

Real Estate X
VALUATION SPECIALISTS

2026

HOSPITALITY VALUATION

VOLUME 2 - IMPACT OF REGIONAL VOLATILITY

6 May 2026



Private and Confidential

About



This article is a follow-up on the hospitality information paper Real Estate X released on 12 March 2026. Whilst the fundamentals of hospitality valuation remain the same and many of the underlying assumptions remain unchanged. Newer information has been utilised to provide an informed and updated opinion. The focus of the case study in Volume II is Abu Dhabi based.

From the Covid 19 pandemic, we have taken the statistical data, the market reaction and ultimate recovery, and have applied these lessons to the current conflict regarding the hospitality market. A sector where banks can have some of their largest exposure in a single asset.

The valuations undertaken through the pandemic, coupled with over AED 30Bn of hospitality assets advised on in 2025 alone and over 125,000 keys across the UAE over the last decade has allowed Real Estate X to be in a unique position to provide this update.


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We hope you will find this document useful in assessing the impact of the current situation on your current exposure and that it gives an insight into how we can assist you in making an informed decision.

Please get in touch to see how best we can support you with any future requirements.

Kind Regards,
Real Estate X – Valuation Specialists



Material Uncertainty

Material Uncertainty

“Where the degree of uncertainty in a valuation falls outside of parameters that might normally be reasonable and accepted” – VPGA 10, RICS Red Book

What is material uncertainty?

Valuation Reports and documentation are a critical and defining feature of the Red Book Global Standards process.

A valuation report must clearly and accurately set out the conclusions of the valuation in a manner that is neither ambiguous nor misleading and does not create a false impression.

In times of uncertainty, that would not be reasonable, and the valuer must draw attention and comment on this uncertainty.

Why is it needed?

There are a several situations where a Material Uncertainty clause is required. We have noted a few of these below.

Lack of Comparable Data. When certain unknown events happen and cause the market to freeze, there is often a lack of immediate comparable data and the clause highlights that the valuation may be based on limited data.

Transparency in Exceptional Times. The clause highlights that the valuation is prepared in exceptional circumstances where there is not the same degree of certainty.

How we mitigate

The Real Estate X team worked through the Covid 19 pandemic and helped Clients navigate and make sense of valuation impact. We can use the experience gained during that time and apply it to the advice we continue to give to Banks, financial institutions and stakeholders across the Emirates.

In exceptional times, market experience is of paramount importance.



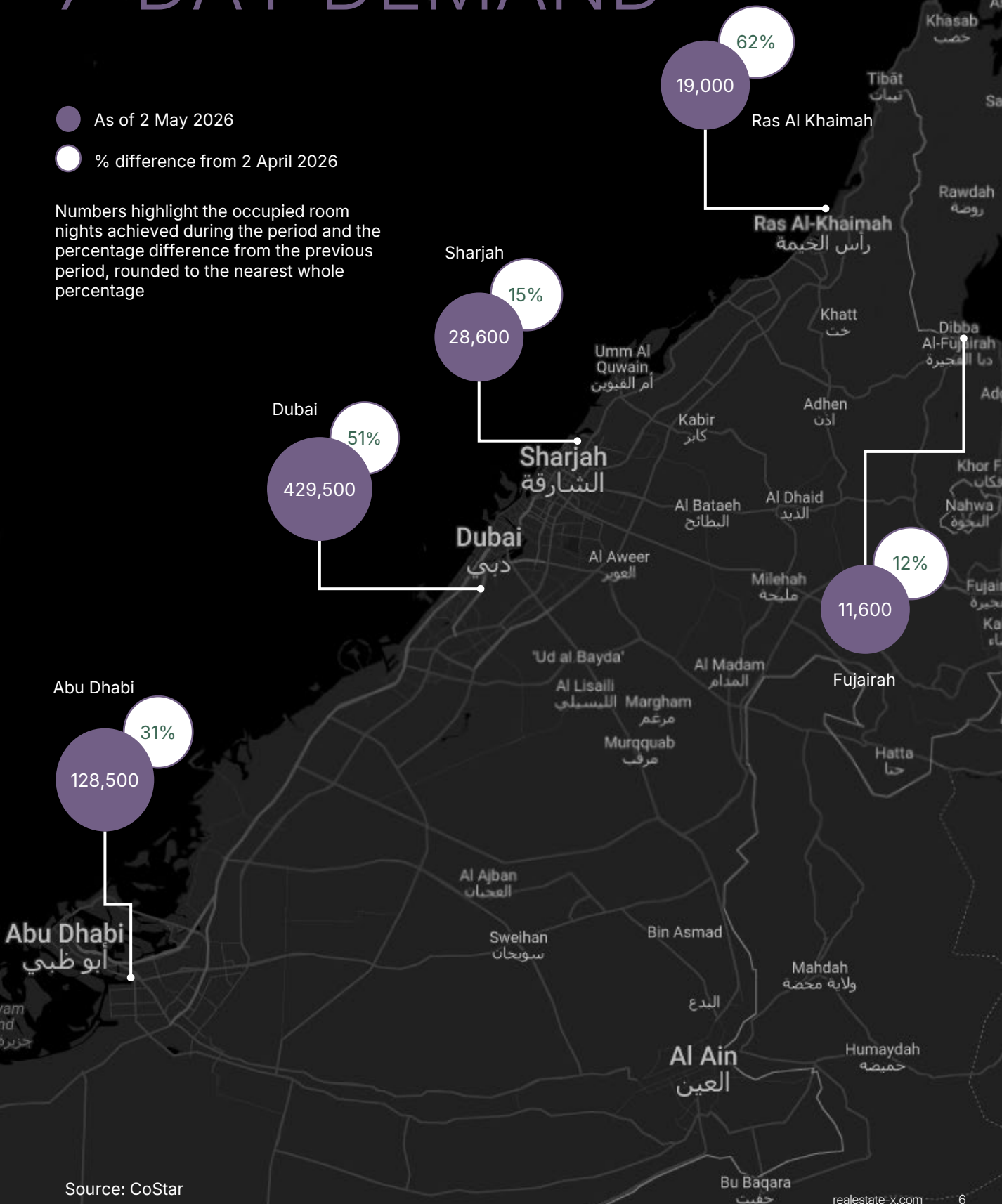
Current Situation

UAE HOSPITALITY 7-DAY DEMAND

As of 2 May 2026

% difference from 2 April 2026

Numbers highlight the occupied room nights achieved during the period and the percentage difference from the previous period, rounded to the nearest whole percentage



UAE HOSPITALITY 7-DAY REVENUE

As of 2 May 2026

% difference from 2 April 2026

Numbers highlight the room revenue (AED Millions) received during the period and the percentage difference from the previous period rounded to the nearest whole percentage



Forward Booking


Critical to assessing demand levels is forward booking, it plays a key role in helping a valuer understand the current sentiment and likely occupancies going forward.

As of mid-April 2026, both Abu Dhabi and Dubai had a current 90 day forward booking at 14%, vs the same period during 2025 of 34%.

Pickup, or the proportional difference between rooms booked during the previous week and the current week are significantly higher in Abu Dhabi vs. Dubai primarily due to addressable market size. The pickup data suggests booking windows are currently extremely short with pickup variances, vs. previous years still showing good take-up.

Average occupancy levels for April 2026 stood at 34.5% for Dubai and 51.5% for Abu Dhabi.

As of 2 May 2026, occupancy levels have been steadily increasing with 7-day occupancy levels for Dubai standing at 42.2% and Abu Dhabi at 60.1%, up from 27.1% and 45.9% respectively from the 7-day occupancy on 2 April 2026.



Scenario Analysis

Determining Impact

During periods of uncertainty, Real Estate X provides scenario analysis featuring an initial Base Scenario which is used to create a ‘most likely’, ‘optimistic’ and ‘pessimistic’ scenario to assist any reader make informed decisions.

Real estate is generally less susceptible to market volatility than equities or certain other financial instruments. However, it is subject to similar business challenges as overnight guest perception changes quickly during conflicts.

The hospitality market is responsive to demand changes and can adapt quicker than many other sectors, however it is also quickest to feel the effects of short-term shifts in demand. This is because guest behaviour operates on very short booking cycles, often days or even hours. As a result, changes in sentiment, economic conditions, travel patterns, or external shocks translate almost immediately into occupancy and rate fluctuations.

The UAE has a healthy proportion of long-stay guests and sporadic staycation demand which supports occupancy levels at hotels. However, at the current occupancy levels demonstrated in the previous section, this base demand is insufficient to support a profitable asset. We analysed several assets performance during COVID to provide some working rationale on how hospitality assets had responded to the pandemic.

At certain daily rate levels, we saw hotels with mid 30% occupancy levels during 2020 still turn a profit. These assets were extremely fluid with their operational cost and managed to reduce department expenses by 30% and undistributed expenses by 24% despite a fall in total operating revenue of just over 45% for the year.

The COVID pandemic arguably provided more certainty than the current conflict, as hotels knew that the impact was going to be seen across the markets for a sustained period and could plan necessary action. Currently there is significant degree of uncertainty surrounding the conflict timescales and escalations; therefore, this creates a reluctance to make and plan operational changes.

In determining an opinion of impact, Real Estate X models three scenarios, in each scenario, year three of the forecast is assumed to mirror the base scenario. Recovery levels have been modelled specifically based on demand behaviour assuming that de-escalation continues and the conflict will not continue over a protracted timescale.

We have used source market data and given weighting to the exceptional Government response when forecasting different types of hotels recover in the UAE (business, leisure, groups).

Sub-market segments will fare differently as well as the positioning of the asset, as evidenced from the pandemic. Midscale assets are typically affected moreso than upscale and luxury products as a concertina affect puts additional pressure to reduce rates. Assets with diversified demand (government, healthcare, logistics, domestic corporate) may display comparatively resilient base occupancy.

Base Scenario

Stage 1 - We replicate how we expected the asset to perform as of the valuation date, being 1 May 2026, assuming zero impact for the disruption caused by the instability. The example shown below mirrors an Abu Dhabi based, Luxury positioned asset, in close proximity to leisure demand drivers:

FINANCIAL TRADING PROJECTIONS (FUTURE VALUES AED 000's)												
REAL ESTATE X PROJECTIONS (Year End April)												
Year	Year 1				Year 2				Year 3			
	2027				2028				2029			
	Projected				Projected				Projected			
No of Rooms	400				400				400			
Rooms Sold	125,560				125,904				125,560			
Occupancy	86.0%				86.0%				86.0%			
ADR	650				670				690			
RevPAR	559				576				593			
		%	POR	PAR		%	POR	PAR		%	POR	PAR
Rooms Revenue	81,614	47.7%	650	204,035	84,293	47.7%	670	210,732	86,584	47.7%	690	216,461
Total F&B Revenue	79,069	46.2%	630	197,672	81,441	46.1%	647	203,602	83,884	46.2%	668	209,710
Total MOD Revenue	9,520	5.6%	76	23,800	9,806	5.6%	78	24,514	10,100	5.6%	80	25,250
Total Miscellaneous Income	1,023	0.6%	8	2,556	1,053	0.6%	8	2,633	1,085	0.6%	9	2,712
Total Operating Revenue	171,225	100.0%	1,364	428,063	176,592	100.0%	1,403	441,481	181,653	100.0%	1,447	454,132
Rooms Expenses	16,035	19.6%	128	40,087	16,516	19.6%	131	41,290	17,011	19.6%	135	42,529
Total F&B Expenses	47,534	60.1%	379	118,834	48,960	60.1%	389	122,399	50,429	60.1%	402	126,071
Total MOD Expenses	4,466	46.9%	36	11,166	4,600	46.9%	37	11,501	4,738	46.9%	38	11,846
Total Miscellaneous Expenses	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	0	0
Total Departmental Expenses	68,035	39.7%	542	170,088	70,076	39.7%	557	175,190	72,178	39.7%	575	180,446
Total Departmental Profit	103,190	60.3%	822	257,976	106,516	60.3%	846	266,291	109,475	60.3%	872	273,686
Administrative & General	14,168	8.3%	113	35,419	14,596	8.3%	116	36,491	15,030	8.3%	120	37,576
Sales & Marketing	7,627	4.5%	61	19,067	7,859	4.5%	62	19,647	8,091	4.5%	64	20,228
Marketing Contribution	2,568	1.5%	20	6,421	2,649	1.5%	21	6,622	2,725	1.5%	22	6,812
Property Operations & Maintenance	7,630	4.5%	61	19,075	7,862	4.5%	62	19,654	8,095	4.5%	64	20,237
Utility Costs	7,725	4.5%	62	19,312	7,960	4.5%	63	19,899	8,195	4.5%	65	20,488
Total Undistributed Expenses	39,718	23.2%	316	99,294	40,926	23.2%	325	102,314	42,136	23.2%	336	105,341
Gross Operating Profit (GOP)	63,473	37.1%	506	158,682	65,591	37.1%	521	163,977	67,338	37.1%	536	168,346
Base Fee	4,055	2.4%	32	10,138	4,186	2.4%	33	10,465	4,302	2.4%	34	10,756
Incentive Fee	1,982	1.2%	16	4,955	2,048	1.2%	16	5,121	2,103	1.2%	17	5,256
Total Management Fees	6,037	3.5%	48	15,093	6,235	3.5%	50	15,586	6,405	3.5%	51	16,012
Income before Fixed Charges	57,436	33.5%	457	143,589	59,356	33.6%	471	148,390	60,933	33.5%	485	152,334
Insurance	367	0.2%	3	917	378	0.2%	3	944	389	0.2%	3	973
Community Levy	1,522	0.9%	12	3,804	1,567	0.9%	12	3,918	1,614	0.9%	13	4,036
Licences & Permits	0	0.0%	0	0	0	0.0%	0	0	0	0.0%	0	0
Other	-30	0.0%	0	-74	-31	0.0%	0	-76	-32	0.0%	0	-79
Non-Operating Expenses	1,859	1.1%	15	4,647	1,914	1.1%	15	4,786	1,972	1.1%	16	4,930
Net Operating Income	55,577	32.5%	443	138,942	57,442	32.5%	456	143,604	58,962	32.5%	470	147,404
Reserve for Renewals (FF&E)	6,849	4.0%	55	17,123	7,064	4.0%	56	17,659	7,266	4.0%	58	18,165
EBITDA	48,728	28.5%	388	121,820	50,378	28.5%	400	125,945	51,695	28.5%	412	129,239

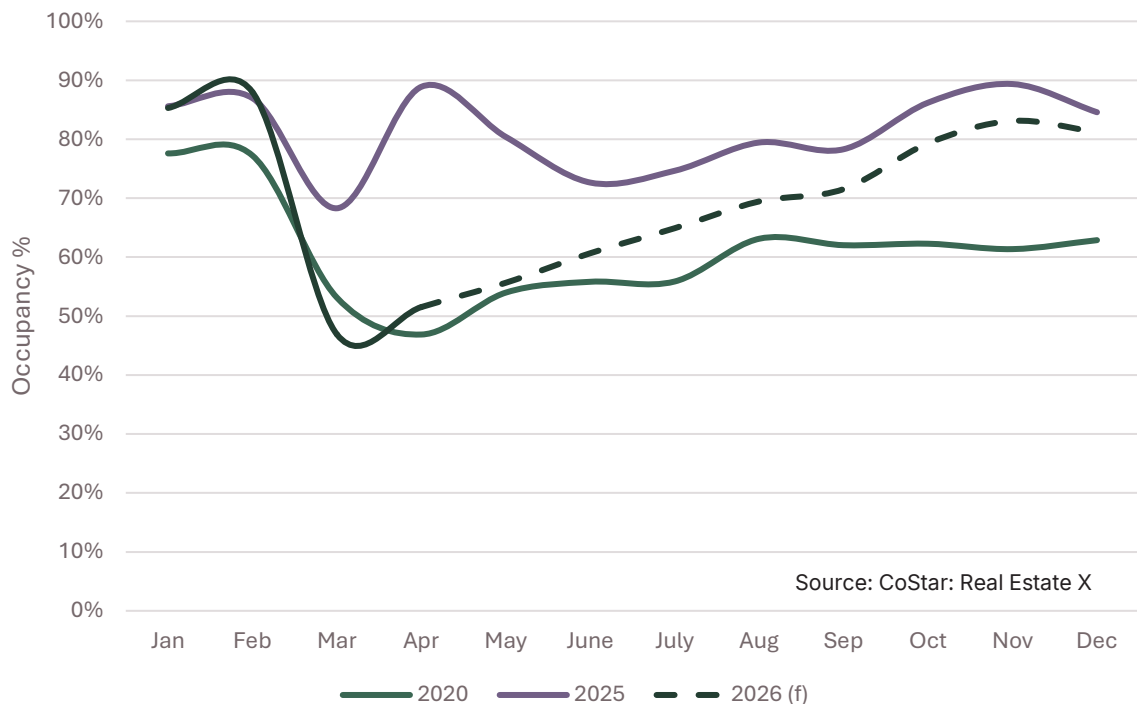
Forecast Adjustments

Stage 2, using the base scenario, we then apply required adjustments assuming de-escalation continues and the conflict will not continue over a protracted timescale.

Occupancy assessment:

- Using the pandemic performance as a benchmark, the hotels daily data suggests initial characteristics are similar, with a steep sharp fall in occupancy levels. Abu Dhabi achieved an average of 60.1% average occupancy during 2020. Assuming constructive negotiations continue, demand should return at a faster pace.
- Of the 5.9m hotel guests that Abu Dhabi saw during 2025, UAE Nationals have always made up the largest percentage, followed by the GCC and MENA markets, to return first due to short haul travel patterns. This should be closely followed by South Asia which is another one of Abu Dhabi's biggest source markets, India standing at 13% of the total demand, having strong business ties and friends and relatives based in the region. CIS and Eastern Europe, we would also expect swift returns being historically resilient due to limited alternative warm-weather and visa-friendly destinations.

The below graph forecasts the most likely scenario, of demand recovery suggesting Abu Dhabi will end on a circa 70% average occupancy level for 2026. The graph is plotted against 2020 (covid) and 2025 occupancy levels with actual performance until 2 May 2026:



Further adjustments applied:

- ADR reduction evidenced by reduced demand and incentives. Based on sentiment surveys conducted during the pandemic and learning from demand behavior, an overwhelming majority of demand referenced security and safety as their primary concern, as opposed to attractive rates and incentives for travel.
- Per occupied room, food and beverage spend ratios typically increase due to the higher percentage of revenue coming from non-staying guests via walk ins and resident demand.
- Fixed cost structures to be shifted minimally in the interim, although the longer the regional conflict continues, the greater the need for adjustment.

Scenario Analysis

The analysis produces the following results:

KEY PERFORMANCE INDICATORS						
	PESSIMISTIC		MOST LIKELY		OPTIMISTIC	
Year	Year 1 2027 Projected	Year 2 2028 Projected	Year 1 2027 Projected	Year 2 2028 Projected	Year 1 2027 Projected	Year 2 2028 Projected
No of Rooms	400	400	400	400	400	400
Occupancy	72.3%	83.0%	73.7%	83.0%	75.2%	83.0%
ADR	525	644	550	644	575	644
RevPAR	379	534	405	534	432	534

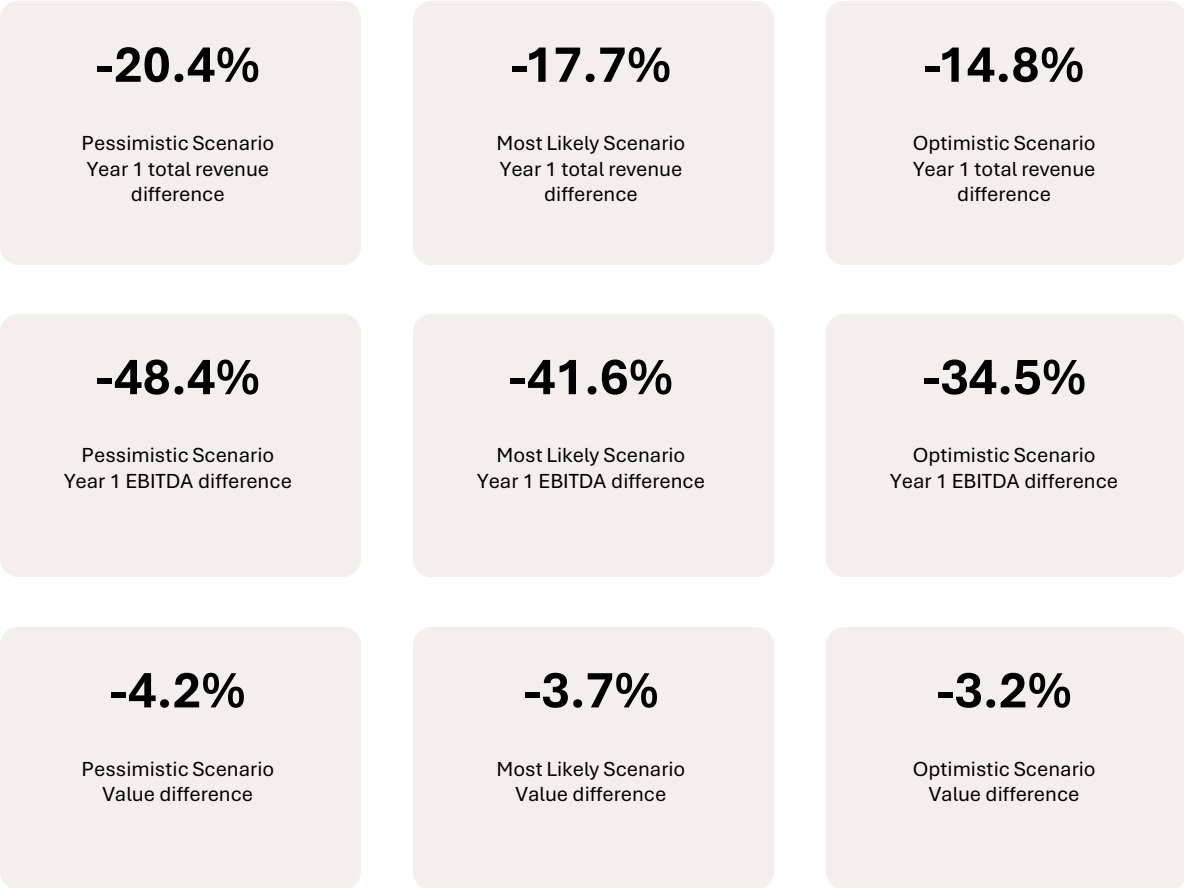
FINANCIAL TRADING SUMMARY						
	PESSIMISTIC		MOST LIKELY		OPTIMISTIC	
Year	Year 1 2027 Projected	Year 2 2028 Projected	Year 1 2027 Projected	Year 2 2028 Projected	Year 1 2027 Projected	Year 2 2028 Projected
	(Figures in AED '000 Future Values)					
Rooms Revenue	55,396	78,223	59,165	78,223	63,118	78,223
Total F&B Revenue	70,809	79,970	71,656	79,874	72,562	79,788
Total MOD Revenue	9,058	9,745	9,105	9,734	9,156	9,725
Total Miscellaneous Income	957	1,044	963	1,042	971	1,041
Total Operating Revenue	136,220	168,983	140,890	168,874	145,806	168,778
Rooms Expenses	15,257	16,414	15,336	16,396	15,422	16,380
Total F&B Expenses	42,946	48,174	43,416	48,113	43,919	48,058
Total MOD Expenses	4,071	4,535	4,111	4,529	4,155	4,524
Total Miscellaneous Expenses	0	0	0	0	0	0
Total Departmental Expenses	62,273	69,123	62,864	69,038	63,496	68,962
Total Undistributed Expenses	37,486	40,995	37,784	40,849	38,097	40,719
Gross Operating Profit (GOP)	36,460	58,864	40,242	58,987	44,213	59,097
Total Management Fees	4,009	5,752	4,294	5,756	4,594	5,759
Non-Operating Expenses	1,859	1,914	1,859	1,914	1,859	1,914
Reserve for Renewals (FF&E)	5,449	6,759	5,636	6,755	5,832	6,751
EBITDA	25,144	44,438	28,453	44,562	31,929	44,672

ADR Build Up:

- Most Likely case assumes a 15.4% reduction in Y1 ADR vs. Base, using on reductions seen during COVID at an average of 24.1% reduction during the first 12 months of COVID, and a 34% reduction in rate seen during April 2026 vs April 2025 and adjustments made using forecast occupancy ramp-up going into Q4.

Scenario Results

The three scenarios provide the following percentage differences from Base Scenario:



This analysis is cross checked against operational benchmark performance across Abu Dhabi during COVID where the differences between 2019 and 2020 full year performance was analysed. If expectations shift towards an elongated recovery, we expect hospitality assets to be able to further adjust cost profiles.

Sensitivity

70%

Over 70% of the hospitality benchmarks analysed across the UAE generated a profit during 2020

To assist the reader in understanding the dynamics of a discounted cashflow, Real Estate X uses a proof of value concept and a return analysis to justify any opinion of value.

For a proof of value concept, we convert the financial forecast into an estimate of value by applying market debt and equity ratios to confirm the results produced. The aim is to assess whether the determined cashflow can in turn satisfy a market lead financing structure and sustain mortgage and equity returns. In addition, the model will determine to what extent the forecasts provide a 'supportable value'. In the Most Likely Scenario referenced, using the following assumptions provides for a supportable value of 99.9%:

Stabilised Year	3
Inflation	3.00%
Loan to Value Ratio	65.00%
Amortisation	20 years
Term	10 years
Interest Rate	7.00%
Terminal Cap Rate	8.00%
Equity Yield	14.00%

To take this a step further, from analysis of the forecasted cash flow, it is helpful to analyse the weighting of total value between the forecasted cash flow and the present value of the terminal value.

Return Analysis - Base Scenario	
Net Income Year 10 + Inflation (AED'000s)	65,732
Terminal Value Cap Rate	8.00%
Terminal Value (AED'000s)	821,647
Present Value (AED'000s)	289,371
PV as percentage of total Value	46.1%

Using our Base Scenario, the present-day value of the terminal value is equal to 46.1% of the total value, this in-turn suggests 53.9% of the total value is attributed to the cashflow.

This 53.9% is split over the 10-year forecast and due to discounting Y1 provides for 13.7% of the total value attributed to the cashflow. In our Base Scenario example, this represents 7.37% of the total value, which suggest that if hotels were only able to break even during the first year of analysis, we would expect a circa 7.5% impact on value.



Summary

Summary

The Real Estate X team have valued assets through two market cycles, through political unrest, the Covid 19 pandemic and now the latest Gulf conflict

KEY TAKEAWAYS

- › The source market, hotel type and positioning of the asset is key to determining recovery time, the biggest single source market for the UAE being India, which with short haul flights and easy reach will likely be quick to return. In fact, a significant proportion of UAE demand is either locally driven from the GCC or MENA regions.
- › On-going transactional activity will likely continue as normal as evidenced by activity seen during the pandemic where agreed deals went ahead on similar terms.
- › The UAE governments ongoing handling of the crisis and the UAE brand policy supports traveler perception and should mitigate a prolonged recovery.
- › Whilst demand is returning as anticipated, proactive Banks can help maintain continuity, protect long-term asset value and distressed exits by providing flexible loan terms in the short term.
- › Hospitality valuations are subject to multiple inputs with a heavy focus on future receivables. As a result, short term volatility in ADR and occupancy rates, even if material declines occur, do not have an overbearing impact on Market Values.



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