MENA Hospitality Update

November 2012 | Report

1. Market Update

The hotel industry in the MENA region reported positive results in September 2012. The occupancy rate increased to 60.7% from 57.6% in September 2011. However, ADR decreased 1.7% to $137.76 during this period.[1]

1.1. MENA Region[2]

- Beirut (Lebanon) reported the largest decrease in occupancy rate in September 2012. The rate of occupancy in hotels in the city fell to 42.7% from 71.2% a year earlier as the Syrian crisis has deterred travelers to neighboring Lebanon. During the same month, Cairo (Egypt) reported the largest rise in occupancy rate (to 52.3% from 42.0% in September 2011), followed by Oman's capital Muscat (to 59.0% from 48.8%).
- In September 2012, Amman (Jordan) recorded the largest increase in ADR (up 10.1% to $156.07 compared to September 2011). During the same month, Beirut (Lebanon) posted the largest drop in ADR (down 27.5% to $166.36 compared to September 2011).

Table 1: Performances of key countries in the MENA region

	Occupancy		ADR		Occupancy*		ADR*	
Country	Sept 2012	Sept 2011	Sept 2012	Sept 2011	Jul–Sept 2012	Jul–Sept 2011	Jul–Sept 2012	Jul–Sept 2011
Egypt	58.4%	54.6%	EGP403.6	EGP388.2	54.4%	51.1%	EGP400.4	EGP378.3
Saudi Arabia	50.8%	42.1%	SAR714.3	SAR722.3	57.2%	56.3%	SAR938.7	SAR862.7
UAE	66.6%	68.2%	AED598.8	AED611.0	61.3%	62.0%	AED579.1	AED549.0

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

1.2. Country Focus: Lebanon [3]

- In 2012, Lebanon's travel and tourism sector ranked 52nd globally in terms of absolute contribution to GDP. Around 1.7 million international tourists are expected to visit the country this year, generating annual revenues of LBP13,564.7 billion. Between 2012 and 2022, the number of tourists to Lebanon is estimated to increase at a CAGR of 2.5% to 1.9 million, aiding revenue generation of LBP18,108.6 billion in 2022.
- The travel and tourism sector's direct contribution to Lebanon's GDP is expected to rise to LBP6,509.3 billion in 2012 from LBP6,229.0 billion in 2011. Thereafter, it is projected to increase at a CAGR of 3.0% to LBP8,758.7 billion in 2022.
- Investment in Lebanon's travel and tourism sector is estimated to rise 2.6% compared to 2011 to LBP1,956.3 billion this year. Between 2012 and 2022, the investment is projected to increase at a CAGR of 4.5% to LBP3,048.3 billion.
- Lebanon is a suitable destination for outdoor activities throughout the year. From water to land activities, the city's outdoor tourism market offers an array of opportunities for sports enthusiasts.
- The Ministry of Tourism in Lebanon is taking various initiatives to attract more foreign tourists in Lebanon. This includes launching of a public website "Fiesta Lebanon" with the primary goal of promoting tourism. The government also has encouraged businesses to provide menus, signs and information in both English and Arabic to accommodate tourists. The USD currency is also widely accepted.
- In early 2012, the government launched the "Only Lebanon" campaign, an initiative to promote tourism in the country for international tourists.

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

Tel: +965 22496321/2 | Fax: +965 22496324 | Email: admin@altaameer.com.kw | www.altaameer.com.kw | Please follow us on:

1.3. Religious Tourism [4]

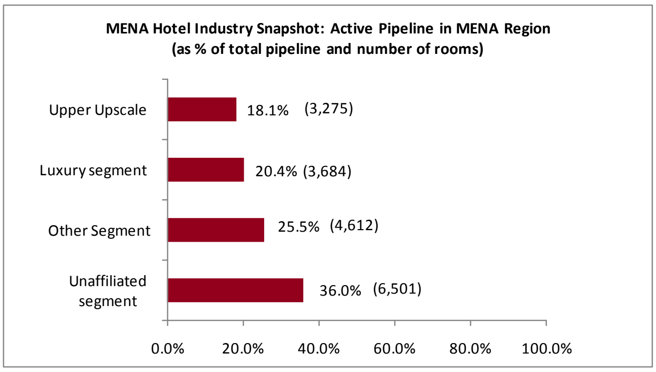
Religious tourism, which forms the bulk of travel in many Middle Eastern countries, is one of the most resilient markets in the travel industry. The Middle East houses 74 UNESCO World Heritage sites in addition to numerous holy destinations for several religions.

- Saudi Arabia is the main religious hub in the Middle East due to the presence of holy places such as Mecca and Medina. Over the years, the number of visitors from various countries to these pilgrimage sites has been on the rise.
- In 2011, the total number of inbound tourist for religious purpose increased to 6.9 million from 4.8 million in 2010. Religious tourism accounted for 40% of total inbound tourist visits in 2011.
- In 2011, Middle East accounted for 63.4% of the total inbound religious tourists followed by Asia (26.9%), Africa (4.5%), Europe (4.1%) and Americas (1.0%). Within Middle East, GCC region accounted for 61% of the total religious tourists with Kuwait (2.6 million) being the leader.
- In the fourth quarter of 2011, number of tourists increased to 2.3 million as compared to 0.9 million in the first quarter of 2011. This significant growth was mainly due to the increase in visits to holy places of Mecca and Medina.
- In the first quarter of 2012, number of inbound religious tourists declined to 569,000 from 907,000 during the first quarter of 2011.

2. Key Developments

2.1. Hotel Construction Pipeline[5]

- As of September 2012, the active hotel development pipeline in the MENA region comprised 493 hotels with 122,942 rooms.
- Between January and September 2012, 46 hotels with 10,510 rooms opened in the MENA region. In the remainder of 2012, 72 hotels are expected to open with 18,072 rooms.
- Most new rooms are expected in the Unaffiliated segment (21 hotels with 6,501 rooms), followed by Luxury (14 hotels with 3,684 rooms) and Upper Upscale (12 hotels with 3,275 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 MENA[6]

- An affiliate of Hyatt Hotels Corporation has signed an agreement with Turkey based Bosphorus Otelcilik ve Yatirim Ltd for a Hyatt Regency hotel in Istanbul, Turkey. The new hotel, Hyatt Regency Istanbul Atakoy, is expected to open in January 2014, would have 310 guestrooms, including 30 suites, as well as a meeting and event area comprising a 1,000 sq m ballroom, two restaurants, a rooftop bar, outdoor and indoor pools, a fitness center and a spa.
- Bin Majid Hotels would open a new property in Abu Dhabi, Bin Majid Tower Hotel Apartment, by the end of the year, offering 230 rooms and suites. The four-star property has a gym, a swimming pool, a business center and meeting rooms, and a coffee shop. Bin Majid Hotel, featuring 133 rooms and suites, is another property scheduled to open in the capital. The hotel will have dining outlets, a coffee shop, a business center and meeting rooms.
- Jordan-based Amlak Hotels & Tourism Investment Company announced plans to open more hotels across the GCC region by 2017. Amlak is set to open two hotels in Dammam (Saudi Arabia), one being the 3-star Belle Vue Inn in December 2012, and the other a 5-star Grand Belle Vue Al Shraa in February 2013. The company also has a five-star 'Grand Belle Vue' hotel under construction in Riyadh, which is expected to open by April 2014.

[4] *Desk research*
[5] *STR Global news release*
[6] *Zawya news reports*

Tel: +965 22496321/2 | Fax: +965 22496324 | Email: admin@altaameer.com.kw | www.altaameer.com.kw | Please follow us on:

3. GCC Restaurant Sector Overview

3.1. Key Statistics/Trends[7]

- The restaurant industry in the Middle East is growing rapidly with hundreds of billions being invested in numerous developments across the region. Demand for new restaurants is on the rise throughout the GCC region. Over the past decade, casual dining and fast food restaurants have become increasingly popular across the region. Higher disposable income and a strong eat-out culture have led to the emergence of a host of such restaurants in GCC.
- Over the year, the casual dining restaurant industry in the UAE, Kuwait, Saudi Arabia and other neighboring countries in GCC has expanded due to a rise in the number of foreign nationals and an overall shift toward Western culture. Demand for international food service brands has primarily led this growth.
- Considering the significant opportunities in the GCC casual dining restaurant industry, well-funded and established American and European foodservice companies are seeking to expand in the Middle East.
- In 2011, the branded restaurant market in the UAE was worth an estimated $600 million, of which 47% comprised US brands (compared with 8–17% domestic restaurants). With the market projected to grow 30% to USD780 million by 2015, US-style fast food outlets would continue to dominate.
- Between 2011 and 2022, the percentage of US brands in the Middle East restaurant industry is expected to increase, with 250 store openings across the region and brands such as Shake Shack, Red Lobster and Texas Roadhouse continuing to expand their franchises.

3.2. Major Brands/Expansion Plans[8]

- In November 2012, North America-based restaurant chain Tim Hortons opened its first restaurant in the Sultanate of Oman. The opening marked the 20th Tim Hortons restaurant in the GCC region since the company signed a Master License Agreement (MLA) with Apparel Group in 2011. The MLA with Apparel Group includes up to 120 multi-format restaurants over a five-year period in GCC within the UAE, Qatar, Bahrain, Kuwait and Oman.
- The Cheesecake Factory, a US-based casual dining restaurant, made its much-anticipated debut in Kuwait in November 2012. The restaurant, covering 13,160 sq ft with 475 seats, is located at The Avenues, Kuwait's leading mall.
- Fakruddin Foods, a well-known food and restaurant conglomerate, has launched a new venture in the Middle East by opening its first outlet, Fakruddin Foods Middle East, in Dubai.
- Jumeirah Restaurants, a branded restaurant division within Jumeirah Group, has signed a new licensing agreement with current franchise partner BCF Group to take its flagship brand, the noodle house, to Turkey.
- In October 2012, Austrian coffee chain Scharf Coffeeshop Company signed an agreement to open 10 shops in Qatar over the coming decade in partnership with Al-Arabiya Restaurants.
- Costa Coffee, a leading coffee brand franchised in the UAE by Emirates Leisure Retail, a subsidiary of Emirates Group, has launched its new contemporary Metropolitan store concept (designed specifically for the urban customer) in Dubai. The new store is distinguished by an entirely different modern design and fresh look and feel.
- Atlantis The Palm, Dubai is expected to open eight casual dining concepts in 2013. The hotel, famously home to fine dining restaurants Nobu and Ossiano, has shifted its focus to casual dining concepts following the success of new outlets The Burger Joint (TBJ) and Asia Republic.

[7] *Zawya news reports and BMI Report*
[8] *Zawya news reports and desk research*

Tel: +965 22496321/2 | Fax: +965 22496324 | Email: admin@altaameer.com.kw | www.altaameer.com.kw | Please follow us on: