



## Dubai to Host Expo 2020: The Anticipated Economic Boost

The recent announcement by the Dubai government that work will begin early next year on the site for Dubai Expo 2020 represents an exciting time in Dubai's economic development. Dubai was selected to host the world expo trade convention in 2020 ("Dubai Expo 2020") at the end of 2013, and the award of the event is likely to generate significant economic benefits for Dubai and the UAE as a whole. Considered to be the third-largest global event in terms of economic and cultural impact, after the Olympic Games and the FIFA World Cup, the event attracts millions of visitors to the host nation during its six-month duration, is likely to attract substantial foreign investment into the UAE, and will build upon Dubai's core economic sectors of financial services, construction, tourism, and hospitality.

### What is the World Expo?

The world expo is a universal exposition sanctioned by the Bureau of International Expositions and organized every five years by the nation that wins the right to host the event. Approximately 182 countries and companies are expected to participate in Dubai Expo 2020. The purpose of the world expo is to provide a platform for the global community to share innovations and engage in debate about key issues facing the world.

Dubai Expo 2020 will be the first world expo to be held in the Middle East, North Africa, and South Asia region, and it will run for a six-month period between October 2020 and April 2021.

### What is the Potential Impact of the World Expo on Dubai?

Dubai Expo 2020 is expected to include a significant contribution to the non-oil-based economy of Dubai and the wider UAE. Although the precise impact of Dubai Expo 2020 is difficult to predict, there is little doubt it is an event of significant importance to the UAE economy as a whole. According to analysts, Dubai Expo 2020 is likely to generate approximately US\$23 billion (24.4 percent of Dubai's current GDP) between the years 2015 and 2021, and it is likely to boost Dubai's economic growth to an average 6.4 percent a year from 2014 to 2016, and potentially to 10.5 percent by 2020. These figures are calculated based on the total spending by the Dubai government, participants, visitors, and general commercial activity related to the event.

The hosting of Dubai Expo 2020 will require substantial investments from the Dubai government across a

range of infrastructure and related projects. A total spend of US\$8.7 billion is believed to have been allocated for Dubai Expo 2020 related investment. UAE authorities have predicted a windfall of up to US\$17.7 billion in the event that Dubai Expo 2020 is a success.

The large government spending associated with Dubai Expo 2020 will in turn generate significant commercial opportunities for the private sector. Dubai Expo 2020 will require the implementation of many significant new projects and the acceleration of other projects that have otherwise been suspended during the global financial crisis. Some estimates predict that, over the next six years, the UAE could attract as much as US\$100 billion to US\$150 billion in foreign direct investment across a range of industry sectors, including financial services, infrastructure, construction, real estate, hospitality, tourism, and transportation.

## Which Sectors Are Expected to Benefit the Most?

**Infrastructure and Transportation.** As part of Dubai's ongoing development as a global transportation hub for passengers and cargo, and in advance of Dubai winning the right to host the expo, the Dubai government had committed billions of dollars to expanding and upgrading its existing airport infrastructure. Dubai International Airport ("DIA") is currently ranked as the second-busiest airport in the world by international passenger traffic and is already an important contributor to Dubai's economy. DIA is currently undergoing an expansion costing US\$7.8 billion, including the construction of concourse 3 and concourse 4 and expansion of terminals 1 and 2.

At the end of 2013, Dubai opened a second major international airport, Al Maktoum International Airport ("AMIA"), which once completed will be the world's largest airport, with a capacity to handle 160 million passengers per year. The development of AMIA includes the creation of an integrated sea and air freight facility that is expected to play an important part in Dubai's general transportation infrastructure and in servicing Dubai Expo 2020.

In order to cater to the millions of additional people who are expected to visit Dubai in the years leading up to Dubai Expo 2020 and during the event, it is expected that Dubai

will accelerate the development of AMIA and its adjacent sea and air freight facility in addition to expediting many of its other plans to build out related infrastructure and launch new projects to increase road, urban transportation, and air capacity. Dubai's Road and Transport Authority has recently announced that it will now expedite plans for a US\$1.4 billion extension of Dubai's metro rail line.

**Construction and Real Estate.** The Dubai government has earmarked significant funds for necessary infrastructure development focusing specifically on the construction, real estate, and hospitality industries. Each of these sectors is likely to be the immediate beneficiary of Dubai Expo 2020.

The site for the venue of Dubai Expo 2020 is a 4.3 million square-meter (438-hectare) plot strategically located between the two major emirates of the UAE, Dubai and Abu Dhabi, and next to the new Al Maktoum International Airport in Jebel Ali. The site will house the expo headquarters and is estimated to include 700,000 square meters of pavilions and other venue space, and 500,000 square meters of permanent structures. The cost of constructing the expo site and related infrastructure is estimated to be US\$6.9 billion.

The construction and real estate sector will also benefit from a massive expansion in Dubai's hotel capacity that is required to accommodate the 25 million expected visitors. There will also be significant residential real estate projects undertaken for the purpose of supplying the housing needs of expatriates and laborers relocating to Dubai in the years leading up to Dubai Expo 2020 and during the event itself. Dubai Expo 2020 is also expected to have a major impact on demand for office space, as international logistics and marketing companies expand in Dubai to service related event-driven demand.

One of the most significant real estate and retail developments ongoing in Dubai, which will be phased in during the run-up to Dubai Expo 2020, is Mohammed Bin Rashid City. The master plan for this development includes plans for the world's largest shopping mall, more than 100 hotels, a Universal Studios franchise, and a large public park. There is a common belief that further large-scale real estate and retail projects will be announced in the run-up to Dubai Expo 2020 and form part of the wider expo experience to be provided by Dubai.

**Hospitality and Tourism.** Dubai Expo 2020 is projected to attract 25 million visitors over a period of six months, with more than 70 percent of these coming from outside the UAE.

The impact on Dubai's hospitality industry is likely to be significant. The Dubai government has calculated that up to 45,000 additional hotel rooms, to be added to the existing 82,000 room supply, will be required in Dubai to accommodate the large number of non-UAE visitors.

While Dubai already has a number of hotels, very few are close to the Dubai Expo 2020 site, and currently few focus on the important mid-range sector. An array of hotel construction projects are therefore expected to be launched, near or close to the Dubai Expo 2020 site, as well as in other parts of the city, which once completed will double the number of available hotel rooms in Dubai.

The total investment in hotel capacity required by 2020 is estimated to be US\$7.2 billion.

**Energy Demands.** By the beginning of the year 2020, Dubai's electricity consumption is expected to reach 9.6 gigawatts, representing a 50 percent jump from 2012 levels. Although the stated ambition of the Dubai Supreme Energy Council is to reduce energy demand by 30 percent in the coming years, the anticipated consumption levels create a major challenge for Dubai in hosting Dubai Expo 2020.

In the run-up to the expo, a mix of energy generated from coal, nuclear, and solar sources is anticipated to cater to the demand. Dubai is currently planning various independent power projects ("IPPs"), including the development of the second phase of its 100 megawatt ("MW") solar park (the first phase was built by a U.S. contractor and opened in October 2013) and a 1,200 MW clean-coal-fired IPP at Hassyah in Dubai.

In addition, Abu Dhabi has embarked on a US\$30 billion plan to construct the first nuclear power plants in the UAE, with the first (of four) scheduled to start supplying electricity in 2017. By 2020, all four plants are expected to be in operation, producing 5,600 MW of nuclear energy—25 percent of the UAE's expected energy needs.

Dubai Expo 2020's stated aim is to deliver an expo that is environmentally sound, setting new standards in the planning and execution of mega-events. With a target of generating 50 percent of the energy requirements from renewable sources on-site, Dubai Expo 2020 will attempt to showcase the first large-scale application of building-integrated photovoltaic and solar technology, setting a new benchmark for future mega-events. Additional sustainability criteria have been set by the Dubai government to monitor the carbon footprint of the event, achieve neutral water balance, and manage material recycling and reuse.

**Enhanced Economic Development.** As a direct consequence of the expected significant increase of investments in the financial services, hospitality and tourism, and construction and real estate sectors, Dubai Expo 2020 is likely to spur economic development in Dubai, the UAE, and the wider region.

The Dubai government has estimated that Dubai Expo 2020 will create more than 277,000 new job opportunities in the UAE, across various sectors, including business services, retail, construction, hotels, hospitality, and transportation.

Analysts have suggested that Dubai Expo 2020 will have a significant impact on the wider Middle East region, with some estimates predicting that for every expo-related job created in the UAE, 60 additional roles will be generated across North Africa and the Middle East.

The Dubai government's forecast that Dubai Expo 2020 will create additional new jobs over the next seven years is likely to also lead to sharper population growth and, as a result, greater demand for basic utilities from the government, such as power and electricity.

## Conclusion

Dubai's success in winning the right to host the Dubai Expo 2020 is likely to result in enhanced foreign investment into the UAE across industry sectors as international corporations seek to maximize on the opportunity. With an announcement this week by the Dubai government that work will begin early next year on the Dubai Expo 2020 site, it is clear that preparations to monetize the event are well underway.

## Lawyer Contact

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