

ARMENIA MARKET PULSE

A NEW CHAPTER IN THE SOUTH CAUCASUS

TOURIST ARRIVALS - 2025

 **+2.5% YOY**
2.3 MILLION

OCCUPANCY - 2019 VS 2025

 **+10 PERCENTAGE POINTS**
over pre-pandemic levels

AIRPORT PASSENGERS - 2025

 **+7.0% YOY**
5.6 MILLION
at Zvartnots International Airport

NEW SUPPLY

 **+2,700 NEW ROOMS**
over 23 confirmed projects

Market Profile

Armenia's tourism and hotel market has entered a new phase of development, supported by a decade of strong inbound demand growth, expanding air connectivity, increased international visibility and growing investment beyond the capital. Positioned at the crossroads of Europe and Asia, the country offers a diverse tourism proposition, combining cultural heritage, religious landmarks, wine tourism, mountain landscapes, wellness retreats and an increasingly vibrant urban leisure scene.

Yerevan is the political and economic heart of Armenia. Home to approximately 1.1 million residents, Armenia's capital concentrates roughly 65% of the country's hotel supply and the overwhelming majority of inbound business and leisure demand. A compact, walkable city set against the backdrop of Mount Ararat, Yerevan combines Soviet-era architecture, a thriving café culture and an increasingly cosmopolitan dining scene that has placed it firmly on the European weekend-break map.

ECONOMIC INDICATORS - ARMENIA

	2024A	2025A	2026F
GDP GROWTH (%)	+5.9%	+7.2%	+5.3%
CPI (% , AVG)	+0.3%	+3.3%	+3.6%
UNEMPLOYMENT (%)	13.9%	13.0%	12.8%

Source: IMF, April 2026

Beyond Yerevan, Armenia's regional tourism market is rapidly emerging, supported by a more than five-fold increase in hotel supply since 2011 and strong growth in destinations such as Tavush (eco-tourism and hiking), Kotayk (resorts and winter tourism), Dilijan (nature and retreat), Gyumri (cultural and education hub), Tsaghkadzor (ski and mountain tourism) and Areni (wine tourism). Major public initiatives, including the World Bank's US\$100 million Tourism Recovery and Investment Programme (2025-29), are accelerating investment across the country's key leisure and cultural regions.

In January 2026, Armenia approved its 2026-30 Tourism Development Strategy, targeting 3 million international visitors and US\$3.8 billion in annual tourism expenditure by 2030, almost double 2025 levels. The strategy prioritises seven regional tourism clusters and coordinated investment in infrastructure, branding and capacity-building. Armenia's tourism marketing spend nevertheless remains well below that of its regional peers, highlighting significant upside as promotional budgets scale. Armenia's pro-Western political direction received a strong democratic endorsement in the parliamentary election held on 7 June 2026, reinforcing policy continuity on tourism development, EU cooperation and the country's ongoing economic diversification away from Russian dependency.

Tourism Demand

Demand growth has broadly kept pace with the expansion of Armenia's hotel supply. International arrivals reached a record 2.3 million in 2025, around 20% above 2019 levels. After a volatile post-pandemic recovery boosted by Russian re-routing in 2022-23, the market decreased in 2024 on the back of the short-term impact of the Nagorno-Karabakh situation in Q4 2023. Growth returned in 2025 and continued with a 23% increase in the year-to-April 2026.

Russia remains Armenia's largest source market at 43% of international arrivals in 2025, although dependence is gradually easing as visitor growth diversifies towards Georgia, Iran, Europe, the USA, India and China. The Armenian diaspora, estimated at over 7.0 million globally, is a structurally important, high-spend segment, particularly active between May and September. Encouragingly for the hotel sector, the share of visitors travelling for leisure has risen sharply, from 20% in 2013 to 60% in 2025, supporting stronger tourism expenditure and more resilient demand fundamentals.

Government-led events have become a key driver of hotel demand in Yerevan. In 2025, events including the Jennifer Lopez concert, Yerevan Wine Days and the Diplomacy Forum lifted peak-season occupancy. Momentum is set to continue throughout this year and into the next with the EU Summit having taken place in May 2026, the COP17 scheduled for October 2026 and the Jeux de la Francophonie in July 2027.

Demand growth has been supported by sustained expansion at Zvartnots International Airport, with passenger traffic reaching approximately 5.6 million in 2025, nearly double 2019 levels, with a second terminal planned by 2033 to further accommodate long-term growth. Government-subsidised low-cost carrier expansion (notably Wizz Air) has driven volume. However, air connectivity remains skewed toward budget traffic, and the 2026-30 strategy explicitly targets new long-haul routes to Asia, Europe and the Gulf to diversify the demand base toward higher-yield segments.

ARMENIA'S AIRPORT AND TOURIST ARRIVALS SKYROCKET



Source: Armstat

Hotel Performance

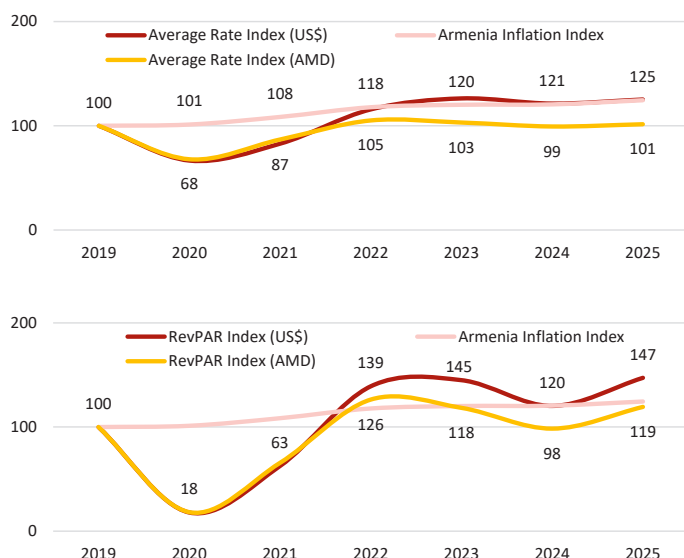
Armenia's recent hotel performance has demonstrated a structurally stronger operating base compared with the pre-pandemic period. Following a brief disruption in 2024, occupancy levels have remained resilient and are now materially higher than historic norms, with the market averaging around 68% in 2025, approximately ten percentage points above pre-pandemic levels.

Between 2019 and 2025, average rate (in US dollars) grew by approximately 25%, broadly in line with cumulative inflation, with early 2026 data pointing to an acceleration. The upper end of the market is driving this momentum most visibly, with luxury and upper-upscale assets pursuing deliberate rate-over-occupancy strategies and achieving material gains. That said, figures in US dollars are partly boosted by the appreciation of the Armenian dram against the dollar since 2019, meaning rate growth in local currency terms has been more modest, a distinction most relevant to operators whose cost base is predominantly in Armenian dram.

Across the market, RevPAR growth has been driven primarily by occupancy recovery rather than broad-based real rate expansion, though this aggregate picture masks the stronger rate performance at the upper end. Profitability remains attractive by regional standards, with upscale and luxury operating margins broadly in line with or above comparable European secondary markets, partially offset by Armenia's 20% VAT burden and import duties on food and beverage inputs, which continue to weigh on operating costs.

Looking ahead, trading conditions remain constructive but characterised by short booking windows of approximately two to three weeks. Early 2026 performance has benefitted from event-driven demand, although some softness is evident in US-origin and international group segments, alongside episodic disruption linked to Iran-related travel flows. Average length of stay remains relatively short at around 2.0 to 2.5 nights, although luxury and boutique properties continue to benefit from longer stays during peak leisure and diaspora visiting periods.

OCCUPANCY OVERPOWERS ADR AND FX HEADWINDS



Source: HVS Research

Changes To Supply

Armenia's strong hospitality fundamentals have driven one of the country's most active development pipelines on record, with a growing share of internationally branded hotels. The branded pipeline comprises around 23 confirmed and proposed projects, adding approximately 2,700 keys across the country's main leisure and urban destinations, a step-change in international hotel penetration. This sits against a rapidly expanded base, with total hotel supply rising from 311 properties in 2011 to 1,700 in 2025, with 790 in Yerevan alone.

The pipeline is heavily weighted toward upscale international brands, led by Accor (seven projects), with Hilton (three), IHG (three), Hyatt (two), Wyndham (two) and Marriott (one) also represented. Growth is increasingly geographic as well as qualitative: Dilijan (five projects, around 740 rooms) and Tsaghkadzor (five projects, around 550 rooms) are emerging as key resort hubs alongside Gyumri and Areni, reinforcing a broader balancing of Armenia's tourism map. While some operators flag absorption risk given short booking windows and source-market concentration, the scale and quality of the pipeline is increasingly viewed as a catalyst for market deepening. The arrival of internationally branded operators is expected to support demand diversification, raise service standards and operational expertise, and contribute to the gradual emergence of year-round appeal beyond Yerevan.

HOTEL PIPELINE

Property	City/Region	Rooms	Opening
Mövenpick Yerevan	Yerevan	127	May-26
Hayasa Hotel Old Yerevan	Yerevan	26	May-26
Artlife Kempinski Residences Yerevan	Yerevan	38	Sep-26
Wyndham Grand Tsaghkadzor	Tsaghkadzor	148	Dec-26
Mercure Tsaghkadzor	Tsaghkadzor	69	Q3 2027
Novotel Living Tsaghkadzor	Tsaghkadzor	220	Q3 2027
Mövenpick Hotel and Residences Tsakhadzor	Tsaghkadzor	40	Q4 2027
The Library Hotel – Curio Collection by Hilton	Yerevan	146	Q4 2027
Pullman Living Yerevan	Yerevan	54	Q4 2027
Crowne Plaza Yerevan	Yerevan	98	Q4 2027
Hayasa Hotel Gyumri	Gyumri	60	Q4 2027
AC Hotel by Marriott Dilijan	Dilijan	120	Q1 2028
Hampton by Hilton Yerevan North	Yerevan	165	Q1 2028
Art Village Hotel at Aharonyan Distillery	Ashtarak	75	Q3 2028
Holiday Inn Resort Dilijan	Dilijan	102	Q3 2028
Hilton Garden Inn Yerevan Center	Yerevan	168	Q1 2029
Swissôtel Dilijan	Dilijan	110	Q1 2029
Proposed Upper Upscale Hotel in Dilijan	Dilijan	210	Q3 2029
Tufenkian Areni Wine Hotel	Areni	105	Q3 2029
Holiday Inn Resort Tsaghkadzor	Tsaghkadzor	70	Q4 2029
Novotel Yerevan	Yerevan	150	Q3 2030
Ramada by Wyndham Dilijan	Dilijan	200	Q4 2030
Proposed Four-Star Hotel at WTC Yerevan	Yerevan	175	Q4 2030

Source: HVS Research



Lake Sevan, Gegharkunik Province

Investment Market

Hotel investment activity is gaining momentum, though the market remains relatively thin and largely bilateral. Pricing benchmarks are beginning to crystallise, with the **Republica Hotel** transacting at approximately US\$7.5 million (US\$136,000/key) in October 2025, the **Holiday Inn Express Yerevan** at around US\$100,000/key in September 2025 and the **Grand Hotel Yerevan** setting an upper benchmark of US\$212,000/key in 2023.

Financing remains a key constraint. Local banks are cautious around hospitality given long payback periods and limited sector-specific incentives, while capital continues to favour residential and energy projects. IFC and EBRD are increasingly active but require ESG-aligned, green-certified projects. A notable structural shift is the rise of branded residences and aparthotel models as a funding mechanism. Wyndham pioneered this in Georgia a few years ago, and Accor is now replicating it in Armenia through Pullman, while Kempinski's Yerevan project is structured around long-stay apartments and residences.

HOTEL TRANSACTIONS

Property	Rooms	Sale Date	Estimated Price (US\$)	Per Room (US\$)
Republica Hotel Yerevan	55	Oct-25	7,500,000	136,000
Holiday Inn Express Yerevan	130	Sep-25	13,000,000	100,000
Golden Palace Boutique Yerevan	36	Apr-24	Undisclosed	
Grand Hotel Yerevan	104	Mar-23	22,000,000	212,000
Yerevan Place (ex-Hyatt)	88	Jun-22	Undisclosed	
Golden Palace Hotel Resort & Spa*	126	Feb-22	10,400,000	83,000

Source: HVS Research

*Subject to a capex investment of US\$12 million (US\$95,000 per room) over five years; now the Eighty Eight Hotel & Spa

Outlook

The Armenian hotel market in 2026 stands at an inflection point. The country has emerged from the Russia-distorted 2022-24 cycle with a more diversified demand base, a richer events calendar, growing institutional support and unprecedented branded interest. Yerevan's positioning as a safe destination in an increasingly volatile region, combined with a macroeconomic backdrop of mid-single-digit GDP growth and anchored inflation, provides a credible foundation for multi-year capital deployment.

The risks are equally clear: Russian source-market concentration, geopolitical exposure, regulatory friction (20% VAT, 20% food import tax, the absence of a hotel classification system, an unregulated short-term rental sector), a constrained skilled labour pool and the pace of pipeline absorption all warrant monitoring. The success of the upcoming wave of openings will depend on continued demand growth, regional infrastructure quality, the emergence of a genuine luxury ecosystem in Yerevan and Dilijan, and the willingness of public and private stakeholders to coordinate on destination branding and airlift strategy. With a near-doubling of tourism expenditure targeted by 2030 and a branded pipeline of 2,700 keys, Armenia is no longer a quiet corner of the South Caucasus; it is, increasingly, the destination to watch.



Lake Parz, Dilijan

The **Armenian Hotel Association (AHA)** is the leading industry body representing hotel operators across Armenia. Established as a non-governmental organisation, the Association serves as the collective voice of the country's hospitality sector, working to promote excellence, professional standards and the long-term development of the industry. Through engagement with legislators and policymakers, the AHA enables its members to monitor and shape regulatory initiatives affecting the sector, while providing access to industry research, benchmarking, peer dialogue and a shared knowledge platform on operational challenges. For further information, please visit www.hotelassociation.am.

