

YEAR IN REVIEW 2016 OUTLOOK 2017



2016 YEAR IN REVIEW - DUBAI

What went right

- Residential sector yields improved, reviving investor interest
- Strong take up of affordable properties valued below AED800k
- Over 95% occupancies for office space across major freezones
- Dubai hotel RevPar performed well in comparison to competing International markets

MARKET PERFORMANCE



What went wrong

- Residential properties which had seen the highest appreciation since 2014 saw a drastic reduction in sale volumes
- High volume of strata office coming to the market being absorbed at a slow pace
- Declining office sales and rental rates by 5% year-on-year
- Overall pessimistic market sentiment leading to 16% y-o-y drop in real estate transaction volumes

- Hotel guests have grown by 3.9% YTD 2016
- New tourist attractions like theme parks and the Opera House lengthening average duration of stay
- Chinese tourists allowed visa on arrival

TOURISM



- Hotel room supply grew faster than tourist arrivals during the year
- Dollar appreciation impacting Dubai's competitive edge as a tourist destination for Asian and Russian budget tourists

- Non-oil trade for Jan-Sept 2016 valued at AED 952 billion (1%+).
- Exports and re-exports representing a 38% share
- New Industrial Strategy expected to increase exports by AED16 billion and add 27k jobs by 2030
- Launch of Dubai Wholesale City, to be home to over 15,000 traders

TRADE



- Low oil prices leading to job losses in the Oil & gas support industries
- Higher borrowing cost for SME
- UAE losing 4 ranks on the 'Getting Credit', a measuring tool for 'Doing Business Report' from the World Bank

- Implementation of bankruptcy law to encourage investor confidence in UAE
- Improved control from RERA on property listing and marketing by agents

LEGAL



- Dubai Canal opened during Q4
- Metro Red-line expansion contract awarded
- Al Houdh Interchange between Mohammed Bin Zayed Road and Al Yalays Road opened

INFRASTRUCTURE



2016 YEAR IN REVIEW - ABU DHABI

What went right

- Prime Residential units holding their rents
- Increasing vacancy leading to reduction in residential rents, helping middle income residents
- Successful launch of off-plan villa projects
- Retailers increasing high street presence, enhancing street retail appeal

MARKET PERFORMANCE



What went wrong

- Redundancies in key economic sectors affecting Residential, Retail and Office demand
- Unlike Dubai, Abu Dhabi developers have not reacted to the change in residential demand by offering a diverse range of affordable housing options.
- Shopping mall revenue spend has reduced, in turn impacting retail rents
- Hotel RevPar dropped during the year

- Increase in total number of hotel guests by 8% YTD 2016
- Number of hotel guest nights increased marginally
- Abu Dhabi has seen cruise liner tourism increase by 10+% from 2015.
- Abu Dhabi has continued to proceed with 2020 plan of creating a diverse selection of tourist offering with example of progressed developments of Yas Island and theme parks

TOURISM



- Total hotel revenue declined by 9% YTD 2016, marginal decline of 3% in occupancy
- Hotel rates and demand affected by strong dollar and weakening of currency in the UK and Russia, few of the major sources of visitor footfall to Abu Dhabi

- Agreement reached late in 2016 on oil supply curbs between OPEC & Russia
- Improved efficiency and cost management in the government sector due to key mergers and executive appointments in government entities.

TRADE



- Sustained low levels of oil prices due to supply glut
- Business lending rates up
- UAE losing 4 ranks on the 'Getting Credit', a measuring tool for 'Doing Business Report' from the World Bank.

- Implementation of Abu Dhabi's new real estate law (No. 3 of 2015) will increase buyer and investor confidence in the real estate market
- Implementation of UAE bankruptcy law to allow SME's, an opportunity to restructure
- Implementation of 5% cap on apartment rentals to aid tenant negotiations

LEGAL



- Madinat Zayed business district project awarded
- Infrastructure projects worth AED544Mn within Abu Dhabi awarded to build new roads, schools and local infrastructure

INFRASTRUCTURE



- Abu Dhabi metro and light rail project delayed further

DUBAI 2017 MACRO & MICRO OUTLOOK

OPPORTUNITIES



<p>Continued Government spending towards infrastructure and social development to generate new employment opportunities.</p>	<p>Apartments, townhouses and villas in the affordable category have seen strong demand from investors and end users alike</p>	<p>Continued demand for bespoke Grade "A" office space from large corporate occupiers</p>
<p>Community / neighbourhood retail centre developments within masterplan communities.</p>	<p>Hotel developments catering to changing customer demands of experience over traditional brand appeal</p>	<p>SME sector looking for single held strata space to lease mid to large sized offices (250-1,000sq.m.)</p>

CHALLENGES



<p>Fluctuating oil price and challenging economic environment.</p>	<p>Luxury and high end residential properties anticipated to record further decline in capital values.</p>	<p>Office vacancy rates to remain elevated as supply outstrip demand. Ageing and strata office buildings to face the maximum brunt.</p>	<p>Mid-market retail spending likely to remain subdued as consumers remain wary of economic landscape.</p>	<p>Key hotel performance indicators to decline further, due to strong dollar and pipeline supply.</p>
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ABU DHABI 2017 MACRO & MICRO OUTLOOK

OPPORTUNITIES



Affordable housing units along with smaller configuration units (Studios and 1 Bedrooms) continue to be in demand with investors and end users.

Outlook for oil remains positive, which will lead to increased Government spending, which will lead to opportunities for SME's

Opportunity to create water facing F&B destination hubs



Upcoming museums and theme parks to increase Abu Dhabi's visitor arrivals, subsequently enhancing opportunities for real estate investors around these anchors

Develop facilities (leisure and entertainment) catering to mid-market customers and tourists

Opportunity to build themed mid-market office business parks with adequate parking

CHALLENGES



Retail and F&B sector to remain challenged due to increase in supply and consumer sentiment

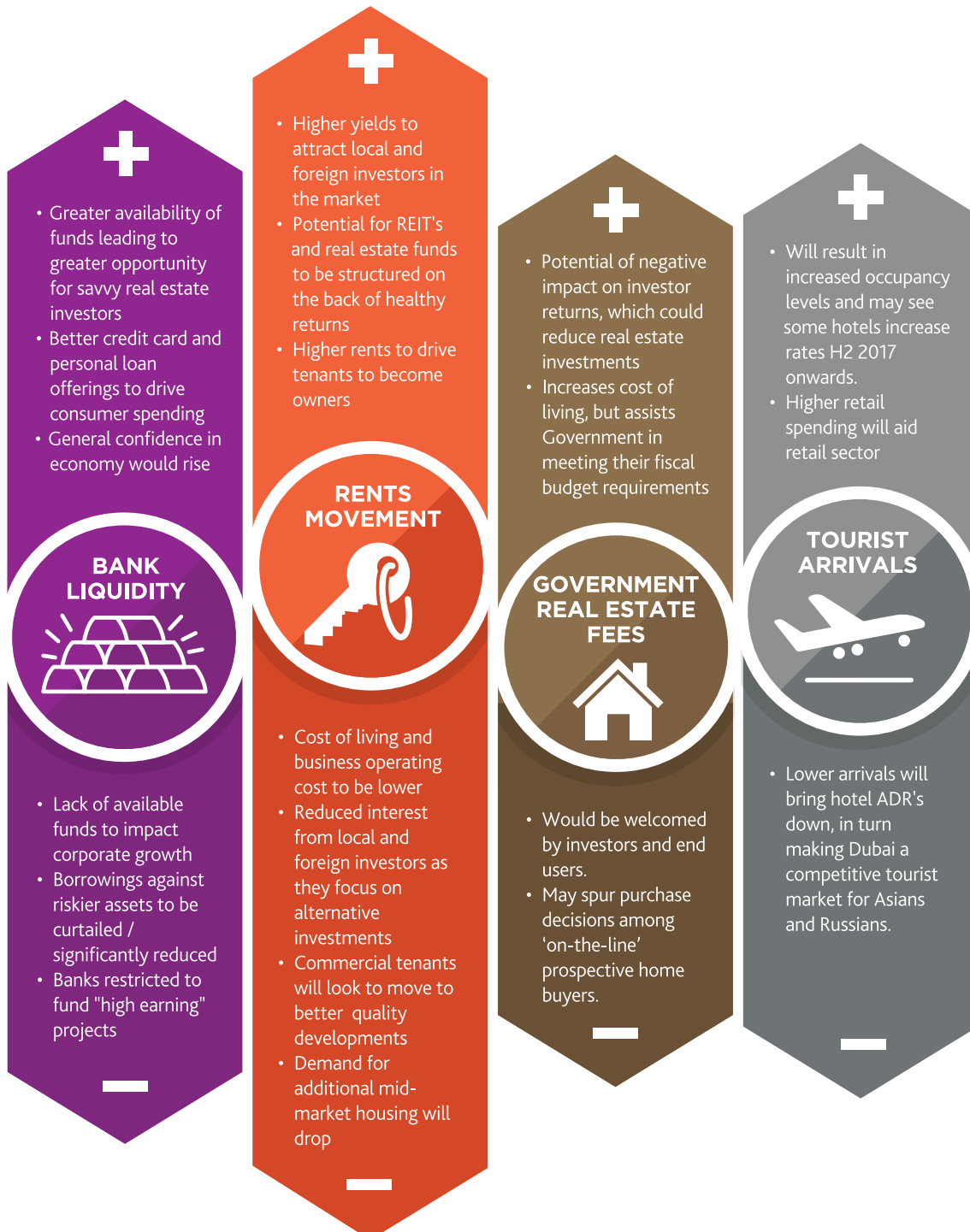
Hotel rates likely to remain stagnant or fall marginally as dollar continues to remain strong

Weakened currencies (vis-à-vis US \$) in the UK and Russia will result in fewer tourist arrivals from these key markets.

POTENTIAL UAE SCENARIOS: 2017



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INTEGRATED SERVICES COVERING THE FULL PROPERTY LIFECYCLE

Property Management	Valuation	Project Management and ESCROW
<p>Enhancing value for individual & institutional property owners:</p> <ul style="list-style-type: none"> ■ Prompt leasing & debt collection ■ Effectively market & lease vacant units ■ Physical & technical maintenance of asset ■ Maintain tenant satisfaction ■ Timely lease renewals ■ Manage risk, insurance & litigation ■ Protect your interests and enhance value 	<p>Valuation reports for:</p> <ul style="list-style-type: none"> ■ Mortgage & Loan Security ■ Securing Project Funding ■ Internal Accounting ■ Mergers & Acquisitions ■ Investment appraisal ■ Litigation ■ Inheritance <p>We cover all asset classes. Our reports are in compliance with the International Valuation Standards (IVS) and the RICS Professional Valuation Standards.</p>	<p>Complete Project Management services at planning & construction stage:</p> <ul style="list-style-type: none"> ■ Engineering Review & Scheduling ■ Cost Estimate & Procurement ■ Project Monitoring ■ Cost Control & Accounting ■ Assist with Permits & Licensing ■ Ensure appropriate fund movement for Escrow based on Project Assessment

Agency (Sales & Leasing)	Research & Strategic Advisory	Investment Advisory
<p>We work with developers, commercial tenants, retailers and individuals, offering:</p> <ul style="list-style-type: none"> ■ Launch Strategy ■ Project Launch Handling ■ Project Marketing Events ■ Acquisitions ■ Leasing ■ Sales <p>We cover all sectors, including residential, commercial, industrial, retail, and land.</p>	<p>Bankable studies for your real estate and business needs:</p> <ul style="list-style-type: none"> ■ Highest & Best Use ■ Market & Financial Feasibility ■ Development Strategy ■ Market Research ■ Corporate Real Estate Strategy ■ Master-plan and design review 	<p>Aiding developers and investors to maximize value:</p> <ul style="list-style-type: none"> ■ Investment Advisory & Due Diligence ■ Investment Management ■ Disposal Strategy ■ Portfolio Review & Optimization ■ Deal Structuring & Capital Sourcing ■ Investment Sale



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