Cavendish Maxwell

Q3 2020

UAE PROPERTY
MARKET REPORT

cavendishmaxwell.com

About

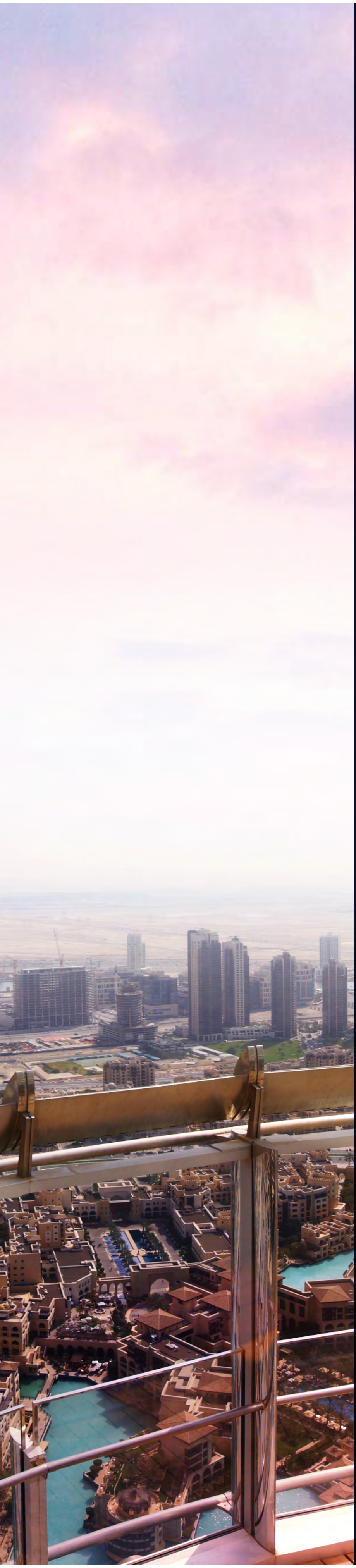
Established in 2008, Cavendish Maxwell is one of the largest and most respected property consultancies in the region. An influential partner and trusted advisor to key stakeholders in real estate markets throughout the Middle East and Africa, we offer a comprehensive range of exceptional property services across a diverse mix of sectors and asset classes.

Cavendish Maxwell is a certified member firm of the Royal Institution of Chartered Surveyors (RICS), bringing together a world-class team of handpicked property consultants and surveyors, unmatched elsewhere in the region.

Our team of highly qualified professionals is trusted by real estate market stakeholders throughout the region, including international and domestic banks, property developers, governments, owners and investors, asset managers and professional services firms. We service a diverse mix of specialist property sectors including residential, retail, offices, hospitality, healthcare, education, industrial and logistics.

Cavendish Maxwell also publishes independent reports, prepared to globally accepted standards, for loan security, bank lending, audit, insurance reinstatement, dispute resolution, risk management, debt recovery, performance analysis, purchase and sale advice, and third-party reliance purposes.

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



Foreword

According to the latest World Economic Outlook report by the International Monetary Fund (IMF), the UAE economy is forecast to register a negative growth in real GDP at an average of 3.5% during 2020 as a result of COVID-19. However, a quick recovery is expected to take place in 2021 with a projected positive real GDP of 3.3%. To help combat the economic impact of the pandemic, the UAE government, until September, had announced a flexible stimulus budget amounting to AED 256 billion to support various sectors and the national economy.

As the situation continues to evolve, the impact on various sections of the economy, including real estate, is yet to be fully ascertained. Against this backdrop, we analyse the performance of the UAE real estate market in the six months since March when movement restrictions were put in place followed by the subsequent easing of measures. The analysis provides a comprehensive overview of the residential, office, retail, hospitality and industrial sectors in Dubai, Abu Dhabi and the northern emirates, with the aim to be a valuable tool in our clients' decision-making process in this crucial time.

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Dubai

Residential Market Overview

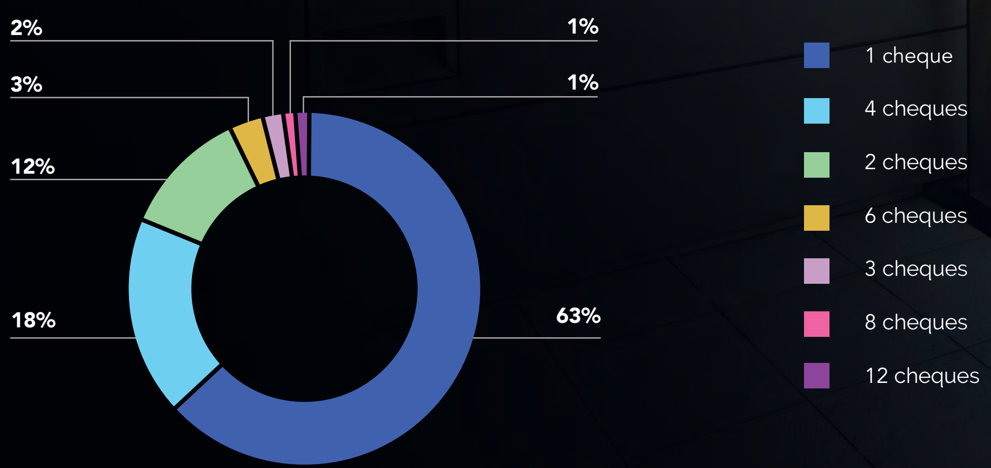
As a result of the COVID-19 pandemic, Dubai has witnessed a shift in demand towards bigger homes with balconies and more open spaces. Affordable apartments and villas in communities with amenities and facilities are a preference for residents, especially for families with children, as many were forced to stay at home during the pandemic. Falling rents have made bigger units attainable for those in the mid-income bracket.

As a response to challenging market conditions, some developers have introduced attractive payment plans. Other initiatives include developers absorbing Dubai Land Department (DLD) fees and eliminating miscellaneous expenses that were incurred previously by buyers. In addition to attractive payment plans, the newly introduced rent-to-own scheme is being offered in many areas across Dubai including Al Furjan and Dubai South. In August 2020, Dubai South launched a rent-to-own scheme at one of its residential districts - The Pulse. The scheme allows tenants to become homeowners over a 10-year period by paying rent towards ownership and without having to make a down payment. Tenants will be able to make quarterly payments towards their unit whilst residing in them, thus contributing towards full ownership at the end of the 10-year period. Easy exit terms and no commitment to purchase are some of the attractive terms of this scheme. Such schemes coupled with encouraging measures from the UAE Central Bank, such as the 5% increase in loan-to-value for first-time home buyers, have facilitated tenants to transition to property ownership.

Virtual real estate viewings emerged as a key technological trend during the pandemic to facilitate sale and rental transactions within the country, and overseas amid hesitation to travel. As yields hold steady amid declining rents and sales, the emirate is proving to be an even more attractive investment option for investors globally. Also, in line with its focus on innovation and to respond to the increasing demand for efficient digitalisation, the DLD completed the first stage of a project that leverages Artificial Intelligence (AI) in the smart valuation process of real estate units. The service will be provided on DLD's smart application, Dubai REST, where customers will receive a digital valuation certificate.

In Q3 2020, a geopolitical turning point was witnessed in the form of an agreement between the UAE and Israeli governments. The new peace agreement is expected to impact the real estate market positively, as Israeli investors, who have thus far not been able to participate in the UAE's real estate market, will now be able to benefit from the relatively attractive yield that the Dubai and the UAE market offers.

NUMBER OF RENTAL CHEQUES FOR APARTMENTS AND VILLAS/TOWNHOUSES



Price and rent performance

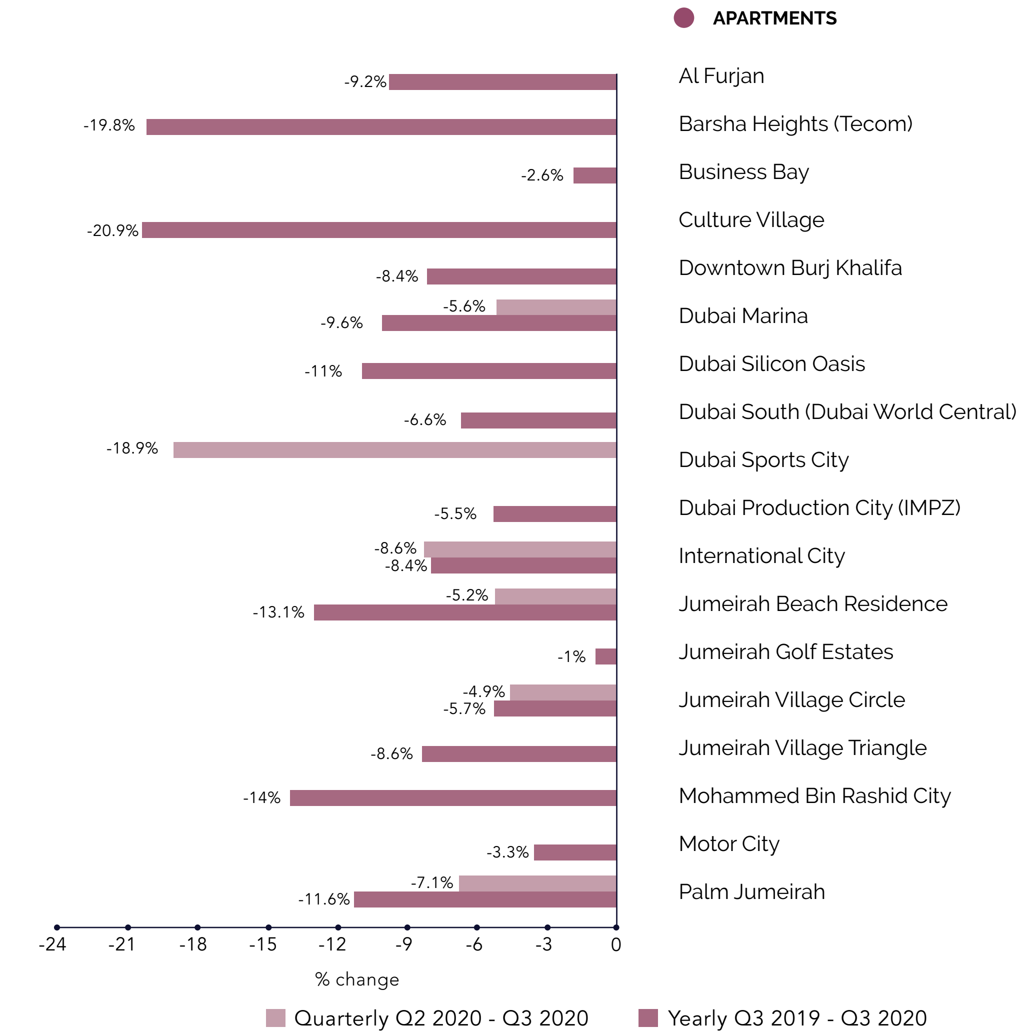
According to Property Monitor, average residential property prices in Dubai declined 11.7% over the 12-month period from Q3 2019 to Q3 2020 and 4.6% on a quarterly basis.

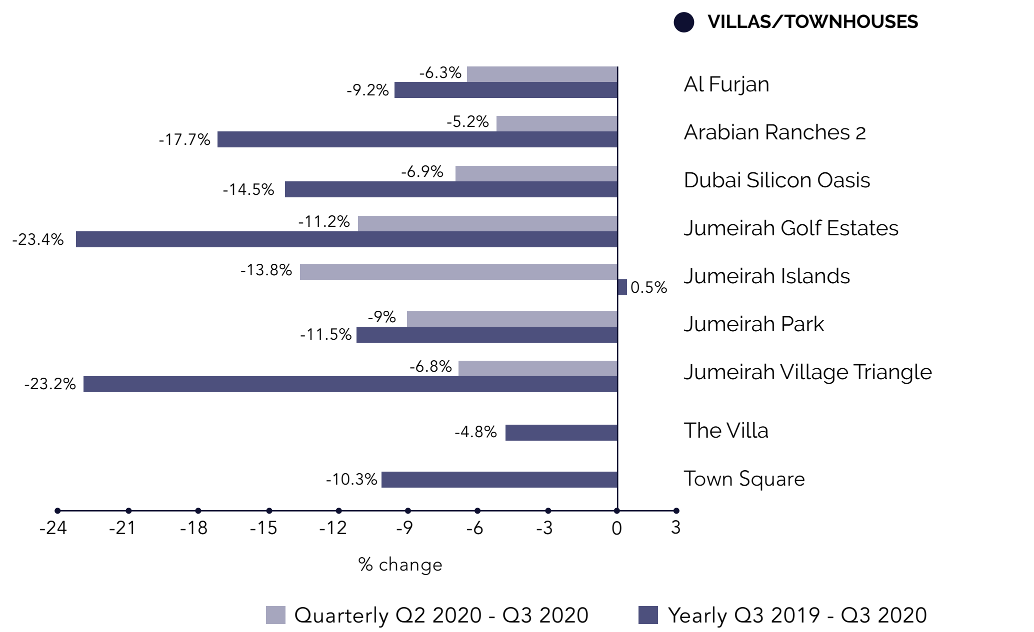
Average apartment rents declined 15.9% over the 12-month period from Q3 2019 to Q3 2020 and 5.9% on a quarterly basis whilst villa/townhouse rents were lower by 8.9% on a yearly basis and 2% from the previous quarter.

The property price decline already underway in Dubai over the past several quarters was exacerbated by the onset of the pandemic which impacted demand in an oversupplied market. According to data from Property Monitor, at AED 823 per sq ft in September, property prices were just below similar rates recorded in January 2009. As of September they were 33.3% away from the market peak of September 2014, and only 4.8% from the previous market trough of April 2009.

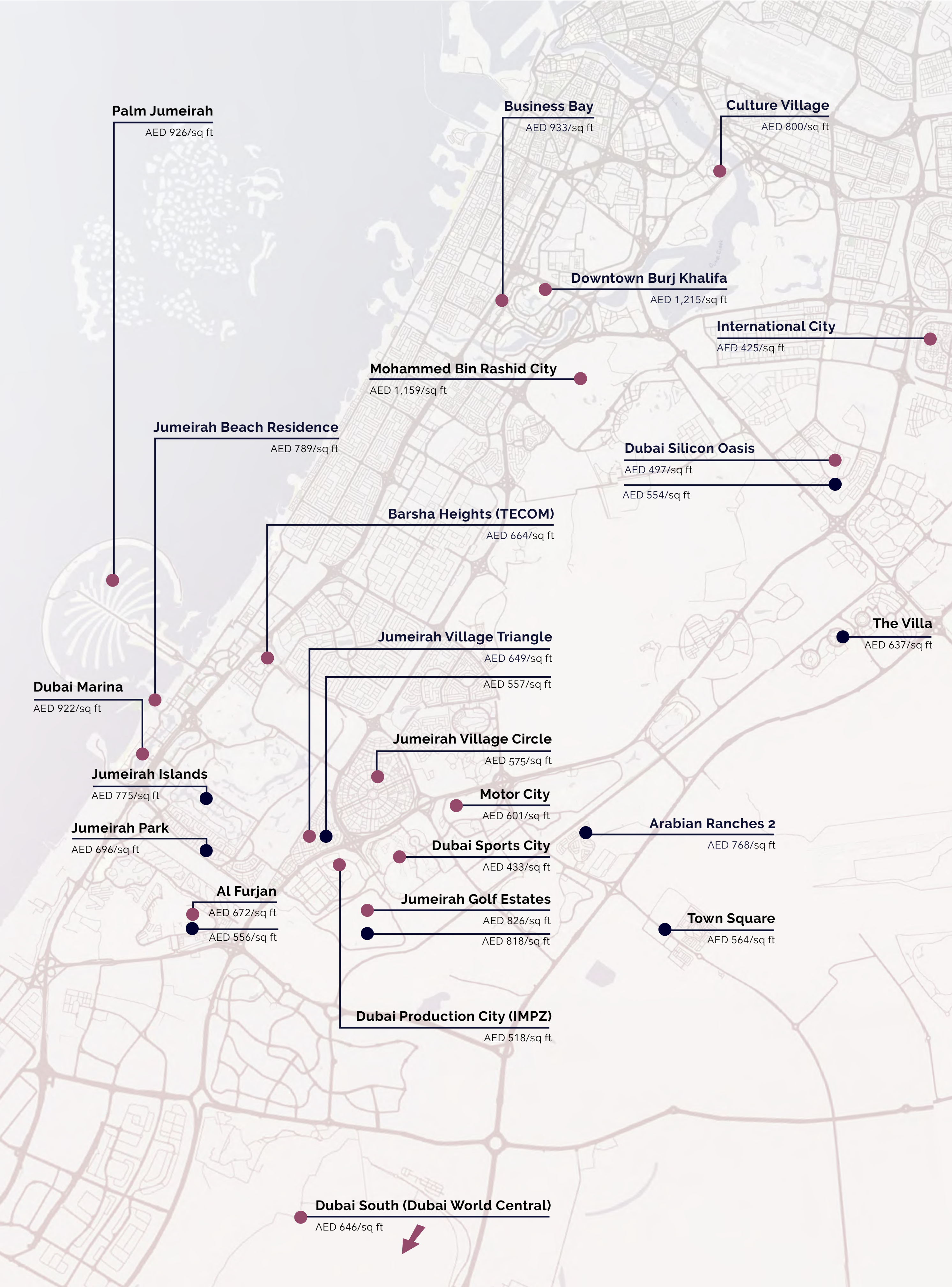
Gross rental yields have remained fairly stable in the mid-6% range indicating that rents have declined in line with property prices. With an abundance of options now available at more affordable rates, many tenants have chosen to move into bigger spaces or better communities, or both. On the other end, many tenants are turning owners and end users of property, taking advantage of the favourable interest rate environment and the increased loan-to-value (LTV) ratio applicable to mortgages for first-time buyers since earlier this year.

Price performance





Source: *Property Monitor*
Note: *Some of the quarterly/yearly performance figures have not been provided due to insufficient data.*


Palm Jumeirah
AED 926/sq ft
Business Bay
AED 933/sq ft
Culture Village
AED 800/sq ft
Downtown Burj Khalifa
AED 1,215/sq ft
International City
AED 425/sq ft
Mohammed Bin Rashid City
AED 1,159/sq ft
Jumeirah Beach Residence
AED 789/sq ft
Dubai Silicon Oasis
AED 497/sq ft
AED 554/sq ft
Barsha Heights (TECOM)
AED 664/sq ft
The Villa
AED 637/sq ft
Jumeirah Village Triangle
AED 649/sq ft
AED 557/sq ft
Dubai Marina
AED 922/sq ft
Jumeirah Village Circle
AED 575/sq ft
Jumeirah Islands
AED 775/sq ft
Motor City
AED 601/sq ft
Arabian Ranches 2
AED 768/sq ft
Jumeirah Park
AED 696/sq ft
Dubai Sports City
AED 433/sq ft
Al Furjan
AED 672/sq ft
AED 556/sq ft
Jumeirah Golf Estates
AED 826/sq ft
AED 818/sq ft
Town Square
AED 564/sq ft
Dubai Production City (IMPZ)
AED 518/sq ft
Dubai South (Dubai World Central)
AED 646/sq ft

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Rent performance

Annual rent by bedroom

* Data as of 30 September 2020

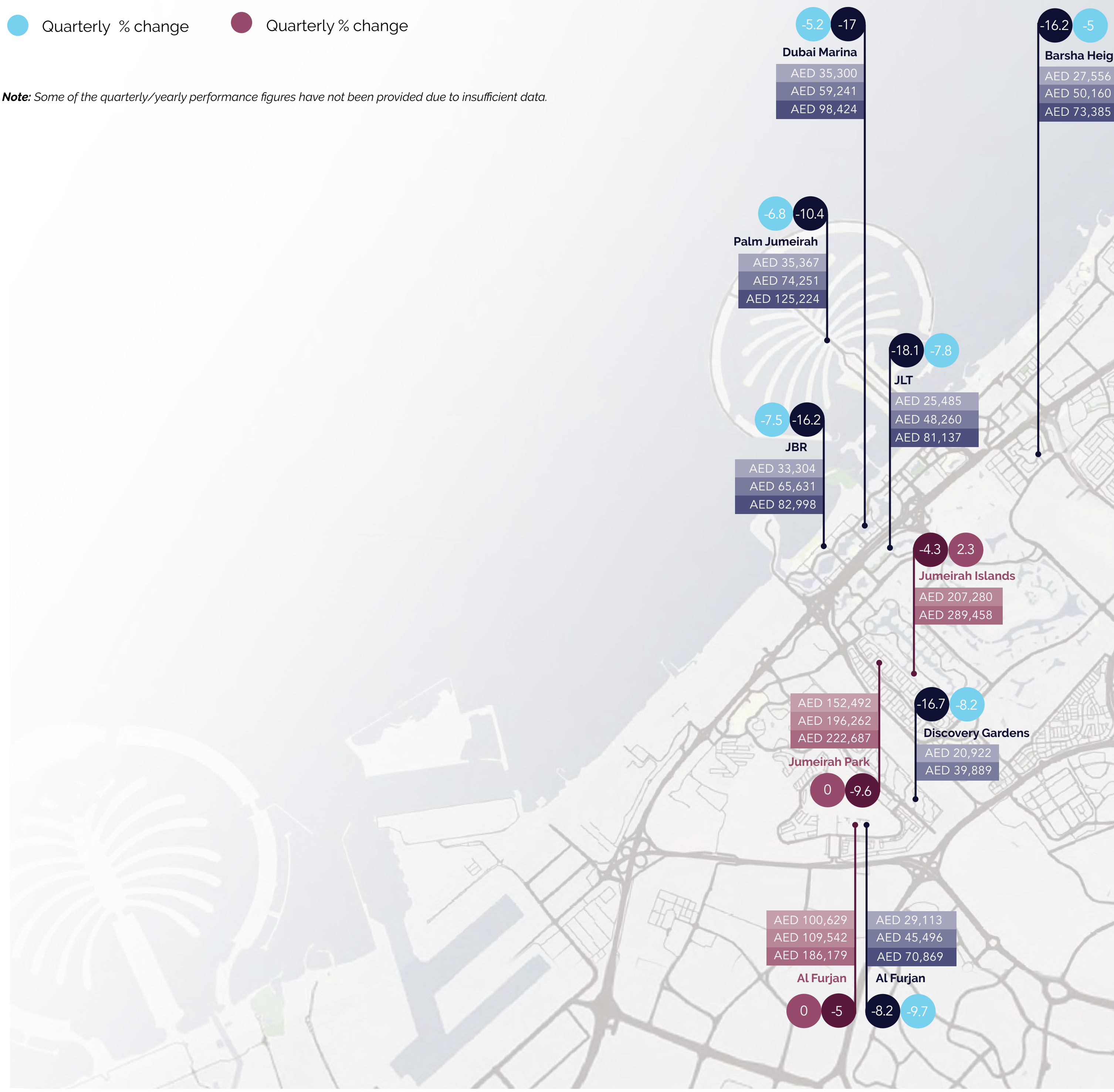
APARTMENT

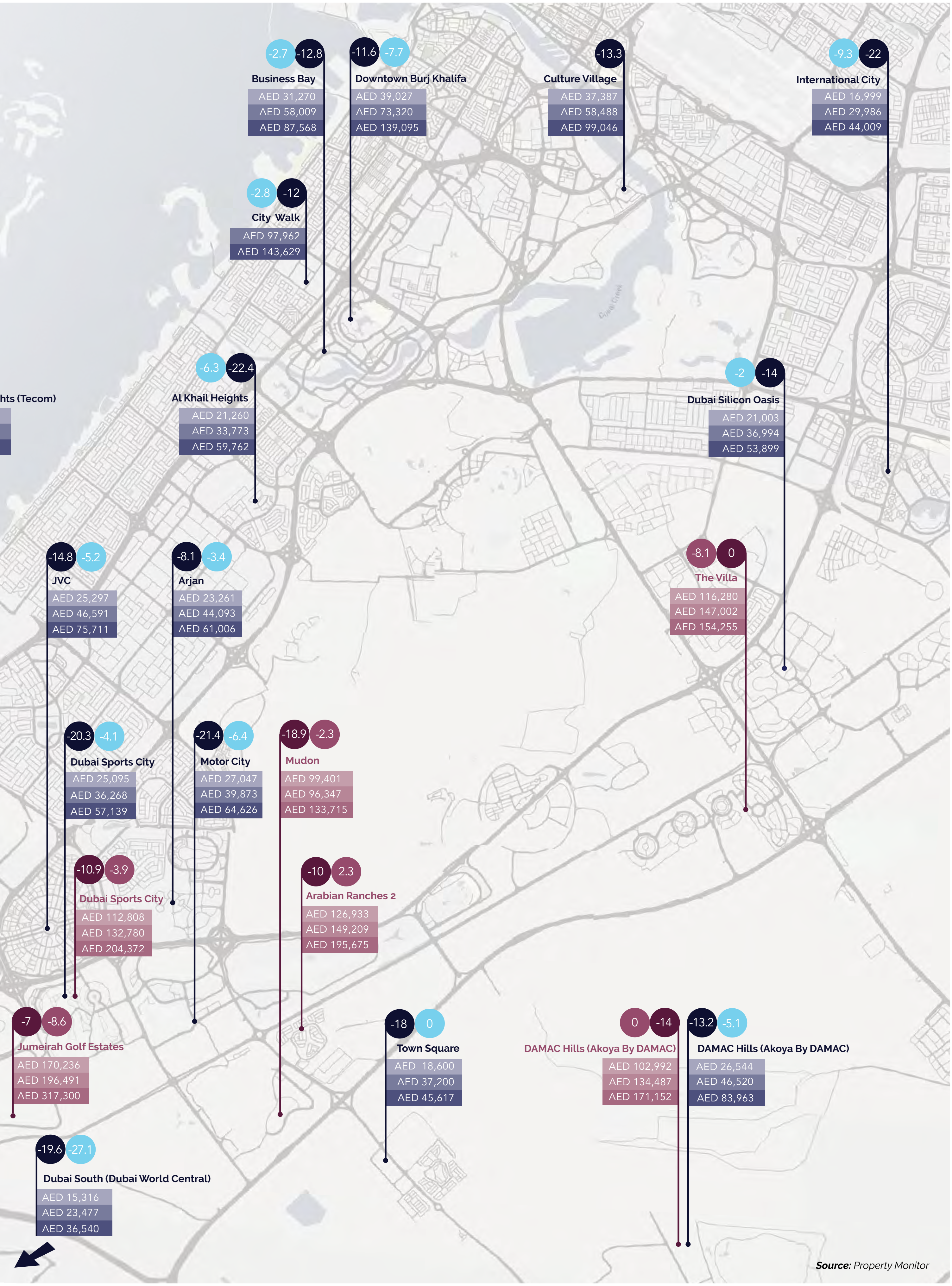
- Studio
- 1 BR
- 2 BR
- 12-month % change
- Quarterly % change

VILLA/TOWNHOUSE

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

Note: *Some of the quarterly/yearly performance figures have not been provided due to insufficient data.*





Source: *Property Monitor*

Transaction overview

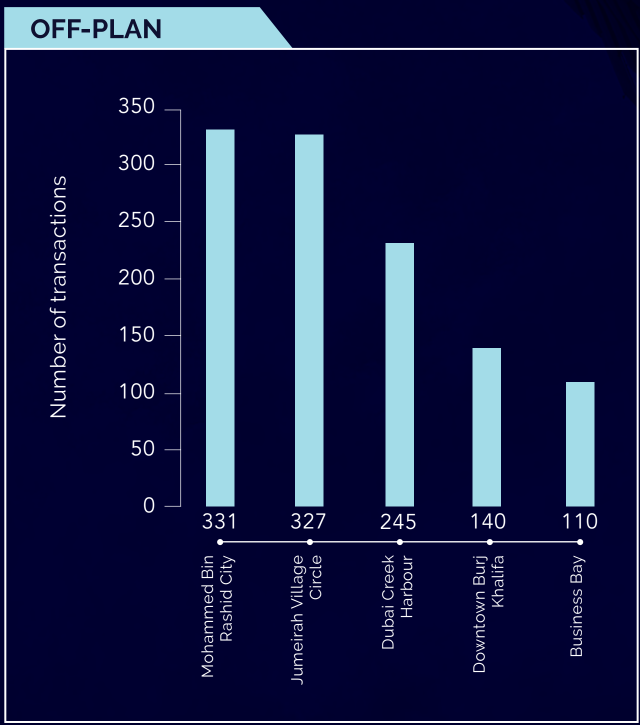
There were 8,511 transactions in Q3 2020 compared to 10,374 in Q3 2019, a decrease of 17.9%. However, Q3 2020 has recorded a significant increase of 56% in transactions compared to 5,469 in Q2 2020, reflecting a further recovery in the real estate sector post the temporary COVID-19 restrictions in Dubai.

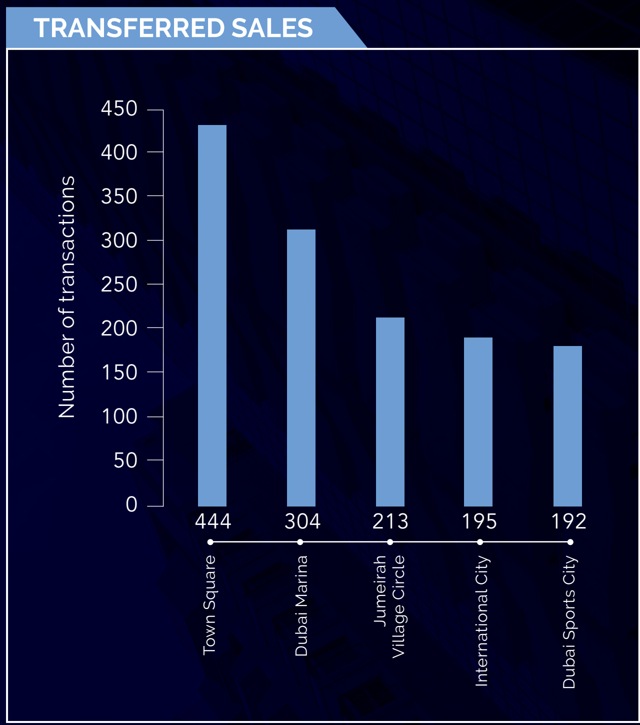
Once the movement restrictions were lifted in the second quarter, transaction activity gained momentum in the months that followed. At 2,462, transactions in August were particularly strong compared to previous August periods. Historically, August has been a slow month for transactions being the peak of summer in Dubai with many residents and citizens travelling overseas and visitors waiting until the cooler months to travel. Low interest rates continued to drive mortgage transactions, comprising initial mortgages as well as refinancing.

In Q3 2020, the total number of secondary apartments transferred was 2,892 whilst off-plan apartments stood at 1,999. The total number of villas/townhouses transferred was 1,699 and off-plan villas/townhouses transferred were 752.

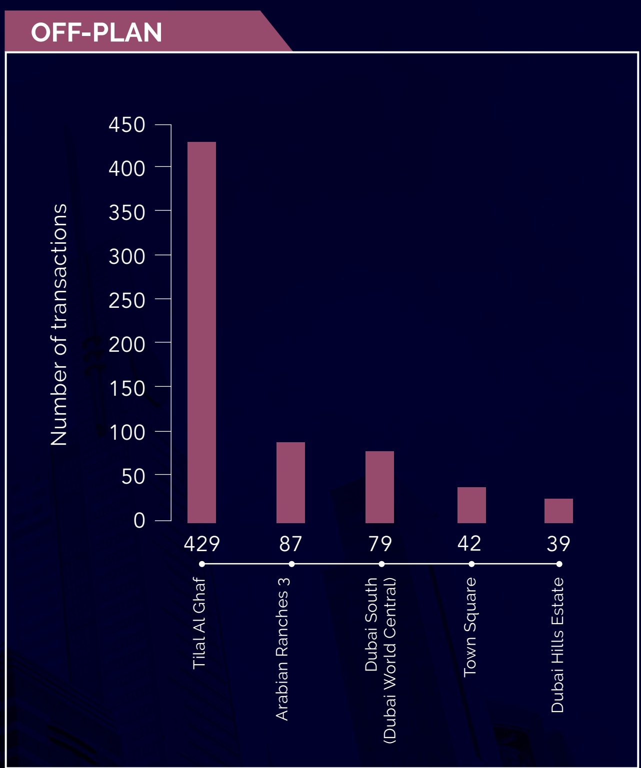
Dubai continues to remain largely saturated with supply, however, there is a dearth of inventory in certain popular communities. Well-established villa and townhouse communities such as Jumeirah Golf Estates, DAMAC Hills, Jumeirah Islands, and Arabian Ranches are seeing demand outpace supply with quality resale inventory quickly moving off the market and bidding wars being reported in certain instances. The pace of price depreciation in such communities has significantly slowed over the past months, with some even starting to turn positive.

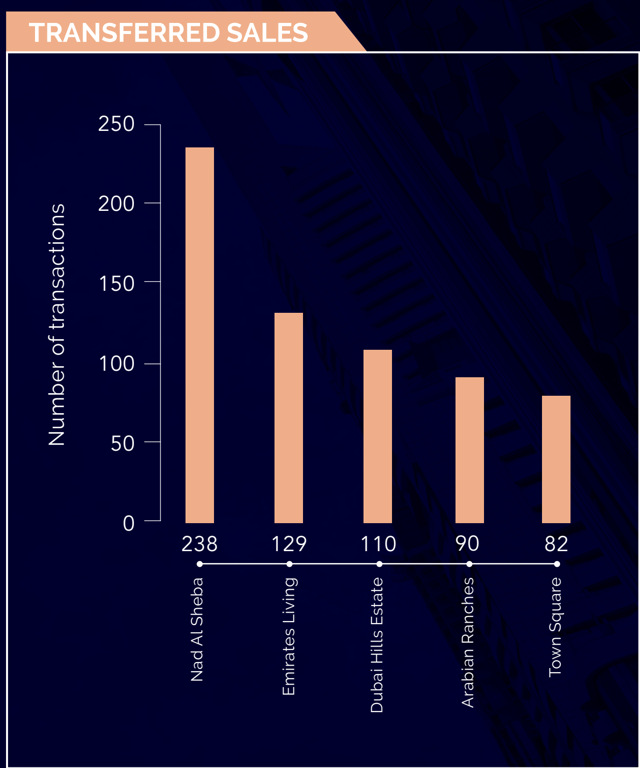
Top five locations for apartment transfers in Q3 2020





Top five locations for villa/townhouse transfers in Q3 2020





Source: *Property Monitor*

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Dubai upcoming supply

During the pandemic, many measures have been taken by the UAE government to protect citizens and residents from the spread of the virus. However, given the fact that construction is a vital sector for the country's economy, it was exempt from the lockdown restrictions and construction sites were permitted to remain operational. Workers could commute to and from sites, subject to receiving a permit from Dubai Municipality and the Permanent Committee for Labour Affairs. Hence, only few projects were put on hold and approximately 16,400 units are planned for delivery by the end of 2020, however, final numbers will depend on the actual materialisation rate achieved.

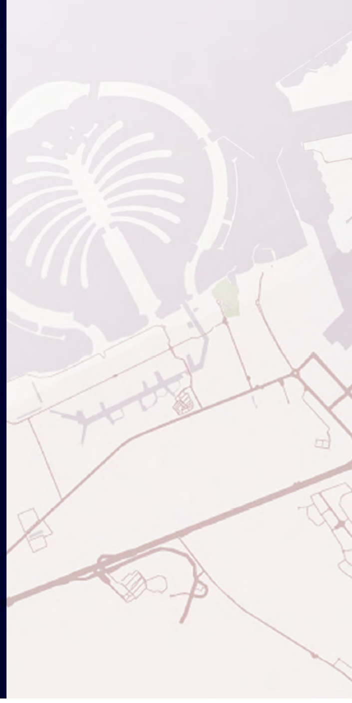
APARTMENTS
79%

VILLAS/TOWNHOUSES
21%

Source: *Property Monitor*

Supply scheduled to be completed in Q4 2020

- 2,501 - 3,000
- 2,001 - 2,500
- 1,501-2,000
- 1,001-1,500
- 501-1,000
- 101-500
- <100



Source: *Cavendish Maxwell*


Muhaisnah
Al Qusais
Al Hamriya
Al Mankhool
Al Badaa
Al Satwa
Downtown Dubai
Mirdif Hills
Nadd Al Hamar
Mohammed Bin Rashid City
Al Warsan
Al Warsan International City
Palm Jumeirah
Dubailand
Dubai Marina
Jumeirah Village Circle
Jumeirah Village Triangle
Dubai Production City
Dubai Studio City
Al Furjan
Damac Hills
Akoya Oxygen
Dubai Investments Park (DIP)
Dubai South

Abu Dhabi

Residential Market Overview

Abu Dhabi's residential market continued to be impacted negatively as a result of COVID-19 and the economic slowdown that began with the decline in oil prices in early 2014. High-profile mergers of government-backed entities and sluggish business activity in the emirate have impacted jobs and exerted downward pressure on housing demand. Job losses as well as readjustment of employee benefits packages such as housing allowances have been the primary factors affecting the overall market.

Price and rent performance

Average sales prices declined in Abu Dhabi's major residential zones by 5.6% for apartments from Q1 2020 to Q3 2020. Villa/townhouse prices registered a decline of 5.3% over the same period.

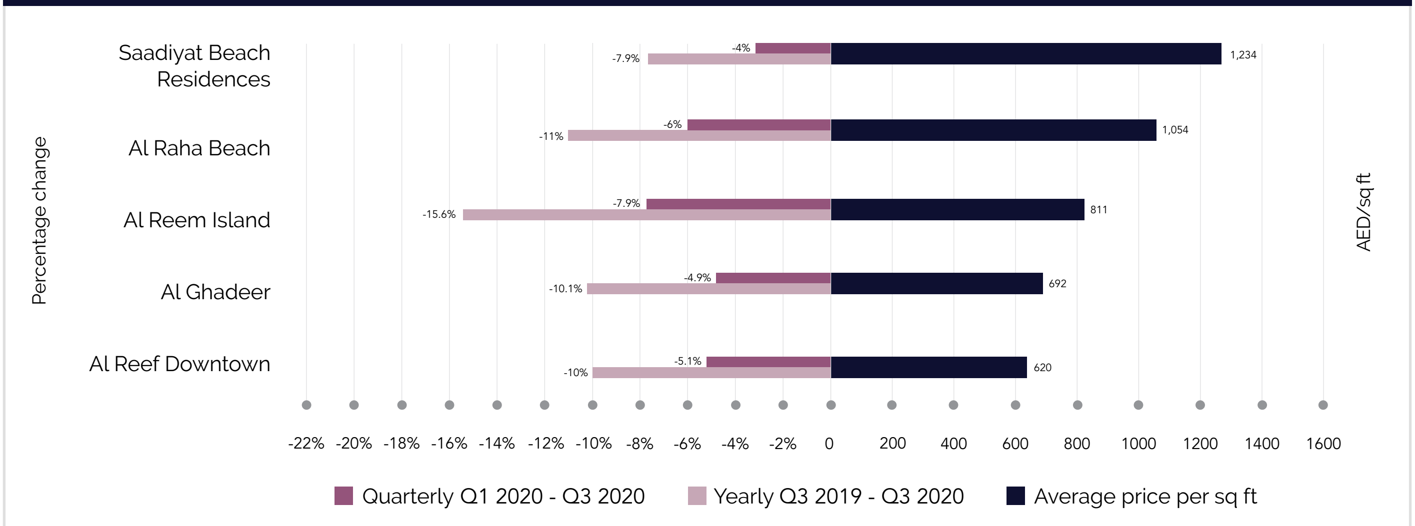
Rents in Abu Dhabi registered declines in Q3 2020 for both apartments and villas/townhouses. The average decline was 6.1% for apartments in the quarterly period from Q1 2020 to Q3 2020 compared to 6.2% for villas/townhouses.

To mitigate the impact of COVID-19 on the real estate market, the Department of Municipalities and Transport (DMT) has announced several incentives, including exempting individuals and companies from paying 34 real estate registration fees until the end of 2020. Some of these fees are the 2% sale and purchase fee, the 2% off-plan sales fee, in addition to other fees like land exchange fees, mortgage registration, mortgage transfer, mortgage amendment and mortgage redemption fees.

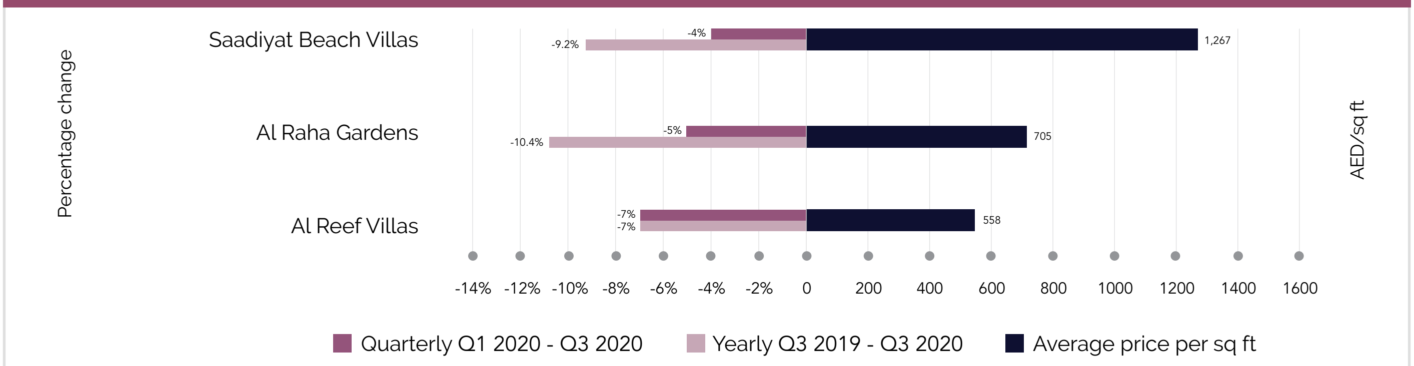
DMT statistics showed that the value of real estate transactions in Abu Dhabi increased by 34% to reach AED 6.3 billion at the end of April 2020. During the period, over 2,600 real estate deals were signed, compared to AED 4.6 billion through 1,840 deals during the same period last year. Mortgages accounted for 60% of the total real estate transactions in April 2020, at a value of AED 3.8 billion for over 1,170 mortgage transactions, compared to the same period in 2019 when 598 mortgage transactions worth AED 1.9 billion were recorded.

Yas Island registered the highest value of the total real estate transactions in April 2020 at AED 771 million, followed by Al Reem Island at AED 279 million, Saadiyat Island at AED 270 million, Al Reef at AED 254 million and Al-Faqa at AED 159 million.

APARTMENT PRICE PERFORMANCE



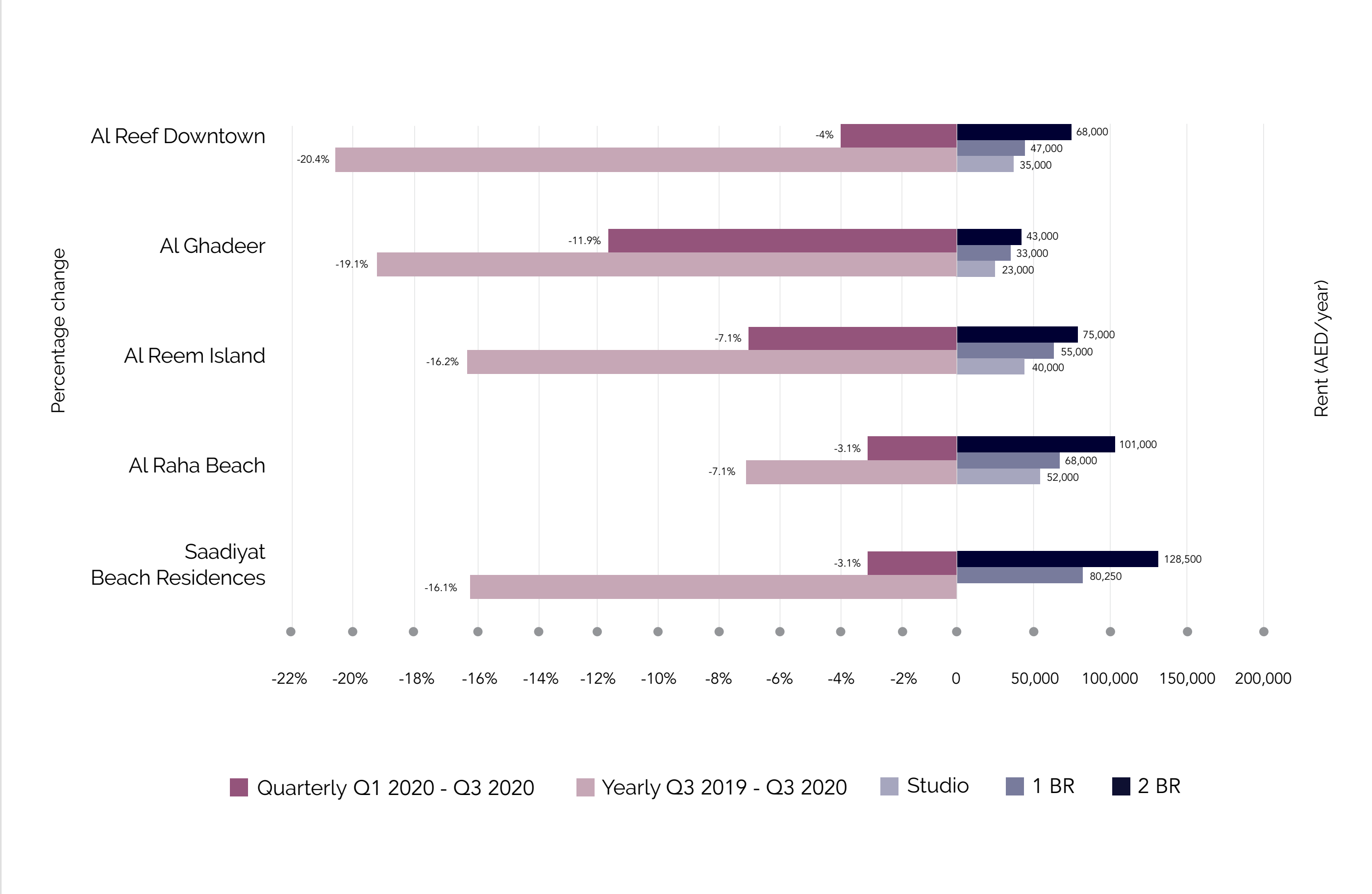
VILLA/TOWNHOUSE PRICE PERFORMANCE



Source: *Cavendish Maxwell*

Note: *Some data has been compared to previous quarterly periods to eliminate inaccuracies resulting from outliers and limited activity recorded during the movement restrictions.*

APARTMENT RENT PERFORMANCE



Source: *Cavendish Maxwell*

VILLA/TOWNHOUSE RENT PERFORMANCE

Source: *Cavendish Maxwell*

Note: *Some data has been compared to previous quarterly periods to eliminate inaccuracies resulting from outliers and limited activity recorded during the movement restrictions.*

Abu Dhabi upcoming supply

Scheduled upcoming supply for 2020 is estimated to be over 6,100 apartments and 450 villas/townhouses in both, investment zones and Abu Dhabi City. However, actual materialisation may be lower due to project delays and staggered and phased delivery by developers.

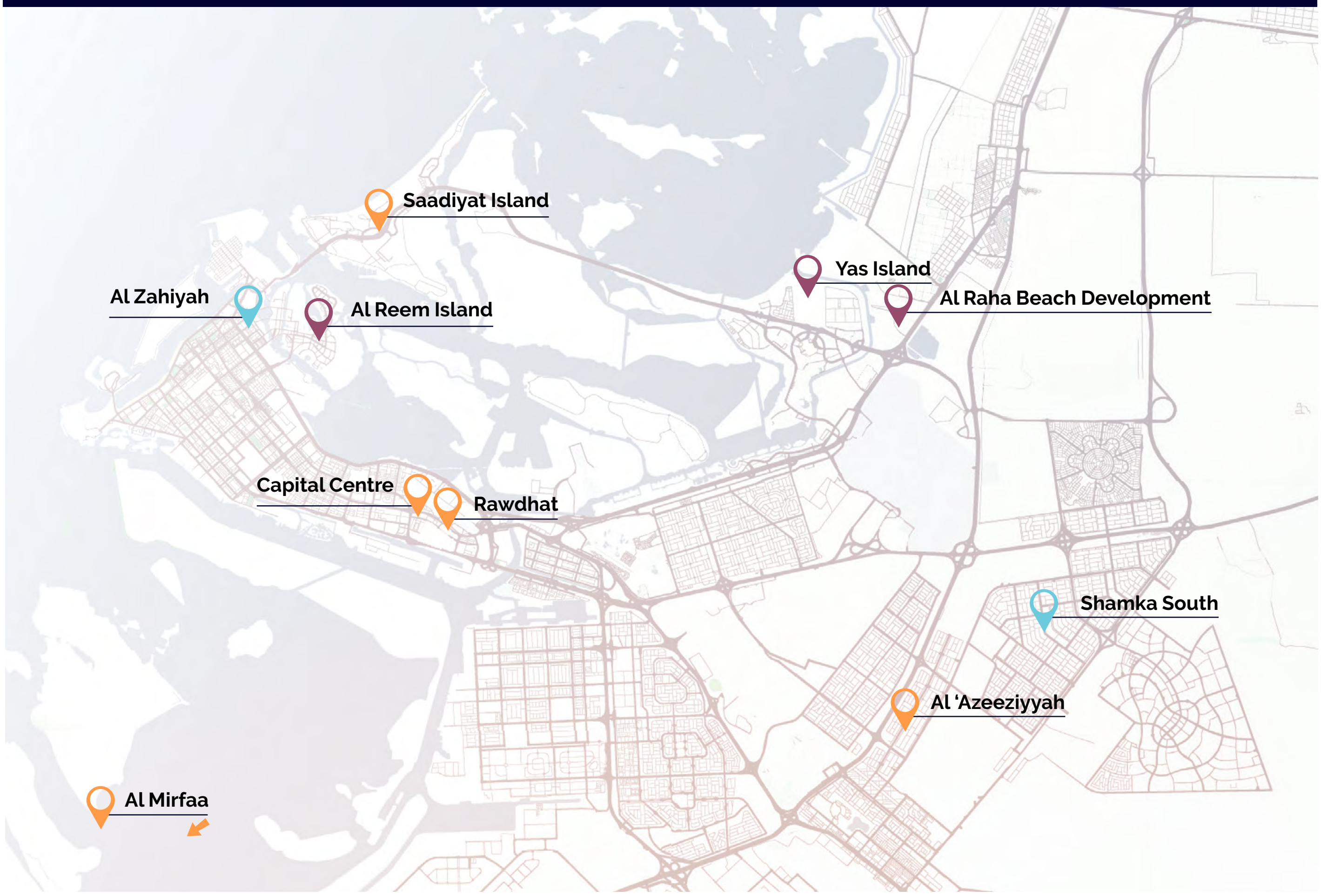
APARTMENTS
93%

VILLAS/TOWNHOUSES
7%

Source: *Property Monitor*

Supply scheduled to be completed in Q4 2020

- 1,001-2,000
- 101-500
- <100



Northern Emirates

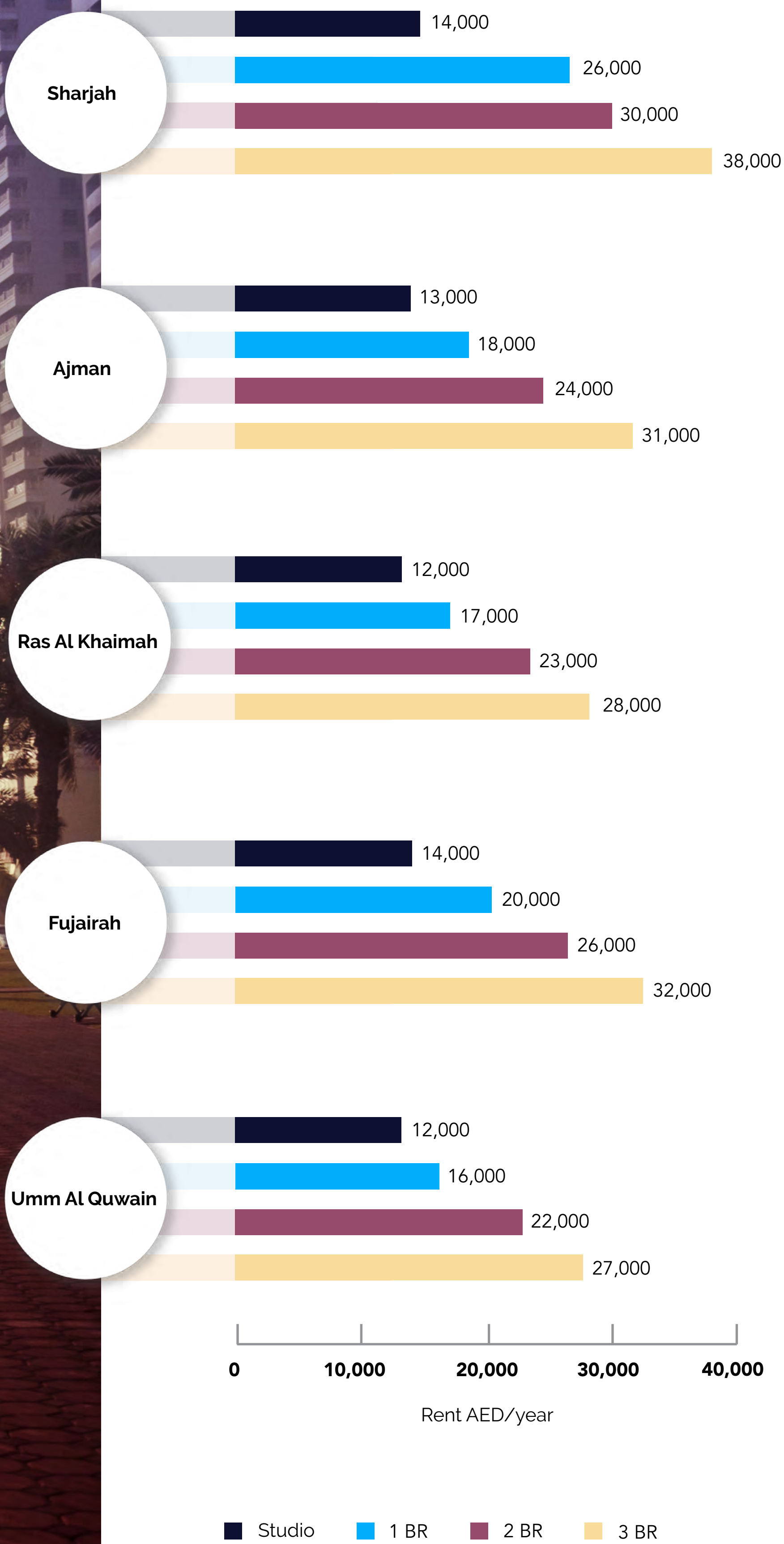
Residential Market Overview

During Q3 2020, rents across the northern emirates continued the declining trend from previous quarters.

Residents took advantage of this decline and chose to upgrade their residential units and move to larger spaces. Landlords of apartments in the northern emirates face the twin pressures of increasing supply as well as the drop in rental rates in Dubai which has made the latter more affordable. This has increased tenants' ability to negotiate their rents lower.

Real estate agencies and landlords have also taken multiple steps to attract tenants and reduce the financial burden on them from the pandemic. They have offered several incentives including extension of contracts, free months on new leases and exemption from various fees and any penalties.

AVERAGE RESIDENTIAL RENTS Q3 2020



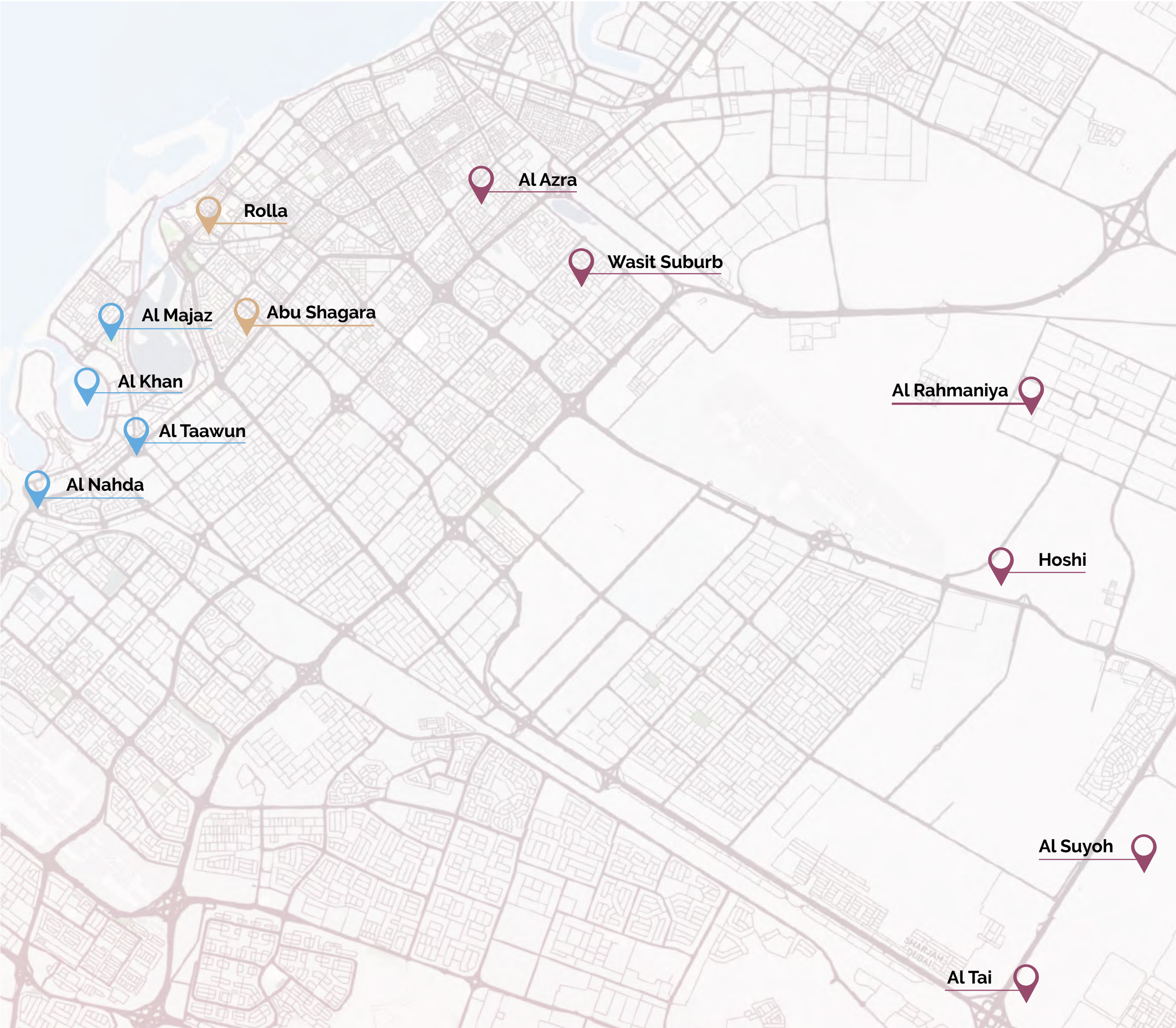
***Source:** Cavendish Maxwell*

Sharjah

Amid the COVID-19 pandemic, the average rents in Sharjah remained under pressure during Q3 2020.

Increasingly affordable rates have helped stimulate transaction activity amid the pandemic. According to the Sharjah Real Estate Registration Department (SRERD), the official land and property registry and regulatory authority of Sharjah, the emirate recorded up to 28,710 real estate transactions worth AED 6.2 billion in the first half of 2020, recording a rise of 4.1% year-on-year. For Q3, Sharjah recorded a 10% jump in transactions compared to the same period in 2019, registering over 14,850 real estate transactions worth AED 4.6 billion.

To provide support during the current situation, the SRERD recently organised a virtual session with large developers to discuss topics such as new legislations, the main challenges for the sector and any cooperation they needed in carrying out they operations.



SHARJAH APARTMENT RENTS (AED/YEAR) Q3 2020

PRIME APARTMENTS (Rolla, Abu Shagara)

Studio	1 BR	2 BR	3 BR
14,000 - 18,000	20,000 - 25,000	26,000 - 30,000	32,000 - 38,000

SECONDARY APARTMENTS (Rolla, Abu Shagara)

Studio	1 BR	2 BR	3 BR
10,000 - 14,000	16,000 - 20,000	22,000 - 26,000	28,000 - 32,000

PRIME APARTMENTS (Al Majaz, Al Khan, Al Taawun, Al Nahda)

Studio	1 BR	2 BR	3 BR
18,000	35,000	42,000	55,000

SECONDARY APARTMENTS (Al Majaz, Al Khan, Al Taawun, Al Nahda)

Studio	1 BR	2 BR	3 BR
14,000	22,000	30,000	34,000

PRIME VILLAS

4 BR	5 BR	6 BR
60,000 - 80,000	95,000 - 115,000	110,000 - 130,000

SECONDARY VILLAS

4 BR	5 BR	6 BR
65,000 - 80,000	80,000 - 100,000	90,000 - 110,000

Note: *Abu Shagara trades at a premium to Rolla*
Source: *Cavendish Maxwell*

Ajman

Rents in Ajman softened well into Q3 2020, with tenants looking to upgrade their units for better quality and space. However, given salary cuts that have taken place as a result of COVID-19, residents were hesitant to increase their monthly contribution towards rents.

AJMAN APARTMENT RENTS (AED/YEAR) Q3 2020

PRIME APARTMENTS

Studio	1 BR	2 BR	3 BR
15,000	23,000	30,000	36,000

SECONDARY APARTMENTS

Studio	1 BR	2 BR	3 BR
12,000	17,000	23,000	28,000

***Source:** Cavendish Maxwell*

In response to COVID-19, precautions have been taken by the Government of Ajman including the introduction of remote litigation services in rental dispute cases.

In addition, the Ajman Department of Municipality and Planning launched the Visual Communication Service (Gareeb) to protect client health, as part of the business continuity strategy of Ajman to carry on with operations during the pandemic.

Umm Al Quwain, Ras Al Khaimah and Fujairah

As of Q3 2020, the annual rent for apartments in Umm Al Quwain ranged from AED 10,000 per year for studios to AED 27,000 per year for three-bedroom apartments based on location, age, condition and specification.

According to RAK Municipality Department, as of Q2 2020, the total value of sales transactions was AED 156.4 million compared to AED 207.6 million in Q1 2020, declining 25% on a quarterly basis. Many factors led to this significant drop including the movement restrictions in the early stages of the pandemic, job losses and uncertainty on the timing of a market recovery. However, at AED 108 million, transactions in July represented a strong start to the third quarter of the year.

As of Q3 2020, the annual rent for apartments in Fujairah ranged between AED 13,000 and 28,000 per year for studios and between AED 28,000 and 36,000 per year for three-bedroom apartments, based on property location, age, condition and specification.

RAS AL KHAIMAH

RAS AL KHAIMAH APARTMENT RENTS (AED/YEAR) Q3 2020

PRIME APARTMENTS

Studio	1 BR	2 BR	3 BR
18,000	27,000	40,000	54,000

SECONDARY APARTMENTS

Studio	1 BR	2 BR	3 BR
12,000	18,000	23,000	26,000

***Source:** Cavendish Maxwell*

Dubai

Office Market Overview

The first half of 2020 was characterised by precautionary safety regulations, movement restrictions and working from home which led to a sudden decrease in demand for commercial office accommodation. Offices were officially permitted to reopen as of 03 June 2020.

The office market in Dubai is likely to remain under pressure in the near term as many companies are yet to resume operations at pre-pandemic levels. In turn, landlords are offering concessions and incentives including deferrals, waivers, increased number of cheques and, in some cases, lower headline rental rates to existing lessees to cope with the situation. Extended rent-free periods, increased capital expenditure (capex) contributions towards fit-out, reductions in notice periods and early break penalties are becoming more common.

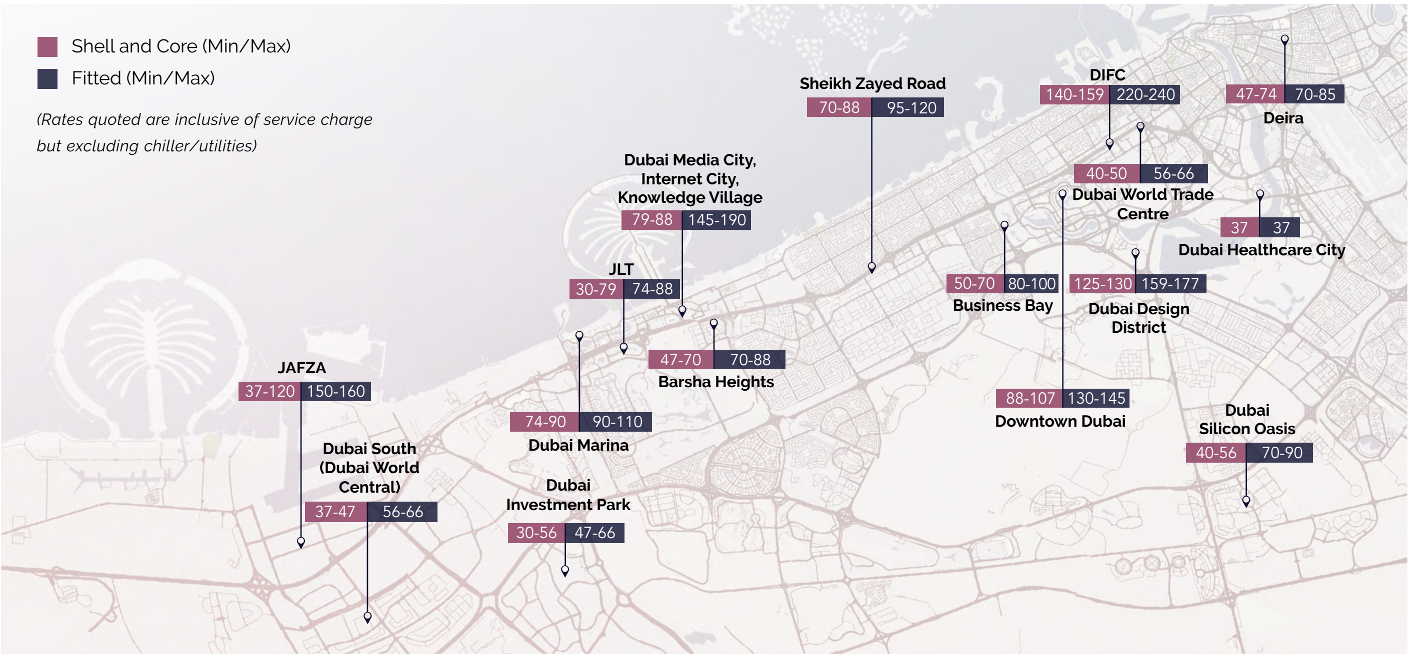
Sellers and landlords are expected to realign asking prices towards the offer levels of purchasers and occupiers in the near term. Poorer quality assets are likely to experience the largest decrease whereas premium stock will see a more evenly balanced duel between negotiating parties. Tenants with upcoming renewals and break-clauses are expected to explore other cost-saving options in the market. However, they often use the competitive pricing available elsewhere to negotiate with landlords and remain at their current location on more favourable terms. This is particularly the case as cash flow problems become more prominent and they are unlikely to have an appetite for fit-out and associated relocation costs.

Dubai, and the UAE broadly, is preparing for growth to bounce back sharply, focused on technology and digital sectors to further diversify its economy. As of Q3 2020, much of the enquiries for office space continue to come from the construction and related sectors whilst healthcare, beauty and pharma as well as the professional services sectors experienced modest demand compared to previous quarters. The technology sector made up approximately 15% of enquiries, and with the UAE announcing plans to prioritise digital economies post COVID-19, demand could increase in the future.

Until September, the Dubai government declared an economic stimulus package worth AED 1.5 billion, taking the total stimulus extended as of September to AED 6.3 billion, to help individuals and businesses respond to the pandemic. Many of these incentives will benefit small and medium-sized enterprises (SMEs) and the likely trend to emerge from this will be smaller office requirements dominating the demand landscape in the future.

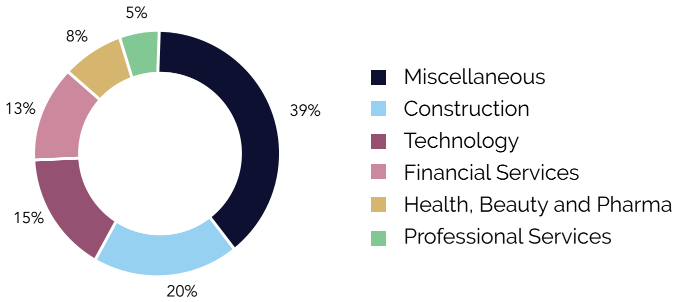
Changes in the way that companies carry out day-to-day operations have been underway for years with the disruptive invention of co-working and flexible office solutions. However, the outbreak has accelerated these changes as social distancing and remote working have become more common. It remains to be seen if co-working and similar flexible office space product types will continue to grow in popularity—particularly if working from home will impact this trend or if companies will adopt a hybrid model going forward.

DUBAI OFFICE RENTS (AED RANGE/SQ FT/YEAR)

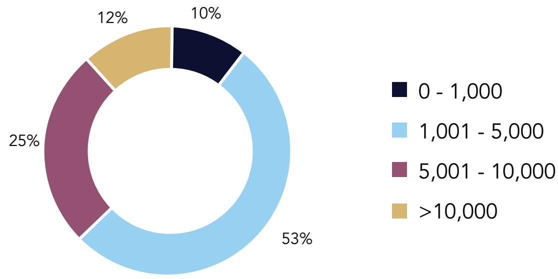


Source: Cavendish Maxwell

DUBAI OFFICE ENQUIRIES BY SECTOR - Q3 2020



DUBAI OFFICE ENQUIRIES BY SIZE (SQ FT) - Q3 2020



Source: *Cavendish Maxwell*

Retail Market Overview

When non-essential businesses had to temporarily close at the start of the pandemic earlier this year, several large retail conglomerates offered relief packages to their tenants who had to suspend operations during the National Sterilisation Programme. Dubai-Holding-Meraas was the first to announce an AED 1 billion stimulus package for commercial tenants at their developments. Shortly thereafter, other developers such as Al Futtaim and Nakheel followed with substantial relief packages for their respective tenants.

Malls in Dubai were temporarily closed on 23 March 2020, but as of 03 June this year, retailers within malls were permitted to open at 100% capacity. Since June, consumer confidence has returned and strengthened further by the adherence of retailers and developers to safety protocols to make shoppers feel more comfortable. The widespread implementation of thermal cameras, sterilisation procedures and social distancing measures have proven to be effective.

Despite facing pressure in the first half of the year due to COVID-19, development activities in Dubai have continued. Line Investments & Property, a division of Abu Dhabi-based Lulu Group International, has announced a new shopping mall called Silicon Central, which is expected to be the size of 11 football fields. Silicon Central will house a 96,875 sq ft hypermarket and a 83,960 sq ft department store, alongside an array of retail shops and services spread over 382,119 sq ft. The development will house a total of 220 retail stores and is expected to be completed by Feb 2021.

The impact of additional supply on an already subdued and oversupplied retail sector remains to be seen. However, the continuation of retail development signals positive long-term market sentiment and confidence in the sector.

RETAIL RENTAL RATES Q3 2020 (AED/SQ FT)		
Retail Type	**Minimum**	**Maximum**
Strip Retail or Retail in Residential Buildings	60	238
Community Malls	60	261
Regional Mall/Destination Retail	157	333
Central Business District (DIFC/Downtown/ Sheikh Zayed Road/City Walk)	143	380
Super Regional Malls	238	1,425

** Rates are inclusive of service charge and exclude rent fee/capex*

Source: *Cavendish Maxwell*

Abu Dhabi

Office Market Overview

Over the past two quarters, commercial rents of Grade A fitted commercial assets in Abu Dhabi mainland were impacted to a greater degree than Grade B and Grade C offices. In Mussafah, the rental rates for Grade B shell and core and fitted assets declined 8–10% while Grade B witnessed a drop of 4–5%. For Al Maryah Island, where most commercial assets are fitted and considered as Grade A, rents have decreased by 3% to 3.5% in Q3 versus the previous quarter.

To support early-stage start-ups tide over the ongoing pandemic, Abu Dhabi's Hub71 will cover the housing and office space rent for two months of employees of the 51 start-ups based there. Meanwhile, Abu Dhabi's ADQ, one of the region's largest holding companies, has joined forces with the Abu Dhabi Investment Office (ADIO) to jump-start SMEs. The AED 535 million fund will be transferred to ADQ in the new partnership with the goal of attracting investment and new business activity in a growing digital technology sector. ADQ will invest the funds into small business as well as venture capital funds and ADIO will oversee management incentives and other forms of operational support. From a real estate perspective, initiatives that spur growth in new businesses will have a positive impact on office demand and subsequently, on supply.

Abu Dhabi National Oil Company (ADNOC), in an effort to monetise non-core assets, recently closed an AED 20.2 billion deal with Apollo Global Management that highlights the trend of inbound foreign direct investment (FDI) to the emirate. The landmark deal will pave the way for future investment by global funds into Abu Dhabi's growing real estate market.

ABU DHABI OFFICE RENTS (AED/SQ FT)

Abu Dhabi Mainland

	Shell and Core	Fitted	
		Low	High
Grade A	-	85	110
Grade B	45	55	70
Grade C	30	35	60

Al Maryah Island

	Shell and Core	Fitted	
		Low	High
Grade A	-	140	170

Mussafah

	Shell and Core	Fitted	
		Low	High
Grade B	35	45	60
Grade C	-	25	35

Source: *Cavendish Maxwell*

Retail Market Overview

To bolster the economy, businesses and individuals, Abu Dhabi swiftly launched the Abu Dhabi Economic Stimulus Package under Ghadan 21. The package comprises 16 wide-ranging initiatives designed to ensure continuous growth, preserve economic gains, lower cost of living and provide financial relief. Some of the measures specifically designed to support the retail and entertainment sector were the 20% rent refund for restaurants and food and beverage outlets, as well as tourist and entertainment facilities for contracts signed between Oct 2019 and Mar 2020 and for contracts renewed during April–Sep 2020. Other initiatives pertaining to commercial and industrial activities include subsidies for water and electricity and no Tawtheeq fees for new or renewed contracts issued from 16 Mar 2020 to 31 Dec 2020.

Abu Dhabi has recently completed a two-month promotional period called 'Unbox Amazing' in which retail discounts up to 80% were offered. Shoppers who had been inactive for months were anxious to take the opportunity to once again shop in brick and mortar stores. In the most aggressive retail promotion to date, Retail Abu Dhabi witnessed sales surge past AED 1 billion by the end of July.

Before the pandemic struck, Abu Dhabi's food and beverage industry increased in trade value to AED 2.6 billion in the first two months of 2020, up 2.7% compared to the same period last year. The value of the industry in January and February accounted for slightly more than 7% of total non-oil goods trade. The net impact of COVID-19 to the food and beverage industry since then remains to be assessed.

Northern Emirates

Office Market Overview

Headline rental rates per sq ft in Sharjah have remained largely unchanged with only a slight decline since Q1, largely due to innovative regulations and incentives.

Since many years, the northern emirates have been proactively cultivating and nurturing new and existing businesses through new business structures and free zone products—the pandemic has in ways fast-tracked innovation in this regard. These innovative approaches bode well in the medium term for the office market generally. The Ras Al Khaimah Economic Zone (RAKEZ) has launched a hybrid free zone model called the RAKEZ Global Product (RGP) described as "mid-shore". The new designation merges some of the key offshore and free zone company benefits into one allowing new businesses to set up remotely with e-documents, without the need to be physically present for the paperwork.

Beyond new business license regulations and company structures, the northern emirates have adopted similar strategies tailored to their respective business markets that combine incentives, stimulus packages and waivers to reduce financial burdens of companies. Ras Al Khaimah announced on 30 May 2020 a stimulus package aimed at easing companies' financial commitments by providing payment exemptions and waivers as well as postponement of fees. More recently, Sharjah and Ajman indicated that similar stimulus packages may be imminent for eligible businesses. Proactivity by the government and free zone entities in implementing such initiatives has been vitally important to many occupiers as the uncertainty has given way to a more positive outlook.

SHARJAH OFFICE RENTS (AED/SQ FT)

Abu Shagara/Al Qasemiah	
Shell and Core	**Fitted**
24 - 29	38 - 48

Corniche Area (Al Khan, Al Majaz)	
Shell and Core	**Fitted**
24 - 33	38 - 57

Industrial Area	
Shell and Core	**Fitted**
24 - 29	38 - 48

Al Taawun Road	
Shell and Core	**Fitted**
24 - 33	38 - 57

Source: *Cavendish Maxwell*

Retail Market Overview

The retail market sector in the northern emirates has witnessed fresh growth since Q1 2020. Majid Al Futtaim confirmed in May that its upcoming mall in Sharjah - City Centre Zahia, will open in March 2021. The retail centre will be the largest shopping mall in the northern emirates with approximately 1.5 million sq ft of gross leasable area housing 360 new and established retail brands.

Additionally, Shurooq and Eagle Hills formed a joint venture - Eagle Hills Sharjah Development, to create an eco-tourism waterfront destination in Kalba. The AED 160 million development features mangrove lagoon views in an indoor-outdoor retail centre. The 182,986 sq ft shopping mall will house 86 retail outlets including a supermarket, family entertainment centre and a large food court. Kalba Waterfront is scheduled for completion in Q2 2021, according to Shurooq.

Beyond newly announced retail developments, incentives have been introduced in the northern emirates for retailers to cope with the crisis and boost sales volumes. In Sharjah, a programme called 'Shopping Promotions' was launched to stimulate the retail industry by enticing customers with discounts and prizes. The programme recently concluded its month-long discount event that boosted sales volumes to AED 600 million with the support of the Sharjah Chamber of Commerce and Industry.

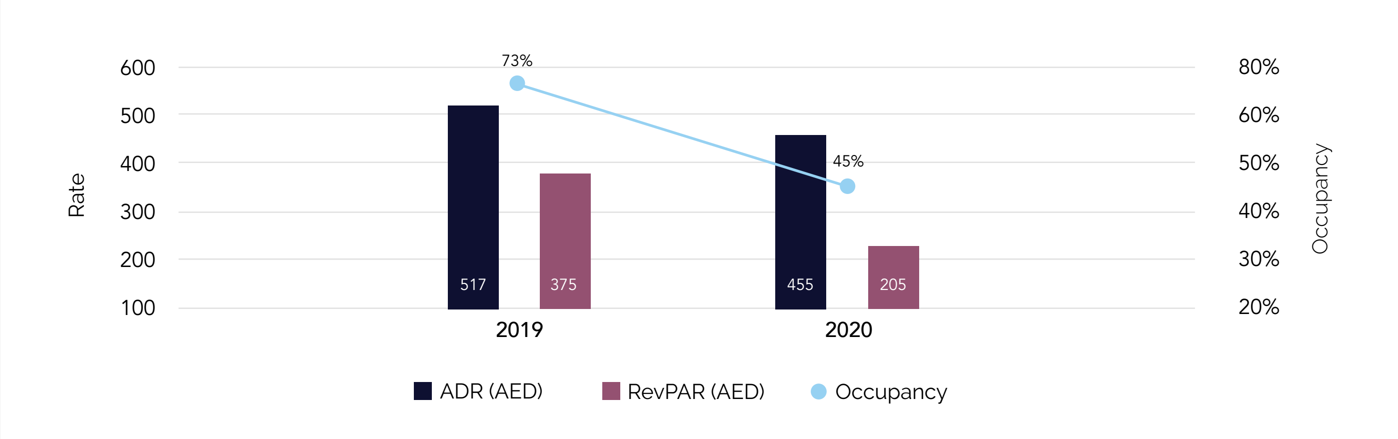
Dubai

Hospitality Market Overview

To control the spread of COVID-19, travel bans and restrictions were imposed around the globe, directly impacting the hospitality sector. As a result, owners of hotels and resorts faced revenue losses that could not be recovered in the absence of government assistance.

As anticipated, the Dubai hotel market saw declines in occupancy, average daily rates (ADR) and revenue per available room (RevPAR) in Q3 2020. According to STR Global, occupancy rates in Q3 fell 37.8% from a year ago to 45.1% whilst ADR declined 12% to AED 455 and RevPAR slipped 45.3% to AED 205.

DUBAI HOTELS PERFORMANCE



Data as of September 2020

***Source:** STR Global*

To mitigate the impact, many hotels were and are offering staycation deals and discounts on services to entice local demand. Some of the offers were:

- Summer room rates offered by Rove Hotels at AED 99 per night.
- Jumeirah Beach Hotel's 'Ultimate Staycation' with early check-in at noon and late check-out at 4pm.
- Meydan Hotels and Hospitality's staycation deal to mark the reopening, with discounts of up to 30%, including redeemable F&B points.
- The Staycation Package of H Hotel, Dubai that covers complimentary breakfast, free upgrades, and more starting from AED 229.
- Sheraton Jumeirah Beach Resort offered guests 100% of the cost of their room back in F&B vouchers until 30 September.

Improvements in hotel performance are expected to have occurred in Q3 due to staycations over the long weekends on Eid holidays and end-of-September offers. However, recovery of performance of business hotels will likely be protracted given the rising popularity of video conference and e-meeting applications in light of travel curbs and as companies cut back on discretionary expenses like business travel.

Overall, a recovery in the hospitality industry is expected to be faster than traditional retail assets as it is more sensitive to changes in demand. Eventually, travel patterns will be easier to project, however, a larger concern is that the effects of the pandemic might alter travellers' decision-making processes, potentially impacting complete recovery in the long run.

To stimulate the tourism, and, thereby, hospitality sectors, the UAE at the G20 Tourism Ministers Meeting affirmed to promote international initiatives and strengthen travel precautions in response to COVID-19. Some of the efforts taken by the government to aid the sector include streamlining travel and visa processes in partnership with Dubai General Directorate of Residency and Foreigners Affairs (GDRFA), and reinforcing safety and security, whilst recognising the sovereign right of states to monitor the entry of foreign nationals. Another factor supporting tourism grown is the expected increase in direct flights to and from Israel following to the landmark UAE-Israel peace treaty.

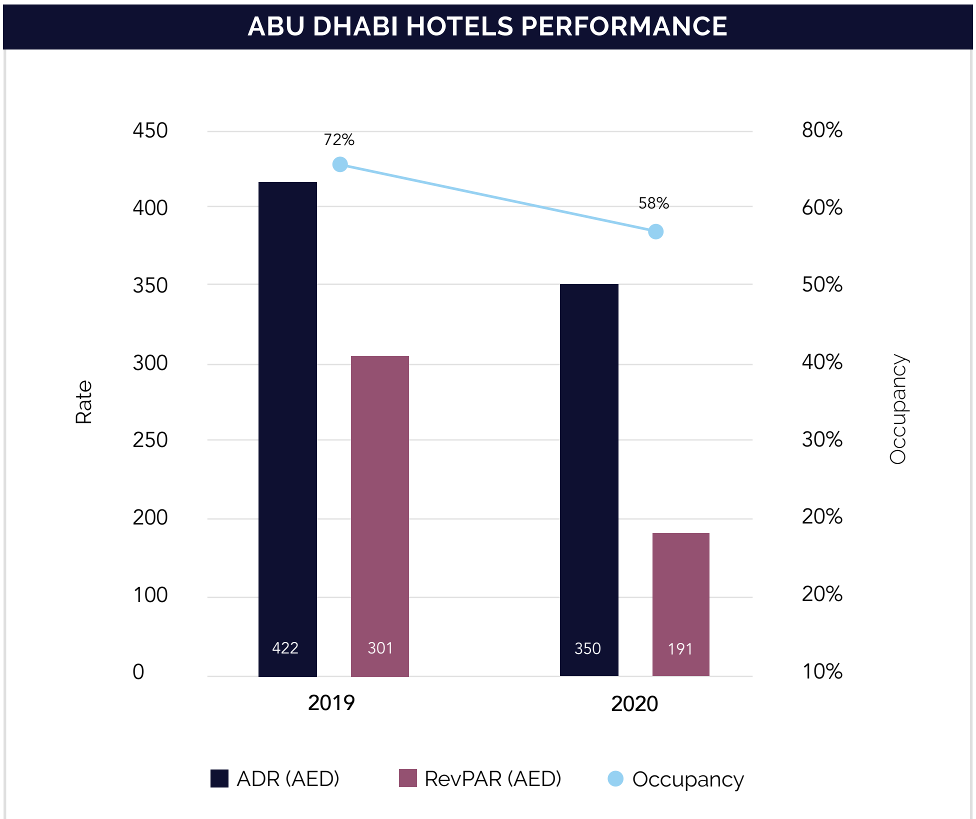
A multi-phase plan under execution by the Department of Tourism and Commerce Marketing will likely bode well for the travel and hospitality sectors. For instance, Dubai's carriers Emirates and flydubai have reported a rebound in booking activity and have resumed flights on various routes.

Cavendish Maxwell

Abu Dhabi

Hospitality Market Overview

Abu Dhabi's decline in key hospitality performance indicators trailed Dubai, registering a 20.3% drop in occupancy rate at the end of September 2020 compared to the same period in 2019. ADR decreased 17.4% to AED 350 and RevPAR fell 34.3% to AED 191.



'Data as of September 2020

***Source:** STR Global*

On 13 July, the Department of Culture and Tourism – Abu Dhabi (DCT Abu Dhabi) announced that the occupancy of hotels in the emirate has increased by 3% year-on-year since the beginning of Q3.

The first UFC Fight Island that took place in July gave a much-needed boost to the sector. According to DCT - Abu Dhabi executive director, H.E. Ali Hassan Al Shaiba, over 2,500 guests visited Yas Island's hotels in July, which is otherwise a slow month. In addition, UFC held a Fight Island spectacle in September and October, which is expected to have helped increase hotel occupancy.

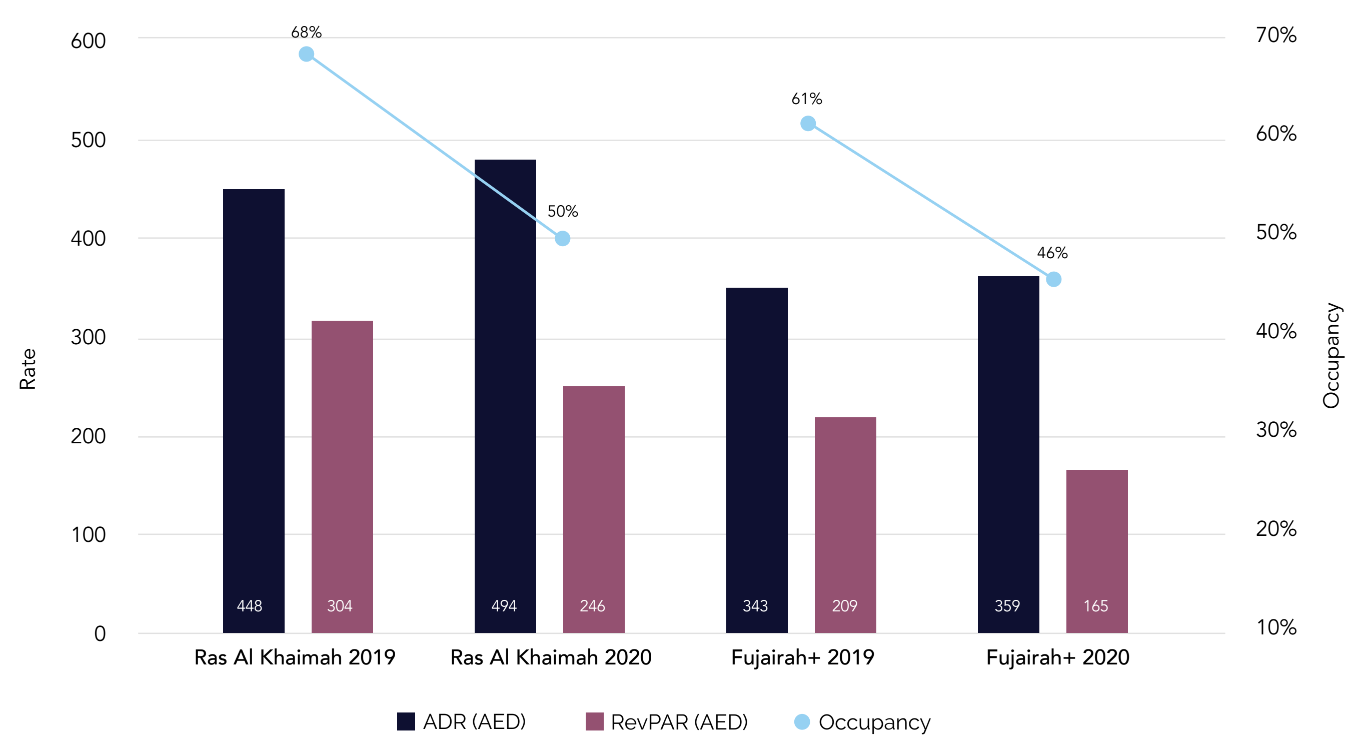
The DCT is positive that the sector will continue to improve with the introduction of several initiatives in the emirate, such as the Go Safe certification, which aims to increase consumer confidence by regulating hygiene standards across all the hotels in Abu Dhabi. As of second week of July, more than 80% of hotels in emirate had begun the process of being 'Go Safe' certified, with W hotel and Louvre Abu Dhabi being the first venues to be accredited.

Northern Emirates

Hospitality Market Overview

According to STR Global, Ras Al Khaimah recorded a 25.7% fall in occupancy in Q3 2020 versus a year ago compared to a 22.8% decline for Fujairah. However, in terms of ADR during the same period, Ras Al Khaimah registered a year-on-year growth of 9.9% versus 2.1% for Fujairah.

NORTHERN EMIRATES HOTELS PERFORMANCE



Data as of September 2020

Source: *STR Global*

In response to COVID-19, Ras Al Khaimah Tourism Development Authority (RAKTDA) launched initiatives to support the tourism sector of the emirate. Specific measures included a six-month waiver of all touristic licenses; waiver of tourism dirhams from March to May; 100% waiver of tourism licensing fees for Q2/Q3 and tourism licensing fines until September 30; and removal of participating fees for exhibitions and roadshows for 2020/21. In addition, RAKTDA partnered with National Crisis and Emergency Management Authority (NCEMA) and Ras Al Khaimah Preventive Medicine Department (PMD) to provide free COVID-19 tests for all hotel employees in Ras Al Khaimah.

The Ajman Tourism Development Department (ATDD) also carried out COVID-19 tests for all hospitality employees in the emirate to raise customer confidence, leading to an improvement in occupancy rates.

In Sharjah, the Sharjah Commerce and Tourism Development Authority (SCTDA) held a meeting with UAE ministers in August to discuss long-term growth strategies for the hospitality and tourism sector. They decided to enhance collaboration in implementing relevant initiatives included in the flexible packages and the 33-initiative plan launched to support key economic sectors.

The concentration of hospitality projects is higher compared to residential developments in Ras Al Khaimah's leisure destinations such as Al Marjan Island. Out of 180 plots on the island, over 70% have already been sold largely to hotel and resort developers. Upcoming properties include a Rove Hotel, the InterContinental Mina Al Arab Resort, the Hampton by Hilton and a resort by Barceló Hotel Group. Complete development of the island is expected by 2025.

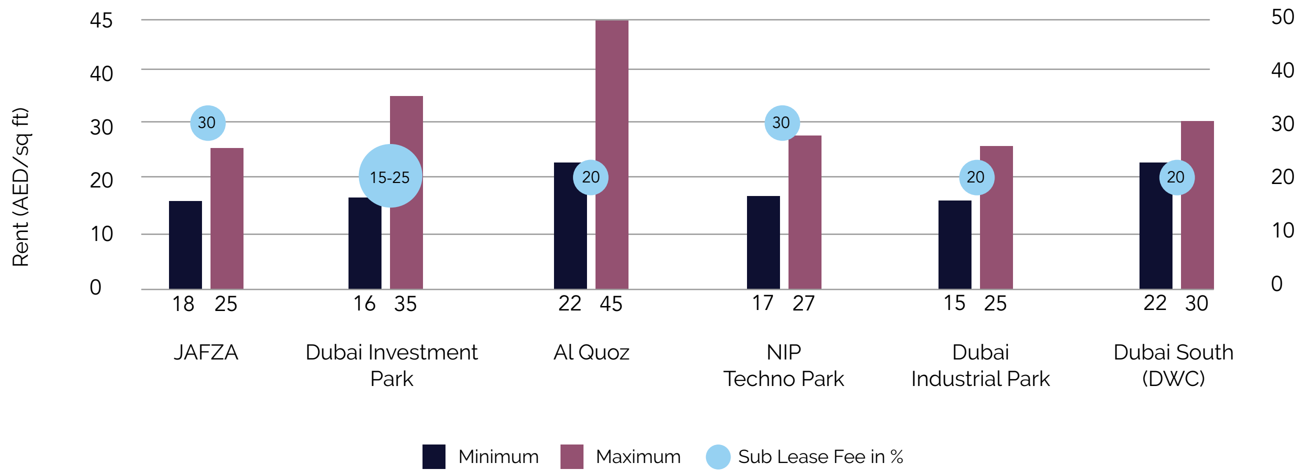
Dubai

Industrial Market Overview

Whilst most other segments of the economy are currently grappling with slowing business in the wake of the pandemic, the e-commerce space continues to boom, with consumers fulfilling all their shopping needs from groceries to fitness equipment through online channels. The surge in demand, coupled with a potentially permanent change in shopping behaviour even post the COVID-19 situation in favour of online retail, will likely spur demand for warehouses, fulfilment centres and other logistics facilities, especially in the onshore market. This trend has resulted in the stabilisation of most industrial areas in Dubai.

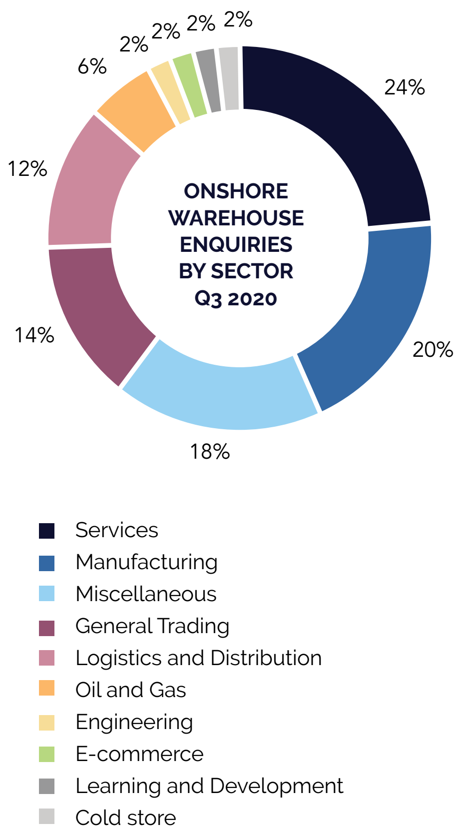
Occupiers are aware of the soft market conditions and are using the situation to make suitable offers. The gap between the expectations of sellers and buyers, which has been a common feature of the market of late, is starting to close with some sellers reducing their pricing aspirations to meet offers by buyers and tenants. Prospective occupants remain cautious and are proceeding only after conducting thorough due diligence; this is a strong indication of the market becoming more sophisticated. This risk-averse mentality has inevitably slowed down the transaction process with many companies postponing their industrial requirements for the rest of 2020 and even 2021 due to the impact of COVID-19.

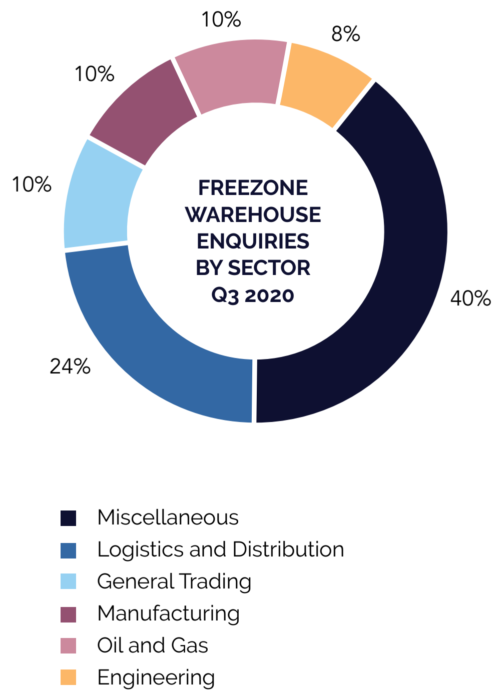
WAREHOUSE RENTS IN DUBAI - Q3 2020



Over the past six months, rate compression has been observed in all areas, with older properties and light industrial units (LIUs) being the hardest hit. The above table shows current rental rates in industrial areas. The higher asking rates—accounting for 20% of the market supply—are for newly built warehouses developed to international standards offering 50–60% site coverage, high eaves, multiple loading bays and high electrical capacity. The lower asking rates—accounting for 80% of the market supply—are for older warehouses in poor condition and LIUs. A minor increase in asking rates for Grade A European style warehouses has been observed whilst the asking rates for LIUs have decreased by 20–30% over 12 months, and a staggering 75% over the last four years.

Predominantly led by e-commerce supply chain investments, the industrial and warehouse market remained resilient, resulting in an increase in the number of enquiries by selected sectors in Q3 2020. The onshore market has witnessed an increase in enquiries by the manufacturing, logistics and distribution, e-commerce, oil and gas, services, warehouse and cold store sectors. As for the free-zone market, an increase in number of enquiries was witnessed by the manufacturing, oil and gas, engineering and other sectors.





***Source:** Cavendish Maxwell*

During the first five months of the year, the National Economic Register witnessed a 300% rise in consumer demand in e-commerce services, where nearly 200 licenses were issued. Despite the rising demand, many warehouse landlords are competing to attract tenants and are therefore being flexible in their terms. Most are offering rental reductions, rent-free periods, and in rare cases, capex contributions towards site improvements. The government has, and continues, to provide numerous incentives to support companies and strengthen financial liquidity.

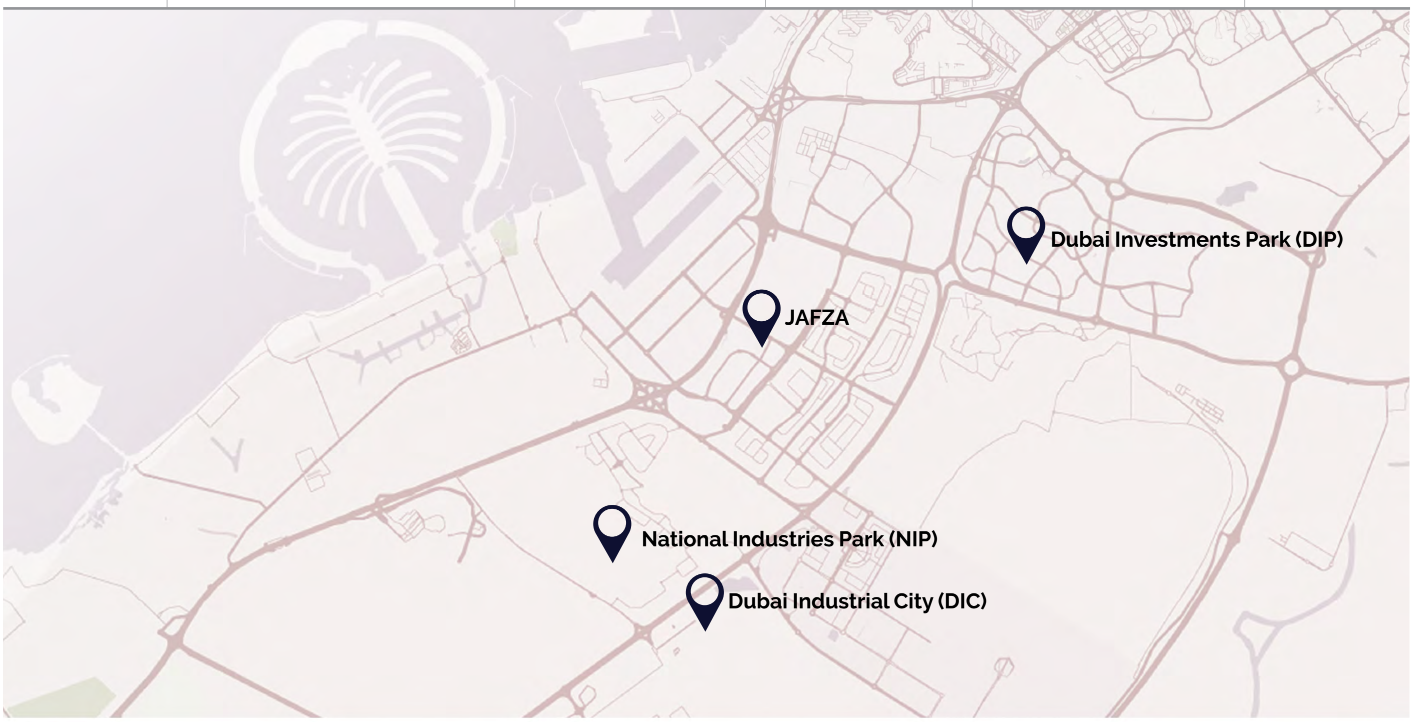
Amid the pandemic, leading industrial zones in Dubai have been proactive in providing incentives, digitised and online services, and new strategies to support their tenants and landlords. In synergy with Dubai Municipality, DP World launched 'ZADI', a unified platform that supports the security, shipment, facilitation, import and re-export of food and food-related products and services in Dubai. ZADI will assist over 18,000 companies in Dubai and help facilitate approximately 360,000 annual transactions.

In line with the digitisation process of Jebel Ali Free Zone Authority (JAFZA), the zone has started to offer a wide range of free online services. DP World has also announced reductions of license registration and administration costs for companies already within JAFZA, in addition to new investors. Through its 'Customer Support Initiative', JAFZA is also set to decrease business-related fees by 50-70% for registration, licensing and other related administrative processes.

Companies involved in various sectors from pharmaceuticals to food security are expected to leverage smart manufacturing techniques and enable the industrial sector to contribute 25% to the country's overall GDP by 2025. Smart manufacturing and the Internet of Things (IoT) are essentially driving the fourth industrial revolution—a key platform for the UAE to cement its position as a global hub—and increasing contribution to the world economy through innovation and technology. The UAE industrial sector is a key driver to achieve this goal where assets such as factories, warehouses and LIUs etc., are to be tailored to align with new trends and meet investors' requirements in terms of eaves height, loading bays, availability of power and internet.

RECENT INDUSTRIAL SALES TRANSACTIONS IN DUBAI

Date	Location	Built Up Area (sq ft)	Price (AED)	Price per sq ft (AED)	Unit type
Oct 2020	Dubai Investments Park (DIP)	10,000	2,500,000	250	Warehouse
Oct 2020	National Industries Park (NIP)	42,730	6,500,000	152	Factory
Oct 2020	National Industries Park (NIP)	37,940	5,500,a000	145	Warehouse
Sep 2020	Dubai Investments Park (DIP)	22,500	3,500,000	155	Warehouse
Aug 2020	Dubai Industrial City (DIC)	100,000	12,000,000	120	Warehouse
Jan 2020	JAFZA	69,100	10,000,000	144	Warehouse



Source: Cavendish Maxwell

In the range of 9–11%, industrial sector yields in Dubai remain very attractive in comparison to other global cities. Accordingly, industrial and logistics investment within the UAE has become an attractive manifesto. However, it is not without risk, with the increased possibility of lengthy void periods, exposure to market volatility, variable sub-lease fees and onerous leasehold terms along with tenant friendly laws. It is therefore unlikely to attract overseas investment in the immediate future from institutional investors, but rather through third party platforms, private equity houses and funds.

For the upcoming quarters we predict that more inferior assets and LIUs will witness the largest price and rental decreases. In contrast, premium-grade assets, particularly the standalone facilities, will continue to present a more evenly balanced duel between negotiating parties. Tenants with upcoming renewals and break-clauses are expected to seek cost-saving options, using competitive pricing elsewhere in the market as a negotiation tactic in a bid to remain at their current location on more favourable terms.

Landlords will continue to offer incentives to provide additional value in a competitive landscape. Popular options include longer-rent free periods, multiple cheque payments, and 'rentalised' mechanisms, such as installing air conditioning or capex fit-out allowance. In return, landlords will expect to secure tenants for longer terms, with gradual uplifts in rents of typically 3-5% annually.

Abu Dhabi

Industrial Market Overview

Industrial rents across the UAE vary widely and range between AED 12 and AED 35 per sq ft. The large differential in rents is due to the type of storage spaces which range between open yards, dry, ambient, temperature-controlled and chiller warehouses. However, Abu Dhabi's industrial warehouse yields remain strong and range between 9% and 11%, similar to Dubai.

Amid the pandemic, the UAE has maintained prime focus on encouraging local production, especially in food, power generation, medical supplies, and of materials such as iron and aluminium. As of May 2020, Strata, a Mubadala-owned manufacturing company that previously partnered with the likes of Airbus and Boeing, signed an agreement with Honeywell to produce up to 30 million N95 face masks annually.

The Abu Dhabi Government has been proactive in adopting sustainable and more efficient methods for all industrial facilities' operations through development plans such as the 'Industrial Sustainability' project launched by the Industrial Development Bureau (IDB). By May 2020, IDB registered a total of 467 industrial entities approved by the Occupational Safety and Health Management System (OSHMS) in the emirates. It has been promoting the recycling of secondary industrial products within industrial operations by issuing an authorised resolution for licensed manufacturing and industrial facilities to trade their secondary industrial materials.

This year, Abu Dhabi Department of Economic Development (ADDED) has also granted permission to commercial and industrial licensees to renew licenses for investment activities for an extended period of three years.

As for free-zones, Khalifa Industrial Zone Abu Dhabi (KIZAD) expanded its industrial zone with a key focus on agricultural technology (agri-tech) and the food industry by offering business and operational incentives such as exempting duties for raw material for production or machinery, and competitive power and water tariffs. Abu Dhabi Airport Free Zone (ADAFZ) registered a 109% year-on-year increase in license issuance since 2019, including the inclusion of multinational companies SMSA Express and Honeywell to the zone's portfolio.

Northern Emirates

Industrial Market Overview

Sharjah

The industrial and logistics sector has become an integral part of the economy as the UAE has strategically positioned itself as an international manufacturing and logistics hub. The northern emirates are well positioned geographically to take advantage of the growing need for industrial and logistics facilities, accelerated in 2020 due to rising demand for e-commerce goods amid the pandemic. To meet such demand, the Sharjah Executive Council approved over 360 plots of land designated for industrial use as of August 2020.

Since Q1 2020, Sharjah has been proactive in its approach to accelerate growth in the industrial sector. The emirate has been in talks with New Delhi, India to form cooperative partnerships on strategic objectives such as food security and information technology. Additionally, Sharjah Chamber of Commerce and Industry (SCCI) recently launched a first-of-its-kind fund, called the Sadder Fund, to finance export operations in the emirate. The fund's objective is to boost net exports, enter new overseas markets and expand the international footprint of affiliates of the Sharjah Economic Development Council (SEDC) by providing liquidity and reducing risk to exporters through credit insurance. Government initiatives such as these are a positive indicator for the industrial and logistics sector looking ahead.

From a development perspective, Sharjah has continued to build the industrial real estate sector. In collaboration with the Planning and Survey Department, Sharjah Roads and Traffic Authority (SRTA) and Sharjah Electricity and Water Authority (SEWA), the SCCI reached the 15% completion milestone on the 10^{th} Industrial Zone scheduled for completion in 2021.

Ras Al Khaimah

Ras Al Khaimah announced in August 2020, a new type of company formation structure that allows for 100% foreign ownership of mainland, onshore companies. The innovative company structure is expected to boost FDI in Ras Al Khaimah and increase investment in the industrial and logistics sector, among others. Ras Al Khaimah has guaranteed that these new companies will not be expropriated, and that their project returns can be repatriated to ensure foreign investment is unhindered and protected.

Similarly, Ras Al Khaimah Economic Zone (RAKEZ) introduced the RAKEZ Global Product (RGP)—a mid-shore free zone that allows investors to redomicile or incorporate a new company through one of RAKEZ's authorised CSPs (Corporate Service Providers) onsite or remotely with no need to maintain physical presence in the country. Innovative new regulations and free zone products are not only a positive indicator for the industrial sector but showcase Ras Al Khaimah as one of the most competitive business destinations for start-ups and large international enterprises alike.

Ajman

In response to the pandemic and to support business activity, Ajman Free Zone announced in August 2020, eight new incentives for eligible companies within the free zone including fee discounts, waivers, exemptions to various fines and flexible instalment plans for lease renewal during H2 2020. Further, Ajman Free Zone launched a strategic development plan to build warehouses designed to serve sectors such as healthcare, food and sustainable development. The AED 36 million development is environmentally friendly with flexible unit sizes and is spread over more than 96,875 sq ft.

Umm Al Quwain

The rise of e-commerce in the UAE accelerated as non-essential businesses remained shut earlier this year. Umm Al Quwain the Free Trade Zone (UAQ FTZ) witnessed a 70% increase in new e-commerce business licenses in the three months ending July 2020. The e-commerce license is cost effective and requires a minimal investment to stay compliant with UAE laws while selling goods online.

Rent performance

NORTHERN EMIRATES WAREHOUSE MARKET

Average Lease Rate (AED per sq ft) Q3 2020

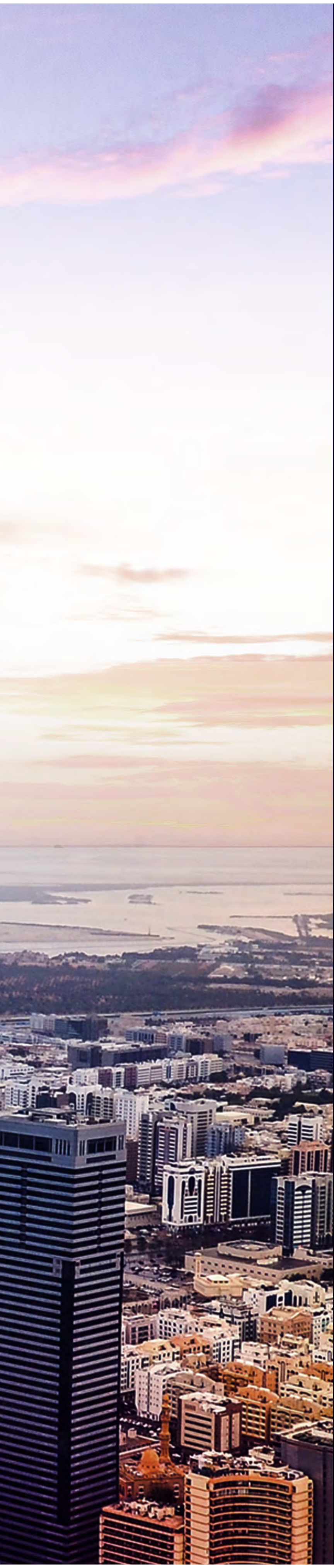
Sharjah	Ras Al Khaimah	Ajman
15 - 30	12 - 25	12 - 25

Source: *Cavendish Maxwell*

Methodology

Supply projections for residential projects are based on the Cavendish Maxwell 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.

Residential sales prices and rents are derived from Property Monitor, 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. Property Monitor arrives at the average residential sales price per sq ft by incorporating signed contracts, registered transactions, valuations and listings.



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.

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