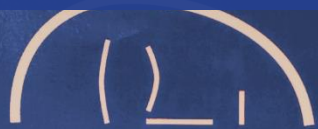


Year-end 2022

Hotel Market Russia | Moscow



**Do not
disturb**

Table 1
The key indicators of the hotel real estate market

	2020	2021	2022
Total stock of quality hotels* , number of properties	74	77	80
High-quality room stock* , number of rooms	18,967	19,470	20,418
Stock of new supply , number of rooms	154	503	630
Occupancy , %	38%	67%	60%
Average room sale price , (ADR, not on. breakfast and VAT), RUB/day	5,303	5,597	6,224
Revenue per room (RevPAR), RUB/day	1,989	3,763	4,014

The analysis of operational performance indicators of hotels and apart-hotels was made on the basis of Hotel Advisors data. Within the framework of the source data, Nikoliers uses its own method of segmentation and grouping of data by market, which may lead to differences from the indicators that are published by Hotel Advisors independently or by other companies in other sources where Hotel Advisors data can be used.

* The concepts of quality hotels and quality room stock include classic hotels managed by international operators, as well as certified hotels from 3* and from 15 rooms previously managed by international operators

TRENDS

Rebranding

A major exodus of international hotel chains occurred in 2022. In 2023, this trend will slow down and will mainly affect hotel development projects. The remaining international operators intend to retain the functional hotel market share, as the refusal to operate in Russia is quite a painful step for them. On the other hand, this opens a good opportunity for all Russian operators and management companies. Stiff competition between them will contribute to positive changes and will lead to a high-quality market for all players.

Booking

The exit of Booking.com, which at the beginning of 2022 controlled 77.5% of the booking platform market, triggered a complete transformation of the companies providing these services. The key player in this market at the end of 2022 was Ostrovok.ru with a market share of 27.9%. There was also a trend for direct bookings on hotel websites, and during the year their share increased from 9.3% to 29.7%. However, according to ATOR, the depth of booking, that is, the period from the moment of booking to the date of arrival, remains small, about 1-1.5 months. Such consumer behavior is caused by a short planning horizon in the current year, which is why tourists are willing to overpay for booking a room at the last moment.

Guest profile

The guest profile is changing as family travelers focused on cultural and educational tourism are gradually replacing the business and MICE segment. More and more business guests are extending their stay in hotels to weekends. The number of business events is increasing, but so far this has not led to higher hotel loads. Meanwhile savings on MICE are becoming more noticeable.

SUPPLY

According to the results of 2022, the total stock of certified hotels in Moscow is 78,489 rooms. The quality room stock of classic hotels has risen to 20,418 units (+4.9 p.p.).

At the beginning of 2022, six international operators announced the suspension of their operations in Russia, namely IHG, Marriott, Hilton, Hyatt, Best Western and Sokos Hotels. These management companies accounted for about 48.7% of quality hotel supply in Russia at the beginning of 2022. In most cases, international chain brands do not own hotels, but only manage them. Therefore, instead of closing hotels, their owners attract other high-quality operators. So, the Marriott International Hotel on Paveletskaya was taken over by Cosmos HG and was renamed as Cosmos Paveletskaya Hotel. Similarly, the Holiday Inn Express Paveletskaya was rebranded and is now known as Cosmos Smart Dubninskaya Hotel.

Other hotel owners prefer to become independent and change only the brand. Some cases of debranding in the Moscow market are already known. For example, the Ararat Park Hyatt Moscow, having removed the name of the operator, became the Ararat Park Hotel Moscow. Courtyard by Marriott Moscow City Center can now be found under the name of Artcort Moscow Center Hotel, instead of Holiday Inn Express Baumanskaya on Baumanskaya Street there is now Pana Express Baumanskaya, etc. By the end of 2022, the quality room stock of outgoing chain hotels has decreased from 9,572 to 7,368.

The current year has seen the opening of two hotels: the Chinese network Soluxe and the Russian operator Cosmos HG. The total new supply amounts to 630 rooms, the growth rate exceeding the previous year's growth rate by 20.2%. Moreover, 129 rooms were added to the total stock due to Azimut relaunching Sunflower River Hotel Moscow on Derbenevskaya Street.

Table 2
New stock of rooms in 2022

Source: Nikoliers

Segment	Name	Location	Room stock
5*	Soluxe Hotel Moscow	Vilgelma Pika St., 14-16	372
3*	PSB Patriot Cosmos Hotels	Patriot Park Territory	258

Chart 1
Dynamics of the volume of high-quality room stock in Moscow

Source: Nikoliers

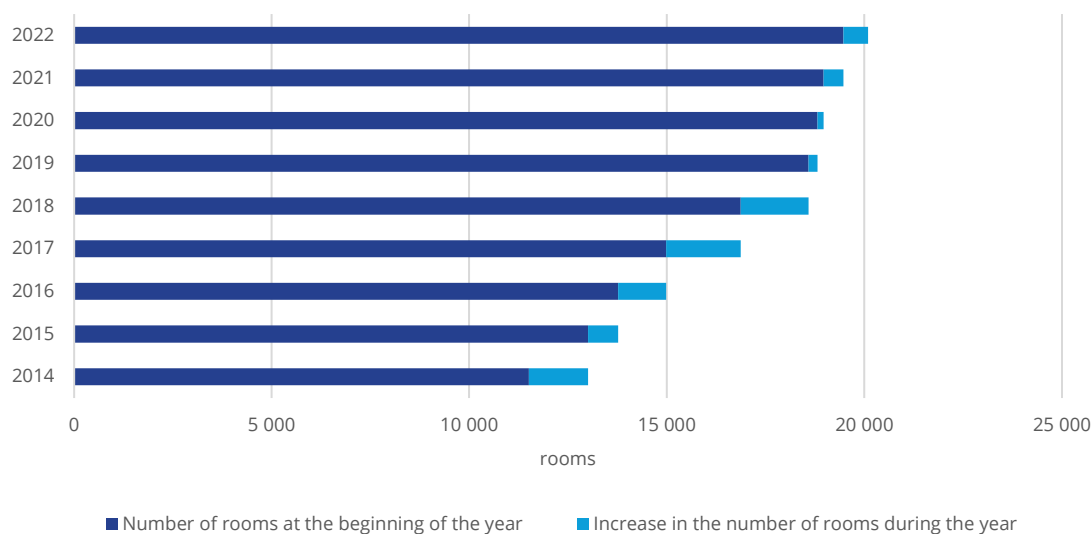
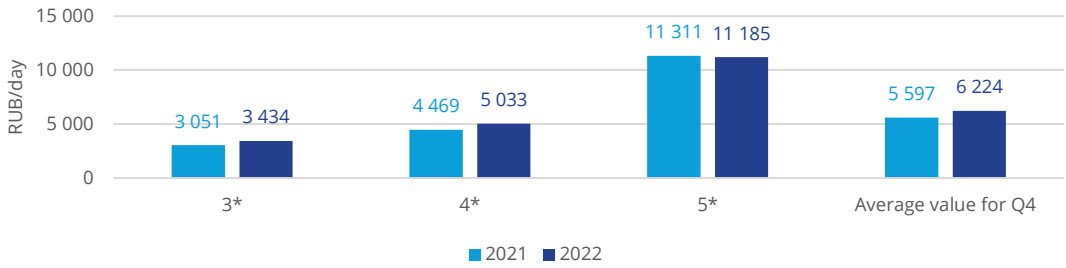
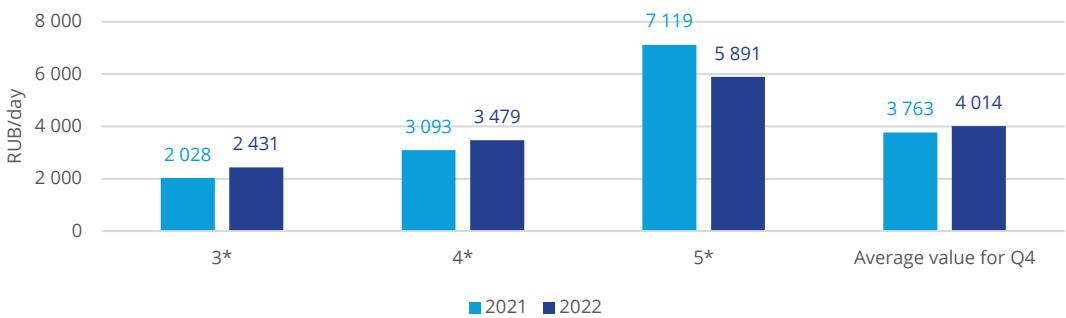


Chart 2
Dynamics of the average room price (ADR) in the IV quarter, RUB/day

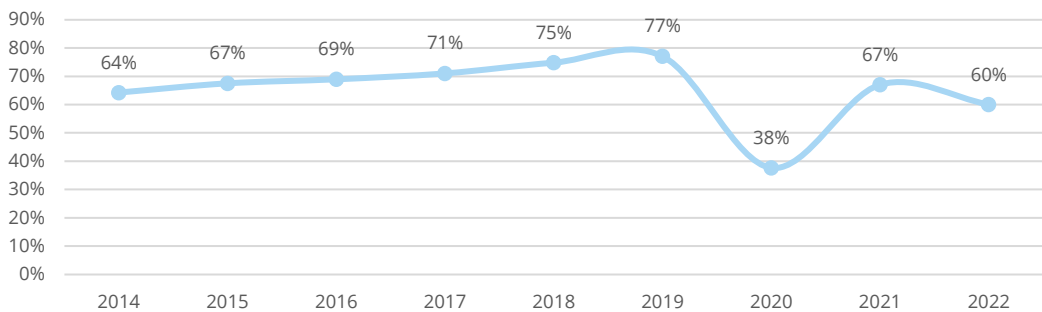
Source: Hotel Advisors, Nikoliers

**Chart 3**
Dynamics of profitability per room (RevPAR) in the IV quarter, RUB/day

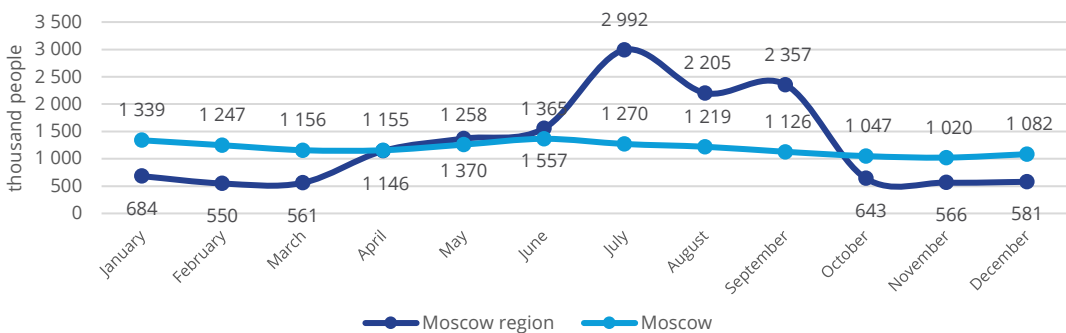
Source: Hotel Advisors, Nikoliers

**Chart 4**
Dynamics of hotel occupancy, %

Source: Hotel Advisor, Nikoliers

**Chart 5**
Assessment of the tourist flow in 2022

Source: Rosstat





DEMAND AND PRICING POLICY

According to ATOR forecasts, the tourist flow in Moscow should exceed the previous year's figures by 7% and will reach 18 million people, while the tourist flow in the Moscow region will be one of the largest in Russia and will hit a record high – 22 million people, 57% more than a year earlier.

The recovery of the tourist market will largely be attributed to the rapid development of domestic tourism. The prolonged suspension of flights to other countries and uncertainty in the geopolitical arena has become the reasons for making a choice in favor of traveling within Russia. Nevertheless, it is too early to say that market indicators have returned to pre-pandemic values courtesy of domestic demand.

By the end of 2022, the average occupancy of Moscow hotels stood at 59.5%, which is 2.7 percentage points less than in the previous year. The most dynamic changes in the Moscow market were demonstrated by 3* hotels. Their load reached the level of 70.8%, up 4.3 percentage points year-on-year. The occupancy rate for 4* hotels remained unchanged, standing at 69%. However, a negative trend is observed in 5* hotels where the occupancy fell from 62.9% to 52.7% year-on-year. The reason for shrinking occupancy in the 5* segment is the outflow of foreign tourists, who were demotivated by an unstable foreign policy situation. Problems with air travels, withdrawal of international accommodation booking systems, and the shutdown of payment systems have significantly reduced the tourist attractiveness of Russia for wealthy foreigners.

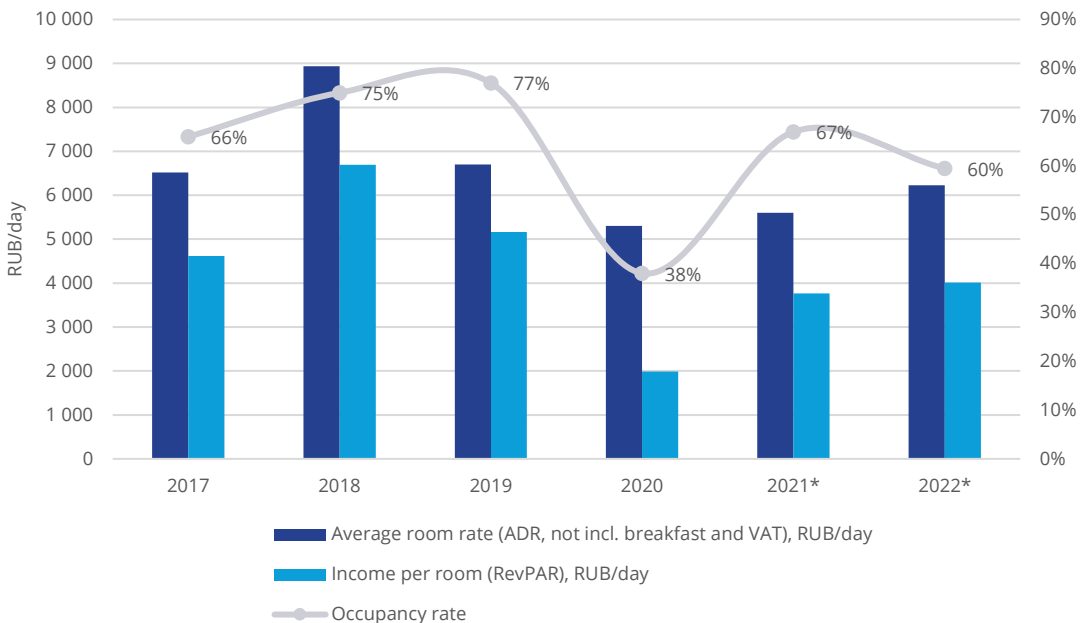
The rate of return per room (RevPAR) turned out to be better than in 2021 in almost all segments, except 5*. The rate of increase in profitability per room for 3* hotels turned out to be the highest among other categories, – up 19.9% year-on-year, rising from 2,028 RUB/day to 2,431 RUB/day. The average daily rate (ADR) has increased from 3,051 RUB/day to 3,434 RUB/day.

The 4* hotels also showed positive dynamics in 2022. The room yield reached 4,479 RUB/day, which is 12.5% more than in the previous year, while the average daily rate rose from 4,469 RUB/day to 5,033 RUB/day.

The 5* hotels showed negative dynamics in ADR and RevPar. The average daily rate went down 1.1% from 11,311 RUB/day to 11,185 RUB/day. The room yield fell by 17.2%, settling down at 5,891 RUB/day.

Chart 6
Dynamics of key indicators of the hotel real estate market

Source: Nikoliers, STR Global (2017-2020), Hotel Advisors (2021-2022)





TOURIST FLOW

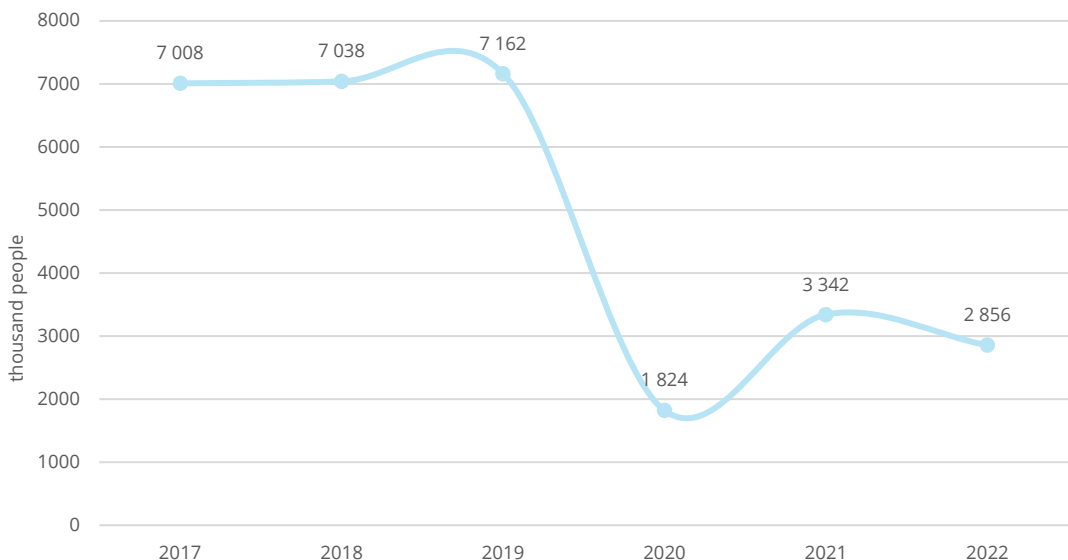
The tourist flow in the territory of Russia was whipped up by domestic demand last year. Due to a high level of economic and political instability, the tourism industry faced a significant reduction in foreign tourist flows. The share of foreigners plummeted to 1% of the total tourist flow in Moscow, amounting to about 180 thousand people. Mostly tourists from CIS states became guests of the capital city, with Kazakhstan accounting for 19.1% of the total foreign tourist flow, Ukraine for 18%, Uzbekistan for 15.7%, Tajikistan for 12.1%, Kyrgyzstan for 6.6%, etc.

China, which before the global COVID-19 pandemic was one of the largest inbound tourism markets for the Russian Federation (7% of the total tourist flow in 2019, 2.3 million people in absolute terms), has cut its profile. Today, it accounts for only 1% of foreign tourists. However, Chinese citizens will again be able to travel abroad freely starting on February 6, 2023 – probably due to improvement of the epidemiological situation in China. Prior to that, the Russian side also announced the lifting of restrictions on the reception of Chinese tourists on January 31, 2023. We expect an increase in the tourist flow from China in 2023. However, the growth will be restrained due to suspension of the agreement on visa-free travel and a significant increase in the cost of holidays.

Chart 7

Incoming tourist flow to the Russian Federation, thousand people

Source: Unified Interdepartmental Information and Statistical System



CONTACTS

Strategic Consulting

Evgenia Tuchkova
Associate Director
+7 495 258 5151
Evgenia.Tuchkova@nikoliers.ru

Research

Veronika Lezhneva
Director
+7 495 258 5151
Veronika.Lezhneva@nikoliers.ru

Marketing & PR

Olga Bakulina, MCIM
Regional Director
+7 495 258 5151
Olga.Bakulina@nikoliers.ru

Evgeniya Maul
Junior Analyst
+7 495 258 5151
Evgeniya.Maul@nikoliers.ru

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123112 Moscow
10 Presnenskaya Embankment
BC Naberezhnaya Tower
Block C, 52 floor