



1. Market Update

The hotel industry in the MENA region exhibited positive results in June 2012, with the occupancy rate jumping to 58.2% from 53.5% in June 2011, partly offset by a 1.8% fall in ADR to \$136.2 compared to the same month the previous year.¹

1.1. MENA Region²

- In June 2012, Muscat, Oman, recorded the largest surge in hotel occupancy compared to June 2011 (occupancy rate increased to 51.6% in June 2012 from 38.5% in June 2011), followed by Amman, Jordan (occupancy rate rose to 67.8% in June 2012 from 58.9% in June 2011). During the month, Doha witnessed the largest drop in occupancy (49.4% in June 2012 from 56.0% in June 2011).
- Dubai recorded the largest increase in ADR (up 9.8% to \$170.1 compared to June 2011) due to its popularity as a summer holiday destination for domestic and regional travelers. 'Dubai Summer Surprises', an annual shopping and entertainment festival, also boosted the demand for hotels, leading to an increase in ADR. Amman posted the second largest rise in ADR in MENA (up 8.2% to \$155.5 compared to June 2011), while Muscat posted the largest ADR decrease in the region (down 13.3% to \$152.9 compared to June 2011).

Table 1: Performances of Key Countries in the MENA Region

Country	Occupancy		ADR		Occupancy*		ADR*	
	June 2012	June 2011	June 2012	Jun 2011	Apr-Jun 2012	Apr-Jun 2011	Apr-Jun 2012	Apr-Jun 2011
Egypt	45.8%	41.1%	EGP377.8	EGP404.5	52.0%	39.6%	EGP404.7	EGP432.0
Saudi Arabia	68.0%	62.1%	SAR637.0	SAR646.5	69.6%	66.4%	SAR627.3	SAR658.5
UAE	67.6%	65.0%	AED563.6	AED544.9	71.4%	69.6%	AED697.8	AED677.0

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

1.2. Country Focus: The UAE³

- The UAE's travel and tourism sector ranks 22nd globally in terms of absolute contribution to GDP. Around 11.2 million international tourists are expected to visit the country in 2012, generating AED112.4 billion in revenues for the year. The number of tourists visiting the UAE is estimated to increase at a CAGR of 5.3% to 18.8 million by 2022, raising the sector's revenue contribution to AED167.1 billion.
- The travel and tourism sector's direct contribution to the UAE's GDP is expected to grow to AED87.7 billion in 2012 from AED83.8 billion in 2011. It is projected to expand at a CAGR of 4.2% to AED132.4 billion in 2022.
- Investment in the country's travel and tourism sector is estimated to rise 11.7% from the 2011 level to AED85.5 billion in 2012. It is likely to increase at a CAGR of 4.9% to AED137.9 billion by 2022.
- Dubai, the shopping capital of the Middle East, is a major tourist destination, mainly because of the tax related perks it offers. The city hosts various events and shopping festivals throughout the year. During summer, the city hosts Dubai Summer Surprises, a family-based event and a shopping festival, which attracted around one million international and regional tourists in 2011. In winter, it hosts the Dubai Shopping Festival, the largest shopping and entertainment extravaganza in the world, attracting around 3 to 4 million tourists during this time.

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

²STR Global Data, Middle East/Africa Hotel Sector Performance for June 2012

³WTTC and Zawya News Report

1.3. Cruise Tourism ⁴

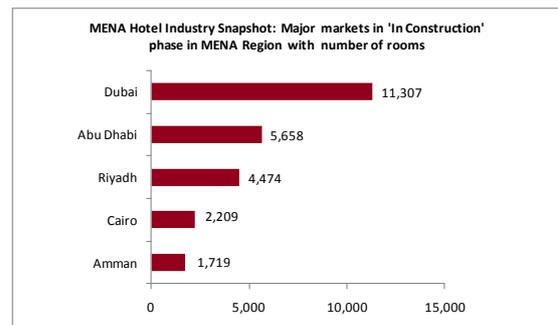
The Middle East region is considered a key growth market for cruise tourism through 2015 with the rising number of cruise passengers and major commitments by governments in the region to invest significant amounts into new cruise terminals and associated infrastructure.

- Dubai is the Middle East's hub for the cruise industry. Many international cruise liners use Dubai as a hub before sailing to other countries like Oman, Qatar, Bahrain and Kuwait. The number of cruise passengers jumped 9.0% to 425,000 in 2011 compared to 2010 and is expected to increase at a CAGR of 10.1% to 625,000 by 2015. Dubai's cruise terminal, named the world's leading cruise port for the fifth year at the World Travel Awards 2011, has grown fivefold since launching its new facility in early 2010. Further expansion is also anticipated, with DP World planning to expand existing amenities and provide berthing facilities for up to seven visiting cruise ships.
- Abu Dhabi Tourism Authority (ADTA), which prioritized cruise tourism as one of its five 2011/2012 strategy pillars, is also constructing a permanent, purpose-built cruise terminal at Mina Zayed as part of an effort to grow its cruise tourism sector to 600,000 passengers by 2030.
- Countries like Oman and Qatar are also strongly promoting cruise tourism. The Tourism Ministry of Oman is working to transform Mina Qaboos into a dedicated cruise port as a part of the governments vision 2020 plan after a record 72% increase in cruise passengers to 231,000 during the 2010-11 winter season compared to the previous winter season. Qatar has also invested \$5.5 billion on a cruise ship terminal in Doha that is expected to handle two to three cruise ships.
- Governments across the GCC region are taking special initiatives to boost cruise tourism and are planning to implement a single visa for all six countries to allow easy passage between borders for visitors by September 2012.

2. Key Developments

2.1. Hotel Construction Pipeline⁵

- As of June 2012, the active hotel development pipeline in MENA comprised 506 hotels with 129,077 rooms.
- Dubai, the UAE, accounted for the largest number of rooms in the 'in construction' phase with 11,307 rooms.
- Other markets that accounted for more than 1,000 rooms under construction were Abu Dhabi (5,658 rooms), Riyadh (4,474 rooms), Cairo (2,209 rooms), and Amman (1,719 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 East⁶

- The Elaf Group of Companies, one of the major names in Saudi Arabia's tourism and hospitality industry, announced construction of four new hotels in the Kingdom at a combined cost of SAR400 million across Jeddah, Makkah and Madina. The new hotels include 'Elaf Bakkah' and 'Elaf Al Kawthar' in Makkah, 'Elaf Galleria' in Jeddah, and another hotel in Medina that would be completed between 2012 and 2014.
- Accor and Msheireb Hospitality plan to collaborate with each other to develop and manage MGallery hotel in Doha by 2015. MGallery would be a boutique hotel and feature 215 rooms, meeting facilities, spa and an outdoor pool.
- Dubai International Capital's majority owned Gulf Real Estate Holding Company and Intercontinental Hotels Group (IHG) announced opening of the first Holiday Inn Express in Bahrain. The development cost of the hotel was \$40 million and it comprises 274 rooms. The hotel is targeted at price-conscious travelers and offers limited services. The hotel also offers a 24-hour self-service business center, free high-speed internet connection, gym, the Great Room restaurant, a 24-hour kiosk and lounge bar.

⁴ Desk research

⁵ STR global news release.

⁶ Zawya news reports.

3. GCC Restaurant Sector Overview

3.1. Key Statistics⁷

- The Middle East is one of the world's fastest growing food and beverage markets. High disposable income, low level of unemployment and increased tourist arrivals has facilitated the development of the restaurant market in the region.
- High share of expat population in the GCC region, mainly in the UAE (89.0%), Qatar (80.0%), Kuwait (66.7%), Bahrain (54.0%), KSA (31.0%) and Oman (27.4%), is expected to drive the demand for international cuisines and food chains. Asian and European cuisines are some of the most preferred across the region.
- Casual dining restaurants are the most common restaurants across the region. The casual dining market in UAE, which is one of the largest in the GCC region expanded at a CAGR of 12.8% over 2006-2010 to \$598.8 million. The casual dining market is further projected to grow at a CAGR of 8.0% during 2010-2015 to \$881.9 million. The rapid development in the casual dining restaurant market is attributed to the upcoming shopping mall and city development projects in the GCC region and also the increase in the number of international tourists.
- During the holy month of Ramadan, the hospitality industry (restaurants and hotels) in GCC are shedding their contemporary western image and embracing the spiritual time with a range of iftar and sohour celebrations for guests to break their fasts with friends and families. Famous hotels like Ritz Carlton Riyadh, Wyndham Grand Regency at Doha, and Fairmont Bab Al Bahr at Abu Dhabi are presenting specialized cuisines from the MENA region. Fairmont Bab Al Bahr is also promoting authentic iftar and sohour experience with charitable contributions to a choice of local organizations.

3.2. Major Brands/Expansion Plans⁸

- DineEquity, Inc in partnership with M.H. Alshaya Company announced the opening of the first IHOP restaurant in the Middle East at Dubai (Mall of Emirates). The restaurant, featuring the brand's latest international designs, will seat 225 guests and will be open seven days a week. DineEquity plans to expand the IHOP brand across the MENA region and has a development contract with M.H. Alshaya Company to open 40 restaurants across Kuwait, Saudi Arabia, Jordan, Lebanon, Qatar, the UAE, Oman, Bahrain and Egypt.
- Buffalo Wild Wings, a US-based casual dining restaurant with more than 835 restaurants in the US and Canada, plans to expand globally by opening restaurants across the Middle East. The company signed a 22-unit development agreement with the Olayan Group, an international enterprise and a restaurant operator in the MENA region, to launch restaurants in Saudi Arabia, the UAE and four other Middle Eastern countries by 2018.
- Tea Lounge, a café in Brooklyn, New York, signed a franchisee agreement to open the first Tea Lounge in Kuwait by November 2012. Tea Lounge offers a wide variety of teas, coffees and specialty drinks and plans to expand throughout the GCC and Middle East region in future.
- Jumeirah Restaurants' flagship restaurant, The Noodle House, plans to open its latest venture at Dubai Mall in September 2012. This will bring the number of Noodle House restaurants in Dubai to seven and a total of 15 across the GCC, reinforcing Jumeirah Restaurants' ongoing commitment to expand the brand. The restaurant offers affordable fast foods and is famous for its South East Asian cuisines.
- Highway 55, a popular 50s themed burger restaurant based in North Carolina, in partnership with Allied Brothers Co., an Abu Dhabi-based investment company, plans to open restaurants in 15 locations across the Middle East, starting with Abu Dhabi. The restaurant chain also aims to open 70 new restaurants in the region.
- Sofitel Bahrain Zallaq Thalassa Sea & Spa hotel would re-launch its Arabic restaurant Pashawat on the first day of Eid. The restaurant would have a seating capacity for 76 guests, with a lounge bar area with a seating capacity for 22 guests.

⁷ Zawya news reports and desk research

⁸ Zawya news reports and desk research