

Number of Hostels Soars 30%

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The walls of the hostel near the Mayakovskaya metro station still smell of paint.

The third venue in the Bear Hostels chain opened last week and is among the 14 new hostels that have appeared in Moscow since May. The number of hostels in the capital increased 30 percent in two months, which translates into 700 more low-cost beds for tourists.

There are now 59 hostels and more than 3,000 hostel spaces in Moscow, said Sergei Shpilko, chairman of the city's tourism committee.

"If things continue like this then the market will quickly become saturated," Shpilko said. "Hopefully, supply will be in balance with demand."

Interest in hostels has soared after the tourism committee spoke about the industry's investment opportunities at a news conference in May. The committee has since received many calls from entrepreneurs looking for advice on opening a hostel, Shpilko said.

Even ordinary Muscovites eager to convert their large apartments into hostels are calling.

Hostels are an attractive business venture because of the low level of investment that is needed to enter the market. An investment of 1 million rubles (\$35,700) was enough to enter the market a year ago, said Daniil Mishin, Bear Hostels owner.

Mishin is not worried that the market will become overcrowded.

"There is no guarantee that all those 14 new hostels will survive a year," Mishin said. "The client always votes with his wallet who will stay on the market and who will go."

Moscow currently has a deficit of 6,900 low-cost hotel spaces, according to industry calculations.

The tourism committee plans to make more than 30 changes to the industry's regulations next year to create special standards for hostels. The changes, which include modifications to fire safety requirements, will make the opening and operation of hostels easier, Shpilko said.

"The market doesn't wait," Shpilko said. "Regardless of what will happen with the legal rules, hostels and mini-hotels will still continue to open. They will work and either they will work in the shadows or they will work legally."

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