



All three metrics of the Kuwaiti hotel industry demonstrated an upward trend during July 2011. Hotel occupancy grew 9.1 percentage points YoY to 61.1%, Average Daily Rate (ADR) rose 4.5% YoY to \$205.6 and Revenue per Available Room (RevPAR) increased 22.9% YoY to \$125.8 during the month. During January-July 2011, ADR fell 4.8% YoY to \$212.6. On the other hand, hotel occupancy rose 7.2 percentage points YoY to 64.9% and RevPAR increased 7.0% YoY to \$138.0 during the first seven months of 2011.

1. MARKET UPDATE

All three metrics of the hotel industry in the MENA region declined during July 2011. Hotel occupancy declined 1.2 percentage points YoY to 60.0%, ADR fell 1.0% YoY to \$139.89 and RevPAR contracted 2.2% YoY to \$83.98.

1.1 MENA Region¹

- On a YoY basis, Dubai, Jeddah and Abu Dhabi recorded a double-digit increase in hotel occupancy during July 2011-occupancy rose 17.6 percentage points to 77.9% in Dubai, 16.1 percentage points to 78.3% in Jeddah and 14.5 percentage points to 59.3% in Abu Dhabi.
- During July 2011, Dubai recorded the largest increase in both ADR (up 4.5% YoY to \$162.18) and RevPAR (up 22.8% YoY to \$126.41) in the MENA region. Jeddah registered the second-largest growth in both the metrics-ADR in the city increased 4.0% YoY to \$210.62, while RevPAR climbed 20.8% YoY to \$164.95.
- Hotel occupancy in Cairo continued to fall as the negative impacts of the recent political unrest in Egypt are yet to subside. Hotel occupancy in the city declined 36.7 percentage points YoY to 40.9% during July 2011.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	Change in % pts.	ADR	% change	RevPAR	% change
Egypt	52.9%	-26.0%	EGP408.81	-9.2%	EGP216.42	-32.8%
Saudi Arabia	66.1%	+10.3%	SAR630.45	+8.7%	SAR416.65	+19.8%
UAE	71.3%	+16.1%	AED545.65	+1.0%	AED389.19	+17.2%

Note: Percentages are increases/decreases for July 2011 versus July 2010

1.2 Country focus: Egypt²

The Egyptian travel and tourism sector ranks 26th globally in terms of absolute contribution to GDP. Around 12.8 million tourists are expected to visit Egypt in 2011, helping the country generate EGP70.6 billion in revenues during the year. The number of tourists visiting the country is estimated to increase at a CAGR of 2.7% over the next 10 years and reach 16.7 million by 2021, taking the sector's revenue contribution to EGP128.5 billion.

- Direct contribution of the travel and tourism sector to Egypt's GDP is expected to increase from EGP101.7 billion (7.3% of GDP) in 2011 to EGP174.8 billion (7.5% of GDP) in 2021, implying a CAGR of 5.6%.
- Total contribution of the country's tourism sector (including revenue from associated segments like transportation) to GDP is expected to rise at a CAGR of 5.9% from an estimated value of EGP220.3 billion (15.8% of GDP) in 2011 to EGP389.8 billion (16.7% of GDP) in 2021.
- Investment in the country's travel and tourism sector is estimated at EGP29.6 billion (11.3% of total investment) for 2011. This figure is likely to increase at a CAGR of 7.8% and reach EGP62.9 billion (13.3% of total investment) by 2021.
- Various initiatives have been undertaken by the Egypt Ministry of Tourism to bolster the tourism sector, especially after the recent political unrest dented the inflow of foreign visitors. The government is now offering various incentives, including reduced duties in the aviation sector and compensation to airlines for any unfilled seats. It is estimated that the government would spend more than \$100 million to promote tourism in 2011.

Source: ¹STR Global Data, Middle East/Africa Hotel Sector Performance for July 2011. ²World Travel and Tourism Council and Zawya News Report.

1.3 Niche Tourism

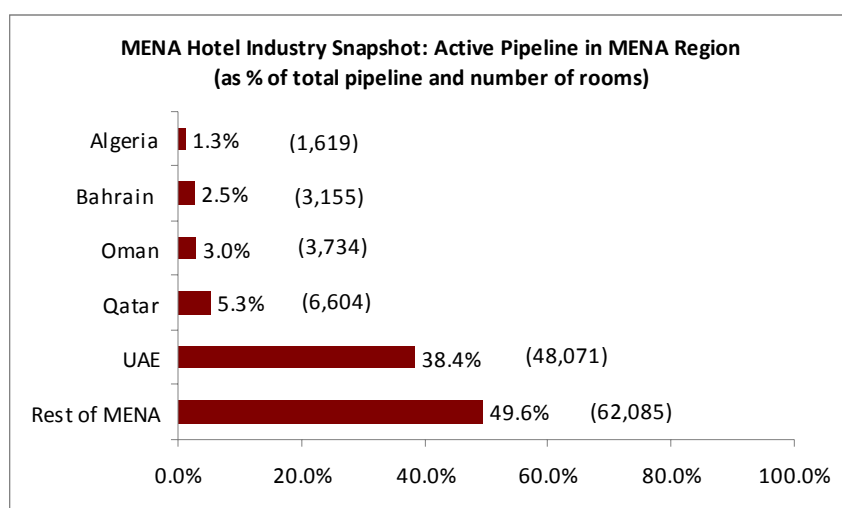
Niche tourism, i.e. special interest tourism, emerged as a popular concept among European tourists during the past decade. This notion is now gradually gaining thrust in countries such as Qatar and Lebanon in the MENA region. Niche tourism is divided into various sub-categories, including photographic tourism, business tourism, religious tourism, cultural & heritage tourism, adventure tourism and wild life tourism. Wine tourism, another sub category of niche tourism, is becoming popular in countries such as Lebanon.

- The Qatar Tourism Authority (QTA) is betting on niche tourism, particularly business tourism, as a major growth driver for the country's tourism sector. This is mainly because most tourists visiting the country are from the business community. The government is investing in infrastructure facilities (such as convention centers) to exploit the full potential of this segment—two new convention centers are scheduled to open in 2012, one of them being the Doha Convention Center and Towers.
- Lebanon is another country that has identified the potential of niche tourism. The Tourism Ministry of Lebanon sees niche tourism as a key element in its strategy to achieve 25% growth in the sector during 2012. Niche tourism would be covered under the \$5 billion investment plan that the government has outlined for the tourism sector.³
- Wine tourism is another imperative sub category of niche tourism. This concept is gaining speedy recognition in countries such as Lebanon and thus several wineries are entering the segment. One of the most popular wineries in the country's wine tourism sector is Bekaa Wineries—many tourists—primarily from UK and Germany - include a visit to this winery on their trip around Lebanon.
- Other major wineries that have made a foray into the Lebanese tourism sector are Kefraya, Ksara Massaya, Clos St. Thomas and Clos De Qana. Of these, Ksara Winery attracts close to 40,000 visitors every year. Cave Korum is arguably the biggest of the upcoming wine tourism projects in Lebanon; it would be the biggest winery in the Middle East and is expected to feature a restaurant, wine tasting room and a hotel.

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline⁴

- The active hotel development pipeline in the MENA during July 2011 comprised 460 hotels with 125,268 rooms.
- Qatar dominated the market with the highest YoY room growth rate (up 78.3%) during July 2011. 6,604 rooms were added to total active pipeline.
- Other countries in the MENA region that recorded an increase in room growth rate during July were Oman (up 57.9% YoY with addition of 3,734 rooms), the UAE (55.7% YoY with addition of 48,071 rooms), Bahrain (49.0% YoY with addition of 3,155 rooms) and Algeria (47.9% YoY with addition of 1,619 rooms).



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 the Middle East⁵

- Hilton Worldwide entered into an agreement with New York-based real estate developer The Claremont Group to open its first hotel in Ebril, Iraq. The new hotel, which would have 200 service apartments, is expected to open by the end of 2013.
- Kempinski, one of Europe's oldest luxury hotel brands, is scheduled to open Kempinski Grand and Ixir Hotel in Bahrain in September 2011. Both hotels would have different styles and offerings. Kempinski Grand and Ixir Hotel together would have 460 luxurious rooms (including 79 suites).
- Sonesta International Hotels Corporation plans to open its seventh hotel – Sonesta Kiroseiz Beach Resort – in Egypt. This hotel, which would be located in Sinai Peninsula in Red Sea, is scheduled to open in 2012 and would house 450 rooms.
- Louis Vuitton, in association with Orascom Development Holdings, plans to open two new hotels (one each in Egypt and Oman) by 2012. Orascom would act as the developer, while Louis Vitton would manage the hotels.

Source: ⁴STR global news release ⁵Zawya News Reports