
Sharjah Market Update

2019

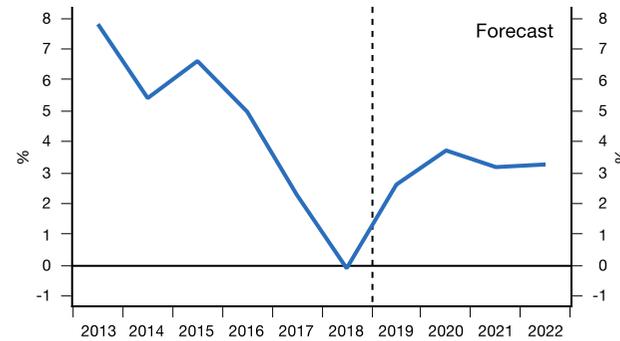
KEY MACROECONOMIC HEADLINES

The Emirate of Sharjah is the UAE's third largest economy, accounting for 5.8% of the UAE's total GDP as at 2018. Over the 10 years to 2018, Sharjah's economy has grown by 17.1%. Over the same time period the wider UAE economy grew by 31.3%. Initial estimates show that Sharjah's GDP fell by 0.1% in 2018, according to data from Oxford Economics. GDP growth is expected to return to Sharjah in 2019 as the general economic backdrop in the UAE turns more positive on the back of economic stimulus packages, easing of business regulations and as a result of the more favourable outlook for the hydrocarbon sector.

Given the weaker economic conditions in the last few years, we have also seen subdued market activity in Sharjah's occupier market, with commercial rents falling from 2016 to date.

In the residential market, sales prices and rents have fallen by 4.0% and 9.6% respectively in the year to Q1 2019. These declines are likely as a result of additional supply in Sharjah and prices falling and the release of more affordable units in Dubai's residential market. The introduction of legislation permitting foreign ownership in Sharjah's real estate market may begin to attract greater levels of demand. However, given increased supply, in both Sharjah and Dubai, and weaker market conditions in neighbouring Dubai – which may attract interest from Sharjah – we are likely to see prices and rents soften further in Sharjah.

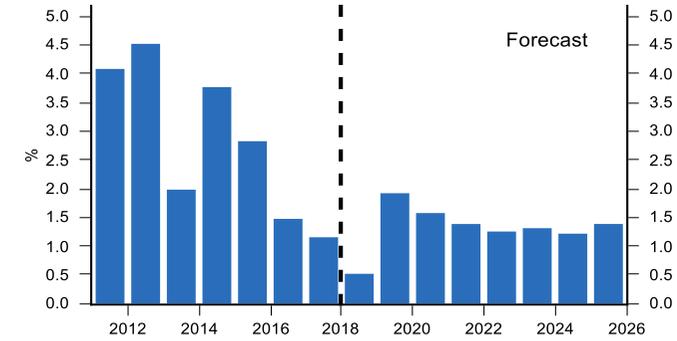
FIGURE 1
GDP, Y-O-Y % CHANGE



	2018	2019	2020
Sharjah GDP, % Change	-0.1	2.6	3.7

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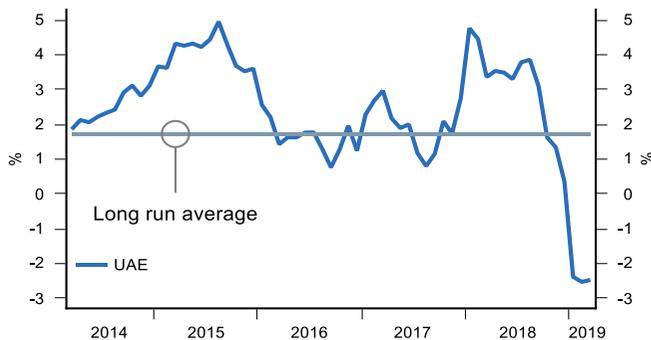
FIGURE 2
EMPLOYMENT FORECASTS, Y-O-Y % CHANGE



	2018	2019	2020
Sharjah Employment, % Change	0.5	1.9	1.6

Employment growth in 2018 registered at an estimated 0.5%. On the back of a more positive economic backdrop, employment is forecast to rise by 1.9% in 2019.

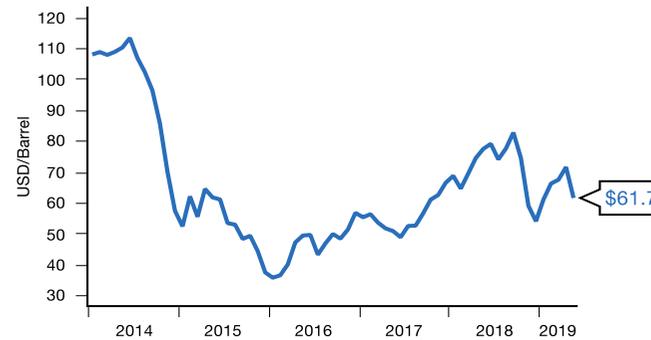
FIGURE 3
INFLATION, Y-O-Y % CHANGE



	1 Year ago	6 months ago	Latest
UAE CPI, YOY % CHANGE	3.5	1.6	-2.5

The UAE's has been witnessing deflation since the start of 2019 with the index decreasing by 2.5% in the year to March 2019. This trend is being driven by falling housing, clothing and footwear, food and drinks and transportation costs.

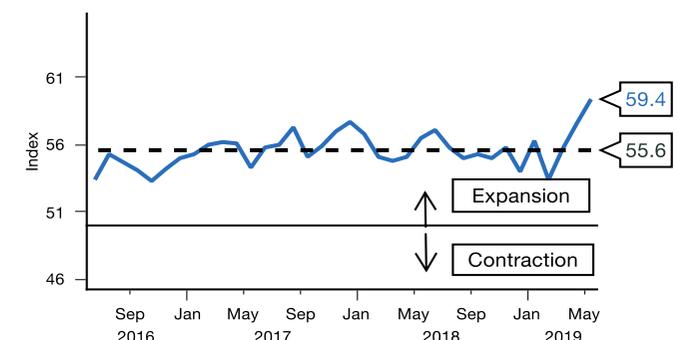
FIGURE 4
OIL PRICES



	End of month price	Latest	3 months ago	12 months ago
Oil Prices – Brent Crude (\$)		61.7	66.3	77.6

Oil prices have fallen to \$61.7 as at May 2019, down from \$76.6 a year earlier. Trade wars and slower economic growth have contributed to the lower price level. However, given recent geopolitical tensions we may see oil prices increase on the back of greater uncertainty.

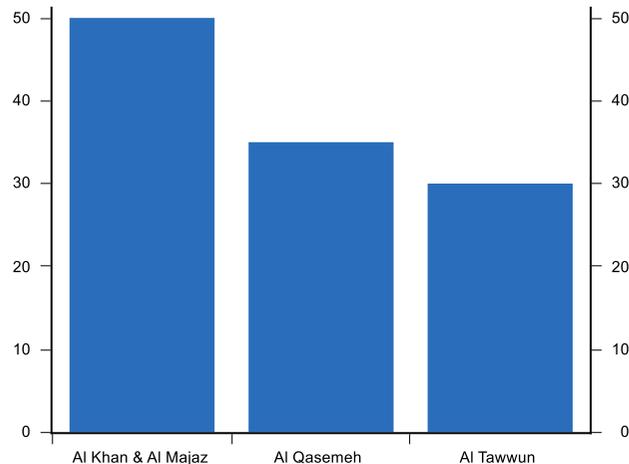
FIGURE 5
UAE PURCHASING MANAGERS' INDEX (PMI)



	Latest	3 months ago	12 months ago
Composite PMI	59.4	53.4	56.5

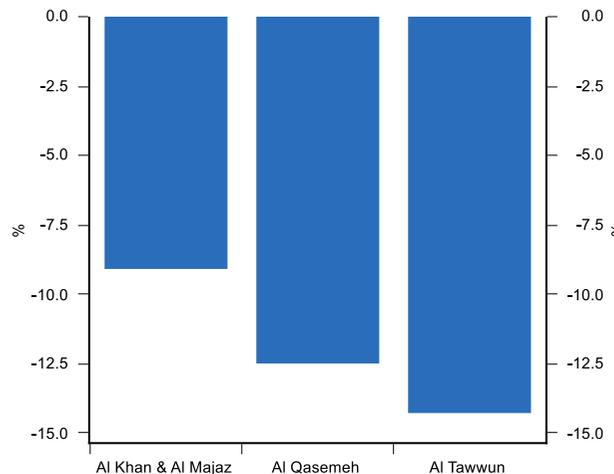
The Purchasing Manager's Index (PMI), which tracks non-oil activity in the UAE, registered a reading of 59.4 as at May 2019, the highest since October, 2014. However, the greater level of activity comes on the back of lower selling prices, which have declined for the eighth straight month, whilst input prices have remained relatively steadfast. As a result firms are under considerable cost pressure and increased activity has not led to growth in employment, in May less than 1% of firms surveyed were hiring.

FIGURE 6 SHARJAH OFFICE RENTS, Q1 2019, AED/SQ.FT.



Given the weaker economic conditions in the last few years, we have also seen subdued market activity in Sharjah's occupier market, with commercial rents falling from 2016 to date.

FIGURE 6 SHARJAH OFFICE RENTS, Q1 2019, Y-O-Y % CHANGE



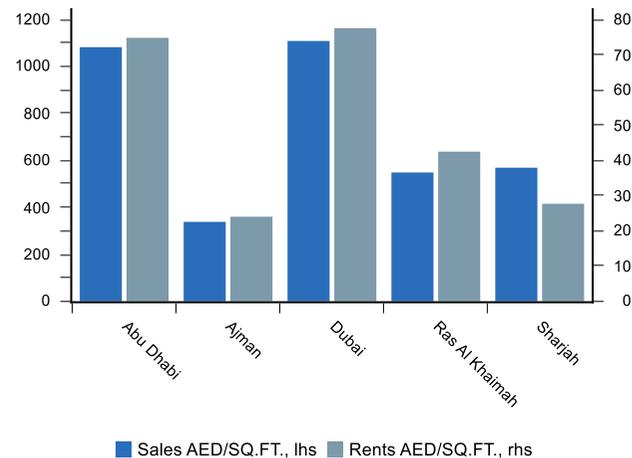
Sharjah's office market continues to see rents soften as a result of subdued market activity. In the year to Q1 2019, Rents in Al Tawwun fell by 14.2%, by 12.5% in Al Qasemeh and by 9.0% in Al Khan and Al Majaz.

FIGURE 7 SHARJAH OFFICE SUPPLY MAP - DESIGN AND EXECUTION



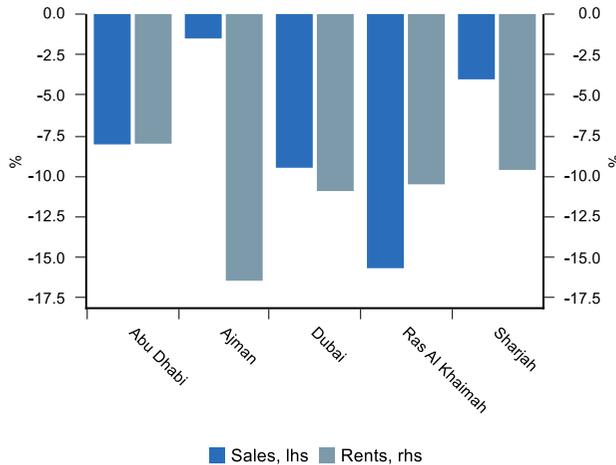
Currently there are estimated to be 22 active commercial projects within Sharjah, with delivery dates up to 2022, which are either being executed or in the design phase. The budget value of these projects currently is estimated at US\$ 784m.

FIGURE 11 UAE MAINSTREAM RESIDENTIAL MARKET SALE PRICES AND RENTS, BY CITY, AED/SQ.FT.



Sales prices and rents in Sharjah are circa 50% and 65% lower respectively compared to the neighbouring Emirate of Dubai. As a result, mid to low income workers choose to reside in Sharjah and commute to Dubai.

FIGURE 12 UAE MAINSTREAM RESIDENTIAL MARKET PRICES AND RENTS, Y-O-Y % CHANGE



Sales prices and rents have fallen by 4.0% and 9.6% respectively in the year to Q1 2019. This is likely as a result of additional supply in Sharjah and prices falling and the release of more affordable units in Dubai.

FIGURE 10 SHARJAH RESIDENTIAL SUPPLY MAP - DESIGN AND EXECUTION



Currently there are estimated to be 77 active residential projects within Sharjah, with delivery dates up to 2024, which are either being executed or in the design phase. The budget value of these projects currently is estimated at US\$ 4.57bn.