

Tourist Visitation

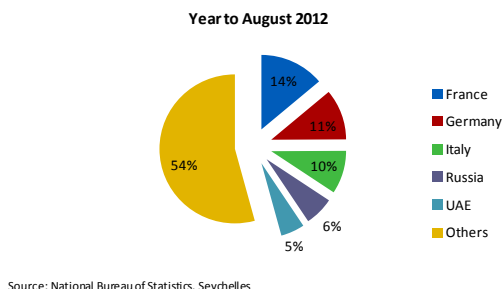
Tourist visitation has shown a compound annual growth rate (CAGR) of 3.25% between 1998 and 2011. Seychelles witnessed a 9.3% growth in tourism arrivals in 2006 and 14.7% in 2007. In

2008, visitation experienced a marginal decline of 1.4% largely due to the worldwide economic downturn. Total visitation increased by 11.0% in 2010 and 11.4% in 2011, which confirms the attractiveness of the island as well as the economic recovery of its source markets.

An additional 5.4% increase in visitation between January and August 2012 was recorded when compared to the same period in 2011.

Top Source Markets

Out of the 123 feeder markets that visited Seychelles from January to August 2012, France, Germany, Italy, Russia and the UAE were the top five visiting nations. These five feeder markets accounted for approximately 46% of total visitation to Seychelles in 2012.



Despite the cancellation of direct Air Seychelles flights from Paris to Seychelles, travel from France accounted for 14% of total travel to Seychelles, followed by Germany at 11%. The new contender in the top visiting markets is the United Arab Emirates; the collaboration between Air Seychelles and Etihad Airways has boosted travel from the Middle East specifically through Abu Dhabi (the capital of UAE).

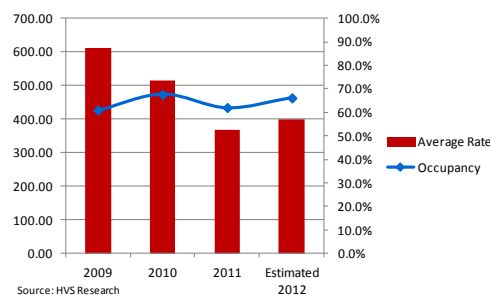
Market Segmentation

The Seychelles hotel market is primarily characterised by the leisure segment; hence the length of stay is approximately ten nights. The majority of roomnights generated in the market are from the wholesale segment (56%), followed by the FIT (Free Independent Traveller) segment (37%) and a conservative share of the events & incentives segment (3%).

Market Performance

The five-star hotel market on Mahé Island saw an increase in marketwide occupancy of six percentage points and a 10% decrease in marketwide average rate between 2009 and 2010. In 2011, marketwide occupancy dropped by six percentage points due to the opening of two new hotels; although an increase of 55% in accommodated roomnights was recorded. Due to the sensitivity of the market and additional competition amongst the hotels, average rate declined by 28% resulting in a significant decrease of 34% in marketwide RevPAR. The decrease in average rate is also attributable to the wholesale strategy adopted by resorts on the island.

We expect the hotel market to rebound in 2012 as the new hotels ramp up to stabilisation and are absorbed into the market due to the increase in demand which is directly correlated to the increase in visitation. Marketwide occupancy and average rate are expected to increase by eight percentage points and 4.0% respectively, which in turn will result in a 15.6% increase in RevPAR.



Existing and Proposed Supply

Five-Star Hotel Supply	Number of Rooms
Le Meridien Fisherman's Cove	68
Constance Ephelia	267
Hilton Northolme	40
Le Meridien Barbarons	124
Hilton Seychelles Labriz Resort	111
Beachcomber Saint Anne	87
Constance Lemuria	105
Berjaya Beau Vallon	267
Banyan Tree Seychelles	60
Four Seasons Seychelles	67
Raffles Praslin	86
Kempinski Seychelles	150
MAIA Resort	30
Total	1,462

Source: HVS Research

Proposed Hotel	Number of Rooms	Opening Year
Savoy Seychelles	150	2013
Shangri-La Seychelles	40	2015
Jebel Ali International Resort	10	2015
DoubleTree by Hilton Alaamanda Bay	30	2013
Total	230	

Source: HVS Research

The 1,462-room five-star hotel market is established with several internationally branded hotels such as Four Seasons, Raffles, Banyan Tree and Hilton. Constance hotels is a popular chain of hotels and is solely present on resort islands similar to Seychelles such as Maldives and Mauritius. The 150-room Kempinski Seychelles, built on the site of the former Plantation Club, is the newest addition to the five-star hotel supply.

The market will see the addition of 230 rooms by 2015. However, some of the proposed hotels listed above are experiencing delays and their exact opening dates cannot be determined accurately.

Outlook

Inbound tourism volume has increased during the first eight months of 2012 when compared to the same period in 2011. This is due to solid visitation from Europe as well as the surge in arrivals from the Middle East and Asia. Arrivals from Europe are expected to grow moderately over the next three years, while newer markets such as the Middle East and Asia are expected to show significant growth.

Hotel operators are currently experiencing several challenges when maintaining expenses; especially the cost of food and beverage as the majority of food products are imported. Various efforts are being carried out in order to mitigate these expenses, including the effective use of yield management to optimise average rate during peak seasons.

The hotel market is expected to remain sustainable in the near- to mid-term attributable to the limited upcoming supply, continued marketing efforts undertaken by the Seychelles tourism board and the plans to expand the airport to accommodate additional travel to the island.