



FIRST QATAR REAL ESTATE DEVELOPMENT CO.
شركة قطر الأولى للتطوير العقاري

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Qatar

REAL ESTATE MARKET

September | 2017



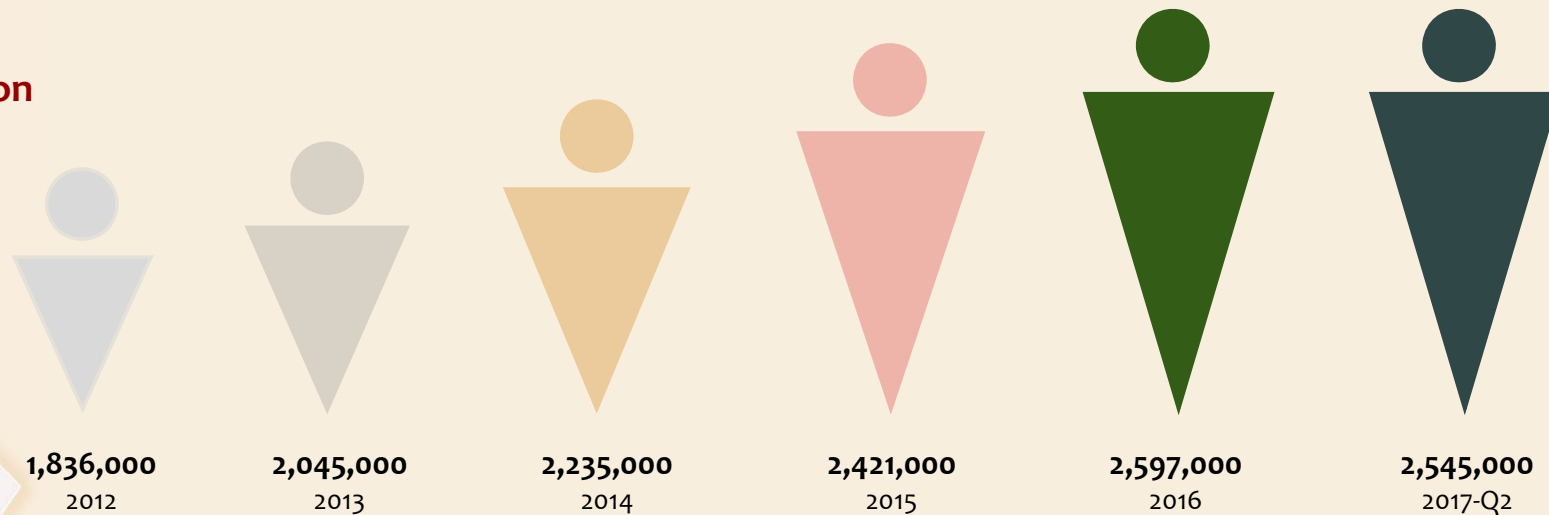
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Macro Economic Snapshot

- During Q2 2017, real Gross Domestic Product (GDP) growth of Qatar reached 2.2% (QAR 197.7 billion) compared to the same period last year.
- Non-hydrocarbon sector contributed 51% to real GDP and grew by 4.9% YoY, driven by expansion in construction, financial & insurance services and real estate activities. On the contrary, YoY growth of oil sector remained static.
- During the first two months of Q3, oil export revenues surged by 25.5% YoY and imports declined by 6.5% YoY during the same period.
- Currently, population of Qatar is estimated to be 2.54 million

Qatar Population



Macro Economic Snapshot

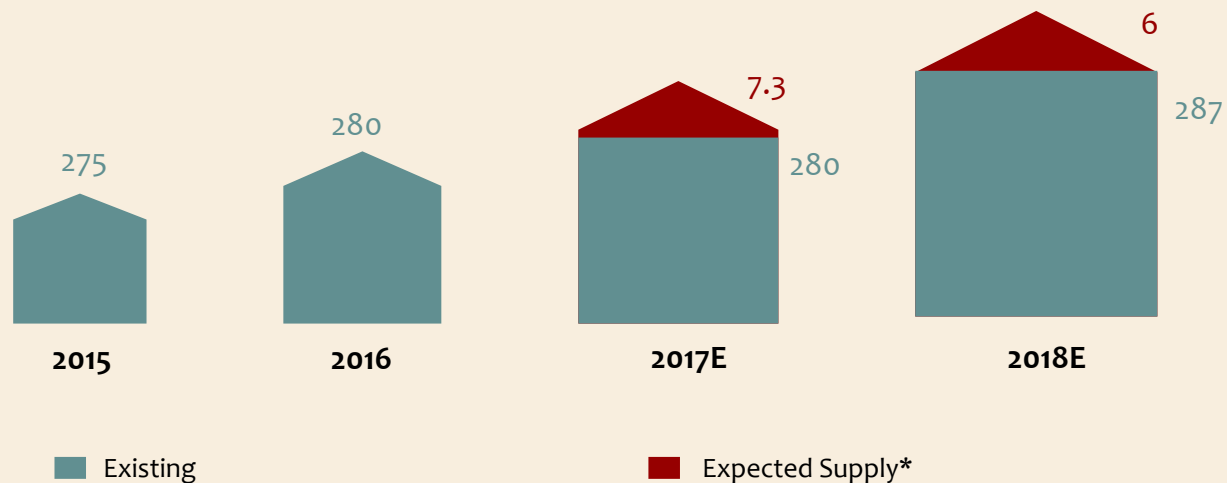


- Inflation is forecast to rise from 0.9% y/y in March 2017 to about 3.5% y/y by the end of the year as a result of higher food prices and construction costs.
- Housing and Utility Expenses Index decreased by 2.2% YoY and 1.83% QoQ.
- Fuel prices remained stable during April and May, while June saw a slight dip.
- US Federal Reserve increased its Federal Funds rate, the third consecutive quarterly increase of 25 basis points since last March. The Qatar Central Bank followed suit.
- With the aim of attracting private investment, government announced to introduce a new law to regulate Public Private Partnership (PPP) operations.
- Owing to recent geo-political challenges, rating agencies have reduced credit ratings of Qatar, leading to rise in funding costs. Furthermore, any prolonged period of uncertainty is expected to negatively impact business/investor sentiment.

Residential Supply

- 500 residential units (apartments and villas) were added, bringing total supply at quarter end to 281,500 units. This included two villa compounds in Muraikh and Al Messila and two apartment buildings in Fox Hills, Lusail.
- Approximately 2,500 units were delayed to the second half of 2017.
- Barwa Real Estate inaugurated Phase 2 of Madinat Al Mawateer; a mixed-use development, which will house 176 residential units.

Qatar Residential Supply 2015-2018 ('000 Units)



Residential Supply



- As per the Q2 2017 Labour Force Survey published by Ministry of Development Planning & Statistics (MDPS), employment increased by 2.8% QoQ and the average wage was QAR 11,033. Additionally, the total size of the labour force (15 years and above) has been estimated to be 2.108 million. Males aged 25-34 years represented the highest percentage of participation rate.
- MDPS also estimated that 60% of the total population in Qatar stay in labour and staff accommodation. Per ValuStrat analysis, the remaining portion of the population require an estimated 230,000 residential units.
- Qatar could witness a potential oversupply of an estimated 50,000 residential units by 2020.
- As increasing demand stems from the mid-affordable demographic, more developers and investors need to focus on satisfying the median income housing budgets of QAR 2,600 to QAR 3,600 per month.

Residential Prices

- The pace of annual decline continued in this quarter, with 6% fall in median transaction prices for bungalows, while prices remained unchanged QoQ.
- Transactional volumes for bungalows increased by 2% YoY, however reduced by 17% QoQ. Indicating that demand growth may have been impacted by higher borrowing costs.
- Transactional volumes for residential buildings increased by 31.25% YoY.
- Asking prices for apartments in The Pearl vary depending on various factors such age of the building, amenities offered and view from the apartment. Median asking price in The Pearl was QAR 15,495 per sq m.
- In Lusail, median asking prices for freehold apartments was QAR 12,100 per sq m

Residential Median Transacted Prices*



-6%
2016



0.0%
Last 6 Months



0.0%
Last Quarter

Residential Rents

- Median monthly asking rents for apartments and villas declined on average by approximately 14% YoY and 6% QoQ.
- Areas pertaining to low-mid income segments such as Al Wakrah, Muaither, Al Aziziya and Freej Bin Mahmoud continue to experience stable rents. While high-end locations experienced a 10% decline QoQ.
- As more high-end supply is delivered, market corrections would be expected for this segment.
- Typical leasing rates for two bedroom apartments are from QAR 11,000-18,000 monthly in The Pearl and from QAR 5,000 - QAR 9,000 monthly in Lusail.

Residential Median Asking Rents



-14%
2016



-12%
Last 6 Months

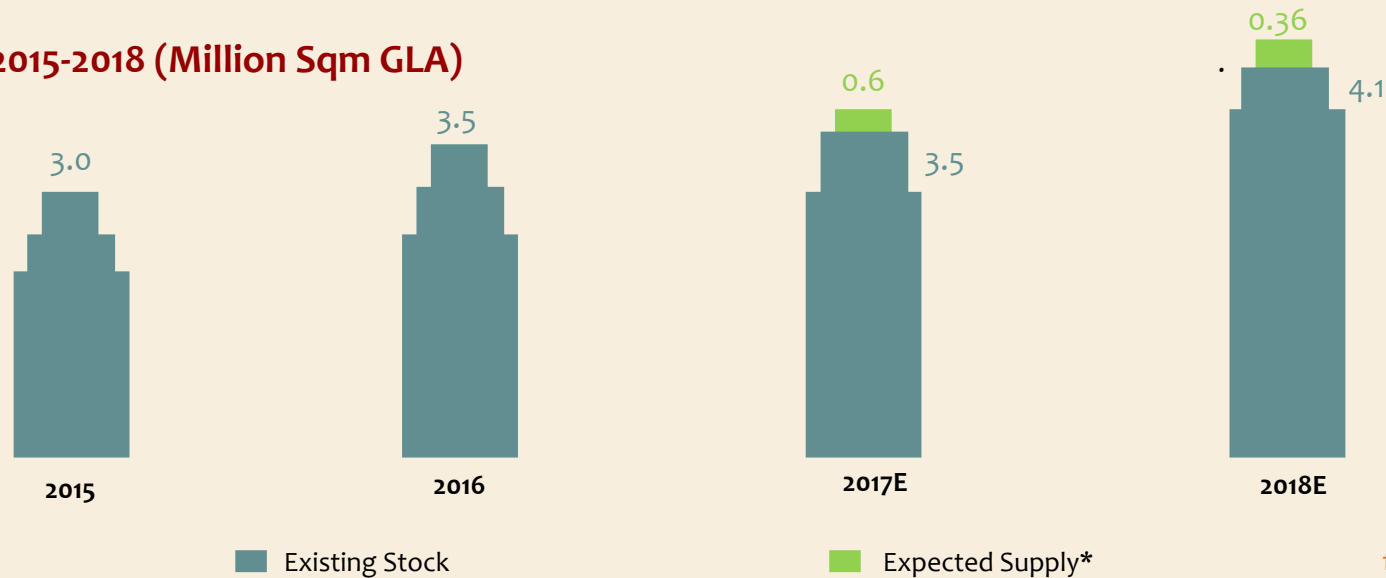


-6%
Last Quarter

Office Supply

- Qatar's office supply totaled 3.65 million sq m GLA, with the addition of three office buildings in Al Sadd and Abu Hamour.
- An estimated 130,000 sq m GLA of office space was delayed to the second half of 2017.
- Musheireb Properties granted the construction contract for phase 4, comprising a mixed use development (300,000 sq m built up area) of commercial, residential, hospitality and retail space, to be completed by 2020.
- Total office GLA available for occupation in Lusail stood at 120,000 sq m, with another 380,000 sq m expected to be added by year end.

Qatar Office Supply 2015-2018 (Million Sqm GLA)



Office Demand



- International companies such as Intesa Sanpaolo and Philips Lighting will open branches in Qatar as part of their expansion plans.
- Governmental organizations continue fiscal consolidations during the quarter as more than 1,500 redundancies were reported.
- We observed that new buildings in Lusail and West Bay were not released to the market due to slow absorption of new supply and preference of landlords to lease premises to single tenants.

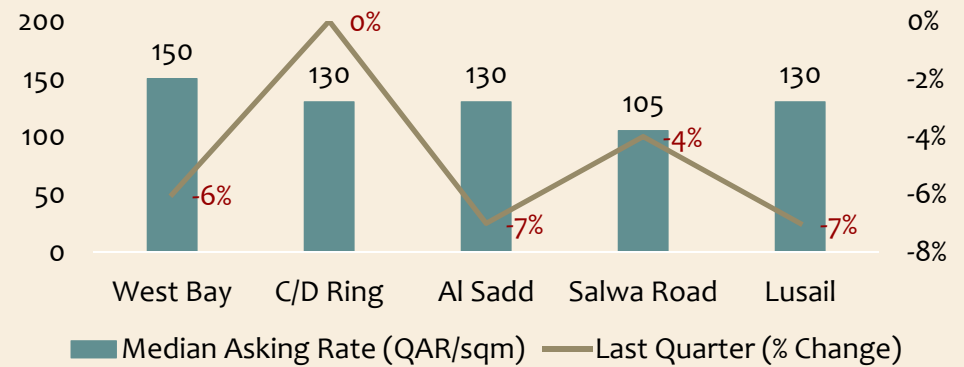
Office Rents

- Office median asking rents fell 10% YoY and 3.5% QoQ. Lusail and Al Sadd experienced the highest quarterly fall in rents compared to all commercial areas. While rents remained stable for offices in C/D Ring Roads QoQ.
- West Bay median monthly asking rents stand at QAR 150 per sq m followed by QAR 130 per sq m in Lusail, Al Sadd and C/D Ring Roads
- As per ValuStrat’s research, the average occupancy in West Bay was approximately 70%. Relatively new buildings constructed last year have been unable to achieve more than 50% occupancy. Additionally, older buildings experienced declines in occupancy by approximately 10% QoQ.
- Government institutions and single companies occupy many of Lusail Marina's office buildings, while the remaining achieved 35% occupancy.

Office Median Asking Rents



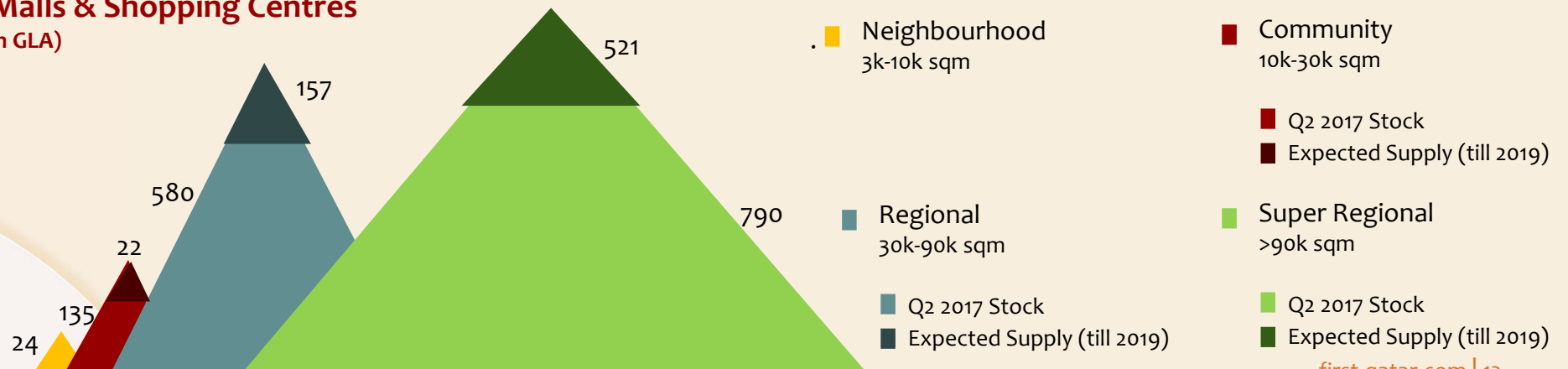
Office Median Asking Rents (QAR/sqm) & Quarterly Rental Change



Retail Supply

- The total Gross Leasable Area (GLA) of organised retail space exceeded 1.5 million sq m.
- Qatar's largest shopping destination, Doha Festival City, with 250,000 sq m GLA had more than half of its shops opened, and expected to be fully operational by year end.
- Al Hazm Mall had a soft opening in May, with a budget of QAR 3 billion and 36,000 sq m GLA, it will feature luxury shops and restaurants and is expected to have a grand opening towards the end of the year.
- Based on GLA and population figures, shopping center GLA of Doha is 330 sq m per 1,000 capita (Qatar is 575 per 1,000 capita), which is lower than GCC average of 611 sq m per 1,000 people.

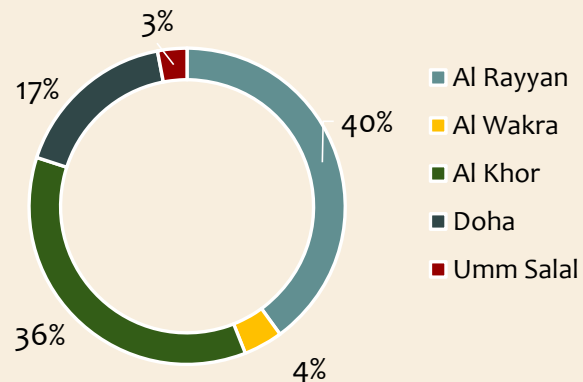
Retail Malls & Shopping Centres ('000 Sq m GLA)



Retail Performance

- Newly opened malls have been successful in attracting healthy footfall, with Doha Festival City and Mall of Qatar welcoming more than 3 million visitors during this quarter.
- Average monthly rents in super regional and regional malls for large line shops (250-500 sq m) ranged from QAR 100 to QAR 350 per sq m and for small line shops (less than 100 sq m) ranged from QAR 200 to QAR 500 per sq m.
- In the medium term, placement of new malls in neighbouring zones may present challenges for older shopping malls as they might not be able to retain tenants under competitive pressure in the same catchment area.
- Majority of retail destinations took part in hosting Summer Festival and Garangao, boosting footfall and retail sales

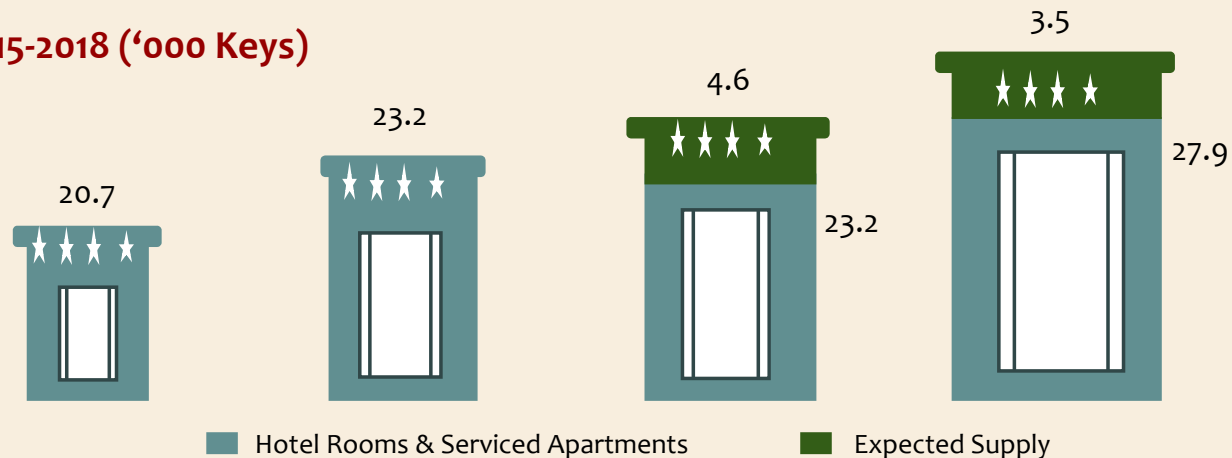
Distribution of GLA of Shopping Centres/Malls Across Municipalities



Hotel Supply

- Total number of hotel rooms in Qatar was 25,000 keys within 138 properties. This includes Holiday Inn-Business Park which added 307 keys to the total supply. Three non-classified hotels: Green Garden Hotel, Al Mansour Suites and La Villa Suites also made a debut.
- Approximately 550 keys have been delayed to the second half of this year.
- Cheval Residences and Msheireb Properties announced the launch of luxury serviced apartments in West Bay and Zula Wellness Resort in Al Shamal respectively, to be completed by 2020.
- Paramount Residences and Damac Properties launched luxury serviced apartments in The Pearl and in Lusail, respectively. Both of them will add 400 hotel apartments by 2020.

Hotel Room Supply 2015-2018 ('000 Keys)

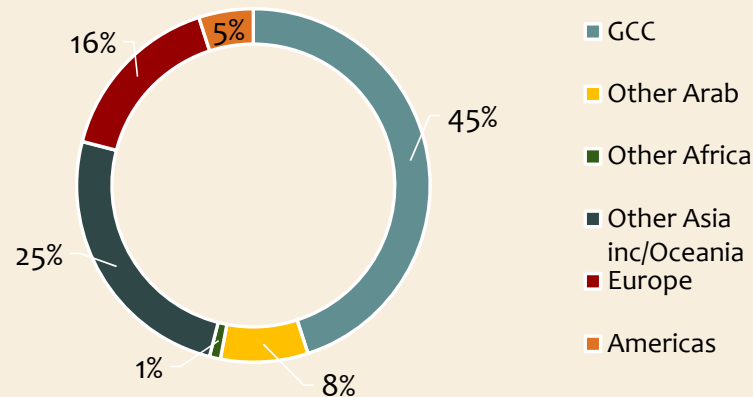


Hotel Performance



- QTA (Qatar Tourism Authority) announced the country was ranked as the top GCC destination in guest experience according to a report released by Olery.
- QTA launched an enhanced edition of Summer Festival, which was due to last year's successful campaign, resulted in QAR 641 million economic impact. Free visa and hotel stay initiatives for Qatar Airways stopover passengers resulted in an increase of 40,000 visitors since Q4 2016, as per QTA.
- Till May 2017, the total number of visitor arrivals reached nearly 1.37 million, a 7% YoY rise. Growth in tourist arrivals did not translate into rising occupancy rates, which fell 3% YoY. An exception to this was 3-star hotels, which experienced a rise in occupancy rates by 13% YoY.
- ADRs and RevPARs struggled by falling 11% YoY during the same period. Only 3-star hotel RevPARs remained static YoY.

Source of Qatar Visitors by Region



Industrial Supply



- Manufacturing sector constituted 9.6% of Qatar's total GDP, was valued at QAR 18.98 billion in real terms in Q1 2017.
- 32 properties were completed in the new industrial area under the “Jahiz 1” initiative launched by Qatar Development Bank (QDB). These facilities will be leased at a specially discounted monthly rental rate of QAR 5 per sq m on plot sizes varying from 2,500 sq m to 3,000 sq m.
- 13 factories were completed including SMEET Ready Mix plant in Ras Bufontas Economic Zone. The remaining 12 were in New and Old industrial areas that will manufacture a variety of goods such as food products, metallic fibre, and aluminium.

(Continue on the next page)

Industrial Performance



- Government announced expansion of North Field. This will increase gas production by 10% and as a result will increase gas related projects for logistics providers.
- Monthly asking rents for warehouses in Industrial area have on average reduced by 4% QoQ. The average median monthly asking rent for Old Industrial Area is QAR 44 per sq m, New Industrial Area is QAR 50 per sq m and Wukair is QAR 18 per sq m.
- Demand for cold storage warehouses increased during these months, as a result their occupancy was high and their rents ranged from QAR 50-85 per sq m.
- Under the current geo-political environment, Qatar had to face multiple logistical challenges, however, there were also opportunities for third-party logistics.
- Companies, to explore routes to new countries or increase business volumes with existing connections. Moreover, there has been a boost to local manufacturing due to increase in demand for locally sourced food and construction materials.

Source & Reference



- DTZ
- STR Global
- Ministry of Development Planning & Statistics
- Trading Economics
- Valustrat Report
- MEED Projects
- Euro monitor International



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Thank You...!