

Hotel Intelligence
Dubai



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Market Snapshot



Tourism: Dubai's tourism market has shown strong growth in recent years, sourcing guests from markets led by India, the UK, Saudi Arabia and Germany. Dubai is seen as a safe haven for tourism and the industry has been backed by government efforts in terms of destination promotion and marketing. Tourism infrastructure development projects include the Dubai World Central airport complex, the Blue Water Project, expansion of the Trade Centre District and construction of the major mixed-use development of Mohammed Bin Rashid City among others.

Dubai attracted 10 million tourists for the first time in 2012, and the Department of Tourism and Commerce Marketing (DTCM) announced its aim to attract 20 million annual tourists by 2020 as part of the Dubai Vision for Tourism for 2020 plan. While Dubai's demand has begun to recover since the economic downturn, 2012 year-end figures showed an 8.5% growth compared to 2011. The upward trend continued in 2013. 11 million tourists visited Dubai in 2013, 11% more than in 2012. The tourist demand increases can be partially attributed to the popularity of Emirates Airlines, which continues to expand its seat capacity and number of destinations, facilitating tourist access to Dubai.

Supply: At the end of 2013, the Dubai hotel market included 611 graded hotel establishments with a total of 87,187 rooms and serviced apartments. The upscale and upper-upscale hotel segments (4-star and 5-star hotels) dominated the graded supply and represented 69% of total inventory of hotel rooms. Graded supply in the city has grown at a CAGR of 8.3% over the last 5 years, and total supply is expected to increase 8.2% in 2014 and 5.1% in 2015. Total room supply is expected to grow at a CAGR of 7.9% between 2014 and 2017.

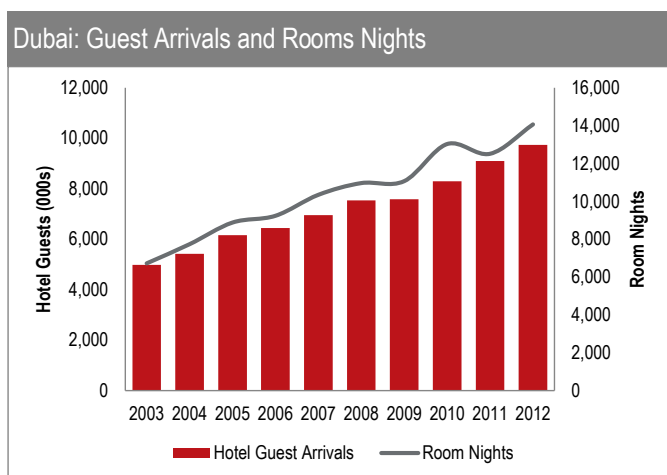
Trading: Dubai has benefitted from a diversified demand base because of its leisure and business facilities. Major retail centres such as Dubai Mall and Mall of the Emirates form a substantial portion of demand due to their popularity among guests from the GCC. The popular Jumeirah Beach and Palm Jumeirah offer beach resorts for tourists seeking the sea and sand. Extensive facilities in Dubai's Central Business District (CBD) such as the World Trade Centre provide locations for business and conferencing.

Performance levels have attained their highest levels since before the economic crisis. Improvements were seen in occupancy, ADR and RevPAR in 2013. These improvements are due to strong first-half performance; year-end inflation-adjusted RevPAR increased by 10.1%. Performance figures have grown annually despite supply increases in recent years.

Continuous growth in hotel guest arrivals

	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR 2005- 2012
Visitor Arrivals ('000s)										
Domestic	327	327	321	386	437	771	862	967	1,070	18.5%
International	5,094	5,833	6,121	6,566	7,095	6,812	7,432	8,129	8,662	5.8%
Total	5,421	6,160	6,442	6,952	7,531	7,583	8,294	9,096	9,732	6.8%
Growth p.a.	8.8%	13.6%	4.6%	7.9%	8.3%	0.7%	9.4%	9.7%	7.0%	-
Room Nights ('000s)										
Total	7,733	8,876	9,233	10,342	10,961	11,063	13,024	12,509	14,061	6.8%
Growth p.a.	15.1%	14.8%	4.0%	12.0%	6.0%	0.9%	17.7%	-4.0%	12.4%	-

Source: DTCM



Source: DTCM

Dubai has strengthened its position as a leading tourism destination in the Middle East due to its ease of access, quality branded hospitality offering, modern infrastructure, leisure and entertainment options and safe environment. The UAE has benefitted to an extent from the political instability in some Middle Eastern countries, as international tourism traffic has been redirected from other regional destinations to Dubai.

Dubai saw a 7% increase in hotel guest arrivals in 2012 and realised a CAGR of 9.7% between 2009 and 2012. According to DTCM, 2012 saw over 14 million room nights. This increase in tourist arrivals has helped keep occupancy high despite the rapid expansion of hotel supply. In 2013, Dubai recorded an average occupancy of 80%, showing an uplift of 3% compared to 2012. Tourist growth continued in 2013, with more than 11 million tourists visiting, up 11% from 2012. The average length of stay reached 3.89 days, up from 3.82 in 2012. The average length of stay has increased at a CAGR of 7% since 2010.

The emirate's rapid growth is expected to continue, helped in part by major infrastructure and development projects, including airport improvement and expansion, the tram system, Dubai Pearl, Mohammed Bin Rashid City and completion of the Trade Centre District project. The airport and tramway infrastructure projects will facilitate transit and city access. Plans for Dubai Pearl and Mohammed Bin Rashid City include extensive entertainment options, residences and hospitality accommodations. The Trade Centre Project will expand Dubai's MICE facilities by 146,000 sq. m. and help the city to attain its goal of being a global destination of choice for conferencing.

Development of leisure attractions has been announced in the areas of Dubailand and Jebel Ali. Dubailand is currently home to cultural entertainment at Global Village, racing at Motor City, sporting events and sporting academies and the Dubai Outlet Mall. Additional development plans include the City of Arabia, Palmarosa, Dubai Lifestyle City, Universal Studios and LEGOLAND. Development plans in Jebel Ali include Dubai Adventure Studios, Six Flags, Bollywood Parks, a water and marine life park, children's theme park, night safari and extensive retail and dining offerings. Completion of the first phase of the Jebel Ali development is expected by the end of 2014.

Announcements have been made for expansions to the Mall of the Emirates and Dubai Mall, two of Dubai's major retail centres. The developer of Mall of the Emirates has announced a USD 273 million expansion, including additional retail space and a new luxury hotel. Dubai Mall, already the world's largest mall by area, will be expanded by almost 93,000 sq. m. With this new expansion, Dubai Mall will be able to serve 100 million visitors annually.

Tourism demand in Dubai is supported by a significant number of new developments under construction and proposed, as listed below.

Dubai: Infrastructure Developments (as of May 2014)**Recently Opened**

Dubai International Airport Concourse A Concourse A at Terminal 3 is the world's first A380 facility, with a total of 528,000 sq.m. spread across 11 floors and the capacity to handle 15 million passengers a year. Concourse A was built for the exclusive use of Emirates. Once fully open, Concourse A will increase passenger capacity from 60 million to 75 million.

Al Maktoum International Airport Al Maktoum International Airport in Dubai World Central near Jebel Ali underwent a soft opening in October 2013 as Phase I of construction was completed. The airport aims to become the biggest in the world, with plans to accommodate 160 million passengers by 2020.

Under Construction

Deira Islands Dubai-based developer Nakheel recently contracted developers to design facilities on Deira Islands, off the coast of the city. Tenders are currently being awarded and the islands are expected to be home to extensive hospitality services once completed, including approximately 23,000 hotel rooms, a market and a boardwalk area. Deira Islands were the first reclaimed land pieces for the larger Palm Deira project, which has since been cancelled.

Dubai Canal Dubai Canal is a project planned to extend the Dubai Creek, and the master plan includes extensive hospitality facilities. The Canal is planned to stretch from Business Bay to Jumeirah and pass beneath Sheikh Zayed Road. Hospitality offerings along the 3-kilometer canal reportedly include shopping malls, four hotels and more than 400 restaurants. The project is expected to be completed by 2017.

Trade Centre District Project The site is 146,000 sq.m. between DICEC and Emirates Towers. Construction includes a mid-scale hotel of 588 keys and 3 buildings located immediately adjacent to DICEC. The developer is targeting a completion date between 2015-2016. The project had previously been on hold since 2010.

Mohammed Bin Rashid City District 1 District 1 will have 1,500 luxury villas, a 350,000 sq.m. water park, a crystal lagoon body of water, man-made beaches, retail zones and leisure and sports attractions. The project will be delivered in four phases and will be completed in 6-8 years.

Dubai International Airport Concourse D Work on Concourse D has begun and is expected to be finished in 2015. The main renovations are in refurbishing and modernising the facilities. The arrivals hall will be expanded with new outlets, while the forecourt will be reconfigured to improve traffic flow.

3 Additional Metro Lines Plans suggest covering an area of 421 km with 197 stations will be built in 3 phases-in 2020, 2025 and 2030. The Blue, Gold and Purple lines, plus a Jumeirah tram route, will be added by 2030. The tramway will connect to the Dubai Metro at 3 stations and will link with the Monorail of the Palm Jumeirah.

Dubai Pearl Dubai Pearl was initially scheduled to reach completion in 2013, but has been delayed to 2015. Construction has been limited in recent months. The Pearl overlooks the Palm Jumeirah and will contain branded apartments, retail and leisure, commercial offices and hospitality units. It will contain four towers around a large podium with 1,490 apartments, seven 5-star hotels, over 60 restaurants and a 1,800-seat theatre.

Bluewater Island Bluewater Island is a mixed-use island off the coast of Jumeirah Beach Residence that is being developed by Meraas. The 210-meter Dubai Eye will become the world's largest Ferris wheel and will be at the centre of the Island development. The development will also include retail, residential, hospitality and entertainment zones.

Passenger arrivals continue to rise



Source: Dubai International Airport

Dubai International Airport has established itself as a leading hub in the Middle East and was recently declared to be the fastest growing airport in the world by seat capacity growth. Frequency and Capacity Trend Statistics by OAG FACTS indicated that Dubai International Airport had 757,000 more seats available in April 2013 than in April 2012. Popular passenger destinations were led by India, Saudi Arabia, the United Kingdom, Australia and Pakistan. The opening of Phase I of Al Maktoum International Airport in October 2013 expanded the city's flight capacity.

Passenger arrivals have grown at a rapid CAGR of 15% since 2004. Dubai International Airport handled 66.4 million passengers in 2013, 15.2% higher than in 2012. The growth is largely attributed to the UAE's substantial efforts in forming partnerships with other countries which have helped to boost trade, tourism and investment between the UAE and other nations. Open sky policies have allowed an unlimited number of designated airlines from each country to schedule flights between the two countries. The UAE now has contracts with more than 160 countries, and 122 of these contracts are open sky or largely non-restrictive arrangements. Dubai has acted to accommodate these demand increases.

Concourse A at Terminal 3 of Dubai International Airport was opened early in 2013 and added the capacity to handle 15 million additional passengers every year. Terminal 3 serves Emirates and Qantas exclusively, and Concourse A can accommodate A380 flights at all of its 20 gates. In addition, construction has begun to improve Concourse D and is expected to be finished in 2015. The main renovations include refurbishing and modernising the facilities. The arrivals hall is to be expanded with new outlets, while the forecourt will be reconfigured to improve traffic flow.

Dubai's ambitious Vision for Tourism 2020

H.H. Sheikh Mohammed Bin Rashid Al Maktoum, the Ruler of Dubai, approved Dubai's Vision for Tourism for 2020 in May 2013. Dubai saw 10 million tourists in 2012 and the Vision involves doubling this number by 2020. The number of tourists doubled from 5 million in 2004 to 10 million in 2012. According to DTCM, the target will be achieved by maintaining existing market share of tourism from source markets, increasing the number of repeat visits and increasing Dubai's visibility as a destination for tourists from markets such as China, Latin America and emerging markets in Africa. DTCM has listed that the key focus areas are in positioning the UAE as a leading family destination, an event destination and a business destination.

In order to position itself as a leading destination for families, DTCM is involved in the expansion of existing attractions and events that attract families. The emirate has launched projects such as theme parks, a larger zoo and substantial expansion of retail projects. Majid Al Futtaim will spend USD 273 million to expand the Mall of the Emirates, and Emaar Properties announced that it would add almost 93,000 sq. m. of additional space.

Dubai is considered a regional hub for events, and the Vision for 2020 seeks to augment Dubai's status to become a global destination for events. In line with this goal, the Dubai Events and Promotions Establishment, which organises events such as Dubai Summer Surprises and Dubai Shopping Festival, was recently integrated into DTCM. DTCM has also been looking into second-tier events in Dubai to analyse how they can be augmented in terms of the number and size to make them into first-tier events.



Market preference for upscale accommodation

DTCM's final goal is to make Dubai into a leading destination for corporate business travellers and MICE. MICE is expected to form a substantial portion of the Vision 2020 goal, with goals of more than doubling the number of visitors in this segment. The conference facilities at the Trade Centre are being expanded in line with this goal will add 146,000 sq. m. of conference space.

Dubai successfully bid to host the World Expo in 2020, creating an additional demand source. The Expo is expected to help the emirate reach its goal of 20 million tourists. Dubai beat São Paulo in Brazil, Ekaterinburg in Russia and Izmir in Turkey. The Expo occurs every 5 years and serves as an exhibition of artistic, industrial, scientific and technological achievements of each country that participates. Dubai plans to hold the Expo under the theme of "Connecting Minds, Creating the Future" in the Dubai World Central and Jebel Ali areas, halfway between the city centres of Dubai and Abu Dhabi. Dubai World Central, the site, is planned to be over 160 sq. km. Authorities have predicted that the event, lasting between October 20, 2020 and April 10, 2021, will attract approximately 17.5 million international visitors.



Dubai: Graded Hotel Supply (as of May 2014)

Grade	Establishments	Rooms	% Of Total
5 star	80	26,448	31.0%
4 star	85	16,283	19.1%
3 star	64	8,714	10.2%
Hotel Apartments	202	24,149	28.3%
Other	184	9,686	11.4%
Total	615	85,280	100%

Source: JLL Hotels & Hospitality Group

According to our figures, Dubai's total supply included 615 hotels housing a total of 85,280 hotel rooms and serviced apartments as of April 2014. While these numbers show an increase in supply, hotel room composition is changing to follow demand.

Recent years have been characterised by a shift in market segmentation. Since 2010, the number of 5-star rooms has grown at a CAGR of 11% and the number of 4-star rooms has grown at a CAGR of 7.1%. The number of 3-star rooms has remained approximately the same but the number of lower tier rooms has decreased at a CAGR of 3%. The focus on supply increases in the 4-star and 5-star segments shows a preference for better quality hotels.

Developers have tended to focus on construction of upscale and upper-upscale properties, especially in Dubai's CBD and along the beach. However, this preference has led to a gap in mid-market and budget hotel rooms, which respectively make up only 15% and 16% of the total room supply.

As Dubai continues its efforts to become a world leader for tourism, the city's expansion is creating sub-markets with differing demand. The main sub-markets are the CBD, the older Dubai areas of Deira/Bur Dubai, the resort area and the emerging districts such as TECOM and Al Barsha. The Dubai market is moving toward maturity, and each of these sub-markets shows a preference for a different class of supply.

The resort area includes Jumeirah Beach, the Palm Jumeirah and Dubai Marina. The hotel supply in this area is heavily proportioned toward upscale and upper-upscale preferences, with 100% of quality hotels being classified as either 4-star or 5-star. The resort area, which is popular with leisure tourists, is expected continue to develop upscale and upper-upscale resorts to cater to international demand. As more hotels are built along the beach and on Palm Jumeirah, available plots of land are becoming increasingly rare and prices are increasing.

Expanding pipeline due to market recovery

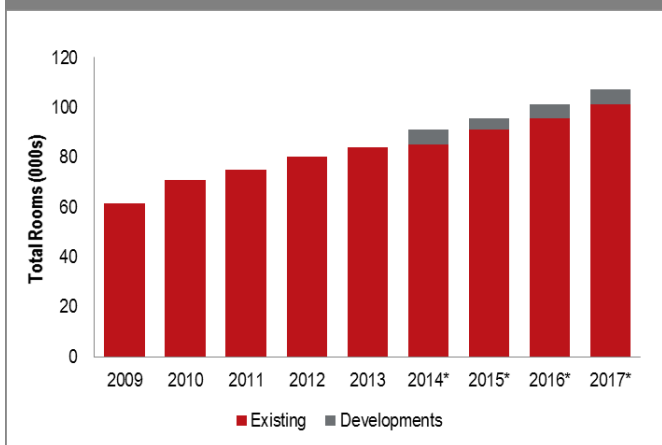
The CBD includes Downtown Dubai, Business Bay, the Dubai International Financial Centre area (DIFC) and Sheikh Zayed Road. This area also shows a high proportion of upscale and upper-upscale properties and hotels in this area benefit from their proximity to Dubai's business hub, major retail centres and DIFC facilities. 98% of hotels in the CBD are composed of 4-star or 5-star hotels. The CBD is expected to continue developing additional upscale and upper-upscale properties, but some midscale developments have the potential to be successful. In particular, Business Bay has risen as an emerging area within the CBD, with multiple high-profile hotel developments under construction.

The Deira/Bur Dubai region is the oldest part of the city and shows a wider array of hotel composition. Only 53% of the supply is composed of upscale and upper-upscale hotels. The demand in Deira/Bur Dubai exhibits greater price sensitivity than in the resort area or the CBD, so midscale hotels are more prevalent. Hotels in Deira/Bur Dubai still constitute more than 50% of Dubai's overall room supply.

The emerging areas in Dubai include districts such as Al Barsha, TECOM and Media City. These areas show a high proportion of upscale and upper-upscale hotels, but the supply is composed of fewer 5-star hotels than the resort and CBD areas. Business demand for this area has been primarily by midscale and upper-midscale properties; however, there has been a recent surge in development of 4-star and 5-star hotels.



Dubai: Hotel Supply



*Forecast

Source: DTCM, JLL Hotels & Hospitality Group

The economic downturn heavily impacted Dubai's tourism in 2009, but the market has recovered strongly. 2012 was the first year since 2008 that saw announcements of several major projects for the first time after 2008. Some projects that previously experienced delays due to the economic situation have been continued. Over the next 4 years, more than 24,000 hotel rooms and serviced apartments are expected to be added to the market.

The majority of the supply expected to open between 2014 and 2016 is concentrated in the upscale and upper-upscale segments. These hotels will primarily be operated under popular international brands including Hilton, Four Seasons, InterContinental Hotels Group, Marriott, Starwood, Hyatt and Carlson Rezidor, as well as UAE-based The Address, Rotana and Jumeirah.

The Address The Boulevard will represent further expansion of Emaar's brand upon opening in 2015. Viceroy recently announced plans for 2 hotels scheduled to open in 2016 and 2017. Wyndham announced plans for a 672-room TRYP by Wyndham scheduled to open in 2016, and Dream Hotels announced that a Dream hotel would open in Marina 101, the second-tallest building in Dubai. Each hotel would be the first of its brand in the Middle East. In addition to these new brands, Habtoor City at the site of the former Metropolitan Hotel will become home to three Starwood hotels in 2017: Westin, St.

The first Waldorf Astoria in Dubai (the second in the UAE) is opened on Palm Jumeirah in the first quarter of 2014. These internationally branded hotels will join iconic Dubai hotels such as the Burj Al Arab and Jumeirah Beach Hotel, both managed by Jumeirah, as well as Atlantis The Palm.

In addition to the announced projects, a number of master plans are expected to include hospitality accommodations. Mohammed Bin Rashid City is expected to be home to a total of 100 hotels upon completion, and plots on Deira Islands are anticipated to include approximately 23,000 rooms. Further details of hotel developments at these areas have not been released.

Dubai: Hotel Developments (as of May 2014)

Hotel	Location	Rooms	Grade	Year	Operator
Opened in 2013 and 2014					
Anantara The Palm	Palm Jumeirah	293	5	2013	Minor Hotel Group
Conrad Dubai	Sheikh Zayed Road	555	5	2013	Hilton
Flora Al SOUQ	Al Baniyas	80	2	2013	Flora Hospitality Group
Millennium Hotel Airport extension	Bur Dubai/Deira	700	5	2013	Millennium & Copthorne
Movenpick Hotel & Residence Jumeirah Lake Towers	Jumeirah Lake Towers	168	5	2013	Movenpick
Movenpick Residence at the Square Dubai	Bur Dubai/Deira	180	4	2013	Movenpick
Novotel Al Barsha	TECOM/Al Barsha	466	4	2013	Accor
Oberoi Business Bay	Business Bay	290	5	2013	Oberoi
Ocean View Hotel	Jumeirah Beach Road	342	4	2013	Unbranded
Sofitel The Palm	Palm Jumeirah	543	5	2013	Accor
Vida Downtown Dubai	Downtown	156	4	2013	Emaar
JW Marriott Marquis Hotel Dubai Tower II	Business Bay	294	5	2014	Marriott
Marriott Executive Apartments Dubai Al Jaddaf	Al Jaddaf	128	5	2014	Marriott
Marriott Hotel Al Jaddaf	Al Jaddaf	352	5	2014	Marriott
Waldorf Astoria Palm Resort & Spa	Palm Jumeirah	319	5	2014	Hilton
Total Rooms Recently Opened		4,866			
Hotel	Location	Rooms	Grade	Due Date	Operator
New Developments 2014 - Proposed/Under Construction					
DoubleTree by Hilton Hotel & Residences	TECOM/Al Barsha	344	4	2014	Hilton
DoubleTree by Hilton JBR	Dubai Marina/JBR	110	4	2014	Hilton
Dream Marina 101	Dubai Marina/JBR	720	5	2014	Chatwal
Four Seasons Dubai	Jumeirah	237	5	2014	Four Seasons
Grand Lords Hotel Apartments	n/a	263	n/a	2014	Grand Lords
Holiday Inn Bur Dubai	Bur Dubai/Deira	416	3	2014	IHG
Hyatt Place	Bur Dubai/Deira	294	4	2014	Hyatt
InterContinental Dubai Marina	Dubai Marina/JBR	328	5	2014	IHG
JW Marriott Marquis Hotel Dubai Tower II	Business Bay	510	5	2014	Marriott
Le Meridien Dubai Expansion	Jumeirah Beach Road	197	5	2014	Starwood
Media Rotana Barsha Renovation	TECOM/Al Barsha	80	4	2014	Rotana
Palazzo Versace Dubai	Bur Dubai/Deira	217	5	2014	Palazzo Versace
Pullman Dubai Jumeirah Lakes Towers	Jumeirah Lake Towers	354	5	2014	Accor
Raviz Center Point Hotel	Bur Dubai/Deira	126	4	2014	Unbranded
Sheraton Dubai Tower	Sheikh Zayed Road	654	5	2014	Starwood
Sofitel Dubai Burj Downtown	Downtown	426	5	2014	Accor
Staybridge Suites Union Square Dubai	Bur Dubai/Deira	165	4	2014	IHG
Warwick Hotel	Sheikh Zayed Road	357	4	2014	Warwick
Total		5,798			

Source: JLL Hotels & Hospitality Group

Hotel	Location	Rooms	Grade	Due Date	Operator
New Developments 2015 - Proposed/Under Construction					
Al Futtaim DWTC Hotel	World Trade Center	588	4	2015	To Be Determined
City Seasons Bur Dubai	Bur Dubai/Deira	200	4	2015	City Seasons
DAMAC Tenora Hotel Apartments	DWC	-	5	2015	DAMAC
Deira City Centre Mall Hotel	Bur Dubai/Deira	292	5	2015	To Be Determined
Hilton Garden Inn Al Muraqabat	Bur Dubai/Deira	183	3	2015	Hilton
Hilton Garden Inn Dubai Al Mina	Jumeirah	182	3	2015	Hilton
Hyatt Regency DHCC	Future	439	5	2015	Hyatt
ibis Styles Hotel	International City	246	3	2015	Unbranded
JW Marriott Residences Dubai Lifestyle City	Future	-	5	2015	Marriott
Majid Al Futtaim Mall of the Emirates Hotel	Al Barsha	200	5	2015	To Be Determined
ME by Melia	Business Bay	137	5	2015	Melia Hotels
Park Inn Bur Dubai	Bur Dubai/Deira	220	3	2015	Rezidor
Park Inn by Radisson Jadaf	Al Jadaf	300	3	2015	Rezidor
Park Inn Dubai Airport Free Zone	Airport Road	312	3	2015	Rezidor
Rosewood Dubai	DIFC	191	5	2015	Rosewood
Taj Business Bay	Business Bay	250	5	2015	Taj
Tamani Hotel at Park Lane Tower Business Bay	Business Bay	194	5	2015	Tamani
The Address The Boulevard	Downtown	200	5	2015	The Address
The Langham Resort	Palm Jumeirah	323	5	2015	Langham
Tiara Hotel	Palm Jumeirah	216	5	2015	Unbranded
Total		4,673			

Source: JLL Hotels & Hospitality Group

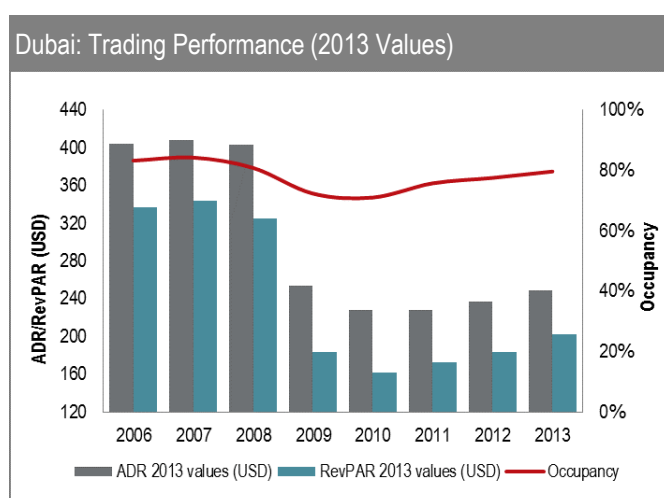


Hotel performance recovers after economic downturn

Dubai: Hotel Trading Performance

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Occupancy	77.7%	85.8%	84.4%	83.2%	84.2%	80.8%	72.3%	71.0%	75.7%	77.5%	79.6%
ADR (USD)	125.00	157.00	212.00	242.00	277.00	310.00	234.00	215.00	219.00	232.00	244.00
RevPAR (USD)	97.13	134.71	178.93	201.34	233.23	250.48	169.18	152.65	165.78	179.80	198.00
RevPAR Growth (%)	13.8%	38.7%	32.8%	12.5%	15.8%	7.4%	-32.5%	-9.8%	8.6%	8.5%	10.1%
Inflation	3.1%	7.0%	12.5%	13.5%	13.3%	20.0%	2.0%	2.0%	2.0%	2.0%	2.0%
ADR 2013 values (USD)	259.13	315.68	398.38	404.22	407.65	402.66	253.29	228.16	227.85	236.64	248.88
RevPAR 2013 values (USD)	201.34	270.85	336.23	336.32	343.24	325.35	183.13	161.99	172.48	183.40	201.96

Source: STR Global, JLL Hotels & Hospitality



The Dubai economy has recovered significantly since the financial slowdown of 2008 that resulted in reduced trading performance. Occupancy was at 71% during its lowest point in 2010, but increased to 77.5% by the end of 2012. Occupancy continued to show growth in 2013, driving resulting year-end RevPAR performance in 2012 up 2.7%. Leisure demand had suffered during the downturn because of the economic situation in the Eurozone, which typically comprises a strong demand base. However, indicators look positive as the European economy recovers.

Dubai has also regained its status as the best performer among major markets in the Middle East when looking at overall performance. Occupancy figures and inflation-adjusted average rates showed improvement from 2012 to 2013.

The resort area's performance indicators have led Dubai because of high ADR and occupancy, with a RevPAR level of USD 202 at the end of 2013. Occupancy has been stable between 75% and 80% since 2009, and ADR increased from 2010 to 2013 with a CAGR of 4%.

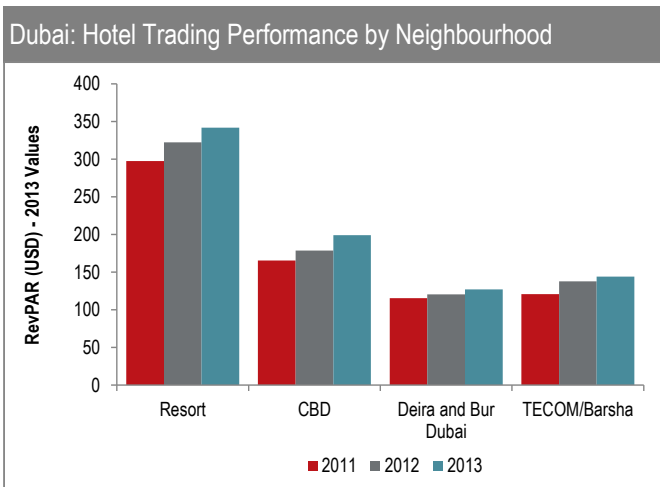
The CBD has seen occupancy rates that exceed those of resort area hotels, with a 2013 occupancy of 83%. Occupancy has been driven both by the business market and retail options located near the CBD. However, ADR was a lower USD 237, resulting in RevPAR of USD 199. This RevPAR represented a CAGR of 13% from USD 138 in 2009.

Deira/Bur Dubai has historically seen high demand, with occupancy exceeding 80% since 2011. RevPAR is the lowest of major areas in Dubai despite high occupancy due to having ADR ranging between USD 138 and USD 151 since 2011. RevPAR increased by a CAGR of 4% from USD 110 in 2009 to USD 127 in 2013.

Emerging areas such as TECOM and Al Barsha have seen steady growth in performance driven primarily by occupancy. Occupancy has increased from 57% in 2009 to 78% in 2013. ADR saw substantial fluctuation between 2009 and 2013 but have since stabilised with a 2013 ADR of USD 183. RevPAR increased at a CAGR of 9% from USD 101 in 2009 to USD 144 in 2013.

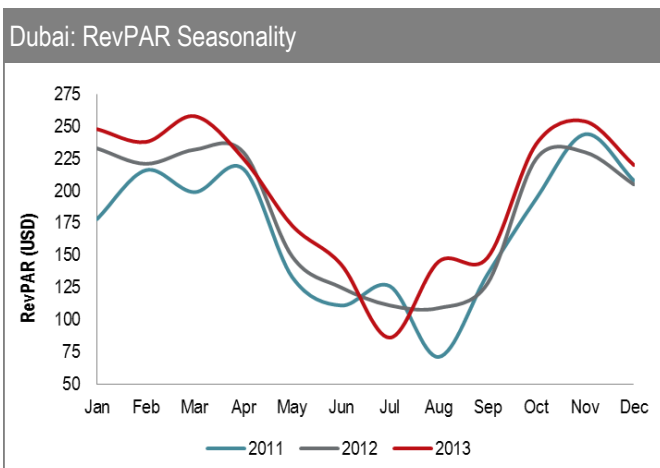


Hotel performance to remain strong



Source: STR Global

Each of these sub-markets has shown growth since 2011, but RevPAR growth has been substantial in the resort areas, CBD and emerging market areas.



Source: STR Global

Dubai's seasonality is heavily dependent on the weather, with the peak season occurring between February and April due to the cooler winter weather and lower performance results due to the heat of summer between June and September. In addition, the month of Ramadan tends to reduce hotel demand and therefore affect hotel performance. Hotels typically reduce rates during the seasons with lower demand to drive occupancy, and weekends can attain strong occupancy rates due to these lower rates.

The positive trend in tourism is expected to continue in coming years due to Dubai's increasing global popularity as a destination backed by the government's pro-tourism initiatives. In line with the emirate's goal of attracting 20 million tourists, Dubai is expanding its offerings to extend beyond the attractions of sea and sand. The development of conference facilities will increase Dubai's appeal as a business destination, and the development of entertainment venues will increase Dubai's appeal as a leisure destination. RevPAR is expected to continue growing in the resort areas and CBD, but Deira/Bur Dubai and emerging areas look to be stabilising, with slower year-on-year growth.

City-wide occupancy is expected to increase slightly in the short-term, with the 80% occupancy in 2013 showing growth from the 2012 year-end 78% occupancy. Occupancy is expected to remain between 75% and 80% in the medium-term as new supply is added. Average rates are expected to stay relatively stable. New 4-star and 5-star projects are expected to increase competition in the upscale and upper-upscale segments.

Developers are optimistic about building in Dubai, and more than 24,000 quality rooms and serviced apartments are expected to enter the market by the end of 2017. Most major brands have a presence in Dubai, and the city is home to some major international brands' flagship properties including the newly-opened Sofitel the Palm, Conrad and JW Marriott Marquis. Dubai is also the home of multiple iconic hotels, including the Burj Al Arab and Jumeirah Beach Hotel managed by Jumeirah, Palazzo Versace and the world's first Armani Hotel.

The supply is currently dominated by upscale and upper-upscale hotels, and attaining Dubai's goal of attracting 20 million visitors by 2020 will require the emirate to also cater to tourists seeking midscale accommodations. Dubai is expected to retain its status as the UAE's primary tourist hub by expanding its conferencing and business facilities, expanding leisure entertainment options and maintaining its regional retail dominance.

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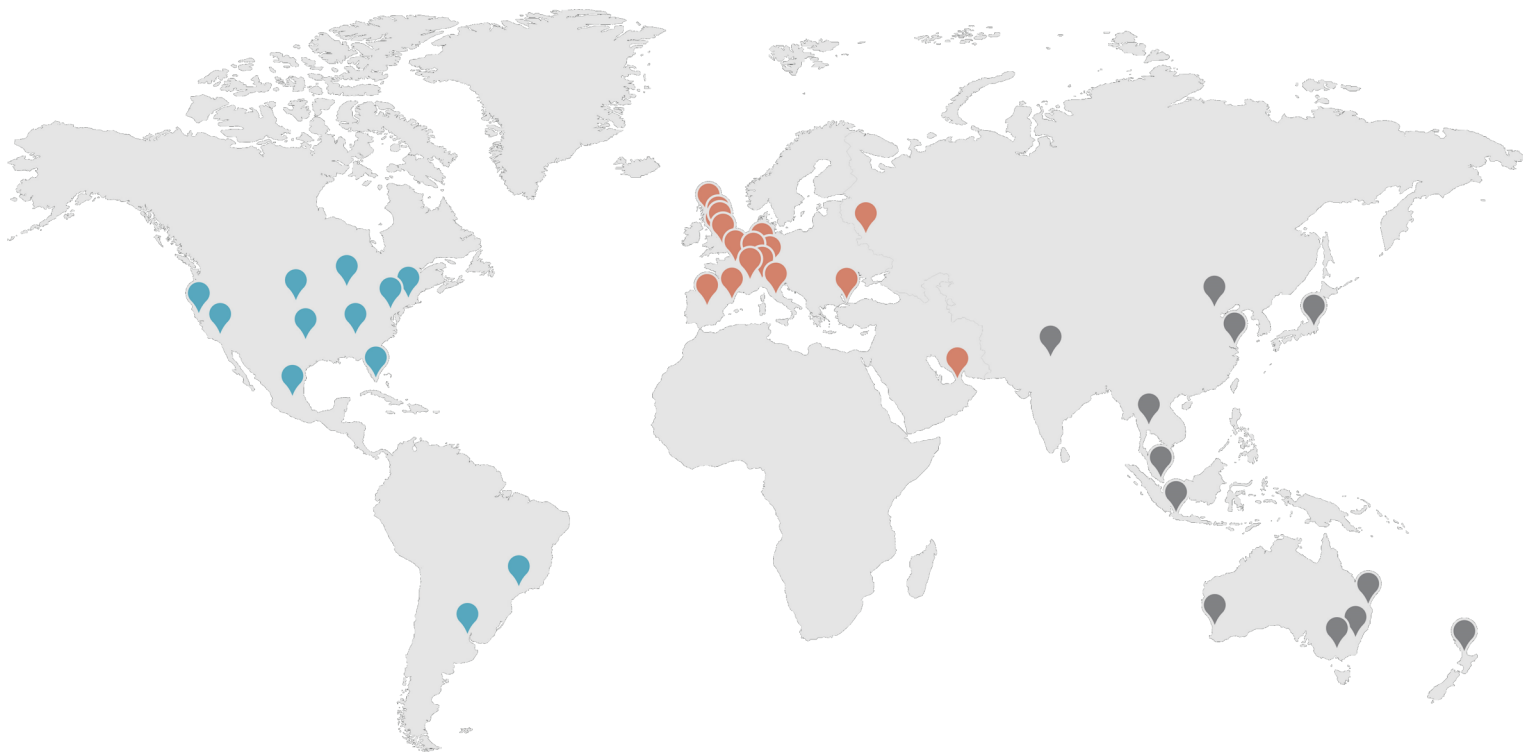
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