

Research Paper

The North Coast: The Evolution of Egypt's Favourite Holiday Destination

September 2021

North Coast Hotel Market

Introduction

In this paper, Colliers sheds light on the overall North Coast Hotel market, with a focus on evolving supply and demand characteristics, in addition to development opportunities.

Location Overview

The Northern Coast of Egypt is a spectacular area lengthening for approximately 1,000 km, marking it as one of the longest Mediterranean coastlines in North Africa.

The destination is predominantly known amongst Egyptian nationals as a premier domestic holiday destination with some notable hotels and well known F&B outlets.

The North Coast has rapidly emerged into one of the most prestigious hotel markets in Egypt, on the account of initiatives taken by the Egyptian government and the private sector.

Market Supply

As of September 2021, The North Coast quality hospitality market supply comprises of approximately 2,804 keys in total.

The market is mainly dominated by the 5-Star segment with 67% of total supply, followed by 4-Star properties accounting for 25%.

Key market players include Jaz Hotel Group with a current supply of 870 keys, followed by AccorHotels having 319 keys and Emaar Hotels & Resorts with 238 keys.

Year end 2019 witnessed notable new boutique hotel openings such as; Mazej White Hotel currently rebranded and operated by Casa Cook Hotels (38 keys) , The G hotel (182 keys) and Le Sidi Hotel & Restaurant (28 keys).

Planned notable future supply includes the upcoming Address & Vida Marassi Marina (260 Keys), Fairmont Fokah (320 keys), Swissotel Fokah (300 keys) and Movenpick Hotel & Residences North Coast (382 Keys).

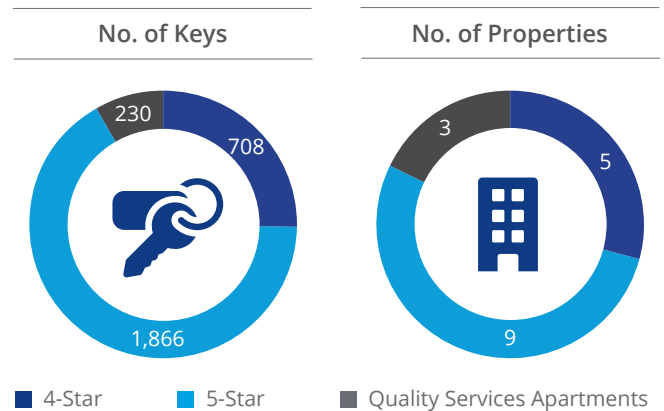
These properties are planned to open between years 2022 – 2025.

Location Map



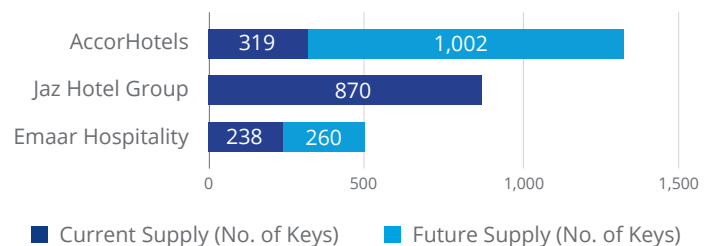
Source: Google Maps; Colliers, 2021

Existing Quality Supply



Source: Colliers, 2021

Market Key Players



Source: Colliers, 2021

North Coast Hotel Market

Demand Generators

The destination's main attractions are the beautiful white sanded beaches and crystal waters, in addition to a number of well known F&B offerings and nightlife attractions such as; SACHI BY THE SEA, KIKI's beach bar and PIER88.

Market Segmentation

The North Coast hotel market is predominantly driven by the leisure segment representing 85% of total demand derived into the destination. This is followed by the corporate & MICE segments signifying only 10% of demand, comprising mainly of summer weddings and corporate business trips associated with the development of New Alamein city.

Source Markets

North Coast hotels are primarily driven by domestic guests equaling to 70% of total occupied room nights, whilst international guests account for 30%. However, induced demand from international guests is expected to grow on the account of opening New Alamein Airport expected later this year. The arrival of more international tourists is expected to change the nature of the hotel business within the destination over the coming years, reducing seasonality in particular.

Seasonality

Based on research, the market tends to peak starting from the month of June to September, which is mainly driven by the nature of the location being a summer holiday destination.

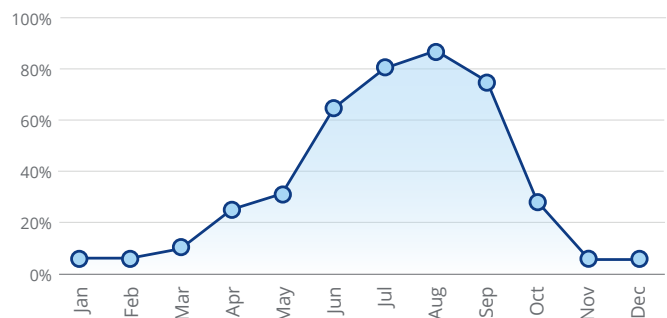
Demand Forecasts – Change In Occupancy

Based on Colliers' supply demand analysis, the North Coast hotel market occupancy is expected to increase from 35% to 57% by the year 2025, driven by new key developments entering the market between 2022 and 2025. This is expected to bolster demand all year round, supported by increased international travel via the new airport. It is Colliers' opinion that the market will remain a high-end destination positioned above the more mass market focused Red Sea Resort destinations.

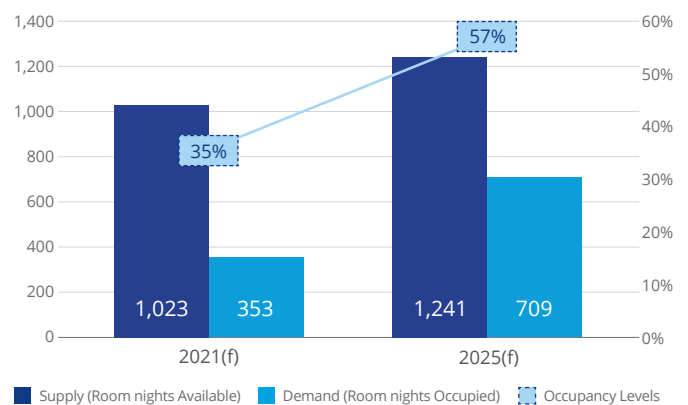
Market Segmentation



Seasonality



Demand Forecasts



Currently, the North Coast is a highly seasonal destination, characterised by low annual occupancy rates, yet high ADR's. According to feedback received from local hoteliers, room charges during peak seasons are known to surpass USD 800 per night.

Source: Colliers, 2021

Looking Forward

Key Takeaways

- Evidently North Coast is a seasonal destination tending to attract high volume of demand during the peak season (June–September).
- Demand characteristics are expected to evolve in near future, on the account of new developments entering the market, particularly the completion of New Alamein City.
- The opening of New Alamein Airport is expected to contribute to hotels revenue stream, by inducing demand derived from global source markets such as; Europe.
- Despite operating only in peak season, majority of hotel operators/owners tend to achieve adequate gross operating profits margins.

Development Opportunities – The case for developing Boutique Hotels within the North Coast. Furthering the location as a high–end tourism destination.

Boutique/lifestyle hotels are usually developed and furnished in a themed or aspirational manner. A boutique hotel is smaller than traditional international chain properties with a key count typically ranging between 10-150 rooms. Boutique hotels typically focus on upscale/luxury facilities and offerings such as spa, unique F&B concepts and other unique selling points. Boutique hotels aim to offer guests higher privacy and an enhanced personal guest experience than regular hotels on the account of their size and nature.

Key Success Factors For Developing a Boutique/Lifestyle Hotel in Egypt’s North Coast



Successful Partnerships

An affiliation with a collection brand or an agreement with a boutique operator focusing on the upper upscale/luxury segment would help penetrate the market via brand recognition and operating expertise. Given that North Coast is also driven by F&B and nightlife, partnering with award winning chefs or restaurateurs could benefit a new boutique property and create a competitive advantage over competition.



Positioning

Developing and positioning a boutique hotel requires a detailed understanding of the market. Many boutique hotels in the MENA region are leisure focused and concentrate on the upper upscale/luxury segment. There are also new boutique properties that have opened in the North Coast recently, and there appears continued demand for this type of product from the large cohort of domestic seasonal visitors. This demand is expected to be further fuelled by emerging international visitors to the area. Significant opportunity exists for development of high-end smaller hotels within key masterplan communities or alongside a branded residential development.



Design

Design should reflect a certain theme and preferably be executed by an experienced architectural firm to ensure a property's standing as a must visit hotel. Developers should consider including local design elements that are unique to Egypt and the North Coast in particular to give any new development a sense of place and to insure it is in-keeping with the local area.

480
offices in

67
countries on

6
continents



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals

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