



The Monthly Real Estate Report

MAZAYA

AIM TO LEAD

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Due to residential oversupply and growing economic pressures

Al Mazaya: Rental rates falling across GCC property markets, amidst marked tendency towards homeownership



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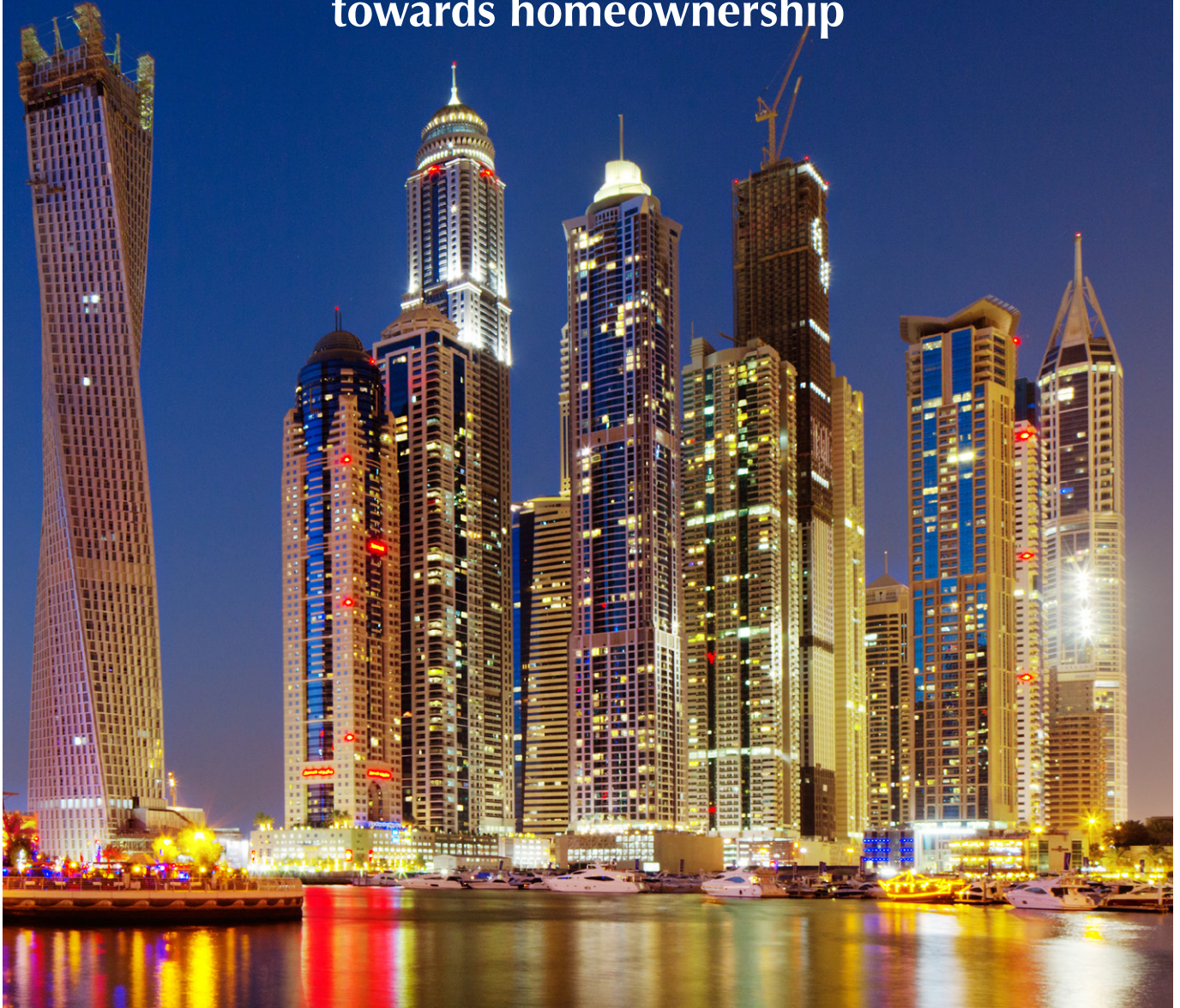
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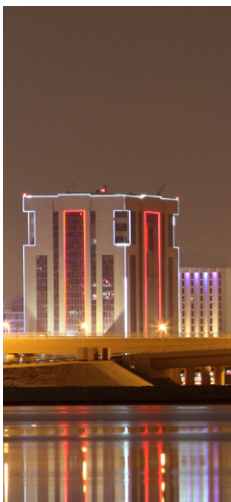
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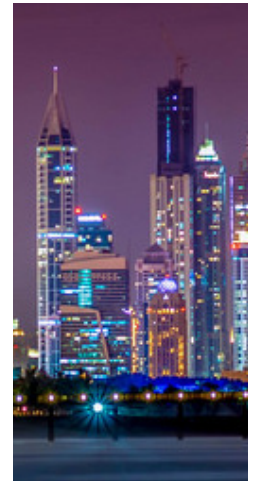


Recent real estate market data of Gulf countries have indicated numerous shifts in terms of supply and demand as all major property developers in the region are opting for carefully calculated and well-thought-out projects and products to boost economic growth.

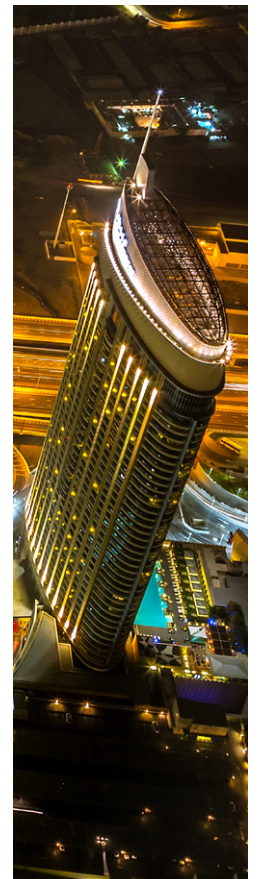
Property options are increasing amidst a marked trend among real estate developers to change focus from renting to homeownership patterns by offering more flexible and easy instalment plans. Al Mazaya Holding Weekly Real Estate Report mentioned that the region's property markets are witnessing a series of positive and negative changes including the decrease in rentals. It reflected positively on the tendency to purchase the property. Rental rates are expected to plummet further by the end of the year.



Financial and economic developments at regional and global levels directly affected the region's realty markets, which are primarily impacted by demand and supply gap at all times. The report added that the decline in rental rates since 2016 to-date came in line with all previous expectations. Abu Dhabi rental rates are falling by an average of 7 per cent during the first quarter of the year, while luxury flats are going further down by 10 per cent. Villa rentals are decreasing by 5 per cent and apartment sales are also edging down by 5 per cent on average.

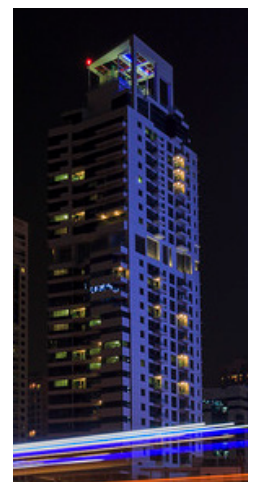


In Dubai, a state of deceleration is continuing as a result of the corrective measures taken, which should reflect positively on sales and rental operations, said the report, adding that the besetting economic and financial pressures have driven residential rates down to all-time lows.



Office spaces lease rates fell by 7 per cent amidst slowing demand and rising supply of new inventory that accelerated the handover of new projects which ultimately caused prices to retreat. Cutting down employees' housing allowances by a number of companies have its own bearing on demand rates, which are expected to keep their current level over the coming few years.

The report stated that more than 2,600 apartments and townhouses have been added to the market in Dubai during Q1 2017, with 28,000 more expected to be completed by the end of the current year. Vacant office and administration spaces reached 14 per cent, it added. The report revealed that villa rental rates went down by 8 per cent while apartment rates decreased by 3 per cent during 2016. The report affirmed that low prices are likely to encourage homeownership, causing rental operations to further down.

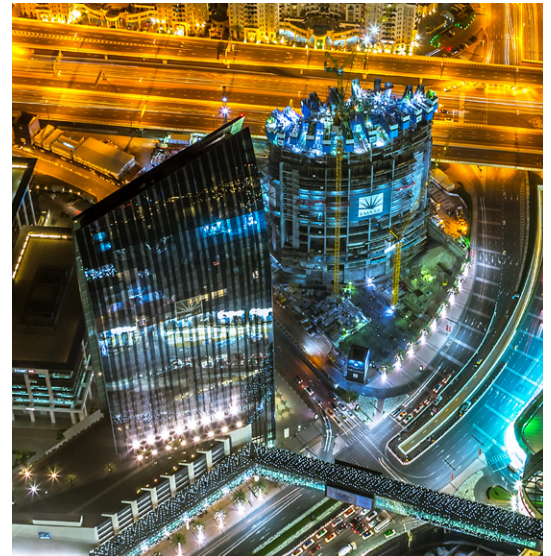




Regarding Qatar market, the report said last year the realty market witnessed a state of recession which is still continuing this year despite the current stability recorded with regards to office and residential rentals that plunged 15 per cent recently in the wake of economic challenges surrounding the region.



The Qatari property market is heavily dependent on oil & gas rates, said the report, adding that the increasing supply of residential and commercial units over the past period has pushed prices down. The tendency to increase the occupancy rate of the hospitality sector by launching more projects has ratcheted up supply in a way that has further brought prices remarkably down, the report revealed. It is noted that Qatar is planning to provide more than 60,000 hotel apartments in the run-up to the FIFA World Cup 2022.



In Bahrain, the report attributed the fall in prices to the oversupply of residential units. The report expected that the continued fall in rental prices as well as the prevailing low purchasing prices would encourage GCC nationals, residents and foreign investors to buy different types of properties rather than leasing. However, the report predicts economic pressures in the region including rising interest rates are likely to trigger a fall in the purchasing power in the wake of the continued drop in oil prices. The report concluded that increasing supply of properties over the current and coming periods will typically augment the residential market, ultimately leading to more plummets in rates and investment returns amidst retreating demand rates and noticeable deceleration in growth.

