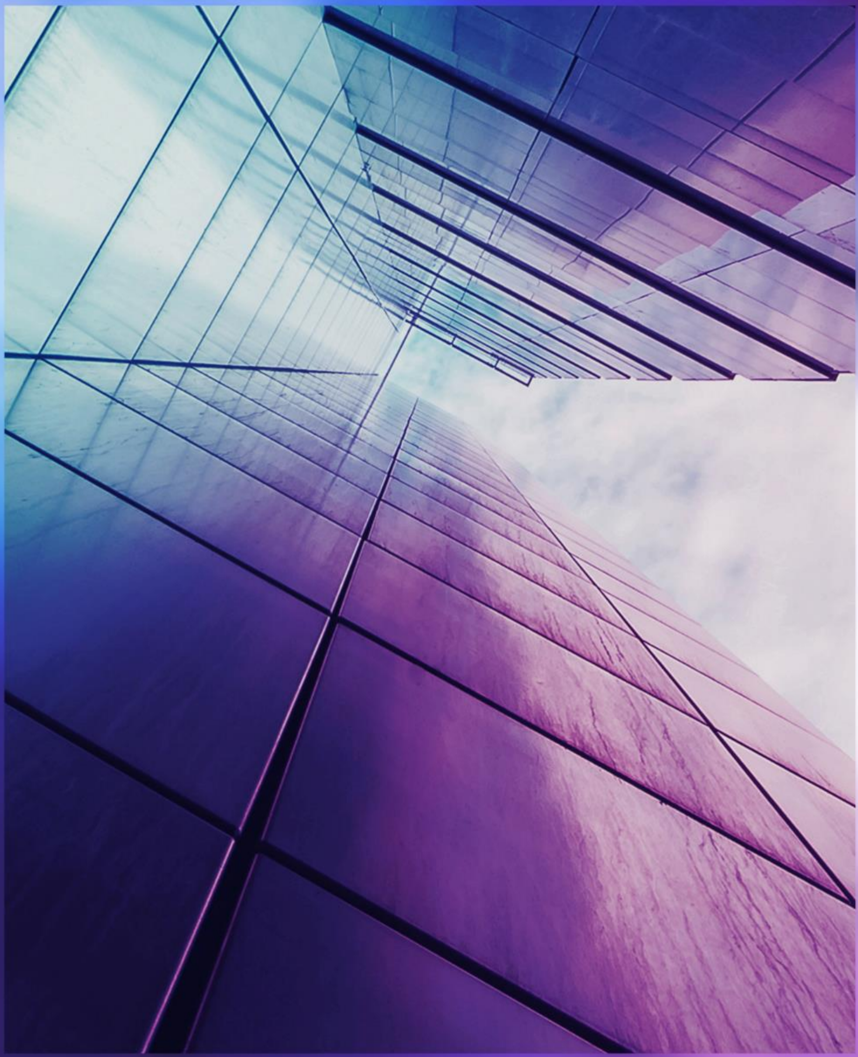
KPMG

Qatar Real Estate Rental Index

Tracking the quarterly changes in the real estate rental market

Q 1and Q2 2022

KPMG in Qatar



H1 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

“ The real estate sector carried its positive momentum from H2 2021 to H1 2022. The primary factor driving this momentum is FIFA World Cup 2022. It is driving businesses to prepare and preempt the demand from the incoming tourists. Of the 3 asset classes we track, the commercial office and mall index remains almost flat, whereas the residential index has exhibited U curve recovery mostly powered by mid-end apartments and affordable villas segment. We expect the recovery to remain intact till the year-end, post which we may witness downward pressure for a couple of quarters.

Over the past year, we have witnessed significant growth in investment-related inquiries both locally and by international organizations. We believe that post-FIFA, Qatar would become an extremely popular destination which will help in improving the overall business and investment climate. Real estate would be a key beneficiary of this change. ”

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

KPMG Viewpoint

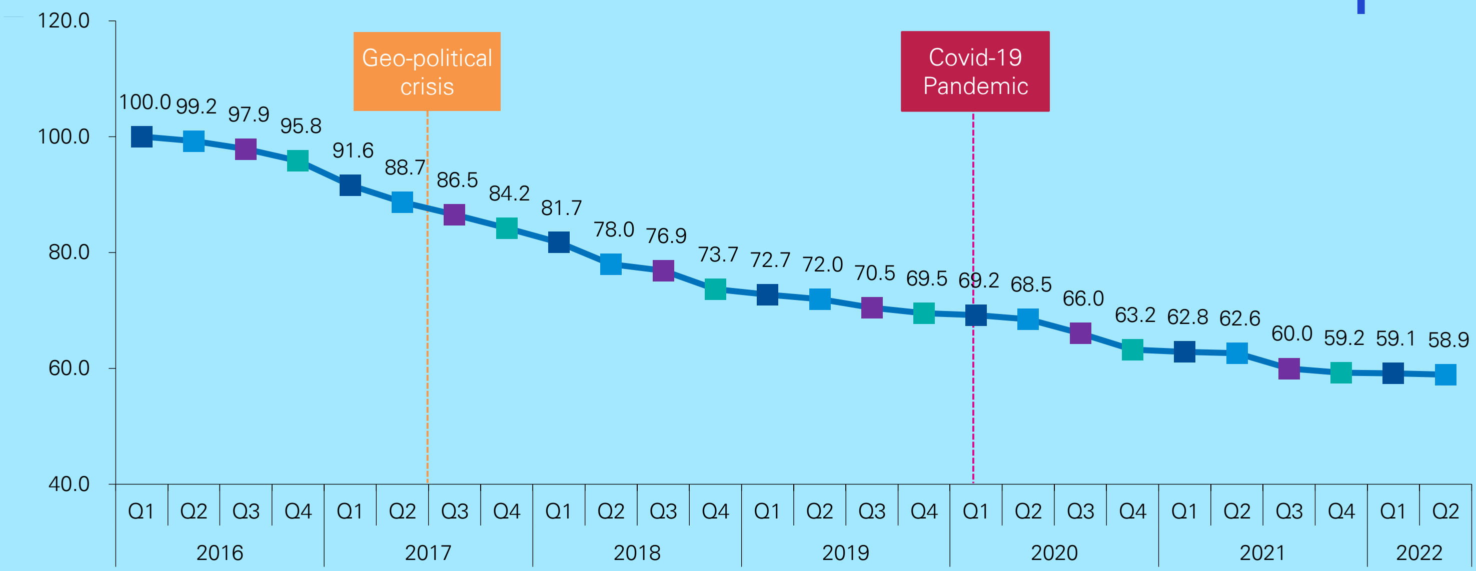
"The initial two quarters (Q1 and Q2) of 2022 Residential Rental Index (RRI) witnessed a spike in the curve and bounced back to Q3-Q4 2017 level. Such increase was expected considering demand for residential corporate leases up-to 6 months due to FIFA. We also observed an active movement of tenants in the mid to high-end residential category due to increase in renewal rental across market.

In commercial office as well as retail mall space, the demand originating from occupiers remained stagnant resulting similar level of K-ORI and K-MRI in past three quarters.

Qatar's Real Estate sector, especially residential segment is expected to continue positive momentum in the second half of 2022."

Sayantan Pande
Director, Advisory
Head – Infrastructure, Financing & Real Estate Valuations
KPMG in Qatar

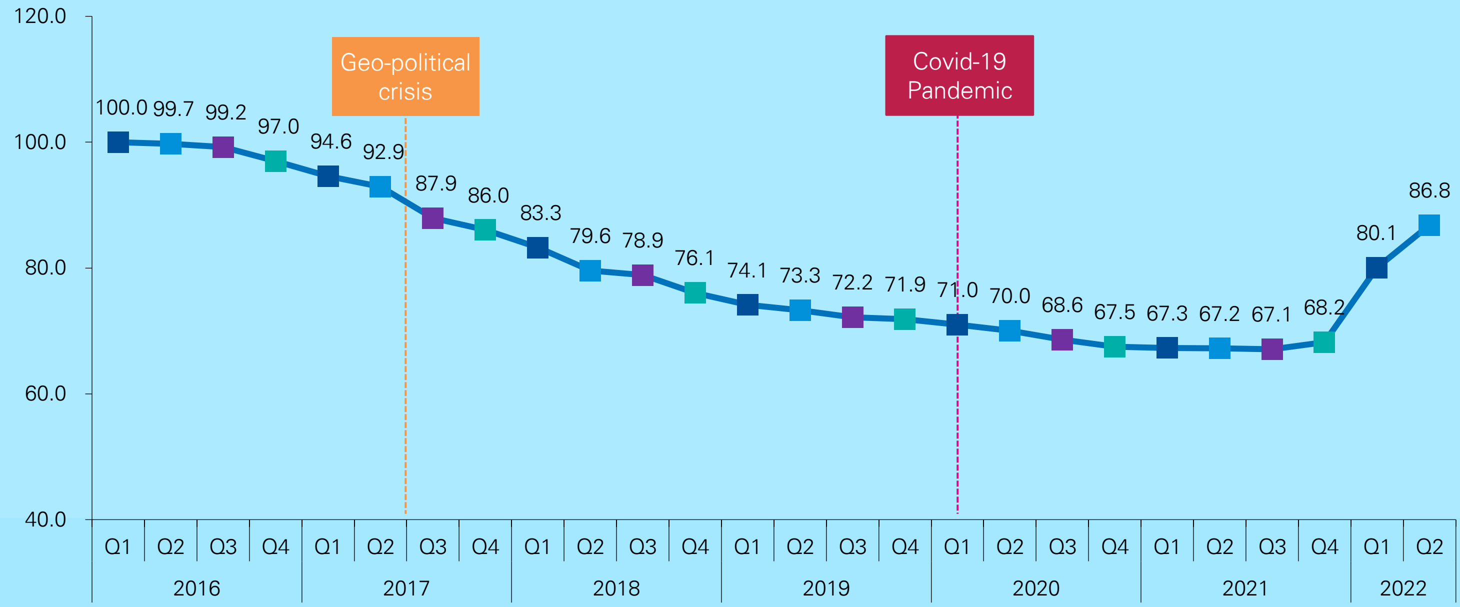
KPMG Office Rental Index (K-ORI)



Office Rental Impact – Moderate

- After witnessing a decline of 5.4 percent during the last two quarters (Q3 and Q4) of 2021, rentals for the commercial office segment have experienced further decline of marginal 0.5 percent on the rental index during first two quarters (Q1and Q2) 2022. The same period (Q1 and Q2) during 2021 experienced a decline of 1.0 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 drop in rentals by 1.0 percent over the first two quarters of 2022. While the Secondary Business District properties continue to maintain momentum witnessed over Q4 2021.
- As more office developments reach completion especially in areas such as Lusail and West Bay, 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 sized 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.

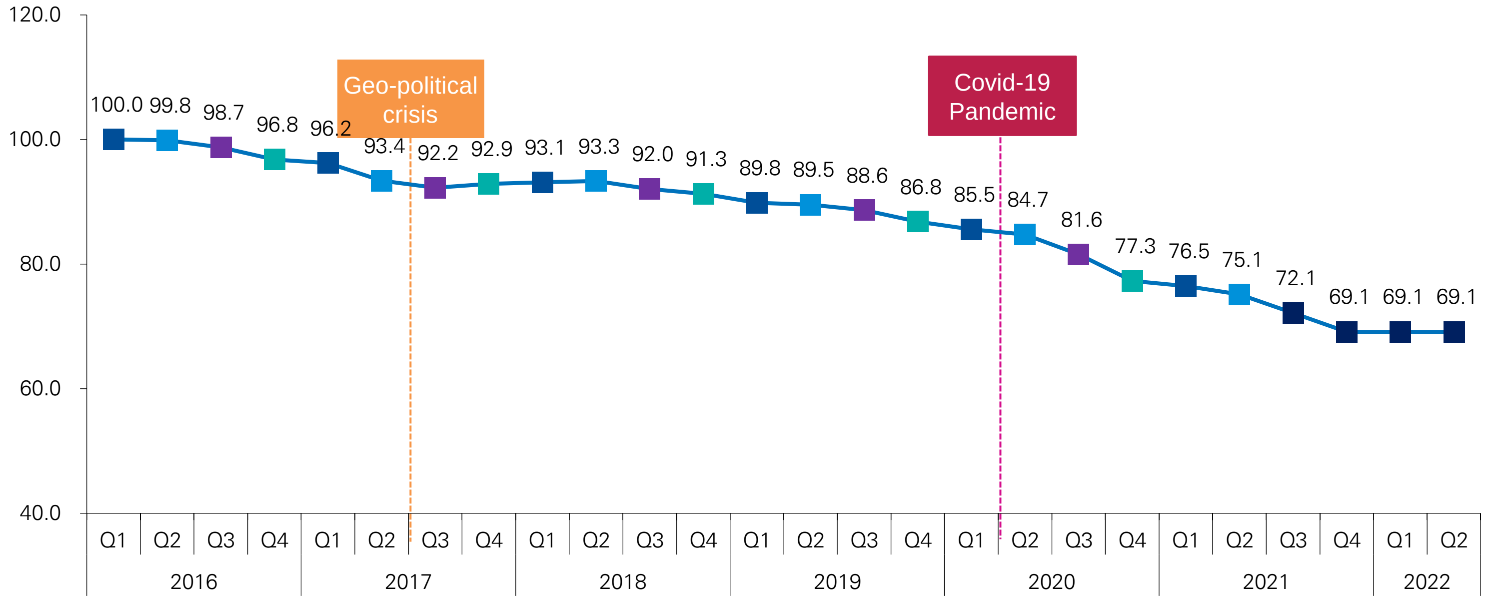
KPMG Residential Rental Index (K-RRI)



Residential Rental Impact – High

- Despite the on-going COVID-19 pandemic situation, the residential sector have outperformed when compared to the corresponding period of Q4 2021. Q1 and Q2 2022 exhibited strong leasing activity resulting in a significant growth of 27.2 percent on the rental index as compared to 1.5 percent growth as witnessed during Q3 and Q42021. The same period (Q1 and Q2) during 2021 had experienced a decline by approximately 0.4 percent.
- There has been a significant rise in tenant movement over the last two quarters, i.e., Q1 and Q2 2022. Interestingly, subsequent past two quarter experienced signs of recovery on the rental index. This spike is primarily driven by World Cup demand, increasing demand for larger living spaces due to rise of WFH (Work from home) culture, 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 (such as rent free period) were offered to the tenants on the new and/or renewal contract.

KPMG Retail Mall Rental Index (K-MRI)



Retail Mall Rental Impact – No Impact

- The organized retail mall rental index experienced no further drop over Q1 and Q2 2022, compared to last two quarters of 2021.
- Changing the momentum experienced over the last year, Q1 and Q2 2022 registered improved leasing activity with several new and existing brands occupying organized retail spaces in the leading malls across Qatar.
- The 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+	350+	145	
years working with some of Qatar's most prestigious businesses and organizations	Professional staff based in Qatar	KPMG member firms operate in 145 countries	Advisory Audit Tax

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