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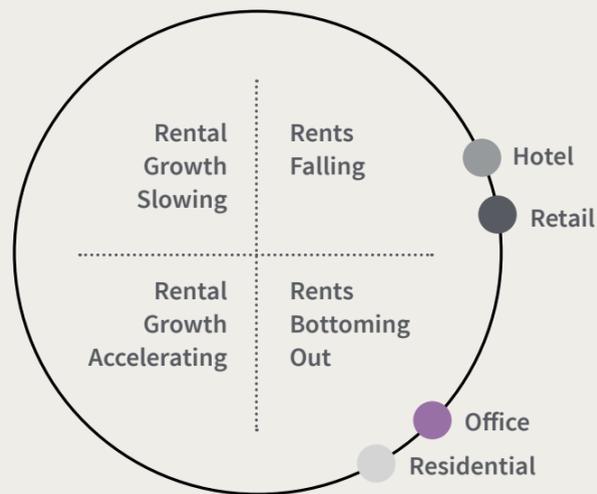
The UAE Real Estate Market

Q3 2020

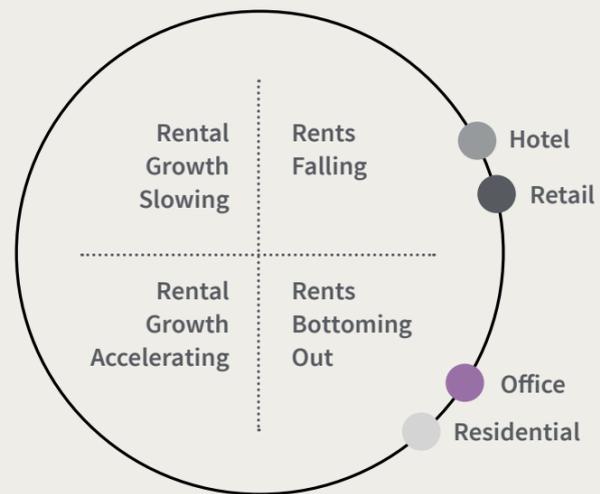


Real estate market overview

Abu Dhabi Q3 2020



Dubai Q3 2020



The property clock is a graphical tool developed by JLL to illustrate where a market sits within its individual rental cycle at a point in time. These positions are not necessarily representative of investment or development market prospects. It is important to recognize that markets move at different speeds depending on their maturity, size and economic conditions. Markets will not always move in a clockwise direction, they might move backwards or remain at the same point in their cycle for extended periods.



Office

Dubai



Abu Dhabi



Dubai's office market saw its first new stock additions of the year, with a total of 190,000 sq m of office GLA delivered in the DIFC, Downtown Dubai and MBR City, bringing the total stock to 8.9 million sq m of GLA. The most notable of these completions is the ICD Brookfield Place in the DIFC. Meanwhile no additional stock was delivered in Abu Dhabi, keeping the total supply at 3.8 million sq m GLA.

An additional 36,000 sq m and 47,000 sq m of GLA is scheduled to be delivered over the last quarter in Dubai and Abu Dhabi respectively, including office buildings in Dubai Production City and a Grade A building in Abu Dhabi.

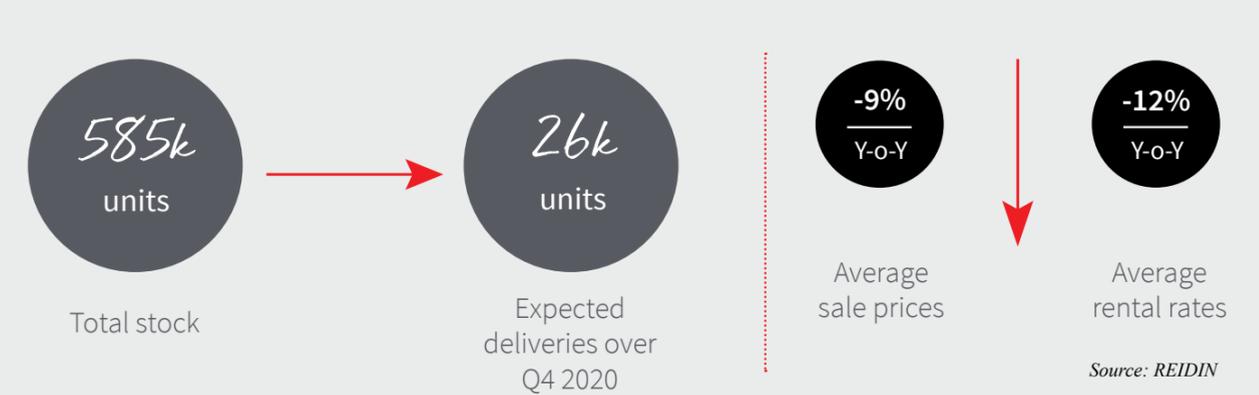
The ease of lockdown measures and increased mobility during the quarter has brought about a considerable

increase in the level of new leasing enquiries in Dubai. Meanwhile existing tenants continue to either consolidate operations, seek more attractive lease terms, and in some instances look to relocate to quality space. The onshore market remains challenged with the majority of occupiers seeking fitted spaces, considering the limited appetite to invest CAPEX in shell & core spaces.

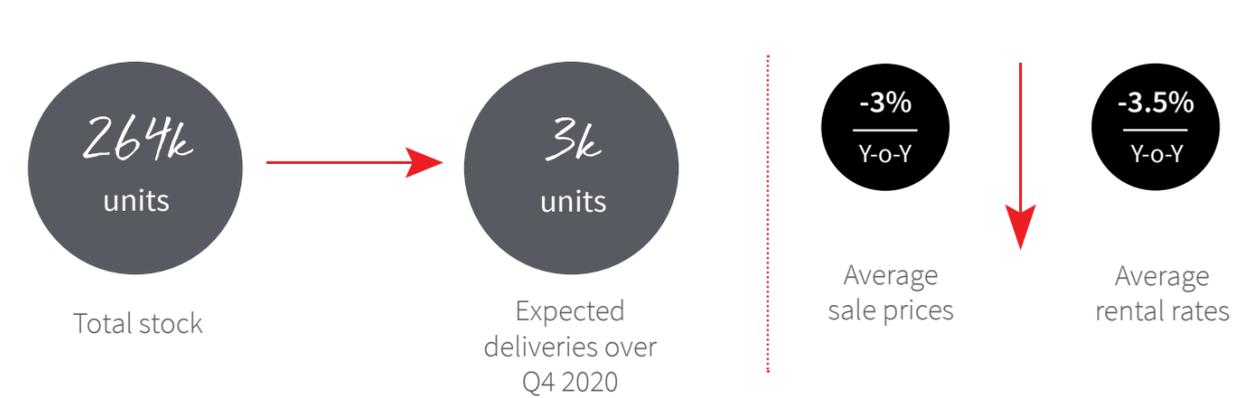
As a result, the market remains tenant favorable with landlords offering various incentives to either attract new tenants or keep their existing ones. Average Grade A CBD rents (including DIFC) declined 4% Y-o-Y in Dubai to reach AED 1,700 per sq m. In the Capital, headline rents for shell and core Grade A offices remained stable at AED 1,600 per sq m.

Residential

Dubai



Abu Dhabi



The third quarter recorded an increase in construction activity with around 12,000 and 600 units handed over in Dubai and Abu Dhabi, respectively. Although this represents a significant increase in quarterly deliveries, we remain cautious on the timely delivery of future projects.

In terms of performance, rental rates recorded an all time low in Dubai in Q3 2020, with declines of 12% Y-o-Y, surpassing the lowest point of 2010/2011 on the rental index. Additionally, sale prices continued to decline, falling 9% Y-o-Y.

Abu Dhabi's residential market also recorded some softening, albeit to a slower extent than Dubai. Rental rates declined 3% and 4% for apartments and villas respectively on an annual basis.

Similarly, sale prices also noted declines of 5% and 1% for apartments and villas respectively over the same period.

Looking ahead, the residential market is expected to remain under pressure in the short term in light of various macro uncertainties, namely high unemployment rates and a slowdown in population growth. This is in addition to subdued investor sentiment on a global level.

As such, we expect developers to continue offering a range of incentives (fee waivers, discounts, rent-to-own), as well as partner with banks in offering reasonable home finance options to attract new investors and end-users looking to take advantage of the lower prices.

Retail

Dubai



Abu Dhabi



The third quarter saw this year's first retail completion in Dubai increasing the total stock by around 25,000 sq m to 4.1 million sq m of GLA. Meanwhile, Abu Dhabi saw no new deliveries keeping the stock stable at 2.8 million sq m.

Additional retail space of 286,000 sq m in Dubai and 7,000 sq m in Abu Dhabi is expected to enter the market in the last quarter of the year.

Although the reopening of malls has brought a gradual recovery in retail sales compared to last quarter, consumer

spending continues to focus on essential goods rather than leisure items. As a result, smaller retailers who suffer from shortage in liquidity have been forced to downsize or terminate operations either temporarily or permanently.

In order to sustain businesses, retailers are engaging with landlords in restructuring deals and demanding additional rent-free periods, with landlords adapting to the changing market on survival basis. Additionally, pure revenue share-based agreements have become more common, allowing retailers to minimize risk on capital expenditure.

Hospitality

Dubai



Abu Dhabi



Approximately 2,000 keys were added to Dubai's hotel stock over the quarter, bringing the total to 131,000 keys. In turn, Abu Dhabi's hotel supply remained stable at 30,100 keys. In terms of future supply, Dubai and Abu Dhabi have approximately 9,000 and 200 keys scheduled for delivery in the last quarter, respectively.

Limited tourism and weakened demand continues to impact overall hotel performance. Dubai saw occupancy levels drop to 45% in the YT Aug 2020, compared to 73% in the YT Aug 2019. Consequently average daily rates (ADR's) declined 12% to reach USD 130 in the YT August 2020.

Abu Dhabi registered healthier occupancy levels in the YT August 2020 (60%), albeit lower than pre-COVID levels (71%

in YT August 2019). In turn, ADR's declined 20% over the same period to register USD 90 in the YT August 2020.

While we do not expect the hotel sector to witness any structural changes, there has been signs of market polarization. With demand coming from domestic tourists, appetite has focused on beachfront hotels and those with private villas. Hence those properties performed relatively better over the summer months, with residents capitalizing on affordable luxury stays.

Meanwhile the lower market segment and business hotels are expected to take time to recover as the priority has been to manage cashflow and working capital. While some hotels have re-opened, for others this may not be economically viable.

Definitions and methodology

Future Supply

JLL estimates of future supply is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers). The future supply is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started. We remain cautious of the ability of some projects to meet their stated completion deadlines, with significant delays in project delivery leading to a low materialization rate.



Office Supply

The current supply of completed office GLA is based on a comprehensive list of office buildings that have been handed over for immediate occupation. This includes standalone office buildings and office space within mixed-use buildings. Our project list excludes government owned and wholly occupied buildings.

Performance

The weighted average rent (WAR) is based on estimates from the JLL Offices and Business Space team. It reflects the WAR across a basket of Grade A buildings in the CBD.

Grade A buildings are defined as high quality office spaces, well located, with good access to infrastructure (metro) and amenities including F&B and retail.

The WAR of Grade A buildings represents the top open-market, net rent (exclusive of service charge and incentives) for a new lease that could be expected for a notional office unit.

Vacancy rate is based on estimates from the JLL Offices and Business Space team. It reflects the weighted average rate across a basket of buildings in the CBD, that make up approximately 70% of the CBD supply and 13% of the total current supply.



Residential Supply

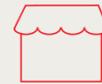
The current supply of completed residential buildings is based on quarterly surveys of the entire Abu Dhabi and Dubai metropolitan areas. It is reflecting residential units that have been handed over for immediate occupation. Our project list excludes labor accommodation and local Emirati housing. Our definition of residential units includes apartments, villas, and townhouses.

Performance

Data on residential performance in Dubai is based on the **REIDIN monthly index**. The REIDIN Residential Property Price Indices (RPPIs) uses a monthly sample of offered/asked listing price & rental data and transaction data.

Data on residential performance in Abu Dhabi is based on a **basket of buildings**.

Disclaimer: the Covid-19 pandemic has created a material uncertainty in real estate investment market performance. Across MENA, there is considerable variation in the extent of the human tragedy implications unfolding and its impact on economic activity, including the trajectory, duration and extent of these impacts on all real estate sectors. With varying recent and ongoing policy response across the region and the mitigating implications differing by market and sector, it is too early for us to provide a quantitative and robust assessment of value impact. We will talk to the evolution of the market throughout Q3 in our reporting and will be continually monitoring market movements as the situation evolves, to inform our ongoing view of pricing. We will be updating our forecasts, albeit these will be directional at this time, broadly reflecting any meaningful changes to the underlying fundamentals. Please feel free to contact us if we can assist.



Retail Supply

The classification of retail centers is based on the **Urban Land Institute (ULI)** definition and based on their **Gross Leasable Area (GLA)**:

Super Regional Malls have a GLA of above 90,000 sq m

Regional Malls have a GLA of 30,000 - 90,000 sq m

Community Malls have a GLA of 10,000 - 30,000 sq m

Neighborhood Malls have a GLA of 3,000 - 10,000 sq m

Convenience Malls have a GLA of less than 3,000 sq m

The current supply of completed retail GLA is based on a comprehensive list of mall-based retail that have been handed over for immediate occupation. Our project list excludes street retail and retail within mixed-use buildings.

Performance

Average rents are based on estimates from the JLL Retail team. It reflects the rents across a basket of primary and secondary retail centers.

Primary and secondary retail centers are identified based on their turnover levels. **Primary Malls** are the best performing malls with highest levels of turnover. **Secondary Malls** are the average performing malls with lower levels of turnover.

Average rents represent the top open market net rent expected for a standard in line unit shop of 100 sq m in a basket of regional and super regional centers. Given the variation in rentals, we quote percentage change for retail rents rather than actual figures.

Vacancy rate is based on estimates from the JLL Retail team. It reflects the average rate across a basket of super regional and regional centers.



Hotels Supply

The current supply of hotel rooms is based on data from our quarterly surveys, reflecting hotel rooms that have been handed over for immediate occupation. Our project list includes all graded supply and includes serviced apartments.

Performance

STR performance data is based on a monthly survey conducted by STR Global on a sample of international standard midscale and upscale hotels. **Average Daily Rates (ADR)** and **Revenue Per Available Room (Rev Par)** are the key performance metrics.

