



SWEDISH HOTEL INVESTMENT GUIDE 2015

CHECK-IN

IN COLLABORATION WITH



ANNORDIA



Stockholm
The Capital of Scandinavia

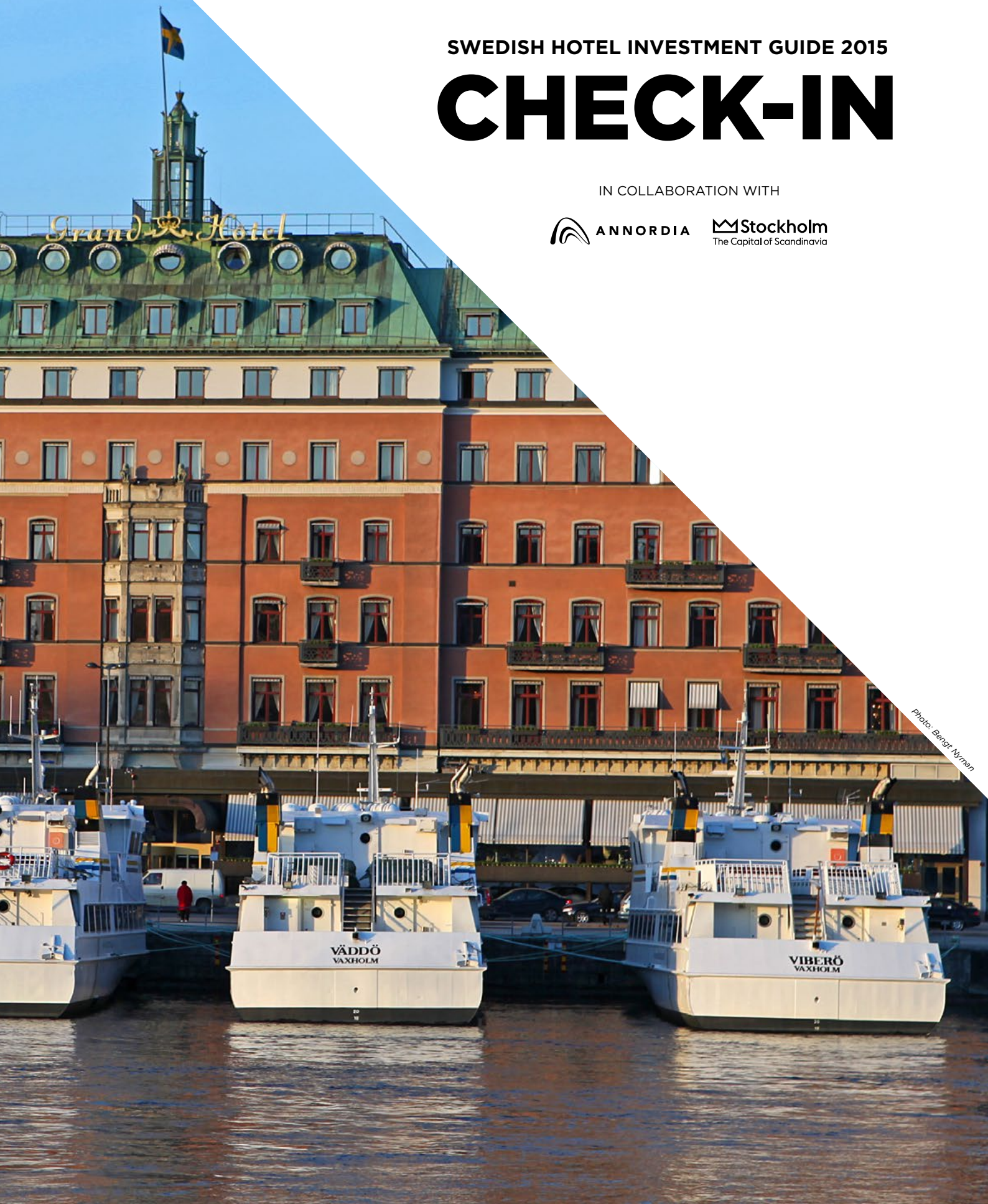


Photo: Bengt Nyman



SWEDEN AT A GLANCE

- ▶ Top performing economy in Europe
- ▶ Largest market in the Nordic region
- ▶ Wealthy consumers with high purchasing power
- ▶ Population growth and a large well-educated middle class
- ▶ Recognised as a trendsetting and progressive country
- ▶ Sophisticated and early adopting consumers
- ▶ Well established test market
- ▶ Transparent market and easy to do business

WELCOME TO SWEDEN

A GUIDE FOR HOTEL INVESTORS IN SWEDEN.

With this guide we want to welcome you as a potential investor to the Swedish hotel market. This document is packed with information, analyses and explanations intended to help you in the early phases of your planning process of entering this lucrative market. It provides information on key ratios for different segments and markets, as well as highlighting investment opportunities in Sweden's largest city regions – Stockholm, Gothenburg and Malmö. The document can, and should, be used by both large and small investors with either a great deal or little experience of the industry. Our aim is thus to arouse your interest in becoming an hotelier in Sweden, and help you check in at one of Europe's most lucrative and exciting markets.

This guide has been produced by Annordia in collaboration with the national trade and investment council Business Sweden and the regional investment promotion agency Stockholm Business Region Development, supported by Business Region Göteborg and Invest in Skåne. Annordia is a financial and strategic advisory firm in the Nordic hotel property market, with over 20 years' experience. In addition to highlighting investment opportunities in Sweden, we also share some general insights into "do's and don't's" when attempting to enter the market as an international investor.

DISCLAIMER
This memorandum has been prepared to assist prospective investors in making their own preliminary evaluation of investing in Sweden and does not purport to contain all the information which a prospective investor may desire. In all cases, prospective investors should conduct their own investigation and analysis of any market of interest. None of the producers or financiers of this document provide any guarantee of the accuracy or completeness of the information contained in this memorandum, including forecasts and market data.

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TOP OF LEAGUE OUT-
PERFORMING EUROPE

SWEDEN IS THE VERY EPICENTRE OF THE NORDIC REGION, BEING THE LARGEST MARKET, FINANCIAL CENTRE AND HUB FOR BUSINESS IN THE REGION. TOGETHER THE NORDIC COUNTRIES - SWEDEN, DENMARK, FINLAND AND NORWAY - MAKE UP THE 11TH LARGEST ECONOMY IN THE WORLD, CONSISTING OF 26 MIL-LION INHABITANTS.

THE NORDIC MODEL - ONE REGION, FOUR COUNTRIES

Some consider them small nations up north but in fact, the Nordics are continuing to outperform the rest of Europe, showing higher scores on practically every chart and ranking you care to mention. The four countries are linked historically through collaboration and many similarities - political visions, social security and cultural tradi-tions, and even language (except for Finnish). Internationally, this has been labelled the "Nordic Model" - a hybrid system with its mix of social welfare benefits, openness and high-tech capitalism which has made the region a highly attractive place, both as a resident and in terms of business. These advantages are enhanced by security, trans-parency and a lack of corruption. Transparency International ranks all Nordic countries as the least corrupted societies in the world, from 2nd to 5th place, out of 177 countries. Each country in the region also shows significant differences, which means that one size of business strategy does not fit all markets. These may be differences in rules and regulations, ways of doing business, tastes and preferences, the hotel market structure and the presence of foreign companies.

HIGH PERFORMERS IN AN INTERNATIONAL PERSPECTIVE

The Nordic economies, especially those of Sweden and Norway, have shown strong development in recent years. With its strong macroeco-nomic fundamentals, the region has stood out from the rest of the developed world. Low sovereign debt, transparent economies, a well consolidated banking system and consumers with sound personal finances produce a combination of stability and growth potentialities. However, the developments in the Nordic economies are far from uni-form. While Sweden and Norway are enjoying stable economic growth, Denmark and Finland still have economies recovering from recession.

COMPARING WEALTH WITH PRICE LEVELS

Norway stands out with a GDP significantly higher than the rest of the Nordics and Europe, mainly due to its natural resource: oil. But it should also be considered that Norway is the most expensive country to live in, with 64 percent higher prices on goods than the EU aver-age. Norwegians actually flock to Sweden to shop. Swedish consum-ers have the second highest GDP per capita in the Nordics, 27 percent higher than the European average, but prices are not as high.

26 million

people live in the Nordic countries Sweden, Denmark, Finland and Norway.

128 million

nights spent in tourist accommodation in the Nordic countries in 2013*.

**At hotels, holiday accommodation and other short-term accommodation. Data for Norway has been estimated based on the data available for 2012.*

Source: Eurostat

If you had to be reborn anywhere in the world as a person with average talents and income, **you would want to be a Viking**. The Nordics cluster is at the top of league tables regarding everything from economic competitiveness to social health and happiness.

- The Economist, 2013



PURCHASING POWER PER CAPITA
(Index 2013, Europe-45=100)

CAPITAL	PPP PER CAPITA	EUROPEAN INDEX	NATIONAL INDEX
Oslo	€35,182	273	111
Stockholm	€26,459	205	122
Copenhagen	€20,154	156	95
Helsinki	€23,239	180	120

Source: GfK Purchasing Power Europe 2013/2014

PURCHASING POWER PER CAPITA
(Index 2013, Europe-45=100)

EUROPEAN RANK	COUNTRY	PPP PER CAPITA	EUROPEAN INDEX
3	Norway	€31,707	246
4	Sweden	€21,640	168
7	Denmark	€21,161	164
10	Finland	€19,445	151

Source: GfK Purchasing Power Europe 2013/2014

PRICE LEVELS VS. GDP PER CAPITA
(Index 2013, EU-28=100*)

RANK	COUNTRY	PRICE LEVEL	GDP PER CAPITA
1	Norway	164	191
2	Switzerland	162	158
3	Denmark	144	125
4	Sweden	138	127
5	Finland	125	112
6	Belgium	114	119
7	UK	113	106
8	Netherlands	113	127
9	Austria	112	129
10	France	110	108

**Exclusive of Luxembourg*
Source: Eurostat



SWEDEN

STANDING OUT FROM THE CROWD

International companies are attracted to Sweden for numerous reasons. The country is a global leader in innovation with a highly skilled labour force, sophisticated consumers, smooth business procedures, openness to international ownership and a stable economy.

KEY FACTS SWEDEN

Hotels¹: 2,037
Available rooms¹: 119,172
Available beds¹: 240,036
Largest hotel: Gothia Towers, 1,200 rooms (Gothenburg)

Population
- 2014: 9.6 million
- Forecast 2017: 10.0 million
- Forecast 2037: 11.0 million

Economy (2014)
- GDP per capita: SEK 403,000
- Number of companies: 1,069,507
- Largest company based on turnover²: AB Volvo
- Company with largest export sales²: Ericsson.

Source: ekonomifakta.se, Statistics Sweden, Annordia.
¹Refers to capacity in March 2015.
²Data for 2013.

SWEDEN OVERVIEW

HOTEL MARKET INDICATORS, 2014

	MUNICIPALITY	HOTELS	ROOMS SOLD y/y, %	ADR SEK	OCC. %	REVPAR SEK
1	Stockholm	150	3.8	1,126	68.4	770
2	Gothenburg	64	7.0	926	65.6	608
3	Malmö	31	5.4	799	64.6	515
4	Uppsala	24	9.7	760	56.0	426
5	Linköping	18	3.7	845	58.2	492
6	Västerås	18	4.5	778	53.7	418
7	Örebro	16	-2.0	842	59.2	499
8	Helsingborg	18	4.4	840	65.1	547
9	Norrköping	23	7.5	1,003	49.2	493
10	Jönköping	26	2.7	855	53.8	460

Source: Statistics Sweden

There are shining stars and business opportunities in the hospitality sector also outside the largest municipalities – these are three examples.

★ ICE HOTEL - JUKKASJÄRVI

Jukkasjärvi is a small town 200 kilometres north of the Arctic Circle. In this small village, a new art hotel designed by sculpture artists is rebuilt every winter. The hotel is made of ice and snow from one of Europe's last "wild rivers", the Torne River, and therefore reunites with the flow of water in April every year. The hotel is a unique, completely inspirational, world-famous venture. The spectacular and romantic atmosphere that surrounds the hotel makes it an attractive location for weddings. For those not interested in marriage, or already married, there is plenty to do and see at this unique location. The ICE HOTEL is, for instance, a prime location for experiencing the aurora borealis (northern lights), and it also holds the title of Accredited Space Agent for Virgin Galactic, meaning that they can offer reservations for the world's first private space flight.

★ ARE

Åre is probably northern Europe's cosiest mountain village, which in spite of its size has managed to create the atmosphere of a big city. Several upscale and midscale hotels such as the Copperhill Mountain Lodge, Tott Hotel and Fjällgården are located there. An extensive ski resort with over 100 pistes and 42 lifts forms the heart of the village, which also offers contemporary shopping, a large selection of restaurants and amazing nightlife. However, Åre is more than just a ski resort, serving as a year-round destination with plenty of popular activities even when the snow has melted. Tourists visit to enjoy the beautiful natural surroundings through activities ranging from fishing to biking and hiking in the mountains.

★ FALUN

Falun is the capital of the Dalarna province, with attractions such as the Falun Copper Mine, a UNESCO World Heritage Site. The city also hosts museums dedicated to some of Sweden's most famous artists, Anders Zorn and Carl Larsson. Furthermore, the red Dalecarlian horses, which have become a symbol of Swedish culture, are still produced here. Annual turnover for overnight guests and visitors to Dalarna exceeded SEK 5.9 billion in 2013, while the tourism industry employed more than 5,900 people. Visitors are attracted by world-class mountain biking trails, family-friendly country lanes and ski resorts, as well as the region's many lakes and rivers. The Vasa Race, the world's biggest cross-country skiing race, has its finish line in the neighbouring town of Mora.



SWEDEN OVERVIEW

THE 10 LARGEST MUNICIPALITIES IN SWEDEN

❶ STOCKHOLM

Stockholm is the capital of Sweden and the financial centre of Scandinavia. The metropolitan area of Stockholm is one of Europe's fastest growing regions in terms of population growth. The city hosts the headquarters of some of the world's largest companies, such as Ericsson and H&M, as well as fast-growing start-ups such as Spotify and Klarna. It is often considered a leader in adopting new technologies and setting new consumer trends. This mindset has led many corporations to use Stockholm as a testing ground for new products and services. The open-mindedness of its inhabitants was, for instance, recognised by Vogue (2014), which listed the Stockholm district of Södermalm as the third coolest streetstyle area in the world.

Population, 2014: 911,989
Population forecast, 2023: 1,047,000

❷ GOTHENBURG

Gothenburg is known as the smiling face of Sweden, and visitors often perceive the city as friendly and welcoming. It is located on the Swedish West Coast and offers a beautiful archipelago not far from the city centre. Gothenburg is home to companies such as Volvo and SKF, which still have their headquarters in the city. The largest hotel in Sweden, Gothia Towers, is also located here. It has 1,200 rooms and, being linked to the Swedish Exhibition and Congress Centre, is Europe's largest fully-integrated venue with a city centre location.

Population, 2014: 541,145
Population forecast, 2023: 595,000

❸ MALMÖ

Malmö is located in the south of Sweden in the middle of the Öresund Region, which with its 3.8 million inhabitants is the most densely populated area in Scandinavia. The Öresund Bridge links Malmö with Denmark's capital, Copenhagen, and the rest of the European continent. The city is also a breeding ground for corporate activity, academic research and innovation. Lund University, which is ranked among the top 100 universities worldwide, is located just 20 kilometres north of Malmö.

Population, 2014: 318,107
Population forecast, 2023: 367,000

❹ UPPSALA

Uppsala is home to Scandinavia's oldest university, Uppsala University, which was founded in 1477. There, you will find approximately 45,000 students who make their mark on the city, which is an academic hub in the Nordic region. With highly respected lecturers and researchers in a wide range of fields, the university ranks among the top 100 universities in the world. Uppsala is located just 40 minutes from Stockholm and 20 minutes from Stockholm Arlanda Airport.

Population, 2014: 207,362
Population forecast, 2023: 230,000

❺ LINKÖPING

Linköping is located on the stunning Östgöta Plains in the province of Östergötland. The city is characterised by world-class technology within fields such as aerospace, IT and the environment. It also hosts a respectable university with around 27,000 students, 1,300 researchers and 300 professors. The aerospace and defence company SAAB is a major employer in the city, with approximately 4,200 employees. Tourists visiting Linköping can choose from plenty of activities all year round, such as the Air Force Museum, the Open-Air Museum of Old Linköping and Linköping Cathedral.

Population, 2014: 151,881
Population forecast, 2023: 165,140

❻ VÄSTERÅS

ABB is a global company and a leading supplier of products and systems for power transmission and process and industrial automation, with a major facility in Västerås employing approximately 4,200 people. Together with Bombardier, which also have its regional headquarters in the city, ABB is an important customer for the local hotel market. Large meetings in Västerås are regularly arranged at Aros Congress Centre, a full-service meeting facility situated in the city centre. The tourism industry in Västerås recently received a major boost with Sweden's first "action baths", Kokpunkten, opening this year with spectacular bathing attractions, a high-quality relaxation area and a children's world.

Population, 2014: 143,702
Population forecast, 2023: 157,000

❼ ÖREBRO

Örebro is developing into a prime destination for large meetings and trade shows in Central Sweden. The hotel market was boosted substantially when Conventum congress centre opened in 2004 and Conventum Arena opened in 2008. The Conventum building is a major venue located centrally in Örebro and used for conferences, conventions, trade shows, concerts and entertainment. The modern building offers a 4,800 square metre event venue, a unique convention hall with 1,470 seats and 21 meeting rooms.

Population, 2014: 142,618
Population forecast, 2023: 158,000

❸ HELSINGBORG

Helsingborg is situated in the south of Sweden and connects to the rest of the country through excellent transport links with the E4, E6 and E20 European motorways. Ängelholm – Helsingborg Airport, with daily connections to Stockholm, is only 20 minutes away. The largest business sectors in Helsingborg are trade and logistics, finance and business services, and healthcare. The city also hosts Campus Helsingborg, which is part of Lund University.

Population, 2014: 135,344
Population forecast, 2023: 147,000

❹ NORRKÖPING

Norrköping is a logistics hub for trade and communications in Sweden, with the majority of jobs being created in these fields. Other significant industries include the paper and packaging industry. Visitors can amuse themselves with a wide variety of entertainment, exhibitions, sport events, musicals and shows. Kolmården is Scandinavia's largest wildlife park and a popular destination for tourists visiting the city. The park offers about 750 wildlife attractions from all the jungles, savannahs and oceans of the world.

Population, 2014: 135,283
Population forecast, 2023: 148,000

❷ JÖNKÖPING

Jönköping is strategically situated between Stockholm, Gothenburg and Malmö. Transport is made easy through excellent car, rail and air connections. With 85 percent of the Swedish population living within a three-hour radius of Jönköping, it is also a perfect destination for environmentally friendly meetings. Elmia is the foremost congress centre in the city, with a capacity of 26 conference rooms, a maximum conference capacity of 1,000 people and restaurant capacity for up to 10,000 guests.

Population, 2014: 132,140
Population forecast, 2023: 143,000

HOTEL SALES GROWTH OUTCLASSES GDP

THE HOTEL AND RESTAURANT SECTOR IS GROWING SUBSTANTIALLY FASTER THAN THE REST OF THE ECONOMY AND THEREBY CREATES OPPORTUNITIES FOR FURTHER INVESTMENTS IN THE INDUSTRY

The hotel and restaurant sector in Sweden has seen tremendous growth over the last ten years. Accumulated hotel sales measured in current prices, illustrated by the hotel index, grew by 64 percent between 2004 and 2014, while the overall economy measured by GDP, also in current prices, increased by 39 percent. The restaurant index also clearly illustrates the success of the hospitality industry, with a comparable growth over the same period of 63 percent. Spending on hotels and restaurants in Sweden has increased by approximately five percent per year (CAGR). These two sectors have thus outperformed the rest of the economy by a large margin, thereby laying the foundations for further investments in the industry.

Hotel stays account for the largest share of guest nights in Sweden, and the segment's share has increased at the expense of holiday cottages and private accommodation from 52 percent in 2008 to 55 percent in 2013. Industry prospects are highly positive for tourism and hospitality in Sweden thanks to a good economic climate and several initiatives from government and privately owned organisations. Svensk Turism is an organisation owned by 170 companies and organisations that in turn represents tens of thousands of companies within the Swedish hospitality sector. During summer 2010, together with other leading organisations in the industry, the organisation presented a national strategy for how Sweden should double the size of its tourism and hospitality sector by 2020. One key measure is aggregated tourism consumption in Sweden, which increased by approximately 15 percent between 2010 and 2013 according to preliminary figures provided by Statistics Sweden and the Swedish Agency for Economic and Regional Growth.

The hotel industry is also transforming in an exciting, value-enhancing way in relation to companies and guests, with new concepts and a growing market for niche hotels. One new segment that is growing in popularity among property developers in Sweden is highly space-efficient hotels. Scandic's new brand, HTL, is one example of a niche brand with space-efficient hotels, and Ligula Hospitality Group's brand Motel L is another. The market for lifestyle hotels is also emerging, with the recently opened Dorsia Hotel and Hotel Pigalle in Gothenburg, as well as Ett Hem in Stockholm, for example.

KEY FACTS IN SWEDISH TOURISM & HOSPITALITY, 2013

SEK 284.4 bn
Total turnover (+89.5% since 2000).

173,000
Number of people employed (+32% since 2000).

SEK 105.7 bn
Foreign tourism consumption in Sweden.

3%
Hospitality and tourism's share of Swedish GDP.

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

5 HOTEL TRENDS IN SWEDEN

1. SMALL ROOMS & LARGE LOUNGE AREAS
Lounge areas are increasing in size and importance, while rooms are getting smaller. A regular writing desk in the room used to be a standard requirement for the business traveller, but this is no longer the case, meaning room size can be reduced. Nowadays, many business travellers prefer to work in the hotel lounge or in the hotel café. The area should, however, be relatively quiet, but the presence of other people working or relaxing in the same area is not considered a problem.

2. NICHED HOTELS
There is a rise of niched hotels in the industry, with both small and large chains investing more effort into conceptualising. New establishments are designed with a specific target group in mind, and with services and amenities adapted to the specific segment.

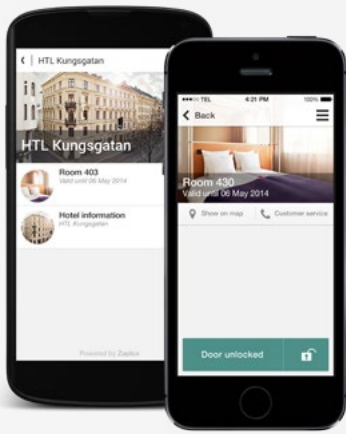
3. DIGITALISATION
Guests are in the forefront of digitalisation, meaning that hotel brands, operators and property owners must develop accordingly. This is achieved by, for instance, setting up self-service desks for check in and check out, and by digitalising the room key, making it possible for guests to use a smartphone to access their room. The room itself is arranged so that guests can upload and enjoy their own stored material on the TV screen. Moreover, real-time displays in the room will show how much energy and water the guest is using, which in turn will encourage participation in sustainability initiatives.

4. EXPERIENCE CUSTOMISATION
Customer relationship management (CRM) programmes that are currently widely used by operators, will grow in sophistication and give managers even more detailed information to work with. Hotels will therefore have all the tools they need to offer travellers the precise mix of services, amenities and customer care that they want or have grown accustomed to during previous stays. By using a mobile application or via the hotel's website, guests may also be able to choose their room before arrival and adapt it to their preferences. As hotels that have adopted customised bedding programmes have noticed, offering multiple choices of pillows means more storage space and more time spent in each room for the housekeeping staff. Thus, the effects of experience customisation will have to be carefully considered by hotel planners and developers as the trend grows bigger in Sweden.

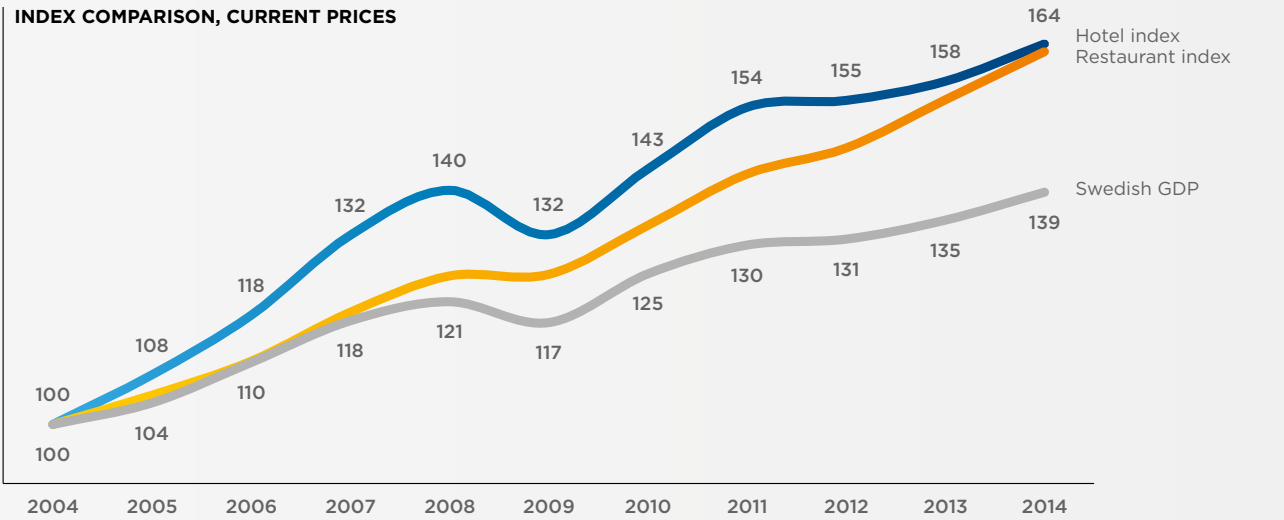
5. FLEXIBLE RECEPTION
The reception desk is exchanged for hosts and hostesses who are mobile and can help with everything from check in and check out to room service. This is made possible thanks to portable devices with access to all the relevant material, such as payment information, maintenance and guest preferences. This increases flexibility for the personnel and, if handled appropriately, it may add additional value to the overall guest experience.



Motel L Hammarby Sjöstad



HTL Kungsgatan



Source: Statistics Sweden

SCANDIC LEADS THE LEAGUE

FEW FIRMS DOMINATE THE MARKET BUT EMERGING TRENDS INDICATE GREATER DIVERSITY AND OPPORTUNITIES FOR INVESTORS TO ENTER THE MARKET.

The operation of hotels in Sweden is split between operating companies and brands, with some large firms present in both categories. Scandic dominates the market and leads both sets of classifications with a significant margin.

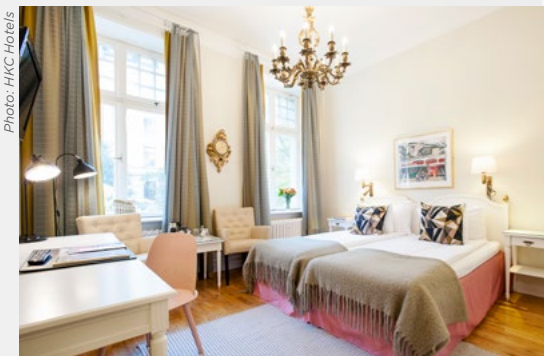
As the ranking describes, the operating side of the market is dominated by five large companies. One of them is Ligula Hospitality Group, which has made its way up the list after the acquisition of 13 hotels from Norse Hospitality in 2015. Ligula Hospitality Group is a multi-brand company, meaning that they operate under a variety of brands through different franchise agreements. The hotels included in the deal with Norse Hospitality are run under brands owned by the French company Accor Hotels, for example. Winn Hotels is another example of a multi-brand company. The majority of its portfolio is run under brands associated with Nordic Choice Hotels and Carlson Rezidor Hotel Group.

Aside from the global brand Best Western, there is a shortage of international companies on the market. However, three trends indicate that now is the perfect time for international hoteliers to invest in Sweden.

- ▶ The number of international visitors is growing, and the segment accounted for 40 percent of total guest nights in the city of Stockholm in 2014. A market therefore already exists, with many guests tied to international brands through loyalty programmes.
- ▶ Swedes are renowned for quickly adopting trends from abroad and for travelling far and wide. The average Swedish traveller is therefore most likely willing to try a new brand or a concept. In addition, they may already be tied to an international brand through a loyalty programme that they signed up to while travelling abroad.
- ▶ One emerging trend in the industry is the increasing number of available concepts. The market is thus evolving from being relatively homogeneous to highly diverse, with a broad range of brands and concepts emerging. The trend indicates that guests are more willing to explore new concepts today than they were before, which is beneficial for international players entering the market.



Clarion Hotel Post, Gothenburg



Best Western Premier Hotell Kung Carl, Stockholm

8 LARGEST HOTEL BRANDS IN SWEDEN - BY NUMBER OF ROOMS

BRAND	GROUP	HOTELS	ROOMS	DESCRIPTION
1 Scandic	Scandic Hotels	82	16,300	Founded in 1963, the hotels can now be found in seven countries, such as Germany, Poland and Belgium. The majority of Scandic's hotels are positioned within the midscale and full-service segments.
2 Best Western	Best Western International	71	5,814	The Best Western brand is owned by Best Western International, with headquarters in the US. Each hotel is independently managed and owned.
3 Quality Hotel	Nordic Choice Hotels	26	4,660	Quality Hotel is positioned within the midscale segment and oriented towards meetings and events.
4 Clarion Hotel	Nordic Choice Hotels	14	4,252	Full service hotels positioned within the upscale segment. Typically located in city centres in large and mid-sized Swedish cities.
5 First Hotels	Den Flyvende Elefant	33	3,913	First Hotels is a brand owned by the Norwegian hotel group Den Flyvende Elefant AS. The hotels are positioned within the midscale segment, with some exceptions.
6 Elite Hotels	Elite Hotels of Sweden	27	3,840	Elite Hotels is an upscale brand, typically in a classic style, housed in restored buildings in city centre locations.
7 Radisson Blu	Carlson Rezidor Hotel Group	10	2,845	The global brand Radisson Blu can be found in Sweden's three largest city regions, Uppsala and Stockholm Arlanda Airport. The hotels are primarily positioned within the upper upscale segment.
8 Clarion Collection	Nordic Choice Hotels	23	2,224	Clarion Collection consists of small limited-service hotels, often inspired by the property's history and location.

Source: Annordia, data is based on research conducted in April 2015.

8 LARGEST HOTEL OPERATORS IN SWEDEN - BY NUMBER OF ROOMS

GROUP	HOTELS	ROOMS	DESCRIPTION
1 Scandic Hotels	83	16,574	Scandic mainly operates hotels under the Scandic brand, but has recently launched a new brand, HTL, which offers space-efficient rooms in highly central locations.
2 Nordic Choice Hotels	55	11,229	The group operates hotels under five brands in Sweden (Comfort Hotel, Quality Hotel, Quality Resort, Clarion Hotel, Clarion Collection), along with six unbranded hotels.
3 Elite Hotels of Sweden	31	3,968	In addition to its main Elite Hotel brand, the group also operates four hotels under the Bishops Arms brand.
4 Ligula Hospitality Group	29	3,359	Ligula Hospitality Group is a Swedish multi-brand company, which operates brands owned by chains such as Accor Hotels and Carlson Rezidor Hotel Group, as well as their own Profil Hotels and Motel L.
5 Den Flyvende Elefant	19	2,596	Den Flyvende Elefant AS is a Norwegian hotel group that operates its Swedish hotels via two affiliated companies: Flying Elephant AS and Tribe Hotel Management AS. Each hotel is operated under the First Hotel brand.
6 Carlson Rezidor Hotel Group	7	2,202	The group operates seven hotels in Sweden, all under the Radisson Blu brand. The other Carlson Rezidor branded hotels are run by other companies through franchise agreements.
7 Winn Hotel Group	12	1,703	Winn Hotel Group is a multi-brand operator. The majority of its portfolio is managed through brands such as Park Inn by Radisson, Radisson Blu, Clarion Hotel and Clarion Collection.
8 Pite Havsbad Group	8	1,226	Pite Havsbad is a multi-brand company, with the majority of its portfolio located in the north of Sweden. It operates through brands such as Comfort Hotel, Quality Hotel and Best Western.

Source: Annordia, data is based on research conducted in April 2015.

GROWING INTEREST IN HOTEL PROPERTIES

INTEREST IN THE SWEDISH HOTEL PROPERTY MARKET HAS SURGED OVER THE LAST 5-10 YEARS, WITH SHRINKING YIELDS AND NEW PLAYERS ENTERING THIS EXCITING AND LUCRATIVE MARKET.

More on p.47

Hotel agreements and hotel properties have some features that have come to attract new investors to the market during recent years. These features relate to leasing agreements, which are the most frequently used form of contract in Sweden. (Read more about leasing agreements on page 47).

TERM OF THE AGREEMENT

Agreements are generally drawn up for terms varying between 15 and 25 years; this can be compared to retail and office leases, which in general apply for periods of three to seven years. These long arrangements are often highly advantageous for both the property owner and the operator. They facilitate administration and planning for the real-estate company since they normally lease the property to a financially solid operator that provides stable cash flows through rent over a long period of time. The most commonly used lease structure in Sweden also splits the risk and upside potential between the property owner and the operator. That means that the real-estate investor has both incentives to invest in the hotel and time to collect returns on the money being invested.

ATTRACTIVE DEMARCATION LISTS

Demarcation lists are generally constructed in a way that increases planning capacity for the property owner and flexibility for the operator. Industry standards imply that the proprietor is responsible for the exterior maintenance of the property, in addition to investments in, and replacements of, bathrooms and building-related technical installations. The operator on the other hand takes care of the interior maintenance and related investments, naturally excluding bathrooms and building-related technical installations. Operators therefore have the opportunity and flexibility to quickly adapt to new trends and to keep up with the competition by improving interior design and quality when needed, without asking the proprietor for permission.



DO'S AND DON'TS IN THE BIDDING PROCESS

Annordia is a hotel property advisor that has advised property owners, banks and municipalities for over 20 years. Their list of do's and don'ts in the bidding process explains partly why the market is currently characterised by a majority of domestic and Scandinavian companies. International investors generally miss out on a couple of very important details when formulating tenders and are thus rejected early on in the bidding process for new hotel contracts.



Courtyard Stockholm Kungsholmen, Stockholm

DO'S IN THE BIDDING PROCESS

CHOOSE A DIFFERENT PATH

If, as an international operator, you feel that you cannot accept the general leasing structure in Sweden and instead prefer to work with management contracts, there is still a chance to enter the market. You may, however, need to choose a different path and seek out one of the many highly professional multi-brand companies present in the Swedish market. This company can then sign a standard contract with the property owner while you sign a franchise agreement with the multi-brand company.

COLLATERAL

Since hotel agreements constitute substantial investments on

the part of the property owner, the counterpart is required to provide collateral. Naturally, this is even more important for international investors seeking to invest in Sweden, since the property owner may not have previous experience or knowledge of the specific international operator. One way to improve your bid is to indicate that you are ready to provide collateral and give details of what kind. Another way to strengthen the bid is to increase the fixed part of the rent, which usually ranges between 65 and 80 percent of the proposed total rent level (read more about contract types on page 47).

DON'TS IN THE BIDDING PROCESS

MANAGEMENT CONTRACTS

Management contracts are not popular, and they are extremely uncommon for hotel properties in Sweden. Since the current contract structure has proven to work so well, management contracts have never taken off in Sweden. Operators that provide tenders based on these type of arrangements are almost guaranteed not to get the deal.

DON'T FORGET TO DO YOUR HOMEWORK

A critical factor when evaluating tenders is the proposed rent level. The rent level is normally separated out as a residual in a 5-10 year pro forma income statement, which in

turn is ultimately based on the market's anticipated occupancy and ADR levels. There may be several reasons why a property owner initiates a hotel project, and one of them may be that they anticipate significant growth potential in the market. As Swedish and Nordic operators are very familiar with these opportunities, they generally take them into consideration when drawing up a pro forma forecast for the hotel. If international investors do not conduct a thorough study of the market, they will miss these trends and thus forecast too low a RevPAR development compared to their Nordic competitors. This will thus most likely exclude them from further negotiations.

More on p.47

6 LARGE HOTEL PROPERTY OWNERS IN SWEDEN

COMPANY	HOTELS	ROOMS	DESCRIPTION
1 Pandox	52	9,864	Pandox is an important player in the European hotel market. The company operates in three business areas: hotel properties, hotel operations and asset management.
2 Balder	30	4,847	Balder is a Gothenburg-based property owner that has expanded rapidly in the hotel property market during recent years through several large transactions.
3 SSRS Holding	15	1,948	SSRS Holding is part of Elite Hotels of Sweden. Each property is leased to an affiliated company and operates under the Elite Hotel brand.
4 Home Properties	7	1,673	Home Properties' ownership is focused on hotel properties. The company is part of Nordic Choice Hotels.
5 AFA Sjukförsäkringsaktiebolag	8	1,476	AFA Sjukförsäkringsaktiebolag mainly owns properties in the municipalities of Stockholm, Malmö, Solna and Gothenburg.
6 Host Hoteleendom	11	1,428	Host Hoteleendom is a subsidiary of Den Flyvende Elefant AS. Each hotel is operated under the First Hotel brand.

Source: Annordia, data is based on research conducted in April 2015.

7 MAJOR HOTEL PROPERTY TRANSACTIONS IN SWEDEN SINCE 2014

PROPERTY	MUNICIPALITY	DATE	SELLER	BUYER	PRICE	SEK/M2
1 Portfolio, 14 hotels	Several	04/2014	Pandox	Balder	MSEK 2,200	17,920
2 Arlanda 2:11, Clarion Hotel Arlanda	Sigtuna	06/2014	Swedavia Real Estate	SPP Fastigheter	MSEK 1,100	50,176
3 Portfolio, 14 hotels	Several	09/2014	Home Properties	Landsorganisationen Sverige (LO)	MSEK 1,000	18,709
4 Inom Vallgraven 1:13, Radisson Blu Scandinavia Hotel	Gothenburg	12/2014	DND Scandinavian Property Fund	Balder	MSEK 700	26,261
5 Snöflingan 3, Courtyard Stockholm Kungsholmen	Stockholm	02/2015	Invesco Real Estate	Balder	MSEK 670	30,455
6 Heden 24:11, Scandic Opalen	Gothenburg	03/2014	Epifyt	Balder	MSEK 550	29,730
7 Lorens 14, First Hotel Plaza Västerås	Västerås	04/2015	NRF Sweden Holding	Kungsleden	MSEK 465	17,878

Source: Annordia, data is based on research conducted in April 2015.

STOCKHOLM

THE POWERHOUSE OF SCANDINAVIA

The metropolitan area of Stockholm is one of Europe's fastest growing regions and regularly ranks among the top cities to do business in. The region's business climate and growing tourism sector has increased demand for further hotel investments in the area.

KEY FACTS THE CITY OF STOCKHOLM

Hotels¹: 149

Available rooms¹: ~ 19,350

Largest hotel: Clarion Hotel Sign, 558 rooms

Population (2014)

- City: 911,989
- County: 2,198,044

Municipality (2014)

- Average age: 39
- Highly educated people: 38%
- Largest private employer²: Ericsson AB, 10,400 employees
- Largest public employer²: Stockholm municipality, 45,400 employees
- Median income: SEK 280,000 (Sweden: SEK 249,000)

Source: *ekonomifakta.se, Statistics Sweden, Annordia.*

¹May, 2015.

²November, 2014.

 **Stockholm**
The Capital of Scandinavia



A GROWTH ENGINE FOR BUSINESS AND LEISURE

ACCORDING TO A RECENT STUDY BY THE STOCKHOLM CHAMBER OF COMMERCE, THE METROPOLITAN AREA OF STOCKHOLM IS ONE OF THE FASTEST-GROWING REGIONS IN EUROPE.

With an expected population growth of almost 30 percent by 2030, the metropolitan area of Stockholm will grow twice as fast as other rapidly growing European regions such as Manchester, Copenhagen and Zürich. Moreover, it is expected to grow three times as fast as Munich and six times as fast as Paris. The demographic trend is also in Stockholm’s favour, with a projected growth in the working population of more than 17 percent.

Stockholm’s GDP makes up one third of the Swedish economy and thereby acts as a growth engine for the whole country. It is a hub for corporate headquarters in Scandinavia and the home of multinationals such as Ericsson, Spotify and H&M. Stockholm also ranks as the leading financial centre in the Nordics, with strengths in areas such as innovation, technology, availability of capital and quality of life. The city of Stockholm is considered the seventh most successful city in the world according to a recent publication (Cities of Opportunities, 2014) by PWC. Stockholm’s many beautiful parks, its innovative and effective recycling programmes and low risk of natural disasters, combined with low crime rates and a good political environment place it at the top of the world’s safest and most environmentally sustainable cities.

The city of Stockholm is also often considered a leader in adopting new technologies and setting new consumer trends. For example, the video game “Battlefield” was invented here by Stockholm-based developer DICE. In the same survey by PWC, Stockholm is also top-ranking in terms of the density of highly educated people. With leading universities such as KTH Royal Institute of Technology, Stockholm University, Stockholm School of Economics and Karolinska Institutet, there is a clear link between academia and business, prompting both research and commerce in the region. Investing in Stockholm therefore means gaining access to a well-educated and open-minded workforce that can make your business thrive in one of Europe’s most interesting cities.

73%
higher GDP/capita in Stockholm, compared to the average EU city region.

56%
increase in overnight stays at hotels in Stockholm between 2004 and 2014.

TOTAL COMMERCIAL OVERNIGHT STAYS, 2014

MUNICIPALITY	NUMBER OF STAYS
Stockholm	7,935,163
Copenhagen*	6,379,896
Oslo	4,008,955
Helsinki	3,282,478

Source: Statistics Sweden, Statistics Norway, Statistics Denmark, Statistics Finland.

* The figure for Copenhagen is based on hotels and resorts with 40+ beds and camp-sites with 75+ camping units. Campsites are excluded from January to March and October to November. Marinas are only included in the months of May to September.

GRP PER CAPITA EU-28, 2011

RANKING	REGION	EU 28=100
1	London	321
2	Luxembourg	266
3	Brussels	222
4	Hamburg	202
5	Bratislava	186
6	Paris	182
6	Groningen	182
8	Stockholm	173
9	Prag	171
10	Munich	168

Source: Eurostat/Stockholm Business Region Development.

ONE OF EUROPE'S MOST POPULAR TOURIST DESTINATIONS
Stockholm's ranking as one of Europe's most popular tourist destinations combined with a high GRP per capita and a thriving business sector fertilise the city's hotel and restaurant sector. There are therefore many opportunities for international hotel brands, and key indicators signal future growth.



DID YOU KNOW THAT...

- ... Stockholm is one of the most popular tourist destinations in Europe (European Cities Marketing 2013).
- ... Stockholm has the largest number of billion dollar start-ups in Europe according to the Atomico Report.
- ... The metropolitan area of Stockholm is one of the fastest growing regions in Europe.



BUSINESS DISTRICT - - - -
Stockholm's Central Business District hosts many of the world's largest companies. Multinationals with headquarters in the area include H&M, Spotify and Sweden's largest bank, Nordea. Global companies such as Facebook, IBM, LinkedIn and HP also have regional headquarters in the Stockholm region. Although the inhabitants of Stockholm are diligent workers, they also enjoy eating out. A wide selection of restaurants, bars and clubs, in and around the business district, is spiced up with nine restaurants awarded stars in the Michelin Guide 2015.

HOTEL DISTRICT ———
Twelve hotels and around 3,570 hotel rooms are located within an approximate area of 220,000 square metres in Stockholm's city centre. The broad range of stores, restaurants, cafés and entertainment combined with a high workplace density makes the area attractive to both business and leisure guests. Moreover, since the Arlanda Express train transports air passengers to Arlanda Airport within 20 minutes, the proximity to the Central Station facilitates for both domestic and international travellers.
Hotels in the area feature brands such as Sheraton, Scandic, Radisson Blu, Clarion Hotel and Elite Hotels. Scandic Continental will add an additional 400 rooms to the district in 2016.

- J Commuter trains
- T Metro

- BUSINESS & GOVERNMENT**
1. The Riksbank (Central Bank of Sweden)
 2. Stockholm City Conference Centre
 3. H&M HQ
 4. Parliament Building
 5. Spotify HQ
 6. Klarna HQ

- SHOPPING CENTRES**
7. NK (110 stores)
 8. Gallerian (86 stores)
 9. Mood Stockholm (55 stores)
 10. Sturegallerian (57 stores)
 11. Fältöversten (53 stores)
 12. Ähléns City (N/A stores)

- VISITOR ATTRACTIONS**
13. ABBA the Museum & Swedish Music Hall of Fame
 14. Gröna Lund amusement park
 15. Fotografiska Museum of Photography
 16. Skansen open-air museum
 17. Vasa Museum
 18. The Royal Palace

MAJOR DEVELOPMENT PROJECTS

HAGASTADEN
Hagastaden is one of Stockholm's largest and most important development projects. The area under development encompasses 96,000 hectares, which is approximately three times the size of the Old Town. By placing segments of the European E4/E20 highway and the Värtaban railway in tunnels, the landscape can be developed and thus transformed into a vibrant area that will serve as a home and workplace for thousands of people. The vision for Hagastaden is to create a Scandinavian centre in the life science sector. Hagastaden is to be a place where business and academia interact with clinical research and health services. In addition to restaurants and cafés, the new urban district will accommodate 6,000 new apartments and 50,000 new workspaces on completion in 2025.

Construction period: 2011-2025

SLUSSEN
As a traditional junction, Slussen serves thousands of people on a daily basis by connecting trains, buses, pedestrians and cars. Many people pass through Slussen every day but few decide to spend time there. In a few years' time, Slussen will be transformed into one of Stockholm's most attractive meeting spots, offering cultural events, entertainment venues, parks, restaurants and cafés.

Construction period: Expected construction time is eight years. Construction expected to start in 2015-2017.

STOCKHOLM ROYAL SEAPORT
12,000 new apartments and 35,000 new workspaces are currently under construction in Stockholm Royal Seaport (Norra Djurgårdsstaden), which will be a new environmentally friendly urban district in close proximity to Stockholm's city centre. The new city district is expected to be completed in 2030 but residents and businesses are already moving in. As one of 18 urban developments worldwide, Stockholm Royal Seaport was elected to form part of the Clinton Positive Development Program.

Construction period: 2011-2030

HAMMARBY SJÖSTAD
Hammarby Sjöstad is emerging in the southern part of Stockholm, forming a new city district as a natural extension of Stockholm's inner city. The project has been running since the mid-1990s and, once completed, the area will accommodate 11,000 apartments for more than 25,000 people. Recent developments in the area include public transport, restaurants, cafés and the new Motel L hotel, with 226 rooms.

Construction period: 1996-2017

STOCKHOLM BYPASS
The Stockholm Bypass project (Förbifart Stockholm) is a new road development and highly prioritised infrastructure project with an estimated construction cost of 3.1 billion euro (2009 prices). This new link for the European highway (E4) will stretch for 21 kilometres past the Swedish capital, with 18 kilometres underground. As the road will connect the southern and northern parts of the Stockholm County, it will serve approximately 140,000 vehicles every day, thereby relieving the arterial roads and inner city of traffic and reducing the vulnerability of the Stockholm traffic system.

Construction period: 2015-2026

NORRA LÄNKEN
Norra Länken is one of Northern Europe's biggest road tunnel projects and an important piece of the puzzle in terms of improving the environmental standard and traffic situation in Stockholm's inner city. As cars and heavy vehicles will be routed into a four-kilometre tunnel, space will be made for new urban developments connecting the rapidly growing municipality of Solna to Stockholm's inner city.

Construction period: 2006-2018

THE STOCKHOLM CITY LINE
The Stockholm City Line is a new underground commuter railway stretching six kilometres under the city of Stockholm, from Stockholms Södra to Tomtebodavägen. The new tunnel will open for traffic in 2017, with new stations at Odenplan and Stockholm Central Station. The Stockholm City Line's development will have positive implications for tourism and travel to the Stockholm region as the train capacity at the Central Station will approximately double.

Construction period: 2009-2017

MASSIVE GROWTH AND STRONG DEMAND

LEADING INDICATORS POINT TO FURTHER GROWTH IN THE CITY OF STOCKHOLM AND A NEED FOR MORE HOTELS.

The number of occupied hotel rooms in the city of Stockholm increased by 56 percent between 2004 and 2014, reaching 4.7 million rooms annually in 2014. The average annual growth rate assignable to the same period (CAGR) amounted to 4.6 percent. During the same period, available rooms grew by 3.8 percent per year, leading to an increase in the occupancy rate of 4.7 percentage points. The ADR has increased by an average rate of 1.8 percent per year, outperforming the overall inflation index for the same period by 0.6 percentage points. All in all, the most important indicator, RevPAR, has increased by an average rate of 2.5 percent per year (CAGR) between 2004 and 2014.

The number of foreign visitors grew by 52 percent between 2004 and 2014 and the segment is anticipated to increase further, with growth coming mainly from Europe, the US and emerging markets such as China and India.

Two new hotels opened in the beginning of 2015. Hotel Kungsträdgården opened 98 new rooms in Stockholm Central Business District and Connect Hotel opened a new hotel in Kista with 112 rooms. Another 505 rooms are expected to open during the course of 2015 through new establishments and extensions of current facilities. A further major boost is expected in 2016, with five new hotels and 891 rooms. However, Scandic Sergel Plaza will close its 403 rooms in January 2016 for renovation, which will reduce market supply throughout the year. It is expected to gradually open again in the beginning of 2017 with 420 rooms, thus adding at least another 17 rooms to the market.

In addition Nordic Choice Hotels will open one lifestyle hotel and one full-service hotel in 2017 in Swedbank's former headquarters, located next to the Central Bank in Stockholm Central Business District. The new supply of rooms is needed since demand is expected to increase at an average rate of 3.8 percent per year between 2015 and 2017. Growth in both supply and demand will thus also affect the ADR, which is expected to gradually increase to SEK 1,160 in 2017. The continued growth in Stockholm is a consequence of expanding tourism and business activities in the region, with both domestic and foreign visitors expected to increase further.

Combined lodging demand of

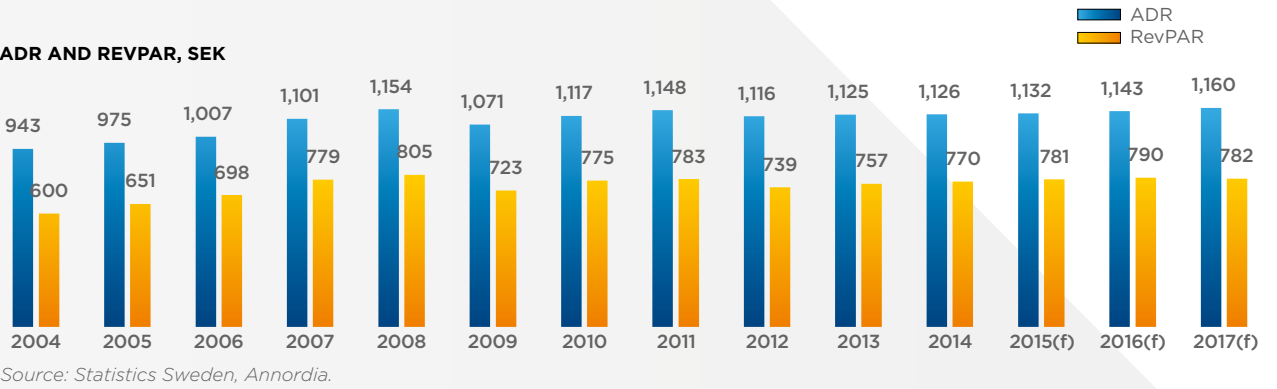
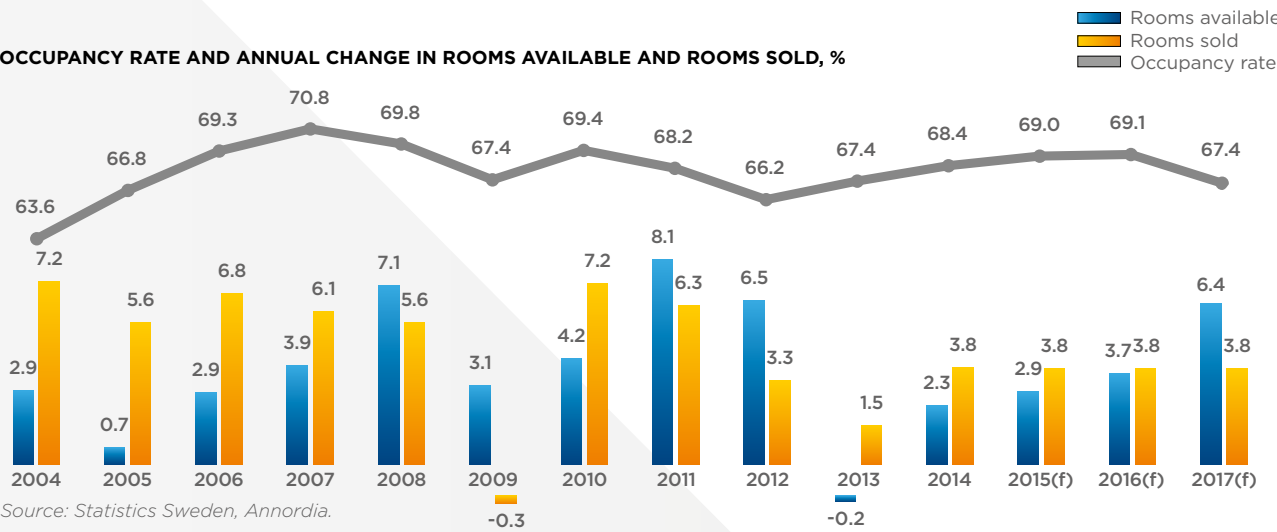
102,000

per year in Stockholm, for the following five major companies:

- 1. Ericsson**
Industry: Information and Communication Technology
Turnover: SEK 227 billion
Employees worldwide: 116,000
- 2. Skanska**
Industry: Construction and project development
Turnover: SEK 137 billion
Employees worldwide: 57,000
- 3. Electrolux**
Industry: Household goods
Turnover: SEK 109 billion
Employees worldwide: 61,000
- 4. If P&C Insurance**
Industry: Insurance
Turnover: SEK 47 billion
Employees worldwide: 6,200
- 5. Axfood**
Industry: Food retail and wholesale trade
Turnover: SEK 38 billion
Employees: 8,600

Annordia has interviewed five of the biggest companies in Stockholm municipality and asked about their average demand for lodging in the Stockholm region per year. The number indicates their aggregated annual demand.

Source: Retriever Business, Financial Times, Annordia.



VISITORS' NATIONALITIES - TOP 15, 2014

COUNTRY	2004	2014	CHANGE
Sweden	2,411,954	4,304,266	78%
USA	193,734	277,854	43%
Germany	175,151	262,800	50%
UK	229,827	253,570	10%
Norway	150,922	194,186	29%
Asia*	57,196	185,595	224%
Finland	104,749	154,501	47%
Italy	109,073	103,887	-5%
France	64,342	103,100	60%
Denmark	91,343	99,100	8%
Switzerland	39,349	88,000	124%
Russia	46,375	85,086	83%
Spain	66,711	75,445	13%
The Netherlands	50,867	70,300	38%
China	8,674	57,159	559%

Source: Statistics Sweden.
*Asia excl. Japan, South Korea and China.

ROOM SUPPLY PIPELINE

YEAR	HOTEL	TYPE	ROOMS
2015	Elite Palace Hotel, Vasastaden	Extension	33
2015	Urban Deli, Norrmalm	Establishment	110
2015	HTL, Norrmalm	Establishment	115
2015	Hotel Södermalm, Södermalm	Establishment	45
2015	Sleeping Fox, Norrmalm	Establishment	202
2016	Scandic Haymarket*, Norrmalm	Establishment	136
2016	Scandic Continental, Norrmalm	Re-opening	400
2016	Motel L, Älvsjö	Establishment	172
2016	Apartments by Ligula, Älvsjö	Establishment	75
2016	Confidential, Norrmalm	Establishment	108
2017	Nordic Choice Hotels, Norrmalm	Establishment	340
2017	Nordic Choice Hotels, Norrmalm	Establishment	200
2017	Scandic Sergel Plaza, Norrmalm	Re-opening	420
Sum			2,356

Source: Annordia.
*Scandic Haymarket will have 400 rooms since it will be merged with Scandic Kungsgatan.

The tables show each segment's share of total room supply.

BRAND LEVEL

TYPE	SHARE
Branded	69%
Unbranded	31%
Sum	100%

Source: Annordia

SERVICE LEVEL

TYPE	SHARE
Full service	65%
Limited service	24%
Resort	0%
Convention	5%
Conference centre	1%
Extended stay	4%
Lifestyle	1%
Sum	100%

Source: Annordia

QUALITY LEVEL

TYPE	SHARE
Luxury	2%
Upper upscale	9%
Upscale	11%
Upper midscale	21%
Midscale	44%
Economy	13%
Sum	100%

Source: Annordia

SEGMENT ANALYSIS

The mid-market segment accounts for approximately 65 percent of total room supply in the city of Stockholm, while rooms in the high-market segment constitute 22 percent, and economy only 13 percent. The high-market segment reached an average RevPAR of SEK 1,151 in 2014, which was 63 percent higher than the comparable number for the mid-market segment. However, the best performing high-market hotel reached a RevPAR that was 123 percent greater than the corresponding mid-market hotel.

The majority (65 percent) of the hotels in the city of Stockholm are defined as full-service properties while 24 percent are categorised as limited service. The large portion concentrated to either the mid-market segment or to the full-service category indicates that there is currently a need for greater diversity. A larger variety of brands and operators in the market would benefit guests and property owners, but also existing operators since Stockholm's attractiveness as a tourist destination would be strengthened.

STOCKHOLM HIGH MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	786	1,154	1,720	58%	74%	84%	1,554
2011	809	1,077	1,614	49%	69%	79%	1,572
2012	796	1,033	1,613	54%	67%	80%	1,537
2013	853	1,107	1,885	40%	72%	83%	1,529
2014	851	1,151	2,467	60%	74%	83%	1,561
2015 (Jan-Mar)	453	930	2,512	32%	65%	81%	1,441

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 96%

The table shows statistics for the average, best and worst performing hotel in each segment.

High market includes: Luxury, upper upscale and upscale.

Mid-market includes: Upper midscale and midscale.

Low market includes: Economy.

STOCKHOLM MID MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	348	747	1,094	50%	71%	91%	1,049
2011	342	738	1,187	50%	70%	85%	1,056
2012	321	708	1,114	47%	68%	85%	1,038
2013	269	704	1,143	46%	68%	85%	1,042
2014	231	708	1,105	40%	68%	86%	1,036
2015 (Jan-Mar)	205	591	972	29%	59%	83%	1,002

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 89%

STOCKHOLM LOW MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	352	464	568	55%	67%	76%	688
2011	339	494	586	56%	67%	77%	732
2012	313	488	610	53%	68%	75%	722
2013	303	489	624	55%	69%	77%	710
2014	304	521	629	55%	73%	85%	715
2015 (Jan-Mar)	231	452	613	43%	63%	77%	721

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 22%

GOTHENBURG

THE SMILING FACE OF SWEDEN

Major infrastructure investments are being made in the Gothenburg area, and new city districts are under constant development. Gothenburg has a vibrant tourist sector and a highly developed business sector as the city is home to multinationals such as Volvo and SKF.

KEY FACTS - CITY OF GOTHENBURG

Hotels¹: 64

Available rooms¹: ~ 9,040

Largest hotel: Gothia Towers & Upper House, 1,200 rooms

Population (2014)

- City: 541,145
- County: 1,632,012

Municipality (2014)

- Average age: 39
- Highly educated people: 33%
- Largest private employer²: Volvo Cars, 11,700 employees
- Largest public employer²: Gothenburg municipality, 34,500 employees
- Median income: SEK 245,800 (Sweden: SEK 249,000)

Source: ekonomifakta.se, Statistics Sweden, Annordia.

¹May, 2015.

²November, 2014.

SEK 250 BILLION IN ANTICIPATED GROWTH

GOTHENBURG IS SWEDEN'S SECOND LARGEST CITY AND STANDS OUT IN THE COMPETITION WITH OTHER EUROPEAN CITIES BECAUSE OF ITS REMARKABLE GROWTH PROSPECTS AND ITS ATTRACTIVE LOCATION IN WESTERN SWEDEN.

The city, which is already home to the headquarters of multinationals such as Volvo and SKF, will strengthen its position as a national growth engine, with SEK 250 billion to be invested in infrastructure and urban development over the coming years. The city of Gothenburg will be celebrating its 400th anniversary in 2021 by making the city more attractive for everyone who lives, works or spends their leisure time there. Since hundreds of billions of Swedish kronor will be invested in the city, it is no surprise that the research institute BAK Basel ranks Gothenburg among the top 10 out of 117 European metropolitan areas in terms of future growth potential.

However, it is not only the city's anticipated growth prospects that makes it an attractive city to invest in. Since the year 2000, the number of people employed in the Gothenburg area has increased by 96,000, and since half of these jobs were created after the financial crisis of 2008/2009, it demonstrates the region's ability to handle both upturns and downturns in the overall economy. As the region as a whole is experiencing high growth, so is the hotel and restaurant sector. The number of people employed in the sector has increased by more than 58 percent between 2000 and 2013. Also, the number of people employed in manufacturing has increased in the Gothenburg area while decreasing in other parts of the country. With the city being home to the headquarters of companies such as SKF and Volvo, as well as emerging business districts such as Lindholmen Science Park, its business climate is knowledge-intensive and thereby attracts employees, consultants and visitors from all over the world.

Gothenburg is a city made for meetings. It is the location of one of Europe's largest all-inclusive convention centres, thrilling roller coasters at Liseberg, culture and award-winning chefs, and a centre for research and academia. Gothenburg is known for its genuine and warm atmosphere and is a world-leading destination for sustainable meetings, with almost 100 percent of its hotels being eco-certified.

Growth since 2000 in the Gothenburg region:

47%
higher payroll expense

41%
higher GRP

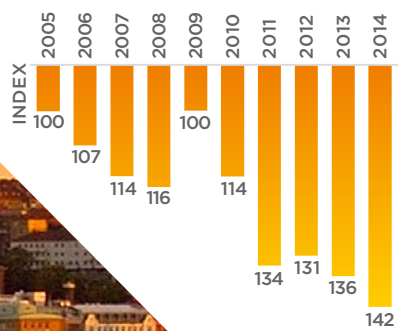
27%
higher productivity

EXAMPLES OF SCHEDULED MEETINGS/TRADE SHOWS IN GOTHENBURG

YEAR	MEETING/FAIRS	PARTICIPANTS
2015	Mediedagarna 2015	5,000
2015	International Technical Conference on Enhanced Safety of Vehicles - ESV	1,000
2015	Nordic Congress of General Practice - NCGP	1,200
2015	World of Coffee 2015	3,500
2015	8th World Environmental Education Congress - WEEC 2015	1,000
2015	Euro Attractions Show - EAS	8,000
2015	Human Rights Day 2015	4,000
2015	Odontologisk Riksstämman 2015 Swedental	9,000
2015	Nobel Week Dialogue	1,500
2015	Volvo Ocean Race	N/A
2016	Anniversary World Congress on Biosensors, 26th	900
2016	International Forum on Quality and Safety in Healthcare	4,000
2016	23rd European Congress on Obesity ECO	1,500

Source: Göteborg & Co.

PASSENGERS ARRIVING AT LANDVETTER AIRPORT FROM ABROAD



Source: Swedish Transport Agency

Photo: Göran Assner/magrebentSweden.se

140,000
... more inhabitants in the region in 2014 compared to 2000.

96,000
... new jobs were created in the Gothenburg region between 2000 and 2013.

GOTHENBURG CITY MAP

EVENT DISTRICT - - - -

Gothenburg's event district stretches from Liseberg in the south of the city to the two stadiums, Ullevi and Gamla Ullevi in the northern parts of the city. Liseberg was the seventh most visited amusement park in Europe in 2013, according to the TEA/AECOM report. The Swedish Congress and Exhibition Centre is located next to the amusement park and is considered one of Europe's largest fully integrated venues with a unique city centre location. Three major stadiums are located in the area: Ullevi, Gamla Ullevi and Scandinavium. These arenas are used for football, ice hockey, horse shows, festivals and concerts. Both One Direction and Metallica will hold concerts at Ullevi in 2015, for example.

HOTEL DISTRICT

Ten hotels and approximately 2,500 rooms are located within an approximate area of 126,000 square metres next to the Central Station in Gothenburg. The largest hotel in the area is Clarion Hotel Post, run by Nordic Choice Hotels. The hotel with its 500 rooms was built in Gothenburg's former post office and opened in 2012.

1 Commuter trains

BUSINESS & GOVERNMENT

1. SKF HQ
2. Chalmers University of Technology
3. Lindholmen Science Park
4. Sahlgrenska Academy
5. Swedish Exhibition & Congress Centre

SHOPPING CENTRES

6. Nordstan
7. Nordiska Kompaniet (NK)
8. Arkaden
9. Kompassen

VISITOR ATTRACTIONS

10. Gamla Ullevi stadium
11. Liseberg amusement park
12. Ullevi arena
13. Universeum science centre

MAJOR DEVELOPMENT PROJECTS

RIVER CITY GOTHENBURG

The River City project is a major development project in Gothenburg city centre. The estimated investment amounts to SEK 250 billion and the project is expected to contribute 25,000 new homes and 50,000 new jobs by 2035. The project will strengthen and develop the Gothenburg city centre on both sides of the river. The project consists in total of ten sub-areas: Lindholmen, Frihamnen, Backaplan, Ringön, Hisingsbron, Gullbergsvass, the central station area, the old centre, Skeppsbron and Masthuggskajen. These areas are all at different stages of their respective planning processes, which means that no exact construction period can be defined.

Four out of the ten sub-areas are described briefly below. For more detailed information about the project and the rest of the sub-areas, please visit www.alvstaden.goteborg.se.

THE CENTRAL STATION AREA

Gothenburg Central Station is expected to strengthen its position as a hub for communication in Western Sweden and become an attractive area for both business and leisure. The newly developed city district will connect both sides of the river in an attractive manner by combining up to 16,000 new workspaces and 1,500 housing units with meeting places and green areas.

LINDHOLMEN

Lindholmen has developed rapidly since the area began its expansion in 2000. 21,000 people work, live or study in the newly developed city district, which has become a hub for technology and innovation. The University of Gothenburg and Chalmers University of Technology both have campuses located in the area, creating synergies with transport, ICT and media companies at Lindholmen Science Park, for example. The area is anticipated to continue its rapid expansion and 3,000 new residential units are expected to be built in the area by 2030. It will most likely be the location of Scandinavia's tallest building and Gothenburg's first skyscraper. The new building will be named Karlavagnstornet and may reach a height of up to 230 metres. The surrounding area will offer housing, offices, retail space and services. The new building will require an approximate investment of SEK 1.5 billion and, in the best case, will be completed in 2019.

FRIHAMNEN

Frihamnen is located on the north side of the river and is expected to be developed into an urban section of the central Gothenburg area. 1,000 housing units and 1,000 workspaces will be ready as early as 2021, when the city celebrates its 400th anniversary. The city planning committee anticipates that the area will grow into an important city district, with 9,000 new homes and 15,000 workspaces by 2040.

MASTHUGGSKAJEN

Masthuggskajen is expected to serve as a new city district by connecting its neighbouring districts with public transport, new housing units, offices and at least one new hotel. An information memorandum describing opportunities to lease the hotel property in the area will be available to interested parties in mid-2015. When the Stena Line terminal is moved in 2020, it will provide space for a new city district, most likely focused on commerce and business and possibly with plans for skyscrapers in the area. Planning is currently underway and more information concerning the future of the area is expected during 2015/2016.

THE WEST LINK PROJECT

The West Link project is an eight-kilometre, double-track railway and a six-kilometre railway tunnel that will go under the City of Gothenburg. The project will improve access to the city, with three new underground stations at Gothenburg Central Station, Haga and Korsvägen. At the same time, the capacity for rail traffic will increase, with lines passing through the city. As the project will expand the labour market in Western Sweden by facilitating the daily commute for thousands of people, it will drive regional growth.

Construction period: 2017/2018 to 2026 (estimated by the Swedish Transport Agency).

URBAN GROWTH TO DRIVE HOTEL SALES

URBAN DEVELOPMENTS WILL DRIVE DEMAND IN THE REGION THROUGH INCREASED BUSINESS AND LEISURE ACTIVITIES.

RevPAR in the city of Gothenburg increased by almost 30 percent between 2004 and 2014, meaning an average annual increase (CAGR) of just over 2.6 percent. The large increase is explained partly by a steady growth in the occupancy rate, which rose by 5.8 percentage points over the same period, as well as a robust price increase of 18.2 percent. Growth in demand has been especially strong during week-ends (Friday to Sunday), with 62.7 percent more rooms sold in 2014 compared to 2004. Weekday sales have also developed strongly, with a total increase of 31.7 percent over the same period. Consequently, the market has experienced a highly positive period of growth, with demand increasing at a rate of 3.6 percent per year compared to supply, which has increased by 2.7 percent per year over the same period.

A new hotel called Kajkanten Vrångö opened in Gothenburg's archipelago in late 2014, adding 11 new rooms to the market. Gothia Towers was behind a larger increase as they completed an extension of their current facilities by 475 new rooms that opened in February 2015. Sodexo will also contribute 121 new rooms when they open a new hotel, conference centre and multi-sport centre in Kviberg, ten minutes north-east of Gothenburg Central Business District by car, in summer 2015. Best Western Hotel Göteborg is also expected to complete an extension during 2016, thereby increasing supply by an addition 200 new rooms. After that, it will take until 2019 before Hotel Draken is expected to offer around 350 new rooms. The recruitment process for an operator for Hotel Draken will begin in late summer 2015.

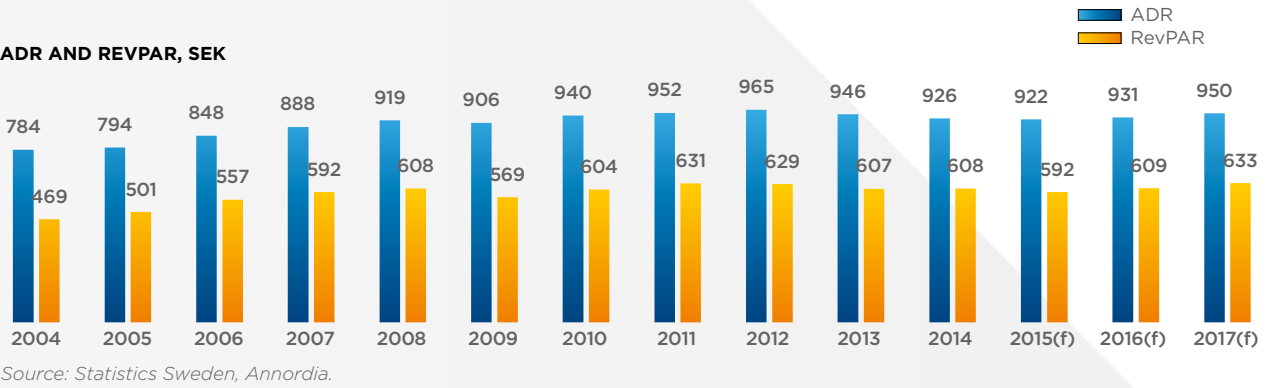
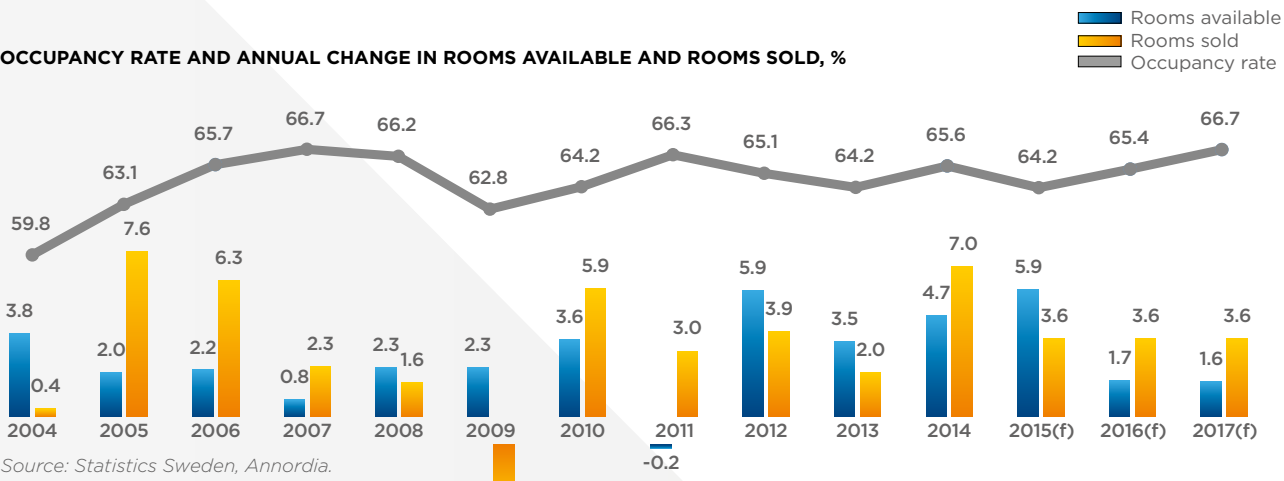
Market demand is expected to grow at an average annual rate of 3.6 percent per year between 2015 and 2017. The approaching anniversary celebration in 2021 and the urban development that is currently taking place in Gothenburg is expected to prompt growth in both the business and leisure segments. Given a decent economic climate and GDP development in Sweden, there is a high probability that room sales will rapidly accelerate between 2017 and the celebrations in 2021 with all the events happening in the city.

Combined lodging demand of
 115,000
 per year in Gothenburg, for the following five major companies:

1. Volvo
 Industry: Industrial engineering
 Turnover: SEK 273 billion
 Employees worldwide: 94,800
2. Volvo Cars
 Industry: Industrial engineering
 Turnover: SEK 104 billion
 Employees worldwide: 15,800
3. SKF
 Industry: Industrial engineering
 Turnover: SEK 71 billion
 Employees worldwide: 46,500
4. Stena
 Industry: Transport
 Turnover: SEK 30 billion
 Employees worldwide: 11,300
5. Schenker
 Industry: Transport
 Turnover: SEK 12 billion
 Employees: 2,200

Annordia has interviewed five of the largest companies in Gothenburg municipality and asked about their average demand for lodging in the Gothenburg region per year. The number indicates their aggregated annual demand.

Source: Retriever Business, Financial Times, Annordia.



VISITORS' NATIONALITIES - TOP 15, 2014

COUNTRY	2004	2014	CHANGE
Sweden	1,383,590	2,311,053	67%
Norway	183,655	221,297	20%
Germany	75,961	89,463	18%
UK	89,734	76,965	-14%
Denmark	41,693	53,792	29%
USA	48,362	47,171	-2%
China	2,240	28,876	1,189%
France	22,161	27,351	23%
The Netherlands	19,797	22,436	13%
Asia*	10,396	20,799	100%
Finland	14,676	19,088	30%
Belgium	13,599	17,188	26%
Italy	12,741	16,319	28%
Switzerland	6,624	13,803	108%
Spain	9,043	9,610	6%

Source: Statistics Sweden
 *Asia excl. Japan, South Korea and China.

ROOM SUPPLY PIPELINE

YEAR	HOTEL	TYPE	ROOMS
2015	Kviberg Park Hotel & Conference, Kviberg	Establishment	121
2016	Best Western Hotel Göteborg, Inom Vallgraven	Extension	200
2019	Hotel Draken, Masthugget	Establishment	350
Sum			671

Source: Annordia

The tables show each segment's share of total room supply.

BRAND LEVEL

TYPE	SHARE
Branded	61%
Unbranded	39%
Sum	100%

Source: Annordia

SERVICE LEVEL

TYPE	SHARE
Full service	64%
Limited service	18%
Resort	2%
Convention	13%
Conference centre	0%
Extended stay	1%
Lifestyle	2%
Sum	100%

Source: Annordia

QUALITY LEVEL

TYPE	SHARE
Luxury	1%
Upper upscale	3%
Upscale	16%
Upper midscale	26%
Midscale	40%
Economy	14%
Sum	100%

Source: Annordia

SEGMENT ANALYSIS

The number of full-service properties stands out within the service category, where the segment accounts for 64 percent of total room supply. The midscale segment is the most commonly applied quality definition, with a 66 percent market share. The difference between the best performer and the worst performer is substantial, with the best performing hotel attaining an average occupancy rate of almost 80 percent.

Also, there is a notable difference in RevPAR, since the best performer's RevPAR tends to be almost twice as high as the corresponding value for the worst performer. Much of this divergence can most likely be explained by geographical differences within the segment, since some of the hotels are situated in the city centre of Gothenburg while others are found in less attractive locations.

Differences in RevPAR within the high market are less tangible but have increased somewhat since 2012. The high-market segment is the only category with an ADR above SEK 1,000.

GOTHENBURG HIGH MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	729	799	991	65%	71%	74%	1,124
2011	801	870	1,095	72%	75%	77%	1,154
2012	806	811	989	70%	72%	79%	1,129
2013	386	764	952	56%	69%	79%	1,100
2014	587	772	955	50%	72%	82%	1,069
2015 (Jan-Mar)	549	661	938	46%	65%	78%	1,022

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 80%

The table shows statistics for the average, best and worst performing hotel in each segment.

High market includes: Luxury, upper upscale and upscale.

Mid-market includes: Upper midscale and midscale.

Low market includes: Economy.

GOTHENBURG MID MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	396	628	760	52%	66%	73%	954
2011	382	645	786	47%	67%	76%	960
2012	398	631	769	50%	65%	73%	973
2013	397	604	761	49%	64%	73%	945
2014	396	608	747	51%	66%	89%	921
2015 (Jan-Mar)	263	464	602	38%	53%	88%	874

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 76%

GOTHENBURG LOW MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	364	397	476	50%	55%	68%	724
2011	376	400	473	51%	56%	67%	719
2012	355	395	446	49%	56%	64%	703
2013	359	419	497	50%	60%	72%	698
2014	361	401	433	37%	54%	63%	745
2015 (Jan-Mar)	230	271	301	27%	39%	45%	698

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 19%

MALMÖ

YOUNG, AFFLUENT & MODERN

Malmö is a vibrant city with an excellent demographic, connecting Sweden with the European continent. The city is in the epicentre of the Öresund region, which is Scandinavia's most densely populated area and home to 3.8 million people.

KEY FACTS - CITY OF MALMÖ

Hotels¹: 31

Available rooms¹: ~ 4,500

Largest hotel: Clarion Hotel & Congress Malmö Live, 444 rooms

Population (2014)

- City: 318,107
- County: 1,288,908

Municipality (2014)

- Average age: 39
- Highly educated people: 30%
- Largest private employer²: Skanska Sverige AB, 675 employees
- Largest public employer²: Malmö municipality, 20,925 employees
- Median income: SEK 204,000 (Sweden: SEK 249,000)

Source: *ekonomifakta.se*, Statistics Sweden, Annordia.

¹May, 2015.

²November, 2014.

IN THE EPICENTRE OF A REGION WITH 3.8 MILLION INHABITANTS

THE CITY OF MALMÖ IS PART OF THE ÖRESUND REGION, WHICH IS THE LARGEST AND MOST DENSELY POPULATED METROPOLITAN AREA IN THE NORDIC COUNTRIES.

With 1.3 million inhabitants on the Swedish side and 2.5 million on the Danish side, the region is home to 3.8 million people. Travel between the two countries is easy via the 16-kilometre Öresund Bridge, which was opened on 1 July 2000 and runs between Copenhagen and Malmö. Closeness to the European continent and to the capital of Denmark makes it favourable for business, and the city has attracted the global headquarters of companies such as IKEA, which will inaugurate its new headquarters at Hyllie in 2016, along with the regional headquarters of multinationals such as Peugeot, Subaru and Mercedes Benz.

Malmö is Sweden's third largest city and part of a diverse region, with a population that has increased by more than 18 per cent since 2004. The city's 320,000 inhabitants have roots in over 174 countries and speak about 150 different languages. In Malmö you will also find some of Europe's most developed infrastructure, such as the ultramodern, six-kilometres city tunnel, inaugurated in December 2010, that runs under the city.

Malmö has undergone a tremendous change over the past 20 years, especially in the business sector. The city's young population and international diversity has increased dramatically, with large industrial operations giving way to small and medium-sized enterprises in a wide range of fields. Malmö has become more attractive for creative professions and knowledge-intensive businesses, which in turn has increased demand for lodging for business travellers. The city has also developed into a respectable academic centre, with Malmö University established in 1998. The university grew explosively during its first few years and currently has around 26,000 students. Moreover, Lund University is located just 20 kilometres north of Malmö and is recognised among the top 100 universities worldwide, with 42,000 students and 7,700 employees.

Malmö's strengths as an entrepreneurial business and research hub has been recognised by Forbes, which ranks Malmö as the fourth most inventive city in the world after Eindhoven, San Diego and San Francisco. Malmö is also considered to be among the top eight emerging tech hubs in the world according to money transfer provider Transfer Wise, since the region is at the forefront of the IT, mobile technology and life science sectors. It is not only the population in Malmö that is growing. Several new urban areas have been developed during recent years and continued expansion is planned for many years to come.

25%

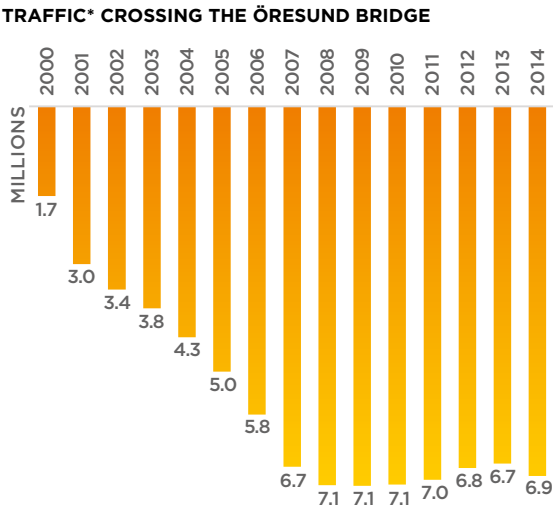
of the population in Sweden and Denmark live in the Öresund region

49%

of the population in Malmö is under 35 years old.

25%

of Sweden's and Denmark's GNP is attributable to the region.



Source: Öresundsbro Konsortiet
*Includes motorcycles, cars, buses, trucks.



70,000

... people cross the Öresund Bridge every day.

350,000

... is the expected number of inhabitants in Malmö 2020.

MALMÖ CITY MAP

BUSINESS & GOVERNMENT

1. BE Group HQ
2. Duni HQ
3. E.ON HQ
4. IKEA Hubhult
5. Malmö Live
6. Malmö University
7. Mercedes Benz Regional HQ
8. Thule Group HQ

SHOPPING CENTRES

9. Emporia (200 stores)
10. Entré (N/A)
11. Hansa (55 stores)
12. Kronprinsen (35 stores)
13. Kv. Caroli (60-70 stores)
14. Mobilia (115 stores)
15. Triangeln (150 stores)

VISITOR ATTRACTIONS

16. Lilla Torg
17. Malmö Konsthall (Art Gallery)
18. Malmö City Hall
19. Malmö Opera
20. Moderna Museet
21. Slottsholmen and Malmöhus Castle
22. The Governor's House
23. The Science and Maritime House
24. Turning Torso

① Commuter trains

SCIENCE DISTRICT - - - -

Medeon is a research park reserved for companies active in the life sciences sector. The park offers a variety of services including offices and conference facilities, networking activities, incubator support for start-ups and other service functions, such as a reception and restaurant. Medeon is centrally located in the city of Malmö, right next to Skåne University Hospital, a campus of Lund University and Malmö University. Another science district is Universitetsholmen, which is also a cluster for tech companies and start-ups.

HOTEL DISTRICT

Malmö's hotel district is situated within the area surrounded by canals in the centre of Malmö. 17 hotels and around 1,600 rooms are located within an approximate area of 390,000 square metres. Thanks to Malmö's excellent train communications, it thus seems to be highly advantageously for hotels to be located close to the Central Station. Almost 40 percent of Malmö's room supply is located there.



MAJOR DEVELOPMENT PROJECTS

MALMÖ INDUSTRIAL PARK

Malmö Industrial Park is a new expansive business district for logistics and manufacturing establishments in the North Harbour in Malmö. The park is currently under development and on completion in 2025, it will accommodate about 900,000 square metres of office space and industrial units. The industrial park is directly connected to Malmö goods station, which is the largest railway junction in southern Sweden. The area is also connected to the international motorway system surrounding Malmö, which facilitates truck traffic and makes the park a natural hub for the transport and logistics sector in Northern Europe.

Information on planning and zoning: www.malmo.se

Västra Hamnen

Västra Hamnen has undergone major developments in recent decades. It has transformed from a declining industrial area to an attractive coastal neighbourhood with a sustainable, holistic approach. The new city district is expected to accommodate 10,000-12,000 residents and 20,000 employed individuals on completion in 2031. Half of the area is currently developed or planned, meaning that there remains an equal amount of space to build on or plan for. An example of a major project in the district is Malmö Live – a 56,000-square metre building with a congress centre and concert hall connected to a newly opened hotel, with 444 rooms. Adjacent to Malmö Live a 10,000-square metre office building is also under construction.

Information on planning and zoning: www.malmo.se

HYLLIE

Hyllie is a new urban district in close proximity to both Copenhagen and Malmö city centre. Copenhagen Airport can be reached within twelve minutes by train thanks to the recently built city tunnel, and travel time to Malmö Central Station is only six minutes. The expansion of a new urban area in southern Malmö creates an exciting contrast between the urban city environment and the Scanian countryside. The newly developed district already hosts an ultramodern indoor stadium with capacity for 13,000 people, an exhibition centre, shopping centres and offices. Another 2,500 housing units are under gradual development and will be completed in 2018. When the new area has been fully developed, it is expected to accommodate 10,000 housing units and an equal number of workspaces.

Information on planning and zoning: www.malmo.se

NORRA SORGENFRI

Norra Sorgenfri is a highly prioritised project in Malmö, the aim being to connect the new city district with Malmö's city centre. The area has great potential to become a prime district for both housing and offices thanks to its central location, size and character. On completion the new area is expected to host 2,500 new housing units for approximately 5,000 people and about 2,000 new workspaces. The district's core values are diversity, variety and a small-scale approach. Former industrial buildings in the area will therefore be used in combination with new buildings in order to strengthen the area's identity and character.

Information on planning and zoning: www.malmo.se

ESS & MAX IV

Two new research facilities will be constructed in Lund, 20 kilometres north of Malmö. These new exciting research centres will generate both job opportunities and further growth in the region. ESS (European Spallation Source) will be the world's foremost research facility using neutrons and is a collaborative project involving 17 European countries. MAX IV is a synchrotron radiation laboratory that is expected to be used by 2,000 researchers from around the world each year. The ESS is expected to generate 5,000 visits from researchers each year, and these two facilities will thus act as important generators of demand for hotels in the region.

Inauguration: ESS: 2019. MAX IV: 2016.

FEHMARN BELT & METRO FROM MALMÖ TO COPENHAGEN

The link between the Malmö region and the rest of Europe will be improved thanks to the new Fehmarn Belt tunnel between Denmark and Germany, which is estimated to be completed in 2024. The tunnel will link Scandinavia with the European continent and reduce travel times considerably. When the economic region is extended it will place additional traffic pressure on the already strained Öresund Bridge. Planning for a metro between Malmö and Copenhagen is therefore underway. The metro would facilitate everyday integration across the Sound and relieve pressure on the Öresund Bridge from traffic. The second phase of the feasibility study began in January 2014 and if the project is allowed to go ahead, the metro could start operating in 2030.

Inauguration: Fehrman Belt 2024. The metro is at the planning stage.

LARGE HOTELS ARE GAINING GROUND

ADDITIONAL SUPPLY IS EXPECTED TO PUT INITIAL DOWNWARD PRESSURE ON REVPAR, WHICH WILL START TO RECOVER AGAIN AFTER 2017.

The occupancy rate in the city of Malmö increased by 11.1 percentage points between 2004 and 2014, leading to growth in RevPAR of 22.0 percent over the same period. ADR increased by just over 21 percent between 2004 and 2008 but subsequently decreased due to the aftermath of the financial crisis 2008/2009 and more intense competition. Seen over the whole period, however, growth in demand has been stronger than the increase in supply. The number of rooms sold in Malmö has namely increased by an average rate of 3.7 percent per year (CAGR) compared to available rooms, which have increased by 2.6 percent per year (CAGR).

The close proximity to Denmark due to the Öresund Bridge makes Malmö a natural destination for Danish business and leisure travellers. The number of Danish visitors has increased by an incredible 159 percent since 2004, making Danish visitors the second largest group among visitors to Malmö, bypassing people from Germany and the UK. This sizeable increase is most likely a consequence of the Öresund Bridge, which has considerably strengthened links between Malmö and Denmark since its opening in July 2000. The number of German visitors also increased over the same period by just over 27 percent. The number of German visitors to Malmö is, however, expected to increase dramatically when the Fehmarn Belt tunnel opens for traffic in 2024.

The room supply in Malmö will increase by 739 rooms during 2015. The source of this increase is Best Western Malmö Arena Hotel, which opened 295 new rooms in March, and Clarion Hotel Malmö Live, which opened 444 new rooms in May this year. Another two hotels are expected to open during 2016: Quality Hotel View with 302 rooms and Story Hotel Malmö with 98 rooms. The increased supply on Malmö's hotel market is expected to place downward pressure on prices, with ADR expected to fall by eight percent in 2015 and four percent in 2016. ADR is expected to climb again during 2017 when the market has absorbed the new supply. The number of rooms sold is expected to increase sharply during 2015 thanks to the new congress and concert hall at Malmö Live. Demand is also expected to be boosted by Malmö's thriving business sector. The forecast is however highly dependent on the success of the new congress centre at Malmö Live, which makes the forecast more uncertain.

Combined lodging demand of

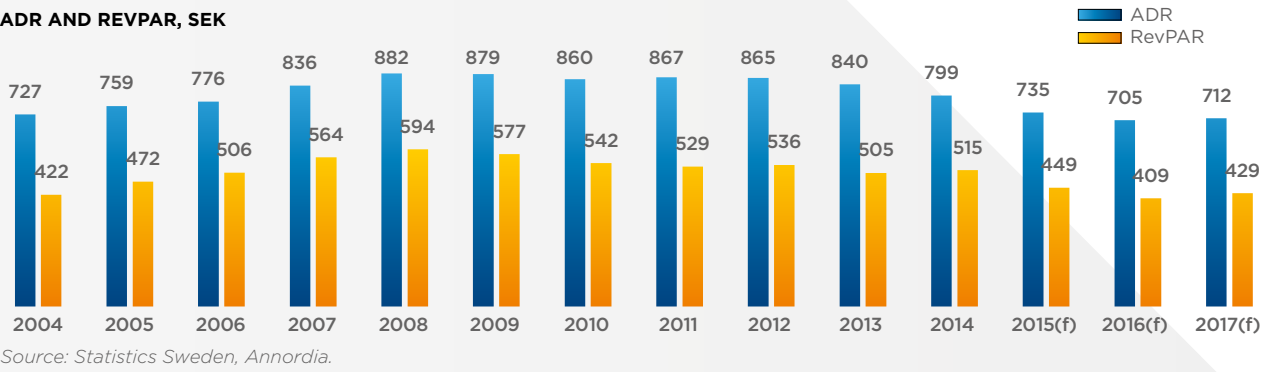
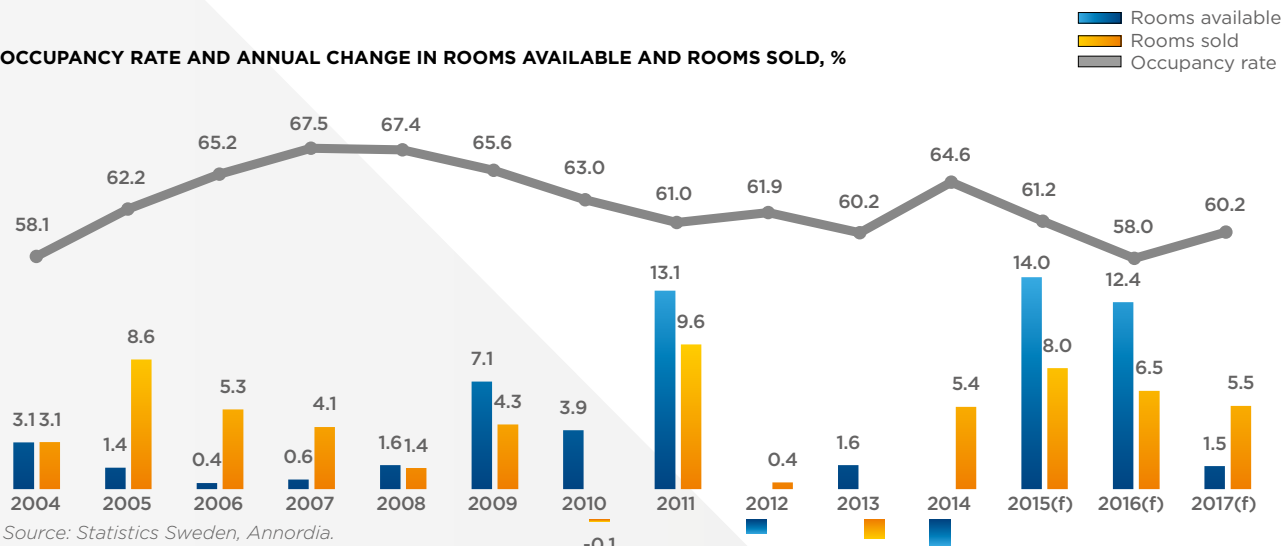
4,700

per year in Malmö, for the following five major companies:

- 1. E.ON Sverige**
Industry: Energy
Turnover: SEK 39 billion
Employees worldwide: 3,500
- 2. AAK**
Industry: Food producers
Turnover: SEK 17 billion
Employees worldwide: 2,200
- 3. Thule Group**
Industry: Leisure goods
Turnover: SEK 6 billion
Employees worldwide: 3,100
- 4. Mercedes-Benz Sverige**
Industry: Motor commerce
Turnover: SEK 5 billion
Employees worldwide: 230
- 5. Duni**
Industry: Household goods
Turnover: SEK 4 billion
Employees: 1,900

Annordia has interviewed five of the largest companies in Malmö municipality and asked about their average demand for lodging in the Malmö region per year. The number indicates their aggregated annual demand.

Source: Retriever Business, Financial Times, Annordia.



VISITORS' NATIONALITIES - TOP 15, 2014

COUNTRY	2004	2014	CHANGE
Sweden	640,509	989,490	54%
Denmark	22,187	57,497	159%
Germany	44,661	56,767	27%
UK	27,065	32,259	19%
Norway	16,566	21,888	32%
USA	10,822	16,474	52%
Finland	6,475	10,041	55%
The Netherlands	6,217	9,268	49%
Asia*	2,198	8,743	298%
Italy	9,762	7,961	-18%
Switzerland	4,224	6,653	58%
Canada	647	6,225	862%
France	5,579	5,992	7%
Poland	3,341	5,709	71%
Spanien	4,448	5,271	19%

Source: Statistics Sweden
*Asia excl. Japan, South Korea and China.

ROOM SUPPLY PIPELINE

YEAR	HOTEL	TYPE	ROOMS
2016	Quality Hotel View, Hyllie	Establishment	302
2016	Story Hotel Malmö, Hamnen	Establishment	98
Sum			400

Source: Annordia

The tables show each segment's share of total room supply.

BRAND LEVEL

TYPE	SHARE
Branded	91%
Unbranded	9%
Sum	100%

Source: Annordia

SERVICE LEVEL

TYPE	SHARE
Full service	68%
Limited service	20%
Resort	0%
Convention	10%
Conference centre	0%
Extended stay	2%
Lifestyle	0%
Sum	100%

Source: Annordia

QUALITY LEVEL

TYPE	SHARE
Luxury	0%
Upper upscale	8%
Upscale	16%
Upper midscale	20%
Midscale	51%
Economy	5%
Sum	100%

Source: Annordia

SEGMENT ANALYSIS

The majority – 91 percent – of the hotels in the city of Malmö are in some way affiliated with a brand, either through direct chain affiliation or through franchise agreements. There are currently no luxury properties in Malmö, and the market is dominated by mid-market hotels. There are currently five hotels in the high-market segment, and while their occupancy rate has been in line with the mid-market Segment, their ADR has been 27 percent higher on average.

The ADR for both segments has declined during recent years and is anticipated to continue its downward spiral as the room supply will increase rapidly between 2015 and 2016. As the market supply surges and competition intensifies, the average occupancy rates are also expected to fall, thus resulting in lower average RevPAR levels for both segments.

MALMÖ HIGH MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	628	635	761	52%	62%	81%	1,023
2011	623	654	701	52%	64%	74%	1,020
2012	622	670	745	53%	65%	74%	1,031
2013	658	696	714	53%	68%	75%	1,020
2014	689	696	701	62%	71%	77%	979
2015 (Jan-Mar)	559	595	672	57%	61%	69%	970

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 100%

The table shows statistics for the average, best and worst performing hotel in each segment. Economy is not included due to a lack of data.

High market includes: Luxury, upper upscale and upscale.

MALMÖ MID MARKET

YEAR	MIN. REVPAR	AVG. REVPAR	MAX. REVPAR	MIN. OCC.	AVG. OCC.	MAX. OCC.	ADR
2010	336	518	723	48%	65%	78%	794
2011	328	479	678	50%	60%	75%	797
2012	303	477	676	41%	60%	78%	799
2013	303	477	651	47%	60%	73%	795
2014	326	484	653	53%	64%	74%	756
2015 (Jan-Mar)	219	408	586	31%	55%	71%	748

Source: Benchmarking Alliance

Percentage of hotels included in statistics: 90%

Mid-market includes: Upper midscale and midscale.

Low market includes Economy. The segment has been excluded because of confidentiality.



Photo: Conny Fridh/Imagebank.sverige.se

HOTEL AGREEMENTS

LEASING AGREEMENTS WORK WELL IN SWEDEN WHILE MANAGEMENT CONTRACTS ARE LARGELY NON-EXISTENT.

Hotel investors have long recognised the advantage of separating the real estate from the brand and management of a hotel. In an international perspective it is, in fact, relatively uncommon that, for example, a listed company plays all three roles. In Sweden we see this type of corporate structure in several of the largest hotel groups. These firms are, however, not listed on any stock exchange. Elite Hotels of Sweden is one such group, managing its hotels under its own brand, while also owning a number of the properties in which they operate.

In general, it can therefore be said that the ownership structure of a hotel can be split between three entities: the property owner, the brand owner and the hotel management. The proprietor (property owner) makes the hotel plans achievable by providing the real property. The operator contributes intellectual property and knowledge on how to best run operations. The franchisor (brand owner) also contributes intellectual property but in the form of marketing, loyalty programmes and an established brand. In leasing agreements it is, however, common that the operator owns both operations and the brand.

LEASING AGREEMENTS

Leasing agreements are the most commonly used form of contract in Sweden and are usually designed with a guaranteed minimum rent and a part that is based on the operator's annual turnover. The minimum rent usually comprises 65-80 percent of the expected normalised rent level. The contract structure is used to limit the downside risk for the property owner while preserving upside potential. The property owner thereby still has an incentive to invest in the hotel, and the deal structure promotes collaboration between the proprietor and the operator. Since the operator owns the operations they do, however, have more flexibility compared to management agreements.

FRANCHISE AGREEMENTS

In a franchise agreement the franchisee purchases the right to use the franchisor's concept and pays royalty fees to be granted a licence to use the franchisor's trademarks and other trade dress. The services provided by the franchisor to the franchisee are geared towards maximising the franchisee's success and profitability. Franchisors may, for instance, help by determining the best available location for a new hotel using sophisticated geotagged marketing data and provide prototype plans and specifications that facilitate and improve unit level efficiency. Moreover, they may provide a standard operating system, training and assistance of personnel, in addition to the brand name and brand materials.

For the franchisor these agreements help to improve results by eliminating management and monitoring problems, such as managers that do not have the company's best interests at heart and excessive risk taking

by management. However, the franchisor still has to monitor and deal with franchisees who do not act appropriately, but these supervision costs are lower than in a regional management hierarchy.

The arrangement also improves efficiency and reduces costs since each counterpart of the agreement can focus on doing what they are best at. The labour force is namely split between the franchisor and the franchisee, with the franchisor focusing on efficient brand management and the franchisee excelling at operations management.

Some of the disadvantages for the franchisee are that they have little control over chain quality and image. They may also be committed to chain-wide initiatives, which may not add enough value to balance out costs for the specific operator. The obvious disadvantage for the franchisor is the potential loss of operating control.

MANAGEMENT CONTRACTS

A management contract is an agreement between a hotel (property) owner and a management company, which operates the hotel for a fee. These contracts are similar to franchise agreements in the sense that a chain provides brand and marketing services. There is also an agency agreement on top of this, however, which means that the chain also takes care of day-to-day operations on behalf of the owner. It is the property owner so to speak who still owns the operations of the hotel, but hires a management company to run it.

Management contracts are popular among hotel brand operators and advantageous compared to regular leasing contracts because accounting rules require that fixed lease payments be disclosed as a debt-like operator liability and capitalised. No such balance sheet effect exists for management contracts, because the contract does not create any debt-like liability.

A management contract increase both the upside potential and downside risk for the hotel owner, since the agreement is generally made up of a basic fee, based on total revenue, plus an incentive fee based on hotel profitability. Management contracts are, however, never or very rarely used in Sweden because property owners want collateral for downside risk. However, they are used widely internationally, where over the last 20 years there has been an increased emphasis on incentive fees in contracts, which is seen by owners as aligning the interests of the owner and the operator.

HOTEL CLASSIFICATIONS

ANNORDIA'S CLASSIFICATIONS BASED ON FACILITIES & SERVICES,
LEVEL OF QUALITY, AND BRAND LEVEL.

CLASSIFICATION BY FACILITIES AND SERVICES

Full service
A hotel that provides a wide variety of facilities and amenities, including F&B outlets open to the public, meeting rooms and recreational facilities. The average guest stays at the hotel when visiting the property's surrounding area for an activity unrelated to the hotel's own business.
Examples: Scandic Grand Central, Stockholm.

Limited service
A hotel that provides a limited supply of services and amenities. The hotel may have none, or any of conference rooms, recreational facilities or a restaurant, but not all three. Guests usually stay at the hotel when visiting the property's surrounding area for an activity unrelated to the hotel's own business.
Examples: HTL Kungsgatan, Stockholm; Hotel Bellora, Gothenburg.

Resort
A hotel typically situated in a rural or isolated location, with special and extensive recreational facilities. The service supply is similar to a full-service property, but the average guest typically stays at the hotel because of an activity directly linked to the hotel's own business.
Examples: Yasuragi Hasseludden, Saltsjö-Boo; various golf facilities.

Convention
A hotel which provides facilities and services geared towards the needs of large groups, association meetings and trade shows. The property may accommodate a proprietary meeting/banqueting area, or be attached to a convention centre. Guests typically stay at the hotel because of an activity directly linked to the property's own operations.
Examples: Radisson Blu Waterfront Hotel, Stockholm.

Conference centre
A hotel at which a significant share of revenues come from conference activities. The hotel usually applies package pricing, which typically includes guest room, meeting rooms, F&B and convention services. Guests normally visit the hotel because of an activity directly linked to the property's own operations.
Examples: Ulfsunda Slott, Stockholm; Pensionat Styrsö Skäret, Gothenburg.

Extended stay
A hotel oriented toward guest stays of five nights or more. Guest rooms contain more residential equipment and amenities than standard hotels. Pricing is typically differentiated based on daily, weekly and monthly offers. Guests usually stay at the hotel when visiting the property's surrounding area for an activity unrelated to the hotel's own business.
Examples: The More Hotel, Malmö; Design Apartments, Gothenburg.

Lifestyle
A niched hotel of small or average size with an exclusive design and interior. The service level is typically high, as is the price. The reasons for staying at the hotel may vary widely, but the average guest is typically looking for a special experience when choosing the hotel. Visiting the hotel may be, but does not have to be, the main reason for the trip.
Examples: Ett Hem, Stockholm; Dorsia Hotel, Gothenburg.

CLASSIFICATION BY QUALITY LEVEL

Luxury
The highest quality of services, amenities, furniture and fixtures. The hotel typically has multiple F&B outlets in addition to 24-hour room service and concierge services. Normally oriented towards high-end leisure and executive commercial travellers.
Examples: Grand Hôtel, Stockholm; Dorsia Hotel, Gothenburg.

Upper upscale
A very high quality of services, amenities, furniture and fixtures. The hotel normally has multiple F&B outlets. The property may offer 24-hour room service and concierge services. Normally oriented towards high-end leisure and prioritised commercial travellers.
Examples: Nobis Hotel, Stockholm; Avalon Hotel, Gothenburg.

Upscale
A high quality of services, amenities, furniture and fixtures. May offer concierge services in addition to extensive, or limited, F&B outlets. What differentiates the property from comparable hotels in the midscale segment is not the service supply but rather the high quality of the interior. Typically oriented towards commercial, leisure and convention travellers.
Examples: Elite Plaza Hotel, Malmö; Radisson Blu Riverside Hotel, Gothenburg.

Upper Midscale
The hotel may offer one or several F&B outlets as well as room service. Amenities, service, furniture and fixtures are of moderate to high quality. Oriented towards commercial and leisure travellers.
Examples: Scandic Grand Central, Stockholm; Gothia Towers, Gothenburg.

Midscale
The hotel may offer one or several F&B outlets as well as room service. Amenities, service, furniture and fixtures are of moderate quality. Oriented towards moderately rate-sensitive commercial and leisure travellers.
Examples: Best Western Columbus Hotel, Stockholm; Mercure Hotel Malmö, Malmö.

Economy
Usually without F&B outlets and with the lowest quality of furniture, fixtures and services. What distinguishes the hotel from the mid-scale segment is above all the low quality of interiors and service. Typically oriented towards rate-sensitive commercial and leisure travellers.
Examples: Connect City, Stockholm; Hotel Lorensberg, Gothenburg.

CLASSIFICATION BY BRAND LEVEL

Branded
The hotel is linked to an overall brand, either through direct ownership or in a franchise agreement.
Examples: Scandic Hotels; Elite Hotels, Best Western, Mercure.

Unbranded
The hotel is not affiliated with a brand, neither through direct ownership nor through a franchise agreement.
Examples: Hotel Flora, Gothenburg.



CONTACT INFORMATION

A NUMBER OF CONTACTS THAT CAN PROVIDE USEFUL INFORMATION AND ADVICE ON HOW TO PROCEED WITH YOUR INVESTMENT PLANNING HAVE BEEN PROVIDED BELOW.

MARKET DATA

Statistics Sweden

Official data provider, including lodging data.
Website: www.scb.se

The Swedish Agency for Economic and Regional Growth

Agency responsible for tourism statistics in Sweden. Its key task is to collect and disseminate data on tourism and travel patterns in Sweden.
Website: www.tillvaxtverket.se

Benchmarking Alliance

Data provider for the Nordic hospitality industry.
Website: www.benchmarkingalliance.com

INVESTMENT PROMOTION AGENCIES

Investment promotion agencies in Sweden collaborate both nationally and regionally to support foreign companies in expanding their business to Sweden. Please contact the appropriate agency for advice regarding network contacts and establishment support.

Business Sweden

The national trade and investment council.
Website: www.business-sweden.se

Stockholm Business Region Development

Stockholm Business Region, with its subsidiaries Stockholm Business Region Development and Stockholm Visitors Board, is the official investment and tourism promotion agency for the Stockholm region. Stockholm Business Region is fully owned by the City of Stockholm. Our common brand is Stockholm - The Capital of Scandinavia.
Websites: www.investstockholm.com, www.stockholmbusinessregion.se, www.visitstockholm.com.

Business Region Göteborg

The official investment promotion agency for the Gothenburg region.
Website: www.businessregiongoteborg.com

Invest in Skåne

The official investment promotion agency for the Skåne region.
Website: www.investinskane.com

Invest in Dalarna

The official investment promotion agency for the Dalarna region.
Website: www.investindalarna.se

Invest in Norrbotten

The official investment promotion agency for the Norrbotten region.
Website: www.investinnorrbotten.se

HOTEL DEVELOPMENT CONSULTANTS

Annordia

Annordia is a leading financial and strategic advisory firm within the Nordic hotel property market. Annordia advises clients from initial analysis to closing by specialising in hotel developments, contracting of operators, valuation, and transaction services.
Website: www.annordia.com

Photo: Martin Jakobsson/Imagebank.sweden.se



ICE HOTEL in Jukkasjärvi

Photo: Emelie Asplund/Imagebank.sweden.se



The city wall of Visby, Gotland

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