

Iraq Erbil Hotel Market Overview

ERBIL HOTEL MARKET INDICATORS

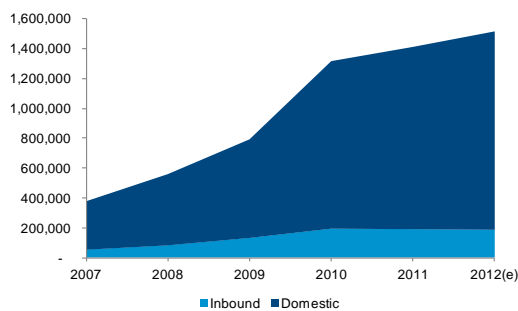
		OCC		ADR		REVPAR
2010	↓	-3.8%	↑	16.7%	↑	12.3%
2011	↓	-5.2%	↑	59.1%	↑	50.8%
2012	↑	3.0%	↑	17.0%	↑	20.5%

Source: Colliers International Research, 2013

EXECUTIVE SUMMARY

- The outlook for the Kurdistan region continues to gain strength, with an influx of political and economic events. The Kurdish region’s hospitality sector, most notably Erbil, continue to show signs of expansion and growth, with occupancy ADR increasing in tandem with an increased supply of hotels in the market.
- Colliers research has shown that the majority of visitation to Iraqi Kurdistan tend to be intraregional and domestic and mainly for leisure purposes. As a perceived safe haven and secure city, Erbil has also benefited from international transient corporate tourism, mainly from the oil, pharmaceutical, manufacturing, consultancy, and governmental sectors.
- The new airport is focused on serving the commercial center of Erbil, while also providing an entry point into the northern region of Iraq. The advent of the new airport had a positive trend on passenger numbers, contributing further to the growth of international business and leisure markets, hence driving further demand for an ever increasing supply of hotels.
- As Erbil becomes a fully developed destination, research has shown that there is a clear market gap for internationally branded hotels and serviced apartments, especially close to the city centre.

DOMESTIC AND INBOUND VISITATION TO KURDISTAN 2007-2012



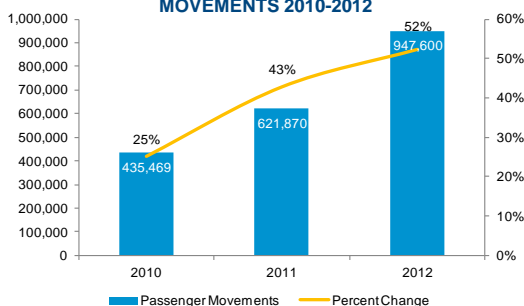
Source: Ministry of Planning, Colliers International Research, 2013

VISITATION TRENDS TO IRAQI KURDISTAN

Anecdotal evidence has indicated a two tier split in the purpose of visit to the city;

- The first tier is dominated by domestic visitation and is mainly for leisure purposes. Visitors tend to visit the ancient citadel and shop in Erbil, this group of visitors are price sensitive and tend to utilize inner city unbranded hotels. Erbil is also a weekend city break destination for a number of Southern Iraqis, who represent a significant proportion of domestic visitation. Overall Southern Iraqis have constituted approximately 65% of domestic visitation between 2007 and 2012.
- The second tier is dominated by international visitation and is mainly for business purposes. Visitors are employees of oil, pharmaceutical, manufacturing, consultancy, nongovernmental, and governmental bodies. The length of stay of this sector ranges from one night to several months. Employees associated with the oil and consultancy sectors tend to spend longer periods, attending exhibitions, visiting United Nations organizations, or for construction, oil and medical industries. Although the length of stay of this segment ranges from one night to several months, it is the employees associated with the oil and consultancy sectors who tend to spend longer periods in Erbil.

ERBIL INTERNATIONAL AIRPORT PASSENGER MOVEMENTS 2010-2012

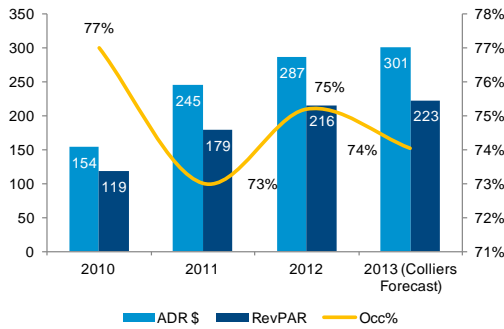


Source: Colliers International Research, 2013

ERBIL AIRPORT MOVEMENTS

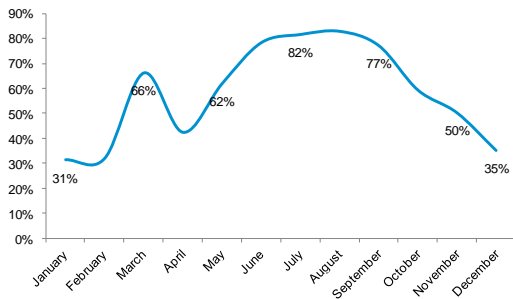
- The newly renovated Erbil International airport is the leading aviation hub in the Kurdistan region of Iraq, with a focus on serving the commercial center of Erbil, while also providing an entry point into the northern region of Iraq.
- Airport passenger movements at Erbil International Airport have increased from 435,469 in 2010 to 947,600 in 2012 at an average annual growth rate of 48% contributing further demand for hotels.

ERBIL HOTEL MARKET PERFORMANCE \$ USD



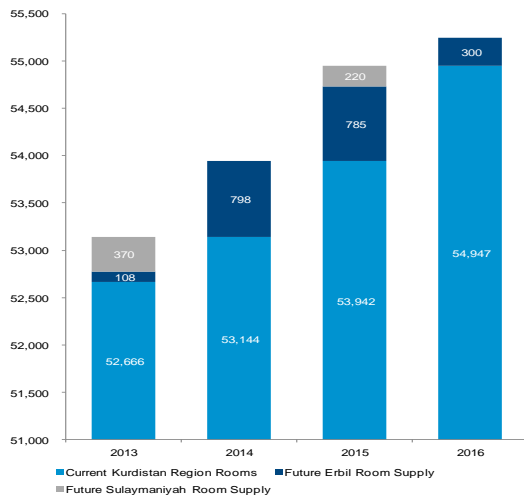
Source: Colliers International Research, 2013

ERBIL SEASONALITY 2013



Source: Colliers International Research, 2013

FUTURE HOTEL SUPPLY 2013



Source: Colliers International Research, 2013

KEY PERFORMANCE INDICATORS

- In 2012, the average daily rate in Erbil was USD 287, up from USD 245 the previous year. Occupancies increased slightly during this period from 73% in 2011 to 75% in 2012, underpinned by strong growth in the industry.
- Despite fluctuating occupancy rates, RevPAR levels in Erbil have been continuously increasing. For the third consecutive year, 2012 saw an increase in RevPAR to USD 216.
- With a limited forthcoming supply, existing hotels will register further improvement to their key performance indicators.
- Erbil's hotel market will see an increase in business tourism, fueling demand for internationally branded hotels, albeit this continues to be predicated on political stability, and on the general business environment.
- With limited supply of hotels coming into the market in 2013, we believe the hotel market will sustain similar occupancy levels as in 2012, however growth in the sector will be driven by modest rate increases of circa 5%.

SEASONALITY

- Erbil's climate is considered to be mild in comparison to other cities in Iraq. The relatively cooler summer attracts southern Iraqis and some international and Intra-regional visitation, hence demand for hotels peaks during the summer and recedes during the colder winter season.
- There are 50 days a year where the city hosts exhibitions and events. Hotels in the city are typically fully booked for 30 of these days, most of which occur in the autumn period.
- The advent of the Persian New Year of Nerouz in March of each year drives domestic hotel demand in Erbil, while Ramadan is usually associated with lower hotel occupancies.

HOTEL SUPPLY

- The Kurdistan region currently has approximately 52,666 hotel rooms of which approximately 2% constitute the quality hotel supply in Erbil.
- Private unbranded hotels make up the majority of the hotel stock in the region. There has been some additions in the current supply in the last 18 months
- The forthcoming additions to the hospitality stock might affect occupancy rates in the short term. However, the hospitality sector still has a lot of room for development, particularly in the supply of high quality mid market hotels.

FUTURE OUTLOOK

- The Erbil market is the strongest in the Kurdistan Region, domestic visitors to Erbil used to make up the bulk of visitors, but international visitation is on the rise given the importance of Erbil as a safe business destination in Iraq
- Erbil as a city has room for development and growth with many large projects such as Dream City and The Sheikh Alla Development which will undoubtedly increase demand for hotel accommodation in the long term.
- As Erbil becomes a fully developed destination, inbound corporate travel will grow significantly in the coming years.
- Given existing market conditions and the lack of quality hotel accommodation there is a clear market opportunity for internationally branded hotels and serviced apartments in Erbil close to business demand generators.
- With limited branded Serviced Apartments and midmarket hotels Colliers believes the market gap to be in these two asset classes.

COLLIERS INTERNATIONAL MIDDLE EAST

Colliers International has been providing leading advisory services in the Middle East and North Africa region since 1996, in Saudi Arabia since 2004. Regarded as the largest and most experienced firm in the region, Colliers International's expertise covers Hospitality, Residential, Commercial, Retail, Education and Healthcare sectors together with master planning solutions, serviced from the five regional offices.

Colliers Research Services Group is recognized as a knowledge leader in the real estate industry, providing clients with valuable market intelligence to support business decisions. Colliers research analysts provide multi-level support across all property types, ranging from data collection to comprehensive market analysis.

COLLIERS INTERNATIONAL HOSPITALITY

Colliers International Hospitality division is a global network of specialist consultants in [hotel](#), [resort](#), [marina](#), [golf](#), [leisure an spa sectors](#), dedicated to providing strategic advisory services to owners, developers and government institutions to extract best values from projects and assets. The foundation of our service is the hands-on experience of our team combined with the intelligence and resources of global practice. Through effective management of the hospitality process, we deliver tangible financial benefits to our clients. With offices in Dubai, Abu Dhabi, Jeddah, Riyadh and Cairo, Colliers International Hospitality combines global expertise with local market knowledge.

SERVICE AT A GLANCE

The team can advise throughout the key phases and lifecycle of project:

- Destination/Tourism/Resort/Brand Strategy
- Market and Financial Feasibility Study
- Development Consultancy & Highest and Best Use Analysis
- Operator Search, Selection and Contract Negotiation
- Pre-Opening Budget Analysis and Operational Business Plan
- Owner Representative/Asset Management/Lenders Asset Monitoring
- Site and Asset Investment Sale and Acquisition/Due Diligence
- RICS Valuations for Finance Purposes and IPOs

OUR REGIONAL EXPERIENCE

- Strategic Advisory and Hospitality Capital Valuation for more than 22,653 keys with a total asset value in excess of AED19.4 Billion
- Hotel Operator Search, Selection and Contract Negotiation in excess of 4,100 keys with client savings averaging AED10.4 million
- In excess of 7,258 keys proposed within Highest & Best Use, Market & Financial Feasibility Studies for Hotels, Resorts & Serviced Apartments
- Highest & Best Use, Market & Financial Feasibility Studies for Hotels & Serviced Apartments with a total estimated net asset value in excess of AED 26.2 Billion
- In Excess of 921 Hotel Keys under Asset Management as Owner's Representative

482 offices in 62 countries on 6 continents

- **\$1.8 billion in annual revenue**
- **1.12 billion square feet under management**
- **13,505 employees**
- **\$71.2 billion total transaction value**

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