



1. Market Update

Hotel industry in the MENA region exhibited positive results in March 2012 as the occupancy rate jumped 14.6% to 65.1% and ADR increased 3.3% to \$175.3 compared to the same month of the previous year.

1.1. MENA Region¹

- In March 2012, Manama (Bahrain) recorded the largest increase in hotel occupancy (up 112.1% to 45.1% vis-à-vis March 2011), followed by Cairo (up 96.9% to 45.7%) and Amman (up 54.6% to 80.9%). The favorable hotel occupancy rates indicate that the MENA region is returning to normalcy following the Arab Spring effect, which impacted the tourism industry in 2011. During the same month, Abu Dhabi witnessed the largest fall in occupancy (down 6.9% to 66.2% from March 2011), followed by Doha (down 6.5% to 62.8%).
- Manama recorded the largest increase in ADR (up 14.6% to \$217.3 vis-à-vis March 2011), while Cairo posted the largest ADR decrease (down 7.9% to \$107.9) in the region.

Table 1: Performances of Key Countries in the MENA Region

Country	March 2012				Three months ended March 2012			
	Occupancy	% change	ADR	% change	Occupancy	% change	ADR	% change
Egypt	46.9%	+90.9%	EGP433.1	-0.9%	43.0%	+24.4%	EGP429.9	-15.1%
Saudi Arabia	72.9%	+7.2%	SAR682.2	+12.9%	64.5%	+13.6%	SAR712.3	-1.7%
UAE	80.9%	+5.7%	AED847.6	+6.5%	79.8%	+3.3%	AED846.9	+4.1%

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

1.2. Country Focus: Qatar²

Qatar's travel & tourism sector ranks 70th globally in terms of its contribution to the country's GDP. International tourist exports are expected to grow 5.1% to QAR3.4 billion in 2012 vis-à-vis 2011. Foreign tourist arrivals in Qatar are estimated at 1.9 million in 2012, and are forecasted to increase at a CAGR of 1.9% to 2.3 million by 2022.

- The travel & tourism sector's contribution to Qatar's GDP is estimated to rise 12.7% from the 2011 levels to QAR23.9 billion in 2012; it is projected to further increase at a CAGR of 5.8% to QAR41.9 billion in 2022.
- Investments in the country's travel & tourism sector are estimated to grow 15.0% to QAR5.5 billion in 2012 vis-à-vis 2011. The investments are forecasted to increase at a CAGR of 6.2% during 2012–22 to reach QAR10.1 billion in 2022.
- Qatar's successful bid for the 2022 FIFA World Cup would provide a boost to the tourism sector, with the hospitality industry planning to add around 85,000 hotel rooms in the next 10 years. Qatari government has already allocated \$20 billion for the development of tourism projects (hotels, parks and entertainment venues).
- Qatar plans to invest around \$4.0 billion for constructing nine stadiums, renovating three, and equipping all stadiums with cooling systems using clean renewable energy resources. Furthermore, infrastructure spending totalling \$65.0 billion is in line for the 2022 FIFA World Cup.

1.3. Summer Tourism

Large numbers of international tourists are drawn toward the Middle East to witness the summer and shopping festivals across the region, mainly in the UAE and Oman. Most airlines and hotels offer cheap packages during summer time to boost up the number of tourist arrivals.

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

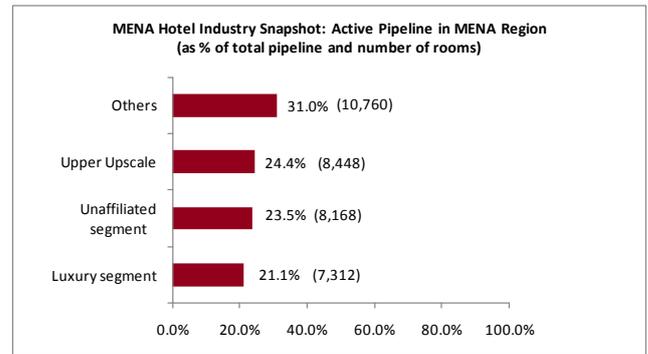
² WTTTC and Zawya News Report

- Dubai is the top summer destination for both international and regional tourists in the Middle East. The emirate annually hosts Dubai Summer Surprises (DSS), a family-based event and shopping festival which attracted close to one million international and regional tourists in 2011. DSS is scheduled to be held from June 14 to July 14 this year. It would provide shopaholics fantastic shopping offers and discounts at more than 6,000 retail outlets in 70 shopping malls. The popular summer festival would also feature various events such as World of Stories, Min Beladi, Sheila and Abaya Fashion, and Kids Fashion Week in addition to international cartoon stage shows such as the Smurfs, Hello Kitty, Barbie and Ice Age.
- Abu Dhabi also launched its summer tourism drive, "Summer in Abu Dhabi", scheduled to be held from June 21 to July 19, 2012. The event would focus on family-centred education and entertainment (edutainment), and promote spectacular deals from Etihad Airways and more than 50 leading hotels and attractions. Guests booking in advance for a minimum of two nights stay would get a second room free in the participating hotels. Tourists can also avail free tickets to headline attractions such as Al-Forsan International Sports Resort; Al Ain's thrilling Wadi Adventure surfing, rafting and kayaking park; and Al Ain Wildlife Park & Resort during the period.
- Salalah, the capital city of Dhofar province in Oman, is also a major tourist attraction for summer tourists mainly due to its cooler weather compared to other parts of the GCC and the annual Salalah tourism festival. The city is also famous for its wide array of historical, natural and heritage sites. The summer palace of the Queen of Sheba has been declared a UNESCO World Heritage Site. Adventurers can also visit the lost desert city of Ubar, the Baobab Forest and the fortified ruins of Al Balid.

2. Key Developments

2.1. Hotel Construction Pipeline³

- As of 2012, the active hotel development pipeline in MENA comprised 497 hotels with 134,585 rooms.
- In the MENA region, 12 properties with 2,718 rooms were opened in the first quarter. It is expected that an additional 134 new properties totalling 34,688 rooms would open by 2012 end.
- The upper upscale segment is expected to open the most number of rooms (8,448) in 2012, followed by the unaffiliated segment (8,168) and luxury segment (7,312).



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 East⁴

- Abu Dhabi-based Cristal Hotels and Resorts will expand its presence by acquiring properties in Lebanon and Iraq. Cristal Grand Hotel Kadri-Zahle, situated near Beirut, would offer 83 exquisite rooms and suites equipped with satellite TV, mini bar, laundry service, 24-hr room service and wireless internet connection. Cristal Canyon Hotel - Ebril (Iraq), situated in the modern city centre of Ebril, will offer 93 rooms and suites along with a restaurant, bar, gymnasium with an indoor running track, Cristal spa, ballroom, three meeting rooms, executive lounge and business center. Both hotels are scheduled to open in the middle of 2012.
- Katara Hospitality, the Qatar-based international deluxe hospitality company, plans to open an iconic luxury hotel at Lusail by 2016. The property will comprise hotel rooms, residential apartments, offices, recreational facilities, specialist boutiques and top-class restaurants.
- European luxury hotel chain Otekar Hotels plans to expand its presence in the Middle East by opening up 10 new hotels by 2022. The group will focus on the UAE, Qatar, Oman, Egypt, Lebanon and Turkey as its prime destinations. Otekar Hotels Collection will inaugurate the luxury Le Bristol of Abu Dhabi by the middle of 2013. It will have 184 deluxe rooms apart from spacious suites, special physical fitness facilities and a modern concert hall on the sea to accommodate about 300 people.

³ STR global news release.

⁴ Zawya news reports.

3. Specialized Clubs in the GCC

3.1. Key Statistics⁵

- Health & fitness and spa & wellness clubs are gaining prominence in the Middle East as people seek to embrace a healthy and holistic lifestyle. Activities that enhance physical, spiritual and mental wellbeing are becoming a lifestyle trend in the region as people look for relaxation and a respite from the pressures of daily life.
- High disposable income, rising young population and an increase in lifestyle diseases are contributing to the rapid growth of healthcare and wellness services in the Middle East region. UAE leads the market with its numerous health and spa clubs. The total healthcare market in the UAE is estimated to reach \$12 billion by 2015, of which, \$3 billion would account for the wellness products and services sectors.
- The health clubs market in the Middle East is still at a nascent stage. Unlike mature fitness markets such as the US and Australia, where memberships are usually billed monthly, customers in the Middle East have to pay a yearly membership upfront. Thus, membership cancellations pose a serious threat as health clubs run the risk of losing their reputation and the ancillary revenue from sales generated by regular attendance.

3.2. Major Brands/Expansion Plans

- Anytime Fitness, one of the world's largest co-ed health club chains, opened its first fitness facility at Al-Wakrah in Qatar in January 2012. The company has signed a franchise agreement with Qatar-based AIMuftah Group to open three more health clubs. It also plans to expand operations in the burgeoning wellness market of the Middle East countries through its franchise agreement with AIMuftah Group.
- Fitness First Middle East, a subsidiary of Dubai-based Landmark group, also plans to open new fitness centers across the Middle East. The company operates more than 24 clubs across the UAE, Bahrain, Qatar, Saudi Arabia and Jordan, and has about 35,000 members. The health club chain plans to operate 100 clubs in the region by 2016, and expand operations in countries such as Kuwait and Egypt.
- Dubai has around 120 spa centers, majority of which are within international luxury hotel chains. Some of the renowned spa centers in Dubai are Softouch Spa (Kempinski Hotels, Mall of the Emirates), Lime Spa (Desert Palm Retreat), Oriental Hammam (One & Only Royal Mirage) and Angsana Spa (Angsana Hotels & Suites). Six Senses Spa (Hotel Missoni, Kuwait), Elements Spa (a division of Banyan Trees Spa) and Spa Aquatonic (Crowne Plaza) are few of the well-known spa centers in Kuwait.
- Qatar and Bahrain have around 25 and 17 spa centers, respectively. Some of the famous brand names in Qatar are Angsana Spa (Wyndham Grand Regency Doha), Four Seasons Spa & Wellness Center (Four Seasons Hotel, Doha) and Remède Spa (St. Regis Doha), while Sheraton Fitness (Sheraton Bahrain Hotel), Pure Spa (Kempinski Grand and Ixir Hotel Bahrain City Centre) and Pineapple Spa are some of the famous spa brands in Bahrain.
- American Spine Center, recognized globally for the treatment of chronic spine related conditions, extended its presence in the Gulf Region by opening its first treatment facility at Dubai Healthcare City in 2011. The treatment facility would use non-surgical procedures such as pain management, physiotherapy and nutrition. In addition, the center would provide the Accu Spina system, a highly successful method for treating spine-related pain. "Physio Centre", an international physiotherapy center also has its treatment facility in Dubai Healthcare City. It offers world-class care from international specialists in the fields of physiotherapy, sports physiotherapy, exercise rehabilitation, biomechanical analysis and occupational health.

⁵ *Zawya news reports and desk research*