

HOSPITALITY MARKET OVERVIEW - QATAR

First Qatar Real Estate Development Company

February 2014

CONTENTS

- 1) EXECUTIVE SUMMARY**
- 2) TOURISM ECONOMICS**
- 3) SOURCE MARKETS**
- 4) HOSPITALITY MARKET**
- 5) HOTEL PERFORMANCE INDICATORS**
- 6) HOTELS SUPPLY**
- 7) SERVICED APARTMENT**
- 8) MARKET FOCUS - QATAR**
- 9) OUTLOOK**



EXECUTIVE SUMMARY

- ❑ Corporate tourism is the primary driver for hotel demand in Doha accounting for 65% of total demand, while MICE (Meetings, Incentives, Conferencing and Events) the second largest segment with a 8% share.
- ❑ Qatar is expected to receive 3.5 million international tourists for the FIFA World Cup in 2022. The government is developing the country's leisure offerings with projects such as Lusail and Katara which are expected to increase leisure visitation.
- ❑ Doha's hotel market achieved an average room rate of QAR 843 (YTD Q3 2013), making it one of the highest in the Middle East, predominately due to the large supply of 5-star hotels located in the city.
- ❑ Doha is currently facing the risk of oversupply as the market gears up for the FIFA World Cup 2022. The city's hotels are finding it increasingly difficult to maintain a stable RevPAR (Revenue Per Available Room) as the incoming supply is putting downward pressure on market wide rates.
- ❑ The announced forthcoming supply of hotels primarily consists of luxury/upscale properties, widening the existing gap in the market for midscale and economy hotels.



EXECUTIVE SUMMARY

Market Snapshot

Year 2014	Growth Rate Year 2012 - 2014
Qatar Hotel Occupancy (Occupancy %)	
64.00%	↑ 10.30%
Qatar Hotel ADR(Avg Daily Rate)	
QAR 843	↓ 0.80%
4-Star Hotel Revenue	
QAR 5,56 Million	↑ 10.00%
5-Star Hotel Revenue	
QAR 20,46 Million	↑ 22.30%

Source: Qatar Tourism Authority (QTA), 2013



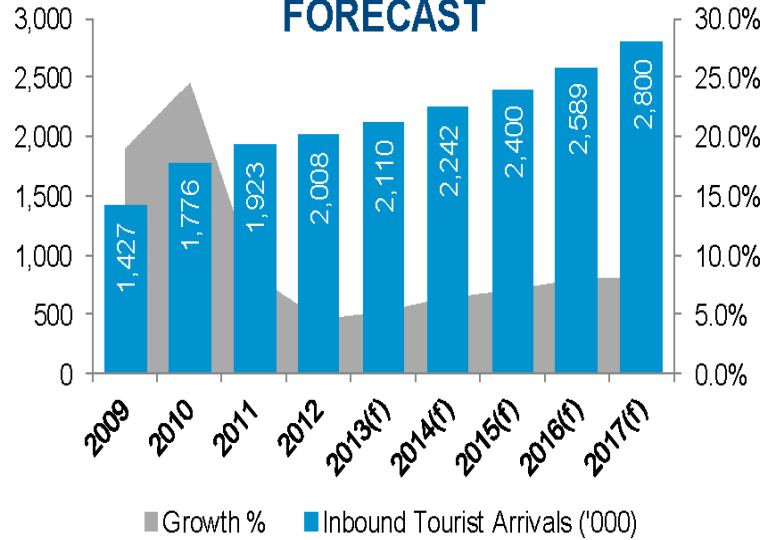
TOURISM ECONOMICS

- ❑ The Qatar National Vision 2030 aims to increase the tourism contribution to 8% of GDP by 2030 from 1.7% in 2012.
- ❑ During the financial crisis, Qatar's inbound tourism stayed strong, growing by 15% in 2008, 19% in 2009 and 25% in 2010. Qatar attracted over 2 million international tourists in 2012, a growth of 4.4% from 2011.
- ❑ Euromonitor International forecasts an average increase of 6.9% per year until 2017.
- ❑ Qatar as an attractive tourism destination, the government is encouraging capital investments within this sector, which are expected to increase by 10.7% per annum between 2013 to 2017.
- ❑ Doha International Airport witnessed 21 million passenger movements in 2012, which is expected to grow at an annual rate of 6.3% between 2014 and 2023.
- ❑ The scheduled opening of Hamad International Airport in Q1 2014, is expected to increase capacity up to 30 million passengers, which will further increase to 50 million passengers by 2020.



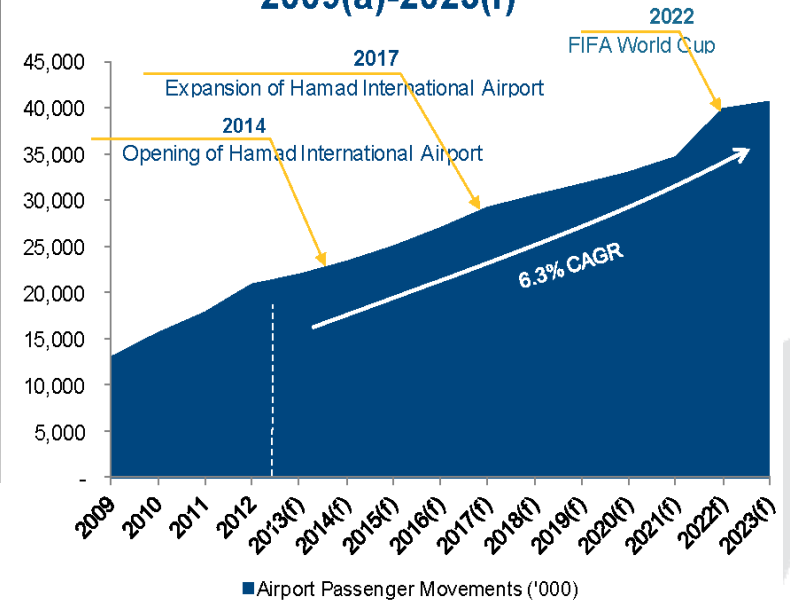
TOURISM ECONOMICS

QATAR INBOUND TOURISM GROWTH FORECAST



Source: Euromonitor International, 2013

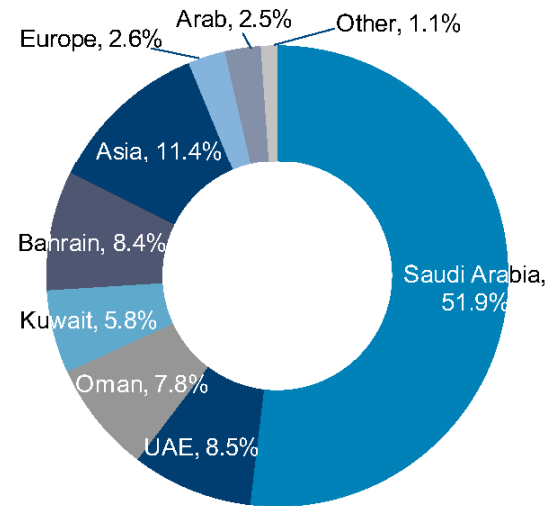
AIRPORT PASSENGER MOVEMENTS, 2009(a)-2023(f)



Source: Doha International Airport, 2013



SOURCE MARKETS



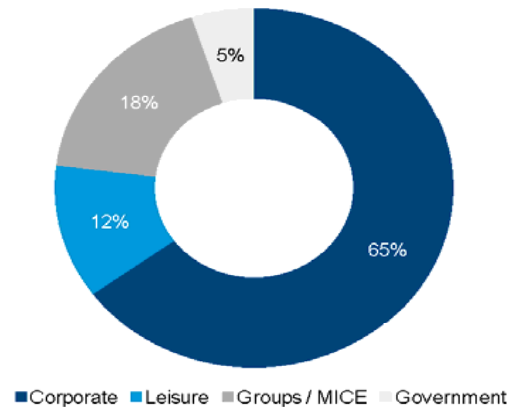
Source: Qatar Tourism Authority (QTA), 2013

- ❑ Qatar experienced visitor growth of 14.2% from the year 2012 to end of the year 2013. The majority of visitors in 2013 arrived from Saudi Arabia which accounted for 51.9% of total passengers, followed by Asia (11.4%), UAE (8.5%), Bahrain (8.4%) and Oman (7.8%).
- ❑ The GCC countries continue to represent the largest source market for Qatar, representing 82.4% of overall visitation in the end of year 2013 indicating Qatar's heavy reliance on this region, particularly from Saudi Arabia.



HOSPITALITY MARKET

DOHA MARKET SEGMENTATION



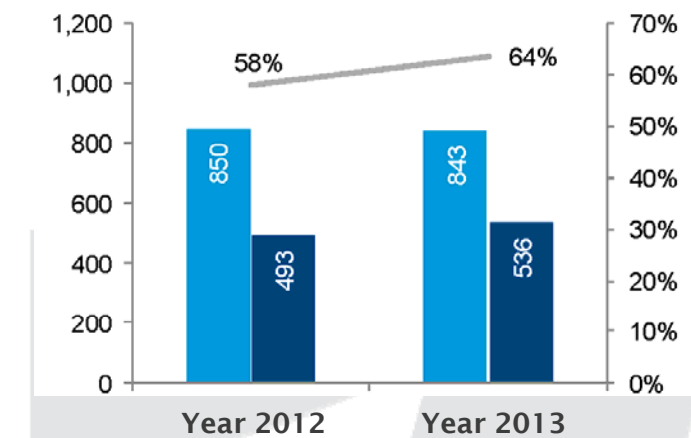
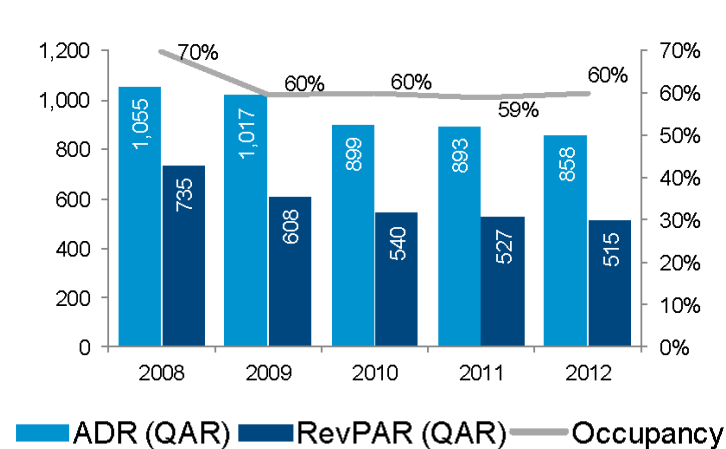
Source: Colliers International, 2013.

- ❑ Qatar Airways has a network of more than 120 destinations worldwide which has positioned Qatar as a global hub for passengers passing through the Middle East.
- ❑ Corporate tourism represented 65% of total guest nights in Qatar in 2012, followed by MICE tourism which has become an increasingly important demand generator for Qatar since the establishment of the Qatar National Convention Center (QNCC) in 2011. Hotels are benefiting directly from Doha's rapidly growing MICE sector.
- ❑ Doha has not been a destination for leisure tourism, which currently only accounts for 12% of total arrivals/guest nights. However, this trend is set to change as Doha aims to position itself as the cultural capital of the Arab world .



HOTEL PERFORMANCE INDICATORS

- Hotels in Doha achieved an average occupancy of 64% by end of the year 2013, a growth of 10.3% from the same period in 2012. Occupancy rates were higher in the year 2013 in comparison to Q2 and Q3 as a result of the cooler weather conditions.
- The Average Daily Rates (ADR) of Doha hotels have seen a decline since 2008 due to the combined effect of the economic downturn and induction of new supply. However, the rate of decline has slowed down to 2.6% between 2010 to 2012, compared to 4.9% between 2008 to 2010.
- This drop in ADR's was compensated by a 10.3% growth in occupancy during the same period, leading to a year-on-year growth in RevPAR of 8.7%.



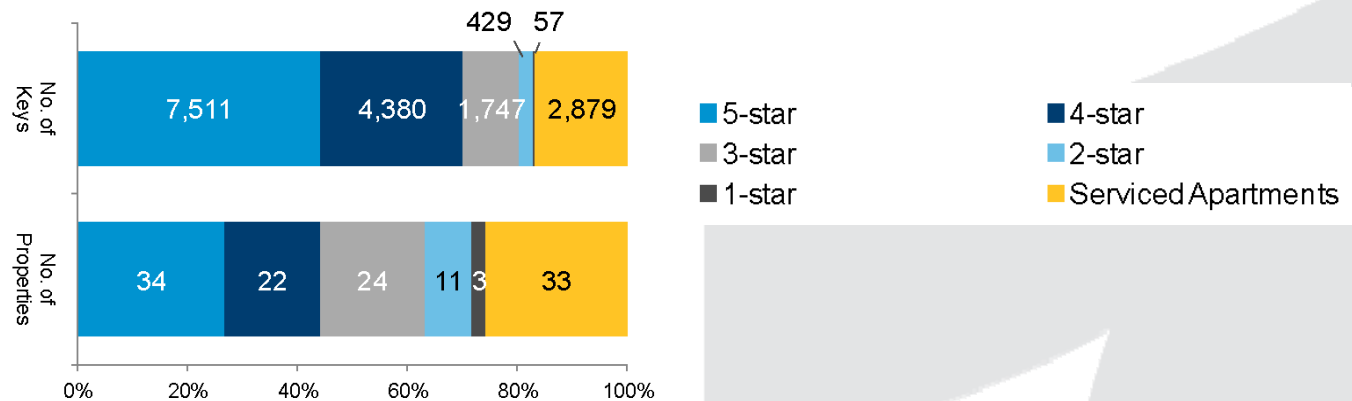
Source: Colliers International, 2013, QTA, 2013



HOTELS SUPPLY

❖ EXISTING SUPPLY

- Doha’s luxury/upscale hotel segment has grown at a rate of 19% (year-on-year) between 2010 and 2013 and accounts for 71% of the total supply.
- In contrast to the large growth seen in the five star sector, 3-star hotel supply grew by 3% between 2010 to 2012, justifying strong occupancy growth rates in 2013.
- Serviced apartments currently represent 17% of the hospitality supply in Doha with 33 properties consisting of 2,879 rooms. From this supply, just 21% are internationally branded, indicating a market gap for branded serviced apartments in the Qatar market.



Source: Colliers International, 2013, QTA, 2013



HOTELS SUPPLY

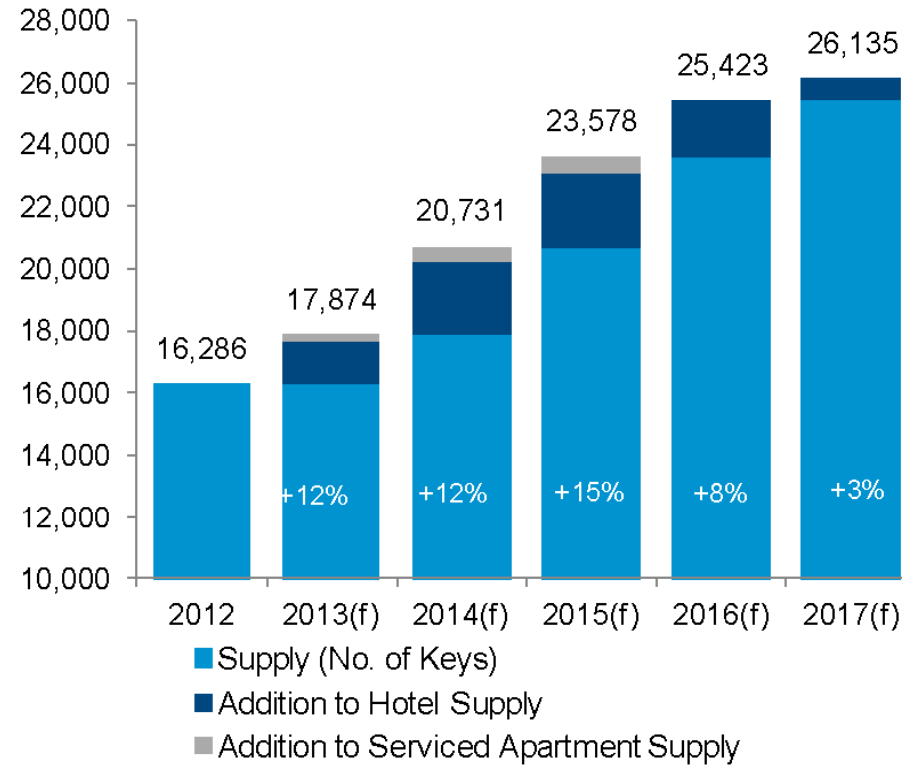
❖ FORTHCOMING SUPPLY

- Doha is currently facing the risk of oversupply as the market prepares for the FIFA World Cup 2022. To meet FIFA's requirement 60,000 rooms must be operational by 2022 in order to accommodate the demand from the event. Such a large inventory is likely to create downward pressure on key performance indicators both before and after the 2022 event.
- According to the QTA, there are 124 planned hotel establishments in Doha as of now, constituting a total of 21,294 rooms. 53% of this upcoming stock is expected to be in the luxury/upscale sectors, while 26% is expected to consist of serviced apartment units.
- Many of the announced 49 hotel apartments are expected to be managed by international operators/brands, which could potentially satisfy the existing gap within this category.
- Colliers forecasts Doha's hotel supply to grow at an annual rate of 10.0%, from 16,286 in November 2013 to 26,135 rooms in 2017.



HOTELS SUPPLY

FORTHCOMING HOTEL SUPPLY, 2012-2017



Source: Colliers International, 2013



HOTELS SUPPLY

Proposed Supply
in Doha

Property Name	No. of Rooms	Date of Opening
Centra Doha	220	Q4 2014
DoubleTree by Hilton Doha Al Sadd	145	Q1 2015
DoubleTree Suites by Hilton Doha	240	Q1 2015
Four Seasons The Pearl	350	Q1 2016
Hilton Doha Residence	288	Q2 2015
Hilton Garden Inn Doha Al Sadd	258	Q2 2014
Holiday Inn Doha	347	Q1 2016
Hotel Missoni Doha	299	Q2 2015
Jumeirah Dubai Towers	228	On Hold
JW Marriott	299	Q2 2017
Kempinski Hotel Marsa Malaz	250	Q2 2015
Le Meridien Doha	250	2016
M Gallery Doha Msheireb	215	2016
Mandari n Oriental	160	Q4 2014
Millenium Al Sadd Doha	232	Q2 2014
Nikki Beach Resort & Spa	47	On hold
Park Hyatt	181	Q4 2015
Planet Hollywood	350	2015
Proposed Five-Star Hotel Lusail	257	2015
Pullman Doha West Bay	468	2015
Taj Exotica	150	2016
Waldorf Astoria	330	2016

Source: Doha in focus, HVS, 2013



SERVICED APARTMENT MARKET

- ❑ The vast majority of serviced apartments in Qatar are located in Doha, of which 79% of the total unit stock is currently classified in the ‘Deluxe’ category and 21% is classified in the standard category.
- ❑ Developments such as the Dusit Residence & Suites, the Tuscan & Monaco Residences by Rotana, the Hilton Residence, Doubletree Suites and Adagio will increase the total serviced apartment supply by 36% by 2017.
- ❑ Whereas serviced apartments in the UAE mainly target short stay guests as a means to maximize revenue, this is not the case in Doha, in which the long stay segment represents 74% of total demand.
- ❑ High rental rates in the residential market further gives strength to the serviced apartment market, as many expatriate workers are seeing serviced apartments as a legitimate alternative to residential accommodation.

QATAR	YEAR 2013	% change from 2012
<i>Doha</i>		
Occupancy	71.0%	↑ 1.4%
ADR (QAR)	543	↑ 1.7%
RevPAR (QAR)	386	↑ 3.1%

Source: Colliers International, 2013



MARKET FOCUS - QATAR

EXISTING SERVICED APARTMENT SUPPLY

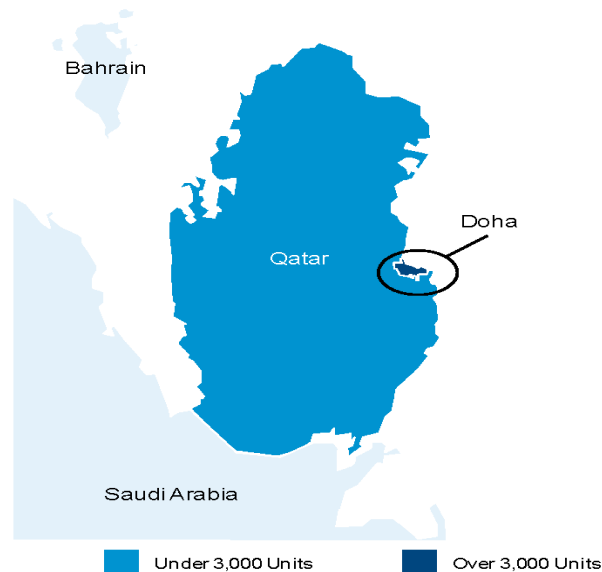
- ❑ Much of the serviced apartment supply in Doha is composed of locally branded or stand alone properties.
- ❑ Although 28% of the total supply is internationally branded there is a sharp contrast in this figure between the ‘deluxe’ and ‘standard’ serviced apartments.
- ❑ While 34% of the deluxe standard apartment stock is under an international operator, there are no internationally branded standard serviced apartments in Doha.
- ❑ The primary international player in the Doha Serviced Apartment market is Ascott, which operates both Somerset West Bay Doha and The Ascott Doha which combined account for approximately 429 units or 14% of the total serviced apartment supply.



SERVICED APARTMENT MARKET

- ❑ Other major international players include Marriott Executive Apartments and Fraser Suites which combined constitute approximately 258 units or 8.5% of the total Serviced Apartment supply.
- ❑ The most established local operator is Retaj Hotels & Hospitality which operates 4 serviced apartment properties totaling 311 units.

SERVICED APARTMENT DISTRIBUTION



Source: Colliers International, 2013

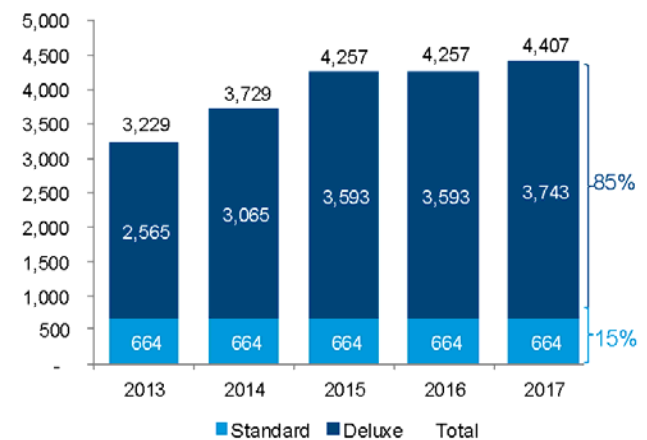


SERVICED APARTMENT MARKET

FORTHCOMING SERVICED APARTMENT SUPPLY

- ❑ Several major operators have seen the potential of the serviced apartment sector and are poised to enter the market in the coming years.
- ❑ Rotana and Dusit will be the first to market with the Dusit Residence & Suites and the Tuscan & Monaco Residences by Rotana which will have 192 and 500 units respectively.
- ❑ Other projects such as the Hilton Residence, Doubletree Suites and Adagio Doha will increase the total serviced apartment supply by 36% by 2017.

SERVICED APARTMENT PROJECTED SUPPLY



Source: Colliers International, 2013



SERVICED APARTMENT MARKET

DEMAND TRENDS

- ❑ High rental rates in the residential market further gives strength to the serviced apartment market in Doha, as many expatriate workers are seeing serviced apartments as a legitimate alternative to residential accommodation.
- ❑ The demand trends of the serviced apartment market in Qatar follows the hotel market, but with less volatility of demand.
- ❑ The market has seen increasing demand in recent years, with average occupancies in the serviced apartment market increasing year on year since 2010. 2013 continued this trend with average occupancies increasing 1.4% from 2012.
- ❑ The average rate has also increased 1.7% during this period, which combined with the occupancy increase resulted in a 3.1% increase in RevPAR (Revenue Per Available Room).



OUTLOOK

- ❑ Doha is primarily a corporate destination, however this trend is expected to change as the Government continues to develop leisure anchors for destinations such as Katara and Lusail City.
- ❑ Doha's hotel supply is dominated by Luxury/Upscale properties and this trend is expected to continue given the forthcoming supply, creating rate compression within this segment.
- ❑ As of now, there is just one midscale hotel in the pipeline for Doha, indicating an opportunity to develop more hotels within this category.
- ❑ The existing supply of branded serviced apartments constitutes just 21% of the total serviced apartment supply, however the planned 49 hotel apartments in Doha will likely address this gap within the market.
- ❑ As Qatar expects to host more than 3.5 million tourists in 2022, establishing quality internationally branded midscale/economy hotels would capture the rising demand for quality affordable accommodation. The affordable nature of such hotels would appeal to a price sensitive audience while providing a modern product and service .



OUTLOOK

- ❑ Given existing market conditions and forthcoming supply, Colliers' econometric model has indicated that there is scope for a further 525 serviced apartment units over and above the forthcoming supply in Qatar between 2013 and 2017.





THANK YOU FOR YOUR ATTENTION !

1st Qatar