

## MENA CHAIN HOTELS MARKET REVIEW FEBRUARY 2012

### Egypt shows signs of recovery

Hotels in Egypt have started a recovery but they remain a long way from their previous highs prior to the Arab Spring, according to the latest **HotStats** survey of full-service hotels in six MENA cities by TRI Hospitality Consulting.

Hotel performances in Cairo and Sharm El Sheikh have remained subdued since early 2011 when the popular uprising and related violence started. Full service hotels in Cairo reported occupancy of 41.2% and ADR of US\$110.19 in February. TrevPAR for the month was US\$91.13 and GOPPAR stood at US\$36.1.

Occupancy levels in Sharm El Sheikh have remained relatively steady since December 2011 and stood at 52.0% in February. ARR for the month was reported at US\$42.26 while GOPPAR levels remained low at US\$11.0. Although the monthly performance indicators for February 2012 for both cities show substantial growth over the same period last year, such a comparison may be irrelevant as the hotel performance last year reflected the aftermath of a violent start of the Egyptian Revolution which saw widespread protests and related violence across the country.

Tourist arrivals in Egypt has declined by 32% to 10.2 million visitors and revenues dropped by 30% to US\$9 billion in 2011 following the political uprising in the country. Although the street protests and violence have reduced, the risk of sporadic violence remains. Nevertheless, Egypt's Ministry of Tourism has issued a positive outlook for 2012 and expects the country to receive 12-13 million visitors and revenues to improve to US\$11 billion during the year.

"Hoteliers are reporting greater stability on the ground which might reflect an improvement in hotel performance in the coming months. A strong recovery in tourism arrivals is unlikely as long as the risk of violence remains", commented Peter Goddard, managing director of TRI Hospitality Consulting in Dubai.

There were more encouraging results in Jeddah. Occupancy and

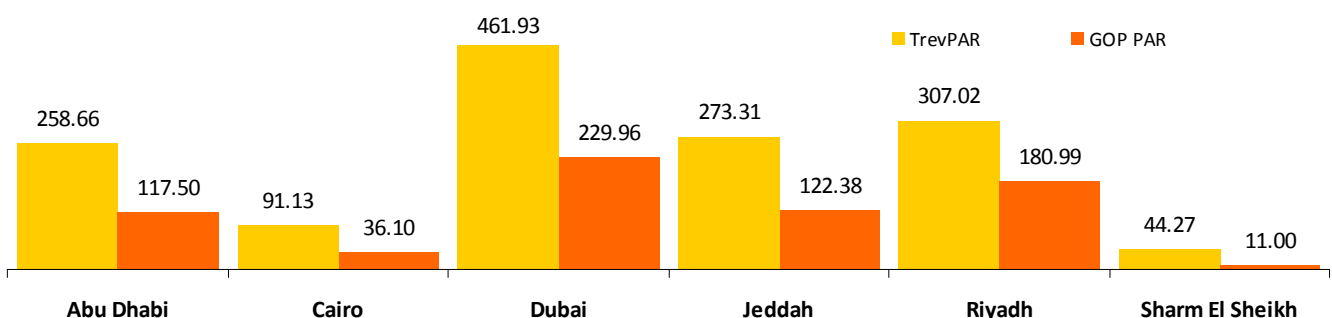
Average Room Rates (ARR) at four and five star chain hotels in Jeddah increased 7.5 percentage points and 10.7% respectively, compared to the same period last year as the city saw a surge in tourist activity during the closing weeks of Jeddah Shopping Festival. Occupancy for the month touched 79.5% with ARR increasing to US\$213.5. The city also hosted the second edition of Jeddah Travel and Tourism Exhibition (JTTX) in February which brought more than 200 exhibitors and over 10,000 visitors to the city during the three day event.

Hotels in Riyadh reported mixed results in February. While occupancy levels increased to 70.8%, ARR declined to US\$267.36 albeit the changes in both metrics were marginal. Interestingly Total Revenue Per Available Room (TrevPAR) for the month saw a healthy growth during the month compared to last year, growing 8.7% to reach US\$307.02. The growth in revenues and a 1.5 percentage point drop in Payroll helped the hotels improve the bottom line as Gross Operating Profit Per Available Room (GOPPAR) for the month increased 8.1% to US\$180.99.

#### The month of February 2012

|                 | Occ % | ARR    | RevPAR | TrevPAR | Payroll % | GOP PAR |
|-----------------|-------|--------|--------|---------|-----------|---------|
| Abu Dhabi       | 76.2  | 173.85 | 132.39 | 258.66  | 22.5      | 117.50  |
| Cairo           | 41.2  | 110.19 | 45.39  | 91.13   | 25.7      | 36.10   |
| Dubai           | 85.2  | 312.38 | 266.16 | 461.93  | 17.9      | 229.96  |
| Jeddah          | 79.5  | 213.50 | 169.82 | 273.31  | 24.5      | 122.38  |
| Riyadh          | 70.8  | 267.36 | 189.26 | 307.02  | 16.8      | 180.99  |
| Sharm El Sheikh | 52.0  | 42.26  | 21.99  | 44.27   | 23.3      | 11.00   |

### MENA City Markets achieved TREVPAR and GOPPAR February 2012



## Abu Dhabi results show a drop in demand while Dubai shows mixed results

Hotels in Abu Dhabi reported a drop in all major performance indicators in February 2012, according to the latest HotStats survey of full-service hotels in six MENA cities by TRI Hospitality Consulting

In terms of the top line indicators, occupancy and ARR for February posted a decline 3.0 percentage points and 28.8% respective to close the month at 76.2% and US\$173.85, dragging RevPAR down by 31.6% to US\$132.39 for the month. In terms of profits, GOPPAR for the month stood 35.3% below the same period last year, making Abu Dhabi the only GCC city amongst the four surveyed by HotStats to post a GOPPAR decline during the month.

“There was a notable decline in Abu Dhabi hotel performance in February compared to the same month last year. However, this is more due to the strong performance of the hotels last year rather than a flat performance this year as Abu Dhabi had hosted some mega events last February such as IDEX and Al Ain Aerobatic Show which boosted hotel demand. The next edition of IDEX is due only next year and Al Ain Aerobatic Show has been pushed forward to coincide with the UAE National Day this year. To put February numbers into perspective, an analysis of the month-on-month performance in Abu Dhabi shows a consistent improvement in occupancy and ARR for the last three months” commented Goddard.

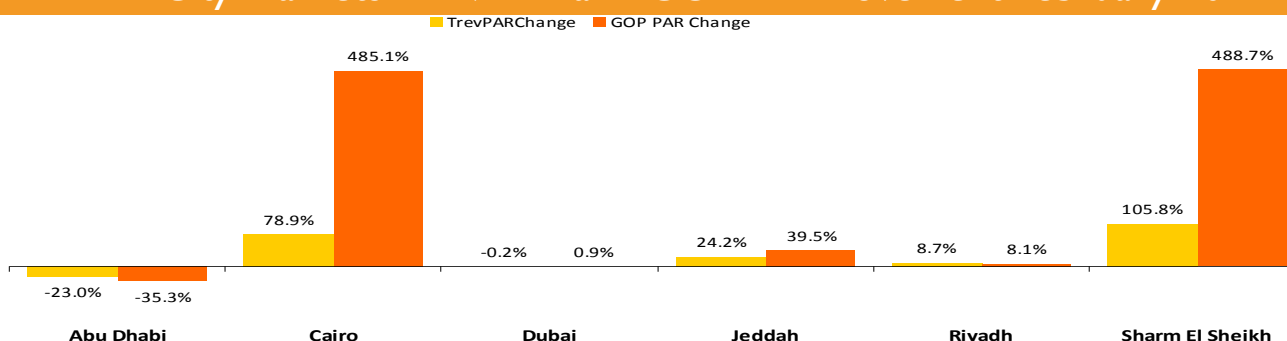
The decline in hotel performance in the emirate was mainly caused by an influx of supply over the last 2-3 years as growth in supply outpaced the growth in demand. Major openings in the last few months include Park Hyatt Saadiyat Island, Jumeirah Etihad Towers, Westin Abu Dhabi, Hyatt Capital Gate and Sofitel Abu Dhabi Corniche, amongst others. The anticipated growth in supply has resulted in the government deciding to be selective in issuing new hotel licenses in Abu Dhabi.

“The decision to freeze or limit new hotel licenses does not surprise me as similar controls were enforced in the 1990’s, specifically the controlling of liquor licenses. In Abu Dhabi, the government has an equity stake in many hotels and thus have a vested interest in maintaining reasonable occupancy levels. The short term effect on occupancies and average daily rates of limiting hotel licenses is likely to be insignificant, albeit medium to long term, reduced number of hotels will mean higher occupancy and higher average daily rates.” commented Goddard.

In Dubai, hotels reported a 4.3 percentage point drop in occupancy in February 2012 compared to the same period last year while the Average Room Rate (ARR) went up by 2.9% to US\$312.4. Although, this resulted in a 2.0% drop in Revenue Per Available Room (RevPAR), a marginal growth in the non-room revenues appears to have helped the hotels limit the drop in Total Revenues Per Available Room (TrevPAR) which dropped marginally by 0.2%. On the bottom line, Dubai hotels posted a marginal growth of 0.9% for the month compared to the same period last year, achieving a Gross Operating Profit Per Available Room (GOPPAR) of US\$299.96.

|                 | Movement for the month of February |            |               |                |                |                |
|-----------------|------------------------------------|------------|---------------|----------------|----------------|----------------|
|                 | Occ Change                         | ARR Change | RevPAR Change | TrevPAR Change | Payroll Change | GOP PAR Change |
| Abu Dhabi       | -3.1                               | -28.8%     | -31.6%        | -23.0%         | -5.3           | -35.3%         |
| Cairo           | 22.8                               | -32.9%     | 50.4%         | 78.9%          | 22.4           | 485.1%         |
| Dubai           | -4.3                               | 2.9%       | -2.0%         | -0.2%          | -1.0           | 0.9%           |
| Jeddah          | 7.5                                | 10.7%      | 22.3%         | 24.2%          | 0.6            | 39.5%          |
| Riyadh          | 2.0                                | -3.6%      | -0.9%         | 8.7%           | -1.5           | 8.1%           |
| Sharm El Sheikh | 29.8                               | -19.6%     | 87.8%         | 105.8%         | 21.5           | 488.7%         |

## MENA City Markets TREVPAR and GOPPAR Movement February 2012



**Editors Notes:**

The MENA Chain Hotels sample is composed of hotels with an average hotel size of 330 bedrooms. The hotels profiled in this report are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains that we survey and which operate primarily in the four and five-star sectors.

**Please note:** The data samples are reviewed and rebased each year to reflect the changes in the HotStats survey base. As a result, performance ratios published last year may differ from those contained within this report. TRI Hospitality Consulting provides a wide range of services to clients in the hotel sector.

|                                |  |
|--------------------------------|--|
| <b>Occupancy (%)</b>           | is that proportion of the bedrooms available during the period which are occupied during the period.       |
| <b>Average Room rate (ARR)</b> | is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.      |
| <b>Room Revpar (RevPAR)</b>    | is the total bedroom revenue for the period divided by the total available rooms during the period.        |
| <b>Total Revpar (TrevPAR)</b>  | is the combined total of all revenues divided by the total available rooms during the period.              |
| <b>Payroll %</b>               | is the payroll for all hotels in the sample as a percentage of total revenue.                              |
| <b>GOP PAR</b>                 | is the Total Gross Operating Profit for the period divided by the total available rooms during the period. |

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# HotStats Briefing Data

## Middle East and North Africa Chain Hotels - Performance report Currency: \$ Dollars

| The month of February 2012         |            |            |               |                |                |                | Calendar year to February 2012             |            |               |                |                |                | Twelve months to February 2012             |            |               |                |                |                |                 |
|------------------------------------|------------|------------|---------------|----------------|----------------|----------------|--|------------|---------------|----------------|----------------|----------------|--|------------|---------------|----------------|----------------|----------------|-----------------|
|                                    | Occ %      | ARR        | RevPAR        | TrevPAR        | Payroll %      | GOP PAR        | Occ %                                      | ARR        | RevPAR        | TrevPAR        | Payroll %      | GOP PAR        | Occ %                                      | ARR        | RevPAR        | TrevPAR        | Payroll %      | GOP PAR        |                 |
| Abu Dhabi                          | 76.2       | 173.85     | 132.39        | 258.66         | 22.5           | 117.50         | 75.1                                       | 168.95     | 126.81        | 248.47         | 22.6           | 111.54         | 69.7                                       | 155.60     | 108.47        | 229.73         | 22.8           | 93.18          | Abu Dhabi       |
| Cairo                              | 41.2       | 110.19     | 45.39         | 91.13          | 25.7           | 36.10          | 38.9                                       | 113.07     | 44.02         | 88.10          | 25.6           | 35.47          | 37.4                                       | 118.21     | 44.15         | 90.55          | 23.3           | 38.10          | Cairo           |
| Dubai                              | 85.2       | 312.38     | 266.16        | 461.93         | 17.9           | 229.96         | 86.5                                       | 320.25     | 277.06        | 468.76         | 17.2           | 238.11         | 80.4                                       | 275.57     | 221.41        | 393.29         | 19.3           | 167.29         | Dubai           |
| Jeddah                             | 79.5       | 213.50     | 169.82        | 273.31         | 24.5           | 122.38         | 77.4                                       | 215.47     | 166.83        | 263.65         | 23.9           | 118.75         | 75.8                                       | 208.80     | 158.24        | 256.34         | 22.5           | 114.09         | Jeddah          |
| Riyadh                             | 70.8       | 267.36     | 189.26        | 307.02         | 16.8           | 180.99         | 66.0                                       | 262.99     | 173.54        | 278.96         | 17.4           | 163.15         | 60.2                                       | 259.83     | 156.50        | 252.61         | 17.7           | 138.34         | Riyadh          |
| Sharm El Sheikh                    | 52.0       | 42.26      | 21.99         | 44.27          | 23.3           | 11.00          | 51.1                                       | 46.71      | 23.85         | 46.03          | 21.5           | 13.56          | 55.4                                       | 47.33      | 26.21         | 49.58          | 18.8           | 16.62          | Sharm El Sheikh |
| The month of February 2011         |            |            |               |                |                |                | Calendar year to February 2011             |            |               |                |                |                | Twelve months to February 2011             |            |               |                |                |                |                 |
|                                    | Occ%       | ARR        | RevPAR        | TrevPAR        | Payroll %      | GOP PAR        | Occ%                                       | ARR        | RevPAR        | TrevPAR        | Payroll %      | GOP PAR        | Occ%                                       | ARR        | RevPAR        | TrevPAR        | Payroll %      | GOP PAR        |                 |
| Abu Dhabi                          | 79.3       | 244.05     | 193.44        | 335.93         | 17.1           | 181.69         | 71.1                                       | 217.82     | 154.80        | 284.45         | 18.6           | 142.60         | 63.2                                       | 196.82     | 124.41        | 246.67         | 20.7           | 110.77         | Abu Dhabi       |
| Cairo                              | 18.4       | 164.20     | 30.18         | 50.94          | 48.2           | 6.17           | 44.6                                       | 129.21     | 57.63         | 100.39         | 21.8           | 47.37          | 66.8                                       | 117.03     | 78.12         | 143.38         | 13.1           | 82.26          | Cairo           |
| Dubai                              | 89.5       | 303.52     | 271.64        | 462.67         | 16.8           | 227.97         | 86.2                                       | 300.72     | 259.23        | 442.27         | 17.1           | 217.59         | 78.2                                       | 259.83     | 203.25        | 368.45         | 19.8           | 154.23         | Dubai           |
| Jeddah                             | 72.0       | 192.85     | 138.89        | 220.13         | 25.1           | 87.74          | 67.7                                       | 190.95     | 129.30        | 203.39         | 25.6           | 78.66          | 72.5                                       | 197.86     | 143.39        | 230.88         | 22.9           | 100.77         | Jeddah          |
| Riyadh                             | 68.8       | 277.48     | 190.94        | 282.35         | 15.3           | 167.42         | 65.9                                       | 278.94     | 183.88        | 277.28         | 16.8           | 161.52         | 56.3                                       | 262.46     | 147.70        | 239.77         | 17.6           | 131.83         | Riyadh          |
| Sharm El Sheikh                    | 22.3       | 52.59      | 11.71         | 21.51          | 44.8           | -2.83          | 46.7                                       | 63.85      | 29.82         | 51.85          | 18.3           | 21.05          | 80.1                                       | 63.03      | 50.46         | 86.74          | 10.9           | 46.59          | Sharm El Sheikh |
| Movement for the month of February |            |            |               |                |                |                | Movement for the calendar year to February |            |               |                |                |                | Movement for the twelve months to February |            |               |                |                |                |                 |
|                                    | Occ Change | ARR Change | RevPAR Change | TrevPAR Change | Payroll Change | GOP PAR Change | Occ Change                                 | ARR Change | RevPAR Change | TrevPAR Change | Payroll Change | GOP PAR Change | Occ Change                                 | ARR Change | RevPAR Change | TrevPAR Change | Payroll Change | GOP PAR Change |                 |
| Abu Dhabi                          | -3.1       | -28.8%     | -31.6%        | -23.0%         | -5.3           | -35.3%         | 4.0  | -22.4%     | -18.1%        | -12.6%         | -4.1           | -21.8%         | 6.5  | -20.9%     | -12.8%        | -6.9%          | -2.1           | -15.9%         | Abu Dhabi       |
| Cairo                              | 22.8       | -32.9%     | 50.4%         | 78.9%          | 22.4           | 485.1%         | -5.7                                       | -12.5%     | -23.6%        | -12.2%         | -3.7           | -25.1%         | -29.4                                      | 1.0%       | -43.5%        | -36.8%         | -10.2          | -53.7%         | Cairo           |
| Dubai                              | -4.3       | 2.9%       | -2.0%         | -0.2%          | -1.0           | 0.9%           | 0.3  | 6.5%       | 6.9%          | 6.0%           | -0.1           | 9.4%           | 2.1  | 6.1%       | 8.9%          | 6.7%           | 0.5            | 8.5%           | Dubai           |
| Jeddah                             | 7.5        | 10.7%      | 22.3%         | 24.2%          | 0.6            | 39.5%          | 9.7  | 12.8%      | 29.0%         | 29.6%          | 1.7            | 51.0%          | 3.3  | 5.5%       | 10.4%         | 11.0%          | 0.5            | 13.2%          | Jeddah          |
| Riyadh                             | 2.0        | -3.6%      | -0.9%         | 8.7%           | -1.5           | 8.1%           | 0.1  | -5.7%      | -5.6%         | 0.6%           | -0.6           | 1.0%           | 4.0  | -1.0%      | 6.0%          | 5.4%           | -0.1           | 4.9%           | Riyadh          |
| Sharm El Sheikh                    | 29.8       | -19.6%     | 87.8%         | 105.8%         | 21.5           | 488.7%         | 4.4  | -26.8%     | -20.0%        | -11.2%         | -3.3           | -35.6%         | -24.7                                      | -24.9%     | -48.1%        | -42.8%         | -7.8           | -64.3%         | Sharm El Sheikh |