



## Lapland recorded the highest RevPAR in September across Finland's four major regions

As pandemic is still raging through Europe and the rest of the world, most of the hotel markets are being severely affected, with Finland being no exception. Finland's countrywide hotel market RevPAR performance is sliding further as autumn is in full swing; however, one region's performance, namely Lapland, sheds some positivity for the coming months.

For those who do not know, Lapland is Finland's largest and northmost region, and, most importantly, home of Santa Claus. Tourism demand in the area is predominantly leisure-driven, with roughly 80% of registered overnights belonging to the segment, compared to the 65% share in the whole country. Among the key drivers that attract tourists to Lapland are the authentic arctic experiences (northern light chasing, husky tours, etc.) as most of the region is situated beyond the arctic circle, as well as a selection of ski resorts, some of which have 200-day skiing seasons. Moreover, the home region of Santa had stellar results in the Dec-Feb period, before the pandemic hit, recoding aggregated RevPAR close to 100 EUR (ADR and occupancy of 150 EUR and 65% respectively), a 14% increase from the previous year.

Going back to more recent performances, the country's September RevPAR level compared to the previous year has further deteriorated, slipping from -35% in August to -47% in September. However, in the same period, Lapland recorded no change in the metric with similar room supply as last year (-3%). It is a notable result as Lapland's hotel market accounts for a noteworthy 16% of the country's rooms stock. The hotel market was able to maintain the RevPAR level, as a 12% increase in domestic demand (+25,000 overnights) replaced the contracted international demand (-25,000 overnights). Interestingly, Lapland's hotel market performance in September is usually significantly worse than in the other major regions (see the graph on page 2). Nonetheless, this September Lapland enjoyed the highest RevPAR in the country.

It seems that due to the limited travel options, many locals chose Lapland as their travel destination. This phenomenon is observed in the northern region only, as the two other non-HMA regions – Lakeland and Coastal & Archipelago – both suffered an approximately 10% drop in domestic overnights in September compared to the last year. In the coming month or two, we still expect a somewhat strong performance for Lapland's hotel market. Nevertheless, the performance is likely to start declining soon, as during the December – March period foreign travellers have a more significant role, generating 2/3 of overnights.

Hanna Baas, a Program Manager from Business Lapland, confirms the scenario above: "We expect October results still to be strong. However, with the strong reliance on international demand over the Christmas season arriving in late November, we anticipate a drop in the hotel market performance against previous years. The growing domestic market will likely compensate for the decrease in international customers, but not to the full extent." She further adds that domestic clientele tends to prefer smaller cabin-style accommodations in more remote destinations, while international guests usually fill the larger city/resort hotels. Therefore, we will probably see a wider variance in accommodation performances across Lapland.



Lapland sheds some positivity for the coming months.

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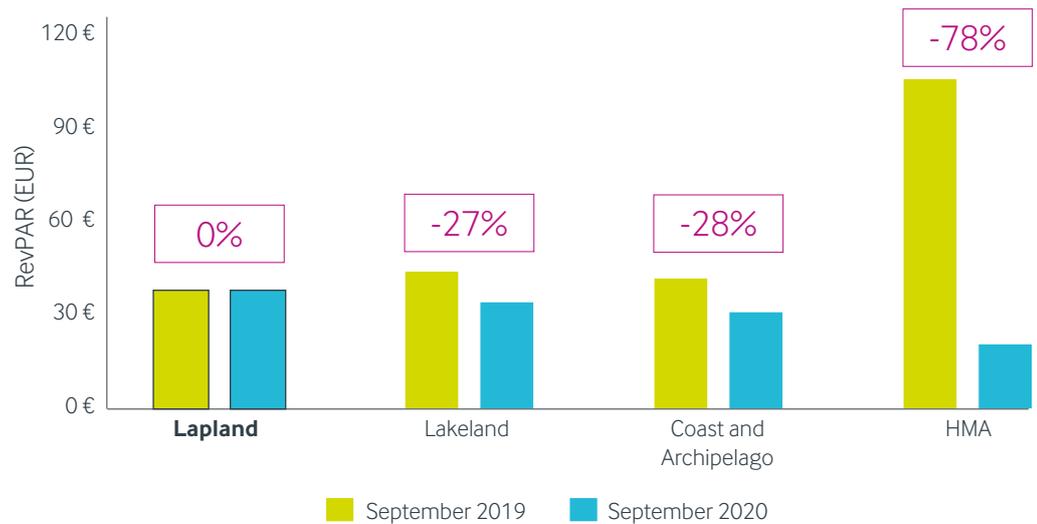


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On a more positive note, however, we foresee that ski resorts might perform relatively better than destinations focused on offering authentic Nordic experiences to foreigners. During the winter season, on average, the ski resorts are less reliant on international demand, compared to the Nordic experience providing destinations. Furthermore, due to the travel restrictions, a significant share of international demand might be replaced by a rise in local demand. Mats Lindfors, CEO of Ruka-Kuusamo Tourism Association, notes: "We do not expect the domestic demand to compensate for the loss of the foreign demand fully. Nonetheless, it is reasonable to expect that some 50% of the to-be-lost demand might get replaced by the local visitors."

We note that the international visitor share varies resort-to-resort. In the country's largest (in terms of annual skiing days) ski resort Levi, 63% of overnights in Nov-Mar period in 2019 were generated by an international clientele. In contrast, Ruka ski resort, which is the second largest ski resort in Finland, just slightly trailing Levi, benefits from being more domestic demand-driven, as foreign overnights represented only 37% of total overnights during the same period. Thus, given no strict restrictions are implied by the government on ski resorts, we expect Ruka to be less impacted by the pandemic.

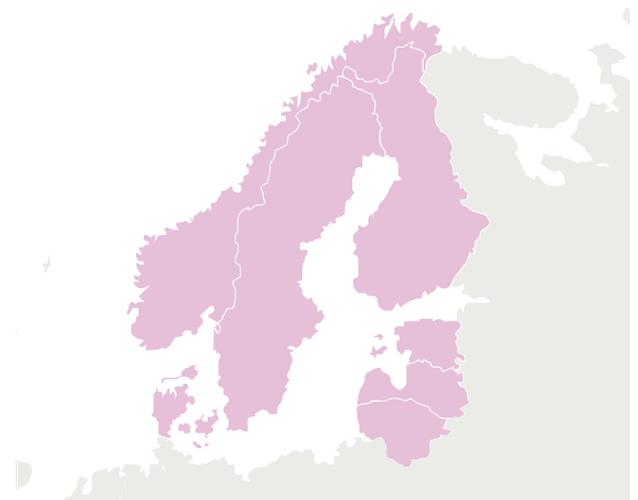
To recap, the month of September has turned out reasonably well for Lapland hotel market due to increasing domestic demand. As winter, which relies more on international source markets, approaches, regional experts and we do expect a drop in performance, with some markets and concepts being more impacted, some less. Nevertheless, given the robust performance of the region, once the adverse effects on tourism, caused by the pandemic, evaporate, we expect tourism in Lapland to rise again.



Source: Christie & Co Research & Analysis, Statistics Finland

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