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2012 MIDDLE EAST HOTEL SURVEY

THE IMPACT OF THE ARAB SPRING

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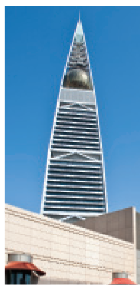

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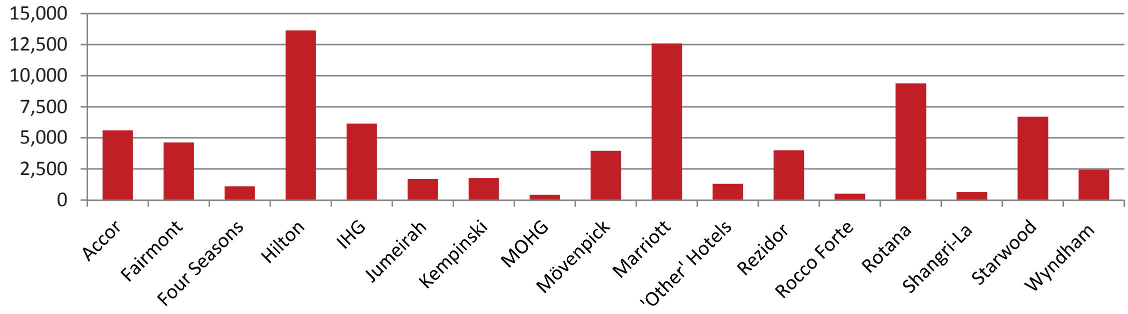
Highlights

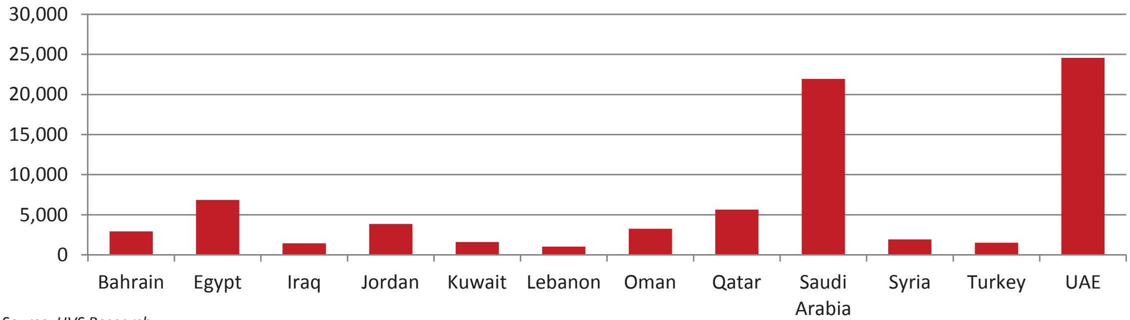
- The 2012 Middle East Hotel Survey includes 374 hotels and roughly 104,000 hotel rooms across 45 cities in the Middle East, reinforcing and building upon its reliability and reputation as a key benchmarking index in the region;
- While 2010 provided an element of economic optimism, the global economies weakened in 2011, slowing international tourism and sparking renewed caution towards investment. However, future hotel development and performance remains stable, with the region poised for aggressive development;
- The Middle East suffered from continued unrest in sensitive destinations, with cities such as Doha and Dubai benefitting from the redirected demand. Despite the turmoil, the region remains a key market for development owing to its oil wealth, high disposable incomes, demographic growth and proven resilience to crises;
- Dubai's airport continues to contend with major international airports, achieving yet another milestone with 50.9 million passenger movements in 2011. It is expected to rank among the top-three busiest international airports by 2015;
- A shifting trend towards midscale and budget travel provides incentive for internationally recognised midscale operators to position themselves in underdeveloped markets in the Middle East, including cities such as Doha and Riyadh;
- Properties throughout the Gulf region will need to renovate their existing facilities in order to maintain competitiveness and keep pace with the new supply expected to come online;
- In 2012, the total direct contribution of travel and tourism to GDP in the GCC countries is expected to increase by 27% on 2009, to US$44 billion;
- Winning the bid for the 2022 FIFA World Cup has provided a new impetus for Doha, placing Qatar on a fast-track for hospitality development;
- Saudi Arabia plans to invest US$80 billion in tourism related facilities, including hotels and airports;
- Qatar is following suit to a host of other Middle East destinations by positioning itself strategically in the global sporting arena. Abu Dhabi is hosting the Formula 1 Grand Prix and the HSBC Golf Championships, Dubai is hosting the Duty Free Tennis Championships and the Dubai World Championship and, despite recent instability, Bahrain remains a primary destination among racing enthusiasts;
- Of the 45 cities included in the survey, 14 achieved higher occupancies in 2011 compared to 2010. While several cities experienced a significant decline in accommodated room nights, a select number of cities with decreasing hotel occupancies in fact registered an increase in accommodated room nights. A total of 15 cities recorded positive average rate growth;
- Cities throughout the GCC countries are investing a combined US$104 billion in airport expansions as passenger capacities for Emirates Airlines, Etihad Airways and Qatar Airways are set to quadruple by 2020;
- The development pipeline in the 2012 Middle East Hotel Survey accounts for roughly 74,000 new hotel rooms to be brought on line in the next four to five years. Hilton Hotels & Resorts dominates the development pipeline with more than 13,500 rooms planned for the next four years, while Marriott International and Rotana Hotel Management Corporation follow with approximately 12,000 and 9,300 rooms, respectively. Starwood Hotels and Resorts, Accor and InterContinental Hotels Group (IHG) average approximately 6,000 rooms rooms each;
- The UAE will introduce the greatest number of rooms in the region, with approximately 24,500 rooms due for completion within the next three to five years, while Qatar is expected to see the highest year-on-year growth with 5,635 rooms. The hotel markets in Oman, Saudi Arabia and Kuwait are all expected to grow by more than 40%.

FIGURE 1: DEVELOPMENT PIPELINE BY BRAND (ROOMS)



Source: HVS Research

FIGURE 2: DEVELOPMENT PIPELINE BY COUNTRY (ROOMS)



Source: HVS Research

Winners and Losers

In 2011, all cities in Egypt experienced a double-figure decline in occupancy levels. The hardest hit was Nuweiba and Al Quseir, experiencing a 41 and 37 percentage point (pp) decline, respectively. Major tourist destinations Cairo and Sharm El Sheikh followed, declining by 35 and 34 pp, respectively.

With the exception of a 13 pp decline in Al Jubail, due in part to the introduction of the 98-room Coral hotel in the second quarter of 2011, all cities in Saudi Arabia sustained previous occupancy rates, or grew moderately. Both Yanbu and Al Qassim experienced strong growth of eight and seven pp, respectively.

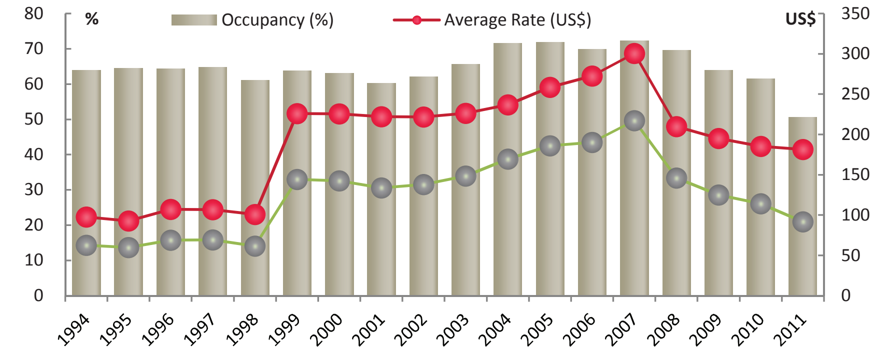
The UAE experienced strong occupancy growth as a whole, with only Al Ain in Abu Dhabi recording a decline, of four pp. While Ajman was subject to a decrease in average rate, the emirate recorded double-figure growth in hotel occupancy. Dubai, on the other hand, maintained a hotel occupancy of 72%, which reflects a balanced growth in supply and demand, with accomodated room nights growing by 22%.

The greatest decline in occupancy in the Middle East was experienced by Damascus. With unparalleled levels of turmoil in Syria, hotel occupancy levels fell by up to 53 pp, to 21%. This is a fall on the solid performance, consistently above 70%, in the three years prior to 2011.

In contrast, the strongest growth in terms of occupancy was recorded by Ajman, achieving a 33 pp increase on 2010.

With a significant number of rooms expected to enter the market in Doha in the course of the next ten years, and an already significant number of rooms introduced in 2011, year end figures experienced a decline in hotel occupancy, from 66% in 2010 to 59% in 2011. Despite these observations, accommodated rooms night increased significantly, indicating demand continues to witness growth.

FIGURE 3: MIDDLE EAST PERFORMANCE INDICATORS

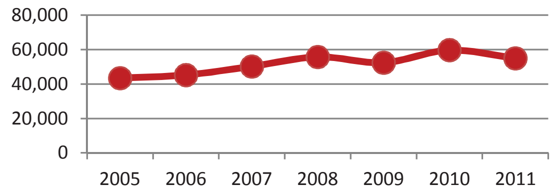


Source : HVS Research

Worldwide Tourist Arrivals and Middle East Growth

Passenger movements in the Middle East bordered on a double-figure decline in 2011, owing to the regional unrest that persisted during the year and deterred tourism. Additionally, the relapse into economic turmoil in the second half of 2011 contributed marginally to this decline as well. The region continues to account for six per cent of international tourist arrivals worldwide; with airport expansions worth US$104 billion scheduled throughout the Middle East, and regional airlines dominating airspace, this percentage is expected to climb.

FIGURE 4: MIDDLE EAST TOURIST ARRIVALS (000s)



Source: UNWTO

FIGURE 5: WORLDWIDE TOURIST ARRIVALS (000s)

	2005	2006	2007	2008	2009	2010	2011	% Change 2010-11	% of Total
World	814,047	851,321	901,366	921,355	879,885	938,518	980,000	4%	100%
Africa	36,374	39,626	42,635	44,763	46,998	50,002	50,000	0%	5%
Americas	132,165	134,685	140,694	146,326	139,008	149,710	156,000	4%	16%
Asia Pacific	151,212	162,779	179,788	185,297	181,608	204,509	216,000	6%	22%
Europe	450,831	468,991	488,000	489,186	459,830	474,539	503,000	6%	51%
Middle East	43,465	45,240	50,249	55,783	52,441	59,758	55,000	-8%	6%

Source: UNWTO

Bahrain

Fiscal revenue in Bahrain continues to be driven by oil; projections for increasing oil prices will contribute to current account surpluses. Political unrest initiated an exodus of financial institutions to more attractive, neighbouring GCC countries, subsequently requiring Bahrain to re-evaluate its short-term economic policy to revolve around restoring confidence in its economy. In addition to restoring confidence, Bahrain's objectives will include diversifying the economy away from oil, stimulating foreign investment and private-sector growth and addressing unemployment among nationals.

Passenger arrivals to Bahrain have been steadily declining since 2009, due in part to the falling passenger numbers of the state-owned airline, Gulf Air. The political unrest in early 2011 and the cancellation of the Bahrain Grand Prix drove passenger numbers into a double-figure decline by year-end 2011. Nonetheless, in June 2011, Bahrain Airport Company announced the formal launch of the Bahrain International Airport expansion project, which aims to boost capacity to 13.5 million passengers and is due for completion in 2015.

Bahrain is predominantly a corporate destination. The leisure segment consists of two subsegments: international leisure travellers and GCC leisure travellers. GCC leisure primarily consitutes visitors arriving via the King Fahd Causeway, while international leisure consists of demand generated by racing events and visitors to the UNESCO World Heritage Centre – minimal leisure attractions limit the demand generated for pure leisure travel. Meeting and events demand makes up the remaining portion of the market. The GCC countries remain Bahrain's primary source market, with Asia constituting approximately 10% of total demand to Bahrain. Following turmoil in the country during 2011, regional demand dissipated and was redirected to neighbouring GCC countries such as Qatar and Dubai.

Before 2008, Bahrain sustained solid hotel occupancy figures with growth in average rate. Following the global economic slowdown in 2008, performance indicators contracted; the GCC countries experienced a delayed effect of the slowdown, and, following the domestic unrest in 2011, marketwide occupancy in Bahrain experienced a significant contraction from 66% to 34%. As a result, marketwide accommodated room nights dropped by 22%.

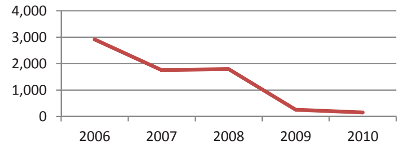
FIGURE 6: ECONOMIC INDICATORS – BAHRAIN

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	8.4	6.3	3.1	4.5	1.8	3.1	4.5
Consumer price inflation (av %)	3.3	3.6	2.9	2.1	(0.4)	2.2	3.3
Budget balance (% of GDP)	3.1	6.6	(6.0)	(5.6)	(1.5)	(6.9)	(6.2)
Current-account balance (% of GDP)	15.7	10.2	2.9	3.5	2.9	3.4	5.7
Exchange rate: BD:US$	0.38	0.38	0.38	0.38	0.38	0.38	0.38

Source: Economist Intelligence Unit , 2012

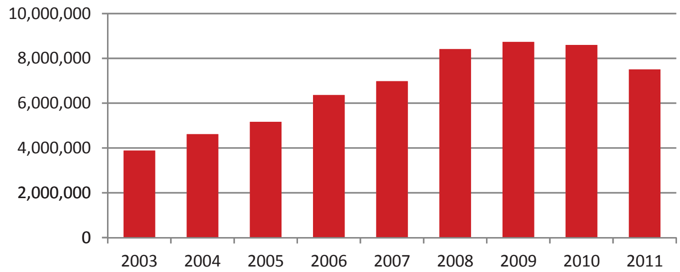
FIGURE 7: FOREIGN DIRECT INVESTMENT – BAHRAIN (US$ MILLIONS)

Year	FDI	% Change
2006	2,915	–
2007	1,756	(39.8) %
2008	1,794	2.2
2009	257	(85.7)
2010	156	(39.3)



Source: UNCTAD

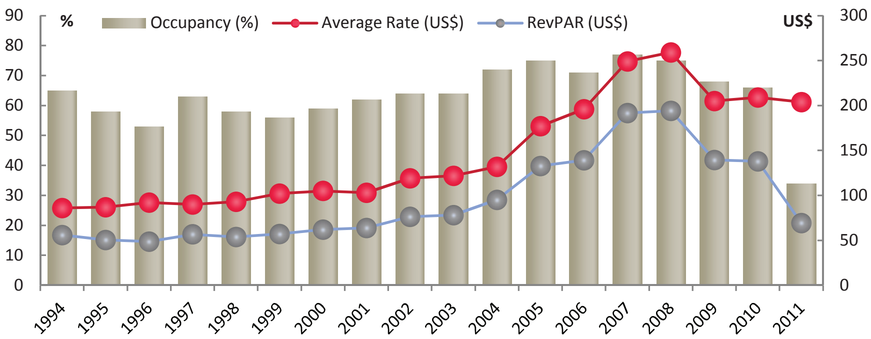
FIGURE 8: AIRPORT PASSENGER MOVEMENTS – BAHRAIN



Source : HVS Research

While average rate was not significantly impacted, owing to the hotel owner's assocation established in Bahrain, marketwide RevPAR did decline by 50%.

FIGURE 9: PERFORMANCE INDICATORS – BAHRAIN



Source : HVS Research

Bahrain's 2011 development pipeline consisted of approximately 800 new hotel rooms introduced in the market, primarily in the upscale segment. In terms of tourism and infrastructure developments, work on Bahrain's light rail network was expected to commence in 2011, but the amended construction launch is now expected to begin at the end of 2012. This first phase will include 24 km of light rail track, with costs expected to reach approximately US$1.2 billion. Additionally, the eagerly awaited 40-km Bahrain Causeway, bridging the gap between Bahrain and Qatar, was given the green light at the beginning of 2011. These projects are expected to generate demand and sustain the current levels of demand in order to maintain hotel performance throughout the development pipeline period, which will result in more than 2,900 new hotel rooms.

Bahrain has consistently exceeded regional hotel occupancies in recent years, with solid average rates; a return to its former glory days is entirely dependent on Bahrain's ability to stabilise the political situation and reestablish itself as a business-friendly country. Nonetheless, Bahrain has, and is expected to, exhibit resilience, and, in coordination with successful government strategies aimed at attracting visitors, Bahrain will reposition itself in the mid to long term as a competitive destination.

FIGURE 10: DEVELOPMENT PIPELINE – BAHRAIN

Property	No. of Rooms	Opening Year
Majestic Arjaan	119	2012
Residence Inn by Marriott Juffair	78	2012
Renaissance Bahrain Amwaj Islands	323	2012
Holiday Inn Express Bahrain	274	2012
Holiday Inn Bahrain Al Seef	240	2013
Bahrain Rotana Hotel	332	2013
Staybridge Suites Bahrain Al Seef	130	2014
Al Seef Centro	200	2015
Bahrain Bay Arjaan	287	2015
ibis Manama Seef	304	2015
Four Seasons Hotel Bahrain	260	2015
JW Marriott Manama	376	2016

Source: HVS Research

Egypt

The economy and political transition are intertwined in Egypt; political uncertainty persists, and the future direction of economic policy is obscure. Real GDP growth is expected to remain weak throughout 2012 with continued local instability; however, as global economic instability wanes, there is an opportunity for an upswing in 2013. The upswing is expected to follow favorable results of the presidential election in 2012, and the resulting redefined strategy for growth is expected to give renewed confidence to foreign investors, reversing the downward trend in FDI.

Cairo International Airport experienced solid growth in passenger movements during the global economic slowdown, with the exception of 2009. The country's resilience was tested in 2010 and it proved solid; however, during 2011's Arab Spring, passenger movements decreased by a staggering 33%. In spite of this, Hilton Worldwide opened the Hilton Cairo Zamalek Residences in April, and the Ministry of Civil Aviation in Egypt has embarked on a long-term development plan to upgrade and modernise airport facilities. Terminal 3 opened with a capacity to cater to 22 million passengers annually, while terminal 2 is expected to be completed in 2013 with an additional capacity of 8.5 million passengers annually.

Egypt offers a diverse mix of destinations; Cairo caters significantly to both the corporate and the leisure markets and Sharm El Sheikh and Hurghada are predominantly leisure destinations catering to the wholesale leisure and free independent traveller (FIT) leisure markets, with a marginal contribution from the meetings and incentives segments. More than two-thirds of visitors to Egypt are European tourists, while the remaining percentage includes visitors from the Americas, GCC nationals and visitors from other Arab states.

With significantly fewer passenger movements on account of the unrest in Egypt, marketwide hotel occupancies experienced declines throughout the country between 2010 and 2011. The least affected by the turmoil, Alexandria recorded the smallest fall with a drop of 12 pp and Nuweiba, the most affected city, witnessed the biggest fall with a 41 pp decline. Marketwide accommodated room nights decreased by 38% between 2010 and 2011, from 6.7 million to 4 million. With marketwide average rates falling by up to 25 pp in destinations such as Hurghada, Cairo registered six pp growth in rate. As a result of the occupancy and average rate dynamics, marketwide RevPAR declined by between 24% and 54% across the country during the same period.

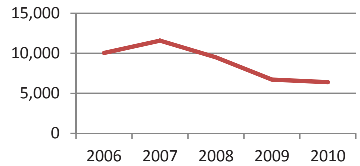
FIGURE 11: ECONOMIC INDICATORS – EGYPT

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	7.1	7.2	4.7	5.1	1.8	1.6	5.2
Consumer price inflation (av %)	9.5	18.3	11.8	11.1	10.2	11.0	9.6
Budget balance (% of GDP)	(7.3)	(6.8)	(6.6)	(8.1)	(10.0)	(10.6)	(11.2)
Current-account balance (% of GDP)	0.1	(0.8)	(1.7)	(2.3)	(3.0)	(3.2)	(2.2)
Exchange rate: E£:US$	5.63	5.43	5.55	5.63	5.94	6.11	6.12

Source: Economist Intelligence Unit, 2012

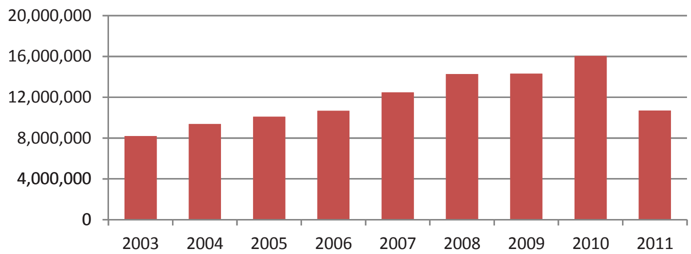
FIGURE 12: FOREIGN DIRECT INVESTMENT – EGYPT (US$ MILLIONS)

Year	FDI	% Change
2006	10,043	–
2007	11,578	15.3 %
2008	9,495	(18.0)
2009	6,712	(29.3)
2010	6,386	(4.9)



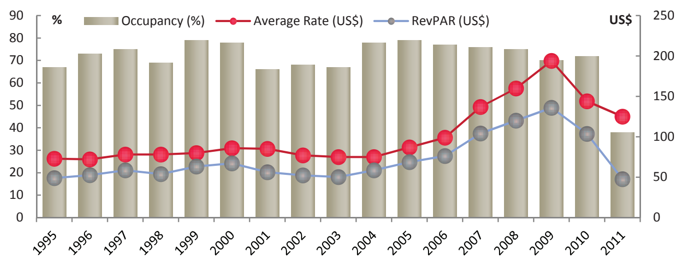
Source: UNCTAD

FIGURE 13: AIRPORT PASSENGER MOVEMENTS – CAIRO



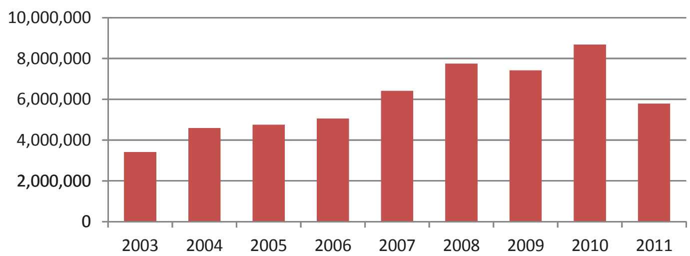
Source : HVS Research

FIGURE 14: PERFORMANCE INDICATORS – CAIRO



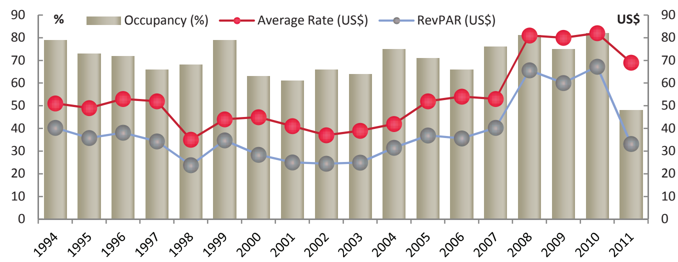
Source : HVS Research

FIGURE 15: AIRPORT PASSENGER MOVEMENTS – SHARM EL SHEIKH



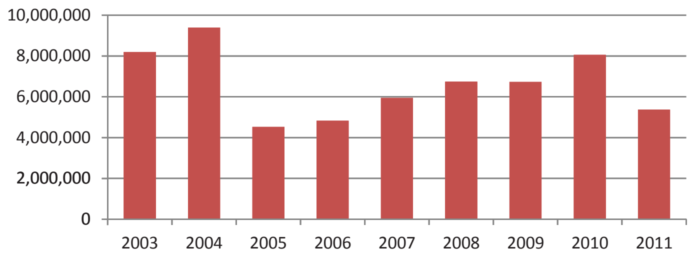
Source : HVS Research

FIGURE 16: PERFORMANCE INDICATORS – SHARM EL SHEIKH



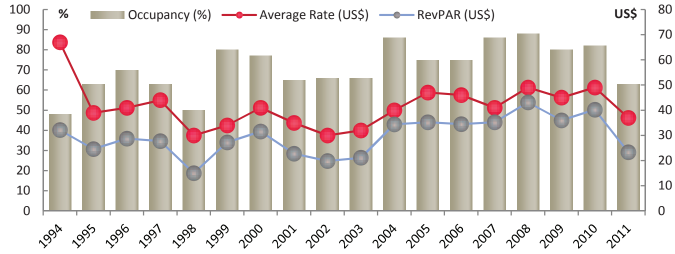
Source : HVS Research

FIGURE 17: AIRPORT PASSENGER MOVEMENTS – HURGHADA



Source : HVS Research

FIGURE 18: PERFORMANCE INDICATORS – HURGHADA



Source : HVS Research

Despite large-scale developments announced prior to 2011, Egypt has yet to introduce further such infrastructure development necessary in order to stimulate the economy. Although we note that the first phase of Park Avenue, a boutique retail and commercial destination launched in 2009 by Damac, has recently been completed. Cities throughout the country rely largely on the leisure market, with infrastructure and demand generators currently in place to cater to this demand. Numerous hotel projects by key international operators with the ability to induce demand are currently under construction, with 6,855 hotel rooms expected to come online within the next four to five years, reinforcing the potential of the country's tourism sector to recover.

The sustainability and resilience of Egypt's major tourist destinations are subject to the stability of the country and, to a lesser extent, the region. Egypt has traditionally experienced exceptional hotel occupancies, with average rates offering opportunity for growth; renewed confidence in national tourist hotspots is essential in order for hotel occupancies to return to previous peak levels and offer the subsequent opportunity for average rate growth.

FIGURE 19: DEVELOPMENT PIPELINE – EGYPT

Property	No. of Rooms	Opening Year
Hilton Makadi Resort	660	2012
Courtyard by Marriott Cairo Mirage City	335	2012
Marsa Alam Marriott Hotel	250	2012
Mövenpick Resort Abu Soma	424	2012
The Address Marassi Golf Resort & Spa	79	2012
The Ritz-Carlton Palm Hills Resort	160	2012
Sahl Hasheesh Marriott Beach Resort	294	2013
Kempinski Hotel Royal Maxim	254	2013
Fairmont Sharm El Sheikh	400	2013
Le Méridien Cairo Airport	350	2013
The Shepheard Hotel	275	2014
The Luxor Hotel	78	2014
Novotel Marsa Alam Resort	265	2014
Hilton Heliopolis	635	2014
The St. Regis Cairo, Residences	391	2014
The Ritz-Carlton Nile Hotel	367	2015
W Cairo, Residences	300	2016
Jumeirah Gamsha Bay Resort	250	—
Radisson Blu Sharm El Sheikh Lagoon	913	—
Marriott Executive Apartments Nile Dolphin	175	—

Source: HVS Research

Iraq

Iraq's economy is dominated by the oil sector, which acounts for more than 90% of government revenue and has recently returned to levels achieved prior to the Iraq War. Following the withdrawal of US troops from Iraq in December 2011, an improved security environment and a wave of foreign investment are helping to spur economic activity.

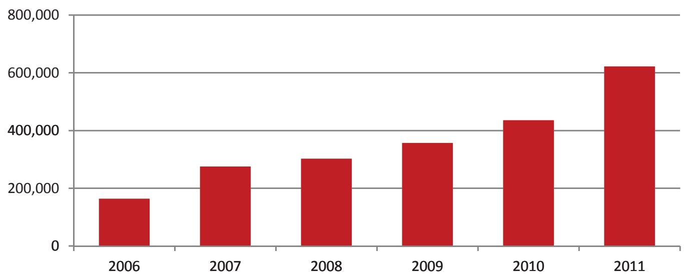
The focus of tourism development in Iraq is centered around Erbil; Erbil International Airport has experienced phenomenal double-figure growth in passenger numbers in the last two years, consistently exceeding its forecast. The corporate segment in Erbil constitutes approximately half of the overall market. The second most important contributor to the destination is the FIT segment, followed by meetings and groups which captures roughly one-tenth of the overall market. Although the leisure market remains largely underdeveloped, infrastructure plans are underway to improve leisure tourism.

FIGURE 20: ECONOMIC INDICATORS – IRAQ

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	1.5	7.8	4.5	5.5	8.2	7.6	8.2
Consumer price inflation (av %)	32.5	2.9	(2.8)	2.4	5.6	5.5	5.3
Budget balance (% of GDP)	14.0	13.3	1.9	3.0	11.3	5.7	5.2
Current-account balance (% of GDP)	15.8	20.1	(1.8)	1.4	13.8	8.1	8.1
Exchange rate: ID:US$	1,170	1,170	1,170	1,170	1,170	1,170	1,170

Source: Economist Intelligence Unit, 2012

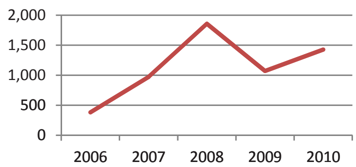
FIGURE 21: AIRPORT PASSENGER MOVEMENTS – IRAQ



Source : HVS Research

FIGURE 22: FOREIGN DIRECT INVESTMENT – IRAQ (US$ MILLIONS)

Year	FDI	% Change
2006	383	—
2007	972	153.8 %
2008	1,856	90.9
2009	1,070	(42.3)
2010	1,426	33.3



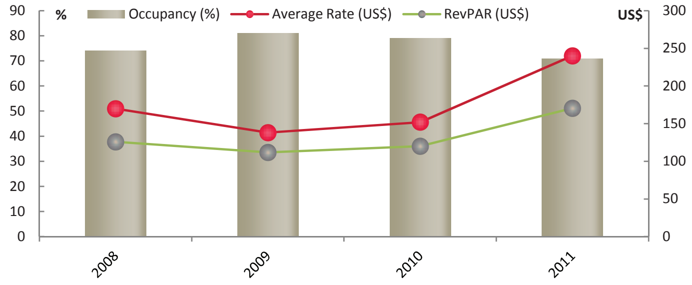
Source: UNCTAD

Erbil continues to exhibit growth potential, with average rates continuing to increase from 2009 to 2011; in contrast, marketwide hotel occupancy contracted year-on-year by eight pp as accommodated room nights fell by 10%, owing most likely to the regional instability. In 2011, average rate increased by an impressive 58% on 2010, resulting in RevPAR growth of 42%.

In addition to the opening of the 201-room Erbil Rotana in January, 2011 also recorded the launch of a new US$10 million shopping complex in Erbil. The shopping centre is expected to include two floors of shops and two floors of parking space, spanning more than 8,000 square metres. Additionally, plans were announced by the Nineveh Investment Commission in early 2011 to build tourist facilities along the banks of the Tigris River in an effort to improve tourism infrastructure in the vicinity of Mosul. The level of supply expected in Iraq, with 70% in Erbil alone, is in excess of 1,400 rooms.

Erbil continues to be Iraq's fastest growing city, with numerous large-scale projects under development in the metropolitan area of the city, including transport infrastructure, international and local universities, sports complexes, hospitals, luxury hotels and international-standard shopping malls. Demand is expected to continue, pushing occupancy and rate up in the short term; as hotel developments reach completion in the mid term, hotel performance is expected to stabilise.

FIGURE 23: PERFORMANCE INDICATORS – ERBIL



Source : HVS Research

FIGURE 24: DEVELOPMENT PIPELINE – ERBIL

Property	No. of Rooms	Opening Year
Best Western Premier Erbil Airport	82	2013
Best Western Erbil	168	2014
DoubleTree Suites by Hilton Erbil	200	2014
Shams Rotana	250	2014
Marriott Erbil	200	2014
Marriott Executive Apartments Erbil	75	2014
Sulaymaniah Rotana	220	2015
Sheraton Erbil Hotel	250	2015

Source: HVS Research

Jordan

Jordan's economy is among the smallest in the Middle East; the global economic slowdown and regional turmoil decelerated Jordan's GDP growth. King Abdallah implemented important economic reforms in an effort to address poverty, unemployment, inflation and the budget deficit. Foreign aid from Gulf countries keeps the deficit at bay; however, the deficit is likely to remain high as continued dependency on foreign aid stalls growth.

Amman's Queen Alia International Airport is set to open its new terminal by the end of 2012. The airport's capacity will subsequently increase to 9 million passengers, and the second phase of the current expansion work is expected to increase capacity to 15 million passengers. Jordan's Ministry of Tourism attributes the weak growth in 2011 to the Arab Spring, which caused instability in the region. The fall in visitation was due primarily to a decrease in European visitors as the number of tourists visiting from neighbouring arab countries remained relatively consistent.

Jordan predominantly attracts leisure demand, which is drawn to the country's rich culture and heritage. Jordan's capital Amman attracts a strong level of corporate demand, while cities in more remote locations generate FIT and group leisure demand. The GCC countries are signficant contributors to Jordan's tourism industry but the country's primary feeder market is Europe.Jordan's border with Syria served as a deterrent to tourism in 2011. Amman's occupancy and average rate, however, were not as dramatically affected by the Arab Spring as other destinations in the Middle East. Despite the fact that Jordan's tourism industry was carried through

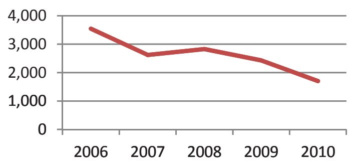
FIGURE 25: ECONOMIC INDICATORS – JORDAN

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	6.9	5.8	2.3	3.1	2.6	3.4	3.8
Consumer price inflation (av %)	5.2	15.0	(0.8)	5.1	4.4	3.3	5.5
Budget balance (% of GDP)	(7.9)	(6.6)	(11.1)	(7.4)	(10.6)	(10.2)	(9.8)
Current-account balance (% of GDP)	(16.8)	(8.8)	(4.9)	(4.7)	(12.2)	(6.1)	(3.7)
Exchange rate: JD:US$	0.71	0.71	0.71	0.71	0.71	0.71	0.71

Source: Economist Intelligence Unit, 2012

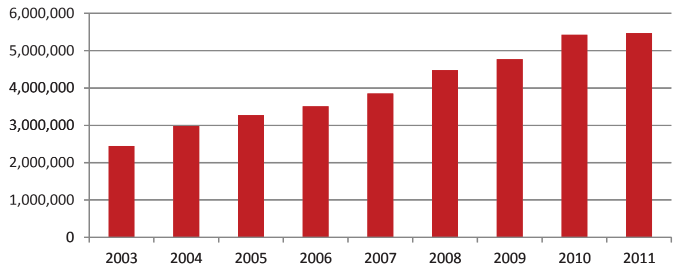
FIGURE 26: FOREIGN DIRECT INVESTMENT – JORDAN (US$ MILLIONS)

Year	FDI	% Change
2006	3,544	—
2007	2,622	(26.0) %
2008	2,829	7.9
2009	2,430	(14.1)
2010	1,704	(29.9)



Source: UNCTAD

FIGURE 27: AIRPORT PASSENGER MOVEMENTS – JORDAN



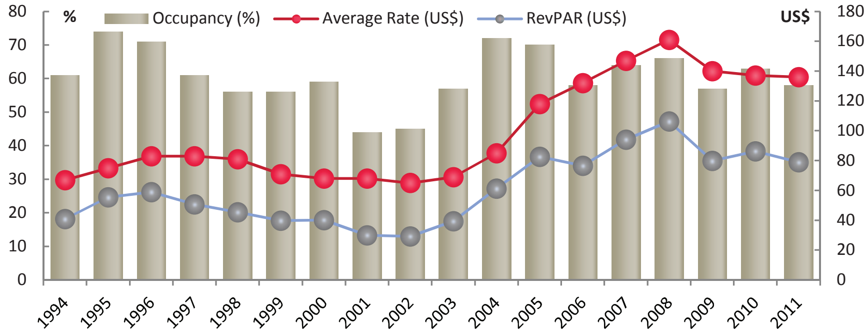
Source : HVS Research

2011 by domestic visitors, marketwide hotel occupancy in Aqaba and Amman, the country's primary destinations, fell by four and five pp, respectively. Additionally, major tourist destinations Petra and the Dead Sea recorded declines of 31 pp and 23 pp, respectively. Overall, the country's accommodated room nights fell below 900,000, a year-on-year decline of 12%, with average rate reaching 7% growth at the Dead Sea and falling as much as 29% in Petra. As a result of these dynamics, RevPAR in Petra and Amman declined by 63% and 9%, respectively.

In 2011, the 173-room Hilton DoubleTree by Hilton Hotel Aqaba opened and the Jordan Development Zone Company announced a 25-year master plan, geared towards developing tourism at the Dead Sea. The master plans calls for the development of 12 districts and will include restaurants, shopping centres, hotels, public parks, golf courses and a beach plaza. Additionally, the US$1.5 billion Red Sea Astrarium, a Star Trek-themed amusement park, was announced for Aqaba and is expected to debut in 2014. The majority of the hotels in Jordan's development pipeline (which totals 3,858 rooms) are expected to come online in 2014, with several key operators making their debut in the market.

Several projects under construction in Aqaba are expected to induce further demand in the city. Jordan suffered from the regional unrest in 2011, owing to its close proximity to Syria; as conditions begin to stabilise, Jordan's resilience will be tested as it re-establishes itself as a cultural and leisure destination.

FIGURE 28: PERFORMANCE INDICATORS – AMMAN



Source : HVS Research

FIGURE 29: DEVELOPMENT PIPELINE – JORDAN

Property	No. of Rooms	Opening Year
Boulevard Arjaan	427	2012
JW Marriott Aqaba	264	2012
Jumeirah Saraya Aqaba Beach Resort	613	2013
Fairmont Amman	300	2014
Hilton Dead Sea Resort & Spa	285	2014
Amman Rotana	309	2014
The Westin Saraya Aqaba	300	2014
Al Manara, a Luxury Collection Hotel, Aqaba	213	2014
St. Regis Amman, Residences	270	2015
Hilton Amman Jordan Gate	531	—
Hilton Tala Bay Aqaba	346	—

Source: HVS Research

Kuwait

Kuwait allegedly possesses 9% of global oil reserves, making the geographically small country relatively wealthy. Petroleum accounts for approximately 95% of government income, with government plans to increase oil production to four million barrels per day by 2020. Following initiatives taken in May 2010 and January 2011, Kuwait aims to diversify the economy away from oil and attract a greater amount of FDI.

Among the GCC countries not immediately affected by the Arab Spring, Kuwait experienced a marginal increase in airport arrivals in 2011. The government announced plans to launch the tendering process in order to develop a second terminal at its international airport, which is expected for completion in 2016.

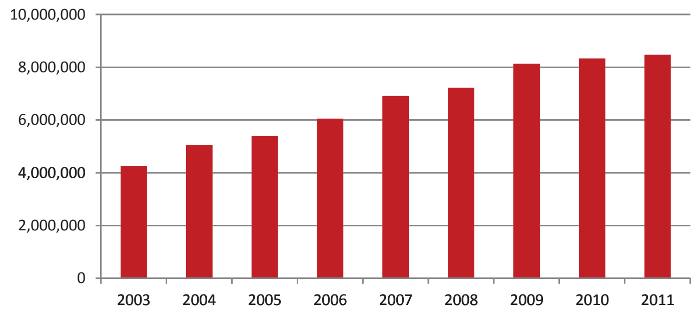
Kuwait is primarily a corporate destination, owing largely to the limited recreation and leisure facilities available, with a considerable amount of government demand. Approximately two-thirds of visitation to Kuwait is produced by GCC countries; key GCC source markets that

FIGURE 30: ECONOMIC INDICATORS – KUWAIT

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	4.4	6.0	(4.6)	3.1	4.4	5.4	5.3
Consumer price inflation (av %)	5.5	10.6	4.0	4.0	4.7	4.4	4.1
Budget balance (% of GDP)	28.6	6.9	21.1	14.8	28.6	23.0	23.5
Current-account balance (% of GDP)	36.1	40.9	24.3	29.6	38.9	35.2	36.0
Exchange rate: KD:US$	0.27	0.28	0.29	0.28	0.28	0.28	0.28

Source: Economist Intelligence Unit, 2012

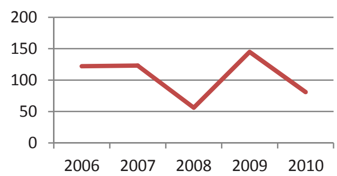
FIGURE 31: AIRPORT PASSENGER MOVEMENTS – KUWAIT



Source : HVS Research

FIGURE 32: FOREIGN DIRECT INVESTMENT – KUWAIT (US$ MILLIONS)

Year	FDI	% Change
2006	122	—
2007	123	0.8 %
2008	56	(54.5)
2009	145	158.9
2010	81	(44.1)



Source: UNCTAD

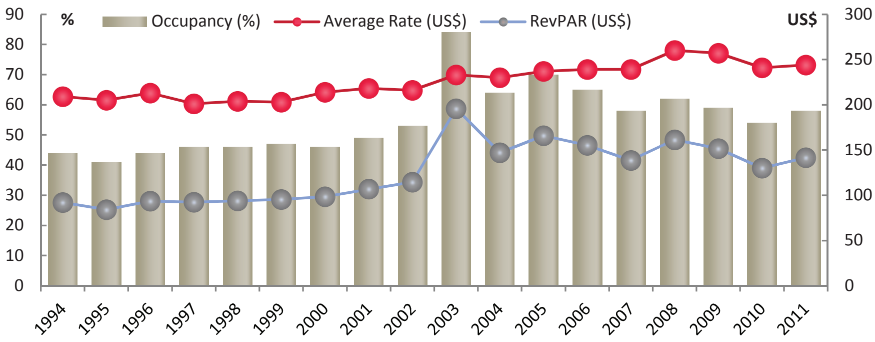
generate this demand include Saudi Arabia and the UAE, while the major European source market is the UK, accounting for less than 15% of total demand.

After experiencing a surge in occupancy in 2003, on account of the Iraq War, marketwide occupancy in Kuwait returned to steady levels. The negative effect of the Arab Spring on Kuwait's hotel industry appears negligible, given the improvements in hotel operating performance. In 2011, marketwide occupancy increased by 4% on 2010, a considerable increase given the moderate growth of 2% in accommodated room nights, partly attributable to the opening of the Missoni hotel. Marketwide average rate remained stable with 1% growth, resulting in healthy rise in RevPAR of 9%.

In addition to approximately 1,600 units in its hotel development pipeline, Kuwait announced numerous projects in 2011 with a combined value of approximately US$125 billion to be completed over the next 20 years, including the overhaul of the Silk City district, which will include its own metro and railway system, and several subcities designed to cater to education, finance, culture and entertainment. In 2011, the 169-room Hotel Missoni was unveiled as Rezidor's first Missoni-branded property in the Middle East.

Despite the four pp increase in marketwide occupany in Kuwait, the hotel market continues to record below par occupancies. With new hotel supply entering the market in 2012, occupancy is expected to continue be suppressed; however, government initiatives in coordination with large-scale investment are expected to temper this suppression and the country's average rates and RevPAR remain among the highest in the region.

FIGURE 33: PERFORMANCE INDICATORS – KUWAIT



Source : HVS Research

FIGURE 34: DEVELOPMENT PIPELINE – KUWAIT

Property	No. of Rooms	Opening Year
Jumeirah Messilah Beach Hotel & Spa	307	2012
Ramada Plaza Kuwait	299	2012
Staybridge Suites Kuwait Salmiya	120	2012
InterContinental Kuwait	204	2012
Hilton Olympia Kuwait	211	2013
Staybridge Suites Kuwait-Farwaniya	120	2015
The Ritz-Carlton Kuwait	350	—

Source: HVS Research

Lebanon

Lebanon has a free-market economy; the government does not restrict foreign investment, which is evident in the steady growth of FDI. The national economy is service-oriented, with main growth sectors in commerce, banking and tourism. Unfortunately, the latter industry is largely influenced by the stability of the immediate region. The calculated cost of conflict in Lebanon and its immmediate vicinity, from 1991 until 2010, is approximately US$100 billion. However, average GDP growth between 2007 and 2010, a period of relative stability, was 8.13%.

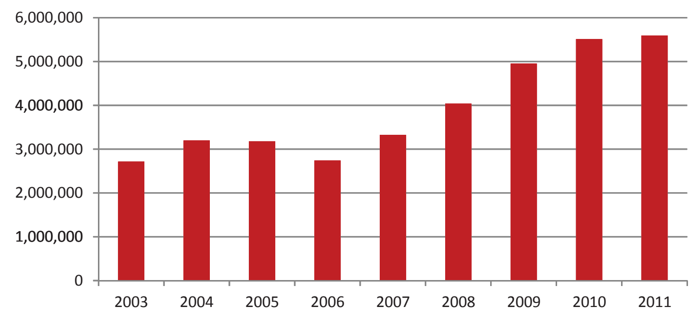
Marginal growth in airport passenger movements in Lebanon is the result of the unpredictable political situation, and the corresponding effect it has on the perception of the security involved with travelling to this destination.

FIGURE 35: ECONOMIC INDICATORS – LEBANON

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	7.5	9.3	8.5	7.2	1.5	3.3	4.7
Consumer price inflation (av %)	5.7	11.8	1.0	4.0	5.1	3.4	3.6
Budget balance (% of GDP)	(10.2)	(9.6)	(8.5)	(7.4)	(7.3)	(8.1)	(7.5)
Current-account balance (% of GDP)	(6.4)	(13.6)	(19.3)	(22.7)	(27.2)	(20.8)	(21.8)
Exchange rate: L£:US$	1,508	1,508	1,508	1,508	1,508	1,508	1,508

Source: Economist Intelligence Unit, 2012

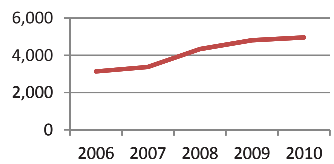
FIGURE 36: AIRPORT PASSENGER MOVEMENTS – BEIRUT



Source : HVS Research

FIGURE 37: FOREIGN DIRECT INVESTMENT – LEBANON (US$ MILLIONS)

Year	FDI	% Change
2006	3,132	—
2007	3,376	7.8 %
2008	4,333	28.3
2009	4,804	10.9
2010	4,955	3.1

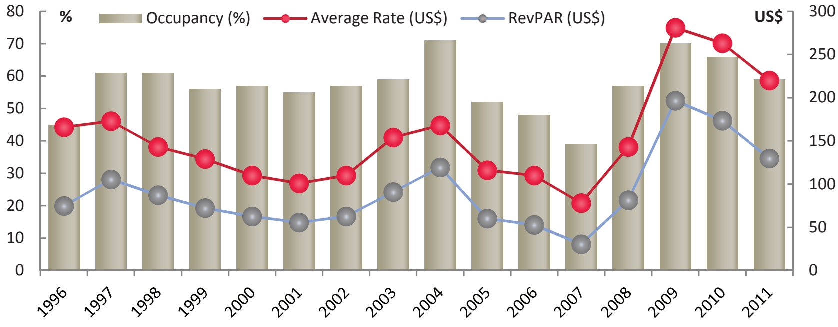


Source: UNCTAD

Lebanon possesses the potential to become a major leisure destination; its resilient tourism sector achieved record figures in 2009 after four years of instability. With political turmoil in 2011, the focus of hotel operators was on the meeting, incentive, conference and event (MICE) market, which is surprising, considering that Lebanon is primarily a leisure destination, supported by the corporate segment during troughs in seasonality.

The primary source market for Lebanon is the GCC countries, with residents from neighbouring arab states travelling via land and air to enjoy the moderate summer temperatures. European tourists visit the country largely for its culture and heritage.

FIGURE 38: PERFORMANCE INDICATORS – BEIRUT



Source : HVS Research

Beirut generally benefits from GCC visitation; a substantial amount of which utilises road transport via Syria. However, given the instability in Lebanon in early 2011 following the collapse of the Cabinet and the unrest in neighbouring Syria, Beirut's hotel sector experienced a decline in marketwide occupancy and average rate on 2010, with accommodated room nights falling by 12%. Occupancy dipped below 60% with a seven pp decline and marketwide average rate fell from US$263 to US$220, resulting in a RevPAR decline of 25%. Beirut's hotel industry exhibits remarkable resilience; following an assassination, war and instability between 2005 and 2007, 2008 and 2009 recorded both strong growth and record results.

The development pipeline in Lebanon currently includes 1,025 hotel rooms, with the Hilton Beirut on hold indefinitely. The recent rebranding of the Al Habtoor-owned properties in Sin el Fil to the Hilton Beirut Habtoor Grand and the Hilton Metropolitan Palace Beirut marks Hilton's entrance into the Lebanese market. Investment sentiment and the resulting development pipeline mirrors the political quarrelling in Lebanon, with properties and projects experiencing delays and tourist asset growth stagnant in light of legislative and promotional delays.

FIGURE 39: DEVELOPMENT PIPELINE – BEIRUT

Property	No. of Rooms	Opening Year
Kempinski Project Summerland	151	2012
Staybridge Suites Beirut	121	2012
Grand Hyatt Beirut	350	2012
Kempinski Residences Alabadiyah Hills	75	2014
Centro Gemmayze	170	2014
Hilton Beirut	158	—

Source: HVS Research

Lebanon's attractions include summer events, a vibrant nightlife, the winter ski season, religious holidays throughout the year, corporate shoulder seasons and year-end festivities. Such attractions foster resilience and in light of national stability and limited hotel development, hotel occupancies are expected to improve while an already solid average rate will position the destination among the top performers in terms of RevPAR.

Oman

Oman's capital Muscat has actively pursued a diversification plan geared towards tourism and gas-based industries. As a middle-income economy, Oman remains heavily dependent on its oil resources, which are steadily declining and planned to contribute only 9% to the economy by 2020 as part of Oman's diversification plan.

Muscat International Airport has enjoyed healthy growth in recent years, with the exception of 2008 and 2009, during which the government discontinued its synergy

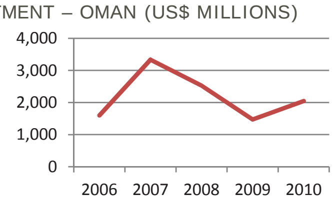
FIGURE 40: ECONOMIC INDICATORS – OMAN

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	6.7	12.8	1.1	4.5	4.7	4.5	4.9
Consumer price inflation (av %)	6.0	12.4	2.5	3.1	4.0	3.7	3.8
Budget balance (% of GDP)	0.2	0.4	(3.8)	(0.2)	9.3	7.8	8.2
Current-account balance (% of GDP)	5.9	8.3	(1.3)	8.8	14.9	8.1	5.1
Exchange rate: OR:US$	0.39	0.39	0.39	0.39	0.39	0.39	0.39

Source: Economist Intelligence Unit, 2012

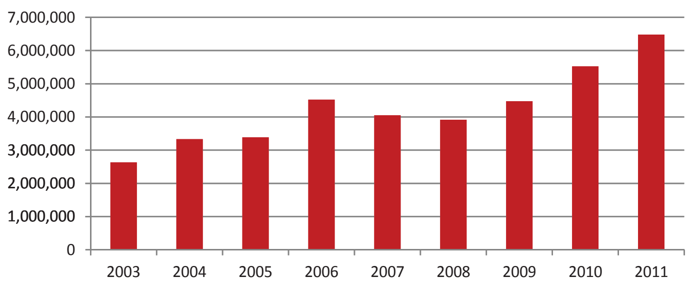
FIGURE 41: FOREIGN DIRECT INVESTMENT – OMAN (US$ MILLIONS)

Year	FDI	% Change
2006	1,597	—
2007	3,332	108.6 %
2008	2,528	(24.1)
2009	1,471	(41.8)
2010	2,045	39.0



Source: UNCTAD

FIGURE 42: AIRPORT PASSENGER MOVEMENTS – MUSCAT



Source : HVS Research

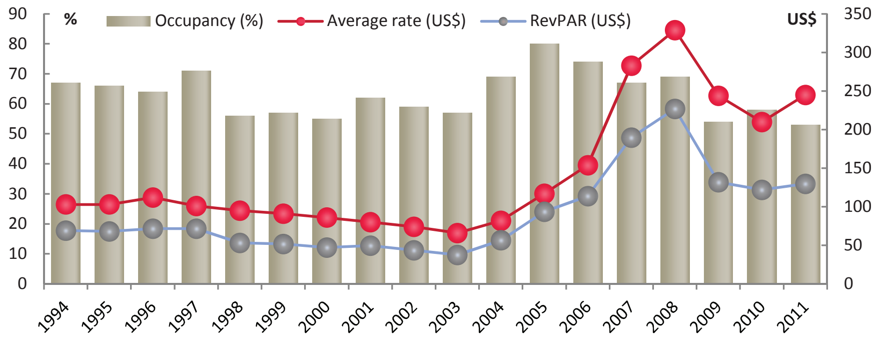
with Oman Air. Nonetheless, Oman ambitiously expects tourist arrivals to continue growing, with an airport expansion boosting capacity to 12 million passengers per annum by 2014. Moreover, further expansions are planned in three subsequent phases which will increase capacity to 24 million, 36 million and eventually 48 million passenger per year by 2050.

Muscat enjoys strong corporate demand, with supporting leisure demand to maintain strong hotel performances throughout the year. While the city centre attracts predominantly corporate demand, cities outside of Muscat with more resort-oriented environments cater primarily to the leisure markets. Oman's source markets are relatively consistent; while Europeans comprise the majority of visitors, travellers from Oman, Asia and other GCC markets provide equal levels of demand.

Although hotel occupancy in Muscat declined in 2011, owing to the opening of the 250-room Ritz-Carlton hotel, the city ranked among the top three cities in the region in terms of average rate growth. Additionally, accommodated room night demand in the capital increased by 7% year-on-year. Following fluctuations in occupancy and average rate, RevPAR in Muscat and Salalah, Oman's primary destinations, grew by 7% and contracted by 5%, respectively.

The Omagine Project was announced in 2011; it is a mixed-use tourism, cultural and residential project that will be developed on the beachfront in the vicinity of Muscat International Airport. The development is estimated to cost US$2.5 billion and is expected to incorporate education, heritage, entertainment and residential components via a boardwalk, an enclosed harbour, multiple hotel developments, restaurants, retail avenues and various other leisure facilities. In the first quarter of 2011, Oman announced plans to launch a US$1 billion convention and exhibition centre, which is due to open in 2015 and expected to incorporate 25,000 square metres of exhibition space, banqueting halls, meeting space, office space, four hotels and a large shopping mall. Oman's Ministry of Transport and Communications announced plans for 2012 geared towards the development of the national railway project, as well as improved transport infrastructure, such as the Batinah Expressway.

FIGURE 43: PERFORMANCE INDICATORS – MUSCAT



Source : HVS Research

FIGURE 44: DEVELOPMENT PIPELINE – MUSCAT

Property	No. of Rooms	Opening Year
Salalah Rotana Resort	577	2012
Holiday Inn Muscat Airport	188	2012
Crowne Plaza Duqum	228	2013
Hotel Missoni Sifah	250	2013
Kempinski Hotel The Wave, Muscat, Oman	280	2014
Radisson Blu Hotel & Resort Sohar	162	2014
W Muscat	250	2014
Mövenpick Resort & Spa Salalah	391	2014
Fairmont The Wave	290	2016
Four Seasons Resort Oman at Jebel Sifah	190	2016
The Westin Muscat	350	2016
Element Muscat	100	2016

Source: HVS Research

With the current expansion plans underway at Muscat International Airport and the aforementioned capacity increases, Oman is positioning itself as a major player in the tourism industry. With decreasing oil resources, Oman will be heavily reliant on the tourism sector to drive the economy. A healthy development pipeline will introduce major hotel industry players to the market and induce a considerable amount of demand. Oman's recent performance indicates limited exposure to the Arab Spring, as accommodated demand increased and RevPAR in Oman's major tourism destinations remained relatively stable.

Qatar

Qatar has continued to prosper during recent years, with a remarkable 17.6% GDP growth in 2011. Qatari authorities sought to protect the local banking sector with direct investments into domestic banks to weather the storm during 2008 and 2009. Economic policy is geared towards developing non-associated natural gas reserves and increasing private and foreign investment in non-energy sectors. Whilst FDI peaked in 2009, continued foreign investment is expected in light of the highly anticipated FIFA World Cup in 2022.

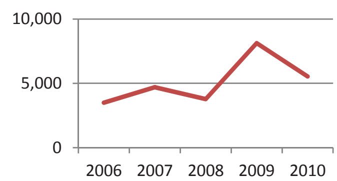
FIGURE 45: ECONOMIC INDICATORS – QATAR

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	17.1	11.7	9.5	14.0	17.6	7.6	6.2
Consumer price inflation (av %)	13.6	15.3	(4.7)	(2.4)	1.9	3.6	3.7
Budget balance (% of GDP)	10.9	10.7	14.0	2.6	11.9	9.4	7.9
Current-account balance (% of GDP)	10.8	12.8	6.8	16.2	30.0	30.1	30.1
Exchange rate: QAR:US$	3.64	3.64	3.64	3.64	3.64	3.64	3.64

Source: Economist Intelligence Unit, 2012

FIGURE 46: FOREIGN DIRECT INVESTMENT – QATAR (US$ MILLIONS)

Year	FDI	% Change
2006	3,500	—
2007	4,700	34.3 %
2008	3,779	(19.6)
2009	8,125	115.0
2010	5,534	(31.9)



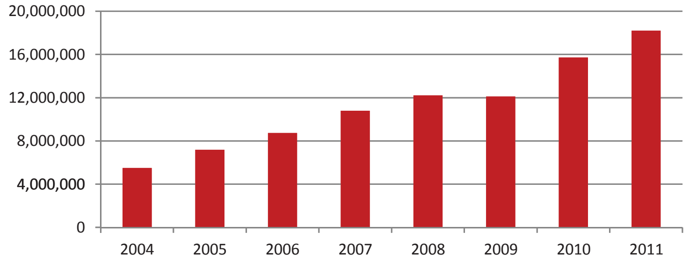
Source: UNCTAD

Passenger movements at Doha International Airport continue to experience double-figure increases year-on-year. The much anticipated first phase of New Doha International Airport is expected to be completed on 12 December 2012. This facility is envisaged to have capacity for 50 million passengers per annum. Currently, approximately 70% of air traffic to Doha is transit, which prompted the government to launch initiatives such as '48 Hours in Qatar' in order to capture this short-stay segment.

Qatar is driven almost entirely by corporate demand; however, as the country positions itself in the global sporting arena, government demand is being generated through persistent involvement in recreational/sporting events, as well as through the meetings and conference segment. With limited infrastructure currently available to leisure travellers, this market remains underdeveloped. The primary source market for Qatar is the GCC countries; however, with a significant expat population in the GCC countries, many residents of these countries holding European passports travel to Qatar for corporate reasons.

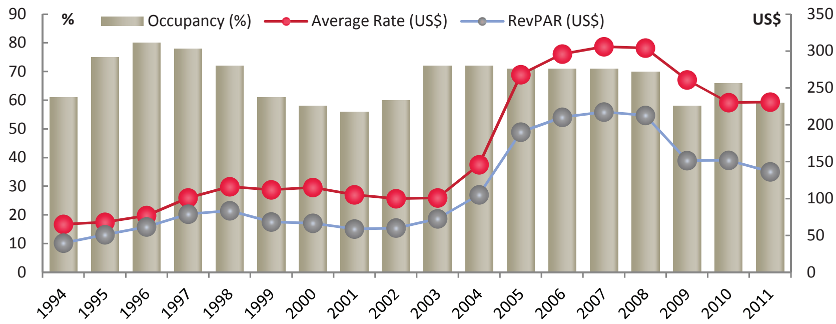
Owing to the significant number of hotel rooms entering Doha in 2011, marketwide occupancy contracted by seven pp and marketwide average rate remained stable. Despite the drop in hotel, accommodated room nights in Doha increased by an impressive 45%. As a result of average rate and occupancy dynamics, RevPAR declined by ten per cent.

FIGURE 47: AIRPORT PASSENGER MOVEMENTS – DOHA



Source : HVS Research

FIGURE 48: PERFORMANCE INDICATORS – DOHA



Source : HVS Research

During the third quarter of 2011, the Qatar Tourism Authority announced plans to modernise the Doha Exhibition Centre in order to add 30,000 square metres. A further project announced recently is the development of a US$500 million, semi-submerged resort called Amphibious 1000. In addition to launching the US$1.65 billion Doha Festival City project, Doha witnessed the introduction of more than 1,400 hotel rooms in the first quarter of 2011, including the Ramada Encore and the highly anticipated Marriott complex, housing the Renaissance hotel, the Marriott Executive Apartments and the Courtyard by Marriott City Centre. IHG launched its second InterContinental hotel in West Bay and the announcement to convert the Ramada Plaza Doha to a Radisson Blu will transfer 584 rooms to Rezidor's inventory. This supply does not include the significant number of non-branded midscale and four-star properties that opened in the city without prior notification or announcement. With aggressive expansion plans in place in Qatar, more than 5,600 hotel rooms and serviced apartment units are expected to enter the market in the coming years.

As Qatar positions itself as a major player in the global sporting arena, major infrastructural developments are in progress. As the city expands both inwards and outwards, new contracts are expected to be signed in the short term, driving further growth in demand. A significant amount of supply is expected in the short and mid term, and the demand generated by the growth of the city will contribute to the creation of a sustainable hotel market.

FIGURE 49: DEVELOPMENT PIPELINE – DOHA

Property	No. of Rooms	Opening Year
Hilton Doha	309	2012
Radisson Blu Hotel, Doha	584	2012
City Centre Rotana	380	2012
Shangri-La Hotel Doha	314	2012
The St. Regis Doha	336	2012
Crowne Plaza Doha, Business Park	378	2012
Hilton Garden Inn Doha Al Sadd	258	2013
Traders Hotel Doha	322	2013
Pullman Doha West Bay	468	2014
Four Seasons Doha at the Pearl	276	2014
Mandarin Oriental, Doha	160	2014
Kempinski Hotel Marsa Malaz, The Pearl	250	2014
Centro Doha	220	2014
Planet Hollywood	350	2014
M Gallery Doha Msheireb	215	2015
Hilton Doha Residence	288	2015
Hotel Missoni Doha	299	2015
Jumeirah Dubai Towers	228	—

Source: HVS Research

Saudi Arabia

The economy of Saudi Arabia is dominated by the oil industry; Saudi Arabia allegedly possesses roughly 25% of the world's oil reserves. Receiving massive revenues from oil exports, the kingdom has used this money to finance infrastructure development and modernisation programmes, as well as far-reaching health and social programmes and educational services. As part of its effort to attract foreign investment, Saudia Arabia began establishing economic cities that are well under way in different regions of the country, with a total spend of US$373 billion in the

five years from 2010 until 2014. As such, Saudi Arabia continues to be the region's leader in foreign investment, exceeding the second-highest country in terms of FDI by more than 200%.

Airport passenger movements in Saudi Arabia continue to rise, with Riyadh recording double-figure increases in 2011. With continuous development in the country, these numbers are expected to remain consistent. Jeddah's King Abdulaziz International Airport is currently undergoing an expansion, which aims to increase the capacity to 30 million passengers by 2015.

Saudi Arabia can be divided into three general markets: the eastern provinces, central Saudi Arabia and the western provinces. The eastern provinces, including Dammam and Al Khobar, and the western provinces, including Jeddah, cater to a large portion of domestic leisure demand, while centrally located Riyadh caters predominantly to the corporate segment. The exception to these segments is Mecca, which constitutes religious tourism. The primary source markets for Saudi Arabia are other GCC countries, with Kuwait and the UAE being major feeder markets. As evident in the market segmentation of the Kingdom, the eastern and western provinces draw a significant amount of demand from the domestic market.

Saudi Arabia continues to develop at a rapid pace. With considerable developments scheduled in tourism and throughout various sectors, supply and demand are growing in proportion to one another, which is reflected in sustained hotel performances; occupancies across the kingdom (apart from Al Jubail) experienced year-on-year growth in 2011 with accommodated room nights nearing four million, and 2012 figures are expected to exceed this number. Marketwide occupancy grew by as much as eight pp in Yanbu, with Jeddah and Riyadh remaining stable. Average rates were less consistent, with Al Qassim recording a decrease of 14% and Mecca experienced a rise of 18%. Nonetheless, only two cities recorded RevPAR declines, Al Jubail and Jeddah. The remainder of the market experienced RevPAR growth of up to 21%.

The last quarter of 2011 started strong for Riyadh, with the opening of the iconic Ritz-Carlton Riyadh adding 493 rooms to the city's inventory. Tourism development in Saudi

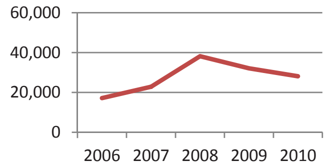
FIGURE 50: ECONOMIC INDICATORS – SAUDI ARABIA

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	2.0	4.2	0.1	4.1	7.0	4.8	4.8
Consumer price inflation (av %)	4.1	9.9	5.1	5.4	4.7	4.1	3.5
Budget balance (% of GDP)	12.2	32.5	(6.1)	6.6	14.2	6.9	3.6
Current-account balance (% of GDP)	24.3	27.8	5.6	14.8	24.2	17.3	15.3
Exchange rate: SAR:US$	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Source: Economist Intelligence Unit, 2012

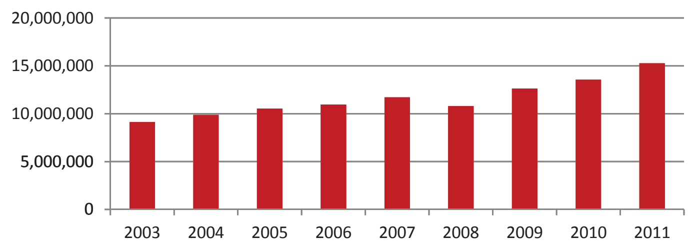
FIGURE 51: FDI – SAUDI ARABIA (US$ MILLIONS)

Year	FDI	% Change
2006	17,140	–
2007	22,821	33.1 %
2008	38,151	67.2
2009	32,100	(15.9)
2010	28,105	(12.4)



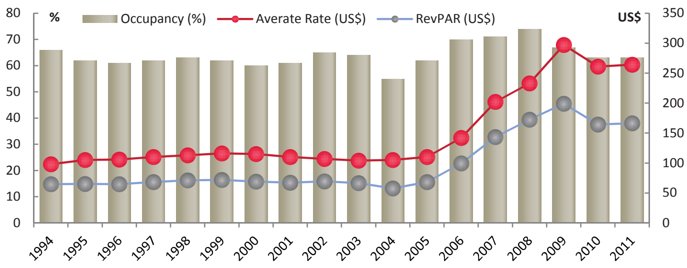
Source: UNCTAD

FIGURE 52: AIRPORT PASSENGER MOVEMENTS – RIYADH



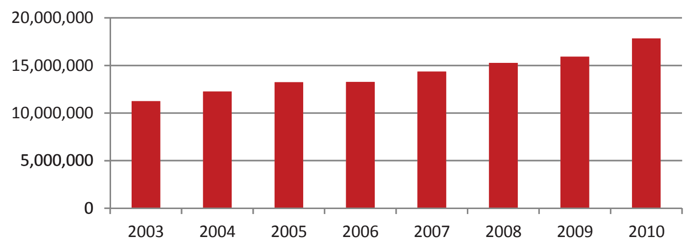
Source : HVS Research

FIGURE 53: PERFORMANCE INDICATORS – RIYADH



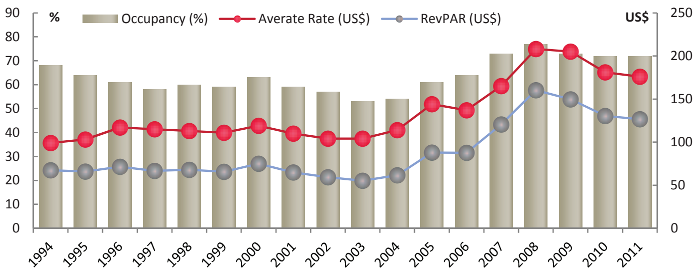
Source : HVS Research

FIGURE 54: AIRPORT PASSENGER MOVEMENTS – JEDDAH



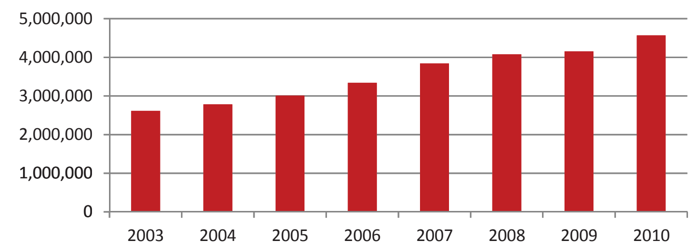
Source : HVS Research

FIGURE 55: PERFORMANCE INDICATORS – JEDDAH



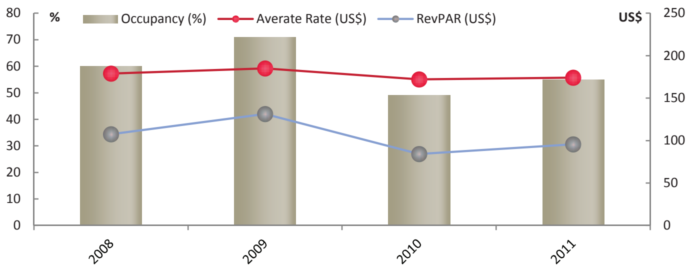
Source : HVS Research

FIGURE 56: AIRPORT PASSENGER MOVEMENTS – DAMMAM



Source : HVS Research

FIGURE 57: PERFORMANCE INDICATORS – DAMMAM



Source : HVS Research

Arabia is expected to be fueled by US$80 billion worth of investment in key infrastructure, such as airports and hotels. In the near to mid term, Saudi Arabia is expected to open almost 24,000 new hotel rooms and serviced apartments, with extensive megaprojects under progress throughout the city that will generate demand for this new supply.

FIGURE 58: DEVELOPMENT PIPELINE – EAST

Property	No. of Rooms	Opening Year
Kempinski Hotel Al Khobar	218	2012
Hilton Al Jubail	430	2014
Doubletree by Hilton Al Khobar	304	2014
Hilton Al Khobar Hotel & Residence	400	2014
Centro Al Khobar	250	2014
Courtyard by Marriott Jubail	200	2015
Marriott Executive Apartments Dammam	50	2015
Marriott Hotel Dammam	250	2015
Damman Rayhaan	250	2015

Source: HVS Research

FIGURE 59: DEVELOPMENT PIPELINE – CENTRAL

Property	No. of Rooms	Opening Year
ibis Riyadh Olaya Street	176	2012
Courtyard by Marriott Riyadh	288	2012
Marriott Executive Apartments Riyadh	119	2012
Courtyard by Marriott Olaya	200	2012
Hilton Garden Inn Riyadh Al Muroj	196	2012
Crowne Plaza Riyadh – ITCC	326	2012
Fairmont Business Gate	304	2013
Hilton Riyadh King Saud University	241	2013
Hotel Indigo Riyadh Financial District	225	2013
Hilton Riyadh King Saud University Residence	155	2013
Kempinski Hotel Riyadh	300	2013
Rayhaan Adex Riyadh	227	2013
Wyndham Grand Riyadh, King Abdullah Financial District	210	2013
Mövenpick Hotel Riyadh	445	2013
Hilton Riyadh Hotel & Residence	861	2014
Hilton Riyadh King Fahd Road	210	2014
Centro Riyadh	150	2014
InterContinental King Abdullah Financial District	220	2014
Centro Riyadh Al Olaya	280	2015
JW Marriott Hotel Salboukh	250	2015
Marriott Executive Apartments Salboukh	50	2016
Park Inn Riyadh, Olaya	259	—

Source: HVS Research

With increased spending by the government over the next five years, the total investment during this time is estimated at US$385 billion and focused primarily on education, health and infrastructure. A rapidly expanding population makes Saudi Arabia one of the more attractive consumer markets in the region and, coupled with the increase in disposable incomes in recent years, it will continue to feed demand for infrastructure and other services such as housing, health, technology, education and, most importantly, travel and tourism.

FIGURE 60: DEVELOPMENT PIPELINE – WEST

Property	No. of Rooms	Opening Year
ibis Yanbu	196	2012
Sheraton Medina Hotel	297	2012
Four Points by Sheraton Medina	178	2012
Fairmont Emaar Residences	647	2012
Swissôtel Makkah	1,562	2012
Ramada Plaza Mekkah	792	2012
Crowne Plaza Madinah	502	2012
Residence Inn Jizan	83	2012
Holiday Inn Medina Al Safwa	400	2013
Holiday Inn Jeddah – Red Sea Palace	277	2013
Four Points by Sheraton Mall of Arabia	300	2013
Courtyard by Marriott Mall of Arabia	200	2013
Marriott Executive Apartments Mall of Arabia	100	2013
Courtyard by Marriott Downtown Jeddah	250	2013
Courtyard by Marriott Jizan	129	2013
Hilton Suites Makkah	516	2013
Conrad Makkah	496	2013
Rocco Forte Jeddah	159	2013
Holiday Inn Medina Central District	245	2014
Adagio Jeddah Malik Road	84	2014
Makkah Courtyard by Marriott	506	2014
ibis Jeddah Malik Road	184	2014
Kempinski Hotel Jeddah, Saudi Arabia	242	2014
Hilton Makkah Convention Hotel	566	2014
Hilton Bab Makkah North	853	2014
Hilton Bab Makkah South	853	2014
DoubleTree by Hilton Makkah	806	2014
Al Diyafa Park Inn Makkah	204	2014
Jeddah Rayhaan	400	2015
Holiday Inn Jeddah Airport	148	2015
Makkah Marriott Hotel	436	2015
Makkah JW Marriott Hotel	651	2015
Jeddah Centro	250	2015
Four Seasons Hotel Jeddah	187	2016
Al Madinah Paradise Radisson Blu Resort	212	—

Source: HVS Research

Syria

Following unparalleled levels of unrest in Syria in 2011, FDI is expected to contract dramatically with a similar impact on economic growth. Economic constraints include declining oil production, high unemployment and rising budget deficits.

While recent airport passenger movements in Syria were not available at the time of writing this article, with performance indicators in the hotel industry experiencing a 75% decline in occupancy, a similar effect is expected in airport passenger movements.

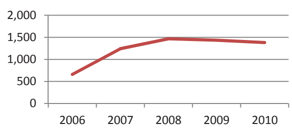
FIGURE 61: ECONOMIC INDICATORS – SYRIA

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	5.7	4.5	6.0	3.2	(3.4)	(5.9)	5.1
Consumer price inflation (av %)	3.9	15.7	2.6	4.4	4.6	13.0	10.1
Budget balance (% of GDP)	(3.1)	(2.5)	(3.8)	(5.1)	(11.9)	(18.8)	(13.1)
Current-account balance (% of GDP)	1.1	1.0	(2.0)	(0.7)	(10.7)	(16.6)	(10.9)
Exchange rate: S£:US$	48.10	46.45	46.71	46.38	48.40	64.00	68.80

Source: Economist Intelligence Unit, 2012

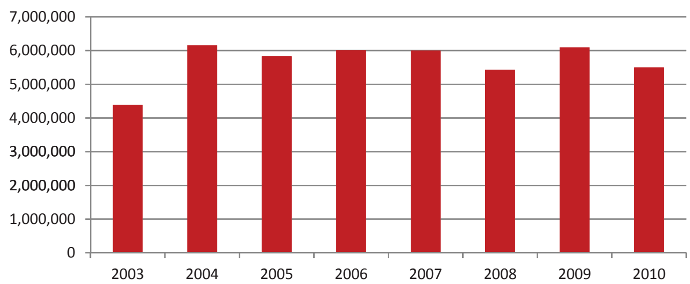
FIGURE 62: FDI – SYRIA (US$ MILLIONS)

Year	FDI	% Change
2006	659	—
2007	1,242	88.5 %
2008	1,467	18.1
2009	1,434	(2.2)
2010	1,381	(3.7)



Source: UNCTAD

FIGURE 63: AIRPORT PASSENGER MOVEMENTS – DAMASCUS

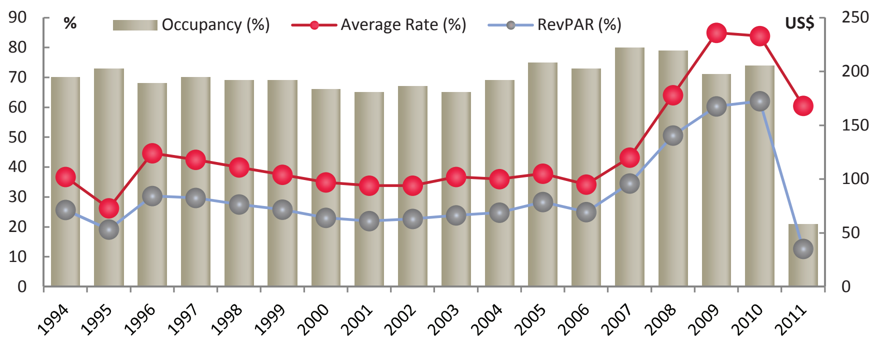


Source : HVS Research

During periods of stability, Syria enjoys a balance of corporate and leisure demand, with the meetings and groups and FIT segments acting as support segments. Arab states consitute roughly 60% of the demand generated by source markets, domestic travel constitutes approximately 20% and the remaining demand is attributed to foreign markets.

As a result of the continued unrest in Syria, hotel performance has declined significantly; this is a major setback to the growth that Damascus had achieved previously, with average rates achieving solid growth and sustainable hotel occupancies. With accommodated room nights achieving less than one-third of the levels experienced in the previous year, in 2011 RevPAR dropped by up to 79% in cities across Syria.

FIGURE 64: PERFORMANCE INDICATORS – DAMASCUS



Source : HVS Research

Syria's hotel development pipeline includes 2,000 hotel rooms to enter the market during the next four years. No major projects have been announced apart from Majid Al Futtaim's Khams Shamat development launched in 2010. As part of the US$10 billion development plan announced by the Syrian government in 2010, building on residential, retail and tourism infrastructure, the Khams Shamat development is due for completion in 2014, which may be delayed considering the country's current situation.

Before Syria can begin to welcome tourists back, and realise previous levels of visitation and hotel demand, it is both urgent and imperative that the current conflict, heavily publicised in the international media, is resolved. Thereafter, as is the case with numerous destinations in the Middle East that are exposed to the impact of the Arab Spring, the resilience of Syria will come under scrutiny. Until stability is returned to the country, hotel projects are expected to experience delays and, in certain cases, cancellation and both guest and investor confidence will take time to return to previous levels.

FIGURE 65: DEVELOPMENT PIPELINE – SYRIA

Property	No. of Rooms	Opening Year
Ramada Plaza Bloudan	300	2012
Yasmeen Rotana	338	2013
Gardenia Rotana	280	2013
Holiday Inn Damascus	300	2013
ibis Aleppo Taj Halab	129	2015
Novotel Aleppo Taj Halab	150	2015
Novotel Lattakia Marsa Shams Resort	135	2015
Mazzeh Centro	70	2015
Kafarsousa Centro	220	2015

Source: HVS Research

Turkey

Turkey weathered the global financial crisis relatively well following reforms after the 2001 domestic financial crisis. In light of reforms following Turkey's isolated crisis, GDP growth has remained stable. However, the country's economy remains burdened by a high current account deficit with FDI inflows affected by the recent turmoil in Europe.

With limited exposure to the Arab Spring, passenger movements throughout Turkey's major international airports continue to experience solid growth. Redirected tourists, who were previous visitors to Egypt and Syria, prefered Istanbul and the Black Sea coast in 2011, fuelling Turkey's tourism industry. With a double-figure increase at Turkey's two major airports in 2011, compound annual growth in passenger arrivals has reached more than 13% since 2003.

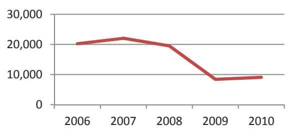
FIGURE 66: ECONOMIC INDICATORS – TURKEY

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	4.5	4.5	4.3	5.2	7.9	2.3	4.0
Consumer price inflation (av %)	8.7	11.0	8.9	7.1	6.5	9.2	7.2
Budget balance (% of GDP)	(1.6)	(2.7)	(2.6)	(2.0)	(1.4)	(1.8)	(1.9)
Current-account balance (% of GDP)	(5.7)	(6.4)	(6.0)	(5.8)	(10.3)	(8.2)	(6.2)
Exchange rate: TL:US$	1.30	1.29	1.42	1.42	1.67	1.88	1.81

Source: Economist Intelligence Unit, 2012

FIGURE 67: FDI – TURKEY (US$ MILLIONS)

Year	FDI	% Change
2006	20,223	–
2007	22,023	8.9 %
2008	19,504	(11.4)
2009	8,411	(56.9)
2010	9,071	7.8



Source: UNCTAD

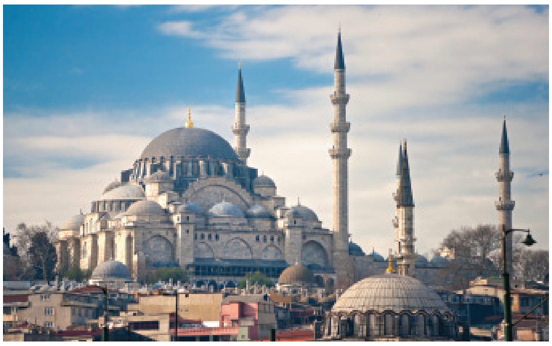
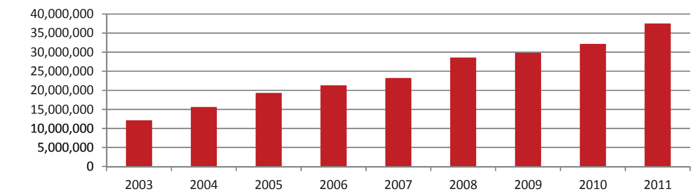
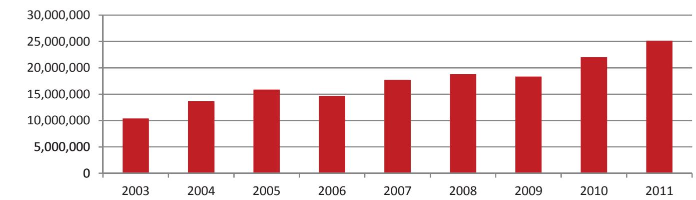


FIGURE 68: AIRPORT PASSENGER MOVEMENTS – ISTANBUL



Source : HVS Research

FIGURE 69: AIRPORT PASSENGER MOVEMENTS – ANTALYA



Source : HVS Research

Istanbul's hotel market is segmented into three primary markets: corporate, MICE and leisure, all of which generate relatively equal demand. The strongest demand for Turkey originates from Germany, while Russia and the UK contribute equally to the country's tourism sector.

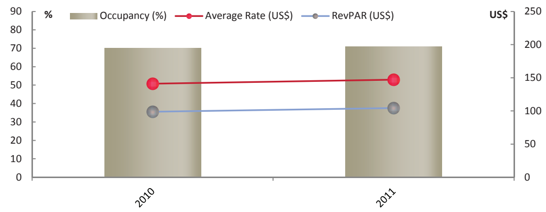
Statistics available for Istanbul indicate marginal growth from 2010 to 2011 in terms of both hotel occupancy and average rate. Although Turkey borders Syria, its primary destinations were unaffected by the regional unrest in the Middle East and did not suffer any repercussions. Hotel occupancy in Izmir, however, recorded an eight pp decline in 2011 and average rates fell by 9%, resulting in a 23% decline in RevPAR. Although marketwide occupancy in Turkey has changed only minimally over the past couple of years, it is important to note that accommodated room nights increased year-on-year by 22%.

FIGURE 71: DEVELOPMENT PIPELINE – TURKEY

Property	No. of Rooms	Opening Year
Le Méridien Istanbul Etiler	259	2012
Mövenpick Hotel Ankara	178	2012
Renaissance Istanbul Bosphorus	212	2012
Sheraton Adana Hotel	227	2013
Aloft Bursa	136	2013
Sheraton Bursa Hotel	176	2013
Mandarin Oriental, Bodrum	100	2014
Rhossos Rotana	230	2015

Source: HVS Research

FIGURE 70: PERFORMANCE INDICATORS – ISTANBUL



Source : HVS Research

Istanbul will contend with Doha in the bid for the 2020 Summer Olympic Games. The city has a portion of the necessary infrastructure development already complete or under progress, such as the rail systems that will provided transport to the newly established sports facilities. Moreover, Prime Minister Recep Erdogan announced that his government would legislate special laws dedicated to the Olympics in order to expedite investments and tenders necessary to prepare for the event. In the interim, Turkey's hotel development pipeline includes more than 1,500 rooms set to enter the market by 2015; a substantial portion of the pipeline is driven by global powerhouse, Starwood Hotels and Resorts.

Turkey offered a safe haven in 2011 for GCC tourists; depending on the stability of the Middle East, a considerable percentage of this demand will decrease as tourists return to their preferred pre-2011 destinations. With this in mind, passenger arrivals are expected to increase moderately and hotel performance is forecast to remain relatively consistent as the new supply is absorbed by the market.

United Arab Emirates

The UAE will continue to rely on the oil sector; Abu Dhabi will focus on major developments within the healthcare, education, infrastructure and tourism sectors, while Dubai will concentrate on repaying debts and reducing government spending. Trade and tourism, when considering the shift from real estate, will form the focal points that Dubai will engage in, in order to improve its business environment. The country will aim to recapture the FDI that contracted between 2008 and 2009 during the global economic turndown, and confront the rising concerns regarding the debt in Dubai.

The UAE remains one of the most rapidly growing destinations in the Middle East, with Dubai recording year-on-year double-figure growth in airport passenger movements. During the global economic slowdown, Dubai continued to experience solid passenger growth at near double-figures, and it is expected to rank among the top international airports in terms of passenger movements in the short term. In February 2012, Dubai Airports annnounced a US$7.8 billion airport and airspace expansion programme, which aims to boost capacity at Dubai International Airport to 90 million passengers by 2018.

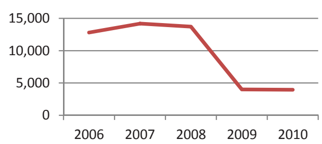
FIGURE 72: ECONOMIC INDICATORS – UAE

	Actual					Forecast	
	2007	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	3.2	3.3	(1.6)	1.4	3.3	3.5	4.3
Consumer price inflation (av %)	11.1	12.3	1.6	0.9	1.1	2.1	1.6
Budget balance (% of GDP)	7.3	16.2	(13.1)	(2.1)	4.9	4.2	2.6
Current-account balance (% of GDP)	7.6	7.1	2.9	3.8	7.3	4.6	4.8
Exchange rate: AED:US$	3.67	3.67	3.67	3.67	3.67	3.67	3.67

Source: Economist Intelligence Unit, 2012

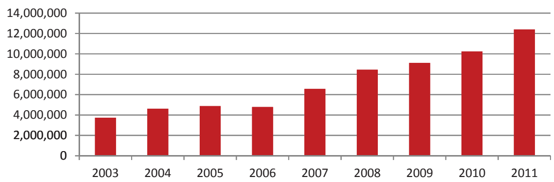
FIGURE 73: FDI – UAE (US$ MILLIONS)

Year	FDI	% Change
2006	12,806	—
2007	14,187	10.8 %
2008	13,724	(3.3)
2009	4,003	(70.8)
2010	3,948	(1.4)



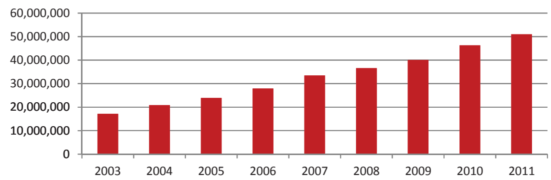
Source: UNCTAD

FIGURE 74: PASSENGER MOVEMENTS – ABU DHABI



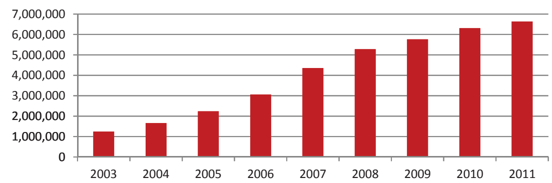
Source : HVS Research

FIGURE 75: PASSENGER MOVEMENTS – DUBAI



Source : HVS Research

FIGURE 76: PASSENGER MOVEMENTS – SHARJAH



Source : HVS Research

Although the different emirates capture differing percentages in certain segments, as a whole, the UAE benefits from a consistent and well diversified market, capturing corporate, leisure and MICE demand. The domestic market serves as the primary market for the UAE, with the GCC and other arab states contributing significantly to the market. While Europe constitutes a considerable amount of demand, the remainder is dispersed globally.

The UAE continued to experience stability in terms of occupancy, with all but one of the emirates experiencing growth in 2011. As a result of the regional unrest, some tourism was redirected to Dubai and many corporate offices shifted to the emirates in order to continue operating in a safe, business-friendly environment. Following oversupply in Abu Dhabi, however, average rates were suppressed in order to maintain occupancy levels. The same happened in Ajman and Fujairah, which experienced contractions of 22% and 15% in average rate, respectively. While performance growth fluctuated throught the emirates, the UAE as a whole experienced a solid 21% year-on-year increase in accommodated room nights, with RevPAR growing by 43% in Ajman and contracting by 11% in Fujairah.

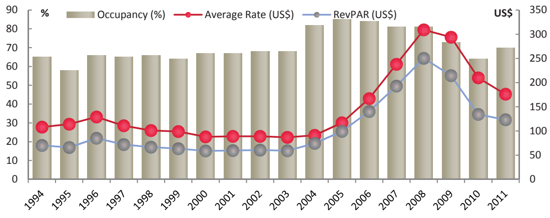
Dubai witnessed the introduction of more than 4,300 hotel rooms from midscale brands such as Holiday Inn to the five-star Jumeirah Zabeel Saray. The demolition of the iconic Metropolitan hotel on Sheikh Zayed Road will make way for further demand-generating tourism projects in Dubai, with plans to redesign the location as a hotel and theatre megaproject, inlcuding themed restaurants, a shopping arcade, a 1,100-seat theatre, substantial banqueting and meeting facilities and a sports academy. Additional projects announced include a US$600 million theme park called Dubai Adventure Studios, the Dubai Modern Art Museum and the Opera House District.

Southwards, across the desert, megaproject delays announced in 2011 were recently reinstated in order to ensure demand is driven to high supply cities such as Abu Dhabi; the Guggenheim Museum and the Louvre have both received new timelines, rescheduled to debut in three years. During 2011, approximately 3,000 new hotel rooms and serviced apartments entered the market in Abu Dhabi, ranging from midscale Centro brand to the luxury Rocco Forte brand.

With the UAE announcing recent plans to develop a Real Madrid island resort by 2015 in Ras Al Khaimah, and Rotana and Wyndham entering Sharjah with more than 500 rooms in 2011, the hotel development pipeline for the UAE currently includes more than 24,500 rooms and serviced apartment units.

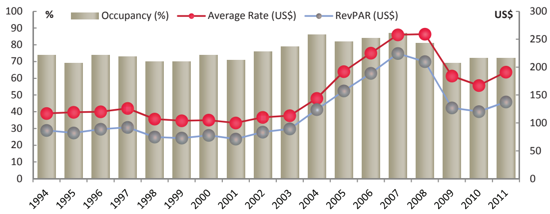
Passenger arrivals to the UAE continued to experience unprecedented growth in 2011, exceeding 2010 levels. As old hotels make way for new, Dubai constantly reinvents itself; the door will now open to the global conference market as Dubai marks the opening of the world's tallest hotel: the JW Marriott Marquis. With a renewed timeline for both old and new megaprojects, the UAE will continue to prosper.

FIGURE 77: PERFORMANCE INDICATORS – ABU DHABI



Source : HVS Research

FIGURE 78: PERFORMANCE INDICATORS – DUBAI



Source : HVS Research

FIGURE 79: DEVELOPMENT PIPELINE – ABU DHABI

Property	No. of Rooms	Opening Year
Adagio Abu Dhabi Al Bostan	279	2012
Novotel Abu Dhabi Al Bostan	361	2012
ibis Abu Dhabi Gate	294	2012
Novotel Abu Dhabi Gate	224	2012
Staybridge Suites Abu Dhabi Rawdath	112	2013
Renaissance Central Market	411	2013
Courtyard Central Market	195	2014
The Ritz-Carlton, Grand Canal	585	2012
Capital Centre Centro	414	2012
Capital Centre Rotana	315	2012
The St. Regis Abu Dhabi	283	2012
Ramada Al Moroor	120	2012
Capital Centre Arjaan	258	2013
Hili Rayhaan	200	2013
Mandarin Oriental, Abu Dhabi	160	2013
Fairmont Marina City	563	2014
W Abu Dhabi	330	2014
Marriott Edition	244	2014
Mövenpick Hotel Yas Island	500	2014
Mövenpick Resort & Spa Al Ain	190	2014
Mövenpick Hotel Al Reem	473	2015
Mövenpick Hotel Al Raha Beach	400	2015
Four Seasons Hotel Abu Dhabi at Sowwah Island	200	2015
Saadiyat Rotana Resort	354	2015
Marina Mall Arjaan	356	2015

Source: HVS Research

FIGURE 81: DEVELOPMENT PIPELINE – REST OF UAE

Property	No. of Rooms	Opening Year
Adagio Fujairah Town Centre	72	2013
ibis Fujairah Town Centre	180	2013
Novotel Fujairah Town Centre	182	2013
Fairmont Mina Al Fajer	194	2013
Radisson Blu Al Aqah Beach Resort Fujairah	287	–
Waldorf Astoria Ras Al Khaimah	349	2012
Rixos Bab Al Bahr	627	2012
Hilton Al Hamra Resort & Spa	220	2013
Radisson Blu Al Qurm Ras Al Khaimah	250	2013
Staybridge Suites Ras Al Kaimah	112	2013
DoubleTree Resort by Hilton Marjan Island	309	2014
InterContinental Minah Al Arab – Ras Al Khaimah	300	2015
Hilton Sharjah	259	2012
Sharjah Marriott Hotel	248	2013
Marriott Executive Apartments Sharjah	108	2013
Sheraton Sharjah Hotel	320	2013
Four Points by Sheraton Sharjah	220	2013

Source: HVS Research

FIGURE 80: DEVELOPMENT PIPELINE – DUBAI

Property	No. of Rooms	Opening Year
Pullman Dubai Jumeirah Lake	354	2012
Fairmont Palm Jumeirah	372	2012
Conrad Dubai	559	2012
DoubleTree by Hilton Dubai Al Barsha	344	2012
JW Marriott Marquis	1608	2012
Dubai Healthcare City Marriott	355	2012
Mövenpick Hotel & Residence JLT	160	2012
Oceana Hotel & Spa	324	2012
Mövenpick Residence The Square	180	2012
Marriott Executive Apartments Healthcare City	126	2012
Renaissance Motor City	354	2012
Courtyard by Marriott Motor City	250	2012
JW Marriott Residences Lifestyle City	188	2012
Jumeirah Creekside Hotel	292	2012
Al Ghurair Rayhaan	428	2012
Al Ghurair Arjaan	193	2012
Ramada Hotel & Suites JBR	371	2012
Royal Amwaj Resort & Spa	296	2013
Novotel Dubai Al Barsha	466	2013
Sofitel Dubai Palm Jumeirah Resort & Spa	543	2013
Luxury Collection Ajman	207	2013
Sheraton Dubai Sheikh Zayed Road	660	2013
Staybridge Suites Dubai – Union Square	165	2013
Sofitel Dubai Sheikh Zayed Road	350	2014
Hilton Dubai Palm Jumeirah	515	2014
Waldorf Astoria Dubai Palm Jumeirah	324	2014
Park Inn Dubai Airport Free Zone	310	2014
Crowne Plaza IMPZ Dubai	407	2014
Crowne Plaza Dubai – Business Bay	400	2015
Jebel Ali Airport Centro	440	2015
JW Marriott Lifestyle City	167	–
Courtyard by Marriott Lifestyle City	250	–
Marriott Executive Apartments Lifestyle City	46	–
Park Inn Bur Dubai	268	–
Courtyard by Marriott Jebel Ali	235	–

Source: HVS Research

FIGURE 82: INFRASTRUCTURE PROJECTS

	Bahrain	Egypt	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syria	Turkey	UAE	Total
Accor	ibis (304)								ibis (556)	ibis (129)		ibis (474)	1,463
								Pullman (468)				Pullman (354)	822
												Sofitel (893)	893
								M Gallery (215)					215
		Novotel (265)								Novotel (285)		Novotel (1,233)	1,783
									Adagio (84)			Adagio (351)	435
Fairmont Raffles Hotels		Fairmont (400)		Fairmont (300)			Fairmont (290)		Fairmont (951)			Fairmont (1,129)	3,070
									Swissôtel (1562)				1,562
Four Seasons Hotels and Resorts	Four Seasons -260						Four Seasons (190)	Four Seasons (276)	Four Seasons (187)			Four Seasons (200)	1,113
Hilton Worldwide									Conrad (496)			Conrad (559)	1,055
			DoubleTree (200)						DoubleTree (1110)			DoubleTree (653)	1,963
								Garden Inn (258)	Garden Inn (196)				454
		Hilton (1,295)		Hilton (1,162)	Hilton (211)	Hilton (158)		Hilton (597)	Hilton (5,085)			Hilton (994)	9,502
												Waldorf Astoria (673)	673
IHG							Crowne Plaza (228)	Crowne Plaza (378)	Crowne Plaza (828)			Crowne Plaza (807)	2,241
	Holiday Inn (514)						Holiday Inn (188)		Holiday Inn (1,070)	Holiday Inn (300)			2,072
									Indigo (225)				225
					InterContinental (204)				InterContinental (220)			InterContinental (300)	724
	Staybridge Suites (130)				Staybridge Suites (240)	Staybridge Suites (121)						Staybridge Suites (389)	880
Jumeirah Group		Jumeirah (250)		Jumeirah (613)	Jumeirah (307)			Jumeirah (228)				Jumeirah (292)	1,690
Kempinski Hotels		Kempinski (254)				Kempinski (226)	Kempinski (280)	Kempinski (250)	Kempinski (760)				1,770
Mandarin Oriental Hotel Group								Mandarin Oriental (160)			Mandarin Oriental (100)	Mandarin Oriental (160)	420
Marriott International		Courtyard by Marriott (335)							Courtyard by Marriott (1,773)			Courtyard by Marriott (930)	3,038
												Edition (244)	244
	JW Marriott (376)			JW Marriott (264)					JW Marriott (901)			JW Marriott (1,963)	3,504
		Marriott (175)	Marriott (75)						Marriott Executive (319)			Marriott Executive (280)	849
		Marriott (544)	Marriott (200)						Marriott (686)			Marriott (603)	2,033
	Renaissance (323)										Renaissance (212)	Renaissance (765)	1,300
	Residence Inn (78)								Residence Inn (83)				161
		Ritz-Carlton (527)			Ritz-Carlton (350)							Ritz-Carlton (585)	1,462
Mövenpick Hotels & Resorts		Mövenpick (424)					Mövenpick (391)		Mövenpick (445)		Mövenpick (178)	Mövenpick (2,523)	3,961
'Other' Hotels		'Other' (79)	'Other' (250)			'Other' (350)						'Other' (627)	1,306
Rezidor Hotel Group							Missoni (250)	Missoni (299)					549
									Park Inn (463)			Park Inn (578)	1,041
		Radisson (913)					Radisson (162)	Radisson (584)	Radisson (212)			Radisson (537)	2,408
The Rocco Forte Collection		Rocco Forte (353)							Rocco Forte (159)				512
Rotana Hotel Management Corporation	Arjaan (406)			Arjaan (427)								Arjaan (807)	1,640
	Centro (200)					Centro (170)		Centro (220)	Centro (930)	Centro (290)		Centro (854)	2,664
									Rayhaan (877)			Rayhaan (628)	1,505
	Rotana (332)		Rotana (470)	Rotana (309)			Rotana (577)	Rotana (380)		Rotana (618)	Rotana (230)	Rotana (669)	3,585
Shangri-La Hotels and Resorts								Shangri-La (314)					314
								Traders (322)					322
Starwood Hotels and Resorts Worldwide											Aloft (136)		136
							Element (100)						100
									Four Points (478)			Four Points (220)	698
		Le Méridien (350)									Le Méridien (259)		609
			Sheraton (250)						Sheraton (297)		Sheraton (403)	Sheraton (980)	1,930
		St. Regis (391)		St. Regis (270)				St. Regis (336)				St. Regis (283)	1,280
				Luxury (213)								Luxury Collection (207)	420
		W (300)					W (250)					W (330)	880
				Westin (300)			Westin (350)						650
Wyndham Hotels & Resorts								Planet Hollywood (350)					350
					Ramada (299)				Ramada (792)	Ramada (300)		Ramada (491)	1,882
									Wyndham (210)				210
Total in Development Pipeline	**2,923**	**6,855**	**1,445**	**3,858**	**1,611**	**1,025**	**3,256**	**5,635**	**21,955**	**1,922**	**1,518**	**24,565**	**76,568**

Source: HVS Research

FIGURE 83: AVERAGE ANNUAL OCCUPANCY 1994-2011

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	% Point Change 2010-11	Average
Bahrain	Manama	65 %	58 %	53 %	63 %	58 %	56 %	59 %	62 %	64 %	64 %	72 %	75 %	71 %	77 %	75 %	68 %	66 %	34 %	-32	61 %
Egypt	Al Gouna															81	72	72	48	-24	68
	Al Quseir																71	78	41	-37	63
	Alexandria															69	68	65	53	-12	64
	Cairo		63	73	71	62	77	79	67	68	67	75	77	75	81	76	71	73	38	-35	70
	Dahab															54	61	70	46	-24	58
	Hurghada	48	63	70	63	50	80	77	65	66	66	86	75	75	86	88	80	82	63	-19	68
	Luxor															52	45	42	24	-18	41
	Marsa Al Alam															79	71	64	32	-32	62
	Nuweiba															84	85	84	43	-41	74
	Sharm El Sheikh	79	73	72	66	68	79	63	61	66	64	75	71	66	76	81	75	82	48	-34	67
	Taba															74	74	80	52	-28	70
Iraq	Erbil															74	81	79	71	-8	76
Jordan	Amman	61	74	71	61	56	56	59	44	45	57	72	70	58	64	66	57	63	58	-5	58
	Aqaba															73	41	53	49	-4	54
	Dead Sea															68	55	57	34	-23	54
	Petra															75	59	64	33	-31	58
Kuwait	Kuwait City	44	41	44	46	46	47	46	49	53	84	64	70	65	58	62	59	54	58	4	53
Lebanon	Beirut			45	61	61	56	57	55	57	59	71	52	48	39	57	70	66	59	-7	54
Oman	Muscat	67	66	64	71	56	57	55	62	59	57	69	80	74	67	69	54	58	53	-5	63
	Salalah															67	70	67	67	0	68
Qatar	Doha	61	75	80	78	72	61	58	56	60	72	72	71	71	71	70	58	66	59	-7	64
Saudi Arabia	Al Jubail																86	64	51	-13	67
	Al Khobar															61	62	45	49	4	54
	Al Qassim															35	50	20	27	7	33
	Dammam															60	71	49	55	6	59
	Jeddah	68	64	61	58	60	59	63	59	57	53	54	61	64	73	77	73	72	72	0	61
	Mecca															60	55	54	55	1	56
	Medina															61	63	56	61	5	60
	Riyadh	66	62	61	62	63	62	60	61	65	64	55	62	70	71	74	67	63	63	0	61
	Taif															48	58	57	59	2	55
	Yanbu																43	37	45	8	41
Syria	Aleppo																55	56	15	-41	42
	Damascus	70	73	68	70	69	69	66	65	67	65	69	75	73	80	79	71	74	21	-53	65
	Latakia																41	44	17	-27	34
Turkey	Istanbul																	70	71	1	71
	Izmir																	55	47	-8	51
UAE	Abu Dhabi	65	58	66	65	66	64	67	67	68	68	82	85	84	81	81	73	64	70	6	68
	Ajman															77	63	40	73	33	63
	Al Ain															71	69	69	65	-4	68
	Dubai	74	69	74	73	70	70	74	71	76	79	86	82	84	87	81	69	72	72	0	72
	Fujairah															74	69	66	69	3	69
	Ras Al Khaimah															81	67	67	74	7	72
	Sharjah															83	67	61	70	9	70
Yemen	Sana'a															49	39	33	11	-22	33
Average		64	65	64	65	61	64	63	60	62	66	72	72	70	72	70	64	62	51	-11	65

Source: HVS Research

FIGURE 84: AVERAGE RATE 1994-2011 (US$)

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	% Change 2010-11	Compound Annual Growth Rate 1994[1]-11
Bahrain	Manama	86	87	92	90	93	102	105	103	119	122	132	177	196	249	259	205	209	204	-2 %	5 %
Egypt	Al Gouna																89	89	91	2	1
	Al Quseir																67	60	62	3	-4
	Alexandria															124	110	100	93	-7	-9
	Cairo		66	67	69	70	71	77	75	68	68	69	77	88	122	134	158	118	125	6	4
	Dahab															82	76	79	75	-5	-3
	Hurghada	67	39	41	44	30	34	41	35	30	32	40	47	46	41	49	45	49	37	-25	-3
	Luxor															46	47	88	80	-9	20
	Marsa Al Alam																55	59	55	-6	0
	Nuweiba															39	38	39	35	-10	-4
	Sharm El Sheikh	51	49	53	52	35	44	45	41	37	39	42	52	54	53	81	80	82	69	-15	2
	Taba															43	41	43	44	2	1
Iraq	Erbil															170	138	152	240	58	12
Jordan	Amman	67	75	83	83	81	71	68	68	65	69	85	118	132	147	161	140	137	136	-1	4
	Aqaba															95	126	122	107	-12	4
	Dead Sea															168	188	174	186	7	3
	Petra															86	129	132	93	-29	3
Kuwait	Kuwait City	209	205	213	201	204	203	214	218	216	233	230	237	239	239	260	257	241	244	1	1
Lebanon	Beirut			166	173	143	129	110	101	110	154	168	116	110	78	143	281	263	220	-16	2
Oman	Muscat	103	103	112	101	95	91	86	80	74	66	82	117	154	283	329	244	210	245	17	5
	Salalah															97	122	124	118	-5	7
Qatar	Doha	65	68	77	101	116	112	115	105	100	101	146	268	296	306	304	261	230	231	0	8
Saudi Arabia	Al Jubail																216	230	250	9	8
	Al Khobar															229	233	193	186	-4	-7
	Al Qassim															150	140	140	120	-14	-7
	Dammam															179	185	172	171	0	-2
	Jeddah	99	103	117	115	113	111	119	110	104	104	114	144	137	165	208	205	181	176	-3	3
	Mecca															182	228	202	238	18	9
	Medina															96	106	114	127	11	10
	Riyadh	98	105	106	110	113	116	115	110	107	104	105	110	142	202	233	297	261	264	1	6
	Taif															176	170	174	171	-2	-1
	Yanbu																139	139	125	-10	-5
Syria	Aleppo																130	120	115	-4	-6
	Damascus	102	73	124	118	111	104	97	94	94	102	100	105	95	120	178	236	233	168	-28	3
	Latakia																119	103	70	-32	-23
Turkey	Istanbul																	141	147	4	4
	Izmir																	128	116	-9	-9
UAE	Abu Dhabi	108	114	129	111	101	99	88	89	89	87	91	117	167	238	309	294	210	176	-16	3
	Ajman															245	172	175	137	-22	-18
	Al Ain															158	157	153	152	-1	-1
	Dubai	117	119	120	126	107	104	105	100	110	113	144	192	225	258	259	184	167	191	14	3
	Fujairah															183	156	147	125	-15	-12
	Ras Al Khaimah															135	131	140	143	2	2
	Sharjah															96	78	84	80	-4	-6
Yemen	Sana'a															70	104	106	98	-8	12
Average		98	93	107	107	101	226	226	222	222	226	237	259	272	301	210	195	185	181	-2 %	4

[1] Or the earliest year for which data are available

Source: HVS Research

FIGURE 85: REVPAR PERFORMANCE 1994-2011 (US$)

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	% Change 2010-11	Compound Annual Growth Rate 1994[1]-11
Bahrain	Manama	56	51	49	56	54	57	62	64	76	78	95	133	140	193	195	139	138	69	-50 %	1 %
Egypt	Al Gouna																64	64	44	-32	-18
	Al Quseir																48	47	25	-46	-27
	Alexandria															86	75	65	49	-24	-17
	Cairo		42	49	49	43	55	61	50	46	45	52	60	66	99	102	112	86	48	-45	1
	Dahab															44	46	56	35	-38	-8
	Hurghada	32	24	29	28	15	27	31	23	20	21	34	35	34	35	43	36	40	23	-42	-2
	Luxor															24	21	37	19	-48	-7
	Marsa Al Alam																39	38	18	-53	-33
	Nuweiba															33	32	33	15	-54	-23
	Sharm El Sheikh	40	36	38	34	24	35	28	25	24	25	32	37	36	40	66	60	67	33	-51	-1
	Taba															32	30	35	23	-34	-10
Iraq	Erbil															126	111	120	170	42	11
Jordan	Amman	41	55	59	51	45	40	40	30	29	39	61	82	77	95	106	80	87	79	-9	4
	Aqaba															69	52	65	52	-19	-9
	Dead Sea															114	103	99	63	-36	-18
	Petra															65	76	84	31	-63	-22
Kuwait	Kuwait City	93	83	93	93	94	94	98	107	114	196	147	165	155	139	160	152	130	142	9	3
Lebanon	Beirut			75	105	88	73	62	56	63	91	119	61	53	30	81	197	174	130	-25	4
Oman	Muscat	69	68	72	72	53	52	47	50	44	38	57	94	114	190	227	131	121	130	7	4
	Salalah															65	86	83	79	-5	7
Qatar	Doha	39	51	62	79	83	69	67	59	60	73	105	191	208	218	213	151	151	136	-10	8
Saudi Arabia	Al Jubail																186	146	128	-13	-17
	Al Khobar															140	144	86	91	6	-13
	Al Qassim															53	70	28	32	16	-15
	Dammam															107	131	85	94	11	-4
	Jeddah	67	66	71	67	68	66	75	65	59	55	62	88	87	121	161	150	130	127	-3	4
	Mecca															109	125	109	131	20	6
	Medina															59	67	64	77	21	10
	Riyadh	65	66	64	69	71	72	69	67	70	67	58	68	100	143	173	199	164	166	1	6
	Taif															84	99	98	101	2	6
	Yanbu																60	51	56	11	-3
Syria	Aleppo																72	67	17	-74	-51
	Damascus	71	53	84	82	76	72	65	61	63	66	69	79	69	95	140	168	172	35	-79	-4
	Latakia																49	46	12	-74	-50
Turkey	Istanbul																	99	104	6	6
	Izmir																	70	55	-23	-23
UAE	Abu Dhabi	70	66	85	72	66	63	60	60	61	59	75	99	140	192	252	215	134	123	-8	3
	Ajman															189	108	70	100	43	-19
	Al Ain															112	108	105	99	-6	-4
	Dubai	87	82	89	92	75	73	78	71	84	89	124	158	188	225	209	127	121	138	14	3
	Fujairah															135	108	97	86	-11	-14
	Ras Al Khaimah															109	88	94	106	12	-1
	Sharjah															80	52	51	56	9	-11
Yemen	Sana'a															34	40	35	11	-69	-32
Average		63	60	69	69	62	144	142	134	138	149	169	186	190	217	146	125	114	92	-20	5

[1] Or the earliest year for which data are available

Source: HVS Research

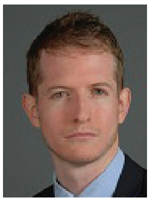
About HVS

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 30 ofäces staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. For further information regarding our expertise and speciäcs about our services, please visit www.hvs.com.

HVS has a team of Middle East experts that conducts its operations in the Middle East and North Africa. The team beneäts from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the Middle East and a broad exposure to international hotel markets. Over the last four years, the team has advised on more than 300 hotels or projects in the region for hotel owners, lenders, investors and operators. HVS has advised on more than US$48 billion worth of hotel real estate in the region.

Note: No investment decision should be made based on the information presented in this article. For further advice please contact the authors.

About the Authors



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Since joining HVS, she has worked on several mid and large-scale mixed-use developments and conducted numerous valuations, feasibility studies, operator searches, strategy advice reports, return on investment studies and market studies in Europe, MENA and Asia. Hala has in-depth expertise in regional hotel markets and a broad exposure to international markets and maintains excellent contacts with developers, owners, operators, investment institutions and government entities.

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