

# 2021 was marked by record investments in the Baltic hotel market



Note: Arrows indicate change from previous year.

### Highlights:

- In 2021, record investments were recorded in the Baltic hotel market. Compared to 2020, they have tripled. The largest transaction was recorded in Vilnius, when a *Holiday Inn* hotel was purchased for EUR 28 mln by *Lords LB Baltic Green Fund (V)*. Larger 4-star hotels attracted the most interest from investors.
- 5 hotels were opened in the Baltic States, adding 180 new rooms to the market. After the reconstruction of the *Neringa Hotel*, 64 new rooms were added to the market, while the development of the *Loop Hotel* added 66 new rooms. A small 20-room hotel was opened in Riga. Meanwhile, a similar size *Rija Fonmental Design Hotel* with 21 rooms was opened in Tallinn.
- During the period 2022-2023, the Baltic hotel market supply should be supplemented by 5-6 new hotel projects that are under construction or are in the final stages of planning. Meanwhile, 7-8 more hotels are expected to be added to the market in 2024-2025. With the recovery of the hospitality segment in Europe, this number is likely to increase slightly.
- In the Baltic capitals, the results of 2021 showed improved tourism indicators, but compared to 2019, the flow of travelers has still not reached pre-pandemic levels.

FIGURE 1: Number of tourists and nights spent in hotels and main accommodation establishments

	Vilnius			Riga			Tallinn		
	2021	20/21%	19/21%	2021	20/21%	19/21%	2021	20/21%	19/21%
Total Arrivals	575,000	47%	-58%	503,953	-21%	-70%	681,276	10%	-62%
Local Arrivals	283,173	79%	6%	184,388	15%	-19%	294,665	60%	14%
Foreign Arrivals	292,000	26%	-73%	319,565	-33%	-78%	386,611	-11%	-74%
Total Bednights	1,151,936	54%	-54%	959,662	-30%	-71%	1,418,784	17%	-57%
Local Bednights	582,993	82%	11%	350,800	4%	-22%	527,627	61%	17%
Foreign Bednights	568,943	34%	-71%	608,865	-41%	-79%	891,157	0%	-68%

Source: CBRE Baltics research, GO Vilnius, Statistics Estonia, Official Statistics of Latvia

Vilnius

During 2021, 575,000 persons were recorded as arriving in Vilnius, 292,000 of whom were foreign tourists. However, 1.1 mln foreign tourists arrived in 2019. In 2021, the total number of hotels and similar accommodation establishments in Vilnius increased by 43% compared to 2020. The number of rooms increased by 12%, during the equivalent period. Over 2021, 3 hotels were opened in Vilnius, adding 140 new rooms to the market. After almost four years of reconstruction, the *Neringa Hotel* opened its doors. *Loop* by *Avia Solutions Group* and a small 3-star hotel called *CALVARY Hotel & Restaurant* were also opened in 2021.

There is currently one project under construction in Vilnius, which will add more than 270 rooms to the hotel market. Several more projects are expected to be finished in 2024 adding additional about 600 rooms to the market. Although the supply of hotels and similar accommodation has grown, due to the pandemic that hit in 2020, many investors refused any further plans for hotels. The 4-star hotel on Aludarių St., which had been planned to add 220 rooms to the market, will be replaced by office space. *Lords LB Asset Management* also refused the idea of the *Radisson RED* hotel, which had to be supplemented by 210 rooms on the market.

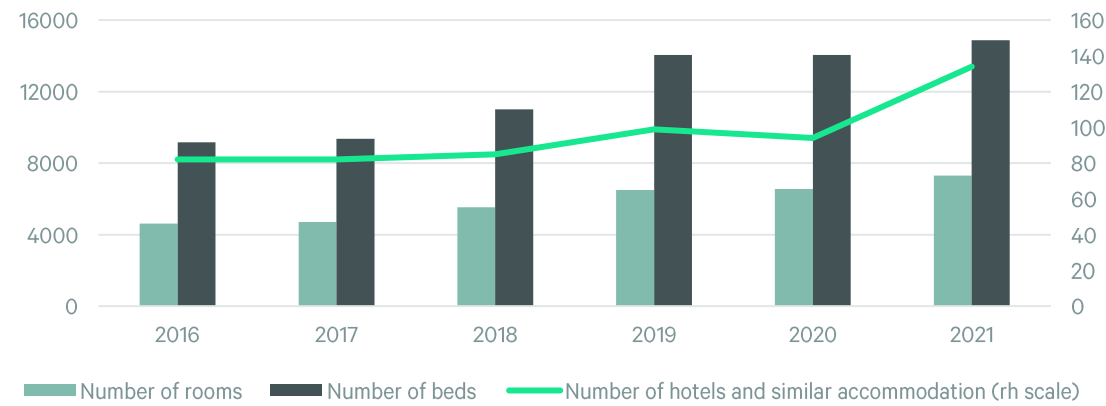
HOTEL OCCUPANCY RATES

According to the indicators provided by STR Global and the Lithuanian Hotels and Restaurants Association, hotel occupancy between January and July 2021 was 23.7%. This is 4.9% lower than in the same period in 2020. The average cost of a busy room (ADR) in Vilnius between January and July was 47 Eur - 18.0% less than in the same period 2020. The RevPAR rate was EUR 11.2 over the same period. In 2019, the RevPAR rate in Vilnius amounted to EUR 41.

INVESTMENT & TRANSACTIONS

The total hotel investment volume in Lithuania constituted ca. EUR 48.7 mln, 64% more compared to 2020. 4 out of 8 hotel transactions took place in Vilnius. One of the largest hotel transactions in 2021 was the acquisition of a *Holiday Inn* hotel by *Lords LB Baltic Green Fund (V)* for EUR 28 mln on Šeimyniškių St in Vilnius. Another significant transaction took place on the coast, when real estate developers *Reefo* acquired the hotel *Nidos Banga* for more than EUR 6 mln.

FIGURE 2: Supply in Vilnius hotels and similar accommodation establishments



Source: Statistics Lithuania, CBRE Baltics Research

FIGURE 3: Pipeline of Main Hotel in Vilnius, 2022-2025

Name/Brand	Street	Stars	Rooms	Expected	Current status
Clarion	Vasario 16 St. 1	4	272	2023	Under Construction
Double Tree by Hilton	Rinktinės St. 2	4	174	2023-24	Temporarily stopped
N/A	A. Jaksto St. 9	4	144	2024	Planned
Ex. Tauro Ragas café	J. Jasinskio St. 2	3	189	2024	Planned
GRATA	Vytenio St. 9	3	100	2024	Planned (expansion)
N/A	Ceikinių St. 2	4	78	2025	Planned

Source: CBRE Baltics Research

## Riga

In 2021, 504,000 persons were recorded as arriving in Riga, 63% of whom were foreign nationals. Meanwhile, in 2019, the number of foreign arrivals was almost three times higher than the total number of arrivals in 2021 - 1.46 mln. In 2021, the number of Riga hotels and similar accommodation establishments remained stable and unchanged compared to 2020, although the number of rooms in them grew by 8%. During the period 2020-2021, one hotel was added to the market in Riga; following reconstruction, the A22 5-star hotel in the central part of the city opened its doors. Last year, 17% of the hotels in Riga were five star, whilst 49% were four, and 34% were three.

Looking at the scale of the pandemic restrictions, they were stricter and longer in Latvia in 2021 than in Lithuania or Estonia. This could also have led to more moderate-than-expected market outcomes. The number of foreign tourists arriving was the lowest among the Baltic capitals, and compared to 2019, it changed marginally. Pandemic effects are also reflected in the current stage of hotels previously planned in Riga. Further expansion of at least three hotels in Riga has been suspended indefinitely.

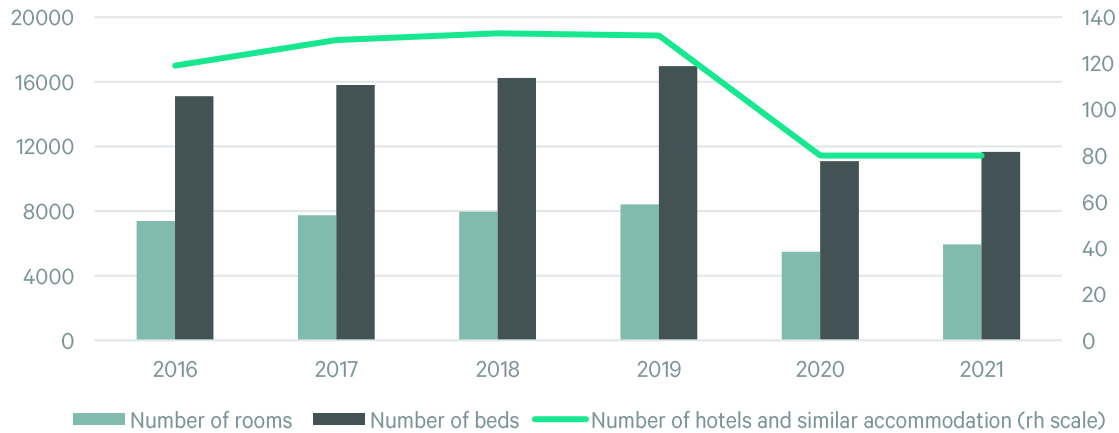
### HOTEL OCCUPANCY RATES

Hotel occupancy in Riga between January and July 2021 was 24.7% – 25.1% lower than in the same period in 2020. The average cost of a busy room (ADR) in the city was €62.6 between January and July, up 13.4% from the same period in 2020. The RevPAR rate was EUR 15.5 over the same period. This is 15% lower compared to January-July 2020 (STR Global, 2021). Meanwhile, according to Christie & Co, the 2019 RevPAR in Riga was EUR 48.

### INVESTMENT & TRANSACTIONS

In 2021, the Latvian hotel investment volume reached EUR 27.9 mln, 65% more when compared to 2020. All hotel investment value was generated in Riga. The most substantial transaction in 2021 was made by the Lithuanian company *Norvelita* when they bought the *Mercure Riga Centre* for EUR 17.9 mln. This 4-star hotel, which opened in 2014, is located in the CBD of Riga and can currently offer 143 rooms to its customers. The hotel market has become increasingly attractive not only to local investors but also to sizeable asset management funds.

FIGURE 4: Supply in Riga’s hotels and similar accommodation establishments



Source: Official Statistics of Latvia, CBRE Baltics Research

FIGURE 5: Pipeline of Main Hotel Projects in Riga, 2022-2024

Name/Brand	Street	Stars	Rooms	Expected	Current status
Hampton by Hilton	Priežkalni A, Lidosta	3	187	2022	Awaiting opening
Mogotel/Wellton	Kungu St. 5	5	28	2022-23	Awaiting opening
Holiday Inn	Balasta dambis 3	4	305	2023	Under Construction
Mogotel/Wellton	Audēju St. 12	4	217	2024	Planned

Source: CBRE Baltics Research

## Tallinn

During 2021, 681,300 people were recorded as arriving in Tallinn, of whom 57% were foreign nationals. This is the highest number of foreign tourists among all Baltic capitals. Tallinn also recorded the highest number of overnight stays for foreign tourists. Looking at the number of Tallinn hotels and similar accommodation facilities, it fell by 19% in 2021. The number of rooms decreased by 8% during the equivalent period. Last year, two hotels opened in Tallinn. A new 4-star Rija Fonnental Design Hotel Tallinn and the City Yard Inn Hotel was also opened following reconstruction. By 2023, at least 2 new hotel projects are expected to emerge in Tallinn, which is likely to add 300 rooms to the market.

Although in Estonia pandemic restrictions were among the most moderate among the Baltic States, they also had a significant impact on the progress of hotel projects in Tallinn. A plot of land in Tartu St. 54, where the construction of a hotel was under consideration, is currently being sold. Also due to high construction costs, the development of *Viljandi SPA Hotel* has been suspended indefinitely.

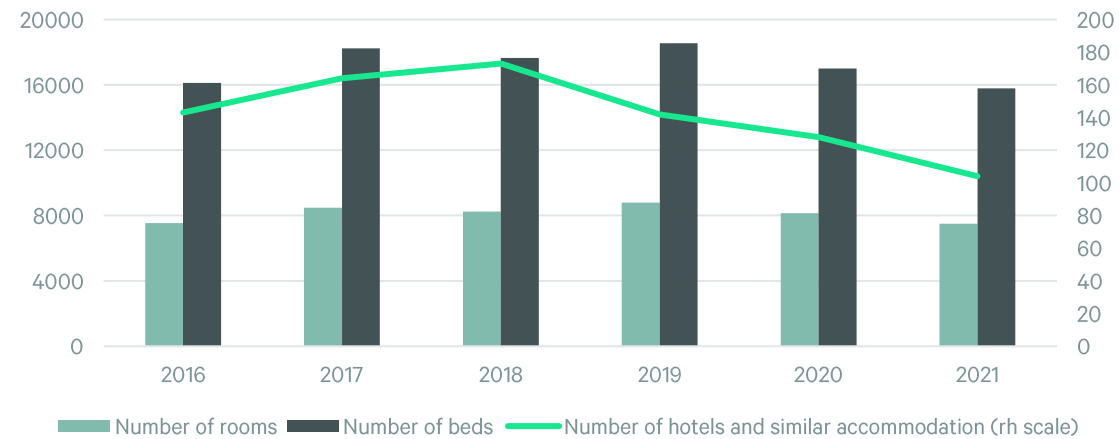
### HOTEL OCCUPANCY RATES

Hotel occupancy was 28.5% in Tallinn between January and July 2021. This is almost 4% more than in the same period in 2020. The average cost of a busy room (ADR) in Tallinn between January and July was 52 Eur – 30.0% less than in the same period in 2020. Meanwhile, the RevPAR rate was EUR 15 in the analogue period and was 27% lower (STR Global, 2021). In 2019, the RevPER level in Tallinn was the highest among the Baltic capitals and amounted to EUR 65 (Christie & CO, 2020). According to hotel occupancy statistics, the situation in Tallinn was pretty similar to that in Vilnius.

### INVESTMENT & TRANSACTIONS

In 2021, hotel investments in Estonia amounted to EUR 14 mln or 85% more than the year before. Two hotel transactions boosted the market. These were generated in Tallinn and only in the first quarter. *Bombay Group OÜ* bought the 5-star *Hotel St. Petersburg* for EUR 5.8 mln, although the hotel is currently temporarily closed. Meanwhile, the largest transaction belongs to *Sigal Invest OÜ* which bought the *Vana-Wiru Hotel* for EUR 7 mln. This 4-star hotel has a great location close to Tallinn’s Old Town and has 82 rooms.

FIGURE 6: Supply in Tallinn hotels and similar accommodation establishments



Source: Statistics Estonia, CBRE Baltics Research

FIGURE 7: Pipeline of main Hotel projects in Tallinn, 2022-2024

Name/Brand	Street	Stars	Rooms	Expected	Phase
Estma Harbor	Sadama St. 4	N/A	150	2023	Under Construction
Radisson Red	Telliskivi St. 62	4	150	2023	Planned
Hampton by Hilton	Tartu St. 49	3	174	2024	Planned
N/A	Sadama St. 17	N/A	N/A	2024-25	Planned

Source: CBRE Baltics Research

Market Area Overview



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