

PRESS RELEASE

BELGRADE HOTEL MARKET

Although Belgrade hotel market has experienced significant improvements over the past years, the overall agreement among tourist analysts and professionals is that there is still lack of both a sufficient number of high-end hotels and global hotel chains.

The majority of hotels in Belgrade are two and three-star hotels that need additional investment to meet the needs of more demanding guests. Lack of proper refurbishment and maintenance caused by financial difficulties and changes in the sizes and standards of hotel rooms over time resulted in a loss of former categorization for several hotels. Instead of four-star hotels, they were forced to charge for their services as three-star hotels. Another important feature is that there is a degree of discrepancy between some hotels' claimed standards and the actual quality of the product. However, this problem can also be found in other countries.

A number of hotels are undergoing privatization process, providing substantial inflow of foreign investment in the hotel industry. The acceleration of the privatization process will according to all expectations drive Belgrade hotel industry into overall redevelopment process. Existing hotels refurbishments followed by new developments that have already started and others that are in the pipeline or planned, will bring dynamic changes into Belgrade hotel industry. This scenario has already taken place in the region and soon the hotel market in Belgrade will become more mature and saturated with a more defined differentiation between the various standards.

The most dynamic changes in Belgrade hotel stock occurred in segment of 4-star hotels where supply has been enriched with three important brand new establishments (IN Hotel, Holiday Inn and Hotel Zira), renovations of old hotels and few small boutique-style hotels (Mr. President and Admiral Club Hotel). Lower to middle budget hotels (2-3 star hotels) have, still not attracted significant investment, and definitely promise good development prospects in foreseeable future.

Compared to other capitals in Central and Eastern Europe (CEE), Belgrade hotel market can be divided into two broad categories, namely, international branded hotel operations and locally managed hotels. Of the sixteen five-star and four-star hotels, only four hotels are affiliated with international chains: Hyatt Regency Belgrade (308 rooms), Holiday Inn (140 rooms) and two Best Western hotels – M (173 rooms) and Sumadija (104 rooms). Inter Continental Hotel Belgrade lost its 5th star and official licence in 2005, and now operates under the name Hotel Continental. Hotel chains have a considerably lower market share in Belgrade (17.7 %) than in other major cities of Central and Eastern Europe, where they own and/or operate between 40 to 80 % of all rooms in each city. International hotel chains will therefore undoubtedly play an important role in future investment inflow into Belgrade hotel market.

Admittedly, Belgrade records yearly demand significantly lower compared to other capitals in Central and Eastern Europe due to: lower economic activity resulting in lower numbers of independent business travellers and a lack of development and marketing of MICE and leisure market. Government bodies have started several initiatives to increase demand by targeting both MICE segment and leisure tourism, first results of which are expected in 2008.

After the country opening in 2000, expectations were optimistic in respect how fast Belgrade will take back its place in the region. Unfortunately, what has happened is gradual evolutionary process, not revival with exponential growth.

Nonetheless, future development of lodging facilities in Belgrade will be much more favourable for Greenfield investors, as they will be able to implement full compliance with international hotel standards. Such developments will provide the entrance for number of international hotel operators and the competition of attractive franchises.