



Insight & Outlook

JSIL REIT  
Research



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# Karachi Hotel Market Insights & Outlook 2024



## Insight

Despite economic headwinds of FY22-23, hoteliers in Karachi have maintained a robust level of activity, observing a rebound in both occupancy and average daily room rates to levels surpassing those seen before the onset of the Covid-19 pandemic.

The upswing in international travel within the financial capital of Pakistan has synergistically contributed to the overall growth of the hospitality industry.

As we navigate through ongoing uncertainties, there's an emergent clarity that underpins our forecast for sustained growth within the hospitality sector for the fiscal year 2024.

## Supply

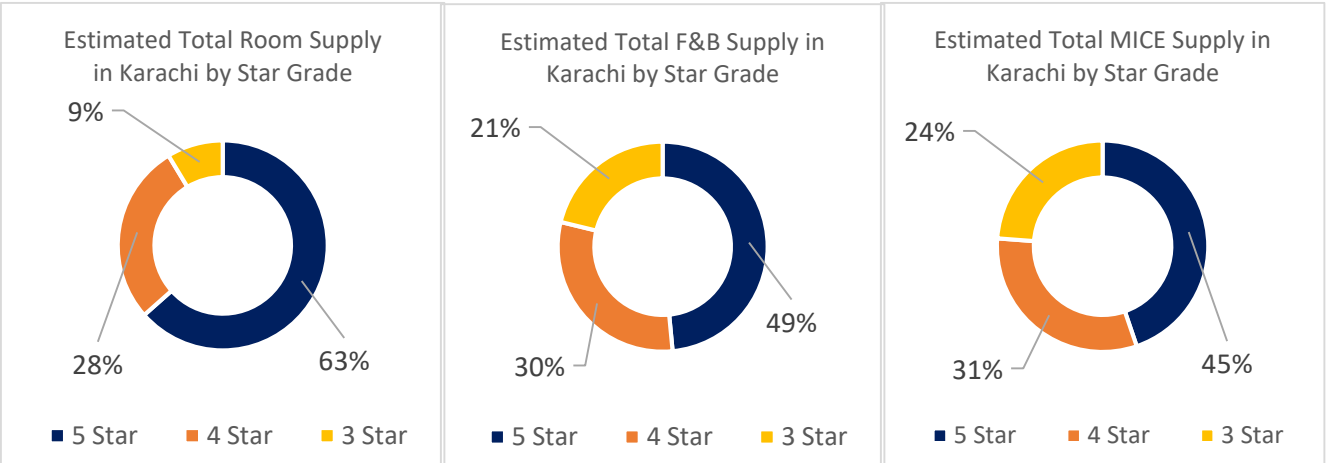
Karachi boasts an estimated supply of approximately 1,412 rooms, around 33 food & beverage outlets, roughly 62 event halls, and about 43 meeting and conference rooms across its 3 to 5-star hotels.

In Karachi's hotel industry, the primary contributors to the total market inventory supply are the 5-star hotels concentrated mainly in Civil Lines. Among them, Movenpick emerges as the dominant player, boasting a total of 407 rooms. Additionally, in the realm of Meetings, Incentives, Conferences, and Exhibitions (MICE) services, Beach Luxury Hotel takes the lead, commanding a significant share of approximately 13 units.

The hotel industry in Karachi has not experienced an emergence of a newer hotel, however, with news of Regent Plaza's offer for sale with SIUT Hospital may diminish the overall supply of rooms, food & beverage & MICE services which will distribute market share among major hospitality players in the city.

- Recognizes Pakistan as top tourist destination in 2023**
- Pakistan Tourism Generated US\$ 1.3BN in 2023**
- Pakistan Tourism recovers 92% to pre pandemic levels in 2023 – UNWTO**
- Islamabad Airport sets record with 6 million passengers in 2023**

Source: UNWTO, Express Tribune



Source: JSIL Research



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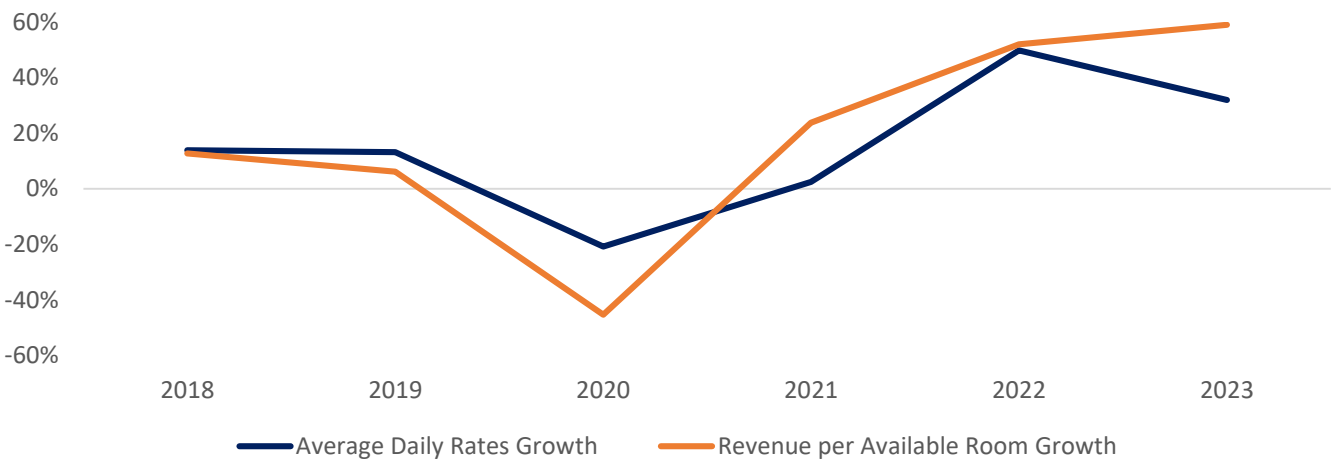


## Demand

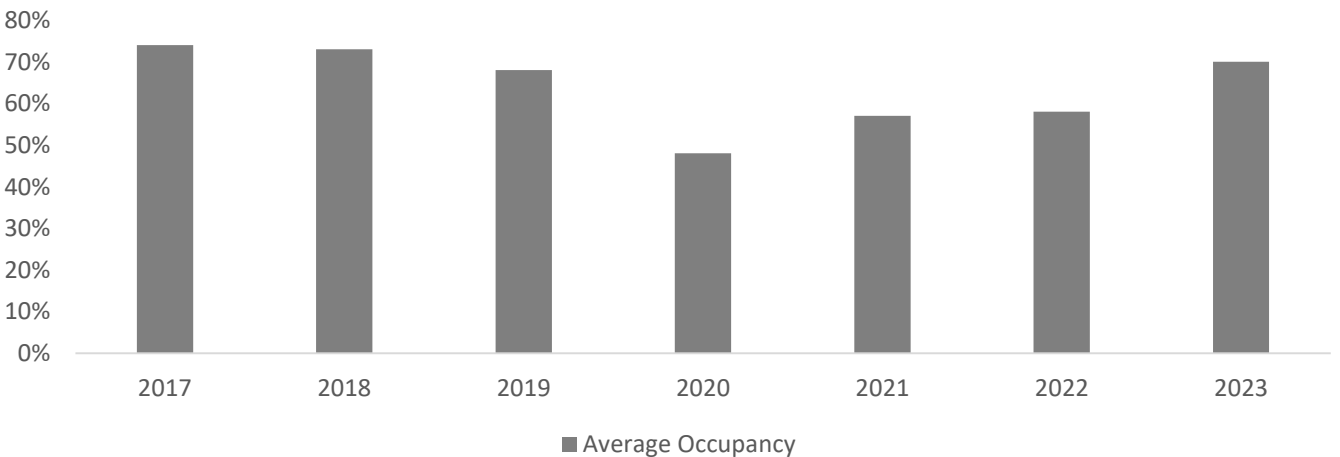
Demand within the hotel industry is intricately measured by metrics such as Occupancy rates, Average Daily Room Rates (ADRs), and Revenue per Available Room (RevPAR). RevPAR, in particular, is a pivotal performance metric that combines occupancy and room rate to provide a comprehensive view of a hotel's revenue-generating capability. Seasonal variations have a notable impact on these metrics. For instance, observances like Ramadan and Muharram typically correspond with a downturn in occupancy, ADRs, and RevPAR. Conversely, festive periods often trigger an upswing in these indicators, reflecting the cyclical nature of hotel demand and the essential role of strategic timing in revenue optimization.

Over the last six years, ADRs have climbed a notable 15%, while RevPAR has charted an even more striking 18% increase. The 2022 to 2023 period, in particular, stands out with ADRs soaring by 32% and RevPAR by an extraordinary 59%, deftly eclipsing the broader economic challenges.

Growth in Karachi Hotels ADRs and RevPARs



Karachi Hotel Average Occupancy





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## Growth Drivers

In the context of economic adversity, JSIL's REIT Market Research reveals a robust rebound in Karachi's hotel sector, with ADRs reaching historical levels and maintaining a rapid year-over-year growth trajectory. Despite the challenges of the Pakistani Rupee's devaluation and rampant inflation escalating operating costs, the Karachi hospitality sector's resilience shines through.

Thanks to increased amount of travelling in 2023 mainly from reopening of Mainland China borders in January 2023 from Covid closures, along with sectors like international NGOs, the pharmaceutical industry, and sporting events like PSL.



### Reopening Of Mainland China In 2023 From Covid-19 Related Border Closures

The reopening of China's international borders in 2023 significantly impacted the hospitality industry, particularly in Karachi, due to the city being a pivotal transit point for travelers heading to Gwadar. This development led to a notable increase in the occupancy rates of hotels in Karachi, driven by the influx of Chinese visitors. The strategic importance of Karachi as a gateway not only boosted the local hospitality sector but also underscored the interconnectedness of regional travel and tourism dynamics, enhancing business efficiency and operational capabilities within the industry.



### Increased Occupancy in Hotels Observed From Various Sectors

The hospitality sector in Karachi has recently witnessed a notable upturn in occupancy rates, particularly driven by a diverse range of industries, with non-governmental organizations (NGOs) and pharmaceutical companies standing out as principal contributors. The latest data suggests that this positive movement is indicative of a larger scale of economic engagement and a more robust expenditure propensity within these sectors. This dynamic not only underscores Karachi's ever-growing prominence as a central business hub but also highlights its importance as nexus for business, social and humanitarian projects.



### High Profile Sporting Events such as Pakistan Super League

The city's hospitality sector also saw a boost from high-profile events such as the Pakistan Super League, which enhanced Karachi's attractiveness as a destination. This sports event not only spotlighted the city on an international platform but also significantly contributed to the local economy by increasing hotel occupancy rates and stimulating the broader service industry.



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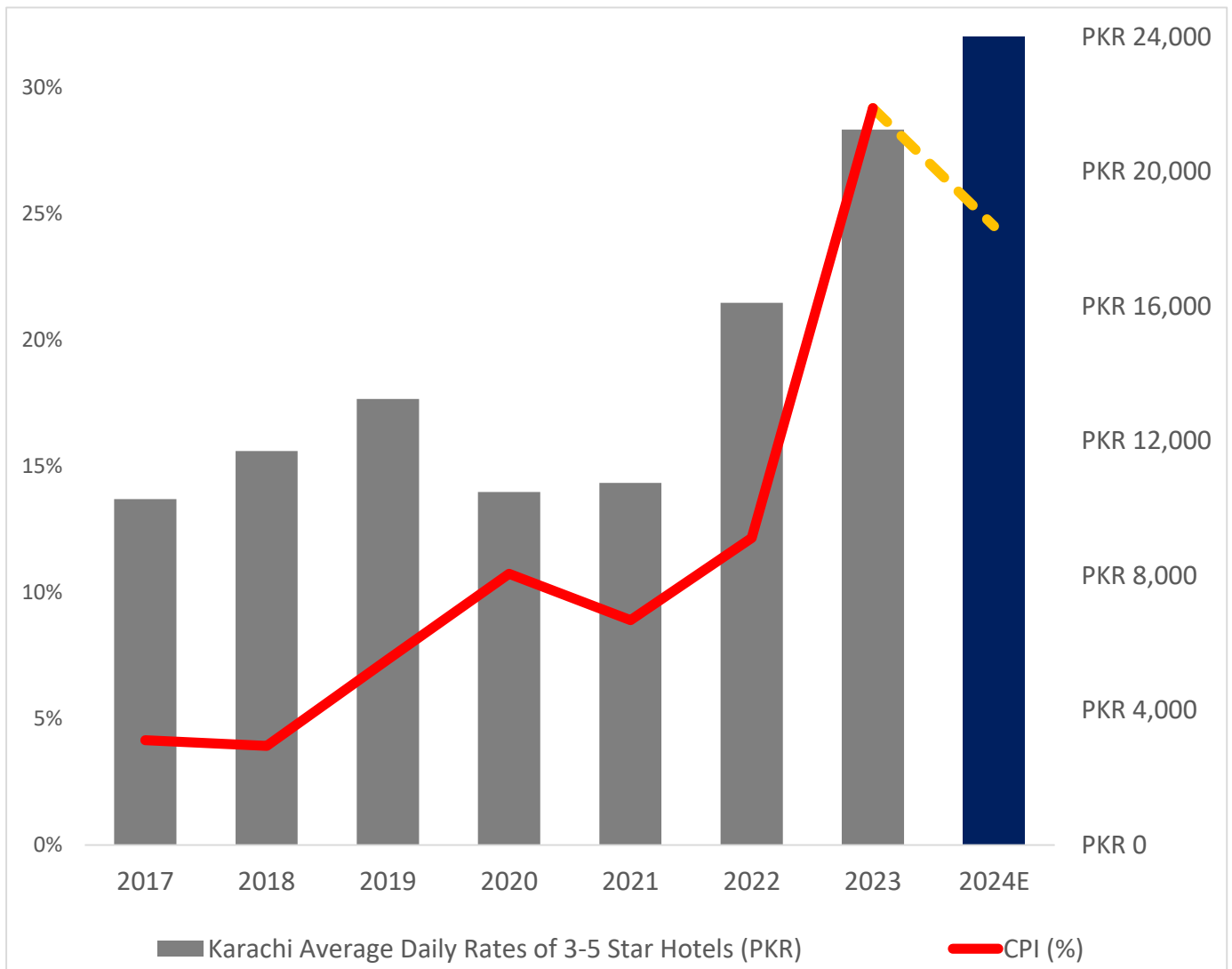
## Outlook

Navigating through a period of economic turbulence marked by inflation and currency devaluation, Karachi's hotel sector has demonstrated a commendable degree of optimism.

During challenging times, JSIL REIT Research observed an increase in Average Daily Rates signaling a positive demand for the hotel industry in Karachi. This upturn, in conjunction with steady occupancy levels, suggests an underlying strength and potential for continued growth, however, with political instability looming we may observe modest growth YoY basis in Revenue per Available Room.

Although the volatile economy poses risks to the Meetings, Incentives, Conferences, and Exhibitions (MICE) segment, we expect the pharmaceutical and automotive sectors to drive the demand for these services in Karachi in 2024.

Looking ahead to 2024, we predict a sustained balance in occupancy, potentially reinforced by a reduced room supply due to the strategic sale of assets such as the Regent Plaza Hotel.



Source: JSIL Research and Zakheera

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The company has played a key role in defining the standards of the Asset Management Industry in Pakistan.

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JSIL is a member of the Mutual Fund Association of Pakistan (MUFAP) and is listed on the Pakistan Stock Exchange Limited.

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