Luxury Hospitality in Georgia and Global Trends

Introduction

The analysis reveals 8 key trends shaping the global luxury hospitality landscape. Of note is the robust growth of luxury and all-inclusive properties managed by international hotel brands. These segments are seeing impressive gains in both revenue and occupancy rates. Mirroring broader industry trends, online bookings are also increasing in luxury hotel sector. Affluent millennials favor this method. Online booking platforms offer advantages such as reduced costs and minimized risks associated with cancellations. Furthermore, participation in loyalty programs offered by international brands, particularly those with luxury and all-inclusive offerings, fosters customer retention and repeat business.

Recognizing the significant profit potential of the all-inclusive model, investment companies, funds, and private investors are directing capital into this sector. Travelers, especially millennials, are drawn to the convenience and comprehensive experience offered by this format. Statistical analysis and consumer surveys highlight that international hotel brands enjoy a higher level of trust among travelers compared to their independent counterparts.

This study draws on insights from leading real estate and hospitality research firms, official government statistics, and private investment groups.

Recovery gives way to growth, with luxury and all-inclusive leading the charge

The global hotel and resort industry, valued at approximately $1 trillion, encompasses 742,728 establishments worldwide and employs 10.4 million individuals.

Tourism and hospitality collectively contribute around 10% to the global GDP. However, this figure plummeted to a mere 5.5% in 2020 due to the devastating impact of the COVID-19

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pandemic. In recent years, this vital sector has rebounded impressively, displaying clear signs of sustained growth.

By November 2023, the global hospitality industry achieved a remarkable recovery in RevPAR (Revenue Per Available Room), reaching between 94% and 121% of 2019 levels

across various regions. The Middle East, Caucasus, Europe, and the Americas emerged as frontrunners in this recovery. Projections for 2024 indicate an annual revenue growth rate of 4.2% for the hotel market, with average global hotel profit anticipated to surge by 22% within the next two years.

Even in 2022, when the industry was still grappling with the aftermath of the pandemic, signs of recovery were evident. For example, industry giants like Wyndham Hotels & Resorts, Inc. and Marriott Hotels & Resorts, witnessed a 3% increase in global RevPAR. This figure is projected to climb up to 4% by 2024.

RevPAR serves as a crucial performance metric in the hospitality sector, gauging the revenue generated per available room. It considers both occupancy rates and the average revenue per guest.

The year 2023 witnessed an even more pronounced rebound in the global RevPAR despite the backdrop of a global financial downturn and heightened geopolitical tensions across multiple regions, including Ukraine, Azerbaijan, Armenia, Israel, the Middle East, Kosovo, and Taiwan. Remarkably, RevPAR in 2023 surpassed pre-pandemic levels by 10%. This positive trend continues into 2024, with the travel industry demonstrating accelerated growth as it recovers from the pandemic's effects.

Similar to 2022, this resurgence has been largely driven by a rise in ADR (Average Daily Rate). Industry experts forecast a further increase in ADR of 4.9% in 2024, reaching an average of $93 across all hotel segments, from budget-friendly hostels to luxurious accommodations. The average length of stay is projected to be 1.93 days. It's important to note that these figures represent averages across the entire hospitality spectrum. They encompass both high-end luxury properties with nightly rates exceeding $10,000 and economical guesthouses and hostels offering accommodations for as low as $10-20 per night. The length of stay metric also reflects an average across diverse travel purposes. It includes short business trips to city hotels and airport/train station accommodations, often booked for single-night stays, as well as extended vacations at resort hotels where travelers typically spend a minimum of 8 days.

The five most significant revenue streams for hotels are: Booking.com, Expedia, direct bookings through hotel websites, Agoda, and Airbnb. Notably, for the resort segment, package tours offered by tour operators represent the largest source of revenue and profit.

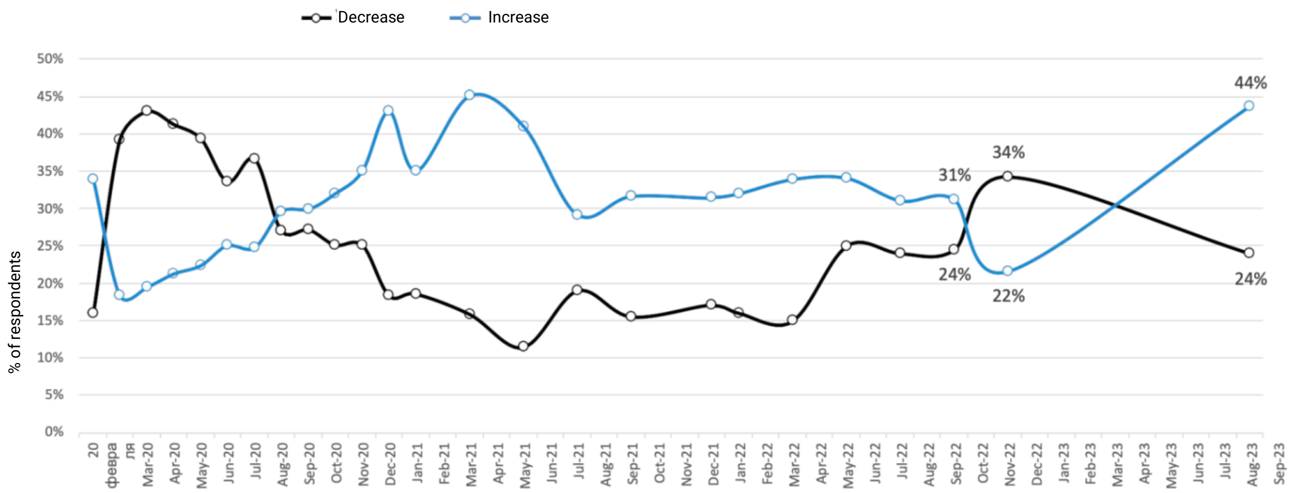
As the shadow of the COVID-19 pandemic recedes, the global hospitality industry is experiencing a surge in demand for luxury and all-inclusive experiences, as well as for accommodations offered by renowned international hotel brands. These segments have emerged as the fastest-growing within the industry. Furthermore, the Southeast Asian, Asian, Caucasian, and West/East African regions are leading in terms of revenue growth based on the "price-occupancy" formula.

Another crucial indicator is the doubling of travel expenditure observed between the third quarter of 2022 and the third quarter of 2023. Travelers, irrespective of their income

bracket, are allocating a larger portion of their budget to travel than they did pre-pandemic. Experts anticipate this upward trend to persist throughout 2024, with an estimated year-on-year growth of at least 10%.

Expected growth in travel spending signals positive trends

Perception of total travel spending over the next 12 months in the U.S., February 2020 – September 2023



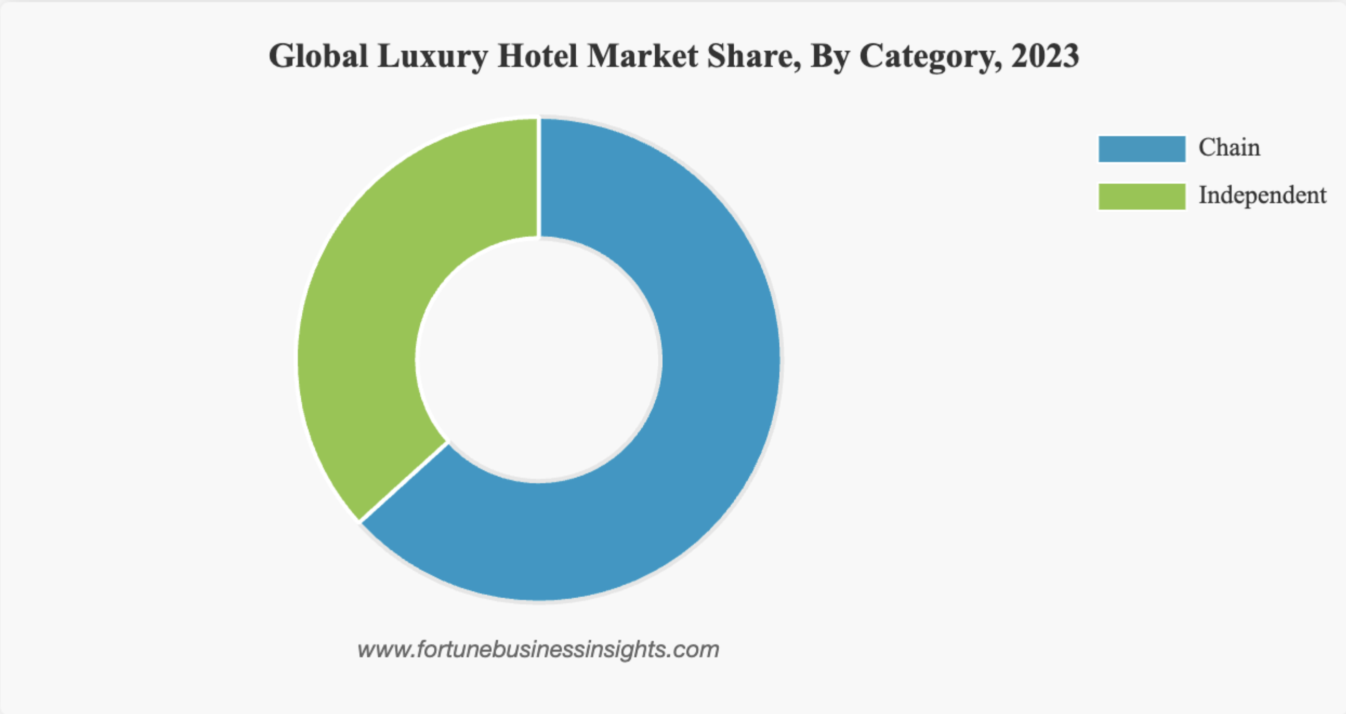
The European hotel market is also poised for significant growth, with revenues projected to reach $113.40 billion by 2024. Industry experts predict a surge in user numbers to 293.10 million by 2028, accompanied by an average revenue per user (ARPU) of $0.41

thousand. By 2028, online sales are anticipated to account for a substantial 86% of the total revenue generated within the hotel market.

From 1983 to 2023, the global supply of luxury hotel rooms has tripled, while the ultra-luxury hotel sector experienced a fivefold increase in supply during the same period.

According to research conducted by JLL, a leading real estate services firm, the luxury hotel market has witnessed a remarkable expansion over the past 40 years, with the number of brands and room availability surpassing one million. No longer a niche market, this segment's accelerated profitability is being fueled by substantial institutional investments.

The luxury hotel market can be broadly classified into two categories: chain hotels and independent properties. International hotel brands dominate the majority of the luxury hospitality market. Beyond providing exceptional services, these brands grant access to their proprietary loyalty programs and booking platforms. This strategic advantage enables them to cultivate a loyal customer base that consistently chooses to return to hotels within the same network.

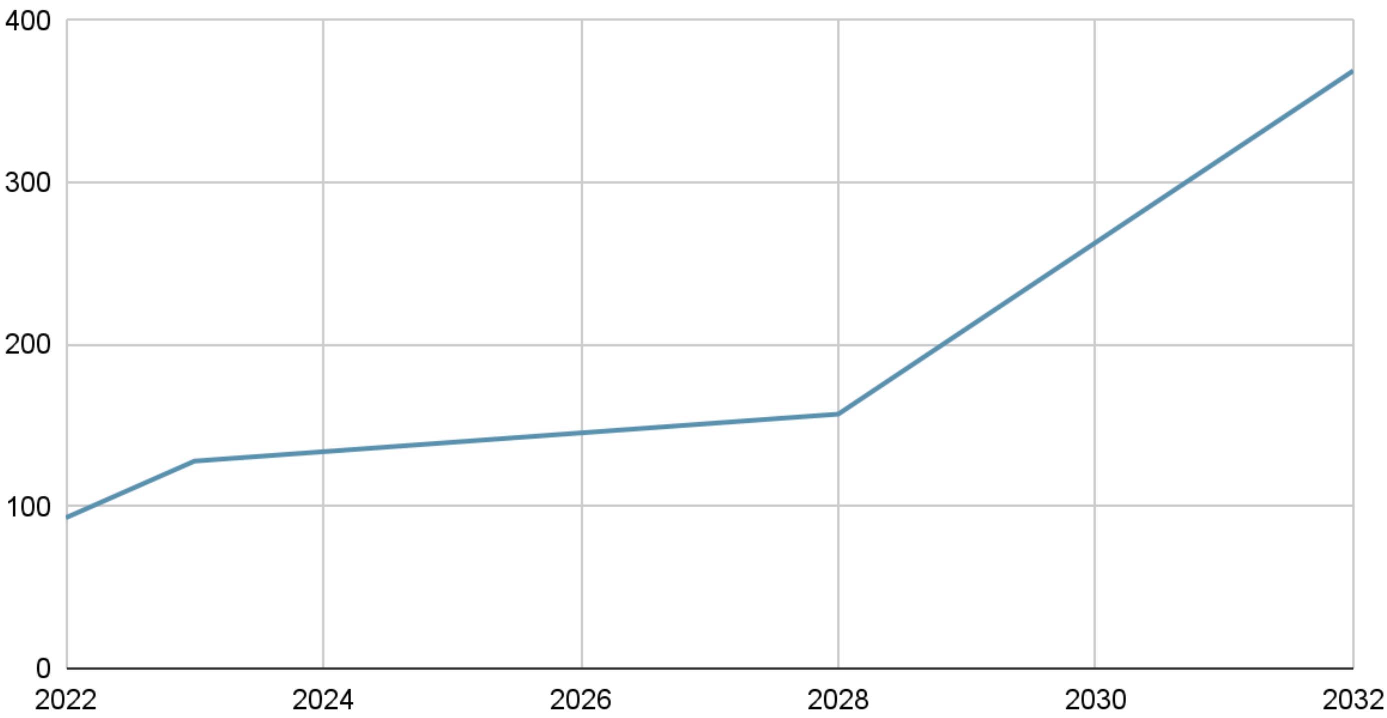


Luxury hotels across the Eurasian continent are expected to exhibit the most impressive growth in terms of profitability and occupancy rates over the next 8 years.

The luxury segment grows in volume, profitability, and demand

Luxury hotels represent a distinct sector within the broader hospitality industry. In 2022, the luxury hotel market was valued at $93.59 billion. This valuation surged to $128.54 billion in 2023, according to Mordor Intelligence, while Fortune Business Insight estimated it at $140.28 billion and Statista placed it at $191 billion. Mordor Intelligence projects a minimum 8% growth in the luxury hotel market by 2028, reaching a value of at least $157.98 billion. Statista's researchers estimate that the global elite tourism sector, encompassing various luxury travel experiences, will reach a staggering $2.1 trillion in valuation. Fact Factors predicts a steady annual growth rate of approximately 5.9% for the luxury hotel market between 2024 and 2028. Notably, over the past three decades, this market has witnessed an impressive 191% expansion.

Luxury hotel market, valuation – $ billion



Fortune Business Insight projects even more significant growth for the global luxury hotel market, forecasting a surge to $369.36 billion by 2032, with an estimated CAGR (Compound Annual Growth Rate) of 11.5% between 2024 and 2032.

Luxury hotels typically fall into several key categories:
business, airport, leisure, resorts and spas.

Over the past two years, the luxury hotel market has expanded by 5.9%. This builds upon the remarkable 191% growth in the supply of luxury hotels witnessed over the past 30 years.

While the middle segment led the RevPAR recovery in 2023, 2024 is projected to see the luxury and upper upscale segments take the lead in occupancy growth. This surge can be attributed to the rapid rebound in business and group travel.

Luxury hotels in the UK achieved a 73% occupancy rate by the end of 2023. Dubai's luxury segment mirrors this success with a 74% occupancy rate. These figures surpass the global average occupancy rate of 69% across all hotel segments.

The growth of the luxury and all-inclusive sectors is further bolstered by the increasing prioritization of travel and leisure among respondents with annual incomes exceeding $500,000. A direct correlation is evident between income level and interest in travel. This signifies heightened demand for luxury hospitality experiences among affluent travelers, who increasingly view travel as a necessity rather than a luxury.

Income determines the demand for travel

Percentage of respondents who consider travel as extremely/very important in their life depending on income

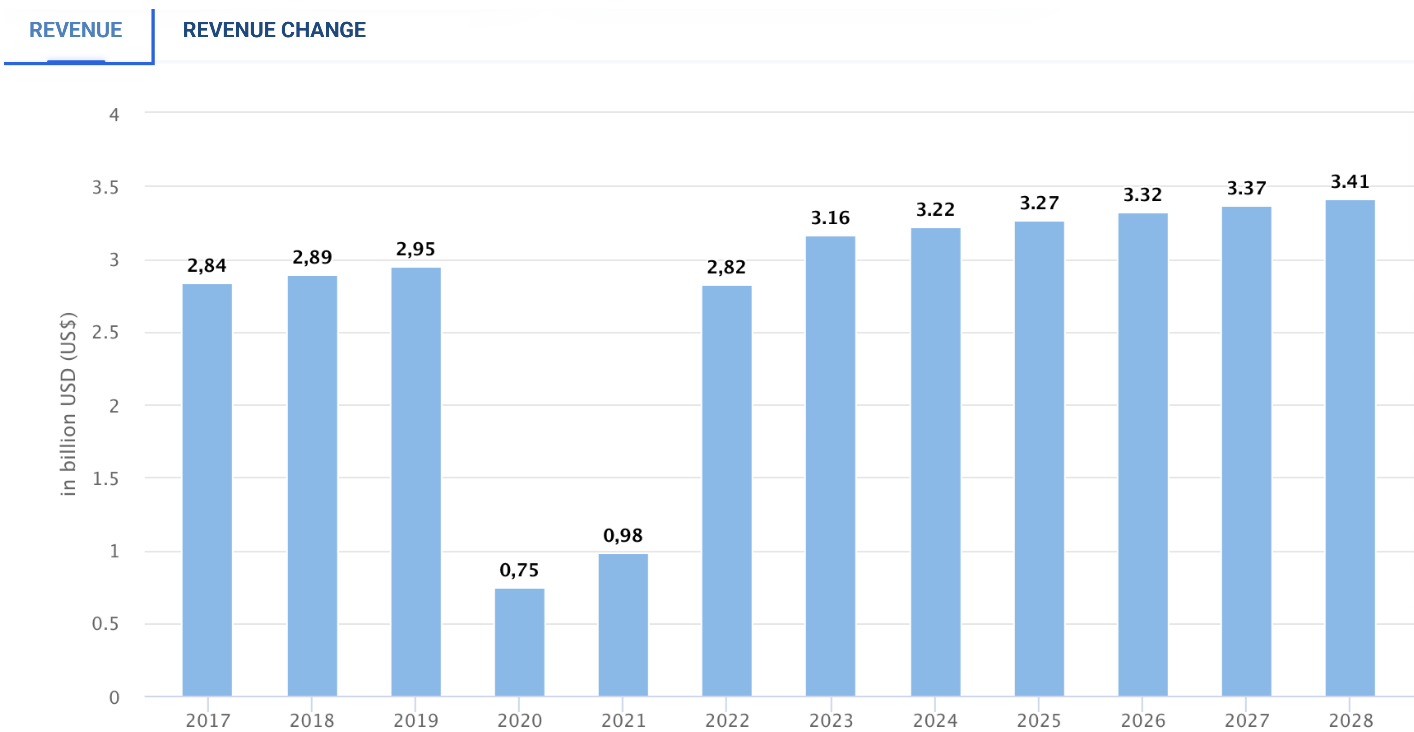
As of 2020, Europe accounted for approximately 42% of all luxury hotels globally.

Occupancy rates are poised for continued growth in 2024 in the luxury segment

The year 2023 witnessed a dramatic surge in hotel occupancy rates. During the summer months, numerous European destinations recorded average annual occupancy rates exceeding 80-85%. By the close of 2023, the global average occupancy rate stood at 69%. In 2019, luxury hotels across Europe witnessed an occupancy rate of 73.8%.

Forecasts predict a global increase of 2.5% in hotel occupancy rates in 2024. However, major cities are projected to experience a far more significant surge, with occupancy rates expected to soar by 17.5%. Notably, the luxury and upper upscale segments are anticipated to spearhead this growth in 2024. In contrast, luxury hotels in the UK achieved a 73% occupancy rate by the end of 2023, while Dubai's luxury segment mirrored this success with a 74% occupancy rate. These figures are 4-5% higher than the global average occupancy rate across all hotel segments.

Even during the challenging post-pandemic period of 2022, luxury hotels in Switzerland demonstrated resilience, maintaining an occupancy rate of 60%. Experts noted a consistently strong demand for luxury hospitality services within the country. This segment continues to experience robust growth in the post-crisis recovery phase of 2023 and 2024. Statista and local statistical agencies estimate that the Swiss hotel market will generate $3.22 billion in revenue in 2024. This market is projected to grow at a CAGR of 1.44% between 2024 and 2028, reaching an estimated $3.41 billion by 2028. The annual number of guests staying in Swiss hotels is projected to reach 6.37 million by 2028. Experts attribute a significant portion of this growth to the country's thriving luxury hotel sector, which attracts affluent travelers from around the globe.



In 2022, luxury hotels in Israel also outperformed the global average, achieving an occupancy rate of 75%, underscoring the strong demand within this segment.

Despite facing an oversupply of rooms, five-star hotels in Turkey recorded impressive occupancy rates exceeding 70% in 2023, even reaching nearly 90% during peak season.

Spain's luxury hotel segment registered a 69% occupancy rate in 2023, while Italy's luxury hotels achieved a 71% occupancy rate.

This upward trend in occupancy rates extends to other regions. For instance, chain-affiliated luxury hotels in the United States are experiencing a 2% growth in occupancy rates in 2023.

Industry experts anticipate continued annual growth of 2% or more through at least 2027, citing the consistent improvement in service quality and guest experience within this segment.

Georgia and the Black Sea Region:

Growth potential in emerging markets

We've analyzed the Georgian hospitality market due to its remarkable growth trajectory, which surpasses that of other emerging markets. By examining the trends observed in neighboring Black Sea markets, we can draw insightful projections regarding the future development of Georgia's luxury hotel sector.

Bulgaria and Russia

Let's begin by considering the luxury and all-inclusive hotels in Bulgaria and Russia.

In both markets, the all-inclusive segment is primarily dominated by three- and four-star hotels. Five-star premium accommodation is scarce, commands significantly higher prices, and typically requires bookings six months in advance. In contrast to the more diverse offerings found in Turkey's all-inclusive market, luxury options in Bulgaria are limited, with nightly rates during peak season exceeding $500.

As for Russia's Black Sea coastal region, particularly the Krasnodar Krai, the number of hotels operating under the all-inclusive model increased by 2.5 times between 2018 and 2022 (prior to the exit of international hotel chains). In 2021, regional standards for all-inclusive and ultra-all-inclusive services were established. Notably, Black Sea hotels offering all-inclusive packages in Russia witness a 15% higher occupancy rate during the low season and a 20% higher rate during peak season compared to hotels without this offering. During peak season, occupancy rates for all-inclusive hotels in this region rarely dip below 95%. Tour operator data reveals that over 60% of vacationers specifically request all-inclusive options, and this demand continues to grow. Implementing all-inclusive services has been shown to boost hotel profitability by 20% and increase repeat guest rates by 10%.

Now, let's examine the Black Sea coastal hospitality market in Bulgaria. Data from 2019 reveals a strong preference for mid-range and upscale hotels, with these categories accounting for over 90% of total overnight stays. Notably, two-thirds of guests opted for accommodation rated four or five stars.

In January 2023, during the low season, the overall hotel occupancy rate in Bulgaria, spanning from budget-friendly to luxury accommodations, stood at 27.6%. This figure represents a 5.3% increase compared to January 2022. As expected, four- and five-star hotels secured the highest occupancy rates at 40.1%. Three-star establishments followed with 25.4%, while hotels with one or two stars lagged behind at just 15%. Even during the low season, prices experienced a 20% increase. During the summer months, hotel occupancy rates in Bulgaria typically soar to around 90%.

Bulgaria experienced a nearly 50% surge in revenue generated from tourist overnight stays in 2022. In July 2022, the average occupancy rate across all accommodation types reached 53.4%, marking a 4.3 percentage point increase compared to July 2021. **Four- and five-star hotels boasted the highest occupancy rates at 68.3%**, followed by three-star hotels (48%) and one- and two-star establishments (33.2%).

At the start of 2023, reports indicated that 33% of hotels in Bulgaria had implemented a 10% price increase in 2022, while another 41% had raised their rates by 10% to 20%. Three-quarters of hoteliers reported a 20% to 50% increase in their average annual occupancy rates. In 2023, hoteliers increased the prices by 10% to 20%. For instance, in May 2023, the number of overnight stays across all hotel categories rose by an average of 7.2%, while revenues surged by 16%.

By the end of 2023, Bulgarian hoteliers witnessed a 25% year-on-year increase in revenue. The luxury segment performed particularly well, registering an average annual occupancy rate of 73%.

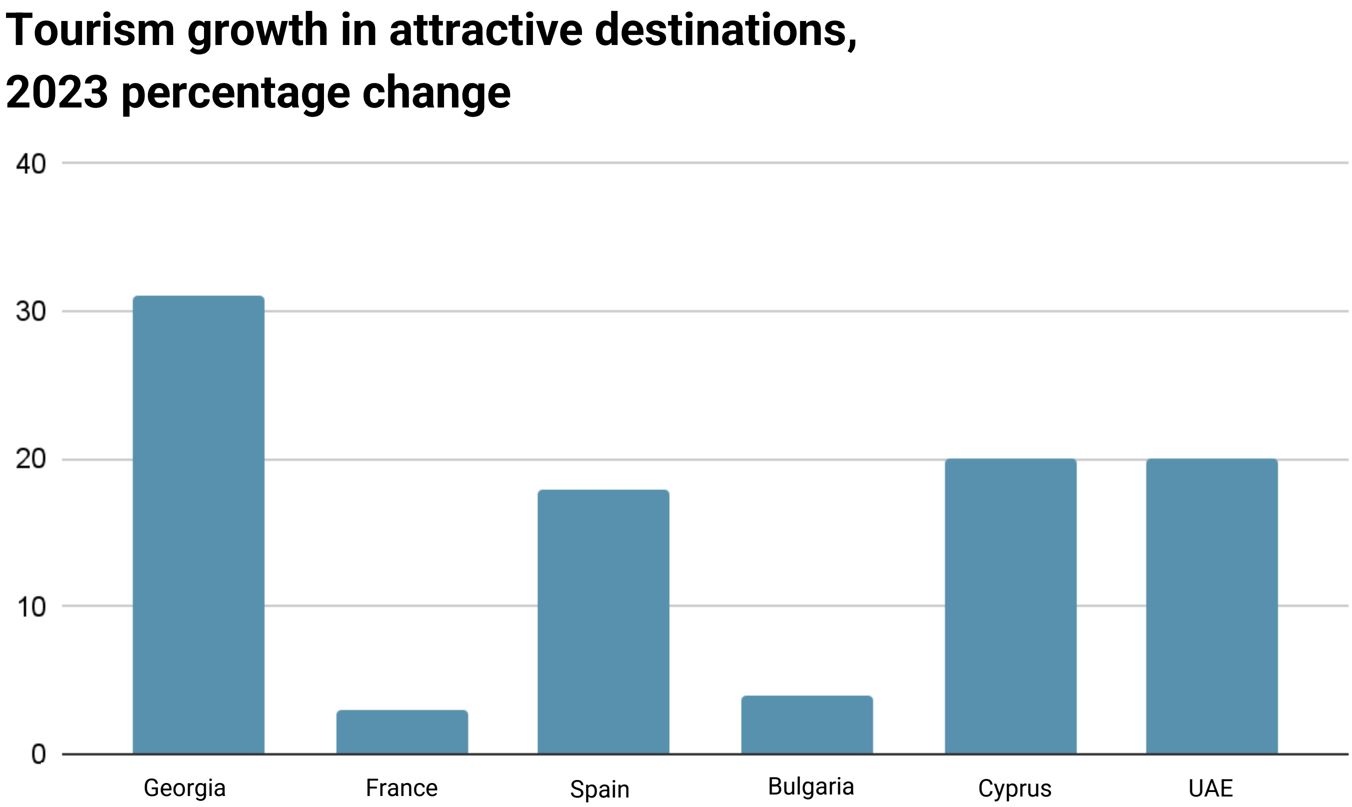
Data from 2023 showed that the average annual occupancy rate across all hotel categories in Bulgaria, ranging from hostels to luxury accommodations, reached 55.9%. Furthermore, the upper segment of larger hotels (those with 250 rooms or more) achieved annual occupancy rate of 71.6%.

The Bulgarian Association of Hotel Executives (BAHE) predicts a continued upward trajectory in prices during the peak summer season of 2024, with rates across all hotel categories expected to climb by an additional 10% to 20%.

Georgia

1. Georgia's Tourism Sector: A Paragon of Growth

Georgia experienced a surge in tourism, **with arrivals exceeding 31% in 2023**, according to PMCG. This growth rate positions Georgia ahead of many other prominent global tourist destinations. For comparison, Spain recorded an 18% increase, France saw a 3% rise (based on UNWTO data), Bulgaria's tourism sector expanded by 4%, Cyprus welcomed 20.1% more visitors, and popular resorts in the UAE recorded a 20% increase.



In 2023, Georgia welcomed 7,072,220 international travelers, representing a 75.6% surge compared to pre-pandemic levels and a 31% increase from 2022. Projections for 2024 anticipate a further increase in foreign tourist arrivals to 7.9 million, accompanied by a 10% year-on-year growth in tourism revenue, reaching $4.5 billion.

This flourishing tourism industry is a testament to Georgia's robust economic growth. In March 2024 alone, the country's real economic growth reached 8.2%, culminating in a 7.8% growth rate for the first quarter of 2024. While the World Bank initially projected a minimum economic growth rate of 5.2% for Georgia in 2024, the strong performance witnessed in the first quarter suggests that the actual growth rate may well exceed this forecast.

Georgia have a positive outlook from Fitch Ratings, securing the 25th position in the Index of Economic Freedom. It ranks 1st globally in the Open Budget Index and 7th in the Ease of Doing Business ranking. Furthermore, Georgia has earned a spot among the top 50 most attractive tourist destinations globally, according to the World Economic Forum. It also ranks among the top 5 safest countries in Europe and 19th globally in terms of safety and security. Georgia's appeal as a premier travel destination is further solidified by its inclusion in the top 3 best European countries for travel and the top 4 best countries for tourism, according to the UNWTO.

2. Georgia's tourism revenue will continue to grow at a faster rate than the influx of tourists, driven primarily by high-spending foreign visitors

In the first quarter of 2024, Georgia's tourism revenue reached an unprecedented $879 million, surpassing the previous record set in 2019 by 39.6%. This represents a remarkable

10.6% increase compared to the same period in 2023. Projections indicate that Georgia's tourism revenue will soar to a record-breaking $4.5 billion in 2024, reflecting a substantial 10% year-on-year growth rate.

The first quarter of 2024 also witnessed a significant rise in tourism revenue from European Union countries, which reached $108.3 million. Turkey and Azerbaijan also emerged as key contributors, with revenue figures surging to $117.5 million and $12.4 million, respectively.

Compared to 2019, Georgia witnessed the most significant increases in tourism revenue from the following countries in 2023:

Israel: 231.3%

Saudi Arabia: 185.7%

European Union: 182.0%

Turkey: 147.1%

According to the National Statistics Office of Georgia, the average tourist expenditure per visit in 2023 reached 2,097 lari (approximately $783). This figure represents an average across all tourist segments, including both budget-conscious and affluent travelers.

The fact that tourism revenue growth is outpacing the growth in tourist arrivals underscores a shift towards a higher proportion of high-spending visitors. This indicates that demand for the budget segment is gradually being replaced by a preference for high-quality experiences offered by more luxurious and comfortable accommodations. This trend is increasing demand for premium and luxury hotels, which are currently in limited supply within Georgia.

This heightened demand is driving sustained upward pressure on both pricing and occupancy rates for properties within the premium and luxury segments.

3. Demand for premium hotels in Georgia will remain consistently high

The demand for premium hotels in Georgia remains robust and shows no signs of abating. In 2023, premium hotels achieved an average occupancy rate of 58%, exceeding 90% during peak season. A further increase in occupancy rates of at least 4% is anticipated in 2024.

It's important to note the stark contrast in pricing between non-branded properties and apartment complexes compared to their premium counterparts. Even during the peak summer season, non-branded accommodations can be found for as low as $50 per night, while winter prices plummet to a mere $12 per night, barely covering operational costs. This affordability stems from a simple factor: market saturation. In Batumi alone, over 30,000 units of budget-friendly apartments flood the market. Consequently, their occupancy rates are much lower compared to global chain hotels. While apartment complexes may achieve an occupancy rate of around 78% during the peak summer months, their lack of robust infrastructure results in minimal occupancy outside of this period. The average annual occupancy rate for such properties rarely surpasses 30%. As the market continues to be inundated with affordable apartments, both prices and occupancy rates for apartment complexes and budget accommodations are expected to decline.

Industry insiders have observed a noticeable shift in the composition of tourist arrivals. As previously mentioned, budget-conscious tourists are gradually being replaced by more affluent travelers. This trend is evident in the rising average tourist expenditure within Georgia. High-spending tourists prioritize premium and luxury experiences and are willing to allocate a larger portion of their budget to accommodation. The growth in tourism revenue has a positive impact on the demand for premium hotels. Furthermore, there is a sustained demand for even higher-end accommodations within the luxury segment, which is currently greatly underserved.

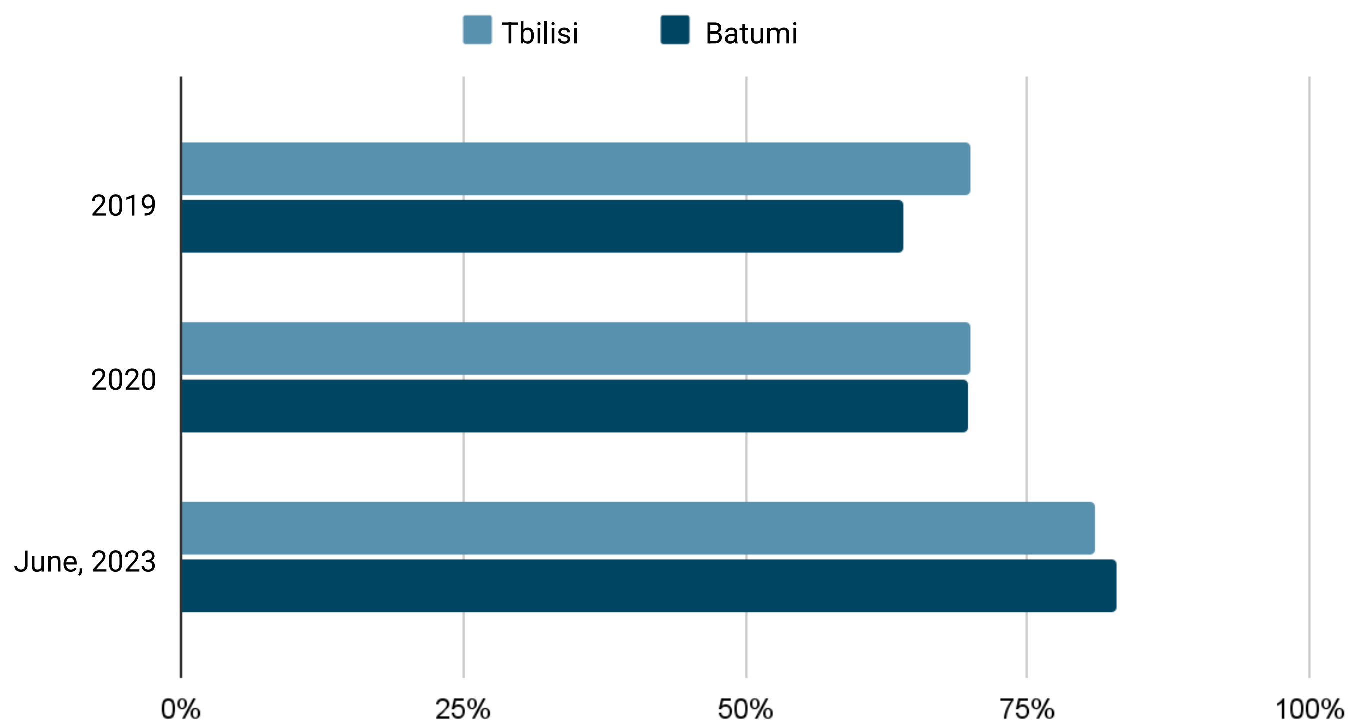
Notably, even in 2019, Georgia's premium hotel segment demonstrated strong annual occupancy rates, exceeding 70% in Tbilisi and 64% in Batumi. These figures surpass global averages. TBC-Capital's research indicates that the upward trend in pricing for premium hotels operated by international brands in Georgia is expected to persist throughout 2023 and beyond.

According to a 2022 study conducted by the investment group GIG, Batumi's luxury hotel market has attracted the attention of renowned hotel chains such as Marriott Hotels & Resorts, Wyndham Hotels & Resorts, Inc., and Hilton Hotels & Resorts. As of March 2023, occupancy rates for premium hotels in Georgia had not only fully recovered to pre-pandemic levels but had surpassed them. Experts view the surging demand for premium and luxury accommodations as a long-term trend poised to continue for at least the next decade.

In 2022, premium hotels in Tbilisi achieved an impressive 70% occupancy rate. During the first half of 2023 (primarily the low season), premium hotels maintained a robust average occupancy rate of 67%. In coastal areas, occupancy rates for premium hotels reached 83%

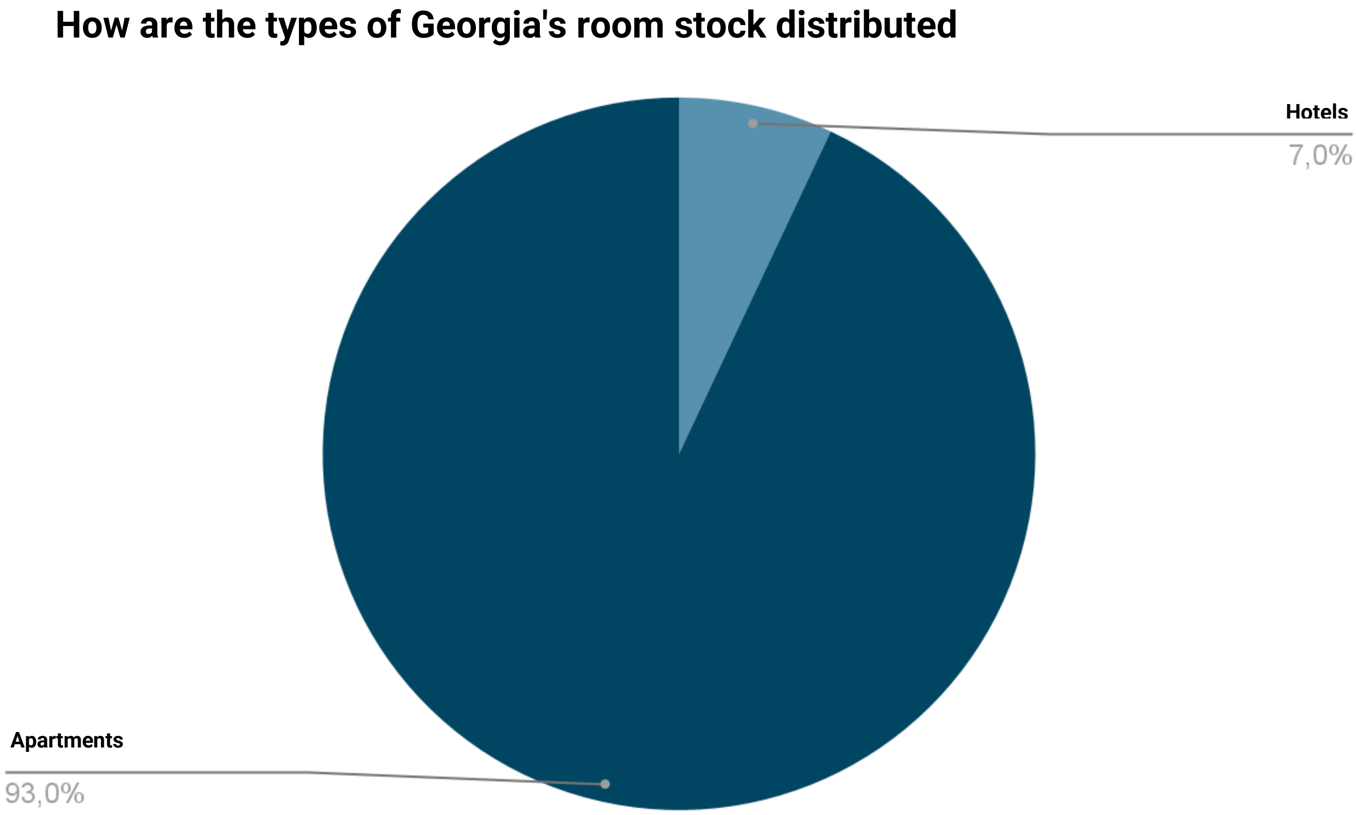
at the start of the summer season (June) in 2023, while Tbilisi recorded an 81% occupancy rate, as per TBC Capital's research. It's crucial to note that during peak season, occupancy rates often reach 90% to 100%, resulting in rapid sell-outs.

Occupancy rate of premium hotels in Georgia



4. Branded chain hotels will continue to grow in pricing and occupancy

Branded hotels in the Adjara region consistently achieve over 90% occupancy rates during peak season (June to September), and the demand for exceptional service quality continues to grow annually. Booking.com data reveals that while Batumi offers over 2,400 accommodation options, only 174 are hotels (predominantly mid-range and budget-friendly). Furthermore, only 7 hotels operate under major international brands. This significant supply-demand imbalance has resulted in consistently high occupancy rates and premium pricing – a trend that analysts expect to continue in the long term. The emergence of a sufficient number of premium and luxury hotels from internationally recognized brands to meet existing demand is not anticipated within the next decade [61], [62], [66], [67], [68], [69], [70].



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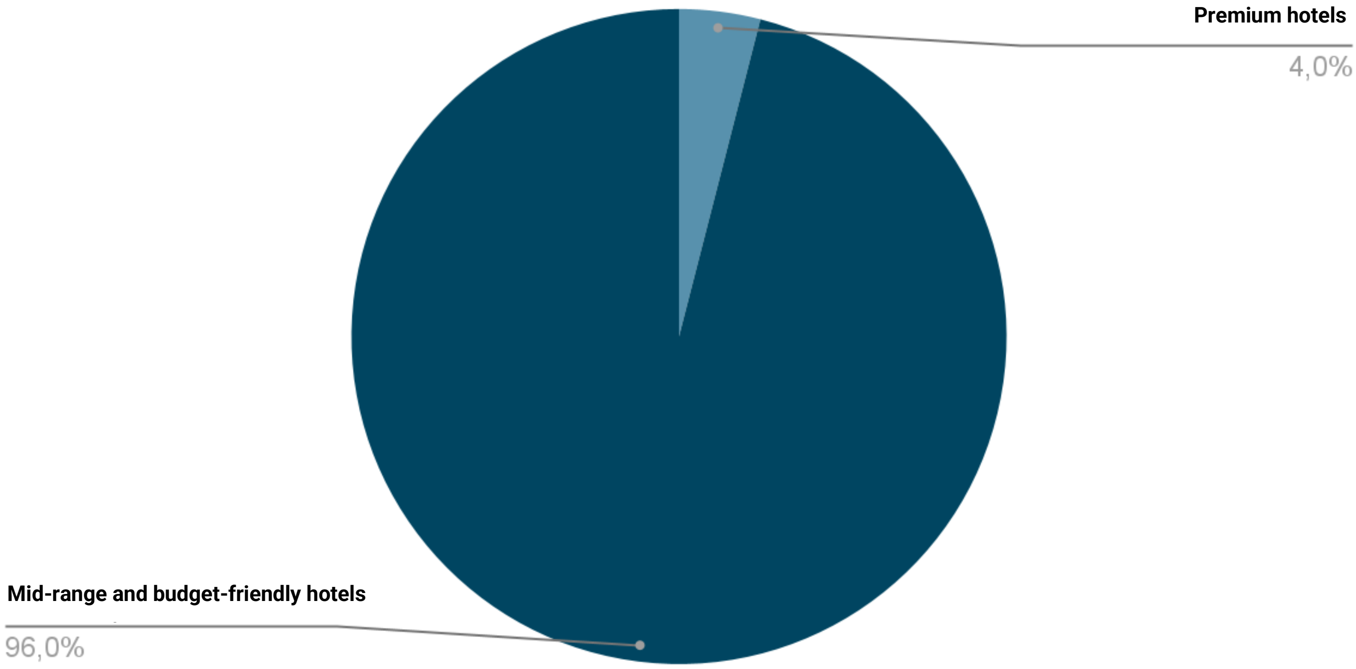
Share of premium segment hotels in the total number of hotels in Georgia



In 2022, branded hotels in Batumi, the largest city in the Adjara region, achieved an average annual occupancy rate of 68.9%, both in high and low seasons. During peak season, this figure surpassed 90%. Examining current pricing trends for branded accommodations in Batumi for summer 2024 reveals that a standard room at the Sheraton Hotel starts at $356 per night in June, while the Ramada Plaza offers standard rooms from $217. These hotels fall within the premium segment, where global pricing averages are typically two to ten times lower than those observed in the luxury segment. This suggests that luxury accommodations in Batumi would command significantly higher nightly rates, likely ranging from $450 to $700, and potentially exceeding $700 to $1,000 for a standard room during peak season. Furthermore, presidential suites in branded hotels are currently priced between $1,000 and $1,700, comparable to the cost of standard suites in many luxury hotels worldwide.

5. Georgia's market demands luxury & resort options: $450-$700+ nightly rates expected

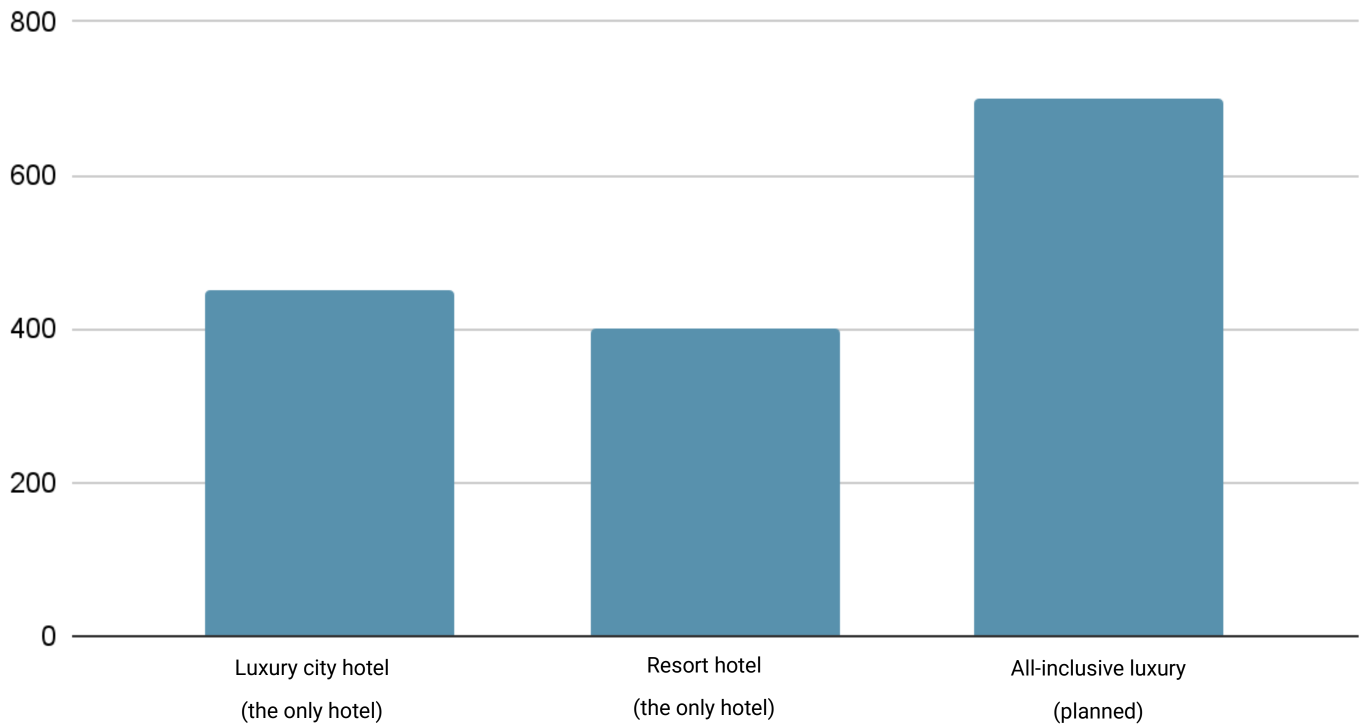
Currently, Georgia's hospitality market lacks significantly the presence of all-inclusive and luxury accommodations operated by international hotel brands. Demand for such offerings remains high and consistent. The introduction of such properties is anticipated to result in occupancy rates exceeding 90% to 100% during peak season due to the scarcity of comparable options within the country.

The strong demand for luxury and all-inclusive experiences is evident in market trends, the high occupancy rates observed in branded and premium hotels within the region, and the overall dynamics of both the regional and broader Black Sea markets, particularly in Turkey, Bulgaria, and Russia.

Consider, for example, the only branded resort hotel on Georgia's coast, the Paragraph Resort & Spa Shekvetili, Autograph Collection in Shekvetili. Even with advance booking, a standard room during peak season starts at $400 per night [74]. And it’s not even under all-inclusive model, only breakfast is included. Moreover, despite its high standards, it's not categorized as a luxury property, unlike the Paragraph Luxury Collection in Tbilisi.

With such strong demand for luxury experiences in Georgia and only one existing luxury hotel – the Paragraph Luxury Collection city-hotel in Tbilisi – a significant gap exists in the market. Nightly rates at the Paragraph Luxury Collection start at $450 to $500, excluding breakfast, which is charged separately. It's a city-hotel format. While it offers high-quality dining and amenities typical of the Autograph Collection brand, many of these are available at an additional cost. Therefore, the introduction of a full-fledged all-inclusive or ultra-all-inclusive luxury resort experience is projected to command nightly rates comparable to those of similar internationally branded properties in the region and Turkish counterparts. This suggests a minimum of $700 per night for standard rooms in five-star branded all-inclusive resorts during the summer season along the Black Sea coast.

Hotel prices in Georgia by segment



Georgia's position within the global hospitality market aligns with broader international trends. Pricing for travel experiences and demand for accommodations and tourism services within the country are consistent with those observed in other Black Sea resorts, as well as a number of Mediterranean destinations. The scarcity of luxury accommodations within Georgia indicates that the introduction of internationally branded luxury all-inclusive properties would likely result in higher pricing and occupancy rates compared to neighboring competitors like Bulgaria, Turkey, and Russia.

It's important to note that the development of Turkey's renowned all-inclusive resort industry spanned approximately 50 years. The market now has over 5,000 properties of varying formats and quality levels, including a substantial number of branded hotels. The aforementioned starting price of $450 per night for a luxury all-inclusive experience in Turkey represents the lower end of the spectrum. During peak season, average nightly rates for this segment range from $700 to $1,000. This is within a more mature and diverse market characterized by greater supply. Luxury hotels commanding rates of $2,000 to $9,000 per night are also prevalent, with popular options including the Akra Fethiye Tui Blue Sensatori – Ultra All-Inclusive (from €1,508 for a family room) and the Wome Prime Hotel – Halal All Inclusive (from €1,460 per room).

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In contrast, Georgia's all-inclusive luxury model from internationally recognized brands is still in its nascent stages, with significant growth projected over the next decade. However, the development of infrastructure to support such properties requires substantial investment and expansive land areas. It's unlikely that more than a dozen such developments will appear within the next 20 years. Therefore, the market is projected to see the emergence of no more than 5-7 properties in this category across the entire country within the next decade. This means that the demand for all-inclusive experiences in the market will remain significantly unmet. This dynamic is poised to drive sustained growth in both pricing and occupancy rates, making it a highly attractive investment prospect for both the mid-term and long-term future.

Due to the current lack of comparable properties, experts estimate that nightly rates for a standard room in a luxury all-inclusive resort in Georgia could reach $600 during the low season and $900 during peak season. Rooms in higher categories are projected to command even higher prices, starting at $700 during the low season and exceeding $1,000 during peak season. While demand for this type of offering may not be mass-market, the niche segment of discerning, high-spending travelers is sufficiently large to sustain occupancy rates of at least 70% throughout the year. This is supported by both global and regional trends within the luxury hospitality sector.

In 2023, Georgia welcomed 7,072,000 tourists. According to global statistics, affluent travelers account for 36% of spending within the hospitality sector. This data is highlighted in the Affluent Travel report by MasterCard. This percentage makes up approximately 2,545,920 visitors for the high-spending category. Even if the actual proportion of affluent tourists is two to three times lower, this segment would still be substantial enough to support occupancy rates within the luxury segment.

Loyalty programs drive indirect profitability for branded hotels

There's a reason why 94% of the world's 100 largest hotel brands and chains have implemented loyalty programs: they are incredibly effective at boosting revenue. Loyal guests demonstrate a 22.4% higher spend and stay 28% longer compared to non-members. Furthermore, business travelers comprise 64% of loyalty program participants, and these programs contribute from 30% to 60% of total room revenue.

The availability of a loyalty program indirectly influences room rates. Travelers are often willing to pay a premium and choose luxury hotels and all-inclusive resorts to enhance their overall experience. Loyalty programs incentivize them to stay within the same brand network, ensuring a consistent level of service and standards while enjoying valuable perks like complimentary nights or upgrades. For instance, Wyndham Hotels & Resorts, Inc., offered its loyalty members the flexibility to choose from over 9,000 hotels worldwide across 24 brands in 2023.

According to a survey conducted by the Global Hotel Alliance (the world's largest alliance of hotel brands, founded in 2004 by Kempinski, Pan Pacific Hotels and Resorts, Rydges Hotels & Resorts, and Wyndham Hotels & Resorts), accommodation quality and loyalty program benefits were cited as the most crucial factors influencing hotel selection. Members of the alliance indicated that they primarily rely on hotel loyalty program websites or apps, followed by online travel agencies (OTAs), for their research. They also prefer to book directly through these hotel loyalty platforms.

Respondents identified member discounts and perks, particularly room upgrades, as some of the most valued aspects of loyalty programs. Interestingly, while discounts were previously considered the most important factor by members in Europe, this sentiment has shifted. Room upgrades, early check-in, and late check-out are now perceived as more desirable benefits. A study by PwC highlights a generational difference in reward preferences: millennials are more likely to redeem loyalty points for upgrades, while older travelers tend to prioritize free nights.

Pricing escalation in the hospitality industry in the luxury segment

Pricing within the industry is influenced by brand reputation and hotel classification. For instance, Wyndham Hotels & Resorts offers two luxury brands: Grand and Registry Collection. Room rates for these brands are higher compared to the company's other properties. This pricing strategy is mirrored by other international hotel chains.

In 2020, during the height of the pandemic, the average daily rate for a room at Four Seasons Hotels and Resorts was $884, while Marriott Hotels & Resorts averaged $332. However, as the hospitality market rebounds and demand for luxury hotels and all-inclusive resorts surges, prices have risen. In 2021, the average revenue per user (ARPU) within the luxury hotel market reached $1,537.99.

Data from CoStar Group, a leading provider of hospitality market research, reveals that between 2019 and the end of 2022, luxury room rates experienced a 35% increase in Europe and a 28% rise in North America.

This pricing trend is particularly pronounced among both newly established hotels and well-established luxury brands. At the start of 2024, the most affordable nightly rate at the Aman New York starts at $1,530. Meanwhile, at the 93-year-old Carlyle Hotel, room rates are around $1,000 per night.

To illustrate this trend further, let's look at hotels in Milan, Italy. At the Park Hyatt Milano in the city center, room rates start at $1,275 per night. The Four Seasons Hotel Milano, Armani Hotel Milano, and Bulgari Hotel Milano command from $1,600 per night for a standard room.

In Cyprus, all-inclusive resorts offer a standard room starting at $350 per night during the low season and reaching up to $8,700 per night for a presidential suite. During peak season, a standard room starts at $600 and presidential suites command up to $9,800 per night.

For comparison, in Greece, a standard room at an all-inclusive resort starts at $500 during the low season and $1,100 during peak season. In Spain, similar accommodations start at $640 and $1,050, respectively. As in Cyprus, presidential suites in both Greece and Spain can cost between $8,000 and $10,000 per night.

In Turkey, nightly rates for a standard room at an all-inclusive resort operated by an international brand start at $550. However, during peak season, the average price for a comparable standard room can surge to $2,400 per night.

International publications, including Bloomberg, have identified $1,300 per night as the “new normal” for luxury hotel stays. They cite examples like the Raffles London at The OWO and the Bulgari Hotel Rome, both of which command rates starting at $1,000 per night. Analysts note that this pricing is evident in at least 20 hotels in Paris, 13 in London, and 12 in New York.

Looking ahead to 2024, three new properties are set to open with rates exceeding $1,000 per night: the Mandarin Oriental Mayfair in London, the Hotel Corinthia in New York, and the Collegio alla Querce in Florence, Italy. In the Maldives, the newly opened Soneva Secret is setting new records with nightly rates starting at $3,140.

While there are approximately 60 million dollar billionaires and multi-millionaires worldwide, their travel spending accounts for 30% of the market. Within the luxury hospitality segment, this figure is nearly 70%. This share is projected to reach its highest point in 2024. Given the robust performance of luxury hotels, analysts at JLL anticipate a further surge in investment within this sector over both the short and medium term.

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It's important to note that 20% of the global population, representing 1.4 billion people, have a net worth of $42,000 or higher. These individuals travel frequently and, while they may not typically seek accommodations exceeding $1,000 per night, they often opt for four- and five-star hotels with rates ranging from $200 to $1,000 per night. They purchase all-inclusive packages and are active spenders within the tourism sector. This segment is largely composed of millennials and Generation Z, demographics with significant purchasing power, representing the global middle class, and actively engaging in travel and leisure activities.

The average price for a standard room at internationally branded hotels in Georgia in 2022 was $143 per night. Examining current pricing trends for summer 2024 reveals that a standard room at the Sheraton Hotel (not all-inclusive) in Batumi starts at $356 per night in June.

Let’s take a look at all-inclusive hotel prices in other markets:

Cyprus (Cap St Georges Hotel & Resort): $350 per night during the low season and $600 during peak season.

Greece (Sani Resort): $400 during the low season and $1,100 during peak season.

Spain (Ikos Resorts): $640 during the low season and $1,050 during peak season.

Kazakhstan (Rixos): $300 during the low season and $480 during peak season.

Turkey (Mandarin Oriental): $550 during the low season and from $2,400 during peak season.

Georgia's position within the global hospitality market aligns with broader international trends. Pricing for travel experiences and demand for accommodations and tourism services within the country are consistent with those observed in other popular resort destinations. The current scarcity of luxury accommodations suggests that the introduction of internationally branded luxury all-inclusive properties would likely result in pricing and occupancy rates that exceed those of neighboring competitors such as Bulgaria, Turkey, and Russia.

Georgia's nascent all-inclusive luxury resort market is poised for significant expansion in the coming years. However, due to the limited supply of such properties at present, experts project that nightly rates for a standard room could reach $240 during the low season and $450 during peak season. Rooms in higher categories are estimated to command prices starting at $400 during the low season and exceeding $600 during peak season. Within Georgia, the Paragraph Resort & Spa Shekvetili, Autograph Collection, and the Paragraph Luxury Collection Hotel in Tbilisi, both considered luxury properties, currently offer nightly rates starting at $450 to $500. These represent a luxury format but without the all-inclusive element. Breakfast is an additional charge, and they offer limited entertainment infrastructure compared to what is typically associated with the Autograph Collection brand. Therefore, the introduction of full-fledged all-inclusive and ultra-all-inclusive luxury resorts in Georgia is anticipated to command rates comparable to those of similar internationally branded properties in the region and their Turkish counterparts.

All-inclusive is the fastest-growing segment

According to data from Wyndham Hotels & Resorts, the world's largest hotel brand, 75% of travelers believe that all-inclusive packages offer the best travel value, while 77% view them as the most appealing vacation format [93]. Researchers have observed that implementing an all-inclusive model can boost a hotel's occupancy rate by 15% to 20%. This surge in demand causes an increase in pricing for all-inclusive resorts, with rates experiencing yet another increase leading into the 2024 summer season.

In 2019, the global revenue generated by all-inclusive resorts reached an estimated $150 billion, and this figure has continued to climb steadily.

As a result, nearly every major hotel brand is doubling down on its investment in upscale all-inclusive properties. Hyatt Hotels Corp. has acquired Apple Leisure Group for $2.7 billion. Marriott Hotels & Resorts is developing six luxury all-inclusive resorts under its Ritz-Carlton, Luxury Collection, and W brands, all slated to open in Mexico within the next three years.

JLL's 2022 report, “Americas All-Inclusive Resort Sector Trends & Outlook”, underscores the demand for this type of experience. The report highlights that in 2022, all-inclusive resorts in the Dominican Republic and Mexico achieved a remarkable 77% recovery to pre-pandemic occupancy levels. Particularly, there’s the growing popularity of higher-priced all-inclusive options, which currently represent 28% and 33% of the total supply in the Dominican Republic and Mexico, respectively.

Data from STR, a leading hospitality analytics firm, reveals that in December 2022 alone, travelers worldwide booked over 9.2 million all-inclusive room nights – an approximately 80,000 bookings increase compared to the same period three years before.

It's also worth highlighting that millennials are particularly drawn to the convenience and value proposition of all-inclusive vacations. A 2022 study revealed that UK travelers between the ages of 35 and 44, a prime demographic with significant spending power, were most likely to have booked an all-inclusive vacation for their upcoming summer travel plans. Within this age group, 67% of respondents indicated they were likely to choose an all-inclusive option for their next summer trip. In contrast, travelers aged 55 and above were less inclined to book this type of experience.

Analysts at Four Seasons Hotels & Resorts, a renowned luxury hospitality brand, predict that the dominance of luxury travel demand will persist through at least 2045, with millennials leading the charge.

Recognizing the emergence of this trend early on, international hotel brands have been actively developing their all-inclusive offerings. Networks like Wyndham, Hyatt, and others have already established a presence in this market. International brands also report a notable surge in investor interest in the all-inclusive sector.

Turkey, widely recognized for its exceptional five-star all-inclusive resorts, demonstrates that even with a market characterized by an oversupply of accommodations (over 5,000 hotels operating under the all-inclusive model), occupancy rates during peak season remain above 70%, often reaching and even exceeding 100%.

The sale of all-inclusive package vacations often employs a strategy of overbooking (or overselling), a practice adopted from the airline industry. This involves selling more packages than the actual number of available rooms, based on the calculated assumption that a certain percentage of guests will cancel their reservations. This business model ensures maximum occupancy rates and maximized profits. In cases where more packages are sold than rooms available, guests are typically offered alternative accommodations, often at a higher category level or in a partner hotel. Guests who are members of a brand's loyalty program and have a history of repeat bookings are often prioritized when it comes to room allocation.

In 2024, prices for all-inclusive vacations in Turkey have increased by 20%-30%. A week-long vacation for a family of three sharing a room can now cost $2,200, which is approximately $300 per night.

At Russia's Black Sea resorts, nightly rates at a four-star all-inclusive hotel start at approximately $160 (16,000 Russian rubles). It's worth noting that the majority of all-inclusive properties in Russia fall within the three- and four-star categories. Data from the Association of Tour Operators reveals that bookings are often made four months in advance, and occupancy rates during peak season approach 100%. Experts within the Russian tourism industry acknowledge that their all-inclusive offerings generally fall short of the standards set by competitors in other countries. Consequently, Russian tourists seeking higher levels of service and quality often opt for alternative destinations outside of Russia.

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Consumers prefer international hotel brands

Leading global hotel brands include such names as Wyndham, Marriott, Hilton, IHG, Hyatt, Choice Hotels, and Best Western.

In terms of scale, Wyndham Hotels & Resorts is the world's largest hotel company, boasting over 9,300 properties as of 2023. Marriott secures second place with over 8,785 properties, followed by Choice Hotels International with more than 7,100 hotels.

McKinsey predicts that the luxury segment within the branded hotel market will expand at a rate of 6% per year through at least 2025. This outpaces the growth projected for all other hotel categories. One of the key differentiating factors for internationally branded hotels is their emphasis on personalized service. McKinsey's research highlights that Generation Z values personalized experiences 2.5 times more than baby boomers. This suggests that personalized service will play an increasingly vital role in the future of luxury hospitality.

Numerous studies show the significant impact of brand equity on the performance of luxury hotels. Brand awareness, brand image, and brand loyalty have all been positively correlated with key market indicators within the hospitality industry. Furthermore, aspects like brand trust, perceived quality, and a strong “Firm of Origin” (FOO) – the human dimension of a company – have been shown to positively influence overall brand equity in the luxury hotel sector. Sustainable marketing assets, including brand equity, also have a demonstrably positive impact on the industry's market performance.

As a result of these factors, the luxury and all-inclusive segments within the global branded hotel market are expected to experience the most robust growth over the next decade. This growth will encompass demand, revenue, occupancy rates, and overall profitability. Surveys and industry forecasts indicate that investor interest in these specific property types is on the rise.

The Georgian market has already welcomed a number of international hotel brands. In 2022, branded hotels in Batumi, Adjara's largest city, achieved an average annual occupancy rate of 68.9%. The average price for a standard room was $143 per night. However, current pricing trends for the summer of 2024 reveal significantly higher rates, with standard rooms at the Sheraton Hotel starting at $356 per night in June. The Ramada Plaza and Radisson Blu offer a standard room starting at $217 and $224, respectively.

Industry experts anticipate the emergence of internationally branded all-inclusive resorts within the Georgian market in the coming years. Given the current lack of such offerings, it is projected that standard room rates could start at $300 per night during the low season and reach $500 during peak season. Higher room categories are expected to command prices starting at $500 during the low season and exceeding $700 during peak season.

Now let's have a look at the Bulgarian Black Sea market. Although specific statistics regarding international hotel brands are not available, it is evident that four- and five-star hotels achieved the highest occupancy rates during the low season, reaching 40.1%. During the peak summer months, occupancy rates for these properties often approach 90%.

At the start of 2023, 33% of hotels in Bulgaria reported a 10% price increase in 2022, while 41% raised rates by 10% to 20%. Furthermore, three-quarters of Bulgarian hoteliers reported a 20% to 50% increase in their average annual occupancy rates. This trend continued into 2023, with hotels implementing further price increases of 10% to 20%. For example, in May 2023 alone, the number of overnight stays across all hotel categories rose by an average of 7.2%, leading to a 16% increase in revenue. As a result, Bulgarian hoteliers enjoyed a 25% year-on-year increase in revenue by the end of 2023. Notably, the luxury segment achieved an average annual occupancy rate of 73%.

In 2023, larger hotels in Bulgaria (those with 250 rooms or more) achieved an average annual occupancy rate of 71.6%.

The Bulgarian Association of Hotel Executives (BAHE) forecasts that prices across all hotel categories in Bulgaria will rise by an additional 10% to 20% during the peak summer season of 2024.

For example, in June 2024, the standard room rate at the Hyatt Regency Sofia in Bulgaria is projected to start at €172 per night, while the Hyatt Regency Pravets Resort offers rates from €129 per night. The Emporium Plovdiv - MGALLERY, a luxury property, has rates starting at €162 per night. While Bulgaria lacks a robust all-inclusive market and offers limited five-star accommodations in its coastal cities, occupancy rates for such properties often reach 100% during peak season.

Conclusions

1) The global hospitality industry is witnessing a sustained and significant growth trend in the luxury and all-inclusive hotel segments, particularly those operated by internationally recognized brands.

2) The luxury segment is experiencing a more rapid increase in online bookings compared to the broader hospitality industry.

3) Brand loyalty programs are emerging as a key competitive advantage, and their significance is projected to grow, further solidifying the leading positions of major international hotel chains.

4) The regional growth leaders remain North America, Western Europe, the Middle East, and the Caucasus region (with Georgia as the standout performer within this local market).

5) Booking platforms like Booking.com, Expedia, hotel websites (direct bookings), Agoda, and Airbnb remain the largest sources of revenue for the hospitality sector.

6) Within the resort segment, package tours offered by tour operators represent the most significant revenue driver, both now and in the long term.

7) The anticipated entry of internationally branded luxury all-inclusive resorts into the Georgian market presents a significant opportunity for the country to surpass key performance indicators (occupancy rates, room rates) of current Black Sea region leaders like Turkey, Egypt, Bulgaria, and Russia within the next decade. This translates into attractive potential returns for investors (ROI, capitalization, and liquidity).

8) The Georgian market is currently oversaturated with budget-friendly accommodation options, while facing a severe shortage of premium products and a complete absence of offerings within the luxury segment. This dynamic defines the primary long-term growth trajectory for the industry. Within the existing premium segment, albeit currently limited in supply, nightly rates are projected to increase, ranging from $100 to $400. However, the most significant growth potential lies within the emerging luxury segment. As internationally branded luxury hotels enter the market, projected nightly rates range from $500 to $5,000-6,000, depending on the level of service provided and the exclusive amenities offered to VIP clientele.