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## Abu Dhabi & Dubai – Country Snapshot

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# Abu Dhabi & Dubai Snapshot

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## Economics and Politics

*Our research and analysis focuses on Abu Dhabi and Dubai as the two emirates are at the forefront of the UAE economic development.*

### **Abu Dhabi**

Abu Dhabi witnessed major developments in 2006 with an emphasis on industry, real estate and tourism. The government is continuing its diversification and privatisation programmes. The emirate is the major hydrocarbon producer of the country with its wealth accounting for 95% of the country's oil reserves and 92% of its gas. Following the lead from Dubai, the emirate is successfully pursuing an economic diversification strategy. According to the EIU, the UAE posted economic growth of 10.4% in 2006 following an 8.2% increase in 2005.

The desire to position the emirate as a tourism destination has led the government to change the legislation for real estate ownership. In turn, these changes have laid the foundation for a more dynamic and competitive real estate sector. The government has authorised UAE nationals to buy and sell property in the emirate and some developers are now allowed to sell properties to non-nationals (leasehold tenure) in designated areas such as the Al Raha Beach development from Aldar Properties.

The creation of the Industrial City of Abu Dhabi (ICAD) is another example of the government's willingness to diversify its economy. Under this programme, foreign companies enjoy 100% ownership and a tax free environment. Following the success of the first two phases, ICAD III is now under development. Ultimately, the emirate is seeking to develop more than 30 industrial clusters in petrochemicals, automobiles, metals, construction, building materials and food processing.

## **Dubai**

2006 was another strong year for Dubai. Following the passing away of the country's ruler, Sheikh Maktoum bin Rashid Al Maktoum, his successor, Sheikh Mohammed bin Rashid Al Maktoum has demonstrated his commitment to capitalise on the strong foundation that have been laid by his father and in expanding the emirate as a business and investment hub in the region.

Similarly to the other regional economies, Dubai benefited from continued high energy prices. As a result, both government revenues and liquidity have fuelled the current real estate boom and helped to increase inflation to almost 10%. Experts are predicting that inflation will ease in 2007. The real estate sector continues to be one of the most active industries in the emirate.

On the international scene, Dubai has made the headlines in 2006 with the acquisition of P&O by the port operator Dubai Ports World. The emirate's leading real estate companies have also entered into partnership to develop real estate projects in various countries in the Middle East, Africa and Asia.

Although the stock market ended 2006 with a 44% fall compared to 2005, the trading volume recorded a 55% increase.

## Developments and Initiatives

### **Abu Dhabi**

Abu Dhabi has recently announced a set of 'mega projects' that are deemed to remodel the city's architecture. Aldar Properties and Sorouh Real Estate are planning the largest projects on Yas Island, Al Raha Beach, Saadiyat Island and Al Reem Island with an estimated total development cost of US\$48 billion.

Ferrari and Aldar Properties teamed up to develop a theme park that will be based on the Ferrari brand as part of the 1,700 hectare Yas Island development. An important feature of the facility will be an advanced and sophisticated circuit on which, besides races, tests and driving courses will be run. The concept will also include hotels, retail, residential and hospitality elements embracing the design ethics of the Ferrari brand.

Al Raha Beach will feature residential, commercial, cultural, entertainment and public facilities, which will house up to 120,000 residents. Located on the beach side of the main highway leading into Abu Dhabi from Dubai, the development consists of eight districts, each with its own identity.

Saadiyat is earmarked to become a strategic international tourism destination offering some 29 hotels with more than 7,100 rooms, three marinas and two golf courses. The island's beachfront will be home to 14 resorts of four-star and higher categories. Upon completion of the development, it is expected to house approximately 150,000 people.

The Al Reem Island project is spread across 650 hectares, just off the coast of mainland Abu Dhabi, and is envisaged to contain a business district, a commercial district and a residential district. It is estimated that the island will accommodate 250,000 residents and will boast amenities such as schools, medical clinics, shopping malls, restaurants, a 27-hole golf course, hotels, resorts, spas, gardens and beaches.

The Shams Abu Dhabi project on Al Reem Island will be home to the Gate area which will form the entrance to the project, featuring eight towers and the 83-storey, 379-metre-high Sky Tower that will become the focal point of the development.

Lulu Island is a 425-hectare man-made island off the coast of Abu Dhabi Island facing the Corniche Road. Land reclamation was completed in 1992. After several plans which were subsequently dropped, the island is now being developed by Sorouh as a mixed-use commercial and residential project.

Plans to build a new international airport were approved in May 2005. The US\$6.8 billion airport will be located towards the north of the existing airport's runway. The capacity will increase to 50 million passengers from 6.2 million currently.

Other major developments such as the Al Gurm resort, Central Market project, Danet Abu Dhabi or Mohammed Bin Zayed city will also contribute to the emirate's economic growth and demand for tourism accommodation.

## **Dubai**

Dubailand is one of the biggest tourism projects in the region, with an estimated investment of approximately US\$5 billion. This project will be located inland, along Emirates Road, facing Palm Jumeirah. Dubailand will be built on an area of 18,500 hectares and it will include 40 mega projects and 200 subprojects.

The Dubai Waterfront is one of Nakheel's impressive developments. This 8,100-hectare mixed-use beachfront destination encompasses over 250 best-of-breed master planned communities and offerings. The Dubai Waterfront is the world's largest waterfront offering, and it is located 35 km southwest of Dubai, bordering Abu Dhabi, on the last remaining coastal waterfront of the emirate.

'Palm Jumeirah', 'Palm Jebel Ali', 'Palm Deira' and 'The World' are among the world's largest man-made islands. They will consist of residential, leisure, hotel and marina developments set to be completed in the period 2008 to 2010.

Dubai Mall is a retail development comprising approximately 1.6 million m<sup>2</sup> of retail space. It is envisaged that the mall will be located at the interchange between Sheikh Zayed Road and Doha Road. The Dubai Mall will be an amalgamation of approximately ten to 15 individual malls, each catering to distinct product categories.

Dubai Business Bay, 'a city within a city', is a freehold commercial, residential and business cluster that extends the famous Dubai Creek from Ras Al Khor to Sheikh Zayed Road. Covering an area of 600 hectares, Dubai Business Bay will feature office towers, residential units, leisure and entertainment venues, hotels and a network of roads for easy access.

'Dubai Festival City' is a multiphase project, which will transform the creek waterfront at Al Garhoud into a world-class destination for dining, shopping, family entertainment and conventions. The estimated cost of this project is around US\$1.6 billion. The first phase of the project is completed.

'Bawadi', a US\$28 billion breathtaking project to be developed and managed by Tatweer, a member of Dubai Holding, will be the longest strip of hotels in the world with a length of ten kilometres and featuring 31 hotels with a total of 29,200 rooms and more than 100 theatres and 1,500 restaurants. The project will be completed in five phases in the period 2010-14.

The government of Dubai is developing the Dubai Railway Project, a public railway system, which is likely to include two railway lines in the emirate of Dubai. Construction started in early 2003, and the development is scheduled for completion in 2007.

The construction of a third terminal, two new concourses and the upgrade of the existing terminals at Dubai International Airport at a cost of US\$4.1 billion will increase the capacity to 70 million passengers. In the meantime the US\$8.1 billion development of Jebel Ali International Airport has started.

Third Creek Bridge, a third bridge over Dubai Creek, is expected to reduce traffic congestion and it will include a corridor road running from the Dubai World Trade Centre (WTC) to Dubai International Airport. We understand that this development is likely to be completed in 2007.

The Cargo Village Expansion is a US\$200 million project which is expected to increase cargo-handling capacity by almost 3 million tonnes by 2018. This development started in 1998 and it is due for completion in 2010.

### Visitation and the Hotel Market

#### **Abu Dhabi**

According to Abu Dhabi Tourism Authority, Abu Dhabi received 1.3 million tourists in 2006, a 12% increase on 2005. 35% of the visitors are British nationals, followed by Germans accounting for 31%. Hotels enjoyed an 11% growth in guest nights to above 3 million.

Occupancy across the quality hotel market in Abu Dhabi decreased slightly from 85% in 2005 to 84% in 2006. We consider this drop in demand to be relative in view of the significant accommodated demand in the emirate. Numerous hotels were also undergoing refurbishment programmes, such as the InterContinental and Sheraton Abu Dhabi Hotel and Resort. On the other hand, hotels have witnessed a significant 43% increase in average rate to US\$167 compared to US\$117 in 2005. Hoteliers have realised the potential growth in profit generated by an increase in average rate and it was best reflected in our Middle East survey with the top position in terms of average rate growth.

Travel and tourism in the UAE in 2007 is expected to generate US\$34 billion of economic activity. The direct and indirect impact of tourism is expected to account for 11.9% of GDP. The UAE's travel and tourism sector is expected to grow by 9.5% in 2007 and by 4.9% per annum, in real terms, between 2008 and 2017.

#### **Dubai**

Airport passengers have increased by approximately 20% in 2006 to 29 million. Guests staying in hotel accommodation have increased by 5% to 6.4 million. The Dubai Department of Tourism and Commerce Marketing has recently announced a staggering 228% increase in hotel and extended stay guests in the period 1996-06 while the number of hotels increased by 'only' 42% during the same period.

Occupancy rates at the quality hotels in this survey increased to 84% compared to 82% in 2005. The occupancy figures include guests using extended stay accommodation on a short-term basis due to the lack of hotel rooms. This shortage of quality accommodation led to a further increase in average rate of 17% to US\$225 compared to US\$192 in 2005. As a result, RevPAR increased by 19%.



GOPPAR increased by an impressive 32%, from US\$139 in 2005 to US\$183 in 2006.

2006 witnessed the opening of the 393-room Kempinski Mall of Emirates and the first tower of the Radisson SAS in Media City. According to the Dubai Department of Tourism and Commerce Marketing, Dubai will have 86,600 hotel rooms by 2016, a 113% increase on the current inventory.

Proposed and rumoured supply is illustrated overleaf.

## Proposed Hotels – UAE

Hotel Name	Number of Rooms	Opening Date	Location
Shangri-La Hotel	214	2007	Abu Dhabi
Movenpick Lagoon Beach Resort	262	2007	Ajman
Staybridge Suites – Internet City	95	2007	Dubai
InterContinental Hotel – DFC	500	2007	Dubai
Holiday Inn Al Barsha	396	2007	Dubai
Crowne Plaza – DFC	330	2007	Dubai
Bavaria Executive Suites	2,100	2007	Dubai
Mövenpick Resort & Spa – Palm Jumeirah	293	2007	Dubai
Fraser Apartments – Internet City	158	2007	Dubai
Holiday Inn – Internet City	237	2007	Dubai
Qamardeen Hotel Southern Sun	247	2007	Dubai
Al Manzil Hotel Southern Sun	197	2007	Dubai
Mövenpick Jumeirah Lake Towers	120	2007	Dubai
Express by Holiday Inn – Internet City	244	2007	Dubai
Sofitel The Palace, The Old Town	244	2007	Dubai
Burjuman Rotana Suites	148	2007	Dubai
Mövenpick Hotel & Residence Deira	245	2007	Dubai
Mövenpick Hotel Jumeirah Beach	294	2007	Dubai
Jumeirah Business Bay Hotel	312	2007	Dubai
Four Points by Sheraton Financial & Exhibition Centre	390	2007	Dubai
Four Points by Sheraton Downtown	252	2007	Dubai
Angsana Hotel & Suites	817	2007	Dubai
Rose Towers Rotana Suites	482	2007	Dubai
Media Rotana Hotel	468	2007	Dubai
Amwaj Rotana Resort – Jumeirah Beach	301	2007	Dubai
Raffles Hotel Wafi City	240	2007	Dubai
InterContinental Dubai Al Marsa Plaza – DFC	195	2007	Dubai
Hilton Executive Apartments	371	2007	Dubai
The Monarch Hotel & Convention Center	240	2007	Dubai
Fujairah Rotana Resort & Spa	250	2007	Fujairah
Hilton Ras Al Khaimah Resort & Spa I	151	2007	Ras Al Khaimah
Tulip Inn	80	2008	Abu Dhabi
Holiday Inn Abu Dhabi Airport Road	202	2008	Abu Dhabi
Proposed Hotel – Atlas Telecom	352	2008	Abu Dhabi
The Tourist Club Five-Star Hotel (Hyatt Hotels and Resorts)	400	2008	Abu Dhabi
Central Market Five-Star Hotel	250	2008	Abu Dhabi
Rotana Khalidiya Palace	443	2008	Abu Dhabi
Park Rotana Hotel & Suites	444	2008	Abu Dhabi
Angsana Abu Dhabi	150	2008	Abu Dhabi
Tulip Inn	90	2008	Dubai
Jumeirah Al Khor – Dubai Health Care City	439	2008	Dubai
Habtoor Grand Resort – Palm Jumeirah	300	2008	Dubai
W Hotel – DFC	350	2008	Dubai
Hilton Resort – Palm Jumeirah	400	2008	Dubai
Ritz-Carlton – DIFC	450	2008	Dubai
Robinson Select – Palm Jumeirah	300	2008	Dubai
Iberotel – Palm Jumeirah	300	2008	Dubai
easyHotel, Kamara	195	2008	Dubai
Oricon Resort – Palm Jumeirah	400	2008	Dubai
Atlantis Sun International – Palm Jumeirah	1539	2008	Dubai
Mövenpick Resort Oceana – Palm Jumeirah	390	2008	Dubai
Taj Palace Hotel – Palm Jumeirah	232	2008	Dubai
Kempinski Emerald Palace – Palm Jumeirah	400	2008	Dubai
Sofitel Jumeirah Beach Resort	438	2008	Dubai
Ibis Port Saeed	365	2008	Dubai
Novotel Port Saeed	189	2008	Dubai
Ibis Mall of the Emirates	204	2008	Dubai
Suitehotel Mall of the Emirates	180	2008	Dubai
Ibis Al Barsha	480	2008	Dubai
Centro By Rotana, Barsha	245	2008	Dubai
Mövenpick Laguna Tower – Jumeirah Lake	162	2008	Dubai
Mövenpick Ibn Battuta Mall	535	2008	Dubai
Al Seef Resort & Spa	300	2008	Dubai
Radisson Pier Residences 24 Dubai Marina	142	2008	Dubai
Ammani Hotel – Burj Dubai	335	2008	Dubai
Palazzo Versace – Dubai Creek	215	2008	Dubai
Radisson SAS (Trunk) – Palm Jumeirah	400	2008	Dubai
Missoni – Palm Jumeirah	250	2008	Dubai
Fujairah Rotana Suites	224	2008	Fujairah
The Cove Rotana Resort & Spa	261	2008	Ras Al Khaimah
Hilton Ras Al Khaimah Resort & Spa II	330	2008	Ras Al Khaimah
Banyan Tree Ras Al Khaimah	50	2008	Ras Al Khaimah
Al Hamra Palace	546	2008	Ras Al Khaimah
2009 Openings	7874	2009	
2010 Openings	7,782	2010	



## Outlook and Opportunities

### **Abu Dhabi**

Abu Dhabi is only starting its diversification and privatisation programmes. The significant number of industrial developments, plus its proven reserves of oil and gas, position the emirate as a serious contender when it comes to tourism development.

Abu Dhabi is looking at diversifying its economy to tourism, leisure and culture areas which will undoubtedly complement its strong basis as the richest emirate and capital of the UAE.

The majority of the hotel supply in the market is somewhat dated and we expect the new supply to attract future and existing demand when it comes on stream.

As with the majority of the GCC countries, we envisage a growing need for branded midscale and limited service accommodation in the future to cater to the needs of the workers and regional travellers.

### **Dubai**

Strong occupancies and average rates have been common over the last four years in Dubai. With a significant amount of new hotels opening in the next two years, we expect the market to experience a slight decline in occupancy from 2008 onwards.

The 'mega projects' and major developments taking place in the emirate are likely to induce significant demand over the next five years. Furthermore, it is likely that micro hotel markets will emerge beyond the traditional 'city hotels' and 'Jumeirah Beach hotels' classification. The expansion of the city toward Jebel Ali will create new opportunities both in terms of leisure and business tourism.

The impressive growth in the residential real estate sector and the establishment of many white-collar companies in the emirate will undoubtedly help to sustain demand for hotel accommodation.

However, developers and owners must be aware of the shortage of brand availability in the emirate. With most of the world's international hotel companies already present in Dubai, it is becoming more difficult to find the right brand for a project, especially in the upscale and luxury market. On the other hand, the development of branded limited service hotels in Dubai is taking shape with Ibis and Centro by Rotana at the forefront. Express by Holiday Inn and easyHotel are also contenders.

*No investment decision should be made based on the information in this survey. For further advice please contact the authors.*

### **About our Team**

HVS International has a team of Middle East experts that conducts our operations in the MENA region. The team benefits from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the MENA region and a broad exposure to international hotel markets in Europe. Over the last 24 months, the team has advised on more than 100 hotels or projects in the region for hotel owners, lenders, investors and operators. Together, HVS has advised on more than US\$10 billion worth of hotel real estate in the region.

### **About the Authors**



**Hadrien Pujol** is an Associate Director with HVS's London office. He joined HVS in 2004 and has five years' operational experience in the hospitality industry in Europe. Originally from Carcassonne, France, Hadrien holds an MBA from IMHI (Essec Business School – France and Cornell University – USA) and Diplomas in Hotel Operations from the Lycée Hotelier Savoie – Léman, Thonon Les Bains and the Lycée Hotelier Quercy – Périgord, Souillac. Hadrien is currently preparing his MSc in Corporate Real Estate Finance and Strategy at Cass Business School in London. Since joining HVS he has advised owners on many hotel and hotel-related investment projects and strategic developments in Europe, the Middle East and Africa.



**Bernard Forster** is a Director with HVS's London office, heading the MENA region. He joined the company in 1997 from Accor Hotels & Resorts where he focussed on property management systems, yield management and guest-history systems in Europe, the Middle East and Africa. Previously, Bernard worked in various operational management roles for the Savoy Group (now Maybourne Group) in London as well as for the Dolder Grand Hotel in Zürich. Bernard holds an MSc in Property Investment from City University, London; a BSc (Hons) in Hotel Management from Oxford Brookes University; and a diploma in Hotel Administration from Institut Hotelier 'Cesar Ritz', Le Bouveret, Switzerland.