

# MARKETBEAT HOSPITALITY SNAPSHOT

## ALMATY, KAZAKHSTAN

A Cushman & Wakefield | Veritas Brown Research Publication

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### OVERVIEW

Almaty, as the former capital, remains the most established and significant business and tourist destination in the country. The city's hospitality industry is heavily dependent upon business tourism and is adversely affected by the global economic downturn and consequent slow-down of business activity. Based on the latest available statistical data as of Q4

2015 about 70% of visitors to Almaty came to the city for business purposes.

### DEMAND

According to the official statistics the average market occupancy rate amounted to 35.0% as of the end of 2015 demonstrating a 5.5% decrease YOY. Occupancy rates based on the results of 2015 revealed a shift in customer preferences from the high-end to the mid-price hospitality market segment. The occupancy level in luxury and up-scale branded hotels contracted by 8% and 1% YOY respectively while the occupancy rates across mid-scale and budget hospitality developments increased by 5% and 12% YOY.

The number of accommodation rooms sold in Q4 2015 decreased by 8% compared to corresponding period of 2014, while the number of beds sold remained stable, reflecting the trend towards cost-conscious approach adopted by the companies and customers.

The first quarter of 2016 witnessed decrease of rack rates quoted in USD across the market: the rates in up-scale accommodation facilities went down by 39%, whilst mid-market segment witnessed 45% decrease compared to corresponding period of 2015. Yet, due to exchange rate fluctuations average asking rate in Tenge terms increased slightly compared to the figures of Q1 2015.

Future demand is likely to be affected by the repositioning of Almaty as the main leisure tourism destination as well as a continuing slow-down in business activity.

### SUPPLY

According to the latest available statistics, towards the end of 2015 the Almaty hospitality sector was represented by 135 accommodation facilities with an aggregate total of 8,061 rooms (including all operating hotels regardless of size and quality of accommodation provided), demonstrating increase by 16% YOY of overall number of rooms, notably due to commissioning of several mid-scale and economy hotel developments.

Despite current economic situation, the pipeline of proposed projects remains healthy. The supply is expected to expand by more than 300 rooms due to scheduled commission of 'Novotel' and 'MAQAN Hotel', in the second half of 2016.

Overall, there is a still lack of good quality mid-market hotel facilities in Almaty. Despite the fact that the majority of hotels operate in the mid-market segment, in most cases such facilities do not comply with international industry standards for this grade. High average rack rates in branded mid-market facilities are attributed to the lack of competition across the branded hotel sector as a whole.

### OUTLOOK

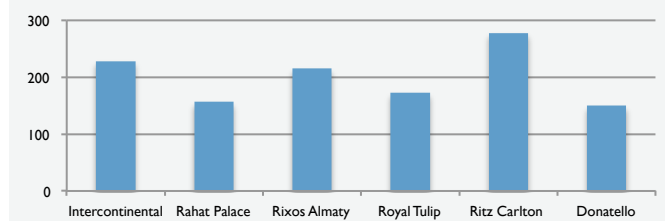
The upcoming 'Winter Universiade', scheduled to take place in Almaty in 2017, is expected to spur the demand on the Almaty hospitality market. The government has also put in place a plan for the city's transformation into a leisure destination that potentially will have a positive impact in the long term.

### MARKET OUTLOOK

Rack rates	Average daily base rate (in Tenge terms) is expected during Q2 2016 due to seasonal demand	▼
Occupancy	Occupancy rates are anticipated to post a growth due seasonal factors	▼
Supply	The pipeline of new Almaty hospitality projects due to come to the market remains healthy, yet terms of completion are expected to be postponed reflecting the market conditions	▶

Source: Cushman & Wakefield | Veritas Brown Consultancy Services

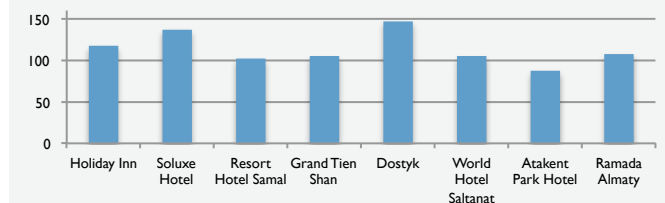
### UPSCALE HOTEL RACK RATES – MARCH 2016 \$, VAT AND BB INCL



\* the rack rates are based on the KZT/USD rate of 343.06 provided by the National Bank of the Republic of Kazakhstan as of 03/31/2016

Source: Cushman & Wakefield | Veritas Brown Consultancy Services

### MID-MARKET HOTEL RACK RATES – MARCH 2016 \$, VAT AND BB INCL



\* The rack rates are based on the KZT/USD rate of 343.06 provided by the National Bank of the Republic of Kazakhstan as of 03/31/2016

Source: Cushman & Wakefield | Veritas Brown Consultancy Services

### ALMATY EXHIBITIONS APRIL – JUNE 2016

7-9 of April	'Education and Career' – 16 <sup>th</sup> Kazakhstan International Exhibition
13-15 of April	«Securica AIPS» - Kazakhstan International Security Exhibition
13-15 of April	2nd Kazakhstan International Information Technologies, Security and Communication Exhibition
20-21 of April	'KazRealty' – 10th Kazakhstan International Exhibition for Real Estate and Investment
20-22 of April	'KITF' – 16th Kazakhstan International Tourism Fair
27-30 of April	'KazInterBeauty' - International Exhibition of Beauty Industry
11-13 of May	'KIHE' – 23rd Kazakhstan International Healthcare Exhibition
11-13 of May	'Power-Kazindustry' – 17th Kazakhstan International Industrial Exhibition

Source: Cushman & Wakefield | Veritas Brown Consultancy Services