



Cavendish
Maxwell



PROPERTY
MONITOR
Powered by Cavendish Maxwell

Q2 2018

ABU DHABI
MARKET REPORT

FOREWORD

Cavendish Maxwell is a highly respected, independent firm of chartered surveyors and property consultants, focusing on property services throughout the Middle East and Africa. Established in 2008, Cavendish Maxwell is now one of the region's most influential property consultancies. We provide comprehensive and detailed reports prepared to internationally accepted standards that meet a diverse range of client requirements. As a fully qualified member firm of the Royal Institution of Chartered Surveyors (RICS), with extensive knowledge of the region, we have the necessary experience, expertise and insight to deliver property advice of the highest standard.

Our experience covers property, land and business asset valuations; investment; disposals and acquisitions; rent reviews; lease renewals; development appraisals; advisory services; market research; feasibility studies; education advisory and valuation; project management; building consultancy and data analytics.

Our Q2 2018 report provides a summary of the Abu Dhabi residential market as well as a sector focus on the hospitality market. Price movement, rent and yield statistics and upcoming supply of residential properties are provided through Property Monitor, a real estate intelligence platform, powered by Cavendish Maxwell.

CONTENTS

4 Price Performance

6 Rent Performance

8 Supply Overview

10 Sector Focus – Hospitality

12 Methodology

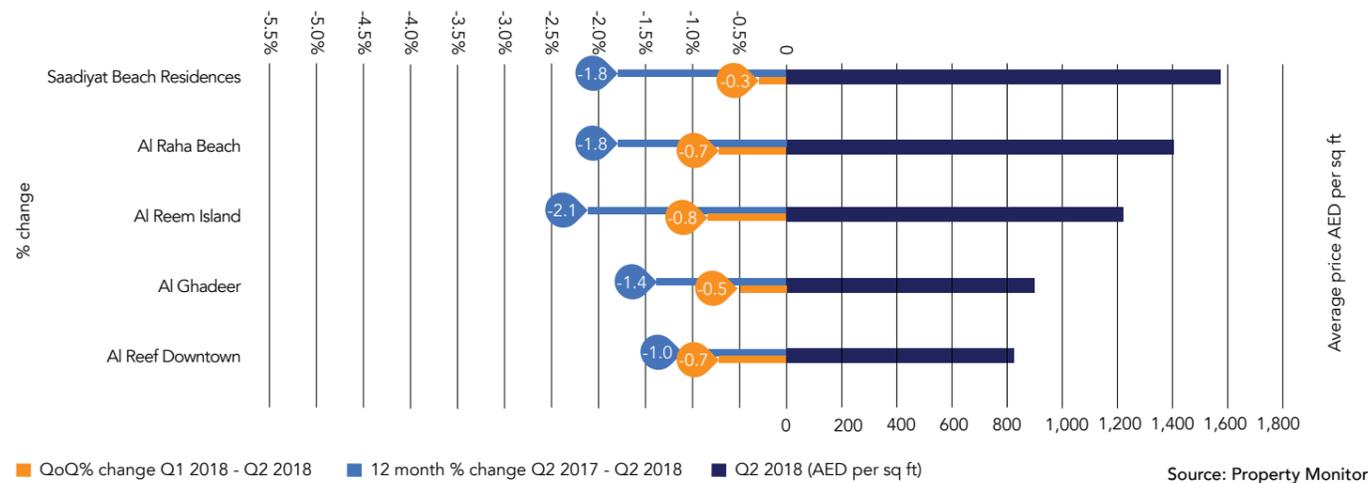


PRICE PERFORMANCE

Residential property prices in investment zones declined marginally during Q2 2018.

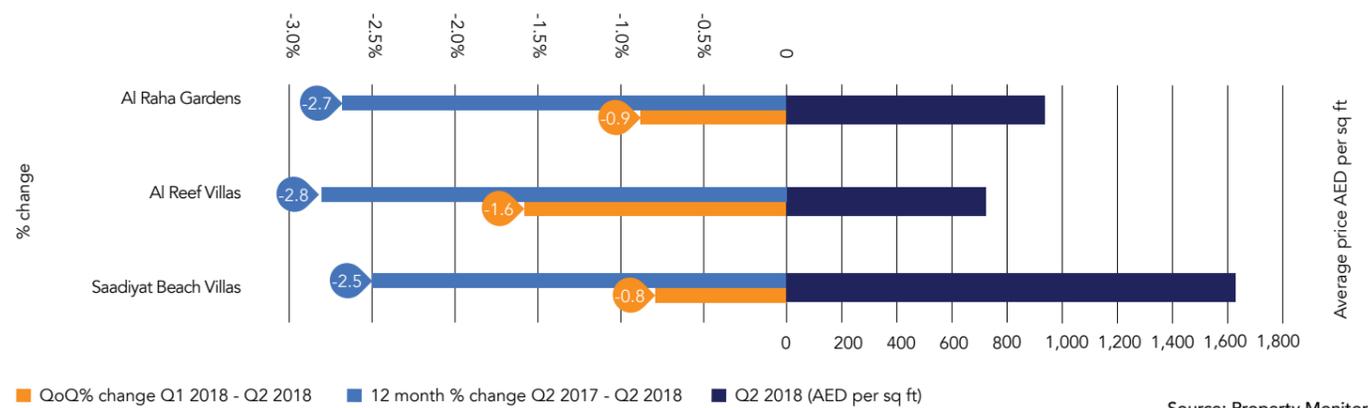
According to the Property Monitor Index, villa prices in Al Raha Gardens, Al Reef and Saadiyat Beach have declined by more than 2.5% over the last twelve months, while apartment prices remained largely stable with 1.6% decline on average over the same period. Off-plan transactions continue to dominate market activity, which remains subdued overall. Buyers have shown a preference for the mid-level price segment and developers are responding with launches at starting prices of AED 500,000 and below. In the secondary market, majority of the sellers were ready to negotiate prices down in Q2 2018. Increased participation from a wider segment of buyers will be linked to job creation and enhanced business sentiment. The AED 50 billion stimulus announced for Abu Dhabi in early June is a step in this direction, though the impact on the real estate market is yet to be seen.

Apartment Price Performance

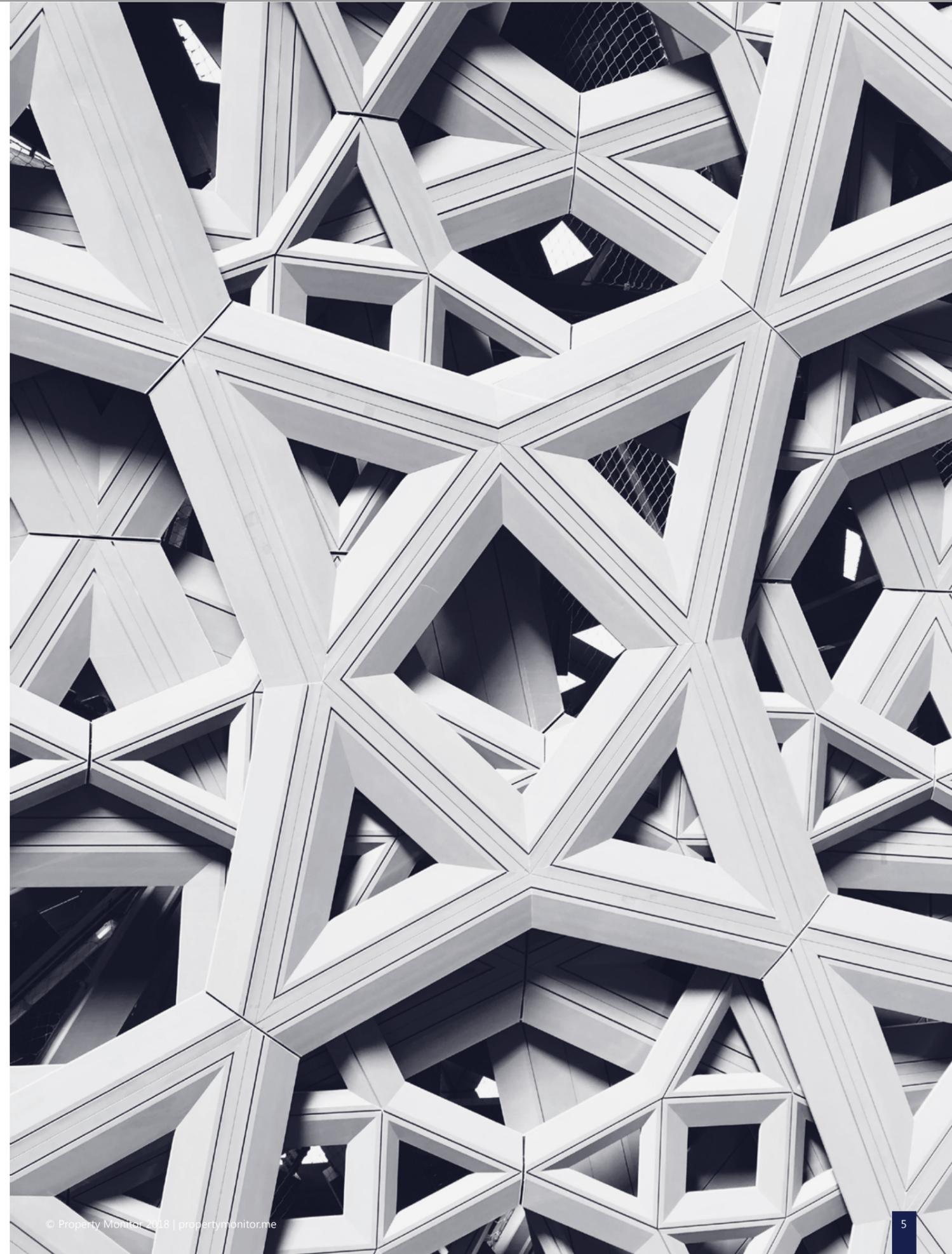


Source: Property Monitor

Villa/Townhouse Price Performance



Source: Property Monitor

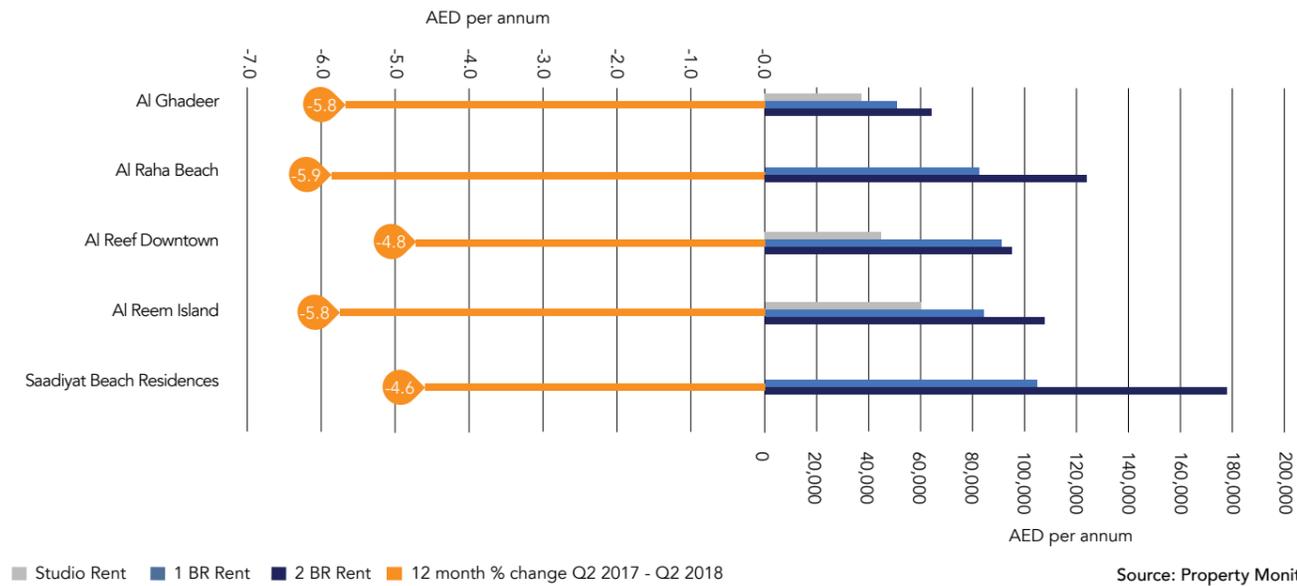


RENT PERFORMANCE

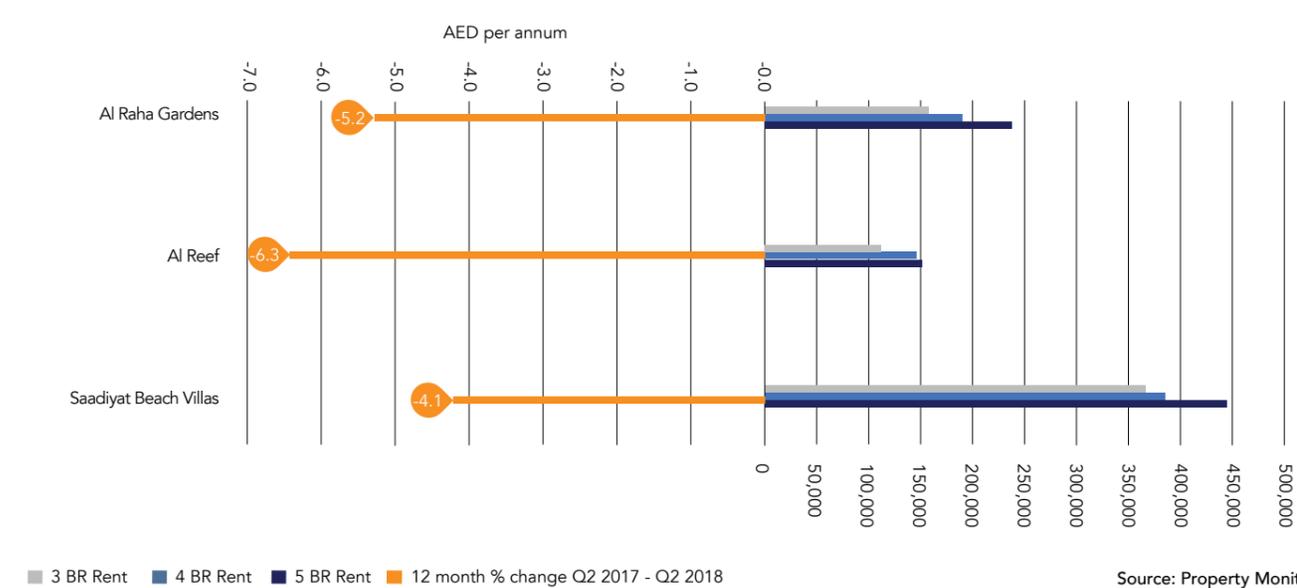
Apartment and villa/townhouse rents across investment zones have continued to decline in Q2 2018, averaging 5.0% over the last twelve months.

Since the beginning of the year, tenants have had increasing flexibility to either negotiate rents down during renewal or migrate between communities as lower rents and increasing vacancy levels have made historically expensive locations accessible to a wider segment. In May, the municipality fees was increased from 3% to 5% for all premises, except villas for which it has been set at 7.5%. This monthly charge paid as a percentage of the annual rental contract by tenants is expected to put further pressure on landlords trying to rent larger units, which have been impacted from readjusted housing allowances and job losses among senior executives. Some landlords may reduce the overall rent or absorb this additional charge to attract tenants in an already constrained rental market.

Apartment Rent Performance



Villa/Townhouse Rent Performance



SUPPLY OVERVIEW

An estimated 2,300 residential units have been handed over across investment zones in Abu Dhabi during the second quarter.

In Q2 2018 majority of the residential stock was handed over in Abu Dhabi Main Island and City of Lights development on Al Reem Island.

As of June 2018, approximately 7,000 units are scheduled for handover for the second half of the year, though actual completions may vary. The key locations for upcoming supply in H2 2018 are Saadiyat, Yas Island and Al Reem Island, which have a total of over 3,700 units scheduled for completion this year.



PROPERTY MONITOR SUPPLY TRACKER

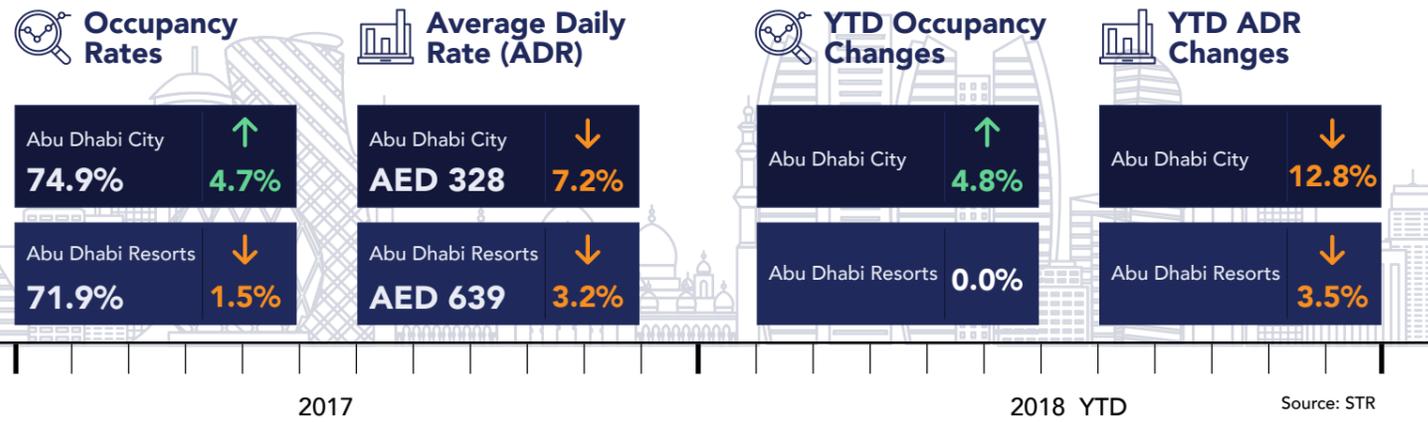
Supply scheduled to be completed by end of 2018



Source: Property Monitor



SECTOR FOCUS HOSPITALITY



Overall occupancy rates remained relatively stable in Abu Dhabi in 2017 showing good demand levels according to Department of Culture and Tourism - Abu Dhabi (DCT Abu Dhabi). This is not however reflected within the achieved ADRs, which continued to slide into 2018.

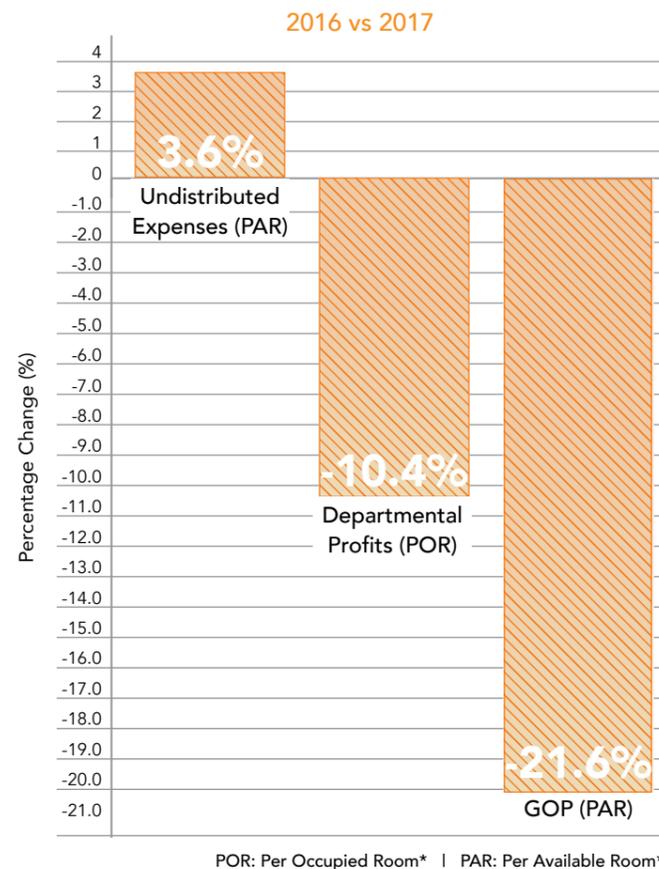
SEGMENT FOCUS LUXURY OPERATIONAL PERFORMANCE

With fixed and variable costs bases, the demand levels play a significant role in the performance of hospitality assets. The statistics are representative of a luxury positioned competitive set located in Abu Dhabi. All properties contained within the set are considered to be city hotels. The value of an asset is intrinsically linked to the profitability of the asset, thus particular attention needs to be paid to the operational performance of the market.

Undistributed Operating Expenses includes all expenses relating to property operation and maintenance, system costs, utilities, administrative and general, and sales and marketing costs. Undistributed Operating Expenses per available room (PAR) in the Luxury properties set increased by 3.6%.

Departmental profits, which include all revenue streams linked to rooms, food and beverage, spas and all other operating departments, declined by 10.4% per occupied room (POR).

A combination of increased costs (primarily resulting from an increase in utility expenses) and a fall in revenue, resulted in the Abu Dhabi luxury sector experiencing double-digit declines in profit levels.



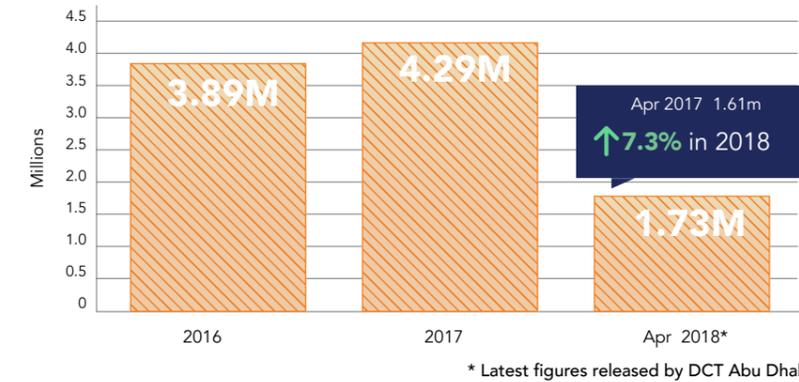
SUPPLY AND DEMAND

Room Supply

At the end of 2017, DCT Abu Dhabi reported a total hospitality inventory of 26,743. As of the end of Q2 2018, the total inventory has increased by 4% standing at 27,826. Notable openings during 2018 include Saadiyat Rotana Resorts and Villas, Grand Hyatt Abu Dhabi Hotel and Residences Emirates Pearl.



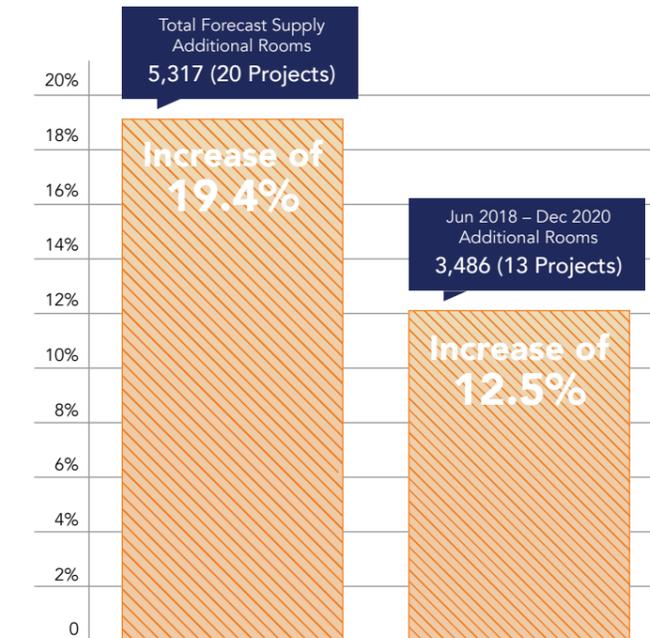
Demand



Demand in the form of visitors and overnight guests staying in Abu Dhabi hotels totalled 4.29 million in 2017. Hotels in Abu Dhabi continue to diversify their offerings to adapt to the change in guest demographic. Historically Abu Dhabi hotels have been heavily reliant on the business sector, however the Emirate has experienced a segment shift from business to leisure. Promotion in short-stay vacations and developments such as the The Louvre and Yas Island have helped build Abu Dhabi's profile as a leisure destination. Abu Dhabi has seen positive results, recording a 7.3% increase in guest numbers year-to-date.

FORECASTS

The below graph shows the forecast for hotel room supply. The total forecast supply includes all projects that have progressed to the planning phase. This represents an inventory increase of 19.4% or 5,317 rooms. However, approximately 72% of the total forecast supply is currently under construction and is expected to be completed by 2020. This represents an inventory increase of 12.5% or 3,486 rooms.

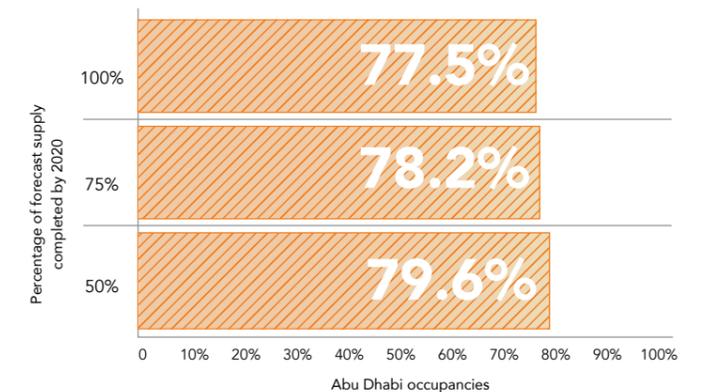


Occupancies to increase, providing positive impact on ADRs

Cavendish Maxwell forecasts that Abu Dhabi will continue to grow its guest demand by 8%, 6% and 4% between 2018 and 2020 as hotels in the Emirate continue to diversify their service offering.

DCT Abu Dhabi data shows the current average length of stay is 2.6 days with a double occupancy factor of 1.5. Double occupancy factor refers to the average number of guests per occupied room.

Based on the anticipated supply and keeping the above figures constant, Abu Dhabi can expect the following average occupancies in 2020.



METHODOLOGY

Sale prices and rents are derived from Property Monitor (www.propertymonitor.me), a real estate intelligence platform established by Cavendish Maxwell in 2014. Property Monitor provides real-time, market-wide transactional data and trends. Working with governments, agencies, banks, developers and corporate investors, it provides deeper insight into real estate advisory, investment, and lending activities. The average sales price per sq ft is based on the Property Monitor Index which incorporates signed contracts, registered transactions, valuations and listings verified by Cavendish Maxwell's market leading valuation department.

Supply projections for residential projects are based on the Property Monitor Supply Tracker which tracks supply in real time, regular tracking of construction projects, new launches and delays. This is achieved through site inspections as well as regular feedback from developers, contractors, Cavendish Maxwell's building consultancy team and related government entities.

STRATEGIC CONSULTING AND RESEARCH

Our consulting and research team includes seasoned professionals with international advisory experience offering bespoke and localised services. Through them, our clients immediately gain access to our knowledge base, technical expertise and highly skilled individuals, making us the development partner of choice. The team leverages their global expertise to offer tailored advice to clients in the MENA region covering all real estate classes including residential, office, hospitality, education, mixed-use developments, among others.

The team partners with developers, investment companies, family offices and the government to deliver actionable development and real estate investment strategies aligned with prevailing and forecasted market conditions. The work of the advisory team is supported by Property Monitor, the UAE's only real estate data source offered by RICS accredited property professionals, as well as multidisciplinary valuation and investment departments.



Our documents and advice meet banking and audit criteria, proven by our presence on over 40 bank panels across the Middle East.

KEY SERVICES

- Market Research
- Portfolio Strategy
- Development Recommendations
- Property Data
- Advisory Services
- Education Advisory and Valuation
- Feasibility Studies
- Highest and Best Use Studies
- Market Entry Strategy
- Site Analysis

Disclaimer:
The information and analysis contained in this report has been obtained from and is based on information from a variety of sources generally regarded to be reliable and assumptions which are considered reasonable, and which was current at the time of undertaking market research, but no representation is made as to their accuracy or completeness. We reserve the right to vary our methodology and to edit or discontinue the indices at any time, for regulatory or other reasons.

The report and analysis does not purport to represent a formal valuation of any property interest and must not be construed as such. Such analysis including forward looking statements are opinions and estimates only and are based on a wide range of variables which may not be capable of being determined with accuracy. Variation in any one of these variables can have a material impact on the analysis and we draw your attention to this. Cavendish Maxwell and Property Monitor do not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this report.

PEOPLE



Jay Grant MSc IRRV (Hons)
Founder and Chairman
E: jay.grant@cavendishmaxwell.com



Nigel Armstrong FMAAT
Chief Executive Officer
E: nigel.armstrong@cavendishmaxwell.com



Paul Barker BSc (Hons) MRICS
Partner
Head of Commercial Valuation
E: paul.barker@cavendishmaxwell.com



Sofia Underabi MRICS AAPI
Partner
Head of Residential Valuation
E: sofia.underabi@cavendishmaxwell.com



Moe Abeidat
Chief Technology Officer
Property Monitor
E: moe.abeidat@propertymonitor.ae



Andrew Love MA (Hons) MRICS
Partner
Head of Investment and Commercial Agency
E: andrew.love@cavendishmaxwell.com



Manika Dhama BA (Hons), MBA
Associate Partner
Strategic Consulting and Research
E: manika.dhama@cavendishmaxwell.com



Dan Harrison BSc (Hons) MRICS
Associate Partner
Hotels, Hospitality and Leisure
E: dan.harrison@cavendishmaxwell.com



Abu Dhabi

605 West Tower, Abu Dhabi Mall
Tourist Club Area
P.O. Box 126609
Abu Dhabi
United Arab Emirates

T: +971 2 448 4677
E: info@cavendishmaxwell.com

Dubai

2205 Marina Plaza
Dubai Marina
P.O. Box 118624
Dubai
United Arab Emirates

T: +971 4 453 9525
E: info@cavendishmaxwell.com

Muscat

Villa 836, Way 3012
Al Sarooj
P.O. Box 3438
Muscat
Sultanate of Oman

T: +968 99 445 917
E: info@cavendishmaxwell.com

Partners



Find us on



cavendishmaxwell.com

propertymonitor.me