



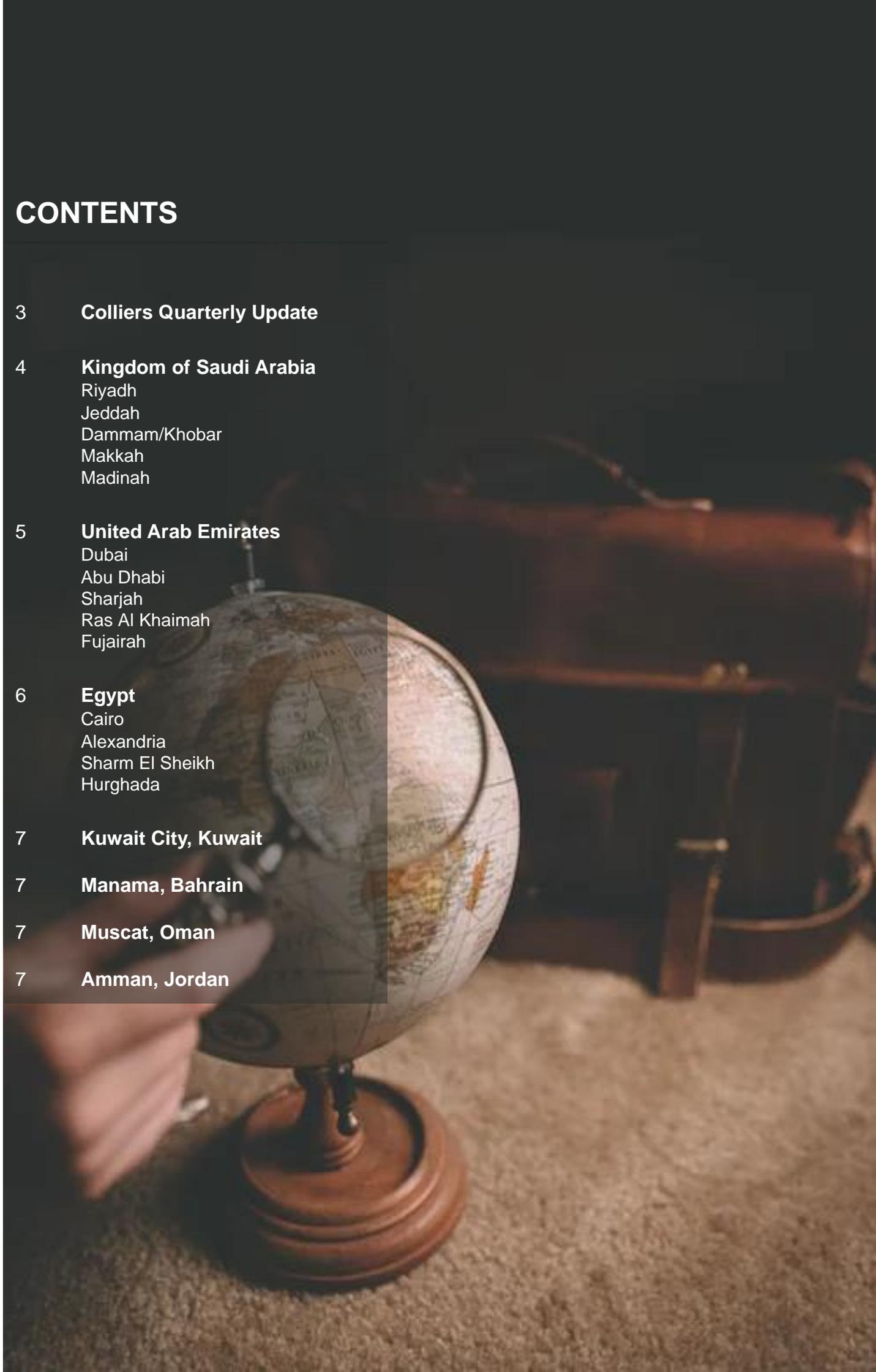
MENA HOTELS QUARTERLY REVIEW

Q2 | 2020



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COLLIERS QUARTERLY UPDATE



WTTC LAUNCHES SAFETY STAMPS FOR GLOBAL TRAVEL DESTINATIONS

World Travel & Tourism Council (WTTC) issued safe travel protocols to standardize health and safety measures across hospitality and tourism sectors. The protocol was launched in May and includes several measures for social distancing, use of PPE and removal of extra items in hotels.

Destinations in the MENA region which have received these Stamps are Tunisia, Jordan, Egypt, Dubai & RAK.

NEW SAFETY CERTIFICATION FOR ABU DHABI HOTELS

Abu Dhabi's Department of Culture and Tourism have rolled out a new certification – "Go Safe Certification", for hotels and attractions which are able to achieve high health and safety standards. The certification is intended to re-establish the confidence among the tourists to travel to the emirate ahead of its plan to reopen.

W Abu Dhabi, was the first hotel to be Go Safe certified.



LIMITED NUMBER OF PILGRIMS ALLOWED FOR HAJJ THIS YEAR

The Ministry of Hajj and Umrah in KSA have announced that this year due to COVID-19, limited number of pilgrims will be able to perform Hajj. Only 1,000 pilgrims out of the total Muslim resident population of Saudi Arabia will be allowed to take part in Hajj.

It will be limited to pilgrims below 65 years. For the first time in modern history international pilgrims will not be allowed to perform Hajj.

KSA LAUNCHES SAUDI SUMMERS TO INCREASE TOURISM IN THE KINGDOM

The Saudi Ministry of Tourism has launched a nationwide tourism drive to inspire the residents to discover Kingdom's cultural and touristic offerings. This campaign is expected to help the tourism sector to recover from the COVID-19 Pandemic.

The Saudi Summer initiative started on 25th June and will last till 30th September. The initiative includes 10 cities across the Kingdom, offering variety of experiences highlighting mountains, beaches and historic sights.



KINGDOM OF SAUDI ARABIA

The continued impact of the COVID-19 pandemic has led to market wide drops in performance, although, the Kingdom of Saudi Arabia is expected to benefit from its large domestic market and initiatives such as Summer Seasons, on its road to recovery. The industrial hub, Dammam/Khobar has been least affected by the pandemic, with a decline of 4% and 2% y-o-y in occupancy and ADR for H1 2020.

Key Performance Indicators (Year-on-Year Change)

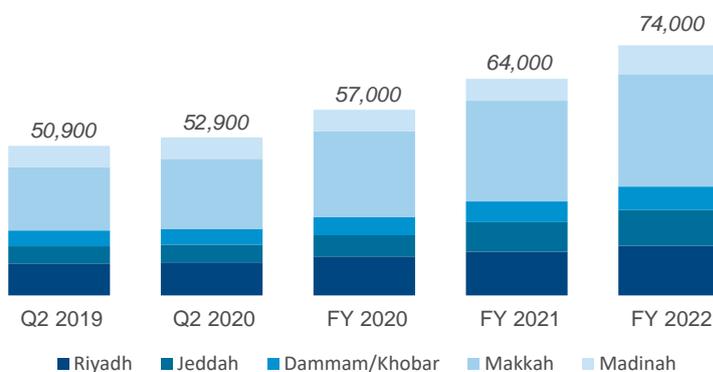
		YTD 2018	YTD 2019	YTD 2020
Occupancy Change (%)	Riyadh	+1%	+4%	-4%
	Jeddah	-6%	-2%	-32%
	Dammam/Khobar	+8%	+9%	-4%
	Makkah	-5%	+11%	-45%
	Madinah	-6%	-2%	-40%
ADR Change (%)	Riyadh	-5%	-11%	-3%
	Jeddah	+10%	-9%	-38%
	Dammam/Khobar	-8%	-16%	-2%
	Makkah	-12%	-9%	-46%
	Madinah	-3%	-8%	-7%

Highlights

Makkah was the hardest hit market, resulting in a reduced RevPAR of 70% compared to H1 2019. Madinah followed a similar demand pattern, however, was able to retain its ADR, resulting in a y-o-y RevPAR decline of 44% in H1 2020.

Commercial hub's, such as Riyadh and Dammam/Khobar, have fared better than leisure driven markets in H1 2020. Both occupancy and ADR recorded single digit declines compared to H1 2019. This is in part due to a more lenient restriction applied to necessary business travel.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

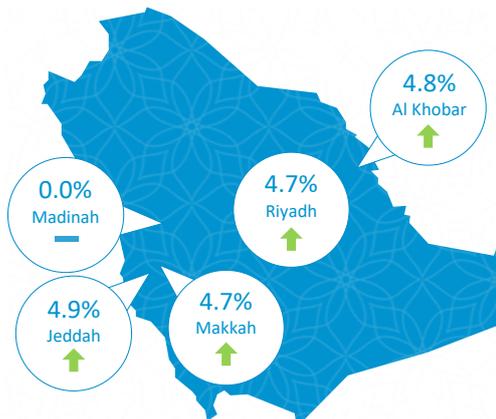
Note: Includes only branded hotel supply; considers potential cancellations and delays

Year-on-Year % Change in Supply

Legend

- ↑ % Increase vs. Q2 2019
- ↓ % Decrease vs. Q2 2019
- No Change vs. Q2 2019

The adjacent exhibit highlights the percentage change in branded supply from Q2 2019 to Q2 2020 in each of the respective markets analyzed in this section.



Source: Colliers International

Outlook

Multiple properties have delayed their openings, resulting in an expected 57,000 keys in the principal cities by FY 2020. This is 4,900 keys fewer than expected in Q1 2020.

The supply is expected to grow at a CAGR of 12% from 2020 to 2022. 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.

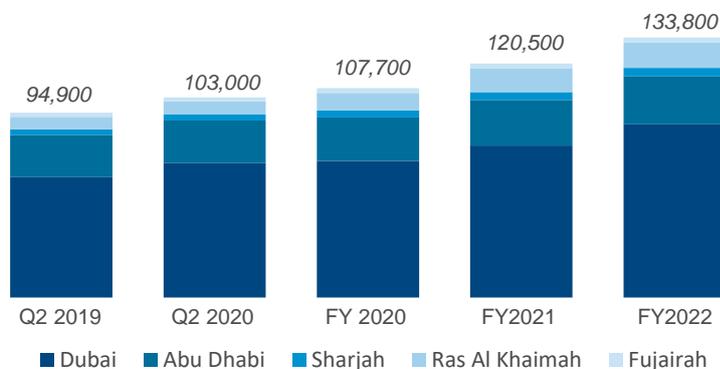
UNITED ARAB EMIRATES

A total of 8,100 quality branded hospitality keys have entered the market between Q2 2019 and Q2 2020. 92% 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	-2%	-2%	-36%
	Abu Dhabi	+4%	+0%	-13%
	Sharjah	-1%	-10%	-29%
	Ras Al Khaimah	-3%	-2%	-28%
	Fujairah	-17%	-13%	-11%
ADR Change (%)	Dubai	-5%	-15%	-14%
	Abu Dhabi	-7%	+10%	-20%
	Sharjah	+2%	-11%	-6%
	Ras Al Khaimah	+3%	-11%	-12%
	Fujairah	-7%	-11%	-14%

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

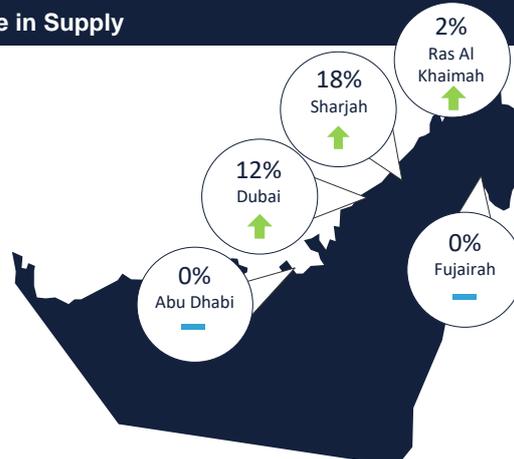
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Source: Colliers International

Highlights

In Q2 2020, overall performance has continued to decline across the UAE, following the trend of the first quarter.

Hotels in the UAE continue to be adversely affected due to COVID-19.

The hospitality markets have experienced double digit decreases in occupancy levels.

Even with the country slowly opening its borders and re-opening flight routes from June 15, international tourist demand for hospitality offerings has not recovered during this summer period.

With the hotels being closed in the first month and a half of Q2, the markets have experienced a decline of 20% to 50% in RevPAR.

However, performance during Q4, the peak hospitality season in the UAE, will be the best indicator on the recovery of international tourist demand in 2020.

Outlook

The supply in the market is expected to increase at a CAGR of 11% between 2020 and 2022. This will introduce an additional 26,000 keys in the market.

The COVID-19 pandemic is expected to have an influence on hotel openings during this period. Operators have indicated that there will be delays in hotel openings in 2020.

EGYPT

COVID-19 continues to have a marked impact on the hospitality industry globally and in Egypt. YTD Q2 2020 is marked by significant declines in demand for the Egyptian market, as most markets experienced occupancies of below 10% in the second Quarter of 2020.

Key Performance Indicators (Year-on-Year Change)

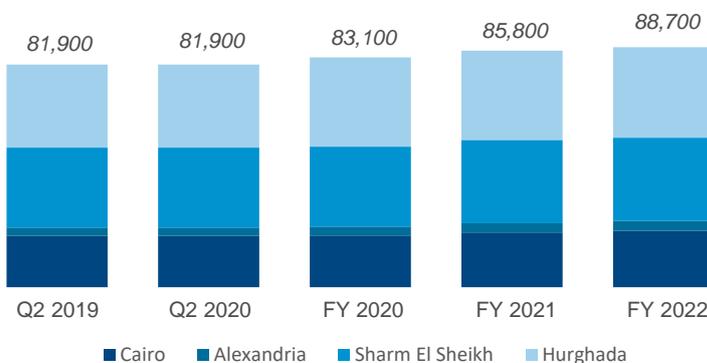
		YTD 2018	YTD 2019	YTD 2020
Occupancy Change (%)	Cairo	+6%	+9%	-54%
	Alexandria	+12%	+7%	-49%
	Sharm El Sheikh	+49%	+8%	-52%
	Hurghada	+6%	+39%	-50%
ADR Change (%)	Cairo	+16%	-20%	-2%
	Alexandria	+14%	+2%	+5%
	Sharm El Sheikh	+32%	-37%	-6%
	Hurghada	+26%	-23%	-4%

Highlights

The leisure markets in the Red Sea, Sharm El Sheikh and Hurghada have experienced low occupancies in Q2 2020, resulting in a y-o-y decline of over 50% in H1 2020. This has resulted many forced closures and a decline in RevPar of 55% and 52% in the markets of Sharm El Sheikh and Hurghada, respectively.

Alexandria market is the only one to record a growth in ADR in the first half of 2020, however the more competitive inflation rate compared to H1 2019 plays a factor.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

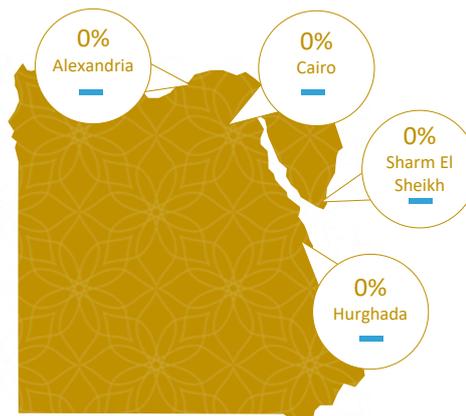
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Source: Colliers International

Outlook

An additional 6,000 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 1,700 quality branded hospitality keys have entered the respective markets between H1 2019 and H1 2020. Muscat and Kuwait cities both accounted for 74% of the new supply in these markets.

Key Performance Indicators (Year-on-Year Change)

		YTD 2018	YTD 2019	YTD 2020
Occupancy Change (%)	Kuwait City	+3%	-6%	-41%
	Manama	-5%	+11%	-45%
	Muscat	-5%	-1%	-42%
	Amman	+4%	+3%	-38%
ADR Change (%)	Kuwait City	+5%	-6%	-10%
	Manama	-9%	-1%	-13%
	Muscat	-3%	-4%	-14%
	Amman	-4%	-7%	-11%

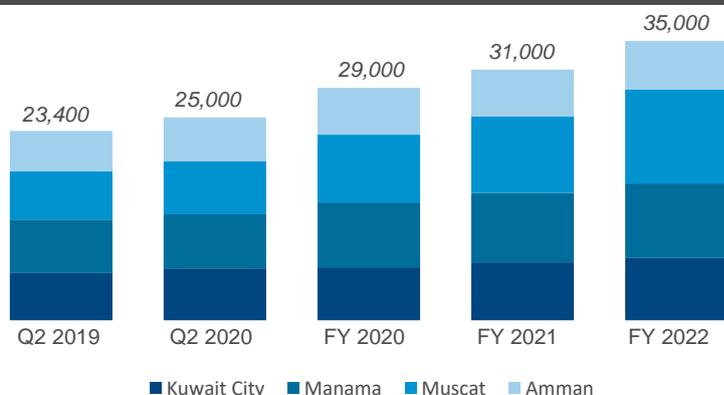
Highlights

Performance in these markets continued to decline in H1 2020 following the impact of the COVID-19. Consequently, this resulted in year-on-year RevPAR declines of between -45% to -52% amongst the markets.

Both Kuwait City and Muscat recorded a supply growth of over 10% between H1 2019 and H1 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 Q2 2020 due to the impact of COVID-19 on the market.

Hotel Supply (No. of Branded Hotel Keys)



Source: Colliers International

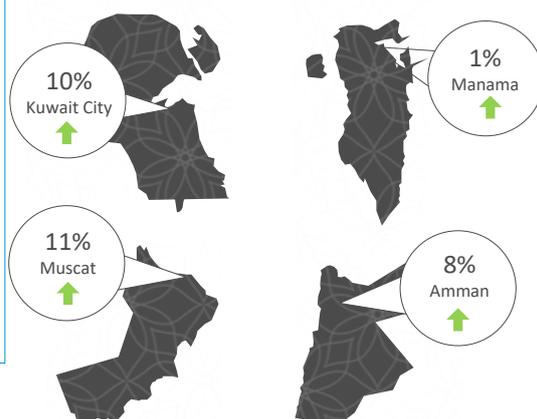
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Source: Colliers International

Outlook

An additional 35,000 keys are expected to open in the key markets by 2022, representing an average yearly increase of 6%. The negative impact of the COVID-19 is expected to result in delays for hotel openings.

Muscat accounts for 33% of the total forthcoming supply within these key markets, followed by Kuwait City.

FOR MORE INFORMATION

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