



1. Market Update

The hotel industry in the MENA region reported negative results in July 2012. The occupancy rate fell to 56.7% from 59.6% in July 2011, partly offset by a 2.1% increase in ADR to \$140.7 compared to the same month the previous year.¹

1.1. MENA Region²

- Beirut, Lebanon reported the largest decrease in occupancy rate to 53.9% in July 2012 from 66.8% a year earlier. During this period, the rate in the UAE dropped to 60.5% from 71.0% due to lower hotel occupancy in Dubai and Abu Dhabi and the holy festival of Ramadan. In Egypt, the occupancy rate declined to 51.5% from 52.9% due to fewer regional tourist arrivals during Ramadan.
- Jeddah, Saudi Arabia recorded the largest increase in ADR in July 2012 (up 7.9% to \$229.0 compared to July 2011), followed by Amman, Jordan (up 7.0% to \$156.6 compared to July 2011). Beirut, Lebanon posted the largest decline in ADR in the region (down 25.2% to \$195.8 compared to July 2011).

Table 1: Performances of key countries in the MENA region

Country	Occupancy		ADR		Occupancy*		ADR*	
	July 2012	July 2011	July 2012	July 2011	May-July 2012	May -July 2011	May -July 2012	May -July 2011
Egypt	51.5%	52.9%	EGP393.2	EGP390.1	49.5%	43.5%	EGP389.4	EGP412.0
Saudi Arabia	64.6%	65.4%	SAR811.0	SAR608.4	66.9%	64.0%	SAR688.9	SAR642.7
UAE	60.5%	71.0%	AED552.5	AED539.3	66.2%	67.6%	AED585.5	AED575.9

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

1.2. Country Focus: Kuwait³

- Kuwait's travel and tourism sector ranks 61st globally in terms of absolute contribution to GDP. Around 305,000 international tourists are expected to visit the country in 2012, generating annual revenues of KWD177.2 million. The number of tourists to the country is estimated to increase at a CAGR of 4.9% over 2012-2022 to 491,000 by 2022, raising the sector's revenue contribution to KWD242.4 million.
- The travel and tourism sector's direct contribution to Kuwait's GDP is expected to grow to KWD1,195.5 million in 2012 from KWD1,144.0 million in 2011. This is projected to increase at a CAGR of 3.1% to KWD1,622.5 million in 2022.
- Investment in Kuwait's travel and tourism sector is estimated to grow 13.4% from the 2011 level to KWD210.0 million in 2012. This is projected to increase at a CAGR of 4.3% to KWD319.2 million by 2022.
- Tourists in Kuwait mainly arrive for business; however, the Kuwait tourism office has formulated a five-year plan to increase the number of leisure tourists to the country by enhancing its tourism infrastructure. In line with this, Kuwait recently increased the capacity of its airport by 7 million to accommodate 14 million passengers. Besides this, the government is providing marketing and awareness help for various cultural events and festivals.

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

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

³WTTC and Zawya News Report

1.3. Jeddah Summer Festival ⁴

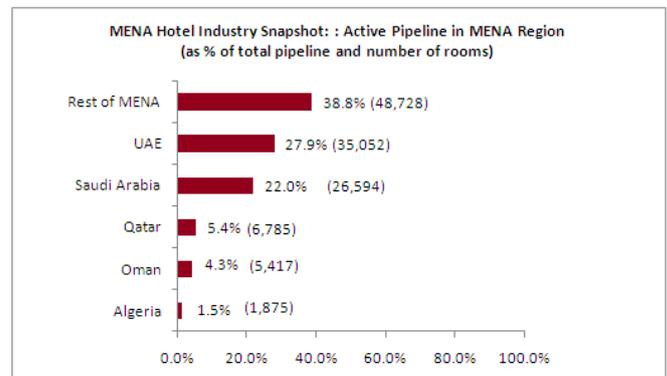
The Jeddah Summer Tourism Festival is one of the most entertaining events in the city. With its old charm, modern skyscrapers and shopping centers, Jeddah has evolved as a major tourist attraction. The various famous places and museums in the city attract a plethora of tourists, complimented by a range of festivals and events.

- The Jeddah Summer Festival, held during June to July, is the largest event in the Kingdom with the highest number of attractions compared with other festivals. The festival provides large investment opportunities to investors in the tourism sector under the supervision and support of the governorates of Makkah and Jeddah and the Saudi Commission for Tourism and Antiquities (SCTA). This festival particularly includes programs for families, children and the youth.
- In 2012, the Jeddah Summer Festival was held during June 6–July 12. According to the Jeddah Chamber of Commerce and Industry (JCCI), around 4.5 million tourists visited the festival in 2011, translating into revenues of SR6 billion. The number of visitors had been estimated to rise over 5 million this year.
- In 2012, the Jeddah Summer Festival comprised at least 150 activities, including a fireworks display, in addition to a circus, a dolphin show, children's programs, sports and games. The administration arranged for buses for tourists visiting archeological sites, old souks and commercial centers in the city. The Saudi Commission for Tourism and Antiquities (SCTA) opened 10 information centers at tourist arrival points such as the King Abdul Aziz International Airport as well as commercial centers for assistance.

2. Key Developments

2.1. Hotel Construction Pipeline⁵

- As of July 2012, the active hotel development pipeline in MENA comprised 495 hotels with 125,481 rooms.
- With 5,417 rooms in July 2012, Oman reported the largest growth rate of 81.2%.
- Other countries that reported significantly high growth in the number of rooms are Saudi Arabia (53.9% with 27,624 rooms), Qatar (47.1% with 6,785), Algeria (43.6% with 1,875) and the UAE (38.6% with 35,052).



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

- Swissôtel Hotels & Resorts announced the opening of its new hotel, Swissôtel Jadaf Dubai, by early 2016. The new hotel would be located in the Al Jadaf area in Dubai and comprise over 280 rooms and suites, an all-day dining restaurant, three specialty restaurants with outdoor areas and a Pürovel spa. Additionally, the proposed hotel would have meeting, conference and ballroom facilities with a total area of 1600m².
- InterContinental Hotels Group PLC (IHG), one of the world's largest hotel operators by number of rooms, has signed an agreement with Dubai-based property developer Select Group to open the InterContinental Dubai Marina by 2013 end. The hotel will consist of 132 rooms and will be a part of the Bay Central residential development in Dubai's Marina area. The hotel will also include 196 residential suites, eight food and beverage outlets, including restaurants, bars and a night club.
- Best Western International would expand hotel operations in the Middle East by opening its first four-star hotel, Best Western Premier Muscat, in Oman by October 2012. The hotel would comprise 203 guestrooms and suites and would offer various amenities such as plush bedding, 42-inch flat screen LED televisions with a variety of satellite channels, complimentary Wi-Fi and luxurious bathrooms with rain showers. Best Western plans to open 20 new hotels across the Middle East by 2015 in addition to the four in Riyadh, Al Khobar, Doha and Tel Aviv.

⁴ Desk research

⁵ STR Global news release

⁶ Zawya news reports

3. Specialized Clubs in GCC

3.1. Key Statistics/Trends⁷

- The fitness and healthcare industry in the Middle East is growing rapidly as both residents and tourists avail the wide array of health facilities and increasingly recognize the importance of taking time out to relax from their hectic lifestyles.
- High obesity among nationals is one of the major reasons for the rapid growth in the number of health clubs, as people are becoming more health conscious. According to data from the World Health Organization (WHO), the obesity rate in Kuwait is the highest in GCC (78.8%), closely followed by Qatar (72.3%), the UAE (71.3%), Bahrain (70.6%), Saudi Arabia (69.0%) and Oman (55.8%).
- High influx of tourists in the GCC region has boosted demand for hotel gyms. Consumers prefer fitness centers with the latest equipment.
- Due to increasing competition in the fitness industry, wellness brands and those offering alternate weight loss programs have been investing heavily in advertisement and promotion. Apart from the digital and traditional methods of advertising, companies are resorting to alternatives such as online marketing, which is measurable and can be targeted at a specific audience. According to VLCC, one of the leading fitness clubs in GCC, the marketing spend of health clubs is increasing and it accounts for around 15%-18% of the revenues.
- Recently, in May 2012 the Shura council of Oman passed a resolution to stop issuing of new licenses for health clubs except to those operating in five-star hotels, hospitals and clinics. The committee also recommended more control over existing ones and closing down the clubs that do not adhere to existing regulations laid down by the authorities. The new resolution will not only affect the existing foreign clubs but will also negatively affect other foreign club planning to expand their presence in Oman

3.2. Major Brands/Expansion Plans⁸

- Mickey Mehta, one of India's leading holistic health specialists, plans to enter the Middle East market by launching his renowned health, wellness and fitness brand Mickey Mehta's 360° Wellness Center in the UAE. The proposed center would be set up in Dubai and would offer total wellness services, include breathing, meditation, ayurvedic health solutions and equipment-free gyms.
- Fitness First, one of the world's largest health club operators, announced the opening of a new outlet at Julfar Towers in Ras Al Khaimah, UAE. The new club would be spread over 1,500m² and would offer state-of-the-art equipment, fully qualified personal trainers and latest group fitness classes. This club would be Fitness First Club's 31st club in the Middle East (23 in the UAE).
- SportsFit Health Club changed its name to Fitness 360° to give the brand a clearer market position and create a stronger association between the brand and the services. The company announced the opening of three new health clubs in Dubai by the end of the year, taking the total to five.
- Fraser Suites, Doha announced the opening of its new luxury wellness spa specifically catering to visitors looking for a place of serenity and relaxation in a luxurious setting. The spa is located on the top floor of the hotel building and houses two treatment rooms, a sauna, 24/7 gym and roof-top swimming pool. The spa would have internationally trained spa therapists, fitness instructors and gym attendants to fulfill guest requirements.
- Sofitel Abu Dhabi Corniche launched the first 'So Spa' in GCC. So Spa is a unique concept, which blends therapies and treatments from around the world with the refinement and skill of the latest French cosmetology. So Spa would house four single treatment rooms, each named after traditional Arabic and French fragrances, and one double private spa suite.

⁷ Zawya news reports and desk research

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