



Qatar Real Estate Rental Index

Q1 2016 – Q4 2020

KPMG in Qatar



March 2021

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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-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.



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The real estate market continues to face a period of contraction in both volume and price. However, the Governments' effort in safeguarding the sector with stimulus packages and affirmation on the wide-spread vaccination are all signs in the right direction.

Despite the large drop in the quarterly rentals due to the pandemic, real estate activity exhibited signs of improvement towards the end of 2020. We anticipate it might approach pre-pandemic levels by H2 2021. With blockade coming to an end and the regional trade activity showing signs of normalization, Qatar economy is expected to grow rapidly from here on.

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Anurag Gupta, PMP

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



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We have been observing consistent headwinds with downward pressure on rental yields across core real estate asset classes over past few years. This is due to higher degree of growth in supply vis-a-vis demand coupled with impact of pandemic over last four quarters. Such consistent downward spiral resulted in following key actions:

- Detailed assessment of customers' pain points and challenges
- Holistic effort from landlords in augmenting value proposition by bundling product with services
- Designing integrated value-propositions thereby curating a differential offering for all stakeholders
- Re-structuring of existing debt obligations based on revised cashflow projection
- Inducing digital transformation by embracing technology in the entire value chain of asset life cycle.

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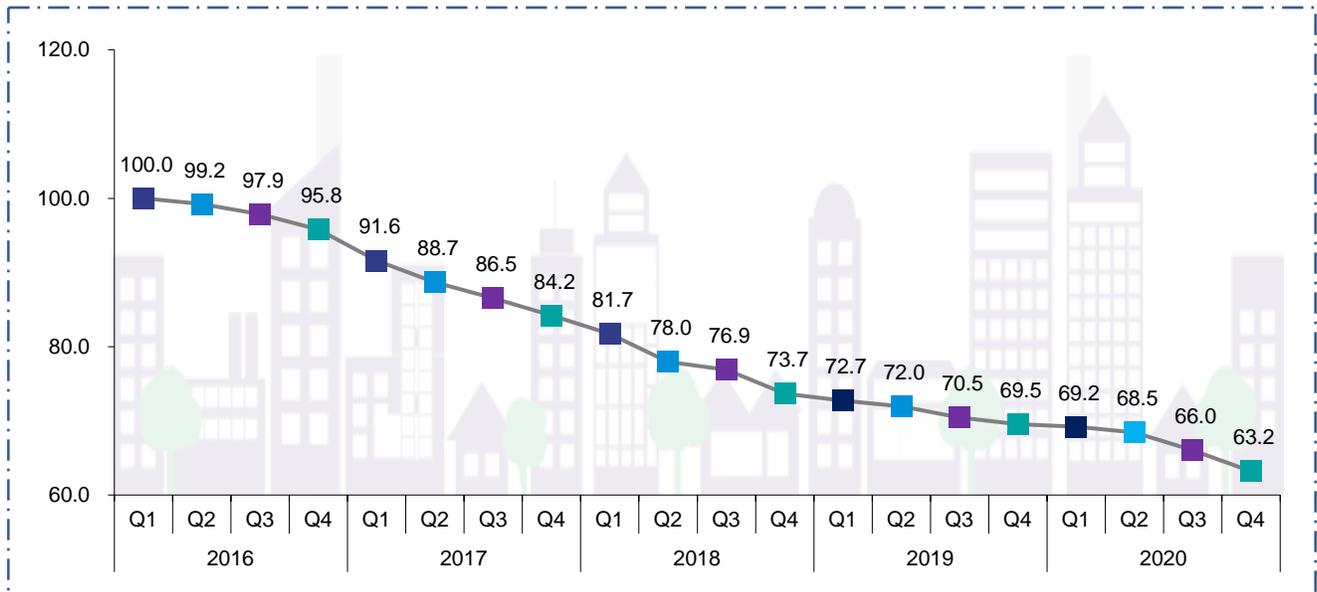


Sayantan Pande

Associate Director,
Head – Infrastructure, Financing and Real Estate Valuations
KPMG in Qatar



KPMG Office Rental Index (K-ORI)

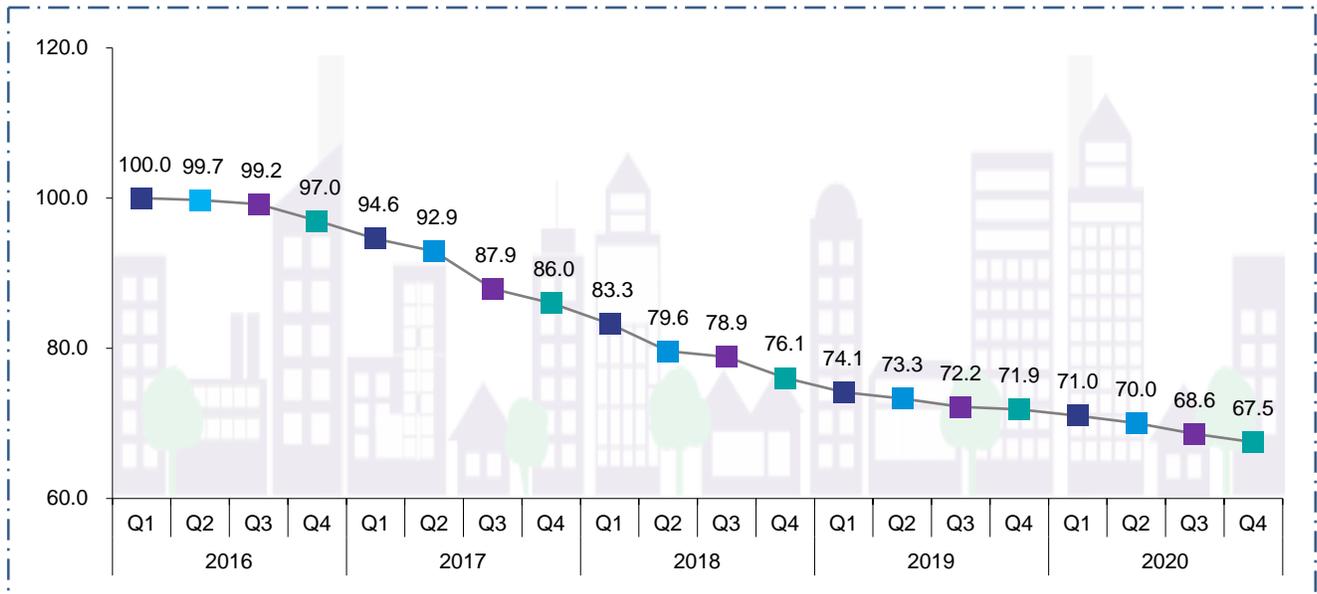


- ✓ Q3 and Q4 2020 witnessed a cumulative decline of 7.63 percent on the rental index compared to 1.56 percent experienced during the initial two quarters of 2020. While the same period (Q3 and Q4) during 2019 witnessed a decline in the rental index by 3.36 percent.
- ✓ The decline in the rental index is primarily due to the COVID-19 impact on the economy, which subsequently affected the business activity. The rentals in the secondary business districts managed to stay afloat with marginal decline of 2.29 percent, the development in peripheral business district experienced correction and dropped by approximately 8.39 percent. However, developments in central business district of Doha were the worst hit with an overall decline in rentals by almost 13.90 percent over the last two quarters of 2020.
- ✓ Impact of COVID-19 is going to be considerable on the commercial office as it has allowed enough time to blossom 'the work from home concept', forcing corporates to re-think their office establishment and expansion plans. However, with advent of COVID-19 vaccine we do anticipate a change in the trend going forward.
- ✓ 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.

Note: We have included Lusail as a part of the Secondary Business District (SBD) as more developments have been released to the market with active leasing.



KPMG Residential Rental Index (K-RRI)

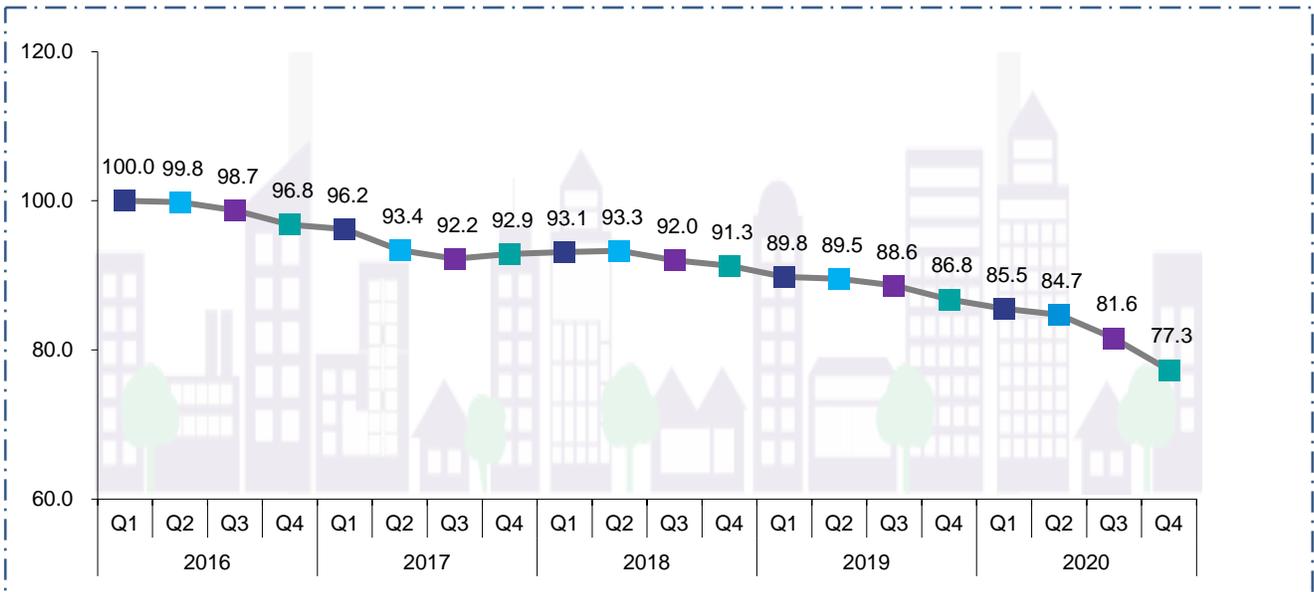


- ✓ Q3 and Q4 2020 witnessed a combined drop of 3.63 percent on the rental index compared to 2.53 percent as witnessed during Q1 and Q2 2020. While the same period (Q3 and Q4) during 2019 experienced a much softer drop of 1.95 percent. However, the decline in rentals for residential developments is relatively softer compared to other asset categories, namely, commercial office and retail.
- ✓ Interestingly, the rentals in affordable segment continue to stay afloat while maintaining stable occupancy levels. The middle-income segment continues to experience active demand for housing units, primarily due to movement of tenants seeking locational advantages and affordable options along with added incentives such as rent-free periods of 1 to 2 months and free utility bills.
- ✓ During Q3 and Q4 2020, the apartments category of middle-income housing segment recorded maximum decline in rentals of 6.67 percent, followed by high-end apartments category recording 4.89 percent drop in the rentals.
- ✓ The COVID-19 crisis significantly impacted the leasing activity during Q3 2020, primarily, due to the health concerns and stay-at-home orders that led to fewer buyers looking for homes. At the same time, the health crisis generated an economic toll in the form of job losses and uncertainty. However, despite the steep downturn, leasing activity rebounded during Q4 2020. With the government's widespread vaccination efforts and lifting of the blockade, we anticipate a greater economic activity returning to Qatar, resulting in increased influx of white-collared workforce stimulating the domestic demand.

Note: We have updated the sample with the recent developments that have been released to the market in 2020.



KPMG Mall Rental Index (K-MRI)



- ✓ The COVID-19 pandemic has led to a significant decline in rental index for the organized retail mall segment. The rental index experienced a further drop of 8.77 percent over the last two quarters of 2020 from 2.36 percent as witnessed during Q1 and Q2 2020. While the same period (Q3 and Q4 2019) had witnessed a drop of 3.08 percent on the rental index.
- ✓ The best performing malls in Qatar with stable occupancy levels experienced a drop of approximately 7.90 percent in the rentals over Q3 and Q4 2020. While the malls having occupancy of less than 80 percent including the upcoming malls experienced a slightly higher decline in the rentals by 9.15 percent.
- ✓ The impact of COVID-19 on the retail industry has been severe. The growing health concerns and stay-at-home orders led to complete shutdown of retail malls during certain periods with exception to essential stores such as Pharmacies and hypermarkets. With the government opening the sector in phases, there has been a restricted increase in the overall number of footfalls. The leasing activity has remained subdued, with no major announcements throughout the last two quarters of 2020.
- ✓ We believe the advent of COVID-19 vaccine and the wide-spread vaccination efforts will help the sentiments grow positively, in turn improving the overall outlook for the retail industry over the next short to middle term.

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 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

145

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