



KSA Real Estate Report

H2 2023 Outlook

June 2023

المركز
MARKAZ

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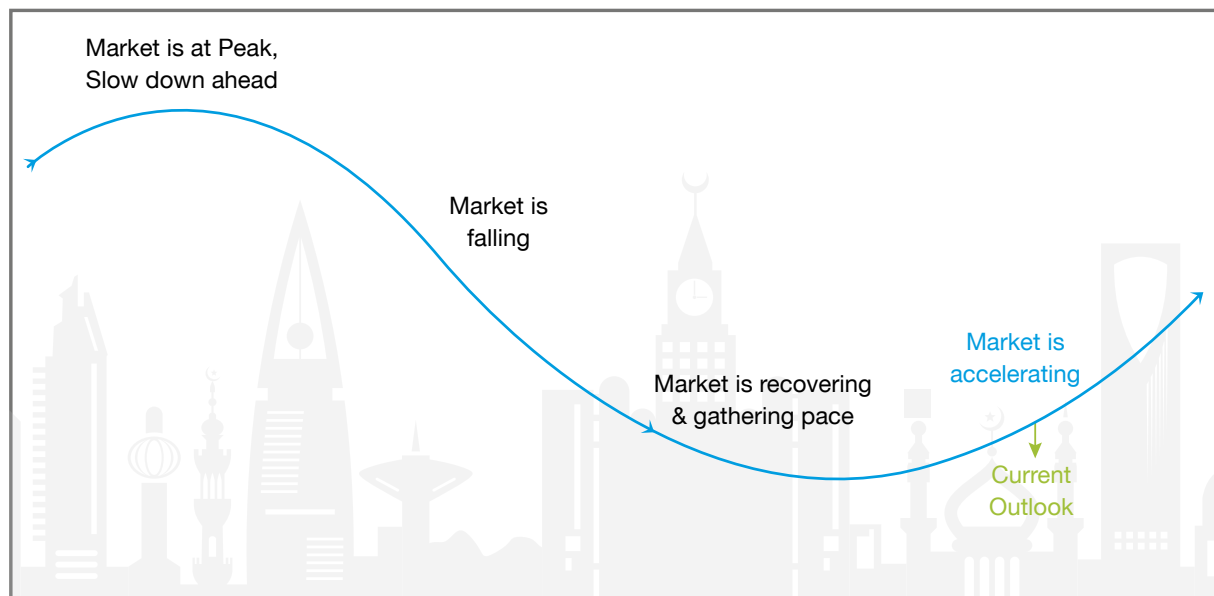
1. Executive Summary

- Saudi Arabia's economic growth momentum is expected to mildly slowdown in 2023 after the sharp uptick in 2022. Real GDP growth in 2023 is expected at 4.9% on y/y basis, compared to 8.7% y/y growth witnessed in 2022. Comparing Q4 2022 quarterly GDP growth of 5.5% y/y, Q1 2023 recorded a slower GDP growth of 3.9% y/y. In Q1 2023, oil production grew by 1.3% y/y whereas non-oil activities grew 5.8% y/y.
- Oil prices are expected to average below USD 80/bbl. in 2023 and a short-term recovery in the oil price above these levels are unlikely considering the weakness in demand from China. However, Saudi Arabia along with OPEC+ member countries have planned production cuts until the end of 2024 that will prevent a greater fall in oil prices. Saudi Arabia have also announced additional voluntary cuts on top of OPEC+ cuts.
- Value of real estate transactions in Saudi Arabia in Q4 2022 stood at SAR 51.0 billion (USD 13.6 billion) marking a decrease of 11.0% y/y. The KSA real estate price index rose by 1.0% y/y in Q1 2023, mainly driven by a 1.6% y/y increase in residential land prices. House prices remained constant in Q1 2023 compared to the same quarter of previous year.
- Residential transactions continued to decline in Q1 2023, with transactions value declining by 44% and 54% y/y for Riyadh and Jeddah respectively. However, parameters such as sales price in the residential segment and rents in the office and retail segment had shown a positive trend in Q1 2023.
- In Q1 2023, Villa prices increased in Dammam, Jeddah, and Riyadh. Apartment prices increased in Riyadh, but decreased in Jeddah, Dammam, and Khobar. The increase in villa prices was driven by rising demand from both Saudi nationals and expatriates, whereas the increase in apartment prices in Riyadh was driven by the limited supply of new apartments.
- In Q1 2023, rents increased in both Grade A and Grade B sectors in Riyadh, Dammam, and Khobar. Occupancy rates also increased in all three cities driven by strong demand from both existing and new occupiers. The limited supply of occupiable stock also contributed to the increase in rents.
- In Q1 2023, Industrial and Logistics rents increased in Riyadh, Khobar, and Dammam, while Jeddah has witnessed a decrease in rents. The increase in rents was driven by the growing demand for industrial and logistics space.

The government's development plans, which include the launch of four Special Economic Zones (SEZ), are expected to boost demand for industrial and logistics space.

- Saudi Arabia has implemented the real estate brokerage law in January 2023, which aims to enhance the reliability of real estate transactions, improve service quality, and protect the rights of individuals involved in the real estate sector. Key features of the law include restricting the practice of real estate brokerage to licensed individuals, setting deposit percentages for real estate deals, establishing controls for brokerage activities, and introducing compliance legislation in the real estate market.
- Saudi Arabia is planning to allow non-Saudi residents to own property in all parts of the kingdom, including Makkah and Madinah. The new law, announced in March 2023 is expected to be passed soon and will be broader in scope than the current property-owning system.
- The Saudi Arabian real estate market remains in a favourable position with stable growth in non-oil activities, a rebound in the hospitality sector, and increased government spending on infrastructure projects. Falling oil prices and rising interest rates pose some headwinds.
- Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia remains in the accelerating phase in H2 2023.

Saudi Arabia Real Estate Market Outlook






Source: Marmore Research

Saudi Arabia Macroeconomic Views

Economic Factors	Our take	Economic Factors
 Oil (Real) GDP Growth	Neutral	<p>Saudi Arabia has adopted an approach to accept short term pain to create a floor for oil prices. Owing to several voluntary production cuts, the fall in oil prices has been contained despite weakness in demand due to a global economic slowdown. However, this is expected to affect the oil output of Saudi Arabia, which would in turn slow down the growth of the oil sector.</p>
 Non-Oil (Real) GDP Growth	Moderate	<p>Non-oil sector is expected to continue its growth path in 2023 supported by government spending and favorable regulations.</p>
 Fiscal Balance	Neutral	<p>Saudi Arabia's fiscal position is expected to be stable in 2023 due to lower fiscal spending, lower oil output and slightly lower oil price levels.</p>
 Investments	Neutral	<p>In Q1 2023, Saudi Arabia increased its spending on economic diversification projects by 30%. However, the spending is expected to slow down in the remainder of 2023 with falling oil revenues.</p>
 Money Supply	Moderate	<p>Demand for credit from the private sector has slowed down since 2022 owing to increasing interest rates. However, credit demand in 2023 is expected to be at healthier levels with easing inflation levels.</p>
 Inflation	Moderate	<p>Inflationary pressure started easing in 2023 supported by cooling food and transportation prices. Inflationary pressures are expected to be limited in 2023. Housing prices are the main driver for Saudi's inflation in 2023, indicating a revival in the property market.</p>

Saudi Arabia Macroeconomic Views

Economic Factors	Our take	Economic Factors
 Population Growth	Neutral	Population growth is expected to be stable in Saudi Arabia supported by government initiatives including easing of worker's contractual restrictions and introduction of new VISA regulations for expats, in an attempt to attract more talent for its economic diversification drive.
 Job creation	Strong	Job creation in Saudi is expected to be stronger in 2023 with a higher labor force participation expected out of the broader government initiatives such as the implementation of major infrastructure projects and the creation of new business opportunities.
 Interest rates	Neutral	With Fed rates projected to remain high in 2023 as well, it could lead to an increase in mortgage rates acting as a downside for home purchases.

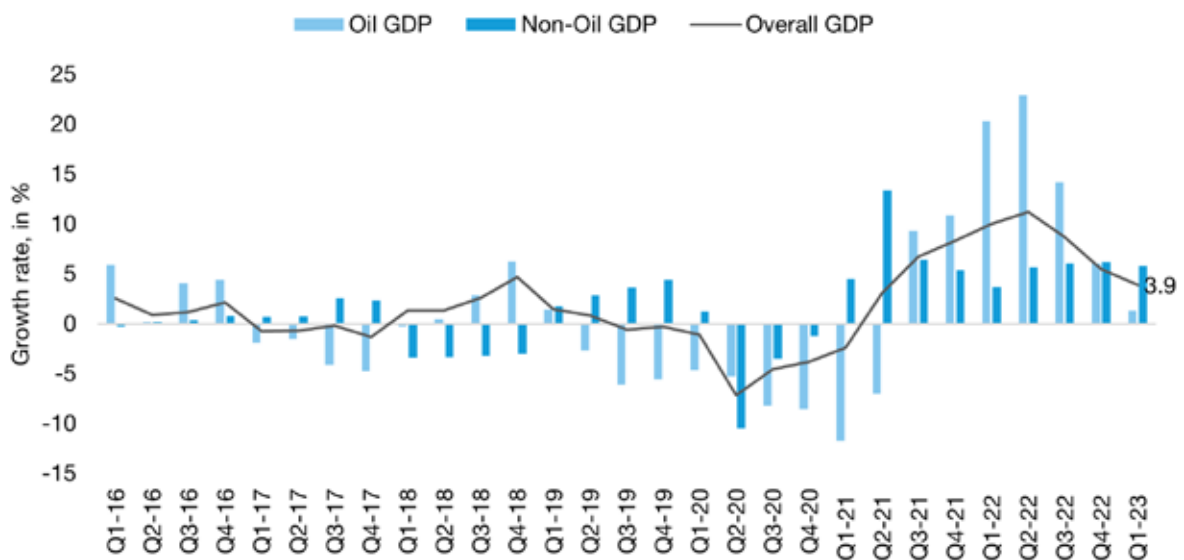
2. Saudi Arabia: Macroeconomic Update

a. Economic activity expected to slow down in 2023

Saudi Arabia's economy grew by 3.9% year-over-year (y/y) in the first quarter (Q1) of 2023, mainly driven by non-oil activities, which registered a 5.8% y/y growth. However, Q1 2023 overall GDP growth was lower than the previous quarter, indicating a downtrend in recent quarters. This is due to a significant fall in the oil GDP, which declined from its peak growth level of 22.9% y/y in Q2 2022 (largely due to base effect) to 1.3% y/y in Q1 2023. Various non-oil economic activities displayed positive annual growth in Q1 2023. The community, social, and personal services sector demonstrated remarkable growth, achieving a record growth rate of 12.9% y/y in Q1 2023. The transport, storage, and communication sector followed suit with a 9.3% annual growth, and the wholesale and retail trade, restaurants, and hotels activities expanded by 7.5% y/y in Q1 2023.

The country's Vision 2030 agenda aims to diversify its economy and reduce dependence on oil by investing heavily in the non-oil sector, including the development of tourism, hospitality, aviation, logistics, advanced manufacturing, and technology industries. These efforts are expected to fuel economic growth, job creation, and attract private investment. The International Monetary Fund (IMF) forecasts that Saudi Arabia's non-oil GDP growth, which stood at 4.8% in 2022, will average 5% in 2023 and continue to outpace its potential due to strong consumption spending and accelerated project implementation driving demand.

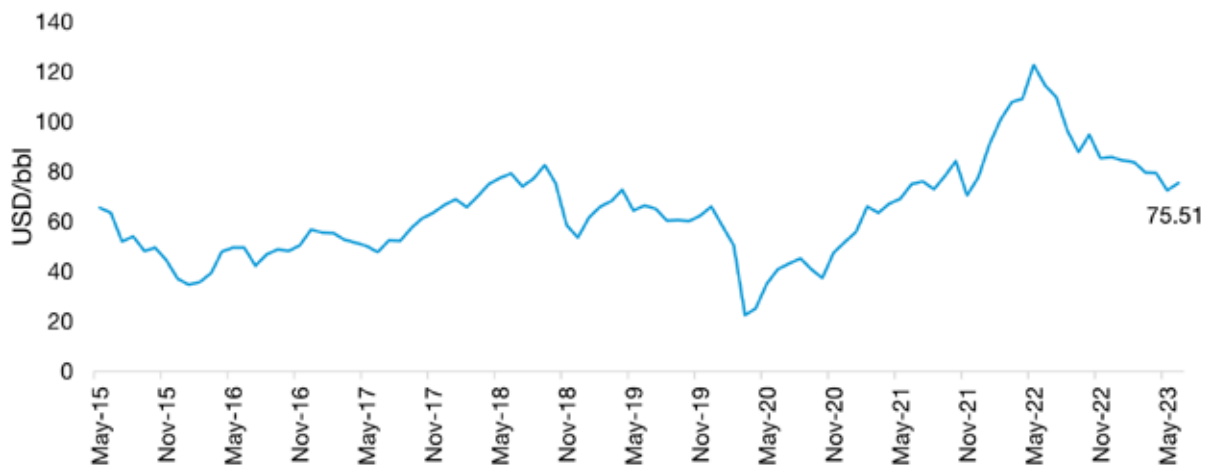
Saudi Arabia Oil, Non-Oil, and Overall Real GDP Growth (y/y %)



Source: General Authority for Statistics

Oil prices declined in Q1 2023 due to rising interest rates and weaker global economic growth. However, OPEC+ production cuts lent some support to prices. Saudi Arabia along with OPEC+ member countries has planned production cuts until the end of 2024 that will prevent a greater fall in oil prices.

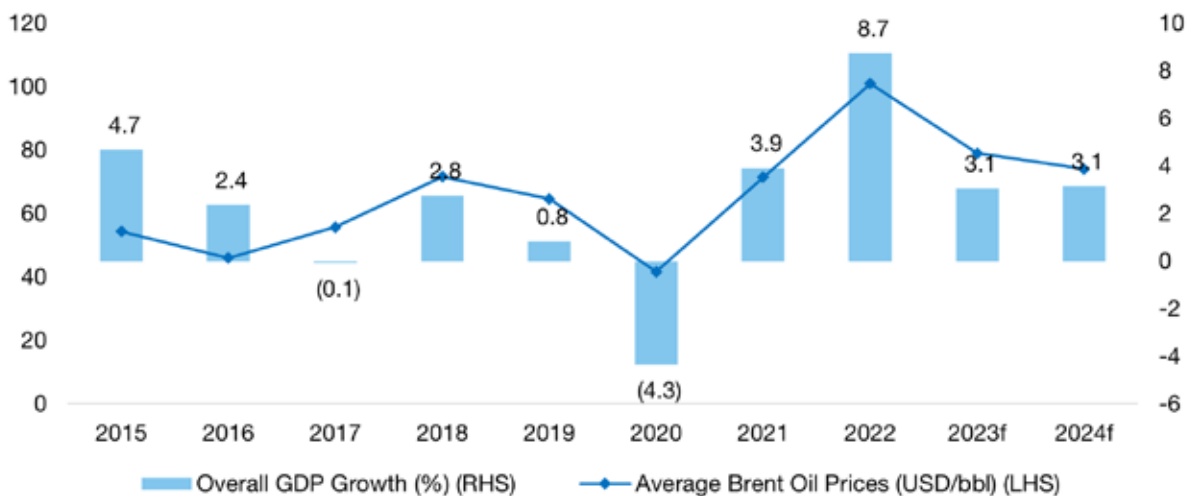
Month-End Brent Oil Prices (May 2015 – May 2023)



Source: Refinitiv

Saudi Arabia’s economic activity is closely correlated with oil prices. At the end of May 2023, the oil price has decreased approximately 15% from the end of 2022. The IMF anticipates the real GDP to grow 3.1% for 2023 and 2024, compared to 8.7% in 2022 with an expected breakeven oil price of USD 80.9 per barrel in 2023 and USD 75.1 per barrel in 2024.

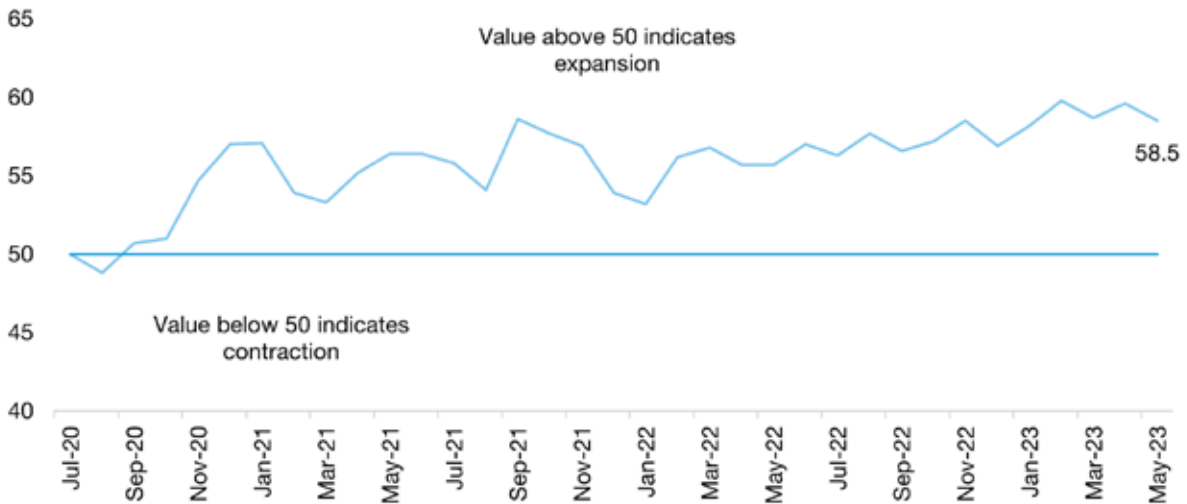
Real GDP Growth and Average Brent Oil Prices (2015-2023f)



Source: IMF, Refinitiv; Note: Average Brent oil prices for 2023 and 2024 based on IMF estimates. Data for other years is computed based on month-end closing prices.

The Composite Purchasing Managers Index (PMI) for Saudi Arabia stood at 58.5 in May 2023. The composite PMI reading has been above the key level of 50, indicating robust expansion of the non-oil private sector.

Saudi Composite PMI (Jul 2020 – May 2023)

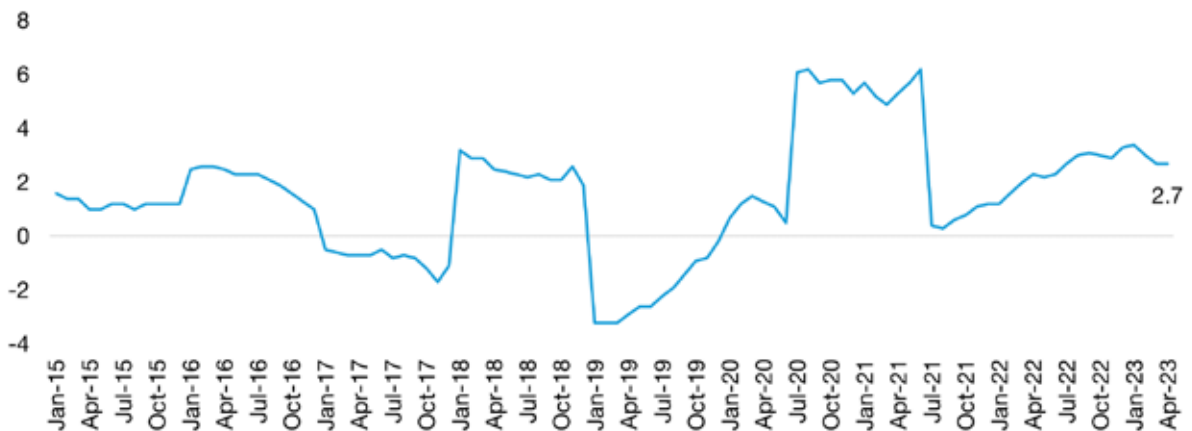


Source: IHS Markit, Refinitiv

b. Inflationary forces remain subdued

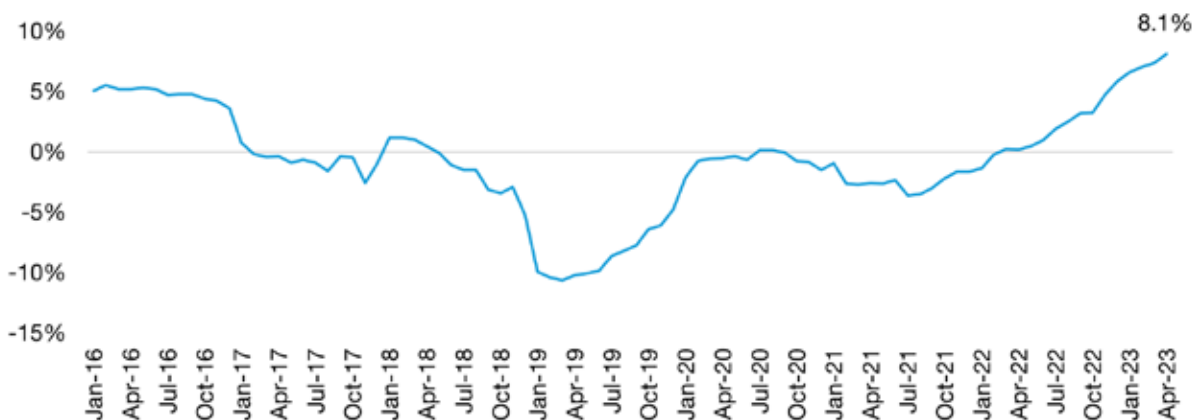
Despite inflationary pressures witnessed in many developed economies on account of various factors including supply chain disruptions and increased food prices, overall price levels in Saudi Arabia remains relatively subdued at 2-3% levels. In April 2023, inflation in Saudi Arabia increased by 2.7% y/y mainly driven by higher prices for housing, water, electricity, gas, and other fuels, which rose by 8.1% y/y. Food and beverages inflation has increased by only 1.0% y/y. Actual rents for housing saw a significant increase of 9.6%, primarily due to a rise in apartment rents by 22.2%. This increase in rental prices had the most significant impact on the inflation rate in April 2023. The Saudi Arabian government has taken a number of measures to address the rise in inflation, including providing subsidies for food and energy, and raising interest rates. The government has also announced plans to introduce a number of reforms, including the privatization of state-owned companies and the introduction of a value-added tax. According to IMF, Saudi's inflation is expected to average at 2.8% in 2023.

Consumer Price Index Inflation (Jan 2015- April 2023) (Y/Y, in %)



Source: Refinitiv

Housing Rentals Price Change (Jan 2015 - Apr 2023) (Y/Y, in %)

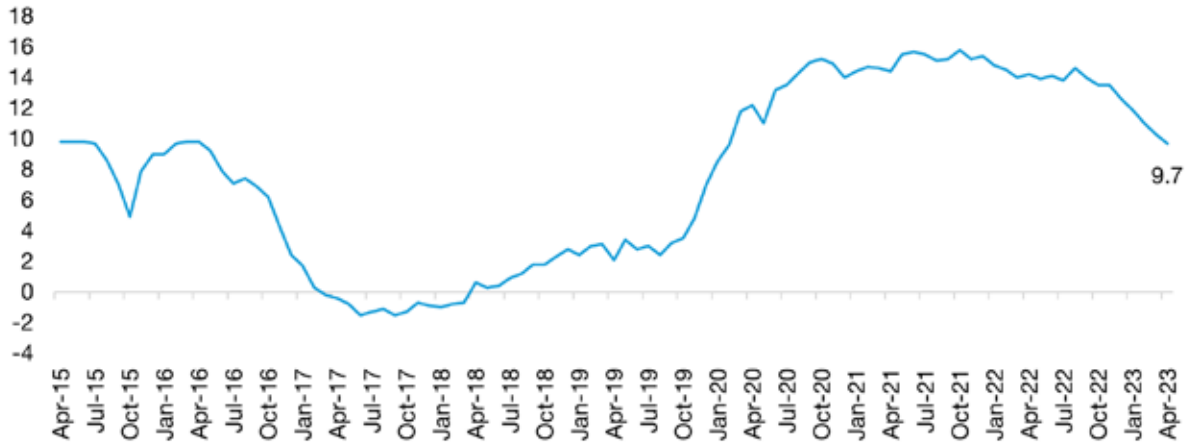


Source: General Authority of Statistics, KSA

c. Credit growth remains healthy supported by corporate lending

Credit growth as evidenced by total commercial bank claims on private sector remains healthy and stood at 9.7% in April 2023 (y/y basis). However, the growth rate is lower when compared to the strong double-digit growth numbers the country has witnessed since 2020. According to S&P Global, the mortgage loan growth will gradually slowdown in 2023 as the market reaches its saturation point and interest rates continue to rise. However, credit growth in 2023 is expected to be at healthier levels with increased corporate lending and easing inflation levels.

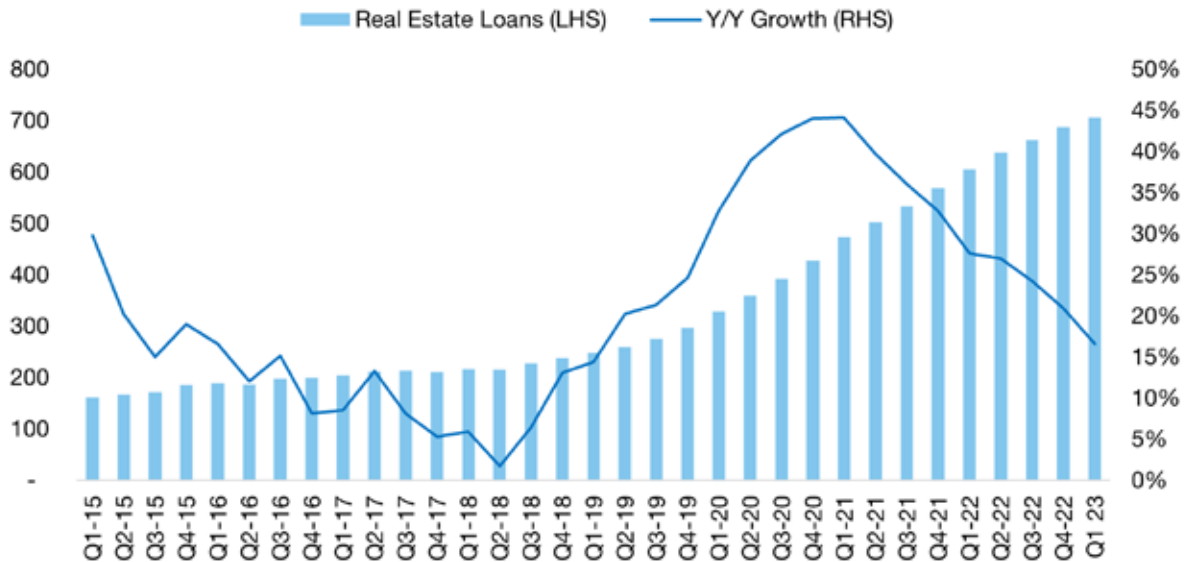
Bank claims on private sector (Y/Y, in %)



Source: SAMA, Refinitiv

Real estate loans offered by banks stood at SAR 705.95 billion at the end of Q1 2023, representing a healthy growth of 17% (y/y). Of the total value, loans offered to retail customers stood at SAR 566.90 billion, a growth of 19% (y/y) and those to corporates stood at SAR 139.05 billion, a growth of 7% (y/y).

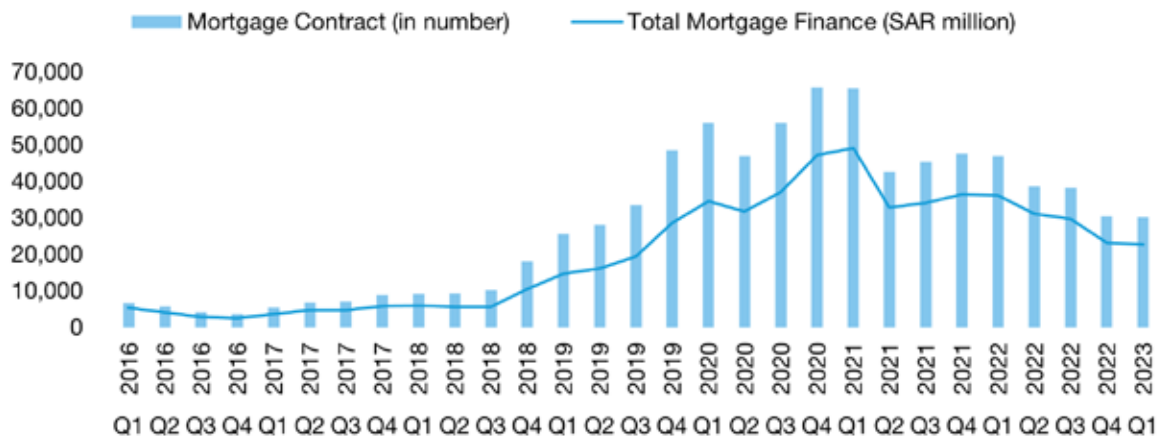
Real Estate loans by banks (SAR billions & Y/Y change %)



Source: SAMA

The value of new residential mortgages offered to individuals by banks stood at SAR 22.8 billion as of Q1 2023-end, representing a fall of 37.1% y/y compared to the same period in the previous year. The total number of transactions continued its downward trend, declining by 35.8% y/y in Q1-2023, weighed down by interest rate hikes.

Number of new residential mortgage contracts and total mortgage value

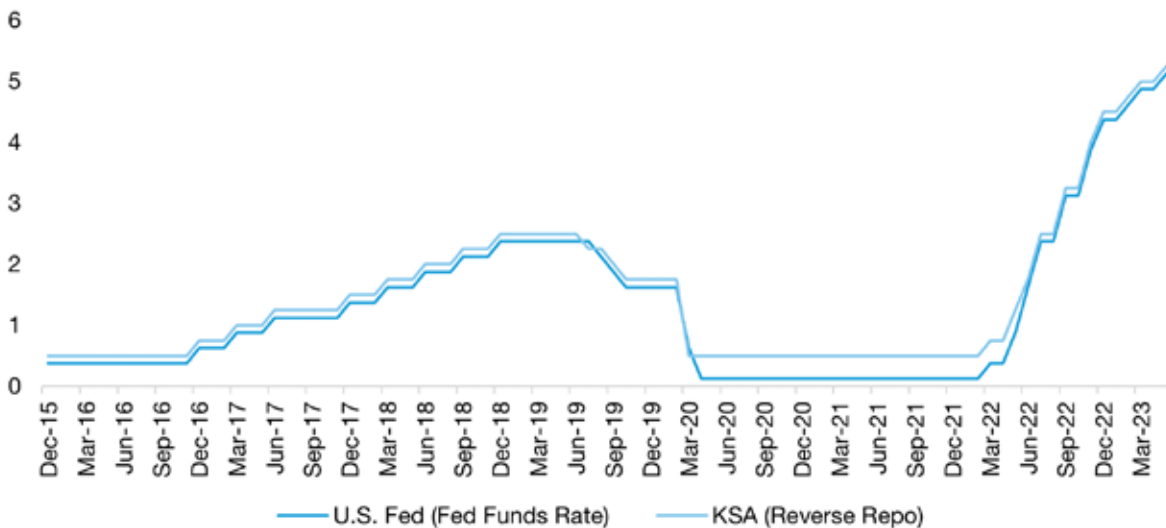


Source: SAMA; Note: Data available only from 2016

d. Interest Rates are expected to increase

The change in KSA’s policy rates has largely been in line with the change in U.S. Fed rate change historically. Since the beginning of 2022, the U.S. Fed has increased its policy rate by 500 bps until May 2023 and KSA also hiked rates by 475 bps in line with U.S. Currently, the U.S. Fed is expected to pause rate hikes for the rest of 2023, with a pivot remaining unlikely. KSA is expected to follow the U.S. Fed, which will lead to higher interest rates for a sustained period. High mortgage rates for a sustained period may reduce consumer spending.

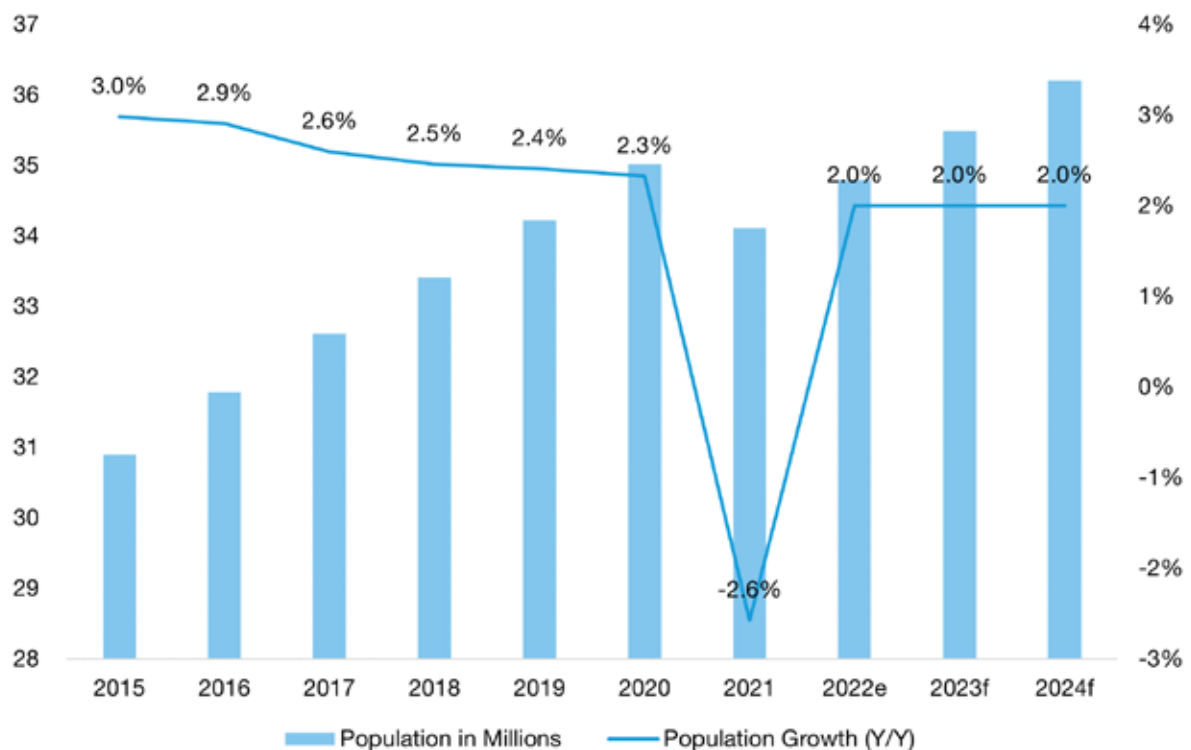
Interest Rates of KSA vs US (2015 – 2023)



e. Population growth remains healthy

Population growth is expected to be stable at 2.0% in 2023. The number of foreign residents in Saudi Arabia decreased after the government imposed additional fees on relatives of foreign workers, and the COVID-19 crisis led to over 1 million foreigners leaving the country in 2020. However, the Saudi government has relaxed contractual restrictions for foreign workers, including a disputed seven-decade-old sponsorship system, to attract more talent for economic diversification. In January 2023, Ministry of Foreign Affairs has launched a new transit Visa, which is valid for three months, allowing visitors to stay for up to four days in Saudi Arabia. In April 2023, Saudi Arabia has implemented a new temporary work visa that can be obtained instantly without documentation. The visa allows businesses to hire workers for up to three months, with the option to extend it for another three months.

Saudi Arabia, Total Population (2015-2024f)

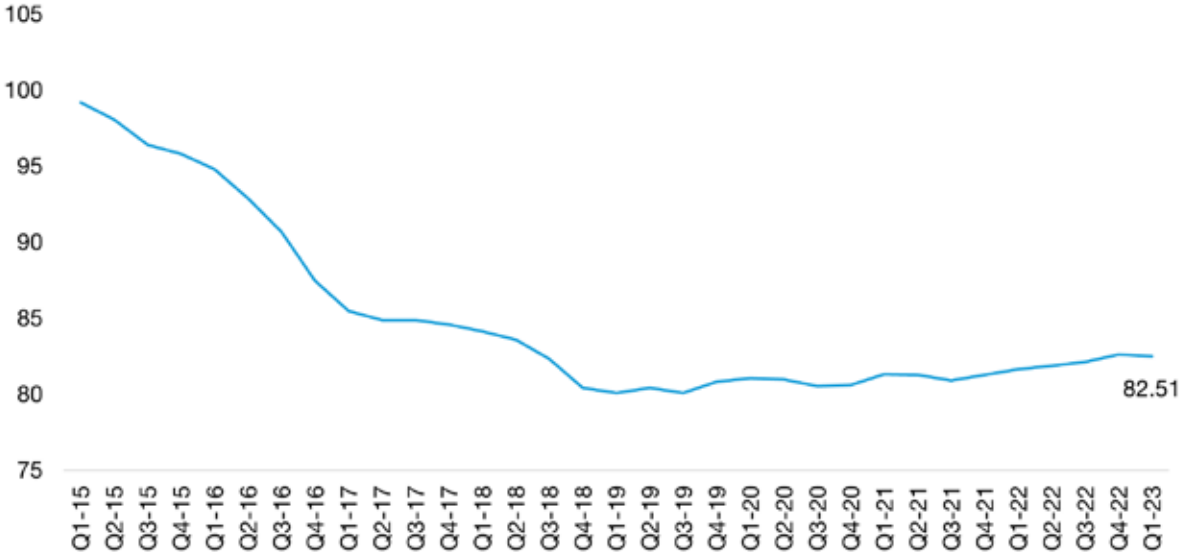


Source: General Authority on Statistics, IMF April 2022

3. Real Estate land prices have stabilized in recent years

Though the real estate price index is still below its 2015 highs, it has stabilized in recent quarters. Annual real estate prices in KSA increased by 1.0% in Q1 2023 to 82.51 points, mainly driven by a 1.6% (y/y) increase in residential land prices. The KSA real estate index is a measure of price changes in three major segments of real estate which are the residential segment (65% weightage), commercial segment (31% weightage), and agricultural land (4% weightage). Although this index includes plots, buildings, villas, and apartments, much of the weightage is given to the plot of land. (Residential land – 62%; Commercial land – 31%)¹. In Q1 2023, apartment prices climbed by 2.1% y/y, while residential building and villa prices declined by 0.9% and 0.3%, respectively. House prices remained constant in Q1 2023, with no relative change. Commercial real estate prices increased by 0.1% y/y, led by a 0.1% increase in commercial plots of land and commercial centers.

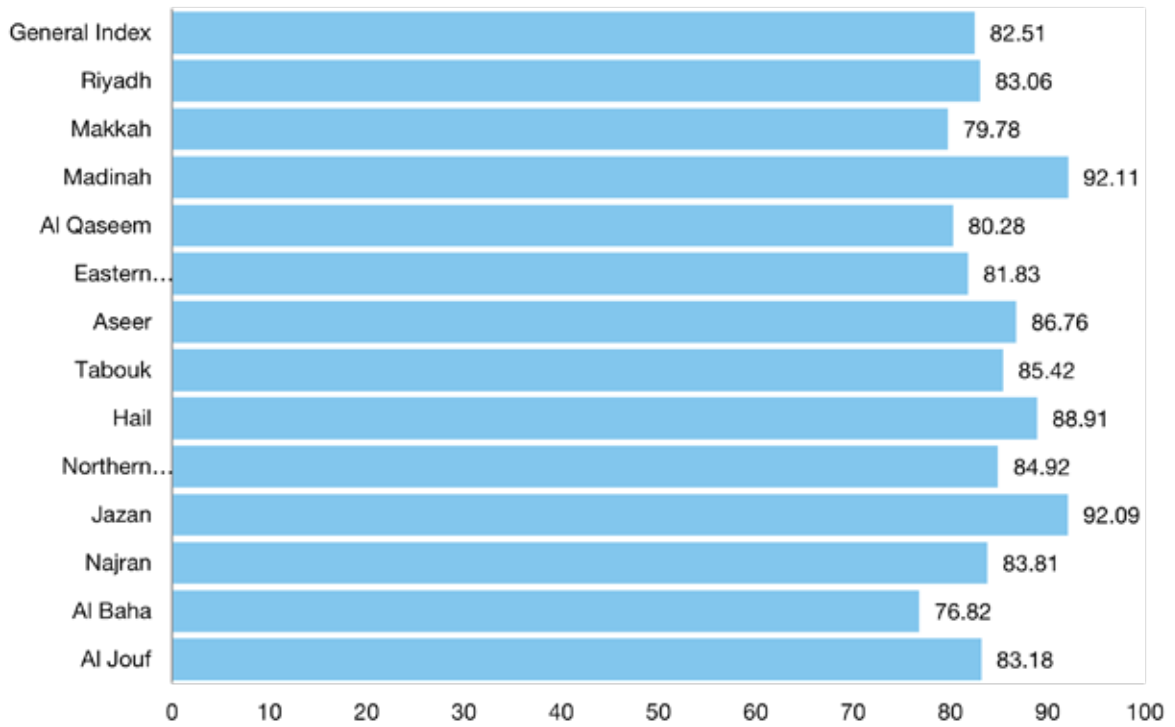
Saudi Real Estate Price Index has stabilized in recent years



Source: General Authority on Statistics

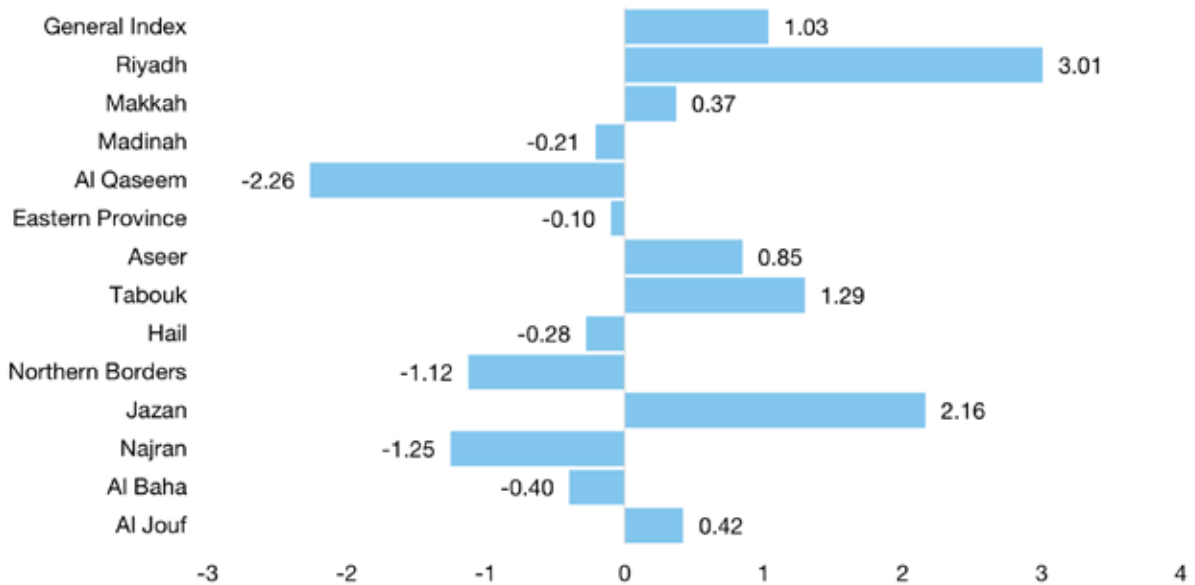
¹ REPI, GaStat

Real Estate Price Index by Administrative Region, Q1-2023 (2014=100)



Source: General Authority on Statistics

Real Estate Price Index (Y/Y change in %) by region – Q1 2023



Source: General Authority on Statistics

How different sectors fared in Q1-2023 in the key markets of Riyadh and Jeddah?

Sector-wise performance of KSA Real Estate

Asset Class	City	Total Stock at end of Q1-2023	Total Stock at end of Q3-2022	Price Action in Q1-2023
Office	Riyadh	4.9 million sqm of GLA	4.8 million sqm of GLA	Average Grade A rents increased by 19% Y/Y
	Jeddah	1.2 million sqm of GLA	1.1 million sqm of GLA	Average Grade A rents increased by 15% Y/Y
Residential	Riyadh	1.4 million units	1.4 million units	Average Sales price increased by 7% Y/Y
	Jeddah	864,000 units	846,000 units	Average Sales price increased by 11% Y/Y
Retail	Riyadh	3.4 million sqm of GLA	3.2 million sqm of GLA	Average rental rates increased by 11% Y/Y (super regional malls)
	Jeddah	1.8 million sqm of GLA	1.7 million sqm of GLA	Average rental rates decreased by 6% Y/Y (super regional malls)

Source: JLL

The Saudi Arabian real estate market remains in a favorable position. Various measures taken by the government to ensure homeownerships for Saudi citizens have also given new impetus to the real estate sector.

Performance of the Residential sector²

- Residential transactions continued to decline in Q1 2023, with transactions value declining by 44% and 54% y/y for Riyadh and Jeddah respectively. Despite the real estate prices increasing, the decline in transactions value is due to the reduced number of transactions in the period. In Q1 2023, transactions volume has declined by 57% and 67% y/y for Riyadh and Jeddah respectively. In the first quarter of 2023, Riyadh saw the construction of about 7,800 residential units. In Jeddah, 4,400 units were transferred during the same period.

² Knight Frank; JLL; Latest Available

- Average sale prices and rents in Riyadh rose by 7% and 2%, y/y, respectively, in the first quarter of 2023. On the same basis, average sale prices rose by 11% annually in Jeddah, while average rents increased by 9%.
- In Q1 2023, apartment sale prices showed y/y growth of 6% in Riyadh and 17% in Jeddah, indicating a structural shift in the market where demand for apartments has been outperforming that for villas. Riyadh saw a 4% increase in apartment rent during that time, whereas Jeddah saw a 13% increase.

Office Sector Performance³

- Corporate expansion has migrated to the north part of Riyadh, where office facilities offer more parking and accessibility. The market has a limited supply of high-quality office space. In Q1 2023, Riyadh's market-wide average vacancy rate decreased to 1%. As a result, average Grade A rent rose by 19% y/y, reaching SAR 1,764 per sq. m. per year during the same period.
- In Jeddah, the average Grade A rent increased by 15% y/y to SAR 1,199 per sq. m. per annum. Local firms and family enterprises moving to newer settlements in the north and west are generally driving the market's overall demand.
- In Q1 2023, the average vacancy rate for the entire Jeddah city was 8%.

Performance of Industrial & Logistics Sector⁴

- In Q1 2023, the Saudi Arabian government continued to shape the industrial and logistics landscape through development plans. A significant aspect of these plans involves increased contributions from local and international private sector firms. One key initiative is the establishment of four Special Economic Zones (SEZs) in Riyadh, King Abdullah Economic City in Jeddah, Ras Al-Khair, and Jazan. These SEZs offer attractive opportunities for both global and local entities across various sectors.
- Across Dammam, Khobar, Jeddah, and Riyadh, average rents for industrial and logistics properties experienced yearly increases in all cities except one, in the period leading up to Q1 2023. Industrial and logistics rents in Saudi Arabia increased in Riyadh and the Eastern Province in Q1 2023. In Riyadh, rents rose 18.1% to SAR 189 per square metre. In the Eastern Province, rents rose in Khobar (5.8%) and Dammam (12.2%).

³ JLL

⁴ Zawya



However, rents fell in Jeddah by 9.8% to SAR 179 per square metre.

- Saudi Arabia made great improvement in the Logistics Performance Index 2023 (LPI) recently released by the World Bank, rising 17 ranks to take the 38th spot from the 55th position in 2018.
- Saudi Arabia has been working swiftly to diversify its economy away from oil and create a broader economic framework. By 2030, the logistics sector is expected to contribute 10%, or around SAR 20.1 billion, to the KSA GDP, up from its current contribution of 6%.
- In order to entice domestic and foreign investment in the supply chain industry, HRH The Crown Prince also introduced the Global Supply Chain Resilience Initiative (GSCRI) in October 2022. The initiative aims to attract SAR40 billion (USD10.64 billion) investments during the first two years of the launch.

Performance of Retail Sector⁵

- The three dominant industries in the Saudi's Consumer Electronics and Entertainment (CEE) market—non-grocery retail, grocery retail, and financial services—have adapted well to the recent wave of change and unpredictability. Many brands within these industries have shown a continuity in the quality of service, products, and experiences that customers have grown to expect.

⁵ JLL

- Due to the increasing popularity of outdoor dining areas among consumers among F&B (Food and Beverage) retailers, tenants showed a preference for corner spots with excellent street visibility.
- In Riyadh, the rents for super regional and regional malls grew by 11% and 8%, respectively, in Q1 2023 when measured in annual terms.
- A total of 105,000 square meters of retail space will open in Riyadh and 478,000 square meters of retail space will enter the market in Jeddah in the remaining nine months of this year.

Performance of Hospitality Sector⁶

- In Q1 2023, Saudi Arabia's hospitality sector saw a strong recovery, with all key performance indicators (KPIs) exceeding their pre-pandemic levels. Specifically, occupancy rates increased by 8.9%, average daily rates (ADRs) increased by 46.3%, and revenue per available room (RevPAR) increased by 67.7%. This recovery was driven by several factors, including the removal of visitation restrictions, the start of the month of Ramadan, and increased demand from both leisure and business travelers.
- The holy cities of Makkah and Madinah witnessed robust recovery, with occupancy rates increasing by 21.2% and 18.5%, respectively. ADRs also increased significantly in these cities, by 91.5% and 62.0%, respectively.
- Jeddah also saw recovery, with occupancy rates increasing by 7.9% and ADRs increasing by 4.8%. RevPAR in Jeddah increased by 21.5%.
- Riyadh's hospitality sector witnessed a modest recovery, with occupancy rates increasing by 0.4% and ADRs increasing by 12.0%. RevPAR in Riyadh increased by 11.3%.
- The Eastern Province's hospitality sector performance was sluggish, with RevPARs in Al Khobar and Dammam increasing by only 1.6% and falling by 8.0%, respectively.
- Saudi Arabia presently holds the top spot in the pipeline for new hotel developments with more than 194 projects and 76,913 rooms.
- The government recently unveiled Riyadh Air, a new national airline that would

⁶ JLL, TOPHOTELPROJECTS

have its hub at Riyadh's King Salman International Airport, as part of its attempts to boost tourism in the Kingdom and arrive at the aim of 100 million visits annually by 2030.

- In 2023, Riyadh and Jeddah will add 3,000 rooms out of which 2,000 rooms are expected in Riyadh and 1,000 in Jeddah.

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

Asset Class	2023 vs 2022	Key Driver
Residential	Better than 2022	The government has implemented several measures to accelerate home ownership among Saudi nationals and boost the residential sector. The trend of increasing demand is anticipated to continue especially in upper-mid to high-end residential units.
Office	Similar to 2022	The positive momentum of the office market in the Kingdom is expected to be sustained in 2023. As Riyadh becomes the new commercial hub, more work is expected to modernize its infrastructure to meet growing demand including sustainable office spaces.
Industrial & Logistics	Similar to 2022	Lower levels of supply and increasing demand is expected to support the performance in 2023. The National Industrial Development and Logistics Program (NIDLP) shall create industrial and logistics clusters in major cities by changing regulations, standards, and relocation.
Retail	Similar to 2022	The government's promotion of domestic tourism and entertainment events like "seasons" has increased experiential retail demand in 2022. The Economist Intelligence Unit (EIU) estimates that KSA retail sales volume has increased by 4% in 2022 and will rise by 2% year from 2023 to 2026.
Hospitality	Better than 2022	Hospitality performed well in Q1 2023 and is likely to improve further in 2023 backed strong rebound in the tourism sector. To boost tourism, Saudi Arabia is building new entertainment venues and hosting worldwide events. Considering the hotel industry's growth possibilities, most operators with a presence in the Kingdom plan to significantly expand their offers and room count.

Source: JLL, Deloitte, Marmore Research



4. Real Estate Saudi Arabia – Major News/Laws

Sharp fall in home buying activity in Saudi Arabia

- Residential property activity in Saudi Arabia has significantly declined, according to Knight Frank. The decrease is attributed to declining affordability and market dynamics. In Riyadh, residential transactions have dropped by approximately 57% annually, while in Jeddah, the decline is around 67% as of the end of Q1 2023. Faisal Durrani, partner, and head of Middle East research at Knight Frank, highlighted these findings.

The World's Largest Real Estate Event, Cityscape Global, Debuts in Saudi Arabia for 2023

- Registration for Cityscape Global, the world's largest real estate event, is now open in partnership with Saudi Arabia's MOMRAH. The event, going to be held in Riyadh on 10-13 September, is set to attract over 180,000 global stakeholders. It marks the first time Cityscape Global taking place in Saudi Arabia.

Saudi Arabia faces a housing shortage as the country faces an influx of expats

- Saudi Arabia's 2021 mandate for foreign firms to establish local headquarters by 2023 has attracted expats, but the scarcity of suitable accommodations is a major concern. Several residential real estate projects are underway to meet the demand, but more time is needed before expats can move in. The population growth is expected to at least double, requiring over 500,000 housing units to be planned across the country.

Saudi Arabia to allow foreigners to buy property

- The impending law allowing non-Saudi residents to own property in the kingdom is expected to revolutionize the Middle East's property market, inspiring other countries in the region to follow suit. The law, currently under review, will enable non-Saudi nationals to own property across the kingdom, including Makkah and Madinah, and is anticipated to trigger a new wave of freehold growth similar to the UAE's efforts.

Saudi REDF deposits USD 246 million in Sakani accounts for housing projects

- Saudi Arabia's Real Estate Development Fund (REDF) deposited SAR924 million (USD246 million) into Sakani beneficiaries' accounts in February, aligning with the Vision 2030 strategy to provide affordable housing opportunities. The deposit supports various housing support programs, according to REDF's CEO, Mansour bin Madi.

Riyadh to get 63 hectares of new office space in 2023

- Saudi Arabia's commercial real estate pipeline remains strong, with 63 hectares of office floor space planned for completion in Riyadh and an additional 78,000 sqm in Jeddah in 2023. The growth is supported by the country's expansion as a market for startups and multinational corporations, driving the transformation of the real estate portfolio to adapt to post-pandemic needs and align with Vision 2030.

Saudi Arabia's Tourism Boosts Post-Covid Recovery of Real Estate Sector

- Saudi Arabia's real estate sector is recovering post-Covid, driven by rising tourism and government infrastructure investments, with improvements in occupancy and average daily rate (ADR) in 2022. The country aims to welcome 100 million visitors annually by 2030, aided by tourist visa facilitation for Gulf and select foreign residents.



Saudi Arabia's NEOM, mega projects driving recruitment

- Saudi Arabia's NEOM project and 2030 diversification plans are boosting employment opportunities and projected salary growth of 3% in 2023, as per recruitment experts, with high recruitment demand observed in 2022 across sectors like real estate and hospitality.

Investcorp to Invest USD1 Billion in Saudi Arabia's Real Estate

- Investcorp Holdings, backed by Abu Dhabi's Mubadala Investment Co., plans to invest up to USD1 billion in Saudi real estate over the next five years, aiming to benefit from the kingdom's anticipated property boom. The Bahrain-based investor has already acquired a logistics warehouse in Dammam and identified USD100 million in potential deals.

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	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.
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.
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%	Changes in interest rates impact real estate investments. Higher interest rates translate 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	2017	2018	2019	2020	2021	2022	2023f	2024f	Qualitative	Quantitative Score
Oil (Real) GDP Growth	-3.1%	-0.1%	-3.3%	-6.6%	0.2%	15.3%	0.4%	1.3%	Neutral	3
Non-Oil (Real) GDP Growth	1.1%	2.2%	2.8%	-3.0%	5.7%	4.8%	4.9%	4.2%	Moderate	4
Fiscal Balance, % of GDP	-9.3%	-5.9%	-4.4%	-10.7%	-2.3%	2.5%	-1.1%	-1.2%	Neutral	3
Investments (as % of GDP)	28.8%	26.1%	28.3%	27.7%	25.1%	27.3%	26.6%	27.4%	Neutral	3
Money Supply, M2 (Y/Y)	0.2%	2.7%	7.1%	8.3%	7.4%	8.1%	7.9%	9.6%	Moderate	4
Inflation	-1.1%	2.5%	-2.1%	3.4%	3.1%	2.5%	2.8%	2.3%	Moderate	4
Interest Rates (%)	1.1%	2.0%	2.2%	0.7%	0.5%	2.1%	5.1%	4.6%	Neutral	3
Yearly Population Growth	2.6%	2.5%	2.4%	2.3%	-2.6%	2.0%	2.0%	2.0%	Neutral	3
Jobs created (in '000s)	521	490	1435	736	-141	892	2790	504	Strong	5
									Overall Score	3.55

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

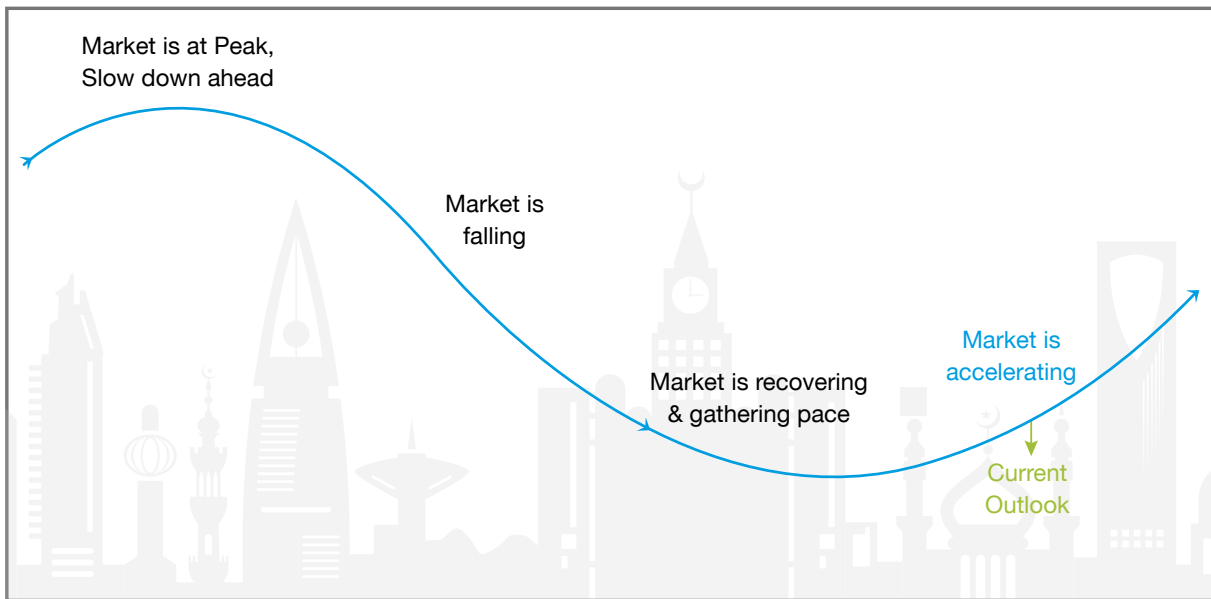
The state of the real estate market was categorized into four distinct phases as shown below.

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

Source: Marmore research

Conclusion










Saudi Arabia's economic growth is expected to slow down compared to the previous year due to the fall in oil prices due to lower demand and lower oil production owing to production cuts. Non-oil economic growth is expected to be stable supported by increased government spending. Saudi Arabia's fiscal position is expected to be stable in 2023 despite higher spending and slightly lower oil price levels. Credit growth from the private sector has slowed down since 2022 with increasing interest rates. However, credit demand in 2023 is expected to be at healthier levels.

Saudi real estate has recovered from the dip caused by the pandemic. The government has implemented measures to accelerate home ownership among Saudi nationals, indicating a positive momentum for the residential market. The office market is also booming, with Riyadh emerging as a new commercial hub and driving the need for modernized infrastructure, including sustainable office spaces. The industrial and logistics sectors are set to benefit from the National Industrial Development and Logistics Program (NIDLP), which aims to create clusters in major cities through regulatory changes and relocations. The government's efforts to promote domestic tourism and entertainment events have increased experiential retail demand, leading to a rise in retail sales volume and the trend is expected to continue in 2023. The hospitality sector is likely to improve further in 2023 with various initiatives taken by the government to boost tourism.

In Q1 2023, there was growth in the hospitality sector, with occupancy rates and average daily rates exceeding pre-pandemic levels. This was driven by a few factors, including the removal of visitation restrictions, the start of the month of Ramadan, and increased demand from both leisure and business travelers. On the other hand, the residential and commercial real estate sectors saw slower growth. In the residential sector, transaction volume declined due to several factors, including the rising cost of housing and the slowdown in the economy. In the commercial real estate sector, average rents rose in Q1 2023 y/y in Riyadh and Jeddah, respectively. However, in the same period transaction volume has witnessed a y/y decline in the two cities due to the slowdown in the economy and the rising cost of office space.

Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia has started accelerating from H2 2023. While economic growth supported by constantly expanding non-oil sector, government spending, and recovering private sector activity are positive indicators for the sector, falling oil prices, rise in interest rates, and global economic slowdown present some headwinds.

Summary – KSA Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2023 & beyond)	Quantitative Score
 Oil Real GDP Growth	Neutral	3
 Non-Oil Real GDP Growth	Moderate	4
 Fiscal Balance	Neutral	3
 Investments	Neutral	3
 Money Supply, M2 (YoY)	Moderate	4
 Inflation	Moderate	4
 Interest Rates	Neutral	3
 Population growth	Neutral	3
 Jobs created	Strong	5
Overall Score	Market is accelerating	3.55

Source: Marmore Research

What reports to expect soon?



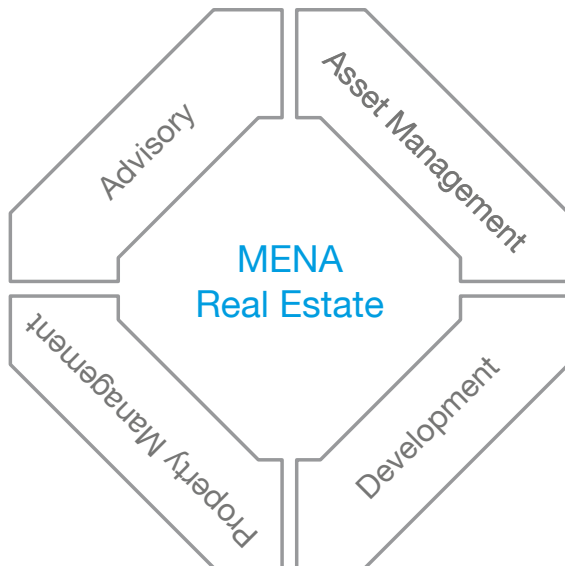
UAE Real Estate Outlook H2 2023



Kuwait Real Estate Outlook H2 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



Invest in Markaz Real Estate Fund

Total return annualized: **7.51%**

Average annual distribution since inception: **5.06%**

Fund Performance

Total Return (Jan 03 - Dec 03)	17.80%
Total Return (Jan 03 - Dec 05)	40.20%
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 - June 23)	163.13%
Capital Gain since Inception	26.07%
Income Distribution since Inception	137.06%
Total Return Annualized	6.37%
Average Annual Yield (Cash)	4.63%
Volatility (3 year)	2.74%

The Markaz Real Estate fund, established in 2002, 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. Kuwait City, Al Mirqab, Al Soor Street, Burj Alshaya, Floor 8, 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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