



All three metrics of Kuwait's hotel industry rose in the month of May 2011 on a YoY basis. Hotel occupancy in Kuwait increased 1.0 percentage points YoY to 55.0% in May 2011. Separately, Average Daily Rate (ADR) rose 3.7% YoY to \$271.0 and Revenue per Available Room (RevPAR) grew 5.1% YoY to \$149.0. Furthermore, all three metrics have increased on an YTD basis. Hotel occupancy increased 1.0 percentage points YoY to 59.0% during January-May 2011, while ADR and RevPAR grew 3.9% to \$280.0 and 6.4% to \$167.0, respectively.¹

1. MARKET UPDATE

Performance of the MENA region's hotel industry remained mixed for yet another month. During May 2011, hotel occupancy dipped 12.5 percentage points YoY to 53.7% and RevPAR declined 5.1% YoY to \$81.53. ADR grew 8.5% YoY to \$151.96.

1.1 MENA Region²

- During May 2011, Abu Dhabi, UAE witnessed the largest YoY increase in hotel occupancy (up 17.4 percentage points to 64.2%), followed by Riyadh (up 8.4 percentage points YoY to 73.5%).
- Cairo, Egypt recorded the largest YoY drop in occupancy rate (down 47.6 percentage points to 34.4%), followed by Amman, Jordan (down 19.4 percentage points YoY to 57.2%).
- Riyadh, Saudi Arabia recorded a double-digit YoY increase in ADR (up 11.3% YoY to \$284.93) during May 2011.
- Abu Dhabi, Amman and Beirut reported a double-digit YoY decline in ADR during May 2011-ADR fell 22.3% to \$145.27 in Abu Dhabi, 11.0% to \$143.24 in Amman and 10.9% to \$189.79 in Beirut.
- Riyadh registered a double-digit RevPAR YoY increase in May 2011 (up 20.6% to \$209.43).
- Cairo, Amman, Beirut and Muscat reported a double-digit YoY decline in RevPAR in May 2011. RevPAR declined 49.3% to \$40.06 in Cairo, 28.3% to \$81.93 in Amman, 26.6% YoY to \$108.07 in Beirut and 22.0% to \$79.14 in Muscat.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	Change in % pts.	ADR	% change	RevPAR	% change
Egypt	36.6%	-49.2%	EGP422.79	-3.4%	EGP154.79	-50.9%
Saudi Arabia	63.7%	+17.6%	SAR651.10	+6.5%	SAR414.48	+25.3%
UAE	66.6%	+3.1%	AED637.12	-3.6%	AED424.21	-0.6%

Note: The percentages are increases/decreases for May 2011 vs. May 2010

1.2 Religious tourism³

Religious tourism is a major feature of the travel and tourism sector in the Middle East. The region represents a blend of cultures emanating from a confluence of Islam, Judaism and Christianity. As of 2009, the religious tourism sector in the MENA generated revenues of \$18.0 billion. Saudi Arabia is the region's primary revenue driver, with the Islamic Hajj and Umrah pilgrimages attracting numerous worshippers from across the world.

- Saudi Arabia's religious tourism sector generated revenues of \$7.0 billion in 2009. Over 12 million visitors traveled to the Kingdom in 2009 and this number is expected to expand at a CAGR of 3.6% to reach 15 million in 2013. The country plans to invest SAR 100.0 billion to transform Mecca into a city with world-class infrastructure.

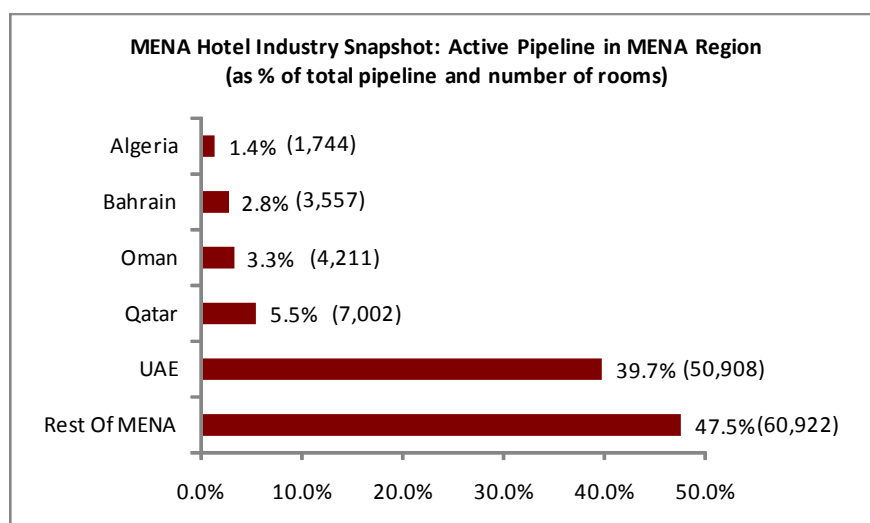
Source: ¹Ernst & Young Middle East Hotel Benchmark Survey, May 2011. ²STR Global Data, Middle East/Africa Hotel Sector Performance for May 2011. ³Zawya News Releases.

- In 2009, religious tourism trips accounted for 47.1% of all trips to Saudi Arabia. The number of foreign pilgrims traveling to Saudi Arabia for Umrah is on the rise and expected to reach 4 million in 2012.
- The Mecca Chamber of Commerce and Industry issued licenses for the construction of 500 hotels near the Grand Mosque in Mecca, including one with 5,000 rooms. Mecca has around 75,000 rooms that accommodate over one million pilgrims, while Madinah has nearly 35,000 rooms that house over 400,000 pilgrims.
- Major infrastructure initiatives are undertaken by the Saudi Government to provide better services to pilgrims. These include infrastructure enhancement of HolyMosque to accommodate 50,000 pilgrims as well as expansion and upgradation of King Abdulaziz International Airport, Jeddah (increasing the capacity to 80 million passengers per year) and Madinah Airport (increasing passenger capacity to 14 million by 2030).
- Other initiatives include expansion of KAEC Seaport, Madinah Station and Haramain High Speed Railway. The move is intended to reduce the travel time to the holy cities of Mecca and Madinah and boost passenger capacity.
- Jabal Omar Development Company (JODC) signed agreements with Hilton Worldwide, Marriott International and Hyatt International to operate and manage 12 hotels in Mecca and provide better accommodation services to pilgrims. Hilton would run six hotels, while the Hyatt and Marriott would operate three hotels each. The project, expected to be completed by early 2014, includes construction of 37 hotel towers of 20-48 stories to accommodate 45,000 pilgrims.

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline⁴

- As of May 2011, active hotel development pipeline in the MENA comprised 474 hotels with 128,344 rooms.
- Qatar added 7,002 rooms to the pipeline, recording the largest YoY increase (84.4%) in existing room supply.
- Other countries in the MENA region that witnessed an increase in the expected supply of hotel rooms include Oman (67.7% with 4,211 rooms), UAE (59.5% with 50,908), Bahrain (55.3% with 3,557) and Algeria (51.6% with 1,744).



Source: STR Global, Al Taameer analysis

Active pipeline includes projects in the 'In-Construction,' 'Final Planning' and 'Planning' phases.

Numbers in parenthesis in the graph represent the total number of rooms

2.2 New hotel openings and expansions in Middle East⁵

- Hyatt Hotels Corporation signed a management contract with Jabal Omar Development Company for three Hyatt-branded hotels: Hyatt Regency Mecca (628 rooms, scheduled to open in 2013), Hyatt Place Mecca (200 rooms, 2014), and Hyatt Summerfield Suites Mecca (200 rooms, 2014).
- The Best Western chain of hotels is expanding its presence to Oman through its upcoming hotel in Al Khuwayr. The group plans to open three more hotels in the next three years, with focus on Muscat, Salalah and Sohar.
- The Rezidor Hotel Group acquired all of Jal Hotels' properties in the Middle East, including The Radisson Royal Hotel, Dubai featuring 471 rooms and the Radisson Blu Resort, Fujairah Dibba featuring 257 rooms (both were previously managed by Jal Hotels and will be operated under the Rezidor Hotel Group's core brand).

Source: ⁴STR global news release. ⁵Compiled from Zawya news reports.