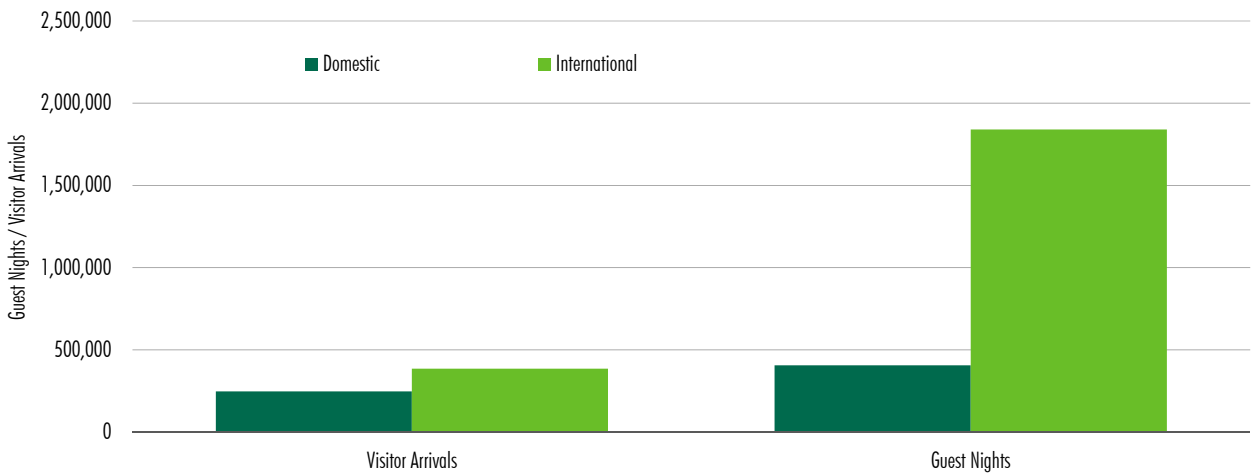


Ras Al Khaimah Hospitality & Residential Q3 2017

RAK's hospitality market continues to generate positive visitor and occupancy growth

▲ **Hotel Occupancy Rates** 2.4% (year-to-date)
 ▼ **Hotel ADRs** 3.5% (year-to-date)
 ▲ **Visitor Arrivals** 3.1% (year-on-year)
 ▼ **Residential Rentals** -3.0% (quarter-on-quarter)

Figure 1: Visitor Arrivals & Guest Nights (Sep-YTD)



Source: RAKTDA

- RAK tourism market continued to expand, with 631,317 visitors recorded during the first nine months of 2017, against an annual target of 900,000. This reflected a 3.1% increase over the same period last year.
- Overall airport traffic through Ras al-Khaimah international Airports grew by 17.6% during the first nine months of the year, versus the same period in 2016.
- Guest nights in the Emirate were also up, rising 12.4% from around 2.0 million nights in 2016 to reach 2.2 million in 2017. This was buoyed an increase in the average length of stay, which rose from 3.26 nights to 3.55 nights.
- According to data from STR Global, RAK's year-to-date occupancy rate to September 2017 rose by around 2.4% versus 2016 performance.
- During the same period, ADRs declined by 3.5%, whilst RevPARs grew marginally by around 0.1%.
- Average residential rental rates have continued to fall, declining 3% during the quarter, taking the full year drop to around 8%.

OVERVIEW

RAK's tourism sector has continued to buck the negative trends experienced across much of the region, posting growth in both tourist arrivals and year to date occupancy rates in the nine months to September 2017. This was also reflected in the performance of Ras al-Khaimah International Airport, which witnessed an increase in passenger movements as the Emirate continues its drive to become a year round tourism destination. Cargo volumes were also up, rising sharply by 32% year-on-year, whilst overall airport movements grew by 17.6% during the same period.

HOSPITALITY MARKET

According to data from RAKTDA, the Emirate’s tourism market continues to grow, attracting over 240,000 visitors during the third quarter. This brought the year-to-date figure to 631,317, against an annual target of 900,000 visitors. This equated to a 3.1% increase over the same period last year.

There was also an increase in the average length of stay, which reached 3.55 days and represented a 7% increase against full year 2016.

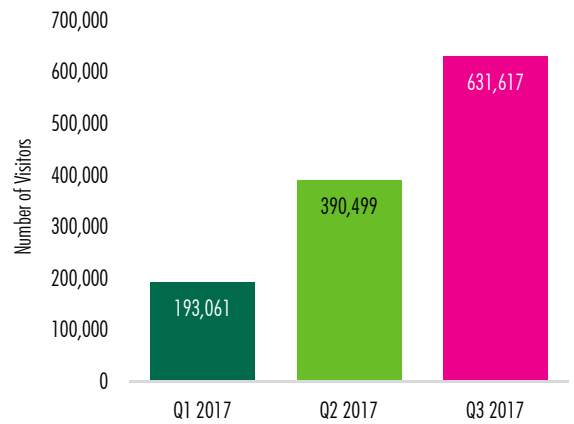
Guest nights also registered solid growth, rising 12.4% to around 2.2 million during the first nine months of the year. Domestic demand from UAE Nationals and other UAE residents remains as the key source of demand. However, the number of international visitors is growing rapidly as the Emirate invests in new target markets, which includes Northern Europe, China and India.

As part of plans to further increase average length of stay and to generate a more compelling leisure offering, various new tourism infrastructure developments are being delivered. This includes the world’s longest zipline (2,500 meters) and an observation deck at the top of the Jebel Jais mountain, which are both expected to open before the end of the year.

With visitor numbers steadily increasing, and with limited new supply being added to the market, RAK’s hotels have continued to generate positive occupancy growth, with a 3.5% increase in year-to-date occupancy rates according to data from STR Global. Occupancy rose from 70.5% in 2016 to reach 72.9% in year-to-date September figures for 2017.

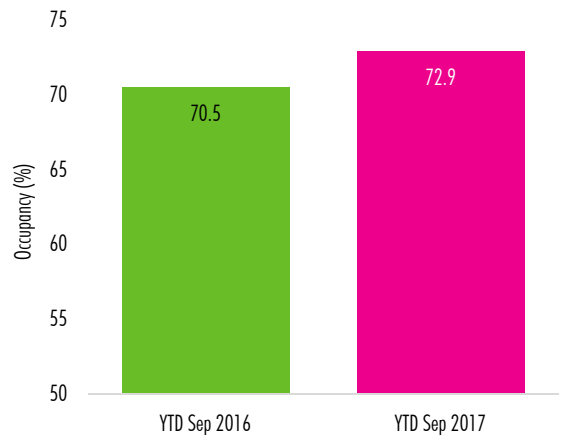
However, ADRs dropped by around 3.5% year-on-year, due to a combination of macroeconomic factors and growing competition from other domestic and regional tourist destinations. Thanks to the continued increase in occupancy rates, average RevPARs have been stable at around AED 418/room/night.

Figure 2: Quarterly Visitor Numbers (Q1-Q3 2017)



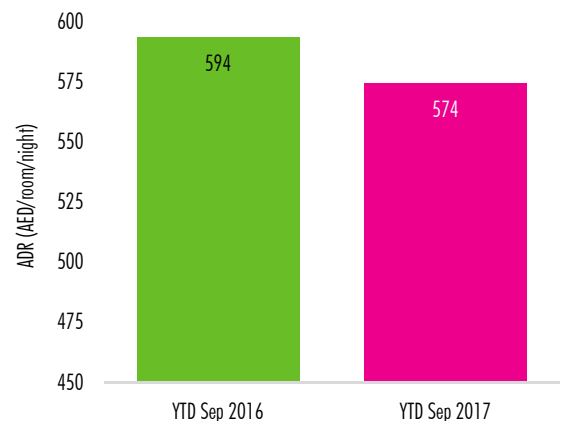
Source: RAKTDA

Figure 3: Year-to-Date September Occupancy (Q3-2016 vs. Q3-2017)



Source: STR Global

Figure 4: Year-to-Date September ADR (Q3-2016 vs. Q3-2017)



Source: STR Global

The Emirate’s hospitality stock will receive a boost in 2018, with the anticipated completion of around 750 new rooms. This includes the opening of the 200 key CityMax Hotel in RAK City, and the 410 room Park Inn by Radisson Al Marjan Island.

In total, there are now over 2,500 keys currently under construction in RAK, with the majority located within the Al Marjan Island and Mina Al Arab masterplans. This equates to more than 40% of the existing supply, with the majority of these rooms to be delivered in 2020. However, there are also a large number of new keys still in the planning stages or awaiting a development start.

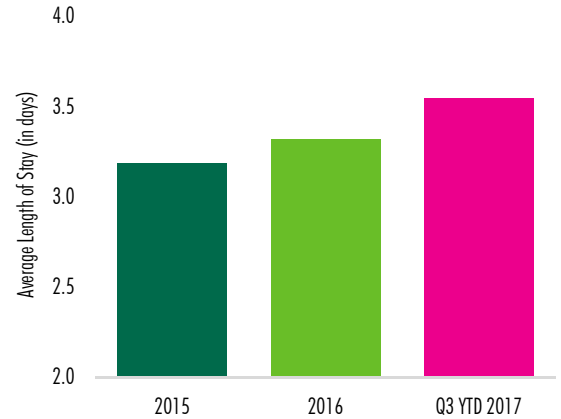
This includes two new resort developments on Al Marjan Island totaling more than 1,000 rooms, which were announced during the quarter; Al Mahra Resort and another beachfront hotel by a private developer. This is in addition to other 5-Star resorts already underway or planned, including the Anantara Mina Al Arab Ras Al Khaimah Resort, Intercontinental Beach Resort Mina Al Arab, Address Hotel Al Marjan RAK, Movenpick Al Marjan Island and Millennium Hotel & Resort Ras Al Khaimah.

RESIDENTIAL MARKET

Rental rates in RAK continue to experience deflationary trends, which has been driven by weak demand fundamentals and the impact of downward rental pressures in neighbouring Dubai and Sharjah.

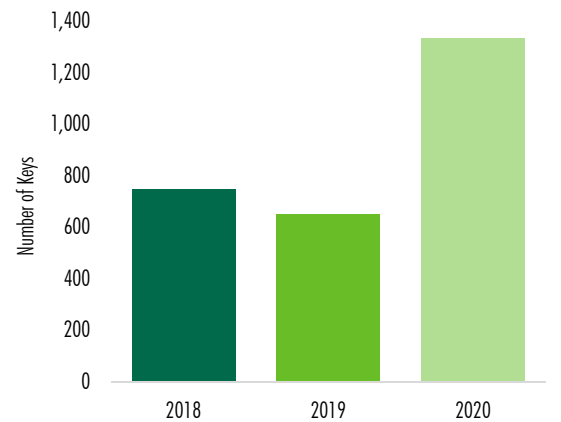
Over the quarter, average rentals fell by around 3%, bringing the full-year drop to 8%. Average apartment rentals in Mina Al Arab and Al Hamra Village range from AED20-30,000/unit/annum for Studios, AED35-50,000/unit/annum for 1-bedrooms, and AED59-65,000/unit/annum for 2-bedrooms.

Figure 5: Average Length of Stay



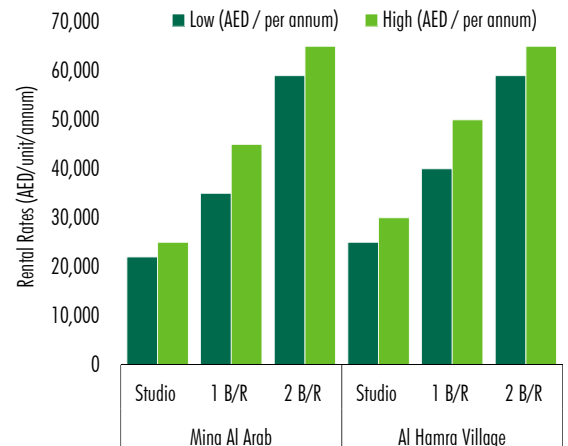
Source: RAKTDA

Figure 6: Future Hospitality Supply (2018 – 2020)



Source: CBRE Research

Figure 7: Residential Apartment Rental Rates – Q3 2017



Source: CBRE Research

OUTLOOK

RAK's tourism market is set to enjoy another strong year, with visitor number currently on target to better the 2016 total. With minimal new supply entering the market during the remainder of 2017, this will likely translate into positive growth in overall occupancy rates, as hotels buck wider regional trends.

However, the future supply pipeline is starting to swell with a significant number of new large-scale resort properties in varying stages of construction and planning. We anticipate that the hospitality sector will enter into a new growth phase from 2020 onwards, although the next two years should offer conditions for potential revenue growth for well-run existing properties.

Whilst supply levels in the residential sector have generally been more constrained, we anticipate further deflation of rental rates across the market driven by falling rates in Dubai and the wider Northern Emirates.

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