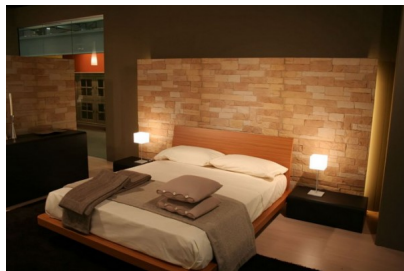


GREAT POTENTIAL: RUSSIAN REGIONAL HOTEL MARKET



Russia still presents an opportunity to hotel developers and operators, according to HVS report - "The Russian Hotel Market: Race for the Regions." Regional cities are good place to start this kind of business.

Despite the current economic crisis **Russia seems to have a great potential for hotel developers and for hotel operators.** There has been an economic boom in Russia followed by an influx of foreign direct investments. The country grew rich because of its oil and natural gas supply. As a result of the boom numbers of business travelers coming to the country increased and so did the hotel supply in Moscow and St. Petersburg. Regional cities with a population around a million, however, still represent an opportunity for people involved in the hotel business. **Many of the regional cities do not have even one hotel of international standards.**

According to the recent HVS International's report, Russian tourism industry is still underdeveloped accounting approximately for 2.3 per cent of the country's GDP. There is a lack of quality accommodation as well as transport infrastructure. The majority of tourists travel by train (45 per cent) and only 13 per cent travel by air.

On the other hand Russians are planning to implement a simplified visa regime for EU citizens. Regional cities are developing their tourism and transport infrastructures to lure more tourists and perhaps above all the Black Sea Resort of Sochi will hold the 2014 Olympics which will definitely be a big promotion opportunity for Russian tourism.

Sochi naturally belongs among those regional cities that are suitable for investment. The development that is taking place in the city will perhaps change it from a seasonal destination to a year-round one. **Novosibirsk** as an important industrial center lures mainly business tourists. **Kazan, Ufa and Chelyabinsk** are also among the regional cities that are suitable for investment in the hotel sector according to the authors of the report.

Rostov-on-Don and **Vladivostok** on the other hand may not be the best spots for investments because it seems that the hotel market will be soon saturated. The HVS experts are also skeptical

about investments in Omsk because of the lack of businesses generating hotel demand here as well as the bad accessibility of the city.

For a hotel operator that decides to start their business in one of the regional cities there will also be the problem with the lack of skilled personnel for managerial positions. They will be probably forced to hire professionals from other fields and train them or to bring them from abroad or from Moscow or St. Petersburg.

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