

Double-digit growth continues for the Middle East hotel industry

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Half year results from the HotelBenchmark(TM) Survey by Deloitte show the Middle East hotel market continuing to enjoy double-digit growth for the fourth consecutive year - with revPAR increasing 13.7%.

During the first six months of 2007 revPAR increased US\$17 fuelled by improvements in average room rates. At US\$108 the Middle East continues to boast the highest revPAR of any region - above Asia Pacific and Europe at US\$97 and US\$100 respectively.

Behind the figures, markets across the region have their own stories to tell and perform in very unique ways. There is a huge disparity in revPAR; with Dubai topping the scales at US\$255 compared to Luxor at US\$24 - a staggering US\$231 difference.

Muscat has seen the strongest growth of any market in the Middle East so far this year with revPAR up 54.8% to US\$164. This has been driven predominately by an impressive 44.2% increase in average room rates. Hoteliers continue to benefit from the closure of four key hotels for extensive refurbishment due to scheduled upgrades. Also the cyclone which hit the city in June caused significant infrastructure damage and forced many residents into temporary hotel accommodation.

Riyadh took second place with revPAR increases of 40.3% over the period to reach US\$170. Again performance was largely due to growth in average room rates which topped US\$200 - among the highest in the region.

Another market enjoying a good year is Damascus. Bucking the trend of the region, the capital of Syria, has pushed occupancy up 20.7% to 59% - resulting in a 31.8% improvement in revPAR. At US\$57 this is still relatively low compared to other markets but confirms that Syria's strategy to promote its unique historical legacy is paying off.

Hoteliers in Egypt have at last started to see performance bounce back with all markets reporting double-digit revPAR growth during the first half of the year. The country struggled in 2006 following the bombings the prior year. So far this year, it has been the Red Sea Resorts that have seen the strongest growth with revPAR increases of over 30%. These have been driven mainly by occupancy which is now sitting at just below 70%.

Average room rates in Egypt do however remain among the lowest in the region making the country a very competitive holiday destination. Egypt is extending its future appeal by diversifying its tourism offering and attracting more tourists looking for city breaks, medical and wellness tourism.

Beirut and Doha were the only markets to report revPAR declines so far this year. Unsurprisingly, following the tensions between Israel and Hezbollah in 2006, Beirut has seen occupancy levels plummet to the lowest levels in the region at 32.9%. Beirut's revPAR is consequently one of the lowest at US\$39.

Doha has also seen revPAR fall by 3.6% following its excellent performance in 2006 when the city hosted the Asian Games. Hoteliers have also suffered at the hands of new supply following the partial opening of the Ritz Carlton Sharq Village and Spa and the Movenpick Tower and Suites Doha. In addition, the Ramada Doha has increased its room count by over 120 rooms. Despite the city still boasts the second highest revPAR in the region, after Dubai.

Lorna Clarke, Executive Director of HotelBenchmark(TM) comments: 'As expected hotel performance across the Middle East has slowed slightly compared to last year but this is still in double-digit territory. The level of investment in the region continues to astound. In the first quarter of 2007 alone, US\$2 billion is reported to have been pumped into the hotel sector. Given the continued investment, strong economic performance, and the media attention the region commands - it's not hard to see why the Middle East has the highest revPAR in the world'.

Rob O'Hanlon, Tourism, Hospitality and Leisure Partner, Deloitte Middle East added: 'The hotel industry continues to benefit from increased airline capacity, events and new attractions. Infrastructure developments and effective marketing campaigns are also all helping to raise the profile of region worldwide. So with this in mind, we expect hotels across the region to continue to reap the rewards.'

Performance of selected markets in the Middle East year-to-June 2007

	Occupancy	Average room rate	RevPAR	RevPAR
	(%)	(US\$)	(US\$)	Change (%)
Middle East	70.2	154	108	13.7
Muscat	76.3	216	164	54.8
Riyadh	80.4	212	170	40.3
Abu Dhabi	78.5	221	174	33.3
Damascus	59.0	97	57	31.8
Red-Sea Resorts	68.9	67	46	30.2
Cairo	75.7	95	72	18.4
Sharm El-Sheikh	72.9	58	42	18.1
Dubai	86.1	296	255	16.4
Hurghada	74.4	43	32	16.4
Alexandria	76.2	61	46	13.6
Luxor	63.7	38	24	13.4
Doha	76.9	232	179	-3.6
Beirut	32.9	119	39	-53.6

Source: *HotelBenchmark(TM) Survey by Deloitte*

All analysis in US\$

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