

Market Overview – Abu Dhabi

Editorial

The famous Dubai may get all the attention when it comes to hot real estate markets in the Middle East, but Abu Dhabi, the capital of the United Arab Emirates is pushing through to the front of the line and demanding to be noticed. Its growing property market is beginning to command a keen interest from global investors.

Abu Dhabi is setting itself up to be the cultural center of the UAE. It wants to become a premier destination for high rolling tourists from all over the Middle East and the world. In a bid to diversify its oil-based economy, Abu Dhabi is spending close to \$200 billion in the tourism and property sectors to get their engines going. It is opening world class museums and hotels. It's taking its time to build up its infrastructure properly.

Abu Dhabi's economy rang up 98.3 billion dollars in 2007, which was 60 percent of the UAE's overall gross domestic product. The non-oil sector, mainly driven by tourism and real estate, grew by 7 percent compared to the year before. The population of Abu Dhabi city, which stands at 900,000, is expected to grow to 1.3 million by 2013. While only 25 percent of Abu Dhabi residents are citizens of UAE, they have 50 percent of the disposable income.

About Engel & Völkers

Engel & Völkers is represented in 24 countries on 4 continents and 300 sales shops. Our locations extend at over 200 places throughout Germany, Spain, Switzerland, the USA, South America, Asia and Middle East. In all these countries the business focus is on the presentation of extraordinary properties to rent or purchase.

Consultancy, leasing, sales and valuations form the core competences of Engel & Völkers for its private and institutional clients.

Engel & Völkers combines over 30 years experience in Real Estate with innovative ideas and has set foot into the market of Abu Dhabi in 2006. It is one of the biggest European Real Estate Companies, and its professionalism and European style are increasingly recognized by the whole Middle East.

Engel & Völkers corporate vision is not to follow, but to be the leader and is striving to provide end-to-end real estate solutions for each individual client to satisfy your every need and therefore to ensure highest client satisfaction.

Market Information

Abu Dhabi is currently focused on an economic diversification programme in an effort to reduce its reliance on hydrocarbons, the profits from which it is using to move towards sustainable long-term economic growth. Average GDP growth over 2000-06 in the UAE was approximately 8.4%, the highest in the GCC region. Manufacturing industries comprise the largest non-oil growth sector, growing by 28.1% in nominal terms in 2005, followed by financial services.

Investment has been pouring into Abu Dhabi, the largest sums going into real estate, while industrial complexes such as the Industrial City of Abu Dhabi (ICAD) and the Khalifa Port and Industrial Zone (KPIZ) are also bringing in funds.

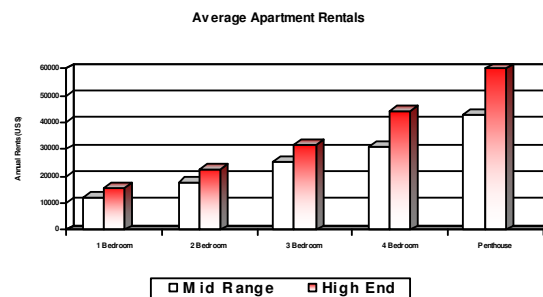
New legislation, which is more friendly to foreign investors has been introduced and can only aid the positive investment climate. Abu Dhabi is the largest contributor to the UAE's state budget, approving \$7.7bn in 2007, with education emerging as the prime benefactor. To the future, Abu Dhabi's economy looks set to remain in rude health for some time to come. It has been sensible in planning infrastructure ahead of time, while public-private partnerships across all the sectors are increasing extra capacity as the economy grows.

With the population growing at seven per cent per annum, the government's increased interest in boosting the tourism industry, and continuous development and modernisation of infrastructure, the Abu Dhabi real estate sector is headed towards an unprecedented boom. The developer's aims to leverage the outstanding economic climate in the emirate, which accounts for over 60 per cent of the UAE's gross domestic product (GDP), will involve its active role in supplying in-demand built space units while establishing a definitive benchmark for quality and best practices.

Residential Market

Combine an extraordinarily wealthy local economy with a fabulous climate and a pro-property business regime, and you usually create a booming market for new homes. Add a touch of glamour such as a new Formula One grand prix circuit and an upmarket international theme park, and you have a winning mix.

Put it all in the world's most prosperous emerging region, the Middle East, and you have both a great property investment opportunity and a sought-after second home destination. Welcome to Abu Dhabi. The Abu Dhabi residential market remained slow for a long time in terms of activity, due to the government enforced restrictions on sale of properties. Since 2003, Abu Dhabi's residential market has undergone change, triggering activity in the market. There was a reduction in the scope of the government sponsored Khalifa committee, in turn, leading to the allocation of a number of housing developments to the private developers aiming to improve efficiency.

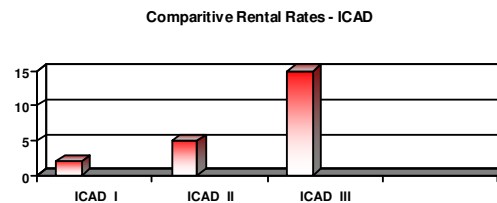


This was also a part of the ongoing effort to improve the landscape, which was imperative to attract and retain tourist interest in the emirate. Removal of restrictions on the sale of property also resulted in the channelling of money that used to flow to Dubai, back into the local market.

The property market in Abu Dhabi has shown a strong performance over the last four years. This has largely been a consequence of increased demand resulting from a growth in the number of expatriates attracted to support the economic growth.

Residential prices in Abu Dhabi grew the highest at 61 per cent in the second quarter of 2008 in comparison to fourth quarter 2007. Current demand for all types of residential property in Abu Dhabi has outstripped available supply, with occupancy levels of approximately 97-98% reported across the city.

One and two-bedroom apartments currently enjoy the highest demand, whilst buildings with a reputation for effective property management and a good selection of amenities have waiting lists for potential tenants. In addition, new buildings enjoy high absorption levels, with some developers claiming that projects are 100% pre-let well in advance of construction completion.

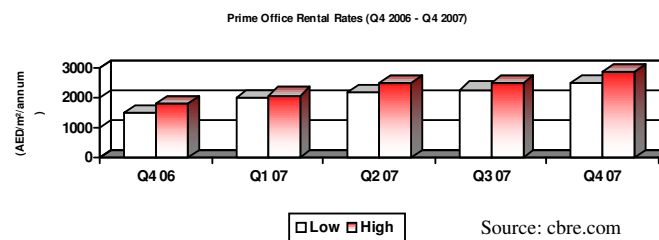


source: cbre.com

Office Market

As Abu Dhabi is the federal capital of the UAE and the seat of government it is no surprise that the demand for property in the commercial sector is rising. With the Abu Dhabi government's stated objective to diversify its economic base and move away from a reliance on the energy sector — new industries, community facilities and attractions are being established within the emirate.

Abu Dhabi office space is significantly under supplied. Only 1% of Abu Dhabi office space is currently vacant despite an increase of 220% in total retail space in the emirate since 2000. The UAE government is expected to change the property laws in the capital city in 2008 opening up the market for foreigners to purchase freehold properties.



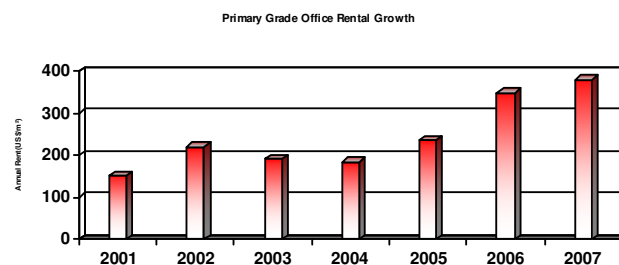
Source: cbre.com

Our research found that Abu Dhabi housing prices, when compared to per capita GDP, are among the lowest in the world and that rental yields in the office property market in Abu Dhabi were among the world's highest at 8%, however it also has one of the world's tightest office markets, with only 1% of office space lying vacant.

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The Abu Dhabi office sector has experienced steady growth since 1978 peaking in the early 1980's when the supply of office space doubled consecutively in 1982 and 1983. According to

Colliers International, since 2000 office supply has grown by 50 per cent to a total of 460,000 square metres of gross floor area (GFA). This growth in office supply will accelerate in the next five years as the new master plan for the city takes shape.



Source: Colliers International

New commercial buildings are being established on the main island and commercial projects are currently being developed in the new Abu Dhabi with construction commencing on sites such as Reem Island and Al Raha Beach.

The recently published blueprint development plan for Abu Dhabi produced by the government in association with an international team of urban planning experts, Plan Abu Dhabi 2030, has identified the establishment of a new Central Business and Financial District.

This will be centred on Al Suwwah Island spreading into the adjacent edges of Mina, Al Reem and Abu Dhabi Island. Al Suwwah, a natural island has been expanded to provide a critical mass of development area that will be connected to the city and Reem Island by at least ten new bridges allowing for easy traffic flow. The current office capacity of the Central Business District is 1.50 million square metres and the plan anticipates the following increases.

This is a total of 2.1 million square metres and does not include commercial space within the Capital District, Grand Mosque District and Lulu Island District all of which will offer substantial additional commercial and retail space.

Retail Market

Abu Dhabi is the ideal location to build upon an existing international business portfolio or the perfect market to begin your global trade. With a booming property market of both residential and contract as well as an attractive retail market, the interiors market is expected to exceed \$2.7 billion in 2008.

In stark comparison to European countries, there is no seasonal cycle and retailers are constantly restocking their stores throughout the year ensuring a continual need for supply. There is a fusion of product in the area, allowing for varying tastes from the contemporary European to the traditional Arabic.

Abu Dhabi is home to many of the European multiples including Debenhams and Habitat, but much of the buying market is also from independent retailers and hotels. 8,000 – 10,000 local and international visitors are expected from a full spectrum of profiles including retailers, contract buyers, architects, specifiers, interior designers, the public sector and local authorities.

Abu Dhabi Shopping Malls Prime Rental Rates Q4, 2007

Shopping Centre	Prime Rental Rates (AED m ² /year)
Abu Dhabi Mall	4,100 - 4,500
Al Wahda Mall	4,000 - 4,500
Khalidiya Mall	4,000 - 4,500
Marina Mall	from 4,000

Source: cbre.com

Abu Dhabi's retail sector has seen rental and sales rates steadily increase since the first quarter this year. Average prices for retail space in the capital are between Dh350 and Dh400 psf and sales rates currently average Dh2,000 to Dh2,500 psf.

Although Abu Dhabi registers slightly higher retail income yields, the above figures do not take into account additional income attributed to the rising trend of Dubai based new retail realty leases, especially in large malls, which now include turnover rental clauses.

The new malls have introduced the concept of convenience shopping in a climatecontrolled environment with the added benefit of dedicated parking, crèche, and adequate restroom facilities – marking a shift away from the city's traditional 'high-street' retailing orientation. This continuing trend towards one-stop shopping environments, in tandem with increases in disposable income over the last decade, has been reflected in the number of recently completed and forthcoming retail developments.



Source: Colliers International

The year 2010 is likely to represent a watershed for retail market performance in the city, with Sorouh Real Estate set to open the Al Reem Mall with 130,000m² of GLA and the Al Yas development adding a further 300,000m² of leasable area. The leasable area in the Emirate of Abu Dhabi is set to increase from 526,700m² at the end of 2006 to 1.4 million m² by 2010, representing a 165% increase. In 2010, Abu Dhabi will have 0.87 m² of GLA per capita.

Experts project that in order to support this volume of retail mall stock, an approximate annual retail spend of US\$ 4,900 per capita will be required.

Emerging Property Development

The cityscape of Abu Dhabi is being transformed by a series of multi-billion new cities, island resorts and communities - including the world's first planned zero-carbon, zero-waste city. More than \$190 billion is being budgeted across just the top ten civil construction projects currently planned or underway in Abu Dhabi, the capital of the United Arab Emirates, many of which are being showcased at Cityscape Abu Dhabi, which closes today after extending the show by one day, after government requests.

Details of the top ten projects were provided and are listed below in order of budget value:

- The biggest single project is the new capital city for Abu Dhabi - [Khalifa City](#). Budgeted at \$40 billion, the planned city is to comprise of all federal ministries, local government offices and embassies. The development will cover 49 million square metres. The city is expected to be completed by 2030.



- Work has started on the [Yas Island Development](#), a massive \$39 billion mixed use tourist development including residential, hotels, beaches, marinas, retail, golf and equestrian facilities as well as a Ferrari theme park. The island will have a total developed area about one-third the size of Abu Dhabi island.



- [Burooj Properties](#) is behind a planned \$24 billion mixed use real estate community project in Abu Dhabi to include 11 residential towers, offices, four hotels and a shopping mall.



- [Saadiyat Island](#) is another massive offshore development underway with a budget of more than \$22 billion. It includes 19 kilometres of beachfront, 29 hotels, three marinas, 8,000 residential villas and more than 38,000 apartments. The project also includes a museum, concert hall, maritime history centre, three harbours, a park, golf course and sailing club.



- A \$22 billion budget has been allocated for the ambitious [Masdar City](#) project, billed as the first zero-carbon, zero-waste city. The city will include a university, commercial, residential and eco-friendly industrial areas. It will depend on solar energy. Masdar City will also be car-free. Around the city will be wind and photovoltaic farms, as well plantations to supply crops for bio-fuel factories.



- Underway is the \$13 billion [Al-Raha Beach Complex](#), another mixed-use hospitality development involving reclaimed land and will include 50 high-rise and a number of low-rise buildings for approximately 120,000 people. Water-taxis will provide access to Abu Dhabi city centre.



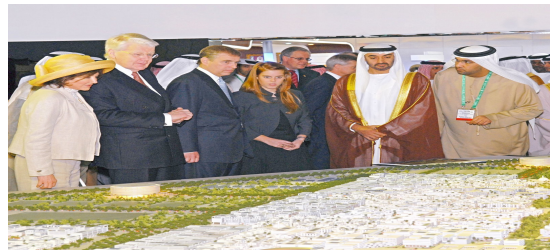
- Abu Dhabi's [International Capital Trading](#) is planning a \$10 billion mixed use city, tentatively called Ghantoot Green City. The project will comprise commercial centres, hotels, offices, residential areas, warehousing and light industrial areas.



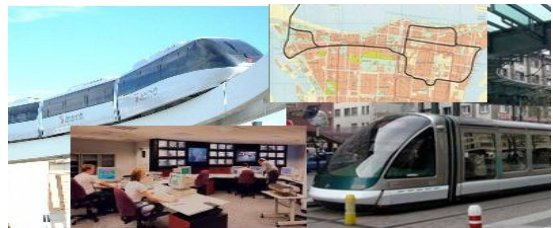
- [Al-Reem Island](#) development is a \$7.8 billion mixed-use community next to the bridge connecting Al-Reem Island to Abu Dhabi city. Several 40 and 50 storey towers will form the central business district. The development will include two 80-storey buildings and house approximately 80,000 people.



- With a budget of \$6.5 billion, [Sheikh Mohammed Bin Zayed City](#) is another new city comprising 374 residential and commercial buildings as well as the associated infrastructure and entertainment facilities. The development is on the Abu Dhabi-Al Ain highway.



- At joint number ten with budgets of \$3 billion each are the [Abu Dhabi Light Rail project](#) and the [MGM Grand Hotel](#). The rail project is in the study phase and will involve some 350 kilometres of rail. The MGM Grand project will have two further branded luxury hotels and more than 1,200 rooms. It will also feature a 12,000 seat arena, retail, restaurants, waterfront residences and private yacht berths.



Listet overview

Project Name	Location	Completion Date
Western Coast		
Al Gurm Resort	Coast Road within Abu Dhabi island	2008
Northern Coast		
Al Reem Island	Near the northern shores of Abu Dhabi	2008/2012
Al Shams (to occupy 25% of Al Reem)		2009/2011
Najmat - 20M sq ft (80,000 residents)		2012
Marina Square - 13.2M sq ft (70% residential and 30 % commercial)		2009
Addax Port (4 residential towers and one buisness tower)		
Khalidiya Coast		
Emirates Pearl Hotel and Resort	Khalidiya coast, opposite Emirates Palace Hotel	2009
Between Abu Dhabi City and Abu Dhabi Airport		
The Gate Development	Al Khaleej St next to Zayed Sports City	2008
Gulf Hotel Waterfront Resort	20 km from the airport and close to the city centre	2008
Abu Dhabi National Exhibition Centre (ADNEC) expansion	Situated just a short distance from the airport and city centre	2008
Abu Dhabi International Airport Expansion (ADIAE) - midfield passenger terminal	Situated 32km (20 miles) east of Abu Dhabi	2011
Al Reef Villas (will include schools, play areas and malls) - freehold, costs range from \$136K to \$354K	Near Abu Dhabi Airport	2009
Khalifa A City Development - residential apartments	Located on main highway to Dubai and lies about 30 kilometers from Abu Dhabi	2008
New Ministries Complex Project	Khalifa City	2008
Airport Road		
Grand Mosque development - phase 2	Located at the junction of Airport Rd & Zayed	2008
Danet Abu Dhabi - five districts with 34 commercial and residential towers (15 to 23 floors) + Holiday Inn Hotel	Airport Road	2009
Abu Dhabi - Dubai Highway or Coastline		

Al Raha Beach Development	Abu Dhabi-Dubai Highway opposite Al Raha Gardens	2008
Al Raha Gardens (villas) – freehold	Adjacent to Al Raha Beach Development	2008
Corniche and City Centre		
Lulu Island Development	Directly opposite the Corniche	2010
Khalidiya Rotana Hotel and Residences	Corniche	2009
Abu Dhabi Central Market	Intersection of Khalifa St and Airport Road, between Hamdan & Khalifa St.	2008
Capital Plaza Development	Located on the Corniche Rd	2008
Fairmont Abu Dhabi Resort and Villas	Breakwater island development	2008
Landmark Tower	Seafront location	2009
Stellar Tower Building	Al Ittihad Square, Abu Dhabi	2009
Three New Tunnels - Al Salam Street	The New Corniche Road East, near Port	2011
The Quay	Tourism Club Area	
Saadiyat Island		
Saadiyat Island Development (SID) - to accommodate over 150,000 residents	500 meters off the coast of Abu Dhabi island	2009/2018
New bridge (linking Saadiyat Island with Abu Dhabi island)	500 meters off the coast of Abu Dhabi island	2009
Mussafah		
Sheikh Mohammed bin Zayed City Project (to accommodate 50,000 residents, featuring 267 mid-rise residential and commercial towers)	Mussafah	2008/2012
Al Showayba City	Mussafah	
Between the Bridges Hotel	Between Al Maqtaa and Al Mussafah bridges (Umm Al Narr)	2008
Others		
Bachelors' Accommodation Al Ruwais (eight towers)	Al Ruwais Industrial Complex and Jebel Dhanna	
Environmental Research and Wildlife Development Agency (ERWDA) HQ	Adjacent Abu Dhabi National Bank in Al Muroor Street	2008
Mushref Mall	Mushref Gardens/Mushref	
Sheikh Zayed Bridge Project - part 3	Between Abu Dhabi island and mainland	2008
<i>Sources: Madar Research, Gulf Construction and other news websites</i>		

Buyer's guide

- Foreigners may buy 99-year leases on properties in designated "Investment Areas" such as Al Reem, Saadiyat Island, Al Raha Beach and Yas Island.
- Off-plan properties are secured with a 10 per cent deposit and stage payments, as in Dubai, and most other "mature" property markets.
- There are registration fees of up to 2 per cent of a property's purchase price. A service charge is then paid annually in advance.
- Securing a mortgage can be complicated. Many foreign investors buy in cash by extending the borrowing on their principal home.
- There is no corporation or income tax, and there are no restrictions on the repatriation of capital or rental revenue.

Why Invest in Abu Dhabi

There are many reasons that make Abu Dhabi an ultimate location to invest:

- Current and future high demand for rent.
- No corporate Tax & Income Tax
- No foreign exchange controls
- No Trade barriers.
- No restrictions on capital repatriation
- Strong investor incentives and protection
- State-of-the-art telecommunications.
- Competitive energy costs
- Competitive real estate costs
- Competitive import duties (4% only with many exemptions)
- Abu Dhabi has one of the highest per capita income in the world
- 10 year GDP average growth of over 8%
- Stable currency – pegged to US\$ at AED 3.67
- Very low inflation
- Stable economy with relatively low volatility
- Continuous political stability since its inception in 1971

Market Projections

2013 - Five Year Projection

- 1.3 million residents
- 3.3 million annual tourist visits
- 251,000 residential units

	Office Space (million m ²)	Retail Space (million m ²)	Industry Space (million m ²)	Hotel rooms	Golf courses	Schools	Tertiary Institutions	Hospital beds
Emerging	1.8	1.1	1.0	--	9	224	8	3,495
Growing	2.7	2.8	6.5	--	12	357	14	6,311
Suggested	2.5	1.5	6.5	21,000	10	330	25	4,500

Source: Urban Planning Council

2020

- 2.0 million residents
- 4.9 million annual tourist visits
- 411,000 residential units

	Office Space (million m ²)	Retail Space (million m ²)	Industry Space (million m ²)	Hotel rooms	Golf courses	Schools	Tertiary Institutions	Hospital beds
Emerging	3.0	2.0	1.8	--	15	374	14	5,454
Growing	4.5	4.7	11.6	--	20	597	25	9,850
Suggested	3.5	2.5	10.0	49,500	18	450	30	6,500

Source: Urban Planning Council

The growth assumptions for the Abu Dhabi metropolitan area used in this Urban Structure Framework Plan are calibrated to the following projections. Suggested estimates of which course the growth will take are indicated, and the Urban Structure Framework Plan has been designed to meet these recommendations.

OR THIS PROJECTIONS

The Urban Structure Framework Plan, "Plan Abu Dhabi 2030", presents a coherent picture for the future of the City of Abu Dhabi as an environmentally, socially and economically sustainable community and as an increasingly important National capital. It provides for a way to grow and take advantage of the economic opportunities at hand without sacrificing the best of the city while adding new elements to make it a great world metropolis.

Abu Dhabi will see strong demand for residential units across all sectors of the market as the population grows. Strong governmental and service sectors will lead to a gradual increase in the proportion of white collar workers. According to the Plan, number of residential units will jump to 686,000 by 2030 from 180,000 in 2007, 251,000 in 2013 and 411,000 in 2020.

Increases in hotel rooms supply will be essential to accommodate the anticipated growth in both business and leisure guests to Abu Dhabi. The islands will be the primary location for leisure hotel development, while new business hotels will be needed close to the business centres and the airport. Hotel rooms are projected to rise from 10,000 in 2007 to 21,000, 49,000 and 74,000 by 2013, 2020 and 2030 respectively.

Annual tourist visits are set to go up to 7.9 million by 2030 from 1.8 million, 3.3 million and 4.9 million in 2007, 2013, 2020 and 2030 respectively. While Abu Dhabi's economy will remain strongly influenced by the energy sector, growth in government, institution and service sector employment will lead to increasing demand for office space as the market matures. In 2007, office space is put at 1.4 million square metres and is suggested to soar to 2.5 million square metres, 3.5 million square metres and 7.5 million square metres in 2013, 2020 and 2030 respectively.

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