

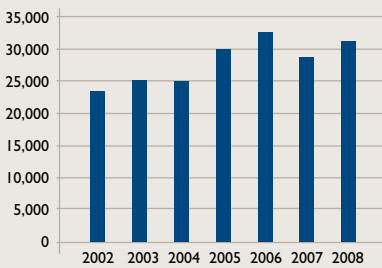
# Dubai Retail Snapshot

RETAIL SERVICES | SECOND QUARTER | 2008



*New generation of 'destination' shopping malls has entrenched Dubai's dominance of the GCC retail industry*

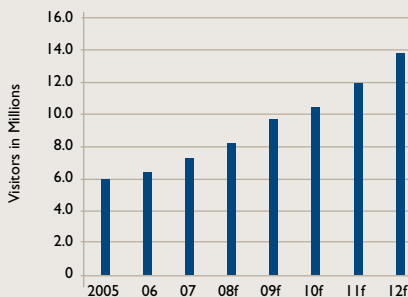
DUBAI GDP PER CAPITA



*Dubai GDP continues robust growth, driven by economic diversification and non-oil GDP growth*

*Consumer spending supported by regional petrodollar liquidity, continued influx of 'white collar' labour and sustained tourism sector growth*

TOURISM GROWTH FORECAST



## ECONOMIC HIGHLIGHTS

- GDP in 2007 registered at US\$45.9bn
- Non-oil GDP growth driven by logistics, finance, tourism and real estate sectors
- Population CAGR of 8% between 2003 and 2007, with current population estimates at 1.6 million inhabitants
- Government statistics estimate the population to increase to 2.2 million inhabitants by 2010, representing a CAGR of 10.8%
- Average UAE spending power of US\$14,400 per household per annum
- Average spending power per annum of US\$23,000 for 'Emirati' households, US\$19,500 for 'Western' households, US\$13,500 for 'Other Arab' households and US\$10,000 for 'Asian' households
- Hospitality sector performance remains strong; occupancy levels across market registered at 82.1% in 2007, rising to 87.7% within 5\* hotel segment. Year-on-year market RevPAR growth of 16%, with average RevPAR in 5\* segment at US\$286
- Increase in average length of stay (ALS) in resort hotels to 3.97 days against a slight decrease in the business hotel ALS to 1.29 days, suggesting continued increase in leisure tourism segment contribution to retail revenues
- Tourism market accounts for 21% of Dubai's retail spending, increasing to over 40% in Dubai's new generation 'destination' shopping malls
- Total number of tourist shoppers last year estimated at 1.9 million
- Total spending in Dubai's retail sector is expected to surpass US\$ 7.6bn by the end of next year



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Successful marketing campaign promoting Dubai as a global shopping and leisure destination has driven forthcoming development activity

Shopping mall supply accounts for over 70% of total retail GLA, with non-mall GLA representing less than 400,000 m<sup>2</sup> in total

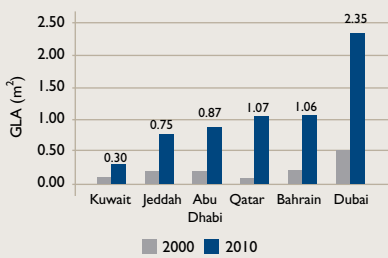
**FORTHCOMING SUPPLY\***

PROJECT	YEAR	GLA (m <sup>2</sup> )
THE DUBAI MALL	2008	344,000
THE WALK (JBR)	2008	71,500
OASIS MALL	2008	60,000
MIRDIFF CITY CENTRE	2009	183,000
DUBAI MARINA MALL	2009	77,000
MALL OF ARABIA (PH I)	2010	400,000

\* This table does not constitute an exhaustive list of forthcoming supply

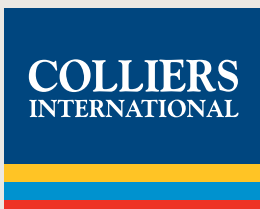
Dubai is expected to account for 71% of total UAE Gross Leasable Area (GLA) by 2010, and 24% of total GLA supply in the GCC by the same year

**GCC RETAIL MALL GLA PER CAPITA**



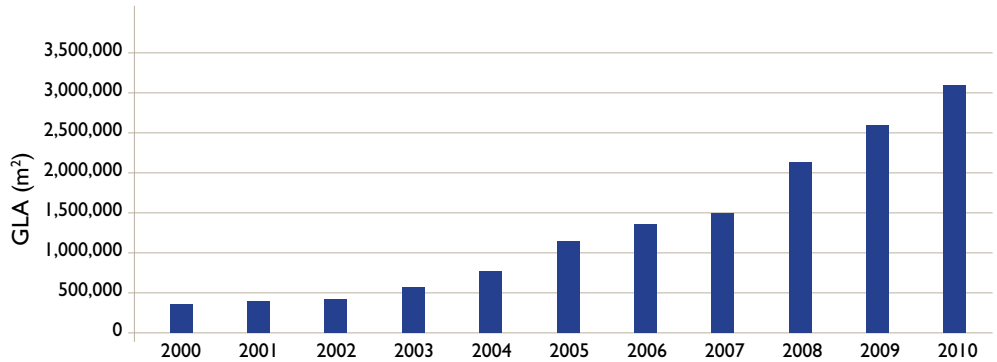
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**DUBAI CUMULATIVE SHOPPING MALL SUPPLY**



**RETAIL MARKET PERFORMANCE**

- Occupancy rates of 98% - 100% in destination shopping malls, with average occupancy levels over 90% across market
- Over 70% of forthcoming shopping mall supply entering the market between 2008 and 2010 is already pre-let, suggesting that retailers remain bullish on Dubai's growth prospects
- Shopping mall rents average US\$ 1,200 per m<sup>2</sup> p/a, increasing to an average of US\$1,800 in premium retail destinations such as Mall of the Emirates, Ibn Battuta Mall and Burjuman
- Anchor tenant rents average US\$ 135 per m<sup>2</sup> p/a at present. Increasing competition for anchor tenants has reduced average rents for forthcoming malls to US\$120 per m<sup>2</sup> p/a
- Estimated footfalls determined less by spending power and more by location and available leisure amenities – Mall of the Emirates currently achieves the highest footfall at 2 million visitors per month. Deira City Centre registers 1.5 million visitors and Ibn Battuta Mall hosts just under 1 million visitors per month
- GLA Per Capita set to increase to 2.35 m<sup>2</sup> in 2010, reduced to 1.14 m<sup>2</sup> when accounting for expected growth in tourism inflows. Retail sales, however, will have to grow at a steady YOY growth rate of 35% to sustain current performance trends
- Short term market oversupply expected by end of next year, precipitating a performance shift favour of new generation malls
- Smaller and older malls will be required to reposition themselves to appeal to specific market segments, in order to reduce the impact of sharp vacancy increases and downward pressure on rental rates made likely by market oversupply
- New, larger malls with strong tenant mixes are expected to maintain current absorption rates, driven by strong economic fundamentals, continued brand diversification and the evolution of the 'shopping resort' concept towards greater incorporation of leisure amenities
- The scale of forthcoming retail supply and increased competition is nevertheless expected to bring about an overall softening in rental rates at the market level
- Retailer 'cashflow crunch' will see greater emphasis on integration of future shopping mall supply within master-planned developments, necessitating more alignment of retailer objectives with those of developers

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