

# Marmore Industry Reports 2015

## KSA Hospitality

In the Growth Stage



### Research Highlights

Analyzing the Hospitality Sector focusing on the supply-demand dynamics and investment trends. The report also discusses the various growth drivers, trends and challenges in the industry.

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## 1. Executive Summary

The total number of rooms was around 324,517 in 2014.

Saudi Arabian economy is hydrocarbon based with governmental revenues being heavily reliant on oil exports. However, the dynamics are now shifting from hydrocarbon sector to non-hydrocarbon sector, which includes travel & tourism, hospitality, retail and banking especially after the economic crisis when oil exports declined by 14.36% in 2009. Hospitality industry has gained a lot of importance in Saudi Arabia. The total number of rooms was around 324,517 in 2014 and the supply of rooms is expected to increase 351,401 in 2018 with a CAGR of 2%.

The hotel room occupancy rate is estimated to go down to 57.3% in 2015 from 65% in 2014. It is expected to reach 61.6% in 2016 and 71.6% in 2018. While for serviced apartments, the occupancy rate is 60% in 2014 and is estimated to reach 52% in 2015. The drop in occupancy rates is attributable to anticipated lower international visitors and drop in foreign spending in 2015.

The Travel & Tourism industry in Saudi Arabia is in a growth phase.

The Average Daily Rate (ADR) for hotel rooms and service apartments is expected to increase at a CAGR of 4.46% during the 2014 – 2018 period. The Revenue per Available Room (RevPAR) is forecasted to grow at a CAGR of 6.99% for hotel rooms and service apartments during 2014 - 2018. The improved occupancy rate and higher ADR would result in higher RevPAR.

Travel and Tourism (T&T) is one of the key driving forces of revenue for the hospitality industry. The Travel & Tourism industry in Saudi Arabia is in a growth phase. For 2015, Saudi Arabia was ranked 5th regionally (MENA) and 64th out of all countries in the Travel & Tourism Competitiveness index (TTCI). It is forecasted that the tourism and travel industry will rise by 6.2% in 2015 and by 4.3% per annum from 2015 to 2025. The total contribution to employment by T&T sector, including jobs indirectly supported by the industry is estimated to reach around 1.16mn in 2015 and 1.69mn in 2025.

The hospitality industry in Saudi Arabia is going through the growth stage. The industry also benefits from perennial flow of religious tourists, with millions of Muslims visiting Saudi Arabia annually for the Hajj pilgrimage. To meet the growing demand, the Government is investing considerably in developing the infrastructure, such as the High Speed rail and Metro

Saudi Arabia is ranked 5th regionally and 64th out of all countries on the Travel and Tourism Competitiveness Index.

The presence of the holiest cities of Muslims - Makkah and Madina offer a huge influx of religious tourists.

projects in Makkah and the expansion of the Prince Mohammed Bin Abdulaziz Airport in Madinah. Additionally, the industry stakeholders are also investing in new projects in the form of development of hotels to meet the growing demand.

Saudi Arabia is ranked 5th regionally and 64th out of all countries on the Travel and Tourism Competitiveness Index. Some of the key indicators identified where Saudi Arabia has fared poorly even in comparison to its regional peers are discussed in the table below. Improving the marketing to attract tourists, increasing the expenditure allocated and prioritizing the travel and tourism sector are some the areas where the focus of Government is required. Saudi Arabia in-order to improve its travel and tourism sector competitiveness has to improve its visa requirements regulations as it is ranked last across the globe.

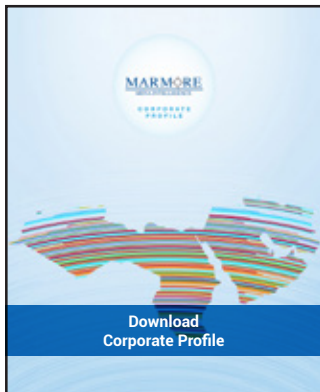
The presence of the two holiest cities of Muslims - Makkah and Madina offer a huge influx of religious tourists. Religious tourism is the key driver of tourism industry in Saudi Arabia. About 40.6% of the 17mn visitors in 2013 travelled in Saudi Arabia for religious purpose. The number of visitors was 17.5mn in 2014 and it is expected to reach around 25mn in 2025 growing at a CAGR of 3.3%.

The increasing budget hotels, use of technological advancement and innovation in the hospitality industry to cross-sell/up-sell products and services, enhances guest experience through personalized services, promotion of halal tourism and leisure tourism are some of the emerging trends impacting the KSA hospitality industry. Increasing income levels of the residents, promotion of Meetings, incentives, conferences, and exhibitions (MICE) industry to increase business tourism, government spending in projects to promote leisure tourism and increase in domestic tourism are some of the key drivers for the KSA hospitality industry.

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# About Marmore



## Organizational Background

Marmore MENA Intelligence provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

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Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred **"Research Provider of the Year - 2018" award by Global Investor, a Euromoney Group company.** To learn more, visit [www.marmoremna.com](http://www.marmoremna.com)

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Marmore is the only regional firm providing niche research based on strong analytics in areas that are less researched. Marmore provides full range of financial market, sector specific and economic and policy researches, as well. The different types of researches are availed based on the client's requirements. It is notable that Marmore research reports have regularly been used by various renowned institutions to better understand the MENA region.

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- » Consistent track record of quality, in-depth research offerings;
- » Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;
- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

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