

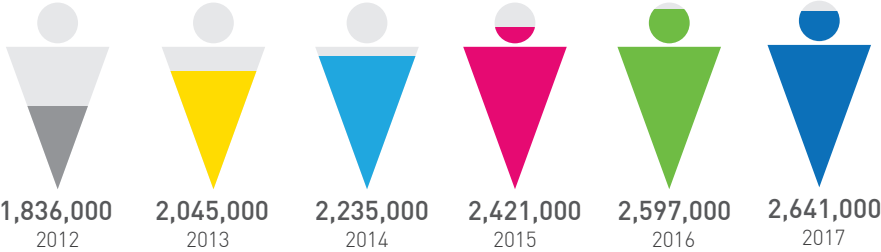
ValuStrat[™]

4th
QUARTER
REVIEW
2017

Qatar Real Estate Market

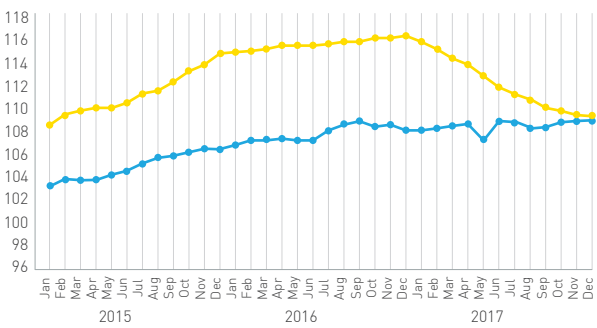
MacroEconomicSnapshot

- Qatar’s 2018 overall budget of QAR 203.2 billion has been approved, representing a 2.4% increase over the previous year
- The 2018 budget follows Qatar 2030 National Vision, which will have an increase in infrastructure spending of 19.1% and an operating deficit of QAR 28.1 billion
- A total of QAR 122 billion has been allocated for new and major projects, with focus on World Cup related developments and sectors such as food security, tourism, SMEs and economic/free zones
- Population is estimated at 2.64 million, with a five-year average growth rate of 7.6%



Qatar Population
Source: Ministry of Development Planning & Statistics

Consumer Price Index vs. Housing Index January 2015 – YTD



● Consumer Price Index (2013=100)
● Housing, Water, Electricity, Gas and other fuels
Source: Ministry of Development Planning & Statistics

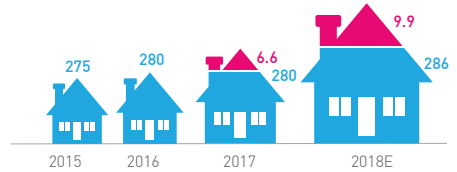
- The Real Gross Domestic Product (GDP) increased 1.9% YoY (QAR 208.9 billion), driven by growth in non-hydrocarbon sector of 3.6% YoY in Q3 2017
- During the first two months of Q4 2017, oil export revenue and imports expanded by 17.7% YoY and 7.2% YoY respectively
- Qatar Central Bank did not follow US Fed Funds rate hike in December, keeping lending rate at 5% and deposit rate at 1.5%
- During Q4 2017, the Consumer Price Index (CPI) increased 0.3% YoY and 0.3% QoQ. Transport, Education, Food & Beverage and Health were the main drivers of quarterly inflation
- Housing and Utility Expenses Index decreased 5.6% YoY and 1.2% QoQ

Residential Supply

- For 2017, estimated total new supply of residential apartments and villas stood at 6,625 units, representing 75% of the anticipated supply at the start of the year
- The estimated number of apartments completed during the year reached 5,075, while villas totalled 1,550
- 2018 pipeline is expected to have 56% of residential units pending delivery to be catered towards high-end markets in The Pearl, West Bay and Lusail
- Al Mirqab Real Estate launched a housing complex in Lusail, comprising 429 units consisting of one, two and three-bedroom apartments

Qatar Residential Supply 2015-2018

('000 UNITS)



■ Existing ■ Expected Supply*

* May be subject to significant downward adjustment depending on construction delays

Source: Ministry of Development Planning & Statistics, MEED Projects, ValuStrat

Residential Demand

- As per Q3 2017 Labour Force Survey published by the Ministry of Development Planning & Statistics (MDPS), employment increased by 3.2% QoQ and the average salary was QAR 10,729. Additionally, the total labour force (15 years and above) has been estimated to be 2.049 million. Male workers aged 25-34 years represented the highest percentage participation rate
- Residential occupancy remained within 75%-80%, due to stagnating population growth and influx in residential supply
- The government ratified a draft law which will allow non-Qatari ownership of residential properties in specific areas and with conditions of controlling measures
- Although headline rents of residential properties in Doha continue to decline to make properties more affordable, there is an under supply of mid-income housing with monthly rents ranging from QAR 3,500 to QAR 5,000



Residential Prices

- Median transacted prices increased by 7% QoQ and remained stable YoY
- QoQ increase in median transacted prices can be attributed to larger ticket sizes of housing transactions experienced in areas such as Al Thumama, Al Aziziyah, Umm Salal Ali, Wukair, Umm Karn
- Transactional volumes increased by 21% QoQ, although there was a fall of 19% YoY
- The median asking price for freehold apartments in The Pearl was QAR 14,900 per sq m (ranging from QAR 12,000 to QAR 18,000), a 2.3% QoQ decline
- Asking prices for apartments in Lusail ranged from QAR 11,000 to QAR 16,500 per sq m. The median in Lusail was QAR 11,800, down 2.5% QoQ

Residential Median Transacted Prices



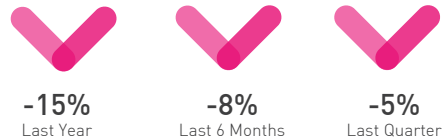
Source: Ministry of Justice, ValuStrat



Residential Rents

- Residential monthly asking rents declined by 15% YoY and 5% QoQ
- Downward correction of rents in prime locations has forced rental falls in secondary locations (such as Al Wakrah, Muaither, Al Mansoura and Al Aziziyah) by 8% QoQ
- Median monthly asking rents for villas fell 16% YoY and 11% QoQ. High-end locations such as West Bay Lagoon and Al Waab experienced rental declines of 8% QoQ
- Median monthly asking rents for apartments fell by 15% YoY and 3% QoQ
- Typically, a two-bedroom apartment in The Pearl can be leased monthly from QAR 10,000 - 18,000 and in Lusail from QAR 6,500 - 9,500

Residential Median Asking Rents



Source: ValuStrat

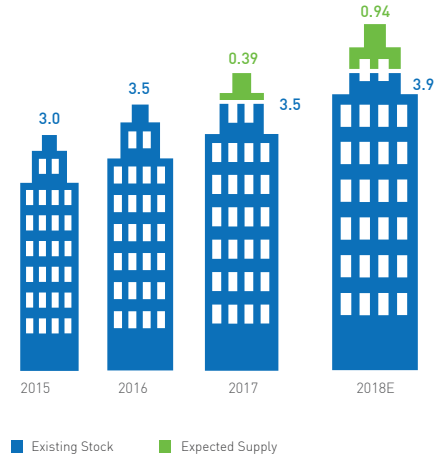


OfficeSupply

- 2017 began with an estimated 3.5 million sq m Gross Leasable Area (GLA)
- Only 52% of the anticipated 750,000 sq m office GLA was completed during the year
- Three office buildings were completed in Lusail (Marina Commercial 11), Fereej Bin Mahmoud and Al Mansoura, adding 70,000 sqm GLA during Q4 2017
- Supply projection for 2018 has been adjusted upwards to 940,000 sq m accounting for delayed deliveries from 2017
- Upcoming office stock currently under planning or construction stages totalled 1.45 million sq m GLA, 65% of which is located in Lusail (Marina District and Energy City), 17% in Al Rayyan Municipality (D Ring and Al Waab) and 16% in Doha Municipality (C Ring, New Doha, Umm Ghuwailina and Musheireb)

Qatar Office Supply 2015-2018

(Million sq m GLA)



Source: MEED Projects, ValuStrat



OfficeDemand

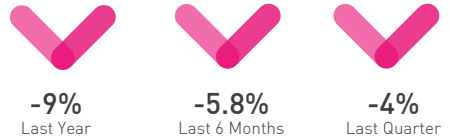
- As per Labour Force Survey and ValuStrat research, an estimated 7.3% of the total population are office occupiers
- Based on the above estimation, it can be assumed that 2.8 million sq m office GLA is occupied
- Qatar may witness a potential oversupply of above 1 million sq m GLA in the medium term due to slowing demand
- Multinational companies shifting their offices to Qatar Financial Centre (Free Zone) due to regional uncertainty and to ease operational procedures



OfficeRents

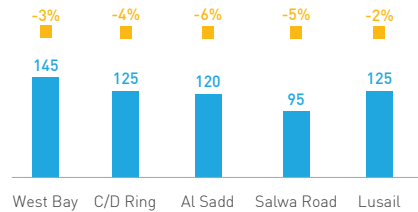
- Median asking rents declined 9% YoY and 4% QoQ. Al Sadd experienced the steepest quarterly fall compared to all other commercial areas by 6%
- West Bay median monthly asking rents priced at QAR 145 per sq m. As per ValuStrat's research, average occupancy in West Bay was between 65%-70%
- Median monthly asking rents were at QAR 125 per sq m in C/D Ring Road followed by QAR 120 per sq m in Al Sadd and QAR 95 per sq m along Salwa Road
- Citywide declines in rents and increasing vacancy has resulted in delays of project handovers. Increased competition was recognised by two aspects: newly developed vs older units and primary vs secondary locations

Office Median Asking Rents



Source: ValuStrat

Office Median Asking Rent (QAR/sq m) and Quarterly Rental Change



■ Median Asking Rate (QAR/sq m) ■ Quarterly Change (%)

Source: ValuStrat

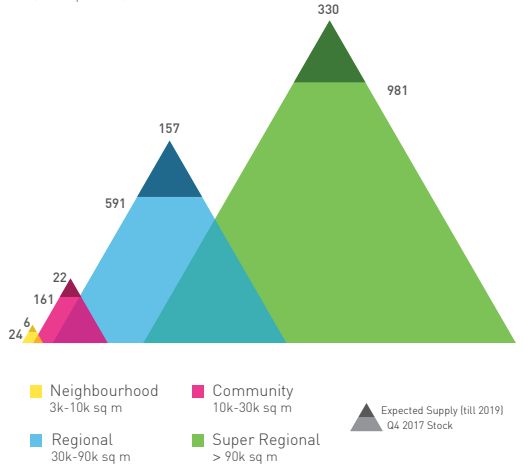


RetailSupply

- Tawar Mall in Duhail was completed and once officially opened is expected to feature 300 retail shops, restaurants, an indoor souq and trampoline park
- Al Bandy Real Estate opened 46,000 sq m B Square Mall in Al Thumama. The mall features 44 retail stores and an entertainment area
- Total shopping centre GLA increased by 60% during 2017 when compared to the last year, with 1.75 million sq m as of Q4 2017
- Based on GLA and population figures, shopping centre GLA of Qatar is 664 sq m per 1,000 capita compared to the GCC average of 560 sq m

Retail Malls & Shopping Centres

('000 sq m GLA)



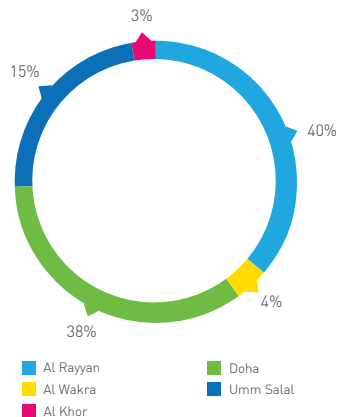
Source: ValuStrat



RetailPerformance

- E-Commerce is set to play a key role in the overall Qatar retail market, volume of e-trade as of end of December estimated at QAR 4 billion with 1,500 companies working in this sector
- Footfall in Super Regional and Regional malls remained stable and averaged at 1.75-2.25 million for the quarter
- Average rents for line shops in prime retail properties remained relatively stable at QAR 300 per sq m
- Retail sector is expected to see hikes in supply in the medium term, outstripping population growth, which may put downward pressure on rents

Distribution of GLA of Shopping Centres/Malls Across Municipalities



Source: ValuStrat

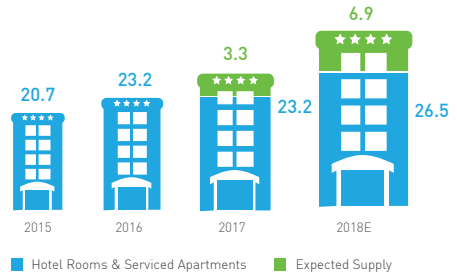


HotelSupply

- Total number of hotel rooms and apartments stood at 26,550 units within 145 establishments
- Notable completions included Time Rako in Al Wakrah (112 keys), Al Thuraya Tower in West Bay (292 keys), Victoria Hotel in Musheireb (100 keys) and Golden Tulip Doha in Al Salata (193 keys)
- 2018 supply has been adjusted upwards to 6,900 rooms due to delayed deliveries from the past two years
- Minor Hotels to build two properties in Doha and one in Al Wakrah to add 350 keys by 2018
- A new luxury waterpark and four-star hotel in Qetaifan Island Lusail were announced by Katara Hospitality to be completed in 2020

Hotel Room Supply 2015-2018

('000 KEYS)



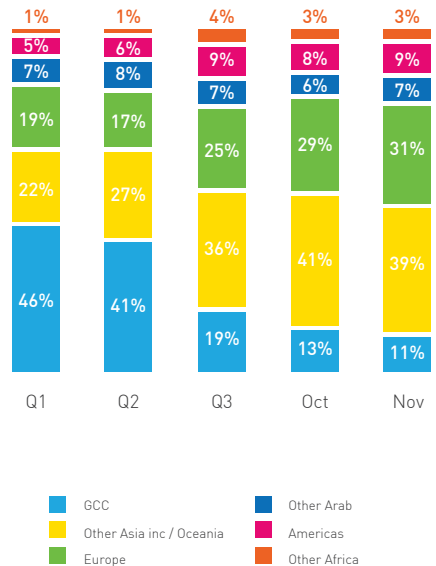
Source: MEED Projects, ValuStrat



HotelPerformance

- Due to success of 96-hour transit visa stopover package in drawing tourists, Qatar Tourism Authority (QTA) expanded it to include tourists from travel operators and extended it till the end of 2017
- Tourists via sea routes doubled compared to 2016, due to developments at the port
- Total number of visitors November YTD was 2.085 million, indicating a 21% YoY decline
- Hotel apartment occupancy has increased by 4.8% YoY, driven by an 8.5% annual growth from the deluxe hotel apartment segment
- With an 8% annual increase in hotel rooms stock, Average Daily Rate (ADR) declined 7.5%, Revenue per Available Room (RevPAR) down 15%, and occupancy fell 8%
- Amid regional challenges, the hotel sector suffered with visitors from GCC countries falling 42% as compared to the same period in the previous year. Other Arab countries declined 26% and Asian Countries dipped 2%. Although, there was an increase in visitors from Africa (41%), Europe (12.6%) and Americas (0.58%)

Source of Qatar's Visitors by Region Jan - Nov 2017



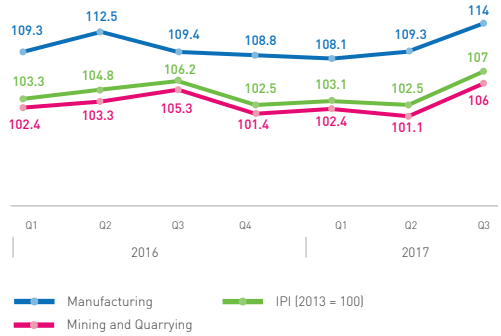
Source: Ministry of Development Planning & Statistics, ValuStrat



IndustrialSupply

- Manufacturing output displayed strong expansion during Q3 2017, increasing by 3.9% QoQ and 3.8% YoY
- The government allocated QAR 2.5 billion investment and at least 500,000 sq m of land in Umm Alhoul Economic Zone and New Industrial Area for 63 local and international companies selected for "Own Your Own Factory in 72 Hours"
- Qatar Industrial Manufacturing Company (QIMC) announced a logistic warehouse project in Aba Saleel which upon expected completion in 2018 will add 37,800 sq m of warehousing space
- Agricultural Marketing Centre was launched in Al Mazrouh with over 25,000 sq m of land, which will facilitate manufacturing, distribution and storage of local agricultural products
- With 2018 supply projection of more than 500,000 sq m GLA of warehousing space and approximately 55 factories, rental rates for industrial properties may come under pressure

Industrial Production Index Q1 2016 - YTD



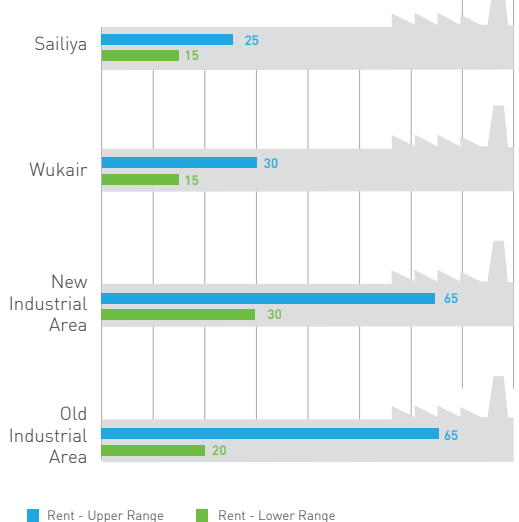
Source: Ministry of Development Planning & Statistics, ValuStrat



IndustrialPerformance

- The government reduced logistic rents by 50% in South of Doha, further encouraging public departments to increase local procurement from 30% to 100%
- Average monthly asking rents for warehouses in Industrial Area stabilised at QAR 45 per sq m (range QAR 20-65 per sq m)
- Lower rents continue to be observed in Wukair, Sailiya and Birkat Al Awamer as average monthly rentals ranged between QAR 15-40 per sq m
- Addition of government regulated warehousing zones in Bu Sulba, Jery Al Samur and Umm Shahraine continue to exert downward pressure on rents for non-subsidised warehouses
- Average rentals for cold storage units declined 5% QoQ. Monthly leasing rates for cold storage units typically range from QAR 55-80 per sq m in Doha. In Bu Sulba Warehousing Park rents stood at QAR 55 per sq m as compared to QAR 65 per sq m in Q1 2017

Warehouse Monthly Asking Rental Rates (QAR/sq m)



Source: ValuStrat

ValuStrat | In Media

The Peninsula
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QATAR'S DAILY NEWSPAPER

14.11.17

Minor Hotels to Open Three New Hotels in Qatar

According to the Q3 2017 Review issued by a leading regional consulting firm ValuStrat, 3,900 hospitality keys are expected to be added, 60% of which were completed by the end of September

GULF TIMES

22.10.17

Q3 Sees 1,750 Residential Units' Delivery, ValuStrat

"Transacted prices for a typical residential property declined 11% over the last year and 3% since the previous quarter. Whilst transactional volumes have constantly performed better since early 2017, witnessing a considerable growth of 50% over the same quarter last year. This displays a shift into a buyer's market, with investors taking advantage of lower priced second-hand properties", explains Anum Hasan, Market Research Analyst at ValuStrat

The Peninsula
Local focus, Global vision
QATAR'S DAILY NEWSPAPER

22.10.17

Qatar Sees Increase in Real Estate Supply Activity

"There has been a supply boom in the retail sector since the beginning of 2017 compared to previous years. Nevertheless, new malls delivered to the market achieved high occupancy levels together with firm rental rates. In the medium term, as more supply comes on the market in areas already dense with retail offerings, the performance of older shopping malls may come under pressure," says Pawel Banach MRICS, General Manager at ValuStrat Qatar

Qatar Tribune

11.05.17

Office Demand in Lusail and West Bay Picks Up: ValuStrat

Majority of the new buildings in Lusail and West Bay have hit an average occupancy rate of 60 percent within nine months after they were leased out, reflecting a pickup in the demand for office space in Qatar, as per ValuStrat research. It added, the surge in demand was due to falling rents and "the renewed practice of companies which previously occupied independent buildings in secondary areas relocating to prime locations."

About ValuStrat



ValuStrat Qatar is part of a leading consulting firm providing Advisory, Valuation, Research, Due Diligence, and Divestment services across a diverse range of industry sectors since 1977. With an office network providing services to over 800 corporate clients including financial institutions, local corporates, multinationals, governments, SMEs, family businesses and start-ups. Some of the key sectors serviced by ValuStrat's consulting team include real estate, hospitality, healthcare, education, manufacturing, retail, entertainment, transport, and FMCG. ValuStrat is a Royal Institution of Chartered Surveyors (RICS) Regulated Firm and the first company head quartered in all of MENA and Asia to be accepted into the prestigious RICS Tech Affiliate program.



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Research Methodology

Every effort has been made to ensure the accuracy of this document. New supply data covers all the eight municipalities of Qatar. Only completed and under construction projects are included. The new supply data does not include announced projects, and projects in design phase. The new supply database does not take into account most private building projects. Prices are calculated from actual transactions extracted from the Ministry of Justice data that have been carefully cleansed to exclude duplicates and outliers. Rental data is derived from carefully chosen listings from predetermined areas and districts for commercial and residential properties.

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