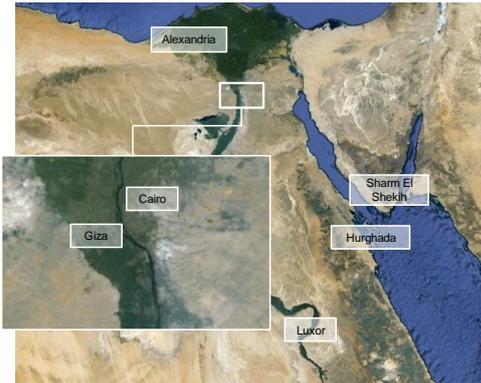




EGYPT | CAIRO FOCUS HOTEL MARKET OVERVIEW



Executive Summary

EGYPT

- In 2012 leisure spending is estimated to have risen by 1.1% while business spending was estimated to have fallen by 4.5%.
- Domestic spending is estimated to have fallen by 5.8% in 2012 whilst international spending is estimated to have grown by 5.7%. These trends are indicative of increased international leisure travel over the past year.
- Leisure Markets made a strong recovery in 2012 with strong performance indicators in Sharm El Shekh, Hurghada and Alexandria.

CAIRO IN FOCUS

- Downtown Cairo experienced the lowest occupancy and highest average rate in 2012 when compared to Giza and Heliopolis. Of the three areas, performance in Heliopolis was the strongest with high occupancy rates attributable to its close proximity to the airport.
- The events of 2011-12 affected the entire market with the largest decreases seen in the tour group and corporate segments. During this period, roomnight demand decreased by 77% and 60% for the two segments respectively as companies were less inclined to send potential guests to Cairo. Although demand picked up among most segments in 2012 this was not the case for corporate tourism for which roomnight demand continued to decline.

Egypt

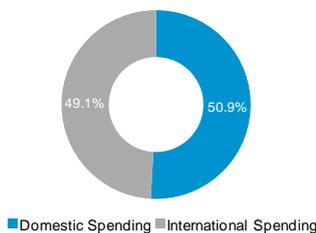
TOURISM ECONOMICS

- Tourism is a significant contributor to the Egyptian economy, representing an average 8.4% of GDP between 2008 and 2010. In 2011 and 2012 this figure dropped to circa 6.5% as a direct result of the political unrest.
- Egypt is estimated to have attracted over 11 million international tourists in 2012 which resulted in a growth of visitor spending by 11%.
- Travel & Tourism accounted for 5.8% of employment in 2011 which is estimated to have increased by 0.6% in 2012.
- In 2012 leisure spending is estimated to have risen by 1.1% while business spending was estimated to have fallen by 4.5%.
- Domestic spending is estimated to have fallen by 5.8% in 2012 whilst international spending is estimated to have grown by 5.7%. These trends are indicative of increased international leisure travel over the past year.
- Egypt's population is heavily skewed, with 69.5% of the total population classified as 'Generation Y.' Given the low disposal income and purchasing power of this segment, it is Colliers' view that demand for quality economy hotels will grow in the coming years.

HOTEL MARKET KPI 2012*	OCC	ADR	REVPAR
ALEXANDRIA	↑ 17.9%	↑ 2.2%	↑ 20.5%
CAIRO DOWNTOWN	↑ 30.1%	↓ -11.7%	↑ 14.9%
CAIRO GIZA	↑ 19.1%	↓ -10.0%	↑ 7.3%
CAIRO HELIOPOLIS	↑ 21.4%	↑ 0.4%	↑ 21.8%
LUXOR	↓ -19.3%	↓ -3.2%	↓ -21.9%
HURGHADA	↑ 15.9%	↓ -4.1%	↑ 11.2%
SHARM EL SHEIKH	↑ 27.1%	↓ -5.0%	↑ 20.8%

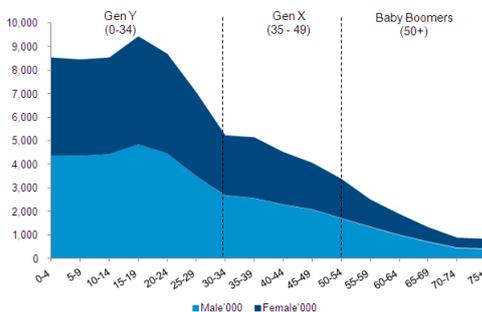
* % CHANGE FROM 2011

SPENDING % OF DIRECT TRAVEL & TOURISM GDP 2012



Source: WTTC, 2012

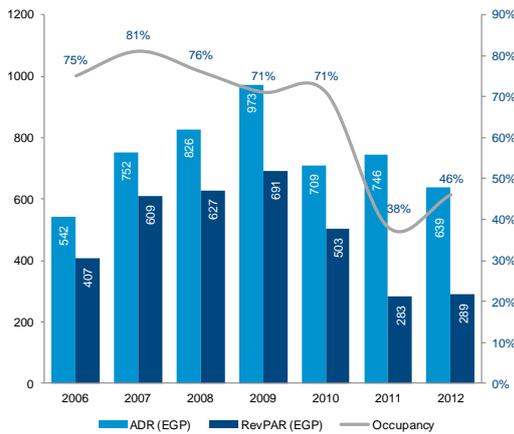
POPULATION COMPOSITION



Source: C.A.P.M.A.S., 2010

HOSPITALITY MARKET OF EGYPT

CAIRO HOTELS KPI 2006-2012



Source: Colliers Research, 2012

- **Before the Arab Spring:** From 2006 to 2009, the average daily rates (ADR) and revenue per available room (RevPAR) grew year on year. During this time occupancy rates fluctuated but were relatively strong, never falling below 70%.
- **After the Arab Spring:** In 2011, occupancy levels in Cairo fell sharply to 38%, which were attributable to the national political uprising. The declining occupancy rate put downward pressure on the aggregate RevPAR performance which fell by 44% from EGP 503 to EGP 283. Although there has been a marginal recovery in 2012 for both occupancy and RevPAR rates, there is still a significant gap between pre and post crisis hotel performance.
- Leisure Markets made a strong recovery in 2012, which was seen in Sharm El Sheikh which experienced a 27.1% increase in occupancy and 20.8% increase in RevPAR during this period. Alexandria, another prime leisure destination also exhibited strong performance indicators in 2012, with occupancy levels increasing by 17.9% and RevPAR rates increasing by 20.5% during this period.

ELECTRONIC DEMAND

- Electronic demand is generated by consortiums and travel agents through a Global Distribution System (GDS), a worldwide network. The four key GDS are Amadeus, Sabre, Galileo and Worldspan. With a superior international reach and recognition, branded hotels benefit most from electronic demand.
- Electronic demand for Egypt indicated a 6.0% decrease in ADR and a 8.5% increase in room nights from 2011 to 2012 resulting in a 1.9% increase in Room Revenue. Branded properties greatly benefit from GDS bookings; in Cairo for example GDS bookings achieve a 42% premium over other bookings.

CAIRO ELECTRONIC DEMAND



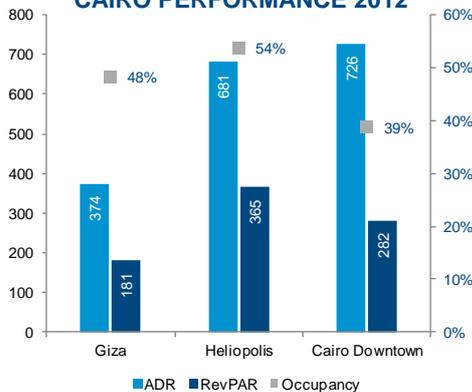
Source: Colliers Research, 2012

Market Focus: Cairo

PERFORMANCE INDICATORS

- Occupancy rates increased year on year in Heliopolis, Downtown Cairo and Giza between 2011 and 2012.
- In comparison to Giza and Heliopolis, Downtown Cairo experienced the lowest occupancy, but highest average rate in 2012. Of the three regions, performance in Heliopolis was the strongest with high occupancy rates attributable to the close proximity to the airport, making it more desirable for international travelers. In 2012, Giza achieved significantly lower occupancy levels and average rates than other parts of Cairo, as tourists tended to stay closer to the city center.

CAIRO PERFORMANCE 2012

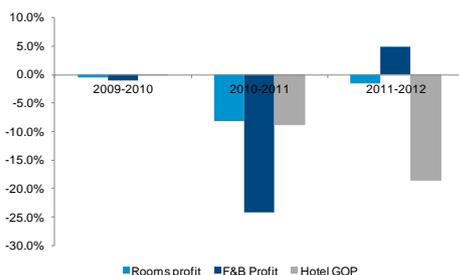


Source: Colliers Research, 2012

PROFITABILITY: BEFORE AND AFTER THE UPRISING

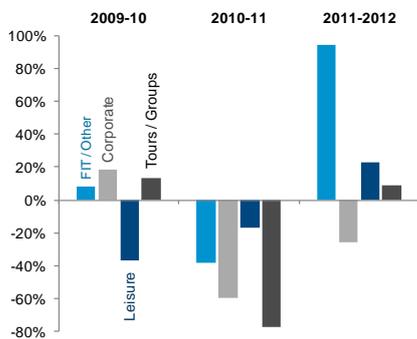
- **Before the Arab Spring:** In 2009 and 2010, Rooms departmental profitability was over 90%, F&B profitability was circa 50% and GOP profitability was circa 65% in the four and five star sectors in Cairo. These figures are indicative of lean streamlined hotel operations with little inefficiency.
- **After the Arab Spring:** Although departmental profitability remained relatively constant between 2009-2010, this was not the case between 2010-2011. During this period rooms profitability fell by 8.1% and F&B profitability fell by 24.3% which had a knock on effect on overall GOP which fell by 8.9%.
- From 2011 to 2012, rooms profitability fell marginally by 1.6%, and F&B profitability increased by 5.0%. Despite these positive indicators, GOP profitability slid a further 18.7% from the previous year during this period.
- Although the profitability ratios have been declining since 2009, the current profitability ratios are still positive, with rooms profitability standing at circa 80% F&B profitability standing at circa 30% and GOP profitability at circa 40% which is indicative of a resilient business model.

DEPARTMENTAL PROFITABILITY (YOY % CHANGE)



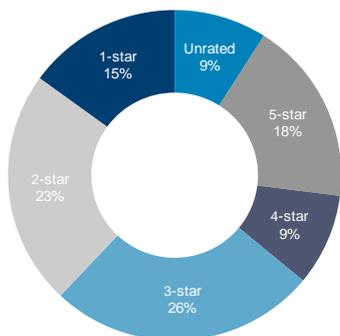
Source: Colliers Research, 2012

YEAR ON YEAR VARIANCE IN ROOMNIGHTS BY SEGMENT



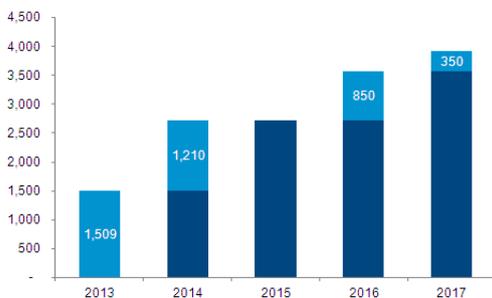
Source: Colliers Research, 2012

CAIRO HOTEL CLASSIFICATION



Source: Colliers Research, 2012

CAIRO FORTHCOMING ROOM SUPPLY



Source: Colliers Research, 2012

SEGMENTATION MIX

- Before the political unrest, Cairo's hotel market was dominated by both the corporate segment and tour groups (TG) which combined accounted for approximately 60% of total hotel demand.
- The events of 2011 affected the entire market with the largest decreases seen in the TG and corporate segments. During this period, roomnight demand decreased by 77% and 60% for the two segments respectively as companies and tour groups were less inclined to send potential tourist into Cairo.
- Although demand picked up among most segments between 2011 and 2012 this was not the case for the corporate segment in which roomnight demand continued to decline. This period saw a surge in the 'FIT and Other' segment in which the demanded roomnights increased by 95%, highlighting an increased confidence in the market from individual travelers.

HOTELS SUPPLY

- **EXISTING SUPPLY** The room supply in Cairo is largely composed of budget hotels, with approximately 73% of its room stock classified as 3-star or below. This segment is characterized by unbranded low-quality hotels catering mainly to domestic tourism demand. In contrast, the 4 and 5-star market have a relatively high share of internationally branded hotels, representing 46% and 76% of the total room stock respectively.
- The supply of serviced apartments in Cairo is scarce; these are generally small locally branded low-quality apartments with limited facilities typically ranging from 10 to 40 units.
- **FUTURE SUPPLY** Cairo's confirmed forthcoming supply is dominated by branded hotels in the 5-star segment among which are brands yet to be introduced in the market such as W Hotels and MGM Grand. The pipeline indicates that 1,509 rooms will enter the market in 2013, followed by 1,210 rooms in 2014, 850 rooms in 2016 and 350 rooms in 2017.

OUTLOOK

- Cairo's hospitality market was affected by the events of the Arab Spring and the subsequent political climate since 2011. The market has since demonstrated signs of recovery in 2012 and is quite robust overall but still has considerable room for growth. As tourism levels are largely dependent on the political situation, a stable political climate will be a key prerequisite for hotel demand growth in years to come – this is particularly applicable to the corporate segment.
- A handful of market gaps have been identified as a result of this research and it is Colliers' view that these are areas which will see future development in Cairo:
 - **Serviced apartments:** Cairo's serviced apartment sector is immature with only a limited number of branded properties in the city. Accommodation of this nature is a reasonably priced option for long-staying guests.
 - **Lifestyle hotels:** The trendy nature of the lifestyle hotel experience, highlighted by unique dining experiences and integrated technology appeals to generation Y guests, which make up a large percentage of the local population, suggesting a large local catchment audience. There is a clear market gap for such an offering which would appeal to international and domestic guests alike.
 - **Economy hotels:** The introduction of quality internationally branded economy hotels could potentially outperform the local market, which is largely characterized by locally branded low-quality hotels. Their established brand standards, global distribution systems and global operating practices would suggest that they would be able to outperform the local market with considerable ease.

COLLIERS INTERNATIONAL MIDDLE EAST

Colliers International has been providing leading advisory services in the Middle East and North Africa region since 1996, in Saudi Arabia since 2004. Regarded as the largest and most experienced firm in the region, Colliers International's expertise covers Hospitality, Residential, Commercial, Retail, Education and Healthcare sectors together with master planning solutions, serviced from the five regional offices.

Colliers Research Services Group is recognized as a knowledge leader in the real estate industry, providing clients with valuable market intelligence to support business decisions. Colliers research analysts provide multi-level support across all property types, ranging from data collection to comprehensive market analysis.

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The team can advise throughout the key phases and lifecycle of project:

- Destination/Tourism/Resort/Brand Strategy
- Market and Financial Feasibility Study
- Development Consultancy & Highest and Best Use Analysis
- Operator Search, Selection and Contract Negotiation
- Pre-Opening Budget Analysis and Operational Business Plan
- Owner Representative/Asset Management/Lenders Asset Monitoring
- Site and Asset Investment Sale and Acquisition/Due Diligence
- RICS Valuations for Finance Purposes and IPOs

OUR REGIONAL EXPERIENCE

- Strategic Advisory and Hospitality Capital Valuation for more than 22,653 keys with a total asset value in excess of AED19.4 Billion
- Hotel Operator Search, Selection and Contract Negotiation in excess of 4,100 keys with client savings averaging AED10.4 million
- In excess of 7,258 keys proposed within Highest & Best Use, Market & Financial Feasibility Studies for Hotels, Resorts & Serviced Apartments
- Highest & Best Use, Market & Financial Feasibility Studies for Hotels & Serviced Apartments with a total estimated net asset value in excess of AED 26.2 Billion
- In Excess of 921 Hotel Keys under Asset Management as Owner's Representative

522 offices in 62 countries on 6 continents

- **\$1.8 billion in annual revenue**
- **1.25 billion square feet under management**
- **12,300 employees**
- **\$68 billion total transaction value**

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