



AMERIA

**HOSPITALITY INDUSTRY
RESEARCH: TOURISM AND HOTEL
INDUSTRY IN ARMENIA**

Brief Presentation



INTRODUCTION

Ameria CJSC has initiated the implementation of comprehensive sectorial researches on the economy of Armenia. Short-term plans include researches in *Retail Trade, Hotels and Tourism, Food Processing, Mining, Telecommunications*, which will be followed by other sectors of interest in Armenian economy. The researches will enable all stakeholders to effectively assess the current market trends, their weaknesses and strengths, as well as emerging opportunities.

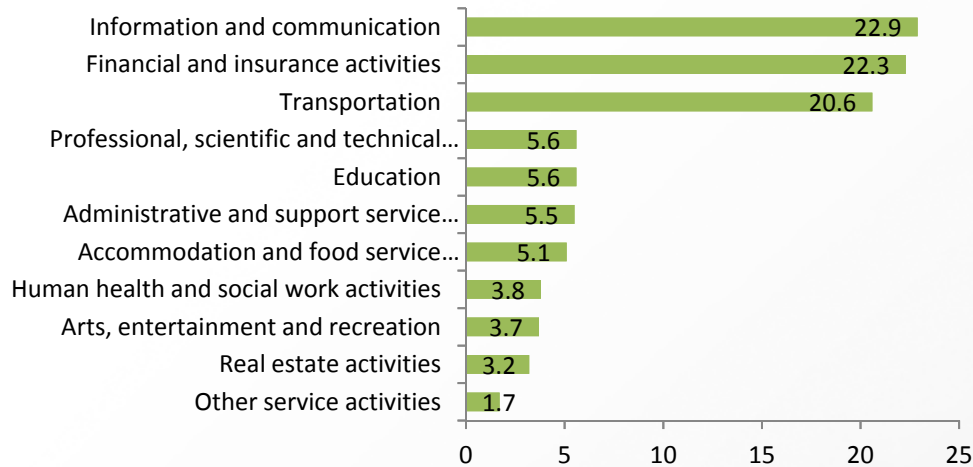
This report presents the results of the **first comprehensive study** on Tourism and Hotel Industry in Armenia.

The **Tourism and Hotel Industry** report could be of high interest for all the players in hospitality industry in Armenia, including existing hotels, tour operators, potential investors and also for other researchers.

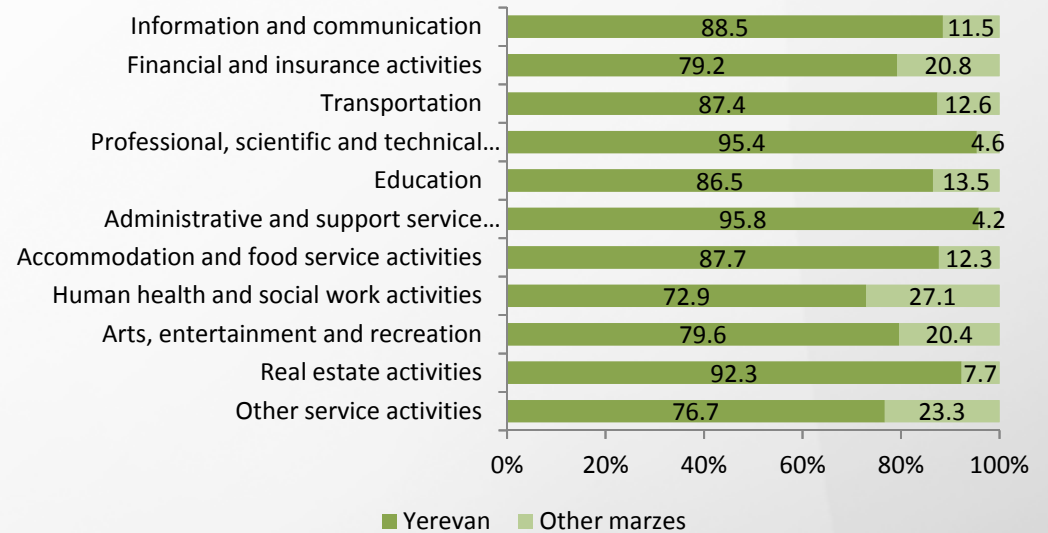


SERVICE SECTOR

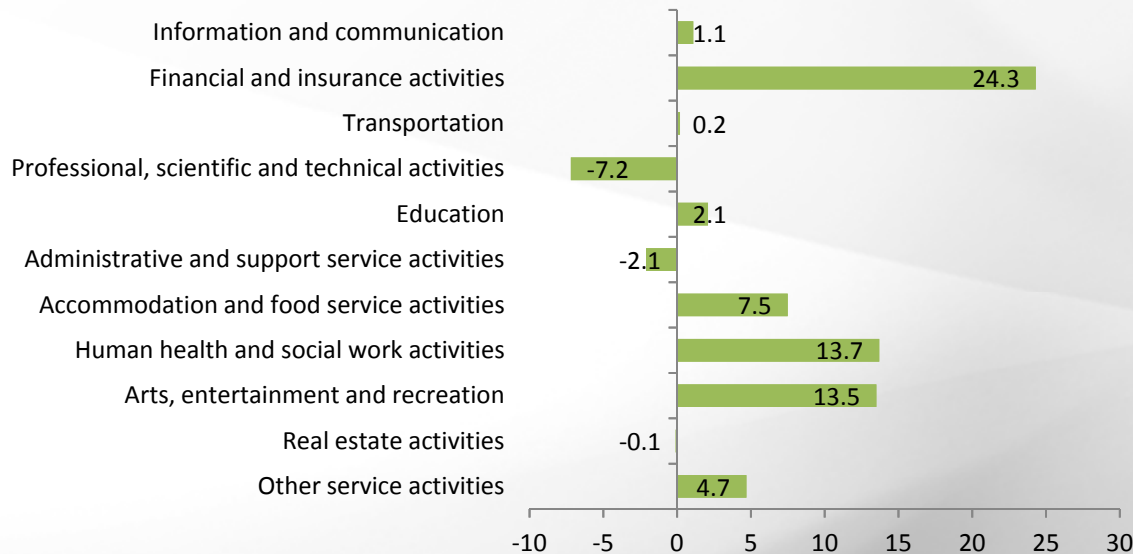
Structure of Services 2011,%



Regional Distribution of Services, 2011



Real Change in Services, 2011,%



- The Accommodation and Food Service activities comprise **5.1%** of all services rendered to population,
- The sector was among 4 top services by the growth in 2011 (7.5%).



GOVERNMENT TARGETS: TOURISM

In February 2008, the Government of Armenia adopted an ambitious tourism development concept paper with the goal to increase the contribution of tourism to gross national income, balanced development, improvement of living standards and poverty alleviation in rural areas, preconditioned through an increase in tourism arrivals, an increase in tourism revenue and job creation. Targets established by the concept paper are as follows:

Targets	2020	2030
PRIMARY TARGETS		
International Tourism Arrivals (CAGR – 9%)	1.5 million	3 million
Income Generated from Inbound Tourism (CAGR 11% at 2007 prices)	US\$1.35 billion	US\$3 billion
Internal Tourism Visits	1 million	1.5 million
Tourism Employment as a % of Total Employment	1.9%	2.0%
SECONDARY TARGETS		
Armenia's Market Share in Europe	0.18%	0.31%
Total Bed Spaces	49,315	51,370
Hotel Occupancy Rates	50%	60%
Per Capita Daily Expenditure (2007 prices)	\$60	\$67
Armenia's Ranking in WEF T&TC Index	<60	<50
Government Tourism Expenditure	US\$ 7.9 million	US\$ 49 million



WEF T&T COMPETITIVENESS INDEX

	Armenia (Rank)	Georgia (Rank)	Azerbaijan (Rank)
2011 Index (out of 139 countries)	90	73	83
2009 Index (out of 133 countries)	91	73	76
Ranking among European countries (out of 42 countries)	40	36	-
T&T regulatory framework	58	35	59
T&T business environment and infrastructure	100	94	87
T&T Human, Cultural and Natural resources	107	92	105



INTERNATIONAL TOURISM ARRIVALS



Source: NSS RA



Source: NSS RA

- The number of international arrivals to the country – incoming tourism, is steadily growing since the celebrations of the 1700th anniversary of adopting Christianity in 2001,
- The number of incoming tourists growth CAGR for the period of 2001-2011 comprises **around 18.74%**, which proves the high development potential of the sector in the country,
- The number of incoming tourists equals to 603,074 for the first nine months of the year 2012, which is around 9.4% more than for the same period of the previous year,



INTERNAL TOURISM IN ARMENIA



Source: NSS RA

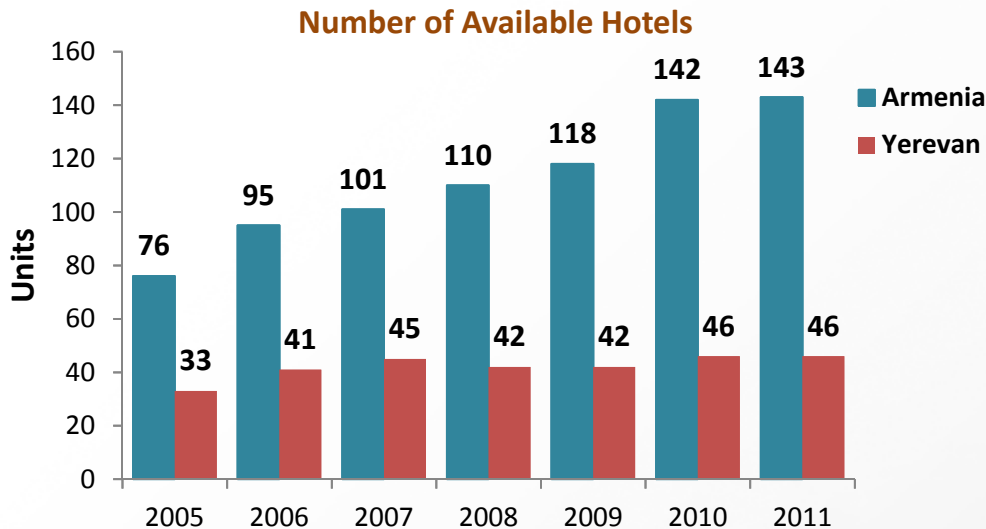


Source: NSS RA

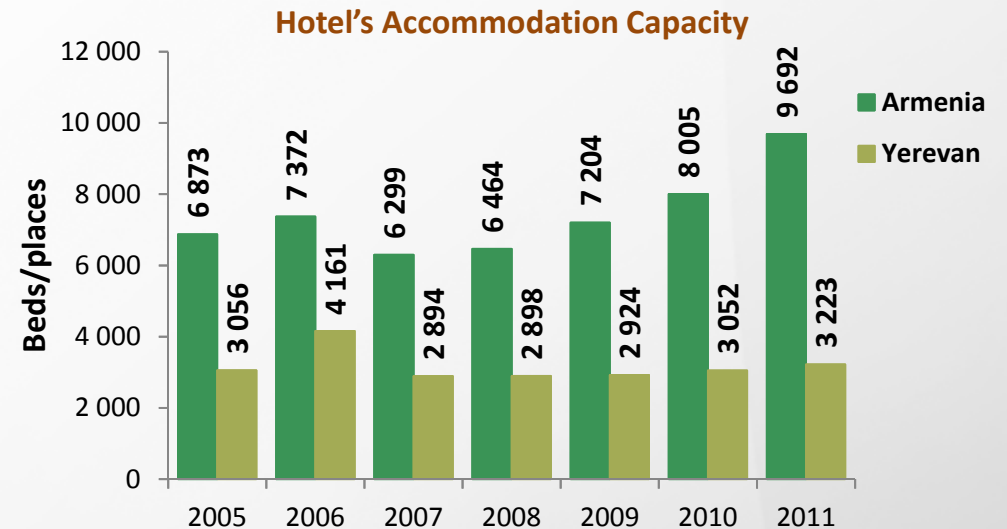
- The number of internal tourists in the country is steadily growing at CAGR of **around 13.9%** for the period of 2001-2011, which clearly shows the existing development potential of internal tourism in the country,
- The number of internal tourists equals to 63,963 for the first half of the year 2012, which is around 13.2% more than for the same period of the previous year,



HOTELS SUPPLY: OVERVIEW



Source: NSS RA



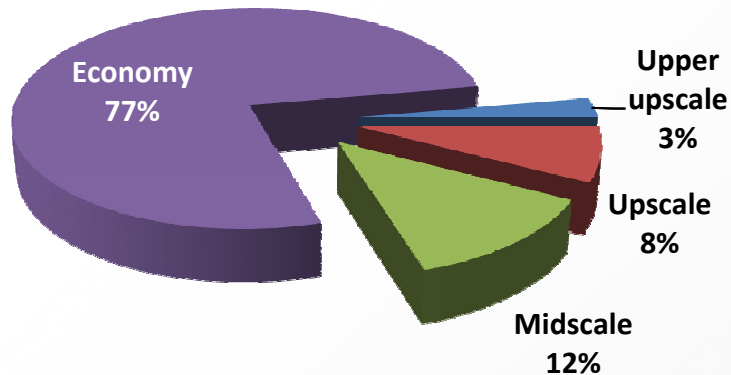
Source: NSS RA

- During the period of 2005-2011 the total number of hotels have almost doubled in Armenia, however the bed capacity increased only around 1.4 times, i.e. more facilities with small number of rooms were opened in the country,
- During the same period the number of hotels in Yerevan grew for around 40%, while the number of available rooms capacity for only 5%,
- Today Yerevan hosts around 46 different types of hotels with approximately 3,200 beds in total. Additionally, there are around 30 different types of guest houses, B&Bs and other accommodations in Yerevan with around 700 beds in total. Hence, total accommodation capacity of Yerevan is around 3,900 beds/places.



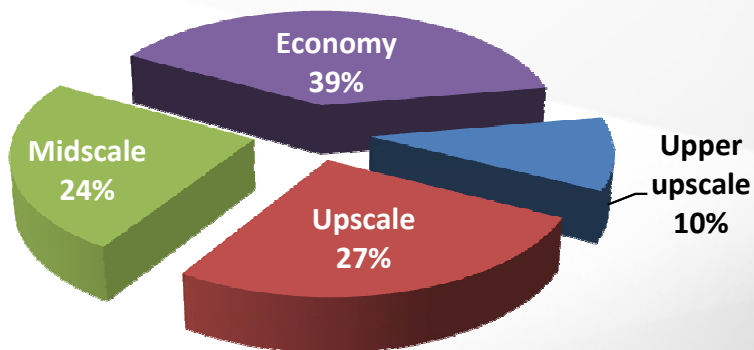
HOTELS SUPPLY: OVERVIEW

Number of Hotels by Type Distribution , 2012



Source: various online booking systems, NSS RA

Number of Hotel Rooms by Type Distribution , 2012



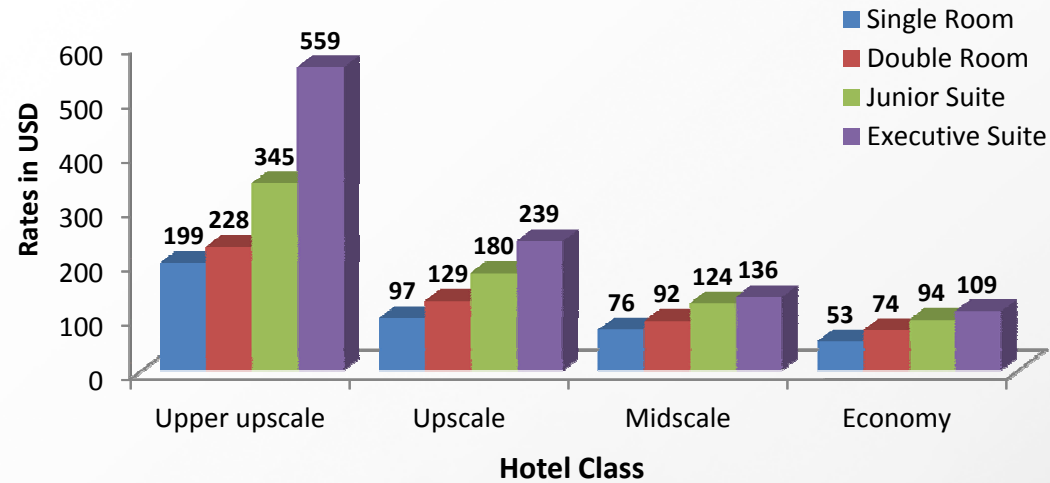
Source: various online booking systems, NSS RA

- The majority of hotels, operating in Armenia does not belong to any chain, neither international or local,
- There are mainly an **economy class** (around 77%) and **midscale class** (12%) hotels available in the country,
- The main part of available hotel rooms are classified as **economy** (around 39%), **upscale** (27%) and **midscale** (24%),

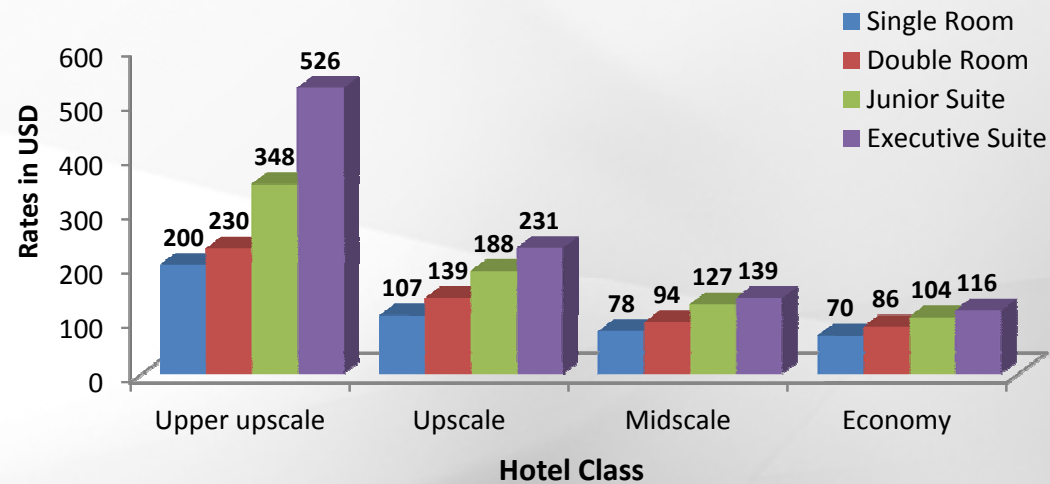


HOTELS SUPPLY: ROOM RATES

Average Annual Room Rates for 2010



Average Annual Room Rates for 2012



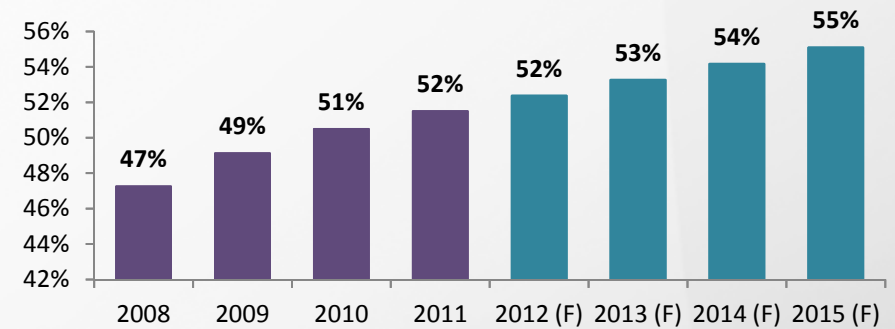


HOTELS SUPPLY: OCCUPANCY

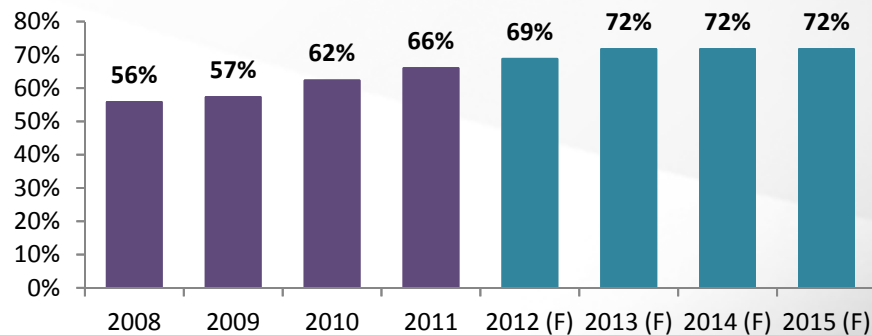
Annual Hotel Performance by Upper Upscale Hotels



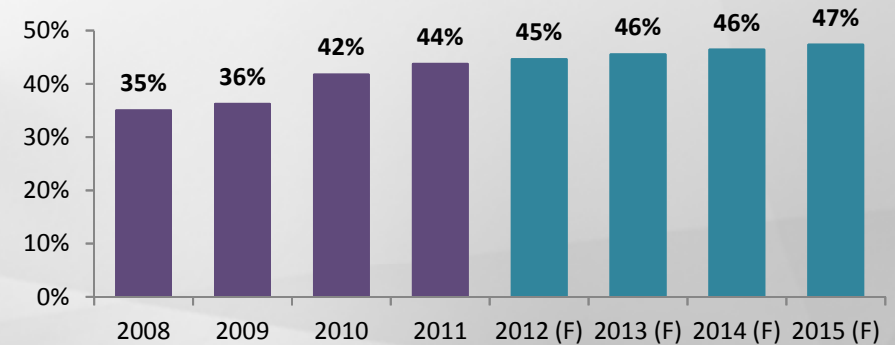
Annual Hotel Performance by Midscale Hotels



Annual Hotel Performance by Upscale Hotels



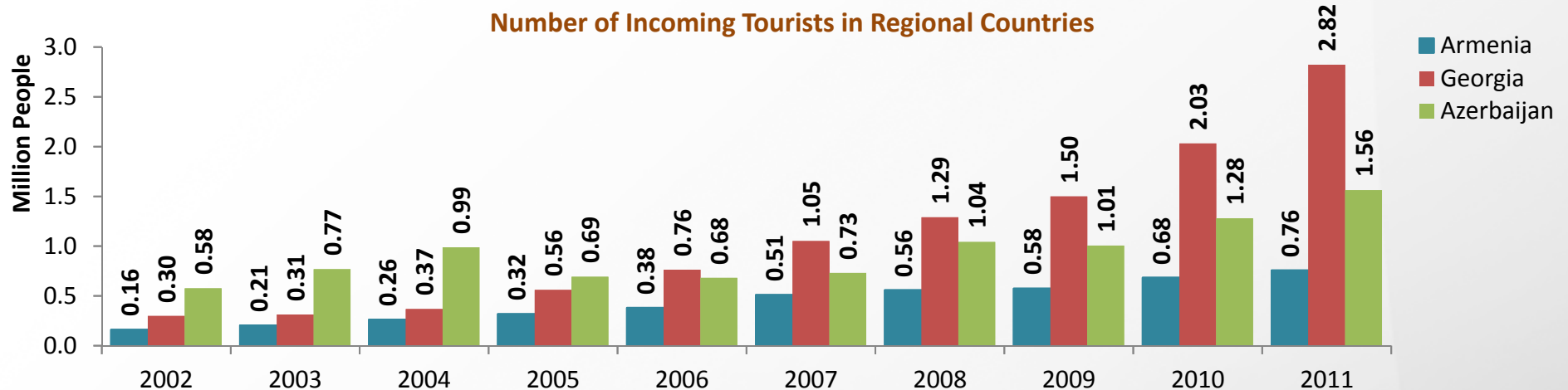
Annual Hotel Performance by Economy Hotels



Source: Expert Assessment



REGIONAL COMPARATIVE ANALYSIS



- As of the 2011 **around 5.2 million people** have visited South Caucasus countries on business, leisure or other types of trips,
- In 2011 Georgia is the most visited among South Caucasus countries by international tourists, followed by Azerbaijan and Armenia,
- The share of people, visiting **Georgia** among all South Caucasus countries has doubled during the recent decade – from 28.8% in 2002 to 54.9% in 2011, while the share of **Armenia** remains almost unchanged (15.6% in 2002 vs. 14.7% in 2011) and the share of Azerbaijan has declined (55.6% in 2002 vs. 30.4% in 2011),
- CAGR of the number of international arrivals is the highest for Georgia (25.2% over the last decade), followed by Armenia (16.7%) and Azerbaijan (10.5%). This indicators show high regional tourism development potential, particularly for Georgia and Armenia.



RECENT HOTEL INVESTMENTS

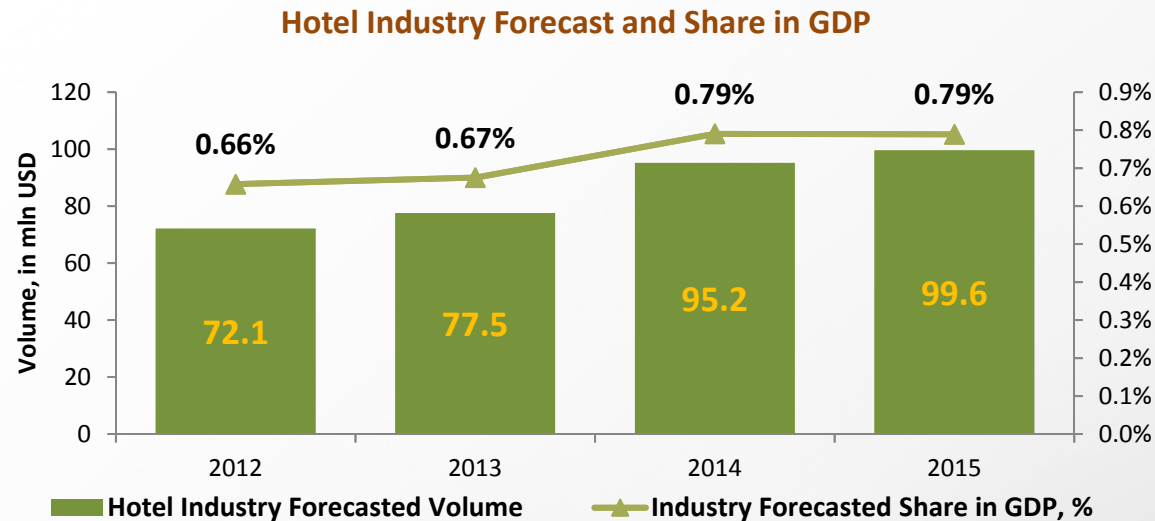
According to the plans of existing hotels, as well as the announced entries of new hotels, it is estimated that approximately 1,000 new hotel rooms will enter the Yerevan hotel market by 2015/16, of which approximately 48% are expected to be actively under development. A significant number of the new hotels are expected to be affiliated with global brands and be of international quality and service offerings. Among new entries are:

Chain	Brand	Opening Date	Number of Rooms/Beds
Hyatt	Hyatt Place	2013	95/190
Wyndham Hotel Group	Wyndham	2014	203/406
InterContinental Hotels Group	Crowne Plaza	2014	140/280
Wyndham Hotel Group	Ramada	2013-2014	120/240
Accor	Ibis	2015-2016	176/429
Wyndham Hotel Group	Howard Johnson	2014-2015	120/200
Total			854/1,745

Also, it is announced that the current buildings of the Ministry of Foreign Affairs and Post Office will be converted to hotels by around 2016-2017 adding in total 358 rooms to the market. Also during 2013-2014 around 160 rooms will be added by existing hotels.



FORECASTS OF INDUSTRY PERFORMANCE



- The Armenian hotel industry turnover is assessed based on:
 - ✓ the average occupancy rate for each hotel class, revealed during the study,
 - ✓ current number of available rooms for each hotel class and their expected increase,
 - ✓ average room rates, adjusted for each distribution channel,
- According to our assessment the Armenian hotel industry's **real turnover** is expected to grow at an **CAGR of around 8.4%** during the coming years,
- According to our assessment the Armenian hotel industry's **real share** in country's GDP is **around 0.66%** and it is forecasted to grow up to **0.79% by 2015**.



FORECASTS OF INDUSTRY PERFORMANCE

Average Indicators for Different Class Hotels, 2012 - 2015

	Upper Upscale	Upscale	Midscale	Economy
Average number of rooms	120	100	60	15
Average occupancy, %	2012: 62%	2012: 69%	2012: 52%	2012: 45%
	2015:65%	2015: 72%	2015: 55%	2015: 47%
Average room rate (ARR), USD	USD 176.00	USD 98.00	USD 69.00	USD 63.00
Average IRR, %	11.8%	12.2%	13.6%	13.1%

Source: Expert assessment

- Based on the findings above an analysis of **average hotel** performance in each category was implemented,
- Relatively good performing Armenian hotels based on the average IRR are **hotels in midscale category**,
- The performance of **upper upscale** and **upscale** hotels in terms of average IRR is approximately the same, however the upper upscale hotels perform better in terms of average EBITDA.



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