

Press Release

Sochi 2014: Government Put Weight Behind Development as Concerns Surface Over Long Term Viability of Hotel Investments

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Horwath HTL, the world's largest hotel consulting network, hosted a plenary session on the 2014 Winter Olympics being held at Sochi in Russia. The Panel, called "2014 Winter Olympics – Profiting long term from large scale events" was part of the fourth Russia and CIS Hotel Investment Conference last week, held at the Renaissance Moscow Monarch Centre Hotel. Marius Gomola, Managing Director of Horwath HTL Hungary and Russia and a leading industry expert in the region, led the session and was joined by Evgeny Makarov Head of Real Estate of Rosa Khutor, Evgeny Kaplun Deputy General Manager of NBB Development, Dmitry Kanunov, Director of the Olympic Accommodation Directorate of SC Olympstroy, and Alexander Kldiashvili, Deputy of the Investor Involvement Department of SC Olympstroy.

The session focused on two primary issues, whether the current plans to improve the infrastructure were on schedule and how the organizers of games could guarantee that the Sochi resort would be a viable resort destination after the games had finished. Marius asked the panel what the long term plans were for the region after the games had finished to make sure that oversupply did not contribute to a depressed hotel market and that there was a strategy to build long term demand to the resort destination, considered unique internationally because of its close proximity to both the mountains and the coast. The panel was bullish about the project, pointing out that the implementation of the 30 Billion US Dollar investment in the regional infrastructure is ahead of schedule, which combined with practically free of charge land for development in the coastal zone of the multiple Olympic sites created a very attractive proposition to investors and International Hotel Brands.

Marius Gomola said, "We know from many years experience that the effect of a large number of rooms can have positive and negative implications on the long term viability of any market, so it was encouraging to hear the panel addressing those issues and outlining the long term strategy to create a sustainable destination. The crucial question is the return on investment and the use of the capacities during the post games years, the key focus of the attention of the two largest private-sector developers voicing their conviction on success based on simple statistics and the lack of similar destination for the Russian-speaking market of 250 million. Sochi, a widely recognized tourist destination brand has a huge advantage for a resort area, due to the close proximity to the coast, which essentially means that Sochi has two peak seasons. The summer and the winter months both create



peak demands reducing off season periods significantly due to the coastal Mediterranean climate, and the Alpine climate in the mountains, a mere 30 minutes from the seaside. If the government can come up with additional post games initiatives beyond the infrastructure investment, it will give investors comfort about the long term viability of their projects.”

About Horwath HTL

Horwath HTL (Hotels Tourism and Leisure) is one of the pre-eminent consulting specialists in the hotel, tourism and leisure industries, providing unequalled experience and expertise for client projects around the world through a combination of detailed local knowledge and international understanding. Horwath HTL is currently the world's largest consulting organization specialized in the hospitality industry, with 50 offices in 39 countries.

Horwath HTL is a member of Crowe Horwath International, a professional association of accounting and management consulting firms founded in New York in 1915. Crowe Horwath International is currently ranked among the top ten international professional service groups with offices in close to 400 cities in 88 countries.

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