

MENA CHAIN HOTELS MARKET REVIEW August 2012

Eid holidays bring cheer to hotels in Kuwait as revenues and profits improve

In this edition of our monthly HotStats MENA Chain Hotels Market Review, TRI Hospitality Consulting and HotStats are excited to announce the expansion of our coverage to include the Kuwait hotel market. We hope that our HotStats briefing data and market commentaries will keep our readers up-to-date with the latest developments in Kuwait and the wider MENA region.

The limited impact of Ramadan and the surge in demand during the Eid holidays helped hotels in Kuwait post a 17.8% growth in revenues and a 72.9% increase in profits in August this year, according to the latest HotStats survey of full service hotels by TRI Hospitality Consulting.

Occupancy increased marginally to 33.9%, up 1.3 percentage points while Average Room Rate (ARR) dropped 1.3% to US\$238.91, compared to the same period last year, leaving the rooms revenue in terms of Revenue Per Available Room (RevPAR) for the month at US\$80.99 with only a marginal increase of 2.7%. Despite the extremely low occupancy levels, Kuwait hotels are somewhat shielded from a heavy drop in rates, thanks to the rate agreement sponsored by the Kuwait Hotel Owners Association which the majority of the four and five star hotels are part of.

However, a strong growth in food and beverage and leisure revenues caused the Total Revenue Per Available Room (TRevPAR) to increase by 17.8% to US\$190.86. The growth in revenues reflected the impact of the retracting Ramadan, limiting the impact of the slump in demand this year, as well as the upswing in food and beverage and leisure sales during the Eid holidays which attracts large number of domestic and Saudi travellers to spend in Kuwait. On the bottom line, this growth in revenues converted to a 72.9% growth in Gross Operating Profit Per Available Room (GOPPAR) at US\$56.97 compared to same period last year.

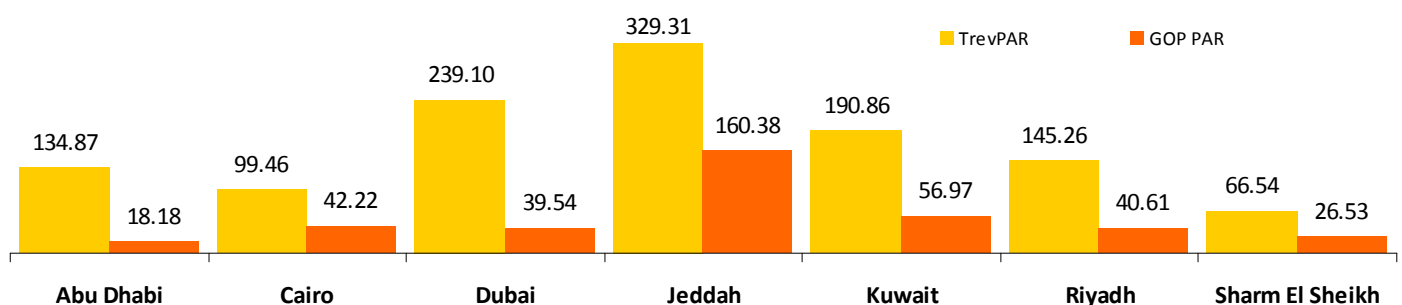
The year-to-date figures from the HotStats survey show that performance levels in Kuwait have softened across all major KPIs over the past eight months, compared to the same period last year. On the top-line, the market witnessed a 6.9% drop in RevPAR and 1.6% drop in TRevPAR during the period while at the bottom line the GOPPAR saw a decline of 1.8%. The overall decline in performance can be attributed to the wider impact of the on-going political stalemate in Kuwait on the demand from major market segments. TRI research indicates that business demand, including both local and inbound corporate travel, and meetings/events demand, has suffered during the year as projects worth over US\$ 61 billion remain on hold.

“Hotel demand in Kuwait is driven by government and corporate demand, and meetings and events business, therefore the on-going political uncertainty appears to have had a direct impact on the market. Leisure tourism in Kuwait is relatively limited, however we note that leisure demand has seen notable growth this year which we believe is driven by a higher number of nationals and visitors from neighbouring Saudi Arabia spending holidays in Kuwait as the Levant region remains unstable. This growth in leisure demand has provided some relief to the hotels which are facing an otherwise damp season this year” commented Peter Goddard, Managing Director of TRI Hospitality Consulting in Dubai.

The month of August 2012

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	56.9	95.96	54.57	134.87	37.0	18.18
Cairo	41.0	113.02	46.30	99.46	22.0	42.22
Dubai	64.0	204.93	131.12	239.10	33.4	39.54
Jeddah	79.1	257.53	203.70	329.31	20.3	160.38
Kuwait	33.9	238.91	80.99	190.86	32.4	56.97
Riyadh	29.0	225.18	65.39	145.26	31.9	40.61
Sharm El Sheikh	70.6	52.91	37.37	66.54	15.6	26.53

MENA City Markets achieved TREVPAR and GOPPAR August 2012



Hotels in Dubai see growth in performance while Abu Dhabi continues to struggle

Dubai saw hotel revenues and profits grow as demand increases on the back of Eid-al-Fitr holidays while Abu Dhabi witnessed a recovery in profits in August, according to the latest HotStats survey of full service hotels by TRI Hospitality Consulting.

Occupancy in Dubai increased 8.6 percentage points to 64.0% and Average Room Rate (ARR) increased 19.4% to US\$204.9 on the back of a surge in demand from the regional and international travellers visiting Dubai on the back of Eid-al-Fitr holidays. The growth in occupancy and rate resulted in 39.4% growth in Revenue Per Available Room (RevPAR) RevPAR to US\$131.12.

The increase in hotel demand was also evident with Dubai International Airport witnessing a 20% increase in passengers in August compared to the same period last year with the airport handling 4.85 million passengers. In August, Dubai hosted special events and promotions including the 'Eid in Dubai' festival, which attracted large number of regional travellers to the city, and rightfully winning the IFEA's 'World Festival and Event City 2012' award for a second time. The growth in demand was seen primarily in the FIT, leisure and conference segments, boosting banqueting revenues up six fold driven by weddings and events.

Total Revenue per Available Room (TRevPAR) in Dubai hotels increased 29.2% to US\$239.10, driving Gross Operating Profit Per Available Room (GOPPAR) up manifold to US\$39.54. Hotel profitability for August fell back into black this year compared to the same month last year when hotels registered losses due to lower occupancy levels, reduced room rates and elevated costs driven by Ramadan which occurred throughout the entire month.

On the contrary, the Abu Dhabi hotel market, which is largely driven by corporate demand, experienced mixed

performance. Hotels in the capital witnessed a 5.8 percentage point increase in occupancy to 56.9% and ARR dropped 9.4% to US\$95.96, although RevPAR and TRevPAR saw marginal changes only and stood at US\$54.57 and US\$134.12 respectively. Nevertheless, GOPPAR for the city saw an increase of 26.1% from last year to US\$18.18.

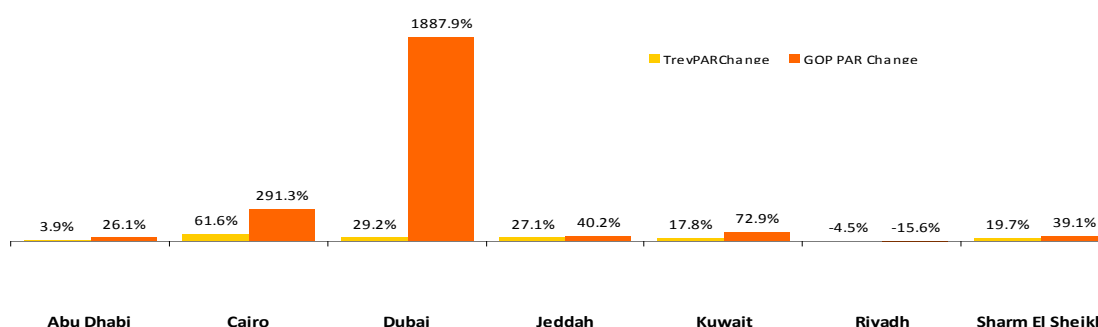
"While Dubai thrived and profited from the spike in leisure demand brought forward by Eid-al-Fitr, Abu Dhabi found itself struggling to maintain the rates despite a favourable movement in the occupancy levels. Eid holidays typically attract heavy visitor traffic to Dubai as visitors from the neighbouring GCC countries gravitate towards the city as it offers a wide variety of options for them to spend their long holiday.

However, Abu Dhabi attracts limited leisure demand currently due to the lack of a wide range of leisure attractions and facilities while the corporate market, which is its main demand market, slows down during the summer and Ramadan. While hotels in the capital should witness a recovery in occupancy levels in the next few months as we approach the high season, average rate will continue under pressure as new hotels continue to enter the market" said Goddard.

Movement for the month of August

	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	5.8	-9.4%	0.9%	3.9%	-0.1	26.1%
Cairo	18.6	-2.7%	78.1%	61.6%	12.6	291.3%
Dubai	8.7	20.4%	39.4%	29.2%	3.0	1887.9%
Jeddah	8.6	19.9%	34.5%	27.1%	1.6	40.2%
Kuwait	1.3	-1.3%	2.7%	17.8%	4.9	72.9%
Riyadh	-4.9	0.0%	-14.4%	-4.5%	-5.5	-15.6%
Sharm El Sheikh	3.0	28.3%	34.0%	19.7%	1.7	39.1%

MENA City Markets TREVPAR and GOPPAR Movement August 2012



Jeddah hotels report strong performance while Egypt goes on recovery mode

Jeddah hotels closed the month on a high, with 34.5% growth in Revenue Per Available Room (RevPAR) and 40.2% growth in profits, while hotels in Cairo saw strong recovery in demand in August, according to the latest HotStats survey of full service hotels by TRI Hospitality Consulting.

Occupancy in Jeddah was up 8.6 percentage point at 70.5% and Average Room Rate (ARR) increased 19.9% to US\$257.53 in August this year compared to the same period last year. RevPAR for the month posted a growth of 34.5%, and Gross Operating Profit Per Available Room (GOPPAR) increased by 40.2% to US\$160.38, the highest amongst the seven cities surveyed in the MENA region.

Performance levels in Riyadh however remained subdued as the corporate demand, which is the mainstay of hotels in the city, remained low due to Ramadan and the long Eid holidays. ARR remained unchanged at US\$225.18, however a 4.9 percentage point drop in occupancy resulted in the Revenue Per Available Room (RevPAR) fall by 14.4% to US\$65.39, dragging GOPPAR down by 15.6 percentage points to US\$40.61.

“Jeddah hotels continue to benefit from the strong demand from domestic tourists, especially during the end of Ramadan and the long holidays for Eid-al-Fitr. This year, Jeddah and even Riyadh, to an extent, appear to have benefited from the on-going unrest in the Levant as more Saudi tourists are opting for domestic destinations, driving demand for hotels and entertainment facilities. Obviously, hotels apply effective yielding strategies during these peak periods which is reflected in the growth in RevPAR and GOPPAR in Jeddah” commented Goddard.

Hotels in Cairo and Sharm El Sheikh appeared to be marching forward on the path to recovery as both markets registered a strong growth in performance. Occupancy levels increased 18.6 percentage points from 22.4% in August last year to 41% last month and remained relatively stable compared to last few months. Although ARR declined marginally to US\$113.02, the surge in occupancy resulted in a 78.1% growth in RevPAR and 61.6% increase in TRevPAR. At the bottom line, this resulted in a 291.3% growth in GOPPAR to US\$42.22.

Sharm el Sheikh hotels recorded the largest growth in ARR in the region with a 28.3% increase from US\$41.23 to US\$52.91. This improvement in ARR coupled with a 3.0 percentage point rise in occupancy to 70.6%, drove a

34.0% increase in RevPAR to US\$ 37.37. Despite having augmented significantly since last year, GOPPAR figures remains weak in Sharm el Sheikh presumably due to rates offered to travel agents which account for 32.8% of demand in the area.

“Cairo’s hotel industry is showing signs of a slow recovery from the turbulence it has experienced during the past year. As safety concerns subside and business activity and sentiment resumes, leisure and corporate travellers are returning to Cairo boosting occupancy and revenues significantly. Sharm el Sheikh’s recovery as a leisure destination is also evident as travellers are now more inclined to visit the area which is sign that the holiday destination is well on its way to regaining its popularity among regional and international tourists” said Goddard.

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.

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.

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HotStats Briefing Data

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

The month of August 2012							Calendar year to August 2012						Twelve months to August 2012						
	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	
Abu Dhabi	56.9	95.96	54.57	134.87	37.0	18.18	67.1	137.60	92.34	204.48	26.5	72.18	69.9	149.14	104.24	223.31	24.1	87.18	Abu Dhabi
Cairo	41.0	113.02	46.30	99.46	22.0	42.22	45.0	109.29	49.15	100.36	21.8	42.30	44.2	112.04	49.47	100.97	21.6	43.16	Cairo
Dubai	64.0	204.93	131.12	239.10	33.4	39.54	80.0	277.90	222.35	388.93	20.4	166.40	80.8	285.88	231.08	403.69	19.6	175.48	Dubai
Jeddah	79.1	257.53	203.70	329.31	20.3	160.38	80.9	224.90	181.89	290.96	21.5	137.53	78.9	219.78	173.38	277.73	21.9	128.62	Jeddah
Kuwait	33.9	238.91	80.99	190.86	32.4	56.97	52.1	258.31	134.49	284.84	24.3	127.48	53.2	266.46	141.72	290.88	23.7	132.14	Kuwait
Riyadh	29.0	225.18	65.39	145.26	31.9	40.61	59.4	250.76	149.05	249.64	19.3	132.32	59.3	254.60	150.95	250.14	18.5	134.65	Riyadh
Sharm El Sheikh	70.6	52.91	37.37	66.54	15.6	26.53	60.7	46.52	28.24	53.71	18.1	18.18	61.8	48.47	29.95	56.18	17.4	20.21	Sharm El Sheikh

The month of August 2011							Calendar year to August 2011						Twelve months to August 2011						
	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	
Abu Dhabi	51.1	105.90	54.10	129.83	36.8	14.42	65.9	160.50	105.82	223.40	22.9	89.16	66.9	177.42	118.61	240.59	21.1	104.17	Abu Dhabi
Cairo	22.4	116.19	26.00	61.55	34.6	10.79	36.1	123.11	44.40	87.66	23.4	37.54	49.1	120.32	59.10	112.34	17.7	57.24	Cairo
Dubai	55.2	170.24	94.06	185.12	36.4	-2.21	79.0	256.22	202.35	359.02	19.9	145.12	79.2	265.40	210.26	371.93	19.3	155.85	Dubai
Jeddah	70.5	214.78	151.48	259.18	21.9	114.43	73.9	203.10	150.02	244.21	22.6	105.97	73.5	201.19	147.96	240.29	22.7	105.33	Jeddah
Kuwait	32.6	242.11	78.89	162.02	37.3	32.96	54.8	263.33	144.41	289.58	23.4	129.83	54.6	266.78	145.66	290.99	22.9	131.29	Kuwait
Riyadh	33.9	225.26	76.35	152.07	26.4	48.12	60.8	262.76	159.81	252.81	17.9	137.33	58.6	263.80	154.64	245.41	17.9	133.19	Riyadh
Sharm El Sheikh	67.6	41.23	27.88	55.60	17.3	19.08	50.0	48.18	24.11	45.24	19.8	14.62	62.4	57.24	35.69	63.71	14.5	28.88	Sharm El Sheikh

Movement for the month of August							Movement for the calendar year to August						Movement for the twelve months to August						
	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	5.8	-9.4%	0.9%	3.9%	-0.1	26.1%	1.2	-14.3%	-12.7%	-8.5%	-3.7	-19.0%	3.0	-15.9%	-12.1%	-7.2%	-3.0	-16.3%	Abu Dhabi
Cairo	18.6	-2.7%	78.1%	61.6%	12.6	291.3%	8.9	-11.2%	10.7%	14.5%	1.6	12.7%	-5.0	-6.9%	-16.3%	-10.1%	-3.9	-24.6%	Cairo
Dubai	8.7	20.4%	39.4%	29.2%	3.0	1887.9%	1.0	8.5%	9.9%	8.3%	-0.5	14.7%	1.6	7.7%	9.9%	8.5%	-0.3	12.6%	Dubai
Jeddah	8.6	19.9%	34.5%	27.1%	1.6	40.2%	7.0	10.7%	21.2%	19.1%	1.1	29.8%	5.3	9.2%	17.2%	15.6%	0.8	22.1%	Jeddah
Kuwait	1.3	-1.3%	2.7%	17.8%	4.9	72.9%	-2.8	-1.9%	-6.9%	-1.6%	-0.9	-1.8%	-1.4	-0.1%	-2.7%	0.0%	-0.8	0.6%	Kuwait
Riyadh	-4.9	0.0%	-14.4%	-4.5%	-5.5	-15.6%	-1.4	-4.6%	-6.7%	-1.3%	-1.3	-3.7%	0.7	-3.5%	-2.4%	1.9%	-0.6	1.1%	Riyadh
Sharm El Sheikh	3.0	28.3%	34.0%	19.7%	1.7	39.1%	10.7	-3.4%	17.2%	18.7%	1.7	24.3%	-0.6	-15.3%	-16.1%	-11.8%	-2.9	-30.0%	Sharm El Sheikh