

A background image of the Dubai skyline, featuring the Burj Al Arab hotel prominently on the right side, with other buildings and the sea visible in the distance.

ARABIAN  FALCON
H O L I D A Y S

A SLICE OF PARADISE

HOW THE TIMESHARE SECTOR CAN
GIVE DUBAI ECONOMY A DH14 BILLION
BOOST IN 2020

AN AFH MIDDLE EAST MONTHLY ECONOMIC REPORT



HIGHLIGHTS

- As of mid-2013, there were about 5,500 timeshare resorts spread across 108 countries, demonstrating the significant footprint of the industry. Globally, trends suggest the timeshare industry contributes an average of 5 per cent to total travel and tourism sales of a country.
- International experience suggests the growth in a particular country's or region's timeshare sector is not at the expense of the traditional hospitality industry but rather complements to the growth in hotels and hotel apartments.
- Although still at a nascent stage, the vacation ownership segment in Dubai is a sunrise sector with high growth potential driven by the burgeoning growth witnessed in the emirate's travel and tourism sector.
- With property prices in Dubai clocking the fastest growth rate in the world last year, many aspiring property owners in the emirate are being priced out of second home or vacation homes market. For such people and millions others who visit Dubai on a regular basis and stay in one of the hundreds of hotels around the city, an investment in timeshare makes perfect financial sense.
- The surging property prices and hotel room rates in the UAE and across the region will lead to a boom in the timeshare sector within the next few years. Dubai is strategically placed to benefit from the growth in this sector, considering its early adoption of the concept. Furthermore, the growth is expected to take on a speedy upward trend since timeshare is still an emerging sector in Dubai.
- Arabian Falcon Holidays estimates the timeshare sector will give Dubai economy a Dh14 billion boost in 2020 thanks to the significant increase in the number of tourists, real estate prices and hotel room rates in the emirate over the next decade.

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23,560

Timeshare reports across

108

COUNTRIES



1.1Mn

Jobs Supported by
Timeshare industry in

2010

\$45

billion

Direct economic output

\$114

billion

Direct and indirect
economic output



BONNINGTON

THE CONCEPT OF TIMESHARE

The concept of timeshare (or vacation ownership or fractional ownership) is simple – it amounts to shared ownership or collective ‘use rights’ over a property. These properties are typically hotel apartments or individual units in which multiple parties hold rights to use the property, and each sharer is allotted a period of time (typically one week and almost always the same time every year) in which they may use the property.

Units may be on a partial ownership, lease, or ‘right to use’ basis, in which the sharer holds no claim to ownership of the property. While the concept has grown fairly rapidly in the Western and more developed markets, it has been slow off the ground in the Middle East and GCC regions, mirroring the maturity of the real estate markets in these regions.

The concept offers flexibility in that once members sign up to owning a timeshare, depending on the provider they have signed up with, they are offered choice of vacation in different locations, unit sizes, times of year, and the opportunity to exchange to other resorts. Vacations may be at a fixed time or can vary each year, and accommodations can range from a studio to a two- or three-bedroom villa.

Additionally, owners may opt to visit their home resort or exchange to other resorts, spas, cruises, hotels, and specialty tours throughout the world as long as their provider offers it as part of the package. Investors make a one-time purchase of furnished resort accommodations at a fraction of the entire ownership costs.

Each unit of a timeshare resort is divided into ‘intervals’ most commonly by

the week or some other combination of days. Often the amount of timeshare purchases is expressed in terms of ‘points’ – a popular trend aimed at increasing the range of options for the use of timeshare intervals by the end-user.

The accommodations are priced according to a variety of factors, including size of the unit, resort amenities, location, and season of use. The investor gets the ‘ownership’ of the vacation accommodations, but only for the amount of time they choose – typically one or two weeks each year for a traditional timeshare. There are other types of timeshare programmes, such as fractionals, offering longer use periods (as long as three months), but these are priced much more like a traditional vacation home

TRAVEL & TOURISM IN THE UAE

The total contribution of the travel & tourism sector to the UAE’s gross domestic product (GDP) will reach 8.5 per cent this year with a 4.5 per cent year-on-year rise to Dh122.6 billion, according to a leading tourism industry body.

The increase, is driven by growth in the UAE’s hotels, travel agents, airlines, restaurants as well as leisure industries directly supported by the travel and tourism sector.

Total contribution figures are the wider impacts of the industry including investment, government spending and the domestic purchase of goods.

Growth figures were released in the World Travel & Tourism Council (WTTC) latest economic impact study of the UAE’s tourism & travel industry.

Direct contribution to GDP of the travel & tourism industry is set to climb by 4.7 per cent to Dh59.1 billion this year, according to the WTTC. In 2013, the UAE’s travel & tourism sector delivered Dh56.5 billion or four per cent of the country’s GDP.

Looking ahead the direct contribution is set to increase by 3.1

per cent a year to Dh80.1 billion by 2024, maintaining a four per cent of GDP figure. Total contribution is expected to grow by 3.2 per cent to Dh167.4 billion by 2024, 8.5 per cent of GDP.

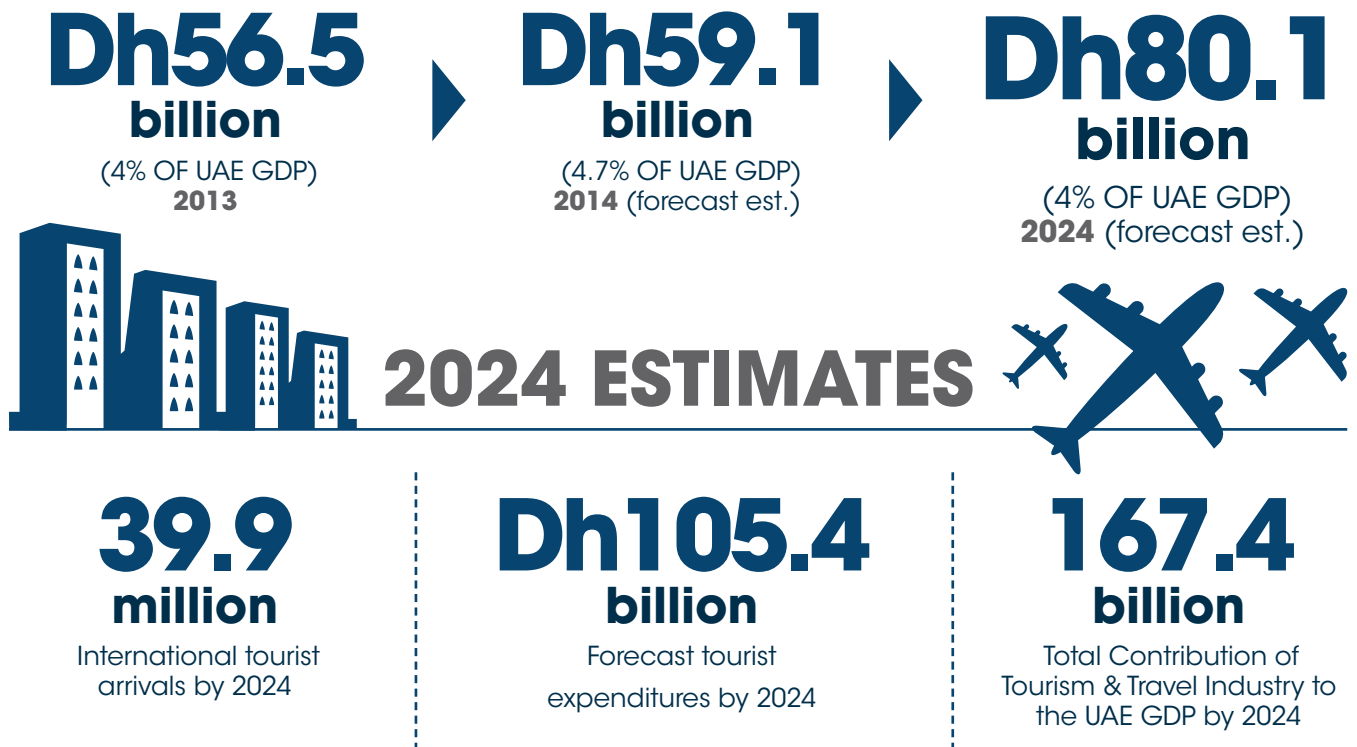
The increase comes as Dubai heads towards Expo 2020 with increasing investments being made by the private and public sectors into hotels and the Expo 2020 site in Dubai World Central. Abu Dhabi is also investing in building its tourism profile, which includes the construction of the Louvre and the Guggenheim on Saadiyat Island.

In 2013, the industry is expected to have attracted Dh21 billion of capital investment and is forecasted to rise by 9.7 per cent in 2014. Travel & tourism directly generated 291,500 jobs in 2013, 5.3 per cent of total employment, and is expected to grow by 5.7 per cent to 308,000 in 2014. The total employment contribution in 2013 was 496,500 jobs, 9.1 per cent of total employment, in 2013. This is forecasted to grow by 5.3 per cent to 523,000 jobs this year.

By 2024 international tourist arrivals rate is forecast to reach 39.9 million, generating an expenditure of Dh105.4 billion.



ECONOMIC IMPACT OF UAE'S TOURISM & TRAVEL INDUSTRY



Source: World Travel & Tourism Council

TIMESHARE IN DUBAI

Although still at a nascent stage, the vacation ownership segment in Dubai is a sunrise sector with high growth potential being driven by the burgeoning growth witnessed in the emirate's travel and tourism sector.

Globally, timeshare is the fastest growing sector in the international tourism industry. However, regionally, the sector is currently not growing as fast as elsewhere in the world due to a lack of knowledge about the product and the fact that citizens of the Arab world are unorganised planners of their holidays. In addition, lack of clear regulation on vacation ownership and timeshare properties is hampering the growth of the sector in the Middle East and North Africa region.

Property market the world over is cyclical in nature, as we were reminded by the recent global financial crisis. In 2009, Dubai was in fact among the worst performing real estate markets in the world, with property prices declining by almost 50 per cent from their peaks the previous year.

With property prices in Dubai clocking the fastest growth rate in the world last year, many aspiring property owners in the emirate are being priced out of the second home or vacation homes market. For such people and millions others who visit Dubai on a

regular basis and stay in one of the hundreds of hotels around town, an investment in timeshare makes perfect financial sense.

According to a report from property broker Knight Frank in December 2013, Dubai's rising house prices are the world's fastest, surpassing price increases in Mainland China, Hong Kong and Taiwan.

While Dubai's real estate market has seen a swing from being one of the world's worst performing markets to being the world's best performing market in four years, timeshare as a market remains recession-proof. This also means that it doesn't see wild swings on the upside or downside – it provides much-needed stability to the market in times of crisis while providing holidaymakers with less expensive stays during upturns as well as downturns.

With currently only a handful of quality timeshare resort options in Dubai, the sector is set to witness rapid growth in years to come, bolstered in no small measure by the organic growth that tourism will see. Moreover, the industry will receive a major boost by the additional 25 million visitors that are projected to descend on Dubai in six years from now as a result of the emirate hosting the World Expo 2020.



FACTORS BOOSTING VACATION OWNERSHIP IN DUBAI

Dubai is growing by leaps and bounds as a tourist destination, and more people return to Dubai on a regular basis, whether for business or leisure. This provides an added incentive to such visitors to invest in timeshare in the emirate, as they are able to secure a long-term safety net for their stay in Dubai and are not exposed to the vagaries of the escalating hotel room rates.

In addition, a large section of visitors to Dubai comprise residents and nationals of

neighbouring GCC countries, which tend to have larger families. As hotels across the world insist on no more than two adults in a room, such families with a large number of members are forced to rent multiple hotel rooms when they arrive on vacations, eating into their overall vacation budget.

On the other hand, those with timeshare ownership are not subject to such limits, thus, giving them the freedom of spending less on their stay and more

on their shopping and other holiday activities.

Another reason for renewed interest in Dubai's timeshare industry is the rising cost of buying property, with many vacation home buyers now being priced out of the market. Timeshare, however, offers a less expensive alternative to such prospective customers, who pay only for the intervals – or weeks – they need to stay and not for the whole year.

ECONOMIC BENEFITS OF TIMESHARE

As of mid-2013, there were about 5,500 timeshare resorts spread across 108 countries, demonstrating the significant footprint of the industry. Globally, shared vacation ownership supported more than 1.1 million jobs in 2010 and generated over \$45 billion in direct economic output – which expands to nearly \$114 billion when including indirect and induced impacts. The 1,400 timeshare projects located in Europe contribute about €10 billion (Dh50 billion) each year to the European economy.

Globally, trends suggest the timeshare industry contributes an average of 5 per cent of total travel and tourism sales of a country. In the US, the largest market for

vacation ownership, the timeshare industry generated \$70 billion (Dh257 billion) of economic output in 2011.

That year, the overall contribution made by the travel and tourism sector was \$1.4 trillion (\$814 billion in direct sales and \$555 billion in indirect sales). Timeshare sector's share of the overall travel and tourism market, therefore, was 5 per cent in the US in 2011.

International experience also suggests that the growth in a particular country's or region's timeshare sector is not at the expense of the traditional hospitality industry but rather complements the growth in hotels and hotel apartments.

5%
Usual contribution
of the timeshare
industry in a
country's GDP



Dh50 billion
Yearly Contribution of the
timeshare industry to the
European economy

POTENTIAL IMPACT OF TIMESHARE ON DUBAI ECONOMY

Dubai has made public its plans to double the annual visitor numbers from 10 million in 2012 to 20 million in 2020. And considering the additional influx of more than 25 million visitors between October 2020 and April 2021, the emirate will need to come true on its plans to double the hotel room count by that time.

Dubai is actually well on the way to achieve the visitor target ahead of time. According to statistics issued by Dubai's Department of Tourism & Commerce Marketing, Dubai's 411 hotels and 198 hotel apartments welcomed 11.57 million guests, who between them spent about 41 million residence nights in the

emirate. The number of hotel rooms and apartments in Dubai at the end of the year stood at 84,534.

As Dubai achieves its target of 20 million visitors by 2020 – not including the additional 25 million visitors that are expected to arrive for the World Expo 2020 exhibition – it would amount to a total contribution of more than Dh280 billion for Dubai's economy.

If the timeshare sector performs to its potential in the six years until then, and contributes the global average, or 5 per cent of the total contribution made by the travel and tourism sector, that would amount to no less than Dh14 billion.



ANNUAL VISITORS IN NUMBERS

10
million
2012**20**
million
2020
(100% up)

AFH ESTIMATES

20 + **25**
million million

visitors + 25 mn visitors expected to arrive for the Expo 2020. Dh280mn contribution to the UAE economy.

**Dh14**
billion

Estimated contribution the timeshare sector can give Dubai economy a Dh14 billion boost in 2020 (5% of Dh280 mn)

POTENTIAL IMPACT OF TIMESHARE IN THE REGION

The surging property prices and hotel room rates in the UAE and across the region will lead to a boom in the timeshare sector within the next few years. Dubai is strategically placed to benefit from the growth in this sector, considering its early adoption of the concept. Furthermore the growth is expected to take on a speedy upward trend since timeshare is still an emerging sector in Dubai.

The report said the boom will be most prominent in the UAE

and Saudi Arabia, two GCC economies that have already taken a lead in the development of the sector.

The timeshare concept marks one of the highest growing rates in the tourist sector. However, its penetration within the Middle East region remains limited.

The timeshare sector represents an ideal choice for families from neighbouring GCC countries, as it enables them to cut the cost of accommodation during their holidays/vacation.



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