

Hotels Plan to Expand, Despite Challenges

By [Irina Filatova](#)

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The InterContinental is opening its five-star property on Tverskaya Ulitsa, on the site of the former Hotel Minsk. **Maxim Stulov**

International hotel giants said Tuesday that they are committed to capitalizing on the booming domestic market, with dozens of additional hotels — including brands like Hilton, InterContinental and Radisson — to be opened across the country over the next several years.

InterContinental Hotel Group plans to expand its local presence by opening Russia's first Indigo hotel in St. Petersburg next year followed by the introduction of the first hotel under the InterContinental brand, which will open in Moscow next month, said Robert Shepherd, the firm's senior vice president in charge of development in Europe.

Both openings are part of the InterContinental's ambitious plan to increase to about 100 hotels in Russia and the Commonwealth of Independent States by 2020 from the current 16 hotels of various brands.

With increasing gross domestic product and the government's efforts to develop other sectors apart from oil and gas, Russia is likely to attract more foreign tourists in the future, Shepherd said, adding that Moscow and St. Petersburg provide the best opportunities for growth.

The 9,000 hotels rooms of international brands in Moscow are equal to just 10 percent of the branded room stock in London or Paris, he said in an interview on the sidelines of a hotel investment conference in Moscow.

For its next properties, the company is investigating a number of other important business destinations like Samara and Yekaterinburg.

Opening venues in Sochi is also possible "if the right opportunity comes along," Shepherd said, adding that the company hopes for "sustainable demand."

"There's no point to build a hotel if there aren't sufficient guests to come and fill it. ... We want to be sure that the demand is there," Shepherd said. "We're looking to ensure that our investments are for a long term."

Another international operator seeking to enhance its presence in the domestic market is Hilton Worldwide, which plans to open four new local hotels by 2014, bringing the number of its Russian venues — both operational and under development — to 23.

The growing number of hotels makes Russia the company's number one market in Europe, said Patrick Fitzgibbon, Hilton Worldwide's senior vice president in charge of development in Europe and Africa.

"Russia has been one of our main focus markets for several years and is now leading the European region," he said in a statement.

Hilton will manage a 202-room hotel to be opened in Kazan in the spring of 2014 and a 432-room venue across from Moscow's Vnukovo Airport that will open in early 2013, the statement said.

Two other venues are franchise hotels that will open in Volgograd — 940 kilometers southeast of Moscow — at the end of next year and in late 2013.

The company also signed an agreement with domestic developer Osnova, which involves opening at least 11 hotels in the regions, including Volgograd, Novosibirsk, Ufa and Rostov-on-Don, according to the statement published on Hilton's web site.

Kurt Ritter, president of Rezidor Hotel Group, which owns the brands of Radisson and Park Inn, said that unlike in Europe, Russia's hotel market is undersaturated, while demand is likely to grow due to the expanding middle class and improving infrastructure.

"We want to grow in Russia," he said in an interview at the conference.

Rezidor currently has 39 hotels across Russia and CIS and 27 hotels under development.

But while domestic travelers still prefer to spend their vacations at Russian sea resorts, very few foreigners who have visited the country once choose to come again, said Russian Tourism

Union spokeswoman Irina Tyurina.

"We have a huge number of problems — first of all, an unfriendly visa regime for foreign tourists," she said by telephone.

High prices for tickets, services, food and accommodation are another problem hampering foreign tourists from coming.

"It's cheaper for Chinese tourists, for example, to fly across the whole of Russia and spend their vacation in Europe," Tyurina said, adding that the price of one-way flight from a Siberian city like Yekaterinburg to Sochi equals the price of an all-inclusive one-week tour to Turkey.

She said other problems highlighted by local tour operators include a lack of advertising abroad of Russia as a tourism destination, a shortage of foreign-language maps and street markers and a high crime rate in the country.

According to the Russian Tourism Union, a total of 2.1 million foreign tourists visited Russia last year — just 1.6 percent more than in 2009.

A total of 12.6 million Russian tourists went abroad last year compared with 9.5 million in 2009, according to the State Statistics Service.

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