



1. Market Update

The hotel industry in the MENA region exhibited mixed performance in calendar year 2012. Occupancy rate rose to 60.3% from 56.8% in 2011, while ADR fell 0.5% to \$161.64 over the same period¹.

1.1. MENA Region²

- Cairo (Egypt) reported the largest increase in occupancy rate in calendar year 2012. Hotel occupancy rate in the city surged to 45.6% from 36.6% a year ago, indicating signs of recovery following the political unrest in 2011. Hotel occupancy rate in Amman, Jordan, also rose to 65.0% in 2012 from 56.4% in 2011.
- In 2012, Jeddah (KSA) recorded the largest increase in ADR (up 9.0% to \$221.97 compared to 2011), driven by strong corporate and leisure demand. Compared to 2011, Dubai's ADR also improved 7.9% to \$234.99 in 2012 due to several events, conferences and festivals, which boosted demand. During the same year, Beirut (Lebanon) reported the largest decrease in ADR (down 10.2% to \$186.62 compared to 2011).

Table 1: Performance of key countries in the MENA region

Table 2: Monthly Performance of key cities in the MENA region

Country	Occupancy		ADR	
	Year 2012	Year 2011	Dec 2012	Dec 2011
Egypt	51.7%	44.0%	EGP416.84	EGP428.1
Saudi Arabia	62.1%	57.8%	SAR793.82	SAR767.2
UAE	72.5%	71.1%	AED758.84	AED727.6

City	Occupancy		ADR	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Dubai	84.6%	83.7%	\$322.93	\$311.75
Jeddah	68.1%	67.1%	\$229.07	\$203.9
Cairo	40.5%	36.3%	\$114.39	\$117.59

1.2. Country Focus: Yemen³

- In 2011, Yemen's travel & tourism sector ranked 92nd globally in terms of absolute contribution to GDP. Around 502,000 international tourists are estimated to have visited the country in 2012, generating annual revenues of YER207.3 billion. During 2012–22, the number of tourists visiting Yemen is estimated to increase at a CAGR of 4.1% to 750,000, generating YER279.4 billion in revenues in 2022.
- The tourism sector's direct contribution to Yemen's GDP is estimated to fall to YER271.8 billion in 2012 from YER279.3 billion in 2011. Thereafter, it is projected to expand at a CAGR of 3.4% to YER380.0 billion in 2022.
- In 2012, investments in Yemen's travel & tourism sector is forecast to increase 1.4% to YER53.6 billion compared to YER52.9 billion in 2011. Investments are projected to expand at a CAGR of 4.7% to YER84.7 billion during 2012–22.
- The tourism industry in Yemen suffered an estimated loss of \$1.0 billion following the 2011 political crisis. Since then, the tourism ministry has been taking efforts to attract international tourists. Yemen's tourism ministry is taking part in international tourism fairs, including the six international fairs in Europe. Yemeni groups are also arranging exhibitions, which include traditional, popular and artisanal crafts, as well as folkloric dance performances, in these fairs.
- Tourism in Yemen presents lot of opportunities. Tourists can opt for cultural tourism (historical cities) or an adventurous one (with towering mountains for climbing enthusiasts). In addition, tourists can go on desert safari or enjoy environmental tourism through nature reserves.

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

²STR Global Data, Middle East/Africa Hotel Sector Performance for December 2012, HOTSTATS MENA CHAIN HOTELS, December 2012

³WTTC and Zawya News Report

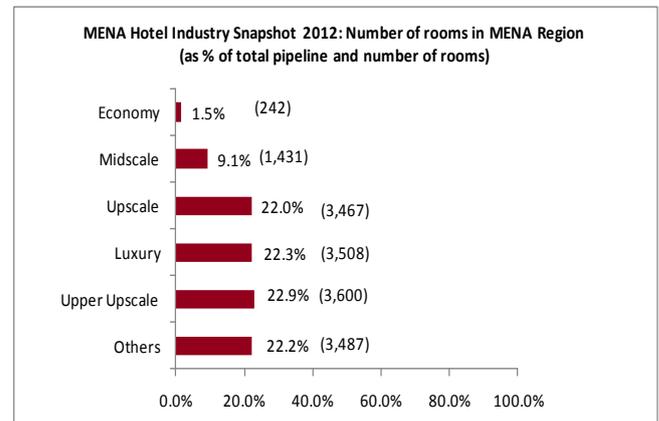
1.3. Dubai Shopping Festival ⁴

- Dubai Shopping Festival (DSF), started in 1996, is organized annually for around a month at the beginning of the year. The festival, known as the shopper's paradise, is organized to promote trade and commerce in Dubai. DSF has been a key contributor to Dubai's economy, as millions visit the city during the one-month festival.
- Since its inception, DSF has attracted more than 50 million visitors, who spend an approximate AED117 billion (\$31.88 billion) during the festival. Industries like retail, tourism, airlines, transport, restaurants and entertainment sectors have benefitted, as they thrive on higher sales during the month.
- In 2012, DSF contributed AED14.7 billion (\$4 billion) to Dubai's economy. Shopping expenditure accounted for around 61% of total spend (\$2.4 billion), while spending on accommodation constituted 19% (\$0.76 billion) of total spend. The number of visitors increased from 3.98 million in 2011 to 4.36 million visitors in 2012. According to industry experts, around 4.66 million visitors visited the 18th DSF in 2013 (3 Jan–3 Feb). International tourists accounted for around 21% (895,000) of total number of tourists in 2012. Majority of international tourists were from Russia, the UK, Saudi Arabia and India.
- In 2013, more than 6,000 outlets and 70 shopping malls participated in DSF and offered discounts of up to 75%. Besides shopping activities, in 2013, DSF featured an extensive line-up of entertainment that includes world-class musicals, fashion shows and an international comedy carnival.

2. Key Developments

2.1. Hotel Construction Pipeline⁵

- As of December 2012, the active hotel development pipeline in the MENA region comprised 478 hotels with 119,233 rooms.
- During calendar year 2012, 68 new hotels were launched in the region with 15,735 rooms.
- Upper Upscale segment added the most rooms (3,600 rooms in 10 properties), followed by the Luxury segment (11 hotels with 3,508 rooms) and the Upscale segment (16 hotels with 3,467 rooms).
- In 2012, the Midscale segment reported the largest increase of new rooms (up 79.5% to 1,431 rooms compared to 2011). The Economy segment added just 242 rooms during the year.



Source: STR Global, Al Taameer analysis

2.2. New Hotel Openings and Expansions in MENA⁶

- Sundus Investments Projects LLC, a pioneer in mixed-use development in the Middle East, signed a memorandum of understanding (MoU) with Rotana Hotel Management Company to develop a four-star Sundus Rotana by Rotana Hotels and Resorts at Airport Heights in Bausher, Muscat. The hotel is projected to be completed by the first quarter of 2015 and will have 245 guest rooms (standard and suite) spanning four floors. The lobby level of the property will also feature a shopping avenue. The property will host a wide choice of fine dining options, a ballroom, one executive board room and seven conference rooms. Leisure facilities will include a well-appointed spa, swimming pool, full-fledged fitness centre, in addition to steam, Jacuzzi, sauna and massage rooms.
- Starwood Hotels & Resorts Worldwide, Inc signed an agreement with Khaldia Towers Company to operate Four Points by Sheraton hotel in Riyadh which will open in the second quarter of 2013. The hotel will mark the entry of Starwood's Four Points by Sheraton brand in Saudi Arabia. The hotel will feature 376 guest rooms (including 138 suites), three restaurants and lounges, and an ultra-modern meeting and event space, including 18 purpose built meeting rooms along with a spa and fitness centre.
- Hilton Worldwide and Al Ain Hospitality Investments LLC signed an agreement to operate a new Double Tree by Hilton hotel in the Jumeirah Beach Residence (JBR) district of Dubai, scheduled to open by late 2013. The property will be the third Hilton Worldwide Hotel in Dubai's JBR district and will have 110 suites.

⁴ Desk research

⁵ STR Global news release

⁶ Zawya news reports

3. Restaurant Industry in GCC

3.1. Key Statistics/Trends⁷

- UAE is the largest restaurant market in GCC. According to a survey by Table Talk, Abu Dhabi and Dubai account for 80% of total foodservice demand among the seven Emirates. In 2011, sales of the restaurant sector stood at \$2.7 billion. Going forward, restaurant sales are expected to increase on a growing economy, changing demographics and social factors, led by increasing ethnic diversity and a flourishing tourism sector.
- Eating out culture is gaining prominence across the GCC region, a good sign for casual dining and quick service restaurants industry. According to Table Talk, 78% of UAE residents eat out up to twice a week. Currently, there are around 11,000 stand alone restaurants in the UAE and this number is expected to grow by 500 per year. This will further encourage the eating out norm in the country.
- Quality of food & beverages is the most popular reason behind choosing an outlet, followed by good value for money and good service, according to Table Talk survey. According to Table Talk research, around 45% of people choose a restaurant for the first time based on friends' recommendations, 14% try a new restaurant based on group deals and offers from websites, while around 7% is influenced by social media.
- High disposable income, global exposure and limited sources of entertainment, coupled with an increasing number of malls, present immense opportunity for casual dining restaurants to expand their operations at a faster pace in KSA. The number of casual dining outlets in the Kingdom is expected to reach approximately 17,000 by 2014, while overall value of the casual dining segment is estimated to be SR28.9 billion (\$7.69 billion) by 2014. Riyadh, Jeddah and the Eastern Province are the main casual dining markets in KSA. Meanwhile, smaller markets are also becoming attractive hubs for investment.

3.2. Major Brands/Expansion Plans⁸

- Smashburger, an expanding burger chain, announced opening of its first restaurant in Riyadh, Saudi Arabia. The restaurant is estimated to be around 7,700 square feet and would be the largest Smashburger store globally. The group plans to open 20 more restaurants, including two more in KSA (in 2013) with its franchise partner Al Taqa Alia.
- Alshaya, the first international licensee for Cheesecake Factory, opened its second Cheesecake Factory restaurant in the UAE at Mall of the Emirates in Dubai. It is the largest Cheesecake Factory restaurant in the world, occupying an area of 2,120 square meters with 526 seats.
- Al-Ahlia restaurants- Americana, a franchisee of T.G.I. Friday's brand in Middle East, opened its 43rd restaurant in the region (9th in Saudi Arabia) at Rabiah District, Riyadh. The restaurant has 170 seats and serves a variety of Friday's menu items, including steaks, Tex-Mex, pastas, burgers, chicken, seafood, appetizers, desserts and non-alcoholic cocktails.
- Bennigan's, a chef-driven neighborhood restaurant chain in Dubai, UAE, offers a wide selection of American fare, which includes signature Certified Angus Beef hand cut according to guests' preferences along with Monte Cristo. Bennigan's forms a part of Dynamic Hospitality, a food and beverage investment company operating under the umbrella conglomerate Al Aroud Group. Al Aroud Group has already invested AED200 million in the food and beverage industry in the UAE and the MENA region through Dynamic Hospitality.
- Dine Equity Inc, parent company of Applebee's Neighborhood Grill & Bar and IHOP Restaurants opened the first IHOP restaurant in Kuwait as a part of multi-restaurant franchise agreement with M.H. Alshaya Co. The new Kuwait IHOP restaurant is located at the Grand Avenue, The Avenues, the largest shopping and entertainment complex in Kuwait. The menu items ranges from signature pancakes to a wide variety of omelettes, french toast and waffles, crepes, sandwiches and burgers, appetizers, soups, salads and desserts
- Samir Group, the master franchisor of Pizza Fusion in the MENA region, opened its eighth restaurant in Jeddah, Saudi Arabia. The restaurant is famous for superior quality gourmet organic pizza in the region. Samir group plans to open 40 more Pizza Fusion restaurants throughout the region, focusing mainly on Dubai and Abu Dhabi.
- In 2013, Hakkasan, the modern Cantonese fine dining restaurant opened its third restaurant at The St. Regis Doha. The restaurant is designed by Woods Bagot UK and features a private valet service access set within the gardens of the St. Regis Hotel Doha. The restaurant has a capacity to host 120 persons, with an outside terrace that can sit another 60 persons.

⁷ Zawya news reports and desk research

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