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# Top ***Trends*** for UAE Real Estate in 2011

13 March 2011



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- With 2010 global revenue of US\$ 2.9 billion, Jones Lang LaSalle serves clients in 60 countries from 750 locations worldwide, including 180 corporate offices.
- We are one of the only real estate services firm to have been named as “World’s Most Ethical Companies” List by the Ethisphere Institute for the third consecutive year (2008–2010).

## Jones Lang LaSalle MENA

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- US\$ 200 billion Real Estate Advisory.
- US\$ 1+ billion Real Estate Fund / Transactions.
- Full service offices in **Dubai, Abu Dhabi, Jeddah, Riyadh, Cairo** and **Istanbul**.
- Dedicated team for **Morocco, Maghreb** and **Levant**.



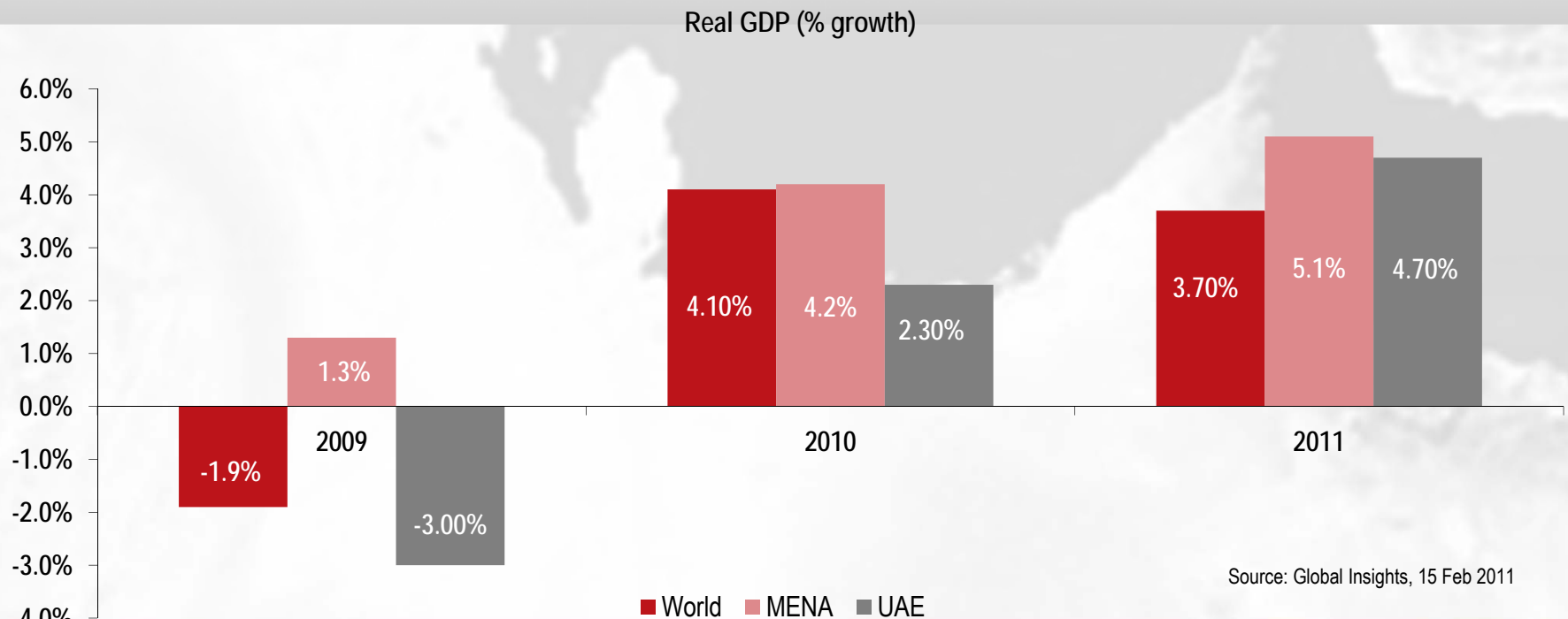
# Top Trends for UAE Real Estate in 2011

# 2011: Forecasting Amid Regional Political Shifts

Strategic importance of the region within a broader global context

Strong long term fundamentals of the region

Recent events reinforce the strategic importance of the UAE in region and solidifies the UAE's position as a regional hub



# 11. Infrastructure is key driver for real estate recovery

Investment in world class transport infrastructure will create demand for world class real estate

- Transport infrastructure improvements completed over the last few years will increase the attractiveness of Dubai and Abu Dhabi in 2011.
- Over US\$ 45 billion of future announced transport infrastructure projects places the UAE among the highest level of spending per capita in the world.
- Major long term investments (including the Union Railway, Dubai Metro Green Line, Abu Dhabi Metro, and further extensions to the three existing international airports) will further improve internal access and global connectivity.
- Infrastructure investment extends beyond major urban centers with recently announcements in the Northern Emirates (US\$ 1.6 billion).



# 10. From Competition to Coordination

Greater integration amongst the emirates will benefit UAE real estate markets

- Complementary markets enhance UAE's competitiveness.
- Transfer of regulatory and legal knowledge will strengthen UAE's attractiveness.
- Strong synergies benefit the broader UAE economy (i.e. repositioning Sowwah Square as corporate headquarters which DIFC remaining focus for financial services).
- Fiscal Support: Dubai World debt restructuring in 2010 (US\$ 9.5 billion).
- Physical integration: Union Rail Project will increase connectivity over the longer term (US\$ 11 billion).
- Economic rebalancing: Northern Emirates investments to top (US\$ 1.6 billion).
- Economic diversification into manufacturing and IP based industries.
- Result: Greater economic stability and job growth to support real estate.






# 9. Transaction levels to remain subdued in 2011

UAE misses out on increased global capital flows

- Increasing investor interest in UAE market in 2011; however, transaction activity in 2011 will be constrained by shortage of investment grade stock offered to the market at realistic prices.
- Lack of suitable investable product will limit UAE's ability to attract its share of increased global capital flows in 2011.
- Unrealistic prices limiting transaction volumes and leading to capital outflows by local investors seeking lower risk / higher returns.
- Demand focussed on assets offering long term secure income stream and in non-traditional asset classes (logistics, medical, education).
- Increased liquidity in residential mortgage market, but institutional funds remain tight.

Increased interest ~~≠~~  
increased sales

Total Value of Real Estate Transactions (US\$ billion)

	2009	2010	% Change	2011 (forecast)
Global	404	582	+44%	
UAE	2.3	1.5	-35%	
% of Global	0.6%	0.3%	N/A	

• All sales over US\$ 10 million  
Source: Real Capital Analytics

## 8. Light Industrial / Logistics Offers Low Risk & Stable Yields

Investor and occupier demand for quality product in 2011

- Buoyed by strong oil prices, leads to reinvestment within the UAE and a source of stable long term job growth.
- UAE is the favored location for light industrial / logistics occupiers in the MENA region.
- Occupier demand focused on locations offering multimodal logistics networks (air, sea and rail).
- Investor interest strongest for securely leased, institutional grade product.
- Development of light industrial / logistics sector reflects UAE's refocus on trade.
- Investor appetite constrain by lack of suitable stock.
- Emerging opportunities across the UAE.



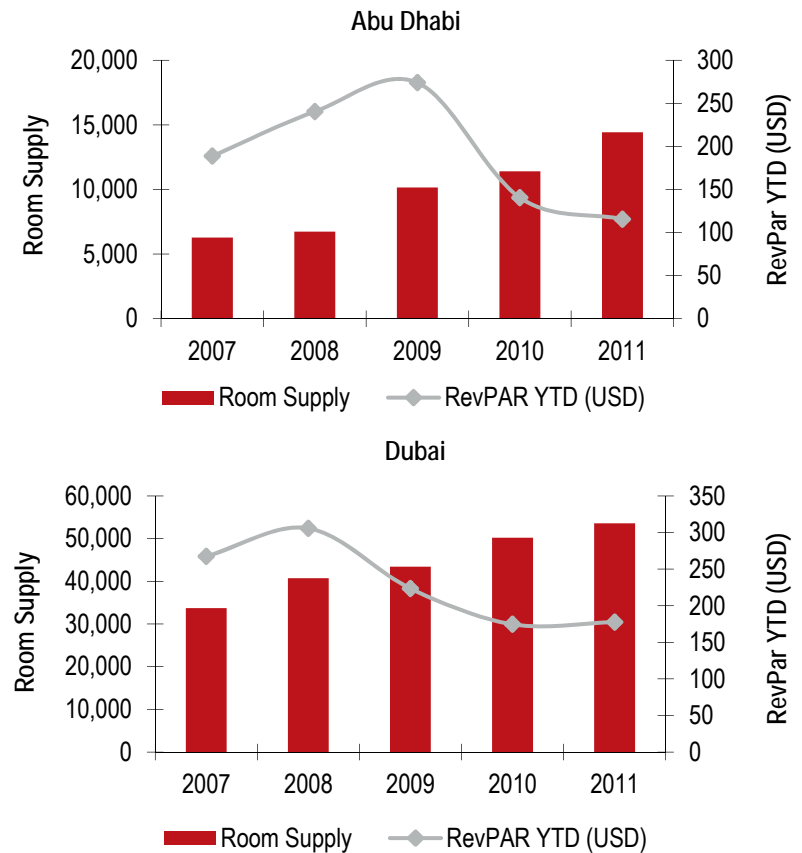


# 7. From Return on Ego to Return on Equity

Hospitality industry will become more focussed on optimising financial performance

- Financial performance will drive decision making in hotel sector in 2011.
- Repositioning of old 5 star hotels to compete with new flagship properties.
- Increased focus on asset management.
- Broadening of Dubai market with more budget hotels.
- Dubai hotel market to stabilise in 2011 while Abu Dhabi hotel market will continue to soften.

First sector to recover

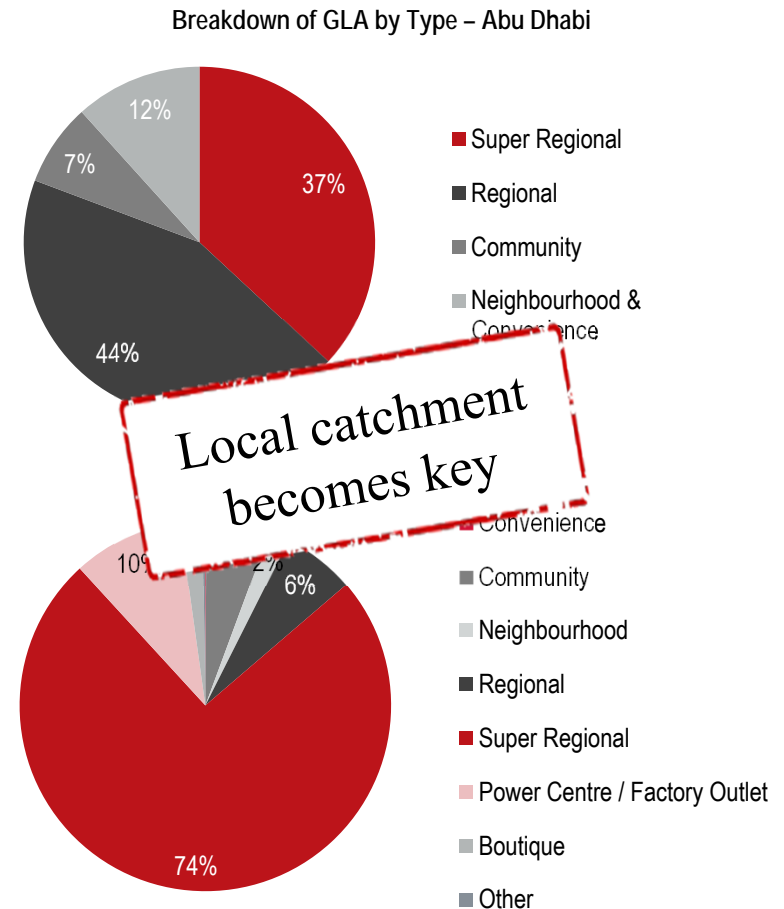


Source: Jones Lang LaSalle Hotels

## 6. From Super Regional Malls to Community Centres

Market to focus on serving the needs of residents in their local communities

- UAE market one of highest for super regional retail space per capita; built as entertainment focussed destinations and driven by tourism.
- Market for super region and regional malls moving to saturation, next trend is creating community retail centres to best serve needs of residents in their own communities.
- Municipalities throughout the UAE have encouraged more sites to be developed for community and convenience retail centres.
- Some centres planned as regional are now being repositioned to better serve their local community.
- Increased emphasis on convenience retailing / food and beverage.
- Trends occurring across UAE: Abu Dhabi, Dubai, Fujairah, Ras Al Khaimah, and Sharjah.

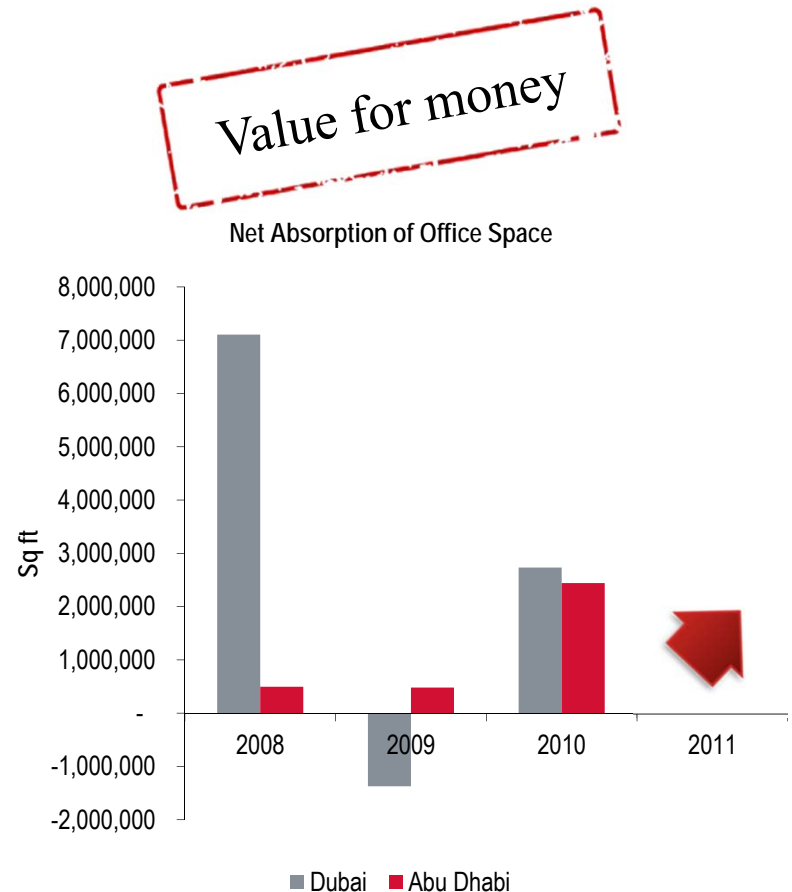


Source: Jones Lang LaSalle

# 5. Increased Office Leasing Activity

Availability and affordability will drive growth in demand for offices in 2011

- Tenants adopting long-term view and moving to take advantage of favourable market conditions.
- Existing occupiers consolidating / upgrading to better quality space.
- Increased absorption is set to continue and positive indicator of job growth.
- However, this positive trend will continue to be overshadowed by oversupply.
- Extensive supply of Strata buildings limits choice for investors and occupiers.
- Examples of major deals in 2011:
  - Technip (Abu Dhabi)
  - Standard Chartered Bank (Dubai)

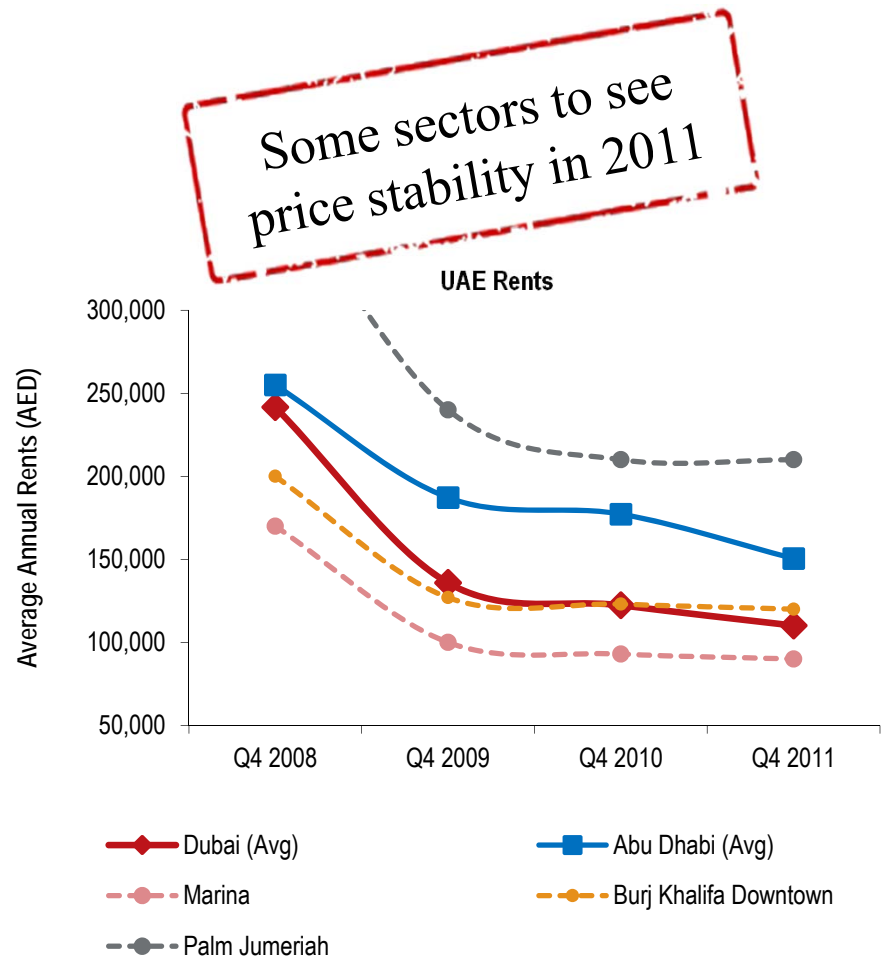


Source: Jones Lang LaSalle

## 4. Selective Stability in Residential Market

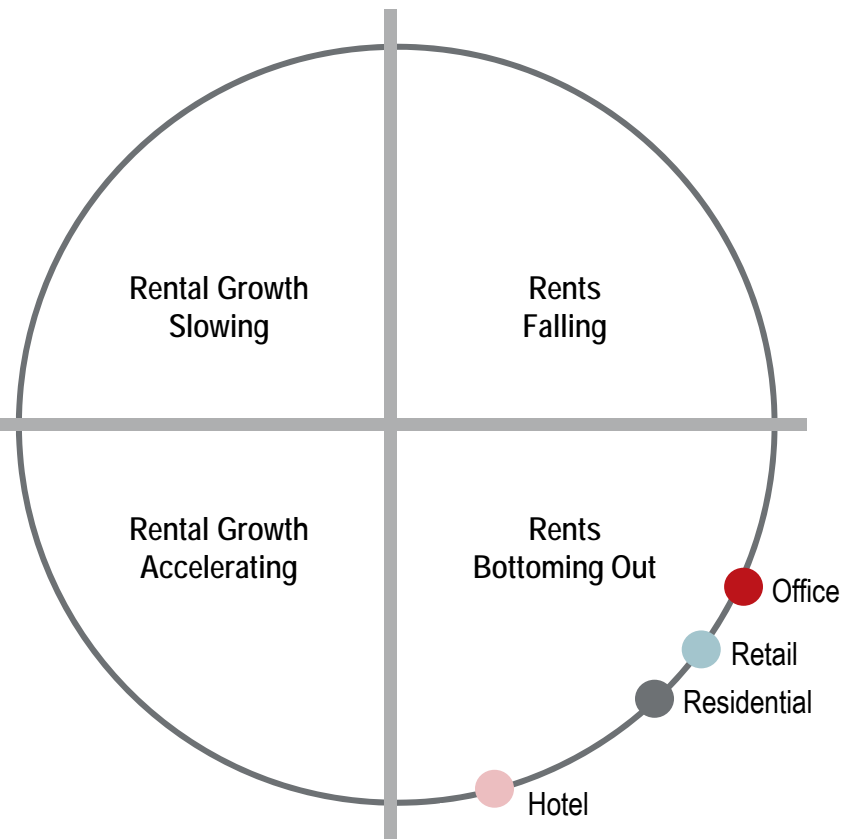
Some asset / locations bottoming out in 2011

- Declining rents will continue to directly / indirectly stimulate demand for residential units.
- Sale prices will stabilise in selected assets / locations in 2011, but will continue to decline in less established locations and for oversupplied segments.
- Increased interest in 'en block' sales from private investors.
- Sale volumes currently hindered by unrealistic price expectations and high cost of finance.
- Mortgages availability has recently improved, but may flat line due to regulatory changes.
- Demand in 2011 will be limited by economic uncertainty / job insecurity rather than mortgage trends.
- Service charges and quality of management will become key drivers of demand and price trends.



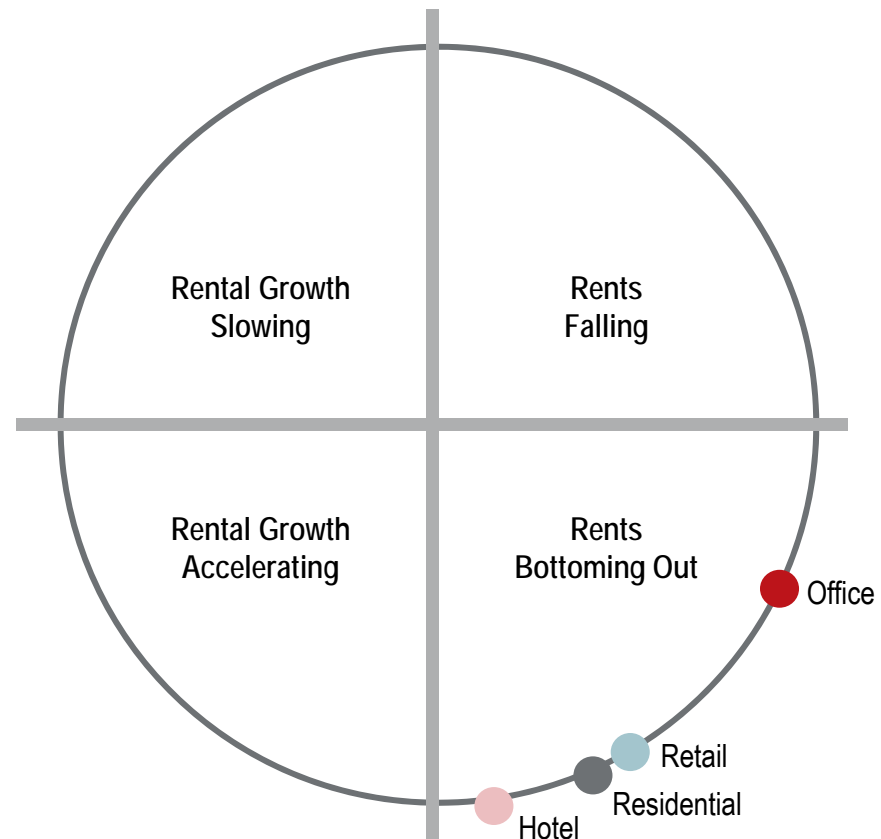
### 3. Market Directions – Dubai

Q1 2011



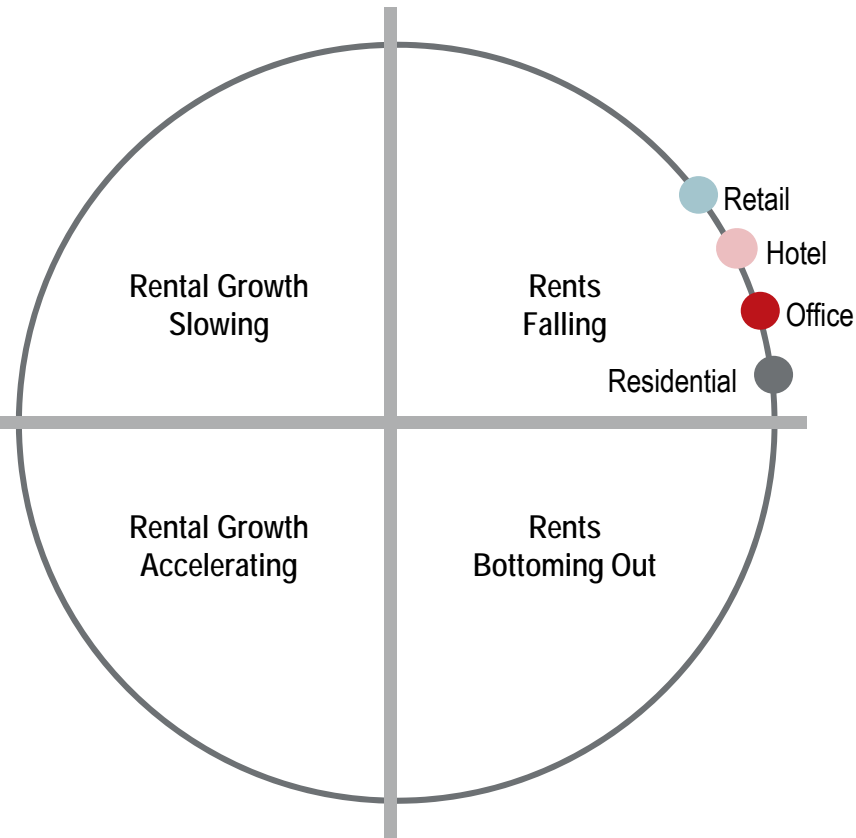
Source: Jones Lang LaSalle

Q1 2012

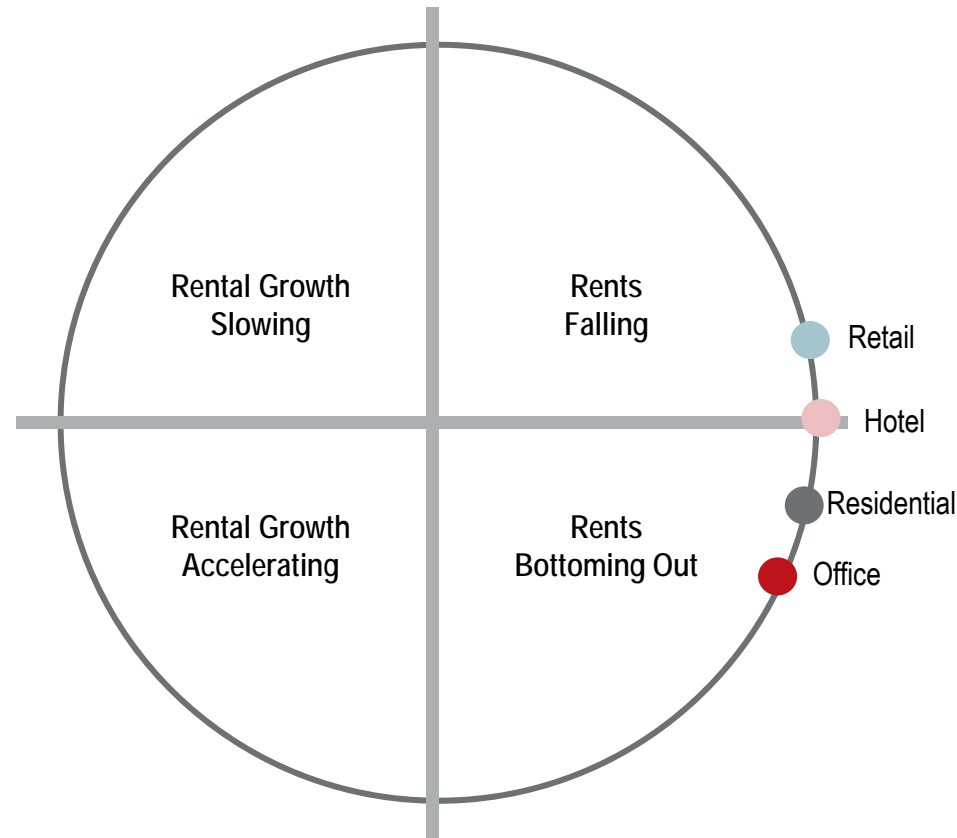


### 3. Market Directions – Abu Dhabi

Q1 2011



Q1 2012



Source: Jones Lang LaSalle

## 2. Lower supply than anticipated to help smooth out cycle

Supply projections declining across all asset classes

- Tighter government control has resulted in official cancellation of 115 projects by RERA.
- Decreased liquidity to real estate sector is impacting developers ability to complete projects.
- Consistent declines in supply pipeline projections .
- Dubai past the peak: 2011 to see lower new supply than 2010 in residential, retail and hotel sectors – with similar levels of completions likely in the office sector.
- Oversupply in most sectors, leading to two-tier market.
- Selective stability - quality will differentiate supply.

Supply pipeline  
past the peak

Dubai New Supply			
	2010	2011	
Office (sq m)	1,115,000	1,115,000	→
Residential (units)	36,000	25,000	↓
Retail (sq m)	205,000	140,000	↓
Hotels (rooms)	7,700	3,400	↓

Abu Dhabi New Supply			
	2010	2011	
Office (sq m)	353,000	508,000	↑
Residential (units)	5,600	25,000	↑
Retail (sq m)	165,000	331,000	↑
Hotels (rooms)	1,250	3,000	↑

Source: Jones Lang LaSalle

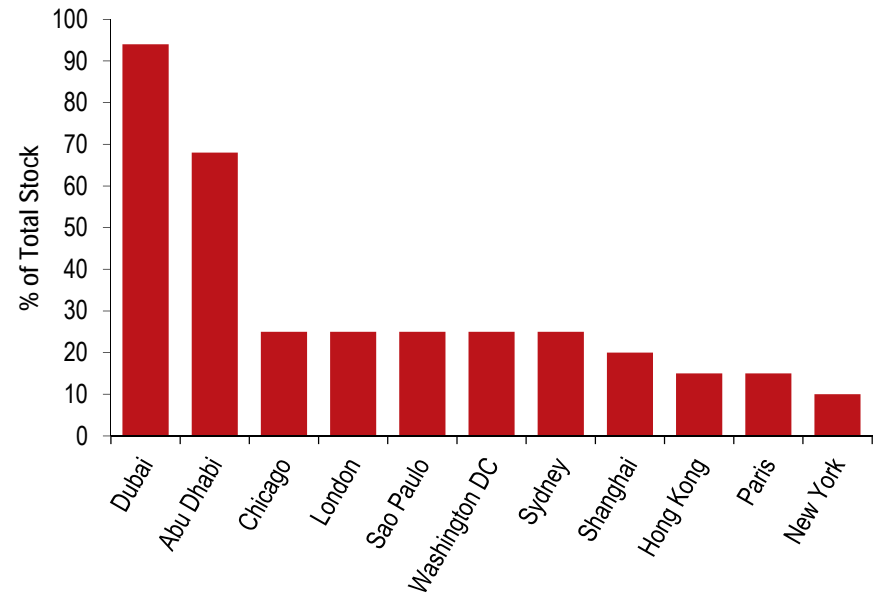
# 1. Property / Asset management is #1 risk for real estate

Quality of management will differentiate the winners from the losers

- Property and Asset Management – not just supply – is the primary risk for UAE real estate.
- UAE offers newest office stock of any major market.
- New buildings represent substantial capital assets requiring professional management.
- Longer life expectancy is required to maximise returns to owners.
- Demand for both asset management (focus on investment returns) and for property management (maximising revenues and minimising costs) becomes key.
- When evaluating opportunities, investors will seek reassurance that buildings are well managed to ensure values will be preserved.

**Management becoming critical**

Percentage of Office Stock Completed 2000–2010



Source: Jones Lang LaSalle



# Jones Lang LaSalle's – *Eleven in '11*

11. UAE to benefit from completed transport infrastructure
10. Increasing functional harmony between Dubai and Abu Dhabi
9. Transaction levels to remain subdued
8. Light industrial / logistics offering low risk – stable yields
7. Retail focus to shift from regional malls to community centres
6. Hotel sector to focus on performance and repositioning
5. Increased office leasing activity in 2011
4. Selective stability in specific residential assets / locations
3. Declining rents / prices will make most sectors increasingly tenant favourable in 2011
2. Supply projections falling in most sectors
1. Primary risk for real estate is property and asset management, not supply

Q & A



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