

RESEARCH



ABU DHABI AND DUBAI HOSPITALITY

Q1 2014

ABU DHABI'S HOSPITALITY SECTOR BOTTOMS OUT, WHILE DUBAI MAKES FURTHER GAINS

DUBAI MARKET COMMENT

According to Airports Council International, the number of passengers passing through Dubai International Airport (DIA) more or less doubled between 2007 and 2013. More timely data from DIA shows that, in Q1 2014, passenger traffic rose by 11.3% year-on-year to 18.4 million, with the airport overtaking London Heathrow to become the world's busiest globally.

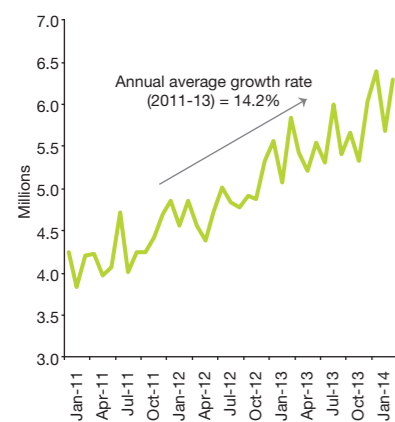
Moreover, increasing numbers are stopping off to enjoy a break in the emirate. For example, despite the completion of several new establishments last year, Dubai hotels and hotel apartments' occupancy rates rose for the fourth consecutive year to reach 80.5% - the highest level since 2008.

Strong levels of occupancy in recent years has meant that operators have been in a position to command higher rates. Between 2010 and 2013, the average daily rate (ADR) rose at an annual average rate of 5.6%.

Government incentives are increasingly encouraging midscale hotel brands to expand in Dubai. In May, for example, Nakheel announced that it had signed a management agreement with Premier Inn to open a new 372-room hotel at the Ibn Battuta mall as part of a 28,000m² expansion of the complex.



FIGURE 1
Passenger traffic through Dubai International Airport



Source: Dubai International Airport

HOTELS ATTACHED TO MALLS INSIGHT

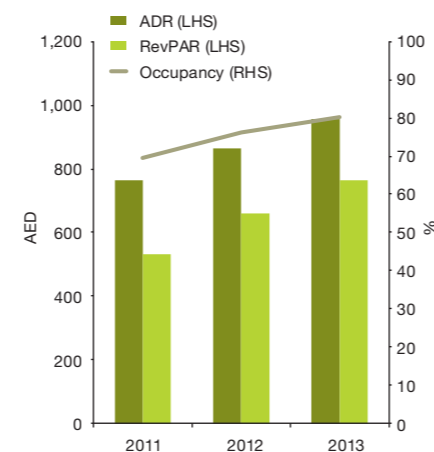
Given Dubai's reputation as a world-class shopping destination, it's not surprising that a number of hotels connected to malls are in existence here. These include Kempinski and the Sheraton at the Mall of the Emirates, The Address at Dubai Marina Mall and Ibn Battuta Gate Hotel by Mövenpick.

Average occupancy levels for these four hotels rose from 76% in 2012 to 80% in 2013. Meanwhile, following a 24.1% increase in 2012, revenue per available room (RevPAR) rose by 16.2% to AED 766 last year. It is important to note that the destination appeal of Mall of the Emirates means that average daily rates at Kempinski and Sheraton are higher compared to most other hotels attached to malls.

Moreover, these types of hotels are popular among GCC families and transit guests, and tend to perform relatively well during the summer. Also they typically experience longer average lengths of stay than pure city hotels, but shorter than beach resorts.



FIGURE 3
Hotels connected to malls key performance indicators



Source: STR Global

*this data reflects the performance of the Kempinski and the Sheraton at the Mall of the Emirates, The Address at Dubai Marina Mall and Ibn Battuta Gate Hotel by Mövenpick.

ABU DHABI MARKET COMMENT

Abu Dhabi continues to gain popularity as a business and holiday destination, as well as a transit point for those on longer journeys. Data from Abu Dhabi International Airport (ADIA) shows that, after an 18.9% increase in 2012, passenger volumes rose by 12.4% to 16.5 million last year. Moreover, in Q1 2014, passenger traffic saw an annual increase of 15.1%.

Following a small fall in 2012, hotel and hotel apartments' occupancy rose to 71% last year - the highest level since 2009. This is despite the fact that the supply of rooms has been rising at an annual average rate of 10.5% over 2009-13.

However, while occupancy has broadly been increasing in recent years, rising competition between hotels and hotel apartments has driven down the ADR. In 2013, for example, Abu Dhabi's ADR was around 52% lower compared to five years earlier.

Nevertheless, Abu Dhabi continues to attract rising numbers of visitors. Data from the Tourism and Culture Authority shows that, in the 12 months to March 2014, the number of room nights rose 21% year-on-year, and were up almost 84% compared to the corresponding period of 2008.

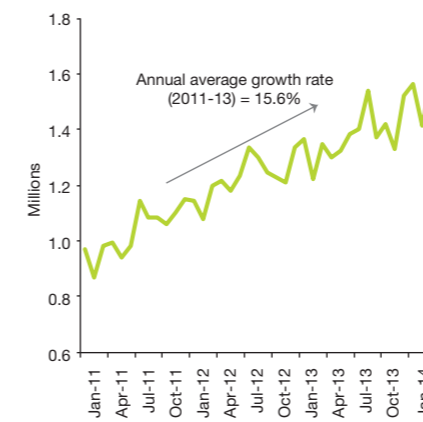
The Royal Rose Hotel and Novotel Hotel Al Bustan - comprising more than 700 rooms in total - opened in Q1 2014. Other new establishments that are due to be delivered by the end of this year include Capital Centre Rotana, Capital Centre Arjaan by Rotana and Adagio Al Bustan.

DESERT RESORTS INSIGHT

Desert resorts in Abu Dhabi primarily attract Emiratis and expatriates working within the country, as well as European tourists. Being a hideaway destination, demand for such resorts tends to be driven by leisure rather than business travellers.

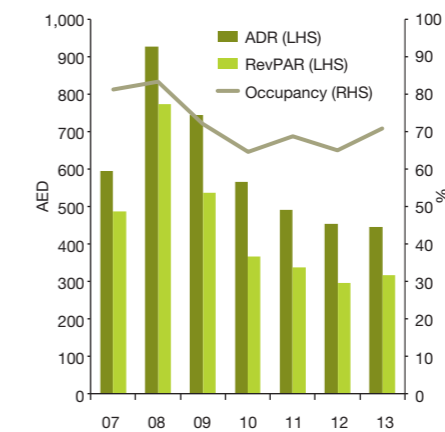
Abu Dhabi's desert resorts have experienced fairly stable occupancy in recent years, although RevPAR has steadily been climbing. By contrast, RevPAR across Abu Dhabi's hotels sector as a whole declined by 9% to AED 444 over 2011-13. That suggests that desert resorts are broadly outperforming the market as a whole.

FIGURE 4
Passenger traffic through Abu Dhabi International Airport



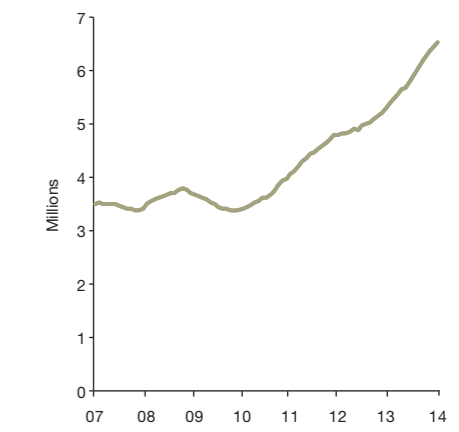
Source: Abu Dhabi International Airport

FIGURE 5
Hotels and hotel apartments key performance indicators



Source: SCAD, TCA

FIGURE 6
Number of room nights in Abu Dhabi, 12-month moving total



Source: TCA



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Technical Note

Occupancy: Number of rooms occupied as a proportion of the total number of rooms available to rent.

ADR: This represents the average rental income per occupied room per day. It is calculated by dividing room revenue by the number of rooms sold. The ADR is based on paid rooms only and excludes complimentary and house use, but includes service charge.

RevPAR: This measures revenue per available room in a hotel. It is calculated by dividing room revenue by the total number of rooms in service.

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