

The selection by UEFA of Ukraine and Poland as co-hosts of the 2012 European Football Championship has stimulated significant interest in the development of Ukraine's domestic hotel market. Currently, four Ukrainian cities hosting the Championship (Kyiv, Donetsk, Dnipropetrovsk and Lviv) operate a combined total of 110 hotels consisting of 9,005 rooms. In order to meet UEFA requirements, these cities should build about 50,000 new hotel rooms, which is at least 60 new medium-sized hotels. This may generate enormous activity in the Ukrainian hotels market in the coming years.

Indeed, demand for quality hotels is on the rise and international hotel chain operators are showing increasingly strong interest in Ukraine's hotel market (for example Radisson SAS, Hyatt, Rixos, Accor and Hilton and Marriott and Kempinski are currently looking for attractive opportunities).

However, the stock of hotels is unevenly distributed across the country. The number of five-star hotels represents less than 0.5% of the total, four-star hotels account for just 2.4% and three-star hotels for 6.0%. Just to meet UEFA's requirements, about €1 billion needs to be invested in this sector over the next four years. This will triple Ukraine's available hotel space to accommodate the estimated 1 million fans who will come to the host-cities of Kyiv, Lviv, Dnipropetrovsk , and Donetsk for the Cup. This level of investment is necessary to meet UEFA's requirements of 5500 four- and fivestar hotel rooms (compared with 1600 currently) and 5600 two- and three-star hotel rooms (versus today's 3900). Today, only 5% to 10% of the nation's hotels meet international standards.

Major international hotel developers and operators have opened in Kyiv - Radisson is celebrating two years in the city and in September 2007 Hyatt opened its new showcase hotel. Both hotels consistently operate at or near 100% capacity. General occupancy rate in Kyiv is 60% and 80%.

Several new 4-5-star hotels are announced for opening in Kyiv before 2009, increasing the number of rooms to approximately 3,800, which is three times higher than today: InterContinental, Hilton, and Sofitel hotels are about to open or in the planning stages, along with a major development to be operated by Sheraton. Radisson, Hyatt, Marriott and Accor have announced plans to open hotels in other key Ukrainian cities, including Euro Cup matches locations.

The most promising growth in this sector is connected with the development of quality and affordable two- and three-star hotels. Businessmen come and go, but Ukrainians and tourists have a hard time finding decent value accommodations when traveling through towns and the countryside. Hilton, Accor, and Marriott appear to be ready to expand their two- to three-star value brands to cater to Ukraine's rising consumer-oriented middle class.

The Government of Ukraine understands the need to facilitate a dynamic five-year accommodation development strategy in all of the host cities. To meet this challenge, the Cabinet of Ministers of Ukraine has developed a comprehensive state program that not only includes infrastructure development projects (stadiums, roads, rails, hospitals), but support for the development of the accommodations sector. Measures to facilitate the investment needed to build hotels include:

- proposals to improve the tax regime in the sector to stimulate hotel expansion and construction;
- preparation of legislation to introduce obligatory hotel service-level certification to raise the quality of tourist service standards;
- streamlining the permitting and licensing process by establishing a "one-stop" application process;
- improvements to the management structure of the tourist sector at the national and regional levels;
- upgrading the tourist infrastructure in host cities (such as tourist-friendly road signs).

These measures are designed to compliment the emerging hotel market develop more smoothly and efficiently. Demand for hotels in Ukraine will continue to exceed supply for some time. Obviously, because of the high demand and limited supply, the usual payback periods for such investments will be shortened. For example, while payback in Europe can take between 10 to 12 years, in Ukraine it is estimated at between 6 to 9 years. This creates favorable conditions for the development of hotels at all levels, both in Kyiv and in the regions.

Hotel room rates

Name	Address	Rooms	Room rate*
3* Hotels			
Express	38/40 T.Shevchenka Ave.	143	90-370
Lybid	1 Peremohy Ave.	273	120-400
4* Hotels			
Radisson SAS Hotel Kyiv	42-44 Yaroslaviv Val Str.	256	375-660
Podol-Plaza Hotel	7a Kostyantynivska Str.	57	260-800
5* Hotels			
Premier Palace	5-7/29 T.Shevchenka Ave.	285	440-5350

Opera	53 Khmelnytskogo Str.	140	445-940
Hyatt Regency Kiev	5A. Tarasova Str.		670-1180

- Room rate at select Kyiv hotels is in USD as of February 2008