

The logo for Colliers International, featuring the word "Colliers" in a white serif font above the word "INTERNATIONAL" in a smaller, white, all-caps sans-serif font. The logo is set against a dark blue rectangular background with a thin red and yellow horizontal stripe at the bottom.

Colliers  
INTERNATIONAL

A photograph of the Doha skyline at night, showing illuminated skyscrapers and a large, brightly lit building on the right. The scene is reflected in the calm water of the harbor. A dark boat is visible in the middle ground.

DOHA | QATAR

# REAL ESTATE MARKET OVERVIEW

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Q2 2014

Accelerating success.



2013 – Colliers International Ranked No. 1 Overall in MENA Region

- Advisory & Consultancy
- Research Advisory & Consultancy
- Investment Manager

2012 - Colliers International Ranked Best Real Estate Advisor in MENA

2011 – Colliers International Ranked No.1 in KSA



2013 – Colliers International Voted Best Financial Advisor for Healthcare & Education PPP in the MENA Region



#### SERVICES OFFERED BY COLLIERS INTERNATIONAL

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- Market & Competitive Studies
- Highest & Best Use (HBU) Studies
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- Due Diligence
- Financial Modelling
- Mergers & Acquisitions Assistance
- Buy side Advisory/Sell side Advisory
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- Operator Search & Selection and Contract Negotiation
- Land, Property and Business Valuation
- Asset & Performance Management
- Site Selection & Land / Property Acquisition
- Performance Mgt. & Industry Benchmark Surveys

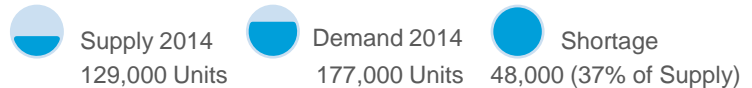
#### SECTORS

- Airport Cities & City Centres
- Waterfront Developments & Ports
- Sports & Entertainment
- Healthcare & Life Sciences
- Education & Human Capital
- Infrastructure & Public Private Partnership
- Leisure, Tourism & Cultural Development
- Mixed Use Developments
- Hospitality
- Retail
- Corporate Solutions
- Economic Free Zones

## Summary

Colliers International Doha Real Estate Overview Q2 2014 provides a brief snapshot of the key factors impacting the Doha property market and future outlook. The summary is presented below:

### RESIDENTIAL REAL ESTATE SECTOR



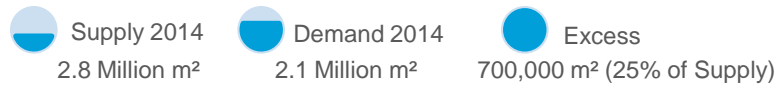
**4% YOY Increase in Rentals**    **4% YOY increase in Sales Prices**

**6% Gross Rental Yield**    **12% YOY Increase in Population**

Significantly **Undersupplied Market**

Increased Demand for Units in Proximity to **Social Infrastructure** Facilities , esp. Schools

### OFFICE REAL ESTATE SECTOR



**Stabilisation** observed in YOY Rentals

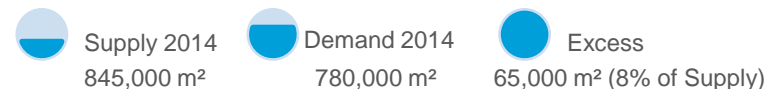
**10% YOY Increase in Office Employees**

Overall an Over Supplied Market, but

Increased Demand for **Grade A Office** Space, in West Bay/Diplomatic District

Preference for **Smaller Office Units**

### RETAIL REAL ESTATE SECTOR



**Marginal / No** YOY Changes in Rentals

Annual Footfall Across 7 Key Malls\* in Doha **49 Million**

**79%** of the Population are Gen X & Y

**17%** of Mall Tenants in Doha are F&B, Compared to that of a 20%+ of F&B Units in Shopping Malls Across Dubai

Demand will be Concentrated in **Destination Shopping Malls** which include a Higher Percentage of F&B, Alfresco Dinning, Cinemas, Kid's Entertainment and Family Activities

\*City Center, Villagio, Landmark, The Mall, Porto Arabia, Hyatt Plaza, The Gate

DOHA 2013 ECONOMIC STATISTICS

Total GDP Growth **6.5%**

**4%** Inflation

Unemployment **0.6%**

**9%** YOY Increase in International Visitors

DOHA 2013 POPULATION STATISTICS

**79%** of Doha's Population belongs to Generations Y and X

Qatari Nationals **29%** of total Population

**12%** YOY Population Growth

DOHA 2013 CONSTRUCTION/ REAL ESTATE STATISTICS

A Substantial **37%** of all Employees in Qatar work in the Construction Sector

**29%** Increase in the Number of Real Estate Transactions (Q4 2013 vs. Q1 2014)

The Aggregate Value of Real Estate Sales Reflects a **35%** Increase (Q4 2013 vs. Q1 2014)

# 1. Macro Economic Climate

Qatar is one of the wealthiest and fastest growing world economies, and has the world's highest per-capita income. Its substantial fiscal surpluses has allowed it to be resilient during periods of economic downturn. For instance, it witnessed GDP growth of 12% even during the peak of the global downturn, in 2009.

- Qatar has a small population (approx. 2 million), with 60% living in the capital, Doha
- The majority of the population (71%) is made up of expatriates who live and work in Qatar
- The labour force comprises a significant proportion of expatriate workers, representing 94% of the economically active population
- Much of Qatar's economic prosperity is dependent upon the hydrocarbon sector, which accounts for over 50% of governmental revenue and over 85% of exports.
- Qatar has planned to invest QR 664 billion in infrastructure (excluding projects in oil and gas sector), in the next 5 years.

Exhibit 1: Qatar Macroeconomic Indicators 2008 - 2018(f)

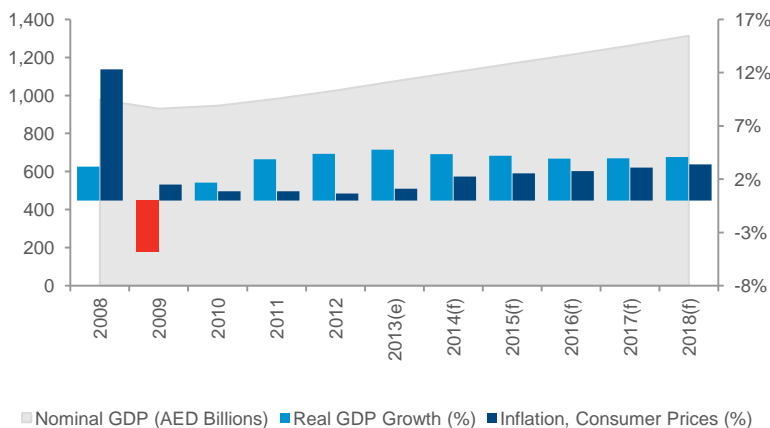
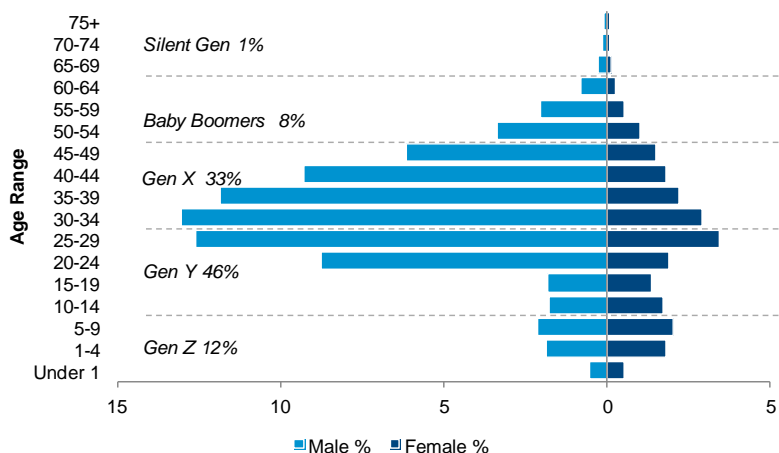


Exhibit 2: Doha Population Pyramid



Hamad International Airport

**US\$ 17 billion** Total Cost

Size of the Airport **600,000** sq<sup>2</sup>

Current Capacity **30 million** Passengers;

Phase 2 Capacity **50 million**, could be extended to **80 million** based on Demand

Capacity to handle **8,700** Passengers per Hour

Cargo Area **55,000** sq<sup>2</sup>

Current Cargo Capacity is **1.4 million** tonnes per annum

After opening of Phase 2 the Capacity will increase to **2.5 million** tonnes per annum

Qatar Airways

Fly to **138** Destinations

Current Fleet **136** Aircrafts

Over **230** aircraft on order books worth more than **US\$ 50 billion**

## 2. Key Major Growth Impetus

Qatar is embarking on a number of projects relating to tourism, culture and heritage in order to enhance Qatar’s profile and promote Qatar as desirable destination to live, work and visit locally, regionally and internationally.

Growth of the national airline and greater connectivity, supported by the recent opening of the new Hamad International Airport has a direct impact on trade and tourism.

It is expected that the growth of Qatar Airways along with the new Airport will enhance Qatar’s profile locally, regionally and internationally. Supported by existing and planned tourism, real estate, and culture & heritage projects will make Qatar a desirable destination to live, work and visit.

Key Facts

**US\$ 200 billion** Expected Investment in Infrastructure, Tourism & Sports Projects

**3.5 million to 3.7 million** Expected Inbound Tourists to Qatar by 2022

**Number of Hotel Rooms** to Increase from **15,000 in 2013** to **95,000 by 2022**

Qatar Seeks to be Global Hub for Culture & Heritage

The State of Qatar has stressed that culture is a key element of human development and an important factor in social integration and poverty eradication.

In line with its National Vision 2030, Qatar seeks to become a global hub for culture and the development of cultural institutions, a cultural instigator and a catalyst for cultural projects worldwide. Qatar has initiated a number of projects to promote Qatar as a Global hub for Culture & Heritage, namely:

- The Museum of Islamic Art
- Mathaf: Arab Museum of Modern Art
- QM Gallery, Fire Station
- National Museum of Qatar
- Orientalist Museum
- 3-2-1 Qatar Olympic and Sports Museum
- QM Gallery, Al Riwaq
- QM Gallery, Katara

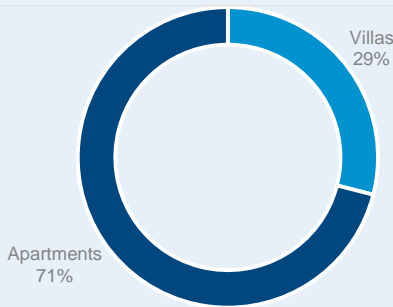


DOHA 2014 RESIDENTIAL SUPPLY

7,300 Additional Units in 2014

6% YOY Increase

Exhibit 3: Distribution of Existing Housing Units



The popularity for apartments follows the increasing number of expatriates migrating to Doha for employment. Furthermore, a breakdown of the composition of apartments reveals that the majority are two bedroom and three bedroom units.

Exhibit 4: Distribution of Apartments by the Number of Rooms

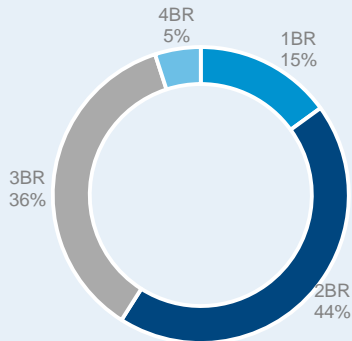
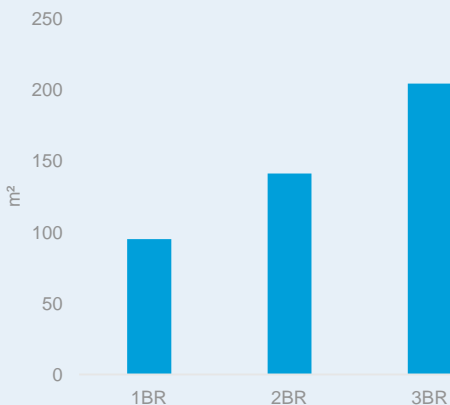


Exhibit 5: Existing Average Sizes of Apartment Units by Unit Type



### 3. Residential Sector Overview

#### 3.1 SECTOR DEFINITION

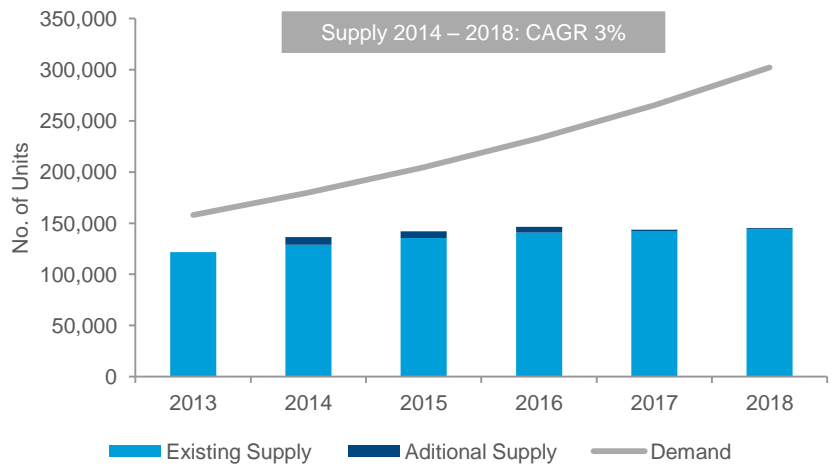
Traditionally, the city centre was the most sought after location for housing in Doha. Gradually as the city began to move away from traditional locations into areas around the C, D, and E Ring Roads, these locations grew in prominence for residential developments. West Bay has now become a sought after location for high-end residential accommodation along with office developments. The change in preference was the suburban quality of these neighbourhoods and the preference to live in close proximity to work and lifestyle facilities.

#### 3.2 SUPPLY

According to Colliers International estimates, residential supply in Doha totalled 122,000 units by the end of 2013. Further analysis reveals that the majority of existing housing units are composed of apartments whilst villas comprises only 29% of the total housing units as illustrated in Exhibit 3.

Colliers estimates a further 22,000 units to be completed during 2014 - 2018. Illustrated below (Refer Exhibit 6) are the estimated cumulative residential supply (including both villas and apartments) between 2013 and 2018.

Exhibit 6: Cumulative Residential Supply Estimates



As illustrated in Exhibit 6, despite the 22,000 units expected to enter the market in the coming five years, Doha's residential real estate market will continue to remain significantly under supplied over the next 5 years, provided construction timelines are met.

#### 3.3 DEMAND

Regarded as the new city centre of Doha, West Bay/Diplomatic District is an area which predominantly comprises luxury, high-rise residential developments with recreational facilities. According to local real estate agents, the majority of developments in this district are owned by local developers and investors who subsequently lease them to international companies.

When estimating demand, Colliers has excluded elementary workers from the population, as they are usually provided with company sponsored labour accommodation and therefore are excluded.

Apart from an increasing population, average household size is continuing to decline in Doha. From an average household size of 5.01 in 2002, it has now fallen to 4.4. A decreasing household size together with an increasing population is likely to drive up demand for more housing units in the city.



DOHA 2014 RESIDENTIAL DEMAND

72,000 Additional Units in 2014

13% YOY Increase

Exhibit 7: Estimated Demand for Residential Units

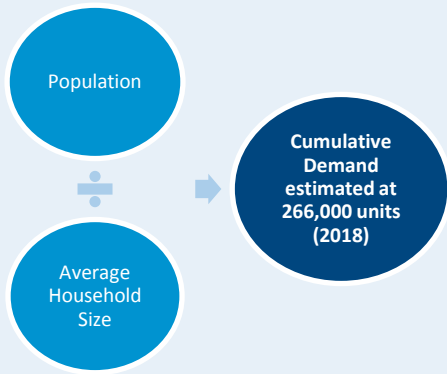
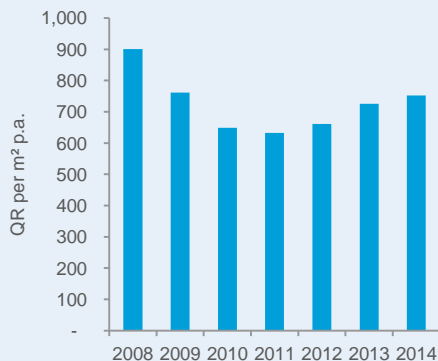


Exhibit 8: Average Rental Rates



+4% in Q1 2014 Vs. Avg. 2013

Rents have increase 4% during Q4 2013 – Q1 2014

Exhibit 9: Average Sales Prices



+4% in Q1 2014 Vs. Avg. 2013

Prices have increase 4% during Q4 2013 – Q1 2014

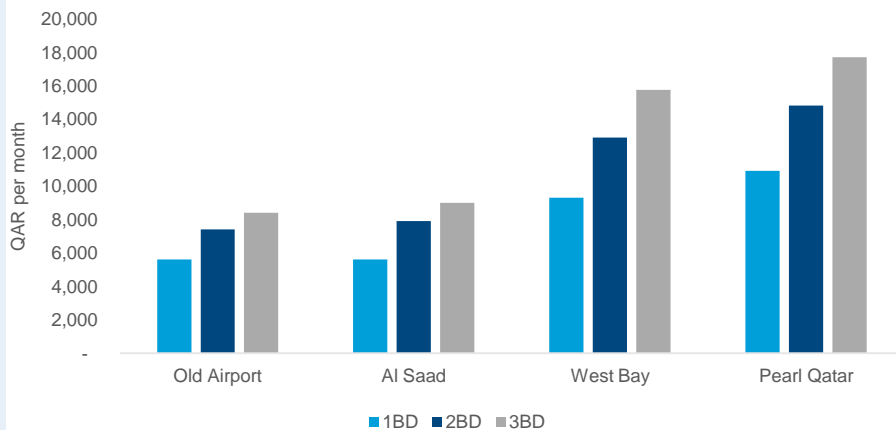
### 3. Residential Sector Overview Contd.

#### 3.4 PRICING / MARKET PERFORMANCE

Rental rates are subject to a number of attributes including location, quality of finishes, unit sizes, onsite amenities as well as the type of furnishing used. It must be noted that the majority of apartments available for rent in West Bay and Pearl Qatar are furnished, and the asking rent is partially subject to the quality of furnishings.

**Rental Rates:** Rental rates across apartments in Doha witnessed a decline during the 2008 – 2012 (Refer Exhibit 8). In 2012 however, first signs of an upward trend was observed. Average rentals in 2014 have witnessed a 4% increase an average of QAR 725 per m<sup>2</sup> p.a. in 2013.

Exhibit 10: Average Apartment Rental Rates in Key Locations



**Sales Prices:** Since 2008, residential sales prices have also witnessed a substantial drop, but 2012 witnessed positive signs similar to the rental market. Average prices in 2014 increased by 4% from the previous year (Refer Exhibit 9).

#### 3.5 OUTLOOK

- Colliers expects that Doha will continue to experience strong residential demand over the short to medium term as the economy remains stable and population growth continues.
- Although occupancy rates across Doha are currently 85%, primary research conducted by Colliers suggests that high-end gated communities in Doha are currently enjoying average occupancy rates of approximately 97%, indicating a preference and high demand for such accommodation.
- Developing residential units in close proximity to education facilities act as a significant attractor to tenants from residential communities that do not have easy access to such essential social infrastructure facilities.

#### KEY MESSAGES

Emergence and Increased Demand for Communities in Proximity to **Social Infrastructure Facilities** such as Schools

Demand for **Affordable Housing** - Tenants & Investors Have Become **More Price Conscious**

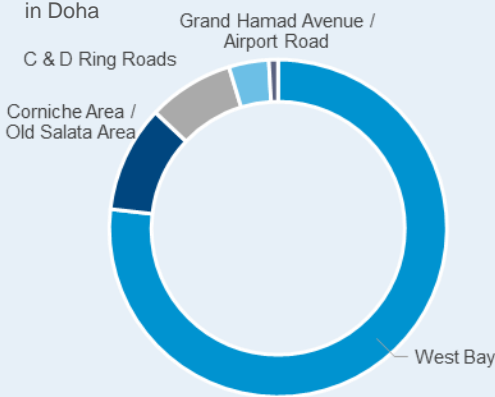
**Increased Demand** and **Limited Supply** Provides an Overall Positive Outlook for Doha's Residential Sector

**DOHA 2014 OFFICE SUPPLY**

Additional 164,232 m<sup>2</sup> in 2014

6% YOY Increase

**Exhibit 11:** Distribution of Existing Office Space in Doha

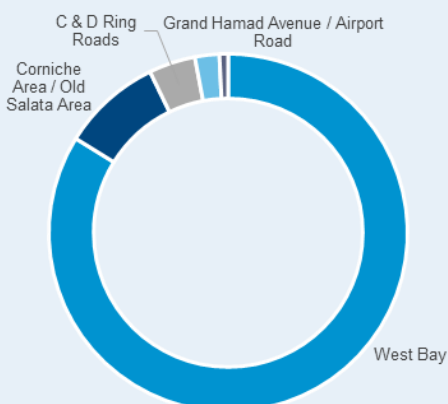


**Exhibit 12:** Typical Occupier Space Profiles

**GENERAL TERMS & CONDITIONS OF LEASE**

Attributes	Terms
<b>Typical Lease Term</b>	One to three years with rental reviews on the anniversary of the lease
<b>Rental Terms and Advances</b>	Bi-annual cheques, one current-dated, and the other post-dated. Quarterly and monthly cheques are also evident in the market.
<b>Service Charges</b>	Generally, 10%-15% for A Grade space and in some cases these charges are included in the rent.
<b>Municipality Charges</b>	QR 2,000 deposit to the Qatar Electricity and Water Department. Tenants have to pay their own water and electricity bills.

**Exhibit 13:** Distribution of Forthcoming Office Space in Doha



## 4. Office Sector Overview

### 4.1 SECTOR DEFINITION

The office sector in Doha has undergone dramatic changes since the year 2000. Historically, office space in Doha was located in the city centre (A and B Ring Roads) and along Grand Hamad Avenue in the 1980s and 1990s. More recently along the C and D Ring roads, and currently, the West Bay/Diplomatic District.

The growth in prominence of West Bay from the beginning of this decade and the current government measures of moving public departments there has resulted in a change in the market's focus towards this area.

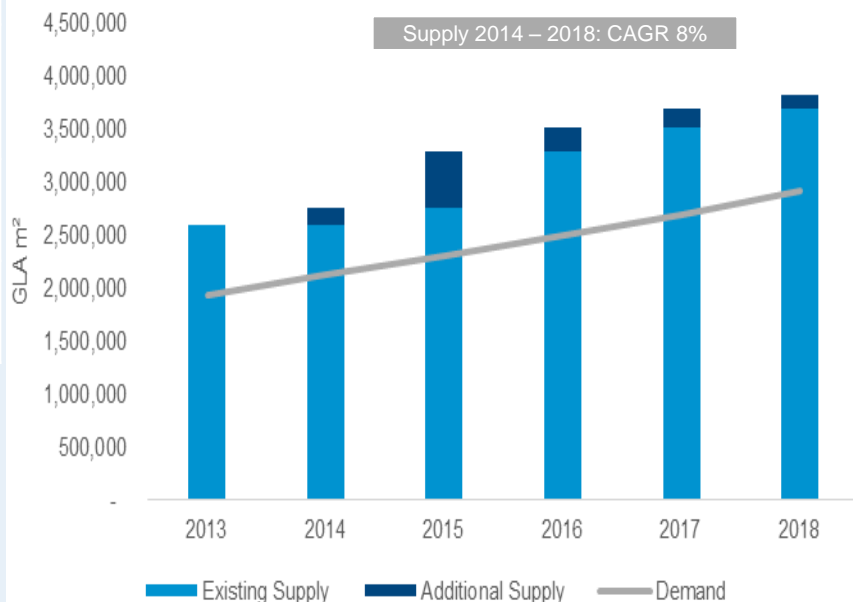
As with other markets, the predominant reason for office tenants moving into the Central Business District (CBD) (in this case -West Bay) is the need to upgrade their offices, the requirement for additional space, and overall attraction of moving into a better location.

Currently, West Bay comprises of the majority of office space in Doha ([Exhibit 11](#)).

### 4.2 SUPPLY

Colliers estimates the current Grade A (in terms of location) office space reached 2.5 million m<sup>2</sup> by the end of 2013. Although there are many dedicated office buildings in Doha, overall supply currently existing in Doha cannot be classified as primary grade quality in comparison to international markets. However, this is set to change with the provision of new office space currently under construction and in the planning stages.

**Exhibit 14:** Cumulative Office Supply Estimates



### 4.3 DEMAND

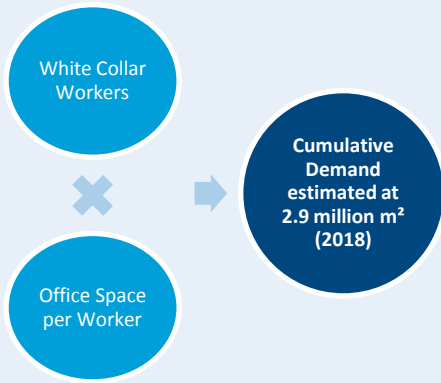
Colliers' research indicates that among companies expanding their presence in the market, financial institutions are most prominent. The trend is for banks to set up offices in the West Bay/Diplomatic District, as oil and gas corporations are also located in the area, increasing the proximity to their customers.

DOHA 2014 OFFICE DEMAND

Additional 193,000 m<sup>2</sup> in 2014

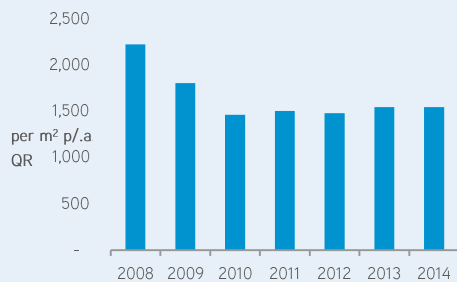
10% YOY Increase

Exhibit 15: Estimated Demand for Office Space



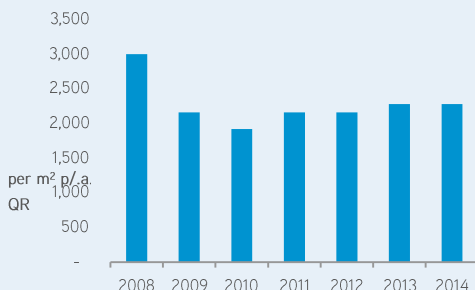
There is limited supply for smaller offices ranging from 200 to 500 sq<sup>2</sup> particularly in prime Grade A buildings, given the floor plates of a lot of the available buildings are designed for single floor tenants. E.g. recently completed Burj Doha, Twin Towers (opposite City Centre Shopping Mall) and Samriya Towers. T

Exhibit 16: Average Rental Rates – Across Doha



Marginal Changes / Stabilisation in Rents Have Been Observed Since 2013

Exhibit 17: Average Rental Rates – West Bay



Marginal Changes / Stabilisation in Rents Have Been Observed Since 2013

## 4. Office Sector Overview contd.

### 4.3 DEMAND CONTD.

Applying the average benchmark as recommended by the Royal Institution of Chartered of Surveyors - RICS (i.e. 11 m<sup>2</sup>) to the current number of office employees in Doha, Colliers estimates total demand at 2.2 million m<sup>2</sup> by the end of 2014.

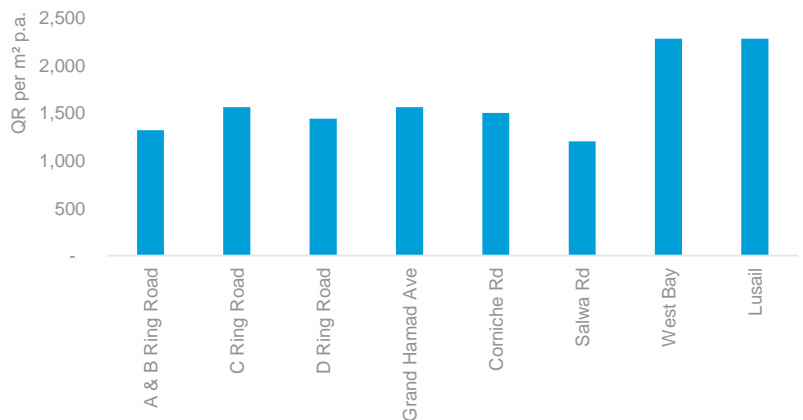
Going forward, and taking into consideration the projected growth in white collar employment, Colliers estimates cumulative office demand to reach 3.4 million m<sup>2</sup> by 2018.

### 4.4 PRICING / MARKET PERFORMANCE

Following an increase in demand for new office space, a stabilisation of rentals within primary grade office space has also been witnessed. This can be attributed to the fact that there is tenant movement towards central areas such as West Bay, as rentals have become more affordable.

**Rental Rates:** Overall, rental rates across Doha witnessed a substantial drop since 2008 (Refer Exhibit 16). However, the rental rates are now stabilising and witnessed little or no change in 2014, from the previous year.

Exhibit 18: Average Office Rental Rates Comparison by Location



### 4.5 OUTLOOK

- The market is currently oversupplied and given the forthcoming projects in the pipeline, the market is likely to remain oversupplied in the short to medium term.
- Office occupancy rates across Doha are currently 75%, with newer buildings taking longer to lease, given the oversupplied market.
- Despite Doha's office market being currently oversupplied, it is becoming more challenging to find space for smaller occupiers but larger occupiers have a greater range of good quality options to consider.

#### KEY MESSAGES

Overall, an **Oversupplied** Market

Increased Demand for **Grade A** Office Space, in **West Bay/Diplomatic** District

Preference for **Smaller** Fitted-out Office Units



DOHA 2014 SHOPPING MALL SUPPLY

Additional 216,000 m<sup>2</sup> in 2014

34% YOY Increase

Exhibit 19: Existing Distribution of Key Shopping Centre Supply

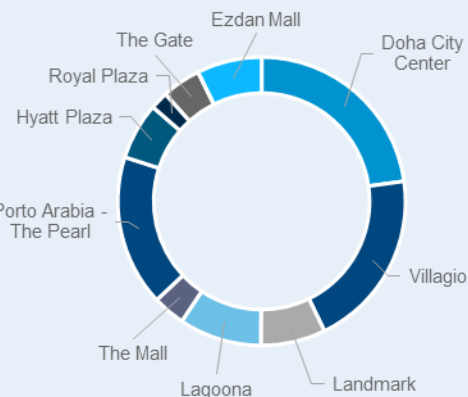


Exhibit 20: GLA per Capita within the MENA region

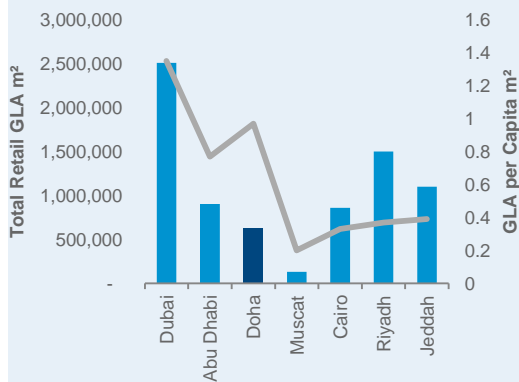
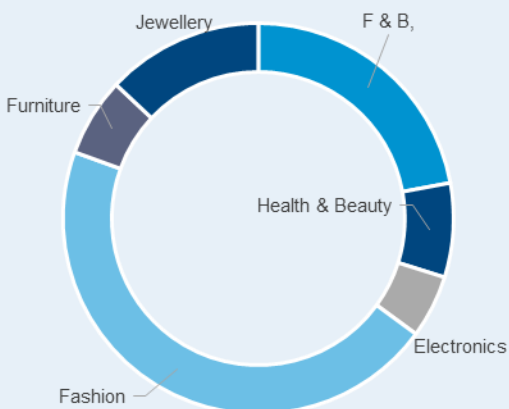


Exhibit 21: Average Distribution of Unit Categories in Key Shopping Malls across Doha



## 5. Retail Sector Overview

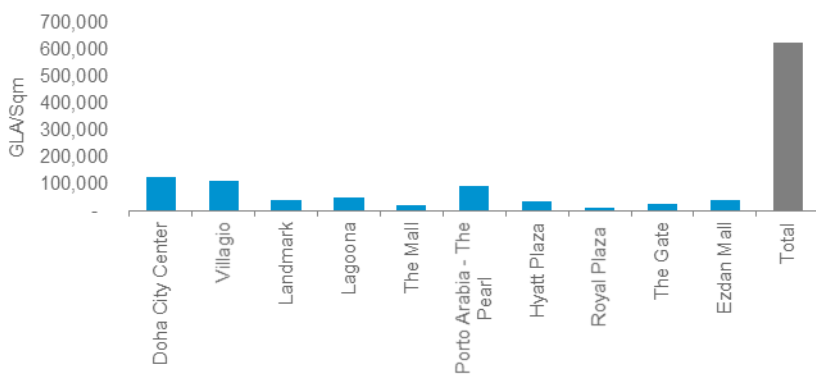
### 5.1 SECTOR DEFINITION

Doha's retail market continues to be dominated by modern shopping malls such as the Villaggio, Lagoona, Landmark and City Centre, which together account for 60% of Doha's formal (mall) retail supply.

### 5.2 SUPPLY

The total existing supply in terms of Gross Leasable Area (GLA) currently stands at approximately 629,000 m<sup>2</sup>. Doha City Centre accounts for 20% of this supply, followed by Villaggio, at 17% and Porto Arabia representing 15% of cumulative supply - Refer Exhibit 19. Presented below (Refer Exhibit 22) are the current supply of organised shopping mall space in Doha.

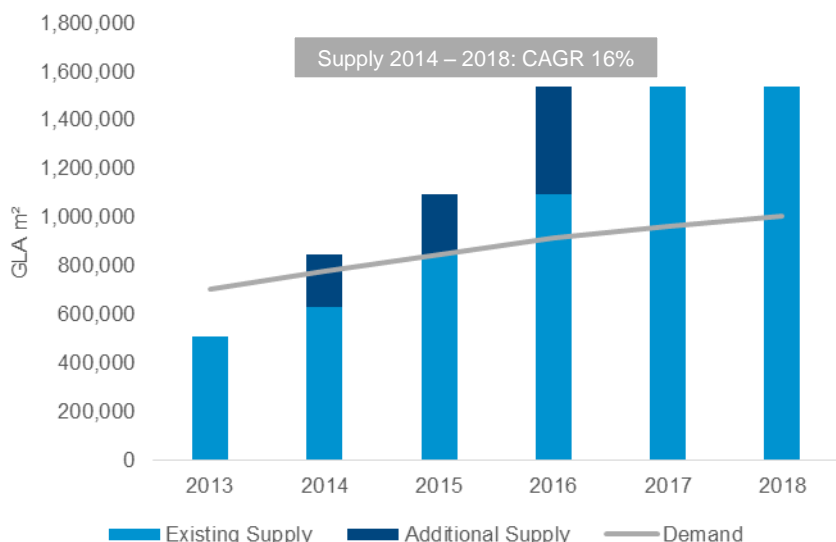
Exhibit 22: Existing Shopping Mall Supply



The majority of shopping malls in Doha are located in the northern and north western side of the city. However, the majority of planned/ proposed malls will see a concentration shift towards and in Lusail.

Based on future population growth estimates demand for shopping mall space is likely to continue an upward trend. Colliers International estimates a delivery of a further 900,000 m<sup>2</sup> within the next 5 years (provided construction timelines are met). Given this volume of planned supply comes online (provided construction timelines are met), the addition supply is expected to add more competition in the retail landscape.

Exhibit 23: Cumulative Retail Supply Estimates



DOHA 2014 SHOPPING MALL DEMAND

Additional 72,700 m<sup>2</sup> in 2014

10% YOY Increase

Exhibit 24: Estimated Demand for Shopping Mall Space

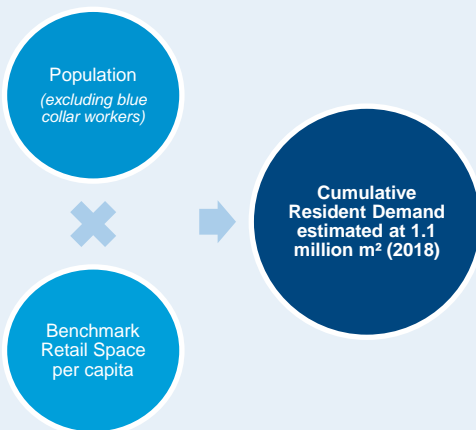


Exhibit 25: Average Occupancy

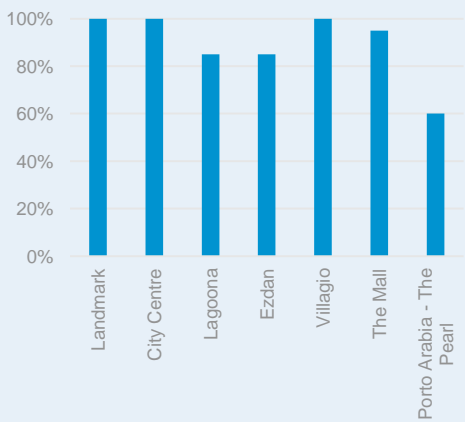
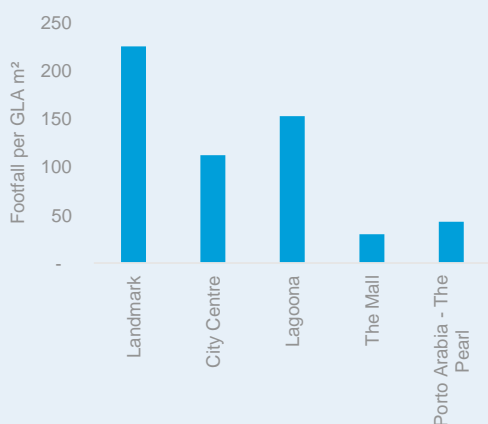


Exhibit 26: Footfall per GLA



## 5. Retail Sector Overview Contd.

### 5.3 DEMAND

Assessing demand for retail space in a community relies on a number of factors which include the general affluence of the community and levels of discretionary disposable income.

The International Council of Shopping Centres (ICSC) has published a guideline suggesting that developed communities can absorb a supply of 2 m<sup>2</sup> GLA per head of population. This is broken down into formal shopping mall space (1.1 m<sup>2</sup> GLA per head of population) and other retail space (0.9 m<sup>2</sup> GLA per head of population).

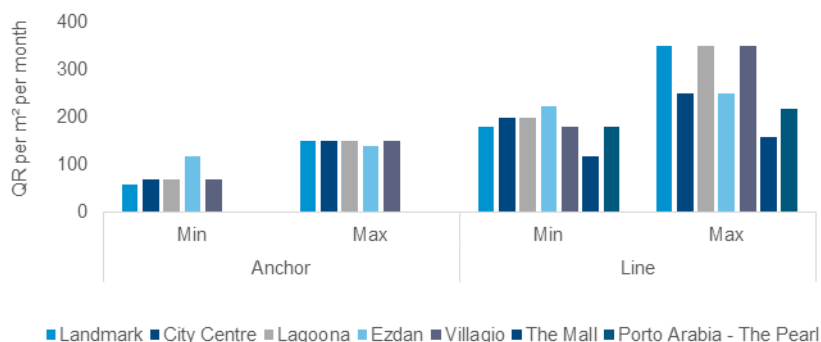
Given the high levels of disposable income, and the general affluence of the Qatari society, Colliers has applied the ICSC guidelines to assess demand for retail space in Doha.

Applying the ICSC guideline to population, once blue collar (elementary) workers are discounted from the equation, by the end of 2013 Doha had the capacity to absorb a total supply of 700,000 m<sup>2</sup> of formal shopping mall space.

### 5.4 PRICING / MARKET PERFORMANCE

Average line rentals in shopping malls in Doha range between QR 180 and QR 275 per m<sup>2</sup> per month.

Exhibit 27: Average Retail Rental Rates



### 5.5 OUTLOOK

- Increased demand for retail space in Doha has prompted the development and proposals of numerous new shopping malls. These malls will increase the current GLA by almost 300%, being actual realisation of announced projects.
- The majority of forthcoming malls are positioned within the mid-end market. Although there is still demand for retail space in established malls, going forward and given the competitive environment, demand may remain concentrated in destination shopping malls which attract a high volume of footfall, providing a broad tenant mix including unique & innovative entertainment, F&B environments, visually appealing and easily accessible.

#### KEY MESSAGES

Oversupply could Exercise a **Downward Pressure** on Average Rental Rates and Occupancy Rates

It will also Drive Some Shopping Malls to **Reposition** themselves in the Market

Demand will be Concentrated in **Destination Shopping malls** which include a Higher Percentage of F&B, Alfresco Dining, Cinemas, Kid's Entertainment and Family Activities

485 offices in  
63 countries in  
6 continents

United States: 146  
Canada: 44  
Latin America: 25  
Asia Pacific: 186  
EMEA: 84

- \$2.1 billion in revenue
- 485 offices 63 countries
- 15,800 employees
- \$75 billion in transaction volume across more than 80,000 sale and lease transactions
- 1.46 billion square feet under management

**SERVICES OFFERED BY COLLIERS INTERNATIONAL**

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- Real Estate Property Management Services
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- Retail Advisory Services
- Valuation and Advisory Services



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