

Lower Profitability hits Dubai's Hotels while Abu Dhabi posts negative performance levels

Hotels in Abu Dhabi and Dubai saw profitability and revenue decline during the month of July, according to the latest HotStats survey of full-service hotels in seven MENA cities by TRI Hospitality Consulting Middle East.

The impact of summer coupled with restrictions on sales and consumption of food and liquor imposed during Ramadan had noticeable impact on hotel performance in the UAE. In the capital, Average Room Rates (ARR) fell 4.7% to US\$105.82 and triggered negative growth in Revenue Per Available Room (RevPAR) of 3.8%. Tourism incentives offered by SummerFest Abu Dhabi helped to relieve the decline in occupancy typically seen during this period, as occupancy grew 0.5 percentage points to 50.1%. Nonetheless, due to high operating costs, Abu Dhabi was the only market surveyed by HotStats to see negative profitability levels which fell from marginal levels last year.

Hotels in Dubai also suffered during the month of July, as illustrated in lower room night demand. The reduction in RevPAR by 16.8% was induced by occupancy declining 12.5 percentage points to 54.6%, despite ARR rising 2.2% to US\$196.87. During the summer months, Dubai's hotels are particularly dependent upon leisure tourism due to low MICE and corporate activity. However, the leisure segment was also relatively inactive, as reflected in the decline in room revenue along with food and beverage revenues that left Total Revenue Per Available Room (TrevPAR) at US\$242.98, down 10.7 percent from the previous year. An 8.1%

reduction in payroll expenses did little to ease the 63.6% decline in profitability to US\$37.35.

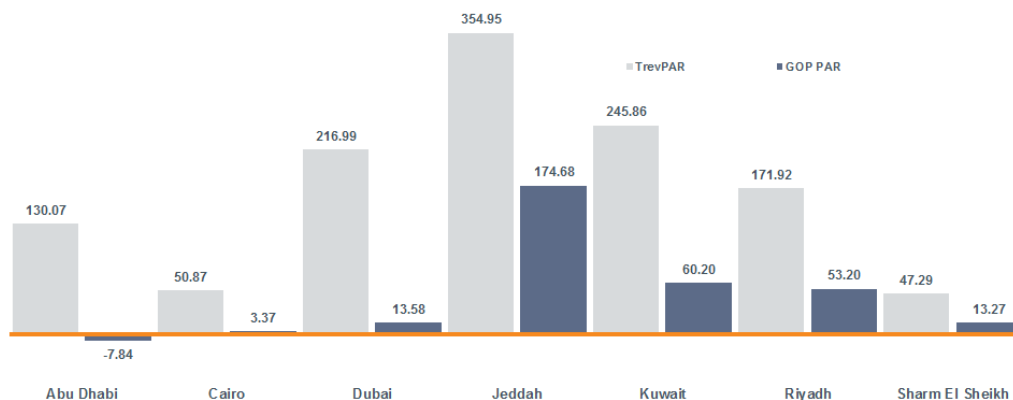
"As expected, Dubai has seen performance reach the lowest point of the year in absolute terms. This naturally resulted from a lack of events, coupled with the fact that this month is traditionally characterised by low demand. As Ramadan moved earlier into July, occupancies reached the lowest level seen in two years. On the other hand, occupancy levels in Abu Dhabi grew 0.5%, amplified by the success of SummerFest Abu Dhabi which targeted GCC nationals and local residents" commented Peter Goddard, Managing Director of TRI Hospitality Consulting Middle East in Dubai.

Kuwait saw RevPAR decline 2.2% to US\$101.02, driven by a fall in ARR of 3.8% to US\$236.15. Hotels registered modest growth in occupancy of 0.7 percentage points to 42.8%, while TrevPAR increased 13.9% to US\$245.86. Nonetheless, higher operating costs suppressed bottom line profits which declined 16.4% to US\$60.20.

The month of July 2013

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	50.1	105.82	52.98	130.07	48.9	-7.84
Cairo	21.3	118.68	25.31	50.87	43.6	3.37
Dubai	54.6	196.87	107.45	216.99	41.5	13.58
Jeddah	81.2	264.48	214.75	354.95	19.0	174.68
Kuwait	42.8	236.15	101.02	245.86	36.3	60.20
Riyadh	43.9	219.00	96.06	171.92	29.5	53.20
Sharm El Sheikh	58.2	40.24	23.41	47.29	20.8	13.27

MENA City Markets achieved TREVPAR and GOPPAR July 2013



Jeddah hotels rally through Ramadan, while Egypt is hit by political uprisings

Four and five star hotels in Jeddah continued to register strong growth, with performance in July exceeding year to date levels, according to the latest HotStats survey of full-service hotels in seven MENA cities by TRI Hospitality Consulting Middle East.

As a regionally renowned seaside destination, Jeddah benefitted from recurrent tourism during peak season coupled with being a stopover destination for pilgrims en route to the Holy Cities of Makkah and Madinah during the month of Ramadan. Occupancy reached a robust 81.2%, despite declining 2.7% from the previous year. Jeddah was the only market surveyed by HotStats to see positive RevPAR growth, which increased 11.6% to US\$214.75, driven by a 15.3% growth in rates. Backed by a healthy average room rate of US\$264.48, hotels reported the highest profit margins amongst the seven markets surveyed for the month of July with a GOPPAR of US\$174.68, up 21.5% from the previous year.

Conversely, hotels in Riyadh have suffered a gradual decline in performance across 2013. The marginal increase in average rates of 0.9% was insufficient to negate the 4.2 percentage point decline in occupancy to 43.9% which drove RevPAR down 7.9% to US\$96.06. Although, TrevPAR increased 3.7% to US\$171.92 and exceeded the year to date growth of 0.8%, the bottom line remained weighted by low occupancy that induced a profitability decline of 10.3% to US\$53.20.

“Occupancies in Jeddah have exceeded 80% for the third consecutive month, as the market continues to see strong demand from leisure tourists during peak season. Additionally, Jeddah generated additional demand from Umrah pilgrims stopping over on their way Makkah and Madinah during the holy month of Ramadan. Riyadh continues to struggle due to the lack of corporate activity that generally provides a demand base during high season. During the summer, the Royal Family and Government of Saudi Arabia relocate to Jeddah from Riyadh, resulting in negative occupancy growth that places heavy pressure on the bottom line” commented Peter Goddard.

Cairo has suffered substantially due to the political turmoil surrounding the ousting of Mohamed Mursi on July 3rd. Political division resulted in violent mass demonstrations and fatalities

unseen since the uprisings of 2011. Hotel performance in Cairo has rapidly deteriorated, as occupancy plummeted 23.5 percentage points to 21.3% and induced a corresponding drop in RevPAR of 46% to US\$25.31. Simultaneously, ARR increased 13.4% from the previous year and reached US\$118.68, due to high inflation coupled with hoteliers holding rates. Following a 42.6% decrease in TrevPAR, the 19.9% decline in payroll costs did little to relieve the impact on profitability which plunged 88.1%.

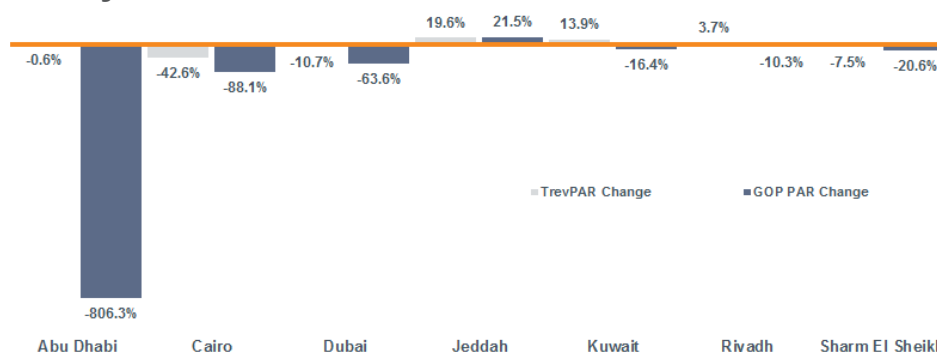
Sharm El Sheikh was not severely affected by the demonstrations in Cairo, as travel to the Red Sea resort areas were deemed safe and booked well in advance. Nonetheless, the disorder interrupted four months of consecutive recovery in RevPAR, which declined 10.4% to US\$23.41. This was largely driven by the 7.5% fall in occupancy to 58.2%, while ARR increased 1.2% to US\$40.24. Coupled with a 7.5% decline in TrevPAR, Gross Operating Profit Per Available Room declined (GOPPAR) 20.6% to US\$13.27.

“Tourism is a critical element of Egypt’s economy, accounting for 13% of GDP at its peak in 2010, when the country drew 14.7 million visitors. Although hotels in Cairo and Sharm El Sheikh shared signs of recovery in the first two quarters of the year, progress has regressed yet again. During the first half of July Egypt saw 387,000 tourist arrivals, which is a 25% decline when compared to the same period of the previous year. Tourists are highly reactive to political unrest, as reflected in the fluctuations in hotel performance levels that corresponded to periods of upheaval across the past two years. This was reinforced yet again, as events surrounding Mursi’s ousting directly impacted hotel occupancy levels, as illustrated in Cairo and to a lower extent, in Sharm El Sheikh” said Peter Goddard.

Movement for the month of July

	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	0.5	-4.7%	-3.8%	-0.6%	-2.4	-806.3%
Cairo	-23.5	13.4%	-46.0%	-42.6%	-19.9	-88.1%
Dubai	-12.5	2.2%	-16.8%	-10.7%	-8.1	-63.6%
Jeddah	-2.7	15.3%	11.6%	19.6%	1.9	21.5%
Kuwait	0.7	-3.8%	-2.2%	13.9%	-4.4	-16.4%
Riyadh	-4.2	0.9%	-7.9%	3.7%	-1.6	-10.3%
Sharm El Sheikh	-7.5	1.2%	-10.4%	-7.5%	-3.7	-20.6%

MENA City Markets TREVPAR and GOPPAR Movement July 2013



Editors Notes

The sample is composed of 108 hotels with an average hotel size of 325 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.

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For more information contact

HotStats

Pablo Alonso
General Manager
+44 (0)20 7892 2238
pablo.alonso@hotstats.com

Tony Oliveira
Business Development Manager
+44 (0)20 7892 2234
tony.oliveira@hotstats.com

TRI Hospitality Consulting Middle East

Peter Goddard
Managing Director
+971 (0)4 345 4241
peter.goddard@trimideast.com

Christopher Hewett
Senior Consultant
+971 (0)4 345 4241
christopher.hewett@trimideast.com

Occupancy (%) - Is that proportion of the bedrooms available during the period which are occupied during the period.

Average Room Rate (ARR) - Is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

Room Revpar (RevPAR) - Is the total bedroom revenue for the period divided by the total available rooms during the period.

Total Revpar (TrevPAR) - Is the combined total of all revenues divided by the total available rooms during the period.

Payroll % - Is the payroll for all hotels in the sample as a percentage of total revenue.

GOP PAR - Is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

The month of July 2013

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	50.1	105.82	52.98	130.07	48.9	-7.84
Cairo	21.3	118.68	25.31	50.87	43.6	3.37
Dubai	54.6	196.87	107.45	216.99	41.5	13.58
Jeddah	81.2	264.48	214.75	354.95	19.0	174.68
Kuwait	42.8	236.15	101.02	245.86	36.3	60.20
Riyadh	43.9	219.00	96.06	171.92	29.5	53.20
Sharm El Sheikh	58.2	40.24	23.41	47.29	20.8	13.27

Calendar year to July 2013

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
	71.3	143.25	102.21	224.33	30.4	65.64
	41.3	112.48	46.46	87.64	25.3	34.88
	81.3	316.81	257.67	448.67	20.4	205.38
	79.9	250.38	200.17	316.19	21.2	153.18
	57.3	264.12	151.37	340.94	24.6	152.87
	64.8	240.40	155.75	257.40	20.3	136.31
	59.6	46.19	27.51	53.15	18.1	19.50

Twelve months to July 2013

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
	68.8	151.04	103.96	223.91	29.8	68.33
Abu Dhabi	45.0	109.82	49.45	94.29	22.9	40.76
Cairo	80.3	314.07	252.29	441.72	20.4	198.69
Dubai	78.7	245.24	192.99	305.45	21.6	144.66
Jeddah	55.7	264.26	147.24	328.06	24.3	147.89
Kuwait	59.5	242.17	143.98	241.09	21.1	123.40
Riyadh	64.5	45.96	29.65	56.63	16.8	21.86
Sharm El Sheikh						

The month of July 2012

	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	49.6	110.99	55.07	130.82	46.5	1.11
Cairo	44.8	104.65	46.88	88.65	23.7	28.40
Dubai	67.1	192.62	129.17	242.98	33.4	37.35
Jeddah	83.9	229.36	192.45	296.75	20.9	143.81
Kuwait	42.1	245.53	103.27	215.83	31.9	72.00
Riyadh	48.1	217.10	104.35	165.80	27.9	59.28
Sharm El Sheikh	65.7	39.77	26.11	51.13	17.1	16.72

Calendar year to July 2012

	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
	59.9	150.95	90.35	201.45	32.7	54.91
	46.7	100.31	46.84	91.20	22.8	37.22
	80.3	300.79	241.40	420.65	20.1	185.83
	81.1	220.24	178.70	285.35	21.7	134.18
	53.2	261.11	138.98	291.33	24.9	129.84
	64.3	244.60	157.38	255.36	18.8	139.63
	56.9	40.15	22.83	44.93	19.1	14.51

Twelve months to July 2012

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
	62.8	155.38	97.56	210.90	28.6	68.23
Abu Dhabi	43.6	103.05	44.98	88.61	23.4	35.06
Cairo	77.8	300.78	234.02	410.99	20.4	172.32
Dubai	78.2	216.14	168.93	271.76	22.0	124.71
Jeddah	51.4	267.75	137.54	281.08	25.4	122.02
Kuwait	60.3	245.53	148.04	241.78	18.4	130.31
Riyadh	59.2	41.96	24.83	48.00	18.0	16.82
Sharm El Sheikh						

Movement for the month of July

	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	0.5	-4.7%	-3.8%	-0.6%	-2.4	-806.3%
Cairo	-23.5	13.4%	-46.0%	-42.6%	-19.9	-88.1%
Dubai	-12.5	2.2%	-16.8%	-10.7%	-8.1	-63.6%
Jeddah	-2.7	15.3%	11.6%	19.6%	1.9	21.5%
Kuwait	0.7	-3.8%	-2.2%	13.9%	-4.4	-16.4%
Riyadh	-4.2	0.9%	-7.9%	3.7%	-1.6	-10.3%
Sharm El Sheikh	-7.5	1.2%	-10.4%	-7.5%	-3.7	-20.6%

Movement for the calendar year to July

	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
	11.5	-5.1%	13.1%	11.4%	2.3	19.5%
	-5.4	12.1%	-0.8%	-3.9%	-2.5	-6.3%
	1.1	5.3%	6.7%	6.7%	-0.3	10.5%
	-1.2	13.7%	12.0%	10.8%	0.5	14.2%
	4.1	1.2%	8.9%	17.0%	0.3	17.7%
	0.4	-1.7%	-1.0%	0.8%	-1.6	-2.4%
	2.7	15.0%	20.5%	18.3%	1.0	34.3%

Movement for the twelve months to July

	Occ %	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
	6.0	-2.8%	6.6%	6.2%	-1.2	0.1%
Abu Dhabi	1.4	6.6%	9.9%	6.4%	0.5	16.2%
Cairo	2.5	4.4%	7.8%	7.5%	0.1	15.3%
Dubai	0.5	13.5%	14.2%	12.4%	0.4	16.0%
Jeddah	4.4	-1.3%	7.1%	16.7%	1.1	21.2%
Kuwait	-0.8	-1.4%	-2.7%	-0.3%	-2.7	-5.3%
Riyadh	5.3	9.5%	19.4%	18.0%	1.2	30.0%
Sharm El Sheikh						