



Qatar Real Estate Rental Index Q1 2016 - Q2 2019

KPMG in Qatar

September 2019

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KPMG in Qatar is pleased to release the latest 'Real Estate Rental Index', which tracks quarterly changes in the real estate rental market covering three core asset categories:

- **KPMG Office Rental Index (K-ORI)**
- **KPMG Residential Rental Index (K-RRI)**
- **KPMG Mall Rental Index (K-MRI)**

Indices Derivatives

These indices have been developed using KPMG's real estate rental database and our deep understanding of the Qatar real estate market. The base quarter for the indices is Q1 2016 = 100 and this includes rental data gathered from more than 100 representative properties in Qatar.

KPMG Office Rental Index (K-ORI) derives its value from more than 50 office developments across the commercial districts of Qatar.

KPMG Residential Rental Index (K-RRI) derives its value from more than 30,000 residential villas and apartments, distributed across high-end, mid-end and affordable housing developments across Qatar.

KPMG Mall Rental Index (K-MRI) derives its value from 22 malls (greater than 10,000 sqm of leasable area) across key municipalities in Qatar.

“Over the past two quarters, we have witnessed long term initiatives from the Government to induce further growth in the economy. Introducing initiatives such as 100 percent foreign ownership across various sectors with no capital flow restrictions and negligible taxes, expanding the coverage of foreign ownership in real estate are expected to help market stabilize and grow fundamentally.

Central Bank reaffirming normalized capital flows, a healthy liquidity position in the banking sector, high foreign capital reserves and steady growth in private sector will affect the real estate sector in the upcoming quarter very positively.”

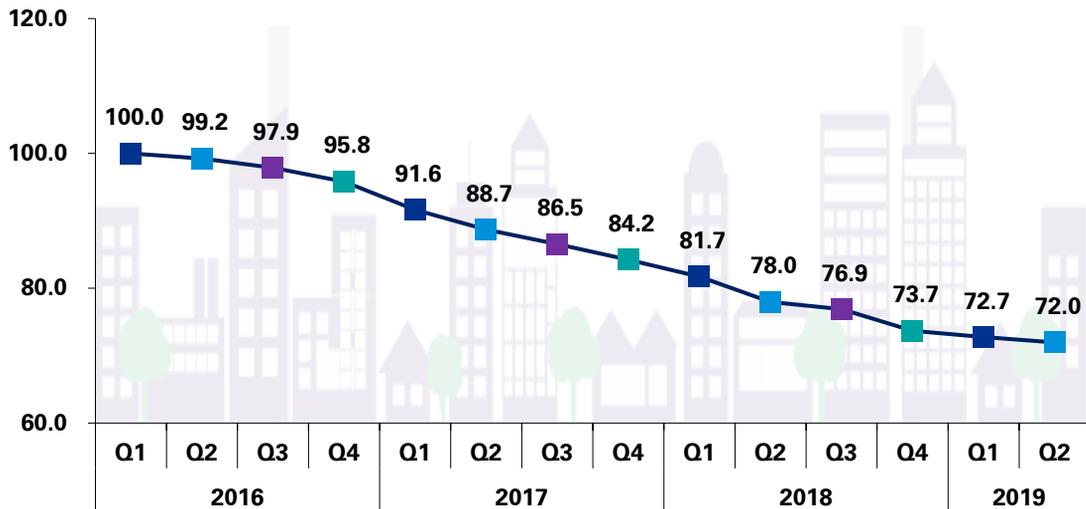


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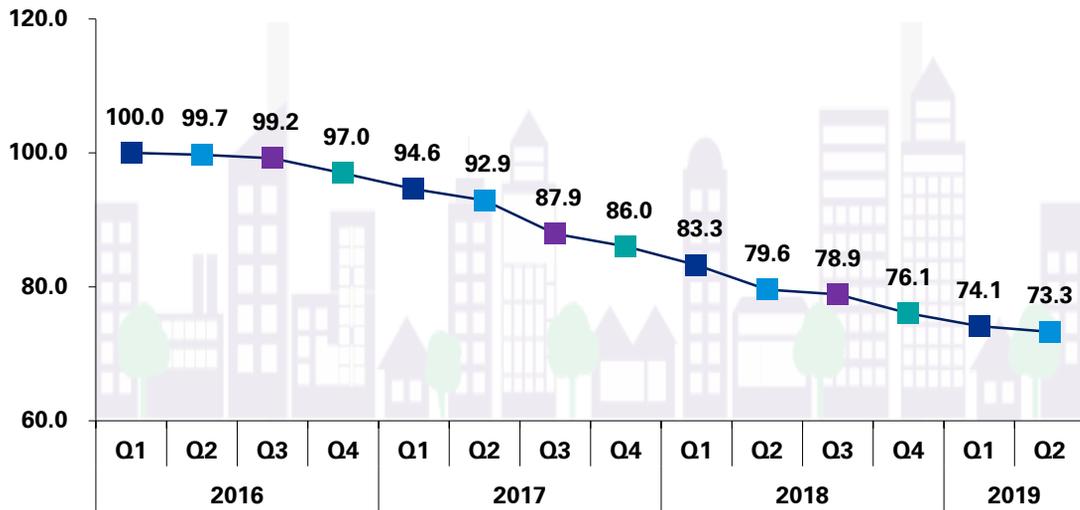
KPMG Office Rental Index (K-ORI)



- The vacancy rate along the major commercial districts of Doha could increase as new supply comes online and demand continues to remain subdued. However, the initial two quarters of 2019 witnessed a marginal drop of 2 percent in the rental index compared to 5 percent during the last two quarters of 2018. This is because a significant number of landlords are not bringing down the rentals as it becomes unviable to provide quality space at lower prices.
- Turnkey developments, particularly smaller suites and serviced office space are witnessing an uptick in demand as they become more affordable and many businesses can be seen relocating in search of better deals. Going forward, with the government introducing initiatives such as 100 percent FDI in several sectors, we expect demand for office space, especially the smaller suites to strengthen over the short to middle term.
- Many tenants can be seen negotiating further on the lease terms, particularly for 'bare shell and core' office space. This has resulted in owners agreeing to provide fit-outs based on the tenant's requirement, but on the key understanding that the tenant guarantees a set lock-in period. Such discussions were observed primarily for large space commitments.



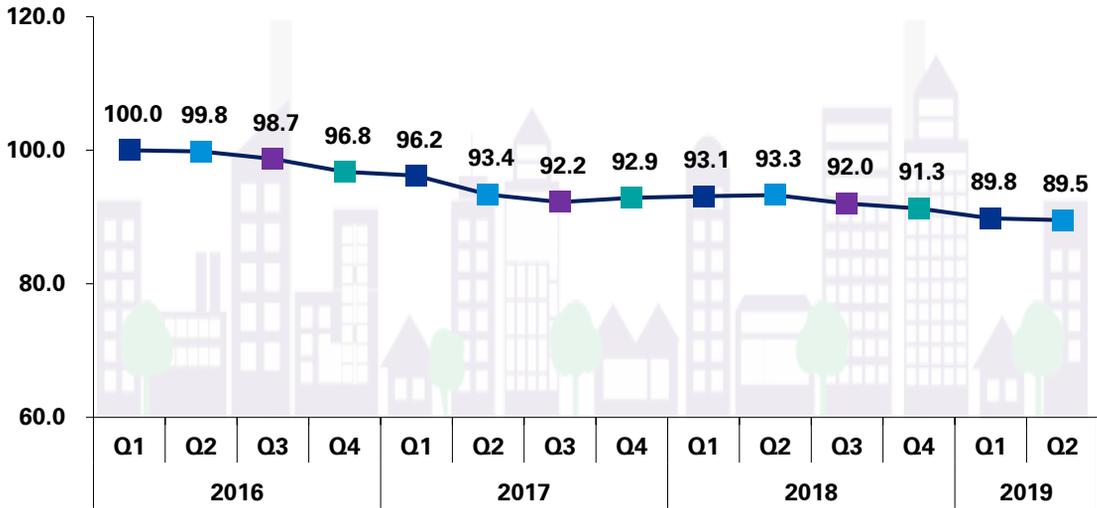
KPMG Residential Rental Index (K-RRI)



- The initial two quarters of 2019 witnessed a drop of 3.6 percent on the rental index compared to 4.5 percent during the last two quarters of 2018, mostly led by the villa category (catering to middle and affordable segments) experiencing a drop in the rental index by approximately 8 percent. The apartment segment witnessed a decline of approximately 6 percent during the same period. The high-end segment (villas and apartments combined) witnessed a drop in the rental index by 5 percent particularly in H2 2018.
- Over the last two quarters, vacancy levels in catchments catering to affordable segment, especially, in the south of Doha has seen an upward trend. This is primarily due to the movement of tenants to the central parts of Doha in search of better deals.
- Developers / landlords offering incentives such as 1 or 2 months rent-free period has become a usual norm. This has reflected positively in increasing occupancy and making the residential market, especially the high-end segment more affordable.



KPMG Mall Rental Index (K-MRI)



- After maintaining a stable outlook for more than a year, mall rentals have started to feel the heat particularly in Q3 and Q4 2018. They experienced a 2 percent decline in the rental index and this is reflective of the increased supply along with growing vacancy in the market. This decline has resulted in many anchor tenants negotiating lease terms and signing better deals as the competition in this sector intensifies.
- Some major malls that are yet to come online have kicked-off their leasing exercise and are wooing large retailers with varied leasing options.
- We are witnessing active demand from luxury retailers in the high-end malls of Qatar, which has resulted in maintaining stable outlook on the rental index.
- Over the short to middle term, we foresee the mall rental index to experience a further decline. However, this can be mitigated if upcoming new malls and the existing malls are able to attract and retain the leading franchisees and attract new retail brands.



Note: KPMG Mall Rental Index (k-MRI) derives its value from 22 organized retail developments with maximum weightage given to the malls that have vacancy of more than 25 percent and the upcoming malls that are open for leasing.



KPMG in Qatar

Local lead, global reach

KPMG has had a presence in Qatar for 40 years. We opened for business here in 1978 and are now one of the largest and most established professional services firms in the country. Our 300-strong team are led by 10 Qatar-based partners. We recruit the best and brightest from around the world and currently employ over 28 different nationalities.

Our professionals in Qatar work with some of the country's biggest and most prestigious organizations, often forming long-term partnerships to help them to enhance and transform their business, in a sustainable way.

KPMG in Qatar belongs to a network of independent member firms affiliated with KPMG International. With over 207,000 professionals, led by over 10,500 partners worldwide, our network allows us to bring together subject matter experts from around the globe to form international teams, with deep insight to tackle your most complex challenges.

By choosing KPMG, our clients can be confident that they will be working with professionals who combine global insight with local knowledge to develop custom-designed services that deliver real value. We help you to make better decisions, reduce costs, find partners, raise funds, build a more effective organization, and develop appropriate technological strategies to help you realize your business' potential.

KPMG's Real Estate practice in Qatar

At KPMG in Qatar, we recognize that your business cannot realize its potential if it is not matched with the requisite execution capability. It is for this reason that our Real Estate Advisory team takes a 360 degree view of your real estate needs. We will not only advise you on what to do, but become part of delivering the answer; drawing on our understanding of the local market and global expertise to ensure solutions are tailored and fit-for-purpose.

Industry focus across sectors

-  Residential
-  Hospitality and Entertainment
-  Commercial Office
-  Retail
-  Education
-  Healthcare
-  Industrial areas and Economic Zones

Our services include:

- Corporate Strategy Development and Business Plan
- Detailed Market & Financial Feasibility Studies
- Highest & Best Use Option Studies
- Market Research / Opportunity Analysis Studies
- Location Selection
- Property Valuations
- Financial Model Development / Independent Certification
- Debt Financing and re-Financing
- People, Process and Policy Improvement Initiatives



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