Building a platform for the future

As we said in the introduction, there are predictions that around US$3 trillion will be invested in Middle East tourism and infrastructure during the next 20 years. In the first quarter of 2007 alone, more than US$2 billion was invested in the hotel sector.

This level of activity has prompted Reed Travel Exhibitions, the organiser of the region's leading travel and tourism event – Arabian Travel Market – to sponsor three in-depth studies on the future of Middle East tourism, which we mention at the end of this report.

It is also staging an annual event in Dubai to look at tourism development projects and investment. This trade show will provide a platform for investors to identify new projects, initiate discussions and strengthen relationships, giving operators and global destination brands the chance to explore joint venture partnerships in the region.

"In the first quarter of 2007 alone, more than US$2 billion was invested in the hotel sector."

Room for more

Many hotel chains are already pursuing aggressive expansion plans in the Middle East. From budget brands through to luxury palaces, everyone is keen to get in on the action.

Regional player Rotana Hotels and Resorts is set to double its portfolio to 53 hotels by 2010. This will strengthen the company's presence in Oman, Jordan, Qatar and the UAE – including a property set to open on Abu Dhabi's Saadiyat Island in 2009. There are currently 17 hotels under construction, while 11 have been signed under new management agreements.

Marriott International, which currently has 22 hotels in the Middle East, will add 16 more, offering 3,515 rooms by 2010. These include properties in Bahrain, Cairo, Doha, Dubai and Jordan.

Hilton Hotels already has 11 hotels in the pipeline, and 20 more signings are anticipated in the next five years. The company's first property in Beirut, with 162-rooms, is due to open later this year; while the new-look Hilton Luxor Resort and Spa in Egypt, with 235-rooms, is due to re-open early in 2008 after a two-year renovation.

Japanese companies are increasing their investments in the Middle East. Early in 2007, JAL Hotels Co. Ltd. opened the 257-room Hotel JAL Fujairah Resort & Spa in the UAE, a 90 minute drive from Dubai. The company also plans to open two five-star hotels in 2008 – the 486-room Hotel JAL Tower Dubai and the 350-room Hotel JAL Bahrain Resort & Spa.

Meanwhile, India based Flora Group Hotels, which already has five hotels in Dubai, will open a sixth property towards the end of the year. The company recently unveiled investments worth US$68m during the next three years, which include four new properties located in Makkah – Saudi Arabia, and two in Dubai and Cochin, Southern India.

Accor is expected to triple the number of managed properties in the region by 2010, with 30 hotels – a total of 8,247 rooms – opening in the next three years. In 2006, Accor signed 15 new projects with a total of 4,510 rooms under four of its international brands spanning the UAE, Oman, Jordan and Pakistan.

The hotel chain is strongest in the UAE, where almost 70% of the potential projects have been signed. These include a combination of five economy hotels under the Ibis brand and five mid-scale hotels flying the Novotel flag. In 2007, Accor is set to open six properties including the Sofitel Al Gezirah in Cairo, the Novotel Al Anoud in Riyadh and the Ibis Salmiya in Kuwait.

The Palm Golden Mile on The Palm Jumeirah

Source: Nakheel, 2007

Between 2007 and 2009, Rezidor Hotel Group has set a target to add 20,000 rooms into operation in Europe and the Middle East and Africa. Currently, the hotel chain has 14 Radisson branded hotels in the region and is planning to expand its footprint in Saudi Arabia and the UAE. The company is also opening its first Missoni Hotel – the 200-room Hotel Missoni Kuwait – at the Symphony Complex, the first major lifestyle development in Kuwait, in the third quarter of 2008. At the end of 2007, the company will introduce its mid-market Park Inn brand into Egypt, with the opening of the 401-room Park Inn Sharm El Sheikh Resort.

Jumeirah won several accolades at the World Travel Awards this summer – including three for its flagship hotel, the Burj Al Arab, described as the world's most luxurious hotel. The company will be managing one of the Palm Jumeirah's most impressive beachfront properties, which has 213-rooms and suites, 45 residences and 45 serviced apartments. The hotel, on an exclusive waterfront setting, will be on the north of the crescent, with direct views of Burj Al Arab. There are also plans to open the Jumeirah Etihad Towers in late 2010 – giving the company a presence in Abu Dhabi for the first time.

Tiara Hotels & Resorts – a new luxury hospitality company and subsidiary of Zabeel Investments – is due to open its first property in the UAE next summer on The Palm Jumeirah, followed by a second property on the Sheikh Zayed Road in the winter of 2009. The company also aims to open further properties in key gateway cities across the Middle East and international destinations.

Dubai based investment company, Istithmar bought the iconic QE2 cruise liner for a reported US$100m in 2006, and after 40 years of service and carrying 2.5m passengers, the ship faces a comfortable retirement at the Palm Jumeirah. By 2009 it will have been transformed into a luxury floating hotel with retail and entertainment space, and there are talks of a museum to mark the ship's maritime history.

Budget brands

While most people connect only the high end of the market with the Middle East, there is considerable activity in the budget sector. Istithmar, for example, is transforming the budget accommodation landscape with the easyHotel master franchise.

It will be investing more than US$400m as it rolls out 38 easyHotels across 17 countries, adding more than 38,000 budget rooms over the next five years. The new design concept fits the brand image, so building and opening up these properties for business will be quick and easy. The first to open in Dubai will be located at Al Karama and will be ready for business in early 2008.

> **"Jumeirah won several accolades at the World Travel Awards this summer – including three for its flagship hotel, the Burj Al Arab, described as the world's most luxurious hotel."**

Dubailand, once fully operational expects to attract 40,000 visitors a day

With no shortage of cash for investments in hotels – and other sectors – Middle East companies can obviously afford to look overseas as well as in their own back yard. Between 2005 and 2006, acquisitions by Middle East investors in European hotel assets more than doubled.

One of the highlights in 2006 was the acquisition of Travelodge UK by Dubai International Capital. Since this transaction, Travelodge has announced plans to triple the size of its estate by 2020 and invest £3.5 billion in new hotels, focusing its expansion on Greater London.

Foundation for growth

Of course, it's not only hotels that are altering the Middle East skyline, there is also a massive amount of construction work as leisure facilities, conference centres, theme parks, sporting venues and shopping malls takes shape.

The construction trade reports that around 15%-25% of the 125,000 operational cranes in the world are located in Dubai.

Many of these are being used to build Dubailand, which comprises 3 billion sq. ft. of amusements, cultural attractions, entertainment complexes, health, leisure and sports facilities, resorts, and retail space. Once fully operational, Dubailand expects to attract 40,000 visitors a day – 15m a year. The Dunes golf course at Dubai Sports City is expected to be one of the first attractions to open, at the end of this year.

Development of the man made islands in Dubai – the Palms in Jebel Ali, Jumeirah and Diera – continues. Palm Jumeirah, reported to be the largest man-made island in the world, is aiming to be the eighth Wonder of the World. Even though it is still under construction, residents have already started moving in and the monorail connecting it to the mainland should be completed in December 2008.

In other parts of the UAE, a more back to nature approach is being taken, in order to diversify what the Emirates can offer. US$3 billion is being invested in the Desert Island Destination – a series of eight islands, including Sir Bani Yas Island located 170 kilometres off the coast of Abu Dhabi.

The islands will include a nature reserve – the Arabian National Park – and showcase cultural, ecological and conservational tourism. The destination is expected to attract around 250,000 visitors when the first phase is complete in 2010, rising to over 1m a year by 2017. When fully operational it will generate around US$326m and create around 6,500 jobs.

"Once fully operational, Dubailand expects to attract 40,000 visitors a day – 15m a year."