



KSA Real Estate Outlook H2 2022

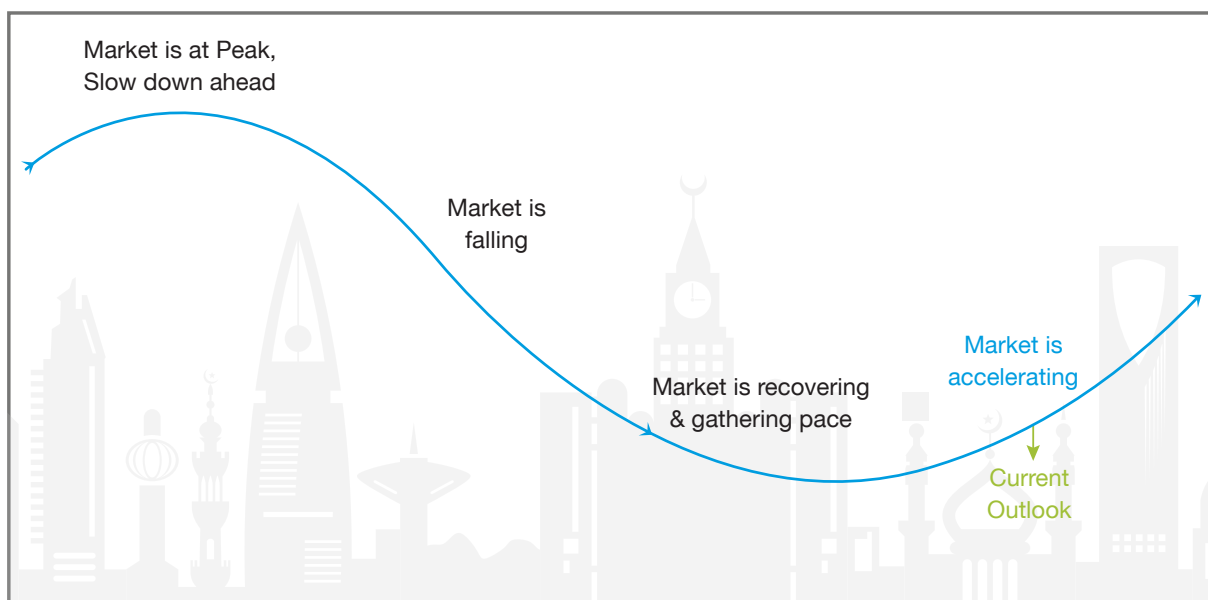
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1. Executive Summary



- Saudi Arabia's economic momentum is expected to continue well into 2022 on back of expected increase in oil production. Economic activity in the Kingdom of Saudi Arabia (KSA) witnessed sharp rebound, registering real GDP growth of 9.6% y-o-y in Q1 2022 and the momentum is expected to continue in the remainder of the year.
- Oil prices are expected to remain well above USD 100/bbl. in 2022 (Brent spot average of USD 107.37/bbl. is forecasted by EIA for 2022) on the back of rising demand and tightening supply. The rise in oil prices has improved government revenue, which augurs well for the economy. Saudi Arabia recorded quarterly surplus in Q1 2022 for the first time in 6 years mainly driven by higher oil prices. The kingdom recorded surplus of SAR 57.5 billion (USD 15.3 billion) witnessing a rise in output from all sectors. Oil production was 10.3 million bpd in March 2022, which represented a growth of 26.7% y-o-y.
- The KSA real estate price index rose by 0.4% y-o-y in Q1 2022, mainly driven by a 1.8% y/y increase in residential land prices. Real estate land prices have been relatively stable in the recent past, showing mild growth.
- The Saudi Arabian real estate market has made a strong recovery from the coronavirus-induced slowdown. Various measures taken by the government like ensuring home ownership for all nationals, mandating regional headquarters for foreign companies has also given new impetus to the real estate sector. Also, other government initiatives like Sakani (enable Saudi citizens to own their first home) and Wafi (off-plan sales and rent program) boosted the demand for affordable homes.
- Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia is expected to show further stability with a chance of mild acceleration in 2022.

Saudi Arabia Real Estate Market Outlook



Source: Marmore Research

Saudi Arabia Macroeconomic Views

Economic Factors	Our take	Economic Factors
 Oil (Real) GDP Growth	Strong	Growth momentum in oil sector to sustain in H2 2022 and 2023 underpinned by increased oil production and elevated oil prices. Supply tightening and increase in demand for oil are expected to keep prices high.
 Non-Oil (Real) GDP Growth	Moderate	Non-oil sector is expected to stabilize with steady growth after the recovery from the pandemic.
 Fiscal Balance	Moderate	Expected to improve in H2 2022 due to increased revenues on back of higher oil prices; Saudi Arabia recorded quarterly surplus in Q1 2022 for the first time in 6 years mainly driven by higher oil prices
 Investments	Neutral	Current trends expected to persist in 2022. Capex has decreased 1% y-o-y in Q1 2022 to SAR 14.84 billion as the government continues to shift most of its investment spending to the Public Investment Fund and other investment vehicles.

Saudi Arabia Macroeconomic Views

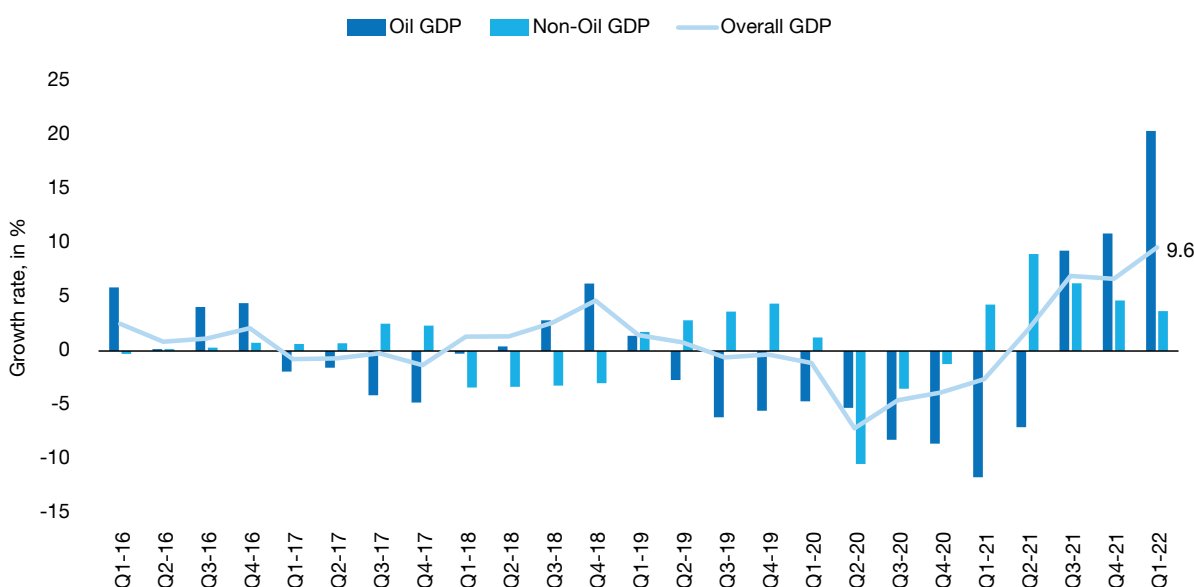
Economic Factors	Our take	Economic Factors
 Money Supply	Neutral	Expected to slightly increase in 2022 but lower in 2023 (forecast) due to expected interest rate hikes.
 Inflation	Moderate	Remains well-contained and moderate in Saudi Arabia despite inflationary pressures experienced in Developed Markets due to supply chain disruptions and elevated food prices
 Population Growth	Neutral	Population growth expected to rise in 2022 as travel restriction ease and expat inflows increase
 Job creation	Neutral	Initiation of major infrastructure projects and robust economic activity should ensure healthy job creation
 Interest rates	Subdued	With the expected hike in Fed interest rates, KSA's interest rates are also expected to increase in 2022 which will lead to increase in mortgage rates acting as a downside for home purchases. Consumer spending is also expected to reduce.

2. Saudi Arabia: Macroeconomic Update

a. Economic activity expected to remain strong in 2022

Saudi Arabia's economic growth has been on the uptrend, backed by increase in oil prices which is expected to stay at elevated levels due to rise in demand and supply constraints. The country has also been increasing oil production, which bodes well for economic growth in the second half of 2022 and early 2023. In Q1 2022, Saudi Arabia registered real GDP growth of 9.6% (Y/Y) - highest since Q4 2011, mainly as a result of higher oil prices. Increase in oil prices were driven by geo-political conditions and tight supplies. Non-oil activities increased by 3.7%, with government services activities growing by 2.4% year-on-year (YoY).

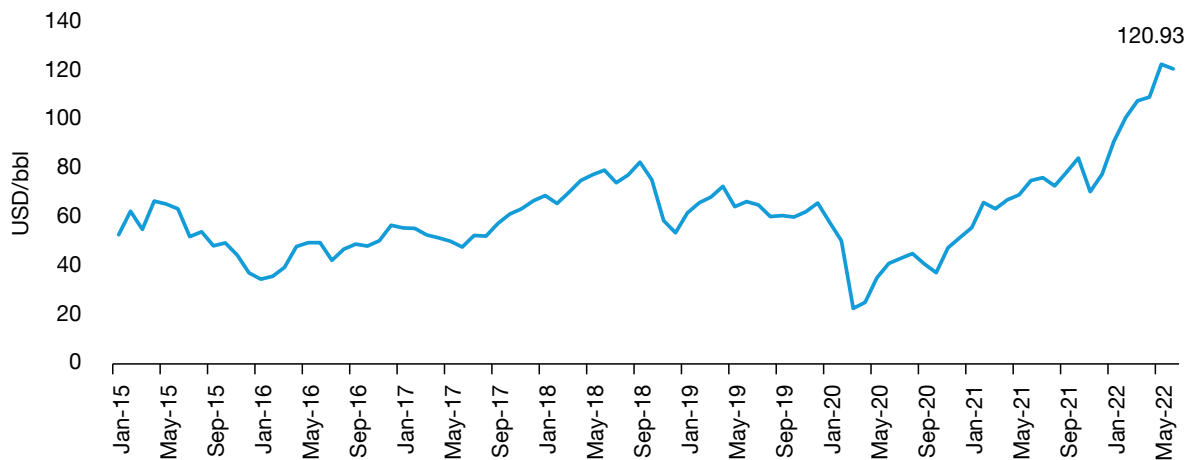
Saudi Arabia Oil, Non-Oil and Overall Real GDP Growth (Y/Y)



Source: General Authority for Statistics

Oil price continued to rise during the first half of 2022 due to the pickup in global oil demand and supply tightening caused by the conflict between Russia and Ukraine. Oil prices are expected to stay at elevated levels during the second half of the year as well, with tightness in the market expected to remain in the near term.

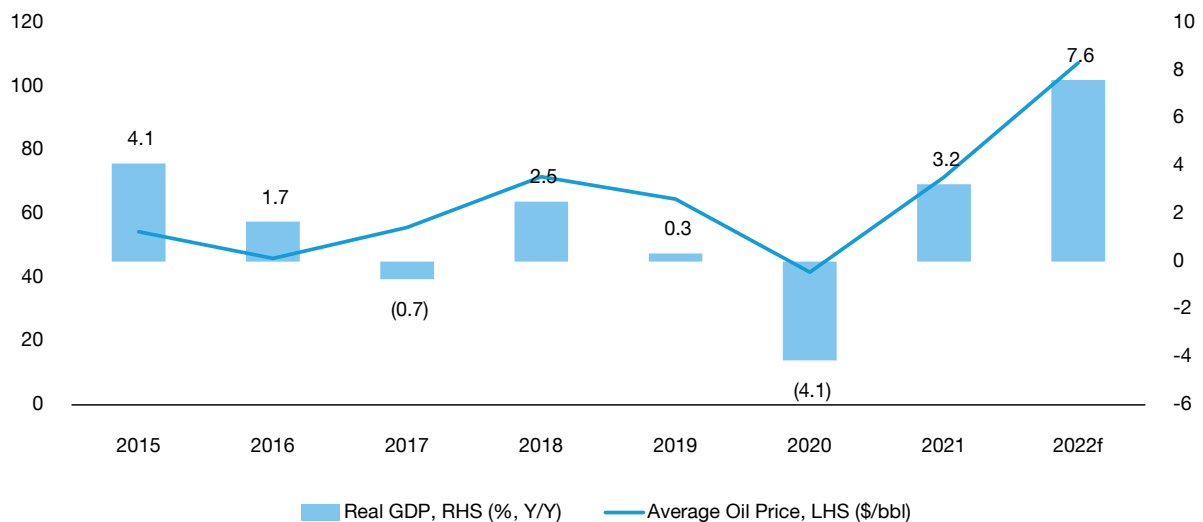
Month-End Brent Oil Prices (Dec 2014 – June 2022)



Source: Refinitiv

Saudi Arabia's economic activity is closely correlated with oil prices. At the end of May 2022, oil price has increased approximately 58% from the end of 2021. The IMF anticipates the real GDP to grow 7.6% and 3.6% in 2022 and 2023 respectively, compared to 3.2% in 2021 with an expected breakeven oil price of USD 79.2 per barrel in 2022 and USD 69 per barrel in 2023.

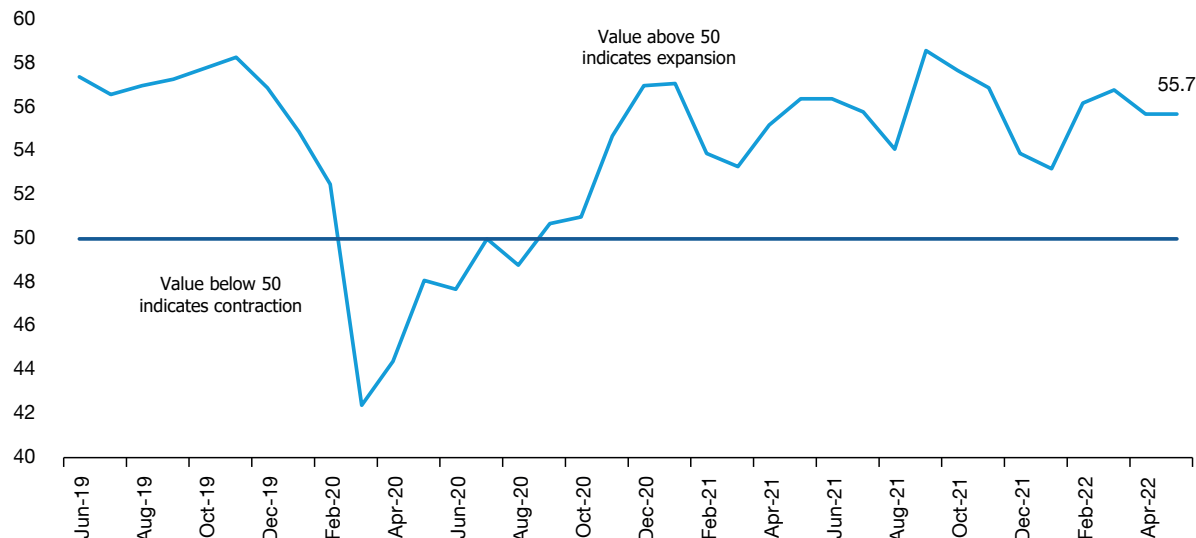
Real GDP Growth and Average Brent Oil Prices (2015-2022)



Source: IMF, Refinitiv; Note: Average Brent oil prices computed based on month-end closing prices

The Composite Purchasing Managers Index (PMI) for Saudi Arabia stood at 55.7 in May 2022. The composite PMI reading has been above the key level of 50, indicating robust expansion of the non-oil private sector.

Saudi Composite PMI (Jan 2019 – May 2022)

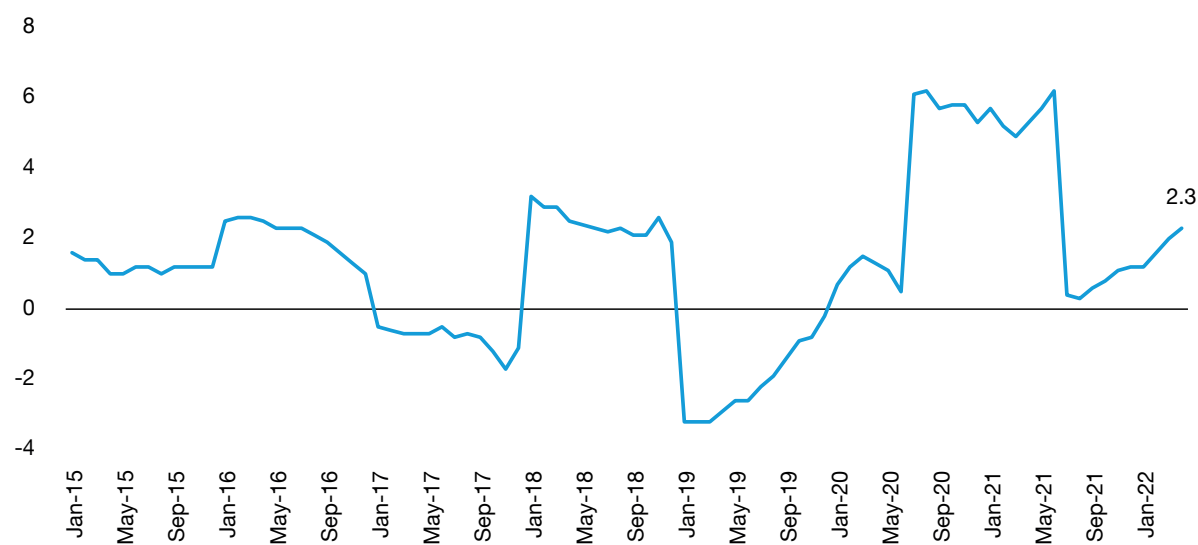


Source: IHS Markit, Refinitiv

b. Inflationary forces remain subdued

Despite inflationary pressures witnessed in many developed economies on account of various factors including supply chain disruptions and increased food prices, price levels in Saudi Arabia remain subdued. Overall, inflation rate stood at 2.3% (Y/Y) in April 2022 and for 2022 it is expected to average 2.51% and for 2023 at 1.96% (IMF).

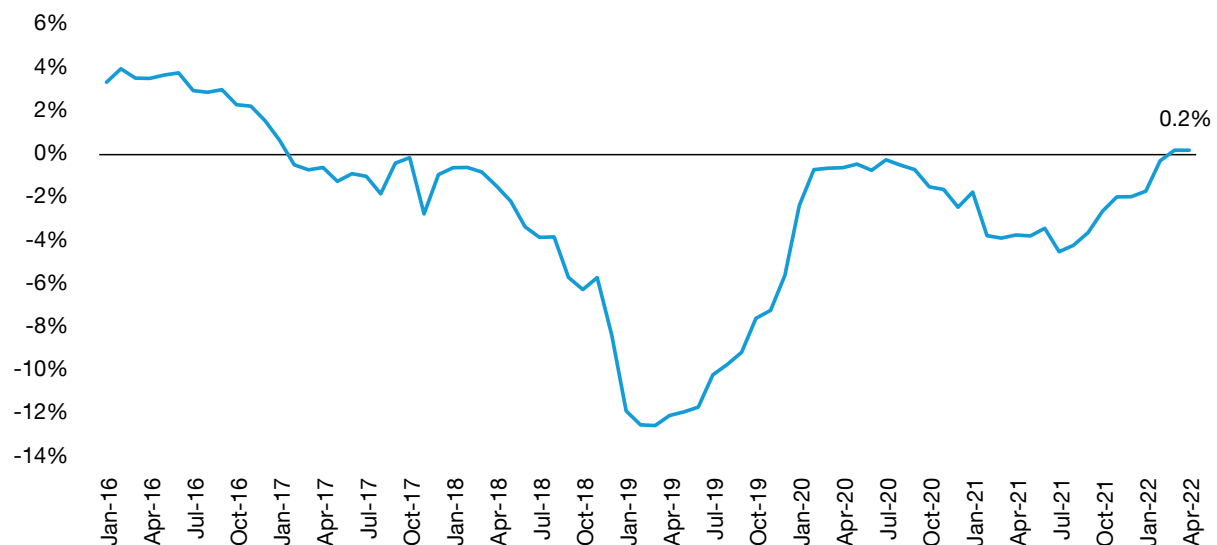
Consumer Price Index Inflation (Jan 2015- April 2022) (Y/Y, in %)



Source: Refinitiv

The largest component of the CPI was Housing rental prices comprising 21% of the total weightage and Consumer Prices, Housing & Utilities increased 0.2% y-o-y in April 2022.

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

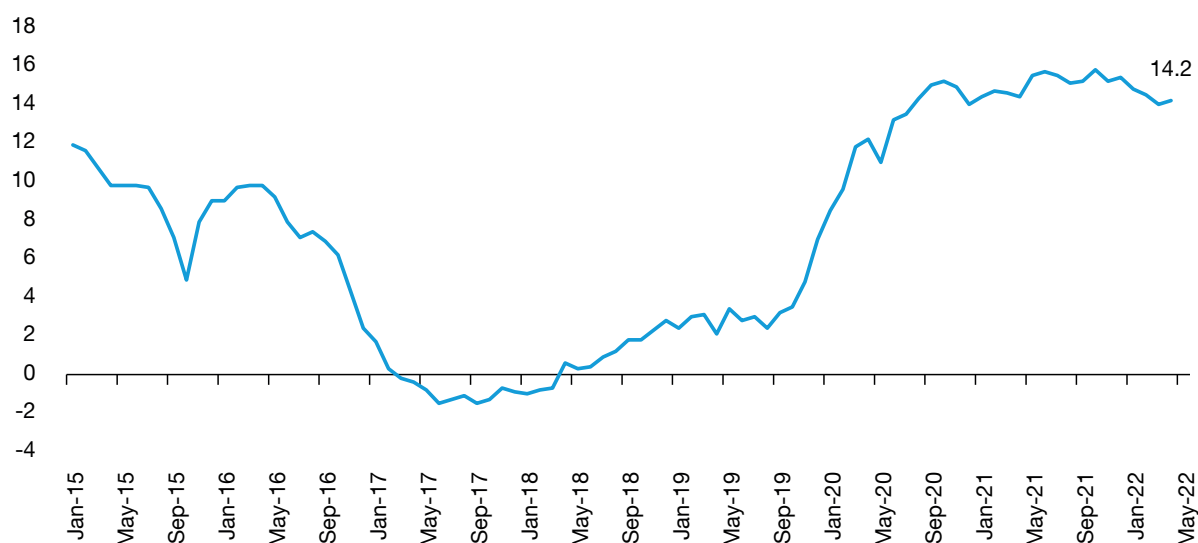


Source: General Authority of Statistics, KSA

c. Credit growth remains robust underpinned by mortgage growth

Credit growth as evidenced by total commercial bank claims on private sector remains healthy and stood at 14.2% in April, 2022 (YoY basis). S&P Global Ratings expects bank credit growth to stay at 12% for 2022 reflecting the expectations for steeper interest rate increase. Higher rates are gradually expected to cool off lending growth and in the meanwhile increase in contracts extended related to Vision 2030 along with private sector support programs is expected to boost demand for credit among corporates and credit growth is expected to normalize at about 10% by 2023.

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



Source: SAMA, Refinitiv

Real estate loans offered by banks stood at SAR 605.51 billion at the end of Q1 2022, representing a healthy growth of 28% (Y/Y). Of the total value, loans offered to retail customer stood at SAR 476.16 billion, growth of 33% (Y/Y) and those to corporates stood at SAR 129.35 billion, growth of 11% (Y/Y).

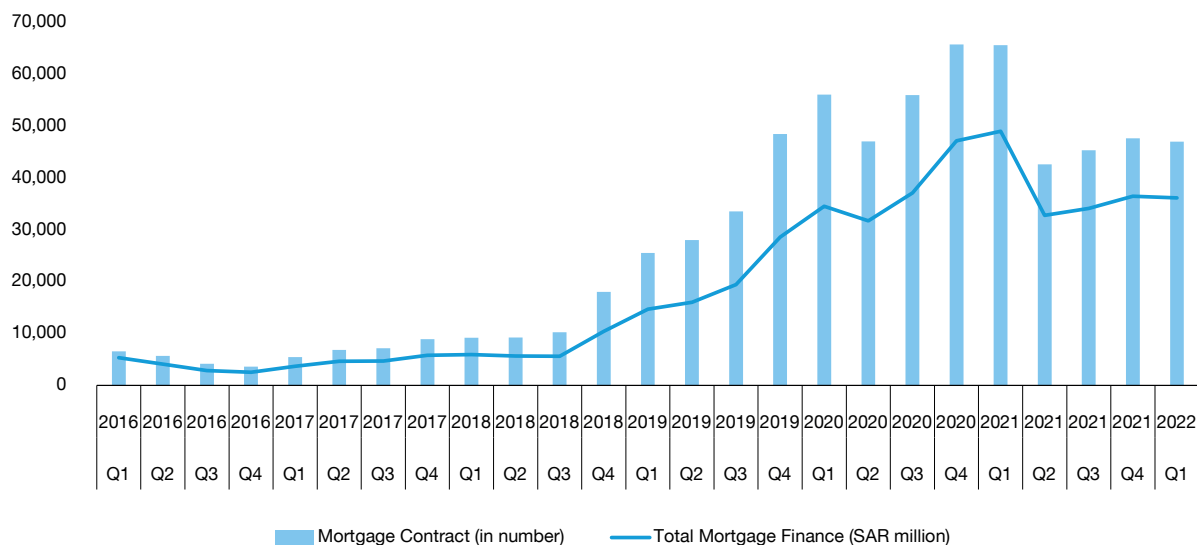
Real Estate loans by banks (SAR millions & Y/Y change %)



Source: SAMA

Value of new residential mortgages offered to individuals by banks stood at SAR 36.21 billion as of Q1 2022-end, representing a fall of 26.2% y-o-y compared to same period in the previous year. After steady growth in the take-up of residential mortgages due to strong underlying demand from Saudi nationals to own residential units, the total number of transactions trended down sharply by 28.3% y-o-y in Q1-2022. The drop is largely attributed to the change in procedures relating to obtaining a residential mortgage.

Number of new residential mortgage contracts and total mortgage value

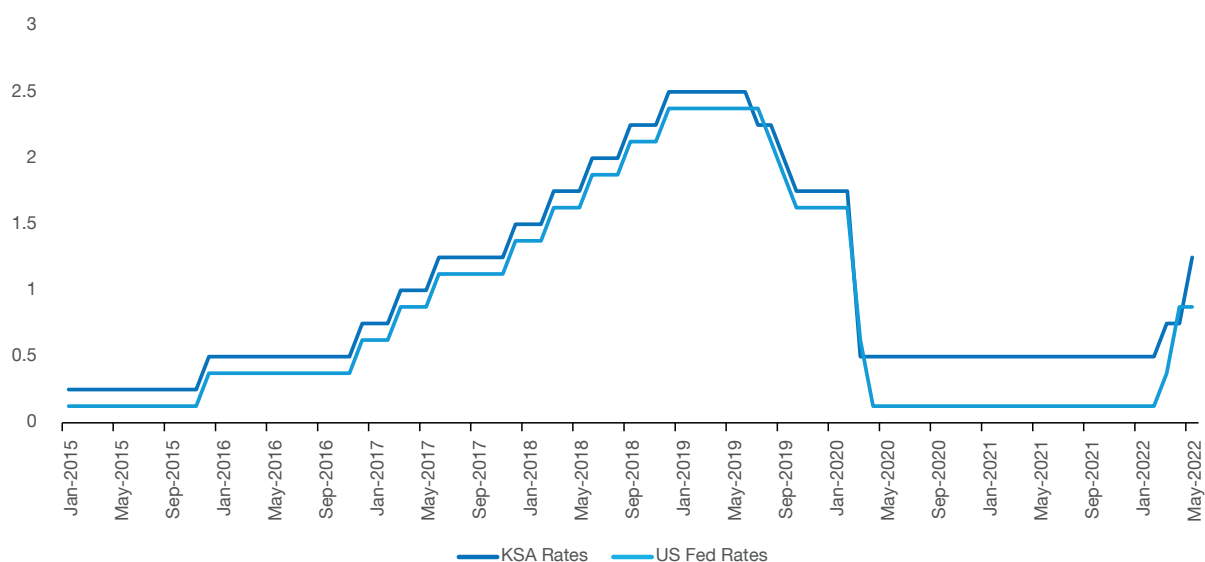


Source: SAMA; Note: Data available only from 2016

d. Interest Rates are expected to increase

The change in KSA's policy rates have been in tandem with change in U.S. Fed rate change historically. KSA is expected to increase policy rates in 2022 as well in line with expected Fed rate increase, which will lead to increase in mortgage rates and reduction in consumer spending.

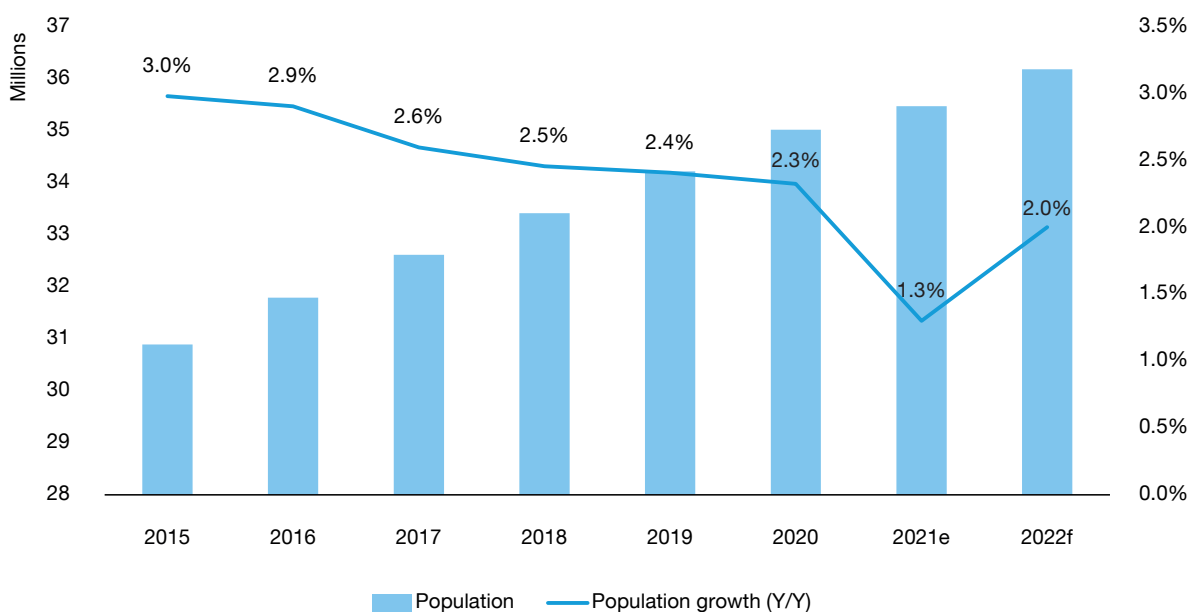
Bank claims on private sector (Y/Y, %)



e. Population growth remains healthy

Population growth in 2022 is expected to gradually pick-up compared to the previous year after the relaxation of travel restrictions and is expected to stabilize at levels of approximately 2.0% in the near-term.

Saudi Arabia, Total Population (2015-2022f)

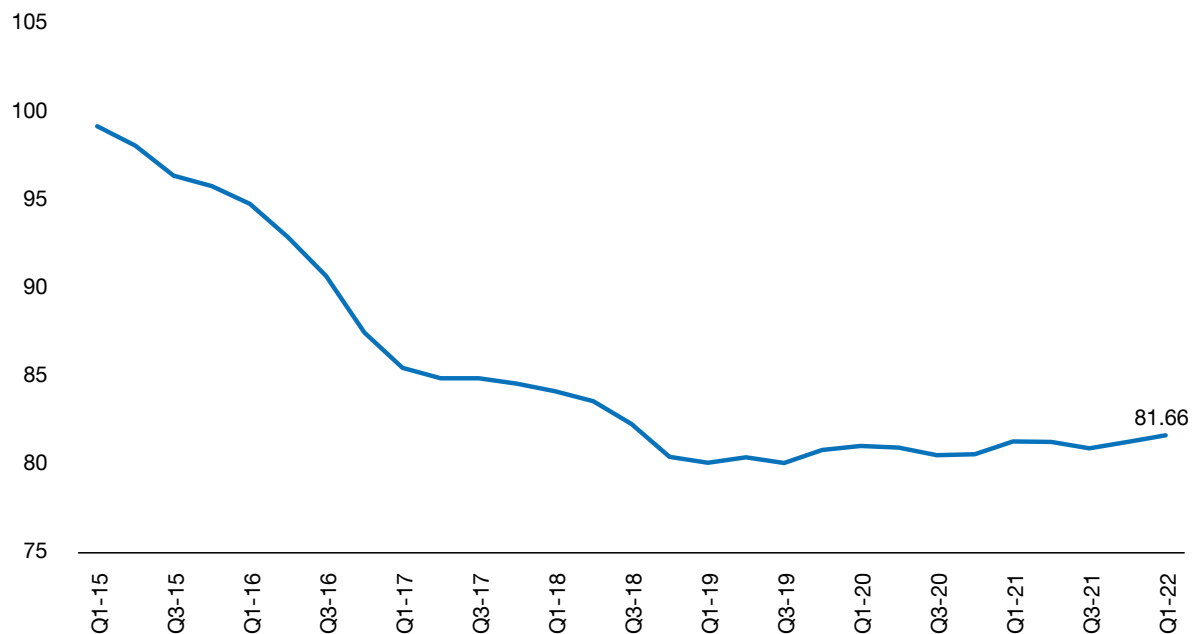


Source: General Authority on Statistics, IMF April 2022

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 the recent quarters. Annual real estate prices in KSA rose by 0.4% in Q1 2022 to 81.66 points, mainly driven by a 1.8% (Y/Y) increase in residential land prices. The KSA real estate index is a measure of price changes in three major segments in real estate which are the residential segment (65% weightage), commercial segment (31% weightage) and the agricultural land (4% weightage). Although this index includes plots, buildings, villas and apartments, majority of the weightage is given to the plot of land. (Residential land – 65.37%; Commercial land – 31%)¹

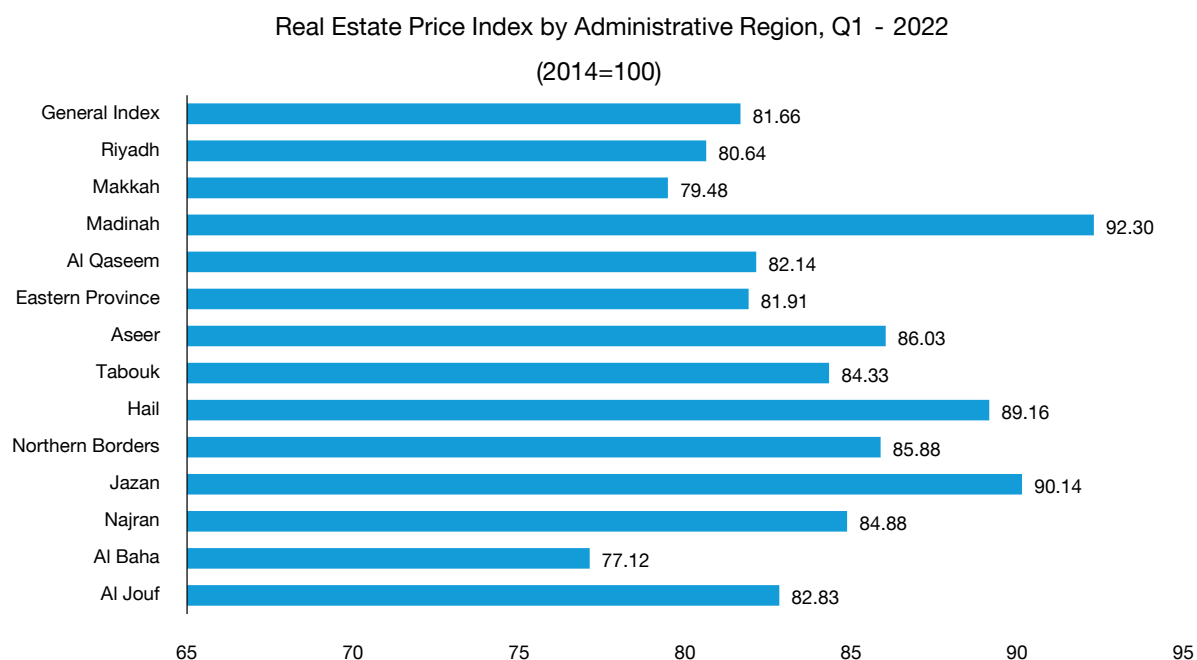
Saudi Real Estate Price Index have stabilized in recent years



Source: General Authority on Statistics

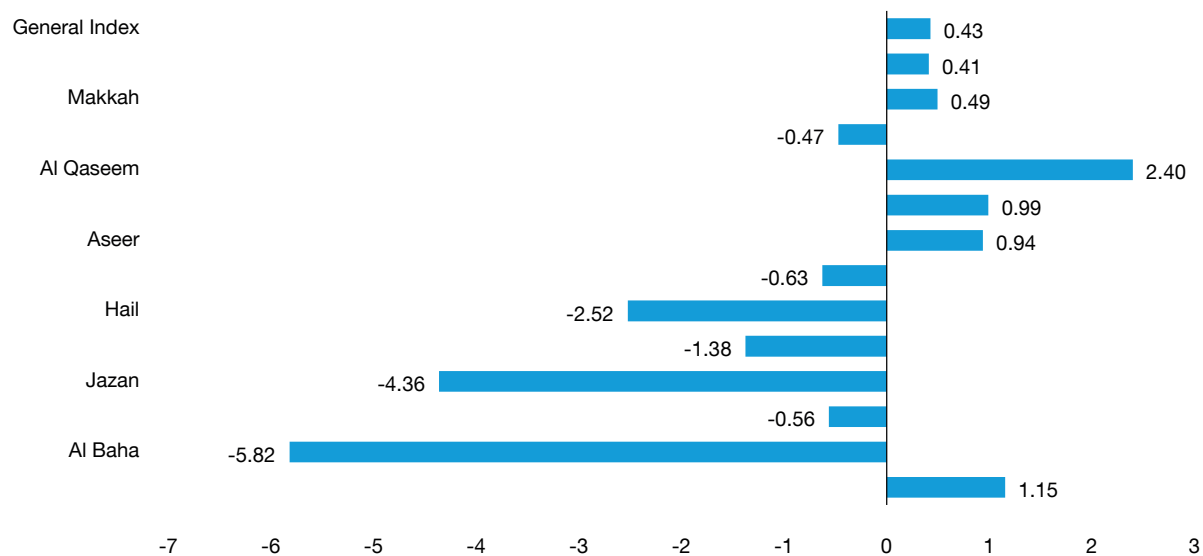
¹ REPI, GaStat

Real Estate Price Index by Administrative Region, Q1-2022 (2014=100)



Source: General Authority on Statistics

Real Estate Price Index (Y/Y change in %) by region – Q1 2022



Source: General Authority on Statistics

How different sectors fared in Q1-2022 in the key markets of Riyadh and Jeddah?

Sector-wise performance of KSA Real Estate

Asset Class	City	Total Stock at end of Q1-2022	Total Stock at end of Q3-2021	Price Action in Q1-2022
Office	Riyadh	4.8 million sqm of GLA	4.8 million sqm of GLA	Average Grade A & B rents increased 8% Y/Y
	Jeddah	1.1 million sqm of GLA	1.1 million sqm of GLA	Average Grade A & B rents increased 3% Y/Y
Residential	Riyadh	1.4 million units	1.3 million units	Average Sales price increased 5% Y/Y
	Jeddah	846,000 units	840,000 units	Average Sales price fell 2% Y/Y
Retail	Riyadh	3.2 million sqm of GLA	3 million sqm of GLA	Average rental rates fell 5% Y/Y (super regional malls)
	Jeddah	1.7 million sqm of GLA	1.7 million sqm of GLA	Average rental rates fell 1% Y/Y (super regional malls)
Hospitality	Riyadh	20,000 keys	19,000 keys	Occupancy levels rose 71% in the Year-to-February 2022, Average Daily Rates (ADR's) rose to reach USD 180 and Revenue per Available Room rose to USD 128
	Jeddah	15,200 keys	14,000 keys	Occupancy levels rose to 46% in the Year-to-February 2022, but Average Daily Rates (ADR's) declined to reach USD 150 and Revenue per Available Room declined to USD 70

Source: JLL

The Saudi Arabian real estate market has made a strong recovery from the coronavirus-induced slowdown. Various measures taken by the government to ensure home ownership for all has also given new impetus to the real estate sector.

Performance of the Residential sector²

- Residential transaction volumes in KSA fell by 23.4% in Q1 2022 vs Q1 2021 and the total value of the transactions also fell marginally by 1.9%. For YTD February 2022, the number of mortgage contracts issued by banks fell 33.7% and the total value of mortgages provided fell 32.5% y-o-y.
- In Riyadh the total number of transactions fell by 21.6% y-o-y in the year to Q1 2022 whereas Jeddah saw increase in transaction volumes by 5.4% in the 12 months to Q1 2022.
- Knight Frank has conducted a residential survey in 2022 and has listed out five major opportunities based on the outcome of the survey.
 - a. Affordability - Villas in Jeddah can cost over 12 times average annual incomes, while in Riyadh this figure is closer to 8.5 times annual household incomes which are higher than the 4-6 times annual earnings that is usually considered affordable globally.
 - b. Branded Residences – The appetite to purchase a villa (44%) is unsurprisingly higher than apartments (41%). The appeal of branded residences has been lower than anticipated, which is likely due to the lack of branded residential properties in the Kingdom.
 - c. Second Homes Market - The number of homeowners looking for a second home is significant at 44%.
 - d. Redefining Living - The proposed Giga projects are anticipated to redefine living in Saudi Arabia, with survey respondents showing a particular fondness for the NEOM project. Of the HNWI surveyed, 60% were most interested to in buying a home in NEOM. The appetite to purchase a unit in NEOM amongst tenants, homeowners and HNWI stands at 40%, 43% and 60%, respectively.

² CBRE, Knight Frank



- e. Private Sector Participation – Participation of the private sector may ease the challenges of the real estate sector. To some extent, this can be accomplished through ‘Master Developer Delivery Model,’ which has proven successful in some of Dubai’s master planned neighbourhoods, like Dubai Marina.

The Kingdom’s new Giga projects signify a profound shift in not just the amount of real estate development unleashed in the Kingdom, but also the creation of what might be one of the world’s hottest new real estate markets.

Office Sector Performance³

- In the first quarter of this year, office performance improved across the kingdom, in tandem with strengthening economic conditions and increased business activity. In Riyadh, average rents for Grade A and Grade B office buildings climbed by 8% year on year to over SAR 1,200 per square metre. On the same basis, lease rates in Jeddah saw a smaller rise of 3% to an average of around SAR 850 per sq. m.
- The vacancy rate in Riyadh’s entire market fell to 4% in Q1 2022, down from 5% for last year. Over the same period, the average vacancy rate for

³ JLL

Jeddah dropped by 8% points to 11%; which was mainly driven by a combination of rising demand from semi-government entities, private businesses taking on more floorspace and tenants re-locating from the south to better quality buildings in other locations across the city.

- The kingdom's office sector is expected to sustain its momentum in the short-term. The government's goal of making Riyadh a as a pre-eminent business hub, as well as the Project HQ effort, are likely to retain office demand high. Rental values in Jeddah is expected to continue to rise due to a limited supply and rising demand for office space.

Performance of Industrial & Logistics Sector⁴

- Saudi Arabia attracted 81 billion riyal (USD 21.6 billion) of investments in the industrial sector in 2021 for both the private sector and joint ventures with government entities.
- In March 2022, the Industrial Production Index increased by 24.8% compared to March 2021. The IPI continued to show positive growth rates due to the increase of industrial production resulted from higher production in the three sub-sectors mining and quarrying, manufacturing, and electricity and gas supply.
- The manufacturing activity also continued to rise in March 2022, recovering from the effects of the Corona pandemic, also due to recovery of international trade and the increase for Saudi exports.
- In its pursuit towards economic diversification, the KSA government has named the industrial and logistics sector as one of the key components. It also has ambitious plans to develop its manufacturing capabilities and transform itself into a global logistics center.

Performance of Retail Sector⁵

- On an annual basis, rents for super regional and regional malls decreased by 5% and 7%, respectively, in Riyadh for Q1 2022. On the same basis, rentals in Jeddah fell by 1% across super regional malls and 5% across regional malls.
- Due to project delays, only around 6,000 sq.m. of retail GLA was delivered in Riyadh in Q1 2022, bringing the total stock to 3.2 million sq.m. Over the same

⁴ Zawya

⁵ JLL

period, Jeddah's total retail stock reached 1.7 million sq. m. with the completion of approximately 11,000 sq. m.

- Comscore, which reports box office numbers recently noted that revenues across KSA rose by 95% y-o-y in 2021. The KSA ranked first in West Asia last year as the biggest market for cinemas in terms of total box office revenues (\$238 million), surpassing the UAE.
- Given the rebound seen in F&B and the entertainment experiences, developers are increasingly focusing on offering unique experiences in these areas to attract footfall. Furthermore, Saudi Arabia's Minister of Investment has recently highlighted the Government's goal of attracting new real estate investment, particularly in Riyadh's retail and entertainment industries.



Performance of Hospitality Sector⁶

- The average occupancy rates in Saudi increased by 23.4% (Y/Y) in the year to date to March 2022. Over the same period, despite the fall in ADR of 0.3%, RevPAR on an average increased by 66.2%.
- In the first two months of 2022, Riyadh's hotel occupancy jumped to over 71% (from nearly 51% in the corresponding part of 2021) and the average daily rate (ADR) surged to USD 180, up 19% year-on-year. Riyadh's RevPAR was up two-thirds to USD 128 when compared to the same period of 2021. Jeddah's occupancy rate ticked up by 2% points annually to 46% over the first two months of 2022 but ADR saw a double digit decline to USD 150 mainly because of which there was a 13% y-o-y drop in RevPAR to USD 70.
- Due to the ease of restrictions, particularly in relation to religious tourism a number of planned events such as the continuation of Saudi Seasons initiative and returning business visitation the performance of KSA's hospitality sector is expected to improve in 2022. It was also noted in the KSA's Budget Statement for the Fiscal Year (FY) 2022 that general & detailed plans will be prepared for 15 tourist locations in FY 2022.
- KSA is expected to see higher numbers of pilgrims travelling to the country to perform Hajj and Umrah. Trips made by Saudi citizens & residents unrelated to Hajj and Umrah within KSA rose by 76% year-on-year in Q4 2021 due to easing restrictions.

⁶ CBRE, JLL

How are the different sectors in real estate expected to fare in 2022 vs 2021?

Asset Class	2022 vs 2021	Key Driver
Residential	Similar to 2021	Government initiatives pushing for Riyadh to be the business hub of the region are expected to underpin residential demand (from both Saudi nationals and expatriates). By comparison, demand for Jeddah's residential sector is likely to be continued to be driven by the local population.
Office	Better than 2021 for Grade A; Grade B spaces expected to be under pressure	Recent government initiatives for regional HQ's to be based in the kingdom will force regional occupiers to review their office Foot print across the Middle East and start planning for the long term. Office rents in the Grade B segment are expected to remain under downward pressure as there is a flight to quality towards Grade A quality floor space in both the cities.
Industrial & Logistics	Similar to 2021	With the trend of online shopping expected to continue into the near future, demand for modern distribution facilities, currently in short supply, is expected to remain elevated.
Retail	Similar to 2021	With the growth of e-commerce, shopping centres are having to shift their focus to enhance customer experiences. Among other strategies, developers are positioning their assets to enhance their entertainment and F&B offerings. If executed properly, such changes can add value by attracting greater levels of footfall.
Hospitality	Better than 2021	Due to ease of travel restrictions particularly in respect to religious tourism and due to planned initiatives the KSA's hospitality sector is expected to improve in 2022.

Source: JLL, CBRE, Marmore Research



Invest in Markaz Real Estate Fund

**Total return
annualized:**

6.34%

**Average annual
distribution since
inception:**

5.09%

Fund Performance

Total Return (Jan 03-Dec 03)	17.80%
Total Return (Jan 03-Dec 05)	40.02%
Total Return (Jan 06-Dec 08)	32.10%
Total Return (Jan 09-Dec 11)	4.60%
Total Return (Jan 12-Dec 14)	21.10%
Total Return (Jan 15-Dec 17)	2.10%
Total Return (Jan 18-Dec 20)	2.70%
Total Return (Jan 03 – Sep 21)	148.85%
Capital Gain since Inception	22.76%
Income Distribution since Inception	126.09%
Total Return Annualized	6.34%
Average Annual Yield (Cash)	4.80%
Volatility (3 year)	2.06%

The Markaz Real Estate fund, established in 2003, is considered the first open-ended real-estate investment fund in Kuwait, and stands as a testament to Markaz's innovation in the financial services field. This is reflected through the ongoing development of unique investment tools that cater to investors' needs. Markaz Real Estate Fund is Sharia compliant and aims to achieve stable and recurring returns, through investing in income generation properties in Kuwait.

Important info:

- Fund manager: Kuwait Financial Centre K.P.S.C. Universal Tower, Ahmad Al-Jaber Street, Sharq, Kuwait, Tel: +965 2224 8000, P.O. Box 23444, Safat 13095, State of Kuwait
- Fund Executive Committee Members: Bassam Al-Othman, Milad Elia, Khaled Al-Mubarak, Abdullatif Al-Nusif
- To get a copy of the Fund's Articles of Association, the subscription form, and the financial statement of the fund, please visit our website: www.markaz.com
- The Total Return consists of the Capital Gain and the Dividend Yield after deducting all fees and expenses

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

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4. Real Estate Saudi Arabia – Major News/Laws

Saudi Arabia to build 300,000 houses in 4 years

- Saudi Arabia will spend at least 200 billion riyals (\$53.3 billion) to build nearly 300,000 houses in the next four years within plans to increase citizens' house ownership to nearly 70 percent, according to a Saudi housing official. The Kingdom has already pumped more than 500 billion Saudi riyals (\$133.3 billion) into the housing sector over the past few years as part of its economic diversification scheme 'Vision 2030,' said Mohammed bin Saleh Al-Butti, CEO of the National Housing Company (NHC).

Sakani Program

- Saudi Arabia has announced that work is progressing well on seven major residential suburbs being developed in major cities across the kingdom under its Sakani Housing programme. Once completed, it will add 146,500 new homes into the Saudi Arabia's real estate market. These residential suburbs are coming up on a total area of more than 53 million sq. m. in partnership with a number of real estate developers from the private sector. According to

officials, all these residential suburbs have a modern concept of housing that meets the needs and aspirations of the Saudi families. It includes all educational, health and commercial facilities, in addition to green spaces, sports and recreational centers to boost their quality of life.

Foreign diplomatic missions, global firms can own headquarters, residences under amended Saudi Real Estate Law

- The amended Law on Real Estate Ownership and Investment by non-Saudis allows foreign diplomatic missions accredited to the Kingdom to own their official headquarters and residences of the head of their missions and their members and that is on the basis of reciprocity. There is also a provision in the amended law that permits international and regional organizations to own their official headquarters and that is within the limits of the agreements governing them. These ownerships would be granted on the condition of obtaining a license from the Minister of Foreign Affairs, it was specified in the amended law. The amendments to the law were introduced with the aim of raising and improving the efficiency and effectiveness of the procedures and controls related to the ownership or use of real estate by non-Saudis, who enjoy natural and legal capacity, in cities and economic zones in the Kingdom targeted for development, including the cities of Makkah and Madinah.

Saudi SAMA announces amendment articles of implementing regulations of finance laws

- The Saudi Central bank (SAMA) has announced the amendment of some articles of the Implementing Regulations of the Finance Laws in the Kingdom of Saudi Arabia. SAMA stated that the amendments included the decision of the Minister of Finance to revoke article (4) of the Implementing Regulation of Real Estate Finance Law, and accordingly, real estate finance companies are now allowed to practice financing activities without stipulating the prohibition of combining Real Estate financing and other forms of financing activities. SAMA retains the discretion to restrict licensing by certain conditions.

PIF-backed Saudi Real Estate Refinance signs mortgage finance deal worth \$266m

- The Saudi Real Estate Refinance Company (SRC), a mortgage financier backed by the kingdom's Public Investment Fund, has reached a refinancing deal worth 1 billion Saudi riyals (\$266.6 million) with Saudi National Bank as it seeks to boost the home finance market in the Kingdom. This is considered to be the largest bank



refinancing deal in the kingdom to date, the SRC said in a statement. The agreement aims to refinance the lender's real estate portfolio to provide long-term liquidity to the kingdom's home finance market, SRC said. SRC continues to "expand its partnerships with originators to boost the rate of Saudi home ownership to 70 per cent by 2030", Fabrice Susini, chief executive of SRC, said. Saudi Arabia has set an ambitious target of raising home ownership rates in the kingdom to 70 per cent by 2030 under the Sakani programme — a joint initiative between the Ministry of Housing and the Real Estate Development Fund. The fund distributes land plots and arranges home loans for Saudi citizens seeking to build homes.

Saudi Arabia's Jadwa Investment launches real estate growth fund

- Saudi asset management and advisory company Jadwa Investment has launched a new real estate fund with a target size of 3 billion Saudi riyals (\$800 million) as it seeks to capitalise on the growth of the kingdom's rapidly expanding property market. The Real Estate Growth Fund, launched in partnership with Tatweer Group, Numu Holding Company and Riyadh Bank, is a close-ended, Sharia-compliant real

estate investment fund, Jadwa said in a statement on Sunday. The fund aims to provide investors with a “stable stream of income and compelling capital appreciation over the medium to long-term by investing in differentiated, income-generating properties” in the kingdom. The kingdom plans to turn Riyadh into one of the top 10 city-economies in the world and is investing \$220bn to transform the Saudi capital. Riyadh-headquartered Jadwa Investment said its new fund has already acquired The Zone, one of Riyadh’s most prominent commercial assets, located in Al Mohammadiya district, with debt financing provided by Riyadh Bank.

Saudi Arabia plans to build largest-ever buildings in Neom city

- Saudi Arabia is planning the world’s tallest buildings in a mostly unpopulated part as part of an entirely new \$500 billion development called Neom. The aim is to build twin skyscrapers about 500 meters (1,640 feet) tall that stretch horizontally for dozens of miles. The skyscrapers would house a mix of residential, retail and office space running from the Red Sea coast into the desert. The plan is a shift from the concept announced last year of building a string of developments linked by underground hyper-speed rail, into a long continuous structure. Designers were instructed to work on a half mile-long prototype. If it goes forward in full, each structure would be larger than the world’s current biggest buildings, most of which are factories or malls rather than residential communities.

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 2022 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%	Change in interest rates impact the real estate investments. Higher interest rates translates to higher mortgage costs thereby reducing demand for home buyers.

Source: Marmore research

For each of the qualitative score, a quantitative score was assigned with 'Strong' being assigned a top score of '5' and 'Poor' assigned a value of '1'. A weighted average score was computed based on the weights as provided in the below table.

Saudi Arabia Macro-Economic Factor Assessment

Economic Factors	2016	2017	2018	2019	2020	2021e	2022f	2023f	Qualitative Take	Quantitative Score
Oil (Real) GDP Growth	3.6%	-3.1%	-0.1%	-3.3%	-6.6%	0.2%	13.1%	3.3%	Strong	5
Non-Oil (Real) GDP Growth	0.2%	1.1%	2.2%	2.8%	-2.5%	4.9%	4.2%	3.8%	Moderate	4
Fiscal Balance, % of GDP	-17.2%	-9.3%	-5.9%	-4.4%	-11.3%	-2.4%	5.5%	4.7%	Moderate	4
Investments (as % of GDP)	30.9%	27.9%	26.7%	29.1%	27.6%	25.5%	22.2%	22.7%	Neutral	3
Money Supply, M2 (Y/Y)	0.8%	0.2%	2.7%	7.1%	8.3%	7.4%	8.5%	7.6%	Neutral	3
Inflation	1.2%	-1.1%	2.5%	-2.1%	3.4%	3.1%	2.5%	2.0%	Moderate	4
Interest Rates* (%)	0.52	1.13	1.96	2.23	0.71	0.50	1.50	2.50	Subdued	2
Yearly Population Growth	2.9%	2.6%	2.5%	2.4%	2.3%	1.3%	2.0%	2.0%	Neutral	3
Jobs created (in '000s)	448	521.0	503.9	1,423	804	580	552	418	Neutral	3
									Overall Score	3.55

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

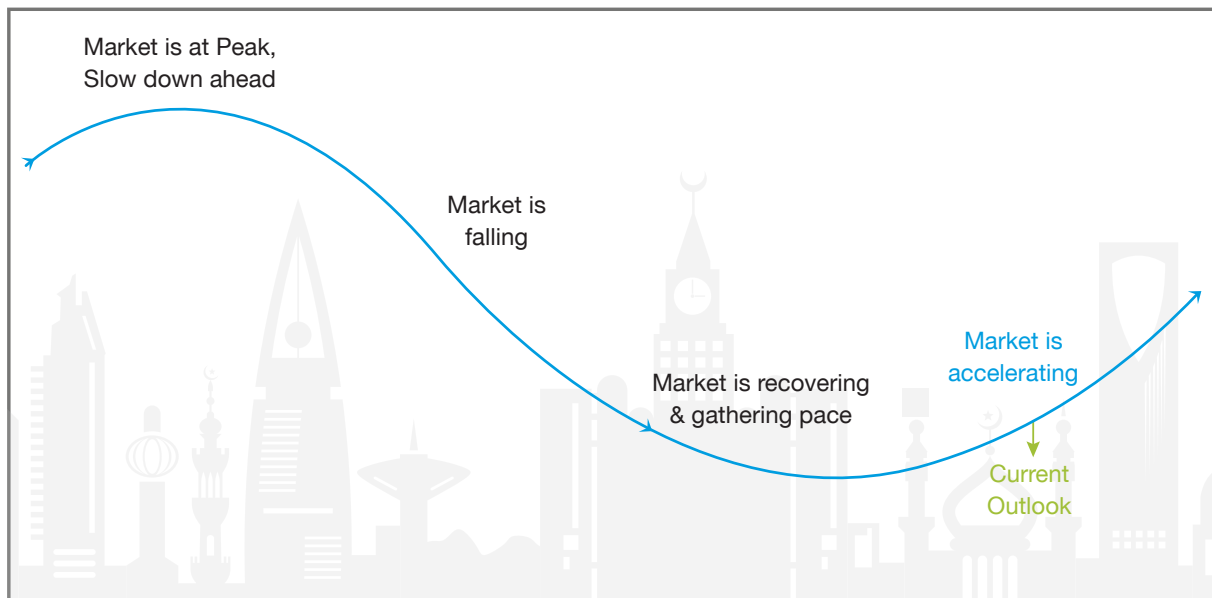
The state of real estate market was categorized into four distinct phases as shown below.

Market Phases

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

Source: Marmore research

Markaz Real Estate Outlook based on Macro Economic Indicators



Source: Marmore Research

Saudi Arabia Markaz Real Estate Macro Index Scores (2021-2022)

Macro indicators	H1 2021	H2 2021	H1 2022
Oil Real GDP Growth	3	5	5
Non-Oil Real GDP Growth	4	4	4
Fiscal Balance	3	4	4
Investments	4	3	3
Money Supply, M2 (YoY)	3	3	3
Inflation	3	4	4
Interest Rate	-	-	2
Population growth	3	3	3
Jobs created	4	3	3
Overall Score	3.4	3.6	3.55

Source: Marmore research

Conclusion

Following a better-than-expected recovery in 2021, Saudi Arabia's economy is forecasted to accelerate in 2022, fueled by growing oil and non-oil activities. Saudi economy will benefit from higher oil prices and increased output, with oil prices expected to remain at elevated levels in H2 2022 due to supply chain imbalances. Saudi Arabia reported a budget surplus of SAR 57.5 billion (USD 15.3 billion) in Q1 2022 which was the largest in 6 years. The surplus was supported by rising oil output and prices which boosted up oil revenues by 58% y-o-y, while its expenditure increased only by 4%. Non-oil revenue growth was close to 7% y-o-y for the first quarter of 2022. Additionally, as a part of the diversification plan, the Public Investment Fund (PIF) is forecasted to invest SAR 150 billion (USD 40 billion) annually into the domestic economy, which bodes well for the non-oil sectors. Saudi Arabia's domestic monetary policy is expected to tighten in line with the U.S. monetary policy due to the currency peg. Rising interest rates are expected to have a negative effect on mortgage lending and reduce consumer spending. Though the monetary policy is expected to tighten, stronger private consumption, increase in religious tourism due easing travel restrictions, and higher domestic capital spending (including investments in PIF) are expected to benefit KSA's economic growth.

After the downturn caused by the pandemic, the Saudi Arabian real estate industry has made a remarkable recovery as a result of various measures taken by the government like ensuring home ownership for all, mandating regional headquarters for foreign companies etc. Saudi Arabia's new Giga projects like NEOM, the Red Sea Project, Riyadh's Diriyah Gate signals a shift in consumer preferences and real estate development. Saudi Arabia's office sector is expected to sustain its momentum in the short-term supported by the Government's goal of making Riyadh a as a pre-eminent business hub. Also, Saudi Arabia's Minister of Investment has recently highlighted the Government's goal of attracting new real estate investment, particularly in Riyadh's retail and entertainment industries. Due to the easing of restrictions and religious tourism, the performance of KSA's hospitality sector is expected to improve in 2022.

In line with Saudi Vision 2030 and the government's plan to increase home ownership of citizens, the country plans to build 300,000 houses in the next 4 years. Sakani Housing programme is expected to a supply of 146,500 new homes into the Saudi Arabia's real estate market once completed.

Based on our assessment of various macroeconomic factors, we believe that the real estate sector in Saudi Arabia to show further stability with a chance of mild acceleration in 2022. Strong growth in the Oil sector is expected to remain a major positive driver for the economy and the Real Estate sector, while a rising interest rate environment and weak global cues remain the major headwinds.

Summary – KSA Markaz Real Estate Macro Index

Macro indicators	Future Outlook (2021 & beyond)	Quantitative Score
 Oil Real GDP Growth	Neutral	3
 Non-Oil Real GDP Growth	Moderate	4
 Fiscal Balance	Neutral	3
 Investments	Moderate	4
 Money Supply, M2 (YoY)	Neutral	3
 Inflation	Neutral	3
 Interest Rates	Subdued	2
 Population growth	Neutral	3
 Jobs created	Moderate	4
Overall Score	Market is accelerating	3.55

Source: Marmore Research

What reports to expect soon?



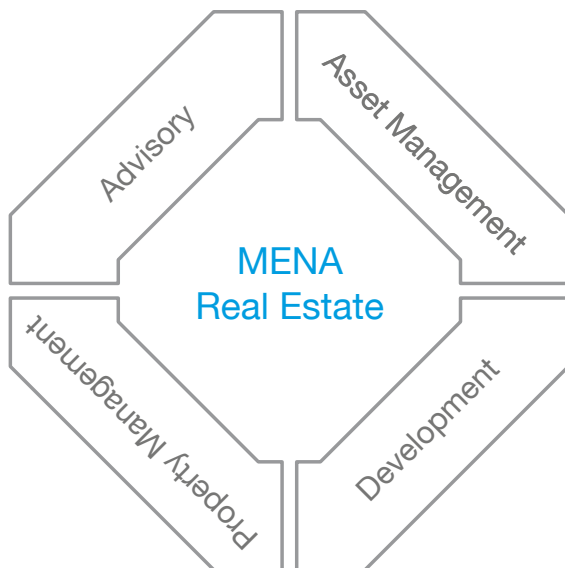
UAE Real Estate Outlook H2 2022



Kuwait Real Estate Outlook H2 2022

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

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- Governance
- Experience
- On the ground presence
- Hands-On approach
- Developed Systems covering
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 - Maintenance,
 - Financial management, &
 - Administration
- Software Support

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