



The performance of hotel industry in the Middle East / North Africa region was mixed during the first six months of 2010. During this period, hotels in the region recorded an ADR (average daily rate) of \$201 and RevPar (revenue per available room) of \$125 both of which are currently highest in the world. The MENA region has been witnessing a continued capacity addition for the past 18 months and is fast outpacing the demand. The number of new rooms added increased at a year-on-year rate of 10.0% while the demand growth during the same period was 8.0%. The hotel revenue is expected to witness a dip during the current summer vacation on account of the vacations coinciding with the month of Ramadan. Hotels in the region are providing tariff discounts and launching innovative schemes to counter this expected drop in revenue.

1. MARKET UPDATE

1.1 MENA Region¹

- The hotel industry in the Middle East/North Africa region witnessed a positive change during the month of June with all three key matrices recording a positive growth. Hotel Occupancy in the region rose 1.7% to 59.2%, average daily rate increased 14.3% to \$151.0 and revenue per available room grew 16.3% to \$89.37.
- Abu Dhabi continued to witness a double digit decline; for the month of June, the city registered a decline of 23.8% in occupancy rate, 29.2% in ADR and 46.1% in RevPAR.
- The decline in Abu Dhabi's hotel industry is expected to continue as the city is likely to see an addition of 7500 rooms by 2012, a capacity addition of 75% over the current supply.
- As per the latest projections of World Travel and Tourism Council, Kuwait will see an inflow of \$2 billion from tourism sector during the current year constituting close to 8.6% of GDP. This figure is expected to double by 2020.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	% change	ADR	% change	RevPAR	% change
Egypt	62.8%	10.1%	EGP 400.5	6.5%	EGP 251.42	17.2%
Saudi Arabia	57.8%	-8.1%	SAR 581.5	4.4%	SAR 336.4	-4.0%
UAE	58.6%	-7.3%	AED 563.7	-9.2%	AED 330.3	-15.8%

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

1.2 Country Focus: LEBANON²

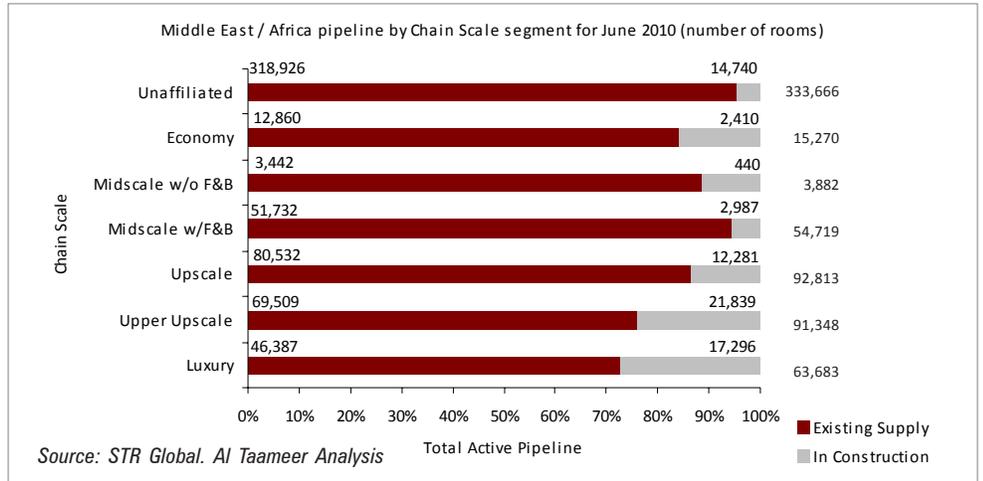
- During the first half of 2010, the total tourists visiting Lebanon increased 26.6% to 964,067 from 761,415 during the same period last year.
- The total number of tourists visiting the country is expected to reach 2.2 million by end 2010, a record 25% increase compared to 2009. According to Lebanon's tourism minister, revenue from tourism for the year 2010 is estimated to reach \$ 7 billion, approximately 20% of the gross domestic product.
- The capital city Beirut continues to be the major tourist attraction in the country; hotel occupancy rate in the city stood at 69% during the first half of 2010. Occupancy rate was recorded at 69.3% during the month of June, up 22.6% from June 2009, the largest growth in the Middle East region.

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

² Zaywa new report

1.3 Overlapping of Ramadan month and summer holidays likely to affect tourism industry in the MENA region

- Revenue from tourism is expected to witness a drop this season as the holy month of RAMADAN coincides with summer vacations - the peak tourist season in the Middle East. Various innovative tourist packages and room tariff discounts in hotel rooms are being offered to counter this. All Hilton hotels in Dubai are offering up to 30% discount in room tariff during the Ramadan season.
- The tourism department in Egypt is organizing "Fawanees Ramadan Festival" primarily to attract Arab tourists. This campaign intends to promote the Egyptian experience of observing Ramadan and targets Arab travelers from Saudi Arabia, UAE, Kuwait, Libya and Tunisia.
- During the month of Ramadan, hotels concentrate more on food and beverage revenue, which is expected to be the main revenue driver over room tariff - one of the prime examples being the strategy shift of Kempinski Hotel Mall in UAE, which is widely promoting iftar at its 1000-seat restaurant.



2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline

- The Middle East/North Africa hotel development pipeline for the month of June dropped 2600 rooms since April and currently stands at 455 properties totaling 126,310 rooms.
- UAE continues to be the top destination for hotel projects, accounting for 50% of total projects active in the region, followed by Saudi Arabia.

2.2 New hotel openings and expansions in the Middle East

- easyHotel, part of the easyGroup, opened its first hotel outside Europe in Jebel Ali, Dubai. easyHotel Dubai, operated by Istithmar Budget Hotels FZE, commenced operations on August 1, 2010.
- By 2014, Mandarin Oriental Hotel Group will open Mandarin Oriental, Doha - its first venture in Qatar and second in the Middle East. The new hotel will be owned and operated by Dohaland Hospitality - the newly-formed hospitality arm of Qatari Development Company Dohaland.
- Conrad hotels & resorts, a Hilton brand, will open its Dubai property Conrad Dubai later this year. The hotel will house 550 rooms, 30 meeting rooms and a business center, among other amenities.
- EIH Ltd, Oberoi Hotel Group's flagship company, has announced expansion of hotel network in the Middle East. The group plans to open one hotel each in business bay Dubai and Oman and two new hotels in Abu Dhabi. All four hotels are expected to be opened over 2010 and 2011.
- Kuwait-based Kharafi Group has invested approximately \$ 250.0 million to develop a tourism and leisure center in Ummayad Square, Syria. Known as the Kiwan project, the leisure center will have a shopping center, cinemas, health clubs and a spa. Furthermore, Syria's first intercontinental hotel will be housed in the middle of the leisure center. The project is expected to be completed in 2010.
- Hilton Group plans to open two new hotels - Hilton Doha Hotel and Hilton Doha Residency - in Doha, Qatar. Both these hotels are scheduled to open in the second half of 2012.
- St.Regis, the main luxury brand of New York-based Starwood Hotels & Resorts, enters the Middle East region with its first hotel in Doha, Qatar. The 346-room St.Regis Doha will be managed by Alfaradan Group and is scheduled to open in 2010.