

H1 2023

Hotels

Russia | Moscow

Table 1

Key market indicators

Source: Nikoliers

	H1 2021	H1 2022	H1 2023
Total supply of quality hotels, number*	75	78	83
Quality room stock, number of keys*	18,967	19,788	20,809
Occupancy rate, %	56	60	68
Average daily rate per room (ADR, excluding breakfast and VAT), RUB/day	6,273	5,276	6,773
Revenue per Available Room (RevPAR), RUB/day	3,533	3,136	4,449

The analysis of hotel performance indicators for 2021-2023 is based on Hotel Advisors data. Within this source Nikoliers uses its own methodology for segmentation and grouping of market data, which may result in differences from the figures that are published by Hotel Advisors on its own or by other companies in other sources, where Hotel Advisors data may be used.

The concepts "quality hotels" and "quality room stock" comprise classic hotels managed by international and major Russian operators, as well as certified hotels from 3 upward, with 15 rooms or more, previously managed by international operators.

Trends

Weekend breaks

The interest in short trips to neighboring regions is growing among domestic tourists. Such a trend has several explanations: affordable price and duration, which allows you to stay busy, get recharged with positive emotions and acquire new impressions.

It is likely that during the summer period the capital city and nearby areas will receive a large number of tourists, so the role of developed roadside infrastructure for the convenience of those who travel by car will increase. We are talking about convenient offramps, stores, parking lots and mini hotels that allow a comfortable family vacation.

Entertainment events

In order to attract more tourists, both from neighboring regions of the country and from "friendly" nations, Moscow should try to increase the entertainment component in the tourist service. To lure more tourists, Mostourism even launched the Moscow CityPass Express card, which allows the guest to visit the city's main attractions and save about 15% of the ticket price.

Tourist profile

Over the past year there have been significant changes in Russia's visa policy. Since the beginning of this year, the list of countries whose residents can obtain a tourist visa for six months based on a hotel booking has been revised and shortened. Now it includes 19 countries: Bahrain, Brunei, India, Indonesia, Iran, Cambodia, China, DPRK, Kuwait, Laos, Malaysia, Mexico, Myanmar, Oman, Saudi Arabia, Serbia, Thailand, Turkey and the Philippines.

In this regard, we can talk about a change in the tourist profile and refocusing to foreigners from BRICS and ASEAN nations. At the moment, a new agreement on visa-free travel for tourist groups from China is in the active preparation stage; their minimum composition will be reduced to 3 persons while the duration of their stay will increase to 21 days.

Supply

Table 2
New room stock H1 2023

Source: Nikoliers

Category	Name	Location	Room stock
5*	Vesper Tverskaya	2/1, First Tverskaya-Yamskaya	91
5*	Radisson Blu Leninsky	90/2, Leninsky Ave.	150
4*	Azimut City Hotel Comcity	6, Kievskoye sh.	150

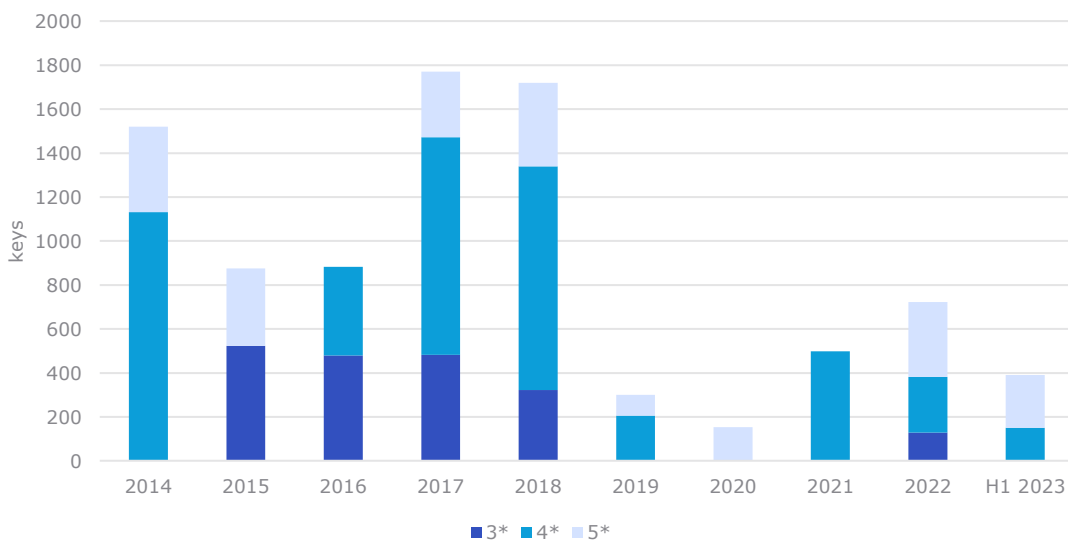
In the first half of 2023 two new hotels hit the Moscow market: Radisson Blu Leninsky and Azimut City Hotel Comcity. Vesper Tverskaya (91 rooms and 43 apartments) was also commissioned and will soon welcome its first guests. The quality room stock thus reached 20,809 keys (up +1.9%) compared to the end of 2022.

It is expected that by the end of this year 471 more rooms will enter the market due to the opening of Cosmos Moscow Paveletskaya on Kozhevnikovskaya Street, domain 2-4; Hilton Moscow Prechistsenskaya on 43, Prechistsenskaya nab., and some other facilities. Landmark hotels also keep on opening without international hotel operators, examples being Stella Di Mosca on Bolshaya Nikitskaya 9/15, and some time earlier – a project of Bvlgari Hotels & Resorts. Thus, according to our estimates, the new supply in 2023 will amount to about 862 rooms which will be evenly distributed between 4* and 5* hotels.

We also expect an increase in de-branded hotels in the accommodation market, given that 21 hotels in Moscow still contain in their names the brands of hotel operators that have announced their exodus from Russia. The total number of rooms in such facilities is about 5,000.

Chart 1
Dynamics of quality supply commissioned in the Moscow market, by categories

Source: Nikoliers



Russian hotel operators

Cosmos Hotel Group and Azimut Hotels remain the largest national hotel operators. Azimut Hotels manages six hotels in the capital city, with a total room stock of 1,393 keys. Cosmos Hotel Group has also significantly built up its portfolio by taking over the hotels of the departed operators and today it manages about 3,173 rooms. Former market leaders, such as InterContinental Hotels Group, Marriott International, Hilton Worldwide, wound down their operations in a number of hotels – they used to manage half of Moscow’s quality supply.

By the end of Q2 2023, the share of debranded hotels surged to 24.6% of the capital city’s quality room stock. For example, hotels such as Artcourt Moscow Center (former Courtyard by Marriott Moscow City Center), AQUAMARINE (former Crowne Plaza Moscow - Tretyakovskaya), Hotel Seligerskaya (former Holiday Inn Moscow Seligerskaya) and some others ceased to be chain hotels. The share of rebranded hotels turned out to be significantly lower, amounting to only 8%. Nevertheless, there are still hotels that have not had time to change their names and remove references to the operators that left the Russian market – 21.7% of the capital city’s quality room stock.

Some owners, who previously worked with foreign hotel brands, are now forced to become adjusted to the changes and to reorganize business processes. Exclusion of a hotel from an international chain is a challenge for its owner and all employees – it is necessary to maintain the previous level and quality of services without the usual infrastructure that was provided by a large management company.

Chart 2

Shares of international operators in Moscow and its closes suburbs in H1 2023

Source: Nikoliers

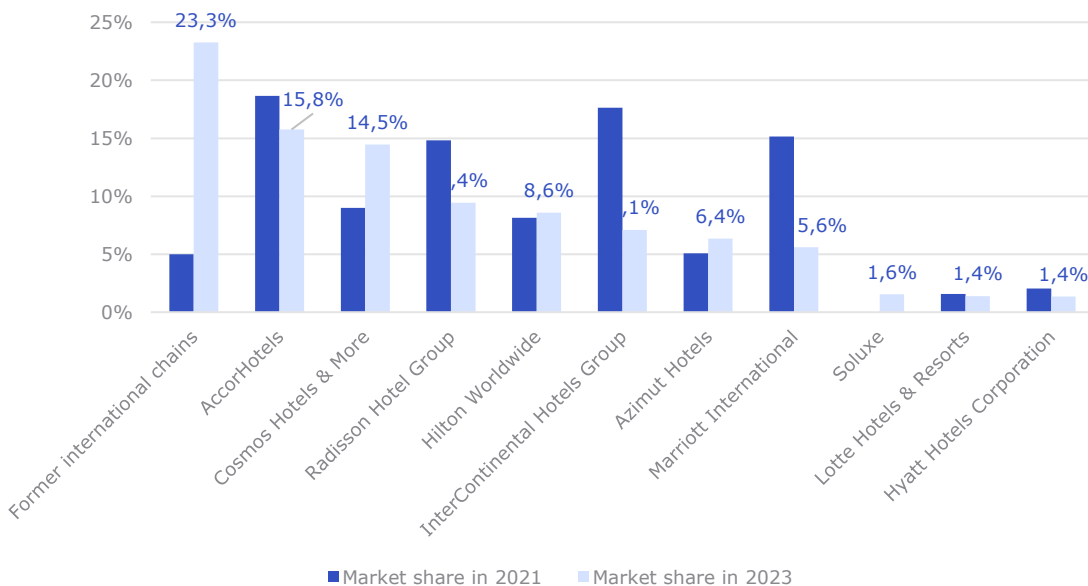


Chart 3

Average daily rate (ADR) dynamics, RUB/day

Source: Hotel Advisors, Nikoliers

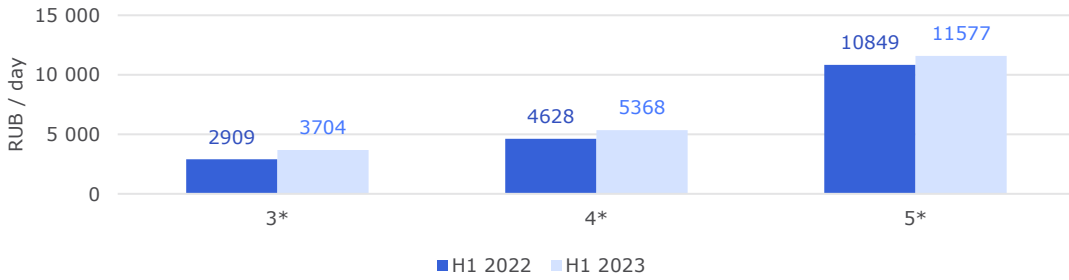


Chart 4

Revenue per Available Room (RevPAR) dynamics, RUB / day

Source: Hotel Advisors, Nikoliers

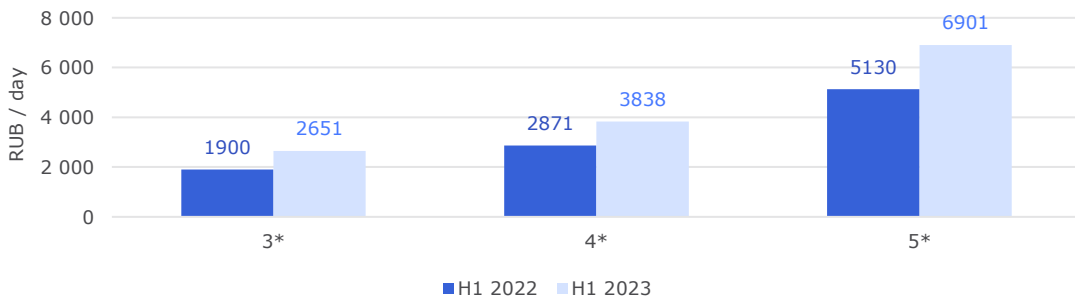


Chart 5

Hotel occupancy rate dynamics, %

Source: Hotel Advisors, Nikoliers

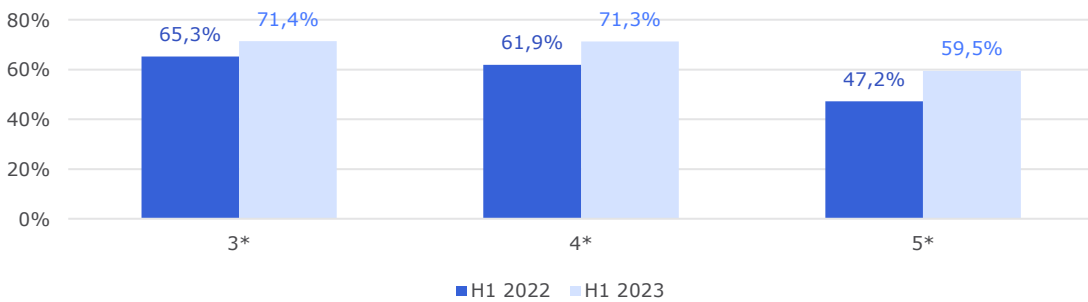
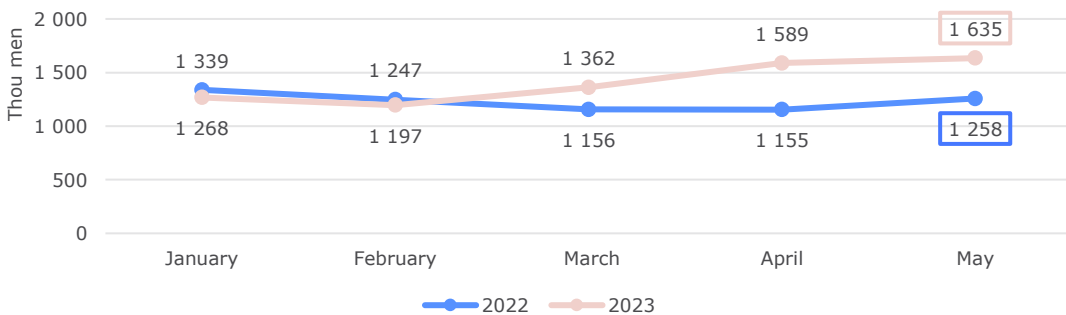


Chart 6

Monthly tourist flow dynamics, Moscow

Source: Nikoliers, Rosstat



Demand and pricing policy

In the first half of 2023 the demand for hospitality services in Moscow started bouncing back after the last year’s crisis. The average daily rate increased in all hotel categories in Q2 2023. The biggest change of 31.7% year-on-year transpired in the three-star hotel segment. For four-star and five-star categories ADR growth amounted to 19.3% and 11.5% respectively.

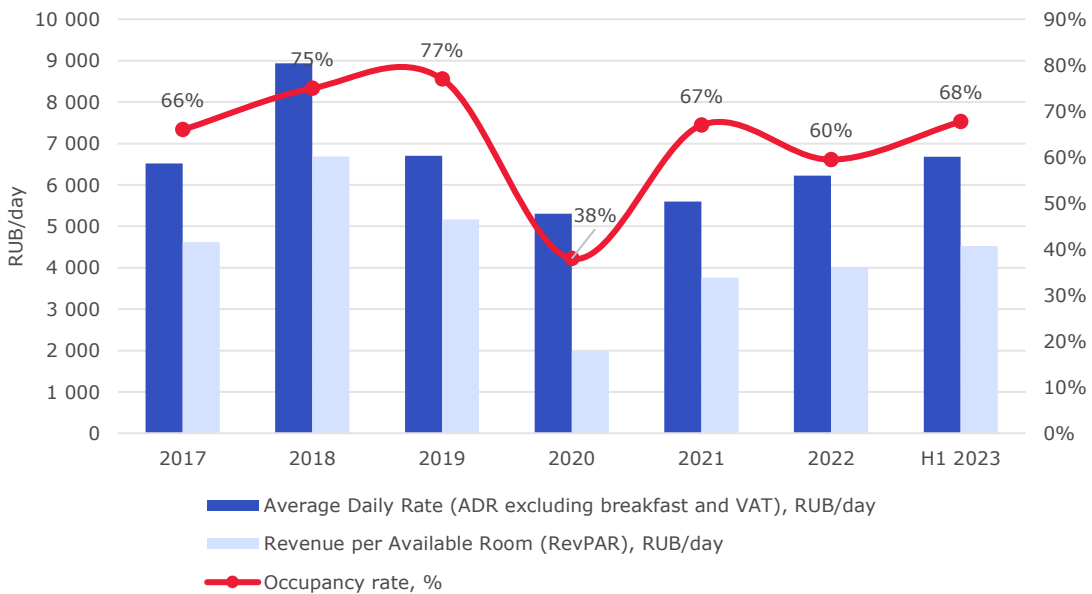
Occupancy of the capital city’s hotels also showed positive trends. According to the results of Q2 2023, the most dynamic occupancy growth was demonstrated by upper upscale hotels – 62.8% (+18.8 p.p.). A slight increase was recorded in the three-star segment: +9.6% to the level of 76.8%. The occupancy of four-star hotels increased by 11.9 p.p. reaching 74.7%.

As a result, in Q2 2023 PevPAR went up, depending on the hotel category, from 42.6% to 58.9% year-on-year. This trend is expected to continue in the second half of this year. Already now the intensity of domestic tourist flows in Moscow for the first five months of 2023 exceeds the last year’s figure by 31.3%. Under the current circumstances hoteliers resort to the “cream skimming” strategy, to push up the yield without losing occupancy.

Chart 7

Dynamics of key indicators in the hotel market

Sources: Nikoliers, STR Global (2018 – 2020), Hotel Advisors (2021 – H1 2023)



Contacts

Strategic Consulting

Vladislav Nikolaev

Regional Director
+7 495 258 5151
Vladislav.Nikolaev@nikoliers.ru

Evgenia Tuchkova

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

Research

Veronika Lezhneva

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

Evgeniya Maul

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

Marketing & PR

Olga Bakulina, MCIM

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

Copyright © 2023 Nikoliers

This report is a general study of the real estate market and is based on materials provided to us or owned by us, which we believe to be reliable. In compiling this report, our main principles were the accuracy and completeness of the information, however, we do not provide any guarantees that there will be no factual errors. We will be grateful if you inform us about such errors for prompt editing of information. Nikoliers does not accept any responsibility for damage or loss arising from inaccuracies or inaccuracies in the information contained in this report.



 **Nikoliers**

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