TAAMEER
التعمير للإستثمار العقاري

MENA Hospitality UPDATE

NOVEMBER 2011 | REPORT

All three hotel industry metrics in Kuwait showed improvement during September 2011 compared to the previous corresponding period. Hotel occupancy increased by 4.4 percentage points YoY to 58.0%, Average Daily Rate (ADR) increased 1.9% YoY to $211.2 and Revenue per Available Room (RevPAR) grew 10.3% YoY to $122.3 in September 2011. For the nine-month period January to September 2011, occupancy rate in the country increased by 5.8 percentage points YoY to 61.3% and RevPAR grew 6.1% YoY to $129.3. ADR, on the other hand, declined 3.9% YoY to $210.9[1]

1. MARKET UPDATE

Tourism segment in the MENA region returns to normal growth during the month of September, after going through a brief lull in August due to the holy month of Ramadan. In 2011, there was a reversal in this trend, with the tourism segment failing to pick up in September and all three metrics performing poorly compared to the previous corresponding period.

ADR decreased 1.5% YoY to $140.89 and RevPAR declined 1.3% YoY to $82.34 in September 2011 compared to same period of last year. Occupancy rate for September 2011 recorded a marginal growth of 0.1 percentage point YoY to 58.4%. The general slump in the MENA region during September 2011 was primarily due to the decline in the hotel and tourism segment in Tunisia, Egypt and Yemen compared to the previous corresponding period.

1.1 MENA Region[2]

- Hotel occupancy in Yemen for the month of September 2011 dropped 14.0 percentage points YoY to 19.8%, while Tunisia registered a fall of 17.0 percentage points YoY to 56.6%. For the same period, RevPAR in Yemen and Tunisia dropped 38.4% and 9.8% YoY, respectively, to $17.4 and $59.1.
- Occupancy rate in Egypt for September 2011 declined by 17.2 percentage points YoY to 56.6%, while RevPAR declined 31.1% YoY to $38.8. ADR for the month dropped 9.9% YoY to $69.4 compared to the previous corresponding period.
- In Egypt, the city of Cairo recorded the worst performance in occupancy rate and RevPAR in September 2011 compared to the previous corresponding period. Occupancy rate in the city declined by 30.9 percentage points YoY to 41.9%, while RevPAR dropped 39.6% YoY to $48.58.
- Largest decrease in ADR for September 2011 in the MENA region was observed in Beirut, Lebanon (down 15.7% YoY to $243.60).
- Riyadh, Saudi Arabia recorded the largest increase in all three metrics for the month of September 2011 compared to September 2010. Hotel occupancy in the region grew by 18.5 percentage points to 56.0%; RevPAR grew 58.2% YoY to 58.9% and ADR increased by 12.6% YoY to $267.06.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	Change in % pts.	ADR	% change	RevPAR	% change
Egypt	54.7%	-22.6%	EGP397.08	-12.1%	EGP217.09	-31.9%
Saudi Arabia	45.3%	6.2%	SAR756.95	-21.5%	SAR343.13	-16.6%
UAE	68.2%	11.6%	AED619.00	3.8%	AED422.17	15.8%

Note: Percentages are increases/decreases for September 2011 vis-à-vis September 2010

1.2 Country focus: Libya

The tourism segment in Libya stagnated during the regime of Muammar Gaddafi. However, with the end of the civil war that ended Gaddafi's rule, it is expected that political stability would return to the region. As part of the governance plan charted by the new leaders, the country is planning to diversify its economy away from oil. As per the economic diversification plan, special focus would be given to the country's travel & tourism sector, which is currently ranked 92nd in terms of absolute contribution to the GDP.

- Direct contribution of the travel & tourism sector to Libya's GDP is expected to increase at a CAGR of 7.8% from LYD1.8 billion (1.6% of GDP) in 2011 to LYD3.8 billion (2.0% of GDP) in 2021.

Source: [1]MKG Hospitality Report, September 2011. [2]MKG Hospitality, STR Global Hotel Review September 2011.

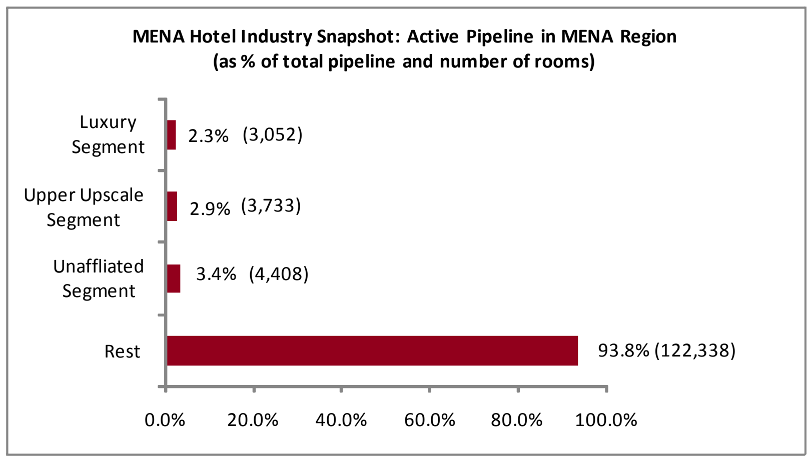
 P.O. Box 29295, Safat 13153, Universal Tower, Ahmad Al Jaber Street, Kuwait City, KUWAIT.
Tel: +965 22496321/2 | Fax: +965 22496324 | Email: admin@altaameer.com.kw | www.altaameer.com.kw

- Total contribution of the country's tourism sector to the GDP is expected to rise from LYD3.8 billion (3.2% of GDP) to LYD7.7 billion (4.2% of GDP) in 2021, implying a CAGR of 7.3%.
- Investment in the country's travel & tourism sector is estimated at LYD2.3 billion (2.6% of total investment) for 2011. This figure is likely to increase at a CAGR of 6.9% to LYD4.5 billion (3.5% of total investment) by 2021.
- Libya has huge potential for cultural as well as archaeological tourism as the country can leverage on the ancient Roman and Greek ruins scattered across the country. Historical Roman cities such as Leptis Magna and Sabratha have the potential to become major tourism attractions. In addition, Sahara desert that occupies almost 90% of Libya presents major opportunities in desert tourism.

1.3 Archaeological tourism/Archaeotourism

Archaeological tourism/Archaeotourism focuses on the archeological heritage of a country through events such as visits to archeological sites, re-enactment of historical events, and promotion of indigenous festivals and art forms. Pyramids in Egypt, city of Petra in Jordan and the ancient city of Volubilis in Morocco are few major archaeotourism destinations in the MENA region.

- Egypt, which has one-third of world's monuments, continues to be the center of archeological tourism in the MENA region. Approximately 10 million tourists visited the country in 2010, bringing in revenue of $9.3 billion. Pyramids of Giza, the Luxor temple, Karnak and Valley of Kings are some of the most visited archeological sites in the country. Egypt Museum, which stores most of the archeological objects excavated in the country, is another major tourist attraction.
- The Egyptian government is taking various initiatives to promote archeological tourism in the country. One such initiative is the opening up of new archeological sites in Cairo, Luxor, Aswan, Rashid and Taba. Sites that would be reopened include the Hanging Church in Cairo, the Serapeum and the New Kingdom cemetery at Saqqara.
- The ancient city of Petra in Jordan is another major archeological attraction in the MENA region. Approximately one million tourists visited the city of Petra in 2010, generating a ticket revenue of close to JD18 million. The country is also home to several Roman ruins, including 'The Roman Amphitheatre' and the ancient city of Jerash.
- Jordan launched a special program "Jordan is More Beautiful 2" in April 2011 to attract both domestic and international tourists by reducing tour prices. This program brings together travel agents, transportation companies and the Tourism Promotion Authority to collaborate and work together to promote the country's tourist attractions, including its archeological sites.



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. KEY DEVELOPMENTS

2.1 Hotel construction pipeline[3]

- Hotel development pipeline in the MENA region comprises 481 hotels (130,479 rooms). Since August 2011, close to 4,390 rooms have been added to the total active pipeline in the region. Another 36,205 rooms in 2012 and 29,260 rooms in 2013 are expected to be added.
- During the January-September 2011 period, 50 new hotels opened in the region, adding 9,663 rooms. 69 more hotels (15,420 rooms) are expected to be inaugurated during the rest of the year; with this, the number of rooms added during the year 2011 would total 25,083.

2.2 New hotel openings and expansions in Middle East[4]

- Abu Dhabi-based Rotana Hotel Management Corporation would open its first property, Salalah Rotana Restors & Spa, in Salalah, Oman. The five-star resort, expected to be opened by end-2012, would be developed in partnership with Orascom. The resort would feature 400 luxury rooms and suites, multi-cuisine restaurant & bar, a private beach and Zen Spa.
- Marriott International has announced the setting up of JW Marriott Manama in Bahrain. The hotel, to be built under management contract with owner Khaleej Capita B.S.C., is expected to open in 2016. The new 50-storey Marriott would house 274 rooms & suites, and 102 residences in Bahrain Bay. It is part of the $2.5 billion Bahrain Bay development project.
- State-owned Qatar National Hotels Co. has signed an agreement with the Government of Morocco to convert The Tazi Palace, a palace situated in the city of Tangier, into a five-star hotel featuring 120 rooms. The renovation cost is expected to be around $55 million.

Source: [3]STR global news release. [4]Zawya news reports.