



Qatar Real Estate Rental Index

**Tracking the quarterly changes
in the real estate rental market**

Q3 and Q4 2021

KPMG in Qatar



March 2022

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About KPMG's Qatar Real Estate Rental Index

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 in-depth 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 investable properties in Qatar.

KPMG Office Rental Index (K-ORI) derives its value from more than 50 investable 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 with multiple occupiers) across key municipalities in Qatar.

KPMG Viewpoint

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We are honoured to release our next issue of the real estate index which is published on a half-yearly basis. Since the inception of our indices in 2016, unfortunately, it has shown a declining trend for a variety of reasons such as oversupply in core assets, blockade impacting hospitality and economic conditions, tough market conditions, etc. Having said that, Qatar real estate market has exhibited its resilience and after correcting for over a half-decade, we are now witnessing signs of recovery. A portion of this recovery is attributed to the FIFA football extravaganza scheduled for the end of the year, but as uncertainty has taken a back seat and as business growth is expected to bounce back we expect to witness a remarkable recovery.


Over the past few months, we have also witnessed great interest of leading global developers taking an active interest in the Qatar market. This would pave way for the development of interesting real estate concepts to be introduced in Qatar making it more attractive.

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Anurag Gupta, PMP

Empowered Director,
Head – Strategy and Real Estate Advisory
KPMG in Qatar



“ Year 2021 reflects stability and positive momentum of performance of Qatar’s core real estate asset classes including Residential, Commercial Office and organized Retail Mall.

We have witnessed stable leasing activity resulting in a marginal growth in Residential Rental Index in second half of 2021. It is to be noted that corporate leasing for the purpose of FIFA 2022 and no added incentive in terms of rent free period from landlord to tenant have been the major drivers of such positive momentum. We expect similar positive momentum for the residential segment in coming 12 months.

In context to Commercial Office and Retail Mall, market has been tenant-favored with relatively subdued demand in 2021 resulting southward movement in rental index for both these asset categories. However, we expect to see a possible rebound in performance for organized retail mall in coming 12 months. ”



Sayantan Pande

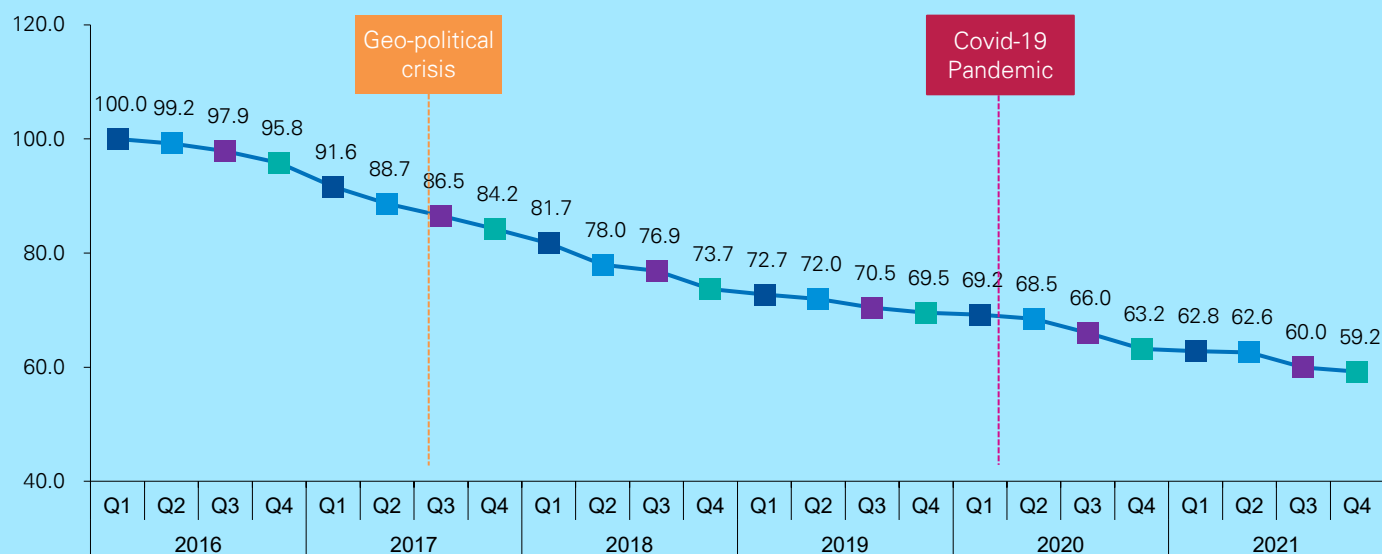
Director, Advisory

Head – Infrastructure, Financing & Real Estate Valuations

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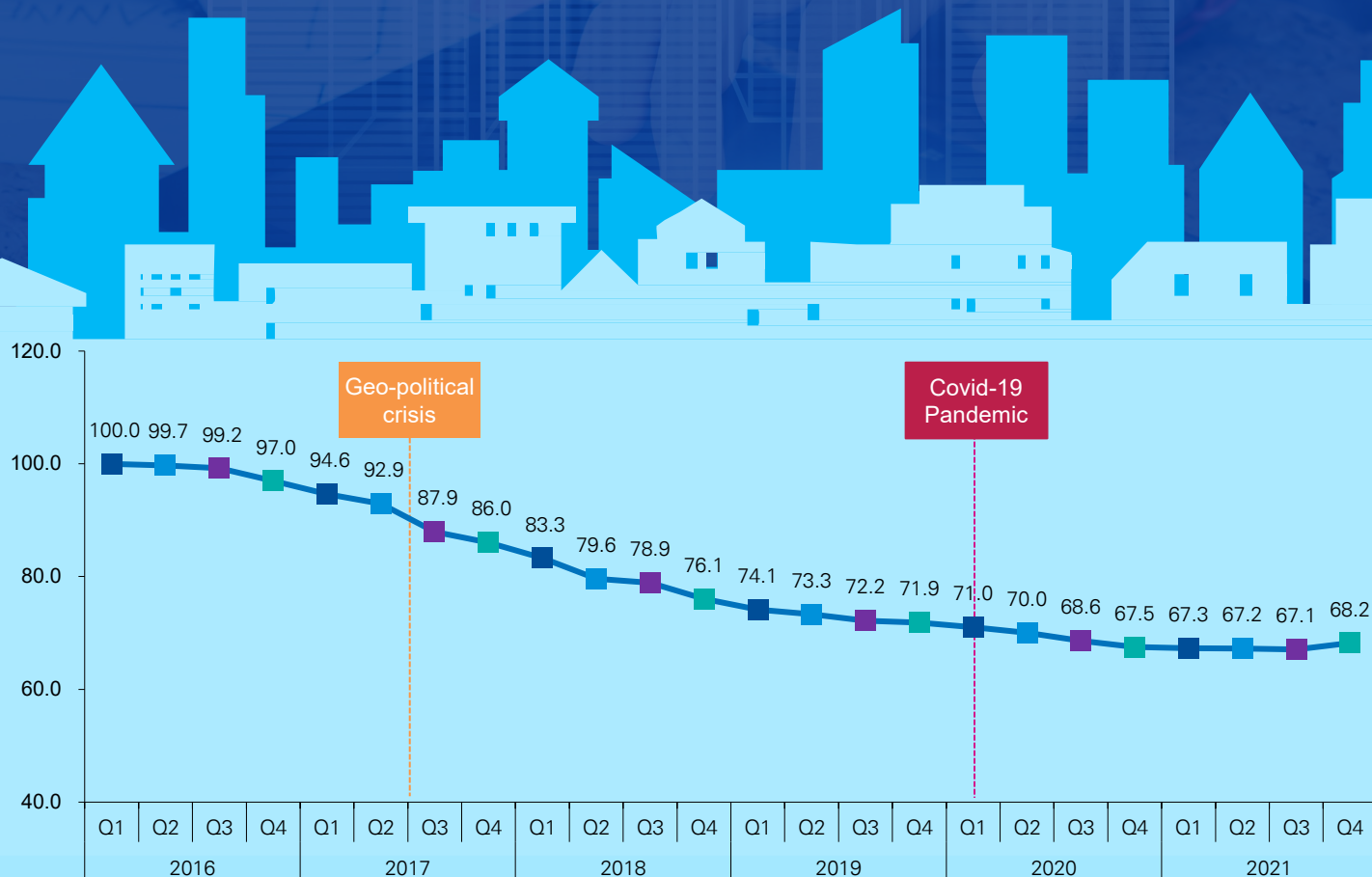
KPMG Office Rental Index (K-ORI)



Office Rental Impact - Moderate

- After witnessing a marginal decline of 1.0 percent during the first two quarters (Q1 and Q2) of 2021, rentals for the commercial office segment have experienced further decline of 5.4 percent on the rental index during last two quarters (Q3 and Q4) 2021. The same period (Q3 and Q4) during 2020 experienced a decline of 7.7 percent on the office rental index.
- Decline in the rental index is primarily due to the correction in rentals for the Central Business District units, which witnessed a drop in rentals by almost 5.8 percent over the last two quarters of 2021. While the Secondary Business District properties continue to maintain momentum witnessed over Q4 2020.
- As more office developments reach completion especially in areas such as Lusail, West Bay and Msheireb, we expect this index trend to continue over the short to middle term. However, government initiatives to expand the private sector and introduction of the 100 percent foreign ownership law could help mitigate this slowdown over the long run.
- As per our interactions with the industry stakeholders, the market continues to remain tenant-favored with relatively subdued demand and geared towards requirements of smaller office spaces with fitted-out options. Large shell and core requirements were relatively less, particularly those originating from the private sector. Interestingly, the demand for co-working spaces and serviced office suites continues to show improvement, with many small and emerging enterprises opting for reduced real estate costs through shared spaces.

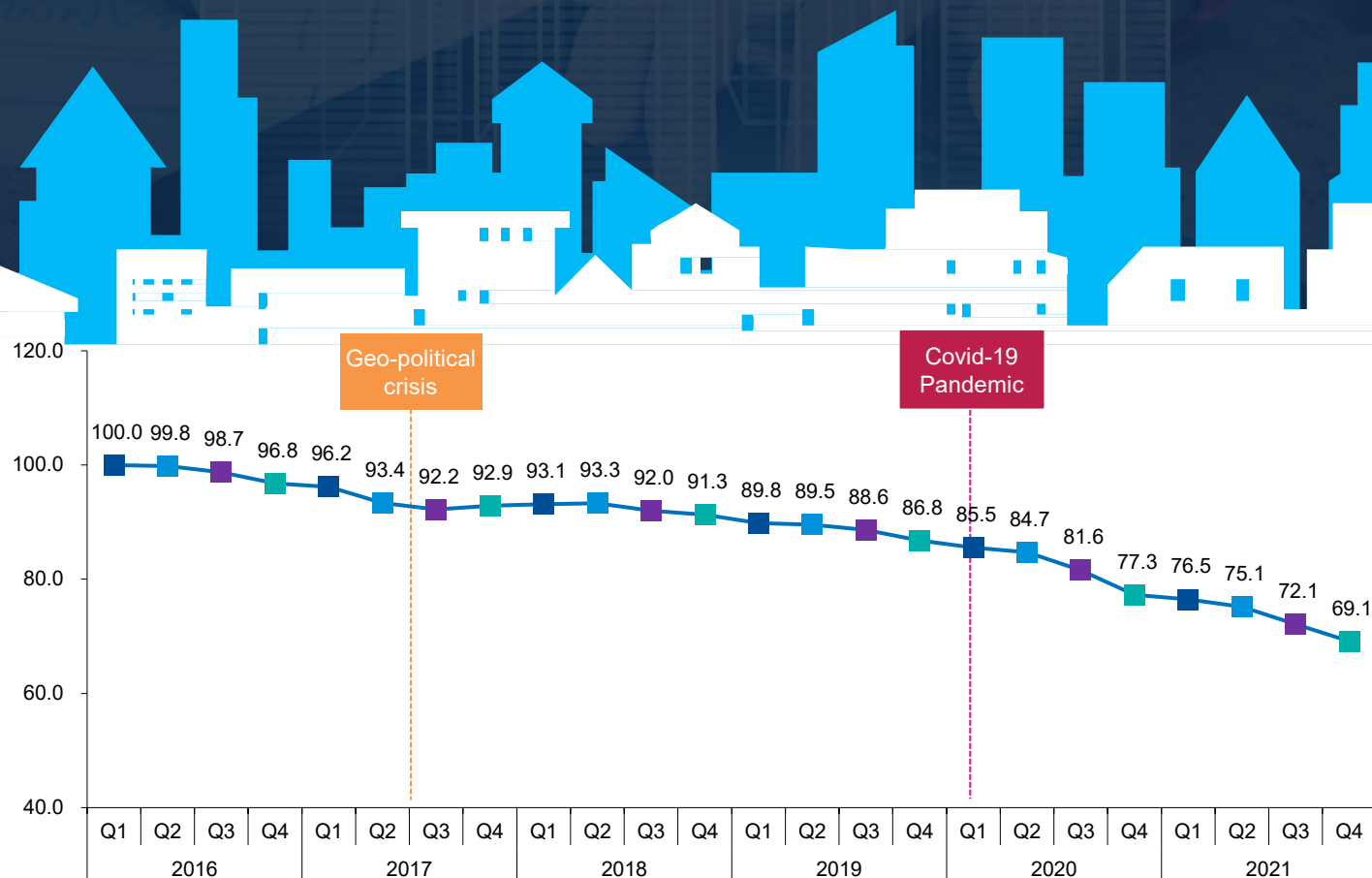
KPMG Residential Rental Index (K-RRI)



Residential Rental Impact - Low

- Despite the on-going COVID-19 pandemic situation, the residential sector have outperformed when compared to the corresponding period of Q2 2021. Q3 and Q4 2021 exhibited stable leasing activity resulting in a marginal growth of 1.5 percent on the rental index as compared to 0.4 percent decline as witnessed during Q1 and Q2 2021. The same period (Q3 and Q4) during 2020 had experienced a decline by approximately 3.6 percent.
- There has been a marked rise in tenant movement over the last two quarters, i.e., Q3 and Q4 2021. Interestingly, the fourth quarter experienced signs of recovery on the rental index. This is positive news for a sector that has witnessed a constant decline since the beginning of 2016. This positive trend is driven by increased affordability in the mid and high-end categories coupled with increasing demand for larger living spaces, convenient access to recreational amenities, and private outdoor spaces. As per our research, centrally-located districts continue to be popular with tenant's keen on upscale properties.
- As per our interactions with the landlords/developers and real estate agents, no added incentives were offered to the tenants on the new contract.

KPMG Retail Mall Rental Index (K-MRI)



Retail Mall Rental Impact - Moderate

- The organized retail mall rental index experienced a further drop of 8.0 percent over Q3 and Q4 2021, compared to 8.7 percent in the last two quarters of 2020. While Q1 and Q2 2021 had witnessed a drop of 2.8 percent on the rental index.
- Changing the momentum experienced over the last year, Q3 and Q4 2021 registered improved leasing activity with several new and existing brands occupying organized retail spaces in the leading malls across Qatar.
- The declining rentals remain in favor of the retailers, as major developers/mall operators continue to offer incentives to attract and retain tenants such as rent-free periods and extended fit-out periods.

As per our interactions with the leading retailers and mall operators, the retail segment in Qatar is experiencing the advent of new operational models such as Revenue share deals, which offer a combination of base rent and turnover percentage to ease the rental burden on retailers. This is also beneficial in attracting new tenants, as we foresee more retailers opting for this route over the short to mid-term.

About KPMG in Qatar

KPMG has had a presence in Qatar for over 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+ professionals are led by 9 Qatar-based partners. We recruit the best and brightest from around the world and currently employ over 30 different nationalities.

KPMG in Qatar belongs to a network of independent member firms affiliated with KPMG International. KPMG member firms operate in 145 countries, collectively employing more than 226,882 people, serving the needs of business, governments, public-sector agencies, not-for-profits and through member firms' audit and assurance practices, the capital markets. KPMG is committed to quality and service excellence in all that we do, bringing our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

We lead with a commitment to quality and consistency across our global network, bringing a passion for client success and a purpose to

serve and improve the communities in which member firms operate. In a world where rapid change and unprecedented disruption are the new normal, we inspire confidence and empower change in all we do.

Industry focus across Qatar

To enhance the services that we offer, many of our consultants specialize in a particular field or industry. KPMG was the first of the 'Big Four' firms to establish global, industry-focused networks which help us to provide an informed perspective on the latest trends and issues affecting our clients' businesses. In Qatar, we have professionals across most of the country's key sectors, all of whom are active members of our global networks.

Our industry groups include:

- Government
- Energy and Natural Resources
- Financial Services
- Media, Telecommunications and Technology
- Infrastructure and PPP
- Building, Construction and Real Estate
- Family-owned Businesses and Small and Medium-sized Enterprises

40+

years working with some of Qatar's most prestigious businesses and organizations

300+

Professional staff based in Qatar

147

KPMG member firms operate in 147 countries

Advisory

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