



## 1. Market Update

The hotel industry in the MENA region exhibited positive performance in April 2013, with occupancy rate rising to 65.7% from 63.5% in April 2012. However, ADR rose marginally by 0.7% to \$171.29 in April 2013 compared with April 2012.<sup>1</sup>

### 1.1. MENA Region<sup>2</sup>

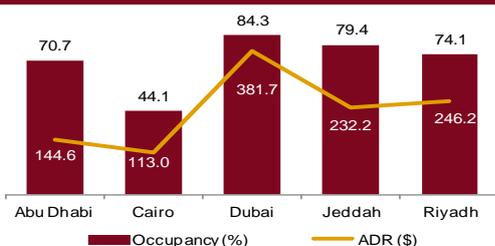
- In April 2013, Manama, Bahrain reported the largest increase in hotel occupancy rate (51.7% up from 42.6% in the year-ago period), signifying the rebound in Kingdom's tourism and business sectors. Abu Dhabi, UAE reported the 2nd highest occupancy rate in the region (70.7% up from 58.9% in the year-ago period). A number of high profile events, including the World Travel & Tourism Council's Global Summit, led to the growth in occupancy in Abu Dhabi.
- During the same month, Cairo, Egypt reported the largest decrease in occupancy due to political instability (down to 44.1% from 53.3% in the year-ago period), followed by Amman, Jordan (down to 66.9% from 79.6% in the year-ago period).
- In April 2013, Jeddah, Saudi Arabia, recorded the largest increase in ADR (up 12.3% to \$232.19 compared with April 2012), followed by Amman, Jordan (up 10.8% to \$161.4 compared with April 2012).
- Beirut, Lebanon, recorded the biggest drop in ADR (down 20.9% to \$155.08 compared with the year-ago period) as Lebanon's tourism industry continued to suffer because of the political instability in Syria.

Table 1: Performance of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	Apr 2013	Apr 2012	Apr 2013	Apr 2012	Feb-Apr 2013	Feb-Apr 2012	Feb-Apr 2013	Feb-Apr 2012
Egypt	59.0%	58.5%	EGP467.0	EGP434.0	53.4%	49.5%	EGP460.3	EGP415.8
Saudi Arabia	70.7%	73.0%	SAR706.2	SAR622.8	71.9%	71.9%	SAR719.4	SAR656.6
UAE	79.0%	75.2%	AED861.4	AED869.2	82.0%	78.4%	AED886.1	AED843.8

Note: Occupancy\* and ADR\* show the comparison for the three months ended April 2013 with the corresponding period a year earlier

Table 2<sup>3</sup>: Performance of major MENA cities in April 2013\*\*

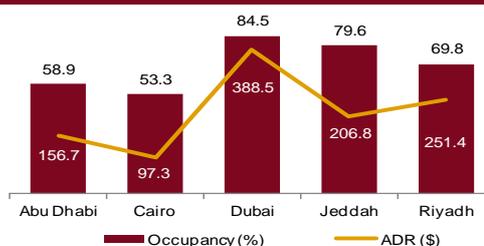


Note: \*\*Cities represented in the graph have been taken from countries in Table 1

In April 2013, Dubai and Jeddah exhibited the highest occupancy, driven by a few key events, such as the Jeddah International Tourism and Travel Exhibition, hosted by these cities. However, the occupancy rates remained flat, having dropped just marginally compared to the corresponding period of the previous year.

During the same month, Abu Dhabi displayed the strongest occupancy growth among the comparable cities mentioned in the chart. Occupancy rate surged to 70.7% in April 2013 from 58.9% in the same period the previous year. However, ADR declined to \$144.6 from \$156.7 in the year-ago period due to increase in competition driven by the new entrants in the market.

Table 3<sup>4</sup>: Performance of major MENA cities in April 2012\*\*



<sup>1</sup>STR Global Data, Middle East/Africa Hotel Sector Performance for April 2013

<sup>2</sup>STR Global Data, Middle East/Africa Hotel Sector Performance for April 2013, Hotstats Hospitality Intelligence – April 2013

<sup>3</sup>Hotstats Hospitality Intelligence – April 2013

<sup>4</sup>Hotstats Hospitality Intelligence – April 2013

## 1.2. Country Focus: Saudi Arabia<sup>5</sup>

- In terms of absolute contribution to GDP, Saudi Arabia's travel & tourism sector ranked 33<sup>rd</sup> worldwide in 2012. Around 17,416,000 international tourists are expected to visit the country in 2013. This influx of tourists is expected to generate SAR36.8 billion in revenues during the year. The number of tourists visiting Saudi Arabia is estimated to increase at a CAGR of 2% to 21,281,000 over 2013–23, with revenues totaling SAR60.9 billion in 2023.
- The travel & tourism sector's direct contribution to GDP is estimated to increase to SAR56.4 billion in 2013 from SAR52.1 billion in 2012 (2.2% of GDP). Thereafter, it is projected to expand at a CAGR of 4.0% to SAR83.7 billion in 2023.
- Investments in the travel & tourism sector are estimated to increase 1.7% to SAR21 billion in 2013 from SAR20.6 billion in 2012. Investments are expected to increase at a CAGR of 4.0% to SAR30.9 billion over 2013–23.
- Religious visits are one of the main drivers for the tourism industry in Saudi Arabia. Every year, millions of Muslims pilgrims come to Saudi Arabia to visit Mecca and Medina, two of Islam's holiest cities. In addition, business travel is another growth area for the country's tourism industry, driven by the country's status as the world's largest oil exporter and the government's conscious effort to diversify into non-hydrocarbon sectors, thereby bringing in more investments and employment opportunities, which augurs well for the tourism industry. . Some of the key cities that promote business tourism include Riyadh, Jeddah, Dammam, Al khobar and Dhahran.
- In addition, the government of Saudi Arabia continues to undertake numerous initiatives to boost tourism. The country's tourism development strategies focus on supporting domestic tourism, restricting the financial leakage of external tourism, and developing tourist investments within the Kingdom. The authorities have also earmarked \$80 billion for key infrastructure projects, including airport expansion, railways, and roads. With the recent announcement of introducing new visa packages to the GCC residents and other foreigners, the Kingdom is all set to witness growth in its tourism sector.

## 1.3. Event-based tourism <sup>6</sup>

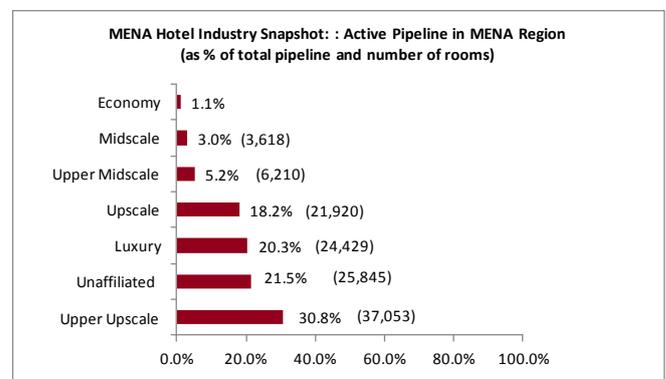
Over the past few years, Middle East has emerged as a major event-based tourist destination, driven by events such as shopping festivals, sporting competitions, and cultural and heritage programs. Each year, the countries in the region increasingly focus on such festivals and events in order to boost the country's tourism sector.

- Every year during the khareef season (monsoon), the Salalah Tourism Festival (STF) is held in Salalah, Oman. The festival, a major shopping and entertainment attraction, has evolved to become the largest consumer festival in the Middle East. The festival attracts close to 350,000 tourists from the neighboring GCC countries as well as from Europe and other Middle Eastern countries. Over the years, Salalah has earned the reputation of being one of the best summer destinations in the entire Middle Eastern region. This year, STF would start with the Eid festivities beginning from the second day of Eid al-Fitr.
- Saudi Arabia is also one of the key countries in the region that promotes a wide array of events, including shopping, entertainment, and sports, among others. In 2012, the country hosted 62 tourist festivals, increasing from 20 in 2005. Over the past five years, the Saudi Commission for Tourism and Antiquities (SCTA) has sponsored 450 tourist festivals, generating over \$4.53 billion in revenues. The number of visitors also rose from 875,000 in 2005 to 12 million in 2012.
- With a line of major events like the AFOC Open Sports Festival in Abu Dhabi in July 2013 and Formula 1 in Abu Dhabi in November 2013, UAE would also continue to be a major event-based tourist destination in the region.

## 2. Key Developments

### 2.1. Hotel Construction Pipeline<sup>7</sup>

- As of April 2013, the active hotel development pipeline in the MENA region comprised 492 hotels with 120,345 rooms.
- The Upper-Upscale segment accounted for the largest portion of rooms in the total active pipeline in the region, with 37,053 rooms (30.8% of the region's total rooms).
- Three other segments that each made up more than 15% of the rooms in the region's total active pipeline include the Unaffiliated segment (21.5% with 25,845 rooms), the Luxury segment (20.3% with 24,429 rooms), and the Upscale segment (18.2% with 21,920 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 total number of rooms

<sup>5</sup> WTTC and Zawya News Report

<sup>6</sup> Desk research

<sup>7</sup> STR Global news release

## 2.2. New Hotel Openings and Expansions in MENA<sup>8</sup>

- Spanish hospitality chain Melia Hotels International plans to open a new hotel in Riyadh by June 2015. The new Gran Melia Riyadh will be located in the Cairo Square, Riyadh. The hotel would offer 252 rooms, several restaurants, a spa and wellness centre, and a convention centre.
- Swiss-Belhotel International has announced plans for the opening of a new 126-room hotel in Riyadh in September 2014. The hotel would feature 26 floors of accommodation, three meeting rooms plus banquet facilities, two restaurants, as well as leisure space including a swimming pool, health club, and games room.
- Hilton Worldwide has announced that it would open a five-star property in Bahrain in late 2015, to be located in Juffair, a suburb in the capital city of Manama. The new DoubleTree Suites by Hilton Worldwide would have 350 rooms.
- In June 2013, Emaar Hospitality Group opened its first hotel under the Vida Hotels and Resorts brand, located in Downtown Dubai. Vida Downtown Dubai, which is a conversion of Emaar-owned hotel previously known as Qamardeen, has become the flagship Vida property. It features 156 rooms, fitted with flat-screen televisions, high-speed internet access, 24-hour room service, and tea and coffee machines.

## 3. Serviced Apartments in GCC

### 3.1. Key Statistics/Trends<sup>9</sup>

- In the recent years, demand for serviced apartments in the GCC region has been on the rise, primarily in traveler markets such as Dubai, Abu Dhabi, and Riyadh. In order to cater to this growing demand, Middle East hoteliers are increasingly coming up with extended stay options. Today, in addition to accommodation and food & beverage offerings, serviced apartments provide modern day business facilities, meeting rooms, gyms, and spas.
- Serviced apartments already enjoy a substantial share of Qatar's lodging market. Despite huge supplies of residential units, demand for furnished apartments in Qatar has been on the rise due to the country's growing population. This increase in demand has led to escalating rents. Rents for furnished apartments in commercial areas like Al Saad, Bin Mahmoud, Airport Street, Al Muntaza, and Al Mansura are around QAR5,000 for a single bedroom, QAR7,500 for a two-bedrooms, and QAR9,000 for a three-bedroom apartment.
- In June 2013, Dubai's Department of Tourism and Commerce Marketing (DTCM) rolled out a new classification system for serviced apartments, which would now be categorized into three rather than the existing two categories: standard and deluxe. The newly created category is called 'superior' and has been introduced to improve transparency about the type and quality of rooms and accommodation in the emirate. This classification system aims to appropriately categorize the growing number of serviced apartments in the regions.
- In 2012, the total number of hotel apartment complexes in Dubai increased to 200 from 188 in 2011, with number of apartments growing by 10% to 23,000 in 2012 compared to 2011. During 2012, the average length of stay in hotel apartments increased by 2.6% to 5.36 nights. The increasing average length of stay and the rising number of hotel apartments is evidence of a growing trend in people and families visiting Dubai for longer periods.

### 3.2. Major Brands/Expansion Plans<sup>10</sup>

- Accor Middle East has announced a new serviced apartment brand offering for the region called Aparthotels Adagio, which will provide apartments with hotel services and cater to corporate clients on extended stays. Accor intends to build 10 Adagios across the region in the next three years, with the first to open in Al Bustan, Abu Dhabi, in October 2013.
- In June 2013, Emaar Properties unveiled its newest residential development in Dubai called The Hills; it would include a hotel and serviced apartments. The Hills features two residential buildings of 12 and 15 storeys, each featuring one-, two-, and three-bedroom apartments. The buildings would include amenities such as a yoga lawn, barbecue deck, health and fitness facilities, children's play area, and welcome lobby.
- Dubai-based Arabtec Holding, one of the major construction companies in the Middle East & North Africa (MENA) region, has been awarded a AED810 million contract to build a 5-star hotel and apartments in Business Bay Dubai. The project, set to commence in the second quarter of 2013, is expected to be complete in the second quarter of 2015. The development has a built-up area of 125,000 square meters and encompasses two towers with 447 rooms and 136 serviced apartments.
- Sofitel Luxury Hotels is opening its Polynesian-themed resort, Sofitel The Palm, Dubai, this summer. Located on Palm Jumeirah, the hotel would offer 182 fully serviced apartments and 361 guest rooms and suites.

<sup>8</sup> Zawya news reports

<sup>9</sup> Zawya news reports

<sup>10</sup> Zawya news reports, desk research

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