

SAUDI ARABIA REAL ESTATE MARKET REVIEW Q3-2021

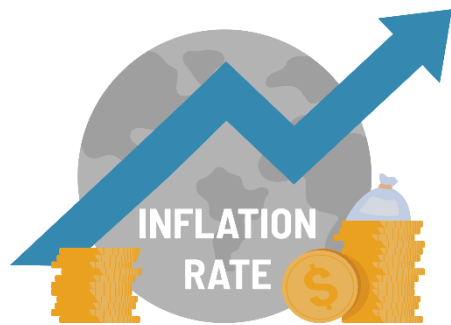
The 'Seasons' entertainment festivals and the Formula One Grand Prix, re-opening of flight routes all contributing to forecast growth in the KSA retail, hospitality, and tourism sectors.

Century 21 Saudi Arabia
November 2021

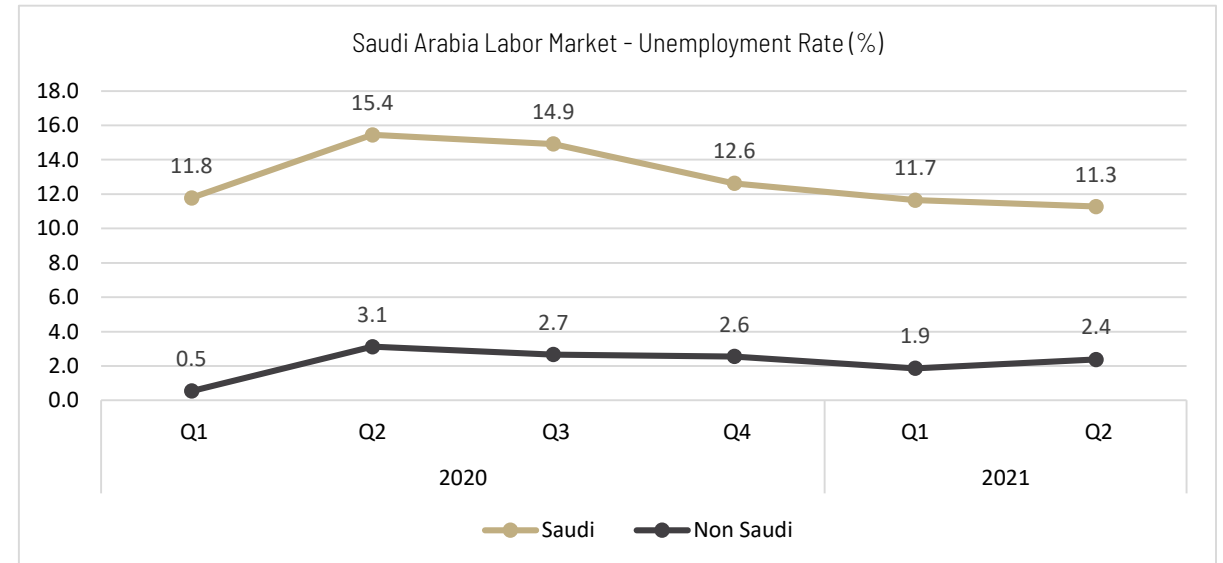
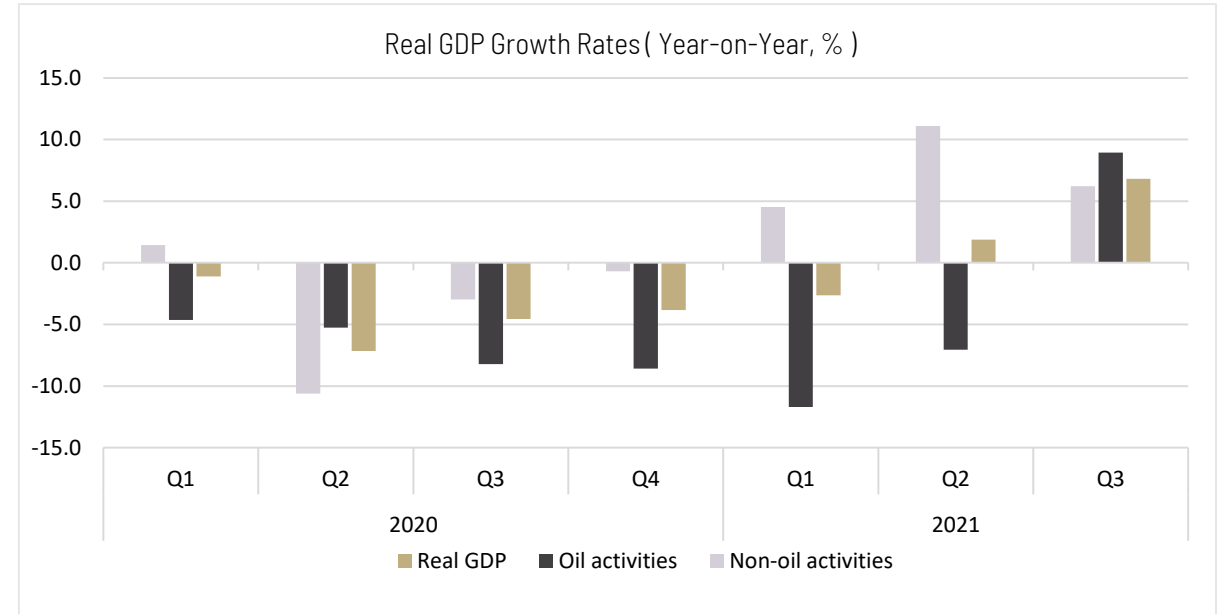
Macroeconomic Overview

- Saudi economy grows by 6.8% in Q3 2021 - the highest growth since 2012 and 1.8% increase in GDP Y-O-Y to Q2 2021.
- Global demand for crude oil and increased production of oil activities by 9% resulted the positive growth in GDP.
- Brent oil prices averaged SAR 277.5 (\$74) per barrel during Q3 2021, up by 7% quarter-on-quarter, and 71% over the same period last year.

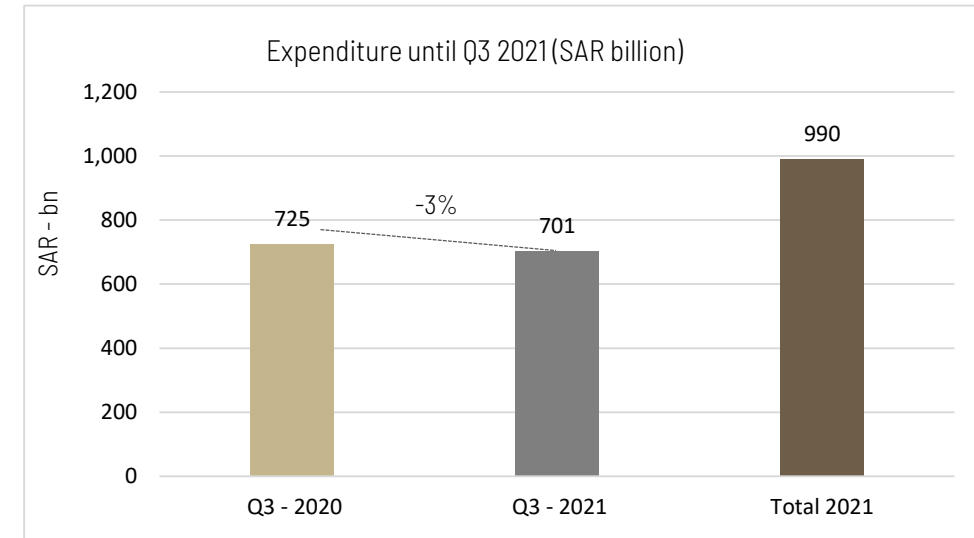
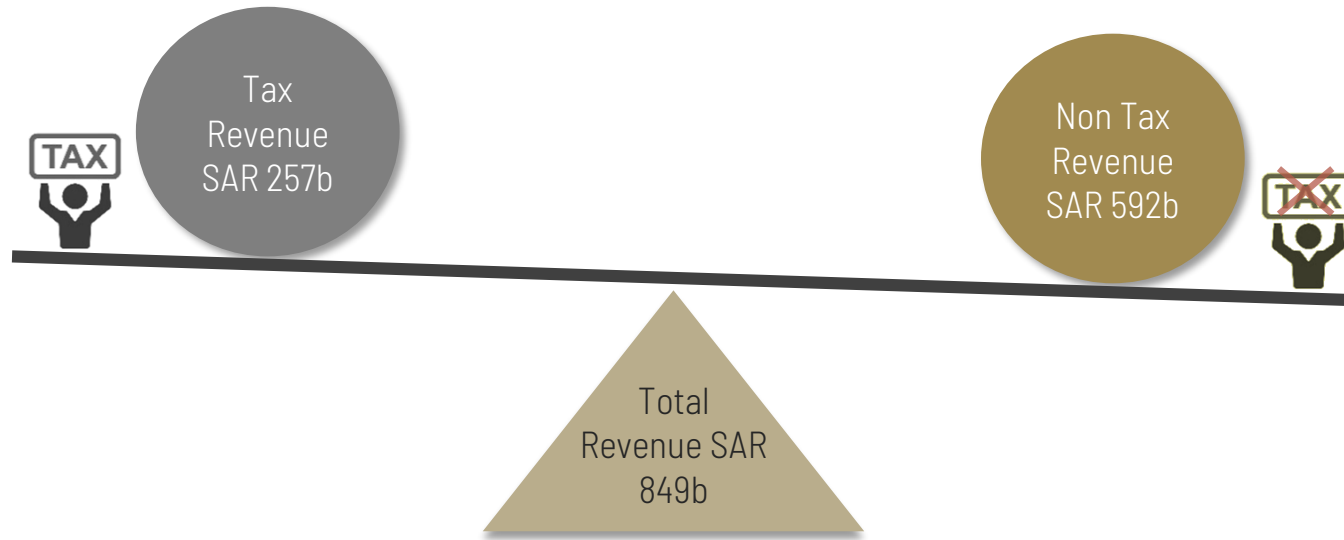
Saudi labor market shows improvement and unemployment declined to 11.3% in Q2 2021 (down from 11.7% in Q1) and down from 15.4% in Q2 2020. However non Saudi employment level fell down by 2.4% in Q2 2021 as compared to 3.1% recorded last year where construction sector along with 'wholesale and retail' continued to see the largest departures amongst expats. In order to mitigate the COVID-19 pandemic effects on the labor market and maintain the levels of Saudi employment, payment of monthly compensation to Saudi workers in the private sector through "SANID" scheme is commendable initiative by the Saudi government.



In October 2021, the CPI increased by 0.8% compared to the same month of last year (October 2020), higher than September 2021 (0.6%). Inflation surged to 5.4%, driven primarily by the increase in VAT from 5% to 15% in July 2020.



Macroeconomic Overview



Several factors including ongoing policy efforts to increase non-oil revenues, energy price reforms, domestic economic recovery (VAT receipts) and higher international oil demand and prices will combine to raise total revenues, by 10.3% year-on-year to SAR 849 billion in 2021.

Expenditure shows a decline of 3% during Q3 2021 as compared to the previous year.

Office

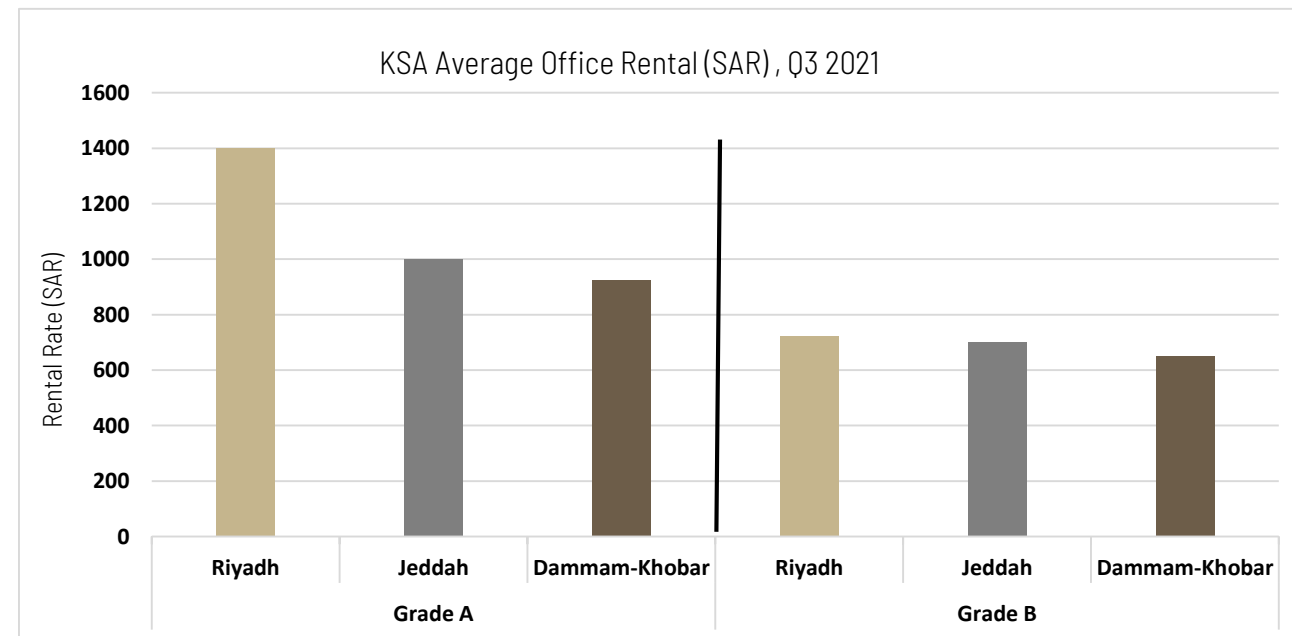
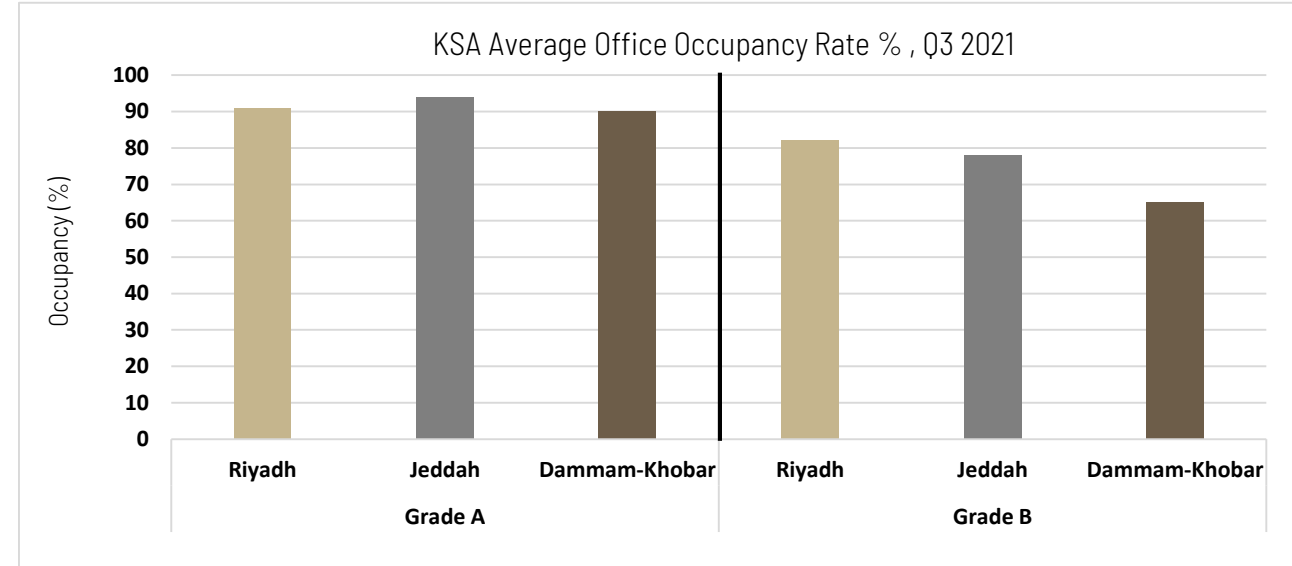
Foreign investments in new entities at the Kingdom soared up by 108% to reach 1,054 new entities during the first half of 2021, compared to 509 in 2020. One of the government's recent initiatives for regional HQ's to be based in the kingdom will force regional occupiers to review their office footprint across the Middle East and start planning for the long term.

Several companies are now planning to relocate their regional offices in KSA especially in the capital city due to the incentives offered by the government. We observed the occupancy levels at business parks in North East Riyadh are relatively higher than Grade A buildings in Central Riyadh because of enhanced offered facilities. Century 21 noticed stable rentals in most of areas however, a slight increase of 2% to 3% observed in northern areas of the city where the average office rentals ranges between SAR 850 to SAR 1,400 per square meter. Average city rentals ranges between SAR 550 to SAR 900 per sqm in B/B+ Class office.

Jeddah office stock is expected to reach 1.13 million sqm of GLA by the end of 2021. Century 21 noticed a vacancy rate of 3% to 4% and office rentals decreased by 5% to 8%. The average rental rates for A & B+ class offices located at the prime locations of the city ranges between SAR 900 to SAR 1,100 per square meter while the rental rates for B class office varies between SAR 550 to SAR 850 per sqm.

In Eastern region, the supply is matching with the demand and couple of mix use high end commercial towers are under construction. This addition brings the total office stock to 1.23 million sqm GLA. By 2023, supply is expected to reach an estimated 1.47 million sqm GLA.

Century 21 observed median annual rents of B Class offices in Dammam/ Al Khobar ranges between SAR 550 to SAR 750 per sqm, B+ Class offices ranges between SAR 850 to SAR 1,000 per sqm whereas annual rent on prime location ranges between SAR 1,000 to SAR 1,200 per sqm.



Residential

Residential transactions in KSA fell down by almost 13% from 2020 until 2021 while a turn down trend of 20% was noticed during Q3 2021 as compared to Q3 2020. During H1 2021, Saudi mortgage lending surges 27% amounted SAR 27 bn. Financing for villas accounted for 80% of residential real estate loans in the first half of the year, with 15.9% for apartments.

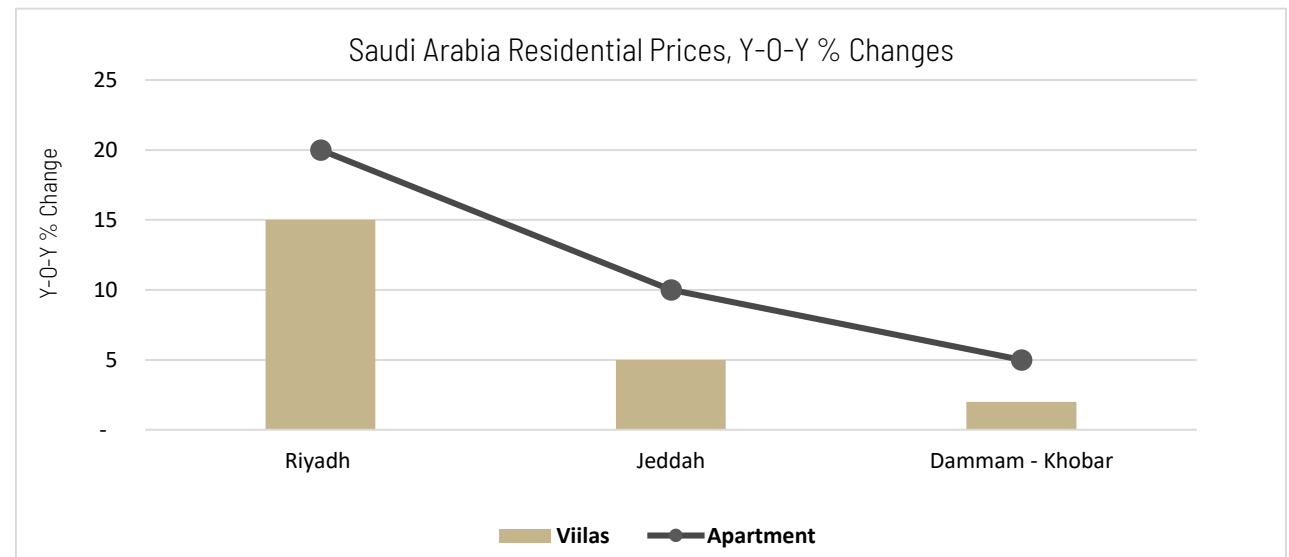
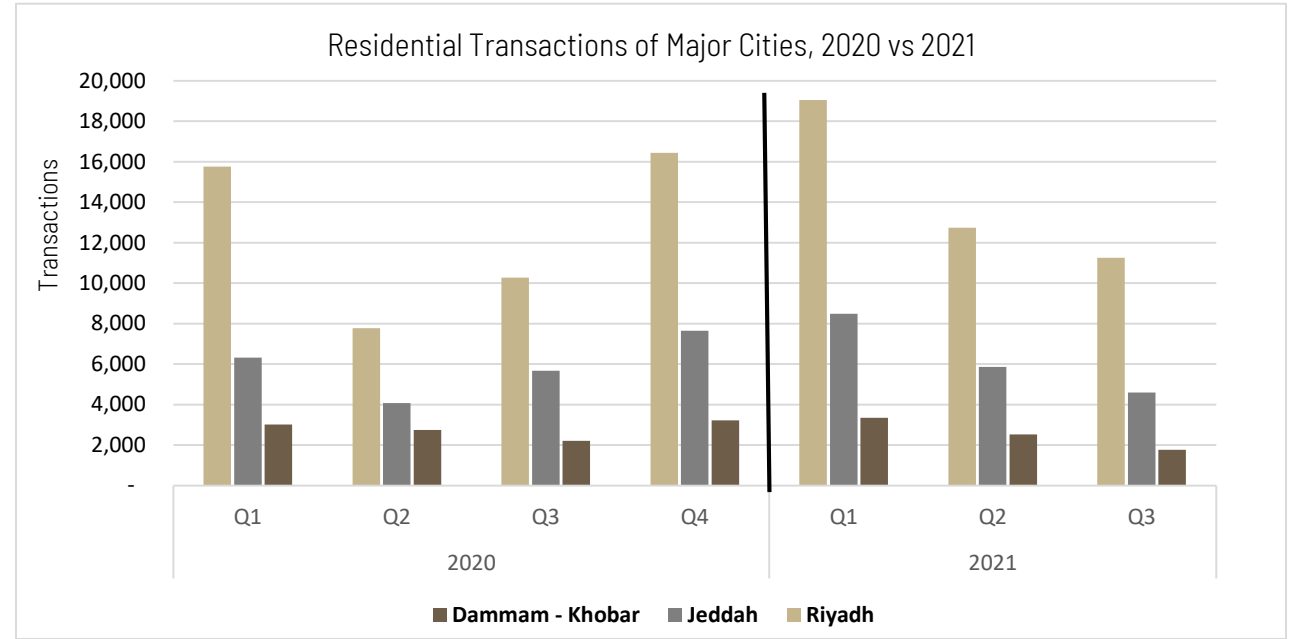
By the end of 2023, Riyadh's contribution alone will be around 65% to the government's initiative to support the residential sector by providing 155,000 housing units. Riyadh shows a slight increase in number of transactions in 2021 as compared to 2021 whereas Q3 2021 recorded 8.7% turn down vis-à-vis Q3 2020.

Jeddah's no. of residential transaction based on Y-o-Y to Q3 2021 fell down by 5.8% while quarter base transaction also remains 18.9% lower than the last year.

Dammam/ Al Khobar also recorded lower number of residential transaction of 17.5% based on Y-O-Y while Q3 2021 fell down by 20.3% in no. of transaction.

The Kingdom's recent decision to exempt all real estate transactions from 15% VAT to replace with new Real Estate Transaction Tax of 5% of the property value will stimulate the economy and new supply in Riyadh, Jeddah and Dammam/ Al Khobar.

During Q3 - 2021, banks provided SAR 33,651 million of mortgage loans where villas, apartments and lands accounted for 77.6%, 18.4% and 4.0% of total loan respectively.



Hospitality

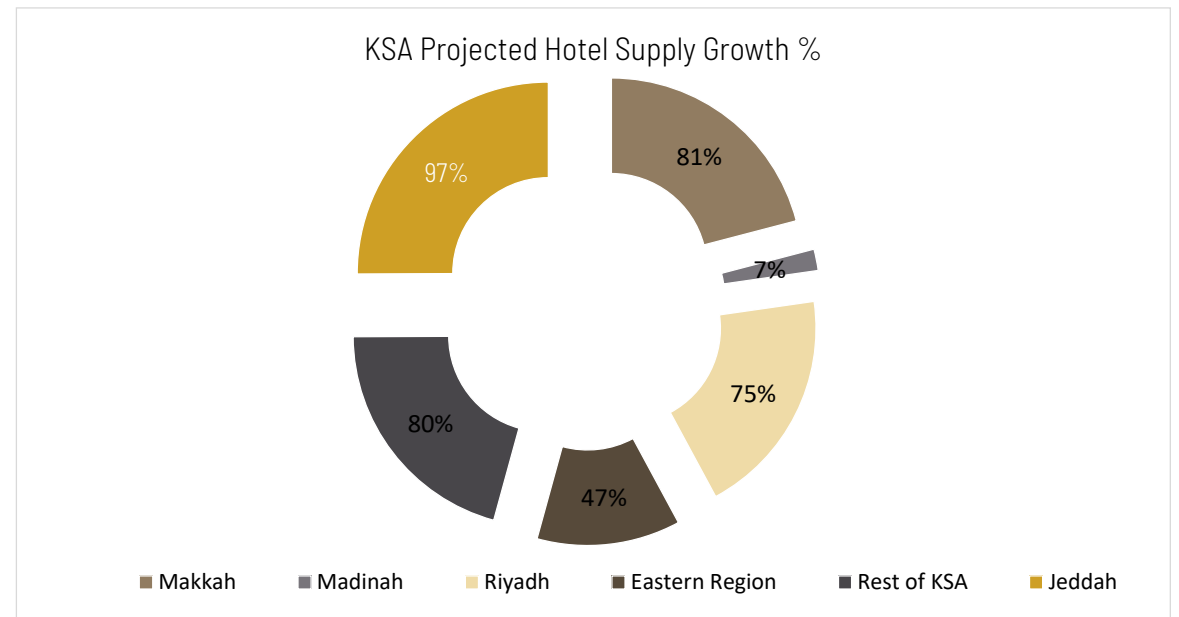
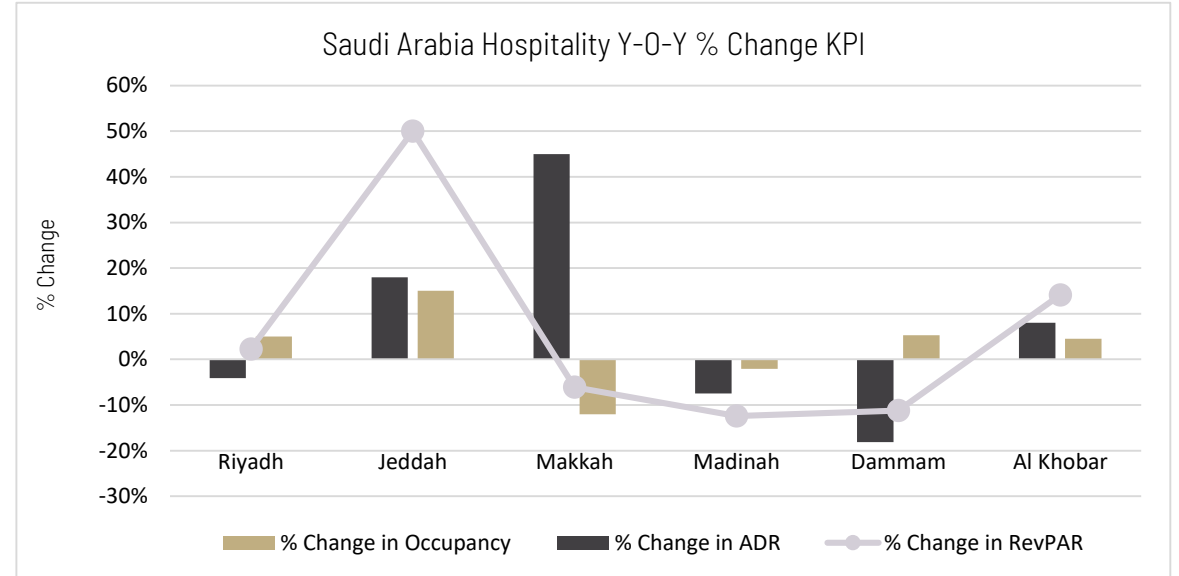
The World Travel & Tourism Council (WTTC) announces its 22nd Global Summit that will take place in Riyadh, Saudi Arabia, at the end of 2022. High level of hosting major events in Riyadh, Jeddah and Dammam/ Al Khobar has led to 2.3%, 50% and 14% increase in RevPARs respectively.

Saudi Arabia projected 67.1% increase in hotel room supply over the next three years is the highest among the world's 50 most populated countries.

Government initiatives of promoting its historical sites, developing attractions and simplifying visa procedures has started the recovery of the hotel performance across the Kingdom. Jeddah's hotel occupancy rate rose to 50% and average daily rates (ADR) grew by 18% in Q3 2021 based on Y-0-Y. By comparison, Riyadh's hotel performance was less positive. In Q3 2021, occupancy rates rose by 5% with average daily rates (ADR) of 2.3%.

Occupancy rate in Dammam and Al Khobar rose by 4.5% and 5.3% respectively however hotel performance in Al Khobar is showing a slight growth as compared to Dammam that has declined about 18% in ADR & 11.2% RevPAR.

Furthermore, by easing down the restrictions related to COVID-19 and lifting of travel bans are expected to bring improvement in hotel performance across the Kingdom.



Retail

During next couple of years, Riyadh, Jeddah and Eastern region are witnessing retailer's expansion trends and opening of news brands.

October 2021 data shows that value of point-of-sale transactions in Saudi Arabia reached SAR 40.5 billion (\$10.8 billion), up by 1.2% compared to the previous month. Some of the sectors that helped drive the increase were restaurants and cafes, hotels, food and beverages, clothing and footwear.

Century 21 research team observed a notable increase in footfall by easing down restrictions on restaurants, cafes and cinemas.

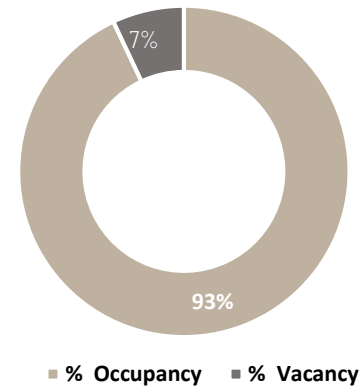
According to Ministry of Investment, the retail sector ranked first with 24% in the number of licenses issued in KSA as of Q2-2021. Consumer spending in H1 2021 was up 16% compared to 2020 as per the published stats by Ministry of Finance.

In terms of performance, Riyadh overall vacancy level remained stable at 7% to 10% and during H1 2021 rentals slightly went up (3% to 6%) in some super regional malls.

Strip retail centers and community malls in Jeddah showing 5% to 7% decreasing trend with vacancy breakdown of 8% to 12% during the year 2021.

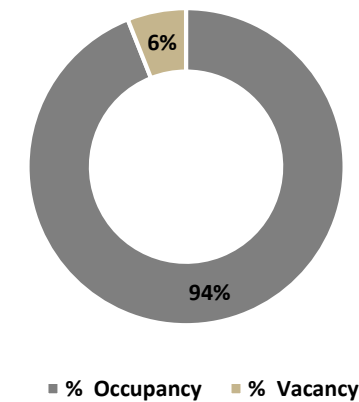
Century 21 observed no major change in rental trend however a slight decrease in dated properties across the twin cities. Dammam /Al Khobar vacancy rate varies between 7 % to 10%.

Retail Occupancy rate (%) Riyadh

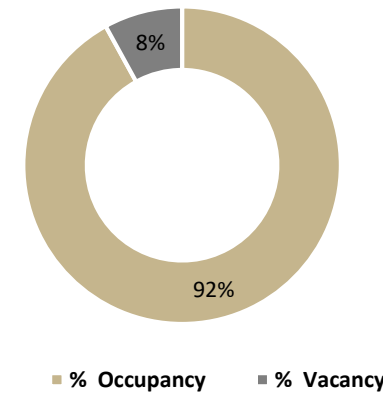


Comparing Y-O-Y percentage vacancy rate in Riyadh, Jeddah and Dammam/ Al Khobar, Century 21 observed an upward shift in overall vacancy rate of 1% to 2%, during Q3 2020 vis-à-vis Q3 2021.

Retail Occupancy rate (%) Jeddah



Retail Occupancy rate (%) Dammam/ Al Khobar



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