

Great Hotels Organisation predicts Middle East hotel bubble could burst by 2010

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Supply set to overtake demand forcing hotels to attract international guests

Great Hotels Organisation has announced it believes the current Middle Eastern hotel market's bubble will burst by 2010.

Currently the Middle Eastern hotel market is enjoying a period of sustained growth due to the fact that demand for rooms outstrips supply. During 2007, the Middle East hotel industry was the third fastest growing in the world, with occupancy levels increasing by 5% to an average of 71.6%. Dubai continues to achieve the highest absolute occupancy at 84.2%, yet Oman has emerged as having the region's strongest growing market. Oman's growth has been attributed to the current imbalance between demand and supply, yet with room capacity set to double by 2012, this bubble could burst as part of a wider trend also to be seen across the region as a whole.*

According to GHO, this burst is due to occur as a result of the region's over-reliance on Gulf Cooperation Council (GCC) guests. This is possible due to the high demand for a limited number of rooms, meaning occupancy can be filled by these local markets alone. With hotel construction in the region being one of the highest in the world, however, the increased number of rooms available will cause intense competition for these regional guests, even if visitor numbers continue to increase.

Adding to the situation are the high inflation levels that exist in areas like Dubai. These steady rises risk forcing industry and commerce to host their events outside the Middle Eastern region, in areas like the Far East, where costs are much lower. In the past, Singapore went through a similar market trend which led to a slump in the hotel market, resulting in GHO's similar predictions for Dubai in the future.

This negative outlook for the Middle Eastern market, however, does not have to become a reality. GHO is confident that if hotel managers in the region begin planning for the future now, a much more positive outcome can be achieved.

Debora Maloney, Director of Business Development, GHO, commented: 'It is possible for hotels to protect themselves against any potential downturn in profits but it is important that they act now. The key will be for hotels to act early to open themselves up to the international marketplace, so that any lost guests from the GCC countries can be replaced by international guests to ensure continued growth. This includes placing more emphasis on international MICE, corporate and leisure business, making it ever more important to become associated with an international hotel alliance such as Great Hotels Organisation. Joining an established alliance will enable independent hotels to draw on existing expertise to build their international business without the need for them to struggle on their own.'

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