



Dubai Overview

- Dubai, one of the most developed places in the world, is one of the seven emirates in the United Arab Emirates (UAE). The other six emirates are Abu Dhabi, Ajman, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Quwain. Dubai is situated in southwest Asia on the Persian Gulf coast. It makes up more than one third of the population of the UAE and it is the second largest emirate by area, after Abu Dhabi.
- Dubai has a diverse and multicultural society. The population of the emirate is close to 1.6 million, of which nearly 85% of them are non residents, one of the world's highest percentages of foreign-born. The population is expected to reach 3 million by 2017. Over two thirds of Dubai's population is male, a very untypical sex distribution (approximately 1.1 million are males, while only .5 million are females). About 76% of the population is Muslim, while 10% is Hindu, 9% is Christian, and 5% is Buddhist. The median age is 27 years, few years lower than the national average of 30 years. Arabic is the official language of the emirate; however, English, Hindi, Malayalam, Persian, Urdu, and Tagalog are widely spoken.
- Since oil was found in 1996 in Dubai, the economy has grown considerably. In the past two decades, the government has focused on making the service and tourist sector the main engine of the economy. Currently, the main contributors to the economy are the financial, tourism, manufacturing, and trading sectors.
- The real estate market in Dubai has also transformed over the past few years. Many projects, such as the Burj al Arab, have caused worldwide admiration. Currently there are many innovative projects under construction that will continue to make Dubai one of the best places to be in, either for pleasure or for business.
- The transportation system is very modern, and the local government is currently making further improvements to accommodate the growing demand for public and private transportation.
- Due to its prestigious education system, Dubai also has a very educated and skilled labor force.
- Dubai's climate is hot and often humid. Temperatures periodically reach over 100 °F. Rainfall is very light, with an average annual rainfall of 10 inches. The rain season is in the months of January, February, and March.

Education & Labor Force

- The education system in Dubai is very effective. In recent years large amounts of capital have been invested in the education system in an attempt to bridge the knowledge gap between the Arab region and the developed world. On May 2007, Mohammed bin Rashid, the ruler of Dubai, donated \$10 billion to set up an educational foundation in the Middle East.
- There are over 88 public schools run by the Ministry of Education, and over 130 private schools. In most public schools, Arabic is used for instruction, while English is used in most private schools. It is estimated that about 15% percent of the population holds a university degree. The literacy rate in the UAE is 78%.



Dubai, United Arab Emirates

- Some higher education institutions in Dubai are Birla Institute of Technology and Science, BITS Pilani, Heriot-Watt University Dubai, American University of Dubai, and the Institute of Management Technology Dubai.
- The labor force, mostly formed by non Arab residents, is well educated and skilled. The discovery of oil in 1966 attracted a massive influx of foreign workers, particularly from India and Pakistan. It is estimated that the population of Dubai increased 300% from 1968 to 1975 due to the discovery of oil. Today, many workers from neighboring countries move to Dubai in order to work in the construction and manufacturing industries.
- Construction projects are usually finished faster than in other parts of the world because most of the workers work six days a week. Because of these conditions, many workers have protested for and demanded better labor conditions. As a result, the local government is taking steps to improve labor conditions for the labor force.



American University of Dubai

Transportation

- The transportation system in Dubai, run by the Road and Transportation Authority, is very efficient and effective. A large fleet of buses, taxis, and boats transport over 90 million people every year. Recently more than 300 buses were added to the fleet with the intention to reduce Dubai's growing traffic problem.
- The Dubai Metro, a \$4 billion metro system currently under construction, will be the longest, fully automated (driverless) rail system in the world when its first phase opens in 2009, and will have both underground and elevated stations. It is expected to be fully operational by 2012. Once it is completed, officials expect the metro to carry approximately 355 million passengers per year.
- An electronic toll collection has been implemented on some of the emirate's highways. By using this system (Salik), the government intends to achieve free flow operations without toll booths, toll collectors, or an impact on traffic flow.
- Dubai International Airport is currently the most active airport in the UAE. It is the world's 27th busiest airport, serving over 34 million passengers and over 260,000 flights annually. It also ranks among the top 20 airports in the world in terms of total cargo. This airport is also an important contributor to the local economy, employing over 13,000 people, and it is the base for Emirates Airlines, one of the world's largest airlines.
- In 2004, the local government announced the plans to construct a new airport, Dubai World Central International Airport. This will be the most expensive airport ever built, and will be located in Jebel Ali, south of Dubai. The first phase of this project will be completed later this year, and will be close to ten times larger than Dubai International Airport. Once it is fully operational, the airport will have an annual cargo capacity of 12 million tons and an annual passenger capacity of 120 million, almost 30% more than Atlanta's, which is the busiest airport in the world.



Dubai World Central International Airport

Government & Politics

- Dubai's government operates within the framework of a constitutional monarchy. It has been governed by the Al Maktoum family since 1833. Its current ruler is Mohammed bin Rashid, who is also the prime minister of the UAE, and one of the richest men in the Middle East.
- Dubai shares legal, political, military, and economic policies with the other six emirates; however, each emirate has jurisdiction over functions such as civic law enforcement and the provision of local facilities.

Economy & Incentives

- Dubai has a very stable economy and it offers many incentives to foreign and domestic investors. The emirate is highly industrialized and is one of the most developed areas in the world. Dubai's GDP per capita, of \$55,200, ranks in the top ten in the world, while its quality of life is the best in the Middle East.
- Dubai City is considered one of the world's top 50 centers of the new world economy due to its strong economic growth and business climate that supports further developments.
- Dubai has had tremendous economic growth since the 1960's, when oil was discovered. However, in recent years, natural resources have played a minor role in the development of the economy. The majority of Dubai's \$39 billion GDP comes from trade, manufacturing, transportation, financial services, and tourism. Contrary to what many may believe, petroleum and natural gas now generate less than 6% of the total GDP. Dubai's oil reserves are forecasted to be exhausted in the next twenty five years.
- In order to attract foreign investment, the government has created free trade zones throughout the city. Some of these free zones are: Dubai Internet City, Dubai Media City, Jebel Ali, and Dubai International Financial Centre.
- The economy of Dubai is expected to continue growing in the upcoming years. More domestic and international companies are expected to expand or begin their operations in this dynamic market.

Real Estate Market Overview

- The real estate market in Dubai and in the whole United Arab Emirates continues to grow. Over the past few years, office rental rates have drastically increased due to high demand and limited supply, while vacancy rates have remained lower than 2% in all office sectors.

Dubai	
Population	1.6 million
Area	1,588 mi ²
Dubai City Metro Area	497 mi ²
GDP Purchasing PP	\$39 billion
United Arab Emirates	
Population	4.6 million
Population Growth Rate	3.833%
Total Area	32,278 mi ²
GDP Purchasing PP	\$146 billion
Real GDP Growth	8.5%
GDP Per Capita	\$55,200
Inflation Rate	11.5%
Labor Force	3.12 million
Unemployment Rate	2.4%
Exchange Rate	1\$ = 3.6727 AED
Literacy Rate	77.9%
Official Language	Arabic
Capital	Abu Dhabi
Average Annual Temp.	75 °F
Average Annual Rainfall	6 inches



Burj al Arab: the world's tallest hotel

However, the total office space is expected to increase from a current 34 million square feet to over 60.3 million square feet by the end of 2009. With the large volumes of space coming in, rental and sale prices are expected to stabilize. The retail market is experiencing a similar trend, with the total retail space expected to increase from a current 28 million square feet to 45.7 million square feet by mid 2010. The large volume of new space is expected to satisfy demand and also stabilize rental prices.

Construction

- In recent years an increase in construction projects has transformed the emirate. Some innovative real estate projects that were recently constructed have attracted worldwide attention, including the Burj al Arab (the world's tallest hotel), the emirates towers, the Jebel Ali port (the world's largest man-made harbor), and the Palm islands and The World islands (which are still undergoing construction). In the UAE, it is estimated that there is currently over \$350 billion worth of active construction projects. Currently under construction are: Burj Dubai, Dubai World Central International Airport, Downtown Dubai, Dubai Festival City, Palm Islands, Dubai Mall, The World, Dubai Metro, Dubailand, and Dubai Sports City.
- Burj Dubai, currently under construction, is already the tallest man-made structure in the world. Construction began in September 2004 and is expected to be completed in September 2009. It is located in a 0.8 square mile development called "Downtown Dubai." The project will cost a total of \$4.1 billion, and the cost for the whole "Downtown Dubai" will be \$20 billion. Although still unofficial, the height of the building is estimated to be between 2,300 feet and 3,000 feet. On some floors, rental prices for office space have already reached \$4,000 per square foot. Selling prices in the Armani Residences have reached \$3,500 per square foot.
- Dubai Festival City is a large residential, business, and entertainment development. It is comprised of residential communities, numerous hotels, malls, a golf course, other entertainment sites, and a full suite of public services, including schools.
- The Palm Islands are the largest artificial islands in the world, on which luxury hotels, restaurants, residential beach side villas, apartments, water theme parks, shopping malls, health spas, and sports facilities will be constructed. Palm Jumeirah and Palm Ali are also two artificial islands under construction. Palm Jumeirah will have an area of 9.6 square miles, and Palm Jebel Ali is expected to accommodate 1.7 million people by 2020.
- Once it is completed later this year, Dubai Mall will be the world's largest shopping mall. It will cover an area of 12.1 million square feet, of which 9 million will be of shopping retail space, or over 1200 stores. Currently, South China Mall in Dongguan is considered the world's largest shopping mall, with 9.6 million square feet.
- The World is a man-made archipelago off the coast of Dubai, consisting of 300 islands forming the shape of a world map. The overall development of the project is estimated to cost \$14 billion. Prices for individual islands range from 15 to 250 million dollars.
- Dubailand is an entertainment complex twice the size of Disney World currently under construction. It will be divided into 7 theme worlds, and is expected to attract 200,000 visitors every day. The total cost for the project is estimated to be around \$20 billion.
- Dubai Sports City is an entire sports city under construction. It will consist of apartments, restaurants, shopping areas, and sport facilities. It will be home to local sports teams, and could be used in a possible Olympic bid.



The World



Palm Islands



Dubai Sports City

Office Market 1Q 2008 (USD/Sq Ft/Month)

Office	Rent
Bur Dubai	\$4.74
Garhoud	\$3.10
Sheikh Zayed	\$7.75
TECOM	\$4.29
DIFC	\$7.92
Deira	\$4.61
Prime Space	\$9.06
Total Space	34 million sq ft
Total Space - 4Q 2009	60.3 million Sq Ft

Retail Market 1Q 2008 (USD/Sq Ft/Month)

Retail	Rent
Class A	\$9.39
Class B	\$4.77
Total Space	28 million sq ft
Total Space - 2Q 2010	46 million Sq Ft



Dubai Mall: the world's largest shopping mall



Dubailand: twice the size of Disney World

Office Market

- The economic growth of Dubai has attracted investors from many areas of the world, resulting in the subsequent growth of the office market. In recent years, the office market has experienced high demand and limited supply, which has pushed rental prices up. Currently, Dubai has one of the most expensive office markets in the world.
- Vacancy rates in most areas of the office markets are lower than 2%. On average, the current rental prices ranges from \$3.10 to \$9.06 per square foot per month. The current prime office yield is 7.25%.
- Due to the lack of available supply, it is common to see leases for a 3, 5, or 10 year term.
- The total office space is expected to increase from a current 34 million sq ft to over 60.3 million sq ft by the end of 2009. With the large volume of space coming in, rental and sale prices are expected to stabilize in the next 12 to 18 months. Strong economic growth, high quality office space, and possible reduction of rental prices will continue to boost demand for space in the upcoming years.

Retail Market

- The retail market is also experiencing tremendous growth, particularly since the government implemented several marketing campaigns to make tourism one of the most prominent sources of revenue. In recent years, Dubai has attracted millions of tourists from all over the world, thus positively affecting the retail market.
- The Dubai Shopping Festival and Dubai Summer Surprise are two of the many government sponsored festivals that have the intention to lure shoppers and retailers into the emirate. Most of the world's major retailers already have established presence in the city, while many more are in the process of doing so.
- With the completion of shopping malls such as Dubai Mall (9 million sq ft), Mall of the Emirates (2.4 million sq ft), and Mall of Arabia phase I (4.3 million sq ft), a large amount of retail space will be added to the market over the next few years. The large quantity of new supply is likely to cause an over supply and a decrease in rental prices. Small and old shopping areas are also expected to see an increase in vacancy rates because some retailers will move to the larger and more popular malls.
- The population growth of Dubai (expected to reach 3 million by 2017) and the increasing number of people visiting the emirate, will continue to support the retail market, and help it expand over the coming years.

12 Month Forecast

- Dubai’s economy, population, and real estate market are expected to continue growing in the next twelve months. The office and retail stock will almost double in the next 12 to 18 months, thus stabilizing rental prices and satisfying the demand. High demand for commercial and residential space is forecasted to continue, and therefore, it is very likely that the large amount of space coming in will only satisfy the demand for a short period of time. Despite high rental rates, Dubai remains the best place in the Middle East to do business. Current and forecasted conditions indicate that this is an optimal time to invest in this growing market.

Some multinationals in Dubai

- CNN
- Reuters
- EMC
- Oracle
- Sony
- Shell
- Heinz
- BBC
- Associate Press
- IBM
- Microsoft
- AT&T
- Coca Cola
- GM

Office Market: Leasing Practices	
Lease Length	1 to 3 years
Payment Terms	Annually or semi-annually in advance
Rental Deposit	3 months deposit
Leasing Fee	Typically included in rent
Taxes	No property taxes, Only 5% municipality tax on annual rent



Burj Dubai: the world’s tallest man-made structure

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