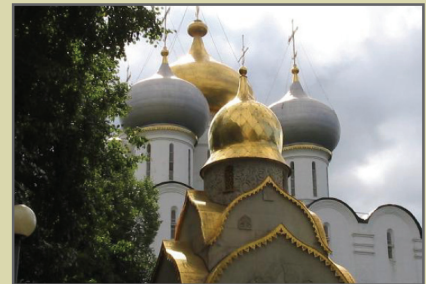
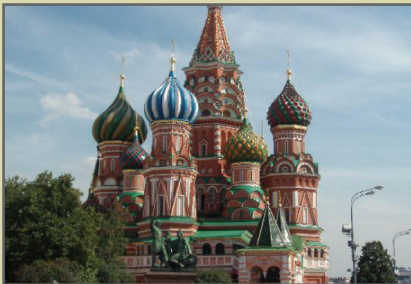


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2009 Edition

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Russia's provinces still hold untapped potential for hotel development. For international operators and developers, the race for the regions is on...



Introduction

In recent years, Russia's economy has been booming and this has encouraged important sums of Foreign Direct Investment (FDI) into the country. A growing number of business travellers were recorded in Russia's major markets, followed by western-style hotel development and general infrastructure improvements to accommodate the growing numbers of travellers. With Moscow and St Petersburg being relatively well supplied with branded hotels, investors are turning to the regions to expand their networks. At the same time, the international operators are keen to enter the 'millioniki' cities in provincial Russia, most of which do not have a single hotel of international standard. In this article, HVS provides you with updated coverage of the ongoing brand race, the hot (and cold) race tracks, who is racing with whom and the expectations of those in the driving seat.

What Happened to the Russian Economy?

After several years of exemplary growth, Russia is likely to post the greatest economic slump this year when compared to the other BRIC countries (Brazil, Russia, India and China), according to most recent forecasts by the Economist Intelligence Unit (EIU). Real Gross Domestic

Product (GDP) is expected to decline by 7% in 2009, a considerable drop from a five-year average annual growth of 7%.

Today, as ever, Russia's economy remains dominated by oil and gas, and its overall government policies depend heavily on the global oil price. From late 2008, the global economic crisis has caused the price of oil to dwindle and demand for metals and other raw materials, Russia's other main exports, reduced significantly. With most state-owned banks in difficulty and international funding relatively unavailable, Russia's economic growth remains severely impeded. All of this also led to the recent devaluation of the rouble, which has weakened from Rb36.5 to the euro to Rb44.1 between 2008 and 2009.

Undoubtedly, Russia will recover eventually thanks to the energy prices

rising again, a slightly more diversified economy and the purchasing power of the rising middle class. The EIU forecasts 2.5% GDP growth for 2010 and 4.1% for 2011, which represents a stronger and quicker rebound than in Western Europe. Some economists argue that Russia's economy has bottomed out and some slow, marginal growth should be noticeable in the coming months.

What Does the Future Hold for the Travel Industry?

Russia saw the total number of visitor arrivals grow at a compound annual rate of 6.4% between 2001 and 2007, although much of this growth was due to domestic arrivals. The number of international arrivals grew at a compound annual rate of only 3.0%

Figure 1 Key Economic Indicators for Russia

	Actual			Forecast			
	2006	2007	2008	2009	2010	2011	2012
Real GDP growth (%)	6.7	8.1	5.6	(7.0)	2.5	4.1	4.5
Consumer price inflation (av %)	9.7	9.0	14.1	12.1	9.4	8.4	7.4
Budget balance (% of GDP)	7.4	5.4	3.6	(8.0)	(5.5)	(3.2)	(2.8)
Current-account balance (% of GDP)	9.6	6.1	6.1	1.9	3.0	2.5	3.5
Short-term interest rate (av %)	11.0	6.9	13.0	10.5	10.0	9.0	8.5
Exchange rate Rb:US\$ (av)	27.20	25.58	24.90	32.50	33.50	34.00	34.50
Exchange rate Rb:€ (av)	34.10	36.14	36.50	44.10	46.40	48.10	49.90

Source: Economist Intelligence Unit, September 2009

over the same period (Figure 2). According to Euromonitor's forecast, arrivals are expected to grow further in the years to come, although this time a more significant increase is expected from international arrivals.

The number of international arrivals in 2003 and 2004 was impacted by incidents such as the war in Chechnya, two terrorist attacks on Russian aircraft leaving Domodedovo airport, and the Beslan school tragedy. 2006 and 2007 were stronger years: international year-on-year growth was 5.2% and 5.1%, respectively. Euromonitor estimates that the tourism sector will continue to show favourable signs in future years; with the 25 million international arrivals milestone surpassed in 2007, international arrivals are predicted to reach 31 million by 2010 and 38 million by 2012.

However, Russia's tourism industry is still small by international standards, directly accounting for an estimated 2.3% of GDP in 2009, according to the World Travel and Tourism Council (WTTC). A shortage of quality hotel accommodation (and that available is often expensive) and the poor and largely under-developed transport infrastructure contribute to relatively low levels of demand. It should be noted here that approximately 45% of tourists arrive by rail, and 33% via the road network. Air travel constitutes a low 13% at the moment; owing to the size of the country, many regions are still not easily accessible. Aside from the above factors, the tourism industry has also suffered from rising prices for Russian tour packages, lack of tourism promotion and a poor level of tourist information available in foreign languages. On the upside, however, the opportunities for the Russian tourism sector can be summarised as follows.

- Russia has agreed to implement a new visa regime for EU citizens (except non-Schengen countries) that is expected to alleviate the bureaucratic difficulties visitors face when entering the country;
- The Black Sea resort of Sochi was chosen to host the 2014 Olympic and Paralympic Winter Games, events expected to raise Russia's overall profile;
- Attracting new airlines – either directly serving a foreign airport or via a Moscow hub – is key for broadening the region's source markets. In most regional markets, the share of international travellers (mainly from former Soviet republics,

Figure 2 Tourist Arrivals to Russia 2001-07 and Forecast 2008-12 (000s)

Year	Total Arrivals	% Change	International Arrivals	% Change	Domestic Arrivals	% Change
2001	83,932	—	21,570	—	62,362	—
2002	91,770	9.3 %	23,296	8.0 %	68,474	9.8 %
2003	98,104	6.9	22,514	-3.4	75,590	10.4
2004	106,050	8.1	22,690	0.8	83,360	10.3
2005	110,925	4.6	23,314	2.7	87,611	5.1
2006	115,806	4.4	24,517	5.2	91,289	4.2
2007	121,451	4.9	25,775	5.1	95,676	4.8
2008f	127,727	5.2	27,401	6.3	100,326	4.9
2009f	133,214	4.3	29,279	6.9	103,935	3.6
2010f	139,643	4.8	31,618	8.0	108,025	3.9
2011f	147,374	5.5	34,697	9.7	112,677	4.3
2012f	156,056	5.9	38,269	10.3	117,788	4.5
Compound Annual Growth Rate 2001-07						
		6.4 %		3.0 %		7.4 %
Compound Annual Growth Rate 2007-12						
		5.1 %		8.2 %		5.3 %

Source: Euromonitor International

as well as Finland and Germany) does not exceed 15%. On a positive note, in January 2007, Russia's first low-cost airline, Sky Express, took off from Vnukovo airport in Moscow. S7 Airlines has also seen great increases in passenger numbers in recent years. With the cost of air travel coming down slowly, domestic travellers are also more likely to choose this mode of transport;

- Most regional cities show a predominantly commercial seasonality pattern with good mid-week occupancies but low occupancies at weekends and during holiday periods. Many regional cities are investing in their transport and tourism infrastructure and their conference and meeting space in an attempt to complement typical business demand with leisure and conference guests;
- In 2009 the significant depreciation of the rouble has led to an increase in domestic tourism. This indeed has helped local hotel and tourism businesses.

Which are the Regional Hot Spots?

With most operators having successfully entered Russia's two main markets – Moscow and St Petersburg – investors and operators alike started to eye Russia's

provincial markets. HVS considers that despite the short-term trend of falling RevPAR in both major markets, Russia's provinces will remain an investment focus for many years to come.

HVS has been active in a number of regional markets over the past few years. In the following paragraphs (and in no particular order) we discuss some of the regional development 'hot spots' in Russia.

Sochi

It is impossible to talk about regional hot spots without kicking off with Sochi – the summer capital of Russia and home to the 2014 Winter Olympics. Sochi has always been heavily dependent on the domestic tourism market. We expect that trend to continue in the short to medium term. Government and private investment over the coming years, especially in relation to the 2014 Winter Olympics, will have an important effect on Sochi's infrastructure and thus the attractiveness of the city as an international holiday destination. Sochi has always been a very seasonal destination with exceptionally busy summer months. We consider that the huge investment in infrastructure for the 2014 Winter Olympics will have a positive impact on Sochi's seasonality and that the area will evolve into a year-round destination rather than just a summer resort. Hotel supply in Sochi has remained stagnant in recent years, with a lot of hotels dating from Soviet times.

Today, hotels achieve occupancy of 45-50%. The most recent hotel opening (August 2006) was that of the five-star Grand Hotel & Spa Rodina (formerly of the Stein Group). The current branded supply in Sochi also includes two franchised Radisson hotels (one on the coast and the other in the mountains). The branded hotel development pipeline so far includes a Doubletree by Hilton and a possible JW Marriott on the site of the old Moskva Hotel amongst many other unbranded hotels of different categories. We rate Sochi as an emerging market, one with a positive outlook (especially for branded hotels) in the medium to long term.

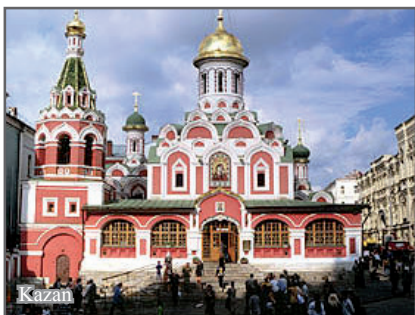
Novosibirsk

Novosibirsk is the third-largest city in Russia, with a population of 2.3 million. During Stalin's Industrialisation, Novosibirsk grew exponentially, eventually becoming one of the largest industrial centres in Siberia, resulting in its nickname as the 'Chicago of Siberia'. In addition to the city's massive industrial complexes, Novosibirsk holds a number of international fairs and exhibitions. Today, Novosibirsk is the biggest administrative, business, and scientific centre east of the Ural Mountains, and is known to many as the capital of Siberia. Hotel demand in the city is almost entirely of a commercial nature.

The current hotel supply in Novosibirsk is of limited quality and comprises only 900 rooms. Marketwide occupancy in 2008 reached 60-65%. The hotel pipeline includes a Doubletree by Hilton and a number of rumoured properties. Owing to the limited hotel supply and very strong commercial demand, Novosibirsk still holds considerable potential for hotel development.

Kazan

With a population of just over a million, Kazan is the capital of the Tatarstan Republic. Since its millennium celebration in 2005, the city has transformed itself in terms of local infrastructure and new hotels (Shalyapin Palace Hotel and



Korston Hotel). Kazan is an important commercial hub for the local oil and gas industry and for machinery manufacturing. In addition, Kazan has a beautiful city centre with a number of tourist attractions (such as the Kazan Kremlin) and a good sports infrastructure that induce demand to the market and help weekend occupancies.

Kazan's hotel supply is rather recent and of good quality. The 215-room Grand Hotel Kazan is the city's newest hotel opening, and the first internationally branded hotel (a 152-room Ibis) is due to open at the end of 2009. Marketwide occupancy in Kazan reached roughly 55% in 2008. Owing to its strength as a commercial market with the potential for a more balanced business mix and its relatively high average rates, we consider that Kazan will soon establish itself as a major secondary market in Russia.

Ufa

Ufa is the capital of the Republic of Bashkortostan and has a population of roughly one million. Ufa's market mix is predominantly commercial, with leisure demand growing at a slow but steady rate. The infrastructure and transportation facilities in and around the city are improving. The many sporting events attract a considerable amount of leisure demand at weekends. Ufa's main hotels include the four-star Bashkortostan Hotel and President Hotel as well as two Russian brands (Azimut and Amaks) that achieved approximately 60% occupancy in 2008. Current projects include a 300-room Novotel but its opening date is uncertain at this stage. Ufa's potential is supported by its importance as a commercial hub and its healthy average rate growth.

Yekaterinburg

Yekaterinburg is strategically located in the Urals federal district between Europe and Asia, making it an important gateway city for both trade and tourism. Yekaterinburg is the fifth-largest city in Russia, with a population of 1.3 million.

Yekaterinburg is well known for its concentration of industrial manufacturing plants. The city's largest factories produce oil extraction equipment, tubes and pipes, steel rollers, steam turbines and manufacturing equipment for other factories. Yekaterinburg is considered a key region for investment in Russia given its rising wealth and the notably high level of consumer spending.



Yekaterinburg is predominantly a business destination; however, the local authorities are making a concerted effort to attract more leisure demand to reposition the city as a leisure destination. Hotels in this market tend to achieve occupancy of 60-65%.

Yekaterinburg's branded hotel supply includes a 160-room Park Inn and two recently opened hotels – a 296-room Hyatt and a 160-room Ramada. Apart from the branded supply, the city's hotel supply also includes the four-star, 131-room Atrium Hotel and the 109-room Grand Avenue Hotel. New supply to this market includes a budget hotel and a mid-market hotel, both of which are being planned by the developers of the Ramada.

Given the high industrial output from the Oblast, which is second only to Moscow Oblast, we expect this market to remain a hot spot in the medium to long term.

Chelyabinsk

Chelyabinsk, in the southern foothills of the Urals, is in West Siberian Russia and is home to some 1.1 million inhabitants. Since the 1930s, the Chelyabinsk region has remained one of the most industrially developed areas of Russia and it is known as a centre of ferrous metallurgy and heavy engineering industry. The closest bathing lake to Chelyabinsk itself is Lake Smolino, some seven kilometres from the city centre. The city centre is rather compact and has limited tourist value at present, with the exception of the State Opera, the Local History Museum and a few others attractions.

The 54-room Holiday Inn Chelyabinsk-Riverside, which opened in May 2008, is the most upscale hotel product in Chelyabinsk and we are aware of plans to increase the property's room count to 200. The Park City, Almaz and Victoria hotels offer accommodation at a reasonable standard and marketwide occupancy in 2008 reached 60-65%. Owing to its status as a metallurgical centre, we expect the city's hotel market to experience stable growth in the future.

CAUTION! Markets Which Need More Careful Consideration

Investment opportunities in Russia are plentiful; however, a few words of warning regarding a number of cities that should be approached with greater caution.

Rostov-on-Don

As the capital of the Southern Federal District, Rostov-on-Don caught investors' interest early on. With 1.1 million inhabitants and its location on the Don river, the city is a commercial and transport hub. The city's first internationally branded hotel, the 81-room Radisson Don, opened in April 2008. While the market's fundamentals are sound, we have reservations about the large hotel pipeline in the upscale segment: a Sheraton, Hyatt, a second Radisson and a Kempinski (totalling 1,200 rooms) are planned for the city. Oversupply could greatly impact the hotels' ability to grow their average rates in the future. However, potential still exists in this market for the development of budget and mid-market hotels.

Omsk

On the banks of the River Irtysh, the city of Omsk is the administrative centre of Omsk Oblast. Omsk is Russia's second-largest city east of the Urals. Food processing, including meat and dairy production, accounts for about 30% of the city's total industrial output, and chemicals and petrochemicals, including oil refining, account for another 20%. Military-related manufacturing and engineering, including the production of aircraft, tractors, engines, communication devices and medical equipment, account for up to 15% of industrial output.

Omsk does not have any branded hotels as yet, although a 163-room Ibis is under construction and is expected to open around the time this publication goes to press. The current supply includes the 58-room, three-star Flagman Hotel, the 120-room Mayak Hotel, the 76-room Irtysh Hotel and the 173-room Tourist hotel. These hotels achieve occupancy of 55-60%.

Although in population terms Omsk can be considered a potentially large market, we share a pessimistic view of the market given the lack of businesses

generating hotel demand in the city, together with difficult access to and from Omsk.

Vladivostok

Vladivostok is Russia's largest port city on the Pacific Ocean, the administrative centre of Primorsky Krai and the economic centre of Russia's Far East. It is situated not far from Russia's borders with China and North Korea. The city's main industries are shipping, commercial fishing, and the naval base. Fishing accounts for four-fifths of Vladivostok's commercial production. Major imports include automobiles, clothing, footwear and medicines. Vladivostok is a very seasonal destination. The summer months, particularly June to September, are considered to be peak months.

Vladivostok is going through a construction boom after it was announced that Russia's Russky Island, a small island just off Vladivostok, will host the 2014 Asia-Pacific Economic Cooperation (APEC) Summit.



Current hotel supply in Vladivostok includes the 155-room Hyundai Hotel, the 85-room Amursky hotel and the 417-room Hotel Vladivostok amongst many other small and unbranded hotels. We note that there are confirmed plans for a Marriott hotel and possibly an Accor hotel to enter the market before the APEC Summit.

Given the hotel development pipeline, the extreme seasonality of the market, the modest economic activity, and the longer term use of Russky Island, which most likely is going to be converted to a state university, we would take a cautious approach to this market. Unless of course you have a spectacular site!

The Brand Race

Russia offers immense potential to all concerned with hotel development. Moscow, let alone the regional cities, faces a vast undersupply of branded rooms. In addition, there are 14 cities in Russia with a population of over a million and most have none, or at best one, hotel of an international standard.

In Figure 3 we present the current development map for regional Russia. This map illustrates the existing branded supply in regional Russia along with the planned development hot spots.

The Teams

Some real estate companies have clearly set their intentions to develop branded hotels across regional Russia; we highlight some below.

- **Regional Hotel Chain LLC (RHC)** and Rezidor Hotel Group have announced a strategic development agreement for at least 20 Park Inn hotels across the Russian Federation (in cities such as Nizhni Novgorod, Yaroslavl, Sochi and Novosibirsk). Having conducted a feasibility study on 30 regional cities in Russia, RHC has two hotels in development, nine other sites have been secured (and are already at the design stage) and a further 11 sites have been identified for development. The two hotels already at an advanced construction stage are in Astrakhan (132 rooms) and Kazan (151 rooms) with openings scheduled for 2010;
- **Kesko** investment group has plans to develop 15 hotels in Russia during the next five years. All of the hotels are expected to be branded under various Accor brands and they have identified the following cities for hotel development: Yekaterinburg, Kazan, Krasnodar, Novorossiysk, Omsk, Rostov-on-Don, St Petersburg and Ufa. Discussions with Kesko revealed that the proposed Ibis hotel in Kazan will be Kesko's first operational hotel;
- **SKM Development**, a subdivision of SKM Holding, has plans to develop three-star branded mid-market hotels in most of Russia's large cities, such as Perm, Nizhni Novgorod, Ufa, Yekaterinburg, Chelyabinsk, Tyumen, Kazan, Novosibirsk, Samara, Volgograd, Krasnoyarsk, Omsk and Irkutsk. SKM already has a site in Kazan with plans to construct a seven-storey, 174-room hotel. No branding for SKM's hotels has been announced yet. SKM Development works jointly with the Irish Quinn Group;
- Our research indicates the potential development of ten **Marriott** hotels across Russia. We understand that most of these hotels will be operated under the Courtyard by Marriott brand and opened over the next three years;
- **Clover Group** has also announced various hotel projects in cities such as Kaliningrad, Kazan, Novosibirsk,

Nizhni Novgorod, St Petersburg, Sochi and Moscow. Clover intends to have management agreements with Rezidor and InterContinental Hotels Group in place for its properties.

Although the economic crisis may have slowed the progress of some of these projects we understand that the developers are still very positive in pursuing their intentions.

Apart from these, there are many other local companies planning to develop branded hotels in their local domain. The **Hilton Garden Inns** in Perm and Samara and the **Holiday Inn** in Chelyabinsk are examples of how successfully local companies have managed to put a brand in their local domains. Pleased with their success of having a brand, many local companies are now planning to expand further.

The (Profit) Drivers

Given the interest that many developers are showing in having an international brand for their hotel, we conducted a general survey with various recognised international brands, such as Accor, Hilton, InterContinental Hotels Group, Marriott, Rezidor, and Starwood, to better understand their expectations vis-à-vis a developer. The aggregate results from our survey are set out in Figures 4, 5 and 6.

It doesn't come as a surprise that the survey shows most hotel operators

are considering expanding their mid-market and budget brands into regional Russia. However, what does seem interesting is their willingness to franchise as well as manage and to provide key money should the project be exceptional. Most operators are also willing to enter a market with more than one hotel of their own portfolio or would not reject a market with an existing competitive brand. This underlines the operators' appetite and confidence in the major regional cities in Russia.

The survey results should assist in establishing whether a project is in line with the development strategy of an international brand or not. This survey is for guidance only and international brands will consider and assess each project individually.

Behind the Scenes: Regional Labour Market Issues

It won't come as a surprise to anyone that one of the main issues investors, developers and hoteliers face in going to the Russian regions is a lack of adequate human capital.

Western brands are used to having a wide range of highly qualified top hotel-school graduates apply for the low- and mid-management positions at

an opening hotel, simply by posting some information online. Not so in Russia.

The industry was considered glamorous and desirable in the early and mid-90s, when the international brands just started entering the market. Not these days, at least in the two main cities.

In the regions, however, a newly opening hotel under an international brand still stands out and attracts the attention of potential applicants. People start looking for ways in. So, who is the typical candidate for a mid-management job in a newly opening international hotel in a regional centre in provincial Russia?

One gets a selection of financiers, HRs, accountants, marketologists, and sales people from all different trades – banks, manufacturing, finance, healthcare, travel. Anything but a straight-forward hospitality specialist.

Ironically, even when experienced staff are available, such as when a city is already served by a few hotels, one is typically best served NOT recruiting them – they tend to carry all the heritage of the Soviet-style past with the according style of service, especially if they have been employed in the same organisation for their entire working lives.

Thus, hoteliers in the Russian regions often have to settle for recruiting

Figure 3 Development Map of Regional Russia by New Hotel Rooms



people from outside the industry, hoping that a combination of innate intelligence, functional expertise and good intentions will make up for the lack of service industry expertise. 'Hire for attitude, train for skill!'

For key management positions, it is still typical to bring staff, if not from abroad, from the more mature markets of Moscow and St Petersburg. However, there is a drawback to this strategy – your guests will be paying you regional rates when staying at your hotel, but you will be paying your employees, whom you relocated, their home market salary plus extra benefits in the form of accommodation allowance, travel home and so forth. Russians still do not tend to buy into the idea of cost of living, and thus don't see the reason to decrease their salary requirements when moving to a regional market to help open a hotel, even if just for a couple of years.

In the 'wins' column is the story heard over and over from the pioneers in international hotel openings in rural Russia: if the right team consisting of the right people is in place, properly motivated and trained, Russians are able to do wonders, get charged up and deliver such outstanding results and service, that hardly any other market compares!

Another positive to share with those considering entering the Russian regional markets is the labour cost portion of P&L – if it is still low in Moscow and St Petersburg compared to the major European markets, in the regions it is close to dismal – labour is even cheaper there (around 26-28% of total revenue), and especially now, with the economic crisis putting mounting pressure on employment, making people more willing to negotiate the size of their pay provided they receive stability and guaranteed employment.

What kind of salary disparity are we talking about? A few facts from the HVS Executive Search 2008-09 Salary Survey of the Russia and CIS hospitality industry pay practices:

- An average housekeeper gets an annual gross salary of US\$6,800 in Moscow, but only US\$3,500 in the regions;
- An Accountant makes US\$13,000 in Moscow, compared to US\$6,500 in the regional markets;
- A Chief Engineer may take home US\$40,000 in base pay in Moscow, but in the regions they earn an average of US\$16,000;

- GMs in Moscow average a base salary of US\$104,000 and in the regions they are paid somewhere in the neighbourhood of US\$75,000.

Another issue, besides pay, shared by hoteliers from the regional markets is an inability to rely on people's performance if they are not being watched closely. Lack of service attitude has also been discussed in great detail (see recent articles by HVS Executive Search Russia), but that is a common issue for the entire Russian market, not just the regional cities.

Conclusion

Regional Russia has its challenges, no doubt, but it also has several advantages in the form of, among other things, a lack of quality accommodation, sky-high prices for western-standard rooms, a vacant three-star segment, the forthcoming 2014 Winter Olympics in Sochi, the country's potential for tourism, low salaries, and the decreasing cost of construction.

Having a brand for a hotel is almost always beneficial, but putting an international brand name to your hotel

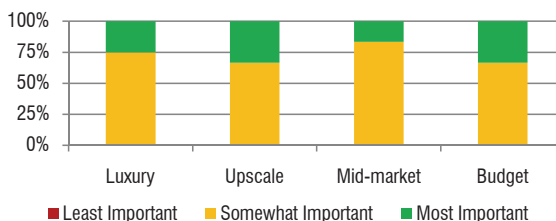
in Russia could be invaluable. Having a brand not only lets you benefit from a brand's distribution channels, but also creates a reassuring perception of security and high standards. In regional Russia, where both security and standards can be questionable at times, the presence of a brand is much needed, at least for international travellers and the more discerning domestic business travellers.

Whilst the current economic conditions may have slowed hotel development across regional Russia, the positive intentions from developers, investors and operators will ensure that it is only a matter of time before development across regional Russia regains momentum. □

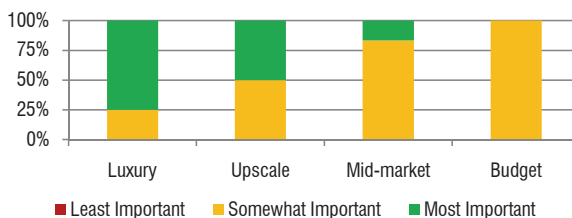
No investment decision should be based solely on the information contained in this article. For feasibility studies, valuations and strategic advice, please contact Elke Geieregger (egeieregger@hvs.com) or Saurabh Chawla (schawla@hvs.com). For Executive Search please contact Tatiana Veller (tveller@hvs.com).

Figure 4 International Operators' Views on Regional Markets (Survey Results)

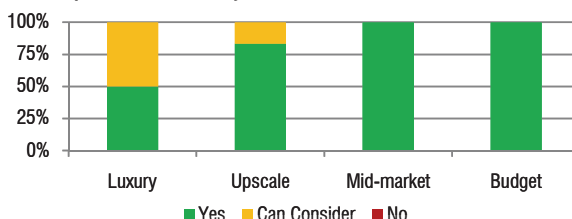
1 How important a factor is population to you when deciding on a city?



2 How important a factor is an international airport to you when deciding on a city?



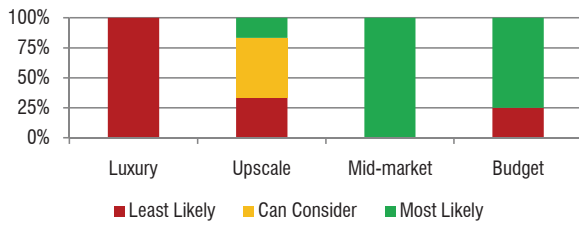
3 Would you consider operating a brand in a major city with a positive outlook if a similar competitive brand already exists?



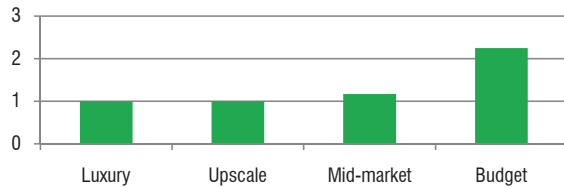
Source: HVS Survey

Figure 5 Development Strategies for International Brands in Regional Russia (Survey Results)

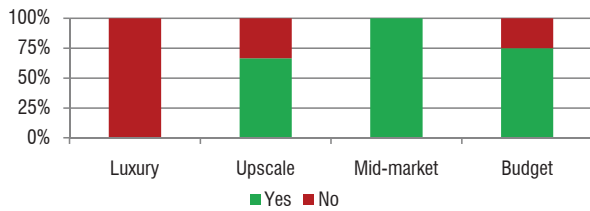
1 What type of category of hotel are you looking to operate in regional Russia?



2 What is a minimum threshold of hotels (numbers) you require from an owner/developer? (results as an average)

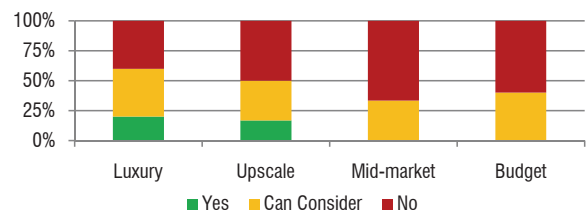


3 Would you consider operating similar brands in one city?



Source: HVS Survey

4 Would you consider putting in any key money into the project?



5 Are you looking to only manage these hotels?

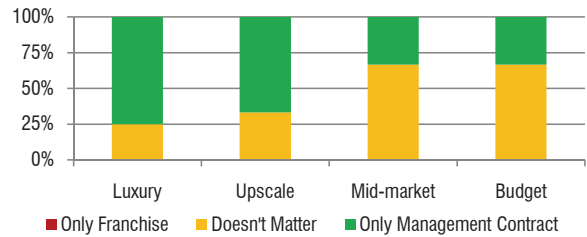
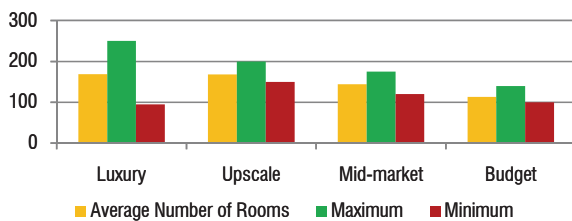
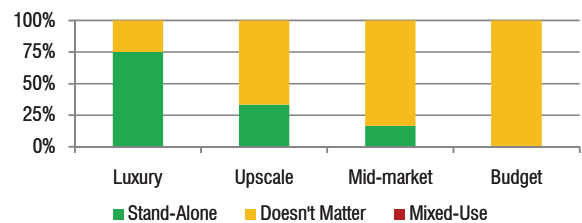


Figure 6 Preferred Characteristics of an Internationally Branded Hotel Project (Survey Results)

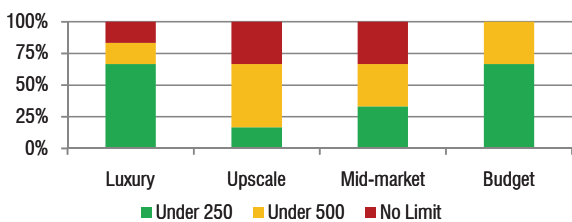
1 What is the minimum number of rooms you require for a particular hotel?



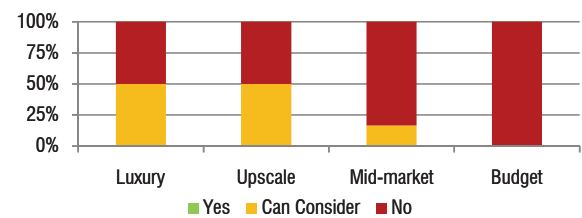
4 What is preferred – stand-alone hotel or mixed-use development?



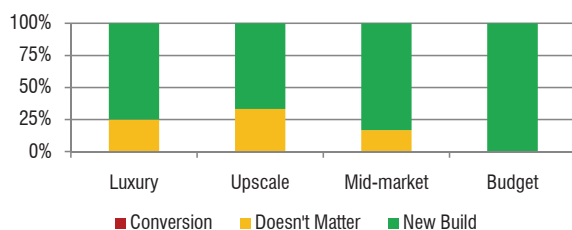
2 What is the maximum number of rooms a hotel can have?



5 Would you consider managing fractional ownership along with the hotel? (if available)



3 What is preferred – conversion or new build?



Source: HVS Survey

About the authors



Elke Geieregger is a Senior Associate with HVS's London office. Having worked in various roles in hospitality accounting, she now carries out valuations and feasibility studies in numerous countries in Europe and Africa. Elke specialises in Central and Eastern European markets with recently completed assignments in Russia, Poland and Slovakia. Originally from Austria, Elke holds a BA (Hons) in Tourism Management and is a part-qualified member of the Chartered Institute of Management Accountants (CIMA).



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Tatiana Veller is the Managing Director of HVS Executive Search – Russia. Tatiana specialises in recruitment and compensation consulting for all facets of the hospitality industry in Russia, the CIS and the Baltic States. Tatiana has a unique understanding of the industry and the types of people who can drive performance. In addition to her Executive Search background with leading firms in the USA, Tatiana possesses six years' experience in line and management positions with top companies in the Hospitality and Food Service industries in Russia and the USA, along with a Bachelor's degree in Hotel and Restaurant Management from the Russian Academy of Economics n.a. Plekhanov and a US MBA in International Management.

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