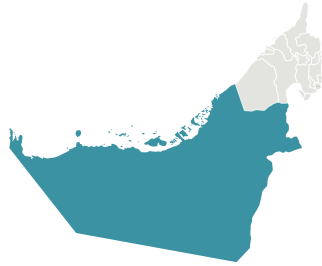


Property Review



Abu Dhabi

Q2 2015 Report



Celebrating 30 Years in the Middle East.

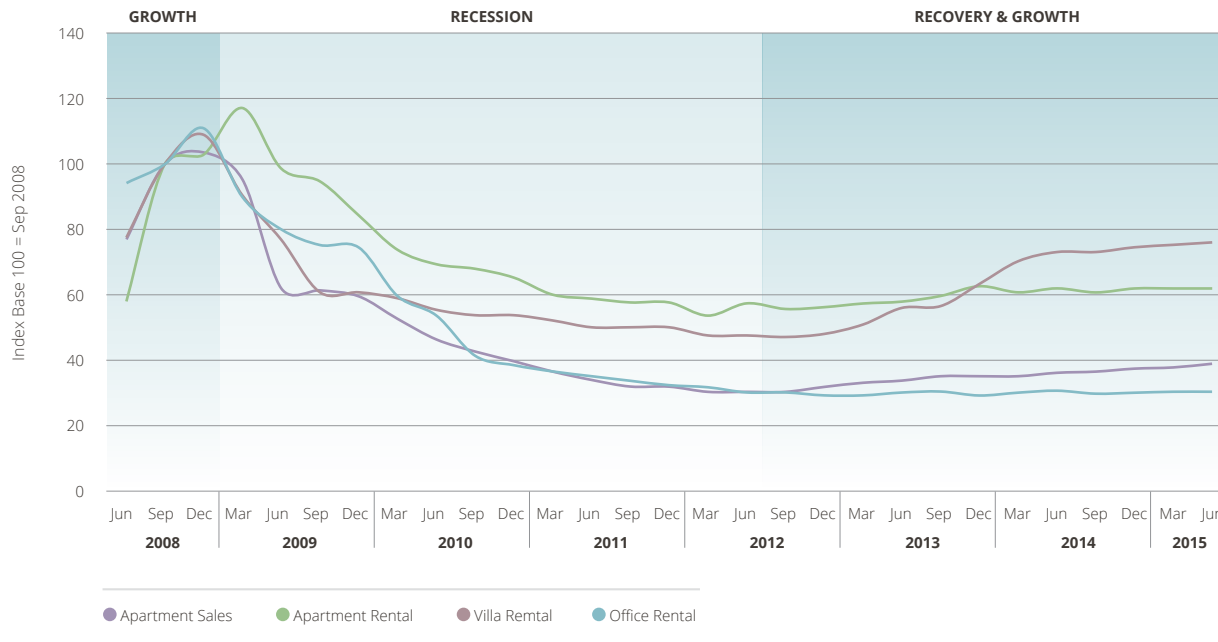
Abu Dhabi's leasing market remained strong, with an average 6% quarterly rental growth witnessed for prime apartments due to a continued lack of suitable supply, which is likely to take some time to be addressed. Sales prices, however, remained broadly stable as rates have peaked at levels that have led to a reduction in transaction volumes.

Abu Dhabi Q2 2015

Highlights

- Following a major decline in rental rates post financial crisis, from early 2009 onwards, the Abu Dhabi residential market witnessed an improvement since mid-2012 as apartment and villa rental rates increased by an average of 18% and 9%, respectively, up to the end of Q2 2015.
- Apartment sales prices recorded a quicker recovery. The achieved sales rates recorded a 25% increase compared with their lowest point in Q2 2010 whilst villa sales rates increased by more than 30% since Q2 2012.
- Office rental rates closely followed the residential trend of growth & recession from 2008 to 2012 without however witnessing any significant recovery till today. This was due to several factors including large amounts of availability in the city, which especially as new prime supply was available, which continued to put pressure on rates specifically for lower quality properties. Nevertheless, slow but steady growth continued to be recorded for prime office space, which increased by 7% over the last six months.

RESIDENTIAL & OFFICE PRICE MOVEMENT, SEP 2008 = BASE 100



+4% APARTMENT ANNUAL SALES PRICE GROWTH

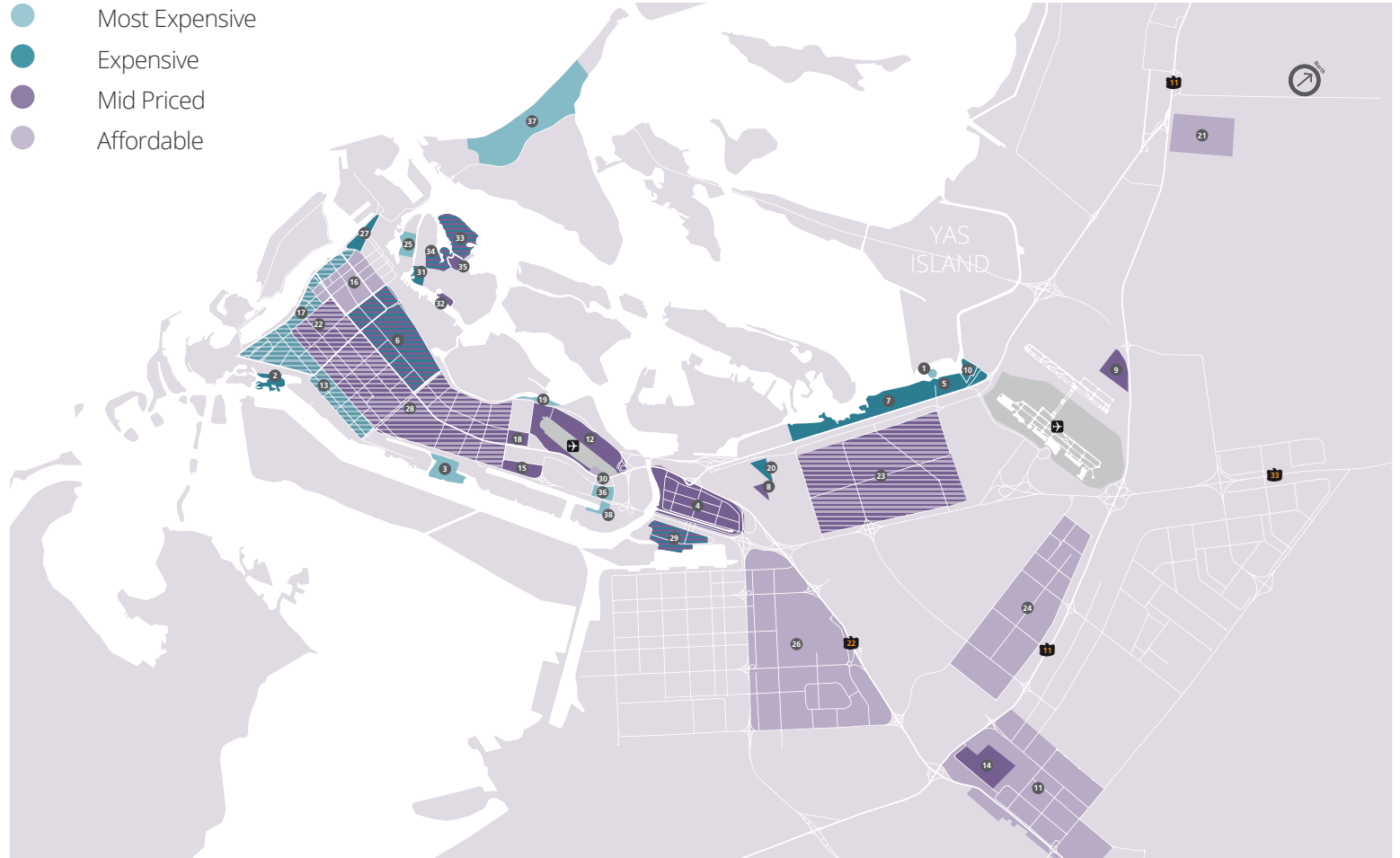
Abu Dhabi
Apartment sales prices up by 4% compared with Q2 2014.

Abu Dhabi Area & Rent Affordability Map

The following map highlights some of Abu Dhabi's most popular residential areas, in terms of their affordability for rent or sale.

- 1 Al Bandar – Raha Beach
- 2 Al Bateen Wharf
- 3 Al Gurm
- 4 Al Maqtaa
- 5 Al Muneera – Al Raha Beach
- 6 Al Nahyan Camp
- 7 Al Raha Gardens
- 8 Al Rayanna
- 9 Al Reef
- 10 Al Zeina – Al Raha Beach
- 11 Banyias
- 12 Bateen Airport Area
- 13 Bateen Area
- 14 Bawabat Al Sharq
- 15 Capital District (ADNEC)
- 16 CBD / Tourist Club Area
- 17 Corniche
- 18 Danet Abu Dhabi
- 19 Eastern Mangroves
- 20 Golf Gardens
- 21 Hydra Village
- 22 Khalidia / Al Hosn / Al Manhal
- 23 Khalifa City A
- 24 Khalifa City B
- 25 Maryah Island
- 26 MBZ City
- 27 Mina
- 28 Mushrif / Karama / Manaseer / Muroor
- 29 Officer's City
- 30 Rawdhat Abu Dhabi
- 31 Reem Island - Marina Square
- 32 Reem Island – Najmat Abu Dhabi
- 33 Reem Island – rest of Shams Abu Dhabi
- 34 Reem Island – City of Lights
- 35 Reem Island – The Gate District
- 36 Rihan Heights
- 37 Saadiyat Beach District
- 38 The Hills

- Most Expensive
- Expensive
- Mid Priced
- Affordable



Note: Area classification by affordability is provided for indicative purposes only as most areas in Abu Dhabi offer various types of residential units, from affordable to high end. As such, the map colour coding takes into account the most prevalent type of product and exceptions of a lower and / or higher price could be available.

Abu Dhabi

Rental Rates

Q2 2015

Apartments



- Positive rental growth continued during Q2 2015 as rental rates for apartments increased by 6%, on average, and the majority of prime, high and mid quality developments increased by 4% to 6% upon contract renewal; whereas new leases were, on average, 8% higher than in Q1.
- Some of Abu Dhabi's most popular prime developments, such as the Eastern Mangroves and St Regis Residences by TDIC, recorded a 12% and 10% increase, respectively, upon rent renewal as virtually no units were vacant and potential tenants were on a waiting list. This continues to indicate a lack of prime quality supply in the Capital.
- The highest year-on-year growth was at The Eastern Mangroves, St. Regis Residences, Saadiyat Beach Apartments, and Al Rayyana with 17%, 13%, 18% and 17% being recorded for each respective development.
- Prime apartment buildings located on the Corniche recorded no increase in Q2 mainly because rental rates were already at a premium.
- Prime and high-end apartment buildings recorded high occupancy rates. Reem Island became one of the most sought after locations as the majority of buildings achieved close to 98% occupancy rates.
- Apartment rental increases strengthened yields due to a gradual stabilisation of sales prices during the last six months.

Apartments Rental Rates (AED 000's pa)		Studio		1BR		2BR		3BR		% Change	
		Min	Max	Min	Max	Min	Max	Min	Max	Q1- Q2 2015	Q2 2014- Q2 2015
Prime Properties											
Abu Dhabi Island		-	-	105	150	140	240	187	360	6	8
Investment Areas		95	105	130	160	160	220	240	300	6	8
High End Properties											
Abu Dhabi Island	Central Abu Dhabi	-	-	-	-	130	160	160	185	1	5
	Corniche	-	-	-	-	130	170	185	300	0	5
	Khalidiya / Bateen	85	100	105	135	150	185	175	250	2	3
Investment Areas	Al Raha Beach			105	125	145	175	175	230	2	2
	Marina Square	70	85	90	110	130	160	170	190	3	4
	Shams Abu Dhabi	90	100	105	125	132	175	175	210	1	3
	Saadiyat Beach	-	-	120	130	175	185	200	250	5	18
Lower End Properties											
Abu Dhabi Island	Central Abu Dhabi	40	50	60	70	70	100	85	145	2	-3
	Corniche	40	45	60	75	75	100	75	155	0	2
	Khalidiya / Bateen	40	45	60	75	75	100	75	150	2	3
Investment Areas	Al Reef	60	65	75	85	95	110	120	140	2	-3
Off Island	Khalifa & MBZ City	30	45	40	55	50	80	60	100	0	0

Villas



- Following rapid rental increases, villa rents peaked over the last six months, and have stabilised since, demand for large mid to low quality villas decreased.
- The shortage of quality villa stock in high end developments resulted in high occupancy rates as rental prices reached a plateau. However, as the market is not expected to see any major handover of new villa stock before 2017, rental rates are likely to increase over the next few months.
- Al Raha Gardens recorded a 8% increase in rental rates since Q2 2014, whereas Golf Gardens and Saadiyat Beach Residences remained relatively stable primarily because of achieving close to full occupancy.

Villas Rental Rates (AED 000's pa)		2BR		3BR		4BR		5BR		% Change	
		Min	Max	Min	Max	Min	Max	Min	Max	Q1- Q2 2015	Q2 2014- Q2 2015
Abu Dhabi Island	Khalidiya / Bateen	-	-	170	220	200	250	255	300	0	3
	Mushrif / Karama / Manaseer	-	-	160	180	170	200	210	300	0	0
	Nahyan Camp / Muroor	-	-	150	170	190	200	220	300	0	0
Investment Areas	Al Raha Beach	-	-	240	260	210	300	310	330	0	0
	Al Reef	120	130	135	150	162	167	175	200	2	4
	Hydra Village	80	85	90	115	-	-	-	-	6	6
	Saadiyat Island	-	-	290	300	310	350	350	850	0	0
Off Island	Al Raha Gardens	-	-	165	220	190	300	250	330	1	8
	Golf Gardens	-	-	220	230	240	280	300	350	0	1
	Khalifa City	-	-	115	150	140	160	170	185	0	4
	Mohamed Bin Zayed	-	-	100	115	130	150	155	180	0	0

Offices



- Abu Dhabi Global Markets (ADGM), the new international financial centre on Al Maryah Island, began accepting licence applications from 15 June 2015 for existing non-financial services tenants located on Al Maryah Island that have either a Private Limited or a Branch Office legal structure. Other types of companies, including financial services institutions and those that are not currently tenants of Al Maryah Island, will be able to apply for an ADGM licence later in the year.
- This move marks the first in the establishment of the Al Maryah Free Zone. As such, the leasing of the two remaining buildings at ADGM (formerly known as "Al Maryah Square") that were previously on hold has now resumed. In addition, the handover of the Al Hilal Bank office building is also anticipated within the next few months thereby leading to additional availability of prime grade A supply in the Capital.
- The rest of Abu Dhabi saw no movement in terms of rental rates, with the exception of some new towers, with limited car parking space, where the asking rate was lowered in a bid to increase occupancy levels.
- The handover of ADDAX Tower led to an increase in office supply without, however, affecting rental rates in Q2. The tower, together with Sky Tower, is one of the first strata-owned office spaces on offer, and therefore rental rates are likely to differ between owners as asking rates ranged from AED 1,150 to AED 1,350 per sqm.
- The office sales market remains limited in Abu Dhabi, with only a few towers offering space for sale including ADDAX Tower, Infinity Tower and Sky Tower on Reem Island. Few transactions, however, did occur and demand levels remained low.

Office Rental Rates (AED per Sqm pa)		% Change					
				Q1 - Q2 2015		Q2 2014 - Q2 2015	
		Grade B	Grade A	Grade B	Grade A	Grade B	Grade A
Recent Build	Fitted	750	1,750	0	0	-6	3
	Shell & Core	700	1,350	0	0	0	8
		Min	Max	Min	Max	Min	Max
Older Stock	Good	700	1,000	0	0	0	-9
	Typical Building	650	800	0	0	0	0
	Low Quality Building	600	700	0	0	0	0

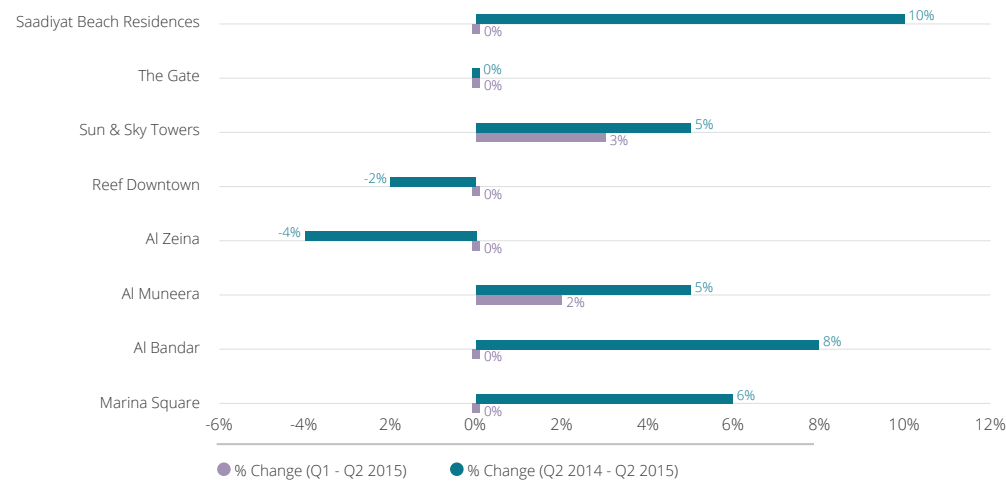
Abu Dhabi Sales Prices

Q2 2015

Apartments

- Sales prices for apartments remained unchanged in Q2 as they had already increased substantially over the last few years. Prices, however, were 4% higher, on average, compared with values recorded in Q2 2014.
- Similarly, new projects on Reem Island continued to trade within the same price range of AED 1,300 to AED 1,400 per sqft compared with the previous quarter.
- Several new developments located mainly on Reem, Yas and Saadiyat Islands were launched during the last three months indicating that developers are optimistic about market prospects. This will continue to provide more options for buyers, and, over time, a better offering for tenants.
- Key projects launched in Q2 include West Yas and Mayan (by Aldar) on Yas Island, New Horizon (by Tamouh), Meera (by Aldar) and The Kite (by Aabar), which are all located on Reem Island. Saadiyat Island also saw some new launches, which include Jawaher Al Saadiyat by TDIC and Park Views by Bloom Properties. The latter achieved sales rates between AED 1,750 and AED 1,850 per sqft. The new projects launched during 2015 will add over 3,600 units to the market from 2018 onwards, in addition to the 1,800 units already announced during 2014, thereby bringing much needed new supply to Abu Dhabi's market. The units are expected to be released progressively up until 2021.
- A new decree aiming at regulating and improving transparency in the Emirate's real estate sector was announced, which requires brokers and developers to be licenced and introduces rules to protect buyers of projects that have not yet completed. Whilst no specific date has been set in terms of when the laws will come into effect, this should be beneficial to market confidence and thereby increase demand for real estate investment all over Abu Dhabi.

APARTMENT SALES PRICES MOVEMENT BY AREA



Apartment Sales Prices Q2 2015 (AED per Sqft)	AED Per Sqft	
	Min	Max
Marina Square	1,300	1,450
Al Bandar	1,500	1,700
Al Muneera	1,350	1,600
Al Zeina	1,150	1,350
Reef Downtown	900	1,100
Sun & Sky Towers	1,450	1,600
The Gate	1,350	1,600
Saadiyat Beach Residences	1,500	1,700

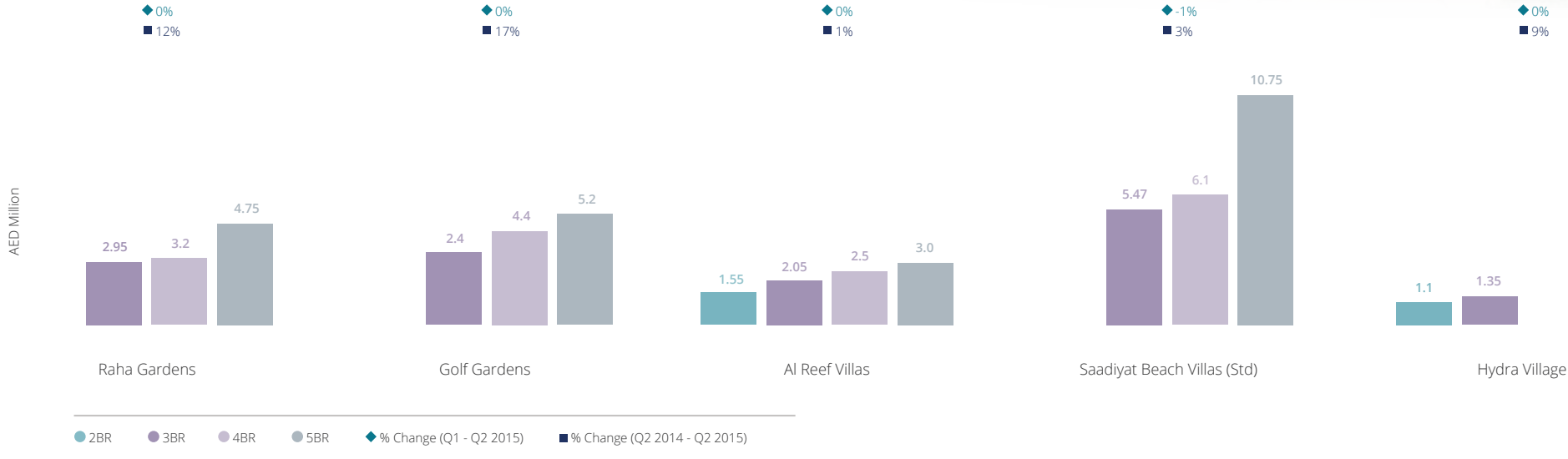


Villas

- Whilst Villa sales prices remained stable in Q2 0215, the recent launch several projects such as Jawaher Al Saadiyat and Hidd Al Saadiyat, however, witnessed good demand, with sales prices ranging from AED5.7 million to AED25 million and from AED7.5 million to AED38 million, respectively.
- Aldar launched the first phase of two master developments (Al Merief Development in Khalifa City and Nareel Island located on the north western corner of Abu Dhabi Island) offering plots for sale exclusively to Emiratis. Sales transactions have, for both projects, proved that there is a high demand for villa plots in well master-planned developments. Prices in Nareel Island ranged from approximately AED 650 to AED 800 per square foot on the land area for plots measuring from 10,700 to 75,000 square feet.



VILLA SALES PRICES



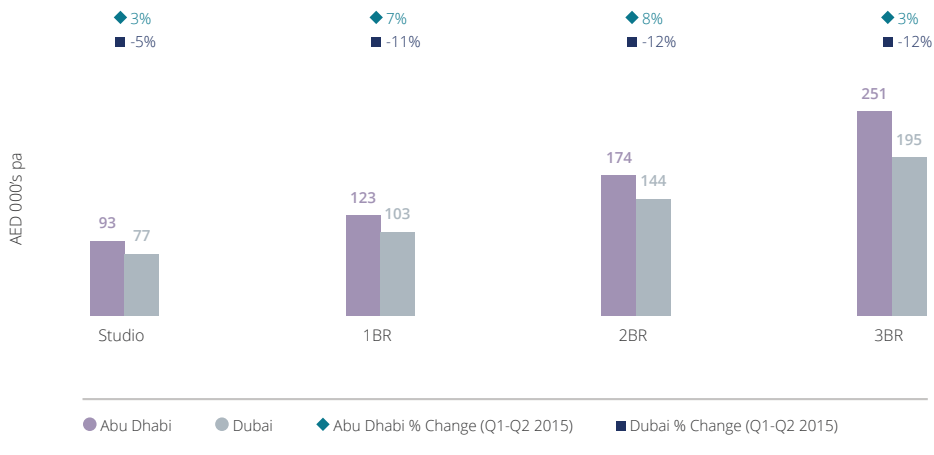
UAE Comparison

Q2 2015

RESIDENTIAL RENTAL RATES

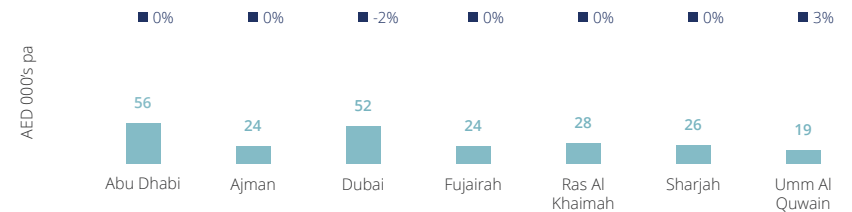
- Whilst rental levels in Abu Dhabi increased, those in Dubai and the Northern Emirates decreased and / or remained stable and as such, Abu Dhabi continued to be the most expensive place to lease property in the UAE.
- On average, rental rates in Abu Dhabi were 15% higher across the board compared with Dubai, whereas prime properties were 20% higher.
- With the lack of quality supply and a growing rental gap between both markets, there is a possibility that some Abu Dhabi residents may begin to look into moving to Dubai or Al Ain, where rental rates are lower, as previously experienced during 2009 to 2011.
- In terms of the Northern Emirates, Ras Al Khaimah remained the most expensive option as quality was generally higher, with several master-planned communities, offering waterfront, and sometimes, golf front living. As such, Ras Al Khaimah is a popular value-for-money area to live as rental rates are lower than in Abu Dhabi or Dubai.

AVERAGE HIGH END AND LUXURY APARTMENT RENT COMPARISON

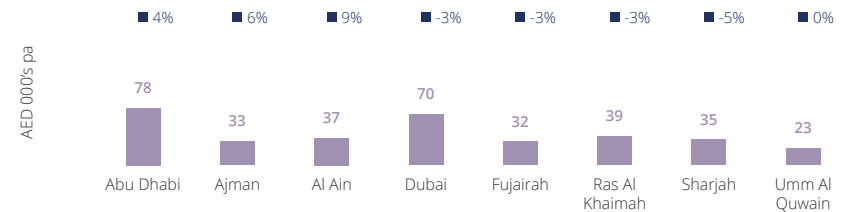


AFFORDABLE TO MID-MARKET APARTMENT RENT COMPARISON

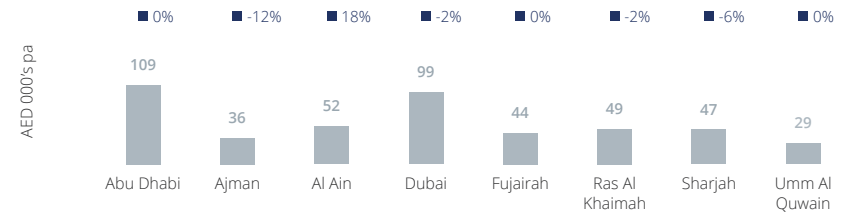
STUDIO



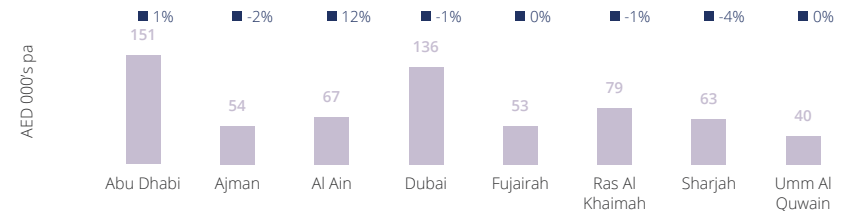
1BR



2BR



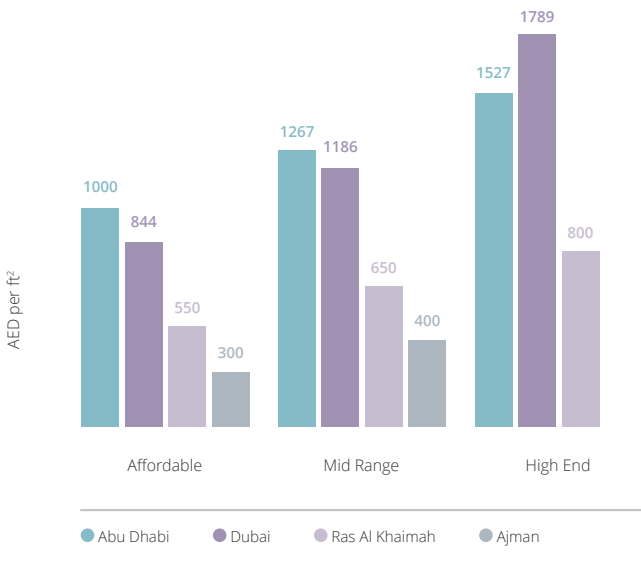
3BR



The following charts illustrate average sales prices and office rental rates throughout the various emirates.

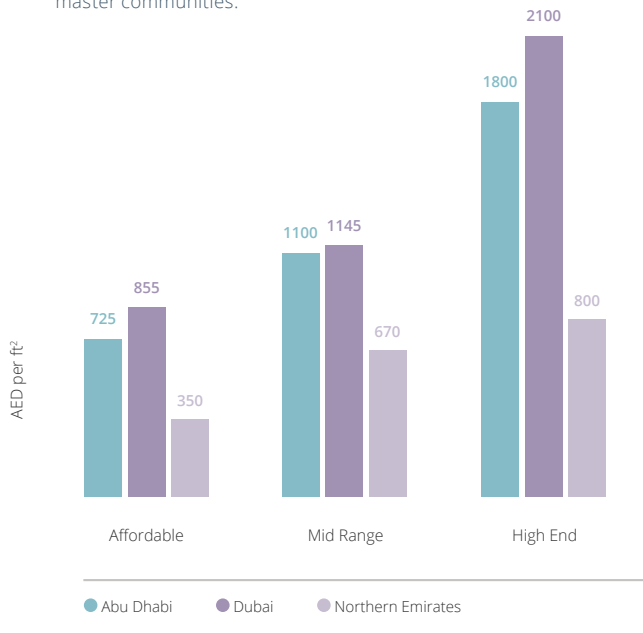
APARTMENT SALES PRICE COMPARISON

- At the high end of the apartment market, the price gap between Abu Dhabi and Dubai reduced, with Dubai rates falling by 4% over the last 6 months, whereas Abu Dhabi's prime prices grew by 2% over the same period.
- With pressure on sales prices, mid market communities in Dubai have now, on average, become cheaper than mid range communities in Abu Dhabi, by 7% on average.
- With limited affordable supply in Abu Dhabi, however, prices are still higher than anywhere else in the UAE.



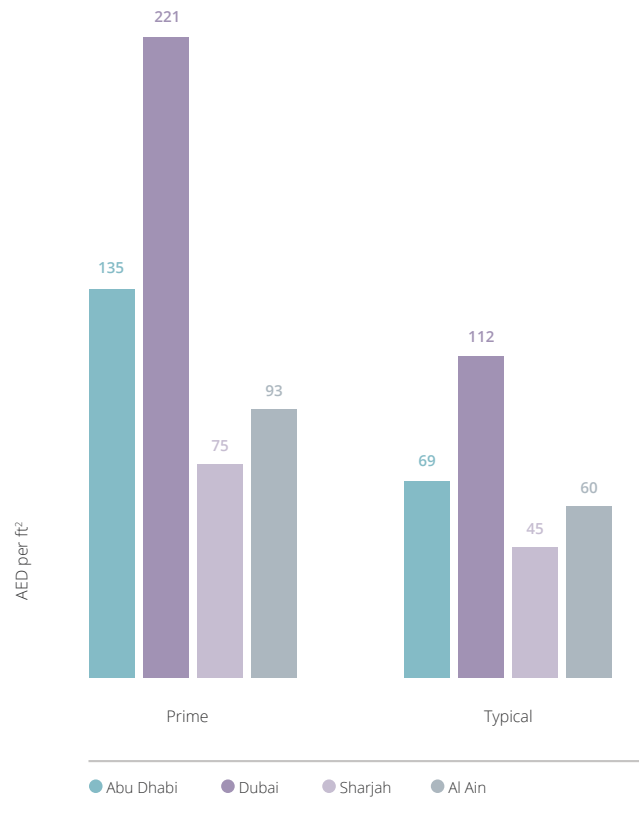
VILLA SALES PRICE COMPARISON

- Despite pressure on sales prices, Dubai remains the most expensive city for villas, in addition to offering a wide range of accommodation to suit all budgets.
- In comparison, Abu Dhabi currently has no proper mid-end communities available for sale to expatriates, with the main available options consisting of either affordable properties (Al Reef or Hydra Village) or high end and prime developments such as Saadiyat Beach or Al Raha Beach.
- The Northern Emirates continues to offer opportunities, for quality villas at reasonable prices, especially within Ras Al Khaimah's popular master communities.



OFFICE RENTAL COMPARISON

- It should be noted that prime supply in Dubai and Abu Dhabi consists of internationally recognized Grade A standard buildings whereas Sharjah and Al Ain "prime" supply are typically of a lower quality.



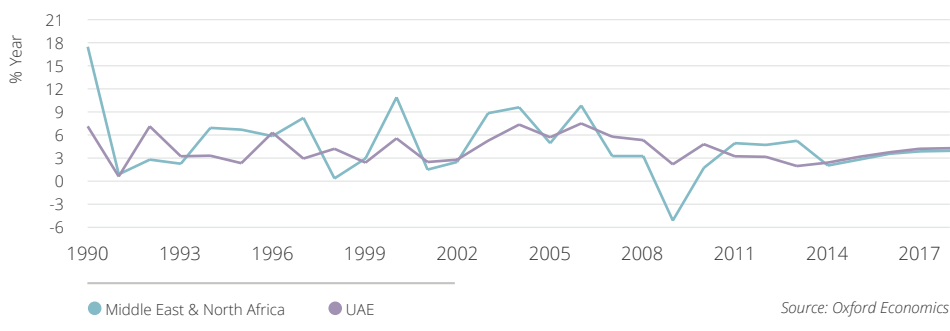
UAE Economic Highlights



OXFORD
ECONOMICS

- News on the strength of the economy in light of the drop in oil prices since last summer remains mixed, suggesting that the full economic impact of cheaper oil may take time to play out. The non-oil service sector PMI is off its Q4 highs, but remained in firm expansion territory, at 56.4 in May. Private sector deposit growth picked up to 13.4% year on year in February from around 8% last summer. But lending growth slowed sharply and a newly-instituted central bank survey reported both slowing loan demand and a tightening of credit standards for corporates in Q1.
- This data is consistent with our view that non-oil growth will ease this year, which will still reach a respectable 3.5%, with key sectors such as real estate, business services and trade all slowing, but the government's large financial reserves cushioning the impact of lower oil prices on confidence and activity. Oil output, at 2.93 mbpd in April, is still elevated in historical terms and we do not expect any material cuts this year or next as the authorities abide by OPEC's policy of maintaining market share. Total GDP growth is seen at 2.7% this year and 3.5% next.
- Cuts to fuel subsidies and still robust housing rental costs (perhaps due to data reporting lags) have contributed to a sharp pick-up in inflation, which stood at 4.2% in April – double the rate of a year earlier. However, 'core' price pressures remain modest and after averaging 3.7% in 2015, inflation is forecast to ease back to 2.0% next year on favourable base effects and decelerating rents.

REAL GDP GROWTH
1990 - 2017



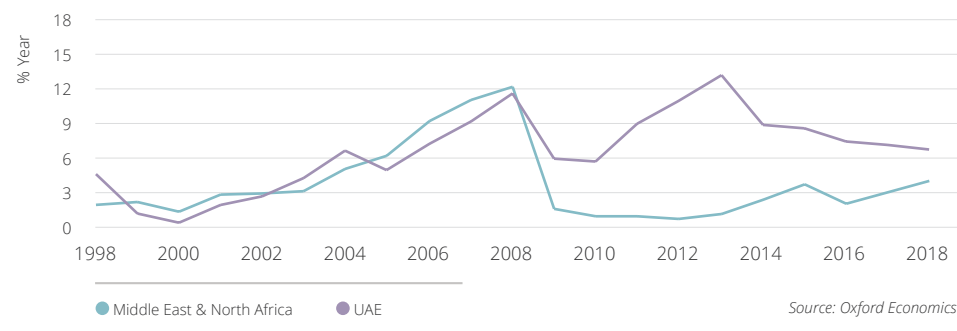
Who we are Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

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UAE: INFLATION
1998 - 2018



Key Facts

Politics

Head of State:	President Khalifa Bin Zayed Al Nahyan
Head of Government:	Federation
Date of next Presidential Election:	Elected by the 7 Emirate Rulers
Date of next Legislative Election:	Indirect, not decided
Currency:	Emirati Dirham (AED), pegged to the US\$

Long-term Sovereign Credit Ratings & Outlook

	Foreign currency	Local currency
Fitch*	AA (Stable)	AA (Stable)
Moody's	Aa2 (Stable)	Aa2 (Stable)
S&P*	AA (Stable)	AA (Stable)

*Rating based on Abu Dhabi only

Long-term Economic & Social Development

	1980	1990	2000	2013*
GDP per capita (US\$)	42,962	28,066	34,476	44,102
Inflation (%)	-	-	1.3	1.1
Population (mn)	-	-	3.03	9.12
Urban population (% of total)	80.7	79.1	80.2	85.0
Life expectancy (years)	68.0	71.7	74.4	77.0

Source : Oxford Economics & World Bank | * 2013 or latest available year

Corruption Perceptions Index 2014

	Score
Developed economies (average)	75.1
Emerging economies (average)	37.8
United Arab Emirates	70.0
Middle East	40.3

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

Structure of GDP by Output

	1980
Agriculture	0.7%
Industry	60.5%
Services	38.8%

Source : World Bank

Structural Economic Indicators

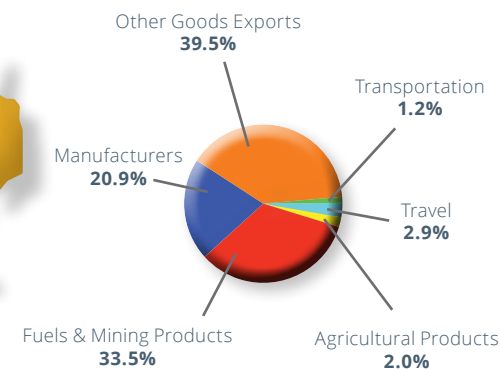
	1990	1995	2000	2013*
Current account (US\$ billion)	-	0.00	13.75	64.68
Trade balance (US\$ billion)	-	0.00	14.82	137.15
FDI (US\$ billion)	-	-	17.44	7.00

Debt service (US\$ million)	-	-	-	-
Debt service (% of exports)	-	-	-	-
External debt (% of GDP)	-	-	-	-

Oil production (000 bpd)	2,117	2,233	2,368	2,820
Oil consumption (000 bpd)	243	343	370	694

Source : Oxford Economics / World Bank / EIA

Composition of Goods & Services Exports, 2013



Source : WTO





Celebrating 30 Years in the Middle East.

The Middle East's largest full service real estate consultancy company, Asteco was formed in Dubai in 1985. Over the years, Asteco has gained enormous respect for consistently delivering high quality, professional, value-added services in a transparent manner. It is also widely recognised for its involvement with many of the projects that have defined the landscape and physical infrastructure of the Emirates.

Asteco has an essential combination of local knowledge and international expertise. A deeply established brand, renowned for its application of the latest technological advances, its commitment to transparency, winning strategies and human expertise. Undisputed real estate experts, Asteco represents a significant number of the region's top property owners, developers and investors.

VALUATION & ADVISORY

Our professional advisory services are conducted by suitably qualified personnel all of whom have had extensive real estate experience within the Middle East and internationally.

Our valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) and International Valuation Standards (IVS) and are undertaken by appropriately qualified valuers with extensive local experience.

The Professional Services Asteco conducts throughout the region include:

- Consultancy and Advisory Services
- Market Research
- Valuation Services

SALES

Asteco has established a large regional property sales division with representatives based in the UAE, Qatar and Jordan. Our sales teams have extensive experience in the negotiation and sale of a variety of assets.

LEASING

Asteco has been instrumental in the leasing of many high-profile developments across the GCC.

ASSET MANAGEMENT

Asteco provides comprehensive asset management services to all property owners, whether a single unit (IPM) or a regional mixed use portfolio. Our focus is on maximising value for our Clients.

OWNERS ASSOCIATION

Asteco has the experience, systems, procedures and manuals in place to provide streamlined comprehensive Association Management and Consultancy Services to residential, commercial and mixed use communities throughout the GCC Region.

SALES MANAGEMENT

Our Sales Management services are comprehensive and encompass everything required for the successful completion and handover of units to individual unit owners.

LICENSING

Our brand, network, system and procedures are now available in territories across the MENA region. Our Licensing services currently include Real Estate Brokerage Franchising and associated support services with many of the key elements designed specifically around the franchisee, making it a truly unique and bespoke franchise opportunity.



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Q2 2015 Report

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