

## Profit Continues to Plummet at Doha Hotels

Profit per room at Doha hotels fell by 23.3% in 2016, representing a second consecutive year of significant profit decline for properties in the Qatar capital, according to the latest data from HotStats.

Despite successfully reducing Labour (-1.9%) and Overhead (-3.8%) costs on a per available room basis, the drop in revenue far exceeded any cost savings and profit per room plummeted in 2016, which was further to the 8.4% decline in profit per room at hotels in Doha in 2015.

2016 has been a particularly tough year of operation for Doha hotels, having achieved only one month of RevPAR (Revenue per Available Room) growth in July, when they recorded an increase of just 0.9%.

Overall, in addition to an 18.2% decline in RevPAR, hotels in Doha suffered declines in ancillary revenues, including Food and Beverage (-11.2%) and Conference and Banqueting (-14.6%). As a result, TrevPAR (Total Revenue per Available Room) fell by 13.5% in 2016, to \$297.41.

In an attempt to recover profit, Doha hoteliers have slashed costs in Undistributed Operating Expenses, including Admin & General (-15.9%), Sales & Marketing (-11.7%) and Property & Maintenance (-18.2%). However, due to the ongoing decline in revenue, profit per room at hotels in Doha has now declined by approximately 30.0% in the 24 months to December 2016.

## Signs of Recovery as Dubai Hotels Work Hard to Claw Back Profit

Despite the 6.8% decline in 2016, market data suggests that Dubai hoteliers worked hard to claw back profit levels in Q2 by reducing costs.

Hoteliers in Dubai have faced a number of issues which have negatively impacted top and bottom line performance in 2016, including significant additions to hotel supply, which included major projects, such as the 1,004-bedroom Westin Al Habtoor City and 828-bedroom Atana Tecom, as well as a migration to three-star hotel products and economic challenges led by the drop in oil prices.

In the first half of the year, hotels in Dubai were succumbing to these pressures, during which period profit per room fell by 13.2%, which was primarily as a result of declining RevPAR (-11.3%) levels.

However, by Q4 2016, hotels in Dubai had begun to claw back profit through costs savings, illustrated by the 0.7% increase in profit per room in the period

from October to December 2016, which was achieved in spite of a 4.4% decline in RevPAR.

For 2016 overall, although hotels in Dubai suffered a year-on-year profit decline of 6.8%, they successfully reduced their cost base with savings in Labour (+1.7%) and Overheads (+2.8%).

## Kuwait Relies Heavily on Volume to Minimise Profit Decline

With average room rate levels spiralling downwards, hotels in Kuwait have worked hard to maintain room occupancy in order to minimise profit declines in 2016.

Whilst hotels in Kuwait maintained achieved average room rate, but at the expense of a 3.7 percentage point decline in occupancy in the first half of 2016, the strategy of rate reduction in Q2 2016 enabled hotels in the city to recover much of the loss and record a 3.2 percentage point increase in occupancy, to 47.4%.

The commercial segment remains challenging in Kuwait, with rate declines recorded in the residential conference (-15.5%) and corporate (-11.9%) segments in 2016 and falling revenues noted in the Food and Beverage (-35.9%) and Conference and Banqueting (-8.5%) departments. As a result, ancillary revenues now comprise 46.1% of total revenue, compared to 54.1% in 2015.

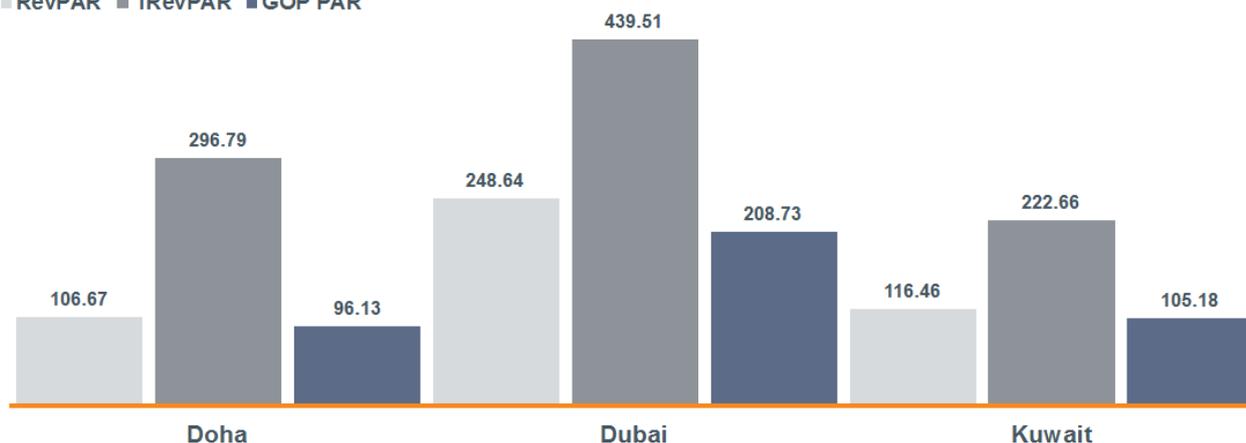
Despite profit per room at Kuwait hotels declining by 18.7% year-on-year in 2016, which is further to the movement in 2014 (+0.5%) and 2015 (-2.1%), there have been positive signs in 2016.

### The month of December 2016

\$ Dollars	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Doha	62.7	170.26	106.67	296.79	27.6	96.13
Dubai	82.9	299.76	248.64	439.51	20.5	208.73
Kuwait	52.8	220.64	116.46	222.66	23.1	105.18

## MENA City Markets achieved REVPAR, TREVPAR and GOPPAR December 2016

■ RevPAR ■ TREVPAR ■ GOP PAR



## Editor's Notes

The hotels profiled in this report are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains that we survey and which operate primarily in the full-service sector.

**Please note:** The data samples are reviewed and rebased each year to reflect the changes in the HotStats survey base. As a result, performance ratios published last year may differ from those contained within this report.

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- Our latest innovation in daily revenue intelligence, MORSE. Amongst its reporting are daily and highly granular market segmentation metrics as well as distribution channel and source of booking analysis. It takes daily market intelligence to a whole new level.

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**Occupancy (%)** - Is that proportion of the bedrooms available during the period which are occupied during the period.

**Average Room Rate (ARR)** - Is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

**Room Revpar (RevPAR)** - Is the total bedroom revenue for the period divided by the total available rooms during the period.

**Total Revpar (TRevPAR)** - Is the combined total of all revenues divided by the total available rooms during the period.

**Payroll %** - Is the payroll for all hotels in the sample as a percentage of total revenue.

**GOP PAR** - Is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

**The month of December 2016**

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Doha	62.7	170.26	106.67	296.79	27.6	96.13
Dubai	82.9	299.76	248.64	439.51	20.5	208.73
Kuwait	52.8	220.64	116.46	222.66	23.1	105.18

**Calendar year to December 2016**

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Doha	65.5	183.37	120.19	297.41	27.8	104.48
Dubai	80.2	258.56	207.41	362.07	24.1	150.84
Kuwait	50.1	225.84	113.21	209.95	26.6	93.83

**Twelve months to December 2016**

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
Doha	65.5	183.37	120.19	297.41	27.8	104.48	Doha
Dubai	80.2	258.56	207.41	362.07	24.1	150.84	Dubai
Kuwait	50.1	225.84	113.21	209.95	26.6	93.83	Kuwait

**The month of December 2015**

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Doha	66.4	196.57	130.51	330.46	25.1	121.04
Dubai	80.3	317.89	255.15	437.44	20.4	203.65
Kuwait	46.9	227.70	106.75	266.88	26.0	103.77

**Calendar year to December 2015**

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Doha	70.2	209.51	146.99	344.00	24.5	136.29
Dubai	79.9	280.29	223.99	379.44	23.5	161.82
Kuwait	50.4	243.15	122.44	266.78	25.7	115.45

**Twelve months to December 2015**

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
Doha	70.2	209.51	146.99	344.00	24.5	136.29	Doha
Dubai	79.9	280.29	223.99	379.44	23.5	161.82	Dubai
Kuwait	50.4	243.15	122.44	266.78	25.7	115.45	Kuwait

**Movement for the month of December**

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Doha	-3.7	-13.4%	-18.3%	-10.2%	-2.5	-20.6%
Dubai	2.7	-5.7%	-2.6%	0.5%	-0.1	2.5%
Kuwait	5.9	-3.1%	9.1%	-16.6%	2.9	1.4%

**Movement for the calendar year to December**

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Doha	-4.6	-12.5%	-18.2%	-13.5%	-3.3	-23.3%
Dubai	0.3	-7.8%	-7.4%	-4.6%	-0.6	-6.8%
Kuwait	-0.2	-7.1%	-7.5%	-21.3%	-0.9	-18.7%

**Movement for the twelve months to December**

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change	
Doha	-4.6	-12.5%	-18.2%	-13.5%	-3.3	-23.3%	Doha
Dubai	0.3	-7.8%	-7.4%	-4.6%	-0.6	-6.8%	Dubai
Kuwait	-0.2	-7.1%	-7.5%	-21.3%	-0.9	-18.7%	Kuwait