
ALDAR ACQUISITION OF ADGM SQUARE COMMERCIAL TOWERS FROM MUBADALA

Transaction key highlights

July 2022

TRANSACTION OVERVIEW



- Acquisition of four grade-A office towers and two parking structures at ADGM Square (the “Properties”) from Mubadala Investment Company (“MIC”)
- Properties include:
 - Office towers: Al Sila, Al Sarab, Al Maqam, and Al Khatem (total NLA of c. 179k sqm)
 - Car parks: North and South car parks (serving office towers and rest of ADGM estate)
- Transaction structured as outright acquisition of the Properties for cash consideration of AED 4.3 billion (AED 24k per sqm / US\$ 6.5k per sqm)
- Transaction will scale-up Investment Properties’ GAV to AED 22.8bn, aligning its asset class weightings to long-term targets, further solidifying its equity story as a regional real estate champion with strong diversified portfolio and income stream and setting the stage for a potential IPO of Aldar Investment Properties in the next 18-24 months

ASSET OVERVIEW

ADGM Square is comprised of four Grade-A office towers leased to a range of blue-chip occupiers

- Abu Dhabi Global Market Square “ADGM” comprises four Class-A office towers including the headquarters building for the Abu Dhabi Securities Exchange
- ADGM is the only financial free-zone in Abu Dhabi that enables occupiers to conduct both onshore and offshore business
- The four office towers range vary between 25 and 31 floors and include:
 - Tower 1: Al Sila
 - Tower 2: Al Sarab
 - Tower 3: Al Maqam
 - Tower 4: Al Khatem
- It is the first mixed-use project to be pre-certified LEED-CS Gold based on sustainable initiatives
- Parking is provided via two multi-storey car parks with over 5k spots that cater to both office and retail tenants. Both North and South Car parks are included in the transaction perimeter
- The office towers are highly sought after by local, regional and international blue-chip occupiers including JP Morgan, Clifford Chance, ADNOC, Shuaa, and PricewaterhouseCoopers among others



Location:	Abu Dhabi
Asset Class:	Office
Completion Date:	2011
Land Ownership	Initially 99-year usufruct, to be covered to freehold
Floors:	T1 & T2: 25F T3 & T4: 31F
Car parking ratio:	1: 46 sqm
Net Leasable Area (sqm):	179k
T1:38,313 T2:41,552 T3:51,053 T4:50,429	
Current Avg Occupancy of the towers	75%

TRANSACTION RATIONALE

ADGM Square complements and improves upon Investment Property portfolio's existing commercial office offering

Unique positioning within commercial landscape of Abu Dhabi

- ADGM is a key pillar of Abu Dhabi's Economic Vision, acting as a catalyst for growth of its financial services sector in the UAE
- Uniquely positioned as the commercial epicenter of Abu Dhabi's financial precinct
- Non-replicable asset within Abu Dhabi

Investment grade asset in a prime location

- Investment grade asset with excellent infrastructure and attractive tenant profile with mid-term leases (WAULT 3.6 years)
- Located on Al Maryah Island, which benefits from excellent infrastructure and connectivity to both the CBD and high-end residential catchment districts of Reem and Saadiyat islands
- Proximity to world-class amenities including 5-star hotels (Four Seasons, Rosewood), premium shopping and dining (Galleria Mall, Maryah Central), and healthcare (Cleveland Clinic)

Highly sought-after commercial zone

- Abu Dhabi's only financial free zone, featuring dual licensing enabling occupiers to conduct both onshore and offshore business
- Complements Aldar's existing commercial office offering in Abu Dhabi which is entirely located onshore
- Highly sought after by local, regional, and international blue-chip occupiers

High Quality Asset

- Grade-A quality office towers built to international standards
- First project in the UAE to achieve LEED Core and Shell (LEED-CS) Gold pre-certification by the US Green Building Council (USGBC)
- Spaces are equipped with advanced facilities, safety and security systems, connectivity solutions, etc.

Further Solidifies AIP Exposure to Grade-A Office Market

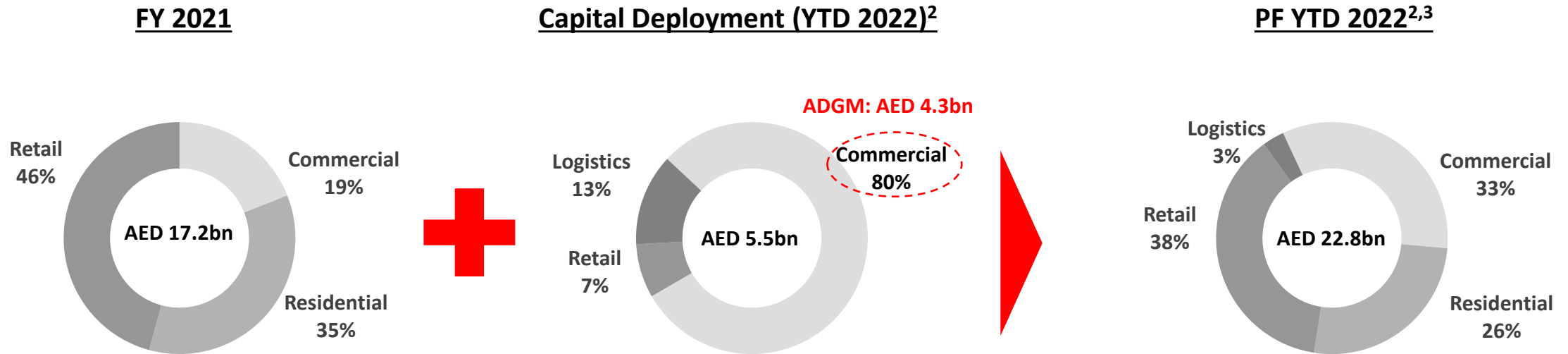
- Long-term growth potential (current overall occupancy 75%)
- Drives asset allocation closer to long-term commercial office target (ca. 30%) by increasing share from 18% to 34% of overall portfolio
- Relatively distinct tenancy profile, with low risk of cannibalization with existing AIP commercial office properties

INVESTMENT PROPERTIES PORTFOLIO IMPACT

Transaction scales and rebalances portfolio in-line with long-term asset allocation targets

- Existing IP portfolio rebalanced towards commercial (grade-A office)
- AGDM constitutes 19% of overall IP GAV (and two-thirds of commercial GAV)^{1,2,3}
- Target stabilized NOI yield of +7% (transaction yield of c. 6%)

Investment Properties (GAVm)¹



Note:

1. UAE only (excluding SODIC IP).
2. YTD 2022 includes deals announced till 27th July 2022
3. Pro forma includes interim disposals, capex and fair value adjustments.

SUSTAINABILITY CONSIDERATIONS

First building in the UAE to be awarded LEED-CS Gold certification



- ENOVA was appointed to undertake a level-one energy audit of the properties
- Work is ongoing and the assessment will be completed post-completion
- The building presents strong sustainability credentials that contribute to Aldar achieving its stated sustainability objectives, including:
 - First buildings in the UAE to be awarded LEED Core and Shell Gold Pre-Certification by the US Green Building Council
 - Energy conservation measures include ventilated double skin façade, PV panels, external shades, automatic blind control, daylight dimming, occupancy sensed lighting, high-efficiency elevators, a desiccant dehumidifier and demand-controlled displacement ventilation¹

Notes:

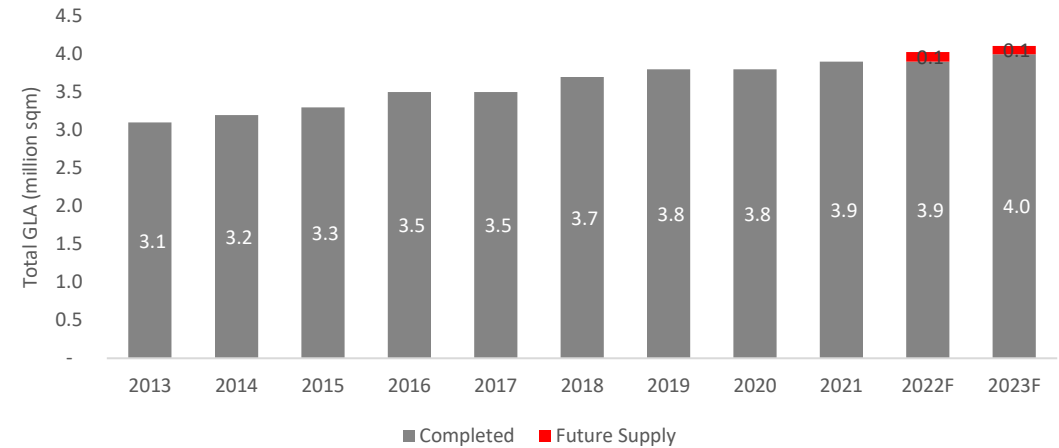
(1) <https://www.iesve.com/consulting/projects/2362/adgm-square-uae>

ABU DHABI OFFICE MARKET OVERVIEW

Improving market sentiment with limited new supply and occupiers focusing on relocating to higher quality space

- Limited new supply with overall supply broadly level at 3.9 million sq. ft with only 124,000 sq. ft. of additional GLA expected in 2022
- Rents in well-managed quality office buildings continue to recover in both Dubai and Abu Dhabi, with Abu Dhabi rates rising by 5.0% Y-o-Y to AED 1,650 per sqm p.a.
- Vacancy rates remained broadly unchanged at 26% in 1Q22; this represents a slight improvement over the past year when vacancy stood at 28% in 1Q21
- According to JLL, tenants are increasingly looking to upgrade to higher quality office buildings with better facilities and a focus on employee well-being. Amidst a rebounding office sector however, landlords are providing fewer incentives than 12-18 months ago.
 - Financial and technology firms remain the main drivers of demand for Grade A office space, with a majority of leases being signed by occupiers active across those sectors.
 - Furthermore, flexible workspaces are seeing strong interest from new market entrants, as well as some corporates who are taking a “wait-and-see” approach before signing long leases elsewhere due to the evolving market situation. As a result, high-quality and well-located flexible office space providers are operating at near-full capacity

TOTAL ABU DHABI OFFICE STOCK



GRADE A OFFICE RENTAL PERFORMANCE

