

Ras Al Khaimah, the rising emirate on the Arabian Peninsula, constitutes the northernmost point of the United Arab Emirates. Strategically located within proximity of several major routes between Asia and Europe, Ras Al Khaimah has witnessed rapidly accelerating economic growth over the course of recent years. With the resurgence in the global economy, major developments in the Middle East have begun anew, large scale projects have been recently announced in the emirate and more expected in the coming years. Alongside a developing hospitality sector, Ras Al Khaimah is expected to continue positioning itself as a contending Middle Eastern destination.



## Economics

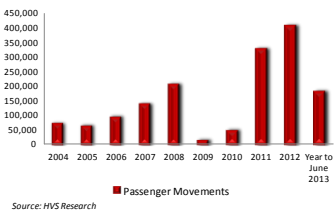
Following growth in 2012, the 2013 forecast for the UAE indicates an increase due to progress in emerging-market economies such as Asia. Growth is also expected to be enhanced by non-oil activities and between 2015 and 2017, an increase is forecast due to stronger oil production capabilities and prices. Average GDP growth for the period between 2013 and 2017 is forecast at 4.8%. The total contribution from the travel and tourism sector in 2012 was AED193.6 bn representing 14.3% of GDP and is forecast to rise by roughly 4.1% pa to AED325.4 bn in 2023.

	Actual	Forecast					
	2012	2013	2014	2015	2016	2017	
Real GDP growth (%)	4.4	4.1	4.4	4.9	5.3	5.4	
Consumer price inflation (av %)	0.7	1.3	2.5	2.7	3.1	3.8	
Budget balance (% of GDP)	7.1	4.8	3.9	4.5	4.7	5.7	
Current-account balance (% of GDP)	17.3	12.4	9.7	8.3	6.8	6.6	
Exchange rate AED:US\$	3.67	3.67	3.67	3.67	3.67	3.67	
Exchange rate AED:€	4.74	4.81	4.74	4.66	4.63	4.66	

Source: Economist Intelligence Unit, July 2013

## Airport Statistics

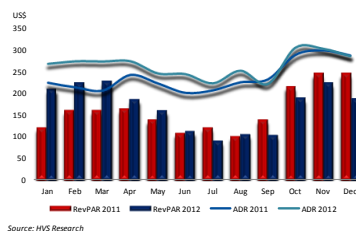
Tourist arrivals to Ras Al Khaimah have increased from approximately 75,000 in 2004 to over 407,000 in 2012, achieving a compound annual growth of 23.6%, with year-to-date figures for June 2013 reaching 183,996 passengers. In addition to RAK Airways, RAK airport allows access to 25 charter airlines covering source markets across the globe. However, it is important to note that most of the current visitors to RAK arrive via Dubai International Airport, while domestic demand is generated from within a one- to two-hours drive. RAK Airways is planning an aggressive expansion plan with a goal of reaching 32 destinations and ongoing plans to triple the current passenger capacity of 500,000.



Source: HVS Research

## Market Performance and Seasonality

Year-to-date figures for June 2013 indicate that the marketwide hotel occupancy has decreased by 5.73% when comparing to same time last year, while the ADR has registered 14.64% growth, reaching roughly US\$140. In terms of RevPAR, a growth of 2.89% has been reported. Considering the significant growth in hotel supply anticipated for the following years, such KPIs reflect a healthy and sustainable hotel sector. The hotel market generally benefits from stronger occupancies outside of the third quarter, with RAK following typical Middle East seasonality. Strong occupancy is observed from October to April, with November, February and March being peak months. Occupancy traditionally troughs between July and September due to the extreme heat and weaker demand during the Holy Month of Ramadan, with the moving impact of Ramadan expected to impact the troughs in the near- to mid-term.

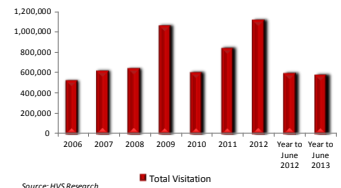


Source: HVS Research

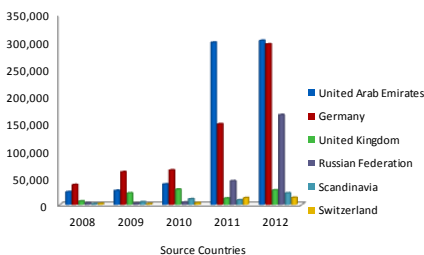
## Visitation and Source Countries

Data collected from 2006 to 2012 illustrates the overwhelming proportion of international to domestic visitation. However, the domestic contribution for

2011 and 2012 shows that local visitation increased substantially, representing an average share of 31.6% for the two years. According to the Ras Al Khaimah Tourism Authority, tourists from Germany, UK and the Russian Federation account for approximately 60% of total arrivals, constituting the major international feeder markets. These markets registered significant growth in the past two years, with compound annual growth as high as 175.3% for the Russian Federation and 104% for Scandinavian countries. In spite of the impressive growth reported, Germany remains the primary feeder market for the destination with approximately 290,000 tourists in 2012. It is essential to note that 36% of total visitation is credited to the UAE, highlighting the importance of domestic tourism for the emirate. As a result of this characteristic of the destination, Ras Al Khaimah witnesses strong demand over the weekend period.



Source: HVS Research



Source: HVS Research

## Current and Proposed Supply

Current supply includes 15 hotels and roughly 3,000 keys. Recent openings in RAK include the Waldorf Astoria, while Marjan Island Hotel & Spa, Santorini Hotel Marjan Island and Rixos Bab Al Bahr, are expected to open by the end of 2013 and early 2014, respectively. The market will introduce approximately 3,000 rooms over the course of the next four years, including the US\$1 billion Real Madrid Development, for which there are currently no updates available.

## Outlook on Ras Al Khaimah

Founded in May 2011, the Ras Al Khaimah Tourism Authority has already achieved several milestones in terms of visitation and GDP contribution. Visitation increased substantially in 2011 and 2012 and figures for 2012 are the highest recorded in seven years. This is due in part to the revival of RAK Airways and as a result of the rebound from the economic crisis. With improved market conditions and major projects in RAK's pipeline, visitation and airport arrivals are expected to exhibit continued growth. The Ras Al Khaimah Tourism Authority is forecasting an increase in occupancy by 2.0% and an increase in ADR by AED 70 by year-end 2013. Moreover, the target for 2016 is set at an ADR of AED 734 and 82% occupancy, with 2020 expected to reach an ADR of AED 844 and 86% occupancy.

Although considerable supply is expected to enter the market over the next four years, government initiatives such as the RAK Airport expansion, RAK's position as the GCC's largest supplier of cement and RAK Ceramics' documented standing as one of the UAE's strongest economic producers will ensure continued economic prosperity and a solid hospitality sector.

## About HVS

HVS is the world's leading consulting and services organisation focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Note: No investment decision should be made based on the information presented in this article. For more information contact Cristina Zegrea, [czegrea@hvs.com](mailto:czegrea@hvs.com) or Hala Matar Choufany, [hchoufany@hvs.com](mailto:hchoufany@hvs.com).