



Suite SUCCESS

Dubai hospitality survey 2021

June 2021

KPMG Lower Gulf



Foreword

Throughout the past year, individuals, businesses and nations alike have been forced to manage social, medical and economic upheaval. Sectors such as tourism and hospitality were hit particularly hard by the pandemic, as international travel ground to a near halt. The United Arab Emirates' (UAE) hospitality sector—particularly in Dubai and Abu Dhabi—was significantly impacted, when compared with pre-pandemic levels.

Despite a turbulent year, the country has, however, managed to record the second highest occupancy rate globally in 2020 (54.7%), behind China. This, despite strong outbound travel restrictions among many of the UAE's main source markets.

The nation's tourism landscape has undergone a significant shift, with domestic travel far exceeding international visits and luxury, beach and desert resorts outperforming

business hotels. Dubai's popularity as a staycation destination has been key in supporting the emirate's hospitality sector.

The industry has also pivoted to meet customer demands regarding safety and hygiene, while striving to manage operating costs. This has been accomplished using a variety of technological solutions, including online check-in, robotic process automation and chatbots.

Our 2021 Dubai hospitality report explores how Covid-19 has impacted in-country travel and visitors' experiences in Dubai. Findings include insight from both UAE-based consumers and industry owners/operators.

We hope you find this report informative. If you would like to discuss the findings in greater detail, please feel free to contact us.



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Contents



Page
06

Recovering rates



Page
10

Here to stay(cation)



Page
12

Safety first



Page
16

Service remains world class



Page
18

Tempting travelers to return



Page
20

Unlocking the future



Page
24

Methodology and demographics

References	26
About KPMG	27
Contact us	28

Recovering rates

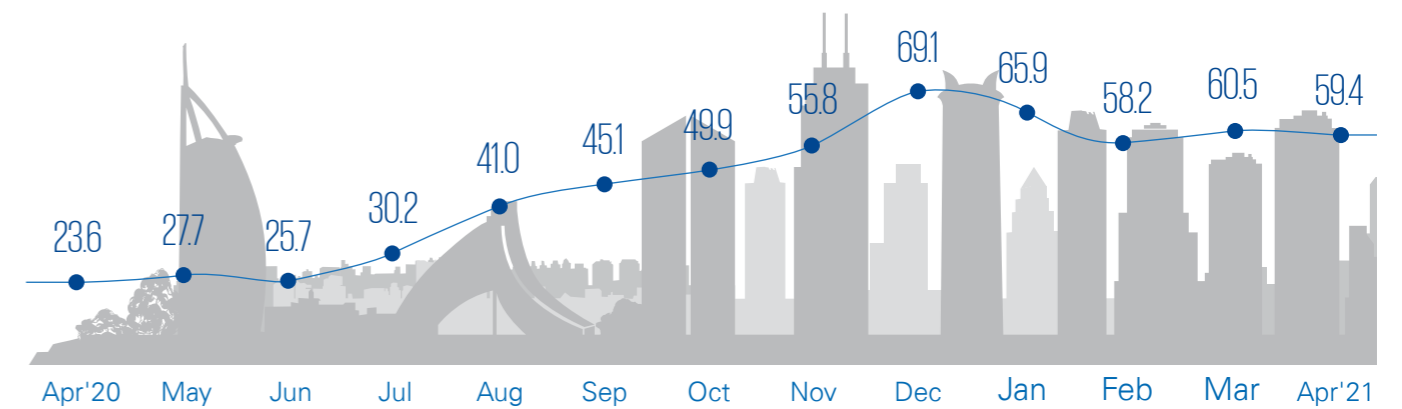
Accounting for 10.3%¹ of global gross domestic product (GDP), the travel and tourism (T&T) industry is vital for many economies, including the UAE. With the global outbreak of Covid-19, the T&T industry suffered its worst year on record in 2020, experiencing a 74% drop in international arrivals. Around the world, pandemic-related travel

restrictions are expected to impact an estimated 100-200 million direct jobs in the industry. In the UAE, the number of visitors traveling to Dubai decreased by almost 67%: from 16.7 million in 2019 to 5.5 million visitors in 2020.²

After nosediving to less than 25% in April 2020, Dubai's occupancy

rates have steadily improved as a result of various hygiene and safety measures. December 2020 marked a twelve-month high of 69%, followed by a slight decrease to 59.4% in April 2021 due to Ramadan.³ The emirate's occupancy levels are significantly higher than the Middle East and Africa region's 2020 rate of 49%.⁴

2020-21 Dubai hotel occupancy levels (%)



Source:STR

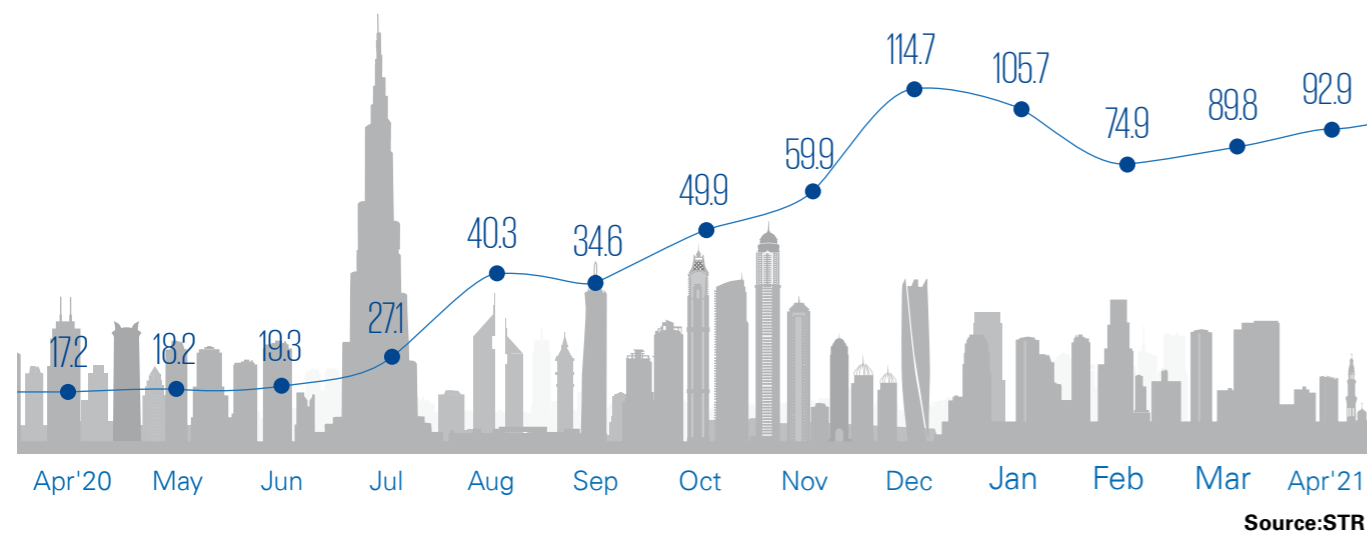


Revenue per available room (RevPAR) in Dubai grew by more than 550% during 2020. After hitting a low of USD 17.2 at the start of the pandemic, RevPAR reached a peak of USD 114.7 in December

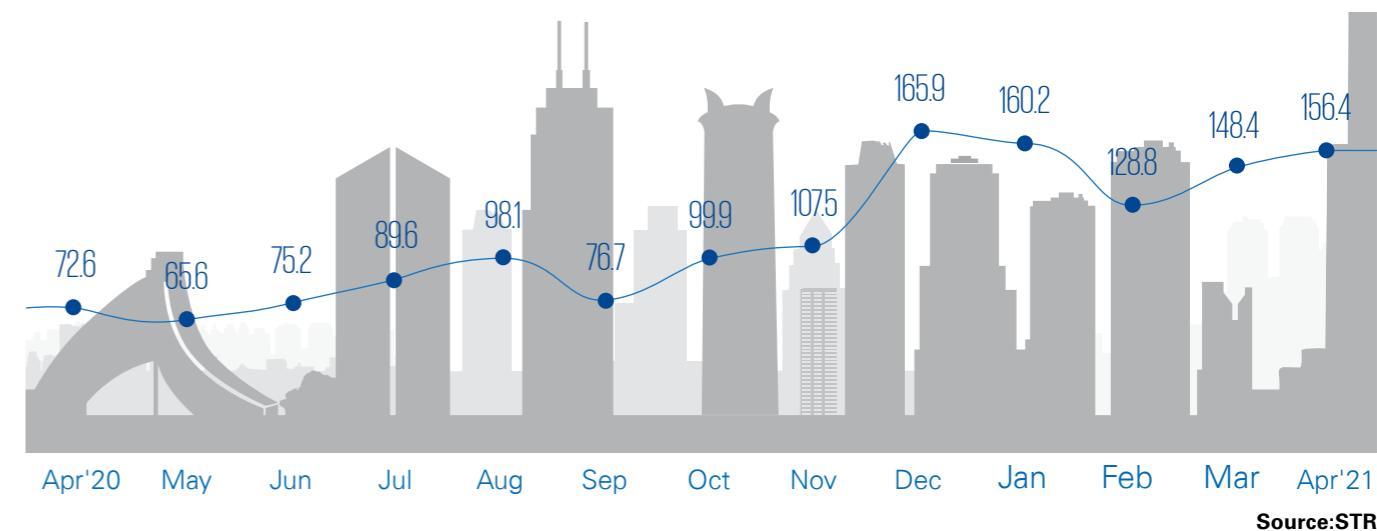
2020, coinciding with the holiday period.⁵ As of April 2021, RevPAR for the emirate stood at USD 92.9. Average daily rate (ADR) for hotels in the emirate also gained momentum toward the end

of 2020, hitting USD 165.9 in December. The new year witnessed a decline however, with April ADR at USD 156.4.⁶

2020-21 Dubai hotels RevPAR (USD)



2020-21 Dubai hotels ADR (USD)



Exploring occupancy, RevPAR and ADR, it becomes clear that the emirate's hospitality industry is in the process of recovering after a significant drop across indicators. However, while luxury, beachfront and desert resorts were able to reduce cost and attract domestic guests, budget and business hotels have struggled to maintain occupancy and ADR.

Current travel restrictions applicable to key source markets (i.e. India and the UK) will put pressure on occupancy in the summer months. However, with school holidays starting in July, demand for staycations will further increase—even during the weekdays.

In addition, vaccination programs continue to expand, demand related to Expo 2020 will increase, and travel restrictions will gradually ease. As a result, occupancy and rates are expected to continue to improve toward the latter half of the year.



Here to stay(cation)



The hospitality industry's recovery has been driven by local demand. The popularity of domestic travel, or "staycations," has been supported by government-issued health and hygiene mandates. In fact, while international arrivals plummeted, the number of room nights sold to domestic tourists throughout the UAE surged from 2.74 million in 2019 to 5.68 million in 2020—an increase of 107%. Domestic room nights accounted for 78% in 2020 compared with just 19% in 2019. Domestic tourism spending stands at AED 41 billion.

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The domestic market will continue to be a critical driver in 2021 and beyond. Events held in Dubai during the winter—such as the Dubai Shopping Festival and Dubai Food Festival—will likely bolster demand, in line with the nation's newly-launched domestic tourism strategy. Hoteliers will play an important role in developing offerings, including activities, special resident rates and hospitality services.



Safety first



In an effort to assist travelers and owner/operators, the World Travel & Tourism Council established the Safe Travels global protocols and stamp in early 2020. In recognition of the emirate's successful citywide management of the pandemic, Dubai was awarded the Safe Travels stamp in July 2020, cementing its position as one of the world's safest destinations.⁸ Locally, the emirate launched the

Dubai Assured stamp in June of 2020, with the goal of assuring visitors that hotels, restaurants, retail outlets and attractions are in line with international health and safety standards and protocols.⁹

Among UAE residents, we find more than three-quarters (77%) of those planning to stay in Dubai would take into consideration whether or not the property

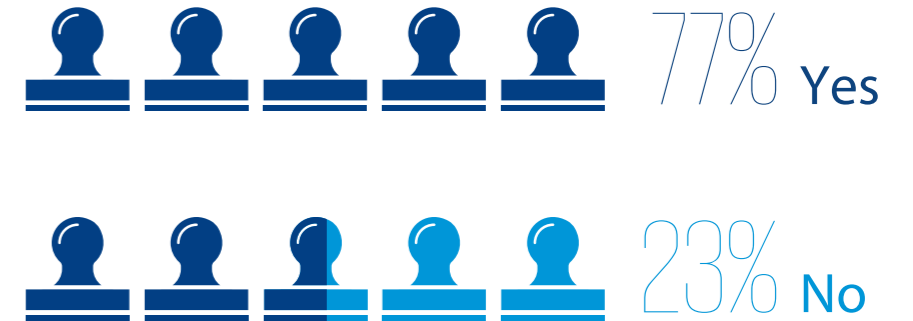
received a Dubai Assured stamp, certifying its sanitization protocols. Consumers continue to express a high degree of concern around Covid-19-related safety measures. Many feel appropriate monitoring, high standards of cleanliness and effective handling of common spaces are critical when it comes to improving customer experience and creating a sense of safety.

In line with awareness of government-led sanitization policies and owner/operator efforts, 80% of consumers are confident that Dubai's hotels apply the required level of sanitization.

Some staycationers suggest hotels provide masks and sanitizers during the stay to complement the experience. More than half (55%) stated they were likely to stay at a hotel in Dubai, notwithstanding

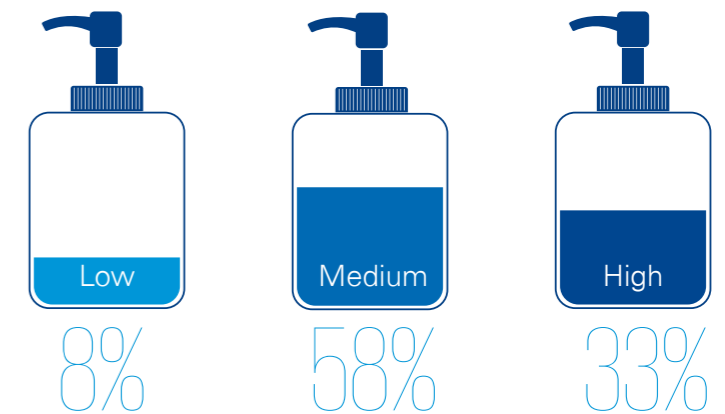
Covid-19. However, only 38% have vacationed in a local property to date, indicating potential for growth.

Would you consider whether a property had received the Dubai Assured stamp before making a hotel reservation?



Source: KPMG Dubai hospitality survey 2021 – consumers

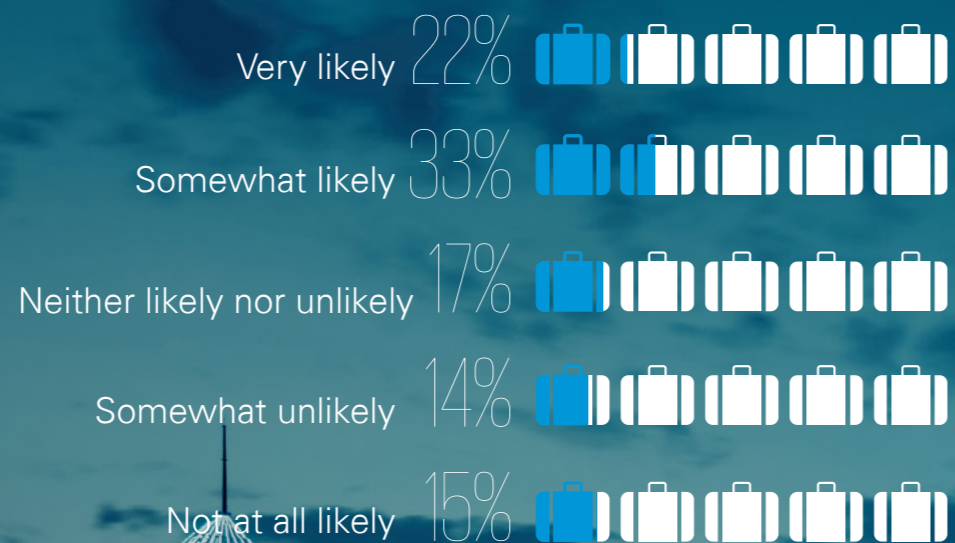
Given sanitization requirements related to hotel operations, how would you rate the additional operational complexity and operational costs caused by Covid-19?



Source: KPMG Dubai hospitality survey 2021 – operators



How likely are you to stay in a Dubai hotel room/hotel apartments/holiday home, given the Covid-19 pandemic?



Source: KPMG Dubai hospitality survey 2021 – consumers

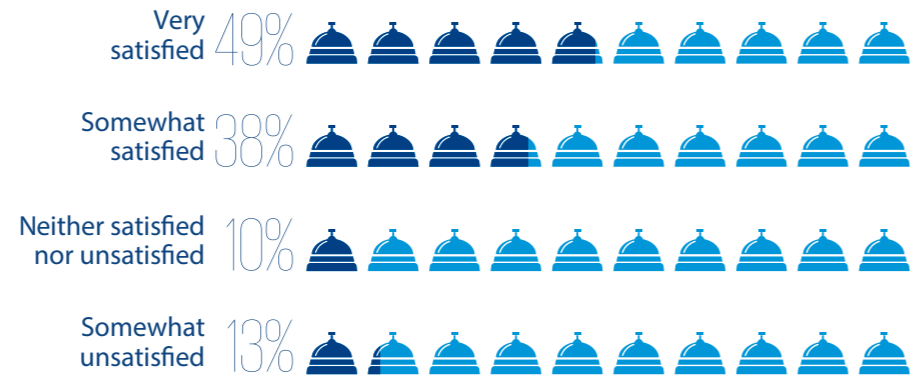
Service remains world class

Despite Covid-19-related challenges, Dubai's reputation for customer service remains true to form. Among those who have stayed at a Dubai-based property during the pandemic, nearly nine in

ten (87%) were satisfied with their experience and 85% would return. While some expressed concern about limited facilities, most approved of safety measures, such as reduced capacity in restaurants.

Seventy-five percent of operators stated that Covid-19 has had a significant impact on how visitors spend their time in Dubai.

Were you satisfied with the experience of staying in a hotel during Covid-19 in Dubai?



Source: KPMG Dubai hospitality survey 2021 – consumers

When welcoming guests, could you please indicate what kind of impact Covid-19 has had on the way hotel guests spend their vacations?



Source: KPMG Dubai hospitality survey 2021 – operators



Tempting travelers to return

So, what would prompt travelers to visit? Eighty-five percent of consumers believe there should be some type of compensation for the changed experience—specifically an adjustment to price. While the culinary experience is a big part of Dubai staycations, opinion was divided as to whether changes to hotel offerings affect consumers' decisions to stay at a particular property. Some suggested an option for packages which catered to family events, such as birthdays and anniversaries, may prompt a stay during the pandemic. Long-stay options are also becoming popular among residents, as hotel rates compete with rental costs.

While leisure travel in the region will likely bounce back, the shift to remote working may change business travel in the long term. Sixty-seven percent of owner/operators believe the meetings, incentives, conferences and

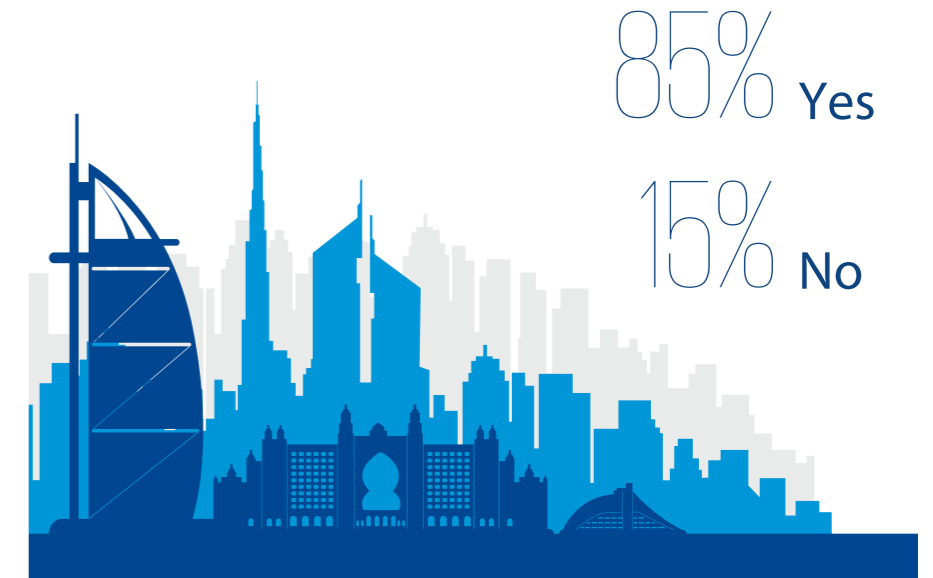
exhibitions (MICE) segment of travel to be at significant risk.¹⁰ According to a recent survey by YouGov, four in ten European business travelers say they will fly less after travel restrictions are removed as a result of video conferencing.

While only time will tell how the MICE segment will evolve, as many as nine in ten (92%) travelers to Dubai saw the emirate as the safest place in the world to conduct business meetings during the pandemic.

Several recent in-person events have welcomed guests from various destinations,¹¹ and the emirate continues to look to the future with optimism. With the re-opening of Dubai and the resumption of MICE activities building up to Expo 2020, efforts to reinforce a sense of safety will remain key in rebuilding the business travel segment.

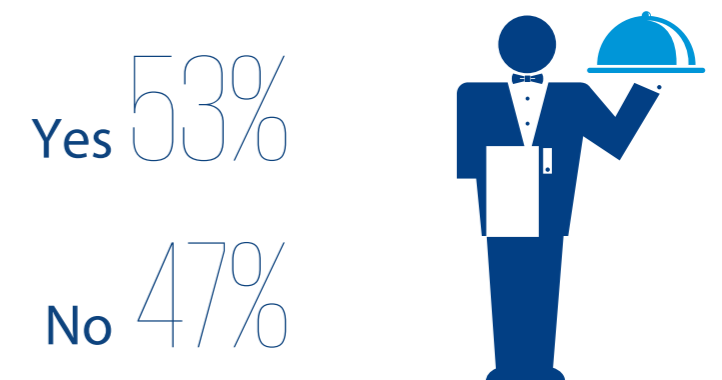
Nine in ten (92%) travelers to Dubai saw the emirate as the safest place in the world to conduct business meetings during the pandemic.

During Covid-19, many Dubai-based hotels developed campaigns/packages to boost staycations. Do you think hotels should further lower prices to compensate for changes in the customer experience?



Source: KPMG Dubai hospitality survey 2021 – consumers

Some food and beverage outlets and facilities are still closed in the Dubai hotels. Does this affect your decision to stay in a hotel in Dubai?



Source: KPMG Dubai hospitality survey 2021 – consumers



Unlocking the future

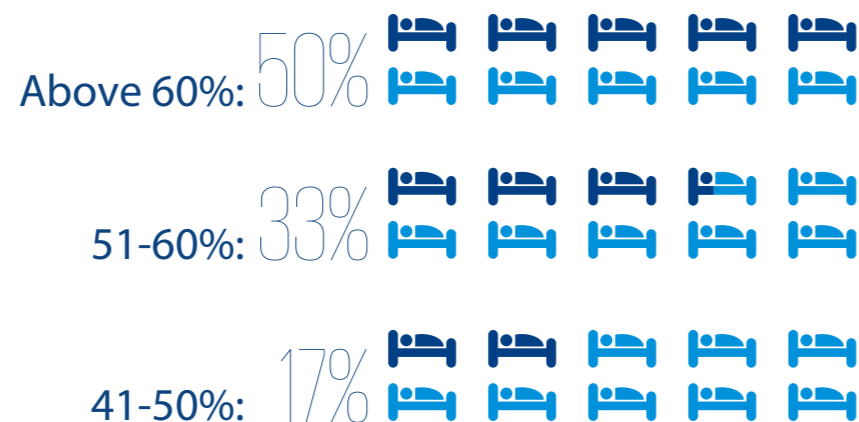


The nation's hospitality market has shown tremendous resilience, boasting the world's second highest occupancy rates in 2020.¹² And Dubai will likely remain a regional and global tourism hub. Leisure and business destinations around the world will only see travel increase, as vaccine rollouts continue and economies gradually

recover. Indeed, our survey finds 75% of owner/operators anticipate the vaccine to be effective in boosting occupancy rates. In fact, half of those surveyed expect occupancy rates above 60% in FY 2021 and 75% expect occupancy to return to pre-Covid-19 levels by 2023.

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What average occupancy rate do you expect to achieve in FY21?



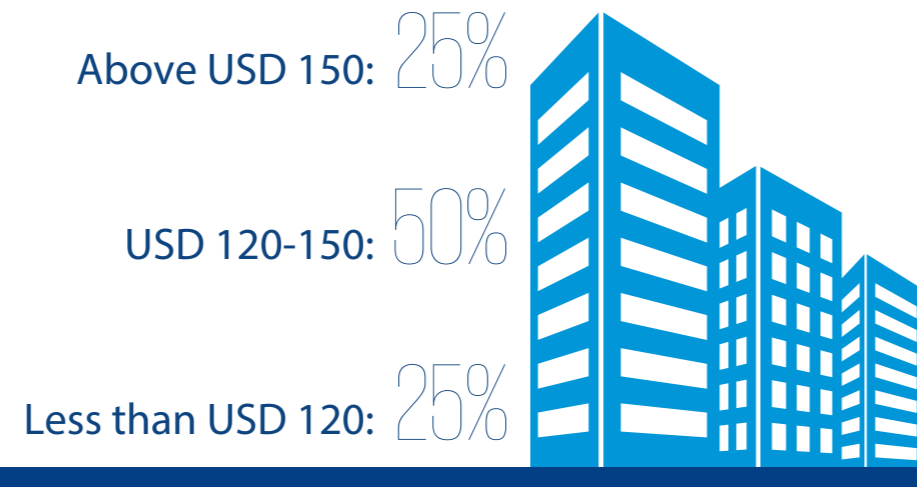
Source: KPMG Dubai hospitality survey 2021 – operators

Among owner/operators of Dubai-based properties in our survey, half anticipate an average daily rate (ADR) of USD 120-150 in 2021, with an additional 25% expecting

USD 150 or higher. Consistent with the presumed occupancy rates' timeframe, 83% expect ADR to return to pre-Covid-19 levels in 2023.



What ADR do you expect to achieve in FY21?



Source: KPMG Dubai hospitality survey 2021 – operators

Considering existing travel restrictions, short- to medium-term challenges will remain. While occupancy and room rates have improved, full recovery will be a longer-term journey.

The Government of Dubai has taken steps to position the emirate as a sought-after destination. New developments are expected to enhance the city's appeal, from Ain Dubai to the Museum of the Future. In addition, increased vaccination rates are

bolstering travelers' confidence and reinforcing the message that Dubai is, indeed, a safe destination. Furthermore, 16,000 keys are expected to be delivered in 2021, adding to the current inventory of 135,000 keys in response to the large number of Expo 2020 visitors anticipated, starting in October 2021

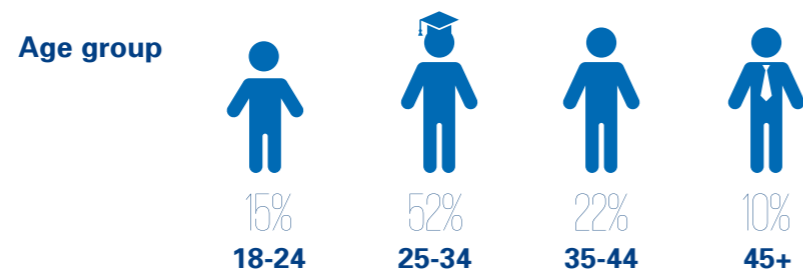
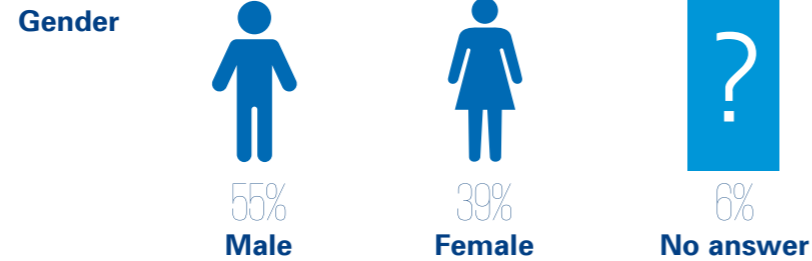
In the long term, these steps are supported by Dubai's 2040 Urban Master Plan, which seeks to enlarge the land used for hotels

and tourist activities by 134%. In addition, the length of public beaches is expected to increase by approximately 400% by 2040. Both measures are expected to drive future growth in the industry.¹³ Given that 67% of owner/operators in our survey expect beachfront hotels to recover fastest, this is likely a welcome move.¹⁴ The approval of multiple tourist entry visas, remote working visas and student sponsorship visas will also likely help boost the sector.¹⁵



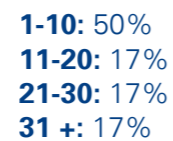
Methodology and demographics

KPMG's 2021 Dubai hospitality survey was conducted in Q4 2020 and Q1 2021. A total of 484 consumers were surveyed across the UAE. Findings are complemented by input from 12 hospitality owners/operators, responsible for 176 properties in the emirate.

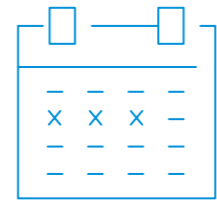


Owner/operator demographics:

How many properties does your organization own and/or manage in Dubai?



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³ STR

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⁶ STR

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¹¹ KPMG Dubai hospitality survey 2020

¹² <https://www.arabianbusiness.com/travel-hospitality/460511-dubai-rated-safest-place-in-world-for-business-travellers-new-survey-shows>

¹³ https://www.arabianbusiness.com/real-estate/460272-urban-master-plan-to-boost-dubais-real-estate-market?utm_source=newsletter&utm_medium=email&utm_campaign=arabianbusiness_newsletters&utm_email=jduff@kpmg.com

¹⁴ KPMG Dubai hospitality survey 2020

¹⁵ <https://timesofindia.indiatimes.com/travel/travel-news/uae-approves-multiple-entry-tourist-visas-for-all-nationalities/as81633353.cms>

About KPMG

For almost 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman. We work alongside our clients by building trust, mitigating risks and identifying business opportunities.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 227,000 professionals in over 146 countries. KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise, providing the sector and specialist skills required by our clients.

KPMG is widely represented in the Middle East: along with offices in the UAE and Oman, the firm is well established in Saudi Arabia, Bahrain, Kuwait, Qatar, Egypt, Jordan and the Lebanon. Established in 1973, KPMG in the UAE and Oman employs 1,485 people across four offices, including about 100 partners and directors.

Our latest initiative, KPMG IMPACT, aims to help clients future-proof their businesses amid times of increasing focus towards issues such as climate change and social inequality. The goal is to help them achieve success across 17 major Sustainable Development Goals (SDGs) and become more resilient and socially conscious.

For FY21, the firm has earmarked a global budget of USD 1.43 million for the initiative.

As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. Our values are:



Integrity: We do what is right.



Excellence: We never stop learning and improving.



Courage: We think and act boldly.



Together: We respect each other and draw strength from our differences.



For Better: We do what matters.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change. Our three pillars

- exceptional quality of service, an unwavering commitment to the public interest, and building empowered teams
- are the foundation of our firm.

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Publication name: Suite success

Publication number: 3487

Publication date: June 2021

www.kpmg.com/ae

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