



Kuwait's hotel occupancy declined 1.0 percentage points YoY to 59.0% in March 2011. Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) fell 1.4% to \$272.0 and 2.2% to \$163.0, respectively, over the previous corresponding period. However, hotel occupancy grew 3.0 percentage points YoY to 61.0%, ADR 4.3% to \$286.0 and RevPAR 9.7% to \$176.0 during the three-month period January-March 2011 compared to the last corresponding period¹.

According to the United Nations World Tourism Organization (UNWTO), the Middle East currently receives over 36 million visitors every year. The number is expected to rise at a CAGR of 6.7% to 69 million by 2020, without taking into consideration the impact of the 2020 FIFA World Cup in Qatar².

1. MARKET UPDATE

The MENA region reported mixed results across all the three metrics of the hotel industry. Hotel occupancy in the region fell 12.9 percentage points YoY to 57.8% during March 2011. ADR rose 9.0% to \$172.89 and RevPAR dipped 5.1% to \$99.98 compared to the March 2010 figures. During January-March 2011, hotel occupancy contracted 7.8 percentage points YoY to 56.8%. Conversely, ADR grew 9.4% to \$176.31 and RevPAR improved 0.9% to \$100.17 compared to the same period last year.

1.1 MENA Region³

- Abu Dhabi's hotel occupancy during March 2011 rose 13.0 percentage points to 71.2% over the previous corresponding period, recording the highest YoY increase.
- Cairo, Egypt recorded the largest fall in occupancy rate (down 67.9 percentage points YoY to 23.3%), followed by Beirut, Lebanon (down 25.0 percentage points to 47.9%) in March 2011.
- Abu Dhabi reported the largest YoY decline in ADR (down 21.3% to \$176.72) during the month..
- RevPAR in Jeddah, Saudi Arabia rose 5.2% YoY to \$137.02 during March 2011
- Cairo, Egypt; Beirut, Lebanon; and Amman, Jordan experienced a double-digit fall in RevPAR (YoY) during March 2011. RevPAR in Cairo fell 70.0% to \$27.40, followed by Beirut (29.9% to \$91.49) and Amman (20.4% to \$76.76).

Table 1: Performance of key countries in MENA Region

| Country | Occupancy | Change in % pts. | ADR | % change | RevPAR | % change |
|--------------|-----------|------------------|-----------|----------|-----------|----------|
| Egypt | 24.9% | -68.2% | EGP457.08 | +0.5% | EGP113.89 | -68.1% |
| Saudi Arabia | 68.0% | +8.5% | SAR644.82 | +2.8% | SAR438.44 | +11.6% |
| UAE | 78.4% | +9.5% | AED810.32 | -5.2% | AED635.39 | +3.9% |

Note: Percentages are increases/decreases for March 2011 vs. March 2010

1.2 Country Focus: UAE⁴

UAE's travel & tourism sector ranks 28th globally in terms of tourist arrivals. The country is a major tourist destination in the MENA region for both business and leisure travelers. The number of hotel guests in Dubai rose 10.7% YoY in 2010, while in Abu Dhabi, an 18% growth was registered over the same period last year.

- Hotel occupancy in the UAE rose 6.5 percentage points YoY to 83.8% in March 2011. However, ADR declined 6.3% to \$186.6 and RevPAR grew 1.5% to \$156.3 compared to the previous corresponding period. Hotel occupancy in the country grew 6.4 percentage points YoY to 82.9% during January-March 2011. ADR decreased 4.5% to \$720.2 and RevPAR rose 3.4% to \$162.5 over the year-ago period⁵.
- The total contribution of the travel & tourism industry to UAE's GDP is likely to increase at an annual rate of 6.5% from AED115.4 billion (10.4% of GDP) in 2011 to AED216.9 billion (12.1% of GDP) by 2021.
- Investment in the country's travel & tourism sector is expected to total AED41.5 billion in 2011 (equivalent to 20.9% of UAE's total investments in the year); subsequently, it is likely to increase at a CAGR of 7.1% to AED82.3 billion (22.7% of UAE's total investment) by 2021.

Source: ¹ Ernst & Young Middle East Hotel Benchmark Survey, March 2011. ² Zawya News Report. ³ Source: STR Global Data, Middle East/Africa Hotel Sector Performance for March 2011. ⁴ World Travel & Tourism Council and Zawya News Report. ⁵ MKG MENA HIT Report, March 2011.

- The major tourist attractions in the UAE are the annual events and festivals held each year. These include Dubai Shopping Festival (including Dubai World Cup, an annual horse racing competition, and Dubai Desert Classic, an annual PGA Golf Tournament), desert safaris, tribal villages, beach resorts, wadi bashing and water parks.
- Tourist arrivals in the UAE are expected to increase 6.9% every year during 2010-15, an addition of 3.6 million new arrivals. The country stands 14th globally in terms of absolute arrivals growth over 2010-15. The UAE also expects strong rise in inbound tourist arrivals in 2011.

1.3 Wildlife tourism⁶

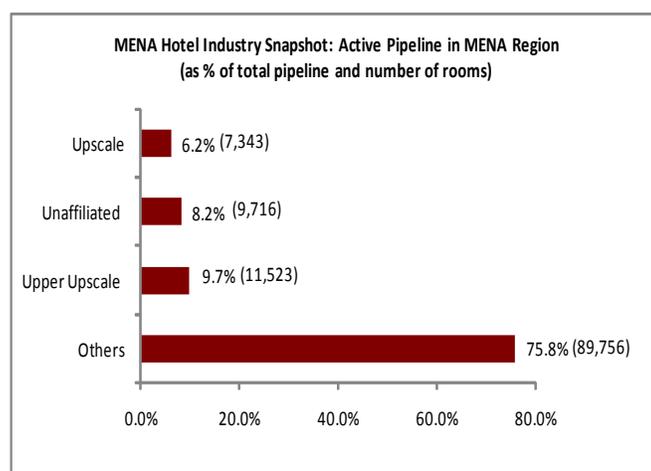
Conservation of wildlife and biosphere has become an integral theme of tourism projects in the Middle East in the recent times, since more and more tourists visiting the region are keen to explore the unknown side of Arabian life including its unique biosphere.

- Wildlife parks have been created across the Middle East to protect the rare Arabian species found only in this region. These include the Arabian Oryx, Sand Gazelle, Arabian (Mountain) Gazelle, as well as predators and scavengers such as the cheetah and hyena.
- One of the earliest initiatives to protect the indigenous wildlife population in the region was undertaken in the UAE by establishing the Dubai Desert Conservation Reserve (DDCR). Established in 2003, the reserve is given international protection status and is an official member of the International Union for Conservation of Nature (IUCN).
- DDCR, spread across 225 sq.km, supports wildlife conservation programs and scientific research projects. The reserve has seen an investment to the tune of AED10 million since its establishment in 2003.
- One of the largest exercises aimed at preserving the wildlife in Middle East was undertaken by the Abu Dhabi Environment Agency. In conjunction with the UAE government, the agency commenced a four-phase wildlife conservation program in 2008. Arabian wildlife park, one of the largest animal sanctuaries in the GCC region, was established through this program
- Bahrain is another major country in the GCC region which has given special focus to wildlife protection and development of biosphere reserves. Development of the Al Areen Wildlife Park has been one of the major initiatives of the government of Bahrain to protect its indigenous flora and fauna.

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline⁷

- The active hotel development pipeline in the MENA region comprised 429 hotels, totaling 118,338 rooms in March 2011.
- A total of 17 properties comprising 4,097 rooms opened in the region during January-March 2011. On the whole, 164 more properties comprising 39,682 rooms are expected to open in 2011. Moreover, 137 projects comprising 35,401 rooms and 67 projects comprising 20,310 rooms are expected to open in 2012 and 2013, respectively.
- Under the Chain Scale segments, the Upper Upscale segment is expected to open the largest number of rooms during April-December 2011, with 39 projects comprising 11,523 rooms. This is followed by the Unaffiliated segment (47 projects comprising 9,716 rooms) and the Upscale segment (29 projects comprising 7,343 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 and expansions in the Middle East⁸

- The Accor Group entered into a partnership with Twin Towers Company to set up its first Pullman Hotel in Doha, Qatar. The hotel situated in the West Bay area would feature 373 rooms and 97 serviced apartments, extensive meeting space including a ballroom spread over 1,300m² and an extensive range of F&B facilities, including three restaurants. The Pullman, Accor's upscale hotel brand, caters specially to the MICE (Meetings, Incentives Conferences and Events) market and is expected to open in 2014.
- The Ritz-Carlton Hotel Company LLC entered into an agreement with Abu Dhabi National Hotels (ADNH) to operate a waterfront hotel in the UAE capital. The hotel, expected to open in late 2011, would feature 447 luxurious guestrooms and suites, as well as 85 villas. The hotel is spread over 54 acres of land and comprises ten stately buildings arranged in a crescent formation, with artfully designed water features.
- Starwood Hotels & Resorts Worldwide, Inc. entered into an agreement with Abdulsalam Alrafi Group LLC to open a new Sheraton hotel in Dubai, UAE. The hotel, named Sheraton Dubai Sheikh Zayed Road Hotel, is scheduled to open in 2014 and would feature 660 rooms including 480 guest rooms and 180 serviced apartments. It would also feature extensive dining, conference and leisure facilities as well as signature Sheraton amenities and a Sheraton Club Lounge.

Source: ⁶ www.bahraintourism.com, www.abudhabitourism.ae ⁷ STR global news release. ⁸ Compiled from Zawya news reports.