



1. Market Update

The hotel industry in the MENA region exhibited positive results in April 2012 with the occupancy rate jumping 10.0% to 63.9%, partly offset by a 3.6% fall in ADR to \$172.6 compared to April 2011.

1.1. MENA Region¹

- In April 2012, Manama (Bahrain) recorded the largest increase in hotel occupancy (up 69.5% to 42.5% vis-à-vis April 2011), followed by Cairo (up 67.8% to 52.5%). Occupancy rate in Cairo maintained its uptrend due to improved political scenario and limited number of political protests. During the month, Abu Dhabi witnessed the largest fall in occupancy (down 13.5% to 59.7% from April 2011), followed by Riyadh (down 11.3% to 65.5%).
- Manama recorded the largest increase in ADR (up 30.4% to \$242.4 vis-à-vis April 2011), followed by Dubai (up 10.7% to \$281.9), while Cairo posted the largest ADR decrease (down 13.0% to \$100.6) in the region.

Table 1: Performances of Key Countries in the MENA Region

Country	April 2012				Three months ended April 2012			
	Occupancy	% change	ADR	% change	Occupancy	% change	ADR	% change
Egypt	59.0%	+49.6%	EGP439.1	-6.2%	49.6%	+81.9%	EGP429.9	-11.9%
Saudi Arabia	72.7%	-2.7%	SAR626.1	-0.9%	71.3%	+7.6%	SAR665.7	-3.9%
UAE	75.9%	-0.6%	AED889.4	+7.5%	78.9%	-0.5%	AED852.9	+2.1%

Note: Percentage for April 2012 is an increase/decrease versus April 2011, while that for the three months ended April 2012 denotes an increase/decrease for the corresponding period a year earlier.

1.2. Country Focus: Oman²

- Oman's travel and tourism sector ranks 79th globally in terms of absolute contribution to GDP. Around 1.6 million international tourists are expected to visit Oman in 2012, helping the country generate OMR527.1 million in revenues for the year. The number of tourists visiting the country is estimated to increase at a CAGR of 5.8% over the next 10 years to 2.8 million by 2022, raising the sector's revenue contribution to OMR870.4 million.
- Travel and tourism sector's direct contribution to Oman's GDP is expected to grow from OMR768.9 million in 2011 to OMR812.7 million in 2012. It is projected to expand at a CAGR of 5.1% over the next 10 years to OMR1.3 billion in 2022.
- Investment in the country's travel and tourism sector is estimated to increase 8.9% from 2011 level to OMR414.0 billion in 2012. It is likely to increase at a CAGR of 5.9% to OMR732.6 million by 2022.
- The Oman Ministry of Tourism has undertaken various initiatives such as introduction of discounted tourist visas and launch of an attractive stopover campaign with Oman Air. In addition, the Ministry has launched the 'Muscat Arab Tourism Capital 2012' campaign with a year-round calendar of hallmark events.
- The Ministry has also strategically partnered with Oman Air to launch a summer travel campaign coinciding with Oman's 'Khareef' monsoon season that is widely celebrated in Salalah. Packages are introduced to provide discounted rates as well as free Iftar dinners and free extra night stays at some of the Sultanate's top hotels.

1.3. Meetings, Incentives, Conventions and Exhibitions (MICE) tourism

The business tourism sector contributed 22.2% (\$28.8 billion) to direct Travel & Tourism GDP in 2011. The sector is expected to grow 4.1% to \$30 billion in 2012, and thereafter increase at a CAGR of 4.1% over the next 10 years to \$44.8 billion by 2022.

- Abu Dhabi Tourism Authority has been promoting the city as an ideal business tourist destination by opening a dedicated business tourism division. MICE business segment is a major contributor to the UAE's tourism, accounting for 20–30% of total number of tourists visiting the country. The tourism authority of Abu Dhabi has also increased its international participation and would take part in 23 road

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

² WTTTC and Zawya News Report

MENA Hospitality Update

June 2012 | Report

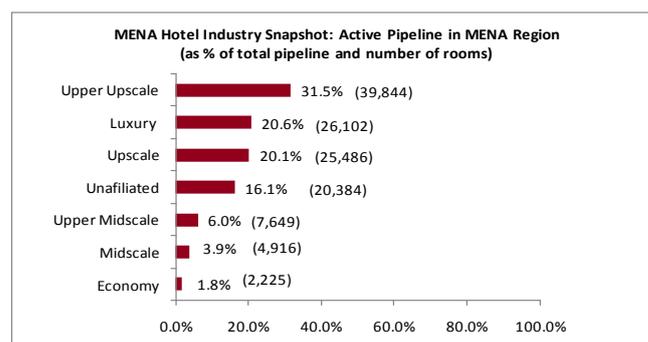
shows and exhibitions this year to attract more business tourists. It is expected that the direct economic impact of the MICE business events will grow at a CAGR of 7% over the next eight years to reach Dh5.1 billion by 2020. Over the years, Abu Dhabi has hosted several business events like World Green Tourism, World Ophthalmology Congress and World Healthcare Congress Middle East that place the city as one of the top MICE destinations in the Middle East.

- Oman's Tourism Ministry plans to attract more business tourists by showcasing its MICE facilities at the Gulf Incentive, Business Travel & Meetings (GIBTM). The Ministry would showcase its upcoming \$1.8 billion 'Oman Convention and Exhibition Center' project, specially built to attract tourists from the MICE segment. The 2 million-sq m facility, scheduled to open by 2015, would include a 3,200 seat auditorium, four hotels with 1,000 rooms, a 192,000-sq m shopping mall, 200 serviced apartments, 85,000 sq m of grade-A office space, and 25,000 sq m of exhibition space.
- Qatar Tourism Authority is also developing the country as a leading MICE destination, as 95% of visitors in the country come for business purposes. The country has invested around \$117 billion to develop tourism infrastructure such as luxury hotels, resorts and meeting facilities. Qatar currently has two major convention centers: Doha Exhibitions Center (15,000 sq m) and Qatar National Convention Center (40,000 sq m). The country plans to open Doha Convention Center and Tower (45,000 sq m) by 2012.

2. Key Developments

2.1. Hotel Construction Pipeline³

- As of April 2012, the active hotel development pipeline in MENA comprised 494 hotels with 126,606 rooms.
- The 'Upper Upscale' segment accounted for the largest portion (31.5%) of the total active pipeline with 39,844 rooms.
- Other segments that accounted for more than 20% of the total active pipeline were the Luxury segment (20.6% with 26,102 rooms) and the Upscale segment (20.1% with 25,486 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 East⁴

- Al Khozama Management Company, one of the leading property developers and investment management companies in the Middle East, announced investments of more than \$140 million for hospitality projects in Saudi Arabia. The project entails conversion of the Al-Khozama center in Riyadh into a four-star deluxe Al-Khozama hotel by late 2014. The property would comprise 215 rooms and suites, an all-day dining restaurant and a state-of-the-art fitness center. Al Khozama's flagship five-star property, Al Faisaliah Hotel-North (a Rosewood Hotel) would also undergo extensive renovation this year to ensure it remains one of Riyadh's leading, internationally renowned luxury hotels.
- Hilton Worldwide signed an agreement to convert Royal Ascot (a Dubai hotel property) into a new Double Tree by Hilton Hotel, the third in the UAE. The 174-room property would undergo extensive refurbishment and is scheduled to open by January 2015.
- Internationally renowned hotel chains Kempinski and Fairmont would expand their hotel chains in Oman. The MoUs for both the hotels were signed earlier, and Kempinski's five-star hotel with several hundred rooms and a state-of-the-art ballroom is scheduled to open by 2015. Fairmont would open post 2015, according to Oman's Integrated Tourism Community (ITC) official announcements.

³ STR global news release.

⁴ Zawya news reports.

3. GCC Restaurant Sector Overview

3.1. Key Statistics⁵

- The restaurant industry in GCC can be classified into fine dining (exclusive & luxury segment), casual dining & fast food (services to a broad customer base), and budget - average restaurants (low-cost restaurants with minimal services). International tourist arrivals are estimated to increase at a CAGR of 9.4% to around 64 million during 2010–15. The rise in international tourist arrivals, coupled with the flourishing hospitality industry in the Middle East, would aid the restaurant industry's growth in the region.
- Casual dining restaurants account for majority of restaurants in GCC (67% of total restaurants in the UAE, 52% in Bahrain, and 43% in Qatar). These restaurants that offer low-cost services relative to fine dining restaurants in a comfortable ambience are designed to serve a broad customer base. Arabic, Indian, Italian, Chinese and International are some of the major cuisines preferred across GCC.
- The restaurant industry in the region is undergoing a major shift as consumption habits are changing. Eating out on a regular basis rather than just for special occasions is becoming increasingly popular. Consumption of snack food and processed food is also growing. Moreover, teenage population prefers international cuisines such as American, Italian, Japanese, Mexican and Asian. Therefore, the number of casual dining restaurants offering various cuisines has surged.

3.2. Major Brands/Expansion Plans

- International restaurant chains are expanding their operations in GCC to capture the untapped market. US casual dining chain operator Darden Restaurants announced plans to expand in the Middle East through an agreement with Kuwait-based Americana Group. Darden intends to work with Americana Group to launch at least 60 restaurants in Kuwait, Bahrain, Qatar, Saudi Arabia, the UAE, Egypt and Lebanon by 2015.
- UK restaurant chain Carluccio's is set for expansion across the Middle East. The chain's owner announced plans to open 25 outlets in the region, including Kuwait, Bahrain and the UAE, by 2015.
- Al Kaki Group of Saudi Arabia recently opened the first Il Gabiano Italian restaurant in Riyadh (June 2012) with an investment of SR6 million. The group would also open a new branch at Al-Khobar, followed by branches across the Kingdom.
- Burger Fuel, a leading New Zealand-based gourmet burger chain, expanded operations in Qatar through a partnership with Al Siddiqi Group. Under the Master Licence Agreement, Burger Fuel stores would soon open across the country. Burger Fuel has existing agreements in place for the UAE, Saudi Arabia, Bahrain, Iraq, and Egypt, and plans to open more stores in Dubai and Saudi Arabia.
- St. Regis Doha opened Opal by Gordon Ramsay on June 2012. The new restaurant offers culinary delights inspired by Gordon Ramsay, one of the world's famous chefs, and serves western classics in a relaxed bistro style environment.

⁵ Zawya news reports and desk research