



Business tourists are the mainstay of tourism industry in Kuwait forming close to 73.0% of all international tourist arrivals. This segment is driven largely by its Meetings, Incentives, Conventions and Exhibitions (MICE) sector that attract an estimated 15.0% of the total inbound business tourists. The dominance of business tourists in the country has attracted the luxury segment, leading to additional room supply from newer five-star brands and luxury hotels. The budget hotel concept is also gaining prominence in Kuwait with leading budget hotel brands like IBIS (budget hotel brand of Accor) setting up hotel properties in the country.

For the first time in the current year, a positive Average Daily Rate (ADR) was reported in Middle East in August 2010. The ADR for August 2010 increased by 4.3% compared to that in the previous corresponding period. However, the Hotel Occupancy Rate in the MENA region for August 2010 decreased 9.4 % to 53.0% compared to August 2009. The decline was felt throughout the region, except for Saudi Arabia, which registered an increase of 10.1 % compared to the previous corresponding period. Revenue per available room (RevPAR) for the MENA region increased 7.4 % to \$137.83 compared to August 2009 while the Average Daily Rate (ADR) for August 2010 in the region fell 2.8 % to \$73.05 compared to the previous corresponding period.

1. MARKET UPDATE

1.1 MENA Region¹

- Hotel industry in Saudi Arabia performed better than its peers during August 2010. The UAE continued its dismal performance with occupancy rate and RevPAR declining in double digits in August 2010 compared to the same period in the previous year.
- The increase in hotel occupancy rate in Saudi Arabia by 10.1 % to 54.7% during August 2010 was primarily driven by the robust growth in hotel occupancy rate in Riyadh. Riyadh witnessed one of the highest growth in hotel occupancy rate during August 2010 in Saudi Arabia. It grew 9.9 % to 42.6% in August 2010.compared to corresponding previous period.
- Decline in hotel occupancy was severe in three of the cities in the region - Beirut, Cairo and Abu Dhabi. In August 2010, hotel occupancy in Dubai, UAE, declined 25.0% to 43.1%, while that in Cairo, Egypt, fell 21.2 % to 48.0% compared to the corresponding previous period. Beirut, the capital of Lebanon, recorded the heaviest decline as the hotel occupancy rate fell 37.3 % to 47.1%.
- Saudi Arabia was the only prominent country in the region to record an increase in RevPAR. RevPAR in Riyadh grew by 11.4% compared to August 2009, while that in Jeddah (the second major city) grew moderately by 2.5% compared to the previous corresponding period.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	% change	ADR	% change	RevPAR	% change
Egypt	62.7%	-8.2%	EGP439.73	+3.7%	EGP275.67	-4.8%
Saudi Arabia	54.7%	+10.1%	SAR864.74	+12.7%	SAR473.27	+0.9%
UAE	50.9%	-17.9%	AED522.02	-8.7%	AED265.55	-25.0%

Note: The percentages are increases/decreases for August 2010 vs. August 2009

1.2 Country Focus: Morocco

Morocco has emerged as an attractive tourist destination in the Mediterranean region over the last decade, with revenue from the tourism sector growing at a constant rate of 15.0% per annum. Currently averaging around 9.0% of GDP, the travel and tourism sector is expected to account for 16.7% of GDP by 2020. Underscoring the potential of the sector, Business Monitor International in 2010 ranked Morocco as the number one country for tourism business environment.

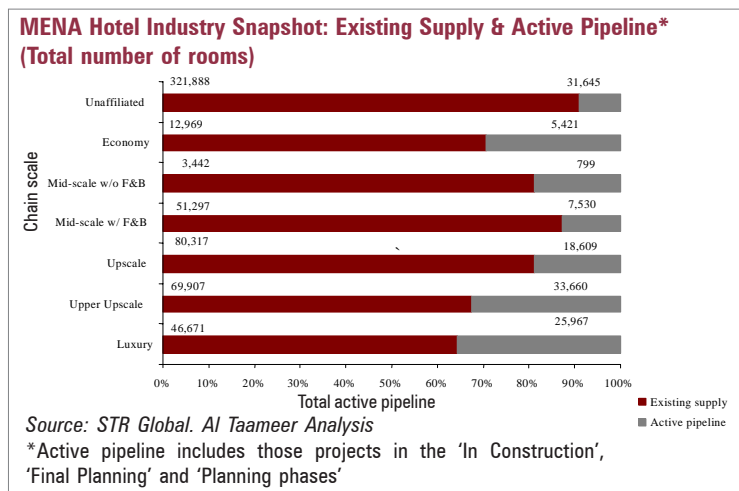
- The tourist inflow to Morocco was close to 5.6 million during the first seven months (January-July) of 2010, a 12% increase compared to the corresponding previous period. The number of tourists visiting the country is expected to grow by an annual rate of 6.0% during the current year to close to 9.4 million, compared to the corresponding previous period.

¹ Source: STR Global Data, Middle East/ Africa Hotel Sector Performance for August 2010

- The tourism sector in Morocco is expected to generate approximately \$8.1 billion in revenue during 2010, growing by an annual rate of 5.2% over the corresponding figure in the last year.
- In order to position itself as a tourist hub, Morocco is trying to attract tourists from newer markets such as Eastern Europe and the Middle East. This measure is also expected to hedge its tourism sector from any slowdown in tourist arrivals from its traditional markets such as France and Spain.
- Marrakech is gaining tourist attention, with Thomson and First Choice featuring it on their top ten hottest tourist destination list for 2010. The tourist inflow to Marrakech is expected to reach 3.5 million in 2010.

1.3 Number of budget hotels in the Middle East is increasing as the region is attracting a wider spectrum of tourists who prefer affordable lodging.

- Countries in the Middle East are trying to position the region as a mass market tourist destination catering to a wide spectrum of tourists. The hotel industry in the region is largely skewed towards luxury lodgings as most of the cities tried to position themselves as luxury destinations during the last decade. This has resulted in a crunch in affordable lodging. As of July 2010, budget hotels offering affordable lodging constituted approximately 6%, of the total hotel industry in the region compared to ~21% and ~48% in mature markets of Europe and the US, respectively.
- Earlier, budget hotels were limited largely to Dubai because of its prominence as a financial and commercial hub. Most of the budget hotels were unbranded. The recent financial crisis has increased the need for affordable lodging, one of the factors which resulted in an increase in the number of budget hotels. During the past two years, close to 2,700 new rooms were added to the budget segment.
- The trend of budget hotels is slowly taking root in other countries in the region, especially in Saudi Arabia, as it tries to diversify its economy from oil revenue.
- Sensing the growth potential, international budget hotel brands such as Accor, Premier Inn and Express by Holiday Inn have entered the region. Premier Inn (largest budget hotel brand in the UK) has opened three hotels in Dubai; it plans to open a budget hotel in every major city in the Middle East region in the next five years.



2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline

- The hotel construction pipeline in the MENA region stood at 449 hotels totaling 123,631 rooms in August 2010. The region ranked third in terms of construction pipeline after Asia Pacific (1,037 hotels with 255,208 rooms) and Europe (699 hotels with 120,266 rooms) during the period.
- With the largest number of hotel rooms in pipeline, the UAE experienced a slowdown during August 2010. The total number of rooms under construction dropped 7.3% to 27,790 compared to 29,975 rooms during July 2010.
- With a total of 31,152 rooms in active pipeline, Dubai continues to be the leader in the region. It is followed by Abu Dhabi with 14,749 rooms.
- With an active pipeline of 83 projects, Dubai has the fifth largest pipeline in the world as of August 2010; Abu Dhabi with 67 projects occupies the seventh spot in the global list.

2.2 New hotel openings and expansions in the Middle East

- Brussels-based Rezidor Hotel Group plans to open Radisson Blu Dubai Downtown - their fourth hotel in the Emirates. Scheduled to open in 2011, Radisson Blu Dubai Downtown would have 198 contemporary rooms and 22 suites. Positioned as a first class, full service brand, Radisson Blu competes with the likes of Marriot and Hilton.
- Staywell Hospitality Group, an independently owned hotel management group in Asia Pacific, is opening Park Regis Kris Kin Hotel (its first property in Dubai) in November 2010. The hotel would have 392 guestrooms and three restaurants.
- The Ministry of Municipality and Urban Planning, Qatar, has announced plans to develop four new beaches, with one each in Al Wakra, Simaisma, Fuwayrit and Al Kharaj. All the beaches are being designed specifically for families, a first of its kind initiative in the country.
- The world's first Ferrari theme park was opened in Abu Dhabi in October 2010. Managed by Farah Leisure Parks, the largest indoor theme park includes the world's fastest rollercoaster called Formula Rossa, a 4D racing experience, and shopping & dining facilities.
- Ice Land Water Park (the Middle East's largest water park) was opened at Ras Al Kamiah, UAE, in October 2010. Managed by Polo RAK Amusement, the \$100 million Park marks the first phase of the 125 acre WOW RAK Theme park - a multi-part family entertainment destination scheduled to open by 2012.