



# OPERATOR GUIDE

Middle East & Africa

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## *AUTHOR'S NOTE*

This publication aims to guide owners in understanding the scale, presence and capabilities of operators in the region. Amidst the year of the COVID-19 pandemic, owners, more than ever, need foresight in selecting the right operator to run their hotel properties.

While the hospitality industry is going through one of the roughest years of recent history, it is detrimental that strategic decisions that shape the future are done with all aspects of an owner – operator partnership considered.

HVS has advised numerous owners in the decision-making process to select the right structure and operator and assist in negotiating favorable terms. Great importance is ascribed to the confidence an owner can take in the operator being familiar with the intricacies of doing business in the locale and the brand delivering the topline performance according to its positioning.

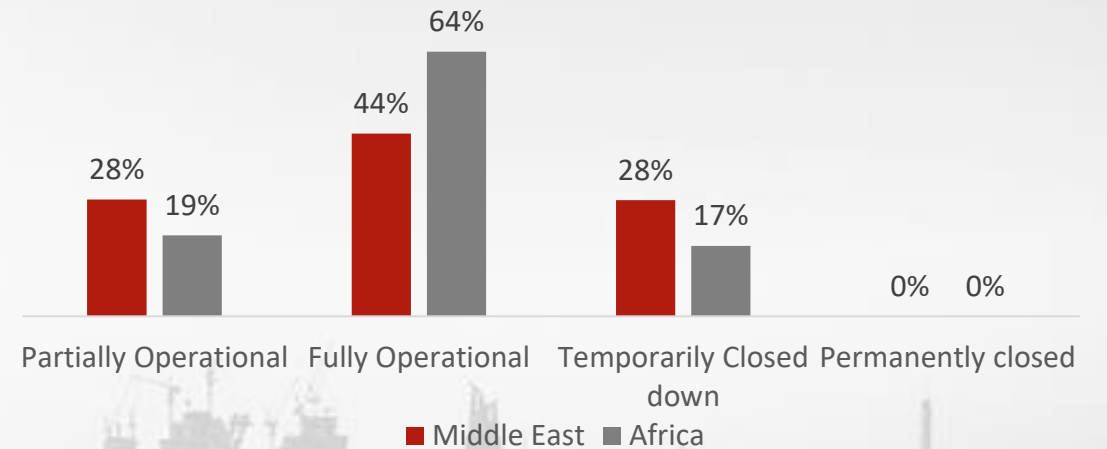
We greatly appreciate the support from all participants of this guide to provide a more comprehensive profile of our industry in the region. Should you want to participate in the next edition of the guide, please do reach out to us.

In this publication, we have captured over 346,000 existing and more than 223,600 pipeline rooms. This guide features 100 operators, in which the sample size is only including international and regional operators with more than 10 properties. Our analysis covers 47 countries and territories in the Middle East & Africa.

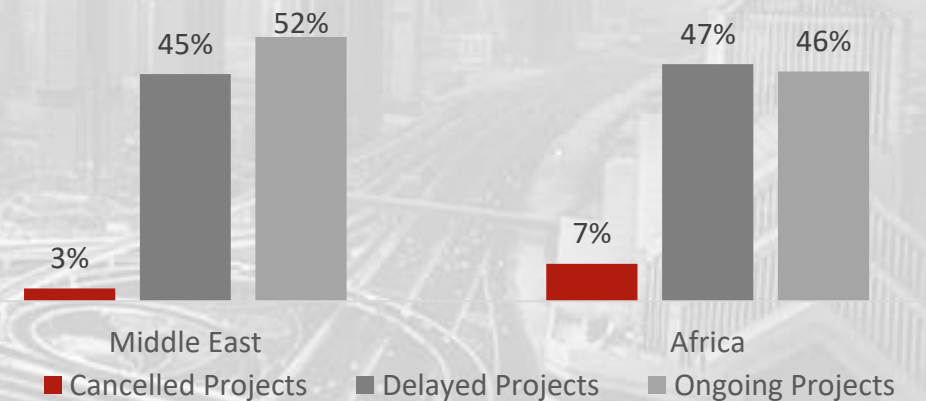
During the peak of the COVID-19 pandemic, we looked at the Operational Status of properties in the Middle East & Africa. Between the two markets about half of the properties remained fully operational with about a fourth of the properties closing temporarily or remaining partially operational. Among the operators considered for this publication, no permanent closures have been reported.

Similarly, we have analyzed the status change of upcoming hospitality projects in the pipeline. Just under half of the projects in the region have been delayed or put on hold due to the implications of the COVID-19 pandemic. Additionally, about five percent of upcoming hotel projects have been cancelled all together.

## Operational Status



## Pipeline Status



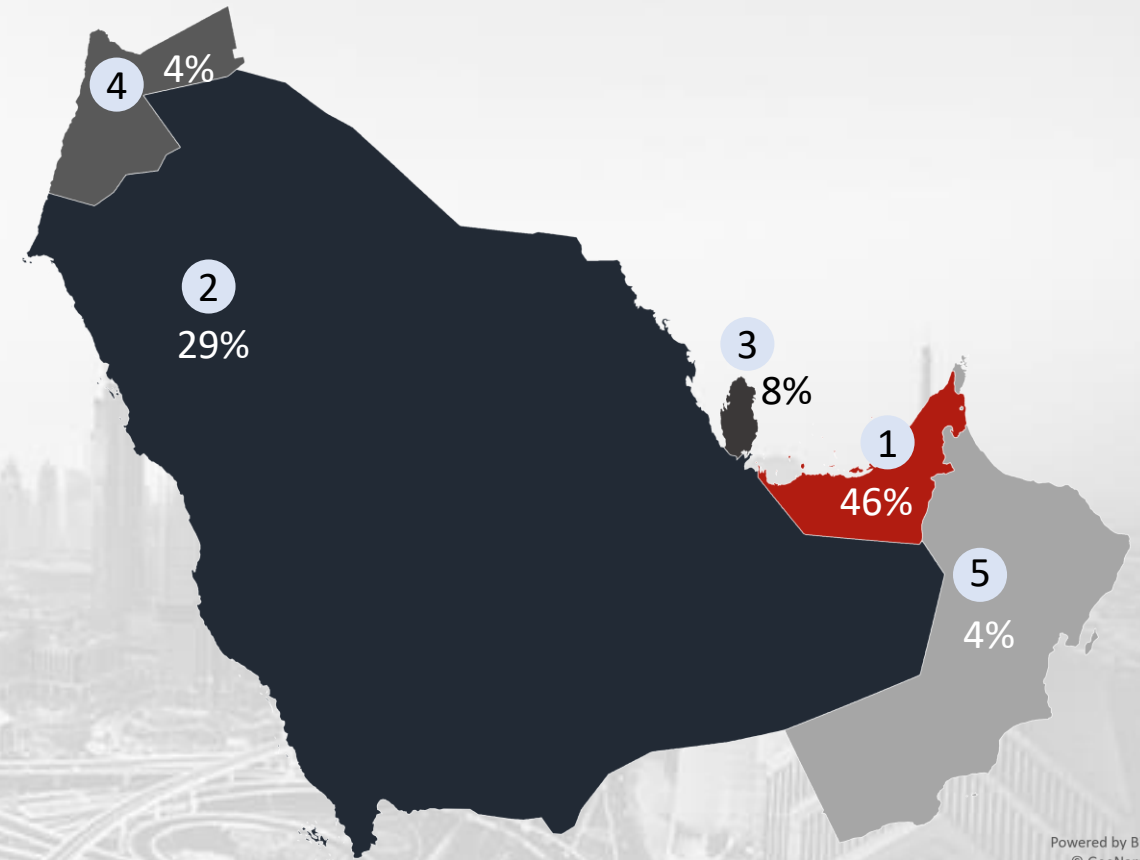
# Geographic Distribution of Existing Supply

## Middle East

### TOP 5 Existing Rooms Supply

1	United Arab Emirates	87,287
2	Saudi Arabia	54,818
3	Qatar	15,586
4	Jordan	8,025
5	Oman	7,883

Within the Middle East, the United Arab Emirates remain the strongest market in terms of existing room supply. Saudi Arabia provides the second highest number of rooms in the market on account of strong supply growth rates over the last years. Qatar falls into third place as a significant hotel market in the region followed by Jordan and Oman.



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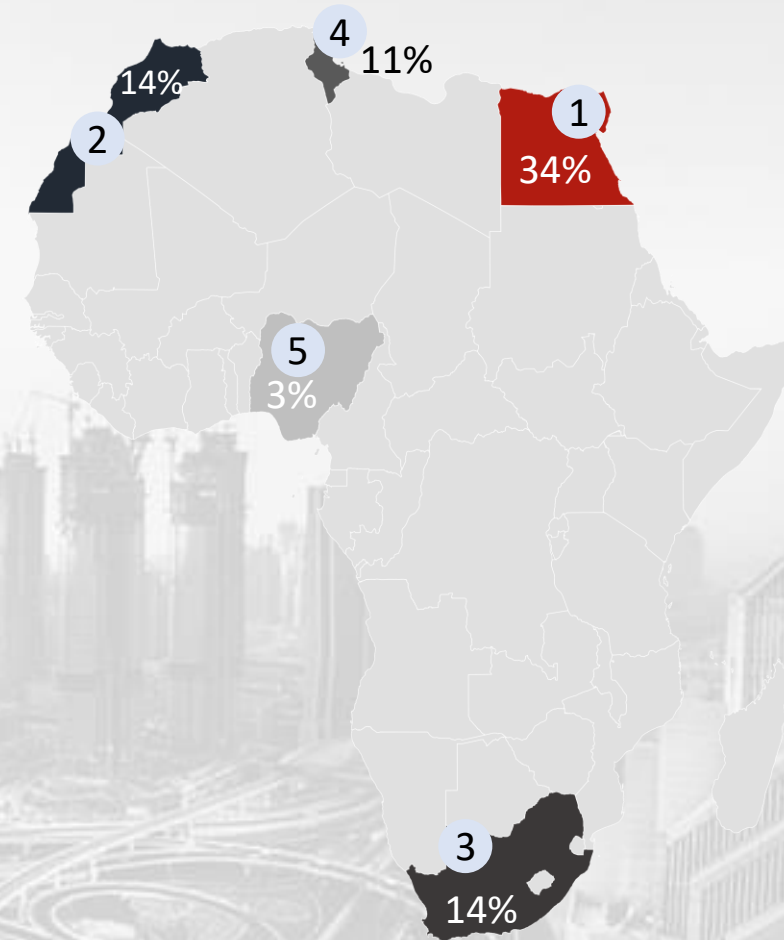
# Geographic Distribution of Existing Supply

## Africa

### TOP 5 Existing Rooms Supply

1	Egypt	53,151
2	Morocco	21,221
3	South Africa	19,911
4	Tunisia	16,401
5	Nigeria	5,017

Within continental Africa, the North-African countries present the highest number of rooms supply with the exception of the Republic of South Africa. Egypt represents the strongest market with 53,000 rooms. Morocco provides the second highest number of existing rooms on the continent with 21,000 rooms followed by South Africa with 20,000. Tunisia and Nigeria complete the top five with 16,000 and 5,000, respectively.



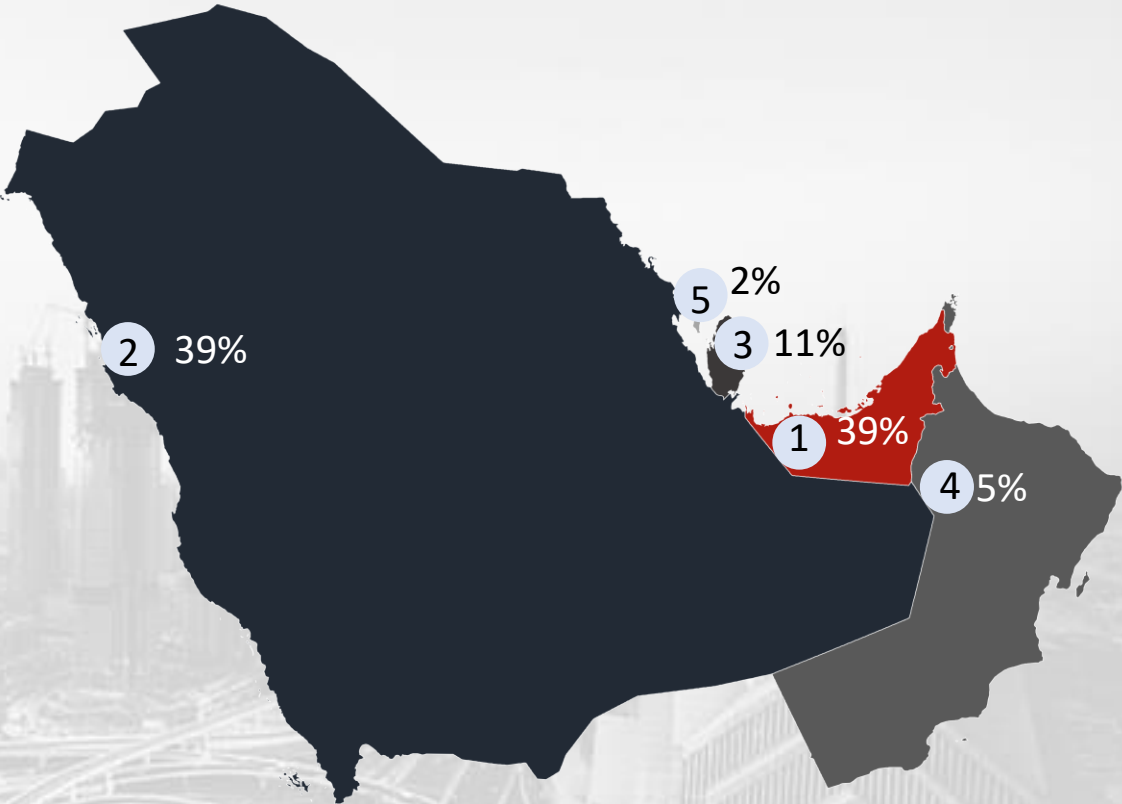
# Geographic Distribution of Pipeline Supply

## Middle East

### TOP 5 Pipeline Rooms Supply

1	United Arab Emirates	66,668
2	Saudi Arabia	65,509
3	Qatar	18,166
4	Oman	9,044
5	Bahrain	4,208

The United Arab Emirates and Saudi Arabia share the top spot of pipeline supply with about 88% of the regions upcoming hotel rooms. Qatar follows third with about 11% of the regions expected upcoming supply.



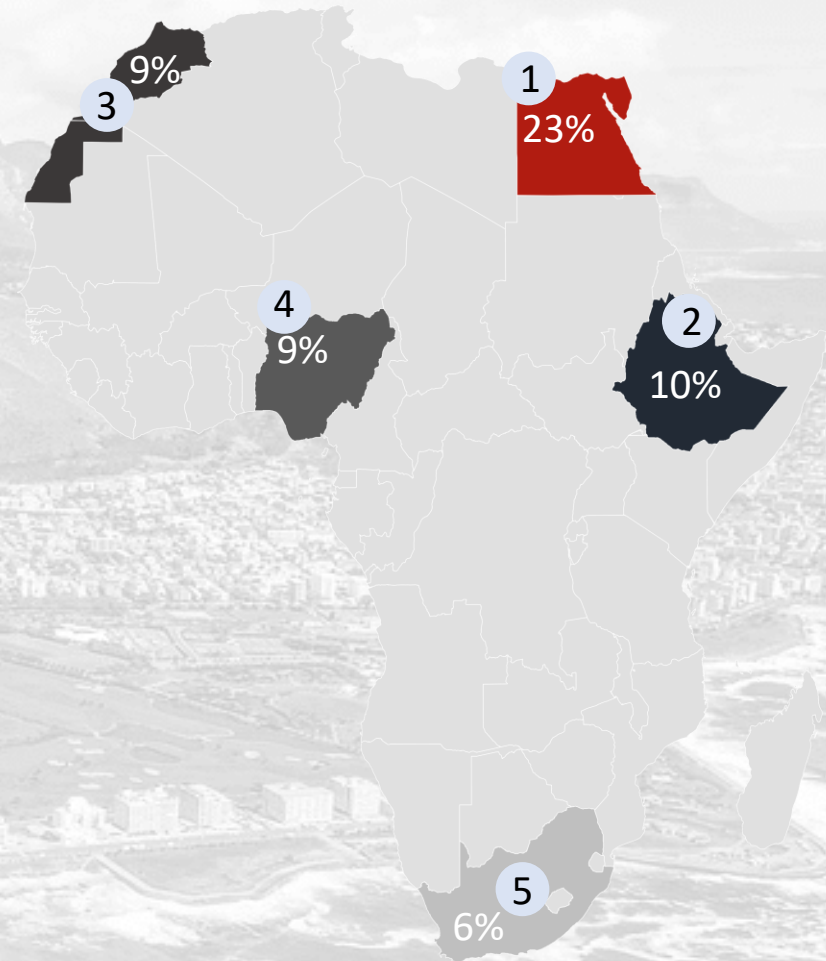
# Geographic Distribution of Pipeline Supply

## Africa

### TOP 5 Pipeline Rooms Supply

1	Egypt	12,987
2	Ethiopia	5,870
3	Morocco	5,164
4	Nigeria	5,127
5	South Africa	3,616

Looking at the geographical distribution of pipeline supply, Egypt leads the way with around 13,000 new hotel rooms signed, representing 23% of the total upcoming supply of the top five markets. In second place, with about 10% of upcoming rooms, sits the Federal Democratic Republic of Ethiopia.



# Existing and Pipeline Supply by Operators

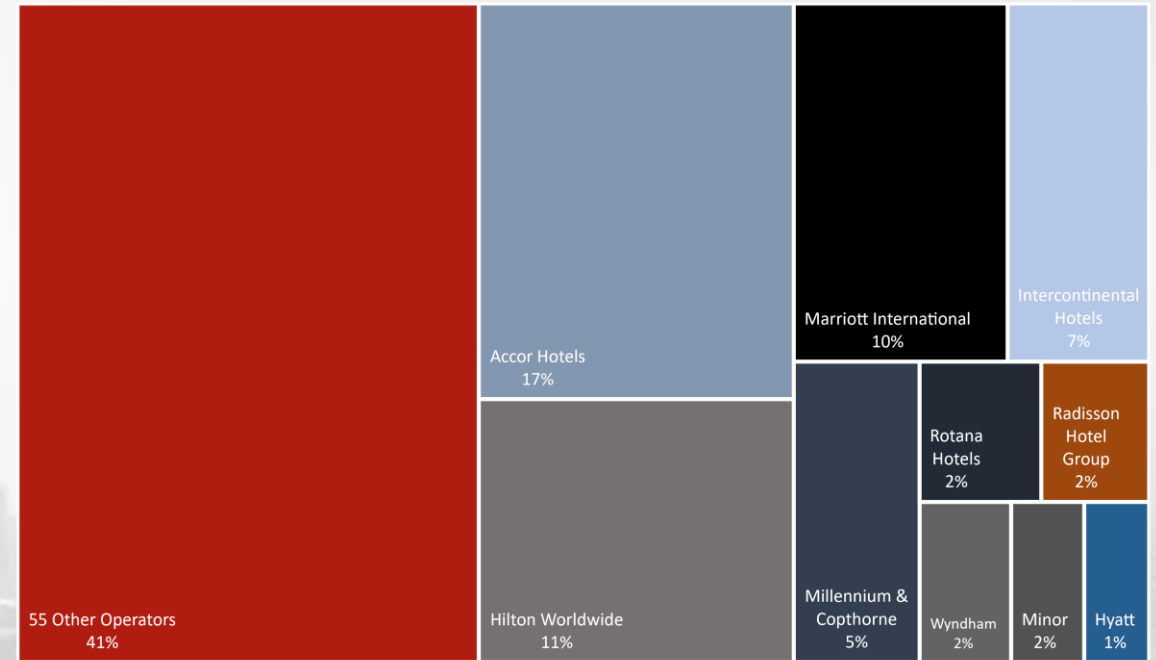
## Middle East

### Existing Rooms Supply



The top three recorded a market share of 46% by existing room inventory. Accor leads the way in terms of supply with about 19% of total market share. Marriott and Intercontinental Hotel Group trailed behind Accor by four percent and seven percent, respectively. The remaining supply of 54% is shared between 47 operators.

### Pipeline Room Supply



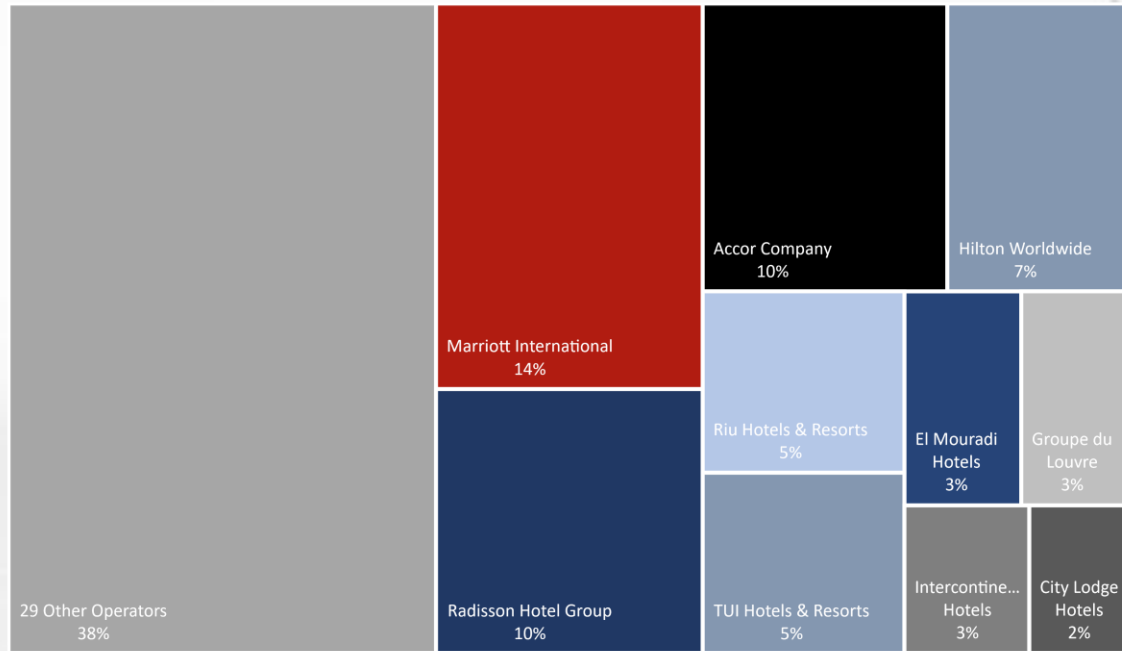
In terms of pipeline room supply, Accor leads the way with about 17% of incoming rooms under their brands. Accor is followed by Hilton and Marriott with 11% and 10% of upcoming rooms, respectively. The remaining 62% are split between 62 operators.



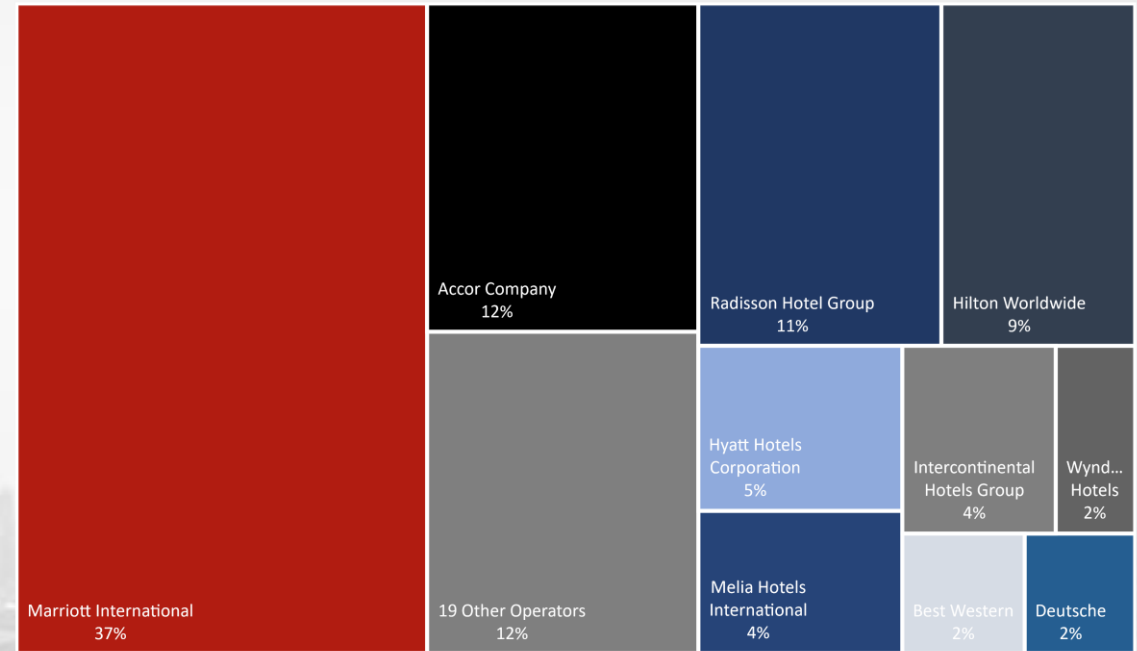
# Existing and Pipeline Supply by Operators

## Africa

### Existing Rooms Supply



### Pipeline Room Supply



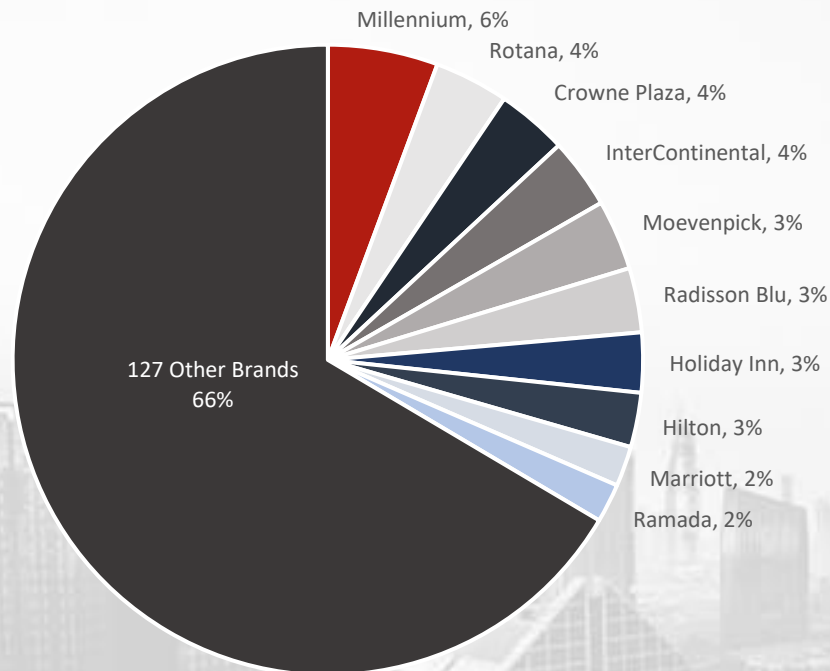
The top three recorded a market share of 34% by existing room inventory. Marriott leads the way in terms of supply with about 14% of total market share. Accor and Radisson Hotel Group trail behind Marriott by four percent. The remaining supply of 66% is shared between 36 operators including Hilton with seven percent of rooms in the region.

In terms of pipeline room supply, Marriott International leads the way with about 37% of incoming rooms under their brands. Similar to the existing supply, Marriott is followed by Accor and Radisson with 12% and 11% of upcoming rooms, respectively. The remaining 40% are split between 26 operators.

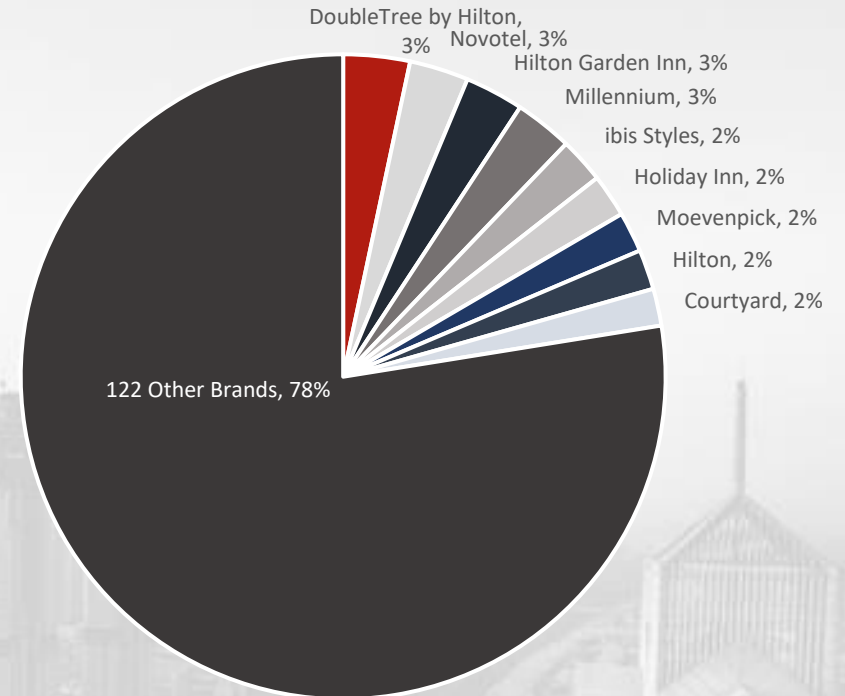
# Existing and Pipeline Supply by Brands

## Middle East

### Existing Rooms Supply



### Pipeline Room Supply



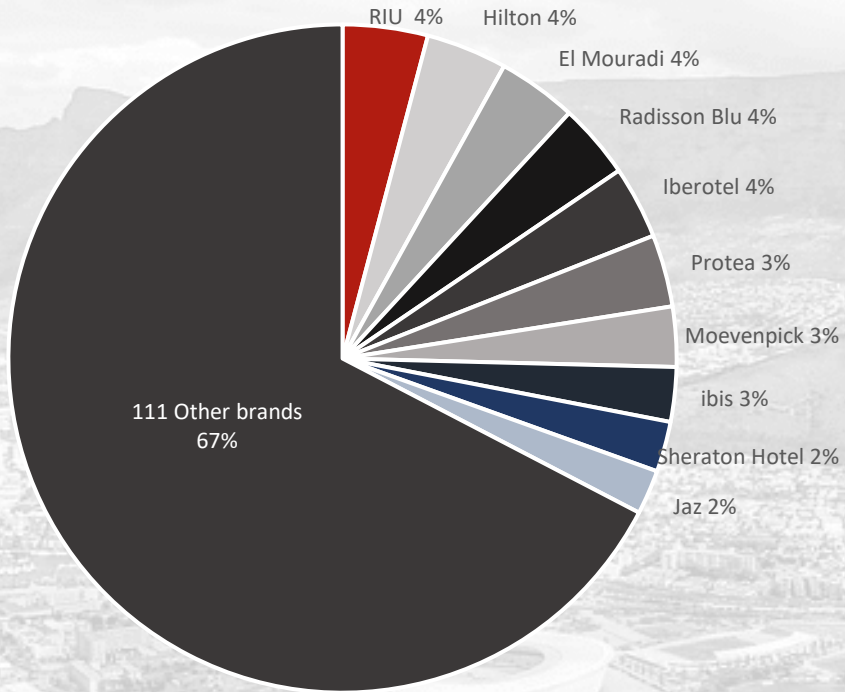
Given the prevalence of multi-brand operators, the brand landscape is subject to a higher degree of fragmentation. With its notable presence in the Middle East, Millennium has the largest market share of 6%, followed by brands such as Rotana, Crowne Plaza and InterContinental Hotels, accounting for 4% each, respectively.

The brands prevailing in the pipeline of room supply are leading towards a midscale positioning topped by DoubleTree by Hilton, Novotel, Hilton Garden Inn and Millennium. None of the notable brands falls into the upper-upscale or luxury segments.

# Existing and Pipeline Supply by Brands

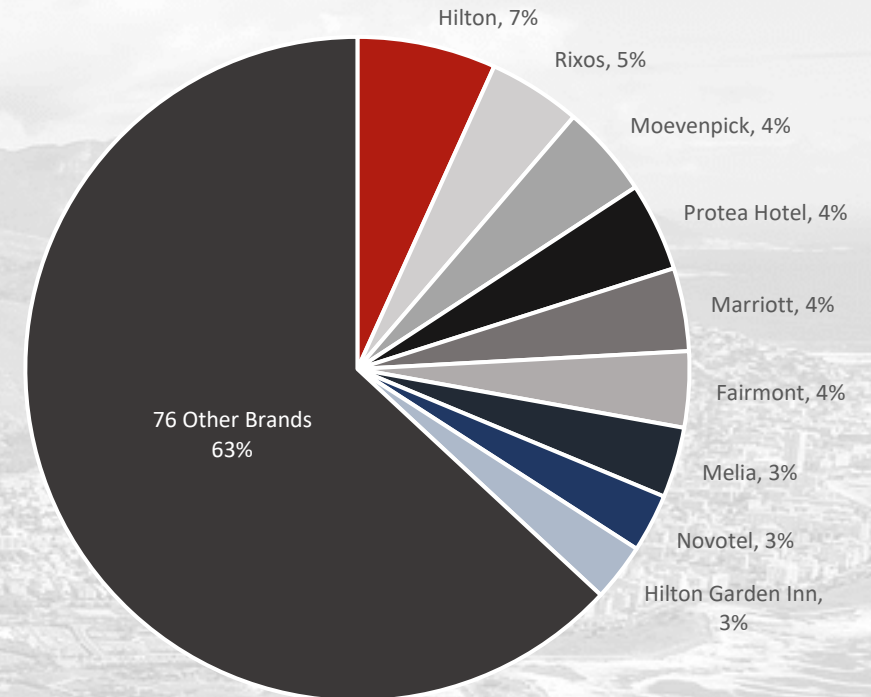
## Africa

### Existing Rooms Supply



Similar to the Middle East, the brand landscape in Africa is highly fragmented. Existing room supply is dominated by upscale brands such as RIU, Hilton, Radisson and the Tunisian brand El Mouradi.

### Pipeline Room Supply



The pipeline of supply is dominated by Hilton and Rixos with 7% and 5%, respectively. The remaining supply is made up of mostly midscale and upscale brands.

# Top 10 Existing Room Supply by Markets

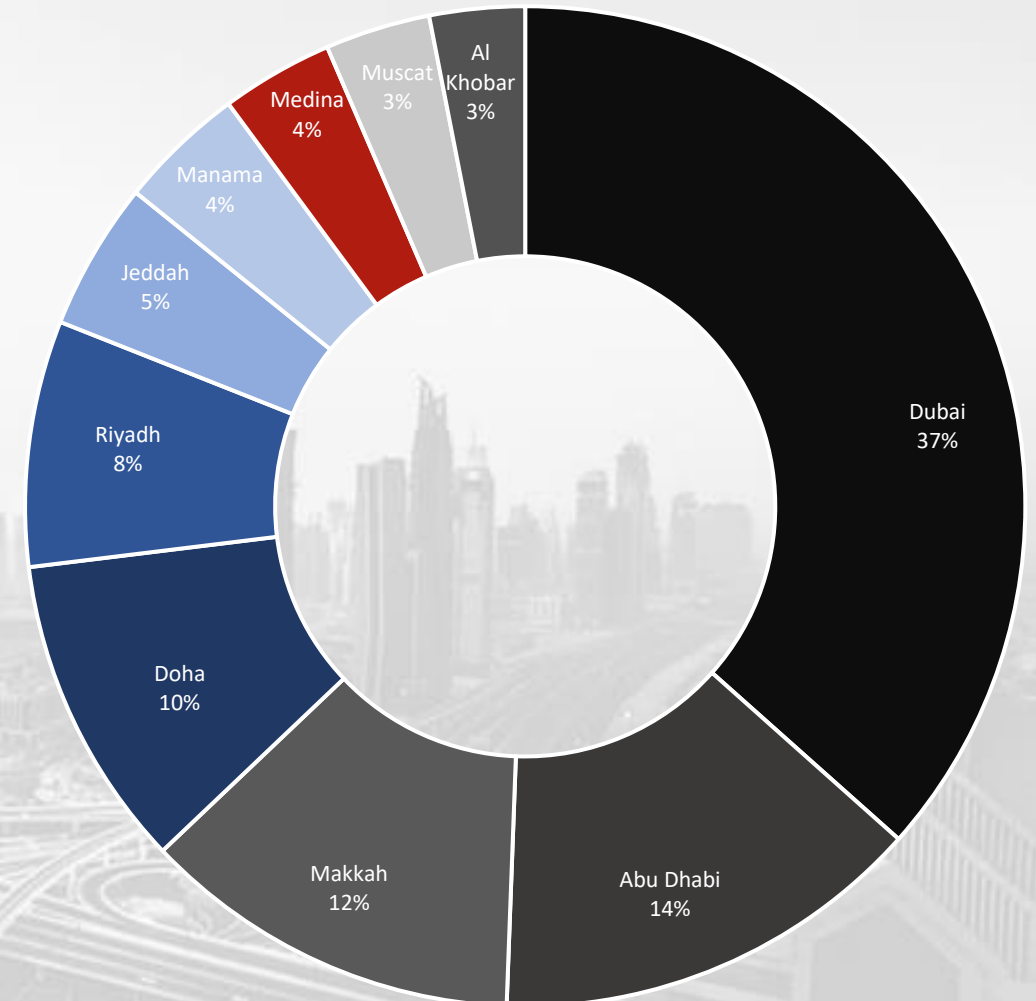
## Middle East

The ten leading markets feature approximately 151,131 branded hotel rooms or 79% of the total sample.

Dubai has the largest number of branded rooms supply of 55,470 rooms, which is equivalent to 37% of the total sample.

Abu Dhabi and Makkah represent the second and third biggest markets in terms of rooms supply with 14% and 12% respectively.

Seven out of the top 10 cities are in the United Arab Emirates and Saudi Arabia.



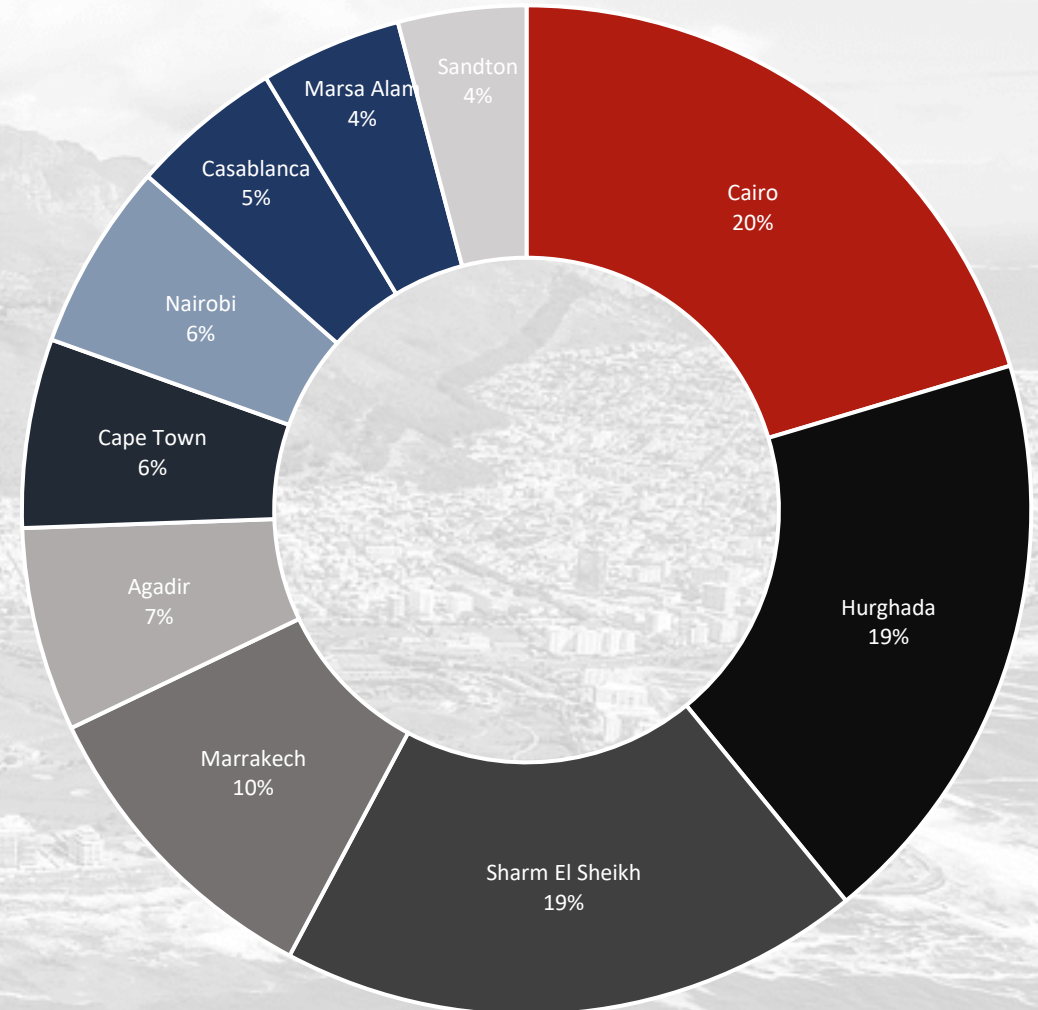
# Top 10 Existing Room Supply by Markets

## Africa

Africa's ten leading markets feature approximately 63,644 branded hotel rooms or 41% of the total sample.

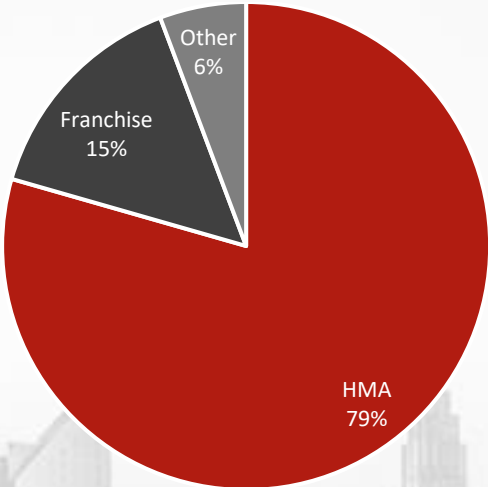
Cairo has the largest number of branded rooms supply with 12,974 rooms, which is equivalent to 20% of the total sample.

The top three markets are in Egypt representing about 58% of total branded room supply.



# Management Structure Existing Supply – Middle East

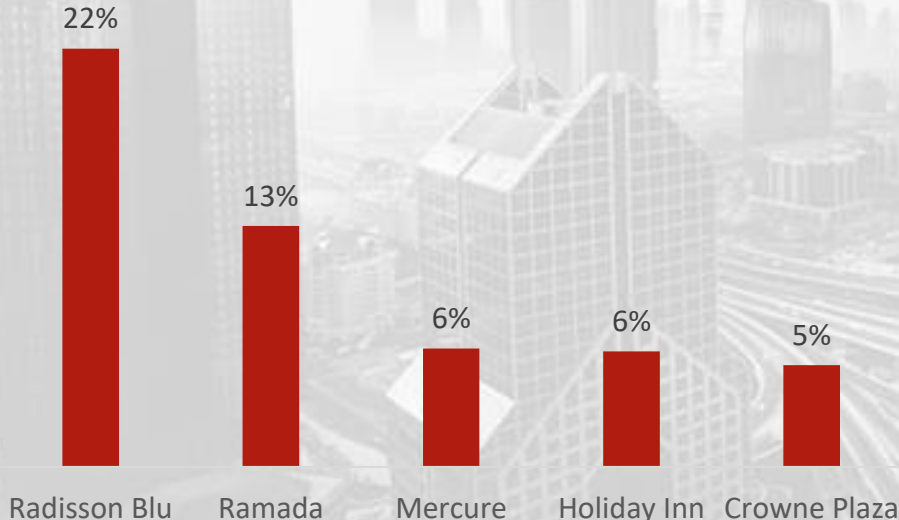
## Management Structure Existing Hotels



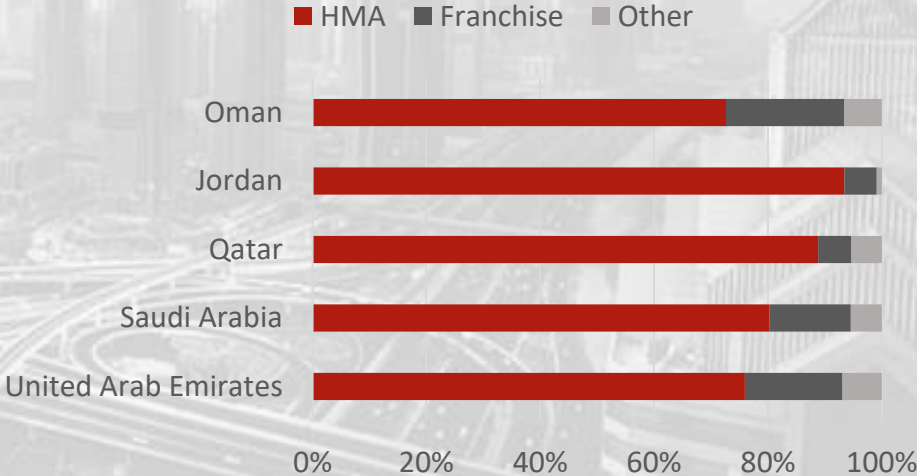
Most properties are being operated via a Hotel Management Agreement (HMA), followed by Franchise Agreements. Others management structures may include owned-operated or leased. Taking a closer look at franchising, most franchise agreements are established in the United Arab Emirates, Oman and Saudi Arabia. The brands strongest in franchising are typically in the budget and midscale segments.

*\*For a detailed report on the evolution of management terms and emergence of alternative agreements, please read HVS Publication <https://www.hvs.com/article/8899-evolution-of-hotel-management-agreements-and-rise-of-alternative-agreements>*

## Top 5 Franchise Brands by Number of Rooms



## Management Structure by Top Country

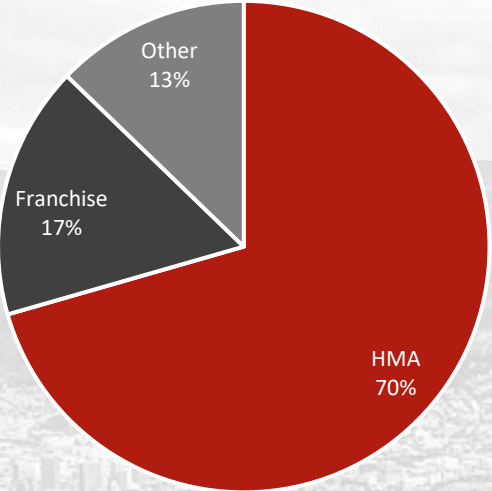


14 \*All data is available as of 1<sup>st</sup> of September, 2020.

Source: HVS Survey, as of 1<sup>st</sup> of August, 2020

# Management Structure Existing Supply – Africa

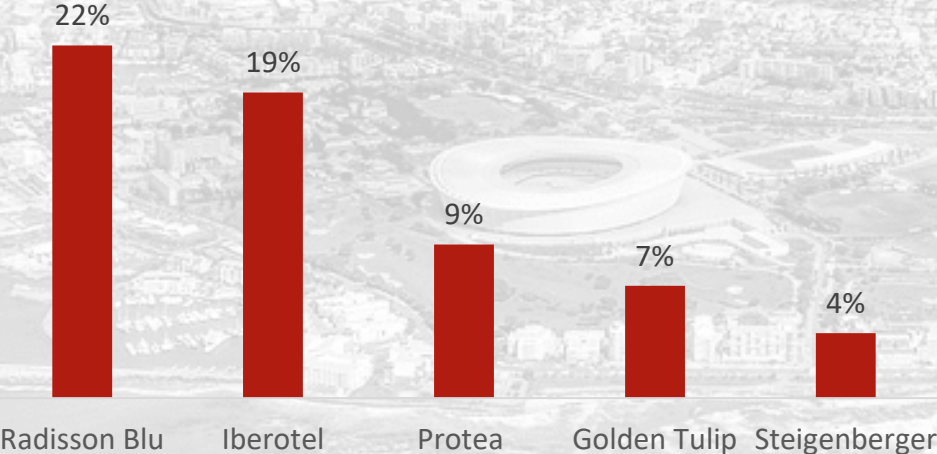
## Management Structure Existing Hotels



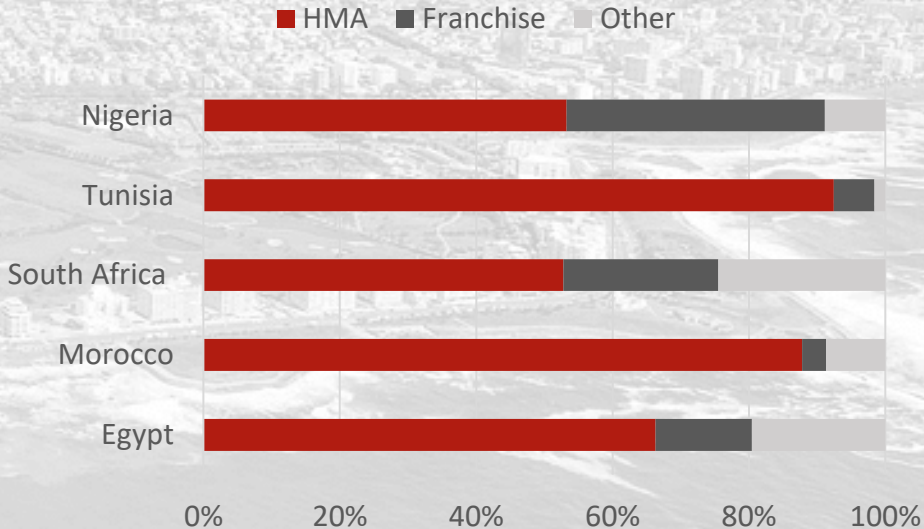
In Africa, most properties are being operated via a Hotel Management Agreement (HMA), followed by Franchise Agreements. Others management structure may include owned-operated or leased. Radisson Blu, Iberotel and Protea represent the most franchised brands on the continent in terms of number of rooms.

*\*For a detailed report on the evolution of management terms and emergence of alternative agreements, please read HVS Publication <https://www.hvs.com/article/8899-evolution-of-hotel-management-agreements-and-rise-of-alternative-agreements>*

## Top 5 Franchise Brands by Number of Rooms



## Management Structure by Top Country



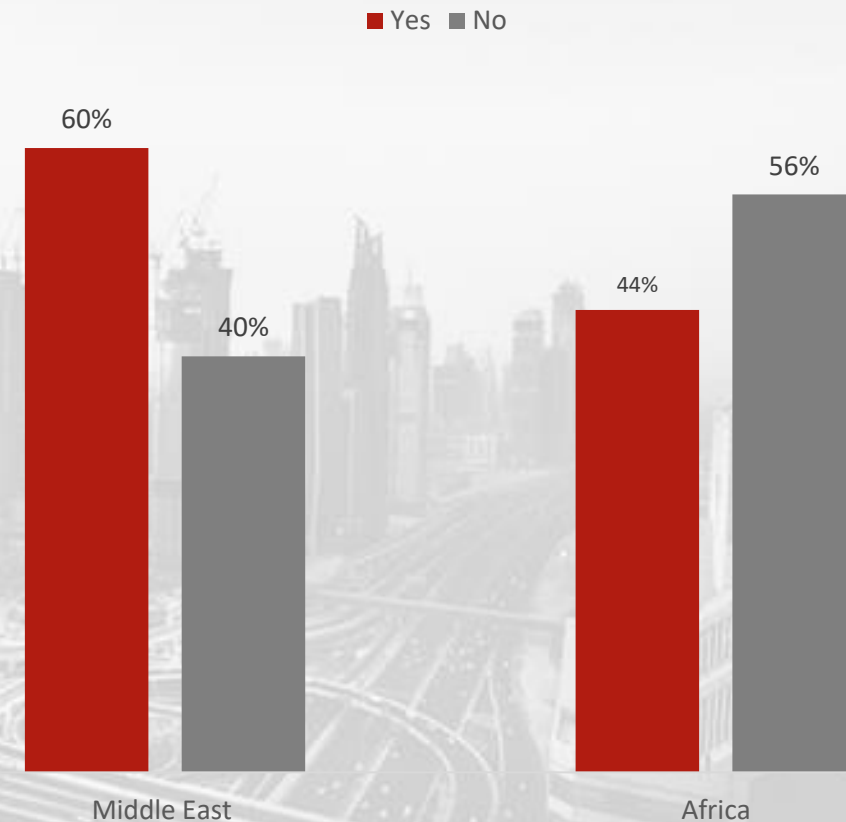
A survey conducted by HVS has asked the leading operators in the region a set of questions that look at how they see the region develop going forward.

Eleven international operators have answered the survey conducted in the month of August.

60% of the respondents see a shift in operating model throughout the Middle East post the COVID-19 crises. HVS observed a trend away from hotel management to franchise agreements over recent years and most of the respondents see the current market situation as an accelerator to this trend.

## Going Forward

**Q: Post COVID-19, do you believe there will be a major shift in trends in terms of brands' operating model in the Middle East & Africa? (management contracts, lease, franchise, etc)**





# Going Forward

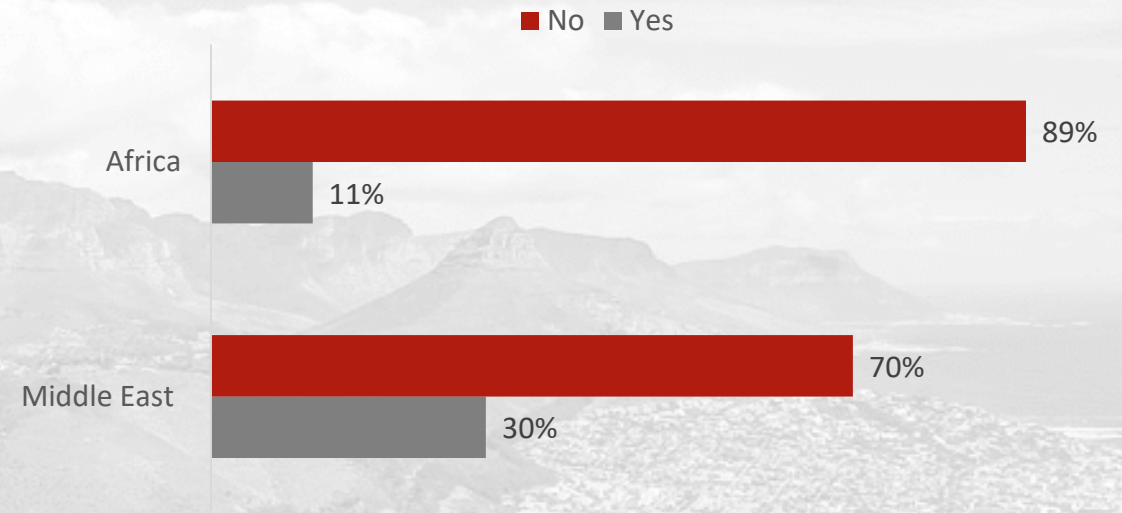
Unprecedented times like these often lead to contractual reviews and potential renegotiations of agreements.

Among the respondents of this survey, the majority does not expect any renegotiation of hotel management contracts. However, throughout the Middle East about a third of respondents see a potential renegotiations as likely.

When asked for the most likely clauses to be renegotiated, most of respondents indicated a review of operator fees followed by clauses around performance tests and termination rights.

Yet again, a significant number of respondents see a potential migration from management contracts to franchise agreements as likely.

## Renegotiation of Contracts



## Rank of the Clauses that are more likely to be renegotiated

1	Operator fees
2	Performance clause and termination rights
3	Manchise-migrating from management contracts to franchise
4	Term
5	Key money
6	Owner's priority/ guarantee

## Immediate Challenges Middle East & Africa

### Middle East

"Project delays"

"Owner's confidence in the overall market"

"Certainty in market; ability to assess risk"

"Commitment from owners"

"Delays in construction and closing deals. Connectivity and closed borders"

"Reduced revenue is the biggest challenge as we speak. Our cost measures reached their limits, so we are left with only one solution being an increase in demand"

"With very little international travel expected until late 2021, banks are starting to put pressure on Middle Eastern owners and will likely start foreclosing on overleveraged owners."

### Africa

"Lack of opportunities"

"Financing"

"Project delays"

"Delays in construction and closing deals. Connectivity and closed borders"

## Long-term challenges in Middle East & Africa

### Middle East

"Over supply, political instability"

"Regaining owner trust and finding re-branding and branding opportunities for independent hotels. Cancelled projects will reduce the pipeline which will help a more robust recovery."

"Ability of owners to deliver on time, good quality projects"

"Owners believe they can manage sophisticated properties under franchise agreements but have no adequate experience to do so."

"Maintaining long lasting relationships with existing owners "

### Africa

"Financing"

"Ability of owners to deliver on time, good quality projects"

"Geo-political; stability; FX"

"With likely increasing devaluation of currencies across the continent, hotels will likely become an asset class that produces negative yields"

When asked about challenges in the near, and long-term, respondents were mostly concerned with the uncertainty and inability to plan and forecast. Likewise, project delays and a lack of financing were mentioned frequently.

A decorative image of a city skyline at dusk or night, with illuminated buildings and a warm sky, is positioned in the top left corner of the page.

## About the Author

**IRMAK SEN** is a research analyst working with HVS Middle East & Africa.

Irmak is bilingual in Turkish and English and obtained her Bachelor of Science degree in International Hospitality Management from Ecole Hôtelière de Lausanne with concentrations on Hotel Development and investments.

Prior to joining HVS, Irmak has held various operational and administrative internship positions in hotels and hospitality-related sectors across Europe, Asia and Middle East.

Since joining HVS, Irmak has been supporting the team with research for projects and publications.

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## About the Author

**MAXIMILIAN QUACK** is a Senior Manager working with HVS Middle East & Africa, specializing in Development Advisory, Operator Search, Hotel Valuations, and Asset Management.

Since joining HVS, Maximilian has directed a large number of assignments involving full-service stand-alone properties as well as large multi asset mixed-use developments. He has successfully completed operational assessments and provided strategic recommendations to owners, investors and hotel operators.

His professional reach extends throughout the Middle East and Africa with majority of his assignments undertaken in the Kingdom of Saudi Arabia, United Arab Emirates, Kingdom of Bahrain and other GCC Countries.

Maximilian holds a bachelor's degree from the Glion Institute of Higher Education and an MBA in Finance & Strategy from HEC Paris.

A German citizen, Maximilian has lived and worked in six countries throughout three continents before joining HVS in Dubai.

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## About HVS

**HVS** is the only global consulting firm focused exclusively on the hospitality industry. Established in 1980, the company performs more than 5,000 assignments annually for hotel and real estate owners, operators, and developers worldwide. Through a network of more than 50 offices and more than 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

HVS provides you with the comprehensive solution through its single-minded focus, helping you succeed in the complex hospitality arena through our global reach and in-depth understanding of the local market. Whether you are a first-time investor looking to buy one hotel, an experienced developer putting together a complex deal, an owner looking to improve your hotel's cash flow or value, a financial firm evaluating an asset, a developer looking to hire an operator, we can help you every step of the way to succeed in the complex hospitality arena.

For further information regarding our expertise and specifics about our services, please visit [www.hvs.com](http://www.hvs.com).



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