

**Weathering the Storm
The Case of Abu Dhabi**

Market Opportunity

The following key drivers underpin the strong growth of the UAE and Abu Dhabi in particular:

- **Population, Demography and Labour force:**

Over 7 % growth per annum in the last five years. Population growth is expected to remain high mainly due to a further increase in the inflow of expatriates into the country.

- **Business and Tourism hub:**

Abu Dhabi is developing into a major business and tourism hub for the Middle East.

- **Strong Demand for Real Estate:**

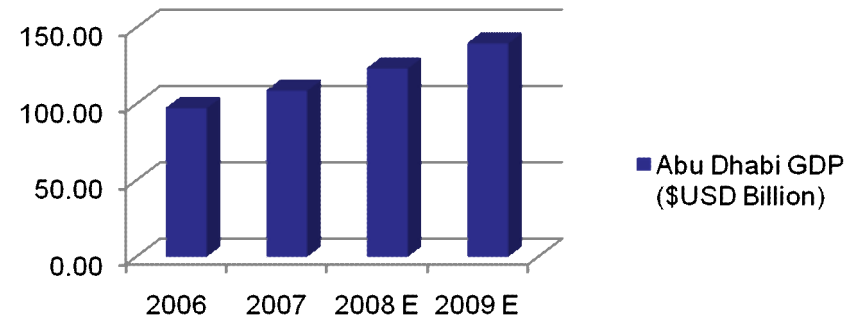
Economic diversification and growth in the industrial sector should contribute further to the demand for residential and commercial properties.



Abu Dhabi Economy

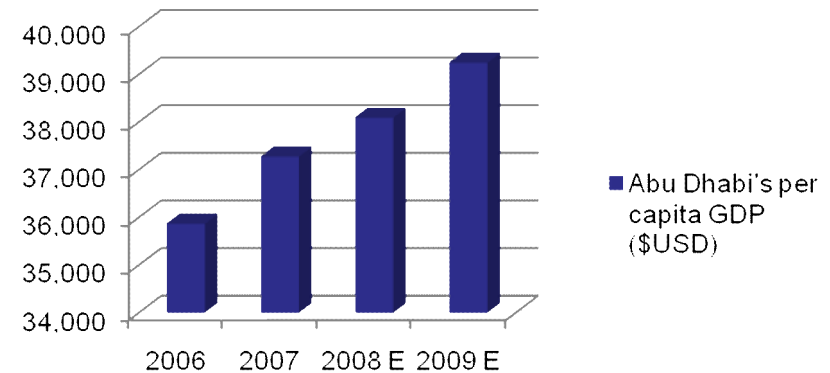
- GDP per capita of Abu Dhabi grew at a CAGR of nearly 10% during 2001-07 to reach over US\$ 41,500.
- Abu Dhabi's economy is expected to grow to 158.782 Billion dollars by the year 2010, more than double its size in 2005 with the expansion of the non-oil sector.
- That non-oil sectors will contribute 45 % of Abu Dhabi GDP in 2010, up from 41 % in 2005. This is forecast to increase to 55% by 2020.
- Population (including expatriates) grew at CAGR of approximately 7% over the period 2001-2007.
- The growth is expected to continue, with population expected to reach 3.1m by 2030.

Abu Dhabi GDP (\$USD Billion)



Source: Oxford Business Group

Abu Dhabi's per capita GDP (\$USD)



Source: Oxford Business Group

Abu Dhabi's Residential Real Estate

- The residential market in Abu Dhabi is plagued by a significant supply-demand gap as expatriate inflow into the UAE remains buoyant.
- Residential rents increased by approximately 65% between 2007 and 2008.
- The earliest delivery of the major projects is not expected to start until 2010. Until then, the demand-supply gap seems to be unrelenting.
- According to Colliers International, Abu Dhabi will have new supply of 33,100 units by 2010. In contrast, the city will require an additional 100,000 units to absorb excess demand.
- Forecasts by HSBC Bank indicate continued rental growth in Abu Dhabi by 22% in 2009.
- Much of the success of Abu Dhabi's current residential market is attributable to new property laws. The rule welcomes foreign nationals and rewards them with the right to acquire leasehold property in the city.



Abu Dhabi Market Opportunity

Abu Dhabi Office Market

- Based on 2007 figures, the total leasable office space is approximately 1.4 million m², of which 510,000 m² of leasable space is located in the city. Over the next two years an additional 600,000 m² is forecast to be developed.
- 65% of the new expected office space will be classified as A-Grade.
- Unsatisfied demand for office space and limited supply entering the market over the past few years has manifested itself in sharp rental increases. This is evident in a number of companies currently occupying residential villas and others putting relocation / growth on hold until suitable space becomes available.
- According to Colliers International robust economic and demographic growth in the Emirate is expected to see demand outstrip supply for at least the next three years.

Abu Dhabi Retail Market

- Shopping mall GLA is set to increase from 820,000 m² to 1.4 million m² by 2010.
- Shopping malls account for more than 60% of total GLA of retail space.
- Total current average occupancy rate is 90% across all sectors.

Abu Dhabi Hotel Market

- Occupancy rates have increased from 69% in 2001 to 86.7% in 2008.
- Abu Dhabi is trying to market itself a cultural hub in the GCC region and is actively encouraging growth by attracting world leading conferences, museums (Guggenheim, Louvre) and new universities.
- 40% of tourism will be towards the leisure traveler by 2015. The target is to accommodate 3 million tourists per annum by 2015.

Impacts of Current Situation

- Access to funding difficult and financing costs rising
- Pressure for smaller developers will most likely see a number of mergers and some leave the market all together
- The demand-supply imbalance is now expected to persist for longer
- Pressure will also extend to construction industry
- Strong developers stand to benefit from this softening market
- Banks are pursuing stricter lending criteria
- Mortgages generally only available for specific credible developments

Protecting Liquidity

Abu Dhabi is well positioned to ride out the storm....

- GDP of approximately USD \$123.705 billion
- Oil reserves of circa 100 billion barrels (more than 100 years at current production levels)
- Strong government spending
- Very high demand for real estate as a result of pent-up undersupply over recent years

Government action has been undertaken.....

- Injection of USD \$33 billion into banking system
- Guarantee of all inter-bank lending
- Guarantee of all deposits by residents in both local and international banks
- Establishment of new lending institutions (Abu Dhabi Finance) and merging existing players (Emirates Development Bank)
- Ready to respond further if required

Conclusion

Abu Dhabi is positioned strongly to weather the current economic crisis.

The real estate sector will be one of the main beneficiaries of that strength.

Current difficulties in securing financing for smaller developers will delay a number of projects and further compound Abu Dhabi's under-supply issues.

This in-turn should continue to increase demand for residential units and real estate in general within the city.

Arady PSC Overview



- **Arady PSC** is an established real-estate private equity firm based in Abu Dhabi, UAE.
- **Major Shareholders include:** Royal Family offices from Abu Dhabi, Premier Group Bahrain, Qatar Investment Authority, Al Aman Investments (Kuwait), Al Fahim Group, Evolvence Capital, Qatar Pension Fund, Abu Dhabi Co-Op, Belhoul Investment Office, Lakhraim Business Group.

Current Projects Include:

- USD 150 million Abu Dhabi Property Opportunity Fund – Real Estate Private Equity Fund focusing on the trading of property assets within Abu Dhabi. Launched November 2007, and successfully closed within 3 weeks. To date a 45% Return on Investment has been achieved.
- In the process of launching a USD 400 million development fund focused on the Emirate of Abu Dhabi.
- Helix Towers located on Al Reem Island, Abu Dhabi – Twin tower development comprising 350 apartments. In excess of USD 250 million gross sales to be achieved.
- Establishment of NCP Gulf Services – Joint Venture Partnership with National Car Parks UK and Arady PSC. The Joint Venture has recently been awarded the world's largest on street car park management contract for Abu Dhabi worth over USD 300 million.
- Acquisition of land bank in different cities in excess of USD 300 million in today's value.

Contacts



Ali Hamad Lakhraim Al Zaabi

Managing Director

Tel: (971) 2 681 7333

Fax: (971) 2 681 7334