31 December 2018

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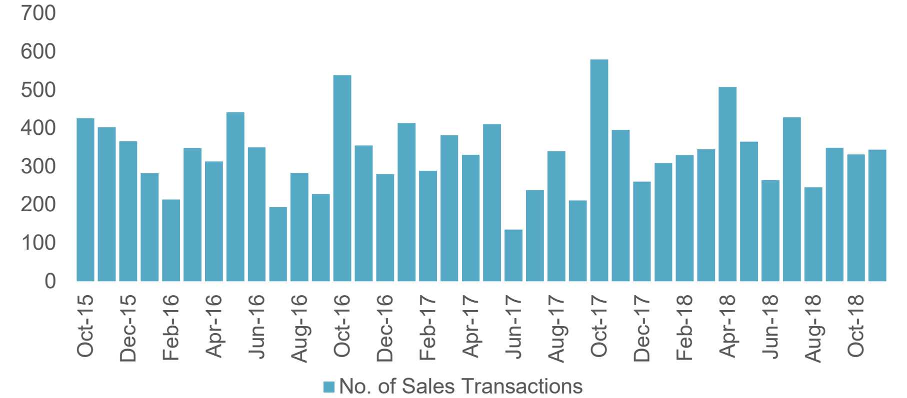
- Supply of office accommodation has been increasing in recent months with the completion of new buildings in the Marina District of Lusail. While there has been an increase in leasing activity among start-ups and SMEs, they have not replaced the level of demand that was previously generated by the public and hydrocarbon sectors
- Office rents in West Bay now average between QAR120 and QAR150 per sq m per month on a floor-by-floor basis; however, premium fitted suites can still command in excess of QAR180 per sq m per month
- The fall in residential rents has slowed in recent months. The increasing affordability of premium apartments has increased demand for units in West Bay and The Pearl Qatar as residents look to 'trade up'
- Overall residential sales activity increased by 11% between 2017 and 2018, as purchasers take advantage of a fall in values. In the investment market, apartments in The Pearl Qatar are currently selling for prices of between QAR12,500 and QAR15,000 per sq m with the highest prices typically being achieved in Viva Bahriya
- Hotel supply surpassed 26,500 keys by Q4, with 5-star accommodation comprising 52% of total available keys. An additional 15,000+ hotel rooms and hotel apartments are currently at various stages of planning and construction, and are expected to complete by 2022
- The increasing supply of organised retail malls, together with a downturn in retail spending, has led to an oversupply in the retail market. This has resulted in higher vacancy rates in many retail malls and increasingly attractive rental terms being offered to tenants as landlords compete for retail occupiers.

Figure 1

No. of Real Estate Transactions in Qatar (Oct 2015 – Nov 2018)



Source: MDPS

Economic Overview

GDP in Q2 was revised down, decreasing the H1 figure to just 1.8%. GDP growth increased to 2.2% in Q3; however, the overall 2018 growth estimate has been lowered to 2.1% from 2.7%. Oxford Economics forecasts economic growth to increase to 3.3% in 2019, which will be driven by government spending.

The hydrocarbon sector is expected to gain, with recovery in the non-hydrocarbon sector also projected. Growth in the non-oil sector is forecast to rise to 5.2% in 2019 from an estimate of 4.8% in 2018. This is underpinned by state investment in infrastructure projects in preparation for the 2022 FIFA World Cup, and the increasing population, which are both driving solid internal demand.

Whilst Qatar's exit from OPEC releases it from a production quota, there is still uncertainty about the oil sector performance, with the baseline estimate of a 1.6% growth in oil production in 2019. The oil price projection for 2019 has been cut to US$61pb from US$63pb in Oxford Economics December update as there are expectations of a sharper slowdown in world demand.

Average inflation in 2018 reached 0.3%. The forecast for December remained negative for the fourth consecutive month, mostly driven by food and housing prices. The projection for inflation for 2019 remains low at 1.1%.

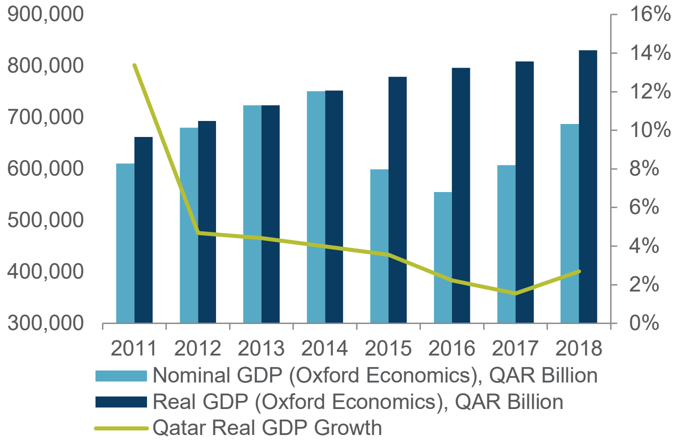
The budget deficit was largely eroded in 2018, with a return to surplus expected in the coming months. A budget surplus for 2018 is still possible despite the recent decrease in oil prices as a looser fiscal policy benefits non-oil growth.

Whilst banks have been resilient due to liquidity injections by the government, reliance on foreign funding is increasing again; however, the overall FX liquidity has risen, with the local equity market outperforming GCC and EM peers in 2018 with a gain of 24%.

(Economics Overview insight provided by Oxford Economics)

Figure 2

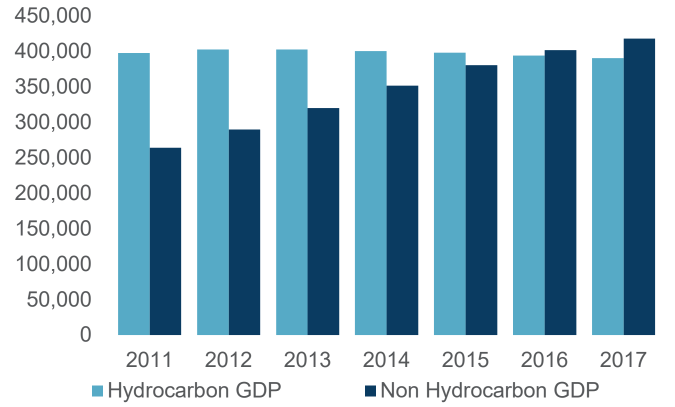
GDP (QAR Billion) and Real GDP Growth (%) 2011 - 2018



Source: MDPS/Oxford Economics

Figure 3

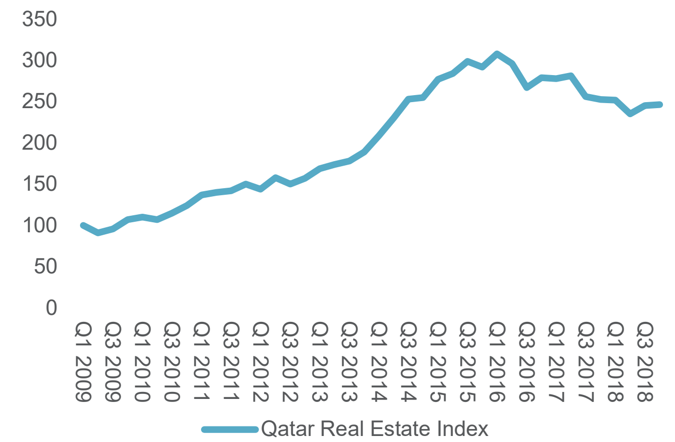
GDP Hydrocarbon v Non-Hydrocarbon (QAR Billion) 2011 - 2017



Source: MDPS/Oxford Economics

Figure 4

Qatar Real Estate Index Q1 2009 – Q4 2018 (Base Q1 2009)



Source: QCB

Office Market Overview

Supply of prime office accommodation continued to grow in Q4, as buildings in Lusail's Marina District arrived to market. Overall supply of Grade A office accommodation in West Bay and Lusail has now topped 2 million sq m, while overall supply of office accommodation in Doha is in excess of 4 million sq m.

DTZ expects overall office supply to reach 6 million sq m by 2022. While the majority of upcoming office supply will be concentrated in Lusail Marina District, the QP District in West Bay is expected to open within the next 18 months and will provide an additional 230,000 sq m, of Grade A accommodation.

New premium accommodation has recently been released in Msheireb. On completion, the project will provide more than 200,000 sq m of office space, which will partially be occupied by the Emiri Diwan.

There have been few lease agreements of note in Q4 in the prime office market. Most activity has revolved around start-ups and SMEs. This demand is primarily focused on flexible serviced accommodation, or small inexpensive units in secondary locations, rather than the larger corporate office suites on offer in West Bay.

DTZ expects that demand for small office suites and serviced accommodation will continue to grow as new government initiatives to expand the private sector, including the introduction of the 100% foreign ownership law (Law No.1 of 2019), take hold. The recent growth of companies registered with the Qatar Financial Centre highlights the recent drive to encourage private enterprise. Despite these new initiatives, it is unlikely that sufficient demand will be created in the short term to replace the demand previously generated by the public and hydrocarbon sectors, leading to fears of increasing vacancy rates in the office market.

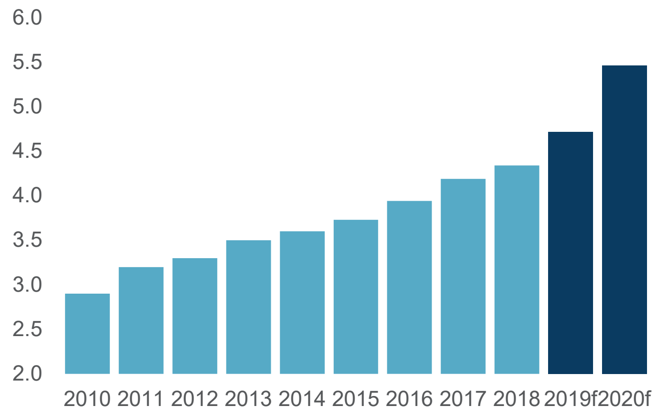
The increasing supply, coupled with lower demand has resulted in rental levels falling by approximately 25% since 2015. Small, fitted office suites of less than 200 sq m in West Bay can still command in the region of QAR180 per sq m per month, however larger floorplates are now available to lease for between QAR120 and QAR150 per sq m per month.

Offices in areas such as Al Sadd, Old Salata and C-Ring Road are now available at monthly rents of between QAR80 and QAR100 per sq m, depending on size, quality, fit-out and location.

Due to the amount of available accommodation on the market, rent free periods of between 2 and 3 months are now commonplace for new leases. Some tenants are also seeing their rents fall on renewal of their leases to current market levels, rather than the inflated rents that had been agreed between 2013 and 2015.

Figure 5

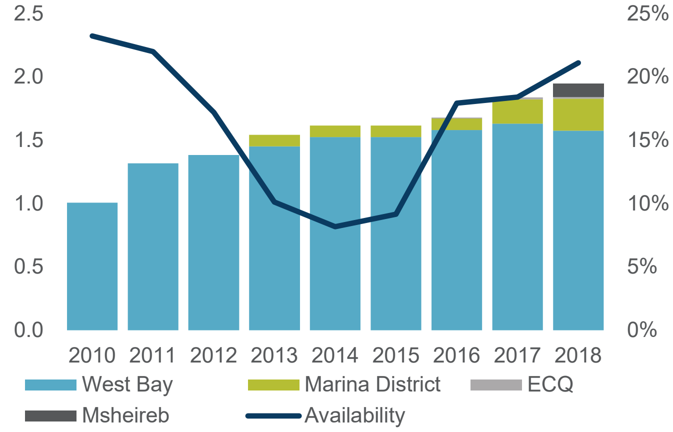
Estimated Office Supply, Doha 2010 – 2020f (Million sq m)



Source: DTZ Research

Figure 6

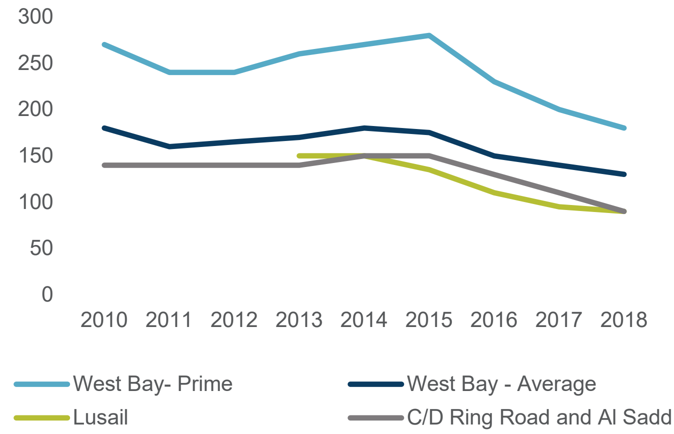
Grade A Office Supply (Million sq m) and Availability (%), 2010 – 2018



Source: DTZ Research

Figure 7

Office Rents by District, (QAR/sq m/month) 2006 – Q3 2018



Source: DTZ Research

Residential Market Overview

The overall number of residential sales in Qatar in October and November reduced by 25% compared to the corresponding months last year; however, the overall number of sales transactions for 2018 had increased by 11% according to the Ministry of Development Planning and Statistics December report.

In the residential investment market, DTZ has seen an increase in activity of more than 10% year on year. This is largely due to investors capitalising on a softening market. Based on DTZ research, freehold sales prices have fallen by an average of 8.1% between 2017 and 2018. Average sales prices in Porto Arabia are currently in the region of QAR12,500 per sq m, while premium sales prices in excess of QAR14,000 per sq m are still being achieved in Viva Bahriya.

Following two years of falling rents, the past six months have seen rents stabilise to some degree, however rental incentives such as rent-free periods, and rents that are inclusive of utility bills are being offered as incentives to attract tenants in an increasingly competitive market.

Leasing activity has increased for prime apartments in recent months. This activity is largely generated by residents looking to relocate within Qatar and 'trade-up' to take advantage of more attractive lease terms. The relative lack of new demand being generated remains a concern as vacancy rates are expected to increase with the completion of new apartment developments.

Asking rents for lesser quality residential stock in areas such as Bin Mahmoud, Al Mirqab and Al Sadd have fallen by up to 20% since 2016 as tenants gravitate to new higher quality buildings that have been developed in these areas.

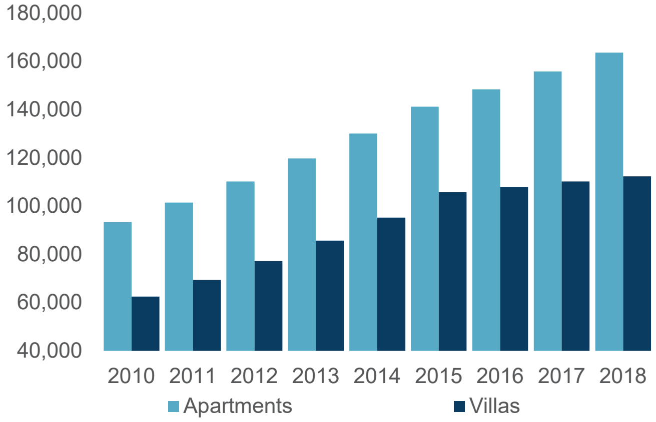
West Bay and The Pearl Qatar have typically dropped by 10% - 15% since mid-2017; however, the recent drop in rent has restored a sense of affordability to the prime residential sector, following several years of escalating rents.

The large pipeline of new prime apartment developments in neighbourhoods such as The Pearl Qatar and Lusail is likely to put further downward pressure on rents unless significant new demand is created.

DTZ expects the greatest demand for residential property in the next five years to be for good quality 'mid-range' apartments to accommodate the growing number of service workers, as hotels, malls and infrastructure completes prior to the FIFA 2022 World Cup.

Figure 8

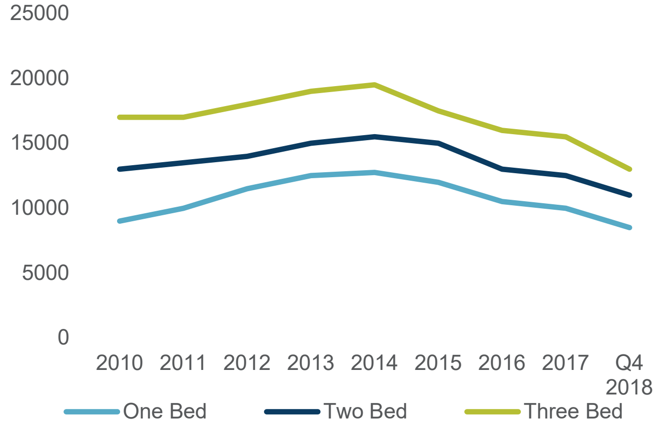
Estimated Apartment and Villa Supply, Qatar 2012 - 2018



Source: MDPS & DTZ Research

Figure 9

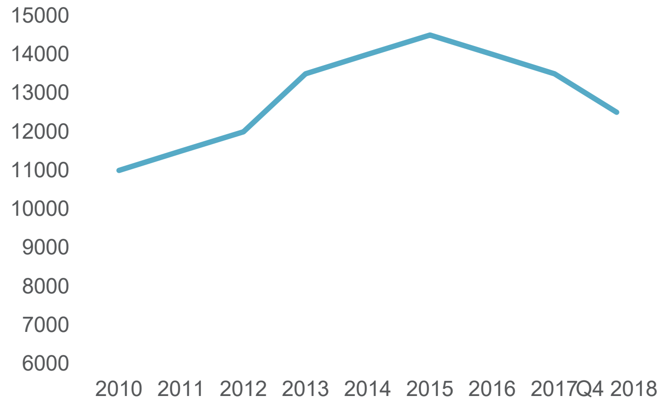
Average Apartment Rents, Porto Arabia, (QAR/Month) 2010 – Q4 2018



Source: DTZ Research

Figure 10

Average Apartment Value Porto Arabia 2010 – 2018 (QAR Per Sq M)



Source: DTZ Research

Hospitality Market Overview

The latest official statistics released by the National Tourism Council (NTC) showed that tourist arrivals into Qatar fell by 35% over the first six months of 2018 compared the same period in 2017 (pre-blockade). While arrivals for H2 are likely to be more comparable to 2017, an overall drop of visitor numbers of more than 30% since 2016 has had a significant impact on the hotel sector performance.

The impact of the blockade, coupled with an increasing supply of hotel rooms, has had a significant impact on hotel revenues over the past two years. Average Daily Rates (ADRs) for all hotel categories fell to QAR389 in November. This reflected a 13% drop in 12 months and an 18% drop over two years.

Despite the significant fall in tourist arrivals, occupancy rates in hotels have remained relatively stable by comparison. DTZ expect that overall occupancy rates will reflect 55% - 57% for 2018, a fall of less than 3% since 2017. Since the blockade, there has been an increase in domestic tourism, especially in 5-Star establishments, while an increase in the requirements for overnight stays from business travelers in the region has helped support occupancy rates during the week. The increasing popularity of hotel apartments for long-stay guests has also helped to boost overall occupancy rates.

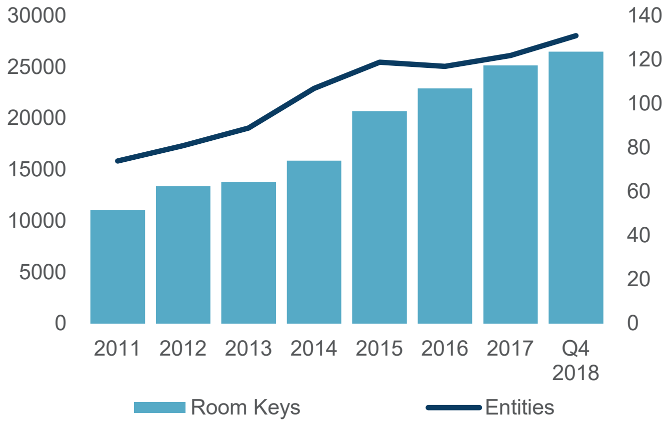
The fall in tourist arrivals since 2016 has led to a number of initiatives by the NTC to boost the hotel sector, including the introduction of e-visas, free 96-hour transit visas, and visa free arrivals for more than 80 countries. The sustained effort to concentrate on alternative tourist markets since 2016 has seen an increase in arrivals from China, Russia and India, which is now Qatar's largest market.

The overall supply of hotel keys reached approx. 26,500 by Q4 with the opening of Centara in West Bay and La Castle Hotel in Msheireb. This reflects an increase in supply of approximately 5% for the year. DTZ expects supply to increase significantly in the first half of 2019, as a number of establishments, which were slated for a 2018 completion, have experienced minor delays and are expected to open in the coming months.

Overall, the hospitality sector in Qatar is dominated by luxury accommodation. More than 85% of overall supply is currently categorized as either 4-Star of 5-Star. DTZ estimates that in the region of 15,000 hotel keys are at various stages of planning and construction, and will be completed prior to the 2022 FIFA World Cup.

Figure 11

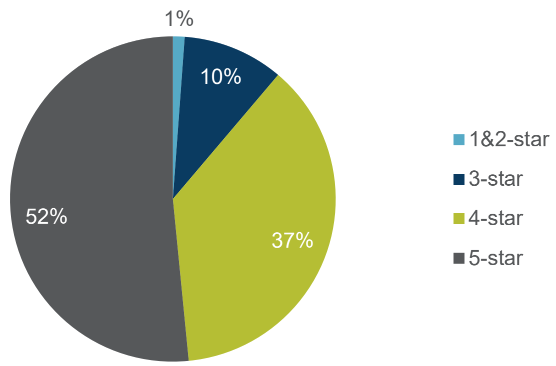
No. of Hotel/Hotel Entities and Room Keys 2011 – Q4 2018



Source: DTZ Research

Figure 12

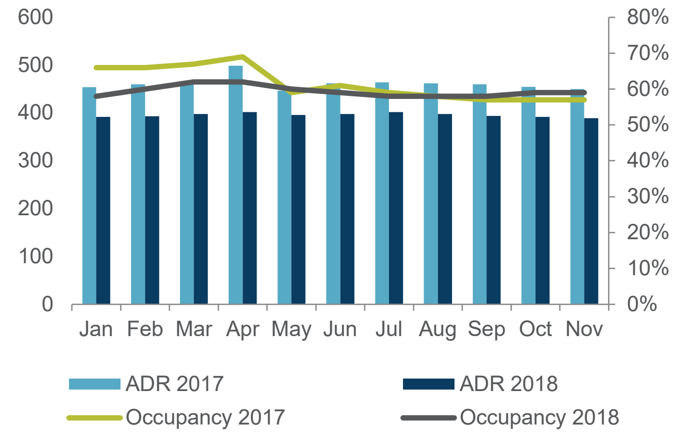
Keys by Star Rating, Q4 2018 (Total 26,506)



Source: DTZ Research

Figure 13

Hotel Performance Indicators, 2017 v 2018 (Jan – Nov), ADR , Occupancy in %



Source: MDPS

Retail Market Overview

Organised retail supply in Qatar has increased by more than 100% since 2015 with the opening of 13 new malls in Doha, Al Khor and Al Wakra. Total supply of gross leasable area within retail malls now tops 1.4 million sq m, of which almost 800,000 sq m is provided in the country's five largest 'super-regional' malls.

Outside of the main organised malls, outdoor destinations such as Medina Centrale and Porto Arabia on The Pearl Qatar, Katara Cultural Village and Souq Waqif provide in excess of 200,000 sq m of leasable retail accommodation, which all comprise a high percentage of food and beverage outlets.

The most recent retail mall to open in Qatar has been Tawar Mall in Umm Lekhba, which provides approximately 90,000 sq m of leasable retail space. If completed in time, 2019 may see the opening of five additional retail malls in Doha that would see supply increase by more than 350,000 sq m (Fig 14).

The substantial increase in retail development has transformed the market from undersupply to oversupply of accommodation within three years. This has had an impact on both rental levels and occupancy in most of the major retail malls.

The increase in supply has coincided with a downturn in retail spending, with many retailers now consolidating rather than looking to secure additional units. This has lead to an increase in incentives such as extended rent free periods and fit-out contributions as landlords compete for a diminishing pool of potential tenants.

As supply continues to grow, DTZ expect retail occupiers and shoppers to gravitate towards malls that benefit from a choice of leisure and entertainment and F&B provisions, strong anchors, and generous car parking facilities. As competition increases, it is likely that older, mid-sized community malls will suffer from loss in footfall to the new super-regional malls.

Demand for F&B outlets remains strong in Qatar, although operators are increasingly 'rent-sensitive'. Over the past six months, DTZ has witnessed a significant increase in enquiries from F&B operators, notably those looking for 'casual dining' restaurants. This industry has recently seen a significant boost in the business, brought about by delivery apps such as Talabat.

Prime retail rents are still in the region of QAR250 – QAR350 per sq m per month for some of the prime retail malls; however, there are signs that discounted rents are on offer in some secondary locations in order to retain tenants and maximise occupancy.

Showroom and high street retail premises typically command rents of QAR100 to QAR160 per sq m per month depending on their size and location. Rents in Al Furjan markets, which are a government backed initiative, are typically restricted to QAR6,000 per month for small units.

Figure 14

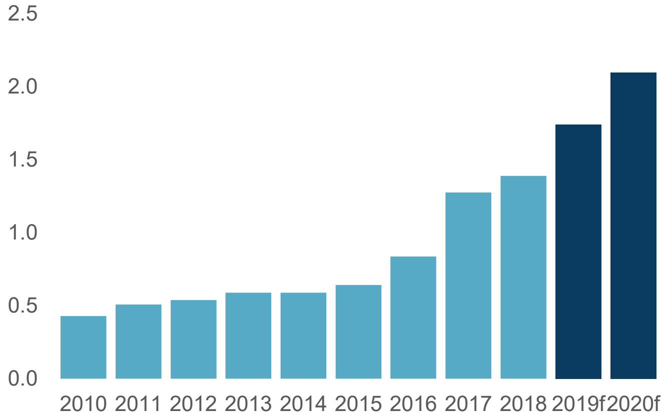
Proposed New Retail Malls for 2019

Project	Location	Estimated Completion Date
Doha Mall	Abu Hamour	2019
Katara Mall	Al Qassar	2019
Northgate Mall	North Doha	2019
La Galleria	Msheireb	2019
Doha Souq	Al Mirqab	2019

Source: DTZ Research

Figure 15

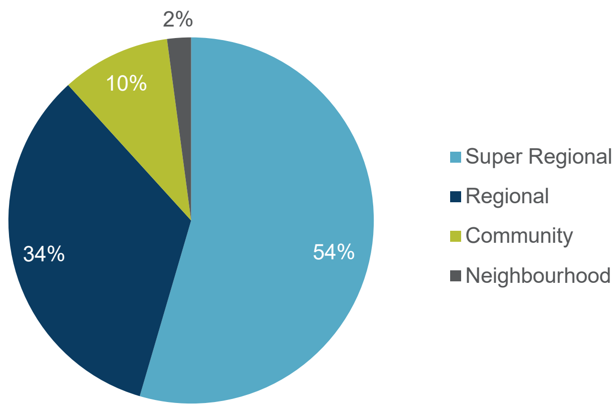
Organised Retail Supply, 2010-2018, (GLA, Million Sq m)



Source: DTZ Research

Figure 16

Organised Supply by Mall Category, Qatar Q4 2018



Source: DTZ Research

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About DTZ Qatar

DTZ Qatar is a member of the global real estate services business, Cushman & Wakefield. DTZ Qatar brings international best practice and local expertise to the market. With a long-standing track record in the Qatari market, our aim is to play an integral role in the country's vision of sustainable growth.

DTZ Qatar operates to international best practice standards, providing consistent and responsible service to our clients. Our offering includes: residential agency; commercial agency; property and facility management; consultancy and research; valuation; and local and global investment opportunities. For more information please visit: www.dtzqatar.com or visit our Facebook page at

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