



MENA HOTELS QUARTERLY REVIEW

Q3 | 2020



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COLLIERS QUARTERLY UPDATE



DUBAI LAUNCHES A NEW TOURISM MARKETING CAMPAIGN

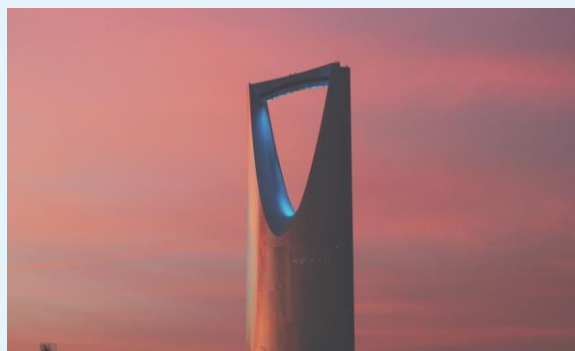
DTCM began two campaigns earlier this year namely; #WeWillSeeYouSoon and #TillWeMeetAgain to develop the engagement of tourists during restricted travel.

In July, Dubai launched its new marketing campaign #ReadyWhenYouAre, as it opened for tourists. DTCM has launched this digital campaign which highlights Dubai's main attractions, architecture, hospitality and culture.

SAUDI ARABIA'S MINISTRY OF TOURISM'S INVESTMENT SUPPORT

The Saudi Arabia's Ministry of Tourism has partnered with the Social Development Bank to create funding systems for tourism projects.

Additionally, the Ministry of Tourism has allocated SAR 15 billion projects and with funding agreements through local banks for a further SAR 150 billion to support the further growth of tourism in KSA. The fund is expected to support the realisation of the Vision 2030 tourism goals.



UAE AND BAHRAIN BEGIN TO PREPARE FOR THE ARRIVAL OF ISRAELI TOURISTS

UAE and Bahrain have signed a peace deal with Israel to normalise relations and focus on trade, business and travel.

Emirates Airways have a kosher menu for flights to and from Israel and Kaf at the Armani hotel was announced as the first kosher restaurant in Dubai.

SAUDI ARABIA TO RESUME UMRAH PILGRIMAGE

After a seven-month suspension of umrah, Saudi Arabia started the year-round pilgrimages for Muslims on October 4. During the first stage of reopening only 6,000 local pilgrims were allowed to perform umrah. The capacity was increased to 20,000 pilgrims per day by November 1 and foreign pilgrims were also permitted.

Pilgrims will under-go quarantine and rigorous temperature checks to maintain safety standards.



KINGDOM OF SAUDI ARABIA

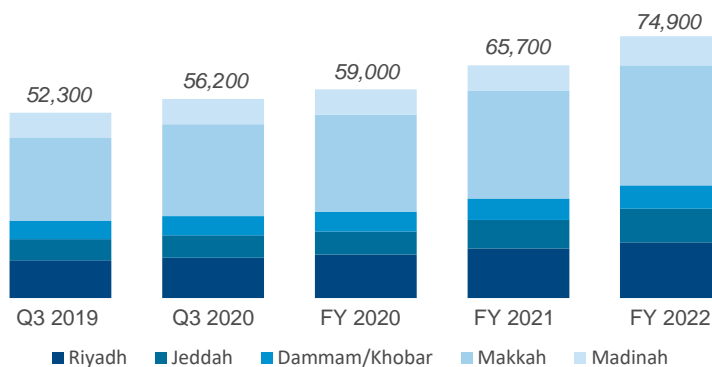
Riyadh and Dammam/Khobar hotel occupancy has demonstrated continued resilience to the downward pressure applied by COVID-19, with hotel room night demand falling by 10% or less.

Continued governmental support and initiatives, such as the recent Saudi Summers, are expected to assist the market in its recovery.

Key Performance Indicators (Year-on-Year Change)

	YTD 2018	YTD 2019	YTD 2020	
Occupancy Change (%)	Riyadh	+12%	-4%	-10%
	Jeddah	-1%	-2%	-41%
	Dammam/Khobar	+4%	+14%	-6%
	Makkah	-3%	+7%	-53%
	Madinah	-3%	-1%	-53%
ADR Change (%)	Riyadh	-6%	-9%	-5%
	Jeddah	+10%	-7%	-42%
	Dammam/Khobar	-9%	-14%	-3%
	Makkah	-7%	-8%	-53%
	Madinah	+1%	-4%	-25%

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

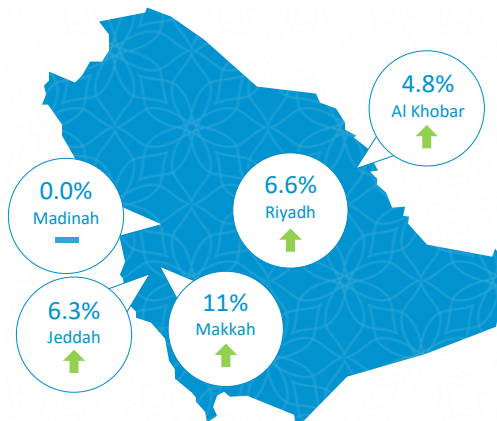
Note: Includes only branded hotel supply; considers potential cancellations and delays

Year-on-Year % Change in Supply

Legend

- ↑ % Increase vs. Q3 2019
- ↓ % Decrease vs. Q3 2019
- No Change vs. Q3 2019

The adjacent exhibit highlights the percentage change in branded supply from Q3 2019 to Q3 2020 in each of the respective markets analyzed in this section.



Source: Colliers International

Highlights

The Holy Cities of Makkah and Madinah have experienced low demand due to halt on pilgrim demand earlier in the year. Key markets with a more diverse mix of traveler have fared better.

Riyadh and Dammam/Khobar continue to perform relatively better than other key markets as of Q3 2020. The focus on domestic tourism has benefited the Dammam/Khobar Market contributing to the lower rate of decline in occupancy and ADR versus other KSA markets.

Outlook

The reopening of the holy cities for pilgrim visitors is expected to buoy the Makkah and Madinah markets. Domestic leisure travel is expected to be a crucial source of demand for the other key markets.

The combined supply in the key markets is expected to grow at a CAGR of 8% from 2020 to 2022, 2% below what was expected previously. However, it is important to note that the duration of the COVID-19 pandemic is expected to have an influence on construction timelines during this period.

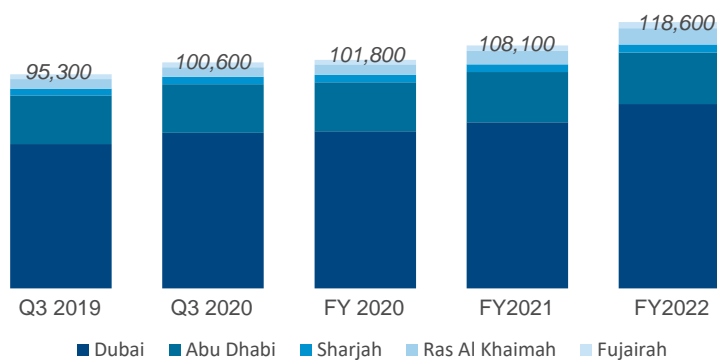
UNITED ARAB EMIRATES

A total of 5,300 quality branded hospitality keys have entered the market between Q3 2019 and Q3 2020. 95% of this new supply opened in Dubai. Most of these openings were in the first half of Q1 2020. Due to the outbreak of COVID-19, many hotel developments scheduled to open in 2020 have faced delays.

Key Performance Indicators (Year-on-Year Change)

		YTD 2018	YTD 2019	YTD 2020
Occupancy Change (%)	Dubai	-3%	-1%	-38%
	Abu Dhabi	+2%	+2%	-24%
	Sharjah	-3%	-9%	-28%
	Ras Al Khaimah	-7%	+3%	-28%
	Fujairah	-19%	-10%	-14%
ADR Change (%)	Dubai	-6%	-14%	-13%
	Abu Dhabi	-5%	+7%	+4%
	Sharjah	-3%	-10%	-8%
	Ras Al Khaimah	-2%	-11%	-1%
	Fujairah	-8%	-12%	-0%

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

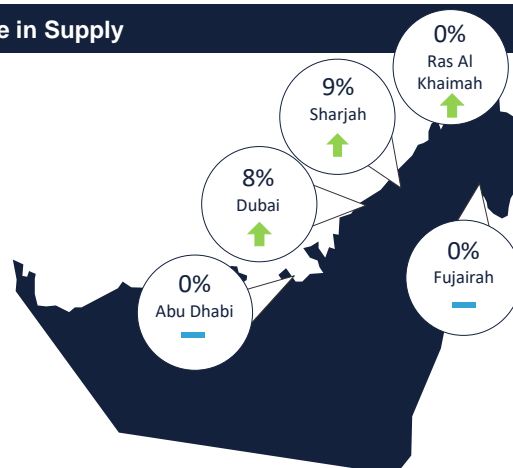
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Source: Colliers International

Highlights

Hotels in the UAE continue to be affected by COVID-19, with the hospitality markets experiencing double digit decreases in occupancy levels.

With the country re-opening its borders, demand for travel into Dubai has seen an increase. Dubai recorded an occupancy of above 40% for the second consecutive month in September 2020 since the peak of pandemic.

The markets have experienced a decline of 15% to 45% in RevPAR. Ras Al Khaimah was able to achieve the highest RevPAR in Q3 2020 when compared with other markets in UAE. This is in part due to increase in staycation and domestic tourism market.

Outlook

The branded hospitality market in UAE is expected to reach 102,000 keys by the end of 2020, with Dubai being the largest contributor to the new supply.

The supply in the market is expected to increase at a CAGR of 8% between 2020 and 2022. This will introduce an additional 17,000 keys in the market. However, the Covid-19 pandemic is expected to have an influence on hotel openings during this period which will inevitably delay openings.

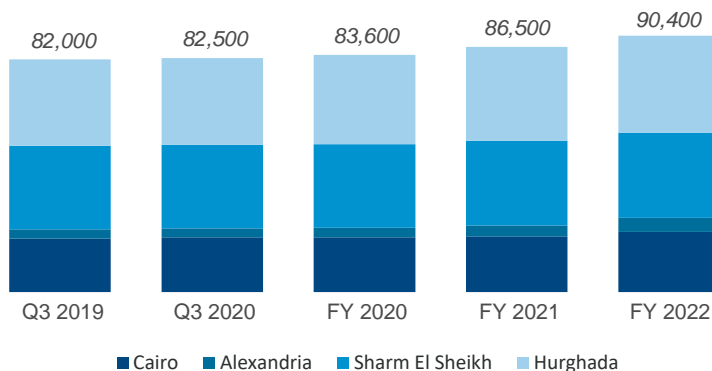
EGYPT

Covid-19 has continued to impact the Egyptian market through to Q3 2020. Some markets such as Alexandria and Sharm El Sheik registered slightly better performance in the Q3 2020 compared to Q2 2020, recording an increase in occupancy of 5% and 1% respectively.

Key Performance Indicators (Year-on-Year Change)

		YTD 2018	YTD 2019	YTD 2020
Occupancy Change (%)	Cairo	+6%	+13%	-67%
	Alexandria	+11%	+3%	-47%
	Sharm El Sheikh	+20%	+9%	-55%
	Hurghada	+26%	+4%	-57%
ADR Change (%)	Cairo	+12%	+15%	-15%
	Alexandria	+16%	+21%	+0%
	Sharm El Sheikh	+27%	+21%	-14%
	Hurghada	+26%	+19%	-1%

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

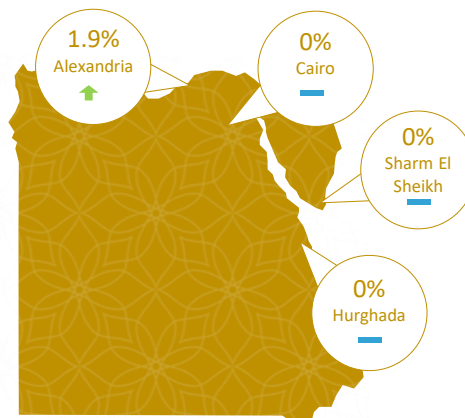
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Highlights

Even with international flights and tourist spots open since the second half of the year, pick up in key tourism locations has been slow and hotels have been operating below 50% capacity due to the ongoing pandemic.

The leisure markets in the Red Sea, Sharm El Sheikh and Hurghada continued to experience low occupancies in the third quarter of 2020, resulting in a y-o-y decline of over 55%. This resulted in a decline in both ADR and RevPAR for the two markets.

ADR for Alexandria in Q3 2020 remained the same compared to the same time period last year.

Outlook

An additional 8,000 keys are expected to open in the Egyptian market by the full year 2022. The forthcoming supply might experience delays due to the impact of Covid-19 on projects under construction.

The Red Sea markets of Hurghada and Sharm El Sheikh account for 62% of the forthcoming branded supply in the Egyptian markets.

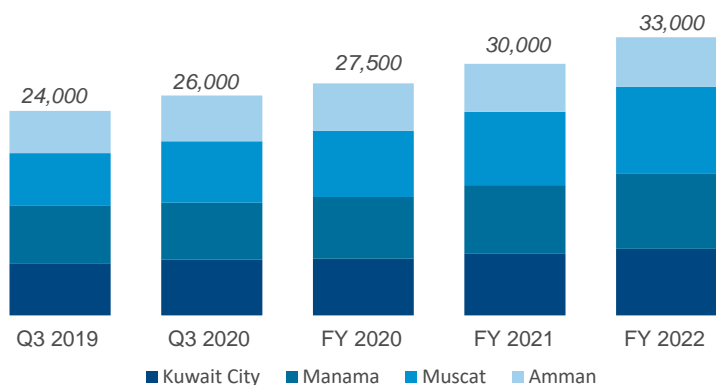
KUWAIT CITY, MANAMA, MUSCAT, AMMAN

A total of 1,804 quality branded hospitality keys have entered the respective markets between Q3 2019 and Q3 2020. Muscat and Kuwait cities both accounted for 27% of the new supply in these markets.

Key Performance Indicators (Year-on-Year Change)

		YTD 2018	YTD 2019	YTD 2020
Occupancy Change (%)	Kuwait City	+1%	-3%	-45%
	Manama	-3%	+8%	-51%
	Muscat	-4%	-3%	-51%
	Amman	+1%	+3%	-46%
ADR Change (%)	Kuwait City	+8%	-8%	+2%
	Manama	-7%	-1%	-14%
	Muscat	+2%	-6%	-15%
	Amman	-2%	-7%	-15%

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

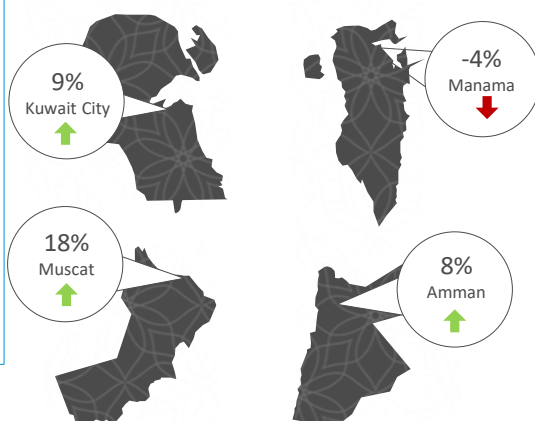
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Highlights

Performance in these markets continued to decline in Q3 2020 following the impact of the COVID-19. Consequently, this resulted in year-on-year RevPAR declines of between -43% to -58% amongst the markets.

Muscat recorded the highest supply growth of approximately 18% between Q3 2019 and Q3 2020. As a result the supply across the key markets increased by 7% compared to the same period last year.

It is worth noting that openings were delayed during Q3 2020 due to the impact of COVID-19 on the market.

Outlook

An additional 6,900 keys are expected to open in the key markets by 2022, representing an average yearly increase of 13%. The negative impact of the COVID-19 is expected to result in delays for hotel openings.

Muscat accounts for 41% of the total forthcoming supply within these key markets, followed by Manama with 34% of the forthcoming supply.

FOR MORE INFORMATION

Christopher Lund
Director - Head of Hotels | MENA Region
+971 55 899 6110
Christopher.lund@colliers.com

James Wrenn
Associate Director | Hotels MENA Region
+971 55 736 6767
James.wrenn@colliers.com

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