

The logo for Colliers, featuring the word "Colliers" in white serif font on a dark blue rectangular background with a thin yellow and red horizontal stripe below it.

Colliers

A collage of images representing the United Arab Emirates, including a winding road through a desert valley, a person hiking in a rocky desert landscape, a vast desert with orange sand dunes, a person walking on a beach near palm trees, and a large green ship on the water.

United Arab Emirates

Ras Al Khaimah, 2023 and Beyond

Expanding Opportunities
and Game Changers

March 2023

Accelerating success.

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Introduction

Ras Al Khaimah (RAK), the northernmost emirate of the United Arab Emirates, has experienced rapid economic growth in recent years. With a mission to grow its number of tourist visitors and increase the overall attractiveness of the destination, RAK's tourism development authority's vision for 2030 is to attract over 3 million visitors, explaining why tourism is one of the emirate's most important economic sectors and focus for GDP growth.

The current edition of the publication includes key updates from the previous issue, paying particular attention to the growing hospitality market, its resilience during the COVID-19 pandemic, and the announcement of the **Wynn Al Marjan Island Resort – a game changer for RAK Tourism**.

In this issue, we also discuss the investment life cycle and potential return on investment characteristics of a prototypical 200-key upper upscale hospitality asset in RAK.

Key Tourism Highlights

1.13 million

number of **overnight** hotel guests* visited RAK in 2022, a 15.6% YoY growth from 2021 figures.

* Excludes same-day visitors

56%

market share held by domestic visitors in RAK in 2022, a slight drop from 2021 figures of 58%, pointing towards increased appeal to inbound visitors

3.11 nights

average length of stay of visitors to RAK in 2022.

This represents a 10% YoY growth from 2021 figures.

3.53 million

number of guests nights spent in RAK in 2022

This represents a 27% YoY growth from 2021 figures.

5,800

announced hospitality keys in the pipeline in RAK. The majority of these keys are expected to enter the market by 2026.

29.7%

YoY increase in total revenues earned by hospitality establishments in 2022 (USD 316 million) amounting to USD 127 per available room.

Top 5 International Source Markets (FY 2022)



#1

Russian Federation



#2

Kazakhstan



#3

United Kingdom



#4

Germany



#5

India

Source: RAK Tourism Development Authority; Colliers, 2023

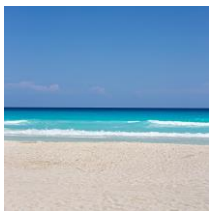
Demand Drivers

An overview of the key existing and forthcoming demand generators that are expected to impact RAK's appeal to a variety of markets and segments.

Ras Al Khaimah's Variety Of Demand Generators

The Emirate's identity, rooted in its culture, heritage and variety of topography, welcomes numerous types of travelers. Its natural assets invite not only leisure tourists but also nature aficionados, culture enthusiasts, and adrenaline-seekers.

Leisure



Existing Demand Generators

- Al Marjan Island Beaches
- Al Jazeera Beaches
- Flamingo Beach
- RAK Mall
- Al Hamra Mall
- Al Rams Corniche

Nature



Existing Demand Generators

- Khatt Springs
- Wadi Shawka
- Wadi Bih
- Saqr Park

Culture & History



Existing Demand Generators

- Dhayah Fort
- Al Rams Pearl Diving
- National Museum
- Jazirat al-Hamra
- Shimal Village

Adventure



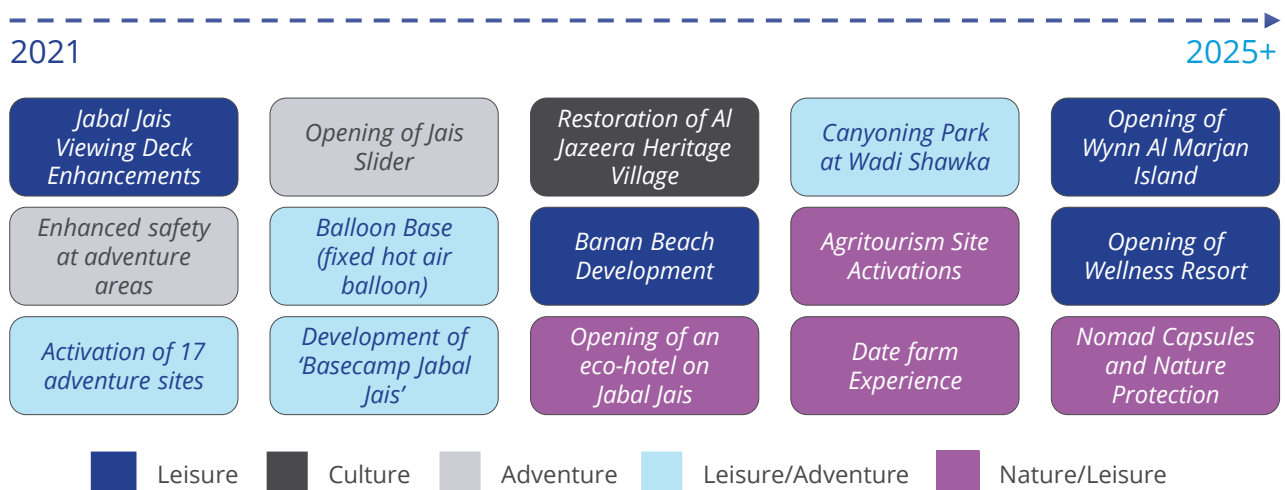
Existing Demand Generators

- Jabal Jais Hiking
- Jabal Jais Zipline
- Hajar Mountains
- Bear Grylls Explorers Camp

Demand Generating Initiatives and Strategies

RAK's vision is to attract over 3 million annual visitors by 2030, nurturing a tourism industry that is sustainable. In order to achieve this target, a host of strategies have been implemented, including financial stimulators, multimillion US Dollar investments in Jebel Jais Projects, and the introduction of the region's first integrated resort – Wynn Al Marjan Island. Investments from major players such as Aldar Properties, EMAAR, ADNHI, and Nobu, further show the ability of the Emirate in attracting key strategic partners and raising capital.

A selection of demand-generating initiatives is presented below, sorted in their respective categories.

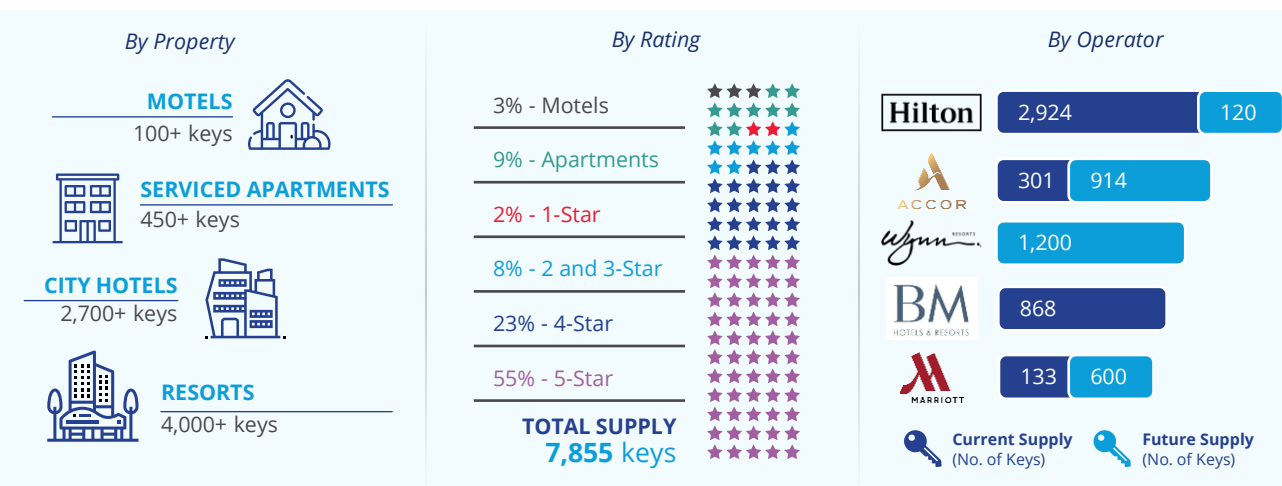


Source: RAK Tourism Development Authority; Colliers, 2023

Supply and Demand Characteristics

In this section, we focus on the understanding the existing and forthcoming hospitality supply as well as the typical demand segments which characterize the RAK market. We provide commentary on current supply and supply growth. Next, key markets and demand segments are discussed.

Ras Al Khaimah Hospitality Supply



The RAK hospitality market consists of a mixture of assets, including resorts, hotels, and serviced apartments. While most motels, serviced apartments, and city hotels are located near the city centre, resorts, which dominate the market, are typically located towards the South of the coastline as part of upcoming developments. Of the total supply, just under 7,000 keys are considered quality, primarily falling within the 3-star to 5-star categories. The hotel market is led by Hilton Worldwide, which operates over 2,900 keys. Looking towards the future, approximately 5,000 keys have already been announced to open in the next 5 years, of which a key entrant expected is Wynn Resorts, expected to open a mega integrated resort with approximately 1,200 keys in late 2026.

Ras Al Khaimah Hospitality Demand



RAK is predominantly a leisure destination, driven by both the domestic and international market. Leisure guests make up the largest group of guests to the beach and desert resorts.

The Emirate experienced an **increase in tourism arrivals by 16% in 2022 compared to the previous year**, bringing the total arrivals to over 1.1 million. RAKTDA's tourism strategy is responsible for accelerating visitor growth and raising the contribution of the sector to the Emirate's GDP, aiming to reach 3 million annual visitors by 2030.

The average length of stay in 2022 for RAK was 3.11 days. International visitors have a longer length of stay compared to the domestic market.



Via diversified source markets, a clear strategy for growth and improvement, and strong levels of investment, Ras Al Khaimah is expected to increase its appeal to both domestic and international tourists, in-line to achieve its visitor target for 2030.

Source: RAK Tourism Development Authority; Colliers, 2023

Hospitality Performance

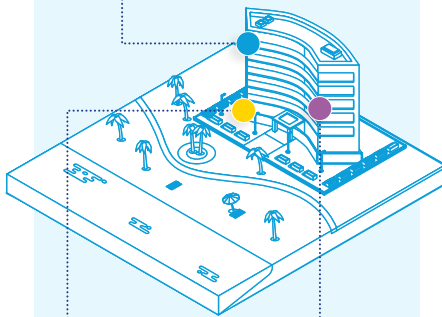
In this section, the performance of the hospitality market is commented upon, with discussions surrounding the recovery from COVID-19 and the outlook for the near-term.

RESORTS REVENUE MIX

% contribution to total property revenue

ROOMS 58-65%

- Large standard room sizes to accommodate GCC source market demand
- Suite ratio higher than average to accommodate families



F&B 35-38%

- High F&B contribution due to lack of significant food and beverage offerings outside of hotels
- Introduction of unique F&B concepts including beach clubs, themed restaurants, and concept-driven cafés.
- Resorts tend to offer large banqueting space and outdoor MICE spaces as they are popular with weddings and corporate events

ANCILLARY 2-4%

- Most properties offer in-house pools, gyms, kids clubs and spas – appealing to leisure visitors.
- Family friendly resorts with extensive leisure facilities

Overall Market Performance [2022]

62%

Occupancy

\$149

ADR

\$92

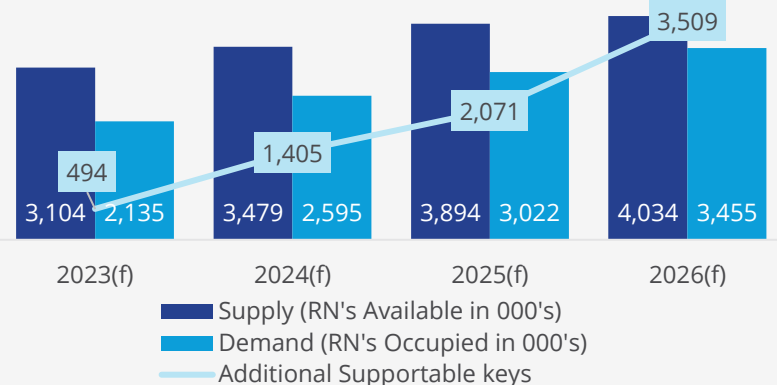
RevPAR

With a shift in focus toward domestic tourism during the COVID-19 period, **RAK was able to minimize the impact of the pandemic on hospitality performance.**

In 2022, with the return of outbound tourism and growing competition from other destinations, occupancy was impacted. Despite the resilience of ADRs, RevPAR figures fell by 2.3% due to the drop in occupancy by 10 percentage points.

Post-COVID-19 performance has yet to exceed pre-COVID figures (2019 figures: 72% occupancy; \$143 ADR).

Additional Supportable Rooms (2023 – 2026)



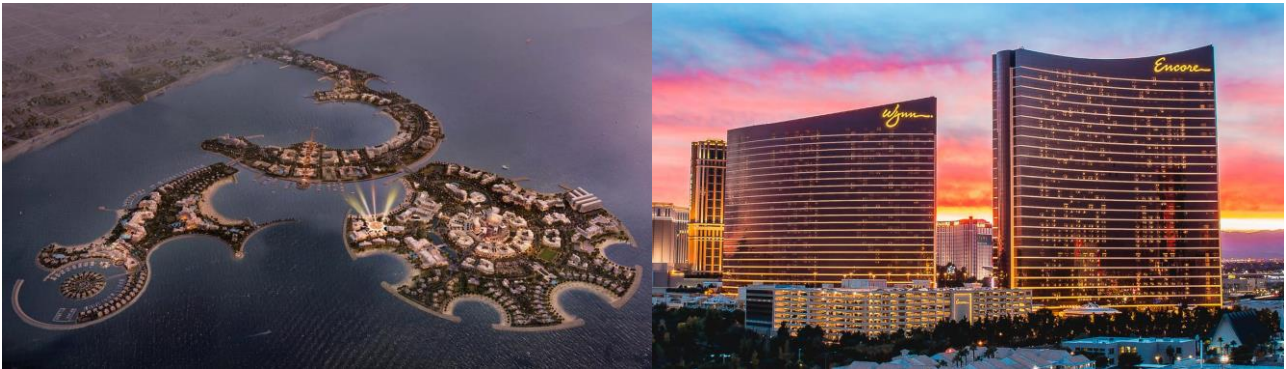
Running an analysis on existing and forthcoming hotels supply and overnight room nights demand indicates that RAK may be able to accommodate 3,500 additional keys over and above existing and forthcoming supply. A threshold occupancy of 62%, has been applied to determine the additional supportable keys the market is able to support in each year. The threshold occupancy acts as the minimum occupancy required for a new investor to open a hotel in RAK, The upcoming Wynn Al Marjan Island is expected to induce significant demand, enhancing the gap in the market due to spillover of demand (Page 8).

Source: RAK Tourism Development Authority; Colliers, 2023

Integrated Resorts: A 'Wynn' - win for Ras Al Khaimah

Introduction to Integrated Resorts

Integrated Resorts are designed to become destinations in their own right, attracting domestic and international demand. The business model includes offering more than just a luxury hotel stay experience, with ancillary components ranging from theme parks to exhibition facilities to gaming facilities, has enjoyed varying degrees of success. The correct partnerships including those with real estate developers, entertainment providers, and hospitality partners must be established from the onset to ensure success in delivering the envisioned experience to visitors. In this section, we discuss the potential impacts of integrated resorts, and in particular, the Wynn Al Marjan Island on RAK.



What can Integrated Resorts bring to Ras Al Khaimah?



Enhance the global awareness of the Emirate



Contribute to GDP and National Income



Induce domestic and international demand



Create Jobs for both locals and expats



Increase visitation due to larger events



Improve the image of the destination

- The introduction of integrated resorts can accelerate the development of tourist destinations like RAK by putting them on the map.
- Strong marketing efforts from both the operator and the tourism development authority can also induce international and domestic demand, which can be captured by existing supply in the market.
- Additional economic benefits include job creation and direct and indirect contributions to the country's GDP.

The Vision for Wynn Al Marjan Island Ras Al Khaimah



1,200+ keys



20,000 sqm
Retail + F&B Space



Spa & Beach
Leisure Facilities



20,000 sqm+
Gaming Area

As the largest foreign direct investment project in the Emirate, Wynn Al Marjan Island Ras Al Khaimah aims to be a landmark property, with plans for over 1,200 hotel rooms, over 20,000 sqm of programmed retail and F&B space, and over 20,000 sqm of dedicated gaming facilities.

The Integrated Resort, estimated to cost over USD 2 Bn was announced in January 2022 and is expected to open in late 2026, complete with extensive entertainment, leisure, and MICE facilities.

Operated by one of the most well-known independent hotel company, the resort aims to target all segments, ranging from corporate to leisure.

Source: RAK Tourism Development Authority; Colliers, 2023

A 'Wynn' - win for Ras Al Khaimah (cont'd)

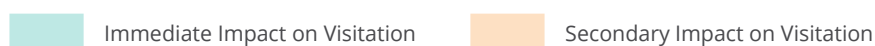
Analysis: Impact Potential of the Wynn Al Marjan Island on Ras Al Khaimah

Given the scale of the project, its unique concept, and existing global demand, the Wynn Al Marjan Island, is expected to have significant impact on the tourism segment of the Emirate. RAK is anticipated to benefit from positive externalities of the 'Wynn Effect', with impacts such as increased visitation, additional hospitality demand, and an overall uplift to its economy.

Visitation Forecast

Growth in Visitation after the Opening of an Integrated Resort

Destination	Opening	Year 1	Year 2	Year 3	Year 4	Year 5
Las Vegas, Nevada, USA	0%	10%	6%	-2%	0%	1%
Nasau, Bahamas	-5%	21%	18%	1%	-5%	2%
Macau, China	40%	12%	18%	23%	-15%	-5%
Marina Bay, Singapore	20%	13%	10%	7%	-3%	1%
Philadelphia, Pennsylvania, USA	6%	1%	-3%	4%	1%	2%
Ras Al Khaimah, UAE	65%	20%	10%	10%	8%	5%



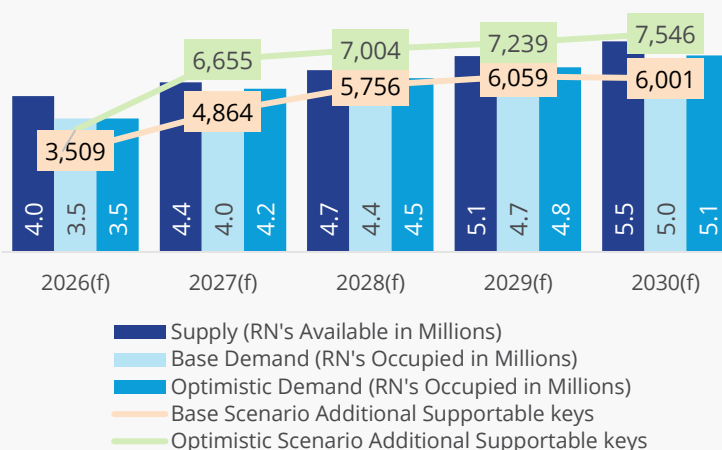
Based on an analysis which studied the impact of the opening of gaming facilities on visitation, and considering the characteristics of RAK's tourism, it is envisioned that the Wynn Al Marjan Island will induce significant demand in its first year. This is expected to be followed by a prolonged secondary growth period, lasting 3 years. As a result, it is estimated that the city will welcome over 3.8 million visitors by 2027, growing at a CAGR of 28% from 2022. By 2030, it is envisioned that the city will be able to welcome over 5.5 million visitors, contingent upon the success of the Wynn Resort. Overall, positively impacting the economy across all factors, ranging from employment to overall GDP.

Market Gap Analysis (2026 and Beyond)

Further to the market gap analysis conducted for RAK based on forthcoming and existing supply and demand; taking the above visitation forecast into account, it can be deduced that the Wynn Al Marjan Island resort may create a gap in the market of close to 5,000 keys in 2027 in a base scenario or over 6,500 keys in an optimistic scenario.

Due to the secondary impact on visitation, this gap is expected to further grow to 6,000 keys by 2030 in a base case scenario which may reach up to 7,500 keys by 2030 in an optimistic scenario. It is imperative to note that the supportable rooms figure depends heavily on the ability of the Wynn Al Marjan Island to induce visitation and overnight demand.

Year	Base Case		Optimistic Scenario	
	2027	2030	2027	2030
Supportable Keys	16,894	20,953	18,685	22,498
- Existing Supply	11,053	13,896	11,053	13,896
- New Keys	977	1,056	977	1,056
= Market Gap	4,486	6,001	6,655	7,546



Source: RAK Tourism Development Authority; Colliers, 2023

Return on Investment Analysis and Investment Life Cycle

In this section, we explore the potential return on investment that exists from hotel development within the Emirate of RAK at present. Our analysis focuses on the Al Marjan Island development within RAK, which is well known for being home to a number of beach hotels. For comparison purposes, we have also provided commentary on the evolution of potential ROI versus the last edition of the paper.

Prototype Property Assumptions
200-key upper upscale beach resort | 10,000 sqm land area | 85 sqm GFA per Key



Occupancy (%)



Average Daily Rate (USD)

232

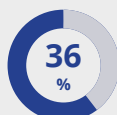


RevPAR (USD)

167



EBITDA Margin (%)



Site Acquisition and Construction Cost ('000 USD)

62,480



Equity IRR (%)



Operational Performance

- Occupancy levels have remained stable from the last iteration of the report due to the Emirate's resilience during COVID-19. Improvements are observed within ADRs, attributable to growing demand from both the inbound and domestic market.
- As a result, profitability levels are expected to remain stable, despite growing competition and the entrance of new competitive hotels on Al Marjan Island.

CAPEX Considerations

- Increased investor interest has resulted in marginally higher site acquisition costs.
- However, with the growing interest, construction cost estimates have now become more favorable.

Overall Return on Investment

- Stable profits, favorable CAPEX estimates despite higher competitions has resulted in the outlook for Equity IRR at 16.3% and an equity cash-on-cash return of 21.7%



Strong demand outlook, robust recovery from the COVID-19 pandemic, and availability of beachfront plots presents a plethora of opportunities for hotel development in RAK. Overall potential returns are appealing to investors and are competitive versus other destinations in the UAE.

Notes:

- Based on a 200 key hypothetical hotel in each of the mentioned locations;
- Assumed the hotel is managed by an International Hotel Operator;
- Assumed Upper Upscale Positioning
- IRR has been calculated using a 50:50 Debt to Equity assumption;
- Operating assumptions as shown above are based on stabilized year.
- Equity Cash-on-Cash returns are assumed based on average annual EBITDA after interest payments and does not account for any taxation.

Disclaimer:

The projections provided with respect to each of the hypothetical hotels are estimates only, and are based upon Colliers opinion on how each of the hypothetical hotels could perform within the market. Estimates have also been made regarding land acquisition and construction costs. The projections do not have regard to unexpected or shock events which may impact the tourism and hospitality sectors such as the COVID-19 outbreak.

Source: RAK Tourism Development Authority; Colliers, 2023

Conclusion

Here, we provide a summary of points raised in previous sections of the report and conclude our findings by identifying key development opportunities within the RAK hospitality market.

KEY TOURISM HIGHLIGHTS

- Increase of 16% guest visitation from 2021, of which 56% was from the domestic segment.
- Increase in average length of stay by 10% from 2021 to reach 3.11 nights in 2022. Over 3.5 million room nights spent by guests in RAK in 2022, a growth of 27% from 2020.
- Tourism authority, Ras Al Khaimah Tourism Development Authority (RAKTDA), aims to welcome over 3 million annual visitors by 2030.

DIVERSIFYING DEMAND SEGMENTS

- RAK benefits from leisure demand, of which an increasing portion originates from the international market. The Emirate continues to diversify its demand base by strategically investing in projects which are envisioned to induce demand from adventure seekers, cultural enthusiasts, and nature lovers.
- Upcoming projects include restoration of cultural sites, activation of agricultural sites, and improvement of Jabal Jais facilities.

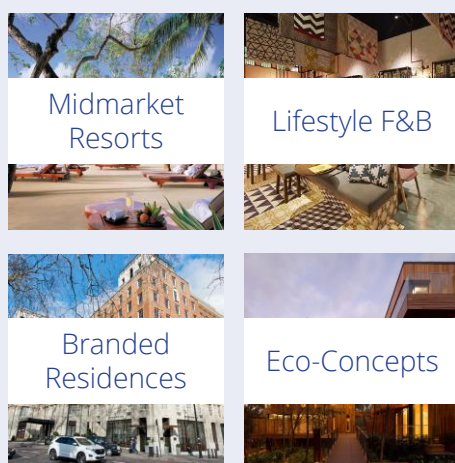
SUPPLY AND DEMAND CHARACTERISTICS

- The RAK hospitality market mainly comprises of internationally-operated resorts and city hotels, effectively targeting the leisure demand.
- Development plans point towards the introduction of concept-driven assets to cater to the growing ecotourism, adventure tourism, and cultural tourism segments.
- The Wynn Al Marjan Island is envisioned to enhance the image of RAK and benefit quality supply due to the spill-over of demand.

MARKET PERFORMANCE AND GAP

- Hotel performance in 2022, despite not reaching pre-pandemic levels, showed resilience due to strong ADR figures, despite a drop in occupancy from 2021 due to the return of outbound travel.
- Profitability-potential, along with availability of attractive land plots, offer hotel investors in RAK the opportunity to achieve attractive returns.
- Overall, the growth in demand is anticipated to create a gap in the market of 3,500 keys by 2026 and over 6,000 keys by 2030.

Outlook



The introduction of the region's first integrated resort, The Wynn Al Marjan Island, is anticipated to bring benefits such as job creation, increased visitation, and global image enhancement. This property is expected to not only act as one of the flagship properties in RAK, but also create a gap in the market for new, unique concepts to enter, given the increase in demand from domestic and inbound visitors alike.

As a result, the integrated resort may act as a facilitator in the development of the emirate's already-growing alternative tourist segment, opening doors to light-touch eco-concepts with themes of sustainability and conservation. Given its existing reputation as a leisure and vacation destination, the opportunities for high-end branded residences and lifestyle concepts also present themselves.

Source: RAK Tourism Development Authority; Colliers, 2023

480

offices in

63

countries on

6

continents



\$4.5B

in revenue



2B

square feet under management



18,000 +

professionals

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