

And plenty of challenges

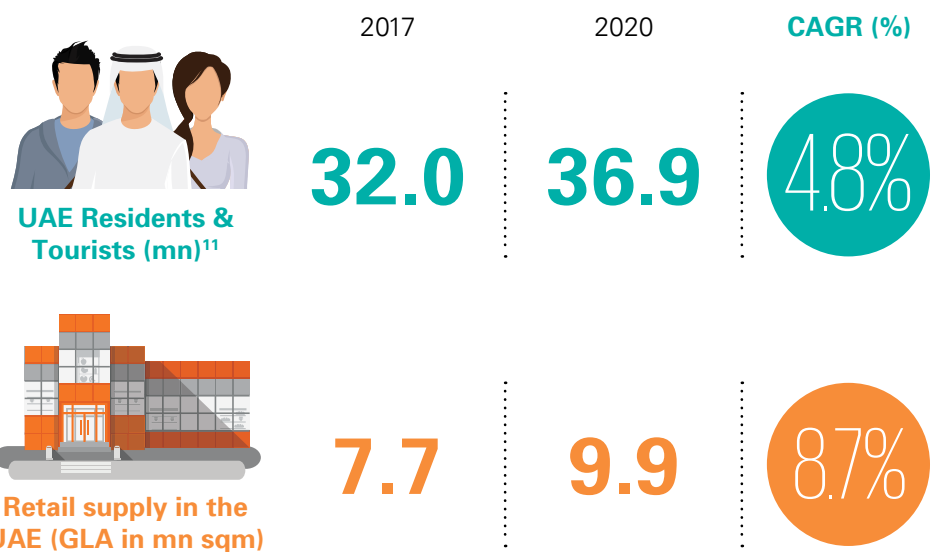
The UAE market is exemplified by a high supply of retail GLA. Retail space is expected to increase at an annual rate of 8.7%, growing from 7.7 million sqm in 2017 to 9.9 million sqm by 2020⁶. According to those in the industry whom we interviewed, F&B comprises a rising percentage of the retail mix for many recently launched and upcoming retail destinations. These two factors combined may result in increased competition—a potential concern for all operators.

F&B spending has also been impacted by changing demographics. While tourist arrivals to Dubai have increased at an annual rate of 6.7% between 2014 and 2017⁷, the increase has been primarily from Asian markets. These visitors tend to seek a budget-friendly experience and often gravitate towards more familiar cuisines. The increase in tourist numbers from other GCC markets and the West—visitors whose F&B spends are generally higher—has been relatively modest. While there are no official statistics available, industry stakeholders have indicated that there has been a similar shift in resident expatriate demographics.

Consumer spends have also been affected by various geopolitical and economic factors, for example comparatively low oil prices, a stronger dollar and modest GDP growth. In the short to medium term, these factors have resulted in subdued consumer confidence. While we have witnessed an uptick in confidence since Q1 2018⁸, our findings suggest that this has yet to trickle down to the local F&B sector.

Tourist arrivals by top source markets (in '000s) – Dubai (2014 vs. 2017)⁹

	2014	2017	Change	Change %
GCC	2,744	2,793	49	2%
Europe & Americas¹⁰	2,646	3,058	412	16%
India	1,272	2,073	801	63%
China	350	764	414	118%
Russia	420	530	110	26%



6. JLL Real Estate Market Overview- Dubai - Q1 2018, JLL's 2017 Year in Review report for UAE

7. Dubai Statistics Center

8. <https://tradingeconomics.com/united-arab-emirates/consumer-confidence/> Nielsen

9. Dubai Statistics Center

10. Includes only top source markets in Europe & Americas

11. Euromonitor, World Bank