



1. Market Update

The hotel industry in the MENA region reported positive results in October 2012. Occupancy rate surged to 65.5% from 62.6% in October 2011, while ADR jumped 9.4% to \$183.97 compared to the same month the previous year.¹

1.1. MENA Region²

- Beirut (Lebanon) reported the largest decrease in occupancy rate in October 2012. Hotel occupancy rate in the city fell to 38.5% from 61.7% a year earlier as the Syrian crisis deterred travelers to neighboring Lebanon. During the same month, Cairo (Egypt) reported the largest rise in occupancy rate (to 52.0% from 46.8% in October 2011).
- In October 2012, Jeddah (Saudi Arabia) recorded the largest increase in ADR (up 26.9% to \$243.2 compared to October 2011) mainly due to the Eid and Hajj seasons. In Dubai, ADR rose 13.2% to \$272.7 compared to October 2011 due to Eid holidays and several major conferences and exhibitions such as Gitex, World Energy Forum and City Scope, which attracted international tourists. During the same month, Beirut (Lebanon) posted the largest drop in ADR (down 15.9% to \$159.3 compared to October 2011).

Table 1: Performances of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	Oct 2012	Oct 2011	Oct 2012	Oct 2011	Aug–Oct 2012	Aug–Oct 2011	Aug–Oct 2012	Aug–Oct 2011
Egypt	60.2%	54.2%	EGP506.1	EGP459.4	57.3%	51.5%	EGP438.1	EGP395.2
Saudi Arabia	66.0%	59.7%	SAR1,155.6	SAR921.2	57.6%	54.2%	SAR1,053.6	SAR959.6
UAE	77.5%	76.0%	AED868.5	AED782.4	66.9%	63.5%	AED684.4	AED628

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

1.2. Country Focus: Morocco³

- In 2011, Morocco's travel & tourism sector ranked 45th globally in terms of absolute contribution to GDP. Around 10.2 million international tourists are expected to visit the country this year, generating annual revenues of MAD72.3 billion. Between 2012 and 2022, the number of tourists to Morocco is estimated to increase at a CAGR of 6.0% to 16.3 million, aiding revenue generation of MAD142.5 billion in 2022.
- The sector's direct contribution to Morocco's GDP is expected to rise to MAD77.8 billion in 2012 from MAD71.8 billion in 2011. Thereafter, it is projected to expand at a CAGR of 5.5% to MAD133.4 billion in 2022.
- In 2012, investments in Morocco's travel & tourism sector are estimated to rise 9.6% to MAD27.6 billion compared to MAD25.2 billion in 2011. Investment is projected to increase at a CAGR of 6.1% to MAD49.8 billion between 2012 and 2022.
- Being one of the most politically stable countries in North Africa, Morocco's tourism sector is well developed, with a strong tourist industry focused on the country's coast, culture and history. Around 60% of tourists in Morocco visit the country for its culture and heritage. The modern tourism industry in Morocco focuses on ancient Roman and Islamic sites, and its landscape and cultural history.
- The government continues to invest significantly to develop tourism, as it is the second largest foreign exchange earner in Morocco.
- The country's Ministry of Tourism is taking various initiatives to attract more foreign tourists to Morocco. Recently, the government adopted a new tourism development plan. As per the strategy, the government would invest €15.8 billion to increase tourism revenues and double the number of tourists by 2020.

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

²STR Global Data, Middle East/Africa Hotel Sector Performance for October 2012

³WTTC and Zawya News Report

1.3. Island Tourism ⁴

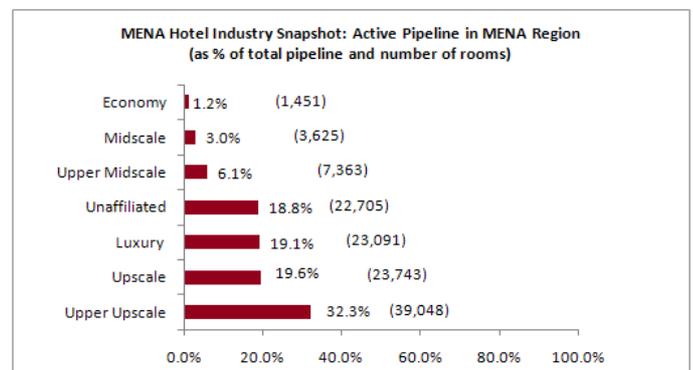
The UAE is one of the most famous countries in the world for its landscape beauty. Millions of tourists come to the UAE to see its landscapes, most of which are manmade—the most outstanding being the artificial islands of the Emirates.

- Saturation of Dubai's beachfront has led to massive offshore development of numerous manmade islands. One of the early examples in Dubai is the tiny island on which the iconic Burj Al Arab hotel is situated.
- Since then, many hotels and other tourist spots have been built on manmade islands. Hilton Worldwide has signed a management agreement with Mohamed Ruqait Real Estate for its second DoubleTree by Hilton property in Ras al-Khaimah. The property is set to open at the beginning of 2014 on the manmade al-Marjan Island development.
- Furthermore, the Spanish soccer super-team Real Madrid has announced plans to construct a \$1 billion luxury resort in the UAE. The sports company plans to construct an archipelago of artificial islands upon which it will be located. The resort will include a marina, 10,000-seat capacity sports arena, an amusement park, a luxurious hotel, villas and a club museum. Such projects are expected to boost the UAE's tourism industry.

2. Key Developments

2.1. Hotel Construction Pipeline⁵

- As of October 2012, the total active hotel development pipeline in the MENA region comprised 488 hotels with 121,026 rooms.
- Among the Chain Scale segments, the Upper Upscale segment accounted for the largest portion of rooms in the total active pipeline with 39,048 rooms, followed by the Upscale segment (23,743 rooms), the Luxury segment (23,091 rooms) and the Unaffiliated segment (22,705 rooms).
- During the period, three segments made up for more than 20% of total rooms under construction: the Upper Upscale segment (32.3% with 22,472 rooms), followed by Luxury (23.5% with 16,355 rooms) and Upscale (21.2% with 14,732 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 and Expansions in MENA⁶

- Starwood Hotels & Resorts Worldwide, Inc and Majid Al Futtaim Properties have signed an agreement to open a Sheraton Hotel at Mall of the Emirates in Dubai. Sheraton Dubai Mall of the Emirates Hotel is scheduled to open in the first quarter of 2013, and will comprise 481 guest rooms including 94 suites, four restaurants and lounges and nearly 9,000 square-feet of ultra-modern meeting and event space.
- In December 2012, Accor Middle East signed a franchise management contract with Al Hokair Group, one of the largest hotel owners and operators in Saudi Arabia and the Middle East, to develop the first Suite Novotel hotel in Riyadh. Suite Novotel Riyadh Olaya will be strategically located at Olaya Street and is due to open at the beginning of 2013. The hotel will offer 115 well-appointed suites, several food outlets, three meeting rooms, and leisure and recreational facilities (including a swimming pool and a fitness and wellness centre).
- In December 2012, Yasat Gloria, the largest hotel in the Gulf and the Middle East in terms of the number of rooms, was launched in Dubai. The hotel contains 1019 suites and can accommodate more than 3,000 people at one time. It offers high-quality residence services and an international restaurant, which provides Arabic, western and eastern cuisines as well as shopping, sport and fitness facilities.
- First Global Hotels and Tourism recently launched a premium four-star hotel Best Western Hotel Muscat, with 203 comfortable guest rooms and suites in Al Khuwair. However, the official inauguration is scheduled in February 2013. The hotel features two restaurants, including the Atrium, an "All Day Dining" restaurant, and "MG" the Grill Room, plus a 24-hour coffee/juice station serving light snacks. The hotel also offers five meeting and function rooms of varying sizes, an indoor swimming pool and a fitness centre. Following the response to the opening of Best Western Hotel Muscat in Al Khuwair, First Global Hotels and Tourism plans to open another one in Muscat.

⁴ Desk research and UAE Tourism Report BMI – October 2012

⁵ STR Global news release

⁶ Zawya news reports

3. Specialized Clubs in GCC

3.1. Key Statistics/Trends⁷

- With people becoming increasingly aware of health related issues, the number of health clubs and fitness gym launches across the Middle East has grown significantly over recent years. Fitness companies are considering the region as their major market for expansion, as many key locations in the Middle East lack fitness facilities.
- According to a recent study, more than 60% of Emiratis are overweight and nearly a third of Emiratis are suffering from diabetes due to improper eating habits and lack of exercise. The UAE is believed to have one of the highest rates of obesity in the world, higher than the US. This has driven the need for fitness and wellness solutions in the region.
- Recent trends indicate the hotel industry is now focusing more on fitness facilities and is offering everything from workout kits to luggage racks to customers. Fitness companies are also collaborating with hotels to provide well-rounded fitness and health offerings in hotels. With an anticipated growth in healthy-minded travelers, fitness-focused offerings are expected to expand in the coming years.
- Furthermore, the government's focus on sports and recreation is expected to help bolster the public's interest in health and fitness. For instance, the Qatari government won a bid to host the Fédération Internationale de Football Association (FIFA) World Cup in 2022.
- The UAE government is undertaking various initiatives to promote fitness. One such initiative is the annual Dubai Marathon. In addition, fitness companies have embarked few initiatives to encourage participation in such events. Fitness First Middle East, a leading health and fitness club chain, is rolling out a Running Club in the UAE to help participants train for the Standard Chartered Dubai Marathon to be held in January 2013. Such moves are expected to create more awareness and drive the wellness and fitness club sector forward.

3.2. Major Brands/Expansion Plans⁸

- Al Khozama Management Company, a leading luxury commercial property development, investment and management company in the Kingdom of Saudi Arabia, has entered into an agreement with Al Rawabi Regional Company, Hotels Resorts & Spa to manage the first luxury Al Faisaliah Resort & Spa, a Rosewood Resort, in the Kingdom. The Resort & Spa is scheduled to open in the second quarter of 2013, and will be located in Durrat Arriyadh, Saudi Arabia's first gated residential neighborhood.
- The region's first urban gym TribeFit is scheduled to open in February 2013. Fortes Holdings, the group behind this first-of-its-kind health club promotes it is not just a gym but also a club. The health club will open at Silverene Tower in Dubai Marina.
- US-based fitness club franchisor Anytime Fitness has announced plans to open 100 gyms across the Middle East over the next five to seven years as part of an ambitious \$50 million expansion drive. The brand, which opened its first gym in Doha (Qatar) earlier this year, has signed a master franchise deal with Almuftah Marketing, a division of a Doha-based conglomerate Almuftah Group.
- Fitness First, a leading health and fitness club chain and a franchise owned and operated under license by the Landmark Group in the MENA region, has opened its third club in Saudi Arabia. Located in King Abdullah Road, the facility is equipped with GX studios, stretch zones, dedicated free weights and cardio areas. Fitness First plans to spread its footprint to 37 clubs across the Middle East by the end of 2012.

⁷ Zawya news reports and desk research

⁸ Zawya news reports and desk research