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MARRAKECH – 1001 HOTELS

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Introduction

Marrakech is known as the ‘Red City’ and is one of four ‘imperial’ cities in Morocco; the others being Fès, Meknes and Rabat. In the past decade the city has established itself as an attractive tourism destination, principally driven by King Mohammed VI’s Vision 2010 and Vision 2020, comprehensive tourism strategies aimed at positioning Morocco in the top twenty holiday destinations worldwide.

Marrakech is predominantly a leisure destination, However, it has successfully attracted the MICE sector which has shown steady growth in recent years.

The city can be reached within a few hours by air from Europe. Marrakech Ménara Airport has experienced significant growth as a result of the open skies agreement with the European Union in 2006. Tourism remains highly dependent on the airport’s operation and even though it has shown phenomenal growth in recent years, industry professionals would welcome the introduction of long haul routes to tap into new markets.

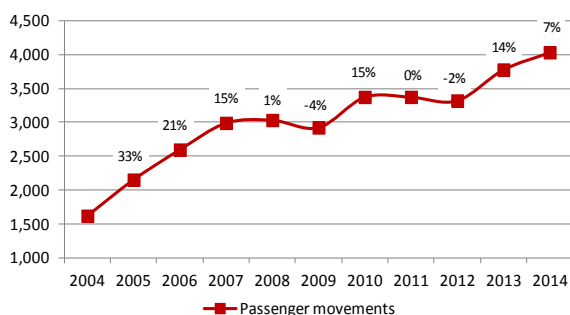
This article provides an overview of recent tourism trends, discusses the upscale hotel market and provides an indication on the new supply to be expected in the city.

Market Characteristics

Tourism Demand

Visitation to Marrakech is highly dependent on the airlift. The table below outlines yearly passenger numbers at Marrakech Ménara Airport and the year-on-year growth expressed as a percentage.

FIGURE 1: PASSENGER MOVEMENTS MENARA AIRPORT (‘000s)



Source: Airports Council International

Morocco and the European Union signed an open skies agreement in 2006. Consequently, passenger numbers at Marrakech Ménara Airport increased steadily. Significant growth was recorded in 2013 as a result of airlines re-introducing a number of routes which had been stopped during the economic downturn.

An expansion of the airport is currently underway and talks about opening a second airport for the city started at the end of 2014.

Our research shows that the primary source markets for visitation to Marrakech in 2014 were France (26.7%), the UK (9.2%), Spain (4.1%) and Germany (4.2%). This proportion has changed over recent years: in 2010, French tourists accounted for almost 35%, Spanish tourists for 6.7% and the German market for only 3.2%. While the decrease in Spanish arrivals can be attributed to tough economic conditions and challenges in the euro zone, the increase in German visitation is entirely a result of improved air routes from Germany.

Impact of Crises

Regarded as one of the most stable countries in Africa, Morocco has to deal increasingly with tourists’ fear caused by terrorist attacks or crisis events affecting other African or Middle Eastern countries. We outline a list of such events in Figure 2 and below.

FIGURE 2: CRISIS EVENTS – NORTHERN AFRICA AND THE MIDDLE EAST

Event	Location	Date
Tunisia Beach Shooting	Beach of two hotels in the resort city of Sousse, Tunisia	29 June 2015
Charlie Hebdo Shooting	Charlie Hebdo Office, Paris, and others in Ile-de-France, France	7 January 2015
Tunis Museum Attack	Bardo National Museum, Tunis, Tunisia	15 March 2015
ISIS	Levant region, various terrorist attacks in Europe	Active presence since mid 2014
Ebola	Mostly Liberia, Sierra Leone, Guinea and Nigeria	December 2013 - May 2015
Marrakech Bombing	Jemaa el-Fna square, Marrakech, Morocco	28 April 2011
Arab Spring	Most of Northern Africa and some countries in the Middle East	Dec 2010 - ongoing in certain countries

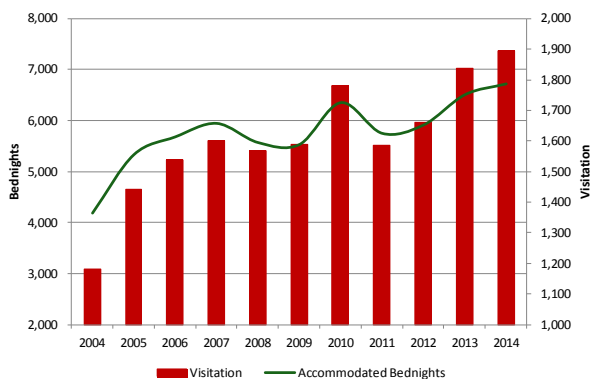
Source: HVS Research

Especially in the aftermath of the Charlie Hebdo attacks in Paris, negative sentiments towards Muslim countries have arisen among European markets and in particular in France. We understand that as a result of that, a number of large corporate congresses have been cancelled or relocated to European destinations. Also, some major public events to be held in Marrakech were cancelled such as the football tournament CAF 2015 (Africa Cup of Nations) in response to the Ebola epidemic in sub-Saharan West Africa, despite the fact that Morocco has not been affected by this epidemic. The latest attacks in Tunisia, which targeted foreign holidaymakers in a beach resort, are especially devastating to the surrounding areas and might, unfortunately, have a significant impact on the safety perception of Marrakech in the immediate future.

Visitation

Figure 3 illustrates visitation to Marrakech and accommodated bednights.

FIGURE 3: VISITATION AND ACCOMMODATED BEDNIGHTS (000s)



Source: Ministry of Tourism

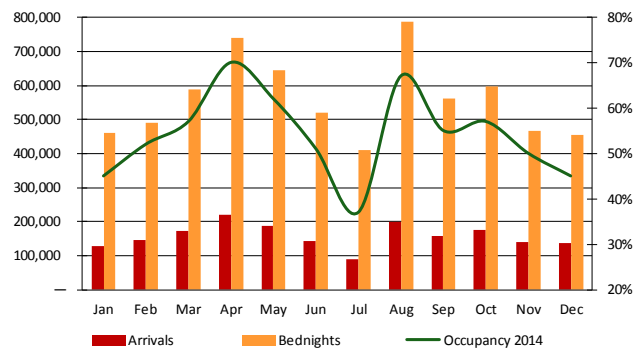
In 2005 and 2006, tourist arrivals in Marrakech increased significantly, by 22.2% and 6.5%. After a slowdown in 2008 and 2009 due to the global financial crisis, growth picked up again in 2010. Tourist arrivals grew at a compound annual growth rate of 4.8% between 2004 and 2014. The average length of stay in the city is 3.5 days indicating the prevalence of the longer-staying leisure segment.

After several negative events as outlined before, the first quarter of 2015 saw bednights decrease by 12% compared with the first quarter of 2014.

Seasonality

Marrakech is predominantly a leisure destination and is characterised by its strong seasonality; a result of high summer temperatures and relatively low temperatures in December and January. The high season in Marrakech is defined as the months of March, April, May and October. We understand that hotels in Marrakech have made significant efforts to promote the low season to the MICE segment, backed by Vision 2020 which puts a major focus on the development of MICE infrastructure in Morocco. The two peak periods throughout the year are Easter and New Year's Eve.

FIGURE 4: MONTHLY PERFORMANCE MARRAKECH HOTELS 2014



Source: Ministry of Tourism

The golf segment is becoming increasingly present in Marrakech; popular during the autumn, winter and spring months when the climate is more favourable compared to other golf destinations, such as Spain. The city features ten golf courses (one in the pipeline), four of which were only opened in 2014.

Marrakech Hotel Market

Supply

According to the Moroccan Tourism Authority, in 2014 there were some 127 hotels in Marrakech, providing 16,180 hotel rooms. Almost three quarters of the rooms fall into the four- and five-star segments. The hospitality market in the city is currently fragmented and somewhat opaque owing to the important presence and use of private riads as a type of tourist accommodation. To overcome this, the Moroccan government is

RIAD IN MARRAKECH



currently working on the implementation of a new classification system for tourism accommodation establishments in collaboration with the UNWTO which is expected to strengthen the quality of accommodation in order to consolidate the competitiveness of Morocco as a tourism destination.

Historical Performance

Based on our research in the market, the table below outlines aggregate historical performance data of hotels in the upscale and luxury market. Our sample includes some 1,950 rooms in the aforementioned categories.

FIGURE 5: HISTORICAL PERFORMANCE SELECTED PROPERTIES

	2012	2013	2014
Occupancy	52 %	57 %	55 %
Change	—	10.0 %	(2.8) %
Average Rate (€)	234	237	245
Change	—	1.0 %	3.7 %
RevPAR (€)	121	135	136
Change	—	11.1 %	0.8 %

Source: HVS's Estimates

2013 was an exceptionally strong year, due to a busy summer season. RevPAR grew by 11% to reach €135, mainly driven by an increase in occupancy. While the first three quarters of 2014 looked promising, the market experienced a downturn in the last three months of the year, due to, among other things, the increased activities of ISIS and the subsequent negative perception of Islamic countries. Nevertheless, ADR grew by 3.7% to €245 which can also be attributed to new luxury hotels entering the market in that year (Palais Namaskar, The Pearl and Selman). We understand that during the first

quarter of 2015, tourism has not rebounded yet and many hoteliers are unsure whether 2014 performance can be matched this year.

Hotel Development

Investor and operator interest in Marrakech has been growing in recent years as evidenced by the entry of several international luxury hotel brands, such as, Four Seasons in 2011. Nevertheless, the market remains a challenge for new hotel developments. Morgans' Hotel Delano opened in 2012; however, after little more than a year it was rebranded and now operates independently as The Pearl Hotel. Similarly, Blue Diamond Sahara Palace, in the Palmeraie neighbourhood, was originally to become a Mandarin Oriental, but was opened as a Taj and after only a year of operation, is now operated by BlueBay Hotels & Resorts.

Figure 6 outlines the main new hotel projects in Marrakech. It is noteworthy that almost half of the projects were already listed in the pipeline in 2010, demonstrating that construction delays are not uncommon. We have only listed those that we have been, to some degree, able to confirm.

FIGURE 6: NEW HOTEL SUPPLY

Proposed Property	Number of Rooms	Estimated Opening Date
Mandarin Oriental	61	August 2015
Radisson Blu Carre Eden	198	October 2015
Mövenpick Hotel & Palais des Congres	501	December 2015
Oberoi	84	March 2016
Baglioni	80	June 2016
Park Hyatt Al Maaden	120	December 2016
Pestana Marrakech Medina	220	April 2017
Ritz Carlton	80	June 2017
W Marrakech	148	March 2018
Total	1,492	

Source: HVS Research

From our research, we estimate that there are approximately 1,502 confirmed rooms in the pipeline. We comment on the hotel projects as follows.

- **Mandarin Oriental** – the proposed Mandarin Oriental is a luxury development comprising 61 villas and will be located southeast of the Medina, in close proximity to the Royal Golf Club and the Amanjena Hotel;
- **Radisson Blu Marrakech Eden** – the proposed Radisson Blu will be located in the Guéliz district;

- **Mövenpick Hotel & Palais des Congrès** – the former Mansour Hotel is currently being refurbished and is due to open before the end of 2015 as a Mövenpick congress hotel with 501 rooms. The company will also manage the Palais des Congrès once its refurbishment has been completed. This is envisaged to be at the start of 2016;
- **Oberoi** – The Indian Hotel company is currently constructing a large complex of 84 all-pool villas to be opened in the first quarter of 2016 in an 11 hectare setting. On the adjacent 19-hectare land parcel, some 30-40 Oberoi branded villas for sale will be completed. The new hotel will be located along the Route d'Ourzazate, east of Marrakech;
- **Baglioni** – the proposed Baglioni hotel is set within a 14-hectare resort ten minutes by car from the city of Marrakech. We understand that the hotel will have 80 keys and is expected to be completed in mid 2016, though we were unable to confirm this information. The hotel is said to have a 1,200 m² spa which is likely to be operated by Six Senses;
- **Park Hyatt** – the Park Hyatt hotel is to be located within the boundaries of the Al Maaden Golf Resort, southeast of the Medina;
- **Pestana** – Pestana will take over the former Club Med complex, located in Marrakech's Medina. The firm hopes to start refurbishment this autumn which is envisaged to last for a maximum of 18 months;
- **Ritz-Carlton** – the Ritz-Carlton Resort will be developed around the Jenan Amar Polo Fields, some 20 km southwest of Marrakech. The hotel will have 80 suites and 85 residences, a number of bars and restaurants, and a luxury spa;
- **W Marrakech** – A 148-room W Hotel is to open in the Hivernage district in March 2018.
- **Assoufid** – We understand that a hotel is to be part of the Assoufid development southwest of the city centre;
- **Shaza**: The former Imperial Borj Hotel in the heart of Hivernage is to be turned into a Shaza hotel. We were unable to verify any details on the hotel project.

Conclusion

Morocco, and Marrakech in particular, have achieved a remarkable growth in awareness as a tourism destination in recent years. This can be attributed to strong government support, an open skies agreement and subsequent expansion in flight routes to the city as well as a few celebrities starting to frequent Marrakech.

The city is also actively promoting itself to the MICE market, offering an exotic but affordable and relatively safe alternative, located within a few hours flight of Europe. The reopening of the Palais des Congrès after an extensive refurbishment programme should further enhance the attractiveness of the market for this segment.

Nevertheless, Marrakech will continue to face certain challenges; Islam-related terrorism and Africa related problems might heavily damage the perception of Morocco from a safety point of view. In particular, the latest attacks in Tunisia are a setback for the country and it will take some time to overcome the immediate fear caused by it.

The city has an impressive pipeline with many international luxury brands due to enter the market in the short and mid term. As historical pipelines prove, delays are not uncommon and we would not be surprised if not all projects materialise in the projected timeframe.

Overall, however, the government's will to further develop Morocco as a destination, mainly through Vision 2020 and other regeneration programmes, bodes well for the country's tourism industry.

A few further projects remain speculative. We comment as follows:



About HVS

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About the Authors



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