



MENA Hospitality

UPDATE

JUNE 2011 | REPORT



The hotel occupancy in Kuwait declined 3.0 percentage points YoY to 57.0% in April 2011. Average Daily Rate (ADR) rose 2.6% YoY to \$272.0, while Revenue per Available Room (RevPAR) fell 2.4% YoY to \$157.0. However, all three metrics of the hotel industry in Kuwait increased during January to April 2011; hotel occupancy grew 1.0 percentage points YoY to 60.0%, ADR 4.0% to \$283.0 and RevPAR 6.7% to \$171.0 compared to the previous corresponding period¹.

Growing political unrest has been undermining the performance of the hotel industry in the Middle East. Although the number of tourists is expected to increase, the decline in average tourism spending would dent the overall tourism income in the region. To counter the risk of a potential loss and attract tourists, tour operators are now offering huge discounts on trips to major MENA countries².

1. MARKET UPDATE

The hotel industry in the MENA region recorded mixed results across the three metrics during April 2011, similar to the previous month. Hotel occupancy dipped 9.7 percentage points YoY to 59.0%, ADR increased 10.8% YoY to \$176.82, while RevPAR was almost flat (up 0.1% YoY to \$104.25).

1.1 MENA Region³

- Abu Dhabi and Riyadh recorded a double-digit YoY increase in hotel occupancy during April 2011. Hotel occupancy rose 15.7 percentage points to 69.3% in Abu Dhabi and 17.0 percentage points to 73.8% in Riyadh over the previous corresponding period.
- Cairo, Egypt recorded the largest drop in occupancy rate, (down 52.1 percentage points YoY to 33.0%), followed by Muscat, Oman (down 20.3 percentage points YoY to 53.1%) in April 2011.
- Abu Dhabi, UAE; Beirut, Lebanon; and Cairo, Egypt reported a double-digit YoY decline in ADR during April 2011. ADR fell 20.3% YoY to \$164.97 in Abu Dhabi, 16.8% YoY to \$195.19 in Beirut and 12.2% YoY to \$114.93 in Cairo.
- Riyadh, Dubai and Jeddah recorded a double-digit increase in RevPAR in April 2011 over the previous corresponding period. RevPAR increased 27.5% YoY to \$210.51 in Riyadh, Saudi Arabia, 13.3% YoY to \$216.67 in Dubai, UAE and 13.0% YoY to \$150.70 in Jeddah, Saudi Arabia.
- Cairo, Egypt reported the largest decline in RevPAR, down 57.9% to \$37.93 compared to the previous corresponding period.

Table 1: Performance of key countries in MENA Region

Country	Occupancy	Change in % pts.	ADR	% change	RevPAR	% change
Egypt	41.0%	-48.3%	EGP468.74	-8.8%	EGP192.03	-52.9%
Saudi Arabia	73.5%	+18.4%	SAR677.93	+6.7%	SAR498.51	+26.3%
UAE	77.1%	+10.0%	AED848.88	-0.6%	AED654.24	+9.3%

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

1.2 Country Focus: Kuwait⁴

Kuwait's travel and tourism sector is ranked 61st globally in terms of tourist arrivals. Approximately 362,000 tourists are expected to visit the country in 2011; this is likely to increase at a CAGR of 5.8% over the next ten years and reach 639,000 by 2021.

- The travel and tourism sector's contribution to Kuwait's GDP is likely to increase 2.5% per annum to KWD3.0 billion (4.7% of GDP) by 2021 from KWD2.4 billion (5.5% of GDP) currently.
- Investment in the country's travel and tourism sector is expected at KWD165.6 million, or 2.6% of total investments, in 2011; this is likely to increase at a CAGR of 0.9% to KWD180.5 million, or 1.8% of Kuwait's total investments, by 2021.
- Various initiatives are being taken by the Government of Kuwait to boost tourism. The proposals include the development of Failaka Island with an investment of \$3.3 billion to build hotels, shops, residences, a golf course and restaurants. Furthermore, the government has planned to expand capacity

Source: ¹ Ernst & Young Middle East Hotel Benchmark Survey, April 2011. ² Middle East Economics Update, May 2011. ³ STR Global Data, Middle East/Africa Hotel Sector Performance for April 2011. ⁴ World Travel & Tourism Council and Zawya News Report.

at Kuwait International Airport to 20 million passengers annually.

- Major tourist destinations in the country include Kuwait Towers, Aqua Park, Al-Shaab recreational park, Failaka Island, Entertainment City, Science Center, Al-Khiran Park, Musical Fountain, Green Island and the Kuwait Zoological Park, which is home to 65 species of animals and 129 species of birds. Other attractions include pearl diving, water sports, yachting and equestrian sports.

1.3 Water and adventure tourism⁵

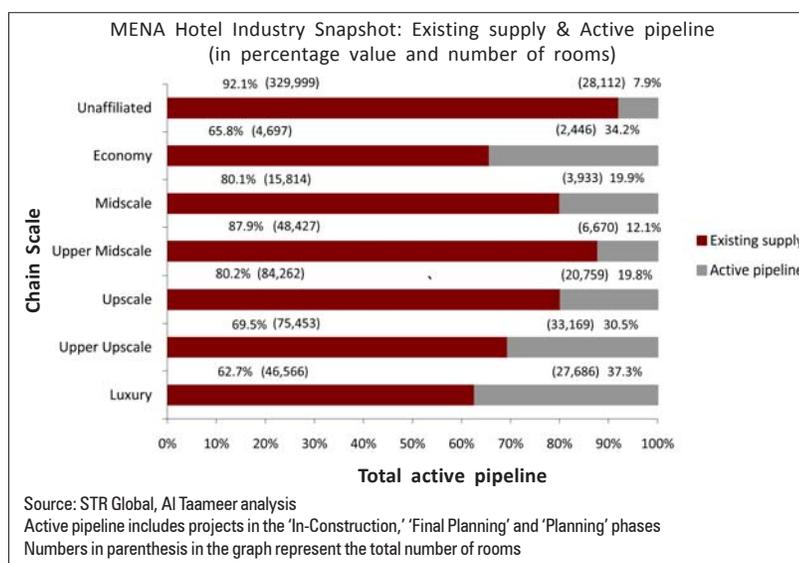
The Middle East is fast becoming a prominent adventure tourism destination. Oman, Jordan, the UAE and Qatar are the major countries promoting this type of tourism. The key attractions in the region consist of pearl diving, scuba diving, river rafting, rappelling, camping, trekking and caving activities, among others.

- The UAE is a major adventure tourism destination in the MENA region. Abu Dhabi and Dubai arrange various adventure and water sports for the tourists visiting the country. The major adventure and water sports in Abu Dhabi include wadi bashing, scuba diving and power boat racing.
- Apart from being a major destination for desert tourism, Dubai attracts visitors for dhow cruising, deep sea fishing and water skiing. Rahhalah, the first tourism company in the city focused on adventure tourism offering activities such as trekking, camping, rafting, riding, rappelling, caving and cycling.
- Red Sea, one of the most popular diving sites worldwide, promotes marine culture and adventure tourism in the MENA region. The protected coral reefs, dive wrecks, and rich variety of marine life (including 1,200 species of fish, sea turtles, eels and angel fishes) attract divers from across the globe.
- The Ministry of Oman plans to offer tourists aero, aqua and terrestrial adventure tourism activities. As part of the initiatives, the government is laying special focus on Via Ferreta⁶ (a form of sport climbing) routes, including the Grand Canyon (VF1), Snake Canyon (VF2) and Bandar Khayran (VF3).
- The 10-day Qatar Marine Festival⁷ in March 2011 attracted around 150,000 visitors to the country. The major attractions of the festival were Secrets of the Sea - a musical event portraying the maritime heritage of the Qataris; Seal Shows featuring Siberian seals and a water ballet performance; Sands Kingdom, featuring work by various sand sculptors; and Dancing Fountains, a water, music and light show.

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline⁸

- In April 2011, the active hotel development pipeline in MENA comprised 443 hotels, totaling 122,775 rooms; this represents an addition of about 4,500 hotel rooms during the month.
- Under the Chain Scale segments, the Upper Upscale segment accounted for the largest number of rooms in the active pipeline (27.0% or 33,169 rooms), while the Economy segment had the smallest share (2% or 2,446 rooms).
- The Unaffiliated segment accounted for 22.9% of the total or 27,686 rooms, followed by Luxury (22.6% or 27,686 rooms) and Upscale (16.9% or 20,759 rooms).



2.2 New hotel openings and expansions in the Middle East⁹

- Hilton Worldwide and Al Hamra Real Estate Development entered into a management contract to run Al Hamra Fort Hotel in Ras Al Khaimah, UAE with effect from Q1 2013. It would have 249 rooms and a wide range of facilities.
- Accor Group entered into a management contract with Saudi-based Al Mohammadia Almotahda to set up a multi-segment property in Jeddah. The contract includes two hotels, Ibis and Adagio, both scheduled to open in 2014. Ibis Jeddah is the brand's third hotel in the Kingdom, featuring 180 rooms targeting business and leisure travelers while the Adagio would have 80 serviced apartments targeting long-stay as well as local leisure customers.
- Starwood Hotels & Resorts Worldwide, Inc. plans to expand its footprint in Saudi Arabia with the Sheraton Medina Hotel and Four Points by Sheraton Medina, both expected to open in late 2012. The Sheraton Medina Hotel would feature 297 rooms while The Four Points would have 178 rooms.
- Golden Tulip Hospitality Group signed a management contract with Dana Bay Tourism Company to open Golden Tulip Dana Bay in Saudi Arabia. The hotel would offer 251 beach villas and chalets, and all-day dining restaurants. With this Golden Tulip brand would have 19 hotels in the Kingdom.
- The Ritz-Carlton Hotel Company LLC is expanding presence in the Middle East with major openings in Saudi Arabia, Oman, Morocco, the UAE and Egypt. The upcoming properties include Riyadh Ritz-Carlton, Riyadh (Saudi Arabia) and The Ritz-Carlton Abu Dhabi, Grand Canal (UAE) in 2011, as well as the expansion of Ritz-Carlton, Dubai (UAE) in 2012. Properties in Cairo, Egypt; Muscat, Oman; and Rabat, Morocco would fructify in 2013-15.

Source: ⁵ Zawya News Releases. ⁶ Ministry of Tourism, Oman. ⁷ Ministry of Tourism, Qatar. ⁸ STR global news release. ⁹ Compiled from Zawya news reports.