



Q1 2016 Real Estate Market Review - Qatar

Increase in vacancy rates in
the office and residential
sectors

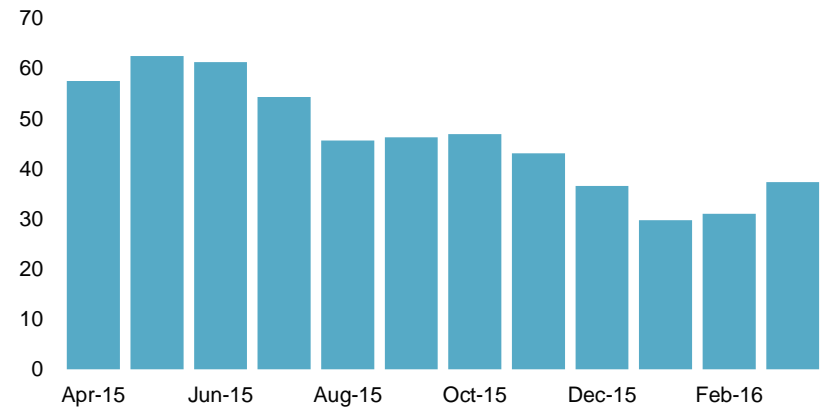
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Economic Overview

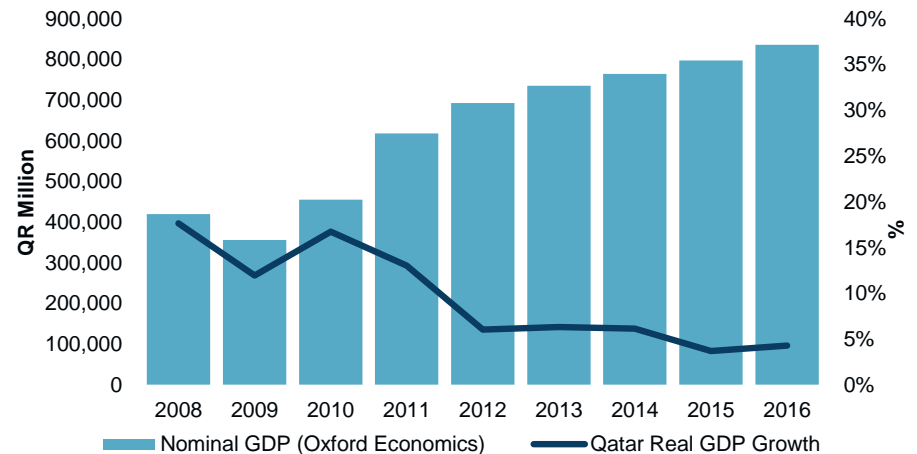
Macro Economic Trends

- Qatar’s economic reliance on the hydrocarbon sector has resulted in further cuts to government spending in Q1 2016, as oil prices fluctuated between \$38 and \$42 per barrel in March.
- The Standard & Poor’s (S&P) credit ratings agency recently confirmed Qatar’s AA rating and stable outlook. S&P noted that Qatar’s macroeconomic fundamentals remain solid despite the challenges the state is facing. The international credit rating agency warned however, that the government’s balance sheet will deteriorate as long as oil prices remain subdued.
- Despite the fall in oil & gas revenue, major infrastructural projects are progressing as planned, maintaining economic growth. The current cost of projects that are underway is QAR261bn, which excludes projects in the energy and private sectors.

Brent Crude Oil (Price per Barrel \$)



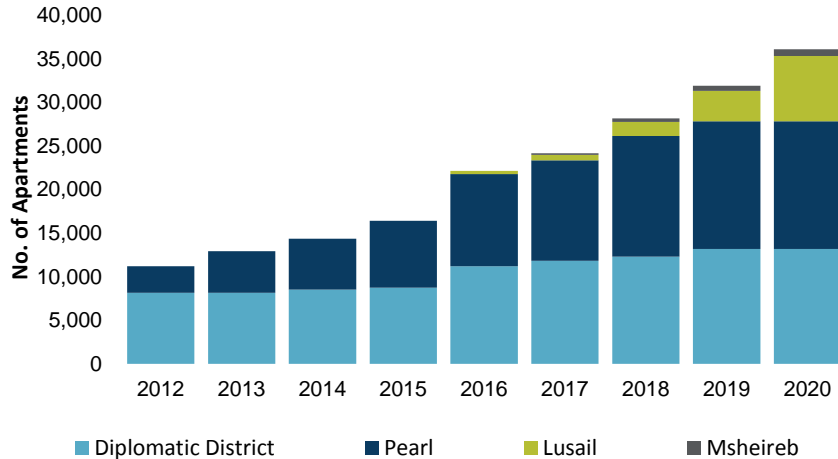
Nominal GDP and Real GDP Growth



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Residential Market

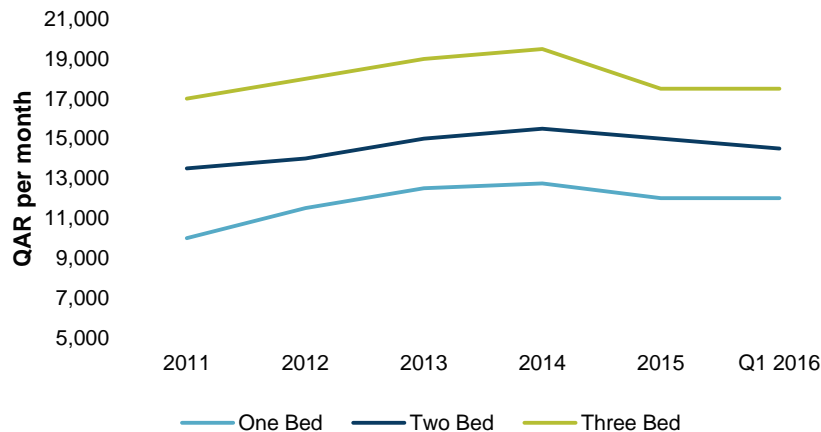
Prime Apartment Supply



Trends in Residential Market

- The supply of new residential accommodation has increased in recent months and this trend will continue throughout the year as a significant number of apartment projects reach completion.
- Recent redundancies in the government and oil and gas sectors has resulted in a slowdown in demand in the past 12 months.
- The increase in supply and reduced demand has resulted in increasing vacancy levels for primary and secondary apartment market. The changing dynamics in the market suggest that recent signs of falling rents in the apartment sectors may continue throughout 2016.
- Construction of new villa compounds throughout Doha has been limited in comparison to apartment buildings. While there has been an increase in vacancy levels, DTZ believe that occupancy rates for compound villas will remain relatively high, with less downward pressure on rental levels.

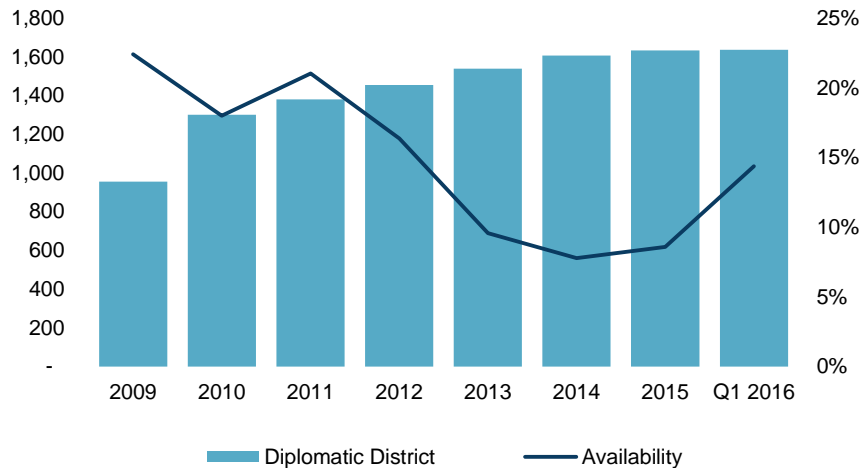
Prime Apartment Rents



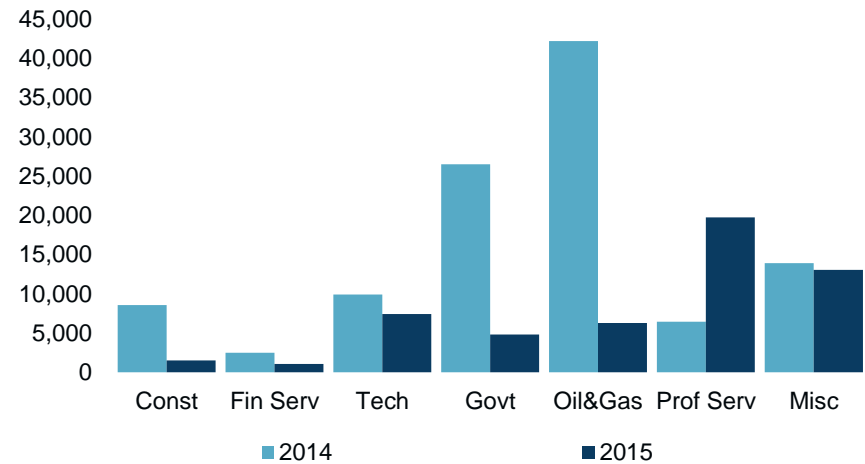
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Office Market

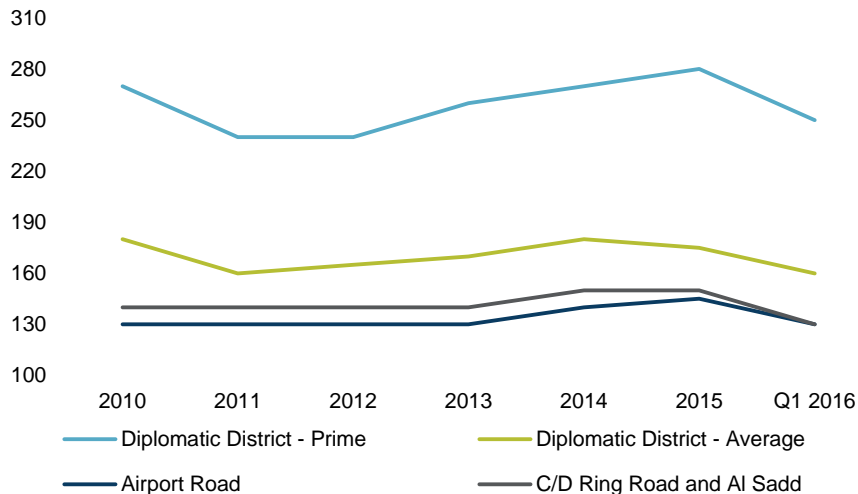
Supply and Vacancy Trends in West Bay



New Demand Registered by DTZ 2014 v 2015



Prime Office Rents by District



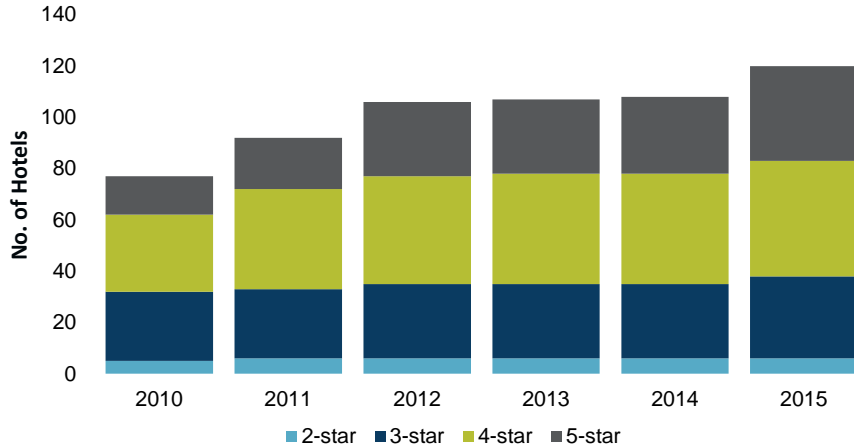
Trends

- Grade A offices in West Bay currently command between QAR 150 and QAR250 per sq m per month depending on the size of units and quality of the building. Typically, rents of between QAR150 and QAR180 per sq m are being quoted for larger office floorplates.
- Downsizing, and significantly reduced demand from government and oil and gas sectors, has resulted in new buildings being made available to lease, with availability levels increasing for the first time since 2010.

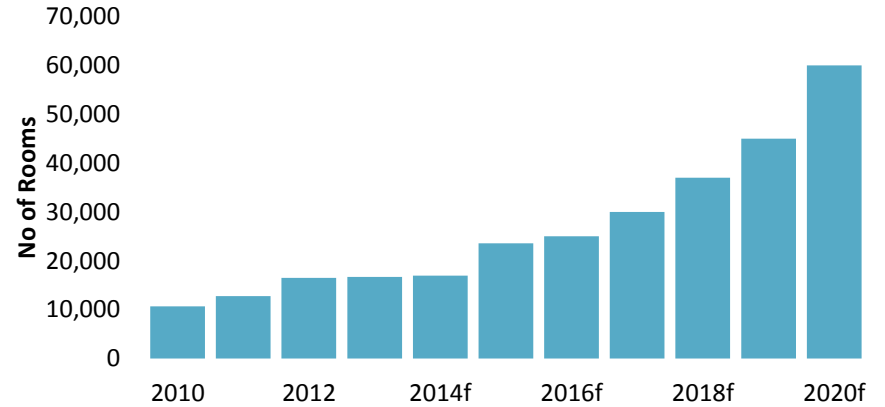
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Hospitality Market

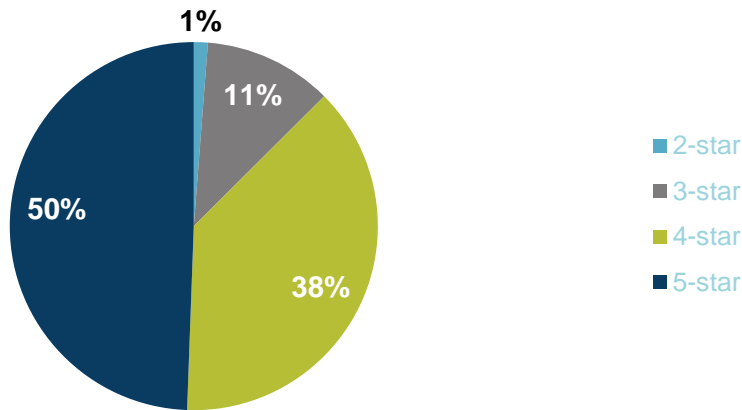
Hotel Supply



Pipeline of Hotel Supply



Room Keys by Rating (20,713 keys)



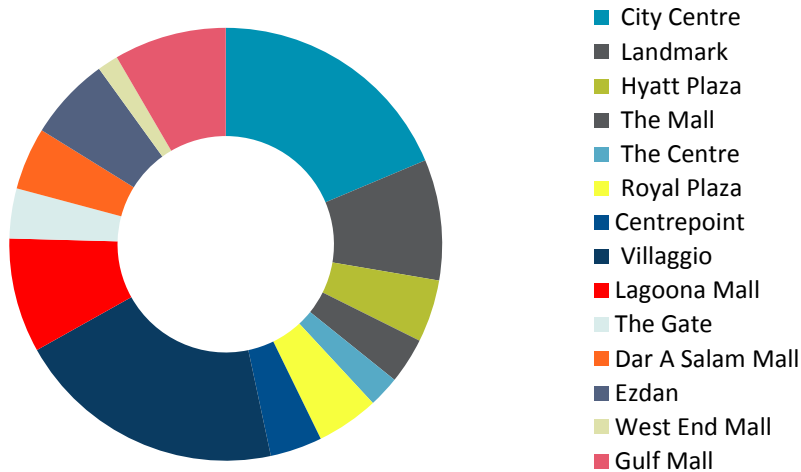
Trends

- 15 new establishments opened in 2015, increasing room supply to over 20,700.
- 88% of supply is classified as either 4 Star or 5 Star
- Overall occupancy rates fell from 73% in 2014 to 71% in 2015
- ADR dropped by 5.7% to QAR 520, while RevPAR fell by 8.8% to QAR 370

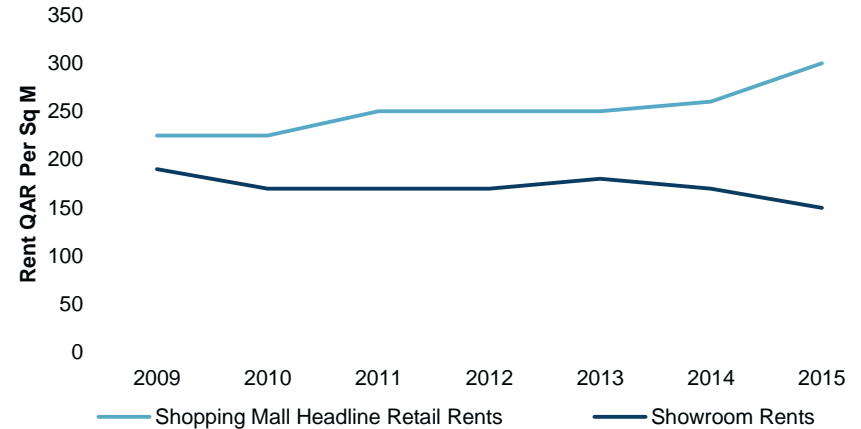
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Retail Market

Accommodation by Mall (643,000 sq m)



Prime Retail Rents



Project	Location	Estimated Completion Date
Mirqab Mall	Al Mirqab Street	2016
Al Hazm Mall	Markhiya	2016
Doha Mall	Abu Hamour	2016
Katara Mall	Al Qassar	2016
Tawar Mall	Duhail	2016
Mall of Qatar	Al Rayyan	2016
Doha Festival City	Umm Salal	2017
Northgate	North Doha	2017
Place Vendome	Lusail	2017
Marina Mall	Lusail	2018

Trends in Retail Market

- Organised retail supply currently totals almost 643,000 sq m across 14 malls
- High occupancy rates and strong demand from retailers. This has led to rental increases in prime retail malls over the past 12 month
- DTZ estimates that there is currently more than 1.3 million sq m of organised retail accommodation under construction in Qatar

Macroeconomic Factors Affecting Land Transactions

The Price of Oil

Brent Crude



Source: Bloomberg

- Brent Crude has fallen from \$65 to \$40 per barrel year on year and from \$114 in June 2014
- Reduced government spending on non-essential projects
- Investors more cautious given the economic climate

Macroeconomic Factors Affecting Land Transactions

Equities Markets

Qatar Exchange Index



Source: Bloomberg

- Qatar Exchange Index has fallen from 11,900 to 10,300 year on year
- FTSE 100 Index has fallen from 6,900 to 6,400 year on year, after crossing 7,000 in April 2015

Macroeconomic Factors Affecting Land Transactions

Credit Availability

Financial institutions are:

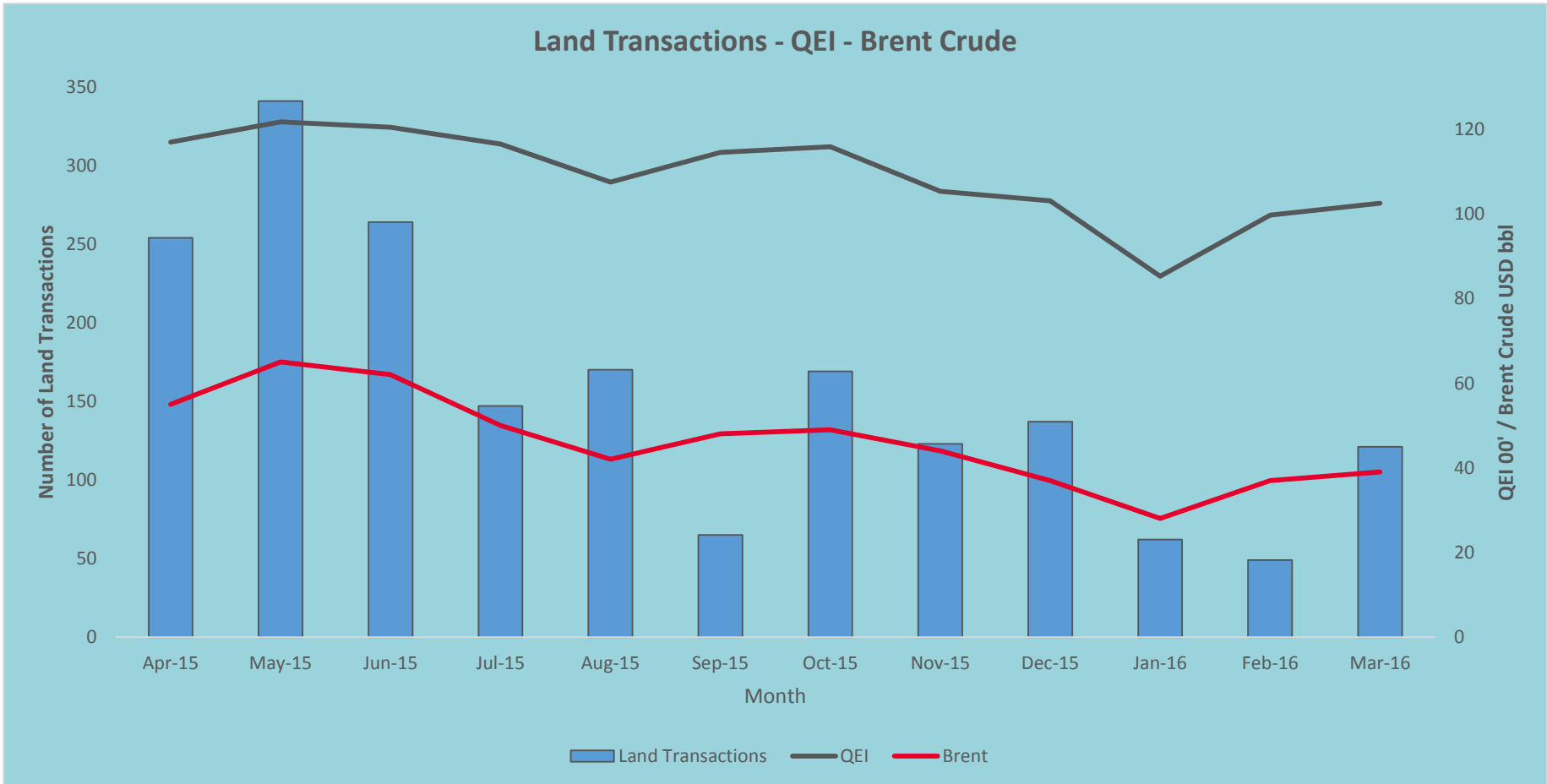
- Reducing exposure to riskier assets
- Reducing Loan to Value (LTV) ratios
- Protecting their balance sheets
- Following enhanced Qatar Central Bank (QCB) and Basel III regulations
- Overall more cautious approach to lending

Cityscape Qatar 2016

Land Market – What Are We Actually Seeing



Macroeconomic Influence of Land Transactions

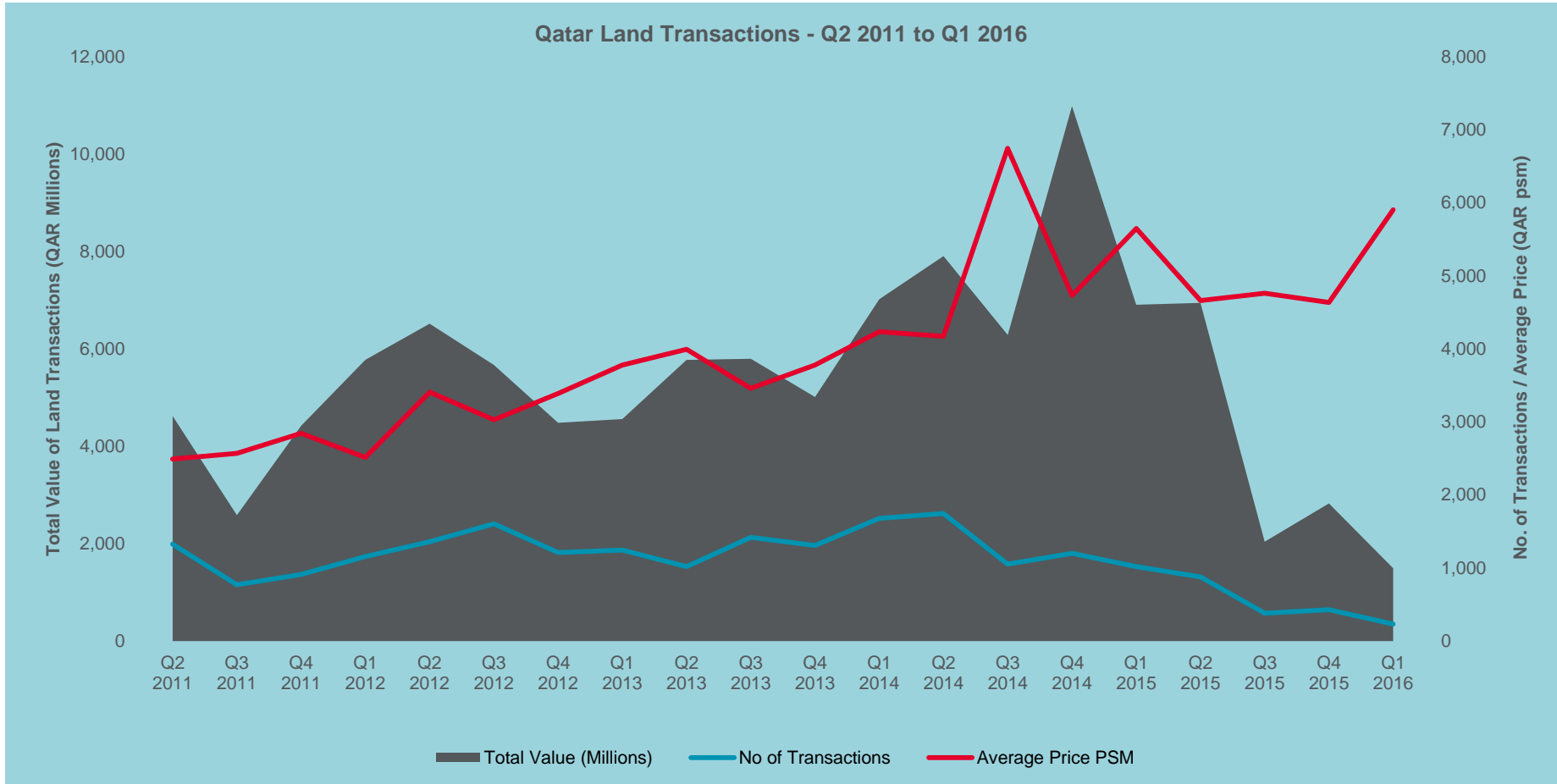


Cityscape Qatar 2016

Land Market – What Are We Actually Seeing



Ministry of Justice Land Transaction Analysis



Cityscape Qatar 2016

Land Market – What Do We Forecast

Looking Forward

- Land values to stabilize overall with a reduction in some districts
- Speculative purchases to reduce
- Land to remain as a long-term store of value for local investors especially given the uncertainty in the wider financial and commodities markets
- Reduced income growth impacting end values and ultimately the residual value of land leading developers to reduce the amount they are willing to pay for land