



KSA Real Estate Report

H2 2023 Review and H1 2024 Outlook

February 2024

المركز
MARKAZ

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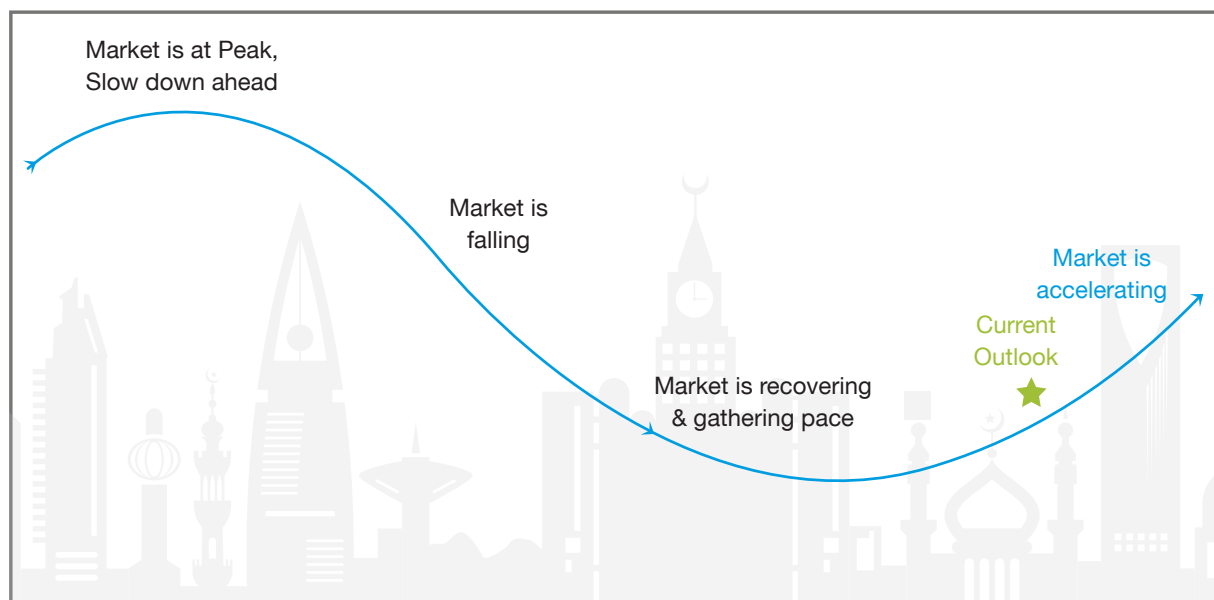
1. Executive Summary

- Saudi Arabia's economic growth momentum is expected to improve in 2024 after the sluggish growth in 2023, driven by positive performance from both oil and non-oil activities. Real GDP growth in 2024 is expected to improve to 4.0% on y/y basis when compared to the expected 0.8% growth in 2023. While the quarterly GDP figures are indicating a downtrend, the performance is expected to improve in 2024 with stronger demand for oil, moderate inflation, and low unemployment levels. The contribution of non-oil activities is expected to continue its acceleration, supported by government spending.
- Oil prices are expected to average at USD 93 per barrel in 2024 according to IEA, staying above the IMF forecasted breakeven price for Saudi Arabia of USD 79.7 per barrel in 2024. In June 2023, Saudi Arabia and OPEC+ member countries announced production cuts of 3.66 million barrels per day until the end of 2024. Saudi Arabia has also announced the continuation of additional voluntary output cuts of 1 million barrels per day into 2024.
- Despite the higher prices for housing, water, electricity, gas, and other fuels, inflation remained subdued in Saudi Arabia at 1-3% levels. This trend is expected to continue and according to IMF, Saudi's inflation is expected to average at 2.2% in 2024.
- Saudi Arabia's fiscal position is expected to be stable in 2024 despite the oil production cuts, supported by continuing investments from the government and stability in oil price levels. The consistent and strong PMI since 2020 indicates the impact of the investments from the government on the economy.
- Value of residential real estate transactions in Saudi Arabia for the year to September 2023 stood at SAR 45.9 billion, marking a decrease of 11.3% y/y while the volume dropped by 7% y/y to 61,473 transactions in the same period. The KSA real estate price index rose by 0.7% y/y in Q3 2023, mainly driven by a 1.2% y/y increase in residential land prices.
- The residential sector performance is declining with the effect of the higher interest rates on mortgages and sticky property prices. Residential transactions continued to decline in Q3 2023, with transactions volume declining by 20% and 57% 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 Q3 2023. The demand for the residential sector is expected to

accelerate especially with the government measures to increase home ownership in the kingdom.







- However, the office sector is performing strongly, especially in Riyadh, with increases in both the number of enquiries and closed deals. In Q3 2023, Riyadh's market-wide average vacancy rate decreased to 1%. The positive momentum of the office market in the Kingdom is expected to be sustained in 2024, especially with demand for setting up regional headquarters by multinational companies.
- The Saudi Arabian real estate market remains in a favourable position with stable growth in non-oil activities, strong performance of the hospitality sector, and increased government spending on infrastructure projects. High interest rates pose some headwinds in 2024.
- Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia remains in the accelerating phase in H1 2024.

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 2024 supported by government spending and favorable regulations.</p>
 Fiscal Balance	Neutral	<p>Saudi Arabia's fiscal position is expected to be stable in 2024 despite higher fiscal spending and lower oil output, supported by stable oil price levels.</p>
 Investments	Moderate	<p>Saudi Arabia is expected to continue spending on economic diversification projects in line with the Vision 2030. The government is tapping into the global bond markets in the wake of lower oil prices in 2023. In the first ten months of 2023, the government has issued approximately USD 21 billion of international bonds and USD 11 billion of local bonds.¹</p>
 Broad Money Growth	Neutral	<p>Demand for credit from the private sector has slowed down since 2022 owing to increasing interest rates. However, credit demand in 2024 is expected to be at healthier levels with moderate inflation and declining unemployment levels.</p>
 Inflation	Moderate	<p>Inflationary pressure has eased in 2023 supported by lower food and transportation prices. Inflationary pressures are expected to be limited in 2024. Housing prices are the main driver for Saudi's inflation in 2023, indicating a revival in the property market.</p>

¹Source: BNP Paribas

Saudi Arabia Macroeconomic Views

Economic Factors	Our take	Economic Factors
 Population Growth	Moderate	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	Moderate	Job creation in Saudi is expected to be stable in 2024 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 at the same level for the first half of 2024, it could act as a downside for home purchases with an increase in mortgage rates.

2. Saudi Arabia: Macroeconomic Update

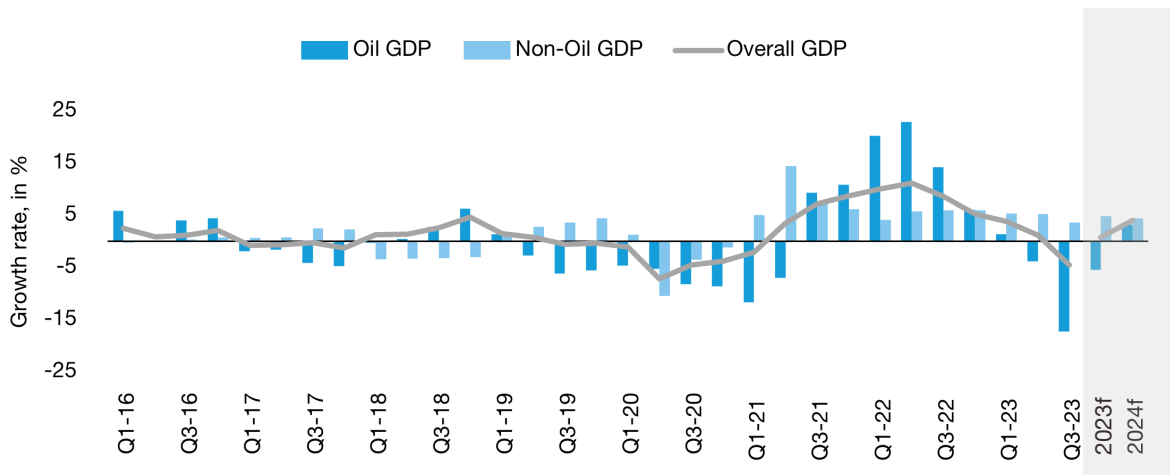
a. Economic activity slowed down in 2023 and is expected to improve in 2024

According to estimates from General Authority for Statistics (GASTAT), Saudi Arabia's economy is poised to decline by 4.5% year-over-year (y/y) in the third quarter (Q3) of 2023. The decline is expected to be mainly driven by oil activities, with projections of a 17.3% y/y decline for oil GDP. The projected decline is primarily driven by the higher base effect with the strong performance of the oil economy in Q3 2022 (14.2% y/y oil GDP growth). However, the IMF projects a growth in the GDP from oil activities of 3.2% in 2024, with cooling inflation leading to recovery in global demand.

The non-oil GDP is projected to continue its growth with an increase of 3.6% in Q3 2023. However, the projected Q3 2023 non-oil GDP growth is lower than the

realized growth in the last three quarters (6.0% in Q3 2022, 5.4% in Q1 2023, and 5.3% in Q2 2023), indicating a slowdown. The country's community, social, and personal services and transport, storage, and communication sectors have been the major driving force behind the non-oil GDP growth and are expected to continue their strong performance. 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 end 2023 with a slightly higher growth rate of 4.9% and average 4.4% in 2024. The non-oil GDP growth rate is also expected to 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 %)

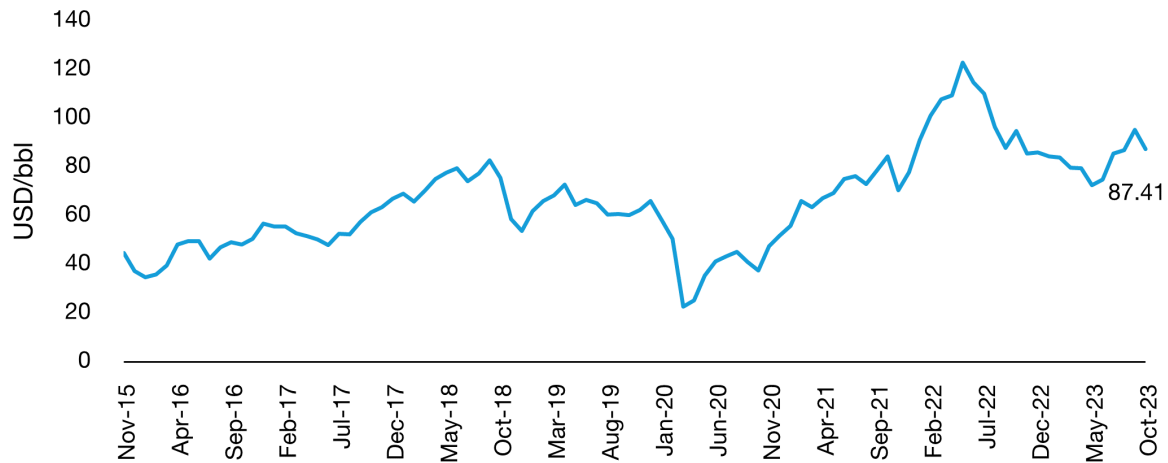


Source: General Authority for Statistics; Note: Q3 2023 values are estimates; Full year 2023 and 2024 forecasts are from IMF

Oil prices declined in Q2 2023 due to rising interest rates and weaker global economic growth. However, OPEC+ production cuts propped the prices back above USD 85 per barrel in Q3 2023. Saudi Arabia along with OPEC+ member countries has planned production cuts of 3.66 million barrels per day until the end of 2024 that will prevent a greater fall in oil prices. Saudi Arabia has also announced the continuation of 1 million barrels per day additional voluntary output cuts into 2024. However, the strong supply of oil from non-OPEC countries is combating the production cuts from OPEC. Notably, U.S. crude oil production reached an all time high of 13.2 million barrels a day in September 2023.²

²Source: U.S. Energy Information Administration

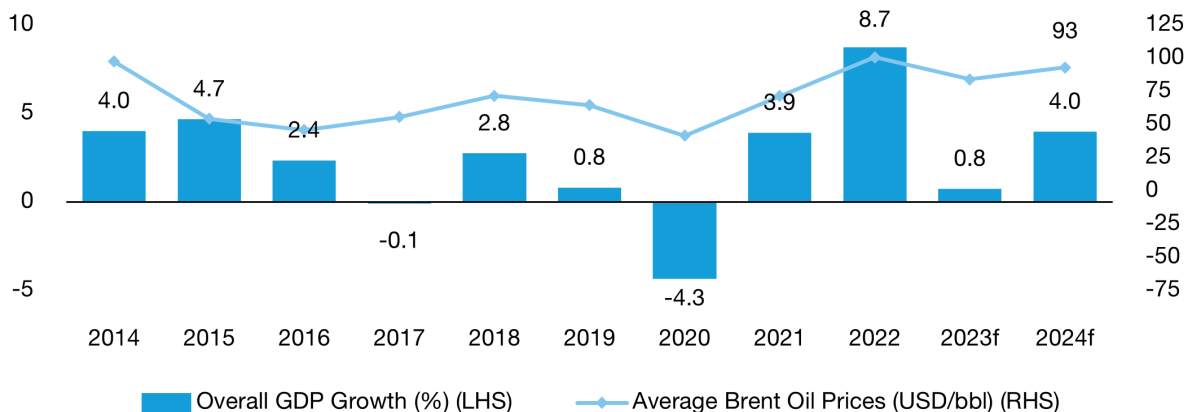
Month-End Brent Oil Prices (Nov 2015 – Oct 2023)



Source: Refinitiv

Saudi Arabia’s economic activity is closely correlated with oil prices. At the end of October 2023, the oil price increased by 1.7% from the end of 2022 and 20.3% from the low of USD 72.7 per barrel in May 2023. Oil prices are expected to average at USD 93 per barrel in 2024 according to IEA. Despite the projected lower real GDP growth in 2023 of 0.8%, the IMF anticipates the real GDP to grow 4.0% for 2024. The real GDP growth in 2024 is expected to be driven by both oil and non-oil activities, with 3.2% and 4.4% y/y growth, respectively. The expected breakeven oil price for Saudi Arabia is USD 85.8 per barrel in 2023 and USD 79.7 per barrel in 2024.

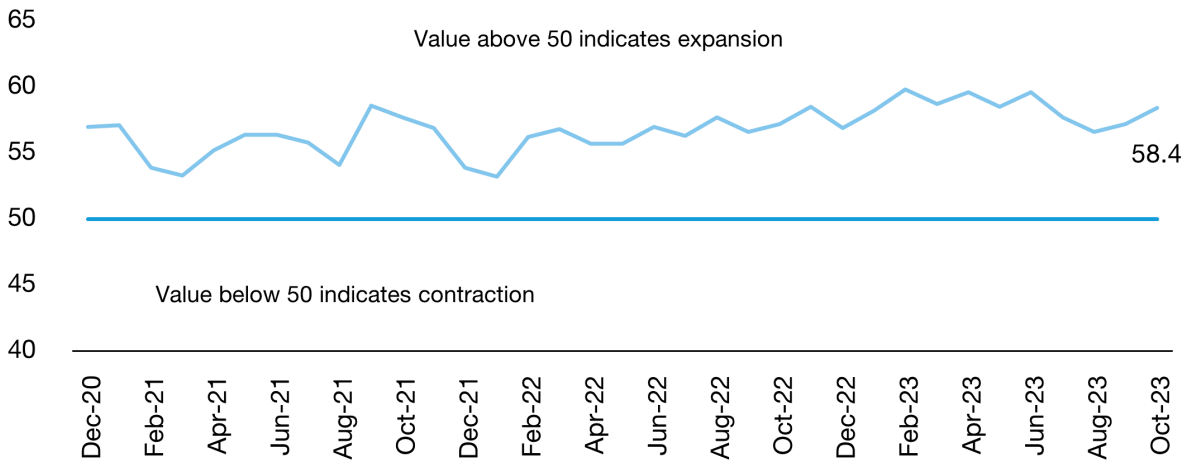
Real GDP Growth and Average Brent Oil Prices (2014-2023f)



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 58.4 in October 2023. The composite PMI reading has consistently been above the key level of 50, indicating robust expansion of the non-oil private sector.

Saudi Composite PMI (Jul 2020 – May 2023)

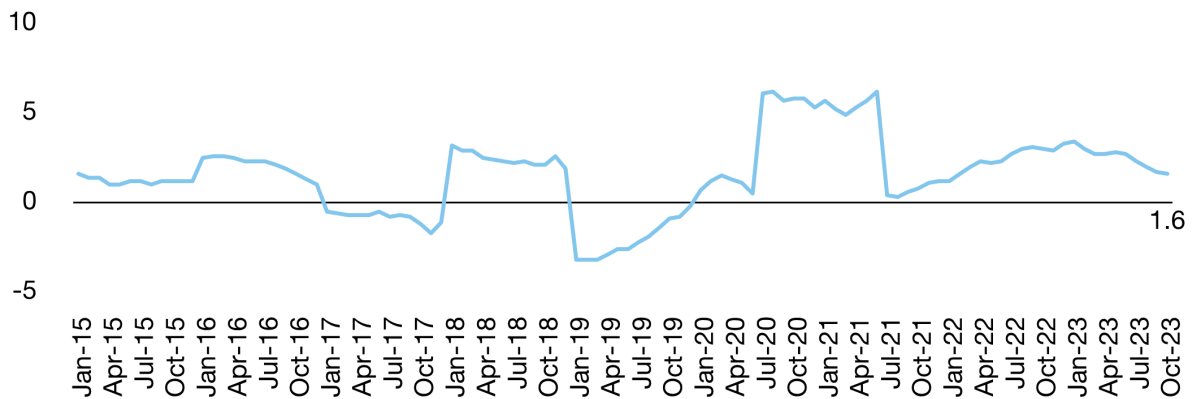


Source: IHS Markit, Refinitiv

b. Inflationary forces remain subdued

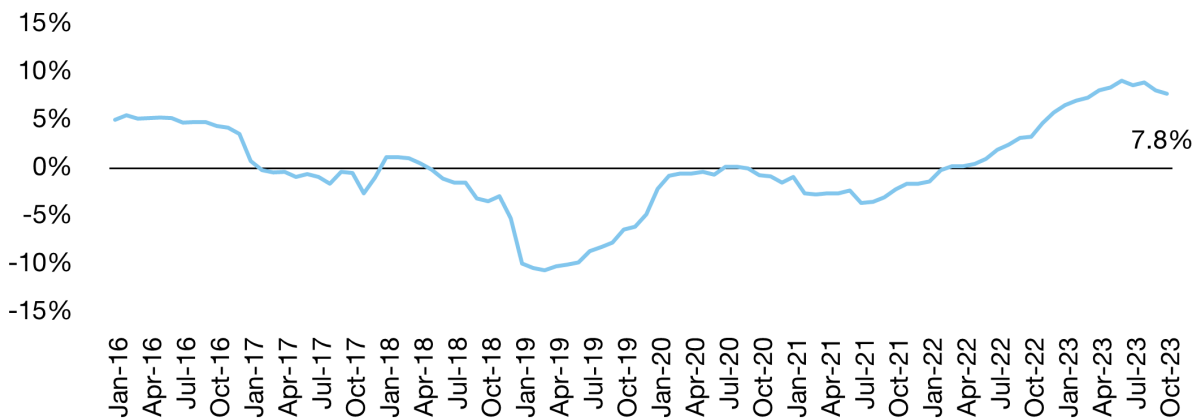
Despite inflationary pressures witnessed in many developed economies on account of various factors including supply chain disruptions and increased food prices, overall price levels in Saudi Arabia remains relatively subdued at 1-3% levels. In October 2023, inflation in Saudi Arabia increased by 1.6% y/y mainly driven by higher prices for housing, water, electricity, gas, and other fuels, which rose by 7.8% y/y. Food and beverages inflation has increased by only 0.8% y/y. Housing rents saw a significant increase of 9.3%, primarily due to a rise in apartment rents by 14.9%. The increase in rental prices had the most significant impact on the inflation rate in October 2023. Notably, inflation has been on a downward trend from the highs of 3.4% in January 2023. The Saudi Arabian government has successfully taken several measures to address the rise in inflation, including providing subsidies for food and energy, and raising interest rates. The government also continues to implement plans for reforms, including the privatization of state-owned companies. According to IMF, Saudi's inflation is expected to average at 2.2% in 2024.

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



Source: Refinitiv

Housing & Utilities Price Change (Jan 2015 - Oct 2023) (Y/Y change)

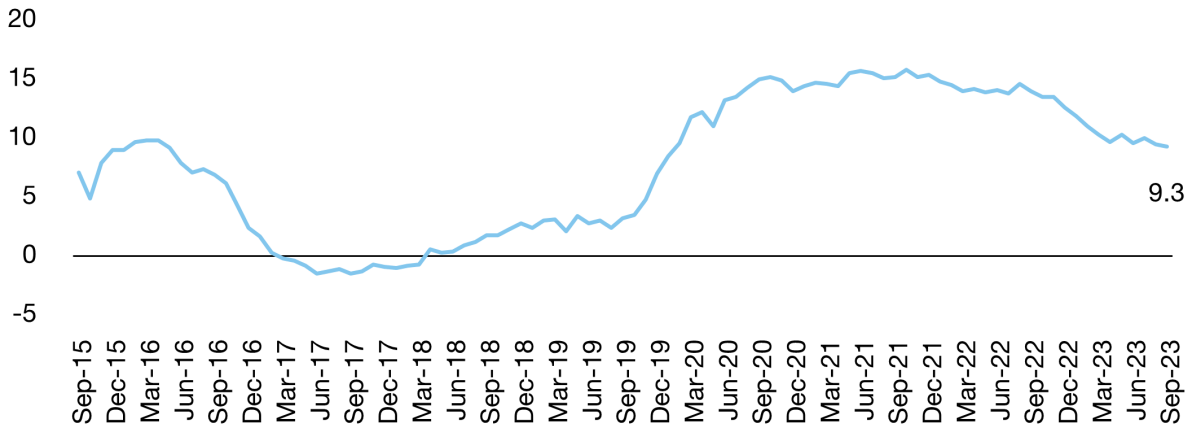


Source: General Authority of Statistics, KSA

c. Credit growth slowing down but expected to be at healthy levels

Credit growth as evidenced by total commercial bank claims on private sector remains healthy and stood at 9.3% in September 2023 (y/y basis). However, the growth rate is lower than 14.0% in September 2022 and 12.6% at the end of 2022. The country has witnessed strong double-digit growth numbers between 2020 and the first half of 2023. The driving factor behind the slowing growth rates is the rapid increase in interest rates by the monetary authority. However, credit growth in 2024 is expected to continue to be at healthier levels owing to moderate inflation and continued decline in unemployment levels.

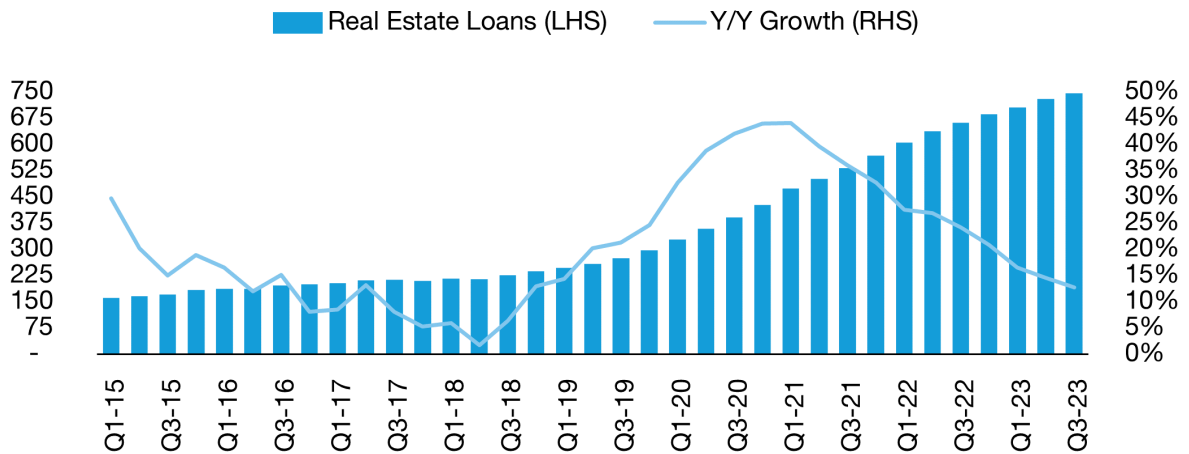
Bank claims on private sector (Y/Y, in %)



Source: SAMA, Refinitiv

Real estate loans offered by banks stood at SAR 747.2 billion at the end of Q3 2023, representing a healthy growth of 12.8% (y/y). Of the total value, loans offered to retail customers stood at SAR 591.7 billion, a growth of 11.7% (y/y) and those to corporates stood at SAR 155.5 billion, a growth of 16.8% (Y/Y). In terms of the nine months to September 2023, total real estate loans offered by banks grew by 8.6% from SAR 687.8 billion at the end of 2022. Residential real estate loans had a moderate growth rate of 7.6% while corporate real estate loans increased by 12.6%. Potential rate cuts in the second half of 2024 could act as a catalyst for the acceleration of loan origination growth rates.

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

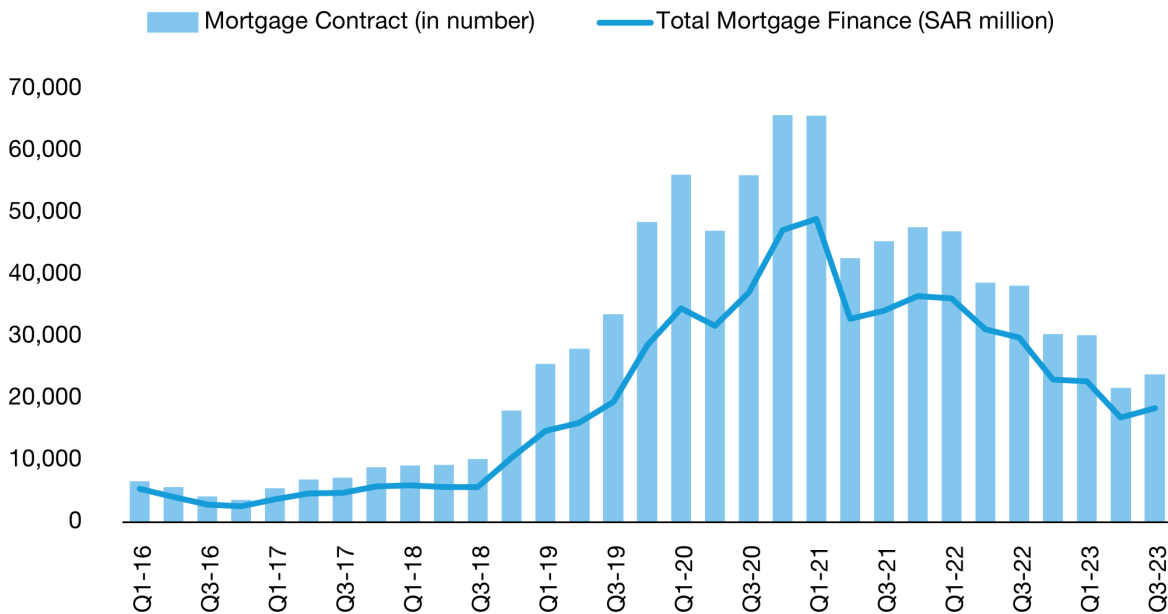


Source: SAMA

The value of new residential mortgages offered to individuals by banks stood at SAR 18.4 billion as of Q3 2023-end, representing a decline of 38.3% when compared to the same period in the previous year. The total number of mortgage contracts declined by 37.5% y/y in Q3 2023, weighed down by interest rate hikes. However,

when viewed on a quarter-on-quarter basis, the downward trend has witnessed a turnaround as the value and the number of contracts of new residential mortgages offered to individuals increased by 8.8% and 9.7% respectively when compared to Q2 2023. With rates expected to remain at the same high level at least until H2 2024, the number of mortgage contracts is expected to remain flat with minimal growth for the first half of 2024.

Number of new residential mortgage contracts and total mortgage value

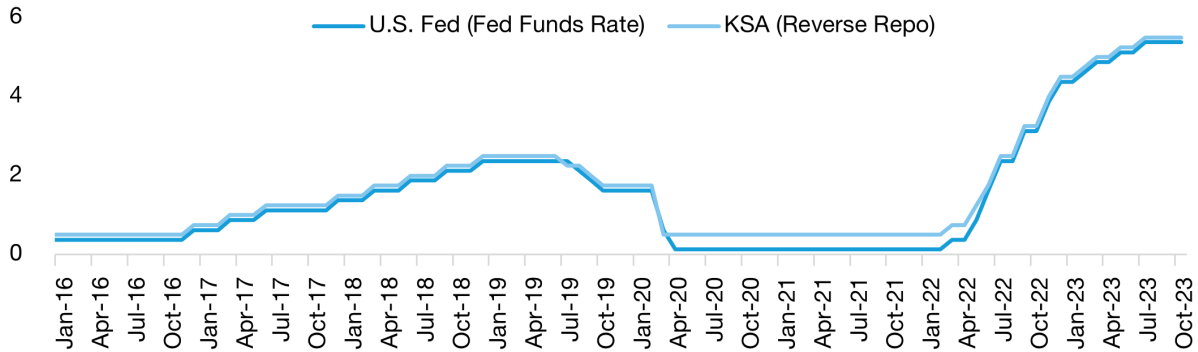


Source: SAMA; Note: Data available only from 2016

d. Interest Rates are expected to stay higher for longer

The change in KSA’s policy rates has largely been in line with the change in U.S. Fed rate historically. Since the beginning of 2022, the U.S Fed has increased its policy rate by 525 bps until October 2023 and KSA also hiked rates by 500 bps. Currently, the U.S. Fed is expected to pause rate hikes for the rest of 2023 and the first half of 2024, with a pivot expected in H2 2024. KSA is expected to follow the U.S. Fed owing to the currency peg, which will lead to higher interest rates for a sustained period. High mortgage rates for a sustained period are having an effect on consumer spending and are expected to dampen spending in the next year.

Interest Rates of KSA vs US (2015 – 2023)

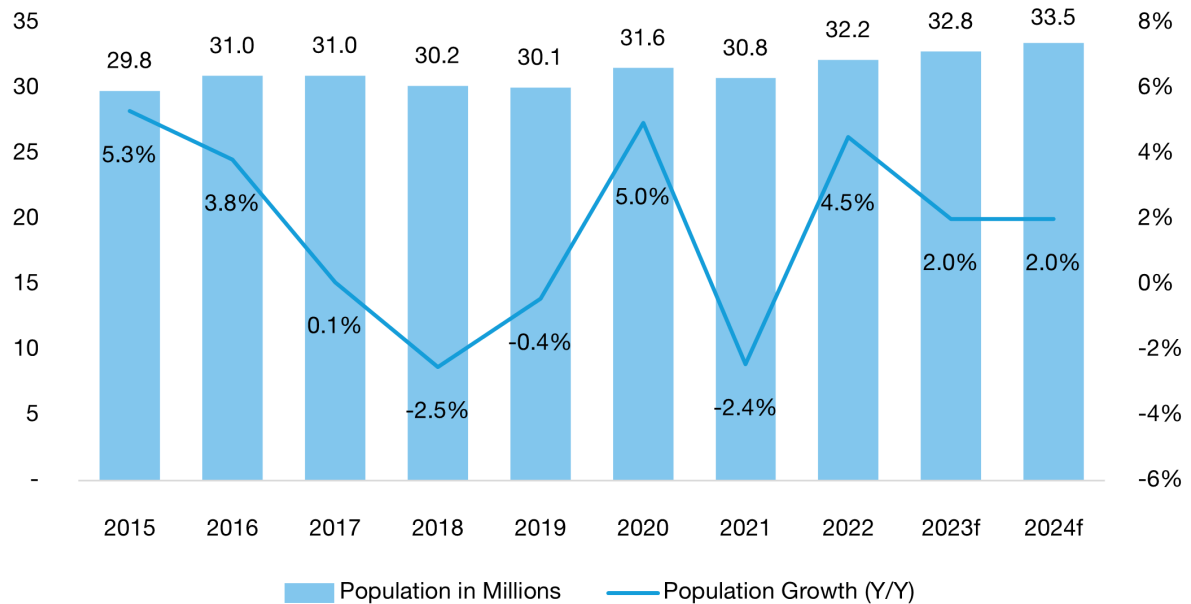


Source: Respective Central Banks

e. Population growth remains healthy

Population growth is expected to be stable at 2.0% in 2023 and 2024. 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. The reforms also provide workers with job mobility as they no longer require the consent of their employer to switch jobs. In April 2023, KSA implemented a new temporary work visa that can be obtained instantly without documentation, allowing 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)

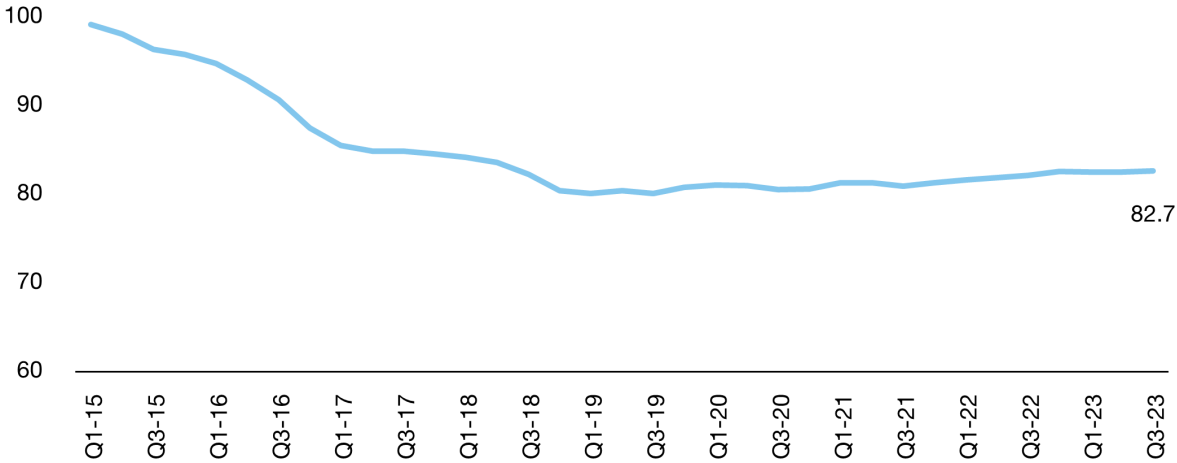


Source: IMF; Latest data available; e – expected; f – forecasted

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 and is slowly improving in recent quarters. Annual real estate prices in KSA increased by 0.7% y/y in Q3 2023 to 82.69 points, mainly driven by a 1.2% 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%)³. In Q3 2023, apartment prices stayed flat when compared to the same period last year, while villa prices declined by 3.8%. Commercial real estate prices decreased by 0.1% y/y, led by a 1.1% y/y decrease in galleries/shops.

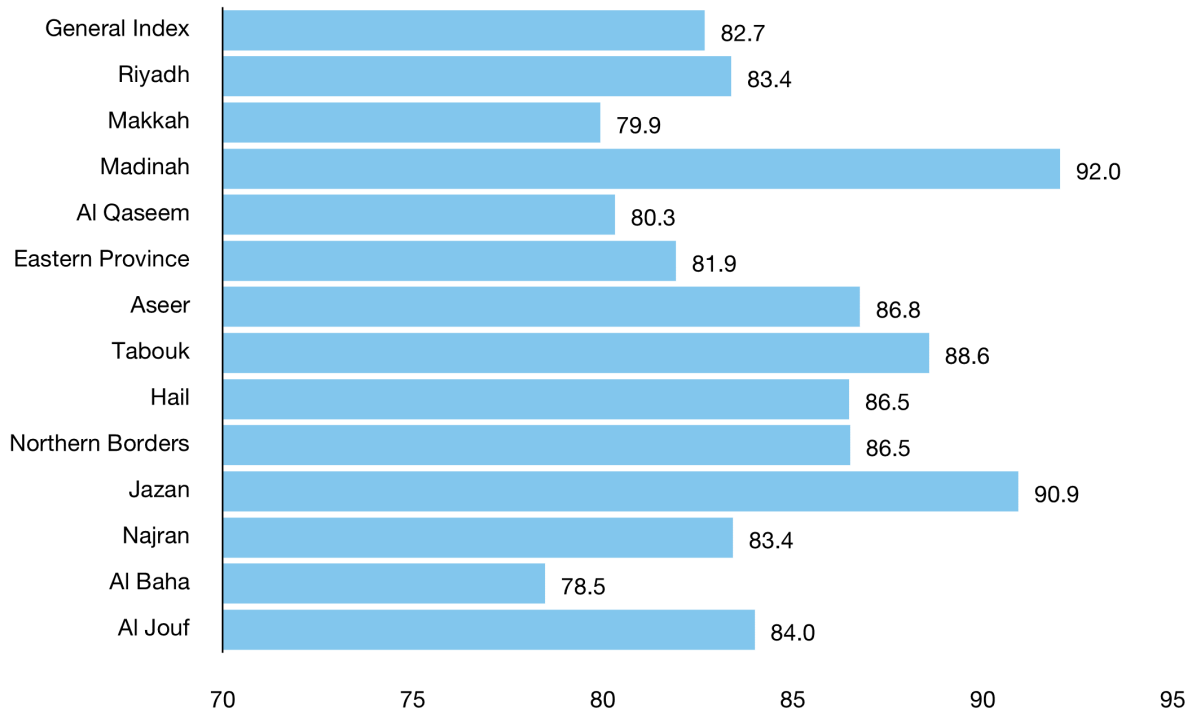
Saudi Real Estate Price Index has stabilized in recent years



Source: General Authority on Statistics

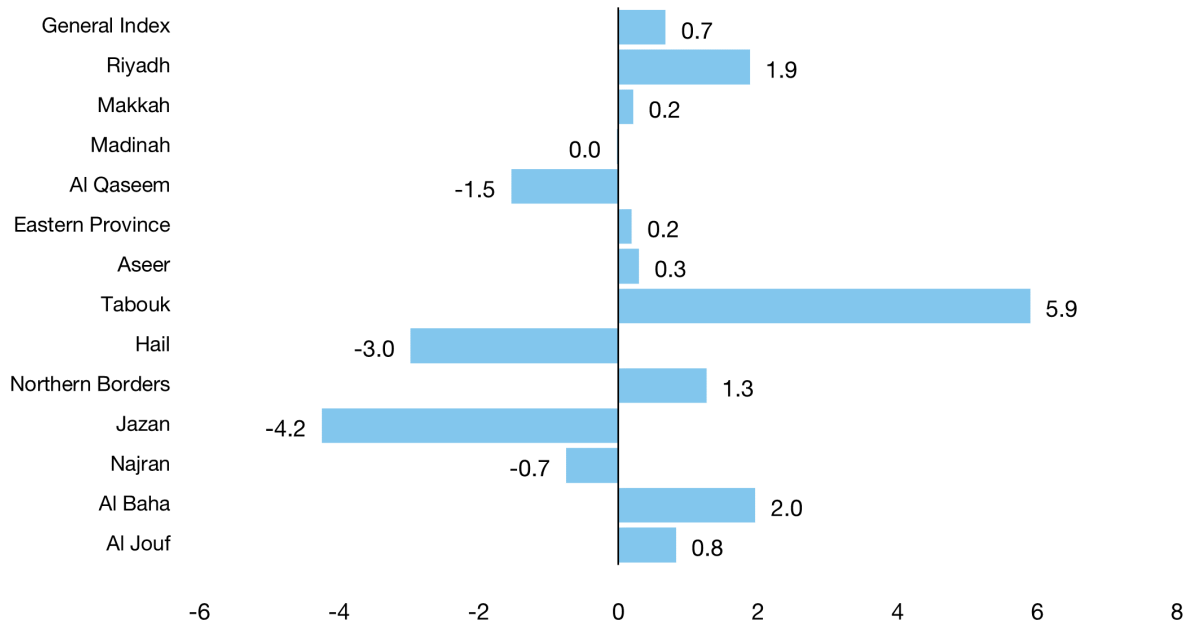
³ Source: GASTAT

Real Estate Price Index by Administrative Region, Q3 2023 (2014=100)



Source: General Authority on Statistics

Real Estate Price Index (Y/Y change in %) by region – Q3 2023



Source: General Authority on Statistics

How different sectors fared in Q3-2023 in the key markets of Riyadh and Jeddah?

Sector-wise performance of KSA Real Estate

Asset Class	City	Total Stock at end of Q3-2023	Total Stock at end of Q3-2022	Price Action in Q3-2023
Office	Riyadh	5.1 million sqm of GLA	4.9 million sqm of GLA	Average Grade A & B rents increased by 11% y/y
	Jeddah	1.2 million sqm of GLA	1.2 million sqm of GLA	Average Grade A & B rents increased by 7% y/y
Residential	Riyadh	1.4 million units	1.4 million units	Average Sales price increased by 7% y/y
	Jeddah	875,000 units	851,000 units	Average Sales price increased by 7% y/y
Retail	Riyadh	3.4 million sqm of GLA	3.3 million sqm of GLA	Average rental rates stayed flat (super regional malls)
	Jeddah	2.0 million sqm of GLA	1.8 million sqm of GLA	Average rental rates decreased by 17% y/y (super regional malls)
Hospitality	Riyadh	21,000 keys	20,000 keys	Occupancy levels reached 60%, Average Daily Rates (ADRs) increased to USD 188, and Revenue per Available Room rose to USD 113 for YT-August 2023
	Jeddah	16,000 keys	15,400 keys	Occupancy levels reached 65%, Average Daily Rates (ADRs) increased to USD 220, and Revenue per Available Room rose to USD 143 for YT-August 2023

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 sector⁴

- Value of residential real estate transactions in Saudi Arabia for the year to September 2023 stood at SAR 45.9 billion, marking a decrease of 11.3% y/y while the volume dropped by 7% y/y to 61,473 transactions in the same period. In the third quarter of 2023, Riyadh and Jeddah saw the construction of about 12,400 residential units. Approximately 8,000 units in Riyadh and 6,000 units in Jeddah are expected to be added in the fourth quarter of 2023.
- Average sale prices and rents in Riyadh rose by 7% and 3%, y/y, respectively, in the third quarter of 2023. On the same basis, average sale prices rose by 7% annually in Jeddah, while average rents increased by 5%.
- In Q3 2023, apartment sale prices showed y/y growth of 9% in Riyadh and 12% in Jeddah, indicating the sustained structural shift in the market where demand for apartments has been outperforming that for villas. Riyadh saw a 6% increase in apartment rent during that time, whereas Jeddah saw a 5% increase.

Office Sector Performance⁵

- The office market in Riyadh is consistently recording an increase in both the number of enquiries and the number of closed deals. In Q3 2023, Riyadh's market-wide average vacancy rate decreased to 1%. As a result, average Grade A rent rose by 11% y/y, reaching SAR 1,765 per sq. m. per year during the same period.
- In Jeddah, the average Grade A rent increased by 7% y/y to SAR 1,230 per sq. m. per annum. The market in Jeddah is bipolar with supply constraints in Grade A properties as companies are looking to upgrade office spaces, while Grade B supply remains abundant.
- In Q3 2023, the average vacancy rate for the entire Jeddah city was 6%.

⁴ Knight Frank; JLL; CBRE; Latest Available

⁵ JLL

Performance of Industrial & Logistics Sector⁶

- Saudi Arabia made great improvement in the Logistics Performance Index 2023 (LPI) released by the World Bank, rising 17 ranks to take the 38th spot from the 55th position in 2018. The World Bank Logistics Performance Index provides the ranking of 139 countries.
- 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.
- Saudi Arabia's warehousing sector has been performing strongly on the back of e-commerce growth, with average warehouse rents in Riyadh and Jeddah increasing on average by 20% to SAR 190 per sq. meter and SAR 205 per sq. meter, respectively at the end of H1 2023. National occupancy of warehouses also increased to 96% at the end of H1 2023, a record high, indicating strong demand.

Performance of Retail Sector⁷

- Both landlords and tenants have aptly adapted to the changing landscape with the incorporation of technology into their operations, resulting in efficiency of operations and improved consumer experience.
- The demand for the popular food & Beverages (F&B) sector continued to drive demand in the country.
- In Riyadh, the rents for super regional malls stayed flat in Q3 2023 when compared to the same period last year. Similarly, the rents for regional malls were muted with a growth of 2% y/y, indicating stability in the market.
- A total of 52,000 square meters of retail space is expected to open in Riyadh and 149,000 square meters of retail space is expected to enter the market in Jeddah in the next quarter of this year.

⁶ Zawya, KnightFrank

⁷ JLL



Performance of Hospitality Sector⁸

- According to the Knight Frank, the Saudi Arabian hospitality industry has around USD 110 billion in investments and 310,000 rooms due to be completed by 2030.
- The coupling of giga projects with the religious and cultural aspects of tourism in Saudi Arabia serve well for its attempts to boost tourism in the Kingdom and arrive at the aim of 100 million visits annually by 2030.
- Riyadh's occupancy rate grew to 60% in the year-to-August 2023 and the average day rate (ADR) increased by 12% y/y to USD 188 in Q3 2023. Jeddah's occupancy rate grew to 65% in the year-to-August 2023 and its ADR increased by 3% to USD 220 in Q3 2023.

⁸ JLL, KnightFrank

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

Asset Class	2023 vs 2022	Key Driver
Residential	Similar to 2023	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 2023	The positive momentum of the office market in the Kingdom is expected to be sustained in 2024. As Riyadh becomes the new commercial hub, more work is expected to modernize its infrastructure to meet growing demand including sustainable office spaces. The demand is fueled by the demand for setting up regional headquarters by multinational companies.
Industrial & Logistics	Similar to 2023	Lower levels of supply and increasing demand is expected to support the performance in 2023. The National Industrial Development and Logistics Program (NIDLP) will create industrial and logistics clusters in major cities by changing regulations, standards, and relocation.
Retail	Similar to 2023	The government's promotion of domestic tourism and entertainment events like has increased experiential retail demand in 2022. The positive performance of the Retail sector is expected to continue, driven by the Food & Beverages sector. The Economist Intelligence Unit (EIU) estimates that KSA retail sales volume will rise by 2% year from 2023 to 2026.
Hospitality	Similar to 2023	Hospitality performed well in the first nine months of 2023 and is likely to perform similarly in 2024 backed by the strong tourism sector. To boost tourism, Saudi Arabia is building new entertainment venues and hosting worldwide events, in addition to the religious tourism. Considering the hotel industry's growth possibilities, most operators with a presence in the Kingdom plan to significantly expand their offers and room count. The impact of the geopolitical tensions in the middle east could prove to be a dampener to the performance.

Source: JLL, Deloitte, Marmore Research



4. Real Estate in Saudi Arabia – Major News/Laws

Value of Saudi Arabia's real estate and infrastructure projects top USD 1.25tn

- The value of real estate and infrastructure projects announced since Saudi Arabia rolled out its National Transformation Plan in 2016 has crossed USD 1.25 trillion according to Knight Frank. The kingdom has commissioned projects worth USD 250 billion so far since the launch of its Vision 2030.

Saudi Arabia's real estate exchange generates USD 4.5bn in transactions

- The Saudi Ministry of Justice's recently launched real estate exchange recorded SR17 billion (USD 4.53 billion) in transactions during its first week of operation. Launched on Aug. 28, the platform aims to simplify real estate deals and offer e-services for property owners and buyers. Within this inaugural week, a total of 17,000 transactions were conducted, covering approximately 61 million sq. meters of real estate across diverse regions in the Kingdom.

Royal Commission for Makkah City and Holy Sites launches USD 2.93bn real estate fund

- The Royal Commission for Makkah City and Holy Sites launching a real estate fund worth SAR 11 billion (USD 2.93 billion) to develop the Al-Kidwa area. The fund has been launched in partnership with Thakher Development Co. and Albilad Capital. It will develop 2,614 properties in Al-Kidwa, spanning 686,056 sq. meters.

Egypt's real estate developers look forward to investing in Saudi Arabia

- Egypt's real estate developers consider expansion in foreign markets, especially Saudi Arabia, in search of investment and profit opportunities in light of unstable economic conditions that the Egyptian economy suffers from. The interest is in conjunction with the investment boom taking place in Saudi Arabia and the package of development and construction projects that are being developed in the country, to achieve the Kingdom's Vision 2030.

Boost for Housing Supply in Riyadh

- The National Housing Company (a state-owned entity), embarked on three new housing projects in Riyadh as part of increasing home ownership of Saudi citizens. It is expected that these projects, which are part of the Dahiyat Al-Forsan district and include the construction of roughly 50,000 houses, will accommodate over 250,000 people. In a bid to contribute to the housing supply and boost the real estate development efforts in Saudi Arabia, Arjan Architects and Bloominvest have jointly established real estate investment fund, which aims to build more than 100 housing units in northern Riyadh, on a land area exceeding 30,000 sq. m. The fund aligns with the goals of the Housing Program, one of the initiatives under Saudi Vision 2030, which aims to provide adequate housing opportunities for Saudi families.

Increase in off-plan property sales in Saudi Arabia

- According to Wafi, the off-plan sales and rent program of the Government, announced that the off-plan property sales in Saudi Arabia witnessed a robust growth of 52% y/y in H1 2023. Additionally, the growth rate of completed projects reached 130% during the same period.



Saudi Arabia's construction contracts record a 35% YoY increase

- Saudi Arabia's construction contracts awarded in 2022 recorded a 35% Y/Y increase to SAR 192.4 billion. Real Estate sector accounted for the largest share of construction spending, while NEOM received the highest investments followed by Riyadh and Makkah.

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

- Cityscape Global, the world's largest real estate event, was held in Riyadh on 10-13 September in partnership with Saudi Arabia's MOMRAH. It marks the first time Cityscape Global took place in Saudi Arabia. As an effort to attract foreign investment in non-oil sectors, USD 17.3 billion of real estate deals were unveiled on the first day of CityScape.

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 and 2024 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 Position	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%	-5.4%	3.2%	Neutral	3
Non-Oil (Real) GDP Growth	1.1%	2.2%	2.8%	-3.0%	5.7%	4.8%	4.9%	4.4%	Moderate	4
Fiscal Position, % of GDP	-9.2%	-5.9%	-4.4%	-10.7%	-2.3%	2.5%	-0.3%	0.3%	Neutral	3
Investments (as % of GDP)	28.8%	26.1%	28.3%	27.7%	25.1%	27.3%	27.4%	28.1%	Moderate	4
Money Supply, M2 (Y/Y)	0.2%	2.7%	7.1%	8.3%	7.4%	8.1%	8.9%	6.9%	Neutral	3
Inflation	-1.1%	2.5%	-2.1%	3.4%	3.1%	2.5%	2.5%	2.2%	Moderate	4
Interest Rates (%)	1.1	2.0	2.2	0.7	0.5	2.1	5.2	5.2	Neutral	3
Yearly Population Growth	0.1%	-2.5%	-0.4%	5.0%	-2.4%	4.5%	2.0%	2.0%	Moderate	4
Jobs created (in '000s)	521	-344	821	1,092	-92	997	983	1,112	Moderate	4
									Overall Score	3.55

Source: IMF, GaStat, Marmore research; Note: *Average monthly Interest Rate for the respective year is considered. So, despite two rate cuts factored for 2024, the average interest rate for 2024 is higher than 2023

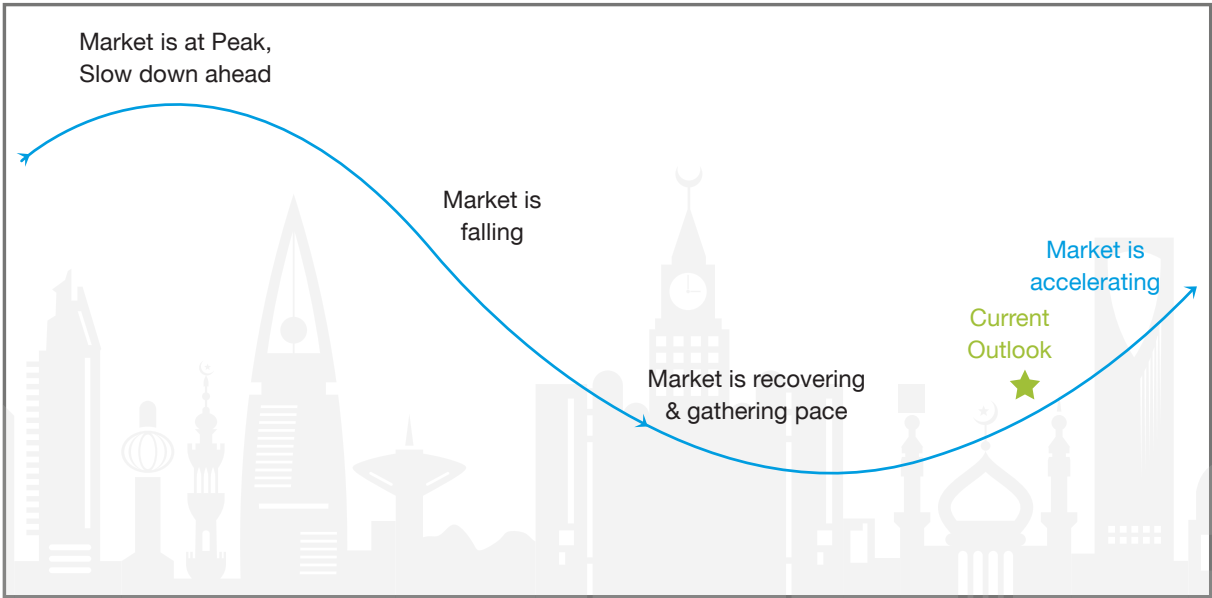
The state of the real estate market was categorized into four distinct phases as shown below.

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 2024
Oil Real GDP Growth	4	3	3
Non-Oil Real GDP Growth	4	4	4
Fiscal Position	4	3	3
Investments	3	3	4
Money Supply, M2 (YoY)	4	4	3
Inflation	4	4	4
Interest Rate	1	3	3
Population growth	3	3	4
Jobs created	3	5	4
Overall Score	3.50	3.55	3.55

Source: Marmore research

Conclusion









Saudi Arabia's economic growth is expected to improve in 2024 compared to 2023 due to the expected revival in demand for oil, supported by stability in oil prices, despite the continued oil 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. Credit growth from the private sector has slowed down since 2022 with increasing interest rates.

Saudi real estate has recovered from the dip caused by the pandemic. Average sale prices and rents in Riyadh and Jeddah for residential properties have increased on a y/y basis in Q3 2023, indicating strong demand. The office market in Riyadh has consistently recorded an increase in both the number of enquiries and the number of closed deals. Saudi Arabia has made great improvement in the Logistics Performance Index 2023 (LPI) released by the World Bank, rising 17 ranks to take the 38th spot from the 55th position in 2018. In the retail sector, the rents for regional malls witnessed a growth of 2% y/y in Q3 2023, indicating stability in the market. In the hospitality sector, Riyadh's average day rate (ADR) increased by 12% y/y to USD 188 in Q3 2023.

The government has implemented measures to accelerate home ownership among Saudi nationals, indicating a positive momentum for the residential market, which is expected to continue. The positive momentum of the office market in the Kingdom is expected to be sustained in 2024 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 2024. The hospitality sector is likely to improve further in 2024 with various initiatives taken by the government to boost tourism, with the escalation of geopolitical conflicts acting as a potential dampener.

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, volatile oil prices, rise in interest rates, and global economic slowdown present some headwinds.

Summary – KSA Markaz Real Estate Macro Index

Macro indicators	Outlook (2024 & beyond)	Quantitative Score
 Oil Real GDP Growth	Neutral	3
 Non-Oil Real GDP Growth	Moderate	4
 Fiscal Position	Neutral	3
 Investments	Moderate	4
 Money Supply, M2 (YoY)	Neutral	3
 Inflation	Moderate	4
 Interest Rates	Neutral	3
 Population growth	Moderate	4
 Jobs created	Moderate	4
Overall Score		3.55

Source: Marmore Research

What reports to expect soon?



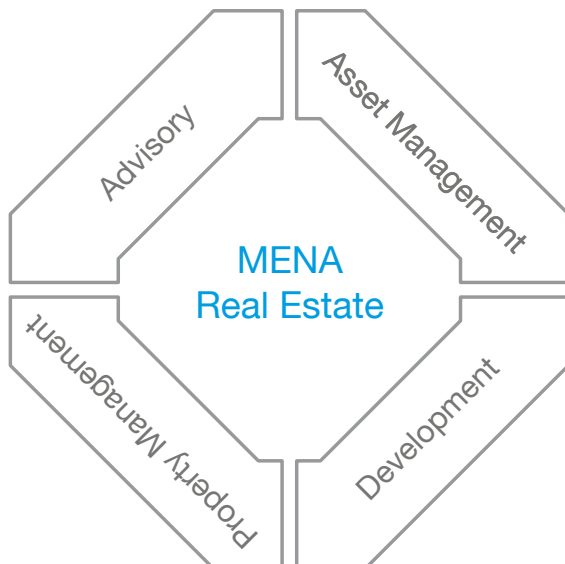
**UAE Real Estate Report
H2 2023 Review and H1 2024 Outlook**



**Kuwait Real Estate Report
H2 2023 Review and H1 2024 Outlook**

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

The internal rate of return:

7.48%

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 - Sep 23)	164.54%
Capital Gain since Inception	25.67%
Income Distribution since Inception	139.68%
Total Return Annualized	6.33%
Average Annual Yield (Cash)	4.58%
Volatility (3 year)	1.66%

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
- 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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