



بنك الإمارات دبي الوطني
Emirates NBD

Sector
Economics
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Sector Updates: Hospitality

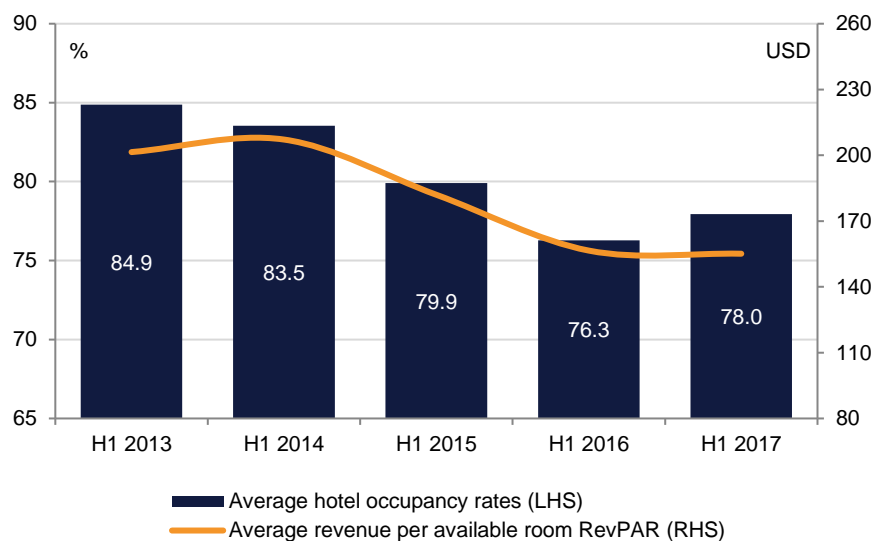
Dubai hospitality sector update, H1 2017

Dubai's hotel occupancy rates remained high averaging 78.0% in H1 2017 up from 76.3% in the same period a year ago. **According to the latest data from STR Global, the supply of hotel rooms in Dubai increased by 6.0% y/y in H1 2017.** With the supply of hotels rooms still outpacing demand growth, occupancy rates are likely to remain stable or ease slightly with demand gradually catching up in the run-up to the 2020 Expo.

The supply of hotel rooms in Dubai increased by 5.7% y/y in June 2017 to 94,705 rooms. The Department of Tourism and Commerce Marketing (DTCM) is targeting 140,000 to 160,000 hotel rooms by the end of the decade. Data from STR Global also shows that a further 19,891 hotel rooms are currently under construction in Dubai, of which 7,554 are due to come online by year end. Another 23,582 hotel rooms are in planning stages.

Hotels have discounted room rates through most of 2016 in order to keep occupancy levels high, although the **STR data also shows some improvement in pricing power since Q4 2016.** In the first half of 2017 RevPAR decreased by -0.9% y/y compared with -14.0% the same period last year. Substantial additional supply is likely to cap RevPAR growth in the coming months however.

Dubai average hotel occupancy rates and RevPAR

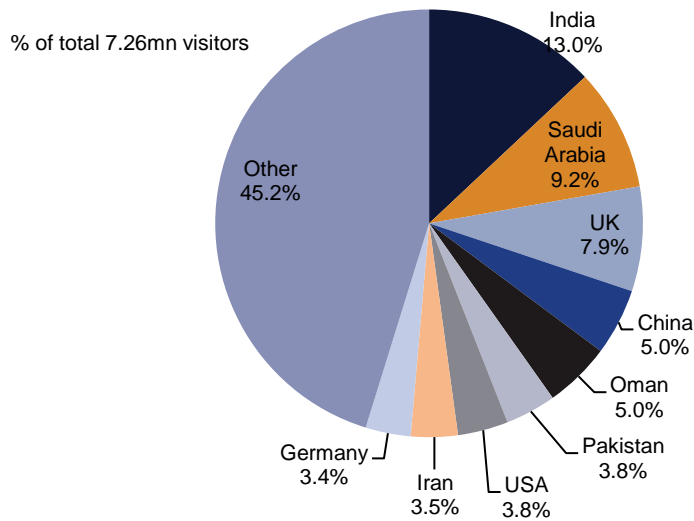


Source: Bloomberg, STR Global, Emirates NBD Research

The number of tourists coming to Dubai and staying in hotels including holiday rentals and onboard cruise ships for at least one night reached 7.26 million in Jan-May 2017, up by 10.2% compared with the same period last year. Western Europe was the lead tourist region for Jan-May, accounting for 21% of the total figure, followed by the GCC (19%) and South Asia (18%). In terms of country specific volumes, India is Dubai's top source market with over 944,000 tourists, an increase of 22.0% y/y. Saudi Arabia ranked second with 670,000 tourists (-7.0% y/y) followed by UK with 574,000 tourists (4.0%), outpacing China with nearly 366,000 tourists (58.0% y/y) and Oman with 364,000 tourists (-31.0% y/y).

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Top 10 visitors by nationality, Jan-May 2017

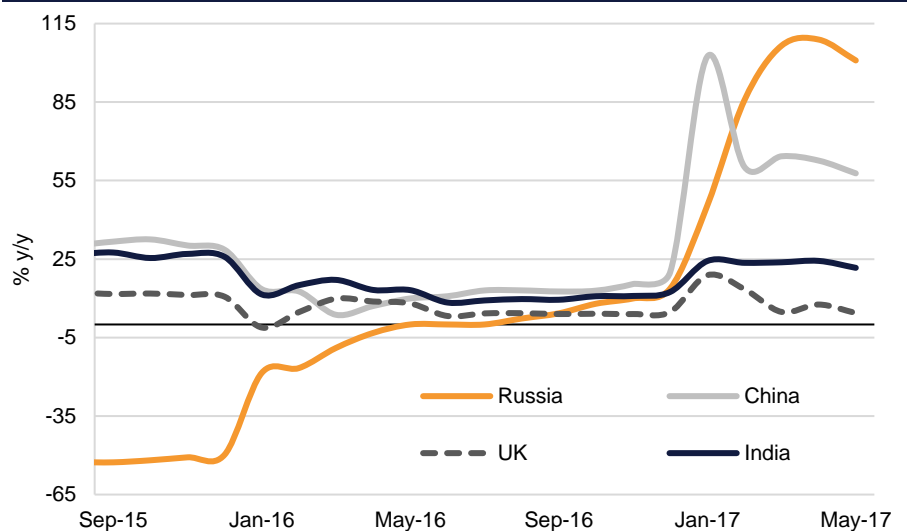


Source: Department of Tourism and Commerce Marketing (DTCM), Emirates NBD Research

Separately, the number of Russian tourists recorded positive growth for a tenth consecutive month in May to 33,000 tourists, up by 65.0% y/y, making this the fastest growing segment by nationality. For Jan-May 2017, the number of Russian tourists more than doubled (100.9% y/y) to 221,000 tourists with both the easing of visa rules and the RUB/USD appreciation likely contributed to the recovery in the number of visitors from Russia since H2 2016.

Easing of visa rules for Chinese nationals at the end of 2016 also helped to boost demand from this segment of the market. Indeed the number of Chinese visitors to Dubai grew 57.8% y/y in Jan-May 2017 to 366,000 tourists, making this the second fastest growing segment by nationality. In May alone, the number of Chinese tourists increased to 70,000, up by 40.0% compared with the same month last year.

Dubai's key tourist markets



Source: Department of Tourism and Commerce Marketing (DTCM), Emirates NBD Research

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