MARKET REPORT

Indisputable Success - The UAE

JUNE 20, 2023

As UAE recovers from COVID impact and retains its position as a global tourism destination, a performance analysis of the three main emirates for the years 2019 – 2022 is presented by HVS team along with key development trends and opportunities.

Throughout the last decade, the UAE has established itself as a leading regional and international tourism destination. Over 22 million international visitors in 2022 - almost on par with pre-pandemic levels - along with the UAE's game-changing infrastructure, year-round sunshine, top-class tourism attractions, and rich cultural heritage, reinstated the country's positioning as one of the strongest business and leisure markets in the world.

As of 2022, UAE, the second largest economy in the Arab world, ranked at the top of the Travel & Tourism Development Index in the MENA region and among the top 25 countries globally.

An estimated 9% of the UAE's economic growth in 2022 was driven by the Travel & Tourism industry. As one of the largest non-hydrocarbon sectors, this sector achieved AED 167 billion, a 60% year-on-year increase, and employed 751,000 people, surpassing pre-pandemic levels by 6,000 jobs. Per the World Travel & Tourism Council (WTTC), the UAE Travel & Tourism sector is expected to achieve AED 180.6 billion in 2023, representing 10% of the country's GDP and 1.5% behind 2019 levels. WTTC also projected further growth in the sector's employment with 7,000 additional jobs versus 2022.

The hospitality industry has also witnessed a strong recovery from the pandemic-driven slowdown. The growth in visitation, the diversification of source markets, the country's strong global outreach and its positioning as a tourism destination, and the large number of Government initiatives aimed at attracting foreign investment have strengthened the industry throughout the last year. Additional growth was witnessed on account of the global investors' trust in the country's successful strategy against the Covid-19 pandemic and resilience again the global recession. Supporting infrastructure, in addition to the investor and expatriate-friendly business reforms, has increased the Emirates appeal to overseas capital, talent, and business expansion.



Dubai

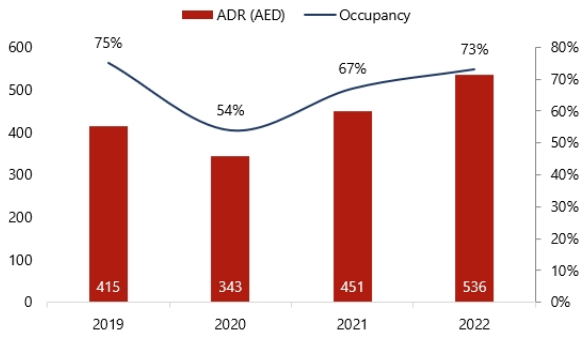
In 2022, Dubai's travel and tourism sector reached record highs. With over 14.36 million international visitors, the Emirate recovered almost 86% of the pre-pandemic arrivals. Likewise, Dubai International Airport welcomed over 66 million passengers, a 127% year-on-year growth retaining its title as the World's Busiest International Airport for the 9th year in a row.

So far, in Q1 2023, the Emirate has welcomed 4.67 million international visitors, surpassing year-on-year international arrivals by 18% and achieving almost 98% of 2019 arrivals. Dubai International Airport has also surpassed expectations, receiving over 21.2 million passengers in the first quarter and increasing its forecast to 83.6 million for the entire year.

The rebound in tourism has underpinned the growth in Dubai's hospitality sector. Dubai Tourism data indicated a marketwide occupancy rate of 73% in 2022 when compared to 75% in 2019. Nevertheless, occupied room nights in 2022 exceeded 2019 levels due to a 16% increase in hotel supply during the same period. Overall hotel and serviced apartments rates across Dubai averaged AED 536, 19% higher than the year before and considerably higher than pre-Covid. The uplift was primarily driven by resort-types, beachfront and luxury properties benefitting from strong leisure demand. For instance, average rates ranged from AED 760 for an upscale resort up to AED 5,700 for luxury resorts. Overall, RevPAR performance improved by 30% as compared to 2021 and 26% in 2019.

The hospitality industry in Dubai is also off to a strong start in 2023. Throughout Q1, the lodging sector almost outperformed pre-pandemic levels with a 27% growth in occupied room nights and a 21% higher RevPAR when compared to the same period in 2019. The sector's recovery is unprecedented, and, this year it is expected to exceed records given the impressive number of visitors and passengers so far, the reintroduction of inbound Chinese tourism, the extensive business and leisure event calendar, and the extraordinary destination evolution in terms of infrastructure, technology, attractions, and experiences, as the city drives the Dubai Economic Agenda 2033 goals.

Dubai Hotel Market Yearly Performance Indicators



Source: The Department of Economy and Tourism in Dubai

Abu Dhabi

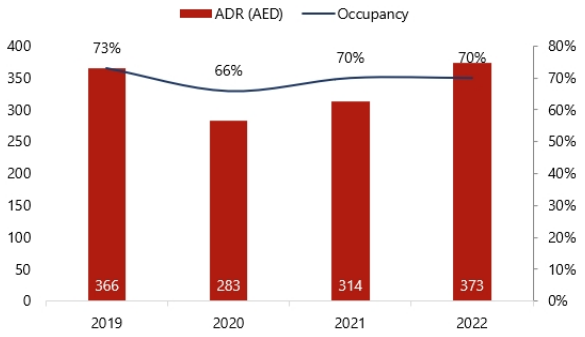
Abu Dhabi, the capital of the UAE, also experienced strong post-Covid recovery throughout 2022. Last year the Emirate received 4 million hotel guests, nearly 80% recovery from 2019 levels. Across all Abu Dhabi airports, 15.9 million passengers arrived, a 74% recovery from 2019 levels and almost double 2021 figures. So far, in Q1 2023, Abu Dhabi received 1.2 million hotel guests, a 30% increase year-on-year and 8.5% below 2019. By the end of 2023, Abu Dhabi International Airport is anticipated to open its AED 11 billion terminal, thereby increasing the airport's capacity to handle 45 million passengers annually.

Hotels across the Emirate continue to make significant strides toward recovery too. In 2022, the Department of Culture and Tourism in Abu Dhabi reported a 70% occupancy level and an average daily rate of AED 373, a 4% drop and a 2% growth than pre-Covid, respectively. The resulting RevPAR was 1.3% lower than in 2019.

As of Q1 2023, Abu Dhabi's hotel RevPAR grew by 32% year-on-year and 6.3% versus pre-pandemic levels, on the back of a 37% increase in marketwide ADR vs. Q1 2022 and a 13% increase vs. Q1 2019. The outlook for Abu Dhabi's tourism sector looks optimistic. The opening of mixed-use mega-projects, including Ramhan and

Jubail Island, Saadiyat Grove, the Cultural District at Saadiyat Island, the re-development of Mina Zayed, and the introduction of some of the biggest names in lifestyle hotels, including Nobu Abu Dhabi, Nammos Hotels & Resorts and Mondrian Abu Dhabi, are expected to attract demand from both domestic and international business and leisure travelers.

Abu Dhabi Hotel Market Yearly Performance Indicators



Source: Abu Dhabi Department of Culture and Tourism

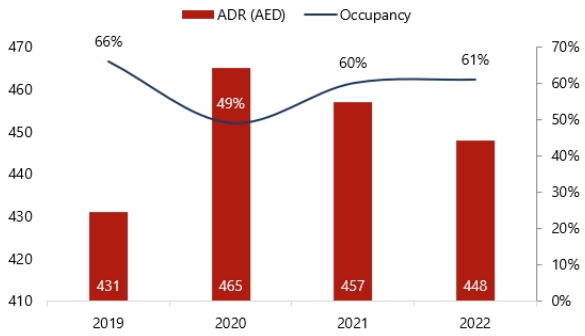
Ras Al Khaimah

Ras Al Khaimah offers a combination of different landscapes: deserts, striking mountains, coastal beaches, and mangroves which has strategically placed the Emirate as the capital of adventure in the region. Besides, due to the continued promotional campaigns of RAKTDA, both locally and internationally, as an adventure destination, the introduction of the gaming industry, the Government's investor-friendly policies, and a growing infrastructure, Ras Al Khaimah achieved its highest-ever number of tourists in 2022: over 1.13 million visitors. As of Q1 2023, the Emirate has received over 291,000 visitors, on track to grow further in the coming years, targeting 3 million visitors by 2030.

By the end of 2022, Ras Al Khaimah Airport (RKT) passenger movement remained on par with 2021, with over 330,000 passengers and just 1% short of pre-pandemic traffic levels. As of Q1 2023, RKT registered 125,722 passenger movements, a 29% increase versus the same time last year. The outlook is positive as Ras Al Khaimah strengthens its positioning around the region and increases connectivity via commercial and charter flights.

Ras Al Khaimah's hospitality sector has also made a strong comeback. In 2022, the Emirate achieved 61 % market-wide occupancy, 5% and 1% lower than 2019 and 2021 levels, respectively. Despite the drop in occupancy, both room nights and marketwide average rate increased. Overall, RevPAR levels increased by 1% vs. 2022 and are just 3.5% short of 2019. In Q1 2023, RAK hotels achieved an occupancy of 73% and an average rate of AED 559. Although this data reflects the high seasonality of Q1 in the Emirate and the pressure on average rates given the influx of supply, 2023 performance is anticipated to grow further. The mid-to-long-term outlook for the Ras Al Khaimah market is positive as leisure tourism strengthens and major demand generators such as integrated gaming resorts are expected to be introduced to the market.

Ras Al Khaimah Hotel Market Yearly Performance Indicators



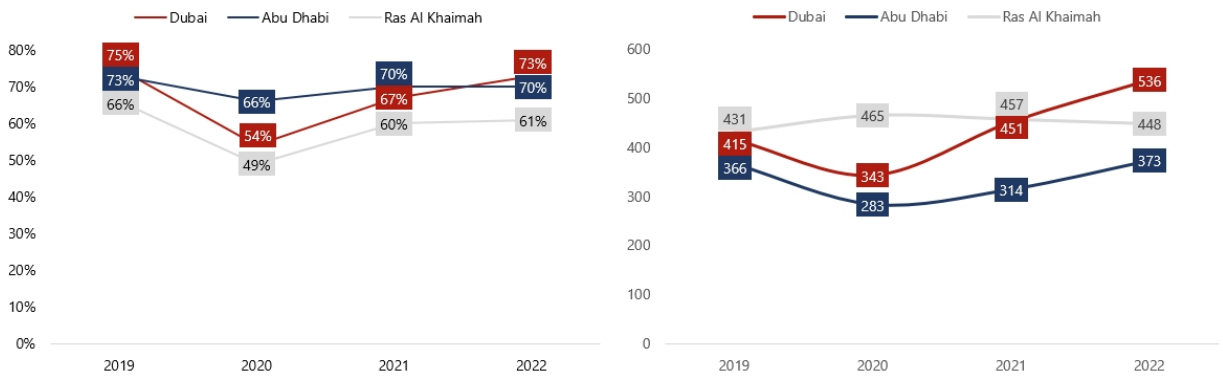
Source: Ras Al Khaimah Tourism Development Authority

Relative Performance

The hospitality market performance in each of the three emirates differs based on their maturity level, market mix, source markets, and Government policies and initiatives to bolster demand during and post-pandemic. In 2019, Dubai's hotel market led both in occupancy and average rates due to its large international appeal as a global centre for business, investment, and tourism. On the other hand, Ras Al Khaimah reported the lowest occupancy reflective of the seasonality of the market when compared to its sister emirates, Dubai and Abu Dhabi. In the same year, Abu Dhabi recorded the lowest rate, given its reliance on business visitation.

Throughout 2022, the socio-political conflict in Russia / Ukraine and a large number of Government initiatives further supported Dubai's hospitality market and allowed it to regain the lead in occupancy and average rates amongst the Emirates. This was further fueled by Expo 2020 Dubai, which accelerated the recovery of the UAE's aviation, tourism, and hotel sectors. In fact, Dubai hotel occupancy hit a 15-year high, and rates hit a peak in the final week of the event. Abu Dhabi witnessed a recovery in average rate; however, its corporate reliance holds it as the lowest ADR among the three. Ras Al Khaimah is expected to continue performing strongly in the mid-term with additional FIT and MICE penetration, despite approximately 5,000 keys in the pipeline and the minor drop in ADR in 2022.

UAE Occupancy and Average Rate (AED) from 2019 to 2022



Source: The Department of Economy and Tourism in Dubai, Abu Dhabi Department of Culture and Tourism, Ras Al Khaimah Tourism Development Authority

Development Opportunities

With approximately 150,000 existing keys and 8,000 additional keys to be added by the end of 2023, there remain a number of attractive investment opportunities in the Emirates. Ecotourism and key sustainability initiatives are the sectors UAE is actively involved in. Sustainable development has become a priority on the agenda of nations around the world. The UAE has been at the forefront of this trend, dedicating 2023 as the Year of Sustainability and signing up to the United Nations' Sustainable Development Goals framework upon its establishment in 2015. Commitment to sustainable tourism guidelines is embedded in the country's tourism strategy.

Further growth is also anticipated in the luxury and high-end hospitality segment as the Emirate witnesses growing appeal to the high-net-worth (HNWIs) global segment. Dubai recorded 18% growth in the high-net-worth population on account of its multi-billion investments in luxury real estate, ground-breaking technology, and attractive visa, business, and political environment. Innovation and entertainment also drive the uplift as the current hotel scene pioneer through ultra offers and services. This year, more than ever, private jet services, yacht rentals, and alliances with luxury retail brands curate the overall experience. The luxury segment's growth is also driven by the serviced residential component, with Dubai emerging as the location with the highest concentration of branded residences in the world and a projected growth of 72% additional units up to 2030.

New-age consumers are also tech-savvy, and to meet guest expectations and remain competitive, we are witnessing the introduction of smart hotels featuring digitalization at every level of the guest journey. The recent Hospitality Industry Technology Exposition & Conference (HITEC) that took place in Dubai in May 2023 gave space for an assessment of breakthrough technologies, including touchless guest experience, AI & BI in the hospitality industry, green technology, and revenue

optimization.

The UAE wellness market is also anticipated to expand further in the coming years. Hotels with expansive wellness offerings are growing to support the health, wellness, and demand of discerning travelers. Additionally, fully immersive wellness resorts are an untapped potential in the market, as people have switched focus on their health during the pandemic, a trend expected to remain in the future. In addition to the typical cosmetic and spa offering, there is a rapidly growing demand for diagnostic technology and bespoke treatment plans delivered by experts. New entrant brands such as Sha Wellness are expected to tap into this market upon their opening circa the end of 2024. Overall, UAE's position as the most attractive tourist destination globally through its diversity and unique product offering looks positive.

The Outlook

The UAE's long-term strategy aimed at diversifying its economy has succeeded in becoming the financial, logistic, and leisure center of the region and a leader in the Arab world. The Emirates' vision to accelerate its competitiveness in tourism is further led by an array of new economic incentives, initiatives, and policies that have a direct growth in travel & tourism.

The UAE Government is expected to continue to strengthen its Unified National Tourism Identity through the launch of the National Tourism Strategy 2031. Among other goals of the strategy, UAE aims to strengthen the position of the country as one of the best tourism destinations in the world, improve competitiveness by attracting AED 100 billion as additional tourism investment, welcome 40 million hotel guests in 2031, and increase the contribution of the industry to GDP to AED 450 billion, which is almost three times pre-Covid levels.

Our outlook for 2023 is positive as we expect further growth when considering the recent easing of China's travel restrictions, the completion of world-class developments, the extensive line-up of business and leisure events within the Emirate, and the already established brand name & popularity of the UAE as a tourist destination. Further pressure on the average rate is anticipated, given the influx of new hotel openings in the Emirate. Moderate to strong growth in all market segments is forecasted, as the UAE is anticipated to strengthen further and consolidate its position as a leading tourism destination in the world.