

Dubai Hotel Employee Accommodation Market Survey

February 2015

Introduction

Employee accommodation costs have significantly increased in recent years as a result of a strong residential market and a thriving economy in Dubai. The increase in costs has resulted in lower levels of hotel profitability and an increasing concern amongst hotel owners and operators alike. To compound the problem, as traffic congestion worsens in Dubai, many hotel operators have seen higher staff turnover due to the amount of time employees take to come to and from work.

In early 2015, TRI Consulting undertook a study of Dubai's staff accommodation market with the specific objective of assessing the current housing climate and the challenges which owners and operators are likely to experience in the coming years. The study included detailed face to face interviews with hotel owners and hotel operators, property inspections and an appraisal of hotel employee accommodation costs based on TRI's proprietary in-house database.

Survey in Numbers

25

The number of respondents

400

The average number of employees housed by respondents

83%

Of employees are housed in hotel accommodation

5-20%

Increase in rents operators expected in 2015 - 2016

75%

Of respondents who would prefer to own their accommodation

1,632

The average cost per employee per month on accommodation

50:50

The split in cost between salaries and accommodation

61.5%

of employee accommodation is leased by operators

Hotel Employee Accommodation Market

The three most common accommodation alternatives found amongst the operators surveyed are depicted in the table below:

Locate most grades of staff at a single dedicated housing compound

Locate most grades of staff at units in a residential community

Have two separate accommodation locations - One for line staff and supervisors and one for junior management

The survey respondents had a total workforce of 6,403 employees, of which the largest had 990 employees and the smallest 31 employees. The average employee count was 260.

From all hotels surveyed, 83 percent of the workforce reside in staff accommodation with the remainder leasing accommodation independently.

The hotel workforce in the sample set comprise 57.1 percent male and 42.9 percent females employees. However, our research indicated that the majority of hotels across Dubai have a higher proportion of male employees, and in certain properties vary between 70 - 90 percent of the total workforce.

The majority of the sampled workforce housed in staff accommodation comprises 82.6 percent single employees and 17.4 percent married employees.

The allocation of married employees is low due to the various policies of operators in regards to providing couple accommodation to rank and file staff members. In most cases, operators do not provide couple accommodation to married employees even if they are working for the same hotel.

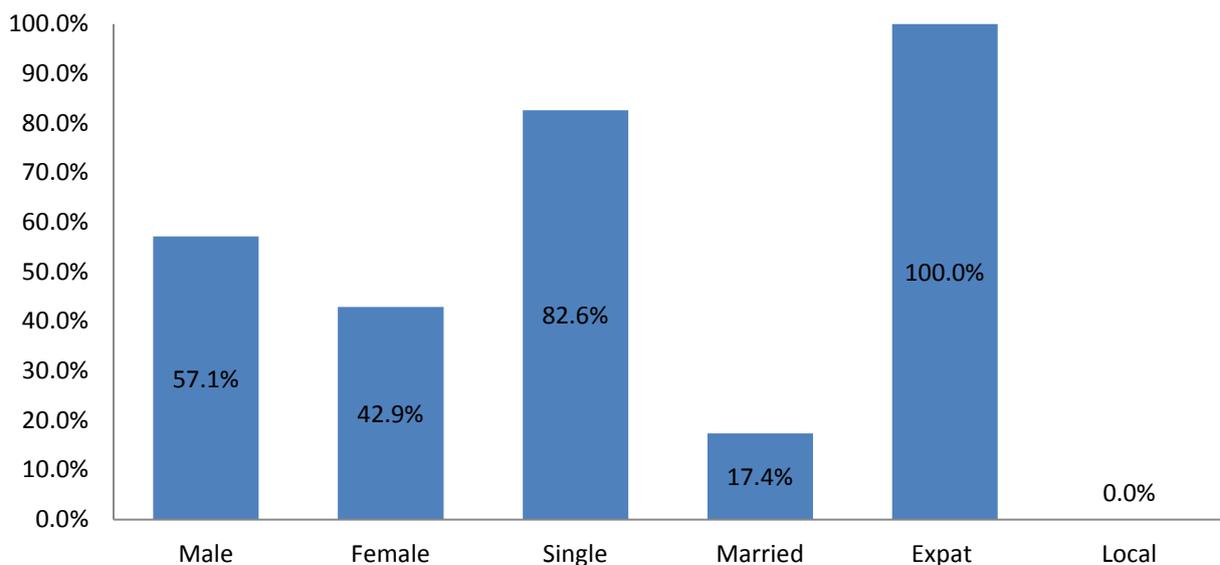
All respondents reported that their workforce is predominantly expatriates with a very small proportion of Emirati employees.

Attracting Emiratis to the hospitality industry remains a key challenge for operators due to the unfavourable working conditions compared to the government sector and financial services industry.

However, of the proportion of Emiratis who work in the industry, the vast majority of them live in private accommodation due to the strong cultural and family values.



Key Demographics of Employees Living in Hotel Accommodation

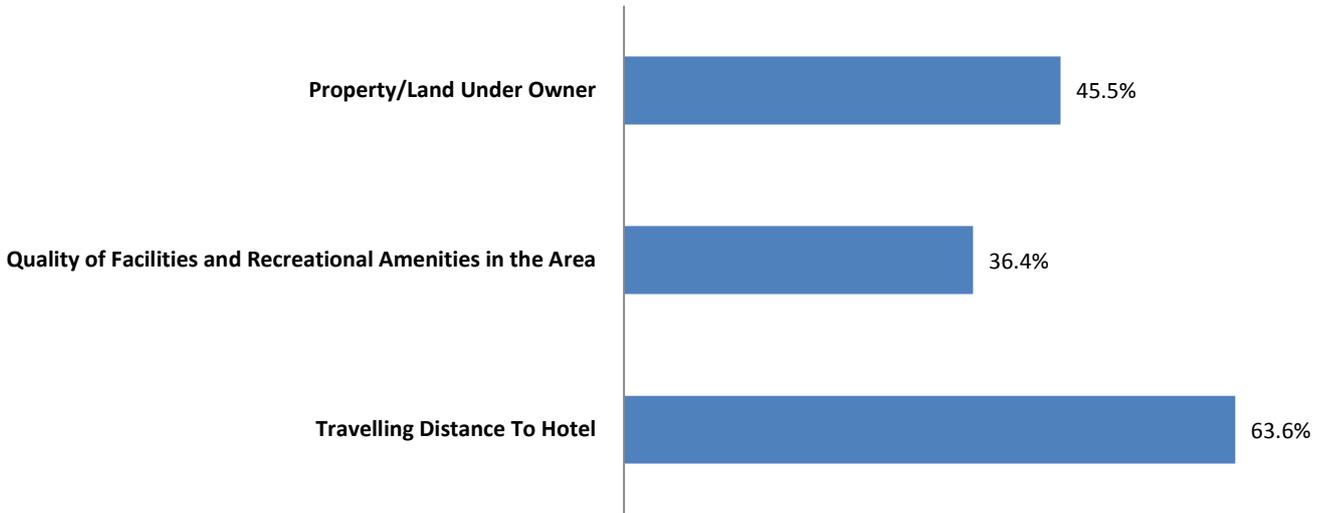


Location of Employee Accommodation

Approximately 64 percent of respondents consider the location and driving distance of the staff housing to the hotel as the most important factor when selecting employee accommodation. Most respondents highlighted a preferred travelling time of 20 minutes to 45 minutes, which includes the provision for traffic congestion during peak hours. However, due to the worsening traffic conditions in Dubai most respondents reported that travelling times can exceed one hour on occasions.

The majority of respondents offer employee housing at a single location, with only four out of the 25 hotels accommodating staff at multiple locations.

Key Factors in Selecting Accommodation Facilities?

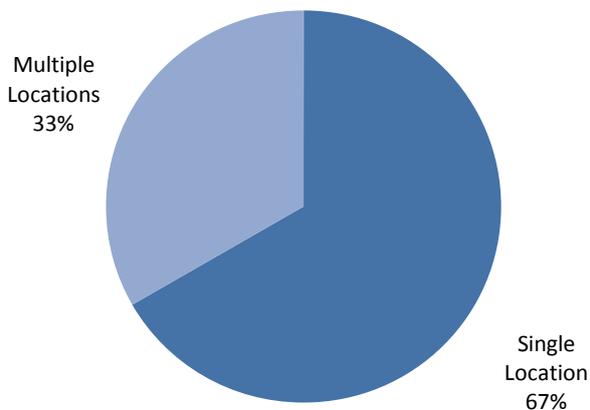


Aside from the overall cost and travelling time issues, operators are focused on the comfort and well-being of employees. Approximately 36.4 percent of operators cited the quality of facilities and recreational amenities in the area as one of the key driving factors in selecting a potential accommodation facility.

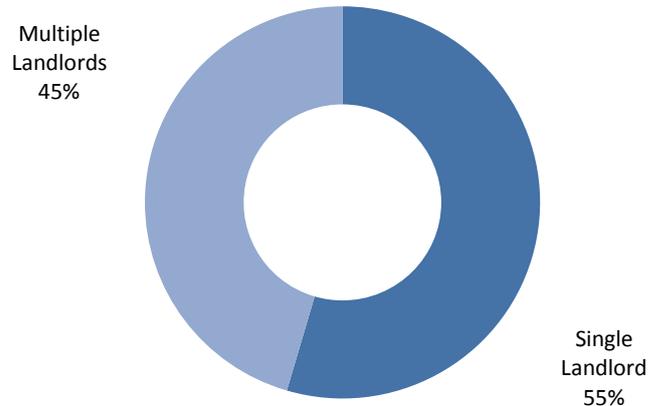
This includes accommodation facilities which are located proximate to a shopping mall or retail centre and the overall leisure facilities offered. The facilities include a good cross section of retail and food and beverage outlets, a medical centre, money exchange and ATMs. Whilst other key amenities include access to public transport, mosques and sporting facilities such as gym, sports courts and running tracks.

The decision of hotels operators to house employees at multiple locations is primarily due to their philosophy to separate rank and file staff from managers and executives. Other factors include the lack of availability of units to house all their employees in a single location and/or the hotel having a relatively smaller workforce.

Multiple or Single Locations



Multiple or Single Landlords

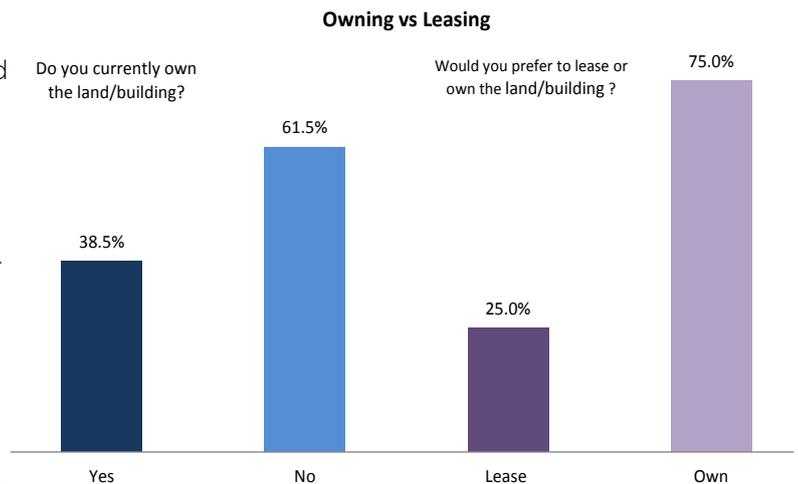


Leasing Preferences and Associated Costs

A majority of the respondents (61.5 per cent) currently lease their employee accommodation compounds/units from third party owners.

When posed with the question whether they would prefer to lease or own, the majority (75 percent) of the operators preferred their owners own the accommodation facilities.

This is primarily due to the likely opportunity for the operator to provide input into the facilities developed or being offered and more importantly, having a greater control over the overall costs of accommodation.



Based on available leasing data, the average rent per employee per month equates to approximately AED 1,630. The rents ranged from AED 990 up to AED 2,350 per employee per month.

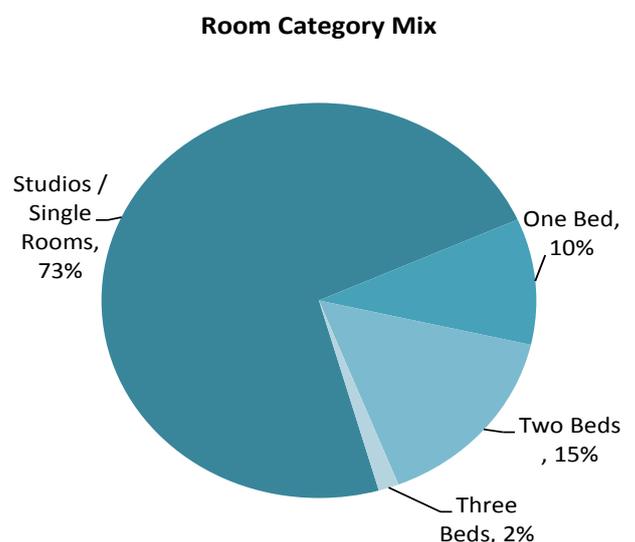
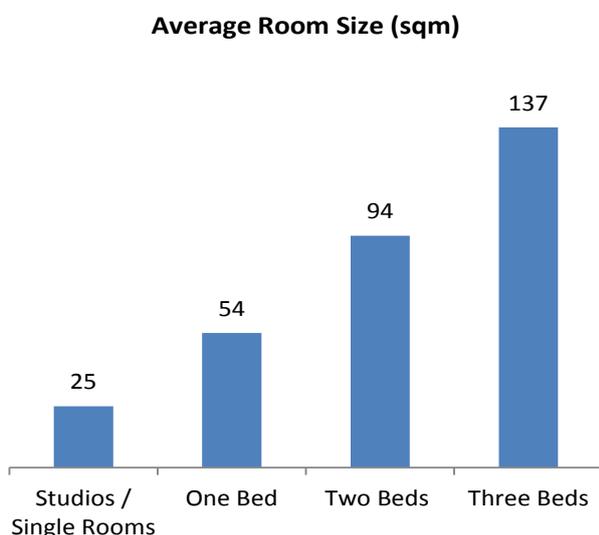
The general split in costs between salaries and accommodation is approximately 50:50, as confirmed by the majority of respondents. However, some operators reported much lower ratios of housing costs, ranging from 25 to 35 percent of the total salaries. This variation was primarily due to the location of accommodation in secondary and tertiary locations which attracted significantly lower rental rates.

Many respondents have expressed uncertainty regarding future rents of their units, with most expecting increases in rental rates from 5 to 20 percent from their current rental over the next two years.

Accommodation Facilities

The average room sizes ranged from 25 sqm for studio rooms to 137 sqm for three bedroom units. However, the size of units varied significantly within each category, with studios varying from 22 sqm to 45 sqm.

This large variance in room sizes is primarily attributed to the units being located in residential buildings, rather than purpose built facilities. Upon reviewing specifically designed accommodation facilities, we found that the size of singles rooms was significantly smaller than the average, ranging from 16 to 20 sqm.



The majority of operators surveyed do not make provision for a staff cafeteria within their accommodation facilities. This is primarily due to the accommodation being located within residential buildings which already have kitchen facilities incorporated into the individual units. Furthermore, residential buildings do not have sufficient space or areas to accommodate cafeterias. As all operators provide regular meals at their hotels, many do not find an immediate necessity to provide cafeteria facilities at staff accommodation.

However, a select number of operators which have located their staff in purpose built accommodation compounds, provided a centralized cafeteria facility. From our research we were able to identify that the daily budgeted meal cost per employee at such facilities averaged approximately AED 25, ranging from AED 16 to AED 35.

Only a small proportion of operators provided communal cooking facilities. However, these facilities create operational concerns such as the need for additional supervision, increased cleaning and maintenance costs and most importantly health and safety concerns.

Housing Entitlements / Housing Allowances

The housing entitlement of employees varied amongst operators but is generally based upon the competitive employee market and the availability of units within the accommodation facility.

The table below highlights the aggregate range of housing entitlements from the operators surveyed:

Employee Accommodation Housing Costs (AED)					
Level	Housing Entitlement	Single / Sharing	In House Cost / Employee	Live Out Allowance	% of Staff
Executive Team	Live Out or 2 / 3 Bedroom Unit	Single Basis	n/a	10,000 - 20,500	0-1
Head of Department	Live Out or 1 Bedroom Apartment	Single Basis	4,000 - 8,000	6,000 - 10,500	2-9
Managers	Studio or 1 Bedroom Apartment	Single Basis	2,400 - 5,000	3,500 - 5,000	2-13
Supervisors	Studio / Single Room	Shared	1,450 - 2,500	1,500 - 3,000	13-23
Line Staff	Single Room	Shared	500 - 1, 800	770 - 1,500	60-85

The room sharing policy for rank and file staff ranges from two to four employees per single room. The most common policy for luxury and upscale hotels was two employees per room whilst mid-market and budget hotels housed three or four employees in a single room.

Most rank and file staff are accommodated in a single room, which represented approximately 73 percent of the units within a housing facility. However, as a number of operators locate their staff in residential developments, employees are at times accommodated in larger apartments, within two and three bedroom units. Even in these cases, we found that operators continued to apply the same sharing policy with upwards of three to four employees allocated per bedroom.

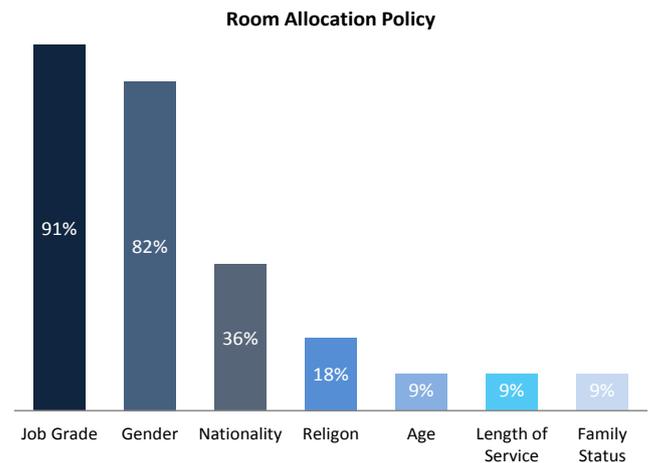
The sharing policy for supervisors is consistent across the market with a maximum of two employees per single room. The type of units allotted to supervisors are generally of a larger size and higher quality than the room type reserved for rank and file staff with a configuration that includes increased living space and / or better in-room facilities.

The allocation of junior managers was found to be consistent amongst the operators surveyed, with assistant managers being allocated studio apartments whilst managers were provided one bedroom apartments.

Most general managers and heads of departments generally opt to receive a housing allowance and choose their own accommodation, rather than utilising hotel accommodation. However, general managers and heads of departments who do opt for employee accommodation facilities were generally given two to three bedroom apartments.

The room allocation policy is subject to a variety of factors and the priority of each factor changes depending on the overall policies of the operator.

The respondents of the survey were given seven factors which influenced their decision in allocating employees. We found that all operators chose more than one determining factor which highlights the challenges in setting a clear room sharing policy.



Challenges with Employee Accommodation

For an operator, the two core responsibilities in relation to employee housing are to provide an appropriate housing facility (that meets the requirements of both employees and the hotel operator) and to efficiently manage the facility.

However, operators have expressed challenges on both aspects which are expected to continue with further pressure from the increasing rental prices and new hotels that offer superior living quarters. Some key challenges that operators continue to face in providing/sourcing accommodation facilities are:

- right location and distance from hotel;
- availability, choice and different ranges of accommodation facilities;
- facility design and specification;
- accommodation compounds/units that are specifically designed for hospitality professionals; and
- increasing rents, which are forcing some operators to compromise on certain factors that affect staff satisfaction.

On the other hand some of the key challenges that operators face whilst managing staff accommodation compounds/units include:

- small living spaces;
- lack of cooking facilities;
- ability to maintain efficiency of unit utilisation with gender ratios;
- grouping people with similar backgrounds and interests;
- increasing congestion and unpredictable traffic in Dubai;
- distance of accommodation from public transportation facilities;
- proximity of accommodation to recreational amenities, such as shopping malls;
- alcohol awareness; and
- maintenance and cleanliness of facilities.

The operators reported that some issues that they continue to face in providing the most appropriate facilities at the right terms are sometimes beyond their control. Some of the most common solutions suggested to the impeding problems are listed below:

- owning and constructing their own accommodation facility to suit their requirements; and
- dedicated developments for the housing of hospitality professionals (i.e. labour city for hotel employees).

Shared Housing Concept

Due to the on-going need for dedicated hospitality employee accommodation developments in the city, our survey gauged whether operators are interested in being located in an accommodation master plan that would also be inclusive of compounds / buildings belonging to other hotels. The chart below lists their preference for the notion:

The majority of the operators welcomed the idea, as they felt the benefits of such a development would translate to a multitude of benefits across various areas.

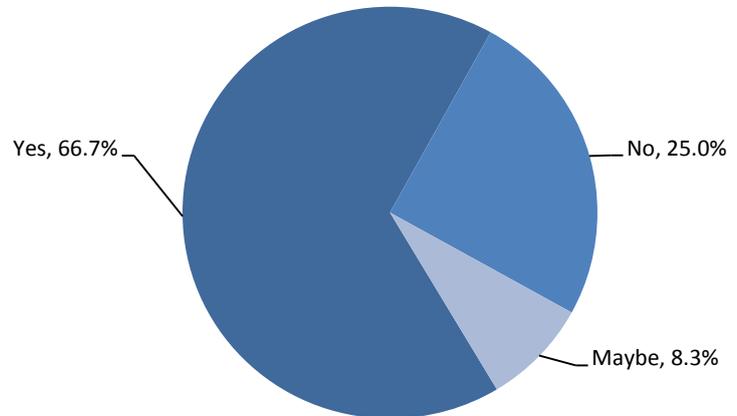
Benefits include the creation of a community with like-minded people that would not only boost recreational options for hotel employees but also boost staff morale. The development would also ideally result in synergies through the common use of certain facilities, such as sporting facilities and other recreational amenities.

Additionally, it could also give the development higher leverage to create more frequent connections with public transportation networks, and operational synergies through a common transportation system to hotels, which would be shared by participating hotels.

However, the operators who expressed their interest did explicitly mention that as much as they would endorse the idea and see the potential benefits of such a development, they would not overlook the factors of cost and location for the decision to reside in such a development.

Some respondents were also unsure of the idea or were hesitant to being a part of such a development. Some of the common reasons expressed were the preference to remain at their current facility as it was owned by their hotel owner or they would prefer to own/lease a facility in which they had design input. Some operators also mentioned that the decision would be highly dependent on its sister property moving to such a development.

Are operators interested in a shared housing community



About TRI Consulting

TRI Consulting is one of the region's leading management consultancy firms, specialising in hotels, leisure and real estate.

With over 20 years of experience TRI is regularly called upon to advise government entities, publicly listed companies, regional developers, hotel operators and high net-worth individuals.

TRI offers bespoke advisory services for local, regional and international hotels and operators. Recent assignments TRI has conducted include Market and Financial Feasibility Studies, Highest and Best Use Studies, Operational Reviews, Profit and Loss and Budget Reviews, Competitive Analysis and Due Diligence Reports.

About the Authors



Christopher Hewett
Senior Consultant

Christopher joined TRI in 2010 and since then has engaged in over 75 assignments throughout the MENA region encompassing market and financial feasibility studies, operational reviews, operator selection and valuations.

He has advised a magnitude of clients ranging from high net worth individuals to financial institutions and government organisations. He adopts a pragmatic and rational approach to unique hotel and real estate projects, guiding clients through the various stage of the development lifecycle.

In addition to his consulting activities, Christopher oversees the marketing and public relations activities of TRI and is a regular commentator on the regional hotel and tourism industry, frequently appearing in various media outlets as well as presenting and participating in industry conferences, exhibitions and events.



Devret Pattani
Analyst

Devret joined TRI after completing his tenure as an intern analyst for SilverNeedle Hospitality, where he conducted various feasibility studies and supported the creation of the development strategy for the group's effort in South Asia.

Prior to joining TRI, Devret completed his bachelor degree with a specialisation in finance at the prestigious Ecole Hoteliere de Lausanne in Switzerland, with additional qualifications in Wealth Management from the CISI based in United Kingdom.

Devret previously worked in various roles in the hospitality industry including his internship at Marriott Development as a member of the European development team based out of Zurich, Switzerland.

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