



Taking the brunt



Toufic Akl, offshore manager and senior consultant at hodema consulting services, takes a look at the Hashemite Kingdom's potential

Widely considered the most stable of the Levant countries in these times of instability and conflict, Jordan has lately been struggling to live up to its reputation, with a growing number of Syrian refugees putting brakes on an already debt burdened economy.

Soaring welfare payments and higher energy import bills have forced the country to borrow from the International Monetary Fund Organization (IMF), which is thus bringing down the annual growth

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target for the next two years from 5 to 3.5% of the GDP. But the recent months show signs of recovery, with a boom of foreign reserves increased by investments from the Gulf countries.

A touristic landmark

The kingdom can always count on its tourism industry, supported by its world famous historical and natural heritage, to attract visitors from all over the globe. In 2011 they reached four million. That inflow gives a helping hand to the economy, with a total contribution of travel and tourism to GDP of USD 8,663 million (18.8% of GDP) in 2012, a figure that is forecast to rise by 4.4% in 2013 according to the World Travel & Tourism Council. According to Jordan Tourism Bureau statistics, the majority of travellers come from European countries (33%), followed by neighboring Arab countries mainly Syria, Iraq and Saudi Arabia (around 24%). The United States is also an important source of travellers to Jordan (10%).

Although the country is home to several archeological, religious and natural sites, the highlights remain Petra, a UNESCO World Heritage site, and the southern town of Aqaba, known for its beach resorts by the Red Sea.

The challenge of occupancy

The current hotel supply in Jordan is estimated at around 497 travel accommodations, with 213 being hotels, generating an estimated revenue of USD 560 million in 2012. Five star hotels represent the majority of the room supply (38%), followed by furnished apartments (30%). Most five star hotels are located in Amman with international brands such as Four Seasons, Marriott and Hyatt.

Occupancy rates, the first indicators to be impacted in times of trouble, have been fluctuating since the 2009 financial crisis. After a recovery period, occupancy took another hit and reached 43% with the regional political unrest in 2012. A negative

impact worsened by the fact that foreign tourists would often buy combined traveling deals including Syria and Lebanon; a trip now postponed until further notice for most people. On top of these external negative circumstances, the low occupancy was also caused by new hotel openings in 2012 and 2013 such as Crowne Plaza Dead Sea Resort and Spa, Best Western Grand Madaba, Hilton King Hussein Bin Talal Convention Center and The Corp.

Projects in the pipeline

Fiercer competition is a sign of good health, and today other hotels are entering the Jordanian market with new development plans. Next in line is the USD 1.7 billion Star Trek theme park scheduled to open in 2014. Starwood Hotels & Resorts has announced four new five-star hotels in Amman and Aqaba, which should open by early 2016. In total four high end hotels are scheduled to open in Aqaba, and three in Amman by 2015.

One of the most anticipated hotels in Jordan is the W Amman that will be located within a USD 200 million mixed use tower developed by Saraya Abdali Real Estate Investment Company in Abdali – Amman's new downtown. The Abdali project is valued at more than USD 5 billion.

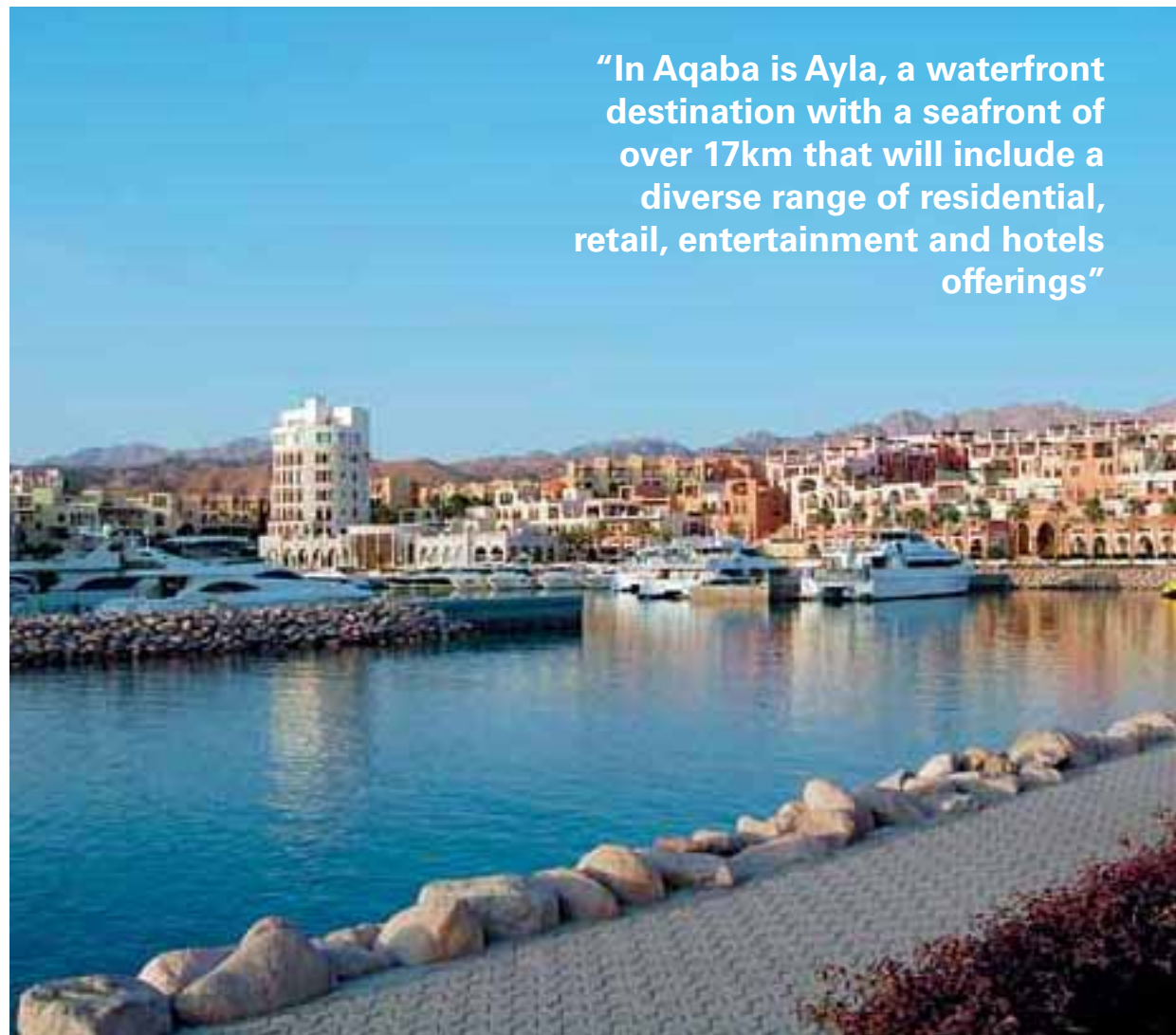
In Aqaba, a major project is under development: the Saraya Aqaba project (by Saraya Aqaba Real Estate Development). The project is expected to cost over USD 1 billion for over 634,000m² of development, built around a man-made lagoon and that will feature a Wild Wadi water park managed by Jumeirah International, four international hotels to be managed by Jumeirah International, Starwood Hotels, Resorts Worldwide and Souk Saraya, as well as a beach club, offices, and a convention center. The expected date of operation is early 2016.

Also in Aqaba is Ayla, a waterfront destination with a seafront of over 17km that will include a diverse range of residential, retail, entertainment and hotel offerings.

Another large scale project in Aqaba is the Marsa Zayed Project (by Al Maabar in Abu Dhabi), a mega mixed use development project consisting of high-rise residential towers, expansive retail, recreational, entertainment, business and financial districts and 8 branded hotels featuring around 3,000 hotel rooms. Marsa Zayed Project is spread over a total built-up area of 6.4 million m².

Authorities pull out the big guns

Jordanian authorities have well understood the importance of tourism for both the economy and the country's image abroad at a time when both are suffering. The country is pulling out the big guns to support the sector: it has launched the expansion and rehabilitation of The Queen Alia International Airport designed by renowned architect Sir Norman Foster at a cost of USD 700 million, and the expansion of the airport in Aqaba planned with a budget of USD 120 million. By joining the Euro-Mediterranean Aviation Agreement in 2010, the Kingdom is increasing the number of airlines coming to Jordan, which will boost the tourism and travel sector. Aside from infrastructure development, the authorities have set up a communication strategy, by updating the Jordan Tourism website and by launching a campaign on TV channels MBC



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and Al-Arabiya. The Jordan Tourism Board is specifically targeting Gulf, Eastern European and Asian visitors with its campaign 'Tourist Caravan'. Indian and Chinese visa requirements have also been eased.

Aqaba is benefiting from special care, with the creation in 2001 of the Aqaba Special Economic Zone (ASEZ). According to the 20-year plan for ASEZ, the zone is targeting 50% of investments in the travel and tourism industry. Local authorities are not the only ones to care about Jordan's tourism: the US's agency for development, USAID, has introduced several tourism development

programs, specifically in the field of sustainable tourism developments and ecotourism.

Play your cards wisely

To become a key player in the region the country needs to protect itself as much as possible from the political and economic regional turmoil. To compensate for the decrease of visitors from Western countries, the industry should turn to the East, with more and more Indian and Chinese travelers eager to visit the region. It should also allocate as much funding as possible to promotional campaigns. The decision of the authorities in late 2012 to cut the budget of

the ministry of tourism and to propose a law to increase the hotel sales tax to 16% have not made things easier. Despite all the development plans and incentives, many projects never saw the light of day due to a lack of funds. And, less luxurious projects, such as mid and low end accommodations should be further developed to attract a more diverse clientele. Jordan's tourism sector has undoubtedly great potential.

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Tourists arrivals by country of origin (in '000)

