

# QATAR HOTEL MARKET OVERVIEW

## MARKET SNAPSHOT

YTD Q3 2013	Growth Rate YTD Q3 2012 - YTD Q3 2013
<b>Qatar Hotel Occupancy</b> (Occupancy %)	<b>64.0%</b> ↑ 10.3%
<b>Qatar Hotel ADR</b> (QAR)	<b>843</b> ↓ 0.8%
<b>4-Star Hotel Revenue</b> (QAR Million)	<b>556</b> ↑ 10.0%
<b>5-Star Hotel Revenue</b> (QAR Million)	<b>2046</b> ↑ 22.3%

Source: Qatar Tourism Authority (QTA), 2013

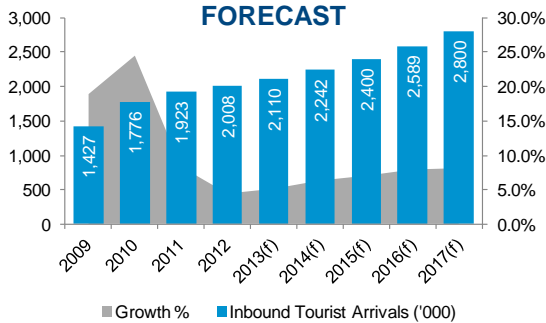
## EXECUTIVE SUMMARY

- Corporate tourism is the primary driver for hotel demand in Doha accounting for 65% of total demand, while MICE is 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.
- With a network of more than 120 destinations worldwide, Qatar Airways is a major regional player. The continued success of the airline has positioned Qatar as a global hub for passengers passing through the Middle East,
- Occupancy levels in the 5-star segment decreased by 6.8% in 2012 from the previous year, while 3 and 4-star hotels witnessed steady occupancy growth of 1.4% and 6.3% respectively during the same period, surpassing Qatar's market wide occupancy.
- 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 as the incoming supply is putting downward pressure on marketwide 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

## TOURISM ECONOMICS

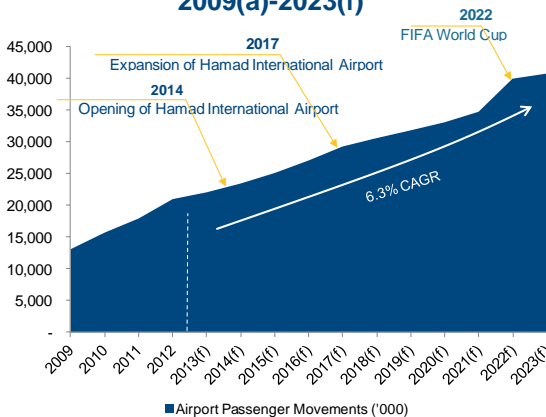
- The Qatar National Vision 2030 aims to increase the tourism contribution to 8% of GDP by 2030 from 1.7% in 2012.
- During the financial crisis, Qatar's inbound tourism stayed strong, growing by 15% in 2008, 19% in 2009 and 25% in 2010. Qatar attracted over 2 million international tourists in 2012, a growth of 4.4% from 2011. Euromonitor International forecasts an average increase of 6.9% per year until 2017.
- In order to position 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.

## QATAR INBOUND TOURISM GROWTH FORECAST



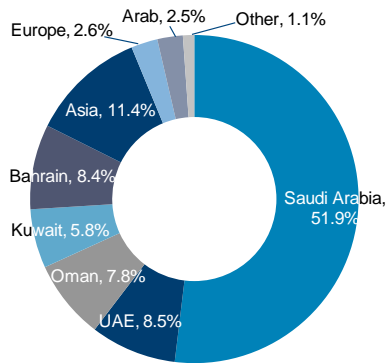
Source: Euromonitor International, 2013

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



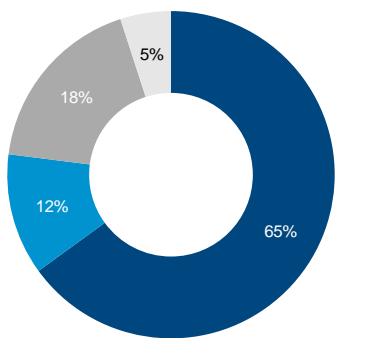
Source: Doha International Airport, 2013

### INBOUND SOURCE MARKETS, H1 2013



Source: Qatar Tourism Authority (QTA), 2013

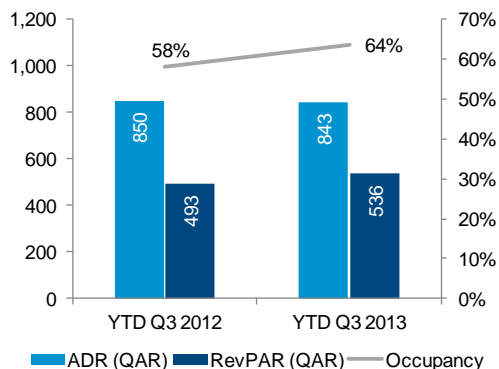
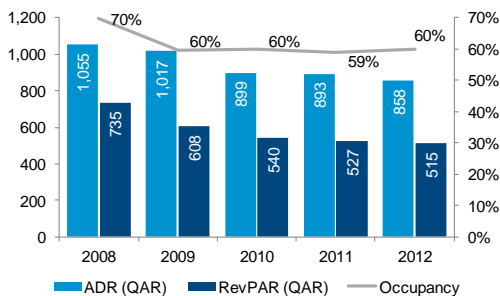
### DOHA MARKET SEGMENTATION



Legend: Corporate, Leisure, Groups/MICE, Government

Source: Colliers International, 2013

### DOHA HOTEL PERFORMANCE, 2008 – H1 2013



Source: Colliers International, 2013, QTA, 2013

### SOURCE MARKETS

- Qatar experienced visitor growth of 14.2% from YTD Q3 2012 to YTD Q3 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 YTD Q3 2013 indicating Qatar's heavy reliance on this region, particularly from Saudi Arabia.

### HOSPITALITY MARKET

- 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.
- Traditionally, 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 with developments such as Souq Waqif, Souq Musheireb and Lusail City.
- Domestic tourism is very limited for the country as the majority of the population lives and works in the capital, Doha. Efforts by the government such as the Doha Trade Fair are aimed at boosting this segment, however its implications so far have been restricted to domestic tourism spending rather than increased domestic guest nights.

### HOTEL PERFORMANCE INDICATORS

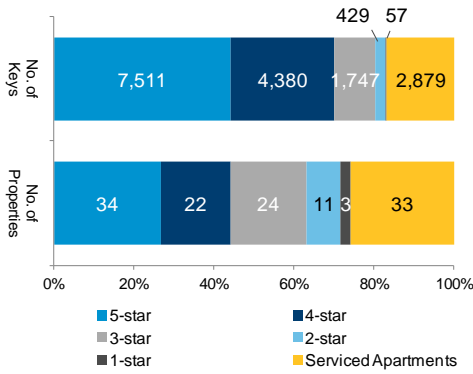
- Hotels in Doha achieved an average occupancy of 64% by Q3 2013, a growth of 10.3% from the same period in 2012. Occupancy rates were higher in Q1 2013 in comparison to Q2 and Q3 as a result of the cooler weather conditions.
- The Average Daily Rates (ADR) of Doha hotels have seen a decline since 2008 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%.
- 3-star and 4-star hotels have seen marginal occupancy growth in the past years, unlike 5-star hotels, indicating a positive trend within this category

### HOTELS SUPPLY

#### EXISTING SUPPLY

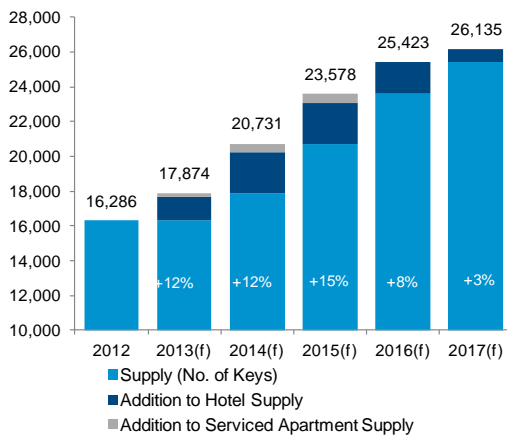
- Of the 127 hotel establishments in Doha, most of the branded luxury/upscale supply is located in West Bay, which is also known as the new Central Business District (CBD).
- Doha's luxury/upscale hotel segment has grown at a rate of 19% (year-on-year) between 2010 and November 2013 and accounts for 71% of the total supply.
- Continued competition within the luxury/upscale segment is likely to lead to further rate compression within this segment and reduced profit margins.
- 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 2012.

**EXISTING HOTEL SUPPLY, YTD Q3 2013**



Source: Colliers International, 2013, QTA, 2013

**FORTHCOMING HOTEL SUPPLY, 2013-2017**



Source: Colliers International, 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.
- There is a prospective 'supply gap' of mid-scale/economy hotels and branded serviced apartments in Doha.

**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 KPI's both before and after the 2022 event.
- According to the Qatar Tourism Authority, there are 124 planned hotel establishments in Doha as of Q3 2013, 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.

**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 Q3 2013, there is just one midscale hotel in the pipeline for Doha in 2014, 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.

## 482 offices in 62 countries on 6 continents

- \$2 billion in annual revenue
- 1.12 billion square feet under management
- 13,505 employees
- \$71.2 billion total transaction value

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- Development Consultancy & Highest and Best Use Analysis
- Operator Search, Selection and Contract Negotiation
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- Hotel Operator Search, Selection and Contract Negotiation in excess of 7,200 keys with client savings averaging AED10.4 million.
- In excess of 17,258 keys proposed within Highest and Best Use, Market and Financial Feasibility Studies for Hotels, Resorts and Serviced Apartments.
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