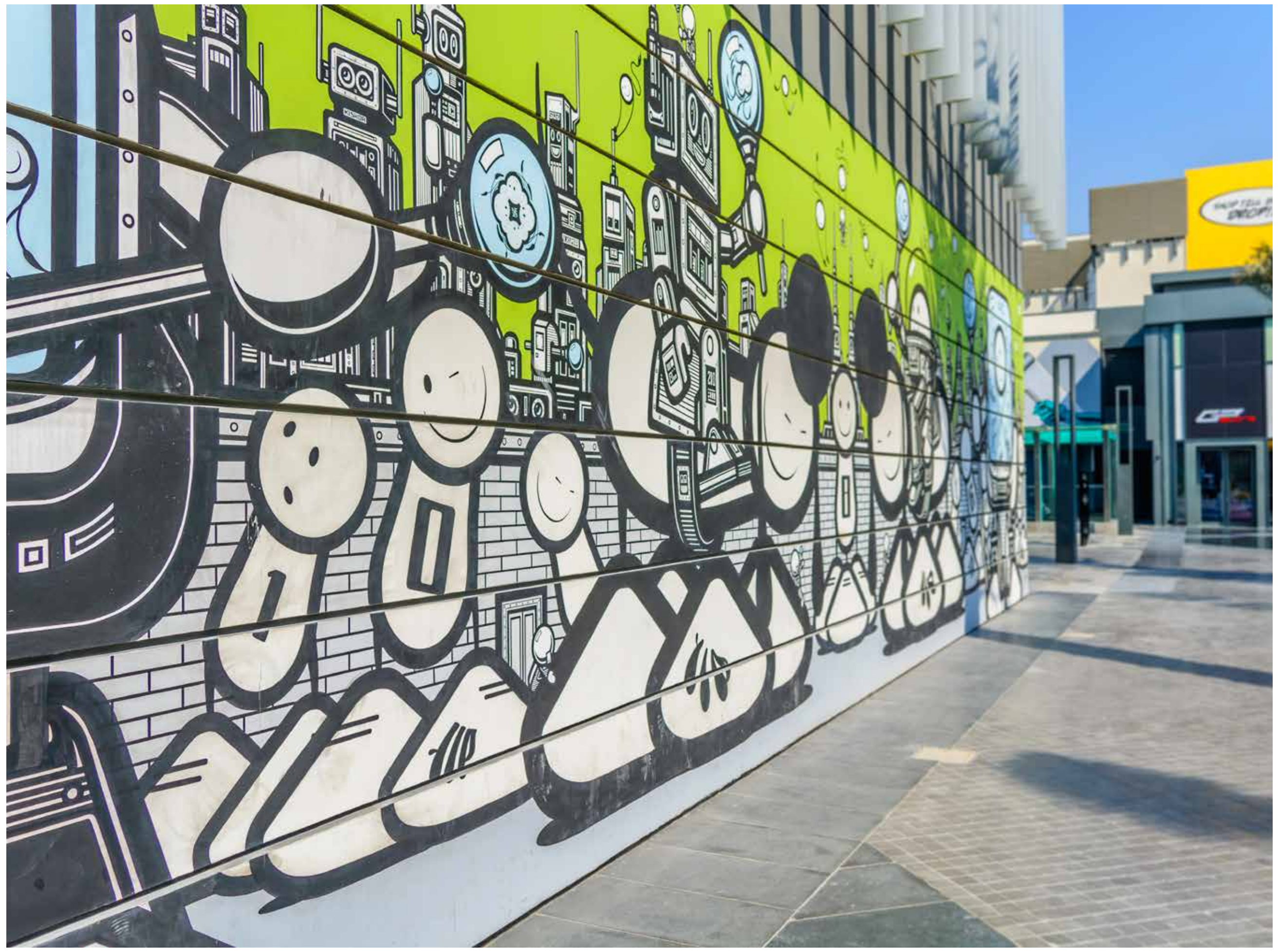
CUSHMAN & WAKEFIELD | CORE

DUBAI RETAIL OVERVIEW

JULY 2018



This publication

This document was published in July 2018. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.

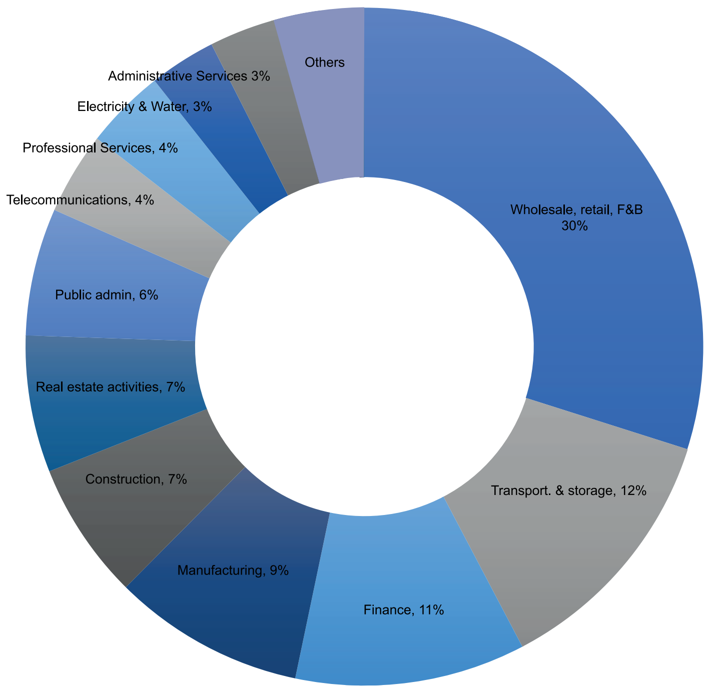
Overview

Dubai's retail sector weathered challenges over 2017, absorbing the impact of a slowdown in the global retail market, particularly the luxury sector.

Due to the lingering impact of low oil prices over the 2014-2016 period and the resulting weakness in consumer sentiment, average occupancy across malls came under marginal downward pressure. This impact was also compounded by a steady increase in supply which drove competition between retail developments to attract retailers, particularly the ones in upcoming locations.

Prominent additions to supply include the completion of Dubai Mall Phase 2 which added 52,400 sqm GLA to the retail market, and the Al Seef Phase 2 and 3 developments. Total GLA in the Emirate is expected to continue increasing with the completions of other large developments such as Al Khail Avenue, Nakheel Mall, Dragon City, Deira Mall, Deira Islands Night Souk and The Wharf over the next few years.

Dubai GDP By Economic Activity



Retail sector contribution to the economy
Dubai's retail sector is one of the largest contributors to the emirates economy representing almost 27% of real GDP in 2017 (approximately 103.6 billion AED) according to the Dubai Statistics Centre.

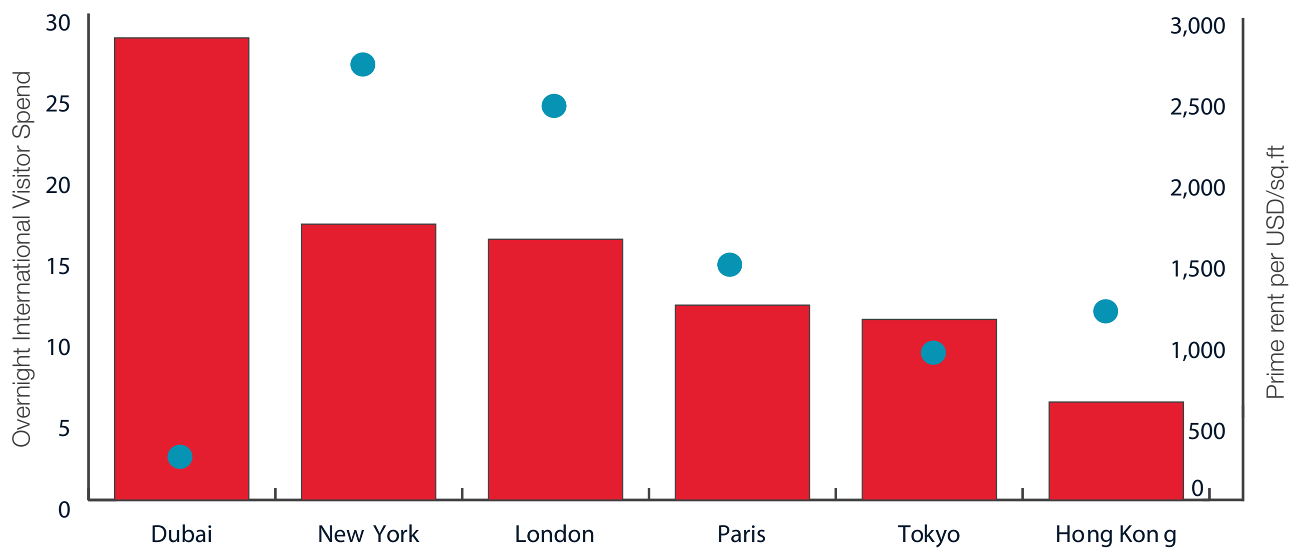
Dubai retail market – an oligopoly

5 developers own	**87%** of the mall stock*
15 retailers operate almost	**90%** of the international brands

*Malls/shopping centres above 10,000 sqm.

Dubai vs. Global Retail

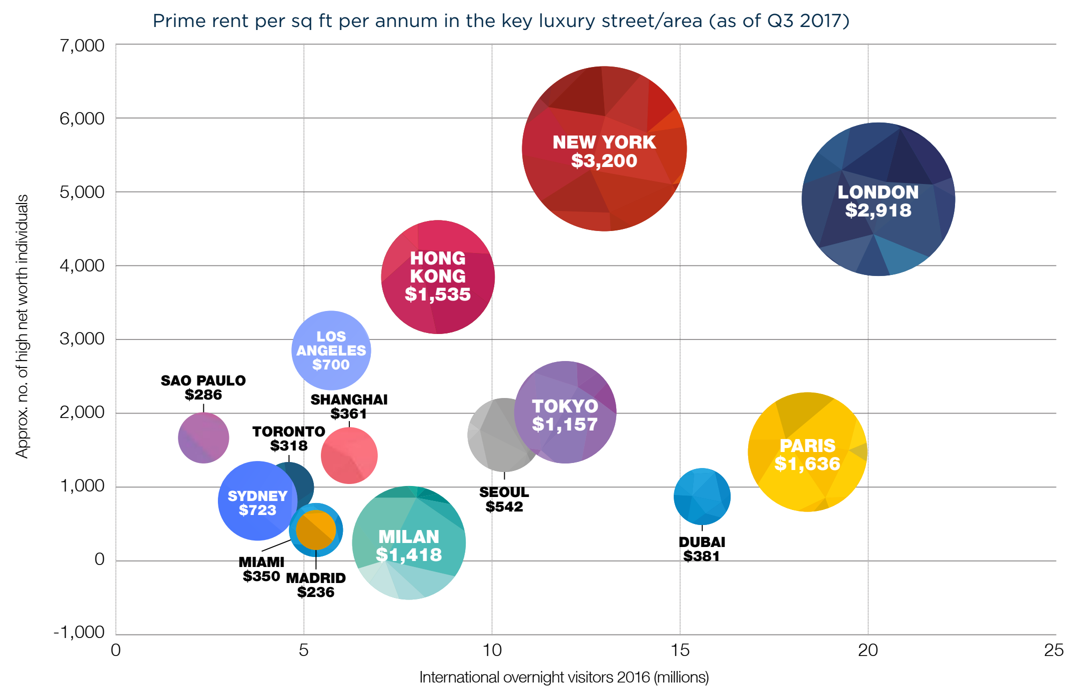
Total International Tourist Spend vs Prime Rents



Overnight International Visitor Spend in USD Billion
Prime rent per USD/sq.ft

All rents reflect annual prime asking rents for the key luxury locations in the given city.
Source : Savills research, MasterCard Destination Index 2017 (The overnight international visitor spend volumes are for year 2016, and were the latest available at time of print).

Global Luxury Cities - Affluence, International Visitors And Rents



Source: Savills Research; Wealth-X, Mastercard Destination Index. Note: Rents are for luxury locations bar Seoul which is for high footfall location. Paris and London rents are ZA and therefore on a per sq ft basis would be lower than that detailed above.

Dubai's Position In Global Retail

The potential for further growth in Dubai's prime retail market continues to be significant despite recent weakness in the global luxury retail market. As visible in the graph above, lease rates for prime retail property in Dubai are significantly lower than those in key global retail hubs including London, New York, and Hong Kong, despite the exceptionally high overnight international visitor spend seen by the city.

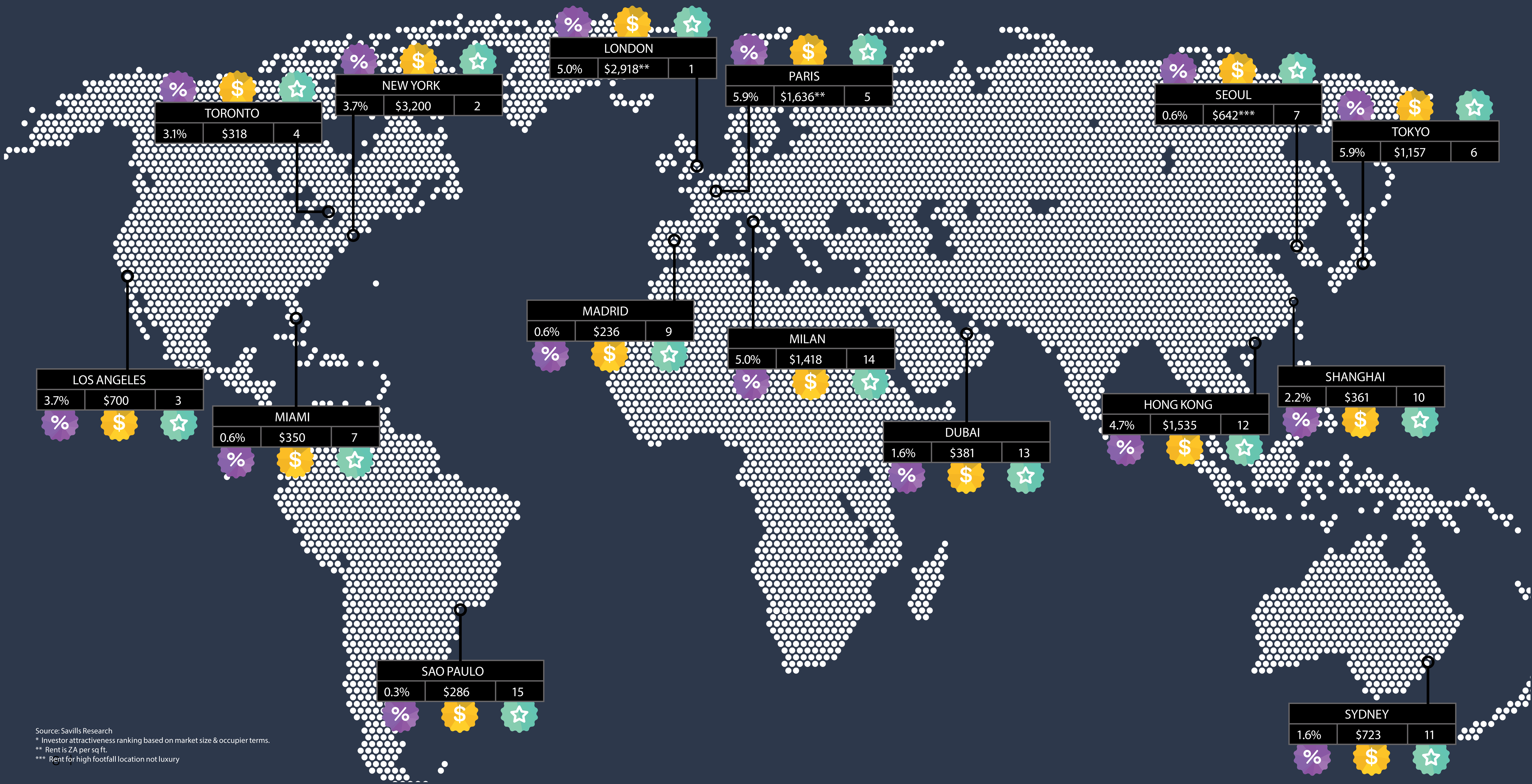
According to the MasterCard Destination Index international overnight visitor spend reached $28.5 billion in 2016 more than double the figures seen in cities such as Paris, Singapore and Hong Kong.

Dubai also hosts a large number of high net worth individuals, visibly higher than cities such as Miami and Milan. Although such comparisons do reflect an overall disparity in purchasing power across these markets,

Dubai's potential for further growth as a luxury retail city is likely to be recognised by global brands in the near term as the number of new entrants into the market increase.

Global Luxury Retail Cities

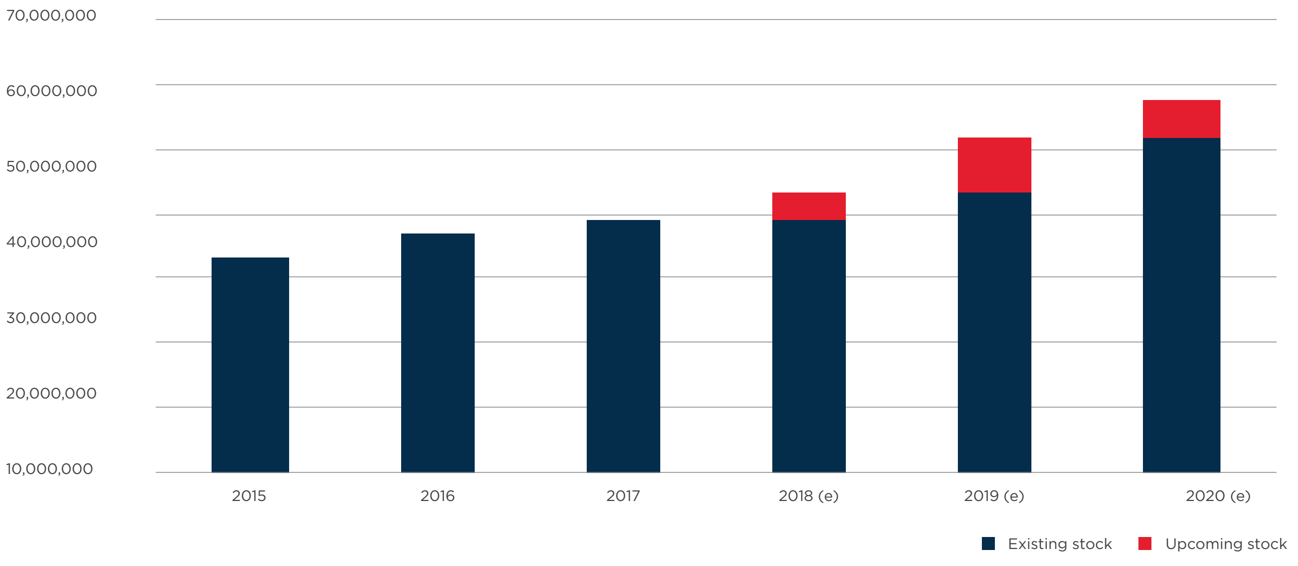
% Share of global luxury store openings
$ Prime luxury retail rent Q317 (US$ per sq ft per annum)
☆ Global luxury city investor attractiveness ranking*



Source: Savills Research
* Investor attractiveness ranking based on market size & occupier terms.
** Rent is ZA per sq ft.
*** Rent for high footfall location not luxury

Market Supply

Gross Leasable Area sq. ft.



Market Performance

Rent Average
Regional & Community Malls

150 – 200
AED/ sq ft

Rent Average
Prime Super Regional Malls*

700 – 1,500
AED/ sq ft

Average Occupancy
Regional & Community Malls

80-83%

Average Occupancy
Prime Super Regional Malls

90-95%

* Prime super regional malls also see revenue share models which put upward pressure on average rental rates

Retail Launch in 2017/2018

Retail Launch in 2018/2019*

Retail Launch in 2020*

* Due to longer completion timelines, delivery of these projects may be delayed or phased.

Key Trends

Experience based retail

Cityland Mall is expected to be completed in Q4 2018 and will be a ‘nature-inspired’ shopping destination.

Nakheel’s Deira Mall will feature a 1km retractable glass atrium

Integrating retail and residential

The number of integrated developments that offer a mix of retail and residential units are increasing given that they increase an areas marketability and are seen to grow ‘communities’ thus attracting a higher number of retailers and creating a self-sustaining development.

Retailers choosing to go green

Shopping malls are increasingly looking at methods of increasing their energy efficiency and reducing overall energy consumption through the implementation of green practices and reducing waste. For example, Mall of the Emirates has completed the first phase of a solar photovoltaic (PV) plant that is expected to generate 3GWh of clean energy and save AED1.4 million on energy costs every year. City Centre Me’aisem and My City Centre Al Barsha are also examples of retail developments that have solar panels in order to increase sustainability.

Mid-market vs. luxury retailers

Although the luxury sector has seen a slight slowdown over the past few years, consumers are shifting towards mid-market brands.

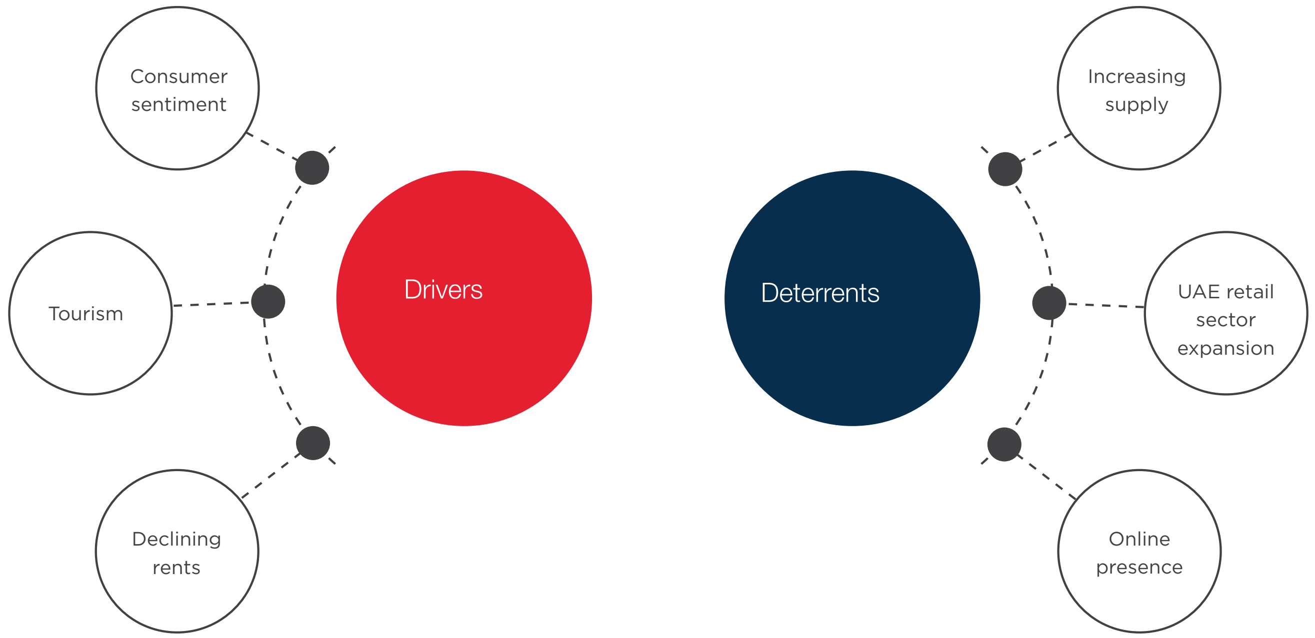
Retail starts to see institutional investment

Although most mainstream retail stock is still held by state-backed developers, we are starting to see community retail gain interest from institutional investments. Emirates REIT holds Le Grande Community Mall in Dubai Marina and ENBD REIT recently acquired Souq Extra Retail Centre in Dubai Silicon Oasis. We expected this trend to continue with well performing community retail centres with mid-tier brands and established catchment areas to achieve steady yields.

Future Outlook

Consumer and business sentiment is expected to improve visibly over 2018 due to higher oil prices and the launch of several large infrastructure projects by Dubai Government, including the AED394 million Shindaga bridge project and the Dubai Cruise Terminal Project. Nevertheless, retail developments in Dubai continue to face a number of challenges including the significant increase in supply with approximately 16 million sq.ft. of retail space coming on to the market.

Additionally, the rapid expansion of retail developments in neighbouring Emirates may work towards softening demand in Dubai, as consumers from these markets that previously added notably to consumer spending in Dubai will see a greater variety of retail options available. The rapidly expanding e-commerce sector in Dubai may also work towards diverting consumer spending away from brick and mortar stores and will require retailers to introduce innovative concepts and enhance customer experience.



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