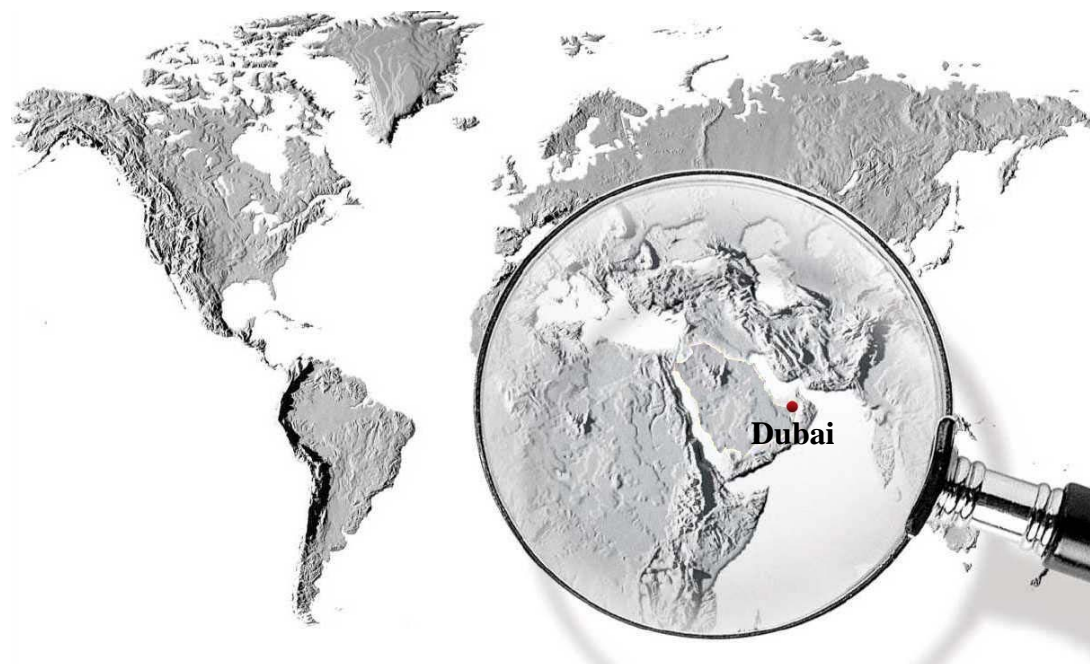




Real value in a changing world

Dubai Real Estate *Market* Overview



January 2010

Market Highlights

- While 2009 saw the biggest pricing adjustment in the residential market, the tables are likely to be turned in 2010 with the office market witnessing the significant decline in performance, while pricing levels in the residential sector are expected to show **selective stability**.
- Citywide vacancies in the **office sector** have increased to around 33%, but vacancies in good quality buildings in single ownership in the CBD area remain below 10%.
- While demand for **office space** is forecast to be stronger in 2010 than in 2009, demand will not match the high level of new supply and citywide vacancies are therefore expected to increase during 2010
- Average prices and rentals in the **residential market** both appear to have stabilized over recent months. While performance may continue to decline in some areas in 2010, this is likely to be driven by local factors (particularly the addition of new supply), with other areas experiencing little further decline in rents and prices in 2010.
- The **retail market** has seen less adjustment in rentals than either the office or residential sectors, with average rents declining by around 29% in 2009. While future supply levels have been cut back, the retail market is expected to move further in the tenants favor during 2010.

Dubai Office Market Overview



Key Takeaways

Supply

- Total Office stock as at the end of 2009 is approximately 43.6 million sqft
- In Q4 2008, an additional 60 million sqft of office supply was expected to enter the market between 2009 and 2011
- This figure has been revised downwards by 33% to approximately 40 million sqft due to project delays and cancellations

Demand

- Total tenant demand at the end of 2009 amounted to 2.7 million sqft of office space
- Existing tenants looking to dispose of surplus space with total of 295,000 sqft of tenant disposable space available

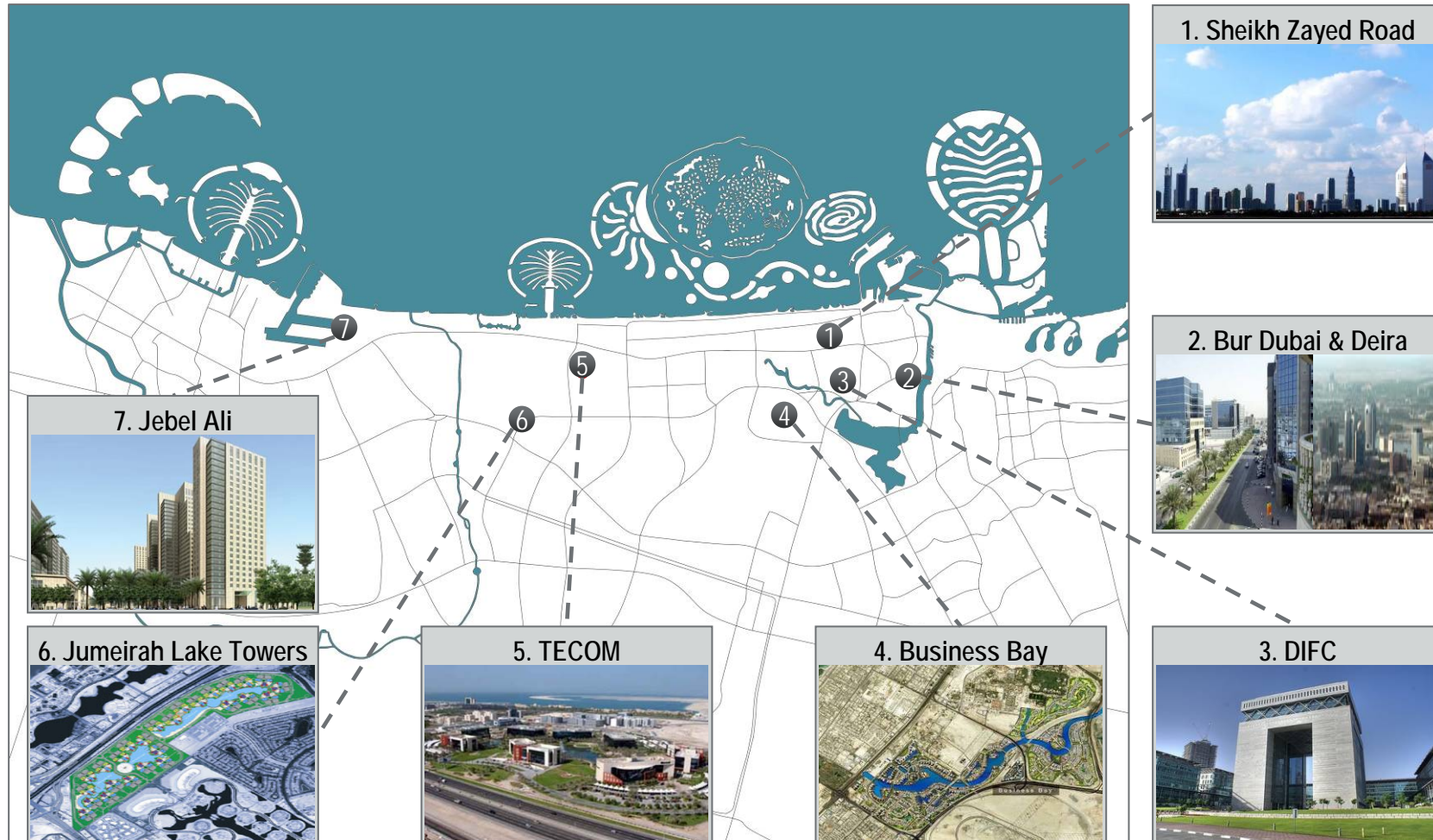
Performance

- City-wide vacancy rates are hovering around 33% and are expected to increase over the next year as new supply continues to be released
- CBD Vacancy in Q4 2009 is much lower at around 10%
- Office rents: Y-o-Y decrease of -44% and Q-o-Q decrease of -15% to around AED 220 psf
- Office capital values: Y-o-Y decrease of -50% and Q-o-Q decrease of -5% to around AED 1,320 psf

Outlook

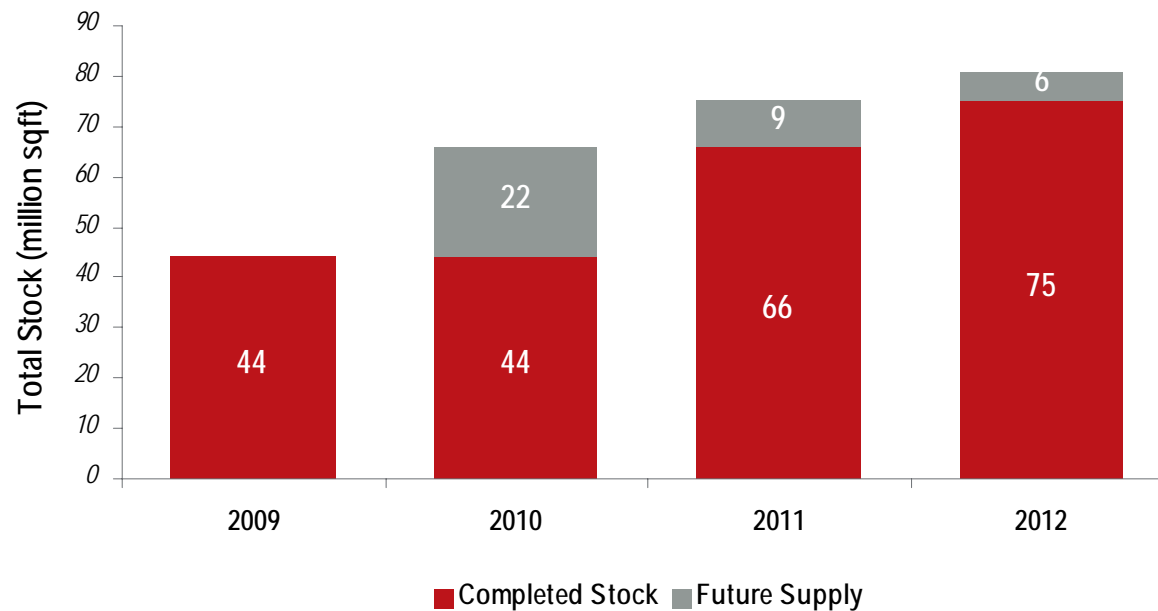
- While falling rents have encouraged more businesses to implement strategies for their future growth, new demand in 2010 will fall short of additional supply causing vacancies to increase across the market

Locations of Major Commercial Districts



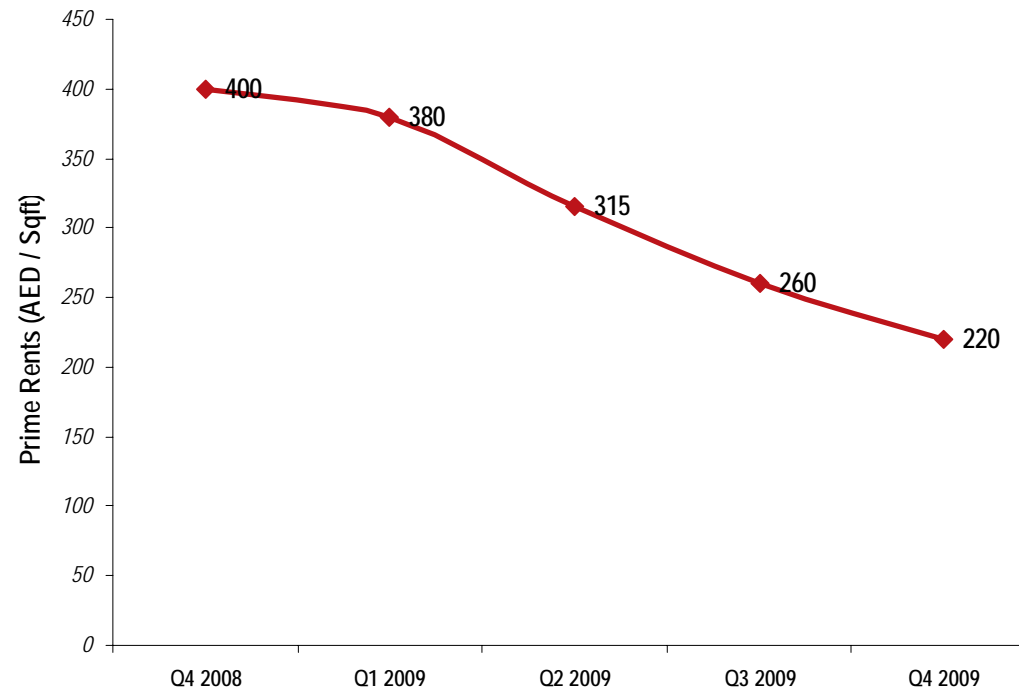
Office Supply – Current and Future Stock

- Total Office stock as at the end of 2009 is approximately 43.6 million sqft spread across various projects in Dubai
- In Q4 2008, an additional 60 million sqft of office supply was expected to enter the market between 2009 and 2011
- This figure has been revised downwards by 33% to approximately 40 million sqft due to project delays and cancellations
- City-wide vacancy rates are hovering around 33% and are expected to increase over the next year as new supply continues to be released



Historic Rental Performance

- Rents peaked at Q4 2008 and bottomed out in 2009 to around AED 200-250 per sqft
- Declined by an average of 44% between Q4 2008 and Q4 2009
- Rents fell by 15% between Q3 2009 and Q4 2009 showing a slowdown in rental decline

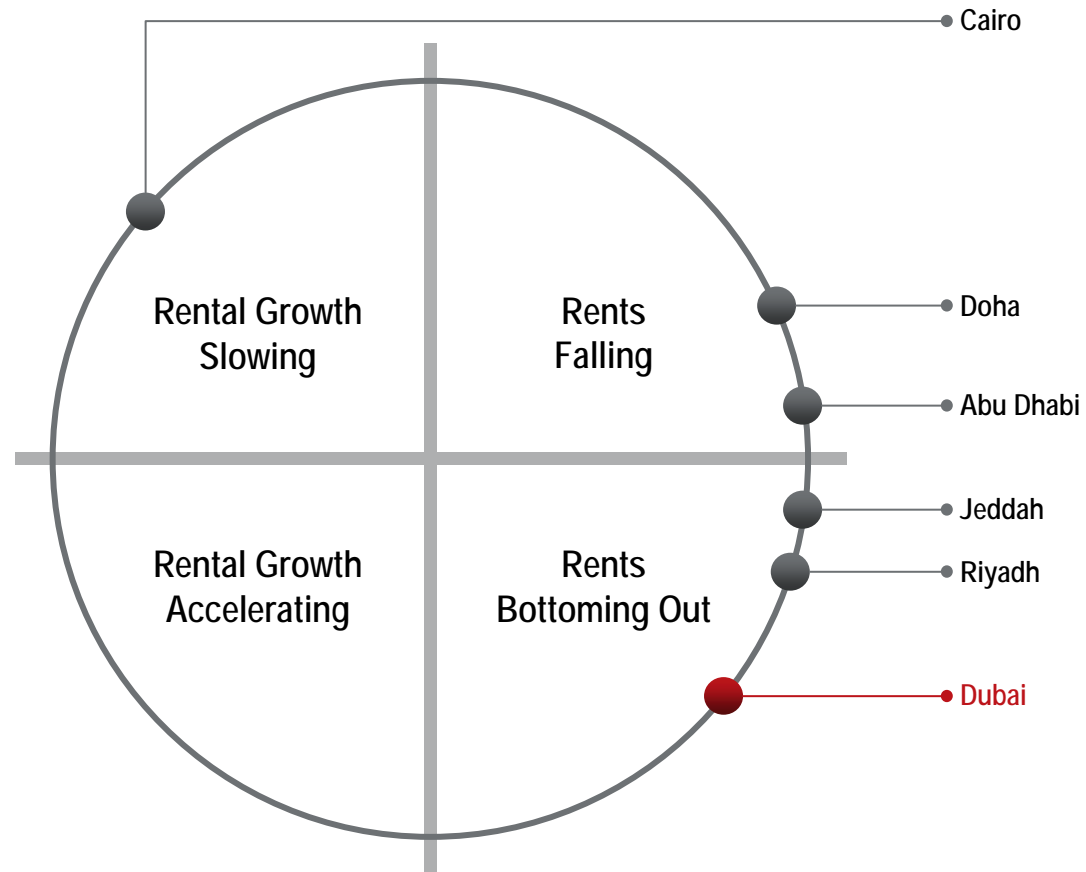


Historic Rental Performance (cont')

- Rents dropped by an average of 44% between Q4 2008 and Q4 2009, but only 18% between Q4 2007 and Q4 2009
- Rents fell by 15% between Q3 2009 and Q4 2009 showing a slowdown in rental decline
- Supply and demand balance suggests no rental growth in short to medium term

District		Average Rents (AED / sqft / pa)				
		2007	2008	End 2009	08/09 Change	07/09 Change
Prime	SZR	200-350	400-500	200-250	-50%	-18%
Prime	DIFC	300-400	450-550	300-400	-30%	0%
Prime	Burj Dubai Downtown	280-350	350-450	200-300	-38%	-21%
	JLT	n/a	n/a	75-100	n/a	n/a
	Deira / Bur Dubai	150-250	250-350	100-200	-50%	-25%
	TECOM	150-250	250-350	100-200	-50%	-25%

Regional Office Rental Clock – January 2010





Market Performance – Capital Values

- Capital Values peaked at Q3 2008 and bottomed out in 2009
- Declined by around 50% between 2008 and 2009 to approximately AED 1,320 / sqft
- Few transactions have taken place in the past 3 months
- Quarterly decline slowed to 5% between Q3 2009 and Q4 2009

District		Average Values (AED / sqft / pa)			
		2007	2008	2009	08/09 Change
Prime	DIFC	3,200	4,600	2,200	-52%
	Business Bay	1,500	2,700	950	-65%
Prime	Burj Dubai Downtown	3,500	5,000	2,150	-57%
	Jumeirah Lake Towers	1,200	1,800	720	-60%

Office Market Summary

Indicator	Level	Comment
Current Office Stock	43.6 million sq.ft	Includes all grades, i.e. Grade A, B and C
Future Supply (2010-2012)	37 million sq.ft	Supply estimates revised down by 33% since Q4 2008
Current Vacancy Level	33%	
Average Grade A Rental	AED 250 / sq.ft	
Average Grade A Sale Price	AED 1,500 – 2,500 / sq.ft	Limited transactional evidence. Asking prices down by 50% from peak

Dubai Residential Market Overview



Key Takeaways

Supply

- Nearly USD 15 billion worth of residential projects have either been cancelled or put on hold in 2009
- Total supply estimates were reduced by 60% since Q2 2008
- 17,000 units were completed in 2009 compared to 22,400 units expected at the beginning of 2009
- An additional 24,000 units are expected to be completed in 2010

Sales Transactional Data

- Total number of transactions have increased by 14% in the last six months
- Total value of transactions have stabilized as no negative growth was witnessed in the last six months
- Although the number of transactions has increased by 19% since Q4 2008, total value of transactions has declined by -10% indicating overall price declines

Performance

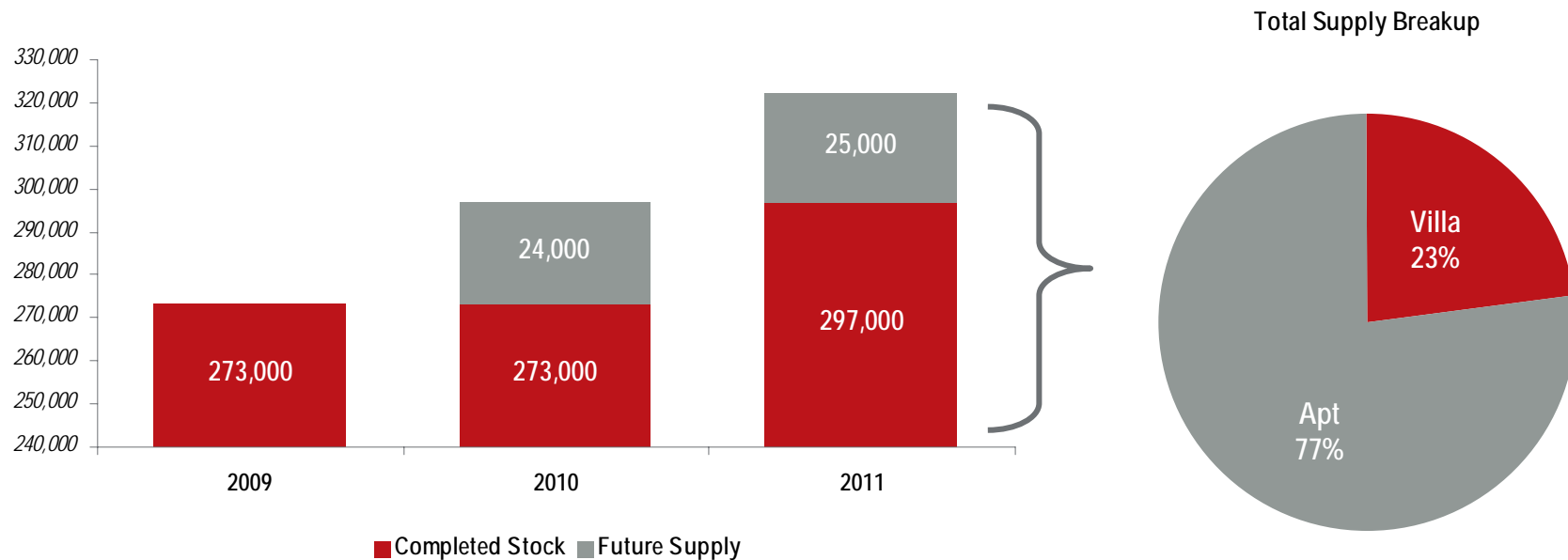
- Prices seem to be stabilizing and even increasing in select areas of Dubai
- Average price per square foot in Q4 2009 was around AED 882, down 2% from the average price of AED 901 in Q3 2009
- Apartment rents: Y-o-Y decrease of -39% and Q-o-Q increase of 3%
- Villa rents: Y-o-Y decrease of -46% and Q-o-Q decrease of -1%

Outlook

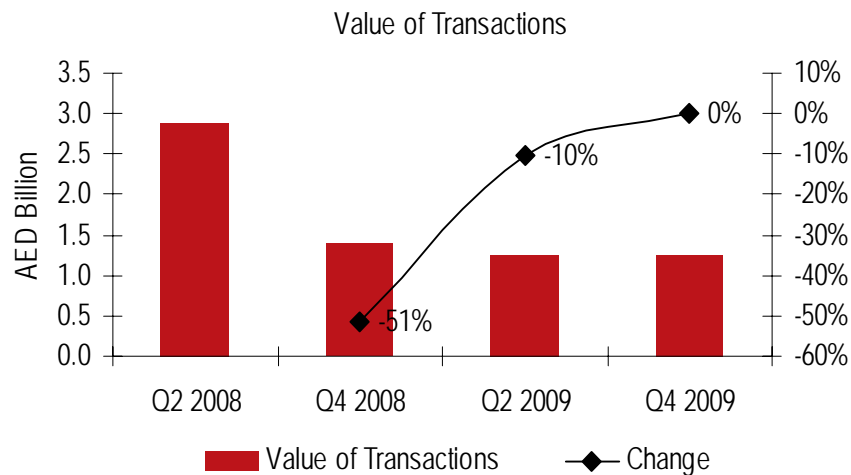
- Despite stabilization in both pricing levels and transactional volume, Dubai's residential market will experience a situation of over-supply and prices are not expected to recover fully before 2011 at the earliest
- Lending is a key factor in market recovery. Despite media reports of improved financing conditions, the value of mortgages as a % of total sales value has dropped significantly from 74% in Q1 2009 to 38% in Q4 2009

Current & Future Residential Supply

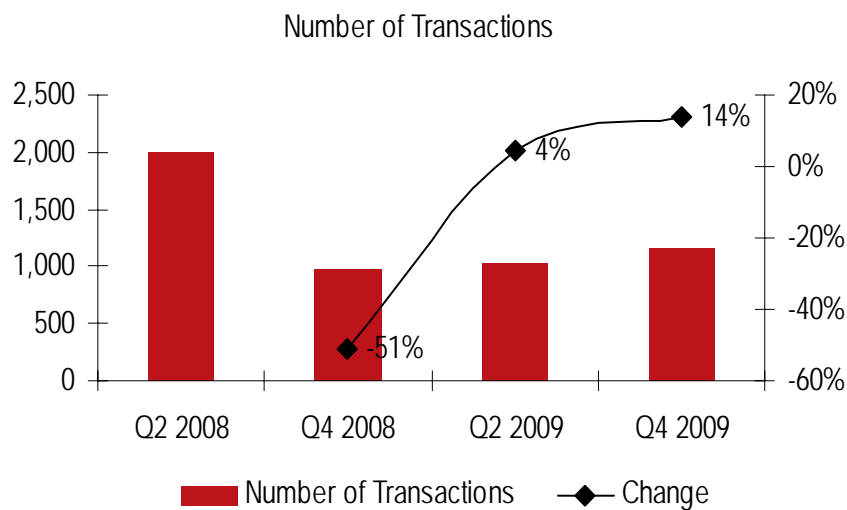
- Approximately 17,000 units were completed in 2009, bringing the total residential stock to around 273,000
- JLL supply estimates for 2009 in Q1 2009 were 22,400 units (only 76% of this has been delivered)
- 24,000 units are expected to be completed in 2010, followed by 25,000 units in 2011, bringing the total residential stock to 322,000 as at the end of 2011
- Project cancellations and construction delays decreased future supply estimates by around 60% since Q2 2008
- Apartments will comprise of 77% of total residential stock by the end of 2011



Sales Transactional Data – Pointing towards a Recovery?



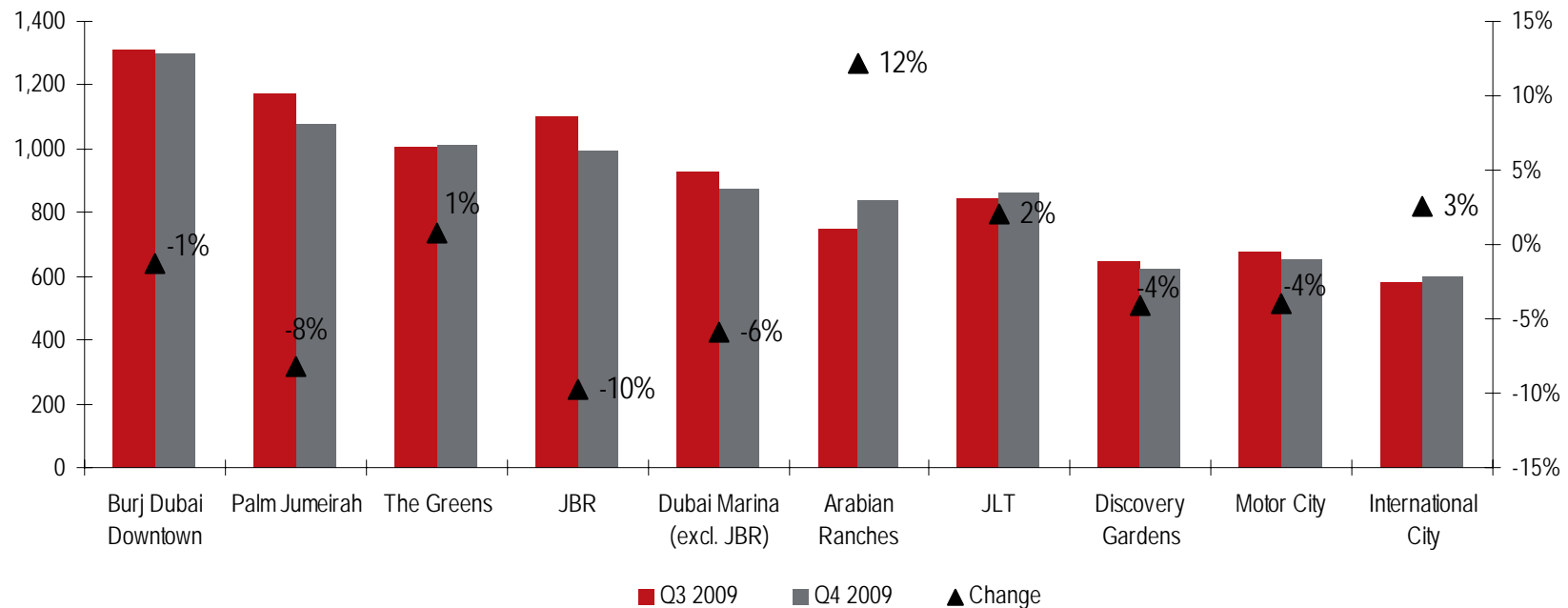
- The value of sales transactions over the last six months seems to have stabilized as no negative growth was witnessed
- The number of sales transactions has been steadily increasing over the last one year
- Although the number of transactions has increased by 19% since Q4 2008, total value of transactions has declined by -10% indicating overall price declines



	Q4 2008 – Q4 2009 Change	
Number of Transactions		19%
Value of Transactions		-10%

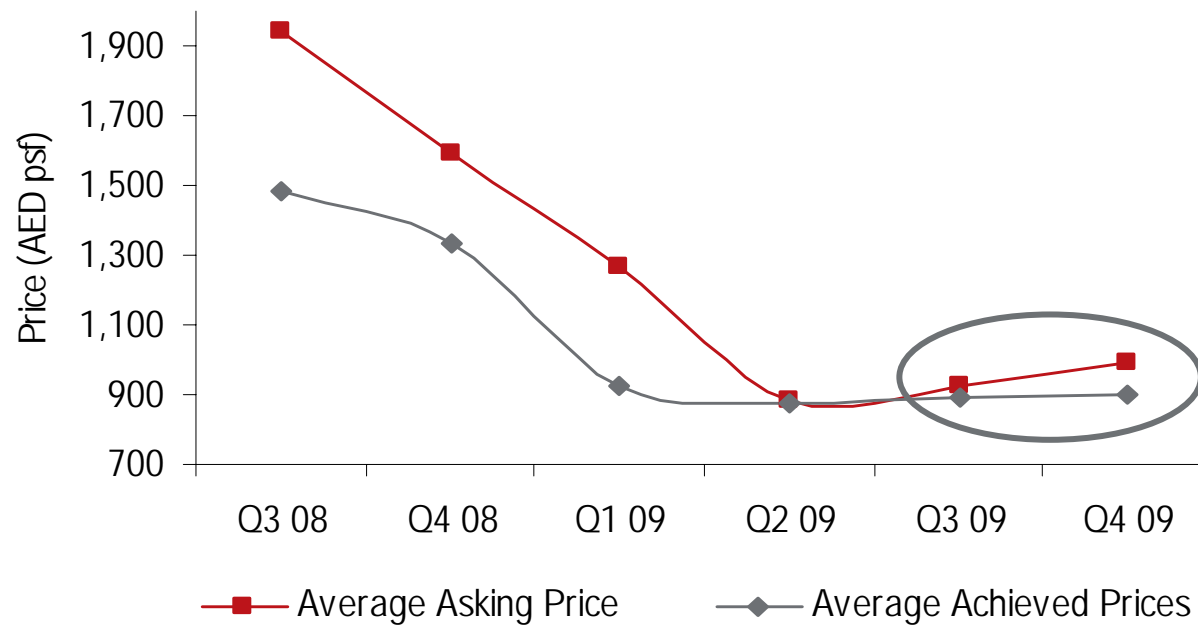
Residential Sales Performance – A Mixed Bag

- Overall sales performance in Q4 2009 revealed a mix bag with some residential areas faring better than others
- Prices seem to be stabilizing and even increasing in select areas of Dubai. While the overall market is continuing to undergo a price correction, the rate of decline has slowed
- Average price per square foot in Q4 2009 was around AED 882, down 2% from the average price of AED 901 in Q3 2009



Asking vs Achieved Prices

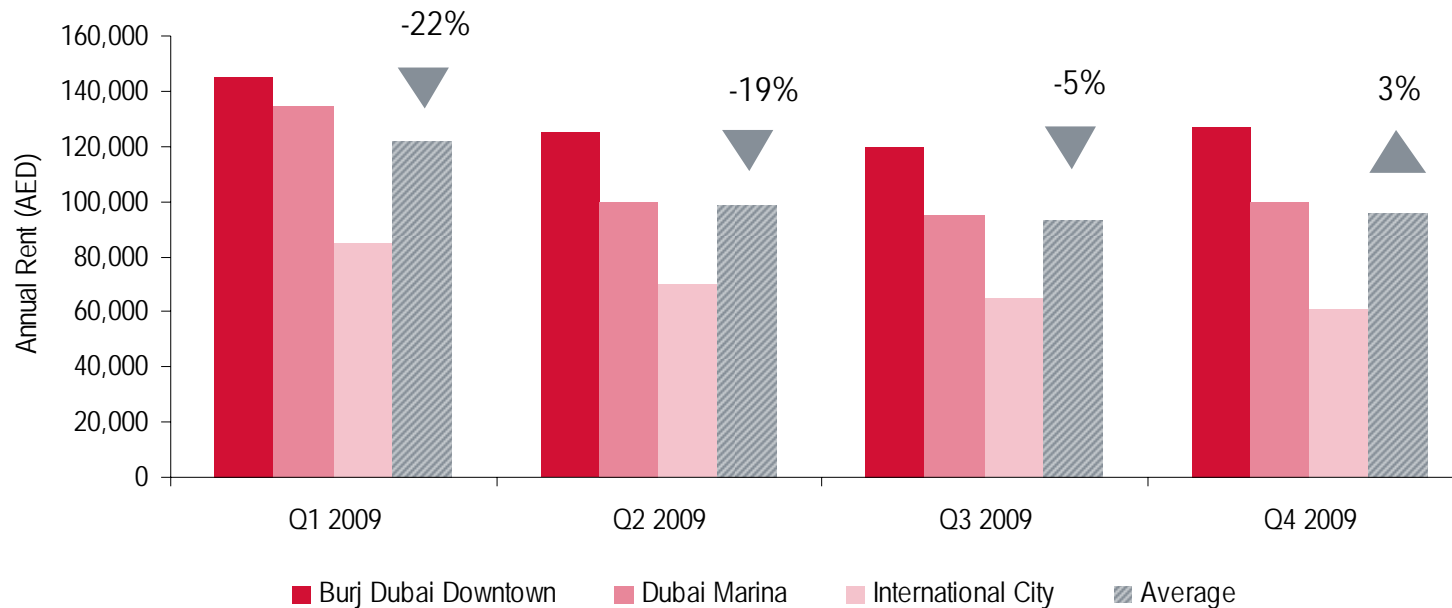
- Y-o-Y change between Q4 2008 and Q4 2009 of -38% for asking prices and -33% for achieved prices
- Asking prices increased by an average of 7% between Q3 2009 and Q4 2009 to around AED 990 psf
- Achieved prices remained the same at around AED 900 psf since Q3 2009



Apartment Rental Performance

First Signs of Rent Increases?

- Apartment rents increased marginally in Q4 2009
- Y-o-Y decrease of -39% from Q4 2008 to Q4 2009
- Q-o-Q increase of 3% from Q3 2009 to Q4 2009

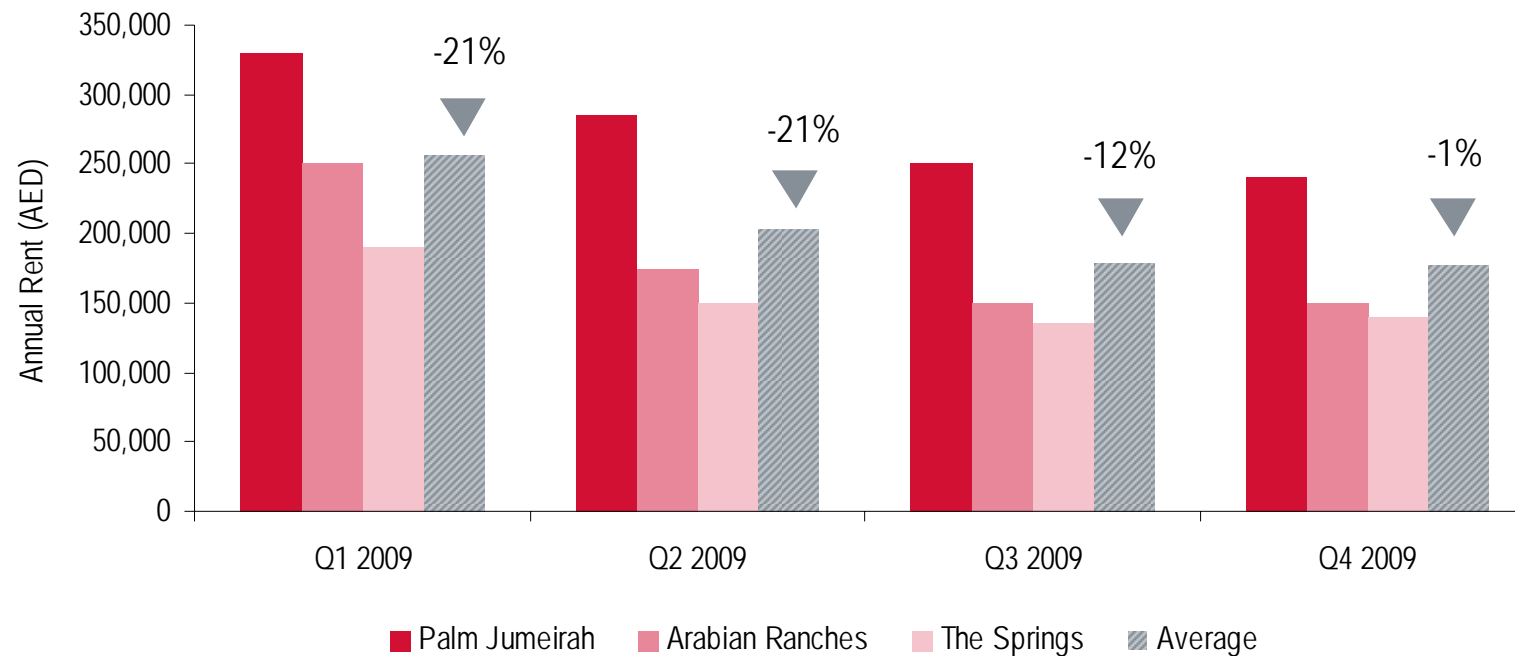


** Rents reflect typical 2 bedroom apartments*

Villa Rental Performance

Price Stabilization?

- Villa rents seem to have stabilized in Q4 2009 as there was no significant change from the previous quarter
- Y-o-Y decrease of -46% from Q4 2008 to Q4 2009
- Q-o-Q decrease of -1% from Q3 2009 to Q4 2009



** Rents reflect typical 3 bedroom villa*

Dubai Retail Market Overview



Key Takeaways

Supply

- As of Q4 2009, total mall retail supply across Dubai of approximately 24 million sqft (GLA)
- The retail supply pipeline has started to significantly tail off with delays being expected on several of the currently planned projects
- Super regional and regional malls currently account for 71% of total mall based retail space

Demand

- Retail sales are estimated to have declined by between 15-20% in 2009
- Although overall occupancy is expected to be on the lower end, it is important to note that occupancy rates in super regional and regional malls will remain well above 90% as opposed to older shopping centers, resulting in the emergence of a two-tier market

Performance

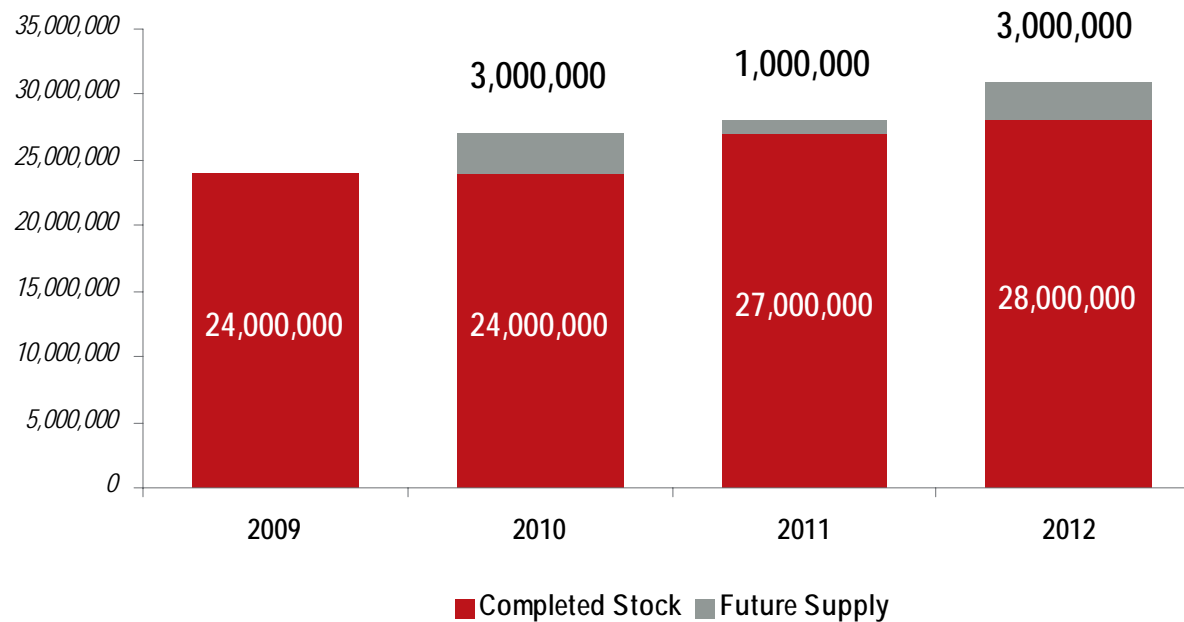
- Average Estimated Rental Value (ERV) declined by around 29% to approximately AED 264 per sqft from Q4 2008 to Q4 2009
- Average ERV's declined by 13% to from Q3 2009 to Q4 2009
- Regional and super regional malls achieve rents around 30-40% higher than other types of centers

Outlook

- The market dynamics will continue to shift in favor of tenants as rents soften and vacancies increase in some centers
- We expect to see an increase in shorter leases, break clauses and rent free periods as the market shifts in favour of the tenants

Retail Mall Supply

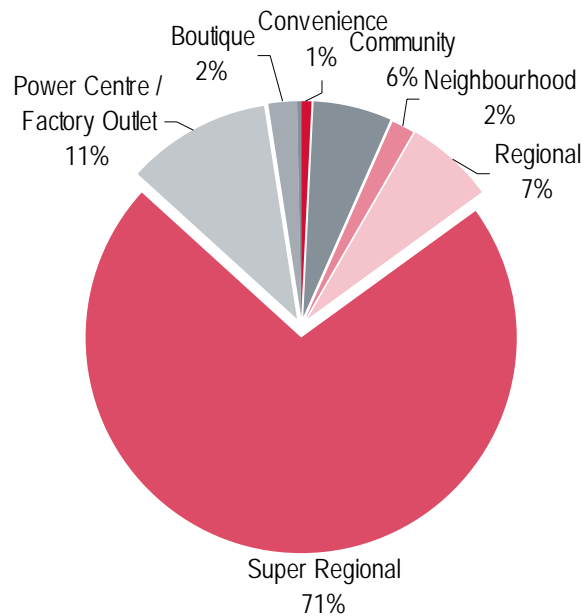
- As of Q4 2009, total mall retail supply across Dubai was approximately 24 million sqft (GLA)
- This figure has changed little over Q3 2009 as there were no major completions over the quarter
- Total mall stock is expected to reach over 27 million sqft at the end of 2010 with the major mall to open this year being the Mirdiff City Center (1.9 million sqft)
- Total mall stock as at the end of 2012 is expected to reach 32 million sqft (GLA)



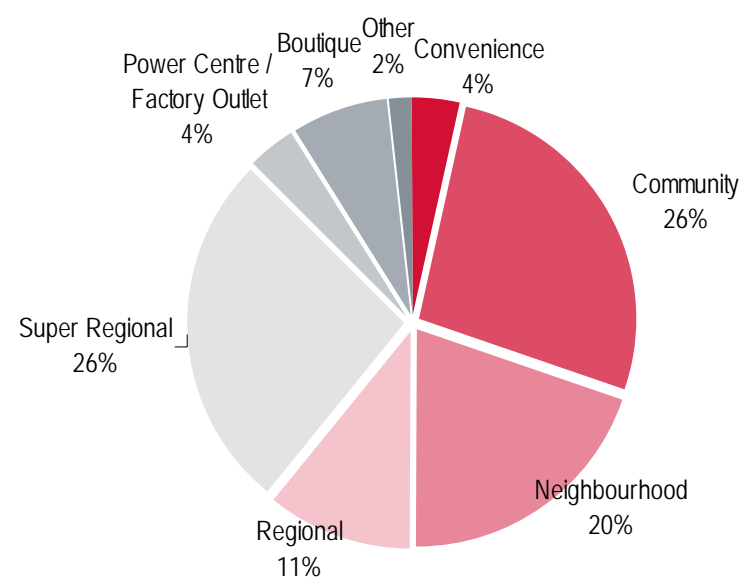
Current Supply Breakup

- Super regional and regional malls currently account for 71% of total mall based retail space and are likely to continue to dominate the Dubai retail scene over the next few years
- Although super regional malls account for majority of total retail space in terms of GLA, they only account for 26% of the total number of shopping centres in Dubai

Breakdown of GLA by Type (Q4 2009):

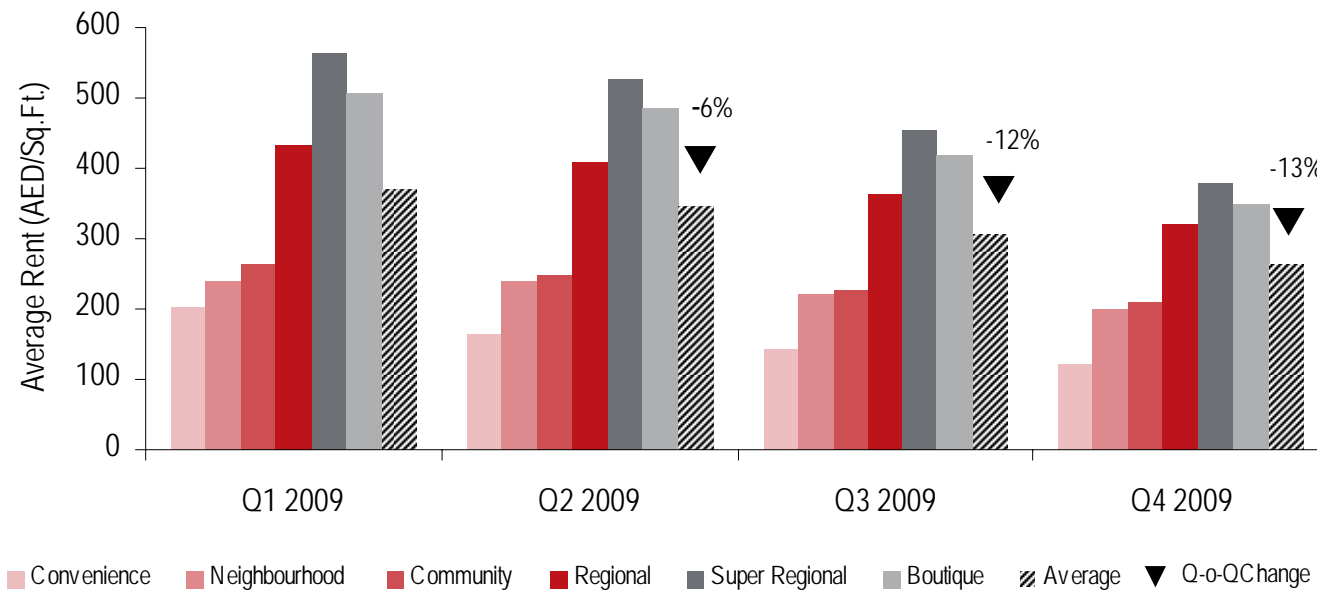


Breakdown of Shopping Centres by Type (Q4 2009):



Rental Performance – Estimated Rental Value (ERV)

- Average Estimated Rental Value (ERV) declined by around 29% to approximately AED 264 per sqft from Q4 2008 to Q4 2009
- Average ERV's declined by 13% to from Q3 2009 to Q4 2009
- Regional and super regional malls have rents that are usually around 30-40% higher than the average rents
- The shift in power from landlords to tenants will result in increasing incentives for tenants
- This will negatively affect rental incomes, but may benefit owners by allowing them to retain tenants that would otherwise close stores in the face of falling footfall and turnover





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