



## RETAIL SUPPLY

As the UAE witnesses additional upcoming supply (Dubai and Abu Dhabi), the retail market needs to mature and position existing and future supply. With an existing and upcoming supply of over 10 million sq m (107 million sq ft), the retail provision per capita continues to be one of the highest in the world.

FIGURE 1  
Dubai & Abu Dhabi Market Indicators

Retail supply	↗
Retail demand	→
Consumer confidence	☀
Estimated rental values	→
Mall occupancy	☀
Market growth	☀ Mid-market

Source: Knight Frank Research

- The decline of oil prices and a strengthened US \$ against many of the world currencies is affecting the overall spending of residents and tourists.
- However, the growth expected in the UAE's non-oil economy over the next 5 years is an unmistakable opportunity for international retailers.
- As per the IMF, non-oil growth in the UAE is projected to slow to 3.4% in 2015, before increasing to 4.6% by 2020, supported by the implementation of mega-projects and private investment in the run-up to Expo 2020.
- The wholesale and retail sector is estimated to account for 29% of Dubai's total GDP and 25% of the total workforce.
- UAE population is forecast to increase by almost 20% from 2015-2020. Tourism is a key driver of shopping figures and is rising sturdily with almost 40% of Dubai Mall's footfall in 2014 accounted for by non-residents.

### Dubai

Recent retail development/supply in Dubai has focused on new mall expansion projects (such as Mall of the Emirates and Ibn Battuta) while other projects included community focused, niche shopping centres such as d3 and Me'aiseem City Centre.

The recent expansion of Mall of the Emirates and Dubai Mall also indicates the continued demand for super regional malls in Dubai as well as the repositioning of the tenant mix.

The Mall of the World, a 743,000 sq m (8 million sq ft) master planned development in the heart of Dubai,

### Dubai Design District (d3)

d3 is a three phase master-planned mixed use development, comprising office, residential and retail accommodation, providing the creative industries with a hub in the heart of Dubai.

Phase 1 handover was completed in October 2015 with eleven buildings and over 18,000 sq m (200,000 sq ft) of retail ready for occupation.

The street level retail inspiration will provide an alternative shopping experience to malls and will offer a unique all-day destination for office workers and visitors alike.



Dubai Design District (d3) Phase 2

Please refer to the important notice at the end of this report



Yas Mall



Al Maryah Central

### Abu Dhabi

Abu Dhabi's supply continues to be focused on larger projects including regional malls, such as Reem Mall and Maryah Central. This is in addition to planned mall expansion projects such as Marina Mall.

Abu Dhabi retail is currently segmented with c.10% community retail and c.80% regional and super regional. This clearly highlights the significant change in retail format since 2012, when super regional malls did not exist and regional malls were more primitive in their offering.

### Al Maryah Central

Located on the master-planned, Al Maryah Island, the new financial free zone of Abu Dhabi.

Al Maryah Central will be a 150,000 sq m (1.6 million sq ft) development which will be integrated with the existing Galleria, a 24,000 sq m (258,000 sq ft) luxury mall.

Scheduled to open in 2018, the project has commenced ground works and will become the pre-eminent urban shopping destination in Abu Dhabi.

Yas Mall, which opened in late 2014 provides Abu Dhabi with a new super-regional mall (238,000 sq m) which, with surrounding attractions such as Yas Waterworld and Ferrari World, will help ease off the flow of residents to Dubai, as well as attract tourists to the capital. Abu Dhabi continues to witness the delivery of new hotel developments which is creating potential demand from leisure and business visitors alike (Figure 4).

The mall will comprise over 400 stores; incorporating the first Macy's in the UAE and the first Bloomingdales in Abu Dhabi, as well as cinema, entertainment centre, food hall and sports area.

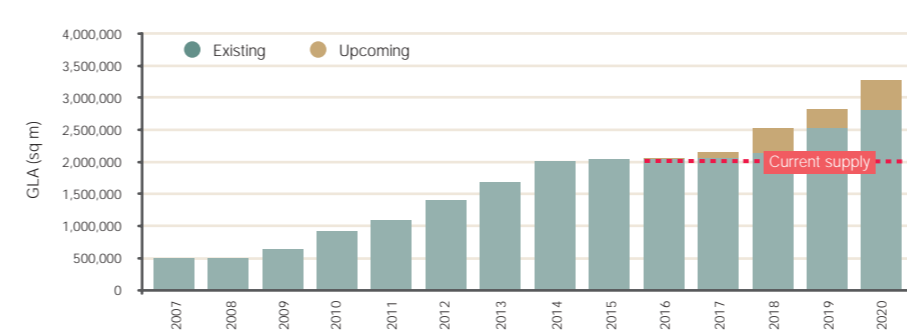
The project is master planned to incorporate a hotel and residential tower to complement the existing ADGM Square which consists of five office buildings and two hotels; in addition to the Cleveland Clinic and Al Maryah Tower which are completed on the island.

FIGURE 3  
Total Hotel Guest Nights (2007-2014), Abu Dhabi



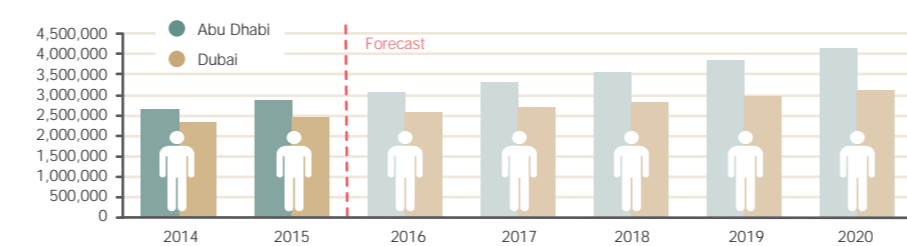
Source: Abu Dhabi Tourism Authority (ADTA)

FIGURE 4  
Total Mall Supply, Abu Dhabi



Source: Knight Frank Research

FIGURE 5  
Dubai & Abu Dhabi, Population (2014-2020)



Sources: Knight Frank Research, Statistics Centre of Abu Dhabi (SCAD), Dubai Statistics Centre (DSC), United Nations (UN)

## DUBAI AND ABU DHABI RETAIL DEMAND

Retail demand in the Emirates will be driven by resident population growth and tourism from the Gulf and beyond.

UAE retail sales are set to grow by 32.9% from US\$ 31 billion in 2011 to US\$ 41.1 billion in 2015.

The UAE's population is 9.5 million and is expected to grow to c. 15 million by 2050 according to the United Nations (Figure 5). Higher consumer confidence and disposable income amongst Emirati's and expatriates, compared to other retail hubs, has helped the UAE to develop a burgeoning retail sector.

The GCC nations, the top source of UAE's inbound shopping tourists, have a high GDP per capita (Purchasing Power in Parity) with an average of US\$ 69,792 across the six nations. This has the potential to be translated into high consumer spending.

However, lower oil prices and implementation of potential taxation policies could impact the retail spend in H2 2015

and 2016. This may be reflected in the Nielsen Consumer Confidence Index, which has fallen by 8 basis points in the first three quarters of 2015 (Figure 6).

The importance of air traffic to the UAE is significant for retail growth; Dubai International overtook London Heathrow as the world's busiest airport with c. 70 million passengers and Abu Dhabi increased to over 20 million passengers in 2014 (Figure 7). Both cities must develop their infrastructure, tourism and retail offering to increase overnight stays as well as increase the retail conversion rate.

Dubai currently witnesses an average visitor stay of 3.8 nights compared to an average of 7.7 nights in London. A total of 13.2 million foreigners headed to Dubai in 2014, an increase of 8.2 % compared with the previous year.

The Dubai Expo 2020 is seen as future growth for tourism (20 million tourists per annum by 2020) and retail demand which will be a focus for retailers expansion.

Dubai has seen a 41% rise in Iranian visitors in 2014. The lifting of the Iranian sanctions is envisaged to directly impact trade and tourism in Dubai leading to greater expenditure. While the flow of Iranian tourists, businesses and goods will help increase retail returns, potential growth of resident spending is expected to prevail against the overall falling number of tourists this year.

Abu Dhabi has seen a 14% increase in guest nights in 2015 to August compared to the previous year. The total number of guests increased 20% over the same period highlighting the resilience of tourism in the Emirate. It is noted that although Russian visitors, usually associated with luxury retail spending, declined by 10%, Chinese tourists increased by 68%. These figures strongly suggest that tourism and spending in Abu Dhabi is on the rise.

Source: Knight Frank, A.T. Kearney, Nielsen, Dubai International Airport, BMI, Abu Dhabi Tourism Authority

### Retailer insight

- A number of brands operated in the UAE are controlled by the larger retailer groups. Between them the largest five companies franchise or operate in excess of 350 brands.
- An indicative portfolio is weighted

27% toward F&B which has been seen as an attractive sector in the UAE.

- There is growth in home grown brands for both F&B and apparel which is creating a new market

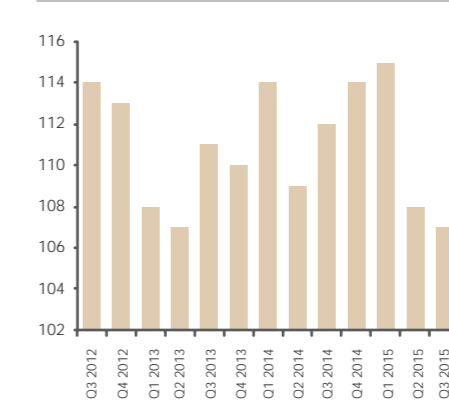
segment and is dynamic within the retail scene, with particular emphasis on concept store creations.

- Retailers are looking to community mall projects to help facilitate expansion within the Emirates.

Changes in consumer spend such as a fall in Russian tourists, Chinese spend (currency fluctuations) and lower oil prices, have contributed to a reduction in luxury goods spend. However, double digit growth of tourists from emerging markets, the potential effect of Iran's economic comeback and the increase in resident spend should all translate to an increase in retail spending.

- Growth of retail sales is expected at 5% in 2015, while leasing rates over the next quarter are expected to stabilise for retail accommodation.

FIGURE 6  
Nielsen - UAE Consumer Confidence Index



Source: Nielsen

FIGURE 7  
Historic & Forecast Passenger Movements



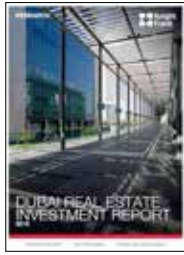
Source: Abu Dhabi Airports Company, Dubai Airports



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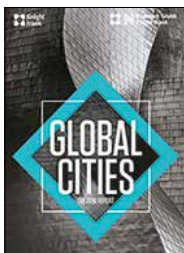
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