



The Monthly Real Estate Report

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Al Mazaya report: opportunity diversity and attractive prices outweigh the high frequency of Asian investment in Dubai's real estate sector



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The United Arab Emirates in general and Dubai in particular achieved medium and long term investment success in light of opportunities across the board, thus attracting direct and indirect investments from all over the world.



The foreign investment attraction necessitated various plans, strategies and comprehensive development, thus making the emirate a hub for excellence and achieving quantum leaps in investment plans and goals. That would seem clearer when taking into consideration the state of investment attraction between the Dubai Market and investors from Asian countries. The investments and capital movement have increased with the high investment opportunities in Dubai in quantity and quality and higher trade volumes. These investment developments involve many economical values added to all parties, as the high frequency of investment and mutual investment attraction shall have unlimited positive repercussions on the GCC economies in general and the UAE in particular.



Al Mazaya report confirms that the economic achievements of the UAE economy, in addition to its strategic location, developed infrastructure, giant ports, modern road networks and unlimited logistical potentials, are one of the most important factors of continuation and development of financial and investment relations between China and the UAE. There are numerous promising investment opportunities to investors and Chinese companies to the state by virtue of the continued development projects, particularly infrastructure and airport expansion and the development of tourist facilities, real estate, and financial services. Similarly, the UAE economy develops industrial cities that are able to attract specialised foreign investments and open up business development opportunities. These achievements are a solid foundation in attracting more foreign investments and making further progress at the level of the Chinese economic relations with the state.



Al Mazaya Weekly report says that there are no natural or physical barriers against feasible investment opportunities around the world. The current period sees an increase of mutual foreign investment around the world and the available investment opportunities which enjoy high investment appeal. There was a clear flow of investments from East Asian countries towards GCC states and the UAE in particular, and across all economic activities and vital areas. The circulated data indicates that more than \$2.3 billion is the investment volume of Chinese companies in the United Arab Emirates. Chinese economic relations see rapid developments as China maintains its position as the second largest trading partner of the UAE. Chinese companies engaging in the UAE economy amount to more than 4 thousand and more than 4.5 thousand Chinese brands are registered with the Ministry of Economy. The Emirates is also a logistics centre for the Chinese economy, as it dominates 60% of Chinese merchandise exports to the GCC states. Similarly, the adverse volume of investments currently exceeds 650 projects for UAE companies and Emirati investors in the Republic of China in various economic sectors and activities.



The number of direct flights between the two countries is growing rapidly, which indicates increased business volume in terms of tourist exchanges that represent the UAE—a favourite destination among Chinese tourists.



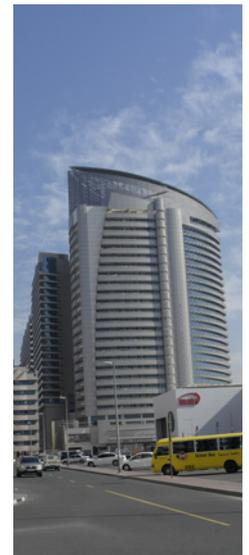


Al Mazaya report pointed out that the emirate of Dubai, as well as its concepts of civilisation, progress and prosperity, is now able to attract tourists from all over the world. The circulated data indicates that the increase in numbers of Chinese tourists to Dubai will reach 30% at the end of this year. The emirate has strengthened its position in the Chinese tourism market, with the number of Chinese tourists rising by 25% over the past year. This success was achieved in light of Dubai's success in attracting Chinese companies and participating in local exhibitions, international conferences and meetings pertaining to the work of these companies. China, with its human and financial strength, is a target for tourism-makers in Dubai. Chinese tourists are estimated to reach 100 million tourists by the year 2020, and it is worth mentioning here that the remarkable increase of Chinese investments in Dubai aims to take advantage of Dubai's status and potential, which will be a gateway to the region's markets in all areas, taking into account the fact that Dubai has become a centre of attraction for businessmen and investors from China who visit Dubai throughout the year to attend exhibitions and conferences. Dubai is the beating heart of trade, investment, and finance, and sees a large Chinese turnout in many exhibitions, particularly Cityscape, Gitex and other exhibitions and events.



Al Mazaya report stresses the importance of Dubai properties at the external level. Statistics show the increase of foreign investments, and the Land Department in Dubai reported that the total real estate dispositions during the eight months of 2015 amounted to AED 86.5 billion and were divided into two halves: citizen investments and foreigner investments. Indian investors topped the list of foreign investors with real estate investments up to AED 13.5 billion. Chinese investments during the same period amounted to AED 1.6 billion, and Russian investments AED 1.8 billion. The report also confirms the validity of the indicators for the increase of Asian investments in properties and assets outside their home countries, stressing that the real estate market in the emirate of Dubai enjoys activity by investors from abroad due to the high standard of living and the availability of modern living conditions, in addition to Dubai being one of the world's largest centres for exports and re-exports. At this level of diversity and inclusiveness, Dubai markets provide Asian investors with easy access to regional and global markets and varied packages of investment opportunities at competitive prices along with strong partnerships with local partners, confirming that Dubai markets top the most important global indicators monitored by investors when making investment decisions.

In view of the great transformations recorded in the real estate sector in the emirate of Dubai, which is able to meet the goals and desires of buyers and investors, it has been noticeable during the current period that the registration of active movements by many real estate development companies in the emirate and targeting the Chinese market through concluding strategic cooperation agreements with real estate companies in China, in order to strengthen its presence in the Chinese market and expand sales. Al Mazaya says that the Chinese market is one of the very public markets for real estate development companies at present and in the future, too, particularly for companies that are looking for elite investors and lucrative and attractive deals in the real estate sector.



In view of what is going on in major real estate markets, price rises are noticed to be recorded on prices until the end of September and on an annual basis. The Canadian city of Vancouver recorded a 20% rise, while prices rose in Sydney by 13.7%, and Shanghai, China, by 10.7% during the same period. This leads us to the fact that the decline recorded on the prices of properties in the Dubai market since the beginning of this year and the high level of diversity and competitiveness will lead to a rise in the pace of foreign investment, taking into consideration the possibility of access to the market which will be more sustainable and more attractive for outside investors in the next few months.





Tourism a major source of demand for medium real estate products



Over the last ten years, GCC countries have been characterised by their ability to determine the best available investment prospects and options for bringing about high returns and benefits – across all economic sectors. In this time, several countries have also succeeded in implementing many development plans and strategies offering more tourism options and opportunities related to real estate products. In addition, these countries have also been able to successfully highlight the competitiveness of their markets in the fields of logistics and luxury real estate products, thereby meeting the requirements of many investors looking for the some of the best investment opportunities in the world.

Furthermore, many of these regional markets have targeted middle income holidaymakers, with an increasing variety of related options, prices, products and services, in addition to the traditional high quality, luxury and competitive promotional plans already on offer. In recent years, the progress achieved by the region’s countries in the tourism sector has provided attractive real estate investments and activity – not just within traditional (tourism) seasons, but also throughout the year.



Economic tourism has brought – and will continue to bring – about numerous investment prospects and high demand for various real estate products. Therefore, markets that have seen high demand from the tourism sector will ensure the safety of financial and economic activity of these countries, despite current economic pressures and challenges being faced across the world.



The UAE market is also at the forefront of regional markets in having managed to identify the economic sectors that constitute long-term solutions for income sources, economic diversification requirements and globalisation of economic competitiveness.



Al Mazaya Holding Company's Weekly Real Estate Report states that the UAE market is one of the best and most successful in the region for demonstrating the feasibility of investment opportunities in all economic sectors – especially in the real estate, tourism and service sectors.

Many sources expect that the tourism sector's contribution to the UAE economy will amount to AED 130 billion by the end of 2016, a percentage increase of four per cent, in contrast with 2014. Tourism authorities expect that the number of tourists will reach 24 million in 2016, an estimated growth of 20 per cent, over the previous year.



The tourism sector in the UAE is one of the most important sources of GDP for the country – its contribution currently amounting to over 8.5 per cent. In fact, the UAE currently enjoys being ranked among the most favoured world tourism destinations, with more projects and leisure destinations continuing to come online. This is largely due to the advanced infrastructure, financing, economic activities and events being held in the UAE, throughout the year.

The World Travel and Tourism Council currently ranks the UAE ninth in terms of tourism investment. This comes in light of a clear tourism strategy laid down and followed up at both federal and individual emirate levels. Al Mazaya's Report also stresses that the introduction of more medium and small size hotels into the market, coupled with an advanced and growing aviation sector, has provided greater flexibility for presenting tourism plans and strategies at lower rates, at all times of the year.



Al Mazaya's Report recognises that tourism investments in the country reached AED 105 billion, by the end of 2014. The volume of investments in the construction of international leisure facilities, luxury and medium hotel sectors, along with other supporting and attractive tourism services, is projected to rise even further in the coming year. At this level of investment, the UAE currently attracts the highest percentage of investment for tourism development, in the whole of the Middle East.

It is noteworthy here that medium cost tourism, led by low-cost and medium priced hotels and airline fares, has helped to reduce average prices by up to 30 per cent recently. This means that low cost options will enable additional tourism segments to be among the growing options for visitors to the UAE. This argument is supported by the large number of international hotels that have begun to expand their operations by opening a series of low-cost hotels, across the country. According to Al Mazaya's Report, these trends remain proportionate to any worldwide decline in financial and economic indicators.



Al Mazaya's Report considers that the UAE's tourism, currently led by the Emirate of Dubai, is being boosted in the medium and low-income segments and that this will lead to more promotional plans, reduction of prices and the introduction of medium cost real estate and service products. As such, the UAE has become able to attract all types of tourist, resulting in the sector no longer being restricted to certain seasonal behaviours.



In addition, Al Mazaya's Report has highlighted the increasing role played by the low cost air transport in raising the operating standard of the hospitality sector, in the UAE. Low cost hotels are adding value to the UAE tourism sector as they attract different segments of middle to higher middle-income customers. This means that the UAE has been able to capitalise on tourists of different economic levels and budgets. The primary beneficiary of these trends will be the country's tourism industry, related services and the real estate sector.

Al Mazaya's Report also states that the opening of many "economy" hotels of recognised global hospitality brands has resulted in a healthy balance between the luxury, medium and economy hotel sectors. This will also encourage business tourism and give the market more flexibility and competitiveness.



Al Mazaya's Report highlights the fact that economy hotels remain the smart choice for the growth of tourism in GCC countries. To increase the attractiveness of the tourism sector and its activities, there needs to be a balance of offers at reasonable rates as well as at the high level of luxury the region's hospitality sector has become famous for. Consequently, GCC tourism markets now compete to win advanced ranking among major worldwide tourism destinations. Al Mazaya's Report added that the concept of economy hotels is one of the best business and investment opportunities in this sector.





The shortage of medium priced housing and the recovery of low cost airlines, as well as the increasing demands of travelers, has led to a growth in demand for medium market housing. Owing to the good investment opportunities they offer, as a result of the low costs of building and operations, as well as their ability to realise high returns, economy hotels and medium level housing remain the smartest areas for investors to consider.

Available data currently indicates that there are around 40 airlines in the Middle East. FlyDubai alone acquired 29 per cent of the total of 37 million seats during 2014, meaning the sector achieved high growth rates of approximately 35 per cent, over the previous year. The aviation and tourism sectors benefit from the growth of travelling consumers, which – in turn – will also lead to the rise of future demand across other sectors. It should be highlighted that there are great prospects for this sector if it can effectively partner with the regional and worldwide air transport market.



Al Mazaya's Report emphasises that the increase of the middle class in the region – and the world at large – is one of the most important sources of demand for affordable or low cost housing. The middle class is expected to be double its current size by 2030. Therefore, this economic class should be targeted through the diversification of available options, such as residential developments and more medium cost hotels. Al Mazaya's Report has also identified that GCC countries have become more qualified in terms of economic tourism and their ability to benefit from it.

It should be emphasised here that low cost airlines have dramatically influenced the region's tourism industry and could open connections to the region from many other cities around the world. This should meet the needs of the growing middle class in the growing economies of Asia, Africa and other countries and cities worldwide. Economic projections indicate that the Gulf Region's hospitality sector will be worth an approximate USD 20 billion, in 2016. The hotel occupancy rate in some cities is also estimated to reach over 80 per cent.



Increasing demand and enhancing available options to invite more foreign investments through higher cultural diversity in real estate projects



Cultural diversity of real estate projects will increase demand and enhance options for foreign investments. On account of the innovative steps which are in place to safeguard the UAE market from fluctuations and volatility, the real estate sector was able to effectively maintain its growth and solidity during the current financial crisis. This positive response also tested and proved the wisdom behind the measures.

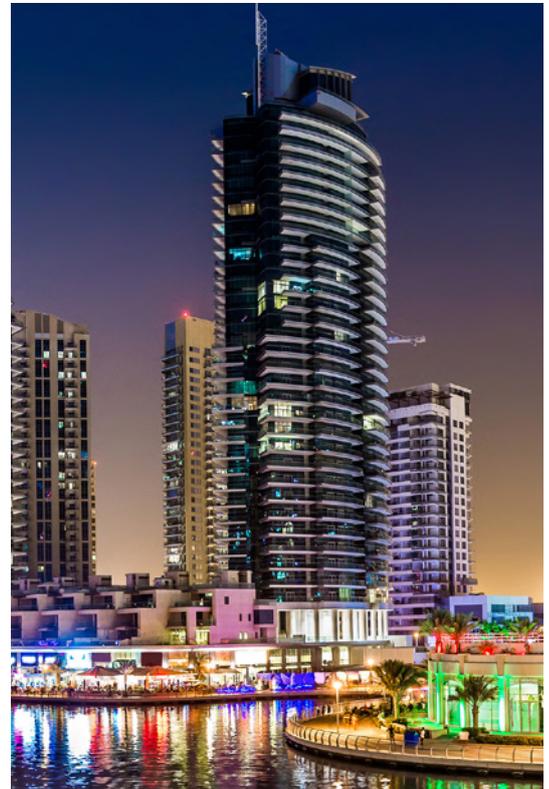
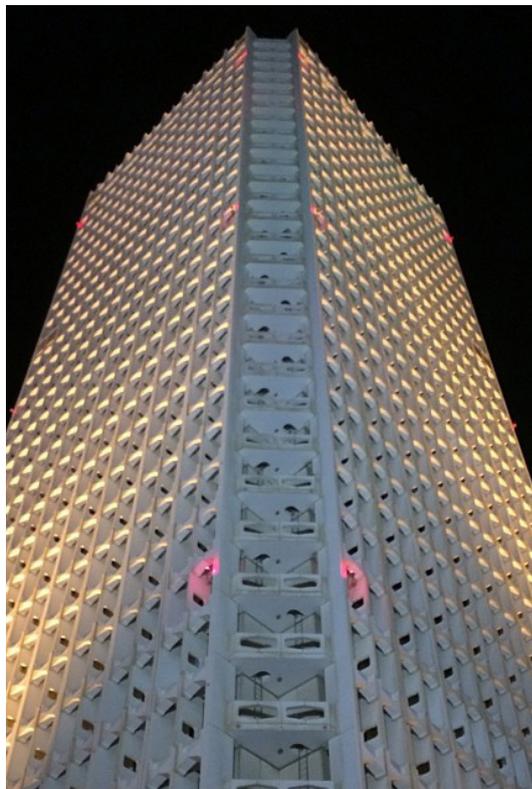


However, simply sailing through financial crises and weathering the market variations is not the ultimate aim; the specific need is to install strategic tools and plans so that the system is able to withstand fluctuations and cater to all contingencies and situations. Towards that end, we will have to take a leaf out of the success stories of markets that are within our region or those which are similar to the UAE market. Planning and installing a suitable mechanism that obviates or reduces the impact of falling prices and other market pressures as a result of decisions of investment and buying should be taken up immediately since the present situation seems to be conducive to such an exercise. The report indicates the various contributing factors that led to this resilience and response to reduced demand and investment; they were a veritable mix of decisions made by both government agencies and the private sector.



Additionally, the wait and watch policy of investors and the nature of the ongoing projects were also the reasons for this response. This entails that, keeping the luxury quotient of the offered product and the targeted audience in mind, pricing should be devised in the realm of fairness and reasonability under all market scenarios. It is also seen that recession does not have the same effect on prime properties that it has on local ones.

The current cities which are underway are in keeping with global trends as far as the level of designing or the project designs is concerned; but, the Dubai real estate product is different in project design and architectural concepts. Despite the declining trends in the region and beyond, the qualities of foresight and the current level of diversity will ensure adequate corrective responses. However, those smart projects that are targeting the right groups will emerge unscathed during market movements of all kinds.



The AI Mazaya report clearly points out that there still are opportunities for investments in the region but you need to be able to assess them rationally and harness them at the opportune time; access to funds and liquidity will be determining factors when the markets are favourably inclined. Since the economic reforms have been in place for most of the areas, the AI Mazaya report stresses that extending diversity to include the real estate sector would pave the way for ensuring suitable responses during ups and downs. The current clarity in the real estate scene in the UAE is due to the systemic responses that are built in the system to sustain and withstand the volatility in the market; these responses are automatic irrespective of the cause of the fluctuation.

Targeting the working class i.e. the middle-income group will provide long-term demand and stability and will ensure a steady stream of business whatever the state of the market. Innovating on the products and using the right strategy to suit the market trends will be the key to meeting the demands of both investors and the consumer. In the current scenario, Dubai is striving to attain the status of one of the smart destinations in the world; to this end, the emphasis is on inviting the top investors and builders to pool in their efforts and help Dubai in upgrading. A high level of activity and demand is forecast for the middle class in the immediately foreseeable future.

As inferred by the AI Mazaya report, the recent spurt in housing and township projects and the general trend of growth in Dubai makes it the ideal place for launching the concept of smart housing. This would enable the builders in the emirates to create more innovative products and projects without any real escalation in the costing; such projects will be ideal for this particular class of investors/consumers across local and international demands thus ensuring a regular stream of demand whatever the market situation. The fact that the financial crisis did not cause turmoil in the UAE real estate market and stood tall is an indicator of the soundness of the corrective mechanism in place. The steps were thus able to fulfil the aspirations of both investors and end-users who achieved their respective goals.



The reasons are not far to see; Dubai has been following very innovative and inviting policies that encourage the best investors and businesses to move their business here, they have set up special economic zones that are tailored to suit all economic industries and Dubai is an international logistics hub. Among other advantages enjoyed by Dubai is its position as a vast business centre; among the best of Islamic nations so much so that it is considered as the capital of Islamic economy. Another highlight of this fast-growing economy is that the taxation policies are far more lenient than many other capitals in the world. And, the icing on the Dubai cake is that the living conditions and the well-developed infrastructure provide the inhabitants with very comfortable living conditions; add to this the favourable conditions which enhance the quality of life available here you have an unbeatable combination in your quest for a better destination to do business or to stay.

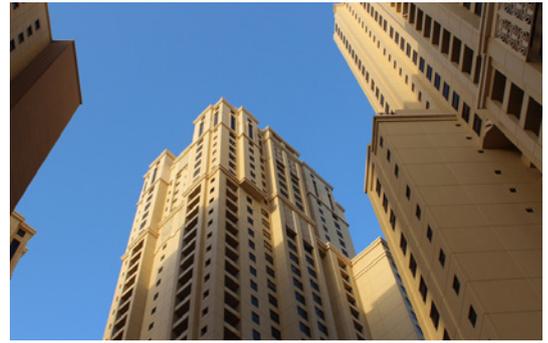


The key privileges which boost the demand and increase the appeal to form a climate that appeals to investors and consumers alike is a driver of growth in the real estate sector; the influencing factors that contributed to this favourable climate are a conducive investment climate, stability (politically, economically and environmentally) and security of investments and property. The other specific requirements are an availability of world class facilities and the suitability of geographical location. Dubai has all the above advantages plus, it has much more to offer. The Emirates in particular and Dubai in particular along with the progressive economic policies are the cause for making it the next Big Apple; that is why the eyes of the most powerful businesses and the largest investors with the deepest pockets are on Dubai.





Thus, it can be easily foreseen that, in light of the ambitious policies and the abundance of planned projects, all denominations of investors, tourists, businesses, professional experts and job seekers will make a beeline for the emirates, particularly Dubai. And, that is not all; Dubai envisages mammoth projects by 2020, foremost among them being the Mohammed Bin Rashid City (MBR City) which will house four components for setting up innovative businesses apart from the largest shopping mall in the world. When complete, it will experience the footfall of more than 35 million visitors.



Not to be left behind or overlooked, the Dubai Modern Art Museum and the ambitious Opera House District are in an advanced stage of development. Thus, it will be seen that, when completed, this township will be a regional hub for experiencing the arts and crafts which display the cultural heritage of any country or region.



In tune with its policy of being the best city, Dubai will also be home to the largest airport in the world with a mind-boggling surface area of 140 sq km. This revolutionary concept will see a brand new concept in aviation history; the project will cost \$32 billion and will contain an integrated township and residential project apart from the airport complex. Work on the Dubai Water Canal, an innovative canal to link the Business Bay Canal with the Arabian Gulf is already underway. This project will also see the development of many shopping malls, international hotels, retail shopping outlets and huge entertainment centres in its premises.

No city can be complete without sports and recreation being given its due place and Dubai has some of the best world-class facilities in the offering; Dubai Sports City steals the thunder from all other similar projects. It is the biggest of them all with plans to set up dozens of sports stadiums, indoor and outdoor complexes, and will provide accommodation to thousands of players and sports lovers. That is why it will be a wholesome mix of sports facilities, residential and commercial towers.



Residential real estate in Abu Dhabi is seeing the fastest growth, highest demand and returns



The real estate sector in Abu Dhabi has been one of the most appealing sectors for investors, individuals, institutions and governments alike in recent years. This has largely been driven by a combination of high returns and low risks. However, previous experience in the UAE's largest emirate has shown that the value of real estate is not dependent solely on supply and demand constraints; it is also influenced by many other factors – particularly the high demand from all segments of real estate products during both upturns and downturns in the market. In addition, there has been a conspicuous lack of an approved benchmarks or indicators that help to control the rise and fall of prices. Therefore, the value of many transactions is determined by the evaluation and whims of owners and by the tactics of brokers.

The real estate market in the emirate does, however, remain attractive to domestic as well as foreign investors. Regulators are seeking more effective restrictions, measures, improvements and modifications to the applicable mechanisms so as to provide increased transparency to the markets and include further elements of strength and stability.

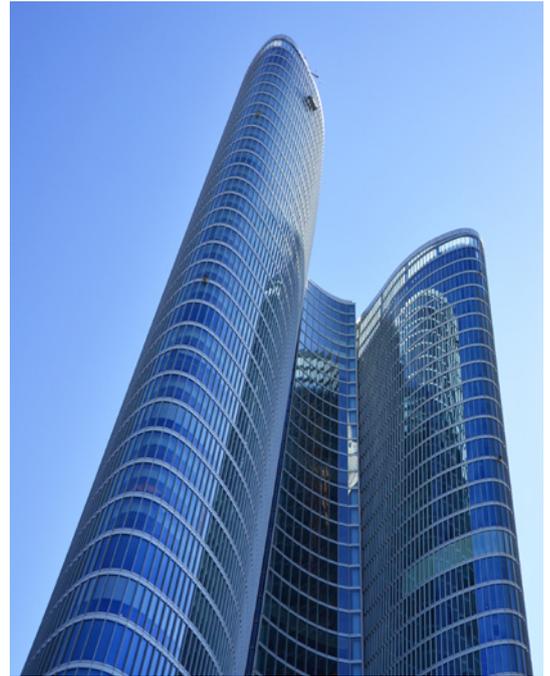




Supporting laws and regulations
With the Real Estate Regulatory Law becoming effective from 1 January 2016, there is little doubt among observers that the Abu Dhabi real estate market is on the cusp of a new era of stability and growth. The new law stipulates requirements for the issuance of work permits for real estate practitioners, particularly among brokers and surveyors. As per the new law, developers must open escrow accounts for new projects and comply with the terms and conditions of the off-plan sale, such as gaining the approval of the competent authority and their registration in the "Interim Real Estate Register". Other articles in the law cover issues relating to mortgages, the right of Usufruct (long-term leasing) and Musataha over the property, along with the setting up of owners' associations.



The new law also gives the real estate sector more stability and improves the investment environment by curbing speculation, protecting investors, developers, and real estate companies, by improving transparency. Therefore, the provisions of the new law will have significant impact on the stability of the market and will safeguard the rights of developers, owners or their beneficiaries. Title deeds for buyers of real estate units will improve investor confidence in the market and its governing laws, afford peace of mind to investors, ensure growth in the short-term, and enable owners of new units to seek mortgages to get the necessary finance easily. This is in addition to many more advantages, such as the strengthening of the relationship between the owners and financial institutions.

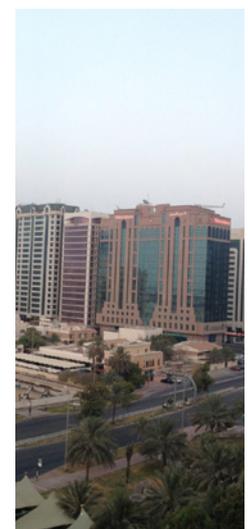
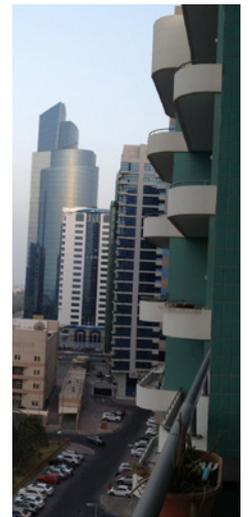


Al Mazaya Holding's Weekly Real Estate Report points out that the competent authorities will now rely on the provisions of the new law and so the number of investors willing to buy and own new properties in Abu Dhabi is expected to double. Moreover, many clauses and articles laid down in the new law are intended to regulate the activities of real estate brokers and pave the way for fighting the negative practices committed by some real estate brokers, which have previously been detrimental to the emirate's real estate market. Abu Dhabi is currently forecasting an increase in demand from foreign investors who wish to buy properties in prime locations such as Saadiyat, Reem and Yas Islands.



Al Mazaya's Report suggests that the positive impact of the new law will far exceed expectations because, until now, there was a lack of a regulatory framework in the emirate's real estate market. It should be taken into account that the real estate market accounts for 40 per cent of total business activities in the emirate; therefore, there should be no doubt that the investor and the end-user will be the biggest beneficiaries from these new laws. The residential sector is now considered one of the key drivers of demand in the emirate's real estate market. Al Mazaya's Report says that this sector is currently the best for investors – in terms of the prevailing prices and one of the best rental markets in terms of return. This because Abu Dhabi is a market where landlords can flexibly specify the rate of increase without any law that caps the annual increase.

The rising prices are mainly in the downtown area of the UAE capital due to the shortage in supply and the continued increase of rents by landlords. More increases are expected in 2016 due to the limited supply in the market and rising demand, particularly from middle-income groups. At this level of demand, the net revenues of rental units have risen significantly as real estate still remains the favorite channel for investment for UAE nationals – the largest segment of real estate investors in Abu Dhabi.



According to market data, the shortage in supply of residential units in prime areas of Abu Dhabi raised prices by 10 per cent between January – September of 2015, compared to the corresponding period in 2014.

Forecasts and indicators:
The report stressed that Abu Dhabi's real estate market is characterised by steadily rising demand on sales and leasing, particularly on residential units designated for low and middle-income groups, which have so far maintained their resilience and growth in varying economic conditions. According to the key indicators, the market is still suffering from a shortage of supply – be it residential, retail, commercial, investment or industrial sectors. All indicators display a rising demand in all market segments as a result of the continued population and economic growth rate, which is expected to increase by five per cent and six per cent, respectively, in the coming year.



New residential and commercial projects are currently centred in and around Saadiyat Island, Reem Island, the Corniche and Al Raha Beach. These projects include residential units that target UAE citizens, such as Khalifa City A, Mohammed bin Zayed City, Bani Yas and along the emirate's North coast. These, among many more projects, are part of the Abu Dhabi 2030 Master Plan. The report points out that sites around Abu Dhabi Island have been experiencing high demand for some time, despite the high prices and lack of services. Reem Island, an island near the centre of Abu Dhabi City, is one such example and has been seeing increasing demand from tenants, for the past two years, despite the high rents.



Current data demonstrates a rising occupancy rate in newly completed projects, following the hand-over of more than 10,000 residential units on Reem Island, by various developers. Demand on high quality residential units is soaring, particularly on Reem Island, as the island has rapidly become one of the most attractive addresses for residents in Abu Dhabi, due to its strategic location near the centre of the city. The appeal of real estate projects is increasing due to real demand on residential units, as a large number of residents in the downtown area of the capital city have relocated to the new residential communities – Reem Island in particular.



It is also worth mentioning that the completed and underway projects on Reem Island serve the needs of all clients who prefer excellent living standards and a full range of services and amenities. This was an additional pressure on the demand for real estate products on the island, particularly from foreign clients. Leasing activity is continuing to rise at these new residential projects, especially the high-quality units with sea views and amenities. This reflects the continued demand for luxury residential units in the UAE's capital city.



Upon completion, Reem Island will accommodate more than 200,000 residents. The island includes schools, hospitals, universities, parks and beaches. Extending over an area of 6.5 million square feet, the island is only 300 meters away from the shoreline of Abu Dhabi City. Reem Island is one of the first freehold projects in Abu Dhabi, enabling foreign investors to own units on a long-term lease basis (extendable 99-year leasehold contracts). Al Mazaya's Report stresses that investment in residential properties in Abu Dhabi is one of the best investment options, as this sector is seeing growing demand and rising returns, with the demand-supply imbalance still manifest in the emirate's market. More residential units are needed to meet the demand from middle-income groups while the luxury apartments are oversupplied and seeing less demand. Commercial units are also oversupplied and seeing a decline in demand.