



KSA Hospitality Market
An overview of 2020

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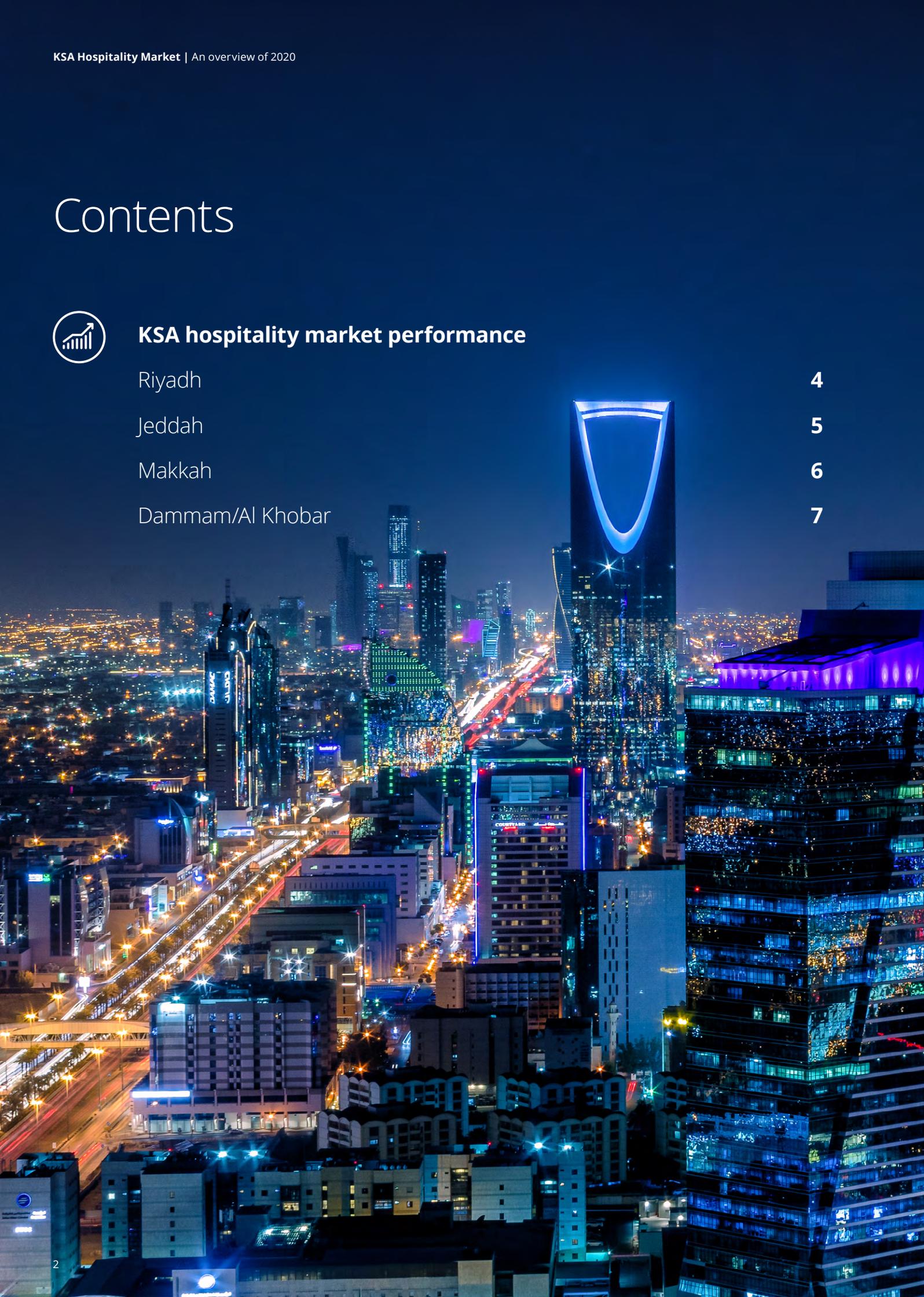
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The Kingdom of Saudi Arabia hospitality market performance

The COVID-19 crisis impacted the hospitality sector in an unprecedented manner resulting in falling key performance metrics across all cities in the Kingdom of Saudi Arabia (KSA).

Riyadh market performance

Riyadh recorded an occupancy of 49% for 2020, compared to 60% in 2019, while Average Daily Rate (ADR) declined by 9% over the year, to SAR 544. As a result, Revenue Per Available Room (RevPAR) saw a reduction of approximately 26%, to SAR 268.

Riyadh's hospitality market started the year well with the first two months of 2020 recording an improvement in both ADR and occupancy levels compared to 2019, resulting in an increase in RevPAR by approximately 40%.

In contrast, COVID-19 related travel restrictions introduced in March had a direct impact on business travel to Riyadh, as such the lowest occupancy recorded stood at 36% in July 2020.

Across 2020, Riyadh saw the delivery of approximately 850 new keys which included the opening of Le Meridien Riyadh and Courtyard Riyadh Northern Ring Road.

Approximately 3,500 keys are expected to be delivered in 2021. Business demand is likely to remain subdued as travel has been severely limited by many companies, as such, the incoming supply is expected to create further downward pressure on both occupancy and ADR.

There is an additional 5,300 hotel keys expected to be delivered between 2022 and 2025. The materialisation of Vision 2030 related projects and initiatives will be crucial to increase demand for the market to absorb new supply.

Riyadh hotel performance, 2019 to 2020

Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2019	60%	597	361
<i>Trend</i>	↓	↓	↓
2020	49%	544	268

Source: STR Global

Riyadh hotel performance, 2015 to 2020



Source: STR Global

■ ADR ■ RevPAR ● Occupancy

Jeddah market performance

Jeddah's hotel occupancy for 2020 was at 37%, compared to 58% in 2019, while ADR declined by 35% over the year, to SAR 613. As a result, RevPAR dropped by 58%, to SAR 230.

Jeddah's hotel performance is in part linked to that of Makkah, which experienced severe visitor restrictions between March and October. During this period, Jeddah witnessed declines in both ADR and occupancy, resulting in a reduction of RevPAR, of up to 80% compared to the same period in 2019.

Although Jeddah started and ended the year on positive notes, the eight months of underperformance led to a 58% decline in RevPAR in 2020 compared to 2019.

There were no significant new hotel openings in 2020. Approximately 2,700 hotel keys are expected to enter the market in 2021. In the short term, hotels in Jeddah will have to leverage on the development of domestic tourism to mitigate the impact of these additional keys on performance.

An additional 2,300 hotel keys are expected to be delivered between 2022 and 2025. In the medium to long term, Jeddah's hotel market recovery will be in part reliant on the recovery of Makkah's religious tourism.

Jeddah hotel performance, 2019 to 2020

Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2019	58%	940	541
<i>Trend</i>	↓	↓	↓
2020	37%	613	230

Source: STR Global

Jeddah hotel performance, 2015 to 2020



Source: STR Global

Makkah market performance

Makkah's occupancy for 2020 was at 25% for 2020, compared to 61% in 2019, while ADR declined by 45%, to SAR 323. As a result, RevPAR dropped by 77%, to SAR 81.

The COVID-19 pandemic severely impacted religious tourism with occupancy as low as 2% during the first week of March after the suspension of Umrah visits.

The combined effect of double-digit decline in both ADR and occupancy resulted in a RevPAR of SAR 81, 4.4 times less than the RevPAR observed in 2019.

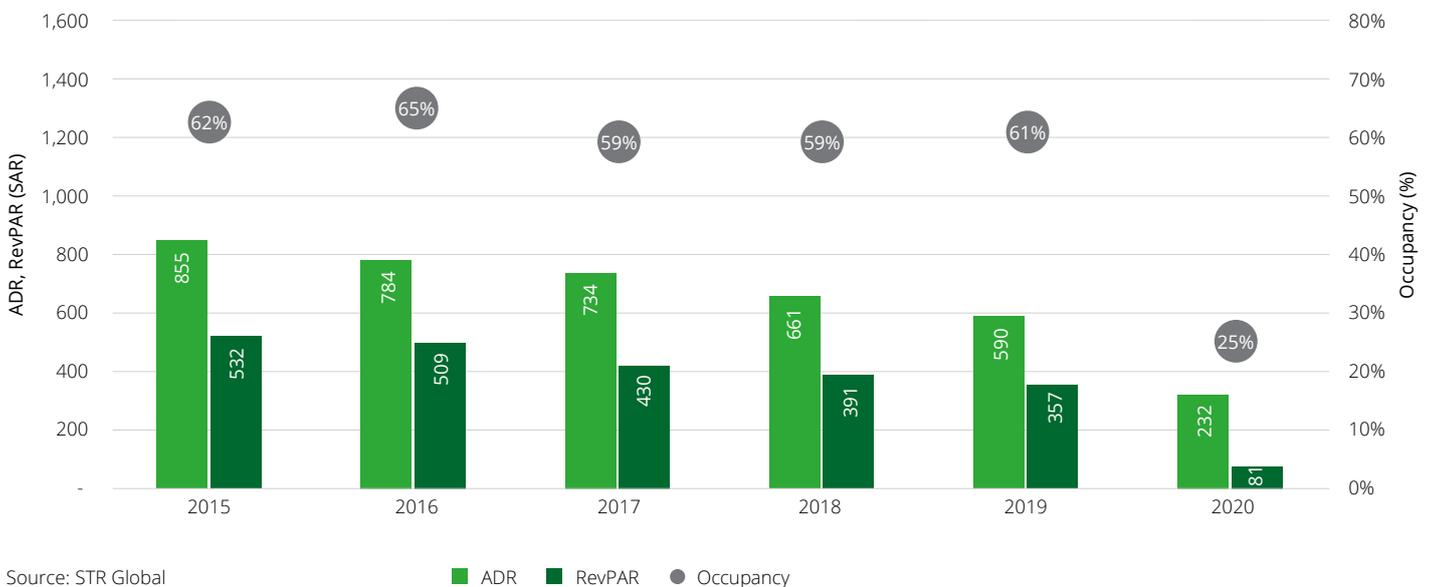
Similar to Jeddah, there was no major hotel openings in 2020, although approximately 4,500 keys are expected to be delivered in 2021. While some of the hospitality projects under construction have been postponed, some have also been cancelled. Future supply will see a flatter delivery of approximately 11,800 keys between 2022 and 2025.

Makkah hotel performance, 2019 to 2020

Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2019	61%	590	357
<i>Trend</i>	↓	↓	↓
2020	25%	323	81

Source: STR Global

Makkah hotel performance, 2015 to 2020



Dammam / Al Khobar market performance

Dammam / Al Khobar recorded an occupancy of 53% for 2020, compared to 56% in 2019, while ADR increased by 1% over the year, to SAR 429. As a result, RevPAR decreased by 3% only, to SAR 230.

The impact from the COVID-19 pandemic was less significant when compared to other KSA cities, largely driven by an increase in domestic tourism. The overall market witnessed a marginal decrease in occupancy and a slight increase of 1.4% in ADR.

Three new hotels opened in Al Khobar in 2020, namely The Ascott Corniche Al Khobar, Centro Hotels by Rotana Corniche Al Khobar and Voco Al Khobar, adding 550 keys to the market.

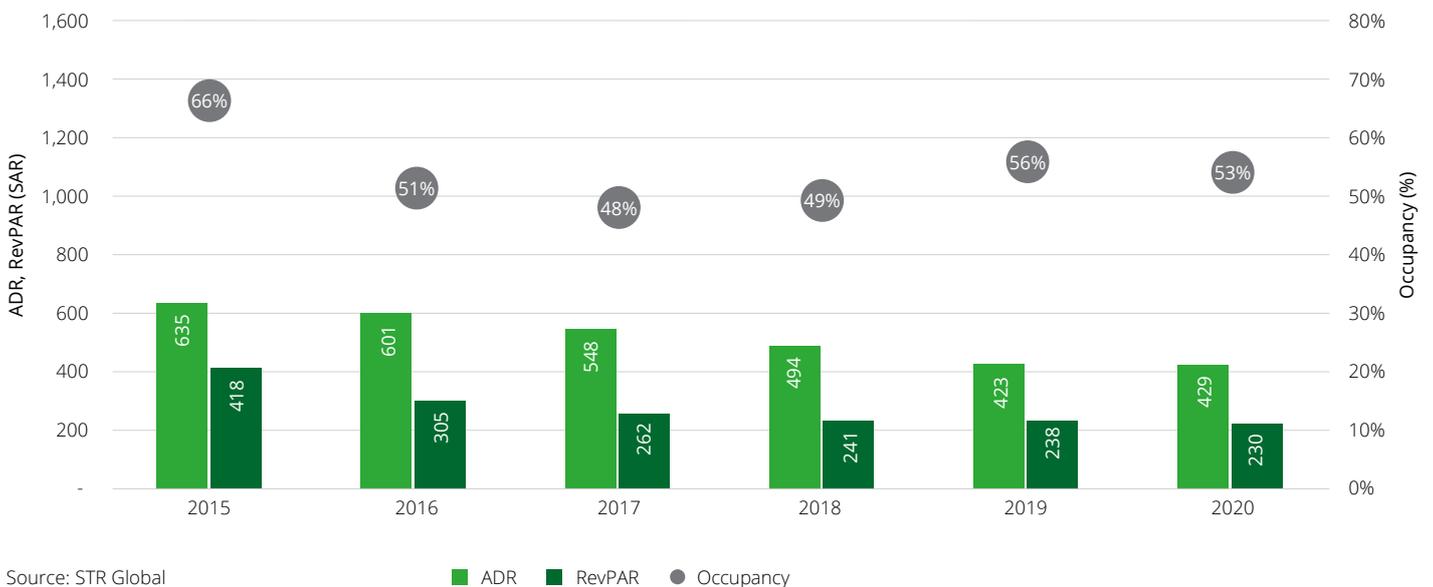
Approximately 3,200 additional keys are expected to be delivered between 2021 and 2025.

Dammam / Al Khobar hotel performance, 2019 to 2020

Year	Occupancy	ADR (SAR)	RevPAR (SAR)
2019	56%	423	238
<i>Trend</i>			
2020	53%	429	230

Source: STR Global

Dammam / Al Khobar hotel performance, 2015 to 2020



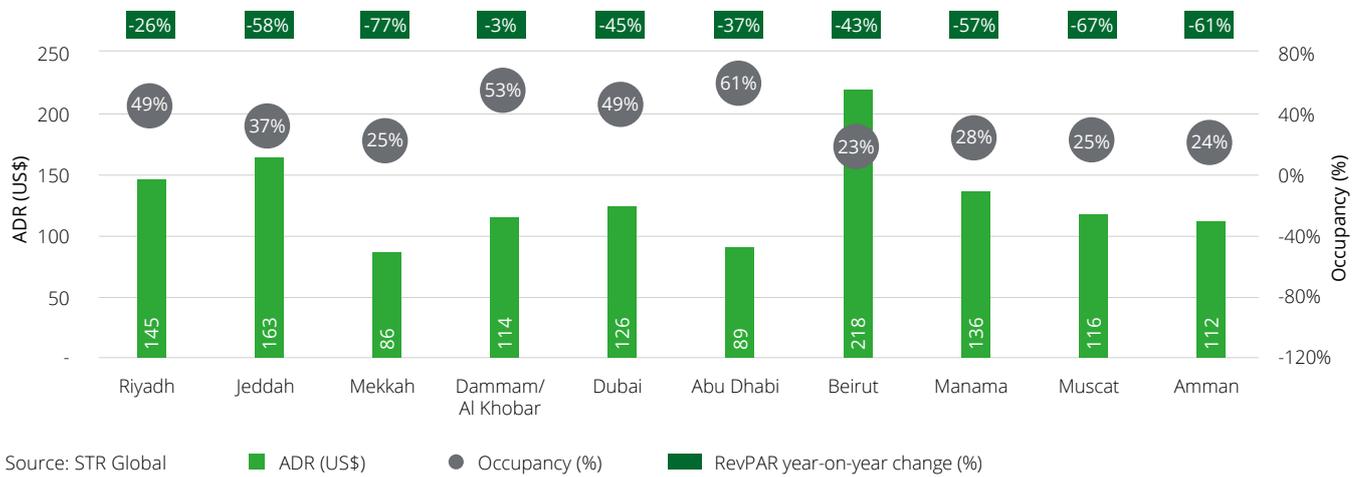
Source: STR Global

■ ADR ■ RevPAR ● Occupancy

Comparison of KSA to regional and global markets

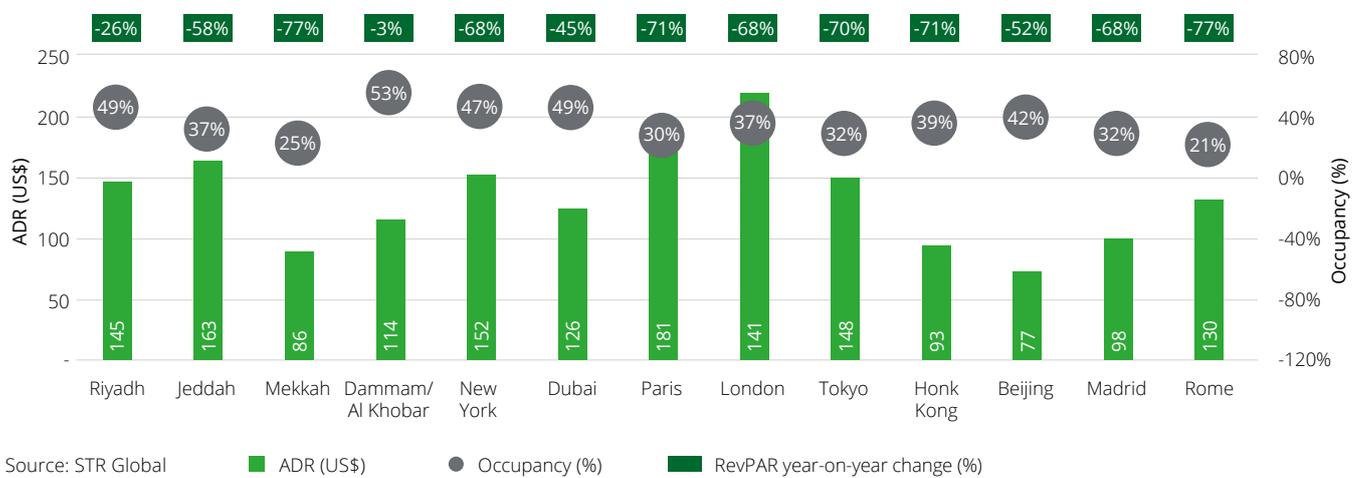
Similar to other regional and global markets, KSA's hospitality market was significantly impacted by the COVID-19 pandemic.

Regional market performance full year 2020



Source: STR Global | ADR (US\$) | Occupancy (%) | RevPAR year-on-year change (%)

Global market performance full year 2020



Source: STR Global | ADR (US\$) | Occupancy (%) | RevPAR year-on-year change (%)

Adapting to changes and thriving in the new normal

Reflecting on business models

The hospitality market has been one of the most negatively impacted by the COVID-19 pandemic.

The inflow of hotel guests has been stopped abruptly by regional and global travel restrictions, forcing the temporary closure of some hotels.

Following subdued demand for rooms, issues such as cashflow management and financing/lending considerations are coming to the forefront which has forced hotel operators and investors to reassess their strategies, focusing on performance enhancement, operational efficiency and review of management contracts.

COVID-19 has also led to changes in customer behavior suggesting a need to focus on digitalisation and touchless technology.

Moving forward, hoteliers need to continue efforts to diversify demand sources in order to achieve a more sustainable balance of corporate versus leisure demand. This includes capturing growing demand for extended stays as customers optimise their trip by transforming it into a "bleisure" trip, mixing leisure into their business trips.

Seizing new opportunities

Tourism is undeniably a priority for KSA as they led the "Future Hospitality Summit" in 2020 to brainstorm with leaders around the world from both public and private sectors on reshaping the tourism landscape for recovery.

In June 2020, the Saudi Tourism Authority launched "Saudi Summer", a campaign to boost domestic tourism and inspire local travelers. Most recently, the "winter is around you" campaign promotes tourism around 17 cities, 13 of which are secondary cities.

To capitalise on the growth of domestic tourism, there are currently over 90 differentiated hotel and resort concepts in the pipeline that are planned outside of the four key cities of Riyadh, Jeddah, Makkah and Dammam / Al Khobar i.e. mountain, desert and beach destinations. In addition to the Red Sea coast and Al Ula, Tabuk, Abha and Jazan which will also see a significant change in their hospitality and tourism offering.

The long-term outlook for the KSA hospitality market looks encouraging as the development of government-led tourism projects will undoubtedly contribute to the growth and evolution of a unique tourism industry in the Kingdom in line with the Vision 2030's economic diversification agenda.

The Deloitte Middle East Hospitality survey conducted in September 2020 suggests that the market recovery to 2019 levels is not expected until 2023, or later. The KSA hospitality market's recovery is dependent on the roll out of the vaccine to restore traveler and guest confidence and will likely accelerate with the completion of the major announced leisure and entertainment projects.

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