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RUSSIA, THE CIS AND GEORGIA
HOTEL VALUATION INDEX 2011

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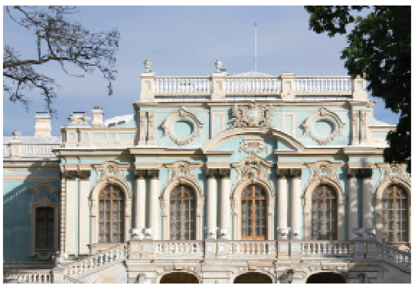
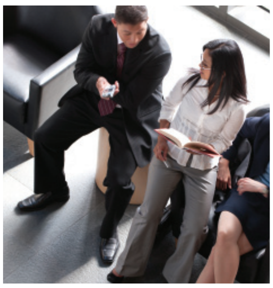

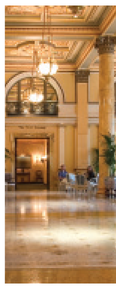

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Introduction

Plummeting hotel performance and cloudy yet ever changing market conditions make hotel investment in Russia, the CIS and Georgia an exciting but potentially risky venture. In this publication, HVS provides a guide though the peaks and troughs of the various hotel markets, giving lenders, investors and owners a clearer view of the region from a valuation perspective.

As values have been slipping drastically during the economic recession, by up to 50% in certain markets, it is important to reconsider the fundamentals and recent hotel performance of the regional markets, combined with current investor sentiment on the region. In 2010, hotel values decreased by 4% in the region – lagging behind the European average, which grew by approximately 7%, as can be expected. In addition, this year's publication does not only consider the historical trends but also provides a forecast for the year-end 2011, for which we expect a value increase for the region of approximately 7%, compared to an average European growth forecast of 4%. Looking even further ahead to 2016, we see a slight increase in compound annual growth of approximately 8%.

This issue includes:

- **Recovering hotel values**
- **Five-year forecast**
- **Market snapshots**
- **Special considerations for the region**
- **Sustaining values as an investor**

Hotel development in the key cities of Russia, the CIS and Georgia has been on the rise over the last 15 years. Privatisation and the ensuing growth of national economies has spurred real estate development across the region. The relatively poor standard of hotel accommodation, the rise of international events (such as the UEFA Euro 2012 Football Championships and the Winter Olympic Games in Sochi in 2014) and an increasing share of international travellers has led to a stronger focus on the hospitality sector. The development of internationally branded hotels in the region's capital cities started selectively in the early to mid 1990s, predominantly in the luxury and upscale segments; these segments have historically been the main focus of investors, but in recent years mid-market/budget hotels have arrived on the scene. Increased international (business) travel, along with maturing local tastes, has pushed the 'accepted' hotel standards closer to western-style accommodation.

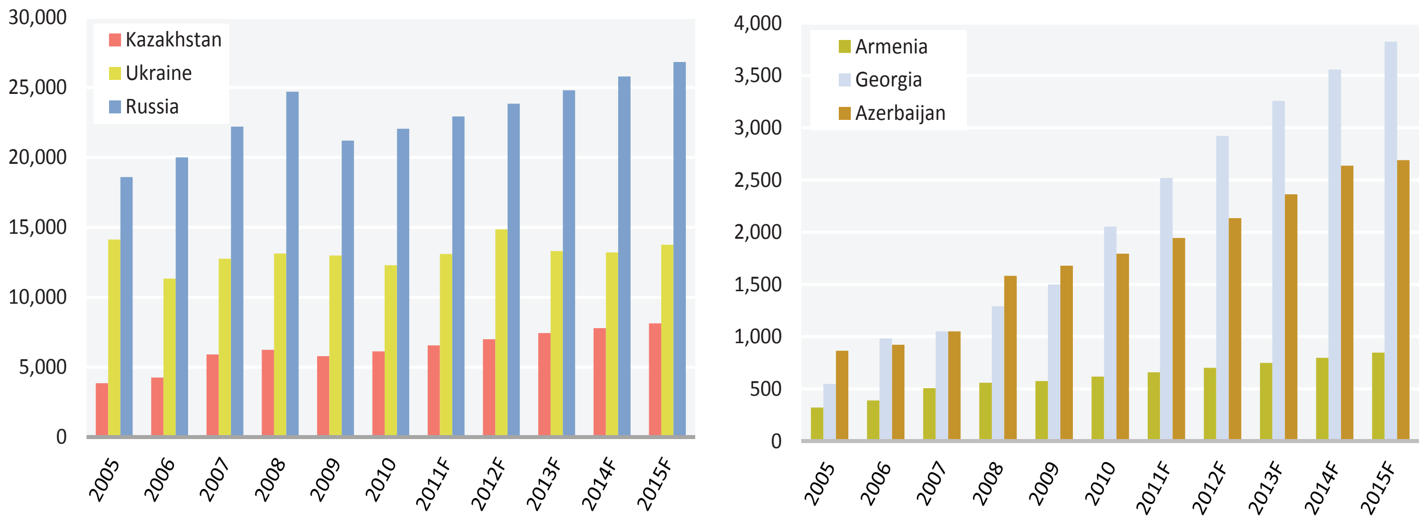
The last decade can be characterised by heightened activity in hotel developments, not only in the capitals, but also in regional, provincial cities in Russia, for example. Real progress has been relatively slow, however, owing to perceived bureaucracy, complicated legal systems and the rising cost of land and debt finance.

The Story So Far

Despite infrequent and expensive air travel to some parts of the region, as well as a time-consuming visa procedures (depending on the country), international arrivals to Russia, the CIS and Georgia grew at a compound annual growth rate of 3% from 2005 to 2010 and are forecast to continue to grow at a similar rate in the future. Russia, Ukraine and Kazakhstan receive the largest share of travellers (as shown in Chart 1); their smaller neighbours Georgia and Azerbaijan recorded around 1.5 million arrivals in 2010 and Armenia less than 600,000.

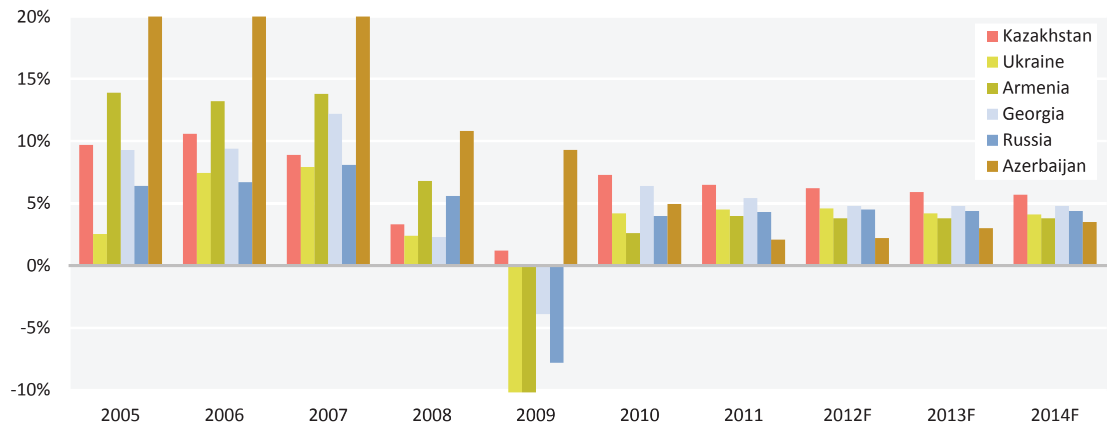
Russia recorded the bigest decline in arrivals in 2009, followed by Kazakhstan and Ukraine, whereas Georgia, Armenia and Azerbaijan fared better, both in absolute numbers and percentage terms. The outlook for the region is favourable, with a compound annual growth of roughly 5% forecast by the Euromonitor Group. Particularly good growth is forecast for Georgia, albeit from a small base. In addition to international arrivals, hotel investors also need to consider the importance of domestic demand, which is

CHART 1: HISTORICAL AND FORECAST INTERNATIONAL ARRIVALS (000s)



Source: Euromonitor

CHART 2: HISTORICAL AND FORECAST GDP GROWTH



Source: Economist Intelligence Unit

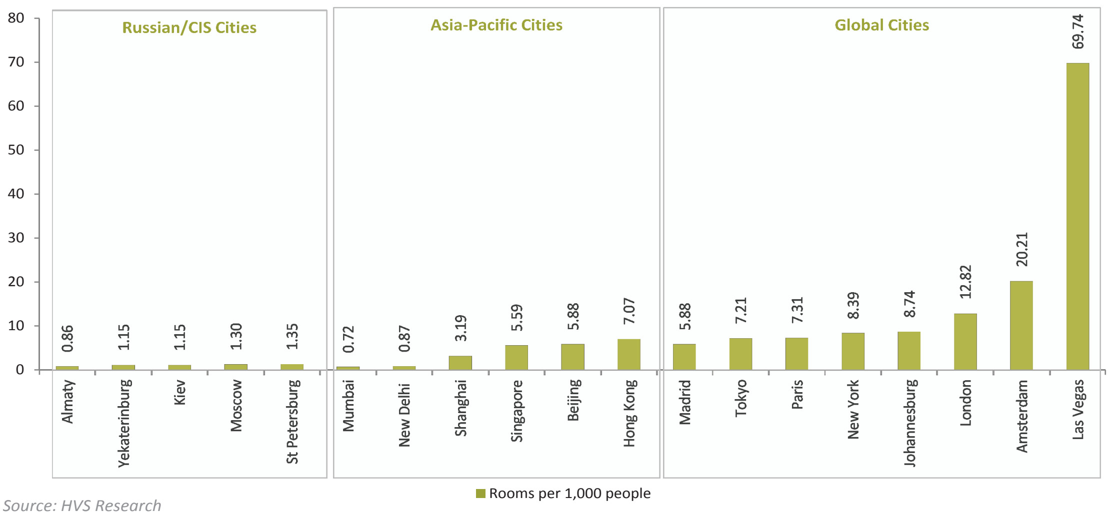
significant in many CIS countries and is discussed in detail later in this edition.

Despite the general interest for hotel development in the region, the effects of the global economic slowdown need to be taken into account. Chart 2 shows the effect of the worldwide crisis on the economies of Russia, the CIS and Georgia in 2009. Gross national product (GDP) growth contracted across all of the countries under review, with exception of Azerbaijan and Kazakhstan (although both of these economies shrank significantly in 2008). Much of the region's economic performance is linked to the energy sector, which in turn depends on the demand emanating from the industrialised nations around the globe.

Depressed consumer power and corporate spending, paired with low levels of foreign direct investment (FDI) and the high cost of local lending, have seriously impacted the speed of hotel development. Most proposed hotel projects were either cancelled or placed on hold. Later in the report, we review the effects of the global economic downturn on hotel trading and hotel values in the region. As of last year, all of the countries covered in this report are returning to positive growth, but at a much more moderate – and therefore sustainable – level of approximately 3-5% GDP growth annually. It should be noted that these levels are much higher than what can be expected for Western Europe in the medium term (1.5-2%) but still lag behind India or China (7-8%).

Acute undersupply is often cited as one of the main reasons for increased hotel development in Russia, the CIS and Georgia. Deriving quality hotel rooms as a proportion of population is one of the ways to quantify the shortage of hotel rooms in a market, and indeed it provides a useful starting point for further analysis. Chart 3 shows how low the proportion of quality rooms is to the size of the population in the region. The hotel stock used for this analysis is quality hotel rooms in the market that are comparable with international standards. All of the CIS cities have fewer than two quality bedrooms per 1,000 inhabitants, whereas most international gateway cities average five bedrooms or more.

CHART 3: QUALITY HOTEL ROOMS VS POPULATION



Source: HVS Research

Risk and Reward: Special Considerations for Hotel Development in the Region

Before discussing the historical and future movements in value, we summarise some of the key characteristics of the region, as they reflect the rationale and considerations of hotel investors and form the basis of our analysis.

Some of the challenges towards hotel development in Russia, the CIS and Georgia include uncertain economic and political stability, the poor state of the infrastructure and the general lack of ease of travel. Travel within the region is expensive, which constrains business demand and, more importantly, meeting and conference and leisure demand, which hotels need in order to diversify their client base. Large events such as the EURO 2012 in Ukraine or the 2014 Winter Olympic Games in Sochi help to improve local infrastructure and serve as marketing tools, which in turn will increase travel within the region and provide a major boost to hotel demand in the future. Some other issues in the region include the following.

- **Financing**. Hotel financing is one of the most talked about issues. The lack of institutional investors in Russia, the CIS and Georgia means that most projects are individually owned and financed. Financing can be obtained from some of the main government-controlled banks and international development or commercial banks. Overall, lending rates are higher compared to the Western markets. More 'established' real estate classes, such as residential and office developments, are often better understood than hotels and preferred by lenders. At the time of writing this report, bank finance – particularly for new hotel developments, which are naturally the most requested in the region – remains extremely scarce;
- **Risk of oversupply**. Owing to the booming hotel industry in the mid 2000s, many investors turned their attention to hotels. This resulted in a large pipeline of hotel projects in various stages of development in many of the region's markets. Despite fluctuations in proposed supply due to the world economic downturn, some markets are at risk of oversupply should all of the planned projects materialise. Such increases in rooms stock may put pressure on hotel performance and hotel values. Therefore, it is important to know which markets are more susceptible to the risk of oversupply and which segments of the market are most likely to be affected;
- **Customer profile**. Most of the markets reviewed in this publication rely heavily on commercial demand. Dependence on only one segment increases operational risk. The meeting, incentive, conference and exhibition (MICE) segment is limited across the region and cannot compete with international convention destinations, and leisure business contributes a small percentage to the total marketwide demand; the lower contribution from these two segments constrains weekend occupancies. In recent years, we have seen various local governments invest in conference facilities in order to gain a stronger profile as a meeting and conference destination. Also, simplifications to visa regimes are being worked on in Russia in order to open up more demand in the future;

CHART 4: HISTORICAL VALUES PER ROOM – RUSSIA, THE CIS AND GEORGIA (€)

	2007	2008	2009	2010	2011
Moscow Upscale/Luxury	498,000	527,000	327,000	353,000	391,000
St Petersburg Upscale/Luxury	358,000	377,000	213,000	222,000	244,000
European Average	274,000	244,800	212,000	227,000	236,000
Kiev	427,000	376,000	194,000	201,000	217,000
Moscow Mid-Market/Budget	294,000	292,000	204,000	201,000	207,000
Almaty	418,000	293,000	190,000	152,000	173,000
Astana	329,000	224,000	179,000	152,000	167,000
Average – Russia, the CIS and Georgia	265,000	239,000	159,000	153,000	163,000
Baku	292,000	245,000	205,000	200,000	160,000
Tbilisi	273,000	213,000	156,000	153,000	159,000
Samara	156,000	145,000	88,000	91,000	99,000
Yerevan	134,000	100,000	85,000	86,000	96,000
Kazan	119,000	130,000	102,000	86,000	94,000
St Petersburg Mid-Market/Budget	139,000	137,000	81,000	83,000	93,000
Yekaterinburg	143,000	148,000	106,000	82,000	92,000
Rostov-on-Don	126,000	133,000	96,000	79,000	87,000

Source: HVS

CHART 5: WINNERS AND LOSERS (€)

Growth/Decline	2008	2009	2010	2011
Almaty	-30%	-35%	-20%	+14%
Yekaterinburg	+3%	-28%	-23%	+12%
St Petersburg Mid-Market/Budget	-1%	-41%	+2%	+12%
Yerevan	-25%	-15%	+1%	+12%
Moscow Upscale/Luxury	+6%	-38%	+8%	+11%
Rostov-on-Don	+6%	-28%	-18%	+10%
St Petersburg Upscale/Luxury	+5%	-44%	+4%	+10%
Astana	-32%	-20%	-15%	+10%
Kazan	+9%	-22%	-16%	+9%
Samara	-7%	-39%	+3%	+9%
Kiev	-12%	-48%	+4%	+8%
Average – Russia, the CIS and Georgia	-10%	-33%	-4%	+7%
European Average	-11%	-13%	+7%	+4%
Tbilisi	-22%	-27%	-2%	+4%
Moscow Mid-Market/Budget	-1%	-30%	-1%	+3%
Baku	-16%	-16%	-2%	-20%

Source: HVS

- **Domestic travellers**. Many of the regional markets rely mostly on commercial domestic guests and travellers from neighbouring CIS countries. Domestic and local economies are therefore the driving force behind the market demand. Over time, the domestic consumer has become more sophisticated in regards to choices of product and service, and even the large brands have started to make adaptations to their business models to suit local tastes. International hotel groups have sought to become 'local players' by achieving 'critical mass' with a portfolio of hotels;
- **Lack of diversified economy**. Politicians and business leaders are unanimous in agreeing the need to reduce the region's reliance on natural resources. Achieving this, however, could take more than just a few years, given the colossal changes in terms of taxation, infrastructure investments and bureaucracy that need to happen to allow for a more stable stream of home-grown and foreign investments into other businesses than oil and gas and related industries. However, we expect that some concerted efforts will be made in this respect;
- **Brand awareness**. Most of the domestic consumers in the region have become more brand conscious. Since most international brands not only bring a level of quality, but also prestige, more local consumers are considering international hotel brands.

Therefore, we consider that the convergence of positive factors and the alleviation of some constraining factors over the next few years will prove to be beneficial for the hospitality industry in Russia, the CIS and Georgia. We also consider that the continued maturation of the service industry will provide a more diverse client base across the various markets, making them less susceptible to global fluctuations and downturns in any one sector or segment going forward.

Analysing the Numbers

In a similar fashion to our publication last year, we have produced an analysis of average hotel values per room for a number of key cities in the region (each market is discussed briefly in the following section). HVS has tracked value trends between 2007 and 2010, as outlined in Chart 4, with the corresponding annual changes in chart 5. Since the last issue of the HVI for this region, we have refined our analyses for Moscow and St Petersburg into two distinct segments: upscale/luxury and mid-market/budget. Unfortunately, the same analysis cannot be applied to the remainder of the cities surveyed, as the sample of hotels contained in each segment would be too limited.

With Moscow split into two segments, it is not surprising that Moscow upscale/luxury hotels lead the value table (ranked as of 2011). Despite important corrections in the market and an influx of new supply, Moscow commands some of the highest average hotel rates in Europe. This in turn allows the market to achieve healthy RevPAR, which leads to high values per room (€391,000 in 2011). St Petersburg's upscale/luxury segment ranks second place. Despite pressure on occupancy, due to strong seasonality and increased new luxury supply, high average hotel rates and strong investor focus ensure high values in the region of €244,000 per room.

It is worth mentioning that Moscow's mid-market/budget hotels rank only two places behind the European average (that is, Western and Eastern Europe combined, as per our sister publication the European HVI). Most of the quality hotels in this segment are mid-market and are commercially oriented. Owing to high occupancy levels, mid-market hotels in Moscow are able to maintain healthy levels of RevPAR, which translates in fairly strong average values.

CHART 6: VALUE RANKINGS

	2007	2008	2009	2010	2011	2016
Moscow Upscale/Luxury	1	1	1	1	1	1
St Petersburg Upscale/Luxury	4	2	2	2	2	2
European Average	8	7	3	3	3	3
Kiev	2	3	6	4	4	4
Moscow Mid-Market/Budget	6	5	5	6	5	6
Almaty	3	4	7	5	6	5
Astana	5	9	8	7	7	7
Average – Russia, the CIS and Georgia	10	8	9	9	8	9
Baku	7	6	4	10	9	10
Tbilisi	9	10	10	8	10	8
Samara	11	12	14	14	11	14
Yerevan	14	16	15	12	12	12
Kazan	16	15	12	15	13	15
St Petersburg Mid-Market/Budget	13	13	16	11	14	11
Yekaterinburg	12	11	11	13	15	13
Rostov-on-Don	15	14	13	16	16	16

Source: HVS

Kiev is another other city that ranks close to the European average. Having fallen behind in 2009, Kiev was able to regain its position thanks to recovering RevPAR levels in the last two years coupled with investor appetite preceding the Euro 2012 football tournament. The middle of Chart 6 is populated by the capitals of CIS countries, such as Astana, Baku and Tbilisi, while the regional Russian markets make up the bottom half (Yekatrinburg, Kazan and Rostov-on-Don for instance). When looking at the annual changes in value (Chart 5), 2010 proved to be a year of contrasts. Some markets exhibited signs of recovery from previous decreases (Samara, Kiev and Moscow, for example), owing mostly to renewed business activity leading to more room nights and an improved investor sentiment. But many markets continued to register decreasing values, as performances in those markets had not yet levelled out. Overall, values decreased by 4% in the region, lagging behind the European average, which grew by approximately 7%. However, taking into consideration the substantial falls in value in the past few years, this slight decrease in value indicates that the markets are close to bottoming out.

The cities covered in the report are: Moscow, St Petersburg, Yekaterinburg, Rostov-on-Don, Samara and Kazan (Russia); Kiev (Ukraine); Baku (Azerbaijan); Astana and Almaty (Kazakhstan); Tbilisi (Georgia); and Yerevan (Armenia).

For 2011, however, we expect a brighter picture as most markets return to value growth. Some increases seem extremely healthy (such as Almaty and Yekaterinburg) and have either grown from very depressed trading levels or benefitted from some special events. The top-eight performers have achieved a growth rate of 10% and above, which is good sign of recovery for the region as a whole. Baku, however, has seen a steep decline in performance due to an influx of new supply and a 'wait and see' attitude from investors as to when these additional rooms will be absorbed. Overall, values in the region are expected to increase by approximately 7% in 2011, with average European growth forecast at 4%.

When looking at the value rankings (Chart 6), The Moscow and St Petersburg upscale/luxury segments continue to remain in the top-two positions, respectively. Kiev, which experienced a severe drop in value in 2009, has climbed to fourth position.

In the long run until 2016, we forecast that Tbilisi and St Petersburg's mid-market/budget segment will rise a few places, whereas markets like Samara and Kazan might slip downwards, and thus register a lower average value growth than the other markets in the survey.

Charts 7 and 8 show the average values over the past five years, along with our estimates of 2016 values in euro.

Any forecast has an element of uncertainty attached to it. It is important to remember that most of the markets will remain fragile over the next few years and performances in these markets will largely be connected to the speed and magnitude of the new supply. The values presented in the report are market averages and individual hotels might well overperform or underperform compared to the market. At the time of writing this report, the global economy and, in particular, the European financial markets are in significant turmoil. Our projections of future value recovery assume a slow, but steady economic recovery (in line with the GDP forecasts presented in Chart 2). Should the global economy deteriorate significantly, this might well lead to an amended forecast picture next year.

All of the countries under review suffered extreme currency fluctuations against the euro from 2008 to 2010, as local currencies depreciated, particularly the Russian rouble, Kazakhstan tenge and Armenian dram. Analysing values in local currency is important as it matches the revenue streams that are realised in the national currency with cost structures subject to local inflation levels. In 2009, the falls in average values across the region were far less in local currency, as, owing to weakening exchange rates, the fluctuations in the euro were much higher. In 2009, Yerevan's average value grew by 6% in local currency, but as the Armenian dram fell by almost 25%, the value decreased in euro terms by 15%. In 2010, this trend reversed as local currencies strengthened; all of the countries listed above lost value in terms of local currency, but in euro terms six out of the twelve markets gained value. With economic recovery, both inflation and exchange rates are expected to return to more stable levels and therefore the gap between compound annual growth in euro and local currency terms is now much narrower.

CHART 7: HISTORICAL AND FORECAST VALUES PER ROOM IN EURO AND YEAR-ON-YEAR PERCENTAGE CHANGES

	2007	2008	2009	2010	2011	2016 [1]	Compound Annual Growth Rate 2007-11	Compound Annual Growth Rate 2012-16
Almaty	418,000	293,000	190,000	152,000	173,000	275,000	**-19.8%**	**8.0%**
Astana	329,000	224,000	179,000	152,000	167,000	266,000	**-15.6%**	**11.4%**
Average – Russia, the CIS and Georgia	265,000	239,000	159,000	153,000	163,000	228,000	**-11.4%**	**7.6%**
Baku	292,000	245,000	205,000	200,000	160,000	214,000	**-14.0%**	**15.3%**
Kazan	119,000	130,000	102,000	86,000	94,000	128,000	**-5.7%**	**6.9%**
Kiev	427,000	376,000	194,000	201,000	217,000	282,000	**-15.6%**	**5.9%**
Moscow Mid-Market/Budget	294,000	292,000	204,000	201,000	207,000	274,000	**-8.4%**	**5.6%**
Moscow Upscale/Luxury	498,000	527,000	327,000	353,000	391,000	515,000	**-5.9%**	**4.7%**
Rostov-on-Don	126,000	133,000	96,000	79,000	87,000	118,000	**-8.8%**	**6.7%**
Samara	156,000	145,000	88,000	91,000	99,000	138,000	**-10.7%**	**6.6%**
St Petersburg Mid-Market/Budget	139,000	137,000	81,000	83,000	93,000	143,000	**-9.6%**	**9.6%**
St Petersburg Upscale/Luxury	358,000	377,000	213,000	222,000	244,000	306,000	**-9.1%**	**6.9%**
Tbilisi	273,000	213,000	156,000	153,000	159,000	247,000	**-12.6%**	**9.2%**
Yekaterinburg	143,000	148,000	106,000	82,000	92,000	139,000	**-10.4%**	**7.8%**
Yerevan	134,000	100,000	85,000	86,000	96,000	141,000	**-8.0%**	**7.6%**

	2007	2008	2009	2010	2011	2016 [1]	Compound Annual Growth Rate 2007-11	Compound Annual Growth Rate 2012-16
Almaty	—	-30%	-35%	-20%	14%	10%	**-19.8%**	**8.0%**
Astana	—	-32%	-20%	-15%	10%	10%	**-15.6%**	**11.4%**
Average – Russia, the CIS and Georgia	—	-10%	-33%	-4%	7%	8%	**-11.4%**	**7.6%**
Baku	—	-16%	-16%	-2%	-20%	13%	**-14.0%**	**15.3%**
Kazan	—	9%	-22%	-16%	9%	8%	**-5.7%**	**6.9%**
Kiev	—	-12%	-48%	4%	8%	1%	**-15.6%**	**5.9%**
Moscow Mid-Market/Budget	—	-1%	-30%	-1%	3%	9%	**-8.4%**	**5.6%**
Moscow Upscale/Luxury	—	6%	-38%	8%	11%	2%	**-5.9%**	**4.7%**
Rostov-on-Don	—	6%	-28%	-18%	10%	9%	**-8.8%**	**6.7%**
Samara	—	-7%	-39%	3%	9%	9%	**-10.7%**	**6.6%**
St Petersburg Mid-Market/Budget	—	-1%	-41%	2%	12%	11%	**-9.6%**	**9.6%**
St Petersburg Upscale/Luxury	—	5%	-44%	4%	10%	13%	**-9.1%**	**6.9%**
Tbilisi	—	-22%	-27%	-2%	4%	11%	**-12.6%**	**9.2%**
Yekaterinburg	—	3%	-28%	-23%	12%	9%	**-10.4%**	**7.8%**
Yerevan	—	-25%	-15%	1%	12%	6%	**-8.0%**	**7.6%**

[1] In future values

Source: HVS

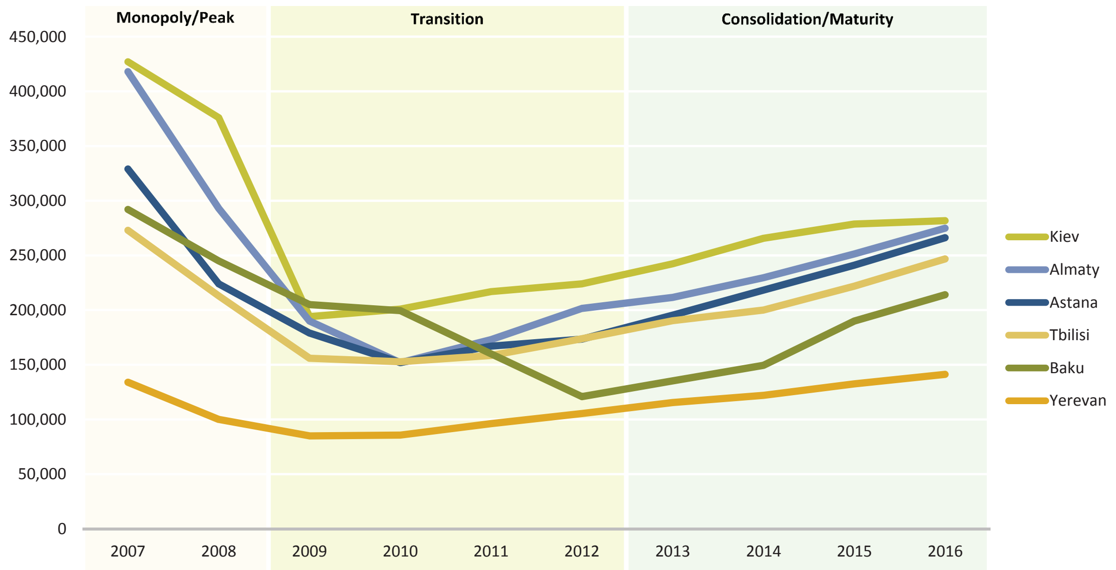
CHART 8: HISTORICAL AND FORECAST VALUES PER ROOM IN LOCAL CURRENCY AND YEAR-ON-YEAR PERCENTAGE CHANGES

	2007	2008	2009	2010	2011	Compound Annual Growth Rate 2007-11
Almaty	71,896	49,400	39,900	29,734	35,430	**-16.2%**
Astana	56,588	37,766	37,590	29,734	34,202	**-11.8%**
Baku	359	274	236	214	179	**-16.0%**
Kazan	4,165	4,745	4,529	3,466	3,751	**-2.6%**
Kiev	3,074	4,098	2,192	2,117	2,430	**-5.7%**
Moscow Mid-Market/Budget	10,290	10,658	9,058	8,100	8,259	**-5.3%**
Moscow Upscale/Luxury	17,430	19,236	14,519	14,226	15,601	**-2.7%**
Rostov-on-Don	4,410	4,855	4,262	3,184	3,471	**-5.8%**
Samara	5,460	5,293	3,907	3,667	3,950	**-7.8%**
St Petersburg Mid-Market/Budget	4,865	5,001	3,596	3,345	3,711	**-6.5%**
St Petersburg Upscale/Luxury	12,530	13,761	9,457	8,947	9,736	**-6.1%**
Tbilisi	699	494	378	353	276	**-20.7%**
Yekaterinburg	5,005	5,402	4,706	3,305	3,671	**-7.5%**
Yerevan	59,067	43,140	45,807	40,661	36,390	**-11.4%**

	2007	2008	2009	2010	2011	Compound Annual Growth Rate 2007-11
Almaty	—	-31%	-19%	-25%	19%	**-16.2%**
Astana	—	-33%	0%	-21%	15%	**-11.8%**
Baku	—	-24%	-14%	-9%	-16%	**-16.0%**
Kazan	—	14%	-5%	-23%	8%	**-2.6%**
Kiev	—	33%	-47%	-3%	15%	**-5.7%**
Moscow Mid-Market/Budget	—	4%	-15%	-11%	2%	**-5.3%**
Moscow Upscale/Luxury	—	10%	-25%	-2%	10%	**-2.7%**
Rostov-on-Don	—	10%	-12%	-25%	9%	**-5.8%**
Samara	—	-3%	-26%	-6%	8%	**-7.8%**
St Petersburg Mid-Market/Budget	—	3%	-28%	-7%	11%	**-6.5%**
St Petersburg Upscale/Luxury	—	10%	-31%	-5%	9%	**-6.1%**
Tbilisi	—	-29%	-24%	-6%	-22%	**-20.7%**
Yekaterinburg	—	8%	-13%	-30%	11%	**-7.5%**
Yerevan		-27%	6%	-11%	-11%	**-11.4%**

Source: HVS

CHART 9: VALUE TRENDS PER ROOM – CIS CAPITALS AND GEORGIA 2007-16 (€)



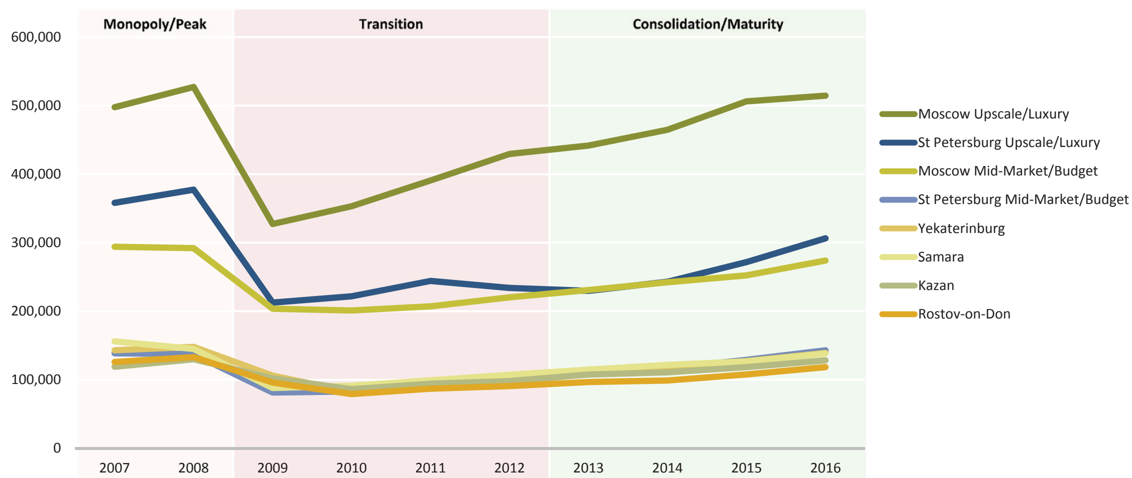
Source: HVS

Due to the heterogeneous mix of hotels in the market, is it important to consider the underlying trends or movement in addition to the absolute numbers. Charts 9 and 10 represent a general overview of hotel values over the past five years, along with a trend forecast. Values were at their highest in 2007/08, driven by high average rates, good profitability, undersupplied markets and strong investor interest (the peak years).

The transition years of 2009, 2010 and 2011 saw strong drops in value across the region, owing to the simultaneous effects of the new supply and the global economic crisis. Some markets are still immature with a large share of local operators who rely on discounting average rate to stimulate volume. Investors became more insecure about the risk in the region, and started to invest in safer markets in Europe. In 2011, the region's hotel markets generally exhibited stronger performances and showed the first signs of recovery. Investor interest is rising, resulting in faster project completions (the W Hotel St Petersburg) and some transaction activities (the Ritz-Carlton Moscow and the Park Inn Izhevsk) – albeit the region still suffers from a notorious shortage of transactions due to a lack of suitable hotel products and a common methodology understood by all.

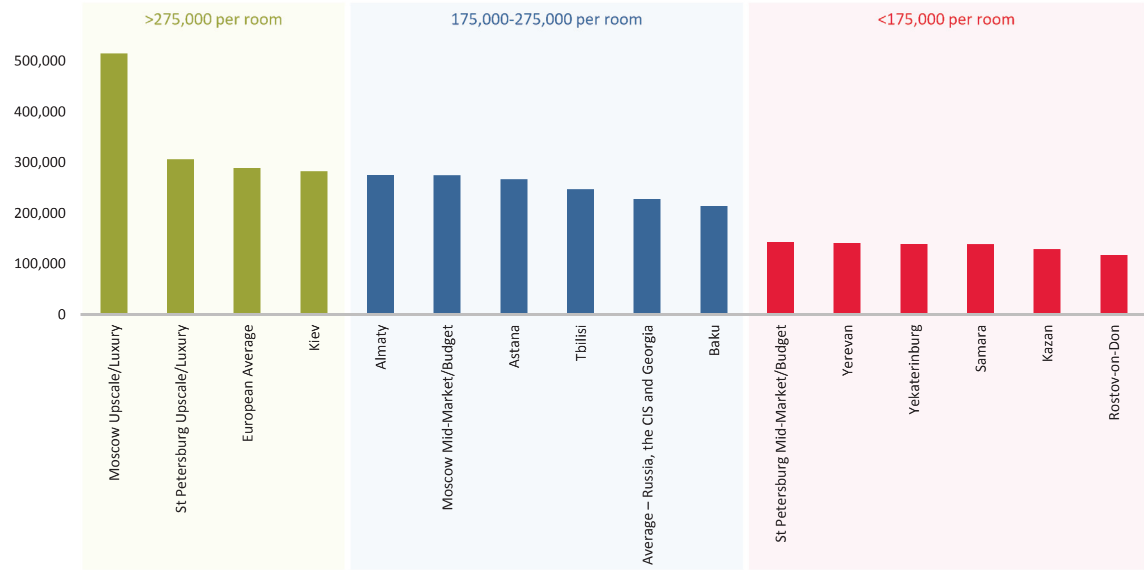
In the coming years, the hotel markets in Russia, the CIS and Georgia will continue moving towards maturity. New international quality hotels along with more distinctive hotel segments (upscale/ luxury and mid-market/budget) and sustainable economic growth levels should stabilise hotel values across the region. The increasing number of transactions will serve as a benchmark which can in turn be used to support valuations for other hotels.

CHART 10: VALUE TRENDS PER ROOM – RUSSIA 2007-16 (€)



Source: HVS

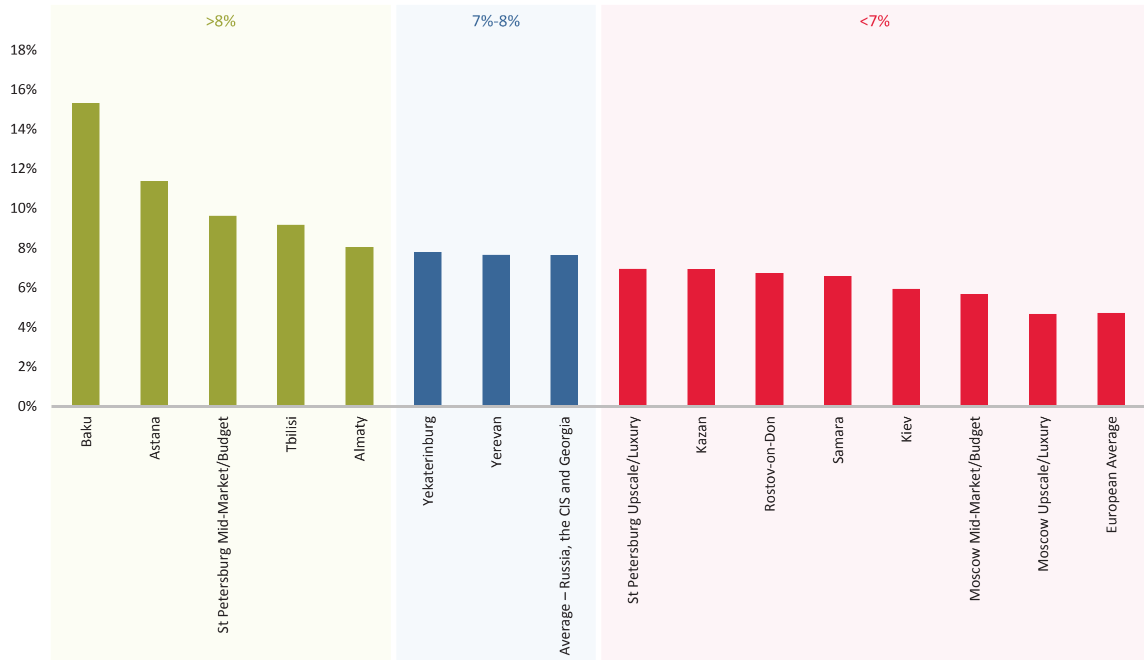
CHART 11: VALUE PER ROOM – RUSSIA, THE CIS AND GEORGIA 2016 (€)

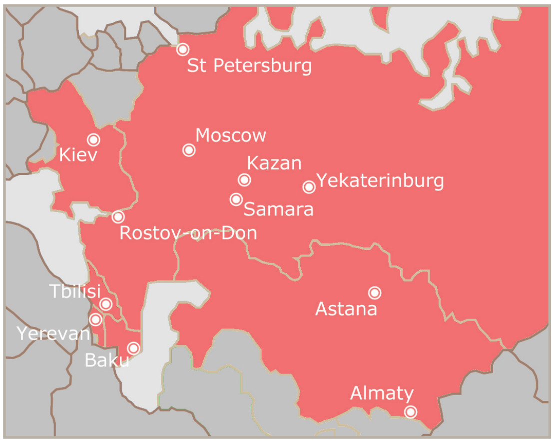


Source: HVS

Moscow's and St Petersburg's upscale/luxury segments top the table, with values of more than €275,000 per room, and the remaining markets are distributed fairly evenly. The CIS capitals, along with Moscow's mid-market/budget segment, are forecast to achieve values per room in excess of €175,000 (except Yerevan). Relatively modest average rates will keep Russia's regional hotel values below €175,000 per room and, despite healthy forecast growth, St Petersburg's mid-market/budget segment is expected to remain below €175, 000 per room in future values.Despite sizeable additions to supply, we forecast that Baku will achieve the highest growth rate going forward, merely showing recovery from rather strong value decreases over the last few years. Astana and Almaty are other markets that are forecast to grow with a compound annual rate of more than 8% in the next five years, as Kazakhstan's economy recovers and the 'new' capital plays a more dominant role. More mature markets like Moscow and Kiev exhibit the lowest growth rates going forward, owing mostly to a more stabilised market performance and consistent demand generators, which make these markets more resilient to fluctuations in value.

CHART 12: COMPOUND ANNUAL GROWTH RATES – RUSSIA, THE CIS AND GEORGIA 2011-16





Market Overviews

Kazakhstan enjoyed strong economic performance from 2000 to 2007 and real GDP growth averaged 10%. The economy was, and remains, highly resource-dependent. The financial crisis hit Kazakhstan particularly hard, severely affecting disposable incomes, and **Almaty**'s predominantly business-focused hotel market suffered strongly. As a result, occupancy in the market has been quite modest over the last few years but is recovering thanks to events like the Asian Winter Games in February 2011. Out of a hotel stock of some 2,600 rooms, only some 900 rooms are branded – InterContinental, Royal Tulip, Rixos and Holiday Inn properties opened in 2009 and the Rachat Palace Hotel is not affiliated with Hyatt anymore. We see potential in Almaty's mid-market segment, which seems to remain undersupplied. With limited openings before 2013 (a Radisson hotel in Medeu, the JW Marriott Esentai Tower and a Kempinski hotel) as well as further development of the Almaty Financial District, the market is expected to continue to grow and absorb the current supply; resulting in a climb in value of around 8% annually until 2016.

Astana was designated a capital city in 1997 and has since grown strongly on the back of its construction industry, which gave rise to a many ambitious projects. The hotel market remains small and largely unbranded with a Rixos, a Radisson and a Ramada Plaza. Over the years, some large events and conferences have been moved from Almaty to Astana. Occupancy in 2011 increased modestly, despite increases in supply (the King Hotel Astana in late 2009 and the Soluxe Palace Hotel in 2008). Astana hosted the OSCE Summit in December 2010 and co-hosted the Asian Winter Games earlier this year, together with Almaty. On account of limited new supply coupled with economic recovery, Astana's hotel value is expected to rise to €167,000 per room in 2011 and €266,000 per room in 2016; thus, catching up with the financial centre Almaty but not surpassing it.

Baku is an established hub for the oil and gas industry in the Caspian Sea. Strong demand from the oil companies has led to extremely high prices, which has attracted many hotel companies to the market. President Aliyev has nicknamed 2011 the 'Year of Tourism' – indeed, this year will bring an unprecedented rise in hotel rooms with Four Seasons, Hilton, Kempinski and Jumeirah properties opening in or near the city. Events like the Eurovision Song Contest in 2012 are expected to raise Azerbaijan's emerging profile as a tourist destination, spurred further by tourism developments such as resorts in the Shahdag Mountains. A threat to all this development is the relatively weak spending power of the local population, as well as newly introduced entry visa regimes. As a result, we expect a strong value decline in the short term followed by a prudent recovery.

With a population of 1.14 million, **Kazan** is the eighth-largest city in Russia and it is one of the country's largest financial and industrial centres. The total banking capital of Kazan banks is third in Russia, behind only Moscow and St Petersburg. In addition to being a business destination, Kazan attracts a large number of tourists (1 million visitors in 2010). Events such as the 2013 Universiade and the 2018 FIFA World Cup are likely attract further demand to the city. Kazan has also obtained permission to use the trademark the 'Third Capital of Russia' from the Russian Patent Office until 2017.

Even though Kazan offers a decent supply of good quality accommodation, internationally branded hotels are limited (Ibis, Park Inn and Courtyard by Marriott) and have only appeared in the market since 2009. Among the proposed branded supply, Ramada and Hilton are planning to enter the market in the short term.

Kazan followed the overall trend of value loss in 2009 and 2010, due to general economic conditions and sudden increases in internationally branded supply. Moderate increases in RevPAR in 2011 allowed Kazan to gain some of the lost value from the previous years. As market performance continues to improve, average hotel values per room are expected to increase at a compound annual growth rate of 6.9% by 2016.

Kiev is the capital of Ukraine, one of the largest domestic economies in Europe, albeit with relatively moderate spending power. The city's hotel performance has been shaped by a small selection of hotels, which benefitted from good average room rate levels and low labour costs, as well as favourable visa regulations for Russia and the CIS and the EU, prior to the economic crisis. Hotel values fell dramatically in 2009, owing to depressed trading performance as well as the perception of strong bureaucracy and corruption. The economic crisis brought the long list of planned hotel developments in Kiev to a halt. On a positive note, Ukraine, together with Poland, was selected to host Euro 2012 between 8 June and 1 July 2012. Although not all plans will be realised in time, Ukraine has made some important steps towards upgrading its infrastructure, including a

Since winning the bid to host the 2014 Winter Olympic Games, **Sochi** has become a major focus point in the Russian hotel industry. Due to the insufficient number of existing hotels (apart from the Radisson Lazurnaya Hotel) we prefer to cover this market qualitatively; thus, it is not included in our index.

Sochi has a population of approximately 340,000, making it one of the smallest cities to host the Winter Olympic Games. The Olympic venues are split into coastal and mountain clusters.

The coastal cluster is for ice events and is located in Imeretinskaya Valley. Along with the six Olympic venues, the valley is expected to supply more than 12,000 guest rooms during the event. In the post-Olympic period, most of the room stock is intended to be turned into residential projects for sale. Three of the six venues will be dismantled and moved elsewhere. Some of the main challenges for Imeretinskaya Valley will be the successful sale of the large residential stock, which will partly depend on the supporting infrastructure in the valley as well as realistically achievable sale prices.

The mountain cluster is located in Krasnaya Polyana and consists of two main developments: Roza Khutor and Gorki Gorod. Unlike the coastal cluster, hotel development is more aggressive in the mountains. Additions to supply are expected from Rezidor, Accor, Swissôtel, Golden Tulip, Hilton, Hyatt, Starwood and Marriott, adding more than 2,500 internationally branded rooms to the market. The balance of new supply in terms of segments is key; an important share of new supply will have to remain in the affordable, mid-market segment. Even though demand in Sochi is likely to grow at a strong pace, such increase in room stock will put pressure on hotel performances and values in the short to medium term, although (national) investor appetite is likely to remain good.

Overall, the hotel market in Sochi is due to undergo some drastic changes and the media attention of the Winter Olympic Games will definitely increase the awareness of this market abroad and in Russia.

new terminal at Kiev's international airport and a new runway planned for the next few years. As we do not expect all of the proposed projects to be completed, we forecast that Kiev's hotel values will increase at a compound annual rate of 5.9%, reaching a healthy €282,000 per room in 2016.

Average hotel values for **Moscow's upscale and luxury hotels** grew until 2008, reaching a peak of approximately €527,000 per room. This growth was predominantly driven by Moscow commanding some of the highest average room rates in Europe. However, with the global economic downturn in 2009, averages rates in the city fell sharply as occupancy started to weaken. Moscow's upscale/luxury segment recorded its lowest average hotel values in 2009 with approximately €327,000 per room. Turmoil in the financial markets meant that many hotel projects were either cancelled or placed on hold because of a lack of finance. Fewer additions to supply, coupled with marketwide RevPAR growth in 2010 and 2011, allowed an increase in hotel values of 11% in 2011, to approximately €391,000 per room. Despite the fact that virtually all of the major hotel groups are present in the market today or moving in over the next few years, we forecast that the Moscow upscale/luxury market will go from strength to strength, reaching a value per room of approximately €515,000 in 2016.

Moscow's mid-market/budget segment peaked in 2007 (at €294,000 per room), then continued to decline until 2010, reaching €201,000 per room. However, a steady increase in RevPAR in 2011, coupled with relatively low additions to supply, allowed hotel values to reach fifth position (approximately €207,000 per room) in our survey during this year.

The number of operational internationally branded hotels in this segment is distinctly lower compared to the upscale/luxury segment, and much of the domestic demand is still catered to by local hotels and chains. International chains, such as Accor and InterContinental Hotels Group (IHG), have aggressive plans for the market, but provided economic recovery unfolds as is currently forecast, demand should outweigh supply. We therefore estimate a 5.6% compound annual growth rate in hotel values by 2016, reaching €274,000 per room.

SOCHI

Rostov-on-Don is the capital of the Southern Federal District and is strategically located on the river Don. With its 1.1 million inhabitants, the city has become an important commercial and transportation hub, attracting investor interest early on. Owing to the city's location in the south of Russia, the government is making an effort to create a holiday zone. Rostov-on-Don was originally in one of the four areas where gambling will be permitted. However as of March 2011, the Rostov-on-Don part of the gaming zone has been removed.

The city's first internationally branded hotel, the Radisson Don, is currently closed, leaving the local hotel market without any branded supply. The future pipeline is extensive, however, with properties from Hyatt, Starwood, IHG and Accor due to enter the market in the short to medium term. Oversupply could put downward pressure on average rates in the future, especially in the upscale segment.

Rostov-on-Don should be able to recover with a growth of 10% in average hotel values in 2011, due to improved RevPAR following two consecutive years of drops in value. Nonetheless, owing to depressed average room rates following new hotel openings, we consider that hotel value growth will be limited in the next two to three years. We estimate a moderate compound annual growth rate of 6.7% in average hotel values per room by 2016.

Samara, on the Volga River in southeastern European Russia, is the country's sixth-largest city with a population of 1.16 million. Samara is a large industrial and transport centre in European Russia and is part of one of Russia's most economically developed regions. Along with its many industries, Samara is also a major intellectual, cultural and academic centre.

Samara's hotel market has seen limited development of internationally branded stock in the last few years. Currently, the city has only two internationally branded hotels: a Holiday Inn and a Renaissance. Hilton and Accor are among the operators expected to enter the market in the short term.

In 2009, hotel values in Samara decreased by almost 40%, which was the largest drop in percentage terms of all the regional Russian cities. A poor RevPAR performance, due to a struggling manufacturing industry, was the cause of this decrease. A stable stock of quality hotel rooms in the market allows demand to grow without too much impact from new supply, leading to overall RevPAR increases. As a result, we expect a 6.6% compound annual growth rate in hotel values per room in 2016.

Similarly to Moscow, **St Petersburg's upscale/luxury segment** experienced strong RevPAR growth until 2008, which was driven by significant average rate increases. The city has a relatively small commercial base and relies heavily on seasonal leisure demand. In 2009, when both commercial and leisure demand decreased dramatically, average hotel values in the upscale/luxury segment experienced the second-largest drop of the markets under review, with a fall of 44%. With almost no increase in branded supply in 2010, occupancies recovered, but average rate struggled to follow. However, overall increases in RevPAR in 2010 and 2011 brought average hotel values to approximately €244,000 per room in 2011 (second place in our survey).

St Petersburg's upscale/luxury segment has a significant proposed pipeline of new hotels. The recently opened Crowne Plaza Ligovsky and the W Hotel will be followed by the Four Seasons, Domina and IHG hotels. Lotte and Hilton are also cited among potential operators entering the market. The development of a new international airport terminal and simplified visa regulations should help St Petersburg absorb the effects of new supply. Even though we expect occupancies to decrease in the short term, the medium outlook for the upscale/luxury segment is positive. We estimate a 6.9% compound annual growth rate by 2016, bringing hotel values to approximately €306,000 per room and keeping St Petersburg second in the overall ranking.

St Petersburg's branded mid-market/budget segment is characterised by a much larger inventory compared to the upscale/luxury segment. The Park Inn Pulkovskaya and Pribaltijskaya hotels contribute more 30% of total room stock. Despite the much higher room stock, this segment achieves peak marketwide occupancies in certain months, but at the expense

MARIINSKY PALACE, ST PETERSBURG

ST SOPHIA CATHEDRAL, KIEV

of low average rates. As a result, the St Petersburg mid-market/budget segment is towards the bottom of the index. Similar to Moscow's mid-market/budget segment, average hotel values declined to their lowest in 2009 at approximately €81,000 per room.

Demand growth in the mid-market/budget segment in 2010/11 outweighed the effects of new supply (Holiday Inn Moskovskie Vorota, Courtyard by Marriott Center West Pushkin and Park Inn Nevski). Occupancy growth was the main driving force behind RevPAR increases in these two years, allowing average hotel values to improve to €93,000 per room in 2011. At the moment, the number of announced projects in the mid-market/budget segment is limited. Should the market develop with the current proposed pipeline and the general economic conditions improve as forecast, we estimate that average hotel values are set to improve to €143,000 per room in 2016.

Georgia is pursuing a relatively aggressive strategy to promote tourism that is intended not only to benefit its capital **Tbilisi** but also its provincial areas. In doing so, the government has passed tax and other administrative reforms in an attempt to strengthen FDI. The World Bank's Doing Business 2010 report ranked Georgia 11th in the world for its business environment, the highest rating among all of the former Soviet republics. In addition, Georgia is accessible from both Western countries and the CIS without entry visas. Hotel values in Tbilisi were not only impacted by the economic crisis but also by the military conflict with Russia in 2008. The Tbilisi hotel market consists of five internationally branded hotels with the Radisson Iveria and the Holiday Inn Tbilisi being the latest market entrants. We expect the new supply in the city (Kempinski and possibly IHG) to be absorbed in the medium term. With a number of office developments and other real estate projects planned for the city, we foresee further healthy potential for the Tbilisi market going forward – particularly in the budget segment.

Yekaterinburg is located in the Urals and is currently the fourth-largest city in Russia, with a population of 1.5 million. The city is predominantly a business destination, with a high industrial contribution to the local economy. Leisure demand continues to contribute a minor share of accommodated hotel demand. Out of the quality hotel stock of some 2,000 rooms, almost 1,000 are branded – Hyatt, Angelo, Park Inn, Ramada and Novotel. With exception of the Park Inn property, all of the other hotels have been entering the market since 2009, putting pressure on occupancies and average rates. Holiday Inn, Kempinski and Hilton also have plans to enter the market in the short term.

Considering the sizeable increase in branded supply, coupled with the effects of the global economic downturn, Yekaterinburg experienced a decrease in average values of 28% and 23% in 2009 and 2010, respectively. Recovery in RevPAR in 2011 has translated into a value increase of roughly 12%.

The short to medium term outlook for the Yekateringburg market is cautiously improving. New additions to supply should only temporarily affect average hotel values. Nevertheless, developers should be wary of new upscale or luxury projects, as this space is well saturated. We estimate a 7.8% compound average growth rate in hotel values by 2016, reaching €139,000 per room.

Yerevan is the capital of and largest city in Armenia. During the Soviet era, Armenia had a flourishing tourism industry, with more than 600,000 visitors a year. However, the collapse of the Soviet Union along with the devastating earthquake of 1998 caused Armenia severe economic problems. Over the past decade, the economy has slowly begun to revive and the development of business and leisure tourism is evident, with a tourism development concept in place that foresees a compound annual growth in tourism of approximately 7% over the next ten years. In the recent past, there has been significant investment in hotel accommodation and the food and beverage sector in Yerevan, with the introduction of international hotel companies such as Marriott and Golden Tulip. Important infrastructural work, such as the improvement of the road network and the completion of the new airport terminal in 2011, is also under way. On the downside, the hotel market in Yerevan relies a lot on diaspora Armenians visiting their native country. Average hotel values in Yerevan reached €96,000 in 2011, 12th position in our study, with a compound annual growth rate of 7.6% in 2016, in line with the regional average.

The Big Picture

As investors diversify their portfolios across different markets, it is important to understand how one region compares to the rest of the world. Chart 13 shows how the top markets of Russia, the CIS and Georgia compare to other global cities. As a worldwide gateway city, Moscow sits quite high up in the global value comparisons between Zürich and New York. The rest of the region occupies the middle of Chart 13 with around €200,000 per key. The bottom of this league of selected cities is occupied by Prague and Las Vegas.

Protecting Your Hospitality Investment

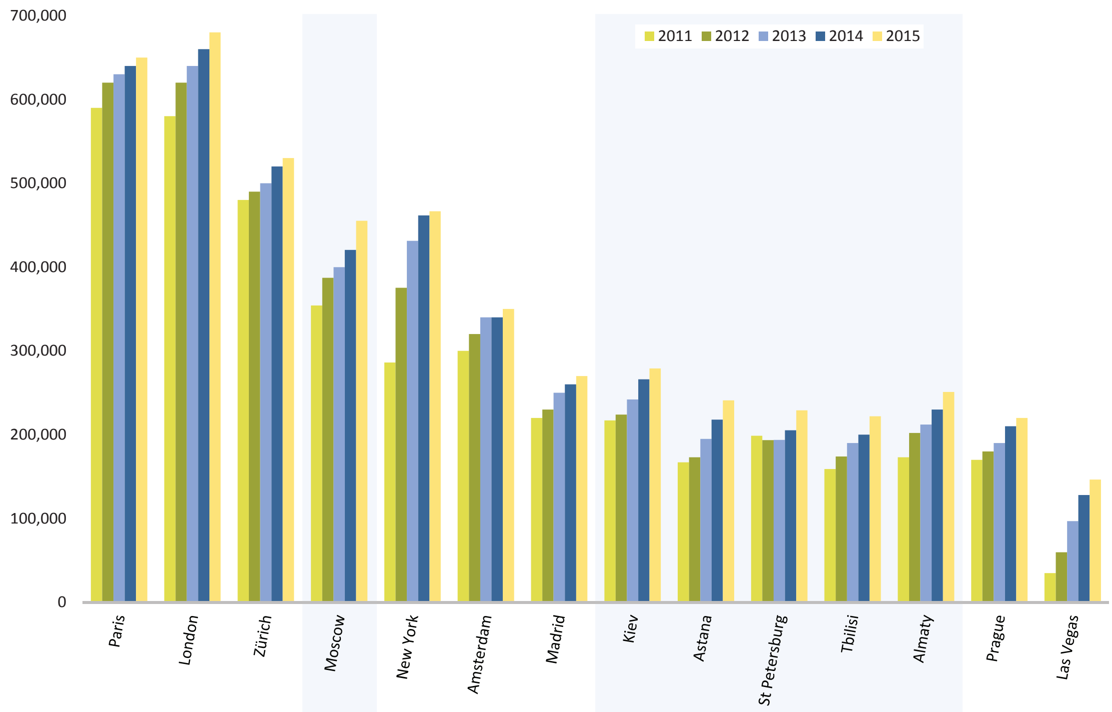
There are several steps developers and owners can take to enhance the valuations of their properties and maximise their returns on investment.

Timely Development – one of the main challenges of developing hotels in Russia, the CIS and Georgia is the amount of time the entire process takes compared to many other parts of the world. The development process can be divided into three main phases: pre-construction, construction, and post construction, all of which present challenges. The pre-construction phase (which includes land acquisition, obtaining of licenses, architecture and design) and the post-construction phase (which consists of fit-outs) tend to take a significant amount of time and can often be very inefficient, especially in the case of luxury/first class hotels. In the case of mid-market and budget hotels, the products are typically more generic and the initial design and architectural process can be much shorter, and similarly the post-construction phase can also be more efficient. Irrespective of positioning, hotel development in the region faces several uncertainties in the form of numerous licensing requirements, labour shortages, import cost of construction and other materials and complex governmental approval processes that can lead to delays in construction and cost escalations. These factors, if not managed properly, can have a significant detrimental impact on the return on investment of the project. Developers should ensure that a professional project management company is in place to handle this process, as this will result in a reduction in the execution risk of the project.

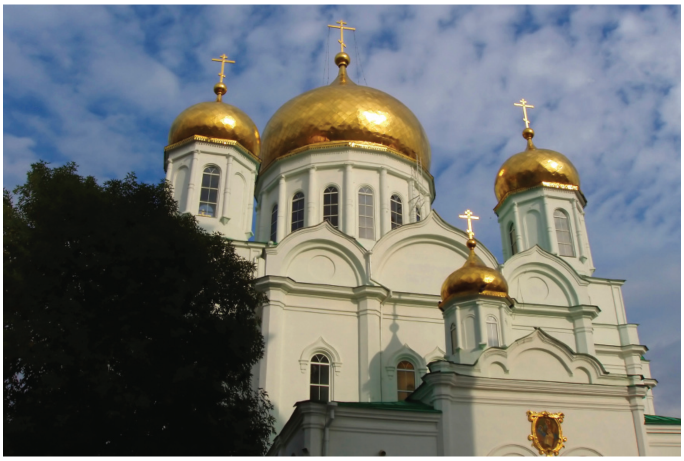
Managing the Cost of Debt – construction financing for hotel projects is currently available at high interest rates, as banks account for the execution risk for such a project. However, once the hotel is open and generating cash flows, the risk perception is much lower and it is then possible to refinance the debt at a lower interest rate, which will reduce the annual debt service burden on the asset and enhance the developer's returns on the project.

Hotel Branding/Affiliation – as the hotel landscape becomes increasingly more competitive and as guests become more knowledgeable about the choices that are available to them, operating as a branded hotel or being part of a hotel affiliation of some kind will help increase market share and subsequently profits and valuations.

CHART 13: GLOBAL VALUE COMPARISON (€)



ROSTOV-ON-DON



Retaining an Asset Management Company – as hotels operate within an increasingly competitive marketplace, it will become more difficult to improve cash flows and net income levels simply through aggressive rate increases. Hiring a professional asset management firm can be very beneficial, especially in cases where the hotel is unbranded or the owner does not have a comprehensive understanding of how hotels are operated. Such a firm can help establish standard operating procedures at the property and streamline operations across the various departments; thus, reducing costs and improving bottom lines. The asset management firm can also assist in improving occupancy and average rates through proper revenue management and by identifying additional sources of revenue that might not have been noted previously. An efficient operation with improved top and bottom lines will attain superior valuations.

Properly Negotiated Management Contracts – while selecting a hotel brand and negotiating a management contract, we consider that owners often spend too much time negotiating on the main commercial terms and little time on the other legal terms of the contract. Since HVS maintains the world's largest database of hotel management contracts and has negotiated many such contracts on behalf of owners, we consider that disputes between the owner and operator following the signing of the contract seldom occur due to the quantum of base and incentive management fees payable to the operator in a certain year. Such disputes typically centre around other factors of the contract, such as non-disturbance clauses, the budgeting process, cash management and transfer rights. Since a management contract can rarely be terminated at sale, a hotel that is encumbered by a poorly negotiated management contract may not only reduce buyer interest but also result in lower valuations. We would therefore advise owners to negotiate a holistic agreement that rewards the operator for performance and more importantly is in line with the owner's larger investment goals.

Conclusion

We consider that the hospitality industry in the region has a lot of potential to offer to investors – both on its way to and in maturity. Capital appreciated might not be as strong as for the select few investing in the 1990s, as new supply and the advent of mid-market hotels are likely to lead to further corrections of average room rates. At the same time, we expect demand to grow and diversify and therefore broaden the market for a greater variety of players.

The risk profile of the region precludes a certain type of investor as the emerging nature of some of the markets, the risk of oversupply and the bureaucracy and long lead times will deter a portion of the investment community. Those who persist and invest in a solid location, product and professional operator, relying on competent advice along the way, will be poised to realise returns well exceeding those that can be expected from the more established hotel markets.

– HVS –

Understanding the HVI

The Hotel Valuation Index (HVI) is a valuation benchmark developed by HVS. It presents historical and anticipated value trends across fourteen markets in Russia, the CIS and Georgia. The methodology adopted to derive these values is based on actual operating data which is maintained by HVS.

The valuation process starts by analysing the demand-supply dynamics in a given market. In quantifying demand, actual operating data highlights the total accommodated demand which is essentially the total annual room nights occupied within a defined market and supplemented with special events or hotel openings inducing additional demand.

On the supply side, the expected supply pipeline for the defined market is quantified by interviews with hotel operators and developers. The overall marketwide occupancy is then calculated based upon the total projected room nights demand and the supply of existing and proposed hotel rooms for the defined period.

Having determined the marketwide occupancy, we then forecast the average rate for the defined market. Various market-specific factors influence the growth rates applied to the average rate, such as the overall status of the economy and the demand-supply equation for the defined period. The marketwide occupancy and rate is applied to a typical 200-room hotel, thus attaining gross rooms revenue. Other revenue line items are then estimated using individual forecast models. Once the total revenues are derived, individual departmental expenses, undistributed operating expenses and fixed expenses are estimated based on HVS's knowledge of actual operating profiles thus arriving at the net operating income (NOI). As the HVI uses an income capitalisation approach to derive values, the NOI serves as the basis for determining the value of a typical 200-room hotel in the defined market.

From our experience of hotel financing and conducting several valuations over the past few years in Russia, the CIS and Georgia, we established appropriate valuation parameters for each city covered by the HVI. We should note that the capitalisation rates used in the forecast represent an all-in yield, reflecting investor sentiments in both short and long term as well as availability of debt. The capitalisation rates between 2010 and 2011 were fairly stable ranging from 9-11%. This level of stagnation in the capitalisation rates can be partly attributed to the continuing recovery process in the markets and scarcity of debt. These market-specific valuation and capitalisation parameters were then applied to the NOI derived for the hotels in each city to arrive at the valuations.

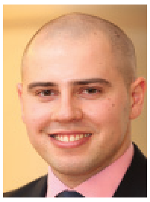
Disclaimer: We note that the valuations presented in this report represent the typical performance of a hotel in each city. Actual valuations of specific hotel assets will vary based on factors such as location, size, brand affiliation, age, condition, and actual performance. We specifically note that our valuations are based on market information available as of October 2011, and that any significant changes in demand or supply trends beyond this date could have an impact on valuations. The valuation parameters that were used to arrive at these valuations are based on our conversations with active hotel investors and are reflective of current investment sentiments. Any changes in such investor expectations in the future will have an impact on future valuations.

About HVS

HVS is the world's leading consulting and services organisation focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year and clients include virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 31 offices staffed by more than 300 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

With offices in London since 1990 and Moscow since 2007, HVS serves clients with interests in the UK; Europe, the Middle East and Africa (EMEA); Russia; and the CIS. We have valued almost 4,000 hotels or projects in 50 countries in all of the major markets within the EMEA region for leading hotel companies, hotel owners and developers, investment groups and banks. Known as one of the foremost providers of hotel valuations and feasibility studies, and for our ability, experience and relationships throughout Europe, HVS is on the valuation panels of numerous top international banks which finance hotels and portfolios. For further information regarding our expertise and specifics about our services, please visit www.hvs.com.

About the Authors



Alexey Korobkin joined HVS in 2010. Originally with a degree in Economics and Finance, Alexey has also obtained an MBA in Hotel and Tourism Management from one of Switzerland's top hotel universities. Alexey has held positions in various hotels across Europe, the US and Russia. He has been involved in several feasibility and valuation studies for HVS. Since January 2011, Alexey has been based in Moscow, where he has completed feasibility and valuation studies in Russia and Ukraine.

Saurabh Chawla heads HVS London's Asset Management and Strategic Advisory division. He joined HVS in 2006 after several years' of operational and managerial experience in the hospitality industry. Saurabh holds an MBA and degrees in Hotel Management, and a Bachelor of Commerce. Since joining HVS, he has conducted numerous consulting and asset management assignments across Europe, Central Asia, the Middle East and Africa. Saurabh has been extensively involved with consulting assignments in Russia and the CIS where he has not only worked in all of wwthe major capital cities, but also in 33 cities across Russia. Saurabh regularly publishes articles for the hospitality sector in Russia and the CIS.

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