



1. Market Update

The hotel industry in the MENA region reported positive results in August 2012. The occupancy rate increased from 48.1% in August 2011 to 53.8%. Also, ADR increased 3% to \$154.93 compared to the same month of the previous year.¹

1.1. MENA Region²

- Riyadh (Saudi Arabia) reported the largest decrease in occupancy rate. Occupancy rate in the city fell to 31.0% in August 2012 from 33.8% a year earlier due to lower demand from the corporate segment on account of Ramadan and the long Eid holidays. During the same period, Cairo (Egypt) reported the largest rise in occupancy rate (reaching 37.9% in August 2012 from 22.3% a year earlier), followed by Jordan's capital Amman (43.2% as against 28.2% in August 2011).
- In August 2012, Dubai (UAE) recorded the largest increase in ADR (up 23.7% to \$184.2 compared to August 2011) as demand increased due to inflow of leisure tourists from other GCC countries, driven by Eid-al-Fitr holidays, followed by Jeddah, Saudi Arabia (up 18.1% to \$255.9 compared to August 2011) and Amman (up 17.8% to \$160.0 compared to August 2011).

Table 1: Performances of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	August 2012	August 2011	August 2012	August 2011	Jun- Aug 2012	Jun-Aug 2011	Jun-Aug 2012	Jun-Aug 2011
Egypt	53.4%	45.7%	EGP404.3	EGP338.2	50.2%	46.6%	EGP391.8	EGP383.8
Saudi Arabia	56.1%	60.7%	SAR1290.90	SAR1235.3	62.9%	63.0%	SAR913.0	SAR837.4
UAE	56.7%	46.3%	AED585.92	AED490.2	61.6%	60.9%	AED567.4	AED526.9

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

1.2. Country Focus: Egypt³

- In 2012, Egypt's travel and tourism sector ranked 29th globally in terms of absolute contribution to GDP. However, it dropped from 26th position in 2011, mainly due to the political unrest in the country. In 2012, around 10 million international tourists are expected to visit the country, generating annual revenues of EGP62.8 billion. The number of tourists coming into the country is estimated to increase at a CAGR of 2.2% over 2012–2022 to 12,446,000 by 2022, aiding revenue generation of EGP100.0 billion.
- The travel and tourism sector's direct contribution to Egypt's GDP is expected to fall to EGP91.5 billion in 2012 from EGP92.1 billion in 2011. This is projected to increase at a CAGR of 4.6% to EGP143.8 billion in 2022.
- Investment in Egypt's travel and tourism sector is estimated to drop 5.9% from the 2011 level to EGP29.5 billion in 2012. Between 2012 and 2022, the investment is projected to increase at a CAGR of 5.8% to EGP52.1 billion.
- In line with the long-term plans to diversify Egypt's tourism away from the Nile, the government continues to encourage hotel and resort development in the coastal areas. Development is driven by the Egyptian Tourism Development Authority's strategy of clustering hotels in tourist centres.
- In order to revive the tourism industry, Egypt recently reopened The Pyramid of Chefred (Khafre), the second largest pyramid at Giza, alongside six ancient tombs. The historical places are now accessible to the public for the first time after a long restoration period.

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

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

³WTTC and Zawya News Report

1.3. Ecotourism ⁴

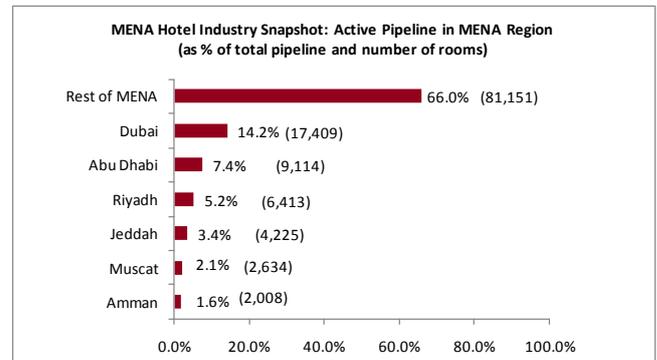
Ecotourism is emerging as one of the most popular forms of tourism in the Middle East. It is playing a crucial role in promoting cultural awareness about the environment and is directly contributing to the economy. The Kalba project launched by the UAE government is one of the important ecotourism projects in the UAE and the region.

- The Sharjah Investment and Development Authority (Shurooq) are implementing the project in Kalba City in collaboration with the Environment and Protected Areas Authority (EPAA) and the International Conservation Services. It would feature natural reserves, and diverse tourist and commercial facilities at Khor Kalba.
- The project would be implemented in three phases. The first phase, launched in May 2012, would see the redevelopment of natural reserves in Kalba (Hafiya and Al Qurm natural reserves), release of rare animals and birds, establishment of Discovery Center within the reserve for visitors and restoration of archaeological sites within the project. The ecotourism project is expected to draw in private investments of over AED1 billion and create 5,000 new jobs over the next six years.
- As ecotourism is playing an important role in Oman's expanding tourism sector, the country's government is focusing on further developing the ecotourism business. The recent partnership between the Ministry of Tourism (MoT) and the International Union for Conservation of Nature (IUCN) would further boost Oman's ecotourism industry. The IUCN is providing MoT with technical guidance and expertise as the ministry aims to expand ecotourism while bringing about more environmentally friendly tourism practices. The joint effort has begun with a pilot project in Bandar Khiran, a coastal ecotourism spot.

2. Key Developments

2.1. Hotel Construction Pipeline⁵

- As of August 2012, the active hotel development pipeline in the MENA comprised 487 hotels with 122,954 rooms.
- With 6,413 rooms in August 2012, Riyadh (Saudi Arabia) reported the largest growth rate of 84.5%.
- Other regions that reported significantly high growth in the number of rooms are Jeddah, Saudi Arabia (70.7% with 4,225 rooms); Muscat, Oman (60.9% with 2,634 rooms); Abu Dhabi, UAE (50.7% with 9,114 rooms); Dubai, UAE (28.6% with 17,409 rooms); and Amman, Jordan (20.3% with 2,008 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

- Marriott International, Inc. expanded its reach in the Middle East with the opening of Residence Inn by Marriott Manama Juffair, Marriott's largest extended-stay brand within the Marriott International portfolio. It is the first Residence Inn property in the Middle East. It comprises 80 units and is located in suburban Manama. Marriott International has two other properties that are currently under construction in the region – an 83-unit Residence Inn by Marriott Jizan in Saudi Arabia and a 143-unit Residence Inn by Marriott Kuwait, scheduled to open in 2013 and 2015, respectively.
- Accor group of hotels would strengthen its midscale hotel network in Abu Dhabi, UAE by opening a new Novotel hotel, Novotel Abu Dhabi Gate, by October end. The new hotel would have 160 superior rooms and 64 spacious one-bedroom apartments on the upper floors. The hotel would also offer six modern meeting rooms ranging in size from 20sqm to 100sqm. The opening rates would start from AED380.
- Wyndham Hotel Group, one of the world's largest hotel companies, plans to open the first five-star Wyndham Grand[®] hotel at Manama, Bahrain. The hotel, expected to open by 2013, would have 260 spacious guest rooms ranging from 46 to 120sqm. It would also have a 500sq meter meeting space, a 900sq meter ballroom, indoor and outdoor infinity swimming pools, and separate health clubs for men and women.

⁴ Desk research

⁵ STR Global news release

⁶ Zawya news reports

3. Serviced Apartments in the GCC

3.1. Key Statistics/Trends⁷

- In the first half of 2012, Dubai's hotel apartments accommodated nearly 1.04 million guests, an increase of 9% as against 0.95 million in the corresponding six months of 2011. During the same period, revenues from hotel apartments in Dubai amounted to AED1,401.7 million, a rise of 23% compared to AED1,136.3 million in H1 2011. During January–June 2012, the average apartment room occupancy rate in Dubai stood at 79% in H1 2012 as against 76% in H1 2011. Smaller and independent players mainly dominate the serviced apartment markets in the UAE. However, smaller operators are finding it increasingly difficult to sustain market share due to absence of F&B (Food & Beverage) operations and rising costs (for instance, charges for government transactions, staff housing, etc). On the other hand, larger operators are increasingly embarking on mixed-use projects featuring both serviced apartments and hotel rooms.
- In Saudi Arabia, the branded serviced apartments segment is still underserved by the Kingdom's hospitality sector. However, as the overall tourism industry matures, the demand for quality branded serviced apartments sector is expected to grow considerably. Furnished apartments in Saudi Arabia are categorized as first class, second class and third class. In 2011, first-class furnished apartment units achieved the highest occupancy rate (73.9%), while the occupancy rates for apartments of second and third class stood at 68.4% and 67.6%, respectively.
- Of late, the serviced apartment industry has witnessed significant growth in occupancy rates in certain countries of the region due to the political upheaval in the neighboring states. For instance, in 2011, a large share of demand for serviced apartments in regions such as Abu Dhabi, Dubai, Saudi Arabia and Oman was a result of the political unrest in select Middle East countries. Recently, occupancy rates in furnished apartments in Lebanon surged due to the entry of thousands of Syrians seeking refuge as the security situation continues to deteriorate in their home country. However, this momentary trend is expected to soon change following the easing of political tensions in the region.
- The Saudi government is focusing on major redevelopment projects around the Haram area in Makah in an effort to increase the number of religious tourists. However, the area is dominated by upscale and full service hotels offering quality F&B, and health and fitness facilities, while there remains a market gap for mid-scale hotels and serviced apartments. According to Colliers International Research, sufficient opportunity exists for the development of mid-scale hotels and serviced apartments if they are constructed as part of a mixed-use scheme offering good quality retail outlets and/or shopping arcades.

3.2. Major Brands/Expansion Plans⁸

- Damac Properties showcased its serviced hotel apartment offering at the Cityscape Global 2012 exhibition held at the Dubai International Convention and Exhibition Center. By the end of 2013, Damac would have 4,000 new serviced apartment suites either built or under construction, turning out to be one of the largest serviced hotel apartment companies in the region. Around 75% of the units would be built in the "Burjside" area of Dubai, while the rest would be in other planned developments in Qatar, Jordan and Saudi Arabia.
- Rezidor Group announced plans to open a new 170-room property, the Park Inn by Radisson Riyadh Al Sahafa, in 2014. In addition to serviced apartments, the hotel would feature a mix of standard guest rooms and studios. The hotel and residences would share one restaurant, a lobby-lounge, fitness center and 100 m² of meeting space.
- The Mandarin Oriental Hotel Group is set to enter the Middle East region with a new luxury hotel and serviced apartments in Doha. The property, which would have 95 serviced apartments, is being developed by Dohaland and is scheduled to open in 2014.
- Marriott International has signed an agreement for Residence Inn by Marriott Kuwait City, marking the brand's third property in the GCC. The extended-stay property, due to open in 2015, would comprise 143 studios as well as one- and two- bedroom suites. It would also offer kitchen and separate living areas, flatscreen TVs and a lobby that includes a self-service lounge, casual restaurant and meeting room.
- In September 2012, Governor West Bay, a five-star American chain of hotels, opened a new furnished apartment hotel in Doha. With each suite equipped with cooking facilities, guests have the option of either cooking for themselves or dining at the hotel's in-house fine dining restaurant. Built at a cost of QR450 million, the building has 195 furnished two- and three-bedroom apartments with a capacity to host 450 persons.

⁷ Zawya news reports and desk research

⁸ Zawya news reports and desk research