



Q2

2019  
UAE PROPERTY  
MARKET REPORT

[www.cavendishmaxwell.com](http://www.cavendishmaxwell.com)





## About

Cavendish Maxwell is a highly respected independent firm of chartered surveyors and property consultants, focusing on property services throughout the Middle East and Africa. Established in 2008, Cavendish Maxwell is now one of the most influential property consultancies in the region.

As a fully qualified member firm of the Royal Institution of Chartered Surveyors (RICS), and with extensive knowledge of the region, Cavendish Maxwell has the necessary experience, expertise and insight to deliver property advice of the highest standard. Our reports are used for loan security, audit, insurance reinstatement, dispute resolution, risk management, debt recovery, performance analysis, project financing, development strategy and government initiative implementation.

We provide a comprehensive range of property services across all our departments, each of which is headed by highly skilled, experienced and fully qualified RICS chartered surveyors. Our various teams provide valuation, agency, advisory, management, capital investment, research and building consultancy services across all property types and sectors.

Our quarterly market reports provide updates on price movement, rent and yield statistics, residential transactions, and upcoming supply of residential properties through Property Monitor, the real estate intelligence platform, powered by Cavendish Maxwell.

The reports also incorporate the Property Monitor Residential Survey, conducted among partner agents operating within the UAE. The survey provides an overview of how new enquiries, leasing activity and transactions, among other metrics, changed compared to the previous quarter.



## Foreword

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Real estate market conditions remained challenging in Q2 2019, with prices continuing to decline, albeit at a slower pace in some communities. Supply remains the primary driver for price declines, and developers continue to offer attractive payment options with the aim of turning tenants into owner-occupiers. Further rental declines made it favourable for tenants to upgrade to larger units and more premium locations.

Governments continue to push forward with their reforms to stimulate the economy, with Abu Dhabi being the most recent emirate to introduce new freehold land and property ownership rules for expatriates.

Average sales prices and rents softened across most communities in Dubai in Q2 2019. Furthermore, the price gap between apartments and villas/townhouses narrowed markedly. Handovers for the rest of 2019 will likely average between 10,000 and 13,000 units, following materialisation rates of previous years.

Office tenants continued to prefer 'plug and play' fully-fitted options that provide higher agility and flexibility, as capital expenditure flows reduce. In the hospitality sector, occupancy levels declined along with a fall in Average Daily Rates (ADRs), both of which led to a reduction in revenue per available room (RevPAR). Well-located community retail facilities with established catchments continued to showcase stable performance.

In addition to Dubai, Cavendish Maxwell's second quarterly report for 2019 gives a holistic view of the UAE real estate market overall, with an overview of the residential, office, retail, hospitality and industrial sectors in Abu Dhabi and the Northern Emirates.

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# Dubai

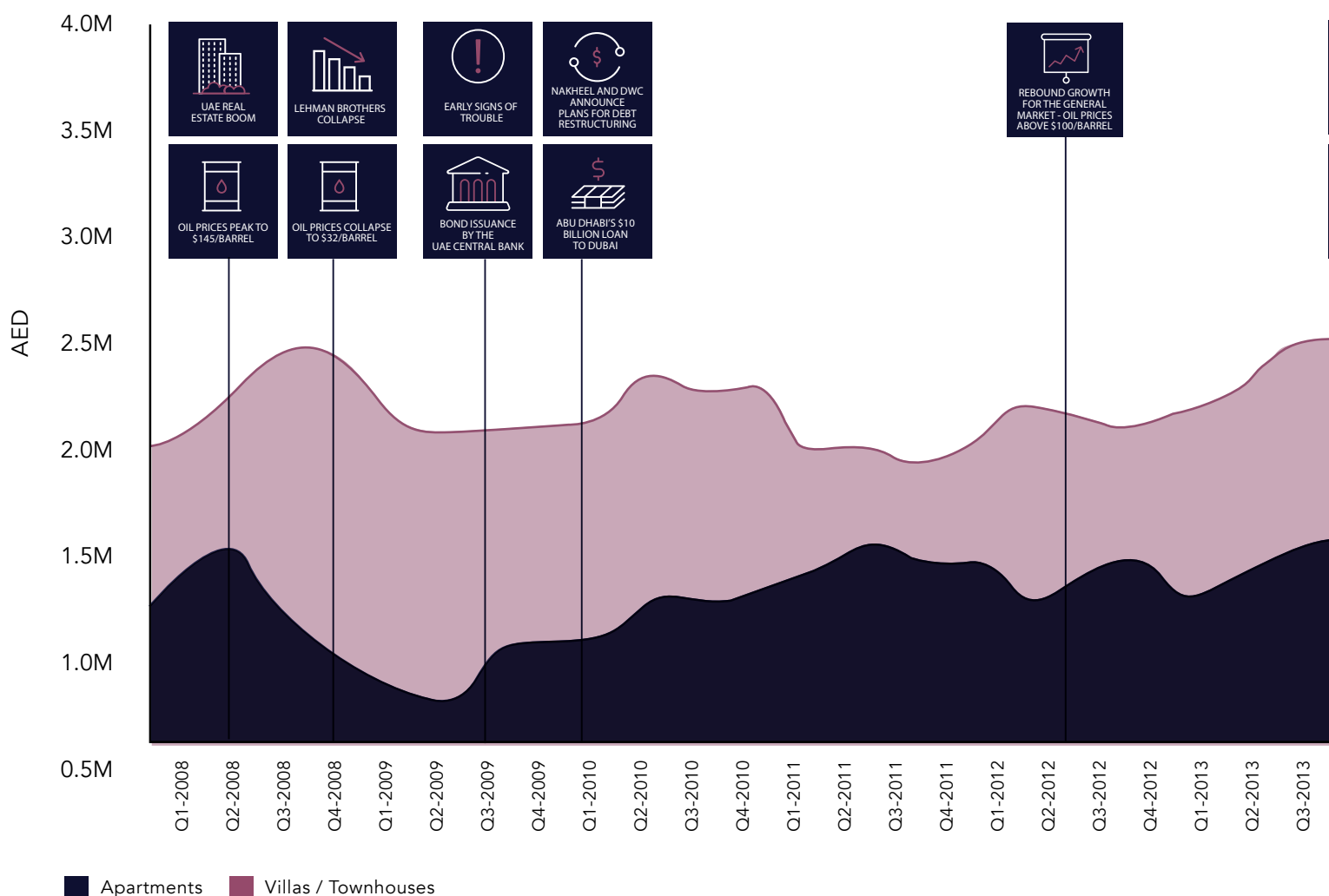
## House Price Timeline



In Q2 2019, average villa/townhouse prices remained stable at AED 1.8 million. However, the average apartment price 2019 declined 5% to AED 1.3 million from AED 1.4 million in Q1 2019.



### SALES PRICE (AED) JANUARY 2008-JUNE 2019

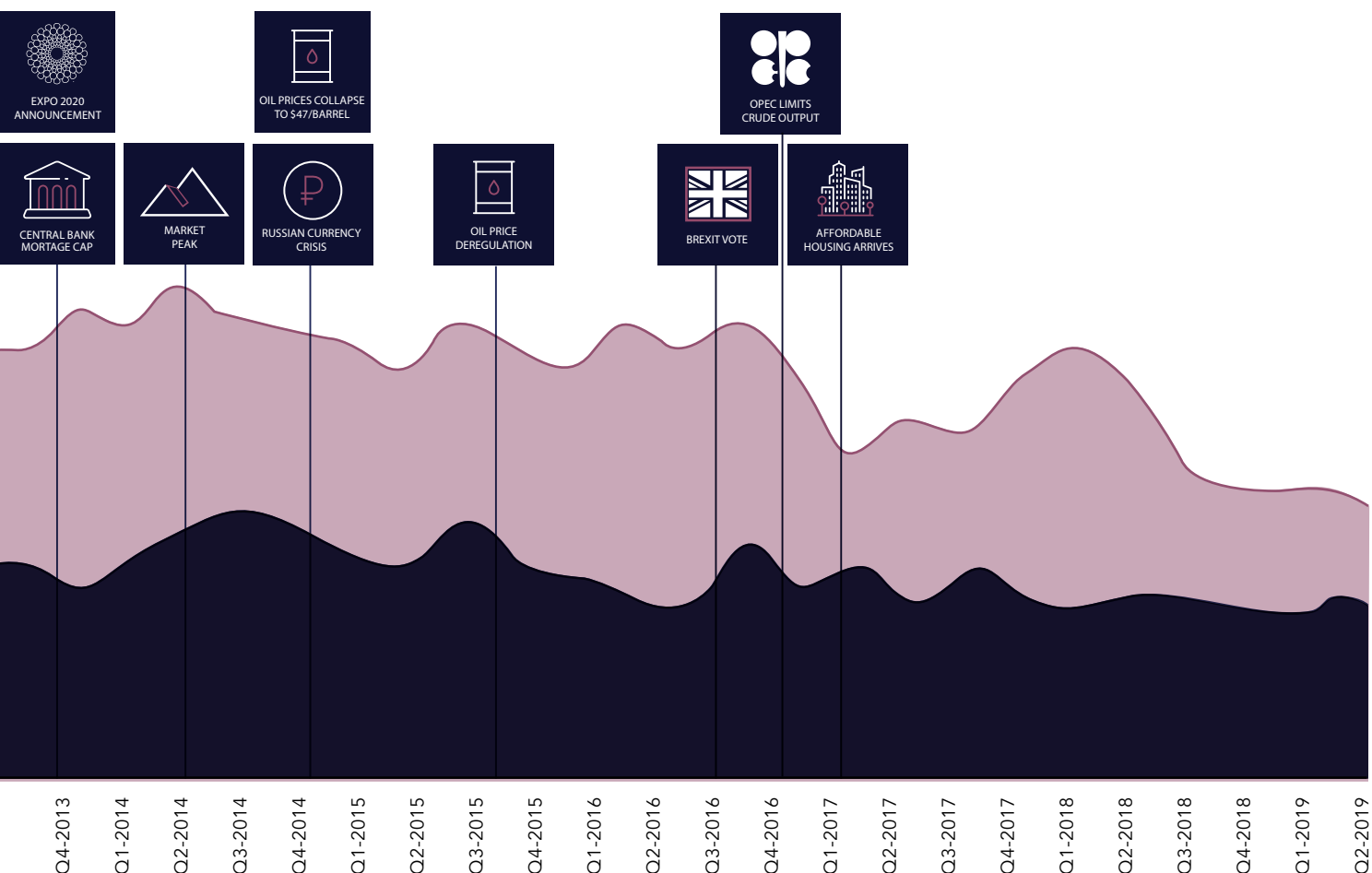


Note: The Dubai House Price Timeline from Property Monitor tracks residential property transactions from Dubai Land Department (off-plan and secondary market) to derive monthly and quarterly average transacted prices for apartments and villas/townhouses.

Average sales prices and rents softened across most communities in Dubai in Q2 2019. However, over the 12-month period from Q2 2018, the average rate of price decline slowed. The price gap between apartments and villas/townhouses narrowed markedly. Average sales prices declined more than rents in Q2 2019, as was the case in the previous quarter.

The average trading price for villas/townhouses in Dubai declined from AED 2.4 million at the end of Q2 2018 to AED 1.82 million in Q2 2019, representing a drop of 24% in average prices. Apartment prices also moved towards the lower end of the range, averaging at AED 1.3 million in Q2 2019 from AED 1.4 million in Q1 2019.

Developers are aiming to attract investors through competitive value offerings and marketing campaigns. For instance, many developers are offering payment plans where a significant percentage of the purchase price is paid only upon completion and, in some cases, post-completion.



Source: Property Monitor

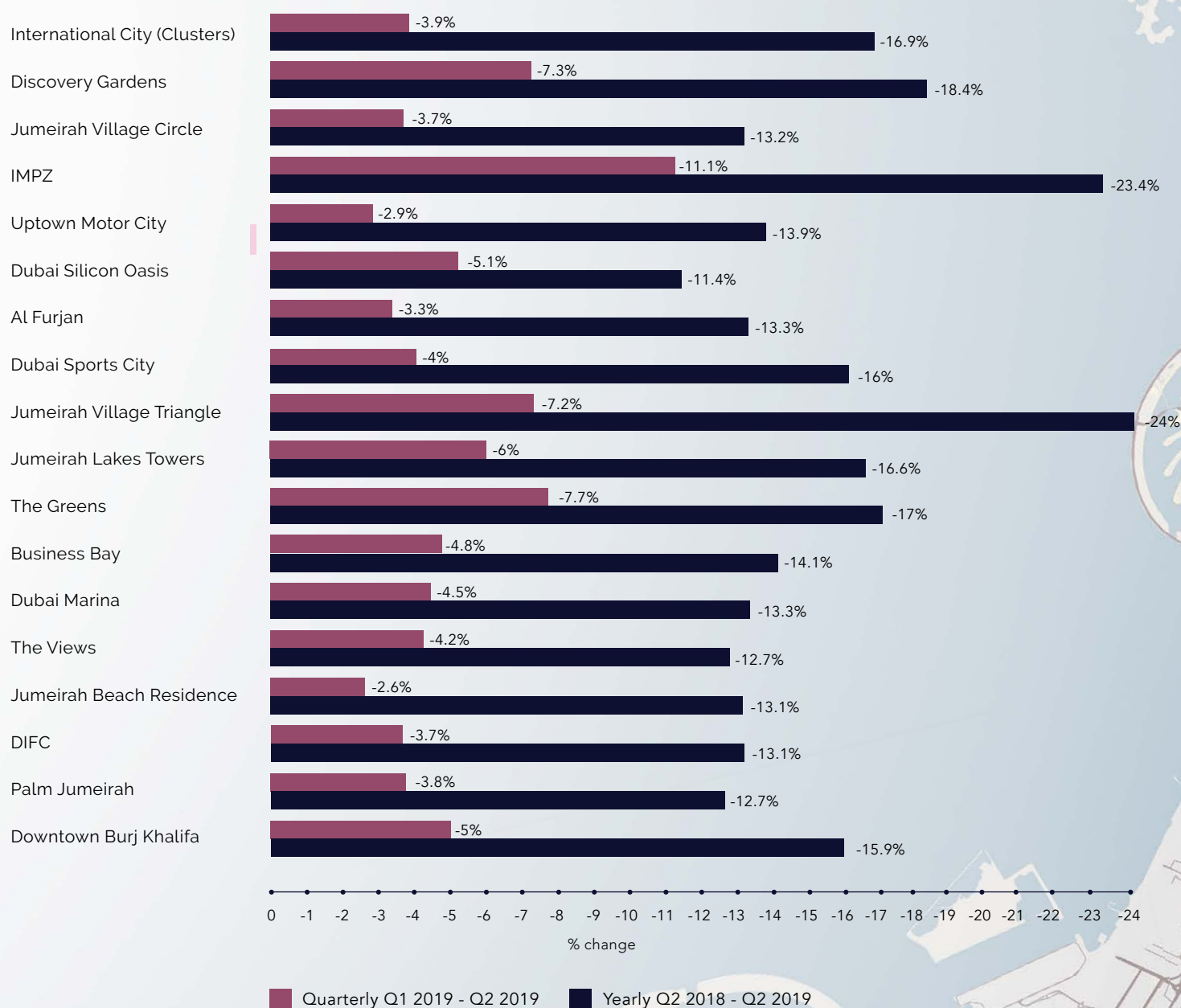
# Dubai

## Apartment Price Performance



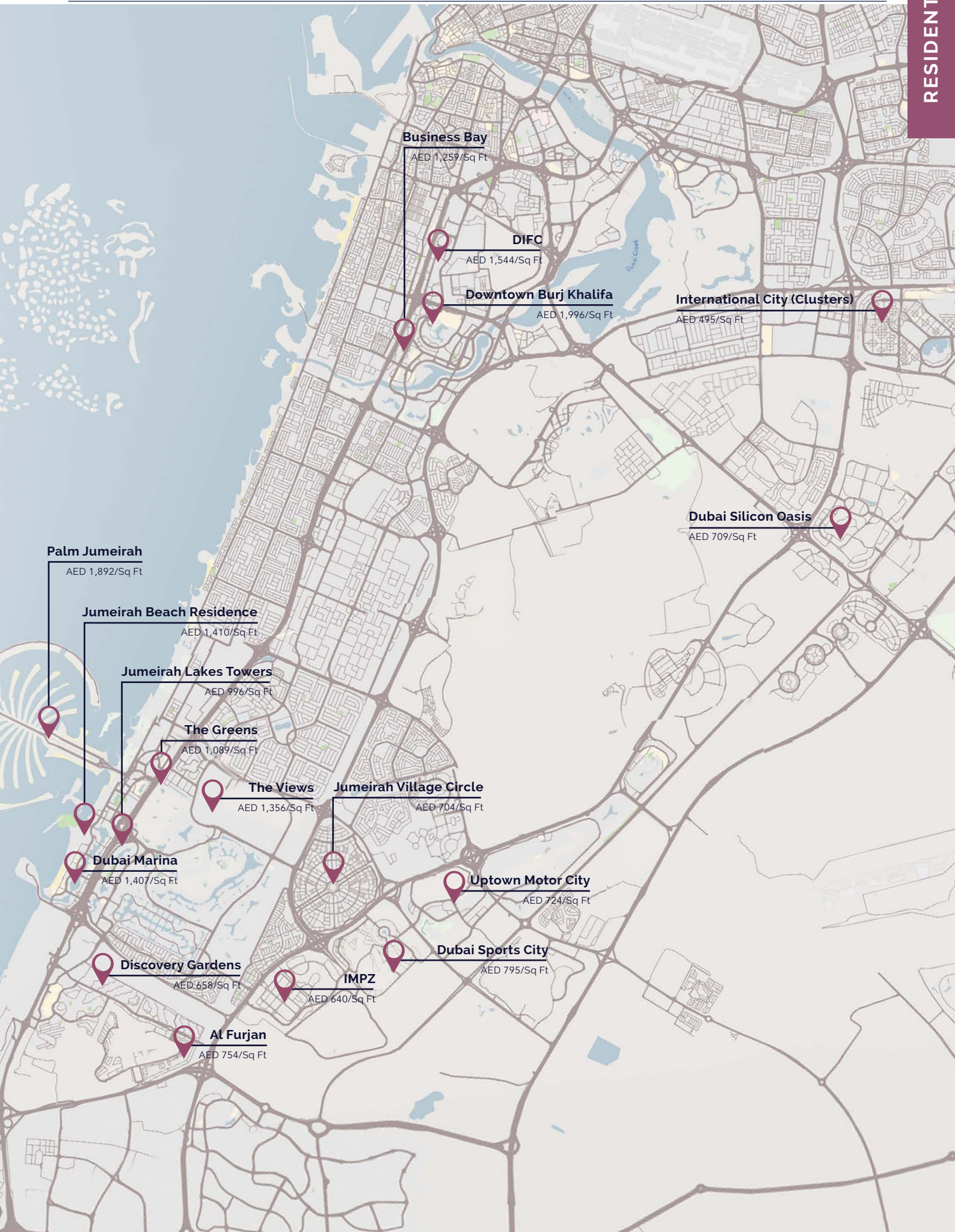
According to the Property Monitor Index (PMI), average apartment prices declined by 15.1% over the 12-month period from Q2 2018 to Q2 2019.

The average rate of decline in certain areas increased year-on-year, with communities such as Jumeirah Lakes Towers (JLT), Dubai Sports City and Discovery Gardens registering noticeable declines of 16% and above, based on PMI data. Supply remains the primary driver for price declines and developers continue to offer attractive payment plans.



Source: Property Monitor





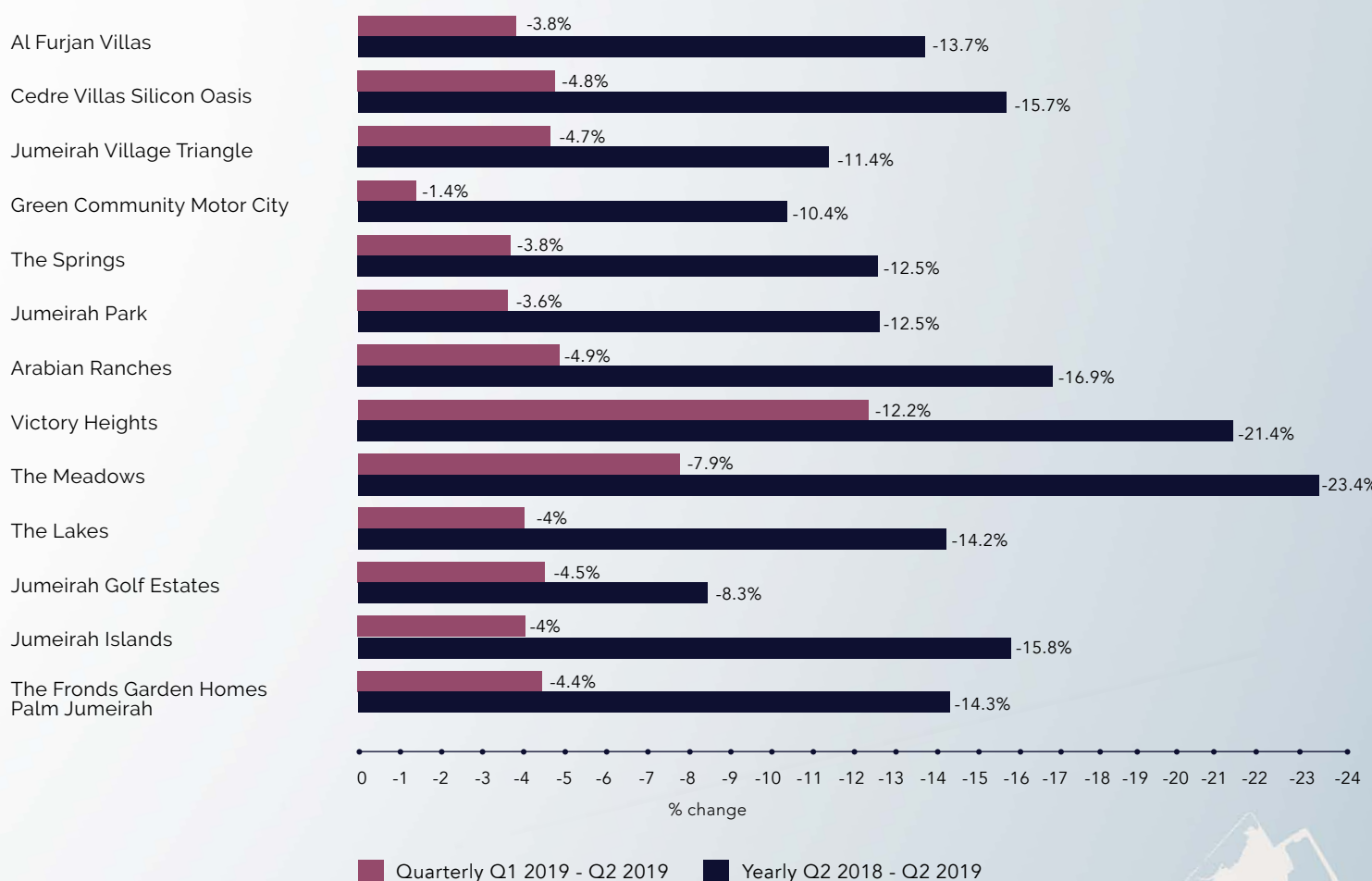
# Dubai

## Villa/Townhouse Price Performance



According to the PMI, average villa/townhouse prices declined 14.7% over the 12-month period from Q2 2018 to Q2 2019.

The average rate of decline in villa/townhouse prices across key communities increased year-on-year, with communities such as Jumeirah Islands, Dubai Silicon Oasis and Arabian Ranches witnessing a decline in the range of 15.5 to 16.9%.









# Dubai

## Rent Performance



Rental declines for apartments in Dubai averaged 12.5%, whilst villas/townhouses registered a 12.6% fall over the 12-month period from Q2 2018 to Q2 2019.

In the communities of Motor City, The Greens, JLT and Discovery Gardens, downward pressure on apartment rents was more pronounced, with declines averaging 14.6% year-on-year. Meanwhile, villa/townhouse communities including The Springs, Victory Heights, Arabian Ranches and Al Furjan registered an average decline of 11% in rents.

With new supply nearing completion, and an expected increase in handovers this year in both freehold and leasehold communities across Dubai, the upcoming quarters are expected to continue to exert downward pressure on rents. However, the rate of decline in rental prices is slowing down.

### Annual rent by bedroom

\* Data as of June 2019

#### APARTMENT

- Studio
- 1 BR
- 2 BR
- 12-month % change

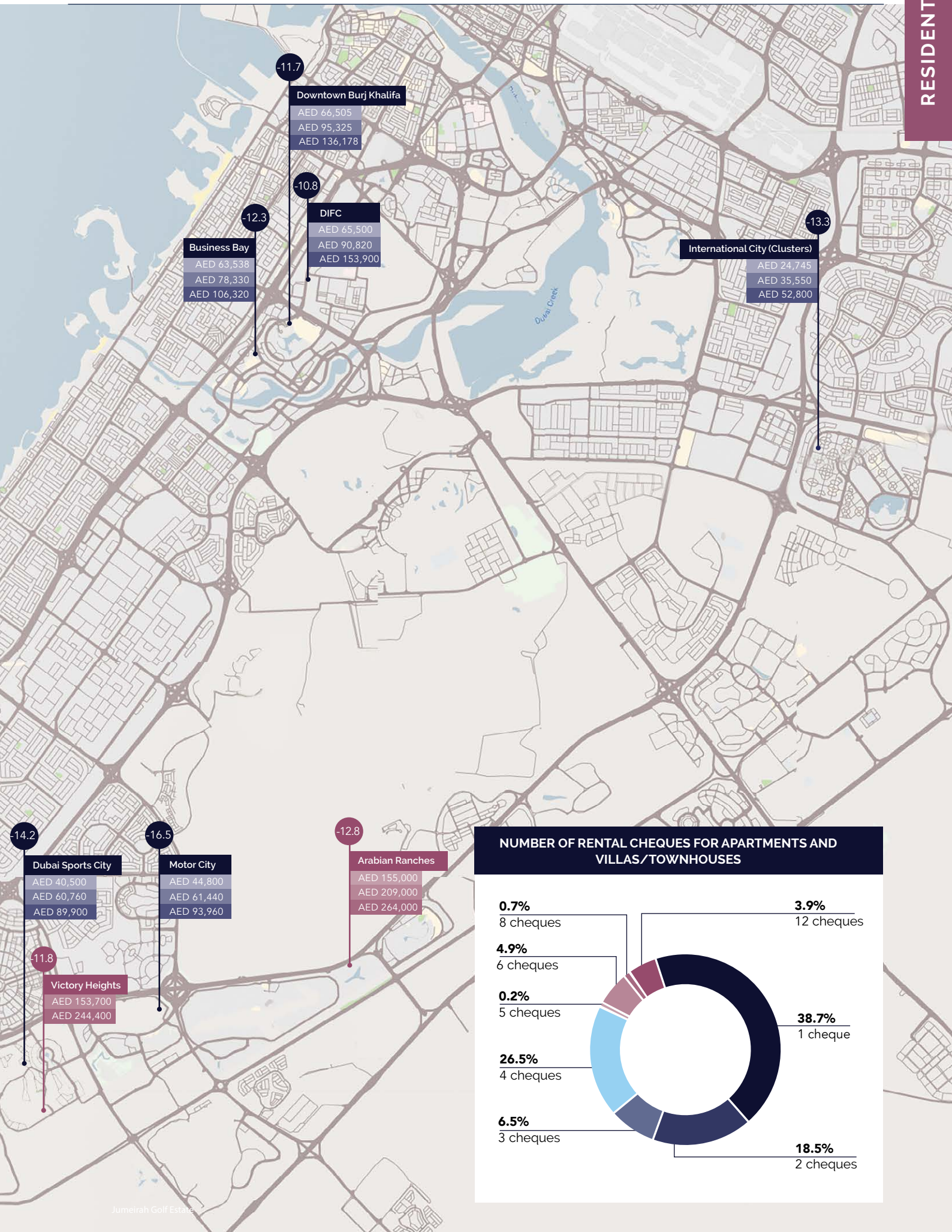
#### VILLA/TOWNHOUSE

- 3 BR
- 4 BR
- 5 BR
- 12-month % change



Source: Property Monitor







# Dubai

## 2019 Upcoming Supply



According to Property Monitor, over 1,700 apartments and 1,250 villas/townhouses were handed over in Dubai during Q2 2019.

Most of the upcoming supply in 2019 is concentrated in a few communities – Akoya Oxygen, Jumeirah Village Circle, Mohammed Bin Rashid City, Town Square and Dubai South. Villas make up the majority of the upcoming supply, at approximately 60%.

Actual materialisation rates in 2019 are expected to match previous years at 40 – 50%, with handovers averaging between 10,000 and 13,000 units, for the rest of 2019.



APARTMENTS

**40%**



VILLAS/TOWNHOUSES

**60%**

**SUPPLY SCHEDULED TO BE  
COMPLETED BY END OF 2019**

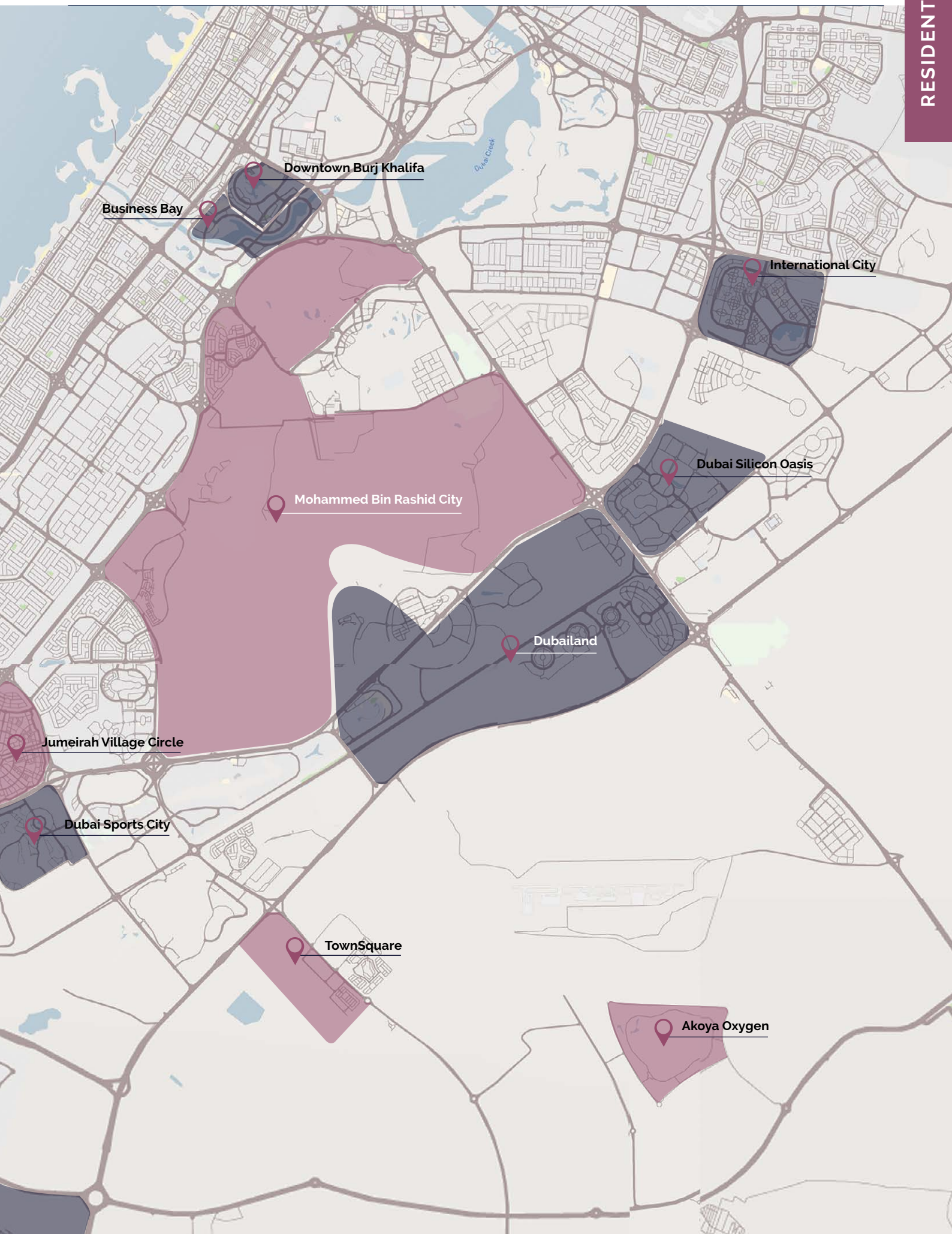
■ <1,500

■ 1,501 - 2,500

Source: Property Monitor









# Dubai

## Transaction Overview



Off-plan transfers continued to dominate in Q2 2019, accounting for more than 52.2% of total transfers. The total number of transfers in this period was 9,092, for villas/townhouses and apartments overall.

Mohammed Bin Rashid (MBR) City, Downtown Burj Khalifa and The Lagoons (Creek Harbour) were the most sought-after locations, displaying high off-plan apartment transfers in Q2 2019. Whilst off-plan transfers continue to dominate, the volume of transfers for under-construction apartments declined by 7.6% compared to Q2 2018.

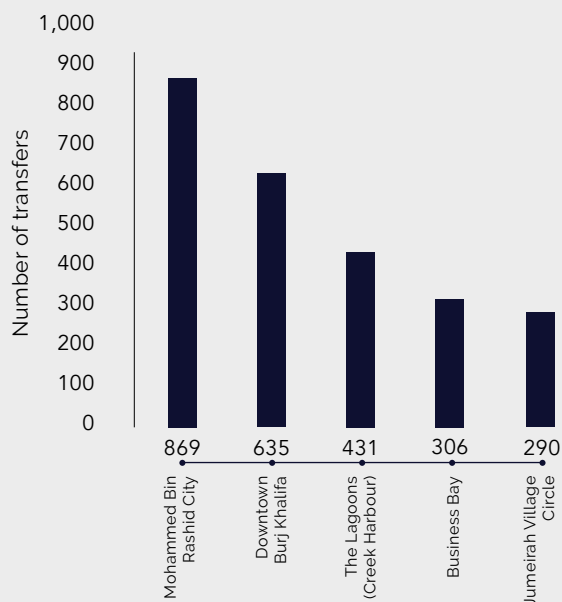
For villas/townhouses, the total volume of secondary transactions declined by 3.4% compared to Q2 2018. Secondary market transfers continued to outpace off-plan transactions during Q2 2019 for villas/townhouses.



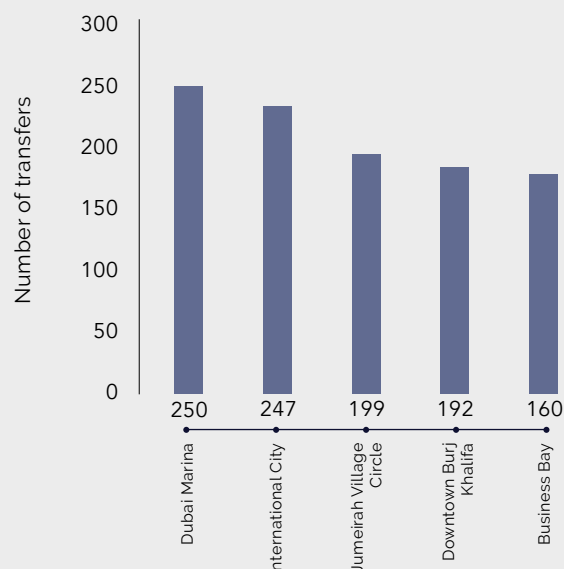


## Top 5 locations for apartment transfers in Q2 2019

### OFF-PLAN

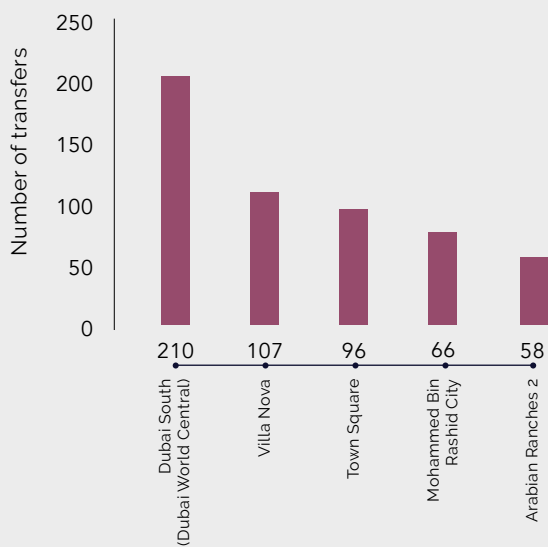


### SECONDARY MARKET

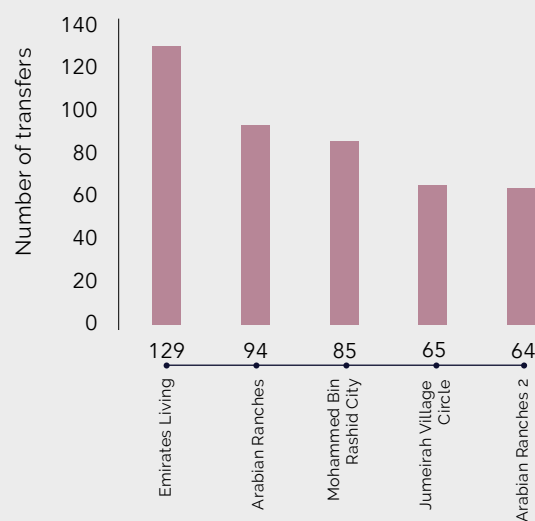


## Top 5 locations for villa/townhouse transfers Q2 2019

### OFF-PLAN



### SECONDARY MARKET



# Survey Results



## PROPERTY MONITOR RESIDENTIAL SURVEY – Q2 2019



### PREDICTIONS

The majority of agents surveyed predicted apartment and villa/townhouse prices would decrease by up to 5%.

For apartment and villa/townhouse rents, the majority of agents surveyed predicted that rates would decrease by up to 5%.

New buyer enquiries, seller instructions and agreed sales were predicted to increase by the majority of agents surveyed.



### REALITY

Apartment and villa/townhouse prices declined by 4.8% on average in Q2 2019, with a 12-month decline of 14.9% on average.

VS

Apartment and villa/townhouse rents declined by 2.7% on average in Q2 2019, with a 12-month decline of 10.9% on average.

According to data from real estate agencies, transaction levels in Q2 2019 were lower than Q1 2019.



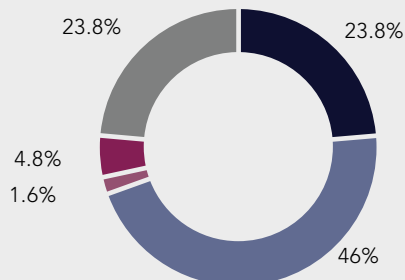
## LOOKING FORWARD – Q3 2019

### Q3 2019 PRICE OUTLOOK

■ Decrease by more than 5% ■ Decrease by up to 5% ■ Increase by more than 5% ■ Increase by up to 5% ■ Remain the same

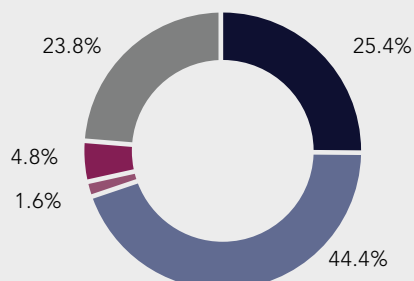
#### APARTMENTS

% of agents who predicted apartment prices would:



#### VILLAS/TOWNHOUSES

% of agents who predicted villa/townhouse prices would:

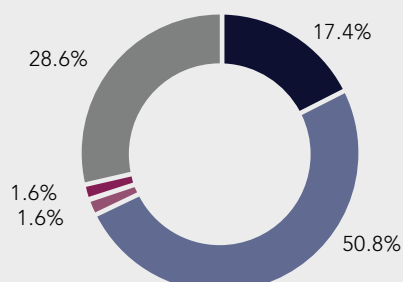


### Q3 2019 RENT OUTLOOK

■ Decrease by more than 5% ■ Decrease by up to 5% ■ Increase by more than 5% ■ Increase by up to 5% ■ Remain the same

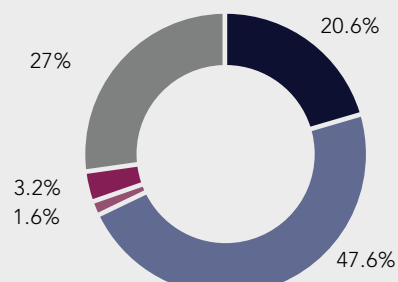
#### APARTMENTS

% of agents who predicted apartment rents would:



#### VILLAS/TOWNHOUSES

% of agents who predicted villa/townhouse rents would:

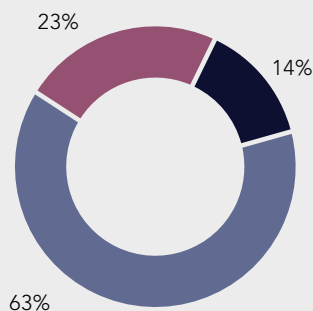


### Q3 2019 TRANSACTION OUTLOOK

■ Decrease ■ Increase ■ Remain the same

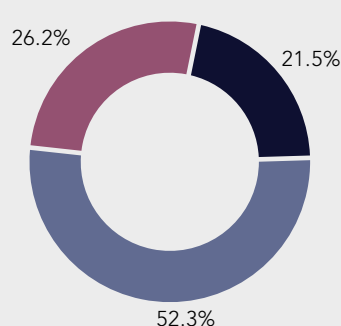
#### NEW BUYER ENQUIRES

% of agents who predicted new buyer enquiries would:



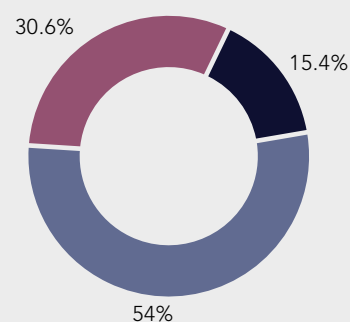
#### NEW SELLER INSTRUCTIONS

% of agents who predicted new seller instructions would:



#### AGREED SALES

% of agents who predicted agreed sales would:



# Abu Dhabi Price Performance



Average sales prices declined in Abu Dhabi's major investment zones by 12.6% for apartments from Q2 2018 to Q2 2019. Villa/townhouse prices registered a similar average decline of 12.1% over the same period.

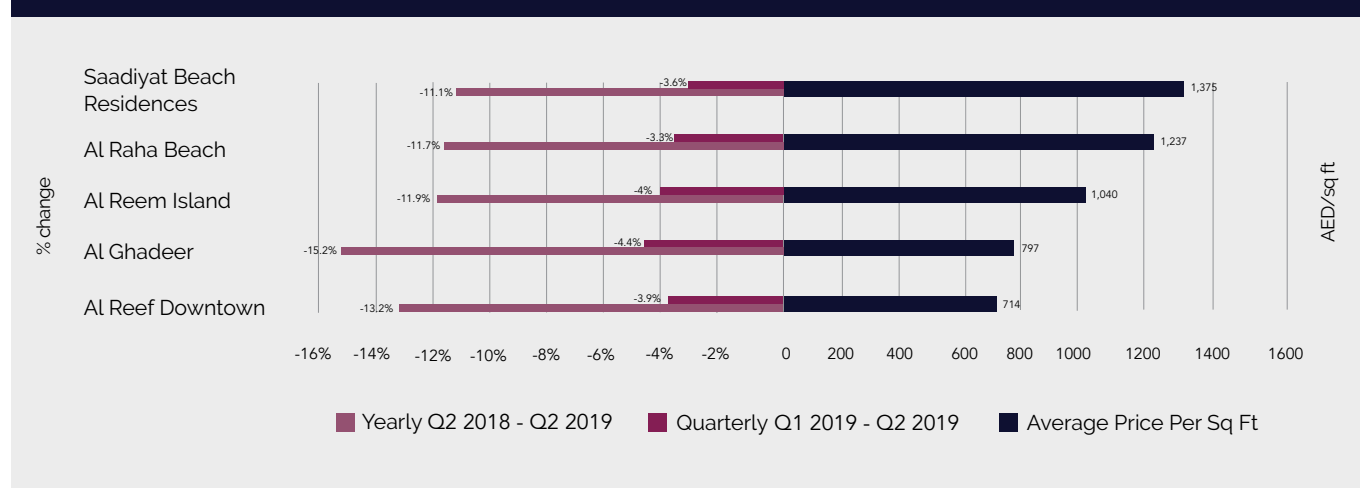


As of June 2019, prices in Al Reem Island, Al Raha Beach and Saadiyat Beach Residences declined by 13.4% on average for apartments, according to prices tracked by Property Monitor. The quarterly change from Q1 2019 to Q2 2019 was 3.9%. In the case of villas, prices also declined across all investment zones.

With the introduction of the new freehold law which allows foreign nationals to own properties, the emirate's real estate sector, and the economy as a whole, is expected to receive a boost. Previously, Abu Dhabi only granted a leasehold of 99 years to foreign property owners. The move is expected to bridge the gap between the Abu Dhabi and Dubai real estate markets, as Dubai already allows foreign nationals to buy property.

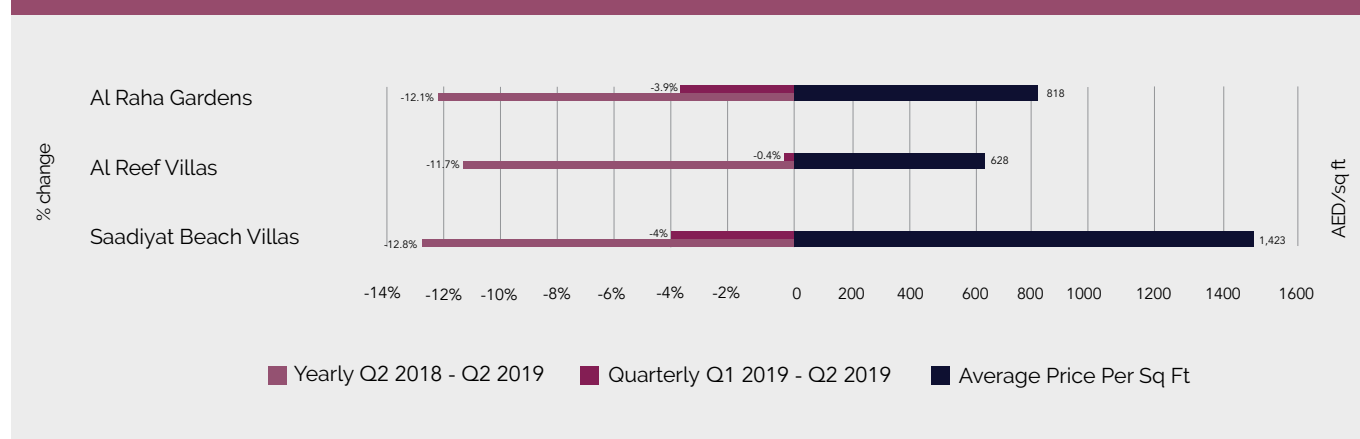
In the first six months of 2019, Abu Dhabi registered AED 31 billion worth of property transactions, according to first-of-its-kind report shared by the Department of Urban Planning and Municipalities (DPM), with the aim of increasing the level of transparency for investors and businesses.

### APARTMENT PRICE PERFORMANCE



Source: Property Monitor

### VILLA/TOWNHOUSE PRICE PERFORMANCE



Source: Property Monitor

# Abu Dhabi

## Rent Performance

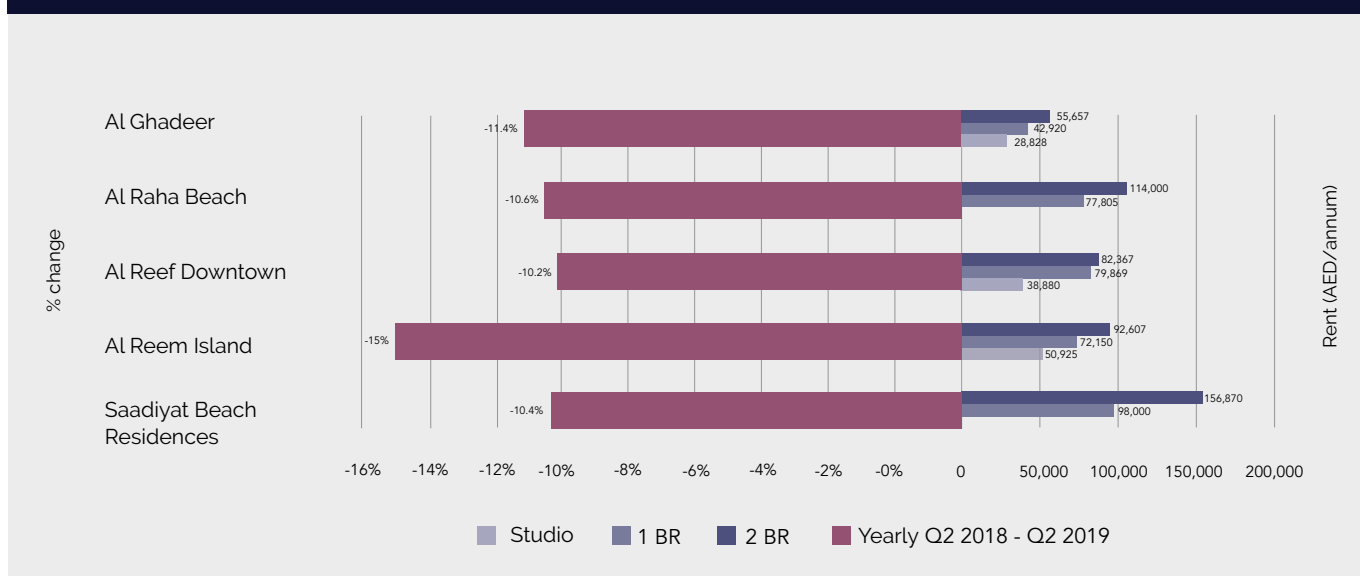


Rents in Abu Dhabi continued to fall in Q2 2019, for both apartments and villas/townhouses. The average annual decline was 11.9% for the 12-month period from Q2 2018 to Q2 2019.

Villas/townhouses in Saadiyat Beach Villas and Al Raha Beach displayed a steep decline in rents, averaging 12.4% annually. Over the same period, rents for apartments in Al Reem Island also declined by 15% on average. Tenants are expected to benefit from a wider choice at lower rates, with upgrades to larger homes also possible.

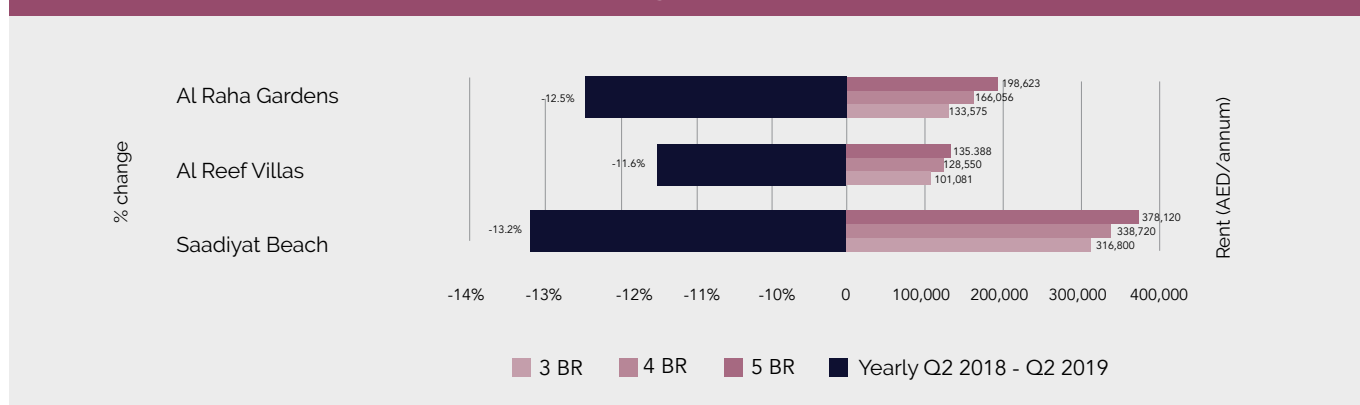
Sales prices are expected to soften further in H2 2019, as fresh supply enters the market. Some properties which were previously delayed are expected to be delivered in H2 2019.

### APARTMENT RENT PERFORMANCE



Source: Property Monitor

### VILLA/TOWNHOUSE RENT PERFORMANCE



Source: Property Monitor



# Abu Dhabi

## 2019 Upcoming Supply



According to Property Monitor, over 500 residential units were handed over in Abu Dhabi during Q2 2019 alone.

Upcoming supply for the rest of the year is spread across Abu Dhabi's investment zones and mainland. More than 6,400 residential units are expected to be delivered in H2 2019, of which, 3,000 apartments are to be handed over on Al Reem Island, Yas Island, Saadiyat Island and Abu Dhabi City.



APARTMENTS

**87%**



VILLAS/TOWNHOUSES

**13%**

Supply scheduled to be completed  
in H2 2019

- <100
- 100 - 500
- 501 - 1,000
- 1,000+

Source: Property Monitor



# Northern Emirates

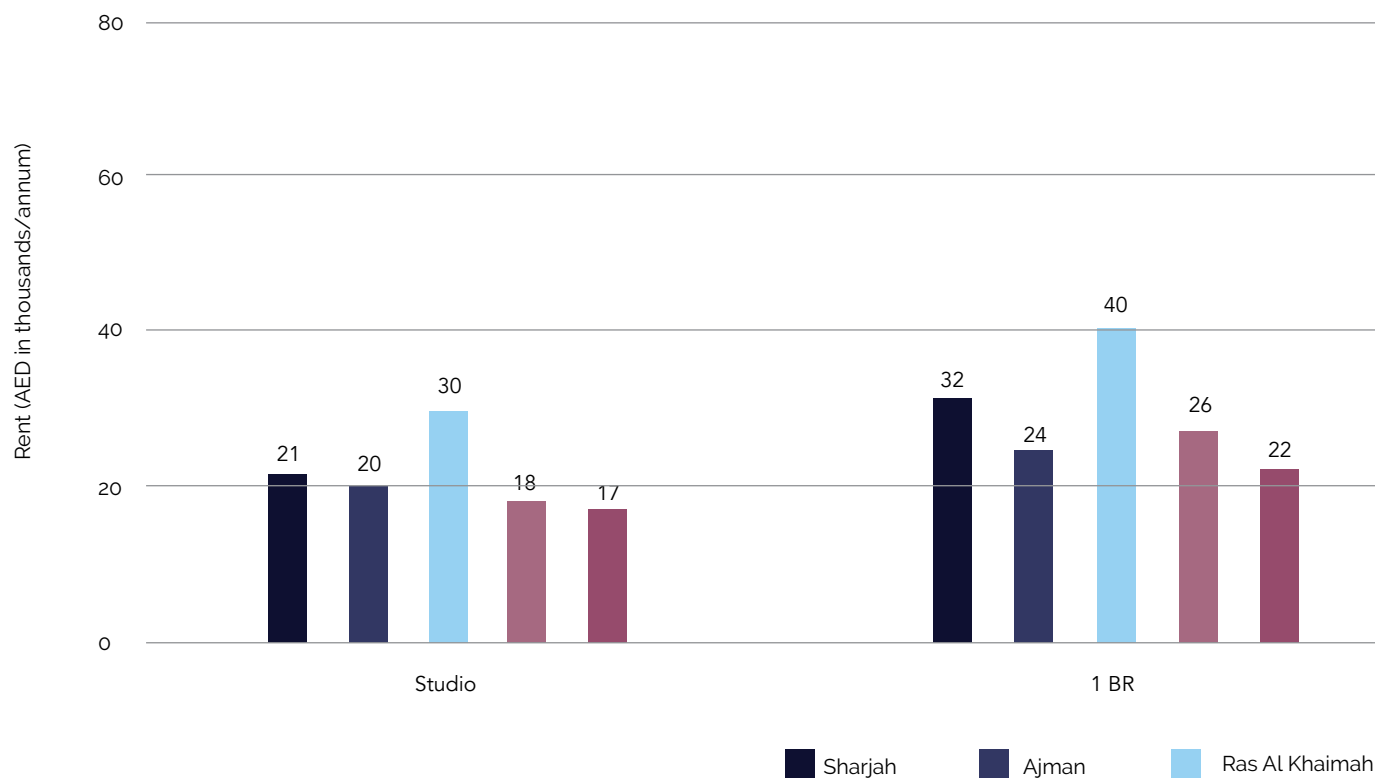
## Residential Market Overview



The Northern Emirates of Sharjah, Ajman and Ras Al Khaimah remain affordable alternatives for buying and renting of properties in the UAE. Reputed builders such as Eagle Hills and Emaar are developing master-plan projects in these emirates.

With prices and rents in neighbouring Dubai softening, residential real estate in Sharjah and Ajman followed a similar trend. Rental values declined across all residential segments, with upscale properties witnessing corrections as well. The current market dynamics in the Northern Emirates have made it more affordable for residents to upgrade to higher quality properties and larger unit sizes.

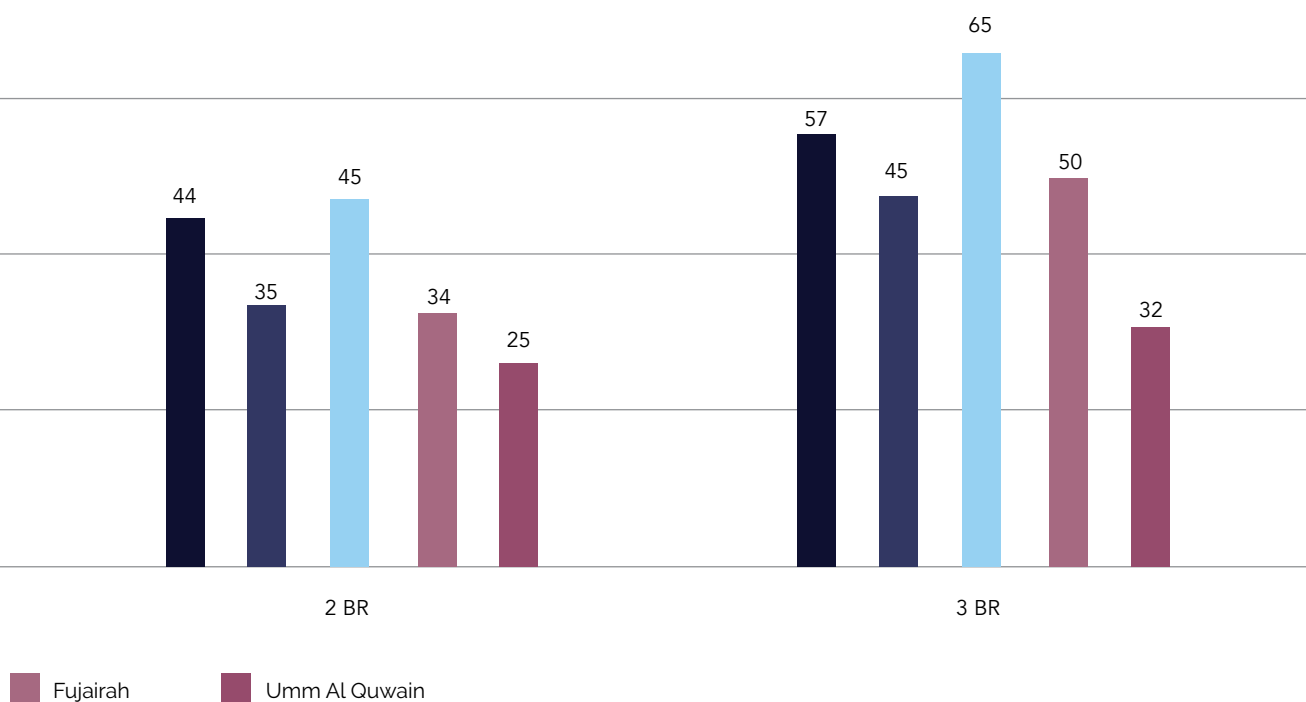
### AVERAGE RENTAL RATES Q2 2019





Similar to Dubai and Abu Dhabi, governments in the Northern Emirates are introducing larger budgets with diversification strategies to stimulate their economies and boost investment. These measures are expected to translate into employment and business growth, and as a result, increased transaction activity.

In 2019, the UAE allocated AED 11 billion to improve roads and infrastructure in the Northern Emirates. The restoration of Al Ittihad Street, the oldest arterial road linking the emirates to Dubai, is expected to improve traffic flow, attracting those seeking affordable properties.



# Sharjah

## Residential Market Overview

Despite proactive government initiatives and increased spending, rental rates are expected to face continued pressure for the rest of 2019.

Average apartment rents over the quarter declined by 5%, whilst villa rents on average declined by 3% over the same period. In popular locations such as Al Khan, Al Majaz and Abu Shagara, annual rents for studios start at approximately AED 16,000, and go up to AED 85,000 for three-bedroom apartments. Rents in communities in Al Heerah and Wasit start at approximately AED 85,000 for four-bedroom villas, going up to AED 200,000 for six-bedroom villas.

Upcoming residential supply includes master-planned communities such as Maryam Island, Al Mamsha, Al Zahia, Al Ajada and Sharjah Waterfront.

Rising vacancy levels have led to property owners actively offering discounted rentals to retain and attract tenants. In addition, they are also willing to absorb fees and provide rent-free periods as part of the incentives offered.

### AVERAGE RENTAL RATES (AED) Q2 2019



#### Prime Apartments

Studio	1 BR	2 BR	3 BR
20,000	27,000	31,000	51,000

#### Secondary Apartments

Studio	1 BR	2 BR
16,000	21,000	28,000



#### Prime Apartments

Studio	1 BR	2 BR	3 BR
26,000	39,000	60,000	73,000

#### Secondary Apartments

Studio	1 BR	2 BR	3 BR
18,000	21,000	28,000	37,000

Source : Property listings as of June 2019





Prime Villas

4 BR	5 BR	6 BR
105,000	135,000	158,000

Secondary Villas

4 BR	5 BR	6 BR
95,000	123,000	128,000



Prime Villas

4 BR	5 BR	6 BR
103,000	117,000	135,000

Secondary Villas

4 BR	5 BR	6 BR
90,000	114,000	128,000

# Ajman

## Residential Market Overview

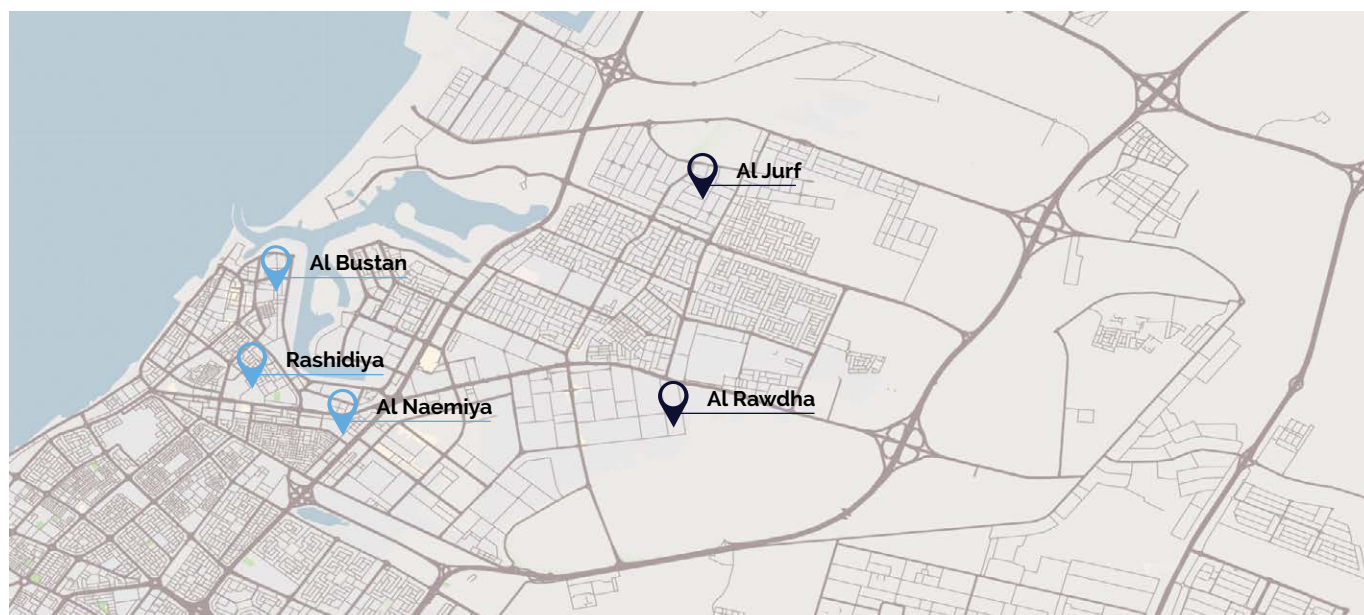


Real estate in Ajman is a feasible option for local and expat investors due to lower rent and sale prices than neighbouring Sharjah and Dubai.

The Ajman residential market is mainly dominated by villas, which are the preference for larger families. However, apartments are also available across multiple price points based on resident preferences.

Annual apartment rents in Ajman range from AED 20,000 per annum for studios, to AED 50,000 for three-bedroom units. Studio sizes range from 300 to 900 sq ft, one-bedroom apartment sizes range from 550 to 1,900 sq ft and two-bedroom apartment sizes range from 800 to 2,500 sq ft.

With more upcoming supply expected to enter Meshairef, Emirates City and Al Butain, further downward pressure on rents is expected. Al Zohra, which is a mixed-use development planned for completion in 2023, has been delayed. Once complete, it is slated to accommodate 50,000 people.



### AVERAGE RENTAL RATES (AED) Q2 2019



#### Prime Apartments

Studio	1 BR	2 BR	3 BR
20,000	25,000	35,000	45,000



#### Secondary Apartments

Studio	1 BR	2 BR	3 BR
16,000	18,000	30,000	40,000

Source : Property listings as of June 2019



# Umm Al Quwain

## Residential Market Overview



As of Q2 2019, apartment rental rates remained stable compared to Q1 2019, with a marginal average decline of 1%. The apartment rental rate in Umm Al Quwain ranged from AED 16,000 per annum for studios to AED 32,000 per annum for three-bedroom units.

The expansion of the Umm Al Quwain Free Trade Zone was initiated this year, with completion expected by Q1 2020. The new free zone will be spread over an area of two million sq m, with plans to develop an industrial smart city with residential, warehouses, offices and leisure facilities.

# Fujairah

## Residential Market Overview



As of Q2 2019, rents in Fujairah declined 2% compared to Q1 2019. Rents in the emirate range from AED 18,000 per annum for studios to AED 50,000 per annum for three-bedroom units.

More than 700 apartments and 1,200 villas are currently under construction in Fujairah, and are expected to be handed over in H2 2019. Major upcoming residential projects include residential communities in Al Hayl, Eagle Hills and Fujairah Investment Towers.

As of Q2 2019, a wide range of development projects are underway in the emirate as it seeks to diversify its economy. These projects include the expansion of Fujairah Airport to boost tourism, and the development of Sheikh Khalifa Hospital to attract medical tourism. The expansion into other sectors will likely increase employment, and subsequently, the demand for housing.



# Ras Al Khaimah

## Residential Market Overview





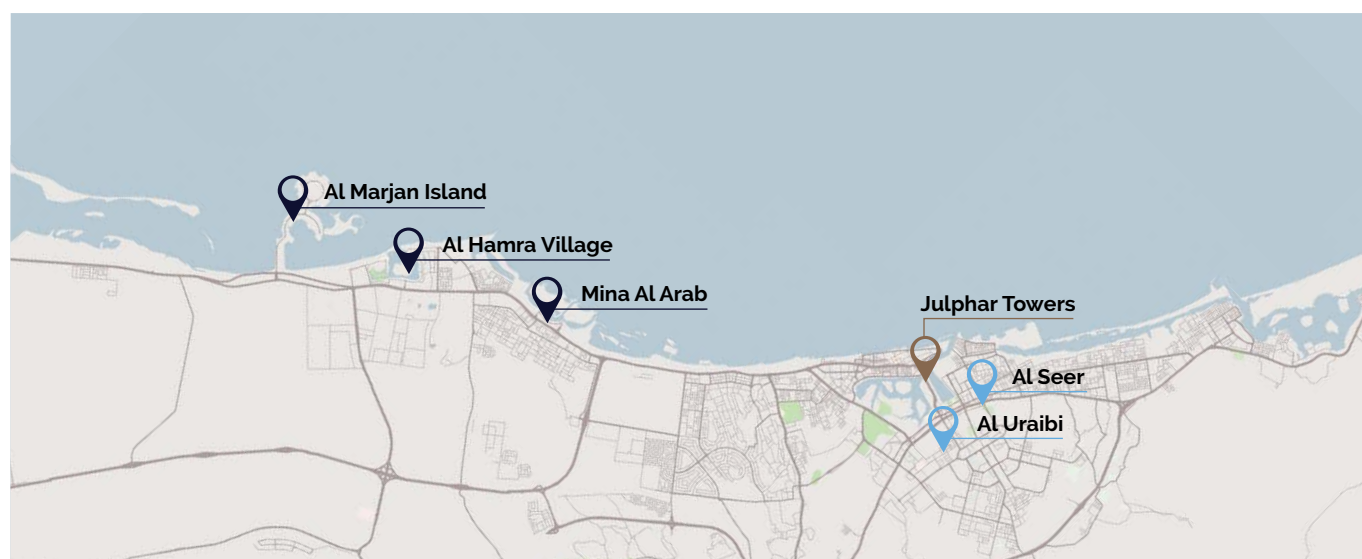


Annual rents in Ras Al Khaimah's newer stock, including Al Hamra Village and Mina Al Arab, declined marginally by 1% on average in Q2 2019 compared to Q1 2019. Rents in older stock remained relatively stable.

As of Q2 2019, Al Hamra Village continued to be a popular choice for tenants and investors, and apartments maintained occupancy of over 75%. Average rents ranged from AED 32,000 per annum for studios to AED 70,000 per annum for three-bedroom units. On the other hand, apartment sales prices at Al Hamra Village and Mina Al Arab ranged from AED 400 to AED 700 per sq ft.

Major upcoming residential projects in Mina Al Arab include Northbay Residences and Gateway Residence, which are a part of Hayat Island. Gateway Residence is expected to be delivered by Q4 2019, whilst Northbay Residences is expected to be complete by 2021. Apartment sales prices within these projects start from AED 670,000 for one-bedroom units.

New developments in Ras Al Khaimah offer a unit mix that is aligned with current market demand. However, the market is price-sensitive and fluctuations in rental rates are likely to affect the absorption rates of these new developments.



## AVERAGE RENTAL RATES (AED) Q2 2019

	Prime Apartments			
	Studio	1 BR	2 BR	3 BR
	32,000	41,000	51,000	70,000

	Secondary Apartments			
	Studio	1 BR	2 BR	3 BR
	18,000	23,000	33,000	38,000

	Prime Apartments			
	Studio	1 BR	2 BR	3 BR
	27,000	37,000	53,000	65,000

Source : Property listings as of June 2019

# Dubai

## Office Market Overview

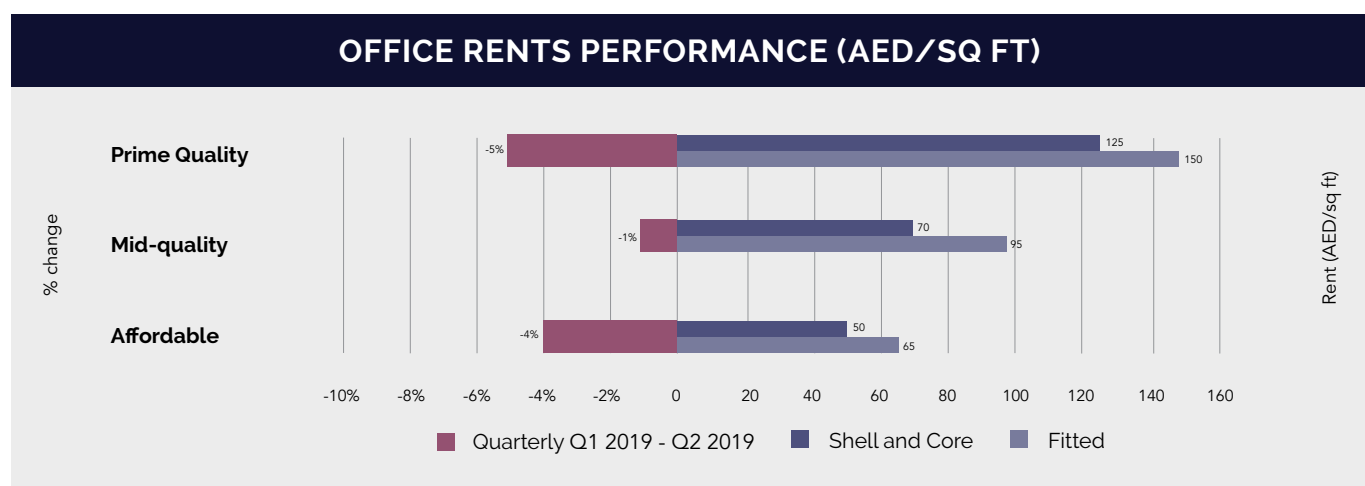
In H1 2019, tenants continued to prefer 'plug and play' fully-fitted options, providing higher agility and flexibility to suit a variety of business needs. Many occupiers have consolidated their portfolios by opting for purpose-built or competitively-priced spaces. Landlords are now catering to this preference by converting shell and core offices into fully-fitted and furnished units.

The weakening demand for office space in the face of oversupply in the market is resulting in less office space being constructed. Landlords are offering incentives such as longer rent-free periods and flexible payment terms, and are also absorbing service charges in some areas to attract and retain tenants.

Investors continue to display interest in well-located Grade A assets with credit-worthy tenants perceived as low-risk.

During Q2 2019, vacancy rates in the commercial sector varied across Dubai ranging from 5% in Dubai Design District to 54% in Business Bay. Meanwhile, core buildings in Dubai International Financial Centre (DIFC) continued to outperform the overall market, achieving an occupancy rate of approximately 90%.

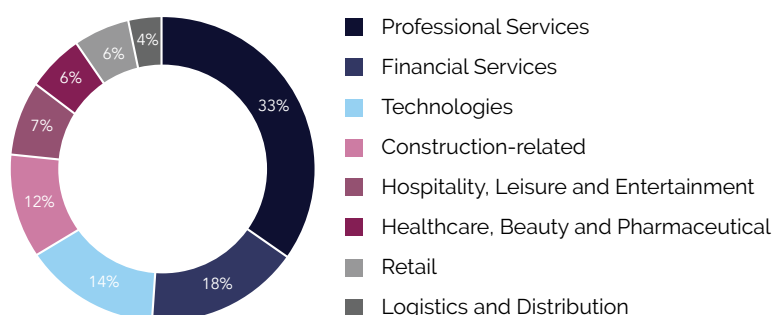
Upcoming supply in the central business district with the expansion of DIFC 2.0, which is expected to offer 6.4 million sq ft of office space, will likely continue to impact vacancy levels in non-core areas, and subsequently, rents.



Source: Cavendish Maxwell

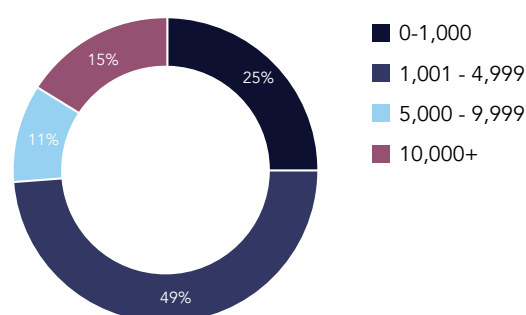
The above rates are inclusive of service charge and are based on signed rental contracts.

### DUBAI OFFICE ENQUIRES BY SECTOR H1 2019



Source : Cavendish Maxwell

### DUBAI OFFICE ENQUIRES BY SIZE (SQ FT) - H1 2019





# Dubai

## Retail Market Overview

Retail sector expansion in Dubai is supported by steady tourism growth and transport infrastructure development.

As of Q2 2019, despite declining rents, occupancy rates also fell. However, compared to the wider retail market, well-located community retail facilities with established catchments, continued to showcase stable performance.

To retain and attract tenants, developers are becoming increasingly flexible on lease terms and offering incentives such as service charge waivers, revenue share agreements and capital expenditure contributions.

Dubai's retail sector is also being impacted by the influx of e-commerce companies, which is driven by the growing adoption of smartphones, internet penetration and other digitised services. To remain relevant and attract customers to brick and mortar stores, retailers are adopting aggressive promotional campaigns and offering discounts to tenants.

RETAIL RENTAL RATES Q2 2019 (AED/SQ FT)	
Retail Type	Average Rental Rate
High Street/Destination Retail	210 - 650
Central Business District	200 - 400
Community Retail	60 - 220

Source: Cavendish Maxwell

Rates vary by size, location, access and target tenants (for instance, Supermarket versus F&B concept). Some retail units may be offered on a rent + turnover percentage.

# Abu Dhabi

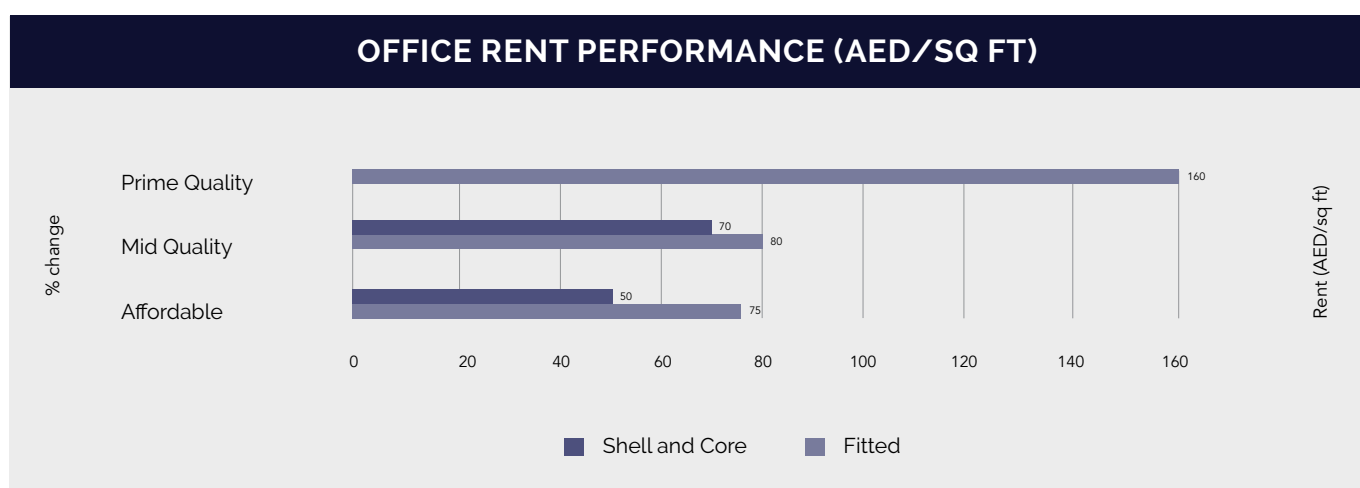
## Office Market Overview

As of Q2 2019, subdued demand, reduced business growth and corporate restructuring placed downward pressure on rents in the office space. Rents for prime and mid-quality buildings declined by 2% on average in Q2 2019.

There was limited interest from the hydrocarbon sector, some of the largest office tenants in Abu Dhabi, putting further pressure on rents. A rising number of public and quasi-government organisations also responded to market conditions over the quarter by downsizing or consolidating their operations. Corporates are demanding lease flexibility both at renewal and new lease signing stages, citing the economic uncertainty within the region as the reason.

Rising vacancy rates and declining rents created an opportunity for tenants to relocate from locations they may have previously been priced out of, whilst also being able to negotiate rates with landlords. Tenants are choosing to upgrade to Grade A stock from Grade B and C specifications. As a result, landlords have become more flexible by providing extended rent-free periods, parking provisions, and payments towards fit-out costs, among others.

Abu Dhabi's new freehold law introduced in Q2 2019, allowing foreign investors to buy real estate in 15 designated investment zones, is expected to improve market sentiment in the medium term.



Source : Cavendish Maxwell

## Retail Market Overview

As of Q2 2019, Abu Dhabi's retail market remained subdued, with slowing retail spending and the rise of ecommerce posing challenges. Retail rents continued to decline, with a reported increase in vacancy levels. Many mall operators attempted to respond by offering numerous leasing incentives to attract and retain retailers.

New supply in Q2 2019 included My City Centre Masdar, Majid Al Futtaim's first shopping mall in Abu Dhabi, with 200,000 sq ft of gross leasable area across 70 stores. In addition, the refurbished Lulu Shopping Centre opened at Madinat Zayed with a built up area of 323,000 sq ft and 75 stores.

To improve retail market conditions, the government launched Retail Abu Dhabi (RAD) in Q2 2019, an annual sales event in major malls such as Abu Dhabi Mall, Marina Mall, Dalma Mall, Raha Mall and Mushrif Mall, to boost footfall and stimulate demand.

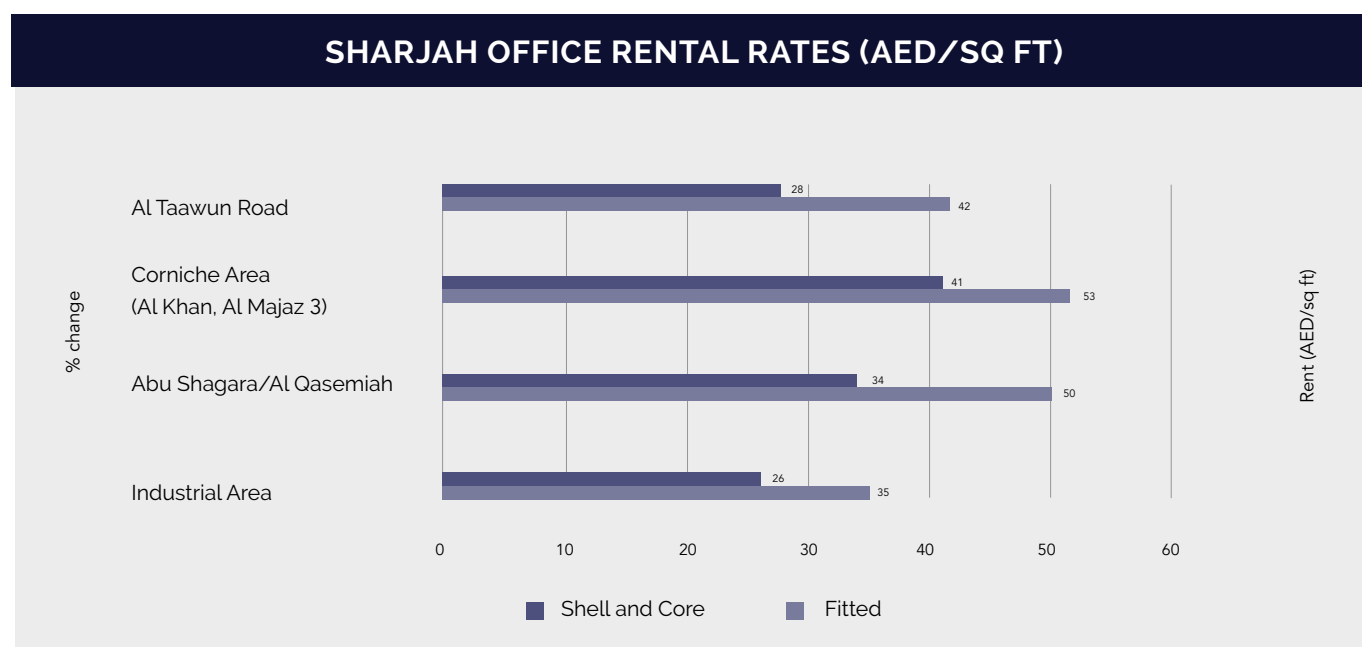


# Northern Emirates Office Market Overview

Sharjah benefits from a competitive advantage over other emirates due to its low-cost of living and doing business. However, considering Dubai's over-supply and rental climate, rents in Sharjah, and neighbouring Ajman, came under pressure. As of Q2 2019, the office sector continued to display little momentum, owing to a bearish market sentiment and regional uncertainties, which affected potential tenant upgrades and newcomers to the market.

As of Q2 2019, limited demand for office space in Sharjah led to average rental declines of 3% over the quarter, and 6% over the last 12 months. Noticeable declines were witnessed in the Corniche and industrial areas compared to the same period last year.

Dubai Investments announced that the mixed-use Fujairah Business Centre project is on track to be delivered by Q2 2020. In Umm Al Quwain, construction began on the expansion of the Umm Al Quwain Free Trade Zone, amid rising demand from new tenants.



Source : Cavendish Maxwell

## Retail Market Overview

In H1 2019, Oasis mall was completed and handed over in Sharjah, having a total area of 650,000 sq ft and over 45 retail stores. In addition, new F&B outlets opened in the Corniche area and at Al Majaz Waterfront.

At the beginning of 2019, the Ajman Municipality and Planning Department launched a new mixed-use development called Ajman Square. The development includes cafes and restaurants, in addition to walking tracks and open spaces, offering plenty of recreational options to visitors. In Q2 2019, Spinneys opened its second store in the Al Jurf community, spanning over 14,000 sq ft.

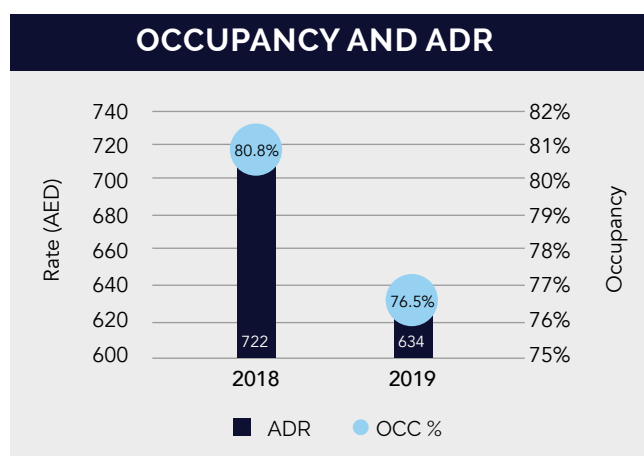
The Mall of UAQ was completed and handed over in Al Maqtaa, Umm Al Quwain in Q2 2019. The 100,000 sq ft Lulu Hypermarket is an anchor tenant in the mall.

# Dubai

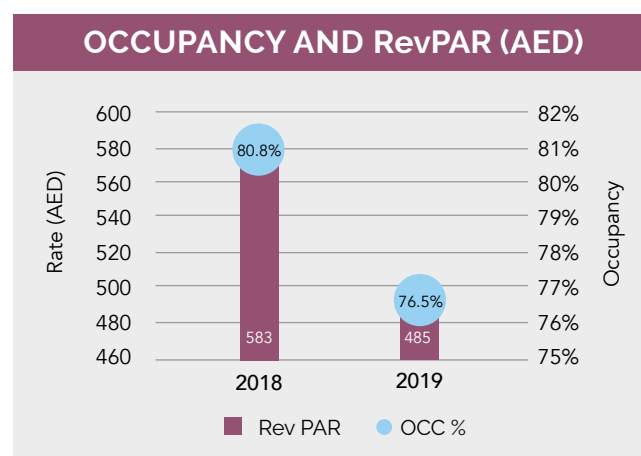
## Hospitality Market Overview

According to data released by STR Global, Dubai hotel room occupancy levels declined from 80.8% in the January to May 2018 period to 76.5% in the same period in 2019, a year-on-year decline of 5.3%. During the same period, Average Daily Rates (ADRs) fell 12% from AED 722 to AED 634. Because of declines in both occupancy and ADR, Dubai has seen a 16.8% reduction in revenue per available room (RevPAR). STR Global data also showed that in H1 2019 there were 3,841 rooms added to the total inventory. 12,472 rooms are expected to be delivered over the remainder of 2019, with approximately 49% of the additional inventory belonging to the upper-upscale sector.

In H2 2019, with the anticipated addition of new supply amid a period of slowing demand, ADRs are expected to come under increased pressure, along with further reductions in occupancy levels.



Data as of YTD May



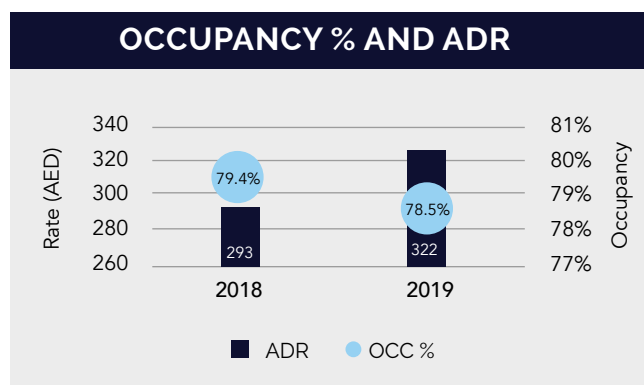
Source: STR Global

# Abu Dhabi

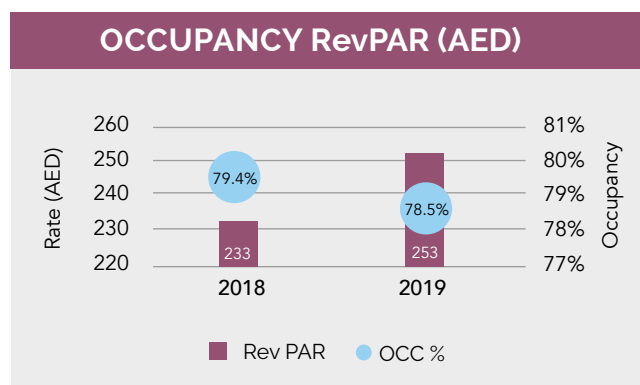
## Hospitality Market Overview

According to data from STR Global, hotel room occupancy rates in Abu Dhabi City declined from 79.4% in the January to May 2018 period to 78.5% in the same period in 2019, a marginal drop of 1.1%. Hotel RevPAR within the city increased during the period, from AED 233 to AED 253, representing an increase of 8.5%. The increase in RevPAR is mainly attributed to events such as the Special Olympics held in March 2019.

As of H1 2019, the Department of Culture and Tourism (DCT) has reduced tourism fees from 6% to 3.5%, municipal fees from 4% to 2% and municipality hotel room fees per night from AED 15 to AED 10. This reduction is expected to increase the emirate's competitiveness and visitor numbers. In terms of upcoming supply, 560 hotel rooms are due to be added to hospitality inventory by the end of 2019.



Data as of YTD May



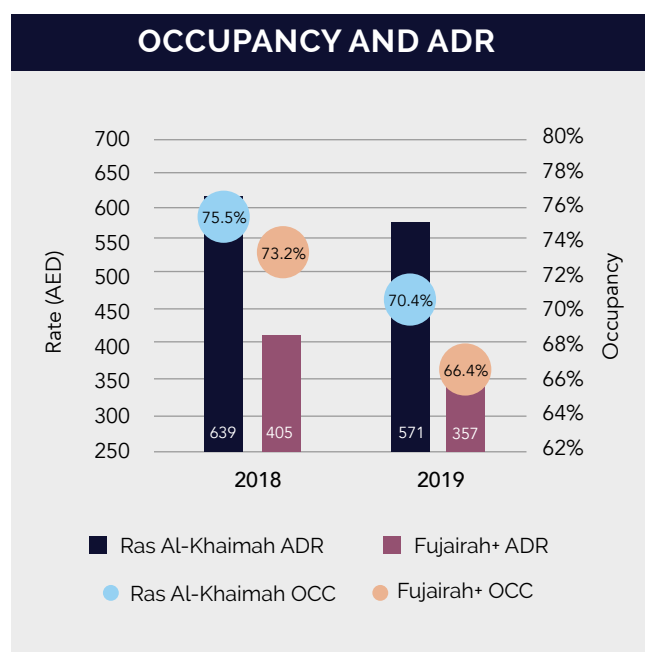
Source: STR Global

# Northern Emirates Hospitality Market Overview

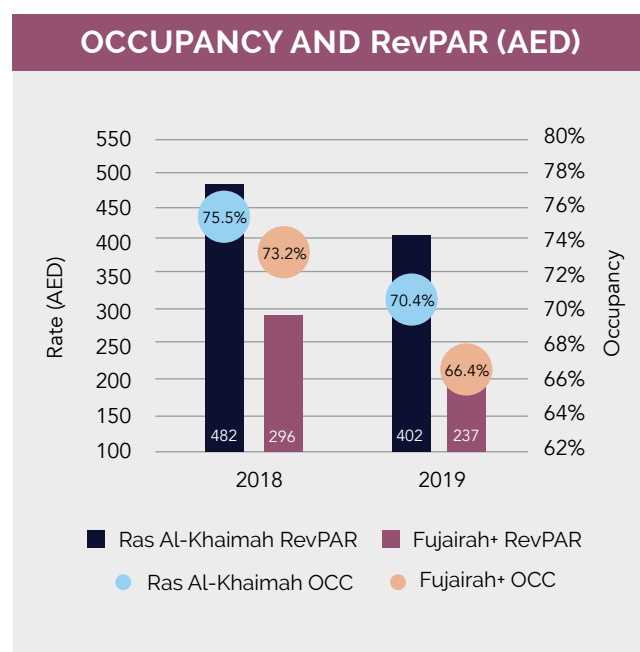
The addition of new tourist attractions and hotel projects in the Northern Emirates is expected to aid growth in the hospitality sector.

According to the Sharjah Investment and Development Authority, over 4,000 hotel rooms are expected to be added to the emirate's hospitality sector between 2014 and 2020. In Q2 2019, the Ajman Municipality and Planning Department announced an AED 25 million heritage district that is set to be a key tourist destination in the emirate. According to the Fujairah Tourism Authority, the reconstruction of Habhab Fort and the redevelopment of Fujairah Museum are expected to be complete by the end of 2019.

STR Global data showed that in Ras Al Khaimah, hotel room occupancy rates declined from 75.5% in January to May 2018 to 70.4% in the same period in 2019, a year-on-year drop of 6.8%. Hotel RevPAR in the emirate also decreased during the same period, from AED 482 to AED 402, representing a decline of 17%. Fujairah occupancy rates also declined from 73.2% in January to May 2018 to 66.4% in the same period in 2019, a year-on-year drop of over 6%.



Data as of YTD May



Source: STR Global



# Dubai

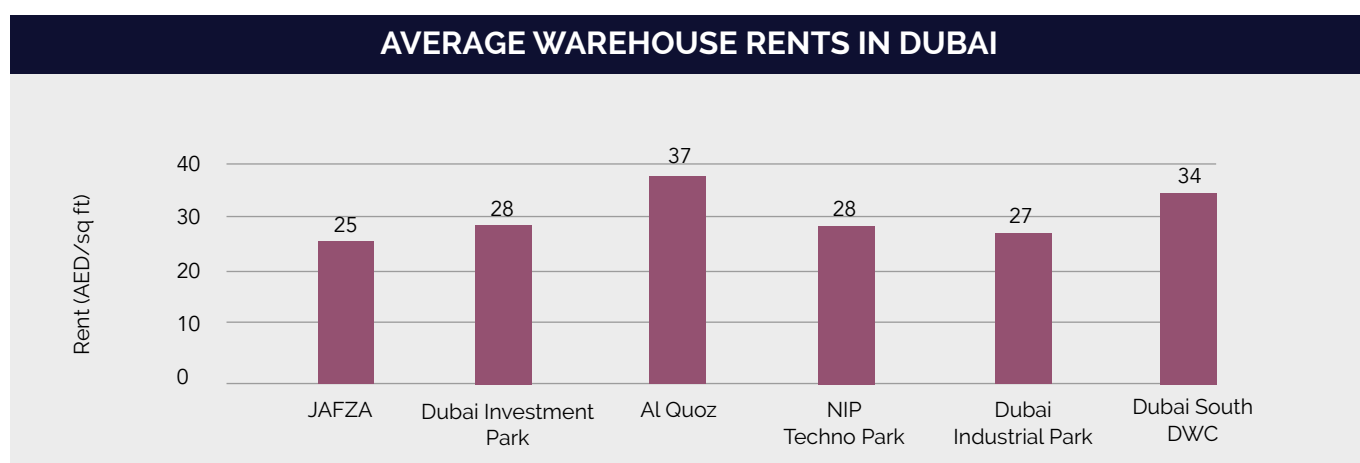
## Industrial Market Overview

Industrial and logistics property market conditions remained relatively consistent, with increased flexibility in pricing from vendors and landlords acting as a further catalyst for higher transaction volumes.

With a widening gap in the local two-tier market due to occupiers seeking better value, there was a continued flight-to-quality, with pricing for modern, high-quality assets remaining stable, both for rentals and sales. Older, dilapidated properties that no longer comply with current legislation and requirements (such as those of the Dubai Civil Defense) continued to experience negative pressure. This segment of the market is expected to experience further declines in H2 2019.

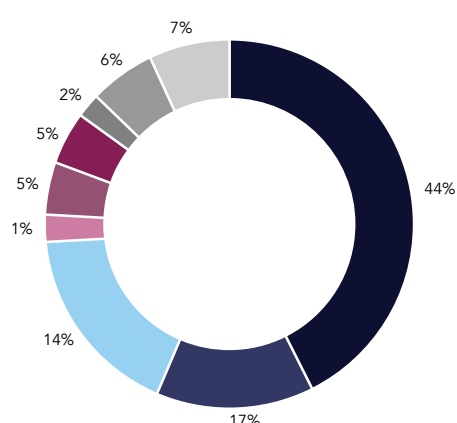
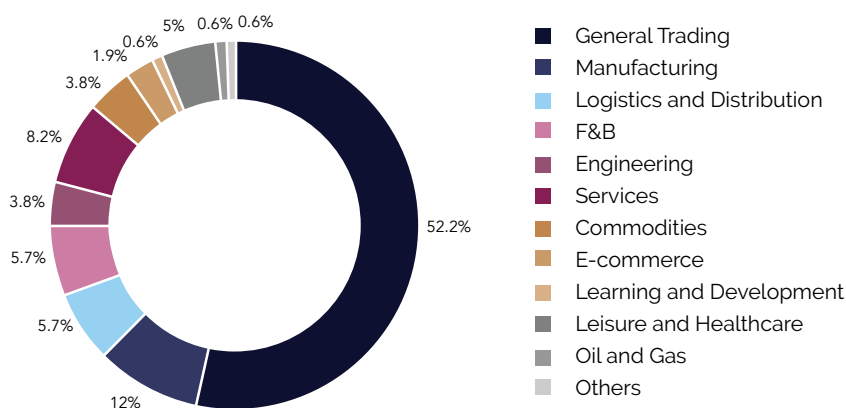
Demand for general trading spaces accounted for 44% to 52% of both the freezone and onshore markets, followed by manufacturing, logistics and distribution centres. The market is experiencing lengthier transaction times as a result of more extensive occupier due diligence and analysis. The entire procedure, from initial discussions and identifying specific occupier requirements, to property selection and concluding a transaction, can now take between nine and 12 months, or longer in certain cases.

In H2 2019, landlords will be expected to provide further incentives, such as rent-free periods, multiple rental cheques, and capital expenditure contributions, or offer more innovative solutions to provide potential occupiers with better value and service. In return, landlords will expect tenants to sign longer-term leases, in an effort to prevent void periods and stabilise rental incomes.



Source: Cavendish Maxwell

Inclusive of sub-lease fees

**FREE ZONE DEMAND BY SECTOR - H1 2019**

**ON SHORE DEMAND BY SECTOR - H1 2019**


Source: Cavendish Maxwell

# Abu Dhabi

## Industrial Market Overview

The Abu Dhabi government continues to promote development in the industrial sector to improve economic growth, whilst reducing dependence on the oil and gas sector.

Most of the existing industrial stock in the older industrial areas is of inferior quality, consisting of smaller multi-tenanted units. Not only do these properties have connectivity issues, but also lack the dual license structure which helps to attract companies by lowering the cost of doing business.

The emirate's industrial sector has recorded lower rents over the last 12 months. Areas such as Mussafah and ICAD 1 registered declines of more than 10% in Q2 2019, compared to the same period in 2018, with rents for pre-built units averaging AED 32 per sq ft.

In locations like KIZAD, majority of the stock is purpose-built. The limited evidence for pre-built light industrial units indicates rates of AED 25 per sq ft to AED 33 per sq ft on average.

# Northern Emirates

## Industrial Market Overview

According to the Sharjah Economic Development Department, industrial production in Sharjah reached AED 41 billion in 2018. Industrial lease rates and demand remained relatively stable in Q2 2019.

Lease rates for warehouses ranged from AED 15 to AED 32 per sq ft per annum in Sharjah and Ajman, based on location, specifications and availability. In Sharjah Airport International Free Zone (SAIFZ), warehouse rents ranged from AED 32 to AED 39 per sq ft per annum.

In Ras Al Khaimah, RAK Ports launched two new bulk cargo berths at Saqr Port, which enable the bulk cargo exports from the emirate to faraway markets, in an effort to boost the logistics sector. Major clients such as Stevin Rock, which operates the largest limestone quarry in the world, can now export to markets in the Far East and Australia directly from the port.

The expansion of the Umm Al Quwain Free Trade Zone (FTZ) was also initiated this year, with completion expected in Q1 2020. The expansion project will include setting up a new sustainable industrial smart city, featuring logistics, outsourcing and alternative power-related industries, with a focus on small and medium enterprises. Spread over an area of two million sq m, the FTZ is expanding its warehouse and office space to meet demand from new customers.

# Methodology

Residential sales prices and rents are derived from Property Monitor ([www.propertymonitor.ae](http://www.propertymonitor.ae)), the region's leading real estate intelligence platform and the only data source powered by RICS-accredited professionals; bringing unprecedented transparency and accuracy to local property markets.

Through Property Monitor, market stakeholders can directly access real-time, transparent and accurate intelligence, unmatched anywhere else in the region. The platform empowers investors, property specialists and banking professionals with authoritative data, analytics and insights that closely correlate with market movements, empowering confident and informed property-related decisions.

The average residential sales price per square foot is based on the Property Monitor Index which incorporates signed contracts, registered transactions, valuations and listings verified by Cavendish Maxwell's market-leading valuation department.

The Property Monitor Residential Survey is a quarterly study of agent opinions designed to identify residential market sentiment. This research highlights how new enquiries, leasing activity and transactions, among other metrics, changed from quarter to quarter with agent predictions compared to actual real market performance.

Supply projections for residential projects are based on the Property Monitor Supply Tracker, which tracks supply in real time, including regular tracking of construction projects, new launches and delays. This is achieved through site inspections as well as regular feedback from developers, contractors, Cavendish Maxwell's building consultancy team and related government entities.

## Strategic Consulting And Research

Cavendish Maxwell's strategic consulting and research team has some of the region's most highly qualified data analysts with a wealth of international real estate advisory experience. We work closely with a broad portfolio of banks, property developers, government entities and private clients, providing authoritative, industry-specific research and advice to maximise portfolio performance.

Our strategic consulting and research expertise spans a variety of sectors including residential, office, hospitality, education and mixed-use developments, and our team draws on reliable proprietary data to allow for thorough and accurate analysis of trends and market fluctuations.

**40**  
BANKS

Our documents and advice meet banking and audit criteria, proven by our presence on over 40 bank panels across the Middle East.

## Key Services

- Market research
- Development recommendations
- Highest and best use studies
- Advisory services
- Portfolio strategy
- Feasibility studies
- Property data
- Market entry strategies





## DUBAI

2205 Marina Plaza  
Dubai Marina  
P.O. Box 118624  
Dubai  
United Arab Emirates

T: +971 4 453 9525

## ABU DHABI

605 West Tower, Abu Dhabi Mall  
Tourist Club Area  
P.O. Box 126609  
Abu Dhabi  
United Arab Emirates

T: +971 2 448 4677

## MUSCAT

Villa 836, Way 3012  
Al Sarooj  
P.O. Box 3438  
Muscat  
Sultanate of Oman

T: +968 24 694 150

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