

MENA real estate market sentiment improves

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According to 225 of the region's premier Investors responding to Jones Lang LaSalle's Third Real Estate Investor Sentiment Survey conducted in association with Cityscape Intelligence.

A sense that the worst of the downturn is behind us and a more realistic acknowledgement of the 'new normal' has resulted in a significant improvement in sentiment about the outlook for real estate markets.

Dubai - becoming the competitive city - Concerns of over-supply remain, but Investors acknowledge Dubai as the regional leader in terms of long term city competitiveness and infrastructure.

Abu Dhabi, Saudi Arabia and Qatar expected to recover first - strong fundamentals in the hydro-carbon power-houses of the region will ensure more Investor attention in these markets which are expected to recover most quickly.

There are more buyers than sellers in the market for 'investable assets' - high quality, professionally managed and realistically priced assets remain in demand.

01 October 2009: The real estate markets of the MENA region have seen a marked improvement in sentiment, according to findings from the third semi-annual Real Estate Investor Sentiment Survey, an in-depth study of real estate investment professionals conducted by Jones Lang LaSalle in association with Cityscape Intelligence. The findings of the third semi-annual survey reveal a significant demand for the right product, with these 'investible assets' currently in short supply as most owners plan to hold assets.

Ian Ohan, Head of MENA Investment Transactions at Jones Lang LaSalle, commented:

"Investors are much more positive than they were six months ago. Our previous survey concluded that 2010 was shaping up to be the 'vintage year' for real estate investment in the MENA region and our latest report confirms this view. What we can also see now is a clear rationale for investment strategy over the next 12-24 months and a recognition that the right products located in the right places will attract investment.

Dubai's has received high marks from Investors for its achievements including its world class infrastructure, appeal to international corporate occupiers, market openness and quality of life. While short-term concerns around liquidity and over-supply remain, a return to 2007 pricing will see Dubai enforce its competitiveness as one of the region's leading destinations for investment.

Abu Dhabi is considered by our respondents to offer significant over-all potential. Second only to Dubai in terms of its infrastructure achievements but second to none in

terms of fiscal strength, the emirate is well placed to increased investment in its real estate sector.

Surprising to many will be our finding that there are more buyers than sellers for genuine investment grade product. This highlights the paucity of such product in the MENA markets and the obvious opportunity for owners to better package their projects in line with the expectations of the sophisticated long term investor.

That MENA has returned to a more positive footing just 6 months after the first crack in sentiment appeared is an incredible turn around and suggests 2010 will be a year of significant development."

Key findings of the report include:

Asia-Pacific Expected to be Strongest Performing Region

26% respondents believe Middle East will be the best performing market over the next 12 months, down from 36% (ISS, April 2009) whilst 38% believe Asia Pacific will outperform the rest of the world.

Little change in views on other markets, although slightly greater number of respondents believe North America will out perform

Improved Outlook for all MENA Markets

All MENA markets are predicted to see better price performance than in the recent past, according to respondents.

KSA, Abu Dhabi and Qatar will all see a return to positive growth, whilst Dubai will see the biggest improvement albeit in terms of a slow-down in falling asset values.

Abu Dhabi and Saudi Arabia expected to perform Strongly

Abu Dhabi is seen as the market likely to perform the best over the next 12 months and sentiment towards Dubai has also improved. Short-term challenges still weigh on Dubai but superb infrastructure and better value ensure a bounce back at some point. For over a quarter of respondents Abu Dhabi remains the most attractive investment environment of all the major markets in the region.

Saudi Arabia. As was the case when last surveyed in April, Investors considered Saudi to be a market of considerable potential, equaling Abu Dhabi with 26% of respondents selecting the Kingdom as the market most likely to produce the best returns.

There are more Buyers than Sellers for Investable Assets - Strong Hold Intention

Across the region, buyers outnumber sellers on average by 8%, compared to only 1% in our previous Survey. This suggests the hesitation of sellers and the limited availability of investible stock are the major constraints on investment volumes, rather than a real lack of buyers.

The "Hold" intention is generally the first response of investors to any economic downturn with investors hoping that they will be able to weather the downturn by trying to defer asset write downs. In our present Survey, the Hold intention ranges from approximately 51% in Dubai to 33% in Jeddah and has increased overall by an average of 3% over the last six months in the region.

#### Investors Call for Further Regulation

Investors still believe the most significant factors influencing decision-making are market regulation/legislation and risk. Both capital growth and rental income remain significant, of course, but market uncertainty has again emphasised the importance of a sound regulatory framework to investors.

#### Dubai - Becoming the Competitive City

Dubai is the top ranked city in 9 of the 13 criteria of city competitiveness. Abu Dhabi tops 4 out of 13.

The major re-pricing that has occurred across all sectors of the Dubai market over the past 12 months has also improved the city's value proposition and therefore competitiveness and attraction for both Investors and occupiers

#### UAE and Saudi Arabia - Standouts for Hotel Investors

Abu Dhabi leads the way in terms of potential for hotel investment and is poised to assume the mantle of hospitality development investment destination of choice

Dubai potential also recognised by respondents and as a city is second only to Abu Dhabi in terms of potential

In Saudi Arabia, Makkah emerges as the clear choice for hotel Investors due to the large and growing number of annual religious tourists who visit the city.