



QATAR REAL ESTATE MARKET

2018 OVERVIEW & REPORT

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REAL ESTATE MARKET

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MACRO ECONOMIC SNAPSHOT

Real Gross Domestic Product (GDP) increased 1.4% YoY (QAR 199.2 billion), driven by growth in the non-hydrocarbon sector (4.9% YoY in Q1 2018) - as per latest estimates released by Ministry of Development Planning and Statistics.

Qatar Central Bank increased deposit rates by 25 basis points to 2%, post US Federal Fund increment by the same amount.

Qatar government ratified a draft law which will allow foreigners to own 100% of businesses in all economic areas, except for financial sector and commercial agencies involved in the purchase of real estate.

Exports grew 45.3% YoY in July as result of higher oil prices, while imports surged 50% YoY due to the base effect from last year.

Consumer Price Index (CPI) increased 0.24% YoY and decreased by 0.68% during the second quarter. Transport, Education, Food & Beverage and Health were the main drivers of annual inflation.

Non-resident and private sector deposits grew 6.1% and 2.2% m/m respectively in July, while public sector deposits fell 6.9% m/m.



**2.6
MILLION**

Population is estimated at 2.6 million as of Q2 2018

Source:

Ministry of Development Planning and Statistics - Qatar

OUTLOOK

Growth is expected to recover to 2.8 percent in 2018, and rise further to an average of 3 percent in 2019/20, as rising energy receipts help ease fiscal constraints, spending on the multi-year infrastructure upgrade ahead of the FIFA World Cup continues and as the US\$10 billion Barzan natural gas facility comes on-stream in 2020. Qatar's peg to the US Dollar means that monetary policy will gradually tighten in tandem with the US. Government efforts to ease the costs and to lighten the effects of the blockade on the population will likely limit the scope for cutting spending sharply. Nevertheless, key tax policy and administration measures, including the introduction of a VAT and excises during 2018 are expected to further contain the fiscal deficit over the medium term, although inflation should also rise to close to 2.4 percent as a result in 2018. A recovery in imports, in particular capital goods related to infrastructure spending, should keep the current account surplus modest in the near term.

ECONOMIC INDICATORS

	2016	2017e	2018f	2019f
Real GDP growth, at constant market prices	2.2	2.2	2.8	3.2
Real GDP growth, at constant factor prices	2.1	2.2	2.8	3.2
Inflation (Consumer Price Index)	2.9	0.4	2.4	2.0
Current Account Balance (% of GDP)	-7.5	2.6	3.8	3.3
Financial and Capital Account (% of GDP)	6.4	-3.7	-4.9	-4.2
Fiscal Balance (% of GDP)	-8.3	-5.0	-3.7	-2.0

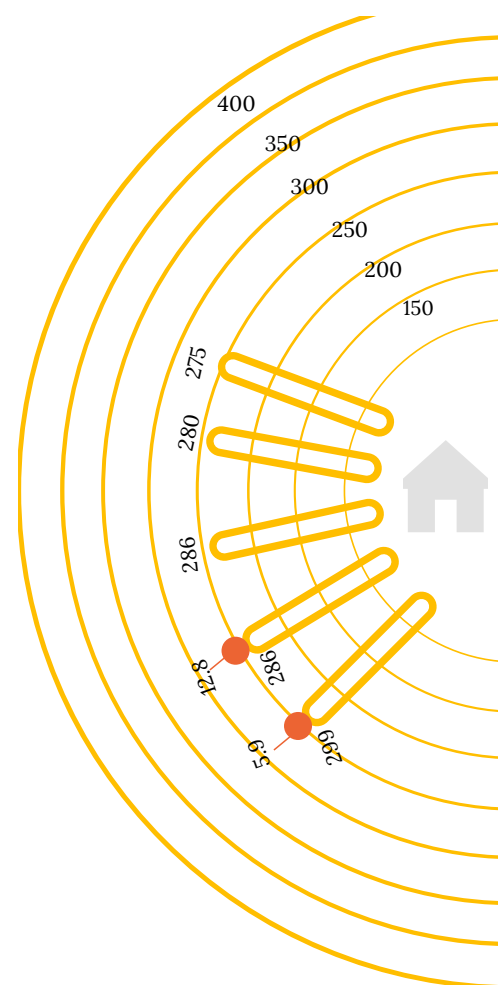
Source:

IMF, QNB, Qatar Central Bank, Haver

RESIDENTIAL SUPPLY

- A mix of 775 apartments and villas were added, total stock stood at 288,100 units as of quarter end.
- Apartment supply consisted of 600 units from delivered projects in Al Mansoura, Al Muntazah, Lusail (Fox Hills) and Al Aziziya.
- Completion of villa compounds in Umm Salal Mohammad, Umm Salal Ali and Al Wakrah added 175 new properties to the existing stock.
- Expected completions for 2018 have been adjusted downwards from 14,200 to 12,800 due to delayed deliveries.
- This year's Cityscape exhibition unveiled major residential projects such as Gewan Island in The Pearl (660 units), second phase of Giardina Villas (66 units), Wadi One in Mshiereb Downtown (72 units), Al Kharaij Tower in Lusail (250 units), Baywalk Towers in The Pearl (244 units) and second phase of Place Vendome in Lusail (350 units). All projects are expected to be ready by 2021.

Qatar Residential Supply 2015-2019 ('000 Units)



Source:

Ministry of Development Planning and Statistics, MEEed Projects, ValuStrat

RESIDENTIAL SALES

- Median transacted prices for houses fell 6.2% YoY and 3.9% QoQ.
- Transactional volumes for houses increased 16.4% YoY and 12.5% QoQ.
- Median transacted price for houses was QAR 2.7 million. Five largest ticket sizes were seen in The Pearl, Al Thakhira, Al Qetaifah and Umm Karn for developed plots ranging from 1,500 sq m to 11,000 sq m.
- Majority of transactions took place in Al Daayen (24.5%) followed by Doha (22.7%) and Al Rayyan (21%).
- 40 transactions were recorded for residential buildings with 48% of transactions above the median ticket price of QAR 10.1 million concentrated in Najma, Umm Ghuwailina, Al Sadd and Fereej Abdul Aziz.

Qatar Median Transacted Prices



-6.2%

Last Year



-9.3%

Last 6 months



-3.9%

Last Quarter

Source:

Ministry of Justice, ValuStrat

RESIDENTIAL RENTS

- Median asking rents declined 12.4% YoY and 2.5% QoQ.
- Median monthly asking rents for apartments fell by 3% against Q1 2018. The highest quarterly fall in rentals was seen in Al Mansoura, Fereej Bin Mahmoud and Al Sadd.
- As per ValuStrat research, less than 50% of households in Qatar can afford the current average rental of QAR 7,250 for a typical apartment in Doha City
- Median monthly asking rents for villas decreased by 2% QoQ.
- Villas in areas outside of the city centre experienced the highest quarterly declines of up to 8%.
- Monthly leasing rates for two-bedroom apartments are QAR 9,500-17,000 in The Pearl and QAR 7,000-9,000 in Lusail.

Residential Asking Rents



-12.4
Last Year



-5.0%
Last 6 months



-2.5%
Last Quarter

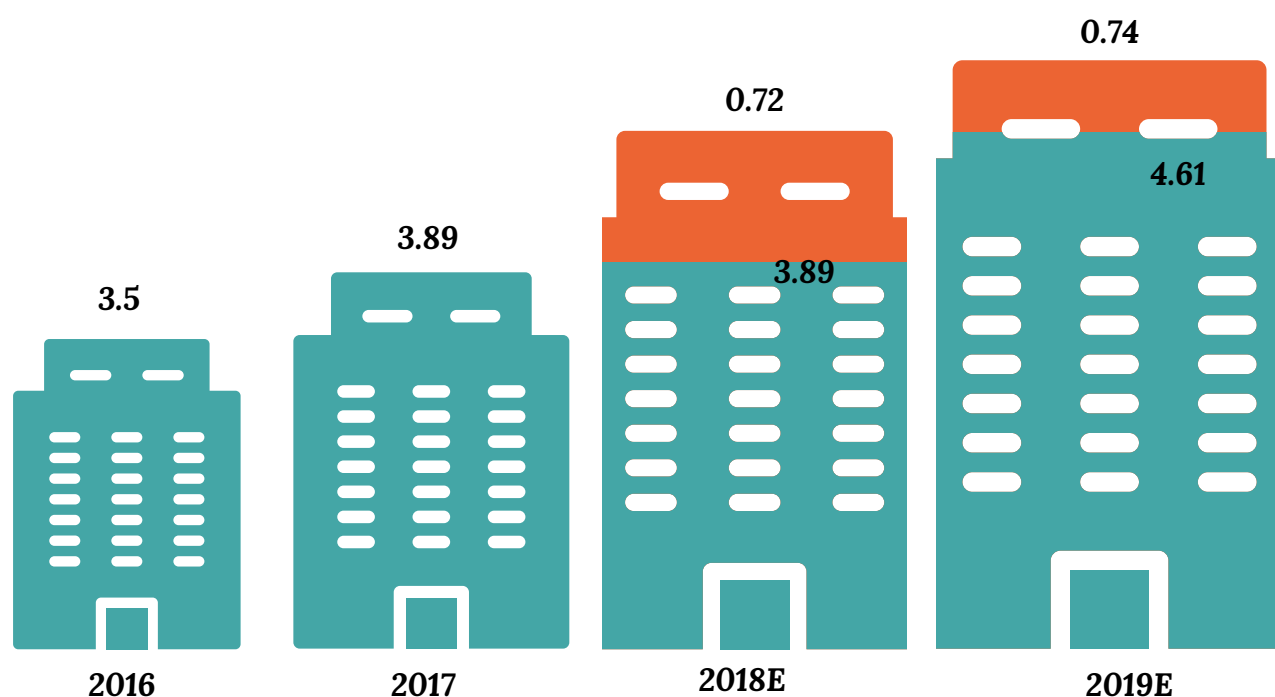
Source:

ValuStrat

OFFICE SUPPLY

- Under construction office stock to be completed by 2019 was estimated at 1.36 million sq m Gross Leasable Area (GLA).
- Five office buildings were added this quarter in Fereej Bin Dirham (B Ring Road), Al Mansoura, Old Salata, Al Hilal (C Ring Road) and Rawdhat Al Khail (C Ring Road), comprising 47,500 sq m GLA.
- Projected supply for 2018 has been adjusted downward from 960,000 sq m to 720,000 sq m due to delayed deliveries.

Qatar Office Supply 2016-2019 (Million sq m GLA)



Existing Stock



Expected Supply

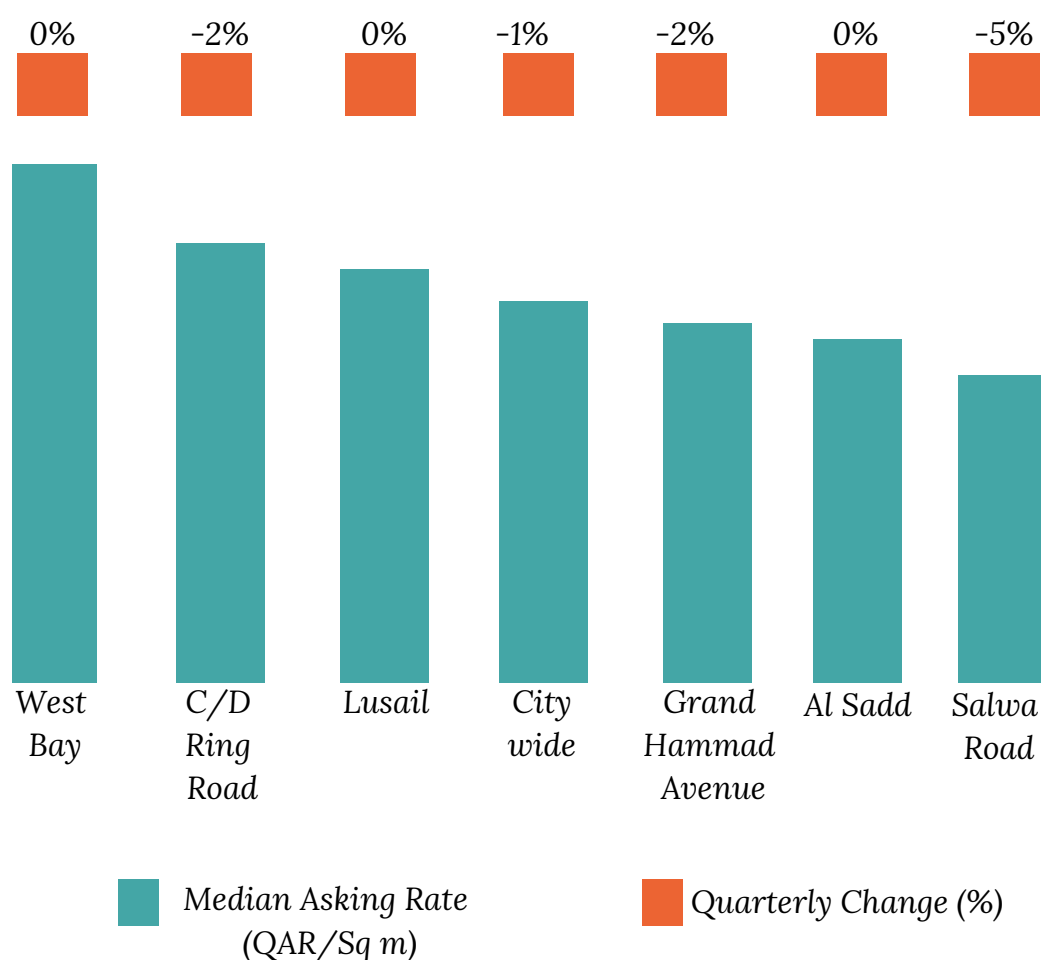
Source:

ValuStrat. MEED Projects

OFFICE PERFORMANCE

- Median office asking rents fell 16.2% YoY and 1% QoQ.
- Median monthly asking rents for office space in West Bay were QAR 145 per sq m, followed by QAR 120 per sq m in C/D Ring Road and QAR 117 per sq m in Lusail.
- With average occupancy within the range of 55-65%, offices in Salwa Road experienced the highest quarterly fall as median monthly asking rents amounted to QAR 90 per sq m in the area.
- Offices along C/D ring experienced an estimated 2% QoQ and 8% YoY fall in median monthly asking rents. This drop was primarily attributed to falling asking rents along C-Ring Road where a number of new offices were added to current stock, levelling occupancy at 65% against 70% in Q2 2017.

Office Median Asking Rent (QAR/Sqm/month) and Quarterly Change (%)



Source:

ValuStrat. MEED Projects

RETAIL SUPPLY

- Katara Plaza: Valley Mall (35,000 sq m GFA) and Children's Mall (3,600 sq m GFA) were completed, it will feature shops, department stores and office space.
- As of Q2 2018, the total supply of organised retail space reached 1.8 million sq m, with 376,000 sq m GLA (4 malls) in the pipeline by the end of the year.
- Qatar Development Bank (QDB) launched the second phase of Al Furjan Markets which will feature no less than 300 shops distributed across Al Rayyan, Umm Salal, AlKhor and Al Wakrah expected to be completed by 2019.
- Based on GLA and population figures, shopping centre GLA of Qatar is 680 sq m per, 1,000 capita compared to the GCC average of 588 sq m per 1,000 capita.

Retail Malls & Shopping Centres ('000 Sqm GLA)



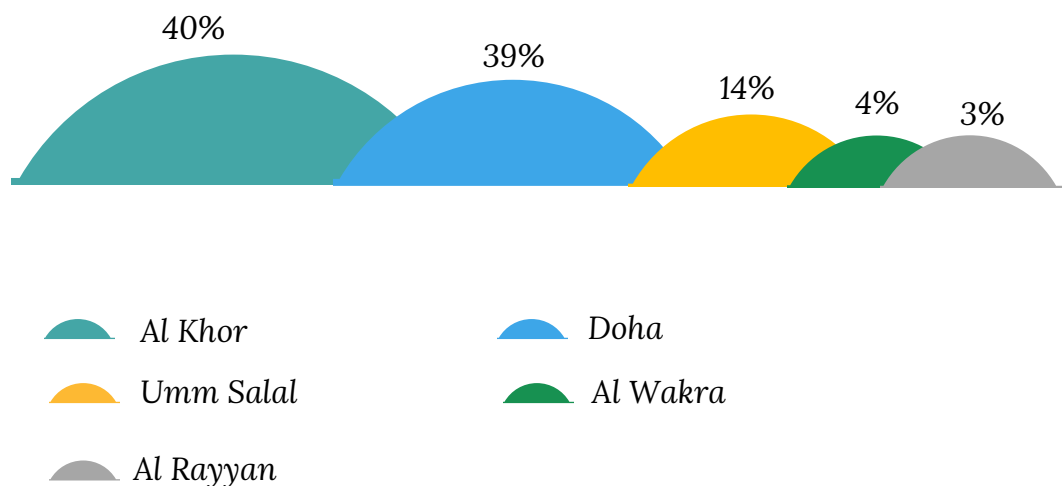
Source:

ValuStrat. MEED Projects

RETAIL PERFORMANCE

- Events such as Qatar Summer Festival (QSF) and Garangao drove higher consumer spending during the quarter.
- The median monthly rent for medium line shops (between 100 sq m and 250 sq m) in organised retail space was QAR 340 per sq m. While median monthly rent for street retail shops in Doha was QAR 230 per sq m.
- In an effort to maintain healthy occupancy, landlords in newer shopping malls introduced incentives by absorbing operational expenses and lowering service charges.
- Qatar's e-commerce market currently valued at QAR 4.36 billion is projected to grow 17% annually and could exceed QAR 11.65 billion by 2022, as per Ministry of Transport and communications.

Distribution of GLA of Shopping Centers/Malls across Municipalities



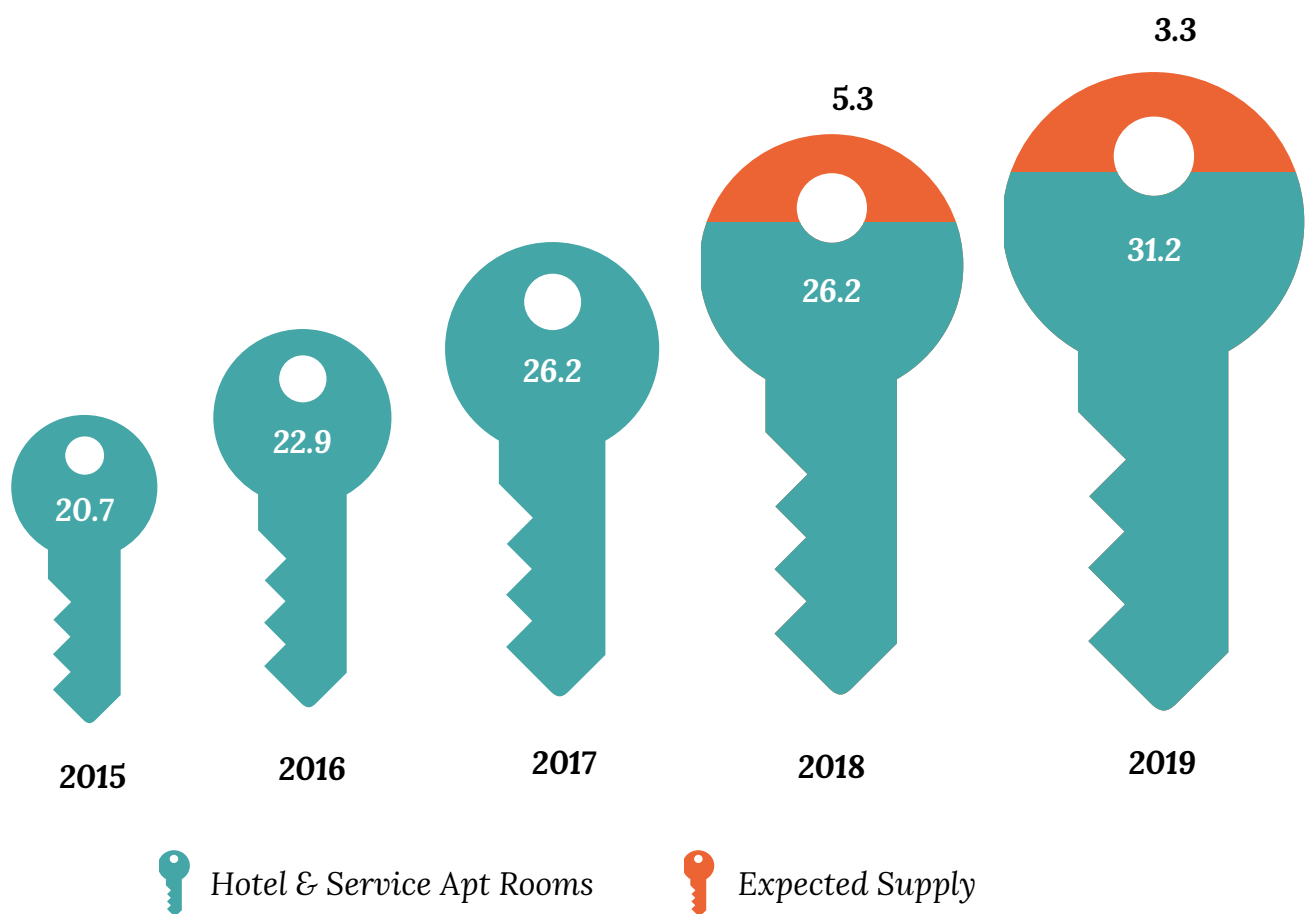
Source:

ValuStrat. MEED Projects, ValuStrat

HOTEL SUPPLY

- Total number of hotel rooms and apartments stood at an estimated 26,670 units within 137 establishments.
- Ezdan Palace and Vichy Celestin Spa Resort both 5-star, and Al Mansour Residence (hotel apartments) were unveiled, adding 423 keys to the total supply.
- Phase 2 of Katara Lusail Twin Towers was inaugurated, once completed in 2021 it will add 505 rooms and 49 hotel apartments to the total supply.
- Due to delays in project deliveries, the projected hotel supply has been adjusted downwards from 6,400 to 5,300 keys for this year.

Hotel Room Supply 2015-2019 ('000 Keys)



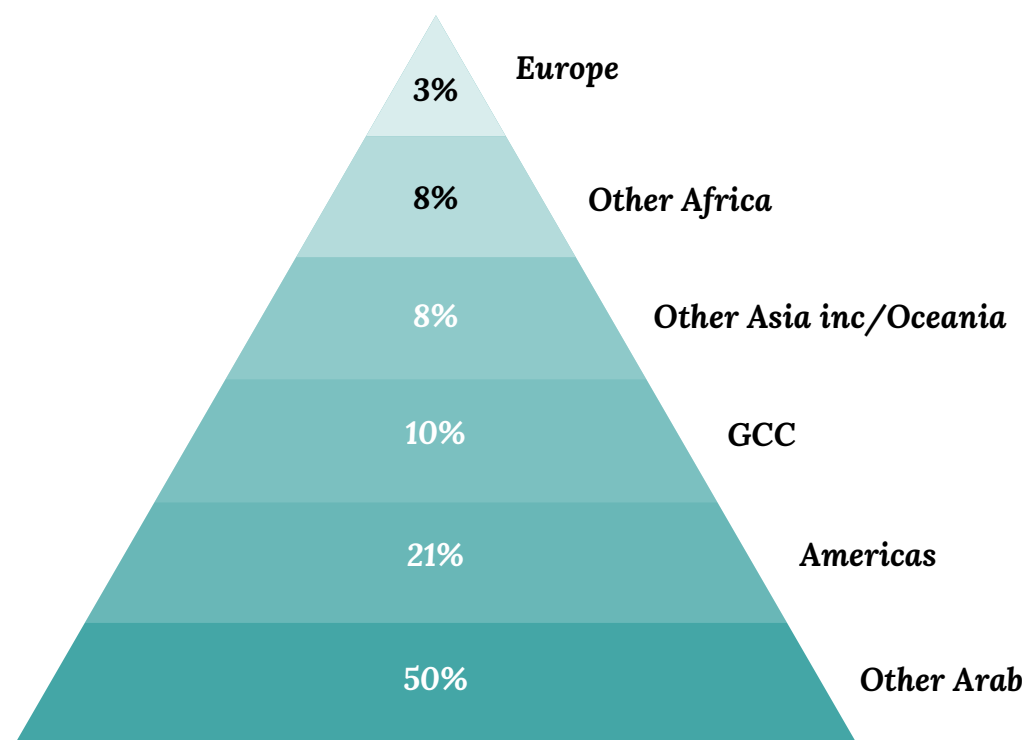
Source:

Qatar Tourism Authority, The Peninsula

HOTEL PERFORMANCE

- As of August 2018, total number of visitors was 828,562, down 40% when compared to the same period last year.
- Average hotel occupancy fell 7.7% YoY, while hotel apartments grew 12.3% YoY.
- Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) for hotels declined 14.8% and 22% annually. While ADR and RevPAR for hotel apartments fell by 16.8% YoY and 5.4% YoY, respectively.
- According to QTA, improved promotional efforts and the opening of representative offices in Russia, China and India may have helped visitor arrivals from these countries to grow 441%, 27%% and 15% YoY respectively during Q1 2018.

Distribution of Qatar Visitors by Region Q2 2018



Source:

Ministry of Development Planning and Statistics, DTZ, STR Global

INDUSTRIAL SUPPLY

- Driven by growth in food, refined petroleum and chemical products, manufacturing output rose by 2.1% YoY during May and June 2018, as per the latest Industrial production index published by MDPS.
- Phase 3 of logistics warehousing project by Qatar Industrial Manufacturing Company (QIMC) and Cold storage facility by Zad Holding were completed, adding 44,800 sqm GFA of warehousing space.
- 20,000 sqm of industrial units were established in the New Industrial Area, which will manufacture a variety of goods such as equipment, plastic goods and aluminium fabrication.

INDUSTRIAL PERFORMANCE

- As per MDPS statistics, during June 2018 net tonnage of bulk cargo increased by 27% over 12 months in Qatar Ports with Messaied Port receiving the highest traffic.
- Improvements in local production, cargo traffic and e-commerce has boosted demand for warehousing space. As per ValuStrat research, warehousing demand is expected to increase annually at an average of 15% during 2018-2019.
- Average asking rents for dry/ambient warehouses fell by 4.6% QOQ and 13.8% YoY.
- Asking rents in Al Wakra industrial area reduced by 10%, owing to an influx of warehousing supply in area.
- Manateq reduced ground rents by as much as 50% for industrial plots in Messaied Industrial Area to QAR 10 per sqm per year, to attract potential investors and support SMEs.
- Average asking rents for cold storage facilities leased on a per unit basis were QAR 10,000-18,000 per month in Doha Industrial Area, with average unit sizes ranging from 50-80 sqm.

Source:

Ministry of Development Planning and Statistics, ValuStrat

First Qatar Real Estate Development Hilton - The Pearl

