

News Release

City Review: Helsinki

Compiled by Christie + Co

November 2008

According to the latest city review by Christie + Co, using data provided by STR Global, Helsinki hotels recorded a 2.2% drop in RevPAR for the first nine months of the year compared to the same period last year, with occupancy down 2.9 percentage points. However, preliminary figures for October show a 0.5% rise in RevPAR compared to the previous year.

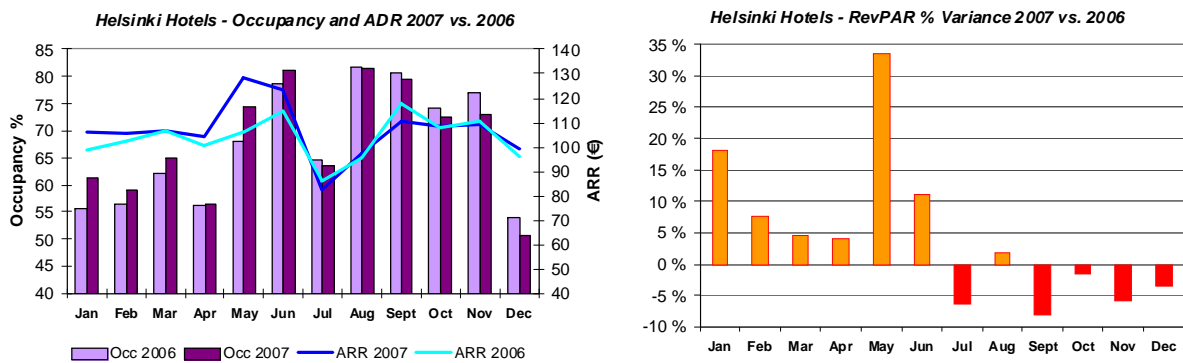
Finland's capital city Helsinki has approximately 1.3 million inhabitants and a workforce of c. 600,000. Located only 2 hours drive to the west of the Russian border, the city represents an important gateway to Eastern Europe.

The city's hotel market is mainly driven by weekday demand, especially in May and June, but also during the autumn and by special events. Demand during these periods is primarily generated by corporate clients, as many major Finnish and international companies have their headquarters in Helsinki, and by conferences and events. In recent years, Helsinki has also become a popular city break destination, due to its improved accessibility and increased marketing efforts.

Trends in Hotel Market Performance

According to data sourced from STR Global, Helsinki hoteliers achieved a moderate increase of 3% in ARR in 2007. Occupancy increased slightly, resulting in a 4.2% increase in RevPAR compared to the previous year.

STR Global Trend Report - Helsinki Full Year 2007 vs. Full Year 2006 (€)



STR Global Trend Report – Helsinki 2007 vs. 2006									
	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts	ARR %	RevPAR %
Full Year	68,2	107,4	73,3	67,5	104,2	70,3	0,8	3,0%	4,2%

Note: the above table is based on monthly and daily data received by STR Global for a sample of 27 hotels, totalling 6,188 rooms

The autumn season in Helsinki tends to be quite busy, with demand driven by all segments. During the rest of the year, trading levels are highly dependent on key city events, such as conferences and sporting occasions. Finnish EU-presidency in autumn 2006, during which the leaders of 38 Asian and European countries concluded their ASEM 6 Summit in September, had a positive impact on figures for the latter part of 2006. The decline during the latter part of 2007 in comparison with 2006, notably in occupancy levels, is mainly due when Helsinki was the EU-presidency host city. Furthermore there were some new hotel openings in the market. Also the Eurovision song contest held in Helsinki caused a peak in RevPAR seen in May 2007.

Year-to-date results for the first 10 months of 2008 show a decline in market wide performance, particularly in terms of occupancy levels. In addition, some of the new hotels that opened in 2007 have started to gain market share.

STR Global Trend Report - Helsinki 2008 YTD vs. 2007 YTD (€)									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts	ARR %	RevPAR %
Jan	61,9	108,4	67,1	61,2	105,7	64,7	0,7	2,6%	3,8%
Feb	60,2	108,2	65,1	58,9	105,6	62,3	1,3	2,4%	4,6%
Mar	57,5	106,9	61,5	64,9	106,8	69,4	-7,4	0,1%	-11,4%
Apr	65,8	115,6	76,1	56,5	103,9	58,7	9,3	11,3%	29,6%
May	68,7	119,3	82,0	74,6	128,7	96,0	-5,9	-7,3%	-14,7%
Jun	71,3	123,3	87,8	81,2	123,6	100,3	-9,9	-0,2%	-12,4%
Jul	59,1	81,1	48,0	63,6	82,0	52,1	-4,5	-1,0%	-8,0%
Aug	75,8	100,5	76,2	81,6	97,3	79,5	-5,8	3,2%	-4,1%
Sep	76,5	120,7	92,3	79,4	110,2	87,5	-2,9	9,5%	5,6%
YTD Sept	66,4	109,7	72,8	69,3	107,5	74,4	-2,9	2,1%	-2,2%
Oct	73,7	111,1	81,8	74,9	108,7	81,4	-1,3	2,2%	0,5%

Note: the above table is based on monthly and daily data received by STR Global for a sample of 32 hotels, totalling 6,477 rooms.
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As seen above occupancy levels have declined by 2.9 points between January and September 2008. However, a positive RevPAR was experienced in October for the first time since May 2008, as ARR compensated for the drop in occupancy levels.

Trends in Hotel Supply

As at December 2007, according to Statistics Finland, the Helsinki region offered 70 hotels (totalling c.10,640 rooms), which represented an increase of circa 5% on 2006. Over the past two years, 10 new hotels have entered the market adding c.1,270 new rooms to the market.

The most significant change in the city's hotel supply in recent years has been the further expansion of the mid-market and upscale segments. The only exception is Omena Hotels, a domestic limited service hotel chain, which opened the 95-room Omena Hotelli in April 2007, followed by a 69-room

property in September 2008. The Palace Kämp Group opened a 144-room lifestyle hotel, Hotel Glo, in April 2007, while the 106-room Best Western Premier Hotel Katajanokka opened a month later. A 246-room Hilton Helsinki-Vantaa Hotel Airport, the 36-room Kokoushotelli Meripuisto, and a 96-room Sokos Hotel Albert opened in late 2007. The first hotel to open in January 2008 was a 20-room Hotel Carlton Helsinki. Sokos Hotel chain expanded further in 2008, with the opening of its seventh property in the city, the 151-room Sokos Hotel Aleksanteri. A multi-million euro leisure complex called Flamingo was opened close to the airport in September 2008, which included the 309-room Sokos Hotel Flamingo.

The hotel projects listed below are set to enter the market over the next three years.

Proposed Hotel Supply, Helsinki Metropolitan area					
Hotel Name	Location	Operator/brand	Rooms	Status	Opening Date
Sokos Hotel Tapiola Garden (re-opening)	Espoo, Tapiola	Sokotel Oy	154	Under renovation	1-Dec-08
Hotel Haven	Helsinki, Downtown	Royal Restaurants	77	Under construction	Q1 2009
Cumulus Hakaniemi	Helsinki, Hakaniemi	Restel Oy	152	Planning	2010
Next Hotel	Helsinki, Siltasaari	Next Hotels	170	Planning	2011

Source: Christie + Co Research and Analysis

Trends in Hotel Transactions

There were a number of transactions completed in 2007 in the city. However activity appears to have slowed down since the beginning of 2008. In January 2007 a portfolio of 39 hotels was sold by Northern European Properties Ltd (NEPR) to CapMan Hotels Fund for €805 million, which included several Helsinki properties; Crowne Plaza Helsinki, Cumulus Airport, Holiday-Inn Garden Court, Palace Linna, Ramada Airport, Sokos Hotel Albert and Sokos Hotel Pasila. These hotels are mainly leased to hotel operators such as Restel, Palace Kämp Group, SOK and Scandic. In late 2007, Exilion Capital acquired an office/hotel building located in the city centre for €90 million, which included the 174- room Holiday-Inn Helsinki City Centre. The only transaction to date this year has been the acquisition of the 202-room Sokos Hotel Helsinki for €42 million, which was the second Helsinki property acquired by Exilion Capital.

Outlook

Whilst further supply increases are likely to put pressure on future trading performance, particularly for hotels in secondary locations, the Helsinki hotel market still offers great opportunities for internationally full service products and also for limited-service hotels, as these products are currently under-represented in the market. Furthermore, in the longer term the city should benefit from several major developments, notably improvement of accessibility i.e. more flight connections, new low cost carriers and a fast track train connection between Helsinki and St. Petersburg.

Despite the current economic climate I strongly believe that a hotel operator can still be successful in Helsinki, as there seems to be a demand for certain products in the market. A good proven example is our company that offers individual products and services. Therefore, we are confident in our approach and constantly looking into new expansion opportunities for our brand.

Mikko Heinsonen
 CEO, Palace Kämp Group
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Notes to Editors

Christie + Co uses desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.

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