



VALUATIONS

Q3 2016 NEWSLETTER

INSURANCE VALUATIONS

With recent high profile fires the issue of Buildings Insurance is becoming increasingly relevant to both owners and occupiers of property in the UAE.

WHO?

Whether an owner or occupier, it is vital to have the correct level of property insurance coverage in order to avoid the issues which will arise when under insured or over insured.

WHY?

Should a property be damaged or destroyed and the property is under-insured then the sum claimed may be insufficient to cover re-build costs, and if over-insured then the annual premium is likely to be higher than is necessary, increasing costs.

The level of insurance cover may also be a legal requirement; should a property be used as security then it will be normal practice for the lender to require adequate insurance cover for the mortgaged or financed property to protect their interests in the Property.

HOW?

The most common type of policy in the UAE is indemnity by reinstatement, which is the replacement of old for new. The Insurance Provider will normally require a Reinstatement Cost Assessment, also known as the Declared Value, of the Building insured. The assessment assumes that the Building has suffered such substantial damage that it will require demolition and full rebuilding. The sum will therefore be the total cost to rebuild the property and will

include the demolition cost, the construction cost and all professional and statutory fees associated with the re-build. The rate applied in the assessment will normally be based on an elemental breakdown of current build costs to ensure accuracy.

WHAT?

A Reinstatement Cost Assessment from an RICS accredited firm is therefore recommended. This will provide reassurance to all parties that adequate cover is in place should any unfortunate events occur.

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In 2015 Knight Frank valued
in excess of US\$1 trillion
of real estate globally

IN FOCUS: HOSPITALITY

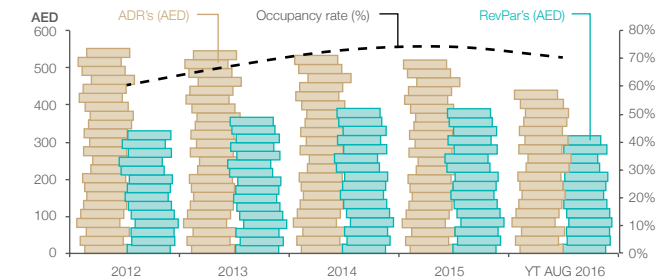
The UAE's 5-star hotel offerings supported by world-class infrastructure, namely Etihad Airways and Emirates Airlines, cemented the country's position as a global tourist destination. However by the second half of 2014 investor confidence softened on the back of volatility in oil prices, and concerns of regional unrest heightened. Coupled with the devaluing of non-US dollar pegged currencies, this resulted in a slowdown in tourist numbers and spending.

ABU DHABI

- Abu Dhabi's hotel market witnessed subdued performance in the year-to-August 2016 compared to the same period in 2015. While occupancy rates only dropped -2%, average daily room rates (ADR's) and revenues per available room (RevPar's) dropped -11% and -13% respectively.
- As Abu Dhabi's tourist market is heavily reliant on business visitors, particularly those in the oil and gas sector and government services, 2016 and early 2017 are expected to remain a challenging period with a slowdown in tourist numbers and spend.
- However in the medium-to-long term, further investments in infrastructure including the new airport terminal, along with the expansion of business and leisure offerings such as the National Exhibition Centre and the various museums on Saadiyat Island, are expected to boost the hospitality market further and diversify the Capital's tourist base.

FIGURE 1

Abu Dhabi hospitality KPI's



Source: Knight Frank Research

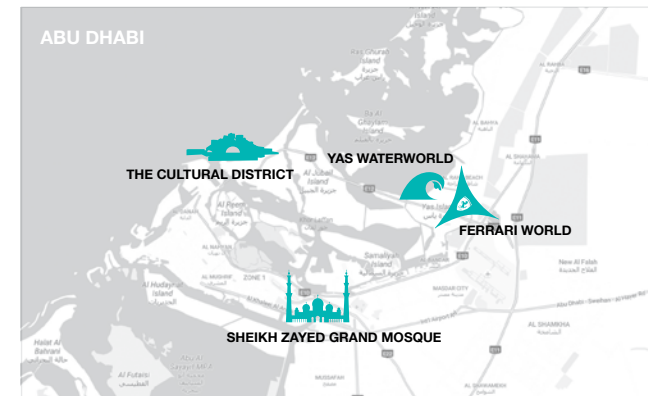
DEMAND GENERATORS

Ferrari World
The world's largest family theme park occupying an area of 86,000 sq m. In 2015, Ferrari Abu Dhabi introduced several new rides and attractions, including its second dynamic record-breaking roller coaster, Flying Aces. *Completion date: 2010*

Sheikh Zayed Grand Mosque
The 8th largest mosque in the world, accommodating up to 40,000 people. *Completion date: 2007*

Yas Water World
The water park is home to 45 rides, slides and attractions including the world's first hydro-magnetic tornado waterslide and interactive water and laser rollercoaster. *Completion date: 2013*

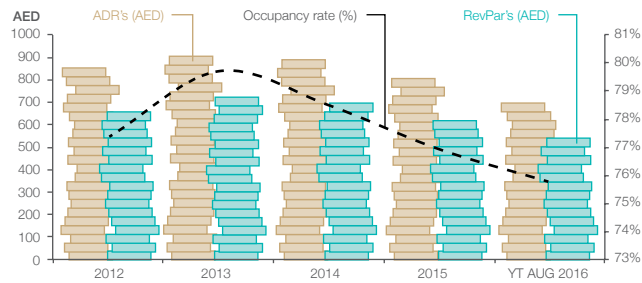
The Cultural District
The District will be home to the Louvre and Guggenheim, along with a performing arts centre as well as residential accommodation and commercial projects. *Completion date: 2018*



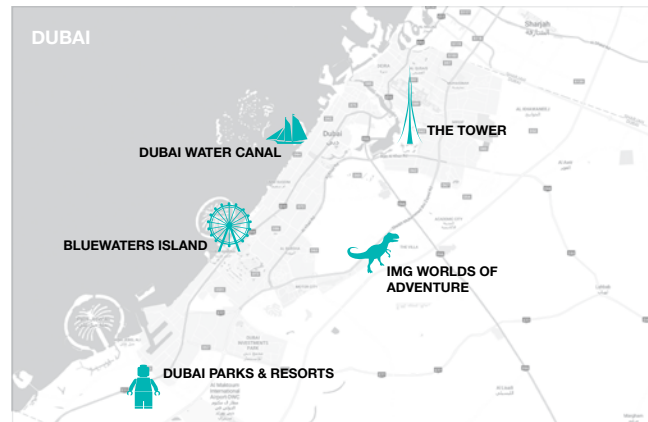
DUBAI

- Average daily room rates (ADR's) and revenues per available room (RevPar's) declined -12% and -13% respectively in the year-to-August 2016 versus year-to-August 2015. Meanwhile, hotel occupancies maintained healthy levels with a -1% decline over the same period.
- Despite this, our outlook for the hospitality sector in Dubai remains positive. Tourist levels are expected to pick up in the last quarter of 2016 and throughout 2017, as major attractions such as the theme parks and Dubai Opera are operational.
- To make this growth sustainable however, future hotel developments need to cater to a wide variety of tourists including budget conscious travellers. The introduction of more affordable hospitality options will ultimately balance the hotel supply, which is heavily weighted towards the top end of the market.

FIGURE 2
Dubai hospitality KPI's



Source: Knight Frank Research



DEMAND GENERATORS

IMG Worlds of Adventure
The world's largest indoor theme park featuring rides with characters from Cartoon Network and Disney's Marvel universe. *Completion date: August 2016*

Dubai Parks & Resorts
The largest multi-themed leisure and entertainment destination in the Middle East with over 100 rides spread across 25 million sq ft of land. *Expected completion date: November / December 2016*

Bluewaters Island
Man-made island off the coast of Jumeirah Beach Residence, home to 'Ain Dubai' (Dubai Eye) which is expected to be the world's largest observation wheel. *Expected completion date: 2018*

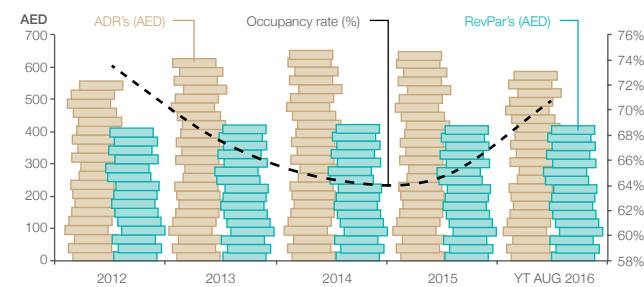
Dubai Water Canal
A 3 km long project featuring retail, F&B, luxury housing and other entertainment. *Expected completion date: November 2016*

The Tower
Located at Dubai Creek Harbour and set to be the world's tallest tower. The Tower will feature observation decks, hanging gardens, a world-class boutique hotel, and other tourist facilities. *Expected completion date: 2020*

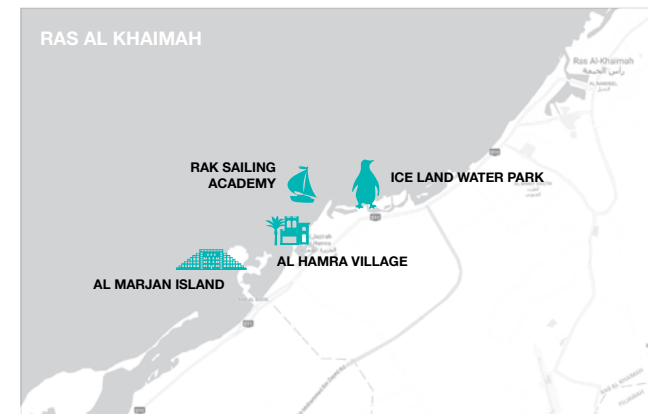
RAS AL KHAIMAH

- The hotel market in Ras Al Khaimah saw a 9% Y-o-Y increase in occupancy levels in the year-to-August 2016. In turn, ADR's softened marginally while RevPar's remained fairly constant over the same period.
- While hotels in Ras Al Khaimah are heavily reliant on attracting residents of the UAE, efforts by the Ras Al Khaimah Tourism Development Authority (RAKTDA) at diversifying its tourist base have been successful.
- During the first nine months of this year, RAKTDA reported an 18% increase in the number of Saudi visitors staying in the emirate's hotels, compared to the same period in 2015. Similarly, visitors from Russia increased 4.3% over the same period.

FIGURE 3
Ras Al Khaimah hospitality KPI's



Source: Knight Frank Research



DEMAND GENERATORS

Al Hamra Village
A mixed use development consisting of an 18-hole golf course, mall and marina & yacht club. *Completion date: 2006*

RAK Sailing Academy
Offering progressive courses in dinghy and keel boats, the school follows ISAF (International Sailing Federation) rules and regulations. *Completion date: 2012*

Ice Land Water Park
A snow and ice themed family orientated water-park with restaurants and the tallest man made water fall. *Completion date: 2010*

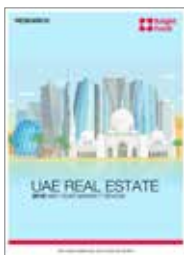
Al Marjan Island
Comprising of 4 reclaimed areas of land, Al Marjan Island provides a seafront location for villas, apartments and hotels. *On-going development initiated in 2013*



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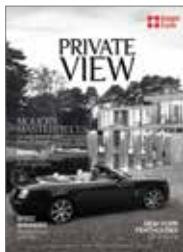
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