

## How many more hotel rooms can the Gulf take? Plenty, it seems

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## Normal standards do not apply in Dubai, which has one of the most robust hotel markets in the world

I've often wondered how many hotels Dubai, Abu Dhabi or Saudi Arabia can sustain. Despite decades of experience in the hospitality sector, I am not sure. And I can't be the only one.

The question has been on people's minds for years – ever since Dubai emerged as a tourism destination in the late 1990s. How much is enough? When will it stop? Even the cleverest forecasters have got it wrong.

So far in 2024, performance by hotels in both Dubai and Abu Dhabi has continued to grow on the back of increased demand, outpacing many regional and global destinations.

Dubai hotels operate on higher overall performance levels, mostly driven by their higher average daily rates, which exceeded \$270 in the high season.

However, Abu Dhabi is catching up. Occupancy in the emirate has grown by 10 percent year on year while room rates have risen by 13 percent.

Dubai, a much bigger destination with more rooms, has mostly been able to drive hotel rate growth at 5 percent, with occupancy increasing by 1 percent so far in 2024.

Dubai, in particular, has surprised us. Normal standards do not apply in the city that has one of the most robust hotel markets in the world.

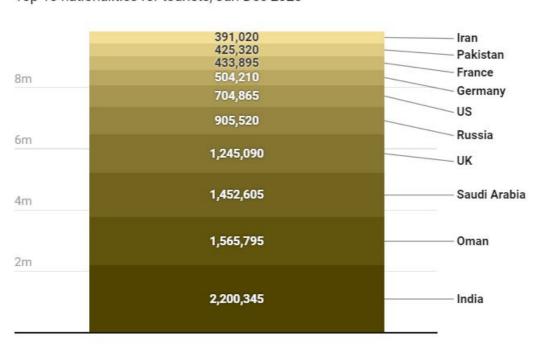
In 2023 Dubai had more than 138,000 hotel rooms. Data from real estate information company CoStar suggests this is set to rise to 151,424 this year, driven by a mix of tourism, business travel and major events.



Now, even in the traditionally low season, occupancy and average daily rates are rising. Despite <u>April's</u> catastrophic floods, the city is improving its infrastructure.

The Dubai Metro, as long as it took to build, is a huge success and aims to alleviate the heavy traffic on the roads.

The emirate's mix of visitors is interesting. India, Oman, Saudi Arabia and the UK are the four strongest incoming markets, and jointly represent 38 percent of the 17.15 million people who visited Dubai in 2023.



Top 10 nationalities for tourists, Jan-Dec 2023

Where do visitors to Dubai come from?

Another 7,321,335 visitors came from countries not listed above, to give a total of 17.15 million Source: Dubai Tourism • Created with Datawrapper

The approach of the Abu Dhabi government from the outset has been somewhat different from its sister emirate. The UAE capital focuses more on cultural tourism, with attractions such as the Louvre Abu Dhabi and upcoming projects on Saadiyat Island.

The UAE capital also offers many leisure attractions, such as Observation Deck 300, which at 300 metres high is the tallest vantage point in the city. Ferrari World and Yas Island are all driving occupancy. According to recent data, Abu Dhabi has 30,951 hotel rooms. This number is expected to grow, albeit at a slower pace than in Dubai.

Saudi Arabia is rapidly expanding its hotel capacity. Tourism plays a major role in realising the diversification foreseen in <u>Vision 2030</u> through its <u>giga-projects</u>.

Due care should be taken to preserve and nurture the kingdom's natural and historic sites, resisting the



temptation to turn these into mass tourism centres. The kingdom aims to add hundreds of thousands of rooms in the next decade; Mecca alone is due to open another 13,043.

As Saudi Arabia's hotel market expands, yields may drop because of heightened competition and the need to build demand. However, as the projects mature and tourism increases, we expect yields to stabilise and increase.

Dubai, Abu Dhabi and Saudi Arabia have significant potential to sustain large numbers of hotels because of their strategic planning and ongoing mega-projects. Comparatively, their hotel markets are more aligned with high-end destinations such as Singapore rather than mass-market resorts in Europe.

While yields may fluctuate, especially in expanding markets such as Saudi Arabia, targeted segments such as luxury, cultural and eco-tourism offer substantial growth opportunities.

Read the article on the AGBI website



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