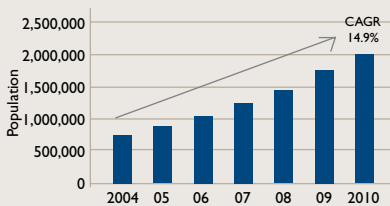


Doha Real Estate Overview

RESEARCH | FOURTH QUARTER | 2008

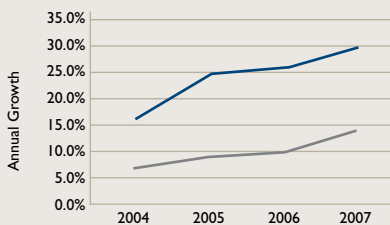
GDP increased by 33.7% in 2006, followed by a 25.1% increase in 2007

QATAR POPULATION



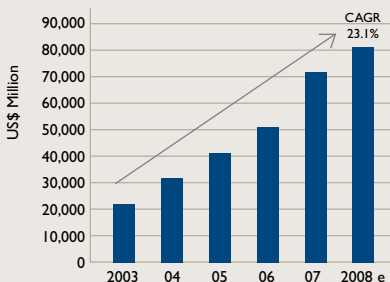
Housing expenses account for 30.8% of the average household income

CONSUMER PRICE INFLATION



Inflation reached 13.7% in 2007, with further expected increases of 2-3 percentage points in 2008

QATAR POPULATION



Real estate market performance and sustainability driven fundamentally by population trends

ECONOMIC HIGHLIGHTS

- National economy is currently experiencing tremendous growth, buoyed by strong oil and natural gas prices. GDP forecast to grow to US\$133bn by 2010
- Currently the third largest exporter of Liquefied Natural Gas, with the third largest proven gas reserves in the world
- Oil and gas sector accounted for 57% of GDP in 2007, with a similar share forecast in 2008 and 2009, due to upward pressures on energy commodities and increased production
- GDP per capita increased by 23.85% last year to reach a record level of \$72,444. Estimates suggest GDP per capita will exceed \$75,000 by 2008
- Introduction of incentives to encourage liberalisation and diversification towards the non-oil sector, particularly light and medium-sized industries
- In 2007, the construction sector accounted for 5.65% of Qatar's total GDP, constituting an 18% increase between 2003 and 2007.
- The construction sector will increasingly contribute to the state's overall GDP, as ambitious government initiatives such as Qatar Financial Centre, Qatar Science and Technology Park, Education City, Energy City, and the new Doha International Airport contribute to Qatar's growth
- With the government spending US\$130bn on a diversified range of projects associated economic and demographic growth is expected to drive the residential, commercial, hospitality and retail property markets
- Aside from extensive Greenfield site developments throughout Doha, the city is undergoing a state-sponsored modernisation and beautification programme, with the planned demolition and replacement of large blocks of buildings in various parts of the city
- Real estate development encouraged by progressive policies, including Law No. 17 of 2004 that enables non-Qatari's to buy real estate on freehold within The Pearl, West Bay Lagoon, and Al Khor developments. A February 2006 Cabinet Decision extended the right to own property on 99 year leasehold basis in downtown Doha, conveying full property rights to expatriates who can freely let, sell or otherwise dispose of property in 18 designated areas.
- According to the Cabinet Decision No(9) of 2008, residential rent increases have been frozen for next two years on all the contracts signed after 1 January 2005 and limits for increases have been set after this grace period.



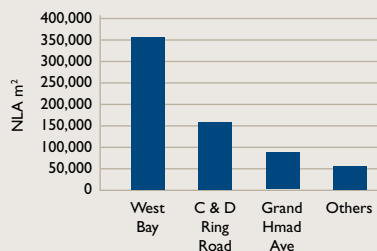
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Completion of office space in West Bay throughout 2008 has temporarily addressed unsatisfied demand for Class A products, thereby establishing the area as the city's new CBD

EXISTING OFFICE SPACE IN DOHA

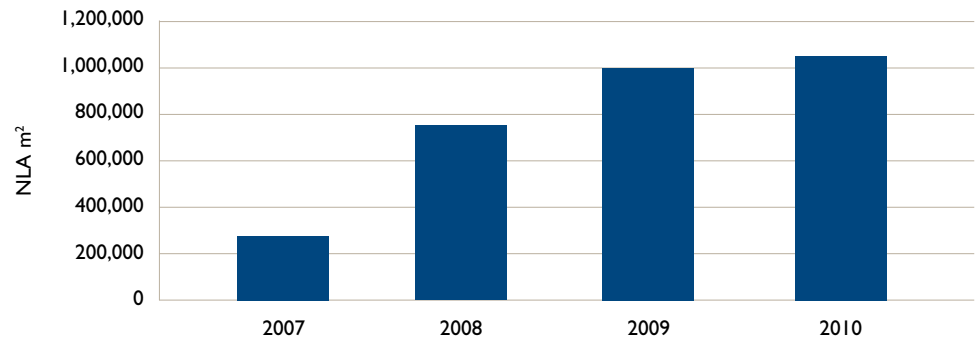


PERFORMANCE INDICATORS

AVERAGE RENT: US\$ 820 per m² p/a
 PREMIUM RENT: US\$ 985 per m² p/a
 SALES PRICE: US\$ 6,850 per m²
 AVERAGE YIELD: 14.3%
 VACANCY RATE: 5%

Assuming developments are completed to schedule 2009 will see another major spurt in office supply, though demand-supply equilibrium is not expected until 2011 at the earliest

WEST BAY CUMULATIVE OFFICE SUPPLY



The establishment of West Bay as Doha's new CBD was initially spurred by the relocation of government bodies to the area. The idiosyncratic practice of Qatari government organisations leasing rather than owner-occupying office space (in contrast to other GCC markets) provided an incentive for further development, particularly when considering that public bodies account for over 20% of total office demand in Doha. The subsequent relocation of major local companies from the traditional business thoroughfares of the Grand Hamad Avenue, Al Sadd and the A – D ring roads has further enhanced the prestige factor which has translated into market rents of US\$820 per m² – a 25% premium over the market average.

Growth in rents market wide have been boosted by a demand glut for Primary Grade office space over the past three years – a product of Qatar's burgeoning LNG sector, and an associated market for project finance. Accordingly, financial institutions account for the highest proportion of new office demand in Doha – a trend expected to continue with the efforts of the Qatar Financial Centre in attracting international blue chip tenants. The need for banks to locate themselves in West Bay in order to be in close proximity to their oil and gas sector clients, coupled with a shortage of available space has equalled rental premiums comparable to Dubai.

Current office supply (both government and private) in the market is estimated

at 658,000 m² at present, when including locations such as C& D Ring Road, Grand Hamad Avenue and A& B Ring road. Office space in West Bay alone is expected to bring another 820,000m² of supply over the next two years, most of which will be marketed as Primary Grade office space. Whilst development delays may serve to lessen the risk of market oversupply, YOY population growth of 9% is expected to slow over the next three years on the demand side, meaning that premium rents are unlikely to experience annual double-digit growth moving forward. Qatar has earmarked US\$130bn over the next four years to assist the economy's diversification into healthcare, industry and tourism, though this translates into marginal new demand for Class A office space.

This leaves the financial, government and energy sectors as the core tenants for forthcoming office space in West Bay, the expected growth of which may prove sufficient if no further large scale office developments are announced in the medium term. The prestige and attractiveness of West Bay as a regional CBD can also be enhanced if tentative plans to develop a public transport network interlinking buildings come to fruition, which would allay current concerns of ingress and egress, as would incentivised lease terms for corporate tenants at the micro-level.



Government intervention following threefold increase in rents over past two years

Two year freeze on rents due to market undersupply, intensified by redevelopment of existing city centre

PERFORMANCE INDICATORS

AVERAGE RENT: US\$ 285 per m² p/a
 PREMIUM RENT: US\$ 400 per m² p/a
 SALES PRICE: US\$ 6,020 per m²
 AVERAGE YIELD: 7%
 VACANCY RATE: 3%

Housing cost remains largest contributor to inflation

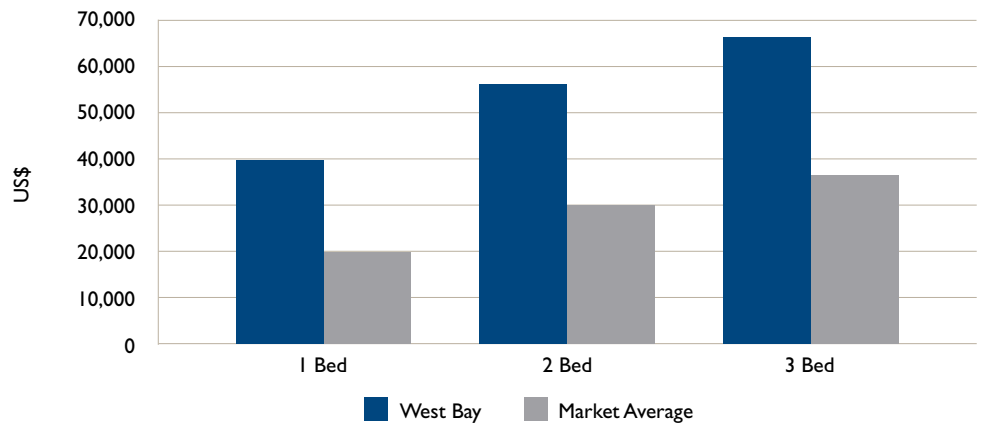
An estimated 9,000 new apartments will be available in Doha by end of 2010

DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m ²
WEST BAY	2010	2,700
PORTO ARABIA	2010	4,750
VIVA BAHRIYAH	2012	8,000
BARWA AL KHOR	2014	23,000

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

ANNUAL DOHA RENTS - WEST BAY PREMIUM



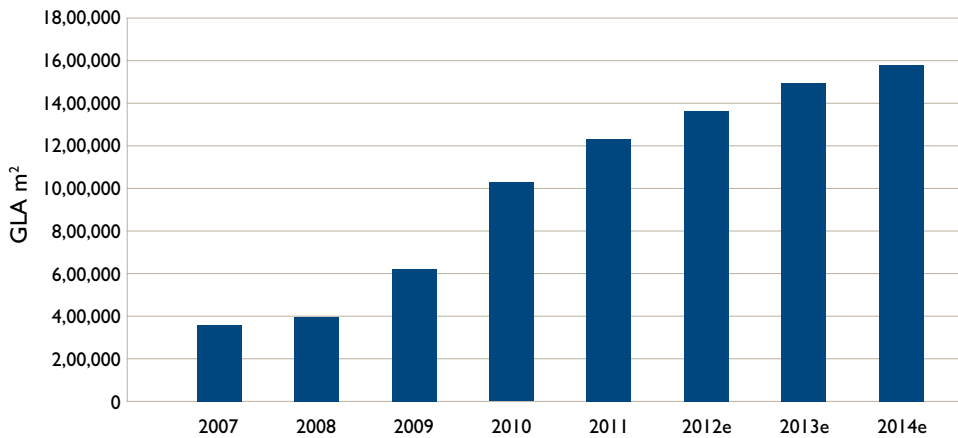
Doha's residential sector has been typified over the last three years by an acute housing shortage as increasing demand, spurred by double-digit GDP growth, has outstripped supply. Current growth trends indicate that Doha will have a population of approximately 800,000 in 2010, up from an estimated population of 660,000 at present. Expected annual increases of 15% in the influx of expatriate labour over the next three years (against slower indigenous growth of 3%) will reduce Doha's average household size from a 2007 average of 5.9 – further compounding supply constraints. Q3 2008 figures from the Qatar Statistics Authority confirm that Qatar's population grew 18 percent in the first half of 2008 to 1.45 million people.

Despite substantial increases in rents since 2005 we expect growth to slow over the next two years, though due to regulatory intervention rather than market forces. In a bid to control inflation and reverse recent trends where expatriates have been dissuaded from relocating to Qatar due to escalating housing costs, the government revised its 10% rent cap in February 2008 to a two year freeze on rents for leases signed after 1st January 2005. Under Cabinet Resolution No 9 of 2008, limits have also been set for pre 2005 contracts: a 20% increase per annum for annual rents below US\$6,600; a 15% increase per annum for rents between US\$6,600 and US\$16,440; a 10% increase per annum for rents between US\$16,440 and US\$33,000; and a 5% increase per

annum for rents above US\$33,000. Sharp rental increases have contributed to the growth of sales transactions in The Pearl and Lusail City – given the availability of products to international investors on a freehold and 99 year lease basis. Increased investment activity from both prospective owner-occupiers and speculative investors has driven YOY growth of 50% in average sales prices between 2007 and 2008.

Looking ahead, core areas of forthcoming development in the medium term will be West Bay (with an estimated 2,500 apartment units), The Pearl Qatar and Lusail City – though the expected delivery of 9,000 additional units over the next two years is marginal in the context of current unsatisfied demand. Major developments such as Barwa Al Khor and Viva Bahriyah (part of The Pearl master-plan) will deliver more substantial supply to the market between 2010 and 2014, though demand fundamentals are expected to remain strong to absorb additional supply for the foreseeable future. Similar to real estate markets in the UAE and some other Middle East cities, there is some concern that escalating construction costs and information opacity are causing a developer bias towards high-end apartment products, despite a more acute shortage of middle-income housing. Accordingly, we expect the onus of affordable housing provision to be on government and semi-government and semi-government master-planners such as Barwa and Qatari Diar moving forward.

DOHA CUMULATIVE SHOPPING MALL SUPPLY



In contrast to regional retail leader Dubai, tourism accounts for a marginal proportion of retail revenues in Doha, where the emphasis is much more on capturing domestic consumer expenditure. Though significant street facing retail provision exists between the A and E Ring Roads, complemented with a renovated souq in downtown Doha, shopping malls incorporating leisure and entertainment amenities have been the retail product of choice in the city's high growth locations. City Center in West Bay and Villaggio near Sports City, Doha's two international standard malls, are prominent examples of these.

With one of the highest GDP Per Capita in the world and consumer demand driven by expatriate inflows, demand for retail space in prestigious developments has historically been strong in Qatar's shopping malls (the vast majority of which are located in the capital city). Pre-lets have increased from one to two years prior to completion in premium retail developments, whilst rents in existing high-end shopping malls average US\$ 850 per m² for line shops. For anchor tenants lease terms range between 5 to 10 years, whilst those for line shop tenants vary between 3 and 5 years. This can be expected to decrease to more competitive periods of 1-3 years in line with international norms, as more supply enters the market.

Over 400,000m² GLA of retail space existed in Doha as of Q4 2008, with approximately 1,130,000m² GLA scheduled for completion between 2008 and 2014. GLA per Capita will be under 1m² in 2010, requiring an average annual spend of US\$2,600 per capita. With a significant proportion of forthcoming supply also aimed at the high-income consumer bracket, including Porto Arabia at The Pearl and the Regency Mall, this segment will become increasingly competitive.

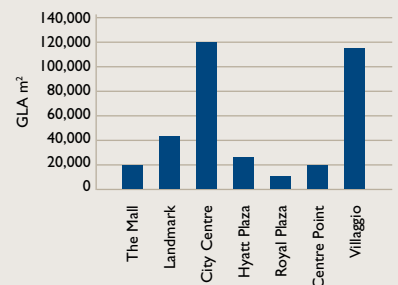
In light of forthcoming supply, retailers are seeking to diversify their product offering. Management teams of secondary grade malls are turning towards markets traditionally under-catered for and are attempting to create a new breed of mall aimed at the lower and middle segments of the consumer market. Another notable trend, particularly in malls catering to the high-income segment, is the integration of leisure facilities aimed at increasing dwell-time – though a small leisure tourism market makes the concept of a 'destination' shopping mall such as Dubai's Mall of the Emirates unlikely. Accordingly, we expect brand diversification within forthcoming malls to represent a critical success factor for future performance.



GDP Per Capita of US\$ 72,444 underlying focus on premium retail developments

Less emphasis on 'mega', 'destination' shopping malls at present due to small leisure tourism market

DOHA RETAIL SUPPLY



Total shopping mall supply expected to increase by 100% between Q1 2009 and Q4 2010

DEVELOPMENT SNAPSHOT*

PROJECT	YEAR	GLA m ²
LAGOONA	2009	72,000
AL KHOR MALL	2009	37,000
MALL OF QATAR	2009	150,000
AL WAAB CITY	2010	88,000
COMMERCIAL AVENUE	2010	243,000
THE PEARL	2011	188,000

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

Scale of forthcoming development reflects bullish developer outlook on demographic and leisure tourism growth



Corporate tourism accounts for over 95% of total demand

Average occupancy rates in 2007 dropped to 70%, down from a high of 75% in 2006 (due to the Doha Asian Games)

PERFORMANCE INDICATORS

MARKET OCCUPANCY:	77.3%
5* OCCUPANCY:	80%
ARR:	US\$ 274
REVPAR:	US\$ 212

Qatar Tourism and Exhibition Authority (QTEA) is targeting 1.4 million tourists by 2010, up from 2007 total of 963,573

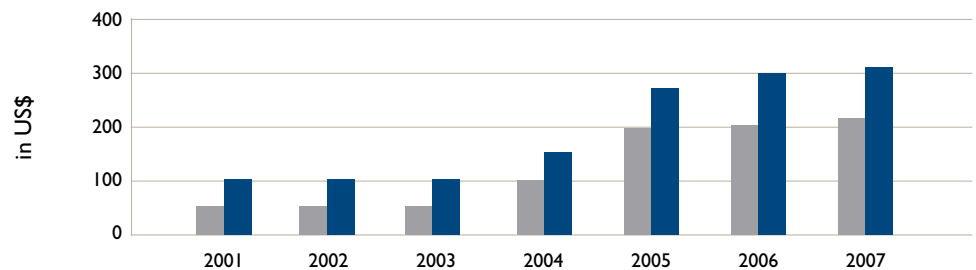
DEVELOPMENT SNAPSHOT (2008-10)*

PROJECT	NO OF ROOMS
W HOTEL & RESIDENCES	447
DOHA HILTON	320
SHANGRI-LA	272
ROTANA	384
MARRIOTT RENAISSANCE	257
MARRIOTT COURTYARD	327
MERWEB HOTEL	347

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

Total supply planned to increase to approximately 17,000 rooms by 2012

APR & REVPAR TREND IN QATAR



STR's HotelBenchmark™ survey of ten Middle East hospitality markets puts Doha after Dubai in terms of achieved ARR (at US\$ 274). This performance anomaly can be explained when considering that the corporate tourism segment accounts for 95% of total market share, marginalising the contribution of leisure tourism to hotel performance. Doha's hosting of the Asian games at the end of 2006 provided a temporary spurt in the latter segment, boosting ARR's by a growth rate of 37% YOY and the average RevPAR by 20%. Performance in 2007 compared to the previous year was less robust, with RevPARs registering negative 12% growth and occupancy rates increasing by a negligible 3% when compared to regional performance trends.

Based on an influx of 780,000 tourists in 2007, or 6% growth YOY, the Qatar Tourism Authority faces a challenge in meeting its target of 1.4 million tourists by 2010. The QTA seeks to develop Qatar's corporate/leisure tourism split to 65/35 over the same period, by growing the Meetings, Incentives, Conferences and Exhibitions (MICE), cultural and sporting tourism segments. Existing competition from regional markets such as Dubai, however, coupled with Abu Dhabi's focus on cultural and sporting tourism looking ahead, means that the QTA's targets may need to be revised. The state-owned Qatar Airways will act as an 'enabler' that brings visitors to Qatar and pushes up tourism numbers, though its expansion into new destinations

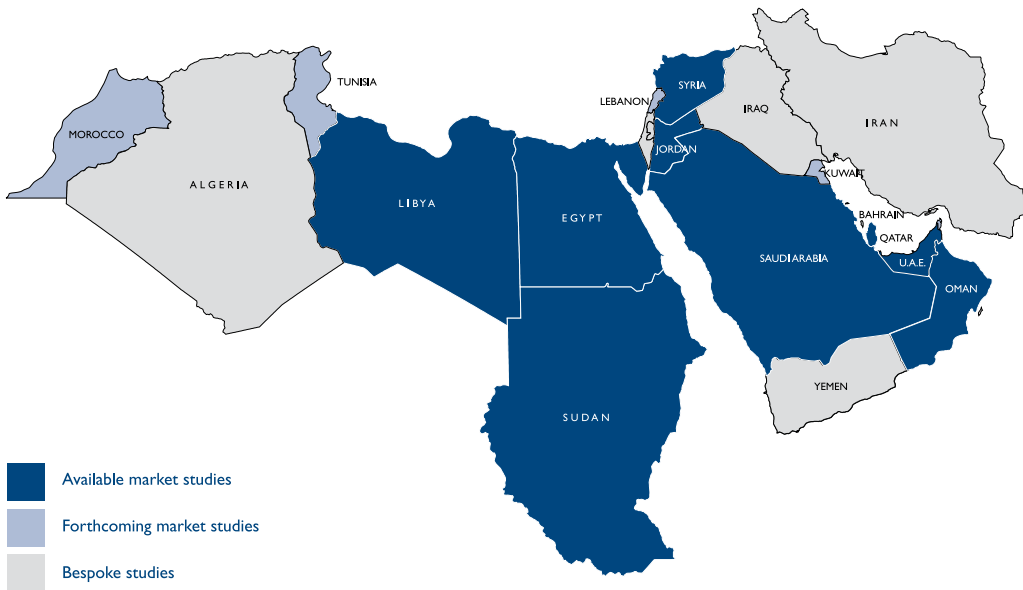
is unlikely to assist the QTA in its drive to increase the average tourist stay from 1.5 days to 3.4 days by 2010. Indeed, the expansion of the airline is likely to enable even shorter business trips to Doha.

Given these market conditions, we believe that plans to increase Doha's hotel room supply to a total of 17,000 rooms by 2012 are likely to be scaled back considerably. Doha currently has almost 4,800 hotel rooms in the 5-star and 4-star categories, and a significant expansion of these segments (given the tendency for regional markets to focus on luxury hotels) would intensify the risk of market oversupply. Based on confirmed hotels already under-development, we still expect total hotel supply to at least double by the end of 2010, necessitating a significant upturn in annual tourism inflows over the next three years.

Though we expect hotel products located along the Corniche and West Bay to continue to outperform hotel located elsewhere – as evidenced by performance premiums enjoyed by the Four Seasons, Ritz Carlton and Sharq Village and Spa – there remains opportunity to create successful hotels in master planned developments along the periphery of central Doha, provided they do not have competitive hotels in the immediate vicinity and enter the market strong price and positioning strategies.

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868 million ft² under management
Over 11,000 Professionals

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