



1. Market Update

The hotel industry in the MENA region exhibited positive performance in May 2013, with the occupancy rate rising to 62.7% from 60.2% in May 2012. Also, ADR increased 5.5% to \$152.29 in May 2013 compared to that in May 2012.¹

1.1. MENA Region²

- In May 2013, Muscat (Oman) reported the largest increase in hotel occupancy rate (66.3%, up from 53.9% in the year-ago period) as the country witnessed higher number of tourist arrivals due to political instability in some countries of the MENA region. Doha (Qatar) reported the second highest increase in occupancy rate in the region (66.2%, up from 57.2% in May 2012), driven by a rise in the number of tourists visiting the country.
- During the same month, Beirut (Lebanon) reported the largest decrease in occupancy due to political instability (down to 55.2% from 62.7% in the year-ago period).
- In May 2013, Jeddah (Saudi Arabia), recorded the largest increase in ADR (up 17.5% to \$250.2 compared to that in May 2012), followed by Dubai in the United Arab Emirates (up 10.5% to \$216.2 compared to May 2012).
- Beirut (Lebanon) recorded the biggest drop in ADR (down 17.3% to \$159.41 compared to that in the year-ago period), as the persistent unrest in the Middle East continued to negatively affect the country's tourism industry.

Table 1: Performance of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	May 2013	May 2012	May 2013	May 2012	Mar–May 2013	Mar–May 2012	Mar–May 2013	Mar–May 2012
Egypt	53.5%	51.0%	EGP480.2	EGP384.5	55.5%	52.3%	EGP470.6	EGP409.9
Saudi Arabia	64.8%	68.1%	SAR665.6	SAR614.6	68.9%	71.5%	SAR702.0	SAR633.9
UAE	75.1%	69.9%	AED693.3	AED636.6	79.0%	75.1%	AED824.5	AED782.4

Note: Occupancy* and ADR* show indicate the comparison for the three months ended May 2013 with the corresponding period a year earlier

Table 2³: Performance of major MENA cities in May 2013**

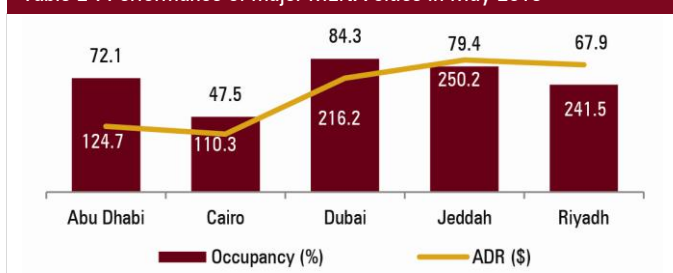
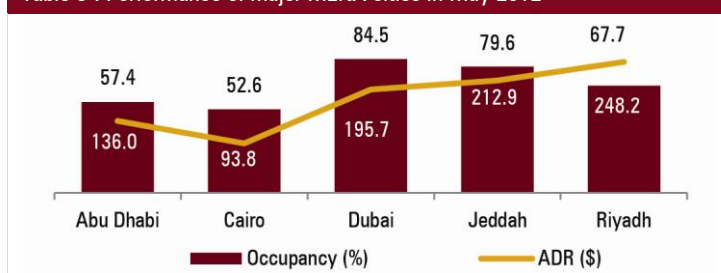


Table 3⁴: Performance of major MENA cities in May 2012**



Note: **Cities represented in the graph are from countries in Table 1

In May 2013, Dubai witnessed highest occupancy in the region, as the hotel industry reaped visible benefits from the many international events that took place during the month. The International Design Exhibition and Arabian Travel Market collectively drew 40,000 visitors, while events such as Africa Global Business Forum and Dubai Airport Show attracted audience of 10,000 in total. However, occupancy rates remained flat, dropping marginally ADR compared to the corresponding period the previous year.

During the same month, Jeddah displayed the highest ADR among comparable cities mentioned in the chart. ADR surged to \$250.2 in May 2013 from \$212.9 in the year-ago period. The boost in ADR can be ascribed to continued growth in demand, coupled with ever-increasing average rates.

¹STR Global Data, Middle East/Africa Hotel Sector Performance for May 2013

²STR Global Data, Middle East/Africa Hotel Sector Performance for May 2013

³Hotstats Hospitality Intelligence – May 2013

⁴Hotstats Hospitality Intelligence – May 2013

1.2. Country Focus: Bahrain⁵

- In 2012, Bahrain's travel & tourism sector ranked 92nd worldwide in terms of absolute contribution to GDP. Around 6.5 million international tourists are estimated to visit the country in 2013, generating BHD728.9 million in revenues. The number of tourists visiting Bahrain is estimated to increase at a CAGR of 3.4% to 9.1 million over 2013–23, with revenues totaling BHD1,105.8 million in 2023.
- The travel & tourism sector's direct contribution to GDP is estimated to increase to BHD572.0 million in 2013 (5.1% of GDP) from BHD538.3 million in 2012 (5.0% of GDP). Thereafter, it is projected to expand at a CAGR of 4.4% to BHD875.8 million in 2023.
- Investments in the travel & tourism sector are estimated to grow 1.7% to BHD222.2 million in 2013 from BHD196.3 million in 2012, and increase at a CAGR of 4.9% to BHD358.2 million over 2013–23.
- Over the years, Bahrain has emerged as a regional and world tourist destination. In 2011, the country was named the Arab Capital of Tourism for 2013. Bahrain offers a wide variety of tourist attractions, from historic monuments such as the Qalat Al Bahrain fort dating back to the 16th century AD to one of the most modern Formula One racetracks in the world at the Bahrain International Circuit.
- Tourists are attracted to Bahrain due to its weather (hot summers and pleasant winters); rich cultural heritage; activities such as diving and water sports, golf, horse riding and cruises; and other events and festivals.
- The country's tourism department continues to focus on boosting tourism. Recently, the government signed a multi-billion dollar transportation infrastructure plan. The international airport is due to begin work on its expansion program this year, boosting passenger capacity; the work is scheduled for completion in 2015.

1.3. Medical tourism⁶

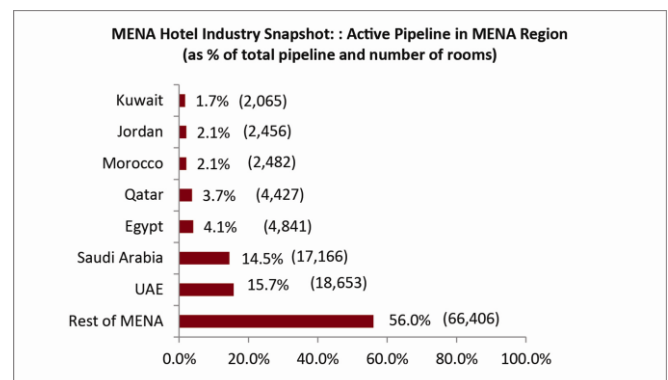
With specialized healthcare cities and other major hospital projects springing up in the region, the Middle East is gradually becoming one of the most sought after destinations by medical tourists. The UAE and Jordan are the top two medical travel destinations among the Middle East countries.

- Jordan is the leader in the medical tourism industry in the Middle East. High quality of healthcare services and facilities are among the reasons that have enabled the country become one of the world's most popular medical tourism destinations. Jordan serves medical tourists mainly from Iraq, Syria and Yemen.
- Over the past decade, the UAE has emerged as one of the key medical tourism destinations with the creation of the Dubai Healthcare City (DHCC). Most international patients visiting the UAE are from neighboring countries like Qatar, Oman, Iraq, Libya and Iran with little or no access to quality healthcare.
- In 2013, the Dubai Health Authority (DHA) announced a host of projects as part of its strategy for 2013–25 to promote Dubai as a favored destination for health tourism in the Middle East. According to the Dubai Chamber of Commerce and Industry, the UAE healthcare market is estimated to reach AED43.7 billion in 2015.

2. Key Developments

2.1. Hotel Construction Pipeline⁷

- As of May 2013, the active hotel development pipeline in the MENA region comprised 483 hotels with 118,496 rooms.
- With 18,653 rooms, the UAE reported the largest number of rooms under construction in May 2013.
- Other countries that reported more than 2,000 rooms under construction are Saudi Arabia (17,166 rooms), Egypt (4,841), Qatar (4,427), Morocco (2,482), Jordan (2,456), and Kuwait (2,065).



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 total number of rooms

⁵ WTTC and Zawya News Report

⁶ Desk research

⁷ STR Global news release

2.2. New Hotel Openings and Expansions in MENA⁸

- Hilton Worldwide signed an agreement with Al Hokair Group for its fourth hotel in the Eastern Province, Saudi Arabia. The former is expected to rebrand and reopen the hotel, a 153-room conversion property in Dhahran, as DoubleTree by Hilton Dhahran at the end of 2013.
- In July 2013, Emaar Properties PJSC and Meraas Holding, a leading Dubai-based development company, launched a new hotel brand 'Dubai Inn' focused on the affordable segment. Hotels launched under this brand will be located around Dubai, offering a wider choice for new generation of travelers.
- Hospitality group Accor Middle East announced it would introduce a hotel brand in the region over the next three years to cater to long-stay corporate travelers. Aparthotels Adagio is the name given to the 10 apartments-with-hotel services to be built across the region by 2016. The first property is scheduled to open in Abu Dhabi in October 2013.
- Minor International, a Thai hotel group plans to open its first five star hotel, Anantara Dubai Palm Jumeirah Resort & Spa, in Dubai by the end of 2013. The hotel will offer a total of 293 guest rooms and suites and will feature 11,000 square metres of lagoon pools.

3. Restaurant Industry in GCC

3.1. Key Statistics/Trends⁹

- Casual dining restaurants are one of the fastest growing segments in the restaurant industry. Almost all major international casual dining restaurant players have already penetrated the Saudi Arabian market, while several other chains have either signed up for franchising or are in the planning phase. Main casual dining restaurants markets in the Kingdom are Riyadh, Jeddah and the Eastern Province due to the large population base.
- The three key factors that enable KSA casual dining restaurants to capture larger market share and expand at a much faster pace are high disposable income, global exposure and limited sources of entertainment, along with an ever-increasing number of malls in the Kingdom.
- Accordingly, operators in casual dining restaurants market are expected to proceed with their expansion strategy, and the number of outlets is estimated to reach approximately 17,000 by 2014, while the overall value is predicted to increase at a CAGR of 6% in constant value terms to SAR28.9bn by 2014.
- Driven by strong economy and robust regional investor base, large number of US restaurant brands are partnering with Middle Eastern companies to open units and expand operations. Increasing number of US-based restaurant companies are finding developers in the Middle East, making it one of the strongest regions for international growth of American brands.
- The top international casual dining restaurant chains present in GCC include Applebee's, Outback Steak House, Chilis and TGI Fridays.

3.2. Major Brands/Expansion Plans¹⁰

- Belgian restaurateurs and beverage experts Lars and Ronny Haesen are set to open their first outlet at The H Hotel on Sheikh Zayed Road in Dubai. Belgian lounge Bapas will be open at the end of September 2013. The brand is part of Laroya Holding Group, established by Ivan, Lars and Ronny Haesen and Arab entrepreneur Yassar Abdul Wahid.
- Condé Nast International Restaurants confirmed that GQ Restaurant and Bar is set to open at JW Marriott Marquis Dubai in October 2013. The menu will feature contemporary cuisine created by Condé Nast International Restaurants' chef and deputy director Gary Robinson.
- New York Fries, a Canada-based fast food restaurant, has announced it would open two new stores in Istanbul, Turkey, in August and September 2013. Ardaq, an exclusive licensee of New York Fries in Turkey, will operate both the stores.

⁸ Zawya news reports

⁹ Zawya news reports

¹⁰ Zawya news reports, desk research

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