



# UAE VALUATION & ADVISORY

**Q2 2018** NEWSLETTER

## IN FOCUS: HEALTHCARE MARKET OVERVIEW

Dubai has witnessed average population growth of 6% year-on-year over the last decade, spurring demand in healthcare services.

The government has responded to the increasing demand by:

- encouraging private sector and foreign participation
- creating an investor friendly environment
- ensuring transparency
- establishing a healthcare free zone
- introducing mandatory insurance

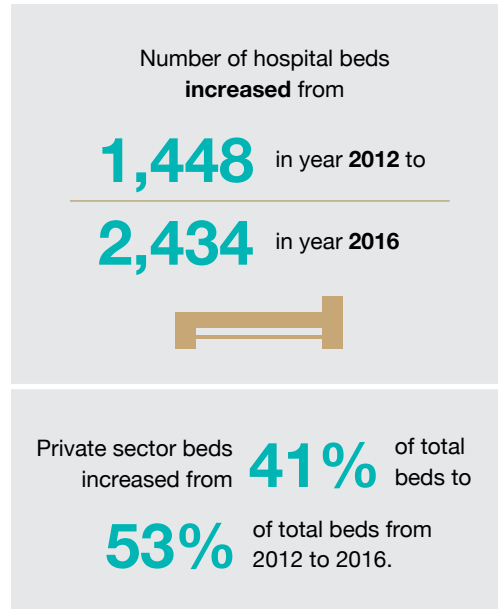
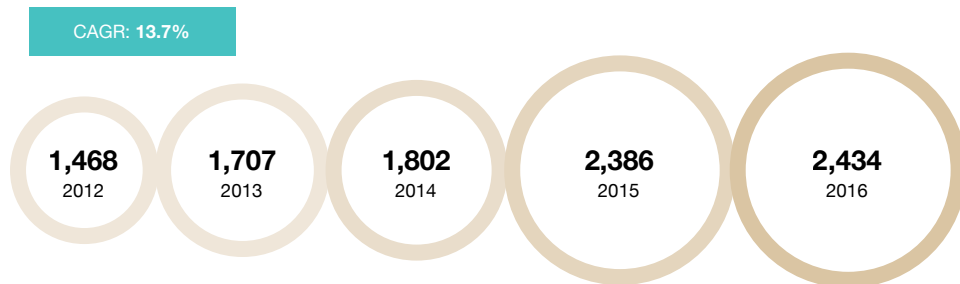


FIGURE 1  
Dubai's historic healthcare bed growth



Source: Dubai Health Authority

• Private sector shows double digit growth and increasing market share

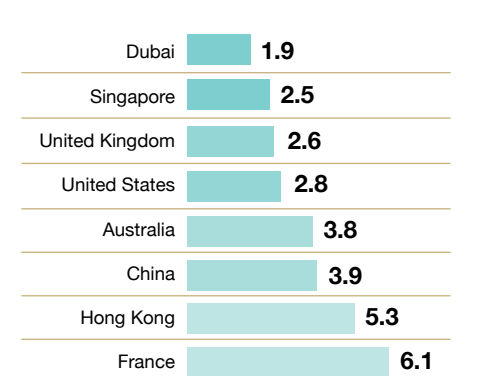
## IN FOCUS: HEALTHCARE MARKET OVERVIEW

Comparing Dubai with developed countries, (including those with a strong medical tourism focus, such as Singapore, UK and USA) we see significant potential for Dubai's healthcare sector to grow.

### Demand Generators:

- Expatriates are staying in the UAE longer and are choosing to relocate their families to benefit from the Dubai lifestyle
- Dubai is ranked 16<sup>th</sup> globally for medical tourism and 1<sup>st</sup> in the MENA region (as per the medical tourism index)
- Increasing trend of lifestyle related diseases
- Life expectancy is increasing and has reached 77.6 years from 68 years in 1980

FIGURE 2  
Hospital beds per 1,000 people (latest available)



Sources: OECD, World Bank, HealthFacts Hk 2017, Singstats 2017  
• All data pertains to year 2015 (or the nearest year)

By 2020, the emirate is targeting

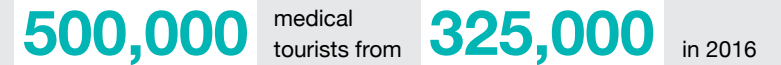


FIGURE 3  
Dubai medical tourism ranking



## IN FOCUS: HEALTHCARE OUTLOOK

The market is becoming more sophisticated and speciality focused due to a higher degree of awareness in the domestic market and medical tourism demand.

The market is seeing a shift in demand from general hospitals towards specialty hospitals,

such as: orthopaedic, long-term care facilities and mother and child hospitals. Prominent examples of such facilities are Burjeel Hospital for Advanced Surgery, and Medcare Women and Child Specialist Hospital.

“ Knight Frank has experience in valuing and undertaking feasibility studies for Healthcare facilities across the GCC, advising Banks and REIT’s on values for financing and transaction purposes ”

FIGURE 4

Forecasted gaps in bed by specialty

2020		2025
195	General surgery	281
298	Gastroenterology and GI Surgery	450
319	Orthopedics and Trauma	490
321	Rehabilitation / LTC	421
399	Obstetrics and Gynecology	619

Source: Dubai Health Authority

### Conclusion

The healthcare sector has always been favourably looked on by capital providers due to its risk and return profile. Further increase of interest and capital commitment by financial institutions and investors has been seen towards specialist healthcare service providers, whom are addressing the visible healthcare gap.

If the sector remains on track to achieve growth targets, we may see operators look to deploy capital towards expansion and seek “built-to-suit” and “sale and lease back” transactions to cater to their real estate requirements. This will be an interesting opportunity for investors looking to derive

value specialised healthcare assets whilst at the same time add defensive assets to their portfolio.

Our blend of commercial valuation and specialist healthcare experience provides a strong advisory suite of services for operators, developers and investors considering this specialist sector.

For more information please contact:

**Shehzad Jamal**

+971 56 4101 298

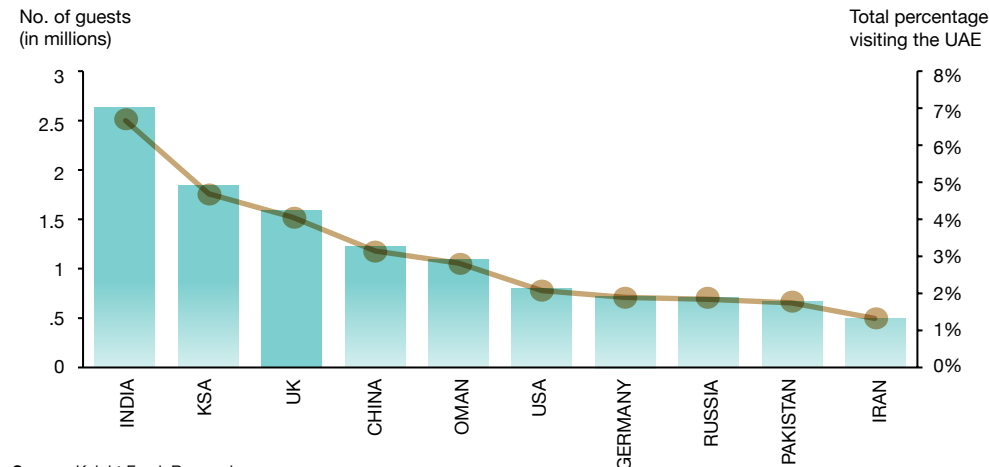
[shehzad.jamal@me.knightfrank.com](mailto:shehzad.jamal@me.knightfrank.com)

## IN FOCUS: UAE HOSPITALITY SOURCE MARKETS

- In number of overnight stays, the UK was the largest source market for the UAE in 2007. However, it slipped to 3rd place over the decade to 2017.
- India was ranked as the largest source market with over 2.6 million visitors in 2017.
- The UAE Government's decision to offer visas on arrival for Russian tourists has contributed to the year-on-year increase of 121% in Russian visitors to Dubai in 2017.
- Overnight stays from US visitors have increased by 104% in the 10 years to 2017 and are forecast to increase by 39% to over 3.74 million by 2026.
- This may be due to Emirates Airline, which now operates direct flights to 10 cities in the US. Emirates now also flies to 13 Chinese cities.
- China's growth in overnight stays grew 1,135% from 2007 to 2017. By 2026 it is anticipated to increase a further 97% to 6.79 million overnight stays.
- This increase in overnight stays will be partly underpinned by the recently introduced visas on arrival for Chinese tourists.

Note: All forecast data is sourced from the Oxford Economics Tourism Decision Metrics Database

FIGURE 5  
The UAE Top 10 source markets, 2017

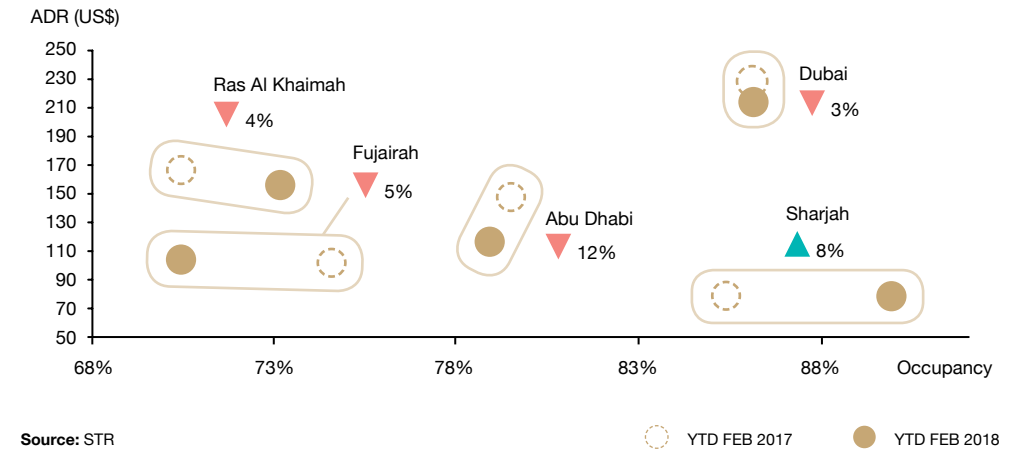


Source: Knight Frank Research

## IN FOCUS: UAE HOSPITALITY SOURCE MARKETS

- In 2017, of the top 10 source market overnight stays, 16% were from Middle Eastern countries consisting of: Saudi Arabia, Iran and Oman.
- The Kingdom is the largest Middle Eastern source market to the UAE, accounting for 6.64 million overnight stays in 2017, up 495% from 2007.
- The UAE is set to remain a popular destination for Saudi tourists with 10.4 million overnight stays forecast by 2026.

FIGURE 6  
UAE Source Market Coverage YTD



Source: STR

### Conclusion

The source markets from which incremental room night demand will be generated are anticipated to be comparatively price sensitive and therefore, will seek more affordable accommodation. Six of the top 10 forecast source market countries have relatively low income per capita, and even with a growing middle class this is unlikely to translate to

demand for upscale or luxury hotels. We can see this demonstrated in figure 6 with RevPAR falling in the year to February 2018, throughout the majority of the Emirates. The exception has been Sharjah, which has benefited from Air Arabia's increased presence in key, low cost source markets.

## RESEARCH AND VALUATION PUBLICATIONS



Global Cities 2018



Global Valuations



Hospitality Valuations



Middle East  
Valuation and Advisory

Knight Frank Research Reports are available at [KnightFrank.com/Research](https://www.knightfrank.com/research)

### VALUATION & ADVISORY

**Stephen Flanagan**, MRICS

Partner

+971 50 8133 402

[stephen.flanagan@me.knightfrank.com](mailto:stephen.flanagan@me.knightfrank.com)

**Felicity Davey-Faun**, MRICS

Senior Surveyor

+971 50 6134 450

[felicity.davey-Faun@me.knightfrank.com](mailto:felicity.davey-Faun@me.knightfrank.com)

### EDUCATION & HEALTHCARE

**Shehzad Jamal**

Partner

+971 56 4101 298

[shehzad.jamal@me.knightfrank.com](mailto:shehzad.jamal@me.knightfrank.com)

### HOSPITALITY & LEISURE

**Ali Manzoor**

Associate Partner

+971 56 4202 314

[ali.manzoor@me.knightfrank.com](mailto:ali.manzoor@me.knightfrank.com)

### RESEARCH

**Taimur Khan**

Senior Analyst

+971 56 4202 312

[taimur.khan@knightfrank.com](mailto:taimur.khan@knightfrank.com)



#### Important Notice

© Knight Frank 2018 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

Knight Frank Middle East Limited (Dubai Branch): Prime Star International Real Estate Brokers (PSIREB RERA ORN: 11964 trading as Knight Frank with registration number 653414. Our registered office is: 5th Floor, Building 2, Emaar Business Park, PO Box 487207, Dubai, UAE.

Knight Frank Middle East Limited (Abu Dhabi Branch) is a foreign branch, with registration number 1189910. Our registered office is Unit 103, West Tower, Abu Dhabi Trade Center, Abu Dhabi, PO Box 105374, Abu Dhabi, UAE.