

## DUBAI AWAITES THE 2020 EXPO AWARD

### Hot Topics

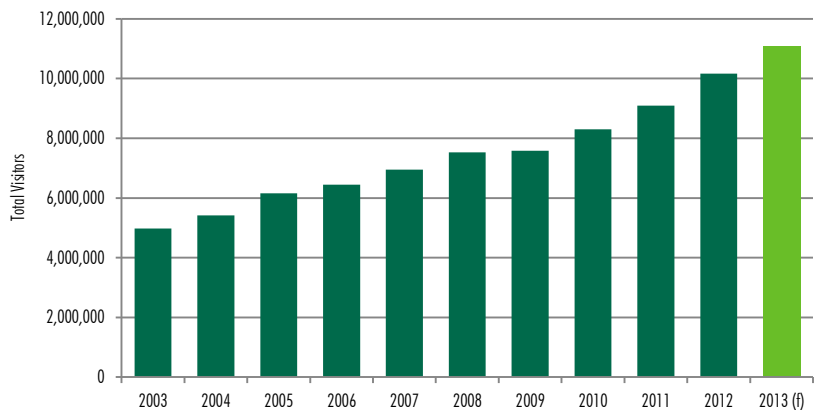
- Dubai GDP growth could reach over 4% during 2013, buoyed by the strong performance of the core sectors of tourism, manufacturing and retail trade.
- Dubai residents are experiencing rising cost of living with residential rents increasing by close to 23% during the last 12 months alone.
- Dubai looking to attract 20 million visitors annually by 2020 as part of its long term tourism vision.
- Major infrastructure projects expected to be fast tracked should Dubai win Expo 2020, including the Dubai Metro Purple Line.

### Economic Overview

Business confidence in the UAE continues to rise amidst positive economic conditions. The most recent consensus forecasts for 2013 have set annual GDP growth at around 3.5%. However, it is expected that Dubai will outperform with growth forecasts of 4-5%, buoyed by the strong performance of the core sectors of tourism, manufacturing and retail trade.

A positive result would mean new people, new visitors and new interest in Dubai, with international coverage and global exposure in what at the very least would be a wonderful PR event for the UAE, and at the very best a springboard to establish Dubai as an internationally recognized global city.

Chart 1: Dubai Hotel Establishment Visitors, 2003 – 2013 (f)



Source: DTCM & CBRE Research

According to reports and estimates, over US\$40 billion was spent by the Chinese government on developing and improving infrastructure in the build up to the 2010 Shanghai Expo, including six new metro lines, new roads, tunnels, bridges and a high speed rail link.

The quality of Dubai's own infrastructure has been extensively highlighted in recent months and has unsurprisingly formed an integral thread throughout the bid message.

Should the bid be successful, Dubai's existing facilities would be upgraded and expanded leaving a lasting legacy, with the Dubai Metro Purple Line set to be fast tracked for completion, along with other a host of other major works. This would have a direct and positive impact on the UAE's employment numbers, with additional workforce needed to service major construction projects, whilst new companies would also be expected to set up operations to service other related Expo requirements.

According to figures released by the Chinese Government, over 600,000 new jobs were created for the Shanghai Expo, although it is unclear how many of these were sustained post the event.

This would include development of real estate projects around Dubai World Central (DWC) and expansion of the Al Maktoum International Airport itself, accelerating its use as a new passenger hub and acting as a further catalyst to develop the airports transport and cargo infrastructure - a key driver for the emirates long term economic growth.

Furthermore, the importance of Jebel Ali port will also be increased tremendously, with its strategic proximity to the new airport, the port will act as a key corridor for transfer of goods from sea to the expo site, ultimately enhancing Dubai's competitiveness as a global trade hub.

## Real Estate Market

Property markets around the world have proven to be acutely sensitive to changes in market sentiment. There should be little surprise then that Dubai's bid to host Expo 2020 has had a resoundingly positive effect on local real estate markets over the past year as anticipation builds towards the award.

With political instability still prevailing in parts of the region and with economic conditions continuing to improve in the UAE, Dubai is seeing renewed impetus for growth, attracting an increasing number of international investors and occupiers alike. That said, there is a feeling in the marketplace that some of the potential upside of a positive award may already have already been priced into recent growth as investors have effectively gambled on the outcome of the result.

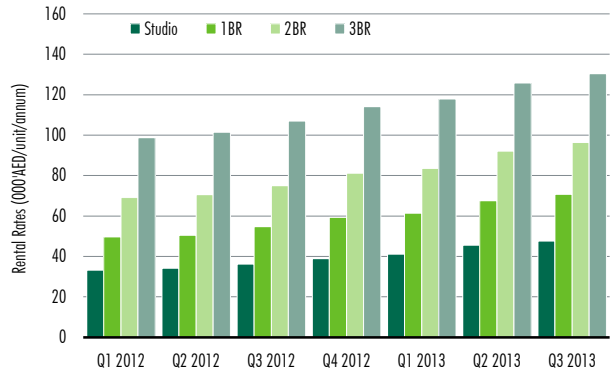
Adversely, improved market sentiment is also contributing to the rising cost of living, compounding a situation where residential rents have already grown by an average of 23% during the last year.

The last edition of the Expo (2010) held in Shanghai attracted around 73 million visitors, a record for the event. The USA pavilion alone attracted over 7.3 million visitors during the six month period, more than Dubai's total hotel guests during the whole of 2007. However, according to Chinese Government figures the vast majority of visitors to the Expo event were Chinese nationals, with only roughly 6% of the estimated 73.0 million visitors actually foreign tourists. Whilst this is still a significant number of visitors, it does suggest a need for caution in respect of Dubai's future development plans which must remain anchored to actual supply and demand dynamics, rather than building just for a single event.

Hotel supply in the emirate has reached close to 60,000 keys with over 23,000 hotel apartments also operational. Last year Dubai attracted over 10 million, with hotel establishments recording an average occupancy rate of close 80% during 2012. Dubai's vision for tourism has set out plans to double annual visitor numbers to 20 million in 2020. The first nine months of 2013 have already seen around 7.9 million visitors, meaning the emirate is well on track to beat tourist forecasts for the current year.

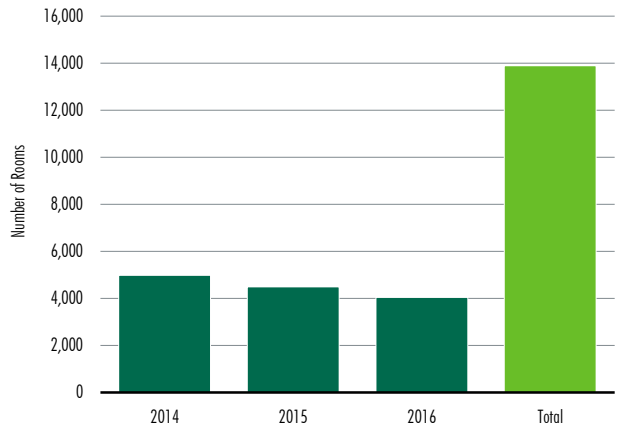
Over the next three years alone 14,000 new hotel keys and nearly 5,000 hotel apartments could be delivered, adding capacity for a further 7.0 million room nights a year to Dubai's annual room inventory. Should the bid be successful, this pipeline of additional rooms would undoubtedly swell much further.

**Chart 2: Dubai Apartment Rents, 2012-Q3, 2013**



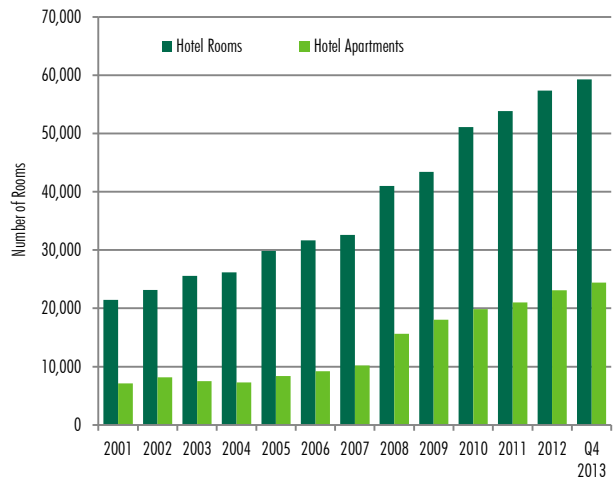
Source: CBRE

**Chart 3: Dubai Future Hotel Supply, 2014 - 2016**



Source: CBRE

**Chart 4: Dubai Hotel Supply, 2001 - Q3, 2013**



Source: CBRE

Whilst a single event may not be sufficient to drive Dubai's long term growth, it could certainly strengthen the case for development of a number of associated infrastructure and leisure and entertainment facilities that would drive tourism demand moving forward and ultimately help the country to capture a larger share of international tourism market.

There would also be a direct impact on other real estate sectors, specifically retail which would see rising retail spending leading up to and during the event. Unsurprisingly 2010 was a record year for tourist spending in Shanghai, a fact that will ultimately encourage new brands to enter the local market, improving Dubai's position as one of the worlds most branded retail markets.

### Outlook

Dubai's economy now appears more robust and in better shape for the future, which is helping to attract a host of new companies keen to set up operations in order to service the wider Middle East region. The tourism, retail and manufacturing markets are all buoyant, reflecting the strength of three core industry segments. With this in mind, there are certainly reasons to be positive on the real estate outlook over the next 12 months.

Whilst a Dubai Expo 2020 win would certainly spur growth across virtually all asset classes, failure would also be far from disastrous. The Dubai bid has already created global interest and generated positive press locally and internationally for the quality of the submission and for the strides that have been taken in the emirate's recovery since 2008.

However, a negative result could cause a short term dip in sentiment levels, specifically impacting the residential and land sectors which have both seen strong growth in prices over the last year as expectations levels have built up towards the announcement. It also appears that significant hope value been placed on the outcome of the decision, with notable growth in strategic areas close to the Expo site.

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