



1. MARKET UPDATE

Hotel industry in the MENA region mostly exhibited positive results in February 2012 as the occupancy rate jumped 13.3% to 62.6%. This was partly offset by a 6.8% drop in ADR to \$172.01 during the same period.

1.1 MENA Region¹

- In February 2012, Cairo witnessed the largest increase in hotel occupancy (up 178.4% to 40.7% vis-à-vis February 2011), followed by Beirut (up 58.9% to 58.2% compared to February 2011) and Amman (up 49.1% to 79.1% vis-à-vis February 2011). During the same month, Manama (Bahrain) witnessed the largest fall in occupancy (down 24.3% to 44.8% from February 2011), followed by Abu Dhabi (down 12.2% to 64.4%).
- Beirut recorded the largest increase in ADR (up 7.7% to \$194.0 vis-à-vis February 2011) in the region, followed by Dubai (up 5.0% to \$253.0). ADR in Cairo and Abu Dhabi declined 31.3% to \$108.3 and 20.1% to \$178.2, respectively.

Table 1: Performances of key countries in MENA Region

Country	February 2012				Three months ended February 2012			
	Occupancy	% change	ADR	% change	Occupancy	% change	ADR	% change
Egypt	42.9%	+172.6%	EGP417.4	-19.7%	42.1%	-13.4%	EGP430.7	-20.8%
Saudi Arabia	68.4%	+25.6%	SAR688.7	-4.8%	59.6%	+19.6%	SAR743.6	+0.8%
UAE	79.8%	-2.4%	AED821.7	-1.0%	76.6%	+2.4%	AED810.8	-0.8%

Note: Percentage for February 2012 is an increase/decrease versus February 2011, while that for the three months ended February 2012 denotes an increase/decrease for the corresponding period a year earlier.

1.2 Country focus: Saudi Arabia²

Saudi Arabia's travel & tourism sector ranks 30th globally in terms of its contribution to the country's GDP. International tourist arrivals in the Kingdom are estimated to remain unchanged at 16.2 million in 2012 vis-à-vis 2011. However, the number is expected to increase at a CAGR of 4.1% over the next 10 years to reach 24.2 million by 2022.

- The travel and tourism sector's contribution to Saudi Arabia's GDP is estimated to rise 3.7% from the 2011 levels to SAR120.5 billion in 2012; it is projected to further increase at a CAGR of 4.1% to reach SAR180.2 billion in 2022.
- Total investment in the country's travel & tourism sector is expected to increase 6.7% to SAR21.3 billion in 2012 vis-à-vis the previous year's levels. Investment in the country's tourism sector is expected to increase at a CAGR of 3.3% to SAR29.5 billion during 2012-2022.
- Religious tourism is the main driver of Saudi Arabia's tourism industry. The number of religious visas issued in 2011 for pilgrimage to the holy mosques of Mecca and Medina increased 11.3% to 9.5 million compared to the 2010 levels. The Kingdom plans to spend around \$120 billion over the next decade to improve facilities in Mecca and Medina, with around \$20 billion of projects already underway in Mecca.

Source: ¹STR Global Data, Middle East/Africa Hotel Sector Performance for February 2012. ²WTTC and Zawya News Report

- The Kingdom is focusing its efforts on providing the necessary travel infrastructure to boost religious, business and domestic tourism in an effort to diversify its economy away from oil and boost revenues from the tourism sector. The government is spending more than \$500 million on expanding its existing airports. Besides this, it is planning a new US\$7 billion airport in Jeddah. The Saudi Commission for Tourism and Antiquities (SCTA) has launched "virtual tours" through e-tourism to promote domestic tourism sites and services.

1.3 Sports Tourism

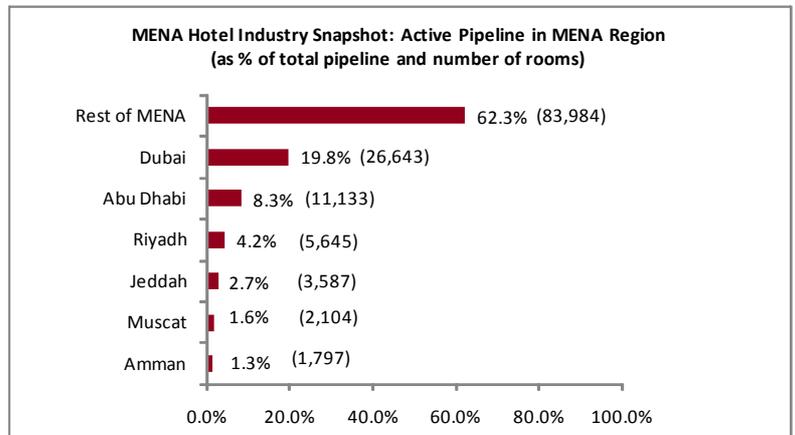
Sports tourism is gaining popularity in the Middle East. With Qatar winning the bid to host the 2022 FIFA World Cup, the region is expecting a new wave of visitors.

- Dubai and Abu Dhabi in the UAE lead the way by hosting a number of sporting events. Dubai is currently developing a \$4.0 billion mixed-use sports city (Dubai Sports City). The Dubai International Cricket Stadium (seating capacity of 25,000) and a golf course are already operational within the Dubai Sports City. Construction of a 60,000-seat outdoor stadium for rugby, soccer, track and field events as well as a 15,000-seat multi-purpose indoor stadium for tennis, hard court games, ice hockey, concerts and other events is already underway.
- Golf is a favorite sport in the region besides cricket and football. Both Dubai and Abu Dhabi annually host international golf championships (Dubai Desert Classic and Abu Dhabi HSBC Golf Championship). The International Cricket Council (ICC) is based in Dubai, raising the possibility of a first World Cup in the Middle East. Football is also popular in the region, with Dubai hosting winter training camps for European football clubs such as Juventus. Also, the number of international players representing local clubs is increasing.
- Formula One Grand Prix is also a major tourist attraction, with Bahrain and Abu Dhabi hosting the racing event. Qatar's nascent tourism and hospitality sector would also receive a boost with the country winning the rights to host the 2022 FIFA World Cup. The country is focused on building new three- and four-star hotels to raise the number of rooms to 90,000 as around 400,000 tourists are expected to visit Qatar for the event.

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline³

- As of 2012, the active hotel development pipeline in MENA comprised 498 hotels with 134,893 rooms.
- Riyadh, Saudi Arabia reported the largest expected growth rate (up 79.4%) with 5,645 rooms in the total active pipeline.
- Other key markets in the MENA region with expected growth rate of more than 25% are Abu Dhabi, UAE (up 64.0%, with an addition of 11,133 rooms); Jeddah, Saudi Arabia (up 60.7%, with an addition of 3,587 rooms); Muscat, Oman (up 49.4%, with an addition of 2,104 rooms); Dubai, UAE (up 45.3%, with an addition of 26,643 rooms) and Amman, Jordan (up 27.4%, with an addition of 1,797 rooms).



2.2 New hotel openings, expansions in Middle East⁴

- Ayla Hotels & Resorts Management Company and Bawadi Mall (owned by Nael & BinHarmal, an investment member of Nael & Bin Harmal Group) announced plans to open Ayla Hotel in Al Ain, UAE in the first quarter of 2013. The hotel will have 100 rooms and provide the best sports facilities, swimming pool, internal parking, restaurant and lounge, tea, and modern meeting hall.
- Rotana, a leading hotel management company in MENA, plans to open the group's new five-star hotel (Hili Rayhaan) at Al Ain by early 2013. The hotel, which is being developed as part of Wahat Hili Project (Al Ain's retail and hospitality complex in Hili district), will have 250 rooms spread across six floors.
- InterContinental Hotels Group signed an agreement with Rayadah Investment Company to open two new hotels in Riyadh's King Abdullah Financial District (KAFD), Saudi Arabia. The company would launch its first hotel brand, Hotel Indigo, in the Middle East with 225 rooms, an all-day dining restaurant, a specialty restaurant, and a lobby lounge cafe. Besides the Indigo brand, the company will launch InterContinental Riyadh KAFD that will encompass 218 rooms, including 57 suites.

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

Source: ³STR global news release. ⁴Zawya news reports.

3. SERVICED APARTMENTS IN GCC

3.1 Key Statistics⁵

- Hotel apartments in Dubai are classified as Standard and Deluxe. The number of hotel apartments in Dubai declined a marginal 1.6% to 188 in 2011 compared to the previous year. However, the number of available flats increased 5.9% to 21,015. Guest arrivals in serviced apartments increased 5.8% to 1.8 million vis-à-vis 2010 levels. Occupancy rate grew 8.8% to 74.0%, while the average length of stay increased 18.2% to 5.2 days compared to 2010. Consequently, revenue increased 15.6% to Dhs2.3 billion from the 2010 levels.
- Saudi Arabia had 2,026 licensed furnished apartment complexes with a total of 85,687 rooms in 2011. Occupancy rate for serviced apartment units in the Kingdom stood at 68.3%. Of the total domestic tourists, 41.6% preferred furnished apartments as the most popular type of accommodation, followed by hotels & resorts (26.2%), private accommodation (25.4%) and other accommodation (6.8%).
- Serviced apartments were traditionally targeted at business travelers (airline pilots and other frequent business travelers) seeking a long-term stay as they offered a cheaper alternative to traditional hotels. However, over the years, with a growing number of expatriate workers in the GCC, serviced apartments started providing short-stay accommodation for newly-arrived expats searching for a more permanent home. For longer-term transient business travelers, serviced apartments provide accommodation for visiting families.
- During the recent political unrest in the Middle East, stay at serviced apartments located in safe regions like Dubai and Abu Dhabi was a little more extended as international companies relocated entire offices from troubled to safer regions. Many existing residents in Dubai and Abu Dhabi took the opportunity of lower rental prices during 2010 and moved from residential apartments and villas into serviced apartments, thus increasing the demand for two- and three-bedroom units.

3.2 New serviced apartment openings, expansion in GCC⁶

- Accor Middle East announced plans to open its first Adagio brand of hotel apartments in Abu Dhabi by early 2013. Adagio City Aparthotel would comprise 279 apartments (ranging from studio to three bedrooms) fully equipped with fitted kitchen, contemporary living space, high-speed internet connection, 42" satellite TV, stylish bathroom and laundry facilities.
- Abu Dhabi-based Rotana Group, one of the leading hotel management companies in the MENA region, will open Al Ghurair Arjaan deluxe hotel apartments in Dubai by the end of 2012. The property is located close to Dubai International Airport and would feature 193 hotel apartments. Guests will have access to meeting and dining rooms, spa facilities, and leisure & fitness club with state-of-the-art gym, outdoor swimming pool and kid's pool.
- Accor Group signed an agreement with Al Mohammadia Almotahda, a real estate investment company, to develop a multi-segment property in Jeddah. The property will include Ibis and Adagio hotels that are due to open in 2014. The Adagio City Aparthotel with 84 studios and apartments will mainly target customers seeking a long-term stay as well as local leisure clientele.
- Kempinski Hotel, Jeddah (to be opened by the end of 2012) will feature 71 serviced apartments. Guests will have access to two restaurants, spa, fitness centre, swimming pool and a 1000 square meter ballroom. Kempinski will also open Kempinski Al Othman Hotel at Al-Khobar, which will feature 20 elegantly appointed serviced apartments.
- Al Jassim Group, one of Qatar's leading diversified business groups, partnered with the Rezidor Hotel Group to launch an international luxury boutique hotel, Hotel Missoni, in Doha by 2015. The unique luxury lifestyle hotel will feature 70 serviced apartments comprising one, two and three bedrooms. The hotel will also have an 800 square meter spa and fitness area, an outdoor swimming pool, and 1,500 square meter conference and banquet facilities, including a ball room and a business centre.

Source: ⁵Dubai Tourism, SCTA and Global Apartment Service Industry Report. ⁶Zawya news reports.

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