



UNITED ARAB EMIRATES SPA MARKET OVERVIEW

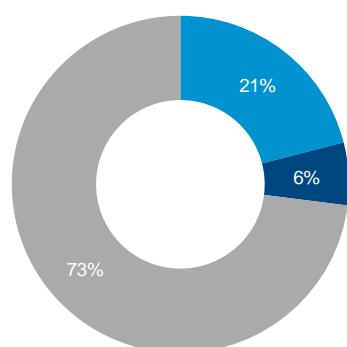
MAY 2014

SPA MARKET OVERVIEW | UAE

TABLE OF CONTENTS

Executive Summary	1
Spa Business Model	2
Spa Business Trends	4
UAE Spa Trends	5
Dubai Spa Characteristics	6
Abu Dhabi Spa Characteristics	7
UAE Spa Characteristics	8

UAE MONTHLY SPENDING ON HEALTH & BEAUTY



■ AED 367-AED 734 ■ AED 735-AED 1,100 ■ Other

Source: Colliers International, 2014

KEY PERFORMANCE INDICATORS DUBAI

	Luxury Hotel Spas
Average No. of Treatment Rooms	6.9
No. of Therapists per Treatment Room	0.9
Average treatment duration (h)	1.1
Utilization of treatment rooms' hours (%)	27%
Utilization of therapists' hours (%)	57%
Hotel Guests (%)	71%
Non-Hotel Guests (%)	29%
RevPATH	121

Source: Colliers International, 2014

KEY PERFORMANCE INDICATORS ABU DHABI

	Luxury Hotel Spas
Average No. of Treatment Rooms	10.3
No. of Therapists per Treatment Room	0.8
Average treatment duration (h)	1.1
Utilization of treatment rooms' hours (%)	20%
Utilization of therapists' hours (%)	43%
Hotel Guests (%)	45%
Non-Hotel Guests (%)	55%
RevPATH	109

Source: Colliers International, 2014
Note: Revenue per Available Treatment Room Hour (RevPATH)

Executive Summary

SPA BUSINESS MODEL

The spa concept is more than just a therapeutic ritual for the body. It is now applied for various purposes, to heal both the body and mind, offering a large variety of techniques from Thai body massages to meditation and breathing techniques.

Spas can be operated in various ways; the most common operating model currently present in the UAE is the "hotel operated spa" model; spas within hotels that are managed by the hotel operating company.

In an effort to standardize and organize the global spa industry, an official classification system has been created with six categories: Club Spa, Day Spa, Destination Spa, Medical Spa, Mineral Springs Spa, Resort & Hotel Spa.

SPA TRENDS IN THE UAE

Over the last few years a large number of trends have emerged in specialized destination spas:

- The "mindfulness" massage involves more than just physical comfort and pampering; it is meant to have an impact on both body and mind.
- "Earthing" refers to movements that induce contact with the earth and with natural environments, such as walking barefoot on grass.
- Health coaching is increasingly popular as people are becoming aware of the benefits of a healthy lifestyle. Health and wellness coaching is aimed at giving long-term health benefits, by providing preventative lifestyle changes.
- The UAE boasts one of the largest spa markets in the world and the UAE wellness products and services sector is estimated to generate revenue of AED 11 billion by 2015.

SPA BUSINESS TRENDS

Hotels are no longer considered only as a place to sleep. Because of this, hotels have become progressively experience-driven and have begun to adapt their offerings to meet this requirement.

Spa-goers have never been so pressed for time; as a result they look for moments to "quickly relax". Spas have successfully been able to address the need by proposing shorter treatments and sporadically in non-traditional settings.

SPA CHARACTERISTICS IN THE UAE

The entry-level rates for Midscale Spas start from approximately AED 150-200 for 60-minute treatments; while average treatment rates reach approximately between AED 250-400 in Upscale Spas and AED 450-600 in Luxury Spas.

Across the UAE, Midscale Spas have approximately on average 8 treatment rooms. Average treatment rooms in Upscale Spas is approximately 6 in Dubai and 7 in Abu Dhabi. For Luxury Spas, average treatment rooms is approximately 7 in Dubai and 10 in Abu Dhabi.

There is an opportunity for Midscale Spas in Abu Dhabi to target more male customers as currently they are focusing mostly on females.

The sale of retail products in spas can generate a significant amount of revenue with the right product display.

In the UAE, there are further opportunities to develop branded standalone spas to over penetrate a large number of unbranded/low quality standalone spas.

To develop a spa, it is important to understand the various business models that are suitable for different strategies, depending on the level of risk, reward and brand differentiation.

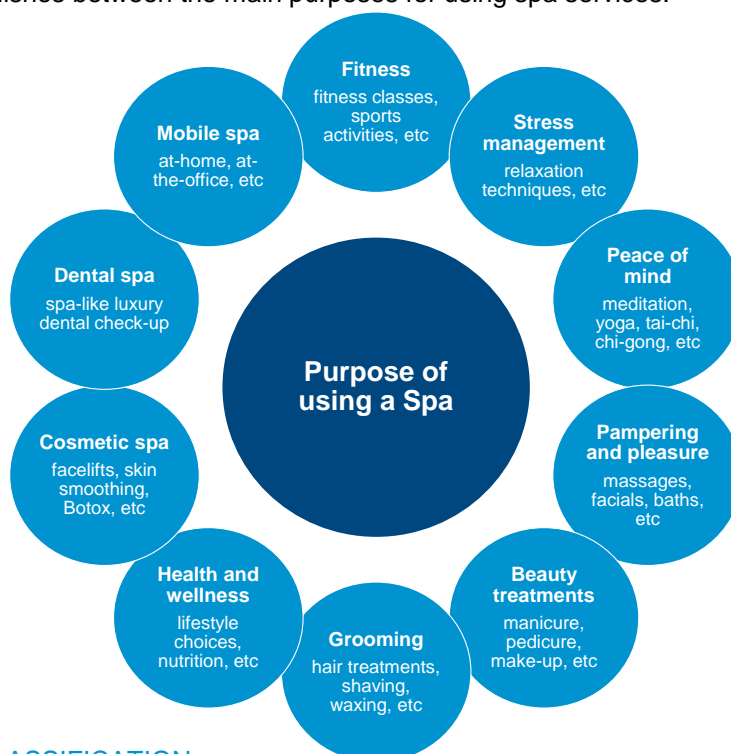
INTERNATIONAL SPA CLASSIFICATION

Spa Business Model

INTRODUCTION

The spa concept is more than just a therapeutic ritual for the body. It is now applied for various purposes, to heal both the body and mind.

Spas offer, today, a large variety of techniques ranging from Thai body massages to meditation and breathing techniques. The following list distinguishes between the main purposes for using spa services:



SPA CLASSIFICATION

In an effort to standardize and organize the global spa industry, the international spa association (ISPA) has developed a classification system to differentiate the facilities, services and offerings. The official classification consists, today, of the following six categories: Club Spa, Day Spa, Destination Spa, Medical Spa, Mineral Springs Spa, Resort & Hotel Spa.

Out of the above spa categories, the most commonly found in Dubai are the Day Spa and Resort/Hotel Spa concepts, while the most commonly found spa in Abu Dhabi is Resort/Hotel Spa.

The Exhibit below describes in further detail the typical service offering in each spa category.

Club Spa	Day Spa	Destination Spa
Typical Services Personal training Pool Cardio / Weights Yoga / other classes Nutrition / Juice bar Sports massage / Limited menu 1 or 2 treatment rooms only	Typical Services Massages Facials Waxing Manicure Pedicure Other grooming Yoga / Pilates / Meditation	Typical Services 3 to 7-day programs Massages Detox Scrub Yoga / Pilates / Meditation Personal training Group wellness activities Healthy food
Radisson Blu Dubai Creek	Angsana Spa Dubai Marina	Six Senses Zighy Bay
		

Source: International Spa Association, 2013

SELECTED SPA BRANDS



Medical Spa
Typical Services Skin smoothing laser treatments Facelifts Botox Body shaping Cosmic dentistry Rehabilitation Pediatric physiotherapy



Mineral Springs Spa
Typical Services Natural Springs Hot spring pools Spa treatments with minerals Herbal treatments Aqua/hydrotherapy Seaweed bodywrap



Resort/Hotel Spa
Typical Services Massages Facials Waxing Manicure Pedicure Other grooming



OPERATING MODEL

Operating Model	Developer's Risk	Operating Model	Developer's Risk
Hotel Operated	Medium	Leased	Low
Owner Operated	Very High	Franchised	High
Spa Management Company	Medium	Revenue/Profit Sharing	Low

The franchise and revenue/profit sharing operating models are still in their infancy in the UAE.

There is also a relatively low number of standalone day spas managed by branded spa management companies such as Anantara, Six Senses and Angsana.

The most common operating model in the UAE is the 'hotel operated spa' model.

While there are high costs associated with appointing a branded spa management company, there are clear benefits as well:

- A branded spa benefits from higher perceived quality and induced demand.
- Unbranded spas in the UAE are often seen as unhygienic; therefore, a branded spa can over penetrate the upper-tier customer segment.
- An internationally branded spa company usually has higher service and quality standards than unbranded ones.
- An experienced spa management company has experience in pricing, yield management, marketing and operations, which potentially translates into higher efficiencies and profitability.
- Professional design and technical services are usually part of the management agreement.

Source: Colliers International, 2014

Spa Business Trends

Spas have mainly made their decisions based on informal estimations of demand in regard to treatment mix, scheduling and pricing; however, due to the current demand environment, there is no room for subjective decision-making.

Operators have been utilizing RevPATH as a metric for a rational comparison of varied spa services/products/treatments; different spas calculate their RevPATH according to their goals, for example: ultra luxury and luxury spas are expected to look for higher expenditure per guests while midscale spas might prefer high volumes of business.

Spa managers must be able to estimate their operations time-related demand in order to be able to make effective pricing and capacity allocation decisions to manage both high and low periods.

Typically, a well-operated spa should have a staff utilization ratio of 60-70%. Above this means that staff is being over-utilized, which may cause fatigue and lower quality service.

Hotels are no longer considered only as a place to sleep. Because of this, hotels have become progressively experience-driven and have begun to adapt their offerings to meet this requirement.

Spa's are no longer a niche industry, but instead are a major revenue producer for the hotel industry, indeed, rooms as well as Food & Beverage revenues, can significantly be complemented by spa and wellness revenue streams.

BUSINESS TRAVELERS

Spa-goers have never been so pressed for time; as a result they look for moments to "quickly relax". This has been even more true for business travelers which have limited free time.

Spa's have successfully been able to address the need by proposing shorter treatments and sporadically in non-traditional settings.

SPA AND RESORT PROPERTIES

Spa & Resort properties have experienced a significant growth of "combined travel" meaning that business travelers add a few days to the business trip to both relax after a busy work week while being joined by their loved ones.

SPA MEMBERSHIP AND LOYALTY PROGRAMS

A spa makes commercial sense if the spa can attract a mix of local and out-of-town guests, especially in an urban setting.

As a result, an increasing number of hotel spas have tailored their marketing approaches to attract the local clientele by offering:

- **Club memberships:** Members pay a flat monthly rate to use the spa amenity areas (pool, steam, sauna and fitness center) and receive one treatment monthly.
- **Loyalty rewards:** Most midscale spas targeting the residents offer a loyalty reward system, which usually operates a point system or stamp system:
 - ❖ **Point system:** A point is earned when spending a specific monetary amount on treatments, then once enough points are earned the customer can redeem various treatments (depending on the amount of points).
 - ❖ **Stamp system:** A stamp is received for every qualifying treatment. Once enough stamps are collected, the customer receives a free treatment.

For Upscale and Luxury Spas, implementing a "value added" strategy by offering extra minutes/services during treatments rather than discounts will be more appealing to their customers.



Talise at Jumeirah Emirates Towers

Target Market: Business travelers
Time Duration: 15-60 minutes

Typical Services
Facial
Massage Treatments
Tanning & waxing
Talise Rituals



Six Senses Spa Abu Dhabi Airport

Target Market: Business travelers in transit.
Time Duration: 15 minutes

Typical Services
Massage Therapies
Facial Therapies
Wellness Therapies
Scrubs & Wraps

Source: Colliers International, 2014

SPAS IN THE UAE

b/attitude Spa, Grosvenor House, Dubai



Tibetan Ayurvedic massages
Marma therapy
Padi puja

Talise Spa, Madinat Jumeirah, Dubai



Outdoor treatment tent
Full moon yoga on the beach
Sunrise yoga on the beach

Talise Ottoman Spa, Jumeirah Zabeel Saray, Dubai



Authentic Turkish Hammam
Traditional kese mitt body polish and foam
massage
Authentic body cleansing

balance, Well-being 360, Dubai



Yoga and Pilates
Wellness Program
Organic and Ayurvedic Therapies
Spa Bike

UAE Spa Trends

Hotel /destination spas tend to offer the most luxurious facilities/services. In recent times a number of concepts such as “mindfulness” massage, “earthing”, ancient techniques and health coaching have emerged in the UAE.

TREND: MINDFULNESS AND ONENESS

The “mindfulness” massage involves more than just physical comfort and pampering; it is meant to have an impact on both body and mind. The focus is on combining traditional wellbeing methods with breathing techniques and guided visualization (among other methods), to connect the body and the mind; which is meant to have benefits such as heightened focus and creativity as well as reduced stress.

Mindfulness can take several forms, such as meditation, yoga, breathing exercises, a combination of massage and guided visualization.

TREND: “EARTHING”

“Earthing” refers to movements that induce contact with the earth and with natural environments, such as walking barefoot on grass.

To apply the “Earthing” concept, spas bring the experience and treatment outdoors; or alternatively can take outdoor elements into the treatment room.

“Earthing” can take several forms, such as offering treatments outdoors (i.e. in the garden or on the beach) or opening spas in the wilderness (i.e. in the forest, desert, etc.). Even in certain big cities, spas have brought vegetation and natural gardens into the building.

TREND: ANCIENT TECHNIQUES

Ancient techniques such as Roman baths, Ayurveda from India, the Turkish Hammam, Traditional Chinese Medicine, the Moroccan bath or other natural springs and minerals have been around for a long time. The return of these, and other, ancient spa-concepts are fuelled by:

- Traditional massage treatments have become mainstream, certain people want to try new experiences.
- Through the internet, people have learned about the health benefits of such ancient methods.

TREND: WELLNESS AND LIFESTYLE COACHING

Health coaching is increasingly popular as people are becoming aware of the benefits of a healthy lifestyle. Health and wellness coaching is aimed at giving long-term health benefits, by providing preventative lifestyle changes.

Spa coaching usually takes the form of a program, which is determined after establishing the purpose and objectives of the customer.

Health and wellness coaching has recently been introduced in the UAE, mostly in standalone spas and institutions.

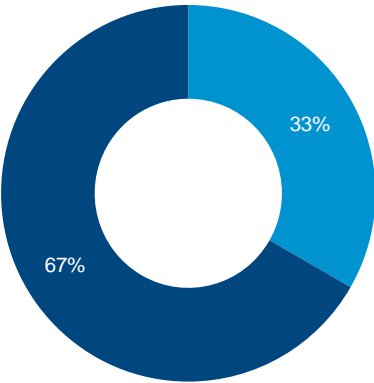
The process typically includes a health assessment, and then a tailored program is made according to the needs of the customer.

Source: Colliers International, 2014

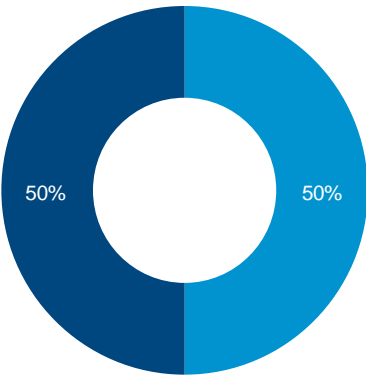
Dubai Spa Characteristics

SPA CUSTOMER PROFILES DUBAI

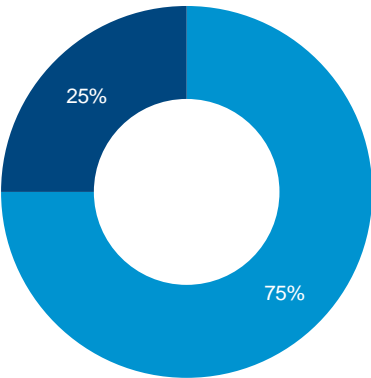
Luxury Hotel Spas



Upscale Day Spas



Midscale Day Spas



Male Customers (%) Female customers (%)

Source: Colliers International, 2014

KEY PERFORMANCE INDICATORS

The Exhibit below represents the key performance indicators by type of Spa (Hotels Spa, Upscale Day Spa, Affordable / Midscale Massage Center).

	Luxury Hotel Spas	Upscale Day Spas	Midscale Day Spas
Average No. of Treatment Rooms	6.9	6.3	8.6
No. of Therapists per Treatment Room	0.8	0.6	0.9
Average treatment duration (h)	1.1	0.9	1.0
Utilization of treatment rooms' hours (%)	27%	30%	40%
Utilization of therapists' hours (%)	57%	60%	46%
Hotel Guests (%)	71%	0%	0%
Non-Hotel Guests (%)	29%	100%	100%
Revenue per Available Treatment Room Hour (RevPATH)	121	95	80

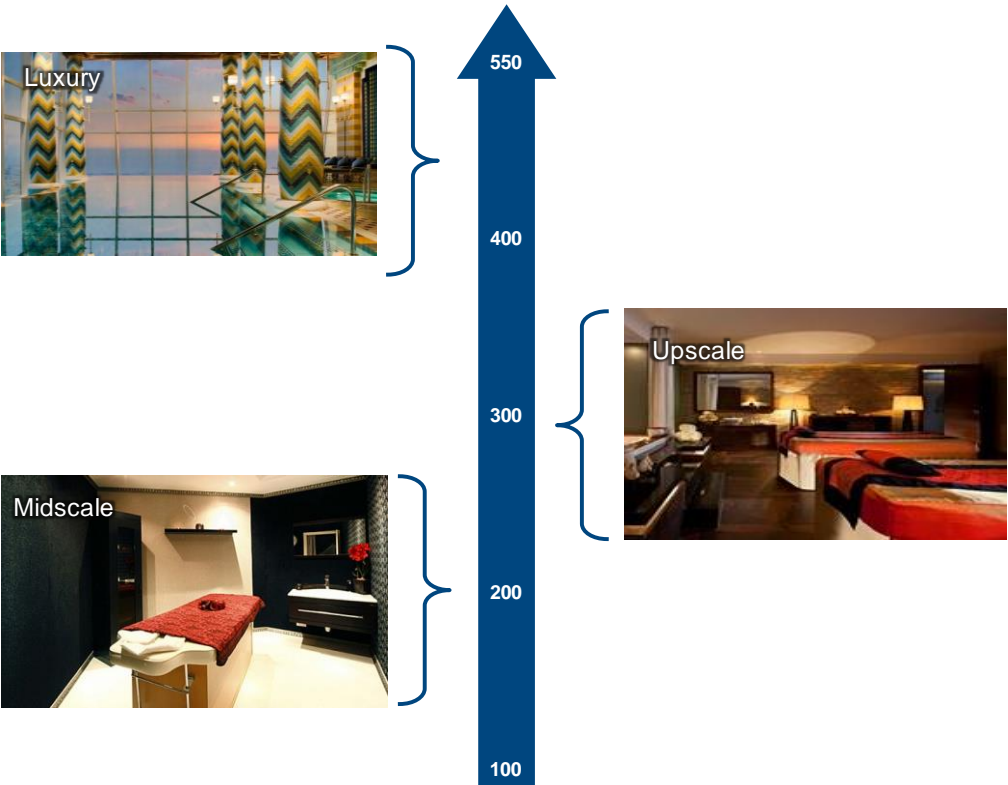
For Upscale Day Spas the ratio of male to female customers is evenly distributed. Luxury Hotel Spas are most popular with females, whereas Midscale day spas are more popular with males.

In Dubai, Midscale Spas on average have 8 treatment rooms; while average treatment rooms is 6 in Luxury and Upscale Spas.

For Luxury Hotel Spas, the majority of customers are hotel guests (71%) as compared to non-hotel guests (29%).

AVERAGE TREATMENT REVENUE PER TREATMENT ROOM (AED)

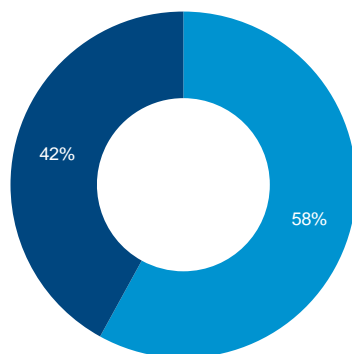
The entry level rates for affordable massage centers (Midscale) typically start from AED 200 for 60-minute treatments; while the average treatment rate reaches approximately between AED 250-350 in an Upscale Spa and AED 400-550 in a Luxury Spa. The Exhibit below shows samples of average treatment revenue per treatment room sold.



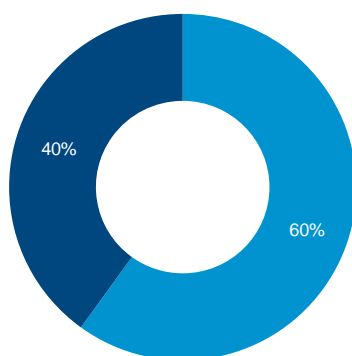
Abu Dhabi Spa Characteristics

SPA CUSTOMER PROFILES ABU DHABI

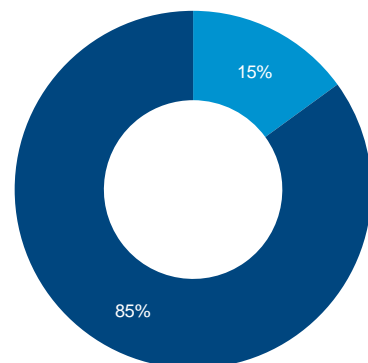
Luxury Hotels Spas



Upscale Hotel Spas



Midscale Spas



■ Male Customers (%) ■ Female Customers (%)

Source: Colliers International, 2014

KEY PERFORMANCE INDICATORS

The Exhibit below shows the key performance indicators by type (Luxury Hotel Spas, Upscale Hotel Spas and Midscale Spas) in the Abu Dhabi Market.

	Luxury Hotel Spas	Upscale Hotel Spas	Midscale Day Spas
Average No. of Treatment Rooms	10.3	7.3	8.3
No. of Therapists per Treatment Room	0.8	0.8	0.9
Average treatment duration (h)	1.1	1.1	1.2
Utilization of treatment rooms' hours (%)	20%	23%	36%
Utilization of therapists' hours (%)	43%	49%	31%
Hotel Guests (%)	45%	43%	0%
Non-Hotel Guests (%)	55%	57%	100%
Revenue per Available Treatment Room Hour (RevPATH)	109	81	60

For Luxury and Upscale Hotel Spas the ratio of male to female customers is evenly distributed. For Midscale Spas around 85% of customers are females.

Midscale Spas boast around on average 8 treatment rooms; while average Upscale Hotel Spas have 7 and Luxury Spas have 10.

The majority of the customers in Luxury and Upscale Hotel Spas are UAE residents.

AVERAGE TREATMENT REVENUE PER TREATMENT ROOM (AED)

The entry level rates for Midscale Spas typically start from AED 150-250 for a 60-minute treatment; while the average treatment rate reaches approximately between AED 300-450 in an Upscale Spa and between AED 500-600 in a Luxury Spa.

Spa Characteristics | Dubai vs Abu Dhabi

	Luxury Hotel Spas		Midscale Day Spas	
	Dubai	Abu Dhabi	Dubai	Abu Dhabi
Average No. of treatment rooms	6.9	10.3	8.6	8.3
Utilization of treatment rooms' hours (%)	27%	20%	40%	36%
Utilization of therapists' hours (%)	57%	43%	46%	31%
Hotel guests (%)	71%	45%	0%	0%
Non-Hotel guests (%)	29%	55%	100%	100%
Female Customers (%)	67%	42%	25%	85%
Male Customers (%)	33%	58%	75%	15%

Luxury hotel spas in Dubai have approximately 7 treatment rooms on average; while average treatment rooms in Abu Dhabi is approximately 10. The focus of Luxury Spas in Abu Dhabi could be to cater to the repeat customers (local residents).

This can be attributed to the fact that the majority of the Luxury Hotel Spa customers in Dubai are hotel guests (71%); on the other hand the majority of customers in Abu Dhabi are local residents (55%).

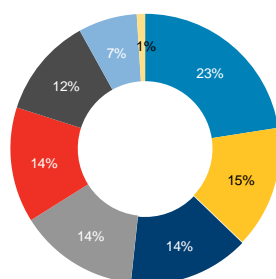
Our research shows that there has been a significant increase in male spa goers in recent years in the UAE. In Abu Dhabi 58% of Luxury Hotel Spa customers are males.

There is an opportunity for Midscale Spas in Abu Dhabi to target more male customers as currently they are focusing mostly on females.

Midscale Spas in Dubai are perceived to be unhygienic by females. These spas need to market themselves as being hygienic in order to increase the flow of female customers.

UAE Spa Characteristics

RETAIL SALES VALUE OF BEAUTY & PERSONAL CARE (UAE)



■ Fragrances
■ Colour cosmetics
■ Skin Care
■ Bath and shower
■ Hair Care
■ Oral Care
■ Male grooming
■ Sun care

Source: Euromonitor International, 2013

SPA SEASONALITY

Similarly to tourism demand, spas are affected by fluctuating demand patterns in the UAE, due to factors such as the number of working hours in the day and number of working days in the week, Ramadan and holiday periods as well as tourism demand seasonality.

Sunday and Monday are the least busy days, with the weekend being the busiest.

Spas apply yield management to shift demand from the busy weekends to weekdays. Various discounts on treatments are offered on weekdays.

RETAIL AND MERCHANDISE SUMMARY

The sale of retail products in spas could generate a significant amount of revenue suggesting the importance of selling the right products with the right shop layout.

According to Euromonitor International, the UAE has experienced the following retail personal care retail trends:

- Consumers in the UAE tend to prefer premium internationally branded beauty and personal care products.
- Consumers are today more quality conscious than price-focused.
- Although still in their early stages, organic and natural products that are free of harmful chemicals are gaining in popularity in the UAE.

A large part of female consumers in the UAE spend between AED 200 and 500 per month on beauty and grooming products.

SPA FACILITIES SUMMARY

Number of Treatment Rooms: Across the UAE, Midscale Spas have approximately on average 8 treatment rooms. Average treatment rooms in Upscale Spas is approximately 6 in Dubai and 7 in Abu Dhabi. For Luxury Spas average treatment rooms is approximately 7 in Dubai and 10 in Abu Dhabi.

Treatment Room Sizes: Gross area per treatment room in affordable massage centers is approximately 20m², while it would be around 40m² to 60m² in upscale day spas and 70m² up to 200m² in certain luxury spas. This means that a luxury spa uses space less efficiently, which reduces the proportion of revenue generating areas.

Ancillary Facilities: Customers typically spend very little time before or after a treatment to use the ancillary facilities. Usually, spa goers leave the spa once their treatment is over. In most cases, unique ancillary facilities are used as a marketing tool to position the spa.

CONCLUSION AND OPPORTUNITIES

The most common operating model in the UAE is the 'hotel operated spa' model. Branded spas are the most popular and they benefit from higher perceived quality and induced demand.

Our research shows that there has been a significant increase in male spa goers in recent years in the UAE.

There is an opportunity for Midscale Spas in Abu Dhabi to target more male customers, as currently they are focusing mostly on females.

In the UAE, there are further opportunities to develop branded standalone spas to over penetrate a large number of unbranded/low quality standalone spas.

To develop a spa, it is important to understand the various business models that are suitable for different strategies, depending on the level of risk, reward and brand differentiation.

485 offices in 63 countries on 6 continents

- \$2.1 billion in annual revenue
- 1.46 billion square feet under management
- 15,800 employees
- \$75 billion total transaction value

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The team can advise throughout the key phases and lifecycle of project:

- Destination/Tourism/Resort/Brand Strategy
- Market and Financial Feasibility Study
- Development Consultancy & Highest and Best Use Analysis
- Operator Search, Selection and Contract Negotiation
- Pre-Opening Budget Analysis and Operational Business Plan
- Owner Representative/Asset Management/Lenders Asset Monitoring
- Site and Asset Investment Sale and Acquisition/Due Diligence
- RICS Valuations for Finance Purposes and IPOs

OUR REGIONAL EXPERIENCE

- Strategic Advisory and Hospitality Capital Valuation for more than 32,400 keys with a total asset value in excess of AED29.4 Billion
- Hotel Operator Search, Selection and Contract Negotiation in excess of 7,200 keys with client savings averaging AED10.4 million
- In excess of 17,258 keys proposed within Highest & Best Use, Market & Financial Feasibility Studies for Hotels, Resorts & Serviced Apartments
- Highest & Best Use, Market & Financial Feasibility Studies for Hotels & Serviced Apartments with a total estimated net asset value in excess of AED 36.2 Billion
- In Excess of 4,635 Hotel Keys under Asset Management as Owner's Representative

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