

SUPPLY ON THE HOTEL MARKET OF KHARKOV

As a whole, the hotel sector of Kharkov, within last five years has positive dynamics of development. The basic indicators reflecting positive processes are structural changes of hotels with increase in share of qualitative rooms provided for city visitors, putting new objects in operation, management of some is carried out by the hotel chain professional operator.

As a result of annual monitoring of Kharkov hotel segment, has been collected the information about 31 operating hotels. Sample does not include halls of residence.

Total hotel room capacity of investigated hotels makes 1638 rooms. The data about hotel room capacity of each hotel has been received from open sources (mass-media, the Internet, official sites of the hotels).

Large hotel complexes of Kharkov have been constructed till 1980. During the period since 1995 hotel room capacity of Kharkov was reduced constantly due to a reorientation in the use of the areas, for example rent the rooms as office premises, and due to change of qualitative characteristics of rooms – joining of single rooms with their transfer in a category suite and a junior suite.

After the long period of reduction of hotel quantity and hotel room capacity since 2005 13 hotels was put in operation. These are the small hotels where hotel room capacity does not exceed 55 rooms.

In 2 quarter 2008 4 stars hotel "Victoria" with 28 rooms and total area of 2,8 thousand sq. m. was opened on street Primerovsky, 23.

In the end of 2008 minihotel "VIVA" on 29 rooms was opened close to bus terminal "Levada", at the moment the hotel passes certification on reception of a category 4 **** stars.

Also in 2008 as a result of reconstruction of private residences two minihotels start to operate: a boutique-hotel "Piatnica" close to railway station "Yujnuy Vokzal", and hotel «FOUR ROOMS» in the city centre. In the hotels there are only 4 rooms with the original design decision.

Table 1.

Hotels put in operation in 2008.

Hotel	Category	Number of rooms
«Victoriya»	4****	28
«VIVA»	n/s (4****)	29
«Piatnica»	n/s	4
«FOUR ROOMS»	n/s	4

As a result of new objects construction and constant renovation of existing hotels, the hotel room capacity annually increases, thus in 2008 the number of rooms has increased by 78 rooms.

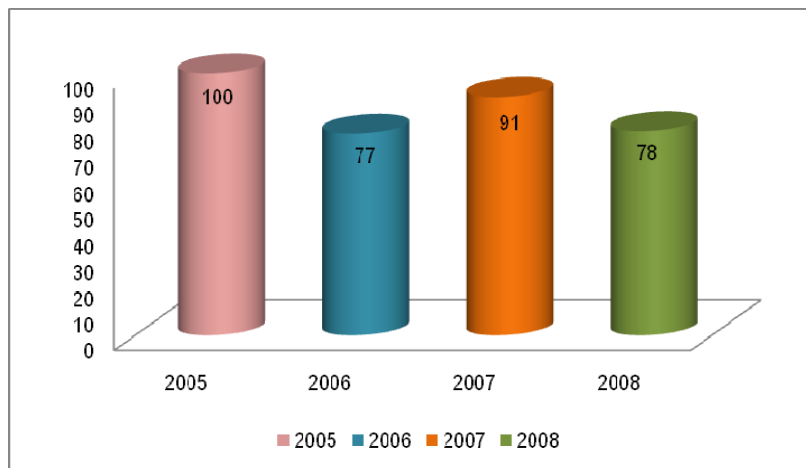


Fig.1.Dynamics of new hotel rooms put in operation in Kharkov (2005-2008)

As a result of segmentation by the categories the hotel room capacity structure of Kharkov hotel business in 2008 looks as follows: almost half (49 %) of city hotel room capacity are three-stars hotels, high-class rooms make only 10 % (fig. 2).

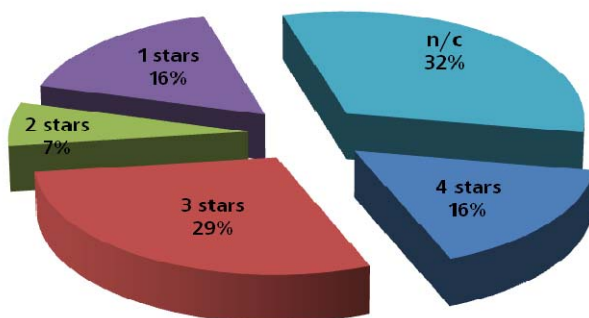


Fig. 2. Segmentation by the categories of the hotels

Considering location of the hotels, every fifth hotel is located in the central city districts, other objects are distributed by almost equal shares in adjoining to the centre and remote city districts (fig. 3.).

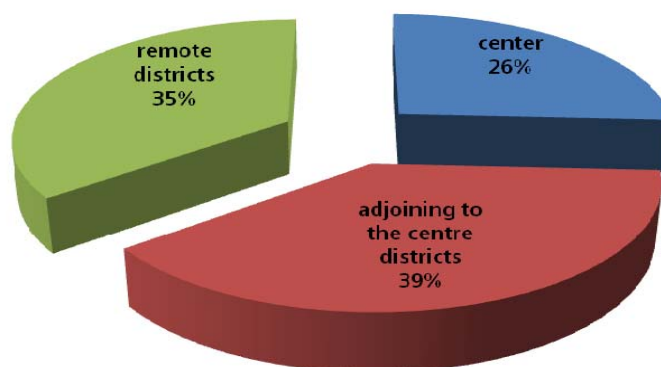


Fig. 3. Segmentation of the hotels by location

In 2008 the big share in the city hotel room capacity are single and double standard rooms, 35 % and 34 % accordingly. Triple rooms make the smallest share – 7 %.

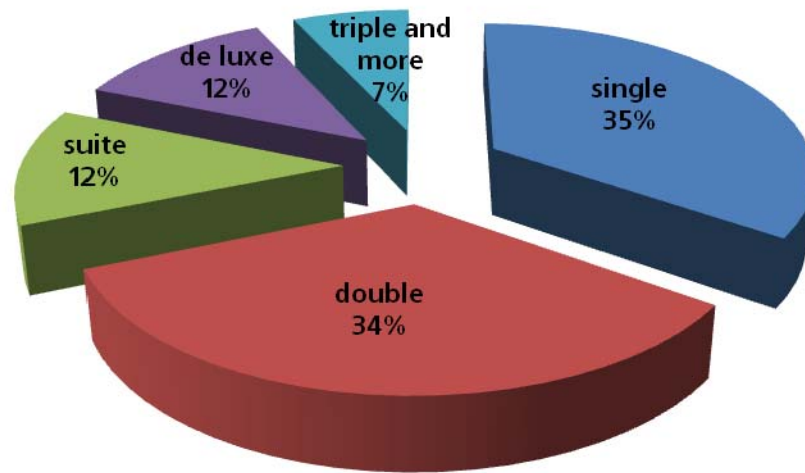


Fig. 4. Kharkov hotel room capacity by the rooms category

DEMAND ON THE HOTEL MARKET OF KHARKOV

Steadfast interest to hotel sector is connected, first of all, with perspective for Ukraine and Poland to carry out the European football championship in 2012.

Among the Ukrainian cities participant of Euro-2012 are Kiev, Dnepropetrovsk, Donetsk and Lvov. Kharkov and Odessa are in a reserve however they could be involved to carrying out of matches.

The factors defining level and character of demand in the market of hotel services are:

- investment attraction of region and city,
- intensity of international/interbranch communications,
- population standard of living,
- development of tourism and travel,
- state regulation,
- development of transport, communication and other infrastructure.

Hotel business depends a lot from economic and political situation in the country which in turn influences development of tourism and the international economic relations, level and quality of life, presence and duration of population free time.

Tourist demand for rooms carries seasonal, week-end character, and business tourists use hotels within a year, increasing demand during the periods of business activity.

Besides level and qualitative characteristics of demand depend from the purposes of travel and the social status of the hotel services user.

Within 2007 according to Central administrative board of statistics in the Kharkov region, in Kharkov hotels lived 173 006 persons, from them 26 257 foreign citizens. The total visitors who have taken advantage of hotels services, has grown in comparison with 2006 on 15 %, the number of foreigners has increased by 60 %.

Quantity indicator of demand in the market of hotels is level of congestion of hotel rooms and use of places during the set period.

In spite of the fact that demand in the hotel real estate market grows, the average annual indicator of congestion of hotel rooms makes not above 35 %.

PRICE FORMATION ON THE MARKET OF HOTEL BUSINESS

Despite lack of a common technique of price formatoion in city hotels, during the analysis the following factors influencing a price level have been revealed:

- Type of room
- Furniture and equipment of rooms
- View from the window
- Presence of a shower cabin or a bath

Differentiation of cost of residing depending on a hotel category is presented in table 2.

Table 2.

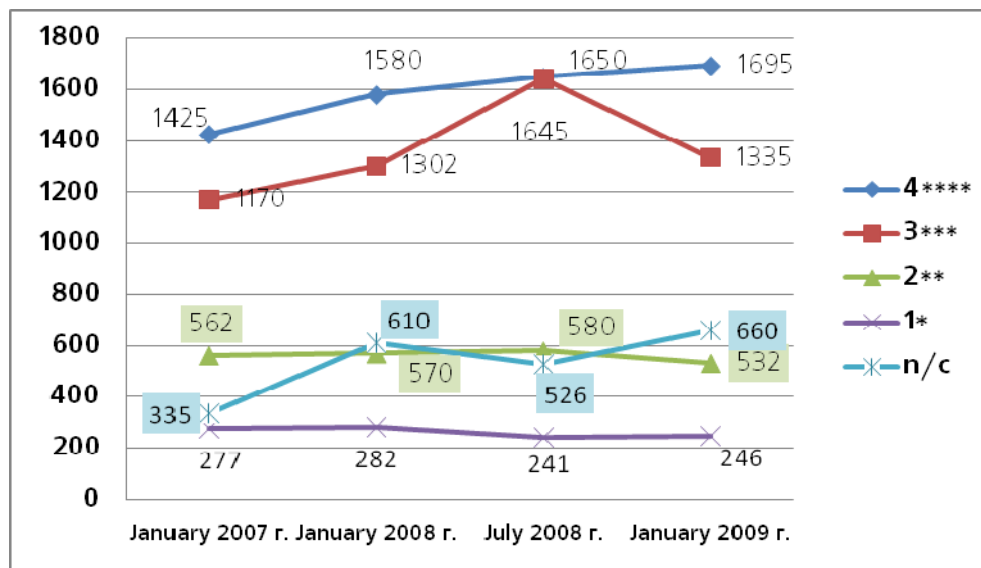
Range of prices for hotel rooms in Kharkov

Category	Min price, hrn/day	Max price, hrn/day
4****	400	2990
3***	220	2450
2**	65	1000
1*	42	450
n/c	250	1450

In 2008 residing cost, both in hotels, and in city hall residence continued to change. A rise in price principlaly caused by increase of expenses for improvement of hotel business and increase in public utility cost.

From the beginning of 2008 the biggest growth rate among certificated hotels was observed on a segment of four-stars hotels, it has made 7 %, cost of residing in three-stars hotels growth on 3 %, however on a segment of one star hotels reduction of prices was on 15 % and on a segment of two-stars was on 7 %. Cost of residing in not certificated hotels has grown on 8 %, due to putting in operation in 2008 of new qualitive objects with higher price policy.

Dynamical growth of cost of residing on segments of 4* and 3* stars hotels is a consequence of influence of two factors, firstly rising demand, secondly high level of the operational expenses caused by necessity to meet requirements demanded to hotels of given categories.



Pic. 5. Dynamics of the change in hotel room prices in Kharkov

Constant growth of operational expenses and inflationary processes in a national economy allow to predict the further rise in prices on high class services of hotels.

DEVELOPMENT TENDENCY OF THE HOTEL MARKET WITHIN THE EURO-2012 PREPARATION PROCESS

Steadfast interest to hotel sector is connected now, first of all, with a perspective to carry out in Ukraine and Poland the European football championship in 2012.

Kharkov is a reserve city for Euro-2012, however actively preparing for event: realization of some large-scaled projects in sphere of the commercial real estate, sports and road infrastructures etc. was started.

At the present time were announced more than 10 projects of hotels of different categories with the total hotel room capacity about 1000 numbers.

Construction of five-stars hotel "Misto" on street Klochkovskaya has begun, with the future number of rooms around 105 and construction of Mixed-Use "Europe" with a hotel component of 102 rooms is conducted.

After putting in operation of the announced projects, the specific indicator of 5 "stars" hotel rooms will make – 43 %, and low quality hotels will make only 9 % (fig. 6).

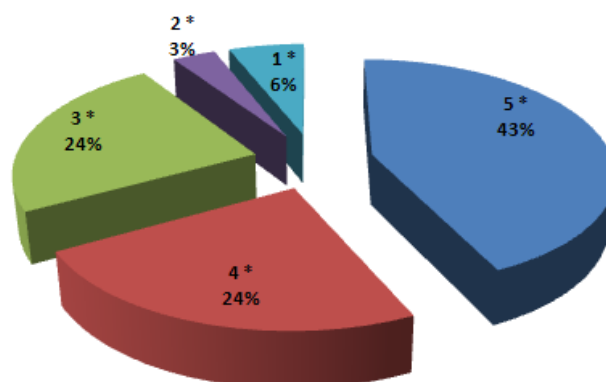


Fig.6. Structure of the hotel rooms by the categories for the beginning of 2012

For definition of free segments of Kharkov hotel business it is necessary to compare the received indicators of forecasting demand and prospective indicators of the future offer which consider increase in number of rooms due to realization of projects of operating hotels reconstruction and construction of new objects (tab. 5.).

Table 5.

Capacity indicators for free segments on the hotel real estate market

Hotel category	Forecasting supply of hotel rooms including future projects, rooms	Forecasting demand (growth tendency of the city visitors took into account), rooms	Free segment for hotels development, rooms
5*	1166	No data	No data
4*	643	445	-198
3*	642	955	313
2*	92	159	67
1*	162	350	188
TOTAL	2 705	1 909	370

Negative value, surplus of hotel room capacity is noted only on a segment of hotels of a category 4 *. It is necessary to notice that values of demand has been defined taking into account an average level of rooms occupation – 50 %. Thus, it is possible to say that the number of rooms of the given hotels category in volume of 643 rooms will create prerequisite for decrease in an average index of hotels occupation level. The calculated level for occupation of the given number of rooms has made 30 %.

The lack of rooms in the number of 313 units will support growth from 25 % to 30 % of mid-annual occupation level of 3* hotels.

Thus, the analysis of forecasted demand indicators in the hotels market of Kharkov, in view of the market consumer potential has shown that at the announced number of rooms in objects which it is planned to construct and reconstruct, segments of 2* and 3* hotels are the most attractive. In segments of these categories deficit number of rooms and a high mid-annual indicator of occupation level will remain.