

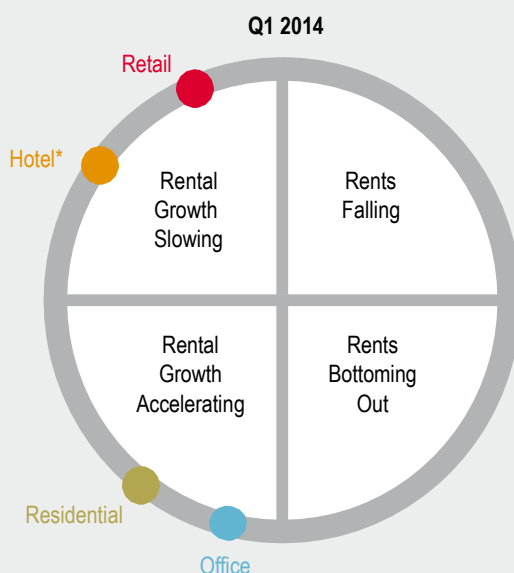
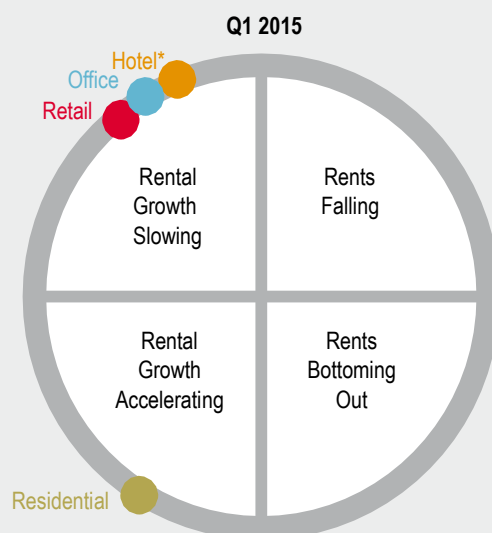
Jeddah Real Estate Market Overview



Jeddah *Market* Summary

The real estate market in Jeddah has shown an overall upward trend over the last quarter, but most asset classes are now near their peak and are expected to remain stable or slow down over the next six months. The exception to this is the residential rental market which is continuing to see increased rents as a result of the new mortgage regulations which have shifted demand from the sales sector. With substantial new office and hotel space expected to enter the market, these sectors are expected to reach their peak later in 2015. The retail market will see less new supply this year and could therefore witness further growth before topping out in 2016.

Jeddah *Prime* Rental Clock



* Hotel clock reflects the movement of RevPAR

Note: The property clock is a graphical tool developed by JLL to illustrate where a market sits within its individual rental cycle. These positions are not necessarily representative of investment or development market prospects. It is important to recognise that markets move at different speeds depending on their maturity, size and economic conditions. Markets will not always move in a clockwise direction, they might move backwards or remain at the same point in their cycle for extended periods.

Source: JLL

Jeddah *Office* Market Overview

Market Summary

Office vacancy rates have remained stable at 6% over the last quarter. This is most likely due to the limited office space entering the market in Q1 2015 which includes M Sas tower (10,500 sq m) and MITCO tower (4,800 sq m). Average market rents have remained unchanged in Q1 but have increased by 6.5% over the past year to SAR990 sq m. Prime rents have continued their upward trend and have increased to SAR 1,900 per sq m, largely due to the high rentals commanded by the Headquarters Tower.

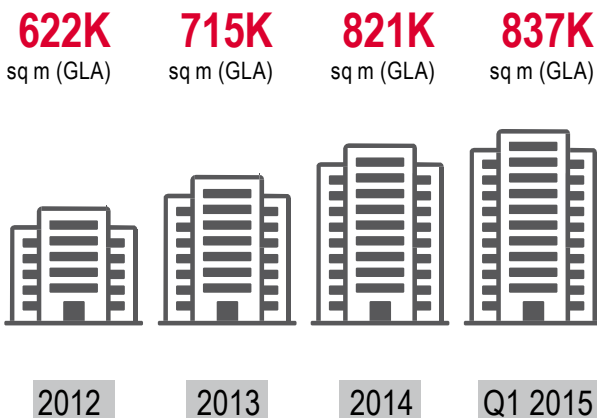
Hot Topic

A further 108,000 sq m of office space is expected to enter the market over 2015. The majority of future stock will be in the form of medium sized office buildings between 5,000 sq m – 10,000 sq m. with Al Khair Tower (30,000sq m) being the only larger building expected to complete this year. Although some delays into 2016 are possible, as most of the future supply is small to medium sized, the majority of this is expected to be delivered on time.

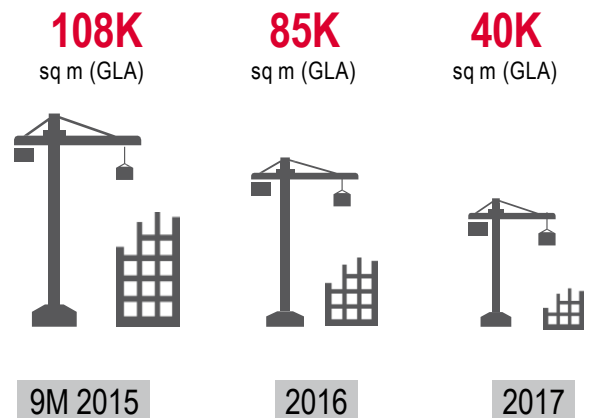
This new supply is likely to slow down the growth of office rents, with average rents expected to stabilize during 2015.

Office Supply

Current Supply (2012 – 2015)

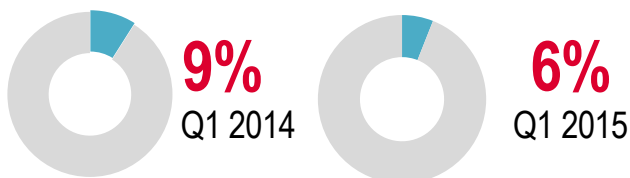


Future Supply (2015 – 2017)



Office Performance

Vacancy Rate



Average Rents (per sq m) / Annual Change



2015/2016
Outlook

2015/2016
Outlook

Jeddah *Residential* Market Overview

Market Summary

The residential stock in Jeddah currently stands at around 775,000 units, with around 6,000 units completed during Q1 2015. Sale prices have continued to increase but at a lower rate during Q1, with this trend most evident in respect of villa prices that have edged up by just 2.5% over the past year. Apartments have generally performed better than villas, due to their affordability.

Rents have increased ahead of sale prices in the apartment sector over the past year (7.5%), reflecting the benefit to the rental sector from the new mortgage regulations. While the sales market is nearing the top of its cycle, we see more potential growth in the residential rental market.

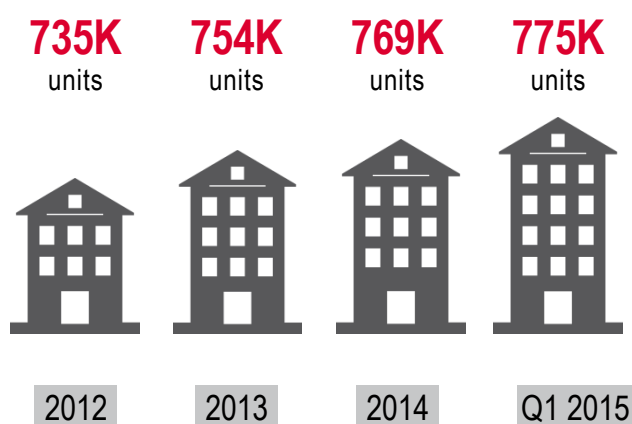
Hot Topic

Residential transactions registered by the Ministry of Justice have substantially decreased over the last quarter as a result of the 30% mortgage law and falling oil prices. Transactions of villas have decreased by 59% since the mortgage regulations came into affect in November 2014, while transactions for apartments have decreased by 27% during the same period.

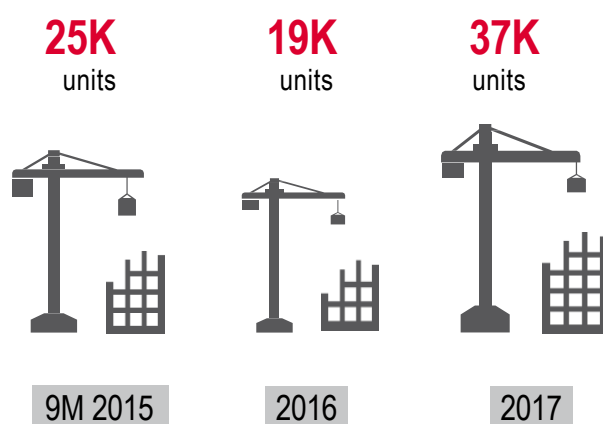
Saudi Arabia's cabinet has approved a proposal to tax undeveloped land in urban areas. The objective of this policy is to release more of this land for the development of affordable housing. While no details of how this tax will be implemented or enforced have yet been announced, it is reasonable to assume that it will result in more sites being released for development.

Residential Supply

Current Supply (2012 – 2015)



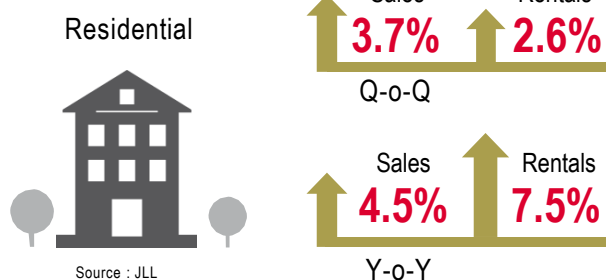
Future Supply (2015 – 2017)



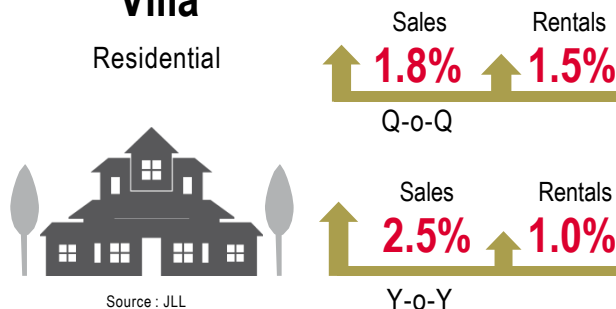
Residential Performance

Jeddah Residential Property Rent and Sale Indices

Apartment



Villa



Jeddah *Retail* Market Overview

Market Summary

Vacancy rates have decreased marginally (to 6.8%) and are expected to decrease over the rest of 2015 before stabilizing. This is likely due to the limited new supply expected to enter the market over 2015 giving excess supply a chance to be absorbed. The limited supply entering the market over 2015 has added upward pressure on rents with rents for superregional malls increasing by 3% and rents for community centres increasing by 2.7%. The increase in community centre rents shows that the previous excess supply in this sector has been absorbed over the last quarter, adding upward pressure on rents.

Hot Topic

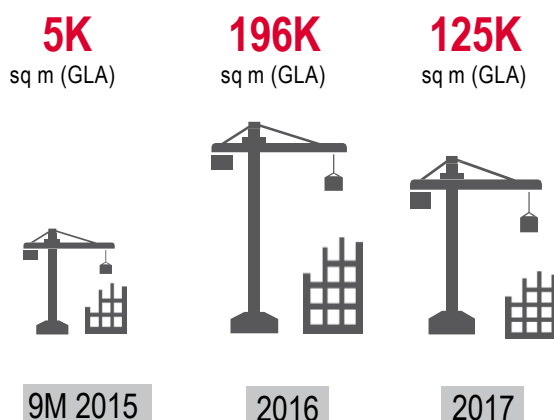
A substantial supply of retail space is expected to enter the market in 2016, including Sairafi Mall 2, although some of this supply is expected to be delayed. Looking further ahead, Panorama Mall Jeddah by Hamat is expected to be completed in 2018 adding 120,000 sq m to the market. The Mall of Jeddah has been announced as part of Prince Sultan Cultural Centre located North of King Abdulaziz International Airport, however, no completion date has been released.

Retail Supply

Current Supply (2011 – 2015)

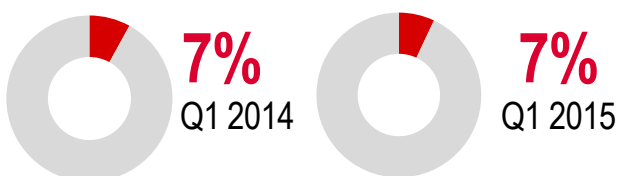


Future Supply (2015 – 2017)



Retail Performance

Vacancy Rate



Average Retail Rents (per sq m) / Annual Change



*The time series for super regional mall rents has been revised as some smaller centres have been reclassified as regional malls.



2015/2016
Outlook



2015/2016
Outlook

Jeddah *Hotel* Market Overview

Market Summary

No new additions have entered the market over the last quarter and a number of developments have been delayed, increasing the upcoming supply for 2015 to 2,700 keys. In reality, it is likely that some of this supply will be delayed into 2016.

Hotel performance in Jeddah remains healthy with occupancies remaining relatively stable year-on-year standing at 73%. ADRs also remain stable having decreased by a marginal 0.4% to USD 241 compared to the same period last year. RevPAR has decreased by 2.8% to USD 175 compared to the same period last year. Demand for hotel rooms in Jeddah remains high, which has kept occupancies and ADRs stable despite the new supply which entered the market over the last year.

Hot Topic

Major new openings expected over the rest of 2015 include the Ascott Residences on Tahlia, Elaf Galleria and Rocco Forte. Future supply remains substantial with over 6,800 keys expected to be delivered over the next four years. 1,500 keys have been announced for 2018. The majority of those completions will be from the Accor brands including the Ibis, Adagio and Novotel.

Hotel Supply

Current Supply (2012 – 2015)

6,835
keys



2012

7,288
keys



2013

8,500
Keys



2014

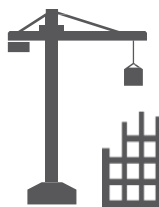
8,500
keys



Q1 2015

Future Supply (2015 – 2018)

2,700
keys



9M 2015

800
keys



2016

1,800
keys



2017

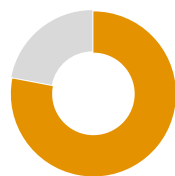
1,500
keys



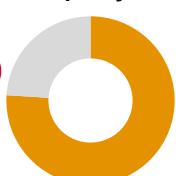
2018

Hotel Performance

Occupancy Rate



74%
YTD Feb
2014



73%
YTD Feb
2015



242
YTD Feb
2014

Average Daily Rate / Annual Change

241 **↓ -0.4%**
YTD Feb
2015 Y-o-Y



2015/2016
Outlook

Source : STR Global



2015/2016
Outlook

Source : STR Global

Definitions and methodology



Interpretation of market positions:

6 O'clock indicates a turning point towards rental growth. At this position, we believe the market has reached its lowest point and the next movement in rents is likely to be upwards.

9 O'clock indicates the market has reached the rental growth peak, while rents may continue to increase over coming quarters the market is heading towards a period of rental stabilisation.

12 O'clock indicates a turning point towards a market consolidation / slowdown. At this position, the market has no further rental growth potential left in the current cycle, with the next move likely to be downwards.

3 O'clock indicates the market has reached its point of fastest decline. While rents may continue to decline for some time, the rate of decrease is expected to slow as the market moves towards a period of rental stabilisation



The supply data is based on our quarterly survey of the Grade A & B office space located in the Jeddah CBD, defined as Prince Sultan, Tahlia, Al-Malek, Ibrahim Al Jaffali, Madinah, King Abdullah and Rowdah Streets.

Completed building refers to a building that is handed over for immediate occupation.

Prime Office Rent represents the top open-market rent that could be expected for a notional office unit of the highest quality and specification in the best location in a market, as at the survey date (normally at the end of each quarter period). The Prime Rent reflects an occupational lease that is standard for the local market. It is a face rent that does not reflect the financial impact of tenant incentives, and excludes service charges and local taxes.

Office vacancy rates are based on JLL estimates for a basket of buildings that comprises approximately 60% of the current supply



The supply data is based on the National Housing Census (2010) and our quarterly survey of major projects and stand alone developments in selected areas .

Completed building refers to a building that is handed over for immediate occupation.

Residential performance data is based on two separate baskets one for rentals in villas and apartments and another basket for sales performance for both villas and apartments. The two baskets cover projects in selected locations across Jeddah.



Classification of Retail Centres is based upon the ULI definition and based on their GLA:

- Super Regional Malls have a GLA of above 90,000 sq m
- Regional Malls have a GLA of 30,000 - 90,000 sq m
- Community Malls have a GLA of 10,000 - 30,000 sq m
- Neighbourhood Malls have a GLA of 3,000 - 10,000 sq m
- Convenience Malls have a GLA of less than 3,000 sq m

Average Rent Shopping Centre represents the quoted average rents for line shops for the major shopping malls in Jeddah. Retail supply relates to the Gross Lettable Area (GLA) within retail malls.

Vacancy rate is based on estimates from the JLL Retail team, and represents the average rate across standard in line unit shops at regional malls.



JLL now tracks the supply of 3, 4 and 5 star quality hotels. The supply data excludes serviced apartments.

Performance data is based on a monthly survey conducted by STR Global.



Jeddah

Level 4, Suite 406
Jameel Square
Tahliya and Andalus Streets
PO Box 2091
Jeddah 8909 - 23326
Saudi Arabia
Tel: +966 12 660 2555
Fax: +966 12 669 4030

For questions and inquiries about the Jeddah real estate market, please contact:

Jamil Ghaznawi

Country Head
KSA
jamil.ghaznawi@eu.jll.com

Andrew Williamson

Head of Retail
MENA
andrew.williamson@eu.jll.com

Chiheb Ben-Mahmoud

Head of Hotels & Hospitality
MEA
chiheb.ben-mahmoud@eu.jll.com

Dana Williamson

Head of Agency
MENA
dana.williamson@eu.jll.com

Craig Plumb

Head of Research
MENA
craig.plumb@eu.jll.com

Fayyaz Ahmad

Associate Director, Advisory
KSA
fayyaz.ahmed@eu.jll.com

Ahmed Almihtar

Analyst
KSA
ahmed.almihtar@eu.jll.com

Mohammad Alajmi

Analyst
KSA
mohammad.alajmi@eu.jll.com



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