HotelBeat

Destination: JEDDAH, KINGDOM OF SAUDI ARABIA

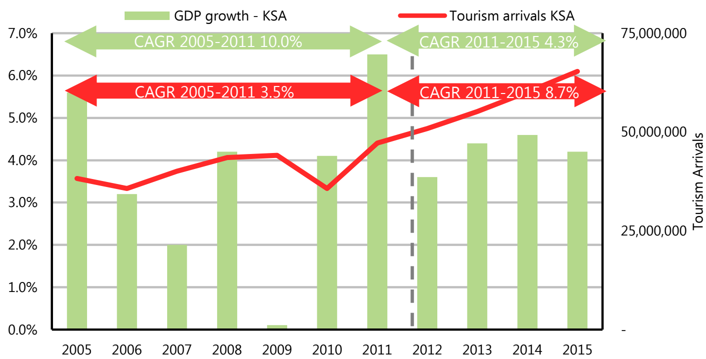
MAY 2012

DESTINATON OVERVIEW

Jeddah, often referred to as "The Bride of the Red Sea", is the second largest city in KSA with a young and rapidly growing population of 3.4m. Of this total, 1.7m are expatriates, the highest expat ratio anywhere within the Kingdom, contributing to Jeddah's cosmopolitan character. Accessibility through its Red Sea port and King Abdul Aziz International Airport (located 18km north of Jeddah, handling in excess of 15m passengers per annum) has turned Jeddah into an important commercial hub. In addition to business tourism, the city benefits from a large number of religious tourists, as it is the principal gateway to the holy cities of Makkah and Madinah. A vast number of waterfront resorts and excellent shopping malls make it a popular leisure destination for Saudi nationals. Future prospects for Jeddah are bright with KAI Airport undergoing a US$ multi-billion expansion (increasing capacity to 30m passengers by 2013 and 80m by 2030) and the city's North Corniche witnessing an ambitious public realm upgrade and real estate construction boom to further raise the profile of Jeddah as an attractive tourist destination.

ECONOMIC TRENDS

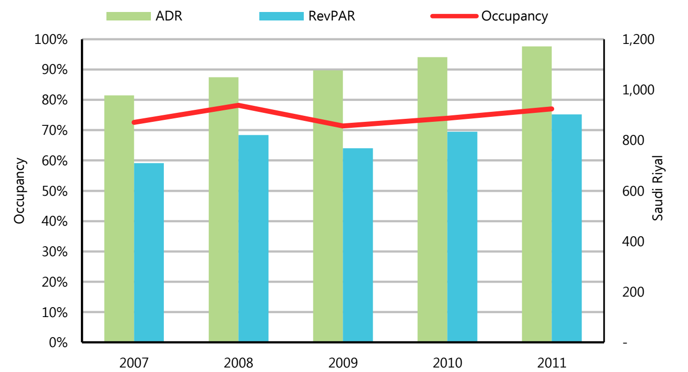
Over the last decade, the Saudi economy has experienced strong economic growth, largely fuelled by its dominant oil sector. Looking forward, the IMF is estimating GDP growth rates in the region of 4.0%-5.0% annually. GDP in the Makkah region, for which Jeddah is the economic engine, is SAR 217.5 billion (US$58bn), the third highest in the Kingdom. Receiving over 6m overnight visitors per year, tourism is one of Jeddah's primary economic sectors, but remains highly contingent on domestic tourists (75%+). Forecasts indicate that arrivals to the KSA will grow by CAGR 8.7% until 2015.



Source: IMF, SCTA (MAS) and Euromonitor International

HOTEL PERFORMANCE TRENDS

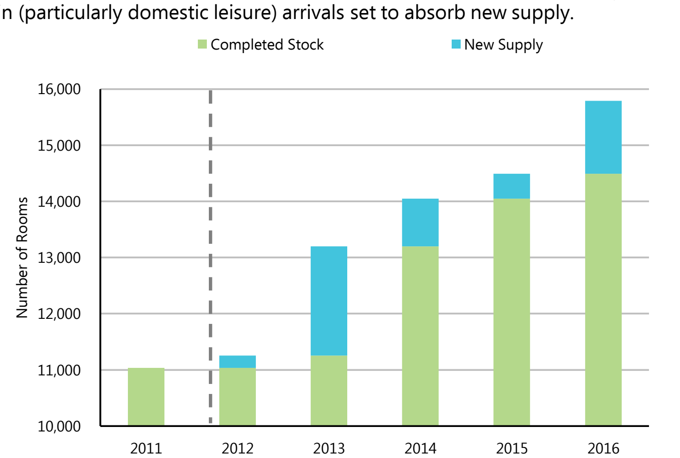
Bolstered by a strong leisure segment, Jeddah's average occupancy in five-star hotels exceeded that of all other cities in KSA in 2011, increasing by 4.2% compared to 2010 levels. In ADR terms, the market reached a record of SAR1,172 (US$313) representing year-on-year growth of 4.6% since 2007, while RevPAR saw 6.2% CAGR over the same period, reaching SAR902 (US$241) in 2011. Driven by increased investment in tourism infrastructure and the continued development of the city's leisure offer, the long-term prospects for the Jeddah hotel sector are positive.



Source: STR Global

HOTEL SUPPLY

Nearly 50% of Jeddah's hotel supply, which currently stands at c.11,000 rooms, is of four- and five-star standard. The anticipated pipeline is significant, with an additional 4,750 rooms (mostly of five-star quality) to be added to the marketplace by 2016. This surge could create challenging market conditions in the short term, with occupancy likely to drop materially in 2016 when most of the new supply is expected to open. However, in the longer term the outlook for Jeddah's hotel sector looks positive with growth in (particularly domestic leisure) arrivals set to absorb new supply.



Source: Whitebridge Hospitality

DESTINATION MAP

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