1st Qatar

FIRST QATAR REAL ESTATE DEVELOPMENT CO.

شركة قطر الأولى للتطوير العقاري

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Hospitality Market Overview

QATAR, 2014

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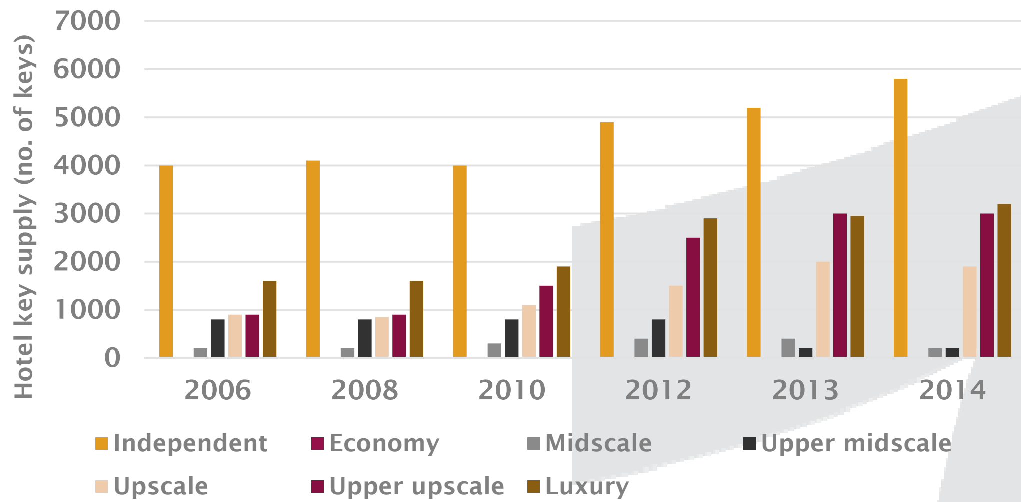
EXECUTIVE SUMMARY

- Qatar has plans to expand its leisure and hospitality offer to establish itself as a strong tourism hub in the Middle East. The Qatar Tourism Authority (QTA) has announced that their target is to attract 7 million visitors per year by 2030.
- The QTA has set out a tourism strategy outlining their approach for growing the tourism and hospitality market in the Qatar National Tourism Sector Strategy 2030.
- The Strategy was developed in line with the Qatar National Vision 2030 and the National Development Strategy 2011 to 2016 emphasizing the need to reduce reliance on the energy sector by diversifying the economy.
- As the tourism sector has come to the forefront of Doha's development goals, some of the planned projects aimed at driving demand have started to materialize.
- The new Hamad International Airport opened in 2014, expanding Qatar's airport capacity from 9 million passengers to an initial capacity of 30 million passengers per year (increasing to 50 million passengers per year when fully operational).
- Additionally, the new Doha Exhibition and Convention Centre (DECC), which provides 90,000 sq m of exhibition space, is currently under construction and set to open in early 2015. The DECC will build on Qatar's already strong MICE tourism infrastructure which includes the Qatar National Convention Centre (QNCC).
- The QNCC features multiple theatres, over 52 meeting rooms and over 40,000 sq m of exhibition space.
- Doha has already attracted a number of high profile conferences and events such as the 20th World Petroleum Congress (WPC) in 2011, the United Nations Climate Change Conference in Doha in 2012.

- The International Sustainable Built Environment Conference (ISBE) in January 2014 and the Euro money Qatar Conference, in November 2014. Since opening, QNCC has hosted over 347 events with over 197,000 delegates.
- According to annual report of Qatar Tourism Authority, Qatar welcomed more than 2.8m visitors from around the world in 2014, representing an 8.2 percent growth over 2013.
- Forty percent of the visitors came from GCC countries, 28% from various parts of Asia and Oceania, while 15% of tourists came from European countries, according to the report.
- Since 2009, international visits to Qatar have increased by 91% with an average annual growth rate of 13.8 percent.
- According to the QTA report, visits from all regions of the world have grown substantially over the past five years, with Asian/Oceania and GCC visitor markets expanding by 107% and 102% respectively since 2009.
- Visits from Europe have also surged by 82% over the past five years.

Doha’s hotel stock

- In 2009, Doha had a total supply of 49 hotels, comprising 8,509 keys, approximately 47% of which was unaffiliated or independent. By the end of 2014, this increased to 74 hotels and 13,595 keys representing an increase of 60% over the same period.
- If the unaffiliated hotels are excluded, Doha’s branded hotel market grew by over 80% from 16 branded hotels in 2009 to 29 in 2014. Qatar’s Upper Upscale and Upscale hotel sectors recorded the highest growth in supply of 175% and 106% respectively from 2009 to 2014, followed by the Luxury segment at 75% growth.
- Qatar’s Midscale segment experienced relatively modest growth of 22%. Qatar’s Upper Midscale segment grew at a significantly lower rate in comparison to the other divisions.
- Independent hotels also experienced substantial growth, recording an increase of 43%. The most significant period of supply growth occurred during 2012 when the inventory of hotel keys grew by approximately 30%.

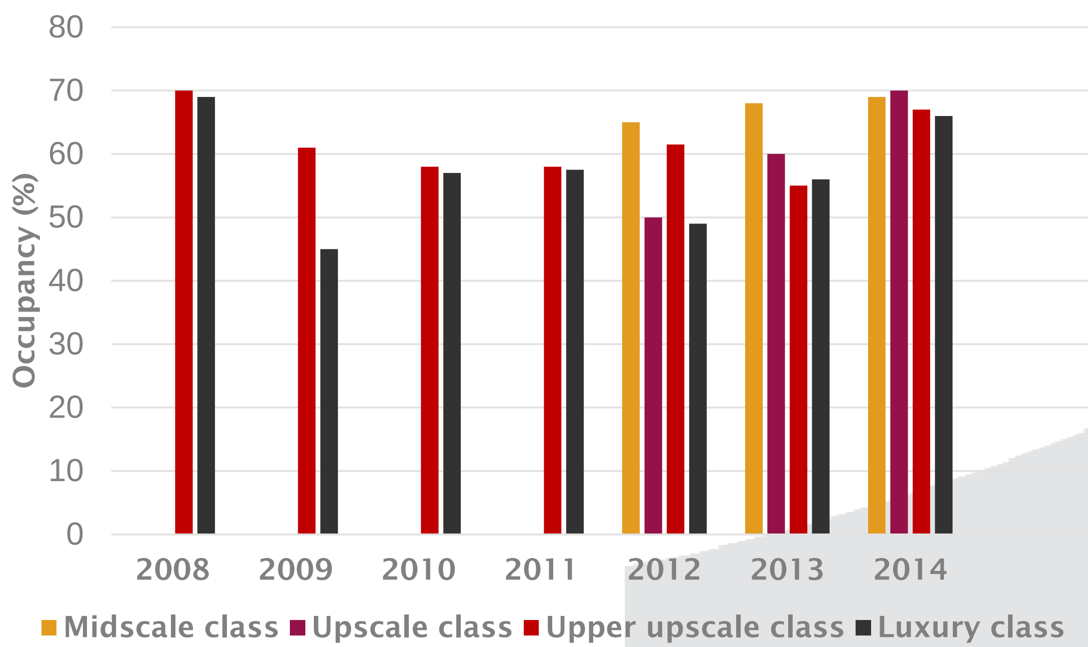


Doha market performance trends

Occupancy levels in Doha have improved in recent years

Market wide occupancy in Doha's hotels has improved in recent years having managed to partially shake off the double impact of a rise in hotel inventory and a decline in general market demand during the global financial crisis impacting the region from 2009.

Hotel Occupancy, Doha, 2008 to August 2014

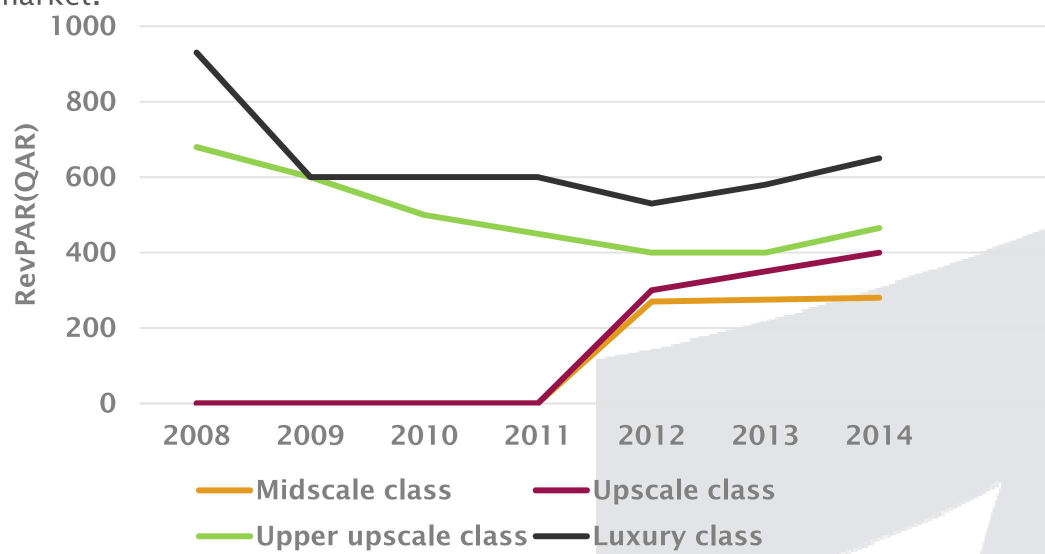


ADR's(Average Daily Rates) in Doha remain below 2008 peaks

- Strong growth in hotel room supply combined with lower levels of growth in demand continues to put downward pressure on ADRs in Doha's hotels.
- While some established hotels in Doha have been able to achieve a premium over the market average, the hotel market experienced a decrease in ADRs across the Upscale Class, Upper Upscale Class and Luxury segments, with the Upper Upscale Class recording the most significant decrease of 10% from QAR 706 in 2013 to QAR 638 August 2014.
- Luxury ADR's in Doha at August 2014 are still some 30% below the ADR's at the same period during the peak of 2008, indicating that despite the modest recovery in the market, rate discounting has occurred to drive occupancy stability in recent years.

RevPAR in Doha is substantially below 2008 peaks

- ❑ RevPAR levels have increased in 2013 and 2014 for the first time since 2008 indicating that the overall performance of the hotel market has improved from the lows of 2012.
- ❑ Following a significant drop of 20% in RevPAR levels in 2012, the market recorded modest growth of 8% in 2013 and 2014 respectively.
- ❑ This was reflected across the various market segments, with the Upscale, Upper Upscale and Luxury segments recording growth of between 8% and 11%.
- ❑ Overall RevPAR at August 2014 is 30% below the 2008 peak and Luxury sector RevPAR is still some 31% below the 2008 peak indicating a number of performance challenges for the market.

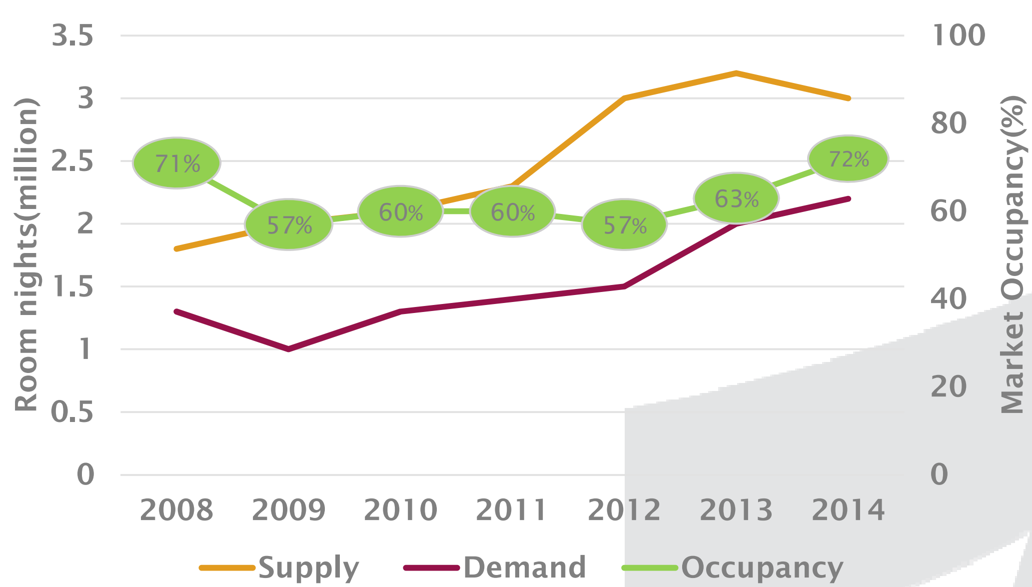


Hotel RevPAR, Doha, 2008 to 2014

Supply growth in Doha strong but not matched by demand growth

Hotel demand in Qatar, as measured in hotel rooms sold, is increasing with a recorded growth of approximately 11% per annum from 2008 to 2013. Hotel supply has increased by approximately 13% over the same period, resulting in an occupancy level of 65% at 2013. This mismatch in supply growth and demand growth has led to a decline in room rates as the market competes for customers.

Hotel Supply vs. Demand, Doha, 2008 to 2014



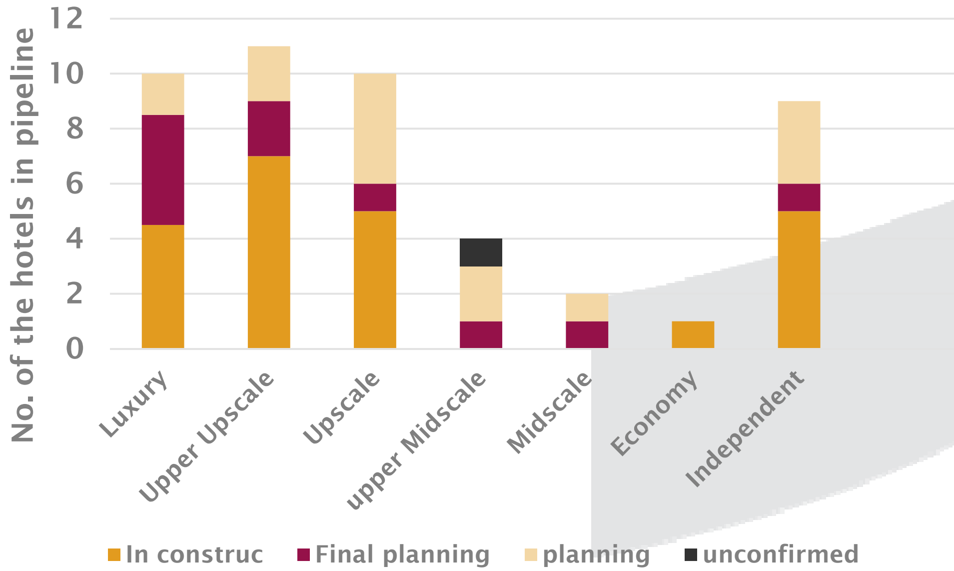
Investment continues in Doha's hotel pipeline

- ❑ Looking forward, Doha's hotel pipeline is likely to be driven by the need to meet supply targets for the 2022 FIFA World Cup, rather than a typical market demand driven approach.
- ❑ Typically a market demand led supply growth approach would trigger additional supply being considered when the market maintains occupancy performance above 65% for around three years or more.
- ❑ There is a substantial amount of supply in the pipeline with over 44 hotels across all market sectors in varying stages of planning or construction, primarily in the Luxury, Upper Upscale and Upscale segments which are estimated to provide over 11,000 additional keys.

Hotel Supply and Demand Growth, Doha, 2008 to August 2014

- The Midscale and Economy hotel pipeline is quite limited in Doha with only a few hotels under construction or in the planning stages suggesting that there is potential to consider development in this sector.
- Approximately 67% of the upcoming hotel supply in Doha is within the Luxury, Upper Upscale and Upscale segment with 30 hotels or 7,253 keys at various stages of construction and planning. Independent hotels account for 18% of the total upcoming supply (8 hotels consisting of 2,087 keys). 7% of the total upcoming supply falls within the Midscale and Economy segments consisting of 7 hotels with 1,369 keys.

Hotel Development Pipeline, Doha, Q2 2014



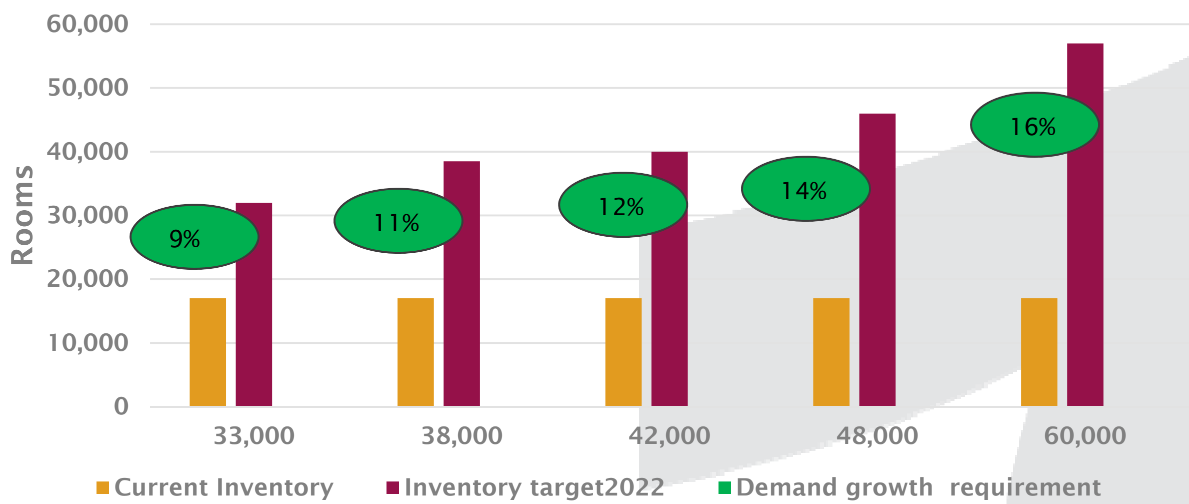
Doha, a growing hospitality destination.

- Driven by improving fundamentals, Doha’s hotel market achieved 72% market wide occupancy levels in 2014, despite the significant increase in supply over the last 2 years.
- The rise in demand for hotel accommodation in Qatar in recent years is in part as a result of an increase in business travel as a result of Qatar’s preparations for the 2022 FIFA World Cup and related infrastructure and other major developments.
- Through its Qatar National Tourism Sector Strategy, Qatar is diversifying its leisure offering in order to attract demand from a more diverse target market.
- The Travel & Tourism Competitiveness Report 2013, published by the World Economic Forum, ranked Qatar at 41 globally on the Travel and Tourism Competiveness Index in 2013, up one place from the last assessment in 2011.
- This places it as second in the Middle East region following the UAE. Its ranking is partly attributed to the superior airport infrastructure and the fact that Qatar benefits from a safe and secure environment.
- Hotel supply in Doha has been increasing at a CAGR of 13.4% from 2008 to 2013, with demand increasing at a lower rate of 10.7% over the same time period.
- The gap between supply and demand growth is expected to increase as developers push ahead to meet the targeted supply of rooms for 2022 FIFA World Cup.
- While investment into the hospitality and tourism sector in Qatar is growing and demand is steadily increasing, there is a risk that the demand growth will not be sufficient in order to sustain this level of supply growth post 2022 FIFA World Cup.

The 2022 Supply challenge

- Hotel demand in Doha has grown at an average rate of just below 11% per annum over the last 5 years. If we assume that this level of growth continues, the market should be able to support approximately 38,000 hotel rooms in total by 2022, assuming a target minimum occupancy of 60%.
- Adopting the same approach we estimate that at a constant rate of 12% annual demand growth the Doha hotel market could support 42,000 rooms. Whereas to support the 60,000 rooms targeted by FIFA, the level of demand growth required is approximately 16% per annum between 2014 and 2022. At this level of growth, hotel demand would need to double from its current levels before the end of 2019.

Hotel Demand Growth Requirements to Support Accommodation Inventory Targets for the 2022 FIFA World Cup



- Significant tourism infrastructure needs to be developed in order to support such levels of demand now and beyond 2022.
- Notably, the nature of demand after 2022 is likely to change from the current demand profile which is to a relatively large extent driven by ‘construction’ related industries.
- After 2022, this source of demand is likely to be very different and may present challenges in the market.
- The QTA has ambitious plans to address the legacy beyond 2022 with tourism infrastructure and strategies to support tourism demand growth.
- It is recognized that there are plans to address the long term tourism vision for Qatar. Clearly there is limited time to construct the high volume of hotel rooms required to meet the 2022 targets.
- To deliver 42,000 rooms, i.e. 210 new hotels over 7 years, at a rate of over 30 properties per year will require focus in order to achieve delivery, particularly when compared to Qatar’s peak delivery rate of 12 hotels in 2012.

SOURCE & REFERENCE

- Deloitte
- STR Global
- Qatar Statistic Authority
- Euromonitor.com
- Dohahamadairport.com
- Qatar Tourism Authority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Thank You…!