Quarterly Review

MENA Hotels

Quarter 3 | 2021

Accelerating Success

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MENA Hotels

Quarterly Update

SAUDI LAUNCHES $13 BILLION PLAN TO TURN COASTAL REGION INTO TOURISM HUB

Aligned with Saudi Vision 2030, the country's Crown Prince Mohammed bin Salman announced a USD 13 billion (SAR 50 billion) mega-development project to turn the Aseer region on the Red Sea coast into a tourism hub which is expected to attract more than 10 million domestic and international visitors by 2030.

The project, themed 'The Arabian Highland', aims to be a sustainable tourism destination offering midscale experiences. The region, known for its agricultural sector, is gradually turning into a modern tourism and hospitality landmark, emphasizing its high mountain peaks and natural resources.

ABU DHABI ANNOUNCES GREEN PASS FOR TOURISTS, UAE READY TO WELCOME VISITORS TO THE EXPO 2020

Abu Dhabi updated its international entry guidelines allowing all fully vaccinated tourists and residents visiting from around the world. With the launch of the Green Pass on the country's COVID-19 tracking app, quarantine measures were also eased for unvaccinated visitors.

UAE prepares to welcome tourism from all around the world for the ongoing Expo 2020 Dubai as reservation rates for hotels and flights have reached pre-pandemic levels.

KUWAIT FOCUSES ON REDEVELOPING ITS TOURISM SECTOR, ANNOUNCED A CAPITAL INVESTMENT OF USD 830 MILLION.

Kuwait Investment Authority announced an investment of USD 830 million into the country's tourism sector to facilitate the achievement of its tourism goals. Following the announcement, The Tourism Enterprises Company (TEC) in Kuwait unveiled redevelopment plans for hospitality, leisure, and entertainment within the country in addition to plans for the redevelopment of three key projects.

In line with Kuwait's Vision 2035, TEC aims to repurpose, modernize, and redevelop existing facilities to offer new world-class experiences to visitors.

OMRAN GROUP AND OMAN'S MINISTRY OF HERITAGE AND TOURISM SIGN AGREEMENT TO DEVELOP 11 M. SQM 'YITI – YENKIT' URBAN MASTERPLAN

The Oman Tourism Development Company (OMRAN) signed a development agreement with the Ministry of Heritage and Tourism to develop one of the largest urban developments in the Sultanate.

The mixed-use masterplan adopts a sustainable approach and is aligned with Oman's Vision 2040, to decrease reliance of oil sectors for GDP contribution and to attract foreign direct investment to Oman. Additionally, the project aims to enhance the tourism offerings and the level of competitiveness of the sector by creating unique tourism opportunities and experiences.

Kingdom of Saudi Arabia

Overall occupancy rates and ADR in the major KSA markets continue to rise after a strong first half of 2021. Riyadh, Jeddah, and Al Khobar markets are achieving just over 90% of 2019 occupancy levels.

Highlights

After 16 months of restricted inbound travel, Saudi Arabia is open to tourists as of August 1st.

KSA corporate travel markets have benefited from the return of GCC business travelers. Riyadh, Jeddah, and Al Khobar have indicated Q3 YTD occupancy rates above 50%. While ADR in the prementioned markets may take more time to recover to pre-pandemic levels, performance in Q3 indicates a tourism market recovery within the short term.

In August, KSA reinstated Umrah visas and increased the Umrah participants to 2 million pilgrims a month. Despite the softening of religious travel regulations, Makkah and Madinah continue to face demand challenges due to the COVID travel hesitation of international source markets.

Makkah's 46% YTD increase in ADR indicates a hotel accommodation rate recovery within the market.

Outlook

The total branded keys in the Kingdom reached 56,500 by the end of Q3 2021, representing an increase of 4.5% compared to the same period last year. Approximately 1,100 keys have entered the KSA markets as of YTD Q3 2021; a -65% decrease from Q3 YTD 2020.

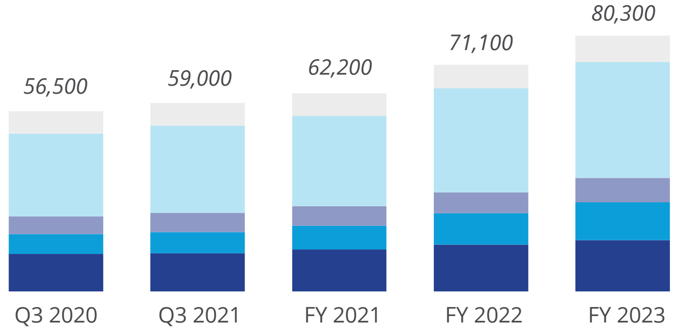
Supply in the Saudi market is expected to increase at a CAGR of 14% between 2021 and 2023, accounting for an additional 18,000 keys in the market.

The forthcoming supply was negatively impacted by COVID-19 which resulted in fewer openings due to project delays.

Key Performance Indicators (Year-on-Year Change)

		Q3 2019	Q3 2020	Q3 2021
Occupancy Change (%)	Riyadh	-4%	-9%	+6%
	Jeddah	-2%	-38%	+34%
	Dammam/Khobar	+14%	-6%	+12%
	Makkah	+7%	-52%	-35%
	Madinah	-1%	-53%	-4%
ADR Change (%)	Riyadh	-9%	-6%	-6%
	Jeddah	-7%	-42%	+14%
	Dammam/Khobar	-14%	-3%	+1%
	Makkah	-8%	-52%	+46%
	Madinah	-4%	-25%	-7%

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers
Note: Includes only branded hotel supply; considers potential cancellations and delays

Year–on-Year % Change in Supply

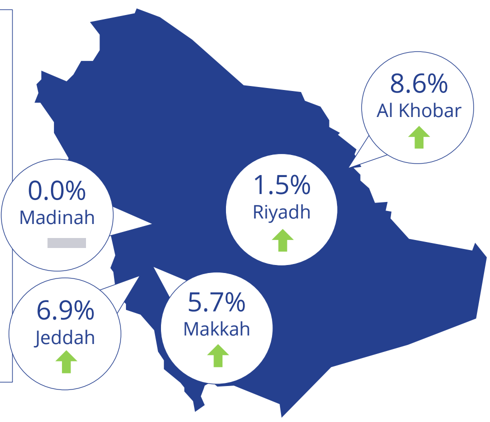
Legend

% Increase vs. Q3 2020

% Decrease vs. Q3 2020

No Change vs. Q3 2020

The adjacent exhibit highlights the percentage change in branded supply from Q3 2020 to Q3 2021 in each of the respective markets analyzed in this section.



United Arab Emirates

Overall UAE hospitality market experienced growth in occupancies due to ease in travel restrictions within the country and between its source markets such as UK, India, Russia and USA.
The demand for travel to the country has continued to increase in this year and is expected to continue with the much-awaited Expo 2020.

Highlights

Hotels in Dubai and Sharjah experienced highest growth in occupancy levels when compared year-on-year. This can be attributed to continued demand for staycations during the school holidays and demand from the re-starting of face to face conferences and events.
Dubai experienced a 38% increase in RevPAR in comparison to same time last year. Dubai, Ras Al Khaimah and Fujairah recorded positive ADR change in comparison to Q3 2020.

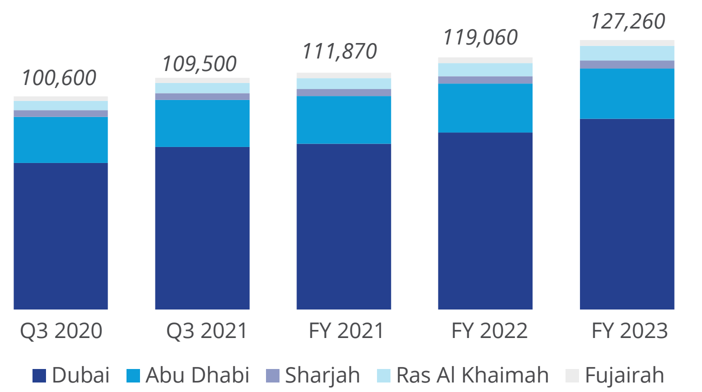
Outlook

The branded hospitality market in UAE reached 109,500 keys by the end of Q3 2021, with Dubai being the largest contributor to the new supply followed by Abu Dhabi.
Around 1,300 keys opened in Dubai market during last quarter in time for Expo 2020.
The supply in the market is expected to increase at a CAGR of 7% between 2021 and 2023. This is expected to introduce an additional 15,390 keys in the market. However, the continued impact of COVID-19 pandemic might delay some hotel openings.

Key Performance Indicators (Year-on-Year Change)

		Q3 2019	Q3 2020	Q3 2021
Occupancy Change (%)	Dubai	-1%	-38%	+33%
	Abu Dhabi	+2%	-15%	+6%
	Sharjah	-9%	-28%	+34%
	Ras Al Khaimah	+0%	-27%	+20%
	Fujairah	-10%	-13%	+17%
ADR Change (%)	Dubai	-15%	-12%	+3%
	Abu Dhabi	+5%	-18%	-4%
	Sharjah	-10%	-12%	-7%
	Ras Al Khaimah	-20%	+10%	+2%
	Fujairah	-14%	+7%	+16%

Hotel Supply (No. of Branded Hotel Keys)



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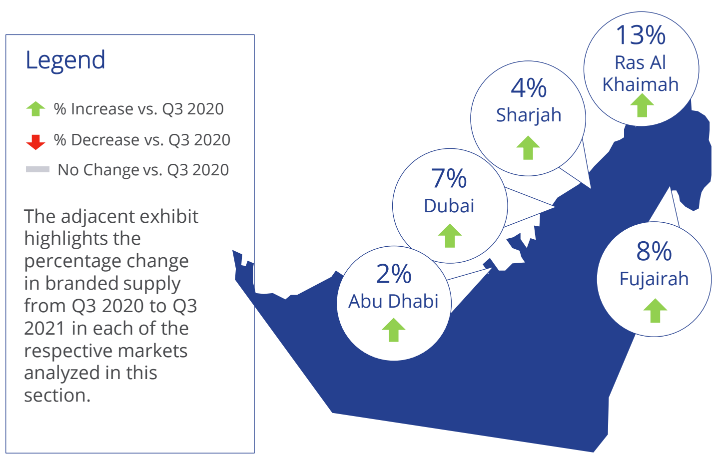
Year–on-Year % Change in Supply



Egypt

Demand in the Egyptian hotel market continues to increase as COVID-19 restrictions are eased and tourism numbers begin to recover. Egypt was issued the Safe Travels Stamp by the World Tourism and Travel Council in June, and hotels were allowed to run at full capacity for the first time in the year.

Highlights

An increase in occupancy in Cairo, Alexandria, Sharm El Sheikh, and Hurghada reflects the increase in tourism demand and further encourages the recovery of the Egyptian hotel market. Cairo's year-on-year occupancy change of +49% was driven by the gradual return of business and MICE tourism in the country.

The improvement in occupancy rates for Egyptian markets shows promising signs of tourism recovery to pre-COVID levels in the short-to-medium term. The increase in demand had a beneficial impact on ADRs, leading to marginal improvements. Hurghada experienced the most significant ADR change of +8% year-on-year.

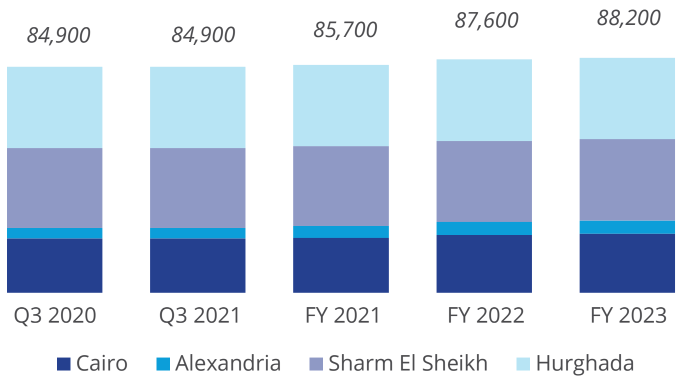
Outlook

Cairo is expected to be the largest contributor to Egypt's supply, with over 1,800 announced keys in the pipeline. Overall supply in the Egyptian market is expected to increase at a CAGR of 2% between 2021 and 2023, with an additional 3,400 anticipated keys to enter the market. The forthcoming supply may experience further delays due to COVID-19.

Key Performance Indicators (Year-on-Year Change)

		Q3 2019	Q3 2020	Q3 2021
Occupancy Change (%)	Cairo	+4%	-57%	+49%
	Alexandria	+3%	-47%	+20%
	Sharm El Sheikh	+9%	-55%	+74%
	Hurghada	+4%	-56%	+63%
ADR Change (%)	Cairo	+4%	-31%	-2%
	Alexandria	-17%	+27%	+6%
	Sharm El Sheikh	-42%	+57%	+6%
	Hurghada	-32%	+54%	+8%

Hotel Supply (No. of Branded Hotel Keys)



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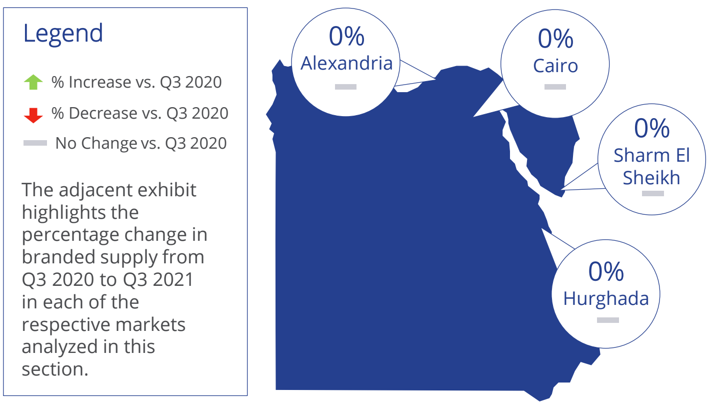
Year–on-Year % Change in Supply



Kuwait City, Manama, Muscat, Amman and Doha

Approximately 3,000 quality branded hospitality keys have entered the respective markets between Q3 2020 and Q3 2021. Muscat accounted for the majority of the new supply in these markets with close to 1,300 new keys.

Highlights

Demand in Manama, Muscat, Amman and Doha has begun to recover following the initial shock caused by COVID-19 pandemic with occupancy rates showing significant increase. Doha has experienced the most significant recovery in terms of occupancy levels with an increase of 79% between 2020 and 2021. The uplift in hospitality performance in Doha is partially due to the easing of border restrictions between GCC countries and Qatar.

ADR recovery is a significantly slower when compared to occupancy recovery. Price sensitive markets, which is attributed mainly to the instability caused by COVID-19. While Doha, Amman and Kuwait City have experienced increases in ADR between 7% and 12%, all other regional markets continue to face decreases in ADR. The most significant ADR change can be noticed in the Muscat market which faced a -44% decline compared to Q3 2020 figures.

Outlook

The branded hospitality market in these regional markets is expected to reach approximately 51,000 keys by the end of 2021, with Doha being the largest contributor to the new supply followed by Manama. Approximately 6,700 keys are expected to enter the Doha market by the first half of 2022, in anticipation for the FIFA world cup in Qatar in Q4 2022.

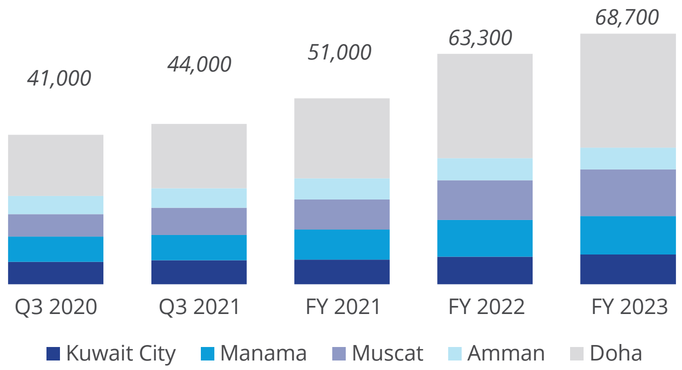
The supply in Doha, Kuwait City, Manama, Amman and Muscat is expected to grow by 24,700 keys between 2021 and 2023.

On-going COVID-19 pandemic may cause additional project delays, deferrals, and cancellations.

Key Performance Indicators (Year-on-Year Change)

		Q3 2019	Q3 2020	Q3 2021
Occupancy Change (%)	Kuwait City	-4%	-44%	-5%
	Manama	+8%	-50%	+51%
	Muscat	-3%	-51%	+19%
	Amman	+9%	-10%	+22%
	Doha	-9%	-46%	+79%
ADR Change (%)	Kuwait City	-7%	+0%	+7%
	Manama	-1%	-14%	-5%
	Muscat	-6%	-15%	-44%
	Amman	+4%	-15%	+12%
	Doha	+4%	-15%	+12%

Hotel Supply (No. of Branded Hotel Keys)



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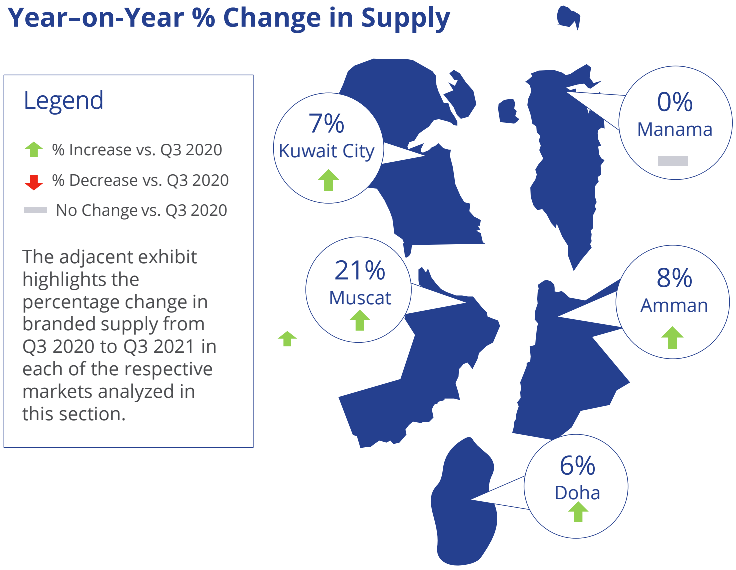
Year–on-Year % Change in Supply



480

offices in

67

countries on

6

continents

$3.3B

in revenue

2B

square feet under management

18,000 +

professionals

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