HOTSTATS
Hospitality Intelligence

PROFIT MATTERS:

MENA Annual Hotel Performance Tracker

2019

HOTSTATS
Hospitality Intelligence

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WELCOME

More than a century ago, oil became the hottest commodity to sweep the globe. It powered much of everyday life and continues to help drive modern society. Like the oil boom, a new digital era has birthed today's most transformative and valuable resource: data. It powers our decisions, helping remove guesswork from the equation. Data is the new oil.

In the hospitality industry, data is the strongest currency because hunches just don't cut it any longer. The more data you have, the better positioned your hotel is for success. This is especially true as the industry continues to be faced with myriad challenges—both micro and macro—from the impact of tax reform and interest-rate vacillation, to intermediaries and the rising cost of labour.

Like any business, a hotel's success or failure is measured on profit and loss: the ability to maximize revenues while simultaneously containing costs. In order to achieve that balance, hotel owners, operators and asset managers need detailed, robust and actionable data they can use to deliver operational efficiency across the board, across all departments.

That is where HotStats comes in; the sabermetrics of the hotel industry, if you will. We take a statistical approach to hotel industry analysis in order to evaluate and compare performance.

We are proud to publish findings from our second annual "Profit Matters: Annual Hotel Performance Tracker," which presents comprehensive monthly data for the full calendar year 2018. In this publication, we look at revenue and expense composition and the trends that are impacting the ability of hoteliers to propel profitability—from the room and F&B departments' effect on TRevPAR to the efficiency of operators to drive margin.

The data is drawn from our comprehensive hotel profit-and-loss benchmarking service, which tracks operational hotel performance on a month-by-month basis to a level of detail that comprises more than 500 key performance indicators.

How we do it? We compile detailed trial balance data and, through intricate mapping and analysis, ensure the greatest levels of comparability, in compliance with the 11th edition of the Uniform System of Accounts for the Lodging Industry (USALI).

What we offer? All this data allows us to outfit the collective industry with benchmarking and market reporting on a granular level and in a manner conducive to apple-to-apple comparison.

Last year, we launched in the U.S. and in just a year's time have exponentially multiplied our data sets. The more data we receive, the better we are able to serve the industry. In that way, our success is dependent on the industry buying into the profitability benchmarking concept. We think it is!

We look forward to the continued rollout of our service and the further inclusion of hotels to enrich our offerings. In order to further unlock value, we invite you to join our platform and discover how implementing full profit-and-loss performance analysis is one step closer to a successful, profitable bottom line. Because in today's competitive landscape, data benchmarking is the trump card.

David Eisen
Director of Hotel Intelligence & Customer Solutions, HotStats

MENA

Lower revenues, higher costs sink profits

2018 was a bruising year for hotels in the Middle East & North Africa, as an intersection of oversupply, political fallout and macro-economic worry challenged profitability.

Across the region, year-over-year GOPPAR was down and has been on a steady decline since early 2016. YOY profit growth was down 6.1 percent in 2018 over 2017, while profit margin dropped 1.4 percentage points to 36.4 percent.

Profitability woe stemmed from trouble on the top line, where, while occupancy was up 1.6 percentage points to 68.1 percent, average room rate decreased 4.1 percent YOY, leading to a 1.9-percent YOY decline in RevPAR to $116.50. And while the rooms department was a source of consternation, so, too, was the food-and-beverage department. Total F&B RevPAR was down 3.8 percent YOY and food cost of sales and beverage cost of sales grew 0.4 and 0.1 percentage points, respectively.

A listless top line in both rooms and F&B led to a 2.5-percent YOY fall in TRevPAR to $200.89.

Expenses were up moderately, but difficulty growing the top line made them stand out even more, impeding operators' ability to flex cost. Total hotel labour costs on a per-available-room basis were up slightly at 0.2 percent YOY, but total hotel labour costs as a percentage of total revenue were up 0.9 percentage points, suggesting that while hoteliers did a fine job of containing cost, revenues were not high enough to absorb the rather minimal rise.

On the other hand, utility costs on a per-available-room basis were actually down 0.5 percent YOY, but those expenses as a percentage of total revenue rose 0.2 percentage points. Meanwhile, A&G and P&M expenses were also up slightly, while S&M expenses were actually down 3.3 percent YOY and flat as a percentage of total revenue.

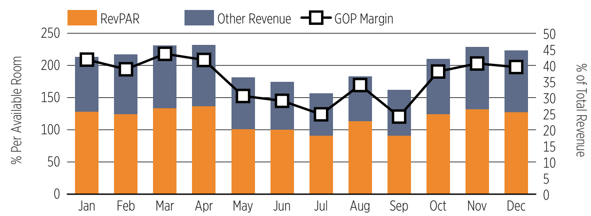
It's clear that the region's problems stemmed from growing revenue and not cost control, with the former being impacted by events such as stagnating oil prices and a glut of new supply in some of the regions most-traveled areas. Meanwhile, localized political impacts, such as a boycott of Qatar, instituted by Saudi Arabia, the UAE, Bahrain and Egypt, over accusations that the Gulf state financed terror, have had a significant effect on inbound tourism.

Oversupply is also causing pricing issues. Consider Dubai, which has a surfeit of new hotels. However, many prognosticators believe that new supply will be further absorbed ahead of, and with the help of, Expo 2020. New hotels expected to open in Dubai for Expo 2020 include the SLS Dubai Hotels & Residences. Expo 2020 runs between 20 October 2020 and 10 April 2021.

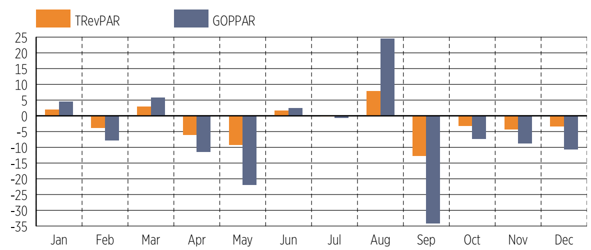
While the operating environment in North Africa is equally challenging, countries like Egypt are on an upward trajectory, rebounding due to an improved security apparatus after terrorism events that hampered tourism.

Hoteliers in 2019 and forward will seek to continue their adroit cost control, while, with the hope of an uptick in travel to the region, maximize revenues to increase the bottom line.

Monthly Revenue and Profit 2018



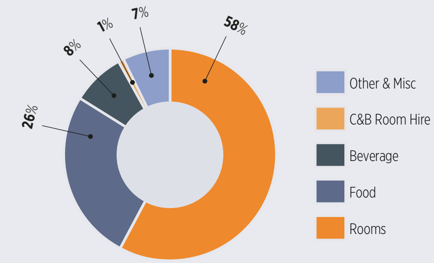
2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	68.1%	66.5%	1.6 pts
Average Room Rate $	171.07	178.46	-4.1%
RevPAR $	116.50	118.75	-1.9%
TRevPAR $	200.89	206.14	-2.5%
Total Labour Costs % Total Rev	27.9%	27.0%	0.9 pts
Total GOPPAR $	73.06	77.83	-6.1%
Total GOP % Total Rev	**36.4%**	**37.8%**	**-1.4 pts**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	116.5	118.8	-1.9%
Rooms Cost of Sales % Rooms Rev	4.1%	4.2%	-0.1
Rooms Expenses % Rooms Rev	7.1%	7.0%	0
Rooms Labour Costs % Rooms Rev	10.2%	10.1%	0.1
Rooms Dept. Profit % Rooms Rev	**78.7%**	**78.8%**	**-0.1**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	70.74	73.56	-3.8%
Food Cost of Sales	27.4%	27.0%	0.4
Beverage Cost of Sales	22.2%	22.1%	0.1
F&B Expenses % Total F&B Rev	8.1%	7.8%	0.3
F&B Labour Costs % Total F&B Rev	28.0%	27.3%	0.7
F&B Dept. Profit % F&B Rev	**38.1%**	**39.5%**	**-1.4**
Total Rev. PAR	200.89	206.14	-2.5%
Total Dept. Profit % Total Rev	**63.3%**	**63.7%**	**-0.4**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	1.0%	1.0%	0
A&G Expenses % Total Rev	3.8%	3.6%	0.2
A&G Labour Costs % Total Rev	6.6%	6.0%	0.6
S&M Expenses % Total Rev	3.1%	3.1%	-0.1
S&M Labour Costs % Total Rev	1.9%	1.8%	0.1
P&M Expenses % Total Rev	2.5%	2.4%	0.1
P&M Labour Costs % Total Rev.	1.9%	1.9%	0
Total GOP % Total Rev	**36.4%**	**37.8%**	**-1.4**

DUBAI

Profit crumbles under weight of new supply, but Expo 2020 could be salve

It was a year Dubai hoteliers won't soon miss. Despite welcoming 15.9 million visitors in 2018—an increase of 0.8 percent over the year prior—it wasn't enough to evade a dismal year, punctuated by a 12.3-percent drop in GOPPAR.

Almost all departments suffered losses. A 6.3-percent year-over-year drop in RevPAR was a result of declines in both average room rate (down 5.4 percent YOY) and occupancy (off 0.8 percentage points from the year prior to 79.2 percent).

Room department declines were complemented by decreases in food and beverage, where expenses rose and revenues and margins shrunk. Total F&B revenue on a per-available-room basis fell 4.3 percent, enervated by a rise in both food cost of sales and beverage cost of sales, 0.2 and 0.3 percentage points, respectively. The confluence led to a 1.6-percentage-point drop in F&B margin to 38.7 percent.

Cross-department regression resulted in a drastic dip in TRevPAR, which sunk 5.4 percent YOY.

Another factor in Dubai's profit plunge was labour and its increasing cost. Total hotel labour costs on a per-available-room basis jumped 2.1 percent YOY and led to a 1.9-percentage-point jump in total hotel labour costs as a percentage of total revenue to 26.3 percent.

Dubai's YOY profit margin also retreated by 2.9 percentage points to 36.9 percent.

Ramadan's calendar shift in 2018 did little to stir Dubai's hotel market. June was the emirate's lowest month occupancy at 59.8 percent, with May only at 68.7 percent, which represented a YOY 11.6-percentage-point drop. Dubai's occupancy high mark was 90.5 percent, achieved in March.

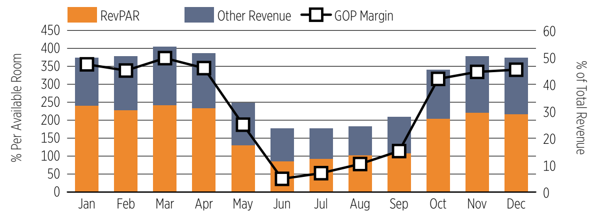
Ramadan typically falls between May and June, two of the hottest months of the year in Dubai, which likely was more of a reason for the demand drops. Temperatures soar from May through September with indicators, such as occupancy and room rate, taking a huge hit. Consider July 2018's ARR of $133 compared to January's ARR of $274, a 51-percent drop.

Beyond weather-related issues, Dubai's hotels were additionally impacted from a glut of new supply that dampens demand and stymies operators' ability to drive significant rate gains. While demand is still strong, it is being marginalized by new hotel openings, such as the 347-room Millennium Atria Business Bay hotel-apartment tower, which opened in February, and the 383-room Emerald Palace Kempinski Dubai, which opened around the same time. And it's not just the luxury segment that is expanding, evidenced by the opening of the 389-room Premier Inn Al Jaddaf, which opened in March.

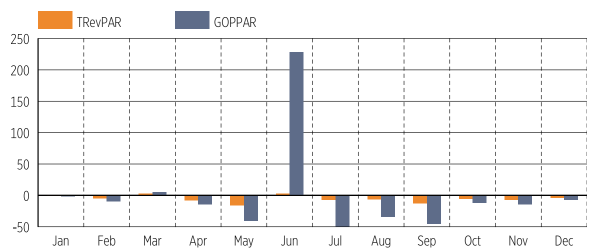
The outlook for hotel owners isn't much better. Dubai had a pipeline of 168 projects with 49,950 rooms as of 2018, which ranked the highest in the world by room count.

Still, there is near-term hope for the industry in the form of Expo 2020, a World Expo to be hosted by Dubai and opening on October 20, 2020, before closing on April 10, 2021. The Expo is expected to bring in between 25 million and 100 million visitors, a jolt the hotel industry will be champing at the bit for.

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)

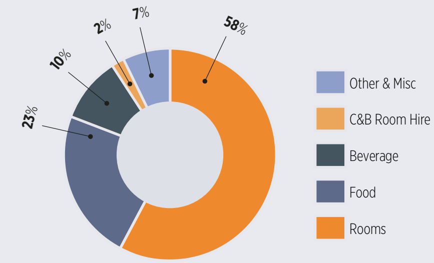


Key Performance Indicators	2018	2017	VAR
Occupancy %	79.2%	80.0%	-0.8 pts
Average Room Rate $	219.75	232.27	-5.4%
RevPAR $	174.14	185.82	-6.3%
TRevPAR $	302.08	319.43	-5.4%
Total Labour Costs % Total Rev	26.3%	24.4%	1.9 pts
Total GOPPAR $	111.59	127.24	-12.3%
Total GOP % Total Rev	**36.9%**	**39.8%**	**-2.9 pts**

-5.4% **1.9pts** **-12.3%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	174.14	185.82	-6.3%
Rooms Cost of Sales % Rooms Rev	4.8%	4.8%	0
Rooms Expenses % Rooms Rev	7.6%	7.3%	0.3
Rooms Labour Costs % Rooms Rev	10.3%	9.6%	0.7
Rooms Dept. Profit % Rooms Rev	**77.3%**	**78.3%**	**-1.0**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	106.96	111.77	-4.3%
Food Cost of Sales	26.0%	25.8%	0.2
Beverage Cost of Sales	24.3%	24.0%	0.3
F&B Expenses % Total F&B Rev	7.9%	7.9%	0
F&B Labour Costs % Total F&B Rev	28.3%	26.7%	1.6
F&B Dept. Profit % F&B Rev	**38.7%**	**40.3%**	**-1.6**
Total Rev. PAR	302.08	319.43	-5.4%
Total Dept. Profit % Total Rev	**62.2%**	**63.9%**	**-1.7**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	1.3%	1.3%	0
A&G Expenses % Total Rev	3.6%	3.3%	0.3
A&G Labour Costs % Total Rev	4.9%	4.4%	0.5
S&M Expenses % Total Rev	3.2%	3.2%	0
S&M Labour Costs % Total Rev	1.8%	1.7%	0.1
P&M Expenses % Total Rev	2.0%	1.9%	0.1
P&M Labour Costs % Total Rev.	1.6%	1.5%	0.1
Total GOP % Total Rev	**36.9%**	**39.8%**	**-2.9**

ABU DHABI

Profit per room continues slide

Profit per room at hotels in Abu Dhabi dropped by 6.1 percent in 2018, which is further to declines in 2017 (down 4.6 percent) and 2016 (down 15.4 percent), as the city continues to suffer the impact of plunging oil prices, which began back in 2014.

In 2018, the UAE capital has also been challenged by the implementation of a 5 percent VAT rate that has hit consumer spending and led to a rise in inflation, making Abu Dhabi a costlier place to visit and do business. At the same time, there has been a huge shift in the employment market as salaries in the emirate are being squeezed and the number of jobs are falling.

Total revenue levels at hotels in Abu Dhabi fell by 5.5 percent in 2018 to $176.13. The decline was led by a 5.6-percent drop in RevPAR to $94.84, as a 6.3-percent decline in achieved average room rate, to $125.38, cancelled out the 0.5-percentage-point increase in room occupancy, to 75.6 percent. Achieved average room rate at hotels in Abu Dhabi has now dropped by more than $15 since 2016, when it was recorded at $141.14.

Non-Rooms revenue fell by 5.1 percent at hotels in Abu Dhabi in 2018 to $81.30, which is equivalent to 46 percent of total revenue. The decline was as a result of falling Food & Beverage (down 6.0 percent), Conference & Banqueting (down 8.0 per cent) and Leisure (down 10.7 percent) revenues on a per-available-room basis.

The decline in revenues was further exacerbated by rising costs, which included a 0.5-percentage-point increase in payroll as a percentage of total revenue to 30.4 percent. This contributed to profit conversion at hotels in Abu Dhabi continuing to slide to 29.6 percent of total revenue.

November remained the strongest month of top- and bottom-line performance in 2018, with profit per room recorded at $137.37 for the month, fuelled by demand from the Formula One Grand Prix held at the Yas Marina Circuit.

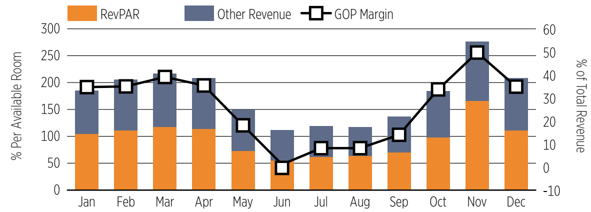
Whilst oil production still constitutes roughly 30 percent of the state's GDP, the government plan is to reduce this dependence to 20 percent by investing in the tourism sector. The growth will be stimulated by a number of major projects, including a new terminal at Abu Dhabi airport, the recently opened Le Louvre Abu Dhabi, Warner Bros World and the forthcoming 18,000-capacity Yas Bay Arena, Clymb activity centre and SeaWorld, which will all be located on Yas Island.

The physical investment in the tourism sector will be accompanied by a stimulus packages known as Ghadan 21, which is worth in excess of US$13 billion. The plan intends to support new industries, encourage tourism and make it easier to do business in the emirate.

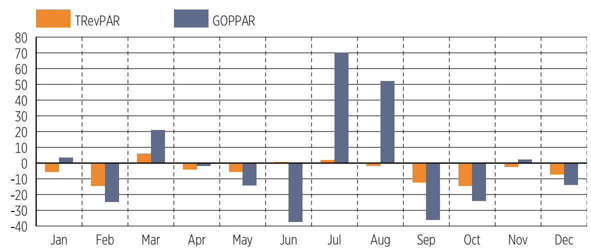
The outlook is positive, with real GDP growth expected to increase to 2.0 percent in 2019 and 3.0 by 2021, supported by a recovery in oil prices and an uplift in demand to the region.

That said, in spite of the recent challenges to hotel performance, the pipeline for Abu Dhabi remains strong, comprising 20 projects, equivalent to 5,058 rooms in various stages of development, according to Lodging Econometrics, including a 650-room Hilton and 250-room high-end hotel on Yas Island, which could dampen any ambitions for a significant recovery in hotel performance.

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)

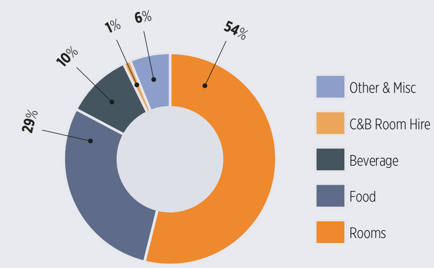


Key Performance Indicators	2018	2017	VAR
Occupancy %	75.6%	75.1%	0.5 pts
Average Room Rate $	125.38	133.81	-6.3%
RevPAR $	94.84	100.50	-5.6%
TRevPAR $	176.13	186.30	-5.5%
Total Labour Costs % Total Rev	29.9%	30.4%	-0.5
Total GOPPAR $	52.22	55.63	-6.1%
Total GOP % Total Rev	**29.6%**	**29.9%**	**-0.3 pts**

Revenue Growth	Payroll Growth	Profit Growth
-5.5%	-0.5pts	-6.1%

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	94.84	100.50	-5.6%
Rooms Cost of Sales % Rooms Rev	4.5%	4.6%	-0.1
Rooms Expenses % Rooms Rev	7.6%	7.5%	0.1
Rooms Labour Costs % Rooms Rev	11.4%	11.8%	-0.4
Rooms Dept. Profit % Rooms Rev	**76.5%**	**76.1%**	**0.4**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	71.37	75.93	-6.0%
Food Cost of Sales	27.8%	27.8%	0
Beverage Cost of Sales	20.3%	21.0%	-0.7
F&B Expenses % Total F&B Rev	8.1%	8.1%	0
F&B Labour Costs % Total F&B Rev	28.7%	29.4%	-0.7
F&B Dept. Profit % F&B Rev	**37.5%**	**36.7%**	**0.8**
Total Rev. PAR	176.13	186.30	-5.5%
Total Dept. Profit % Total Rev	**59.1%**	**58.3%**	**0.8**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	1.2%	1.2%	0
A&G Expenses % Total Rev	4.6%	4.3%	0.3
A&G Labour Costs % Total Rev	5.8%	5.5%	0.3
S&M Expenses % Total Rev	3.7%	3.6%	0.1
S&M Labour Costs % Total Rev	2.8%	2.8%	0
P&M Expenses % Total Rev	3.0%	3.0%	0
P&M Labour Costs % Total Rev.	1.8%	1.9%	-0.1
Total GOP % Total Rev	**29.6%**	**29.9%**	**-0.3**

DOHA

Overbuilding, boycott too much to overcome

Like the broader Middle East, the Qatari capital of Doha had a difficult time filling hotel rooms at the right price and turning a profit in 2018, as a triple threat of problems thwarted growth and led to precipitous declines.

Ahead of hosting the 2022 World Cup, like many prior hosts, developers poured money into real estate, creating a commercial boom that as of now is not paying dividends. In fact, many glistening new assets sit vacant, as oversupply has created a glut that has been a double body blow to a region still suffering from weakened oil prices. It is reported that a further 17,000 hotel rooms are being built ahead of the quadrennial football tournament, adding to the existing supply of 26,000 rooms.

Political headaches also exist. Beginning in June 2017, Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut diplomatic, trade and transport ties with Qatar amid allegations that it supports Islamist militants—a charge it denied. Still, it's had a destructive impact on tourism. According to the Qatar Tourism Authority, the number of visitors to Qatar fell by more than a third in the first half of 2018—around 945,000 visitor arrivals in the first half of the year compared to 1.5 million in the same period of 2017.

It's made a prominent dent in top-line and bottom-line numbers. RevPAR at Doha hotels sunk 6.5 percent year-over-year, even as occupancy was up 2.5 percentage points. The pernicious blast came from average room rate, which dropped 10.3 percent YOY to $151.97.

Not surprisingly, TRevPAR also took a hit, dropping 4.8 percent YOY and hastened by a decline in F&B revenue, which, on a per-available-room basis, decreased 3 percent. At the same time, food and beverage cost of sales combined to grow 1.5 percentage points YOY.

While revenue growth was an obstacle, overall, Doha hoteliers were adroit in curbing payroll expense. As a percentage of total revenue, hoteliers achieved a 3-percentage-point drop in total hotel labour costs, which included a 2.5-percentage-point drop in F&B labour costs.

Costs beyond F&B, however, were up, including in Property & Maintenance and Administrative & General.

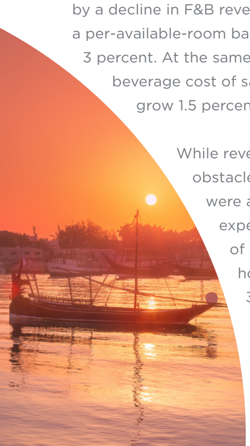
And while GOPPAR was down 0.9 percent YOY to $80.68, profit margin was up 1.2 percentage points to 31.3 percent, illustrating just how well hoteliers were able to flex on shoddy revenue.

The hope for 2019 is that tourism begins to normalize, though it could take three full years to get travel and tourism back on track, estimates say.

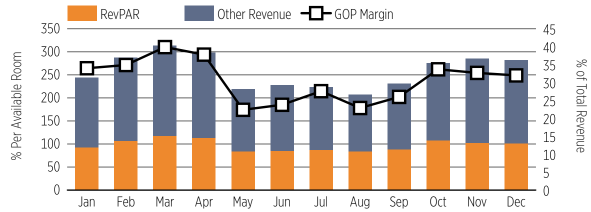
Some good news: In February, the UAE eased a ban on the shipping of goods between it and Qatar that had been previously enforced under the boycott.

The dispute and boycott, however, remain and last year Qatar left OPEC, of which Saudi Arabia is the de facto leader.

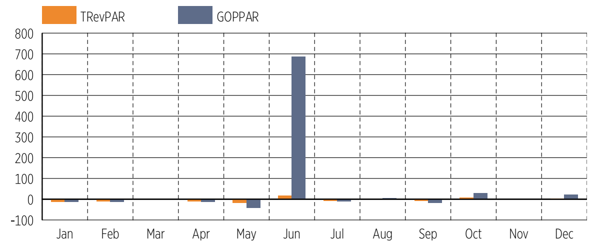
In order to mitigate the embargo's impact, Qatar has relaxed its visa requirements, marketed itself to tourists from other parts of the world, such as from Russia, China and India, and taken other measures to stimulate the tourism sector, the Qatar Tourism Authority has said.



Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	63.7%	61.2%	2.5 pts
Average Room Rate $	151.97	169.41	-10.3%
RevPAR $	96.86	103.60	-6.5%
TRevPAR $	257.60	270.64	-4.8%
Total Labour Costs % Total Rev	28.2%	31.2%	-3.0 pts
Total GOPPAR $	80.68	81.43	-0.9%
Total GOP % Total Rev	**31.3%**	**30.1%**	**1.2 pts**

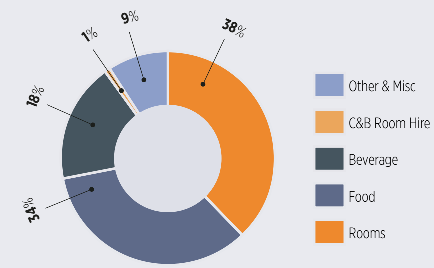
Revenue Growth **-4.8%**

Payroll Growth **-3.0pts**

Profit Growth **-0.9%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	96.86	103.60	-6.5%
Rooms Cost of Sales % Rooms Rev	2.5%	2.9%	-0.4
Rooms Expenses % Rooms Rev	11.0%	9.7%	1.3
Rooms Labour Costs % Rooms Rev	11.2%	12.8%	-1.6
Rooms Dept. Profit % Rooms Rev	**75.2%**	**74.7%**	**0.5**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	137.53	141.83	-3.0%
Food Cost of Sales	30.0%	29.3%	0.7
Beverage Cost of Sales	22.8%	22.0%	0.8
F&B Expenses % Total F&B Rev	10.6%	9.8%	0.8
F&B Labour Costs % Total F&B Rev	21.8%	24.3%	-2.5
F&B Dept. Profit % F&B Rev	**40.5%**	**39.7%**	**0.8**
Total Rev. PAR	257.60	270.64	-4.8%
Total Dept. Profit % Total Rev	**56.0%**	**54.8%**	**1.2**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	0.7%	0.7%	0
A&G Expenses % Total Rev	3.3%	2.8%	0.5
A&G Labour Costs % Total Rev	6.5%	6.9%	-0.4
S&M Expenses % Total Rev	3.2%	3.3%	-0.1
S&M Labour Costs % Total Rev	2.1%	2.3%	-0.2
P&M Expenses % Total Rev	3.2%	2.5%	0.7
P&M Labour Costs % Total Rev.	1.7%	1.9%	-0.2
Total GOP % Total Rev	**31.3%**	**30.1%**	**1.2**

CAIRO

Profit recovery maintains momentum

Profit per room at hotels in Cairo grew by 9.1 percent in 2018, which is further to the 68.0-percent increase in 2017 and the 47.5-percent increase in 2016.

The substantial increase in profit at hotels in Cairo in recent years has been led by a return to growth in volume, with room occupancy soaring by 6.2 percentage points in 2018 to 72.8 percent. Room occupancy has now jumped by more than 20 percentage points since 2015. This has been accompanied by a 60-percent increase in achieved average room rate since 2016, from $56.61 to $90.06 in 2018.

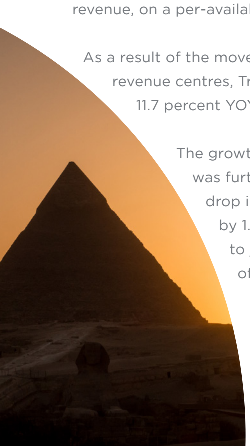
Top- and bottom-line performance cratered in 2011 as the city was the focal point of the Egyptian revolution, which marked the beginning of a period of significant political turmoil for the country and only ended after a military coup in 2013 and the subsequent election of Abdel Fattah el-Sissia to president in 2014.

Since that time, Egypt has recorded robust economic growth, according to the IMF, at 5.3 percent for full-year 2018, with a 5.5-percent increase anticipated in 2019. The punchy projected increase in GDP is as a result of the successful implementation of economic reforms, as well as the recovery of the tourism sector and growing confidence in the business sector.

In addition to the 14.2-percent increase in rooms revenue in 2018, the significant uplift in volume helped hotels in Cairo successfully record robust growth in non-rooms departments, including Food & Beverage (up 21.6 percent), Conference & Banqueting (up 26.6 percent) and Leisure (up 32.2 percent) revenue, on a per-available-room basis.

As a result of the movement across all revenue centres, TrevPAR increased by 11.7 percent YOY in 2018 to $106.36.

The growth in revenue in 2018 was further buoyed by a YOY drop in payroll, which fell by 1.5 percentage points, to just 15.8 percent of total revenue.

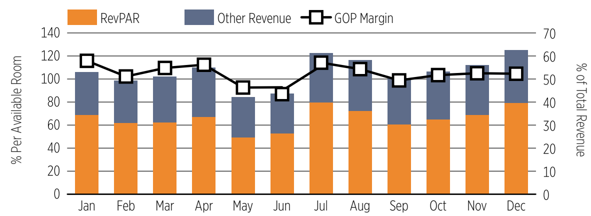


Despite the rising revenues and drop in costs, hotels in the Egyptian capital suffered a 1.2-percentage-point decline in profit conversion to 52.9 percent. This was primarily due to a 1.4-percentage-point increase in overheads to 20.9 percent of total revenue.

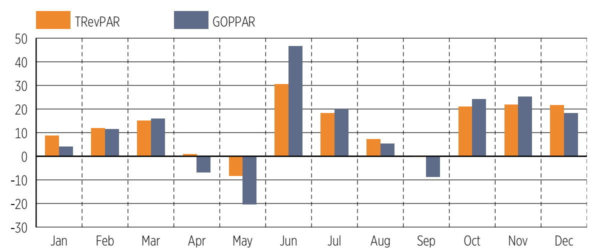
The number of visitors to Egypt hit a low in 2015, at just 4.8 million, further to the ongoing political uncertainty and following widespread travel warnings after the bombing of a Russian passenger plane in 2014. However, the falling value of the Egyptian pound and tightening of security has allowed confidence to return to the market and Egypt recorded a 40-percent increase in tourist arrivals in 2018 to 11.6 million. This, amongst other positive economic indicators, suggests that growth in hotel profit could be maintained in the medium-term, albeit not at the pace of recent years.

The only threat to growth may be supply, which comprises 18,836 guestrooms across Greater Cairo, with five-star hotels contributing to 64 percent of proposed new openings. The supply is also heavily brand-oriented, which is in contrast to the historic profile of the Cairo hotel market, with 4,303 rooms from Marriott International-branded hotels and 2,722 rooms with Hilton brands scheduled to enter the market, according to Colliers.

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)



Key Performance Indicators	2018	2017	VAR
Occupancy %	72.8%	66.6%	6.2 pts
Average Room Rate $	90.06	86.17	4.5%
RevPAR $	65.59	57.41	14.2%
TRevPAR $	106.06	94.96	11.7%
Total Labour Costs % Total Rev	15.8%	16.0%	-0.2 pts
Total GOPPAR $	56.07	51.37	9.1%
Total GOP % Total Rev	**52.9%**	**54.1%**	**-1.2 pts**

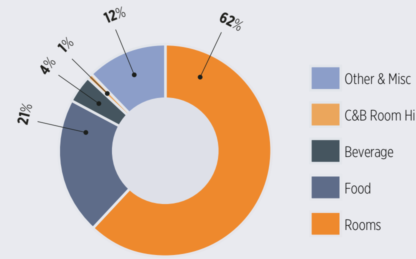
Revenue Growth **11.7%**

Payroll Growth **-0.2pts**

Profit Growth **9.1%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	65.59	57.41	14.2%
Rooms Cost of Sales % Rooms Rev	3.6%	4.4%	-0.8
Rooms Expenses % Rooms Rev	5.7%	5.6%	0.1
Rooms Labour Costs % Rooms Rev	4.2%	5.0%	-0.8
Rooms Dept. Profit % Rooms Rev	**86.4%**	**84.9%**	**1.5**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	27.45	22.59	21.5%
Food Cost of Sales	35.1%	35.7%	-0.6
Beverage Cost of Sales	21.1%	20.4%	0.7
F&B Expenses % Total F&B Rev	7.2%	7.9%	-0.7
F&B Labour Costs % Total F&B Rev	22.4%	24.9%	-2.5
F&B Dept. Profit % F&B Rev	**38.3%**	**34.6%**	**3.7**
Total Rev. PAR	106.06	94.96	11.7%
Total Dept. Profit % Total Rev	**73.6%**	**73.4%**	**0.2**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	0.7%	0.7%	0
A&G Expenses % Total Rev	4.2%	3.8%	0.4
A&G Labour Costs % Total Rev	3.8%	3.6%	0.2
S&M Expenses % Total Rev	3.1%	2.9%	0.2
S&M Labour Costs % Total Rev	1.0%	1.0%	0
P&M Expenses % Total Rev	1.8%	1.8%	0
P&M Labour Costs % Total Rev.	1.3%	1.3%	0
Total GOP % Total Rev	**52.9%**	**54.1%**	**-1.2**

MAKKAH

Profit dives as hotel supply swells

Demand for hotel accommodation at properties in Makkah peaks twice during the year, once at the beginning of Ramadan and then again at the Hajj, driving profit levels well above annual averages.

In 2018, a reported 2.37 million pilgrims travelled to Makkah for Hajj in August, of which approximately 74 percent were from outside of the Royal Kingdom of Saudi Arabia. The number of pilgrims has increased by almost 37 percent from 2000, when the 1.73 million made the journey to the Holy City.

For 2018, the profit peaks were recorded at $399.53 in June and $400.32 in August, which is well above the annual average at$119.56. And whilst the year-on-year growth in these months is flattering (e.g. profit per room increased by over 100 percent YOY in May), it is also deceiving, as it is purely a result of the shift in the timing of Ramadan rather than any new growth in demand.

In fact, despite the impressive peak performance, profit per room at hotels in Makkah fell by 5.6 percent in 2018, which is further to a 14.4-percent YOY decline in this measure in 2017.

The drop in profit this year was as a result of a decline across all hotel departments, including Rooms (down 5.1 percent), Food & Beverage (down 8.8 percent) and Conference & Banqueting (down 43.8 percent) revenue, which contributed to the 4.9-percent decline TRevPAR, which fell to $218.43.

The revenue mix for hotels in Makkah is dominated by the Rooms department, which accounted for 72 percent of total revenue in 2018, and whilst room occupancy has remained relatively stable in recent years, achieved average room rate has plummeted by approximately $50 in the last three years to $228.66 in 2018 from $258.85 in 2016, as the market comes under pressure from significant additions to supply.

In addition to the decline in revenue, profit levels at hotels in Makkah have been further hit by rising costs in 2018, which included a 0.3-percentage-point increase in payroll as a percentage of total revenue, to 19.0 percent.

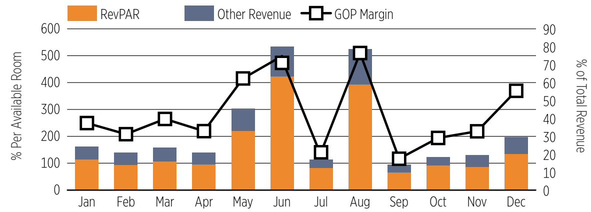
As a result of the movement in revenue and costs, profit conversion at hotels in Makkah slipped slightly in 2018, to 54.7 percent of total revenue, but is now well behind historic GOPPAR conversion, recorded at 59.2 percent of total revenue in 2016.

The short-term outlook for top- and bottom-line performance is being challenged by additions to supply, which in 2018 included the 1,139-room Four Points by Sheraton Makkah Al Nassem, the 525-room Swiss-Belhotel Al Aziziyah and the 502-room Copthorne Makkah Al Nasseem.

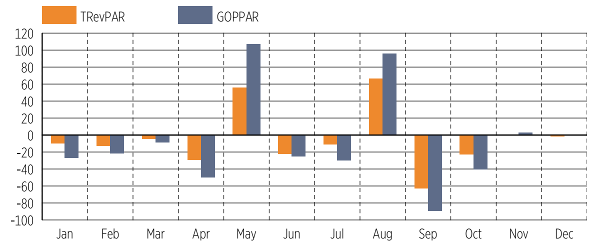
Thirty-seven projects, equivalent to approximately 41,700 rooms, have been identified in the development pipeline for Makkah, which includes several mega projects, which are still in the planning/tender phase; the most ambitious of these being the $3.5-billion Abaraj Kudai, which will be the world's largest hotel, comprising 10,000 rooms, 70 restaurants and four helipads. There has also been a notable increase in the development of hotels in the mid-market and budget segments, diversifying the offering of the city, which has traditionally been focussed in the luxury segment.

Meanwhile, large infrastructure projects under construction, and already complete, such as the Haramain High Speed Railway, are expected to facilitate an increase in religious tourism as presented by 'Saudi Vision 2030'. Development will also include the expansion of the Grand Mosque, which will be able to accomodate 2.2 million worshippers by 2020, enabling the city to attract 3.75 million Hajj pilgrims by 2020 and 6.7 million by 2030. This will help the Makkah hotel market to recover some of its losses in the medium to long-term.

Monthly Revenue and Profit 2018



2018 vs 2017 TRevPAR & GOPPAR Year-On-Year Growth (%)

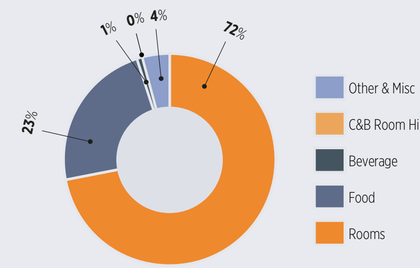


Key Performance Indicators	2018	2017	VAR
Occupancy %	69.3%	71.0%	-1.7 pts
Average Room Rate $	228.66	235.47	-2.9%
RevPAR $	158.55	167.07	-5.1%
TRevPAR $	218.43	229.73	-4.9%
Total Labour Costs % Total Rev	19.0%	18.7%	0.3 pts
Total GOPPAR $	119.56	126.59	-5.6%
Total GOP % Total Rev	**54.7%**	**55.1%**	**-0.4 pts**

-4.9% **0.3pts** **-5.6%**

MARKET BRIEFING

Departmental Revenue Contribution



Rooms Department	2018	2017	VAR
Rooms RevPAR	158.55	167.07	-5.1%
Rooms Cost of Sales % Rooms Rev	4.1%	4.4%	-0.3
Rooms Expenses % Rooms Rev	4.0%	4.2%	-0.2
Rooms Labour Costs % Rooms Rev	7.4%	7.5%	-0.1
Rooms Dept. Profit % Rooms Rev	**84.5%**	**83.9%**	**0.6**

Food & Beverage Department	2018	2017	VAR
Total F&B Rev. PAR	51.21	56.17	-8.8%
Food Cost of Sales	22.2%	22.9%	-0.7
Beverage Cost of Sales	7.7%	7.0%	0.7
F&B Expenses % Total F&B Rev	3.4%	3.6%	-0.2
F&B Labour Costs % Total F&B Rev	22.3%	22.5%	-0.2
F&B Dept. Profit % F&B Rev	**52.5%**	**51.6%**	**0.9**
Total Rev. PAR	218.43	229.73	-4.9%
Total Dept. Profit % Total Rev	**76.7%**	**76.0%**	**0.7**

Undistributed Departments	2018	2017	VAR
Credit Card Commission % Total Rev	0.5%	0.5%	0
A&G Expenses % Total Rev	3.6%	3.0%	0.6
A&G Labour Costs % Total Rev	5.5%	5.0%	0.5
S&M Expenses % Total Rev	1.6%	1.6%	0
S&M Labour Costs % Total Rev	0.7%	0.6%	0.1
P&M Expenses % Total Rev	2.8%	2.8%	0
P&M Labour Costs % Total Rev.	1.4%	1.4%	0
Total GOP % Total Rev	**54.7%**	**55.1%**	**-0.4**

ABOUT

The hotels profiled in this Performance Tracker are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains from which we collect monthly data.

GLOSSARY OF KPIS

Occupancy (%) is that proportion of the bedrooms available during the period which are occupied during the period.

Average Room Rate (ARR) is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

RevPAR is the total bedroom revenue for the period divided by the total available rooms during the period.

TRevPAR is the combined total of all revenues divided by the total available rooms during the period.

Labour Costs % Total Rev is the payroll for all hotels in the sample as a percentage of total revenue.

GOPPAR is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

For a more detailed explanation of these and other KPIs as well as the latest practices for recording financial information in the hotel sector please refer to the Uniform System of Accounts for the Lodging Industry, 11th Edition.

SERVICES

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