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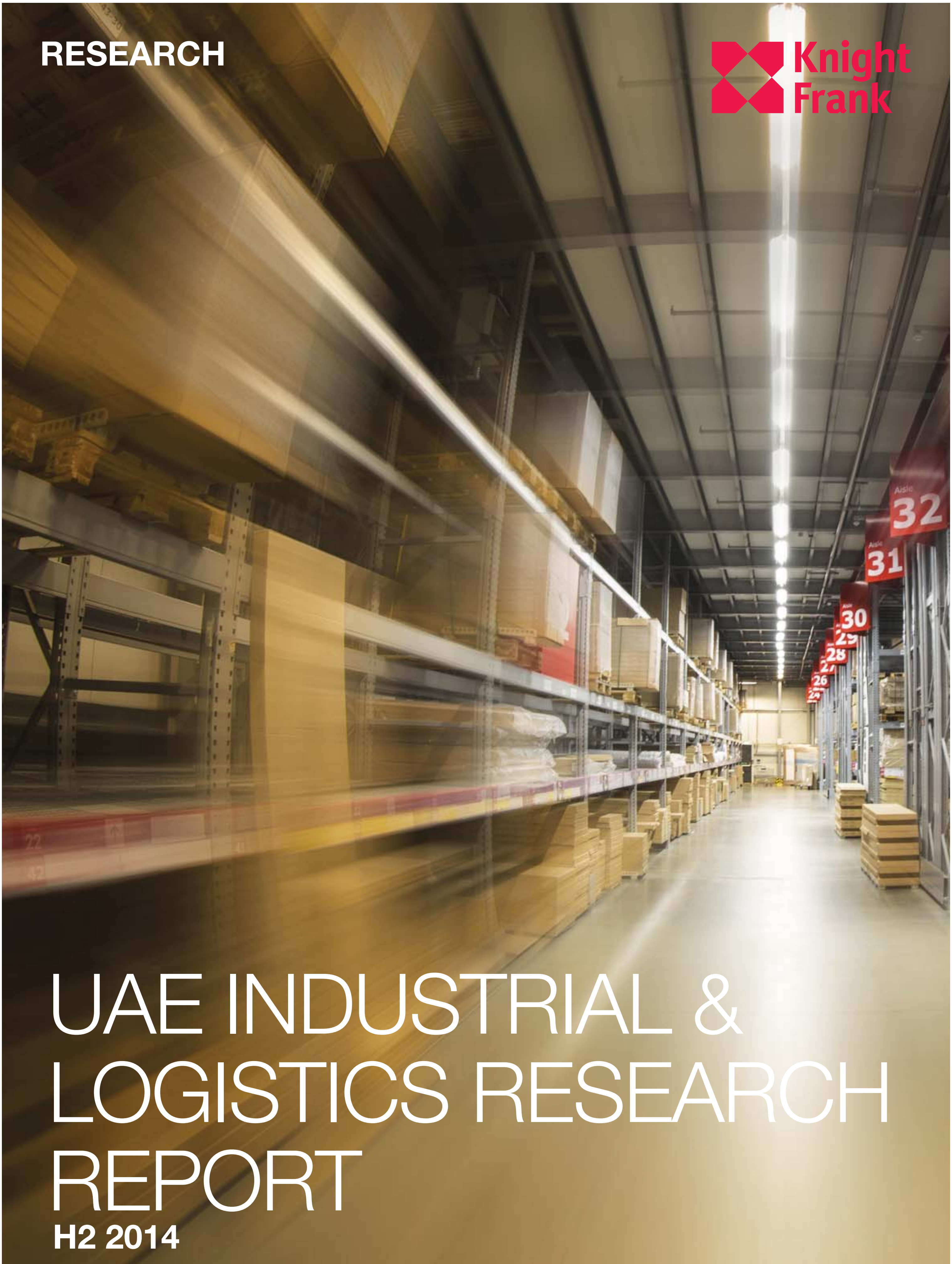


UAE INDUSTRIAL & LOGISTICS RESEARCH REPORT

H2 2014

INDUSTRIAL RENTS STRENGTHEN AS A RESULT OF LIMITED AVAILABILITY.
NEWER INDUSTRIAL LOCATIONS RECEIVING SIGNIFICANT OCCUPIER INTEREST

"Dubai is positioning itself as a premier global integrated logistics hub which has been enhanced by the bonded transport and logistics corridor from Jebel Ali Free Zone Authority (JAFZA) to DWC."

ARUN GEORGE
Senior Surveyor Commercial

LIMITED AVAILABILITY RESULTS IN INCREASE OF UAE INDUSTRIAL RENTS

Some amount of occupier restraint in Q4.

UAE COMMENTARY

The industrial property sector has seen robust growth over the last 12 months, with strong growth in rents largely as a result of limited, quality industrial accommodation. The latest available data from the UAE National Bureau of Statistics shows that the manufacturing sector accounted for around 8.9% of GDP in 2013, although the government expects to raise this figure to 20% by 2020.

The slump in crude oil prices in the second half of 2014 has not yet had a significant effect on the industrial property sector. The economic drivers for the two emirates are different; Abu Dhabi's is heavily skewed towards oil & gas, while Dubai much more diversified. That said, rising rents in both cases have been underpinned by the lack of quality industrial accommodation.

DUBAI – MARKET INSIGHT

Dubai has a diversified economy driven by trade, tourism and logistics. Dubai International Airport (DXB) recently emerged as the world's busiest international airport by passenger traffic in 2014 and this, combined with the ambitious expansion plans being developed for Dubai World Central (DWC), increases the attractiveness of industrial areas close to airport hubs.

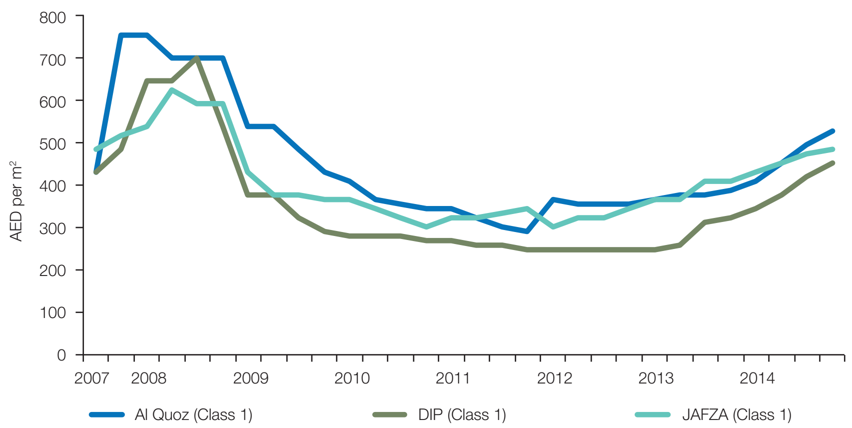
Dubai is positioning itself as a premier global integrated logistics hub which has been enhanced by the bonded transport and logistics corridor from Jebel Ali Free Zone Authority (JAFZA) to DWC. Access to a large number of markets including the GCC, Middle East, Indian subcontinent and Africa along with Dubai's location, logistics, legislation and infrastructure make it an ideal supply and re-distribution gateway. It remains the preferred destination for global businesses entering the Middle East, driven by:

- Strong economic prospects
- Relatively stable political environment
- Supply of quality office space, housing & man-power
- Access to high quality education and healthcare
- Willingness of talent/senior management to relocate
- World-class infrastructure

General market sentiment has been upbeat, albeit there was certain amount of restraint in last quarter of the year from occupiers. On the whole there was healthy appetite for industrial accommodation in prime industrial districts and free zones.

- On average, there has been double digit growth (29% year-on-year) across the industrial districts being tracked in Dubai.
- The general shortage of supply is the main reason for the increase in rental rates; demand continues to outstrip quality supply.
- There has been an increase in ground rents by DREC at traditional industrial areas (Al Quoz, Ras Al Khor and Jebel Ali Industrial area) which has also been a factor for the increase in rentals.
- JAFZA rents witnessed a year on year (YOY) increase of 29% and continues to be the favoured location for global occupiers and capital values have increased to approximately AED 250-300 /sq ft (AED 2,691 – 3,229/ m²).
- Dubai Investment Park (DIP) which registered the largest YOY growth (40%) in rentals and Dubai Industrial City (DIC) are witnessing substantial interest from occupiers with the ability to secure larger and better quality facilities.
- There has been an increase in demand for warehousing from food and beverage companies and retailers, derived from growth in consumer confidence.
- Third party logistics and light industrial requirements have also seen a steady increase in demand.
- Global automobile majors continue to show interest in creating regional hubs within free zones.

FIGURE 1
Class 1 industrial rents Q3 2007 - Q4 2014



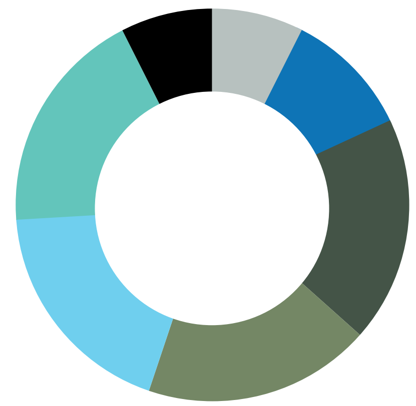
Source: Knight Frank

FIGURE 2
Size requirement (m²), H2 2014

Under 1,000 m²	7%
1,000 - 2,000 m²	11%
2,001 - 5000 m²	26%
5,001 - 10,000 m²	19%
10,000 m² +	37%

Source: Knight Frank

FIGURE 3
Enquiries by sector, H2 2014



Automotive	7%
FMCG	7%
General storage	11%
Retailers	19%
F&B	19%
3pl	19%
Light Industrial/man	19%

Source: Knight Frank

FIGURE 4
Key market indicators

Class 1 Rents JAFZA	AED 45 per sq ft	▲
Class 1 Rents DIP	AED 42 per sq ft	▲
Enquired size (maximum times)	100,000 sq ft	▲

Source: Knight Frank

DUBAI - MARKET TRENDS

- As volume of business increases and perceived risk reduces, firms try and backward integrate their supply chain, breaking away from using third party logistics operators. Demand from such smaller first time occupiers is on the rise.
- Some of the larger established occupiers in older traditional industrial locations are resisting from investing further in their facilities, as redevelopment of the industrial area is a possible scenario.
- Dubai Investment Park (DIP) and Dubai Industrial City (DIC) are witnessing further investment and improvement of road infrastructure with construction of flyovers and road widening on the back off Expo 2020. Proposals for the extension of the Dubai Metro - Red Line from Jebel Ali to the Expo 2020 site would be another driver for both these locations.
- Many new multi-national occupiers are choosing DIP, such as Can-Pack Group on 13,935 m² (150,000 sq ft) and an investment of AED 200 million.
- Occupiers from traditional industrial areas (Al Quoz and Ras Al Khor) are relocating to newer locations such DIP or DIC which are seeing better infrastructure, connectivity, with better security of tenure (longer leasehold tenures) and services.
- Dubai World Central (DWC) continues to attract larger occupiers consolidating their businesses, including Landmark group who is currently developing their 371,609 m² (4 million sq ft) facility.

ABU DHABI – MARKET INSIGHT

The emirate of Abu Dhabi remains reliant on oil and gas revenues – some 51% of GDP is based on the contribution from the oil and gas-related industries, however declining oil prices has not yet materialised into lower levels of demand for industrial property. There were no knee-jerk reactions to declining lower oil prices in 2014, like reduction of capacity or cost-reduction measures.

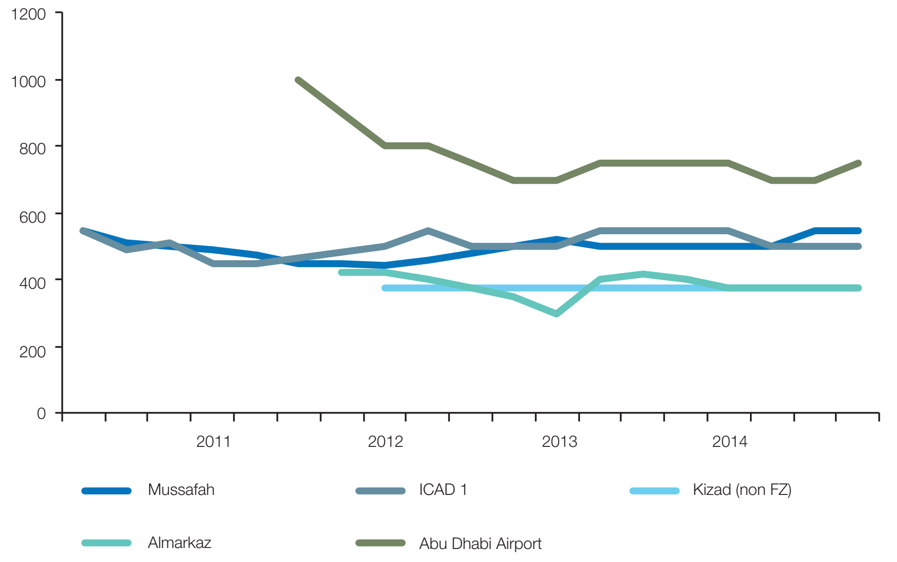
- The industrial rental rates in Abu Dhabi have stabilised, with only Mussafah registering a 10% increase year-on-year.
- Quality accommodation remains in short supply across the industrial market.
- Phase 1 of better quality units in Abu Dhabi Business Hub and KIZAD have been successfully leased. The second phases of the respective schemes should be delivered in H2 2016.
- A limited number of high quality facilities are available in Mussafah and ICAD, which are quoting AED 550/m² (AED 51/sq ft).
- 20% of the enquiries were from logistics companies; a function of capacity increase in the sector.
- Oil and gas companies continue to make up 13% of total enquiries, along with pharmaceuticals (18%). The enquiries from the pharmaceuticals industry has been a result of required specialised facilities (temperature and humidity controls).

FIGURE 5
Key market indicators

Class 1 Abu Dhabi Industrial City (ICAD)	AED 500 per sq m AED 46 per sq ft
Class 1 Abu Dhabi Airport	AED 750 per sq m AED 70 per sq ft
Enquired size (maximum times)	3,000 sq m 32,000 sq ft

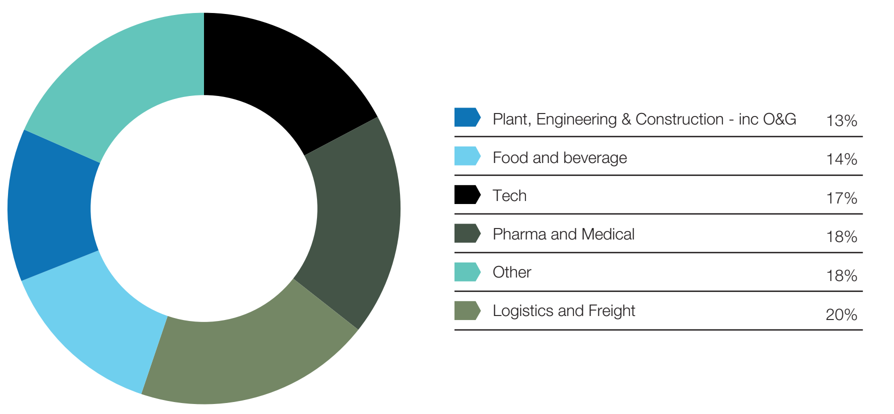
Source: Knight Frank

FIGURE 6
Industrial rental chart



Source: Knight Frank

FIGURE 7
Enquiries by sector, H2 2014



Source: Knight Frank

ABU DHABI - TRENDS

- Heavy industries and manufacturing companies appear to prefer Abu Dhabi, with KIZAD attracting a majority of these requirements. BRF (Sadia) recently opened a new $180 million plant in Khalifa Industrial Zone Abu Dhabi (KIZAD).
- There has been an increase in enquiries from logistics companies for KIZAD with the relocation of the container facility from Mina Zayed port to the Khalifa port.
- With a similar relocation of Roll-on/Roll-off (RORO) vessel facility (the mode of transporting cars and other vehicles) to Khalifa Port, automobile trading companies are making enquires about KIZAD.
- A significant increase in ground rents in Mina Zayed has resulted in much relocation from the area as it is planned to undergo redevelopment.
- The search for new industrial accommodation from oil and gas suppliers and exploration companies were postponed or put on hold in Q4 2014.
- New industrial locations in prime areas for distribution are attracting greater number of enquires.

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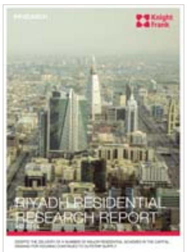

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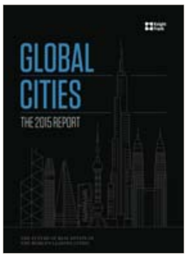

Global Cities
The 2015 Report

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Warehouse accommodation has been sub-divided into Class 1 and Class 2, reflecting high and low quality respectively. Whilst subjective, this categorisation is based on an assessment of each property's age, specification, quality of build, location, situation, site coverage and operational efficiency.

European specification and quality although subjective indicates that the building is consistent with what has become the institutionally acceptable investment standard for logistics and warehouse accommodation across Western Europe.

Industry standard specifications would generally include raised dock entry set at approx. 1.3m, 1 dock per 10,000 sq ft of warehouse floor area, 2 level entry doors, 10% office content, 10m clear internal height, a site density not exceeding 50%, floor tolerances to allow free movement fork lift truck (FLT) operation according to height of building, temperature control, fully insulated external roofing and cladding system and a minimum 10 percent roof lights.