Horwath HTL

Hotel, Tourism and Leisure

Special Market Report
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MOROCCO 2016 DATA PROFILE

Size (km²)	446,550 (Excluding W.Sahara 266 000)
Population	34.7 million
Demographic Growth	1.25%
Urban areas (500 000M+)	Casablanca: 3.36 million Fez: 1.1 million Tangier: 0.94 million Marrakesh: 0.92 million Meknes: 0.63 million Rabat: 0.57 million
Presidential Elections	Last election 2016 Next election 2021

GENERAL ENVIRONMENT

Political & Economic context

Morocco benefits from a stable political context, which derives from a series of democratic reforms that have been implemented over recent years.

However, 2011 was marked by socio-political turmoil in the country following the series of revolutions, known as the 'Arab Spring' in the entire North African region.

The political achievements, as well as the responsiveness of the authorities, made it possible for the country to reduce the impact of that social instability, unlike many other Arab countries. Therefore, in 2011, a reform of the constitution was conducted to consolidate the principle of balance of power and deepen the democratic process in Morocco.

	2012	2013	2014	2015	2016	2017 (F)
GDP growth (%)	3.0%	4.7%	2.4%	4.7%	1.8%	4.8%
Inflation (%)	1.3%	1.9%	0.4%	1.5%	1.3%	1.3%
FDI net inflows (% GDP)	2.9%	3.1%	3.2%	3.2%	-	-
Current account balance (% GDP)	-9.7%	-7.6%	-5.7%	-1.9%	-1.5%	-2.0%

(F): Forecasts Source: IMF and World Bank

Political & Economic context (cont.)

As observed over recent years, the Moroccan economy has been marked by a macro-economic stability and low inflation.

The country's economy remains solid and mainly relies on exports, a boom in the private sector and the international tourism. After a record-breaking year in 2015, impacted by a good agricultural season, the lack of rainfall in 2016 led to a fall in the sector's production, resulting in a deep economic recession. From 4.7% in 2015, GDP growth has fallen to 1.8% in 2016, mainly sustained by foreign investment.

Over the medium term, Morocco should be able to accelerate its economic growth while maintaining macro-economic stability, as illustrated by the IMF's projections over the period 2017-2020. The strong performances of the newly developed industries (automotive, aeronautics and electronics) and the expansion of Moroccan companies in sub-Saharan Africa are potentially paving the way for Morocco to boost its economy.

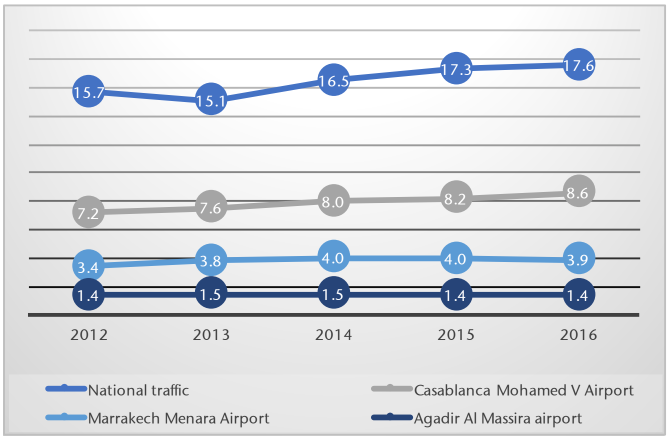
In this context, Morocco is a country of interest for international and regional investors who look at the market as one of the two major African hubs, the other being South Africa.

Air Connections

The airline sector in Morocco is a major lever of the country's development process. Morocco's civil aviation benefits from a network of 25 airports, of which 18 are international. Therefore, the country is connected to more than 110 airports worldwide and is served by around 50 scheduled airlines.

Passenger traffic, mostly international, is growing steadily, thanks to the rise of low cost carriers and charter flights, following the open skies agreements with Europe, signed in 2006. Currently, the airports of Casablanca, Marrakesh and Agadir concentrate about approximately 80% of passenger traffic.

Passenger traffic (Millions) – Nationwide, Marrakesh, Casablanca and Agadir



Source: Airports of Morocco (ONDA)

Casablanca Mohamed V international airport (CMN) is the main hub to the country. Since 2010, passenger's traffic has steadily increased, at around 3% per year. With almost 8.6 million passengers in 2016, CMN is the busiest airport in Morocco and 6th busiest in Africa.

In parallel, Royal Air Maroc, the Moroccan national airline, is progressively increasing local and international connections, scheduling domestic and international flights to Africa, Asia, Europe, and North and South America. In terms of traffic, the airline company holds almost half of air connections from & to Morocco. Alike Ethiopian Airlines and South African Airways, Royal Air Maroc is a key carrier for Africa, serving 6.8 million passengers.

Tourism

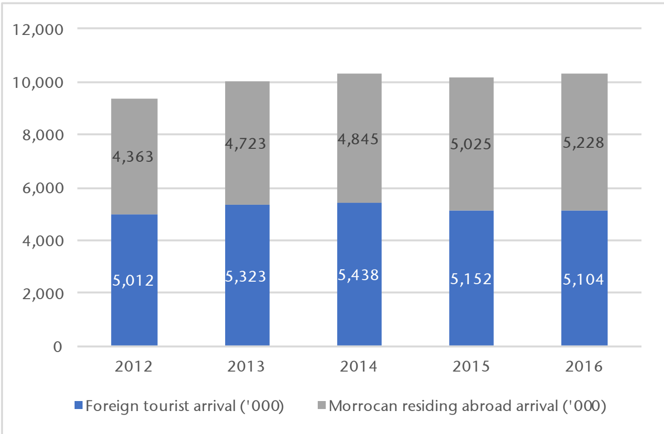
Due to its varied landscapes (3,500 km of coastline, mountains, desert, etc.), a rich cultural and historical heritage (imperial cities, old towns, food and crafts, etc.), and its strategic location within the Mediterranean, Morocco benefits from a strong tourism potential.

Currently, the country is Africa's number-one tourism destination in terms of foreign arrivals, and compares in volume with Egypt or Portugal. Indeed, regarded as one of the most stable countries in the area, Morocco must deal with tourist's fear caused by terrorist attacks or crisis event affecting other African or Middle Eastern countries.

In the mid-term, Morocco's tourism sector is set to post around 7% growth per year until 2020, driven by the diversification of its offering, towards city breaks, beach resorts and cultural tours.

It is also to be noted that there is a slowdown of its traditional source markets (France, Spain, Italy, Belgium), the country benefits from an increase in visitors from emerging markets like Russia and China.

Total tourist arrivals ('000) - Morocco



Source: Morocco - Ministry of tourism (MoT)

On the scale of the cities, Marrakesh and Agadir stand as the prime tourist destinations in Morocco, mainly supported by leisure tourism and conferences. Meanwhile, other cities are increasingly benefiting from a large exposure, thanks to social media and the authorities' efforts to boost alternative destinations within the country, including Fez, Tangier and Essaouira.

HOTEL MARKET

In recent years, Morocco has benefited from a steady growth of its accommodation capacity, with the number of beds increasing by 22%, from around 123,000 in 2009 to 150,000 in 2016. According to data from the Moroccan Ministry of Tourism, the four-star hotel supply accounted for 34% of hotel beds in 2016, followed by three-star and budget categories (one and two-star units) for 21% each and five-star hotels (15%).

Since 2010, the upscale & luxury hotel segment has experienced the strongest growth in Morocco (+33%). This segment has been attracting many international hotel brands, with the opening of several upscale units in recent years (Four Seasons, Radisson Blu, Sofitel, Banyan Tree, Mandarin Oriental, Mövenpick, etc.). This trend has gradually helped improve the sector's quality of products and services across the country.

However, quality supply remains concentrated within the top 2 country's traditional leisure and business destinations, Marrakesh and Casablanca. In fact, these two cities concentrate approximately 35% of the overall supply.

Marrakesh: The prime leisure destination

Known as "The red city", Marrakesh is one of Morocco's Imperial cities, along Rabat, Fes and Meknes. For some years now, the city positions as the country's most attractive tourism destination and ranks among the five best travel spots in 2016, according to "Trip Advisor". Marrakesh is a leisure destination with a strong MICE sector. The golf segment is more and more present with ten golf courses, four of which were opened since 2014.

Over the last decade and regardless of the impact of recurrent crisis, tourist arrivals to Marrakesh increased significantly, growing at a compound annual growth close to 5% per annum.

According to the MoT data, hotel supply in Marrakesh accounts some 140 hotels and 35,500 hotel beds, of which 75% of the available capacity falls into the upscale and luxury segments (four and five-star hotels), boosted by the entry of several international hotel brands within the upscale segment, but showing an uneven level of quality.

Marrakesh has a massive projects pipeline with almost 15 international luxury and upscale brands due to enter the market in the short and midterm. However, as historical pipelines prove in Morocco, delays are not uncommon and it would be no surprise if not all projects are realized in the projected time-frame.

In terms of performances, occupancy has been slowing down over the last years (2012-2016), due to the recent opening of many sized units, especially within the upscale segment. In 2016, the quality hotel supply achieved an average occupancy of 52%, combined to a net ADR of 50€, 85€ and 150€, respectively for the 3-star, 4-star and upscale segments.

Casablanca: Business first

With 60% of Morocco's total trade, 48% of investments and 30% of the banking sector, Casablanca represents the heart of the Moroccan economy. Also, with its art deco architecture, its numerous historical monuments including the church of the Sacred-Heart and the Hassan II Mosque as well as the second largest shopping centre in Africa, Casablanca positions itself as a destination with a high potential for both leisure and business.

In 2016, Casablanca welcomed around 1 million tourists, generating around 1.9 million guest nights. Except for 2011, the evolution of tourist arrivals and overnight stays in Casablanca has been steady since 2007, showing the strong resilience of the prime Moroccan business hub.

Despite the large MICE demand in Casablanca, which is estimated at 70% of total rooms sold, the city still suffers from limited in size and poor MICE facilities, as most of the meeting capacities remain located within hotel properties. To address the issue, a new conference centre is currently under construction at the "Casablanca Marina" project, which should open by 2018.

In terms of hotel supply, Casablanca is characterised by a strong international demand and consists of upscale and luxury properties. Total capacity is currently estimated at approximately 9,000 rooms, 60% of which are positioned within the four and five-star segments, followed by the three and one-star segments at 21% and 12%, respectively.

Since 2010, Casablanca managed to attract many international operators, especially within the upscale and luxury segments, including Sofitel, Mövenpick and Four Seasons. This trend is expected to be extended as 2,400 hotel rooms have been announced and should be opened in the city by 2020, of which almost half are under international management (Oberoi, Hilton, Marriott, etc.).

In 2016, hotel occupancy in Casablanca recorded an average of 53%, reaching around 70% for the best performing units. International branded hotels benefited from the MICE and foreign business travel, which explains their over-performance within the market.

New opportunities

- ***City Breaks***

In recent years, many urban refurbishments have been carried out in various cities in Morocco, which developed the short city break offering in cities like Rabat, Tangier or Fez. While Marrakesh or Casablanca have met success, other Moroccan cities still record a limited number of visitors. The situation is improving however as in Tangier where the number of nights spent, increased by around 20% between 2010 and 2016. In Essaouira or Oujda, the figure followed, respectively, a growth of 35% and 25% during the same period. Other destinations, like Rabat, never managed to increase its number of leisure travel to the city. To boost their tourism attraction, the 'Wessal Bouregreg' project, originally master planned by Emaar, was launched in 2014 to develop tourism in the Moroccan capital, which includes a Fairmont hotel (200 rooms) and residences (80 apartments), a marina, a shopping centre and a 2,000 seat theatre. The project is expected to be completely delivered by 2020.

- ***Seaside potential***

Morocco has a large coastline bordering both the Atlantic Ocean and the Mediterranean Sea, yet the country's coast tourism segment remains well below its potential. Under Vision 2010, the Plan Azur program was conceived to create six seaside resorts: Saidia, Lixus, Mazagan, Mogador, Taghazout and Plage Blanche. The planned projects have had various barriers related to financing, management and marketing, limiting the authorities' efforts to create and promote the seaside offering.

In the image of the Tamuda Bay area, a newly created resort hub between Tetouan and Ceuta in Northern Morocco, where many upscale units have been developed since 2016 (Sofitel, Ritz Carlton, Banyan Tree), the seaside tourism may offer many opportunities, especially through the development of unique concept & design products, highly appreciated by the international travellers.

In that sense, Taghazout bay is an area of 615 ha along the coastal strip north of Agadir. The master planning of the destination includes a range of hospitality units (midscale and upscale units), high-end residential areas and many leisure facilities, such as a beach club, a retail centre, an 18-hole golf course, a tennis club and a surf academy. As of today, the project has already welcomed an operating 5-star Park Hyatt hotel and is expecting a new 5-star Hilton resort by 2018.

Outlook

Morocco is undergoing a large-scale development to reach its objective of 20 million visitors by 2020. In many cities, several projects are developed to reshape the infrastructures in order to increase the tourist capacity and develop quality.

Based on the UNWTO forecasts, Morocco's tourism sector is set to post around 7% growth yearly during the coming years. These projections are based on the expected diversification of the country's offering towards beach resorts and city breaks, by the emergence of new destinations as Rabat, Tangier and seas resorts as Tamuda Bay and Taghazout.

To face the expected growth in demand, the authorities intend to boost the hotel supply by approximately 100,000 room before 2020. In this context, an increasing number of major international hotel chains are prospecting through the country for new developments. This new attractiveness should help attract new source markets and accordingly diversify the country's traditional markets.

In parallel, and given the high demand for affordable accommodation in Morocco and the massive upscale hotel pipeline in the near future, quality midscale segment could stand as a relevant investment opportunity for hotel developers.

Morocco still faces many challenges to reach its objective of becoming among the 20 tourist destinations worldwide. First, the current security environment in the north African region has a negative impact on the country's attractiveness, despite the fact that it was spared from any attack since 2011. Also, along the increasing volume of hotel supply, the country still faces a skilled labour shortage which could be a threat to international hotel operators. Furthermore, the balance between the different hotel segments should be monitored in the upcoming years in order to prevent any margin reduction, considering the large presence of high-end projects within the country's hotel pipeline.

Hotel, Tourism and Leisure

Horwath HTL France

With 22 permanent consultants, 10 years of experience and hundreds of successful projects under our belt, Horwath HTL is the top specialist consultancy in France. Our brand is recognised by professionals in both the public and the private HTL sectors. The company is owned entirely by its founding partners.

A network with a truly international reach

Horwath HTL is an international network of 45 offices and 250 consultants across 38 countries. All Horwath HTL branches work in close collaboration with one another, enabling us to provide added value on a global scale. The Paris office heads the international Tourism and Leisure business line for the entire Horwath HTL network. The Paris team has satisfied clients in some forty countries, and in North and West Africa in particular, thanks to its sub-office in Abidjan.

Exclusive benefits at your service

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- A permanent team of highly skilled consultants
- Extensive experience of local development, territorial projects and consultation
- Our numerous and varied success stories are estament to our ability to support you throughout the operational development of your projects
- The ‘Leisure Factory’- our project laboratory and incubator - is evidence of our significant R&D capacity, our innovation and our creativity

Strong commitment & personalised services

We work on the ground alongside our clients. Our corporate vision and structure are committed to providing ethical and qualitative services that deliver real results.

We endeavour to listen, understand and collaborate with clients, bringing our know-how, expertise and conviction to the table and helping to foster collective intelligence. We work to make good projects a reality, projects that respect our shared heritage, our values and the environment. We also strive to provide innovative and ambitious solutions by helping you to identify the best possible financial and operational strategies.

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Philippe started his carrier as a consultant with Horwath & Horwath then KPMG before joining Europcar as Project Director. He then worked as Corporate Research Director for the Accor group.

Philippe joined Horwath HTL France as a partner in 2006. Specializing in hotel market and feasibility studies, Philippe has managed some 300 development studies both in France and internationally.

Philippe Doizelet is regularly invited to speak at leading Hotel Investment Conferences in Dubai and participates in several industry publications (Hotel Yearbook, Global Hotel News, STR Global). He is a member of RICS & ISHC.

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Mehdi graduated from ESG Paris Business School with a Master's degree in Marketing and an MBA in Hospitality Management and has acquired Marketing and Financial analysis skills, notably on a repositioning project for a well-known French hotel group and within the Hotels & Resorts of Morocco hospitality group, through his experiences in France, the United States, Indonesia and Morocco.

As a Moroccan citizen, Mehdi specialised in hotel engineering at the Moroccan Ministry of Tourism (Tourism Engineering and Investment). Mehdi joined Horwath HTL in 2016 and is specialized in market research and feasibility studies in Europe as well as in Western and North Africa.

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