

Q2-2021 REAL ESTATE MARKET OVERVIEW DUBAI



FOREWORD

MPM Real Estate Services comprises a comprehensive real estate and advisory platform providing the full range of professional services from a single provider. Our services include:-

- Strategic development advisory
- Asset management
- Project management
- Valuation
- Agency
- Market research
- Property management
- Facilities management

REPORT HIGHLIGHTS

Residential

- During H1 2021, close to 20,000 units were handed over, taking the total residential stock of Dubai to 639,000 units. In terms of supply for Q2 2021, about 11,000 units were added. DubaiLand added 18% of the new quarterly supply followed by the Creek Harbour with a share of 17%. New handovers from Dubai Creek Harbour include projects such as Creek 18 Residences, Harbour Views and Creek Horizon.
- As per the projects announced and under construction, approximately 58,000 new units are expected to be completed during the period H2 2021 to 2023. However, it is expected that a fair share of this supply is expected to be extended by six months and more. For H2 2021, another 20,000 units are likely to be completed, which could exert further pressure on the occupancy and rental levels, primarily across new properties.
- Transaction activity for residential properties (apartments, villas, townhouses, serviced/hotel apartments, villa plots) during the quarter surged in value and volume terms. The cumulative transaction value for residential properties in Q2 2021 was AED 21.89 billion across c.8,500 transactions compared to AED 15.05 billion (6,910 transactions), an increase of 45% in value and 22% in volume. Of the total quarterly transactions, villas/townhouses/villa plots accounted for AED 14.2 billion (65% share) and the rest were apartments/serviced apartments.
- The capital values for apartments across selected developments remained stable during the quarter and dropped marginally by 2.1% year-on-year. While average sale rates for villas/townhouses across selected developments increased by 5% quarter-on-quarter and 11% year-on-year.
- Average apartment rents dropped marginally by 1% quarter-on-quarter while year-on-year the drop was 8%. The rental and occupancy levels across villa/townhouse properties continue to strengthen for three straight quarters. Average rents across selected locations increased by 5.8% quarter-on-quarter and 11.3% year-on-year.

Office

- During Q2 2021, c.270,000 sq.ft. of new office space was added, taking the total office stock to 103.8 million sq.ft. Over the past three years, the supply figures remained stable with less than 3.0 million sq.ft. annually.
- Compared to the previous quarter, the value of strata office

transactions increased by 21%. The value of transactions increased from AED 421 million in Q1 2021 to AED 511.7 million in Q2 2021.

- The office sale rates across key office developments remained stable during the quarter and dropped marginally by 2% year-on-year. Due to a relatively long holding period, weak demand and low prices, investors are more inclined towards leasing out the space.
- Average office rents remain stable during the quarter while on an annual basis, the rates dropped by 6%. Due to weak demand and high voids, landlords are more inclined towards offering extended rent-free periods or fitted-out space rather than reducing rents which are already at the bottom.
- As per the projects announced/under construction, approximately 4.2 million sq.ft. of office space is expected to be completed during the period H2 2021 to 2023. However, looking at the current market condition, it is likely that the completion timeline for some of the projects will be extended by 6-12 months..

Retail

- As of end H1 2021, the total retail stock of Dubai stood at 43.7 million sq.ft. GLA. Approximately 1.5 million sq.ft GLA of new retail space was added during the first half of 2021, the figure includes partial opening with a hypermarket and a few convenience stores in Circle Mall in Jumeriah Village Circle and Avenues Mall in Dubai Silicon Oasis, together these two malls account for 1.2 million sq.ft. GLA while other notable addition being the Dubai Mall Village expansion with 79,000 sq.ft. GLA.
- The retail sector which is impacted negatively due to the pandemic is witnessing an improvement with rising footfalls and sales volume. Events such as the three-day super sale reported strong footfall levels and in-store sales. However, as the sector is heavily reliant on international visitors and with the air travel restrictions in place, the sector is expected to remain under stress until it is back to normalcy.
- Approximately 10 million sq.ft. GLA of new retail space is expected to be completed during the period H2 2021 – 2023. However, looking at the prevailing market condition, it is likely that a fair proportion of this supply could experience opening delays. Few of the new malls scheduled to enter include retail space from Dubai Hills mall, Souk Al Marfa and the Art Centre mall.



FACTS & FIGURES



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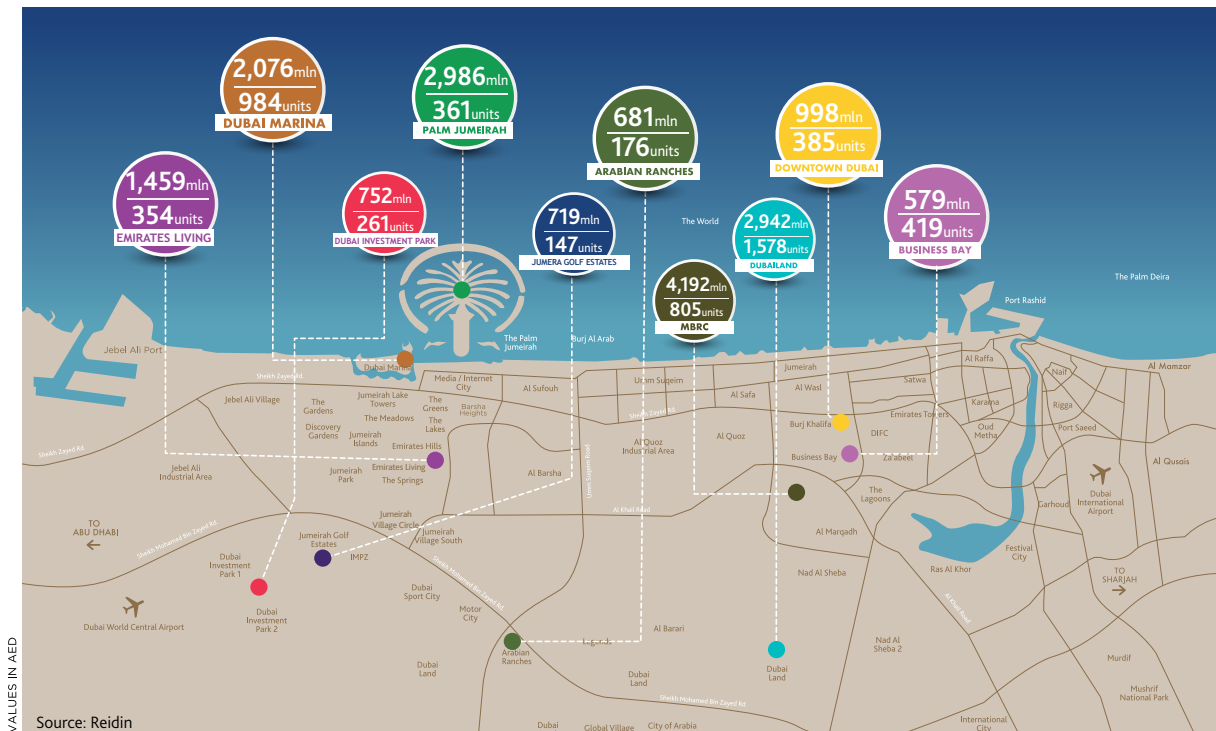


REAL ESTATE TRENDS

DUBAI LAND TRANSACTION



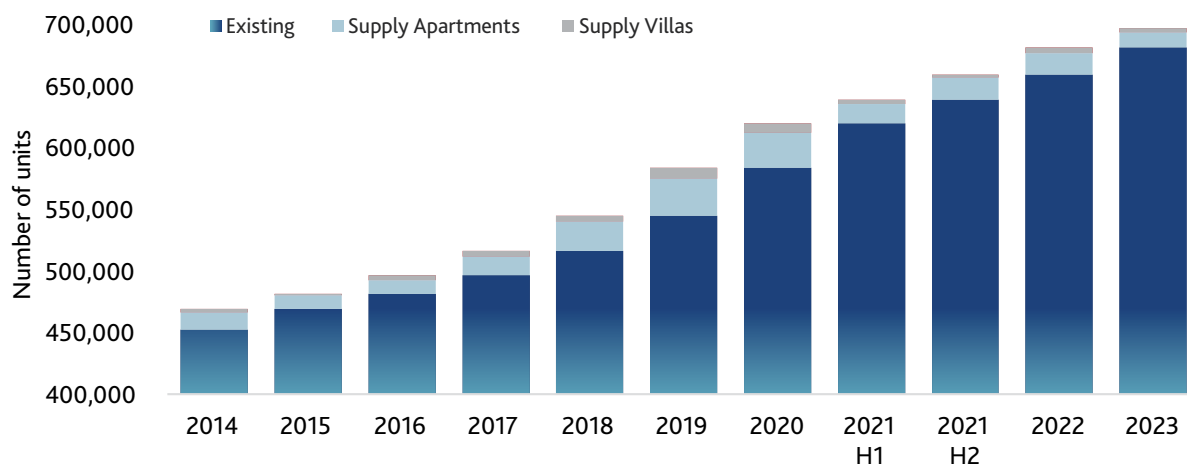
TOP RESIDENTIAL INVESTMENT LOCATIONS - Q2 2021



RESIDENTIAL MARKET

- During H1 2021, close to 20,000 units were handed over, taking the total residential stock of Dubai to 639,000 units. In terms of supply for Q2 2021, about 11,000 units were added. The supply continues to be dominated by apartments accounting for 83% of the total supply while villas/townhouses comprised 17%.
- In terms of supply by location/development, Dubailand added 18% of the new quarterly supply followed by the Creek Harbour with a share of 17%. New handovers from Dubai Creek Harbour include projects such as Creek 18 Residences, Harbour Views and Creek Horizon.
- Other freehold developments of Jumeirah Village Circle/Jumeirah Village Triangle added close to 1,600 units (14.7%) followed by Downtown Dubai/Business Bay about 9% of the quarterly supply while Dubai South, Dubai Science Park and Meydan/Mohammed bin Rashid City (MBRC) added just over 4% each of the new supply.
- Within the leasehold areas, Al Nahda/Al Qusais area remained most active with a share of 7.2%. Notable project to be completed in the area was Masaken Wasl project in Al Qusais 1 offering 777 units.
- As per the projects announced and under construction, approximately 58,000 new units are expected to be completed during the period H2 2021 to 2023. However, it is expected that a fair share of this supply is expected to be extended by six months and more. For H2 2021, another 20,000 units are likely to be completed, which could exert further pressure on the occupancy and rental levels, primarily across new properties

RESIDENTIAL SUPPLY BY UNITS - (2014 - 2023)



SALE RATES

- Transaction activity for residential properties (apartments, villas, townhouses, serviced/hotel apartments, villa plots) during the quarter surged in value and volume terms. The cumulative transaction value for residential properties in Q2 2021 was AED 21.89 billion across c.8,500 transactions compared to AED 15.05 billion (6,910 transactions), an increase of 45% in value and 22% in volume. Of the total quarterly transactions, villas/townhouses/villa plots accounted for AED 14.2 billion (65% share) and the rest were apartments/serviced apartments.
- Mohammed bin Rashid City (MBRC)/Meydan remained the top destination attracting transactions worth AED 4.2 billion across 800 properties, calculating to an average ticket price of AED 5.2 million. Other top performing developments include Palm Jumeirah and



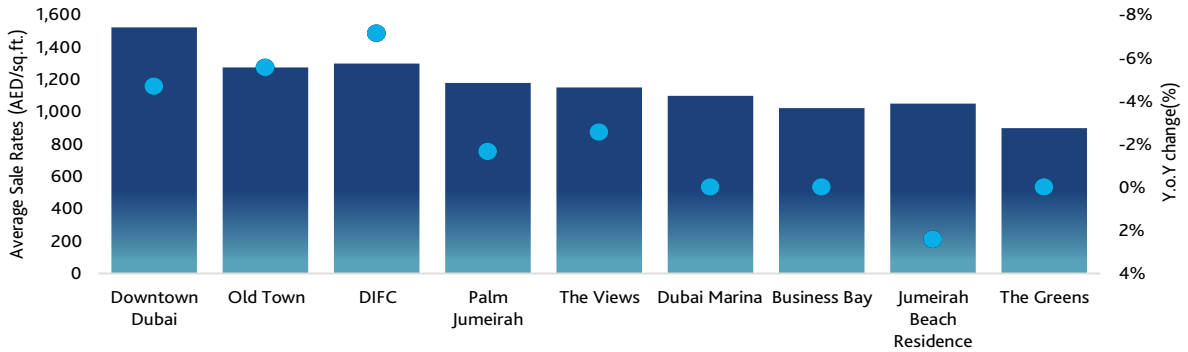
Dubailand with a transaction value of AED 2.9 billion each. The developments of Dubai Marina/ Jumeirah Beach Residence, Emirates Living and Downtown Dubai recorded transactions worth AED 2.1 billion, AED 1.5 billion and AED 1.0 billion respectively.

- Within the luxury/high-end segment, there were about 14 villa transactions with a value of AED 50 million and above, together these villas had a cumulative transaction value of AED 1.0 billion. The highest value of transaction was on Palm Jumeirah wherein a five bedroom plus villa transacted at a value of AED 119.5 million.
- With several new off-plan launches during the year, the off-plan transaction recorded a double digit increase in value and volume terms. The cumulative value of transactions increased from AED 5.9 billion in Q1 2021 to AED 9.1 billion in Q2 2021, a quarterly increase by 55%. Few of the

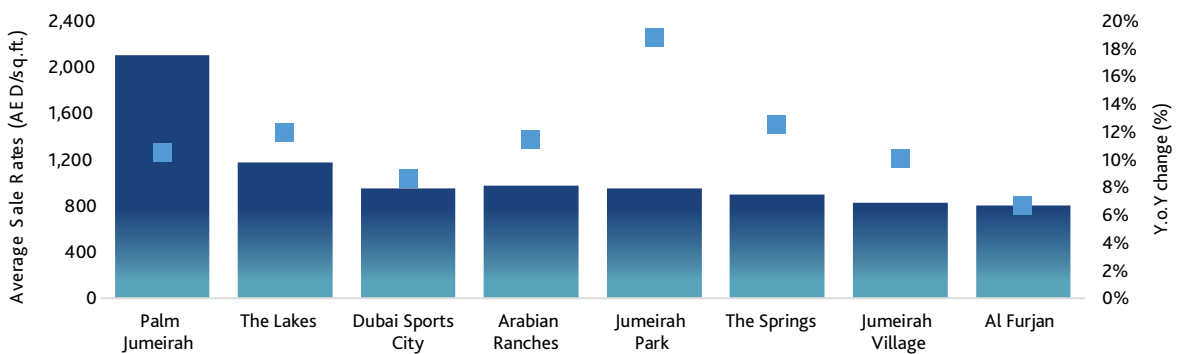
new off-plan launches include Murooj Al Furjan in Al Furjan development and Bliss and Caya II villas within Arabian Ranches III.

- The capital values for apartments across selected developments remained stable during the quarter and dropped marginally by 2.1% year-on-year. Rise in investor/occupier interest towards larger units across established location has a large extent assisted in controlling further declines.
- The villa/townhouse segment performed better than the apartments. Average sale rates across selected developments increased by 5% quarter-on-quarter and 11% year-on-year. However, there are developments which have recorded an increase higher than the average. The capital values in Jumeirah Park recorded a double-digit growth of over 20% increasing from AED 750 per sq.ft. in Q2 2020 to AED 950 per sq.ft. in Q2 2021

AVERAGE APARTMENT SALE RATES - Q2 2021



AVERAGE VILLA SALE RATES - Q2 2021

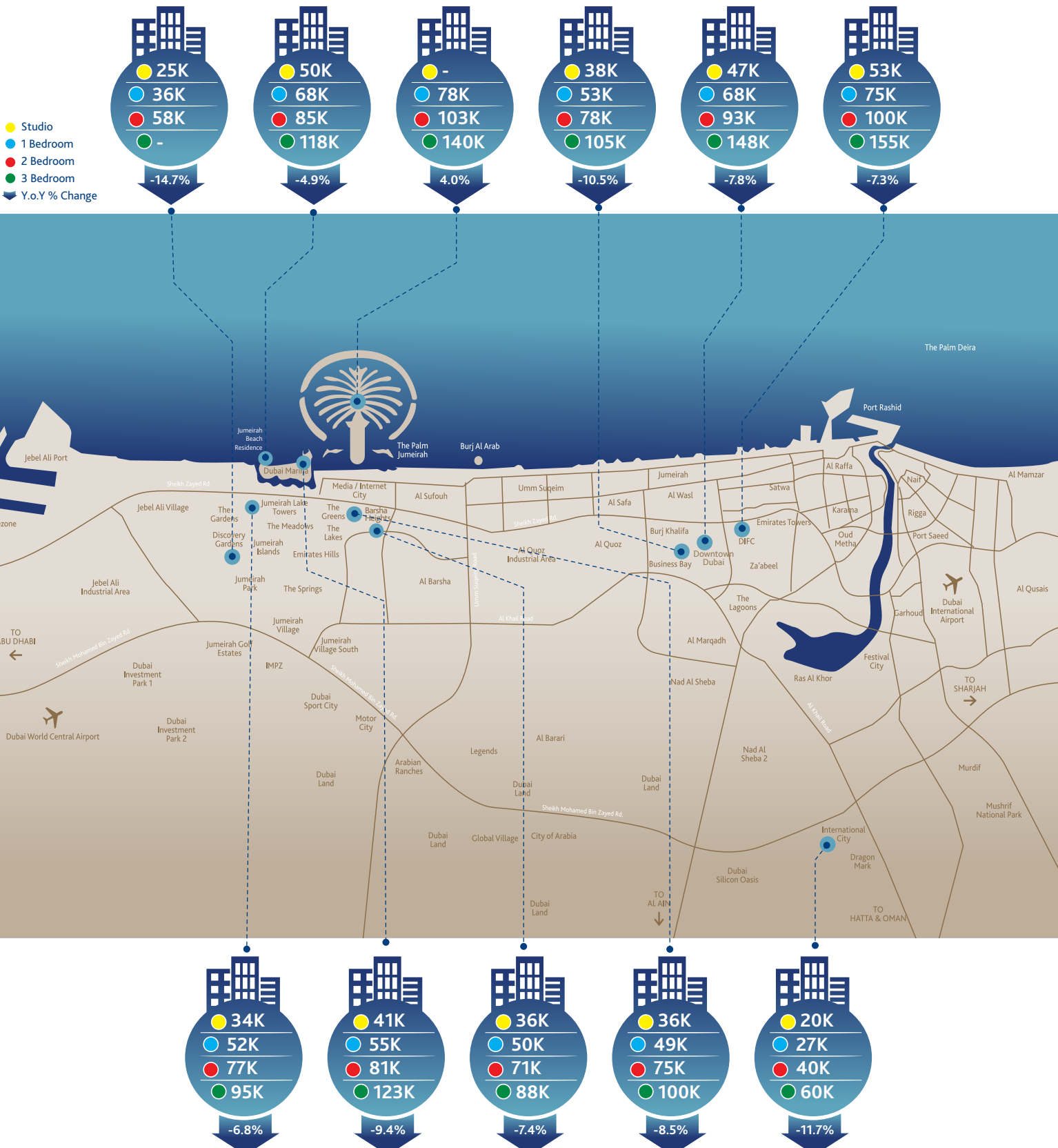


RENTAL RATES

- Residential leasing activity during the quarter was largely driven by tenant migration looking to upgrade to larger and more open livable spaces. This has resulted in a rental decline across smaller units of studio, and one bedroom as well as ageing properties.
- Average apartment rents dropped marginally by 1% quarter-on-quarter while year-on-year the drop was 8%. The demand for larger and waterfront properties has to a large extent assisted in reducing the rental gap. Moreover, the landlords are more flexible in offering in extending rent free periods rather than reducing the rents which is assisting in holding on the rents.
- Increase in supply and a shift in occupier preferences is resulting in a sharp rental decline across smaller units of studio and one bedroom. Within the selected locations, rents for studios and one-bedroom units dropped annually by 9.8% and 10.6% respectively while the three-bedroom units recorded a marginal drop by 3.7% year-on-year while quarter-on-quarter, the rents inflated by half a percent.
- Rental deflation and occupancy pressures were noticed across properties that have been in the property cycle for over a decade. Average rents in Discovery Gardens dropped by 14.7% while in Dubai International City by 11.7%. Emergence of new quality supply from the surrounding areas along with relatively weak demand for smaller units is exerting pressure on occupancy and rental rates in these areas.
- Within the leasehold areas, the highest annual decline was recorded in Al Jadaf area with rents dropping by 10.8% year-on-year. One bedroom units which achieved an average rent of AED 50,000 per unit per annum are currently achieving AED 42,000 per unit per annum, a drop by 16% year-on-year. The area has witnessed a substantial increase in supply over the past two years and with several projects under construction, the area is expected to record further addition of new units during the short term which could further impact on occupancy and rental rates.
- The rental and occupancy levels across villa/townhouse properties continue to strengthen for three straight quarters. Average rents across selected locations increased by 5.8% quarter-on-quarter and 11.3% year-on-year. The rental growth is led by the luxury/high-end segment which has remained under stress over the past five years. The properties falling under this category recorded a double-digit growth due to demand and supply imbalance.
- The rental growth has been recorded across all the villa communities, however, the percentage increase has been substantial higher across freehold areas compared to leasehold areas. The rents for a five bedroom villa in Jumeirah Park increased from an average of AED 225,000 per unit per annum in Q2 2020 to AED 260,000 per unit per annum in Q2 2021, an increase of 15.6% year-on-year.

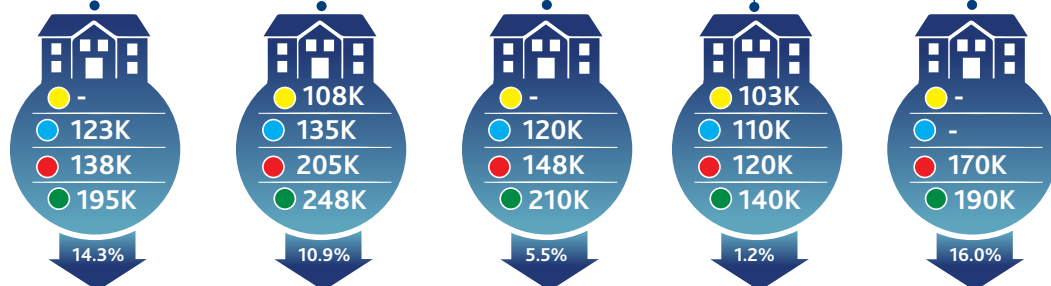
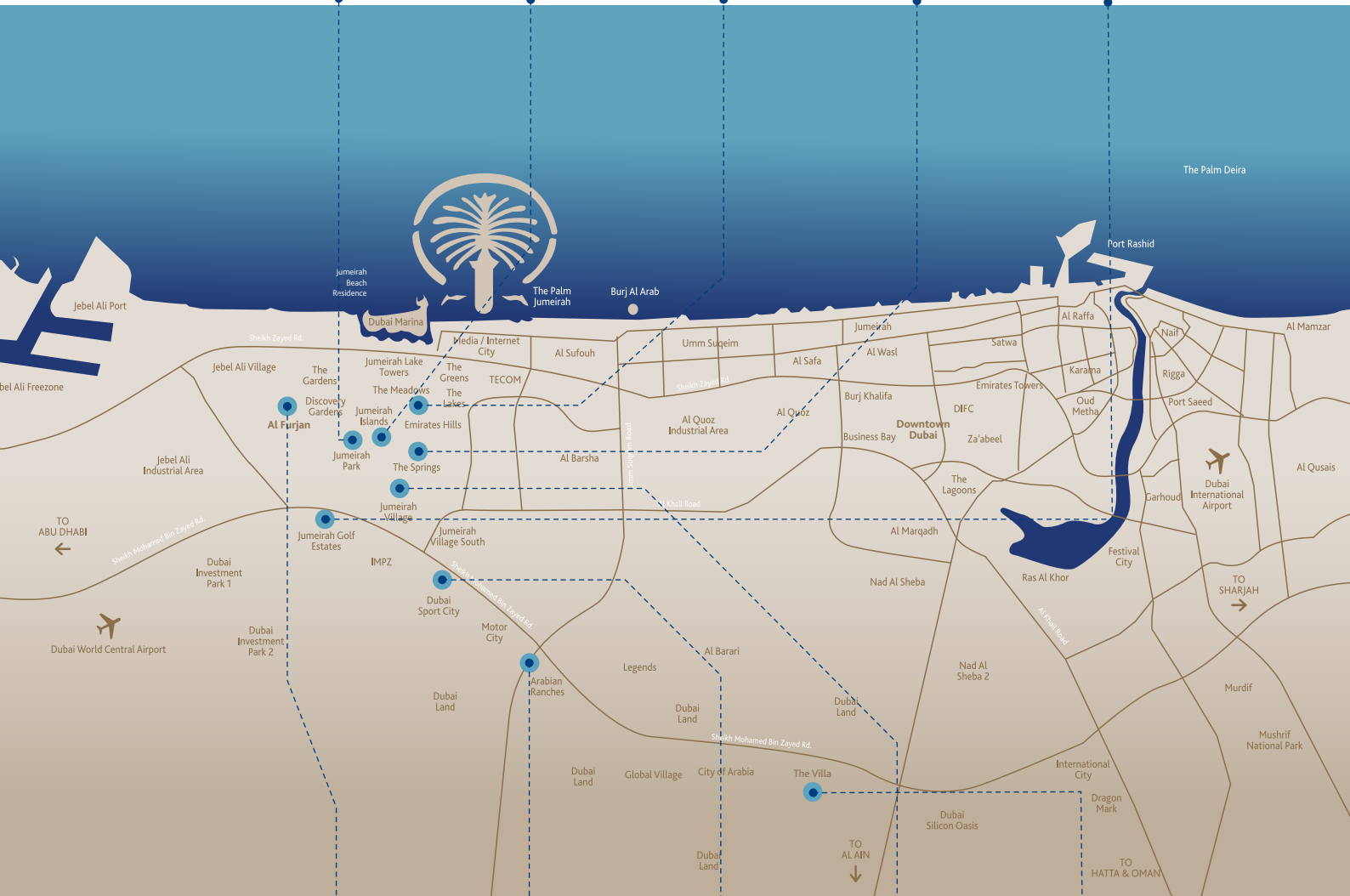
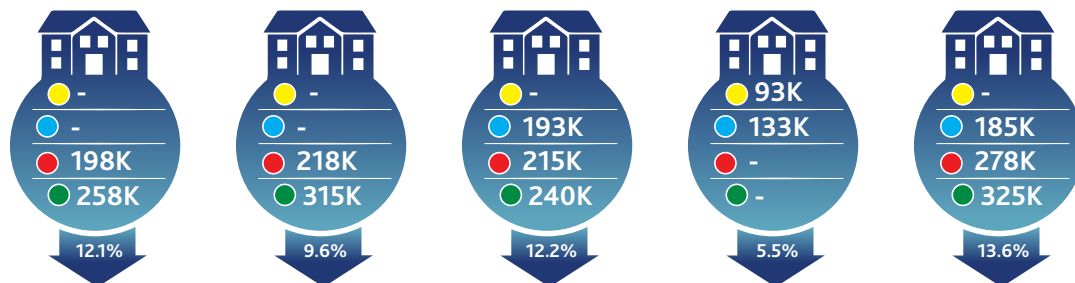


AVERAGE APARTMENT ANNUAL RENTS – Q2 2021



AVERAGE VILLA ANNUAL RENTS – Q2 2021

- 2 Bedroom
- 3 Bedroom
- 4 Bedroom
- 5 Bedroom
- ▼ Y.o.Y % Change

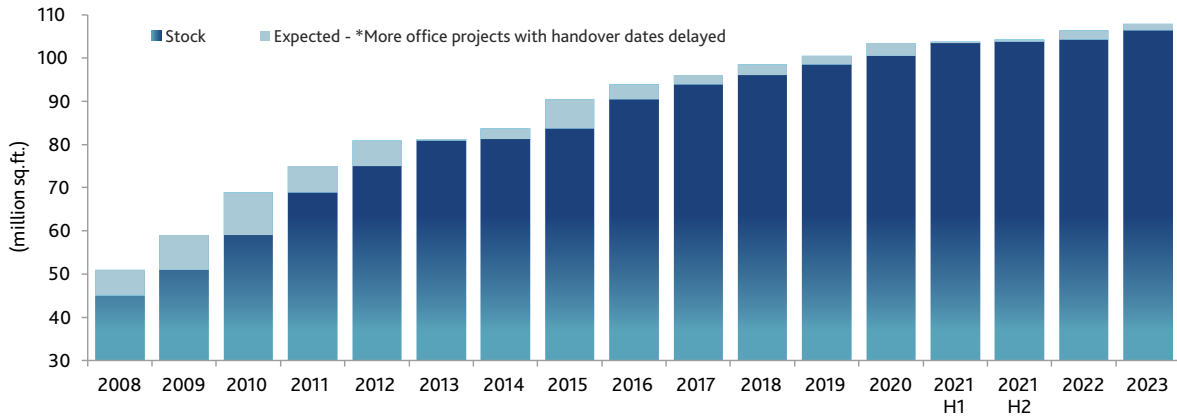


OFFICE MARKET

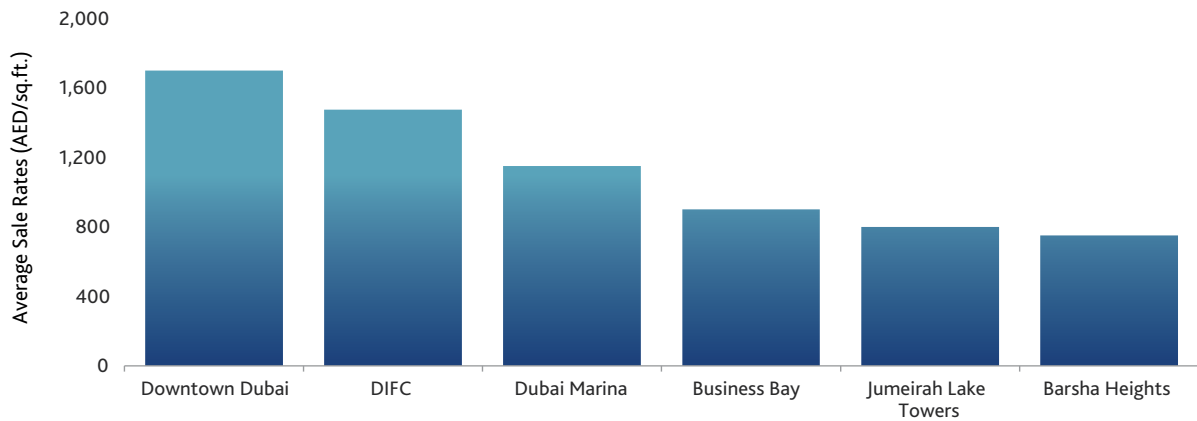
- During Q2 2021, c.270,000 sq.ft. of new office space was added, taking the total office stock to 103.8 million sq.ft. Over the past three years, the supply figures remained stable with less than 3.0 million sq.ft. annually. Relatively weak demand and substantial drop in strata office space has helped in curtailing the supply.
- The new supply during the quarter emerged from phase 1 of the Dubai CommerCity located in Umm Ramool area. The Business Cluster of Dubai CommerCity, a dedicated e-commerce free zone comprises of 12 office buildings offering 2.6 million sq.ft. built-up space.
- Compared to the previous quarter, the value of strata office transactions increased by 21%. The value of transactions increased from AED 421 million in Q1 2021 to AED 511.7 million in Q2 2021. Overall, c.689,000 sq.ft. of office space transacted in Q2 2021, calculating to an average transaction value of AED 743 per sq.ft.
- The transaction activity during the quarter was mainly for smaller office sizes of less than 2,500 sq.ft. valuing at AED 321.4 million, accounting to 63% of the total quarterly transactions. Due to size, these offices are preferred by new start-ups and investors due to ease in occupation/ leasing.
- During the quarter, the transaction activity remained focused towards the two key strata office developments of Jumeirah Lakes Towers and Business Bay. Together, these developments accounted for AED 420.1 million worth of office transactions. A total of 271,500 sq.ft. of office space valued at AED 266 million was transacted in Business Bay area, calculating to an average sale rate of AED 980 per sq.ft. while Jumeirah Lakes Towers saw transactions worth AED 154.4 million across 254,000 sq.ft. of office space, with an average rate of AED 607 per sq.ft.
- Other locations of Downtown Dubai recorded transactions worth AED 25.4 million while Trade Centre (Sheikh Zayed Road) and Deira areas recorded transactions worth AED 21.1 and 15.2 million respectively.
- The office sale rates across key office developments remained stable during the quarter and dropped marginally by 2% year-on-year. Due to a relatively long holding period, weak demand and low prices, investors are more inclined towards leasing out the space.
- Lowest sale rates are currently in Barsha Heights area at AED 725 per sq.ft. The rates remained stable quarter-on-quarter and dropped by 2% year-on-year.
- The office leasing activity remained subdued since the beginning of the pandemic and change in occupier preferences. Much of the leasing activity remained across smaller fitted-out office spaces and serviced offices. The average office rents remain stable during the quarter while on an annual basis, the rates dropped by 6%. Due to weak demand and high voids, landlords are more inclined towards offering extended rent-free periods or fitted-out space rather than reducing rents which are already at the bottom.
- As per the projects announced/under construction, approximately 4.2 million sq.ft. of office space is expected to be completed during the period H2 2021 to 2023. However, looking at the current market condition, it is likely that the completion timeline for some of the projects will be extended by 6-12 months.
- Some of the office developments that are expected to be completed by 2023 include Zabeel One tower in Trade Centre, Dubai Electricity & Water Authority (DEWA) and Empower buildings in Al



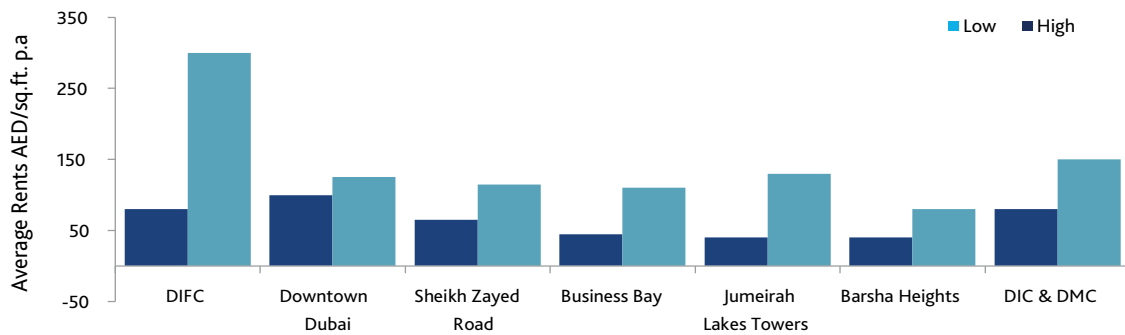
DUBAI OFFICE STOCK GROWTH (2008-2023)



AVERAGE OFFICE SALE RATES - Q2 2021



AVERAGE OFFICE RENTS - Q2 2021

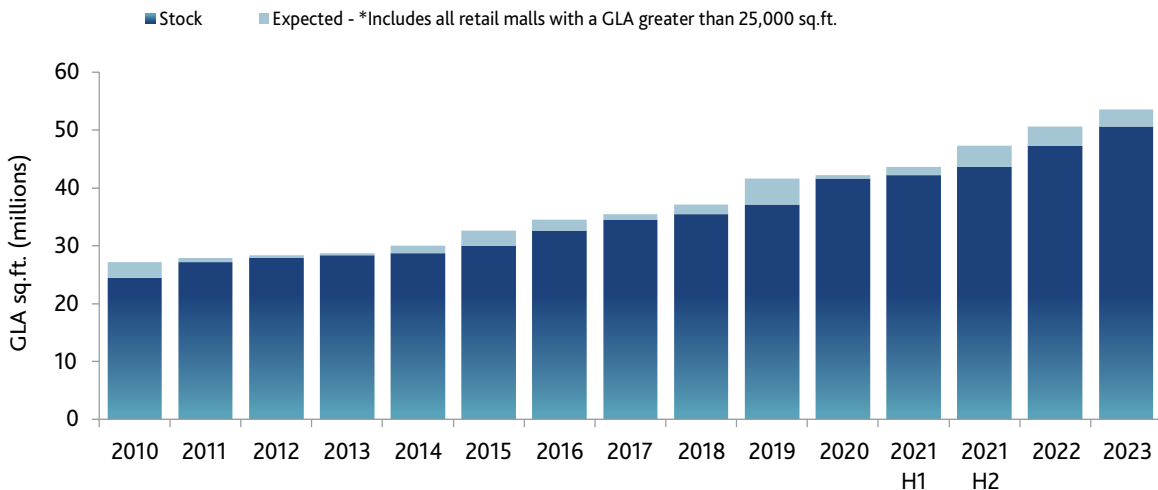


RETAIL

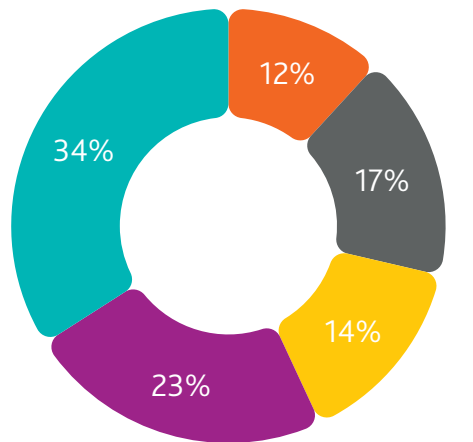
- As of end H1 2021, the total retail stock of Dubai stood at 43.7 million sq.ft. GLA. Approximately 1.5 million sq.ft GLA of new retail space was added during the first half of 2021, the figure includes partial opening with a hypermarket and a few convenience stores in Circle Mall in Jumeriah Village Circle and Avenues Mall in Dubai Silicon Oasis, together these two malls account for 1.2 million sq.ft. GLA while other notable addition being the Dubai Mall Village expansion with 79,000 sq.ft. GLA.
- Further 3.7 million sq.ft GLA retail space is either completed or in final stages of construction and expected to enter during H2 2021. However, due to the pandemic the openings are being delayed and the expected supply could be pushed to 2022.
- The retail sector which was impacted negatively due to the pandemic is witnessing an improvement with rising footfalls and sales volume. Events such as the three-day super sale reported strong footfall levels and in-store sales. However, the sector is heavily reliant on international visitors and with the air travel restrictions in place, the sector is expected to remain under stress.
- Approximately 10 million sq.ft. GLA of new retail space is expected to be completed during the period H2 2021 – 2023. However, looking at the prevailing market condition, it is likely that a fair proportion of this supply could experience opening delays. Few of the new malls scheduled to enter include retail space from Dubai Hills mall, Souk Al Marfa and the Art Centre mall



DUBAI RETAIL MALL STOCK (2010-2023)

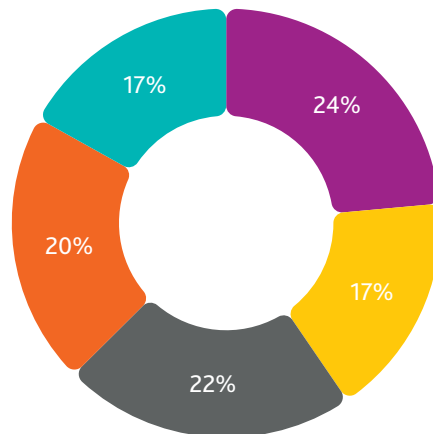


RETAIL SUPPLY PRE 2010



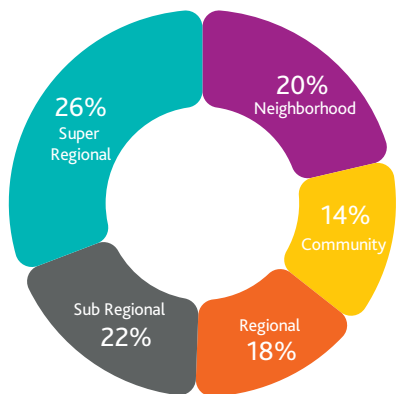
- Community
- Regional
- Super Regional
- Neighborhood
- Sub-Regional

NEW SUPPLY DELIVERED - (2010 - Q2 2021)



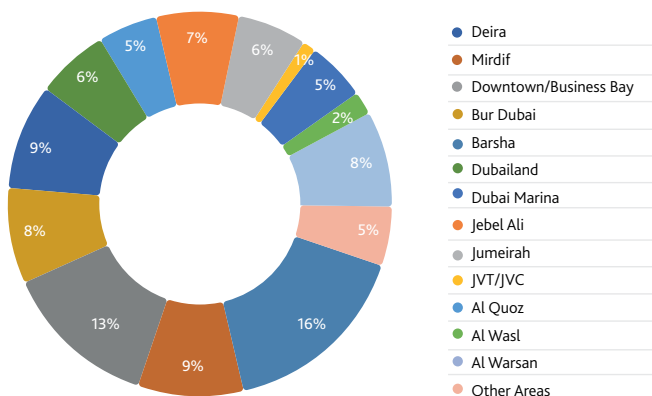
- Community
- Regional
- Super Regional
- Neighborhood
- Sub-Regional

DUBAI RETAIL MALLS BY SIZE END Q2 2021

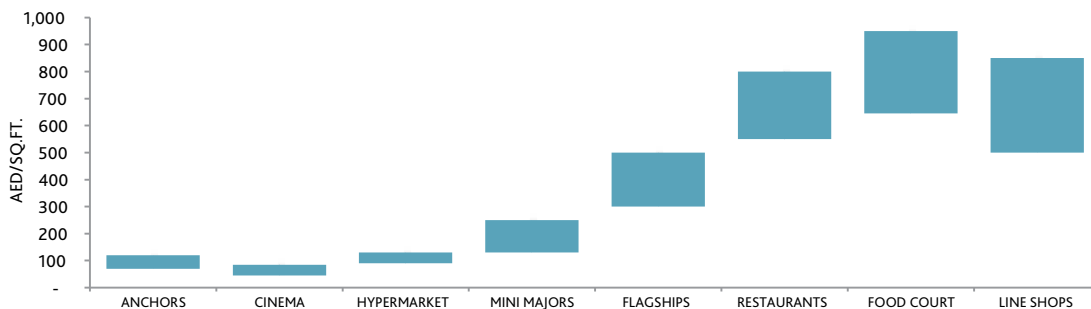


Super Regional:	2m sq ft+	Sub-Regional:	500-1m sq ft
Regional:	1m-2msq ft.	Community:	200-500,000 sq ft
		Neighborhood:	0-200,000 sq ft

DUBAI RETAIL MALLS GLA BY AREA END Q2 2021



PRIME SHOPPING MALL AVERAGE RENTS Q2 2021



The rents quoted above are base rents excluding any turnover provisions and service charges





DEFINITIONS & METHODOLOGY

Research Study Area

- The geographic extent of the study area covers the key districts in Dubai.
- Given the general lack of transparency in the local market rents quoted are headline rents, thus exclude any rent free period of other financial incentives that may have been negotiated between the parties. The rents quoted are also exclusive of service charges.

Residential

- New residential developments are classified as delivered and thus entered into the new supply category when they are made available for occupation. This is verified via a combination of site inspections and discussion with the developer and hence our supply numbers do take into consideration the phased release of large projects.
- Rental and sales trend analysis is based on transactional data derived from the MPM Properties Agency team and data sourced from developers and owners.

Retail

- New retail developments are classified as delivered and thus entered into the new supply category when the first units are open and trading.
- Our classification of malls is based on our own assessment having regard to size and the catchment area which the mall typically penetrates.

Offices

- New office developments are classified as delivered and thus entered into the new supply category when they are available for tenant fit-outs.

Future Supply Projections

- Our future supply projections across all sectors are based on a combination of regular site inspections and discussions with developers.



BESPOKE CLIENT RESEARCH

- The ADIB Real Estate Services team covers all sectors of the real estate market. We provide bespoke market research to our valued clients to meet their specific requirements.
- We provide reports, information and presentations derived from primary market data that directly assist our clients to save or make money from real estate and shape strategies to enhance value.
- Regular site inspections and discussions with developer.



DISCLAIMER

The information contained in this report has been obtained from and is based upon sources that MPM Properties believes to be reliable, however, no warranty or representation, expressed or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals. MPM Properties will not be held responsible for any third-party contributions. All opinions and estimates included in this report constitute MPM Properties, as of the date of this report and are subject to

change without notice. Figures contained in this report are derived from a basket of locations highlighted in this report and therefore represent a snapshot of the Dubai market. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, involve risk and uncertainty because they relate to future events and circumstances which are beyond MPM Properties' control. For a full in-depth study of the market, please contact MPM Properties team.

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