

Q2-2021 REAL ESTATE MARKET OVERVIEW ABU DHABI



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
- Asset management
- Project management
- Valuation
- Agency
- Market research
- Property management
- Facilities management

REPORT HIGHLIGHTS

Residential

- The residential stock of Abu Dhabi saw addition of over 5,000 units during H1 2021, the highest half-year increase since 2013. The supply figures by development indicates that Reem Island remained the most active development with a contribution of 27% of the total new supply followed by Yas Island with 16% and Al Raha Beach development contributed 9% of the new supply.
- As per the projects announced/under construction, c.21,000 units are expected to be completed during the period H2 2021 to 2023. However, it is estimated that a significant share of this supply will be moved to 2024, due to construction related delays.
- Existing vacancies and the addition of new supply is exerting further pressure on the rental and occupancy rates across the wider residential market. With limited new workforce entering the job market, the leasing activity remained mainly active towards tenant migration.
- Average apartment rents remained stable with a negligible change quarter-on-quarter as landlords are offering extended rent free periods along with other benefits than reducing rents. On an annual basis, the average rents dropped by 4%.
- Leasing activity across villa/townhouse segment remains strong during the quarter due to demand for open livable space, as tenants are considering switching from apartments to villas/townhouses. On an average, rents across selected communities recorded an increase by 3% year-on-year. The highest increase in rental values was across three- and four-bedroom units which recorded an annual rental inflation of 4.1% and 6.2% respectively.
- Average apartment sale rates for completed properties within selected communities remained stable during the quarter while the rates dropped by 5% year-on-year. The investor and occupier focus remained towards larger units offering waterfront views which to an extent helped in reducing the decline gap.
- The villa/townhouse performance remained strong since the beginning of the year due to high demand from the occupiers and investors. Relatively high demand and limited supply has led to the strengthening of capital values across selected communities.
- The sale rates for completed villas/townhouses which were on a decline since 2015 started to show an upward movement, with average sale rates across selected communities registering an increase by 4% year-on-year.

Office

- During H1 2021, c. 20,000 sq.m. of new space was added taking the total office stock figure to 4.06 million sq.m. Notable office completion during the year was the office tower in Al Jimi Avenue in Khalidiya area which accounted for about 11,000 sq.m. while the rest emerged from mixed-use buildings in secondary and tertiary locations with office space spread across mezzanine floors.
- Relatively low take-up levels and weak demand resulted in drop in average office rents by 3% quarter-on-quarter and 12% year-on-year. The worst performance remained across grade B space which saw rents dropped by 17% year-on-year.
- The positive economic outlook with the non-oil GDP expected to grow by 4% in 2021 and 2022 and the recent announcement by the UAE Government allowing 100% foreign ownership could spur demand for new office space.
- The strata space which is predominantly concentrated in Al Reem Island are currently achieving sale rates in the range of AED 7,000 to AED 13,000 per sq.m. while the average rents are in the range of AED 600 to 1,000 per sq.m. per annum (inclusive), depending on the size, location and finishes.
- As per the projects announced/under construction, c. 250,000 sq.m. of office space is expected to enter the market during the period H2 2021 to 2023, provided construction delays remain minimal. Most of the supply is expected to be from on-island and investment areas.

Retail

- The Abu Dhabi retail stock currently stands at 2.76 million sq.m. The supply figures remained unchanged during the year, as several projects that were expected to be completed are either experiencing construction delays or being pushed forward due to the pandemic.
- Retail sales, primarily in-store sales, continue to remain under pressure due to a drop in footfall and visitor numbers. However, the Department of Culture and Tourism announced plans to organize new retail consumer events, promotions, and campaigns during the year under the umbrella of Retail Abu Dhabi which could help in boosting retail sales.
- As per the timelines announced and under construction projects, c.1.1 million sq.m. GLA of retail space is expected to be completed by 2023, which account for approximately 40% of the existing space. Looking at the historic trends and likely construction delays, it is expected that a substantial share of this space will be pushed to 2024.
- Some of the retail destinations expected to enter the market include Reem Mall on Al Reem Island and Al Qana development in Al Maqta area.



FACTS & FIGURES



TABLE OF CONTENT

Residential sector	4
Office sector	8
Retail sector	10
Definitions & methodology	13
Contact information	14



RESIDENTIAL SECTOR

- The residential stock of Abu Dhabi saw addition of over 5,000 units during H1 2021, the highest half yearly increase since 2013. The investment areas dominated the supply accounting for 62% of the total supply while the rest of the supply emerged from the mainland and on-island areas. In terms of supply by type, about 85% of the supply comprised of apartments and 15% villas/townhouses.
- The supply figures by development indicates that Reem Island remained the most active development with a contribution of 27% of the total new supply. Some of the projects handed over in Reem Island include Al Jeel Towers, Eclipse towers and phase 2 of the Bridges project.
- Yas Island contributed 16% of the supply with the completion of few towers from Water's Edge and Mayan projects. Once completed, together these two projects are expected to add c.2,750 units. Al Raha Beach development wherein several towers from the individual private developers are in different stages of construction contributed 9% of the new supply.
- Notable project to be completed on-island during H1 2021 include Al Jimi Avenue in Khalidiyah area, a mix use development offering c.600 residential units.
- As per the projects announced/under construction, c.21,000 units are expected to be completed during the period H2 2021 to 2023. However, it is estimated that a significant share of this supply will be moved to 2024, due to construction related delays.
- Average apartment sale rates for completed properties within selected communities remained stable during the quarter while the rates dropped by 5% year-on-year. The investor and occupier focus remained towards larger units offering waterfront views which to an extent helped in reducing the decline gap.
- The highest annual decline by development was recorded for properties on Reem Island wherein the capital values dropped by an average of 7.1% year-on-year. On the wider Reem Island development, the highest annual decline of 8.6% was recorded in the Gate district while Marina Square saw rates dropping by 8.1% year-on-year. Average sales rates in the Shams area dropped from AED 1,000 per sq.ft. in Q2 2020 to AED 950 per sq.ft. in Q2 2021, registering a drop of 5% year-on-year.
- Al Raha Beach development saw sale prices dropped by an average of 2.7% year-on-year. The performance by individual projects within the wider Al Raha development indicates that the prices in Al Bandar dropped by 3.2%, Al Zeina 3.1% and Al Muneera 1.7% year-on-year.
- The rates on Saadiyat Island dropped by an average of 5.3% year-on-year, with St. Regis recording an annual decline of 6.4% and Saadiyat Beach Residences 4.3%.
- Other freehold developments of Al Reef and Al Ghadeer saw prices dropping annually by an average of 3.8% and 4.8% respectively.
- The villa/townhouse performance remained strong since the beginning of the year due to high demand for large living spaces from the occupants and investors. Relatively high demand and limited supply has led to the strengthening of capital values across selected communities. The demand for villas/townhouses can also be viewed from the successful off-plan launches on Yas Island which were well received by investors/end-users.
- Approximately c.670 villas/townhouses were launched on Yas Island across the sub-communities of Noya Viva and Noya Luma. Noya Viva features a total of 480 units of two and three bedroom townhouses and four bedroom villas while Noya Luma comprises of 189 detached three, four and five bedroom villas. The starting price for a two-bedroom townhouse Noya Viva is AED 1.65 million in Noya Viva and AED 2.41 million for a three-bedroom villa in Noya Luma. Both the projects offer a flexible payment plan of 40% during the construction phase and 60% on handover. Affordable sale rates, attractive payment plan, demand for larger living spaces and limited availability are some key reasons for the projects achieving high absorption rate.
- The sale rates for completed villas/townhouses which were on a decline since 2015 started to show an upward movement, with average sale rates across selected communities registering an increase by 4% year-on-year. However, there are developments which have witnessed substantially higher than the average increase due to strong occupier demand.
- Within the selected communities, the properties in Al Reef development recorded an increase in capital values by 11% year-on-year, with average rates rising from AED 540 in Q2 2020 to AED 600 per sq.ft. in Q2 2021. Similar growth trends were recorded for properties in Al Raha Gardens. While the average sale rate for a 4 bedroom

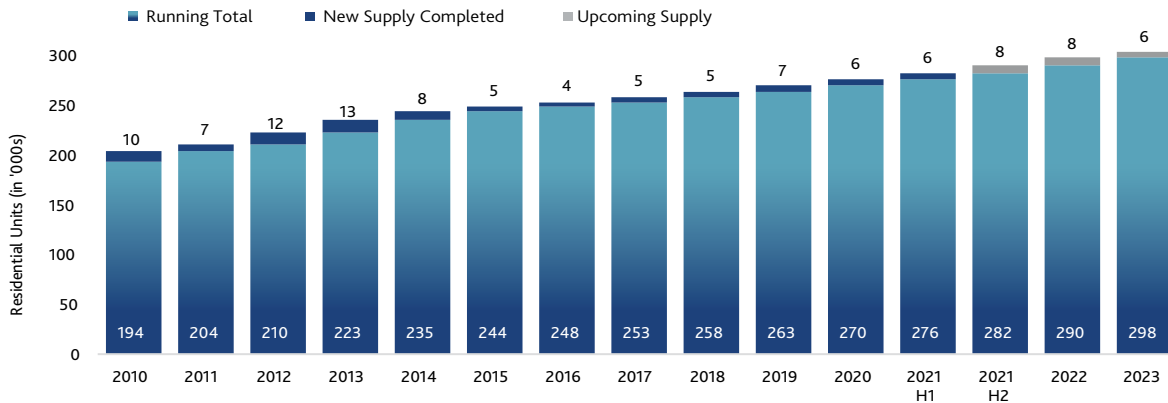


villa in Yas Acres is currently achieving AED 4.5 million compared to AED 3.6 million in Q2 2020, an increase of 25% year-on-year. However, the double-digit capital value increase within a short span could act as a hindrance for potential end users from entering the market.

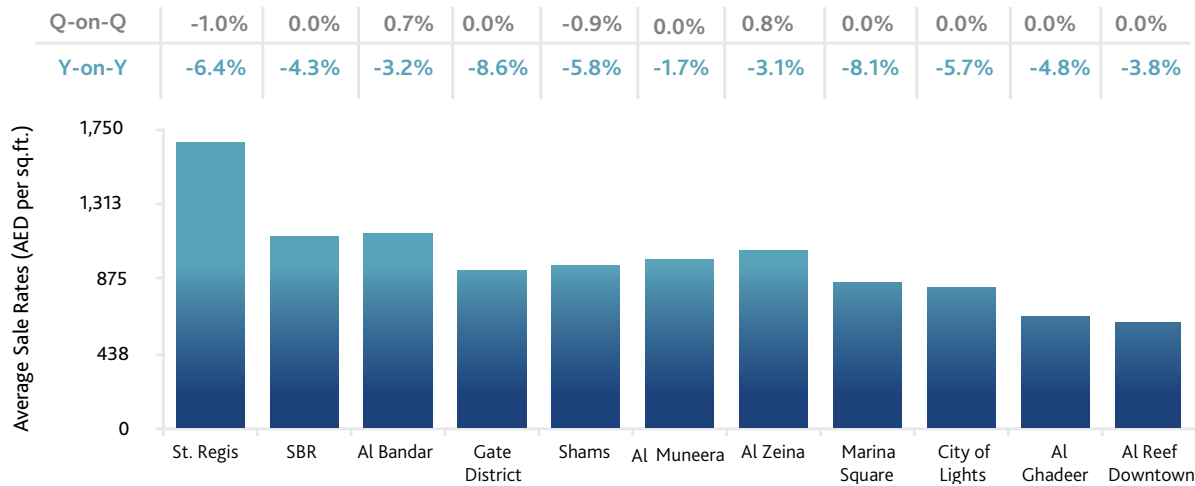
- The properties in Al Ghadeer and Hydra Village have recorded an annual decline in capital values by 4.5% and 6.3% respectively, which is mainly due to its location and addition of new supply from within the developments.
- Existing vacancies and the addition of new supply is exerting further pressure on the rental and occupancy rates across the wider residential market. With limited new workforce entering the job market, the leasing activity remained mainly active towards tenant migration. Much of the enquiries during the quarter emerged from the existing tenants looking for larger space and buildings offering amenities and facilities. Relatively longer void periods are resulting in landlords extending rent-free periods to as long as 45-60 days along with other benefits of relaxed payment terms and free chiller charges.
- Average apartment rents remained stable with a negligible change quarter-on-quarter as landlords are offering extended rent free periods along with other benefits than reducing rents. On an annual basis, the average rents dropped by 4%. However, there are a few developments which have seen rents dropping higher than the average decline. The highest decline was recorded for Al Ghadeer development which saw rents dropped by 10.6% year-on-year followed by the Gate District on Reem Island at 8.4%. Existing vacancies and expected new supply from these developments could further impact the rental and occupancy rates.
- In terms of performance by unit sizes, the smaller units of the studio and one bedroom saw annual rental deflation of 5.2% and 4.8% respectively while the rents for two-bedroom units dropped by 3.3% year-on-year.
- The demand for open and habitable space due to the pandemic has resulted in rental inflation across larger units of three bedroom and above. The primary focus of the occupiers remained towards units offering uninterrupted waterfront views, resulting in an upward movement in rental values across waterfront properties. A three-bedroom unit in Al Bandar development on the Raha Beach is currently averaging at AED 185,000 per unit per annum compared to AED 175,000 per unit per annum during Q2 2020, an increase by 6% year-on-year. Similar trends were recorded across other waterfront locations.
- The leasing activity across the villa/townhouse segment remain strong during the quarter, due to demand for open livable space, as tenants are considering switching from apartments to villas/townhouses. On an average, rents across selected communities have recorded an increase by 3% year-on-year.
- The highest increase in rental values was across three- and four-bedroom units which recorded an annual rental inflation of 4.1% and 6.2% respectively while five-bedroom units recorded a marginal increase by less than 1%. The rent for a three bedroom villa in Al Raha Garden increased from an average of AED 160,000 per unit per annum in Q2 2020 to AED 175,000 per unit per annum, an increase by 9% year-on-year.
- Except a few communities, the upward rental momentum was noticed across all key villa/townhouse communities. Average rents in Al Mushrif Gardens and Al Ghadeer dropped by 2.8% and 3.8% respectively. With phase 2 of Al Ghadeer development being handed over, the rates within the community are expected to remain under stress during the year.
- The high-end waterfront properties recorded a sharp increase in rental values over the past six months. The average rent for three bedroom in Saadiyat Beach Residence increased from AED 255,000 per unit per annum in Q2 2020 to the current levels of AED 280,000 per unit per annum. Similar trend was noticed for three bedroom townhouses in Al Zeina which saw rents increase by 6.7% year-on-year from AED 178,000 per unit per annum to AED 190,000 per unit per annum in Q2 2021.



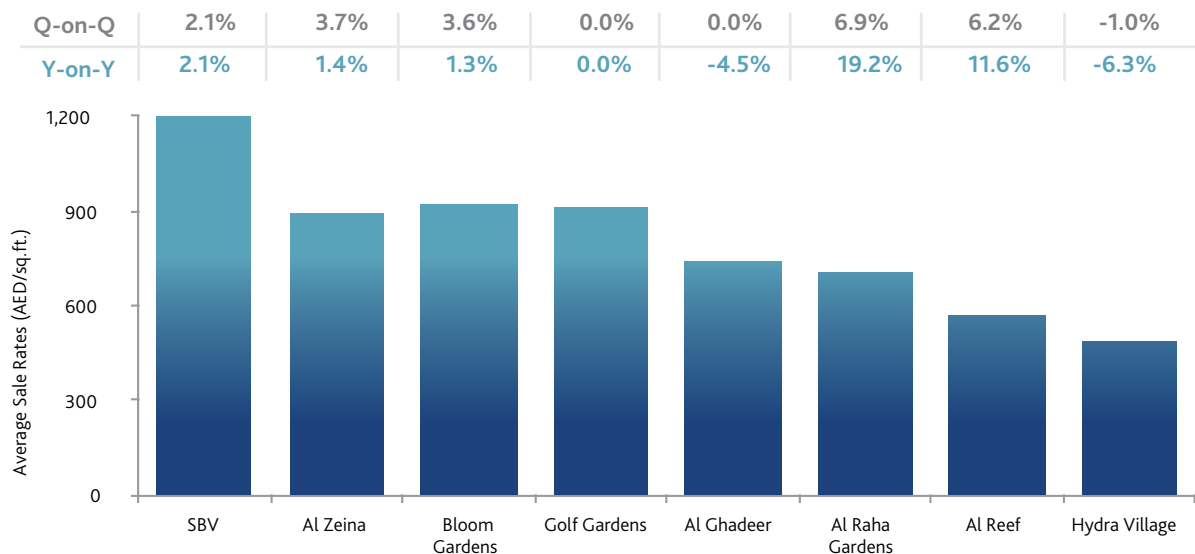
RESIDENTIAL SUPPLY BY UNITS 2010 - 2023



APARTMENT SALE RATES - Q2 2021

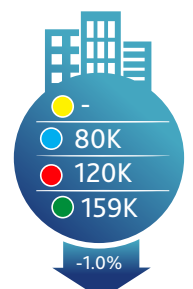
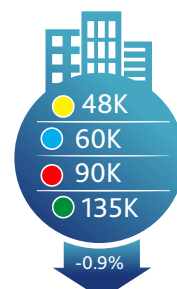
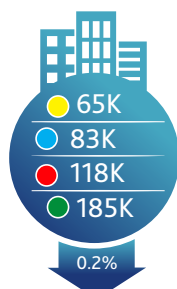
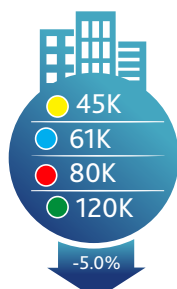
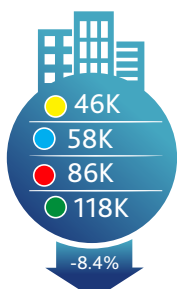
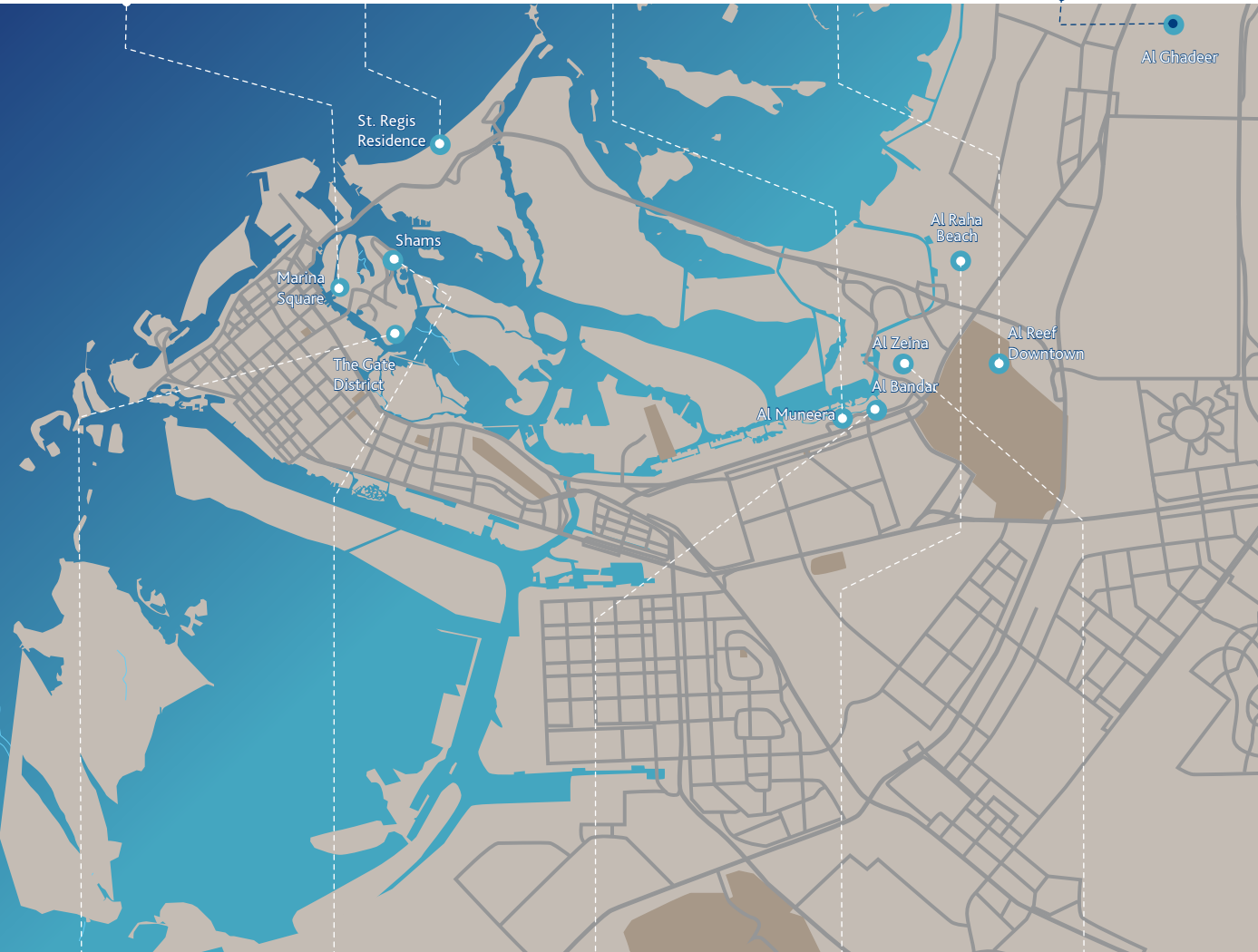
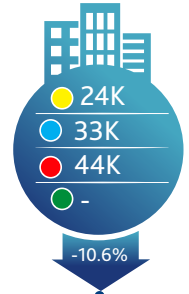
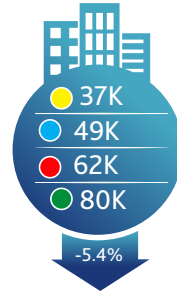
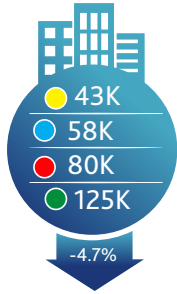


VILLA SALE RATES - Q2 2021



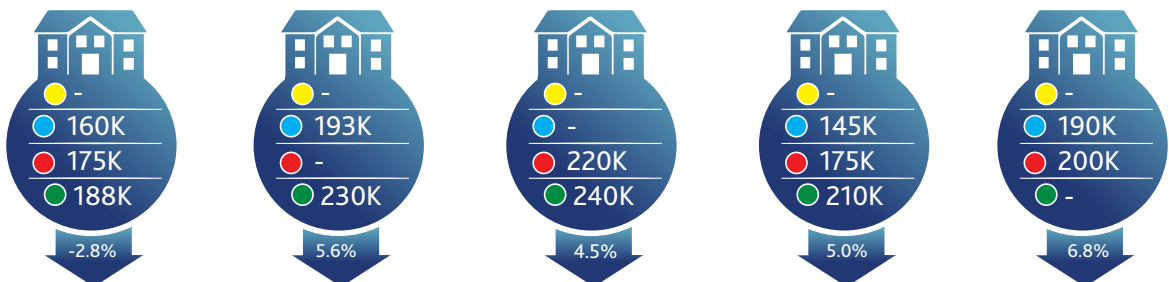
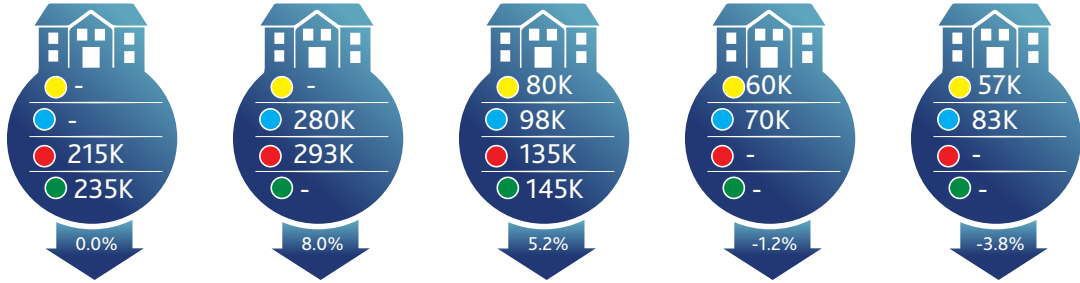
AVERAGE APARTMENT ANNUAL RENTS Q2 2021

● Studio
● 1 Bedroom
● 2 Bedroom
● 3 Bedroom
 ▼ Y.o.Y % Change
 AED/unit/annum



AVERAGE VILLA ANNUAL RENTS Q2 2021

● 2 Bedroom
● 3 Bedroom
● 4 Bedroom
● 5+ Bedroom
 ▼ Y.o.Y % Change
 AED/unit/annum

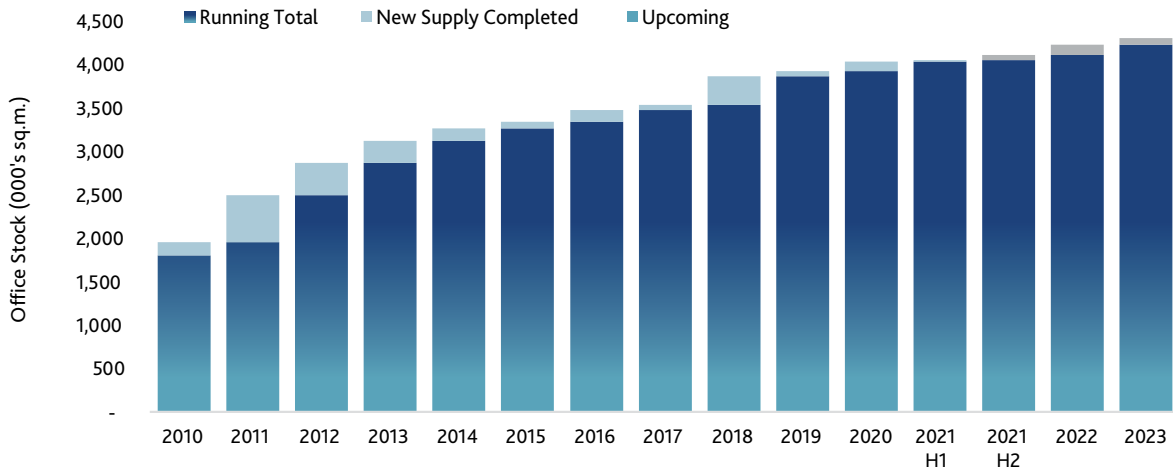


OFFICE MARKET

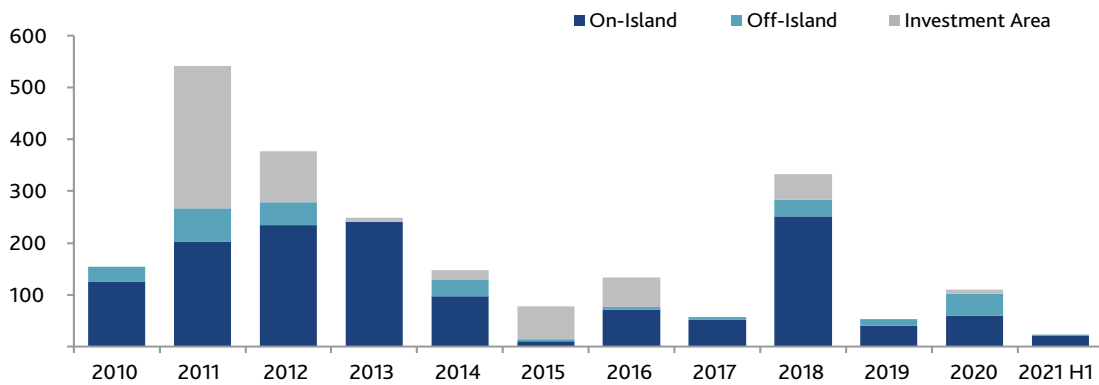
- During H1 2021, c. 20,000 sq.m. of new space was added taking the total office stock figure to 4.06 million sq.m. Notable office completion during the year was the office tower in Al Jimi Avenue in Khalidiya area which accounted for about 11,000 sq.m. of space while rest of the space emerged from mixed-use buildings in secondary and tertiary locations with office space across on mezzanine floor.
- The leasing activity remained subdued with much of the enquiries being for smaller office space of less than 25 sq.m. The demand for smaller office space has seen emergence of new serviced office operators and co-working spaces over the past 6-9 months.
- Relatively low take-up levels and weak demand resulted in drop in average office rents by 3% quarter-on-quarter and 12% year-on-year. The worst performance remained across grade B space which saw rents dropped by 17% year-on-year. Ageing structures and lack of facilities and amenities that are demanded by the occupiers is exerting pressure on rental and occupancy levels.
- The positive economic outlook with the non-oil GDP expected to grow by 4% in 2021 and 2022 and the recent announcement by the UAE Government allowing 100% foreign ownership could spur demand for new office space. The Abu Dhabi Department of Economic Development (ADDED) has already listed 1,105 registered commercial and industrial activities which are open for full ownership for natural and legal non-citizens.
- The transaction activity for strata office space remained subdued during the quarter with rates remained unchanged while year-on-year, the rates dropped by 6% and about 30% from the peak. Due to relatively high holding period and weak demand, investors are more inclined towards leasing fitted and, in a few cases, furnished space.
- The strata space which is predominantly concentrated in Al Reem Island are currently achieving sale rates in the range of AED 7,000 to AED 13,000 per sq.m. while the average rents are in the range of AED 600 to 1,000 per sq.m. per annum (inclusive), depending on the size, location and finishes.
- Looking at the current market environment and weak demand for strata office space, the values both for rental and sales are expected to remain under pressure in the short to medium term and will see extended rent-free period and landlord incentives.
- As per the projects announced/under construction, c. 250,000 sq.m. of office space is expected to enter the market during the period H2 2021 to 2023, provided construction delays remain minimal. Most of the supply is expected to be from on-island and investment areas.
- Further, addition of new space is expected from the Industrial City of Abu Dhabi (ICAD), ZonesCorp has signed an agreement with Block 7 Investments for the development of Block 7 Innovation Hub in ICAD. The development will spread over 820,000 sq.m. which will house smart office complexes, IT facilities, exhibition, retail and entertainment space



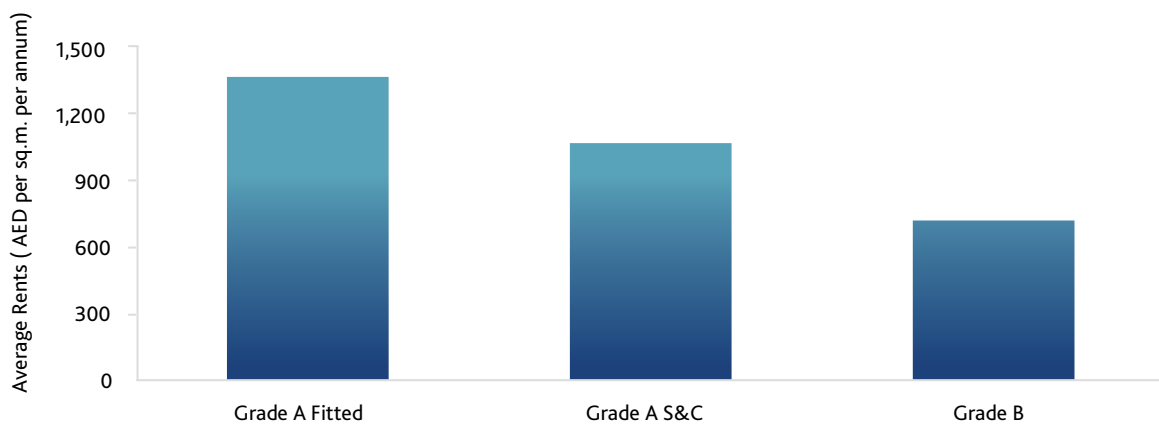
ABU DHABI OFFICE SUPPLY (2010 - 2023)



ANNUAL OFFICE SUPPLY BY LOCATION 2010 - Q2 2021



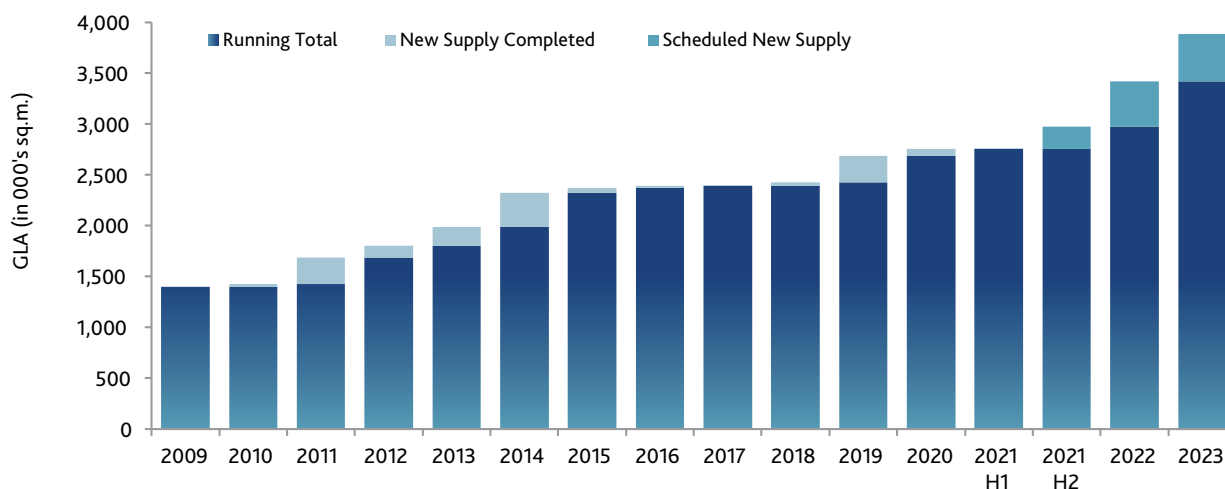
AVERAGE OFFICE RENT Q2 2021



RETAIL MARKET

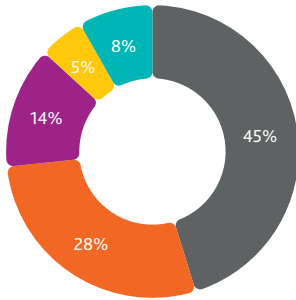
- The Abu Dhabi retail stock currently stands at 2.76 million sq.m. The supply figures remained unchanged during the year, as several projects that were expected to be completed are either experiencing construction delays or being pushed forward due to the pandemic.
- The neighborhood/ community retail centers which account for a major share of the existing stock are recording relatively strong occupancy and footfall levels due to their offering targeted towards daily needs of its immediate residential base.
- Retail sales, primarily in-store sales, continue to remain under pressure due to a drop in footfall and visitor numbers. However, the Department of Culture and Tourism announced plans to organize new retail consumer events, promotions, and campaigns during the year under the umbrella of Retail Abu Dhabi which will help in boosting retail sales.
- The new restrictions announced by the government allowing only vaccinated individuals to retail avenues from August 20, 2021 could further boost shopper's confidence and support in improving footfall and sales volume moving forward.
- As per the timelines announced and under construction projects, c.1.1 million sq.m. GLA of retail space is expected to be completed by 2023, which account for approximately 40% of the existing space. Looking at the historic trends and likely construction delays, it is expected that a substantial share of this space will be pushed to 2024.
- Some of the retail destinations expected to enter the market include Reem Mall on Al Reem Island and Al Qana development in Al Maqta area

ABU DHABI RETAIL SPACE GROWTH - (2009- 2023)

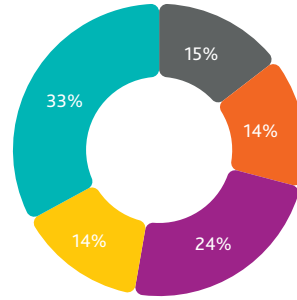


RETAIL SPACE BY CLASSIFICATION

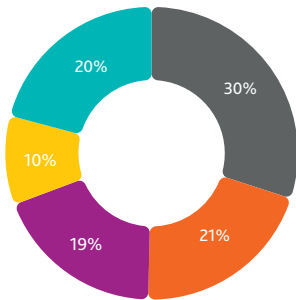
RETAIL SUPPLY PRE-2010



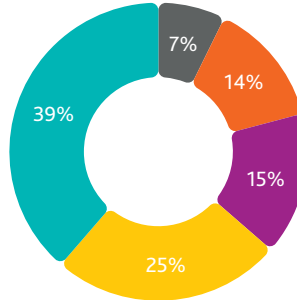
NEW SUPPLY DELIVERED 2010- Q2 2021



RETAIL SUPPLY AS AT Q2 2021



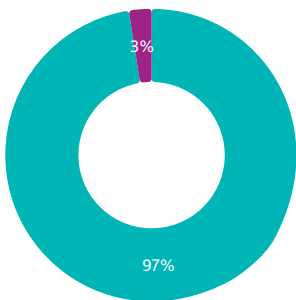
RETAIL DEVELOPMENT PIPELINE



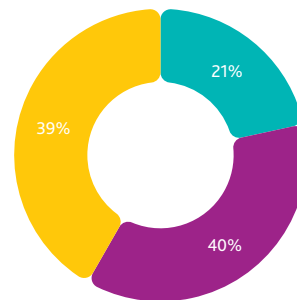
● Neighborhood ● Community ● Sub-Regional ● Regional ● Super Regional

RETAIL SPACE BY LOCATION

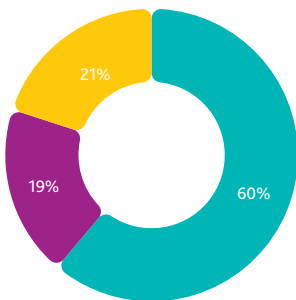
PRE-2010



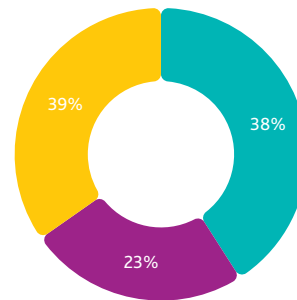
NEW SUPPLY ADDED POST 2010



RETAIL SUPPLY LOCATION AS AT Q2 2021



RETAIL DEVELOPMENT PIPELINE



● On-Island ● Off-Island ● Investment Area





DEFINITIONS & METHODOLOGY

Research Study Area

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

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.

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.



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 Abu Dhabi 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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INTEGRATED SERVICES COVERING THE FULL PROPERTY LIFECYCLE

Property Management	Valuation	Project Management and ESCROW
<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
<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



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