

Strengthening demand in Sharm El Sheikh but summer slowdown for Riyadh

Sharm El Sheikh hotels experienced a 4.8 percentage point increase in occupancy levels to 64.6% in June and when coupled with a 2.9% increase in average room rate (ARR) to US\$38.61, resulted in revenue per available room (RevPAR) growing 11.2%, compared to the same period last year. Complemented by solid food and beverage demand, total revenue per available room (TRevPAR) rose by 10.6%. Despite a strong revenue performance, hoteliers witnessed a 17.6% reduction in gross operating profit per available room (GOPPAR) to US\$7.19. The decrease in profitability was attributed to an escalation in payroll costs by 2.9 percentage points and an overall rise in operating expenses.

The performance of hotels in Riyadh was negatively affected by a 6.1 percentage point reduction in occupancy to 59.1% as a direct result of a substantial decrease in demand. A marginal drop in ARR by 0.2% resulted in RevPAR declining 9.5%. However hotels were able to offset the decline in room revenue with strong food and beverage demand which resulted in a 2.2% rise in TRevPAR to US\$249.09 when compared to the same period last year. Increased operational expenses and payroll costs eroded profit margins with GOPPAR experiencing a 7.3% decline to US\$96.98.

Falling demand in UAE hotels impacts hotel profitability

Hotels in the capital suffered a dramatic decline in profitability in June, with a 96.5% drop in GOPPAR to US\$1.11. The reduction in profit levels is characterized by a 10.5 percentage point decrease in occupancy and ARR falling 2.3 percent, leading to a 16.8% reduction in RevPAR to US\$71.43. The hotel market in Abu Dhabi was impacted by the traditional summer slowdown and compounded by the onset of Ramadan, which lead to negative performance metrics for the

month. An 8.8 percentage point increase in payroll costs increased overall operating expenditures and further compounded the reduction in hotel profit margins.

Four and five star hotels in Dubai also suffered the effects of falling demand in June with occupancy levels falling 9.0 percentage points to 68.4% and ARR falling 2.1% to US\$ 206.35 with RevPAR decreasing 13.4% to US\$141.22. Hotels in the city also witnessed a significant drop in food and beverage revenues owing to the low demand during Ramadan, which subsequently led to a 16.1% drop in TRevPAR. As a result of falling revenue levels, hotel profits were impacted with GOPPAR plummeting 36.4% to US\$62.49.

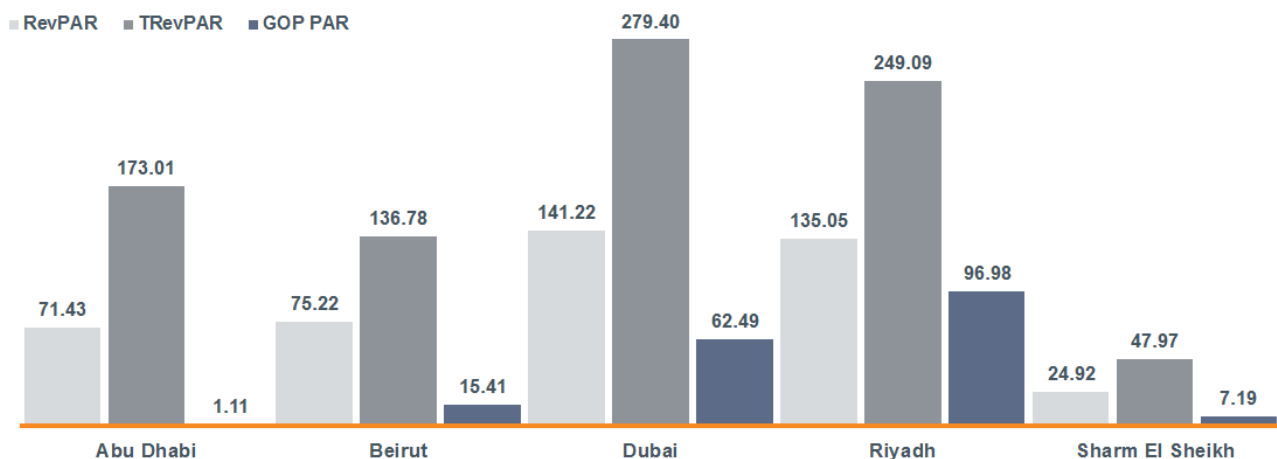
A dramatic fall in occupancy hits Beirut hotel performance

Hotels in Beirut witnessed a significant reduction in RevPAR in June, dropping 20.0% to US\$75.22 as a direct result of a decrease in both occupancy and ARR by 11.9 percentage points and 2.5% respectively. A marginal growth in food and beverage demand in the city helped offset the low revenues, but failed to escalate profitability for hoteliers, with GOPPAR decreasing 57.8% to US\$15.41 in comparison to the same period last year. An increase in payroll costs by 6.3 percentage points also had a direct impact on the reduced financial gains for hotels and failed to alleviate declining profits.

The month of June 2015

\$ Dollars	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Abu Dhabi	59.9	119.28	71.43	173.01	45.4	1.11
Beirut	54.4	138.26	75.22	136.78	38.1	15.41
Dubai	68.4	206.35	141.22	279.40	33.1	62.49
Riyadh	59.1	228.57	135.05	249.09	26.6	96.98
Sharm El Sheikh	64.6	38.61	24.92	47.97	27.6	7.19

MENA City Markets achieved **REVPAR**, **TREVPAR** and **GOPPAR** June 2015



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 June 2015

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Abu Dhabi	59.9	119.28	71.43	173.01	45.4	1.11
Beirut	54.4	138.26	75.22	136.78	38.1	15.41
Dubai	68.4	206.35	141.22	279.40	33.1	62.49
Riyadh	59.1	228.57	135.05	249.09	26.6	96.98
Sharm El Sheikh	64.6	38.61	24.92	47.97	27.6	7.19

Calendar year to June 2015

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
	77.5	162.19	125.69	264.34	29.9	84.15
	55.6	139.66	77.69	142.18	36.3	25.87
	83.5	335.61	280.22	471.22	20.2	230.50
	71.3	249.44	177.88	300.62	21.5	151.29
	62.5	42.64	26.63	49.40	25.2	11.33

Twelve months to June 2015

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
	76.2	163.80	124.86	259.59	29.5	81.29	Abu Dhabi
	55.5	141.21	78.34	143.09	35.0	23.89	Beirut
	79.7	325.41	259.18	453.00	21.2	205.79	Dubai
	65.4	244.63	160.04	272.63	22.4	130.76	Riyadh
	64.8	45.51	29.47	53.30	22.3	14.92	Sharm El Sheikh

The month of June 2014

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Abu Dhabi	70.4	122.07	85.88	201.74	36.6	31.91
Beirut	66.3	141.83	94.06	162.65	31.8	36.50
Dubai	77.4	210.82	163.16	333.05	27.3	98.25
Riyadh	65.2	229.05	149.25	243.71	25.4	104.67
Sharm El Sheikh	59.7	37.54	22.42	43.36	24.7	8.73

Calendar year to June 2014

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
	78.4	151.49	118.74	258.40	29.0	82.21
	50.0	137.66	68.88	128.56	39.2	14.55
	84.4	356.64	300.96	526.76	18.4	262.15
	68.2	246.36	167.94	281.04	22.2	138.72
	58.0	37.24	21.59	42.31	23.9	10.67

Twelve months to June 2014

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
	74.1	156.82	116.25	248.80	29.6	74.33	Abu Dhabi
	47.8	137.62	65.72	127.78	38.7	10.12	Beirut
	80.0	339.75	271.74	478.36	19.8	221.09	Dubai
	58.4	246.79	144.19	246.96	23.5	114.11	Riyadh
	54.5	38.02	20.73	40.47	24.1	9.88	Sharm El Sheikh

Movement for the month of June

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	-10.5	-2.3%	-16.8%	-14.2%	-8.8	-96.5%
Beirut	-11.9	-2.5%	-20.0%	-15.9%	-6.3	-57.8%
Dubai	-9.0	-2.1%	-13.4%	-16.1%	-5.8	-36.4%
Riyadh	-6.1	-0.2%	-9.5%	2.2%	-1.1	-7.3%
Sharm El Sheikh	4.8	2.9%	11.2%	10.6%	-2.9	-17.6%

Movement for the calendar year to June

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
	-0.9	7.1%	5.9%	2.3%	-0.9	2.4%
	5.6	1.5%	12.8%	10.6%	3.0	77.8%
	-0.9	-5.9%	-6.9%	-10.5%	-1.8	-12.1%
	3.1	1.3%	5.9%	7.0%	0.7	9.1%
	4.5	14.5%	23.3%	16.8%	-1.3	6.2%

Movement for the twelve months to June

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change	
	2.1	4.5%	7.4%	4.3%	0.2	9.4%	Abu Dhabi
	7.7	2.6%	19.2%	12.0%	3.8	136.1%	Beirut
	-0.3	-4.2%	-4.6%	-5.3%	-1.4	-6.9%	Dubai
	7.0	-0.9%	11.0%	10.4%	1.1	14.6%	Riyadh
	10.2	19.7%	42.2%	31.7%	1.8	51.0%	Sharm El Sheikh