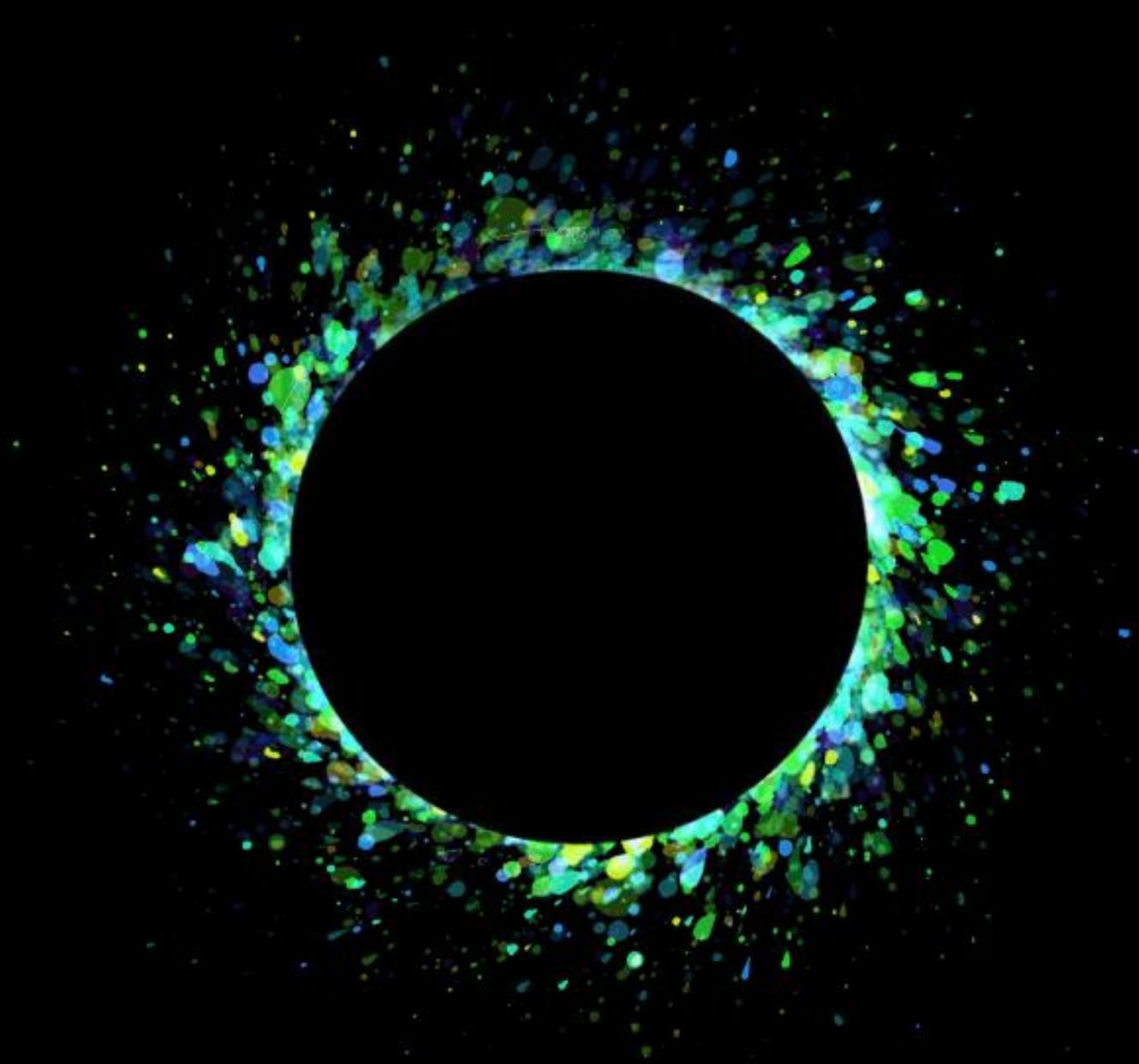


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Middle East Real Estate Predictions 2022

#RealEstatePredictions

26 January 2022

Agenda

- Introduction and Poll – Stefan Burch, Head of Real Estate
- Dubai real estate market performance – Manika Dhama, Assistant Director, Real Estate
- Forecasting using artificial intelligence (AI) – Vanessa Saker, Cognitive Advantage, Deloitte South Africa
- Panel discussion hosted by Oliver Morgan, Head of Real Estate Development
 - Marco Macagnano, Digital Real Estate Leader, Deloitte Canada
 - Nick Austin, Geospatial Intelligence Lead, Deloitte UK
 - Vanessa Saker, Cognitive Advantage, Deloitte South Africa
- Q&A and conclusion – Stefan Burch, Head of Real Estate

Audience poll

Stefan Burch



Hospitality

Manika Dhama



2021 summary – Hospitality

Dubai hotel performance percentage change 2021 versus 2019 and 2020

Classification	ADR (AED)	Occupancy (%)	RevPAR (AED)
2019	547	74%	407
2020	461	49%	225
Y-on-Y Trend	 +29%	 +35%	 +74%
2021	594	66%	393

Source: STR Global

2021 summary – Hospitality

Dubai hotel performance percentage change

YTD November data for 2019, 2020 and 2021

Percentage change

Classification	5-Star	4-Star	1 to 3-Star	Deluxe / Superior Hotel apartments	Standard Hotel apartments
2019 Occupancy	74%	75%	75%	76%	76%
2020 Occupancy	42%	51%	58%	62%	65%
Y-o-Y Trend	 +40%	 +27%	 +17%	 +21%	 +25%
2021 Occupancy	59%	65%	68%	75%	81%

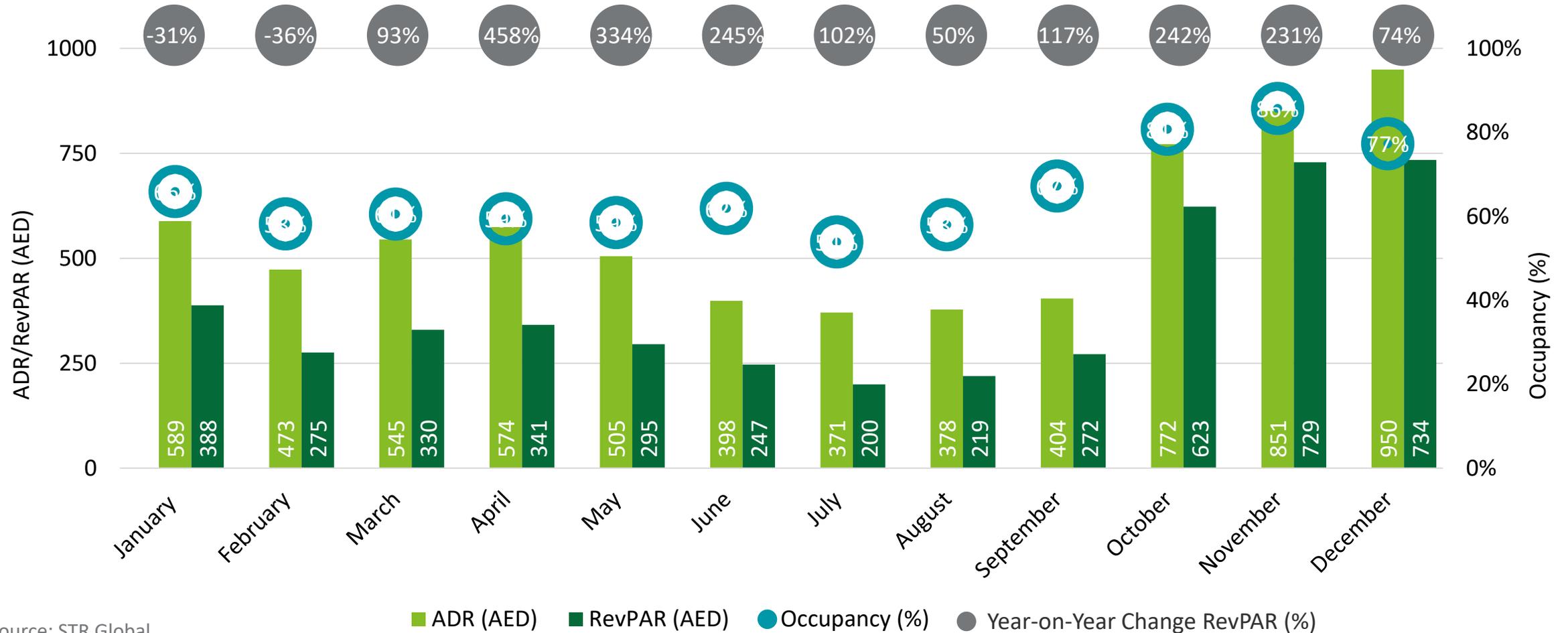
Source: DTCM

Note: % refers to average hotel occupancy across all properties surveyed by DTCM Global in each submarket

2021 summary – Hospitality

Dubai hotel performance

Full year 2021

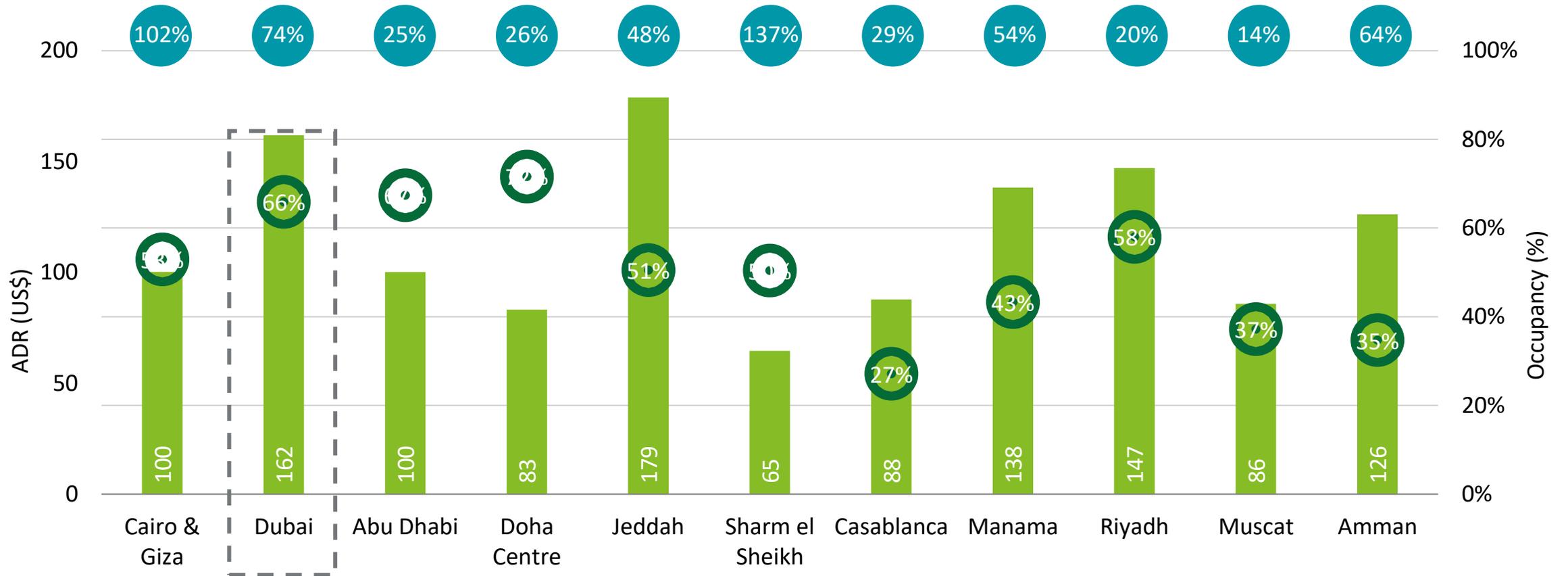


Source: STR Global

2021 summary – Hospitality

Regional market performance

Full year 2021



Source: STR Global

■ ADR (US\$)

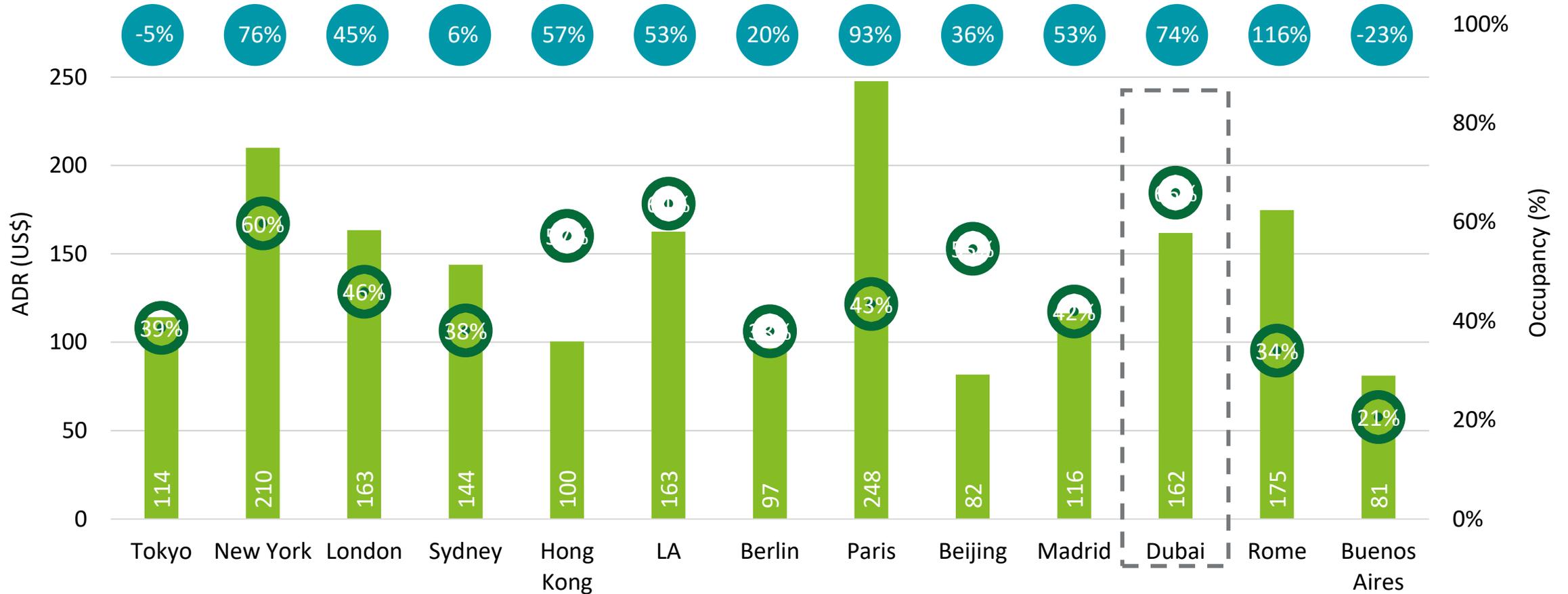
● Occupancy (%)

● Year-on-Year Change RevPAR (%)

2021 summary – Hospitality

Global market performance

Full year 2021



Source: STR Global

■ ADR (US\$)

● Occupancy (%)

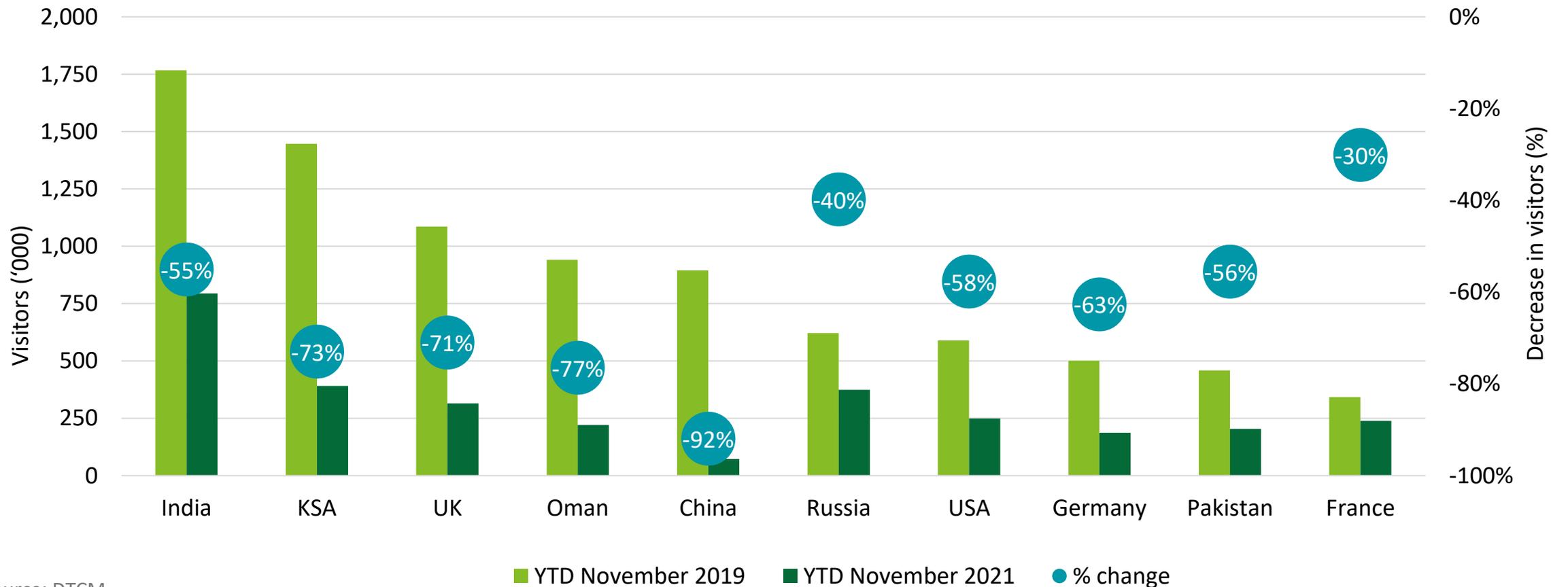
● Year-on-Year Change RevPAR (%)

2021 summary – Hospitality

Top 10 source markets for visitors to Dubai

Top 10 source markets YTD November 2019 & 2021

Percentage change, 2019 versus 2021



Source: DTCM

Hospitality – Ease of travel and safety measures will impact visitor numbers and hotel performance

- Increased consumer awareness of all things *sustainable*, *purposeful* and *health and wellbeing* is expected to influence a repositioning of hotel facilities and the packages offered.
- The need for *quantitative competencies* (for forecasting, budgeting, etc.) within the hotel asset operations has increased.
- *Carving a niche* and targeting specific segments of the market will be critical as travelers expect more *personalisation* from their stay, starting from the bookings experience to post-stay feedback and engagement.



Residential

Manika Dhama



2021 summary – Residential

Dubai residential prices

2021 versus 2020

Percentage change

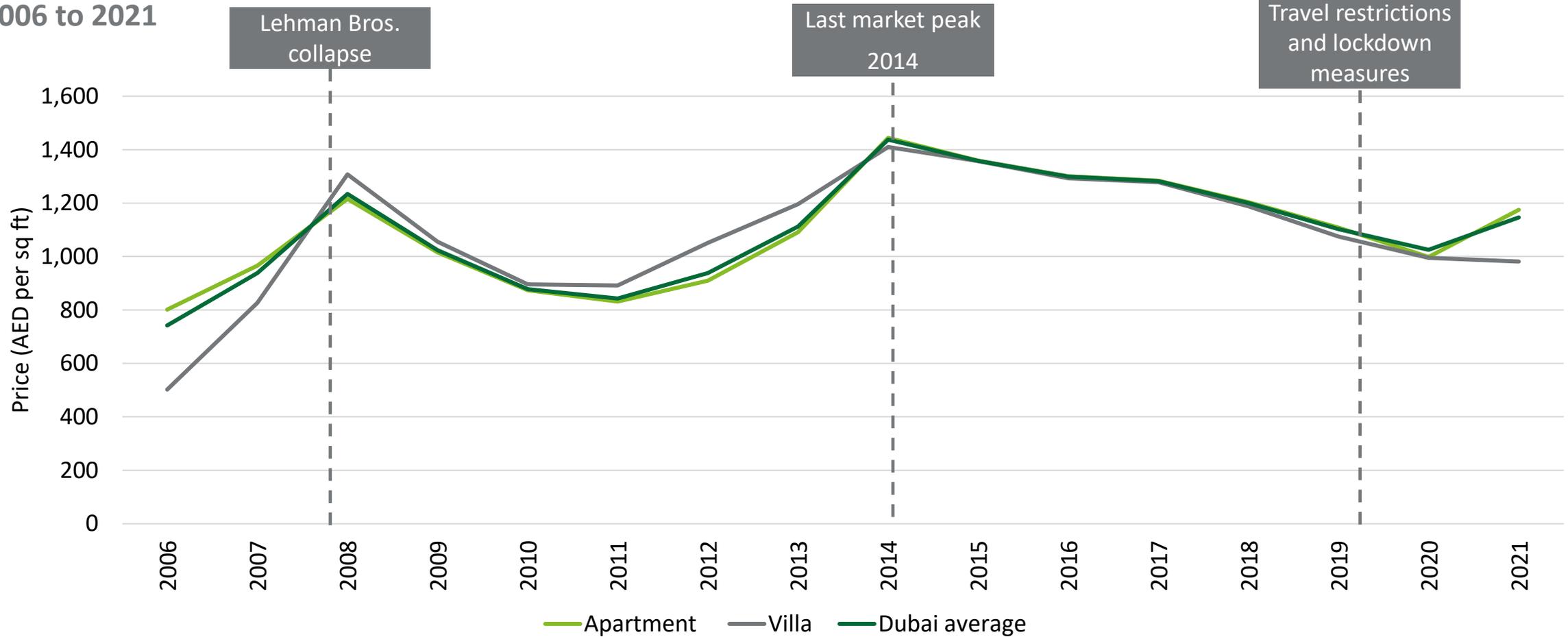
Metric	Apartment rent (AED per sq ft per year)	Apartment sales price (AED per sq ft)	Villa rent (AED per sq ft per year)	Villa sales price (AED per sq ft)	Dubai average rent (AED per sq ft per year)	Dubai average sales price (AED per sq ft)
2020	AED 68	AED 999	AED 53	AED 995	AED 65	AED 1,025
2021	AED 66	AED 1,175	AED 53	AED 981	AED 64	AED 1,146
Y-o-Y Trend	 -3%	 18%	 0%	 -1%	 -2%	 12%

Source: REIDIN

2021 summary – Residential

Dubai residential prices

2006 to 2021

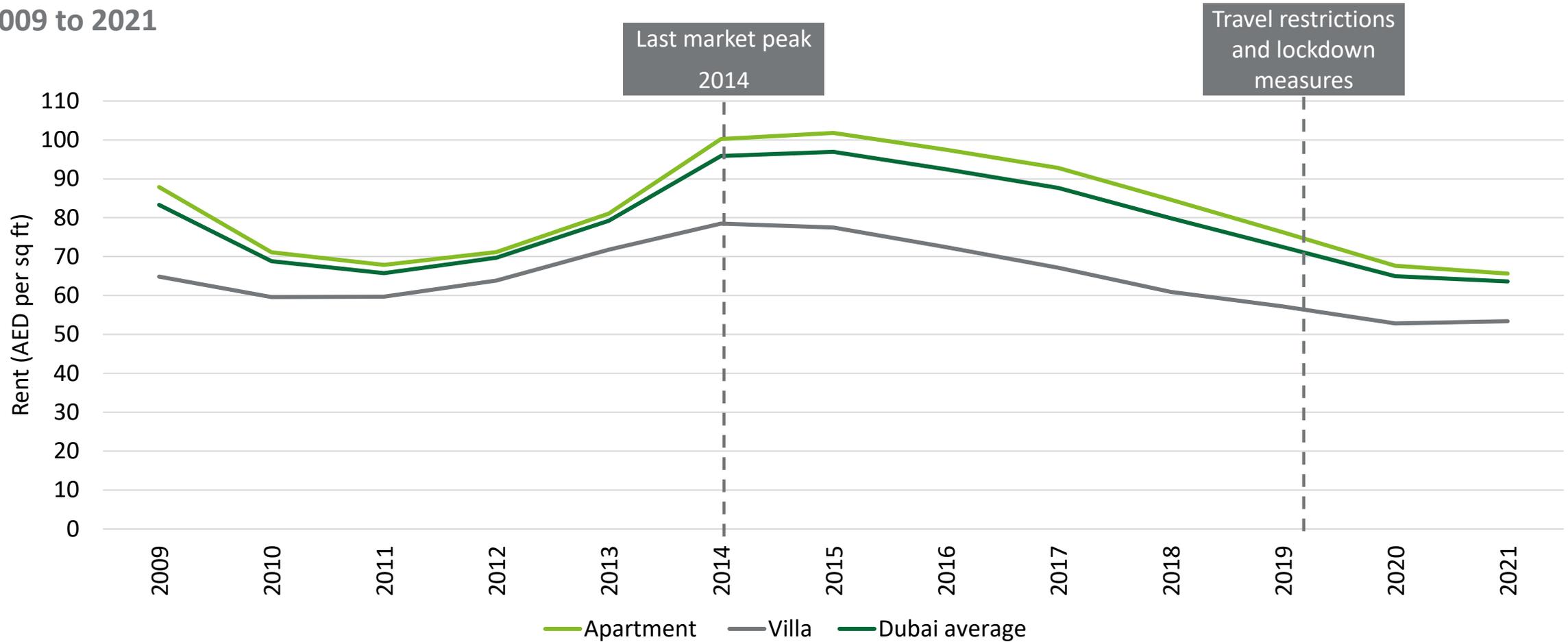


Source: REIDIN

2021 summary – Residential

Dubai residential rents

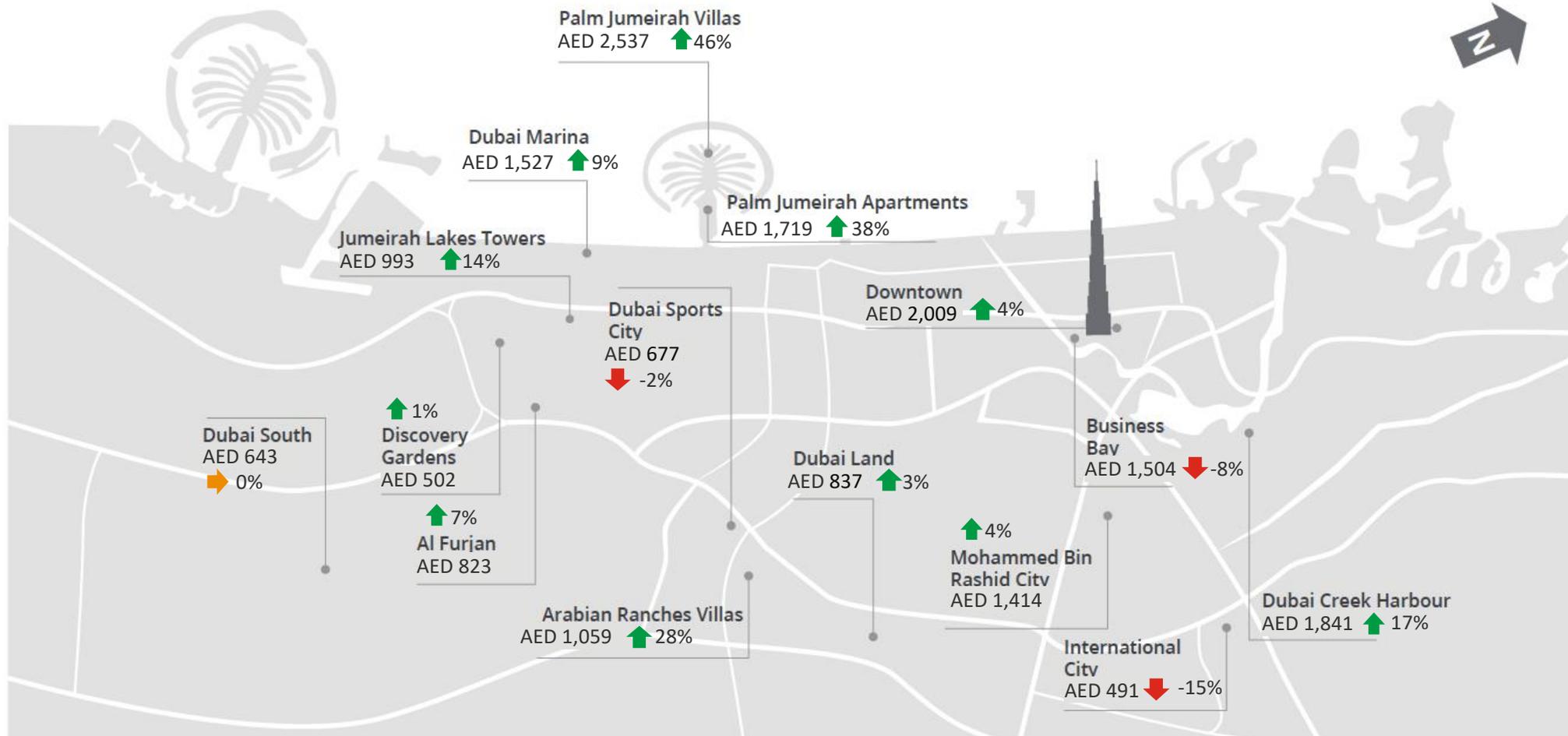
2009 to 2021



Source: REIDIN

2021 summary – Residential

Dubai residential sales prices by location, 2021



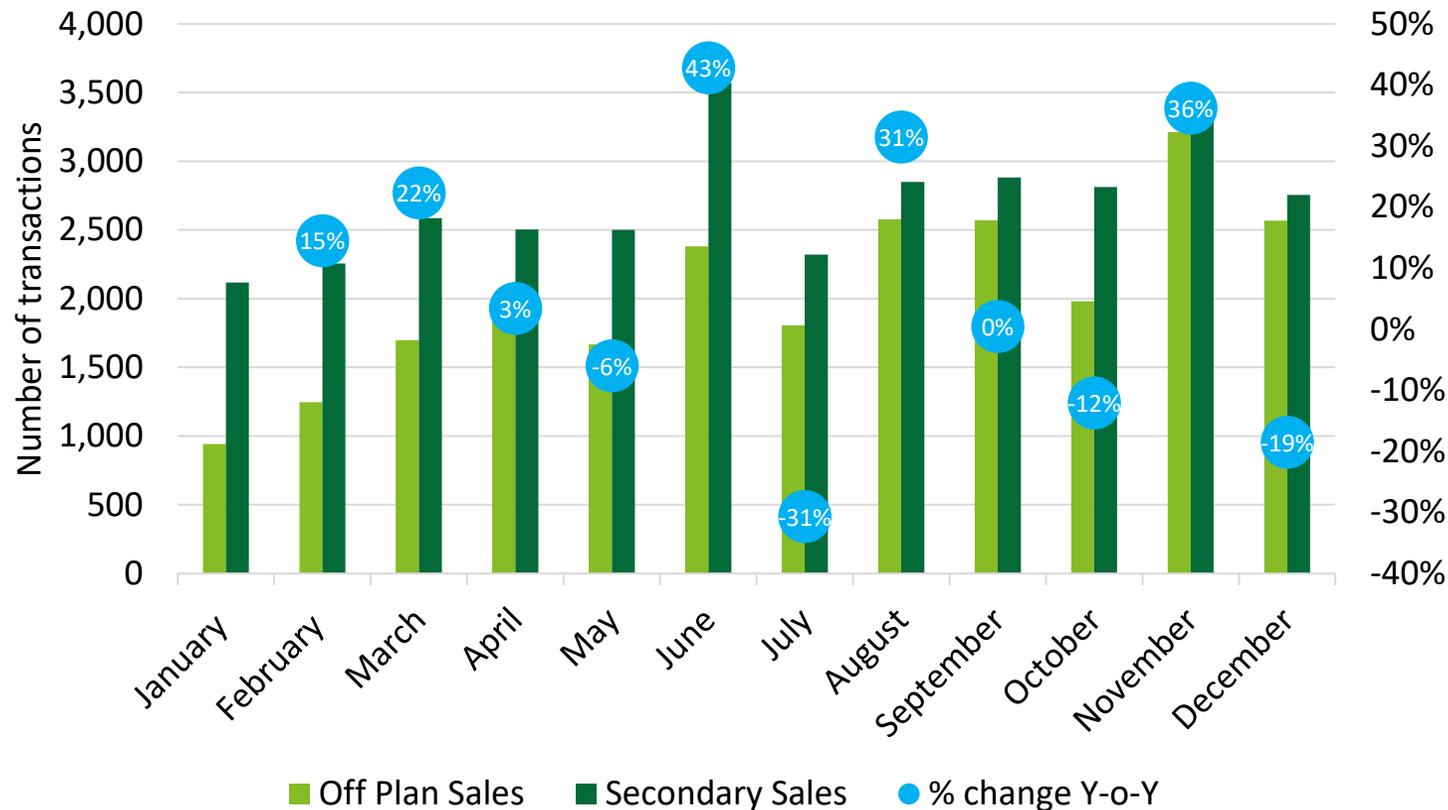
Source: REIDIN

Sales prices are quoted AED per sq ft

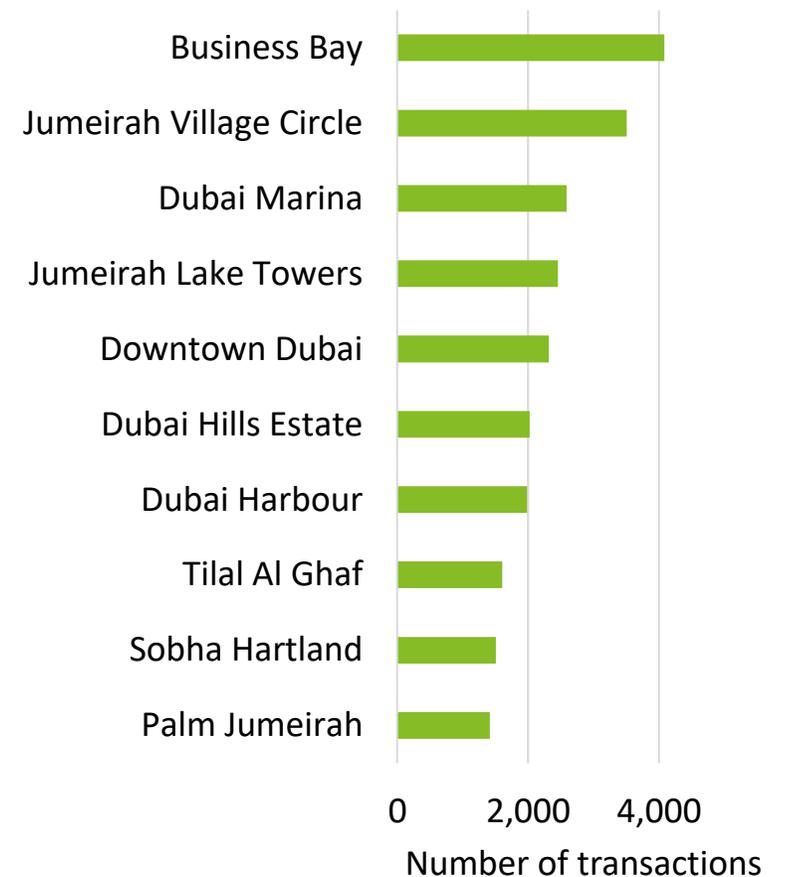
↑ Positive → Neutral ↓ Negative

2021 summary – Residential

Dubai monthly secondary sales and off plan sales transactions, 2021



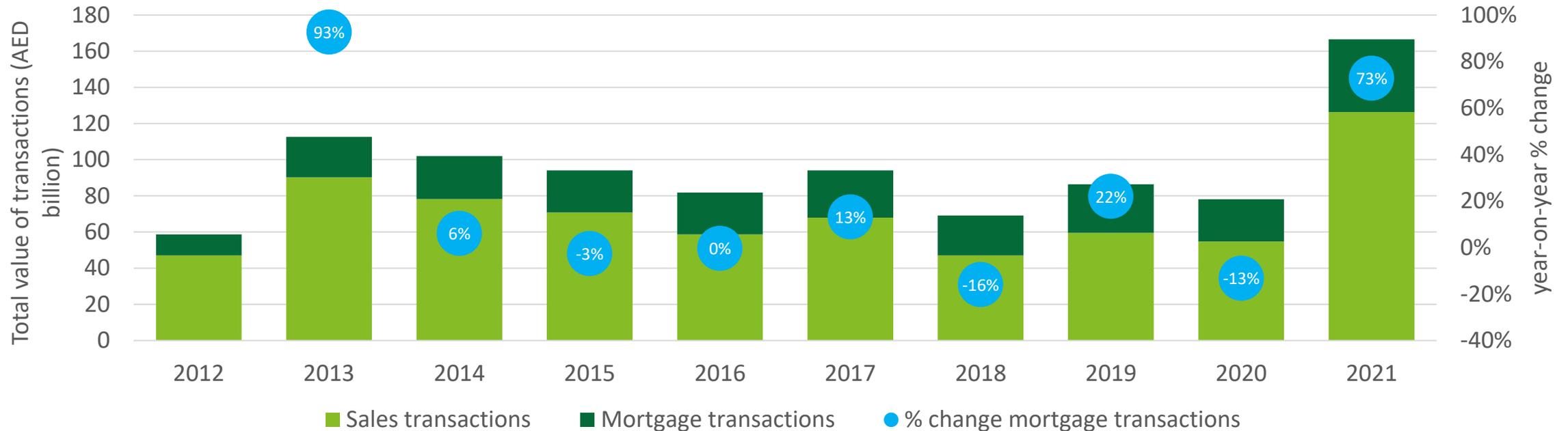
Dubai top 10 locations by volume, 2021



Source: REIDIN

2022 themes

Dubai residential sales mortgage transactions by value, 2012 to 2021



Source: Reidin

Note: Mortgage transactions may represent the mortgage component of a sale or refinance amount

- **Low interest rate environment** has led to a significant increase in mortgage transactions over prior years.
- Oversupply may pose an issue if improved price trends fuel construction activity that is not supported by **medium to long term demand**.
- **Use of technology** to provide immersive video consultations to buyers and historic data analysis to investors is expected to gain traction.

Office

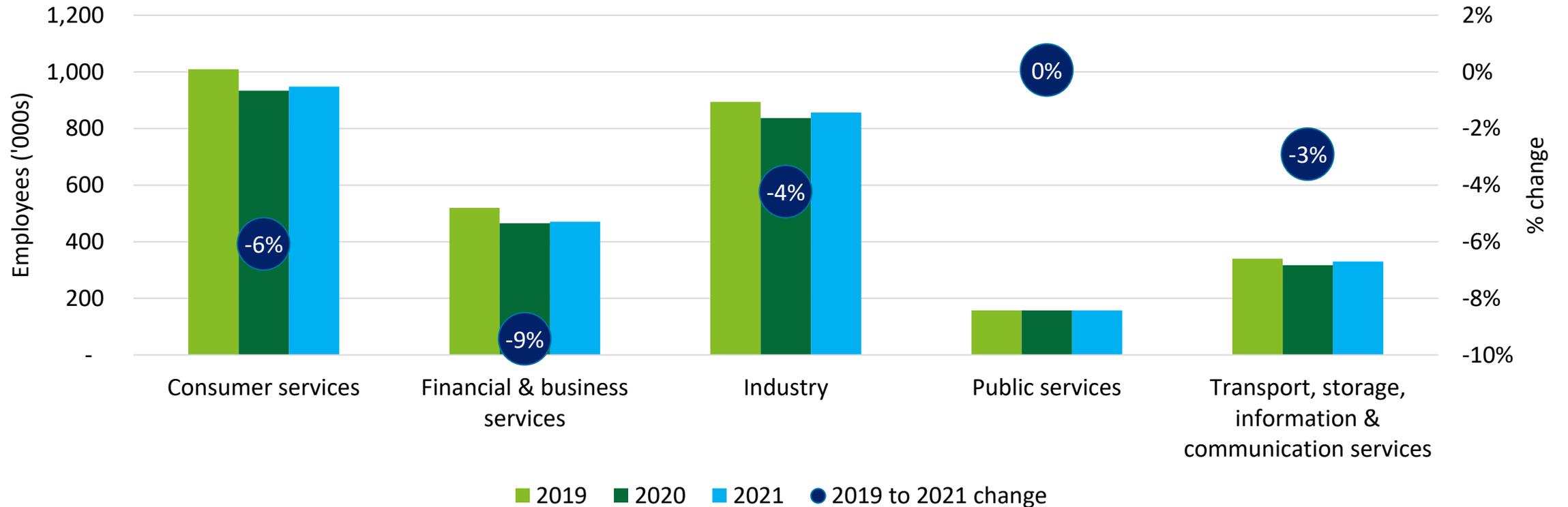
Manika Dhama



2021 summary – Office demand

Dubai employment by key sectors

2019 to 2021



Source: Oxford Economics

2021 summary – Office rents

Dubai average office rents by location

2021 versus 2019 and 2020

Area	DIFC	Bur Dubai	Al Garhoud	Deira	WTC/SZR	Al Barsha	Business Bay	Down-town	TECOM	JLT	Dubai average
2019	215	117	97	92	122	89	103	175	150	76	104
2020	198	101	90	81	115	90	86	150	133	70	90
Y-o-Y Trend	 10%	 -3%	 -5%	 -6%	 -3%	 -6%	 1%	 1%	 1%	 6%	 3%
2021	219	97	85	76	112	84	87	151	134	74	93

Source: REIDIN

Note – Rents are quoted AED per sq ft per year

2021 summary – Office trends

Survey highlights - Future workplace strategy in the Middle East



The primary reason for those considering **increased office space requirement** is due to the expansion of existing business, while for 33% of the respondents the space increase will be driven by the addition of new business lines.



'Introducing digital collaboration platforms' ranked as the most important factor for making remote work sustainable.



71% of the respondents do not have a current **WFH policy** within their organisations, while 18% have a full-time WFH policy. Respondents expect these policies to remain the same over the next 12 months.



Professional Services companies i.e., Legal, Consulting and Architecture, comprise the majority (67%) of the respondents expecting an increase in office space requirement.

2022 trends – The fit-for-purpose office



Limited ***speculative build*** expected in the prime office category



Employee surveys and capex considerations to drive change in office space decisions



Environmental, Social and (Corporate) Governance (ESG) impact assessment enabled through digitalised asset management models



Reconfiguring office design including different positioning of desks, increased breakout spaces, more individual offices, among others



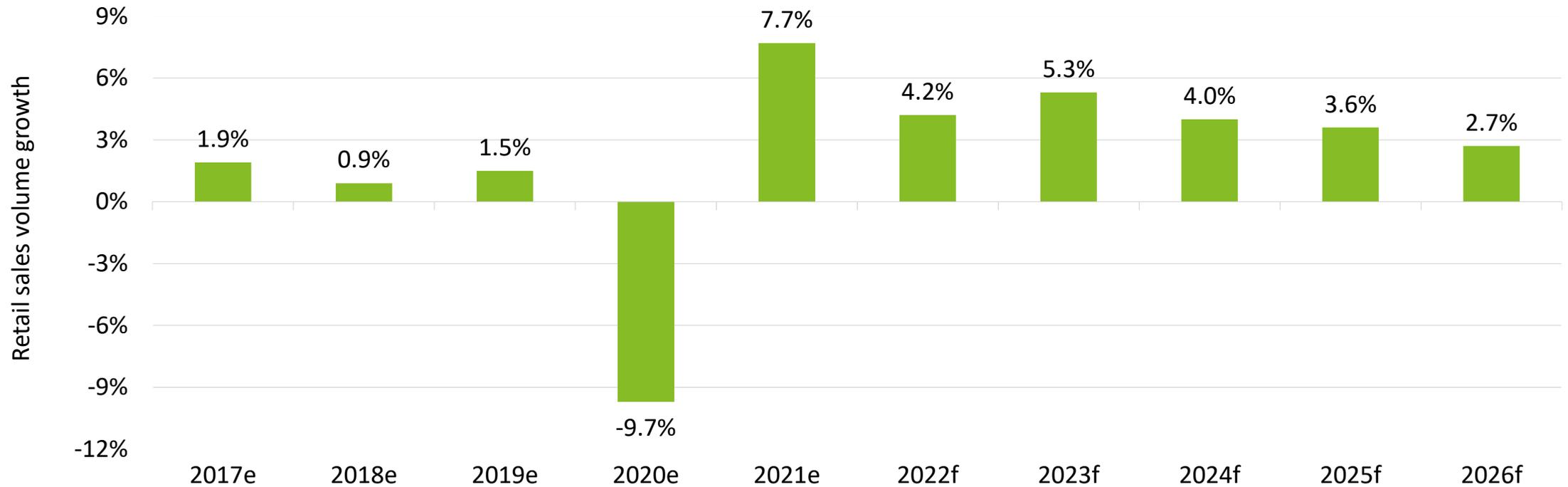
Retail

Manika Dhama



2021 summary – Retail

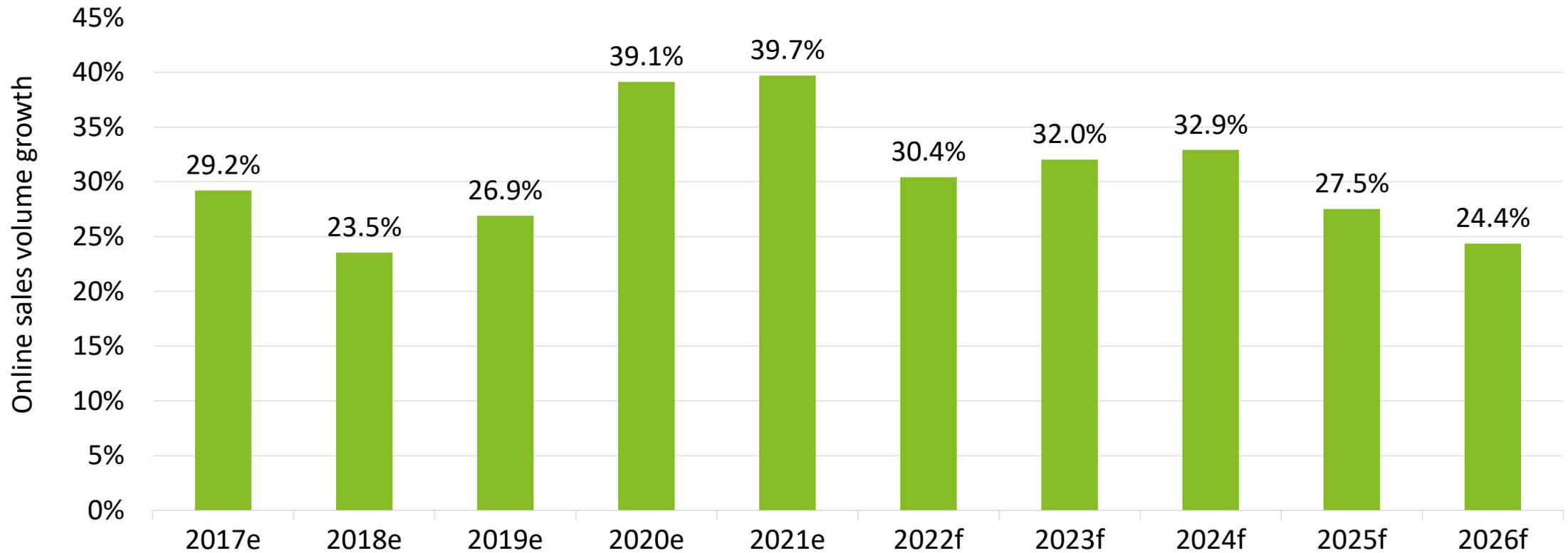
UAE retail sales volume growth, 2017 vs. 2026f



Source: EIU, a:actual, f:EIU forecast

2021 summary – Retail

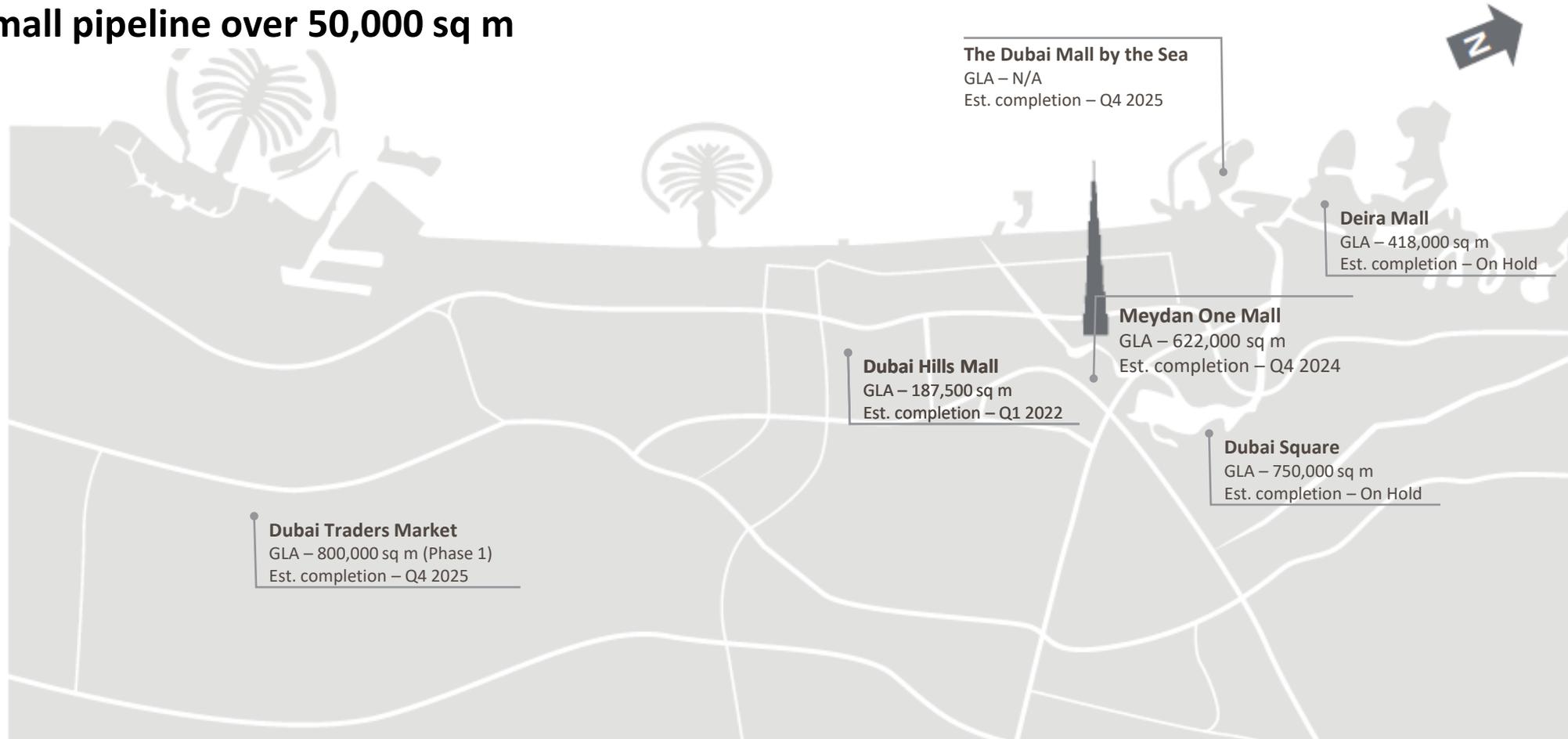
UAE online sales volume growth, 2017 vs. 2026f



Source: EIU, a:actual, f:EIU forecast

2021 summary – Retail

Dubai mall pipeline over 50,000 sq m



Source: MEED Projects

Notes:

- Estimated completion is based on construction completion from MEED Projects. The timescale can change without notice owing to delays in construction
- Mall of the World continues to remain on hold as reported by MEED Projects. It is estimated to have 850,000 sq m GLA of retail space and will be located along Sheikh Mohammed Bin Zayed Road

2022 outlook – The great retail reset

Key trends

- Retail franchise operators foray into **digital platforms**
- New mall completions to compete in the **F&B and community amenities** segments
- **Food and fashion categories** are expected to maintain the online sales momentum having more than doubled in 2021 compared to 2020
- Continued shift in consumer preferences for **omnichannel experiences**, including curbside pick up and BOPIS (buy online, pick up in-store) services

The next 12 months offer opportunities to:



Restructure outmoded supply chains



Right-size inventory management



Review pricing



Recalibrate promotional channels and materials



Reinvent the physical store for the digital age

Industrial and logistics

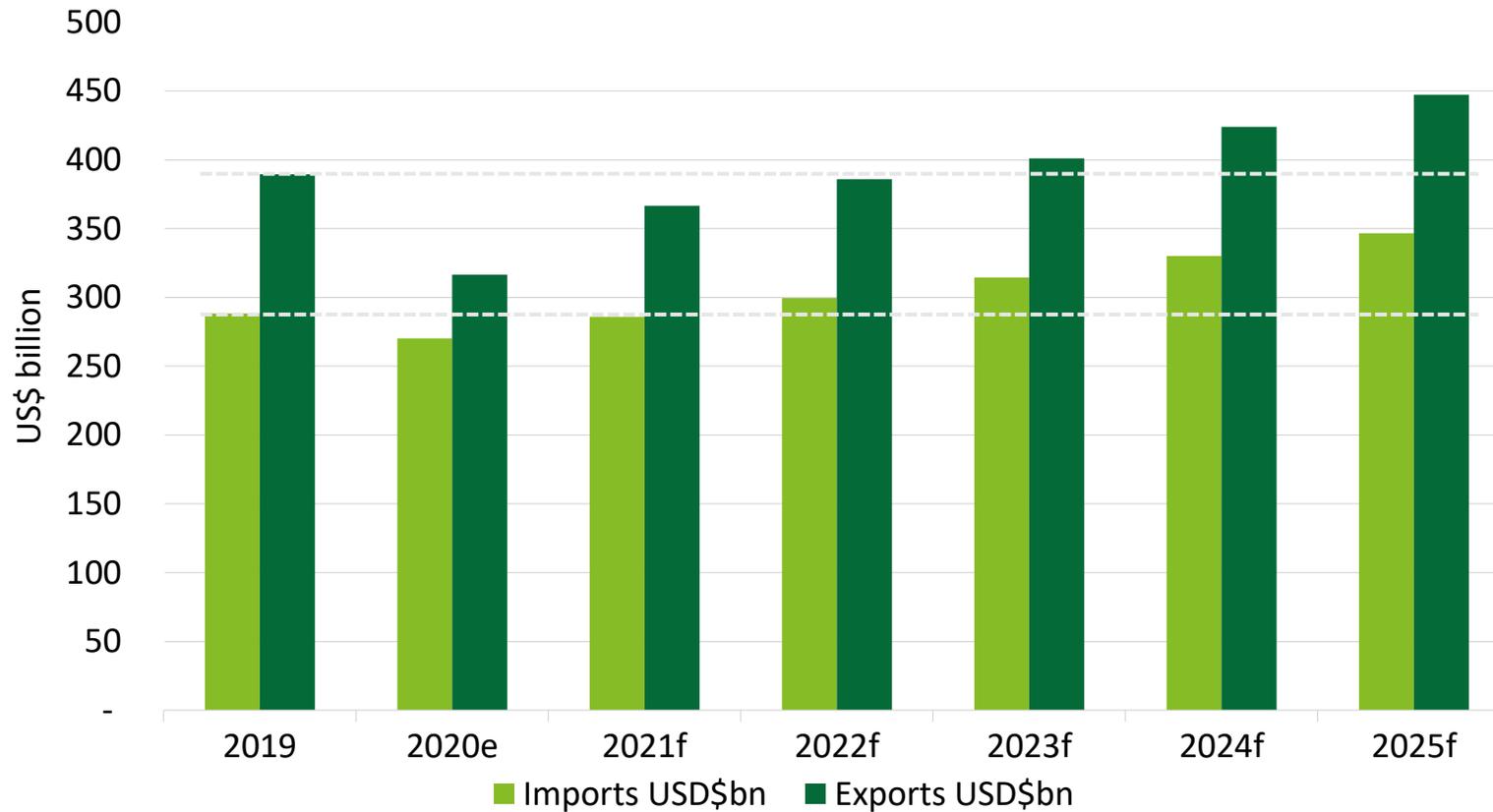
Manika Dhama



2021 summary – Industrial and logistics

UAE imports and exports

2019 to 2025f



Imports
CAGR 3.12%
2019 to 2026

Exports
CAGR 2.33%
2019 to 2025

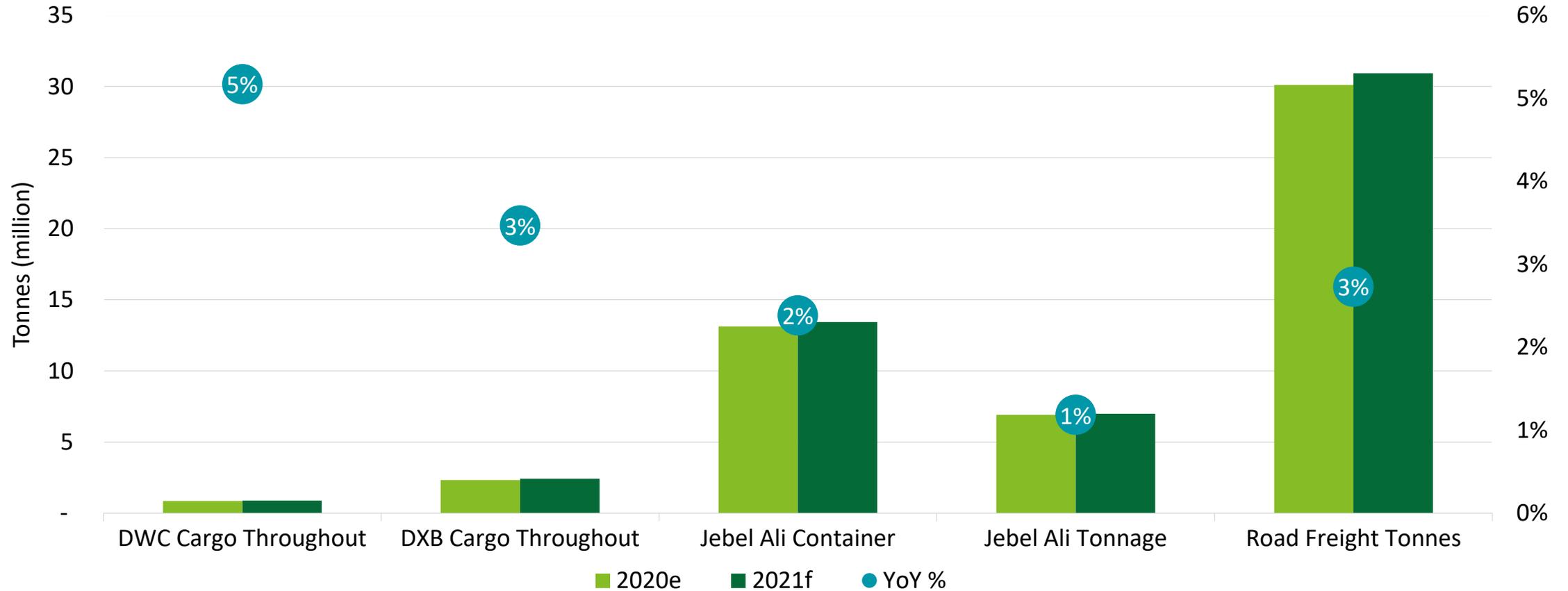
Source: Fitch Solutions *e: estimated, f: forecast

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2022 summary – Industrial and logistics

UAE tonnage summary

2020 vs 2021f



Source: Fitch Solutions *e: estimated, f: forecast

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2021 summary – Industrial and logistics

Dubai average warehouse rents by location Q4 2021



Source: Deloitte

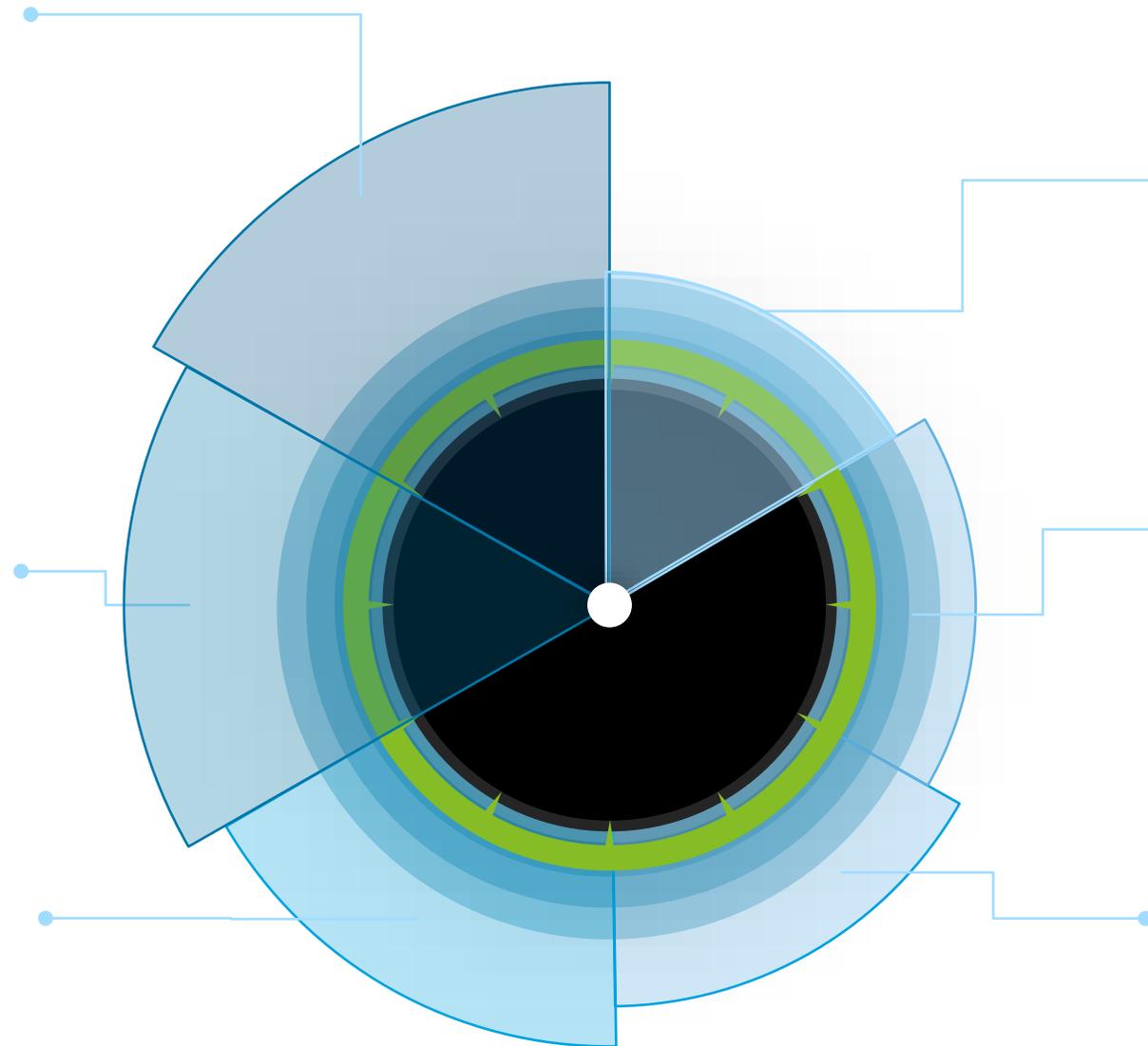
Note – Rents are quoted AED per sq ft per year. Rents are achieved rents for purpose built warehouses exclusive of service charge

Industrial and logistics – sector evolution

Occupiers expected to remain in the driving seat and push for long terms leases.

Logistics, freight forwarding and e-commerce segments leading demand for warehouse and distribution space.

New e-commerce players expected to enter the market in the food, furniture, pharma segments, among others



Organisations need more **credible information and technology upgrades to develop agile systems** that can handle the new consumer scenarios.

Fulfillment, inventory and warehouse management are expected to attract the most investments.

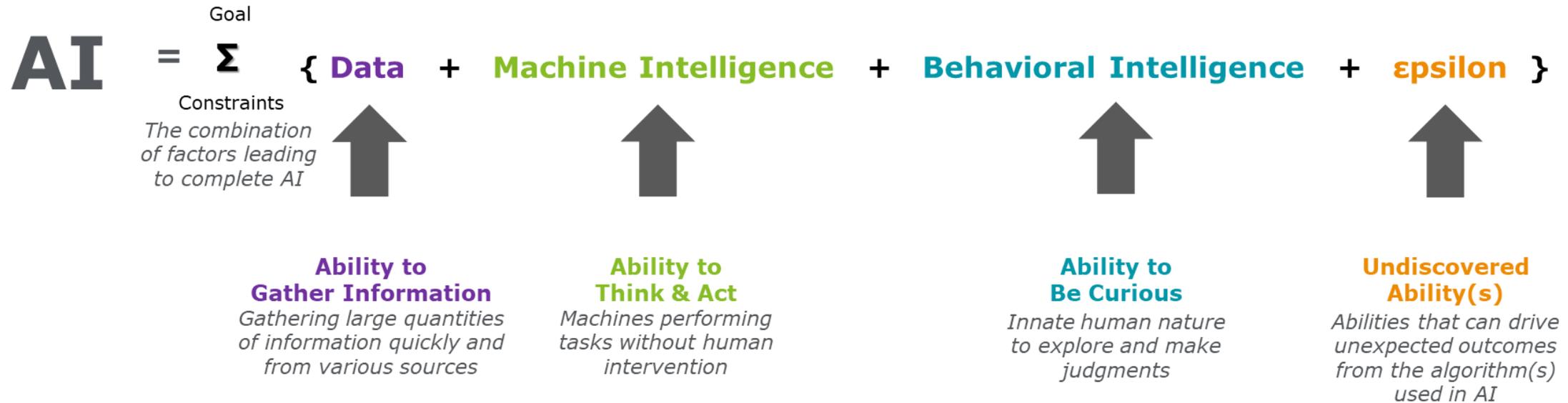
Automation in distribution will be a higher priority, however the adoption will be based on profitability impact assessment.

Forecasting using A.I.

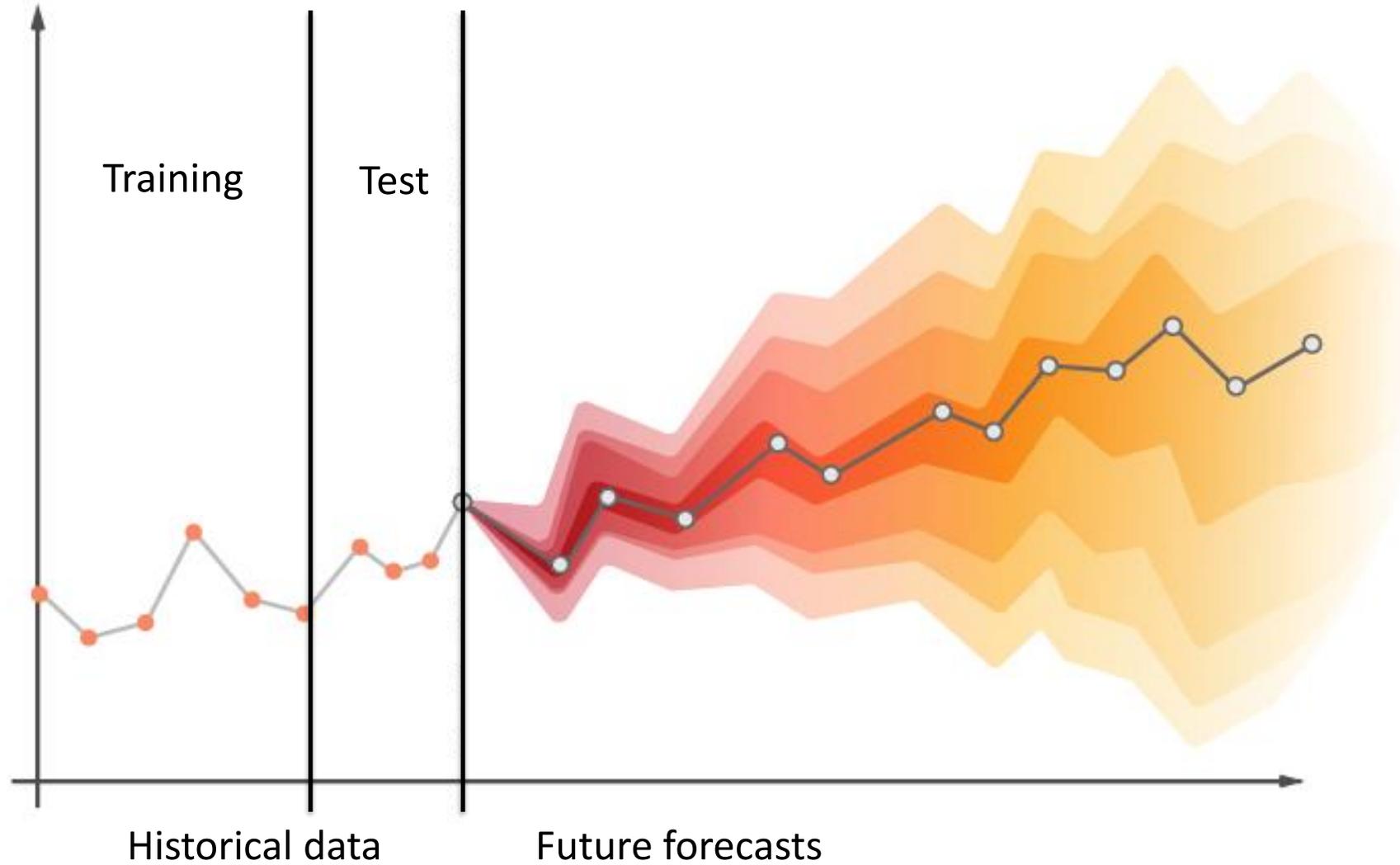
Vanessa Saker



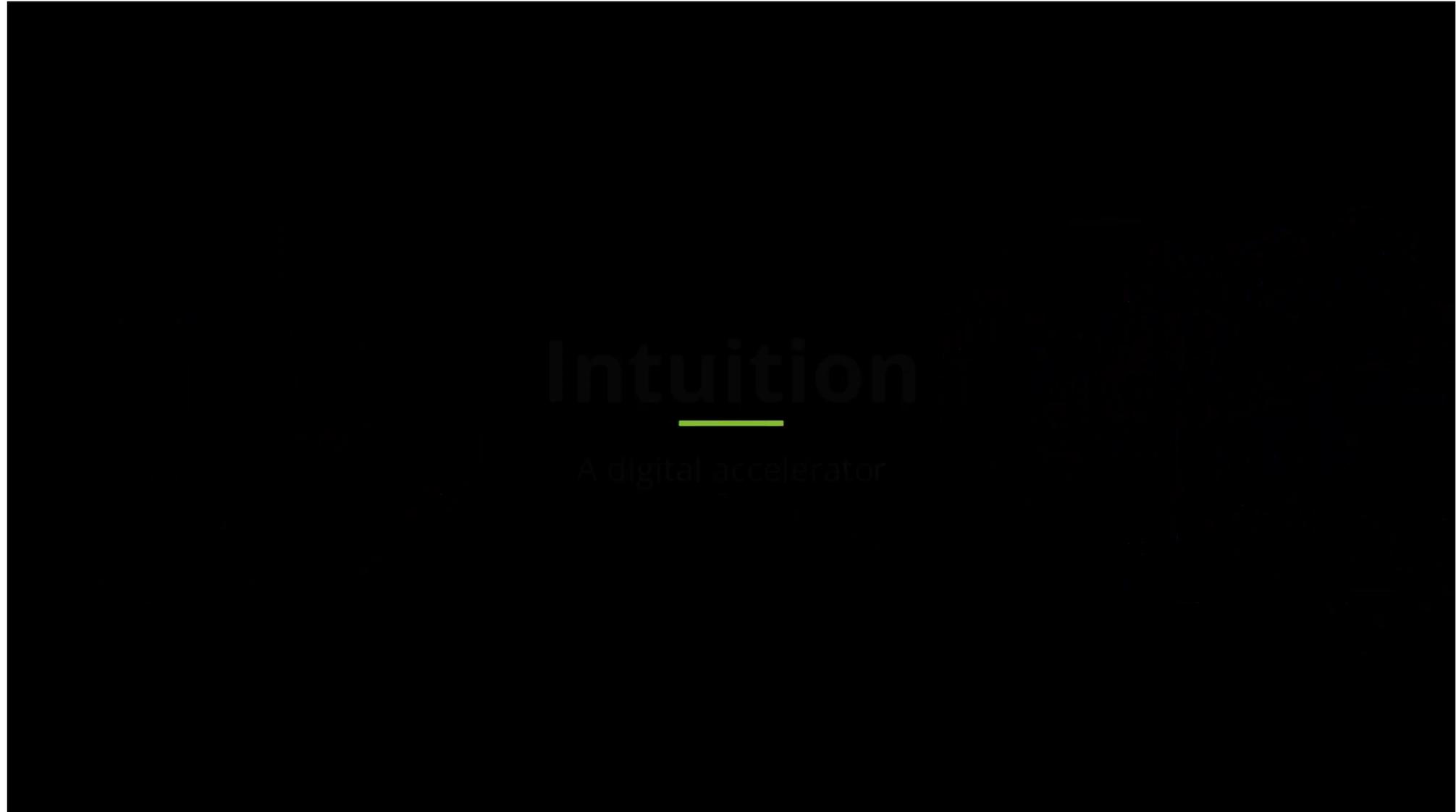
What is AI?



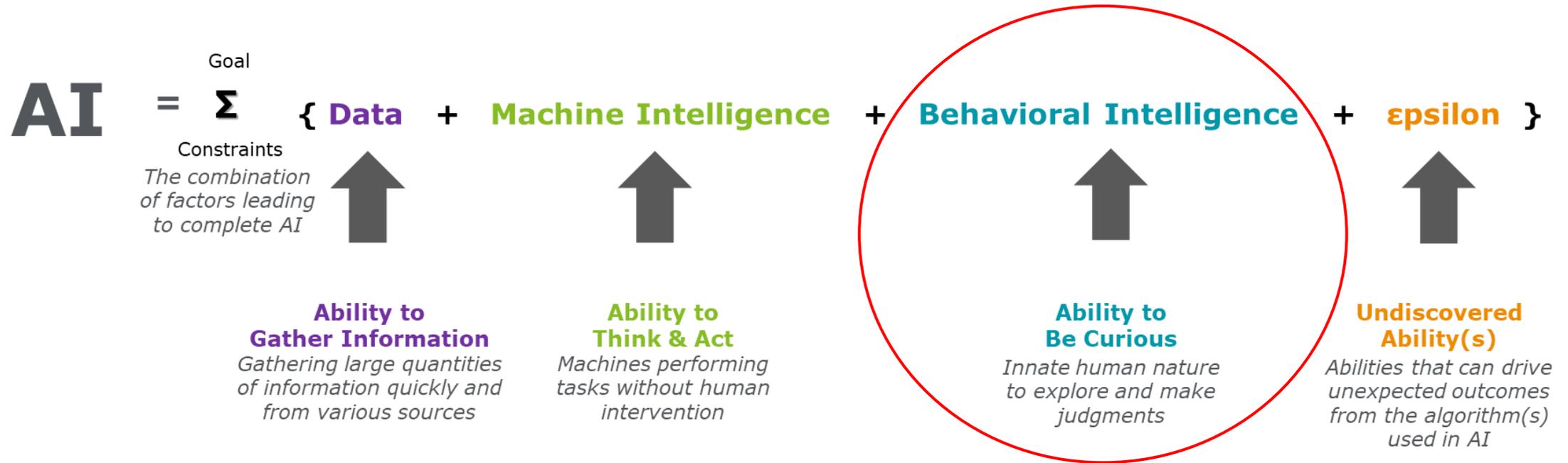
What is AI Time Series forecasting?



Intuition – A Deloitte Accelerator



Scenario Analysis



Scenario Analysis – Practical Demo

The image displays three overlapping screenshots of a 'Scenario Analysis' software interface. The interface is dark-themed and features a 'Drivers' section with sliders for various economic factors. The left screenshot shows a 'Residential Sector - Scenario Impact Comparison' scatter plot. The middle screenshot shows a 'Residential Demand' bar chart. The right screenshot shows a modal dialog for creating a scenario.

Drivers Panel (Left and Middle Screenshots):

- High Impact Drivers: Residential Stock (+55), Natural Increase (+24), Crude Oil Production (+22)
- Medium Impact Drivers: Net Migration (+10.2), Government Expenditure (-3)
- Low Impact Drivers: GDP (+0.5)

Residential Demand Bar Chart (Middle Screenshot):

Year	Demand (Units)
2019	~38,000
2020	~18,000
2021	~15,000
2022	~28,000

Scenario Modal Dialog (Right Screenshot):

- Scenario Title: Impact of Covid-19 lockdown on residential demand
- Scenario Description: Lorem ipsum dolor sit amet, consectetur Lorem ipsum dolor sit amet, Lorem ipsum dolor sit amet, consectetur Lorem ipsum dolor sit amet, consectetur Lorem ipsum dolor sit amet, consectetur
- Inception Date: 01 / 01 / 2022
- Duration: Three months
- Driver Table:

Driver	Units	Change in value	Type of change
International visitors	Relative	+15%	[Line Graph]
Crude oil Production	Relative	-2%	[Line Graph]
GDP	\$ Billion	100	[Line Graph]
- Buttons: Cancel, Create scenario, + New driver

Panel discussion

Oliver Morgan



Panel discussion: How are digital initiatives changing the way we make decisions related to real estate?



Oliver Morgan

Director, Head of
Development, Deloitte
Middle East

Host



Marco Macagnano

Digital Real Estate Leader,
Deloitte Canada

Panelist



Nick Austin

Geospatial Intelligence Lead
Deloitte UK

Panelist



Vanessa Saker

Cognitive Advantage,
Deloitte South Africa

Panelist

Q&A and conclusion

Stefan Burch





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