

Strong RevPAR Growth Wiped Out by High Costs at Amman Hotels

An 11.7% RevPAR increase at hotels in Amman was completely wiped out by high costs this month, resulting in a 4.3% decline in profit per room, according to the latest data from HotStats.

The year-on-year RevPAR (Revenue per Available Room) growth for July was primarily due to a 5.3 percentage point increase in occupancy. However, the data suggests Amman hoteliers sold a much higher proportion of bedrooms via online third party travel agents this month, illustrated by the 65.8% year-on-year increase in Rooms Cost of Sales, which in part, fuelled the occupancy growth.

Whilst the use of online travel agents by Amman hoteliers has evidently not been so prevalent for the remainder of the year, as an increase of just 13.3% has been recorded in this measure in 2016, the 22.0% increase in this cost over the last three years would suggest its use is becoming more commonplace.

Furthermore, as Amman hotels have suffered an 11.0% decline in RevPAR during this same period (ie the 36 months to July 2016), profit levels in the Rooms department have dropped by 14.1%, to \$71.68 per available room in the 12 months to July 2016.

Despite achieving a 9.6% increase in profit per room in July, the Rooms department is now less profitable than ever with the conversion dropping by 1.6 percentage points to 79.8% of Rooms revenue, from 81.3% during the same period in 2015.

Manama Hotels Break Cycle of Decline in July

Hotels in Manama recorded a profit per room increase of 4.3% in July, which is the first sign of profit growth in the Bahrain capital since January 2016.

The year-on-year increase in GOPPAR (Gross Operating Profit per Available Room) was primarily fuelled by a 7.3% increase in RevPAR to \$95.04, which was in spite of an 8.5% year-on-year decline in achieved average room rate. On a rolling 12-month basis, the average rate at Manama hotels has now fallen by 7.2% over the last ten months, to \$187.27 in the 12 months to July 2016.

Prior to July, profit per room at Manama hotels for H1 2016 had fallen by 18.3% year-on-year to \$52.38, equivalent to a year-to-date profit conversion of 33.1% compared to 36.7% in 2015.

The decline in profit was primarily due to an 8.7% drop in RevPAR, as well as declining ancillary revenues, including Food and Beverage (-12.4%) and Conference and Banqueting (-21.3%).

Massive Drop in Leisure Demand Crippling Sharm El Sheikh Hotels

Hotels in Sharm El Sheikh are struggling to remain profitable as leisure demand has all but abandoned the coastal city in the wake of terrorist related events in October 2015 and the hangover from the Arab Spring.

Whilst overall volume has been worst hit, with year-to-date 2016 occupancy recorded at just 32.1%, 30.2 percentage points behind the same period in 2015, the key challenges remain in the leisure segment where the proportion of total demand in this sector has dropped by 12.7 percentage points. For the average hotel in our sample (ie approximately 450 bedrooms) this is equivalent to a decline of approximately 15,400 accommodated roomnights in the first seven months of 2016.

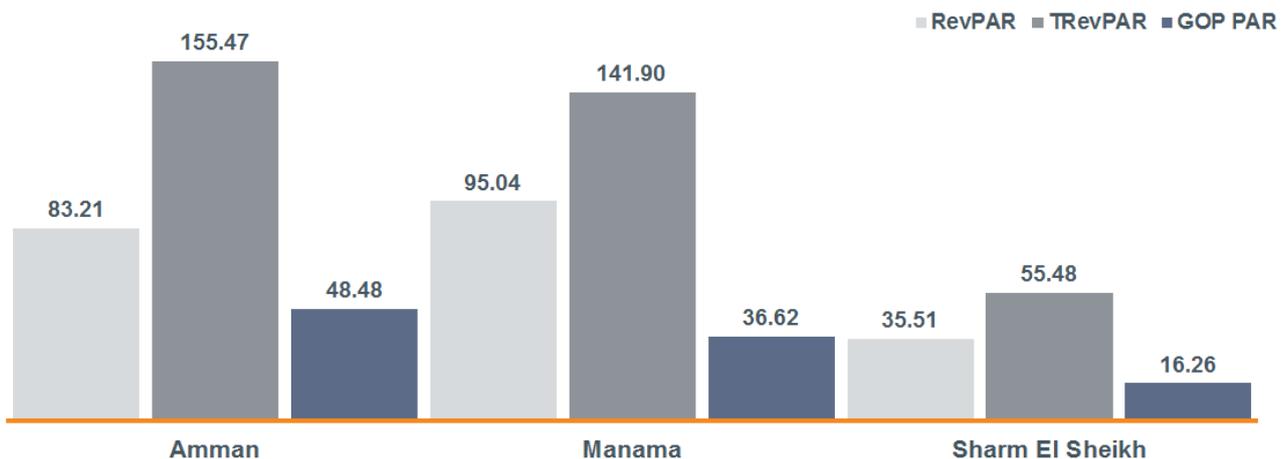
Whilst there has been a 13.6% year-to-date uplift in the achieved rate in the leisure segment, to \$46.26 from \$40.73, the shortfall of volume from the leisure segment is equivalent to a \$600,000 year-on-year decline in Rooms revenue for the average hotel in our sample.

Despite the 12.5% year-on-year decline in profit per room in July, profit conversion at Sharm El Sheikh hotels increased by 0.7 percentage points to 29.3% from 28.6% during the same period in 2015. The growth in July is in contrast to the year-to-date profit performance as year-on-year GOPPAR has plummeted by 107.6% to -\$1.20 per available room.

The month of July 2016

\$ Dollars	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Amman	53.4	155.77	83.21	155.47	27.9	48.48
Manama	50.7	187.56	95.04	141.90	32.9	36.62
Sharm El Sheikh	56.7	62.68	35.51	55.48	22.0	16.26

MENA City Markets achieved REVPAR, TREVPAR and GOPPAR July 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 July 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Amman	53.4	155.77	83.21	155.47	27.9	48.48
Manama	50.7	187.56	95.04	141.90	32.9	36.62
Sharm El Sheikh	56.7	62.68	35.51	55.48	22.0	16.26

Calendar year to July 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Amman	52.1	157.88	82.29	136.50	30.9	41.00
Manama	54.9	185.84	102.04	155.91	31.2	50.09
Sharm El Sheikh	32.1	49.63	15.95	27.23	40.4	-1.20

Twelve months to July 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
Amman	56.6	154.03	87.24	145.72	29.0	47.86	Amman
Manama	55.0	187.27	102.95	159.15	30.9	50.80	Manama
Sharm El Sheikh	42.1	51.89	21.83	37.92	32.3	4.39	Sharm El Sheikh

The month of July 2015

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Amman	48.2	154.61	74.47	153.32	27.6	50.67
Manama	43.2	204.94	88.58	135.28	35.9	35.10
Sharm El Sheikh	67.8	58.81	39.87	65.09	23.9	18.59

Calendar year to July 2015

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Amman	55.8	156.44	87.33	148.86	29.7	44.24
Manama	53.2	204.32	108.77	168.88	30.1	59.74
Sharm El Sheikh	62.3	52.44	32.67	57.75	25.1	15.76

Twelve months to July 2015

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
Amman	58.6	157.34	92.14	158.21	27.8	50.65	Amman
Manama	54.2	201.11	108.99	171.19	29.4	61.49	Manama
Sharm El Sheikh	65.1	53.34	34.71	60.99	22.5	18.98	Sharm El Sheikh

Movement for the month of July

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Amman	5.3	0.8%	11.7%	1.4%	-0.2	-4.3%
Manama	7.5	-8.5%	7.3%	4.9%	3.0	4.3%
Sharm El Sheikh	-11.2	6.6%	-10.9%	-14.8%	1.8	-12.5%

Movement for the calendar year to July

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Amman	-3.7	0.9%	-5.8%	-8.3%	-1.2	-7.3%
Manama	1.7	-9.0%	-6.2%	-7.7%	-1.1	-16.2%
Sharm El Sheikh	-30.2	-5.4%	-51.2%	-52.8%	-15.3	-107.6%

Movement for the twelve months to July

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change	
Amman	-1.9	-2.1%	-5.3%	-7.9%	-1.2	-5.5%	Amman
Manama	0.8	-6.9%	-5.5%	-7.0%	-1.6	-17.4%	Manama
Sharm El Sheikh	-23.0	-2.7%	-37.1%	-37.8%	-9.8	-76.9%	Sharm El Sheikh