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High Interest Rates Push AccorHotels to Reconsider Russian Expansion

By The Moscow Times

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ST. PETERSBURG - AccorHotels may cut expansion in Russia after 2017 because of the country's high interest rates which have pushed up the cost of financing hotel construction, its most senior executive for the region said in an interview.

Financing costs surged in the country last year following sanctions imposed on Russia for its role in the Ukraine crisis and after the Central Bank had to increase interest rates in response to a steep fall in the ruble.

Alexis Delaroff, AccorHotels' Chief Operating Officer for Russia and the Commonwealth of Independent States (CIS), told Reuters the company would not revise expectations for the next two-and-a-half years and expected to have a total of 50 hotels in the region under its management by 2018.

"What will change is our plans for 2018-2020 because if you don't lay new projects and don't

begin construction today, in 2018 they definitely won't open," Delaroff said at the St. Petersburg International Economic Forum.

"And all this is due to the fact that the cost of financing of the construction is overwhelming today," Delaroff said. "Too expensive, it is impossible to get over such interest rates. If in 2015 and 2016 we will open between eight and 10 hotels (annually), I think in 2018-2020 it will be half of this," he said.

AccorHotels is Europe's largest hotel group, whose brands include the luxury Sofitel and the budget chain Ibis. It has 29 hotels in former Soviet Union states, of which 27 are in Russia, one in Ukraine, and one in Kazakhstan.

Delaroff said Russia would continue to be its main growth driver in the region up until 2018 as it would account for 80 percent of new openings.
After 2018, the balance of new openings would likely shift towards the CIS, a loose grouping of former Soviet republics.

Worldwide, AccorHotels is present in 92 countries with more than 3,700 hotels across 14 brands, according to the company's website.

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