

International
Hotel Chains
in Russia -
2019

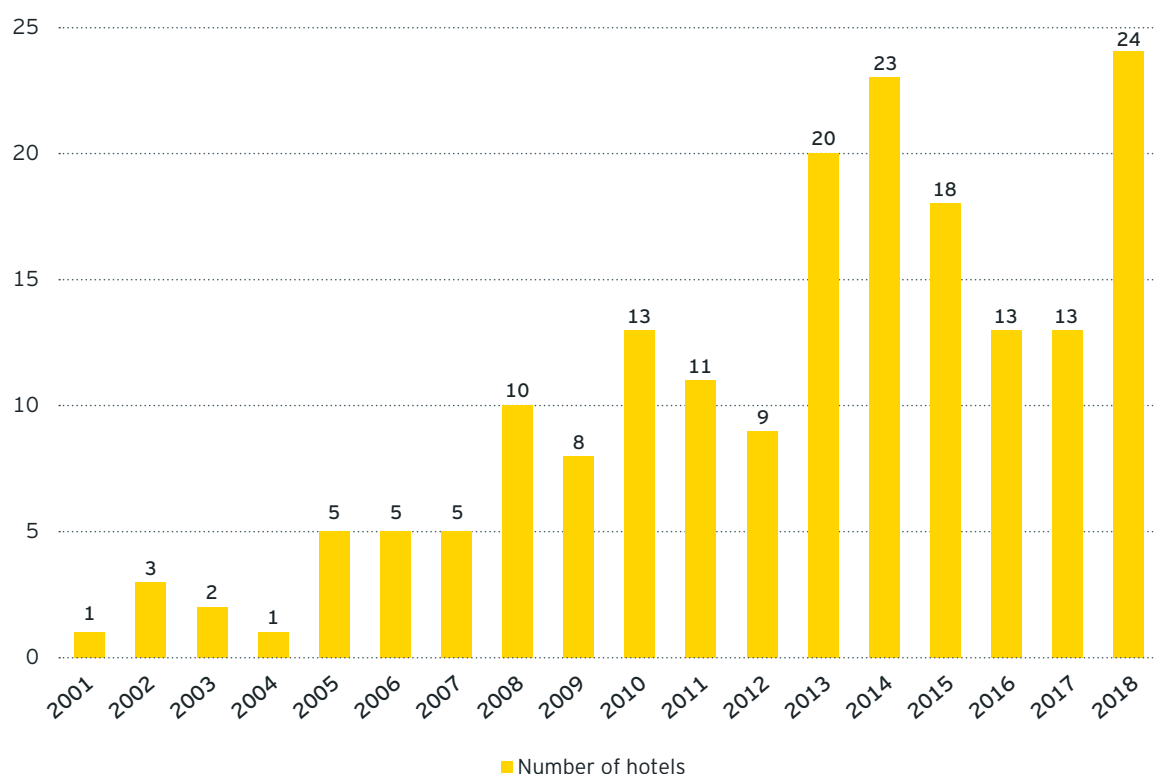


International hotel chains in Russia

According to EY's annual market research on the presence of international hotel brands in Russia, there were 197 hotels under international management operating in the region as of February 2019 with a total room stock of 42,373 keys.

Moreover, twenty-four new branded hotels (4,124 rooms) were opened during 2018, compared with 13 hotels with a total room stock of 2,411 keys commissioned in Russia in 2017.

New hotels opened under international brands, per year (February 2019)



Sources: hotel operators' data, EY analysis

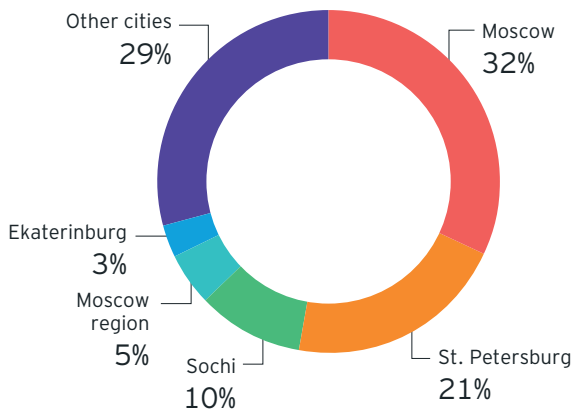
More than half of the existing room supply is concentrated in Moscow and St. Petersburg (53%), followed by Sochi (10%), the Moscow Region (5%), Ekaterinburg (3%), and other locations.

By 2025 the number of hotels under international management are planned to increase by 73 new properties (13,734 rooms). Thus, if by 2025 all announced hotels open, the number of hotels under international management in Russia will reach 270 (56,107 rooms), located in 53 cities.

In this case, by 2025 the share of Moscow and St. Petersburg will decrease by just 3% (to 50%), while the share of Sochi will decline to 9%, the share of the Moscow Region will increase by 1% (up to 6%), and the share of Ekaterinburg will remain unchanged (3%).

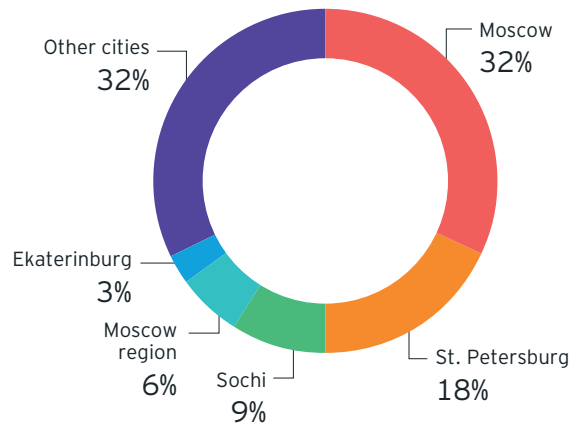
Moreover, in years to come openings of the first ever branded hotels are planned in 14 new locations, including Karachay-Cherkessia (Arkhyz), Blagoveschensk, Vladimir, Kislovodsk, Kogalym, Mineralnye Vody, Perm (Hilton Garden Inn operated till 2018), Ryazan, Svetlogorsk, Surgut, Tolyatti, Tomsk and Khabarovsk.

Share of existing room supply by cities in Russia (as of February 2019)



Sources: hotel operators' data, EY analysis

Share of future room supply by cities in Russia (including existing room supply)



Sources: hotel operators' data, EY analysis

Hotels under international brands are currently located in 39 cities of Russia. By 2025 their presence is planned to grow to 53 cities.

International-scale events are often a key driver of the expanding footprint of international hotel operators. In 2018 the FIFA World Cup was held in Russia in the 11 following cities. To prepare for this big sports festival, new hotels were constructed.

- ▶ Ekaterinburg
- ▶ Kaliningrad
- ▶ Kazan
- ▶ Moscow
- ▶ Nizhny Novgorod
- ▶ Rostov-on-Don
- ▶ Samara
- ▶ Saransk
- ▶ Sochi
- ▶ St. Petersburg
- ▶ Volgograd

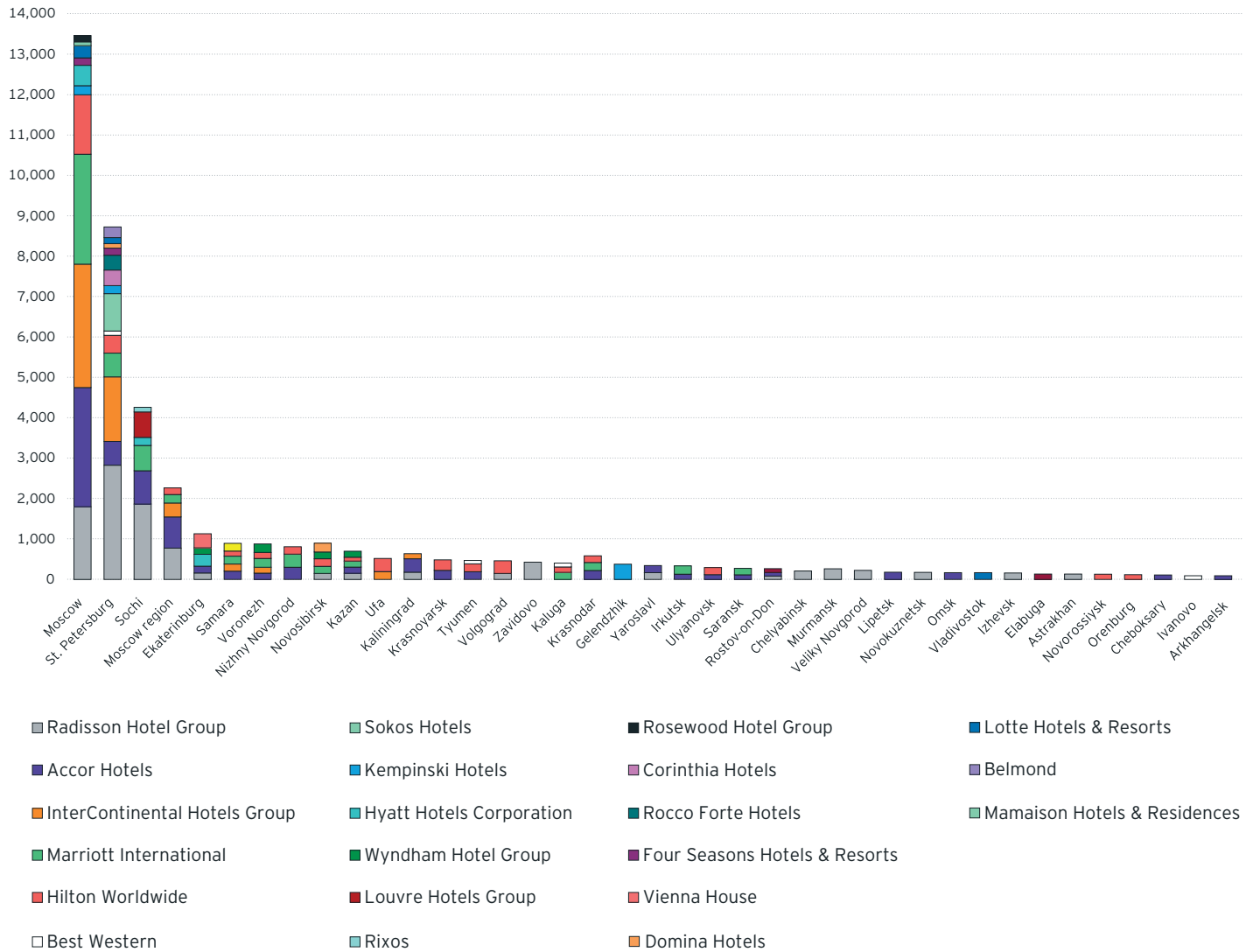
As of the end of 2017 10 of the 11 host cities already had 123 hotels under international brands (28,394 rooms). In 2018, 11 new properties (5,027 rooms) opened in these locations.

Further, during 2018 the first ever branded hotels opened in Arkhangelsk, Elabuga, Novorossiysk, Saransk and Vladivostok (rebranding of the former Hyundai Hotel).

The graph below shows the presence of international hotel chains in Russia as of February 2019:



Existing room supply under international management by city of Russia (as of February 2019)



Sources: hotel operators' data, EY analysis

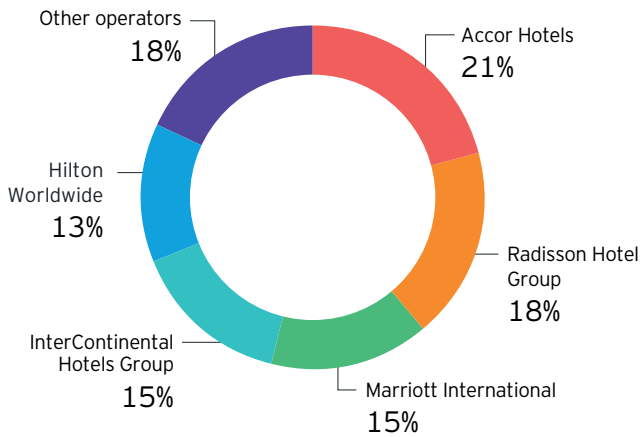


The total branded room stock available in Russia as of February 2019 (i.e. 197 hotels with 42,373 keys in 39 locations) is operated or franchised by 23 international hotel chains currently present in the region.

The largest market share (80%) is divided between five chains: Accor Hotels, Hilton Worldwide, Marriott International, Radisson Hotel Group, and InterContinental Hotels Group.

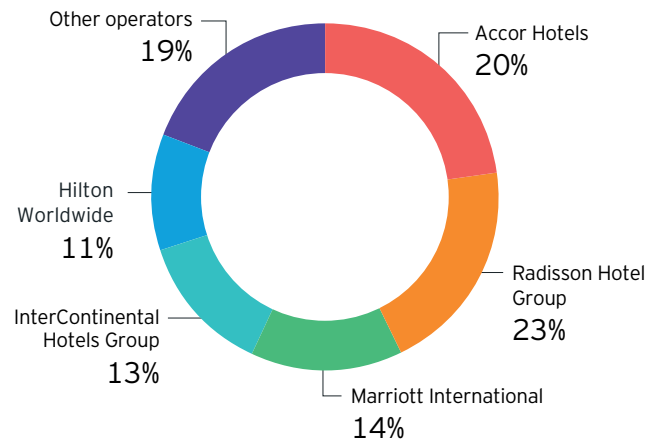
The graphs below show the actual and projected footprint of hotel operators in Russia as of February 2019 and including future projects till 2025.

Share of hotel operators - distribution of existing room supply (February 2019)



Sources: hotel operators' data, EY analysis

Share of hotel operators - distribution of future room supply (including existing rooms)



Sources: hotel operators' data, EY analysis

Russian hotel brands

Meanwhile, Russian hotel operators are increasing their presence in both Russia and abroad. National brands as a rule account for a significantly smaller proportion of hotels in the markets of most countries (except the U.S.) compared with hotels under international management. This is also true for the Russian market: currently, the share of hotels under international brands (197 hotels) is almost 1.8 times higher than the share of hotels under national management (108).

At the end of 2017 there were 179 hotels under international management in Russia vs. 101 hotels operated by Russian chains. Thus, this year the difference has increased by 11 hotels in favor of international chains.

Russian operators continue to grow and are opening new hotels both on the domestic market and abroad. Major Russian hotel chains are listed in the table below:

Russian hotel operators in the domestic and international markets (February 2019)

Chain	Number of hotels in Russia / abroad	Regions / cities in Russia	Countries abroad
Azimut Hotels	27 / 8	Murmansk, Moscow, St. Petersburg, Pereslavl, Kostroma, Suzdal, Nizhny Novgorod, Voronezh, Penza, Ufa, Stavropol, Tuapse, Astrakhan, Sochi, Nalchik, Kemerovo, Novosibirsk, Kyzyl, Mirny, Yakutsk, Vladivostok	Germany, Austria
GOST Hotel Management	24 / 0	Moscow, the Moscow Region, Sochi, Nizhny Novgorod, Nizhny Novgorod region, Irkutsk, Irkutsk region, Kislovodsk, Khakasia, Baykalsk, Buryatiya	-
Amaks Hotels & Resorts	19 / 4	Vladimir, Belgorod, Rostov-on-Don, Ryazan, Azov, Omsk, Veliky Novgorod, Voronezh, Tambov, Novy Urengoy, Perm, Kazan, Krasnoyarsk, Ufa, Izhevsk, Tolyatti, Yoshkar-Ola, Kurgan, Valday	Belarus
Cronwell Hotels & Resorts	11 / 5	St. Petersburg, the Leningrad Region, Omsk, Khanty-Mansiysk, the Tyumen Region (Uray), Karachay-Cherkessia	Greece
Soyuz Marins Group	7 / -	Yalta, Sochi, Ekaterinburg, Nizhny Novgorod, Rostov, - Novosibirsk	-
Cosmos Group	6 / 3	Moscow, the Moscow region, Petrozavodsk, Altay	Czech Republic, Italy, Namibia
Alliance Hotel Management	6 / -	Moscow, Obninsk, Saransk, Abakan, Tuapse, Ulyanovsk	-
Heliopark Hotels & Resorts	5 / 1	The Moscow Region, Penza, Anapa (Sukko)	Germany
Korston Hotels	3 / -	Moscow, Kazan, Serpukhov	-
Total:	108 / 21		

Sources: hotel operator's data, EY analysis

New hotels: 2019

During 2018 and the first months of 2019 the Russian hotel market increased by twenty-six new hotels opened under international brands.

According to information that EY has compiled from hotel operators and open sources, 17 more hotels are due to open in 2019. We believe, however, that the opening of some of them may be postponed until 2020.

Hotels opened under international management in Russia in 2018 and the beginning of 2019

Chain	Hotel	Number of rooms	City
Accor Hotels	Novotel Arkhangelsk	89	Arkhangelsk
	Mercure Kaliningrad	167	Kaliningrad
	Ibis Moscow Domodedovo Airport	152	The Moscow Region
	Mercure Nizhny Novgorod	80	Nizhny Novgorod
	Mercure Saransk	115	Saransk
	Novotel Gorky Gorod	120	Sochi
	SO/ St. Petersburg	137	St. Petersburg
	Ibis Ulyanovsk	117	Ulyanovsk
Radisson Hotel Group	Radisson Blu Olympiysky Hotel Moscow	381	Moscow
	Radisson Blu Hotel, Rostov-on-Don	82	Rostov-on-Don
Hilton WorldWide	DoubleTree by Hilton Moscow - Vnukovo Airport	432	Moscow
	Hilton Garden Inn Novorossiysk	130	Novorossiysk
Lotte Hotels & Resorts	Lotte Hotel Samara	193	Samara
	Lotte Hotel Vladivostok	169	Vladivostok
InterContinental Hotels Group	Holiday Inn Kaliningrad	125	Kaliningrad
	Crowne Plaza Moscow - Tretyakovskaya	159	Moscow
	Holiday Inn Express Moscow - Khovrino	171	Moscow
	Holiday Inn Express Moscow - Sheremetyevo Airport	190	The Moscow Region
	Holiday Inn Express St. Petersburg - Sadovaya	244	St. Petersburg
Marriott International	Four Points by Sheraton Krasnodar	200	Krasnodar
	Four Points by Sheraton Saransk	159	Saransk
	Courtyard Sochi Krasnaya Polyana	202	Sochi
	Voronezh Marriott	221	Voronezh
Rosewood Hotel Group	Pentahotel Moscow Arbat	228	Moscow
Wyndham Hotel Group	Ramada Alabuga	134	Elabuga
	Ramada H&S Novosibirsk	167	Novosibirsk
Total:	26 hotels	4,564 rooms	16 cities

Source: hotel operators' data, EY analysis

Hotels under international management due to open in Russia in 2019

Chain	Hotel	Number of rooms	City
Accor Hotels	Mercure Blagoveschensk	90	Blagoveschensk
	Novotel Moscow Taganskaya	156	Moscow
Hilton Worldwide	Hampton by Hilton Krasnodar	109	Krasnodar
	Hampton by Hilton Rogozhsky Val	147	Moscow
Hyatt Hotels Corporation	Hyatt Place Ekaterinburg	146	Ekaterinburg
	Hyatt Regency Vladivostok Golden Horn	222	Vladivostok
InterContinental Hotels Group	Crowne Plaza Moscow - Park Huaming	340	Moscow
	Holiday Inn Express Moscow - Baumanskaya	128	Moscow
	Holiday Inn Perm	118	Perm
Marriott International	Krasnodar Marriott Hotel	224	Krasnodar
	AC Moscow Bolshaya Sadovaya	240	Moscow
	Four Points by Sheraton Moscow Vnukovo Airport	250	Moscow
	Courtyard by Marriott Rostov-on-Don	200	Rostov-on-Don
	Courtyard by Marriott Sochi Plaza	340	Sochi
Wyndham Hotel Group	Four Points by Sheraton Voronezh	108	Voronezh
	Ramada Encore Ekaterinburg	214	Ekaterinburg
	Ramada Kislovodsk	124	Kislovodsk
Total:	17 hotels	3,156 rooms	10 cities

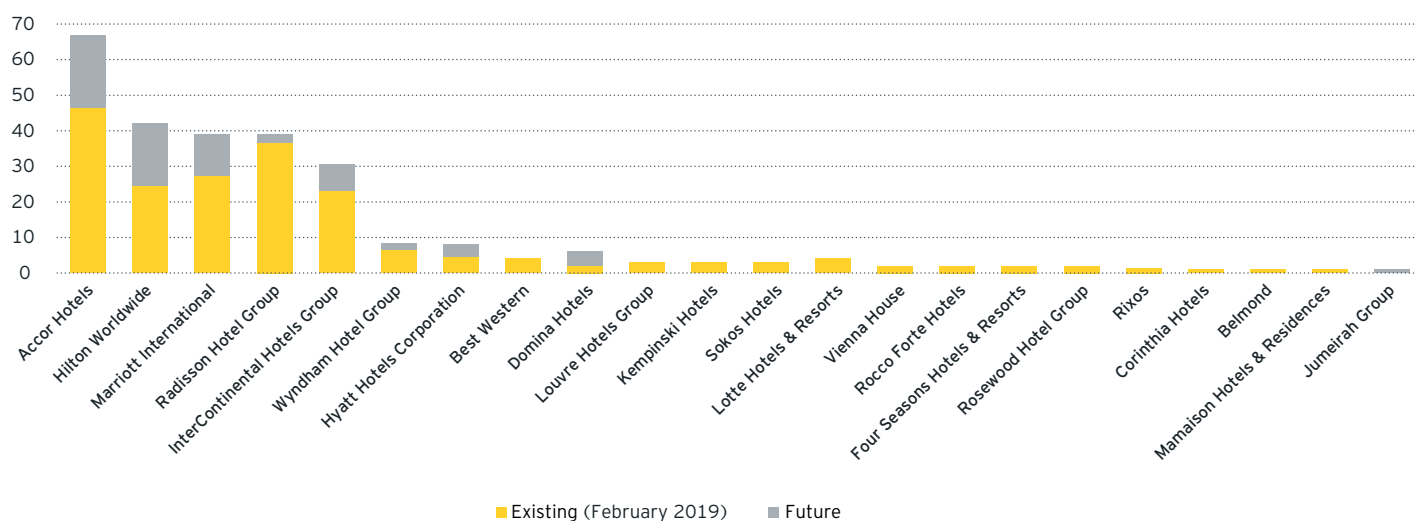
Source: hotel operators' data, EY analysis

Key figures for international hotel operators in Russia (as of February 2019)

Chain	Existing number of		Future number of		Total number by 2025	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Radisson Hotel Group	36	9,903	3	505	39	10,408
Accor Hotels	47	8,273	20	3,274	67	11,547
Hilton Worldwide	24	4,637	18	2,786	42	7,423
Marriott International	27	5,968	12	2,549	39	8,517
InterContinental Hotels Group	23	5,639	8	2,709	31	8,348
Wyndham Hotel Group	6	919	2	338	8	1,257
Hyatt Hotels Corporation	4	997	4	764	8	1,761
Sokos Hotels	3	927	-	-	3	927
Lotte Hotels & Resorts	4	816	-	-	4	816
Kempinski Hotels	3	803	-	-	3	803
Louvre Hotels Group	3	634	-	-	3	634
Best Western	4	379	-	-	4	379
Rocco Forte Hotels	2	367	-	-	2	367
Four Seasons Hotels & Resorts	2	357	-	-	2	357
Vienna House	2	348	-	-	2	348
Domina Hotels	2	327	4	668	6	995
Corinthia Hotels	1	388	-	-	1	388
Belmond	1	265	-	-	1	265
Rosewood Hotel Group	1	228	-	-	1	228
Rixos	1	114	-	-	1	114
Mamaison Hotels & Residences	1	84	-	-	1	84
Jumeirah Group	-	-	1	76	1	76
Mandarin Oriental Hotel Group	-	-	1	65	1	65
Total:	197	42,373	73	13,734	270	56,170

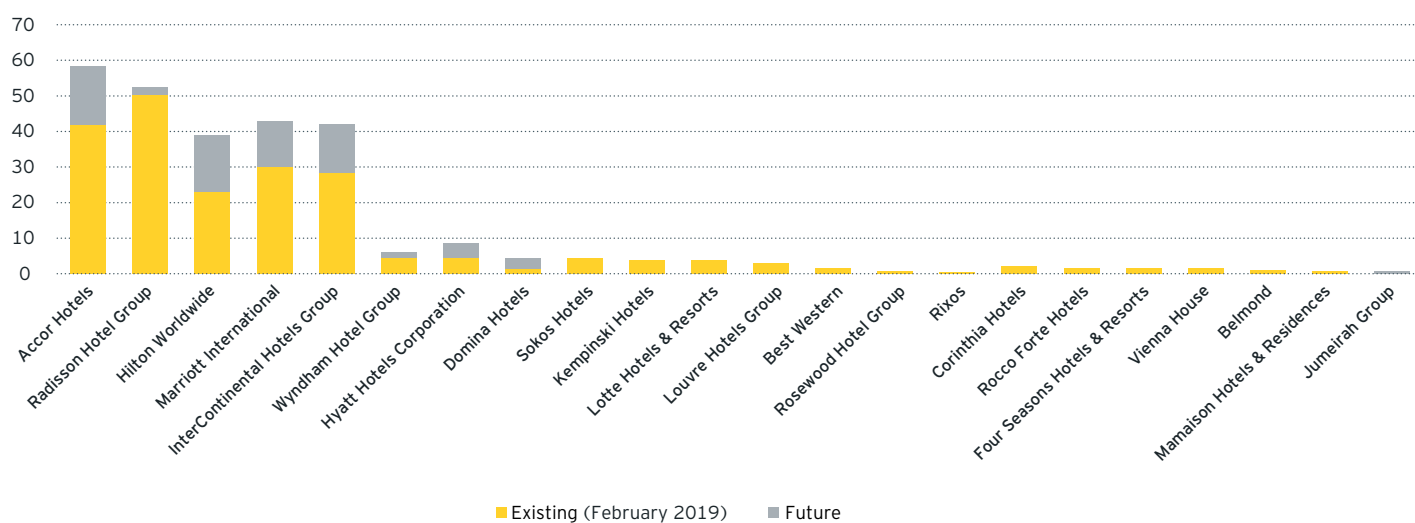
Sources: hotel operators' data, EY analysis

Distribution of international operators by number of hotels



Sources: hotel operators' data, EY analysis

Distribution of international operators by room supply



Sources: hotel operators' data, EY analysis

Hotel chain affiliations – key benefits

It is a prevailing opinion among hotel developers and owners – both domestic and international – that a global chain affiliation is an indispensable component of a hotel's success. Without advocating either option and given the focus of this publication, below we share our thoughts on the key benefits that an owner may expect to gain from affiliation with a global hotel chain.

Major benefits of affiliation with a global hotel chain

Benefit	Comment
Recognition	Recognizable hotel brand is perceived as a quality guarantee
Status of the property	International brand raises the status of the property
Safety	Foreign tourists prefer to stay in hotels with well-known international brands in “unsafe” countries
Global booking system	Opportunity to book via various electronic channels, simplicity of search, booking without intermediaries
Integrated marketing	Integrated marketing allows brand promotion costs to be reduced due to the hotel's presence on the operator's website, in booking systems, catalogs, and brochures
Loyalty programs	Guests who join hotel chain loyalty programs are motivated to choose hotels in this chain due to various benefits and discounts for regular guests
Level of service	Common service standards, management systems and staff training in hotel chains result in a higher level of service than in independent hotels
Stability in times of crisis	Hotel chains are more resilient in times of crisis for a number of reasons: more stable demand from loyal guests, efficient occupancy management due to presence in several global reservation systems, the availability of highly skilled professionals with experience of working in unstable economic conditions
Lower costs	Hotel chains guarantee lower costs on consumables, maintenance and repairs, advertising and marketing due to large purchase volumes and cost distribution among all hotels in the chain
Lower risk to investors	International brand lowers risks and provides a great advantage when selling a property or obtaining a bank loan

Source: EY analysis

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