

Research

The Nordics: Europe's new hot spot?

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A survey of conference delegates shows optimism for hotel investment and development in the Nordic region.

By Sarah Sonne Larsen and Demian Hodari

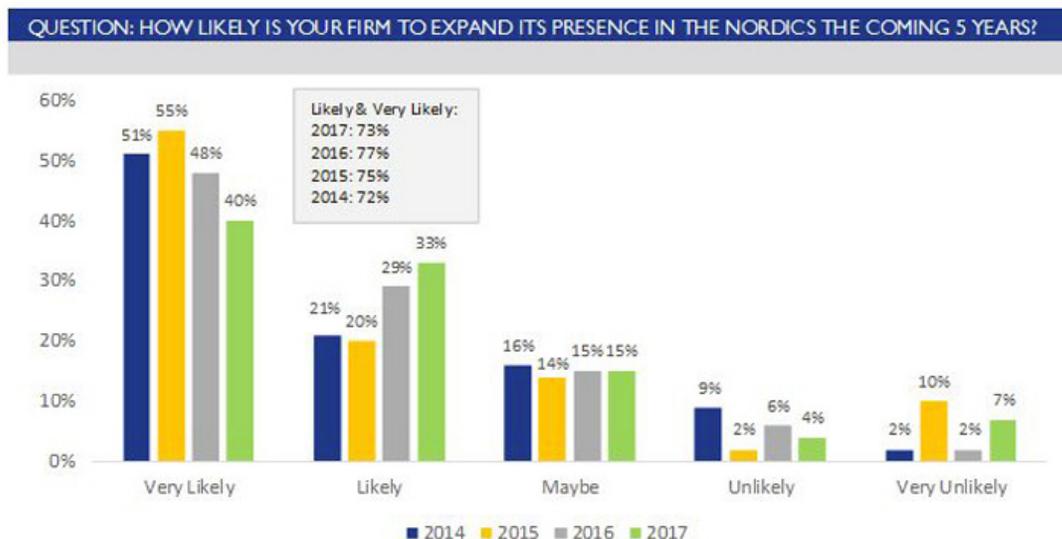
COPENHAGEN, Denmark—Hotel industry experts expect continued growth in the Nordics, but acknowledge that the region remains challenging in terms of deal-making.

Despite this, the region is one of the most attractive for expansion in Europe. At the 2017 NHC-Conference on hotel investment and development in the Nordics, an extensive delegate survey was conducted, and the results offer insight into the current state of the region's hotel market.

Increased pragmatism

In 2017, the results of the NHC-Conference survey revealed that 73% of the delegates considered themselves likely or very likely to expand their hotel presence in the Nordic region within the next five years. Despite this widespread optimism, pockets of uncertainty have emerged and dimmed the general picture somewhat compared with the results from our 2016 NHC-Conference survey, which had found the highest degree of optimism and expansion intent since we initiated this survey in 2013.

The 4% drop from 2016 to 2017 likely comes, in part, from a degree of insecurity about whether certain submarkets are reaching a natural saturation level for now, with pipelines at the breaking point. Another explanation can be found in increased regional experience among the delegates and a realization that competition for new projects is fierce and deal-making can be challenging. That said, the image is still extremely positive and suggests that regional hotel supply will continue to grow.

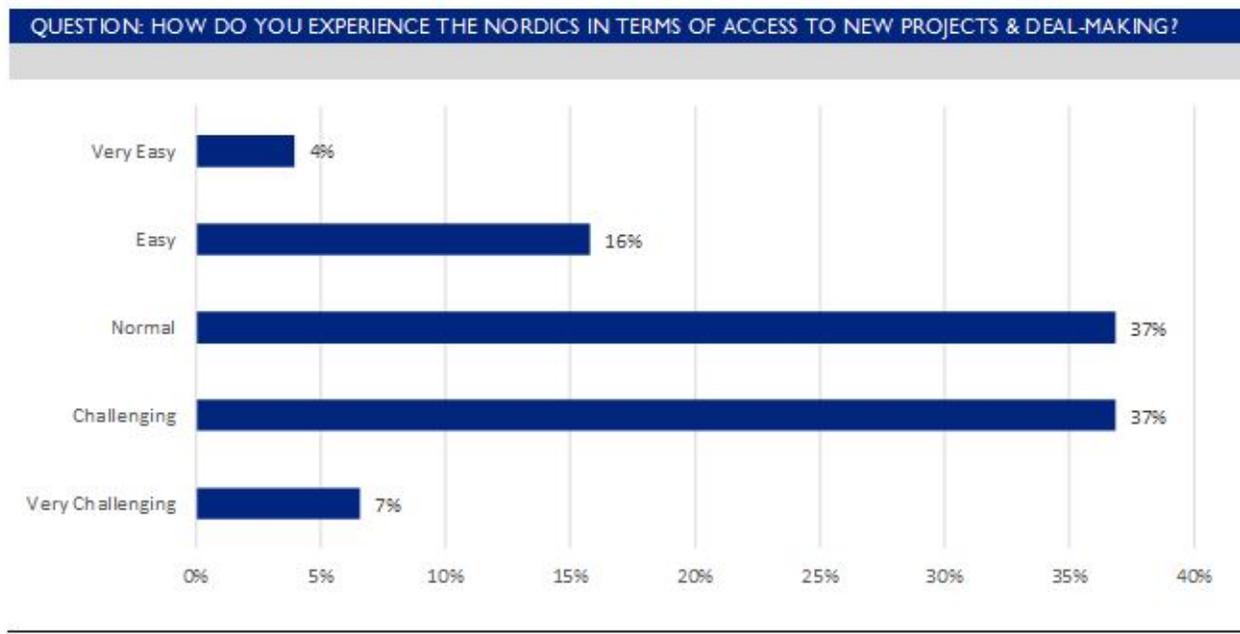


Source: NHC-Conference delegate surveys of 2014, 2015, 2016 and 2017

Deal-making is challenging

The Nordic region is attractive, but how is the market perceived when it comes to penetration and deal-making? While more than one-third of the delegates believe the market falls within the norm in terms of access to new projects and deal-making, nearly half of the respondents consider it to be challenging or very challenging, while 20% find it easy.

We have learned from previous years' surveys that the Nordics are perceived as rather insular, and perhaps it is hard for outsiders to enter the market and gain access to projects. Interestingly however, only 48% of those who responded "challenging" or "very challenging" are from outside the Nordic region, meaning that this is an issue not only for outsiders, but also for those with the presumable home-court advantage. Competition for new projects and properties is fierce, and interest vastly outweighs the quantity of good, available projects.



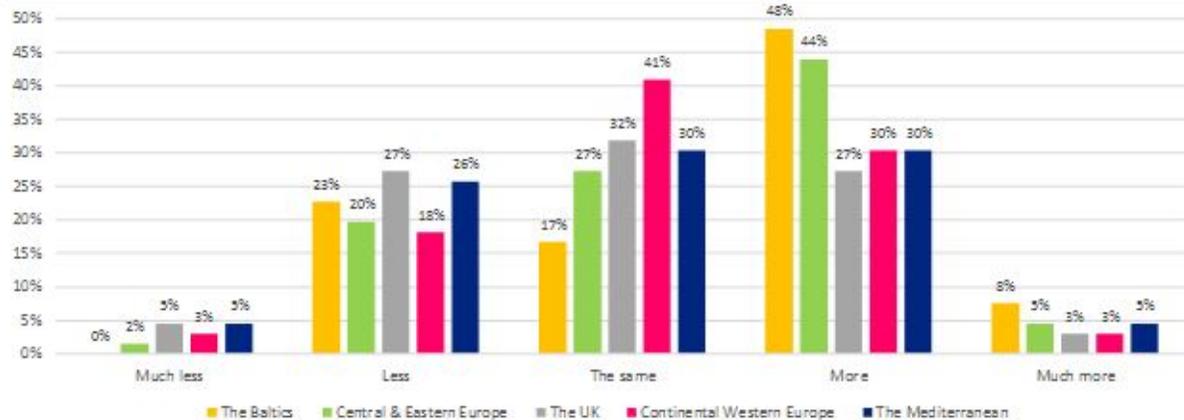
Source: The NHC-Conference Survey 2017

Among the hotter parts of Europe

Put into a European context, how attractive are the Nordic countries relative to other regions? Although only marginally, surveyed delegates ranked the Nordics as the preferred choice for geographical expansion, compared to other parts of Europe. In particular, the Nordics exceeded the Baltics and Central and Eastern Europe in popularity, according to the survey.

In contrast to the cold northern temperatures and cool Nordic mindset, the survey finds that the region is in fact among the most attractive and hottest destinations in Europe for new hotel development.

QUESTION: COMPARED TO THE FOLLOWING REGIONS, DO YOU SEE THE NORDICS PROVIDING MORE OR LESS OPPORTUNITY FOR GROWTH/INVESTMENT?

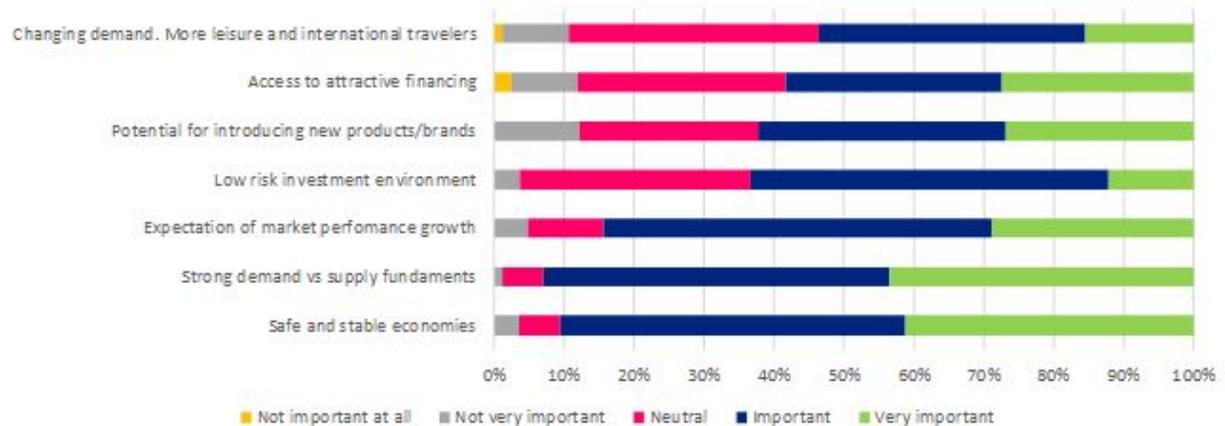


Source: NHC-Conference Survey 2017

Strong demand and stable economies

What makes the region especially attractive, according to the survey, is the way demand has been growing relative to supply. And there is a strong expectation of continued demand growth. The fact that the region benefits from safe and stable economies is, likewise, something most of the delegates deemed very important.

QUESTION: HOW IMPORTANT ARE THE FOLLOWING IN MAKING THE NORDICS ATTRACTIVE FOR HOTEL DEVELOPMENT?



Source: The NHC-Conference Survey 2017

Revenue per available room has been growing at a steady pace in the Nordic capitals, especially in Reykjavik, Iceland, and Copenhagen, Denmark. The growth has been generated primarily by increases in room rates during the past couple of years. Delegates cited high rates—and the expectation that the trend will continue—as a factor in opening new hotels.

The stable Nordic economies are supported by a relatively predictable political landscape. These factors, as well as the trendiness of the north, and growing KPIs, constitute the attraction. Therefore, the industry players push forward in their attempt to penetrate or expand in the region, despite fierce competition for new projects and properties.

Sarah Sonne Larsen joined NHC in 2007. She is specialized in feasibility studies and advising on new hotel projects, operations analysis and optimization, business planning, and spa and wellness. Sarah holds a Master's Degree in Service Management from Copenhagen Business School, where she specialized in hotel management. Most recently, Sarah completed a specialized education in spa and wellness management from Raison d'Être Spas in Stockholm. Sarah is working from NHC's office in Copenhagen.

Demian Hodari is an associate professor of strategic management at the Ecole Hôtelière de Lausanne (EHL). His research, which has been published in such journals as the Cornell Hospitality Quarterly, the International Journal of Hospitality Management and Tourism Management, currently focuses on the evolving roles of hotel owners, asset managers and general managers, and on the performance implications of different hotel ownership and management structures. He frequently moderates industry conferences and panel discussions.

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