

Jeddah is on the Red Sea coast and is the largest city of the Makkah Province. It is also the second-largest city in the Kingdom of Saudi Arabia, after the capital city Riyadh. With a population of 3.5 million, Jeddah is considered to be one of the major commercial centres of the country; of this total, 1.7million are expatriates, the highest expat ratio within the Kingdom. This distribution contributes to Jeddah's cosmopolitan character. The city features the third-largest industrial district after Jubail and Yanbu. In addition, Jeddah is also a major gateway to Makkah, the holiest Muslim city. Accessibility through its Red Sea port and King Abdul Aziz International Airport "KAIA" (located 18km north of Jeddah, handling in excess of 15m passengers per annum) has turned Jeddah into a vital commercial hub.

**ECONOMICS**

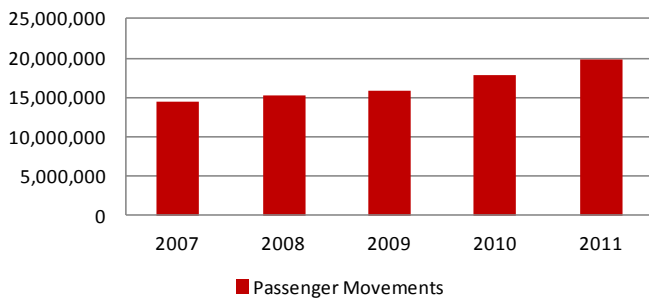
Saudi Arabia's economy shows positive growth in GDP over the next four years. The total contribution of travel & tourism to GDP was US\$43bn (5.4% of GDP) in 2011, and is forecasted to grow by 3.7% in 2012, and 4.1% mounting to US\$48bn by 2022. In 2011, the total contribution of travel & tourism to employment, including jobs indirectly supported by the industry, was 5.3% of total employment (526,000 jobs). This is expected to grow by 2.5% in 2012 to 539,000 jobs and by 2.7% to 706,000 jobs in 2022 (5.4% of total). Travel & tourism investment in 2011 reached US\$5.3bn. It is estimated to increase by 6.7% in 2012, and 3.3% over the next ten years to reach US\$7.8bn in 2022.

	Forecast				
	2012	2013	2014	2015	2016
Real GDP growth (%)	5.0	4.5	5.0	4.8	5.1
Consumer price inflation (av %)	4.8	3.7	3.6	5.7	5.5
Budget balance (% of GDP)	12.0	3.4	1.9	(1.3)	(0.5)
Current-account balance (% of GDP)	22.9	14.8	13.2	8.4	7.4
Exchange rate US\$:US\$	3.75	3.75	3.75	3.75	3.75

Source: Economist Intelligence Unit, 2012

**AIRPORT STATISTICS**

Saudi passenger movements in the Kingdom continue to rise, with Jeddah witnessing double-digit increases in 2011 from 17.8 million to 19.7 million passengers. Jeddah's KAIA is currently undergoing an expansion aimed at increasing the airport's capacity from 15 million passengers per annum to 30 million in 2013, 50 million in 2020 and 80 million in 2035.



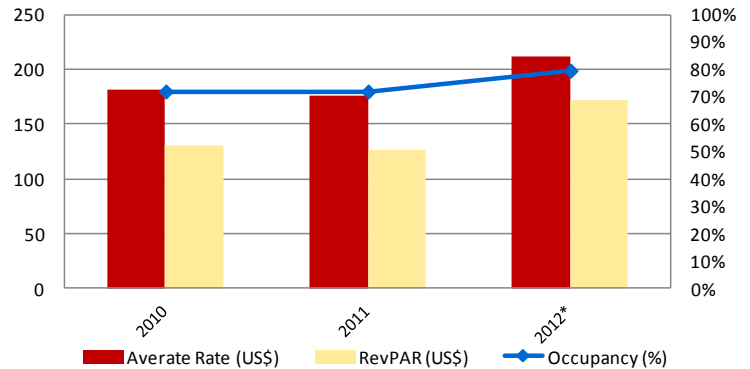
Source: HVS Research

**MARKET PERFORMANCE**

City	Average Occupancy			Average Rate in US\$			RevPAR in US\$		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Doha	58 %	66 %	59 %	261	230	231	151	152	136
Manama	68	66	34	205	209	204	139	138	69
Kuwait City	59	54	58	257	241	244	152	130	142
<b>Jeddah</b>	<b>73</b>	<b>72</b>	<b>72</b>	<b>205</b>	<b>181</b>	<b>176</b>	<b>150</b>	<b>130</b>	<b>127</b>
Riyadh	67	63	63	297	261	264	199	164	166
Abu Dhabi	73	64	70	294	210	176	215	134	123
Dubai	69	72	72	184	167	191	127	120	138

Source: HVS Middle East Survey 2012

Being a strong commercial and leisure market, Jeddah's average occupancy exceeded that of all other cities in KSA in 2011 and that of neighboring countries and was on par with Dubai.



Source: HVS Research, 2012 Year to August

Year to date 2012 data suggests continuous growth in both ADR and occupancy. The Year to Date ADR reached a record of (US\$212) an 18% growth compared to 2011 while occupancy grew by 8pp to reach 79.6%. As a result, RevPAR grew significantly reaching (US\$171). During August alone, Jeddah reported the second highest RevPAR growth in the Middle East and Africa region with an increase of 38%. Ambitious investments in tourism infrastructure and the continued development of the city's leisure and commercial offer, both short and long-term prediction for the Jeddah hotel sector are highly positive.

**CURRENT HOTEL SUPPLY IN JEDDAH**

No recent additions were witnessed in Jeddah since the opening of the Park Hyatt in 2009. In 2010, the number of four-star hotels in Jeddah declined due to adjustments that the Saudi Commission of Tourism and Antiquities (SCTA) made to their rating criteria. It is important to note that all the hotels mentioned are branded hotels within the three to five-star categories.

	2009	2010	2011
<b>Number of Hotels</b>			
Five-Star	8	8	8
Four-Star	6	5	5
Three-Star	32	35	35
<b>Total</b>	<b>46</b>	<b>48</b>	<b>48</b>
<b>Room Capacity</b>			
Five-Star	1,913	1,913	1,913
Four-Star	1,155	845	845
Three-Star	1,822	2,036	2,036
<b>Total</b>	<b>4,890</b>	<b>4,794</b>	<b>4,794</b>

**PROPOSED SUPPLY**

After a couple of years with a relatively modest pipeline compared to other locations in the Middle East, Jeddah will see the addition of around 4,500 rooms in the next three to four years.

UPCOMING BRANDED HOTELS	No. Of Rooms	Opening
Courtyard Mall of Arabia	200	2013
Elaf Jeddah	445	2013
Executive Apartments Mall of Arabia	100	2013
Holiday Inn Jeddah Red Sea Palace	221	2013
Rocco Forte	159	2013
Adagio Jeddah Malik Road	80	2014
Four Points by Sheraton Mall of Arabia	300	2014
Holiday Inn Express, KAEC	183	2014
Holiday Inn Express, Madinah Road	252	2014
Ibis Jeddah Malik Road	180	2014
Kempinski Hotel	242	2014
Dusit Thani Oasis Mall	278	2015
Holiday Inn Jeddah Airport District	148	2015
Hyatt Regency	240	2015
Park Inn	350	2015
Centro	250	2016
Four Seasons Hotel	187	2016
Grand Hyatt	400	2016
<b>TOTAL</b>	<b>4215</b>	

**CONCLUSION**

Ambitious investments in tourism infrastructure and the continued development of the city's leisure and commercial areas will allow the hotel market to perform well throughout the rest of 2012/2013 and in the near future. We do however forecast a rate correction as new supply is well absorbed in the market.