

REAL ESTATE SERVICES

Q2-2020 REAL ESTATE MARKET OVERVIEW ABU DHABI



MPM
Properties المقارية
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

- During Q2 2020, over 2,000 new residential units were handed over taking the total residential stock of Abu Dhabi to 273,000 units.
- The transaction activity remained subdued during the quarter largely due to the pandemic, festive Ramadhan period and relatively weak investor sentiments. However, the government incentives in the form of relaxing the loan to value ratio, reduction in the property registration fees and attractive finance rates offered by the banks has to an extent helped in rejuvenating the transaction market.
- The average sale rates for apartments across selected developments dropped by 2.7% quarter-on-quarter and 8.8% year-on-year while average villa sale rates dropped marginally by less than 1.4% quarter-on-quarter and 8.1% year-on-year.
- The residential leasing activity remained sluggish due to movement restriction imposed due to Covid-19 and relative weak market sentiments. Despite attractive rental rates, tenant preference remained towards renewing and negotiating their existing leases rather than migration.
- On an average, the apartment rents across the selected communities dropped by 1.9% quarter-on-quarter and 7.1% year-on-year. The investment zones fared better than the non-investment zones with an average annual decline of 6% while the non-investment zones registered a decline of 12.5% year-on-year.
- The villa/townhouse segment performed better than the apartments with a rental decline of 1.6% quarter-on-quarter and 5.8% year-on-year. The main reason for relative low rental deflation is due to limited new supply.
- Taking into consideration ongoing construction projects, it is expected that the Abu Dhabi residential market could see an addition of c.19,500 units during the course of H2 2020 to 2022.

Office

- The office market remained sluggish during the quarter with limited lease and sales deals due to the Covid-19 pandemic. The pandemic has further affected the office market, which was already under stress due to softening economy.
- As of end H1 2020, the total office stock of Abu Dhabi stood at 3.93 million sq.m. During the second quarter of the year c.7,500 sq.m. of

new space was added primarily from the secondary and tertiary office locations of Abu Dhabi.

- The average sale rates declined marginally by 1% quarter-on-quarter and 6% year-on-year while from the peak the rates dropped by 26%.
- The office transaction activity during the quarter remained suppressed due to the pandemic. The average office lease rates during the quarter dropped marginally by 1% while on an annual basis, the rates dropped by 6%.
- Looking at the upcoming supply in various stages of development, approximately 0.42 million sq.m. of space is expected to enter the market during the period H2 2020 – 2022.

Retail

- The retail stock of Abu Dhabi remained unchanged and currently stands at 2.69 million sq.m. GLA as of end H1 2020. As per the timeline provided by the developers and taking into consideration the ongoing construction activity, approximately 153,000 sq.m. GLA is expected to enter the market during the second half of 2020. However, looking at the market situation arising due to the Covid-19 and weak market sentiments, a large proportion of this supply is most likely to be moved to 2021.
- The movement restriction and closer of airspace adversely affected the retail sector with both the footfalls and retail sales remaining at their historic lows.
- Looking at the ongoing construction activity, approximately 1.0 million sq.m. of gross leasable retail space is scheduled for completion by the end of 2022

Hospitality

- The hotel establishments supply figures remained unchanged at 32,800 rooms (hotel/hotel apartments).
- The Abu Dhabi hotels enjoyed a healthy occupancy during the first two months of the year, however, air travel restriction due to the Covid-19 pandemic has led to a sharp decline in the performance indicators since March 2020. The average occupancy levels during the second quarter were below 50%.
- The launch of budget airlines of Wizz air and Air Arabia Abu Dhabi is expected to further widen the tourist source markets and improve the tourist arrival numbers in the coming years



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RESIDENTIAL SECTOR

- During Q2 2020, over 2,000 new residential units were handed over, taking the total residential stock of Abu Dhabi to 273,000 units. In terms of supply by unit type, apartments accounted for a share of 67% while 33% were villas/townhouses.
- About 67% of the new supply was from the investment areas of Reem Island, Al Raha Beach and Yas Island while 18% from the mainland areas of Khalifa City A, Mohammed Bin Zayed city and Shamkha areas and the balance 15% from the Abu Dhabi Island.
- Within the investment areas, Aldar Properties handed over phase 1 of the Bridges project on Reem Island, the phase 1 of the project comprises of three towers offering 636 apartments while 652 villas/townhouses from Yas Acres were handed over on Yas Island.
- The transaction activity remained subdued during the quarter largely due to the pandemic, festive Ramadhan period and relatively weak investor sentiments. However, the government incentives in the form of relaxing the loan to value ratio, reduction in the property registration fees and attractive finance rates offered by the banks has to an extent helped in rejuvenating the transaction market.
- The average sale rates across selected properties dropped by 2.7% quarter-on-quarter and 8.8% year-on-year. However, there are few developments wherein the rate of decline is relatively higher than the annual average decline.
- Within the mid-market segment, Al Ghadeer development saw the highest decline with sale rates dropping by 2.5% quarter-on-quarter and 14.7% year-on-year. The average sale rate dropped from AED 800 per sq.ft. in Q2 2019 to the current levels of AED 685 per sq.ft. The sale rates in Al Ghadeer development are likely to deflate further due to the expected rise in new supply from Dubai projects bordering with Abu Dhabi as well as attractive sale rates and payment plans offered within the investment areas that fall in-close proximity to the CBD.
- Other developments, which have recorded a double-digit annual decline, include Saadiyat Beach Residence 13%, Gate District 12%, Al Zeina 10.4% and Reef Downtown 10.3%.
- The average villa sale rates across selected villa communities in Abu Dhabi have declined marginally by 1.4% quarter-on-quarter and 8.1% year-on-year. Within the selected communities, the highest annual decline was recorded for the Saadiyat Beach Villas (SBV), wherein the rates dropped by 2.0% quarter-on-quarter and 14.3% year-on-year.
- In the mainland investment zones, the sale rates in Hydra Village development recorded a drop of 2.4% quarter-on-quarter and 10.9% year-on-year while Al Reef development recorded a decline of 8.9% annually.
- The rise in supply of villa plots within the investment and non-investment zones has largely impacted the property values for completed villas. Attractive sale rates, flexible payment terms and flexible construction timeline offered by the developers are few factors driving the sales of villa plots. The average sale rates remained in the range of AED 140 – 550 per sq.ft. depending on the development, plot size and location of the project. The lowest rates are in Al Reeman project, averaging at AED 135 per sq.ft., while the rates in Lea Yas Island are averaging at AED 250 per sq.ft. and in Nareel Island (non-investment area) average sale rates are AED 550 per sq.ft.
- The residential leasing activity remained sluggish due to movement restriction imposed due to Covid-19 and relative weak market sentiments. Despite attractive rental rates, tenant preference remained towards renewing and negotiating their existing leases rather than migration to newer units.
- On an average, the apartment rents across the selected communities dropped by 1.9% quarter-on-quarter and 7.1% year-on-year. The investment zones fared better than the non-investment zones with an average annual decline of 6% while



the non-investment zones registered a decline of 12.5% year-on-year. Lack of professional property management and limited facilities and amenities along with the ageing structures is resulting in a sharp decline in the rental rates.

- Within the investment zones, the highest annual decline of 11% was recorded in Al Ghadeer development followed by Saadiyat Beach Residences (SBR) a decline of 8.6% year-on-year. Emergence of new supply in-close proximity developments of Dubai Industrial Park and Dubai South areas is having a negative impact on the properties in Al Ghadeer development.
- The rental rates in Al Muneera (Al Raha Beach development) dropped by 7.6% year-on-year while Al Reef Downtown saw rates dropping by 7.5% year-on-year, a two bedroom in the development dropped from an average of AED 72,000 per unit per annum in Q2 2019 to the current levels of AED 64,000 per unit per annum.
- The villa/townhouse segment performed better than the apartments with a rental decline of 1.6% quarter-on-quarter and 5.8% year-on-year. The main reason for relative low rental deflation is due to limited new supply.
- Within the investment zones, the highest annual decline was recorded in the mid-market product segment located in Al Ghadeer and Hydra Village developments. Al Ghadeer development due to its proximity recorded an annual decline of 9.4% while properties in Hydra Villa recorded a 7.6% decline year-on-year.
- Other locations which recorded a sharp decline includes Al Mushrif Gardens wherein the average rent for a four bedroom unit dropped from AED 190,000 in Q2 2019 to AED 170,000 in Q2 2020, registering a drop of 9.7%.
- Taking into consideration the ongoing construction projects, it is expected that the Abu Dhabi residential market could see an addition of c.19,500 units during the course of H2 2020 to 2022. However, looking at the historic trends and the Covid-19 situation, it is likely that several projects slated for delivery in 2020 will experience construction delays and will be shifted to 2021.
- The investments areas dominate the future supply trends with a share of 72% of the total supply followed by on Island 13% while the mainland area of Abu Dhabi accounts for 10% of the supply.
- In terms of supply by property type, 15% accounts for villas/townhouses while the apartments dominate with a share of 85% of the total future supply

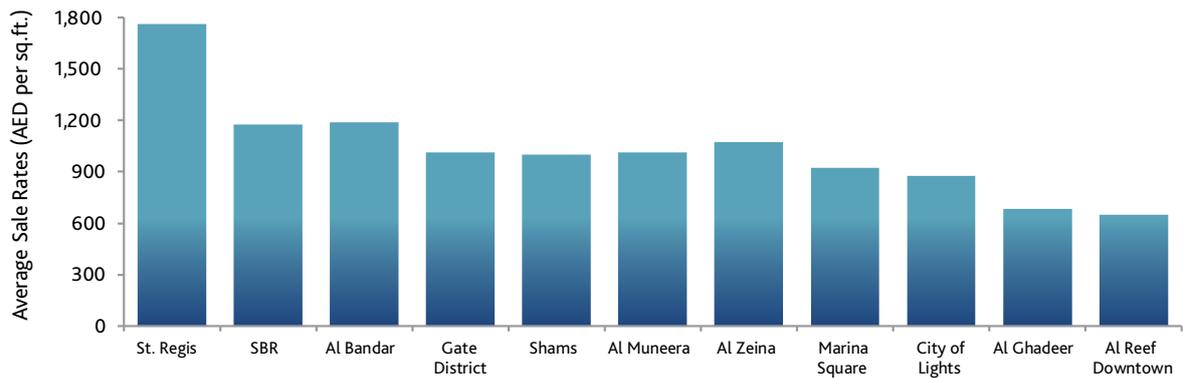


RESIDENTIAL SUPPLY BY UNITS 2010 - 2022



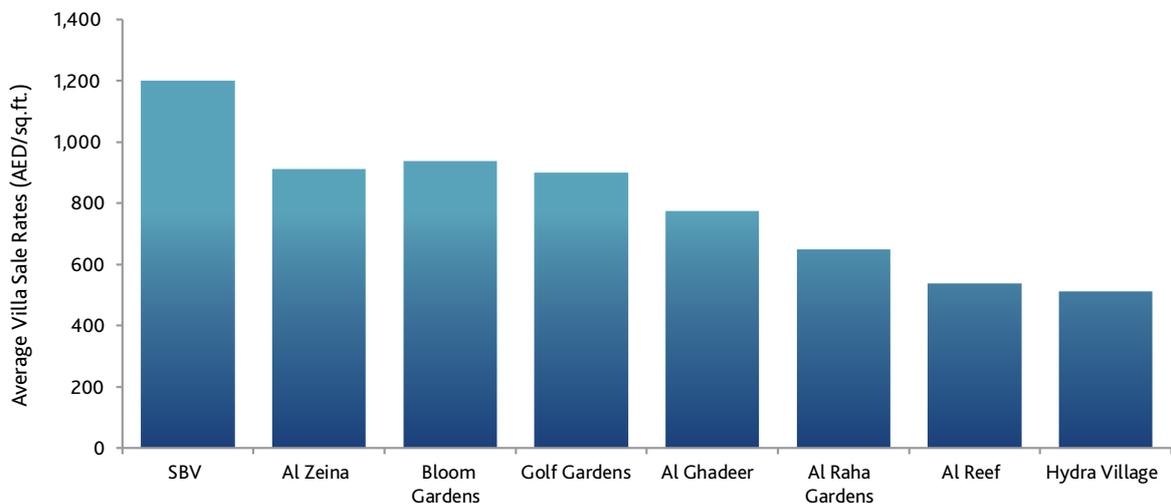
APARTMENT SALE RATES - Q2 2020

Q-on-Q	-2.1%	-2.1%	-3.1%	-3.6%	-1.2%	-1.2%	-4.4%	-2.6%	-2.8%	-2.5%	-3.7%
Y-on-Y	-8.9%	-13.0%	-6.9%	-12.0%	-9.1%	-3.6%	-10.4%	-5.1%	-2.8%	-14.7%	-10.3%

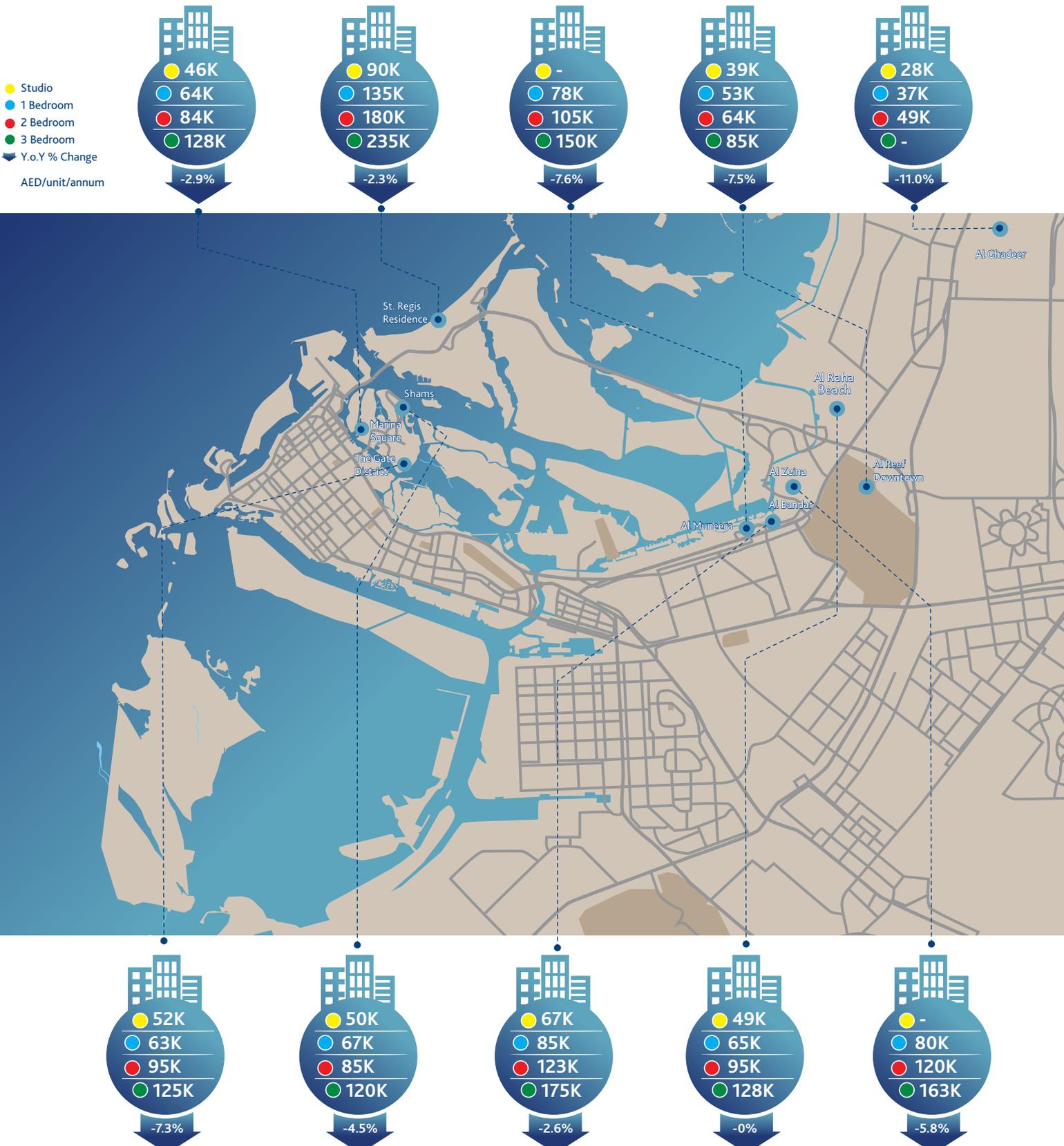


VILLA SALE RATES - Q2 2020

Q-on-Q	-2.0%	-1.4%	0.0%	0.0%	-3.1%	0.0%	-2.3%	-2.4%
Y-on-Y	-14.3%	-6.4%	-8.5%	-5.3%	-3.1%	-7.1%	-8.9%	-10.9%

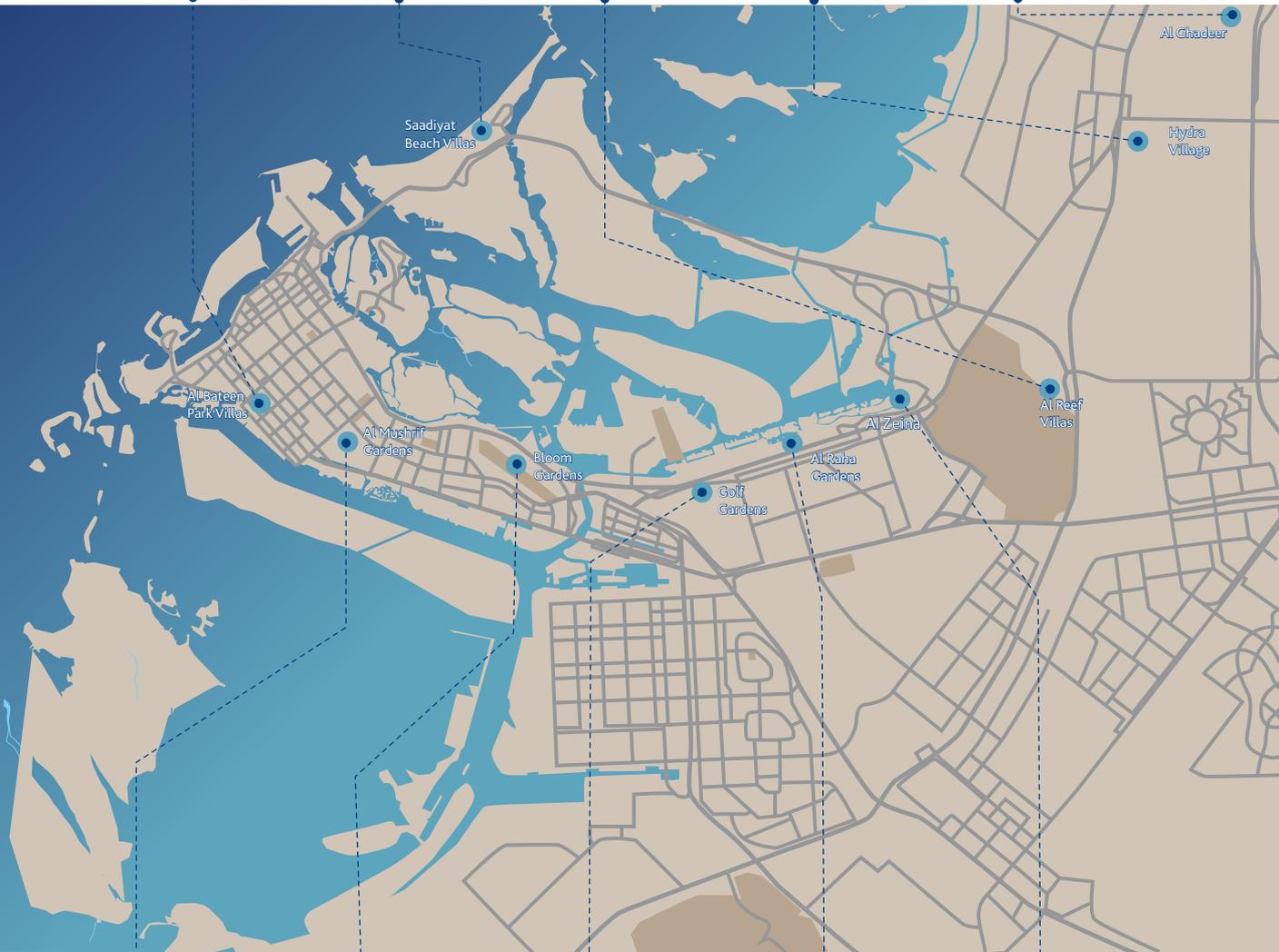


AVERAGE APARTMENT ANNUAL RENTS Q2 2020



AVERAGE VILLA ANNUAL RENTS Q2 2020

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



OFFICE MARKET

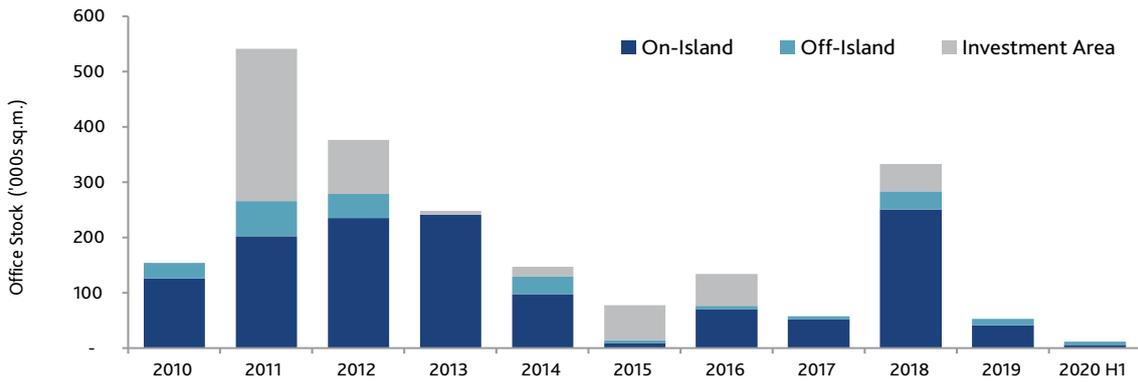
- As of end H1 2020, the total office stock of Abu Dhabi stood at 3.93 million sq.m. During the second quarter of the year c.7,500 sq.m. of new space was added, primarily from the secondary and tertiary office locations of Abu Dhabi.
- The micro-market classified under the Airport Road / Al Falah / Al Wahda / Muroor / Al Nahyan saw addition of c. 3,500 sq.m. of office (47% of the total quarterly supply) followed by Mussafah and Mohammed bin Zayed (MBZ) area which added roughly 2,600 sq.m. of new space.
- Despite limited supply and competitive sale rates, the transaction activity for the strata space remained weak during the quarter, mainly due to weak market conditions and low investor appetite.
- The average sale rates declined marginally by 1% quarter-on-quarter and 6% year-on-year. The average sale rates currently range between AED 850 – 1,175 per sq.ft. compared to AED 1,100 -1,600 per sq.ft. during the peak, an average decline of 26% from the peak.
- The office leasing activity during the quarter remained suppressed due to the pandemic. The average office lease rates during the quarter dropped marginally by 1% while on an annual basis, the rates dropped by 6%.
- The average lease rates for Grade A shell & core space during the quarter remained at AED 1,075 per sq.m. per annum, a drop by 9% year-on-year while grade A fitted office space averaged at AED 1,375 per sq.m. per annum, an annual decline by 4%. Grade B office rental rates averaged at AED 725 per sq.m. per annum, a drop of 6.% year-on-year.
- Looking at the upcoming supply in various stages of development, approximately 0.42 million sq.m. of space is expected to enter the market during the period H2 2020 – 2022. However, taking into consideration the current situation, it is likely that a large proportion of this supply will be delayed by 6-8 months.
- In terms of supply by location, about 50% of the supply is expected to enter from the investment areas with prominent office building under construction include the Two Four Fifty Four HQ in Yas Island.



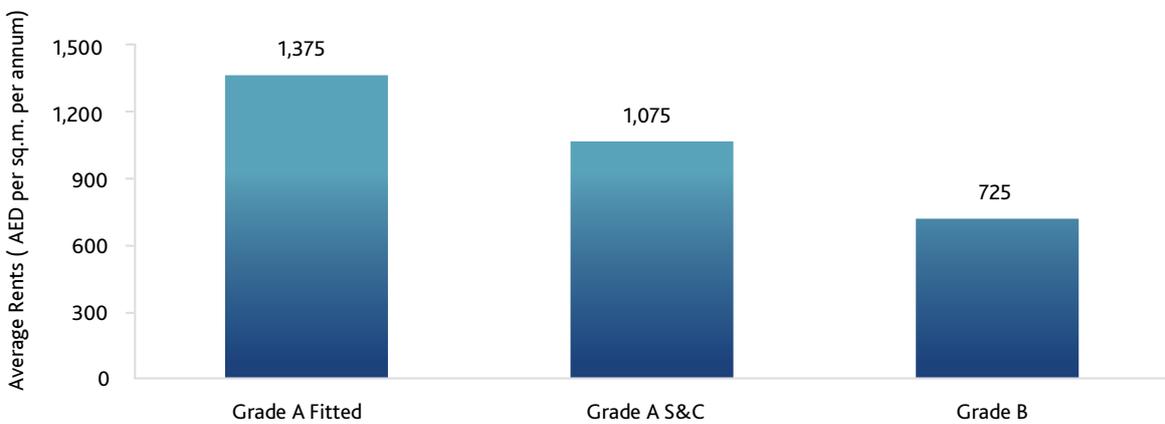
ABU DHABI OFFICE SUPPLY (2010 - 2022)



ANNUAL OFFICE SUPPLY BY LOCATION 2010 - Q2 2020



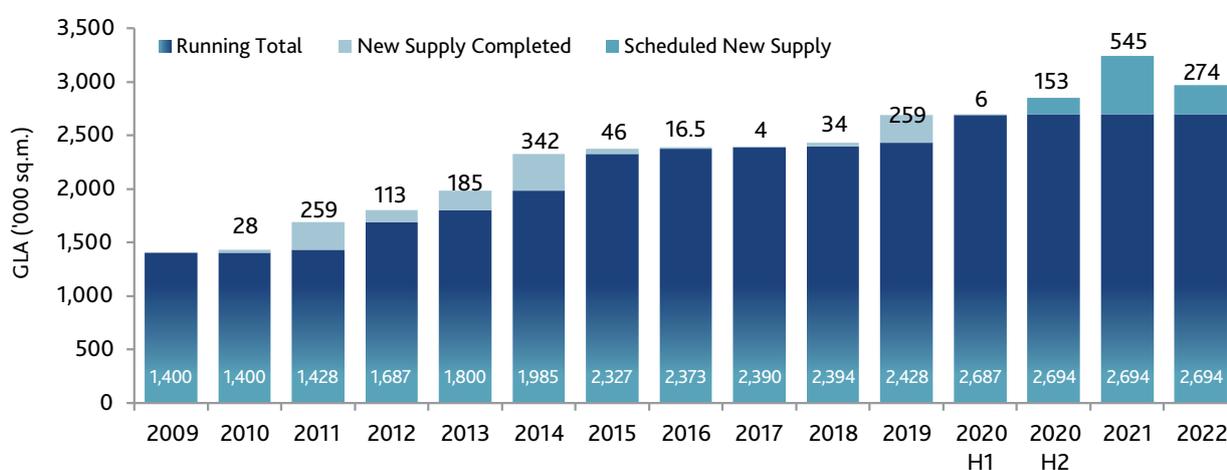
AVERAGE OFFICE RENT Q2 2020



RETAIL MARKET

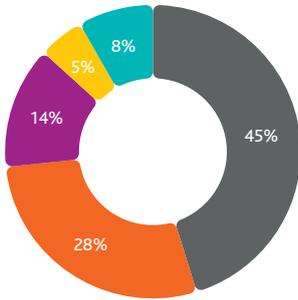
- The retail stock of Abu Dhabi remained unchanged and currently stands at 2.69 million sq.m. GLA as of end H1 2020.
- As per the timeline provided by the developers and taking into consideration the ongoing construction activity, approximately 153,000 sq.m. GLA is expected to enter the market during the second half of 2020. However, looking at the market situation arising due to the Covid-19 and weak market sentiments, a large proportion of this supply is most likely to be moved to 2021.
- Since 2010, the total retail stock of Abu Dhabi has increased by over 90%, with 34% of the space falling under the super-regional category followed by sub-regional accounting for a share of 25% while 26% of the space emerged under the categories of neighbourhood and community retail centres.
- The movement restriction and closer of airspace adversely affected the retail sector with both the footfalls and retail sales remaining at their historic lows. However, proactive measures by the government and mall operators has to an extent helped in placating the impact on the brick and mortar stores.
- As part of the economic package launched by the Abu Dhabi government, the Department of Economic Development announced a 20% rental rebate for all the companies falling under the license activities of restaurants, entertainments and tourism excluding hotels while the individual mall operators on case-to-case basis have waived or reduce the rents for Q2 2020.
- Looking at the ongoing construction activity, approximately 1.0 million sq.m. (37% of the existing stock) of gross leasable retail space is scheduled for completion by the end of 2022. However, looking at the historic trends and current market situation, a fair quantum of this supply will be shifted to 2023.
- Few of the key retail developments under pipeline include Reem Mall on Reem Island, Al Qana Development in Al Maqta area and the Traditional Souq in the Grand Mosque area.

ABU DHABI RETAIL SPACE GROWTH - (2010- 2022)

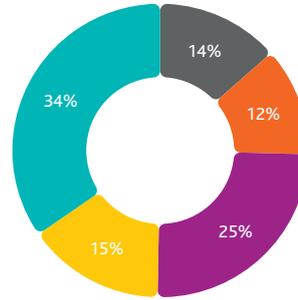


RETAIL SPACE BY CLASSIFICATION

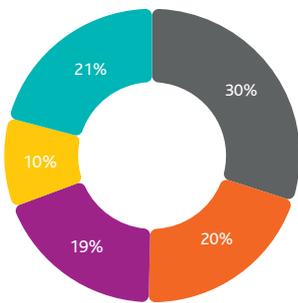
RETAIL SUPPLY PRE-2010



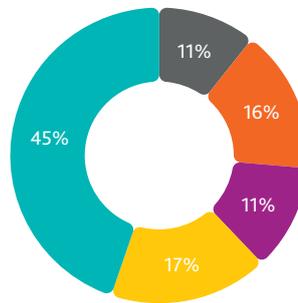
NEW SUPPLY DELIVERED 2010- Q2 2020



RETAIL SUPPLY AS AT Q2 2020



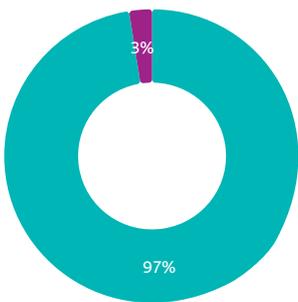
RETAIL DEVELOPMENT PIPELINE



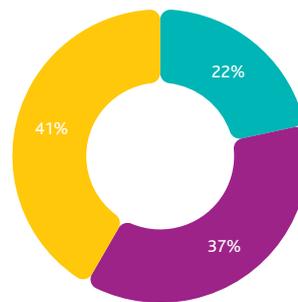
● Neighborhood ● Community ● Sub-Regional ● Regional ● Super Regional

RETAIL SPACE BY LOCATION

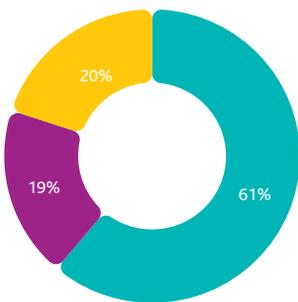
PRE-2010



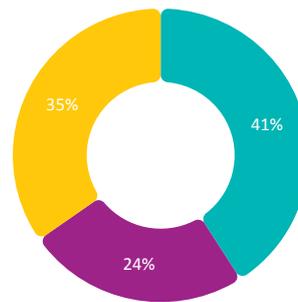
NEW SUPPLY ADDED POST 2010



RETAIL SUPPLY LOCATION AS AT Q2 2020



RETAIL DEVELOPMENT PIPELINE



● On-Island ● Off-Island ● Investment Area



HOSPITALITY

- The hotel establishments supply figures remained unchanged at 32,800 rooms (hotel/hotel apartments). Of the total hotel room supply, 89% of the rooms are located in Abu Dhabi Island and the rest are in Al Dhafra and Al Ain regions.
- The Abu Dhabi hotels enjoyed a healthy occupancy during the first two months of the year, however, air travel restriction due to the Covid-19 pandemic has led to a sharp decline in the performance indicators since March 2020.
- The average occupancy levels during the second quarter were below 50%. In order to reduce the impact on hotel performance indicators, several hotel started to offer attractive staycation packages designed to attract UAE residents.
- The opening of tourist destinations have been instrumental over the years in attracting tourists to the emirate. The Abu Dhabi hotel establishments welcomed 5.14 million guests in 2019 compared to 3.49 million guests in 2013, a compounded average growth of 8.0%. The launch of budget airlines of Wizz air and Air Arabia Abu Dhabi is expected to further widen the tourist source markets and improve the tourist arrival numbers in the coming years.
- As per the construction timelines announced by the developers, around 2,000 new hotel rooms/ apartments are expected to open during the course of 2020. However, taking into consideration the current situation, it is likely that a large share of this supply will be moved forward to 2021.

ABU DHABI HOTEL ROOM SUPPLY 2012 - 2022



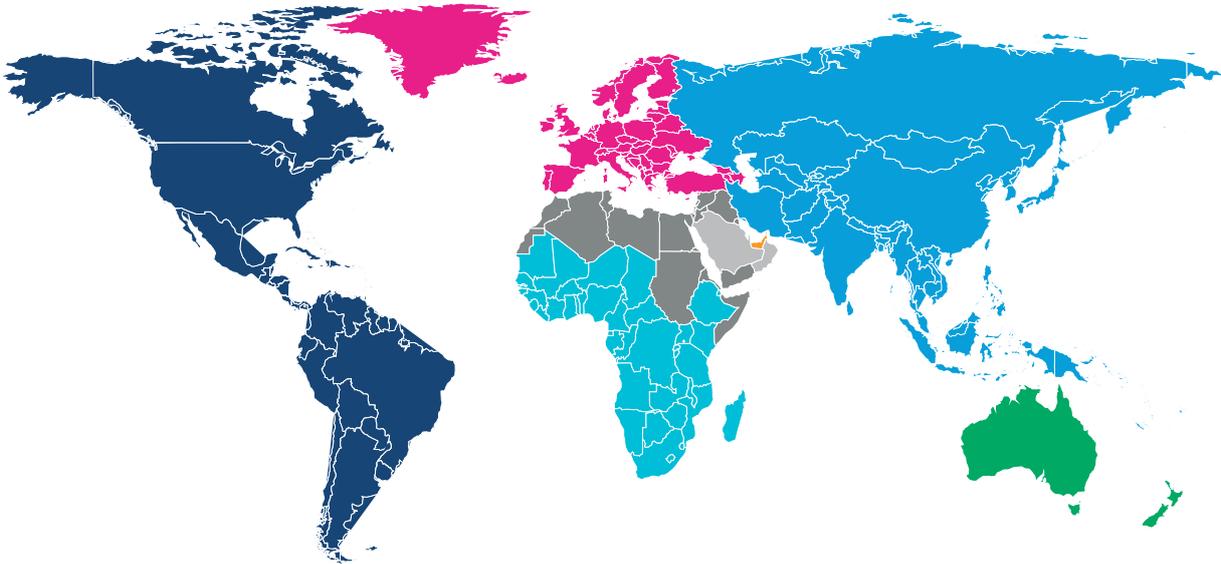
ABU DHABI HOTELS PERFORMANCE (2013 - 2019)*



*Note: The latest trends were not available at the time of writing this report.



GUEST ARRIVALS Q4 2019 YTD*



40%

United Arab Emirates

4%

Other GCC Countries

8%

Other Arab Countries

11%

Europe

6%

North & South America

31%

Asia (Except Arab)

GUEST ARRIVALS - TOP 5 (NON UAE)*

Rank	Nationality	2019	2018	Growth Rate %
01	India	450	301	49%
02	China	396	304	30%
03	UK	267	190	41%
04	USA	204	141	45%
05	Egypt	184	126	46%

*Note: The latest trends were not available at the time of writing this report.





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.

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.



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	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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