



The Monthly Real Estate Report

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Al Mazaya: Dubai Expo 2020 projects will make the real estate market a safe haven, both regionally and globally



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These projects are inspired by an ambitious strategy implemented by the Emirate of Dubai



Recent projects have been able to stimulate sustainability elements and diversity objectives – besides raising the degree of overlap between other projects and key sectors – down to the safe haven levels of the more important and influential sectors in the economic life cycle. Hence, it can be said that the scarcity of safe and profitable projects has come to represent a challenge in itself.



Al Mazaya Holding's weekly real estate report points out that the ability to move forward in the implementation of all projects and plans, which have been approved and committed to by any of the economies of the countries in the region, represents both investment opportunities and a challenge at the same time. This is because the provision of resources in adequate quantity and quality has become more difficult. Therefore, the economies that can provide those resources will have a top rank on the map of investments and projects in the region and the world. It has also become clear that Dubai Expo's projects – those that are underway and off plan – represent a major recovery factor to the economic sectors in the UAE at the moment.

Al Mazaya's report further points out that according to the key indicators showed by the UAE economy over the past couple of years, the local economy will be able to overcome the pressures and keep up with the reported cutback in government spending. This will be through entering into more ambitious projects and providing more investment opportunities that would contribute to maintaining good and safe economic activity for current and future investments. It is worth mentioning that the value of projects surrounding the location of the Expo will reach about AED 80 billion. Meanwhile, real estate developers are speeding up their expansion in Jebel Ali and neighbouring areas. Infrastructure projects are progressing as planned.



Moreover, market prices are also experiencing a remarkable growth. Recently, rents at nearby places have seen a marked increase, in-line with the reported development of the projects in progress. It should be highlighted here that Expo 2020 tenders are being awarded to an elite group of local, regional and international companies, including several SMEs – a matter which reflects the significance of Expo projects for the operating companies and their economic sectors. Besides, efforts are focused on the cooperation with leading innovators and thought leaders from around the world in order to launch and develop creative and distinct ideas which would also expand the economic stimulus at the international level.

Al Mazaya's report adds that the projects in progress have brought about a rise in the prices of the surrounding plots of land, noting that the current price level is still logical and has not yet reached critical levels, due to the inability to determine the volume and number of projects altogether. This is in addition to the difficulties of estimating the volume and nature of demand and the nature of the use of the projects for the post-event period.



Recent data has indicated that the exhibition will be able to raise the Gross Domestic Product (GDP) of the Emirate of Dubai by at least 2%, which is high when compared to the period of the event, and satisfactory as compared to the volume of investments, while the risks of those investments will increase whenever they are linked to the event itself without continuing to generate revenues during the post-event period. What is clear is that the real estate sector will benefit most from the projects and activities being carried out. In this context, it is noteworthy that developments in global markets and continuing financial pressures have had a role in re-prioritising the projects, with a focus on evaluating the long-term economic feasibility of these projects. Thus, the projects in progress and those on the waiting list are classified among the most feasible and efficient projects over the phases of execution, hosting and beyond.





Al Mazaya's report also added that the projects already underway are gaining more importance, despite the decline in both the financial and economic activity and the foreign investment seeking investments abroad. Nevertheless, we can say that the direct and indirect Expo projects are protecting the UAE real estate market from recession and substantial losses, thus granting other sectors an acceptable pace of activity that help them survive and persist until the financial and economic pressures are over. It would be no exaggeration to say that the Expo projects have contributed to maintaining the old investments by maintaining their values and keeping the expectations of investors positive for the future.



On the other hand, we cannot conceive the UAE market conditions without Expo projects, which would be subject to several changes, and acute corrections that will have long-term impact. There is no doubt that all the economic sectors will avail themselves of hosting the event, not only the real estate and construction sector. The real estate sector is gearing up to host more than 25 million visitors over six months. Thanks to the strong influence of Expo projects, the real estate market has remained resilient and succeeded in overcoming the sharp declines of prices. The real estate market has been given the option of continuation by launching mega real estate projects.



Al Mazaya's report emphasises that the success of Expo projects and other projects is part of an ambitious strategy carried out by the Emirate of Dubai for a long time as the Emirate has not suspended its real estate projects and maintained a high pace of construction. Stimulus policies have also continued to attract regional and global investments. Despite the slump in demand for various real estate products, particularly by foreign buyers, the pace of launching real estate projects of all volumes and for all targeted segments has remained unchanged until now. The resilient real estate market in the Emirate has been able to survive despite the decline in both the government spending and the foreign investments, particularly Russian investment. On the contrary, investments from GCC countries remained at high levels and reported a steady growth.



It is worth mentioning that the pace of project activity at the moment indicates a good success rate in overcoming the oil price crisis and the ability of the market to recover, backed by the constant governmental support for the sector. This is in addition to the investments in infrastructure and the launch of more mega real estate projects, in addition to the continuing development of the laws and legislations, which are related to the real estate and non-real estate investments. The updated legal framework is meant to respond to all the changes and requirements of the market and protect the rights of shareholders, developers, buyers and owners. These efforts have contributed and will contribute to maintaining the pace of activity at acceptable limits, under all scenarios in local and international markets.



Al Mazaya's report further indicates that projects – directly and indirectly related to the event – along with government projects, are all comprehensive as they include several positive aspects. It has become clear that those projects are able to protect the market from several pressures. This fact comes along with the emergence of the first signs of completion of several large and medium sized projects – foremost of which are the Mall of the World project, Mohammed Bin Rashid City Project, Dubai Water Canal, Dubai Amusement Parks Project and Dubai South Project which will host the event. This pace has a positive impact on developers and boosts investor confidence in the Dubai real estate market. In this regard, it is important to emphasise the fact that the cumulative experiences acquired by the real estate market in the emirate over the past period have had substantial influences on the success of all projects, while the supply of projects is in harmony with the pace of demand for housing units. The housing sector has continued to maintain its investment attractiveness, which has supported the buoyancy of the market.

The report also asserts that the pace of projects in progress has contributed to mitigating the decline in real estate prices, as the real estate prices in Dubai over the past two years were marked with slow and gradual declines not exceeding 12% in average, a ratio considered satisfactory relative to the volume of pressures faced by the markets of real estate and non-real estate investment at the global level as a whole.



On the other hand, market data indicates that the prevailing prices so far this year are considered firm, which boosts the attractiveness of the Emirate as one of the top safe havens in global markets. Maintaining the pace of activity and demand along with continued offering of new projects would give the UAE real estate sector an additional competitive edge at a time where many markets face big challenges that are hard to overcome in the short run.

