

Q3-2021 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
- Asset management
- Project management
- Valuation
- Agency
- Market research
- Property management
- Facilities management

REPORT HIGHLIGHTS

Residential

- During Q3 2021, about 11,000 units were handed over, taking the total residential stock of Dubai to 650,000 units. The supply trend continues to be dominated by apartments which accounted for 95% of the quarterly supply and the rest being villas/townhouses.
- As per the projects announced and under construction, approximately 48,000 new units are expected to be completed during the period Q4 2021 to 2023. However, as noticed over the past few years, a significant proportion of this supply is likely to be pushed further to 2024.
- Looking at the ongoing construction activity, close to 10,000 units are expected to be completed during the Q4 2021, which calculates to 40,000 units in a calendar year, a record year in terms of supply in Dubai's real estate history.
- The accumulated transaction value of residential properties (apartments, villas, townhouses, serviced/hotel apartments, villa plots) in Q3 2021 was at AED 20.69 billion compared to AED 8.60 billion in Q3 2020, over 100% increase year-on-year. The villa/townhouse segment continues to dominate the quarterly residential transactions, with a cumulative value of AED 12.93 billion, (a share of 63%) while apartments/hotel/service apartments saw transactions worth AED 7.72 billion.
- During the quarter, the capital values for completed residential apartments across selected communities increased by 2.9% quarter-on-quarter and 2.3% year-on-year. Improved market sentiments, reduced LTV ratios and attractive finance rates are leading to increase in sale rates.
- The villa/townhouse segment saw capital values across selected developments rising by 6.2% quarter-on-quarter and 20.2% year-on-year.

Office

- During the quarter, c.140,000 sq.ft. of new office space was added, taking the total office stock of Dubai to 104 million sq.ft. as of end Q3 2021. Due to the pandemic and change in working environment, the office projects that were nearing completion/completed are held back by the landlords which led to relatively low supply compared to the previous years.

- Compared to the previous quarter, the strata office transactions dropped in value and volume terms. The office transactions dropped by 8% in value and 25% in volume terms. The cumulative value of transactions dropped from AED 513 million in Q2 2021 to AED 473.0 million in Q3 2021 while number of transactions dropped to 383 transactions in Q3 2021 compared to 511 transactions in Q2 2021.
- Average strata office sale rates remained stable during the quarter and dropped by 3% year-on-year. The decline gap is narrowing down as investors/landlords are preferring to rent the space rather than selling, due to relatively long holding periods.
- The office market witnessed a renewed leasing activity during the quarter with an increase in volume of enquiries for smaller offices. Average office rents across all key office locations remained stable during the quarter and dropped by 4% year-on-year.
- As per the ongoing construction activity, about 4.1 million sq.ft. of new space is expected to be completed during the period Q4 2021 to 2023.

Retail

- The retail supply remained stable during 2021, several projects that were scheduled to be completed are being delayed or put on temporary hold due to the pandemic. Overall, only 1.5 million sq.ft. GLA of retail space entered the market during Q1-Q3 2021, which is less than 50% of the supply that was planned for 2021. The total retail stock as of end Q3 2021 stands at 43.9 million sq.ft. GLA.
- During Q3 2021, Souk Al Marfa, wholesale souk and marketplace on the Palm Deira opened its door for customers. Souk Al Marfa, a waterfront retail destination comprises of four villages offering total retail trade area of 3.89 million sq.ft.
- As per the timelines announced by the developers, over 8.7 million sq.ft. GLA of new retail space is expected to enter during the period Q4 2021 – 2023. Some of the new malls scheduled to enter include Dubai Hills mall in Dubai Hills Estate, the Art Centre mall along Umm Suqeim road and the Dubai Mall Boulevard expansion.



FACTS & FIGURES



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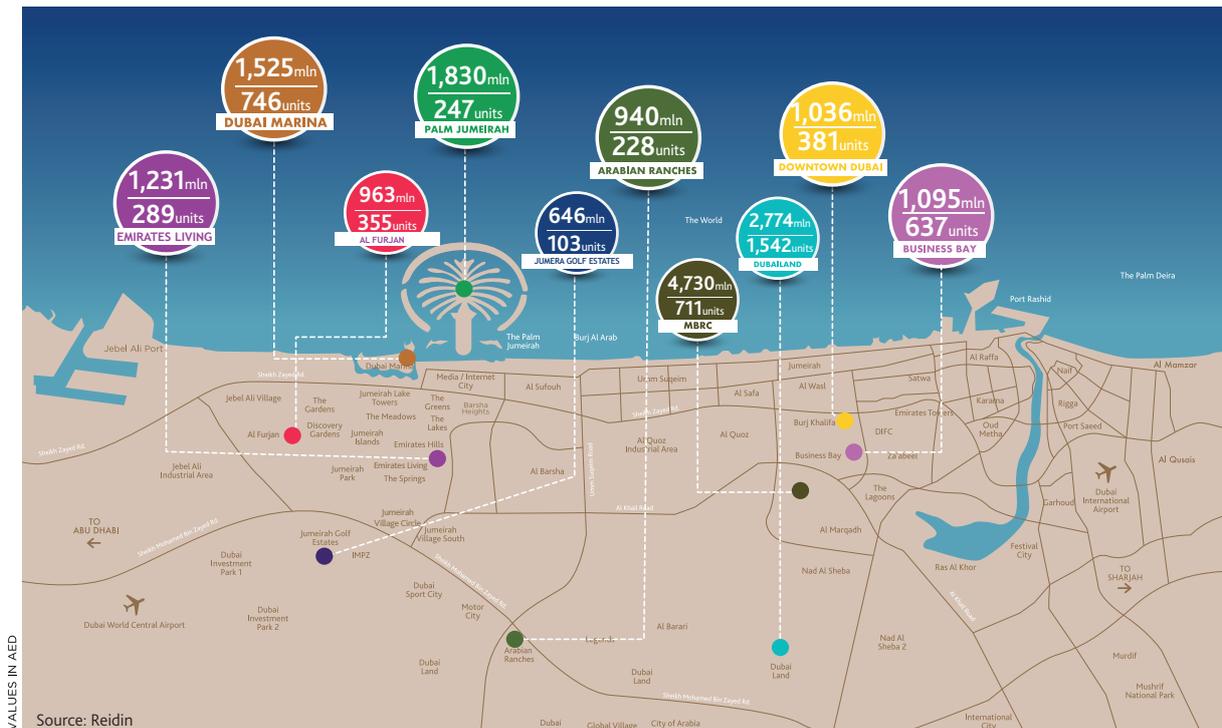


REAL ESTATE TRENDS

DUBAI LAND TRANSACTION



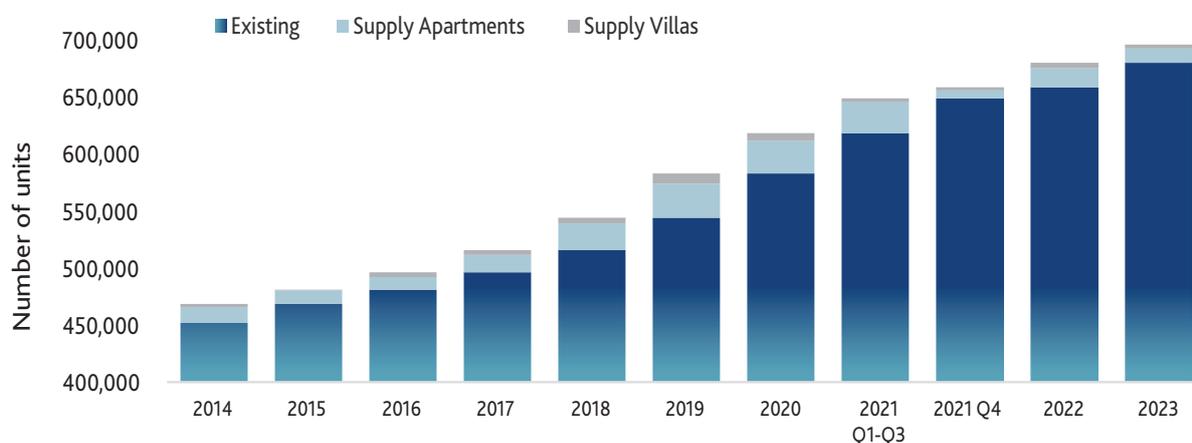
TOP RESIDENTIAL INVESTMENT LOCATIONS - Q3 2021



RESIDENTIAL MARKET

- With the addition of approximately 11,000 units (apartments/villas), the residential stock of Dubai reached 650,000 units as of end Q3 2021. The supply trend continues to be dominated by apartments which accounted for 95% of the quarterly supply and the rest being villas/townhouses. Over the past two years, annually more than 35,000 units were handed over and looking at the ongoing construction activity, this trend is likely to remain same for 2021.
- In terms of supply by location/development, Dubai South added about 18.9% of the total quarterly supply. The supply figures from Dubai South were mainly from the Expo 2020 Village Residences, a project comprising of 15 buildings offering 2,100 units with a mix of studios, 1-, 2- and 3-bedroom units. Dubailand added 13.9% of the new quarterly supply followed by Downtown/Business Bay 11.1%.
- Other freehold developments of Jumeirah Village Circle/Jumeirah Village Triangle added close to 1,000 units (9.1%) followed by Meydan/Mohammed bin Rashid City (MBRC) added 7.5% of the new supply. Palm Jumeirah saw addition of close to 600 units (5.3%) while Dubai Marina/Jumeirah Beach Residence/Jumeirah Lakes Towers accounted for 4.4% of the supply.
- Within the leasehold areas, Bur Dubai/Karama/Oud Metha accounted for 3.2% while Al Warqa area accounted for 3.1% of the total quarterly supply.
- As per the projects announced and under construction, approximately 48,000 new units are expected to be completed during the period Q4 2021 to 2023. However, as noticed over the past few years, a significant proportion of this supply is likely to be pushed further to 2024.
- Looking at the ongoing construction activity, close to 10,000 units are expected to be completed during the Q4 2021, which calculates to 40,000 units in a calendar year, a record year in terms of supply in Dubai's real estate history

RESIDENTIAL SUPPLY BY UNITS - (2014 - 2023)



SALE RATES

- The accumulated transaction value of residential properties (apartments, villas, townhouses, serviced/hotel apartments, villa plots) in Q3 2021 was at AED 20.69 billion compared to AED 8.60 billion in Q3 2020, over 100% increase year-on-year. However, compared to the previous quarter, the transaction value dropped marginally by 5%.
- In terms of transaction value by location, Mohammed bin Rashid City (MBRC)/ Meydan recorded transactions worth AED 4.73 billion (22.9% of the total transaction value) followed by Dubailand development accounting for a share of 13.4% (AED 2.77 billion) and Palm Jumeirah recorded transactions worth AED 1.83 billion (8.9%). Other active developments include



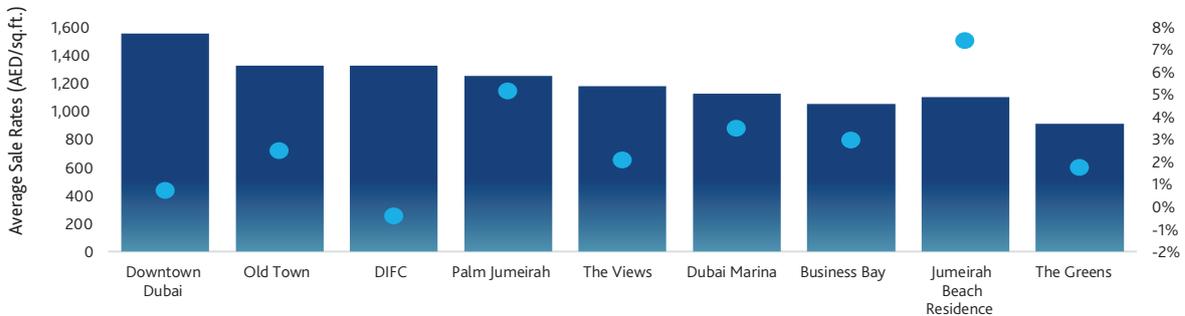
Dubai Marina/Jumeirah Beach Residence AED 1.53 billion (7.4%), Emirates Living AED 1.23 billion (6.0%), Business Bay AED 1.09 billion (5.3%) and Downtown Dubai AED 1.04 billion.

- The villa/townhouse segment continue to dominate the quarterly residential transactions, with a cumulative value of AED 12.93 billion, (a share of 63%) while apartments/hotel/services apartments saw transactions worth AED 7.72 billion. Within the villa/townhouse segment, there were six villa transactions with a ticket size of AED 50 million and above. The Hills Groove community in the Dubai Hills Estate development saw two villa transactions of AED 103 million and AED 86 million for a five bedroom plus villa. Other transactions were in Jumeirah Golf Estates (AED 62 million), Emirates Hills (AED 59.5 million), District one (AED 52 million) and Palm Jumeirah AED 50 million.
- The off-plan transaction activity remained robust during the quarter and recorded a double-digit growth in value and volume terms. The cumulative value of off-plan transactions increased from AED 9.1 billion in Q2 2021 to AED 13.8 billion in Q3

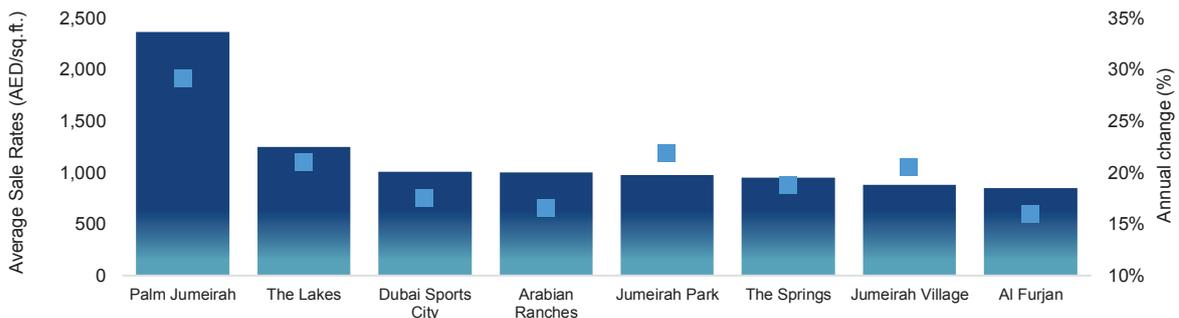
2021, an increase by 48% quarter-on-quarter.

- During the quarter, the capital values for completed residential apartments across selected communities increased by 2.9% quarter-on-quarter and 2.3% year-on-year. Improved market sentiments, reduced LTV ratios and attractive finance rates are leading to increase in sale rates. Much of the increase is associated due to relatively high demand for three bedrooms across waterfront developments. The highest quarterly average increase of 6% was recorded for apartments on Palm Jumeirah followed by Jumeirah Beach Residence at 5%.
- The villa/townhouse segment saw capital values across selected developments rising by 6.2% quarter-on-quarter and 20.2% year-on-year. However, the rate of increase varies by development, with several developments recording more than the average increase. A three bedroom villa in Arabian Ranches which valued at AED 2.7 million in Q3 2020 is currently achieving a value of AED 3.6 million, an increase of over 30% year-on-year

AVERAGE APARTMENT SALE RATES - Q3 2021



AVERAGE VILLA SALE RATES - Q3 2021



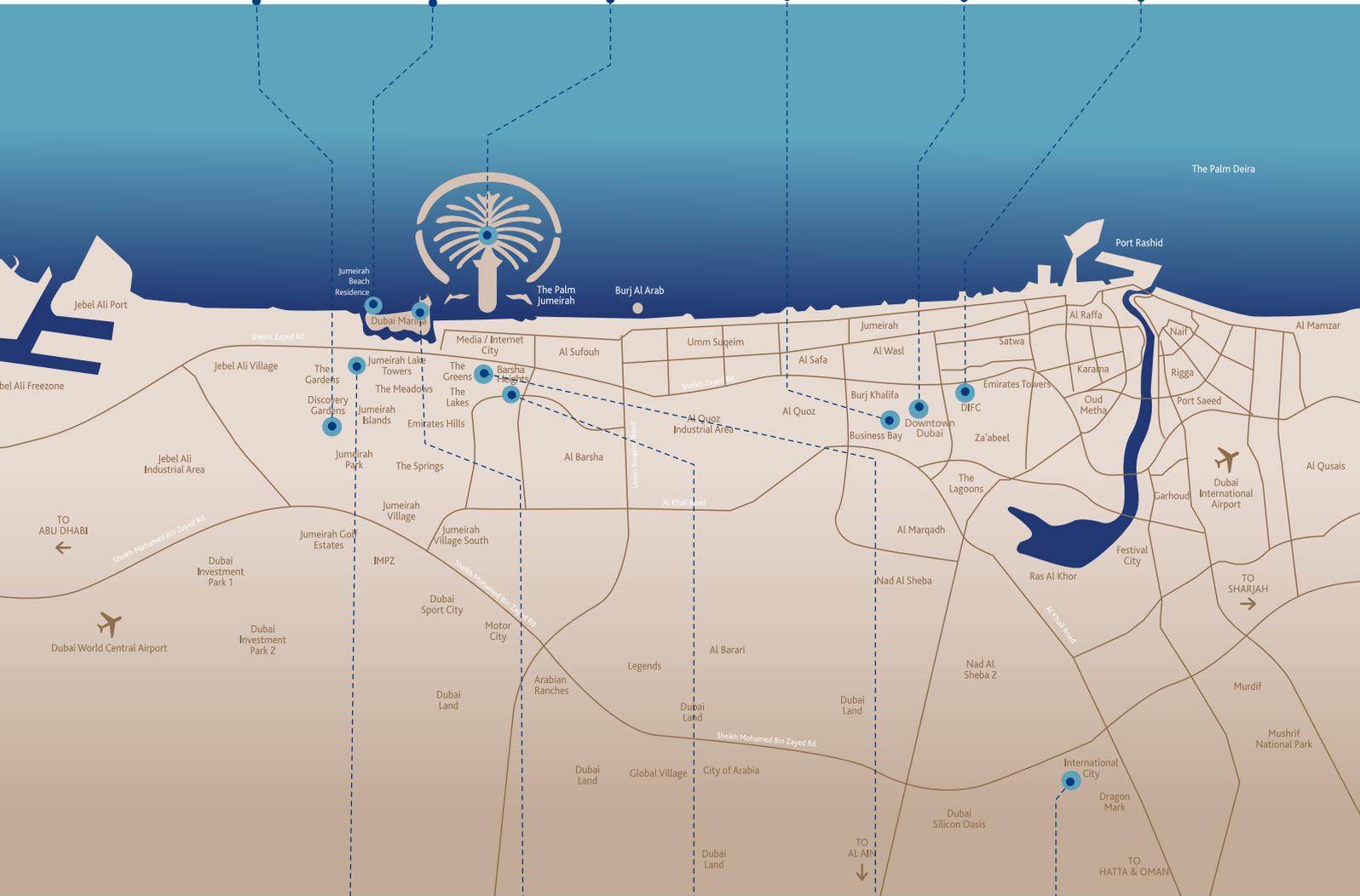
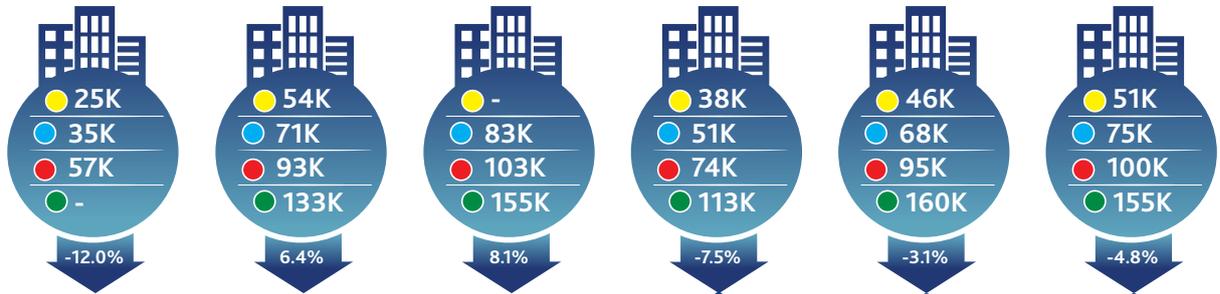
RENTAL RATES

- Leasing activity during the quarter remained robust, due to tenant migration and entry of new residents/workforce. Despite substantial rise in supply, the demand for larger apartments has assisted in reducing the rental decline gap.
- Average apartment rents remained stable during the quarter and dropped by 5% year-on-year. However, waterfront properties recorded an increase in rental value due to strong occupier appetite towards these properties.
- In terms of rental performance by unit type, the highest decline was recorded for studios and one-bedroom units. Rents for one bedroom units dropped by 8.5% year-on-year and studio rents dropped annually by 6.8%. As studio and one bedroom units forms a major share of the residential mix of the existing and future supply, the rents for these units are expected to remain under pressure in short to medium term. The two bedroom units recorded a rental decline of 5.1% while three bedroom recorded a marginal decline of less than 1% year-on-year.
- The highest rental decline was recorded for properties in Discovery Gardens with rents dropping by 12% year-on-year. Competitive rents and rise in quality residential supply from the surrounding areas offering better facilities and amenities is resulting in a decline in rental values in Discovery Gardens. Other areas that have seen a rental decline include Jumeirah Village Circle wherein rents dropped by 10% year-on-year while Dubai Investment Park recorded a 9% decline.
- The demand for waterfront properties over the past twelve months saw rental inflation across all the waterfront developments. Within the waterfront developments, Palm Jumeirah recorded the highest increase of 9% year-on-year while Jumeirah Beach Residence saw rents increasing by 6.5%
- The villa/townhouse countinouse to see rental inflation for the straight three quarters. Relatively low supply and strong occupier demand is leading to a substantial increase in rental values across all the villa developments. Average villa/townhouse rents increased by 7% quarter-on-quarter and a double digit increase of 20% year-on-year.
- However, several villa communities have recorded more than the average rental increase. The highest rental inflation was recorded in the luxury villa segment which saw rents inflating by more than 50% annually. A five bedroom villa in Al Furjan saw rents increasing from an average of AED 160,000 per unit per annum in Q3 2020 to AED 225,000 per unit per annum in Q3 2021, an increase by 41% year-on-year. Looking at the demand and supply gap, the villa/townhouse segment could see further inflation in the short to medium term.



AVERAGE APARTMENT ANNUAL RENTS – Q3 2021

- Studio
- 1 Bedroom
- 2 Bedroom
- 3 Bedroom
- ▼ Y.o.Y % Change

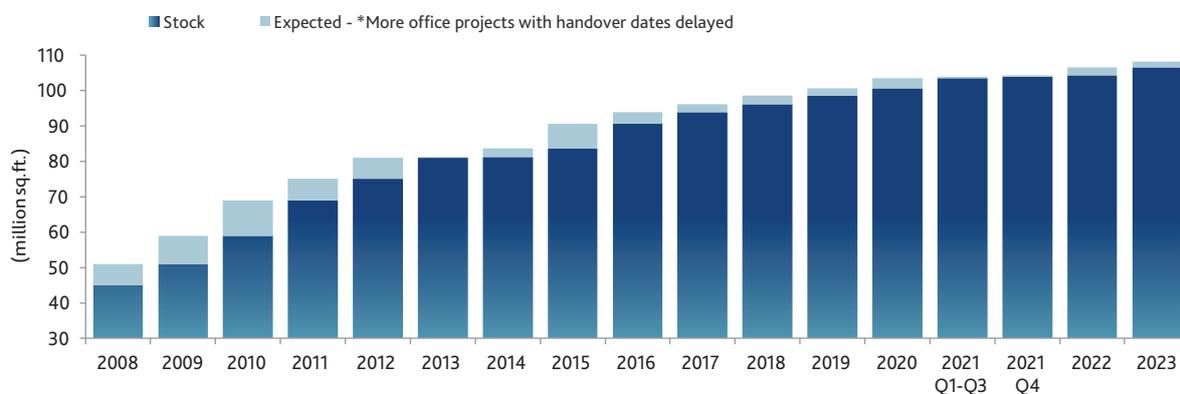


OFFICE MARKET

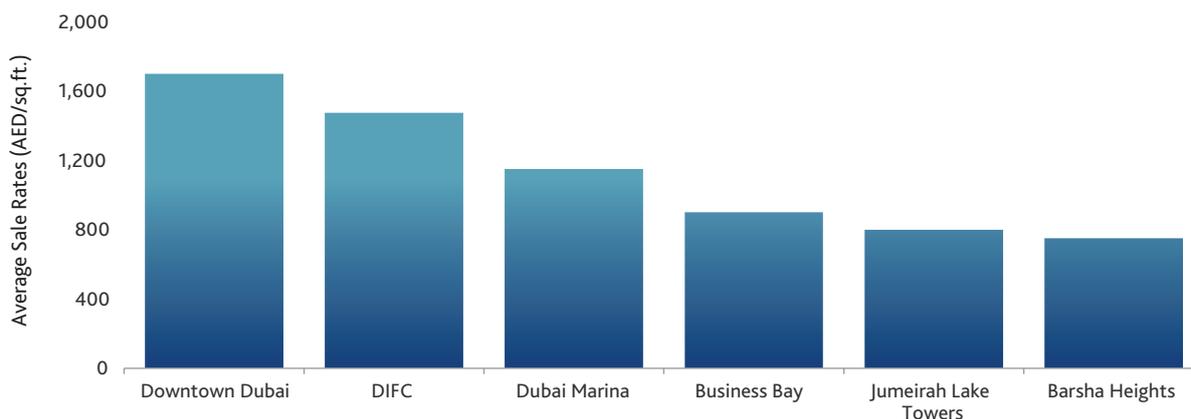
- During the quarter, c.140,000 sq.ft. of new office space was added, taking the total office stock of Dubai to 104 million sq.ft. as of end Q3 2021. Due to the pandemic and change in working environment, the office projects that were nearing completion/completed are held back by the landlords which led to a relatively low supply compared to the previous years. Moreover, over the past few years the market is witnessing a rise in of bespoke office towers rather than speculative space which to an extent is assisting in controlling the supply. Some of such office towers include Visa HQ in Dubai Internet City and DEWA HQ in Al Jaddaf area.
- Compared to the previous quarter, the strata office transactions dropped in value and volume terms. The office transactions dropped by 8% in value terms and 25% in volume terms. The value of transactions dropped from AED 513 million in Q2 2021 to AED 473.0 million in Q3 2021 while number of transactions dropped to 383 transactions in Q3 2021 compared to 511 transactions in Q2 2021. However, on an annual basis, the cumulative value of transactions increased from AED 473 million in Q3 2021 to AED 258 million in Q3 2020, an increase by 84% year-on-year.
- During the quarter, 67% of the transactions were registered in the Jumeirah Lakes Towers and Business Bay developments. Business Bay area saw AED 177 million worth of transactions across 205,464 sq.ft. of office space, calculating to an average rate of AED 862 per sq.ft. while Jumeirah Lakes Towers area saw transaction of 199,000 sq.ft. of office space with a cumulative value of AED 140.6 million, calculating to an average sale rate of AED 706 per sq.ft.
- Other office developments, Downtown Dubai saw transactions worth AED 63.6 million across 35,000 sq.ft space, calculating a value of AED 1,834 per sq.ft. while in Dubailand approximately 40,300 sq.ft. of space was transacted at a cumulative value of AED 35.4 million, a rate of AED 878 per sq.ft. The transactions in Dubailand were mainly from Seventh Heaven project, which is part of the wider Al Barari development.
- Average strata office sale rates remained stable during the quarter and dropped by 3% year-on-year. The decline gap is narrowing down as investors/landlords are preferring to rent the space rather than selling, due to relatively long holding periods. Across the selected office developments, the lowest rates are for office space in Barsha Heights with rates ranging between AED 575 – 875 per sq.ft., averaging at AED 725 per sq.ft.
- The office market witnessed a renewed leasing activity during the quarter with an increase in volume of enquiries for smaller offices. The recent change in commercial law offering 100% ownership rights and availability of fitted office spaces at a competitive rate are few reasons for a rise in uptake of office space, which to an extent assisted in rent stabilization. Average office rents across all key office locations remained stable during the quarter and dropped by 4% year-on-year.
- As per the ongoing construction activity, about 4.1 million sq.ft. of new space is expected to be completed during the period Q4 2021 to 2023. Of this about 2.2 million sq.ft. space is expected to be completed in 2022 and 1.5 million sq.ft. In terms of office space by ownership, about 25% of the supply until 2023 is for owner occupation and the rest being speculative.



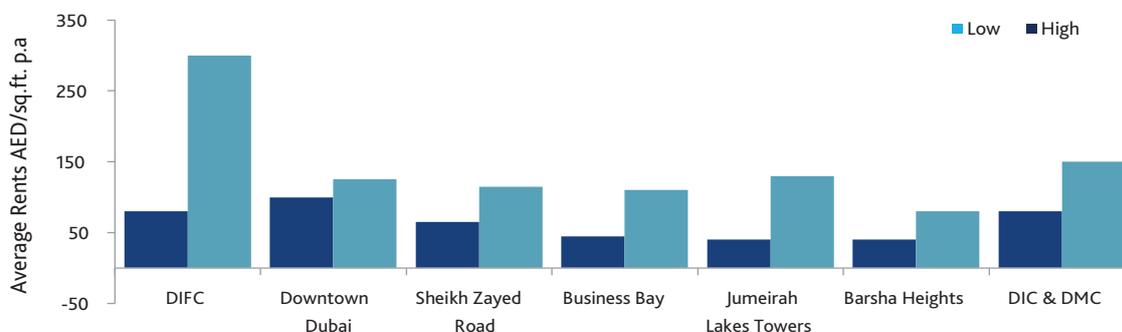
DUBAI OFFICE STOCK GROWTH (2008-2023)



AVERAGE OFFICE SALE RATES - Q3 2021



AVERAGE OFFICE RENTS - Q3 2021



RETAIL

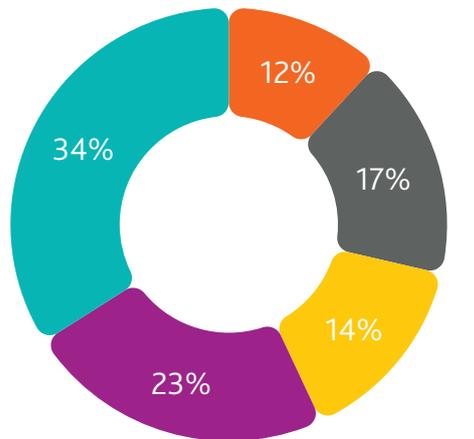
- The retail supply remained stable during 2021, several projects that were scheduled to be completed are being delayed or put on temporary hold due to the pandemic. Overall, only 1.5 million sq.ft. GLA of retail space entered the market during Q1-Q3 2021, which is less than 50% of the supply that was planned for 2021. The total retail stock as of end Q3 2021 stands at 43.9 million sq.ft. GLA.
- During Q3 2021, Souk Al Marfa, wholesale souk and marketplace on the Palm Deira opened its door for customers. Souk Al Marfa, a waterfront retail destination comprises of four villages offering total retail trade area of 3.89 million sq.ft. Phase 1 of the opening include the Village 4 which offers a retail space of 543,000 sq.ft. The retail space for other villages are Village 1 - 606,000 sq.ft., Village 2 - 1,497,000 sq.ft., and Village 3 - 1,246,000 sq.ft. of retail space in other Villages.
- Ease in travel restrictions, a substantial drop in covid cases and relaxation of social distancing rules has generated renewed consumer confidence resulting in an increase in footfall levels and sales volume Further, the Expo 2020 and several MICE and sporting events scheduled during the course of the year, which is expected to attract regional and international tourists will provide a much-needed impetus to the retails sector.
- As per the timelines announced by the developers, over 8.7 million sq.ft. GLA of new retail space is expected to enter during the period Q4 2021 – 2023. However, based on the historic trends and the pandemic situation, a delay of 6-12 months is expected with a large proportion of this supply being pushed to 2024. Few of the new malls scheduled to enter include retail space from Dubai Hills mall in Dubai Hills Estate, the Art Centre mall along Umm Suqeim road and the Dubai Mall Boulevard expansion



DUBAI RETAIL MALL STOCK (2010-2023)

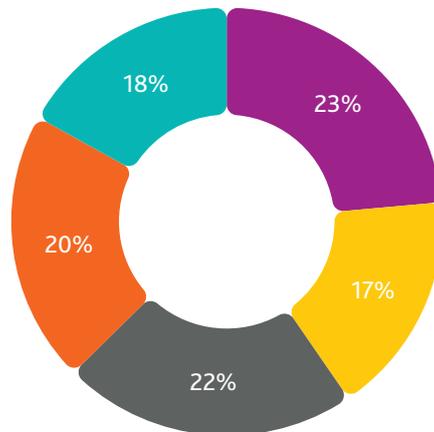


RETAIL SUPPLY PRE 2010



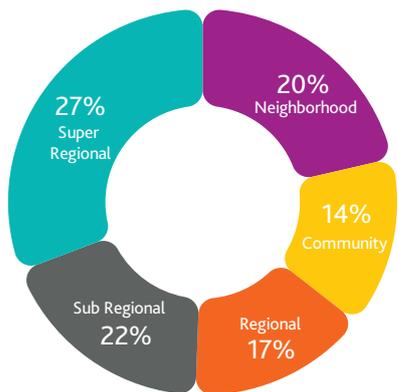
- Community
- Regional
- Super Regional
- Neighborhood
- Sub-Regional

NEW SUPPLY DELIVERED - (2010 - Q3 2021)



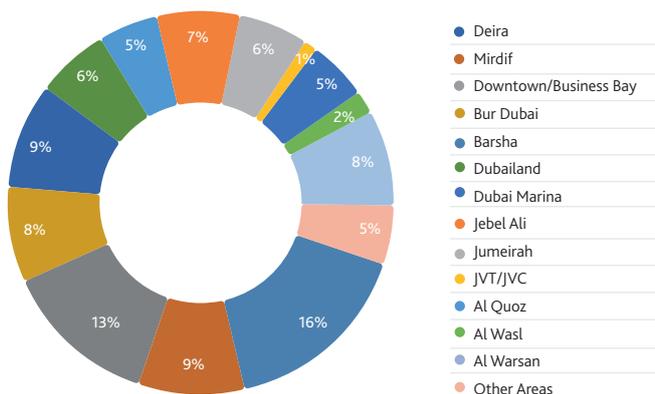
- Community
- Regional
- Super Regional
- Neighborhood
- Sub-Regional

DUBAI RETAIL MALLS BY SIZE END Q3 2021

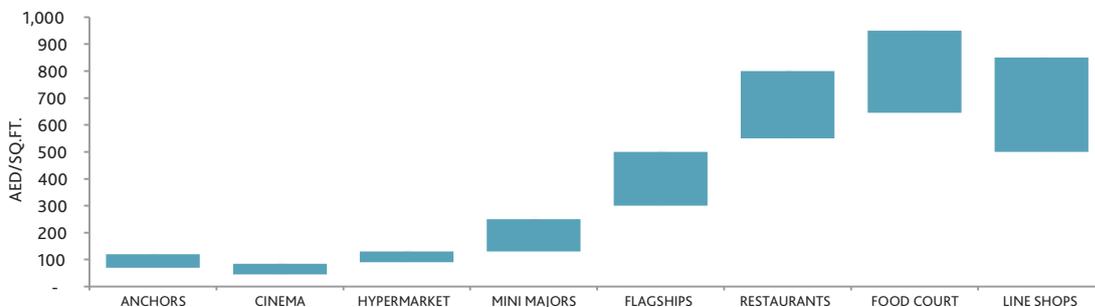


Super Regional:	2m sq ft+	Sub-Regional:	500-1m sq ft
Regional:	1m-2msq ft.	Community:	200-500,000 sq ft
		Neighborhood:	0-200,000 sq ft

DUBAI RETAIL MALLS GLA BY AREA END Q3 2021



PRIME SHOPPING MALL AVERAGE RENTS Q3 2021



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





DEFINITIONS & METHODOLOGY

Research Study Area

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

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.

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.

Offices

- New office developments are classified as delivered and thus entered into the new supply category when they are available for tenant fit-outs.

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.
- Regular site inspections and discussions with developer.



DISCLAIMER

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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



KHALID ALI ALMANSOORI

Executive Chairman

T: +971 (0)2 610 0119

M: +971 (0)50 411 1161

khalid.almansoori@mpmproperties.ae



MOHAMED AL ZOUBI

COO

BSc Civil Engineering

T: +971 (0)2 610 0564

M: +971 (0)50 310 3570

mohammedalzoubi@mpmproperties.ae



ABDULLAH SAID AL KUWEITI

Director of Business Development

T: +971 (0)2 610 1554

M: +971 (0)50 623 5854

abdullahs@mpmproperties.ae



YOUSEF AL ZAROONI

Regional Head - Northern Emirates & Al Ain

T: +971 (0)3 708 8636

M: +971 (0)50 600 1002

yousef.alzarooni@mpmproperties.ae



KHALED SOLEH

Head of Valuation & Advisory

T: 971 (0)2 610 0085

M: +971 (0)50 722 9718

khaled@mpmproperties.ae



MOHAMMED FAHEEM

Manager Strategic Advisory & Research

T: +971 (0)4 371 9471

M: +971 (0)50 684 5220

mohammed.abdulfaheem@adib.com



JUBRAN AL HASHMI

Head of Property Management

T: +971 (0)2 610 0232

M: +971 (0)50 122 0041

jubran@mpmproperties.ae



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KHALID ALI ALMANSOORI
Executive Chairman
T: +971 (0)2 610 0119
M: +971 (0)50 411 1161
khalid.almansoori@mpmproperties.ae



MOHAMED AL ZOUBI
COO
BSc Civil Engineering
T: +971 (0)2 610 0564
M: +971 (0)50 310 3570
mohammedalzoubi@mpmproperties.ae

ABU DHABI HEAD OFFICE

ADIB Building on Ground Floor,
King Abdullah bin Abdulaziz Al Saud
Street, Al Bateen, P.O Box 114686
Abu Dhabi
Tel. +971 2 610 0252
Fax. +971 2 610 0514

DUBAI OFFICE

Office 1405 - Level 14, API Trio
Tower, Al Barsha,
Dubai
Tel. +971 (0)4 371 9462
Fax. +971 (0)2 6100514

AL AIN OFFICE

201-204 ADIB Ladies Branch Building
Oud Touba Street,
Al Ain
Tel. +971 (0)3 703 9521
Fax. +971 (0)3 6100514

SHARJAH OFFICE

Al Ikhlas Tower, Next to
Ikhlas Mosque, AL Khan -
Sharjah
Tel. +971 (0)6 5972555
Fax. +971 (0)6 5753553