

# **UAE Real Estate**

## ***Challenges & Role in Growth***

# Agenda

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**1** UAE \ Dubai > A Prelude & Critical Milestones

**2** Dubai Real Estate > *The Story so far ...*

**3** Lessons learnt

**4** Revival & Growth > Challenges

**5** What next ? ..... *Outlook*



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## UAE \ Dubai > A Prelude & Critical Milestones





# UAE \ Dubai > Prelude & Critical Milestones



1991



2003

# Critical Milestones...(1/3)

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<b>1971</b>	UAE is formed. Joins UN on Dec 9 <sup>th</sup> .
<b>1972</b>	Adopts new currency. AED.
<b>1973</b>	QE-II inaugurates Port Rashid
<b>1974</b>	US places first ambassador to UAE
<b>1976</b>	ADIA formed. Mandate to invest oil wealth.
<b>1977</b>	Oil output touches 2 Mn bpd.
<b>1979</b>	Jebel Ali Port Opened
<b>1981</b>	GCC is formed

## Critical Milestones...(2/3)

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<b>1985</b>	Emirates Airlines Launched.
<b>1987</b>	Metres in Taxis are introduced
<b>1990</b>	Iraq invades Kuwait. UAE deploys 2000 troops.
<b>1992</b>	UAE Economic Dept established
<b>1994</b>	First McDonald's is opened
<b>1997</b>	EMAAR Properties is established
<b>2000</b>	AUH & DXB Stock exchanges opened.
<b>2001</b>	Work on Palm Jumeirah begins.

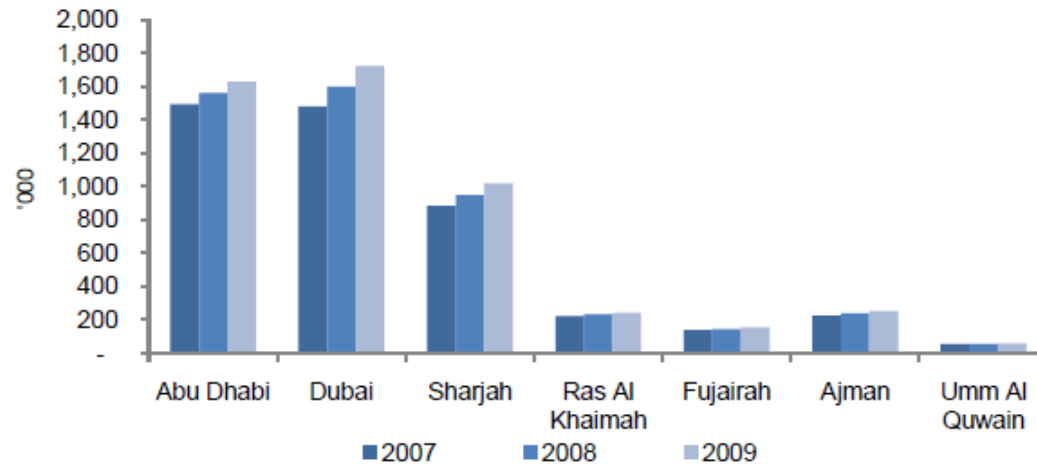
## Critical Milestones...(3/3)

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2002	Foreigners permitted to buy property in Dubai
2004	Work commences for Burj Khalifa ( <i>Dubai</i> ).
2005	Mall of Emirates Opened. Artificial Ski Slope.
2007	Dubai becomes shareholder of LSE
2008	ADIC buys 90% stake in New York's Chrysler Building
2009	Dubai Metro inaugurated. Phase 1 concluded in only 5 years. World's longest driverless network.
2010	Dubai World announces debt restructuring
2011	UAE Economy projected to grow at 3%

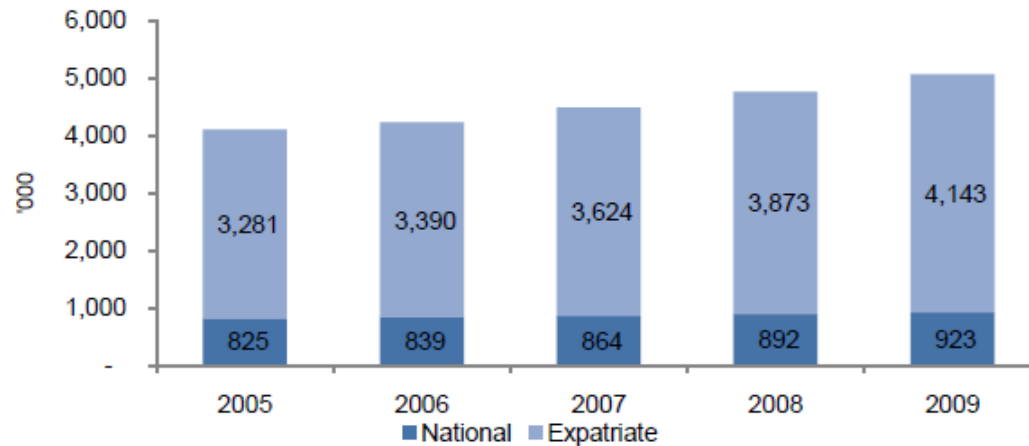
# Get to know UAE & Dubai...

UAE Population Breakdown by Emirate 2007-2009



Source: Ministry of Economy

UAE National and Expatriate Breakdown 2005-2009



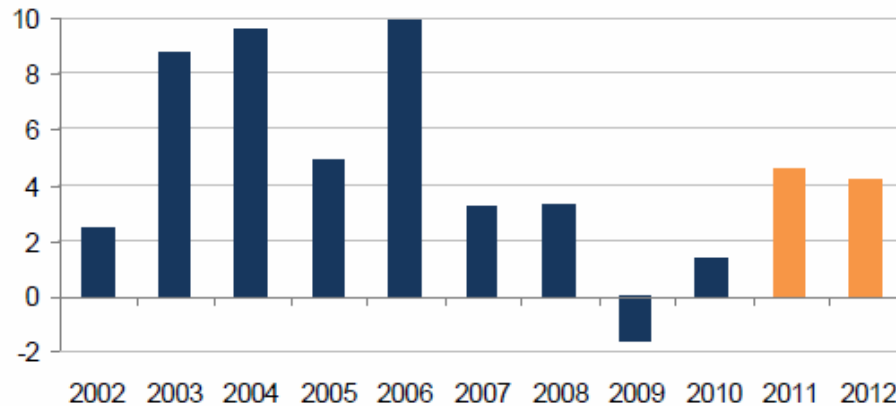
Source: Ministry of Economy





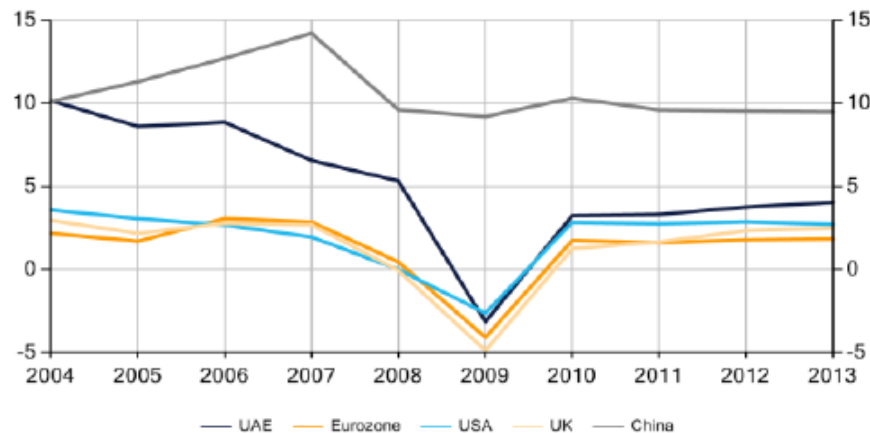
# Get to know UAE & Dubai...(contd.)

UAE Real GDP Growth (%)



The UAE is likely to experience faster growth in 2011 on the back of increased global trade, rising oil production and sustained demand for logistical/transportation services.

UAE Growth In Context



Source: IMF World Economic Outlook

The IMF sees the UAE economy growing faster this year and next. Recent survey data has shown that modest recovery is being maintained.

Source : Economic Insights, Emirates NBD July 2022



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Dubai Real Estate > *The Story so far ...*



# Dubai Real Estate > *The Story so far ...*

2001 : 99 year leasehold announced

2002 : Foreigners can own property

Freehold locations identified (*New Dubai*)

Non-Residents Targeted / International Investment Welcome

Master Developers named : Emaar, Nakheel, Dubai Properties

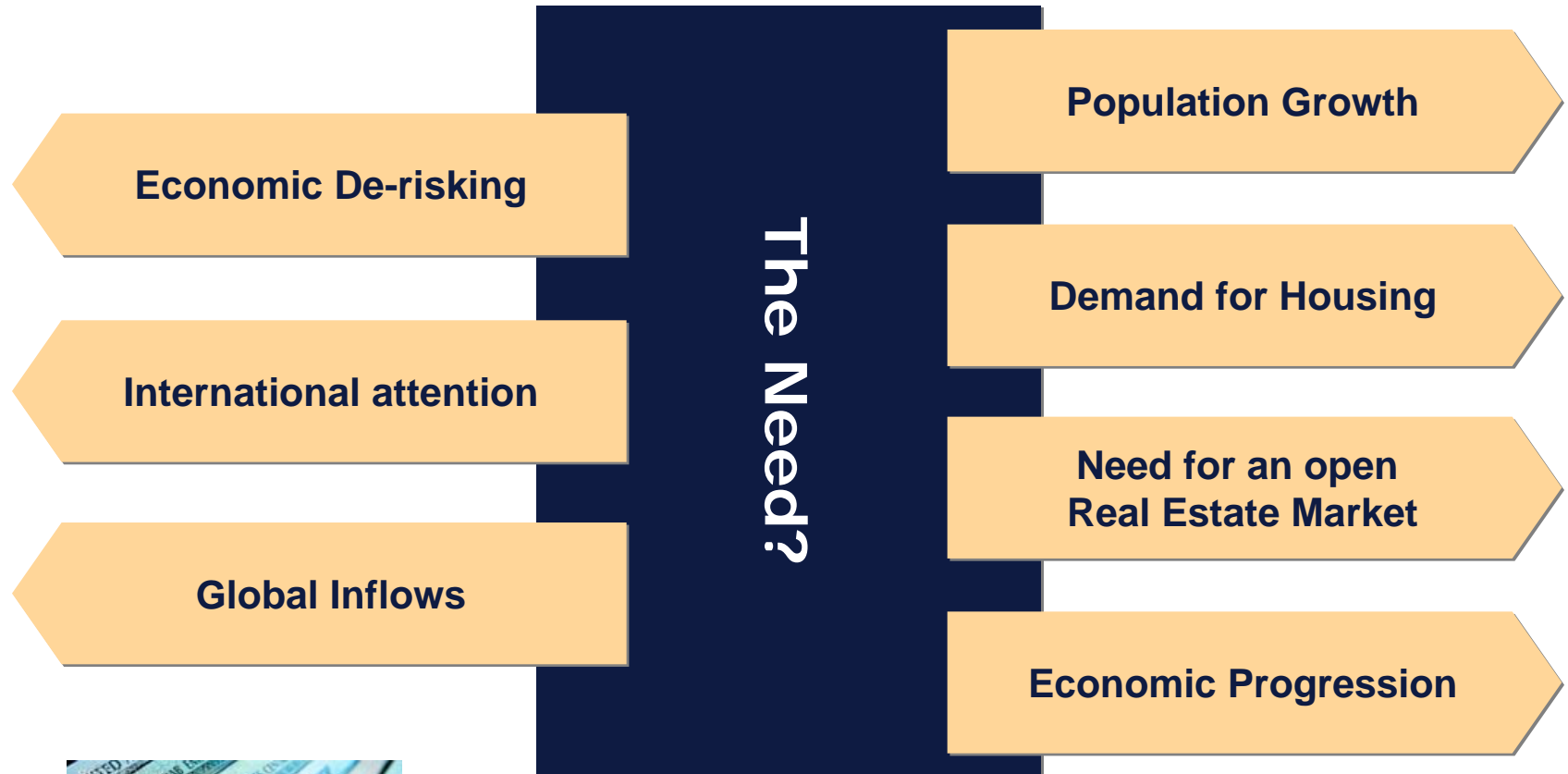
2006/7 : Property Law(s) Announced

2008 : Mortgage Law Announced

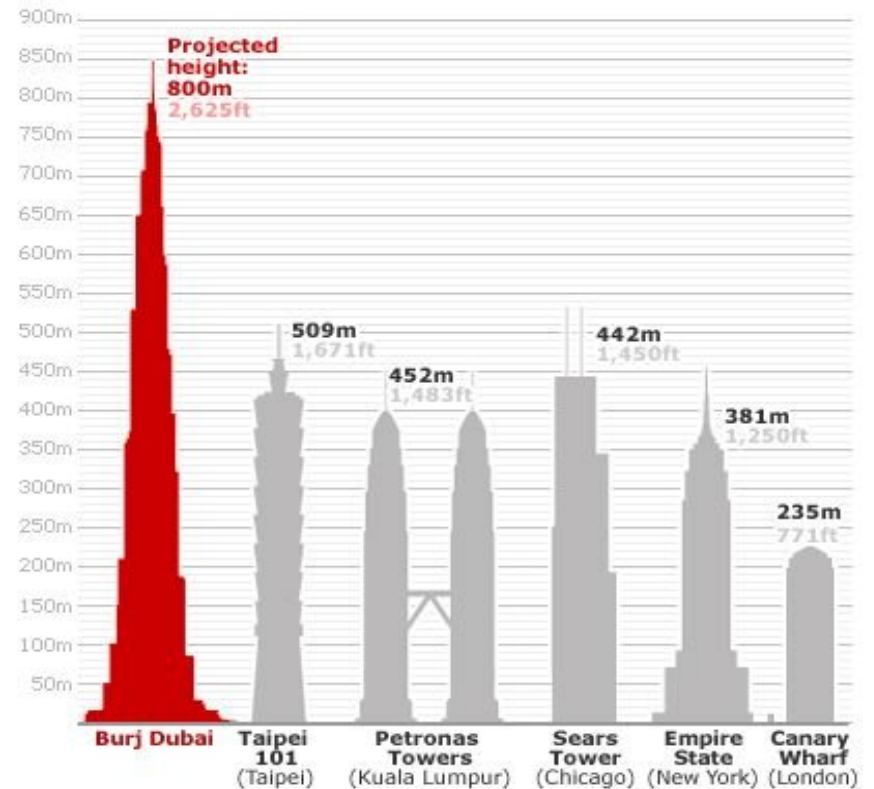
End 2008 / Early 2009 : Gloabl Recession Impacts Dubai.  
Property prices trend downwards.

The DUBAI RE Story

# Dubai Real Estate > *Why the need ?*



# Dubai RE > Showcased developments





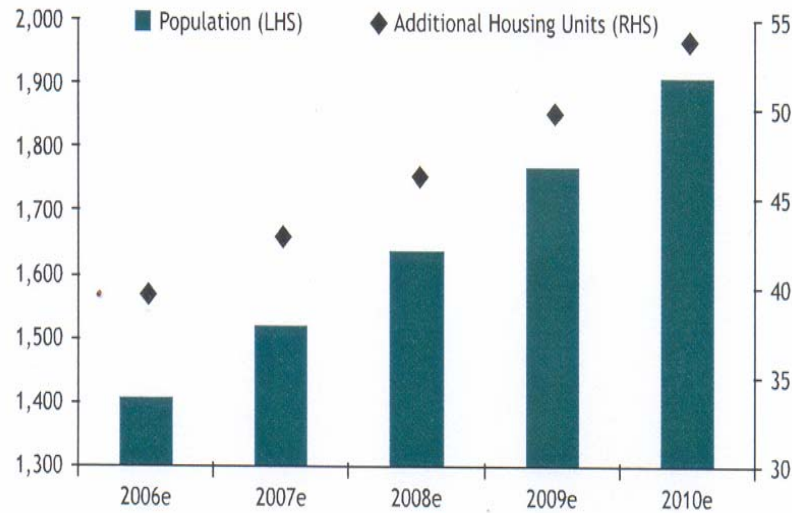
# Dubai RE > Showcased developments (contd.)





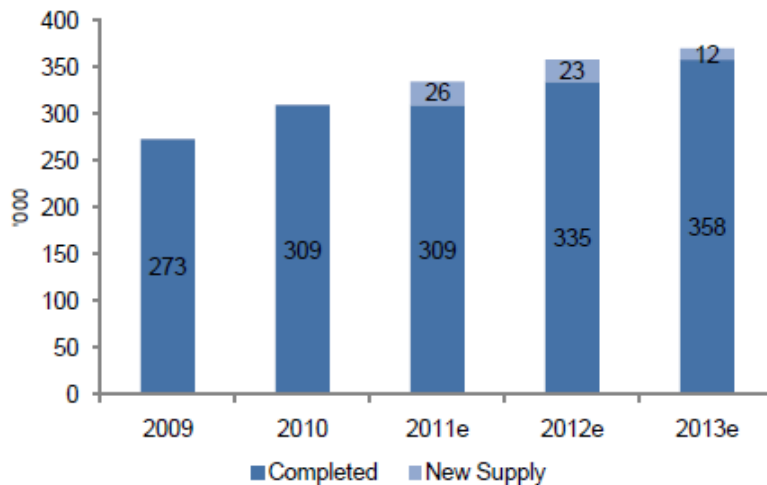


# Dubai Real Estate > *The Story (contd.)*



Source: EFG-Hermes estimates

**Dubai Residential Supply 2009-13**



Source: Jones Lang LaSalle, Global Research

**Abu Dhabi Residential Supply 2009-13**



Source: Jones Lang LaSalle, Global Research

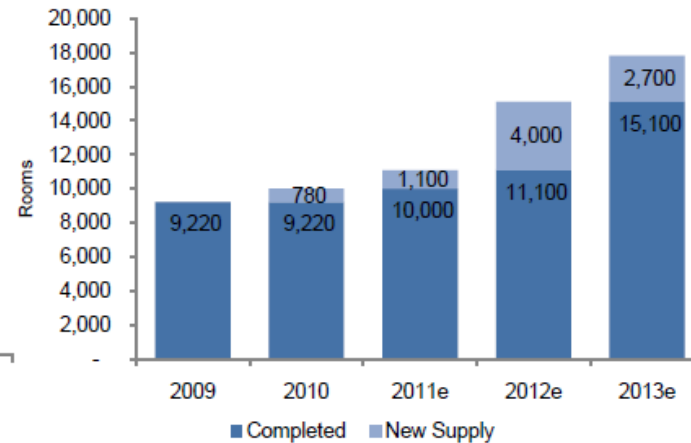
# Dubai Real Estate > *The Story (contd.)*

Dubai Hotel Room Supply 2009-13



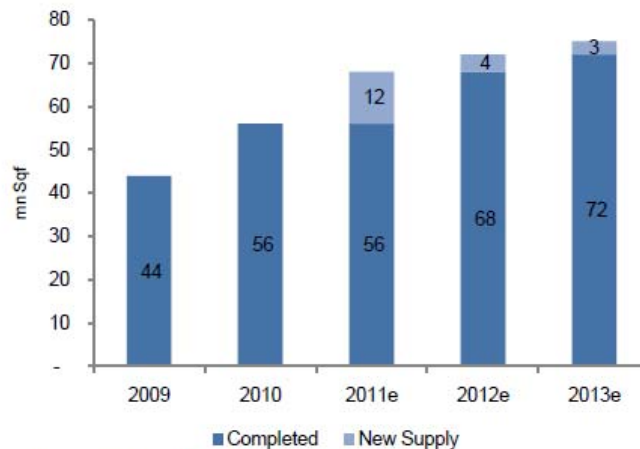
Source: Jones Lang LaSalle, Global Research

Abu Dhabi Hotel Room Supply 2009-13



Source: Jones Lang LaSalle, Global Research

Dubai Office Supply 2009-13



Source: Jones Lang LaSalle, Global Research

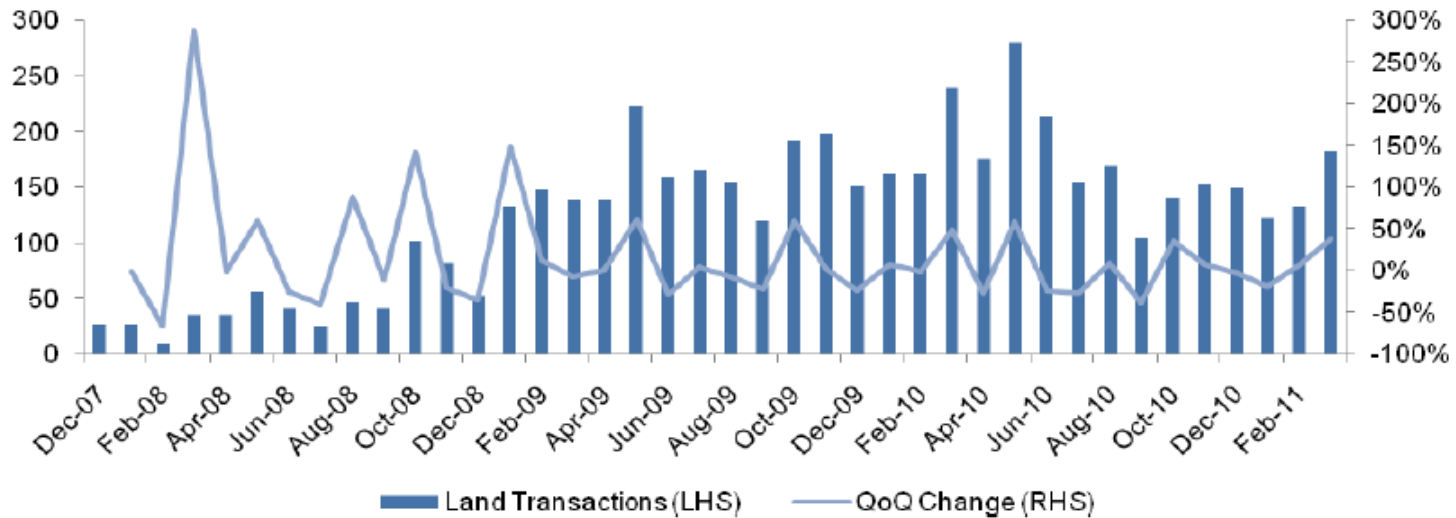
Abu Dhabi Office Supply 2009-13



Source: Jones Lang LaSalle, Global Research

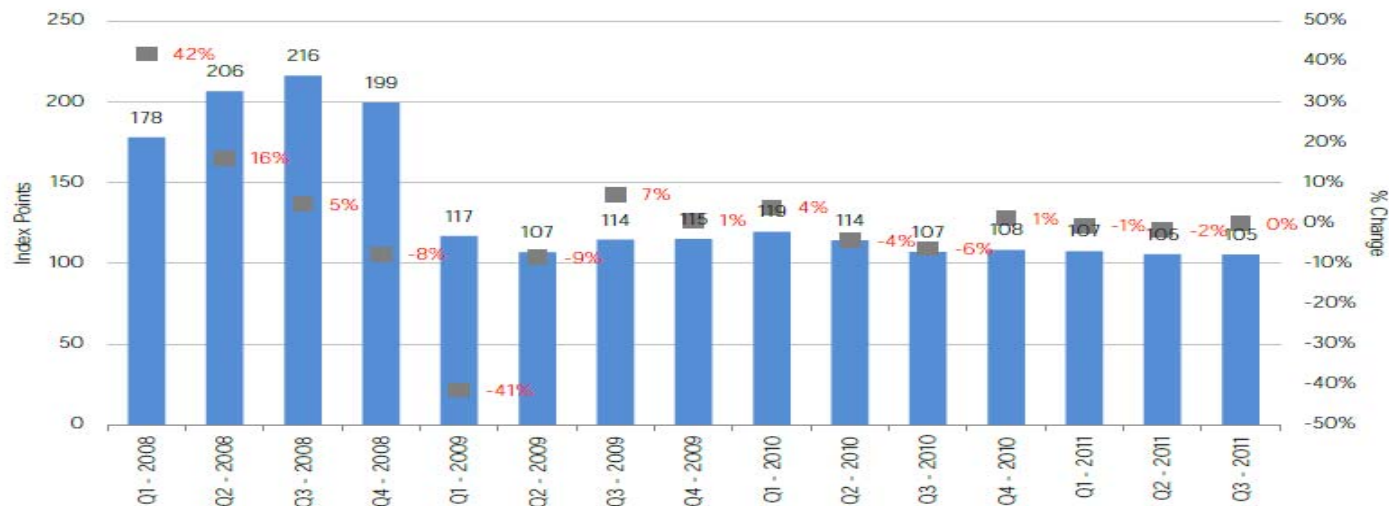
# Dubai Real Estate > *The Story (contd.)*

Dubai Land Transactions



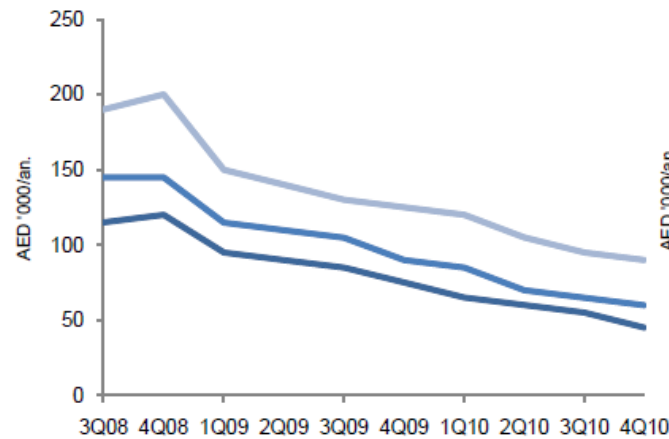
Source: Dubai Land Department, Global Research

DUBAI HOUSE PRICE INDEX: QUARTERLY  
Q1 2008 / Q3 2011

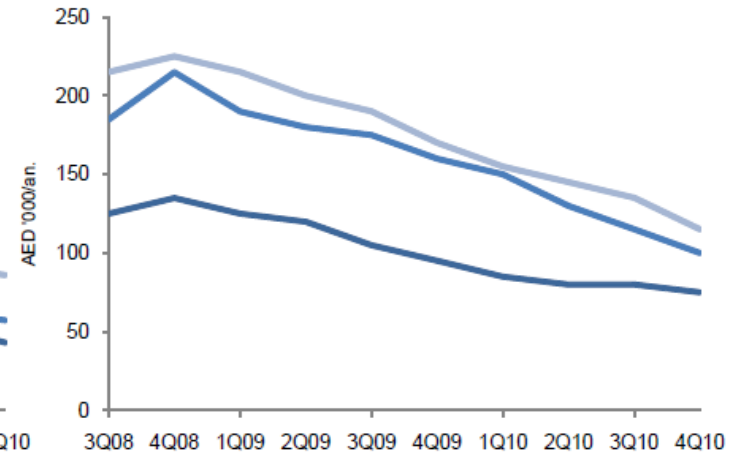


# Dubai Real Estate > *The Story (contd.)*

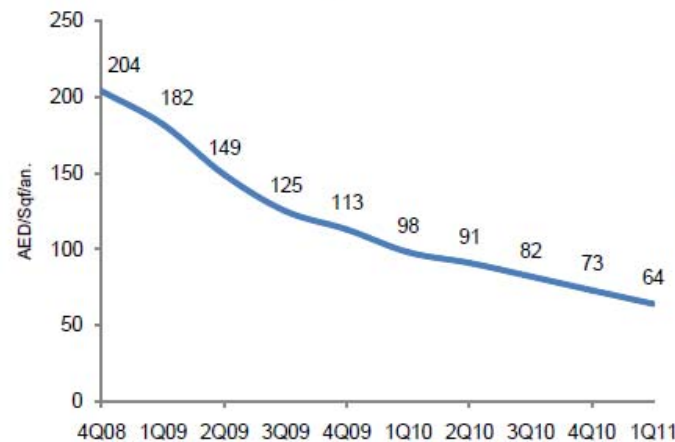
**Dubai Residential Rent Performance**



**Abu Dhabi Residential Rent Performance**



**Average Dubai Office Rent Performance**



Source: Various Industry Sources, Global Research

**Average Abu Dhabi Office Rent Performance**



Source: Various Industry Sources, Global Research

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## What went wrong ? Lessons Learnt ??





# Dubai RE > What went wrong?

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Desire to profit from a real estate boom

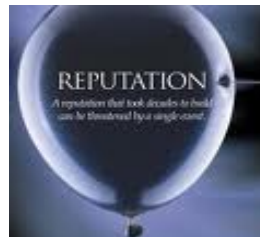
Lenders' willingness to keep lending

Willingness of market players to buy & sell, buy & sell

Lack of regulatory control – All stakeholders were profiting

Comes at a price to the borrower.

Entry of in-experienced developers with shorter term horizon



# What happened next ?

 <b>Failed</b>	 <b>Taken out</b>	 <b>Bailed out</b>
 <b>Bailed out</b>	 <b>Bailed out</b>	 <b>Bailed out</b>
 <b>Bailed out</b>	 <b>Bailed out</b>	 <b>Bailed out</b>
 <b>Nationalised</b>	 <b>Nationalised</b>	 <b>Taken over</b>
 <b>Taken over</b>	 <b>Taken over</b>	

# What happened next ? (contd.)

What followed ?  
Lessons learnt ??



- Liquidity dried up
- Developments stalled / delayed / cancelled.
- *Cycle* got jammed
- Lenders lost appetite. Funding Costs increased.
- Regulations & Laws started forming shape.
- Pace of growth more realistic.
- *Visible* Growth replaced with *Real* Growth !
- Consolidation

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## Revival & Growth Challenges





# Key challenges ...

High costs of funding

Lack of federal mortgage law

Lack of federal bankruptcy law

Lack of full implemented ownership law

Expatriates limited rights to stay in UAE

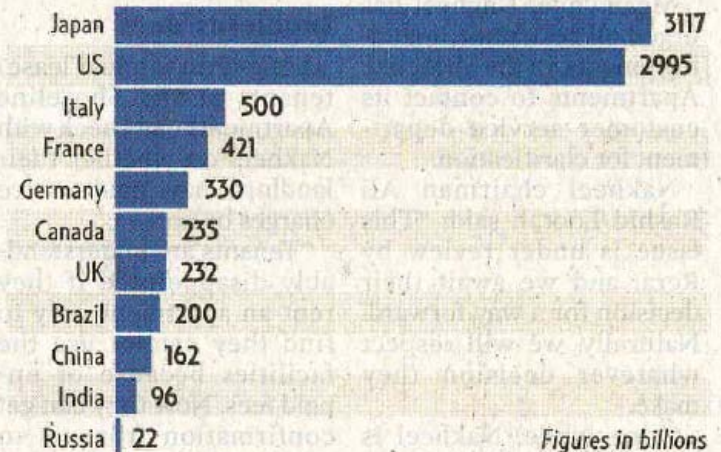
Unclear legal framework for expatriates

Demand & Supply Gap .... *Widening*

Missing out on global capital flows

World Economic Concerns (\$7.6Tr Debt)

## Total bond payments, 2012



©Gulf News



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## Outlook & Revival Strategy





# Outlook

## *Prices in some locations bottoming out.*

Soft rents will continue to impact demand

Stabilization of property prices in residential sector

Increased interest in 'en block' sales from private investors

Sale volumes hindered due to high cost of financing

Mortgage availability has currently improved, however regulatory changes will impact

Demand in 2011 will be limited by economic uncertainty / job insecurity

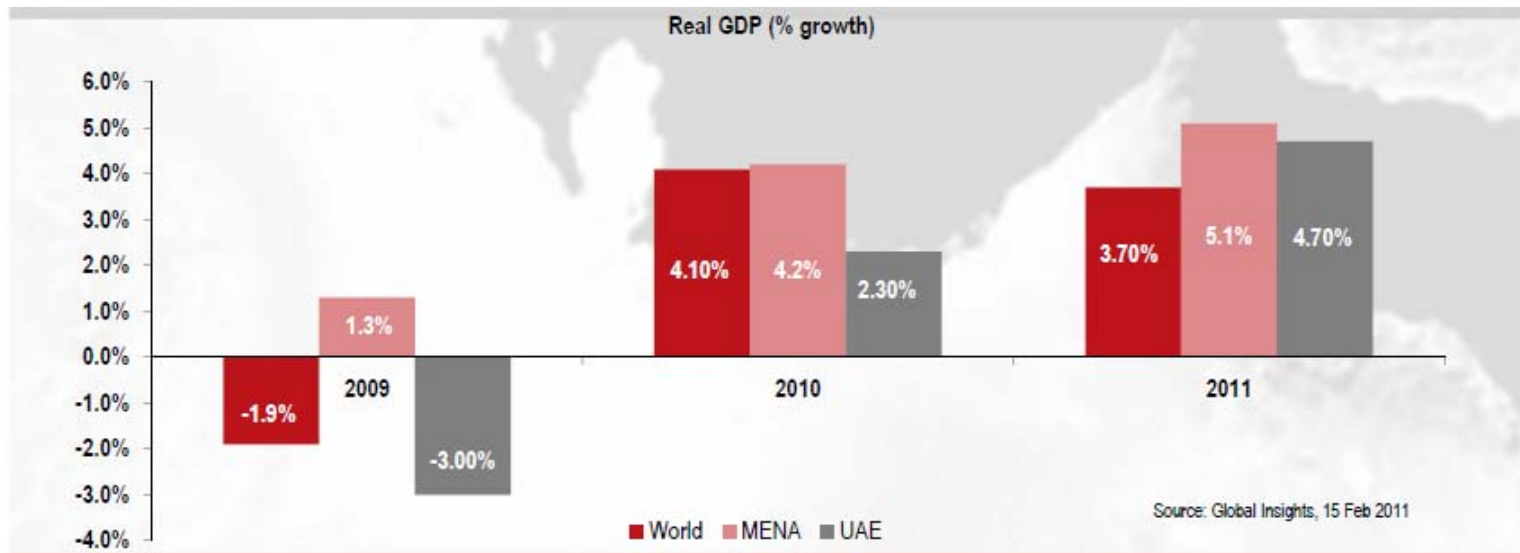
Service charge, Quality of Management: Key drivers of demand and price trends



# Revival – Amid regional political shifts

Strategic importance of region within a broader global context

Strong long term fundamentals of the region



Source : JLL Top Trends for UAE Real Estate in 2011

# Key Revival Drivers >

## #1 : Infrastructure

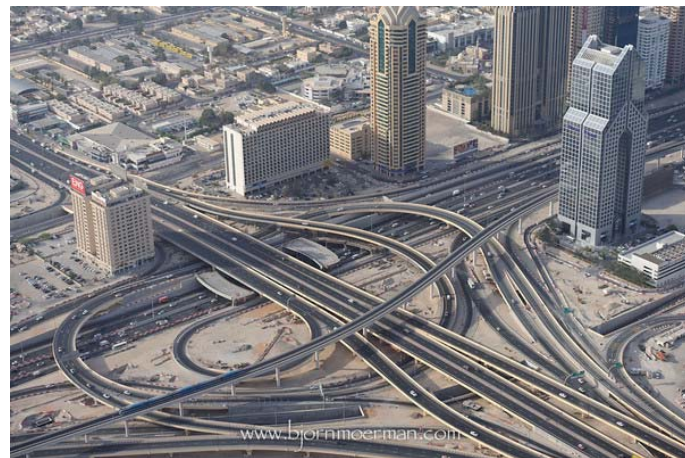
Transport infrastructure accomplishments improves attractiveness

Over USD 45 Bn announced transport projects

Places the UAE amongst the highest level of spending per capita in the world

Major long term investments – Union Railway, Extension of 3 existing airports

Infrastructure investments extend across the Emirates



# Key Revival Drivers >

## #2 : *From competition to coordination*

Physical integration : Union Rail project will increase connectivity (USD 11 Bn)

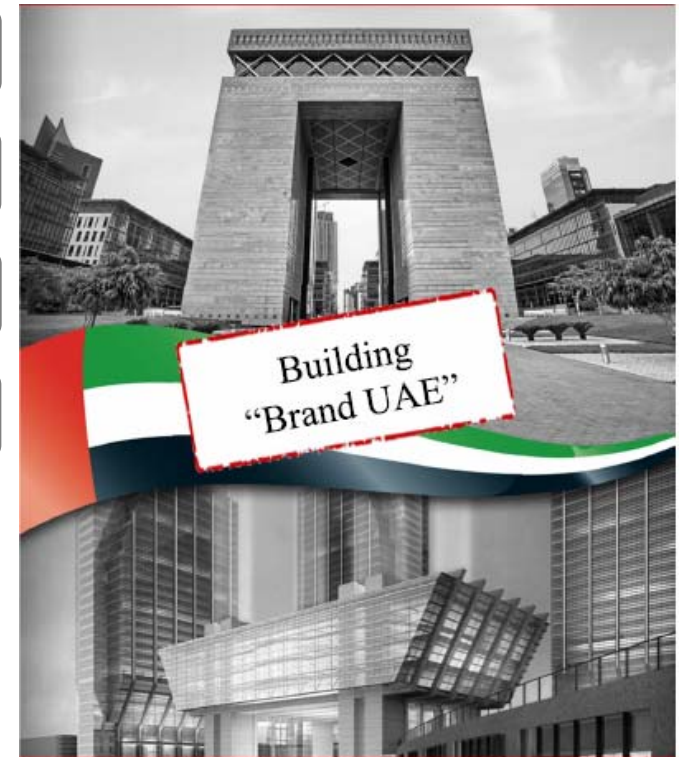
Greater economic stability and job growth to support real estate growth.

AUH, DXB : Complimentary markets

Transfer of legal and regulatory knowledge

Strong synergies benefit broader UAE Economy

Fiscal support – DW bailout in 2010 (USD 10 Bn)



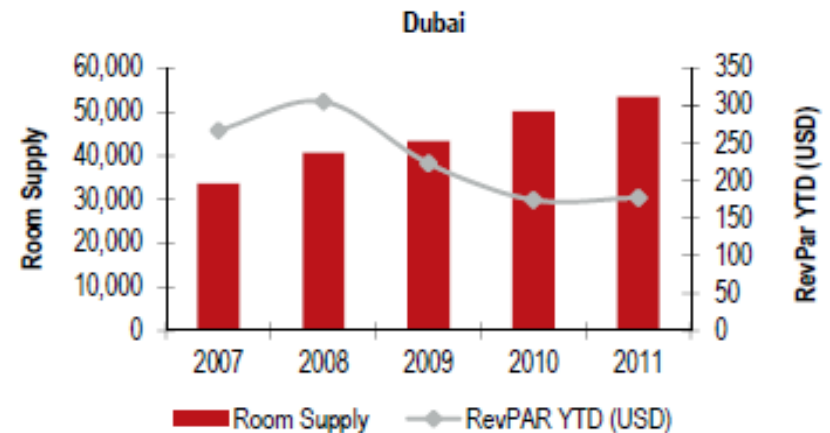
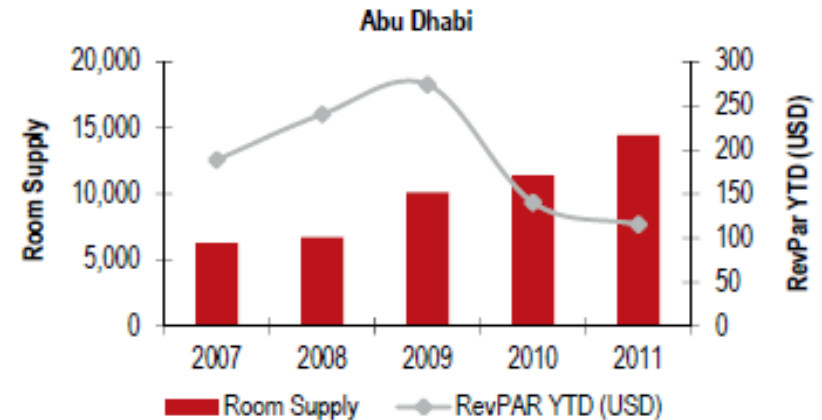
# Key Revival Drivers >

## #3 : Hospitality Focus

Hotel sector first to recover

Mix of properties – 5 star to budget

Focus on return on asset



Source: Jones Lang LaSalle Hotels

# Key Revival Drivers >

Supply pipeline  
past the peak

## #4 : Supply projections declining across all asset classes

Lower supply than anticipated to help smooth out cycle

Tighter govt. control has resulted in official cancellation of projects by RERA

Consistent decline in supply pipeline projections

Dubai past the peak: 2011 saw lower new supply than 2010

Selective stability – Quality will differentiate supply

Dubai New Supply			
	2010	2011	
Office (sq m)	1,115,000	1,115,000	➡
Residential (units)	36,000	25,000	⬇
Retail (sq m)	205,000	140,000	⬇
Hotels (rooms)	7,700	3,400	⬇

Abu Dhabi New Supply			
	2010	2011	
Office (sq m)	353,000	508,000	⬆
Residential (units)	5,600	25,000	⬆
Retail (sq m)	165,000	331,000	⬆
Hotels (rooms)	1,250	3,000	⬆

Source: Jones Lang LaSalle



# Key Revival Drivers >

## #5 : Property / Asset Management is No. 1 risk for real estate

UAE offers newest office stock of any major market

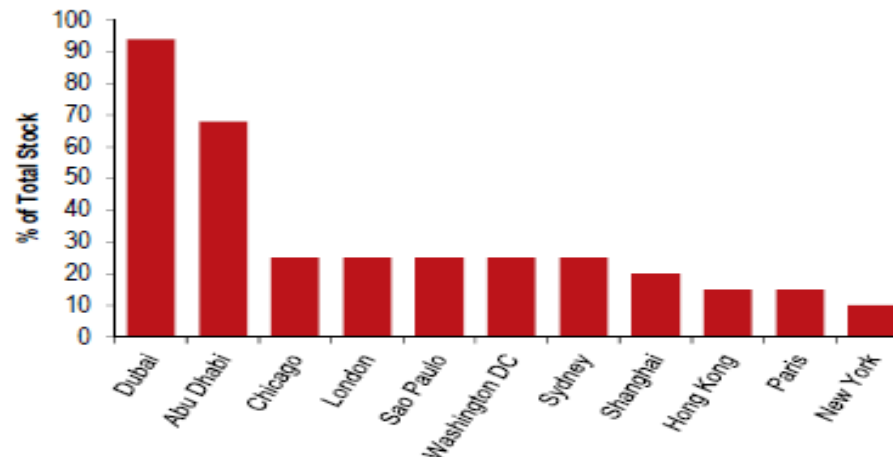
New buildings represent substantial capital assets requiring professional management

Demand for asset management (focus on investment returns)

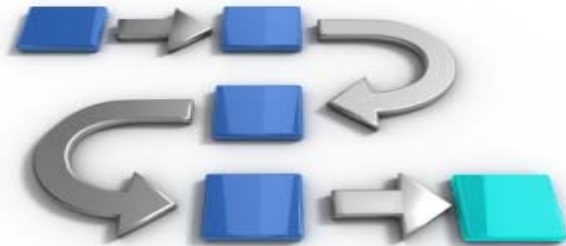
Demand for property management becomes key

Investors will seek assurances. Buildings be well managed to preserve values.

Percentage of Office Stock Completed 2000–2010

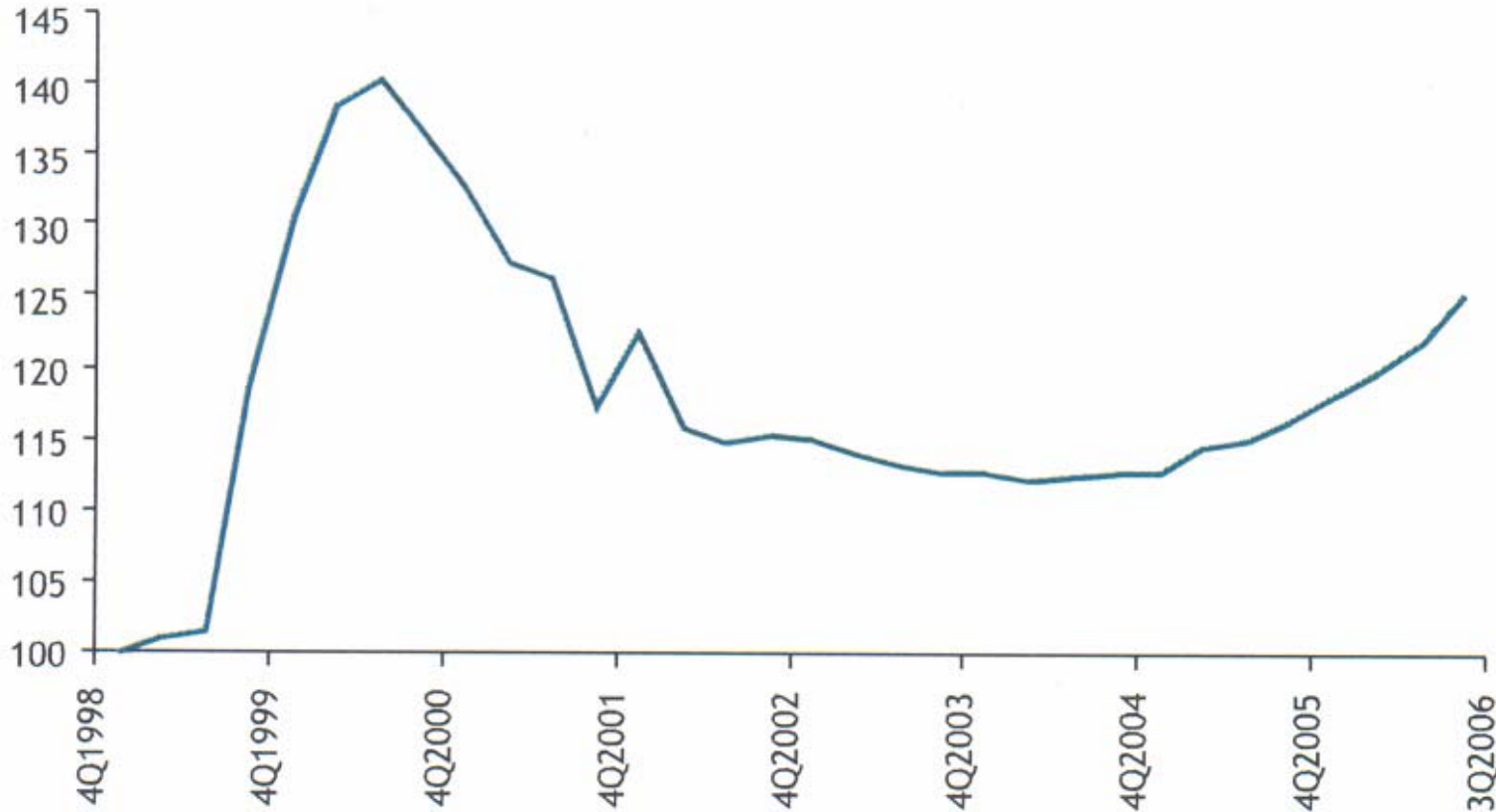


## IN CONCLUSION



# Singapore > 1998 - 2006

Property Price Cycle in Singapore



Source: Urban Redevelopment Authority



Thank You

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