Hospitality Businesses within Destinations

The greater scheme of things

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The Consulting House

AGENDA

SPEAKER PROFILE

IN THE GREATER SCHEME OF THINGS

EXTERNAL INFLUENCE: PRODUCT POSITIONING (DESTINATION PROGRAMMING)

EXTERNAL INFLUENCE: PUBLIC SECTOR (CLASSIFICATION, DESTINATION MARKETING)

EXTERNAL INFLUENCE: MARKET PERFORMANCE AND TRENDS

A full member of PKF International covering the MENA region via offices in Dubai, Jeddah, Cairo, Muscat and Beirut – pure and deep industry advisory

PKF-TCH Business Advisors to the Hospitality and Property Sectors

Sven P Gade FIH – Partner, Director & Head of Consulting, PKF-TCH

- Graduated from University of Surrey (Int. Hospitality Mgmt), German Diploma in Hotel Administration
- 15 years of operational hotel experience
- 17 years as industry advisor (hospitality, real estate, tourism, transportation)
- Opened 5 companies and built 4 advisory practices
- Fellow of Institute of Hospitality

- Worked in 40 countries, 12 years in the Middle East
- Tourism Master Plan KSA, Hotel Classification System Oman, led numerous leading edge mixed use real estate projects, developed and positioned several real estate development companies, hotel brands and portfolios

- Core areas:
  - Corporate Strategy (industry specific)
  - Project / Portfolio Positioning and Structuring
  - Industry Specific Advisory – unravelling complex environments

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Agenda

Speaker Profile

In The Greater Scheme of Things

External Influence: Product Positioning (Destination Programming)

External Influence: Public Sector (Classification, Destination Marketing)

External Influence: Market Performance and Trends

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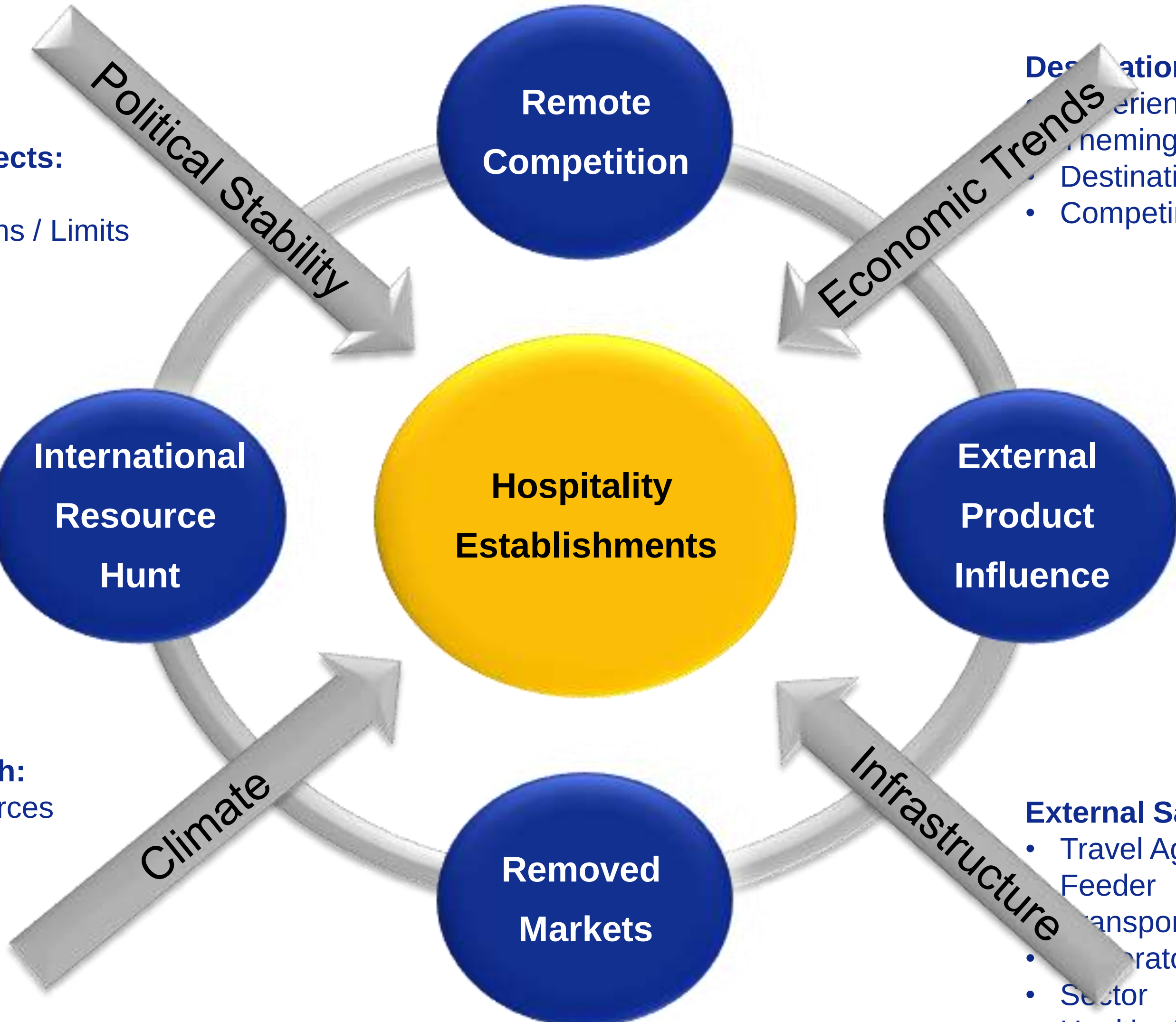
Hospitality establishments operate in a complex multiplicity of external factors. These impact business performance but can often not or only indirectly be influenced.

IN THE GREATER SCHEME OF THINGS

Other Core Aspects:
- Owners
- Brand Strengths / Limits

Destination Building:
- Experiential Platforms
- Theming / Branding
- Destination Marketing
- Competing Destinations



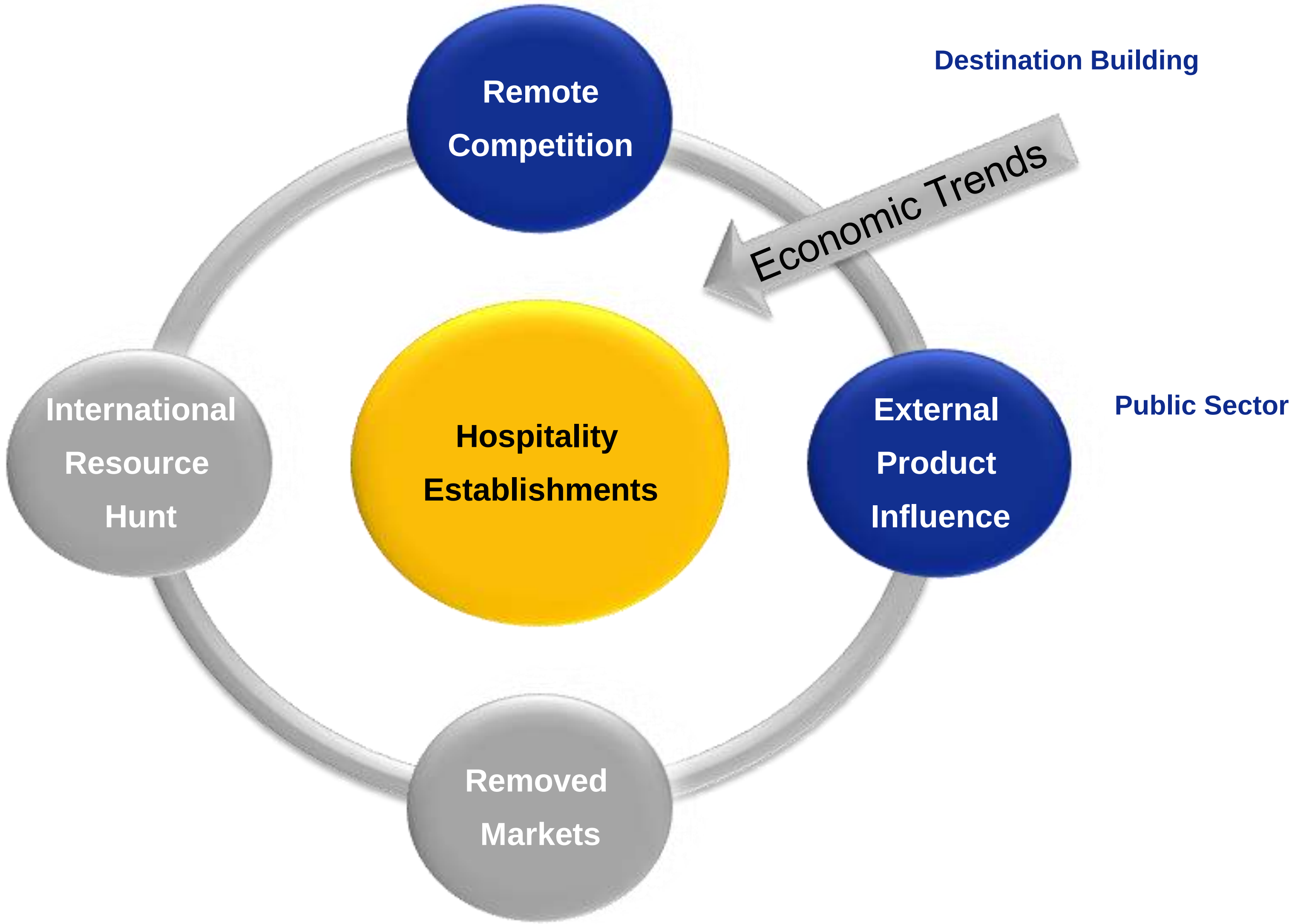
Public Sector:
- Hotel Classification (QA!)
- Destination Marketing
- Industry Associations

Resource Search:
- Human Resources
- Training
- Qualifications

External Sales & Marketing:
- Travel Agents / Tour Operators / www
- Feeder channels outside control (transport / access)
- …rator Markets
- Sector Diversity (MICE, Culture, Health, VFR, experiential platforms, …)

To debate the entire external environment would go far beyond a key note – therefore let's take a look at three areas closest to home

IN THE GREATER SCHEME OF THINGS



It may seem that Hospitality Operators have little influence over the external factors. That is incorrect – even small (or obvious) steps may have massive impact

Points to consider

- A destination has a target profile (target segments) – these should be the platform for product definition and positioning
- Target segments are dynamic and subject to change – flexibility is key
- Destination Marketing is a message – it is worth reflecting
- Classification is a product positioning statement – simply aiming as high as possible only works if the promise can be kept – consistently
- Positioning in turn needs to reflect the target segments
- Segments and generator markets have a global choice of destinations (at least in pure leisure travel) – USPs are important at destination and unit level
- Target: Tourists have a budget – how can a unit maximise the share of that?
- Target: How can a unit generate incremental visitor numbers and incremental spend? (repeat visits, recommendations to friends, etc., longer stay, preference of our over other destinations and destination components)

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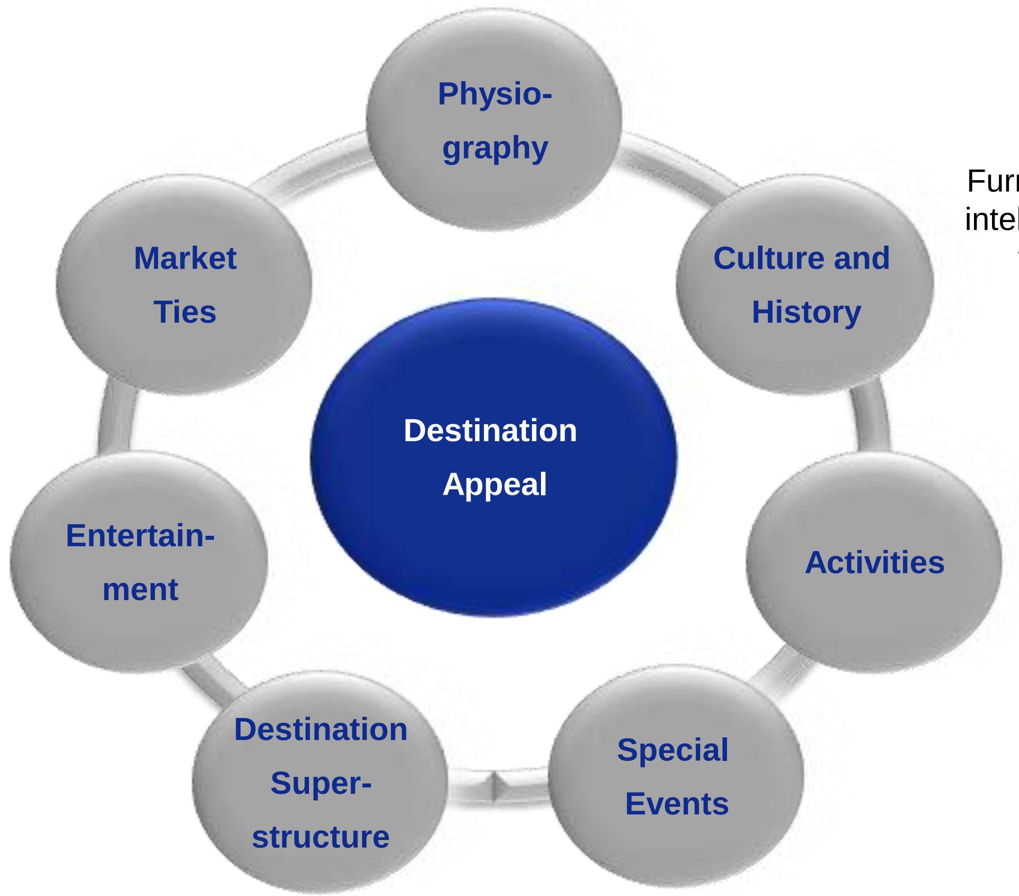
In essence, a destination's "Core Resources and Attractors" are of seven major types as illustrated in the generic model below. This applies to destinations as well as establishments

Eg landscape, scenery and climate.
Visual and sensual pleasure are derived from these elements

The strength of market ties serves as a major catalyst for synergies and destination visitation involving human relationships

Furnishes much of the intellectual satisfaction from visitations



The entertainment at a destination should complement activities and events

The range and mix of activities available at the destination - primary foundation of physical and emotional stimulation for residents, tourists and visitors

The super-structure components form a substantial percentage of the perceived fundamental character of a destination

Special events in a destination create extra dynamics and the uniqueness that make a destination memorable

Abu Dhabi as a destination positions itself as an active “luxury & style” destination (“Theming & Branding”), using the following Core Resources & Attractors and Destination Programming

CORE RESOURCES & ATTRACTORS – EXCURSE: ABU DHABI – POSITIONING

- Similar to other city / urban (tourism) “Destinations”, Abu Dhabi positions itself applying the principles of “Theming & Branding” as well as “Destination Programming” using “Core Resources & Attractors”.

Islands

Unknown to most the Abu Dhabi emirate is archipelagic, where nearly 200 islands are strewn along its coast.

Landmarks & Archeology

There are plenty of historical and contemporary sites for visitors to explore in order to obtain an understanding of the local culture of Abu Dhabi.

Music & Theatre

The Abu Dhabi Music and Arts Foundation organises regular concerts featuring the world’s top opera singers and classical music performers.

Cinemas & Concerts

For a quiet night on the town, visitors to Abu Dhabi can catch the latest movies from a number of cinemas across the emirate.

Shopping

Traditional and cosmopolitan, Abu Dhabi’s many shopping venues and locales reflect the emirate’s nature.

Sports

Water sports, equestrian, sand-skiing, golf, off-road driving, cricket…

Parks & Zoos

One of the most unique parks in Abu Dhabi is the Sheikh Khalifa Park, located in Al Matar area.

Mosques & Places of Worship

Every community in Abu Dhabi has a mosque where Muslims, led by an imam, come to pray.

What to Do

- *Landmarks and Archaeological .*
- *Music and Theatre*
- *Art and Culture*
- *Cinemas and Concerts*
- *Sports*
- *Beaches and Coasts*
- *Tours and Safaris*
- *Nightlife*
- *Parks & Zoo*
- *Beauty and Wellness*
- *Shopping*
- *Meet the Locals*
- *Unique Things to Do in Abu Dh.*
- *Museums and Galleries*
- *Islands*
- *Parks & Zoo*

- Practical Information
- Facts and Figures
- Where To Stay
- Where To Eat
- Business and MICE
- Plan Your Trip
- About ADTA

Museums & Galleries

The Al Ain Museum provides an accurate and beautiful montage of the ancestry, heritage and culture of the people in Abu Dhabi. The museum has two main sections: archaeology and ethnography, plus a third section where visitors can purchase gifts.

Art & Culture

- Traditional Music and Folk Dance
- Crafts
- Architecture
- Literature and Poetry
- Cultural and Religious Festivals

Abu Dhabi as a destination positions itself as an active "luxury & style" destination ("Theming & Branding"), using the following Core Resources & Attractors and Destination Programming:

ABU DHABI – PHYSIOGRAPHY (NATURAL RESOURCES)

DESTINATION RESOURCES	ELEMENTS (GENERIC)	RELEVANT / APPLICABLE (DESTINATION)
NATURAL RESOURCES	Water – Topography – Vegetation – Wildlife – Climate	• Climate: "Sunny weather" • Water: "Tranquil beaches" • Vegetation: "Lush oases" • Topography: "Desert dunes" • Wildlife: "Marine life", "Falcons"

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Abu Dhabi – Culture/History

Destination Resources	Elements (Generic)	Relevant / Applicable (Destination)
Culture / History	Traditions – History – Architecture – Handicrafts – Language – Education	• Traditions: Music, Dance, Folklore • History: Museums & Galleries • Architecture: "ancient" vs. "modern" • Crafts: "Emirati, 100% handmade"






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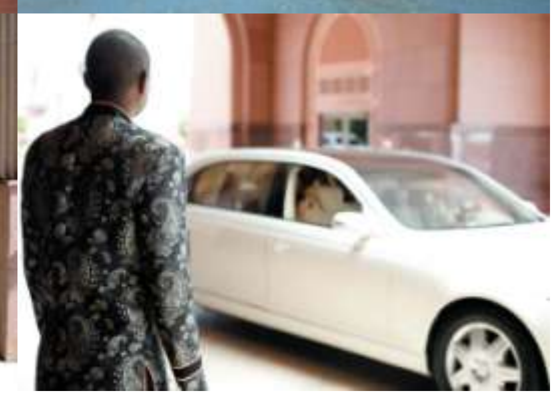
ABU DHABI – ACTIVITIES

DESTINATION RESOURCES	ELEMENTS (GENERIC)	RELEVANT / APPLICABLE (DESTINATION)
ACTIVITIES	Sports – Recreation – Shopping	• Sports: Competitions / Tournaments • Recreation: "Holiday experience like no other." Luxury Resorts & Hotels • Shopping: Souqs, Malls





Abu Dhabi as a destination positions itself as an active "luxury & style" destination ("Theming & Branding"), using the following Core Resources & Attractors and Destination Programming:

Abu Dhabi – Events

Destination Resources	Elements (Generic)	Relevant / Applicable (Destination)
Events	Cultural Celebrations – Arts – Business & Trade – Sport Competitions – Educational / Scientific – Recreational – Official / State – Private Events	• Cultural: e.g. Eid Celebrations • Arts: Museums and Galleries • Business & Trade: MICE Events • Sports: Formula 1, Boat Shows • Recreation: Safaris, Beaches, Spas

Abu Dhabi as a destination positions itself as an active “luxury & style” destination (“Theming & Branding”), using the following Core Resources & Attractors and Destination Programming:

ABU DHABI – ENTERTAINMENT

DESTINATION RESOURCES	ELEMENTS (GENERIC)	RELEVANT / APPLICABLE (DESTINATION)
ENTERTAINMENT	Food & Beverage – Nightlife – Theatre – Clubs – Cinema – Shows – Concerts	• All components; however, current potential under-developed.

CORE RESOURCES & ATTRACTORS – DESTINATION ABU DHABI – KEY FINDINGS & CONCLUSIONS

- Abu Dhabi as a “destination“ has limited unique natural resources: desert – sea / beaches.
- Hence, Cultural Resources programmes enhancing the destination focus on
  - “History & Heritage” (authentic elements, handicrafts, historic dances & folklore),
  - “Sports” (Formula 1, Golf, Sailing / Yachting / Speed Boats, Triathlon, etc.)
  - “Culture” (museums, galleries, some festivals)

  also aimed to differentiate from neighbouring destinations such as Dubai and Oman.
- Strong initiatives to strengthen the destination in the “MICE“ market segment.
- Leisure and entertainment activities (compared to other destinations) not maximised

  OPERATOR OPPORTUNITY: differentiators and USPs could be enhanced:
- Opportunity: more “integrated destination planning“ for “Core Resources & Attractors“ and “Destination Programming“ for all participants

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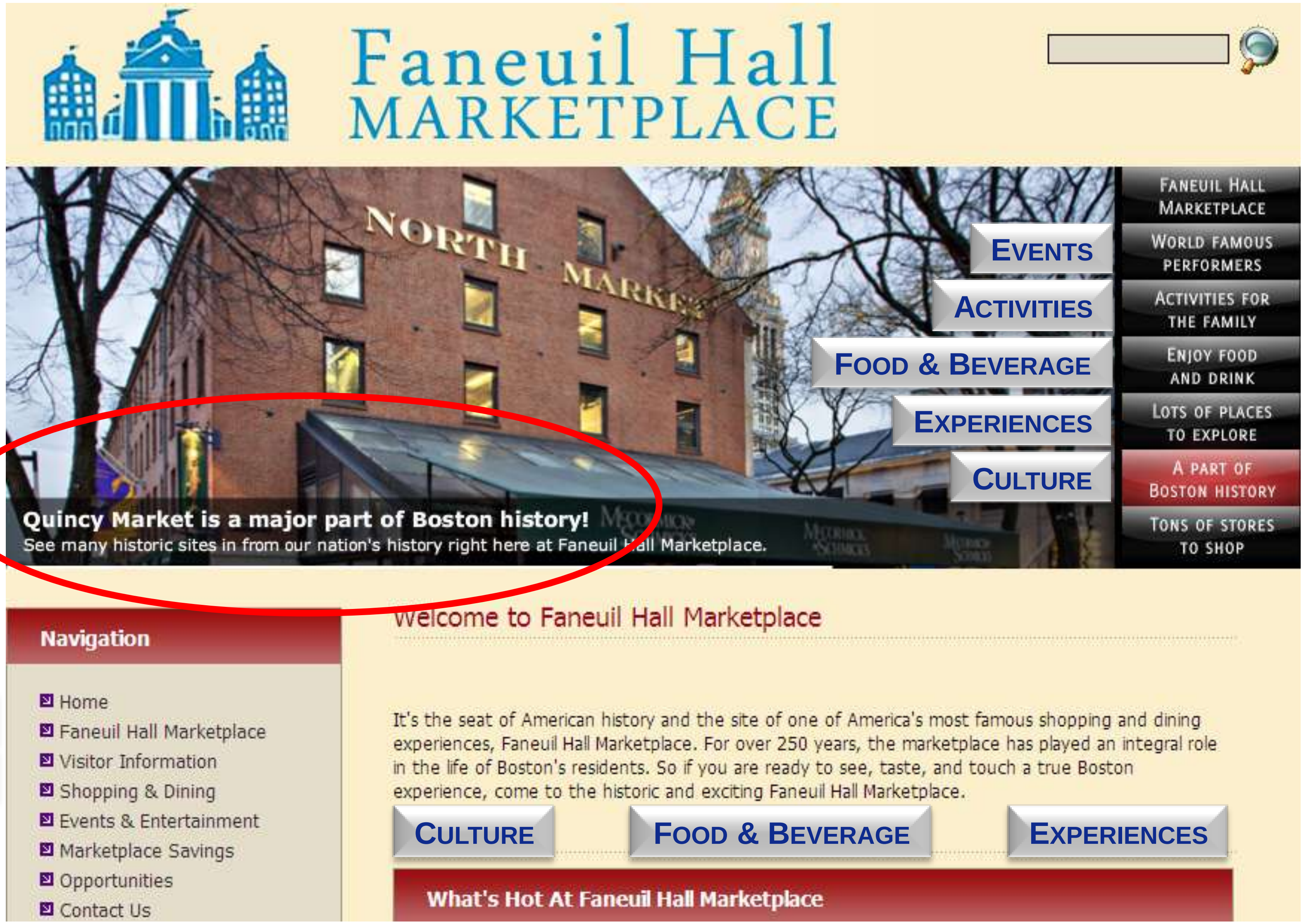
Unit Destination: "Faneuil Hall", a Shopping Destination in Boston is a good example for a "planned" and "programmed" destination. The "Destination Elements" remain the same.

DESTINATION PROGRAMMING AT UNIT LEVEL- EXAMPLE: BOSTON

LINK TO MACRO DESTINATION



EVENTS

ACTIVITIES

FOOD & BEVERAGE

EXPERIENCES

CULTURE

ACTIVITIES

EVENTS

CULTURE

FOOD & BEVERAGE

EXPERIENCES

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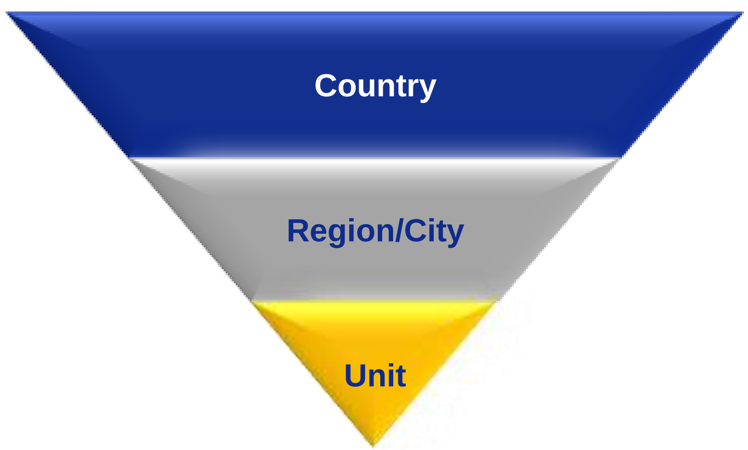
A hospitality establishments may only have limited influence over the programming of the destination it resides in but....

IMPLICATIONS FOR UNITS – SO WHAT?

- Take an active role in destination building
- Add to the destination positioning if you can (activities, events, attractions)
- Mirror the key aspects of your macro destination
- Discover the gaps and position yourself clearly
- Become more than the hotel – add experiential platforms and thus increase revenues
- Benefit actively from the offer of the destination (links to attractions, guides, programmes)
- Communicate the positioning widely
- Discover synergetic potentials



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Speaker Profile

In The Greater Scheme of Things

External Influence: Product Positioning (Destination Programming)

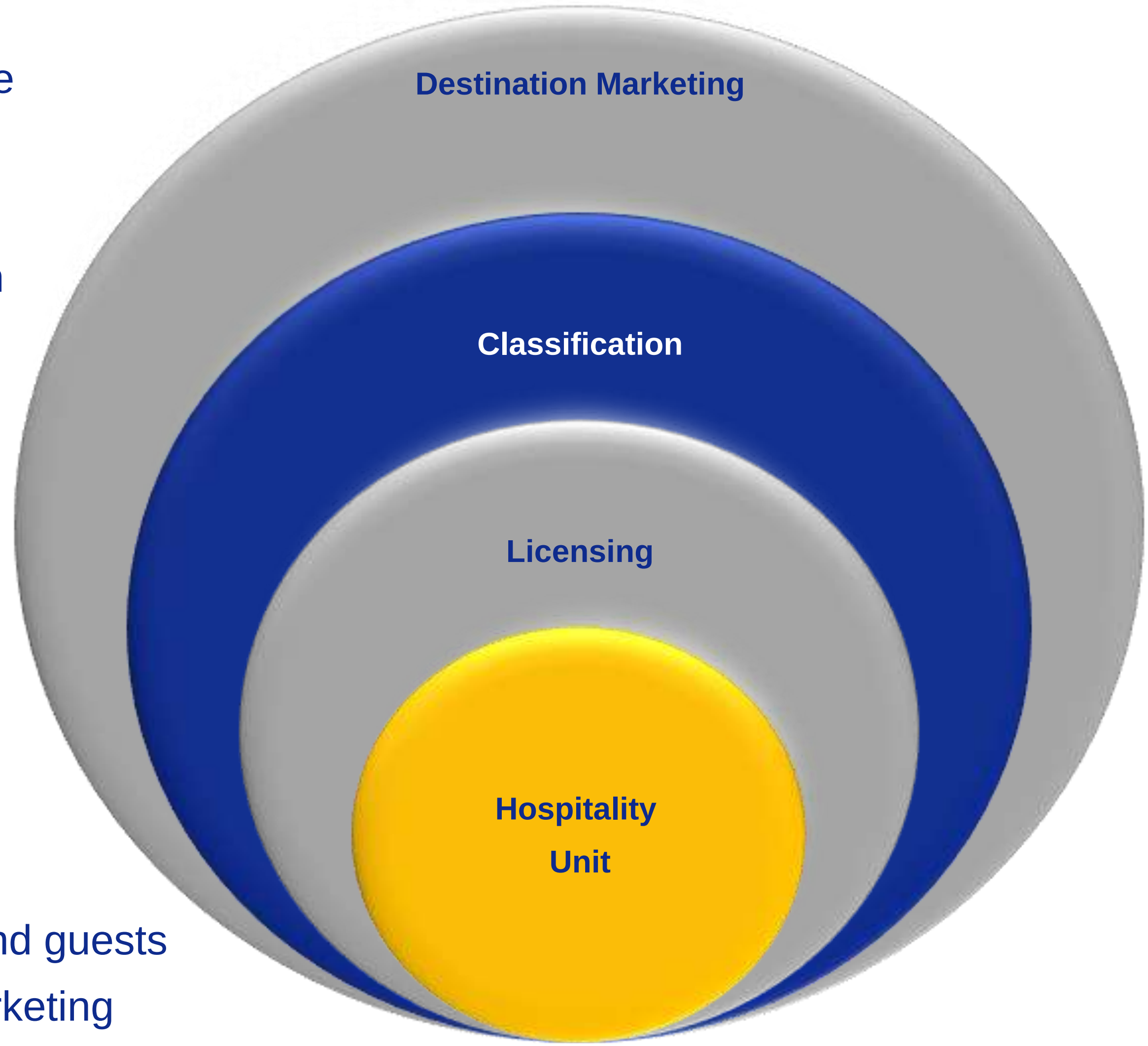
External Influence: Public Sector (Classification, Destination Marketing)

External Influence: Market Performance and Trends

Hospitality – as part of the tourism industry – sits within a framework of systems that are (in this region) typically handled by the public sector

PUBLIC FRAMEWORKS

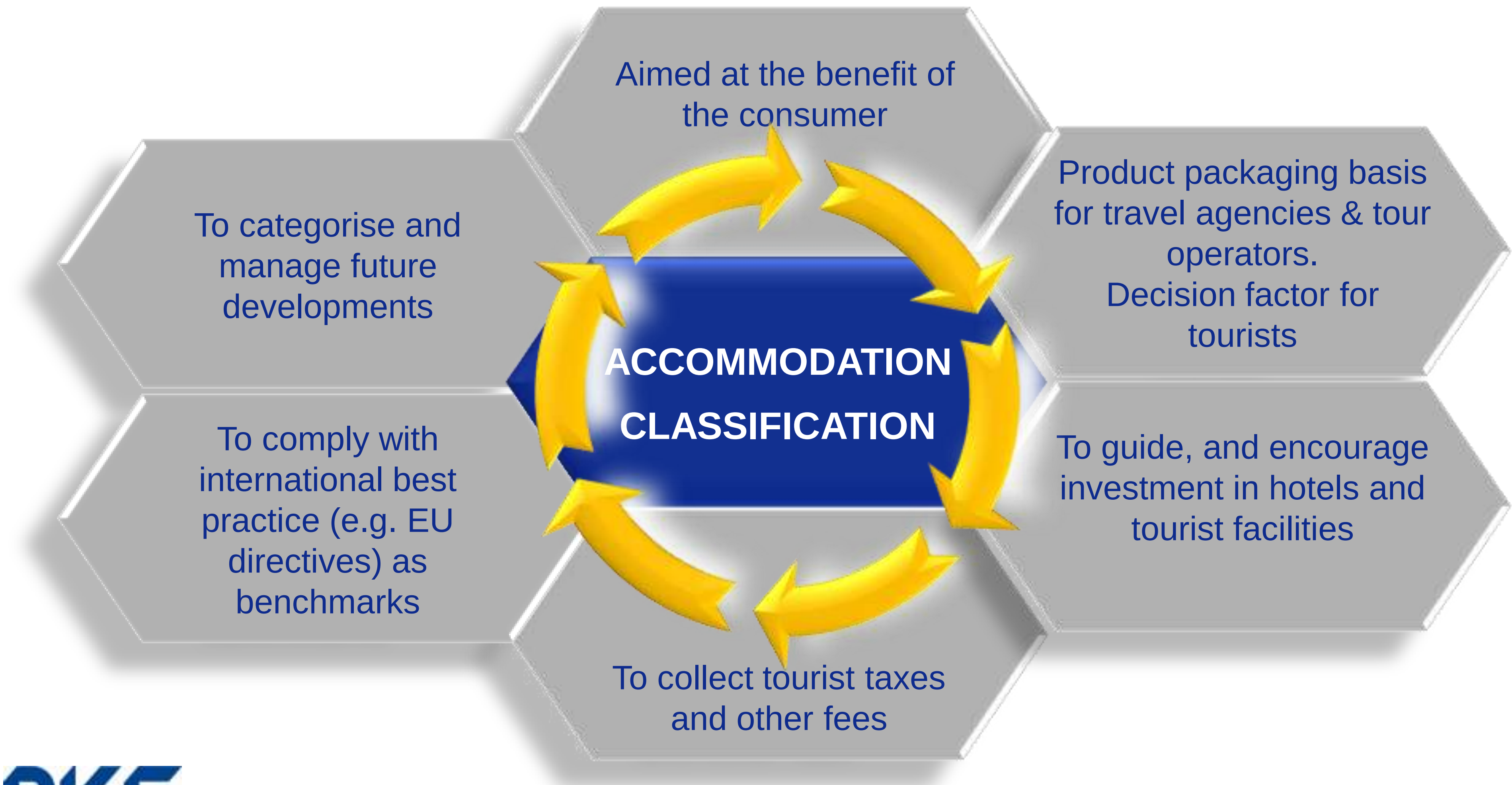
- Licensing => permission to operate
- Classification => positioning message
  - ⇒ Consumer protection
  - ⇒ Quality assurance
- Dest. Marktg. => strategic sales
  - => awareness
  - => marketing support



- Licensing ≠ Classification!!
- Classification ≠ policing or control!!
- Classification is
  - quality assurance aimed at tourists and guests
  - Is more connected to Destination Marketing

Classification should focus on the end user (tourist) as accommodation is the most visible component – and only then public sector interest. Schemes should be transparent.

REASONS FOR CLASSIFICATION



Hotel Classification is not easy for all parties involved: NTO's create and implement it, developers/planners & hotels have to adhere and - guests need to understand it!!

Hotel Classification – Status Quo – Pt.1

Location	System – latest version	Run By	Coverage	Classification	Nature
Abu Dhabi	2008	ADTA	Hotels, Hotel Apartments	1- to 5-Stars ("Green" rating + new 5-Star categories from 2011); Class A/ Class B (HAs)	Physical
Dubai	1998 (new system 2011)	DTCM	Hotels, Hotel Apartments, Guest Houses	1- to 5-Stars (2011: Platinum, Gold & Silver (for 5-Star) + Business/ Beach/ Desert / Heritage); Basic/ Standard / Deluxe (HAs)	Physical
Sharjah	2008	SCTDA	Hotels, Hotel Apartments	1- to 5-Stars	-
Ajman	-	Ajman Municipality	Hotels	licensing	-
Umm al Quwain	-	UAQ Municipality, Tourism Section	Hotels	Stars	Physical
Ras Al Khaimah	-	Department of Economic Development, Tourism Section	Hotels	1- to 5-Stars; 5-star only for international operators / other require 1 year of service + facilities track record	Physical
Fujairah	-	FTAA	Hotels	Stars	Physical

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Hotel Classification is not easy for all parties involved: NTO's create and implement it, developers/planners & hotels have to adhere and: guests need to understand it!!

Hotel Classification – Status Quo – Pt.2

Location	System – latest version	Run By	Coverage	Classification	Nature
Sultanate of Oman	2007	MoT	Hotels, Hotel Apartments	1- to 5-Stars /keys	Physical & Service **Quality**
KSA	Dec 2008	SCTA	Hotels, Furnished Apartments. To be included later: Villas, Hotel Apartments, Motels, Eco Lodges, Chalets and Rural Rest Houses	2- to 5- Stars for hotels and 1st, 2nd and 3rd class for furnished apartments.	Physical
Qatar	2007	QTA	Hotels	1- to 5-Stars / Colour (Bronze, Silver or Gold)	Physical
Bahrain	-	Ministry of Culture & Information – Tourism Section	Hotels, Hotel Apartments	1- to 5-Stars	Physical

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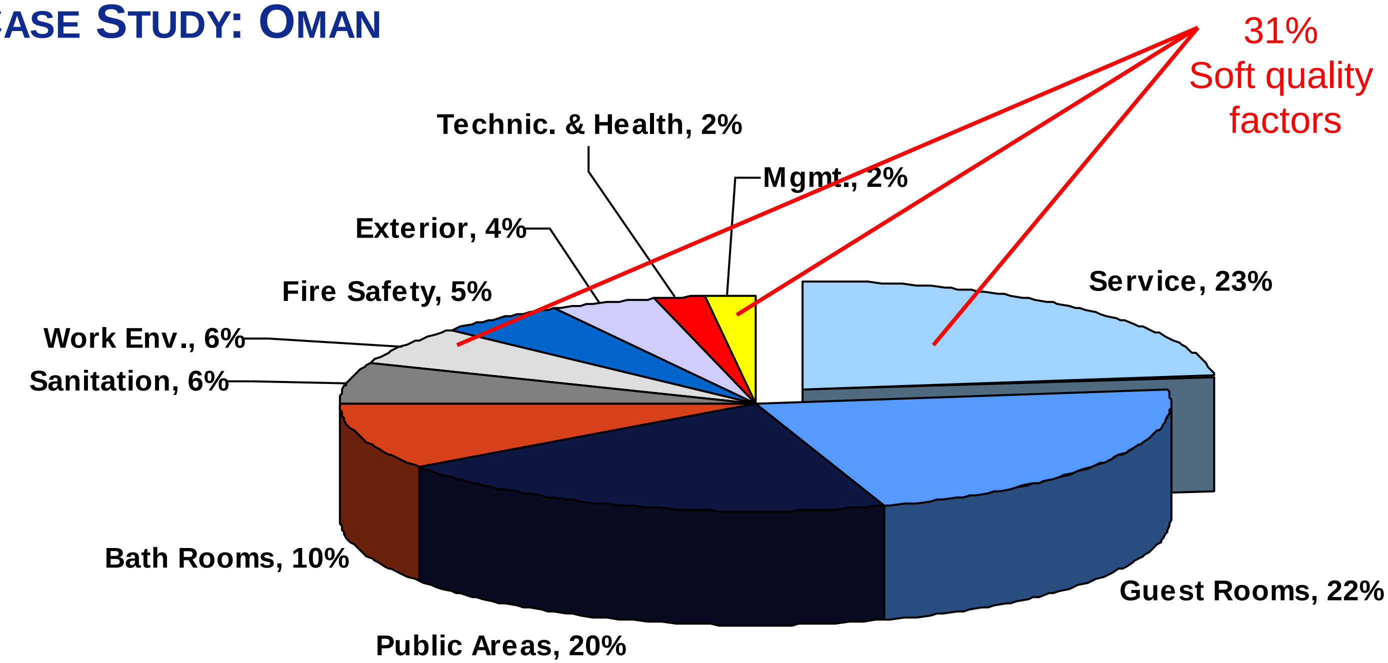
Systems from over 50 countries and destinations were benchmarked to identify best practice and lessons learnt. The result was a system with twist and a focus on service

HOTEL CLASSIFICATION CASE STUDY: OMAN



- Major step: focus on **quality** aspects such as service (which is important for guests!).
- Criteria such as quality of management and work environment added to ensure a complete criteria spectrum which enable a richer tourism experience.
- Bonus point system: attributes such as environmental awards and staff environment can increase a property’s rating and make up for physical disadvantages (say historic buildings).
- Two independent inspections rate each property on up to 350 criteria – co-operation is key
- Quality assured by the Ministry of Tourism and evidenced through a certificate and plaque.

Hotel Classification is primarily aimed at end users who decide largely by association (5 stars??
Therefore, a classification should be helpful to both guests and operators.

Selected Key Criteria in Comparison – Pt.1

Location	Min. Room Size 5-Star	Bath/Shower 4-Star	F&B Service 3-Star
Abu Dhabi	City: 35m² (single)-50 m² (suite); Resort: 37m² (single)-52 m² (suite)	Bathtub min. width 80cm; hot and cold taps; 25% of units: walk-in shower instead	Min. 1 restaurant; 16 hours/day room-service; Mini-bar
Dubai	All categories: 9 m² (single) -13 m² (triple) (floor area excl. hallways + bathroom)	Fully ceramic tiled; Bath tub with handle + shower, emergency kit; dual voltage shaver point	Two dining facilities; breakfast with 3+ hot dishes; Last order: 11pm
Sharjah	-	-	-
Ajman	-	-	-
Umm al Quwain	-	-	-
Ras Al Khaimah	All categories: 8 m² (single) -12 m² (triple) (floor area excl. hallways + bathroom)	-	-
Fujairah	-	-	-

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Selected Key Criteria in Comparison – Pt.2

Location	Min. Room Size 5-Star	Bath/Shower 4-Star	F&B Service 3-Star
Sultanate of Oman	60 m^2 (net room)	160 cm tub and shower stall in min 50% rooms, upgraded shower head	Cheque is presented face down
KSA	24 m^2 for twin-bedded room (minimum floor area)	No minimum size stipulated	A cafe should be open at least 8hrs/day.
Qatar	-	-	-
Bahrain	20 m^2 for single rooms and 30 m^2 for double rooms (sizes exclude bathrooms and hallways)	Bath tub or shower required	Min. of one 24/7 restaurant with at least one chair per bed

Most classification systems in the GCC have been renewed quite recently which makes it difficult to take an active role - but

IMPLICATIONS – SO WHAT?

- No doubt – this is a major challenge for operators!
- Understand the classification system …
- … not just as a must but also as an opportunity
- Classification is aimed at the guests, TAs and TOs – therefore it has to be marketed
- Position your unit realistically rather than highest possible – you have to consistently prove it
- Make use of the unique possibilities (green ratings, etc.)
- And if your system does not cover quality – apply for additional ratings (international systems and guides)
- Work with the local authority to enhance the next version – ie provide constructive feedback
- Support a development towards a federal system

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Tourism Development and Destination Marketing are typical public sector undertakings; in mature markets they are frequently privatized, outsourced or given to associations.

Destination Marketing - Tourism Authorities and Activities – Pt.1

Location	Entity	Activities	Structure	Tag Line	Development	Launched
Abu Dhabi	ADTA	Strategy, Licensing, QA, Dest. Marketing, Project Development	Emirate specific	Travellers welcome	TDIC (subsidiary)	2002
Dubai	DTCM	Strategy, Licensing, QA, Dest. Marketing	Emirate specific	Nowhere like Dubai		1997
Sharjah	SCTDA	Strategy, Licensing, QA, Dest. Marketing	Emirate specific	My Destination		1996
Ajman	Municipality	Licensing	-	-		
Umm al Quwain	Municipality, Tourism Section	Licensing	-	-		
Ras Al Khaimah	Department of Economic Development, Tourism Section	Licensing, some Dest. Marketing	Emirate specific	Welcome to Ras Al Khaimah		
Fujairah	FTAA	Licensing, Promotion, Supervision, Protect and develop Museums, and Antiquities	Emirate specific	Explore Fujeirah		2007

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Tourism Development and Destination Marketing are typical public sector undertakings; in mature markets they are frequently privatized, outsourced or given to associations.

Destination Marketing - Tourism Authorities and Activities – Pt.2

Location	Entity	Activities	Structure	Tag Line	Development	Launched
Sultanate of Oman	Ministry of Tourism	Strategy, Licensing, QA, Dest. Marketing, Development	National, regional	Beauty has an Address (Essence of Arabia)	Omran	2001
KSA	Saudi Commission for Tourism and Antiquities	Licensing, Protection and Development of Museums, Antiquities, Studies and Promotion.	National, regional, City	Rich in diversity	Saudi Hotels and Resorts Company	1999 (SCTA since 2005)
Qatar	Qatar Tourism Authority	Licensing, Promotion, Supervision.	National	Heart of the Arabian Gulf	Qatari Diar	2007 (1st Phase)
Bahrain	Ministry of Culture & Information	Strategy, Licensing,, QA, Marketing, Capacity Building, Data Collection.	National			

In the almost emirate UAE has a tourism authority – but there is a gap at federal level. Destination Marketing should start federal level to maximise global recognition

Destination Marketing – UAE Tourism Authorities

- What is the positioning message for the UAE as a whole? Why should tourists come here?
- Where are the cross-emirate packages?
- How are the individual emirates differentiated from each other (as far as tourists are concerned…)

هيئة أبوظبي للسياحة
ABU DHABI TOURISM AUTHORITY

Ajman??

Government of Ras Al Khaimah
RAK Tourism Office

Destination UAE??

Fujairah Tourism & Antiquities Authority

هيئة الإنماء التجاري والسياحي بالشارقة
Sharjah Commerce & Tourism Development Authority

حكومة الشارقة
Government of Sharjah

دائرة السياحة والتسويق التجاري
Department of Tourism and Commerce Marketing

Umm Al Quwain??

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An individual unit might find it difficult to step outside their local environment – of course global brands have more possibility in that respect. But it is worth getting involved!

IMPLICATIONS – SO WHAT?

For the Units:

- Take an active role in destination building
- Embrace what is being tried and make full use of it – rather than just criticise it…
- Utilise the marketing platforms available where they apply to your unit
- Work towards industry associations – preferably at federal level – initiatives are in place
- Determine UAE-wide synergies and experiential platforms

For the public sector:

- Work towards a federal level (Destination Marketing, Positioning, Classification)
- Support industry associations to assist in the effort and give the industry a channel to help
- Associations are also very helpful in creating educational platforms and criteria

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External Influence: Market Performance and Trends

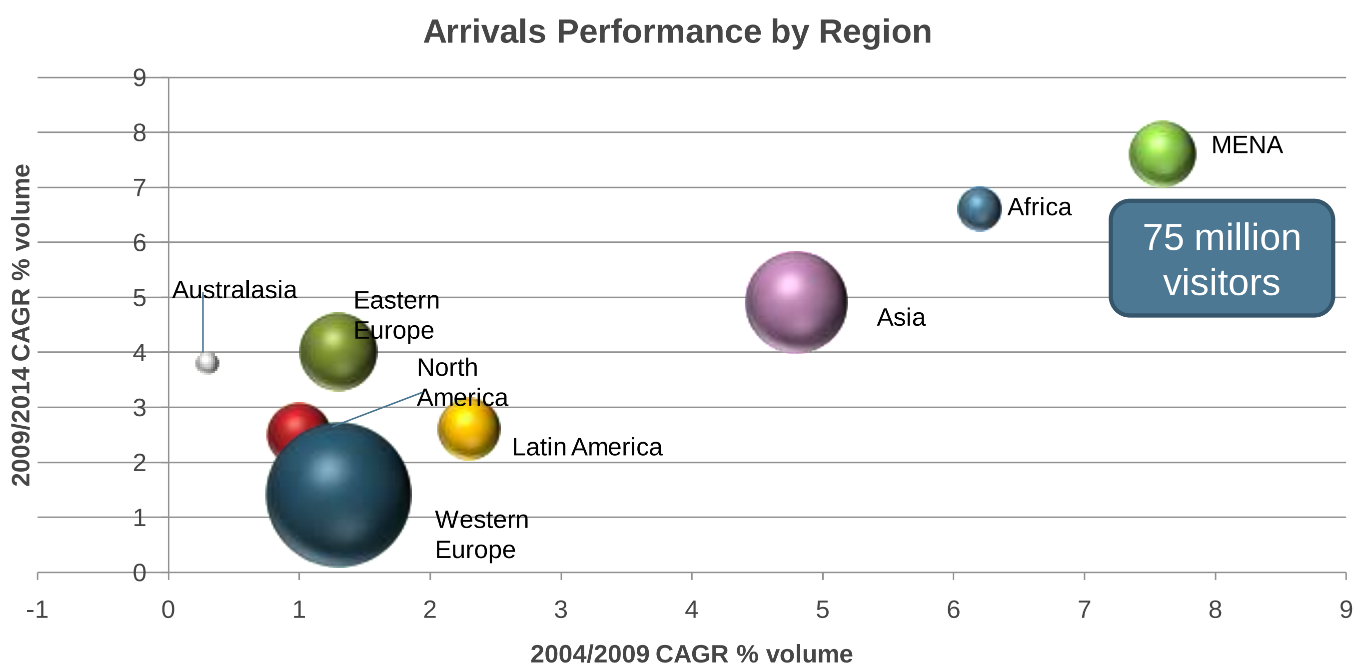
Although the last three years changed outlooks – and there is no denying that things have changed – our region still ranks top in tourism and travel growth forecasts

Euromonitor: MENA - a promising market

Tourism performance	Industry: Sector	© Euromonitor International

Middle East Outpaces Rival Regions

- Unprecedented decline in global arrivals 2009, down 5% to 898 million
- MENA suffers slowdown
- 2010 performance: global 1% vs MENA 6%
- To hit the 100 million visitors mark by 2014



Size of bubble reflects number of international arrivals

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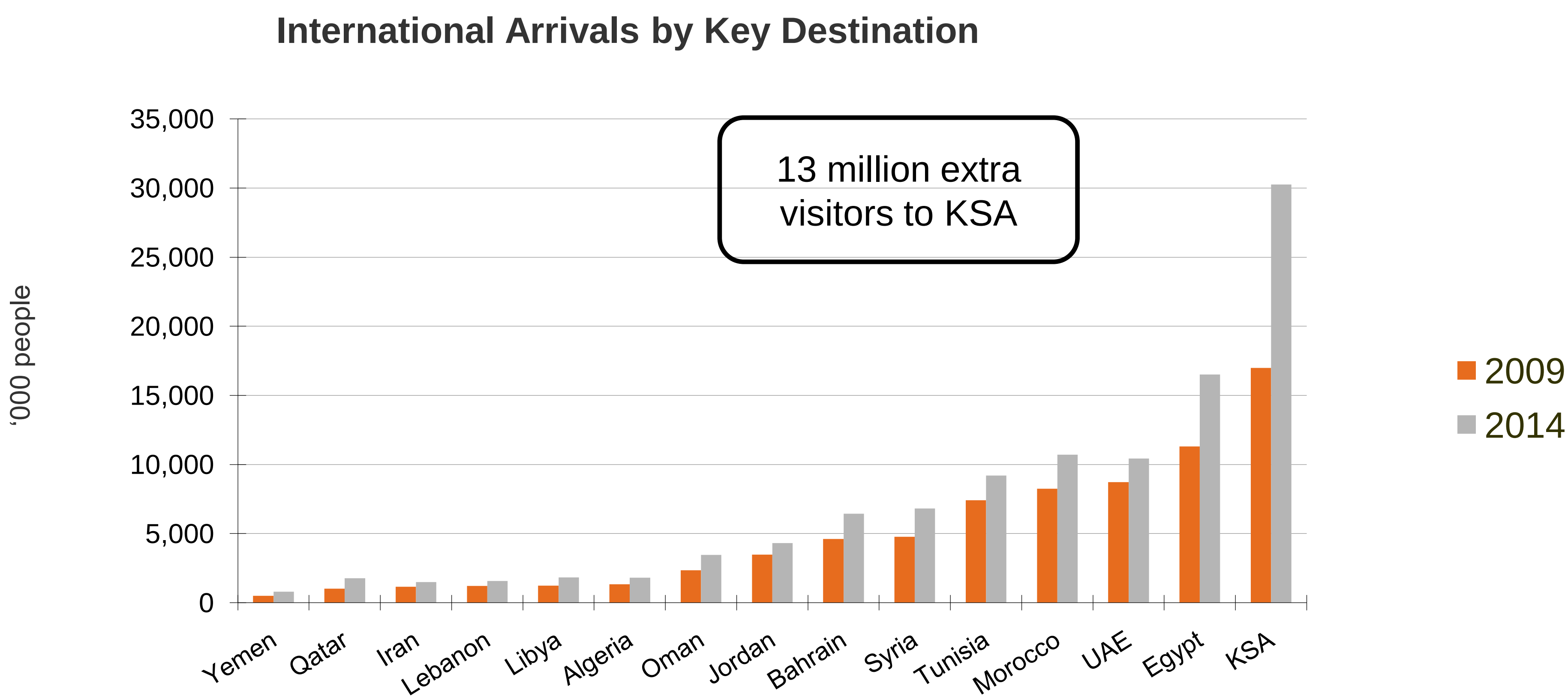
Within the region, the top markets are – unsurprisingly – KSA and – a little more surprising – Egypt. North Africa draws even with the UAE.

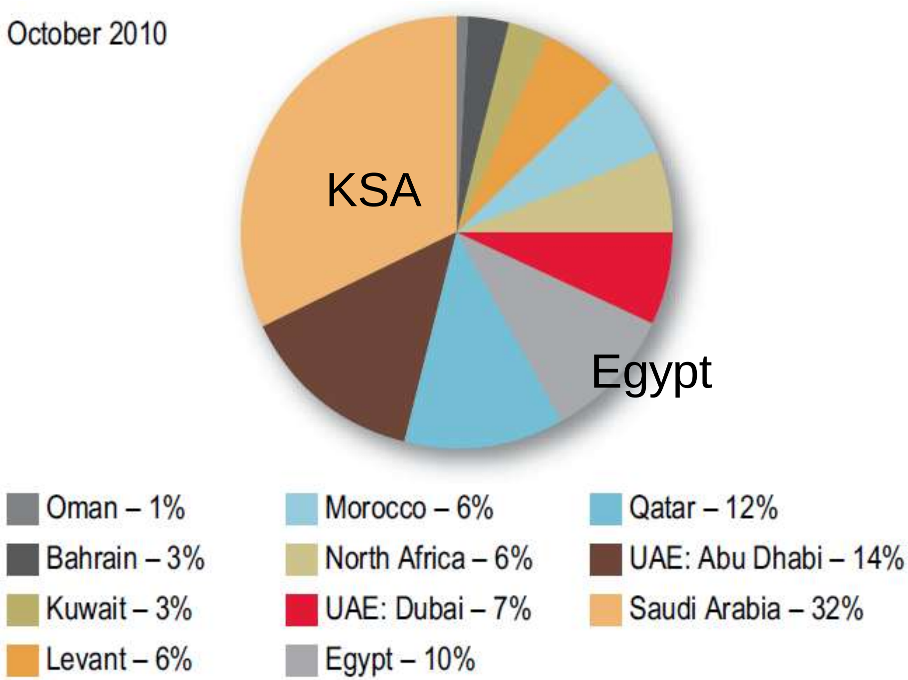
Euromonitor: KSA and Egypt score high – competition for the UAE?

- KSA accounts for 23% of region's visitors – fast growing
- Religious tourism resilience, future launch of pilgrim airline
- Emerging destinations: Qatar, Jordan and Libya
- Lebanon - boost from return to stability



The top rankers are confirmed by the investment community. Importantly, hotel yield expectations enjoy increasing confidence!

JLL: October 2010 real estate investor sentiment survey



Source: Jones Lang LaSalle Real Estate Investor Sentiment Survey, October 2009 and October 2010

Yield Expectations by Sector (Oct 2009 – Oct 2010)

	October 2009	October 2010	Change (bps)
Residential	10.0%	10.7%	70
Office	10.2%	10.8%	60
Retail	10.1%	10.7%	60
Hotels	11.3%	12.4%	110
Logistics	10.3%	10.9%	60
Average	**10.4%**	**11.3%**	**90**

Source: Jones Lang LaSalle Real Estate Investor Sentiment Surveys, October 2009 and October 2010

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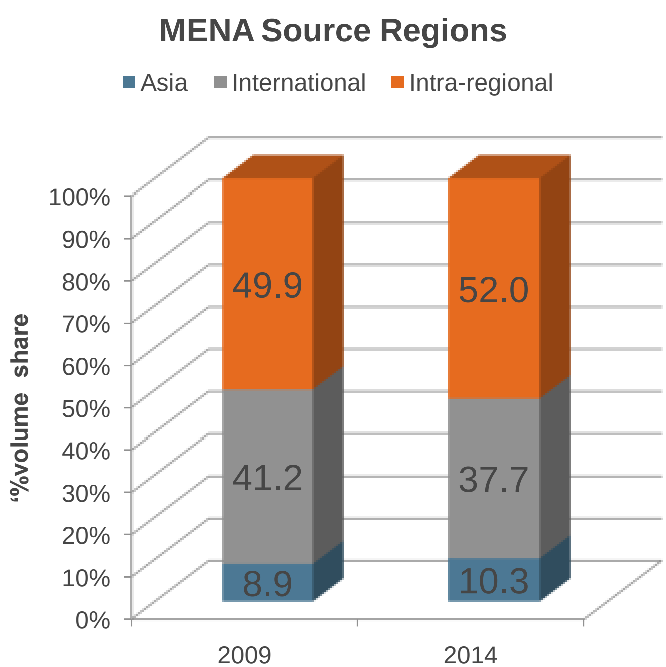
Investment and tourism growth are not directly influenceable at unit level, but source market trends are important to target marketing, sales and product positioning

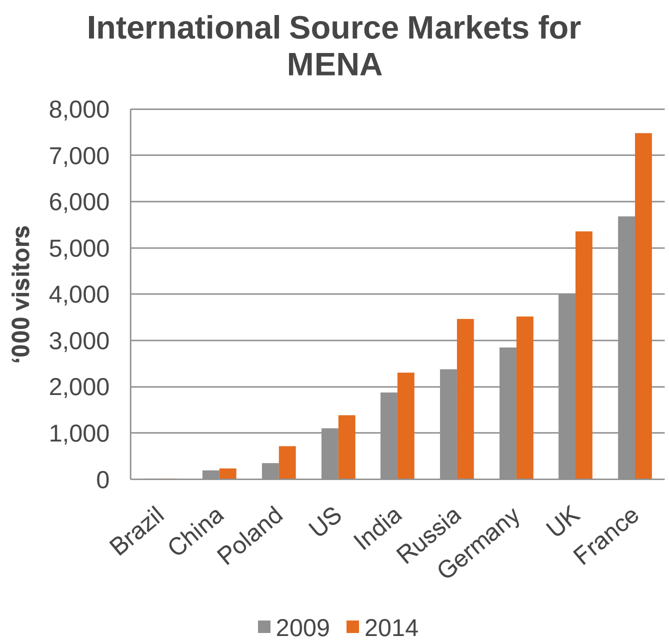
Euromonitor: Travel Source Markets

Tourism performance	Industry: Sector	© Euromonitor International

Source Markets Ready for a Shake Up

- Reliance on intra-regional travellers in the downturn
- China remains an untapped source of middle income spenders
- Brazil high spending also has great potential
- Poland only EU country to avoid recession





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Business Travel – probably the most lucrative segment in terms of travel motivation – is strong in our region, not least due to strong airline performance.

Euromonitor: Business Travel

Tourism performance | Industry: Sector | © Euromonitor International

Bucking the Global Business Trend

- Sharp decline in global business travel
- MENA shows strongest growth – resilience of airlines
- International business hub, strong infrastructure

Size of bubble reflects number of business arrivals

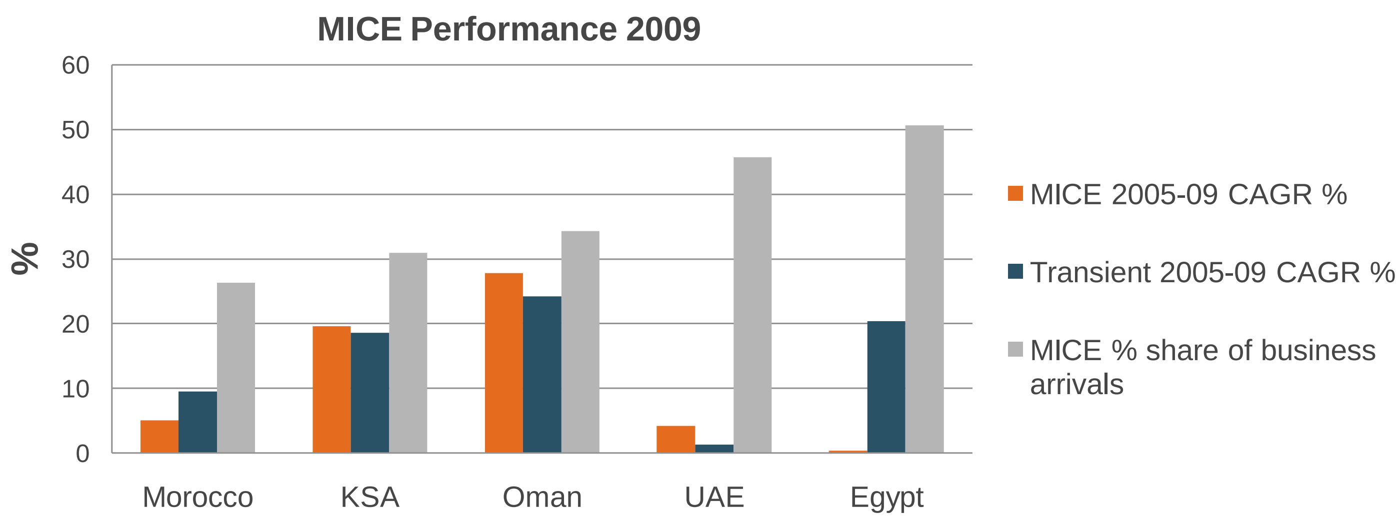
NICE – another very lucrative segment – is also strong in our region. In particular the new top markets are experiencing strong CAGR in this segment

Euromonitor: MICE segment

Tourism performance | **Industry: Sector** | © Euromonitor International

MICE Remains Key Focus

- Above average MICE penetration rates
- Outperformed transient for KSA and UAE
- KSA 100,000 events in 440+ venues



From a unit perspective, current and future supply (ie competition) are of course important. For hotels in particular this is a double edged sword.

Supply Trends

Dubai - 2007

- DTCM: hotel rooms estimated to rise from ~42,000 (2007) to >90,000 by 2015 (without Bawadi)
- HVS: additional 58,330 by 2015 = >110,000

Dubai - 2010

- DTCM current **hotel** supply 46,000. 60,000 by 2012 (JLL) – 14,000 additional between 2010-2013 (HVS May 2010) = revised total >60,000 and a severe future supply slow down
- Dubai Department of Finance: > half of 980 projects registered with (RERA) have been either cancelled or are in the process of being cancelled

TRI Future Hotel Establishments Supply - August 2010 (incl. Hotel Apartments)

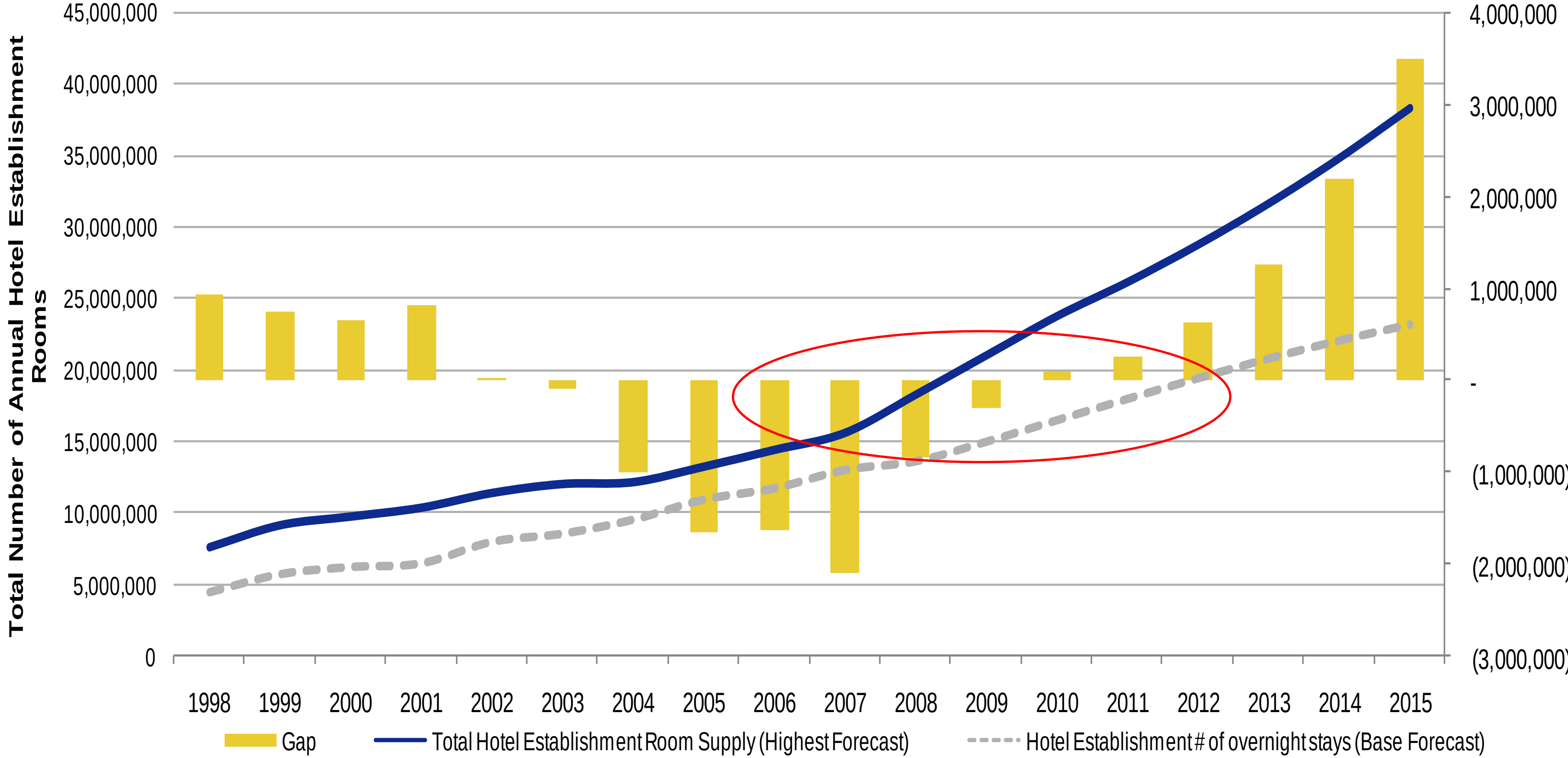
Room Supply* for GCC- 5,4 & 3 Star Hotels and Hotel Apartments

Current Supply		Additions to Supply						
	2009	2010	2011	2012	2013 Indication	2014 Indication	Total New Supply	
GCC	**331,632**	**15,864**	**19,824**	**26,592**	**21,670**	**11,050**	**95,000**	**+28.6%**
Cumulative Total Supply		347,496	367,320	393,912	415,582	426,632		
Dubai	**61,487**	**9,056**	**8,792**	**9,331**	**5,480**	**1,070**	**33,729**	**+54.9%**
Cumulative Total Supply		70,543	79,335	88,666	94,146	95,216		

PKF

Even in mid-2007 (still booming) it started to become evident that things will „normalise“ and the demand/supply gap will revert – at least when looking at the data carefully

PKF 2007: Dubai Hospitality Supply/Demand Gap – (Base = 70% Occ.)



Sources:
Third Party Industry Market Reports, DTCM, Dubai Statistics Center

- **Supply/ Demand Gap projects a scenario with a healthy 70% annual occupancy rate among all hotel establishment rooms**
- **Highest Hotel Establishment Room Supply Forecast based on an expert adjustment (2008 – 2015) on annual historic CAGR of 8.26% (1998 – 2007)**
- **Base Hotel Establishment total overnight stays based on a double occupancy calculation of total estimated hotel establishment guest nights for the period 1998 – 2015**

PKF

From a unit perspective, current and future supply (ie competition) are of course important. For hotels in particular this is a double edged sword.

Market Trends – so what?

- OK, so we will not have as easy a ride as we used to – but that was artificial anyway…
- OK, so now we will have to work harder for our money and get used to more "normal" results
- But we are in one of the strongest markets available and there is plenty of opportunity!

Considerations:

- At local level: clearly position the unit rather than trying to be all things to all people (ie guests)
- Analyse the relationship between source markets and segments, ie which segment comes from where. Offer, product and marketing efforts need to be tailored accordingly
- Never underestimate the local market. It brings not only incremental revenues but also drives much of the business and VFR arrivals!
- Appraise Hotel Owners regularly with realistic forecasts to avoid negative sentiments
- Synergetic partnerships at local level: work closely with MICE establishments, experience providers and partner hotels, transportation providers and indirect marketing channels

PKF

PKF-TCH is based on a set of highly important core values. They define our approach, level of quality and our reputation – every member of the team is very proud to "walk the walk"

Thank you for your interest!

www.pkf-tch.com


PKF The Consulting House

MarketMirror - Q3, 2010

REGION / SECTOR	UAE Abu Dhabi	UAE Dubai	UAE N.E.	BAHRAIN	KSA	OMAN	QATAR	ALL REGIONS
HOSPITALITY	4/10	6/10	5/10	5/10	7/10	5/10	4/10	5/10
RESIDENTIAL	5/10	4/10	4/10	5/10	7/10	5/10	5/10	5/10
RETAIL	6/10	5/10	5/10	4/10	6/10	5/10	6/10	5/10
OFFICES	5/10	4/10	4/10	4/10	5/10	4/10	4/10	4/10
ALL SECTORS	5/10	5/10	5/10	5/10	6/10	5/10	5/10	DISCLAIMER