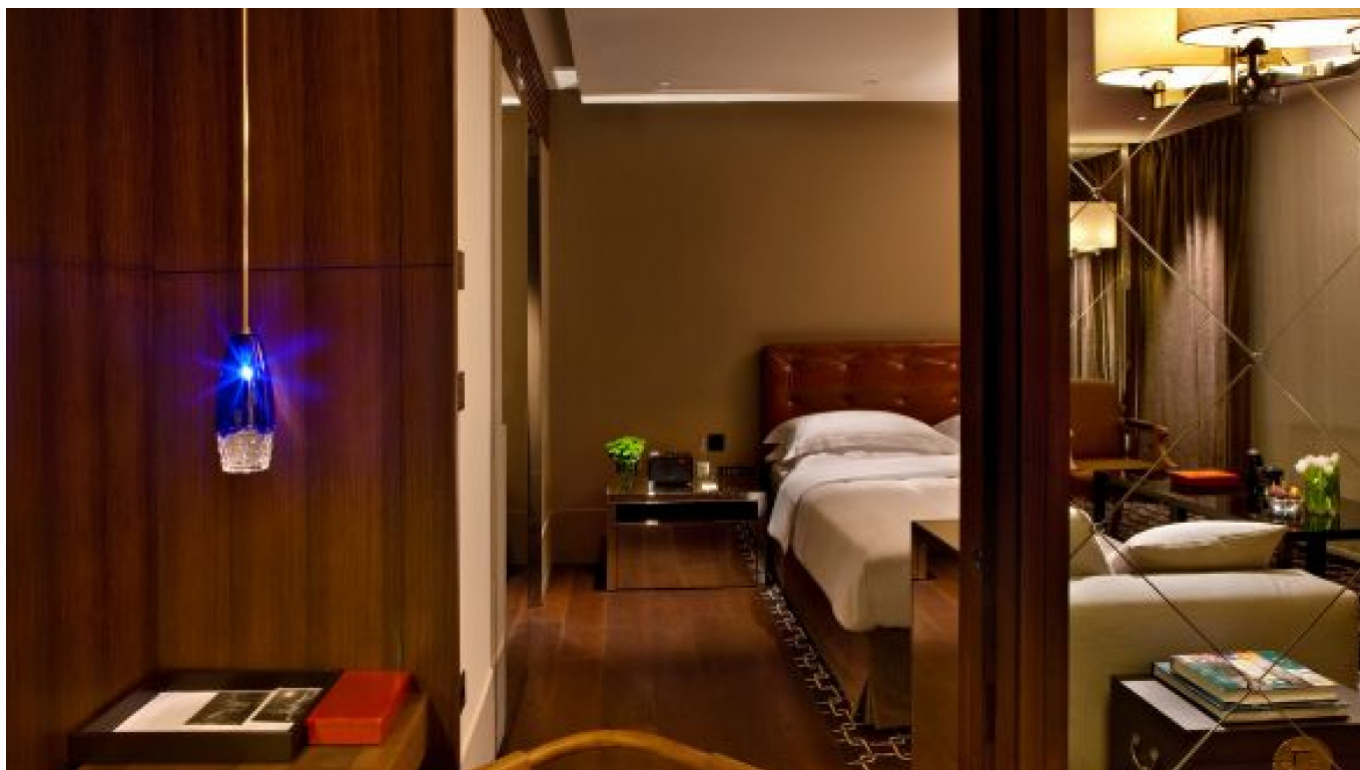


Renovations Key for Luxe Hotels to Compete

By [Khristina Narizhnaya](#)

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New additions gleaming in a room at the Ararat Park Hyatt, which is undergoing a multimillion-dollar overhaul.

When the Ararat Park Hyatt opened in Moscow 10 years ago, it was one of a very small group of luxury hotels in Moscow. Facing ever-increasing competition from newly opened hotels, however, the international hospitality giant needed to take its service up a notch.

As a result, the hotel, which is built on top of the Armenian restaurant Cafe Ararat, is revamping its black-and-creme rooms as part of a multimillion-dollar renovation. More than 130 newly renovated suites — a number that will increase to 147 by December — feature designer carpets, leather chairs, bathrooms with endless mirrors, door handles that look like glittering Faberge eggs, touch-screen room management systems and iPod docking stations, said the hotel's marketing communications manager, Zhanna Proshkina. The hotel's lobby will also be renovated in the near future.

"Ten years ago, we didn't even need a commercial. All the celebrities stayed here; paparazzi were everywhere," Proshkina said. "Then other hotels of this level appeared. Now we need to advertise."

A Boom in Luxury

In the past decade, some of the biggest names in luxury hospitality have opened five-star hotels in Russia, mainly in Moscow and St. Petersburg, with more slated to open soon. For this reason, many of Moscow's existing top-tier hotels are either undergoing or have recently undergone major renovations and upgrades.

The Baltschug Kempinski Hotel is undergoing a \$38 million renovation of its suites, lobby and infrastructure, including the plumbing, heating and air conditioning. Other five-star hotels in Moscow that are undergoing renovation or have recently been spruced up include the Marriott Royal Aurora Hotel and the Ritz-Carlton, Moscow.

In addition, the Hotel Pekin added a new luxury suite earlier this year. Previously, up-market operator Fairmont Hotels & Resorts signed a deal to consult on renovations planned for 2013 and then operate this historic hotel. In addition to renovations, the project foresees the building of a business tower with conference and meeting spaces, 98 rooms and a spa and fitness center.

Other luxury hotels, including two of Moscow's seven landmark Stalin-era skyscrapers, have been revamped. The Hotel Leningradskaya, near Leningradsky Station, became the Hilton Moscow Leningradskaya in 2008 after extensive renovations that preserved the historic facade. In 2010, the Hotel Ukraina, near Kievsky Station, reopened as the Radisson Royal Moscow after a three-year, \$300 million renovation. The hotel's owners plan to invest 3 billion rubles (\$100 million) to clean up the facade, reorganize the lobby and build underground parking, Interfax-Nedvzhizhimost reported in April.

Differing Approaches

Revamping luxury hotels presents unique challenges, especially if the hotel is a historic one, as is often the case in this segment. Two international luxury operators with hotels in St. Petersburg, Starwood Hotels & Resorts and Corinthia Hotels, recently explained their differing approaches to renovating historic properties at the Russian and CIS Hotel Investment Conference in October.

Starwood's W Hotels brand opened a hotel last year in a historic building in St. Petersburg. The design of the interior is modern, however, as the chain takes an "aspirational rather than historic approach" when it renovates old buildings, said Roeland Vos, president for Europe, Africa and Middle East at Starwood Hotels & Resorts.

This reflects the needs of the hotel's target customers, who are "looking for something even hipper and cooler than what they would have at home," Vos said.

W Hotels continues to expand with a new loft-hotel project in St. Petersburg. Russia can offer a wealth of historic properties perfect for renovation into boutique luxury hotels, Vos said.

"I see a huge opportunity in former factories, former residences and old palaces," he said. "If it's in the right location and can be converted into a boutique, we're happy to invest our money."

Corinthia Hotels, which recently renovated the hotel it opened in St. Petersburg in 1993, takes a more conservative approach dedicated to preserving the historic atmosphere of old buildings, said Paul Pisani, Corinthia's senior vice president of hotel development.

"We also do believe we have a social responsibility because many of these buildings have a history in the community," Pisani said. "If they stay as they are, they remain a public space, and you get support from the municipality."

The recent renovation saw the Corinthia Hotel St. Petersburg expand into two adjacent buildings. The chain needed to raise its property to international standards, as expectations are rising, Pisani said. However, operators should strike a balance between changing a hotel's interior to fit brand standards and "keeping the historic element alive," he said.

Corinthia Hotels is now scouting historic properties in central Moscow and expects to select one within two years.

Upping the Standards

When opening new hotels, Corinthia, which has 10 five-star hotels worldwide, usually converts old buildings in key cities, Pisani said. When creating its St. Petersburg hotel, formerly the Nevsky Palace Hotel, the biggest challenge Corinthia came across was the amount of bureaucracy involved in receiving permissions, he said. This can be a problem in other countries as well, he added.

It is essential to hire the right consultant when renovating historic buildings into hotels, Pisani said.

"Plan it right," he said. "Renovation is expensive. Some unknowns do come up. Ensure you have the proper advice."

When renovating, Corinthia relies on outside consultants to take care of architectural and design issues. The consultant makes sure that the money is being spent in the right way and informs Corinthia what the local restrictions are, Pisani said.

Hotels often do light renovations every few years, changing light fixtures, carpets and furniture. One reason for the current boom in more intensive renovations is that many luxury hotels were built in the 1990s without real expertise in such properties, said Scott Antel, partner and head of hospitality and leisure for Russia and the CIS at DLA Piper. A bathtub, or even the suites themselves, may be too small to meet international five-star standards.

Now growing competition is forcing hotels to do big renovations, he said.

"There is competition now," Antel said. "They have to lose the rates or up the standards."

Staff writer Alec Luhn contributed to this report.

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