

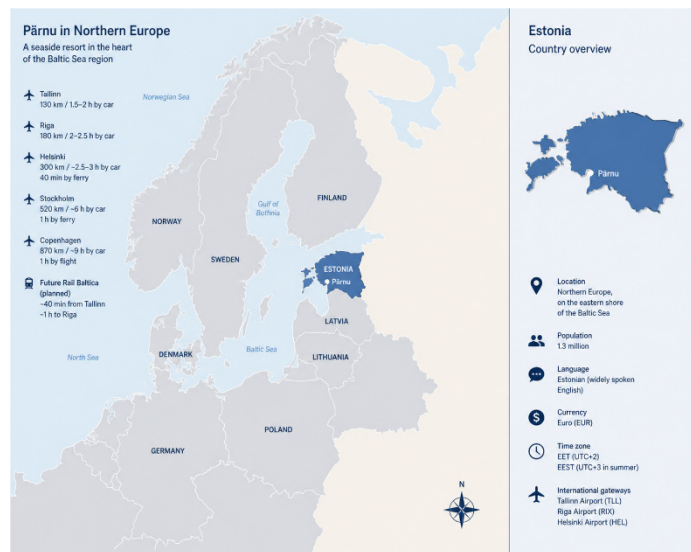
Annex 1.1. Pärnu City Tourism Market – Snapshot for International Tender Participants

Pärnu Tourism Market

Pärnu is Estonia’s leading seaside resort and spa destination outside Tallinn. The city is widely known as Estonia’s “**Summer Capital**”, but its long-term opportunity is to develop from a highly seasonal summer resort into a stronger **year-round wellness, spa and leisure destination**.

For an international advisor, Pärnu should be viewed as:

- Estonia’s most recognised resort city
- a mature spa and wellness market
- a strong domestic and regional short-break destination
- a market with clear upside from better off-season demand generation
- a destination where Estonia Spa Hotels holds a material market position



2025 market size – Pärnu city

Key accommodation market indicators:

- **405,687 accommodated visitors**
- **752,800 overnight stays**
- **1.86 nights average length of stay**
- **4,506 average bed places**
- Estonia Spa Hotels market share: approx. 20% of Pärnu city overnight stays

Source market structure

Pärnu is not dependent on one single source market, but demand is strongly concentrated around three nearby markets: Estonia, Finland and Latvia.

Share of overnight stays in 2025:

- **Estonia:** 319,458 or 42.4%
- **Finland:** 204,358 or 27.1%
- **Latvia:** 128,543 or 17.1%
- **Other countries:** 100,443 or 13.4%

Key message:

Finland and Latvia together represent approximately **333,000 overnight stays**, making nearby cross-border markets a central part of the Pärnu demand base.

Market accessibility and demand drivers

Pärnu's demand is currently mainly road- and ferry-access driven. The city is accessible from Tallinn and Riga by road, while Finnish demand is strongly linked to ferry access via Tallinn.

Limited direct international air connectivity remains one of the structural constraints for faster international demand growth. This makes nearby markets and destination-level demand generation especially important.

In the longer term, Pärnu's international accessibility may be significantly improved by the completion of the Rail Baltica high-speed rail connection. The planned connection would provide Pärnu with faster and more direct rail access to Tallinn, Riga and the wider Baltic and European transport network, strengthening the city's position as a regional resort and spa destination. From a tourism perspective, Rail Baltica may support the growth potential of short breaks, weekend travel, the MICE segment and broader international demand.

Competitive landscape and future supply

Pärnu's accommodation market is characterised by a high concentration of spa hotels and resort-style accommodation. The main competitive set consists of local spa hotels, medical spas, wellness hotels and conference/spa properties.

Competition is strongest during weekends and peak summer periods; off-season performance depends more heavily on spa packages, medical wellness, groups, repeat customers and destination-level events.

Potential new hotel and spa developments should be assessed as both a competitive risk and a possible driver of stronger year-round destination attractiveness.

Why Estonia Spa Hotels is relevant

Estonia Spa Hotels is a major platform asset in Pärnu's core tourism segment.

Key points:

- approx. 20% share of Pärnu city overnight stays
- positioned directly in Pärnu's strongest category: **spa, wellness and resort accommodation**
- exposure to the three most important demand groups:
 - Estonian domestic visitors
 - Finnish spa and wellness visitors
 - Latvian short-break visitors
- two complementary hotel concepts:
 - modern resort and wellness product
 - traditional medical spa product
- ability to grow not only through room sales, but also through:
 - spa services
 - medical treatments
 - sauna and water centre revenue
 - F&B
 - packages
 - group and conference business

Main upside opportunities

The key value creation opportunities are:

- off-season occupancy growth
- stronger medical spa and wellness positioning
- Finnish market reactivation
- Latvian short-break market growth

- better revenue management
- stronger direct sales and CRM
- increased ancillary revenue
- group, MICE and wellness retreat business
- cross-selling between the two Estonia Spa Hotels properties

Main market risks

The market is attractive, but the risks are clear:

- high seasonality
- short average stay: **1.86 nights**
- moderate annual bed-place occupancy: **45.8%**
- dependence on nearby markets
- price sensitivity in domestic and Baltic segments
- limited direct international air access
- need for stronger year-round destination-level product development

These risks are not unusual for a resort market. They are also the reason why professional sales, revenue management, product development and brand positioning can create value.

Summary message for tender participants

Pärnu is Estonia's leading resort and spa market outside Tallinn: established, recognised and commercially relevant, but still structurally seasonal.

Estonia Spa Hotels holds an estimated approx. 20% share of Pärnu city overnight stays, making it one of the key operators in the local resort and spa economy.

The investment case is not built on summer demand alone. The real upside lies in growing off-season performance through medical wellness, spa positioning, Finnish and Latvian demand, domestic repeat customers, group business, revenue management and stronger cross-selling across accommodation, spa, treatments and F&B.

Further market information can be made available to interested tender participants during the process.

Note on data sources

Note: Figures refer to Pärnu city 2025 official accommodation statistics; Estonia Spa Hotels' market share refers to Pärnu city overnight stays.