

VALUATIONS

Q2 2017 NEWSLETTER

PROJECT MONITORING

What?

Independent Construction Project Monitoring is a crucial service to protect a Client's interest in the development process which is now especially vital for Banks, Real Estate Developers, Funders, Financial Institutions and Investors.

Why?

New legislation is being implemented in the United Arab Emirates, including Abu Dhabi Law No. 3 of 2015 and Dubai Law No. 8 of 2008 which are designed to address past issues relating to Real Estate financing. This will encourage Institutions to fund new developments and provide protection for mortgagees of off-plan purchases.

New mandatory requirements include the obligation for Developers to maintain an Escrow Account for each Development with a Municipality approved Financial Institution. Drawdown on the Escrow Account must be linked to actual construction progress therefore obliging Banks and Funders to independently validate progress before release of payments to ensure financing is in line with actual construction status.

How?

Knight Frank provides independent Construction Project Monitoring Services to cover all aspects of the construction process including verification of interim payment certificates, reviewing compliances, consultancy payments, contracts and programme review.

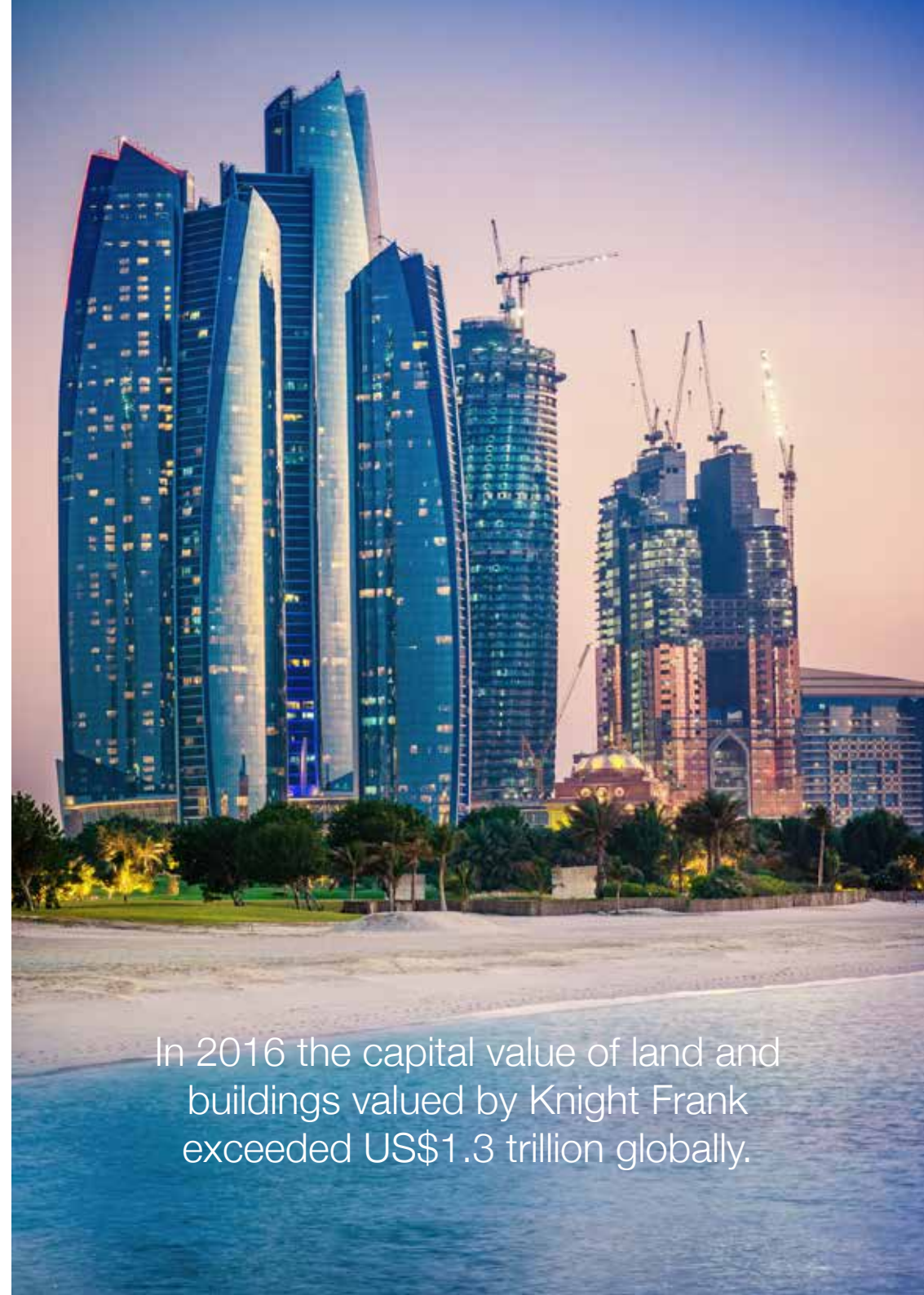
The monitoring service can be designed to meet each individual Client's needs and the Report types range from Initial Audit Reports, through to monthly or bi-monthly Construction Progress Reports, and Practical Completion Reports.

For more information please contact:

Paul Chisholm

+971 56 6166 943

Paul.Chisholm@me.knightfrank.com



In 2016 the capital value of land and buildings valued by Knight Frank exceeded US\$1.3 trillion globally.

IN FOCUS: DUBAI RETAIL REVIEW

Supply

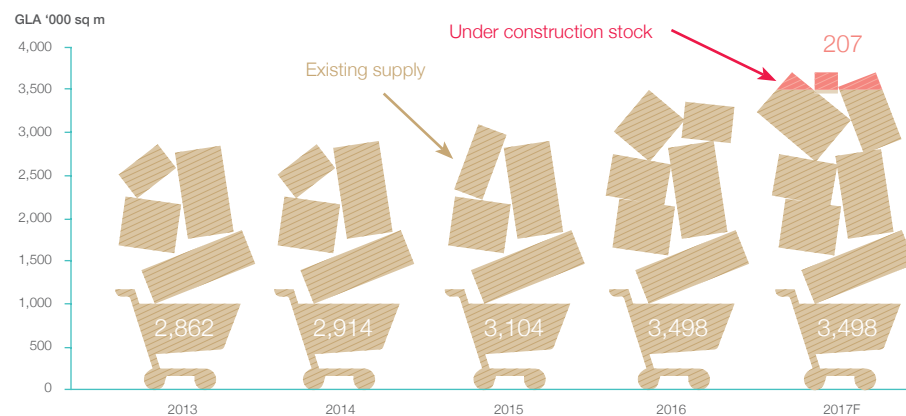
- Retail space in 2016 totalled approximately 3.49 million sq m with the completion of Dubai Festival City extension and Phase 2 at Nakheel's Ibn Battuta Mall.
- Additional retail space expected to complete during 2017 totals approximately 207,000 sq m.
- Schemes or extensions due for completion between 2017 and 2020 include The Dubai Mall extension, Nakheel Mall, The Pointe on the Palm Jumeirah, Deira Mall and Meydan One, greatly increasing the retail GLA within the Emirate.
- There is also an increase in the number of community and neighbourhood malls being constructed.

Demand

- Emaar recently advised that their malls achieved a footfall rate of approximately 125 million during 2016, a marginal increase on 2015, with Dubai Mall's footfall estimated to have remained at circa 80 million.
- It is apparent that well established malls with higher footfall have maintained healthy occupancy rates with most super-regional malls operating at close to 100% occupancy.
- Going forward we expect retailers to remain cautious due to wider economic factors.

FIGURE 1

Dubai supply chart



Source: Knight Frank Research

News

- Meraas' food truck concept 'Last Exit' is set to expand to 10 sites in total over the next 2 years. They recently successfully opened the 3rd 'Last Exit' in Al Khawaneej.
- UAE retailer Lulu has announced plans for Silicon Mall, Silicon Oasis. A 2.3 million sq ft retail mall with 12 anchor stores, extensive F&B outlets and a family entertainment centre.
- Apple has opened its 3rd store in the UAE, the retailer recently opened in The Dubai Mall overlooking the fountains.

FIGURE 2

Dubai retail map



Source: Knight Frank Research

IN FOCUS: ABU DHABI RETAIL REVIEW

Supply

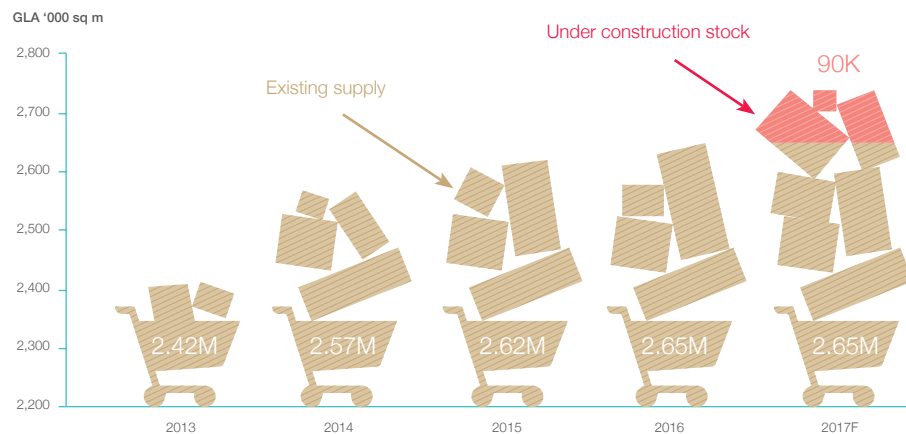
- Retail space in 2016 totalled approximately 2.65 million sq m in Abu Dhabi.
- Additional retail space expected to complete during 2017 totals 90,000 sq m.
- Schemes or extensions due for completion between 2017 and 2020 include Reem Mall (2020), Al Maryah Central (2018), Marina Mall extension and Paragon Bay Mall (2018) all of which will greatly increase the retail GLA within the Emirate.
- The majority of the above planned retail is off the main island of Abu Dhabi.

Demand

- As of Q4 2016 super-regional malls comprised of approximately 40% of the total retail space in Abu Dhabi, this is set to rise.
- It is apparent that well established malls with higher footfall have maintained healthy occupancy rates with the likes of Yas Mall, Abu Dhabi Mall and The Galleria operating at +90% occupancy.
- Going forward we expect the retail market to soften across the Emirate.

FIGURE 3

Abu Dhabi supply chart



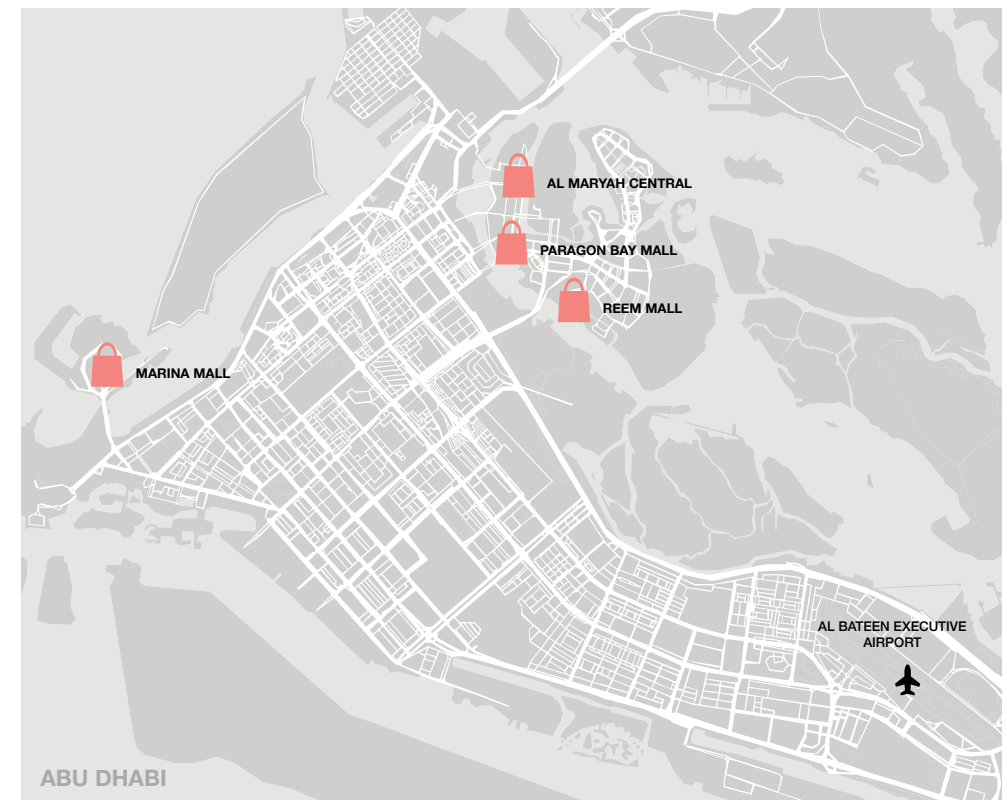
Source: Knight Frank Research

News

- Reem Mall will feature the world's largest indoor snow play park.
- Warner Bros. has announced Warner Bros. World, Abu Dhabi which is set to open in 2018. Located on Yas Island, the theme park will provide thrill rides, family friendly attractions and unique live entertainment.

FIGURE 4

Abu Dhabi retail map



Source: Knight Frank Research



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Stephen Flanagan

Partner, *MRICS*

+971 50 8133 402

Stephen.Flanagan@me.knightfrank.com

Paul Chisholm

Associate Partner, *MRICS*

+971 56 6166 943

Paul.Chisholm@me.knightfrank.com

Jonathan Jeffrey

Associate Partner, *MRICS*

+971 56 1100 251

Jonathan.Jeffrey@me.knightfrank.com

Felicity Davey-Faun

Surveyor, *MRICS*

+971 50 6134 450

Felicity.Davey-Faun@me.knightfrank.com

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Knight Frank UAE Limited - Abu Dhabi is a foreign branch, with registration number 1189910. Our registered office is Unit 103, West Tower, Abu Dhabi Trade Center, Abu Dhabi, PO Box 105374, Abu Dhabi, UAE.

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