



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

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Real Estate Market Overview

Qatar, 2014



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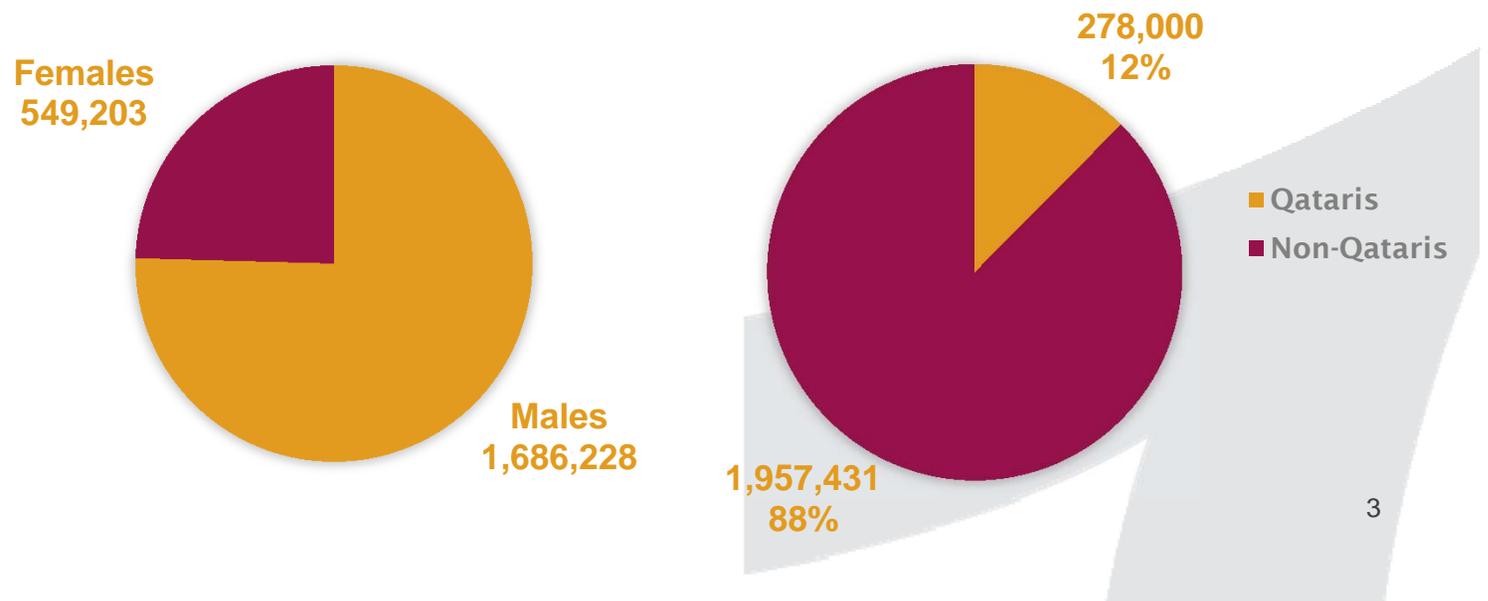


Macro Economic Climate

Qatar is a sovereign Arab state in western Asia on the Qatar Peninsula of the larger Arabian Peninsula. Qatar is an absolute monarchy ruled by the Al Thani family and the country was known for pearl hunting and sea trade before the discovery of oil. Qatar has the third largest natural gas reserve in the world and one the richest country per capita.

Population Structure :

As the Qatar Statistics Authority estimated that the population was 1.8 million and 2.04 million in 2012 and 2013 respectively. And as of 31st Dec 2014 the population recorded as **2,235,431**.





Macro Economic Climate

Qatar has always been considered as one of the strongest economy within frontier markets. In comparison to Q3 2013 GDP performance in Q3 2014 is up. Non-mining sector performance has surged greatly. On the other hand, CPI and Inflation almost stabilized.

	Q3 2013	Q3 2014
Quarterly GDP at current price Quarterly Gross Value Added	QAR 185,433	QAR 193,080
Mining And Quarrying Sector	QAR 100,274	QAR 95,263
Non Mining Sector	QAR 85,904	QAR 97,817
Consumer Price Index	114.6	117.8



Key Major Growth Impetus

Qatar is embarking on a number of projects relating to tourism, culture and heritage in order to enhance Qatar's profile and promote Qatar as desirable destination to live, work and visit locally, regionally and internationally.

Growth of the national airline and greater connectivity, supported by the recent opening of the new Hamad International Airport has a direct impact on trade and tourism.

It is expected that the growth of Qatar Airways along with the new Airport will enhance Qatar's profile locally, regionally and internationally. Supported by existing and planned tourism, real estate, and culture & heritage projects will make Qatar a desirable destination to live, work and visit.

Hamad International Airport – formerly known under the project working name New Doha International Airport opened in April 2014 at a cost of US\$15.5 billion and with an initial capacity of 30 million passengers a year.

Once fully developed beyond 2015, the airport is expected to handle up to 50 million passengers a year.

One of the project's key features is that 60 per cent of the site is built on reclaimed land from the Arabian Gulf. Qatar Airways is managing the new airport, designed to help shape Doha as a key regional and global aviation hub.



Qatar Airways - From only four aircraft in 1997, the airline grew to a fleet size of 28 aircraft by the end of 2003 and a milestone 50 by October 2006. As of Dec 2014, the airline operates 146 aircraft to 146 destinations worldwide.

By the end of 2015, the fleet size will rise to more than 170 aircraft covering global network of destinations that will also increase to over 170.



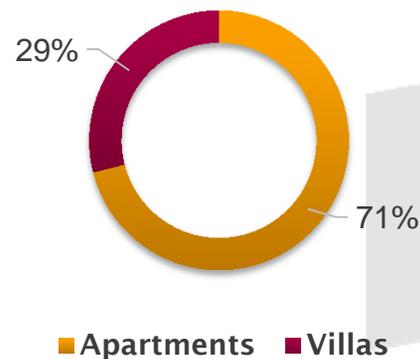
Residential Market Overview

The residential sector in Qatar real estate market is one of the most promising investments. Over the last few years, the residential sector has increased by many folds with prospects of continuous growth. Traditionally, the city centre was the most sought after location for housing in Doha. Gradually as the city began to move away from traditional locations into areas around the C, D, and E Ring Roads, these locations grew in prominence for residential developments. West Bay has now become a sought after location for high-end residential accommodation along with office developments. The change in preference was the suburban quality of these neighborhoods and the preference to live in close proximity to work and lifestyle facilities.

Supply

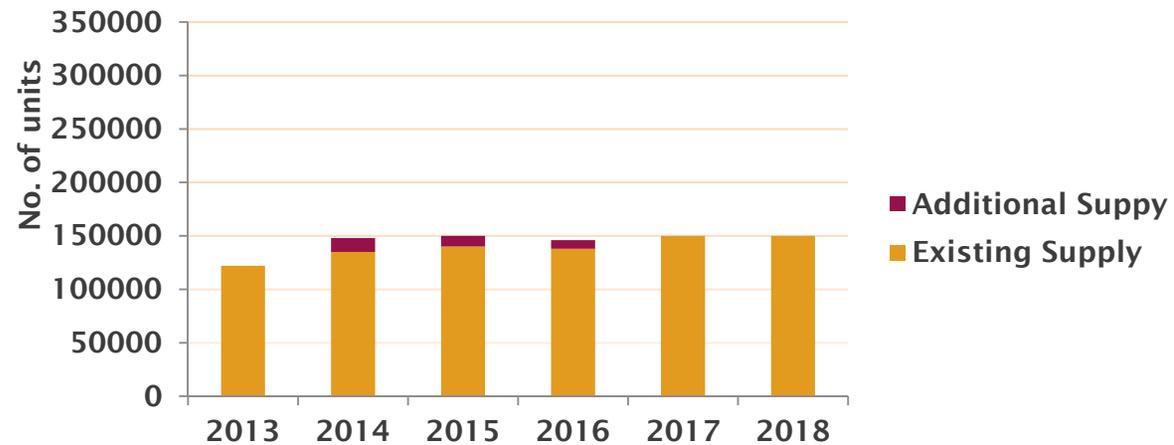
Residential supply in Doha totaled 122,000 units by the end of 2013. Further analysis reveals that the majority of existing housing units are composed of apartments whilst villas comprises only 29% of the total housing units.

Distribution of Existing housing Units



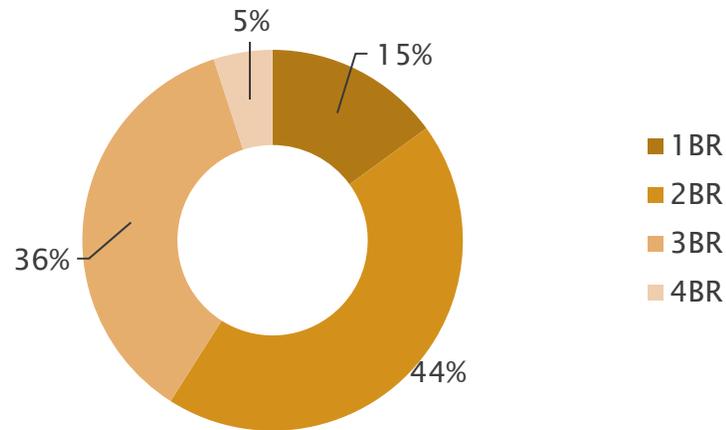


As of Colliers and Al Asmakh a further 22,000 units to be completed during 2014 - 2018. As estimated cumulative residential supply (including both villas and apartments) between 2013 and 2018.



Cumulative Residential Supply Estimates

Despite the 22,000 units expected to enter the market in the coming five years, Doha's residential real estate market will continue to remain significantly under supplied over the next 5 years, provided construction timelines are met.

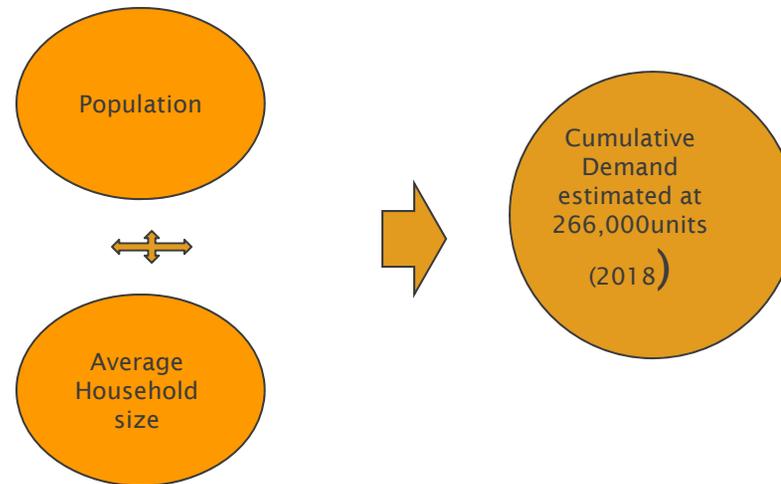


Distribution of Apartments by the Number of Rooms

Demand

Regarded as the new city centre of Doha, West Bay/Diplomatic District is an area which predominantly comprises luxury, high-rise residential developments with recreational facilities. According to local real estate agents, the majority of developments in this district are owned by local developers and investors who subsequently lease them to international companies. When estimating demand, various research reports has

excluded elementary workers from the population, as they are usually provided with company sponsored labor accommodation and therefore are excluded. Apart from an increasing population, average household size is continuing to decline in Doha. From an average household size of 5.01 in 2002, it has now fallen to 4.4. A decreasing household size together with an increasing population is likely to drive up demand for more housing units in the city.



Estimated Demand for Residential Units

Pricing/ Market Performance

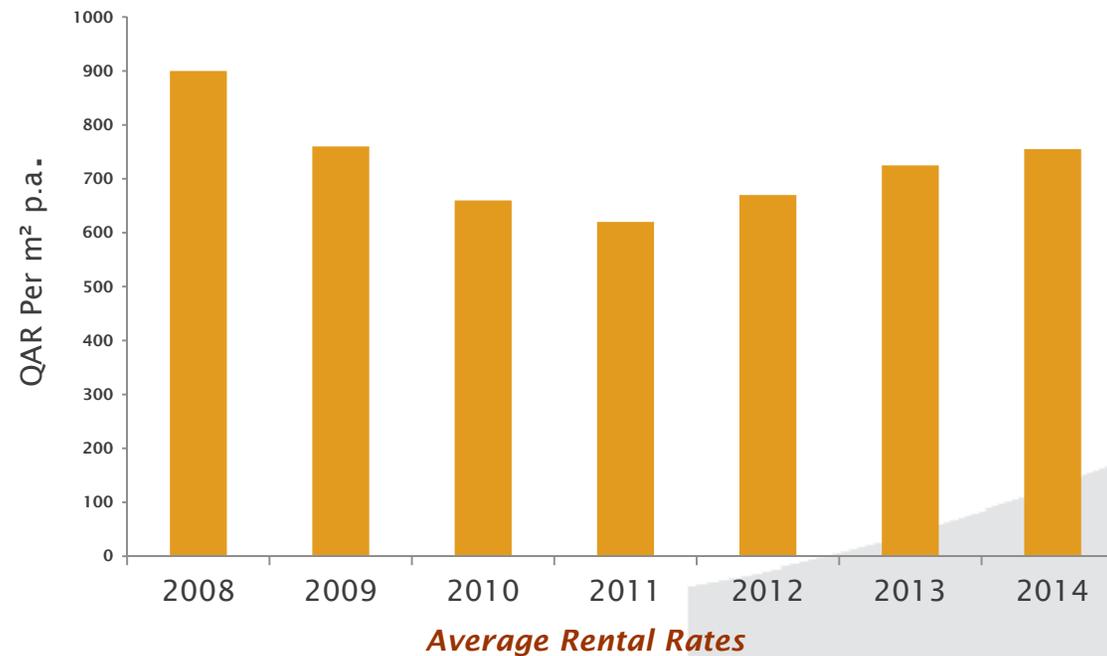
Rental rates are subject to a number of attributes including location, quality of finishes, unit sizes, onsite amenities as well as the type of furnishing used. It must be noted that the majority of apartments available for rent in West Bay and Pearl Qatar are furnished, and the asking rent is partially subject to the quality of furnishings.





Rental Rates

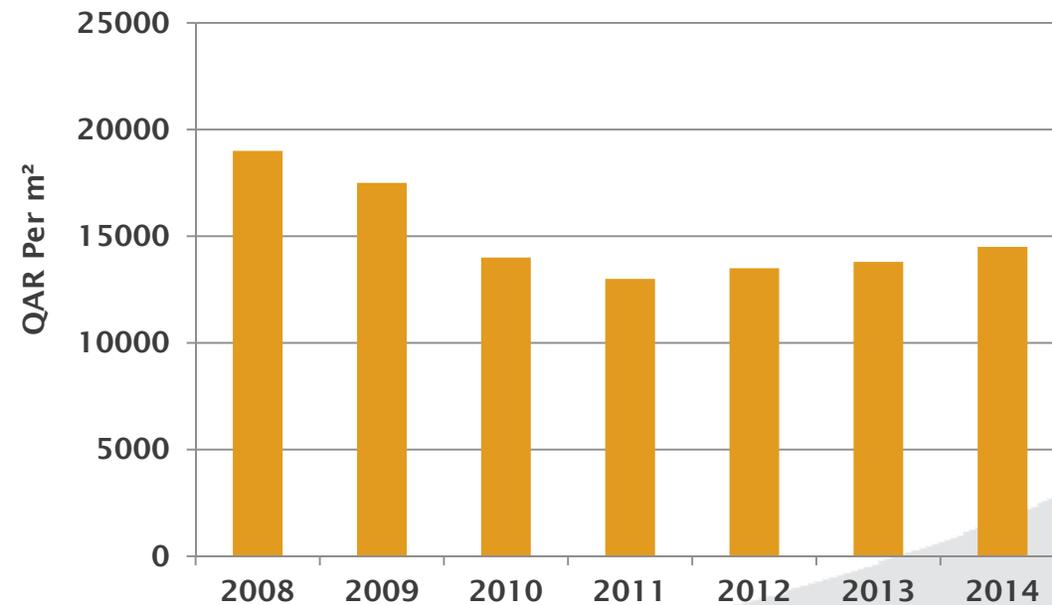
Rental rates across apartments in Doha witnessed a decline during the 2008 - 2012. In 2012 however, first signs of an upward trend was observed. Average rentals in 2014 have witnessed a 4% increase an average of QAR 725 per m² p.a. in 2013.





Sales Price

Since 2008, residential sales prices have also witnessed a substantial drop, but 2012 witnessed positive signs similar to the rental market. Average prices in 2014 increased by 4% from the previous year.



Average Rental Rates



Office Sector Overview

The office sector in Doha has undergone dramatic changes since the year 2000. Historically, office space in Doha was located in the city centre (A and B Ring Roads) and along Grand Hamad Avenue in the 1980s and 1990s. More recently along the C and D Ring roads, and currently, the West Bay/Diplomatic District.

The growth in prominence of West Bay from the beginning of this decade and the current government measures of moving public departments there has resulted in a change in the market's focus towards this area.

As with other markets, the predominant reason for office tenants moving into the Central Business District (CBD) (in this case -West Bay) is the need to upgrade their offices, the requirement for additional space, and overall attraction of moving into a better location. Currently, West Bay comprises of the majority of office space in Doha.

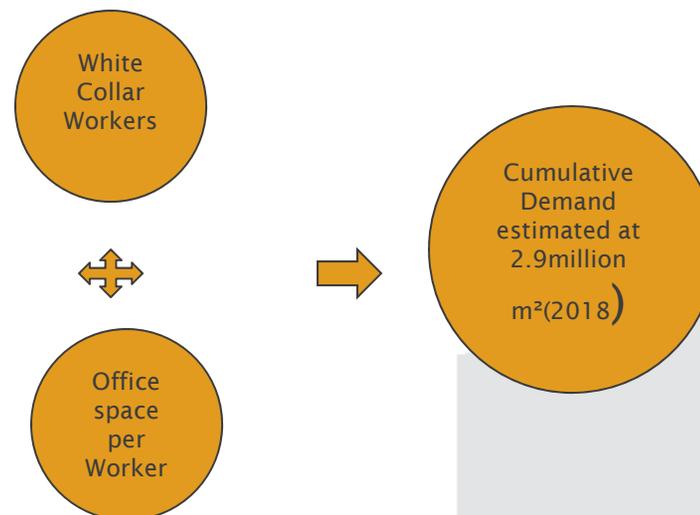
Supply

The current Grade A (in terms of location) office space reached 2.5 million m² by the end of 2013. Although there are many dedicated office buildings in Doha, overall supply currently existing in Doha cannot be classified as primary grade quality in comparison to international markets. However, this is set to change with the provision of new office space currently under construction and in the planning stages.

Demand

Among the companies expanding their presence in the market, financial institutions are most prominent. The trend is for banks to set up offices in the West Bay/Diplomatic District, as oil and gas corporations are also located in the area, increasing the proximity to their customers. Applying the average benchmark as recommended by the Royal Institution of Chartered of Surveyors - RICS (i.e. 11 m²) to the current number of office employees in Doha, Estimated total demand at 2.2 million m² by the end of 2014.

Going forward, and taking into consideration the projected growth in white collar employment, we estimate cumulative office demand to reach 2.9 million m² by 2018.



Estimated Demand for Office Space

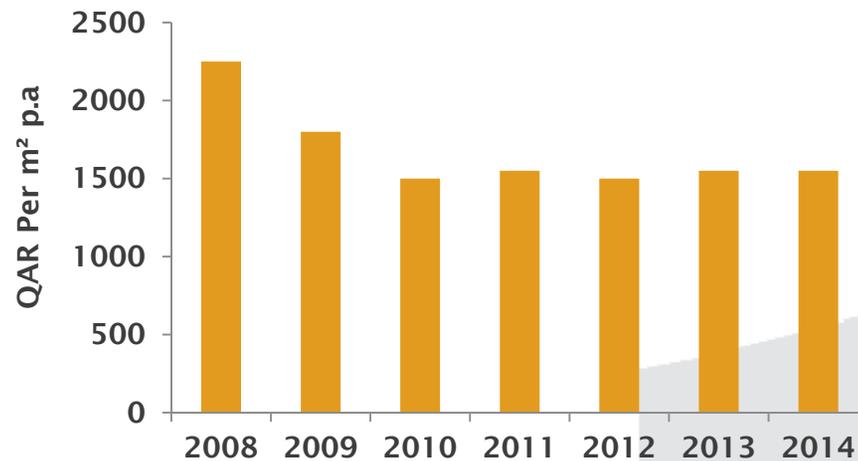


Pricing/Market Performance

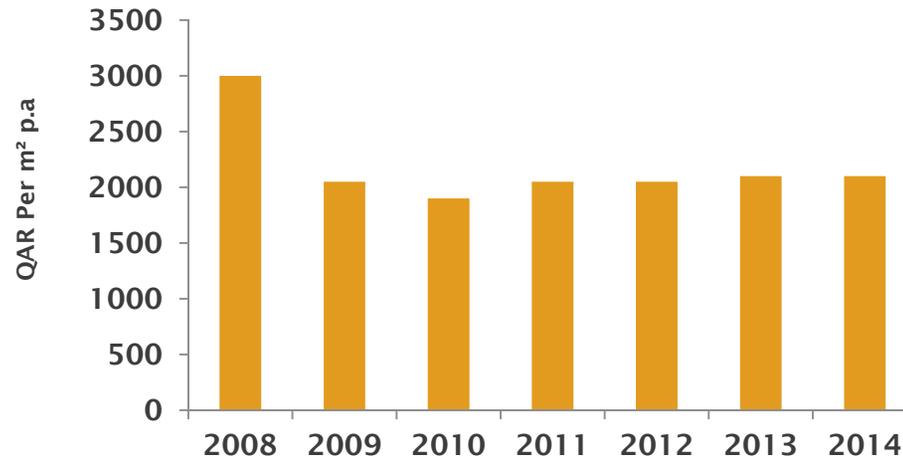
Following an increase in demand for new office space, a stabilization of rentals within primary grade office space has also been witnessed. This can be attributed to the fact that there is tenant movement towards central areas such as West Bay, as rentals have become more affordable.

Rental Rates

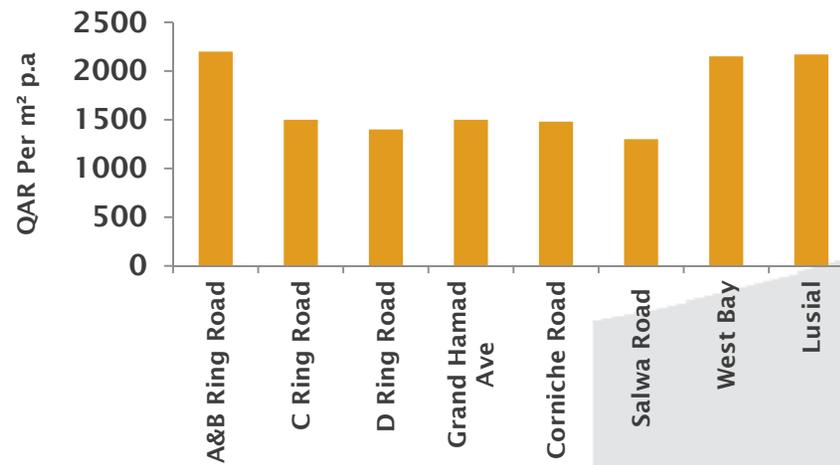
Overall, rental rates across Doha witnessed a substantial drop since 2008. However, the rental rates are now stabilizing and witnessed little or no change in 2014, from the previous year.



Average Rental Rates – Across Doha



Average Rental Rates – West Bay



Average Office Rental Rates Comparison by Location



Retail Sector Overview

Doha's retail market continues to be dominated by modern shopping malls such as the Villaggio, Lagoona, Landmark and City Centre, which together account for 60% of Doha's formal (mall) retail supply.

SUPPLY

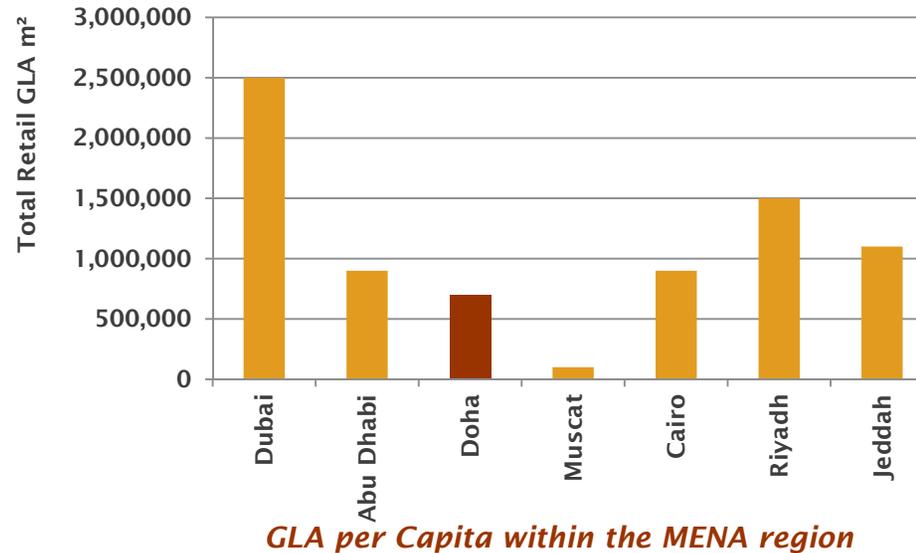
The total existing supply in terms of Gross Leasable Area (GLA) currently stands at approximately 629,000 m². Doha City Centre accounts for 20% of this supply, followed by Villaggio, at 17% and Porto Arabia representing 15% of cumulative supply.

The majority of shopping malls in Doha are located in the northern and north western side of the city.

However, the majority of planned/ proposed malls will see a concentration shift towards and in Lusail.

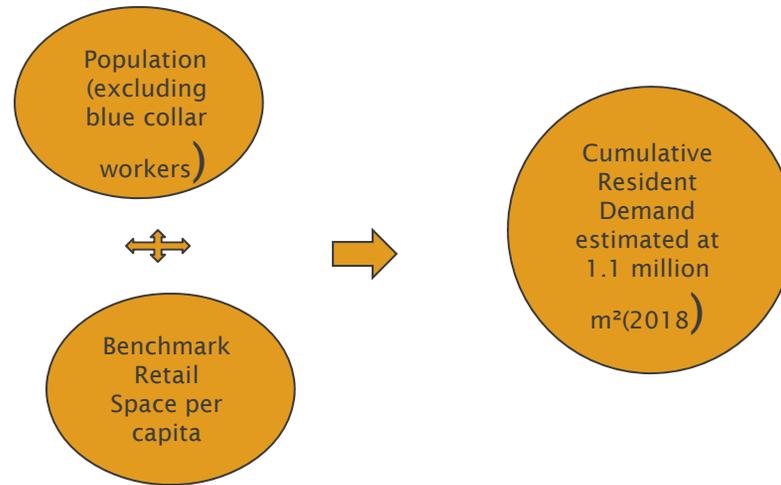
Based on future population growth estimates demand for shopping mall space is likely to continue an upward trend. The delivery of a further 900,000 m² within the next 5 years (provided construction timelines are met).

Given this volume of planned supply comes online (provided construction timelines are met), the addition supply is expected to add more competition in the retail landscape.

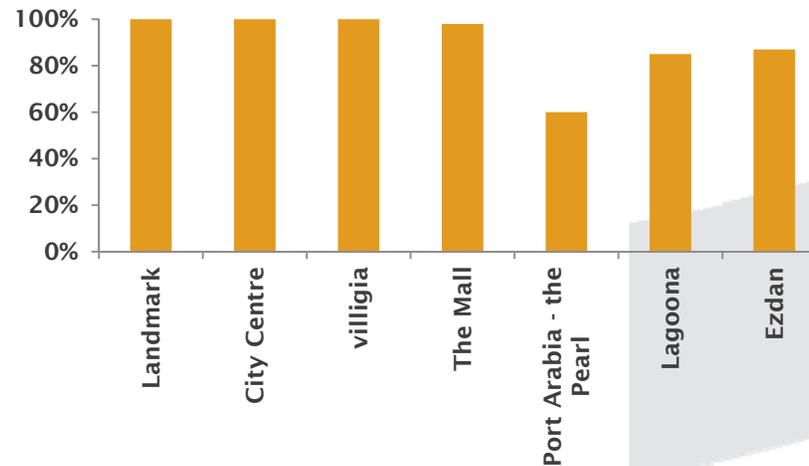


DEMAND

Assessing demand for retail space in a community relies on a number of factors which include the general affluence of the community and levels of discretionary disposable income. The International Council of Shopping Centres (ICSC) has published a guideline suggesting that developed communities can absorb a supply of 2 m² GLA per head of population. This is broken down into formal shopping mall space (1.1 m² GLA per head of population) and other retail space (0.9 m² GLA per head of population). Given the high levels of disposable income, and the general affluence of the Qatari society, Applying the ICSC guideline to population, once blue collar (elementary) workers are discounted from the equation, by the end of 2013 Doha had the capacity to absorb a total supply of 700,000 m² of formal shopping mall space.



Estimated Demand for Shopping Mall Space

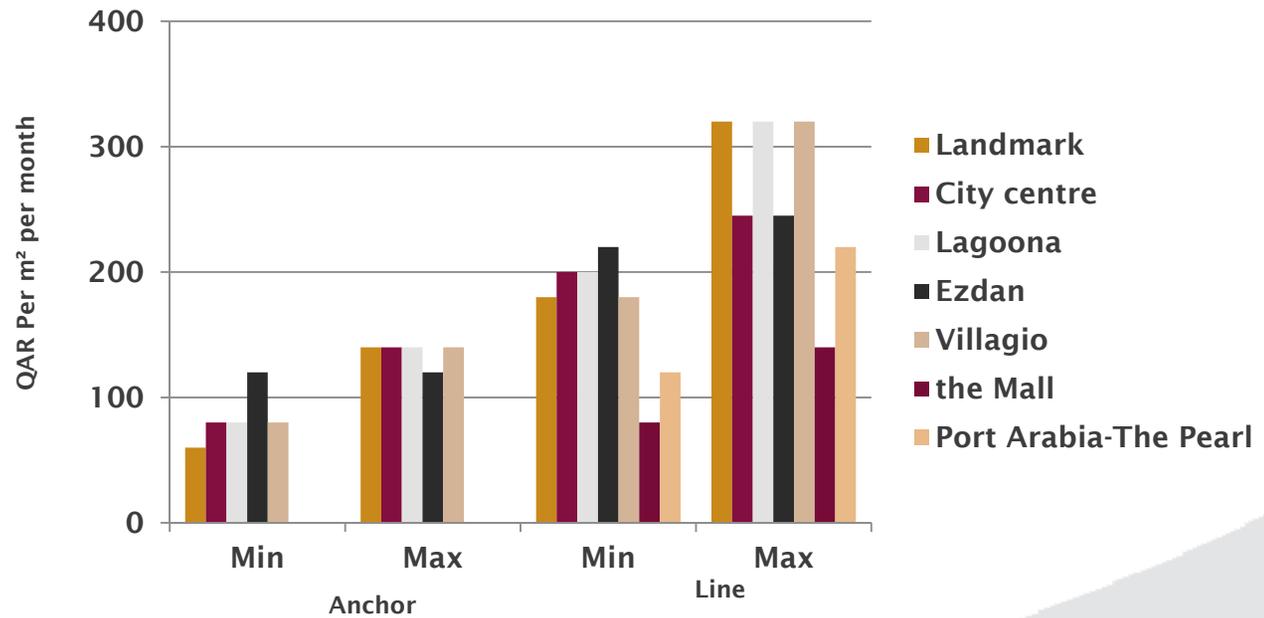


Average Occupancy



PRICING / MARKET PERFORMANCE

Average line rentals in shopping malls in Doha range between QR 180 and QR 275 per m² per month.



Average Rental Rates



Outlook

- ❑ Doha will continue to experience strong residential demand over the short to medium term as the economy remains stable and population growth continues.
- ❑ Although occupancy rates across Doha are currently 85%, As per research we can suggest that high-end gated communities in Doha are currently enjoying average occupancy rates of approximately 97%, indicating a preference and high demand for such accommodation.
- ❑ Developing residential units in close proximity to education facilities act as a significant attractor to tenants from residential communities that do not have easy access to such essential social infrastructure facilities.
- ❑ The Office market is currently oversupplied and given the forthcoming projects in the pipeline, the market is likely to remain oversupplied in the short to medium term.
- ❑ Office occupancy rates across Doha are currently 75%, with newer buildings taking longer to lease, given the oversupplied market.
- ❑ Despite Doha's office market being currently oversupplied, it is becoming more challenging to find space for smaller occupiers but larger occupiers have a greater range of good quality options to consider.
- ❑ Increased demand for retail space in Doha has prompted the development and proposals of numerous new shopping malls. These malls will increase the current GLA by almost 300%, being actual realization of announced projects.



Source & Reference

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Thank You...!