

RESEARCH



THE HUB REPORT

HOW DOES DUBAI FARE AGAINST OTHER GLOBAL HUBS?

KEY FINDINGS

In recent years, Dubai has further cemented its position as a regional hub. The growth of logistics, tourism, financial & business services, as well as the emirate's image as a luxury lifestyle destination, have all been central to this – so much so that others in the region are emulating some of the elements that make it a success. But how does Dubai – and indeed the UAE as a whole – stack up against other global hubs?

Between 2004 and 2014, manufacturing activity in the UAE increased at an annual average rate of 3.1%, according to World Bank data. On the same basis, while Singapore (6.1%) outperformed, Hong Kong (-1%), Australia (-0.4%) and the UK (-0.3%) did less well. Even more significantly, the UAE saw cumulative growth in exports of almost 117% between 2004 and 2014 – around twice as fast as Germany (58%) and Singapore (61%). Undoubtedly, the UAE's strong export performance has been helped by the excellent quality of its transport infrastructure – the World Economic Forum ranked it 1st globally in its 2014-15 report, ahead of Singapore (2nd), Hong Kong (3rd) and Germany (7th). All else equal, this suggests that the federation's prospects as a regional logistics hub are secure in the short to medium-term. Partly because of this, as well as Dubai's continued success

in leveraging its strategic position between East and West, tenant demand for quality industrial & logistics property in the UAE has been outpacing supply in recent years. As a result, rents have been moving in an upward direction.

Turning to the financial & business services sector, the rise of Dubai International Financial Centre (DIFC) – one of 38 free zones in the UAE – over the past decade has helped to extend the emirate's lead as a hub. Looking forward, with the IMF's projections showing that the federation will grow at an average rate of 3.6% annually over 2015-2020 (faster than Germany, UK, US, Hong Kong and Singapore), it is unsurprising that international businesses continue to set up shop in this market. Moreover, the fact that the UAE is increasingly becoming an easier place to do

business (it has steadily been climbing up the World Bank's ranking since 2011 and placed 22nd out of 189 countries in 2015) also helps. Moreover, it takes just eight days to start a business – not too far off the six days needed in the UK and US, and less than the 15 days required in Germany. Prior to the 2008-09 crisis, Dubai of course saw the launch of a significant number of office construction projects – a number of which were gradually delivered in the subsequent two to three years. However with tenant demand simultaneously low, the emirate's vacancy rate inevitably rose. But since 2011, the financial & business services sector has returned to growth, office take-up has been rising and the availability rate has been heading down – leading to increasing investor demand for institutional-grade buildings.

In the hospitality sector, the total number of keys per capita in Dubai is significantly higher compared to other selected hubs. Moreover, when looking at luxury keys per capita, the gap opens up further. Admittedly this is partly because the emirate has a much smaller population compared to other more established global cities – but also due to the significant number of hotel keys delivered since the previous downturn. This surge in new supply, coupled with a strengthening in the UAE dirham more recently (which has hit demand), has begun to apply downward pressure on both average daily rates and occupancy. That said, Dubai continues to make strides as a tourist destination and an air travel hub. Visitors to Dubai are staying longer to enjoy the city's attractions, with the average length of stay rising from 2.6 nights in 2004 to 3.8 nights in 2014 – further proof that

























the government's strategy to enhance and expand the emirate's offerings is working. What's more, Dubai International (70.5m) overtook London Heathrow (68.1m) last year to become the world's top airport for international passenger traffic – impressive given that less than a decade earlier the former was handling around half the volume compared to the latter.

Meanwhile in the residential sector, prime home prices in Dubai saw an uplift of 59% over the five years to end-2014 – a better performance than London (52%), New York (47%), Hong Kong (31%), Paris (18%), Singapore (7%) and Sydney (2%). But as widely reported, Dubai's residential sector has faced headwinds over the past year, leading prices to see a downward adjustment. In annual terms, prime home prices fell by 4.5% in Q2 2015, however

this was a smaller magnitude of decline compared to the mainstream segment's 12.2% decrease. Also, the new residential supply pipeline for the prime segment is not significant, suggesting that prices over the next 12-18 months should maintain a greater degree of resilience. Finally, Dubai remains one of the safest locations in the world, with excellent connectivity, strong economic prospects, a low tax regime and a stable political system – combined, these factors will undoubtedly play an important role in paving the way for its success as a global hub.

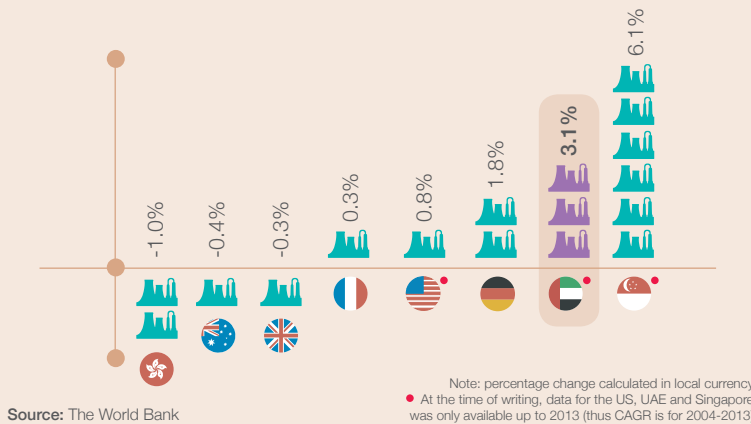


Country Key

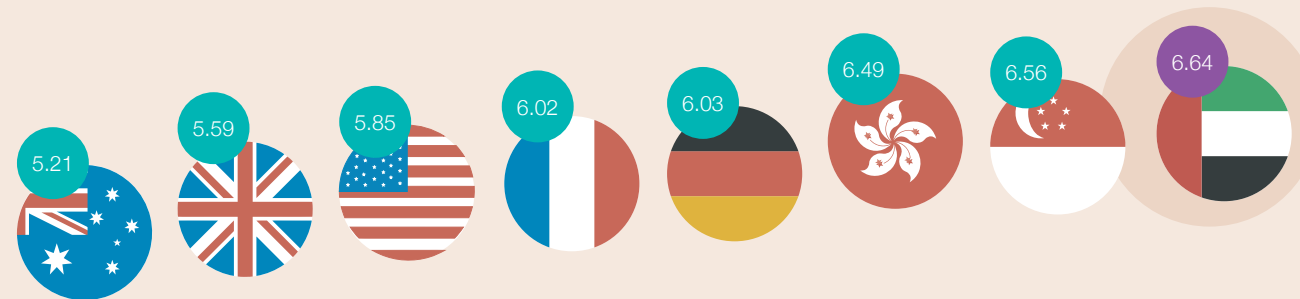
 Australia	 France	 Jordan	 Singapore
 Bahrain	 Germany	 Kenya	 South Korea
 Brazil	 Hong Kong	 KSA	 Taiwan
 Canada	 India	 Malaysia	 United Arab Emirates
 China	 Indonesia	 New Zealand	 United Kingdom
 Egypt	 Italy	 Oman	 United States of America

MANUFACTURING & LOGISTICS

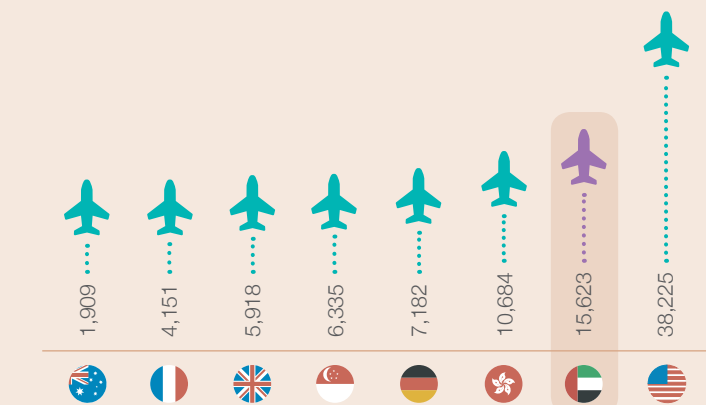
Annual Average Change in Manufacturing Output, 2004-2014
(in constant prices)



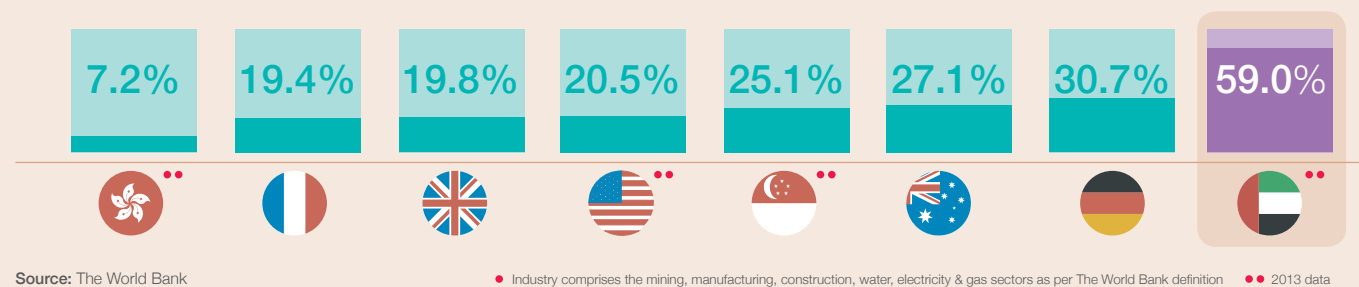
Quality of Transport Infrastructure, 2014-15
(1 = extremely underdeveloped, 7 = efficient by international standards)



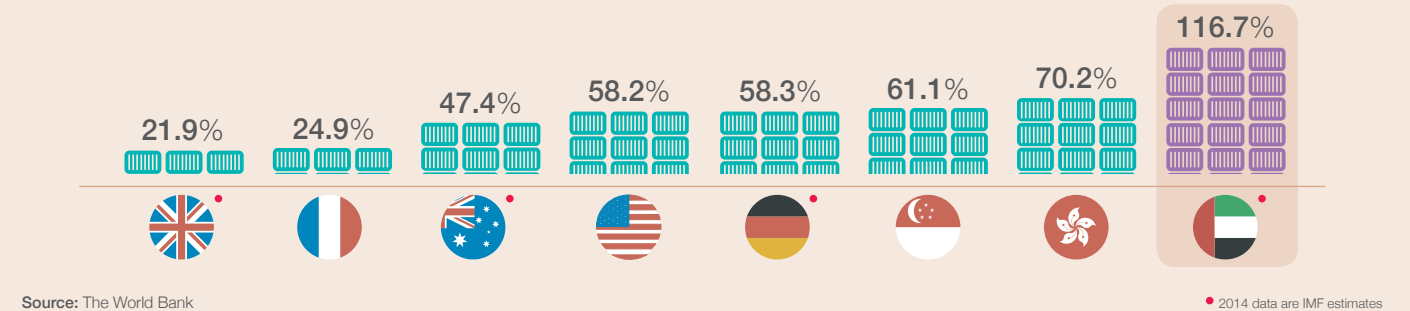
Air Transport, freight (million ton-km, 2014)



Industry Output As a Proportion of Total GDP, 2014

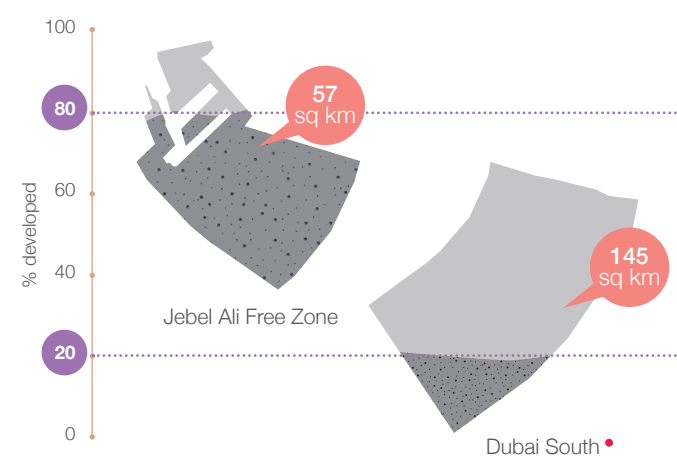
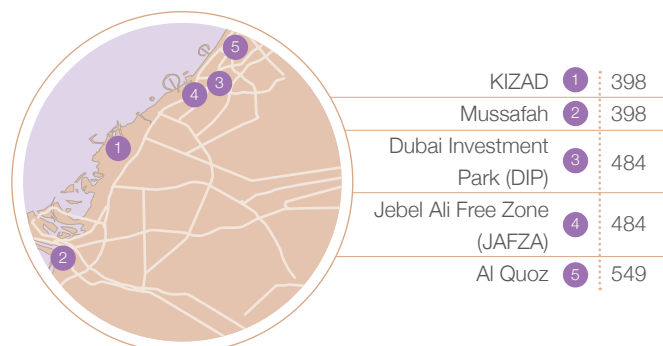


Cumulative Growth in Export of Goods, 2004-2014



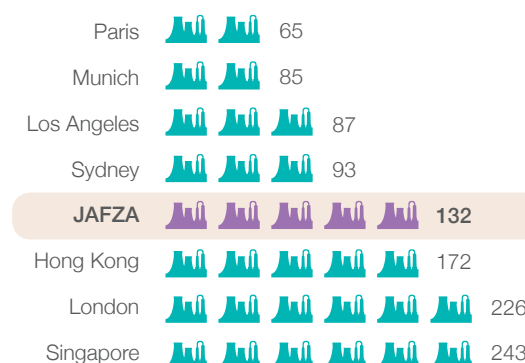
INDUSTRIAL & LOGISTICS PROPERTY SECTOR

Indicative Rents in Dubai & Abu Dhabi (AED/sq m/annum)



Sources: Dubai South, JAFZA, Knight Frank Research
 • Figure is for the logistics cluster

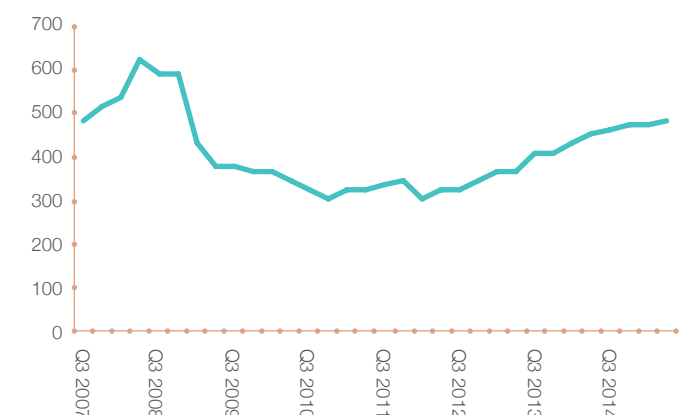
Prime Industrial Rents (US\$/sq m/annum)



Sources: Various, Knight Frank Research

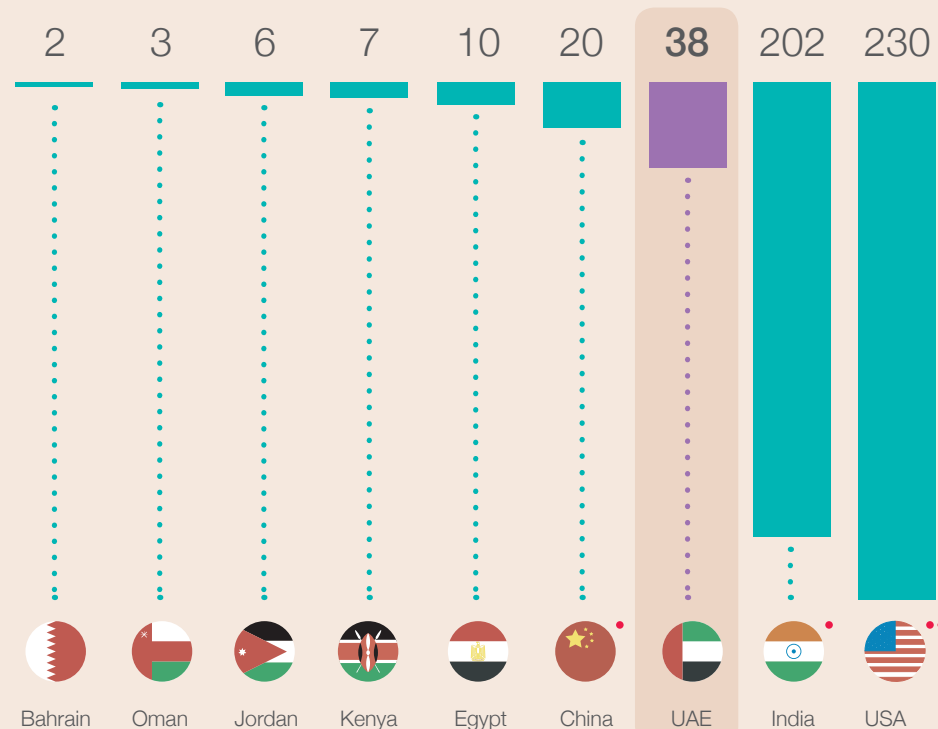
Rates converted from local currency to US\$ in August 2015

JAFZA Class 1 Industrial Rents (AED/sq m/annum)



FINANCIAL & BUSINESS SERVICES

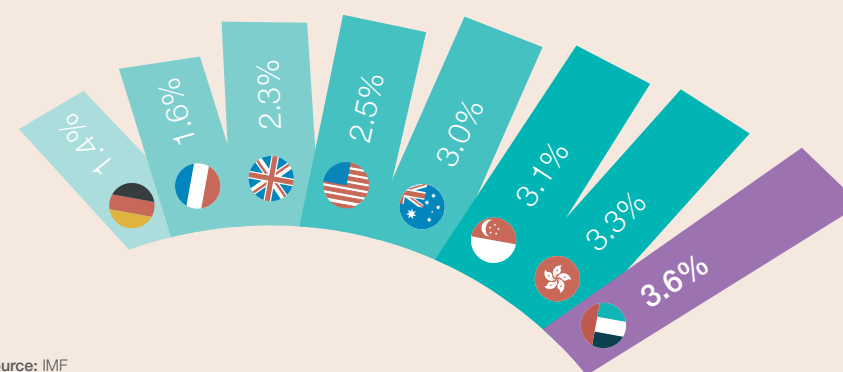
Number of Free Trade Zones



Source: Healey Consultants, Special Economic Zones in India, Arab Chamber of Commerce and Industry, Enforcement & Compliance

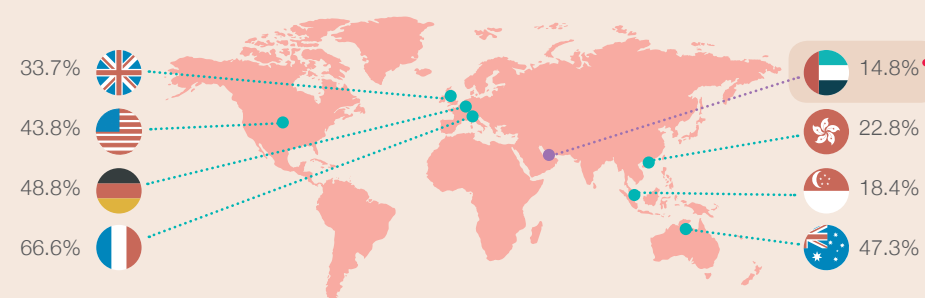
• Special Economic Zones • Foreign Trade Zones

Annual Average Real GDP Growth Forecast, 2015-2020 (%)



Source: IMF

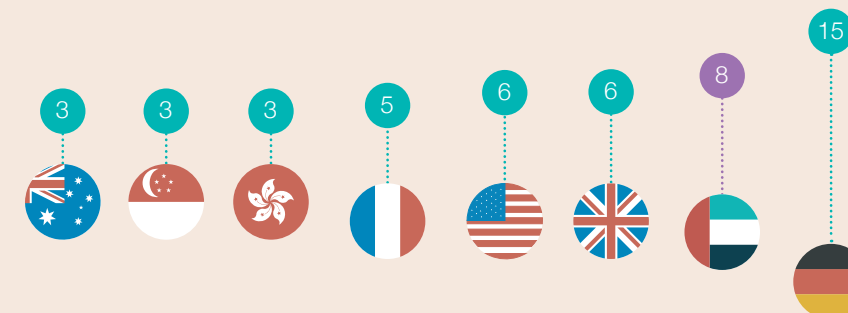
Total Business Tax Rate, 2014 (% of Commercial Profits)



Source: The World Bank

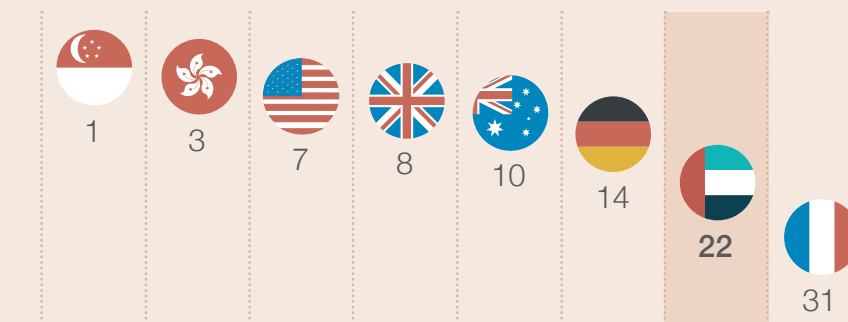
• A percentage of foreign banks and oil companies' income in the UAE is taxable. Municipality taxes are also levied for commercial premises

Days Required to Start a Business, 2014



Source: The World Bank

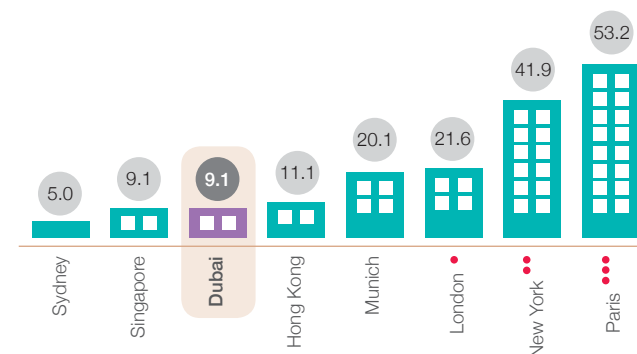
Ease of Doing Business Ranking, 2015



Source: Doing Business 2015

OFFICE PROPERTY SECTOR

Total Office Stock, Q2 2015 (sq m, millions)



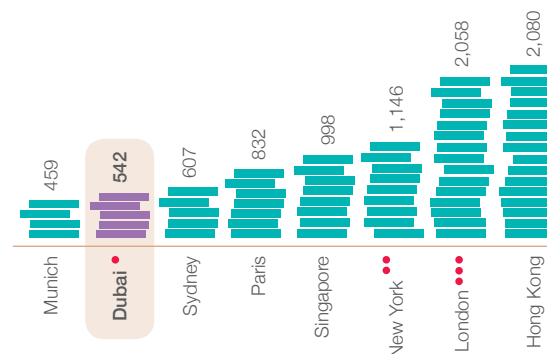
Source: Knight Frank Research

Vacancy Rates, Q2 2015 (%)



• Figure is for Central London • Figure is for Manhattan • Figure is for Île de France

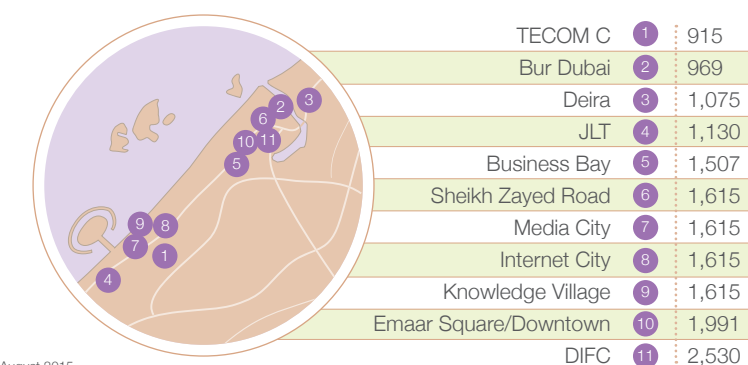
Prime Rents, Q2 2015 (US\$/sq m/annum)



Source: Knight Frank Research

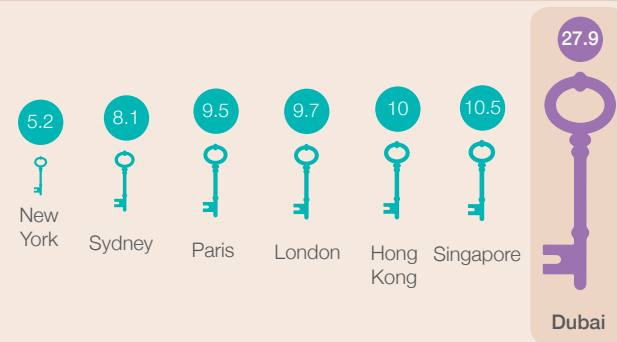
Rates converted from local currency to US\$ in August 2015
• Excluding free zones • Average asking rent in Upper Fifth Place
• Figure is for the West End

Indicative Rents in Dubai, Q2 2015 (AED/sq m/annum)

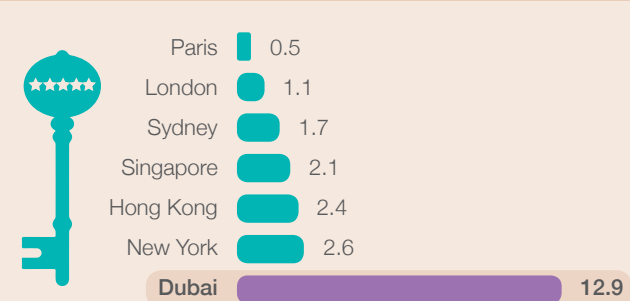


TOURISM

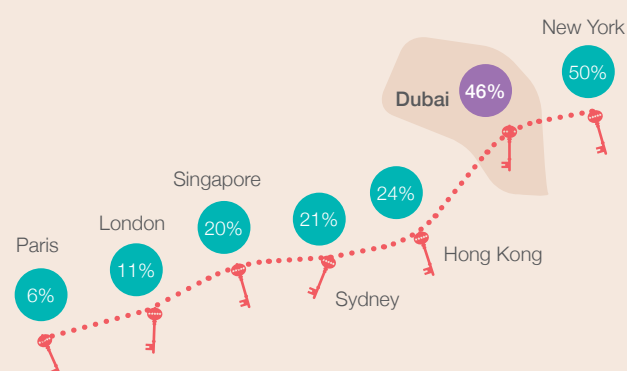
Hotel Keys per 1,000 Population



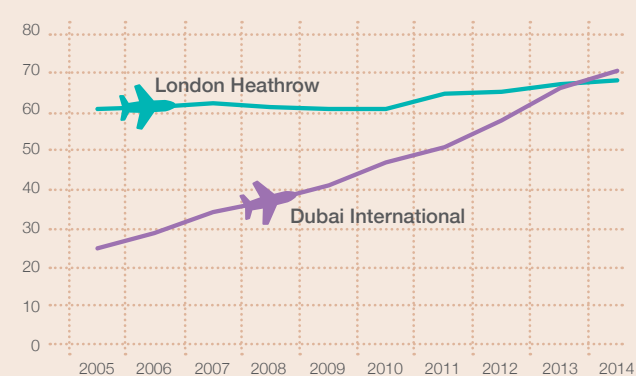
5-Star Hotel Keys per 1,000 Population



5-Star Hotel Keys as a Percentage of Total Stock

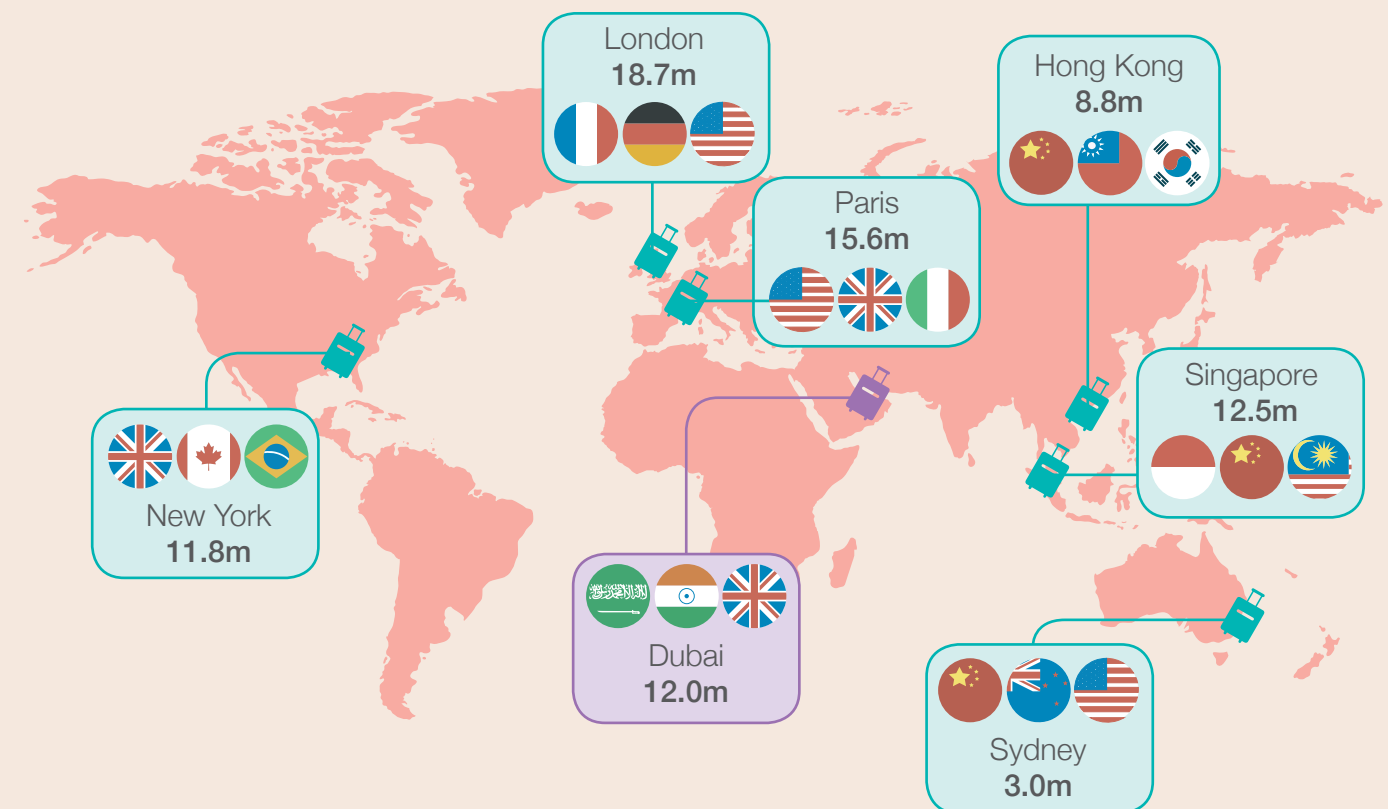


International Passenger Traffic (Millions)



Sources: Dubai International Airport, London Heathrow Airport, Respective National and Regional Statistics Agencies & Tourism Boards, Knight Frank Research

Major Source Markets and Total Number of Overnight Visitors



Sources: Mastercard, Destinations NSW, Respective Cities, Statistical Agencies and Tourism Boards, Knight Frank Research

HOSPITALITY SECTOR

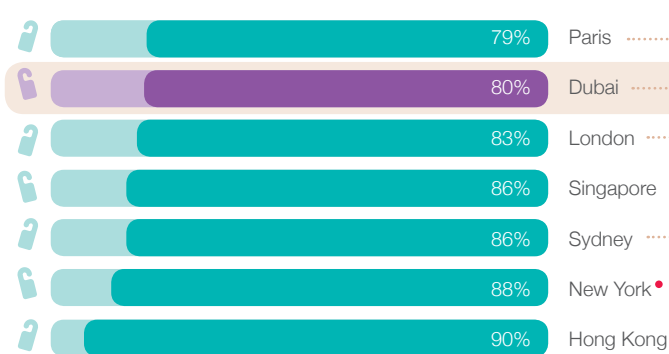
Average Length of Stay (Nights)



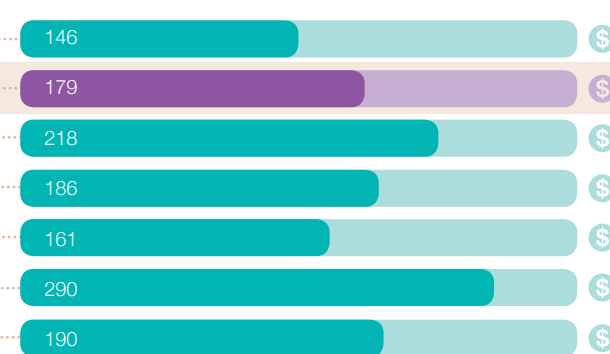
• Figure is for hotels and serviced apartments

Sources: Various, Knight Frank Research

Average Occupancy



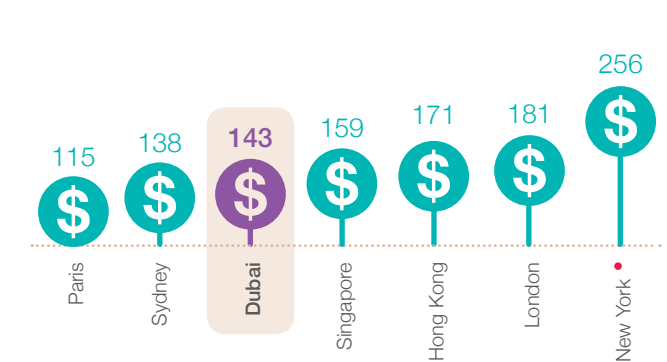
Average Daily Rate (US\$)



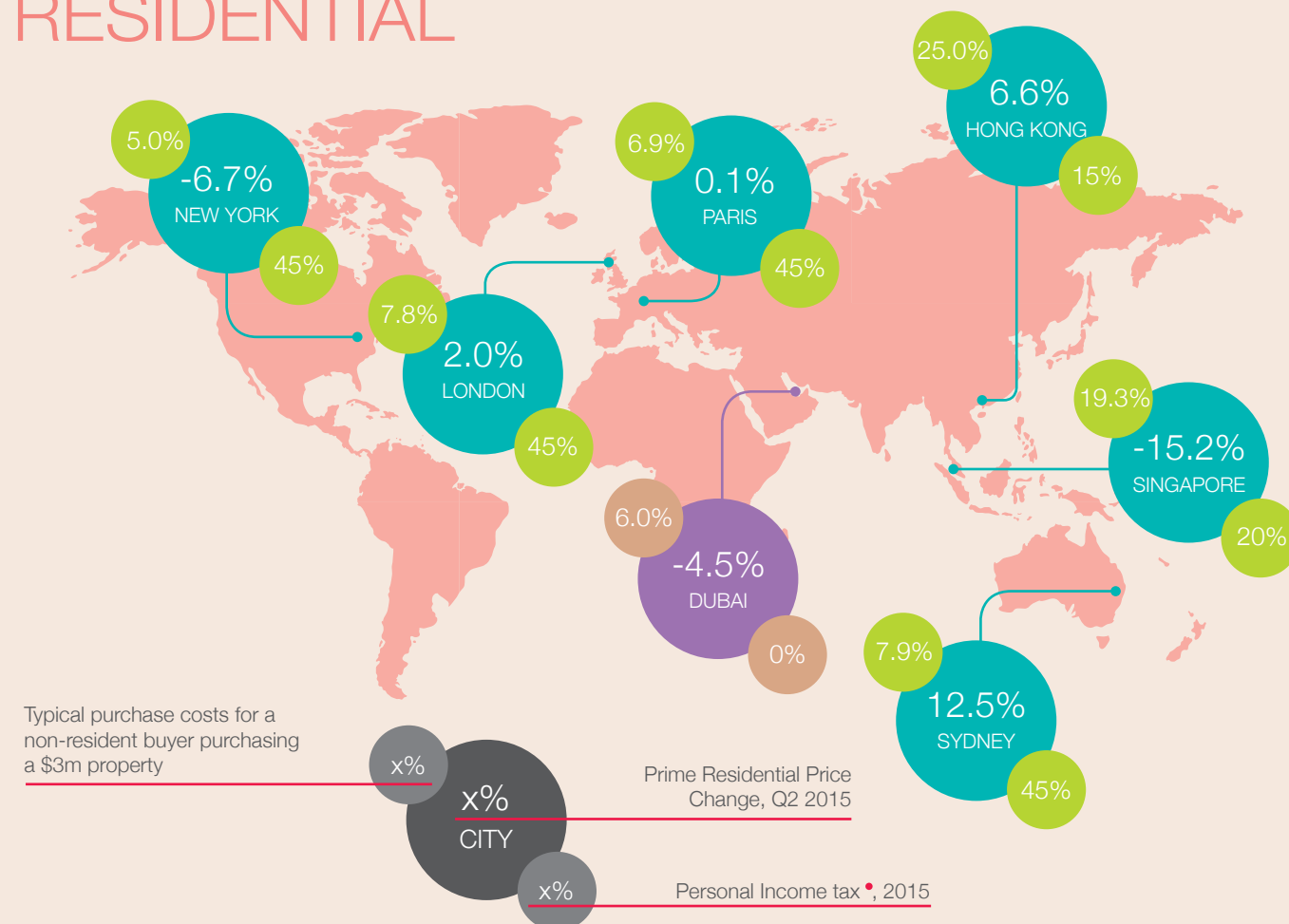
• 2013 data as 2014 data unavailable

Sources: Various, Knight Frank Research

Average Revenue per Available Room (US\$)



RESIDENTIAL



Sources: KPMG, Knight Frank Research






* top marginal rate

Prime Residential Price Growth - US\$3 million invested in 2009

	London	Paris	New York	Hong Kong	Singapore	Sydney	Dubai
2009	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
2010	\$3.3	\$3.5	\$3.4	\$3.4	\$3.5	\$2.8	\$2.8
2011	\$3.7	\$4.0	\$3.5	\$3.6	\$3.3	\$2.6	\$3.6
2012	\$4.0	\$3.9	\$3.4	\$3.9	\$3.9	\$2.6	\$4.1
2013	\$4.3	\$3.7	\$3.7	\$3.8	\$3.8	\$2.8	\$4.8
2014	\$4.6	\$3.5	\$4.4	\$3.9	\$3.2	\$3.1	\$4.8

Source: Knight Frank Research

LIFESTYLE

	Dubai	London	Sydney	New York	Hong Kong	Singapore	Paris
 Days of sunshine per year	350	120	245	100	150	186	122
 Number of international schools within a 50km radius of the city	32	13	4	19	9	13	5
 How far is the closest airport (km)	10	24	8	29	43	23	33
 Average cost of petrol, US\$/litre (three-months to July 2015)	0.47	1.82	1.01	0.78	1.97	1.60	1.59
 Cost of Living Index [*] , 2015	23	12	31	16	2	4	46

* higher ranking means higher cost of living for expatriate employees in that city

Sources: Global Petrol Prices, Mercer, Knight Frank Research



GLOBAL BRIEFING

For the latest news, views and analysis
on the world of prime property, visit
KnightFrankblog.com/global-briefing

DEVELOPMENT CONSULTANCY & RESEARCH

Harmen De Jong

Partner

+971 56 1766 588

Harmen.DeJong@me.knightfrank.com

Khawar Khan

Research Manager

+971 56 1108 971

Khawar.Khan@me.knightfrank.com

Diaa Noufal

Associate Partner, MENA Research

+971 4 4267 666

Diaa.Noufal@me.knightfrank.com

COMMERCIAL LEASING & SALES

William Neill

Partner

+971 56 4202 312

William.Neill@me.knightfrank.com

UAE RESIDENTIAL SALES

Maria Morris

Associate Partner, Dubai Residential

+971 56 4542 983

Maria.Morris@me.knightfrank.com

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



Dubai Offices
Market Update
H1 2015



Dubai Real Estate
Investment Report
2015



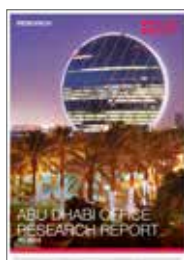
UAE Industrial & Logistics
Research Report
Q3 2015



Dubai Real Estate Market
Overview: 2014 Key
Events & 2015 Outlook



Dubai Prime
Residential Report
Q1 2015



Abu Dhabi Offices
Research Report
H1 2015



Saudi Arabia Offices
Research Report
H1 2015



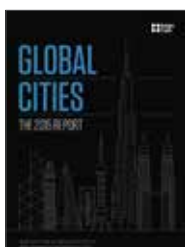
Hospitality Report
H1 2015



Dubai View 2015



Private View 2015



Global Cities
The 2015 Report



The Wealth Report 2015



Important Notice

© Knight Frank LLP 2015 - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears.

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.

Knight Frank UAE Limited - Dubai: Prime Star International Real Estate Brokers "PSIREB" RERA ORN: 11964 trading as Knight Frank with registration number 653414. Our registered office is 5th Floor, Building 2, Emaar Business Park, PO Box 487207, Dubai, UAE.