

REAL ESTATE SERVICES

Q2-2020 REAL ESTATE MARKET OVERVIEW DUBAI



MPM
المقارية Properties
PART OF ADIB GROUP من مجموعة مصرف أبوظبي الإسلامي



FOREWORD

MPM Real Estate Services comprises a comprehensive real estate and advisory platform providing the full range of professional services from a single provider. Our services include:-

- Strategic development advisory
- Investment advisory
- Asset management
- Project management
- Valuation
- Agency
- Market research
- Property management
- Facilities management

REPORT HIGHLIGHTS

Residential

- Over 9,000 residential units were added to the Dubai's residential stock during Q2 2020, taking the total stock to c.604,000 units (apartments/villas/townhouses).
- Approximately 50% of the total quarterly supply emerged from the two masterplan communities of Dubailand and Dubai South with a share of 34% and 16% respectively.
- The impact of Covid-19 was clearly visible on the Dubai residential transactions, as the value and volume of sales transactions recorded a steep decline on an annual and quarterly basis.
- During Q2 2020, a total of 1,902 residential properties transacted with a cumulative transaction value of AED 4.43 billion compared to AED 7.08 billion during the same period last year, a drop by 37% year-on-year.
- During the quarter, the capital values for apartments within the selected developments dropped by 2.3% quarter-on-quarter and 9.8% year-on-year while the average sale rates for villas/ townhouses declined by 3% quarter-on-quarter and 10% year-on-year.
- The average apartment rent in Q2 2020 dropped by 11% year-on-year while villas/townhouses dropped by 8.1% year-on-year. Looking at the supply trends and current market condition, it is expected that the rate of decline for 2020 is likely to be higher than what has been experienced over the past five years.

Office

- During Q2 2020, c.625, 000 sq.ft. of new office space was added taking the total office stock of Dubai to 102.0 million sq.ft.
- Looking at the projects under construction/announced c.5.7 million sq.ft. of office space is expected to enter the market during the period H2 2020 to 2022.
- The Dubai office market remain sluggish during Q2 2020, with only 75 office sales transactions with an aggregate value of AED

64.3 million compared to AED 343 million in Q2 2019, a drop by 81% year-on-year.

- The office sale rates dropped marginally by 1% quarter-on-quarter and 5% year-on-year.
- The Covid-19 pandemic had a major impact on the office leasing market, with leasing transactions remaining flat during Q2 2020. The average office rents dropped by 3% quarter-on-quarter and 12% year-on-year and a 29% drop from the peak.

Retail

- The retail stock of Dubai remained unchanged at 40.9 million sq.ft. GLA as of end Q2 2020. Looking at the current market situation arising due to Covid-19, the retail centres that were scheduled to open in 2020 are most likely to be pushed forward to 2021.
- Over 16 million sq.ft. GLA is currently under different stages of construction and expected to enter the market by end of 2022 / early 2023.

Hospitality

- During Q2 2020, the hospitality stock of Dubai changed marginally with an addition of less than 200 keys taking the total stock figure to over 127,000 hotel rooms/apartments. Due to the Covid-19 pandemic, several hotel properties that were scheduled to open in Q2 2020 are now being moved to H2 2020.
- The movement restriction and closure of airspace had a massive impact on the hospitality had a massive impact on the hospitality industry with occupancy rates at their historic lows.
- The Dubai government has announced a stimulus package to support the tourism sector by reducing the municipality fees imposed on sales at hotels.
- Around 5,500 new hotel rooms/apartments are expected to open during the second half of 2020 and it is likely that a large share of this supply will be moved forward to H1 2021.



FACTS & FIGURES



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REAL ESTATE TRENDS DUBAI LAND TRANSACTION



TOP RESIDENTIAL INVESTMENT LOCATIONS - Q2 2020

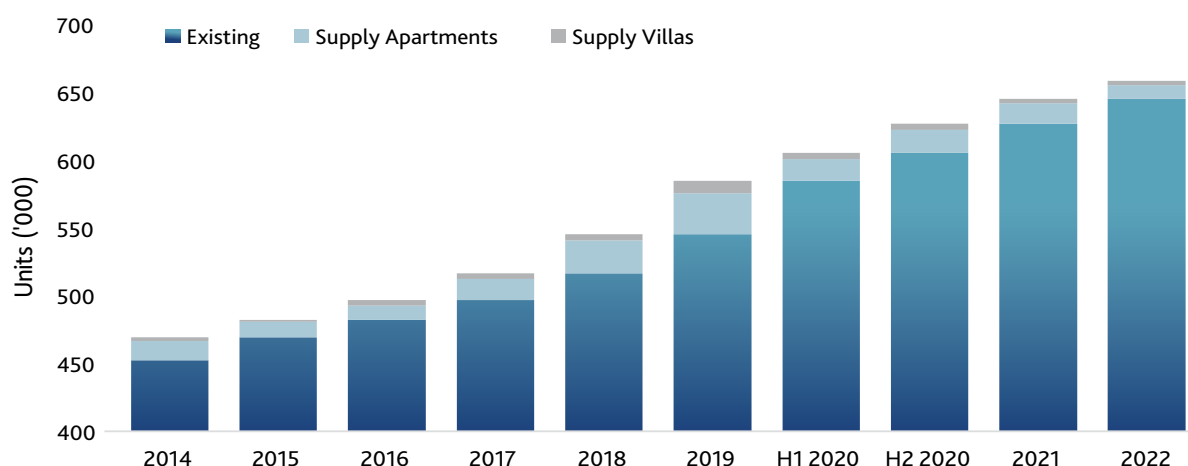


RESIDENTIAL MARKET

SUPPLY

- Over 9,000 residential units were added to the Dubai's residential stock taking the total to c.604,000 units (apartments/villas/townhouses). The supply remains dominated by apartments, accounting for a share of 79% of the total quarterly supply while the rest accounted for villas/townhouses.
- The supply during the quarter remain concentrated in the freehold areas, accounting for 90% of the total supply while the leasehold (non-investment) areas accounted for 10% of the quarterly supply.
- During the quarter, over 3,000 units were handed over within the Dubailand masterplan, accounting for a share of 34% followed by Dubai South which accounted for a share of 16% of the total quarterly supply. Prominent projects to be handed over in the Dubai South development were the Urbana by Emaar Properties and the Pulse project by Dubai South.
- Looking at the ongoing construction activity and timeline provided by the developers, the Dubai residential market is expected to see an addition of c.22,000 new units in the second half of 2020. However, looking at the construction delays experienced due to the Covid-19 pandemic, it is expected that a large chunk of this supply will be shifted to H1 2021.

RESIDENTIAL SUPPLY BY UNITS - (2014 - 2022)



SALE RATES

- The impact of Covid-19 was clearly visible on the Dubai residential transactions, as the value and volume of sales transactions recorded a steep decline on an annual and quarterly basis. During Q2 2020, a total of 1,902 residential properties (apartments/villa/townhouse/service/ hotel apartment/villa plot) were transacted, a decline of 55% quarter-on-quarter and 46% year-on-year.
- In value terms, the cumulative transaction value during Q2 2020 was AED 4.43 billion compared to AED 7.08 billion during the same period last year. On an average the cumulative transaction value dropped by 46% quarter-on-quarter and 37% year-on-year.
- The transaction activity for the first two months remained sluggish with only 876 transactions

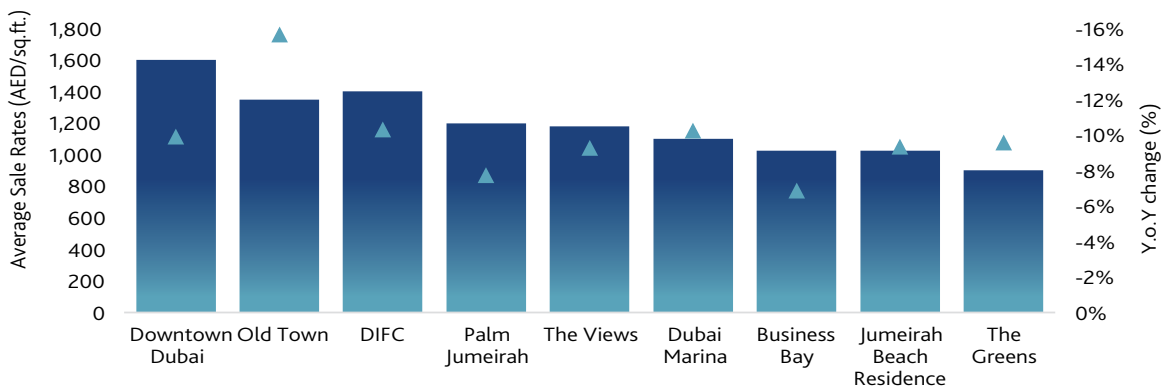


at a total value of AED 2.24 billion. However, relaxation in movement restriction has resulted in a sharp rise in transactions in the month of June. A total of 1,026 transactions at a value of AED 2.2 billion were recorded in June 2020.

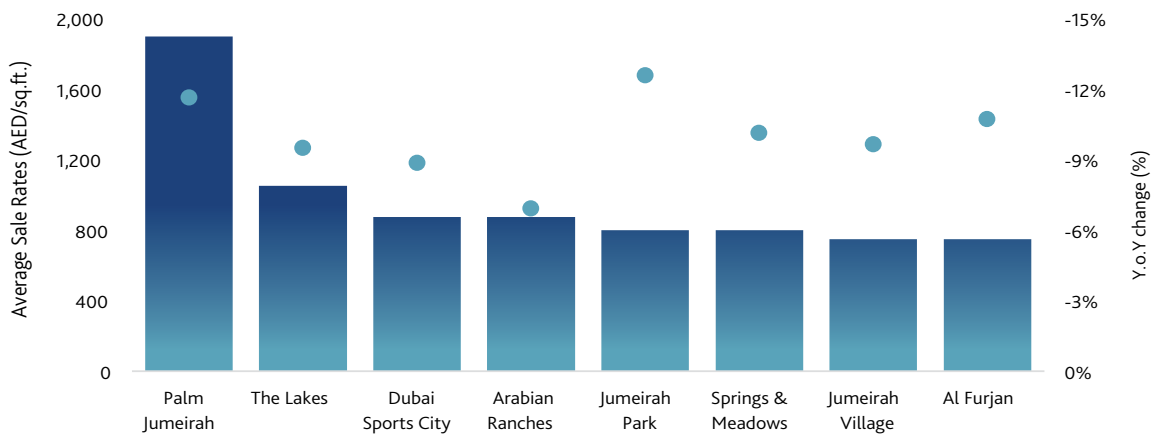
- In terms of transaction value by location, the Mohammed bin Rashid City (MBRC)/Meydan recorded transactions worth AED 1.26 billion (28% of the total transaction value) followed by the Dubailand development accounting for a share of 13% (AED 0.56 billion). The highest value transaction per property was recorded in the District One project in MBRC development wherein five villas were transacted at values ranging between AED 40 – 60 million each.

- During the quarter, the capital values for residential properties within the selected developments dropped by 2.3% quarter-on-quarter and 9.8% year-on-year. The highest annual decline was recorded for the properties in the Old Town area of Downtown Dubai with rates dropping by 16% and 41% from the peak.
- The rate of decline within villas/townhouses segment was similar to that of the apartments. The average sale rates for villas/townhouses witnessed a decline of 3% quarter-on-quarter and 10% year-on-year. Within the selected villa communities, the highest decline was seen in the Jumeirah Park development wherein the rates dropped by 13% year-on-year and 38% from the peak.

AVERAGE APARTMENT SALE RATES - Q2 2020



AVERAGE VILLA SALE RATES - Q2 2020

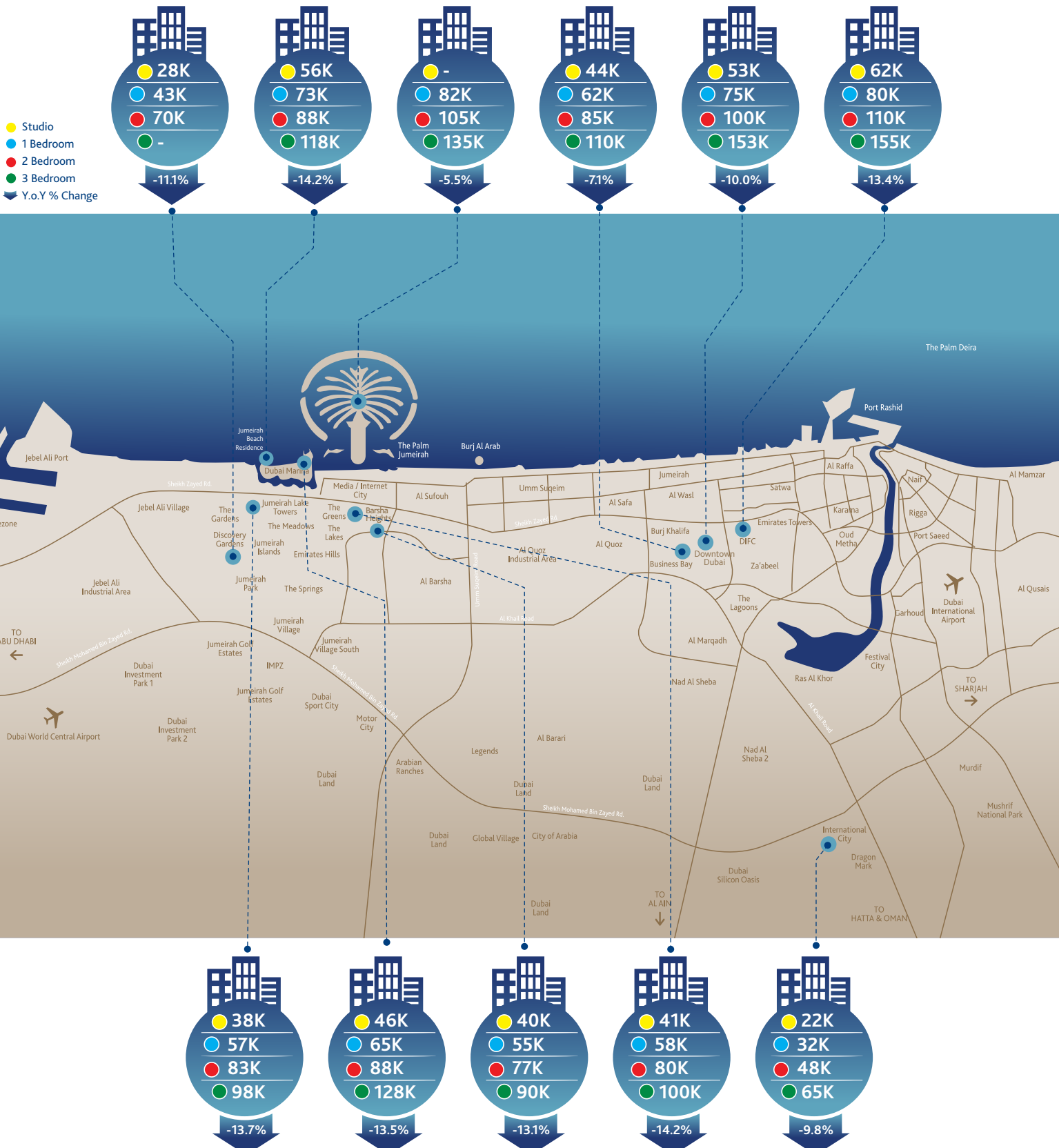


RENTAL RATES

- During the first two months of Q2 2020, the residential leasing activity remained subdued with tenants preferring to continue with their existing tenancies and negotiate leases and payment terms with the property owners. However, the activity started to pick-up in June with the lifting of movement restrictions.
- The market remained inundated with the attractive rents and payment terms, as landlords/ owners remained desperate to reduce the voids. Rent-free periods of 1-3 months and monthly payment periods is emerging as a norm in the market. In few cases, property owners have gone to an extent of offering rent-free period extending up to 6 months with a fixed two year rental contract.
- The average residential rents in Q2 2020 dropped by 4.4% quarter-on-quarter and 11% year-on-year. Looking at the supply trends and current economic situation, it is expected the rate of decline for 2020 is likely to be higher than what has been experienced over the past five years.
- In terms of rental movement by development, the highest average decline was recorded in the Dubai Residences development, wherein the average rents for studio to 3 bedroom units dropped by 15.9% year-on-year. The worst impacted were the studio units, with the average rents dropping from |AED 30,000 per unit per annum in Q2 2019 to 23,000 per unit per annum in Q2 2020, a decline of 23% year-on-year. Increase in supply and relatively high mix of studios within the individual towers resulted in a steep decline in rents for studios.
- Other areas, which have seen a noticeable decline, include the Greens, Jumeirah Beach Residence and Motor City, each recording a decline of 14% year-on-year.
- The average rental decline across the key villa/ townhouse communities remained at 2.3% quarter-on-quarter and 8.1% year-on-year. When compared by unit sizes, the decline for smaller units of two and three bedrooms was at 9.89% and 9.42% respectively.
- In terms of decline by community – Al Waha community recorded a decline of 13.5% while the properties in the Springs recorded a 13.1% decline year-on-year.

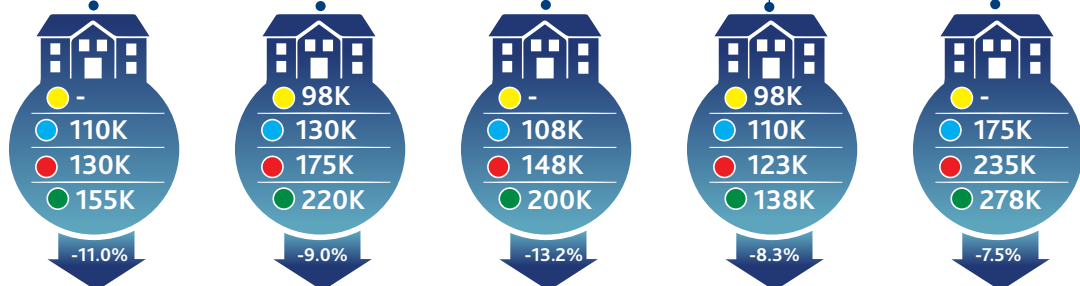
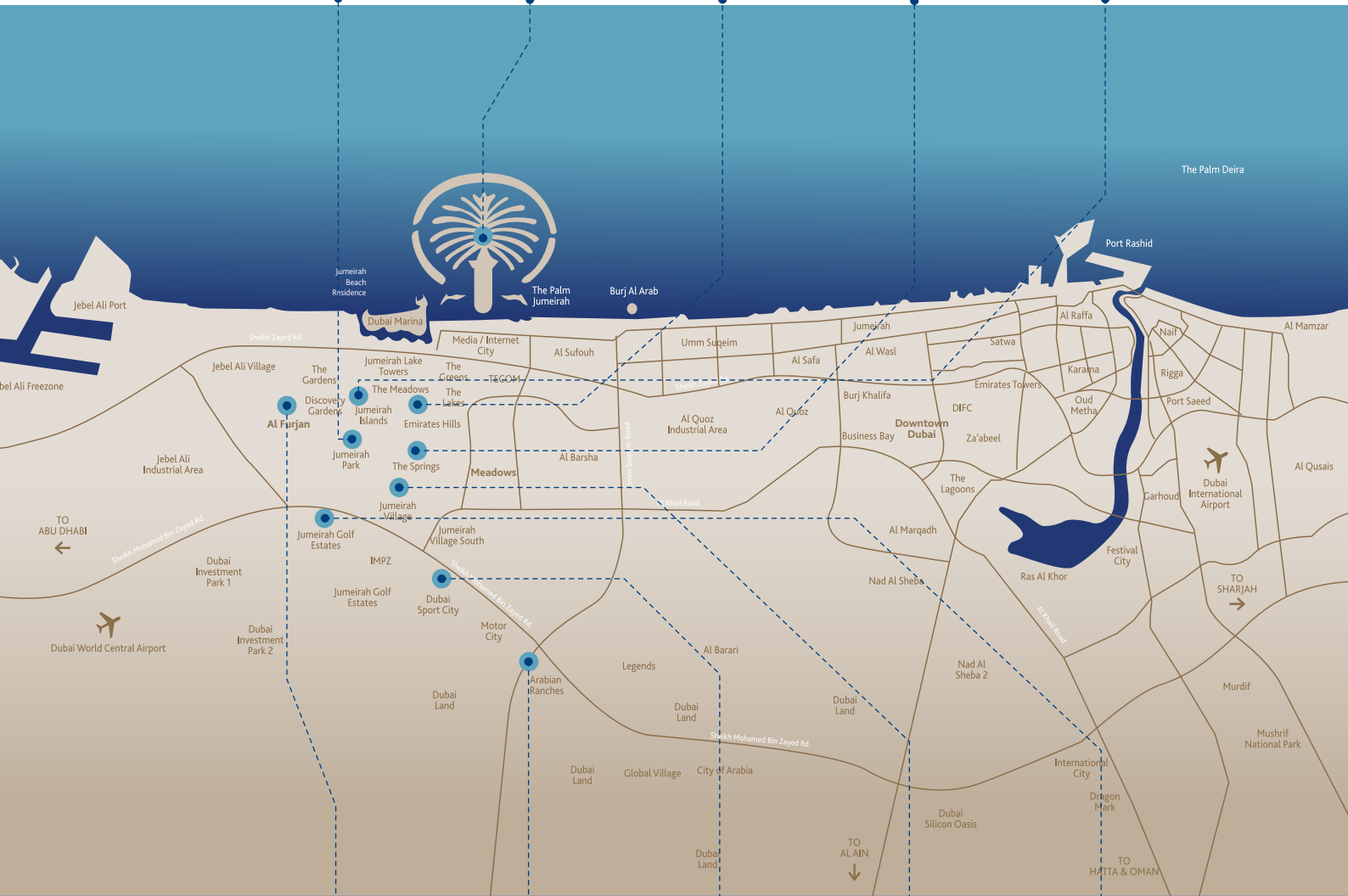
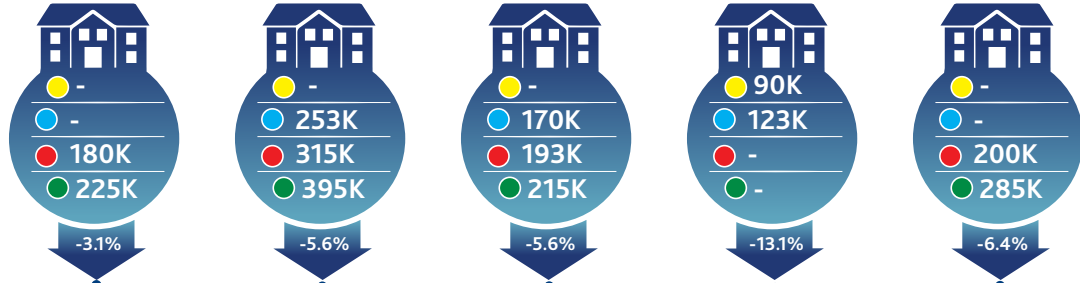


AVERAGE APARTMENT ANNUAL RENTS – Q2 2020



AVERAGE VILLA ANNUAL RENTS – Q2 2020

- 2 Bedroom
- 3 Bedroom
- 4 Bedroom
- 5 Bedroom
- ▼ Y.o.Y % Change

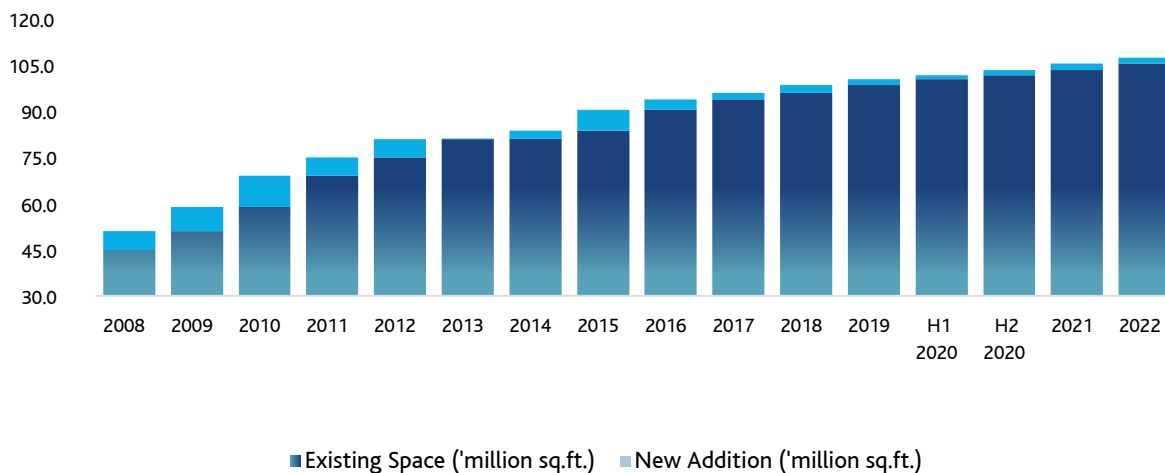


OFFICE MARKET

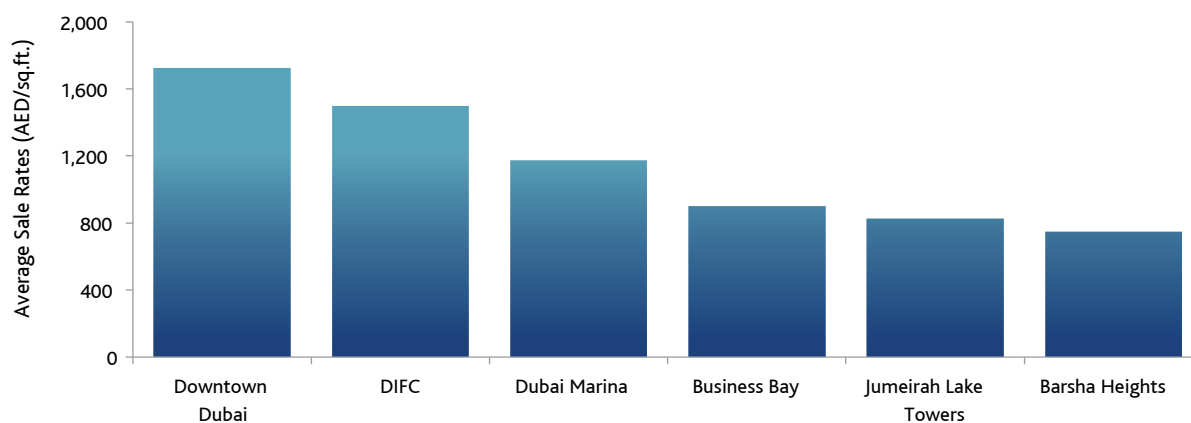
- With the addition of c.625,000 sq.ft. of new office space, the cumulative office stock of Dubai reached 101.9 million sq.ft. as of end Q2 2020. The new office space during the quarter emerged from the Mashreq Bank HQ building in Downtown Dubai, M Square, a mixed-use development in Bur Dubai and a mixed-use building in Business Bay.
- Some of the key projects in the pipeline that are expected to enter during the course of 2020 include the ICD Brookfield tower in Dubai International Financial Centre and a new office block in Dubai Airport Freezone.
- Looking at the projects under construction/ announced c.5.7 million sq.ft. of office space is expected to enter the market during the period H2 2020 to 2022. However, looking at the historic trends and current market scenario, a large portion of this space is expected to be moved to 2023 due to construction-related delays.
- The Dubai office market remained sluggish during Q2 2020, which is clearly evident from the transaction and leasing activity. In total, only 75 office sales transactions were recorded during Q2 2020 at an aggregate value of AED 64.3 million compared to AED 343 million in Q2 2019, a drop in value by 81% year-on-year.
- In terms of sales activity by location, the key strata office locations of Business Bay and Jumeirah Lakes Towers accounted for 75% of the total transactions with a cumulative value of AED 48.4 million. The average transaction value for Business Bay was AED 638 per sq.ft. while for Jumeirah Lakes Towers, AED 517 per sq.ft.
- Post financial crisis, the demand for strata office space remained under pressure due to lack of appetite from large office occupiers. However, the market remained active largely due to demand emanating from SME's with relatively smaller office space requirements of less than 2,500 sq.ft. The trend can be further substantiated from the transaction pattern noticed over the past 3 years.
- Due to subdued activity, the office sale rates dropped marginally by 1% quarter-on-quarter and 5% year-on-year. The office sale rates in Jumeirah Lakes Towers development dropped by 2% quarter-on-quarter and 6% year-on-year. The sale rates in the development currently range between AED 550 to AED 1,100 per sq.ft., registering a decline of 35% from the peak.
- The Covid-19 pandemic had a major impact on the office leasing market, with leasing transactions remaining flat during Q2 2020. The average office rents dropped by 3% quarter-on-quarter and 12% year-on-year and a 29% drop from the peak. Within the strata office locations, the rents in Barsha Heights dropped by 16% year-on-year while Jumeirah Lakes Towers and Business Bay areas recorded a decline of 13% and 11% respectively.
- With the changing market dynamics, the rates are expected to deflate further in the short to medium term, as the pandemic has created multiple office options for the companies.



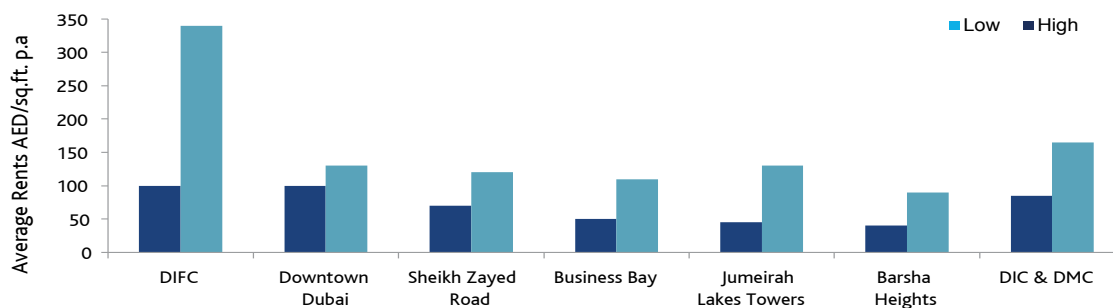
DUBAI OFFICE STOCK GROWTH (2008-2022)



AVERAGE OFFICE SALE RATES - Q2 2020



AVERAGE OFFICE RENTS - Q2 2020

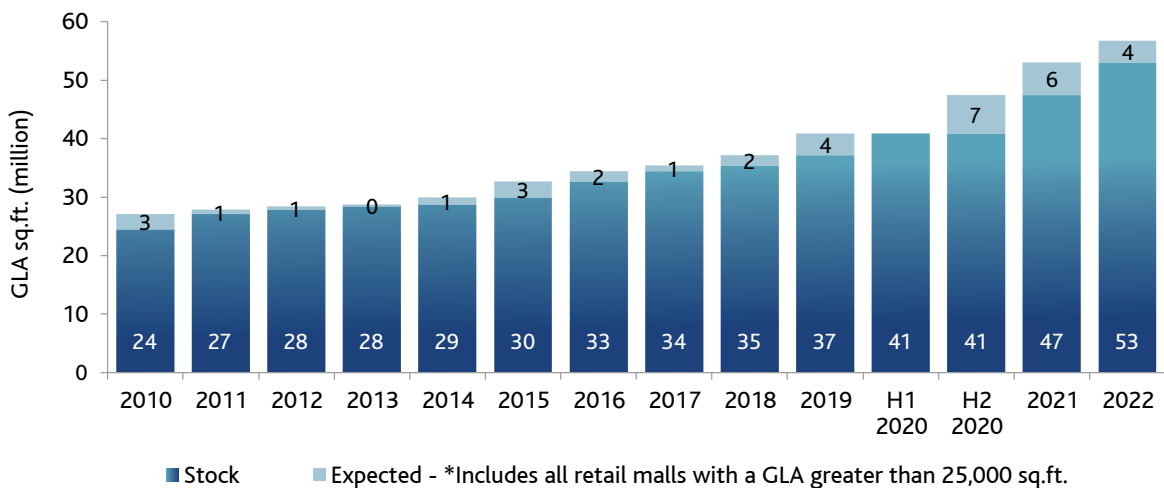


RETAIL

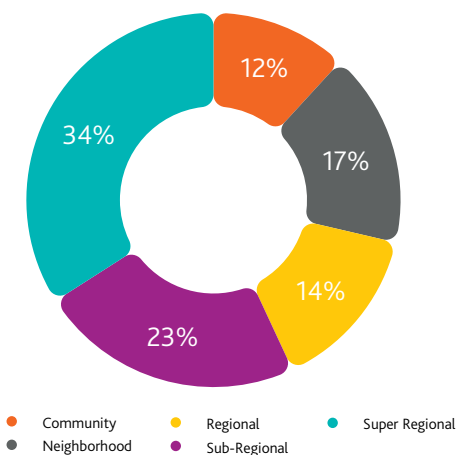
- The retail stock of Dubai remained unchanged at 40.9 million sq.ft. GLA as of end Q2 2020. Looking at the current market situation arising due to Covid-19, the retail centres that were scheduled to open in 2020 are most likely to be pushed forward to H1 2021.
- The retail sector mainly the brick and mortar stores were hard hit due to movement restriction and the absence of international visitors, which are the backbone of Dubai’ retail sector.
- The trend was completely reverse with online retail. Retailers with an online presence remained active during this period reporting double-digit growth compared to the same period last year.
- The proactive measures taken by the government towards reducing/cancelling certain fees and the rent holidays offered by the mall operators have to an extent is helping in placating the Covid-19 impact.
- Ease in movement restrictions, full opening of the malls and launch of the Dubai Summer Surprises is expected to improve the sales and footfall figures in the coming quarter. However, despite these initiatives, the footfalls figures are anticipated to be substantially lower than the pre-pandemic levels.
- Over 16 million sq.ft. GLA is currently under different stages of construction and expected to enter the market by the end of 2022 / early 2023. Looking at the current market scenario and changing market dynamics, the mall operators/ developers need to re-visit the space usage and adopt innovative retail options in order to reduce voids and improve footfall levels.



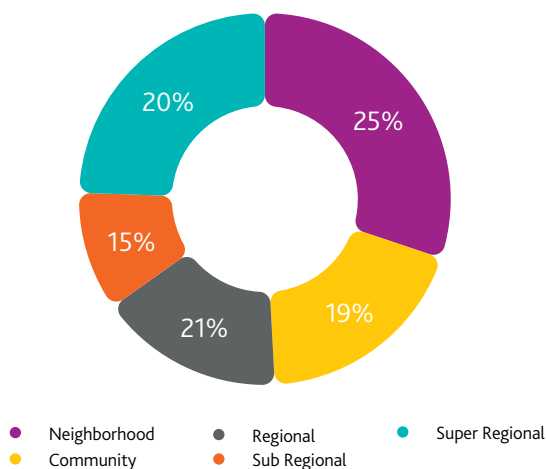
DUBAI RETAIL MALL STOCK (2010-2022)



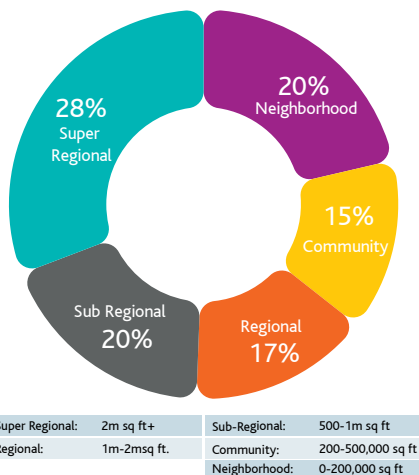
RETAIL SUPPLY PRE 2010



NEW SUPPLY DELIVERED - (2010 - Q2 2020)

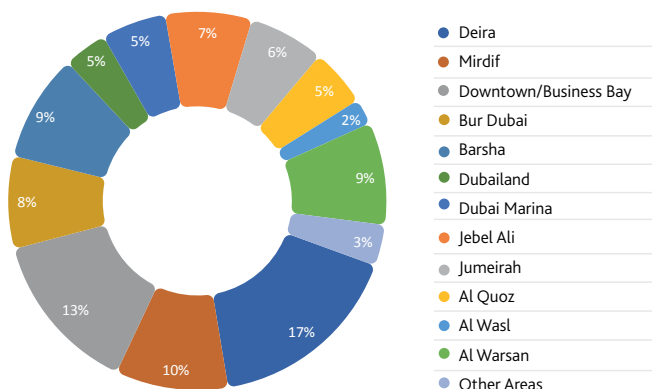


DUBAI RETAIL MALLS BY SIZE Q2 2020

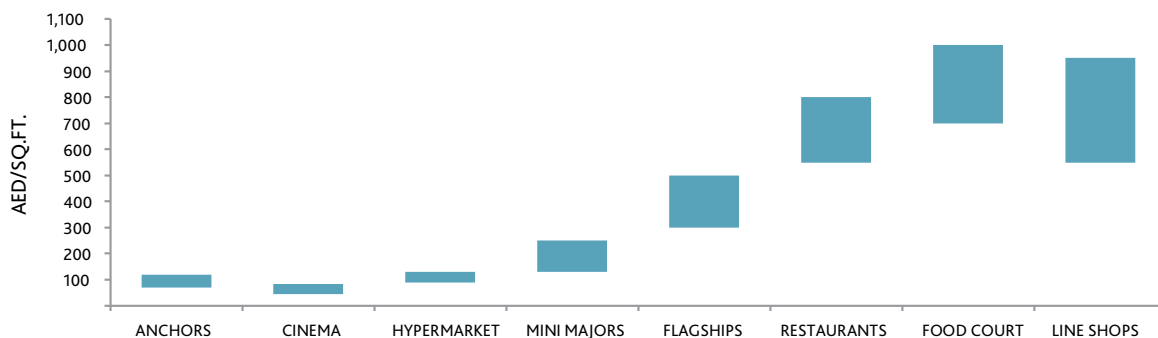


Super Regional:	2m sq ft+	Sub-Regional:	500-1m sq ft
Regional:	1m-2msq ft.	Community:	200-500,000 sq ft
		Neighborhood:	0-200,000 sq ft

DUBAI RETAIL MALLS GLA BY AREA Q2 2020



PRIME SHOPPING MALL AVERAGE RENTS Q2 2020



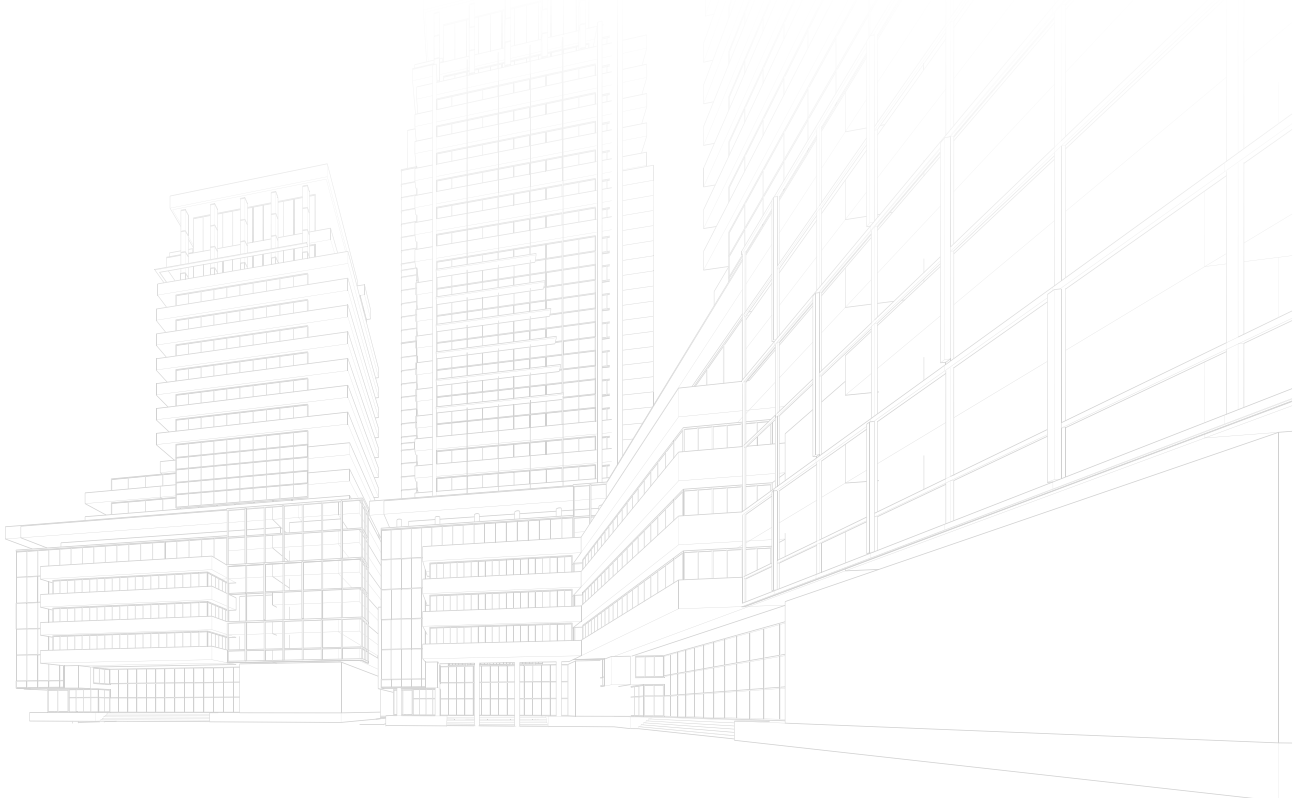
The rents quoted above are base rents excluding any turnover provisions and service charges



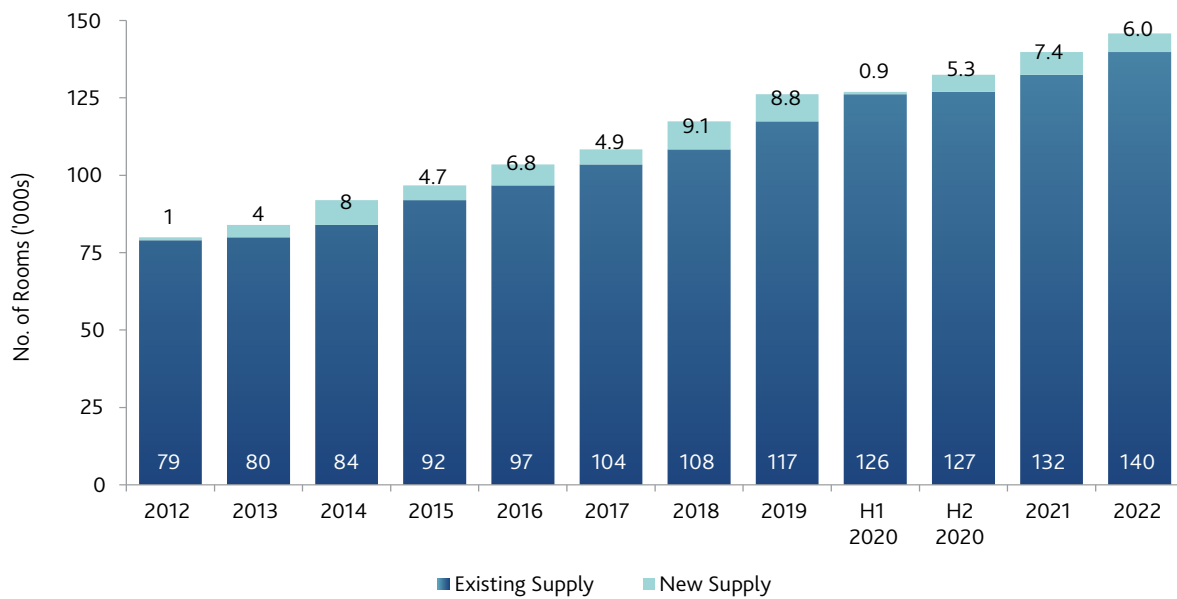
HOSPITALITY

- During Q2 2020, the hospitality stock of Dubai changed marginally with an addition of less than 200 keys taking the total stock figure to over 127,000 hotel rooms/apartments. Due to the Covid-19 pandemic, several hotel properties that were scheduled to open in Q2 2020 are now being moved to H2 2020.
- The movement restriction and closure of airspace had a massive impact on the hospitality industry with occupancy rates at their historic lows. However, to reduce the impact several hotels have started offering discounted staycation packages to attract the local residents.
- The Dubai government has announced a stimulus package to support the tourism sector. The latest stimulus package covers four initiatives for the tourism sector, which include a 50% reduction of municipality fees imposed on sales at hotels, exemption of companies from payment of fees for postponement and cancellation of tourism and sports events scheduled for the year 2020. A freeze on fees for the rating of hotels and sale of tickets, issuance of permits and other government fees related to entertainment and business events.
- The latest data released by UNWTO highlights that the international tourism industry had lost US\$ 320 billion in revenue during the first five months of the year due to the pandemic.
- As per the construction timelines announced by the developers, around 5,500 new hotel rooms/apartments are expected to open during the second half of 2020. However, taking into consideration the current situation, it is likely that a large share of this supply will be moved forward to H1 2021.

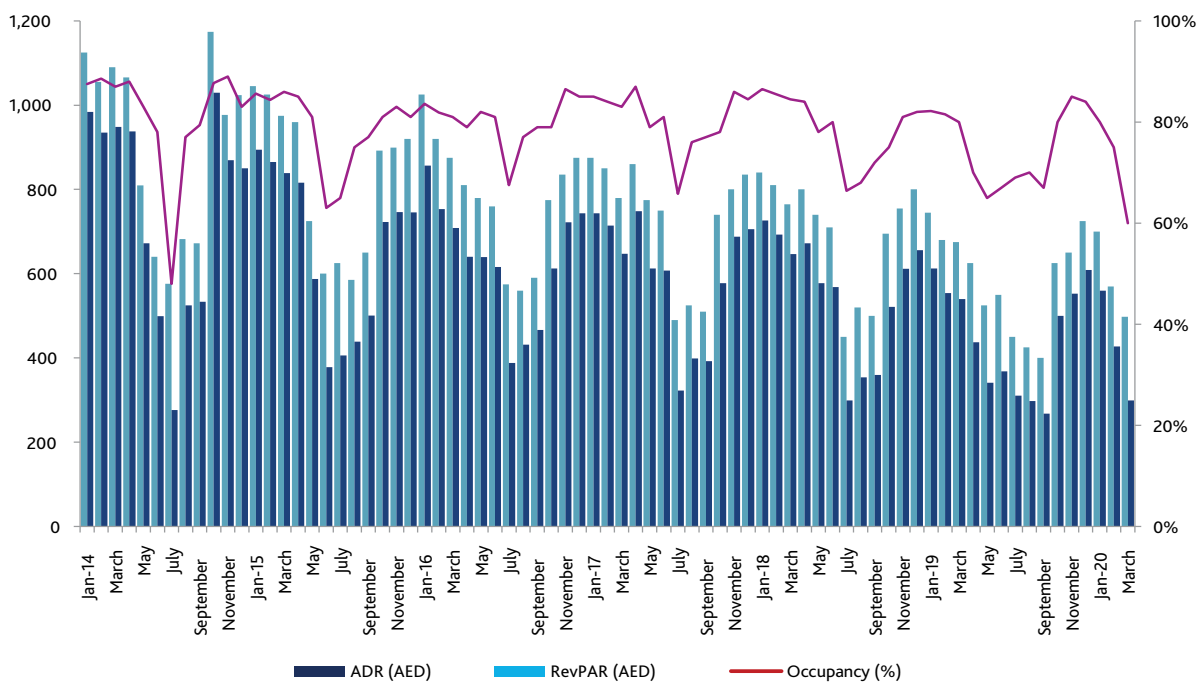
HOTEL	LOCATION	NUMBER OF KEYS
Rose Plaza Hotel	Al Barsha	104
Urban Al Khoory Hotel	Al Quoz	92



DUBAI HOTEL ROOMS GROWTH - (2012 - 2022)



DUBAI HOTELS PERFORMANCE - Q1 2020 YTD





DEFINITIONS & METHODOLOGY

Research Study Area

- The geographic extent of the study area covers the key districts in Dubai.

Residential

- New residential developments are classified as delivered and thus entered into the new supply category when they are made available for occupation. This is verified via a combination of site inspections and discussion with the developer and hence our supply numbers do take into consideration the phased release of large projects.
- Rental and sales trend analysis is based on transactional data derived from the MPM Properties Agency team and data sourced from developers and owners.

Offices

- New office developments are classified as delivered and thus entered into the new supply category when they are available for tenant fit-outs.
- Given the general lack of transparency in the local market rents quoted are headline

rents, thus exclude any rent free period of other financial incentives that may have been negotiated between the parties. The rents quoted are also exclusive of service charges.

Retail

- New retail developments are classified as delivered and thus entered into the new supply category when the first units are open and trading.
- Our classification of malls is based on our own assessment having regard to size and the catchment area which the mall typically penetrates.

Hospitality

- New hotels are classified as delivered and thus entered into the new supply category when they are opened and trading.

Future Supply Projections

- Our future supply projections across all sectors are based on a combination of regular site inspections and discussions with developers.



BESPOKE CLIENT RESEARCH

- The ADIB Real Estate Services team covers all sectors of the real estate market. We provide bespoke market research to our valued clients to meet their specific requirements.
- We provide reports, information and presentations derived from primary market data

that directly assist our clients to save or make money from real estate and shape strategies to enhance value.

- of regular site inspections and discussions with developer



DISCLAIMER

The information contained in this report has been obtained from and is based upon sources that MPM Properties believes to be reliable, however, no warranty or representation, expressed or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals. MPM Properties will not be held responsible for any third-party contributions. All opinions and estimates included in this report constitute MPM Properties, as of the date of this report and are

subject to change without notice. Figures contained in this report are derived from a basket of locations highlighted in this report and therefore represent a snapshot of the Dubai market. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, involve risk and uncertainty because they relate to future events and circumstances which are beyond MPM Properties' control. For a full in-depth study of the market, please contact MPM Properties team.

A COLLABORATIVE TEAM PROVIDING OUR INTEGRATED SERVICES



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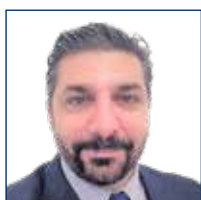
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INTEGRATED SERVICES COVERING THE FULL PROPERTY LIFECYCLE

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<p>Enhancing value for individual & institutional property owners:</p> <ul style="list-style-type: none"> ■ Prompt leasing & debt collection ■ Effectively market & lease vacant units ■ Physical & technical maintenance of asset ■ Maintain tenant satisfaction ■ Timely lease renewals ■ Manage risk, insurance & litigation ■ Protect your interests and enhance value 	<p>Valuation reports for:</p> <ul style="list-style-type: none"> ■ Mortgage & Finance ■ Securing Project Funding ■ Internal Accounting ■ Mergers & Acquisitions ■ Investment appraisal ■ Litigation ■ Inheritance <p>We cover all asset classes. Our reports are in compliance with the International Valuation Standards (IVS) and the RICS Professional Valuation Standards.</p>	<p>Complete Project Management services at planning & construction stage:</p> <ul style="list-style-type: none"> ■ Engineering Review & Scheduling ■ Cost Estimate & Procurement ■ Project Monitoring ■ Cost Control & Accounting ■ Assist with Permits & Licensing ■ Ensure appropriate fund movement for Escrow based on Project Assessment

Agency (Sales & Leasing)	Research & Strategic Advisory	Investment Advisory
<p>We work with developers, commercial tenants, retailers and individuals, offering:</p> <ul style="list-style-type: none"> ■ Launch Strategy ■ Project Launch Handling ■ Project Marketing Events ■ Acquisitions ■ Leasing ■ Sales <p>We cover all sectors, including residential, commercial, industrial, retail, and land.</p>	<p>Bankable studies for your real estate and business needs:</p> <ul style="list-style-type: none"> ■ Highest & Best Use ■ Market & Financial Feasibility ■ Development Strategy ■ Market Research ■ Corporate Real Estate Strategy ■ Master-plan and design review 	<p>Aiding developers and investors to maximize value:</p> <ul style="list-style-type: none"> ■ Investment Advisory & Due Diligence ■ Investment Management ■ Disposal Strategy ■ Portfolio Review & Optimization ■ Deal Structuring & Capital Sourcing ■ Investment Sale



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