

MENA CHAIN HOTELS MARKET REVIEW JULY 2012

Jeddah hotels make windfall profit this summer while other markets feel the heat

Hotels in Jeddah posted 30.9 percent growth in profits in July this year while the effect of summer and Ramadan impacted hotel performance levels in all other markets surveyed, according to the latest HotStats survey of full service hotels in six MENA cities by TRI Hospitality Consulting.

Average occupancy at four and five star chain hotels in the city reached 83.9%, growing by 3.1 percentage points, while Average Room Rates (ARR) increased to US\$229.39, up by 11.1% compared to the same period last year. As a result, Revenue Per Available Room (RevPAR) for the month increased by 15.4% to US\$192.47 while Total Revenue Per Available Room (TRevPAR) increased by 19.2% to US\$296.79, primarily driven by a surge in revenues from food and beverage and events which grew by nearly a third over the same period last year.

The growth in revenues was further supported by a notable drop in operating expenses, as payroll and operating costs for food and beverage and meeting facilities were considerably lower than last year. At the bottom line, these changes resulted in a significant gain on profitability, boosting Gross Operating Profit Per Available Room (GOPPAR) by 30.9% to \$143.82.

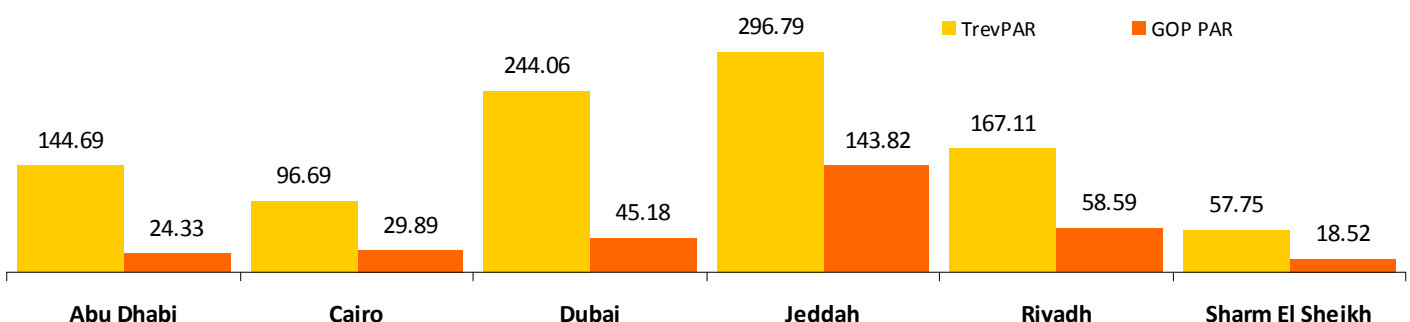
In Riyadh, however, top line indicators for four and five star full service hotels saw marginal decline last month compared to the previous year. A 3.2 percentage point drop in occupancy to 46.5% dragged the RevPAR down by 5.6% to \$104.34, despite a marginal increase in the ARR during the month. The decline in top line revenues coupled with the increase in payroll by 4.3% resulted in GOPPAR falling 11.5% to US\$58.59.

“The Jeddah market has demonstrated consistently strong performance, particularly in the last few years since Ramadan

has been moving into the summer months, effectively negating the seasonality of demand in this market. Jeddah has been a hive of activity last month as the city saw peak demand from domestic leisure travellers, in addition to several meetings and events which took place during the first half of the month. A spike in religious travellers and Ramadan-related events during the latter part of the month also boosted occupancy levels in hotels. Riyadh, on the other hand, suffers from a more pronounced seasonality as evident from the notable dip in key performance indicators this summer compared to the strong performance levels seen in the peak seasons” commented Peter Goddard, Managing Director of TRI Hospitality Consulting in Dubai.

The month of July 2012						
	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	57.1	104.95	59.90	144.69	34.7	24.33
Cairo	43.2	113.35	49.01	96.69	22.8	29.89
Dubai	70.0	188.51	131.90	244.06	31.3	45.18
Jeddah	83.9	229.39	192.47	296.79	20.9	143.82
Riyadh	46.5	224.46	104.34	167.11	28.1	58.59
Sharm El Sheikh	66.9	44.97	30.10	57.75	17.1	18.52

MENA City Markets achieved TREVPAR and GOPPAR July 2012



Lower revenues and higher costs keep profits under pressure for hotels in Egypt

Hotels in Cairo and Sharm El Sheikh saw profits drop in July due to lower revenues and higher costs, according to the latest **HotStats** survey of full service hotels in six MENA cities by TRI Hospitality Consulting.

In the capital Cairo, hotels witnessed a marginal increase in demand, recording a 1.9 percentage point increase in occupancy to 43.2% while the ARR declined by 9.4% to US\$113.35. However, given the thin profit margins achieved by Cairo hotels since the beginning of the Arab Spring, the drop in revenues and the growing costs such as the payroll and overheads have resulted in a 46.4% decline in profits as the GOPPAR dropped from US\$55.79 to US\$29.89 during the month.

“Despite its position as the administrative capital and major commercial centre of Egypt, Cairo has historically had a balanced mix of business and leisure demand, both of which were affected by the revolution and the subsequent events. Now that the dust is settled, the government is at work and stability has returned, we believe hotel performance in Cairo will steadily recover in the coming months.” commented Goddard.

Sharm El Sheikh hotels recorded a 9.7% increase in average rate in July, posting an ARR of US\$44.97. However occupancy was lower by 5.3 percentage points compared to the same period last year. The increase in ARR was sufficient enough to absorb the decrease in occupancy as RevPAR increasing marginally by 1.6% to US\$30.10. Nevertheless, the city-wide GOPPAR declined by 12.7% to US\$18.52, primarily driven by a 7.7% increase in the overheads.

“Sharm El Sheikh hotels experienced a fall in demand in July which can be attributed to the drop in arrival of regional tourists due to Ramadan. In addition, the ban on sale and consumption of alcohol during Ramadan and religious occasions may have impacted the demand from Western tourists as well. However, it is worth noting that Sharm El Sheikh has led the recovery in hotel demand in Egypt after the revolution and now, in our view, hotels here may be beginning to show the confidence to gradually increase rates as indicated by the strong growth in the Best Available Rates (BAR) and Corporate rates during the month of July” said Goddard.

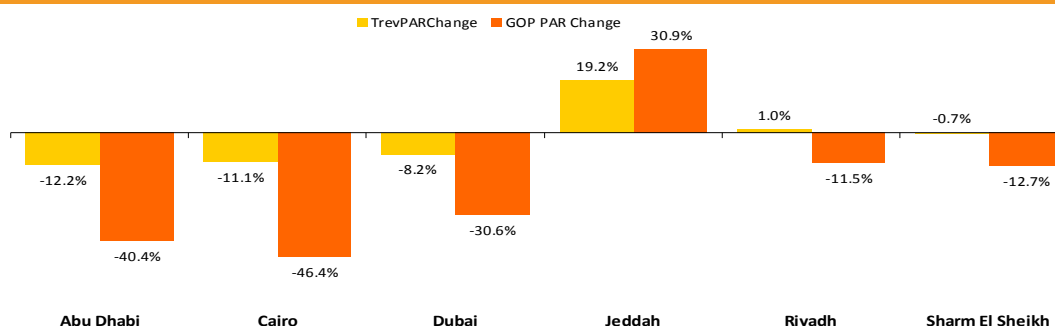
In the UAE, hotel performance levels for Dubai and Abu Dhabi during the month of July highlighted the double impact of summer and Ramadan. Occupancy levels in Dubai fell 11.0 percentage points to 70.0% in July while Average Room Rate (ARR) increased by 6.4% to US\$188.51. Additionally, the onset of Ramadan caused a notable decrease in food and beverage revenues as well. The 8.2% drop in TRRevPAR and the increase in costs including the 5.5 percentage points rise in Payroll caused a dent in the bottom line, dragging GOPPAR down by 30.6% to US\$45.18.

Abu Dhabi continued to demonstrate a decline in performance with a reduction in all performance indicators. Occupancy dropped 4.5 percentage points to 57.1% while ARR dropped 8.4% to US\$104.95 causing a 15.1% drop in RevPAR during the month. As in the other GCC markets, Abu Dhabi too saw a considerable decline in food and beverage revenues last month due to the restrictions on sale and consumption of food and alcohol during Ramadan. The decline in all performance metrics coupled with an increase in payroll costs resulted in a 40.4% drop in GOPPAR compared to the same period last year to US\$24.33.

“Our **HotStats** data for Dubai and Abu Dhabi highlights the effect of the culmination of the low seasons as we saw Ramadan, which is a traditional low demand period, moving into the peak summer period last month. Although performance levels are expected to improve in both cities after Ramadan, Abu Dhabi is likely to face continued pressure from increased competition especially when additional hotels including the Ritz Carlton enter the market at the end of 2012 and early 2013” said Goddard.

	Movement for the month of July					
	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	-4.5	-8.4%	-15.1%	-12.2%	-5.3	-40.4%
Cairo	1.9	-9.4%	-5.2%	-11.1%	-5.0	-46.4%
Dubai	-11.0	6.4%	-8.1%	-8.2%	-5.5	-30.6%
Jeddah	3.1	11.1%	15.4%	19.2%	0.8	30.9%
Riyadh	-3.2	0.9%	-5.6%	1.0%	-4.3	-11.5%
Sharm El Sheikh	-5.3	9.7%	1.6%	-0.7%	-1.1	-12.7%

MENA City Markets TREVPAR and GOPPAR Movement July 2012



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 July 2012						Calendar year to July 2012						Twelve months to July 2012							
		Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR		
Abu Dhabi		57.1	104.95	59.90	144.69	34.7	24.33	68.5	142.39	97.58	214.13	25.6	79.67	69.3	149.86	103.86	222.28	24.1	86.39	Abu Dhabi	
Cairo		43.2	113.35	49.01	96.69	22.8	29.89	45.6	108.81	49.56	100.49	21.8	42.31	42.6	112.14	47.77	97.79	22.2	40.52	Cairo	
Dubai		70.0	188.51	131.90	244.06	31.3	45.18	82.3	286.04	235.43	410.42	19.4	184.59	80.1	284.73	228.17	399.48	19.6	172.24	Dubai	
Jeddah		83.9	229.39	192.47	296.79	20.9	143.82	81.1	220.27	178.72	285.38	21.7	134.20	78.2	216.17	168.96	271.79	22.0	124.73	Jeddah	
Riyadh		46.5	224.46	104.34	167.11	28.1	58.59	63.9	252.45	161.28	264.92	18.3	145.71	59.7	254.40	151.91	250.77	18.2	135.32	Riyadh	
Sharm El Sheikh		66.9	44.97	30.10	57.75	17.1	18.52	59.3	45.41	26.91	51.84	18.6	16.96	61.5	47.36	29.15	55.26	17.5	19.58	Sharm El Sheikh	
		The month of July 2011						Calendar year to July 2011						Twelve months to July 2011							
		Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR		
Abu Dhabi		61.6	114.58	70.54	164.85	29.4	40.83	68.1	166.49	113.38	237.08	21.7	100.09	66.7	179.24	119.57	241.63	21.0	105.61	Abu Dhabi	
Cairo		41.4	125.09	51.72	108.72	17.8	55.79	38.1	123.71	47.12	91.52	22.3	41.50	51.4	119.97	61.61	116.46	16.8	60.82	Cairo	
Dubai		80.9	177.25	143.48	265.79	25.8	65.09	82.4	264.65	218.19	384.44	18.8	166.66	79.6	264.54	210.48	372.34	19.3	157.36	Dubai	
Jeddah		80.8	206.47	166.81	248.94	21.7	109.91	74.4	201.48	149.81	242.02	22.7	104.74	73.9	201.04	148.49	240.30	22.6	105.91	Jeddah	
Riyadh		49.7	222.50	110.53	165.51	23.7	66.21	64.8	265.63	172.01	267.54	17.2	150.37	59.0	263.52	155.36	244.63	17.9	133.13	Riyadh	
Sharm El Sheikh		72.3	41.01	29.63	58.18	16.0	21.22	47.5	49.63	23.55	43.72	20.3	13.97	63.6	59.62	37.93	66.55	13.9	31.24	Sharm El Sheikh	
		Movement for the month of July						Movement for the calendar year to July						Movement for the twelve months to July							
		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		-4.5	-8.4%	-15.1%	-12.2%	-5.3	-40.4%	0.4	-14.5%	-13.9%	-9.7%	-3.9	-20.4%	2.6	-16.4%	-13.1%	-8.0%	-3.2	-18.2%	Abu Dhabi	
Cairo		1.9	-9.4%	-5.2%	-11.1%	-5.0	-46.4%	7.5	-12.0%	5.2%	9.8%	0.5	2.0%	-8.8	-6.5%	-22.5%	-16.0%	-5.4	-33.4%	Cairo	
Dubai		-11.0	6.4%	-8.1%	-8.2%	-5.5	-30.6%	-0.1	8.1%	7.9%	6.8%	-0.6	10.8%	0.6	7.6%	8.4%	7.3%	-0.3	9.5%	Dubai	
Jeddah		3.1	11.1%	15.4%	19.2%	0.8	30.9%	6.8	9.3%	19.3%	17.9%	1.0	28.1%	4.3	7.5%	13.8%	13.1%	0.6	17.8%	Jeddah	
Riyadh		-3.2	0.9%	-5.6%	1.0%	-4.3	-11.5%	-0.9	-5.0%	-6.2%	-1.0%	-1.0	-3.1%	0.7	-3.5%	-2.2%	2.5%	-0.3	1.6%	Riyadh	
Sharm El Sheikh		-5.3	9.7%	1.6%	-0.7%	-1.1	-12.7%	11.8	-8.5%	14.3%	18.6%	1.7	21.4%	-2.1	-20.6%	-23.1%	-17.0%	-3.7	-37.3%	Sharm El Sheikh	