Q3 2014

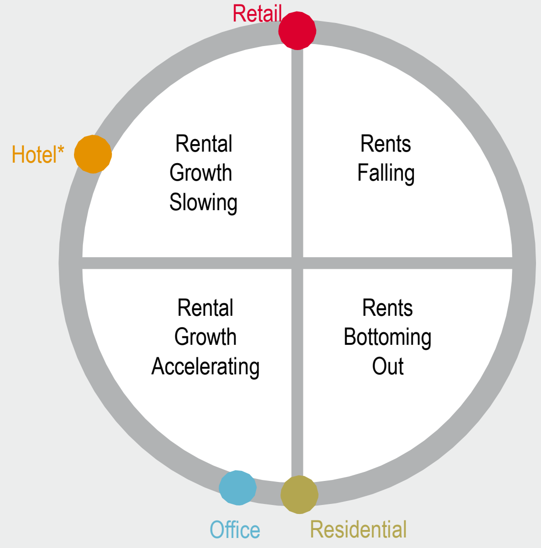
Jeddah Real Estate Market Overview

Jeddah *Market* Summary

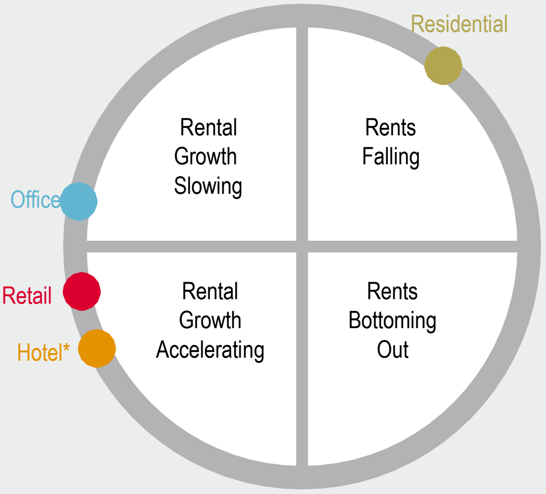
The real estate market in Jeddah is showing continuous signs of growth across most sectors. Although the residential sector saw rents decrease, sale prices have increased, particularly for apartments. The hotel and office sectors continue to perform well, experiencing an increase in rental rates and ADRs while vacancy rates remain relatively stable and in some cases are decreasing. The retail sector has experienced a marginal increase in vacancy rates, which are likely to increase further as more supply enters the market. This has not affected retail rents which are showing overall healthy growth.

Jeddah *Prime* Rental Clock

Q3 2013



Q3 2014



* 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

Although additional supply continues to enter the market, further economic growth and the anticipated rise in office based employment is expected to absorb much of the new supply. This has certainly been the case over the last three quarters, which have seen a continued decline in vacancies. Vacancy rates have decreased by 4% compared to the same period last year and now stand at the lowest level of any major city in MENA. Office rents per sq m have increased by around 6% compared to the same quarter in 2013. However, as 172,000 sq m of high quality office space is expected to enter the market over the next quarter, vacancies may increase in the short term.

Hot Topic

The Headquarters building is expected to be completed over the last quarter of 2014 delivering 75,000 sq m of Grade A office space. Given tenants preference for high quality office space in prestigious buildings, this completion is likely to create downward pressure on rents for lower grade office space located further from the CBD. Demand from international tenants working on major infrastructure projects is expected to keep vacancy rates low and office rents stable in the long term.

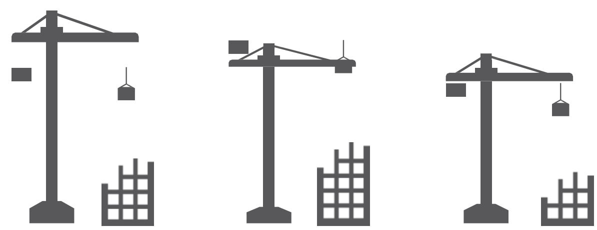
Office Supply

Current Supply (2011–2014)

2011	2012	2013	Q3 2014
466K sq m (GLA)	622K sq m (GLA)	712K sq m (GLA)	728K sq m (GLA)

Future Supply (2014–2016)

Q4 2014	2015	2016
172K sq m (GLA)	82K sq m (GLA)	58K sq m (GLA)



Office Performance

Vacancy Rate

Q3 2013	Q3 2014
10%	6%

2014 / 2015
Outlook

Prime CBD Rents (per sq m)

Q3 2013	Q3 2014
SAR 845	SAR 900

2014 / 2015
Outlook

Jeddah *Residential* Market Overview

Market Summary

Residential supply continues to experience healthy growth with supply totaling 754,000 units at the end of Q3 2014. This number is expected to increase by a further 16,000 units by the end of Q4 2014. While average sale prices have continued to increase for apartments, villas have seen a marginal (-3%) decline over Q3. The rental market has also witnessed further declines in Q3 (with villa rents down by 3% and apartment rents down by almost 4%) as demand has shifted more towards purchase rather than rental, partly due to the increased availability of mortgages to purchase residential property.

Hot Topic

In an effort to tackle the shortage of affordable housing, the Ministry of Housing has announced six large residential projects across Jeddah expected to deliver almost 29,000 residential units. Three of these projects are currently being implemented, which will deliver almost 14,900 residential units, while the others are at the design and approval stage. Changes to Saudi's mortgage regulations in 2013 have resulted in a growth of mortgage loans, which is expected to fuel further demand for residential units and add upward pressure on asking prices for residential units for sale.

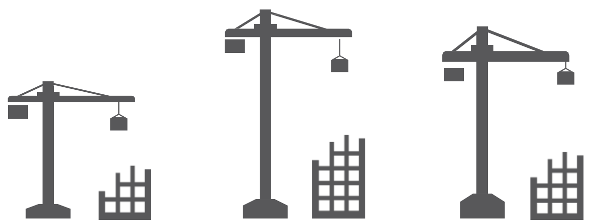
Residential Supply

Current Supply (2011–2014)

2011	2012	2013	Q3 2014
719K units	735K units	748K units	754K units

Future Supply (2014–2016)

Q4 2014	2015	2016
16K units	25K units	24K units



Residential Performance

Jeddah Residential Property Rent and Sale Indices

Apartment

residential

	Sales	Rentals
Q-o-Q	9.5%	-3.6%
Y-o-Y	21%	-5.5%

Source : JLL

Villa

residential

	Sales	Rentals
Q-o-Q	-3.2%	-2.9%
Y-o-Y	18.7%	-3.6%

Source : JLL

Jeddah *Retail* Market Overview

Market Summary

With the recent addition of high quality retail supply, lower grade community centers have seen their rents decrease by 8% over the same quarter in 2013, while vacancy rates have increased by almost 5% since Q3 2013. This is due to the substantial increase in retail space entering the market with the opening of Flamingo Mall and Salam Mall over the past nine months which are still being absorbed by the market. A further 32,000 sq m of retail space is expected to enter the market by the end of 2014 which is likely to see vacancy rates increase even further whilst the excess supply is absorbed.

Hot Topic

La Prestige opened during Q3 2014 adding over 17,000 sq m of luxury retail space to the market. Mandarin Avenue has also opened during this quarter adding approximately 15,000 sq m of retail space while Jamaah Plaza is currently undergoing expansion. A substantial amount of retail space (331,000 sq m) is expected to enter the market over 2015. This is likely to add downward pressure on rents across all retail space grades, (but especially for lower grade retail space) while increasing city wide vacancy rates. However, as there are no expected completions during 2016, the market will have an opportunity to absorb the excess supply, stabilizing vacancy and rental rates.

Retail Supply

Current Supply (2011–2014)

2011	2012	2013	Q3 2014
730K sq m (GLA)	780K sq m (GLA)	861K sq m (GLA)	896K sq m (GLA)

Future Supply (2014–2016)

Q4 2014	2015	2016
32K sq m (GLA)	331K sq m (GLA)	0K sq m (GLA)

Retail Performance

Vacancy Rate

Q3 2013	Q3 2014
3.5%	8.4%

2014 / 2015 Outlook

Average Retail Rents (per sq m)

	Q3 2013	Q3 2014
Super Regional	SAR 2,660	SAR 2,920
Regional	SAR 2,470	SAR 2,580
Community	SAR 1,850	SAR 1,700

2014 / 2015 Outlook

Jeddah *Hotel* Market Overview

Market Summary

Only 150 keys have been delivered this quarter. While a further 300 are expected to be delivered by the end of 2014 many projects have been pushed into 2015. Despite the increasing supply of hotel rooms, occupancy rates have remained relatively stable at 76%, a slight decrease of 2% compared to the same period last year. ADRs have increased by 6% to USD 262. Yearly RevPar continues to increase and has reached an all time high of USD 199.

Hot Topic

Although 2,200 keys are expected to be delivered over 2014 – 2015, occupancy rates and ADRs are expected to remain relatively stable. The ongoing political instability in the region has increased domestic tourism in Saudi and Jeddah remains a popular leisure destination. Continued economic growth coupled with an increasing number of religious tourists is also expected to contribute to the existing healthy occupancy rates.

Hotel Supply

Current Supply (2011–2014)

2011	2012	2013	Q3 2014
6,182 keys	6,835 keys	7,288 Keys	8,300 keys

Future Supply (2014–2017)

Q4 2014	2015	2016	2017
300 keys	1,900 keys	200 keys	1,600 keys

Hotel Performance

Occupancy Rate

78% YT Aug 2013

76% YT Aug 2014

Average Daily Rate

USD 247 YT Aug 2013

USD 262 YT Aug 2014

2014 / 2015
Outlook

Source : STR Global

2014 / 2015
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.

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

Prime Rent Shopping Centre represents the quoted average rent 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. This has resulted in a reduction in the total stock of all hotels included in the Q3 2013 report. The supply data excludes serviced apartments.

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

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