

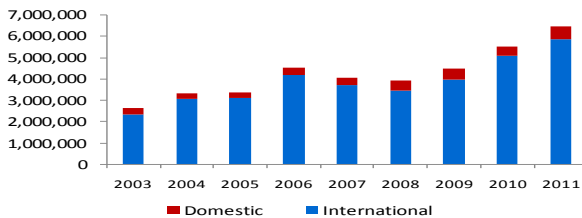
## Economics

	Forecast				
	2012	2013	2014	2015	2016
Real GDP growth (%)	4.1	4.3	4.1	5.8	4.4
Consumer price inflation (av %)	3.0	3.0	3.0	3.0	3.0
Budget balance (% of GDP)	14.4	11.3	8.9	8.7	6.2
Current-account balance (% of GDP)	14.7	12.8	11.0	13.0	12.3
Exchange rate US\$:OR	0.38	0.38	0.38	0.38	0.38

Source: Economy Watch, May 2012

Oman's economy shows promising growth in GDP over the next four years. Oil, tourism, and gas-based industries are creating more jobs adding more Omanis to the workforce and further strengthening its economy.

## Airport Statistics

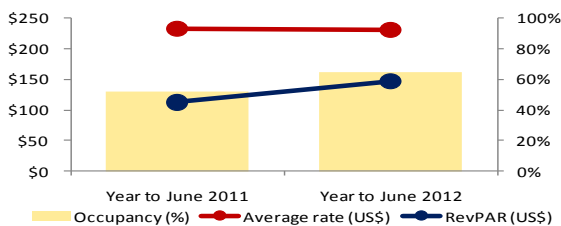


Source: Oman Airports Management Company S.A.O.C.

Airport arrivals have shown a compound annual growth rate (CAGR) of 11.9% between 2003 and 2011. International arrivals during the same period showed a CAGR of 12.2%, while domestic arrivals showed a CAGR of 9.4%. In 2007 and 2008 airport arrivals were negatively impacted by the global economic recession and showed contractions of 10.4% and 3.3% respectively. Unofficial data suggest that airport traffic has witnessed a 21% increase in Q1 2012 when compared to the same period in 2011.

The US\$ 3.1 billion airport expansion, new mega developments, and intensified efforts by the Ministry of Tourism all participate in boosting Muscat International Airport's annual arrivals.

## Market Performance

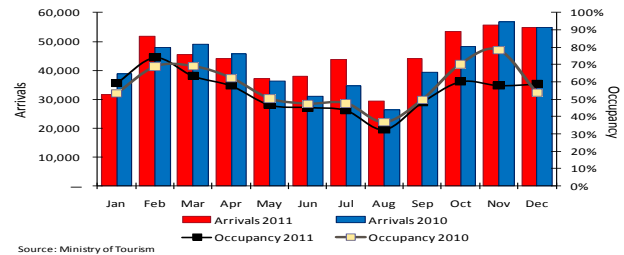


Source: HVS Research

YTD marketwide performance indicates a 25% increase in occupancy and a 1% drop in ADR when compared to the same time last year. As a result of the strong occupancy increase, RevPAR increased by 31%.

Initiatives by the Ministry of Tourism such as discounting prices of short-term visit visas by 75% is expected to attract more tourists and further increase occupancy and RevPAR towards the end of the year.

## Seasonality



Source: Ministry of Tourism

Muscat's hotel market benefits from several months of high occupancies spreading across February to April and October to December. The Muscat Festival between February and April is the biggest annual event which generates high levels of leisure and corporate demand during this period. Occupancy dips to its lowest levels in August due to the extreme heat and slow leisure and corporate demand during the holy month of Ramadan.

## Current Hotel Supply in Muscat

	2010	2011	YTD 2012
<b>Number of Hotels</b>			
Five-Star	7	7	7.0
Four-Star	10	11	11.0
Three-Star	12	12	12.0
<b>Total</b>	<b>29</b>	<b>30</b>	<b>30.0</b>

Source: Ministry of Tourism

There has been limited increase in new supply in Muscat with the exception of the opening of the City Seasons Hotel in 2011 which increased room count in the four-star category by 269.

New developments in Muscat, as well as governmental incentives for small and medium-sized enterprises (SMEs) are increasing corporate demand giving an opportunity for the mid-scale and serviced apartments segments to expand.

## Proposed Supply



Source: HVS Research

The market will see the addition of 2,555 rooms by 2016, distributed as follows: two hotels at The Wave development, two hotels at Jebel El Sifah development, one hotel at Muscat Hills, three hotels at the existing InterContinental site, and an airport hotel.

## Outlook

Although growth in tourist arrivals and hotel supply has been relatively slow when compared to neighboring cities, we remain confident that the hotel market in Muscat has the potential to further grow and attract additional visitation.