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Amman, Jordan

Market Snapshot

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Amman, Jordan – Market Snapshot

This market snapshot is the seventh in a series of articles that HVS will be producing every month on a series of key markets. In writing these articles we aim to combine the market expertise of HVS with STR Global data for each key market. Our analysis for this market is based on a sample of more than 3,500 rooms, as provided by STR Global. We consider that in today's challenging environment a regular update is more vital than ever in helping to assess the challenging market conditions and determine the best strategy for each hotel.

Highlights:

- In 2008, the ACI World Traffic Report ranked Amman's international airport tenth in the Middle East. According to Airport International Group (the international consortium of investors behind the expansion and renovation of Amman's Queen Alia International Airport), arrivals and departures at the airport reached 4,770,000 passengers in 2009. The 6.5% increase on 2008 was attributable mainly to the third quarter of the year, when passenger movements in July and August each exceeded a record 500,000 passengers. New and additional flights were also announced in 2009, including Royal Jordanian, Emirates, FlyDubai, Austrian Airlines, Malev, Bahrain Air and Watanya, and chartered airlines such as Neosair, Blue Panorama, Hamburg International and Air Méditerranée;
- As a result of the global economic downturn and its delayed regional repercussions, year-end hotel occupancy in Amman dropped from 66.3% in 2008 to 57.3% in 2009. Nonetheless, hotels in the city were able to achieve an average rate increase of 11.6% that year. A better economic outlook improved occupancy during the first two months of 2010 compared to 2009, increasing Year-to-February revenue per available room (RevPAR) by more than 6% to JOD51.06;
- There was a very modest increase in the supply of branded hotel rooms in Amman in 2009 with the opening of the Ramada and Ibis hotels, together accounting for 365 rooms. Confirmed future openings are expected to add more than 1,600 internationally branded rooms to the existing supply by 2013.

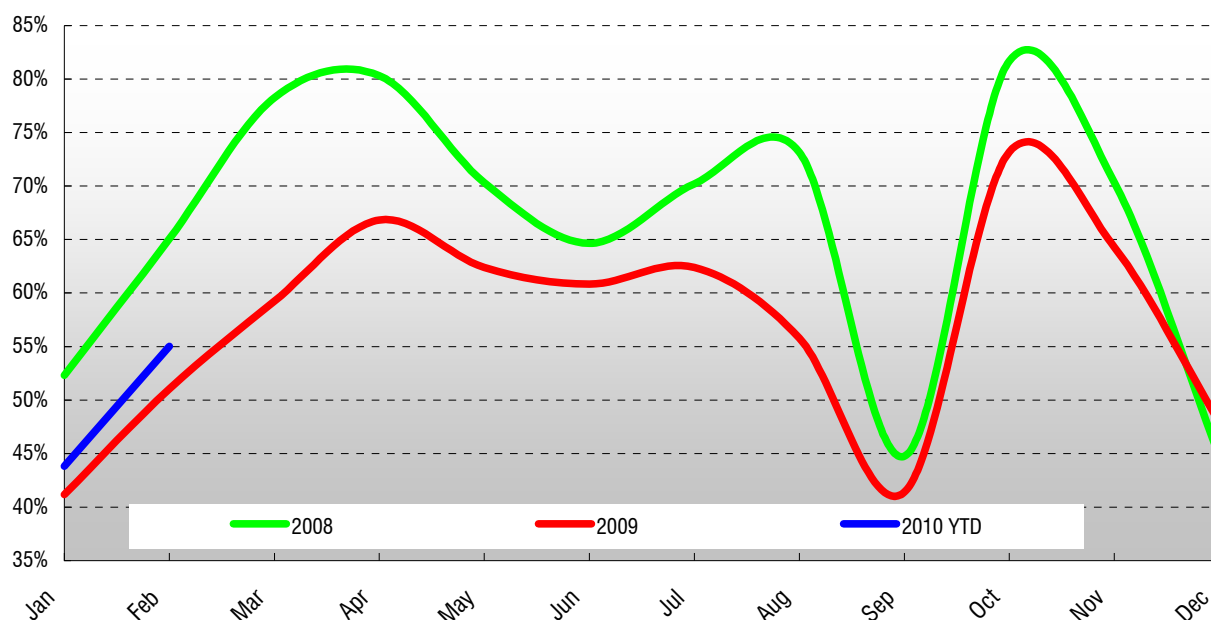


Hotel Demand Patterns

- Passenger movements at Queen Alia International Airport increased at a compounded annual growth rate (CAGR) of 7.1% over the last 15 years and the airport witnessed reasonable growth of 6.5% in 2009. The airport is currently undergoing an expansion in order to be able to accommodate the Airbus A380 and handle up to nine million passengers a year;
- In 2008, the number of room nights spent in Amman was 3.74 million (an increase on 2007). However, this figure had dropped by year-to-September 2009 to 2.33 million, marking an annual decrease of around 17% compared to the same period in 2008. This drop was significant in the three to five-star hotels in Jordan, while the demand for hotels within the one and two-star categories experienced considerable growth;
- According to the Central Bank of Jordan, tourism revenues dropped by 1.2% by the end of 2009 to JOD2.064 billion. The number of visitors to the country also witnessed a similar 2.0% drop over 2008, standing at 7,084,552 by the end of the year, according to the Ministry of Tourism & Antiquities;
- Jordanians living abroad and nationals from Saudi Arabia are the largest source markets for Jordan, particularly Amman. Jordanians residing abroad generated 680,587 visitors Year-to-September 2009, an increase of 7.2% compared to the previous year. Saudi nationals accounted for 937,854 visitors in the same period, increasing by 7.6%. However, these visitors, among others, were not enough to compensate for the loss from the Egyptian, Lebanese, European and other markets, which seem to have slowed down, primarily because of the economic crisis.

Seasonality

Amman is a destination for both business and leisure travellers. Table 1 shows the seasonality of hotel occupancy in Amman for 2008, 2009 and Year-to-February 2010 for the overall hotel market.


Table 1 Seasonality – Amman Monthly Occupancy 2008, 2009 and Year-To-February 2010


Source: STR Global

Table 1 indicates that for both full years, the high season for tourism arrivals was March, April and October (there was also a rise in occupancy in the summer months of July and August due to leisure visitation). The trough is typically from November to February, on account primarily of the year-end holidays, and around the month of September, owing to Ramadan.

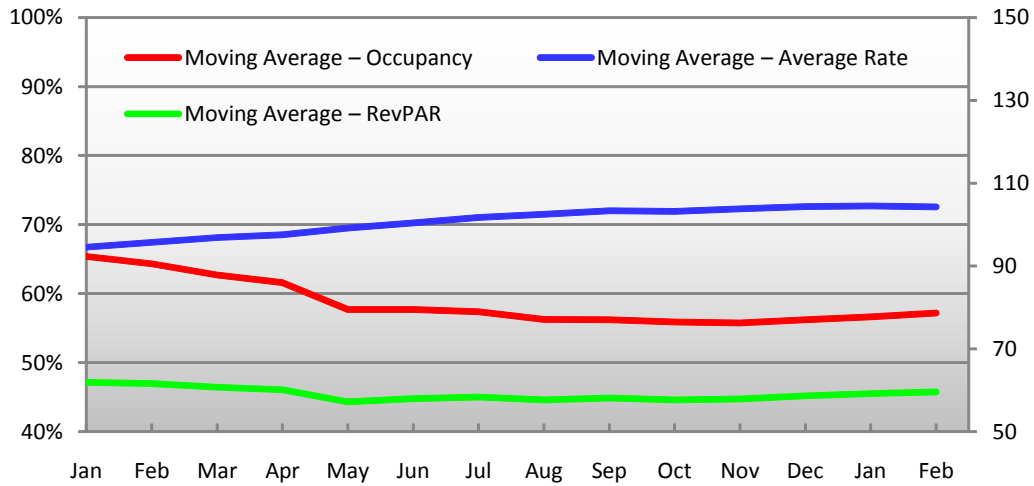
We also note that during the period in question, 2009 underperformed 2008 throughout most of the year, owing to the recession, except for the month of December when visitation started to pick up. This recovery continued into 2010 with January and February both showing increases in demand for hotel accommodation, with increases of approximately 3 and 4 percentage points on 2009, respectively.

Occupancy in the lowest month in 2009 (January) plunged from 52.3% in 2008 to 41.2% in 2009. (The lowest month in 2008 was September because of the holy month of Ramadan; occupancy in September 2009 dropped from 44.8% to 41.4%.) Occupancy in the highest month (October) also dropped from 81.7% in 2008 to 73.2% in 2009. This can be partly explained by the financial crisis over this period which gradually reduced business tourism demand.

Table 2 shows the twelve-month moving average of hotel occupancy, average rate and RevPAR in Amman from January 2009 to February 2010.



Table 2 Twelve-Month Moving Average – Occupancy, Average Rate and RevPAR January 2009-February 2010 (JOD)

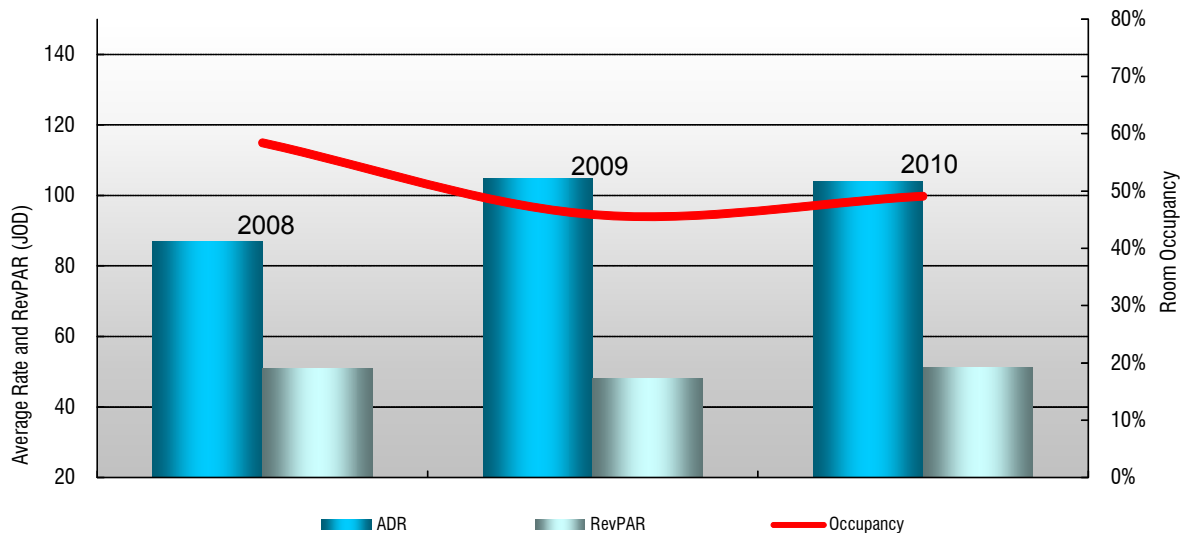


Source: STR Global

Table 2 shows a relatively flat RevPAR curve for the period under study; RevPAR started showing modest signs of recovery by the first two months of this year, owing particularly to dropping occupancy levels offset by increasing average room rates. The dip in May 2009 is a result of the opening of the Ramada hotel coupled with the global slowdown.

Hotel Performance

The analysis in this market snapshot is based on a sample of mostly branded hotels within the Amman hotel market. The sample includes over 3,500 rooms. Table 3 shows the Year-to-February hotel performance for the hotel market in Amman from 2008 to 2010.


Table 3 Year-To-February Hotel Performance in Amman – 2008-10 (JOD)


Source: STR Global

Year-to-February occupancy dropped from 58.4% in 2008 to 45.9% in 2009. Hotels, however, began seeing signs of recovery in 2010 with an occupancy increase to 49.1%. The drop in occupancy in 2009 is attributed primarily to the economic downturn, as hoteliers faced a significant slowdown in European visitation, as well as the Jordanian dinar's appreciations against the euro and pound sterling (the dinar is pegged to the US dollar). As the world economy rebounds from the crisis and the few branded hotels developments in the pipeline delay their openings, occupancy in Amman is expected to continue to increase.

Despite drops in occupancy, hotels in Amman were able to achieve (on average) a sound increase in average rate of 20% by Year-to-February 2009 (to JOD104.70). This can be explained by the fact that hoteliers did not – at this point in the year – feel the need to compromise average rate, despite early signs of falling occupancy. Average rate growth thus gradually slowed down by the end of 2009. Year-to-February 2010 recorded a 1% decrease compared to the first two months of 2009.

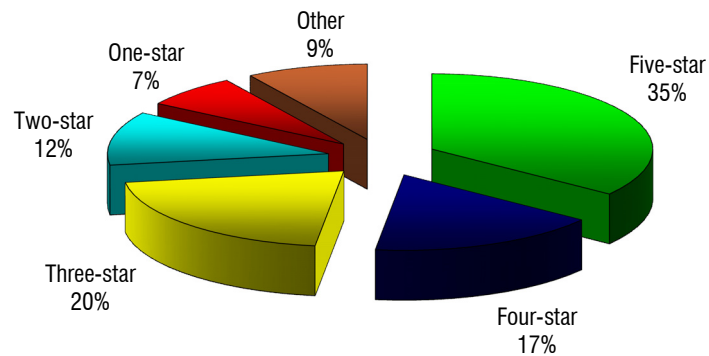
We note that monthly average rates recorded double digit growth for seven months in 2009 compared to 2008, while occupancy in 2009 recorded double digit decreases for eight months. RevPAR decreased by 5.4% year-to-February 2009, and it had dropped by nearly 4% by the end of the year. After growing by 6.4% year-to-February this year, RevPAR now stands on a par with what it was in 2008.

Supply

According to the Jordanian Ministry of Tourism & Antiquities, by September 2009 the Amman hotel market comprised 10,322 hotel rooms. Table 4 shows the city's mix of room supply.



Table 4 Existing Hotel Room Supply – Amman (September 2009)

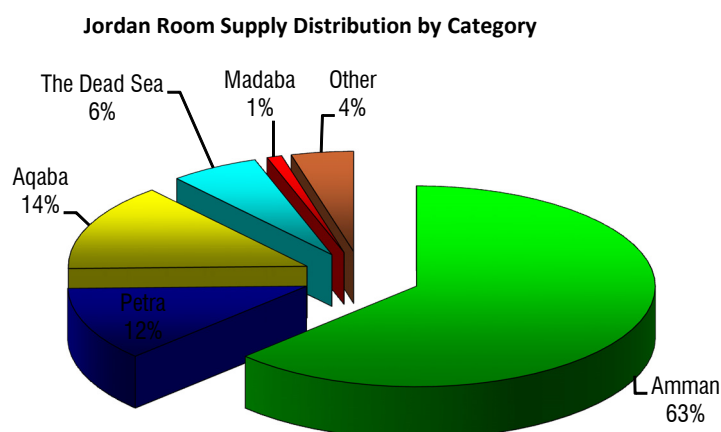


Source: Ministry of Tourism & Antiquities

As can be seen from Table 4, 35% of the existing hotel room supply in Amman is in the five-star category, spread over 12 properties. This is followed by the three and four-star markets, comprising 29 and 13 hotels, respectively. The category with the most properties (34) is the two-star category; however, because of the smaller size of these hotels when compared to upscale properties, they only account for 12% of the total room count. There are reported to be 72 unclassified hotels in the city.


Table 5 Existing Supply – Amman and Other Cities in Jordan (September 2009)

Category	Hotels	Share	Rooms	Share	Beds	Share
Amman	189	57%	10,322	63%	19,783	62%
Petra	38	11%	1,963	12%	3,764	12%
Aqaba	49	15%	2,319	14%	4,826	15%
The Dead Sea	4	1%	995	6%	1,782	6%
Madaba	9	3%	167	1%	342	1%
Other	43	13%	694	4%	1,550	5%
Total	332	100%	16,460	100%	32,047	100%



Sources: Ministry of Tourism & Antiquities

Table 5 shows that Amman leads the country in terms of the number of existing hotels, rooms and bed supply. However, although there may still be room for growth in the branded five-star and upscale segments, there is also a greater need for further expansion in the branded mid-market (three and four-star) and budget (one and two-star) categories, especially in times when guests become more price-sensitive.

New Supply

The upcoming supply of internationally branded hotels in Amman has experienced some delays. Despite the opening of the Ramada (in the mid-market category) in May 2009 and the Ibis (in the budget segment) in November of the same year, some of the developments have been pushed to this year and 2011. The W hotel (in the five-star category) has also been postponed to 2013 at the earliest. We therefore present in Table 6 the confirmed supply of branded hotels until 2013. This list, however, excludes projects still under negotiation or contracts that are still bound by confidentiality at the time of our writing this article. We note that consistent with the existing hotel offering, upscale hotels dominate the proposed supply of branded hotels in Amman.


Table 6 Future Supply of Internationally Branded Hotels in Amman (2010-13)

Hotel Name	Management Company	Number of	
		Rooms	Opening Date
Boulevard Arjaan by Rotana	Rotana Hotels	400	2010
Hilton Amman	Hilton Worldwide	531	2011
Amman Rotana	Rotana Hotels	450	2011
W Amman	Starwood Hotels & Resorts	280	2013
Total		1,661	

Source: HVS Market Intelligence

Conclusion

Despite passenger traffic growth at Amman's international airport, the tourism scene in Amman experienced a drop in revenues, static growth in visitation and plummeting occupancy in 2009. Also, rising average rates began to decrease towards the end of the year. However, in the first two months of 2010, occupancy levels and visitor figures started showing signs of recovery, thus improving performance levels at hotels. The recession also forced some of the hotels in the pipeline to delay their openings. The existing and incoming hotel supply of branded rooms shows that the market still lacks budget and mid-market hotels.

The Amman tourism market (and the Jordanian tourism market as a whole) fared well compared to the performances of other markets in the region, and better than the United Nations World Tourism Organisation had initially forecasted. Also, according to the Jordan Investment Board, investments that benefited from incentives offered by investment laws in Jordan increased by 235% during the first two months of 2010 on the same period in 2009. This figure reached JOD616.0 million, of which the hotel and tourism sector is believed to make up 26%. In addition, what also made visitation perform better than expected and helped the economy survive the financial crisis was the country's medical tourism sector.

Although the economy survived the impact of the recession, and despite early signs of recovery in the first two months of the year, officials are not necessarily optimistic in their outlook for 2010. This is owing primarily to the Jordan Tourism Board's reduction in the size of the promotional budget by JOD2 million, as part of measures taken by the government to narrow down the budget deficit in face of the slowdown.



About the Authors



Elie Milky is an Associate working with the HVS Dubai office, specialising in hotel valuation and consultancy. He joined the London office of HVS in 2007 after completing an MBA from IMHI (ESSEC Business School), Paris, France. Elie has three years' experience in hotel operations in Lebanon and the UAE, and also holds a BA in Hospitality Management from Notre Dame University (NDU), Lebanon. He is currently doing an MSc in Property Investment (RICS) via distance learning with the College of Estate Management, Reading, UK. He has conducted a number of valuations, market studies, feasibility studies, return on investment, operator search and consultancy assignments across Europe, Africa and the Middle East. Elie relocated to Dubai in early 2009.



Hala Matar Choufany is the Managing Director of HVS Dubai and is responsible for the firm's valuation and consulting work in the Middle East and North Africa. She initially joined HVS London in 2005 and moved to HVS Shanghai in September 2006 where she helped grow the Shanghai office and business in the Asia region. She relocated to Dubai in September 2007 and looks after HVS interests in the Middle East. Before joining HVS, Hala had four years of operational and managerial hotel industry experience. She lectured at Notre Dame University (NDU) in Lebanon on International Travel and Tourism. Hala holds an MPhil from Leeds University, UK; an MBA from IMHI (Essec-Cornell) University, Paris, France; and a BA in Hospitality Management from NDU, Lebanon. Hala has worked on several mid and large-scale mixed-use developments and conducted numerous valuations, feasibility studies, operator searches, return on investment analyses and market studies in Europe, the Middle East and Asia.

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Steve began his career in the 1970s as a consultant in the hospitality division of a prominent New York City real estate firm. Through that experience, Rushmore noted the limited body of knowledge available to assess the value of hotels and motels, taking into consideration both the business and real estate components. Rushmore’s first book, *The Valuation of Hotels and Motels*, quickly became the definitive work on the subject and, soon after, HVS was born. The HVS method of providing an economic study and valuation for hotels and motels immediately became, and continues to be, the industry standard.

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Executive Search	Eco Services
Food & Beverage Services	Risk Management
Gaming Services	

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