



Tourism Performance Summary H1 2017

Foreword

I am pleased to share with you a summary of our tourism industry's performance for the first half of 2017, which shows a strong start to the year. From the robust performance of cruise tourism, to the increasing pull of new and enticing tourism festivals, it is clear that years of foundation-building are beginning to pay off.

Undoubtedly, the diplomatic dispute with three neighbouring countries has had a negative impact on visitor arrivals during the summer months, rendering them slower than usual. However, it has also had a positive impact, acting as a catalyst to further develop the tourism industry, which was already undergoing a strategic shift towards diversifying products, services and source markets. The numbers in this report prove that we have been right in our approach, and that tourism in Qatar is already on track to fulfil its potential and become a significant contributor to the national economy.

In the past few months, Qatar has taken huge strides in implementing visa policies that will facilitate easy access to the country from dozens of new source markets. These policies have included waiving visa requirements for 80 nationalities and launching an online visa application service for visitors of all nationalities. The free, 96-hour transit visa, which was introduced in Q4, 2016, has had a notable impact on our visitor numbers with a sizeable increase in stopover passengers.

With all of that said, numbers are not the only performance indicator for this sector. While we expected this summer to be slower than usual, due to the ongoing diplomatic dispute, we have been proud to see tourism establishments step up to ensure that all our visitors, wherever they are from, experience the authentic hospitality our country is renowned for. Visitor experience is at the heart of plans for this sector's development and will continue to be our priority.



Looking ahead, Qatar Tourism Authority is finalising the next chapter of QNTSS 2030, which will aim to strengthen Qatar's tourism and hospitality sectors further, while building a solid foundation for future growth that can safeguard the industry from fluctuations in the markets around us.

Plans are set to unveil the next chapter on 27 September 2017, when Qatar hosts the official UNWTO celebrations of World Tourism Day, and we look forward to sharing it with the industry in Qatar and the broader tourism community.

Hassan Al Ibrahim

Chief Tourism Development Officer



Introduction

Qatar welcomed 1.46 million visitors¹ in the first six months of 2017, representing growth of 1% as compared to the same period in 2016. Arrivals growth from a wide range of markets in the early months of 2017 was robust, as a more stable oil price helped to stimulate a rebound in demand in the region. The strong performance of cruise tourism, which registered a 1000% increase in the number of cruise visitors throughout the 2016/17 season, also contributed to growth at the beginning of the year. In addition, the introduction of the free, 96-hour transit visa and +Qatar (an initiative to promote Qatar as a stopover destination by QTA and Qatar Airways), resulted in a 39% increase in stopover visitors in the first six months of the year compared to the same period in 2016.

The diplomatic dispute imposed on Qatar by three Gulf Cooperation Council countries since 5 June 2017 has affected arrivals, due to the large share of visitors who are nationals of the countries blockading Qatar. In spite of this, growth from all other regions has remained solid, with visitor arrivals from nationals of Europe and the Americas growing by 10% and 7% respectively, compared to the same period last year. This growth signals that QTA's strategy to diversify its source markets and enhance its visitor experience is on track.

The restrictions imposed on Qatar include the closure of its land border with Saudi Arabia and the airspace over the blockading countries, as well as the withdrawal of flights from Hamad International Airport by airlines based in the blockading countries. Of these restrictions, the closure of the land border has had the largest impact on tourism performance. Airspace and air traffic restrictions have had a more limited impact, as alternative measures, including the rerouting of flights over countries not involved in the diplomatic dispute, were implemented swiftly.

The country's tourism accommodation sector continued to develop rapidly in the first half of 2017 with three new properties opening, adding 1,244 rooms to the market. This represents an increase of 5.4% in the number of available rooms in Qatar, as compared with the end of 2016. As a result of the increase in supply in relation to demand, the average occupancy rate across all hotel establishments decreased by 2.8% to 62% in the first half of 2017.

¹A visitor is a traveller taking a trip to a main destination outside of his/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor), if his/her trip includes an overnight stay, or as a same-day visitor (or excursionist) otherwise. Source: United Nations World Tourism Organization.

Arrivals

Arrivals by Nationality (Grouped by Region)

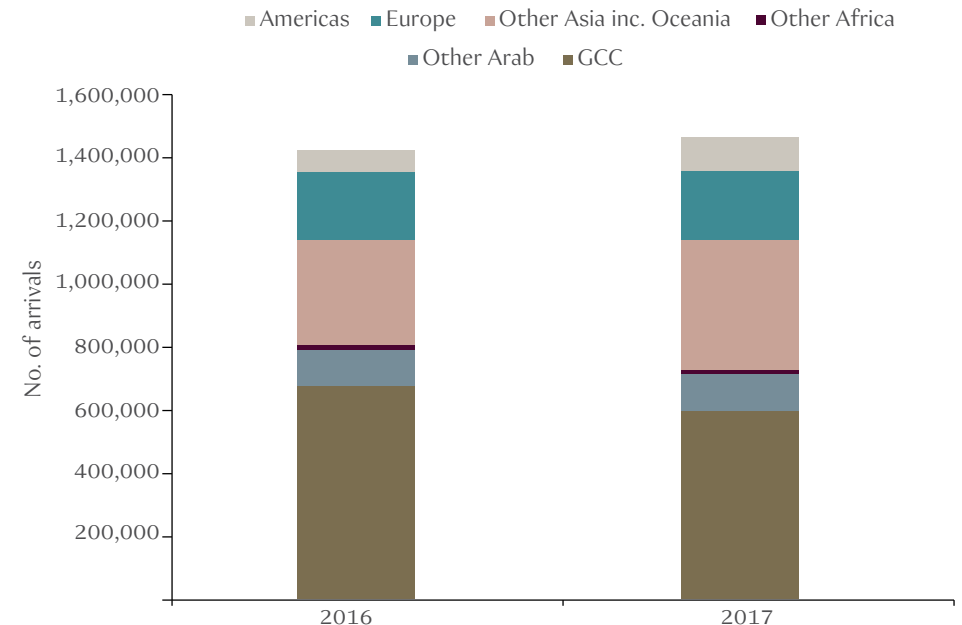
Total visitor arrivals in the first half of 2017 grew by 1% compared to the first half of 2016. Solid performance within the cruise tourism industry, the introduction of the free, 96-hour transit visa, the +Qatar initiative and oil price stability offered some reprieve from the recent regional downturn, due to the diplomatic dispute that began in early June. Arrivals to Qatar from all regions were up in the period between January and May, compared to last year. With the inclusion of June, however, there were falls in YTD arrivals from GCC nationals and Other Arab visitors. On the whole, arrivals from the GCC region were 4% lower in the first half of 2017 compared to the same period last year, while arrivals from Other Arab countries were 3% lower.

European markets were the source of greatest growth during the first half of 2017, up 10% compared to the same period in 2016; and arrivals from American source markets were 7% higher compared to last year. Arrivals from Asia, including Oceania, grew by 4%, as did arrivals from Other African countries.

Arrivals to Qatar by Nationality, Grouped by Region, H1 2016 vs. H1 2017			
	2016	2017	% Change 2016-17
Total	1,451,308	1,463,987	1%
GCC	665,355	639,182	-4%
Other Arab	117,170	113,927	-3%
Other Africa	15,400	16,048	4%
Other Asia inc. Oceania	340,529	352,469	4%
Europe	234,880	259,121	10%
Americas	77,974	83,240	7%

Source: Ministry of Interior and Qatar Tourism Authority

Arrivals to Qatar by Nationality, Grouped by Region, H1 2016 vs. H1 2017



Source: Ministry of Interior and Qatar Tourism Authority

Arrivals Patterns, Year-to-Date

The profile of monthly arrivals to Qatar in early 2017 broadly aligned with previous years' trends, whereby arrivals were high at the beginning of the year, particularly in January when the number of visitor arrivals marked a new record for total number of visitor arrivals in one month (327,106).

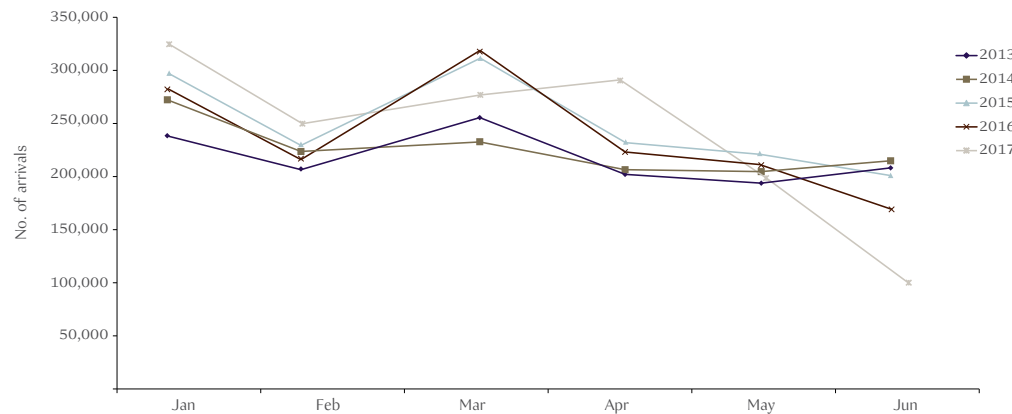
Arrivals in February dipped, following the usual monthly pattern, but were higher than in any other February on record (251,853). Visitor arrivals of GCC

nationals were particularly high in February, with visitor arrivals up 18% compared to February 2016.

Standout growth was evident in April, following weaker performance in March due to the later timing of school holidays in neighbouring source markets, with 27% increase in arrivals compared to April 2016.

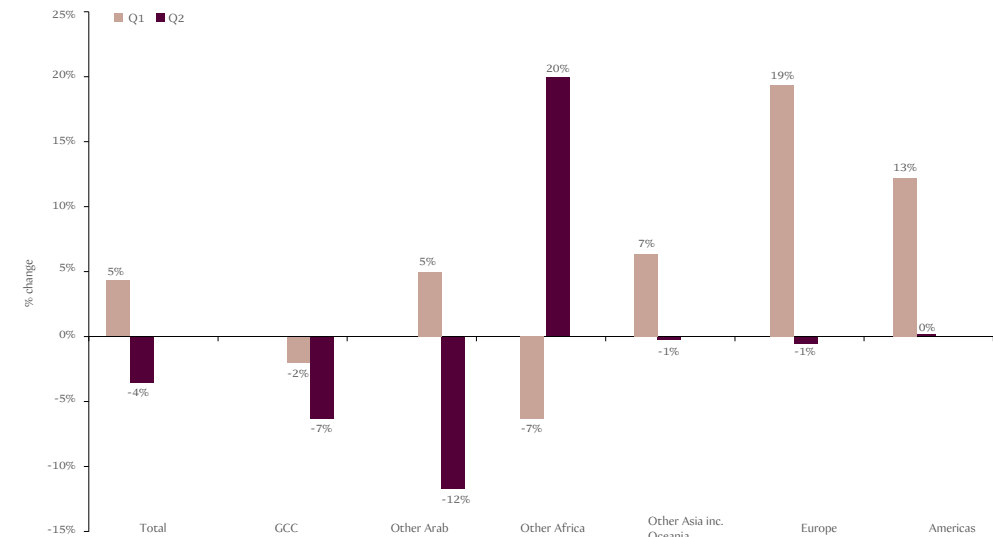
May and June saw a drop in arrivals, partly due to slow down typically seen during Ramadan, which this year fell between 25 May-24 June, and as a result of the regional diplomatic dispute, with large falls in arrivals from GCC and Other Arab countries.

Arrivals to Qatar in H1 by Month, 2013-2017



Source: Ministry of Interior and Qatar Tourism Authority

Quarterly Arrivals to Qatar by Nationality, Grouped by Region, % change (2016-2017)



Source: Ministry of Interior and Qatar Tourism Authority

Accommodation

Hotel and Hotel Apartment Performance

Qatar's tourism accommodation sector continued to develop rapidly in the first half of 2017. Three new properties opened during this period, adding 1,244 new rooms to the market, which brings the total number of rooms available in Qatar to 24,293 across 121 properties.

Overall performance was weaker across all hotels and hotel apartments, with declines across most indicators in the first half of 2017 compared to the same period in 2016, with two notable exceptions: the 5-Star occupancy rate was marginally higher at 61%, compared to 60% last year; and the 3-Star occupancy rate increased to 60% from 57% last year.

The sluggish performance seen in the first half of the year is largely a result of accommodation supply growth

outpacing that of demand as preparations are made for the FIFA World Cup in 2022. The diplomatic dispute and subsequent lower room demand beginning in June also impacted performance.

The occupancy rate averaged 62% across all hotels and hotel apartments in H1 2017. The highest rates were achieved in the Standard Apartment and 4-Star segments, at 72% and 68% respectively.

The Average Room Rate (ARR) across all hotels and hotel apartments was QAR455 during the first six months of the year, down 9% from the same period in 2016. Similar to usual trends, the highest rates were achieved in the 5-Star and Deluxe Apartment segments at QAR638 and QAR459, and the lowest rates in 1- & 2-Star and

3-Star hotels at QAR199 and QAR255, respectively. ARR was lower across all segments compared to a year ago, reflecting the continued impact of the increase in room supply, and a continued cautionary approach to increasing rates across hotels & hotel apartments.

Average Revenue per Available Room (RevPAR) was QAR280 in H1 2017 across all hotels and hotel apartments, a decline of 11% from H1 2016. RevPAR across all segments exhibits a similar pattern to ARR. The highest rates are reported in the 5-Star and Deluxe Apartment segments at QAR388 and QAR271, while the lowest rates are reported in 1- & 2-Star and 3-Star hotels at QAR99 and QAR154, respectively.

Accommodation Sector Summary Performance Indicators, YTD 2017 by Quarter									
	Occupancy (Occ.)			Average Room Rate (ARR)			Revenue Per Available Room (RevPAR)		
	Q1	Q2	H1 Total	Q1	Q2	H1 Total	Q1	Q2	H1 Total
All Hotels & Hotel Apartments	67%	57%	62%	453	458	455	302	259	280
All Hotels	67%	57%	61%	458	466	462	305	263	284
All Hotel Apartments	68%	58%	62%	407	393	400	276	226	249
5-Star	66%	56%	61%	630	648	638	414	362	388
4-Star	68%	58%	63%	303	303	303	206	177	191
3-Star	66%	55%	60%	264	245	255	174	134	154
1- & 2-Star	55%	45%	50%	202	197	199	110	89	99
Deluxe Apartment	65%	54%	59%	472	446	459	307	242	271
Standard Apartment	72%	66%	69%	297	278	288	215	184	200

Hotel Performance

The occupancy rate across all hotels was 61% in the first half of 2017, with the highest rate achieved in the 4-Star segment at 63%, and the lowest in the 1- & 2-Star segment at 50%. The ARR and RevPAR across all hotels were QAR462 and QAR284 in H1 2017, with the 5-Star classification reporting the highest rates. Overall declines were observed across all hotels in H1 2017, with the occupancy rate down 3%, ARR down 9% and RevPAR down 11%, compared to the same period in 2016.

Despite an overall decline in the occupancy rate across all hotels, two classifications achieved an increase in the first half of 2017: occupancy in

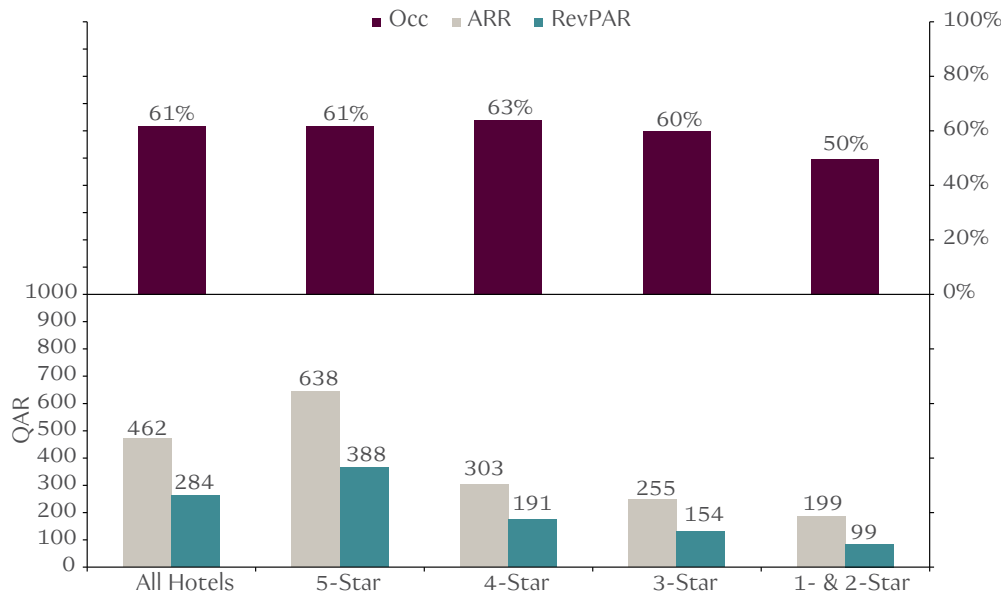
5-Star hotel properties increased by 0.4%; and occupancy in 3-Star hotel properties increased by 5.5% compared to the same period last year.

The increase in the 3-Star occupancy rate coincides with an 18% decline in the 1- & 2-Star occupancy rate. In tandem, there was a significant decline in 3-Star ARR of 12%, while 1- & 2-Star ARR only fell by 1%, indicating convergence in room rates between these classifications. The ARR price differential between these classifications was QAR56 in H1 2017, compared to QAR90 in H1 2016, and suggests that visitors are “trading up” to 3-Star hotels for a smaller price premium

compared to the same period one year ago. Notably, the decline in ARR in 1- & 2-Star hotels (-1%) in the first six months of 2017 was the lowest decline across all hotel classifications. This is likely to be an indication that there is little capacity for further rate reductions in this classification, as properties seek to retain margins.

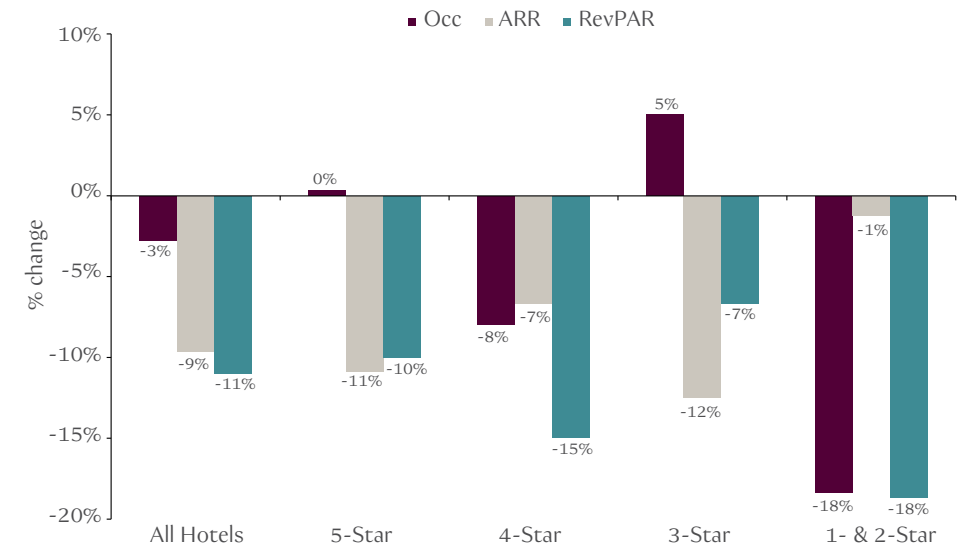
Despite an 8% decline in occupancy rate, the 4-Star hotel properties held up relatively well in terms of ARR with a decline of only 7% in room rate, compared to the 11% contraction across 5-Star hotel properties.

Occupancy Rate, ARR, RevPAR by Hotel Classification, H1 2017



Source: STR

Occupancy Rate, ARR and RevPAR, % change H1 2016 vs. H1 2017 by Hotel Classification



Source: STR

Hotel Apartment Performance

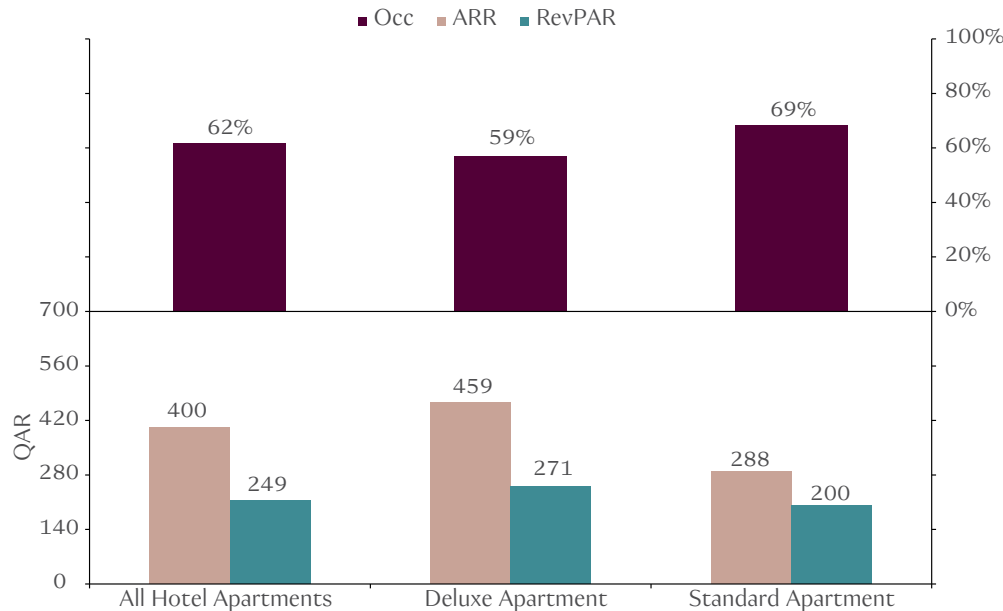
The occupancy rate across all hotel apartments was 62% in the first half of the year, with Standard Apartments achieving a higher occupancy rate of 69%, compared to Deluxe Apartments with an occupancy rate of 59%. The ARR and RevPAR across all hotel apartments were QAR400 and QAR249 respectively, with Deluxe Apartments continuing to report the higher rates of ARR at QAR459

and RevPAR at QAR271, compared to Standard Apartments' ARR of QAR288 and RevPAR of QAR200.

Declines were observed across all key performance indicators in all hotel apartments in H1 2017, compared to H1 2016. The overall occupancy rate fell by 4% during this period, with a larger drop in

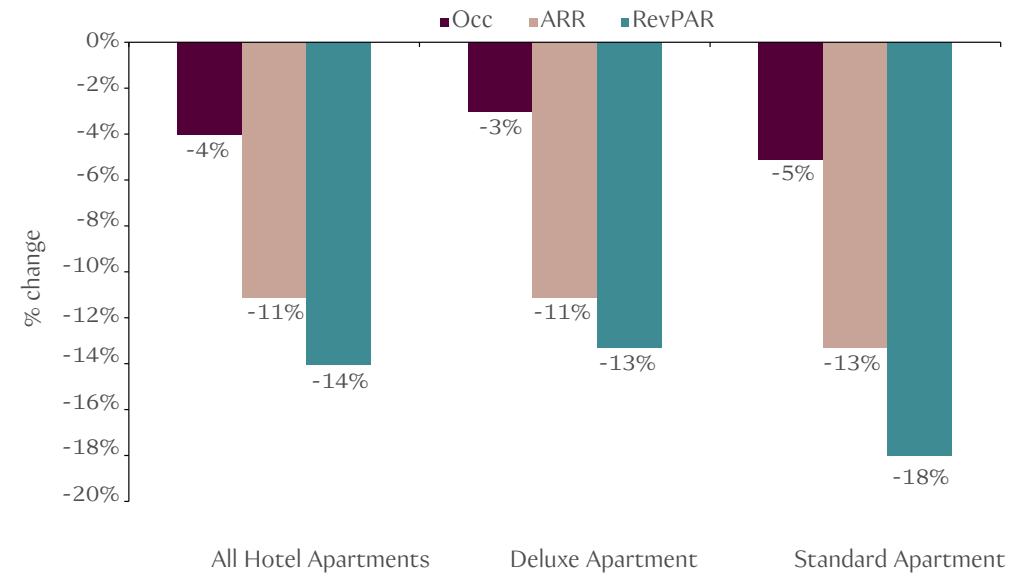
Standard Apartments (-5%) compared to Deluxe Apartments (-3%). Sharper declines were observed in ARR and RevPAR of 11% and 14% across all hotel apartments, with Standard Apartments suffering sharper contractions on both measures (ARR down 13%, RevPAR down 18%) compared to Deluxe Apartments (ARR down 11%, RevPAR down 13%).

Occupancy Rate, ARR and RevPAR by Hotel Apartment Classification, H1 2017



Source: STR

Occupancy Rate, ARR and RevPAR, % change H1 2016 vs. H1 2017 by Hotel Apartment Classification



Source: STR

Average Length of Stay

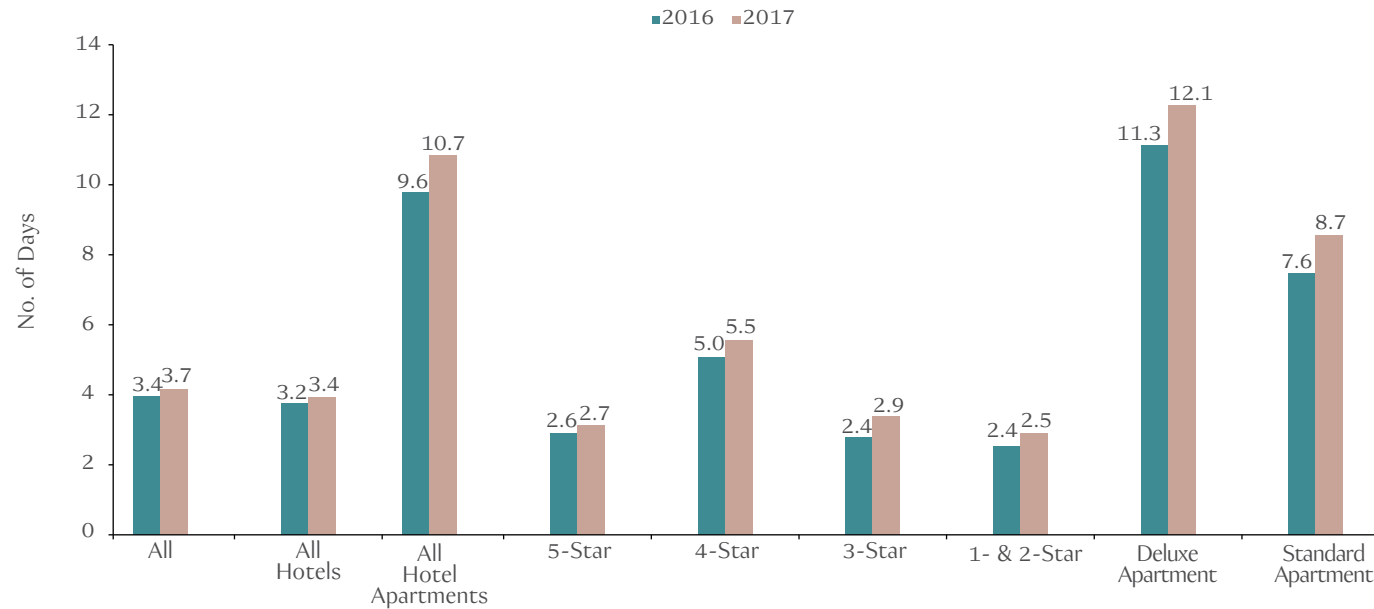
The Average Length of Stay (ALOS) by visitors in Qatar during the first half of 2017 was 3.7 nights, representing an increase of 8% compared to 3.4 nights during the same period in 2016, and with a universal increase across all classifications.

The highest ALOS continues to be observed across the hotel apartments classifications, with

Deluxe Apartments reporting the highest ALOS at 12.1 nights in H1 2017, followed by Standard Apartments with 8.7 nights during the same period. These results are to be expected given that hotel apartments tend to attract larger groups travelling for leisure purposes (e.g. families), compared to the more transient business visitors that typically stay for a shorter period of time in hotels.

The largest increase in ALOS was observed in the 3-Star segment, which rose by 21% from 2.4 nights per trip to 2.9 nights, while the lowest increase was observed in 1- & 2-Star hotels, up by 5% from 2.4 nights per trip to 2.5 nights per trip. The shortest ALOS were recorded in the 1- & 2-Star classification at 2.5 nights, and in the 5-Star classification at 2.7 nights.

Average Length of Stay by Hotel Classifications, H1 2016 vs H1 2017



Source: STR



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