

## MENA CHAIN HOTELS MARKET REVIEW JUNE 2012

### Jeddah posts revenue and profit growth, while Riyadh enters the summer slowdown

Hotels in Jeddah hit their highest profitability for three years during June thanks to strong summer demand. The properties enjoyed a 15.0% growth in RevPAR driving a 13.8% growth in profits during the month, 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 85.4%, up by 5.8 percentage points, with Average Room Rates (ARR) increasing 7.2% to US\$226.63 during the month, compared to the same period last year. Revenue Per Available Room (RevPAR) for the month surged 15.0% to US\$193.62 leading to strong growth in profits in terms of Gross Operating Profit Per Available Room (GOPPAR) by 13.8% to \$147.95.

“Jeddah achieved the highest occupancy and profitability in the region in June as hotels capitalise on the strong summer demand. Jeddah is a summer holiday destination for domestic travellers as well as the summer seat of the Saudi government.

“The GOPPAR level of US\$147.95 achieved by hotels in June is the highest in the city in the past three years. Jeddah is well positioned to perform well throughout the remainder of the year and into early 2013 as the domestic demand is continued to be strong until the Levant is safe to travel. In addition, Jeddah hotels will also benefit from the limited future supply anticipated to enter the market in the short term,” commented Peter Goddard, managing director of TRI Hospitality Consulting in Dubai.

Riyadh hotel occupancy levels remained stable in June, contracting marginally by 0.1 percentage points compared to this time last year. However, the ARR dropped 9.6%, causing a 9.8% fall in RevPAR. This reduction in top line revenues coupled with an increase in payroll by 2.2% resulted in GOPPAR falling 10.3% to US\$129.80.

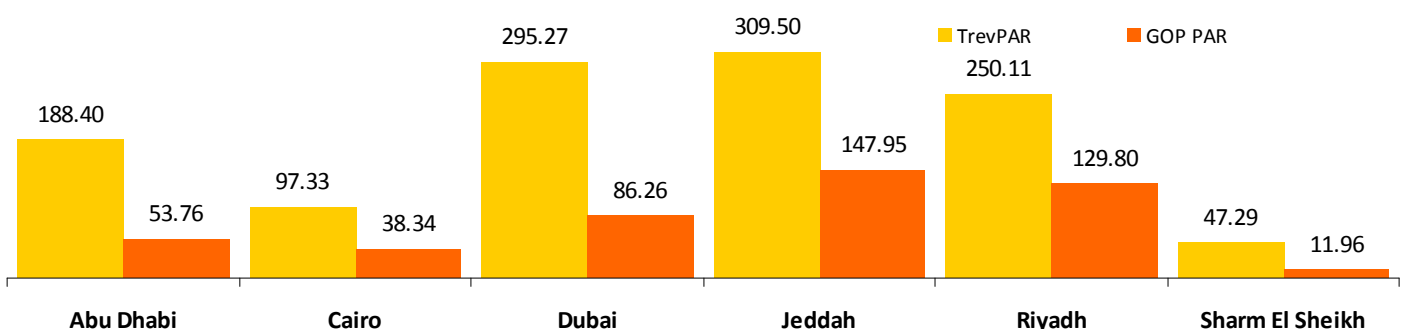
“The lower performance levels of Riyadh hotels in June reflect the annual performance cycle in which performance levels and profitability reduces in the summer months. The corporate and government segments which are the backbone of demand in the capital drop significantly, resulting in hotels applying discounts on rates to attract business. This is evident with the lower ARR’s achieved in June and we expect this to continue into July and August due the Holy Month of Ramadan when business activity slows further” said Goddard.

In Egypt, Revenue per Available Room (RevPAR) in Sharm El Sheikh increased 33.9% to US\$24.43 in June driven by an 11.7% growth in Average Room Rate (ARR) to US\$43.15 and an increase of 9.4 percentage point in occupancy to 56.6% compared to the same month last year. In terms of profits, GOPPAR for the month saw an impressive growth of 91.1% to US\$11.96.

Cairo hotels recorded a 2.3 percentage point increase in occupancy to 43.0% in June however ARR fell by 8.7 percent to \$108.58. The increase in occupancy was not enough to absorb the decrease in rates with RevPAR falling 3.5% to \$46.64. As a direct result profitability fell 17.3% to a GOPPAR of \$38.34.

The month of June 2012						
	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	63.4	115.68	73.35	188.40	29.5	53.76
Cairo	43.0	108.58	46.64	97.33	22.7	38.34
Dubai	77.2	191.24	147.55	295.27	26.7	86.26
Jeddah	85.4	226.63	193.62	309.50	20.6	147.95
Riyadh	62.9	230.85	145.26	250.11	19.3	129.80
Sharm El Sheikh	56.6	43.15	24.43	47.29	20.8	11.96

### MENA City Markets achieved TREVPAR and GOPPAR June 2012



### Low rates and high costs impact Abu Dhabi hotel profits, while Dubai continues shine

Hotels in Dubai saw a boost in profits while Abu Dhabi continued to see rates and profits fall in June, according to the latest HotStats survey of full-service hotels in six MENA cities by TRI Hospitality Consulting.

Average Room Rate (ARR) in Abu Dhabi fell 8.5% to US\$115.68 in June resulting in a reduction in Gross Operating Profit per Available Room (GOPPAR) by 12.6% to US\$53.76. The reduction in ARR is a direct consequence of the increased competition in the capital and when coupled with an increase in payroll by 2.7 percentage points, resulting a sizable impact on overall hotel profitability. The modest increase in occupancy levels was the only positive indicator during June and is attributed to the increase in tourists visiting the city.

“Abu Dhabi hotels are yet to show any indication of a stabilisation in ARR’s this year, although occupancy levels have started to plateau. The 13% increased room supply has been absorbed by the 14% increase in tourists nights reported by the Abu Dhabi Tourism Authority (ADTA) in the first five months of 2012, however new entrants continue to undercut rates in order to penetrate the market. As the market is expecting more than 20 new hotels over the next three years, the continuing rate war is likely to cause further damage to hotel owners unless some kind of consensus emerge amongst the hoteliers to maintain rates” commented Goddard.

Dubai hotels continued their strong performance for 2012 in June with a 9.2% increase in ARR to US\$191.24, causing a 10.3% increase in RevPAR to US\$147.55. Occupancy levels remained stable with a

0.7 percentage point increase over the same period last year. The highlight of the performance of Dubai hotels was a 50.4% increase in GOPPAR to US\$86.26, driven by an 8.3% increase in Total Revenue per Available Room (TRevPAR) and a 1.0% reduction in payroll expenses.

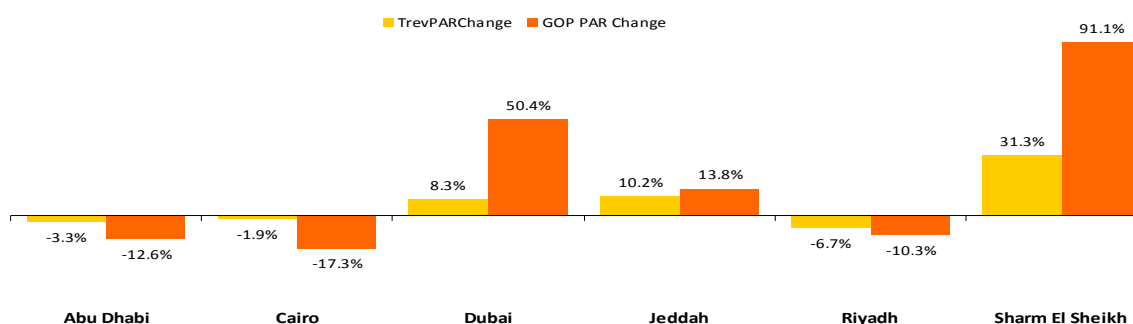
“Dubai was back in action again this June as a favourite summer holiday destination for domestic and regional travellers. A further boost in demand was provided by the Dubai Summer Surprises, an annual shopping and entertainment festival, which is a major attraction for families. Our HotStats data for Dubai hotels in June highlights the strength of the overall market, particularly the hotels’ ability to command a substantial increase in ARR on the back of strong demand.

“Hoteliers have identified that the market can support an increase in rates, especially when offered with various value added products and services. We believe Dubai performance levels will remain strong until early part of 2013 when we expect the market to witness a considerable addition to supply” said Goddard.

#### Movement for the month of June

	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	2.5	-8.5%	-4.8%	-3.3%	-2.7	-12.6%
Cairo	2.3	-8.7%	-3.5%	-1.9%	-2.3	-17.3%
Dubai	0.7	9.2%	10.3%	8.3%	1.0	50.4%
Jeddah	5.8	7.2%	15.0%	10.2%	0.1	13.8%
Riyadh	-0.1	-9.6%	-9.8%	-6.7%	-2.2	-10.3%
Sharm El Sheikh	9.4	11.7%	33.9%	31.3%	1.9	91.1%

### MENA City Markets TREVPAR and GOPPAR Movement June 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.

<b>Occupancy (%)</b>	is that proportion of the bedrooms available during the period which are occupied during the period.
<b>Average Room rate (ARR)</b>	is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.
<b>Room Revpar (RevPAR)</b>	is the total bedroom revenue for the period divided by the total available rooms during the period.
<b>Total Revpar (TrevPAR)</b>	is the combined total of all revenues divided by the total available rooms during the period.
<b>Payroll %</b>	is the payroll for all hotels in the sample as a percentage of total revenue.
<b>GOP PAR</b>	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 June 2012							Calendar year to June 2012						Twelve months to June 2012						
	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	
Abu Dhabi	63.4	115.68	73.35	188.40	29.5	53.76	70.4	147.28	103.64	225.31	24.7	88.58	69.6	150.09	104.48	223.48	23.9	87.38	Abu Dhabi
Cairo	43.0	108.58	46.64	97.33	22.7	38.34	46.0	108.08	49.66	101.14	21.6	44.43	42.4	113.12	48.01	98.82	21.8	42.74	Cairo
Dubai	77.2	191.24	147.55	295.27	26.7	86.26	84.4	299.81	253.06	438.75	18.2	208.33	81.1	282.95	229.38	401.69	19.3	174.23	Dubai
Jeddah	85.4	226.63	193.62	309.50	20.6	147.95	80.7	218.65	176.38	283.44	21.9	132.56	77.9	214.11	166.78	267.74	22.1	121.85	Jeddah
Riyadh	62.9	230.85	145.26	250.11	19.3	129.80	66.9	255.77	170.98	281.58	17.3	160.55	60.0	254.13	152.43	250.63	18.0	135.96	Riyadh
Sharm El Sheikh	56.6	43.15	24.43	47.29	20.8	11.96	58.0	45.50	26.37	50.83	18.9	16.69	62.0	46.95	29.11	55.29	17.4	19.81	Sharm El Sheikh
The month of June 2011							Calendar year to June 2011						Twelve months to June 2011						
	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	
Abu Dhabi	60.9	126.45	77.05	194.81	26.7	61.52	69.2	174.40	120.72	249.45	20.9	110.24	65.8	181.57	119.54	241.25	20.9	105.89	Abu Dhabi
Cairo	40.6	118.94	48.33	99.25	20.4	46.35	37.5	123.44	46.30	88.46	23.3	38.95	53.9	120.28	64.84	121.26	16.1	64.75	Cairo
Dubai	76.4	175.10	133.81	272.64	27.7	57.34	82.7	279.30	230.99	404.77	18.0	184.06	78.8	264.54	208.50	369.50	19.5	155.58	Dubai
Jeddah	79.6	211.39	168.36	280.76	20.7	129.96	73.3	200.54	146.89	240.83	22.9	103.85	73.0	200.79	146.55	238.39	22.7	104.46	Jeddah
Riyadh	63.0	255.47	161.04	268.19	17.1	144.73	67.3	271.08	182.54	285.02	16.6	164.79	58.4	264.53	154.53	245.03	17.8	133.96	Riyadh
Sharm El Sheikh	47.2	38.63	18.24	36.01	22.7	6.26	43.2	52.09	22.51	41.25	21.3	12.72	64.9	61.45	39.86	69.09	13.4	33.42	Sharm El Sheikh
Movement for the month of June							Movement for the calendar year to June						Movement for the twelve months to June						
	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	2.5	-8.5%	-4.8%	-3.3%	-2.7	-12.6%	1.2	-15.6%	-14.1%	-9.7%	-3.8	-19.6%	3.8	-17.3%	-12.6%	-7.4%	-3.0	-17.5%	Abu Dhabi
Cairo	2.3	-8.7%	-3.5%	-1.9%	-2.3	-17.3%	8.4	-12.4%	7.3%	14.3%	1.7	14.1%	-11.5	-6.0%	-26.0%	-18.5%	-5.7	-34.0%	Cairo
Dubai	0.7	9.2%	10.3%	8.3%	1.0	50.4%	1.7	7.3%	9.6%	8.4%	-0.3	13.2%	2.2	7.0%	10.0%	8.7%	0.2	12.0%	Dubai
Jeddah	5.8	7.2%	15.0%	10.2%	0.1	13.8%	7.4	9.0%	20.1%	17.7%	1.0	27.6%	4.9	6.6%	13.8%	12.3%	0.6	16.6%	Jeddah
Riyadh	-0.1	-9.6%	-9.8%	-6.7%	-2.2	-10.3%	-0.5	-5.6%	-6.3%	-1.2%	-0.7	-2.6%	1.6	-3.9%	-1.4%	2.3%	-0.2	1.5%	Riyadh
Sharm El Sheikh	9.4	11.7%	33.9%	31.3%	1.9	91.1%	14.8	-12.7%	17.1%	23.2%	2.4	31.2%	-2.9	-23.6%	-27.0%	-20.0%	-4.1	-40.7%	Sharm El Sheikh