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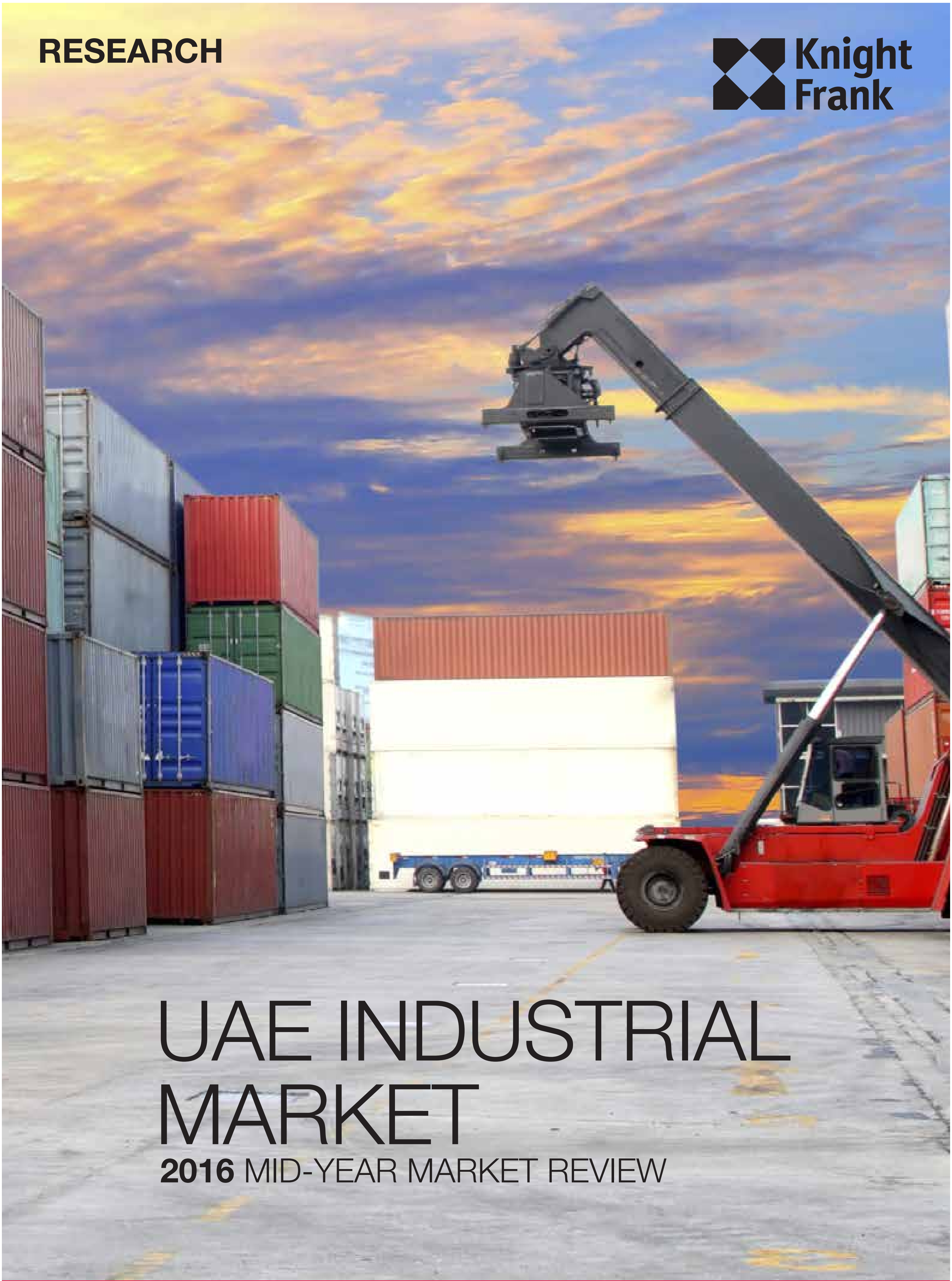


UAE INDUSTRIAL MARKET

2016 MID-YEAR MARKET REVIEW

ABU DHABI & DUBAI INDUSTRIAL SECTOR REVIEW

INDUSTRIAL MARKET

Performance in the industrial sector remained flat over the first half of the year, as occupiers postponed new purchases and expansion requirements on the back of a slowdown in global trade volumes. The sector also witnessed increased supply as some occupiers, namely those in the Oil and Gas industry, have downsized and consolidated their space.

There continues to be a flight to quality from traditional industrial areas such as Al Quoz, to newer locations such as Dubai Investment Park (DIP) and Dubai Industrial City (DIC). These latter locations benefit from more developed infrastructure and services, greater connectivity, and longer leasehold tenures. As a result, rents have remained relatively stable, as occupancy rates are high.

Bonded free zones such as Dubai South and Jebel Ali Free Zone (JAFZA) remain popular areas, as demand for new and quality stock remains high. Infrastructure improvements to Jebel Ali Port and Al Maktoum International airport have also assisted in attracting more occupiers to the area.

Occupier demand in Abu Dhabi is also shifting from older industrial areas such as Musaffah and Mina Zayed, to newer locations offering quality services. We understand that locations providing quality European specified warehousing, such as Abu Dhabi Airport Free Zone, have attracted a lot of interest from logistics providers, with occupancy rates registering approximately 90-95%.

Figure 1
Dubai industrial rents

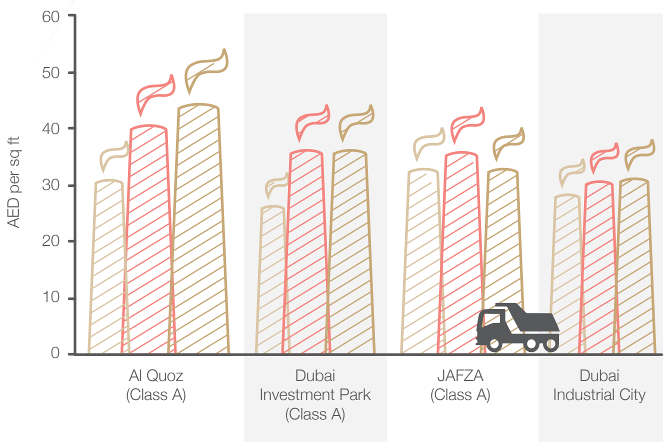
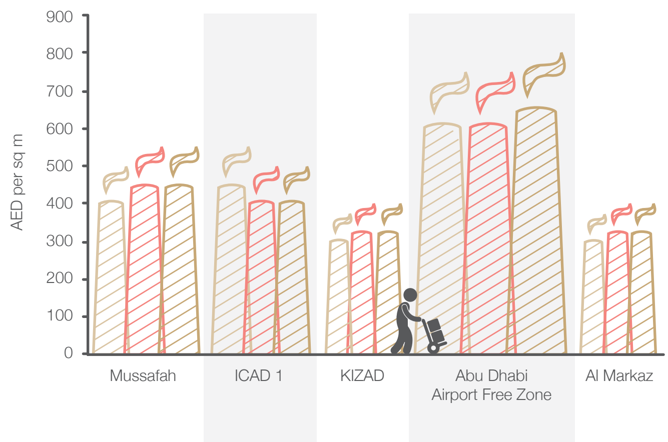


Figure 2
Abu Dhabi industrial rents



Source: Knight Frank Research

Q1 2014 Q1 2015 Q1 2016

Viewpoint

According to the World Trade Organization (WTO), growth in the volume of global trade is expected to remain subdued in 2016 (2.8%). Further slowdown in the Chinese economy, financial market volatility and sharp exchange rate movements are expected to impact the performance of the sector in the short-to-medium term (WTO).

With the industrial and logistics sectors being a main pillar of Dubai's non-oil economy, the sluggish performance of the global trade market is likely to reflect on the performance of the sector in the short-to-medium term. Consequently, rents are expected to remain stable as occupier demand softens. In Abu Dhabi, while demand has slowed significantly on the back of the decline in oil prices, the limited supply of quality industrial space is expected to keep the market stable.

In the long-term, the UAE's commitment to diversifying its economy through continued investment in developing the sectors' supporting infrastructure (e.g. Jebel Ali Port & KIZAD) and enhancing legislation is likely to boost the industry further.

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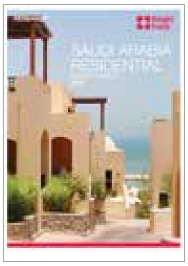

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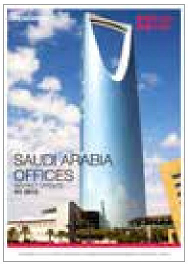

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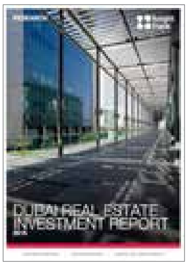

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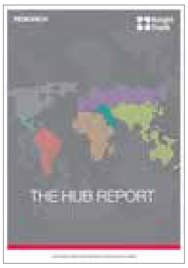

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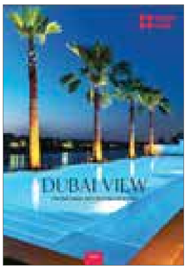

Dubai View 2015

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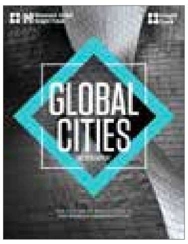

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