

MIDDLE EAST & AFRICA: *United Arab Emirates*



GEOGRAPHY

- ◇ Abu Dhabi
- ◇ Dubai
- ◇ Sharjah
- ◇ Ajman
- ◇ Umm al-Qaiwain
- ◇ Ra's al-Khaimah
- ◇ Fujairah

The largest Emirate, Abu Dhabi, accounts for 87 percent of the UAE's total area (67,340 square kilometers). The smallest Emirate, Ajman, encompasses only 259 square kilometers.

POLITICS

The UAE is a federation of seven independent Emirates ruled by local emirs. At present Abu Dhabi's Sheikh Khalifa bin Zayed Al Nahyan is the UAE President.

ECONOMY

UAE is one of the richest nations in the Middle East with one of the highest per capita incomes in the world. The UAE economy recorded a growth of 7.4% in 2008. Preliminary data issued by the Central Statistics Department of the Economy Ministry indicates that total Gross Domestic Product (GDP) at fixed price amounted to AED 535.6 (USD 145.8) billion in 2008, representing a growth rate of 7.4 per cent, against AED 498.7 (USD 135.8) billion, and a growth rate of 5.2 per cent in 2007, whereas the GDP at current price totalled to about AED 929.4 (USD 253.1) billion in 2008 over AED 729.7 (USD 198.7) billion in 2007. That's why the UAE economy proved to be less affected by the fluctuating oil prices in comparison to other Middle East countries.

CURRENT ECONOMIC CLIMATE

The economic downturn has also hit the UAE, especially Dubai which had a very rapid growth over the past few years. Even though the situation is tough at the moment the general outlook is positive for the future. The world's largest government financial fund is in the region: ADIA - the Abu Dhabi Investment Authority - is a sovereign wealth fund owned by Abu Dhabi, United Arab Emirates and manages a substantial amount of capital (between \$500 and \$950 billion). Selective investments are still made now and will continue in the future – on a regional and global scale. ADIA was established in 1976 by Sheikh Zayed bin Sultan Al Nahyan, the founder of the UAE. The goal was to invest the Abu Dhabi government's surpluses across various asset classes with low risk. It was the first government fund investing its reserves in anything other than gold or short-term credit





SPA AND WELLNESS SECTOR

Current SPA and Wellness industry in UAE

The majority of SPA business in the UAE (specifically Dubai and Abu Dhabi) is hotel driven. A large amount of it is new business and there is little that has been established for more than 10 years. Also the Emirates Ra's al- Khaimah, Fujairah and Sharjah invest in the Hotel sector. The trend of development is consistently more focused on SPA investment and the realisation of the "Success" of the SPA being directly linked to ADR (average daily rate/revenue) and occupancy.

With an increasing amount of spas being introduced to the UAE, the overall strategy becomes more and more important. The experience of the spa operator, the marketing approach and the ability to adapt to customer's desires become more and more important in the changing market. The UAE of all places relies heavily on high spending tourists. Currently some SPAs are retaining volume but losing on treatment spend through special promotions and value offers which are needed to attract the local residential market. The retail spend has dropped by as much as 40% in 2009.

Impact (effect) on the SPA customers

Retail is seeing a big hit at the high end where units cost \$ 120 plus. At a 5 star plus level the expectations are for a 30% drop. On the other hand SPAs and salons at the 3 and 4 star levels could be the big winner here. Expectations in this segment predict a rise in volume and revenues. The reason is that the usual 5 star spenders become more cost-conscious and look out for 'good value for money' packages. Spending decisions have moved from emotional to more rational motives.

Within Dubai specifically, the rates for treatments have been reduced in favour of retaining volume and to create an opportunity to spend more on retail. The retail spend in the SPA is dependant on the volume of treatments, therefore this pattern is similar to the summer season when room rates dive to maintain volume and create revenue for the restaurants, shops etc.

There is huge opportunity for good 3 and 4 star models- the expectation is that the UAE is unlikely to see the rates and the sustained occupancies seen in previous years and the region is going through a huge "reality check". Spa operators with a high level of flexibility who listen to the market and the desires of the customers will be the winners in this economic climate. Attractive value-for-money treatment packages need to be created – keeping a high-level of quality for the customer, but saving costs by smarter sourcing and leaner process management.

CURRENT PROJECTS HOTELS & ADJACENCIES

- ◇ 55 projects Abu Dhabi
- ◇ 88 projects Dubai
- ◇ 8 projects Ra's al-Khaimah
- ◇ 7 projects Sharjah
- ◇ 2 projects Ajman
- ◇ 10 projects Fujairah

170 projects are on launch by the developer. Approximately 2/3 are on hold because of the Economic situation.

Unique new spa projects:

- ◇ New Banyan Tree Resort in Ra's al-Khaimah
- ◇ Armani Hotel & Spa Burj Tower Dubai

SUBMITTED BY:

Elmar Nagele

CEO

Thermarium Bäder-Bau - Branch Abu Dhabi

+43.5244.65660

nagele@thermarium.com

www.thermarium.com

