



The hotel occupancy in Kuwait for the month of September 2010 stood at 49.0% compared to 38.0% recorded during the same period in the previous year. Average Daily Rate (ADR) during September 2010 increased by 2.8% to reach \$243.0 compared to the previous corresponding period. The occupancy level and ADR for Kuwait during the year to date stood at 52.0% and \$257.0, respectively, compared to 53.0% and \$265.0 recorded during the previous corresponding period¹.

The hotel industry in the MENA region grew for the second consecutive month in 2010 with a rise in all three metrics - hotel occupancy, ADR and Revenue per available room (RevPAR). The performance of the industry was primarily driven by higher demand in the Northern Africa sub-region. ADR for the month of September 2010 grew 8.2% to \$147.39, while RevPAR grew to \$85.80, up 14.2% relative to the previous corresponding period. Hotel occupancy in the MENA region stood at 58.2% during September 2010, up 130 basis points compared to corresponding period the previous year.

1. MARKET UPDATE

1.1 MENA Region²

- The performance of the hotel industry in Saudi Arabia was subdued during the month of September 2010. While ADR increased, hotel occupancy and RevPAR declined compared to the same period the previous year.
- Hotel occupancy in Saudi Arabia declined as the occupancy rate in Jeddah declined 8.6% to 63.1% during September 2010 compared to the previous corresponding period.
- Egypt recorded one of the highest increases in RevPAR in the MENA region primarily due to an increase in RevPAR in Cairo. RevPAR in the capital increased 30.1% during the month of September 2010 to \$81.73 compared to the previous corresponding period.
- Besides Cairo, two other markets in the MENA region - Amman and Beirut - recorded a more than 30.0% increase in RevPAR in September 2010. RevPAR in Amman increased 48.5% to \$82.84, while Beirut recorded a 31.3% increase to \$193.94 compared to the previous corresponding period.
- Abu Dhabi saw the largest drop in ADR in the entire MENA region. The emirate's ADR decreased 27.8% to \$142.65 during September 2010 compared to same period the previous year.
- Abu Dhabi's ADR decreased 21.0% over the past nine months compared to the previous corresponding period. The overall occupancy level in the city fell 17.0% during the last nine months of 2010 compared to the previous corresponding period.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	% change	ADR	% change	RevPAR	% change
Egypt	70.4%	+6.3%	EGP456.59	+22.0%	EGP321.65	+29.7%
Saudi Arabia	43.3%	-2.3%	SAR954.17	+0.7%	SAR413.26	-1.7%
UAE	61.0%	+7.4%	AED603.67	-5.1%	AED368.45	+1.9%

Note: The percentages are increases/decreases for September 2010 vs. September 2009

1.2 Country Focus: Lebanon

- Lebanon's travel & tourism sector is ranked 49th in the world in terms of tourist arrivals. Investment in the country's travel & tourism sector is estimated to reach \$671.5 million (or 10.6% of total investments in the country in 2010)³. This figure is expected to reach \$1,304.7 million by 2020.
- Lebanon recorded the highest annual growth rate in number of inbound tourists globally during the year 2009 compared to the previous year. Approximately 1.9 million tourists visited the country in 2009, a growth of 39.0% over the previous year⁴. The increase in tourist arrivals could be attributed to the improved political atmosphere and end of street violence after the election of President Michel Sleiman in May 2008. Spending by tourists aggregated \$7.0 billion⁵ in 2009, approximately a 75.0% rise over the previous year.

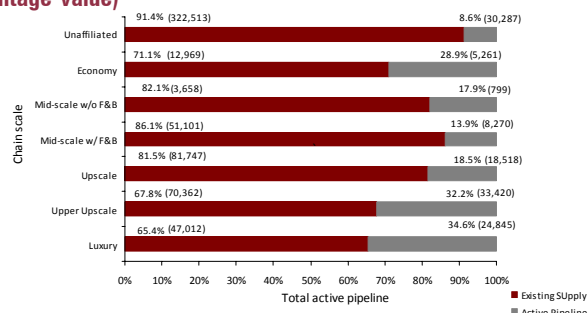
Source: ¹ Ernst & Young Middle East Hotel Benchmark Survey, ² September 2010, STR Global Data, Middle East/ Africa Hotel Sector Performance for September 2010, ³ World Travel & Tourism Council, ⁴ Zawya news release, ⁵ Bank Audi report 2009

- Number of inbound tourists to the country during the first nine months of 2010 reached 1.7 million, up 17.8% compared to the same period the previous year. Approximately 202,529 tourists visited Lebanon in the month of September 2010, an increase of 31.8% compared to the same period the previous year¹. Arab tourists (accounting for 33.4% of total tourist visits to the country) constituted the largest segment of inbound tourists in 2010. This was followed by tourists from Asia (22.2%), Europe (21.5%), Americas (13.1%), Africa (7.0%), and Oceania (2.8%).
- Hotel occupancy in Beirut stood at 68.0% during the first nine months of 2010, down 300 basis points relative to the same period the previous year. Beirut recorded an ADR of \$262.0 and RevPAR of \$179.0 during the first nine months of 2010. These figures were 6.0% and 1.1% higher than the ADR and RevPAR recorded during the same period the previous year⁶.

1.3 Rise in Sports Tourism

- Sports tourism is gaining popularity in the Middle East with UAE leading the way by hosting multiple sporting events. Bahrain with its Formula 1 circuit is also promoting sports tourism in a big way. Besides these two countries, Oman is also increasing focus on sports tourism.
- Abu Dhabi Tourism Authority (ADTA) is actively promoting high visibility sporting events to showcase the emirate as a major sporting tourist destination. The Abu Dhabi Grand Prix, which the city has been hosting since 2009, and The Abu Dhabi Golf Championship, which commenced in 2005, are two such examples.
- Abu Dhabi is also associated with the English Premier League football team - Manchester City Football Club - as their official destination partner. As per the association, Abu Dhabi's brand will appear on the perimeter board at every home league and domestic cup game that the football club plays.
- UAE is trying to position itself as a major golf destination in the Middle East. Four golf courses are currently under development in Dubai, while Abu Dhabi recently opened two new golf courses - Saadiyat Beach Golf Club and Yas Links.
- Once completed, Dubai Sports City (DSC) will be one of the major sporting destinations in the Middle East. It will host a 60,000 seat stadium, a 25,000 capacity cricket stadium, a 10,000 seat indoor arena, and a 5,000 seat hockey arena.
- The city of Muscat, Oman, is entering the sports tourism segment by hosting the second Asian beach games, to be held in December 2010.

MENA Hotel Industry Snapshot: Existing Supply & Active Pipeline* (in percentage value)



Source: STR Global. Al Taameer Analysis

*Active pipeline includes those projects in the 'In Construction', 'Final Planning' and 'Planning phases'

*Numbers in parenthesis in the graph represents the total number of rooms

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline⁷

- As of September 2010, the Middle East had 442 hotel properties in the active development pipeline⁸. Comprising 121,400 rooms, the construction pipeline is almost equivalent to 12.0% of existing supply in the region. On a month-on-month basis, rooms under construction declined by 1,578 in September 2010 due to a slowdown in general construction activity.
- UAE continued its dominance of hotel development activity in the Middle East. The country accounted for 43.3% of total rooms in the active pipeline in the region during the month of September 2010. Saudi Arabia, which accounted for 12.4% of total rooms in the active pipeline, was a distant second.
- Under the affiliated hotel chains, the upper upscale segment witnessed maximum activity. The segment constituted 27.5% of total rooms in the active pipeline⁷. The luxury segment, accounting for 20.5% of total rooms in the active pipeline, was the second largest segment.

2.2 New hotel openings and expansions in the Middle East⁹

- Dubai-based luxury resort operator Jumeirah Group will add seven new hotels to its portfolio over the next 12 months, taking the total number of hotel rooms under management to 6,000. Once complete, the total number of hotels it manages will reach 18.
- Abu Dhabi Airports Company and UK-based Premier Inn announced an agreement to build a Premier Inn at Abu Dhabi International Airport. This 300-room project entails an investment of AED 300 million and is set to open in 2012. It will focus specifically on travelers using Abu Dhabi as a travel hub.
- Abdul Latif Jameel Real Estate Investment Company has announced plans to build a Saudi-cultured hotel in the holy city of Makkah. Scheduled to open in the second half of 2011, the 1,778-room four-star hotel would be the first of the company's three upcoming projects.

Source: ⁶ International Fair & Promotions (ifp), Middle East, ⁷ Zawya & STR global news release, ⁸ The active development pipeline includes projects under construction that are in the planning and final planning phase, ⁹ Compiled from Zawya news reports