

Hotels in Beirut Showing Signs of A Decline

The 30.3% profit drop at hotels in Beirut in April is further to a 38.7% decline in March, suggesting that the market is now on the decline, according to the latest data from HotStats.

Despite the terrorist attacks in November 2015, growth in the market was maintained until early 2016, with average room rate increasing by 16.5% year-on-year to \$106.76 in the 12 months to February 2016, but has since suffered a year-on-year rate decline in both March (-6.5%) and April (-10.5%).

The decline in achieved average room rate over the last two months has been primarily responsible for the 6.8% year-to-date drop in RevPAR (Revenue per Available Room) to \$79.10 from \$84.86, as occupancy in the Lebanon capital has broadly remained stable.

The savings in labour (+8.6%) and overheads (+6.9%) on a per available room basis in April, were not sufficient to offset the 14.6% decline in TrevPAR (Total Revenue per Available Room) and as a result the profit per room drop in the Beirut market this month contributed to the 23.9% year-to-date decline in GOPPAR (Gross Operating Profit per Available Room).

Ancillary Revenue Growth Tempers TrevPAR Decline at Dubai Hotels

Profit per room at Dubai hotels has now declined by 22.7% in the 36 months to April 2016 on a rolling 12-month basis and whilst hotels have, broadly, managed to maintain occupancy at approximately 87.0% in the first four months of 2016, it has been at the expense of a significant drop in average room rate, which fell by 9.6% year-to-date, equivalent to a \$31.87 decline.

As a result of the movement in occupancy and achieved average room rate, year-on-year RevPAR for Dubai hotels fell by 10.5% year-to-date, to \$258.04 from \$288.24 in the same period in 2015. And although food and beverage revenue had been on the decline since December 2014, dropping by 15.3% to \$125.22 in the rolling 12 months to December 2015, year-to-date revenue in this department has increased by 1.7% against the same period in 2015.

In addition, Dubai hotels recorded a 17.2% year-on-year increase in conference and banqueting revenue per available room, to \$20.39 from \$17.40 in 2015.

The increase in ancillary revenues has helped to temper the decline in TrevPAR somewhat, to -6.6% in the four months to April 2016, but despite savings in both labour (+1.0%) and overheads (+2.9%) on a per available room basis, profit per room at Dubai hotels dropped by 11.4% year-to-date.

Profit Per Room at Sharm El Sheikh Hotels Now in Negative Territory

Profit per room at hotels in Sharm El Sheikh was recorded at just \$0.50 in April, a 97.9% decline on the same period in 2015 with year-to-date GOPPAR recorded at -\$2.85, a 116.7% decline on 2015 performance of \$17.04.

Despite hotels in the Egyptian resort recording a 26.8% RevPAR increase in the 12 months to September 2015 to \$34.82 from \$25.50 in the 12 months to September 2014, as the city recovered from the Arab Spring in 2011, the downing of Russian tourist plane Metrojet 9268 by terrorists in October 2015 quickly halted this upward trajectory. Since that time, Sharm El Sheikh has witnessed a significant decline in visitor numbers and the risk of travelling to the area remains high, according to the UK Foreign Office.

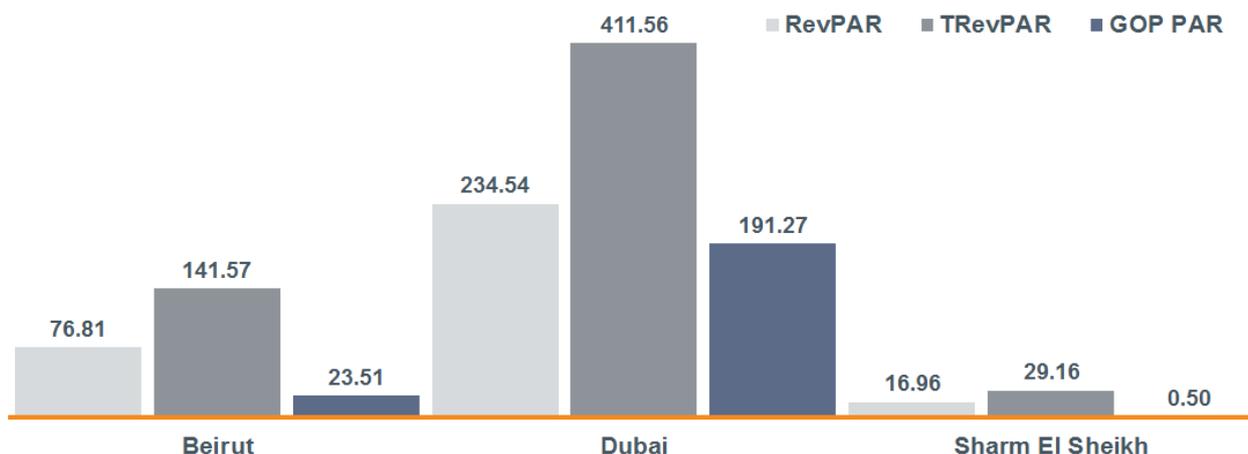
Unsurprisingly, year-on-year room occupancy for the first four months of 2016 has plummeted by 31.2 percentage points, to just 28.1%. This decline in volume, in addition to a 15.8% year-on-year drop in average room rate, contributed to the 60.1% year-to-date fall in RevPAR to just \$12.95.

Whilst Sharm El Sheikh hoteliers have tried desperately to reduce costs in order to salvage profit, with a 24.3% reduction in payroll costs, coupled with a 23.8% saving in overheads, profit per room has continued to plummet into negative territory.

The month of April 2016

| \$ Dollars | Occ % | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR |
|-----------------|-------|--------|--------|---------|-----------|---------|
| Beirut | 56.3 | 136.54 | 76.81 | 141.57 | 39.8 | 23.51 |
| Dubai | 84.0 | 279.10 | 234.54 | 411.56 | 21.5 | 191.27 |
| Sharm El Sheikh | 30.9 | 54.84 | 16.96 | 29.16 | 37.7 | 0.50 |

MENA City Markets achieved REVPAR, TREVPAR and GOPPAR April 2016



Editor's Notes

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 full-service sector.

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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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 April 2016

| | Occ % | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR |
|-----------------|-------|--------|--------|---------|-----------|---------|
| Beirut | 56.3 | 136.54 | 76.81 | 141.57 | 39.8 | 23.51 |
| Dubai | 84.0 | 279.10 | 234.54 | 411.56 | 21.5 | 191.27 |
| Sharm El Sheikh | 30.9 | 54.84 | 16.96 | 29.16 | 37.7 | 0.50 |

Calendar year to April 2016

| | Occ % | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR |
|-----------------|-------|--------|--------|---------|-----------|---------|
| Beirut | 55.5 | 142.44 | 79.10 | 143.81 | 40.3 | 23.24 |
| Dubai | 86.4 | 298.68 | 258.04 | 433.97 | 20.9 | 210.57 |
| Sharm El Sheikh | 28.1 | 46.16 | 12.95 | 23.04 | 46.3 | -2.85 |

Twelve months to April 2016

| | Occ % | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR | |
|-----------------|-------|--------|--------|---------|-----------|---------|-----------------|
| Beirut | 57.9 | 152.85 | 88.46 | 164.49 | 36.4 | 32.59 | Beirut |
| Dubai | 79.6 | 266.92 | 212.51 | 366.60 | 24.0 | 151.77 | Dubai |
| Sharm El Sheikh | 49.3 | 50.92 | 25.11 | 44.40 | 29.2 | 7.69 | Sharm El Sheikh |

The month of April 2015

| | Occ% | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR |
|-----------------|------|--------|--------|---------|-----------|---------|
| Beirut | 57.0 | 152.48 | 86.96 | 165.81 | 37.2 | 33.72 |
| Dubai | 85.0 | 321.11 | 272.88 | 449.60 | 20.2 | 222.06 |
| Sharm El Sheikh | 69.2 | 56.38 | 38.99 | 68.28 | 20.9 | 24.37 |

Calendar year to April 2015

| | Occ% | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR |
|-----------------|------|--------|--------|---------|-----------|---------|
| Beirut | 55.9 | 151.84 | 84.86 | 160.23 | 38.0 | 30.52 |
| Dubai | 87.2 | 330.55 | 288.24 | 464.85 | 19.7 | 237.58 |
| Sharm El Sheikh | 59.3 | 54.82 | 32.49 | 57.16 | 24.6 | 17.04 |

Twelve months to April 2015

| | Occ % | ARR | RevPAR | TRevPAR | Payroll % | GOP PAR | |
|-----------------|-------|--------|--------|---------|-----------|---------|-----------------|
| Beirut | 58.6 | 139.78 | 81.86 | 147.74 | 35.6 | 27.89 | Beirut |
| Dubai | 79.7 | 290.38 | 231.30 | 398.56 | 21.8 | 173.53 | Dubai |
| Sharm El Sheikh | 62.4 | 51.74 | 32.30 | 57.48 | 22.5 | 17.58 | Sharm El Sheikh |

Movement for the month of April

| | Occ Change | ARR Change | RevPAR Change | TRevPAR Change | Payroll Change | GOP PAR Change |
|-----------------|------------|------------|---------------|----------------|----------------|----------------|
| Beirut | -0.8 | -10.5% | -11.7% | -14.6% | -2.6 | -30.3% |
| Dubai | -0.9 | -13.1% | -14.1% | -8.5% | -1.3 | -13.9% |
| Sharm El Sheikh | -38.2 | -2.7% | -56.5% | -57.3% | -16.8 | -97.9% |

Movement for the calendar year to April

| | Occ Change | ARR Change | RevPAR Change | TRevPAR Change | Payroll Change | GOP PAR Change |
|-----------------|------------|------------|---------------|----------------|----------------|----------------|
| Beirut | -0.4 | -6.2% | -6.8% | -10.2% | -2.3 | -23.9% |
| Dubai | -0.8 | -9.6% | -10.5% | -6.6% | -1.2 | -11.4% |
| Sharm El Sheikh | -31.2 | -15.8% | -60.1% | -59.7% | -21.7 | -116.7% |

Movement for the twelve months to April

| | Occ Change | ARR Change | RevPAR Change | TRevPAR Change | Payroll Change | GOP PAR Change | |
|-----------------|------------|------------|---------------|----------------|----------------|----------------|-----------------|
| Beirut | -0.7 | 9.4% | 8.1% | 11.3% | -0.8 | 16.9% | Beirut |
| Dubai | 0.0 | -8.1% | -8.1% | -8.0% | -2.2 | -12.5% | Dubai |
| Sharm El Sheikh | -13.1 | -1.6% | -22.3% | -22.8% | -6.6 | -56.3% | Sharm El Sheikh |