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Overview on Hotel & Hospitality, Retail market and Serviced Apartments in Muscat

September, 2015



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Country Profile

Named by few as “the most spectacular destination on the Arabian Peninsula”, the Sultanate of Oman offers a rare combination of geographical variety including mountains and breathtaking coastal areas.



Located on northeastern coast of Oman, in proximity to the strategic Strait of Hormuz, Muscat is the capital and largest city in Oman. The economy is dominated by trade, with Mina Sultan Qaboos Port being a large hub between the Persian Gulf, the Indian subcontinent and the Far East. The main pillar of the economy is the Petroleum Development Oman (PDO), the country’s second largest employer after the government. With the current strategy aiming to diversify the economy, the tourism sector is growing its importance to the national economy. According to the World Travel and Tourism Council’s forecast, this is expected to reach a total contribution to GDP of 8.2% by 2024. Driven by the country’s 2020 Vision, considerable growth in arrivals is projected over the next years, leaving Oman in preparation to accommodate the increased demand by launching new hospitality developments.



Economic Overview

Oman's economy is driven primarily by Oil & Gas, Real Estate and Construction. As per IMF, the growth in real GDP stayed consistent at 5.1% in 2013 but is expected to fall to 3.4% in 2014 due to softer growth in the hydrocarbon sector.

Macro economic Indicators

Indicators	2011	2012	2013	2014	2015f
Real GDP (%)	5.5	5	5.1	3.4	3.1
Nominal GDP (\$bn)	58.64	67.93	76.34	78.18	81.79
CPI Inflation (%)	4.1	2.9	1.6	2.7	3.5
Population (mn)	2.99	3.29	3.83	4.09	4.21
Exchange rates (OMR/\$)	0.3845	0.3845	0.3845	0.3845	0.3845
Short term interest rate (%)	6.20	5.90	5.40	5.60	5.90

Source : IMF, WTTC

The Gross Domestic Product (GDP) in Oman was worth 81.79 billion US dollars in 2014. The GDP value of Oman represents 0.13 percent of the world economy.

GDP in Oman averaged 16.76 USD Billion from 1960 until 2014, reaching an all time high of 81.79 USD Billion in 2014 and a record low of 0.04 USD Billion in 1960. GDP in Oman is reported by the World Bank Group.

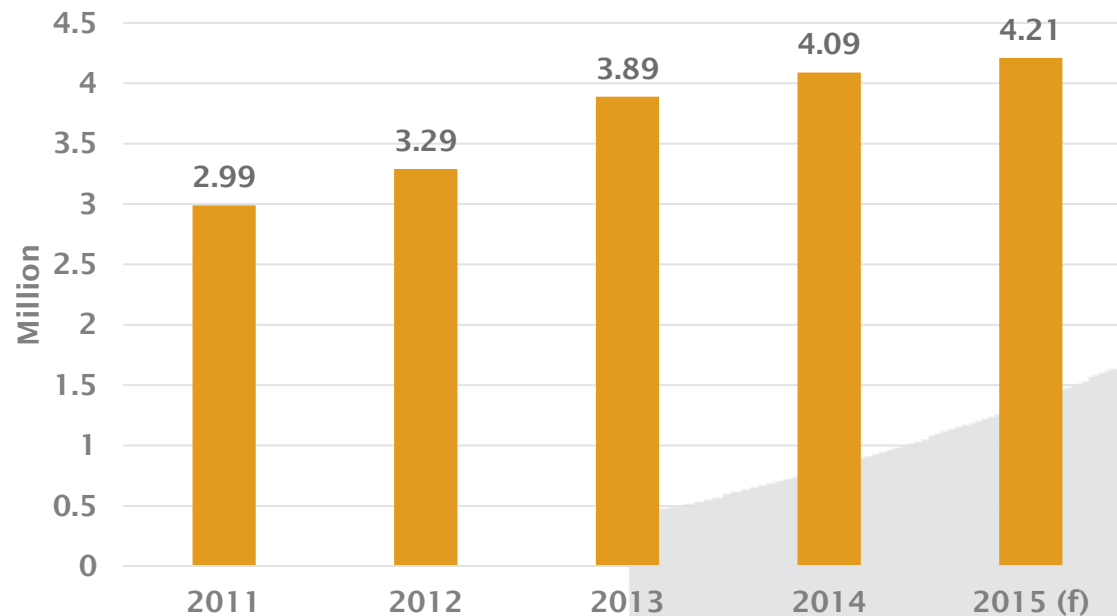


Demographics

As a consequence of the development of the country, the ongoing mega-projects and Oman's dependence on imported skills, the country is witnessing an influx of expatriates.

The population is 4.09million as of December 2014, of which 2.1 million represent expatriates. The forecast growth will represent mainly additional expatriate arrivals in the country, on the back of ongoing mega-projects especially in the infrastructure and hospitality sector.

Population



Source: Business Monitor International



The Tourism Sector

Testament to the constantly increasing importance, according to the 2013-2014 World Economic Forum index on travel, Oman's tourism competitiveness ranked 33 out of 148 participant countries.

This positions the Sultanate's tourism competitiveness fourth in the MENA region, after the UAE, Qatar and Saudi Arabia and ahead of other well-established tourist destinations such as Turkey, Thailand or Italy.

The growing tourism sector benefits from a sum of strengths including a safe and secure environment, good tourism infrastructure, unique geographical offerings and good transportation infrastructure.

Capitalizing on its unique offerings, Muscat manages to successfully compete with well-established destinations within regions, achieving the highest regional RevPAR after Dubai, Jeddah and Riyadh.

Muscat Hotel Performance

	2011	2012	2013	2014	2015f
Occupancy (%)	53	60	65	67.7	69.0
Average rate in USD	245.0	219.0	226.0	232.1	236.9
RevPAR in USD	130	131	147	144.7	149.7

Source : HVS Research report



New Airport Development – Muscat Airport

Muscat International and Salalah International Airport including three regional airports are under development and will be the new gateway to the Sultanate of Oman.

The New Salalah International will be able to handle one million passengers per annum and the new Muscat International Airport will have capacity to handle 12 million passengers per annum (MPPA).

The new airports are designed as ICAO (International Civil Airport Organization) category 4F airports and shall be able to accommodate the world's largest aircraft, the Airbus A380. The runway has been designed to enable independent parallel operation.

The passenger terminals are designed to the latest "state of the art" technology and in accordance with IATA (International Air Transport Association) Service Level A standards.

The total gross floor area for the new Muscat International terminal building is 344,995 m² with an overall airport land area of 21 km². Further expansions are planned for Muscat International airport in three subsequent phases, ultimately boosting the airport's capacity to 24, 36 and 48 MPPA.

There are 10 Main Contracts (MC) delivering the new Muscat and Salalah International airport and 3 Standard Nationwide Contracts (SNC) for all airports.

Muscat- Keyfacts

- Muscat Terminal Building total gross floor area – 344,995 m²
- ATC tower height – 97 meters
- 96 check-in counters



New Airport Development – Muscat Airport

- 29 passenger boarding bridges
- 30 aircraft remote stands
- 5,500 bags per hour baggage processing capacity
- Two parallel runways, capable to serve world's largest aircraft A380
- Airside hotel (90 rooms capacity for 12 MPPA)

Salalah – Keyfacts

- Salalah Terminal Building floor area – 65,638 m2
- ATC tower height – 57 meters
- 24 check-in counters
- 8 passenger boarding bridges
- 8 aircraft remote stands

Speaking to the Observer, Saeed Khamis al Zadjali, acting CEO, Oman Airports Management Company (OAMC), said that the development of new airports with adequate capacity to meet demand for the foreseeable future is essential part of this strategy.

Al Zadjali said that the work on the new Salalah airport is almost 90 per cent complete and would be ready for trial runs probably from October or November this year. The airport should be operational in 2015 within three to four months of trial runs and most probably, the opening of this airport would be in 2016. “We do not anticipate the new Muscat airport to be opened for operations in 2015,”



Oman Air Growth

Oman Air is pursuing ambitious fleet expansion and simplification as part of a plan to double its fleet and add more than 25 new destinations over the next six years.

The flag carrier has decided to phase out ATR turboprops and Embraer regional jets as it seeks to operate two or – at most – three aircraft types.

Oman Air began new expansion phase in late 2014

Oman Air passenger numbers have grown five-fold over the last decade from less than one million in 2004 to 5.1 million in 2014.

But passenger traffic grew by only 2% in 2014, representing the slowest growth in over a decade and the first time since 2006 that growth was in the single digits.

But in late 2014 Oman Air began implementing a new expansion phase which will result in the resumption of rapid passenger and capacity growth in 2015.

Oman Air took delivery of seven aircraft in 4Q2014 – including three A330-300s, three 737-800s and one 737-900ER.

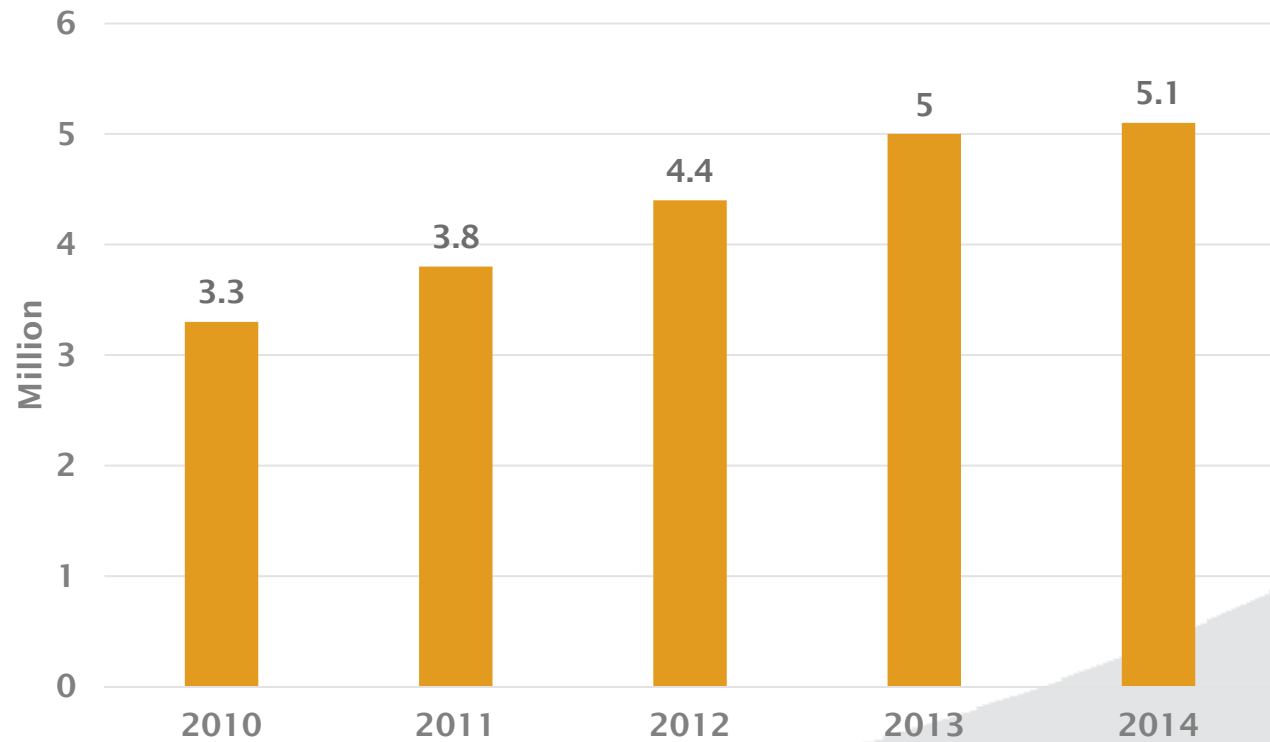
Oman Air ended 2014 with a fleet of 35 aircraft consisting of six A330-300s, four A330-200s, 17 737-800s, one 737-900ER, one 737-700, four E175s and two ATR 42-500s.

The six aircraft delivered in 4Q2014 were the first batch of new aircraft under an expansion plan that was initially approved by the Omani Government in 2013.



Oman annual passenger growth

Oman annual passenger growth



Source : Airport Council International, PACA

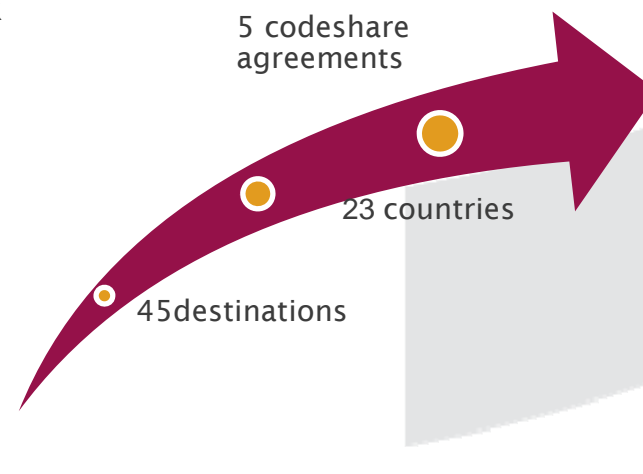


Oman Air fleet: as of 31-Mar-2015

Aircraft	In service
Airbus A330-200	4
Airbus A330-300E	6
ATR 42-500	1
Boeing 737-700	1
Boeing 737-800	19
Boeing 737-900ER	2
Boeing 787-8	0
Embraer E175LR	4
Total	37

Source : Oman Air, HVS

Oman Air Network





Hotel Market Overview

Oman has benefited from a number of recent government initiatives to increase the number of tourists visitors to the country.

Other than improvements to the general infrastructure such as airports and road, the initiatives have included road shows to both developed and developing countries and advertising campaigns on global television channels such as BBC World News.

Oman has also benefited from prolonged instability in other regional markets such as Egypt and Tunisia and is regarded as a safer more stable option.

Furthermore, Muscat has been recognized by number of international travel organization in recent years.

Lonely Planet guide ranked Muscat as the second must visit place for 2012, second only to London, Muscat was named Capital of Arab Tourism for 2012 and National Geographic Magazine ranked Oman in its top 20 tourists destinations of 2012.

Oman Ministry of Tourism has opened representative offices in keys markets to showcase Oman and Omani events and tourism. A recent addition has been the opening of an office in Riyadh.

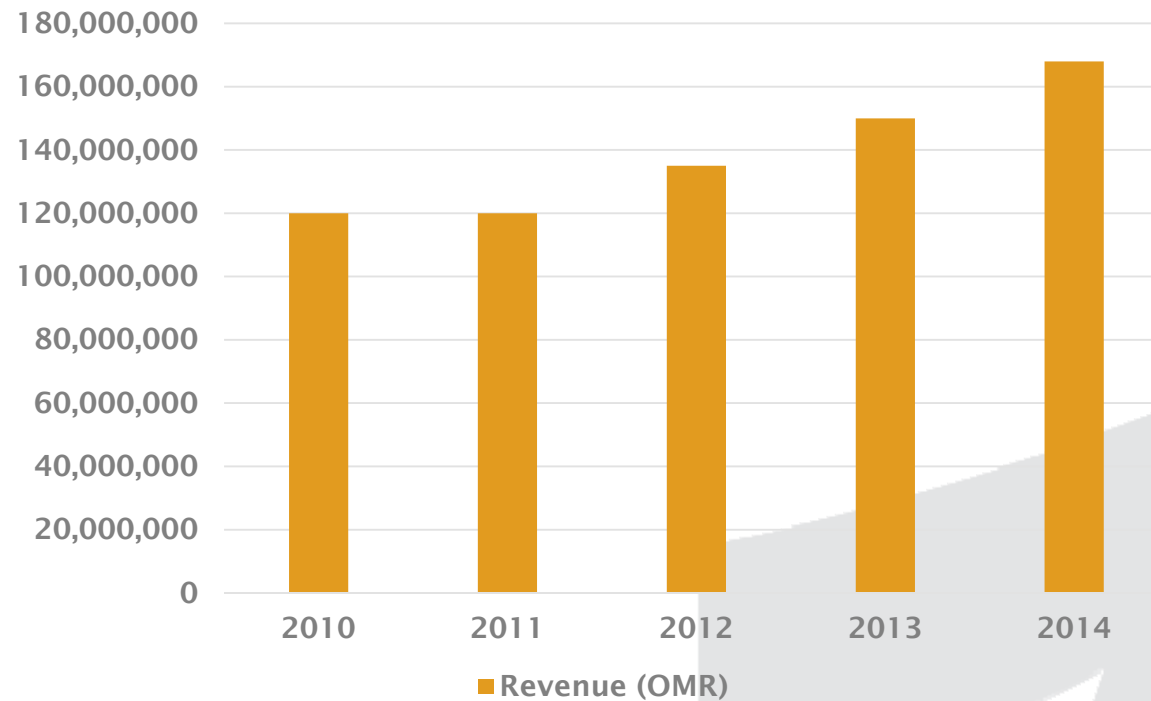
The initiatives are part of the drive to increase the number of visitors to Oman to 12mn by 2020 from the 1.6 million tourists in 2011.

The tourists statistics for 2013 show that the number of tourists increased by 10% during 2013 to reach a total of 2.1mn visitors.



The number of hotel guests has increased year on year over recent times. It is likely this pattern will continue into foreseeable future as more initiatives are implemented and more hotel accommodation comes on line. The latest recorded statistics for 2014 shows a total of 785,612 four and five star guests in 2014, as an increase of 26.1% on the comparative figure of 622,805 guests in 2013 (NCSI).

Oman hotel revenue - 4 and 5* hotels)



Source : National Centre for Statistics and Information (NCSI)



The figures released by NCSI for 2013 indicates an increase in revenue of 11% between 2012 and 2013 for four and five star hotels and a further increase of 10% between 2013 and 2014.

The World Economics Forum in their annual Travel and Competitiveness Report (2013) ranked Oman 57th with an estimated revenue of 812mn OMR(US\$ 2.11bn).

They also predicted average annual growth of 5.2% over 2013-2022. Oman was ranked 68th in 2009 and 61st in 2011.

It is expected that the tourism industry will become one of the largest contributors to GDP by 2022. In 2011 tourism accounted for 2.6% (Oman Ministry of Tourism) of GDP and the World Travel & Tourism Council (WTTC) expects the direct contribution of the industry to grow by 5.4% per annum to 3.3% of GDP by 2021, assuming constant prices and exchange rates.

The overall contribution to the economy by tourism related activity is expected to increase from 6.8% of GDP in 2011 to 7.7% of GDP by 2021.

The Muscat hotel market is dominated by a handful of international four and five star operators:

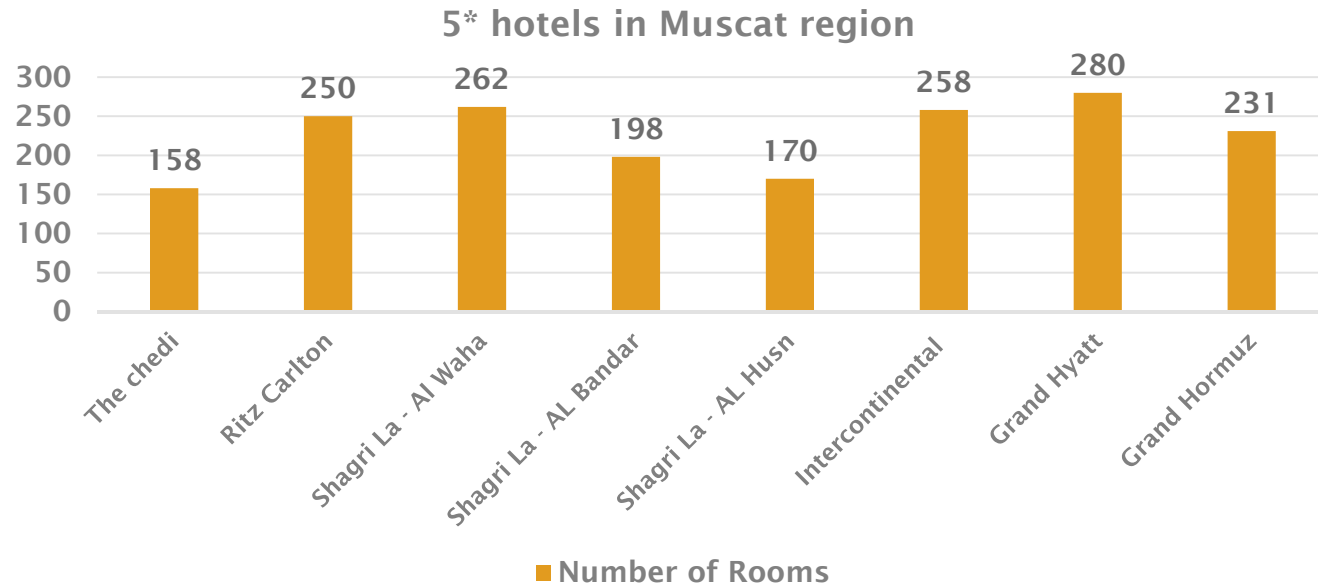
The intercontinental,

Crown Plaza,

Grand Hyatt,

Radisson Blu and Park Inn, being amongst the highest occupied.

The total Five star offering with the wider Muscat region is illustrated in the table below.



The Hormuz grand which was opened in Sep 2014 near the airport, is the first five star hotel to open in Muscat since the Shangri La hotels in late 2005, however the development pipeline is extensive many of which were conceived at the height of the market and only exist on paper.

In addition to the subject hotel, other 5 star operations reported to be completed within the next 2-3 years include the following:

- The refurbished 230key Sheraton hotel in Ruwi
- The new 300 key Kempinski hotel at the Wave
- The new 206 key Jumeirah resort hotel at Saraya Bandar Jisha
- The 296 key Crown Plaza hotel at the Oman Convention and Exhibition Centre
- Several hotels at Jebel Sifah are also in the potential development pipeline

Occupancy rates have increased dramatically over the last few years with limited new stock coming to the market combined with the increase in tourist visitors. The rates being achieved and advertised at 4 star hotels in Al Ghubra, Muscat, Oman as a whole. The general published daily rates for 2015 as follows:

Type of Room	Area m ²	Average Rates (OMR) – Per night
Single Standard Room	21	45
Executive Room	20	45
Double Standard Room	25	73
Superior Double Room	28	76
Business Class Room	30	80
Deluxe King Room	33	80
Double studio suite	45	90
Royal suite	48	100
Double Junior suite	62	135

Top listed 4 star hotels in Al Ghubra	
Name of the Hotel	No of Rooms
Johny International Hotel	40
Al Maha International Hotel	70
Al Madinah holiday	107
Majan Continental Hotel	159

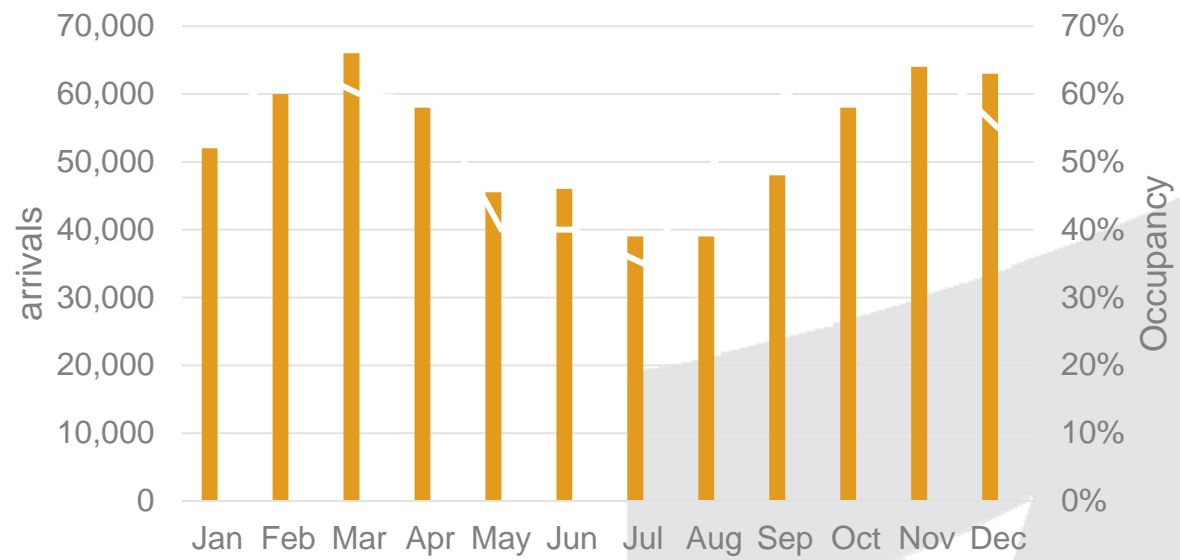
Note : *Not included : 8% service charge & 9 % city tax*



Seasonability

With the hotel market generally benefiting from stronger occupancy during the first, second and fourth quarter, Muscat exhibits a rather typical seasonality, following the structure pervasive throughout the Middle East and determined primarily by weather conditions.

The highest level of occupancy is observed from November to March, with occupancy traditionally exhibiting a trough between July and September due to the extreme heat and weaker demand during the month of Ramadan. Nonetheless, the moving impact of Ramadan will gradually observe through periods shift into previous peak periods, thereby impacting through periods in the near- to mid-term.



Source : Ministry of Tourism, PWC



The Omani Retail Market

The focus on attracting “value brands” to Muscat’s shopping malls persists and this is an emerging strategy for most mall operators. At Markaz Al Bahja for example, there has been a notable rise in footfall, rental values and occupancy following the introduction of Matalan and Red Tag as the shopping centre’s two main anchor outlets. Red Tag, which is a fashion and home furnishing brand, has moved quickly to capitalise on the demand for mid-range brands and has expanded to six outlets across Oman.

Another example of the focus on the “value” sector has been at Muscat Grand Mall where R&B, a value fashion outlet, and Homes’ R Us, a midrange home furnishing outlet from the Apparel Group, have been positioned as the mall’s two main anchors.

Another value retailer that has experienced rapid growth is Centrepont of the Landmark Group. In addition to Al Khuwair, Centrepont has developed further retail stores in Ruwi, Muscat City Centre, Sohar and Salalah.

A new Centrepont outlet will also open at the Barka Mall that is currently under construction, while its existing store in Al Khuwair is being expanded. Hypermarket chains expanding While mall operators may be reconfiguring their retail offering, the hypermarket sector has continued to create and capture further market share and remains central to the retail mix at most major shopping malls.

Lulu Hypermarket and Carrefour, for instance, both of which have a high market penetration across the Sultanate, are set to be joined by SPAR, the Dutch supermarket chain, which signed a deal with Kimji Ramdas in 2013 to introduce nine supermarkets into Oman by 2016



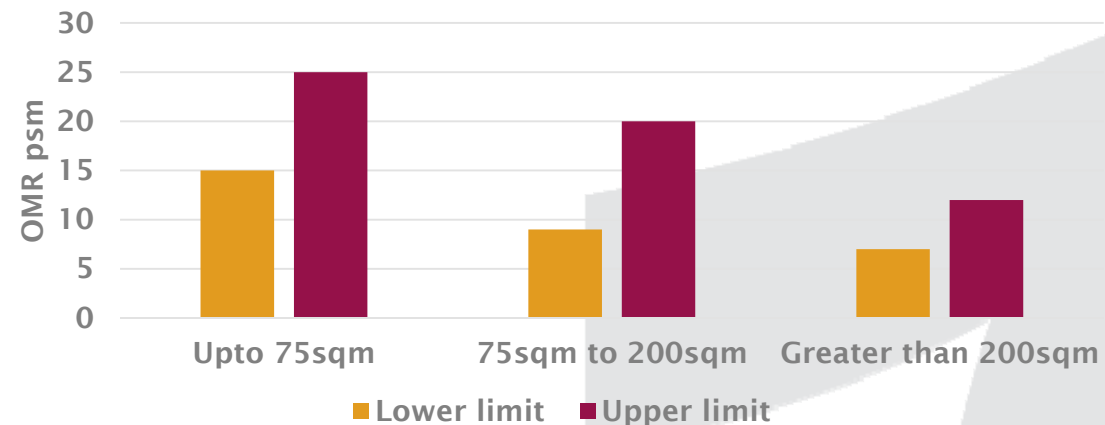
The Omani Retail Market

In the face of the rising demand, the forecast of some 380,000 sqm of mall space that is expected over the next two years may to an extent temper rental growth potential.

High street retail still buoyant Despite the surge in mall retail space, high street retail has continued to remain popular, especially in densely populated parts of Muscat, with Ruwi High Street, Al Khuwair Commercial Street, Seeb High Street and Al Khoud High Street all operating at near 100% occupancy.

The focus of these streets is generally on local and value outlets rather than international brands. They are aimed at the requirements and spending power of the general population rather than being more “aspirational” as is generally the case with the larger malls. The strength of demand for units is reflected in the fact that rents are generally equivalent to those achieved by top tier malls.

Typical monthly high street rents





Serviced apartment overview

Serviced accommodation in Muscat is limited and is generally offered as non-branded locally run accommodation or within housing compounds such as Dolphin Village and Muscat Oasis Residence. Typically, the existing serviced units are fully furnished, available on short-term lets with the cost of utilities and other facilities included, rather than being fully serviced accommodation.

The top listed serviced apartments in Muscat are listed in the table below with the total number of apartments available.

Name of the Apartments	No. of Apartments
Muscat Oasis Residence	60
Delmon Hotel Apartments	81
Tiger Home Apartments	54
Safeer suites	77
Safeer Plaza	60
Midan Hotel suites	37
Pioneer Hotel Apartments	32
Al Ferdous Hotel Apartments	26
Nuzha Hotel Apartments	50
Millennium Executive Apartments	115



Serviced apartment overview

Alternatively a number of the hotels offers some suites on a basis similar to standard serviced apartments. The Millennium Executive Apartments have opened in Q1 2015 as a part of Tlal Complex Muscat Grand Mall. These represent the first serious professional, branded serviced apartments in Muscat. Serviced accommodation has been an area of interest to developers and investors in recent years.

Demand for serviced accommodation in Muscat is reasonable, but most visitors on business to the city staying for 1-3 months tend to stay at hotels as they are better located, offer more facilities and services than the existing serviced accommodation and most hotels in the city offer discounts on long term bookings.

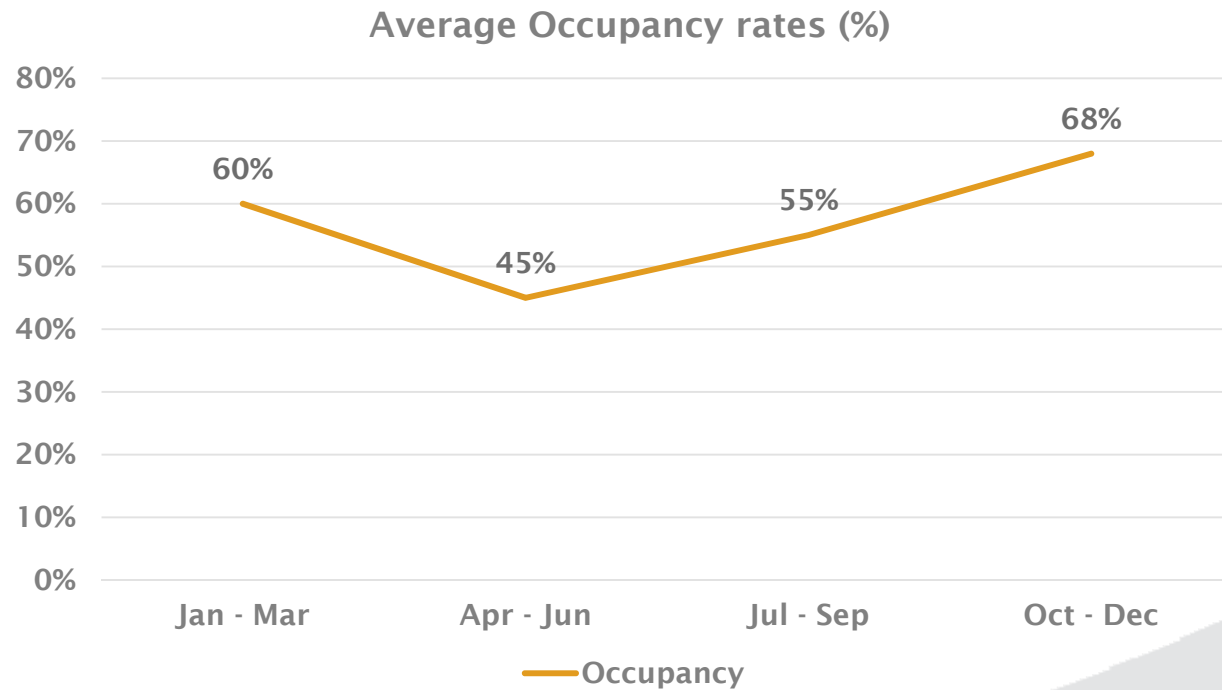
The current diverse nature of the serviced apartment offering in Muscat is illustrated by the spread of average daily rate between the various operators in the market as shown in the table below.

Villas/Apartments	Area m ²	Rates (OMR) - Included tax and charges		
		Daily	1-6 months	6-12 months
Studio	45	45	1250/month	875/month
1 Bedroom Apartment	90 - 106	55	1550/month	1085/month
2 Bedroom Apartment	110 - 140	85	2450/month	1715/month
3 Bedroom Apartment	140 - 166	105	2850/month	1995/month



Serviced apartment overview

Average Occupancy rates of the Serviced Apartments





Source

- **Alpen capital**
- **Ministry of Tourism**
- **PWC**
- **National Centre for Statistics and Information(NCSI)**
- **Oman Air & HVS Research**
- **Business monitor International**
- **IMF & WTTC**
- **Air Council International & PACA**
- **Safeersuites.com**
- **Delmonhotelapartments.com**
- **Tigerhomeapartments.com**
- **Midanhotel.com**
- **Milleniumexecutivespartments.com**
- **Piioneerhotelapartments.com**
- **Tripadvisor.com**
- **Cluttons.com**
- **Oxfordbusinessgroup.com**
- **Gulfnews.com**



Thank You...!