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IN FOCUS:
WELCOME TO PARADISE!

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Seychelles, Maldives & Mauritius



INTRODUCTION

The tropical paradise islands of the Seychelles, the Maldives & Mauritius have long been regarded as three of the most luxury resort destinations in the world. This article investigates the primary tourism drivers of each of these Indian Ocean island idylls, their hotel performance, tourism development plans and the outlook for their tourism industries.

THE SEYCHELLES

The Seychelles is an archipelago of 115 islands that lie in a cyclone-free belt within the Indian Ocean, off the east coast of Africa. The country measures a total of 455 km² and possesses 491 km of coast line. The Seychelles has an ideal location in the Indian Ocean, at a midway point between the largest trading blocks of Asia and Europe, and is therefore conveniently located to benefit from direct access to major cities in both continents.

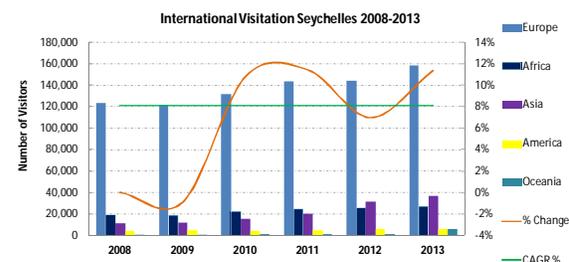
TRAVEL AND TOURISM TO THE SEYCHELLES

The Seychelles is famous for its coral beaches, water sport activities, UNESCO heritage sites, abundant wildlife and nature reserves and its year-long tropical climate. The government of the Seychelles strictly controls tourism development in the country to protect and conserve the fragile ecosystem of the islands, and to also enable the long-term sustainability of the sector, which depends heavily on the country's ecological offerings. In order to boost tourism arrivals, the Seychelles is adjusting its tourism strategy to tap into new, emerging markets that have potential for growth. Asian markets such as India and China are a key target market for the Seychelles' tourism industry and one of the primary growth pillars within their tourism policy. The countries of the Middle East are also a key focus of the tourism strategy. This approach is clearly a diversion away from the focus of previous marketing efforts that were aimed at its primary and traditional tourist markets in the Euro-zone.

In 2013, Air Seychelles introduced three weekly flights to Hong Kong to position China as a significant secondary tourism market for the Seychelles. The efforts of the government were

supported by two major hotel groups in the Seychelles that agreed to allocate 100 hotel rooms for large tour groups from China. Furthermore, the acquisition of a 40% stake in Air Seychelles by Etihad Airlines allowed them to launch services to Beijing in early 2013, offering connections to Johannesburg via the Seychelles. This strategic move creates further awareness for the Seychelles as a luxury destination for the Chinese market. In addition, the Seychelles Tourism Board (STB) opened new tourist offices in China and Abu Dhabi in 2011 to generate awareness for the Seychelles and to promote it as a tourism destination in these markets. The STB also increased the awareness of the Seychelles islands' through its recent participation in important promotional events, such as the ITE Tourism Fair in Hong Kong and the Beijing International Tourism Expo 2013.

INTERNATIONAL TOURIST ARRIVALS & KEY SOURCE MARKETS



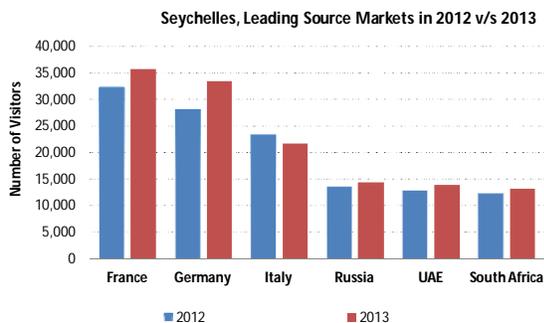
Source: National Bureau of Statistics, Republic Of Seychelles, 2013

In 2013, 230,272 visitors arrived to the Seychelles, representing an increase of 11% over 2012. This increase was driven by a 10% increase in visitation from Europe (primarily due to increases in visitor arrivals from France (11%), Germany (19%), Russia (6%)), a 17% increase in visitation from Asia, a 6% increase in visitation from Africa and a 10% increase in visitation from America. Visitors from the Oceania region increased by almost 400% although this was from a very low base. Arrivals to the Seychelles experienced a compounded annual growth rate of 8% between 2008 and 2013. Strong growth of 11% per annum between 2010 and 2011 in total passenger movements was generated through a significant increase in inbound arrivals from Europe. Growth continued in 2012 albeit at a slower pace of 7%.

A key driver of this increase in visitation was due to additional airlift from Paris, Rome, Milan, Abu Dhabi and Russia. Existing airlines such as Emirates Airlines and Qatar Airways have both increased their services to Seychelles. These new flights were added after national carrier Air Seychelles announced its intention to end intercontinental services to Paris, London, Rome, Milan and Singapore due to financial problems.

Arrival growth to the Seychelles accelerated in 2012 mainly because of the economic revivification of the key feeder markets from Europe and the increase in Middle East arrivals. In 2012, travel from France decreased owing to Air Seychelles aborting direct flights from Paris due to financial issues. However, this decrease in travel was compensated by Middle Eastern travel as a result of Air Seychelles' code share with Etihad Airways.

Despite the ongoing economic concerns in the Euro-zone, Europe still accounts for a majority share of the Seychelles' tourism market (69% in 2013). The key feeder markets within Europe are represented by France, Germany and Italy, which account for more than half of the visitation from Europe.

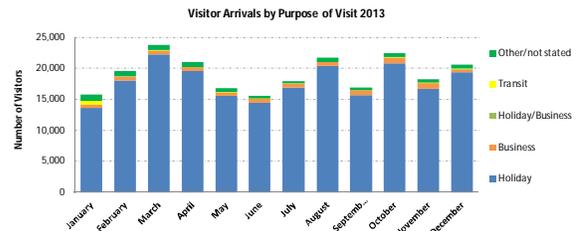


Source: National Bureau of Statistics, Republic of Seychelles, 2013

MARKET SEGMENTATION

The Seychelles hotel market is primarily characterized by the leisure segment; hence the average length of stay in 2013 was 10.2 nights. We expect that the average length of stay will remain at between nine to eleven days in the near future as leisure travelers from long-haul destinations tend to stay for a longer duration in order to maximize their vacation dollar. Moreover, the Seychelles is a luxury holiday destination that is ideal for honeymooners and families.

As indicated in the table below, the Seychelles is primarily a leisure holiday destination. In 2013, 93% of visitors arrived to the Seychelles for holiday purposes, whilst 4% of visitors came for business or combined business with a holiday. The following chart sets out Seychelles' visitor arrivals by purpose of visit in 2013.

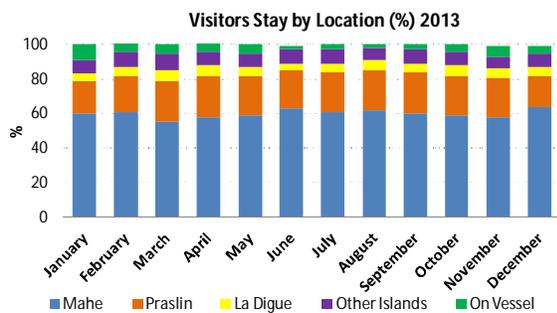


Source: National Bureau of Statistics, Republic of Seychelles, 2013

The Seychelles market is primarily leisure-oriented. According to the WTTC, leisure travel spending (inbound and domestic) generated 92.7% of direct Travel & Tourism contribution to GDP in 2012 (SCR4952.4m), in comparison to 7.3% for business travel spending (SCR391.8m). Leisure travel spend is expected to have increased by 0.7% in 2013 to SCR4985.3m, and to grow by 2.7% per annum to SCR6494.9m in 2023. Business travel spending was expected to increase by 3.9% in 2013 to SCR406.9m, and to grow by 3.3% pa to SCR564.8mn in 2023. The growing demand for MICE (meetings, incentives, conventions and exhibitions) is a potential growth market, and has seen growing interest in the Seychelles.

VISITATION BY ISLAND

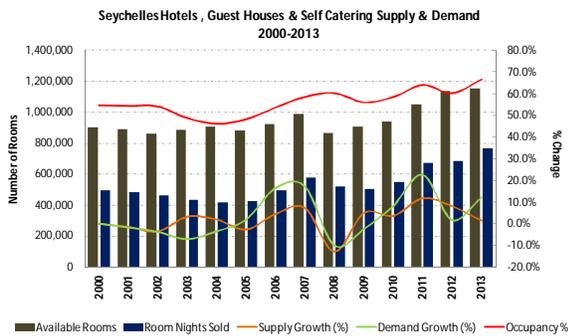
Over half of the visitors to the Seychelles are accommodated within its most populated island, Mahé. With recent infrastructural developments in Praslin, La Digue and several other small islands attracting more tourists to their shores, Mahé's share of tourism has gradually declined. As displayed in the table below, the majority of visitors choose to stay in Mahe, followed by Praslin and La Digue.



Source: National Bureau of Statistics, Republic of Seychelles, 2013

MARKET PERFORMANCE

The chart below illustrates the performance of the hotel market in the Seychelles between 2000 and 2013.



Source: National Bureau of Statistics, Republic of Seychelles
*Note: 2013 data reflect estimates based on YTD September 2013 statistics

According to the official statistics compiled by the National Bureau of Statistics, there were 6,550 beds available in the Seychelles in 2012, representing an increase of 8% compared to 2011. Licensed accommodation establishments sold 1,375,300 bed nights and 684,100 room nights in 2012, which is an increase of 3% in bed nights and 2% in room nights sold in comparison to 2011. This also indicates a double occupancy factor of 2.01 once again highlighting the profile of the Seychelles as a couple's destination.

EXISTING AND PROPOSED SUPPLY

There are approximately 90 existing hotels in the Seychelles. Five-star branded hotel supply is listed in the following table.

Five-Star Hotel Supply	No. of Rooms
Hilton Seychelles Labriz Resort & Spa	111
Constance Ephélie	309
Kempinski Seychelles Resort	150
Savoy Resort & Spa	163
Le Meridien Fisherman's Cove	68
Hilton Seychelles Northolme Resort & Spa	40
Dhevatara Beach Hotel	10
Banyan Tree Seychelles	60
Beachcomber Sainte Anne Island	87
Enchanted Island Resort	10
Raffles Praslin Seychelles	86
Maia Luxury Resort & Spa	29
Constance Lémuria	105
Desroches Island Seychelles	41
Four Seasons	67
Eden Island	N/A
Total	1,269

Source: HVS Research

Proposed Property	Proposed Rooms	Expected Opening Year
Proposed Five - Star Beach Resort	125	2014
Shangri-La Seychelles	55	2014

Source: HVS Research

International hotel operators, such as Hilton, Four Seasons, Constance, Fairmont, Kempinski, Banyan Tree, Starwood are currently present in the market. According to the Seychelles Investment Board, and in addition to the above projects, there are 31 new establishments scheduled to enter the market in the near future including Emirates Holidays, Jebel Ali Hotels and Resorts and Oberoi Hotels and Resorts.

TOURISM INITIATIVES

The extensive and ongoing reforms by the Seychelles government are expected to facilitate continued improvements to the macroeconomic health of the Seychelles. The development of internationally operated luxury resorts, improvement in transportation infrastructure and potential tourism demand from emerging feeder markets are all positive attributes that should support the Seychelles to further develop and mature as a resort destination. The Seychelles is envisaged to continue to provide significant opportunities for additional hotel development over the next ten to 20 years.

The tourism sector will remain the mainstay of the Seychelles economy for the foreseeable future. The government of the Seychelles, in cooperation

with the STB has and will continue to make efforts to promote tourism on a larger scale. The STB has had a great deal of success in terms of investor response for hotel projects. There is also an opportunity for the country to move into alternative high-value tourism niches, particularly in relation to conference and incentive tourism, which would be of great importance to the country.

The strategic focus of the country is also aimed at ecotourism, offering an opportunity to combine tourism development with the local community and the country's natural environment while maintaining local culture and traditions. As part of the tourism development strategy, the Seychelles is focusing on broadening the selection and number of hotels, including eco-tourism villas, niche hotels and luxury properties and outstanding island resorts.

With regards to the archipelago of 115 islands, an emphasis is being placed on the development of the yacht industry in the Seychelles, which has significant potential for growth.

To help to promote and develop tourism to the country, various STB representative offices have been established in the UK, France, Italy, as well as in the Middle East and Asia.

Furthermore, to promote tourism to the Seychelles, a new campaign was launched by the tourism board to reinforce the Seychelles' status as a tourism destination to potential emerging markets in January 2012. The campaign was entitled "The Seychelles Experience...more accessible than ever before."

CAPITAL INVESTMENT INTO TRAVEL & TOURISM

According to the WTTC, capital investment in Travel & Tourism reached SCR1,671.3mn in 2012. This is projected to fall by 1.2% in 2013, and grow by 3.0% per annum to SCR2,219.2m between 2013 and 2023. Travel & Tourism's share of total national investment is projected to fall from 25.6% in 2013 to 24.4% in 2023 as the government attempts to diversify its economy into different industrial sectors.

OUTLOOK

Given the small size of the economy and its dependence on two main industries (tourism and fishery), the Seychelles remains vulnerable to external shocks. The tourism sector in particular has been adversely affected by the economic situation in the Euro-zone.

The fishing industry has been affected by Somali-based piracy attacks since 2009. However, the number of attacks has declined recently due to the protection of foreign marine forces and the presence of armed guards on tuna-fishing vessels.

The tsunami in 2004 also raised growing concerns and served as a reminder of the country's long-term economic stability and reliance on the tourism industry, as this event significantly impacted the tourism and fishery industries.

Looking ahead, the key objectives are to consolidate macroeconomic stability by maintaining a tight fiscal policy and progressively implementing supported structural reforms in order to alleviate constraints to growth.

In addition to the main feeder markets, inbound tourism from African and Asian markets have rapidly grown and have emerged as important feeder markets with strong growth potential. Inbound tourism volume substantially increased during 2013 when compared to 2012. This was due to strong visitation from Europe as well as the surge in arrivals from Asia and Africa. Arrivals from Europe are expected to grow moderately over the next three years, while newer markets such as those from the Middle East and Asia are expected to show significant growth.

THE MALDIVES

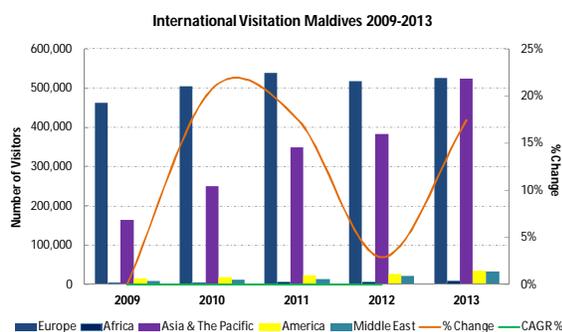
The Maldives is an archipelago of 1,190 coral islands located in the Indian Ocean in Southern Asia. The country measures a total of 298 km² and possesses 644 km of coast line. The islands that make up the archipelago are formed into 26 atolls (80 islands with tourist resorts and 200 inhabited islands). The archipelago has a strategic location in the Indian Ocean, as it is conveniently located across major sea lanes.

TRAVEL AND TOURISM TO THE MALDIVES

The Maldives is famous for its natural beauty, specifically its crystal clear waters and white sand beaches. The ideal climate provides an opportunity for water sports such as fishing, water-skiing and kite boarding. Due to its astonishing underwater scenery, diversity of marine wildlife and clear waters, the Maldives is ranked as one of the best diving destinations in the world.

To boost tourism arrivals into the Maldives, the Ministry of Tourism Art and Culture (MTAC) is adopting its tourism strategy to tap into new, emerging markets that have potential for growth such as China, Japan, India and the Republic of Korea and ultimately diversifying its marketing efforts away from its primary and traditional tourist markets in the Euro-zone. The impact of this strategy is apparent in the following chart which clearly illustrates significant visitor growth over the last five years from Asian Pacific (APAC) markets and stagnation in the number of visitor arrivals from Euro zone markets.

INTERNATIONAL TOURIST ARRIVALS & KEY SOURCE MARKETS



Source: Ministry of Tourism, Arts and Culture, Republic of Maldives, 2013

The exceptionally strong positive growth in tourists arrivals during 2010 (20.7%) and 2011 (17.6%) encouraged the Maldives Ministry of Tourism to set a target to achieve one million tourists during the year 2012. However, due to a sudden change in government on February 7 2012, followed by a brief period of political unrest

in the country, the Maldives fell just short of this target.

During 2012, tourist arrival growth rates were slow and lower than the five-year (2009-2013) compounded annual growth rate of 14%, with declines in tourist arrivals being recorded during many of the peak months. However, tourist arrivals recovered significantly during 2013 recording a 17% increase on 2012. The majority of this increase was driven by a 36% increase in visitor numbers from APAC countries.

In 2012 increased airline movement was monitored in Bangkok Airways, Singapore Airlines and Mega Maldives. In the same year, Etihad Airways and China Southern Airlines operated as charter flights, though both have now been changed to scheduled flights. Furthermore, new charters were added, such as Hong Kong Airways, Korean Air and Sichuan Airlines.

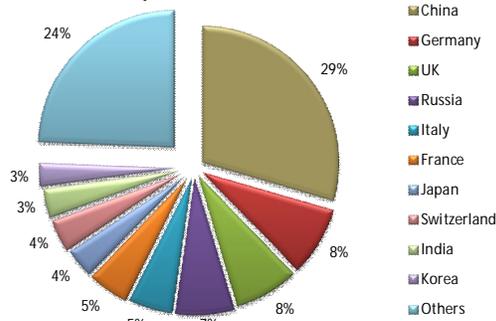
This increase has resulted in visitors from APAC countries representing the same percentage of visitors from Europe (47%) in 2013.

During the last five years, visitors from APAC countries have been increasing at an annual rate of 34%. It is therefore not unreasonable to expect that this trend will continue and will ultimately result in APAC countries becoming the largest source of visitation to the Maldives in the near future displacing European countries from the position they have maintained since the Maldives started to develop its tourism industry.

Notably, visitation from the Middle East almost doubled during 2013, although we note that this was from a relatively low base.

China reinforced its position as the number one feeder market to the Maldives, increasing its share of visitors to 29% in 2013. Increased flight frequency and airlift from China has also supported access to the Maldives.

Maldives Top 10 Source Markets - 2013



Source: Department of Immigration & Emigration, Maldives 2013

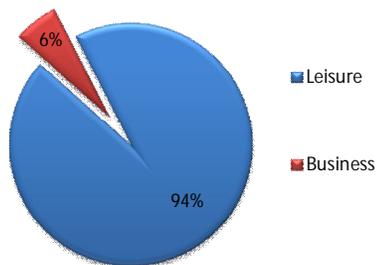
In addition to the aforementioned APAC countries and China in particular, Germany, the United Kingdom, Russia, Italy, France and Switzerland represent the key European feeder markets to the Maldives.

It is interesting to note that in 2013, Germany surpassed the UK as a feeder market and secured its position as the second largest feeder market to the Maldives.

MARKET SEGMENTATION

As indicated in the following chart, the Maldives hotel market is predominantly leisure oriented. This is also reflected in the average length of stay of visitors to the Maldives, which is approximately 6.3 nights. The majority of occupied room nights in the market are generated by the wholesale segment which accounts for approximately three quarters of total occupied room nights, followed by the FIT (Free Independent Traveler) segment which approximately accounts for the remaining quarter.

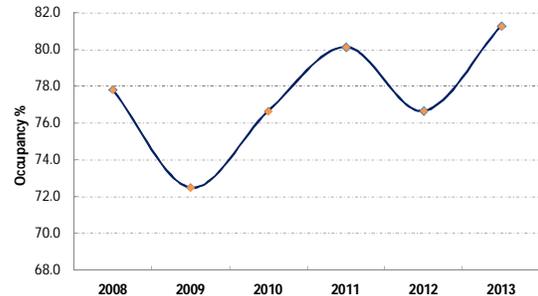
Maldives Purpose of Visit - 2012



Source: WTTC

MARKET PERFORMANCE

Maldives, Average Bed Occupancy Rates (%) of Resorts, 2008 - 2013



Source: Maldives Ministry of Tourism, Arts and Culture, 2013

According to the Maldives Ministry of Tourism Art and Culture, there were 22,452 resorts beds available in the Maldives in 2013, representing an increase of 3% compared to 2012. Licensed accommodation establishments sold 6,656,822 bed nights in 2013, an increase of 8.4% in comparison to 2012. Bed occupancy rates reached an average of 81.3% in 2013, an increase of 6% on 2012.

EXISTING AND PROPOSED SUPPLY

There are approximately 90 existing hotels in the Maldives. Branded five-star hotel supply is listed in the following table.

Five-Star Hotel Supply	No. of Rooms
Anantara Dhigu	110
Anantara Kihavah Villas	78
Anantara Veli Resort & Spa	67
Angsana Ihuru	45
Angsana Velavaru	113
Banyan Tree Vabbinfaru	48
Centara Grand Island Resort & Spa Maldives	112
Cheval Blanc Randheli by LVMH	45
Cocoa Island by COMO	33
Conrad Rangali	150
Constance Halaveli	85
Costance Moofushi	110
Dusit Thani Maldives	100
Four Seasons Kuda Huraa	96
Four Seasons Landaa Giraavaru	102
Gili Lankanfushi (Former Soneva Gili by Six Senses)	45
Huvafen Fushi	44
Jumeirah Devanafushi	35
Jumeirah Vittaveli	89
Kanuhura	100
Niyama by Per Aquum	22
One & Only Reethi Rah	130
Park Hyatt Maldives Hadahaa	50
Shangri-La Villingili	132
Sheraton Maldives Full Moon & Spa	172
Six Senses Laamu	97
Soneva Fushi	65
Taj Exotica	64
Viceroy Maldives	29
Vivanta By Taj	62
W Retreat & Spa	78
Total	2,508

Proposed Property	No. of	
	Rooms/Beds*	Opening Year
Raffles Resort Konottaa	49	2014
Regent Maldives	50	2014
Banyan Tree Kaashidhoo	48	2014
Proposed Resort Gaakoshibee	130	2014
Naagoashi MTDC Islands/Resorts*	600	2014
Proposed Resort Maavelaavaru Island*	100	2014
Proposed Resort Dholhiyadhoo Island*	200	2014
Proposed Resort Maamigili Island*	200	2014
Proposed Resort Randheli Island*	100	2014
Proposed Resort Mahadhoo Island	87	2015
Proposed Resort Berinmadhoo Island*	N/A	2015
Proposed Resort Vohmulu Island*	172	2015
Proposed Resort Vadinolhu Island*	300	2015
Proposed Resort Kanifushi Island*	300	2015
Proposed City Hotel Hankede Island*	100	2016
Proposed Resort Furaveri Island*	440	2016
Total	2,876	

*Proposed Beds

Source: Maldives Ministry of Tourism, Arts and Culture, 2013, HVS Research

TOURISM INITIATIVES

In February 2013, the MTAC launched the Tourism Adaptation project (TAP), which aims to provide support to the required amendments of existing laws and regulations in the tourism

sector. The projects duration is 36 months. During this period the primary focus is to incentivize private sector investments into climate change adaptation projects in the Maldives tourism sector, support tourism businesses to identify climate risk issues in the tourism sector and to implement the appropriate procedures to manage them.

Additionally, the Government of Maldives (GOM) in cooperation with MTAC is encouraging international and domestic investors to express their interest in terms of financing, operating and maintaining the Equatorial Convention Center and Tourism Development mixed-use project.

CAPITAL INVESTMENT INTO TRAVEL & TOURISM

According to the WTTC, capital investment into Travel & Tourism reached MVR2,683.9m in 2012. This grew by 1.9% in 2013, and is expected to rise by 4.1% pa to MVR4,084.2m between 2013 and 2023. Travel & Tourism's share of total national investment is projected to rise from 29.8% in 2013 to 31.5% in 2023 illustrating the significance of the tourism sector to the national economy and the commitment to further develop the industry.

OUTLOOK

The Maldives reached its goal of one million visitors for the first time when 1,125,202 tourists visited the country during 2013, representing an increase of 17.4% against 2012 visitation. With the increasing influence of visitors from APAC and the Middle East, this trend is expected to continue.

In response to this, hotel development activity has picked up and several new resorts are expected to open within the next few years.

Due to its fragile ecosystem and the importance of the environment towards the tourism industry in the Maldives, the government has initiated several initiatives to ensure that the tourism product remains environmentally sustainable in order not to negatively impact the primary reason for visitation to the paradise islands.

MAURITIUS

Mauritius is an island situated in the Indian Ocean, approximately 2,000 kilometres east of South East Africa. The island covers 1,860 km² and possesses 177 km of coast line with white sandy beaches and crystal lagoons, which are protected from the open sea by the world's third largest coral reef, which surrounds the entire island. The reader may also wish to view the recently issued HVS report on Mauritius entitled *In focus: Mauritius - The Past, Present and Future* in combination with this report.

TRAVEL AND TOURISM TO MAURITIUS

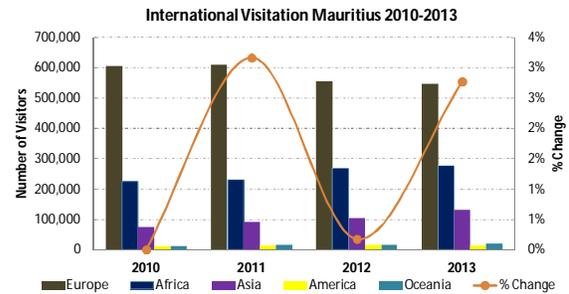
Mauritius is primarily a leisure holiday destination with a sub-tropical climate, famous white sandy beaches, tropical fauna and flora and numerous natural and man-made attractions.

These natural assets are supported by international branded hotels, reliable operational services and excellent infrastructure.

To boost tourism arrivals into the island, the Ministry of Tourism and Leisure is adopting a tourism strategy that targets new, emerging markets that have strong growth potential, such as China and India. It is therefore diversifying its marketing efforts away from its primary and traditional tourist markets in the Euro-zone.

INTERNATIONAL TOURIST ARRIVALS & KEY SOURCE MARKETS

The Mauritian tourism sector (a major pillar of the economy), continues to grow despite the decline in visitors arriving from historically key Euro-zone markets. However, the slow growth and significant recent economic contraction in the Euro-zone has restricted growth potential for the Mauritian tourism sector. Nevertheless, the Mauritian Government has been successful in replacing this demand from other sources, in particular from Africa, China and India.

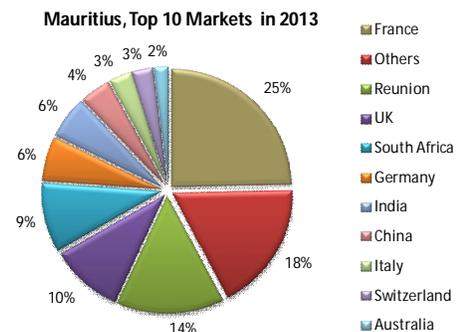


Source: Ministry of Tourism and Leisure Mauritius, 2013

In 2013, a total of just under one million tourists visited Mauritius, representing an increase of 2.8% over 2012. Europe's share of total visitors to Mauritius has decreased from 65% in 2010 to 55% in 2013, and has lost significant share to visitors from Africa and Asia who have increased their share of total visitation from 24% to 28% and from 8% to 13% respectively.

Of important note is that arrivals from China have doubled to 41,913 in 2013. One probable reason for this is that in 2012, a national carrier, Air Mauritius, launched direct flights to Beijing and Shanghai.

Despite the rapid growth from Asian markets, it remains unclear whether the total revenues generated from Asian markets will be of the same value as those from Euro-zone markets. Europeans visiting Mauritius are high-end spenders, particularly on honeymoons or luxury breaks. They tend to spend up to two weeks in Mauritius and on average spend more money than their Asian counterparts. In contrary, Asian visitors prefer shorter breaks. According to Business Monitor, despite the growth in visitor numbers from Asian markets, it is estimated that revenues had fallen in 2013.



Source: Ministry of Tourism and Leisure Mauritius, 2013

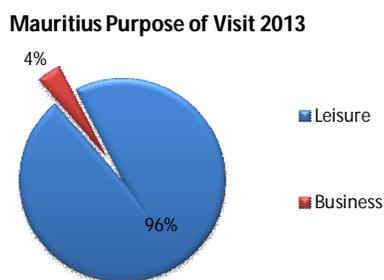
As indicated previously, visitors from Europe represent the highest percentage of visitors to Mauritius. In 2013, a decrease in tourist arrivals was registered from France (-6%), Reunion (-1%) and Italy (-28%). However, despite the decrease, France and Reunion (a French territory) remain the top two visitor feeder markets to Mauritius. Other key European feeder markets include Germany, Switzerland and Italy.

In 2013, an increase in tourist arrivals has been monitored from South Africa (9%), India (6%) and Australia (2%).

MARKET SEGMENTATION

The Mauritian hotel market is largely characterized by the leisure segment which accounts for almost 90% of visitors. The MICE and corporate sectors account for approximately 15% of occupied room nights. Consequently this results in an average visitor length of stay of approximately 10.8 nights (2013).

As displayed in the table below, Mauritius is primarily a leisure tourism destination. In 2013, 96% of visitors arrived to the island for holiday purposes, whilst 4% visitors arrived for business purposes or a combination of both.



Source: Ministry of Tourism and Leisure Mauritius, 2013

In 2012, leisure travel spending (inbound and domestic) contributed towards 60.4%, (MUR43.8bn) of direct Travel & Tourism GDP. Business travel spending generated 39.6%, (MUR28.8bn) of direct Travel & Tourism GDP.

Leisure travel spending was projected to increase by 6.2% to MUR46.6bn in 2013 and grow by 4.7% per annum to MUR73.6bn by 2023. Growth in business travel spending of 0.8% is expected in 2013 to MUR29.0bn, and is expected to rise

further by 5.2% per annum to MUR48.0bn in 2023.

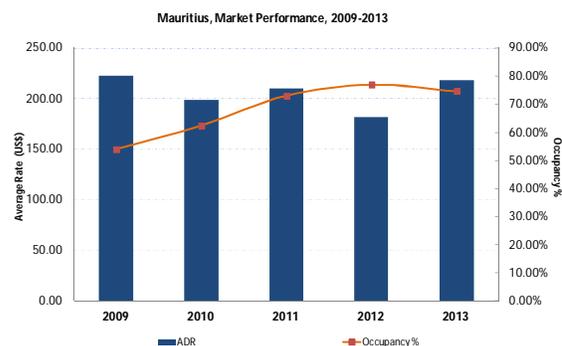
MARKET PERFORMANCE

According to the Mauritian Ministry of Tourism and Leisure, the number of occupied nights increased by 2.9% in 2013.

As per the Mauritian Ministry of Tourism and Leisure, there were 114 licensed hotels of which 107 were operating at the end of December 2013.

The remainder were not operating due to ongoing renovations. The total room capacity of those 107 hotels was 12,376 rooms with 25,105 beds. The room occupancy rate of all licensed hotels averaged 63%, in comparison to 62% in 2012. Bed occupancy rates reached 55% in 2012 and 2013.

The chart below illustrates the performance of a selection of internationally branded upscale and luxury hotels in Mauritius.



Source: HVS Research / Ministry of Tourism and Leisure Mauritius, 2013

Large hotels (defined by the Ministry of Tourism and Leisure Mauritius as well established beach hotels with more than 80 rooms) achieved room occupancy levels of 65% and bed occupancy levels of 57% during 2013.

Upscale branded hotels in Mauritius achieved occupancy levels of approximately 76% in 2013, representing a similar performance (if not slightly lower) to 2012.

EXISTING AND PROPOSED SUPPLY

At the end of December 2013 there were 50 large hotels in operation on the island. Their total room capacity was 9,239 rooms with 18,799 beds, which represents 47% of all licensed hotels in operation and which make up 75% of total room capacity and total beds in Mauritius.

There are over 190 existing properties in Mauritius. Branded five-star supply in Mauritius is shown in the table below.

Branded Five-Star Hotel Supply	No. of Rooms
Angsana Balaclava	52
Beachcomber Dinarobin Hotel Golf & Spa	172
Beachcomber Paradis Hotel & Golf Club	286
Centara Grand Azuri Resort & Spa	100
Centara Poste Lafayette Resort & Spa	100
Constance Belle Mare	147
Constance Le Prince Maurice	89
Four Seasons Resort Mauritius at Anahita	91
Hilton Mauritius Resort & Spa	193
InterContinental Mauritius Resort	256
La Gaulette le Morne, The Westin Mauritius Turtle Bay Resort & Spa	190
Le Méridien Ile Maurice	265
Maritim Hotel Mauritius	215
One&Only Le Saint Géran	175
Outrigger Mauritius Resort & Spa	181
Sofitel Bel Ombre	92
Sofitel Flic En Flac Imperial	191
The Oberoi, Mauritius	71
The St Regis Mauritius Resort	172
Lux Belle Mare	157
Lux Grand Gaube	197
Lux Le Morne	149
The Westin Mauritius Turtle Bay Resort & Spa	190
Total	3,731

Proposed Five-Star Hotels	No. of Rooms	Opening Year
Proposed Boutique Hotel	80	2014
The Ritz-Carlton Mauritius	126	2015
Total	126	

Source: HVS Research

TOURISM INITIATIVES

According to the Tourism Promotion Authority, Costa Crociere (a British-American owned Italian cruise line company) will re-launch its operations in Mauritius and the Indian Ocean in January 2015 with the aim of increasing tourism arrivals from Euro-zone markets, particularly from France, Italy, Germany and Scandinavia. Mauritius, as one of the route's most important destinations, will have a crucial role in the Costa Crociere development strategy for 2015 and 2016. The new project is expected to add significant value to tourism in the Indian Ocean and the cruise industry should help to boost the Mauritian

economy. In 2010 and 2012 it was projected that Costa Crociere operations injected more than MUR 500 million into Mauritian economy.

Mauritius is becoming an increasingly popular island destination in China where it recently received three awards. The island was ranked 9th in the "Top 10 Best Overseas City" and took 2nd place in the "Top 10 Island Destinations" in 2013. Furthermore, the island has been voted as 'The Best Emerging Island Destination' by the Chinese magazine "Voyage". The awards strengthen the position of Mauritius as a tourism destination for the Chinese market and underline the successful process of diversification from its traditional key feeder markets. The awards were the result of a yearlong promotional campaign of Mauritius in China and the successful alignment of the Mauritian tourism product to the needs of Chinese tourists.

Furthermore, the Mauritius Ministry of Tourism, in cooperation with the Mauritius Tourism Promotion Authority (MTPA), Emirates Airlines and the private sector, launched a successful promotional campaign to increase the islands' visibility in Middle Eastern markets. After a series of workshops held in February 2014 in Riyadh, Jeddah, Dubai, Abu Dhabi and Doha, the Mauritian delegation has launched a new workshop in Kuwait, and Turkey has also been identified as a key strategic focus market. Numerous topics have been raised, such as promotional strategies to raise the number of tourists from the Middle East, the price of flight tickets from the Middle East to Mauritius, as well as promoting the new terminal at the Mauritian airport, which can accommodate large aircraft such as the A380.

Emirates Airlines have also been instrumental in assisting the MTPA to pursue their recently announced strategy of developing the Island's MICE business. In support of this initiative, Emirates Airlines have proposed a special tariff for MICE visitors to Mauritius, and the Mauritian government have committed 100,000 Mauritian rupees to be spent in Mauritius for every 100 visitors.

CAPITAL INVESTMENT INTO TRAVEL & TOURISM

According to the WTTC, capital investment into Travel & Tourism reached MUR4.6bn in 2012.

This grew by 3.4% in 2013, and is expected to rise by 4.8% per annum to MUR7.6bn between 2013 and 2023. Travel & Tourism's share of total national investment is projected to rise from 5.5% in 2013 to 6.2% in 2023 illustrating the significance of the tourism sector to the national economy and the commitment to further develop the industry.

OUTLOOK

The latest forecast from the Mauritian Ministry of Tourism and Leisure aims at attracting 1,030,000 visitors in 2014, which represents an increase in visitor arrivals of 3.8% over 2013. We consider that this forecast is not unreasonable given the significant marketing efforts within the Middle East and the Far East. Furthermore Business Monitor expects growth in the Mauritian economy of 4.2% in 2014 and 4.3% in 2015.

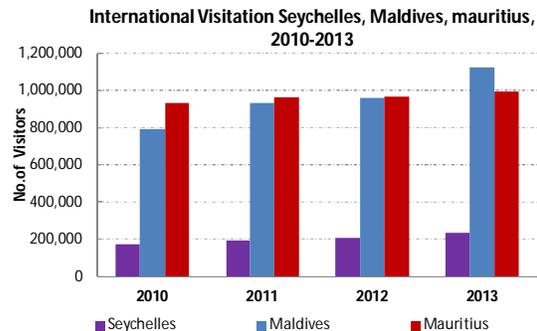
This expected increase in visitation to Mauritius coupled with the relatively low additional supply expected to enter the market over the near term prompts us to expect improved bed and room occupancy levels over the short to mid-term.

The concern remains however, as to whether or not the strategic decision to attract visitation from Asian markets adequately offsets the level of revenues generated from more traditional and higher spending European feeder markets.

CONSOLIDATED SUMMARY

This article has illustrated the features governing the performance of three of the world's most idyllic 'paradise' destinations. Despite their areas of similarity and comparable ecological attributes, there exist some differences in their underlying tourism fundamentals.

INTERNATIONAL VISITATION TO THE SEYCHELLES, MALDIVES, MAURITIUS



Source: Ministry of Tourism and Leisure Mauritius, Seychelles National Bureau of Statistics, Ministry of Tourism, Arts and Culture, Republic of Maldives, 2013

Mauritius has historically led the pack in terms of visitor arrivals. However, in 2013 the Maldives surpassed visitor levels from Mauritius due to a 36% increase from APAC countries. Despite a strong increase in visitor arrivals in 2013, the Seychelles still significantly lags the group, primarily due to its inability to attract guests from Africa and Asia, and its limited hotel capacity in comparison to the other two islands.

Mauritius registered the lowest growth of all three markets in 2013 (3%) in comparison to the Maldives (15%) and Seychelles (11%). We would add however that the growth in visitors to the Seychelles was from a much lower base.

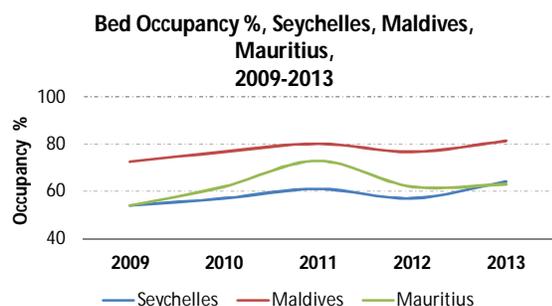
MAJOR SOURCE MARKETS SUMMARY

Despite the economic woes in the Euro-zone, visitors from Europe still represent the highest percentage of visitors to all three countries.

However, all three destinations are placing increasing emphasis on penetrating new emerging markets (particularly China, India and the Middle East) to boost their international visitation and to offset decreases in visitation from their more traditional feeder markets.

Whether these markets are able to generate similar spends per visitor remains to be seen.

MARKET PERFORMANCE



Source: Ministry of Tourism and Leisure Mauritius, Seychelles National Bureau of Statistics, Ministry of Tourism, Arts and Culture, Republic of Maldives, 2013

The Maldives achieved the highest average bed occupancy rates of the three destinations in 2013 of 81.3%, an increase of 11%, in comparison to 2012. Bed occupancy rates for the Seychelles reached an average of 64%, followed by Mauritius with 63% in 2013.

TOURISM INITIATIVES

Due to the importance of the local ecology to their tourism products, each of these markets has placed significant importance upon sustainable tourism development and environmentally sound operational practices. Nevertheless, each of the markets has encouraged local and foreign development into the tourism sector.

The Seychelles is focusing on developing high-value tourism offerings including conference and incentive tours and yacht tourism. Similarly, the Maldives and Mauritius have also indicated their desire to develop MICE business.

Mauritius, in an attempt to increase arrivals from the Euro-zone, has illustrated its intention to open up to more leisure cruise business.

As illustrated throughout this article the dominant trend leans towards attracting visitors from emerging market economies with numerous successful promotional campaigns being launched in China, India, Korea, Turkey and the UAE. The overriding apprehension is whether or not these markets can reproduce the same level of tourism revenues historically generated by their European counterparts.



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. www.hvs.com

Superior Results through Unrivalled Hospitality Intelligence. Everywhere.

HVS DUBAI has a team of Middle East experts that conducts its operations in the Middle East and Africa. The team benefits from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the Middle East and a broad exposure to international hotel markets. Over the last six years, the team has advised on more than 400 hotels or projects in the region for hotel owners, lenders, investors and operators. HVS has advised on more than US\$55 billion worth of hotel real estate in the region.

About the Authors



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