



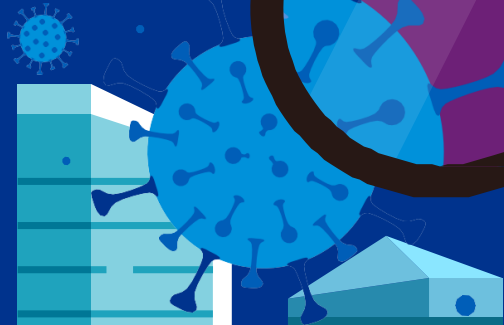
Real Insights Qatar



January to June 2020

October 2020

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KPMG Salutes the COVID-19 Warriors!



Market Highlights

Commercial Office Sector



1.56 percent ↓

KPMG office rental index in H1 2020

Due to the socio-economic impact of COVID-19, the market experienced a slight decline in rentals in the commercial segment, coupled with increased level of vacancies.

01

02

Residential Sector

2.53 percent ↓

KPMG residential rental index in H1 2020

In the pre COVID -19 phase during Q1 2020, the affordable segment witnessed increased vacancy levels. This was primarily due to the movement of tenants seeking attractive deals in the middle-income housing areas of Doha.



Retail Sector



2.36 percent ↓

KPMG retail rental index in H1 2020

After maintaining a stable outlook for almost a year, the best performing malls in Qatar with stable occupancy have started to experience the heat in the quarterly rentals

03

04

Hospitality Sector

20.3 percent ↓

Revenue per Available Room in H1 2020 compared to H1 2019

The decline in Average Room Rate (ARR) coupled with lower occupancy due to low turn out in the overall tourist arrivals during pandemic period led to a double-digit decline in Revenue per Available Room (RevPAR).



Commercial office sector



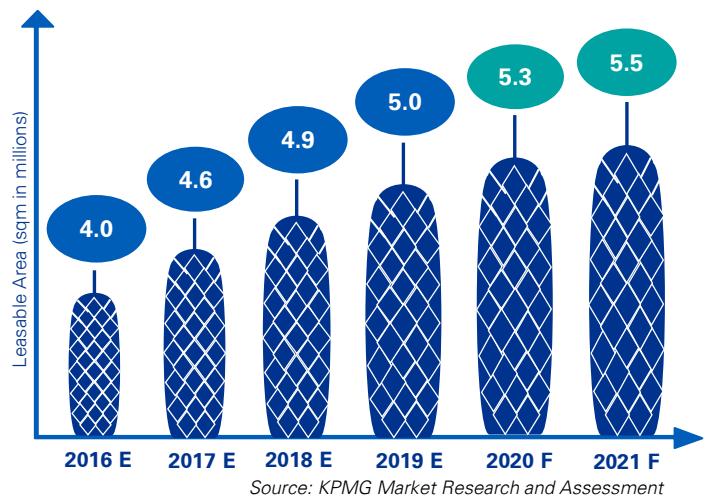
H1 2020 began with addition of approximately 110,000 sqm of commercial office space. Approx. 60% of this addition was in Grade A category stock. While the overall supply continues to surge, the absorption levels on the other hand are impacted. Currently, with the COVID-19 pandemic affecting the usual course of businesses, we expect the overall vacancy levels to be further under pressure.

The relocation of public sector tenants and banks to move to Lusail's Marina District over the middle term has been generating interest from private occupiers. They are being attracted by the affordable rentals and properties having better amenities such as ample parking and free utilities.

The year started with a good note and based on our interaction with landlords and real estate agencies, Q1 2020 has experienced improvement in terms of enquiries for office spaces, which was a positive sign for a market receiving robust supply.

Q2 2020 experienced a drastic shift in the overall activity due to the COVID-19 pandemic. The traditional office methods had to make way for the new-age digital 'work from home' concepts, adding uncertainty to the future use of conventional office spaces. Though many leading companies globally such as Google, Twitter, TCS, etc. could be seen encouraging the idea of mixed work-space environments (partial work from home), we believe Qatar will continue to pursue the traditional method, with few exceptions, while making relevant changes to their in-office designs and enhancing their digital capabilities to tackle any such situation in future.

Estimated current stock and future supply (2016 E – 2021 F)

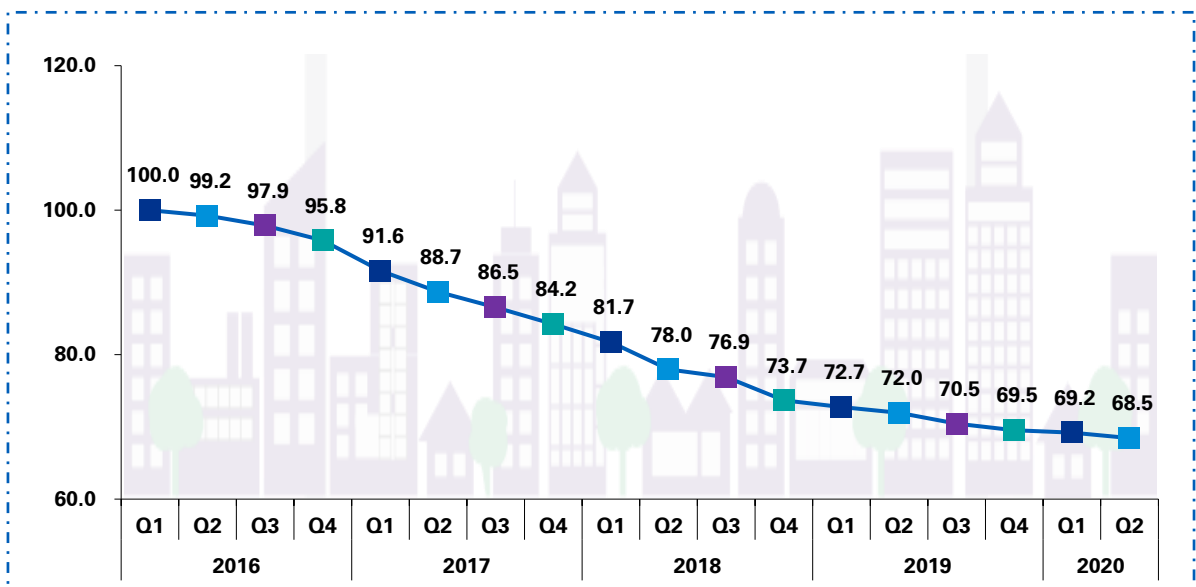


Rental Trend

As per KPMG Office Rental Index, the commercial office sector in Qatar witnessed a cumulative drop of 1.56 percent on the rental index during H1 2020 from H2 2019. This is relatively better compared to 3.36 percent experienced during the last two quarters of 2019. Q1 and Q2 during 2019 witnessed a cumulative decline in the rental index by 2.33 percent from previous quarter.

The marginal decline in the rental index is primarily due to the correction in rentals for the Secondary and Peripheral Business District units, which witnessed a drop in rentals by almost 2.85 percent and 1.70 percent over the initial two quarters of 2020, respectively. Though at this point it is difficult to analyze the exact impact of the pandemic on the sector, we believe the second half of 2020 will give us a clearer picture.

KPMG Office Rental Index (K-ORI)



Source: KPMG Market Research and Assessment, KPMG Rental Index Q2 2020

E – Estimate, F – Forecast

Central business district

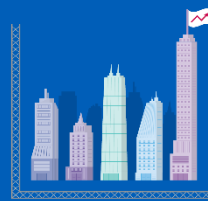
The central business district in Qatar comprises of West Bay, Msheireb Downtown Doha (MDD) and Marina District, all are predominantly Grade-A office locations. While West Bay is an established commercial office hub of Qatar, MDD is an integrated township offering 193,000 sqm of commercial office space. Lusail's Marina District, which consists of 67 plots dedicated to commercial and mixed-use activity is an extension of the central business district.

As of H1 2020, the upcoming supply that is currently under-construction such as Corniche Park Towers, QP District and Burj Al Mana, which upon completion will increase total supply in the West bay in excess of 1.85 million sqm by 2022.

Occupancy across the West Bay micro-market remains unchanged from H2 2019 and ranges between 55 - 60 percent. Average office rentals in the West Bay micro-market remain unchanged from H2 2019 and range between QAR 95 to 110 per sqm per month for larger units and QAR 115 to 140 per sqm per month for smaller units. However, we expect the impact of COVID-19 to be felt in coming 9 to 12 months.

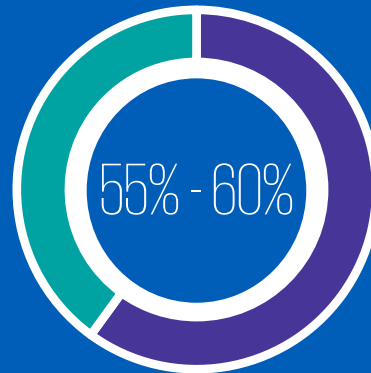
Total office stock in Lusail's Marina District is estimated at over 0.36 million sqm with occupancy averaging between 40 and 45 percent, and average asking rentals in the range of QAR80 to QAR95 per sqm per month. The recent completions include Y-Tower by Ramaco Trading and Contracting Co. WLL and 20-storey Union Trust tower by Union Trust Co. which was released to the market during H1 2020. Around 0.26 million sqm of new office supply is expected to appear online by 2021.

Msheireb Downtown Doha project is nearing completion and is expected to be ready by end of 2020. We expect the rent to remain in the range of QAR 125 to QAR 150.



**Current stock
West Bay**

**~1.60
mn sqm**



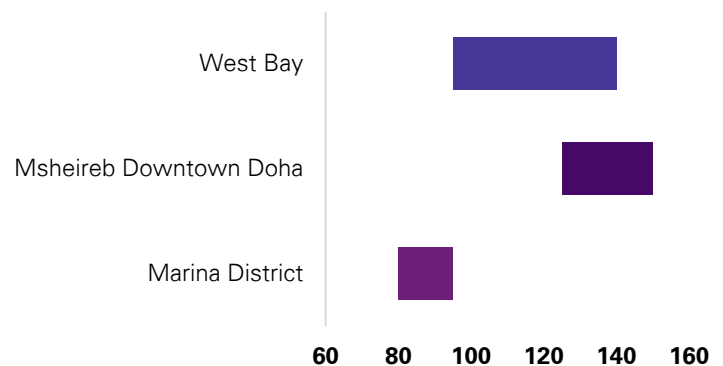
**Average
occupancy
range across
West Bay**



**Typical asking
monthly rentals
West Bay**

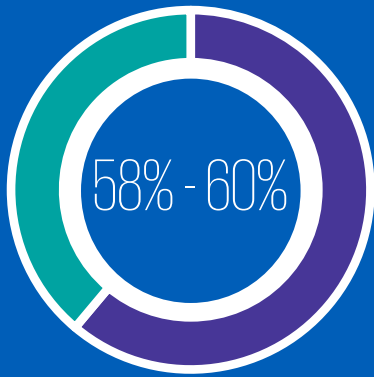
**95 - 140
QAR/sqm**

Typical asking rentals for central business districts (QAR per sqm per month)



Source: KPMG Market Research and Assessment





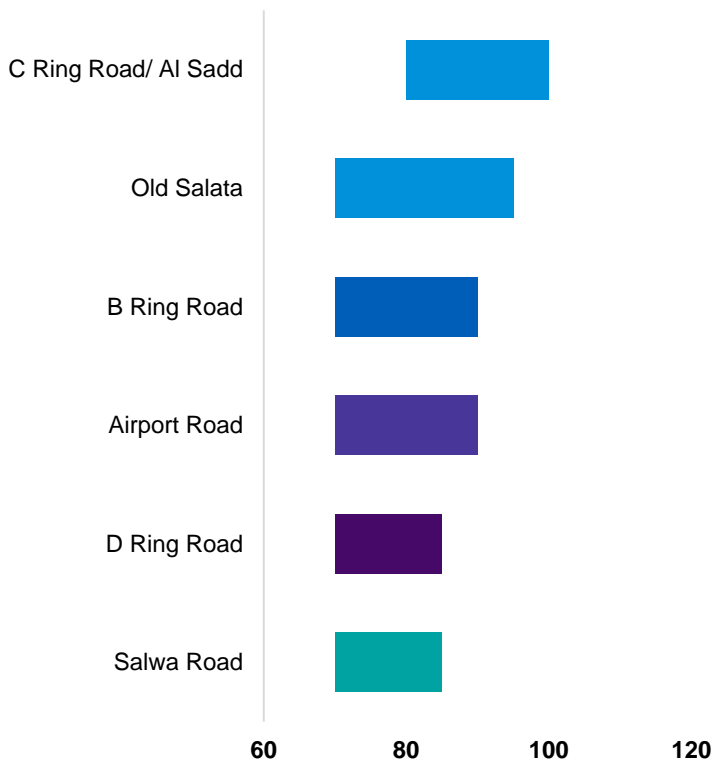
**Average
occupancy
range across
SBD**



**Typical asking
monthly rentals
SBD**

**70 - 100
QAR/sqm**

**Typical asking rentals for secondary business districts
(QAR per sqm per month)**



Source: KPMG Market Research and Assessment

Secondary business districts

Qatar's secondary business districts (SBD) include B-Ring Road, C-Ring Road, Al Sadd, Old Salata, Fereej Bin Mahmoud, Al Mansoura, Al Muntazah and Salwa Road. The secondary business districts typically offer grade-B developments largely in the form of multi-tenant buildings offering office spaces from small to medium unit sizes, along with the option to lease entire building.

H1 2020 witnessed completion of two standalone buildings along the C-Ring Road raising the total stock of SBD to approximately 2.5 million sqm with occupancy ranging between 58-60 percent.

The monthly rentals as of H1 2020 range between QAR 70 to QAR 100 per sqm per month, along with incentives such as rent-free periods of 3 to 6 along with fit-outs option. However, due to the COVID-19 scenario, we can see landlords becoming more flexible with the lock-in periods and offering other freebies to attract tenants.

Secondary Business District units witnessed a drop in rental index by almost 2.85 percent over the initial two quarters of 2020 from H2 2019. The decline is the highest when compared with central and peripheral business districts.

As per our research, we can see increased activities from occupiers looking for standalone developments, primarily along the C-ring road, while multi-tenants can be seen preferring Salwa Road, Al Sadd and Old Salata.



Peripheral business districts

The peripheral district, which includes Al Wakra is predominantly a Grade B commercial office location offering a combination of retail and commercial office spaces of smaller floor plates. Al Wakra typically offers relatively affordable office spaces/suites and caters primarily to small private occupiers.

As per our research, the commercial office rentals in Al Wakra witnessed a cumulative drop of 1.70 percent over Q1 and Q2 2020.

Asking rentals are in the range of QAR 65 to QAR 80 per sqm per month with overall occupancy estimated to be between 65 - 70 percent.

Recent activity

By end of February, on the leasing front for the central business districts, Qatar Museums inaugurated a new five-storey, 29,000 sqm Grade-A facility known as M7 at Msheireb Downtown Doha, a center dedicated to innovation and entrepreneurship in Qatar.

The secondary business district witnessed relocation of Dahra Global Technologies and Consultancy Services WLL, which upsized from a previously occupied single floor to a standalone Grade-B building on the C-Ring Road.

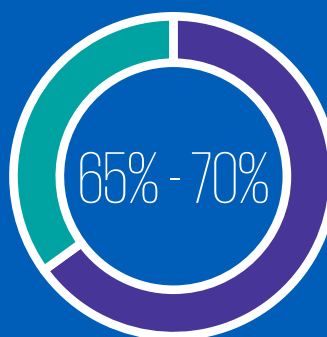
Barwa Real Estate Group announced the postponement of rent payments at its commercial units and offices, for a period of three months starting April to overcome the challenges posed by the novel Covid-19 outbreak.

Contrary to the general view, we did not find any prominent under-construction projects that were put on hold. Though the pace of the construction activity has been impacted, the projects are gradually progressing with slight delay in the timeline.

Major Transactions

Al Aziziya experienced a commercial office building built on a plot area of 2,460 sqm being sold for approximately QAR54.0 million.

Al Kharaitiyat experienced a commercial office building built on a plot area of 775 sqm being sold for approximately QAR24.5 million.



**Average
occupancy range
(PBD)**



**Typical asking
monthly rentals
(PBD)**

Tackling COVID-19 situation

- The government of Qatar imposed a lockdown on 17th March 2020 and quickly announced an economic stimulus package of QAR75 billion.
- For the commercial office sector, government and semi-government entities announced rent relief to their tenants for a period ranging between 3 to 6 months, starting from March or April 2020 and asked private landlords to follow the suit. In few instances¹ tenants were also exempted from paying the utility charges for a period of 3 to 6 months, to help reduce the burden on operational cost.
- The government implemented a 'four phase' plan to gradually start lifting the lockdown restrictions. Phase-1 that extended from 8th June till 31st June allowed only 20 percent of the employees at workplace with strict health precautions.
- Tenant relocation plans that were started during the pre-COVID phase can be seen moving ahead as planned, however, new enquiries have drastically reduced with no new leasing activity during Q2 2020.
- Landlords can be seen offering flexibility in the contract terms for new leases with regards to lock-in periods and other added freebies.

NOTE:

- Rental rates for commercial office space across all business districts vary depending on the size, location, visibility, fit-outs (shell & core, furnished suites, semi furnished suites etc.) and other related factors.
CBD: Central business district, SBD: Secondary business district, PBD: Peripheral business district



Residential sector



The year 2020 began with a modest supply, adding approximately 2,000 apartment units and 600 villas in H1 2020, which is about 75 percent lower than 10,500 units completed during the same period in 2019. However, the year 2020 is expected to deliver approximately 6,000 residential units, but we believe the overall completions will be substantially lower than the expected levels primarily due to the COVID-19 outbreak that began towards the end of Q1 2020.

As per our research, developers are predicting a delay in their ongoing projects due to the reduced number of laborers and logistical adjustments in the supply chain, which is most likely to push several completions to next year.

The precautionary measure imposed by the government ever since the COVID-19 outbreak in Qatar has led to a double-digit decline in the number of building permits being issued. According to Planning and Statistics Authority, Al Shahaniya, Umm Salal, Al Daayen and Al Khor were the worst hit municipalities, experiencing a decline in excess of 20 percent during Q2 2020 (lockdown period). Interestingly, residential and non-residential permits constituted 40 percent of the total 596 permits issued this April and May, of which new residential buildings and villas topped the list, accounting for 73 percent (290 permits) of the total permits issued. The building permits data is a crucial indicator for the performance of the construction sector, which is an important pillar of the Qatari economy.

According to Real Estate Registration Department at the Ministry of Justice, Q2 2020 recorded QAR 5.39 billion in terms of total real estate trading volume with 851 real estate transactions. Doha, Al Rayyan and Al Daayen led the charts with most active trades in terms of financial value, with Doha municipality recording QAR 3.28 billion of total real estate transactions value, followed by Al Rayyan municipality with QAR 875 million.

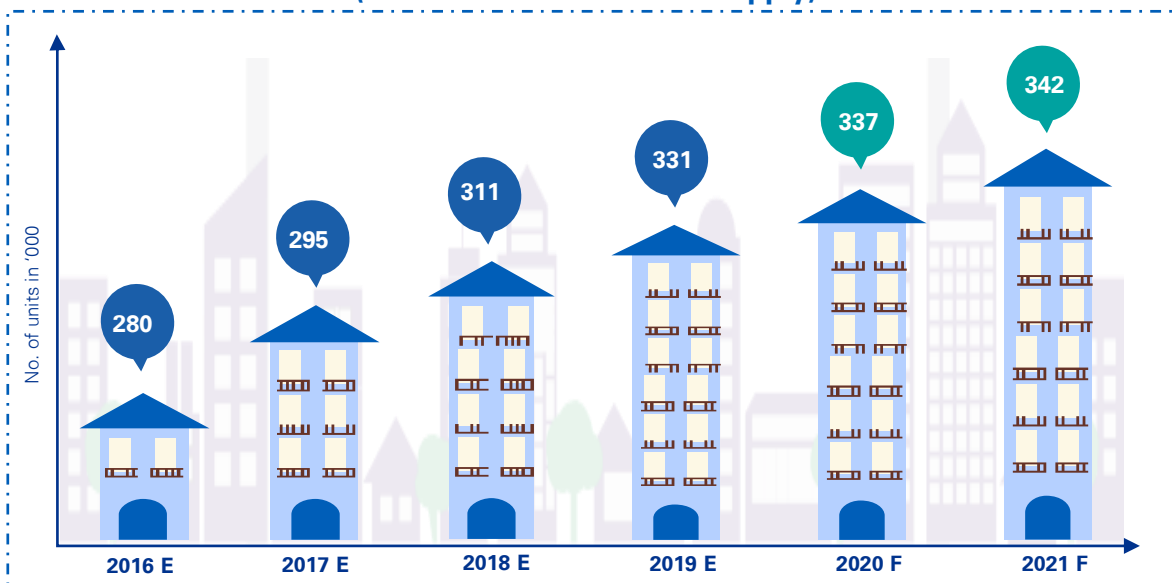
Recent activity

Barwa Real Estate Group was ranked 6th by market value, according to the 2019 ranking published by Forbes Middle East magazine, featuring the top 50 companies listed on the Middle East stock exchange.

Barwa announced leasing activities in a number of newly developed projects such as Mukaynis Compound, built at a price of QAR 1.6 billion along the Salwa Road. The project includes 3,170 housing units. Barwa Real Estate is leasing the project through its subsidiary Al Waseef Asset Management since July 2019. The first stage of the project has been fully leased.

In a move to support the efforts of the government amid the ongoing COVID-19 pandemic, the second and third stage housing units in the project have been designated as quarantine area for workers, and a fence and entrances has been built to isolate the quarantine area from the first stage of the project.

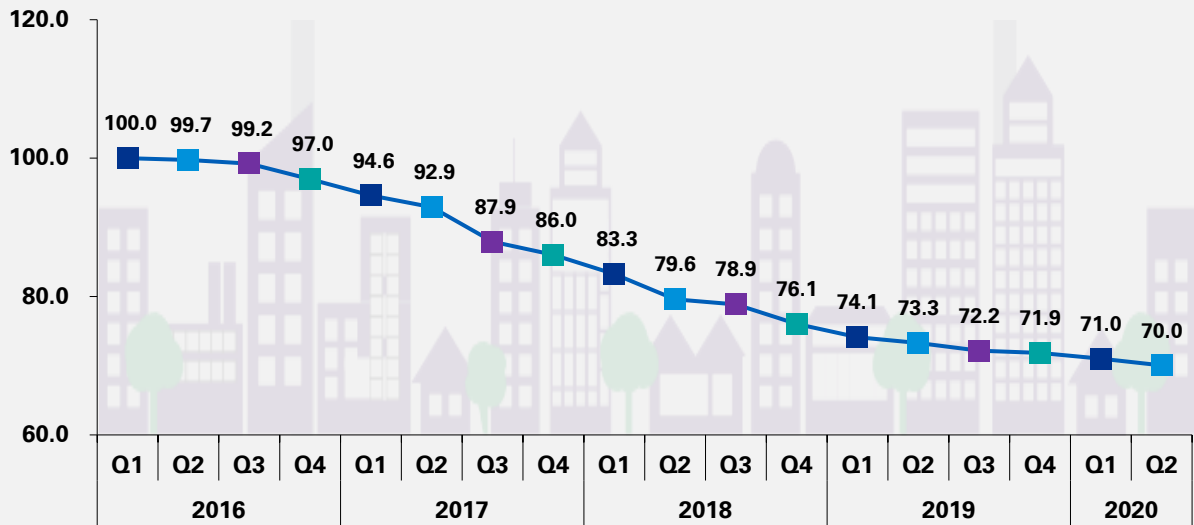
Qatar residential market (Current stock and future supply) 2016 E – 2021 F



Source: KPMG Market Research and Assessment

E – Estimate, F – Forecast

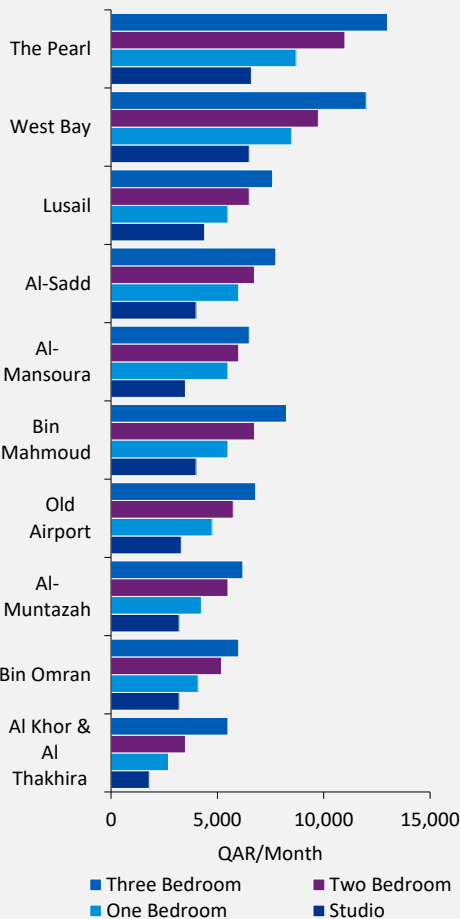
KPMG Residential Rental Index (K-RRI)



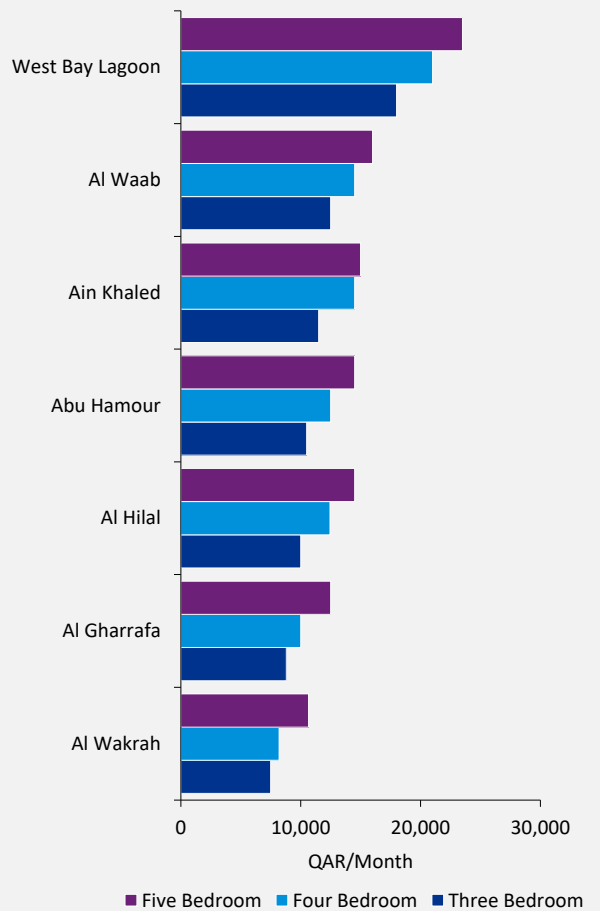
Source: KPMG Market Research and Assessment, KPMG Rental Index Q2 2020

Typical asking rentals (QAR/month)

Apartments



Villas



Source: KPMG Market Research and Assessment

By the end of January, the Ministry of Municipality and Environment cautioned residents and villa owners that it is legally punishable to make modifications to villas without obtaining necessary licenses and approvals.

In a step to upgrade the legal, judicial and legislative system in the State of Qatar, Law No. (22) of 2017 regulating real estate brokerage works was introduced. The Ministry has called on the real estate brokers and agencies to accelerate the online registration for the licensing and accreditation procedures for practicing the real estate brokerage profession which in our view, will further streamline and improve the residential brokerage market maturity resulting better customer and landlord experience.

In another move to regularize the sector, government allowed individuals and institutions to register multiple lease contracts in one certificate online, according to updated terms and conditions on real estate lease contract registration published by Qatar e-Government Portal – Hukoomi. In addition, a grace period of two months window period for registration of lease contract has also been granted to them.

United Development Company (UDC) awarded contracts for Gewan Island's Building and Landscape package to China Railway 18th Bureau, a subsidiary of CRCC towards the end of H1 2020 and allotted infrastructure works for Navayuga Engineering Company for QAR1.5 billion. The project is expected to be completed in 2022.

Residential sector performance

H1 2020 witnessed a drop of 2.53 percent on the rental index compared to 1.95 percent as witnessed during H2 2019. However, the decline in rentals is relatively softer compared to 3.63 percent, experienced during H1 2019.

In the pre COVID -19 phase during Q1 2020, the affordable segment witnessed increased vacancy levels. This was primarily due to the movement of tenants seeking attractive deals in the middle-income housing areas of Doha. However, since the outbreak of COVID-19, due to the restricted movement the leasing activity reduced drastically along with substantial dip in the enquiries.

Several villa developments/compounds primarily catering to the middle-income segment in areas such as Old Airport and Al Wakra witnessed an overall drop in rentals by 8.57 percent from H2 2019. Residential rentals for apartments category across Doha remained relatively stable with maximum decline experienced by middle-income segment of 1.80 percent on the rental index from previous period.

As per our interactions with the landlords, developers and real estate agents/agencies, no added incentives were offered to the tenants on the existing contract. However, for new leases, 1 to 3 months of rent-free period along with other freebies such as free utility bills continue to appeal to new tenants.

Major transactions

In H1 2020, overall transaction activity remained subdued, however, there were a number of high value transactions reported. Viva Bahriya, The Pearl Qatar reported three residential tower transactions built on a plot area of approximately 6,700 sqm - 7,200 sqm offering 255 – 270 units was sold each for QAR500 million.

Another residential tower built on a plot area of approximately 5,600 sqm offering 270 – 280 units was sold in Porto Arabia, The Pearl Qatar for QAR190 million.

Onaiza 63, West Bay experienced a residential Tower built on a plot area of approximately 4,200 sqm was sold for QAR307 million.

New Salata experienced a residential complex built on a plot area of approximately 11,800 sqm offering 38 – 40 villa units was sold for QAR78.5 million.

Tackling COVID-19 situation

- The residential sector in particular has been the least affected sector from COVID-19 pandemic when compared to the other asset classes.
- However, COVID-19 measures have resulted in government and private layoffs, which is indirectly leading to exodus of a substantial workforce. This is expected to increase the residential vacancy levels over the near term. We believe the restoration of the economy and the job market could help drive the new demand for housing. With FIFA World Cup 2022 approaching, we can expect an uptick in the overall demand along with creation of new jobs.
- In an effort to keep pace with the current situation, Ministry of Justice has completed more than 8,228 transactions since the beginning of March through its electronic platforms and external service centers and registered more than 69,517 subscribers on SAK portal.



Retail sector



Retail Supply

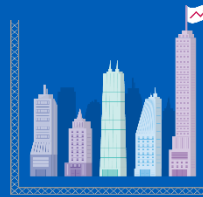
The retail market in Qatar will witness approximately 8 new malls slated to open by the end of 2021, with an expected overall organized retail mall supply of reaching 2.7 million sqm.

H1 2020 did not witness any new supply. The projects that were slated to come online during this year, have been pushed to 2021 due to the COVID-19 pandemic.

Interestingly, as per our research, none of the ongoing projects were put on hold, however, there will be a delay in the overall completion of projects going forward. The mega malls such as Doha Mall in Abu Hamour and The Place Vendome at Lusail are most likely to open their gates to the public by sometime next year.

While the expected additional supply is dominated by mega malls, we also anticipate delays in the completion of other prospective organized retail projects or a reduction in their respective scale, resulting in a significant reduction in the actual levels of completion for this year.

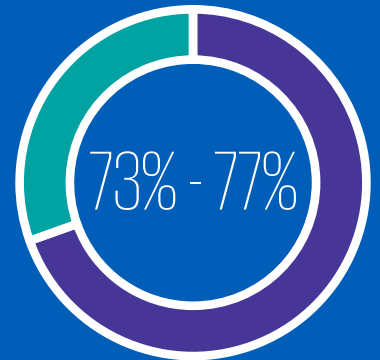
Overall occupancy in the organized retail segment in Qatar currently ranges between 73 - 77 percent. Retail establishments such as Landmark in Al Gharaffa, Villaggio in Al Waab and Doha Festival City in Umm Salal Mohammed continue to command a rental premium and are able to maintain their occupancy levels at above 80 percent. Typically, the asking average mall rentals range between QAR 145 - QAR 250 per sqm per month.



~2.06
mn sqm

Estimated organized retail stock by the end of 2020

Average occupancy range across organized retail sector in Qatar

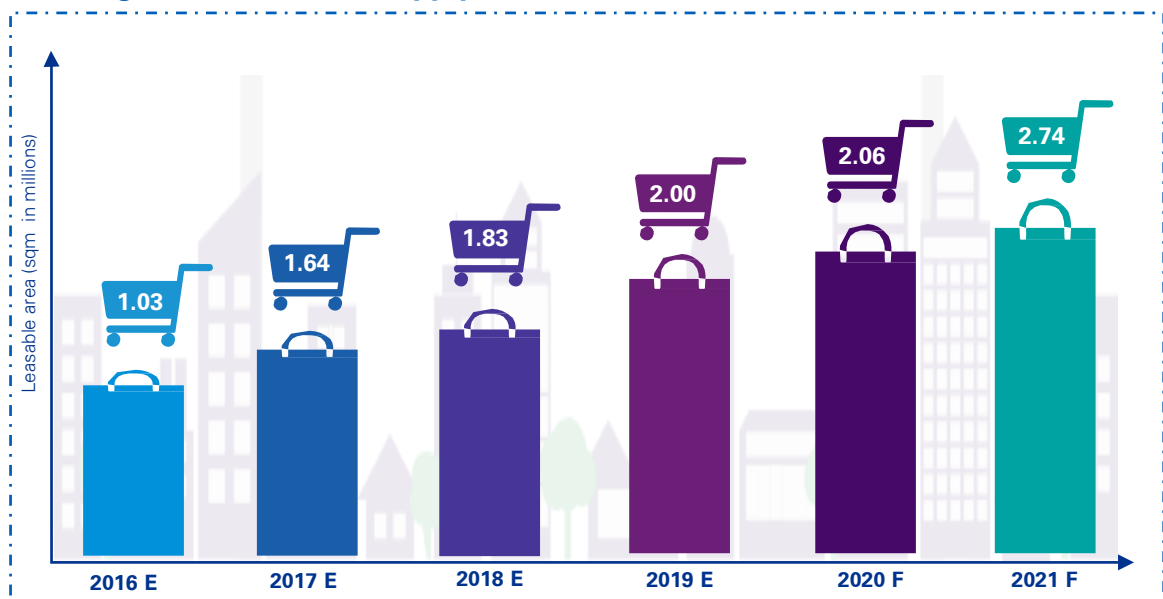


145 - 250
QAR/sqm

Typical asking average mall rentals

Source: KPMG Market Research and Assessment

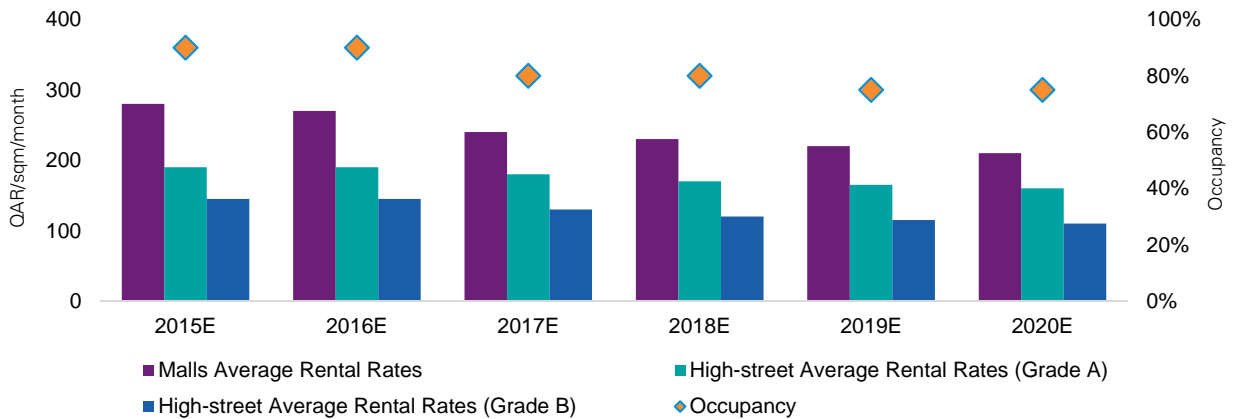
Total organized retail mall supply (2016 E – 2021 F)



Source: KPMG Market Research and Assessment, , KPMG Rental Index Q2 2020

E – Estimate, F - Forecast

Estimated Occupancy and Typical asking rentals in Qatar (QAR per sqm per month of Leasable Area)



Source: KPMG Market Research and Assessment

Retail mall performance

The organized retail mall rental index experienced a further drop of 2.36 percent over H1 2020, compared to 3.08 percent experienced during the last two quarters of 2019, while the same period during 2019 had witnessed a drop of 1.91 percent on the rental index.

Interestingly, after maintaining a stable outlook for almost a year, the best performing malls in Qatar with stable occupancy have started to experience the heat in the quarterly rentals and witnessed a drop of 4.21 percent over H1 2020.

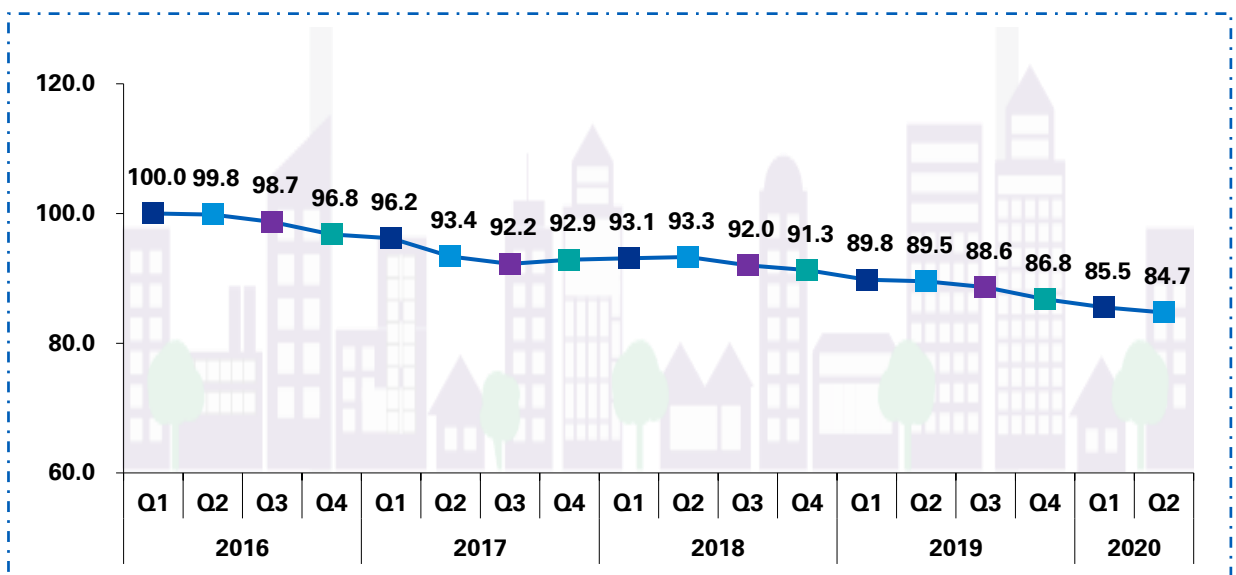
On the other hand, the malls having occupancy of less than 80 percent including the upcoming malls experienced a marginal drop in the rentals by 1.52 percent during the initial two quarters of 2020.

Retail footprint

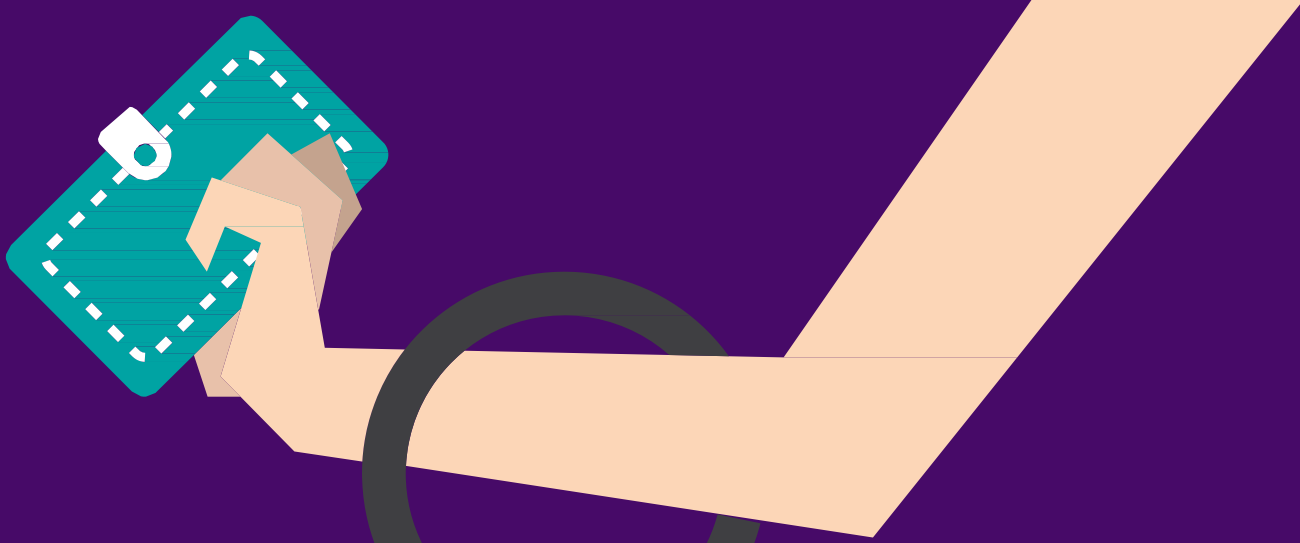
The total supply of organized retail mall in Qatar is spread across 29 malls and 6 municipalities. While Doha municipality continues to lead the overall presence of organized retail format, the fairly new entrants to the retail landscape in Qatar such as Umm Salal (Doha Festival City), Al Wakra (Ezdan Mall) and Al Rayyan (Mall of Qatar) can be seen steering the retail activity with healthy footfalls and increased retail sales.

The substantial annual increase in overall retail floor area since 2016 has resulted in an increasingly challenging market and with the expected opening of Doha Mall (Abu Hamour), The Place Vendome (Lusail) and Northgate Mall (Izghawa) by 2021, the competition will intensify further with subsequent implications on the monthly rentals.

KPMG Mall Rental Index (K-MRI)



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.



29

organized malls in Qatar*

08

new organized malls in Qatar
by end of 2021

~0.06
mn sqm

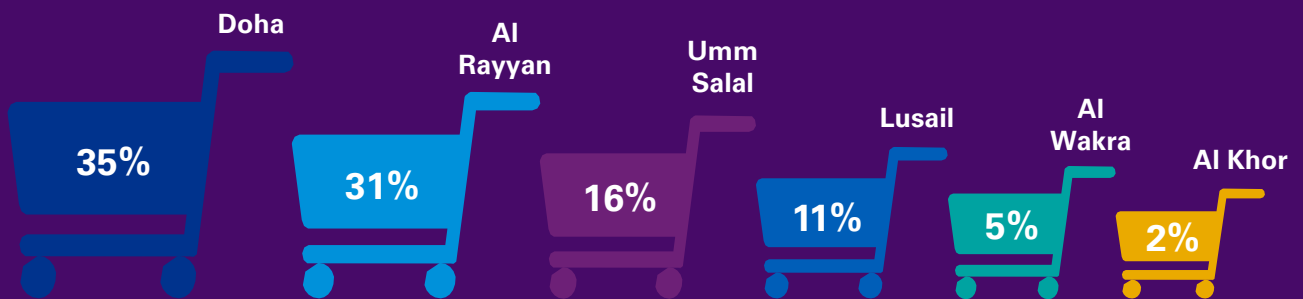
additional supply of organized retail
malls leasable area by end of 2020

~0.45
mn sqm

additional supply of leasable area
in other retail formats by 2021

Source: KPMG Market Research and Assessment

Distribution of leasable area of organized retail malls across municipalities



Source: KPMG Market Research and Assessment



*Malls offering leasable area of more than 20,000 sqm

Recent activity

Due to the current public health scenario, establishments like Barwa Real Estate and Msheireb Properties have either postponed or exempted commercial outlets from rent and other service bills.

Barwa Real Estate has postponed rent payment by three months with effect from April, Msheireb Properties has exempted all retailers and food and beverage outlets from rent and service bills from March 15 till further notice.

Katara has exempted all investors and owners of restaurants and cafes from rent and other fees like electricity and water for three months starting from March.

Mall of Qatar, along with Gulf Mall and Ezdan Mall, have provided all the retailers with a three-month rent exemption from March until May. Mall of Qatar has deferred rent payments for another month as of to support its tenants even further.

Doha Festival City Mall offered the same support (three months rent exemption) to eligible tenants effective from April.

Qatar Foundation has waived rental payments for its external SME retail tenants for six months, to support them in overcoming the challenges created by the worldwide coronavirus (Covid-19) outbreak.

Qatari Diar Real Estate Company announced a rent exemption for tenants at the company's Lusail Marina restaurants and cafes, as well as the shops that continue to operate in Barwa Commercial Avenue (Abu Hamour), for three months starting April.

Qatar Fuel (WOQOD) also announced a rent exemption for the months of April, May and June for all its tenants.

As part of its expansion strategy, SBE, a leading international hospitality group has announced the opening of the first of five Umami Burger locations in the Middle East, in Doha, marking its 28th location for the brand. Umami Burger has partnered with Innovation Lab Qatar Group for this project. The restaurant, which will initially open with a temporary "delivery only" model, is designed by Interprogetti Interior Design and Fit Out featuring indoor and outdoor seating within the 138sqm space.

NOTE:

- The rental rates for retail mall developments vary depending on the size, location, visibility, frontage, floor level and brand position.
- For food retail brands the quoted rentals are of higher range.
- Food court rentals may vary depending on the size and type of the outlet.

Tackling COVID-19 situation

- Retail sector, in particular, was one of the most affected sectors with complete shutting down of malls and other retail outlets with exemption just limited to the grocery sector along with pharmacies and selected food delivery restaurants/cafes.
- The Government and semi-government entities were quick to announce rent relief for the retail sector including F&B tenants for a period of 3 to 6 months starting from March or April and asking the private landlords to follow suit.
- While the government also announced exemption from utility charges to extend support in reducing the burden of operational cost, yet many retail employers started to reduce salaries and lay-off staff to combat the downturn.
- 'Recovery readiness' plan was announced by the Government, consisting of four phases starting from 8th June, with final phase commencing from September and permitting re-opening of different sectors such as flights, limited public transport, restricted F&B operations and gradually opening other activities that include mass gatherings such as cinemas and sports events.
- The Government unveiled a mandatory contact tracing app – Etheraz, which tracks people's location through their mobile phones. Many retail outlets could be seen making it compulsory to gain entry.
- Retail malls partially reopened during the last week of June (end of H1), with footfalls 5 percent lower than the pre-lockdown levels* for retail and recreation, and 20 percent higher for grocery sector and pharmacies as per 'Google Mobility'. However, the prime malls enjoyed a healthy return of footfall, although some second-tier malls were seen struggling to attract customers.
- The stores at the malls reopened with complete safety precautions in place and other restrictions such as changing policies, no trials; however, it is expected that these restrictions will ease over the coming months.

* Reference period July 24th to September 4th; the pre-lockdown levels are the baseline for the corresponding day of the week, during the 5- week period January 3rd to February 6th, 2020.



Tourism and hospitality sectors



Visitor arrival and passenger movement

The year 2020 is set to be a challenging year for the tourism industry in Qatar. The external shocks arising from the COVID-19 pandemic has interrupted the recovering tourism sector. Qatar's tourism industry faced substantial headwinds over 2017 and 2018, caused by the blockade; however, the sector recovery in 2019 was remarkable.

According to the Planning and Statistics Authority (PSA), number of visitor arrivals to Qatar reached approximately 0.55 million in H1 2020, which is approximately 48 percent lower than the same period during 2019.

In the first week of January, Hamad International Airport (HIA) has served a record high influx of passengers during the winter holidays peak period, handling one million passengers in the first week of 2020. However, due to the pandemic, the visitor arrivals by air took a significant hit during the initial half of 2020 and were down by almost 56 percent to 418,525 passengers from 945,640 witnessed during H1 2019. Interestingly, visitor arrivals from Europe accounted to 41 percent of the total arrivals, followed by other Asian and oceanic countries (31 percent) and GCC (10 percent).

According to Planning and Statistics Authority, Doha Port recorded 130,287 cruise passengers, representing an increase of more than 20 percent from H1 2019. Interestingly, in the beginning of the year, Doha Port broke a record on single day passenger arrival, with two mega luxury cruise ships, Jewel of the Seas and Costa Diadema, brought nearly 10,000 passengers at Doha port. Visitors from Americas and Europe, notably, Germany, Italy and UK contributed significantly to this surge in the overall passenger arrivals to Qatar.

NOTE:

A visitor is a traveler taking a trip to a main destination outside of his/her usual environment, for less than a year, for any purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. A visitor (domestic, inbound or outbound) is classified as a tourist (or overnight visitor), if his/her trip includes an overnight stay, or as a same-day visitor (or excursionist) otherwise.

Source: United Nations World Tourism Organization (UNWTO)



Visitor arrival to Qatar (H1 2020)



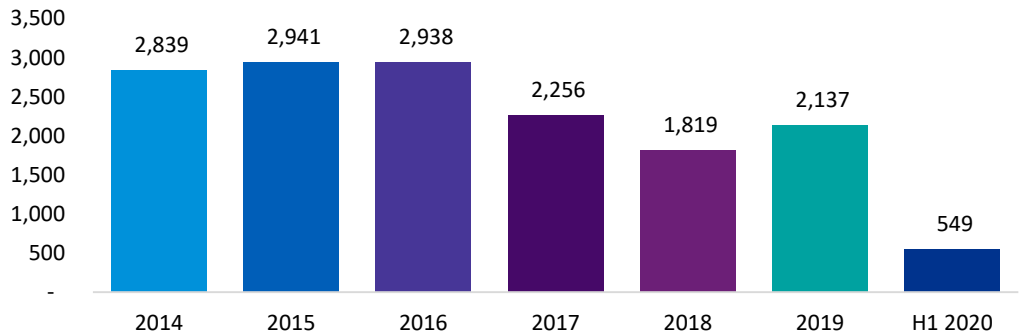
*Highlights above represent for H1 2020, with growth compared to H1 2019



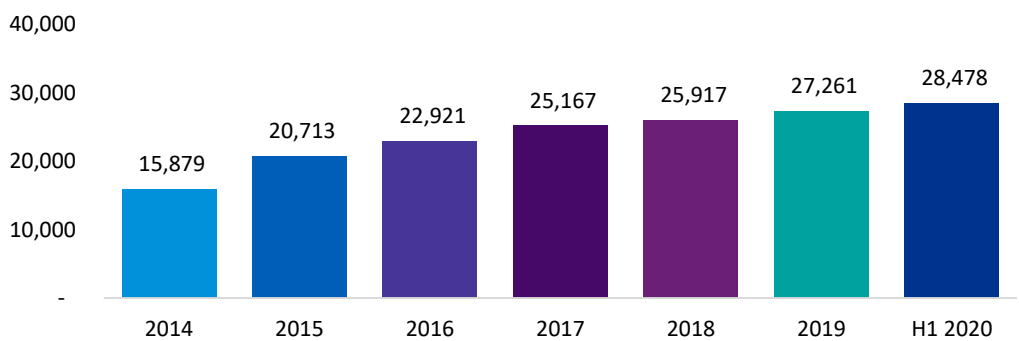
Hospitality sector snapshot



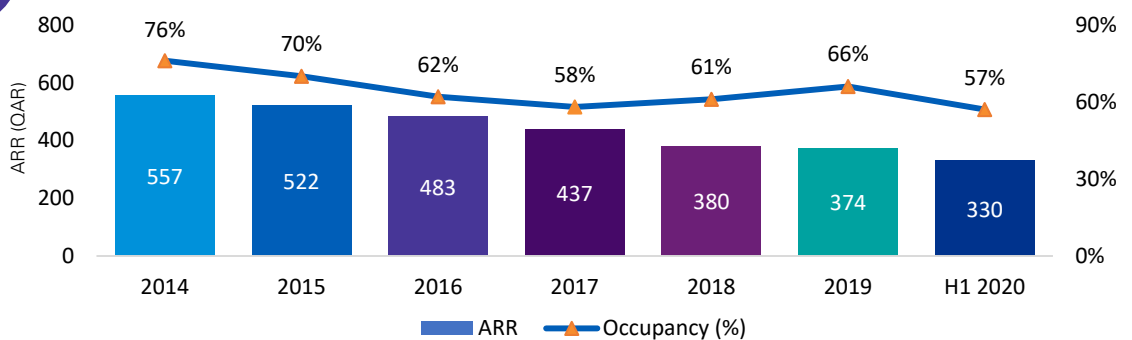
Tourist arrivals to Qatar (in thousands)



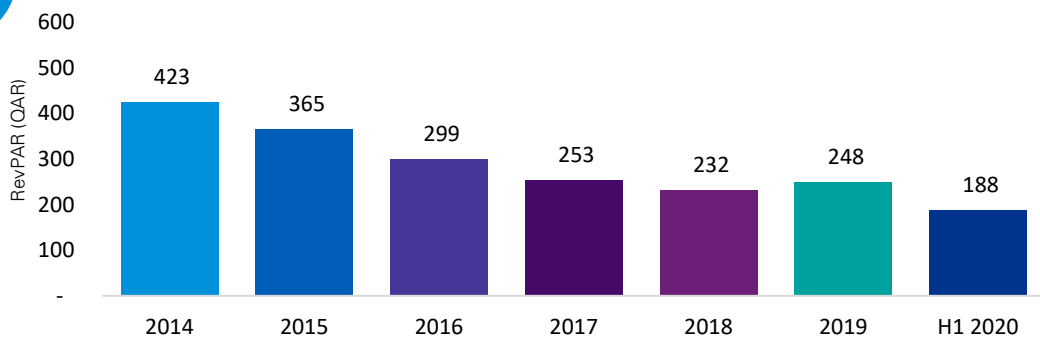
Total number of hotel and hotel apartments room keys in Qatar



Occupancy and ARR across hotels and hotel apartments



Revenue per available room (RevPAR)



Hotel supply

According to our estimates, approximately 1,200 keys were added during H1 2020. The major completions include Hilton Doha The Pearl Residences, DusitD2 along the Salwa Road, Imperium Residences and Pullman Hotel in West Bay. As of H1 2020, the hospitality stock in Qatar, which includes Hotels and Hotel Apartments, stands at around 28,478 keys.

Future supply

Hotel and hotel apartments supply is expected to reach 30,000 keys by the end of 2020. Qatar is expected to add approximately 12,000 rooms by 2022, of which 5-star category accounts for almost 48 percent of the total future supply. With the COVID-19 pandemic impacting the overall pace of the construction activity across Qatar, we can expect a slight delay in the number of completions. However, with Qatar gearing up to host the FIFA World Cup 2022, this delay will be mitigated over the short term.

Some of the hotels that are expected to open during the second-half of 2020 include 'The Vyra Suites NH Collection Doha', located in West Bay area will add about 228 keys. The Plaza Doha Anantara Hotel & Suites, located in the Umm Ghuwailina area is expected to add about 292-keys and will feature 118 guest rooms and 174 apartment suites.

Introducing a new concept of floating hotels to Qatar, Qetaifan Projects, a company owned by Katara Hospitality, signed a memorandum of understanding in February with ADMARES Construction and Trading to construct and operate 16 floating hotels on the shores of Qetaifan Island North to provide accommodation for the fans within the fan villages during the FIFA World Cup 2022. Each hotel will be built with a unique design, with measurements of 72-meter-long and 16-meter-wide and will consist of 101 guest rooms, a restaurant, and a lounge bar and will offer a total of 1,616 floating hotel rooms.



United Development Company (UDC) has also signed in March an agreement with Corinthia Hotels Limited (CHL) to manage and operate Corinthia Doha, which will be located in Gewan Island. Corinthia Doha will spread over an area of 13,000 sqm and will comprise 110 guestrooms.

Hotel sector performance

Showing the impact of the COVID-19 pandemic, hotels and hotel apartments in Qatar reported unprecedented performance lows during H1 2020.

As per data published by Planning and Statistics Authority (PSA), occupancy across all hotels and hotel apartments decreased to 57 percent, representing a decline by approximately 16.3 percent compared to H1 2019, with 1 and 2-Star hotels experiencing maximum decline of approximately 30 percent.

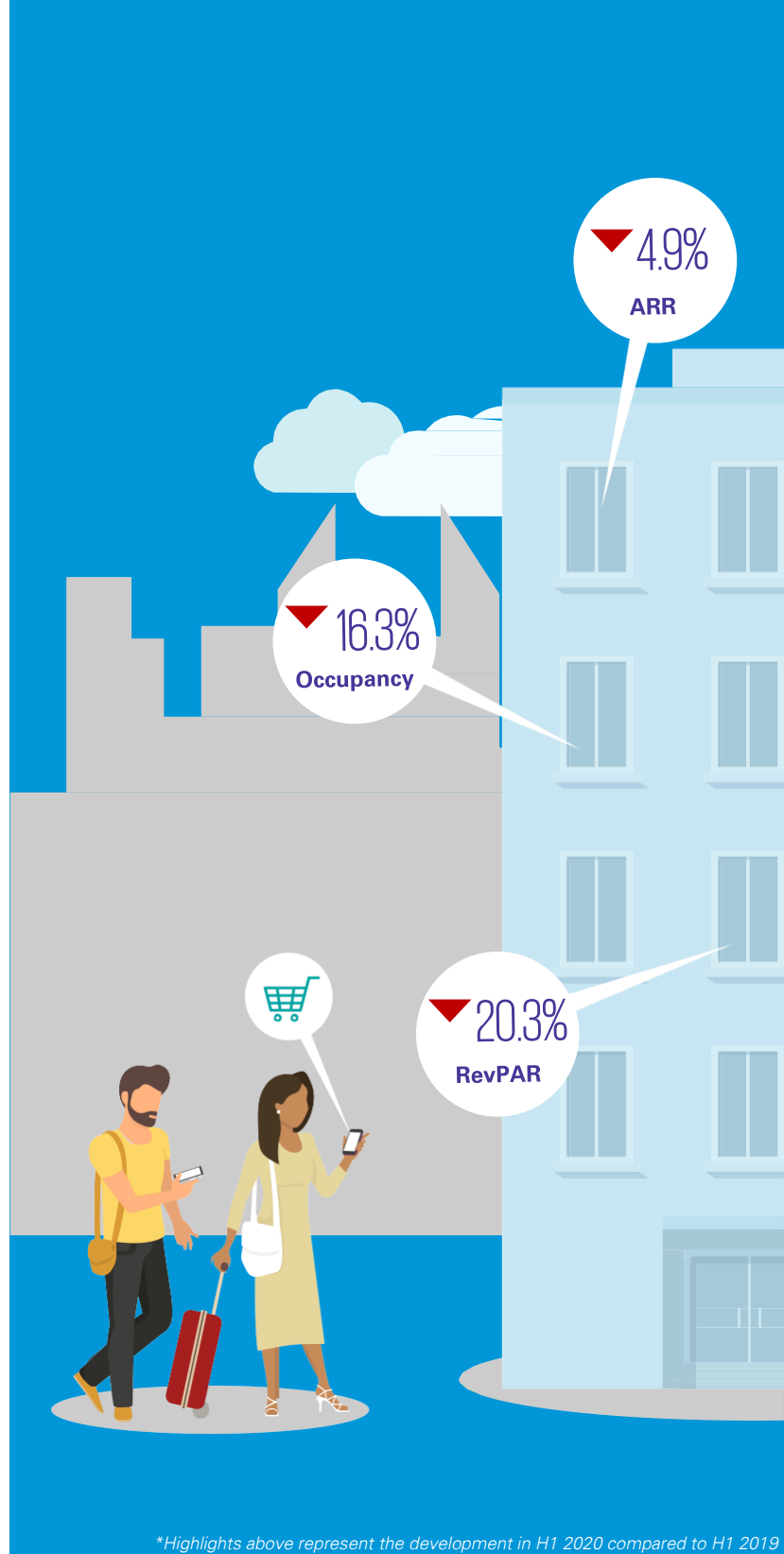
ARR experienced a decline of approximately 4.9 percent across hotels and hotel apartments and averaged at QAR 330 compared to QAR 347 in H1 2019. The largest drop in ARR was witnessed by 16 percent by 1 and 2-Star category.

The decline in ARR coupled with low turn out in the overall tourist arrivals due to the pandemic led to a double-digit decline in Revenue per Available Room (RevPAR). The revenues declined in excess of 20 percent from QAR 236 as witnessed in H1 2019 to QAR 188 as of H1 2020.

Major Transaction

During H1 2020, only one transaction was recorded. Mazaya Real Estate Development announced the sale of Lexington Gloria Hotel, owned by one of its subsidiaries, for QAR 115 million.

The hotel is consisting of 169 rooms, and located in Doha Municipality, overlooking the Corniche.



**Highlights above represent the development in H1 2020 compared to H1 2019*

Source: Qatar National Tourism Council, Planning and Statistics Authority, KPMG Market Research and Assessment





Tackling COVID-19 situation

- While Qatar’s hospitality was one of the most affected sectors with complete shut down of the tourism activity, it was among the first to extend support in tackling the COVID-19 situation in the country.
- Many leading hotels in the country extended the support by offering their rooms for quarantine purpose and turning them into isolation wards. Eligible travelers outside Qatar can book one of the approved quarantine hotel “Welcome Home” packages for a period of 7 to 14 days. Currently, the list of hotels that have been selected for quarantine stay include Time Rako Hotel, Dusit Doha Hotel, The Westin Doha Hotel and Spa, Grand Regal Hotel, Millennium Central Hotel Doha, and Kingsgate Hotel Doha by Millennium Hotels.
- The Ministry of Public Health has also partnered with Mekaines Motel to prepare and furnish a quarantine facility to enable domestic staff, company sponsored and other workers to return to Qatar, and complete a mandatory 14-night quarantine period. All bookings can be made at Qatar Airways Holidays in partnership with Discover Qatar.
- Government announced the ‘Recovery readiness plan’, consisting of four phases starting from 8th June. The Phase- 3 of the plan includes a mandatory 7 to 14 days stay at designated quarantine hotels for anyone entering the country, which can be booked through the Discover Qatar website.
- Phase-4, likely to start by September, presumes more inbound flights along with cruise ships, will also allow limited public transport, F&B operations as well as ‘gatherings and sports’ activities such as cinemas and mass sports events. This is expected to provide a slight boost to the overall occupancy numbers during H2 2020, however, the recovery is unlikely till the complete commencement of the tourism activity.



Delivering value across Qatar

At KPMG, we believe in taking quality initiatives that aid in building public trust and inspiring confidence in the overall industry. Through our constant updates on the market, we strive to assist in making this sector more transparent and enable industry stakeholders to take more informed decisions.



Research Reports



Our research reports 'Real Insights' provides a deep insight into the real estate market in Qatar. We provide half-yearly and annual updates on the performance of the real estate sector in Qatar.



Monthly Pulse



We introduced KPMG Monthly News Pulse, which captures all the happenings from the real estate space. It is mailed to more than 500 readers which are CEOs, CFOs, Development Managers, etc. in leading companies of Qatar.



KPMG Real Estate Rental Index



The launch of KPMG Real Estate Rental Index asserts our leadership in the Real Estate Sector. The index is updated on a half-yearly basis and circulated to all the industry stakeholders.



Featuring in the news



The team constantly appears in the leading International and national publications across the GCC. Giving our views on the current market trends and keeping the public at large informed about the market happenings is yet another effort towards making the market more transparent.

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 10 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 147 countries, collectively employing more than 219,000 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
- Building, Construction, Infrastructure 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

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