

# UAE Market Study

Population – 5,148,664 (2011)

Country size: 77,700 sq km

Abu Dhabi (capital) population: 599,773 (2010)

Largest city: Dubai

Major language: Arabic

Major religion: Islam

Life expectancy: 76 years (men), 78 years (women) (UN)

Monetary unit: 1 Dirham = 100 fils

Income Category: High Income

Doing Business 2012 Rank: 33

Doing Business 2011 Rank: 35

GDP per capita is US\$ 49,995 for 2010

Main exports: Oil

Internet domain: .ae

International dialing code: +971

In 2011, UAE is ranked as the 14th best nation in the world for doing business based on its economy and regulatory environment, ranked by the Doing Business 2011 Report published by the World Bank Group.

The UAE has an open economy with one of the highest per capita incomes in the world and a sizable annual trade surplus. In 2009, its GDP, as measured by purchasing power parity, stood at US\$ 400.4 billion.[3] The GDP per capita is currently the third in the world and second in the Middle East, after Qatar and Kuwait as measured by the CIA World Factbook, or the 17th in the world as measured by the International Monetary Fund.

With almost US\$ 1 trillion in foreign invested assets, some[who?][citation needed] argue the UAE to be the richest, with the highest average income in the world. Over half of this money is generated by the nation's capital, Abu Dhabi. With a population of just under 900,000 Abu Dhabi was labeled "The richest city in the world" by a CNN article

Petroleum and natural gas exports play an important role in the economy, especially in Abu Dhabi. More than 85% of the UAE's economy was based on the exports of natural resources in 2009.

## Population:

The population of the UAE currently stands at around six million with Emiratis making up 16.5 percent, according to the results of two major studies. This figure, up nearly two million over the 2005 census results, were reported by the UAE Daily Gulf News on October 7th, 2009. The studies were compiled by the Department of Naturalisation and Residency, the Ministry of Interior and the Ministry of Labour.



Economic indicators	
Unemployment	4% May 2009 [note 1]
GDP growth	3.20% <sup>2010</sup> [107]
CPI inflation	1.9% April 2008 – April 2009 [108]
National debt	\$142 billion June 18, 2009 [109]

The expatriate population in the UAE is rapidly increasing, with the largest group made up of Indians, with 1.75 million currently residing in the country. The second largest group is from Pakistan with about 1.25 million. About 500,000 Bangladeshis also live in the UAE, according to the studies.

The research showed that members of other Asian communities, including China, the Philippines, Thailand, Korea, Afghanistan and Iran make up approximately one million of the total population. Western expatriates, from Europe, Australia, Northern Africa, Africa and Latin America make up 500,000 of the UAE population.

Historical populations		
Year	Pop.	±%
1963	95,000	—
1968	180,226	+89.7%
1975	557,887	+209.5%
1980	1,042,099	+86.8%
1985	1,379,303	+32.4%
1995	2,411,041	+74.8%
1999	2,938,000	+21.9%
2005	4,106,427	+39.8%
2010	8,264,070	+101.2%

The United Arab Emirates first conducted a census in 1968. All population figures in this table prior to 1968 are estimates obtained from various sources.  
Sources: [4][84]

[view](#) · [talk](#) · [edit](#)

### Largest cities of the United Arab Emirates

2008 Calculation<sup>[specify]</sup>

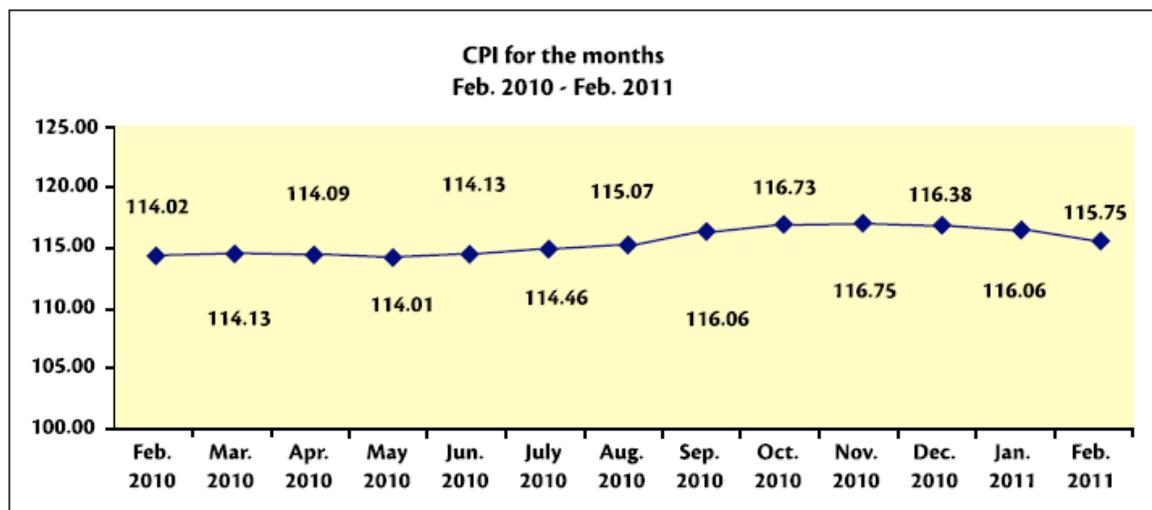
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	Rank	City name	Emirate	Pop.	
	1	Dubai	Dubai	1,770,533	
	2	Abu Dhabi	Abu Dhabi	896,751	
	3	Sharjah	Sharjah	845,617	
	4	Al Ain	Abu Dhabi	374,000	
	5	Ajman	Ajman	372,923	
	6	Ras Al Khaimah	Ras al Khaimah	171,903	
	7	Fujairah	Fujairah	107,940	
	8	Um Al Quwain	Um Al Quwain	69,936	
	9	Khor Fakkan	Sharjah	49,635	
	10	Dibba	Fujairah	30,000	

The

## Consumer Price Index:

The overall Consumer Price Index (CPI) for the United Arab Emirates (U.A.E) reached 115.75 in February 2011, and with comparison with the base year (2007 = 100); It decreased by 0.27% compared to its value at the end of January 2011, and increased by 1.52% compared to its value at the end of February 2010.



The findings of the CPI for February 2011 at the national level indicate **decreases** in the following major expenditure groups:

- Housing - 0.62 %
- Health Care - 0.05 %
- Communications - 1.51 %
- Furniture and Other Items - 0.97 %

At the same time, there were **increases** in other major expenditure groups:

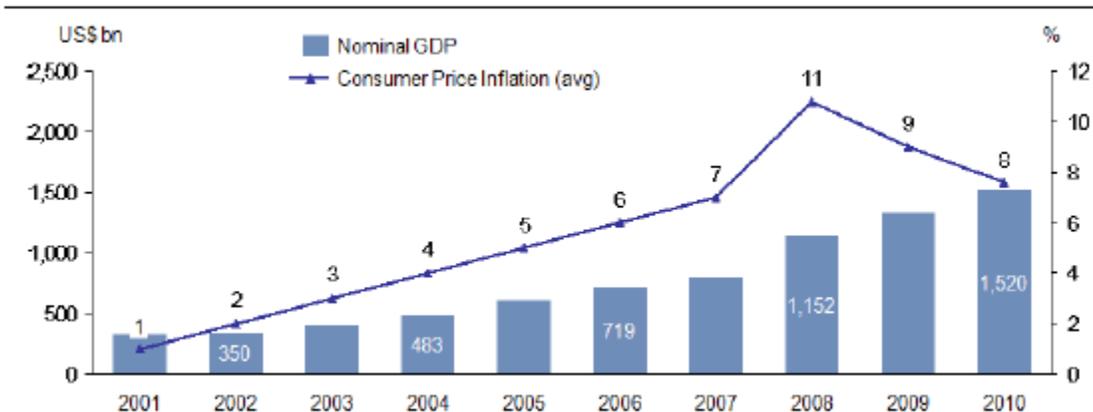
- Food and Soft Drinks + 0.06 %
- Textiles, Clothing and Footwear + 0.36 %
- Miscellaneous Goods and Services + 0.89 %
- Transportation + 0.07 %
- Recreation and Culture + 0.33 %
- Restaurants & Hotels + 0.12 %

Main Groups	CPI for February 2010	CPI for February 2011	Inflation Rates %
All Items	114.02	115.75	1.52
Food & Beverages	118.89	124.46	4.69
Alcoholic Beverages & Tobacco	116.08	117.05	0.84
Clothing & Footwear	110.40	104.65	-5.21
Housing	113.58	112.98	-0.53
Furniture and Other Items	117.96	120.42	2.09
Health Care	105.12	105.90	0.74
Transportation	110.34	119.06	7.90
Communications	98.44	96.90	-1.56
Recreation and Culture	106.70	114.88	7.67
Education	127.29	131.94	3.65
Restaurants & Hotels	130.21	131.91	1.31
Other Goods & Services	116.48	121.01	3.89

At the Emirate level, the CPI fluctuated considerably in the various emirates as shown below:

- Abu Dhabi + 0.14 %
- Dubai 2 + 0.23 %
- Sharjah - 0.40 %
- Ajman + 0.12 %
- Umm Al-Quwain + 0.10 %
- Ras Al-Khaimah - 0.19 %
- Fujairah - 0.27 %

#### Nominal GDP and CPI (GCC Region)



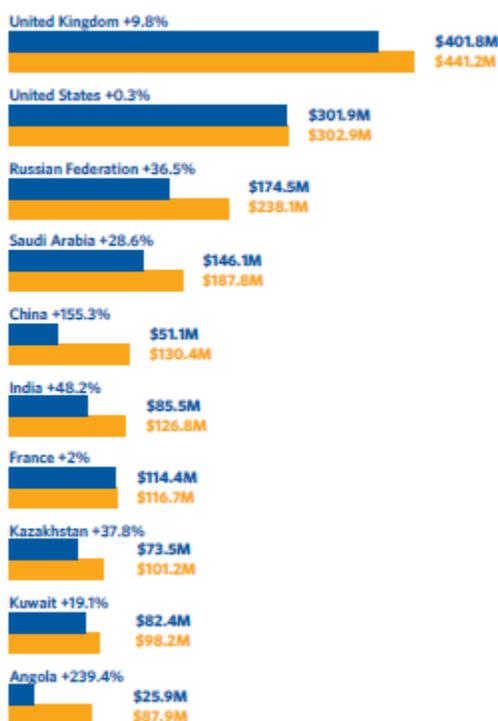
In the coming years, the US baby boom generation is expected to account for over 60 % of the nation's wealth and over 40 % of its expenditures. This generation is expected to drive growth in the travel and tourism sector including hospitality. The substantial investments in tourism infrastructure in the GCC region in theme /experience based offerings would help in capturing this high end market.

## Consumer Spending Trend:

As payment card acceptance continues to grow in the UAE, Visa also noted an increase in spend with international Visa cardholders spending \$3.1 billion on their cards - a 20.3 percent increase over 2009.

In 2010, spend by international visitors on Visa cards in the UAE grew by 20.3 percent year on year to \$3.1 billion, according to VisaVue data. As with 2009, Visa cardholders from the United Kingdom, United States and Russia continue to be the largest spenders in the UAE.

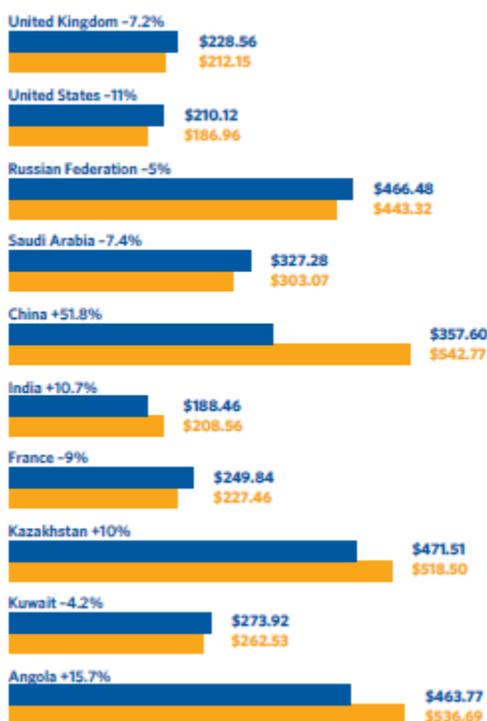
### Total Spend by Top 10 Source Markets



2009 2010

Source: VisaVue Travel Data: 2009 - 2010

### Average Transaction Size by Top 10 Source Markets

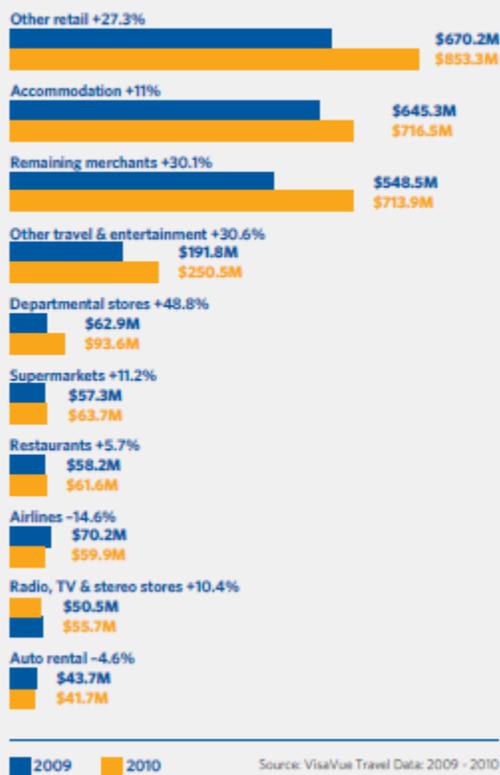


2009 2010

Source: VisaVue Travel Data: 2009 - 2010

The end of year holidays of its key source markets and the cool climates of November and December can be attributed to them being the most popular months for travelling to the UAE, accounting for \$352.2 million and \$325.4 million of tourism receipts in 2010 respectively – or 21.8 percent of the total amount spent in 2010, according to VisaVue data. Conversely, the soaring temperatures experienced in August are a natural reason for it being the quietest month with only \$180.3 million spent on Visa cards.

### Visitor Spend by Top 10 Merchant Segments



Dubai and Abu Dhabi's efforts to target strong growth in cruise tourism<sup>10</sup> are paying off, with a staggering 691.8 percent year on year increase. The number of ships though Dubai's Port

Rashid Terminal was up 27.9 percent to 120 and the emirate hosted 46.7 percent more passengers, to 383,000. By 2015, it is estimated that Dubai will host 195 cruise calls with more than 575,000 passengers.<sup>11</sup>

## International Tourism:

As per WTTC, the number of tourists visiting GCC is expected to reach 64 million by 2020 which bode well for the future potential of the hospitality sector. Currently, the main source markets for tourists to the GCC are Europe, the UK and the region itself. Given the GCC's strategic gateway location, with millions of people living in short-haul flight distance, there is a lot of potential to develop non-traditional markets. With this view, many global hotel chains have entered and invested in the region. There has been improvement in tourist receipts by US\$ 3billion from 2008 – 10. Tourist receipts which include expenses incurred on hotels, restaurants, travel and communication is likely to reach US\$ 187 billion by 2020 registering around 7% CAGR. Qatar is expected to gain around 10% in tourist receipts which is highest amongst member countries.

Tourist Arrivals ('000)			
Country	2010	2015	2020
Bahrain	8,568	11,459	12,198
Kuwait	5,074	5,473	5,860
Oman	1,357	1,564	2,091
Qatar	1,591	1,892	2,126
KSA	14,413	21,042	27,496
UAE	9,993	12,206	14,502
<b>GCC</b>	<b>40,996</b>	<b>53,636</b>	<b>64,273</b>

Country	Tourism Receipts US\$ billion				
	2008	2010	2015	2020	CAGR
Bahrain	3.06	3.31	4.23	5.35	4.7%
Kuwait	7.46	7.85	11	15.02	6%
Qatar	3.79	4.35	7.28	11.80	9.9%
Saudi	26.71	29.11	49.69	72.88	8.7%
Oman	5.07	4.21	6.18	8.55	4.5%
UAE	37.87	38.45	53.14	73.59	5.7%
<b>GCC</b>	<b>83.94</b>	<b>87.28</b>	<b>131.52</b>	<b>187.18</b>	<b>6.9%</b>

There is a focus on increasing differentiation between the GCC states with niche tourism offerings such as sports tourism, adventure and eco tourism, healthcare tourism, heritage and cultural tourism, diving and wildlife tourism while maintaining traditional leisure and retail-focused tourism and the important religious tourism. These initiatives will certainly have a positive impact on the industry as a whole and generate a larger inflow of tourists.

UAE, primarily through the success story of Emirates Airlines, has ensured Dubai as a strategic hub of choice for both leisure and business travellers. Emirates Airlines has partnered with various hotels as well as sponsoring key events in Dubai to attract visitors such as the Dubai Shopping Festival. Saudi Arabia has invested heavily into the hospitality sector to take advantage of the religious tourism segment.

Total business travel receipts are expected to touch US\$ 40 billion by 2020. Qatar and Saudi Arabia will register growth rates of 10% and 9% respectively (see chart 14). UAE which receives the largest share of business travel receipts currently is likely to get overtaken by Saudi Arabia by 2015, however will continue to remain a major destination.

With the region recovering from the credit crisis, there is an increased focus on business travel, meetings and events. According to the Meetings Industry Research Report, which has research carried out at the beginning of this year with responses from over 600 international and regional buyers and suppliers, the UAE still dominates the region as the country of choice for meetings and events, with Dubai still the most popular emirate. The UAE government is investing heavily into attracting this lucrative segment. The Abu Dhabi Tourism Authority has entered into an

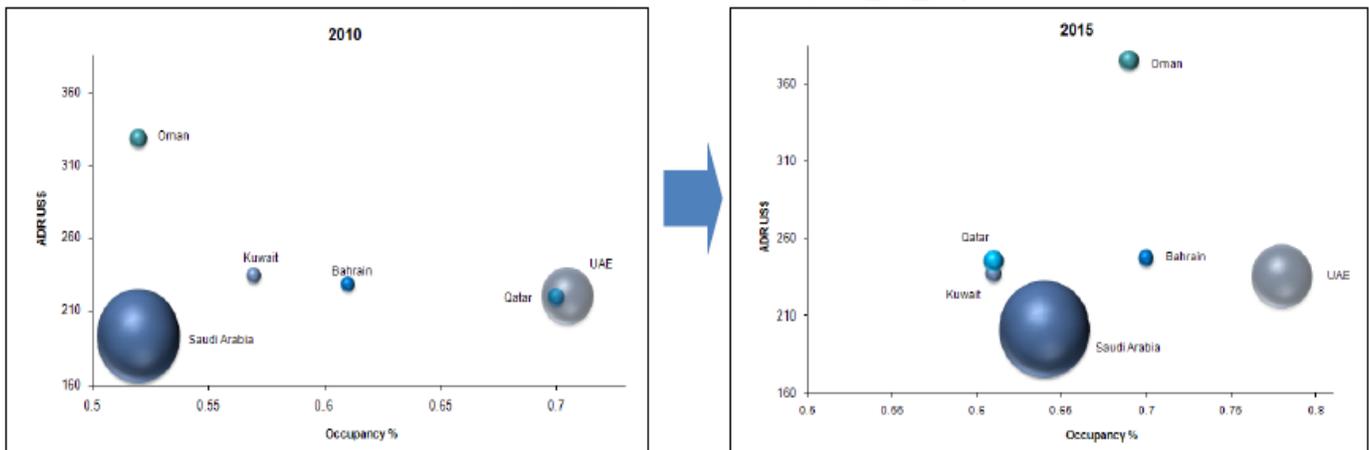
associate partnership with the Meetings Professional International Foundation (MPIF), to help determine the most essential training requirements and training gaps that need to be addressed for expanding the meetings industry.

**MAJOR Attractions:**

The UAE has a lot to offer for both leisure and business travellers. Dubai is politically stable and has good connectivity around the world and flight connections through Emirates Airlines and Etihad Airways are excellent. It has a mature infrastructure offering convention centres, resort and business hotels, and good transport facilities. It also has invested into hotels attractions like the Burj Khalifa (the tallest free-standing structure in the world), shopping malls, desert tourism, and sporting events and festivals like the Dubai Duty Free Tennis Championships, the Dubai World Cup (the richest derby), the Dubai Desert Classic golf tournaments, the Dubai Shopping Festival. Abu Dhabi also has a lot to offer visitors. The emirate has ensured a diverse range of activities with the launch of the Yas Island development, which houses the Ferrari World theme park and the Abu Dhabi Formula One Grand Prix, alongside the upcoming branches of the Guggenheim and the Louvre museums, and natural attractions such as the Sir Bani Yas and Lulu islands.

Jeddah, in Saudi Arabia, is the transit hub for religious tourism and could withstand the recessionary pressures better, indicating that it is the most stable market for hospitality services. Saudi Arabia also holds almost 60% of regional meetings related to intergovernmental gatherings, and hosts the vast field of training related to the oil industry.

**Operating Metrics Country-wise**



**Investment Snapshot**

- Four Seasons plans to open six hotels over the next five years it includes its first property in the UAE at Abu Dhabi. Its other new hotels are planned for Bahrain, Qatar, Kuwait and Oman.
- Marriott International plans to open 42 new hotels in the MENA region over the next three years
- Dusit is planning to open at least 15 hotels in the GCC and Middle East alone by 2015
- Leading brands such as Accor Group, Seven Tides are investing in the region with an array of new brands such as The Pullman (Accor) and the Grand Hall (Seven Tides) both respectively opening in Dubai
- The other key operators are planning to expand their brands include InterContinental, Rotana, Mövenpick, Fairmont, Starwood, Rezidor, Wyndham and Hilton. Starwood plans to add 3 more St. Regis hotels in Doha and Dubai.
- Some key operators that are also growing their presence in the region include Mandarin Oriental ( Abu Dhabi Saadiyat Island) , Hyatt Corporation and Banyan Tree Hotels & Resorts (see chart 16)

### Upcoming 5 Star Hotel Projects – by Operators

Project Name	Operator	Brand	Year
Conrad Dubai	Hilton Hotels Corporation	Conrad	2011
The Regent Emirates Pearl, Abu Dhabi	The Rezidor Hotel Group	Regent	2012
Swiss-Belhotel Resort Sharjah	Swiss-Belhotel International	Swiss-Belhotel	2011
Movenpick Resort Ajman	Movenpick Hotels & Resorts	Movenpick	2011
JW Marriott Lifestyle City	Marriott International	JW Marriott	2013
Renaissance Dubai MotorCity	Marriott International	Renaissance	2011
Intercontinental Abu Dhabi - Al Raha Beach	IHG	Intercontinental	2011
St Regis Hotel and Residences Saadiyat Island	Starwood Hotels & Resorts	St Regis	2011
W Festival City, Dubai	Starwood Hotels & Resorts	W	2011
Luxury Collection Ras Al Khaimah	Starwood Hotels & Resorts	Luxury Collection	2012
Westin Hotel, Golf and Spa	Starwood Hotels & Resorts	Westin	2011
Jumeirah Etihad Towers	Jumeirah Hotels and Resorts	Jumeirah	2011
Coral International, Abu Dhabi	Hospitality Management Holdings	Coral	2011
Intercontinental Minah Al Arab - Ras Al Khaimah	IHG	Intercontinental	2011
Coral Spa Resort, RAK	Hospitality Management Holdings	Coral	2011
Coral Qasar Al Fala, RAK	Hospitality Management Holdings	Coral	2011
Coral Beach Resort, Extension	Hospitality Management Holdings	Coral	2011
JW Marriott Resort and Spa, Abu Dhabi	Marriott International	JW Marriott	2011
Fairmont Kingdom of Sheba	Fairmont Hotels & Resorts	Fairmont	2011
Fairmont Palm Hotel and Resort	Fairmont Hotels & Resorts	Fairmont	2011
Movenpick Hotel Deira	Movenpick Hotels & Resorts	Movenpick	2011
The Royal Amwaj Resort & Spa	Movenpick Hotels & Resorts	Movenpick	2011
Movenpick Hotel & Residence Jumeirah Lakes Towers	Movenpick Hotels & Resorts	Movenpick	2011
Radisson Blu Al Aqah Beach Resort, Fujairah	The Rezidor Hotel Group	Radisson	2011
Radisson Blu Hotel Al Qum, Ras Al Khaimah	The Rezidor Hotel Group	Radisson	2011
Al Madinah Paradise Radisson Blu Resort	The Rezidor Hotel Group	Radisson	2011
Radisson Hotel, Dubai Trade Centre District	The Rezidor Hotel Group	Radisson	2013
Radisson DMCC Business Park Hotel	The Rezidor Hotel Group	Radisson	2012
Radisson Hotel Jumeirah Dubai	The Rezidor Hotel Group	Radisson	2012
Saadiyat Rotana Resort & Spa	Rotana	Rotana	2012
St Regis Hotel & Residences Business Bay Dubai	Starwood Hotels & Resorts	St Regis	2013
Coral Bay Resort, Ajman	Hospitality Management Holdings	Coral	2012
Oceana Resort & Spa	Movenpick Hotels & Resorts	Movenpick	2011
Movenpick Hotel Al Reem Island	Movenpick Hotels & Resorts	Movenpick	2012
Movenpick Resort & Spa Al Ain	Movenpick Hotels & Resorts	Movenpick	2014

### Macro-economic indicators

Indicators	Unit	2010E	2015E
GDP	US\$ bn	239.6	348.4
Population	mn	5.05	5.6
Inflation	%	1.9	3.5
Share of Travel & Tourism in GDP	%	6.2	6.5
Overnight Visitor Arrivals	mn	9.9	12.2

GCC tourism economy depends heavily on intra-regional travel from countries such as Qatar, Kuwait, Saudi Arabia and Bahrain, all experiencing positive economic conditions. High growth GCC markets for inbound travel in 2009 were Saudi Arabia, with 15.1%, and UAE at 7.9%. Many regional neighbours are closely linked culturally and religiously which provides further boost to this trend.

### Sports Tourism:

Sports tourism is gaining popularity in the GCC with UAE leading the way by hosting multiple sporting events such as Dubai Duty Free Tennis Championships, the Dubai World Cup (the richest derby), the Dubai Desert Classic golf

tournaments along with the Formula 1 Grand Prix at the Yas Marina circuit in Abu Dhabi. Bahrain with its Formula 1 circuit is also promoting sports tourism in a big way. Oman is also increasing focus on sports tourism. Qatar has recently won the bid to host the 2022 World Cup which will give a tremendous boost to its tourism. UAE is positioning itself as a major golf destination in the GCC. Four golf courses are under development in Dubai, while Abu Dhabi recently opened two new golf courses to add to the ten courses currently in the country. Dubai Sports City (DSC) will be one of the major sporting destinations in the GCC. It will host a 60,000 seat stadium, a 25,000 capacity cricket stadium, a 10,000 seat indoor arena, and a 5,000 seat hockey arena.

### Event Based Tourism

Event-based tourism, which was earlier confined to the UAE, is gaining popularity throughout the GCC region. Dubai, the landmark of shopping festivals, attracted 4.18 million tourists in the first half of 2010, up 9% over the same period previous year; which took the total hotel revenues to US\$1.8 billion as per the Dubai Department of Tourism and Commerce Marketing. Other regions such as Oman are also promoting event tourism by increasing the number of festivals and events every year. The Saudi Commission for Tourism and Antiquities (SCTA) organized a promotional campaign consisting of 18 summer tourist festivals in Saudi Arabia in 2010. The campaign included entertainment, shopping, sports, cultural and heritage events that were organized across the country.

Other niche tourism offerings developed in areas such as healthcare tourism, heritage and cultural tourism, diving and wildlife-oriented tourism, as well as traditional leisure and retail-focused tourism and the important religious tourism sector. UAE is a major hub for intra-regional travel due to its multi-dimensional offering of international festivals, trade fairs and major regional events. UAE is emerging as a popular destination for residents of Middle East who prefer to take short breaks at shorter and cheaper destinations compared with Europe.

**International Tourism 2011 – Growth Outlook by Region**

	2010	2011
World	+6.7%	4% to 5%
Europe	+3.2%	2% to 4%
Asia and Asia Pacific	+12.6%	7% to 9%
Americas	+7.7%	4% to 6%
Africa	+6.4%	4% to 7%
Middle East	+13.9%	7% to 10%

UAE has emerged as a major hub for air traffic for Middle East region as well as on a global level; Dubai International Airport is the fourth largest airport globally for international passenger traffic. Increasingly, leading airline companies in the GCC have crafted various tourist packages in partnership with hotel companies to boost tourist receipts. For instance, Emirates Airlines offers fly and stay packages during major festivals and events such as the annual Dubai Shopping Festival (DSF). The DSF was heavily marketed in neighboring countries like India where local Indian carriers like Jet Airways and Kingfisher Airlines were offering fly and stay packages for Indians travelling to Dubai for the DSF.

Dubai's new Al Maktoum International Airport is expected to handle 80 million passengers per year by 2025

Dubai International's passenger traffic increased 5.2% year-on-year in February 2010 to 3.83 million, up from 3.64 million in the same month the year before. The upward trend continues after Dubai International recorded 15.5% passenger growth in 2010, ranking it fourth globally when it handled 46.3 million passengers, according to Airports Council International. Dubai now ranks slightly behind the world's top three international airports: London, Paris and Hong Kong.

## Eco-Friendly Tourism:

The UAE is leading the way with several sustainable mixed-use projects. Masdar City, on the outskirts of Abu Dhabi, is set to become the world's first carbon-neutral and zero-waste city.

### Abu Dhabi and Dubai - the twin attractions

Dubai has cemented its place on the map as a truly exciting international tourist destination and while the majority of visitors continue to flock to the emirate as the prime destination, neighbouring Abu Dhabi has also extended its appeal<sup>14</sup>.

Dubai plays host to a packed events calendar including world-class sporting and entertainment events like the Dubai Tennis Championship, Dubai World Cup, PGA Dubai Desert Classic and Dubai International Film Festival. Shopping festivals such as the annual Dubai Shopping Festival and Dubai Summer Surprises offer another world class experience for visitors. Indeed, Dubai has invested heavily in the development of shopping malls, leading up to the completion and opening of one of the world's largest shopping mall, the Dubai Mall.

These attractions are achieving traction with international visitors. Passenger traffic figures in February 2011 demonstrate positive growth, with inbound arrivals to Dubai topping 3.83 million, up 5.2 percent compared the same month in 2010<sup>15</sup>.

Following the completion of many long-awaited projects and developments, Abu Dhabi has also experienced a strong recovery in tourist numbers for January to October 2010, with an increase of 16 percent year on year to nearly 1.5 million visitors. October was one of the best months of the year, with growth in guest numbers of 18 percent year on year<sup>16</sup>.

Tourists have been attracted to Ferrari World Abu Dhabi, the largest indoor and first Ferrari theme park located on Yas Island. Since the park was opened on 4 November 2010 and after just 100 days of operation; it had already welcomed "hundreds of thousands of guests from more than 50 countries"<sup>17</sup>.

Abu Dhabi has also secured the rights to host a Formula One Grand Prix from 2009 to 2016. The event has provided a platform for the emirate to showcase its outstanding new development, the Yas Island, which is set to be its major attraction for years to come.

Visa will continue to support Dubai and Abu Dhabi as the emirates continue to attract visitors and strengthen tourism competitiveness.

## Hotel Industry:

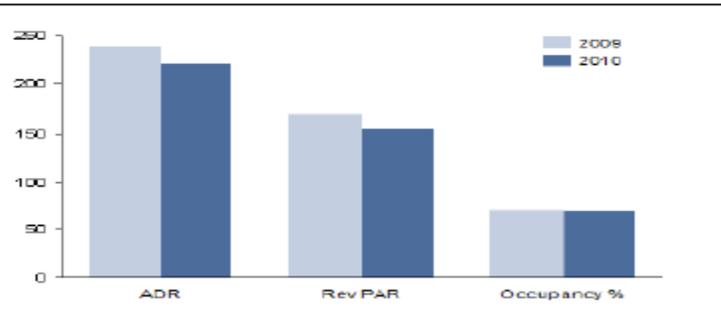
### Room Supply UAE

Current room supply	Planned Increase in percentage	Rooms in construction phase
83,778	57%	24,251

### Key Public Companies

Company	Number of Hotels under Management/ Affiliates
Abu Dhabi National Hotels	20
National Corporation for Tourism and Hotels	9
Rotana Hotel Management	23

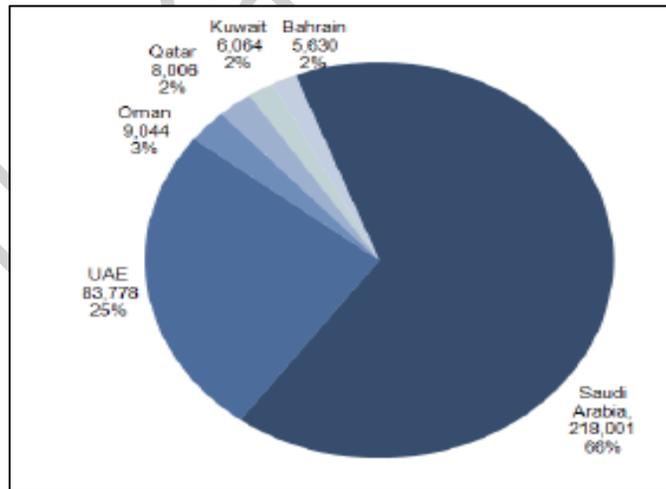
### Performance Trend in UAE



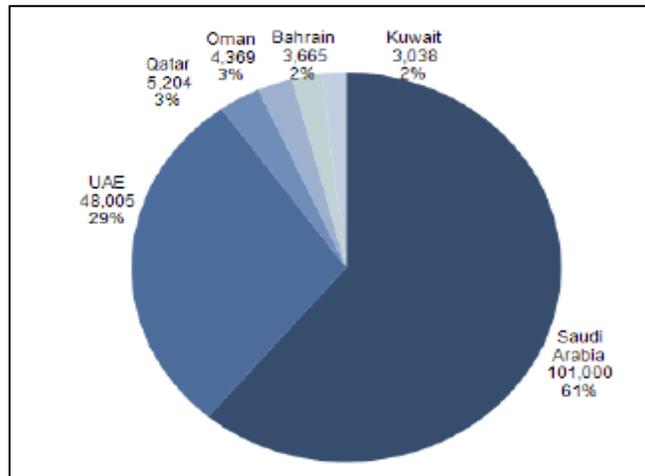
**Year on Year Growth**



**Room Supply Statistics 2010**



**Hotel room pipeline in 2011-2015**



The GCC economies are now perceived — not only as exporters of oil and gas, but also as major investment destinations due to booming tourism and hospitality sector, vibrant financial services sector, and large scale infrastructure projects.

The GCC hospitality industry registered US\$ 16 billion in revenues from hotel rooms in 2010. The market had an estimated stock of 330,523 branded rooms with Saudi Arabia and UAE constituting around 91% of the total. In the next 5 years, the room stock is likely to grow by 30%. The industry comprises of Luxury, Upscale, Mid-market and Budget rooms with several international companies operating alongside regional players to cater to the needs of different categories of travelers. Saudi Arabia and UAE are the two biggest markets in the region with 89% share jointly. By 2015 the share of these two countries will marginally dip to 87%.

According to the hotel rooms supply pipeline for the next 5 years, Saudi Arabia leads the way with 101,000 rooms which is 61% of the pipeline, followed by UAE with 48,005 rooms accounting for 29%.

However in terms of rooms under construction UAE leads with 24,251 rooms (62%) as of 2010. Saudi Arabia follows with 6,344 rooms (16%). Qatar ranks third with 4,927 rooms (see chart 11). With the recent awarding and interest building for the 2022 Football World Cup, these numbers are expected to increase over the coming years.

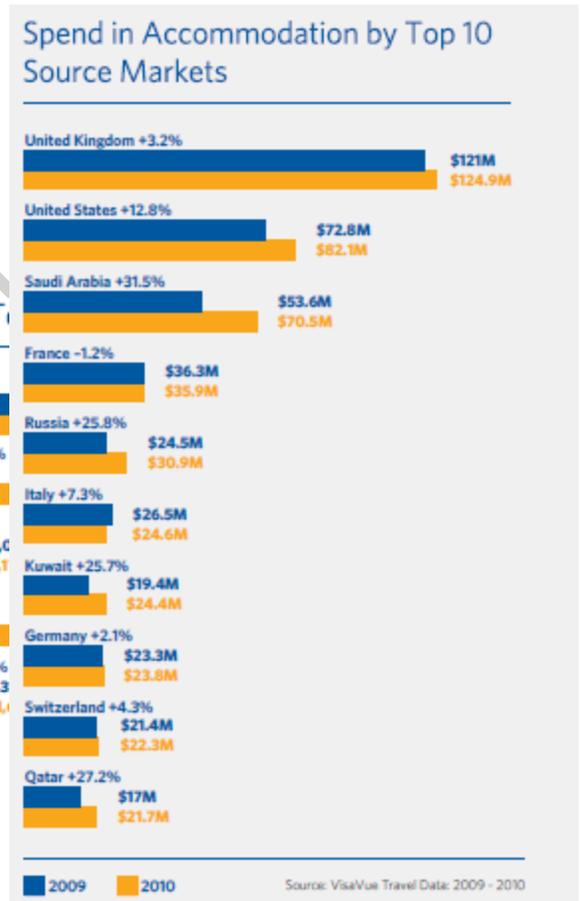
According to the Meetings Industry Research Report, which has research carried out at the beginning of this year with responses from over 600 international and regional buyers and suppliers, the UAE still dominates the region as the country of choice for meetings and events, with Dubai still the most popular emirate.

Growing political unrest has been undermining the performance of the hotel industry in the Middle East. Although the number of tourists is expected to increase, the decline in average tourism spending would dent the overall tourism income in the region. To counter the risk of a potential loss and attract tourists, tour operators are now offering huge discounts on trips to major MENA countries.

Government initiatives such as investments in infrastructure projects, bids for global sports events, commitment to diversifying its economy and initiatives to stimulate the private sector are driving the growth of hotel markets at all levels. As a result, there are large numbers of investments planned by both, domestic and foreign players, and some of them are already in the construction phase. The current GCC hotel development pipeline comprises 437 hotels totalling 165,281 guest rooms. In 2010, the hospitality industry reported positive results on all key parameters - Occupancy, Average Daily Room rate (ADR) and Revenue per Available Room (RevPAR).

The outlook for the hotel industry for 2011- 2015 remains positive, however in the near term, the revenues may be affected due to supply of large number of rooms that are expected to enter the market over the next few years. Also important are the indications of a slow recovery in the key source markets like Europe, USA and some developed countries. The expansion of the middle class in both India and China will contribute greatly towards tourism receipts in the GCC. However we estimate the occupancy levels to hover around 68% for most of GCC for next three to four years.

Notwithstanding the current situation, the region remains an attractive destination for investors looking for medium to long term returns.



### Chinese tourists flock to UAE

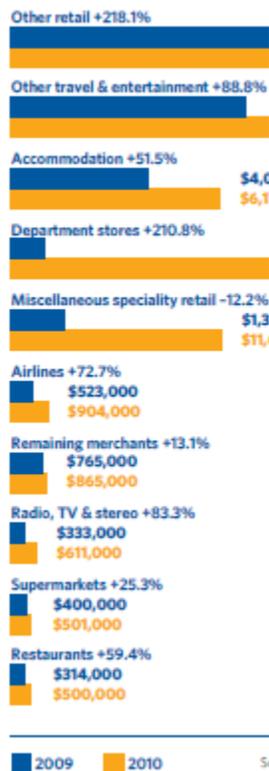
In 2010, Chinese travellers spent 155.3 percent more in the UAE than they did in 2009, according to VisaVue data.

Some of the segments with the most significant category growth included the quick service restaurant (QSR) category which saw a 361.8 percent jump to \$31,519 spent in 2010, the "other retail" category which saw a 218.1 percent jump to \$92.1 million spent in 2010 and department store spending which went up by 210.8 percent to \$25 million.

Luxury retailers noted the rise in Chinese visitors that began in 2010 shows no signs of abating as an increasing number of Chinese tourists are looking for high end luxury goods.<sup>13</sup>

By average receipt per transaction, significant gains were experienced by the "other retail" category (up 49.4 percent to \$1,329.66) and the "radio, TV and department stores" category (up 35 percent to \$543.13).

### Spend by Chinese Tourists



### Hotels in Dubai

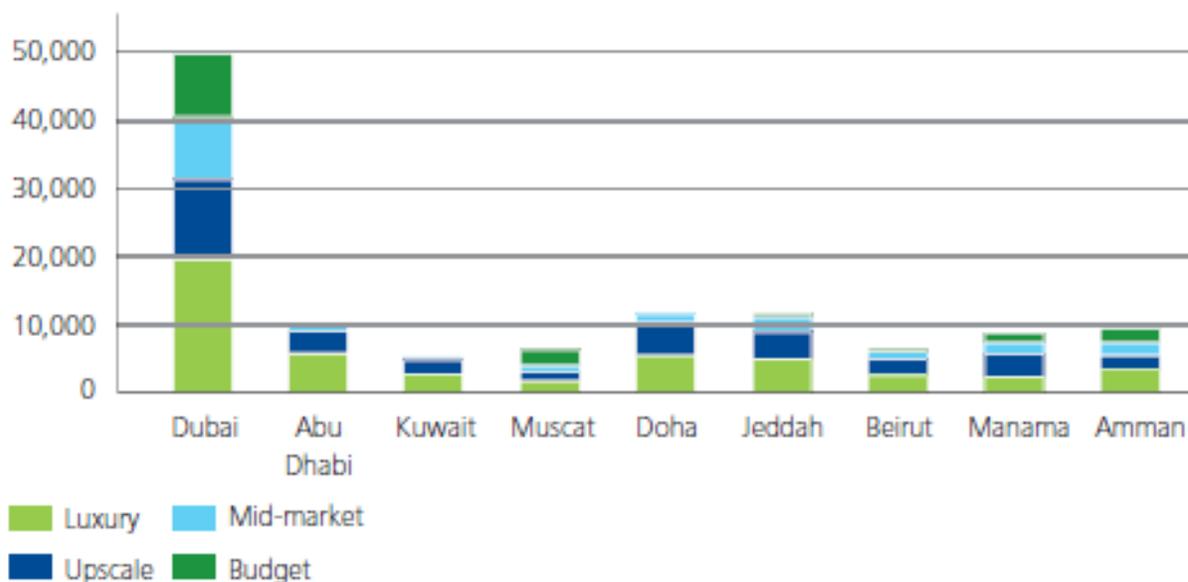
Type	Number of Hotels	Rooms
5 star	62	20144
4 star	72	13744
3 star	61	7914
2 star	51	5273
1 star	122	4689
Deluxe Hotel Apartments	55	7584
Standard Hotel Apartments	132	13960

The tourism industry in Dubai faces the challenge of rising cost of its hotels. The decline of the euro and the pound against the dollar would put pressure on Dubai's tourism as dirham is pegged against dollar. Dubai's attraction as a tourist destination may decrease on account of high costs especially for travelers who come along with the whole family. Dubai also faces competition from less expensive destinations such as Lebanon and Egypt. Qatar is also gaining prominence in the tourism map.

Dubai market is yet to capture significantly the thriving health tourism market of Asia. With rising health care costs, medical tourism has become a booming industry especially in Asia. Countries such as India, Thailand and Singapore offer medical care for just 10% of the price that it would cost for similar procedures in the US. The challenges faced by this sector include quality and cost considerations. Despite the rising number of hospitals with accreditations, still UAE has to go a long way to establish its reputation as a cost effective and safe destination for medical treatment. In this context it is noteworthy to point to the collaboration that Emirates have established with Harvard Medical School to operate Dubai Healthcare city is in the right direction.

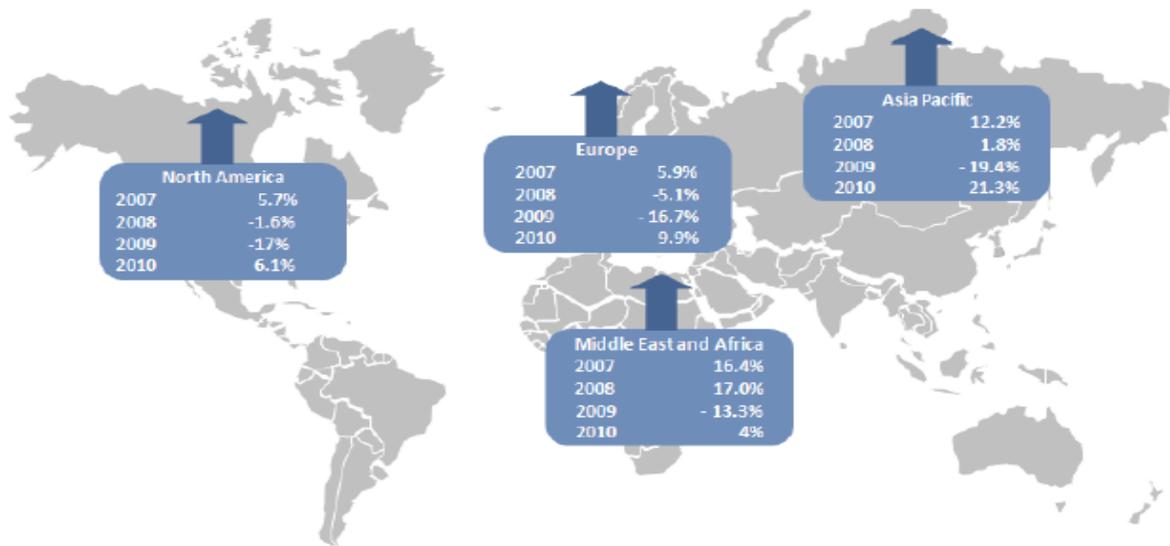
Dubai's tourism is also hampered by the fact that it offers few mid priced hotels. Now the focus of high rolling tourists have shifted towards all inclusive packages.

**Hotel room inventory by grade in key Middle East cities (2010)**

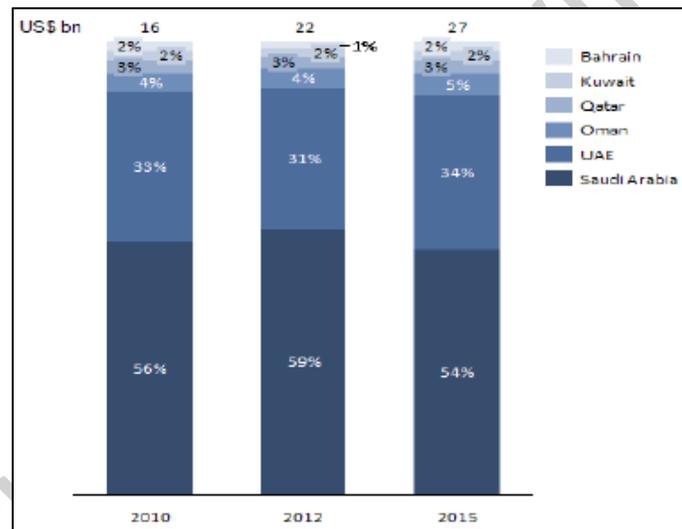


Source: Various country tourism authorities/ministries; Deloitte Research

**Operating statistics: Year-end RevPAR change (%)**



**Hotel Room Revenues by Country**



## Trends in UAE:

- ✓ The UAE tourism sector continues to witness good growth as both Dubai and Abu Dhabi announced increases in hotel guests
- ✓ 2010 was a difficult year for the hotel sector across the UAE, ADR and RevPAR declined by 8% and 9% compared with 2009 (see chart 31)
- ✓ In 2009, the Abu Dhabi Tourism Authority announced an intention to drive tourism growth and a target of welcoming 2.3 million visitors annually to the capital by 2012

## The Industry Scenario

- ✓ In terms of tourist infrastructure, Dubai, and the UAE as a whole, offer excellent standards of accommodation along with the incentive of tax-free shopping. Abu Dhabi is also being regarded as one of the prominent

destinations by tourists. About 40% of hotels in Dubai and 30% in Abu Dhabi are 3 stars or less, the vast majority of which are unbranded with travellers looking to trim their spending.

- ✓ Dubai International recorded 15.5% passenger growth in 2010, ranking it fourth globally when it handled 46.3 million passengers, according to Airports Council International. ADTA (Abu Dhabi Tourism Authority) announced an increase of 16% to 1.48 million in the number of hotel guests in the first half of 2010. Domestic tourism climbed 15% to 616,238, while international guests rose 17%.

## Drivers

- ✓ Dubai generates maximum revenue from tourism for UAE and is expected to overtake oil export. The tourism industry has accounted for steady growth in Dubai's GDP. The Government's commitment to diversifying the economy has meant that continuing investment in the tourism industry is assured.
- ✓ The emergence of budget brand accommodation in Dubai and Abu Dhabi is a sign of maturing tourism taking care of that section of the travellers who try to trim down accommodation expenses
- ✓ According to ADTA, the 2011 tourism agenda aims at delivering 1.9 million hotel guests staying in around 22,000 hotel rooms and contributing 11.1% to the emirate's overall non-oil GDP
- ✓ Several more upcoming global sporting events in 2011, including Mubadala World Tennis Championship and Abu Dhabi HSBC Golf Championship, part of the European PGA Tour, will also help Abu Dhabi hotels to sustain the growth momentum

## Online Market:

Broadband use is increasing rapidly in the wealthier countries of the Arab Middle East and Israel is already one of the most developed broadband markets in the world. However, wide income disparities across the region are reflected in broadband penetration rates. The Arab Middle East has a very flourishing pan-regional satellite TV market with over 400 FTA channels available. Lack of locally produced content in Arabic is a problem both for the Internet and TV sectors. Digital Media in the region is a small but growing market.

Internet/Online Users: 3,555,100 users as of Mar 2011, 69.0 % penetration, per TRA.

FB (Facebook) Users: 2,769,020 users as on Dec 31, 2011. 53.8% penetration rate.

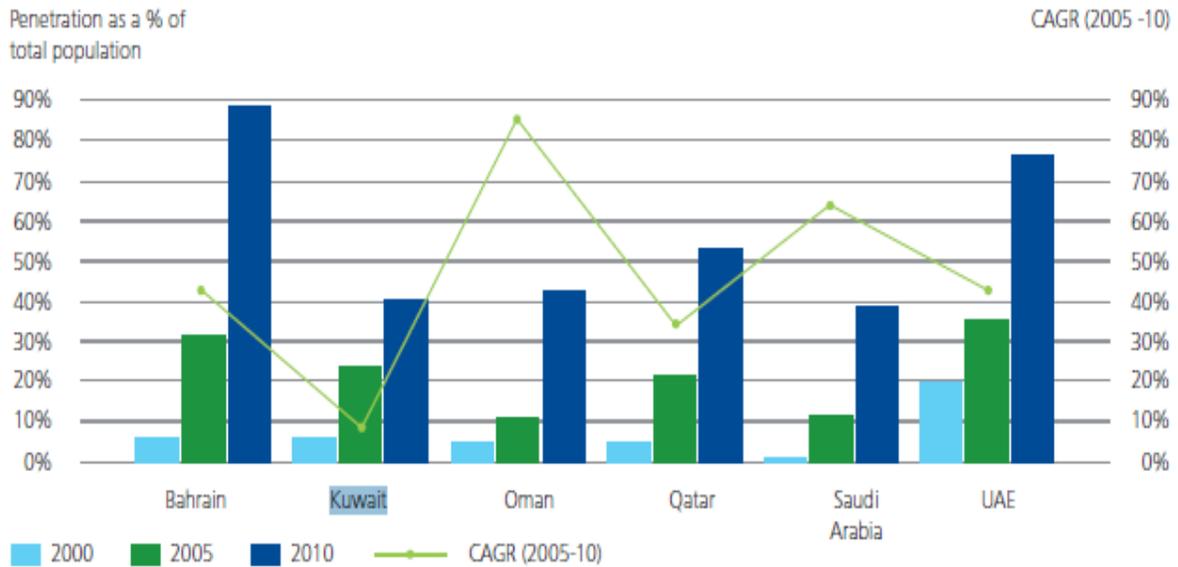
Current UAE internet penetration figures assume 2.4 users per subscription. TRA projections indicate that over the next few years growth in both users and subscriptions will be coupled with a fall in the number of users per subscription: the number of subscribers are expected to increase from 0.904 million in 2007 to 1.15 million in 2008, 1.44 million in 2009 and 2.66 million in 2012. Internet use is extensive; by 2007 there were 1.7 million users. The authorities filter websites for religious, political and sexual content

Extensive, automated filtering is in place at ISP level. Targeted content includes opposition politics and religion. Twitter, Facebook and YouTube are partially blocked.

A cyber crime law sets out fines and prison sentences for online acts, such as "revealing secrets" or insulting religion.

YEAR	Users	Population	% Pop.	Usage Source
2000	735,000	3,750,054	19.6 %	ITU
2003	1,110,200	3,750,054	29.6 %	ITU
2005	1,300,000	3,750,054	34.7 %	EIM
2009	3,558,000	4,798,491	74.1 %	TRA
2010	3,777,900	4,975,593	75.9 %	ITU

## Internet penetration in the GCC



Source: International Telecommunication Union

## Other Consumer based Markets:

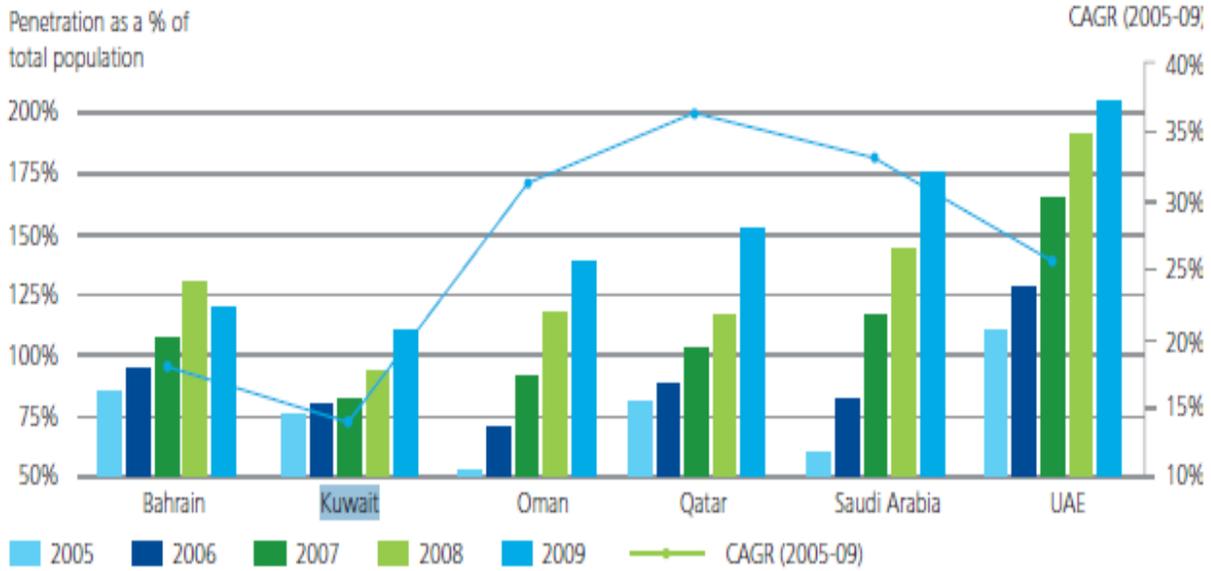
The UAE has sky-high mobile penetration of over 200%.

This fluid expatriate population may also be a factor in the UAE's very high mobile penetration rate, of over 200%. All countries in the GCC have extremely high penetration levels but those of the UAE are the highest of all. Much of this is due to multi-SIM ownership to take advantage of various offers and deals.

### Estimated market penetration rates in the UAE's telecoms sector – end 2010

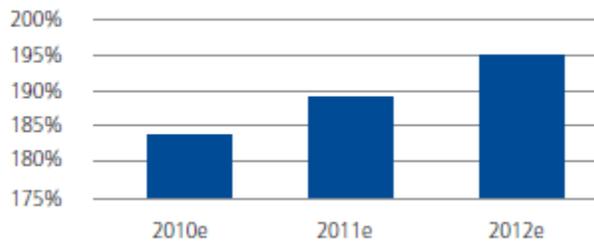
Market	Penetration rate
Fixed	31%
Mobile	217%
3G	30%
Broadband (households)	40%
Pay TV (households)	20%

### Mobile phone penetration in the GCC



Source: International Telecommunication Union

### Projected mobile penetration rates in the GCC



Source: International Telecommunication Union

The GCC is rapidly converging to upper quartile penetration rates of both Internet and mobile phone usage thus presenting the hospitality market with an excellent opportunity to market and deliver services directly to the local consumers and minimize the high level of commissions paid to intermediaries.