



Doha's hospitality sector goes bullish



Chadi Chidiac, managing partner of Protocol hospitality management and consultancy, takes a close look at Qatar's impressive hotel industry investments

The Qatari government is heading towards massive liquidity injection in the hospitality and tourism sector by investing an impressive USD 20 billion for the next eight years with an expected 70,000 hotel rooms in the pipeline. The nation's hospitality investments are going bullish as Hilton Doha opens the doors of its first property, marking the foray of Hilton Worldwide into Qatar. The international hotel group, whose portfolio includes more than 540 hotels in 79 countries, is planning to have a total of four hotels in Qatar in view of the huge potential.

"We have always been committed to Qatar and our current pipeline of four hotels in Doha is a demonstration of our continued interest in this market," said Rudi Jagersbacher, MEA president, Hilton Worldwide, at the hotel's inauguration ceremony.

"We're very optimistic about this market in the long term," said

Mark Satterfield, COO, Marriott International's Middle East and Africa, who presided over the opening of two connected towers containing Renaissance, Courtyard and Marriott Executive Apartments properties in the city. "We're sitting in a great location, a business and financial hub, and when you look at Doha and Qatar, they increasingly are the place to get business done in the Middle East."

"The economic conditions are excellent. We see Qatar as a crucial addition to our GCC portfolio and look forward to seeing our core brand Radisson Blu making its entry into the market. The country has certainly become a key hotel investment destination," commented Kurt Ritter, president and CEO of the Carlson Rezidor Hotel Group.

"It is an exciting time for us all. We are strengthening an established brand in an ambitious and forward-looking city," said

David Todd, general manager, InterContinental Doha the City Hotel.

Oversupply doubts

On the other hand, fears of oversupply are arising especially due to the significant increase in hotel room inventory in 2011 which recorded a market wide contraction in hotels occupancy rates by 11.8% to 49.4%, led by double-digit supply growth YOY with 2.6 million guest night ranking 6th on the demand/supply ratio among 8 major cities in the Middle East.

The competitive environment has led ADR to decline to by 4.5% compared to the previous year. As a result of ARR and occupancy dynamics, REVPAR declined by 10%. When by the end of 2012, room supply in Doha will have increased by to 14,746, yet an additional 3,334 keys are in the development pipeline till 2015.

"We're all scared of what's going to happen as more hotels come online in Qatar," said Anita Markiewicz, MENA vice president revenue management for Mövenpick Hotels & Resorts. "General managers are trying to figure out how the increasing number of hotels will affect us? They're thinking forecasting and pricing but we revenue managers

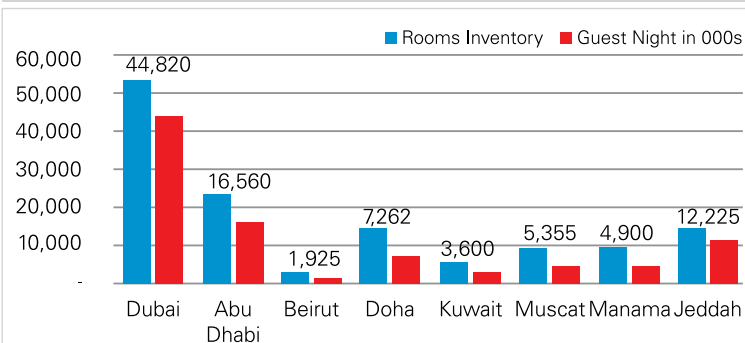
are thinking how low can we go?"

Strengths and opportunities

When looking at the other side of the coin, the picture seems brighter, especially on the long term with Qatar being a stability heaven backed up by a remarkable 17.6 % GDP growth in 2011 against the 8% regional average and the highest income per capita in the world according to the IMF (International Monetary Fund) reaching USD 99,000 with expatriate workers outnumbering the local population by four to one. Supported by a number of positive factors such as an ambitious tourism strategy and self-positioning as a major player in the global sporting arena supported by Qatar's winning bid of the FIFA world cup 2022.

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Demand/Supply Ratio Middle East Major Cities



Property	No. of Keys	Opening year
Hilton Garden in Doha	258	2013
Traders Hotel Doha	322	2013
Pullman Doha West Bay	468	2014
Four Season Hotel at The Pearl	276	2014
Mandarin Oriental Doha	160	2014
Kempinski Hotel Mersa Malaz at The Pearl	250	2014
Centro Doha	220	2014
Planet Hollywood	350	2014
M. Gallery Doha Msheireb	215	2015
Hilton Doha Residence	288	2015
Hotel Missoni Doha	299	2015
Jumeira Dubai Towers	228	n/a
Total	3,334	

With the preparations for the World Cup underway, a major priority is to increase the supply of rooms and to diversify the type of travel accommodation outlets available in the country. In particular, Doha alone now has more than 100 hotel projects under development and yet more are to be announced over the short to medium term. Major infrastructure developments are taking place in order to cater for leisure tourists, such as museum developments, desert and sea activities and more.

Thus, hotel room capacity in Qatar is expected to grow at a CAGR of 9.1% over the next five years, hotel room demand is expected to rise strongly as corporates from across the world explore various business

possibilities with Qatar as the country readies itself for the World Cup. This is likely to boost occupancy rates from 49.4% in 2011 to 66.8% in 2016. Strong corporate demand for hotels is likely to help ADRs rise at a CAGR of 1.6% in 2016.

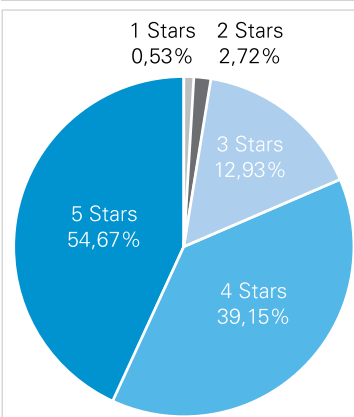
Qatar Airways is another important travel player. The airline has been posting rising profits for several years, and has engaged in aggressive and ambitious expansion plans over the years. The company plans to double its fleet within five years and is expanding to new destinations, increasing the frequency of its flights and investing in targeted and effective communication.

Over the next five years the Gulf state will invest around USD 120 billion with USD 65 billion in new transportation schemes. These include the new USD 11 billion Doha International Airport that will be set to accommodate 25 million passengers, the USD 6 billion Doha port project and a USD 25 billion metro and railway.

Market tiers and grades

With 64 accommodation properties in 2010 to 79 in 2011, by the end of 2012 the room supply in Doha will increase to reach 14,746 rooms. The majority of those are 4 and 5 star establishments contributing 39% and 46% of the total market supply respectively. Qatar has

Hotels Market Repartition/Grade



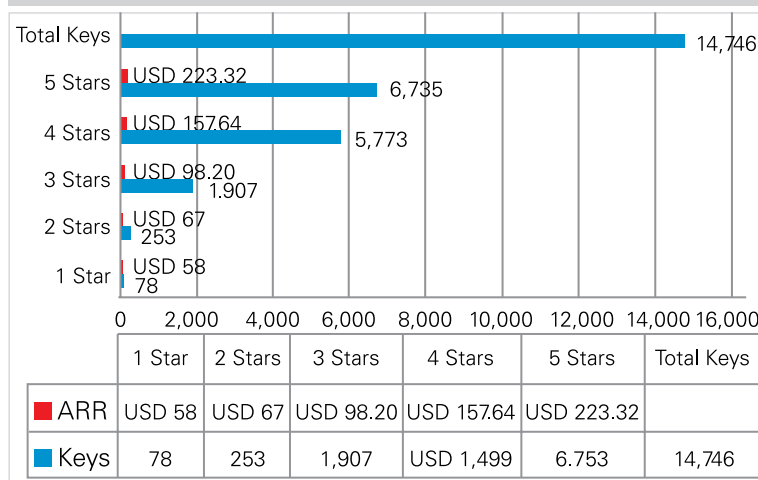
a specific plan to raise its hotel capacity by 2022 from 14,746 rooms to 90,000 – 30,000 more than the capacity demanded by FIFA.

The tourism sector is not a major contributor to the economy with a direct contribution of travel and tourism to Qatar's GDP expected to reach USD 1.1 billion in 2012, compared to USD 800 million in 2009. Qatar recorded 1.4 million inbounds in 2012 with expectations to rise by 28% in the next couple of years to reach 1.8 million inbounds in 2014. This is a reason to increase room stock especially in 4 stars hotels that target business and MICE travellers which account for up to 89% of total arrivals in the country, increasing by 11.9% on a yearly basis.

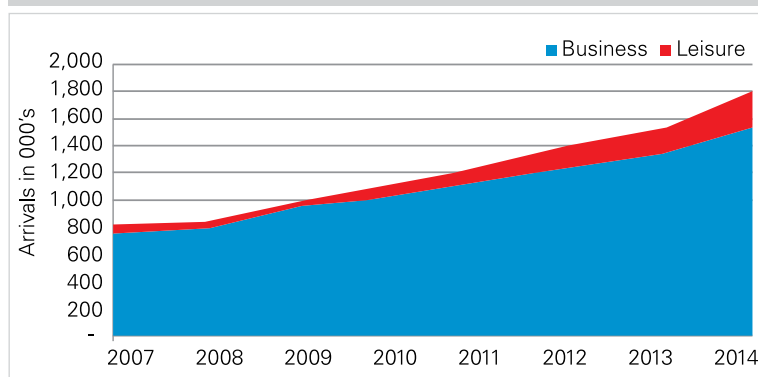
Incentives to invest

Two years ago, the Qatari government implemented a law removing the 49% limit to allow full foreign ownership in tourism and other sectors, which should help increase foreign direct investment (FDI) in the country. In April 2010 the government suspended plans for visa requirements for citizens of 33 countries including the UK and USA after objections from airlines and other tourism-dependent businesses. Qatar is certainly encouraging investment and the hospitality sector is on the rise. But, only the future will tell if oversupply will burst the bubble. protocolb.com

Hotel Market Figures



Total Arrivals



Source of all graphs: Protocol