



## 1. Market Update

The hotel industry in the MENA region exhibited positive performance in March 2013. Occupancy rate grew to 67.1% from 64.6% in March 2012, while ADR rose 5.4% to \$179.57 compared with March 2012.<sup>1</sup>

### 1.1. MENA Region<sup>2</sup>

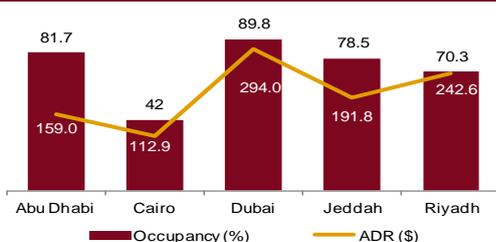
- In March 2013, Abu Dhabi, UAE reported the largest increase in hotel occupancy rate (rose to 81.7% from 62.4% in the year-ago period), followed by Muscat, Oman (grew to 83.1% from 70.4% in the year-ago period), and Doha, Qatar (rose to 70.2% from 62% in March 2012).
- In March 2013, Amman, Jordan reported the lowest occupancy rate (64.7% compared with 78.6% in March 2012) due to continued political instability in neighboring Syria.
- During the same month, Amman, Jordan recorded the largest increase in ADR (up 12.7% to \$166.4 compared with March 2012), followed by Dubai, UAE (up 11.5% to \$294.0 compared with March 2012).
- Beirut, Lebanon posted the biggest drop in ADR (down 21.4% to \$151.76 compared with the year-ago period).

Table 1: Performance of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	Mar 2013	Mar 2012	Mar 2013	Mar 2012	Jan-Mar 2013	Jan-Mar 2012	Jan-Mar 2013	Jan-Mar 2012
Egypt	54.0%	47.3%	EGP464.6	EGP411.1	49.4%	43.0%	EGP457.0	EGP414.1
Saudi Arabia	71.3%	73.5%	SAR734.1	SAR664.4	68.7%	64.9%	SAR746.2	SAR698.0
UAE	82.8%	80.2%	AED918.7	AED841.3	82.7%	79.5%	AED899.9	AED839.5

Note: Occupancy\* and ADR\* show the comparison for the three months ended March 2013 with the corresponding period a year earlier

Table 2<sup>3</sup>: Performance of major MENA cities in March 2013\*\*

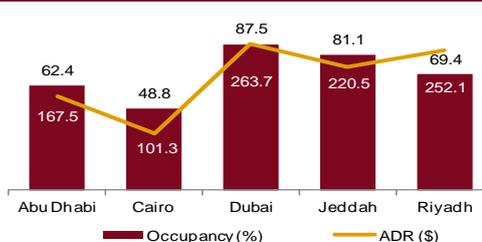


Note: \*\*Cities represented in the graph have been taken from countries in Table 1

In March 2013, Abu Dhabi and Dubai exhibited strong performance, driven by the spring break for schools in the region as well as an array of other events. As a result, hotel occupancy in Dubai surged to 89.8% from 87.5% in the previous year, while ADR grew 11.5% to \$294.0.

In March 2013, occupancy rate in Abu Dhabi rose to 81.7% from 62.4% in the previous year, driven by increased arrivals from neighboring states due to the school holidays. Moreover, the city hosted many events, including the Gulf Incentive, Business Travel and Meetings Exhibition (GIBTM) and the Abu Dhabi Air Expo, the international exhibition of general aviation. However, in March 2013, ADR dropped 5.1% to \$159 compared with the year-ago period.

Table 3<sup>4</sup>: Performance of major MENA cities in March 2012\*\*



<sup>1</sup>STR Global Data, Middle East/Africa Hotel Sector Performance for March 2013

<sup>2</sup>STR Global Data, Middle East/Africa Hotel Sector Performance for March 2013, Hotstats Hospitality Intelligence – March 2013

<sup>3</sup>Hotstats Hospitality Intelligence – March 2013

<sup>4</sup>Hotstats Hospitality Intelligence – March 2013

## 1.2. Country Focus: Tunisia<sup>5</sup>

- In terms of absolute contribution to GDP, Tunisia's travel & tourism sector ranked 67th worldwide in 2012. Around 6,561,000 international tourists are expected to visit the country in 2013; this is expected to generate TND4,100.8 million in revenues during the year. The number of tourists visiting Tunisia is estimated to increase at a CAGR of 3.7% to 9,424,000 over 2013–23, with revenues totaling TND5,611.7 million in 2023.
- The sector's direct contribution to GDP is estimated to decline to TND4,942.3 million in 2013 from TND5,068.0 million in 2012 (7.3% of GDP). Thereafter, it is projected to expand at a CAGR of 3.9% to TND7,226.9 million in 2023.
- Investments in the travel & tourism sector are estimated to decrease 3.2% to TND1,268.1 million in 2013 from TND1,308.7 million in 2012. Investments are expected to increase at a CAGR of 4.2% to TND1,908.7 million over 2013–23.
- Tunisia is famous for its cultural heritage, diverse landscapes and beaches. Some of the key tourist attractions include the city of Tunis, the ancient ruins of Carthage, the Muslim and Jewish quarters of Jerba and coastal resorts outside Monastir. In addition, one can engage in amusement activities such as water sports, camel travel, hiking and bird watching at the Ichkeul National Park.
- Measures taken by the government recently to improve the tourism infrastructure and the implementation of pro-tourism regulations have helped restore the country's tourism sector following the Arab uprisings of 2011.
- Jamel Gamra, Minister of Tourism, stated in a meeting of the Cabinet in May 2013 that the government remains committed to improving tourism by focusing on four main themes: promoting the environment, guaranteeing security in the country, enhancing the quality of services and developing promotional campaigns.

## 1.3. MICE tourism<sup>6</sup>

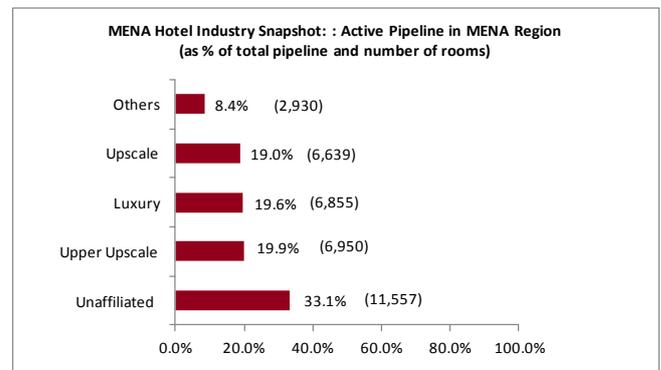
Over the past few years, meetings, incentives, conferences, and exhibitions (MICE) tourism has gained momentum worldwide and more so in the Emirates. In spite of the prolonged global economic recession, the region's MICE industry has been growing and is set to expand even further as it continues to attract high-profile global events and state-of-the-art infrastructure.

- The Middle East, particularly the UAE, has received huge investments in the meetings and events industry over the years. Dubai is a key MICE destination in the UAE, followed by Abu Dhabi.
- In March 2013, Abu Dhabi Tourism & Culture Authority (TCA Abu Dhabi) launched the Abu Dhabi Conventions Bureau (ADCB) to further boost the emirate's ranking in the world's top destinations for MICE. ADCB would focus on providing free and non-biased assistance and support to professional convention, incentive and exhibition planners, corporations, and associations in the region.
- In the UAE, Tourism Development & Investment Company (TDIC), the master developer of major tourism, cultural and residential destinations, opened a new 552-seat conference centre on Sir Bani Yas Island in Abu Dhabi.
- Some of the key upcoming events in Abu Dhabi include the Leadership Communication Conference in May 2013, followed by the Institute of Travel & Tourism (ITT) Conference in June 2013.
- According to the studies commissioned by TCA Abu Dhabi and Abu Dhabi National Exhibition Centre (ADNEC), between 2013 and 2020 the direct economic impact of MICE business events on the emirate of Abu Dhabi is expected to grow at 7% per annum to AED5.1 billion.

## 2. Key Developments

### 2.1. Hotel Construction Pipeline<sup>7</sup>

- As of March 2013, the active hotel development pipeline in the MENA region comprised 483 hotels with 118,713 rooms.
- Between January and March 2013, 11 hotels with 1,683 rooms opened in the MENA region. Between April and December 2013, 133 hotels with 34,931 rooms are expected to open.
- Most of the new rooms are anticipated in the Unaffiliated segment (11,557 rooms in 39 hotels), followed by the Upper Upscale (6,950 rooms), Luxury (6,855 rooms), and Upscale (6,639 rooms) segments.



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 total number of rooms

<sup>5</sup> WTTC and Zawya News Report

<sup>6</sup> Desk research

<sup>7</sup> STR Global news release

## 2.2. New Hotel Openings and Expansions in MENA<sup>8</sup>

- UK based hotel operator Rocco Forte has announced plans to open a new property in Jeddah, Saudi Arabia. The property would consist of two towers, one housing a 19-floor hotel with 209 rooms, while the opposite tower would contain 94 serviced apartments. Moreover, the hotel would feature three restaurants and a tea lounge in addition to a business centre, a ballroom, conference space, a health club, and a 25-metre swimming pool.
- Hilton Worldwide announced plans to open a new five-star hotel in Bahrain by 2015. This is in line with the company's plan to further expand its presence across the Middle East. The DoubleTree Suites by Hilton Bahrain would be a 350-room five-star property in Juffair, with offerings ranging from studio apartments to premium three-bedroom accommodations.
- In May 2013, The Ritz Carlton-Hotel Company announced to open two new properties in Rabat and Marrakesh in Morocco as part of its focus to grow its portfolio in North Africa. The Ritz-Carlton in Rabat, a 120-room hotel in Royal Golf Dar Es Salam, is under construction and would be completed by 2014. Construction of the hotel in Marrakesh would begin in the fourth quarter of 2013 and is scheduled for completion in the third quarter of 2016.

## 3. Restaurant Industry in GCC

### 3.1. Key Statistics/Trends<sup>9</sup>

- Casual dining and fast food restaurants are fast becoming popular in the GCC region. A number of new casual dining restaurants have opened up in the last decade driven by strong demand from rich consumers and a strong eat-out culture. Over the years there is a strong demand for competitively priced Western-priced food chains with a family atmosphere.
- Due to the demographic change, the restaurant industry remained unaffected during 2009 financial crisis. A survey conducted by TGI Survey concluded that 74% of the country's population had a meal in regular restaurant in 2009 compared to 64% in 2005 despite a drop in consumer spending.
- Recently, in March 2013, Dubai Municipality introduced a new food code, which states that non-halal food items should be stored and prepared separately from other food items and that restaurant menus have to mention specifically the main food allergies that can affect consumers. The new rule, which will be implemented by 2015, will raise the annual expenditure of restaurant operators, who have to adjust their menu to comply with the rules.
- Although traditional food and eating habits dominate the Saudi Arabian market, eating out on a regular basis (as opposed to special occasions) is gaining prominence. Restaurants in KSA have become a central part of entertainment owing to the Kingdom's relatively restrictive social and cultural climate. Among the Quick Service Restaurant brands in KSA, Kudu has the largest number of restaurants (203), followed by Herfy (187), Pizza hut (128), McDonald's (118) and KFC (111).

### 3.2. Major Brands/Expansion Plans<sup>10</sup>

- In January 2013, US based restaurant chain, Johnny Rockets announced plans to open six new outlets in the UAE by the first half of 2013, which will more than double (13) the number of Johnny Rockets restaurants in UAE. The new outlets will be located in Dubai and Abu Dhabi. Between 2014–2015, the brand plans to open seven more additional restaurants in UAE bringing the total number of restaurants to 20.
- In January 2013, US based fast food chain, Elevation Burger expanded its presence in UAE market by opening its first store near Crowne Plaza Dubai. The chain is famous for selling organic burgers and targets consumers with healthy eating habits.
- Kuwait based Americana Group, franchise partner for a number of US brands like KFC, Pizza Hut, TGI Fridays and Costa Coffee announced a development agreement with The Counter Custom Built Burgers to open and operate 33 new locations across the Middle East in the UAE, Kuwait, Qatar, Oman, Jordan, Lebanon, Egypt, Libya, Tunisia, and Algeria by 2020.
- Chili's the US based restaurant chain opened its new restaurant at Muscat Grand Mall, Oman in February 2013. Muscat Grand Mall houses the largest food court in Oman besides hosting global brands such as Carrefour, HappyLand, City Cinema, Sharaf DG, Aeropostale, R&B, Tim Horton's, among others.

<sup>8</sup> Zawya news reports

<sup>9</sup> Zawya news reports and Morgan Stanley Initiation Report on Herfy Food Services, September 2012

<sup>10</sup> Zawya news reports, desk research, BMI "Food & Drink Report, UAE Q3 2013"