

Full Year 2020

MENA Hotels Quarterly Review

February 2021

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COLLIERS QUARTERLY UPDATE



Saudi Arabia's tourism development fund increases to SAR 160 billion

In late September, a deal financed between Saudi Arabia's Tourism Development Fund, Riyadh Bank, and Banque Saudi Fransi has accumulated SAR 160 billion for capital investment in tourism development. The fund aims to support Saudi Vision 2030 tourism goals by aiding in touristic infrastructure construction, attractions, and the expansion of hotel supply.

Hawai to launch Egypt's first observational wheel 'Cairo Eye'

Hawai Tourism and Investment announced the development of Egypt's first observational wheel, the Cairo Eye, with a total investment of EGP 500 million. The landmark project will be completed within two years and is expected to attract 2.5 million visitors per year.

In a statement from the developers, ticket prices are expected to range from EGP 250 and EGP 350.



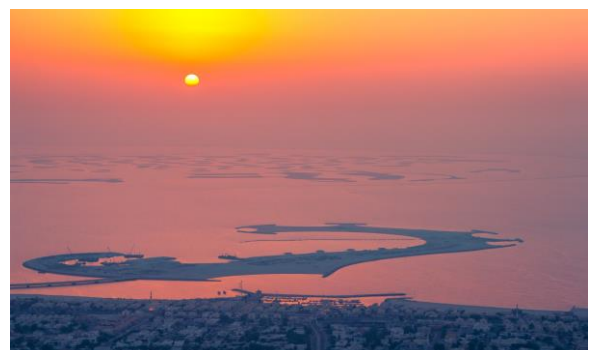
Oman reopens borders and relaxes tourist visas requirements

The Oman government reopened its border to locals and residents for repatriation on October 1st. This was followed by the introduction of a 10-day tourist visa with relaxed entry requirements for 103 different countries in December.

Visitors into Oman must present a negative Covid-19 PCR conducted 72 hours prior and are tested again upon arrival to the country.

4-star all-inclusive RIU Dubai resort in UAE opens at Deira Islands

RIU Dubai, the UAE's first 4-star all-inclusive resort, opened in December 2020 at Nakheel's Deira Islands. A joint venture between developer Nakheel and Spain's RIU Hotels & Resorts, RIU Dubai is the first attraction to open at Deira Islands. The 787 key, beachfront property includes 10 food and beverage outlets, a splash park, 3 swimming pools, two children's pools, water sports, a fitness center, a beauty salon, and a children's club.



KINGDOM OF SAUDI ARABIA

At the close of 2020, the Dammam/Khobar market demonstrated a greater resilience to the effects of COVID-19 compared to major KSA hotel markets.

The supply of internationally branded hotels in the KSA market grew by 4,500 keys, with 80% of the new supply opening in city of Makkah, which is expected to grow by a further 10% per year until 2023.

Key Performance Indicators (Year-on-Year Change)

		FY 2018	FY 2019	FY 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%

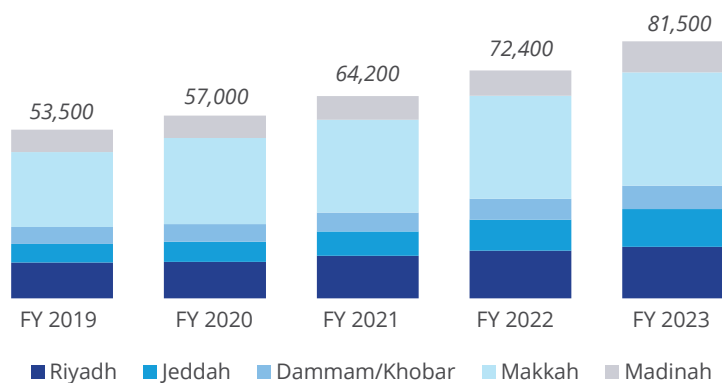
Highlights

The success of the 2019 Saudi Summers initiative, particularly in Riyadh had emphasised the drop in performance experienced in 2020. However, the commitment to the development of domestic tourism on behalf of the government is expected to help in the recovery.

The holy cities experienced the steepest drop in occupancy over the course of the year, due to the closure of the pilgrimage before other travel came to a halt.

Dammam/Khobar retained the greatest share of its market in 2020, capitalizing on its access to the domestic market and the closure of the King Fahd Causeway.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers

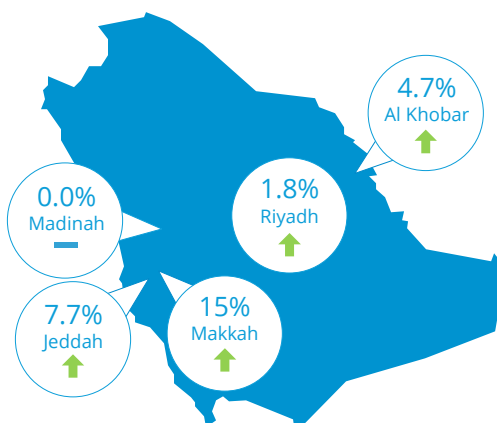
Note: Includes only branded hotel supply; considers potential cancellations and delays

Year-on-Year % Change in Supply

Legend

- ▲ % Increase vs. FY 2019
- ▼ % Decrease vs. FY 2019
- No Change vs. FY 2019

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



Source: Colliers

Outlook

The recovery of the hospitality demand in the holy cities is dependent upon how well key source market manage the pandemic.

The KSA market is expected to grow by 17,000 keys by 2023, a constant annual growth rate of 8%. The holy cities account for 51% of the expected growth in supply.

Pent up demand in the domestic and international segments is expected to be key in the recovery for the KSA market in 2021 and beyond.

UNITED ARAB EMIRATES

Dubai hotel occupancy experienced a growth in the later half of the year after reaching as low as 23.6% in April.

Increased domestic tourism and government initiatives, such as the recent “Live your Story” and “World’s Coolest Winter” campaign have resulted the increase in occupancy levels.

Key Performance Indicators (Year-on-Year Change)

		FY 2018	FY 2019	FY 2020
Occupancy Change (%)	Dubai	-2%	-1%	-35%
	Abu Dhabi	-0%	+2%	-17%
	Sharjah	-5%	-5%	-30%
	Ras Al Khaimah	-4%	+5%	-30%
	Fujairah	-3%	-8%	-17%
ADR Change (%)	Dubai	-6%	-13%	-16%
	Abu Dhabi	-5%	+5%	-26%
	Sharjah	-1%	-10%	-12%
	Ras Al Khaimah	+1%	-12%	+1%
	Fujairah	0%	-11%	+7%

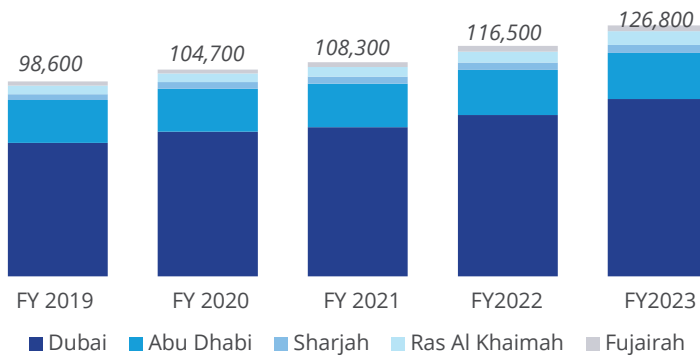
Highlights

Hotels in the UAE have been affected by COVID-19, with the hospitality markets experiencing double digit decreases in occupancy levels when compared year-on-year.

Markets have experienced a decline between the ranges of -11% to -45% in RevPAR. Ras Al Khaimah was able to achieve the highest RevPAR in FY 2020 when compared with other markets in UAE. This is in part due to an increase in staycation and domestic tourism market.

Dubai continued to perform better in Q4 2020 and recorded a 69% occupancy in the month of December 2020. The roll out of COVID-19 vaccinations in the UAE is expected to have a positive impact on demand for hotels across the country.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers

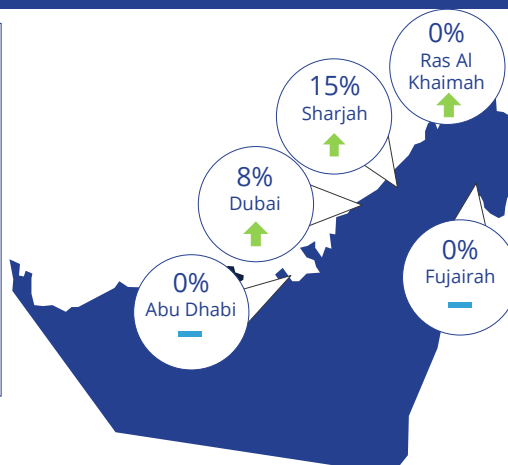
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Source: Colliers

Outlook

The branded hospitality market in UAE reached 104,700 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 7% between 2020 and 2023. This will introduce an additional 22,100 keys in the market. However, the ongoing Covid-19 pandemic is expected to have an influence on hotel openings during this period which will inevitably delay openings.

EGYPT

The Alexandria market was able to maintain its ADR in 2020 despite the negative impact of Covid-19, although Cairo remained the market leader.

We can expect to see more growth in supply between 2020 and 2023 especially within the Alexandria and Cairo markets, where supply is expected to experience a growth of 12% and 4% respectively.

Key Performance Indicators (Year-on-Year Change)

		FY 2018	FY 2019	FY 2020
Occupancy Change (%)	Cairo	+10%	+6%	-66%
	Alexandria	+11%	+1%	-43%
	Sharm El Sheikh	+22%	+7%	-56%
	Hurghada	+26%	+3%	-60%
ADR Change (%)	Cairo	+11%	+4%	-15%
	Alexandria	+15%	+24%	-0%
	Sharm El Sheikh	+25%	+23%	-17%
	Hurghada	+25%	+19%	-2%

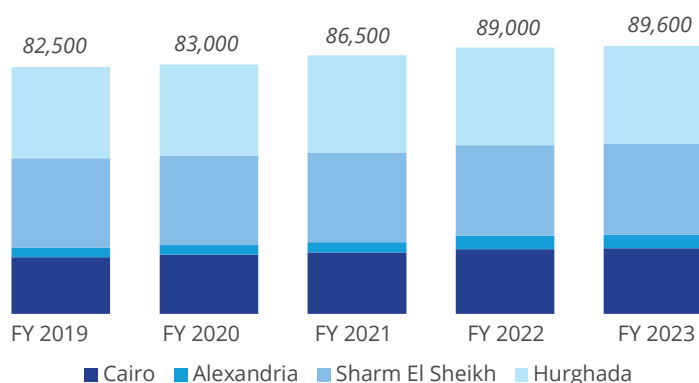
Highlights

The overall Egypt market experienced a decline in performance in 2020 compared to 2019.

Alexandria maintained its ADR level in 2020 despite the impact of the pandemic on demand across the key markets in Egypt. Hurghada was able to maintain a fairly stable ADR in 2020 with a decline of just -2%.

While all four markets in Egypt registered declines in demand in 2020, Cairo and Hurghada both recorded sharp y-o-y occupancy declines of over -60% while Sharm el Sheikh fared slightly better with a decline of -56%.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers

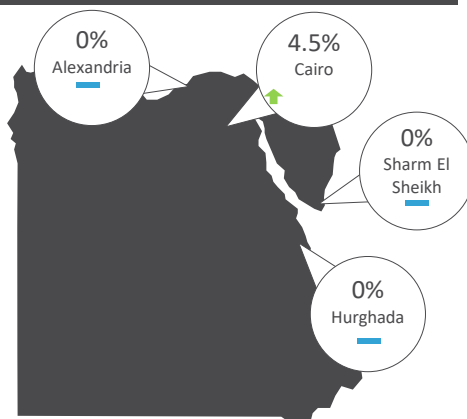
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Source: Colliers

Outlook

An additional 7,000 keys are expected to open in the Egyptian market by the full year 2023. The forthcoming supply experienced delays due to the impact of Covid-19 on projects under construction, resulting in fewer openings in 2020 with most projects being pushed forward.

Cairo experienced a growth of 4.5% in supply between 2019 and 2020 with other markets recording no new properties opening with internationally branded operators.

KUWAIT CITY, MANAMA, MUSCAT, AMMAN

A total of 896 quality branded hospitality keys have entered the respective markets between 2019 and 2020. Muscat accounted for the majority of the new supply in these markets.

Key Performance Indicators (Year-on-Year Change)

		FY 2018	FY 2019	FY 2020
Occupancy Change (%)	Kuwait City	-4%	-3%	-49%
	Manama	+1%	+7%	-50%
	Muscat	-6%	+0%	-56%
	Amman	+2%	+3%	-55%
ADR Change (%)	Kuwait City	+4%	-11%	+6%
	Manama	-6%	-1%	-13%
	Muscat	-0%	-7%	-25%
	Amman	-3%	-6%	-13%

Highlights

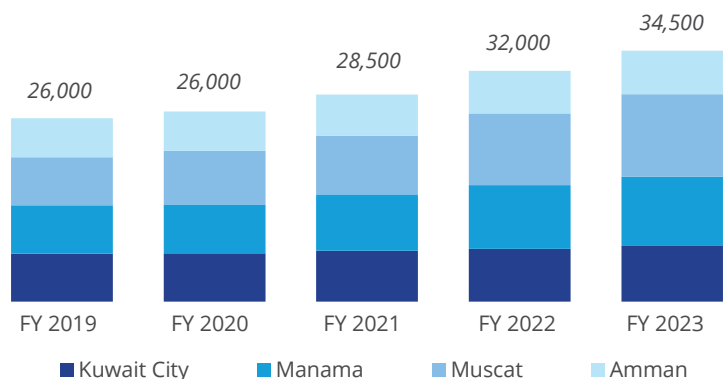
Performance in these markets have significantly declined when compared to the previous year, due to the negative influence of COVID-19.

Consequently, this resulted in year-on-year RevPAR declines of between -46% to -67% amongst the markets.

Muscat recorded the highest supply growth of approximately 13% between 2019 and 2020. As a result the supply across the key markets increased by 4% compared to the same period last year.

It is worth noting that openings were delayed during 2020 due to the impact of COVID-19 on the market. Some of these properties have faced significant delays of up to 2 years.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers

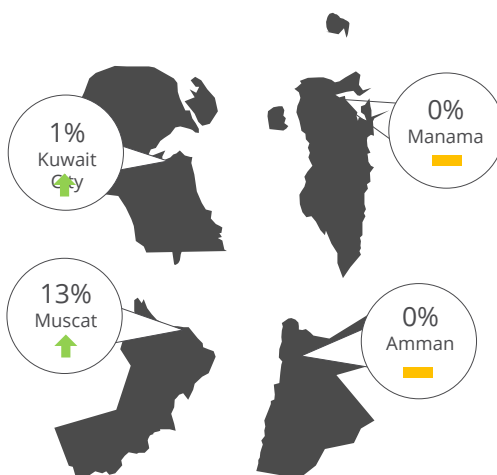
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Year-on-Year % Change in Supply

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Source: Colliers

Outlook

An additional 8,400 keys are expected to open in the key markets by 2023, 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 47% of the total forthcoming supply within these key markets, followed by Manama with 34% of the forthcoming supply.

396 offices in
67 countries on
6 continents

About Colliers

Colliers is a global leader in commercial real estate services, with over 15,000 professionals operating in 67 countries. Colliers delivers a full range of services to real estate users, owners and investors worldwide, including global corporate solutions, brokerage, property and asset management, hotel investment sales and consulting, valuation, consulting and appraisal services and insightful research. In MENA, Colliers has provided leading advisory services through its regional offices since 1996.

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