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Moscow Hotels Struggle as Foreign Tourists, Businessmen Go Elsewhere

By The Moscow Times

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Tourism has been struck by negative media coverage and international sentiment over Russia's role in the Ukraine crisis.

The loss of foreign travelers is posing a thorny problem for Moscow hotels, whose livelihood depends on a steady stream of foreign tourists and businesspeople, the Vedomosti newspaper reported.

Hotel occupancy in Moscow fell to about 60 percent in the first three quarters of the year, its lowest level since 2011, analysts polled by the newspaper said. This is a decline of 7.4 percent, market analysts at consultancy Cushman & Wakefield told the newspaper, or even 9 percent, according to analysts at Jones Lang LaSalle (JLL).

The drop is largely due to a decline in the number of foreign guests, who typically account for up to 80 percent of Moscow hotels' occupancy, Marina Smirnova, head of the hotel business and tourism department at Cushman & Wakefield, told Vedomosti last week.

Tourism has been struck by negative media coverage and international sentiment over Russia's role in the Ukraine crisis, while business travel is down as European companies put the brakes on investment in Russia.

The summer was particularly hard for the industry, with occupancy rates in Moscow dropping 17 percent compared to 2013, David Jenkins, head of the hotels and hospitality group at JLL, said in a press release.

"Many foreign tour groups that had provided us with a stable flow of guests during the holidays decided not to travel to Russia," Alexis Delafour, the regional director of Accor Hotel Services for Russia, told Vedomosti.

In July, a Malaysia Airlines passenger jet was shot down while flying over territory held by Russia-backed separatists in eastern Ukraine. The event launched a wave of sanctions from the U.S. and EU, as well as Russian counter-sanctions in the form of bans on select Western food imports.

The autumn was marked by a gradual decline in the number of European businessmen, typically the industry's main clients, Delafour added.

The upscale segment was hit the hardest in the first three quarters, with revenue per room dropping 14 percent for the year. Less expensive hotels fared better, according to JLL.

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