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HERE COMES KURDISTAN!

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ERBIL, SULAYMANIYAH, DUHOK - In Focus

KURDISTAN IN FOCUS

The Kurdistan Region is a federated region in Northern Iraq consisting of three main governorates, Erbil, Sulaymaniyah, and Duhok. In contrast to other parts of Iraq, the Kurdistan region has remained peaceful for the most part of the last decade, and as a result, there has been an upsurge in economic activity in the region, and the demand for all types of goods and services is on the rise. The primary development focus is aimed at reconstruction as the government rebuilds essential infrastructure, from power and water utilities and transport infrastructure to residential housing. Additionally, the government is investing into the economic infrastructure including oil fields and the mid- and down- stream pipeline, petrochemical, and fuel distribution sectors. At present, more than 50 companies from 23 countries are investing over US\$10 billion into the Kurdistan region in order to discover and extract valuable oil and gas reserves, which currently stand at 45 billion barrels, compared to no known reserves just six years ago. This places Kurdistan in the top ten largest oil reserves in the world.

ECONOMY

KEY ECONOMIC INDICATORS

GDP growth in Iraq has been strong over recent years and is projected to increase further over the foreseeable future driven by reconstructive development and oil earnings through significant increases in oil production. These oil earnings are expected to continue to improve the current account balance for Iraq.

IRAQ KEY ECONOMIC INDICATORS 2010 - 2017

KEY ECONOMIC INDICATORS IRAQ								
	Actual			Forecast				
	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP growth (%)	5.5	8.2	8.5	8.2	8.7	9.0	9.4	9.7
Consumer price inflation (av %)	2.4	5.6	6.1	3.4	5.5	5.6	5.8	6.5
Budget balance (% of GDP)	1.3	9.8	7.3	3.7	3.2	3.7	4.1	4.8
Current-account balance (% of GDP)	12.4	13.8	12.6	6.8	4.4	4.3	4.0	4.3
Oil Production ('000 barrels/day)	2,398	2,678	2,957	3,252	3,633	4,058	4,545	5,090
Exchange rate ID:USD	1,170	1,170	1,166	1,166	1,166	1,166	1,166	1,166
External Debt (USD bn)	52.6	50.8	50.3	48.8	47.9	47.0	46.1	45.2

Source: Economist Intelligence Unit, July 2013

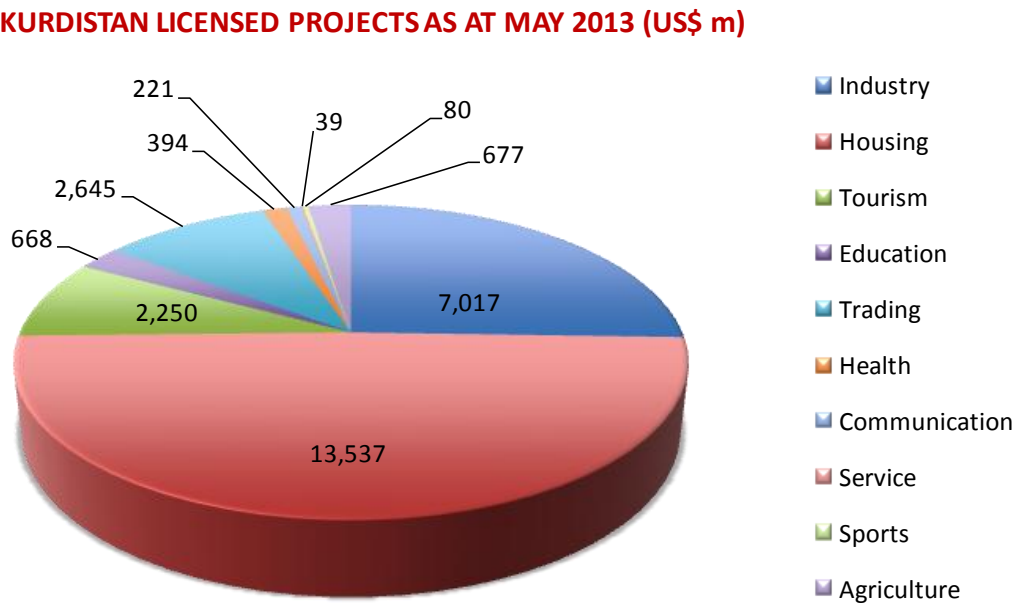
INCENTIVISED INVESTORS

There have been notable improvements in the regulation of the business environment. The private sector is gaining prominence and foreign capital is being invested into oil & gas, construction, hospitality, telecom and infrastructure projects. As oil prices increase in the international market, it is expected that Iraq and Kurdistan will increase public spending into key infrastructure projects. In order to encourage foreign direct investmet, the following incentives have been introduced:

- ✓ Exemption from corporate taxes (10 years)
 - ✓ Exemption from custom duties for:
 - raw materials, equipment, machinery and spare parts etc. (5 years)
 - ✓ Repatriate investment and profits from investments
 - ✓ The right to employ foreign workers when needed
 - ✓ Obtain three years exemption from import fees for required equipment
- ✓ Provision of land plots as subsidized lease
 - ✓ Provision of public infrastructure to the project fence
 - ✓ National and foreign investors are treated equally
 - ✓ Agriculture, Industry and Tourism are primary sectors
 - ✓ The guarantee that the government will not nationalise or confiscate investments
 - ✓ These incentives apply to all sectors except oil and gas sectors

Source: Kurdistan Board of Investment

Since 2006, projects approved by the KRG throughout Kurdistan exceeded US\$27 billion and as illustrated in the chart below this investment has primarily been targeted towards housing, industry, trade and tourism:



Source: Kurdistan Board of Investment

The Kurdistan Regional Government (KRG) has also recently approved the development of Dukan Tourist City located within the Sulaymaniyah governorate and being developed under a joint venture agreement between Emaar Properties and Kurdish Farouq Holding. The project is expected to be completed in five years at a cost of US\$3bn and is considered to be one of the largest tourist projects (2,400,000 square meters) in the area.

TRAVEL AND TOURISM TO KURDISTAN

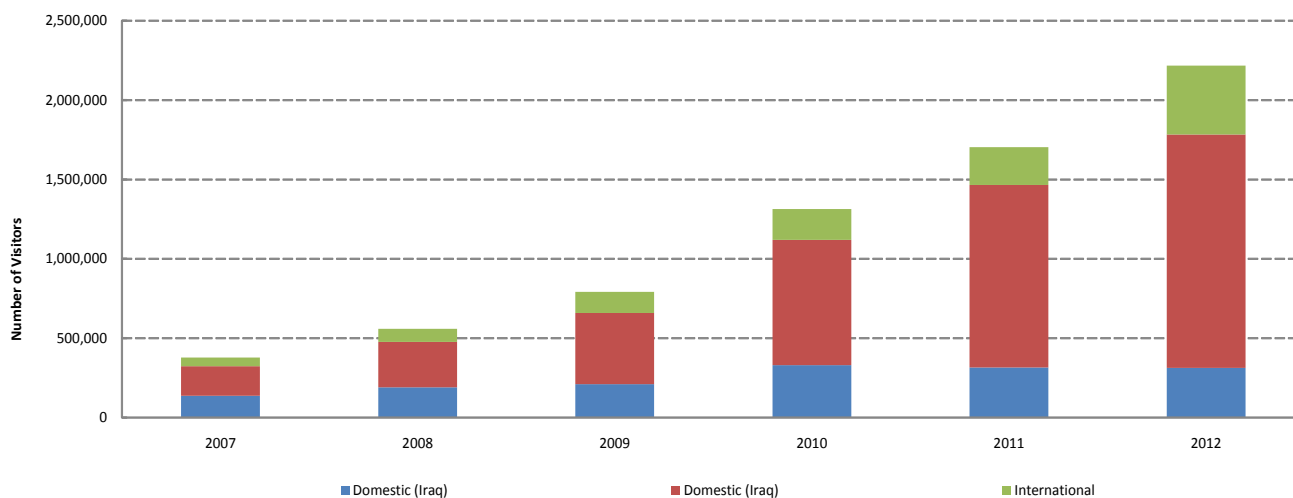
The total contribution of Travel & Tourism to GDP in Iraq was IQD7,278.4bn (4.9% of GDP) in 2012, and is forecast to grow by 7.9% to IQD7,853.0bn (5.0% of GDP) in 2013, and to rise by 6.1% per annum to IQD14,246.6bn by 2023 (5.5% of GDP).

Our research reveals that approximately 2.2 million visitors travelled to Kurdistan in 2012 representing a 30.2% rise in visitation over 2011. Although there has been a large increase in airport passenger arrivals to the main airports in Kurdistan, visitation to Kurdistan is primarily generated by land travel.

Notably, there has been a major increase in international travel to the region in 2012 which has increased almost ten-fold between 2007 and 2012. This is a clear reflection of the favourable foreign investment incentives being offered by the KRG, investor perceptions of a comparatively safe and stable business environment, and investor sentiment towards the economy as a whole. These increases in overseas visitation have also been aided by the increasing airlift to the region and the significant improvements in airport infrastructure. Domestic visitation is divided between the Kurdistan area and the rest of Iraq. The most significant share of visitation to Kurdistan is from other cities within Iraq and in 2012, 66% of total visitation was generated from visitors within Iraq.

DOMESTIC AND INTERNATIONAL VISITATION TO KURDISTAN BY SOURCE OF ORIGIN 2007-12

Year	Total	% Change	Domestic (Kurdistan)			Domestic (Iraq)			International		
			Visitors	% Change	Share	Visitors	% Change	Share	Visitors	% Change	Share
2007	377,397	-	137,118	-	36%	186,420	-	49%	53,859	-	14%
2008	558,860	48%	190,230	39%	34%	285,740	53%	51%	82,890	54%	15%
2009	791,345	42%	209,611	10%	26%	449,193	57%	57%	132,541	60%	17%
2010	1,313,841	66%	329,536	57%	25%	789,760	76%	60%	194,545	47%	15%
2011	1,702,390	30%	315,161	-4%	19%	1,149,738	46%	68%	237,491	22%	14%
2012	2,216,993	30%	313,144	-1%	14%	1,470,138	28%	66%	433,711	83%	20%



Compound Annual Growth Rate 2007-12

Total Visitors	42.5%
Domestic (Kurdistan)	18.0%
Domestic (Iraq)	51.1%

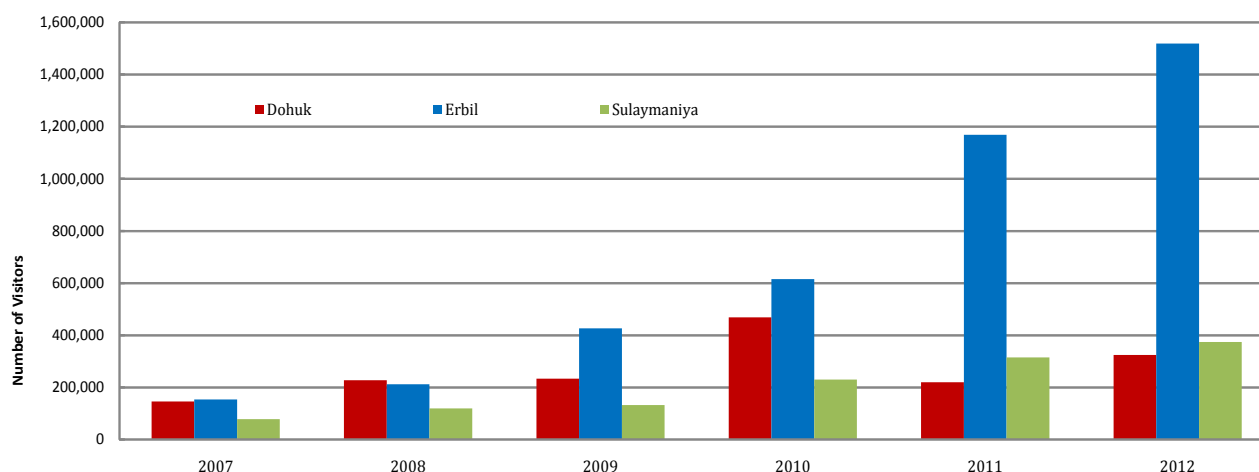
Source: Ministry of Tourism Kurdistan

As highlighted earlier, the three governorates Erbil, Sulaymaniyah and Dohuk make up the Kurdistan region of Iraq. As evident in the table below, Erbil attracts the largest share of visitation within Kurdistan (almost 70%), followed by

Sulaymaniyah, and then Duhok which both received a similar number of visitors in 2012.

DOMESTIC AND INTERNATIONAL VISITATION TO KURDISTAN BY REGION 2007-12

Year	Total	% Change	Dohuk			Erbil			Sulaymaniya		
			Visitors	% Change	Share	Visitors	% Change	Share	Visitors	% Change	Share
2007	377,397	-	145,893	-	39%	153,571	-	41%	77,933	-	21%
2008	558,860	48%	227,664	56%	41%	211,780	38%	38%	119,416	53%	21%
2009	791,339	42%	233,015	2%	29%	426,392	101%	54%	131,932	10%	17%
2010	1,313,841	66%	468,699	101%	36%	615,479	44%	47%	229,663	74%	17%
2011	1,702,390	30%	219,242	-53%	13%	1,168,174	90%	69%	314,974	37%	19%
2012	2,216,993	30%	323,887	48%	15%	1,518,830	30%	69%	374,276	19%	17%



Compound Annual Growth Rate 2007-12

Dohuk	17.3%
Erbil	58.1%
Sulaymaniya	36.9%

Source: Ministry of Tourism Kurdistan

MAJOR CHALLENGES

Kurdistan holds the world's largest population that does not have its own country. This is reflected by a continuously changing political landscape between power dominating regional politics and repression opposed by resistance and the persistent fight for liberty and recognition of Kurds' rights. Kurdistan builds up its economy through the rapid development of the oil and gas industry. Considering the fact that Kurdistan's economy is primarily based on these resources, the circumstances accompanying the export of the region's oil presents serious conflict potential.

Additionally, the weak banking sector and its limited role in the economy make it difficult to pursue an effective monetary policy for the country. The focus on sourcing funds for development is placed on foreign investors. The region can only make considerable economic progress with the assistance of foreign capital and knowledge due to limited internal resources and expertise.

Another major challenge for the development of the region is the democratic progress, political development and transparency. The political situation in Iraq remains unstable, although violence is unlikely to return to 2006-07 levels. The tension between the central government in Baghdad and the Kurdistan Regional Government (KRG) over management of the

oil sector will also remain a source of a political instability. Additionally, the civil war in Syria and the growing tide of Syrian refugees poses a new set of problems for Iraq as a whole.

One of the most apparent issues that companies face when establishing business in Kurdistan is ironically being affected by the same problems they are trying to resolve. Services like water and electricity, although better than they used to be, are still lacking.

Iraq and Kurdistan have a challenging task to ensure governance and transparency and to include the local population in the growth process for sustainable and equitable growth. As highlighted, power shortage, human resources and infrastructure development required to keep up with the pace of development are key areas that the Iraqi and Kurdish government will have to prioritise.

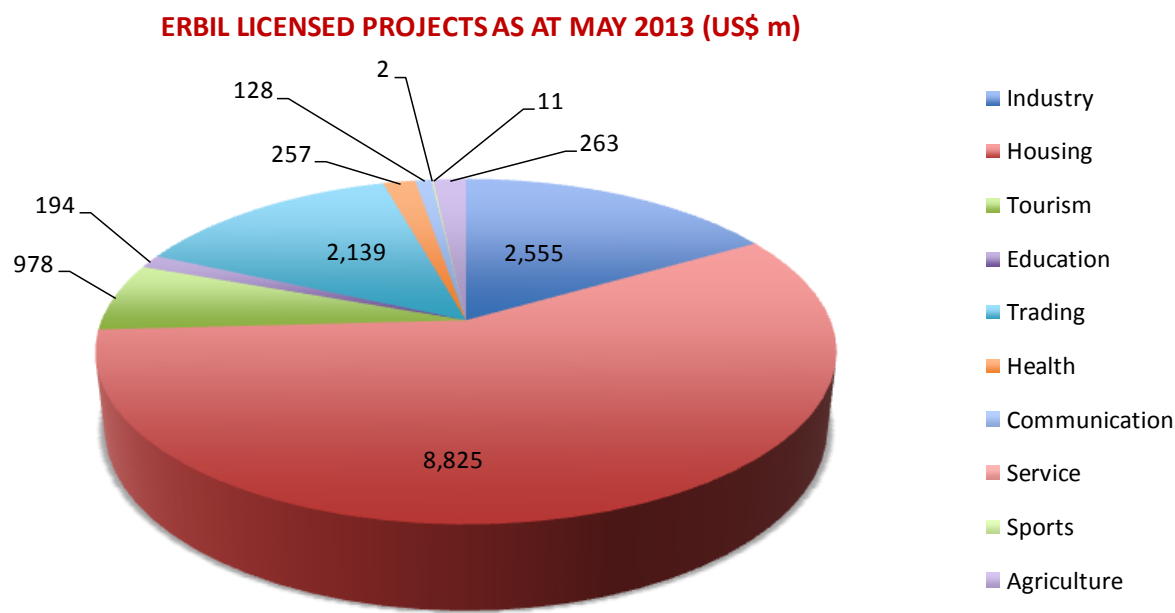
The article now explores the lodging market fundamentals of these markets individually.

ERBIL

The capital of Kurdistan, Erbil, is arguably one of the oldest, constantly inhabited cities in the world and is one of the largest cities in Iraq. Erbil is witnessing an economic upswing and many foreign investors are considering Erbil as a potential investment destination due to the relative stability of the northern Kurdish region. The price of land has increased significantly over the last three years. Between 2005 and 2012, local and foreign investments in Erbil have exceeded US\$14 billion. The largest share of this investment was focused on housing. The cabinet of the Kurdistan Regional Government (KRG) approved a supplementary budget of US\$161 million for Erbil, bringing the total for the province's budget to approximately US\$322 million. Foreign investment follows a similar trend, with the first half of 2012 reaching a peak of US\$3.4 billion.

ECONOMY

Erbil has absorbed the majority of investment into Kurdistan, with over US\$15 billion being approved in projects since 2006. The majority of projects were related to housing, followed by industry, trading and then tourism investment.

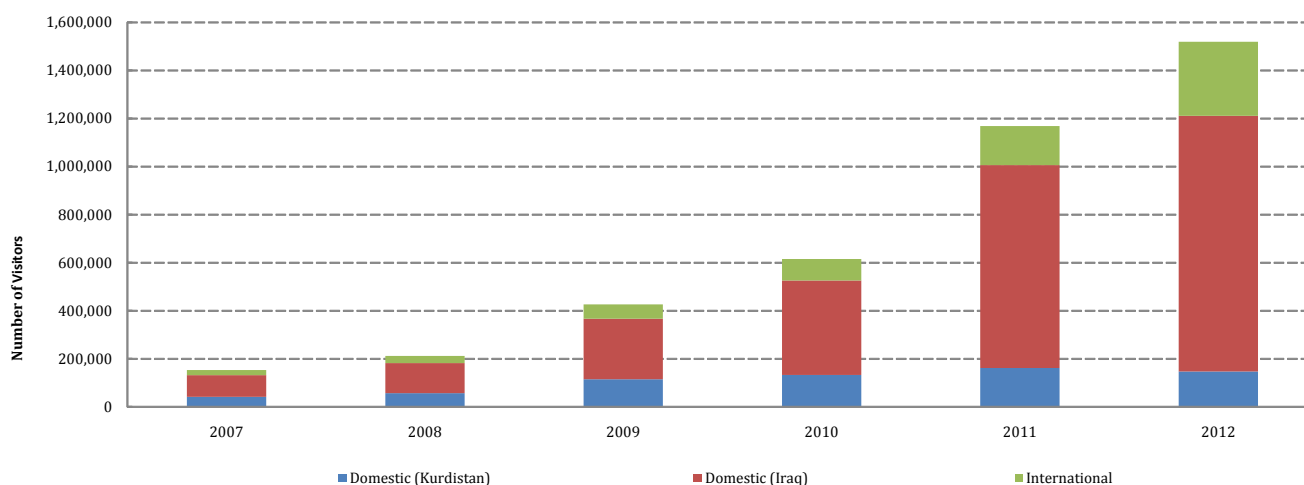


Source: Kurdistan Board of Investment

TRAVEL & TOURISM TO ERBIL

TOTAL VISITATION TO ERBIL BY SOURCE 2007/12

Year	Total	% Change	Domestic (Kurdistan)			Domestic (Iraq)			International		
			Visitors	% Change	Share	Visitors	% Change	Share	Visitors	% Change	Share
2007	153,571	-	41,464	-	27%	90,607	-	59%	21,500	-	14%
2008	211,780	38%	57,181	38%	27%	124,950	38%	59%	29,649	38%	14%
2009	426,398	101%	115,127	101%	27%	251,575	101%	59%	59,696	101%	14%
2010	615,479	44%	132,576	15%	22%	393,703	56%	64%	89,200	49%	14%
2011	1,168,173	90%	162,123	22%	14%	843,628	114%	72%	162,422	82%	14%
2012	1,518,830	30%	147,146	-9%	10%	1,063,623	26%	70%	308,061	90%	20%



Compound Annual Growth Rate 2007-12

Total Visitors	58%
Domestic (Kurdistan)	29%
Domestic (Iraq)	64%
International	70%

Source: Ministry of Tourism Kurdistan

International visitation to Erbil accounted for over 70% of total international visitation to Kurdistan in 2012 and accounted for 75% of the 83% increase in international visitation to Kurdistan in 2012 versus 2011. This clearly illustrates and solidifies Erbil's position as the Kurdistan market of choice for international visitors which have increased almost 15 fold since 2007.

Domestic visitation to Erbil from Iraq has also increased at a significant pace since 2007 and currently represents the largest share (70%) of visitation to Erbil.

AIRLIFT

This visitation has been made possible by a large number of airline carriers adding Erbil as a scheduled route, as well as the ongoing improvements to the Erbil International Airport.



The Erbil International Airport (EIA) acts as the gateway between Erbil and the rest of the world. At present there are 22 international airlines connecting Erbil to the world. As indicated in the table below, passenger movements at Erbil International Airport have consistently experienced double-digit growth, with 2007 witnessing the greatest growth and 2012 achieving similar growth of over 53% year on year. For the next five years, airport authorities have forecast 20% growth, where after it will moderate to 7% - 8% annually. This renders Erbil as one of the fastest growing airports globally in terms of year on year percentage increase. Easing of entry visa requirements is also expected to support this growth.

AIRLINE	DESTINATION	EXISTING/NEW ROUTE	AIRLINE	DESTINATION	EXISTING/NEW ROUTE
Air Arabia	Sharjah (SHJ)	Existing Route	Gulf Air	Manama (BAH)	Existing Route
Air Berlin	Berlin (TXL)	Existing Route	Hermes Airlines	Alimos (ATH)	Existing Route
Air Sweden	Stockholm (ARN)	Existing Route	Iraqi Airways	Baghdad (SDA)	Existing Route
ATA Airlines	Tabriz (TBZ)	Existing Route	Lufthansa	Frankfurt (FRA)	Existing Route
Atlas Jet	Istanbul-Ataturk (IST)	Existing Route	Mahan Air	Tehran (IKA)	Existing Route
Austrian Airlines (Tyrolean Airways)	Vienna (VIE)	Existing Route	Med Airways	Beirut (BEY)	Existing Route
EgyptAir	Cairo (CAI)	Existing Route	Middle East Airlines	Beirut (BEY)	Existing Route
Emirates	Dubai (DXB)	Existing Route	Pegasus Airlines	Istanbul (IST)	Existing Route
Etihad Airways	Abu Dhabi (AUH)	Existing Route	Qatar Airways	Doha (DOH)	Existing Route
Flydubai	Dubai (DXB)	Existing Route	Royal Jordanian	Amman-Queen Alia (AMM)	Existing Route
Fly Georgia	Tbilisi (TBS)	Existing Route	SunExpress	Antalya (AYT)	Existing Route
Georgian Airways	Tbilisi (TBS)	Existing Route	Transavia.com	Amsterdam (AMS)	Existing Route
Germania	Berlin (TXL)	Existing Route	Turkish Airlines	Istanbul- Ataturk (IST)	Existing Route

Source: HVS Research

ERBIL VISITATION 2006-2012

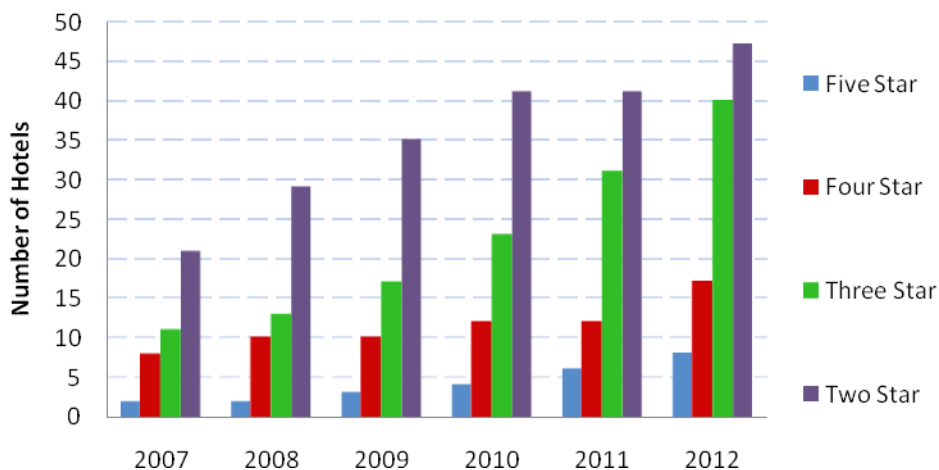


Source: Erbil International Airport

HOTEL SUPPLY

These increases in visitaiton have both encouraged and been supported by hotel development within the city within the last few years. The total number of hotels in Erbil has almost tripled in the last 3 years, although the majority of this supply increase has been focused on mid-scale and upper mid-scale products. There have been approximately six new five-star hotels developed within the five-star product segment. With this in mind, it should be specifically noted that hotel classification standards in Erbil do not meet international standards, and as such the majority of these products would not achieve similar ratings in more developed hotel markets. In the five-star segment for example, only two of the existing hotels would potentially achieve five-star ratings, The Rotana Erbil and The Divan Erbil.

ERBIL HOTEL SUPPLY 2007-12



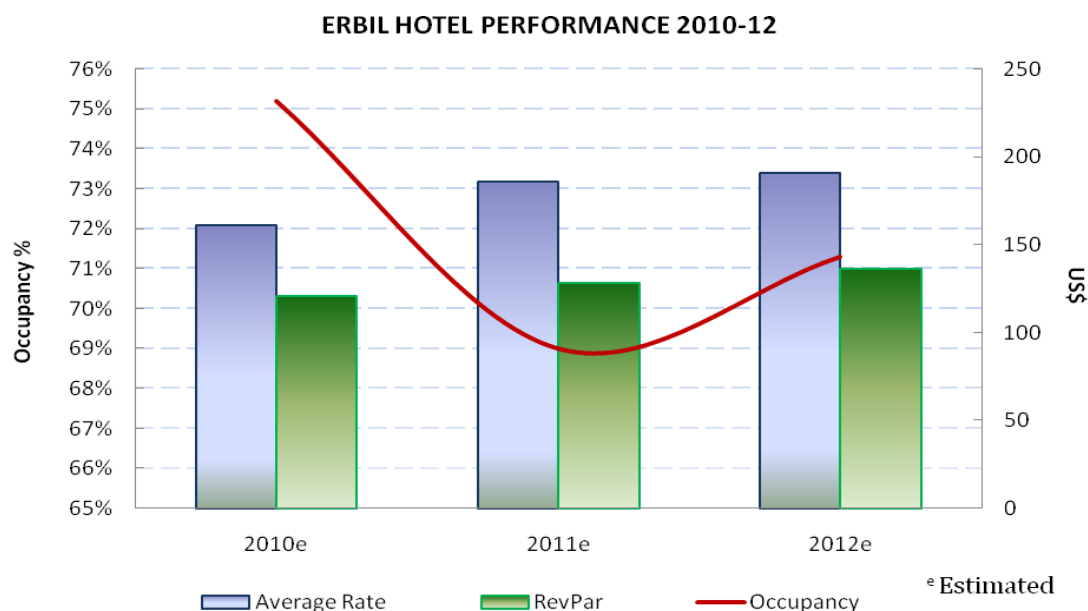
Source: HVS Research

On the back of strong hotel performance and the projected economic growth of Kurdistan and Erbil in particular, many major international hotel operating companies have entered the market and have signed operating agreements with local and international hotel developers. At present, the following operators are understood to be entering the market within the next few years.

Proposed Property	Proposed Rooms	Opening Date	Status
Best Western Premier Erbil Airport	82	1-Jun-13	Under Construction
Kempinski Erbil	250	1-Jan-14	Broke Ground
Best Western Premier Erbil	160	1-Jan-14	Early Development
Swiss-Belhotel	108	1-Dec-14	Under Construction
Proposed Double Tree by Hilton Hotel	190	1-Sep-14	Under Construction
Sheraton Erbil	312	1-Jun-15	Under Construction
Unbranded Four-Star Hotels	914	1-Jan-15	Approved
Hilton Erbil Hotel & Spa	300	1-Jan-16	Early Development
Aloft	200	1-Jun-16	Early Development
Four Points By Sheraton	250	1-Jan-16	Early Development
Marriott Erbil	200	1-Jan-16	Early Development
Marriott Executive Apartments Erbil	75	1-Jan-16	Early Development
Totals	3,041		

HOTEL PERFORMANCE

	Estimated 2010			Estimated 2011			Estimated 2012		
	Occupancy	Average Rate	RevPAR	Occupancy	Average Rate	RevPAR	Occupancy	Average Rate	RevPAR
Hotel Market	75%	161	121	69%	186	128	71%	191	136



Source: HVS Research

CONCLUSION

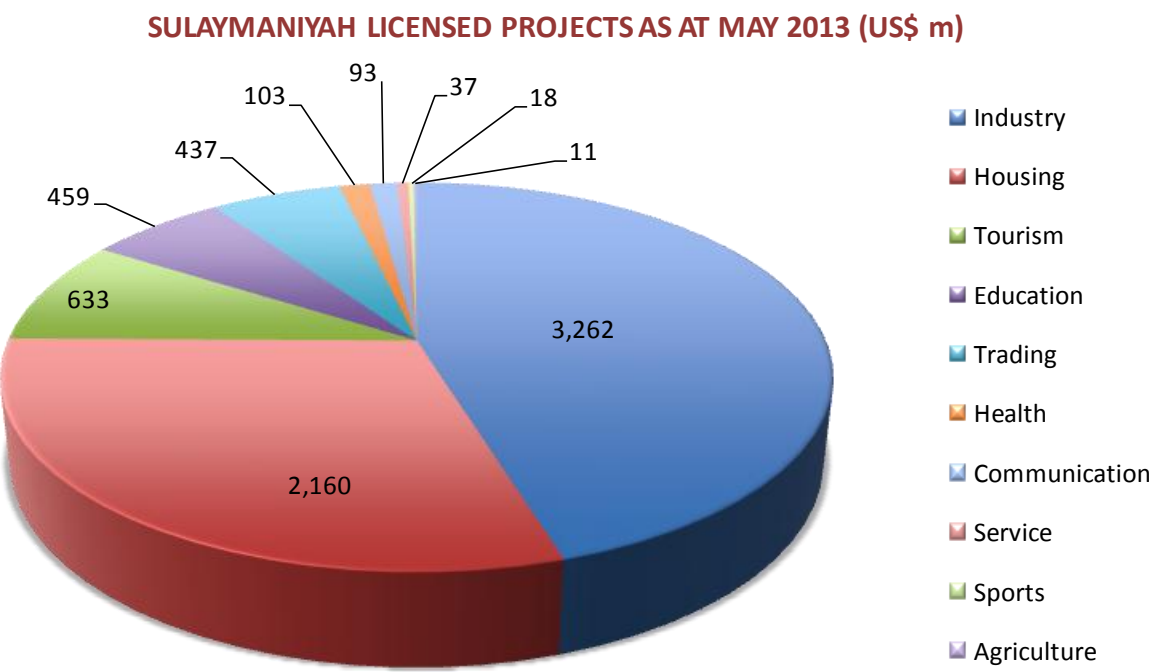
Major local and foregin direct investment into all sectors in particular industrial, housing and tourism, and the continued development of Erbil’s airport, along with its leisure and commercial areas, should allow the hotel market to perform well throughout the rest of 2013 and in the near future. This demand is expected to be absorbed by the significant increases in branded hotel and serviced apartment supply entering the market as the area develops. Significant fluctuations in annual occupancy can be expected from year to year as the market develops and until it reaches a more stable growth pattern in terms of both demand and supply. This market equilibrium is not expected to occur for some years to come which is common in most emerging markets. However, first movers are expected to yield the benefits of supernormal profits until such time as the supply can absorb the current levels of demand being exhibited.

SULAYMANIYAH

The city of Sulaymaniyah is the capital of the Sulaymaniyah Governorate and is officially recognized as the cultural capital of Iraqi Kurdistan. The city is known for its open, relatively liberal and tolerant society when compared to other cities of Kurdistan and Iraq.

ECONOMY

Historically, due to having plains which are considered to be among the most fertile in the Middle East, Sulaymaniyah was renowned as an agricultural base, and as one of the major suppliers of wheat and other agricultural products. Sulaymaniyah is currently undergoing rapid redevelopment plans. Examples of such projects include a 750 MW power plant, and a US\$5.9 million dam project in the Qaradakh parish of Sulaymaniyah.

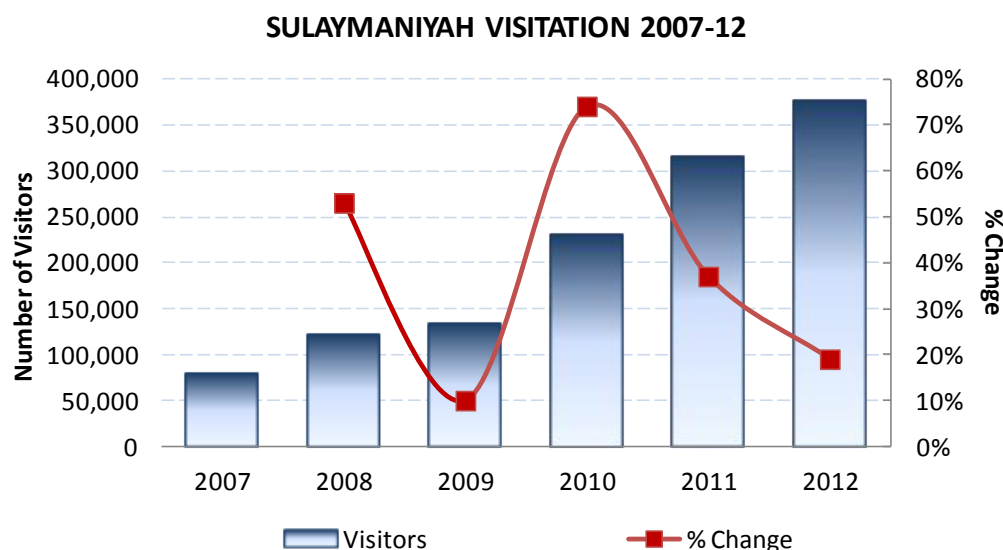


Source: Kurdistan Board of Investment

The Kurdistan regional Board of Investment has approved licenses for development projects in Sulaymaniyah valued at over US\$ 6.2 billion. The primary development focus for Sulaymaniyah is centered around industrial and housing development, which combined, account for almost three quarters of total approved and licensed projects in Sulaymaniyah. The tourism sector is evidently an area of development focus for Sulaymaniyah, with over US\$ 600 million in tourism projects being approved within the governorate. A sector wise breakdown of investment into Sulaymaniyah between 2006 and 2012 can be seen in the chart above.

TRAVEL & TOURISM TO SULAYMANIYAH

Visitation to Sulaymaniyah registered an impressive compound annual growth rate of 36.9% between 2007 and 2012, which was attributable to strong annual growth throughout the period, and in particular, during 2010 when visitation increased by over 74% year on year. This growth trend continued through 2012, during which Sulaymaniyah registered approximately 374,000 tourists. It is worthy of mention that the majority of arrivals into Sulaymaniyah enter via road networks. We further note that there has been an increase in all border crossings from 230,000 in 2010 to 1,200,000 in 2012, although many of these border crossings may have been transient and would not have utilised lodging facilities.



Source: Sulaymaniyah International Airport

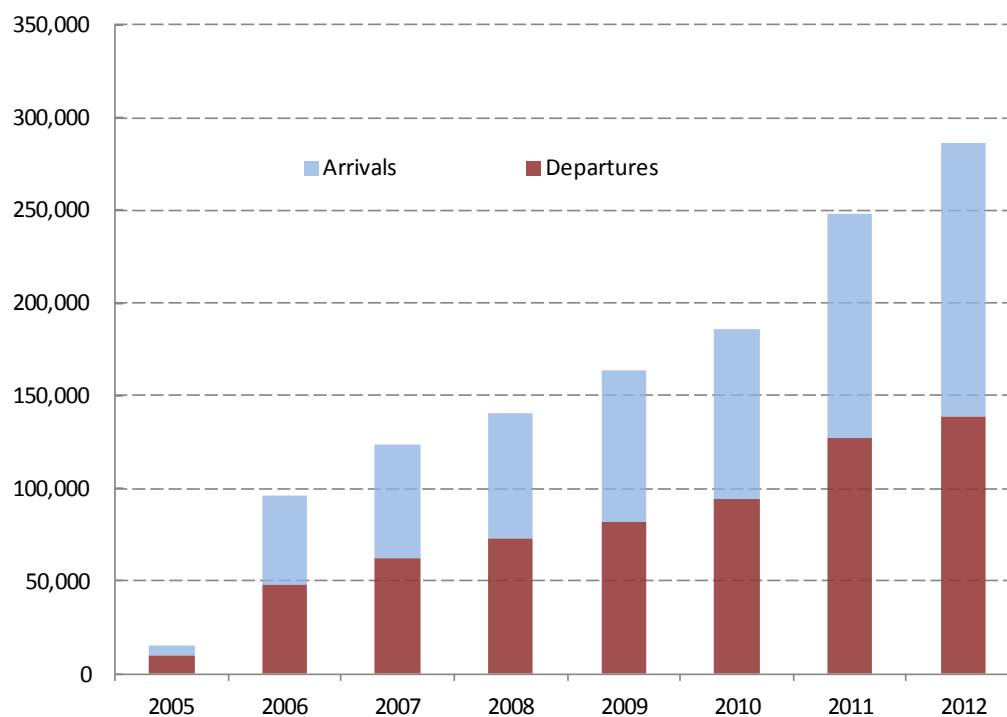
AIRLIFT

Between 2005 and 2012, the Sulaymaniyah International Airport experienced a 52% annual growth in passenger movements driven by a 62% annual increase in arrivals and a 45% annual increase in departures. The surge in visitation after 2005 was primarily due to the continued stable situation in the Kurdistan region in comparison to the rest of Iraq. An increased interest from international investors driving foreign direct investment into the region has increasingly encouraged more and more international airlines to add Sulaymaniyah as a scheduled route. As noted earlier, despite the passenger movements registered at the Sulaymaniyah International Airport, visitation to Sulaymaniyah is primarily supported by land travel.

The table below shows the existing and planned routes to and from Sulaymaniyah International Airport.

PASSENGER MOVEMENTS AT SULAYMANIYAH INTERNATIONAL AIRPORT 2005 - 2013 YTD APRIL

	Departures	% Growth	Arrivals	% Growth	Total Movements	% Growth
2005	10,251	-	5,047	-	15,298	-
2006	48,326	371%	48,164	854%	96,490	531%
2007	62,394	29%	61,656	28%	124,050	29%
2008	73,043	17%	67,265	9%	140,308	13%
2009	81,820	12%	81,655	21%	163,475	17%
2010	94,211	15%	91,988	13%	186,199	14%
2011	126,878	35%	121,274	32%	248,152	33%
2012	138,449	9%	148,197	22%	286,646	16%
2013 YTD	38,346	-	38,164	-	76,510	-
CAGR 2005- 2012		45%		62%		52%



Source: Sulaymaniyah International Airport

The table below shows the existing and planned routes to and from Sulaymaniyah International Airport.



AIRLINE	DESTINATION	EXISTING/NEW ROUTE	AIRLINE	DESTINATION	EXISTING/NEW ROUTE
Atlas Jet	Istanbul-Ataturk	Existing	Iraqi Airways	Baghdad	Existing
Azmar Air	Sulaymaniyah	Existing	Qatar Airways	Doha	August 13, 2013
Coyne Airways	London	Existing	Royal Jordanian	Amman-Queen Ali	Existing
Dokan	Nuremberg	Existing	Turkish Airlines	Istanbul-Ataturk	Existing
FlexFlight	Roskilde	Existing	Caspian Airlines	Tehran	Existing
Flydubai	Dubai	Existing	Nile Air	Cairo	Existing
Georgian	Tbilisi	Existing	Emirates	Dubai	Existing
Germania Airlines	Düsseldorf	Existing	Air Arabia	Sharjah	Existing
Iran Aseman Airline	Tehran	Existing	KLM Royal Dutch Airline	Amsterdam	Existing
ATA Airlines	Tabriz	Existing			
Bahrain Air	Muharraq	Existing			

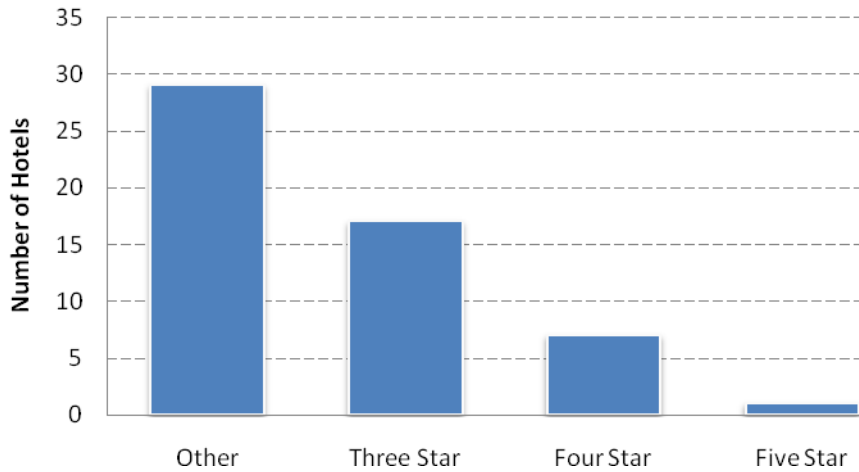
Source: HVS Research

The outlook for Sulaymaniyah International Airport in terms of passenger movements is equally positive, with annual growth of approximately 18% forecast by Sulaymaniyah International Airport for the next ten years. Such growth would result in passenger movements at Sulaymaniyah International Airport of approximately 1.5 million by 2023.

HOTEL SUPPLY

The Highcrest Hotel is the only five-star classified hotel in Sulaymaniyah. With the exception of the Copthorne Baranan Hotel, which is the only internationally branded hotel in Sulaymaniyah and managed by Millennium Copthorne Hotels, most of the hotel supply in Sulaymaniyah would not achieve a similar rating to the rating they currently possess based on international standards.

SULAYMANIYAH HOTEL SUPPLY 2012

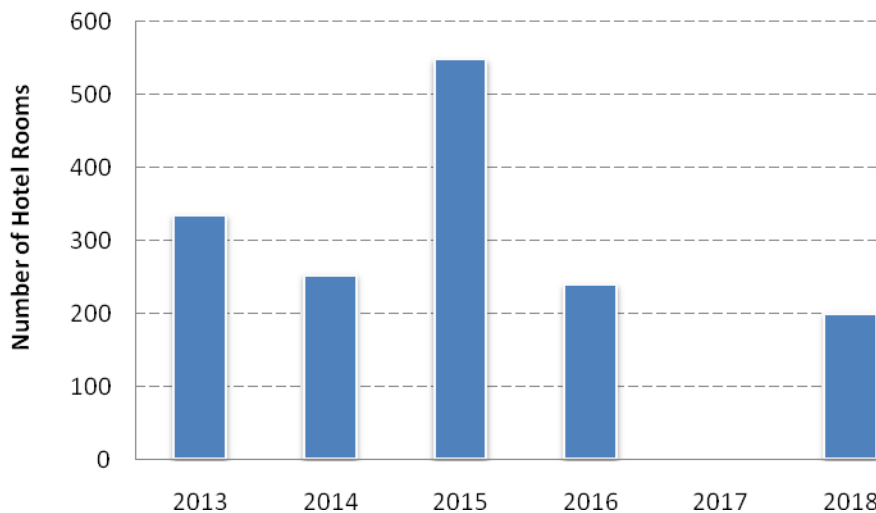


Source: HVS Research

As a result of the significant investment into Sulaymaniyah, many developers and international hotel operators have begun to develop their hotel pipeline in this governorate. This pipeline is illustrated in the table below.

New Supply	Number of Rooms	Opening Date
Ramada Hotel	200	01/09/2013
Millennium Copthorne Spa	135	01/09/2013
Grand Millennium Sulaymaniyah	253	01/09/2014
Sulaymaniyah Rotana	220	01/01/2015
Cristal Group Project	100	01/06/2015
DoubleTree by Hilton	229	01/09/2015
Proposed 5 Star Hotel and Conference Centre	240	01/01/2016

SULAYMANIYAH HOTEL ROOM PIPELINE

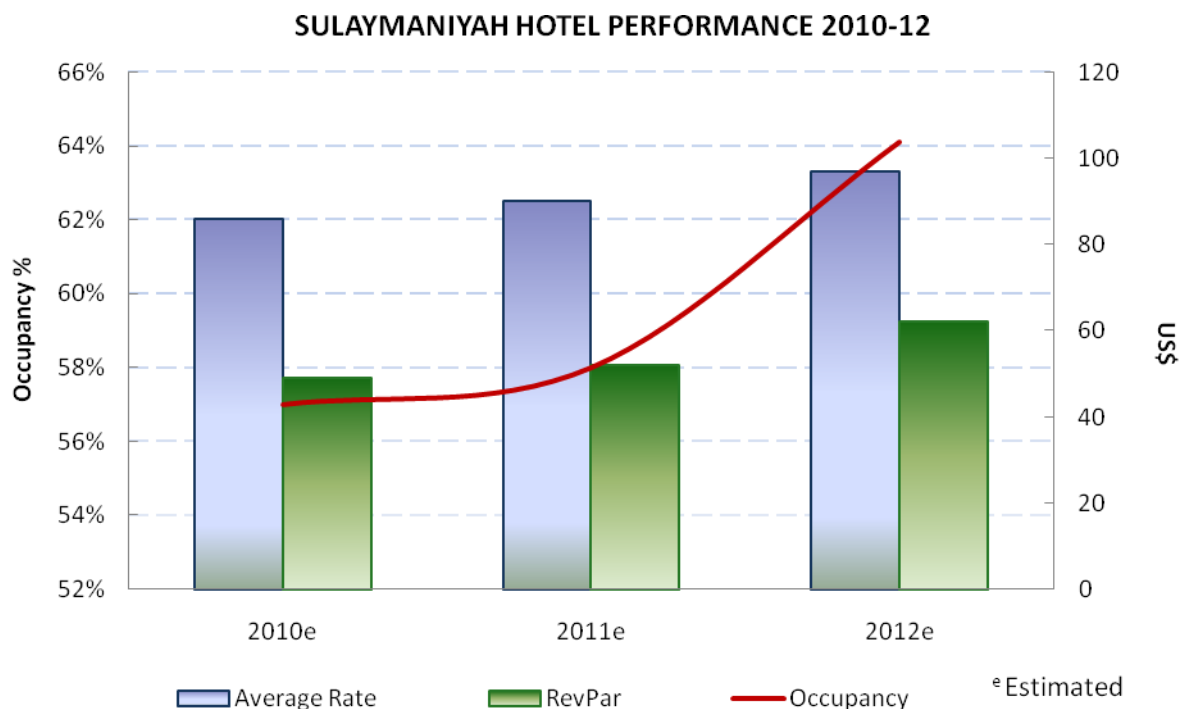


Source: HVS Research

HOTEL PERFORMANCE

HOTEL PERFORMANCE IN SULAYMANIYAH 2010 - 2012 (US\$)

	Estimated 2010			Estimated 2011			Estimated 2012		
	Occupancy	Average Rate	RevPAR	Occupancy	Average Rate	RevPAR	Occupancy	Average Rate	RevPAR
Hotel Market	57 %	86	49.02	58 %	90	52.2	64.1 %	97.41	62.46



Source: HVS Research

CONCLUSION

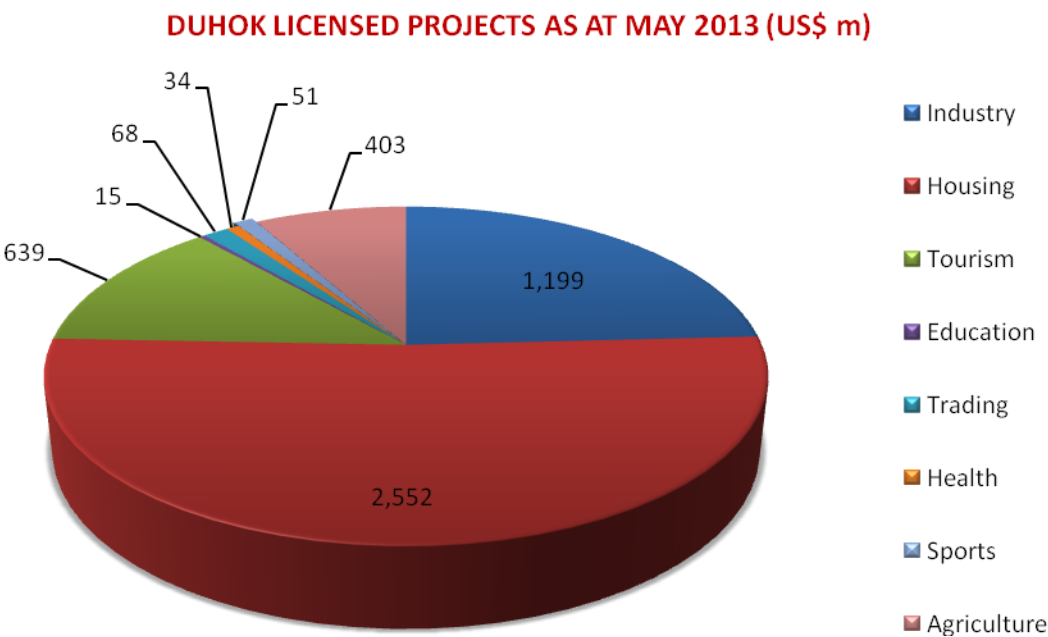
Sulaymaniyah, in sharp contrast to the other parts of Iraq, is peaceful and stable. Sulaymaniyah is establishing itself as an exciting and upcoming destination with lucrative business opportunities and a more comprehensive leisure tourism product. We expect that the infrastructure projects currently underway will continue to drive investor interest to the region and attract additional visitation to the country. With this in mind, Sulaymaniyah is expected to witness growth in both short- to long-term horizons across all sectors, and in general, we consider that the economic outlook for Sulaymaniyah is positive.

The accommodation industry in Sulaymaniyah remains significantly undersupplied both in terms of accommodation quality and presence of international brands. This scenario has recently changed with the opening of the Copthorne Baranan Hotel and a significant number of internationally branded management companies have committed to develop their hotel pipelines in Sulaymaniyah. The availability of skilled manpower and the power supply situation continue to remain as key challenges for Sulaymaniyah in the short- to medium-term. However, a number of ongoing and recently announced projects should resolve the utility supply issues over the mid to long-term.

DUHOK

ECONOMY

Situated on the border with Turkey, Duhok is Iraq’s most northern governorate. There are some outstanding issues between Ninewa and Duhok regarding the administrative status of the Al-Shikhan, Telafar, Tilkaif, Akre and Sinjar districts. In spite of this, Duhok continues to be one of the most peaceful governorates in Iraq. The city is of economic and commercial value to the region. The Duhok region is furthermore becoming a significant tourist destination within Iraq, due to its milder climate in comparison with the rest of the country, the high, snow-covered mountains, and numerous historical sites. Moreover, it is a strategic location as a hub for trade between Turkey, Syria and the rest of Iraq.



Source: Kurdistan Board of Investment

As illustrated in the table above, the primary development focus for Duhok is centered on housing and industry development, which combined, account for almost three quarters of total approved and licensed projects in Duhok.

The tourism sector is evidently an area of development focus for Duhok, with over US\$600 million in tourism projects being approved within the governorate.

TRAVEL & TOURISM TO DUHOK

AIRLIFT

Duhok international airport (DIA) will be the third airport in the Kurdistan region and is expected to be completed in 2014. After its completion, travellers will have direct international access to each of the region’s three provinces. According to official sources, it is expected to have a capacity of 328,000 passengers annually, and is expected to welcome 3,540 aircraft movements in the opening year.

By the year 2035 the airport will increase capacity to 1.1 million annual passengers in addition to 43,300 tons of cargo and 9,840 annual aircraft movements. During peak hours, Duhok international airport will serve 320 passengers per hour in 2014 increasing to 774 passengers by 2035. The project foresees construction of a 12,000 sqm terminal at a cost of approximately \$50 million. The new airport is expected to strengthen tourism and trade links to Duhok.

The airlines and destinations to be served by the new Duhok international airport have not yet been announced.

HOTEL SUPPLY

The following table summarises hotel supply in Duhok in 2012 according to the current rating system implemented by the KRG Ministry of Tourism.

In lieu of a hotel classification system according to international standards, the hotel ratings in Duhok are exaggerated in order to include sub-par hotels in the respective categories.



Source: KRG Ministry of Tourism

There are only three five-star hotels in Duhok, however none of these hotels are managed by an international operator. The Duhok accommodation market is under supplied in terms of internationally branded hotel companies and quality room supply.

PROPOSED SUPPLY

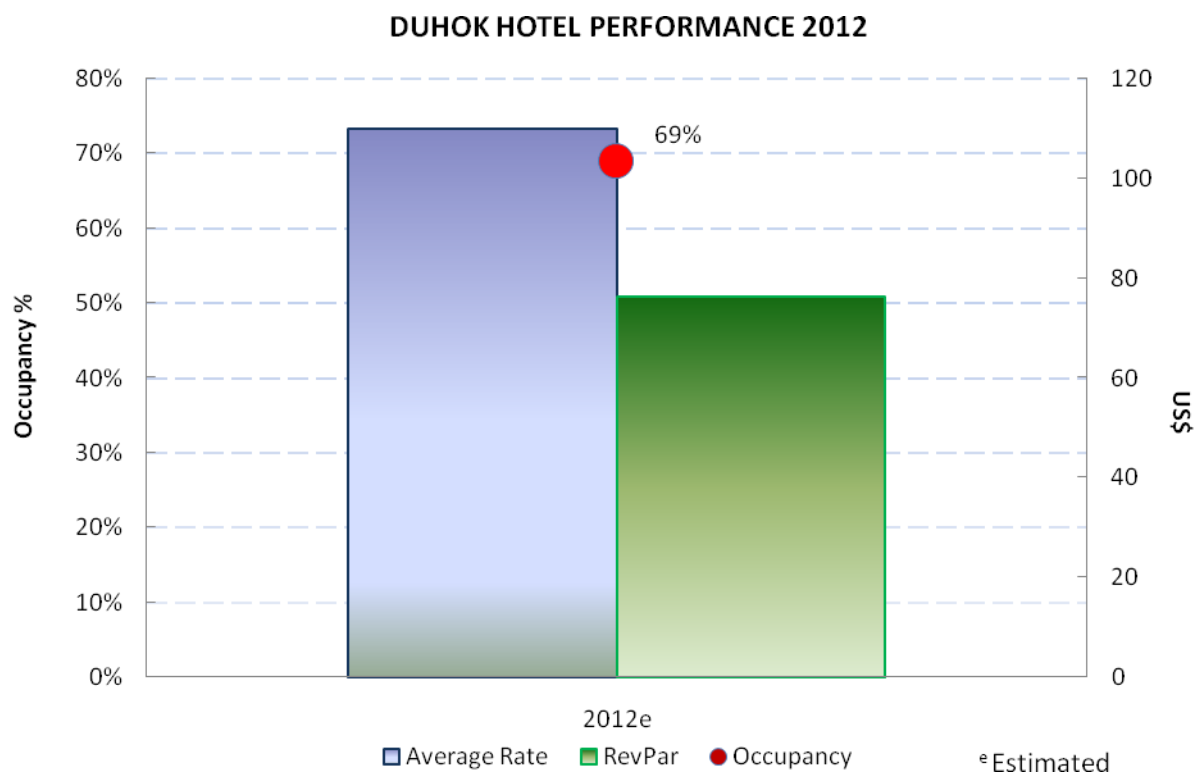
PROPOSED HOTEL SUPPLY IN DUHOK

Proposed Property	Proposed Rooms	Opening Date	Status
Sheraton	202	Jan-14	Pre-Opening Stage
Proposed Duhok Business Hotel	200	N/A	Proposed

HOTEL PERFORMANCE

The chart below illustrates the operating performance of Duhok's competitive hotels.

ESTIMATED OPERATING PERFORMANCE OF DUHOK COMPETITIVE HOTELS



Source: HVS' Estimates

CONCLUSION

Duhok offers a diverse mix of history, culture and accelerated business activity. The recent developments such as the new airport, infrastructure development, hotel projects and an investment climate facilitated by the Kurdistan Regional Government have attracted a significant amount of foreign direct investment. Duhok is expected to witness growth in the short- to long-term across all sectors. The international quality accommodation industry in Duhok remains nonexistent both in terms of quality of accommodation and presence of international brands. The scenario is gradually changing and a number of internationally branded management companies have weighed their options and are currently looking into development opportunities in Duhok. The availability of skilled labour and the power supply situation remain key challenges for Duhok in the short- to medium-term. With this said, we expect Duhok to grow as a centre of business and leisure activity in the region.

HVS EXPERIENCE IN KURDISTAN

HVS has worked with various national and international developers that are currently developing hotel and residential projects in Kurdistan. Our recent experience in the region is as follows:

The Market Study and Valuation of the 190-room Double Tree by Hilton Hotel in Erbil

The objective of this assignment for HVS was to perform a market and economic feasibility study for the purpose of evaluating the market demand, analysing the economics and providing an estimate of value for the Hotel.

The Market Study and Valuation of *The Atlantic Residential project* in Erbil

HVS provided a market study for the purpose of assessing the current supply of quality residential accommodation, analyzed occupancy levels, sales and rental rates and provided information related to the likely sales proceeds and NPV for the flats on behalf of an international financier.

Feasibility Study and Valuation for the Proposed Five-Star Sheraton Hotel in Erbil

HVS performed a market and economic feasibility study for the purpose of evaluating the market demand, analysing the economics and providing an estimate of value for the Hotel, as well as a return on investment analysis.

Feasibility Study of a proposed 240-room Five Star Hotel and Conference Centre in Sulaymaniyah

The objective of this assignment for HVS was to perform a market and economic feasibility study for the purpose of evaluating the market demand, analysing the economics and to provide a ten year projection of income and expense for the Hotel and conference facilities supported by a maximum supportable investment analysis.

A proposed Sheraton Hotel in Duhok

In Duhok, HVS worked on a hospitality market overview and performed an economic feasibility study for the purpose of evaluating the market demand, analyzing the economics, projecting income and expense and performing a return on investment analysis to comment on the risk inherent in investing in such an asset class.



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry www.hvs.com.

Superior Results through Unrivalled Hospitality Intelligence. *Everywhere*

HVS DUBAI has a team of Middle East experts that conducts its operations in the Middle East and North Africa. The team benefits from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the Middle East and a broad exposure to international hotel markets. Over the last six years, the team has advised on more than 400 hotels or projects in the region for hotel owners, lenders, investors and operators. HVS has advised on more than US\$55 billion worth of hotel real estate in the region.

About the Authors



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