TAAMEER
التعمير للاستثمار العقاري

MENA Hospitality Update

January 2013 | Report

1. Market Update

The hotel industry in the MENA region showed mixed performance in November 2012. Occupancy rate rose from 65.3% to 65.9% in November 2012, while ADR fell 6.2% to $172.82 compared to the same month previous year.[1]

1.1. MENA Region[2]

- Cairo (Egypt) reported the largest increase in occupancy rate in November 2012. Hotel occupancy rate in the city rose to 53.9% from 34.4% a year ago, indicating signs of recovery from the 2011 revolution. The same month, Beirut (Lebanon) reported the lowest occupancy rate (35.1% as against 51.7% in November 2011) due to the ongoing political instability in Syria.
- In November 2012, Doha (Qatar) recorded the largest increase in ADR (up 6.5% to $239.34 compared to November 2011). During the same month, Beirut (Lebanon) posted the largest drop in ADR (down 32.6% to $154.18 compared to November 2011).

Table 1: Performance of key countries in the MENA region

	Occupancy		ADR		Occupancy*		ADR*	
Country	Nov 2012	Nov 2011	Nov 2012	Nov 2011	Sep–Nov 2012	Sep–Nov 2011	Sep–Nov 2012	Sep–Nov 2011
Egypt	62.6%	56.3%	EGP451.2	EGP443.2	60.4%	55.1%	EGP453.7	EGP430.3
Saudi Arabia	51.6%	59.8%	SAR791.3	SAR1,070.1	56.1%	53.9%	SAR887.1	SAR904.5
UAE	82.4%	82.0%	AED902.7	AED912.7	75.5%	75.4%	AED790.0	AED760.8

Note: Occupancy and ADR* show the comparison for the three months ended November 2012 with the corresponding period a year earlier*

1.2. Country Focus: Libya[3]

- In 2011, Libya's travel & tourism sector ranked 112th globally in terms of absolute contribution to the GDP. Around 52,000 international tourists are expected to visit the country in 2012, generating annual revenues of LYD105.7 million. During 2012–22, the number of tourists visiting Libya is estimated to increase at a CAGR of 5.8% to 100,000, aiding revenue generation of LYD185.0 million in 2022.
- The sector's direct contribution to Libya's GDP is expected to fall to LYD1,151.8 million in 2012 from LYD1,235.8 million in 2011. Thereafter, it is projected to expand at a CAGR of 3.9% to LYD1,682.3 million in 2022.
- In 2012, investments in Libya's travel & tourism sector are estimated to drop 14.3% to LYD75.2 million compared to LYD87.7 million in 2011. However, these are projected to increase at a CAGR of 2.3% to LYD94.8 million during 2012–22.
- The tourism industry in Libya is still in its early years but is growing gradually every year. The country has numerous tourist destinations, such as the historic Libyan historical monuments, Sahara's desert landscapes, the renaissance fashion and metropolis cities. It is also renowned for its ancient ruins; Leptis Magna is one of the five sites in the country recognized as World Heritage Sites by UNESCO.
- Following the end of Muammar Gaddafi's regime, the country is now pitching itself as a top tourist destination. Previously, tourism contributed just around 1% of Libya's GDP. However, the country is now looking to revive tourism following nearly two years of civil unrest. The authorities are looking more favorably to tourism as a source of diversification of the economy away from oil, and a means of employment creation.

[1] *STR Global Data, Middle East/Africa Hotel Sector Performance for November 2012*
[2] *STR Global Data, Middle East/Africa Hotel Sector Performance for November 2012*
[3] *WTTC and Zawya News Report*

1.3. Winter Tourism [4]

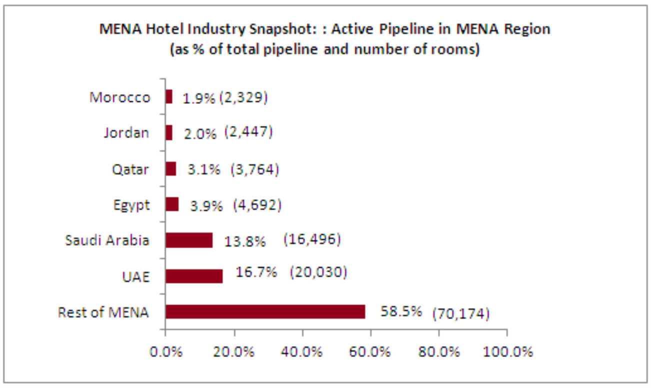
Over the years, the GCC has emerged as a favored winter destination for international tourists. On the eve of Christmas and New Year, a large number of tourists visit the UAE and other neighboring states to enjoy the gentle winter weather.

- On account of school holidays across the region, most families travel to Dubai during the winter season. During this time of the year, over 60% of visitors are from the GCC, while visitors from Russia make up 20% of the traveler mix; the remaining 20% come from the UK and Asia.
- According to the latest HotStats survey published by TRI Hospitality Consulting, in November 2012, hotels in Dubai registered their highest profit margins in 36 months. Occupancy rate in the emirate increased from 88.0% in November 2011 to 90.8% in November 2012 while average room rates (ARR) rose 1.6% to $360.
- Travelers from Western Europe flocked the city as a number of bank holidays such as the All Saint's Day and Remembrance Day offered extended breaks in the EU. In addition, a number of high profile events, including the World Parachuting Championships, Dubai Shopping Festival and the Helishow, helped in drawing a large number of visitors to the city.
- Salalah in Oman is also fast emerging as a preferred winter destination for tourists due to its balmy winter weather. The fact can also be substantiated with the movement of Scandinavian charters, which operate only in the winter season and come every year to Salalah. In the 2010–11 season, the charters operated to full capacity (22 charters); in 2011–12, their number increased to 23.

2. Key Developments

2.1. Hotel Construction Pipeline[5]

- As of November 2012, the active hotel development pipeline in the MENA region comprised 480 hotels with 119,932 rooms.
- Among the countries in the region, the UAE reported the largest number of rooms under construction (20,030).
- UAE was followed by five other countries that ended the month with more than 2,000 rooms under construction: Saudi Arabia (16,496), Egypt (4,692), Qatar (3,764), Jordan (2,447) and Morocco (2,329).



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 MENA[6]

- Accor has signed a management contract with Sons of Ahmed Saleh Kaki to develop the first Novotel hotel in Jeddah. The new hotel forms part of Accor's expansion plan in the KSA, comprising a pipeline of 12 hotels that would house more than 3000 rooms. The hotel is due to open by the end of 2013 and would feature 143 rooms and suites, a restaurant and lobby lounge, 350 square meters of meeting space, a health club and swimming pool.
- British hotelier InterContinental Hotels Group (IHG) announced plans to expand its hotels portfolio in Saudi Arabia and the UAE over the coming years, Hotelier Middle East reported. It plans to open eight hotels in Saudi Arabia by 2018, which would house 2,500 rooms.
- Hues Hotel Management Company unveiled plans to launch several properties around the UAE, following the successful opening of Hues Boutique Hotel in Dubai; more than three hotels in the pipeline are expected to be opened during 2013. This initiative aims to cater to the increasing demand for quality hospitality offerings in the UAE.
- Rotana, one of the leading hotel management companies in the Middle East and Africa, announced the official opening of Al Ghurair Rayhaan and Al Ghurair Arjaan by Rotana in Dubai. The two new hotels would add 620 rooms to Rotana's Dubai portfolio – 428 rooms at Al Ghurair Rayhaan by Rotana and 192 apartments at Al Ghurair Arjaan by Rotana.

[4] *Desk research and UAE Tourism Report BMI – November 2012*
[5] *STR Global news release*
[6] *Zawya news reports*

3. Serviced Apartments in GCC

3.1. Key Statistics/Trends[7]

- Serviced apartment industry in the GCC remains under-developed and dominated by local brands. Majority of apartments in the region are either converted from, or designed like, a residential apartment building.
- Over recent years, demand for serviced apartments in the GCC has grown in line with the rising number of business travelers visiting the region. However, with the rise in expatriate population in the region in the last few years, operators have started providing serviced apartments even for a shorter duration.
- Saudi Arabia leads the serviced apartments segment in the region, as these apartments are the preferred accommodation in the Kingdom. During 2004–11, the number of serviced apartment buildings in the KSA rose at a CAGR of 8.8% to 2,026. Of the apartments/rooms available in these serviced apartment buildings, a vast majority was available in the Eastern region (30.2% of the total 85,687 licensed by Saudi Commission for Tourism & Antiquities), followed by Makkah (19.4%).
- With the property market witnessing a steady growth following the Arab Spring, major developers in the emirate are now focusing on serviced hotel apartments, which has been a relatively untapped sector. According to the Dubai Tourism and Commerce Marketing department, in 2012, there were 577 hotels in the emirate, but just 200 serviced apartments.
- As large number of tourists and businesses continue to arrive in Dubai, developers now see this as a way of attracting individual investors to the lucrative service industry. All this augurs well for the luxury serviced hotel sector and allows individual investors to capitalize on this growth sector, which was previously the focus area for major corporations.
- Qatar, one of the fastest growing economies in the world, continues to attract significant foreign direct investments, leading to a strong demand for serviced residences in the country. Going ahead, demand for serviced apartments in Qatar is likely to surge during the 2022 FIFA World Cup.

3.2. Major Brands/Expansion Plans[8]

- Luxury private developer DAMAC Properties announced that Burjside Boulevard, a 50-story serviced hotel, is set to complete in mid-2013. The development offers one, two and three bedroom, fully furnished and serviced hotel apartments. The project would be managed through the 'DAMAC Suites & Spa' brand, which would provide a comprehensive list of services, including spa treatments, housekeeping, concierge services, chauffeur-driven cars, and even private jet and yacht charter.
- Marina 101, the world's tallest serviced hotel apartment building located in Dubai Marina, is expected to be completed before the end of 2013. The building, launched in June 2006, comprises 101 floors, rising approximately 432 meters along with the crown and covering a total built-up area of 1.68 million square feet. The first 32 floors would be dedicated to a 5-star hotel, while the rest would serve as furnished apartments. Apart from five restaurants in the hotel tower, there would be 252 one bedroom apartments, 204 two bedroom apartments and 42 three bedroom apartments with eight penthouses.
- The Ascott Limited, CapitaLand's wholly owned serviced residence business unit, has opened its first premier serviced residence, Ascott Doha, in Qatar. The 229-unit serviced residence is located at the center of the city and at the north end of the Corniche waterfront promenade, fronting Doha Bay.
- In December 2012, DAMAC Properties announced the launch of 'The Distinction', a premium serviced hotel in the Burj Area featuring 295 apartments. 'The Distinction' would be 53 storied, offering the highest levels of customer service. The project is set for completion in the first quarter of 2015 and would be a mix of studios, one, two, three and four bedroom penthouses.

[7] *Zawya news reports and desk research, Alpen Capital - GCC Hospitality Industry*
[8] *Zawya news reports and desk research*

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