



KSA Real Estate Report 2023 Outlook

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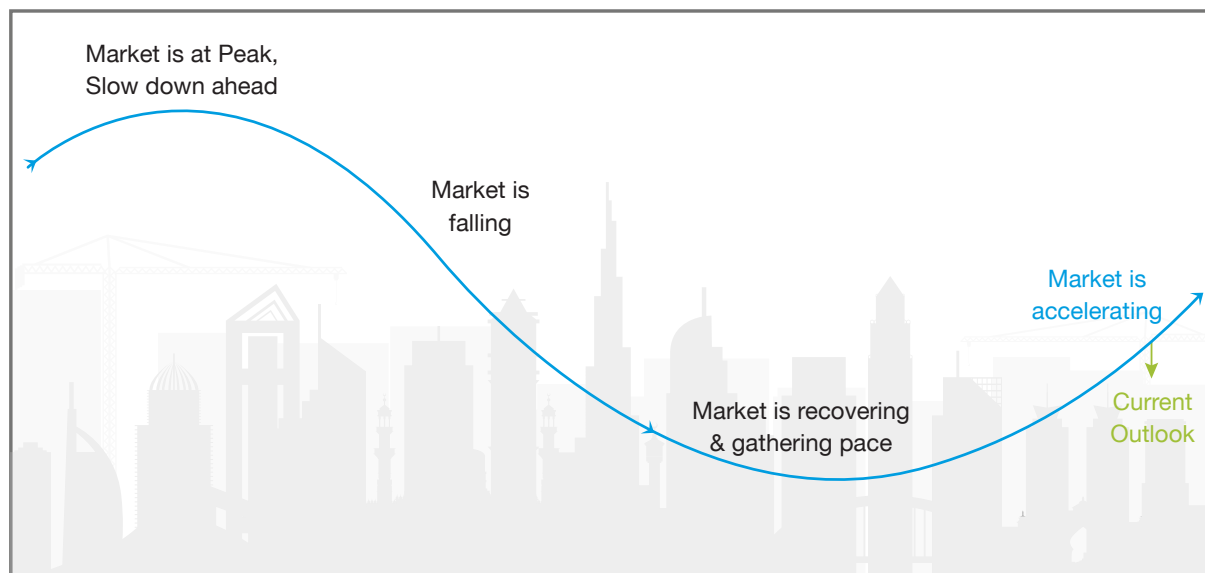
Table of Contents

- Executive Summary 3
- Saudi Arabia: Macroeconomic Update 6
 - a. Economic activity expected to moderate in 2023 6
 - b. Inflationary forces remain subdued 8
 - c. Credit growth remains robust supported by corporate lending 9
 - d. Interest Rates are expected to increase 11
 - e. Population growth remains healthy 11
- Real Estate land prices have stabilized in recent years..... 12
- Real Estate Saudi Arabia – Major News/Laws 19
- Markaz Real Estate Macro Index 22
- Conclusion 27

1. Executive Summary

- Saudi Arabia's economic growth momentum is expected to slow down in 2023 compared to 2022, amid expected softening in oil prices and lower production in line with OPEC+ cuts. In Q3 2022, Saudi Arabia registered real GDP growth of 8.6% y/y, mainly supported by rise in oil production. Non-oil economic activity is showing growth and is expected to be positive in 2023.
- Oil prices are expected to average below USD 100/bbl. in 2023 amid sober global economic outlook. According to preliminary budget, the government has increased spending and expects to post a surplus. The country has also reported a budget surplus of SAR 149.6 billion (USD 40 billion) in the first nine months of 2022.
- Value of real estate transactions in Saudi Arabia from January-September 2022 had been SAR 172.5bn, marking an increase of 12.2% y/y. The KSA real estate price index, covering price movements across residential, commercial and agricultural segments rose by 1.5% in Q3 2022, mainly driven by a 2.6% y/y increase in residential land prices. Real estate prices, as indicated by the price index, have been relatively stable in the recent past, showing mild growth.
- Residential transaction volumes in KSA fell by 15.5% in Q3 2022 vs Q3 2021 and the total value of the residential transactions decreased by 0.8%. However, parameters such as sales price in residential segment and rents in office and retail segment had shown a positive trend in Q3 2022.
- Saudi Arabia has published the real estate brokerage law in July 2022, which would come into force in six months' time. The law will contribute to regulating and improving real estate brokerage services in the country.
- The Saudi Arabian real estate market has been broadly positive supported by favourable economic conditions and government initiatives. Rising interest, sober global economic outlook poses some headwinds.
- Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia is expected to continue its recovery with a moderate chance of acceleration in 2023.

Saudi Arabia Real Estate Market Outlook



Saudi Arabia Macroeconomic Views

Economic Factors	Our take	Economic Factors
 Oil (Real) GDP Growth	Moderate	Growth momentum in oil sector to moderate on lower oil prices and production on the back of muted global economic outlook and OPEC+ cuts. Supply tightening due to impending European embargo on oil might lend some support to prices.
 Non-Oil (Real) GDP Growth	Moderate	Non-oil sector is expected to continue its growth path supported by government spending.
 Fiscal Balance	Moderate	Expected to be stable in 2023 despite slightly lower oil price levels. Budget surplus of SR149.6 billion (\$40 billion) has been reported in the first nine months of 2022.
 Investments	Neutral	Current trends expected to persist in 2023. According to preliminary budget, the country plans to increase public spending by 18%.
 Money Supply	Moderate	Liquidity levels in the market are expected to be adequate.

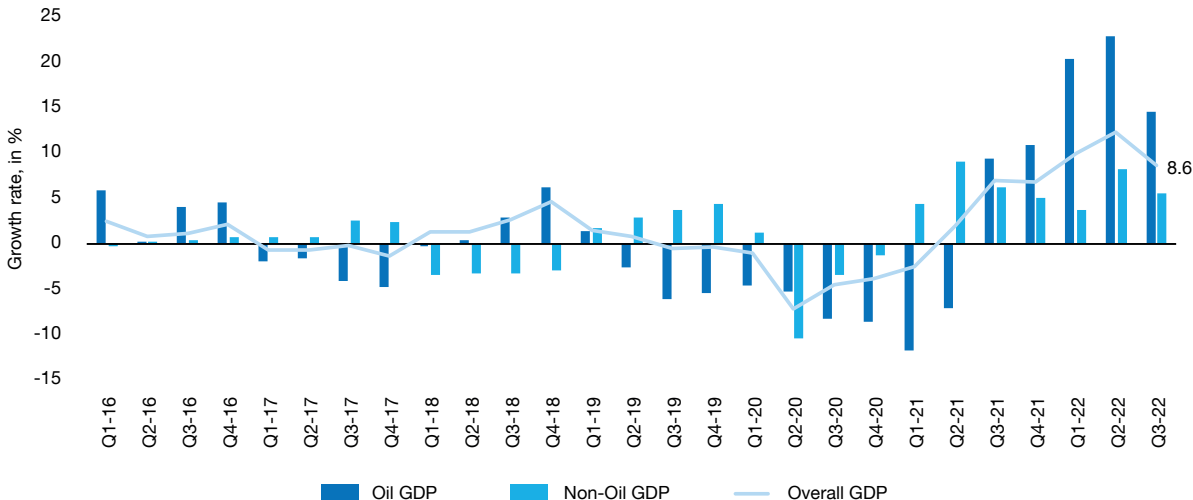
Economic Factors	Our take	Economic Factors
 Inflation	Moderate	Remains well-contained and moderate in Saudi Arabia despite inflationary pressures experienced in Developed Markets due to supply chain disruptions and elevated food prices
 Population Growth	Neutral	Population growth is expected to be stable in Saudi Arabia supported by government initiatives.
 Job creation	Neutral	While broader government initiatives such as implementation of major infrastructure projects, creation of new business opportunities may help in job creation in long run, near term outlook is neutral on the back of expected moderation in GDP.
 Interest Rate	Subdued	U.S. Fed has aggressively tightened in 2022 to tame inflation. KSA's interest rates have followed the U.S. rates in 2022 and are expected to follow suit in 2023 as well. With Fed rates projected to remain high in 2023 as well, it could lead to increase in mortgage rates acting as a downside for home purchases. Consumer spending may also decline slightly compared to the strong trend reported in 2022.

2. Saudi Arabia: Macroeconomic Update

a. Economic activity expected to moderate in 2023

Saudi Arabia’s real GDP has been on the uptrend in recent quarters supported by high oil price levels and production increases. GDP growth in 2023 is expected to be slower compared to 2022, owing to lower average expected oil price, reduced production due to OPEC+ cuts and global economic slowdown. However, the country’s GDP growth rate is in line with its historical growth rates. While the country had increased oil production to 11mn bpd in August, its highest level in 2 years, Saudi Arabia would reduce its production by 573,000mn bpd November 2022, in line with OPEC+’s decision to cut oil production. In Q3 2022, Saudi Arabia registered real GDP growth of 8.6% y/y, mainly supported by rise in oil production. Non-oil activities increased by 5.6% y/y.

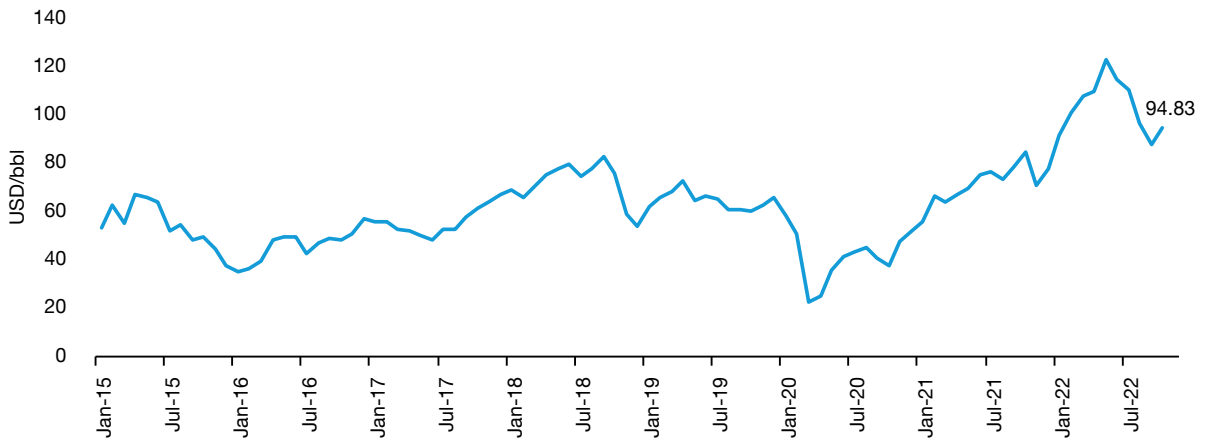
Saudi Arabia Oil, Non-Oil and Overall Real GDP Growth (Y/Y)



Source: General Authority for Statistics

Oil price declined in Q3 2022 due to recessionary fears and stringent COVID-19 curbs in China. However, OPEC+ production cuts lent some support to prices. IMF expects oil prices to average at USD 85.52 a barrel, compared to USD 98.18 per barrel in 2022, amid sober economic outlook. However, supply side constraints such as impending EU embargo on Russian oil may lend some support to oil prices.

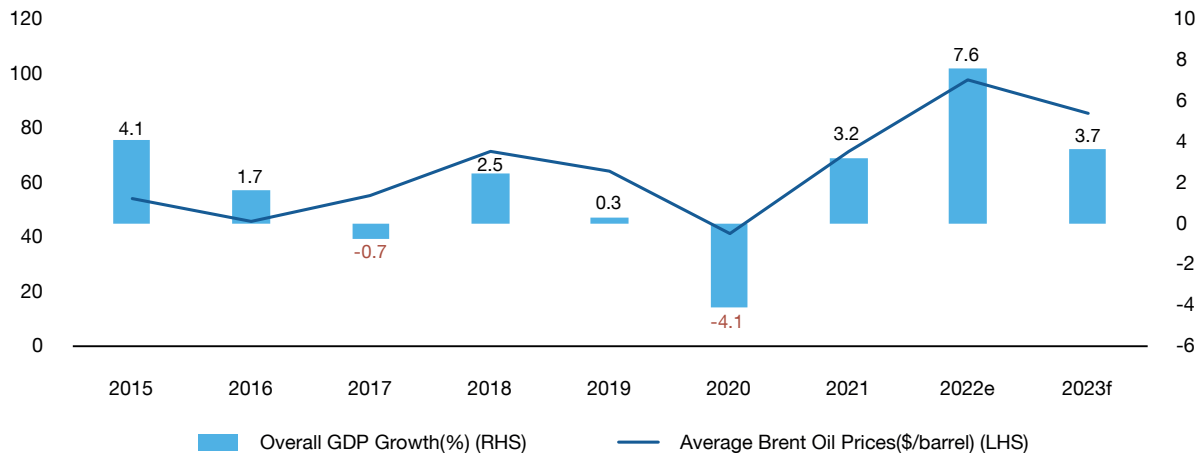
Month-End Brent Oil Prices (Dec 2014 – Oct 2022)



Source: Refinitiv

Saudi Arabia’s economic activity is closely correlated with oil prices. Rise in oil prices also support non-oil GDP as it boosts government and private spending. At the end of October 2022, oil price has increased approximately 22% from the end of 2021. The IMF anticipates the real GDP to grow 7.6% and 3.7% in 2022 and 2023 respectively, compared to 3.2% in 2021 with an expected breakeven oil price of USD 73.3 per barrel in 2022 and USD 66.8 per barrel in 2023.

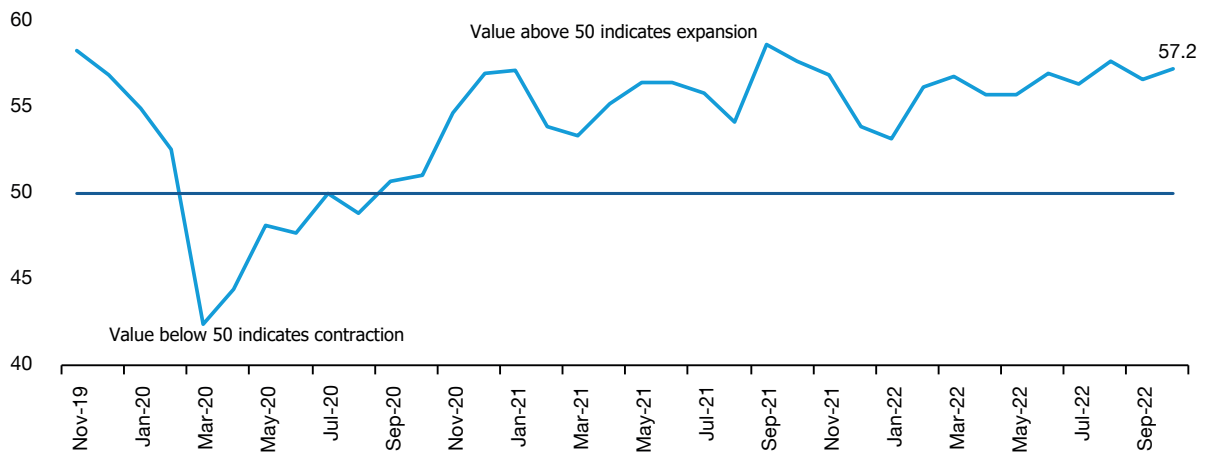
Real GDP Growth and Average Brent Oil Prices (2015-2023f)



Source: IMF, Refinitiv; Note: Average Brent oil prices for 2022 and 2023 based on IMF estimates. Data for other years computed based on month-end closing prices.

The Composite Purchasing Managers Index (PMI) for Saudi Arabia stood at 57.2 in October 2022. The composite PMI reading has been above the key level of 50, indicating robust expansion of the non-oil private sector.

Saudi Composite PMI (Jan 2019 – Oct 2022)

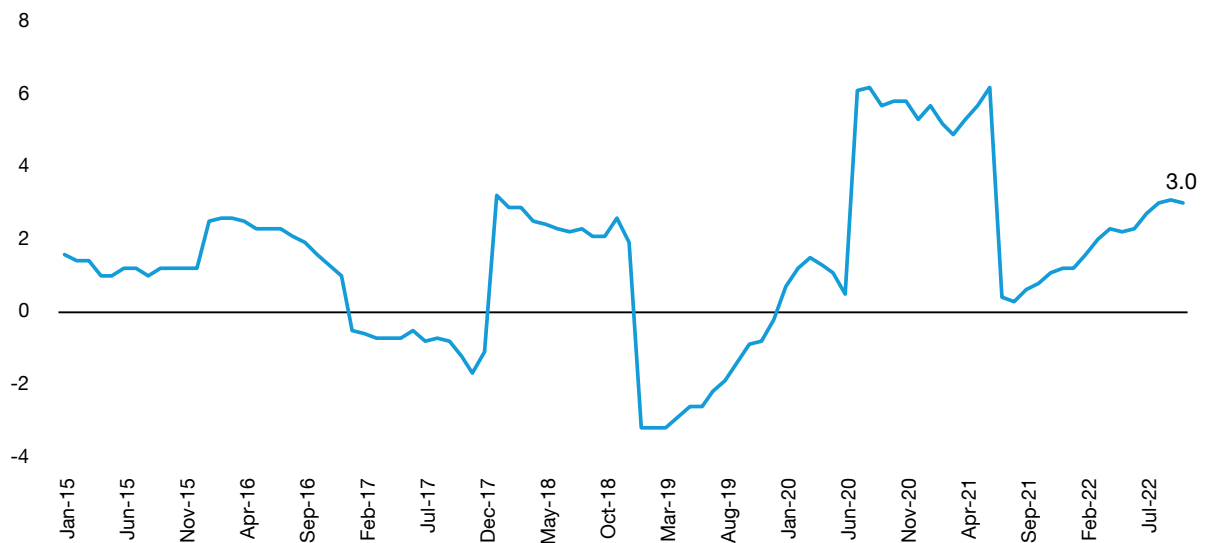


Source: IHS Markit, Refinitiv

b. Inflationary forces remain subdued

Despite inflationary pressures witnessed in many developed economies on account of various factors including supply chain disruptions and increased food prices, price levels in Saudi Arabia remain subdued. Overall, inflation rate stood at 3.0% y/y in October 2022 and for 2022 it is expected to average 2.7% and for 2023 at 2.2% (IMF).

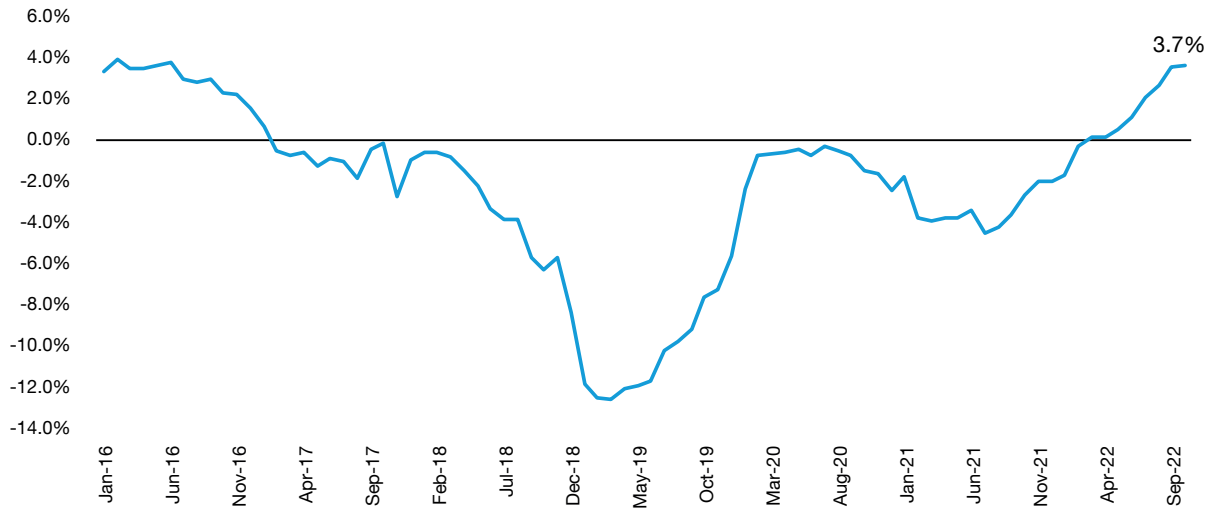
Consumer Price Index Inflation (Jan 2015- October 2022) (Y/Y, in %)



Source: Refinitiv

The largest sub-component of the CPI was housing rental prices comprising 21% of the total weightage. This is higher than food and beverages and transport, which makes up about 18.8% and 13.1% respectively. Housing rental prices has increased by 3.7% Y/Y in October 2022.

Housing Rentals Price Change (Jan 2015 - Oct 2022) (Y/Y change)

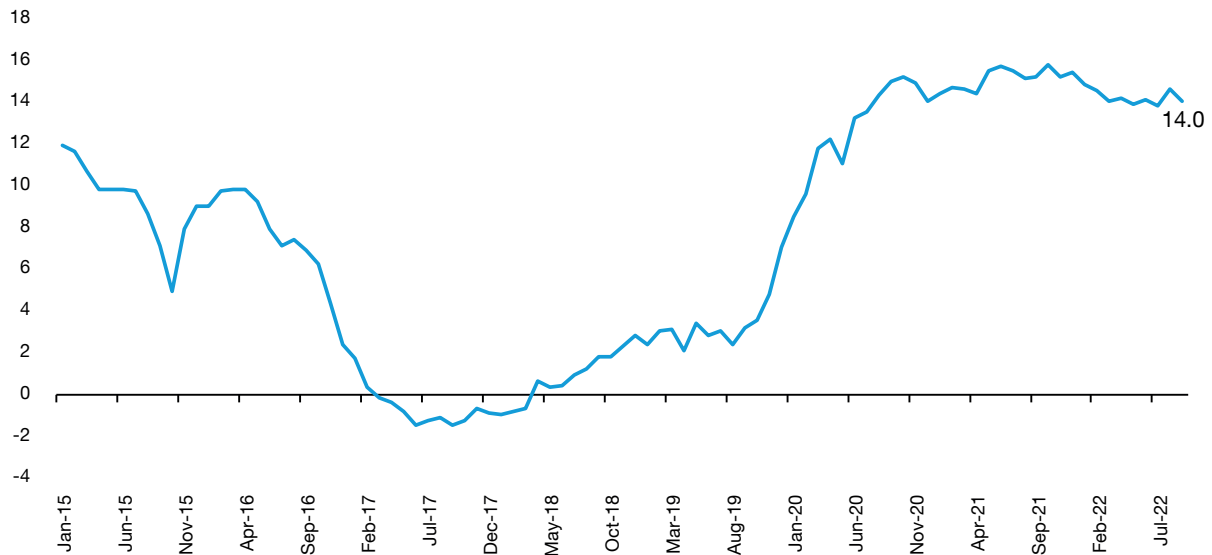


Source: General Authority of Statistics, KSA

c. Credit growth remains robust supported by corporate lending

Credit growth as evidenced by total commercial bank claims on private sector remains healthy and stood at 14.0% in October 2022 (YoY basis). Bank credit is expected to grow in 2023 by 12%, according to Fitch, supported by corporate lending, Vision 2030 projects and mortgages to some extent. Fitch expects credit growth to be at 12% in 2023 but sees liquidity strain as a downside risk as credit growth continues to outpace deposit growth in the country.

Bank claims on private sector (Y/Y, %)



Source: SAMA, Refinitiv

Real estate loans offered by banks stood at SAR 638.27 billion at the end of Q2 2022, representing a healthy growth of 27% (Y/Y). Of the total value, loans offered to retail customer stood at SAR 503.22 billion, growth of 31% (Y/Y) and those to corporates stood at SAR 135.04 billion, growth of 14% (Y/Y).

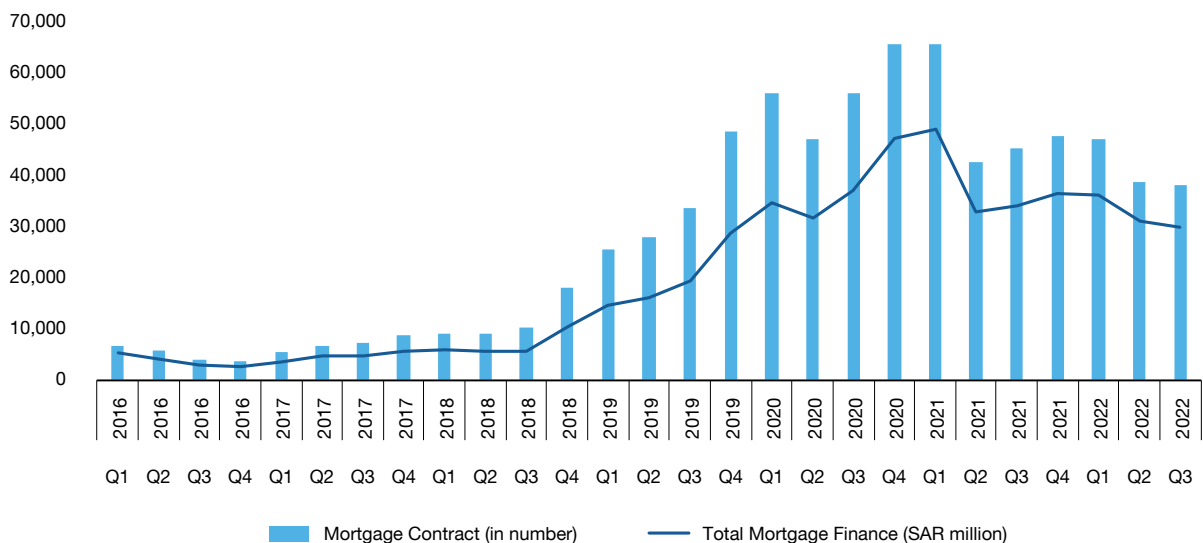
Real Estate loans by banks (SAR millions & Y/Y change %)



Source: SAMA

Value of new residential mortgages offered to individuals by banks stood at SAR 29.8 billion as of Q3 2022-end, representing a fall of 12.7% y-o-y compared to same period in the previous year. The total number of transactions continued its downward trend, declining by 15.9% y-o-y in Q3-2022, weighed down by interest rate hikes.

Number of new residential mortgage contracts and total mortgage value

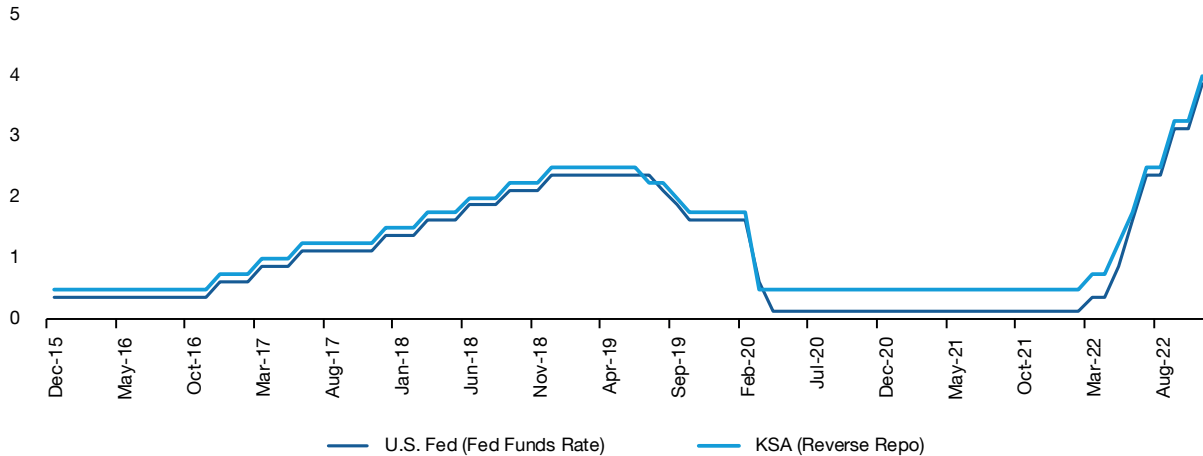


Source: SAMA; Note: Data available only from 2016

d. Interest Rates are expected to increase

The change in KSA’s policy rates have largely been in line with change in U.S. Fed rate change historically. In 2022, while U.S Fed has increased its policy rate by 375 bps until November, KSA has hiked rates by 350 bps. KSA is expected to increase policy rates in 2023 as well in line with expected Fed rate increase, which will lead to increase in mortgage rates and may reduce consumer spending.

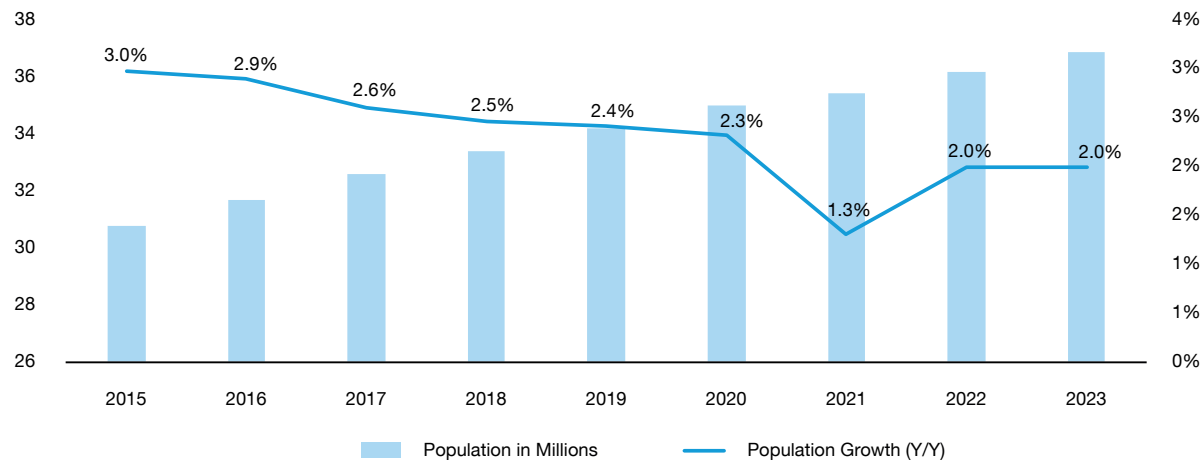
Interest Rates of KSA vs US (2015 – 2022)



e. Population growth remains healthy

Population growth is expected to be stable at 2.0% in 2023. The country’s Crown Prince expects Saudi Arabia’s population to reach 50 to 60 million by 2030, with half of them being foreigners.

Interest Rates of KSA vs US (2015 – 2022)

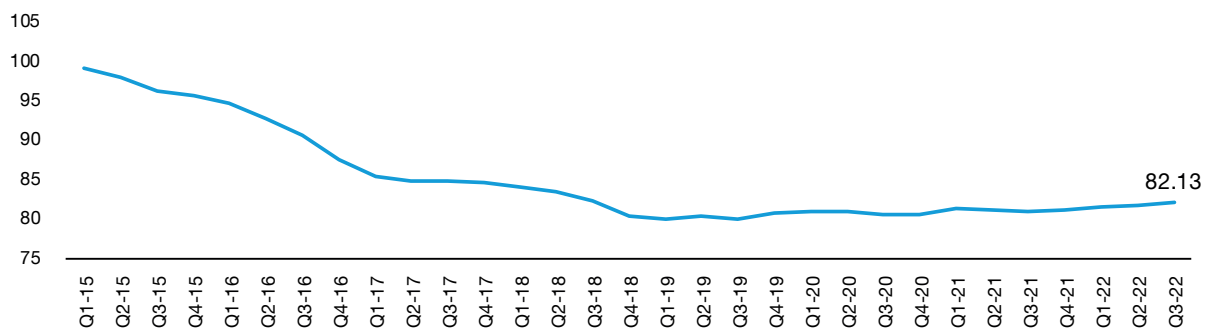


Source: General Authority on Statistics, IMF Oct 2022

3. Real Estate land prices have stabilized in recent years

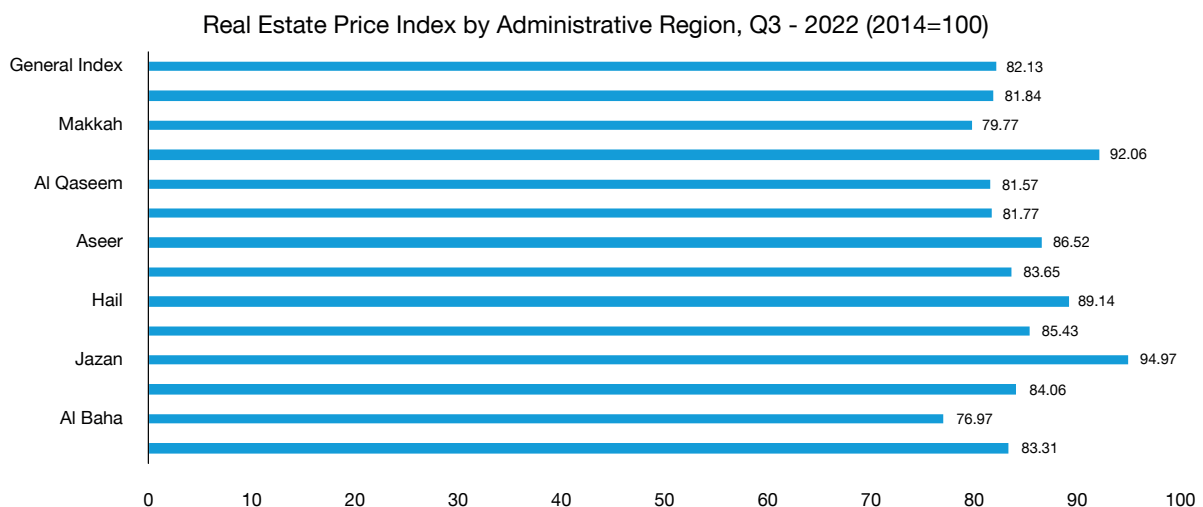
Although the real estate price index is still below its 2015 highs, it has stabilized in the recent quarters. Annual real estate prices in KSA rose by 1.5% in Q3 2022 to 82.13 points, mainly driven by a 1.8% (Y/Y) increase in residential land prices. The KSA real estate index is a measure of price changes in three major segments in real estate which are the residential segment (65% weightage), commercial segment (31% weightage) and the agricultural land (4% weightage). Although this index includes plots, buildings, villas and apartments, majority of the weightage is given to the plot of land. (Residential land – 62%; Commercial land – 31%).¹ Value of real estate transactions in Saudi Arabia from January-September 2022 had been SAR 172.5bn, marking an increase of 12.2% y/y.²

Saudi Real Estate Price Index have stabilized in recent years



Source: General Authority on Statistics

Real Estate Price Index by Administrative Region, Q3-2022 (2014=100)

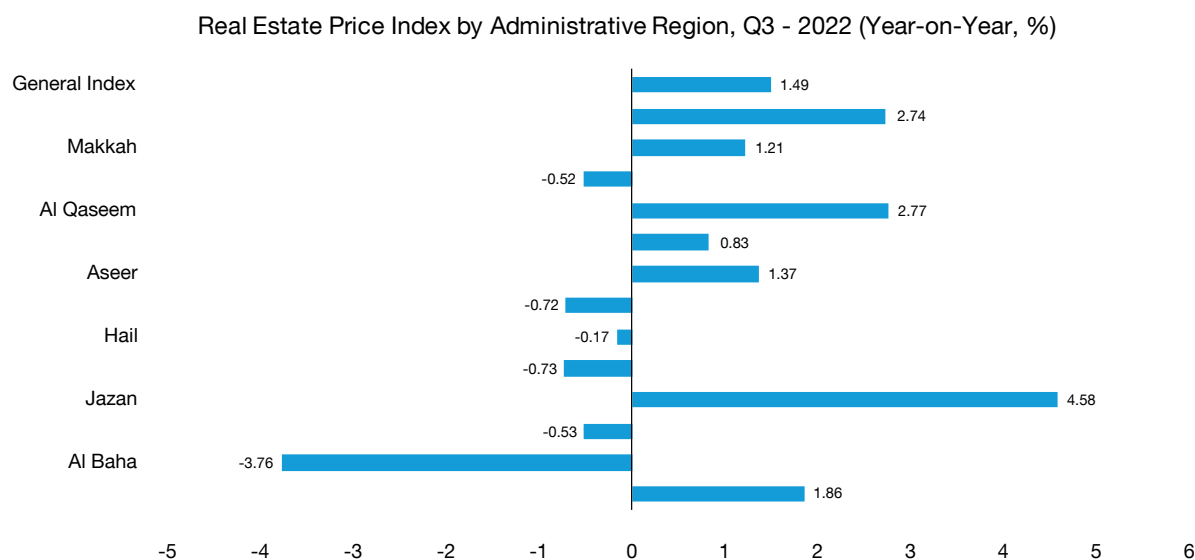


Source: General Authority on Statistics

¹ REPI, GaStat

² Saudi Ministry of Justice, Argaam

Real Estate Price Index (Y/Y change in %) by region – Q3 2022



Source: General Authority on Statistics

How different sectors fared in Q3-2022 in the key markets of Riyadh and Jeddah?

Sector-wise performance of KSA Real Estate

Macro-Economic factors that matter

Asset Class	City	Total Stock at end of Q2-2022	Total Stock at end of Q3-2021	Price Action in Q3-2022
Office	Riyadh	4.9 million sqm of GLA	4.8 million sqm of GLA	Average Grade A & B rents increased 15% Y/Y
	Jeddah	1.2 million sqm of GLA	1.1 million sqm of GLA	Average Grade A & B rents increased 8% Y/Y
Residential	Riyadh	1.4 million units	1.3 million units	Average Sales price increased 2% Y/Y
	Jeddah	851,000 units	840,000 units	Average Sales price increased 20% Y/Y
Retail	Riyadh	3.3 million sqm of GLA	3 million sqm of GLA	Average rental rates increased 5% Y/Y (super regional malls)
	Jeddah	1.8 million sqm of GLA	1.7 million sqm of GLA	Average rental rates increased 3% Y/Y (super regional malls)

Asset Class	City	Total Stock at end of Q2-2022	Total Stock at end of Q3-2021	Price Action in Q3-2022
Hospitality	Riyadh	20,000 keys	19,000 keys	Occupancy levels rose 58% in the Year-to-August 2022, Average Daily Rates (ADR's) rose to reach USD 169 and Revenue per Available Room rose to USD 98
	Jeddah	15,400 keys	14,000 keys	Occupancy levels rose to 52% in the Year-to-August 2022, but Average Daily Rates (ADR's) rose to reach USD 214 and Revenue per Available Room declined to USD 111

Source: JLL

The Saudi Arabian real estate market continues its recovery phase. Various measures taken by the government to ensure home ownership for all has also given new impetus to the real estate sector.

Performance of the Residential sector³

- Residential transaction volumes in KSA fell by 15.5% in Q3 2022 vs Q3 2021 and the total value of the transactions decreased by 0.8%. For YTD Q3 2022, the number of mortgage contracts issued by banks fell 15.9% and the total value of mortgages provided fell 12.7% Y/Y.
- The total number of transactions fell by 31.1% Y/Y in Riyadh and 19.3% Y/Y in Jeddah in the year to Q3 2022.
- 30% of homeowners in Saudi Arabia prepared to more than US\$ 800,000 on a second home in the country. There has also been a preference for apartments among young families in view of their affordability.

³ CBRE, Knight Frank, JLL; Latest Available



- The expected increase in population and initiatives to increase home ownership to 70% by 2030 are likely to support the segment while rising interest rates may pose near term headwinds to the mortgage market.

Performance of the Residential sector⁴

- In the third quarter of this year, office segment's performance improved supported by positive economic conditions and business activity. In Riyadh, average rents for Grade A office buildings climbed by 15% Y/Y to over SAR 1,600 per square metre. For the same period, lease rates in Jeddah saw a rise of 12% Y/Y to an average of around SAR 1,150 per sq. m.
- The vacancy rate in Riyadh's entire market was in low single digits in Q3 2022. Over the same period, the average vacancy rate for Jeddah was 7%. Demand for good quality office spaces have been strong in both cities with government entities being the key driver. Combined with limited supply, this has led to an increase in rents and low vacancy levels.
- Riyadh's office market could be expected to see the same positive trend, particularly in the Grade A

⁴ JLL, KPMG

segment, during the medium term. Additional demand for office space could be seen from international companies working in the Saudi Arabia that may move their headquarters to the country by 2024 under Regional Headquarters Program (RHQ).

Performance of Industrial & Logistics Sector⁵

- Saudi Arabia has set a target to have 59 logistics zones across the country as part of plans to become a global trade hub. However, target deadline for the same has not been specified. It has launched Special Integrated Logistics Zone, spanning 3 million sq.m. and will use technology to streamline the movement of goods, providing direct linkages between investors, suppliers, customs, and government entities.
- Warehouse rents have increased by as much as 22% Y/Y to SAR 250 per sq.m as of Q3 2022, amid increased activity in manufacturing and logistics sectors contributing to the strong demand for high-quality and specialised warehouse facilities and low supply of such warehouses.⁶

Performance of Retail Sector⁷

- On an annual basis, rents for super regional malls increased by 5% while regional malls remained unchanged, in Riyadh for Q3 2022. On the same basis, rentals in Jeddah across super regional malls and 5% across regional malls rose by 3% and 2% respectively.
- Retail Gross Leasable Area (GLA) in Riyadh was at 3.3 million sq.m. in Q3 2022, with Lumiere Centre being a key development. Over the same period, Jeddah's total retail stock reached 1.8 million sq. m. with the completion of approximately 2,000 sq.m.
- Retail centers have been reporting higher levels of footfall. Food and Beverage and entertainment outlets benefitting from a spike in demand. While retailers are generally looking to expand, they are being selective by opting for locations with healthy levels of footfall. Smaller spaces also seem to be preferred in view of their lower capital & operational expenses.

⁵ ⁶ Knight Frank, Zawya

⁷ JLL, KPMG

- In Saudi Arabia, retail sales are expected to grow at a CAGR of about 5% between 2022 and 2025, which is likely to have a positive impact on the intake of retail space.

Performance of Hospitality Sector⁸

- Riyadh's hotel occupancy rose by 10 percentage points y/y to 58% for the first eight months of 2022. During the period average daily rate (ADR) surged to USD 169, up 23% y/y. Riyadh's RevPAR was up 36% y/y to USD 98. Jeddah's occupancy rate ticked up by 13 percentage points annually to 52% over the same period. ADR increased by 17% y/y to USD 214 and RevPAR rose by 33% to USD 111.
- Saudi Arabia has approved a new law to boost the development of the tourism sector in the Arab world's largest economy, attract more investment in the sector and increase visitor numbers. The law will establish a new regulatory environment to attract tourism innovators and improve ease of doing business.
- Saudi Arabia's travel and tourism sector is expected to grow at 11% annually over the next decade, making it the Middle East's fastest-growing market. By 2032, the sector's contribution to Saudi Arabia's gross domestic product could reach 17.1%, making it a key driving force for the economy.
- Around 80 hotel projects are scheduled for completion in 2023, adding 63,753 rooms.

⁸JLL, WTTC, TOP HOTEL PROJECTS

How are the different sectors in real estate expected to fare in 2023 vs 2022?

Asset Class	2023 vs 2022	Key Driver
Residential	Slightly muted from 2022	Expected increase in population, government initiatives such as raising homeownership are likely to support demand. Increasing interest rates presents a headwind for mortgage-based demand.
Office	Similar to 2022	Recent government initiatives for regional HQ's to be based in the kingdom and recovery in non-oil private sector could support the segment.
Industrial & Logistics	Similar to 2022	The segment is likely to perform well amid sustained demand for warehouses on the back of increased activity in manufacturing and logistics sector and online shopping combined with short supply.
Retail	Similar to 2021	Recovery in Food and beverage and entertainment segments and expected growth in retail sales, strong consumer spending are expected to support the segment.
Hospitality	Similar to 2022	Recovery in tourism, initiatives to position Saudi Arabia as a tourism destination are set to be favourable for the segment.

Source: KPMG, Marmore Research



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

Disclaimer: This announcement has been prepared for promotional purposes and has been approved by Markaz. Investments in funds are subject to market risks. There can be no assurance or guarantee that the investment will produce any returns. Prospective Investors must therefore be aware of and understand that such investment carries a significant degree of risk of loss of their capital; and the dividend rate cannot be predicted or guaranteed. Past performance is not a reliable indicator of future performance. Before investing, prospective investors must carefully examine the Articles of Association and all Fund's related documents to be aware of the investment methods, including the merits and risks involved.

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4. Real Estate Saudi Arabia – Major News/Laws

Saudi Arabia launches new housing projects in Eastern Province

- Saudi Arabia has launched the second phase of projects at Al Wajiha - a leading residential suburbs located within Dammam city - and Qumra community in Qatif Governorate featuring a total of more than 7,700 housing units.

Sakani delivers 728 housing units in Dammam

- The Sakani Programme, a real estate initiative of the Saudi Ministry of Housing, has announced that it has handed over all housing units in the Madd project, which is situated in the Al-Waja suburb of Dammam, following the completion of the project's infrastructure and construction. A total of 728 townhouses have been delivered as part of the Madd project, which extends over an area of 310,353 sq m in Al-Fursan neighbourhood

in Dammam. Saudi Arabia has launched 2,957 new free lands for eight housing schemes under the government's Sakani program that aims to boost the home ownership of its nationals. The eight schemes are distributed in five regions, namely Riyadh, the Eastern Province, Madinah Munawwarah, Makkah Al-Mukarramah, and Aseer Province.

PIF launches real estate registration services company

- Saudi Arabia's Public Investment Fund (PIF) has launched the National Real Estate Registration Services Company (NER), which aims to contribute to the digitisation and development of the local real estate sector through a comprehensive digital platform. The initiative is launched in cooperation with the Real Estate General Authority and other government entities. NER aims to develop a digital platform to build a comprehensive real estate registration database covering all data of units of property in Saudi Arabia. The company will also provide property registration services according to best-in-field practices.

Real estate and infrastructure projects topped \$1.1 trillion

- The total value of Saudi Arabia's real estate and infrastructure projects has exceeded \$1.1 trillion since the launch of Vision 2030 reforms in 2016, according to property consultancy Knight Frank. Across the country, 555,000 new residential units, more than 275,000 hotel rooms, 4.3 million square meters of retail space, and 6.1 million square meters of office space are expected by 2030. A spate of building projects launched in recent years includes 15 'giga-projects,' the most notable of which are the planned NEOM megacity, the Red Sea Project, and the redevelopment of the historic city Diriyah in western Riyadh.

Retal inks over \$161m deal with National Housing

- Retal Urban Development Company has signed a sub-development agreement with the National Housing Company (NHC) to develop 550 housing units in Al-Fursan district 2 in Riyadh at an estimated cost of SAR 605 million. The project will be implemented on a total land area of 166,446 square meters and will be primarily financed from off-plan sales and partially from self-financing, according to a bourse disclosure on Tuesday. Moreover, construction work is set to commence on the second day after receiving the land plot from NHC. Furthermore, the project is expected to be executed within a period of 42 months and is forecast to reflect positively on Retal's results

Arbah Capital launch \$266mln real estate investment fund

- Saudi-based Dor Real Estate Company has signed a memorandum of understanding to establish a real estate investment fund of 1 billion Saudi riyals (\$266 million) with Shariah-compliant investment firm Arbah Capital. The fund aims to acquire lands in various cities across the Kingdom and will develop the infrastructure, construct residential units, and sell them, the developer said in a press statement Dor Real Estate, which has built several projects in the Kingdom, is set to announce several new projects soon.

Dar Al Arkan set to offer 3D-printed housing unit

- Dar Al Arkan has begun using the BOD2 3D construction printer capable of building three-story large-scale residential units as it expects 3D-printed housing units to become a reality in Saudi Arabia and the Gulf Cooperation Council (GCC), Vice Chairman Ziad El Char told Zawya Projects. COBOD specialises in the construction industry innovations such as 3D construction printing (3DCP), he said, adding it was important for them to team up with a well-established Saudi partner such as Dar Al Arkan to deploy their technology. 3DCP technology will accelerate the speed of construction, enhance safety and reduce wastage and errors. El Char is confident that the technology will become a reality in the region, expecting wider adoption as technology improves.

Saudi banks' real estate lending hobbles after 2018 ascent

- After leading an ascent that began in 2018, Saudi banks' real estate lending has slowed down over the past year caused by a decline in growth in the retail sector, according to SAMA.

New real estate brokerage law in Saudi Arabia

- Saudi Arabia has published the real estate brokerage law in July 2022 which would come into force in six months' time. The law will contribute to regulating and improving this essential practice in the country.

5. Markaz Real Estate Macro 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 expectations, money supply growth, jobs generated etc. Historical data along with estimates for 2023 were considered and a qualitative rating (strong, moderate, neutral, subdued & poor) was assigned considering the historical information, current environment and future expectations.

Macro-Economic factors that matter

Economic Factors	Weight 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.
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.
Money (M2) Supply Growth	10%	Higher growth in money supply is a leading indicator of economic activity.
Jobs created	10%	Number of jobs created serves as a useful indicator for real estate demand.
Population Growth	10%	Increasing population is directly related to real estate growth and residential demand.
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.

Economic Factors	Weight Assigned	Rationale
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.
Interest Rates	10%	Change in interest rates impact the real estate investments. Higher interest rates translates to higher mortgage costs thereby reducing demand for home buyers.

Source: Marmore Research

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.



Saudi Arabia Macro-Economic Factor Assessment

Economic Factors	2016	2017	2018	2019	2020	2021e	2022f	2023f	Qualitative Take	Quantitative Score (Jan '22)
Oil (Real) GDP Growth	3.6%	-3.1%	-0.1%	-3.3%	-6.6%	0.2%	13.1%	3.3%	Moderate	4
Non-Oil (Real) GDP Growth	0.2%	1.1%	2.2%	2.8%	-2.5%	4.9%	4.2%	3.8%	Moderate	4
Fiscal Balance, % of GDP	-17.2%	-9.3%	-5.9%	-4.4%	-11.2%	-2.3%	5.5%	3.9%	Moderate	4
Investments (as % of GDP)	30.9%	27.9%	26.3%	29.1%	27.6%	23.6%	20.8%	22.5%	Neutral	3
Money Supply, tM2 (YoY)	0.8%	0.2%	2.7%	7.1%	8.3%	7.4%	8.5%	7.6%	Moderate	4
Inflation	1.2%	-1.1%	2.5%	-2.1%	3.4%	3.1%	2.7%	2.2%	Moderate	4
Interest Rates* (%)	0.52	1.13	1.96	2.23	0.71	0.50	2.13	4.90	Subdued	2
Yearly Population Growth	2.9%	2.6%	2.5%	2.4%	2.3%	1.3%	2.0%	2.0%	Neutral	3
Jobs created (in '000s)	448	521	512	1,423	804	580	314	413	Neutral	3
									Overall Score	3.50

Source: IMF, GaStat, Marmore research; Note: Average Interest Rate

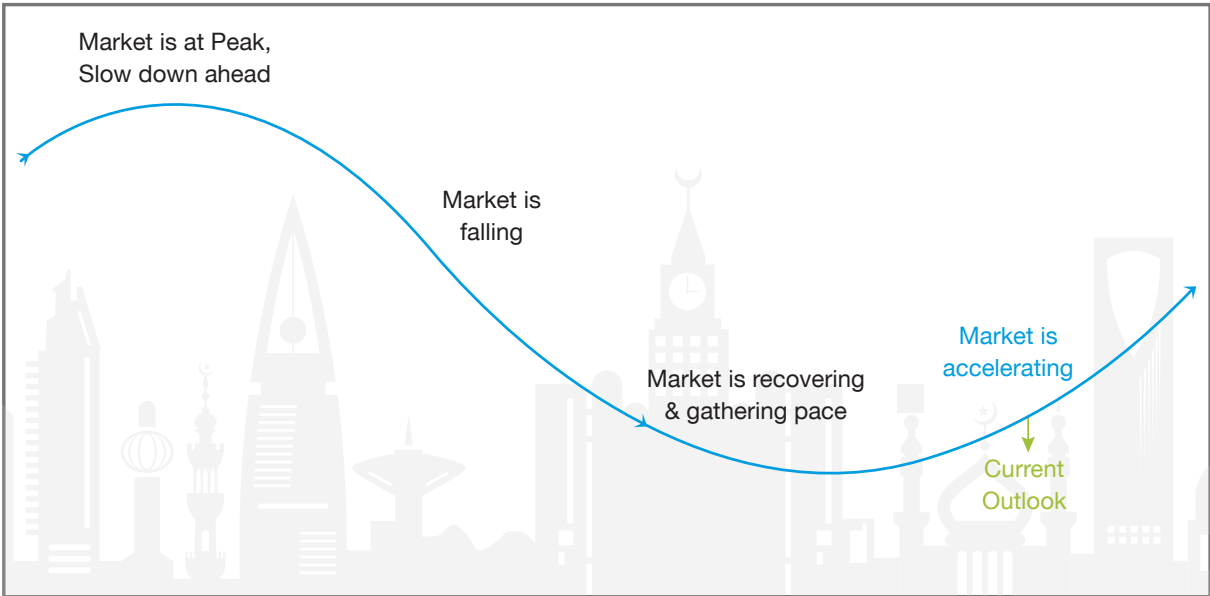
The state of real estate market was categorized into four distinct phases as shown below.

Market Phases

From	To	Market Phase
4.3	5.0	Market is at peak, slowdown ahead
3.5	4.3	Market is accelerating
2.8	3.5	Market is recovering & gathering pace
Less than 2.8		Market is Falling

Source: Marmore research

Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

Saudi Arabia Markaz Real Estate Macro Index Scores (2022-2023)

Macro indicators	H1 2022	H2 2022	H1 2023
Oil Real GDP Growth	5	5	4
Non-Oil Real GDP Growth	4	4	4
Fiscal Balance	4	4	4
Investments	3	3	3
Money Supply, M2 (YoY)	3	3	4
Inflation	4	4	4
Interest Rate	-	2	1
Population growth	3	3	3
Jobs created	3	3	3
Overall Score	3.6	3.55	3.5

Source: Marmore research



Conclusion








Saudi Arabia's economy is forecasted to grow 2023, albeit at a slower pace relative to 2022, on the back of slightly lower oil price levels and reduced production. Non-oil real GDP is expected to be stable supported by increased government spending. Saudi Arabia plans to increase spending by 18% in 2023 and also expects to post a budget surplus of USD 2.4bn. Gross fixed capital formation (i.e. investment) has surged by 24% y/y in H1 2022, presenting a positive picture for future growth as it indicates a solid expansion in production capacity. Consumer spending remains strong as indicated by increase in value of POS transactions up around 19% y/y through September.

Saudi real estate has recovered from the dip caused by the pandemic. While government initiatives such as Sakani programme, expected increase in population are positives for residential segment, rise in interest rates may impact mortgage uptake. 117,484 families moved into units provided under the Sakani program in the first eight months of 2022. Office segment is expected to continue its positive trend on the back of requirement for companies to move regional headquarters to Saudi Arabia. Retail and hospitality are expected to be perform favorable supported by strong consumer spending, recovery in tourism, new tourism law etc.

Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia to be stable with a mild chance of acceleration in 2023. While economic growth supported by stable oil price levels, government spending and recovering private sector activity are positive indicators for the sector, rise in interest rates and concerns of global recession present some headwinds.

Summary – KSA Markaz Real Estate Macro Index

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

Macro indicators	Future Outlook (2023 & beyond)	Quantitative Score
 Fiscal Balance	Moderate	4
 Investments	Neutral	3
 Money Supply, M2 (YoY)	Moderate	4
 Inflation	Moderate	4
 Interest Rate	Subdued	2
 Population growth	Neutral	3
 Jobs created	Neutral	3
Overall Score	Overall Score	3.50

Source: Marmore research

What reports to expect soon?



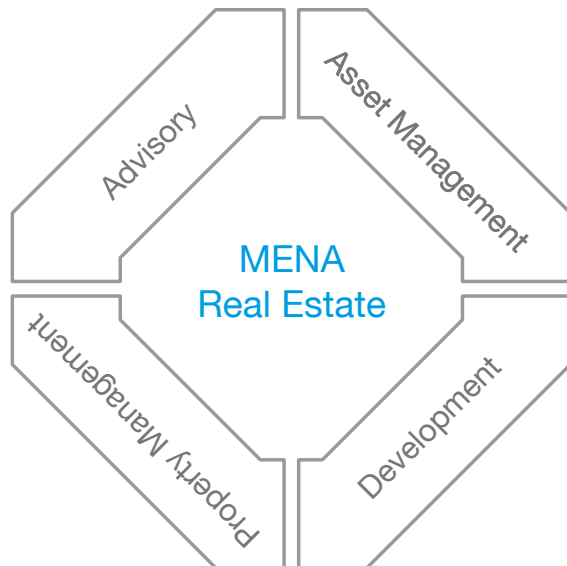
Kuwait Real Estate Outlook 2023



UAE 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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