



1. Market Update

The hotel industry in the MENA region exhibited positive results in May 2012, with the occupancy rate jumping to 60.4% from 53.3% in May 2011, partly offset by a 1.6% fall in ADR to \$146.3 compared to the same month the previous year.

1.1. MENA Region¹

- In May 2012, Cairo recorded the largest surge in hotel occupancy compared to May 2011 (occupancy rate increased to 49.4% in May 2012 from 35.0% in May 2011), followed by Muscat (occupancy rate rose to 53.6% in May 2012 from 40.9% in May 2011) and Manama (occupancy rate grew to 43.8% in May 2012 from 33.8% in May 2011). The uptrend in occupancy rate in Cairo and Manama suggests improved political scenario in the Middle East. During the month, Riyadh witnessed the largest fall in occupancy (fell to 63.8% in May 2012 from 74.0% in May 2011), indicating the beginning of the annual summer slowdown.
- Amman recorded the largest increase in ADR (up 21.5% to \$172.1 compared to May 2011), while Cairo posted the largest ADR decrease (down 12.4% to \$97.6) in the region.

Table 1: Performances of Key Countries in the MENA Region

Country	Occupancy		ADR		Occupancy*		ADR*	
	May 2012	May 2011	May 2012	May 2011	Mar-May 2012	Mar-May 2011	Mar-May 2012	Mar-May 2011
Egypt	51.2%	36.5%	EGP397.2	EGP413.8	52.4%	34.2%	EGP423.1	EGP449.5
Saudi Arabia	68.0%	63.5%	SAR618.7	SAR608.4	71.2%	68.4%	SAR642.3	SAR658.0
UAE	70.6%	66.0%	AED640.4	AED622.4	75.8%	74.0%	AED792.5	AED765.5

Note: Occupancy* and ADR* shows the comparison for the three months ended May 2012 to the corresponding period a year earlier.

1.2. Country Focus: Bahrain²

- Bahrain's travel and tourism sector ranks 84th globally in terms of absolute contribution to GDP. Around 6.3 million international tourists are expected to visit the country in 2012, generating BD677.9 million in revenues for the year. The number of tourists visiting Bahrain is estimated to increase at a CAGR of 2.9% to 8.4 million by 2022, raising the sector's revenue contribution to BD961.4 million.
- Travel and tourism sector's direct contribution to Bahrain's GDP is expected to grow to BD534.8 million in 2012 from BD513.2 million in 2011. It is projected to expand at a CAGR of 3.7% to BD769.4 million in 2022.
- Investment in the country's travel and tourism sector is estimated to rise 3.2% from the 2011 level to BD212.1 million in 2012. It is likely to increase at a CAGR of 4.4% to BD326.1 million by 2022.
- The government has undertaken several initiatives such as participation in various events (Gulf Incentive Business Travel Meeting Exhibition and Bahrain International Air Show), and launch of a dedicated 24-hour hotline for tourism related information to revive tourism after the Arab Spring. The country is famous for pearls. Recently, the Pearling Trail (Bahrain's historical pearl diving heritage site) was listed under the UNESCO's World Heritage list. Apart from this, the country is also well known for diving and water sports, local culture and shopping.

1.3. Medical tourism³

Medical tourism in the Middle East region is gaining prominence due to rising healthcare costs and increasing procedure waiting time in the US, Europe and Asia. In addition, development of specialized healthcare cities and a jump in the number of JCI accredited hospitals have aided in the development of the medical tourism market in the Middle East region.

- The healthcare market in GCC is expected to increase at a CAGR of 11.4% to US\$43.9 billion over 2009–15. The UAE is one of the top destinations for medical tourism in the Middle East region, with health tourism expected to generate AED6.1 billion by 2012 end. The medical tourism sector in the UAE is driven by Dubai Healthcare City (integrated healthcare city with 90 medical facilities and 1,700

¹ STR Global Data, Middle East/Africa Hotel Sector Performance for May 2012

² W TTC and Zawya News Report

³ Desk research and Healthcare Market in GCC-Alpen Capital Report

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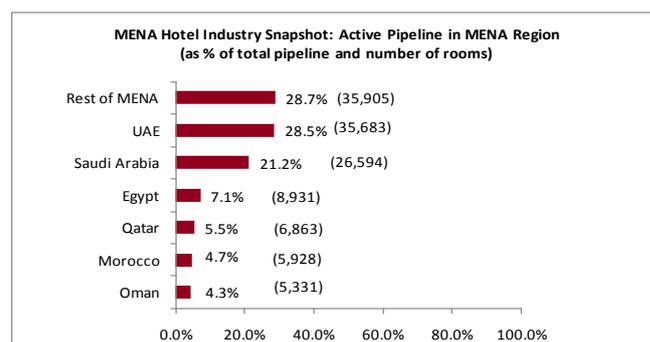
healthcare professionals). Global medical brands such as the UK's Great Ormond Street Children's Hospital, American Academy of Cosmetic Surgery Hospital, Astra Zeneca and Johnson & Johnson are present within the facility. Apart from this, Dubai-based Canadian Specialist hospital, one of the Middle East's well-established healthcare providers, caters to approximately 1500 American patients each month.

- Jordan is also an important medical tourist hub in the Middle East. According to Jordanian Private Hospitals Association, around 234,000 medical tourists visited in 2010, aiding the country to generate US\$1 billion in revenues. However, inflow of medical tourists dropped 30% to 180,000 in 2011 due to the Arab Spring effect (around 86% of medical tourists are from the neighboring Middle East countries). The country is hosting health conferences to reduce dependence on the Middle East and attract patients from across the globe.
- Completion of Apex Medical Group's US\$1 billion medical city by 2014 is expected to boost Oman's medical tourism. The medical city would include a 530-bed hospital, a regional organ transplant and rehabilitation centre, a diagnostic and medical prevention centre, a healthcare resort and a healthcare education complex. Once complete, the 1.25 million square meter Dilmunia Health Island is also expected to attract medical tourists.

2. Key Developments

2.1. Hotel Construction Pipeline⁴

- As of May 2012, the active hotel development pipeline in MENA comprised 492 hotels with 125,235 rooms.
- The UAE accounted for the largest portion (28.5%) of the total active pipeline with 35,683 rooms.
- Other countries that accounted for more than 5000 rooms were Saudi Arabia (26,594 rooms), Egypt (8,931 rooms), Qatar (6,863 rooms), Morocco (5,928 rooms) and Oman (5,331 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; Expansions in the Middle East⁵

- Auris Hotels, a Dubai-based hotel management company, announced opening of a new hotel Auris Lodge Hotel Star in Sohah by early 2013. The 70-room hotel property would have a meeting place, business lounge, two restaurants, and separate health clubs for ladies and gents.
- Rixos, a Turkey-based luxury hotel chain, would expand operations in the MENA region by opening up hotels in Egypt and the UAE by 2012 end. In Egypt, Rixos plans to open a 700-room hotel at Sharm El Sheikh on Red Sea, while it would open a 627-room hotel at Ras Al Khaimah in the UAE.
- Four Seasons Hotels and Resorts in collaboration with a UAE-based holding company Bright Start LLC would expand presence in Dubai by opening their first hotel at Jumeirah Beach by mid 2014. H & H Investment and Development is the appointed development manager. The hotel would have 237 rooms, including 49 suites, and would offer 270 meters of beachfront, three restaurants, functional spaces, spa, indoor and outdoor pools, tennis courts and a private beach club.

⁴ STR global news release.

⁵ Zawya news reports.

3. Serviced Apartments in GCC

3.1. Key Statistics⁶

- During January–March 2012, Dubai hotels and hotel apartments accommodated nearly 2.6 million guests, up 9% over the corresponding period last year. During the same period, revenues rose 24% to AED5.4 billion. Occupancy rate for hotel apartments stood at 84% during January–March 2012 (a 5% increase over the year-ago period), while the average room rate increased 12% to AED448. Occupancy rate for hotels was 87% and average room rate was AED655 during January–March 2012.
- Furnished apartment units in Saudi Arabia are classified as first class, second class, and third class & minimum requirements. Out of the total 2,026 furnished apartments in the Kingdom in 2011, third class & minimum furnished apartments accounted for the majority with 65.4%, followed by second class (34.2%) and first class (0.4%). Occupancy rate for furnished apartments stood at 68.3% in 2011 (up 26.0% over 2010).
- Serviced apartments were traditionally targeted at business travelers, but with the global financial crisis that led to a sharp drop in real estate prices, many existing residents moved from residential apartments and villas into serviced apartments. This not only increased the demand for serviced apartments but also changed the guest mix in many properties. While studios and one-bedroom units were in high demand earlier, mostly from corporate executives on limited-term assignments, larger units have currently become more desirable as regionally-based clients and their families increasingly view serviced apartments as a viable long-term residential option.

3.2. Major Brands/Expansion Plans⁷

- Shaza Hotels in partnership with Kempinski announced the opening of a luxury beach resort ‘Shaza Salalah’ in Salalah, Oman. The resort would have 80 furnished hotel apartments in addition to villas and hotel rooms. The resort would also have the largest ball room in Salalah, as well as retail outlets and two specialty restaurants. Construction work for the beach resort would begin in Q4 2012, and it is expected to open in 2016.
- Millennium & Copthorne, one of the world's largest owned-and-managed hotel companies, would enter the deluxe serviced apartment market in Dubai by opening Marina Promenade property in Dubai Marina area in 2012. The property would have 151 spacious and contemporary serviced apartments, comprising 91 one-bedroom, 36 two-bedroom, 13 three-bedroom units, two penthouse apartments and eight villas. The serviced apartments would cater to professionals and families and feature a spa, health club and two swimming pools for guests.
- Millennium Executive Apartments would also enter the Qatari market by opening two new properties in Doha. The first property Al Najma Millennium Executive Apartments comprising 63 residences would open in the fourth quarter of 2012. The second Millennium Executive Apartment comprising 394 residences is scheduled to open in 2013.
- Marriott International opened its first luxury executive apartment in Riyadh. The exclusive Marriott Executive Apartments are designed for extended-stay business travelers and long family holidays. It offers 117 one, two and three-bedroom apartments overlooking the Riyadh skyline.
- Hilton Worldwide also signed an agreement with Inveravante Group to open Hilton Tanger City Center Hotel & Residences by 2015. The hotel would include 68 stylish hotel apartments, besides normal rooms and suites. It also offers guests on-site conveniences such as a fitness area, outdoor pool, a restaurant and two bars.

⁶ Zawya news reports and desk research

⁷ Zawya news reports and desk research