

UAE

Cushman & Wakefield
Global Cities Retail Guide



Since the turn of the millennium, the UAE has become known as one of the world's premier tourist destinations, renowned for its opulence and extravagance; the largest shopping mall, the longest indoor ski slope, the world's largest manmade island, the busiest international airport and has become a preferred destination for international retailers.

Due to unprecedented demand from the local population, expatriates and tourists, the UAE has been named in the top ten most attractive international market for retailers. Retail hubs throughout the UAE and especially in Dubai are anticipated to develop further to soon become one of the top tier global retail destinations.



UAE OVERVIEW

UAE

ECONOMIC OVERVIEW

ECONOMIC SUMMARY					
ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	1.7	2.2	2.2	2.1	2.1
Consumer spending	1.9	2.1	2.0	1.7	2.0
Industrial production	0.4	1.6	1.9	1.9	1.9
Investment	0.6	2.2	2.2	1.6	1.6
Unemployment rate (%)	1.7	1.8	2.0	2.2	2.3
Inflation	3.1	0.9	2.0	2.0	2.0
US\$/Dirham (average)	4.3	4.2	4.4	4.5	4.6
Interest rates Short Term (%)	3.7	3.7	3.7	3.7	3.7
Interest rates 10-year government bonds(%)	2.7	3.5	3.8	3.8	3.8

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast

ECONOMIC BREAKDOWN		RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR					
		UAE	2018F	2019F	2020F	2021F	2022F
Population	9.68 Million (2019F)						
GDP	US\$ 426.1 Billion (2019F)						
Public Sector Balance	0.1% Of GDP (2019F)	Retail Volume	2.0	2.2	2.3	3.3	3.3
Public Sector Debt	20.5% Of GDP (2019F)						
Current Account Balance	6.8% Of GDP (2019F)						
Parliament	Federal National Council						
President	Khalifa bin Zayed Al Nahyan						
Prime Minister	Mohammed bin Rashid Al Maktoum						
Election Date	N/A						

CITY/ EMIRATE	POPULATION
Dubai	3,192,275
Sharjah	1,571,000
Al Ain City	598,000
Abu Dhabi City	1,452,000



UAE LARGEST CITIES

Source: Dubai Statistics Center 2018, Sharjah Census 2015,
Statistical Yearbook of Abu Dhabi 2017

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UAE

RETAIL OVERVIEW

MAJOR UAE FOOD RETAILERS

Spinneys, Choithrams, Union Coop, Lulu Group International, Lifco Group of Companies, Aswaaq LLC

MAJOR INTERNATIONAL FOOD RETAILERS

Carrefour, Waitrose, Marks and Spencer Food

MAJOR UAE NON-FOOD RETAILERS

Home Centre, Jumbo Electronics, Sharaf DG, ACE Hardware, Jacky's Electronics, Brands for Less, Souq.com (pureplay, fully owned by Amazon.com), Namshi (pureplay)

INTERNATIONAL RETAILERS IN THE UAE

Harvey Nichols, Bloomingdale's, Pottery Barn, Natuzzi, Tchibo, Adidas, Nike, Aldo, Ikea, Zara, Banana Republic, H&M, Gap, Manolo Blahnik, Chanel, Louis Vuitton, Dior, Ralph Lauren, Valentino, Elie Saab, Marks and Spencer

FOOD AND BEVERAGE OPERATORS

Five Guys, Texas Roadhouse, IHOP, UNO Chicago Grill, The Cheesecake Factory, Elevation Burger, California Pizza Kitchen, Nando's, Burger King, Moshi, Nobu, Starbucks, Costa Coffee, Subway, McDonald's, Pizza Express, Wagamama, Nom Nom, Zaroob, Wokyo Noodle Bar, Operation:Falafel

TYPICAL HOURS

SUNDAY - WEDNESDAY

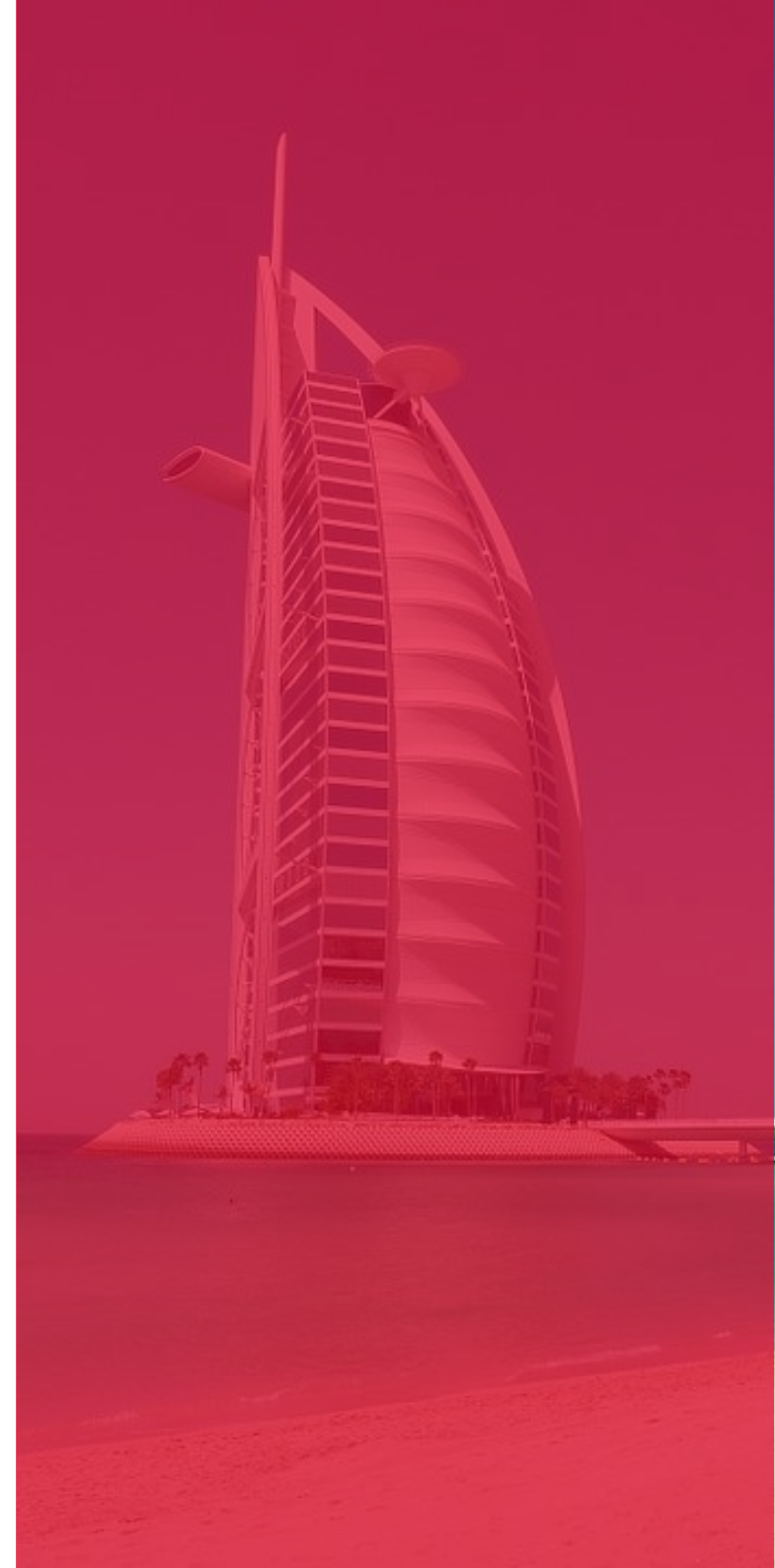
10.00 – 22.00

THURSDAY TO SATURDAY

10.00 – 24.00

NEW ENTRANTS TO MARKET

Maison Assouline	Maria Tash	Bape	Gentle Monster	American Rag	Off-White	Moynat	John Varvatos	Missguided
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RETAIL SCENE

The United Arab Emirates is one of the largest and most attractive markets for retailers in the Middle East. With a population of more than 9.68 million and tourism delivering an additional 20 - 22 million people per annum, forecasted to increase to 24 million by 2020, the UAE retail market has become one of the top-tier global destinations for shopping malls.

Whilst Oxford Economics projects retail sales to grow by 2-3% until 2021 for the UAE as a whole, Dubai Chamber of Commerce and Industry envisions a CAGR of 5.2% over the 2018-2023 period for its retail sector, supported by strong international visitor spend, robust demand fuelled by a high frequency of mega-sales and shopping festivals, and growing e-commerce activity, according to the new analysis conducted.

For European and Asia-Pacific retailers Dubai is the most important target area for expansion, and the MENA region as a whole is reported to be the second most important globally.

The retail market in UAE is dominated by organised shopping malls (5.48m sqm in 2017), with densities significantly higher than many European and Asian major cities. There is little or no high street retail market catering to international retail operators.

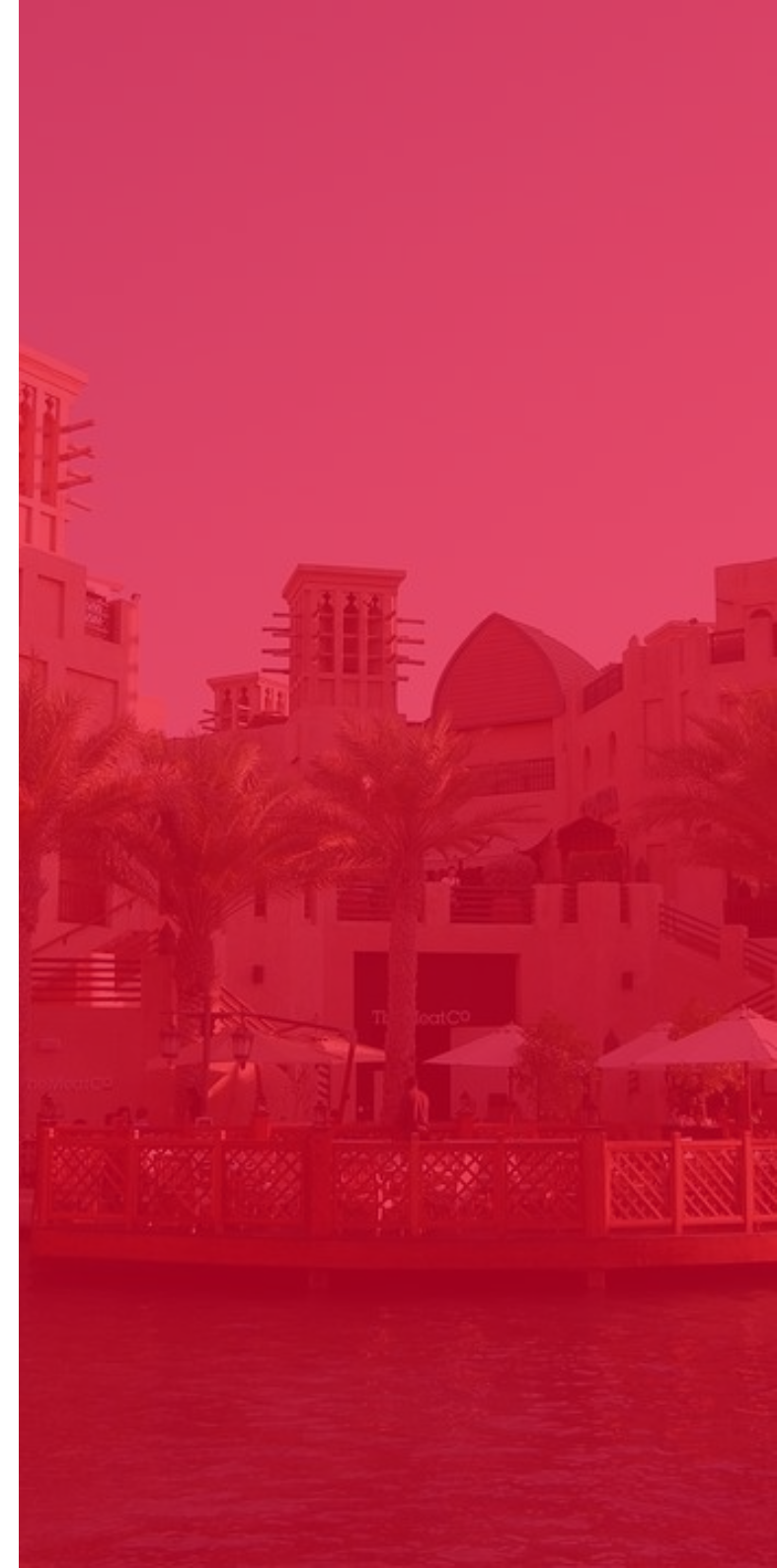
Regulations in the UAE stipulate that international retailers setting up shop in the country must do so with a local partner, who takes a 51 percent share of the business and holds the franchise rights to the brand in the region.

A joint venture company is a contractual agreement between a foreign party and a local party, licensed to engage in desired activity. There should be at least 51 percent of local equity participation in a joint venture, but, the profit and loss distribution can be prescribed. The joint venture need not be licensed nor is there a requirement to publish the agreement. Joint ventures are more suitable for companies working together on specific projects.

A new law was introduced at the end of 2018 allowing for 100% ownership, however its impact is yet to be seen.

Retail in the Gulf is dominated by local players such as MH Alshaya, Landmark Group, Al Tayer, Apparel, and Azadea, which are franchise operators or joint-venture partners for hundreds of international brands including Zara, Starbucks, H&M, Gucci and Bloomingdale's.

Local franchise operators provide a service to international operators, which reduces their risk on entering the country. However, some retailers are fiercely protective over their brands and management rights, and are unwilling to operate within the franchise model that currently exists. Apple and Tesla are among the companies that have secured an exemption to operate without a local partner.



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SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Dubai Mall	Dubai	401,990	2008
Mall of the Emirates	Dubai	246,895	2005
Al Ain Mall	Al Ain	232,350	2001
Al Majaz Waterfront	Sharjah	231,000	2012
Yas Mall	Abu Dhabi	235,000	2014
Dubai Festival City Mall	Dubai	231,254	2007
City Centre Mirdif	Mirdif	198,161	2010
Ibn Battuta Mall (world's largest themed shopping mall)	Dubai	139,090	2005
Dragon Mart 1	Dubai	131,625	2004
Deira City Centre	Dubai	123,000	1995
Burjuman Centre	Dubai	121,000	1992
Al Ghurair City	Dubai	88,150	1981
Wafi Shopping Mall	Dubai	69,975	2001

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KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	3-5 years (longer for an anchor, shorter for specialty leasing). Tenant break options are typically negotiable but may incur a fee or penalty to the tenant.
Rental Payment	<p>Varies by Emirate: Dubai – Emirati Dirham per square foot per year; Abu Dhabi – Emirati Dirham per square meter per year; Sharjah – Emirati Dirham per square foot per month. Frequency is negotiable at the time of the lease agreement. Typically quarterly cheques are submitted for the whole term or a year in advance.</p> <p>A security deposit of 10% is usually lodged by the tenant and refundable at the end of the lease term.</p> <p>Key money/Premiums are extremely rare in the UAE.</p> <p>Turnover rents are being used by the major malls in Dubai. Outside of Dubai most retail space is subject to standard rents with annual uplifts as per standard commercial space. Some turnover rents have been introduced to a limited extent in Abu Dhabi.</p>
Rent Review	<p>Leases will typically have annual incremental uplifts after an initial fixed term. This is often 3-5% each year depending on the type of tenant (anchor or line shops) until the end of the lease which could be negotiable. No indexation process applies. Dubai Land Department is currently considering 3-year rent freeze which may apply to the retail leases, already in place in Sharjah.</p> <p>There is no automatic right to renew and conditions will be dependent on the terms of the lease.</p>
Service Charges, Repairs and Insurance	<p>Service charges are usually paid on top of the rent in more professional malls. 'Open book' is not common. Tenants would have their own meters for the utilities. Normally service charge will cover lifts, security, HVAC, internal repair and decoration (but no structural repairs); common area utilities, marketing, etc.</p> <p>Tenants are responsible for internal repairs and landlords for any external ones. The tenant has to cover all insurance costs.</p>
Property Taxes and other costs	5% VAT was introduced in 2018, normally tenants are responsible for paying it; 2.5-5% of rent is paid to the municipality .
Disposal of a Lease	<p>The tenant is usually prohibited from assigning or subletting without the landlord's consent.</p> <p>It is possible to terminate early only by break clause by the tenant or in common consent between parties.</p> <p>No tenant liability following disposal of the lease. However the tenant is often expected to reinstate the space back to its original condition although this is not always carried out.</p>
Valuation Methods	There are no standard practices for measurement. The landlord will usually supply a floor area measurement which could be negotiable if subsequently measured by the ingoing tenant.
Legislation	<p>There is limited legislation relating to lease contracts.</p> <p>Restrictions on foreign ownership of commercial property varies across the Emirates although in Abu Dhabi and Dubai ownership is restricted to certain limited areas.</p>

