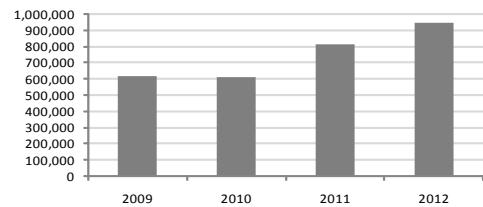


Fujairah is the fifth largest emirate in the UAE, covering 1,150 Km<sup>2</sup> with a population of approximately 182,023 according to the most recent statistics. Located on the east coast of the country, facing the Indian Ocean, its 90 km-long uninterrupted coastline boasts some of the most splendid beaches in the UAE. Fujairah also has the only multi-purpose port on the east coast of the UAE, highlighting its strategic importance as a crude oil hub and storage facility, as well as a ship refueling bunker. Fujairah's economy is largely driven by subsidies and federal government grants, distributed by the government of Abu Dhabi. Local industry consists of agriculture, energy production, manufacturing of chemicals and plastics, metallic products, paper and wood products, textiles, as well as mining and quarrying. These industries witnessed high output growth during Dubai's construction boom in the years leading up to 2010. Since then, Fujairah's GDP grew at 4% in 2011 and 11% in 2012, reaching a total output of AED 12,843 million.

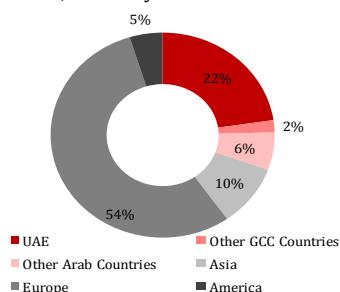
## Tourism Visitation

Total room nights spent in hotels between 2009 and 2012 grew at a compounded annual rate of 15.3%, exhibiting a strong rise in visitation to Fujairah. A major part of this increase was due to the political crisis in Egypt, which displaced a large number of tourists to the UAE, and notably Fujairah. While the official 2013 tourism statistics are still to be published, hotel occupancy data for 2013 indicate a drop in demand, as illustrated in the following charts.



Source: Fujairah Statistics Center

Europe accounts for 54.4% of total demand with the main source countries being Russia, Germany and certain CIS countries. The UAE remains the second largest market, accounting for 22.4%, which provides a stable source of demand for hotels especially on weekends. Other GCC Countries, Other Arab Countries, and Asian countries account for a small share, but have experienced the highest growth in the last four years. A key success factor for the destination's long term sustainability will lie in its ability to attract new source markets and further diversify its demand, in order to reduce the current risk of overdependence on a few European countries only.

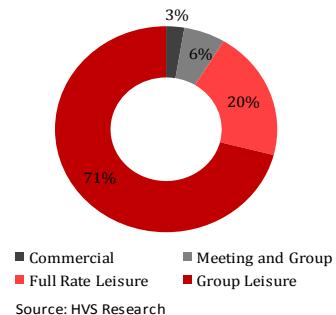


Source: Fujairah Statistics Center

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## Market Performance - Al Aqah and Dibba

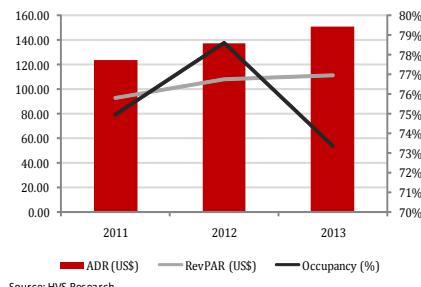
The majority of beach resorts in Fujairah are located in the north around Al Aqah and Dibba, where the favourable beach conditions attract a large majority of leisure demand. The Group Leisure segment is characterised by international tour operator business that typically book high volume at discounted rates. The fact that this segment accounts for 71% of total demand, drives down the ADR in the market, and is what makes Fujairah one of the most affordable beach destinations in the UAE.



Source: HVS Research

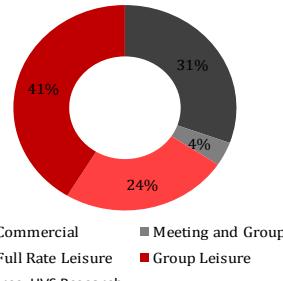
Hotels in Al Aqah and Dibba experienced a decline in occupancy from 78% in 2012 to 72% in 2013. This was due to competing destinations like Ras Al Khaimah that eroded Fujairah's market share of the European Group Leisure segment. The shift in segmentation, however, had the adverse effect on ADR, as hotels focused their efforts on capturing additional Full Rate Leisure demand in 2013. Full Rate Leisure is a more lucrative segment that typically pays premium rates, and the ADR in the market therefore increased from US\$137 in

2012 to US\$151 in 2013. RevPAR as a result, was able to achieve minor growth from US\$108 to US\$111 over the same period.



Source: HVS Research

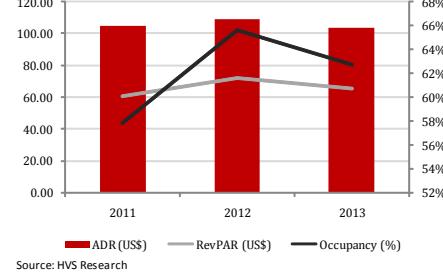
## Market Performance - Fujairah City



Source: HVS Research

Fujairah City is considered a separate sub-market to Al Aqah and Dibba. The segmentation mix is more evenly spread, with the Commercial segment accounting for 31% of total demand. The port and surrounding free zone have spurred growth in shipping and other logistical services. The completion of the new highway has improved connectivity to Fujairah City by reducing the travel time, which has strongly benefited the commercial sector.

The decline in Group Leisure demand in 2013, as described previously, was partially offset in Fujairah City by the growth in Commercial demand. The average occupancy in the city therefore experienced a lighter decline from 65% in 2012 to 63% in 2013. The ADR decreased from US\$ 109 in 2012 to US\$ 104 in 2013, resulting in an overall drop in RevPAR from US\$ 72 to US\$ 65 over the same period.



Source: HVS Research

## Outlook on Fujairah

With no new hotel supply having entered the market in 2013, the decline in occupancy rates were caused by a drop in demand. Stronger marketing efforts and a unified strategy to develop and promote tourism will be essential to ensure that Fujairah doesn't fall behind other competing destinations. The Fujairah Tourism & Antiquities Authority is working on strategies to attract new traveler segments, which would help differentiate the destination from its neighbours. Beach resorts in Al Aqah and Dibba, which rely heavily on international Group Leisure demand, will be the most affected if the recent negative demand trends persist. The opening of the Fairmont Mina Al Fajer and the Intercontinental Al Aqah in the next three years, will also add further pressure on occupancies. The growing commercial activity in Fujairah City will help maintain the market's buoyancy, despite the openings of the Ibis, Novotel, Adagio and Millenium hotels that are currently under construction.