



Concluding Remarks

As primary markets continue to mature and saturate with four- and five-star hotels, and secondary markets begin to progress, supported by improved modes of accessibility and infrastructure development, the Middle East will continue to present attractive investment opportunities. Tourism arrivals are expected to continue to grow supported by government initiatives to facilitate and strategically promote the tourism industry in the region. All 14 markets have a vision to boost their tourism offering and future opportunities would be tied to cultural experiences, religious tourism, wellness and medical tourism.

We estimate regional hotel values to grow between 10% and 13% in 2019 and 2020 respectively in the lead up to major events such as the World Expo 2020, Qatar FIFA World Cup 2022, the ongoing economic and tourism recovery in Egypt, Lebanon and other key cities. In 2022, the average regional hotel value per key is estimated to grow to USD315,000, a significant growth on 2018 regional average, yet 15% lower than the base year average of USD373,000.

Hotel assets tend to be complex in nature: successful investment does not just come with a successful deal. Fundamental value is highly dependent on features specific to each party as well as other key market factors such as supply-demand dynamics, political climate and tourism efforts. After all, true value of an income producing asset is derived by both the potential for capital appreciation and the cash flows it will generate.

With so many questions asked and contradicting views about the future performance of the hotel industry, ongoing mergers and acquisitions, the fierce competition of the traditional hotel model with Airbnb and residential units, technology disruption, rising operating costs, declining RevPAR and changes in guests preferences to name a few, the only sure thing is that we need to become more sophisticated, innovative and realistic in the way we invest, build, partner and operate hospitality assets.

We encourage investors, operators and key stakeholders to consider the critical factors that will continue to have a detrimental impact on current and future hotel values as once the asset is built, the value is determined by its income stream potential.

