

Property Review



## Northern Emirates

Q2 2015 Report



Celebrating 30 Years in the Middle East.

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With rental rates decreasing in neighbouring Dubai, rents in Sharjah and Ajman also came under pressure. In addition, despite the recently implemented ownership regulations, the sales market in Sharjah witnessed low levels of activity, due in part, to the substantial launch of competing affordable product in Dubai.

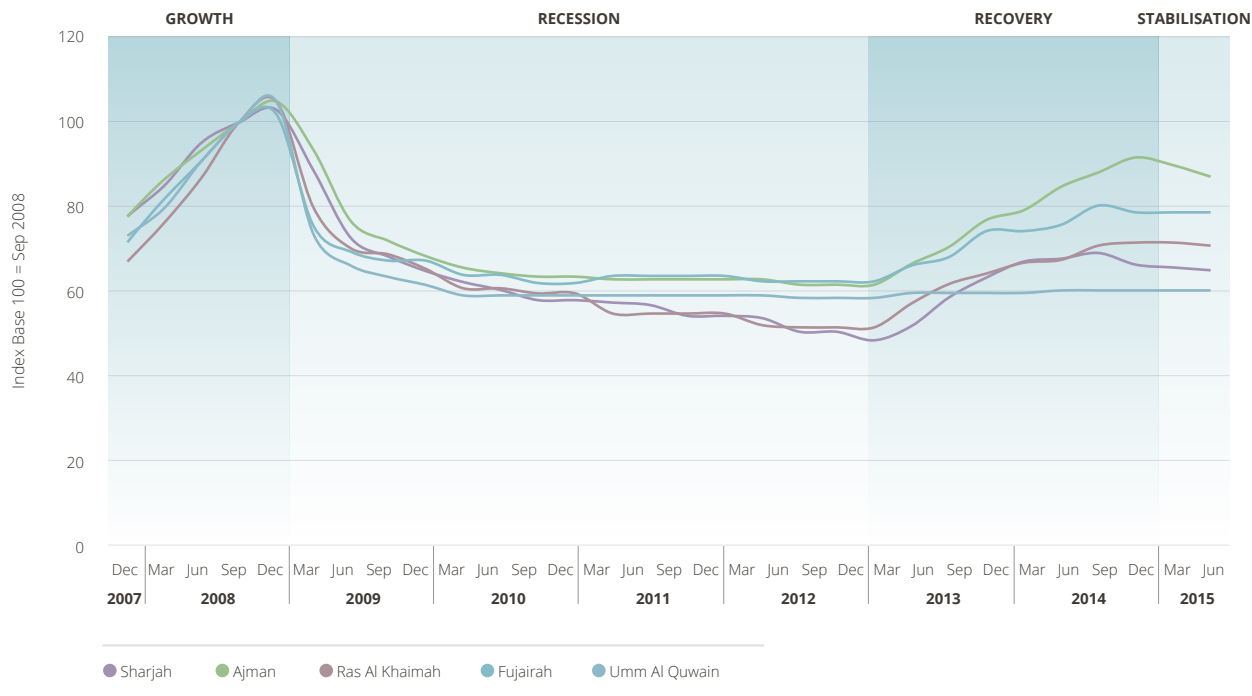
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# Northern Emirates Q2 2015

## Highlights

- The Northern Emirates real estate market closely follows the Dubai market, with a few months delay between recovery and stabilisation periods.
- For instance, the residential market in the Northern Emirates showed signs of recovery from early 2013 onwards whereas this trend had begun in mid-2012 in Dubai.
- Although residential rental rates declined in Q2, they were still higher in comparison with the previous year in Fujairah, Ras Al Khaimah and Umm Al Quwain. However, Sharjah and Ajman witnessed much steeper declines since Q2 2014.

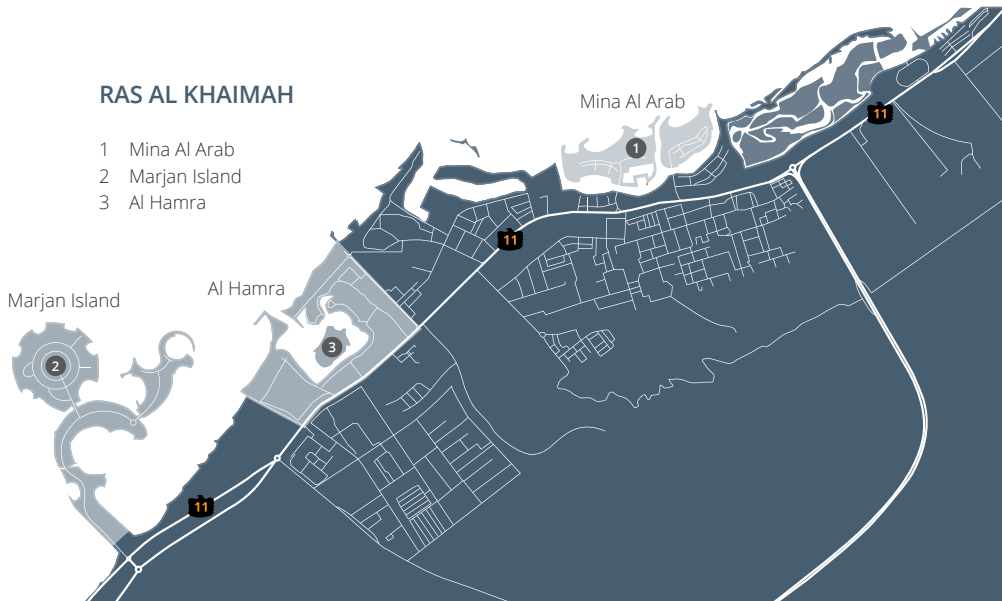
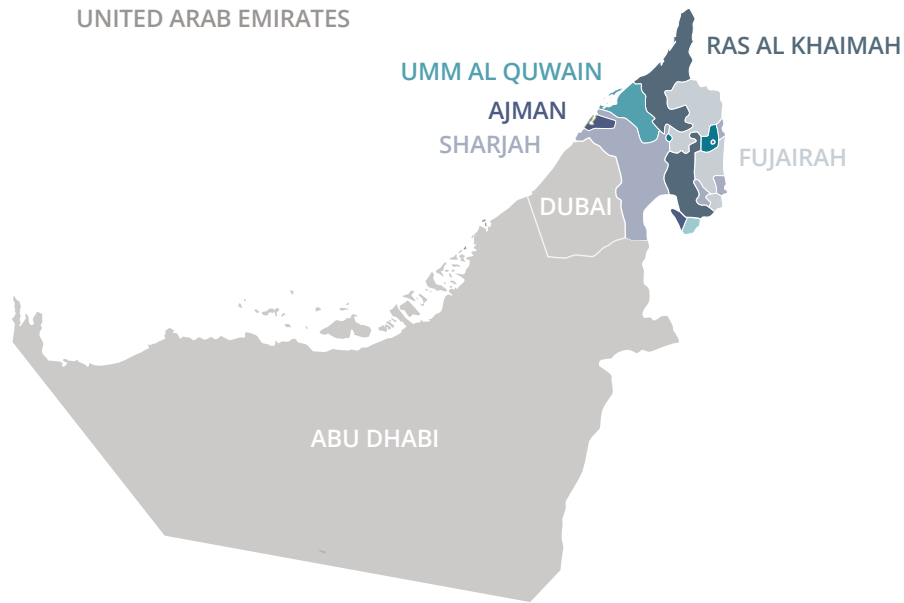
RESIDENTIAL PRICE MOVEMENT, SEP 2008 = BASE 100



**+4% APARTMENT ANNUAL RENTAL GROWTH**

**Northern Emirates**  
Apartment rental rates were 4% higher than in Q2 2014.

# Northern Emirates Area Map



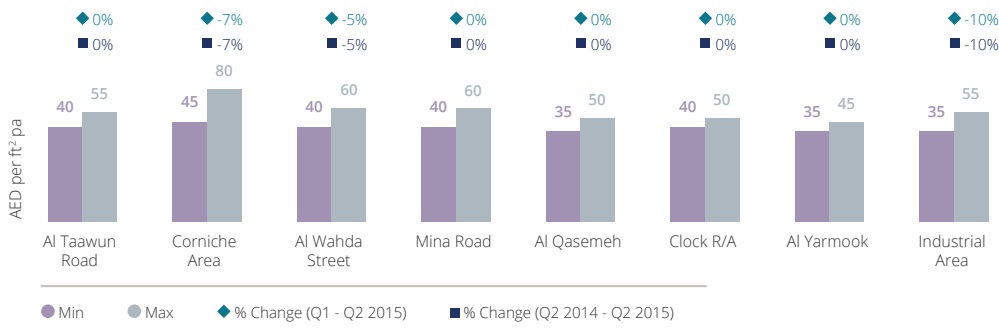
# Northern Emirates Rental Rates

## Q2 2015

### Sharjah

- In Q2 2015, rental rates declined by 3%, on average, as vacancy levels increased. This was due to new supply being handed over, tenants vacating properties to search for better deals and relocating to Dubai to avoid severe traffic congestion were cited as the factors that encouraged residents to relocate. Enquiry levels were also lower compared with the previous quarter.
- Whilst the sales market in Sharjah opened up recently, few properties were sold due to quoted prices being higher compared with buyer's expectations. This was further reinforced by the continuous launch of affordable projects in neighbouring Dubai, which diverted potential buyers away – especially as laws and regulations are more transparent and established compared with those in Sharjah.
- However, land sales had performed well earlier this year, and, on the back of the success of Tilal's City land sales, a new project, Shoumous Residential Complex, located on the Sharjah-Kalba Road will also be re-launching after Ramadan, targeting GCC and Arab Nationals.
- The Al Noor Island project in Sharjah is currently under construction and is expected to reach completion by the end of the year according to Sharjah Investment and Development Authority (Shurooq). The project will serve as a tourist and resident attraction, potentially leading to higher rates and popularity of the central Sharjah areas, especially along the Corniche. The project covers an area of 45,470 sqm and will have a structure inspired by a butterfly's natural habitat (housing 500 butterfly species), a 3,500 metre walkway and floating bridge serving as an entrance to the island and all facilities, a literature pavilion, children's playground, and an egg-shaped art sculpture.

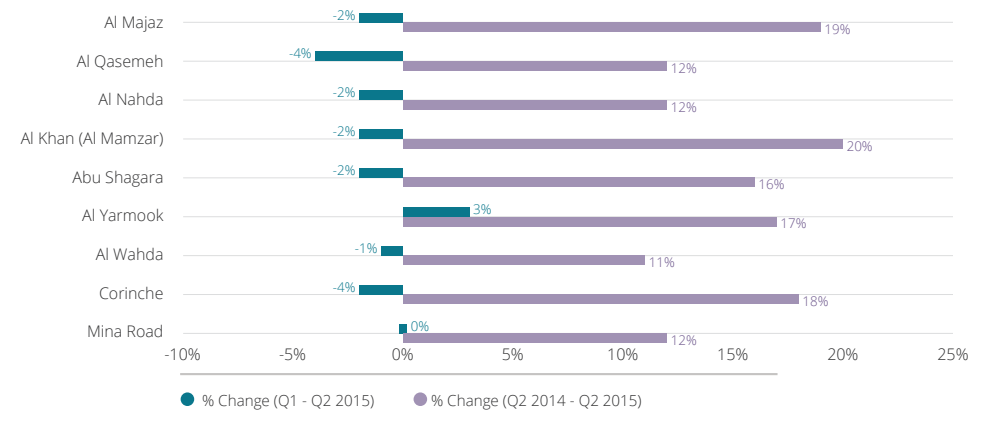
#### OFFICE RENTAL RATES



#### SHARJAH APARTMENT RENTAL RATES

Apartment Rental Rates (AED 000's pa)	Studio		1BR		2BR		3BR	
	Min	Max	Min	Max	Min	Max	Min	Max
Al Majaz	25	35	35	45	42	65	55	90
Al Qasimiah	22	28	29	38	40	50	45	65
Al Nahda	27	35	38	42	45	63	60	85
Al Khan (Al Mamzar)	25	35	35	45	45	60	65	85
Abu Shagara	22	28	28	35	36	48	45	60
Al Yarmook	18	22	20	30	23	32	40	55
Al Wahda	22	32	28	50	48	65	45	85
Corniche	25	35	40	50	48	80	60	90
Mina Road	20	28	28	40	32	45	45	60

#### SHARJAH APARTMENT RENTAL RATES MOVEMENT BY AREA





## Ajman

- Ajman's residential rental rates recorded the fastest growth since the market's lowest point, reaching close to peak figures in Q4 2014, with rates only 8% lower than in Q3 2008.
- Rental rates in Ajman were also amongst the first to be faced with a decline as rates softened in neighbouring Dubai, with a 2% and 3% decrease witnessed in the first two quarters of 2015.
- One of the main reasons cited for the decreases in rates was the handover of new supply in Ajman, which led to a large amount of new stock entering the market, at a time when newcomers to the city were fewer. This resulted in an internal movement, away from older buildings to newer properties, as tenants upgraded and left older properties vacant. Most of the demand in new buildings was for 1 and 2 bedroom units.

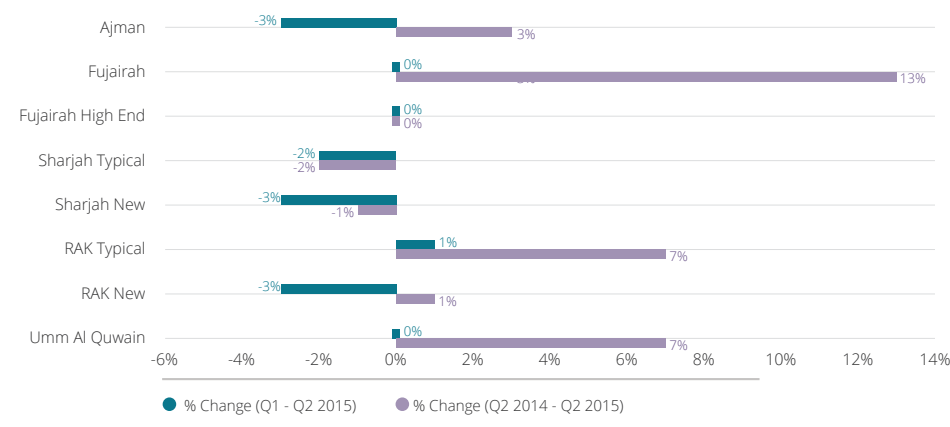
## Fujairah, Ras Al Khaimah & Umm Al Quwain

- In Ras Al Khaimah, established communities such as Al Hamra Village and Mina Al Arab continued to see good levels of demand and high occupancy rates - specifically for villas and townhouses as the available units are of good quality and are priced more competitively than Dubai. In line with the success of these properties, RAK Properties launched the second phase of Flamingo Villas (the first phase is due to be handed over later this year) consisting of 57 villas of two and three bedroom units, which is expected to reach completion by the end of 2016. The villas were being sold from just over AED 600 per sqft and a 3-bedroom villa in Al Hamra with a golf course view can be purchased for AED 500 to AED 700 per sqft.
- Rental rates in Umm Al Quwain and Fujairah remained stable this quarter as market dynamics were constant and little new supply was added to the market.

### NORTHERN EMIRATES APARTMENT RENTAL RATES

Apartment Rental Rates (AED 000's pa)	Studio		1BR		2BR		3BR	
	Min	Max	Min	Max	Min	Max	Min	Max
Ajman	20	27	27	38	32	40	47	60
Fujairah	18	30	24	40	30	58	45	60
Fujairah High End			45	55	55	62	75	82
Sharjah Typical	18	28	20	40	23	50	38	65
Sharjah New	22	35	28	50	35	80	45	90
RAK Typical	20	30	25	40	30	50	40	60
RAK New	25	35	35	55	50	65	85	130
Umm Al Quwain	17	20	19	26	28	30	35	45

### NORTHERN EMIRATES APARTMENT RENTAL RATES MOVEMENT BY AREA



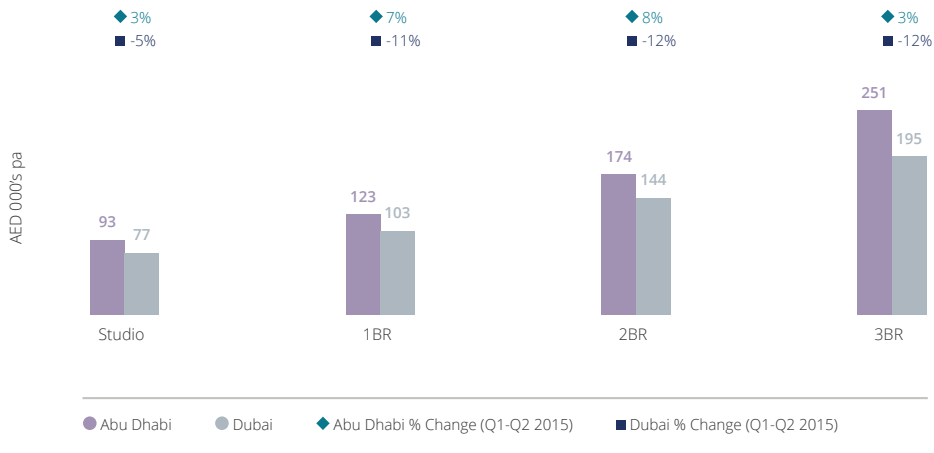
# UAE Comparison

## Q2 2015

### RESIDENTIAL RENTAL RATES

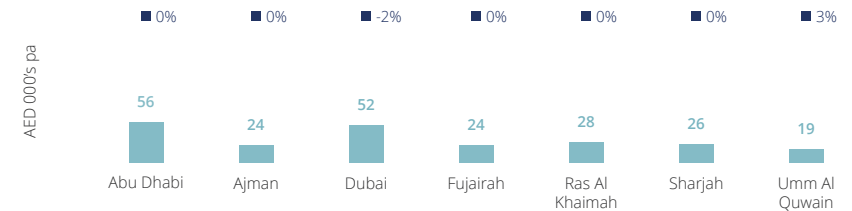
- Whilst rental levels in Abu Dhabi increased, those in Dubai and the Northern Emirates decreased and / or remained stable and as such, Abu Dhabi continued to be the most expensive place to lease property in the UAE.
- On average, rental rates in Abu Dhabi were 15% higher across the board compared with 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

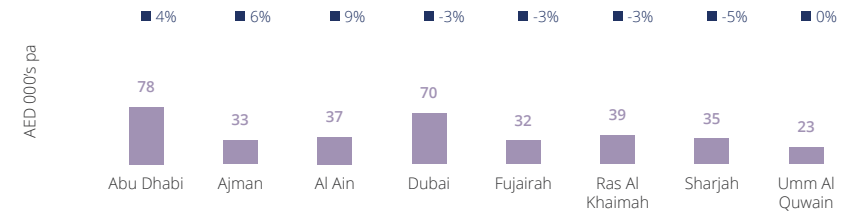


### AFFORDABLE TO MID-MARKET APARTMENT RENT COMPARISON

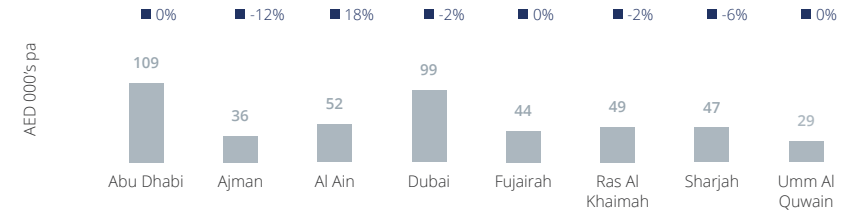
#### STUDIO



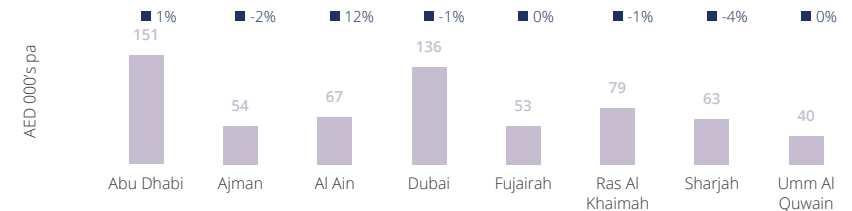
#### 1BR



#### 2BR



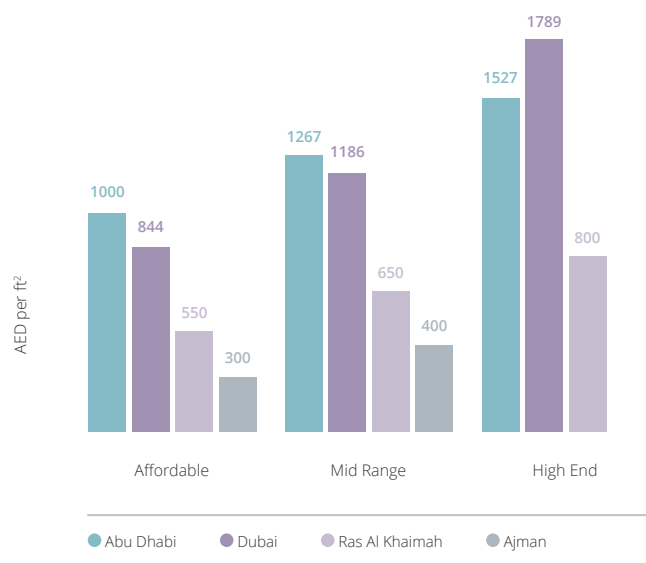
#### 3BR



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

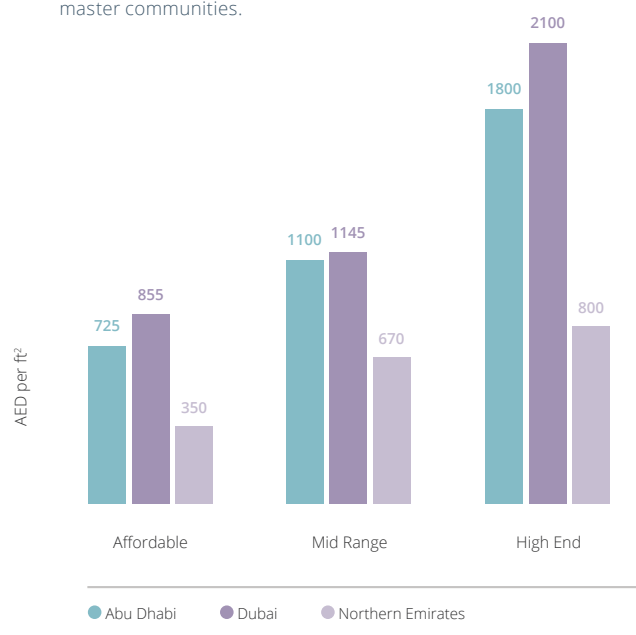
### APARTMENT SALES PRICE COMPARISON

- 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.



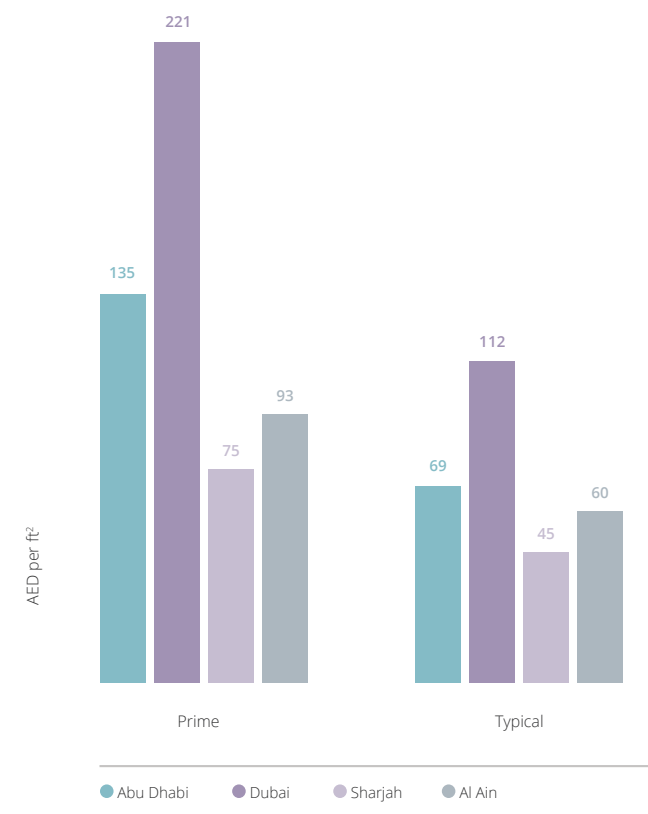
### VILLA SALES PRICE COMPARISON

- 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 resonable 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.

## Who we are Oxford Economics

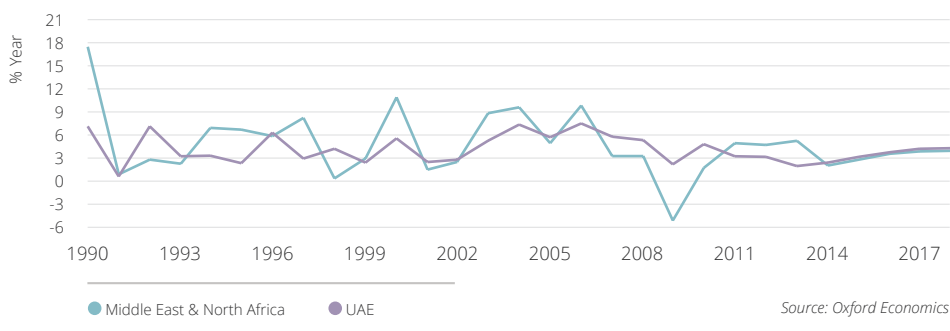
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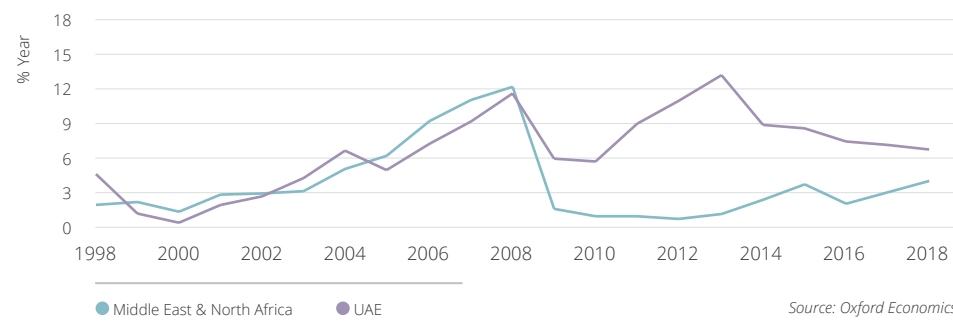
### REAL GDP GROWTH

1990 - 2017



### UAE: INFLATION

1998 - 2018





# Key Facts

## Politics

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

## Long-term Sovereign Credit Ratings & Outlook

	Foreign currency	Local currency
<b>Fitch*</b>	AA (Stable)	AA (Stable)
<b>Moody's</b>	Aa2 (Stable)	Aa2 (Stable)
<b>S&amp;P*</b>	AA (Stable)	AA (Stable)

\*Rating based on Abu Dhabi only

## Long-term Economic & Social Development

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

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

## Corruption Perceptions Index 2014

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

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

## Structure of GDP by Output

	1980
<b>Agriculture</b>	0.7%
<b>Industry</b>	60.5%
<b>Services</b>	38.8%

Source : World Bank

## Structural Economic Indicators

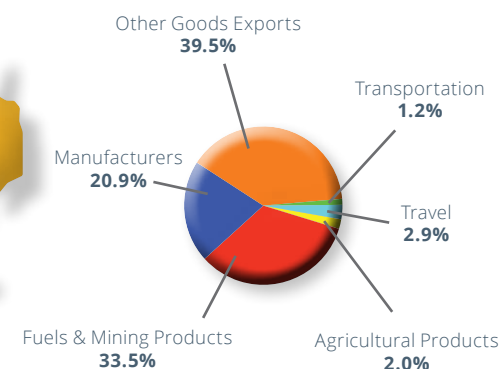
	1990	1995	2000	2013*
<b>Current account (US\$ billion)</b>	-	0.00	13.75	64.68
<b>Trade balance (US\$ billion)</b>	-	0.00	14.82	137.15
<b>FDI (US\$ billion)</b>	-	-	17.44	7.00

<b>Debt service (US\$ million)</b>	-	-	-	-
<b>Debt service (% of exports)</b>	-	-	-	-
<b>External debt (% of GDP)</b>	-	-	-	-

<b>Oil production (000 bpd)</b>	2,117	2,233	2,368	2,820
<b>Oil consumption (000 bpd)</b>	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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