2007

Oman – Country Snapshot

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Economics and Politics

According to the EIU, Oman's economy grew by 6.6% in 2006. The growth is largely due to the high oil prices in the region. It translated into increased public revenues which are likely to help the sultanate to achieve its objectives of diversification and 'omanisation' as outlined in the Vision 2020 strategic plan. In terms of FDI, 2006 was marked by the signing of the USA-Oman Free Trade Agreement which will help open the services sector to foreign investors.

Another driver of future growth for Oman's economy is tourism. By capitalising on its natural resources, Oman can certainly match its neighbours whilst diversifying its offering to adventure tourism such as diving, safaris, mountain climbing and so forth. In 2006, the tourism sector grew by 16% and is set for significant growth in 2007. Numerous mega projects will be completed in the next couple of years and they are an integral part of the tourism strategy of the Sultanate.

Developments and Initiatives

The budget for 2007 lists numerous initiatives to improve the tourism-related infrastructure of the sultanate. There is a plan to increase the capacity of Muscat Seeb International Airport to 12 million by 2008 with the construction of a new terminal and the upgrade of the existing facilities. Other general infrastructure projects include major highway links and water, water processing and electricity upgrades.

Work has started on the Blue City project on the coastal region of Al Sawadi. The project, with an estimated budget of US$15 billion, will include various residential, commercial and tourism-related clusters. Upon completion of the project in 15 years, the new city will house 250,000 residents and attract 2 million tourists. A 121-room Campbell Gray boutique hotel is planed to open in 2008/09.

The Wave Muscat is an integrated resort destination with a project cost of approximately US$1 billion. It will be built around a Greg Norman designed 18-hole golf course and will feature a nature reserve, beachfront villas, hotels and a conference centre. Fairmont Hotels & Resorts recently announced the management of a 300-room hotel and branded residences, which are set to open in 2010.

The US$1.8 billion Salam Beach Resort & Spa projects are the forefront developments of Sama Dubai (international branch of UAE real estate developer Dubai Properties aimed at building a 'Salam Resort & Spa' global brand name). The developments will include several de luxe hotels, golf courses, residential units and ancillary facilities.

Visitation and the Hotel Market

Following the creation of a dedicated Ministry of Tourism in 2004, Oman eased the visa regulation for about 40 different countries. Furthermore, tourist visas issued by the UAE and Oman are valid for both countries. GCC nationals account for approximately 50% of tourist arrivals in the country.

The government is aiming at doubling the current rooms inventory, in the country, to 14,000 by 2010.

Occupancy at quality hotels in Muscat decreased by six percentage points in 2006, to 74%. On the other hand, average rate in the market increased to US$154, an impressive rise of 31%. As a result, RevPAR increased by a significant 21%, to US$114.

Similarly, aggregate GOPPAR for the quality hotel market improved by a significant 28%, to US$114.

The table below illustrates known new supply in Oman.

Proposed Hotels – Oman

Hotel Name	Number of Rooms	Opening Date	Location
Golden Tulip Dibba	54	2007	Dibba
Evason Hideaway	82	2007	Musandam Peninsula
Park Inn, Muscat	200	2008	Muscat
Crowne Plaza Sohar	150	2008	Sohar
Tulip Inn	60	2008	Muscat
Yiti Resort & Spa	850	2008	Muscat
2009 Openings	1,169	2009	
2010 Openings	2,000	2010	

Source: HVS Research

Outlook and Opportunities

Oman is well on track to achieve its Vision 2020 tourism master plan. By capitalising on the wide choice of natural resources and local labour force, the country is poised for success when it comes to leisure and tourism. The country is now included in most European tour operator brochures and the only fear is that the country could be transformed into a mass tourism destination.

In terms of hotel investment, we consider there is potential for carefully selected resort developments with 'alternative hotel asset classes' such as condominiums or branded residences. The development of the economy and improvement of its infrastructure will generate a growing need for business hotels in the full and limited service segments.

We expect further growth in the hotel operating performance for 2007.

No investment decision should be made based on the information in this survey. For further advice please contact the authors.

About our Team

HVS International has a team of Middle East experts that conducts our operations in the MENA region. The team benefits from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the MENA region and a broad exposure to international hotel markets in Europe. Over the last 24 months, the team has advised on more than 100 hotels or projects in the region for hotel owners, lenders, investors and operators. Together, HVS has advised on more than US$10 billion worth of hotel real estate in the region.

About the Authors

Hadrien Pujol is an Associate Director with HVS's London office. He joined HVS in 2004 and has five years' operational experience in the hospitality industry in Europe. Originally from Carcassonne, France, Hadrien holds an MBA from IMHI (Essec Business School – France and Cornell University – USA) and Diplomas in Hotel Operations from the Lycée Hotelier Savoie – Léman, Thonon Les Bains and the Lycée Hotelier Quercy – Périgord, Souillac. Hadrien is currently preparing his MSc in Corporate Real Estate Finance and Strategy at Cass Business School in London. Since joining HVS he has advised owners on many hotel and hotel-related investment projects and strategic developments in Europe, the Middle East and Africa.

Bernard Forster is a Director with HVS's London office, heading the MENA region. He joined the company in 1997 from Accor Hotels & Resorts where he focussed on property management systems, yield management and guest-history systems in Europe, the Middle East and Africa. Previously, Bernard worked in various operational management roles for the Savoy Group (now Maybourne Group) in London as well as for the Dolder Grand Hotel in Zürich. Bernard holds an MSc in Property Investment from City University, London; a BSc (Hons) in Hotel Management from Oxford Brookes University; and a diploma in Hotel Administration from Institut Hotelier 'Cesar Ritz', Le Bouveret, Switzerland.