Research Report

MENA | Hotels
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Colliers INTERNATIONAL

DNA of Theme Park Hotels

Accelerating success.

Filippo Sona
Director | Head of Hotels
Colliers International MENA Region
filippo.sona@colliers.com

Christopher Lund
Associate Manager | Hotels
Colliers International MENA Region
christopher.lund@colliers.com

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Introducing Theme Park Hotels

Theme parks are a draw card for many leading family tourism destinations – their success plays an important role in providing a constant flow of family tourists to an area, positively impacting the hotels that are situated within or in close proximity to the parks.

USA, Europe and Asia have well-established global and regional theme parks, that have transformed the tourism landscape in which they operate. The Middle East however has yet to develop a theme park on a similar scale and is currently dominated by smaller sized attractions.

With a number of major theme parks currently under construction in the region including: IMG World of Adventure, Bollywood Parks, Motiongate, Legoland and the Red Sea Astrarium, an opportunity exists for the hotel industry to capitalise on visitors to the parks with the development of theme park hotels.

What is a Theme Park Hotel?

As theme parks attempt to create a fantasy atmosphere implementing popular characters and concepts, theme park hotels replicate this notion as well, to further enhance the guest experience.

Broadly speaking there are two types of theme park hotels: *inner-circle hotels*, located within the theme park and generally fully themed, and *outer-circle hotels* situated on the periphery and are usually non-themed or only lightly themed.

The concept of an inner-circle fully themed hotel has not yet been developed in the region, as it would first require the opening of a large-scale theme park. The first such hotel opening in the region is expected to be Lapita, a family themed hotel within Meraas' upcoming Dubai Parks and Resorts.

Branding

Of the hotels surrounding major global theme parks, statistics show only 17% are internationally branded, while 41% of hotels are branded by consumer and entertainment brands (i.e. Disney Corporation). Co-branding is also becoming increasingly popular in theme park hotels, by pairing traditional hotel chains with entertainment brands and/or amusement park brands.

Theme Parks in the Middle East

Attractions and waterparks are not a new concept in the Middle East; however, these are still considerably undersized compared to the large scale amusement parks around the world.

The majority of attractions currently operating in the GCC are located in the UAE, primarily in Dubai, followed by Abu Dhabi, Sharjah and Ras Al Khaimah. The largest in the region is Global Village, a cultural destination with outdoor retail, dining and entertainment options.

List of Attractions in the Middle East

Name	City	Country
Adhari Theme Park	Adhari	Bahrain
Bahrain Dolphin Park	Manama	Bahrain
Lost Paradise of Dilmun	Manama	Bahrain
Wahooo! Waterpark	Manama	Bahrain
Abha Palace Theme Park	Abha	KSA
Cobra Amusement Park	Dammam	KSA
Snow World	Dammam	KSA
Al-Shallal Theme Park	Jeddah	KSA
Atallah Happy Land Park	Jeddah	KSA
Stationery Fantasies WaterPark	Jeddah	KSA
Castle Park	Al Khobar	KSA
Al Hokair Land	Riyadh	KSA
The 99 Village	Jahra	Kuwait
Al Sha'ab Leisure Park	Kuwait City	Kuwait
Aqua Park	Kuwait City	Kuwait
Cartoon Network World	Kuwait City	Kuwait
Hawally Park	Kuwait City	Kuwait
Kuwait Entertainment City	Kuwait City	Kuwait
Marah Land Park	Al Sabahiya	Kuwait
Marah Land Muscat	Muscat	Oman
Riyam Amusement Park	Muscat	Oman
Aqua Park Qatar	Doha	Qatar
Gondolania	Doha	Qatar
Ferrari World	Abu Dhabi	UAE
Yas Waterworld	Abu Dhabi	UAE
Hili Fun City	Al Ain	UAE
Aquaventure	Dubai	UAE
Dolphin Bay	Dubai	UAE
Dubai Dolphinarium	Dubai	UAE
Encounter Zone	Dubai	UAE
Global Village	Dubai	UAE
Kidzania Dubai Mall	Dubai	UAE
Paintball Dubai	Dubai	UAE
Sega Republic	Dubai	UAE
Ski Dubai	Dubai	UAE
Stargate Dubai	Dubai	UAE
Wild Wadi	Dubai	UAE
Wonderland & Splashland	Dubai	UAE
WOW Iceland Water Park	Ras Al Khaimah	UAE
Adventureland	Sharjah	UAE
Al Montazah Park	Sharjah	UAE
Antic's Land	Sharjah	UAE
Sharjah Paintball Park	Sharjah	UAE
Dreamland Aqua Park	Umm Al Quwain	UAE

Source: Colliers International

Even though the region is not lacking in amusement and entertainment centres, the concept of having lodging facilities within or close to the destination is still underdeveloped. A limited number of attractions have a dedicated hotel catering to visitor demand, i.e. Dreamland Aqua Park in Umm Al Quwain, UAE, provides cabins and tents within the park for overnight guests, primarily catering to families.

In the Middle East, a common concept when developing a leisure attraction is to construct it as an added leisure facility within a resort property (i.e. Aquaventure waterpark in Atlantis the Palm). This is done to enhance a guest's resort experience and increase their length of stay in the specific resort.

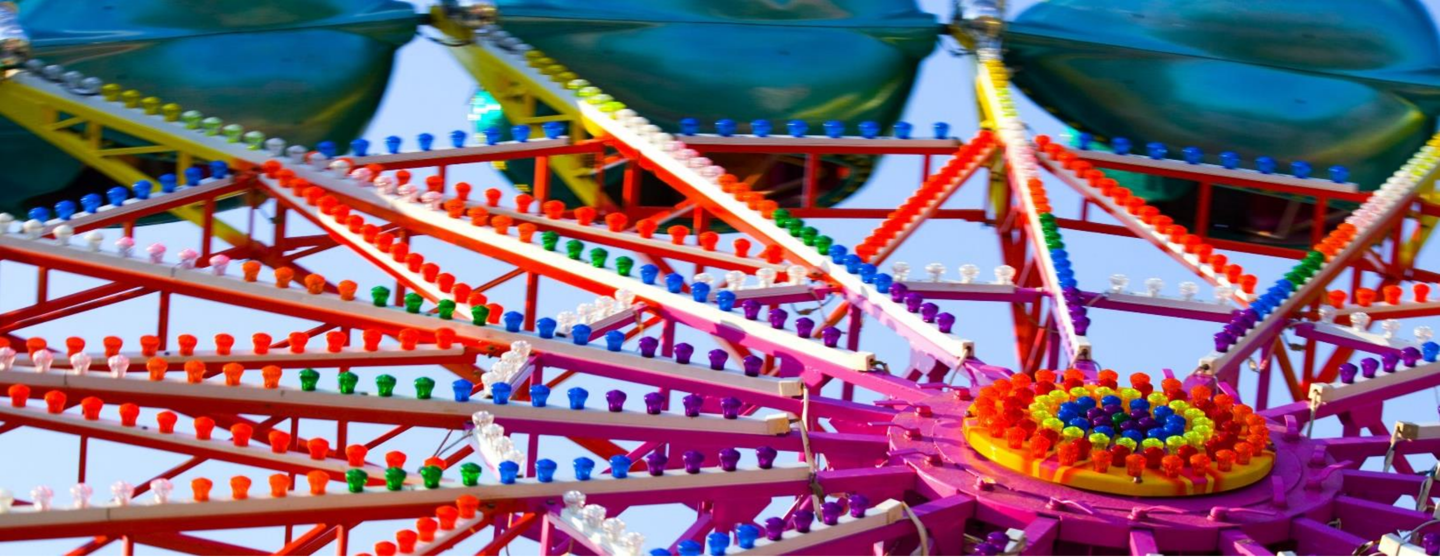
Globally, hotels in and around large-scale theme parks are primarily built to support the destination and capitalise on the constant flow of tourists generated. Outer-circle hotels built by individual investors generally only seek to accomplish the latter.

Large-Scale Theme Parks Worldwide

Name	City	Country	Nearby Hotels
Walt Disney World (Magic Kingdom, Epcot, Animal Kingdom, Hollywood Studios)	Orlando	USA	140
Disneyland Tokyo / DisneySea	Tokyo	Japan	12
Disneyland Anaheim	Anaheim	USA	45
Disneyland Paris	Paris	France	23
Universal Studios - Osaka	Osaka	Japan	10
Universal Studios - Orlando	Orlando	USA	40
Ocean Park - Hong Kong	Hong Kong	Hong Kong	8
Hong Kong Disneyland - Hong Kong	Hong Kong	Hong Kong	4
Lotte World	Seoul	South Korea	3
Everland	Gyeonggi-Do	South Korea	6
Universal Studios Hollywood	Los Angeles	USA	24
Nagashima Spa Land	Kuwana	Japan	4
Seaworld Orlando	Orlando	USA	16
Europa Park	Rust	Germany	86
Seaworld San Diego	San Diego	USA	23
Tivoli Gardens	Copenhagen	Denmark	46
De Efteling	Kaatsheuvel	Netherlands	31
Yokohama Hakkeijima Sea Paradise	Yokohama	Japan	11
Universal Studios - Resorts World Sentosa	Singapore	Singapore	13

Source: Colliers International

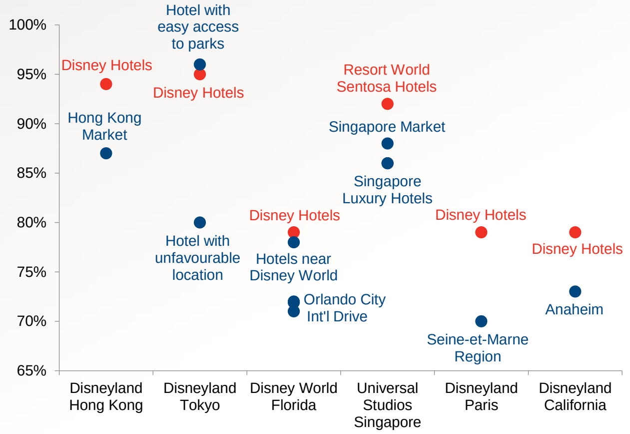
The largest theme park worldwide – Walt Disney World Orlando – is served by 140 hotels near the park, out of which only 25 are considered to be inner-circle hotels. This represents the potential effect of the amusement park industry on the tourism industry and its role in creating a global leisure destination.



Impact of Theme Parks on Hotels

Themed and theme park hotels generally outperform the market in which they are located, highlighted by stronger occupancy rates.

Occupancy Rate – Theme Park Hotels vs City Hotels



Source: Colliers International

Often the inner-circle theme park hotels trade at an average occupancy level of 2 to 10 percentage points higher than outer-circle and city hotels.

Trends show that the closer hotels are to theme parks, the higher occupancies they achieve. For example, Disney World Hotels in Orlando achieve higher occupancy rates than non-themed hotels in International Drive or Orlando City.

Theme Park Destinations

Combining parks with lodging options can generate significantly larger returns than from theme parks alone. By having visitors stay within the vicinity, the theme park destination can extend visitors' length of stay significantly, as well as ensures the tendency of repeat visits.

While proximity to theme parks generally increases hotel occupancy, the distance to the city centre should not be neglected either. Proximity to the city centre means easy accessibility which is a key decision factor for the corporate and MICE (Meetings, Incentives, Conferences and Events) segments.

Theme parks close to or with easy access to the city centre can expect a high percentage of attendance from day visitors, as observed in Disneyland Hong Kong and Sentosa Singapore.

Sentosa has become a popular destination by providing a range of activities and facilities, including theme parks, conference centre, shopping, entertainment, beach, golf, hotels, and restaurants – while still being close to the city. This emphasizes the importance of providing the right facilities to turn the area into a destination.

The most common accommodation types found within or around theme parks are as follows:

Hotels. This type is the most common, especially in destinations outside North America.

Serviced apartments and villas. These are less frequent and located further away from the parks, but are often popular for budget-conscious families.

Timeshare and condos. These ownership models are most common in the USA.

Characteristics of Themed Hotels

Facilities Review

Rooms

Inner-circle and themed hotels generally achieve a premium average room rate over city hotels.

Theme park hotels often have a large variety of room categories, catering to different tourist profiles. Room types such as family rooms, 'kids rooms' and themed rooms are unique to theme park hotels.

Percentage of Hotels with Family Rooms

DISNEYLAND PARIS	DISNEYLAND CALIFORNIA ANAHEIM	UNIVERSAL STUDIOS SINGAPORE	DISNEYLAND TOKYO
56%	33%	15%	36%

Our research indicates the inner-circle hotels have 13% larger rooms than outer-circle hotels, indicating a focus on attracting families close to the theme parks, while properties located further away have a more diversified segmentation, including business, leisure and conference guests.

Food & Beverage Outlets

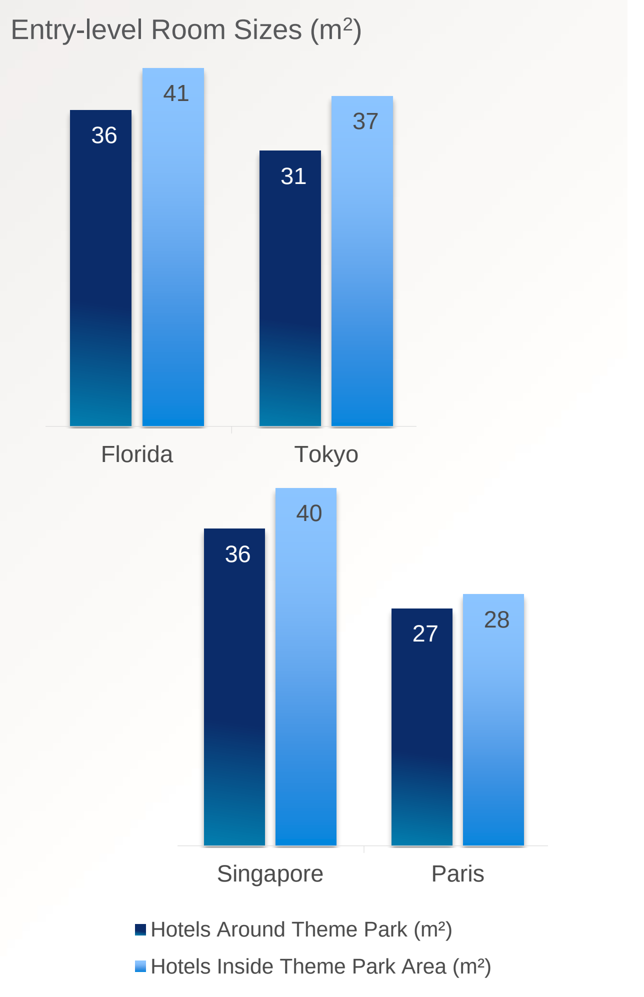
Inner-circle hotels tend to have the largest variety of food and beverage (F&B) outlets, as these are able to attract more walk-in guests and have a higher capture rate of in-house guests. Theme park hotels generally have the following type of dining outlets:

'Support dining' which offers basic food and beverage options mostly to cater to in-house guests' needs.

'Experience dining' consists of themed, specialty and concept restaurants, which charge a premium but add value to the stay of hotel guests, and attract walk-in customers.

'Recreational dining' includes outlets that add value to the stay of leisure guests, and increase their length-of-stay by offering a superior dining offering (i.e. pool bar, roof-top bar, buffet restaurant, etc).

By offering an extensive array of F&B outlets with a range of different experiences, hotels are able to maximise the capture of in-house guests and retain their spending within the property itself.



Source: Colliers International

Food & Beverage in Theme Park Hotels

ALL THEME PARK HOTELS	NON-THEMED HOTELS	THEMED HOTELS	INNER-CIRCLE HOTELS	OUTER-CIRCLE HOTELS
1.15	3.23	4.61	4.11	3.52
№ of seats per hotel room	*F&B outlets*	*F&B outlets*	*F&B outlets*	*F&B outlets*

Meeting Space

Theme park hotels feature a significant amount of meeting and convention space, ranging from a few hundred m² to more than 10,000 m² of meeting space per hotel.

Singapore, Anaheim, Orlando and Seine-et-Marne have all experienced a boost in MICE tourism due to their respective theme parks and attractions. There has been a clear development of the meetings and convention industry in these locations.

All major theme parks are catalysts for MICE tourism; which could potentially be applicable to the Middle East as well. As the MICE industry is rapidly increasing in the region, theme park hotels could possibly contribute towards targeting this segment by offering new, unique venues and experiences. This would also support the tourism visions of several nations throughout the region, targeting a growth in international MICE tourism.

Wellness, Recreation and Children's Facilities

Recreation facilities tend to be significantly more extensive in upscale hotels than in budget accommodation and serviced apartments. There is little difference between the offering in inner-circle and outer-circle hotels – the latter sometimes offer additional facilities to lure guests to stay further away from the parks.

Some inner-circle and fully themed hotels target almost uniquely families. While all these provide pools, the importance is on providing the right mix, size and style of pools. Gyms however tend to be small or non-existent in leisure-driven hotels as it is not an as important draw factor for families.

Percentage of Hotels with Recreation Facilities

HOTELS WITH POOL	HOTELS WITH GYM	HOTELS WITH SPA	HOTELS WITH CHILDCARE AND KIDS FACILITIES
90%	80%	51%	64%

Since the family tourist segment is an important demand generator for themed hotels, they are more likely to provide childcare and children's facilities than non-themed and outer-circle hotels.

Percentage of Hotels with Childcare / Children's Facilities

NON-THEMED HOTELS	THEMED HOTELS	INNER-CIRCLE HOTELS	OUTER-CIRCLE HOTELS
41%	100%	92%	48%

Attributes

Soft Themed vs Hard Theming

'Hard-theming' involves theming of the physical building, through its design and architecture; while 'soft-theming' is more cost effective, as the theme is reflected only through the service, operating supplies, staff uniforms, etc. Both methods need to be executed in a strategic way, to create a flexible theme to suit targeted cultures and tourist profiles.

Theming – Soft vs Hard

OS&E: Operating Supplies & Equipment
FF&E: Fixtures, Furniture & Equipment

SOFT THEMING	HARD THEMING
Theming - little impact on construction, more focus on operations	**Theming** - impact on structure design and construction
FOR EXAMPLE • Free themed merchandise for kids • Children themed activities and games. • Appearance of cartoon characters. • Retail shop selling themed merchandise. • Themed room amenities (soaps, pillows)	**FOR EXAMPLE** • Themed wallpaper and painting. • FF&E / OS&E designed around a specific theme. • Hotel logo designed according to theme. • Theme building architecture.
ADVANTAGES • Cost-effective theming, easy to change theme as and when needed. • Possibility to offer themed experience to some guests while leaving others unaffected.	**ADVANTAGES** • Provides a fully themed experience. • Appeal to tourists, generating bookings. • Turns the hotel into a destination in itself.
DISADVANTAGES / RISKS • Theme is perceived as incomplete. • Possible mismatch between hard facilities services offered. • Limitations exist to the level of theming.	**DISADVANTAGES / RISKS** • Significant impact on development costs • Theme is unchangeable when popularity of theme changes - unless redeveloping asset.

Source: Colliers International

Impact of Theming on Development Costs

Although themed hotels tend to perform better than the markets in which they are located, they also tend to be more expensive to develop.

It is therefore important to develop a theme which has a maximum impact on guest experience, and a minimal impact on construction costs.

Themed Hotels Development Cost

OS&E: Operating Supplies & Equipment
FF&E: Fixtures, Furniture & Equipment

Non-Themed Hotel Standard development costs	**Soft Themed Hotel** 3-10% increase in OS&E costs (uniforms, amenities, etc)
Lightly Themed Hotel 10-15% increase in OS&E and FF&E costs	**Full Hard Themed Hotel** 15-30% increase in OS&E, FF&E and construction costs

Source: Colliers International

Three hotels in the region are partially themed and attached to an attraction:

Atlantis the Palm has turned itself into a globally recognised destination by offering a unique and consistent theme throughout the hotel, reflected in the property's design (ocean colour scheme) and experiences (i.e. an underwater aquarium, waterpark, dolphin bay).

Jumeirah Beach Hotel. The hotel's wave-shape architecture complements the water park's wave-pool, creating a consistent experience and theme.

Kempinski Mall of the Emirates. Connected to the region's only indoor ski park, the hotel's interior adopts a theme of a luxurious mountain resort through its design, with wooden furniture, dark color schemes and large white chandeliers. There are 15 fully themed ski chalets which have a direct view of the ski slope.

Positioning

Inner-circle theme park hotels are positioned in the mid-market and upscale segments, offering full service to guests. Luxury hotels are not commonly found in these locations, as theme parks primarily cater to families.

Budget hotels tend to be located further away from the theme parks, and therefore generally offer shuttle transport to guests.

Key Risk and Risk Mitigation

Risks are faced by both soft and hard themed hotels, predominantly in locations with smaller theme parks.

Despite the risks, hotels which are themed are more likely to be recognised, regionally and globally, as they have the potential to target a variety of segment groups, increasing their profile worldwide.

> *"The ability to target the MICE segment will play an important role in the long-term success of theme park hotels… this would soften the seasonality impact and diversify the target markets once leisure demand matures"*
>
> - Filippo Sona, Director, Head of Hotels, Colliers International MENA Region

Different Types of Branding

Inner-circle theme park hotels are often found to have consumer and entertainment brands, such as 'Disney Hotels' and 'Hard Rock Hotels'. It is more common for traditional hotel chains to be located on the periphery of the parks. Exceptions to this rule are two semi-branded hotels (i.e. Walt Disney World Swan and Dolphin) which are operated by Westin and Sheraton respectively, but do not use the brand in the hotel name. This enables the hotels to benefit from strong distribution channels while still appealing to leisure family guests.

Unbranded hotels exist in theme parks such as Resorts World Sentosa, benefiting from the overall 'brand' of the destination as well their respective unique themes.

Around certain theme parks, locally/regionally branded hotels and unbranded hotels target budget-conscious families by providing a lightly themed experience.

Themed Hotels – Key Risks & Risk Mitigation

RISKS	RISK MITIGATION
By targeting one segment only (i.e. leisure tourists), there is a risk of being affected by seasonality.	Target several segments. Provide facilities, services and experiences that will bring MICE guests to the hotel.
The popularity of a specific theme may change over time, which can affect a themed hotel.	Create a broad theme that is flexible and appeals to all cultures. For example, if partnering with a movie production company, the themes are the movies, hence change over time.
No theming, soft theming or light theming may result in an incomplete experience, and possible mismatch with the overall experience.	Create a more complete theme, that extends through all aspects of a guests stay, from design to F&B offerings, to entertainment and services.

Source: Colliers International

Demand Characteristics

Correlation between Theme Park Attendance and Hotel Demand

During the first 8-10 years after the opening of a theme park, there is a strong correlation between theme park attendance and hotel demand. However, once the park has been open for more than 10 years and demand is mature, the correlation becomes weaker, as certain visitors return only on day trips.

Thus it becomes increasingly important in the long term for a theme park hotel to diversify its source markets to target more non-theme park visitors (i.e. MICE, corporate).

Correlation between Theme-Park Attendance and Hotel Demand Roomnights

Theme park	Correlation First operating years	Correlation After first 10 years of operation
Disneyland Paris	STRONG	WEAK
Disneyland Hong Kong	STRONG	N/A
Disney World Florida	N/A	WEAK

Source: Colliers International

Segmentation and Guest Profiles

In the majority of destinations, domestic and regional source markets dominate theme park hotel demand.

Inner-circle theme park hotels are predominantly orientated towards leisure and family guests, but often attract large MICE groups as well (if meeting facilities are offered).

The global average is 75-85% leisure guests in theme park hotels.

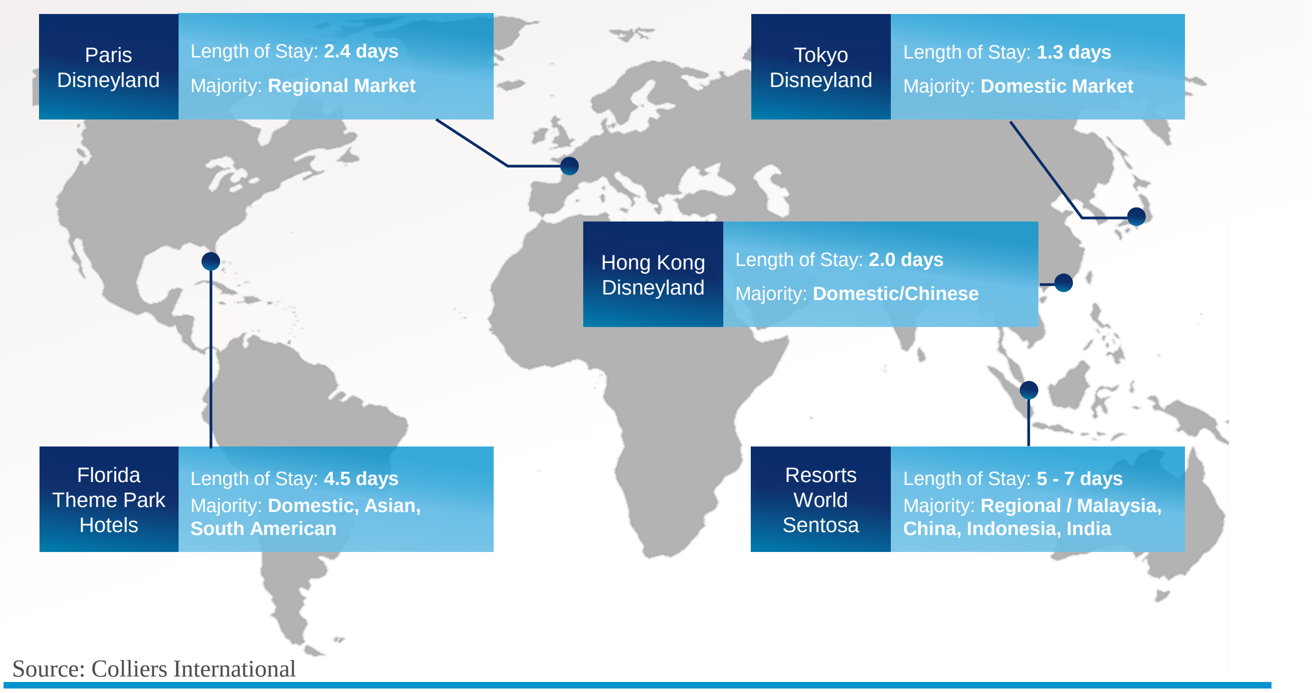
Length of Stay

The average length of stay in theme park hotels varies by destination, mostly determined by two factors: the size and variety of the theme parks, and ancillary activities available in the destination’s immediate area (i.e. beach, golf, shopping).

The global average is a length of stay of 2.8 days in theme park hotels.

Singapore and Florida theme park hotels benefit from the longest length-of-stay as they offer the most complete holiday destinations. Those located in Paris, Tokyo and Hong Kong have a shorter length of stay due to a higher share of domestic visitors coming on shorter but more frequent trips.

Segmentation, Source Markets and Length of Stay in Theme Park Hotels



Source: Colliers International

Guiding Principles

Proximity and access are key. Hotels situated close to theme parks generally outperform the occupancy rates of the market in which they are located. The accessibility and proximity to the city center also need to be considered, having a direct effect on the overall destination appeal and competition with city centre hotels.

Avoid over-theming when unnecessary. Hard theming can result in significant construction cost overruns without necessarily adding to the bottom line of the hotel. In some cases it is important to consider flexible solutions to soft theming.

Importance of MICE. Future theme park hotel developments in the Middle East would benefit from offering meeting and conference facilities within the destination to target the MICE segment. This diversifies the segment mix and would increase the ability to soften the impact of seasonality.

Target regional tourists. The majority of demand in theme park hotels is driven by domestic and regional tourists, hence the importance of aligning design, facilities and theme to tastes and preferences of the Middle Eastern clientele.

Theme Park Hotels Key Success Factors

Tier 1 Influencing Factors

Choose the right brand	Mid-market or upscale positioning (not luxury)	Cater to the needs of families
Focus on regional source markets	Theme park hotel key success factors	Maximize length of stay by competing with city hotels
Target MICE business	Choose the right level of theming	Create / enhance the destination

Tier 2 Influencing Factors

Source: Colliers International

Colliers International Hotels

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and staff

For further information,
please contact:

Filippo Sona
Director | Head of Hotels | MENA Region
Main +971 4 453 7400
Mobile +971 55 899 6102
filippo.sona@colliers.com

Selim El Zein
Associate Director | Hotels | MENA Region
Main +971 4 453 7400
Mobile +971 55 899 6103
selim.elzein@colliers.com

Christopher Lund
Associate Manager | Hotels | MENA Region
Main +971 4 453 7400
Mobile +971 55 899 6110
christopher.lund@colliers.com

Colliers International | MENA Region
Dubai | United Arab Emirates

+971 4 453 7400

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