



1. Market Update

The hotel industry in the MENA region exhibited strong performance in the first month of 2013. In January 2013, occupancy rate grew to 59.8% from 54.9%, while ADR rose 1.2% to \$182.81 compared to the same month the previous year.¹

1.1. MENA Region²

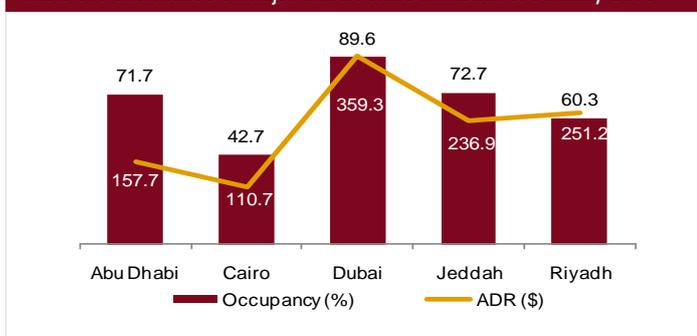
- Manama, Bahrain, reported the largest increase in hotel occupancy rate in January 2013. It surged to 56.6% compared to 34% a year ago, indicating improved level of security in the country. It was followed by Cairo, Egypt (42.7% from 35.4% in January 2012); and Muscat, Oman (67.9% from 57.8% in January 2012).
- During the same month, Amman, Jordan, reported the lowest occupancy rate (45.7% compared to 59.1% in January 2012) due to political instability in neighboring Syria.
- In January 2013, Jeddah, Saudi Arabia, recorded the largest increase in ADR (up 14% to \$241.24 compared to January 2012). During the same month, Beirut, Lebanon, posted the largest drop in ADR (down 25.5% to \$157.2 compared to the year-ago period).

Table 1: Performance of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	Jan 2013	Jan 2012	Jan 2013	Jan 2012	Nov-Jan 2013	Nov-Jan 2012	Nov-Jan 2013	Nov-Jan 2012
Egypt	47.1%	39.0%	EGP457.2	EGP428.9	53.0%	45.7%	EGP415.9	EGP385.5
Saudi Arabia	61.2%	52.0%	SAR786.9	SAR746.9	55.6%	49.1%	SAR774.1	SAR764.6
UAE	81.1%	78.5%	AED902.7	AED856.4	78.8%	76.5%	AED922.9	AED903.5

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

Table 3: Performance of major MENA cities in month of January 2013^{3**}



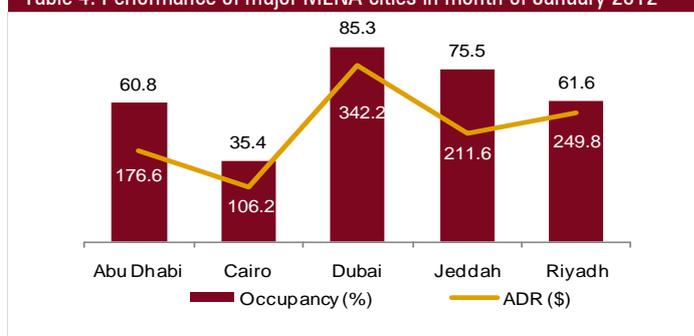
Note: **Cities represented in the graph have been taken from countries in Table 1

In January 2013, hotel occupancy rate in Dubai reached about 90% due to arrival of regional and international tourists for the 18th Dubai Shopping Festival. Hotel occupancies across the city surged to 89.6% from 85.3% last year, while ADR grew 5.0% to \$359.3.

During the same month, occupancy rate in Abu Dhabi increased to 71.7%, as hotels in the city also benefitted from higher demand for the shopping festival. However, ADR levels continued to fall, dropping 10.7% in January 2013 compared to the year-ago period.

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

Table 4: Performance of major MENA cities in month of January 2012^{3**}



¹STR Global Data, Middle East/Africa Hotel Sector Performance for January 2013

²STR Global Data, Middle East/Africa Hotel Sector Performance for January 2013

³HOTSTATS Hospitality Intelligence – January 2013

1.2. Country Focus: Iraq⁴

- In 2012, Iraq's travel & tourism sector ranked 69th globally in terms of absolute contribution to GDP. Around 1,693,000 international tourists are expected to visit the country in 2013, generating annual revenues of IQD429.6.7 billion. During 2013–23, the number of tourists visiting Iraq is estimated to increase at a CAGR of 6.8% to 5,803,000, aiding revenue generation of IQD832.4 billion in 2023.
- The sector's direct contribution to Iraq's GDP is estimated to rise to IQD2,822.3 billion (1.8% of GDP) in 2013 from IQD2,618.1 billion in 2012 (1.8% of GDP). Thereafter, it is projected to expand at a CAGR of 6.1% to IQD5,094.8 billion in 2023.
- In 2013, investments in Iraq's travel & tourism sector are estimated to rise 9.8% to IQD1,287.4 billion compared to IQD1,172.5 billion in 2012. However, these are projected to expand at a CAGR of 7.6% to IQD2,681.0 billion during 2013–23.
- Iraq is renowned for its cultural and natural heritage sites. Its famous archaeological sites and cities include Ur, Eridu, Babil and the Great Mosque of Samarra. The country is also famous for religious tourism, with a number of pilgrims visiting its holy shrines. Karbala and Najaf, where most revered Shiite saints are said to be buried, are the main cities known for boosting religious tourism in Iraq.
- The Iraqi government is focusing on reviving the country's archaeological tourism sector, given its ability to attract tourists and boost revenues, by taking efforts to attract more tourist groups.

1.3. Archaeological tourism⁵

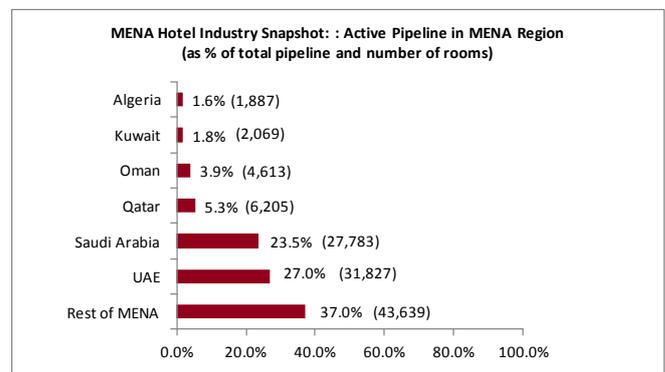
Archaeological tourism is a form of cultural tourism which aims to promote public interest in archaeology and conservation of historical sites through events such as archeological site visits, promotion of various art forms, and re-enactment of historical events. Some of the major archaeotourism destinations in the MENA region include the Pyramids in Egypt, city of Babylon in Iraq, and city of Petra in Jordan.

- Iraq, one of the emerging archaeological tourism destinations in the region, plans to expand tourism to ancient archaeological sites in the country by focusing on two major areas: (i) increase Iraqi participation in international travel & tourism markets and fairs to increase exposure of archaeological tourism; and (ii) improve the services offered to foreign tourists in Iraq.
- Egypt continues to be the major archeological tourism destination in the MENA region. Although the political turmoil due to the Arab Spring negatively impacted archaeology and tourism in Egypt, the country continues to undertake various measures to revive archaeological tourism.
- In an effort to attract tourists, Egypt has reopened tombs and temples closed for restoration since years. These include Sakkara's underground Serapeum, the catacombs where mummified sacred bulls, or Apis, were buried. Six tombs have also been reopened at Giza plateau, together with the Pyramid of Chephren, the second largest pyramid of Giza.
- 'Heart of Sharjah', the largest heritage project in the Gulf region aimed at restoring and revamping the traditional heritage areas of Sharjah, is currently underway. The five-phase, 15-year historical restoration project is scheduled for completion in 2025.

2. Key Developments

2.1. Hotel Construction Pipeline⁶

- As of January 2013, the active hotel development pipeline in the MENA region comprised 480 hotels with 118,023 rooms.
- With 4,613 rooms in January 2013, Oman reported the largest growth rate of 63.9%.
- Other countries that reported significantly high growth in the number of rooms are Saudi Arabia (53.2% with 27,783 rooms); Algeria (43.9% with 1,887 rooms); Qatar (39.6% with 6,205 rooms); UAE (33.6% with 31,827 rooms); and Kuwait (33.5% with 2,069 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.

⁴ WTTC and Zawya News Report

⁵ Desk research

⁶ STR Global news release

2.2. New Hotel Openings and Expansions in MENA⁷

- The Sharjah Investment and Development Authority has announced it would start construction of a new five-star luxury hotel in the emirate. Set for completion in early 2015, the \$27 million Al Bait hotel project will comprise 54 guest rooms as well as a spa/health club, dining areas, staff facilities and utility blocks.
- Starwood Hotels & Resorts Worldwide has announced that the company will expand its MEA portfolio by more than 60% with nearly 50 new hotel launches over the next five years, adding more than 14,000 guest rooms to the region. With over 20 hotels estimated to open by the end of 2015, Starwood is on track to reach a milestone of 100 hotels across MEA.
- Golden Tulip Hospitality Group has announced plans to open its new five-star hotel project, Golden Tulip Jiyeh Marina Resort, a 152-room property at Jiyeh coast in the south of Lebanon. Expected to be launched in June 2013, the resort would consist of 152 luxurious rooms & suites overlooking the coast of the Mediterranean Sea, three restaurants, outdoor facilities, indoor swimming pool, spa, conference rooms, and a ballroom.
- Bin Majid Hotels, a leading chain of hotels in the Gulf region, announced plans to open a new property called Santorini Hotel at Marjan Island, the first man-made island project in Ras Al Khaimah, by end of 2013. The hotel will offer 265 rooms and suites, catering to demands of business and leisure guests. It will also feature posh restaurants, spa, gym, swimming pools and have direct access to the beach.

3. Serviced Apartments in GCC

3.1. Key Statistics/Trends⁸

- According to Dubai Statistics Center (DSC), the number of hotel apartment buildings increased from 193 in Q3 2012 to 200 in Q4 2012. The number of guests also increased by 34.6% to 625,058 in Q4 2012 from the previous quarter (Q3 2012) on higher number of tourist visits during the season and growing popularity of hotel apartments among both international and domestic tourists
- The serviced apartments market in most parts of the GCC region is still very much controlled by smaller independent operators. Serviced apartments in the region were originally often chosen by Arab business travelers looking for longer stays at cheaper rates.
- However, the industry is currently witnessing evolution of standardized, low-price/high-occupancy serviced residence models. Smaller and independent operators are finding it increasingly difficult to sustain their market share. Often without any food & beverage operation, such operators are exposed to rising costs such as charges for government transactions, and staff housing.
- On the other hand, demand for international serviced apartment brands is on the rise, as they offer value added services. These standardized brands also offer public area amenities that include outdoor swimming pool, children's wading pool, gymnasium, yoga room, play courts, sauna and steam rooms.
- Over the past few years, many large international operators have entered the market and introduced a variety of extended-stay and serviced apartments. Some of the brands that entered the market include Accor's SuiteNovotel, InterContinental Hotels Group's Staybridge Suites & Intercontinental Residence Suites and Marriott's Executive Apartments.

3.2. Major Brands/Expansion Plans⁹

- In March 2013, Damac Properties announced the launch of \$1 billion Damac Towers. The four-tower hotel and branded serviced apartment project is being developed along with Paramount Hotel & Resorts. Each tower will include more than 1,400 serviced apartments and 540 Paramount Hotel & Residences rooms. The project is scheduled for completion by the end of 2015.
- Hilton Worldwide signed a management agreement with Doha-based La Jolla to open its first Waldorf Astoria hotel in Qatar. The 42-storey Waldorf Astoria Doha West Bay will comprise 80 serviced apartments as well as 250 rooms, and is expected to open by 2016. Amenities offered will include a palatial ballroom, state-of-the-art meeting and conference facilities and a range of destination bars and restaurants. A rooftop pool and a two-storey bespoke health club and spa will also be developed for the property.
- In March 2013, Emaar Properties launched a new property in Downtown Dubai, The Address Residence Sky View, offering more than 500 serviced apartments and a 180-room luxury hotel. Construction of The Address Residence Sky View, a 50-storey hotel, residence and serviced apartment twin-tower complex, will commence in August 2013 with completion slated for August 2016.
- Dubai-based Jumeirah Group announced plans to re-launch the Jumeirah Messilah Beach Hotel & Spa in Kuwait in late 2013. The hotel, which will be positioned in the luxury segment, will feature 80 serviced apartments and 307 rooms and suites. Guests will also have access to six restaurants and lounges, a Talise spa, 200-meter private beach, swimming pool and children's play area, in addition to conference and banqueting facilities.
- In March 2013, Emaar Turkey, the wholly-owned subsidiary of global property developer Emaar Properties PJSC, launched fully-furnished, luxury serviced five-star residences—The Address Residences Emaar Square—in Istanbul. The exclusive serviced residence development will feature 73 homes. The project is scheduled for completion in 2015.

⁷ Zawya news reports

⁸ Zawya news reports and desk research and Dubai Statistics Center

⁹ Zawya news reports and desk research