



Hotel occupancy in Kuwait stood at 52.0% in December 2010, down 6.0 percentage points compared to the same period last year. Average Daily Rate (ADR) fell 34.6% to \$279.0 and Revenue per Available Room (RevPAR) declined 41.3% to \$147.0 during December 2010 compared to the previous corresponding period. Hotel occupancy in Kuwait stood at 53.0% in 2010, a drop of 1.0 percentage point compared to last year. Subsequently, ADR decreased 5.8% to \$264.0 and RevPAR fell 8.2% to \$141.0 during January-December 2010 compared to the year-ago period<sup>1</sup>.

## 1. MARKET UPDATE

Travel & tourism sector in Egypt and Tunisia - two countries most affected by the prevailing unrest in the MENA region - suffered major setbacks. The number of tourists to Tunisia is expected to fall by 30.0% and earnings by 32.0% in 2011 compared to the previous year. The political upheaval in Egypt has resulted in a loss of revenues worth \$ 1.0 billion in January 2011 alone. Approximately one million tourists left the country during the month. The travel & tourism sector is expected to suffer a major setback as political unrest spreads to other countries (Bahrain, Libya, etc.) in the region<sup>2</sup>.

The three metrics of the hotel industry in the MENA region witnessed a positive growth in December 2010. Hotel occupancy in the region for the month stood at 59.6%, up 4.6 percentage points compared to the year-ago period. ADR grew 4.7% to \$173.55 and RevPAR rose 9.5% to \$103.51 compared to December 2009.

### 1.1 MENA Region<sup>3</sup>

- Muscat and Abu Dhabi recorded the highest YoY increase (30.8% to 74.8% and 24.0% to 63.5%), respectively, in hotel occupancy in December 2010 compared to the previous corresponding period. The largest drop in occupancy was recorded in Beirut during December 2010; the occupancy fell 14.1% to 59.0%.
- Muscat witnessed the largest YoY increase in ADR (16.3% to \$328.26) in December 2010, while Abu Dhabi recorded the largest drop in ADR (27.6% to \$199.72) compared to the previous corresponding period.
- Muscat and Riyadh recorded a double-digit increase (YoY) in RevPAR in December 2010. RevPAR in Muscat grew 52.1% to \$245.41, while that in Riyadh rose 22.5% to \$167.50.
- Beirut witnessed the largest decline in RevPAR (12.7% to \$141.87) in the MENA region in December 2010.
- Amman, Jordan, recorded the largest occupancy increase of 6.5 percentage points to 60.6% in 2010 compared to the previous year. This was followed by Muscat, Oman, which registered a rise of 4.8 percentage points to 55.8%.
- Abu Dhabi, the UAE, reported the largest decrease in all the three metrics during 2010. Hotel occupancy dropped by 13.9 percentage points to 58.8%, ADR by 31.2% to \$198.11, and RevPAR by 40.7% to \$116.52, compared to 2009.

**Table 1: Performances of key countries in MENA Region**

Country	Occupancy	Change in % pts.	ADR	% change	RevPAR	% change
Egypt	67.1%	+4.8%	EGP569.55	+20.3%	EGP381.90	+26.0%
Saudi Arabia	47.1%	-5.3%	SAR682.55	+3.6%	SAR321.35	-1.8%
UAE	71.2%	+12.5%	AED821.66	-6.3%	AED585.02	+5.4%

Note: Percentages are increases/decreases for December 2010 vs. December 2009

### 1.2 Country Focus: Saudi Arabia

- Religious tourism in the form of annual pilgrimage to the holy mosques of Mecca and Medina is the primary driver of tourism industry in Saudi Arabia. Approximately 3.8 million religious tourists visited Saudi Arabia in 2010, up 15.0% compared to the previous year. The country is increasing its focus on tourism sector as part of its diversification strategy to the non-hydrocarbon sector.

Source: <sup>1</sup> Ernst & Young Middle East Hotel Benchmark Survey, December 2010 <sup>2</sup> Euromonitor, Egypt government news release <sup>3</sup> Source: STR Global Data, Middle East/ Africa Hotel Sector Performance for December 2010

- Travel & tourism sector in Saudi Arabia is ranked 25th globally in terms of tourist arrivals. The relative contribution of travel & tourism industry to Saudi Arabia's GDP is expected to decline from 9.5% (\$38.8 billion) in 2010 to 9.2% (\$87.1 billion) by 2020<sup>4</sup>.
- Earning from international tourists was estimated to total \$7.4 billion (3.0% of total export earnings) in 2010; it is expected to reach \$12.9 billion (2.3% of total export earnings) by 2020. Investment in travel and tourism sector was estimated at \$3.9 billion (4.1% of total investments) in 2010; it is likely to reach \$12.5 billion (6.5% of total investments) by 2020<sup>4</sup>.
- Approximately 12.9 million tourists were likely to have visited Saudi Arabia in 2010, up 5.0% over the previous year. The number of tourists to the country is expected to increase at an average rate of 6.7% YoY till 2014<sup>5</sup>.
- Hospitality sector in Saudi Arabia is growing in tandem with the tourism industry. There were close to 218,000 hotel rooms in the country in 2009; the number is expected to reach 319,000 by 2014<sup>5</sup>.
- Saudi Commission for Tourism and Antiquities (SCTA) signed contracts worth \$89.0 million to develop the tourism industry in Saudi Arabia, with special focus on domestic tourism.

### 1.3 Cruise tourism<sup>6</sup>

- Cruise tourism has gained credence in the Middle East in recent years. Cruise tourism is expected to grow at a fast pace in the coming years. Furthermore, countries in the Middle East are softening the regulations related to cruise visa in order to boost the cruise tourism sector. Most notable among them is a proposal to introduce a common tourist visa for cruise tourists; the common tourist visa would cover the entire GCC region.
- Dubai is trying to position itself as the Middle East hub for international cruising industry. The Department of Tourism and Commerce Marketing (DTCM) is organizing various events and participating in related shows in order to achieve its objective.
- Approximately 390,000 cruise passengers visited Dubai through 103 cruise ships in 2010, up 48.4% compared to 2009. The number is expected to reach 425,000 passengers and 120 ships, respectively, in 2011.
- The UAE is planning to introduce a single visa for cruise tourists entering the country; if implemented, the visa would further boost the cruise tourism sector. Currently, tourists travelling in cruise liners have to obtain a different visa for each port they visit in the UAE.
- Oman is another country promoting its cruise tourism industry vigorously. 109 cruise ships carrying 340,000 passengers docked at the Muscat port in 2010, as compared to 84 cruise liners with 2, 20,000 passengers in 2009.
- Seventy ships docked at ports of Bahrain during the cruise season of 2009-10 (October 2009 to May 2010); the ships carried approximately 150,000 tourists to the country. The number of cruise liners to Bahrain is expected to touch 100 during the current season.

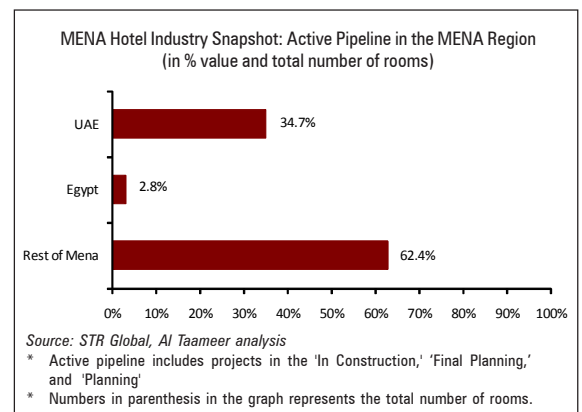
## 2. KEY DEVELOPMENTS

### 2.1 Hotel construction pipeline<sup>7</sup>

- Active hotel development pipeline in the Middle East stood at 430 hotels totaling 116,152 rooms in December 2010.
- Dubai, the UAE, dominated the active pipeline with 23.0% rooms in the total pipeline.
- Dubai, the UAE, recorded the largest number of rooms (27,102 rooms) in construction phase in the MENA region. It was followed by Abu Dhabi (13,239 rooms); Cairo, Egypt (3,275 rooms); Jeddah (3,033 rooms); and Muscat (1,831 rooms).

### 2.2 New hotel openings and expansions in the Middle East<sup>8</sup>

- Accor, a leading hospitality group in the MENA region, plans to open 18 new hotels, adding 4,850 rooms in the next three years. Out of the 18 hotels, the company plans to open 11 in the UAE, two each in Bahrain and Saudi Arabia, and three in Syria. Accor is planning to expand its regional network to 54 hotels; it would represent approximately 12,497 hotel rooms by 2014.
- Zinc | InVision Hospitality announced plans to expand in the Middle East. The company would own and operate 28 new hotels in the MENA region by 2020 as part of its expansion plan. Zinc | InVision Hospitality plans to invest \$180 million in the hospitality sector in the MENA region and South East Asia.
- Rotana, the leading hotel management company in the Middle East and Africa, plans to expand its portfolio of hotels to over 70 by 2012. The move is in line with the company's strategy to have a property in every city in the Middle East and Africa. Furthermore, Rotana plans to open six new hotels in the UAE in 2011, taking the total number of hotels to 33 in the country.
- In 2012, Marriott Group plans to open its first Residence Inn for extended stay travelers in the Middle East. The 83-unit hotel would be located on the banks of the Red Sea in Saudi Arabia.



Source: <sup>4</sup> World Travel & Tourism Council <sup>5</sup> BMI Saudi Arabia Tourism report <sup>6</sup> Zawya news release <sup>7</sup> STR global news release <sup>8</sup> Compiled from Zawya news reports