



1. MARKET UPDATE

The hotel industry in MENA reeled during December 2011 as the occupancy rate declined 8.5% to 57.1% compared to December 2010. However, the impact was mitigated by a 5.3% rise in ADR to \$162.8.

1.1 MENA Region¹

- In December 2011, Abu Dhabi recorded the largest increase in hotel occupancy (up 18.0% to 64.8% compared to December 2010) followed by Dubai (up 10.0% to 75.4% as compared to December 2010). Cairo witnessed the largest fall in occupancy (down 55.4% to 36.1% from December 2010).
- Jeddah, followed by Riyadh, recorded the largest increase in ADR in the region. In December 2011, ADR rose 6.9% to \$203.5 in Jeddah and 6.6% to \$271.7 in Riyadh vis-à-vis December 2010 levels.

Table 1: Performances of key countries in MENA Region

Country	December 2011				Quarter ended December 2011			
	Occupancy	% change	ADR	% change	Occupancy	% change	ADR	% change
Egypt	44.2%	-46.7%	EGP435.4	-7.4%	51.9%	-38.8%	EGP450.1	-18.8%
Saudi Arabia	58.2%	+17.3%	SAR776.2	+8.0%	60.0%	+23.0%	SAR920.0	7.1%
UAE	71.4%	+12.4%	AED739.3	-0.9%	77.0%	+6.6%	AED822.9	-2.4%

Note: Percentage for December 2011 is an increase/decrease versus December 2010. Quarter ended December 2011 denotes an increase/decrease for the quarter compared to the same period in 2010.

1.2 Country focus: Palestine²

The Palestine region is one of the principal religious attractions worldwide. Palestine is known as the "Holy Land" since it is the center point of three world religions: Islam, Judaism and Christianity. Tourist arrivals nearly doubled from 2.6 million in 2009 to around 5 million in 2010-the sector accounts for nearly 15% of the Palestinian economy.

- International tourists are attracted to Palestine mainly due its religious and cultural heritage. The ancient cities of Bethlehem, Gaza, Jericho and Hebron offer some of the early evidences of human civilization. Bethlehem is famous for the Church of Nativity; Gaza is well known for traces of ancient Byzantine Empire. Hebron is most notable for containing the traditional burial site of the biblical patriarchs and matriarchs, while Jericho is the oldest inhabited city on Earth.
- Apart from religious and cultural tourism, tourists can enjoy the spectacular landscape around the Dead Sea. The region is well known for its biodiversity as well as some rare and threatened flora and fauna species. The Dead Sea is also considered one of the main bird migration routes and an important Bird Area in the Middle East.
- Tourists can enjoy the landscape around Palestine by taking a seven-day bicycle tour across historical landmarks such as Nablus, the village of Taybeh, Jericho, Bethlehem and Hebron.

Source: ¹STR Global Data, Middle East/Africa Hotel Sector Performance for December 2011. ²Palestine Tourism and Promotional Board and Zawya News Report

- The Palestinian Initiative for Responsible Tourism (PIRT), a network of organizations, associations and public bodies, works closely with the government to advocate responsible tourism in the Holy Land.

1.3 Winter Tourism

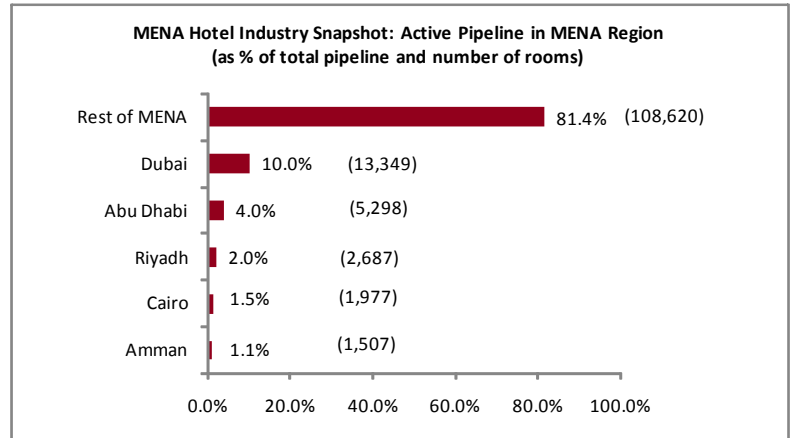
The Middle East region is steadily becoming a top winter destination among tourists. November-April is considered the best time to visit due to a mild winter and several events occurring during this time..

- Lebanon is the most preferred destination among winter tourists in the Middle East mainly due to the close geographical location of the mountain peaks from the Mediterranean Sea and unique winter experience. Tourists can enjoy the contrast in weather due to the warm Mediterranean coast and snow covered mountains. Lebanon is the only country in the region that offers winter sports such as alpine skiing, cross country skiing in addition to snowmobiling and hiking. There are six ski resorts catering to skiers and snowboarders. Apart from this, Al-Bustan festival, a classical music festival featuring renowned classical performers, takes place in February every year.
- Dubai attracts a large number of tourists during the winter. Several intra-GCC tourists (approximately 60%) visit the emirate during December and January, mainly due to school holidays and Dubai being the closest vibrant hub. A number of festivals occur during winter-Dubai Shopping Festival and Dubai Global Village are the main crowd pullers. Dubai Desert Classic Golf and Dubai Tennis Championship, which features some of the best players in the world, also attract a significant number of international tourists.

2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline³

- As of December 2011, the active hotel development pipeline in MENA comprised 496 hotels with 133,438 rooms.
- Dubai, UAE dominated the market with the largest number of rooms in the pipeline (13,349).
- Other key markets in the MENA region with significant number of rooms in the pipeline were Abu Dhabi, UAE (addition of 5,298 rooms); Riyadh, Saudi Arabia (addition of 2,687 rooms); Cairo, Egypt (addition of 1,977 rooms); and Amman, Jordan (addition of 1,507 rooms).



Source: STR Global, Al Taameer analysis

Active pipeline includes projects in 'In-Construction,' 'Final Planning' and 'Planning' phases
Numbers in parenthesis in the graph represent the total number of rooms

2.2 New hotel openings and expansions in Middle East⁴

- Al Jasim Group, one of the leading diversified business groups in Qatar, partnered with Rezidor Hotel Group to launch Hotel Missoni, an international luxury boutique hotel, in Doha by 2015. The unique luxury lifestyle hotel would be designed by Rosita Missoni and feature approximately 200 rooms and 70 serviced apartments.
- Starwood Hotels and Resorts plans to open four new hotels in the Middle East by 2012. In line with this, the company plans to set up St. Regis Doha (340 rooms) and St. Regis Abu Dhabi (279 rooms) by the first half of 2012. Starwood also intends to launch two new hotels - Four Points by Sheraton Medina (four-star, 178 rooms) and Sheraton Medina Hotel (five-star, 297 rooms) - in Saudi Arabia during the second half of 2012.
- Hilton announced the opening of Hilton Jumeirah Hotel apartments in Dubai. Each of the property's 364 contemporary studios, open plan duplex lofts and stylish two-, three- or four-bedroom apartments are furnished with a fully equipped kitchen, washing machine, lounge area and wireless Internet.

Source: ³STR global news release. ⁴Zawya news reports.