

Profit Conversion at Dubai Hotels Hits Low as Summer Begins

Profit conversion at hotels in Dubai fell to just 6.0% of total revenue in June as the combination of Ramadan and the start of the peak holiday period contributed to declining demand levels, according to the latest data from HotStats.

June is typically a quieter month for hotels in Dubai due to the stifling temperatures in the city and a trend for expatriates and locals alike to seek cooler climes, in addition to a high proportion of the population observing Ramadan. However, the volume of demand in June has been in constant decline in recent years, with room occupancy falling from 79.3% in 2013, to 76.8% in 2014, 67.4% in 2015 and now 51.2% in 2016.

In addition to the 16.3 percentage point year-on-year decline in occupancy this month, a 9.2% drop in achieved average room rate contributed to a 31.1% decrease in RevPAR (Revenue per Available Room) to \$88.30 from \$128.14 during the same period in 2015.

As TrevPAR (Total Revenue per Available Room) dropped to its lowest level since July 2014 (\$186.68) the ability of Dubai hoteliers to carry out further cost cutting was limited, and as a result payroll levels for the month were up by 7.8 percentage points to 43.4% of total revenue.

As year-on-year profit per room plummeted by 74.8% this month, GOPPAR (Gross Operating Profit per Available Room) at hotels in Dubai was recorded at just \$11.77, the lowest level since July 2014 (-\$5.96).

Kuwait Hotels Face Challenges Across All Revenue Departments in June

The volume of demand at hotels in Kuwait is typically at its lowest level of the year in June and this month was no different with occupancy recorded at just 38.1%.

With achieved average room rate also falling to its lowest level since July 2014, to \$212.52, as a result of a 6.8% year-on-year decline, RevPAR in the Kuwait hotel market dropped by 20.8%.

In addition to the drop in Rooms revenue, hotels in Kuwait also suffered a significant decline in ancillary revenue departments, including Food and Beverage (-31.1%), Conference and Banqueting (-27.2%), Leisure (-27.6%) and Minor Operating Departments (-12.5%).

As a result, year-on-year TrevPAR at hotels in Kuwait declined by 25.9% in June, to \$185.57 from \$250.41 during the same period in 2015. Despite cost savings in both labour (-16.8%) and overheads (-8.2%) Kuwait hotels suffered a 35.2% decline in profit per room this month, to \$55.71.

Riyadh Reliance on Commercial Sector Sees Profit Plummet in June

Hotels in Riyadh suffered a 46.0% year-on-year decline in profit per room in June as the volume and price of demand associated with the commercial sector fell away.

The commercial sector is a significant contributor to demand for hotels located in Saudi Arabia's financial hub, but market data suggests that it is on a downward trend. For the average hotel in the sample (ie 286 bedrooms), the decline in commercial demand in June was equivalent to a year-on-year drop of approximately 870 accommodated roomnights.

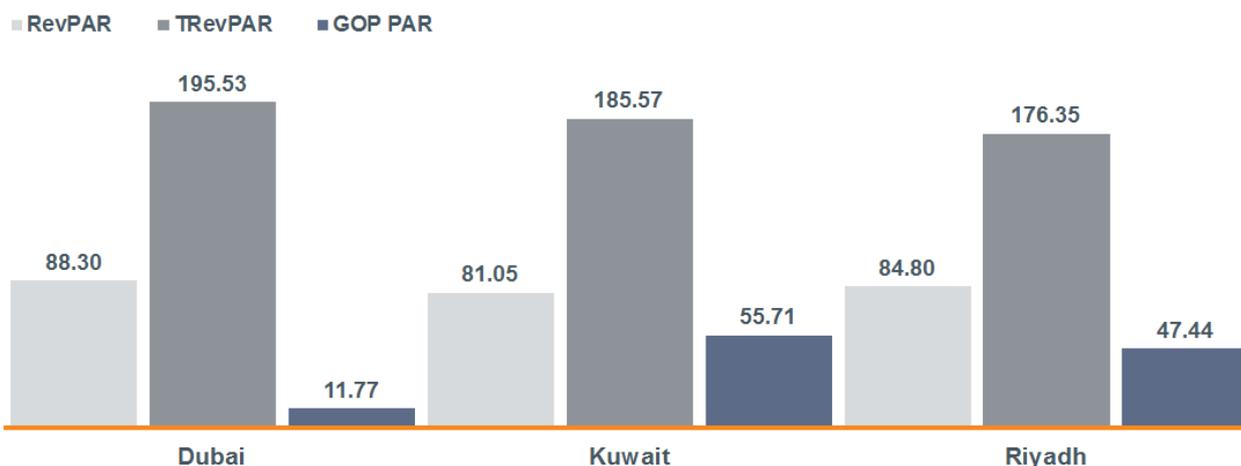
In addition to the drop in volume, the commercial sector has suffered rate decline in both the corporate (-8.8%) and residential conference (-21.7%) segments in June, with decreases also recorded in associated ancillary departments, such as Food and Beverage (-1.8%) and Conference and Banqueting (-23.3%).

As payroll levels increased by 6.4 percentage points in the month of June, to 33.3% of total revenue, profit conversion for Riyadh hotels slipped to 26.9% of total revenue, from 39.4% during the same period in 2015.

The month of June 2016

\$ Dollars	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Dubai	51.2	172.55	88.30	195.53	43.4	11.77
Kuwait	38.1	212.52	81.05	185.57	33.4	55.71
Riyadh	40.3	210.44	84.80	176.35	33.3	47.44

MENA City Markets achieved REVPAR, TREVPAR and GOPPAR June 2016



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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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 June 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Dubai	51.2	172.55	88.30	195.53	43.4	11.77
Kuwait	38.1	212.52	81.05	185.57	33.4	55.71
Riyadh	40.3	210.44	84.80	176.35	33.3	47.44

Calendar year to June 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Dubai	80.2	274.57	220.27	383.00	23.3	166.90
Kuwait	52.3	236.47	123.67	249.57	27.3	106.30
Riyadh	61.5	229.53	141.16	237.25	25.6	105.38

Twelve months to June 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
Dubai	78.4	268.15	210.11	364.12	24.2	149.54	Dubai
Kuwait	47.8	238.39	113.89	247.78	28.1	98.93	Kuwait
Riyadh	58.9	226.96	133.69	225.48	25.9	98.51	Riyadh

The month of June 2015

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Dubai	67.4	190.04	128.14	247.52	35.6	46.78
Kuwait	44.9	228.12	102.36	250.41	29.8	86.03
Riyadh	57.5	216.11	124.26	222.73	26.9	87.84

Calendar year to June 2015

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Dubai	83.3	297.81	248.09	413.66	21.9	191.75
Kuwait	56.6	254.35	144.07	316.20	24.5	142.95
Riyadh	69.5	235.88	163.81	270.62	21.8	137.38

Twelve months to June 2015

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
Dubai	79.2	289.56	229.27	393.73	22.4	169.92	Dubai
Kuwait	51.3	250.27	128.49	285.76	25.8	122.53	Kuwait
Riyadh	64.0	231.94	148.45	247.64	22.8	119.45	Riyadh

Movement for the month of June

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Dubai	-16.3	-9.2%	-31.1%	-21.0%	-7.8	-74.8%
Kuwait	-6.7	-6.8%	-20.8%	-25.9%	-3.7	-35.2%
Riyadh	-17.2	-2.6%	-31.8%	-20.8%	-6.4	-46.0%

Movement for the calendar year to June

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Dubai	-3.1	-7.8%	-11.2%	-7.4%	-1.4	-13.0%
Kuwait	-4.3	-7.0%	-14.2%	-21.1%	-2.8	-25.6%
Riyadh	-8.0	-2.7%	-13.8%	-12.3%	-3.9	-23.3%

Movement for the twelve months to June

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change	
Dubai	-0.8	-7.4%	-8.4%	-7.5%	-1.8	-12.0%	Dubai
Kuwait	-3.6	-4.7%	-11.4%	-13.3%	-2.2	-19.3%	Kuwait
Riyadh	-5.1	-2.1%	-9.9%	-8.9%	-3.1	-17.5%	Riyadh