

## MENA CHAIN HOTELS MARKET REVIEW SEPTEMBER 2011

### Dubai benefits from Arab Spring while Abu Dhabi's woes continue

Hotels in Dubai reported strong RevPAR and profit growth during the month of September 2011 as the city emerged out of the low demand summer and Ramadan seasons, according to the latest HotStats survey of full-service hotels in six regional cities by TRI Hospitality Consulting.

Since the beginning of 2011, Dubai's tourism and hotel sector has witnessed strong signs of recovery as the 'Arab Spring' diverted both international and regional tourists to safer locations such as Dubai. Both occupancy and average rates improved in September as Ramadan moved into August while September opened with the commencement of Eid Al Fitr holidays. This annual festival witnesses a marked increase in the flow of domestic and regional leisure travellers to Dubai, causing a surge in hotel bookings.

The strong recovery in demand this year (78.6% occupancy compared to 71.8% in September 2010) prompted hoteliers to increase rates by 10.9 percent in September, resulting in a 21.5% growth in RevPAR and a 24.6% growth in GOP PAR for the month. Dubai hotels' year-to-date GOP PAR of USD 110.10 is 30.9% higher than its neighbouring city of Abu Dhabi and second only to Riyadh amongst the six cities covered in this survey.

"Dubai hotels have clearly benefited from the Arabic Spring and such trend is unlikely to change until there is greater stability in the hot spot areas of Egypt and Syria. However, with the uncertainty related to the ongoing economic problems in the Euro region, there is a downside risk that the European tourist inflow into Dubai may decline, which might slightly dampen the year-end figures", said Peter Goddard, Managing Director of TRI Hospitality Consulting in Dubai.

In Abu Dhabi, Dubai's richer neighbour and UAE's capital, however, things appear to be moving in a different direction. Hotels in this emirate continued to see room rates (ARR) drop, with a 7.0% decline in September, although occupancy

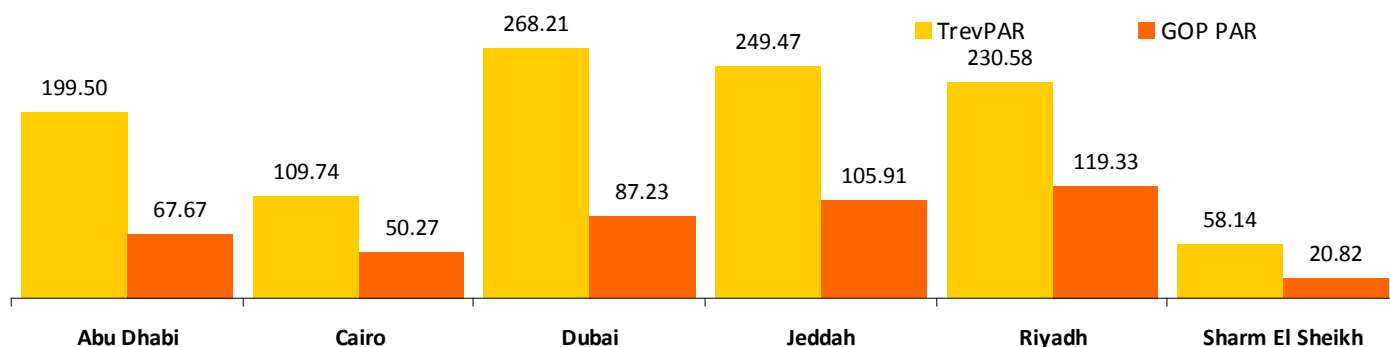
levels improved by a similar margin assisted by the growth in demand during the Eid holidays. During the 12 months to September 2011, Abu Dhabi posted the largest decline in ARR amongst the six cities surveyed, plunging 20.9% compared to the same period in the previous year.

Conversely, demand levels in Abu Dhabi have seen consistent growth as reflected by the occupancy change for September (up 7.5%), year-to-date (up 8.4%) and 12 months to September (up 7.1%) 2011. According to Abu Dhabi Tourism Authority, the number of hotel guests rose 14% in the first nine months of this year compared to the same period last year. "Regardless of the growth in demand, the continued growth in supply, albeit at reduced levels compared to the last couple of years, is likely to maintain the pressure on rates and increase the risk of oversupply in Abu Dhabi in the short to medium term", commented Mr. Goddard.

The month of September 2011

	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
Abu Dhabi	67.3	134.30	90.39	199.50	25.6	67.67
Cairo	43.4	120.14	52.14	109.74	21.0	50.27
Dubai	78.6	183.37	144.19	268.21	25.7	87.23
Jeddah	72.7	212.79	154.62	249.47	23.1	105.91
Riyadh	56.6	245.79	139.07	230.58	18.8	119.33
Sharm El Sheikh	69.5	44.57	30.95	58.14	17.7	20.82

### MENA City Markets achieved TREVPAR and GOPPAR September 2011



## Most MENA Cities Surveyed Post Revenue And Profit Growth

Four out of the six cities in the HotStats survey registered TrevPAR and GOPPAR growth for the month of September. Cairo and Sharm El Sheikh were the two destinations to experience a decline in GOPPAR as tourist arrivals and hotel demand plummeted in Egypt since the popular uprising began in January.

Cairo, which has been the centre stage of the revolution, saw its hotel occupancy drop by 22.8 percentage points while Sharm El Sheikh registered a decline of 15.9 percentage points in September compared to last year. Interestingly, hotels in Cairo have managed to hold the rates above 2010 levels predominantly due to a shift in segmentation where the proportion of corporate guests have gone up as leisure tourists disappeared. The sluggish demand in Cairo and very low ARR in Sharm El Sheikh, coupled with a rise in the proportion of payroll costs in both cities, have contributed to a GOPPAR decline of 38.5% and 53.9% respectively in September.

“Hotel performance levels in Cairo are not likely to improve until the protests subside, the security situation improves and international travellers put Egypt back on their travel itinerary. In the short term, performance is likely to remain subdued under the threat of possible violence associated with the proposed general election planned in November and presidential election planned in early 2012. On the other hand, Sharm El Sheikh is likely to bounce back faster than Cairo because of the vested interests of tour operators who own and operate hotels, charter flights and holiday packages to Sharm El Sheikh and other resort destinations along the Red Sea coast”, said Mr. Goddard.

The Saudi Arabian cities of Riyadh and Jeddah have emerged both rate (ARR) and profit (GOPPAR) leaders amongst the six cities currently surveyed by HotStats in the Middle East. The two cities achieved ARR of US\$245.7

and ARR US\$212.7 respectively in September, and managed to post GOPPAR well above the other four cities covered in the survey.

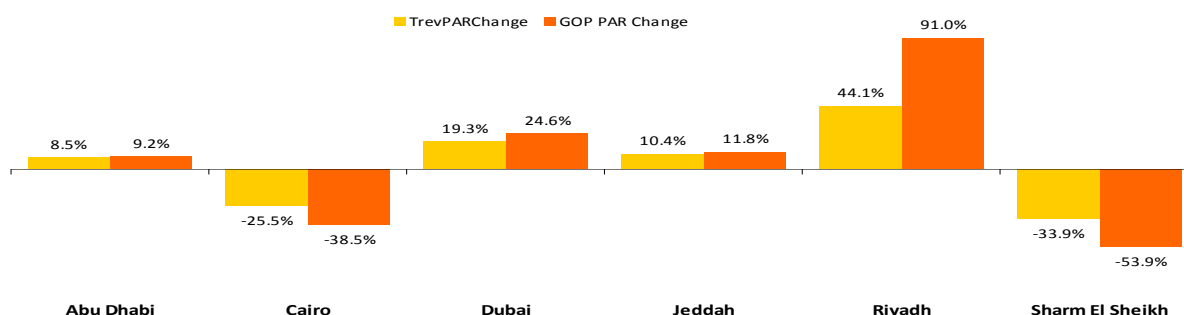
Riyadh has clearly taken the lead and saw its hotel occupancy grow by 18.7 percentage points, RevPAR go up by 52.6% and GOPPAR surge by 91% in September compared to the same month in 2010. On the other hand, Jeddah’s growth has been strong but modest when compared to Riyadh, posting a 10.4% growth in TrevPAR and 11.8% growth in GOPPAR for the month.

“Hotels in Riyadh and Jeddah have seen a surge in demand in September due to a combination of reasons. The exit of Ramadan out of September and into August this year and the spill over of Eid holidays into September have favoured the month’s figures. More importantly on a macro level, the ongoing security issues in the Levant and the government’s efforts to promote domestic tourism have resulted in an increasing number of Saudi travellers now spending more time holidaying in the Kingdom, which also benefited hotels in Riyadh and Jeddah”, said Mr. Goddard.

### Movement for the month of September

	Occ Change	ARR Change	RevPAR Change	TrevPAR Change	Payroll Change	GOP PAR Change
Abu Dhabi	7.5	-7.0%	4.6%	8.5%	1.0	9.2%
Cairo	-22.8	3.3%	-32.3%	-25.5%	-6.9	-38.5%
Dubai	6.8	10.9%	21.5%	19.3%	-2.7	24.6%
Jeddah	7.1	0.3%	11.2%	10.4%	1.5	11.8%
Riyadh	18.7	2.3%	52.6%	44.1%	6.1	91.0%
Sharm El Sheikh	-15.9	-25.2%	-39.1%	-33.9%	-6.0	-53.9%

## MENA City Markets TREVPAR and GOPPAR Movement September 2011



**Editors Notes:**

The MENA Chain Hotels sample is composed of 77 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 September 2011						Calendar year to September 2011						Twelve months to September 2011							
		Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR		
Abu Dhabi		67.3	134.30	90.39	199.50	25.6	67.67	67.2	152.4	102.4	214.9	23.4	84.1	68.6	170.1	116.6	234.7	21.4	101.0	Abu Dhabi	
Cairo		43.4	120.14	52.14	109.74	21.0	50.27	36.9	124.2	45.9	90.6	24.8	37.3	47.5	122.9	58.4	110.6	19.8	53.4	Cairo	
Dubai		78.6	183.37	144.19	268.21	25.7	87.23	80.4	191.9	154.3	281.2	19.7	110.1	81.7	197.9	161.6	295.3	18.4	123.4	Dubai	
Jeddah		72.7	212.79	154.62	249.47	23.1	105.91	71.6	203.8	145.9	240.4	23.2	102.1	72.1	200.6	144.6	238.2	23.0	102.6	Jeddah	
Riyadh		56.6	245.79	139.07	230.58	18.8	119.33	60.5	260.3	157.5	250.4	18.0	135.4	60.3	262.9	158.6	251.2	17.6	137.9	Riyadh	
Sharm El Sheikh		69.5	44.57	30.95	58.14	17.7	20.82	52.3	48.1	25.2	47.2	19.5	15.5	61.2	56.4	34.6	62.2	15.0	27.3	Sharm El Sheikh	
		The month of September 2010						Calendar year to September 2010						Twelve months to September 2010							
		Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR	Occ%	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR		
Abu Dhabi		59.9	144.3	86.4	183.9	26.6	62.0	58.8	186.9	109.9	222.1	23.4	90.9	61.5	215.0	132.2	257.1	21.1	116.8	Abu Dhabi	
Cairo		66.2	116.3	77.0	147.2	14.2	81.7	69.0	115.7	79.9	150.6	13.2	86.6	70.6	116.3	82.1	153.1	12.5	89.4	Cairo	
Dubai		71.8	165.3	118.7	224.8	23.0	70.0	78.0	182.3	142.2	266.1	19.8	106.0	79.5	195.1	155.1	287.2	18.5	122.1	Dubai	
Jeddah		65.6	212.1	139.1	226.0	24.7	94.7	72.2	198.9	143.6	233.2	23.4	100.6	72.7	194.6	141.5	233.2	23.5	99.5	Jeddah	
Riyadh		37.9	240.3	91.1	160.0	24.9	62.5	54.4	256.7	139.6	234.3	17.4	128.7	54.9	255.2	140.0	236.7	16.6	133.0	Riyadh	
Sharm El Sheikh		85.3	59.6	50.9	88.0	11.7	45.2	85.4	59.2	50.6	87.9	10.9	46.6	85.8	60.0	51.5	89.6	10.5	48.2	Sharm El Sheikh	
		Movement for the month of September						Movement for the calendar year to September						Movement for the twelve months to September							
		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		7.5	-7.0%	4.6%	8.5%	1.0	9.2%	8.4	-18.4%	-6.8%	-3.2%	0.0	-7.5%	7.1	-20.9%	-11.8%	-8.7%	-0.3	-13.5%	Abu Dhabi	
Cairo		-22.8	3.3%	-32.3%	-25.5%	-6.9	-38.5%	-32.1	7.4%	-42.5%	-39.9%	-11.5	-56.9%	-23.1	5.7%	-28.9%	-27.8%	-7.3	-40.2%	Cairo	
Dubai		6.8	10.9%	21.5%	19.3%	-2.7	24.6%	2.4	5.3%	8.5%	5.7%	0.1	3.8%	2.2	1.4%	4.2%	2.8%	0.1	1.0%	Dubai	
Jeddah		7.1	0.3%	11.2%	10.4%	1.5	11.8%	-0.6	2.4%	1.6%	3.1%	0.2	1.4%	-0.7	3.1%	2.2%	2.1%	0.6	3.1%	Jeddah	
Riyadh		18.7	2.3%	52.6%	44.1%	6.1	91.0%	6.1	1.4%	12.8%	6.9%	-0.6	5.2%	5.5	3.0%	13.3%	6.1%	-1.1	3.7%	Riyadh	
Sharm El Sheikh		-15.9	-25.2%	-39.1%	-33.9%	-6.0	-53.9%	-33.1	-18.8%	-50.3%	-46.3%	-8.6	-66.8%	-24.5	-6.0%	-32.9%	-30.6%	-4.5	-43.3%	Sharm El Sheikh	