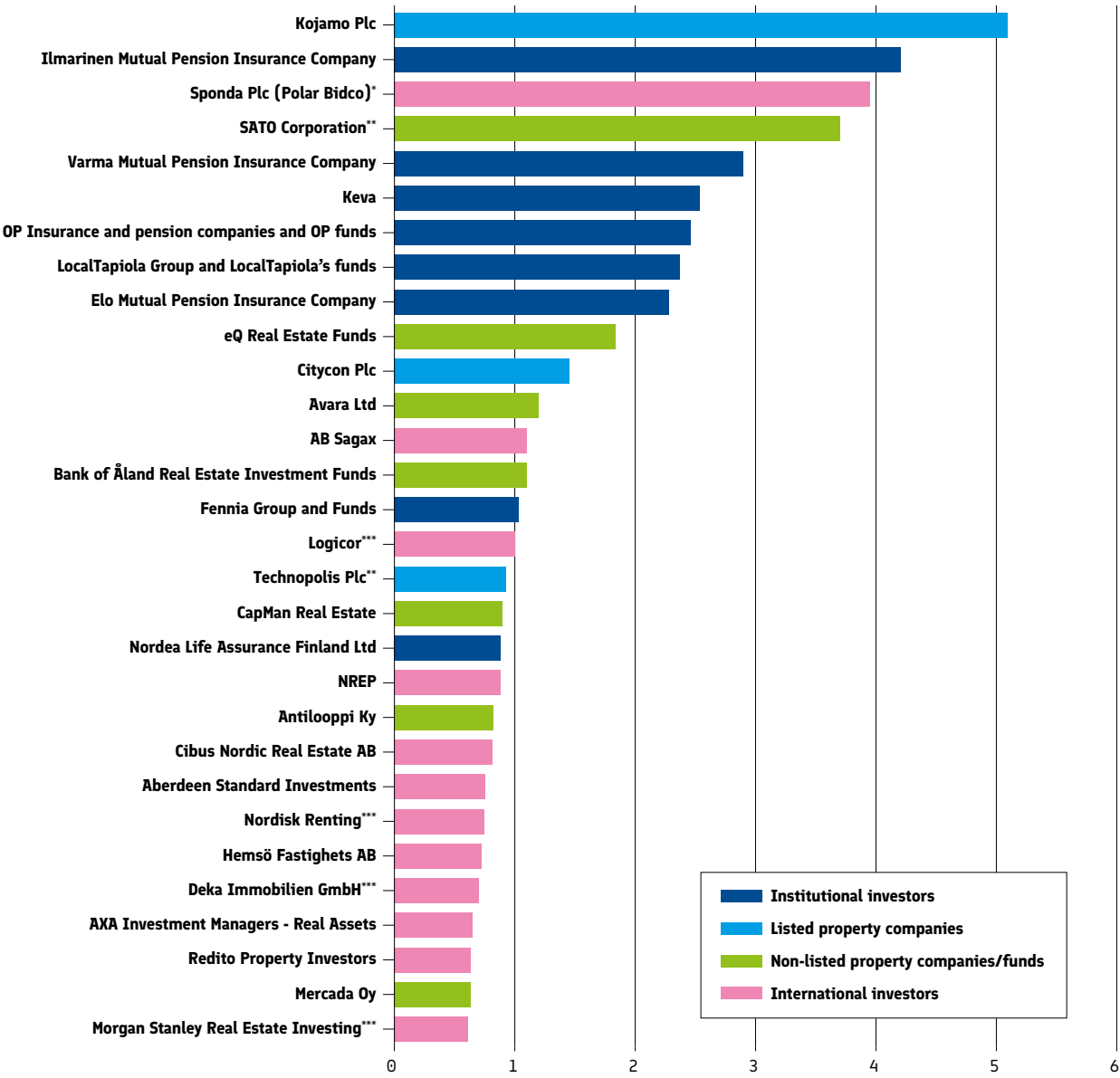
## AVERAGE CAGR 2010–2019

2.5%



# REAL ESTATE OWNERS

LARGEST REAL ESTATE OWNERS,  
EUR BILLION



\* Q2/2018 \*\* Q3/2018  
\*\*\* KTI estimate

Source: KTI







# MOST COMMON OPERATING AGREEMENTS

## ALMOST ALL OPERATING AGREEMENTS IN FINLAND ARE LEASE-BASED, THEREBY GIVING THE MARKET ITS OWN DISTINCT CHARACTER.

As most hotel operations are not operated by real estate owners, there is usually another professional party operating the hotel. The most common operating structure in Finland is a lease, whereby the tenant occupies the premises and operates the hotel, and in return pays the lease to the property owner.

There are a few ways how the operational risk has been split between the parties, indicating the risk vs. reward structure.

Currently, almost all of the operating agreements in Finland are lease-based, although most new and renewed agreements are becoming variable lease agreements, providing the real estate owner an opportunity to benefit

from potential financial success of the operator's performance.

The reason behind this is that the country has a very limited pool of investors willing to take more of the operational risk, although it could be financially more rewarding. Partly, the reason lies in the limited number of professional sector specialists focusing on the hospitality sector in these companies.

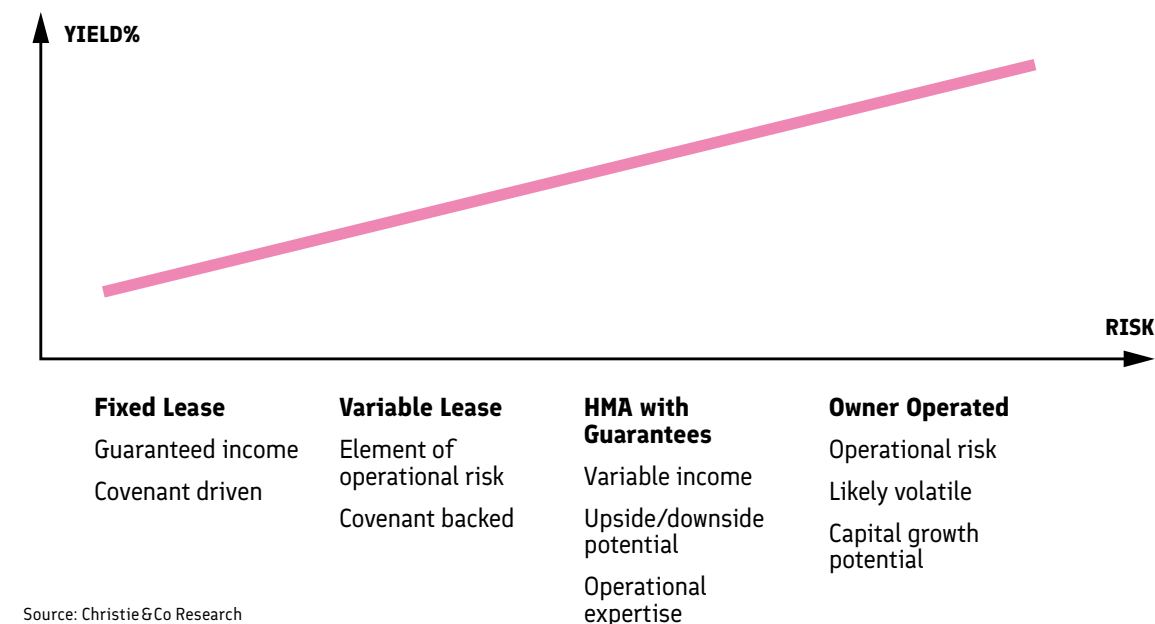
This position of favoring leases as the dominant operating structure is also the fundamental reason why the most prominent international hotel operators have not found their way to the Nordic region, including Finland.

The vast majority of hotel owners are institutional investment companies

who favor long-term predictable income streams over perhaps more volatile unpredictable cash flows, although these could potentially be even 30–50% higher.

Lease agreements are not maximizing the returns for investors. In addition, according to the current rules of IFRS, all liabilities, such as leases, will have to be correctly allocated to the balance sheet, which in turn may have a downward impact on the stock price of the operating company, making it less attractive to investors.

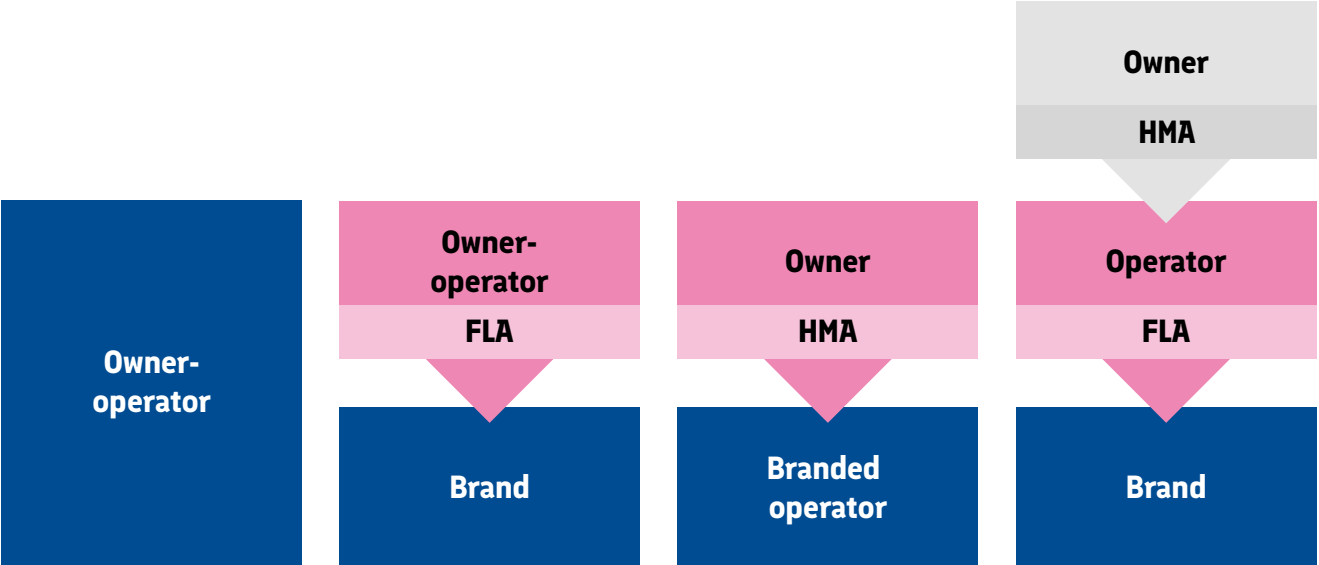
Nonetheless, each investor has their own unique risk profile, and most of the projects are different from each other, so no right or wrong structure can be appointed.



Source: Christie & Co Research



COMMON OPERATING AGREEMENT STRUCTURES



Source: Christie&Co Research

COMMON AGREEMENT TYPES

LEASE AGREEMENT	
INVESTOR	
<b>PROS</b> <ul style="list-style-type: none"><li>+ Opportunity to negotiate compensation performance driven, aligning the interest of the operator and investor</li><li>+ Access to the hotel operator’s operational expertise, branding, distribution, loyalty programs, etc.</li><li>+ Exposure to capital appreciation</li></ul>	<b>CONS</b> <ul style="list-style-type: none"><li>– Exposure to the operational risk of the asset remains</li><li>– Balancing requirements of the asset owner and operator can sometimes be challenging</li><li>– Cost of management fees impact on profitability</li></ul>
HOTEL OPERATOR	
<b>PROS</b> <ul style="list-style-type: none"><li>+ Hedge of financial and operational risks</li><li>+ Receipt of management fee income giving less exposure to the P&amp;L of the hotel</li><li>+ Retaining more control over operations and general management of the property and business</li><li>+ Insurance obligation from the investor</li><li>+ Minimal capital cost for expansion</li><li>+ Potential for minority equity investments</li></ul>	<b>CONS</b> <ul style="list-style-type: none"><li>– Asset can be disposed of by the investor at any time deemed appropriate</li><li>– Time cost of the preparation of property performance information for owners/investors</li><li>– No benefit from the capital appreciation of asset</li></ul>

Fees consist of a fixed base fee (varies, but usually around 2–3% of total revenue) and an incentive fee, which is more profit-driven (varies, but usually ranges between 5% and 10% adjusted GOP).

MANAGEMENT AGREEMENT	
INVESTOR	
<b>PROS</b> <ul style="list-style-type: none"><li>+ Lower perceived risk</li><li>+ Variety – Fixed Stable Yield or Variable</li><li>+ Limited Hotel Operational Experience required</li><li>+ Avoiding the issue with having employees on the investor’s payroll</li></ul>	<b>CONS</b> <ul style="list-style-type: none"><li>– Operator is in full control of the interior of the asset</li><li>– Security of tenure for a longer period</li></ul>
HOTEL OPERATOR	
<b>CONS</b> <ul style="list-style-type: none"><li>+ Fixed Lease – No benefit of upside cycles of business</li><li>+ Passive – Very limited control over operational business</li><li>+ Very limited control over the internal quality of asset</li><li>+ At the termination of a contract, if the asset is furnished by the operator, a period for refurbishment may be required – Not producing income during the period!</li><li>+ Very difficult to replace the operator during the contract period</li></ul>	<b>CONS</b> <ul style="list-style-type: none"><li>– Very slow and capital intensive way of expanding and growing the brand</li><li>– May warrant more complicated resources beyond the SPV for the project as guarantees</li><li>– According to the IFRS rules, lease payments will be registered as liabilities under the balance sheet, usually impacting investor sentiment negatively – this is reflected in a downward trend in the share price</li><li>– The operator often has an insurance obligation</li><li>– No benefit from the capital appreciation of asset</li></ul>

Large variation in typical amounts, may vary between 20–35% of turnover, influenced by concept, quality class, and financial forecast and investor’s needs

FRANCHISE AGREEMENT – OWNER OPERATED SCENARIO	
INVESTOR	
<b>PROS</b> <ul style="list-style-type: none"><li>+ Access to a wider pool of concepts and brands</li><li>+ Fee is tied to incentives</li><li>+ Benefits from upside business cycles</li><li>+ Better control over operations and development - guidelines and standards set by the brand</li><li>+ Wider access to international markets, brand value, improved marketing efforts</li></ul>	<b>CONS</b> <ul style="list-style-type: none"><li>– Closely bound to global management company brand standards – lack of flexibility</li><li>– Responsibility and liability over employees</li><li>– Requires a further and deeper understanding of the hotel operational business</li></ul>

Fee usually based on a percentage of rooms revenue (varies but usually around 3–5%).

May also have a royalty allocation for food & beverage revenues, depending on the underlying concept, around 1–3% food & beverage revenue.

Program fee for marketing, distribution, and reservation costs usually ranges between approx. 2% to 4% of room revenue.

Quite often, the base fee is more negotiable, but the program fee is pretty much fixed as a more universal element.



TYPICAL LEASE TERMS

TYPICAL LEASE AGREEMENT TERMS

RENTAL TERM	VALUE RANGE	COMMENTS
<b>Turnover Based Lease with minimum Guarantee</b>		
Rooms Revenue Rental Income	25–37%	
F&B Revenue Rental Income	8–15%	Greatly dependent on concept, may also be 0
Minimum Guaranteed Lease Level	65–90%	Strongly dependent on the concept and location
<b>General Lease Terms</b>		
Rental Income Guarantee – Bank Guarantee	6–24 months	Either Bank Guarantee or Corporate, length depends on likelihood of finding a replacement tenant, can also be a “roll over”, “renewing”, or “balloon”-style
Property Tax	Usually the responsibility of the tenant	
Furniture, Fixtures, & Equipment Reserve (FF&E)	2–5% of Turnover	Usually a phased build-up, in the older agreements, may be ignored, or if the investor’s responsibility
Agreement Lenght	10–25+ years	Many views affecting the desired length
FF&E Investment	Tenant/Owner	Many views affecting the desired party, usually the responsibility of the tenant, but can also be financed separately
<b>Maintenance &amp; Refurbishment</b>		
Facade & Exterior	Owner	
Technical Installations	Owner	Usually the tenant is responsible for servicing
Bathrooms/Wet Areas	Owner	Predominantly owner responsibility, few exceptions
Interior/FF&E	Tenant	If originally acquired by tenant, the tenant owns property at the termination of agreement – needs to be settled at the end of the period

Source: Christie&Co Research and Analysis

RECENT HOTEL TRANSACTIONS

THE NORDICS ARE NOW ATTRACTING MORE INTERNATIONAL INVESTORS THAN EVER BEFORE.

Until recently, transactional activity in Finland and the Nordics has been fairly low, driven at least to some extent by predominant institutional ownership and long, fixed-lease agreements.

In recent years, however, the Nordics, which has previously been more or less exclusively an intra-Nordic market, has emerged on the radar of international investors. As a euro-based economy, Finland has a currency advantage over the other Nordic countries.

As the prevailing economic conditions and compressed yields make it increasingly difficult for investors to achieve attractive return in the more traditional real estate asset classes, investor appetite for the hotel asset class appears to be on the rise throughout Europe. International interest focuses mainly on Nordic capitals or the top two or three cities per country.

In the past five years, two large, international hotel acquisitions have been recorded in Finland. In 2016, 153-room German Deka Immobilien acquired St George hotel in central Helsinki. In 2018, French asset management firm Corum acquired a portfolio of six hotels from CapMan in various locations in Finland for a sales price of around EUR 72 million and a capitalization rate of 7.4%. The transaction was notable for also including resort type properties. While large differences exist between regional markets, the yield level is indicative of lease deals in the type of small markets presented in this report.

YEAR	MARKET	PROPERTY	HOTELS	ROOMS	BUYER	SELLER
2019	Pori	Scandic Pori	1	120	Evli Bank	Investors House
2019	Helsinki	Scandic Kallio	1	121	Fastighets Ab Balder	Tradeka Kiinteistöt
2018	Helsinki	Hotel Katajanokka	1	106	Fennia Life Insurance	N/A
2018	Ikaalinen, Kotka, Rauma	Scandic Ikaalisten Kylpylä, Scandic Kotka, Hotel Kalliohoivi	3	340	Investors House and private investor	Tradeka
2018	Turku, Kemi, Rauma, Saariselkä, Kuusamo and Vuokatti	Holiday Club Saariselkä, Holiday Club Kuusamo, Holiday Club Katinkulta, Scandic Kemi, Scandic Rauma, Scandic Plaza	6	870	Corum Asset Management	CapMan
2018	Turku	Sokos Hotel Kupittaa Development	1	200	Rausanne Oy	YIT
2017	Espoo	Forenom Aparthotel	1	133	CapMan	VVT Kiinteistösijoitus
2017	Kuopio	Hotel Atlas	1	131	eQ Oyj Asset Man	Carlson
2017	Helsinki	Holiday Helsinki West	1	256	Fastighets Ab Balder	Tradeka
2017	Helsinki	Sokos Hotel Tripla Development	1	430	Exilion	YIT
2017	Kotka	Sokos Hotel Seurahuone	1	128	S Group	CapMan
2016	Hyvinkää	Rantasipi Sveitsi	1	194	Kiinteistörahasto Sveitsi Ky	CapMan
2016	Helsinki	St George Development	1	153	Deka Immobilien	CapMan

Source: Christie&Co Research



# ROAD MAP FOR HOTEL INVESTMENT

INTERESTED IN ENTERING  
THE FINNISH HOTEL  
MARKET? HERE ARE NINE  
CONCRETE STEPS TO TAKE.

IDEA	<b>1</b>	<b>Spot the opportunity.</b> Secure and/or acquire the opportunity to pursuit.
	<b>2</b>	<b>Zoning.</b> Make sure that the current zoning allows hotel development and operation. Zoning and land use amendments may take some time and cause critical delays to your project.
CONCEPT	<b>3</b>	<b>Research &amp; Analyze.</b> Conduct a feasibility study for the project to ensure what kind of concept would maximize the profitability of the project, indicate cash flow potential, and benchmark your project against market and competitor performance, in the given location, on the current and future market.
	<b>4</b>	<b>Secure the Best Operator.</b> If you, as an investor, are not the proposed and most experienced operator for the project, it is probably best to leave it to the professionals needed to maximize cash flow and return of investment. Make sure that the operator can reach anticipated market segments cost-efficiently and be at the top of revenue management issues.
OPERATOR	<b>5</b>	<b>Design, Architecture, and Compliance.</b> Make sure to involve a local architect to assist in designing the project in compliance with local and national legislation, and to bring efficiency and practicality to your planning. To maximize efficiency and to comply with brand standards, you should also involve the operator's technical team in your project's designs and plans.
	<b>6</b>	<b>Secure Financing.</b> If you are the developer, it is naturally critical to have an investor for your project. To mitigate the perceived risks for investors and debt financiers, you should carefully plan which concepts, markets, and operators that you want to work with; investors measure all of the related risks.
FINANCING	<b>7</b>	<b>Planning Permission.</b> To proceed with the project, you need to apply for planning permission by describing and detailing your project. For this, you should submit preliminary drawings to the city officials. At a later stage, you also need to provide more detailed and final plans in order to proceed. Sometimes development plans may draw complaints from citizens or other members of society that may hinder the project.
	<b>8</b>	<b>Construction.</b> A critical element in hotel investment! Thoroughly research the various options and compare the offers from many different construction companies. Cost overruns or severe delays in project delivery can jeopardize the development or seriously lower return on investment. Construction conditions may also vary from what was anticipated. To avoid surprises in the anticipated construction timelines and assumed schedules, you need to discuss in detail with the construction company in advance.
PLANNING	<b>9</b>	<b>Fit-out &amp; Preopening.</b> Make sure that the considered furniture, fixtures, and equipment to be installed are in line with the brand requirements and procured from reliable sources that can also assist if something needs to be addressed before opening the hotel. Many operators also need to have access to the site, or a comparable location, quite early in advance before the opening (in some cases, even up to one year in advance) to launch their premarketing and other business measures.
OPENING		



# WELCOME TO FINLAND!

## COAST AND ARCHIPELAGO OFFERS A WIDE RANGE OF INVESTMENT OPPORTUNITIES

There is a broad array of hotel investment opportunities in the Lakeland area. Most of the markets in Lakeland have lately been enjoying a stellar performance. Even though the smaller markets weren't included in this analysis, we are confident that there are excellent hotel investment opportunities in them, as well.

Most of the hotel markets are domestic and brand-driven. They are saturated in mid-market segments, providing excellent opportunities to penetrate the markets with internationally proven hotel concepts in most categories.

### THIS GUIDE WAS FINALISED BEFORE THE OUTBREAK OF THE COVID-19 PANDEMIC.

The lockdown measures to stop the virus from spreading have restricted movement and business activities globally and had severe consequences on travel and hotel industries. It is uncertain what the impact for these industries will be in the end. Thus, there is a significant risk the market growth in the coming years will not be as high as forecasted in this guide.

**DISCLAIMER** This guide has been prepared for prospective investors as a part of conducting their own internal due diligence process and preliminary market data evaluation for investing in Finnish Tourism sectors. Each prospective investors should conduct their own investigation and analysis of any market of interest, and information presented in this document is not intended to be complete nor sufficient alone for this purpose. Business Finland and Christie & Co have in preparation of this document relied on third party information, and thus cannot guarantee the accuracy, or completeness, of the information contained in this document, including any forecasts or market data.

**INVEST IN FINLAND** is the official investment promotion agency for Finland and part of Business Finland.

We are happy to help you discover the hotel opportunities in Finland and provide you with the right contacts and market information. Our services are confidential and complimentary.



Hanna Lankinen  
Head of Travel Industry,  
Invest in Finland

hanna.lankinen@businessfinland.fi  
+358 40 761 5551



Tuija Tommila  
Investment Advisor,  
Visit Finland

tuija.tommila@businessfinland.fi  
+358 40 047 2070



BUSINESS  
FINLAND

INVESTINFINLAND.COM

---

FOLLOW US ON SOCIAL MEDIA



Porkkalankatu 1 | FI-00180 Helsinki, Finland | Tel. 0294 6951