

HOTEL yearbook 2010

What to expect in the year ahead

**Sir David Michels on the shape
of the coming recovery**

**The outlook for 20 key markets,
from China and the USA
to Germany, Brazil and Libya**

**Is it time to change in-room
technology standards?**

**How the crisis
will affect luxury in 2010**

**Editorial input from 25 hotel
industry CEOs**

This excerpt from the Hotel Yearbook 2010 is brought to you by :



Ecole hôtelière de Lausanne

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



Boutique DESIGN New York

Boutique DESIGN New York, a new hospitality interiors trade fair, will coincide with the 94-year-old International Hotel/Motel & Restaurant Show (IH/M&RS). Designers, architects, purchasers and developers will join the hotel owners/operators already attending IH/M&RS to view the best hospitality design offerings as well as explore a model room, exciting trend pavilion and an uplifting illy® networking café.



Hospitality Financial and Technology Professionals (HFTP)

HFTP provides first-class educational opportunities, research and publications to more than 4'800 members around the world. Over the years, HFTP has grown into the global professional association for financial and technology personnel working in hotels, clubs and other hospitality-related businesses.



Bench Events

Bench Events host premier hotel investment conferences including the International Hotel Investment Forum; the Arabian Hotel Investment Conference and the Russia & CIS Hotel Investment Conference. Bench Event's sister company, JW Bench, is a benchmarking company that has launched the Conference Bench and the Productivity Bench. An industry first, the Conference Bench, measures performance data for conference space in hotels throughout Europe.



Cornell University School of Hotel Administration

Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.



Hsyndicate

With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea 'ONE Industry, ONE Network', Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate's specific and context-relevant intelligence delivered to them when they need it and how they need it.



WATG

Over the course of the last six decades, WATG has become the world's leading design consultant for the hospitality industry. Having worked in 160 countries and territories across six continents, WATG has designed more great hotels and resorts than any other firm on the planet. Many of WATG's projects have become international landmarks, renowned not only for their design and sense of place but also for their bottom-line success.

elevation



WATG re-invented the resort to reflect the magic of Kauai by paying homage to the unique island and its culture.

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Can they keep up the pace ?

Over the past decade, Dubai's growth as a tourism and business destination has been nothing short of phenomenal. But now that the recession has hit, what is the outlook for the next year or two ? **PHILIPPE DOIZELET**, Managing Partner of **HORWATH HTL**'s offices in Paris, Rabat and Tunis, and **SHASHI ASHOK**, Consultant at **HORWATH MAK** in Dubai, share their view of the near-term future.

Dubai based much of its success upon a strong property boom and is now hit hard by the global crisis. As a consequence of the news that Dubai would seek to restructure \$26 billion of debts owed by Dubai World, the holding company for many of the government's investments, Dubai's stock market suffered last November.

There continues to be strong property demand owing to population pressures, but the availability of financing is the problem. Consequently, prices have fallen substantially and many developers are re-scheduling their growth plans. In parallel, companies have begun firing staff, or reviewing future employment.

However, looking ahead towards an exit crisis scenario, analysts are expecting Abu Dhabi to help soften the blow of this crisis.

Figures from the World Travel and Tourism Council for the first three quarters of 2009 show that the Middle East is the only region in the world where air passenger traffic is growing versus the previous year.

According to the World Tourism Organization, the Middle East region has been the fastest growing tourist region in this decade so far. International tourist arrivals in the Middle East region grew by an average of 9.3 % per annum during 2000-06, compared to 7.1 % in Asia and Pacific, 6.5 % in Africa, 2.7 % in Europe and a mere 1 % in the Americas. Tourism is now the cornerstone of Dubai's development and diversification strategy. And with an ever-increasing number of international visitors flocking to the emirate, Dubai's tourism market is growing.

In this context, the plethora of iconic and visionary projects already under operation and projected have ensured Dubai's position as a pioneering world-class luxury destination which caters to all markets. Whether you are looking for an activity-packed family holiday or a luxurious spa break for two, Dubai meets expectations from international leisure travelers.

In line with predictions assuming that the decline is not

expected to have a durable impact on the holiday market, Dubai has recently unveiled a series of new projects, reaffirming its position as the leading global luxury destination.

One of the emirate's most exciting recent developments, Atlantis The Palm, which opened a year ago, boasts a 50-acre waterscape with a marine park featuring more than 65,000 sea creatures. Regarded as the flagship resort on The Palm Jumeirah due to its scale, awe-inspiring design, and wealth of entertainment opportunities, Atlantis The Palm significantly boosts Dubai's premium family holiday product.

More on the business side, Emaar is moving fast with five hotels in the City. The two latest additions, The Address Dubai Mall and The Address Dubai Marina, just opened in late 2009. These promise a true 5-star experience in close proximity to the world's tallest building, Burj Dubai, and the world's largest shopping and entertainment destination, The Dubai Mall. In parallel, Armani Hotel made its international debut at Burj Dubai. The hotel occupies the first 37 floors of the soaring tower, and offers the ultimate experience for aficionados of the Italian designer's signature style.

But a question arises. How long will Dubai be able to continue growing the volume and stature of its hotel developments, defying the current economic downturn ?

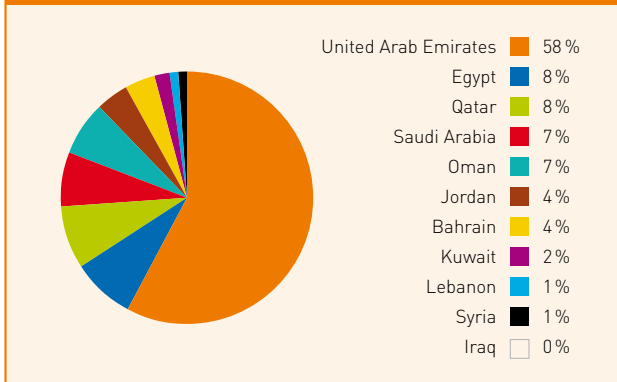
Things I expect to see here in 2010

2010 is expected to be another tough year for Dubai as the demand crisis is amplified by a significant development pipeline.

There are currently some 50,000 hotel rooms in Dubai versus 12,000 in Abu Dhabi, and this number is predicted to increase exponentially to accommodate the projected upsurge of 15 million tourists anticipated by 2015, to be compared to 10 million visitors expected for 2010 and 6.9 recorded for the year 2007.

Consequently, within the Middle East region, Dubai is still a real world « hot spot » for international hotel, tourism and leisure investors and operators.

Expected investment share by hotel chains in Middle East countries 2008-2011



New hotels in the Middle East. 2009-2011
Horwath HTL



Over 100 leisure related projects are currently underway in the emirate, and the tourism industry now accounts for almost a quarter (22.6 %) of Dubai's annual GDP. The number of hotels and hotel apartments is expected to increase to 488 by 2010 and to 554 by 2016 with a room capacity of 127,000 up from 452 in 2007.

Branded hotel projects identified in Dubai represent 11 properties and some 5,000 rooms, of which some 5,000 are likely to open by 2010/2011.

Opinions from operators regarding the impact of the downturn may differ from each other according to the positioning their product and corresponding guest profiles. However, additions in supply being overproportional to demand growth, Dubai hotels performances recorded by STR Global for the first nine months of 2009 show a drop of 10 percentage points in occupancy which, combined with a price crunch of 12 %, leads to a drop in RevPAR averaging 24 %, measured in US dollars. Yet some operators have confirmed their opening plans, such as One & Only Resorts, who will open their second property in Dubai in 2010. Others have been delayed by one and two years such as the Hard Rock Hotels Dubai which is now re-scheduled for opening in 2013.

Per se, the materialization of projects is now subject to an increasingly difficult debt sourcing process. In parallel, sovereign wealth funds and Islamic finance emerge as alternative sources of financing for hotel projects, whereas mega-developers reduced their plans when they were impacted by a severe downturn on real estate sales.

Searching for a reduced risk option leads MENA investors to consider new products for development. Less glamorous than 5-star hotels, limited service hotels and extended stay apartments are now considered as products aimed at providing a satisfying return to investors. As they focus rather on regional

tourists and business travellers, those products are more resilient and less impacted by the downturn in long-haul travel than higher categories. This trend could sustain development opportunities for regional brands particularly adapted to the needs of customers mainly originating from within the MENA region.

Public prices in Dubai have melted by up to 26 % in the first six months of 2009 for visitors paying in US dollars, while Abu Dhabi hotels saw declines of nine percent, according to the latest Hotels.com hotels price index (HPI). A commonly shared opinion with operators today is that UAE hotel room rates will probably not soon return to the peak they reached during the country's five-year boom.

Adapting current operations to changing customer behavior also seems to be an issue to be addressed in 2010. At the time, competition is getting fiercer, rates are put under pressure and customers are unlikely to pay for « nice to have » product and services. Now seems the time to give consumers what they pay for rather than what we think they need.

And finally...

Throughout the long history of tourism, we have seen some other destination « booms » that have demonstrated that when demand is higher than supply, a very fast growth rate kicks in. For the time being, the impact of Dubai as a « successful » destination is being severely tested, and it will take more than a year before the image of this destination of landmark buildings and iconic development will be restored. In this perspective, we are of the opinion that the most significant impacts are expected to affect MICE and tourism markets. ■