

# Is Dubai's hotel boom unstoppable?

By Otto Pohl

No matter how you look at it — occupancy rates, average room price, revenue per available room — the Dubai hotel market ranks among the world's best, and it has for several years. The almost surreal boom is beginning to make some participants and observers nervous, however, while others feel that the time is right to invest in the city's still wide-open, mid-level hotel segment.

"No market booms for eternity," says Peter Fulton, regional director for Hyatt in Dubai. With the company's hotel revenue growing at 20 to 25 percent annually, however, he also feels compelled to continue development. His latest property, a five-star Park Hyatt, opened in August.

Given the torrid growth of the market, even a slowdown to normal levels could seem like a recession. That's what HVS International, a hotel consultancy, warns in a new report. While carefully avoiding terms like "recession" or "crash," the report warns that the market may be overheated.

"If you take today's market performance, which is abnormally positive, our projections for the future are lower than today's performance," Elie Younes, associate director at HVS and co-author of the report, qualifies carefully.

On the other hand, the Dubai government believes that the city is just getting going. It predicts that 15 million visitors will be arriving in Dubai annually by 2010, about three times the current number. If that forecast holds, room shortages will continue at all price points — and in the past, government predictions have proven accurate.

While the growth lasts, ever more outlandish definitions of luxury have become the norm.

Next spring, for example, Kempinski Hotels is opening a five-star Swiss chalet-style hotel next to five indoor ski slopes inside one of the world's largest malls, which is also new. In most markets, creating a luxury Alpine experience in what nature had relegated to featureless desert would presumably be a major civic event.

Here, it may well be drowned out by the next project of eye-popping proportions — the opening of the world's largest hotel tower, or another development nearby called DubaiLand, a Disneyland style theme park that will double the entire size of Dubai.

"There's an inflation in luxury," says David Vely, director of development and strategy in the Middle East for Accor hotels, whose brands include Sofitel and Novotel. Rooms of 45 square meters, about 485 square feet, have become the minimum for five-star hotels in Dubai, he says, 50 percent more than what is accepted as five-star in cities like Paris and London. Ever fancier guest service options are on offer, from chauffeured



The Associated Press (left); Kamran Jebreli/The Associated Press (above)  
An artist's sketch, top, of the Kempinski Hotel, Mall of the Emirates & Ski Dubai; above, the Ski Dubai complex in the mall. At left, the Burj al Arab.

Rolls-Royces to elaborate spas.

Even the star rating system is straining from the bulge at the high end. Ever since the Burj al Arab, which was completed in 1999, declared itself the world's first seven-star hotel, other hotels feel compelled to stretch toward those claims: properties such as the ski slope Kempinski bill themselves as "five-star deluxe," and unofficially several Dubai properties give themselves six stars.

"It's a bit of a game," Vely says. "You pile up stars like you pile up pancakes."

Despite the fact that there are now more five-star hotel rooms in Dubai than three- and four-star rooms added together, five-star properties typically maintain occupancy rates around 90 percent and average room rates above \$300.

Given those kinds of returns, Accor Hotels has positioned itself as the most active player in the market, according to the Deloitte Hotel Benchmark survey. The company has more than a dozen new hotels in the works, although Vely admits the difficulty of making a reasonable forecast more than three years in the future. Calling today's stratospheric land prices "pure speculation," he fears that the risks may begin to outweigh the cost of developing new hotels. Still, the market is too good not to participate.

One of the reasons Dubai has been able to establish itself from the start as a luxury destination is because many of the market's

core investors — the ruling family of Dubai as well as other sheikhs from across the United Arab Emirates — have been willing to accept lower returns on their investments. As a rule, international hotel brands in Dubai are only management companies, while most of the money invested is local.

The classic example is the Burj al Arab hotel, which was commissioned by Sheikh Mohammed bin Rashid al Maktoum, the crown prince of Dubai. Precise costs aren't public information, but it is widely assumed that the hotel was far too expensive to provide what many investors would consider an acceptable return. "But the goal was not to make a hotel, but instead an emblem for the country, like the Eiffel Tower or Statue of Liberty," Vely says. "It's more like a marketing expense."

Indeed, the hotel has achieved iconic status — it is featured on Dubai license plates and is used in Dubai imagery worldwide — and has arguably attracted enough attention to the city to have been an advantageous investment.

Given the visitor-driven ambitions of the Dubai government, it seems fitting that the government chose to build a hotel as its national icon.

New hotel projects are announced seemingly daily. "If you haven't been here in two weeks, you're out of touch," says Bernard Walsh, managing director of dmj world media Dubai Ltd. Dmj organizes the Hotel Show, the region's largest industry trade show, which is held in Dubai. The growth of that show reflects the industry's expansion. When it started in 2002, it occupied one exhibition hall. This year's show occupied seven. Walsh estimates that next year the show will be 20 percent larger. "The place in every way is a gold rush town," he says.

In the older center of Deira as well as along the clogged Sheikh Zayed road toward Jumeira, skyscrapers hover and twist above dozens of hotel developments. Construction of the Burj Dubai, which its developer Emaar Properties hopes will become the tallest tower in the world, is nearing the 20th floor. The tower will feature the worldwide flagship of the Armani hotels as well as office, retail and resi-

dence space. Hotels by Radisson SAS, Hilton, and Shangri-La are also in the works.

Of course, no city built on luxury and self-promotion would be complete without a Trump hotel, and Dubai doesn't disappoint. Last month, the Trump Organization announced that it will build the Palm Trump International Hotel and Tower on the Palm Jumeira development. The development, which will feature approximately 500 condominiums with access to five-star hotel services and amenities, is estimated to cost \$400 million and will begin pre-selling at the end of this year.

But as the race to luxury continues, some hoteliers see opportunity in the other direction. In October, InterContinental Hotels, the world's largest hotel management company by rooms, announced that it would build 20 Express by Holiday Inn hotels in the coming seven years across the Gulf, five of them in Dubai. And Accor hotels is building seven more budget-class Ibis hotels beyond the one they already have.

Given the religious inclinations of the region, several hotels have interpreted luxury to include alcohol-free premises. Al Sondos Suites by Le Meridien, an alcohol-free boutique hotel near the airport, announced occupancy rates over 95 percent for the last quarter of 2005. Coral International, a Dubai-based company that touts itself as the world's first alcohol-free hotel management company, has three hotels in Dubai and in November announced plans for three more alcohol-free hotels in neighboring emirates.

The high occupancy rates can cause headaches for those trying to juggle demands for rooms in a hotel already filled to capacity. "If I had another 50 bedrooms, I would fill them every day," says Frank Owens, resident manager of the Moscow Hotel, a 138-room hotel that opened last month to capacity bookings. The pleas for rooms he has to handle have an inverse side as well, however. "It makes me feel very popular," he says.

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Jeroen Kramer for the International Herald Tribune  
The Suleiman the Magnificent suite at the Beit Al Mamlouka in Damascus contains the original ceilings from the 19th century, front, and the 18th century, back.

# A taste of Syria's past in discreet splendor

By Katherine Zoepf

**DAMASCUS**  
Checking into a luxury hotel in Syria used to mean a stay in an anonymous tower owned by the Syrian government or by a multinational chain. The service was well-intentioned, but still bore the scars of two generations of Baathist-style socialism and the lobbies were populated by agents of Syria's secret police, in bulky, brown leather jackets.

Now, however, small is beautiful, as discreet hotels in historical locations are defining a new vision of luxury. Today visitors to Syria's two largest cities, Aleppo and Damascus, have several chic and intimate hotels to choose from, all set in restored traditional houses or palaces within the old walled cities. The first of these new boutique hotels, the Beit Wakil and the Dar Zamaria, opened in Aleppo in the late 1990s.

At the Beit Wakil, where rooms start at about \$90 a night, visitors stay in a 16th-century palace, its rooms built around a series of interior courtyards with marble fountains and jasmine trees. Outside there are the covered souks and ancient churches that have made historic Aleppo a Unesco world heritage site.

Damascus's first boutique hotel, the Beit Al Mamlouka, opened in April. Several more hotels are planned, and their owners hope that they will soon become destinations in their own right for well-heeled visitors.

May Mamarbachi, who owns and runs the eight-room Beit Al Mamlouka in a meticulously restored 17th-century house in Bab Touma, the Christian quarter of Damascus's old walled city, said that her guests want to experience life in an ancient Arab city by staying in one of the traditional high-walled houses, built around a central courtyard and fountain, for which Arab cities were once known.

"Running the Mamlouka is not like running a huge hotel, but like running a home," Mamarbachi said. "The people who are staying with me can very well afford the Four Seasons, but they come here because they want the experience of living in a traditional Arabic house. They also want the comforts and the service of a five-star hotel, and so we work to give them that too."

The Beit Al Mamlouka is so discreet that it is easy to miss: turning a corner on the narrow street that leads to Bab Touma's Turkish bathhouse, the Al Bakri, the visitor suddenly comes upon an expanse of salmon-pink wall with a heavy wooden door. There is no sign and, as is common with traditional Arabic-style houses, there are no windows on the lower stories. The windowless exteriors were designed to offer the inhabitants protection from the noise and the dust outside and also served to turn these households into self-contained universes.

A few taps with a small, brass knocker brings one of the Beit Al Mamlouka's young staff members, and the door opens onto the calm oasis of a courtyard garden with a large fountain and several citrus trees that serves as the hotel's reception area.

Bouquets of flowers are placed daily in all the guests' bedrooms, and there

are homey pleasures like fresh chocolate cake and local mulberries with cream on the breakfast table. Prices range from \$110 per night, including breakfast, for a smaller room, to \$250 per night for a stay in the Suleiman the Magnificent suite, which has its own small fountain in the shape of a rose, and contains a rare, original Christian fresco by the 19th-century Syrian painter Nehme Al Halabi.

Mamarbachi bought the house that became the Beit Al Mamlouka in 2002, choosing it for its unusual frescoes and Mamluk-era stone inlays rather than for its potential as a hotel. In fact, she said, she never set out to become a hotelier. After living in France, Spain and England with her family for 25 years, she was working on a PhD in Islamic architecture and restoration at the School of Oriental and African Studies in London when her husband decided to return to Syria. Mamarbachi decided that she would restore a traditional Damascene house as part of her research for her doctorate thesis.

She then spent almost three years restoring the house, finding local craftsmen who could work with wood and stone using centuries-old techniques.

"My husband says that it's the most expensive PhD thesis he's ever seen," Mamarbachi said, laughing. "But I really wanted to do something for the country, something for old Damascus, a restoration project that other people could see and copy."

Mamarbachi is not, she said, afraid of competition; when she began restoring the Beit Al Mamlouka, it was in the hopes that the project would inspire other private investors to buy and restore other traditional Damascus houses.

This is already happening. Adnan Habbab is currently restoring two 18th-century houses in Damascus's old walled city, and hopes to open them as a hotel by the end of 2006. The hotel will have 14 lavishly appointed suites, which will cost an average of \$250 a night.

Habbab said that the idea of running a hotel in a traditional Damascene house first occurred to him eight or nine years ago when a German friend showed him pictures of European travelers staying in luxurious restored riads in the old walled city of Marrakesh. "I knew then that the same thing could be done in Damascus, but in Syria these things take time," Habbab said. He added that many exquisite, centuries-old Damascus houses are now in danger of collapse, but that restoring them is difficult because they are often divided up into homes for dozens of families. "You have these very poor people who are living in properties that are worth millions of dollars, but are literally collapsing around them," Habbab said.

"We do not wish to evacuate the old town of its people, but at the same time we desperately need more projects like the Mamlouka hotel, more private investors who can buy and restore these properties before they are lost forever," he added.

Katherine Zoepf is the Middle East correspondent for the Chronicle of Higher Education.

An artist's impression of the Burj Dubai tower which is under construction in Dubai. Its developers hope it will be the tallest building in the world when it is completed.

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