



Qatar Real Estate Rental Index Q1 2016 - Q2 2020

KPMG in Qatar

September 2020

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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-RRRI)**
- **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-RRRI) 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.

“Qatar real estate market was not significantly impacted in the first half of 2020. Developers are assessing the overall impact of COVID-19, which we believe will be more visible in Q3 2020 onwards. The same is also reflected in our rental indices across three asset classes, which have shown marginal falls. Interestingly, the decline has been softer than the decline witnessed over Q1 and Q2 2019. This also indicates going forward, developers may be willing to accept lower occupancy and resist rental fall.

Managing assets and projects in an efficient manner and using real estate technology to improve productivity and containing cost would take the driving seat.”

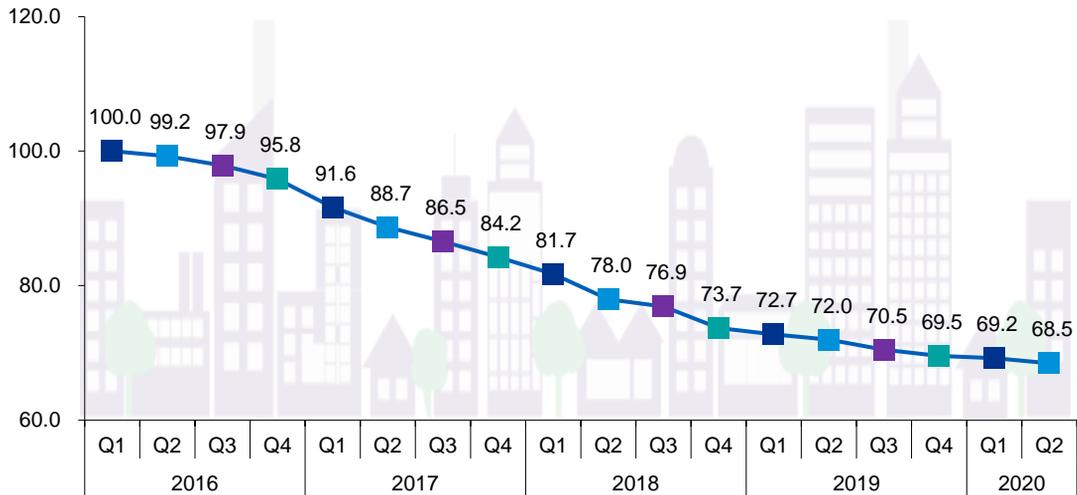


Anurag Gupta, PMP

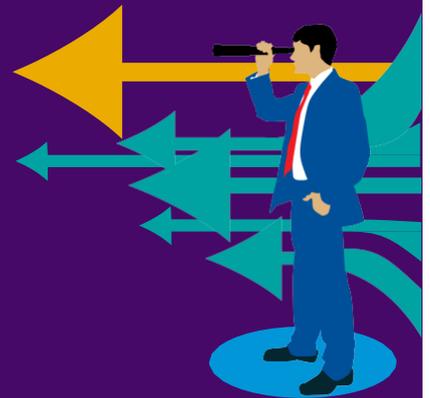
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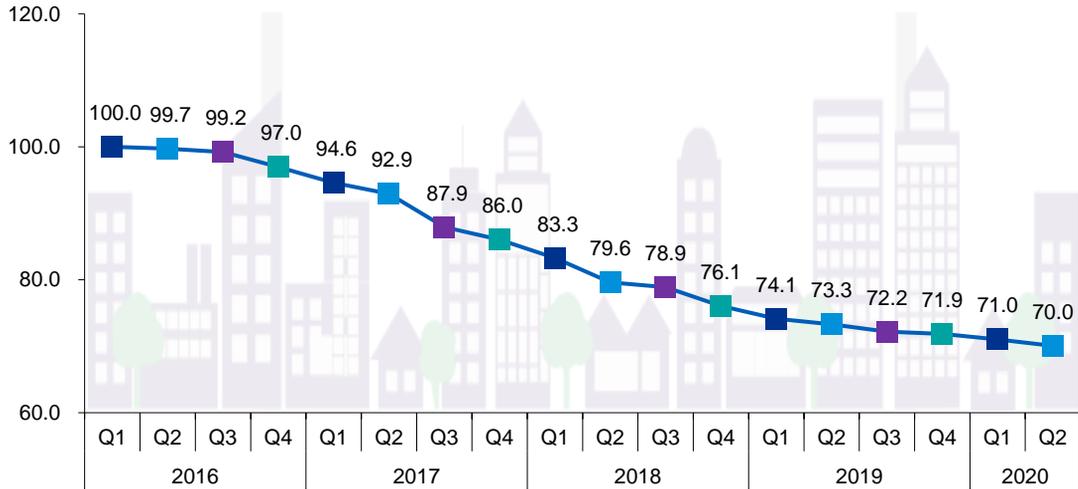
KPMG Office Rental Index (K-ORI)



- Q1 and Q2 2020 witnessed a cumulative 1.56 percent drop in the rental index compared to 3.36 percent during the last two quarters of 2019. While the same period (Q1 and Q2) during 2019 witnessed a decline in the rental index by 2.33 percent.
- The marginal decline in the rental index is primarily due to the correction in rentals for the Secondary Business District units, which witnessed a drop in rentals by almost 2.85 percent over the initial two quarters of 2020.
- While the Central Business District properties continue to maintain momentum witnessed over Q4 2019, the Peripheral Business District experienced a minimal 1.70 percent decline over the initial two quarters of 2020.
- Impact of COVID-19 is going to be severe on the commercial segment as it has allowed enough time to blossom 'the work from home concept', forcing corporates to re-think their office establishment and expansion plans. For developers, it's a time to re-strategize their proposed marketing plan of existing and future commercial office properties.
- Projects in early stages of design could witness realignment to current market conditions, such as change in design, size and/or postponement.



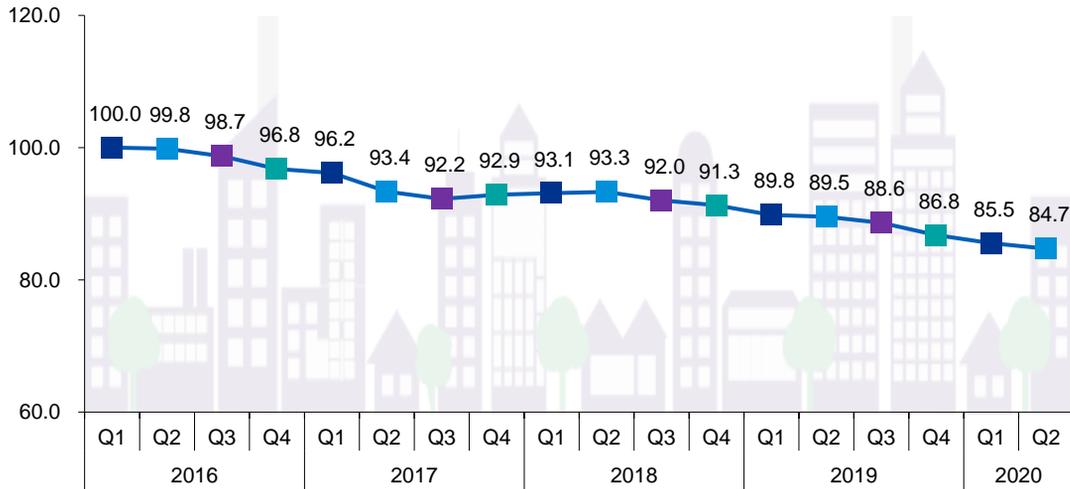
KPMG Residential Rental Index (K-RRI)



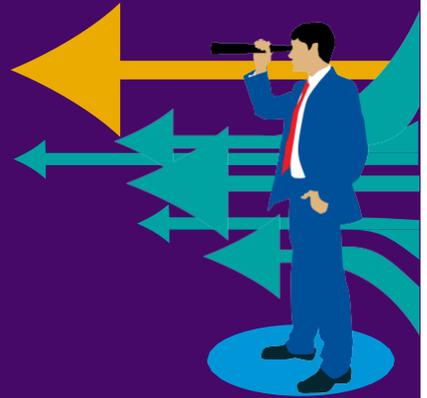
- Q1 and Q2 2020 witnessed a combined drop of 2.53 percent on the rental index compared to 1.95 percent as witnessed during Q3 and Q4 2019. However, the decline in rentals is relatively softer compared to 3.63 percent, experienced during the initial two quarters of 2019.
- In the pre COVID -19 phase during Q1 2020, the affordable segment witnessed increased vacancy levels. This was primarily due to the movement of tenants seeking affordable 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.
- 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. However, 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.
- As per our interactions with the landlords/developers and real estate agents, no added incentives were offered to the tenants on the existing contract. However, for new leases, 1 to 2 months of rent-free period along with other freebies such as free utility bills continue to appeal to new tenants.



KPMG Mall Rental Index (K-MRI)



- The organized retail mall rental index experienced a further drop of 2.36 percent over Q1 and Q2 2020, compared to 3.08 percent in the last two quarters of 2019. While Q1 and Q2 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 Q1 and Q2 2020. While 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.
- Due to the unprecedented crisis, the Ministry of Commerce and Industry ordered a complete closure of retail malls, with exceptions limited to only supermarkets and pharmacies.
- To safeguard the industry from the COVID-19 impact, support measures were quickly announced by the government and other private entities offering relief from rent and utility charges ranging from three to six months to ease the operational cash flow.



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.



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

300+

Professional staff based in Qatar

147

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