Property Review

Q1 2016 Dubai Real Estate Report

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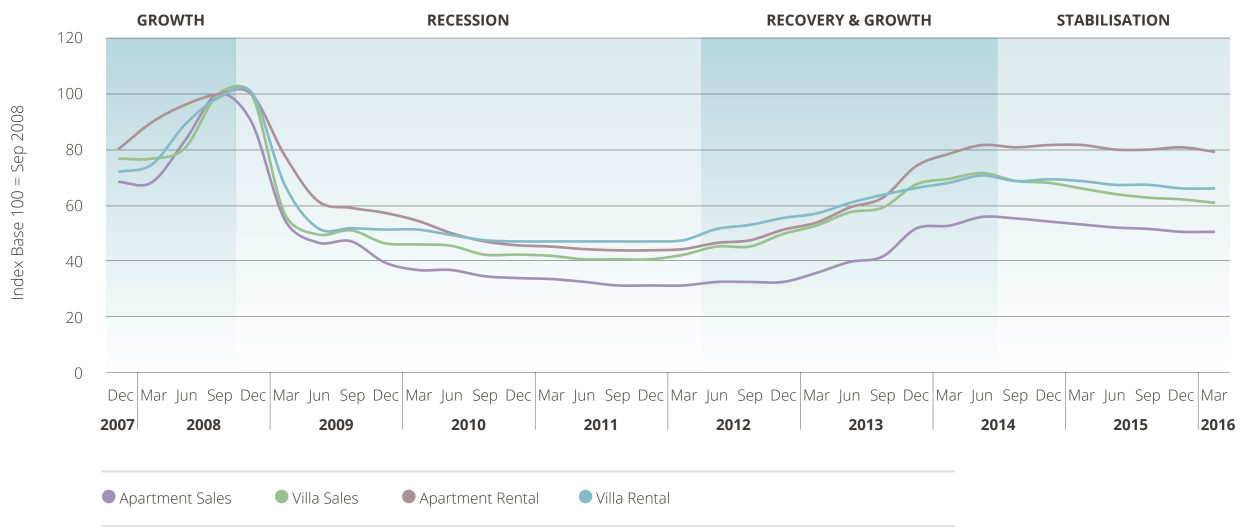
Dubai

Q1 2016 Residential Highlights

- Leasing demand was stable in the first two months of 2016; however, a slowdown was recorded from March onwards, especially for more expensive properties where take-up was slower than usual.
- On average, rental rates stabilised in the affordable segment, and declined by 2% and 3% for mid and high-end apartments, respectively.
- This minimal decrease was due to a combination of landlords trying to retain tenants rather than insisting on higher renewal rates, a decrease in the number of newcomers to the city, and in some sectors, housing allowance cuts and redundancies.
- Compared to last quarter, sales prices remained stable, with the exception of high-end apartments and villas where 2% average declines for both markets were recorded.
- However, according to the Dubai Land Department (DLD), the first quarter of 2016 was considerably worse than Q1 2015 as the overall residential transactions by total value were down by 25%, transaction numbers by 17% and the average sales price by 11%.

RESIDENTIAL PRICE MOVEMENT, SEP 2008 = BASE 100



-5% ANNUAL RESIDENTIAL SALES PRICE MOVEMENT

Q1 2016 down by 5% since Q1 2015.

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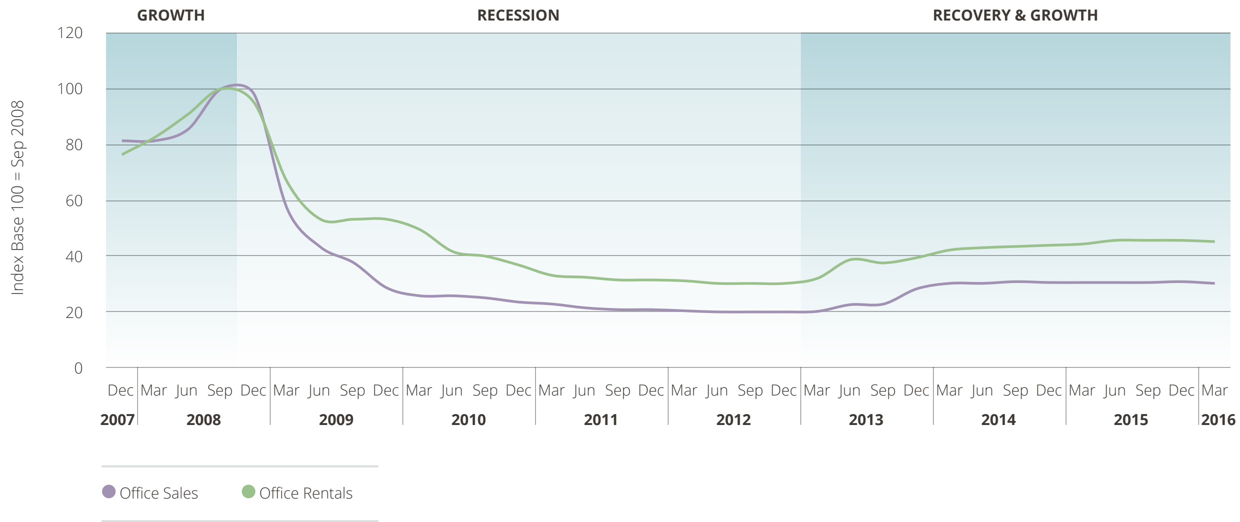
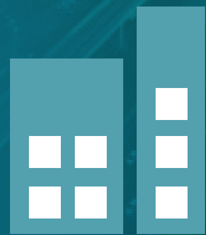
Dubai

Q1 2016 Office Highlights

- The office sector had never fully recovered from the 2008 financial crisis as both sales prices and leasing rates were 55% and 70% lower compared to their peak in Q3 2008. Following a minimal increase during 2013, rates have remained broadly stable ever since.
- Compared with the same period last year, Q1 2015, according to DLD, average office prices declined by 8% across the board, whilst transaction numbers and total volume were down by approximately 50%. This reduction is possibly an indication of lower purchaser demand and sellers unwilling to reduce prices, which has led to significantly lower numbers of transactions concluding.
- Leasing demand for small and medium-sized enterprises have, however, remained relatively strong during the first quarter of 2016, especially for space of up to 2,000 square feet, as many small businesses continued to set up in the city.
- However, larger corporations have been fewer in entering the market, with some major companies downsizing.
- According to Asteco's research, there was a 2% decline in sales prices and 1% in rental rates, across the board, compared with the previous quarter.

OFFICE PRICE MOVEMENT, SEP 2008 = BASE 100





-2% ANNUAL OFFICE SALES PRICE

-2% decrease in sales prices since Q1 2015

Dubai Residential Rental Rates

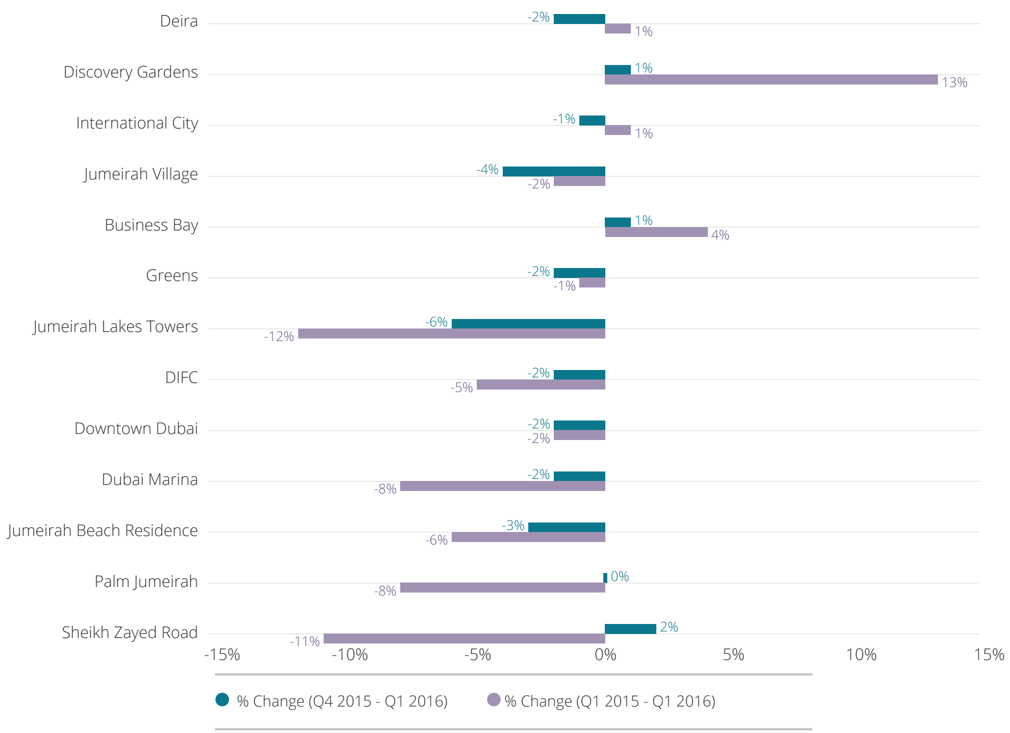
Q1 2016

Apartments

- Leasing activity at the beginning of the year started well; however, enquiry and transaction levels tapered off in March. This was partially due to property owners keen to retain their existing tenants, and therefore willing to negotiate rental rates instead of having a property vacant. As a result, fewer tenants were seeking to move to a new unit.
- Asteco also noted a tendency for the more expensive units in buildings to remain vacant for longer, as tenants became more conscious of their spending habits. It will therefore be interesting to observe the take up for the high-end City Walk development, by Meraas, when 19 residential buildings will enter the market in August 2016.
- Whilst declines were limited over the quarter, year-on-year comparisons indicated an average of a 4% decline across the board. The most affected areas were those that had seen previous rapid rental increases for a relatively undifferentiated product. For instance, Jumeirah Lake Towers recorded a 12% decline year-on-year. Indeed, whilst the community is attractive overall, the quality of most residential towers are below the tenant's expectations considering the high rental levels.
- We have noted an increase in demand for affordable units. However, rental rates have not fallen far enough to warrant tenants to relocate from the Northern Emirates to Dubai yet. This is further compounded by the fact that for a similar priced product in the Northern Emirates would equate to a much smaller unit in Dubai. For instance, AED60,000 would mean a two bedroom unit in Sharjah as opposed to a studio or a small one bedroom unit in Dubai.

Apartment Rental Rates (AED 000's pa)	Studio		1BR		2BR		3BR	
	Min	Max	Min	Max	Min	Max	Min	Max
Affordable Areas								
Deira	35	55	45	80	65	110	80	145
Discovery Gardens	45	50	65	73	75	100	-	-
International City	32	40	45	52	60	70	-	-
Jumeirah Village	40	50	55	85	75	125	125	150
Min/Max Affordable	30	65	45	85	60	130	75	175
Mid to High End Areas								
Business Bay	65	85	80	120	120	155	160	200
Greens	60	85	70	120	120	150	145	200
Jumeirah Lakes Towers	55	70	65	90	85	160	120	165
Min/Max Mid to High End	55	85	65	130	75	160	120	300
High to Luxury End Areas								
DIFC	75	90	90	145	110	210	170	270
Downtown Dubai	65	105	95	130	140	200	180	300
Dubai Marina	60	85	75	130	95	170	135	260
Jumeirah Beach Residence	80	90	90	125	115	180	160	210
Palm Jumeirah	75	100	95	170	150	245	180	340
Sheikh Zayed Road	75	85	75	130	105	160	125	220
Min/Max High to Luxury End	60	105	75	170	95	245	125	340

APARTMENT RENTAL RATE MOVEMENT BY AREA



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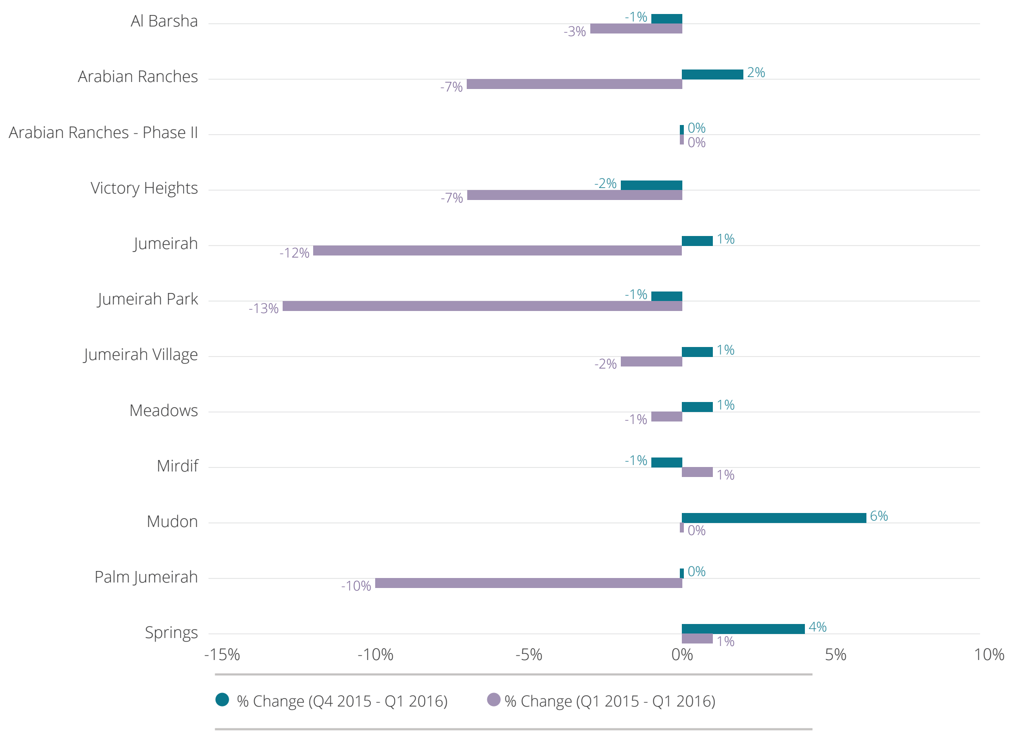
Villas

- Due to a limited supply of villas completing, rental rates were relatively stable across the board compared with the last quarter of 2015. Whilst some areas also recorded increases, average rates continued to be 5% lower compared with the same period last year.
- The most notable increases were in communities that had been handed over in the last 12 months and where improvements such as landscaping works, addition of retail elements and other facilities were being implemented. Furthermore, as fewer units were vacant, landlords were increasingly able to achieve their asking rate. This was the case in Mudon and Sustainable City for instance, where rates were up by 6% and 2% since last quarter, respectively.
- Nonetheless, in a majority of other areas, rates did record a moderate decline, or at least did not witness any increases indicating pressure remained; this is likely to continue throughout the year as more villas are handed over and many tenants seek to downgrade to cheaper properties.

Villa Rental Rates (AED 000's pa)	2BR		3BR		4BR		5BR	
	Min	Max	Min	Max	Min	Max	Min	Max
Al Barsha	-	-	175	230	190	270	195	350
Arabian Ranches	150	170	170	255	190	300	270	340
Arabian Ranches - Phase 2	-	-	180	240	210	245	-	-
Victory Heights	-	-	170	185	195	240	225	375
Jumeirah	-	-	180	220	185	320	220	350
Jumeirah Park	-	-	180	245	200	290	230	350
Jumeirah Village	120	165	135	200	135	210	170	250
Meadows	-	-	210	245	240	300	240	325
Mirdif	-	-	120	150	140	180	150	200
Mudon	-	-	200	220	180	210	-	-
Palm Jumeirah	-	-	290	375	290	550	350	1,000
Springs	120	130	180	210	-	-	-	-

- Leasing activity in Jumeirah and Umm Suqeim increased this quarter, after landlords reduced their asking prices in the previous quarter. As a result, units that had been vacant for a long time are now occupied.
- Assuming there are no delays, around 700 villas will be handed over in Q2 2016. This will bring the total to 3,000 villas due for completion this year; the majority of these will come from projects at Living Legends, Jumeirah Park, City of Arabia, Akoya by Damac, Arabian Ranches, and Mira by Emaar as well as smaller developments in Al Barari, Jumeirah Village, Sports City, and Mudon.

VILLA RENTAL RATE MOVEMENT BY AREA



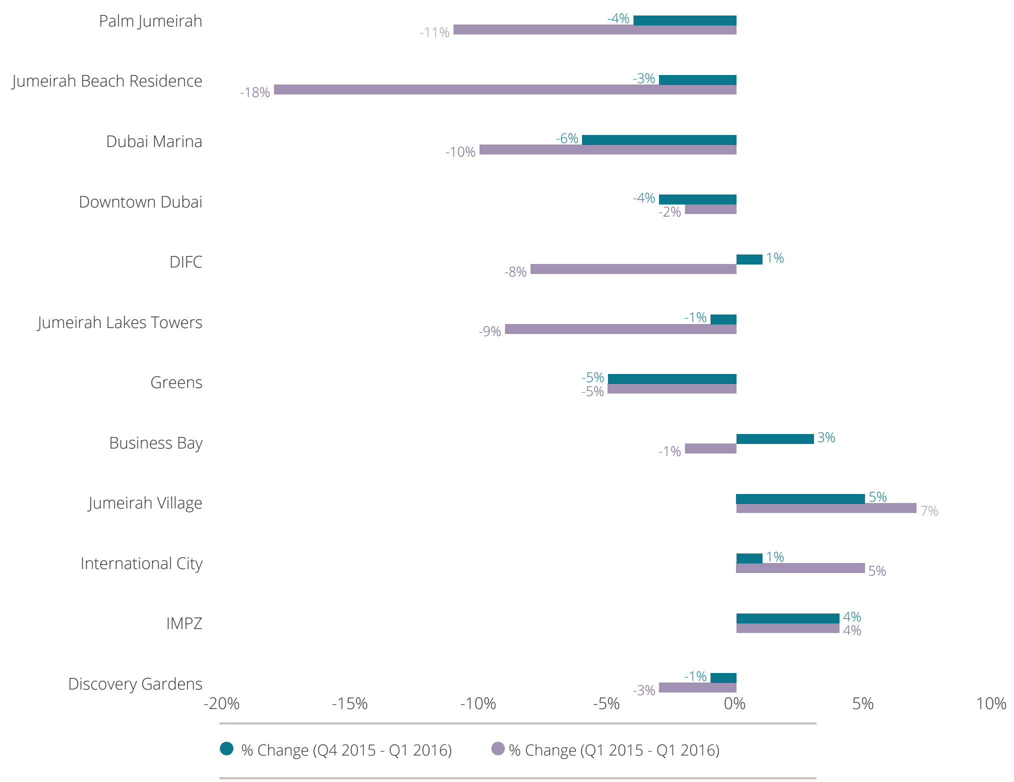
Dubai Residential Sales Prices

Q1 2016

Apartments

- In the last few months, the property market has begun to favour buyers because of a drop in prices, which has consequently unlocked demand from both investors and to a certain extent, the end-user.
- Cash buyers have had a strong negotiating position and were able to secure attractive bulk deals this quarter. They are monitoring their investment opportunity as prices appear to be bottoming out.
- Although transaction levels were still considerably lower than last year (down by 17% by transaction numbers according to DLD), we have noted an increased interest from investors who are on the lookout for investment opportunities that can be obtained more readily.
- On average, prices were 5% lower compared with Q1 2015, although some areas witnessed a modest increase in the first quarter of this year.
- The first quarter of 2016 saw the launch of various new developments, mostly targeting the lower income sector, but also a few higher end projects such as The Tower at the Creek by Emaar, Aykon City by Damac on Sheikh Zayed Road, and Royal Bay by Azizi on the Palm Jumeirah.
- The three most transacted areas in value terms were Dubai Marina, Palm Jumeirah, and Downtown Dubai; whilst International City had the highest number of transactions recorded in the first quarter.

Apartments (AED per Sqft)	Average Sales Prices	
	Min	Max
Affordable Areas		
Discovery Gardens	650	1,000
IMPZ	560	1,050
International City	400	900
Jumeirah Village	775	1,200
Min/Max Affordable	**400**	**1,200**
Mid to High End Areas		
Business Bay	1,000	1,600
Greens	1,050	1,650
Jumeirah Lakes Towers	700	1,600
Min/Max Mid to High End	**700**	**1,900**
High to Luxury End Areas		
DIFC	1,450	2,000
Downtown Dubai	1,500	2,800
Dubai Marina	900	2,200
Jumeirah Beach Residence	900	1,800
Palm Jumeirah	1,080	2,700
Min/Max High to Luxury End	**900**	**2,800**



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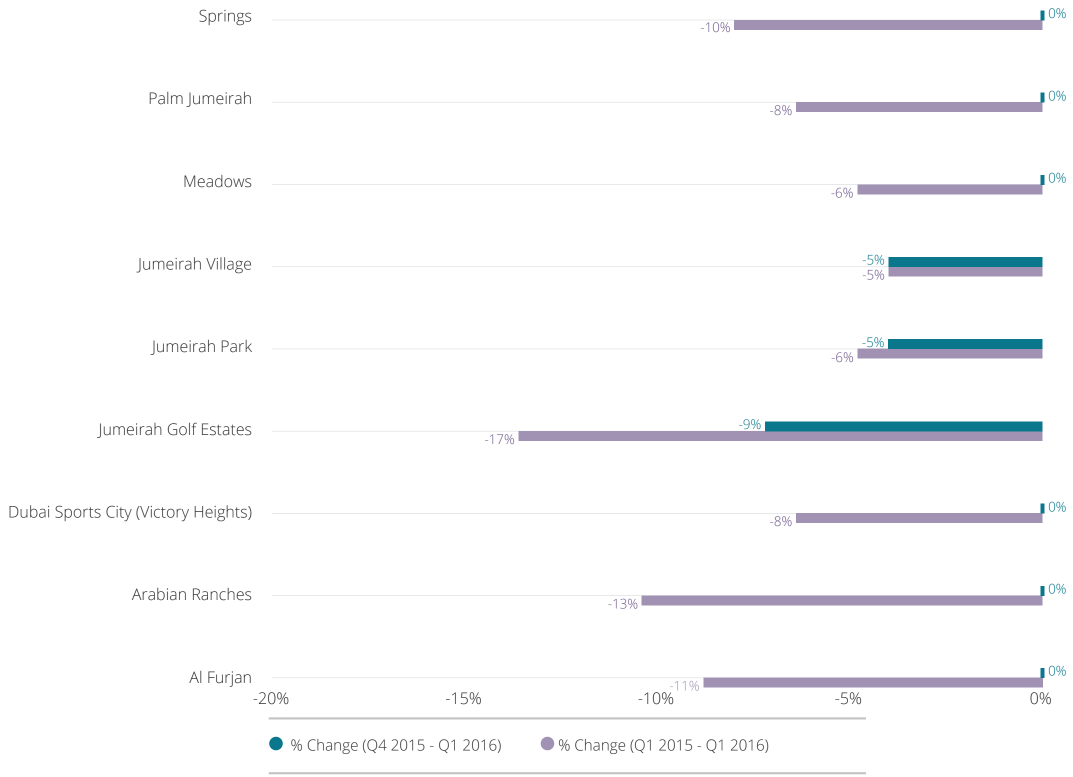
Villas

- Villa sales prices were down, on average, by 6% compared with the same period last year and 2% compared with the previous quarter. This was due to the continuous stream of new projects available for sale in the market. Some of the new off-plan launches such as Serena and Arabella by Dubai Properties sold relatively well due to a combination of an attractive pricing (ranging from approximately AED 820 to AED 980 per square foot), a good payment plan, and the developer's outstanding reputation.
- Villas priced at the higher end of the market continued to be the most affected, as high price points deterred buyers from concluding deals. As a result, sales prices were down predominantly in the most expensive communities such as Jumeirah Golf Estates, The Villa and the larger sized villas at Arabian Ranches, with rates 14%, 11% and 13% lower, respectively, compared with the same period last year.
- Interestingly, communities such as the Springs, where prices had dropped significantly over the year, recorded an increase in rates as the opportunity for good deals attracted buyers.

Villas (AED per Sqft)	Average Sales Price	
	Min	Max
Al Furjan	770	950
Arabian Ranches	700	1,400
Dubai Sports City (Victory Heights)	750	1,600
Jumeirah Golf Estates	900	1,550
Jumeirah Park	800	1,300
Jumeirah Village	650	1,150
Meadows	900	1,450
Palm Jumeirah	1,450	3,500
Springs	800	1,200

VILLA SALES PRICE MOVEMENT BY AREA



Dubai Office Sector
Q1 2016

Leasing

- Medium and especially small-sized companies continued to establish offices in Dubai during Q1 2016, which resulted in an increased number of transactions concluding, for fitted office space measuring from 500 to 600 square feet. This was the case predominantly in Ibn Battuta Gate, where rates for smaller offices ranged from AED135 to AED155 per square foot, inclusive of all service charges. Micro offices in more expensive areas, however, struggled to lease as tenants were increasingly budget conscious.
- New rules in terms of required space per employee in DIFC caused some companies to upgrade to larger offices.
- One of the few larger transactions occurring this quarter was the multinational company, Nestle, moving their headquarters to new offices at Dubai World Central. This new office development, in proximity to the new airport, has 11 buildings available for lease at rates of approximately AED 150 per square foot for all-inclusive micro offices and as low as AED 100 per square foot for shell & core space.
- The new C1 Tower at Dubai Trade Centre is over 80% leased with rates ranging from AED 200 to 300 per square foot. The main advantage of the building, in addition to good quality space and the location, is the fact that a dual license is offered to companies, either by Dubai Economic Department (DED) or by Dubai World Trade Centre (DWTC), making the process of setting up a business much easier for a wider range of companies.
- 2016 also saw the launch of the new Brookfield Place Tower in DIFC, offering approximately 900,000 sqm of high quality office space and 150,000 sqm of retail space.

Offices (AED per Sqft pa)	Average Rental Rates		% Change	
	Min	Max	Q4 2015-Q1 2016	Q1 2015-Q1 2016
Bur Dubai	85	130	0	-2
Business Bay	60	120	3	-10
DIFC	160	350	0	11
Dubai Internet City	185	225	0	9
Dubai Investment Park	60	80	0	8
Dubai Marina	80	230	0	15
Jumeirah Lakes Towers	70	125	0	0
Sheikh Zayed Road	100	270	0	3
Tecom C	75	120	-11	-3

Sales

- Compared with the previous quarter, transaction numbers were up by 47%, but prices were down across all areas.
- 75% of all office transactions continued to be for small office space in Jumeirah Lake Towers and Business Bay. To a lesser extent, transactions were also completed in DIFC.
- Transactions for larger offices were much fewer than usual due to large companies being cautious with their expansion plans. This is especially evident when it appears the economic outlook remains negative and no real growth in oil prices is anticipated in the short to medium term.

Offices (AED per Sqft)	Average Sales Prices		% Change	
	Min	Max	Q4 2015-Q1 2016	Q1 2015-Q1 2016
Business Bay	850	1,650	0	2
DIFC	1,550	2,250	-1	1
Dubai Investment Park	500	700	-4	0
Dubai Marina	1,300	1,800	0	-2
Dubai Silicon Oasis	650	750	-3	-5
Jumeirah Lakes Towers	650	1,300	0	-9
Tecom C	650	1,200	-5	-8

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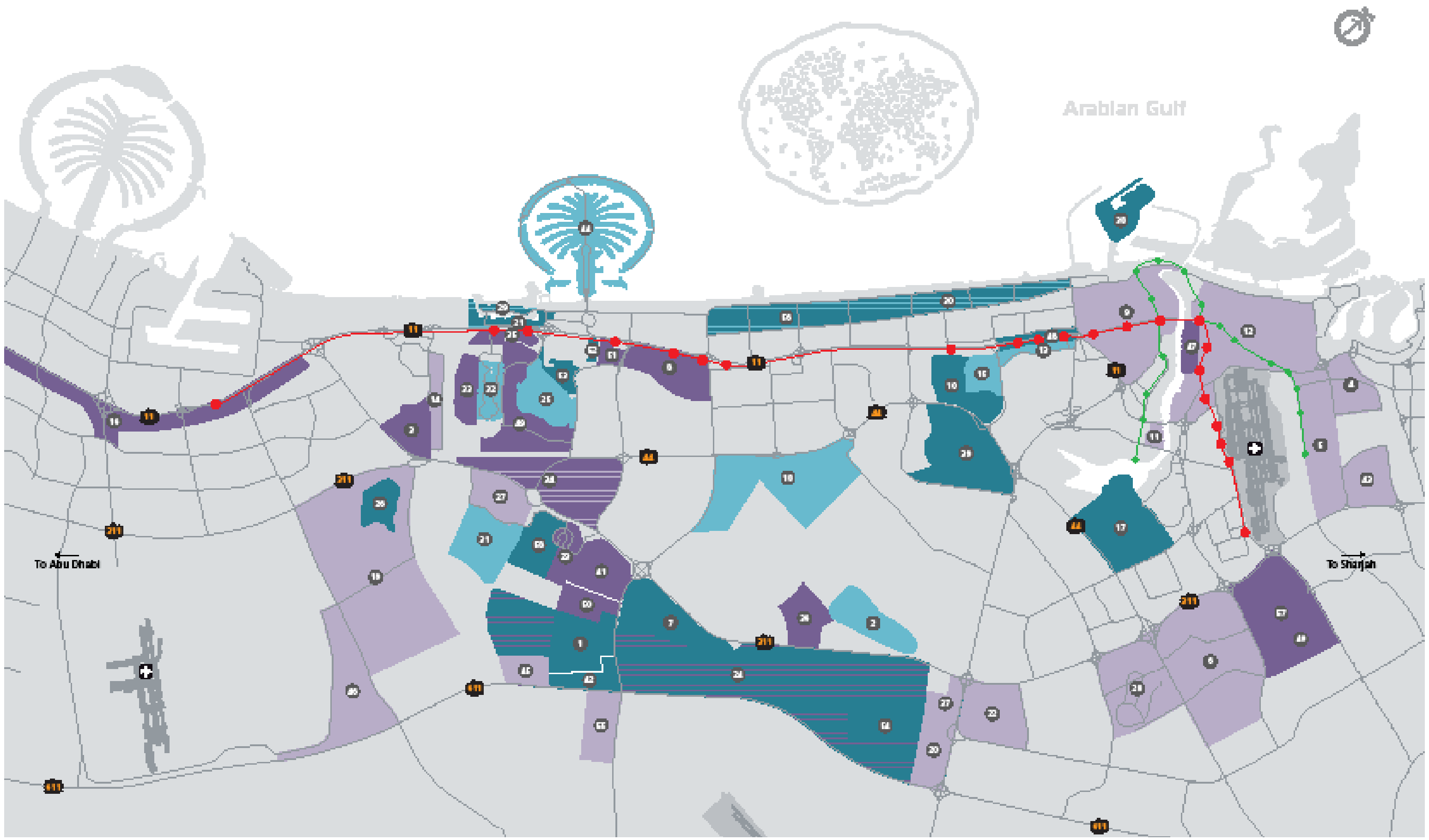
Dubai Area & Rent Affordability Map

1 Akoya
2 Al Barari
3 Al Furjan
4 Al Nahda
5 Al Qusais
6 Al Warqaa
7 Arabian Ranches
8 Barsha
9 Bur Dubai
10 Business Bay
11 Culture Village
12 Deira
13 DIFC
14 Discovery Gardens
15 Downtown Dubai
16 Downtown Jebel Ali
17 Dubai Creek
18 Dubai Hills
19 Dubai Investment Park
20 Dubai Land Residential Complex
21 Dubai Marina
22 Dubai Silicon Oasis
23 Dubai Sports City
24 Dubailand
25 Emirates Hills
26 Green Community
27 IMPZ
28 International City
29 JBR
30 Jumeirah
31 Jumeirah Golf Estates
32 Jumeirah Islands
33 Jumeirah Park
34 Jumeirah Village
35 Jumeirah Lakes Towers
36 Living Legends
37 Liwan
38 Maritime City
39 Meydan
40 Mirdif
41 MotorCity
42 Mudon
43 Muhaisnah
44 Palm Jumeirah
45 Remraam
46 Residential City
47 Rigga Al Buteen
48 Sheikh Zayed Road
49 Springs / Meadows
50 Studio City
51 Tecom C
52 The Greens
53 The Lakes
54 The Villa
55 Town Square
56 Umm Suqeim
57 Uptown Mirdiff
58 Victory Heights



Note: *Area classification by affordability is provided for indicative purposes only as many areas in Dubai 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.*

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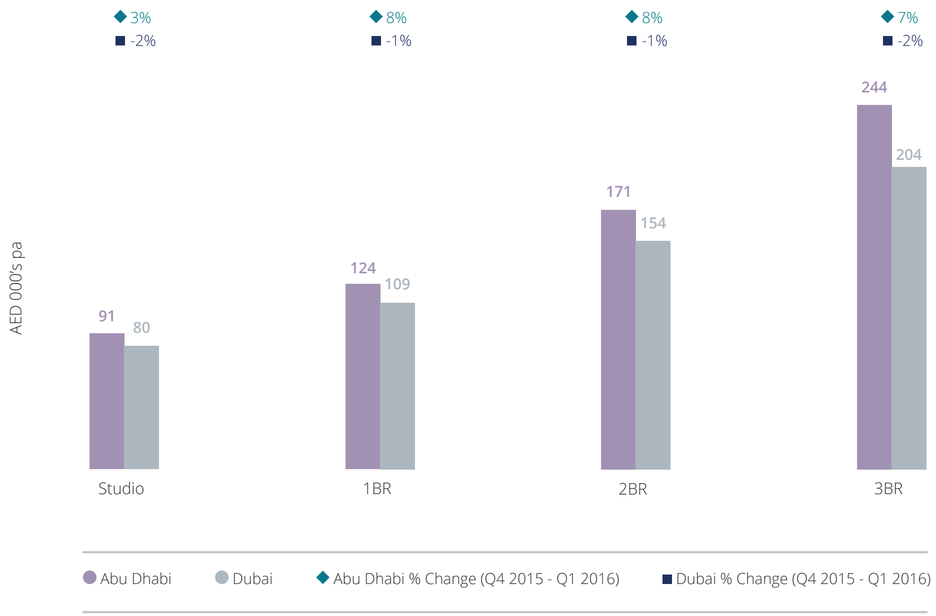
UAE Comparison
Q1 2016

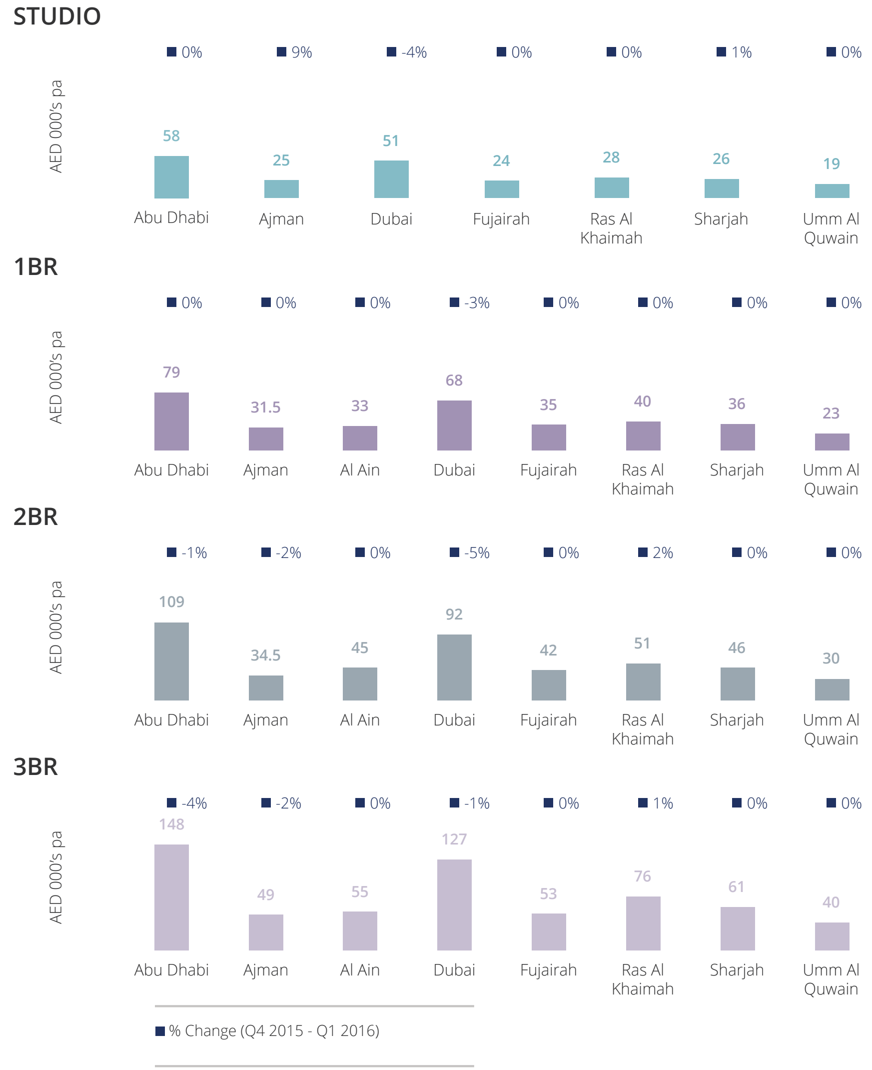
RESIDENTIAL RENTAL RATES

- With rates down in both Abu Dhabi and Dubai, the rental gap for luxury and high end properties between both cities remained similar to last quarter, with rates likely to continue their downward trend as tenants are becoming more budget conscious.
- The rest of the market remained mostly unchanged, with Umm Al Quwain still the most economical emirate to live in. This is due to the distance between facilities and amenities and the lack of employment opportunities in the emirate itself.
- Sharjah and Ajman appear to be gaining in popularity with lower-income tenants and families due to improved surroundings and good value for money.

AVERAGE HIGH END AND LUXURY APARTMENT RENT COMPARISON



AFFORDABLE TO MID-MARKET APARTMENT RENT COMPARISON



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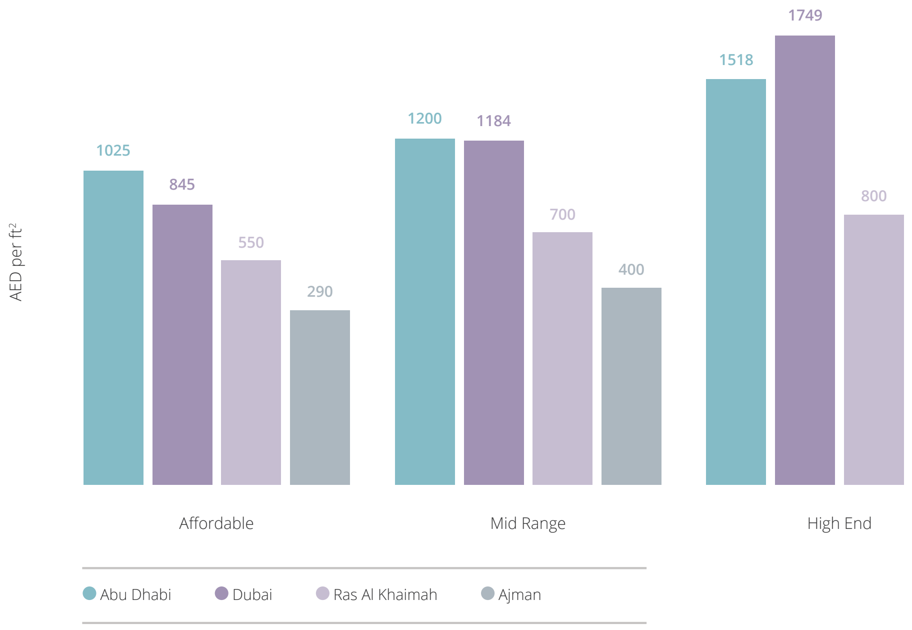
APARTMENT SALES PRICE COMPARISON

- Despite moderate adjustments, Abu Dhabi remained the most expensive place to buy property aimed at the low to middle-income market. However, with a wider selection of high end products, Dubai tops the list with high end and luxury property prices at AED1,750 per sqft, on average.
- This excludes premium, furnished product and / or serviced apartments, such as the Four Seasons apartments in Abu Dhabi, which are not in a comparable category.
- Ajman is still the most affordable place to purchase property. Indeed, rates continued to be below AED 300 per square foot for the cheapest product and approximately AED 400 per square foot for mid-market apartments.

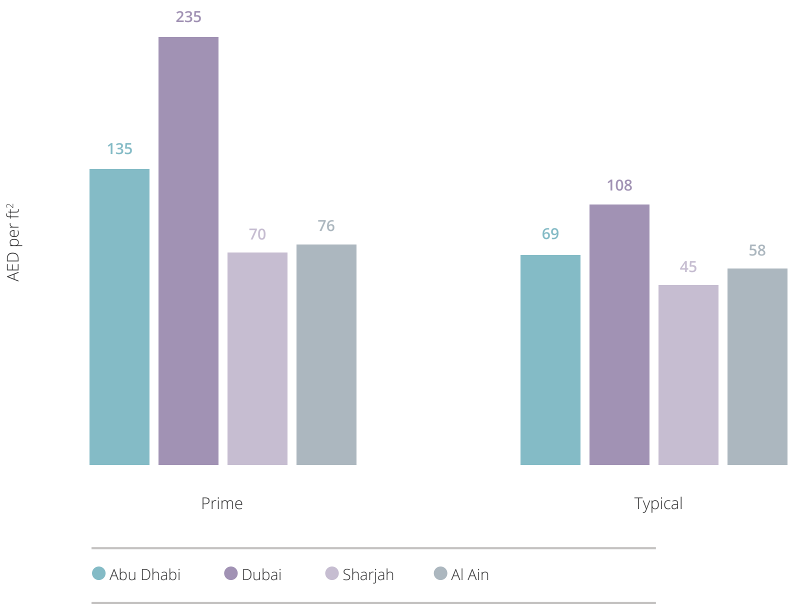
OFFICE RENTAL COMPARISON

- Office rental rates remained largely unchanged in the UAE, with Dubai still offering the most expensive options across the seven emirates.
- Abu Dhabi offers more costly space in the newly announced Abu Dhabi Global Market Free Zone; however, these have been excluded from our analysis to avoid any discrepancies.
- It should also be noted that although average Dubai prices stand around the AED108 per square foot mark, low-cost options of AED 55 per square foot are available in areas such as Dubai Investment Park, Jumeirah Village, etc.

APARTMENT SALES PRICE COMPARISON



OFFICE RENTAL RATE COMPARISON



Global Outlook Q1 2016

OXFORD ECONOMICS

United Arab Emirates Highlights

- The UAE is one of the most diversified economies in the Gulf, but its outlook is still heavily linked to oil prices. Growth in the oil and gas sector (around one-third of GDP) is expected to be just 1% in 2016 and beyond.
- Non-oil growth is forecast to slow to 2.9% in 2016 from an estimated 3.5% last year and 5.5% pa in 2010-14. Over 2017-19, non-oil growth however is seen picking-up to 3.9% per year, slightly faster than in most of its neighbours.

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 modeling 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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Low crude oil prices continue to pressure the economic outlook. Oil output in the UAE remained elevated at close to 3mbpd in February and we expect production levels to be maintained with no change in OPEC policy in the near term. With oil prices forecast to average just $36 pb in 2016 and $38.5 pb in 2017 and little scope to increase output due to capacity constraints, we expect growth in oil sector GDP of just 1% in 2016 and 2017.

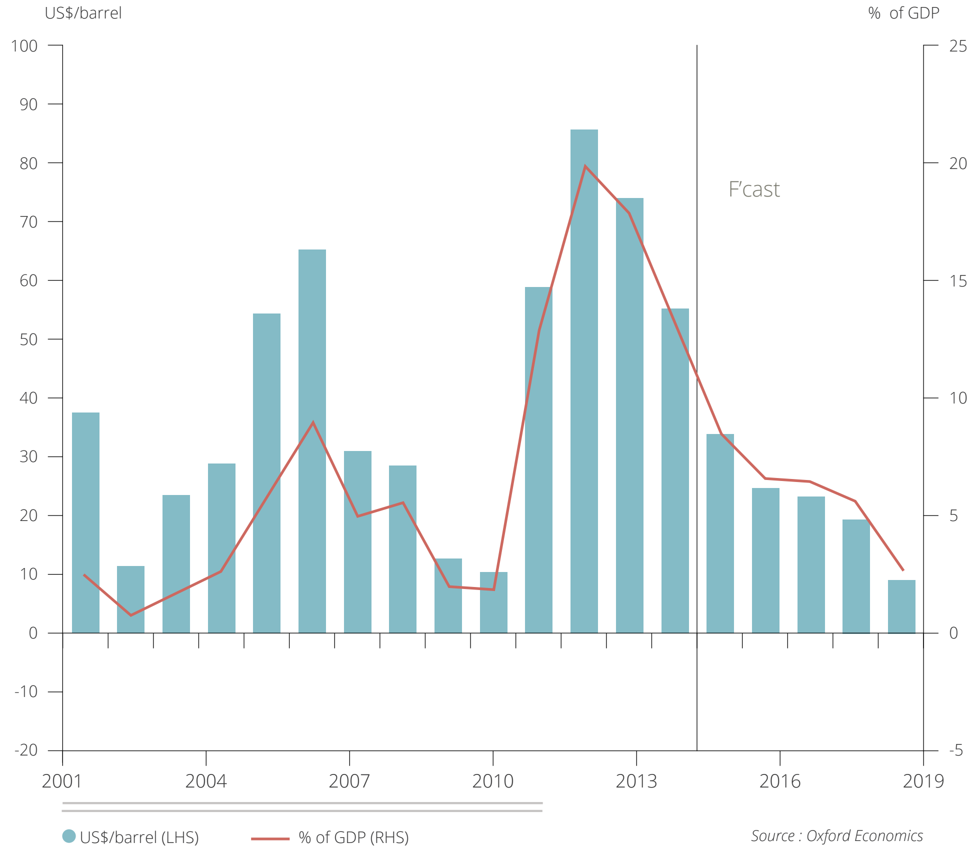
The PMI rose slightly to 54.5 in March with expansions in output, new orders and employment, but is still down considerably from peak-2014 levels. Low oil prices continue to weigh on consumer and business sentiment, while liquidity conditions have tightened and government spending has seen cuts. We see non-oil growth slowing to 2.9% this year, rising to 3.2% in 2017.

In the medium term, we expect the impact of low oil prices to be buffered by the UAE's economic diversification (by regional standards) and continued ability to attract capital to fund a steady stream of projects, including in the run-up to the Expo 2020. Dubai's strategic location and infrastructure have helped to develop its reputation as a trade hub and the launch of the new free trade zone (named "Dubai Wholesale City") in March could boost non-oil trade in coming years. But a sustained period of fiscal consolidation and only modest growth in oil output will lead to average GDP growth of just 3% in 2017-19, from 2.3% this year.

UAE: REAL GDP GROWTH

Source: Oxford Economics

UAE: CURRENT ACCOUNT BALANCE



Source : Oxford Economics

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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Dubai Real Estate Report

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