



HotelBeat

Destination: RIYADH, KINGDOM OF SAUDI ARABIA

MAY 2012

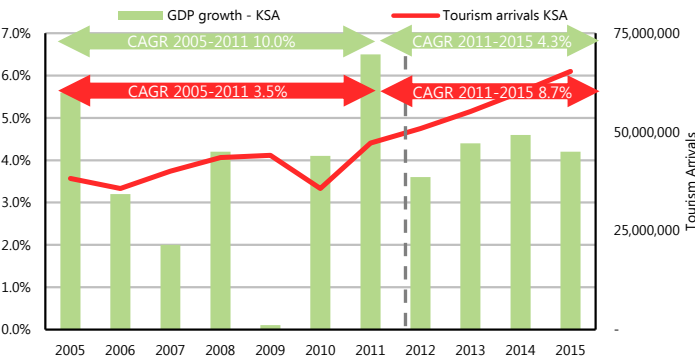


DESTINATION OVERVIEW

The capital city of Riyadh has a population of just over 5.2m and, with 4.2% year-on-year growth since 1990, is one of the fastest growing cities in the world. Strategically located in the centre of KSA, Riyadh has developed into the country's prime commercial hub and a leading business tourism destination. In addition to business visitors (48% of all arrivals), there is strong demand from longer staying VFR visitors as well as domestic shopping visitors. Home to a growing number of trade shows and events, Riyadh is also an increasingly important MICE destination. The city is rapidly expanding towards the north, with several large scale strategic new developments (oriented towards high value service and research sectors) approaching completion, including the 3.0 million sqm government sponsored King Abdullah Financial District (to which all companies and institutions operating in the financial and banking sectors in Riyadh will be required to relocate their offices) and the 776,000 sqm Information Technology & Communication Centre, both strong generators of future hotel demand.

ECONOMIC TRENDS

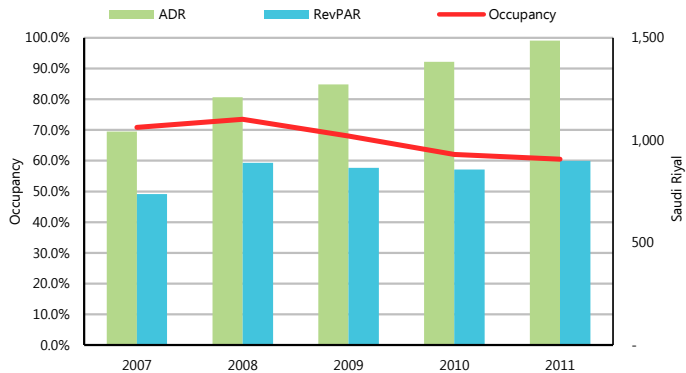
Over the last decade, the Saudi economy has experienced strong economic growth, largely fuelled by its dominant oil sector. Looking forward, the IMF is estimating GDP growth rates in the region of 4.0%-5.0% annually. Riyadh city has a GDP of SAR60bn (US\$16bn) and receives around 4m overnight visitors per year. Alongside increased foreign investment, the number of international arrivals to Riyadh has more than doubled since 2005 and currently makes up nearly half of all arrivals. Forecasts indicate that arrivals to KSA will grow by CAGR 8.7% until 2015, which bodes well for Riyadh.



Source: IMF, SCTA (MAS) and Euromonitor International

HOTEL PERFORMANCE TRENDS

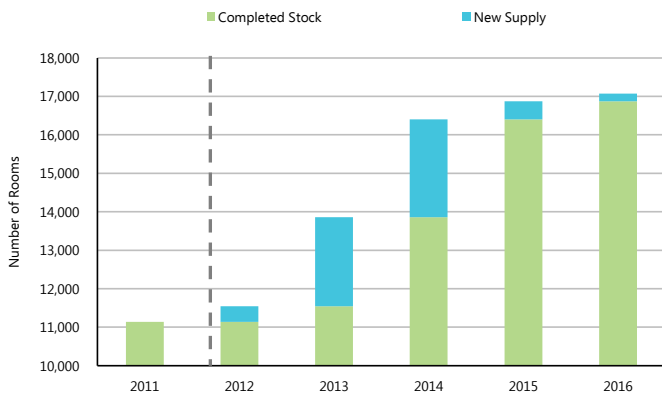
Influenced by strong seasonality and lack of a strong leisure appeal, market occupancy of Riyadh's five-star hotel market has been constrained to around 67% occupancy on average per annum over the period 2006-2011. Occupancy levels have been falling steadily since their peak in 2008 (at 73.5%), due to a combination of the global economic crisis, political unrest in the Middle East and new supply opening in Riyadh in recent years. Average room rate, on the other hand, has grown by 13.3% per annum over the same period to an impressive SAR1,486 (US\$396).



Source: STR Global

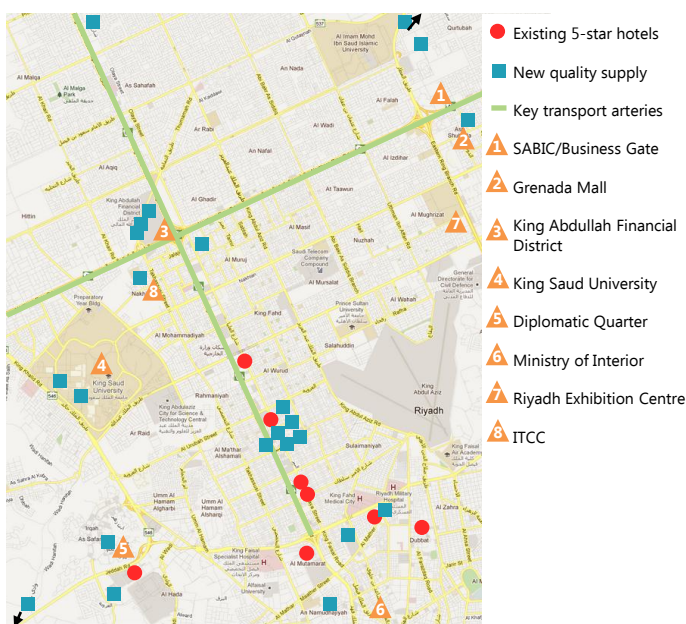
HOTEL SUPPLY

More than two-thirds of Riyadh's hotel supply (currently c.11,000 rooms) is of four- and five-star standard. The identifiable pipeline will add over 6,000 internationally branded quality rooms to the marketplace by 2016, representing a potential increase of 55%. In addition, there are a number of local brands with new projects in the pipeline. Occupancy is expected to fall dramatically in 2014, when most new supply is expected to open. However, as the volume of new supply slows, occupancy levels should recover again, but are unlikely to return to their pre-crisis levels for some time.



Source: Whitebridge Hospitality

DESTINATION MAP



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