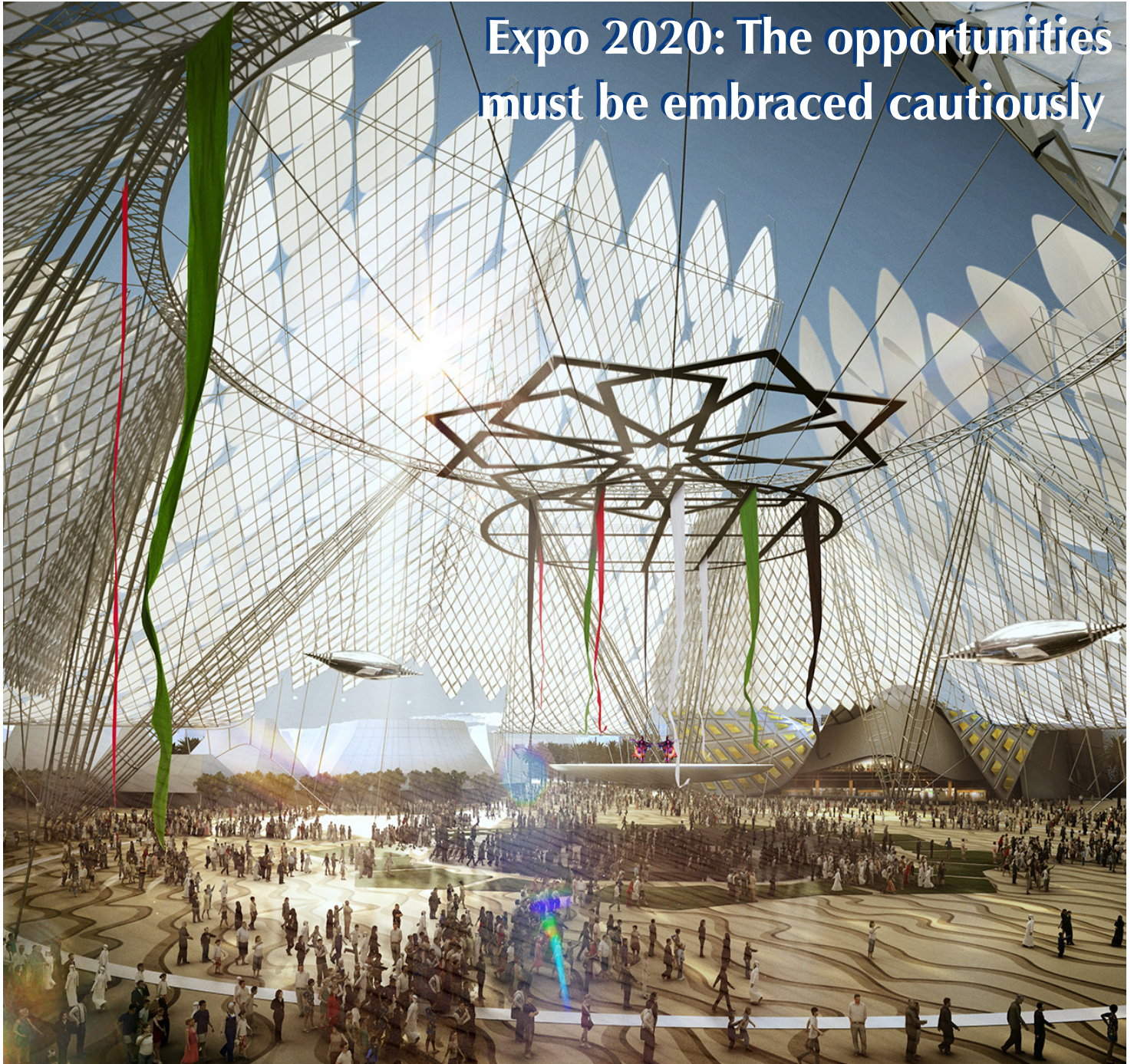
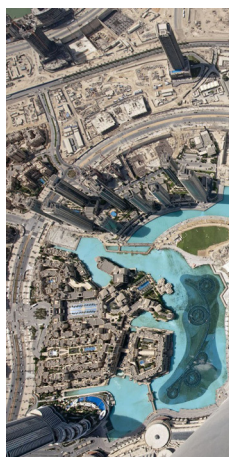




Expo 2020: The opportunities must be embraced cautiously



Mr. Rasheed Al Nafisi	Chairman	nifisi@mazayarealestate.com	Tel : + 965 2224 3333
Eng. Ibrahim Al Soqabi	Acting CEO	alsoqabi@mazayarealestate.com	Tel : + 965 2224 3332
Eng. Salwa Malhas	Chief BD & Marketing Officer	salwa@mazayarealestate.com	Tel : + 965 2224 3355
Sylvia Gabriel	Coordinator Research	sylvia@mazayarealestate.com	Tel : + 965 2224 3362



Dubai's success in bidding for the World Expo 2020 did not happen overnight, it was the result of a great deal of work and long-term planning. At both the local and federal level, all indicators used by the judges to assess rival bids showed Dubai possessed the economic infrastructure necessary to hold the event successfully.

The judges were satisfied that the measures imposed by the government following the financial crisis – particularly in the real estate sector – were sufficient to prevent the downturn recurring and that growth would be sustainable. Winning the Expo was good news for all financial sectors in Dubai – the trickle down of investment at all levels to prepare for the event will be felt by all.

But Dubai has already demonstrated it has emerged strongly from the financial crisis – growth has exceeded forecasts across the board over the last eighteen months.

In particular, Dubai real estate performs strongly; demand has returned, projects have been announced and prices are returning to pre-crisis levels. More than AED53bn was invested into Dubai real estate during the first six months of 2013 and prices have risen by as much as 30 percent over the course of the year.

Once again, investors are being attracted by high yields and Dubai's safe haven status.



Dubai's government faced a considerable challenge in the wake of the economic crisis: it had to impose legislation and regulation upon the real estate market to prevent another bubble occurring, but it also had to simultaneously retain the market's flexibility and allow growth to occur naturally. The difficulty of achieving these aims will be considerably heightened by the build up to the Expo.

There is much work to be done before the Expo can be hosted in Dubai. The effects will vary from sector to sector, but early forecasts show the real estate sector will be one of the greatest beneficiaries. Many market analysts predict the win will cause tremendous real estate growth, both on the supply-side and the demand-side, while others caution that a second bubble will inevitably occur, despite government efforts to prevent it, and that a precipitous fall-off in demand, after an initial spike, could come suddenly, before or after the Expo has taken place.

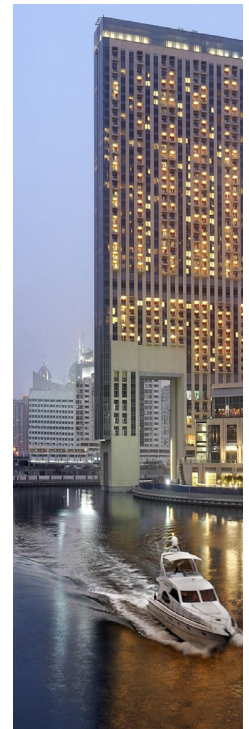
Al Mazaya believes tough measures must be taken to prevent unsustainable, short-term real estate price and rental rate inflation, either of which would cause long-term problems. Bold bets will be made on Dubai real estate

by individuals and institutions alike now that the Expo has been won, and it is therefore important that Dubai's government has the means to monitor demand and prices accurately and transparently.

Much change will occur to real estate development projects in Dubai, whether current or future, as a result of preparations for the Expo. Many projects will be brought forward or delayed to maximise the opportunity the event presents. On the supply side, 45,000 new housing units are currently expected to come onto the market in Dubai before the end of 2015.



Real estate alone is expected to increase the emirate's GDP by three percent. While construction for homes and offices is expected to be considerable, the lion's share of the building will be tourism-related, as hotels are built to capitalise on a forecast tourism boom.





Winning the Expo will see very large amounts of liquidity flood into Dubai from all over the Gulf, as it did before the crisis, much of which will go directly into real estate. Other sectors likely to benefit include transport and communications. Some analysts fear the movement of capital to Dubai from countries such as Bahrain, Saudi Arabia or Oman could hold up planned development projects in those countries. However, there are also considerable opportunities for GCC countries to benefit from the Expo through investments and knock-on effects.



Al Mazaya believes it would be of great benefit to look closely at the experiences of other host countries, to see what can be gleaned and what pitfalls can be avoided, particularly where they pertain to real estate.



In conclusion, while very enthusiastic about the Expo and the advantages for Dubai of hosting it, Al Mazaya urges caution in embracing the opportunities doing so will present. Dubai has only recently emerged from the financial crisis and must continue to progress carefully.

The Expo will lend huge impetus to construction projects, opening the taps of liquidity, but it is vital that all projects entered in to are sustainable in the long-term, and that the benefits of hosting the Expo are felt by all of the emirate's financial sectors, not only by some.

