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# Fujairah Market Snapshot

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### **Economics and Politics**

The UAE posted a strong economic performance in 2007. According to the Economist Intelligence Unit, the economy grew by 8.5% in 2007 compared to 8.9% in 2006 and is forecast to grow by 8.9% in 2008 and 8.2% in 2009.

Fujairah's local industry consists primarily of cement, stone crushing and mining. These industries have witnessed a resurgence on account of the frenzied amount of construction activity taking place in Dubai. Furthermore, a flourishing free-trade zone near Fujairah Port is hosting an increasing number of companies looking to benefit from tax exemption on imports and exports.

Thanks to a stable political background, a growing economy and its rising reputation as a leisure destination, Fujairah is host to a rapidly increasing number of visitors.

### **Development and Initiatives**

The Ministry of Public Works is implementing the six-lane Dubai-Fujairah highway and this project is already under way. The 45-km strategic highway, costing AED1.1 billion (US\$305 million), will start from the Sharjah-Kalba highway and stretch through the Hajar Mountains and Asfani to Fujairah city. With a speed limit of 120 km an hour, the highway will significantly cut the travel time between the east and west coasts.

In 2006, the Ministry of Public Works entered into two contracts, valued at AED328 million (US\$89 million), for road building in the northern emirates. The first, costing AED230 million (US\$63 million), will link three centres in Fujairah with Ras el Khaimah; the second, costing AED98 million (US\$27 million), will connect areas in Sharjah with those in Ras el Khaimah. Both of the projects are planned for completion in 2008.

The Emirates Railway, the country's future national network, will be part of a GCC-wide rail network currently under study. It will be more than 800 km long and will link Fujairah with Abu Dhabi, Dubai, Sharjah, Ras



el Khaimah, Ruwais and Ghowaifat. The Emirates Railway is expected to be operational in 2013.

Fujairah has pledged an investment of AED183 million (US\$49 million) for the expansion of its airport terminals and associated infrastructure.

Work on the infrastructure for the AED2 billion (US\$545 million) Fujairah Paradise Project – a concentration of villas, a five-star hotel and a shopping complex – started in 2006.

Also under way is the Fujairah Al Dana (Pearl) development, a complex of villas and hotels being built on a peninsula and a group of small islands being reclaimed off the coast near Al Aqah.

Projects in the planning stage include large residential secluded valleys close to the coast and a smaller community at Ghurfa, just south of Fujairah city.

In its long-term forecast for the UAE travel and tourism sector, the World Travel and Tourism Council expects economic growth of 7.2%, or US\$5 billion, a year up to 2015. To benefit from this predicted growth, the Fujairah tourism industry will spend approximately US\$1 billion on infrastructure, marketing and business development over the next five years.

## **Visitation and the Hotel Market**

Fujairah relies primarily on Dubai's international airport as a means of access for international travellers. We note that in 2007 Dubai's international airport saw the arrival of 34,340,000 international passengers, an increase of 19.3% on 2006.

On average, UAE nationals accounted for 40% of the visitation from 2004 to 2007, illustrating that the Fujairah hotel market is driven significantly by domestic demand.

European nationals accounted for 27% (47,200 room nights) of the total demand in 2004, 33% (74,300 room nights) in 2006 and 41% (153,000 room nights) in 2007, highlighting an increasing interest in the Fujairah region from Europeans.

Total room night demand increased by 5% between 2004 and 2005, by 23% between 2005 and 2006 and by 65% between 2006 and 2007 to total 375,000 room nights by year-end 2007. These increases are directly related to Fujairah's economic growth and the emirate's escalating reputation as a leisure destination.

Consequently, this has had a positive impact on hotels' average occupancy, which increased from 64% in 2004, to 67% in 2005 69% in 2006 and 73% in 2007.



As a result of this demand increase, the upscale hotel market saw its average rate increase by approximately 21% in 2006 to AED560 and by approximately 18% in 2007 to AED660. For 2008, local hoteliers are forecasting that rates will soar by an additional 15%.

Proposed new supply in Fujairah is illustrated in the following table.

### Proposed Hotels – Fujairah

Opening Date	Hotel Name	Number of Rooms	Location	Total Number of Additional Rooms	Yearly Growth
2008	Marque Hotel Fujairah	217	Al Sharia, Fujairah	469	31%
	Fujairah Rotana Suites	252	Fujairah City		
2009	Angsana Fujairah	150	Fujairah	1,250	64%
	Fairmont Mina Al Fajer	200	Al Aqah, Fujairah		
	Golden Beach Hotel (Escan)	250	Dibba, Fujairah		
	Radisson SAS	282	Al Aqah, Fujairah		
	Iberotel Royal Miramar	368	Al Aqah, Fujairah		
2010	Ibis Fujairah Town Centre	180	Fujairah City	750	23%
	Novotel Hotel and Residence Fujairah Town Centre	220	Fujairah City		
	Escan Al Fanar Towers	350	Fujairah City		
2011	Proposed Four-Star Hotel	250	Fujairah City	250	6%
<b>Total/Average</b>				<b>2,719</b>	<b>31%</b>
<b>2007 Room Count</b>		<b>1,494</b>			
<b>2011 Room Count</b>		<b>4,213</b>			
<b>Increase 2007-11</b>		<b>182%</b>			

This table highlights Fujairah's booming tourism industry with a forecast total room count increase of 182% between 2008 and 2011.

Another rumoured project concerns a proposed 300-room to 400-room upscale hotel to be developed on a beachfront site next to the Hilton Fujairah. No other information is available at this point.

### Outlook and Opportunities

Fujairah is host to an increasing number of visitors, driven by Fujairah's soaring economy and to its escalating reputation as a leisure destination. Several infrastructure improvements, and residential and hotel developments currently under way, are designed to complement the increasing attractiveness of the region and to accommodate the potential demand that could be generated.

Therefore, the seven hotel openings planned for 2008 and 2009, bringing approximately 1,700 additional rooms to the market, are expected to have a moderate effect on marketwide occupancy while average rates should maintain their upward trend.



Fujairah is described by some as a rising destination on account of its location and its geographical attributes; consequently, large-scale developments are presently under way in Fujairah city and along the emirate's coastline. Our opinion is that should Fujairah be further efficiently marketed and benefit from continual infrastructural improvements, the hotel market should be sustainable.

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



### About our Team

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

### About the Authors



**Alexandre Smertnik** is a Consultant and Valuation Analyst with HVS's London office, specialising in hotel valuation and consultancy. He joined HVS in 2007 after completing a BSc in International Hospitality Management from Ecole Hôtelière de Lausanne in Switzerland. Since then he has conducted a number of valuations, feasibility studies and consultancy assignments in Europe, Russia and the Middle East.



**Hala Matar Choufany** is a Director with HVS and is responsible for the firm's valuation and consulting work in the Middle East and Egypt. She initially joined HVS London in 2005, before moving to HVS Shanghai in September 2006 where she helped grow the HVS Shanghai office and business in the Asia region. She relocated to Dubai in September 2007 and now looks after HVS's interests in the Middle East. Previously, Hala had four years of operational and managerial experience in the hotel industry. She lectured at Notre Dame University in Lebanon on International Travel and Tourism and holds an MPhil from Leeds University, UK, an MBA from IMHI (Essec-Cornell) University, Paris, France and a BA in Hospitality Management from Notre Dame University, Lebanon.

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