



HotelBeat

Destination: SHARM EL-SHEIKH, EGYPT

July 2011

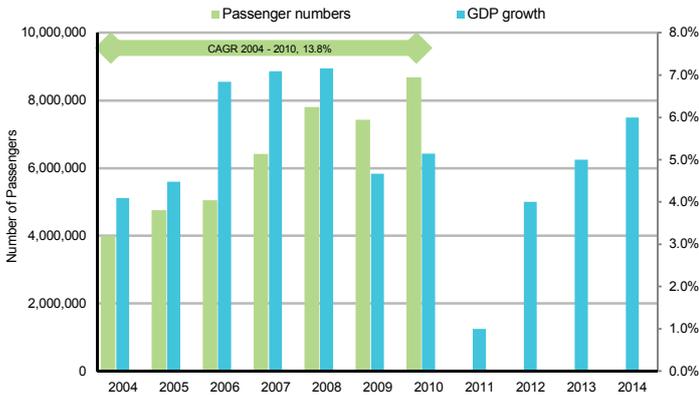


DESTINATION OVERVIEW

Sharm El-Sheikh's strategic location at the mouth of the Gulf of Aqaba led to its transformation from a small fishing village into a major port and naval base for the Egyptian Navy. After the Sinai was restored to Egypt in 1982, the Egyptian government encouraged the continued development of the area. Foreign and domestic investors contributed to a spate of building projects and today the city offers circa 50,000 hotel rooms. The city's indigenous population is estimated at around 35,000 people and its principal economic activity is tourism (attracted by clear waters, temperate climate, dramatic landscape and over 250 coral reefs). Sharm El-Sheikh International Airport is a critical factor for the regional hotel industry and a key driver of demand as there is little corporate activity in the area – in May 2007 it celebrated the opening of a second, state-of-the-art, terminal and plans for a third terminal, a new runway and additional apron areas were being brought forward as the facility was already operating at full capacity, handling in excess of 8 million passengers in 2010.

ECONOMIC TRENDS

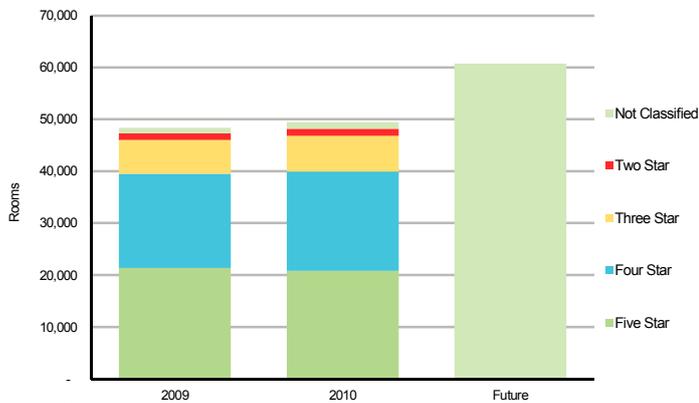
In the period 2006 to 2010, Egypt demonstrated strong economic growth, with real GDP growth peaking at 7.2% in 2008, driven by increased revenues from tourism (growth in passenger numbers through Sharm El-Sheikh International Airport shown below), a booming stock market and increased Foreign Direct Investment into the country. Underpinning such growth was the implementation of far reaching economic reforms from 2004 onwards. The IMF expects Egypt to show strong signs of recovery in 2012, with real GDP growth of 4.0% (as shown in the graph below).



Source: Ministry of Tourism and IMF

HOTEL SUPPLY

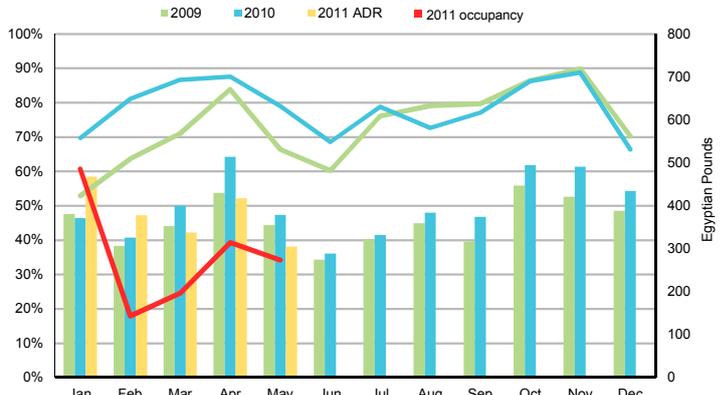
In a country where tourism is a key economic sector, Sharm El-Sheikh is the tourism power-house of Egypt. It has the largest number of hotel rooms of any city-region in the country, accounting for 29% of total supply. The largest rooms category is five-star. In 1982, the city had three resorts, compared to 91 in 2000 and more than 180 today. Its enormous appeal as a tourist destination supports a significant pipeline, with an additional 11,000 rooms expected to open over the next few years. The timing of these new rooms is now delayed, but unlikely to be cancelled altogether as international tour operators remain keen to work with and promote the city.



Source: Whitebridge Hospitality

HOTEL PERFORMANCE TRENDS

The graph below shows the historic strength of the hotel market in Sharm El-Sheikh, particularly in 2010 when occupancy regularly exceeded 80% and the annual average was recorded at 78.5%. In ADR terms, the market peaked at EGP403 in 2010. Unsurprisingly, the events of Jan 2011 and the ensuing uncertainty have resulted in a severe drop in performance levels, with YTD May occupancy falling from 80.7% to 35.6% and ADR from EGP402 to EGP398. That said, the graph below shows that the market is bouncing back and the end of 2011 is expected to show clear signs of recovery.



Source: STR Global

DESTINATION MAP



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