

H1 2024

Hotels

Russia | Moscow | Saint Petersburg


KEY RUSSIAN MARKET INDICATORS

	5 months 2023	2023	5 months 2024	2024F*
Number of guests who stayed in collective accommodation facilities	27 074 691	77 109 889	30 194 498	85 995 234
Number of lodgings in collective accommodation facilities, nights	99 079 712	309 118 630	109 850 978	342 723 885
Revenues of collective accommodation facilities, RUB thou, VAT exclusive	253 262 663	899 829 031	321 358 570	1 141 770 237


*As estimated by Nikoliers

Source: Rosstat


KEY RESULTS




The development of domestic tourism continues




Revitalization of inbound tourist flows



Focus on Asian tourists



Governmental support of the industry

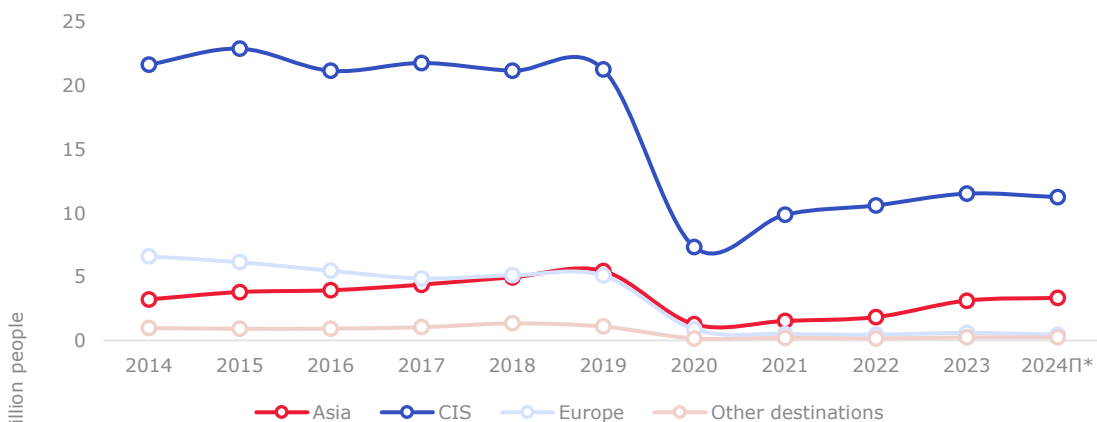


The entry of new foreign hotel operators

The development of domestic tourism continues. The tourist traffic is rapidly burgeoning, primarily due to domestic demand. The inbound tourist flows are gradually rebounding. While the CIS states are still leaders in total inbound tourist traffic, the share of Asian tourists keeps growing.

The opening of new quality hotels is more active than a year earlier. Three new facilities were opened in Moscow, two in Saint Petersburg, and the room stock in the two cities has increased by 556 rooms.

Breakdown of inbound tourist flows in Russia, 2014-2024F



*As estimated by Nikoliers

Source: Rosstat, Nikoliers

Governmental support of the industry

Government program	National project	Federal project	Measures of support
<p>Tourism development 2022-2030</p> <p>On the basis of:</p> <ul style="list-style-type: none"> Federal law "On Fundamentals of Tourist Activity in the Russian Federation; Decree No. 474 of the Russian President dated July 21, 2020 "On Russian Federation's National Development Goals until 2030"; Decree No. 400 of the Russian President dated July 2, 2021 "On Russian Federation's National Security Strategy"; Decree No. 2129 of the Russian Government dated September 20, 2019. 	<p>Tourism and Hospitality Industry 2021-2030</p>	<p>Tourist Infrastructure Development Providing citizens with modern tourist infrastructure; Creating and implementing a system of support, aimed at the development of domestic tourism, to ensure a growing number of tourist trips, including for children</p> <p>Raising the Affordability of Tourist Services Ensuring the affordability of traveling the country for citizens to make sure they have adequate access to recreation and health care activities in a comfortable and safe tourist environment; Creating an end-to-end system of financial and non-financial support to develop the export of tourist services; Creating and implementing digital solutions to ensure the access of citizens to information about recreational opportunities inside the country as well as to tourist digital services.</p> <p>Improving Management in Tourism Industry Increasing the number of jobs and enhancing the HR potential of the domestic tourist industry.</p>	<ul style="list-style-type: none"> Preferential loan for the term of up to 15 years at the interest rate of 3-5% for the construction and renovation of hotels with the rating of at least 3 stars, a floor area of 5,000 sq m or the room stock of 120+ keys; Grants and subsidies for the creation of modular hotels; Subsidies for beach improvement, creation of camping and auto-camping sites, development of electronic guides to tourist routes and implementation of other initiatives; Zero VAT rate for hotels and other tourist industry facilities (2022-2030); Tax incentives (tax vacations, abolition of personal income tax with material benefits, etc.). <p>Event-related subsidies (reduction in the cost of package tours on domestic routes, 2023-2024)</p> <p>Online tourism-related personnel training programs; At least 1,245 people will be able to complete short-term programs of additional professional education on the basis of the International Saint Petersburg Center of Competence in Tourism.</p>
	<p>Small and Medium-Sized Entrepreneurship 2019-2024</p>		<p>Preferential loans</p>

Integrated development of territories

Federal law "On Amending the Urban Planning Code of the Russian Federation and Certain Legislative Enactments of the Russian Federation for the Purpose of Ensuring the Integrated Development of Territories"
Dated 30.12.2020

Development of infrastructure

Federal project "The Construction of Motorways within the Europe – Western China International Transport Corridor", 2019-2024
Federal High-Speed Thoroughfare M-12 that will cross eight regions (from the Moscow Region to the capital of Sverdlovsk Region – the city of Yekaterinburg)

Implementation steps

Federal targeted program "The Development of Domestic and In-Bound Tourism in the Russian Federation"
2019 – 2025
The integrated development of tourist and supporting infrastructure in tourist clusters for prioritized types of tourism (cluster development of territories)



Territory Development Corporation offers business to get involved in the development of tourist infrastructure on the basis of public-private partnership principles, backing its partners at each stage of the project delivery – from master-planning and design to project commissioning.

KEY INDICATORS OF MOSCOW AND ST. PETERSBURG MARKETS

	H1 2021	H1 2022	H1 2023	H1 2024
Moscow				
Quality room stock , number of keys*	19 308	19 659	20 732	21 012
Occupancy rate , %**	56	60	68	74
Average daily rate , excluding breakfast and VAT, RUB/day**	6 273	5 276	6 773	9 230
Revenue per average room (RevPAR), RUB/day**	3 533	3 136	4 449	6 638
Saint Petersburg				
Quality room stock , number of keys*	26 095	26 310	26 372	26 783
Occupancy rate , %**	53	49	61	60
Average daily rate , excluding breakfast and VAT, RUB/day**	5 194	5 352	5 621	7 428
Revenue per average room (RevPAR), RUB/day**	2 579	2 799	3 292	4 632

*The "quality hotels" and "quality room stock" concepts presuppose classic hotels managed by international and major national operators as well as certified hotels from three stars and from 15 rooms, which were earlier managed by international operators.

**The operational performance of hotels for 2021-2023 were reviewed on the basis of the data provided by Hotel Advisors. However, Nikoliers uses its own methodology of market data segmentation and pooling, which may cause discrepancies with the indicators published by Hotel Advisors independently or by other companies in alternative sources where the data of Hotel Advisors can be used.

Source: Nikoliers, Hotel Advisors



SUPPLY: Moscow

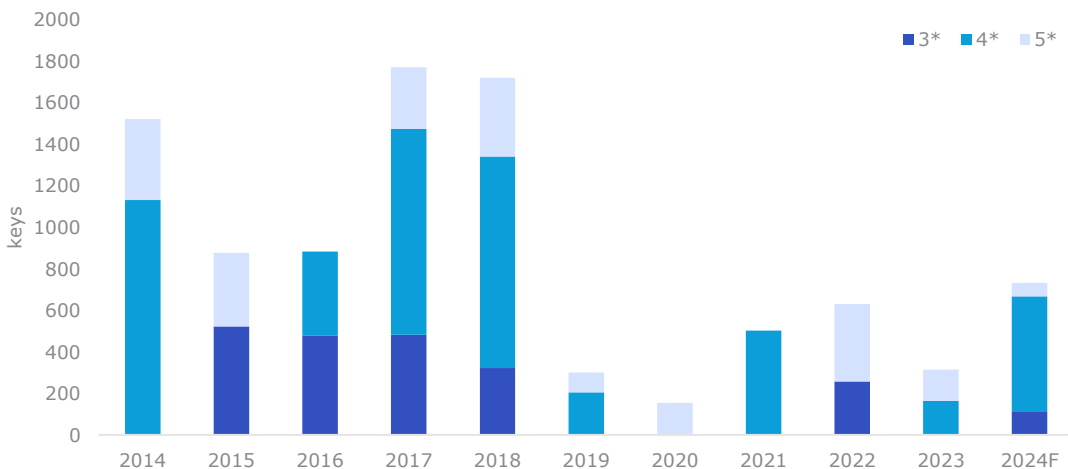
280
rooms

The new room stock in Moscow for the first half-year of 2024 lags only 11% behind the number of rooms commissioned for the entire year 2023.

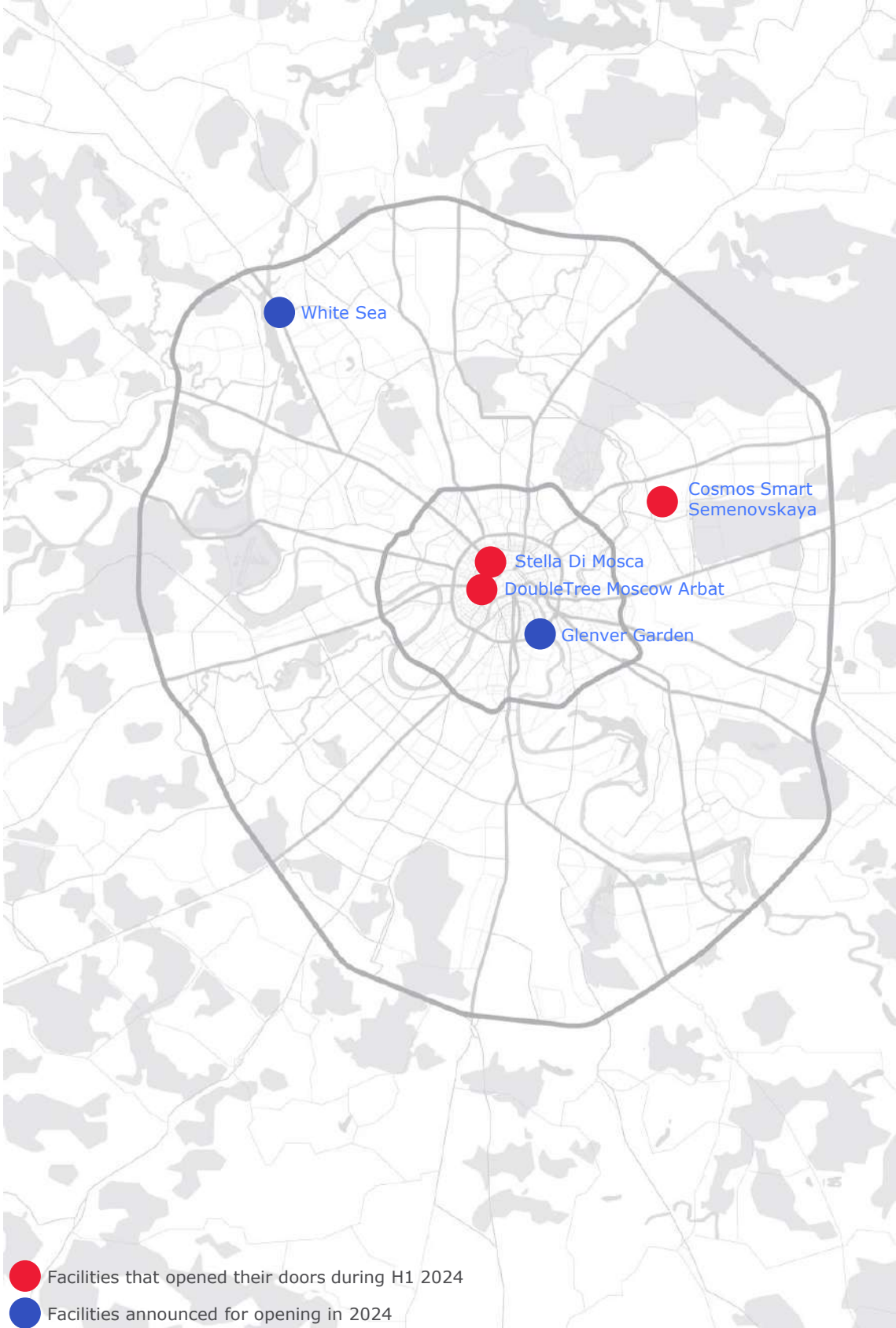
In the first half of 2024 three hotels were opened in Moscow: Cosmos Smart Semenovskaya 3* (115 rooms), DoubleTree Moscow Arbat 4* (100 rooms) and Stella Di Mosca 5* (65 rooms). All in all, five new facilities with the total room count of 732 must be rolled out to the Moscow hotel market in 2024. It is expected that in the second half of 2024 Glenver Garden 4* (234 rooms) and White Sea 4* (218 rooms) will open their doors for guests.

Since the middle of 2022, 29 hotels in the capital city have lost their international brands and had to change their signboards. To date, about five hotels with a total room stock of 1,633 keys are still operating under the old name. The de-branding process must be over in 2024 and there will be no more hotels operating under the brand of the departed operators.

Dynamics of quality supply commissioned in the Moscow market by categories



The map of hotels to be opened in Moscow during 2024

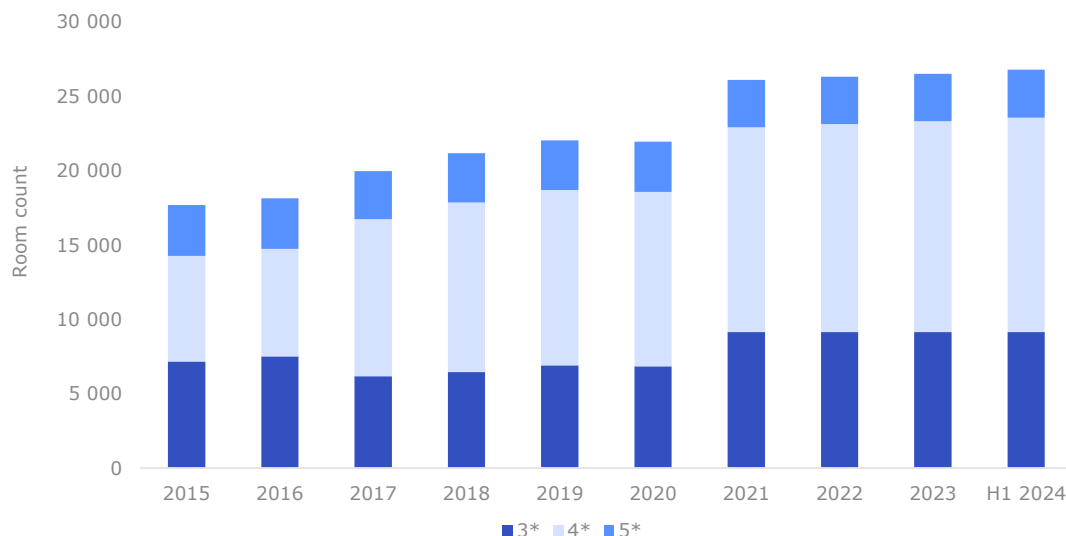


SUPPLY: Saint Petersburg

276
rooms

The new room stock commissioned in Saint Petersburg for H1 2024 exceeded by 40% the room stock commissioned for the entire year 2023.

Supply of quality classic hotels in Saint Petersburg



For the initial six months of 2024 two facilities were added to the room stock of the northern capital: the hotel part of DOMINA Pulkovo Hotel and Apartments and boutique hotel Cosmos Selection Italyanskaya. Three apart-hotels also opened their doors for guests, namely: Valo Soul 4*, IZZZI.Life VIBE 4*, and Port Comfort by Moika 3*.

No new quality hotels are expected to open in the second half of the year. Nevertheless, about 14 more apart-hotels with the total room capacity of 3,835 units have been announced to be opened till the end of the year. Interest in apart-hotels is growing due to the benefits for all participants: developers reduce their costs, investors get real estate with a low price of entry, operators earn on management, and tourists can save on accommodation.

Quality classic hotels and rated aparthotels opened for H1 2024

Format	Name	Star-rating	Address	Room stock
Hotel	DOMINA Pulkovo Hotel and Apartments	4*	14, bld. 7 Pulkovskoye sh.	253
Hotel	Cosmos Selection Italyanskaya	5*	8A, Italyanskaya str.	23
Aparthotel	Valo Soul	4*	61, Salova str.	448
Aparthotel	IZZZI.Life VIBE	4*	62, Seventh line of Vasilievsky Island	61
Aparthotel	Port Comfort by Moika	3*	4, bld. 2 Grivtsova str.	42

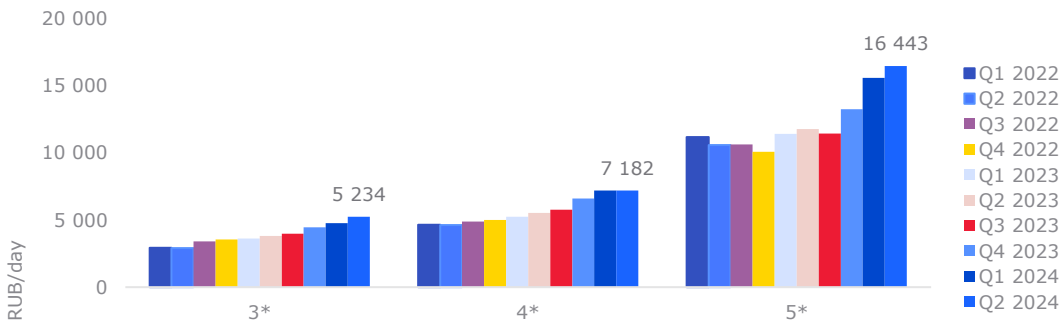
DEMAND AND PRICING POLICY: Moscow

Based on the results for six months of 2024, we saw positive dynamics of all key market indicators. The median room rate for the current period amounted to 9,230 RUB/day, which is 36.3% higher than a year earlier and 51.6% higher than in 2022. On average, the increase year-on-year did not vary much depending on the star-rating and was in the range of 34% to 38%.

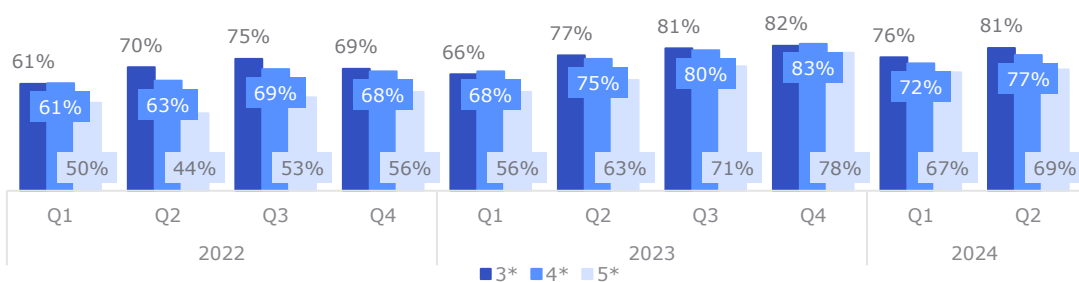
The occupancy of the capital city’s hotels in the first half of 2024 stood at 73.6%, which is 5.6 p.p. higher than in 2023 for the same period. The highest occupancy rate was demonstrated by three-star hotels – 78.3%, slightly less by four-star hotels – 74.7%, the occupancy of upper-upscale hotels was at the level of 68.1%.

Due to the ADR growth by one third, the revenue per room has increased 1.5 times. According to the results for the first half of 2024, RevPAR amounted to 6,638 RUB/day, with upper upscale hotels showing the greatest appreciation of this indicator compared to the last year +57.9% or up to 10,895 RUB/day. In the four-star category the growth amounted to 39.8% or up to 5,366 RUB/day, whereas in the three-star category prices grew by 47.7% or up to 3,915 RUB/day.

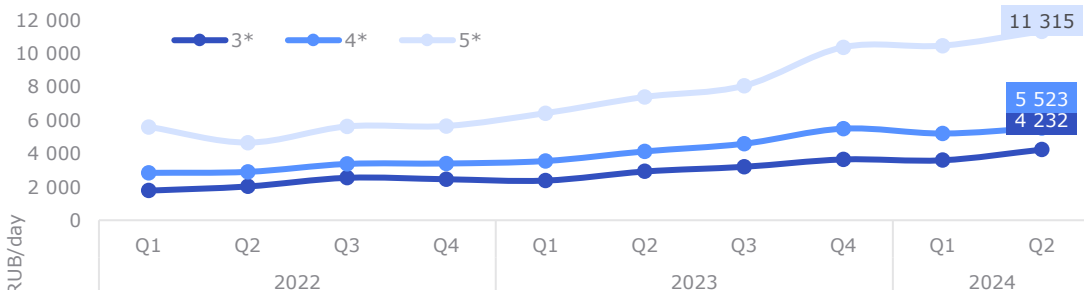
Dynamics of average daily rate (ADR), RUB/day



Hotel occupancy dynamics, %



Revenue per room (RevPAR) dynamics, RUB/day



Source: Hotel Advisors, Nikoliers

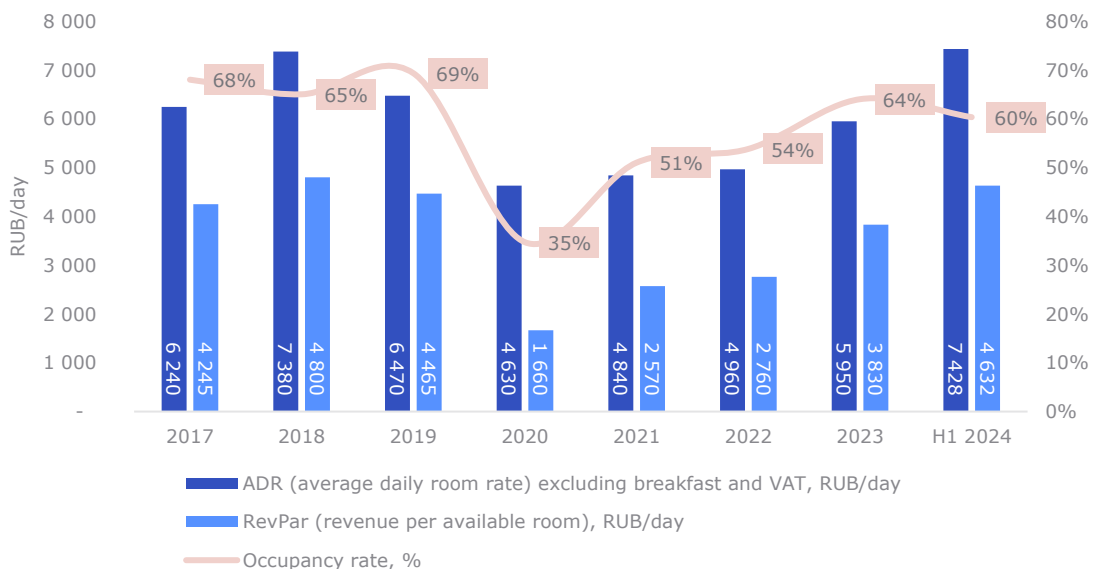


DEMAND AND PRICING POLICY: Saint Petersburg

According to the results for the first six months of 2024, the occupancy rate of St. Petersburg hotels was 1.3 p.p. lower than during the same period last year, amounting to 60.3%. However, the average daily rate per room for the first six months of 2024 was 52.8% higher year-on-year and 79.8% higher than in 2022. The highest growth was demonstrated by five-star hotels, where ADR increased from 10,827 RUB/day in 2023 to 20,090 RUB/day in 2024 for the same period. The growth of this performance indicator for 3* and 4* hotels stood at 29% and 24%, respectively.

As a result, the revenue per room (RevPAR) showed positive dynamics. On average, this indicator increased 1.5 times to 4,632 RUB/day versus 3,051 RUB/day for the first half of 2023. The highest growth, despite a slight decrease in occupancy, was for the upper upscale hotels from 6,316 RUB/day to 11,869 RUB/day. For three and four star hotels the indicator rose by 26-28%.

Dynamics of key indicators in the hotel market on average across all star-rating categories



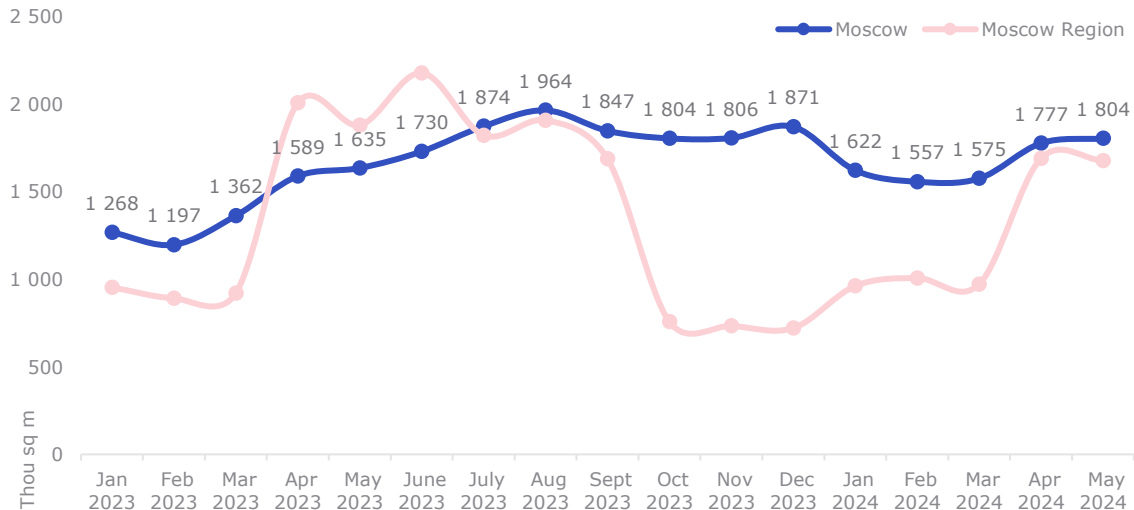
*Starting in Q4 2022, the analysis of the operational performance of hotels and apart-hotels has been based on the data of Hotel Advisors and the data of Nikoliers from its partners and clients. Within the framework of its sources Nikoliers uses its own methodology of market data analysis, which may cause discrepancy with the indicators published by Hotel Advisors independently or by other companies in other sources, where they can tap into the data of Hotel Advisors.



TOURIST FLOW: Moscow

- The tourist flow of Moscow at the end of 2023 turned out to be record-high, amounting to 24.5 million guests. The capital received 2.5 million foreign tourists, but the majority of visitors, 22 million people, came from other regions of Russia. China is the leading non-CIS country by the number of tourists who increasingly prefer individual trips or business visits to organized group tours. Turkey, India and Iran are also among the leaders.
- Based on the results for five months of 2024, the domestic tourist flow to the capital city exceeded by 18.2% the results for a similar period of 2023. There is also a trend towards a higher figure for the entire year 2024.
- The demand for out-of-town tourism keeps burgeoning as well. With domestic travel getting increasingly popular, a trend for short trips to neighboring regions and auto-tourism is taking shape. More and more people are favoring such vacations by including working days too. This is fueled by the rising prevalence of hybrid and remote work, which was dominant during the pandemic. The peak of demand for this type of recreation in the Moscow region falls on the period from April to September.

Assessment of the domestic tourist flow to Moscow and its suburbs by the number of trips, 2023-5 months of 2024



Source: Rosstat, Nikoliers



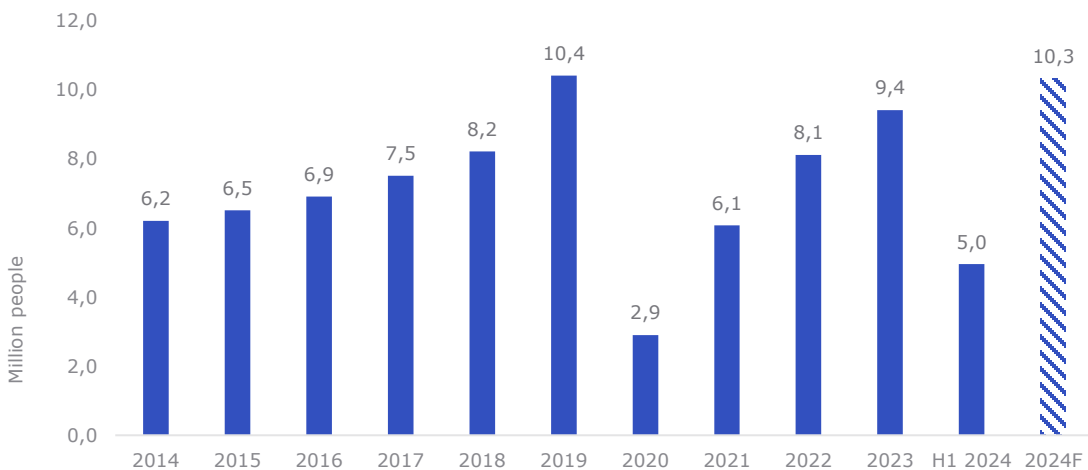
TOURIST FLOW: Saint Petersburg

+20%

Growth of the tourist flow to Saint Petersburg in the first half of 2024 year-on-year

During the initial six months of this year, 4.95 million people visited St. Petersburg. The largest increase in tourist flows is associated with event and business tourism, given that the city hosted major events, such as SPIEF, Scarlet Sails, and others. Passenger traffic at Pulkovo International Airport of St. Petersburg in the first half of 2024 amounted to 9.6 million people, up 4% year-on-year. That said, domestic flights accounted for 7.8 million travelers, while international flights – for only 1.8 million flyers. According to the forecasts of the St. Petersburg Tourism Development Committee, the tourist flow in the northern capital at the end of 2024 may reach the mark of 10.3 million people or the level of 2019.

Tourist flow to Saint Petersburg



TRENDS AND FORECAST

- The development of domestic tourism continues. Based on the results for 2023, the number of guests who stayed in collective accommodation facilities amounted to more than 77 million people, which is 19.4% more than a year earlier. As estimated by the Ministry of Economic Development, by the end of 2024, the number of guests staying in collective accommodation facilities can be at the level of 80 million people.
- Reinvigoration of inbound tourist flow. Inbound tourism is forecast to increase this year, driven by the launch of the e-visa system in August last year, an increase in the number of new international flights and the weakening of the ruble versus major world currencies. At the end of 2023, 15.5 million foreign tourists visited Russia, which is 18.6% more than a year earlier and almost a third more than in 2021. As estimated by tourist operators and travel agents, the figure may double at the end of 2024.
- Focus on Asian tourists. Over the year, the share of Asian tourists in the inbound tourist flow has increased by 6.1 p.p. to 20.2%. Due to the introduction of Muslim Friendly and China Friendly standards, the stay of tourists from Asian countries and Gulf states will become more comfortable, which will contribute to shaping the image of an attractive tourist destination.
- As per certain amendments to the draft law on tax changes, the Russian Ministry of Finance proposed to replace the resort fee with a tourist tax starting in 2025. Municipalities will be able to increase the tax rate annually until 2029 – from 1% in 2025 to 5% by 2029. This could make life easier for tourists by eliminating the resort fee on check-in, but will also affect accommodation prices and tourism affordability. Unlike the current resort tax, which was used for specific projects, the tourist tax will go to the municipal budget and can be spent on any needs not necessarily related to tourism.



Indicators for the first half of 2024 suggest that the trend of the previous periods, specifically the burgeoning demand for hotel services, continues – primarily due to domestic tourism. There is also an obvious increase in inbound tourist traffic, with hoteliers focusing on tourists from Asia and the Gulf states. Growing demand improves the revenue performance of hotels as the price per average room, RevPAR, is rising. By the end of 2024, the demand for hotel services is expected to grow further. This is largely facilitated by the opening of new modern accommodation facilities both in cities with million-plus population and in resort regions which are not yet saturated with such facilities.

In the midst of the key interest rate growth on the one hand, and government support measures aimed at the development of tourism in the country (possibility to receive preferential financing, subsidies, tax preferences) on the other hand, the hotel segment remains attractive for investors. Federal projects aimed at infrastructure development in Russia's regions will also be a factor stimulating the development of the industry.

Oleg Germanenko
Head of Strategic Consulting Group in Moscow
Strategic Consulting Department



Services



Offices



Industrial



Retail



Residential



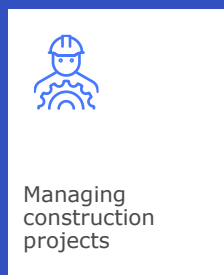
Hotels



Land plots



Property management



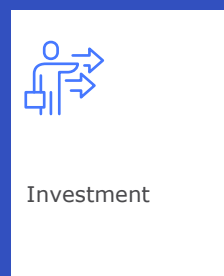
Managing construction projects



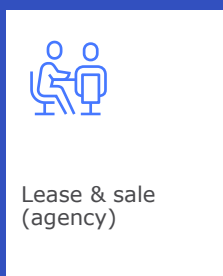
Strategic consulting



Property and business valuation



Investment



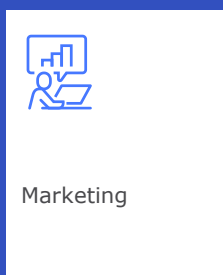
Lease & sale (agency)



Representation of tenants



Research and analytics



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