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Ready for 30 Million Room Nights?

February 2006 - TRI Hospitality Consulting (Middle East) projects GCC hotel supply to double by 2010.

2005 was another record year for the hotel industry in the GCC with hotels throughout the region achieving record occupancies and average rates. Dubai led the field again with published statistics showing the Emirate generating the highest RevPar in the world for the first nine months of 2005. Not only in Dubai are such high rates and occupancies being driven by an acute shortage of rooms. Qatar desperately waits for a multitude of projects to come on line as the Asian Games draw nearer and increasing interest in Oman as a leisure destination has altered the mechanics of what was often considered a static and oversupplied market.

Encouraged by the state of the market, the number of confirmed 4 and 5-star hotel projects in the GCC rose from 70 at the beginning of 2005 to nearly 200 by the end of the year. According to industry research undertaken by TRI Hospitality Consulting, as of January 2006, the hotel supply in the GCC region, excluding Saudi Arabia, is to increase by 174 hotels releasing an additional 48,940 hotel rooms to 2010 representing an increase of 87 and 144 per cent respectively.

The largest single market in the GCC remains the UAE with 97 confirmed hotel projects. Although Dubai developments are still driving the growth, other GCC countries, notably Qatar and Kuwait are showing equally strong compound growth rates with 356 and 134 per cent increases in room stock respectively. Oman is also emerging as a hot new market as are the Emirates of Abu Dhabi, Fujairah and Ras al Khaimah.

In Dubai, the hotel market continues its dramatic development pace. 77 new hotels and 26,150 hotel rooms are expected to materialise by 2010, increasing the current room stock by 156 per cent. This figure excludes over 10,500 furnished hotel apartment rooms, which are also fast emerging in the Emirate. Such large increase in supply is expected to bring significant changes to the current dynamics of the hotel market in the Emirate.

According to Peter Goddard, Managing Director of the Dubai office of TRI Hospitality Consulting, one of the leading management consultancies in the field of hotels, tourism, and real estate: "2005 saw a large number of hotel projects reaching confirmed status and this consequently clarified the future hotel supply in the Emirate".

However, an element of uncertainty regarding some hotel projects in Dubai continues. TRI research indicates that the number of new hotels is likely to increase further once projects such as Dubailand, The World and the Waterfront solidify. The market is expected to further diversify with new "boutique" brands such as Armani and Versace and "themed" brands such as Aqua Dunya and Atlantis entering the market. With 68 confirmed five star developments, it is evident that the supply is still strongly focused on the high-end of the market and there continues to be an evident lack of internationally branded three and four star hotels in Dubai.

Only 13 hotels are expected to open their doors in Dubai in 2006 and this additional supply is unlikely to release the current demand pressures, allowing the artificially high room rates to continue. 2007 will see 22 new hotels opening at Dubai Festival City, Jumeirah Beach Residence, Emaar's Downtown and other large scale developments. However, 2008 and 2009 will usher forth the first real tests for the Dubai hotel market in terms of overall demand and the resulting effects on rate and occupancy. The opening of Palm Jumeirah, Business Bay and Dubailand are confirmed to add over 40 hotels and 15,000 rooms to the market and the number could still significantly increase. This data suggests not only that current hotels in Dubai will have to compete for their market share in the future, but also that Dubai hotels are becoming larger in size, the new supply having an average size of 340 rooms in comparison to the current number of 169 rooms.

2005 witnessed the other UAE Emirates competing for their stake of the lucrative hotel market. Abu Dhabi confirmed 12 new hotel projects increasing its current room stock by 77 per cent to 7,449 rooms by 2010, driven by investors such as ALDAR and Abu Dhabi Tourism Authority. The large number of confirmed hotel projects demonstrates the confidence hotels developers and investors have at the moment in the capital of the UAE. Furthermore, the number of new hotels in Abu Dhabi is expected to increase further given the large number of unconfirmed projects and that many of the well known international brands are not represented yet in the capital, in particular those with a leisure and resort orientation.

Despite the impressive growth in the capital, the largest increases over and above current room stock within the UAE were in Ras al Khaimah and in Fujairah. Ras al Khaimah has a projected increase of 156 per cent in room stock, followed by a 145 per cent increase in Fujairah. According to Gavin Samson, Associate Director of TRI Hospitality Consulting: "Although such large increases are due to the limited number of hotels currently in these Emirates, TRI data of unconfirmed hotel projects suggests that they are fast becoming the new sea-sand-sun-tourism hot spots of the UAE".

In Fujairah, international operators such as Rotana and Iberotel (TUI) have already confirmed their future developments and several other operators are actively seeking market opportunities in the Emirate. Ras al Khaimah is currently pushing hard to develop its real estate and hotel market and several projects with such propositions are currently in different pre-feasibility stages.

Outside the UAE significant hotel developments are taking place too. The most impressive numbers are in Qatar, where no less than 39 new hotels representing 9,835 hotel rooms are expected to come to the market by 2010 representing an increase of 356 per cent on the current room stock. This small, but gas rich country, is getting ready to host the Asian Games in 2006 and the hotel market is heating up for the event. 2005 saw the opening of the Four Seasons hotel and over the next three years most

international brands, including Rotana, Millennium, InterContinental, Sofitel, Renaissance, Shangri-La, Radisson SAS, Hyatt and Kempinski, are due to open their doors. With the current arrivals in the country, Qatar will have to work hard to create sufficient demand to fulfill the 4.6 million annual room nights that will be available in 2010.

In Kuwait, the hotel development market cooled down during 2005. After the initial enthusiasm following the expectations of benefiting from the rebuilding of Iraq, a large number of hotel projects were announced during 2004. Conversely, during 2005 hotel developers became more cautious and subsequently only six new projects were confirmed. However, due to the large number of projects already committed in 2004, Kuwait still has one of the most aggressive growth rates in the GCC. The country has 19 confirmed projects to 2010, representing an increase of 134 per cent in the overall room supply. The majority of this demand is expected to enter the market in 2007 when brands such as Rotana, Refad and Le Meridien are opening. The main areas of development are the Central Business District and the Salmiya area. Confirmed future supply data indicates that the five star developments continue to dominate the hotel supply with over 90 per cent of the new supply being in this sector.

Bahrain was booming in 2005 in terms of new hotel developments. 10 hotel projects were confirmed, taking the total number of future supply to 15 hotels and 3,615 rooms, representing an increase of 95 per cent in the overall room stock. Bahrain to some extent is emulating the perceived success of Dubai by launching mixed-use mega projects incorporating innovative artificial islands with residential, commercial and leisure components. The main additions to supply are coming to the market in 2008 and 2009 generated from the Amwaj Islands, along the Manama corniche and a number of resort orientated projects located along the western coastline. Bahrain is also diversifying its supply mix with the arrivals of deluxe

brands such as Four Seasons and Banyan Tree, although as is the case in the rest of the GCC, the market is still heavily focused on the top end of the market and Bahrain will need to work hard to promote itself as an upscale leisure destination.

Oman is perhaps the most interesting hotel market to watch in 2006, the Sultanate's arrival numbers swelling as it benefits from the demand pressures in Dubai and increasingly effective marketing and promotion strategies abroad. Hotels in Muscat achieved record breaking performance during 2005, which boosted plans for future tourism projects. Although Oman currently has only four confirmed hotel projects, there are 13 tourism projects, including potentially over 20 hotels that are in different pre-feasibility stages. Most of these projects are destination focused resorts with a leisure attraction such as golf course or marina combined with real estate as a key driving component. It is expected that the plans for these projects will solidify during 2006, adding some new confirmed projects to the supply side. It is notable that in Oman the potential future developments are spread around the country rather than congregated around the main city. Strong development regions are Muscat, Sohar and Musandam and Ras al Hadd.

When reviewing the overall GCC hotel market, both as it stands at present and as it is projected to 2010, such large numbers of confirmed projects indicates the continuing confidence for the growth of the tourism industry in the region. Whilst the current demand has far exceeded existing supply, investors, developers and operators will have to deal with the reality that in four years from now the GCC room supply will have doubled. For the demand to support over 30 million annual room nights that will be available in 2010 is a challenge for the individual countries as they pursue their ambitious tourism strategies and the GCC as a whole as it continues to benefit from an extremely robust economic environment.

Country / City	Number of Existing Hotels	Confirmed Future Supply of Hotels (2006 - 2010)	Change (%)	Number of Existing Hotel Rooms	Confirmed Future Supply of Rooms (2006 - 2010)	Change (%)
Dubai	99	77	78	16,738	26,150	156
Abu Dhabi	22	12	55	4,218	3,231	77
Fujairah	5	5	100	532	772	145
Ras al Khaimah	2	3	150	293	456	156
Oman	18	4	22	2,483	766	31
Bahrain	24	15	63	3,816	3,615	95
Qatar	12	39	325	2,764	9,835	356
Kuwait	17	19	112	3,081	4,115	134
TOTAL	199	174	87	33,925	48,940	144



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Swiss-born Tea Ros was educated in England, where she graduated from the University of Surrey in 2003 with BSc (Hons.) in International Hospitality and Tourism Management.

Having worked the Four Seasons, Starwood and Rosewood hotel groups in the United States, United Kingdom, Switzerland, Spain, Finland and United Arab Emirates, Tea has acquired broad regional knowledge on the hotel and tourism industry and possesses an insightful understanding of unique market dynamics.

Tea brings her wealth of market knowledge and an experience in project management to TRI where she focuses on consolidating market research and undertaking exploratory and analytical assignments in the region.