

Research

Large-scale hotel expansion under Northern Lights

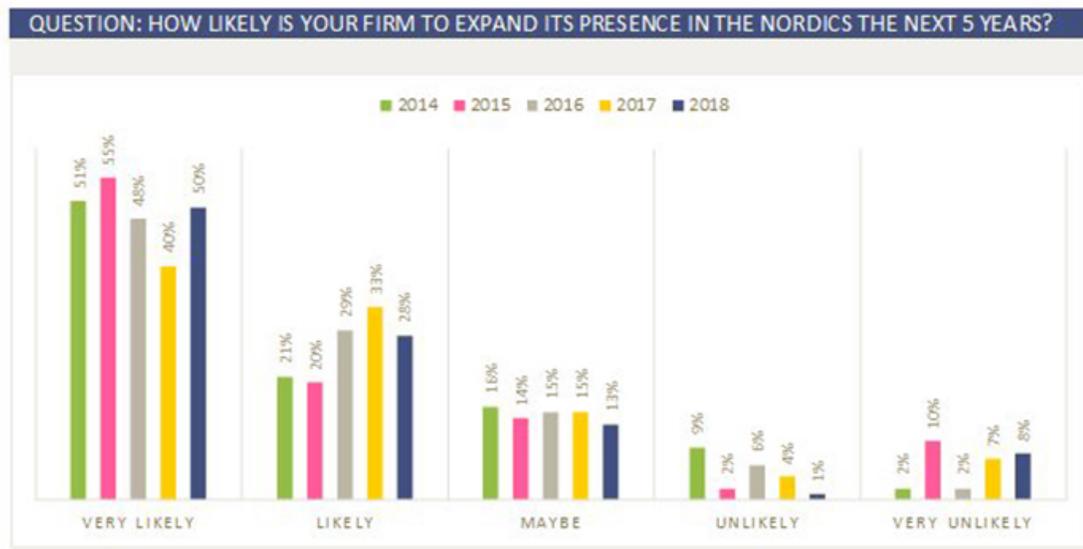
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The global hotel industry continues to show interest and optimism toward growth and performance of hotels in the Nordic region.

By Sarah Sonne Person and Demian Hodari

COPENHAGEN, Denmark—There is continued optimism about the growth and performance potential of the Nordics, as demonstrated through a survey of the delegates who attended the 9th annual NHC-Conference held in Copenhagen earlier this year.

This broad spectrum of delegates—including operators, investors, bankers, developers, architects and advisors—shared a strong conviction and intent to expand their presence in the Nordics over the next five years. "How likely is your firm to expand its presence in the Nordics the next five years?" is a recurring survey question each year since the first in 2014. This year, 78% of respondents answered that they were "very likely" or "likely" to expand their presence. This sentiment is relatively unchanged since 2014.



Source: NHC-Conference delegate surveys of 2014, 2015, 2016, 2017 and 2018

Do intentions lead to action?

Whether this strong intent will evolve into concrete hotel projects and actual openings, only the future will tell. However, let's have a look back in time and see which of the delegates from conferences in previous years actually have expanded their presence in the Nordic region.

Regional heavyweight Scandic Hotels has opened two central properties in Stockholm: Scandic Haymarket and Downtown Camper by Scandic. In Copenhagen, the company opened the Scandic Meetpacking in Copenhagen.

Hilton opened the Canopy by Hilton in Reykjavik in July 2016. Hilton launched its Canopy brand in 2014 and the Reykjavik property was the first worldwide to open under this flag. Furthermore, Hilton has a planned opening in Copenhagen.

Sweden-based hotel fund Midstar was founded in 2015 and now owns 23 hotels across the Nordics.

Best Western Oslo Airport Hotel presented a new flag for Best Western in Scandinavia.

Fastighets AB Balder have expanded by buying Hotel Property Group with four central hotels in Copenhagen, plus another single asset; Hotel Østerport.

Ligula has opened new hotels carrying their Motel L and Good Morning brands.

Zoku International is opening an extended-stay hotel property—their largest yet—in Copenhagen in 2020.

Nordic Choice Hotels currently has large-scale expansion plans and a significant presence in the pipeline lists for the Scandinavian capitals, with a new 400-room development in the former post central of Copenhagen, and an 810-room Clarion Hotel The Hub in Oslo.

Zleep Hotels is expanding significantly in Denmark with its Zleep brand and has furthermore established a white-label operating company called Core Hospitality, while the group is now also venturing into the Swedish hotel market.

Generator Hostels has opened a design hostel in central Stockholm.

CitizenM Copenhagen just opened in December 2018 with 238 keys on City Hall Square. This exciting addition to the Copenhagen hotel scene earned them the NHC-Conference Award 2018.

Marriott International has a Moxy in Oslo and another two Moxy properties coming in to Helsinki and Copenhagen—the latter being managed by Core Hospitality. Furthermore, there is an Edition in the pipeline for Reykjavik.

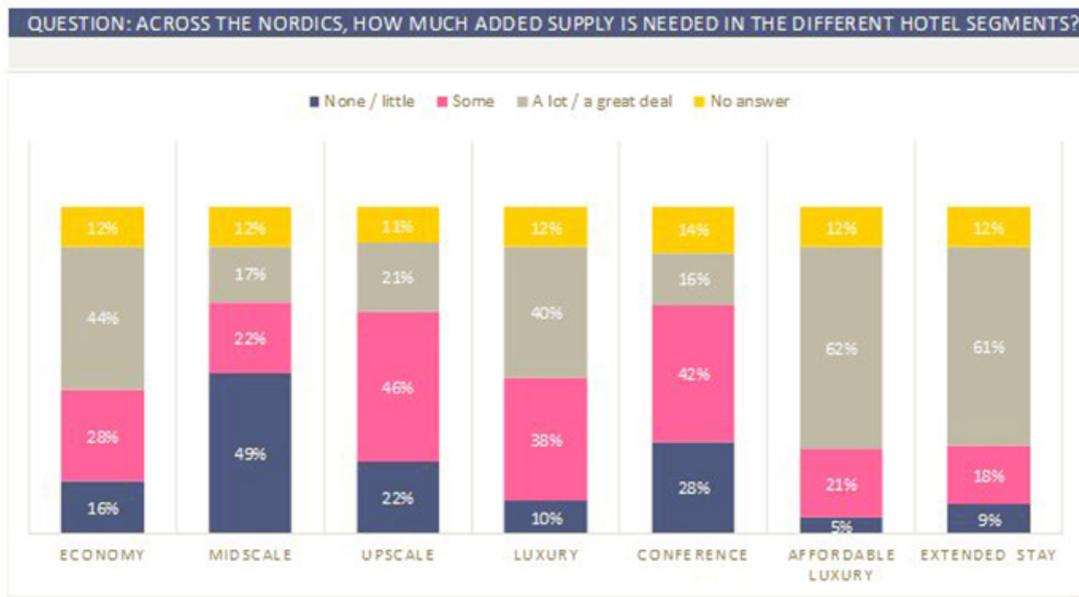
Copenhagen-based Brøchner Hotels have opened two new hotels in the Danish capital and have a design hotel in the pipeline for the old Carlsberg grounds, as well as a hostel coming in to Aarhus.

CapMan Nordic Real Estate Fund opened a 150-room luxury hotel St. George in Helsinki in 2015, operated by CapMan’s portfolio company Kämp Collection Hotels—a Finnish luxury and lifestyle operator.

The above constitute merely a small part of what the delegates have accomplished in terms of expansion in the Nordics in recent years. It’s clear that the industry players are as resolute as ever to increase their presence in the region. Unless game-changing market conditions occur, there is good reason to believe we can expect continuous expansion in the coming five years by existing regional firms and newcomers alike.

What will the new supply look like?

How will Nordic hotel supply appear in five years? The anticipation and belief from the delegates, which is an expert panel on the hotel industry in the Nordics, is clear: Luxury, affordable luxury, extended-stay and economy hotels, while there is only limited interest in the midscale, upscale and conference accommodation that already dominate the landscape here. The current pipelines for the five Nordic capitals feature all of these desired segments, but for some—such as extended stay and affordable luxury—the new supply is still limited.



Source: NHC-Conference delegate survey 2018

Where will future expansion occur?

Stockholm, Helsinki and Copenhagen are shining bright on the map for the delegates at the NHC-Conference 2018, and this might be where we can expect further development.

Oslo and Reykjavik are not far behind and still attractive to many—perhaps the ones who do decide to focus on these two geographical spots will benefit from less competition for the good projects.

In conclusion, the hotel market in the Nordics is likely to continue to see further expansion from regional heavyweights, and smaller local firms, as well as international groups. After all, when hotel owners say the plan to expand their presence, history shows they follow through. New developments will be centered on Stockholm and Helsinki especially, followed by Copenhagen. When observing types of hotels, the interest is centered on luxury, affordable luxury and extended-stay accommodation in the region, which might very well constitute much of the new supply coming in.

One thing is for sure: It will be fascinating to follow how the hotel landscape will evolve in the near future with the stated likelihood for further expansions

under the Northern Lights.

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