DUBAI SPA BENCHMARK REPORT

2015 HALF YEAR REVIEW

Market Highlights

INTRODUCTION

The Dubai Spa benchmark report focuses on analysing Dubai spa performance metrics, based on data received directly from a spa panel representing a stock of 216 treatment rooms. Three spa types are analysed, (i) Beach and Desert Resort spas, (ii) City Hotel Spas, and (iii) Standalone Day Spas. The latter type, Standalone Day Spas, have interlinked services such as spa, hair, nail and beauty treatments; hence additional metrics related to hair and nail treatments have been added.

STRONG RESORT SPA PERFORMANCE

The **Dubai Resort Spa market** improved in the first half of 2015, with a 6% year-on-year (YOY) increase in average treatment revenue, following a 12% increase over H1 2013-H1 2014.

Dubai's City Hotel Spas on the other hand have seen a decrease in average treatment revenue, registering a 6% YOY drop from H1 2014. No change was recorded over H1 2013-H1 2014.

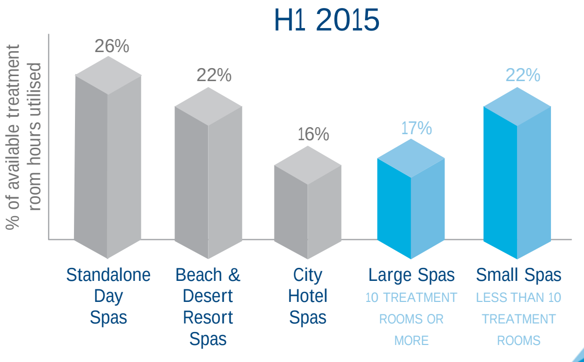
While Resort Spas have increased their share of in-house guests in the past 2 years (74%, up from 67% in H1 2013), City Hotel Spas increased their share of walk-in guests (43%, up from 38% in H1 2013). This explains the increase in treatment revenue for Resort Spas with higher spending from tourists, and the decline for City Hotel Spas, as resident walk-in guests are considered regular clients and often are entitled to resident discounts and seasonal promotions.

Treatment room utilisation in Standalone Day Spas is highest, as they tend to be smaller than Hotel Spas. The next busiest type is Resort Spas, due to having a large base of potential customers in the hotel (leisure tourists).

SPA TYPOLOGY AND CHARACTERISTICS

Beach & Desert Resort Spas	City Hotel Spas	Standalone Day Spas
13.6 Average treatment rooms	7.9 Average treatment rooms	5.6 Average treatment rooms
$22m^2$ Average treatment room size	$18m^2$ Average treatment room size	$14m^2$ Average treatment room size
20% of spa area occupied by treatment rooms	29% of spa area occupied by treatment rooms	12.2 Salon chairs/ Nail stations

TREATMENT ROOM UTILISATION



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EFFICIENT OPERATIONS

Dubai Hotel and Resort Spas operate with an average of 1.0 therapist per available treatment room. This ratio is slightly lower, at 0.9 staff to room ratio, for Standalone Day Spas with no hotel affiliation.

Staffing is a crucial component of spa operations, and its cost tends to differ widely from spa to spa. Payroll expenses generally represent 30-40% of revenue, in some cases even higher. Likewise, departmental profit of Hotel and Resort Spas fluctuate widely with no standard average; it is typically within the 30-60% range.

The most profitable and efficiently operated spas tend to be the ones of average size (8-12 treatment rooms). Smaller spas tend to have less economies of scale while the larger ones suffer from lower utilization rates.

SPA DEVELOPMENT & INVESTMENT

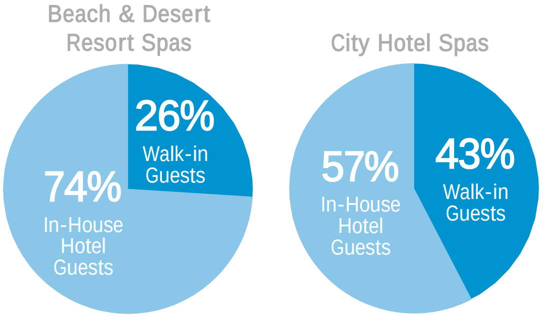
While the base construction cost for spas is similar to that of hotels, the main difference comes from the fit-out and equipment costs. This is where the allocation of 'wet areas' (e.g. steam and sauna rooms) versus 'dry areas' (e.g. relaxation area and reception) becomes important and could have a significant impact on costs.

Spas often occupy some of the most prominent real estate within hotels, and this can be significant, considering Resort Spas in Dubai are on average 1,968 m^2 while City Hotel spas are 1,407 m^2. Spas' prime spots cannot always be justified by direct return on investment; but often have a more indirect impact of adding a 'premium' to the overall development.

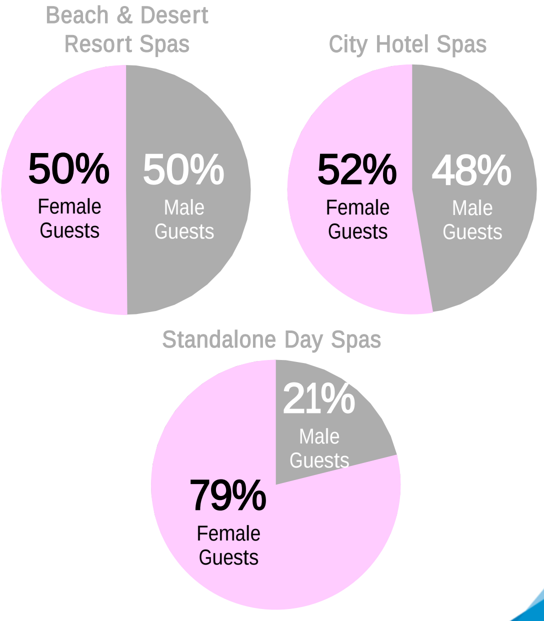
Standalone Day Spas tend to be of smaller size than hotel spas (527 m^2) as they rely purely on walk-in guests and are more dependent on direct return on investment, hence more efficient design and less area dedicated to wet areas.

The case of spas in residential developments: Adding a branded spa development to residential condos has become a popular practice worldwide due to the perceived premium associated with the brand. Benefits for developers are: (i) residences selling at a premium price, (ii) an additional cash flow stream, and (iii) for the real estate developer to be associated with a prominent spa brand.

IN-HOUSE VS. WALK-IN GUESTS



FEMALE VS. MALE GUESTS



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Performance Indicators

DUBAI BEACH & DESERT RESORT SPAS

DUBAI BEACH & DESERT RESORT SPAS	AVERAGE (AED / %)			AVERAGE (USD / %)		
	H1 2013	H1 2014	H1 2015	H1 2013	H1 2014	H1 2015
Revenue Indicators						
Treatment Revenue per Treatment Sold	394	442	466	107	120	127
Daily Treatment Revenue per Available Treatment Room	965	841	909	263	229	247
Daily Treatment Revenue Generated per Therapist	792	788	869	216	215	236
Revenue per Available Treatment Hour (RevPATH)	80	70	76	22	19	21
Daily Revenue per Square Metre (Treatment Room Area)	43	51	56	12	14	15
Daily Revenue per Square Metre (Total Area)	9	8	10	2	2	3
Average No. of Treatments Sold per Day (Per Spa)	35	25	24	9	7	6
Retail Revenue Contribution	11.1%	11.6%	11.4%	11.1%	11.6%	11.4%
Utilization Indicators						
Utilization of Treatment Rooms	21.1%	24.1%	22.1%	21.1%	24.1%	22.1%
Utilization of Therapist Hours	64.1%	62.0%	59.9%	64.1%	62.0%	59.9%
Female Spa Guests Ratio (vs. Male)	52.7%	48.0%	50.3%	52.7%	48.0%	50.3%
Hotel-Related Indicators						
Spa Revenue per Occupied Hotel Room	42	41	49	11	11	13
Capture Rate of Hotel Guests	2.4%	2.3%	3.6%	2.4%	2.3%	3.6%
In-House vs. Walk-In Guests	67%	76%	74%	67%	76%	74%

Dubai resort spas have outperformed the market in the last 3 years, with high average treatment revenue above USD 100 per treatment. This has now increased to USD 127 in H1 2015. The strong growth in treatment revenue has been driven by the increased share of in-house guests (from 67% in H1 2013 to 74% in H1 2015), as in-house guests / tourists tend to be less price sensitive than residents.

Performance Indicators

DUBAI CITY HOTEL SPAS

DUBAI CITY HOTEL SPAS	AVERAGE (AED / %)			AVERAGE (USD / %)		
	H1 2013	H1 2014	H1 2015	H1 2013	H1 2014	H1 2015
Revenue Indicators						
Treatment Revenue per Treatment Sold	332	332	312	90	90	85
Daily Treatment Revenue per Available Treatment Room	679	627	622	185	171	169
Daily Treatment Revenue Generated per Therapist	791	669	690	215	182	188
Revenue per Available Treatment Hour (RevPATH)	57	52	52	15	14	14
Daily Revenue per Square Metre (Treatment Room Area)	33	30	31	9	8	9
Daily Revenue per Square Metre (Total Area)	10	9	10	3	2	3
Average No. of Treatments Sold per Day (Per Spa)	14	14	15	4	4	4
Retail Revenue Contribution	14.2%	11.2%	12.5%	14.2%	11.2%	12.5%
Utilization Indicators						
Utilization of Treatment Rooms	15.9%	15.1%	15.6%	15.9%	15.1%	15.6%
Utilization of Therapist Hours	39.6%	41.0%	49.2%	39.6%	41.0%	49.2%
Female Spa Guests Ratio (vs. Male)	45.8%	50.6%	52.1%	45.8%	50.6%	52.1%
Hotel-Related Indicators						
Spa Revenue per Occupied Hotel Room	23	20	20	6	5	6
Capture Rate of Hotel Guests	2.3%	2.1%	1.7%	2.3%	2.1%	1.7%
In-House vs. Walk-In Guests	62%	61%	57%	62%	61%	57%

Dubai city hotel spas have seen a fairly steady performance, with a slight decline in revenue from H1 2014 to H1 2015, as the share of walk-in guests increased – which means more residents used the spas, who also tend to be more price sensitive and avail of discounts, offers and promotions.

Operational efficiency has increased in the past 2 years, from 40% staff utilisation in H1 2013 to 49% in H1 2015; while the treatment room utilisation rate has remained steady at a level of 15-16%.

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Performance Indicators

DUBAI STANDALONE DAY SPAS

DUBAI STANDALONE DAY SPAS	AVERAGE (AED / %)	AVERAGE (USD / %)
	H1 2015	H1 2015
Revenue Indicators		
Treatment Revenue per Treatment Sold	316	86
Daily Treatment Revenue per Available Treatment Room	596	162
Daily Treatment Revenue Generated per Therapist	342	93
Revenue per Available Treatment Hour (RevPATH)	50	14
Daily Revenue per Square Metre (Treatment Room Area)	22	6
Daily Revenue per Square Metre (Total Area)	13	3
Average No. of Treatments Sold per Day (Per Spa)	17	5
Retail Revenue Contribution	9.2%	9.2%
Utilization Indicators		
Utilization of Treatment Rooms	25.9%	25.9%
Utilization of Therapist Hours	49.1%	49.1%
Female Spa Guests Ratio (vs. Male)	79.2%	79.2%
Other Indicators		
Revenue per Hair Session	263	72
Revenue per Nail Treatment	138	38
Top 3 Nationalities	UAE, UK, India	

Dubai standalone day spas compete head-to-head against city hotel spas for the resident walk-in market. These spas operate at similar price ranges and record similar performance metrics, except for the utilisation of treatment rooms which is significantly higher in day spas than city hotel spas.

Methodology

This publication has been prepared by Colliers International Hotels MENA, providing fourteen key metrics designed to track spa operational performance. The initiative is driven by and for the spa industry, and uses actual operating data from a sample of spas across Dubai.

Definitions

KEY PERFORMANCE INDICATORS	CALCULATION
REVENUE INDICATORS	
Treatment Revenue per Treatment Sold	Treatment Revenue ÷ No. of Treatments Sold
Daily Treatment Revenue per Available Treatment Room	Daily Treatment Revenue ÷ Available Treatment Rooms
Daily Treatment Revenue Generated per Therapist	Daily Treatment Revenue ÷ Available Therapists
Revenue per Available Treatment Hour (RevPATH)	Treatment Revenue ÷ (No. of Treatment Rooms x Opening Hours)
Daily Revenue per Square Metre (Treatment Room Area)	Daily Treatment Revenue ÷ Treatment Room Area (m^2)
Daily Revenue per Square Metre (Total Area)	Daily Treatment Revenue ÷ Total Spa Area (m^2)
Average No. of Treatments Sold per Day (Per Spa)	Total No. of Treatments Sold ÷ No. of Days in the Period
Retail Revenue Contribution	Retail Revenue ÷ Total Spa Revenue
UTILIZATION INDICATORS	
Utilization of Treatment Rooms	Treatment Room Hours Sold ÷ Available Treatment Room Hours
Utilization of Therapist Hours	Occupied Therapist Hours ÷ Available Therapist Hours
Female Spa Guests Ratio (vs. Male)	Total No. of Female Spa Guests ÷ Total No. of Spa Guests
HOTEL-RELATED INDICATORS	
Spa Revenue per Occupied Hotel Room	Total Spa Revenue ÷ Occupied Hotel Rooms
Capture Rate of Hotel Guests	Total No. of Treatments for (Hotel) Spa Guests ÷ Total No. of Hotel Guests
In-House vs. Walk-In Guests	Total No. of In-House (Hotel) Spa Guests ÷ Total No. of Spa Guests

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- Operator Search, Selection and Contract Negotiation
- Pre-Opening Budget Analysis and Operational Business Plan
- Owner Representative / Asset Management / Lenders Asset Monitoring
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Our hotels team in the MENA region:

$9
billion
investment value of
projects advised

39,200
keys
valued

8,880
Hotel keys
under asset management

502 offices in 67 countries on 6 continents

United States: **151**
Canada: **46**
Latin America: **26**
Asia Pacific: **190**
EMEA: **89**

$2.3
billion in annual revenue

1.7
billion square feet under management

16,300
professionals 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
Manager | Hotels | MENA Region
Main +971 4 453 7400
Mobile +971 55 899 6110
Christopher.lund@lcolliers.com

Colliers International | MENA Region
Dubai | United Arab Emirates

+971 4 453 7400

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