



# Overview

Hotel Real Estate Market, Q2 2010



# Hotel Real Estate Market

Table 1. Main indicators of real estate market

Resource: GVA Sawyer's research

Main indicators	Highest category (4-5*)	Medium category (3*)
Number of rooms	9 260	9 990
Commissioned in Q1, 2010, rooms	1 464	260
Average occupancy rate, Q2 2010, %	63	65
Average daily rate (ADR <sup>1</sup> ), \$/day	350	225

## Supply

According to the results of Q2 2010 the quality supply in the Moscow hotel market, formed by 3-5\* hotels, constitutes less than half of the room stock - 46% (19.3k rooms).

One of the most significant events in Q1 2010 is the opening of the legendary 5 stars "Radisson Royal Hotel Moscow" – former hotel "Ukraina" (544 keys), as well as the opening of another luxury "Lotte Hotel Moscow" (304 keys).

Among the above said hotels commissioned in Q2 2010, there should be mentioned the following: "Katerina Park" (3\*, 260 keys), Renaissance Moscow Monarch Centre (4\*, 366 keys).

The analyzed period is characterized by a business recovery, confirmed by an increase in the number of submitted projects, as well as the growth of supplies.

The second half year was marked by commissioning of a large number of quality hotel real estate. Altogether, in the first half year 2010 there have been commissioned about 1,8k rooms (3-5\* categories), that almost twice the amount of input for the entire 2009.

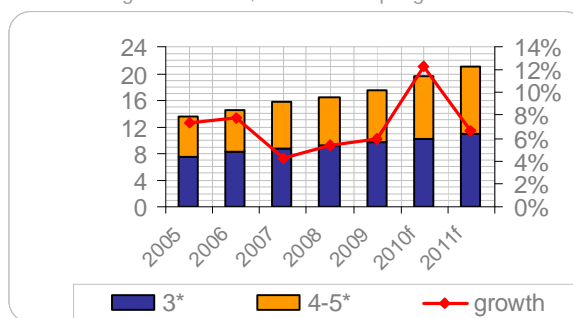
Therefore, we can already say that the increase of quality hotel real estate input in 2010 is notably higher than similar rates for previous years.

According to GVA Sawyer's estimates, around 3,4k rooms shall be commissioned during 2010-2011, thus the total volume of quality room stock shall be more than 20k rooms by 2012.

Currently, distribution geography of quality supply is uneven, with significant prevalence of room stock in the Central Administrative District (45% of supply volume) and in the North-Eastern Administrative District (18%).

It should be noted that all the highest quality hotels (4-5\*) are located in the center of the city. 3\* Hotels prevail in the North-Eastern Administration District. It has been noted that location of hotels in the announced projects is moving outside the Third Ring Road, which shall result in expansion of hotel location geography as the projects shall be realized. Considering the current commissioning rates and forecasts of their reduction, this will happen not earlier than 2012 – 2013.

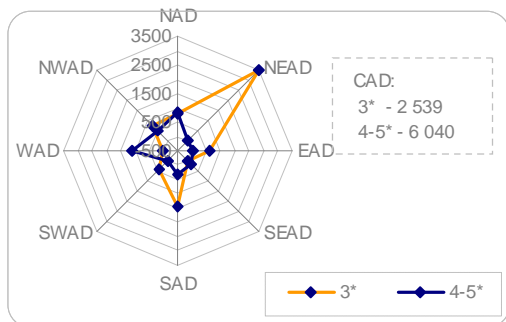
Chart 1. Dynamics of commissioning of quality hotel real estate during 2005-2009, 2010-2011 prognosis.



Source: GVA Sawyer's research

<sup>1</sup> ADR - indicator of the average room rate; calculated as daily income from the sold rooms divided by the number of sold rooms.

Chart 2. Distribution of quality supply by Moscow districts, Q2 2010.



Source: GVA Sawyer's research

According to STR Global data, Moscow is in the 3d place among the capitals with large amount of predesigned hotels and hotels under construction.

In 2010 it is expected to open 11 hotels with total hotel room capacity of about 2.2k rooms.

In the first half-year there were announced 12 new hotel projects with the end of the implementation period in 2014.

The following investment transactions are the largest in hotel real estate market in the first half-year 2010: Umaco bought hotel complex «Eurolux» (after rebranding 259 rooms, hotel operates under the brand «Katerina Park»), and Wenaas Hotel bought 293 rooms of hotel complex «Sheremetyevo-2».

Lotte Group plans to expand its hotel chain, the company intends to start the building of around 5 hotels in Moscow and St. Petersburg.

## Demand

According to the results of an analyzed period a growth of demand on hotel services affected the rise of the hotel occupancy rate to 63-65%.

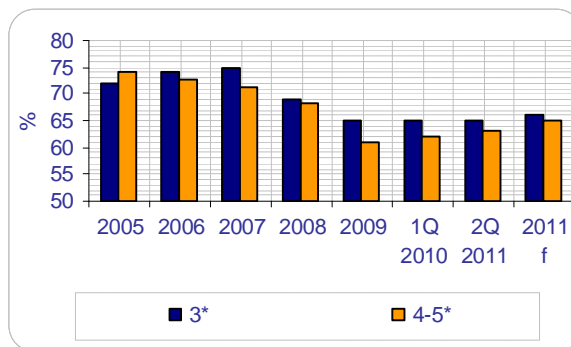
According to GVA Sawyer's experts the demand on the quality services continues to grow – in 2010 there is expected a restoration of the inbound tourism rate in Moscow to the level of 2008 (4 100k foreign tourists).

As of Q2 2010, 3\* hotel occupancy rate was around 65% and remained at the level of the end of 2009, 4-5\* - 63% (up to 2% compared with the end of 2009).

Business-tourists dominate in the pattern on demand on the quality hotel services.

According to GVA Sawyer's estimates there is expected an increase of the tourist flow during the period of 2010-2011 as compared with 2009 year and the occupancy level will grow up to 2-4% in comparison with the analyzed period.

Chart 3. Average occupancy rate of 3\*, 4-5\* hotels



Source: GVA Sawyer

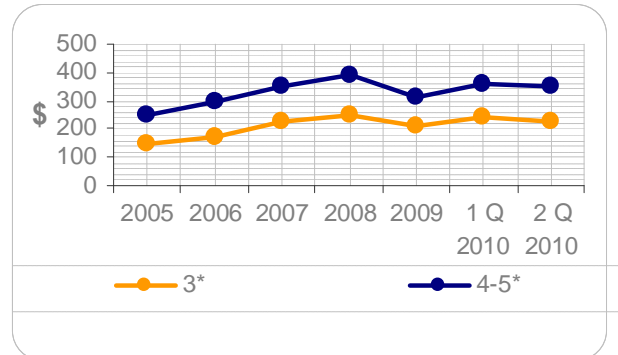
## Accommodation cost

An average room rate remains at high level in 3\* and 4-5\* market segments. According to hotel.info, Moscow ranks the second place after New York by the level of the daily room rate. An average daily room rate (ADR) is \$350 for 4-5\* hotels and \$225 for 3\* hotels.

During the period of crisis, prices on 4-5\* Moscow hotels decreased by 15%, 3\* - by 13%. The occupancy rate of 4-5\* hotels increased by 2% and the occupancy rate of 3\* hotels remained at the same level.

Therefore, the fact that the hoteliers agreed to lower prices, stimulated the occupancy rates to remain on the pre-crisis level or to increase slightly.

Chart 4. Average daily rate, \$/day




Source: GVA Sawyer's research



## Worldwide Offices:

[www.gvaworldwide.com](http://www.gvaworldwide.com)

A faint, light blue globe is visible in the background of the text, showing the outlines of continents and latitude/longitude lines.

GVA Kantor  
GVA Curzon Partners  
GVA Grimley Ltd  
GVA Kidder Mathews  
GVA City-Concept  
GVA Thompson Hennessey & Partners  
GVA Project Control Group  
GVA Grimley Brussels  
GVA ASCO Properties  
GVA Robertson  
GVA Sawyer  
GVA Chicago  
GVA Nybolig Erhverv  
GVA Cawley  
GVA Detroit  
GVA Brooklands  
GVA Donal O Buachalla  
GVA Arthur Rubinstein  
GVA Swiss  
GVA Redilco  
GVA NIRAS  
GVA Orco  
GVA InReal  
GVA Consultimo  
GVA Marquette Advisors  
GVA Intercapitalis  
GVA PCI  
GVA Arora & Associates  
GVA Emirah  
GVA Sollers Solutions  
GVA Real-Consult  
GVA Property Partners  
Van Gool Elburg  
GVA Worldwide



### GVA Sawyer

Россия, 109240 Москва,  
Николаямская улица 13, стр. 17  
Дом на Берниковской набережной

тел.: +7 (495) 797-4401, факс: +7 (495) 797-4400  
e-mail: [info@gvasawyer.com](mailto:info@gvasawyer.com)  
[www.gvasawyer.ru](http://www.gvasawyer.ru)

### GVA Sawyer

Russia 109240 Moscow  
Nikoloyamskaya Ul. 13, Str. 17  
Bemikovskaya Embankment House

tel.: +7 (495) 797-4401 fax: +7 (495) 797-4400  
e-mail: [info@gvasawyer.com](mailto:info@gvasawyer.com)  
[www.gvasawyer.com](http://www.gvasawyer.com)