

# Kyiv Hotel Market



**Total Stock**  
10,800 keys  
(+7% YTD)



**Occupancy**  
52.4%  
(+2.1 pp y-o-y)



**ADR**  
USD 105.8  
(+0.3% y-o-y)



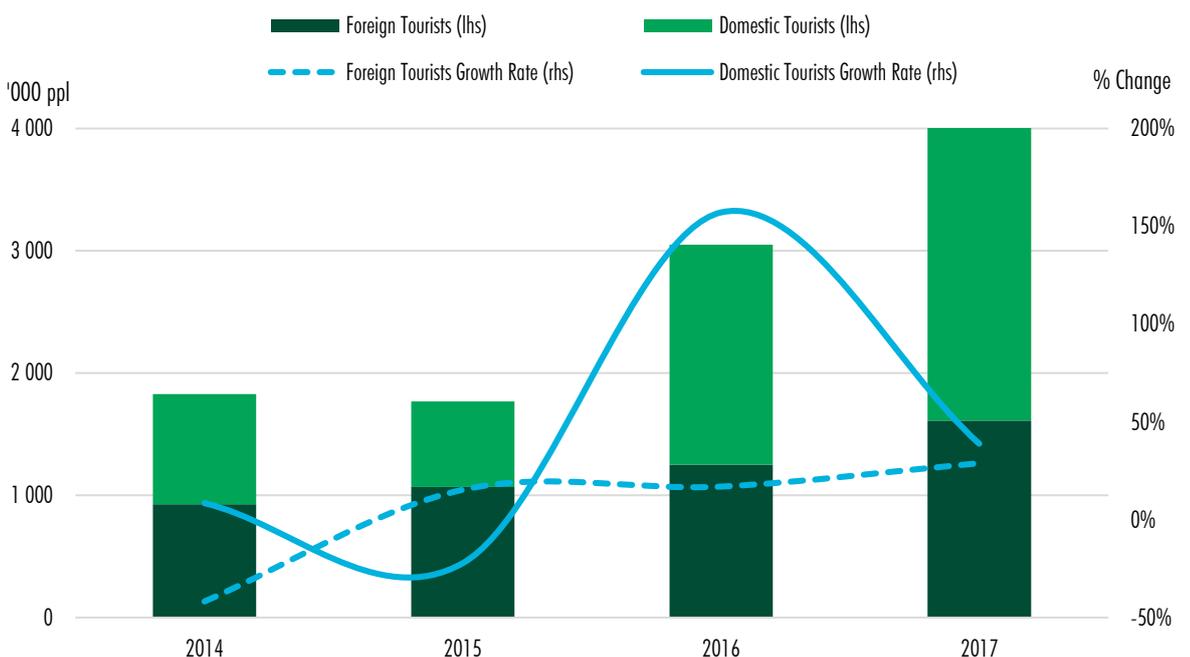
**RevPAR**  
USD 55.5  
(+4.6% y-o-y)

## DEMAND

Over the past two years Kyiv continued to develop as a travel destination on the map of Europe, due to improvements in economic and geopolitical climate of Ukraine. The trend of growing foreign and domestic arrivals could be traced back to 2016, when total arrivals grew by 72% y-o-y, followed by +35% y-o-y increase in 2017 (Kyiv City State Administration). Since 2016, the number of domestic arrivals dominated in the total arrivals structure, primarily because Ukrainians chose traveling within the country over travelling abroad, due to their low spending power compared to other European travelers. Kyiv also keeps attracting business tourism from the regions and abroad, shaping the key target market of the hotel stock. According to Kyiv City State Administration, international scope of the events such as UEFA Champions League Final 2018, RUNUKRAINE marathons, Atlas Weekend, and MotoOpenFest

among others, had a positive impact on inbound tourist flow in H1 2018, as it reached 850,000 arrivals, posting a +25% y-o-y increase. The effect of this growth was particularly evident in the results of the key performance indicators (KPIs) of internationally branded properties, which are preferred by foreign travelers. Increasing number of group tours in inbound demand structure was another trend noted in H1 2018, posting a 33.7pp y-o-y growth to 49.5%. Factors such as promotion of Kyiv as a tourist destination among international tour operators attracted larger numbers of travelers from countries such as China, Turkey, Israel, Germany, USA, and Canada. The introduction of new low-cost airlines and alternative routes also aided in attracting demand from abroad. Among the companies who entered the market or introduced new routes in 2018 were *Air Malta*, *Buta Airways*, *Brussels Airlines*, *Ernest Airlines*, *Ryanair*, *SkyUp*, and *SWISS*.

Figure 1: Kyiv Tourist Inflows Trend



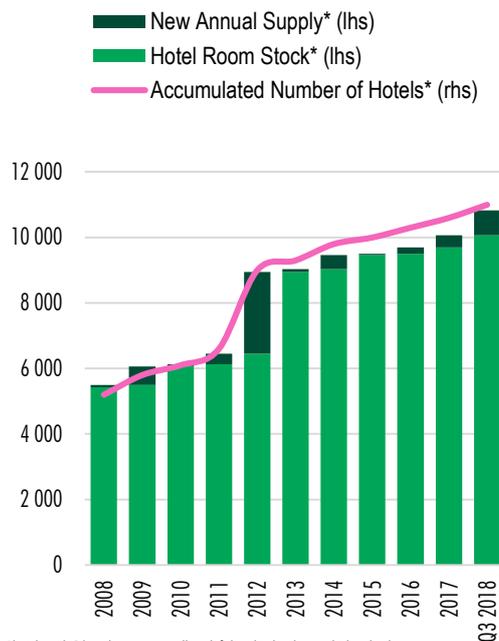
Source: Kyiv City State Administration, 2018

**SUPPLY**

Total hotel stock of Kyiv grew by 7% YTD (757 keys) and amounted to ca. 10,800 keys in 110 properties. Looking into by-the-segment structure, economy segment remained dominant on the market accounting for almost 50% of the total stock, mainly represented by outdated properties that do not meet quality standards expected from a branded hotel of economy segment. Targeting an affluent business traveler, the upper upscale segment had the largest number of internationally branded hotel properties, namely *Hilton Kiev*, *Hyatt Regency Kiev*, *Radisson Blu Hotel Kiev*, and *Radisson Blu Hotel Kyiv Podil*.

Since the beginning of 2018, new supply that entered the market was represented by two internationally branded hotels: *Aloft Kiev* (310 keys – an upscale brand of Marriott International) and *Ibis Kiev Railway Station* (281 keys – a midscale brand of Accor Hotels). Hotels under local management were also among new additions, such as *BURSA* boutique hotel (33 keys) on 11 Konstantynivska St. and *Favor Park* (133 keys) on 6 Marshala Konieva St. New projects delivery was particularly active in H1 2018 in anticipation of increased international arrivals volume for UEFA Champions League Final 2018. Such mega-events usually create an opportunity for hoteliers to gain higher ADR and RevPAR figures, as the result of temporary demand surplus effect.

**Figure 2: Kyiv Hotel Market Stock**



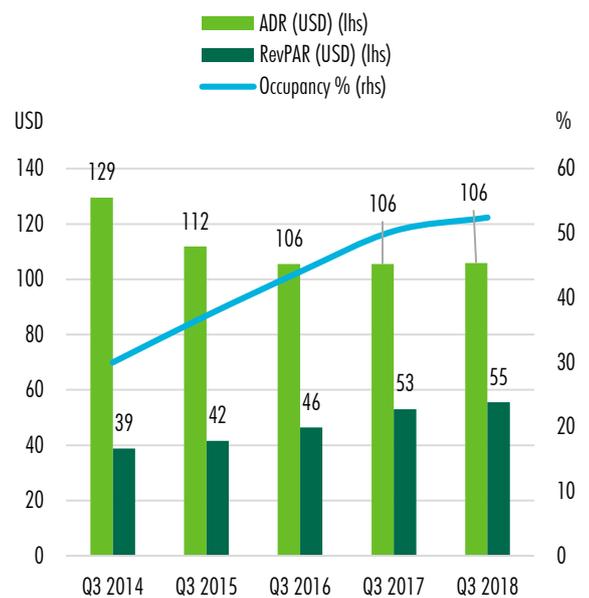
\*hotels with 10 and more rooms lhs –left hand side; rhs –right hand side  
Source: CBRE Ukraine, 2018

**ADR, REVPAR AND OCCUPANCY**

KPIs of the quality hotel stock kept recovering in 2018, particularly due to high figures noted in May when the UEFA Champions League 2018 final took place. Due to record average vacancy rate registered in May (59.4%), at the end of Q3 2018 average vacancy reached 52.4% YTD (+2.1 pp y-o-y). The main demand for hotel rooms during the sports event was shaped by multiple customer segments, such as corporate groups and sponsors, members of football teams, as well as independent foreign and domestic travelers.

Although demand was peaking during the first half of the year, fluctuations in national currency mitigated the growth effect of USD-denominated ADR and RevPAR indicators. Hence, ADR of the quality hotel stock reached USD106 YTD (+0.3% y-o-y), whilst RevPAR increased to USD55.5 YTD (+4.6% y-o-y). In comparison, UAH-denominated ADR grew more considerably by 7% y-o-y to UAH3,000 YTD and RevPAR grew by 11% y-o-y to UAH1,579 YTD highlighting the dependence of indicators on currency fluctuations. Improvements in USD-denominated RevPAR in upper midscale, upscale and luxury segments were driven by growth in ADR, whilst RevPAR in economy and midscale segments was for most part due to higher occupancy.

**Figure 3: ADR, RevPAR and Occupancy of Kyiv Quality Hotel Stock (Q3 2014 – Q3 2018)**



lhs –left hand side; rhs –right hand side  
Source: STR Global; CBRE Ukraine, 2018

## OUTLOOK

Significant growth in tourist arrivals from 2017 to date was fueled by international scale tourist events held in Kyiv, such as Eurovision 2017 and UEFA Champions League Final 2018. Nevertheless, considering the trend of economy recovery and growing tourism numbers, further growth of economy indicators is expected. Business tourism will continue to take the largest share in the demand structure. However, multiple medium scale cultural events (exhibitions, concerts, and conferences) are planned in Kyiv in 2019, which will also boost the number of leisure travelers. According to WTTC, judging from high business and leisure activity in Ukraine in H1 2018, the share of spending generated by business tourism in direct Travel & Tourism GDP is expected to grow by 10.4% y-o-y, whilst leisure travel spending is expected to grow by 7.1% y-o-y. It is also projected that foreign visitor spending in direct Travel & Tourism GDP will post a 9.8% growth y-o-y, whilst domestic tourism spending will grow by 6.3% y-o-y. With more active promotion of Ukraine as a travel destination on

the global arena, Kyiv hotel market became a subject of interest to travelers at multiple travel conferences: *World Travel Market London*, *New York Travel Show*, *Balttour*, *IMTM*, *ITB*, *UITT*, and *COTTM* to name a few. International hotel chains keep considering Kyiv as a potential market for new entry or expansion, while domestic hotel chain Reikartz Hotel Group also grows countrywide, with new openings in Odesa, Kremenchuk, and Yaremche this year. By the end of 2018, there is a possibility of relaunch of *Riviera* hotel on 15 Petra Sahaidachnoho St. with 67 keys. In the longer term, two properties are expected to enter the market by 2020-2021 on 55 Peremohy Ave., namely *Ibis* (150 keys) and *Adagio City Aparthotel* (100 keys) of Accor Hotels chain. The company actively continues its development across Ukraine, with hotels present not only in the capital but also in the cities of Odesa and Lviv. Although the risk of deflationary pressure on KPIs is still a relevant issue, the hotel market of Kyiv is forecast to gradually develop and attract new brands to the market.

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