

REAL ESTATE SERVICES

Q3-2020 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

- With the addition of c.2,000 new units during Q3 2020, the total residential stock of Abu Dhabi reached just over 275,000 units. The new supply mainly emerged from the investment areas accounting for a share of 57% of the quarterly supply followed by Abu Dhabi Island with a share of 26% and the rest 17% from the mainland areas.
- The average apartment sale rates dropped by 2.2% quarter-on-quarter and 9.1% year-on-year. In terms of performance by development, the highest annual decline was recorded in Al Ghadeer development with sale rates dropping by 14% followed by Saadiyat Island with a decline of 11.3%.
- Within the off-plan segment, the sale rates within the luxury segment averaged at AED 1,500 per sq.ft. while properties in the Reem Island, Yas Island and Masdar, averaged in the range of AED 1,000 - 1,200 per sq.ft.
- The villa/town house segment performed better than the apartment segment with the average sale rates dropping marginally by less than 1% quarter-on-quarter and 5.4% year-on-year.
- The performance by individual communities indicates the highest decline remained in the mid-market segment of Hydra Village development wherein the rates dropped by 2.4% quarter-on-quarter and 13% year-on-year.
- However, over the past six months, developments such as West Yas and Yas Acres have attracted investor and occupier interest resulting in an upward movement in capital values and occupancy rates. For example the capital values in Yas Acres increased from AED 950 per sq.ft. in Q2 2020 to the current rates of AED 1,000 per sq.ft.
- During the quarter, the residential leasing activity remained predominantly focused towards tenant migration and upgrading. The average apartment rents across the selected locations have deflated by 1.9% quarter-on-quarter and 7.5% year-on-year.
- The rental performance of the villa/town house segment remained largely stable during the quarter with a marginal decline of 1% and 4.6% year-on-year. Competitive rental rates and relatively controlled supply has abetted the segment in maintaining healthy occupancy rates.
- As per the projects announced/under construction, the Abu Dhabi residential market is expected to see an addition of c.22,000 units during the course of Q4 2020 to 2023, an average of 6,500 units per annum.

Office

- Office leasing activity continues to remain suppressed due to the pandemic and softening economy. The demand for office space from new entrants remained negligible during the quarter with much of the enquiries emanating from the existing occupiers looking to relocate to reduce costs or consolidation. The average office lease rates dropped by 2% quarter-on-quarter and 8% year-on-year.
- Office sale transactions largely remained inactive during the quarter despite relatively low sale rates. On an average office sales rates dropped by 2% quarter-on-quarter and 7% year-on-year.
- New office space completed as of end Q3 2020 remains at close of 70,000 sq.m., taking the total office stock of Abu Dhabi close to 4.0 million sq.m. The new supply during the year largely comprised of grade B and C, which has emerged mainly from low-rise buildings spread across the secondary and tertiary locations.
- In terms of supply by micro-market, c.27,000 sq.m. of office space was completed in the Capital district area which accounted for a share of 39% of the total supply in 2020.
- Looking at the timeline provided by the developers, approximately 0.35 million sq.m. of office space is expected to enter the market during the period Q4 2020 – 2022. However, looking at the past supply trends, it is likely that a large proportion of the known supply will be pushed to 2023.

Retail

- The retail stock of Abu Dhabi remained unchanged and currently stands at 2.69 million sq.m. GLA as of end Q3 2020.
- Looking at the pipeline supply, it is estimated that approximately 70,000 sq.m. GLA is expected to enter the market during the last quarter of 2020. About 60% of this supply falls under the community centre classification and the rest 40% space falls under neighbourhood centre classification.
- The retailers continue to renegotiate rents as pressure on sales volume persist, and performance across all retail segments remain significantly lower due to the pandemic.
- As per the projects announced/under construction, approximately 1.14 million sq.m. of gross leasable retail space is scheduled for completion by the end of 2023.



FACTS & FIGURES



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RESIDENTIAL SECTOR

- With the addition of c.2,000 new units during Q3 2020, the total residential stock of Abu Dhabi reached just over 275,000 units. In terms of supply by unit type, apartments accounted for a share of 77% while 23% were villas/townhouses.
- The supply trend during the period 2015-2018 remained steady at below 6,000 units. However, new projects emerging from the investment areas has resulted in a sharp increase in supply figures to c.7,000 units in 2019. Looking at the ongoing projects, it is forecasted that the annual supply figures for 2020 will remain the same as last year.
- During Q3 2020, the new supply mainly emerged from the investment areas accounting for a share of 57% of the quarterly supply followed by Abu Dhabi Island with a share of 26% and the rest 17% from the mainland areas.
- The incentives announced by the government, developers and financial institutes at the start of the pandemic is paving the way towards generating renewed interest in the emirate's property market. Compared to the previous quarter, the transaction activity for completed as well as off-plan properties remained strong during the quarter.
- Within the off-plan segment, the sale rates within the luxury segment averaged at AED 1,500 per sq.ft. while properties in the Reem Island, Yas Island and Masdar City developments the average sale rates ranged between AED 1,000 to 1,200 per sq.ft.
- For ready properties in the selected developments, the average apartment sale rates dropped by 2.2% quarter-on-quarter and 9.1% year-on-year. In terms of performance by development, the highest annual decline was recorded in Al Ghadeer development with sale rates dropping by 14% followed by Saadiyat Island with a decline of 11.3%.
- The other developments of Reem Island and Al Raha Beach recorded a decline of 8% and 7.6% respectively while properties in Al Reef Downtown saw rates dropping by 8.3%.
- The villa/townhouse segment performed better than the apartment segment with the average sale rates dropping marginally by less than 1% quarter-on-quarter and 5.4% year-on-year.
- The performance by individual communities indicates the highest decline remained in the mid-market segment of Hydra Village development wherein the rates dropped by 2.4% quarter-on-quarter and 13% year-on-year. The average rate within the development dropped from AED 575 per sq.ft. in Q3 2019 to the AED 500 per sq.ft. in Q3 2020.
- Other developments, which have recorded a notable annual decline, include Saadiyat Beach Villas (SBV) 7.7%, Bloom Gardens 7.5% and Al Reef 7.3%.
- However, over the past six months, the developments such as West Yas and Yas Acres have attracted investor and occupier interest resulting in an upward movement in capital values. For example a four bedroom villa in West Yas is currently achieving an average value of AED 4.9 million compared to below AED 4.5 million in Q3 2019. Similar the capital values in Yas Acres increased from AED 950 per sq.ft. in Q2 2020 to the current rates of AED 1,000 per sq.ft.
- The sale rates for villa plots within the investment zones remained stable during the quarter. The projects Lea, Saadiyat Reserve and Reeman 1 and 2 remain active during the quarter. Together these projects account for c. 2,000 villa development plots. The average sale rates in Al Reeman remained lowest at AED 135 per sq.ft. while the rates in Lea and Saadiyat Reserve projects averaged in the range of AED 225 – 260 per sq.ft.
- In the non-investment zones, the sale rates for villa plots in Al Merief and Nareel Island projects were in the range of AED 190 – 500 per sq.ft.
- During the quarter, the residential leasing activity remained predominantly focused towards tenant migration and upgrading. Attractive rental rates accompanied by landlord incentives has resulted in tenant migration and upsizing to larger units.

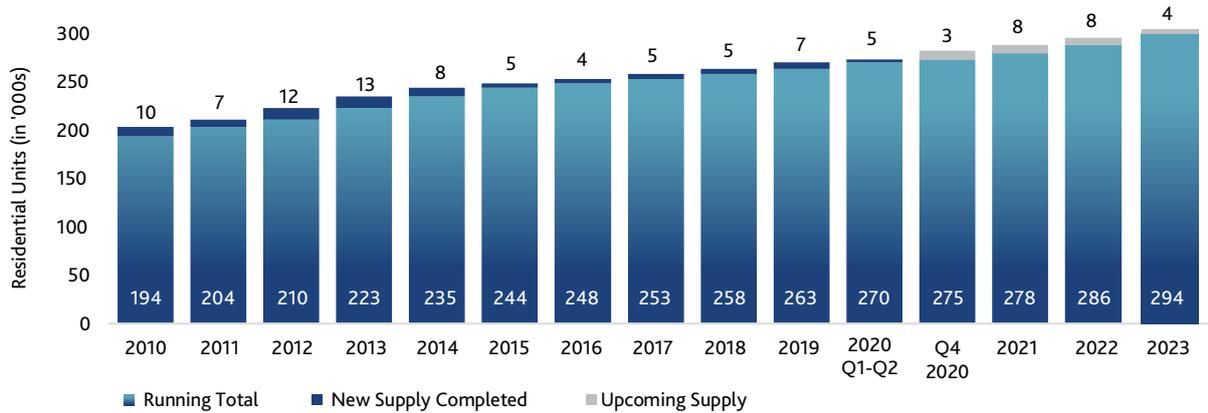


This has resulted in a relatively higher percentage decline in rents for smaller unit sizes of studio and one-bedroom units compared to the larger units.

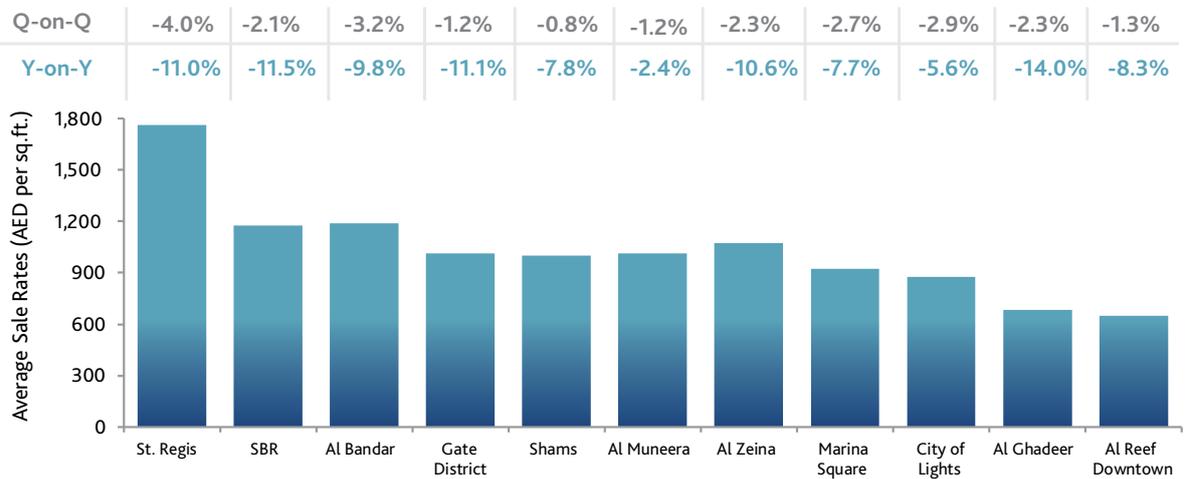
- The average apartment rents across the selected locations have deflated by 1.9% quarter-on-quarter and 7.5% year-on-year. In terms of decline by investment areas, the non-investment areas recorded an annual average rental decline of 13.9% compared to 6.3% across investment locations.
- Increase in supply and softening economy continue to exert pressure on the rental and occupancy rates across the wider residential market. The worst affected are the ageing properties and developments that are lacking facilities and amenities, due to a flight toward quality and newer stock.
- In terms of decline by location, the highest decline in the investment zones was in Al Ghadeer development with rents dropping by 3.5% quarter-on-quarter and 11.7% year-on-year.
- Within Al Raha Beach development, properties developed by Aldar have performed better than the private developers. The rental rates across properties from private developers dropped by 8% year-on-year compared to the average of 6.1% across the wider development.
- The other key investment area of Reem Island recorded an average rental decline of 6.1% annually. Within this masterplan community, the highest drop was noticed in the Gate District wherein the rents dropped by 3% quarter-on-quarter and 9.1% annually.
- The rental performance of the villa/townhouse segment remained largely stable during the quarter with a marginal decline of 1% and 4.6% year-on-year. Competitive rental rates and relatively controlled supply has abetted the segment in maintaining healthy occupancy rates.
- Within the selected villa locations, the non-investment zones have recorded an average annual rental decline of 6.5% while the investment zones has seen an average rental drop of 3.8%.
- The Hydra Village development recorded a rental decline of 2.7% quarter-on-quarter and 8.8% year-on-year, the highest within the selected villa communities. The average rent for a three bedroom unit dropped from AED 74,000 in Q3 2019 to AED 68,000 in Q3 2020.
- Another location that has recorded a sharp decline is Al Bateen Villas wherein a four bedroom unit achieved a rent of AED 200,000 in Q3 2020 compared to AED 232,000 in Q3 2019, an annual drop of 13.7%.
- As per the projects announced/under construction, the Abu Dhabi residential market is expected to see an addition of c.22,000 units during the course of Q4 2020 to 2023, an average of 6,500 units per annum. For the remainder of the year, around 2,600 units are expected to be handed over, however due to Covid-19 several projects are experiencing construction delays and it is likely that about 20-25% of this supply could to be moved to H1 2021.
- In terms of supply by location, the investment areas dominate the future supply trends with a share of 83% of the total supply followed by on Island 10% while the mainland area of Abu Dhabi accounts for 7% of the supply.



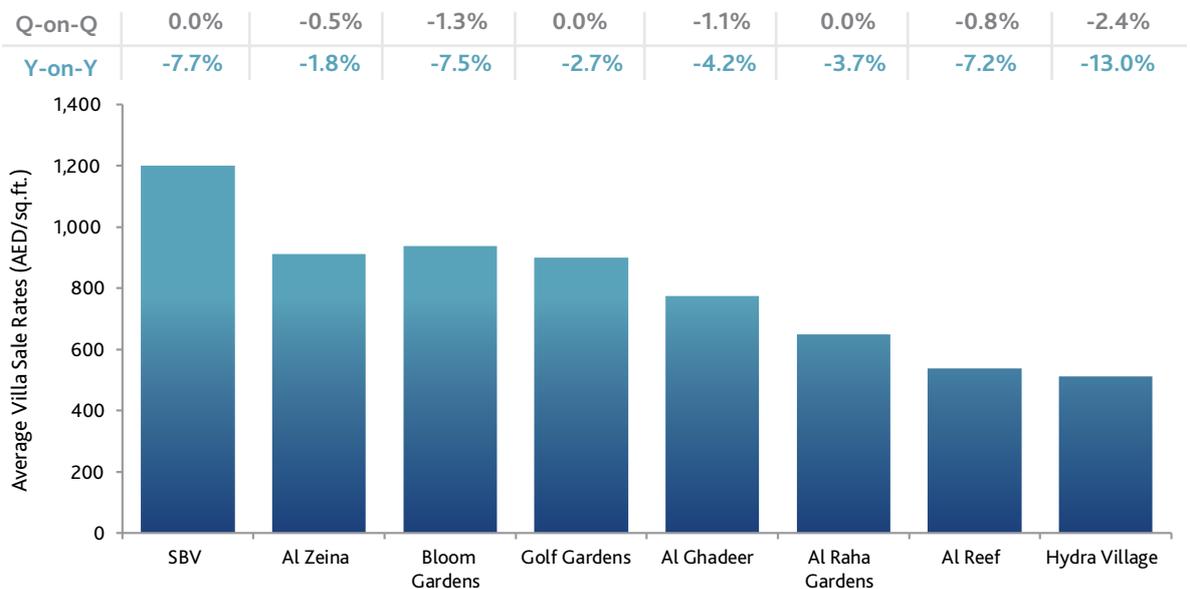
RESIDENTIAL SUPPLY BY UNITS 2010 - 2023



APARTMENT SALE RATES - Q3 2020

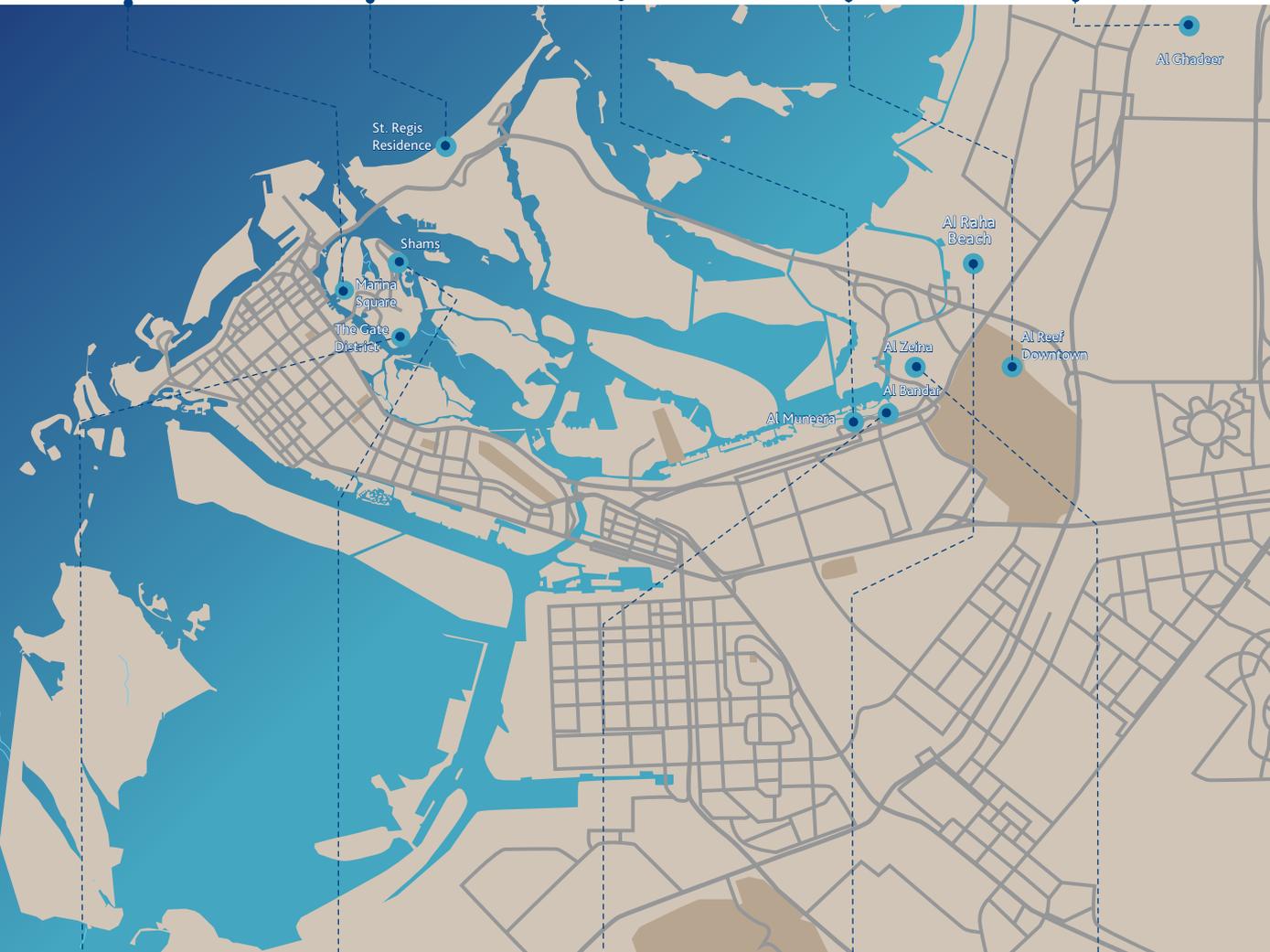


VILLA SALE RATES - Q3 2020



AVERAGE APARTMENT ANNUAL RENTS Q3 2020

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



AVERAGE VILLA ANNUAL RENTS Q3 2020

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

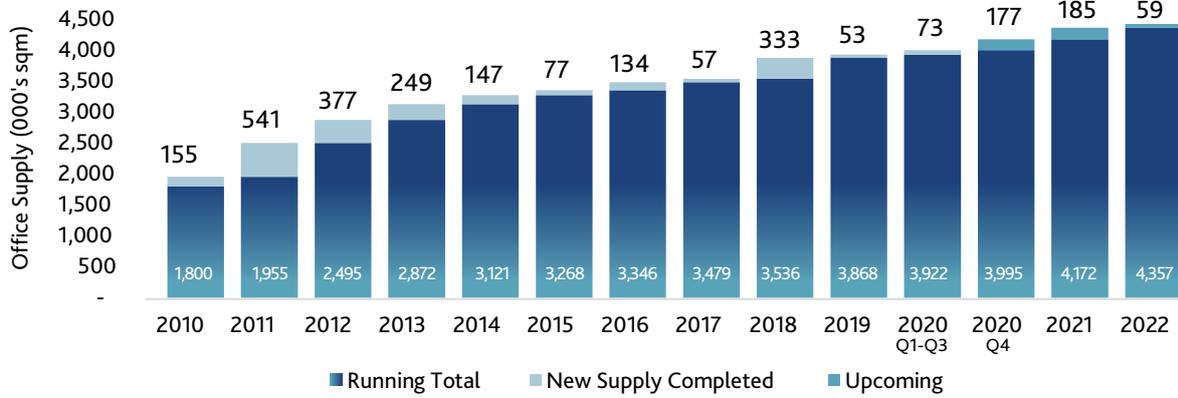


OFFICE MARKET

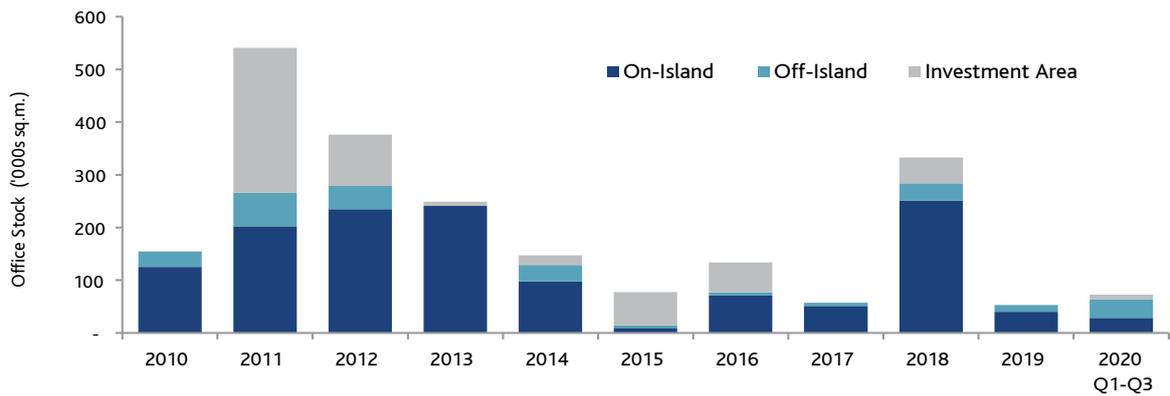
- The new office space completed as of end Q3 2020 remains at close of 70,000 sq.m., taking the total office stock of Abu Dhabi close to 4.0 million sq.m. The supply during the year is of grade B and C, which has emerged mainly from low-rise buildings spread across the secondary and tertiary locations.
- In terms of supply by micro-market, c.27,000 sq.m. of office space was completed in the Capital district area which accounted for a share of 39% of the total supply in 2020. Other micro-markets with noticeable supply include Mina / Al Zahiya / Al Markaziyah / Madinat Zayed areas accounting for a share 14% while Airport Road / Al Falah / Al Wahda / Muroor / Al Nahyan account for a share of 12%.
- Looking at the supply pipeline, the majority of the new supply expected to be completed during the course of 2020 is from the secondary locations wherein the space is distributed across 1-2 floors of mixed use buildings.
- The office sale transactions largely remained inactive during the quarter despite relatively low sale rates. On an average office sales rates dropped by 2% quarter-on-quarter and 7% year-on-year. From the peak, the average sale rates dropped by 26%.
- With relatively weak demand and lack of appetite towards the strata space, the rates are expected to deflate further during the course of the year. The current market scenario of the strata office space is leading investors to hold on their property and focus towards leasing the space rather than keeping it void in anticipation of a sale.
- The office sale rates in the key office development of Al Reem Island are currently achieving a rate of AED 11,000 per sq.m. compared to AED 15,250 per sq.m. at its peak, an average drop of 29% from its peak.
- The office leasing activity continue to remain suppressed due to the pandemic and softening economy. The demand for office space from new entrants remained negligible during the quarter with much of the enquiries emanating from the existing occupiers looking to relocate to reduce costs or consolidation.
- The average office lease rates dropped by 2% quarter-on-quarter and 8% year-on-year. In terms of performance by office type, the lease rates for grade A fitted office space remained unchanged during the quarter at AED 1,375 per sq.m. per annum as landlords continue to hold on the rents by offering extended rent-free period along with other incentives such free chiller charges and additional parking spaces. The rates for shell & core space remained AED 1,050 per sq.m. per annum, a drop by 2% quarter-on-quarter and 11% year-on-year while the average rents for grade B office space averaged at AED 700 per sq.m. per annum, a drop of 10% year-on-year.
- Despite relatively limited strata office space in the emirate, this segment of the market continues to experience deflationary pressure on occupancy and lease rates. The average lease rates in Reem Island are currently in the range of AED 700 – 1,075 per sq.m. per annum while in Prestige tower in Mussaffah area, the rates are in the range of AED 850 – 950 per sq.m. per annum.
- Over the past five years, the new office space in Abu Dhabi remained relatively stable at below 150,000 sq.m., except 2018 wherein in the supply was above 300,000 sq.m. The 2018 figures were mainly due to completion of key Grade A properties of ADIB HQ, ADNOC HQ and the Leaf Tower.
- Looking at the timeline provided by the developers, approximately 0.35 million sq.m. of office space is expected to enter the market during the period Q4 2020 – 2022. However, looking at the past supply trends, it is likely that a large proportion of the known supply will be pushed to 2023.
- From a Grade wise break up, 40% of the upcoming supply is expected to be of grade A specification, while 51% is expected to be grade B and the balance 9% is expected to be grade C.



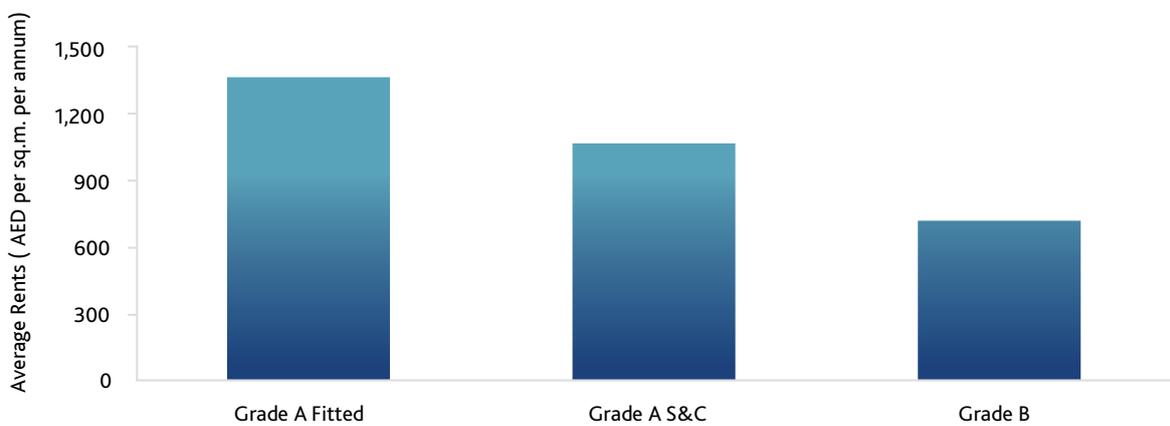
ABU DHABI OFFICE SUPPLY (2010 - 2022)



ANNUAL OFFICE SUPPLY BY LOCATION 2010 - Q3 2020



AVERAGE OFFICE RENT Q3 2020

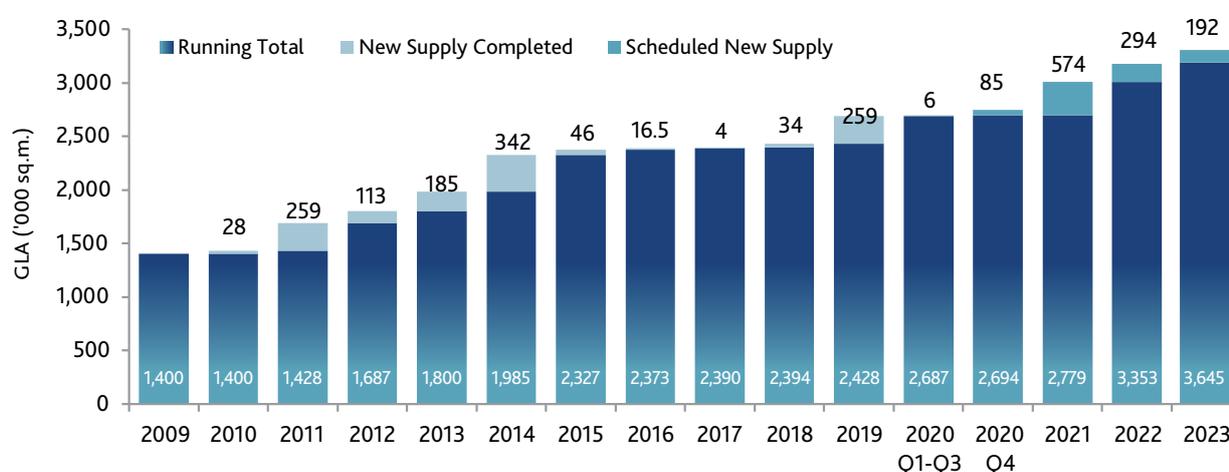


RETAIL MARKET

- The retail stock of Abu Dhabi remained unchanged and currently stands at 2.69 million sq.m. GLA as of end Q3 2020.
- Looking at the pipeline supply, it is estimated that approximately 70,000 sq.m. GLA is expected to enter the market during the last quarter of 2020. About 60% of this supply falls under the community centre classification and the rest 40% space falls under neighbourhood centre classification.
- In terms of new retail supply added during the period 2010- Q3 2020, the super-regional malls dominated the supply with a share of 35% followed by sub-regional malls with 25% while the regional, community and neighbourhood space accounted for a share of 15%, 13% and 12%.
- The retailers continue to renegotiate rents as pressure on sales volume persist, and performance across all retail segments remain significantly lower due to the pandemic.
- The change in consumer behaviour towards online shopping due to the pandemic has further impacted the footfall levels resulting in a sharp decline mall retail sales. The shopping malls are increasing their focus on understanding visitor attendance patterns, spending behavior, preferences and other information to fine tune offers and promotions at their properties.
- As per the projects announced/under construction, approximately 1.14 million sq.m. of gross leasable retail space is scheduled for completion by the end of 2023. This calculates to 42% of the total existing retail space. However, it is expected that a fair quantum of this supply will be either delayed or put on hold.

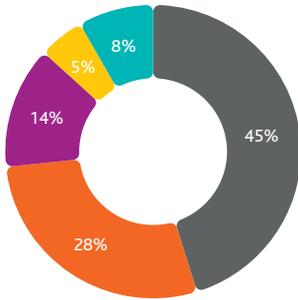


ABU DHABI RETAIL SPACE GROWTH - (2010- 2023)

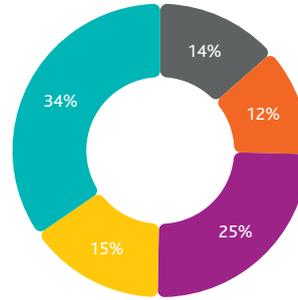


RETAIL SPACE BY CLASSIFICATION

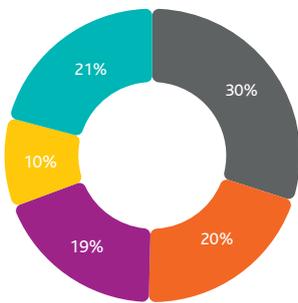
RETAIL SUPPLY PRE-2010



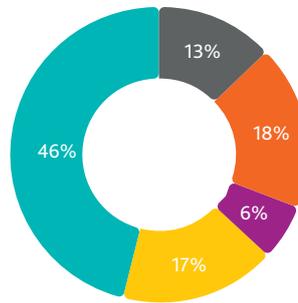
NEW SUPPLY DELIVERED 2010- Q3 2020



RETAIL SUPPLY AS AT Q3 2020



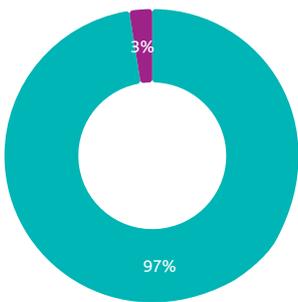
RETAIL DEVELOPMENT PIPELINE



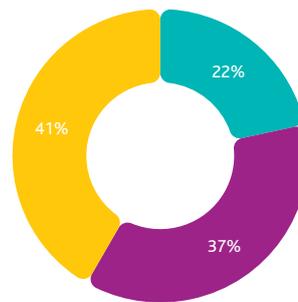
● Neighborhood ● Community ● Sub-Regional ● Regional ● Super Regional

RETAIL SPACE BY LOCATION

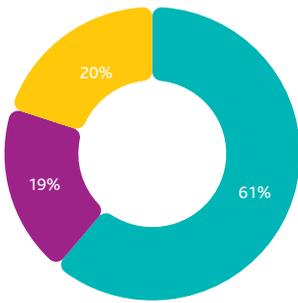
PRE-2010



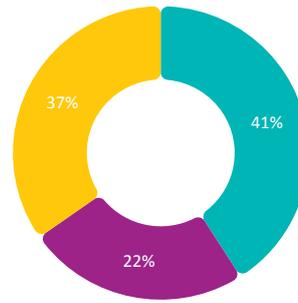
NEW SUPPLY ADDED POST 2010



RETAIL SUPPLY LOCATION AS AT Q3 2020



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.

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

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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.



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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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