



UAE Real Estate Report H1 2023 Outlook

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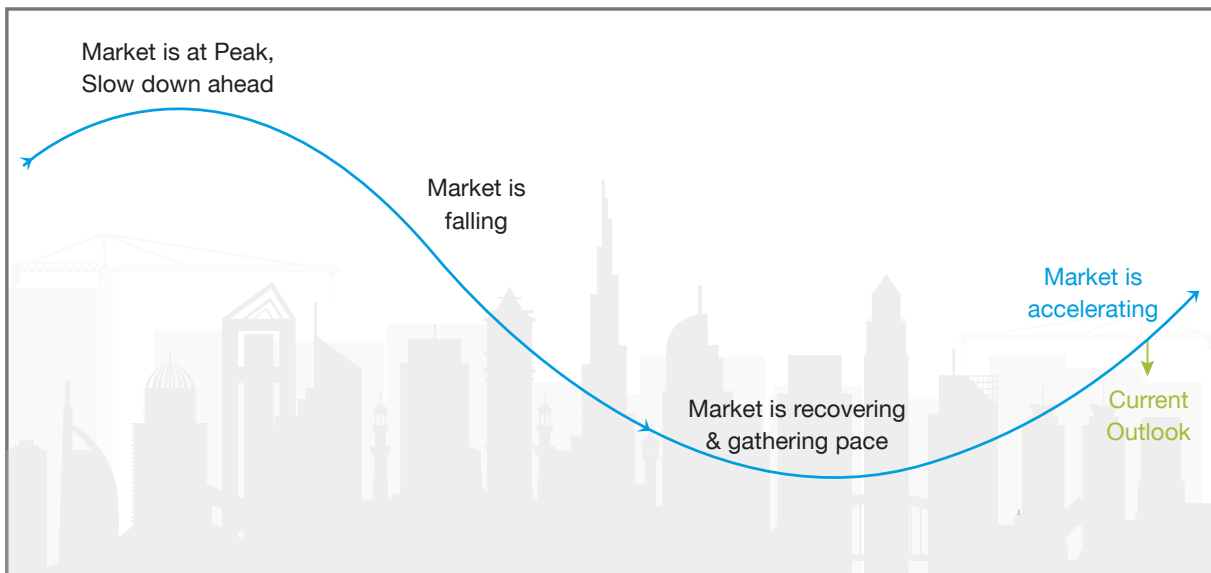
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1. Executive Summary

- The UAE economy is anticipated to witness robust growth in 2023 and record a GDP growth of 4.2% over the same period as projected by IMF. The growth would be supported by steady oil prices, strong performance in the non-oil sector and progressive regulations promoting foreign investor participation.
- The Central Bank of UAE has followed the rate hike trajectory of the U.S. Fed in 2022 and is expected to do the same in 2023 as well. Despite signs of inflation moderating in U.S, the Fed is anticipated to continue its rate hikes in 2023 to achieve the target inflation level of 2%, albeit at a slower pace. Higher interest rates in UAE are expected to affect consumer spending during 2023.
- Real estate sector in the UAE has had a positive year in 2022, witnessing a rise in rentals and property prices. In the year to September, average property prices and rents increased by 8.9% and 26.6% respectively in Dubai. Transaction value in the first nine months of 2022 in Dubai touched record high levels and has already surpassed the volume witnessed in full year 2021. Transaction value has been the highest recorded since 2013, when market hit the peak. Value of transactions touched AED 70 billion in Q3 2022, marking a growth of 64.5% on year-on-year basis. Government reforms and regulations in addition to hosting major global events have played a vital role in the rebound.
- Despite weakening global macroeconomic environment, UAE is relatively on a stronger footing, supported by strong oil prices and supportive measures to develop the non-oil economy. The successful hosting of the Dubai Expo and the continued interest from International Real Estate investors in Dubai are expected to underpin growth in UAE Real Estate sector in the coming year. Though the demand for office and residential real estate might be impacted by rising interest rates, higher mortgage rates could support rental demand. Measures targeted towards improving transparency and reporting within the real estate sector to increase efficiency and enhance compliance are set to boost investor confidence further.
- Overall, based on our assessment of various macroeconomic factors, we believe that the real estate sector in UAE is expected to accelerate in the first half of 2023.





UAE Real Estate Market Outlook



Source: Marmore Research

Note: Grey colored box indicates the current outlook of the real estate market

UAE Macroeconomic Views

Economic Factors	Our take	Economic Factors
 Oil (Real) GDP Growth	Strong	Oil demand is estimated to be strong in H1 2023 on back of easing COVID-19 restrictions in China and energy sanctions on Russia. OPEC+ production cuts are expected to help sustain higher oil prices.
 Non-Oil (Real) GDP Growth	Moderate	Positive outlook for non-oil GDP correlates with strengthening private sector and benefits from bilateral trade agreements with Asian countries.
 Fiscal Balance	Moderate	Expanding non-oil sector along with the robust growth of hydrocarbon sector is expected to help the country have a strong fiscal surplus in 2023.
 Investments	Moderate	Flexible visa policies in addition to government measures to develop the private sector and increase foreign direct investment are expected to boost the investment environment in the UAE.

Economic Factors	Our take	Economic Factors
 Money Supply, M2	Moderate	Rising inflation is expected to tighten money supply in 2023 compared to 2022 levels. However, Liquidity levels are expected to remain higher than historical average.
 Inflation	Neutral	Inflation in UAE is on its upward trajectory following the global trends. Stable and positive inflationary trends augur well for real estate. However, rising interest rates could dampen consumer spending.
 Interest Rate	Subdued	U.S. Fed has raised rates aggressively in 2022 to curb inflation. Although the Apex bank's stance has softened recently, interest rates are expected to remain at high levels until inflation meets Central Bank targets. High interest might affect consumer spending and lower demand for property purchase.
 Yearly Population Growth	Neutral	Population growth is expected to moderate in the near term. Although regulations have become more welcoming for expats, the effects are expected to be seen over a longer time horizon.
 Job creation	Moderate	Job creation in the UAE is expected to be supported by strong growth in the non-oil economy.

Source: Marmore Research

2. UAE: Macroeconomic Update

a. Positive outlook for UAE Oil-GDP

Oil prices marked a downward trend in the second half of the year after hitting its peak of USD 127.98/bbl. in the first week of March 2022. Weakening demand due to COVID-19 restrictions in China caused demand concerns, consequently resulting in a price dip. However, the OPEC+ decision to cut production by 2 million bpd from November 2022 supported prices to remain range bound (US\$ 85 to US\$ 100/barrel on an average). Oil prices are estimated to remain strong in 2023 with tightening supply on one hand and demand for oil on the other. Risks of decline in oil demand persists with the possibility of recession in the advanced economies, although the decline is expected to be minimal as demand from certain major markets such as India and China are likely to remain strong. EIA has predicted Brent crude oil prices to remain at 95.33 \$/bbl in 2023.

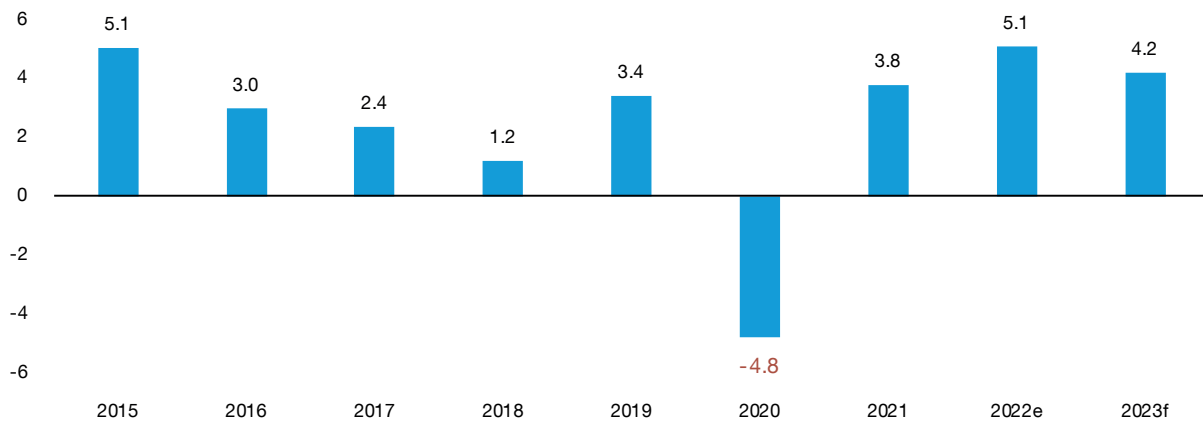
Month-End Brent Oil Prices (Jan 2015 – October 2022)



Source: Refinitiv

Global economic growth is expected to slow down in 2023, on account of severe monetary tightening by the central bank of some countries to keep the soaring inflation under control. However, UAE economy is expected to be strong in 2023, with growth majorly driven by the steady oil receipts and strong non-oil revenues.

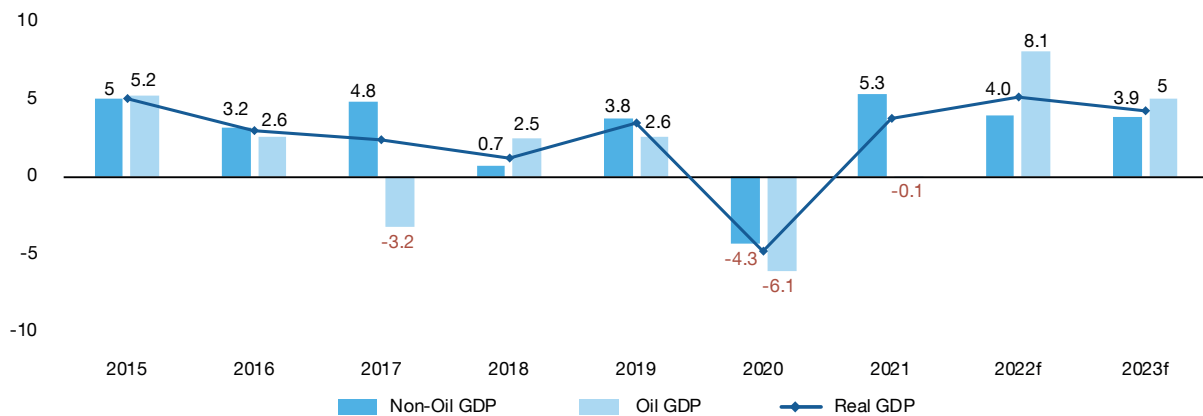
Economic Growth – Annual Real GDP Growth (% change)



Source: IMF

UAE’s real GDP growth is expected to mildly weaken to 4.2% in 2023, after growing by 5.1% y/y in 2022, which was the highest since 2015. Higher oil revenues and gradual recovery of the non-oil sector contribute to higher growth in 2022. Real GDP is expected to moderate in 2023 due to weakening global macros and higher interest rates.

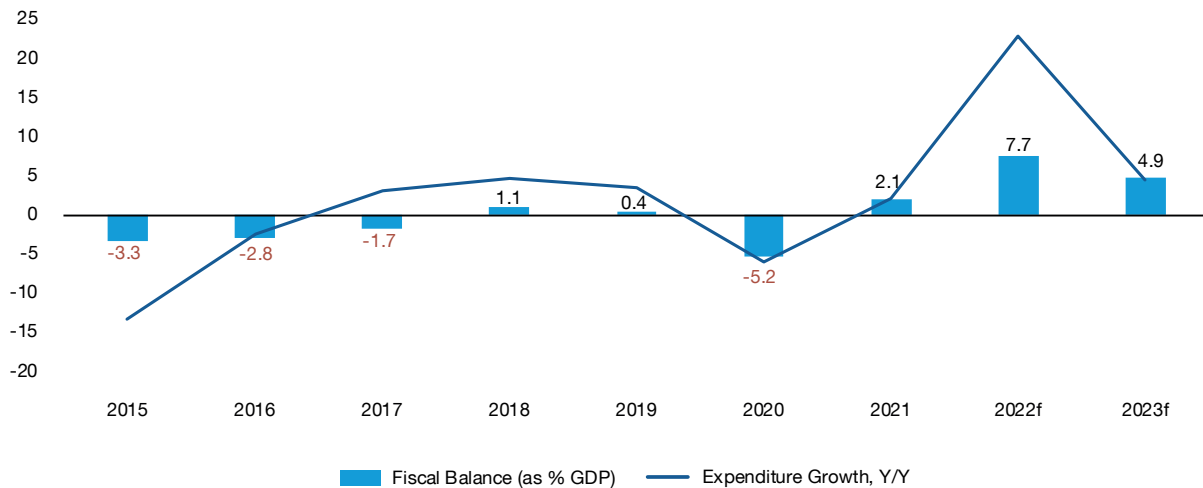
Oil and Non-Oil Real GDP growth (y/y %)



Source: REO, IMF – October 2022

The UAE’s non-oil foreign trade reached a record high of AED 1.053 trillion in H1 2022, posting a growth of 17% over the same period in 2021. Despite recessionary fears and economic tightening by central banks, UAE’s non-oil sector is expected to remain stable in 2023. The growth of hydrocarbon sector is likely to strengthen the non-oil sector of UAE. Regulatory measures such as the easing of visa restrictions are also expected to supplement growth in the non-oil sector.

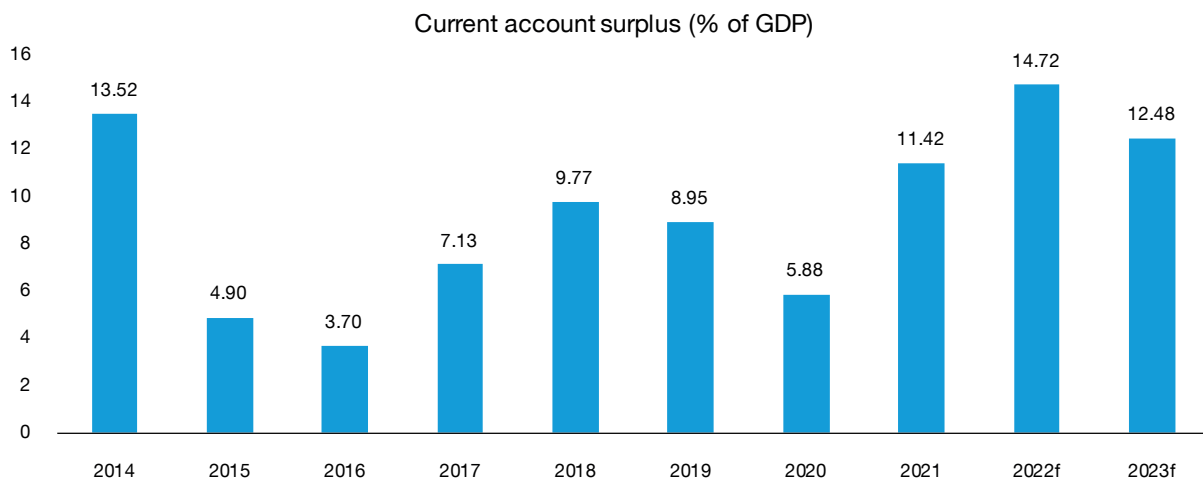
General Government Fiscal Balance (% GDP) & Expenditure growth (y/y %)



Source: IMF

The fiscal surplus (as % of GDP) expanded in 2022, from 2.1% in 2021 to an estimated 7.7% on back of high oil receipts and stable recovery of non-oil sector. However, the fiscal surplus is expected to trend downwards in 2023 in line with moderating real GDP growth. Along with the fiscal surplus, total expenditure growth (as % of GDP) is estimated to moderate to 4.5% in 2023 from 23.0% in 2022. For fiscal year 2023, a zero-deficit budget of Dh 63.06 billion has been set aside by the UAE Cabinet. IMF estimates a fiscal surplus of 4.9% in 2023.

Current account surplus (% of GDP)



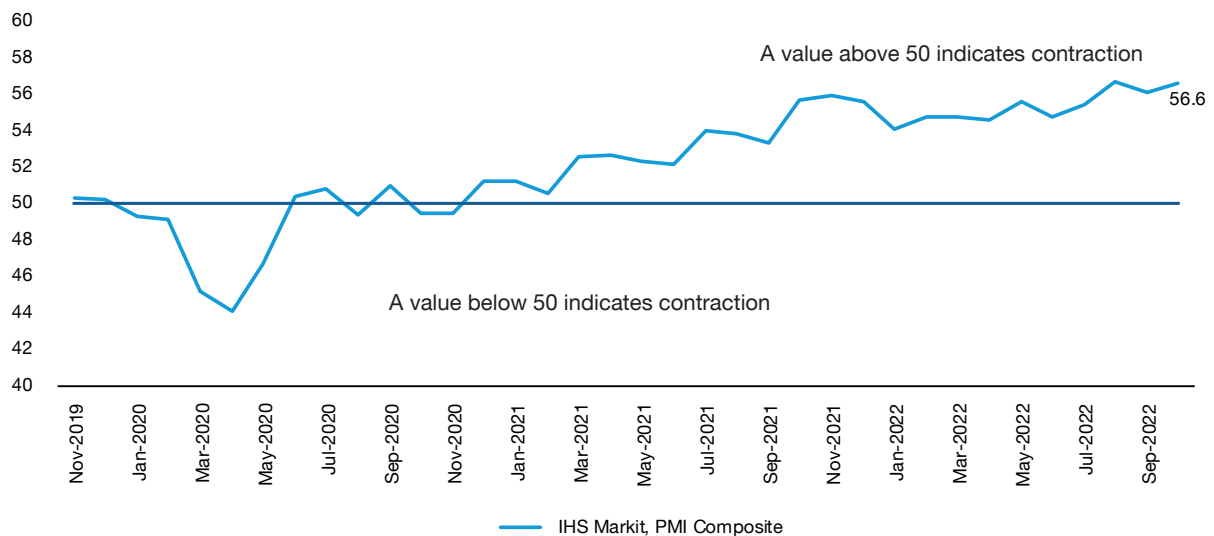
UAE’s current account surplus is estimated to peak in 2022 on back of stable oil prices and improved trade relations. During H1 2022, the Russia-Ukraine war resulted in UAE exporting oil to Europe. The robust growth in non-oil sector and UAE’s trade relations with Asian countries underpin the positive outlook for UAE’s current account

surplus in 2023. UAE’s foreign direct investments inflows is predicted to account for 4.3% of the country’s GDP, totaling to \$22 billion during 2022. Inflow of FDI in UAE is expected to surge during 2023 supported by friendly tax & business policies and strong infrastructure.

b. Leading indicators portray an optimistic picture

Business expectations and activity continue to rise at a robust pace in the non-oil economy. The travel and tourism sector has been one of the major revenue drivers in UAE’s non-oil economy since 2019. Revenue from the tourism sector recorded Dh 19 billion in H1 2022.

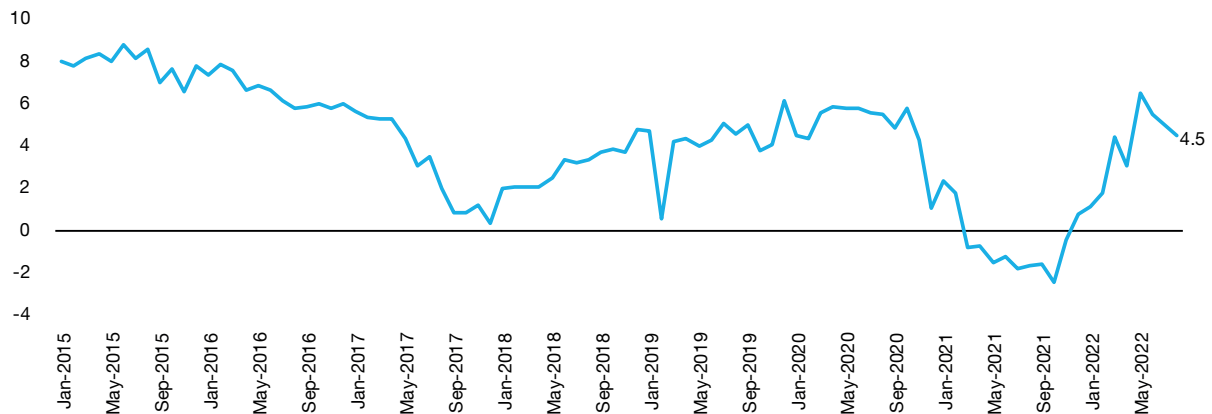
IHS Markit PMI Composite Index



Source: Refinitiv

IHS Markit UAE Purchasing Managers’ Index remained above the threshold level of 50 since 2021, indicating stronger demand and expansion of business orders. Business orders surged on the back of lower prices and increase in the number of new clients.

Banking, Loans & Advances (YoY change, %)



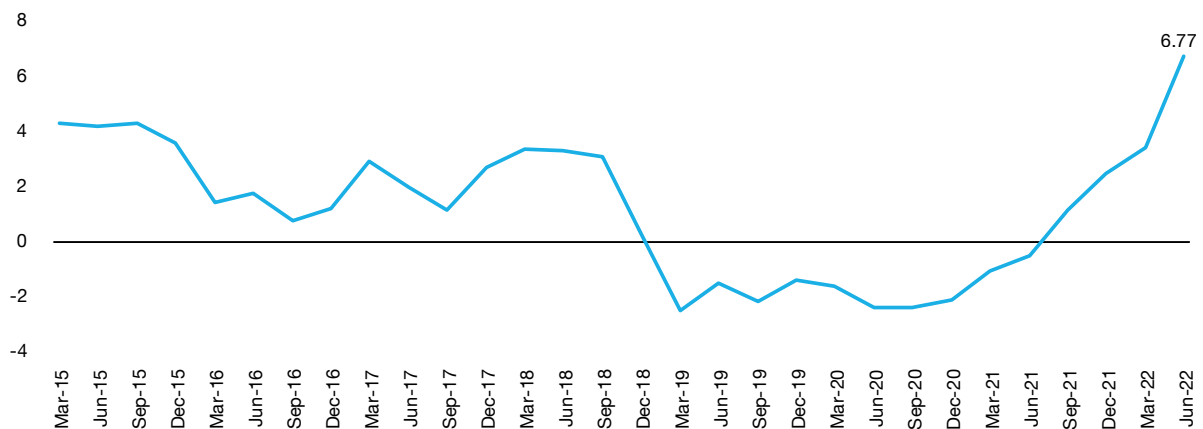
Source: Refinitiv

Credit growth picked up in 2022 after de-growth in 2021. On a year-on-year basis, growth in loans and advances peaked at 6.5% y/y at the end of May before dipping to 4.5% y/y at the end of August 2022 due to rise in interest rates.

c. Inflation remains moderate despite global economic fears

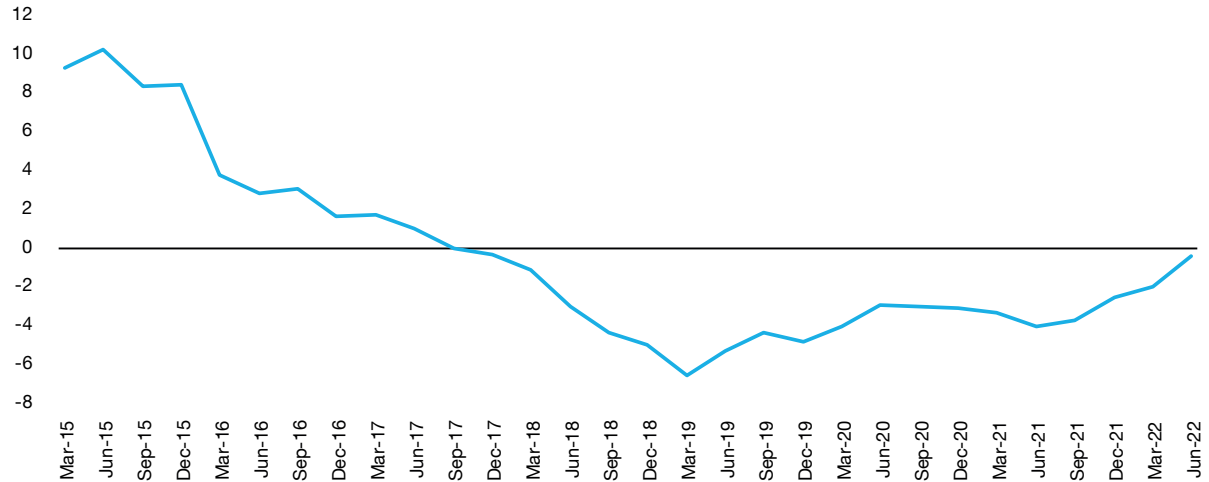
Inflation continued to increase in UAE during Q2 2022. CPI inflation recorded 6.8% y/y in Q2 2022, higher than 3.4% witnessed in the previous quarter. Although inflation has followed an upward trajectory, inflation levels are much lower than other developed economies like the U.S. and U.K. Rising fuel prices as well as food prices were major contributors to the rising inflation in the region. While increasing demand resulting from higher employment is likely to result in upward pressure on inflation, monetary tightening and with inflation showing signs of easing in the U.S., we can expect inflation in UAE to ease in the first half of 2023.

Consumer Price Index, Inflation (YoY change, %)



Source: Refinitiv

Consumer Prices, Housing Index (YoY change, %)



Source: Refinitiv

Housing component that accounts for approximately more than 1/3rd of the CPI has been in negative territory since 2017, with the trend continuing in Q2 2022. However, real estate price trends are anticipated to reverse and stay in the positive region in 2023 as rental prices in Dubai and Abu Dhabi are setting to accelerate at a stable pace due to upward pressure on demand. Generally, the impact of rise in rents reflects in the housing index with a lag.

d. Rising interest rates could be a dampener

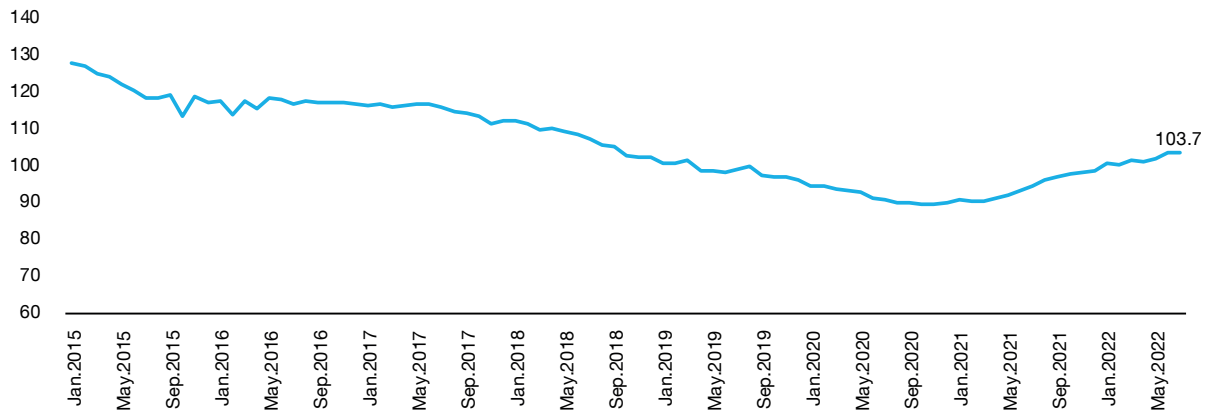
Many central banks are hiking interest rates to handle high levels of inflation. With UAE's currencies pegged to USD, Central Bank of UAE (CBUAE) mostly follows U.S Fed's interest rate moves. During the period ranging between April-August, Central bank of UAE increased its policy rates by 200 bps. The softening inflation in U.S. during the month of October suggests that the U.S Fed could take a less hawkish stance in increasing interest rates in the upcoming meetings.

3. UAE Property Performance

a. Rising property prices

Property prices in the UAE continued to rise in 2022 despite global recessionary fears. Average residential prices in Dubai and Abu Dhabi rose by 8.9% and 3.2% respectively during the year to September 2022.

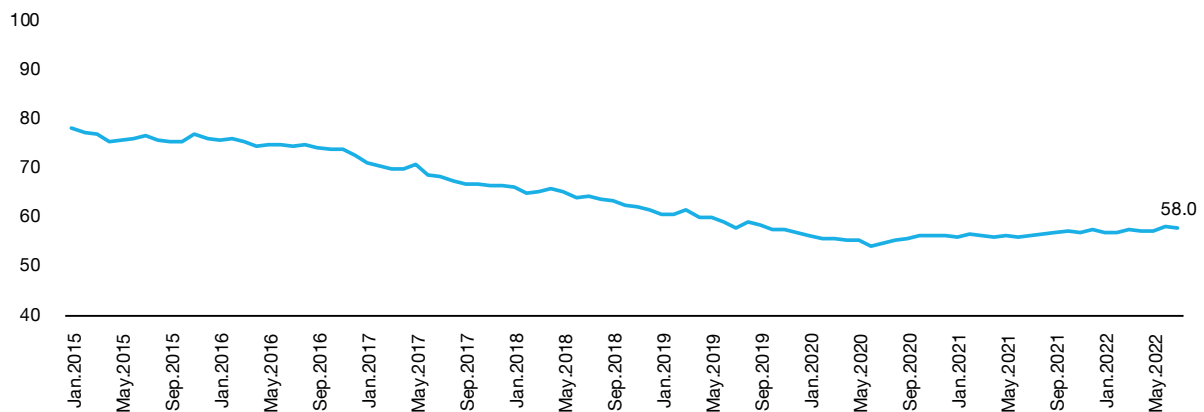
Dubai Real Estate Price Index (2009 Index value = 100)



Source: BIS

The Dubai Residential price index continued its upward trajectory in 2022, steadily recovering from the bottom found during COVID-19. Average apartment prices and villa prices inclined by 8.0% and 14.3% in the first nine months of the year.

Abu Dhabi Real Estate Price Index (2009 Index value = 100)



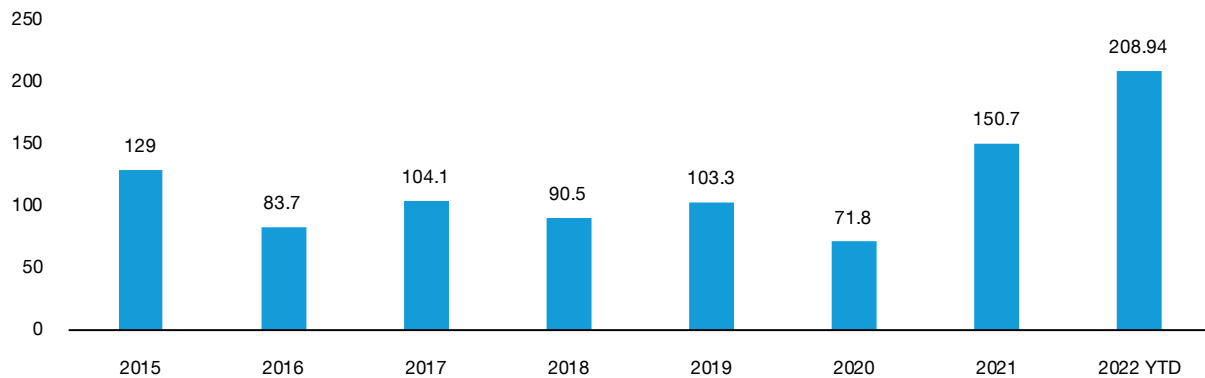
Source: BIS

As compared to Dubai, the growth in Abu Dhabi residential price index has been modest. Average apartment prices and villa prices increased by 3.3% and 2.7% respectively during the year to September.

b. Real Estate Transactions record multi-year high

Real estate market witnessed 14% q/q increase in terms of sales volume during Q3 2022, up from 22,423 real estate transactions in Q2 2022 to 25,496 in Q3 2022. The total number of transactions recorded this year (71,278) has already surpassed the number of transactions for the entire of 2021, totaling to 60,347. Government initiatives such as the Golden Visa, a steady recovery in global travel, increased tourism, and spiking retail activity are driving the trend in real estate market upwards.

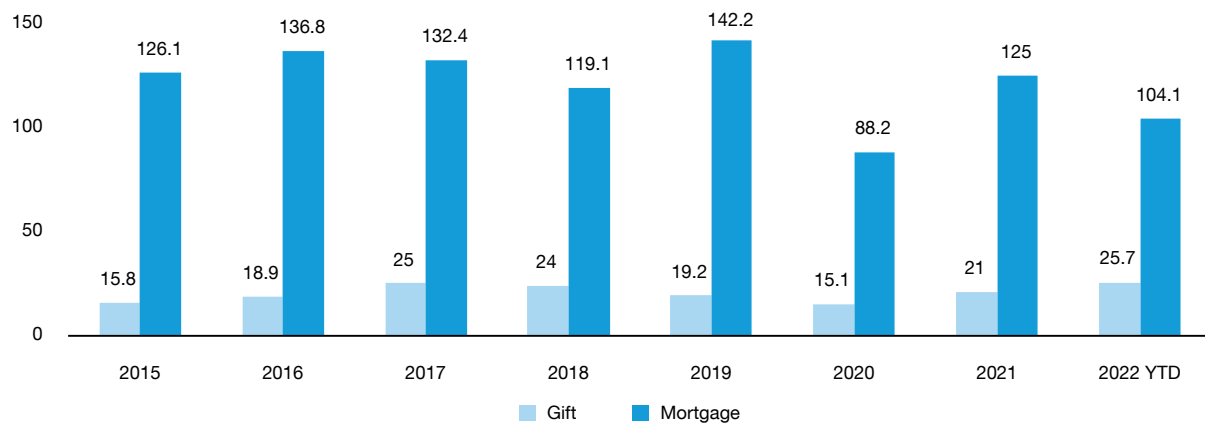
Dubai, Value of Transactions (AED billion)



Source: Dubai Land Department; YTD transactions as of 31/10/2022

Dubai Expo’s success likely benefitted the real estate sector with the event attracting 24 million visitors in a period of six months.

Dubai, Value of Transactions by Finance Type (AED billion)

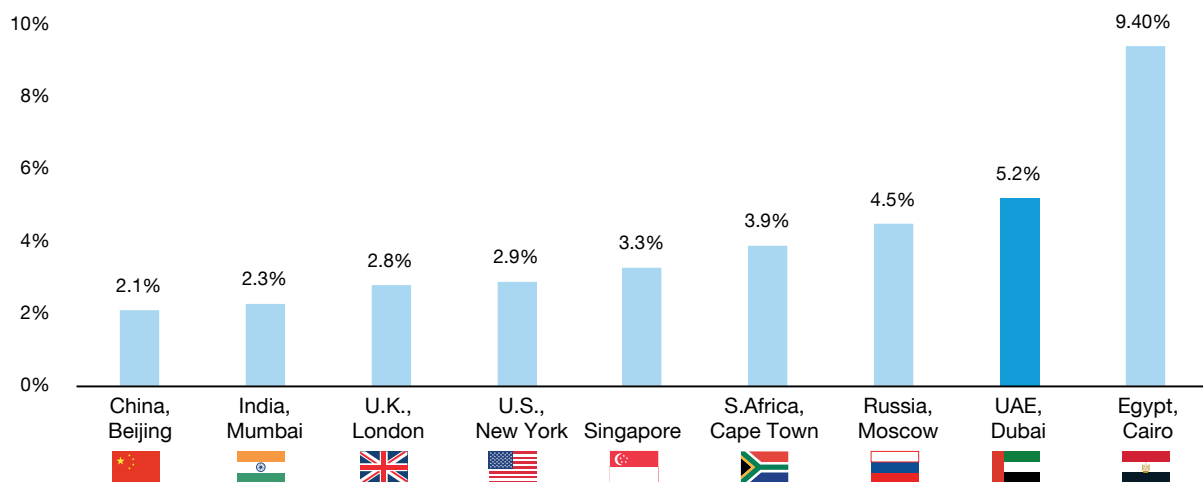


Source: Dubai Land Department; YTD transactions as of 31/10/2022

c. Attractive Rental Yields & Affordability

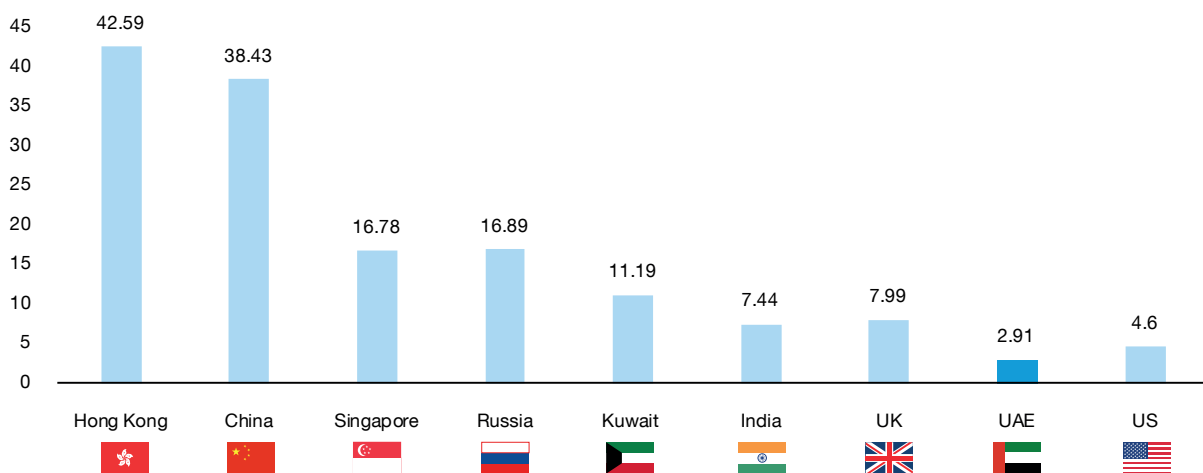
Attractive rental yields provide steady stream of income for investors. Rental yields in Dubai remain relatively high (nearly 5.2%) when compared globally. High rental yields incentivize investors who are looking for steady stream of income. Annual growth in rentals in the villa market in Dubai was significant at 19%, while the apartment rentals rose at a modest rate of 3%. Along with an increase in property prices, rental yields can contribute significantly to an investor’s ROI.

Average Prime Residential Market Gross Rental Yield (%)



Source: Savills; Note: as of July 2022

Residential Market Price-to-Income Ratio (Years)



Source: Numbeo; Ratio of median apartment prices to median familial disposable income has been expressed as years of income

UAE also scores high on affordability quotient, delivering luxury real estate at relatively lower price to income ratio. Affordability along with stable income stream, makes UAE real estate market an attractive investment for value investors.

d. UAE Office Real Estate – Positive outlook

Visitation to workplaces in Abu Dhabi and Dubai during Q3 2022 was 16.0% and 17.0% respectively above its pre-pandemic levels, as per the Google's mobility data.¹ Apart from the steady demand from the government in Abu Dhabi's occupier market, demand from the private sector has picked up in Q3 2022. The demand from the private sector mainly constitutes for flex space and micro offices.

New Construction and Rentals

- In Q3 2022, Dubai witnessed 17,700 new lease contracts and 7,764 lease renewals, marking an increase of 73.8% and 9.9% respectively over the same period last year.²
- In the year to Q3 2022, rents for Grade A offices in both Dubai and Abu Dhabi increased 10.5% and 2.9% respectively.³
- In the year to Q3, average rents for Prime, Grade B and Grade C offices in Dubai jumped by 16.5%, 9.9% and 10.2% respectively. In Abu Dhabi average Prime and Grade B segment rents increased 1.4% and 5.5% respectively over the same period.

Outlook

- With the limited availability of office spaces and higher priority allocated to quality of the property, Prime and Grade A assets are expected to outperform the market. The growth in the sector could be weighed down by the anticipated global economic downturn.
- Private sector activity in the office real estate rebounded in Q3 2022, with a significant portion of demand for flex space and micro-offices from onshore and offshore locations.

^{1,2,3} CBRE Research

e. UAE Residential Apartment Real Estate – Cautious Optimism

In Dubai, average apartment prices had increased by 8.0% y/y in the first nine months of 2022. While it has registered positive growth, it is lesser when compared to villas which had registered a 14.3% growth over the same period.⁴

New Construction and Rentals

- Average apartment rents increased by 26.6% during 2022 in Dubai while it declined by 0.5% in Abu Dhabi over the same period.⁵
- In Abu Dhabi, 5,516 residential units are expected to come up in the remainder of the year 2022. In the year, over 3,164 new units have been constructed.
- In Dubai, 33,756 new residential projects are expected to enter the market this year. Total estimated completions as of Q3 2022 stood at 20,847 units.

Outlook

- With more of the upcoming units in residential real estate to be apartments, increase in prices could continue to be lower than that of villas. Asteco projects a further 7,650 apartments will be built in the fourth quarter, along with 1,000 villas.
- The demand for luxury real estate is expected to boom in 2023 with an increase in the number of ultra high net-worth individuals in the coming years.
- Mortgage activity recorded steady levels in Q3 due to anticipations of further interest rate hikes by central government of UAE, which might increase the mortgage financing costs in the near-term. Higher mortgage rate could support rental demand. The interest rate hikes could have a negative impact in the mortgage.

⁴⁵CBRE Research

f. UAE Retail Real Estate – Steady but fragmented growth

Within the retail sector, visitation continue to trend up in Q3 2022, supported by ease of COVID-19 restrictions and a rapid increase in international citations. Retail visitation rose by 20.4% and 18.6% above their pre-pandemic baselines, in Dubai and Abu Dhabi respectively.

New Supply & Rentals

- Dubai witnessed 6,031 new lease contracts and 9,635 lease renewals in Q3 2022. Lease contracts marked a decline of 3.1% while lease renewals increased 4.9% on a year-on-year basis.
- Rental growth has been fragmented across Dubai where super-regional segment of the market would continue to witness rise in rents, although demand for secondary areas continue to soften.
- Dubai has witnessed an average rental growth of 32.5% in the third quarter of 2022, whereas rental rates in Abu Dhabi remained stable during the same period.

Outlook

- Outlook for the retail sector remains positive on the back of increased demand from the Food and Beverages and entertainment sector. The demand for family entertainment and recreational centres picked up in Q3 2022. Retail activity in Abu Dhabi remains subdued in Q3 despite the reduction in COVID-19 restrictions.
- Prime retail areas are expected to continue the up-trend in the year ahead. Although the fragmented growth in the retail sector is expected to persist, cloud kitchen operators are forming a material part of the retail space demand in the secondary areas, which is expected to pick-up further activity in the year ahead.

g. UAE Hospitality Real Estate – Positive outlook for 2023

The gradual ease of travel restrictions resulted in a strong start to the year of the hospitality sector in the UAE. All the key metrics including occupancy rates, average daily rate (ADR), and revenue per available room (RevPAR) marked a significant growth in the region in third quarter of 2022.

Supply and occupancy

- Roughly 10.12 million international visitors visited Dubai, up by 162.9% on a year-on-year basis, although remaining 16.2% below the levels recorded in 2019.
- Occupancy in Dubai hotels inclined 7.9% on y/y basis during the year to September. Along with occupancy, the average daily rate (ADR) increased by 34.6% over the same period, with RevPAR increasing on average by 52%. Average RevPAR has climbed 15.7% above the 2019 levels.

Outlook

The UAE hotel market is expected to trend up due to increase in visitations. The positive outlook for the hospitality sector is supported by the mega events such as Abu Dhabi F1 Grand Prix and other sporting events scheduled to be hosted in the country. The events are expected to give a major boost to the hospitality sector by pushing occupancy levels to record high levels.



Invest in Markaz Real Estate Fund

**Total return
annualized:**

6.37%

**Average annual
distribution since
inception:**

5.06%

Fund Performance

Total Return (Jan 03-Dec 03)	17.80%
Total Return (Jan 03-Dec 05)	40.02%
Total Return (Jan 06-Dec 08)	32.10%
Total Return (Jan 09-Dec 11)	4.60%
Total Return (Jan 12-Dec 14)	21.10%
Total Return (Jan 15-Dec 17)	2.10%
Total Return (Jan 18-Dec 20)	2.70%
Total Return (Jan 03 – Dec 21)	151.49%
Capital Gain since Inception	23.83%
Income Distribution since Inception	127.66%
Total Return Annualized	6.37%
Average Annual Yield (Cash)	4.77%
Volatility (3 year)	2.21%

The Markaz Real Estate fund, established in 2003, is considered the first open-ended real-estate investment fund in Kuwait, and stands as a testament to Markaz's innovation in the financial services field. This is reflected through the ongoing development of unique investment tools that cater to investors' needs. Markaz Real Estate Fund is Sharia compliant and aims to achieve stable and recurring returns, through investing in income generation properties in Kuwait.

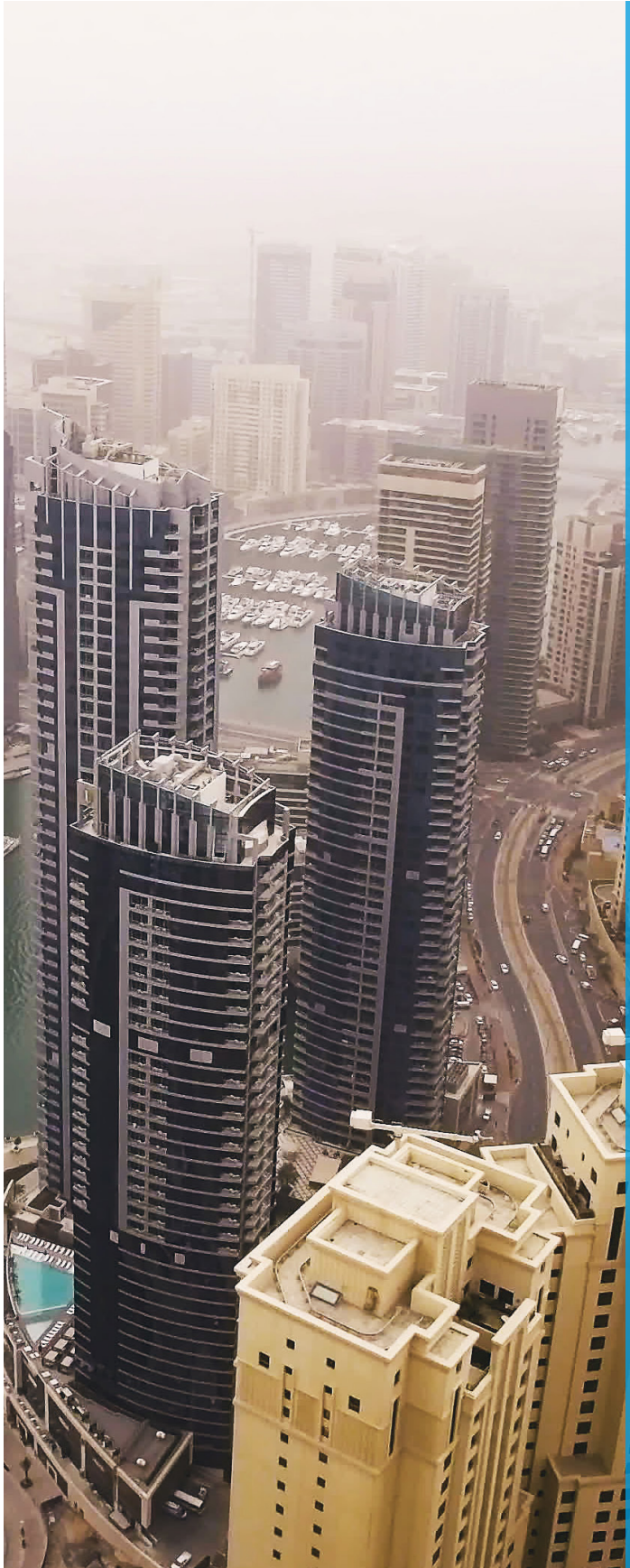
Important info:

- Fund manager: Kuwait Financial Centre K.P.S.C. Universal Tower, Ahmad Al-Jaber Street, Sharq, Kuwait, Tel: +965 2224 8000, P.O. Box 23444, Safat 13095, State of Kuwait
- Fund Executive Committee Members: Bassam Al-Othman, Milad Elia, Khaled Al-Mubarak, Abdullatif Al-Nusif
- To get a copy of the Fund's Articles of Association, the subscription form, and the financial statement of the fund, please visit our website: www.markaz.com
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

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4. Major Reforms/ Events in H2 2022

01/11 – Sharjah allows full real estate ownership to all nationalities

- The decree allows citizens of any country to own real estate of all kinds in Sharjah without any time restrictions. Prior to the amendment, the right to own real estate in Sharjah was limited to citizens of the UAE and Gulf states. The decree is aimed at providing ownership opportunities to all nationalities in a stable and regulated manner.

6/10 – Dubai's real estate transactions in September hit nine-year peak

- Dubai's real estate witnessed steady growth momentum and hit a nine-year peak in September. The month recorded the highest number of transactions with 8,649 worth Dh24.42 billion. The real estate transactions increased 13.34% on a year-on-year basis while value of deals surged 23.04% to Dh24.42 billion over the same

period, highest ever since 2013 when market hit the peak. Secondary property transactions surged 30.46% y/y, recording 4,210 transactions in September. The numbers suggest steady demand for Dubai real estate despite regulatory reforms introduced by government.

26/9 – Dubai establishes new law for co-occupants

- The Dubai Land Department notified that residents in the Emirate should register the individuals they are living with in their properties within two weeks. The rules is applicable to all owners, developers, property management companies and tenants. Residents can register co-occupants via the Dubai REST app. The details of co-occupants will automatically be updated on the tenancy contract after registration. Registering all the people living in a home enables each resident to use an Ejari contract as an address proof.

08/08 – New real estate rules to combat money laundering in Dubai

- UAE introduced new reporting requirements for real estate transactions above \$15,000 or more in cash. As per the new rule, all real estate agents, brokers and law firms are required to report the purchase and sale transactions of freehold properties involving three methods of payment to the Financial Intelligence Unit (FIU). Payments for real estate transactions through a) virtual assets, b) sale of virtual assets, c) cash amounts above AED 55,000 require reporting to the FIU. The rule was established to prevent illegal trading activities and develop sound the financial practices in the region in line with the international standards.

01/08 - Minimum real estate investment for 3-year visa cut to Dh750,000 in Dubai

- According to information on the Dubai Land Department, the minimum financial criterion for applying for a three-year visa through investment in Dubai's residential property market has been decreased to Dh750,000 from Dh1 million. The lowering of investment level is expected to further strengthen Dubai's real estate market.

20/07 – Dubai introduced new incentives for property investment funds

- The Prime Minister of Dubai issued a new decree introducing incentives for the property investment funds aimed at attracting global investment funds to

Emirates. As per the new Decree, a 'Register of Property Investment Funds' will be established at the Dubai Land Department. The Decree also provides for the establishment of a 'Committee for Property Investment Funds,' to identify areas and properties that funds are allowed to invest in either through full ownership or lease for a period not exceeding 99 years.

04/07 – Payments on real estate transactions digitalised

- The Dubai Land Department (DLD) and Emirates NBD have partnered to enable tenants make direct rental payments using their bank accounts, instead of issuing cheques. The automated payment system has reduced the burden of landlords and property management companies in managing the post-dated cheques. Under the collaboration, foreign individual investors seeking to purchase properties in Dubai could open non-resident savings accounts with Emirates NBD to manage rent collection.

5. UAE Real Estate – Recent Major News

Dubai rents peak in October - CBRE

Amid strong demand, residential rents in Dubai are rising at the fastest pace since eight years. In October 2022, average rental rates rose by 27.3% y/y. The total volume of transactions in Dubai's residential market reached 8,269 in September 2022, witnessing 72.3% increase on a year-on-year basis. Average prices rose by 9.2% over the same period.

High interest rates could moderate UAE's property prices – Fitch

UAE's real estate sector witnessed continued growth in H1 2022. The number of transactions and prices rose during the same period. Lower inflationary risk and Russia-Ukraine conflict are key drivers for the sectoral growth. Fitch expects the oversupply of residential properties and rising interest rates to slow down the sector's growth. About 30,00-35,000 new units is anticipated to be added in 2022. The additional supply is expected to reduce rents and prices. Mortgage transaction volume is estimated to fall due to hike in interest rates.

Golden Visa reforms attracts foreign direct investment

The 10-year Golden Visa program has spur interest among foreign investors to buy property in Dubai. Some of the leading real estate developers are offering Golden Visa to those who are willing to invest Dh2 million in Dubai's property sector. The reform has resulted in Indians showing greater interest in the Emirate's real estate market and is expected to increase foreign investment in the real estate sector.



6. Markaz Real Estate Outlook Index

‘Markaz Real Estate Macro Index’ helps investors in identifying the current state of real estate market using a list of economic indicators such as Oil and non-Oil GDP growth, inflation, new jobs generated etc.

The past seven years data along with estimates for 2022 and forecasts for 2023 were considered and a qualitative rating (strong, moderate, neutral, subdued & poor) was assigned considering the historical information and the current environment.

For each of the qualitative score, a quantitative score was assigned with ‘Strong’ being assigned a top score of ‘5’ and ‘Poor’ assigned a value of ‘1’. A weighted average score was computed based on the weights as provided in the below table.

Macro-Economic factors that matter

Economic factors	Weightage Assigned	Rationale
GDP Growth (Oil & Non-Oil)	25%	Strong economic activity bodes well for real estate. Higher economic growth usually leads to demand for commercial real estate and growing incomes would spur activity on the residential segment.
Fiscal Balance	10%	Expansionary fiscal policy signifies active role of government to support the economy through increased investments. A positive for real estate and government spending entails improvement to physical & social infrastructure and unlocks the value of nearby lands.
Investments	10%	Investment serves as a proxy for project activity and infrastructure development that shall directly stand to influence the real estate markets through job creation and increased economic activity.
Money (M2) Supply Growth	10%	Higher growth in money supply is a leading indicator of economic activity.

Economic factors	Weightage Assigned	Rationale
Inflation	15%	Real estate acts as a natural hedge against inflation, as rents typically increase during times of inflation. Strong, stable inflation is generally positive for real estate.
Interest Rate	10%	Increase in interest rates translate into higher borrowing costs and could lower demand for real estate. It also impacts consumers' inclination to spend.
Population Growth	10%	Increasing population is directly related to real estate growth and residential demand.
Jobs created	10%	Number of jobs created serves as a useful indicator for real estate demand.

Source: Marmore Research

The state of real estate market was categorized into four distinct phases based on the score as below:

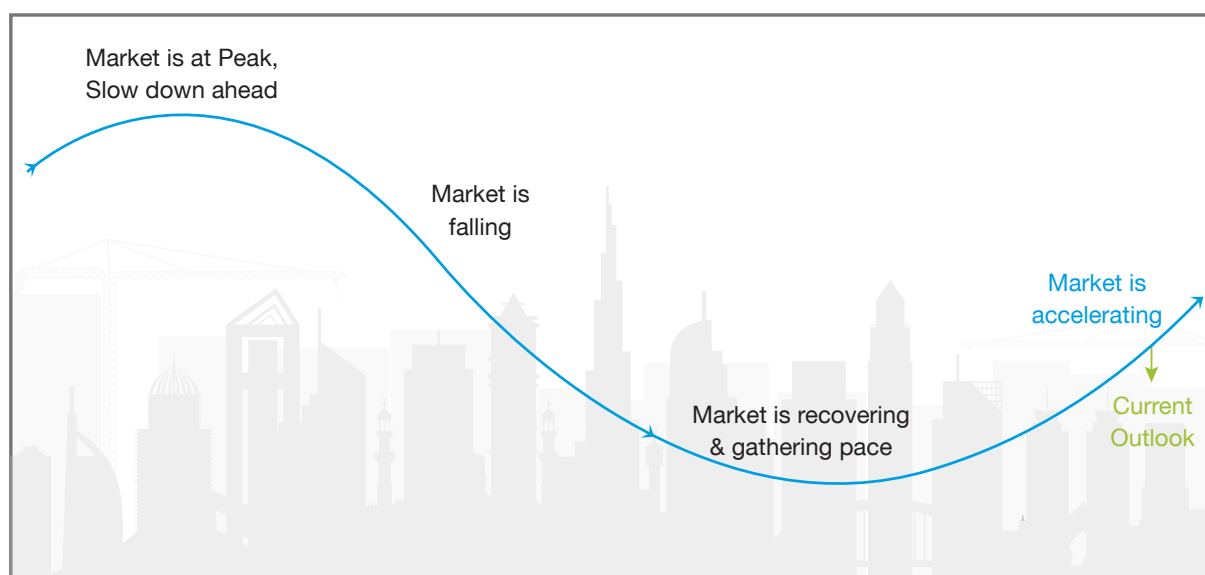
Market Phases

Macroeconomic Scores	Score Interpretation
4.4 to 5.0	Market is at peak, slowdown ahead
3.5 to 4.3	Market is accelerating
2.8 to 3.4	Market is recovering & gathering pace
Less than 2.8	Market is falling

UAE Macro-Economic Factor Assessment

Economic Factors	2018	2019	2020	2021	2022e	2023f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	2.5%	2.6%	-6.1%	-0.1%	8.1%	5.0%	Strong	5
Non-Oil (Real) GDP Growth	0.7%	3.8%	-4.3%	5.3%	4.0%	3.9%	Moderate	4
Fiscal Balance, % of GDP	1.1	0.4%	-5.2%	2.1%	7.7%	4.9%	Moderate	4
Investments (as % of GDP)	23.5	22.5%	22.2%	21.0%	21.9%	22.5%	Moderate	4
Money Supply, M2 (YoY)	2.5%	8.0%	4.6%	5.8%	15.3%	8.1%	Moderate	4
Inflation, %	3.1	-1.9%	-2.1%	0.2%	5.2%	3.6%	Neutral	3
Interest Rate %	2.21	2.48	0.88	0.38	1.92	4.40	Subdued	2
Yearly Population Growth	0.7	1.5%	4.1%	3.0%	3.5%	2.0%	Neutral	3
Job creation ('000)	-37	84	-221	122	228	135	Moderate	4
							Overall Score	3.7

Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

Note: Grey colored box indicates the current outlook of the real estate market

While the broader outlook that the real estate market is accelerating remains consistent with our earlier view, sustained strong economic growth on the back of high oil prices have resulted in slightly higher quantitative score compared to our previous outlook edition.

UAE Markaz Real Estate Macro Index Scores (2022-2023)

Macro indicators	H1 2022	H2 2022	H1 2023
Oil Real GDP Growth	4	5	5
Non-Oil Real GDP Growth	3	3	4
Fiscal Balance	4	4	4
Investments	3	4	4
Money Supply, M2 (YoY)	3	4	4
Inflation	4	3	3
Interest Rate	-	2	2
Population growth	4	3	3
Jobs created	3	4	4
Overall Score	3.5	3.6	3.7

Source: Marmore research

Conclusion



Though UAE's GDP growth is expected to moderate in 2023 compared to 2022 levels, the growth of the Real Estate sector would remain positive despite global economic headwinds. Marked growth in non-oil foreign trade and strong fiscal surplus augurs well for the economy, signaling a resilient government revenue stream. Increase in interest rates could be a dampener on the demand side. Until inflation comes into control, high interest rate environment is likely to prevail.








Recent real estate transactions hit record high levels in the UAE. Surge in demand for office spaces, increasing private sector activity and rising trend in rents reflect the positive market sentiments and set a tone of optimism for H1 2023. Moreover, the demand for luxury real estate is expected to be strong in 2023 as Dubai is anticipated to witness an increase in the number of Ultra high net-worth individuals in the near-term. Introduction of real estate laws permitting property ownership in Sharjah by all nationalities and reducing the minimum real estate investment criterion for obtaining a three-year visa further strengthen the growth of the sector.

Reforms targeted towards attracting foreign investment coupled with measures to boost transparency are positives for the real estate sector. The uptrend in the real estate sector is expected to be preserved in the year ahead, with a combination of targeted government reforms and strong investment momentum.

Sustained economic growth has led to stability in scores compared to previous outlook editions. Based on our assessment of various macroeconomic factors – non-oil sector GDP growth, fiscal surplus and investments, we believe that the real estate sector in UAE is expected to accelerate in first half of 2023.

Summary – UAE Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2023 & beyond)	Quantitative Score
 Oil Real GDP Growth	Strong	5
 Non-Oil Real GDP Growth	Moderate	4

Macro indicators	Future Outlook (2021 & beyond)	Quantitative Score
 Fiscal Balance	Moderate	4
 Investments	Moderate	4
 Money Supply, M2 (YoY)	Moderate	4
 Inflation	Neutral	3
 Interest Rate	Subdued	2
 Population growth	Neutral	3
 Jobs created	Moderate	4
Overall Score	Market is accelerating	3.70

Source: Marmore research

What reports to expect soon?



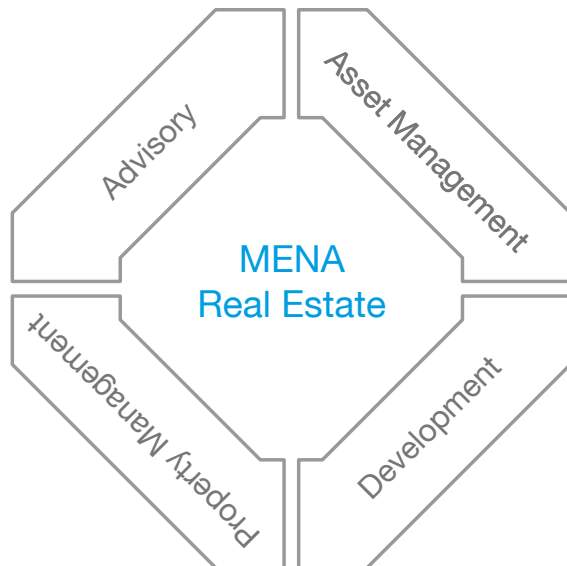
Kuwait Real Estate Outlook 2023



KSA Real Estate Outlook 2023

Markaz Real Estate Capabilities: Management Team

With a team of 27 professionals, Markaz MENA Real Estate provides a fully integrated insights and services to managing real estate funds



Team of 27

- Investment
- Project Management
- Financial Management
- Administration

Kuwait HQ

- Riyadh KSA - 2006
- Khobar KSA - 2006
- Abu Dhabi - 2010
- Dubai - 2014

Markaz provides great value through:

- Governance
- Experience
- On the ground presence
- Hands-On approach
- Developed Systems covering
 - Operations,
 - Maintenance,
 - Financial management, &
 - Administration
- Software Support

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For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; **Email: research@markaz.com**, Tel: 00965 1804800; Fax: 00965 22450647.