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**MODERN STATE AND TENDENCIES OF THE HOTEL BUSINESS
DEVELOPMENT IN UKRAINE**

Hotel market of Ukraine.

Consideration of this topic is due to the fact that with the development of the potential of the hotel business in Ukraine, the availability of hotels at the moment is not enough for the country, with an investment attractiveness for developers, a rich historical past and extensive tourist opportunities. The hotel market of Ukraine has a large reserve for development prospects, so it is important to analyze the reasons for its development.

2011–2016

2000 2016

2015-2017

Actuality: Hotel business as an integral part of the market. Tourism, becoming a deep social and political phenomenon, today makes a significant contribution to the economic development of a particular country, and in improving the quality of human life. The development of the domestic tourism market is also characterized by both quantitative and qualitative growth, however, it should be noted that the significance of this segment for the domestic economy as a whole is still lower than in developed countries. Creation of a modern tourism industry without the business of hotel and restaurant business, which occupy an important place in this field of activity.

Analysis of research and publications. Theoretical and methodological aspects of tourist activity in Ukraine and in the world are presented in the writings of many Ukrainian scientists, in particular G.V. Balabanova, I.I. Vynnychenko, L.V. Vorotina, N.A. Guk, O.P. Korolchuk, T.I. Tkachenko, LM Shulgina and others.

Goals and objectives: identification of problems and prospects for the development of the hotel business in Ukraine.

Formulation of basic material. The market of hotel services in Ukraine, at the moment is in the development stage. Now in Ukraine there are about 2000 hotel-type facilities, 70% of which require a capital repair or old buildings from the 1970s and 1980s. In the world there are about 400 000 hotels that provide more than 17 million rooms, while the statistics show an annual growth of an average of 3-4%. Thus, the share of the Ukrainian segment is about 0.3% to the European market, which indicates the need for rapid development of this industry.

The fastest growth in the development of the hotel industry in Kiev (where more than 200 objects are concentrated with a total number of rooms over 15 000), in the large cities of the country (Dnipro, Kharkov, Lviv), and recreational zones (Crimea, Odessa and the Carpathians in general). Kiev, where the index of

the number of hotel rooms is about 7-8 seats per 1,000 inhabitants, is far from European quality standards. In the example of Vienna, in it this figure is 28 places per 1,000 inhabitants, or Paris where about 38. The increase in the number of rooms is necessary for Ukraine as an indicator of the desire for world-class standards.

There were 2 534 hotels and similar accommodation facilities in the hotel sphere of Ukraine in 2016. There were 135,900 places in these establishments, in which 5,037,100 people were accommodated. Dynamics of Hotel Industry Development in Ukraine for 2011-2016 is shown in the table 1.

Table 1

Dynamics of Hotel Industry Development in Ukraine for 2011-2016

Year	Number of hotels and similar accommodation	Number of seats, thousand units	Number of placed, thousand persons
2011	3162	154,2	4656,8
2012	3144	162,8	4983,9
2013	3582	179,1	5467,8
2014	2644	135,5	3814,2
2015	2478	132,5	4297,2
2016	2534	135,9	5037,1

Based on the data presented in Table 1, it can be argued that in recent years there has been a positive dynamics in the increase in the number of hotels and similar facilities, while the decline in 2014 is due to the country's economic and political and financial instability. Significant reduction of indicators in 2014, 2015 and 2016 is also due to the fact that the statistics are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol.

Tourism in Ukraine, in its classical sense and in pre-crisis times, was not very popular with foreigners. Most of the visits to the country were for business trips both from foreign guests and from domestic tourists. The military operations in the south-east of the country, as well as the unstable political and socio-economic situation, have had a negative impact on the hotel real estate market.

Efficient functioning of the hotel industry is provided by the servicing of domestic and foreign tourists. Hotel market conditions are closely linked to the overall economic situation of both recipient countries and generators of tourist flows. The current situation in the economy will inevitably lead to a change in the performance of hotel industry enterprises, since the level of economic activity determines the intensity of travel, affects the volume of available income and the ability to carry out tourist trips [6].

Official statistics indicate a significant reduction of both domestic and foreign tourists (Fig. 1). A significant reduction of domestic tourists is a complex consequence of a violation of the principle of security through the situation in Ukraine and a general decrease in the economic well-being of the population.

Fluctuations in the number of foreign tourists due to the fact that most of the embassies and consulates of different countries in Ukraine did not recommend their citizens to visit our country, in January 2015, the US Department of State published a notice on the official website recommending that American citizens avoid traveling to Eastern Ukraine [6].

Besides starting from the end of 2013, tourists from Russia, previously making up a large part of the tourist flow, reduced the number of trips to a minimum.

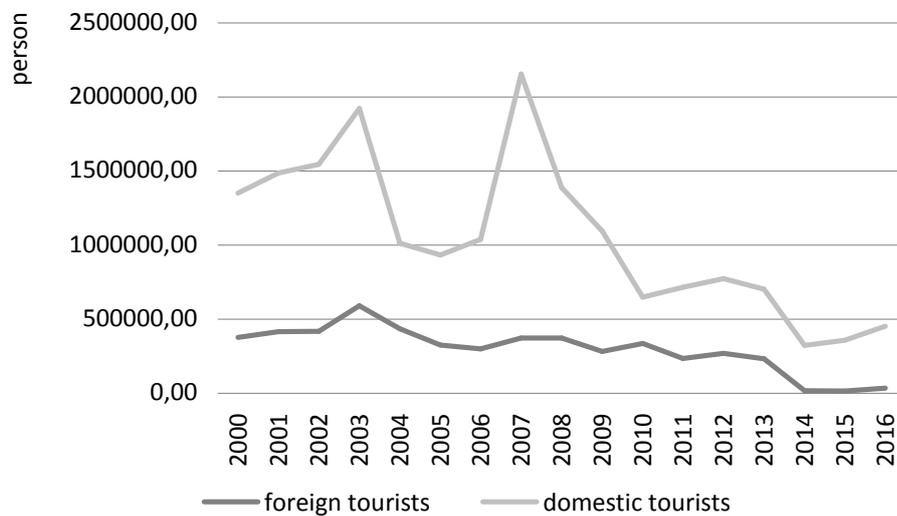


Fig. 1. Dynamics of the number of foreign and domestic tourists (2000–2016)

Hotels of all categories felt a significant decline in tourism and business activity in the capital and, as a consequence, a decrease in demand for hotel rooms.

At the moment, the total number of hotels in Kiev is more than 12,000 rooms (about 120 hotels). For hotels of the 3-star category, the largest share is accounted for, namely about 46% of the total fund (Fig 2).

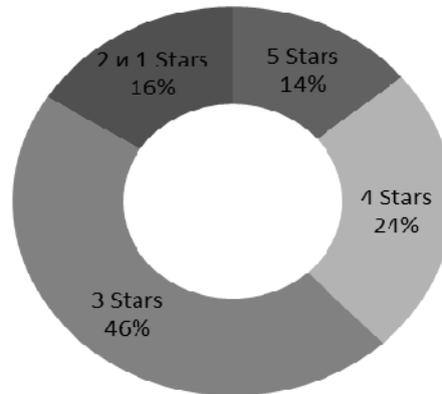


Fig. 2 Accommodation in Ukrainian hotels by categories in 2017
(Data presented till July 2017)

Comparison in 2012-2013, the occupancy rate of high-quality hotels in the middle price segment, was at the level of 55-60%, for hotels in the upper price segment – at the level of 50-55%. In 2014, with a significant outflow of tourists, the occupancy of hotels in the best hotels fell from 55% to 30% at the end of the year.

Table 2

Accommodation in hotels by categories

Stars	2011	2012	2013	2014	2015	2016	2017*
5	990	1100	1100	1250	1450	1500	1650
4	1500	2100	2200	2200	2350	2500	2800
3	3500	4500	4500	4600	4600	4900	5100

source: *Colliers International*

* data presented till July 2017

The current situation in the hotel real estate market is quite complicated. But from the end of the first quarter of 2015, there has been a positive trend - with a decrease in tensions in the southeast of Ukraine, and along with the conditional

stabilization of the national currency, there is a gradual increase in the flow of business tourists and a slight revival of demand. The occupancy of hotels from 4 stars is gradually increasing, and at the end of the first half of 2017, for the most popular hotels is more than 40%, which in turn affects the dynamics of the cost of rooms.

According to Colliers International, the average cost of rooms in hotels in the capital at the end of the third quarter of 2016 compared to the same period last year increased: in five-star hotels - by 3% (to 363 euros per day), in four-star hotels - by 19% (to 133 euros), in three-star - by 7% (up to 64 euros). In the hryvnia equivalent, due to fluctuations in the exchange rate, prices increased significantly: by 99% (up to 7855 UAH), 79% (to 2878 UAH) and 68% (to 1385 UAH), respectively (table 3)

Table 3

The average price for a 5 star hotel room

Date	Price (UAH)		
	5 star	4 star	3 star
01.09.15	4500	1440	720
01.10.15	4200	1450	750
01.12.15	4750	4750	900
01.02.16	6500	1700	950
01.03.16	6700	1750	1200
01.05.16	7000	2500	1000
01.08.16	9000	3000	1200
01.01.17	9100	2800	1100
01.03.17	8500	2500	1150
01.05.17	7800	2600	1200

The competition in the hotel real estate market is also quite tough, and "struggle" is conducted for every guest. The main tools for attracting new visitors and retaining existing ones become the application of an individual approach to each client: provision of discounts for accommodation and the use of various

loyalty programs, for example, a night as a gift, a free breakfast, additional services as a gift and others. Thus, the average cost of the sold number per day (ADR) is much lower than the declared value, and, for example, for hotels in the upper price segment is about 140-160 euros.

The most financially stable in the current conditions are hotels, the cost of rooms is pegged to foreign currency (dollar or euro). Mostly these are 5-star hotels and high-quality 4-star hotels.

But, taking into account the current situation and extremely low demand even for the existing numbered fund of Ukraine, new hotel projects will be hardly absorbed by the market in the coming years. Due to these circumstances, the completion of the construction of new facilities and their withdrawal to the market, even despite the high level of their readiness, is constantly postponed. In addition, in the short and medium term, key operational indicators (ADR and occupancy) are unlikely to reach the 2013 level.

Separately it is worth noting that the domestic tourist primarily focuses on a low price, convenient location and quality service. Despite the fact that high-quality budget hotels at the moment are few, active development of the segment of budget hotels in 2017-2018 is not expected.

Conclusion. The tourism industry in many countries has been formed for decades, and now it is developing steadily, providing jobs to millions of people, which positively affects the economy of the state. In our conditions, tourism can and should become a driving force for the formation of a market mechanism for managing the economy and the receipt of significant funds in the budget. Therefore, the Government of Ukraine should take seriously and responsibly to create favorable conditions for attracting foreign investors' funds in order to develop and improve the state of the hotel market of the country. Improving the

legislative base, stabilizing the political situation, improving economic conditions will all contribute to the success.

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