MAZAYA
AIM TO LEAD

The Monthly Real Estate Report

Issue No. 127

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The Monthly Report - December 2016

Hotel Industry Boom Provides Robust Momentum to Realty Market

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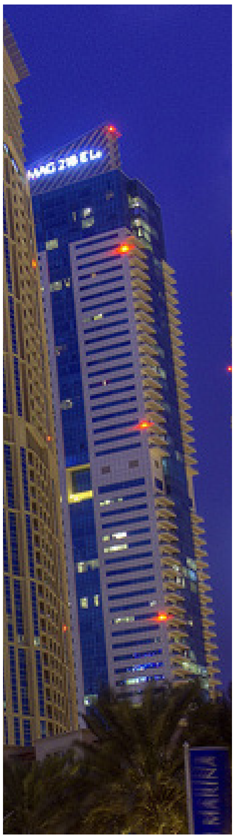


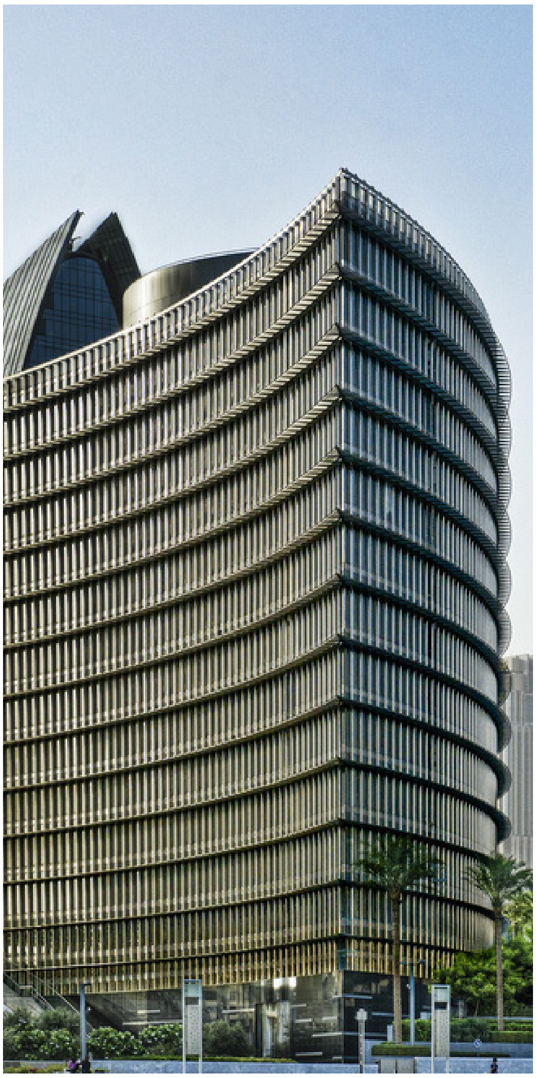
The Gulf hospitality sector has been growing by leaps and bounds over the past years, displaying tremendous potential to draw foreign investments and expertise to the Gulf economy. In a weekly report that focused on the hotel sector in the Gulf region and the factors responsible for growth in the hotel and realty sectors, Al Mazaya Holding stated the considerable achievements made by the hospitality industry in the Gulf over the past few years. The growth has tapped an innovative set of products responsive to the geography and climatic conditions of the region.

The hotel sector is an integral part of the real estate industry and both of them have many factors in common responsible for growth – in other words, real estate and hotel investments as inseparable. In essence, hotel projects are real estate investments that differ from conventional building and construction investments only in terms of quality, facades and decorative finishes.

The report added that the hotel sector gives an immense momentum to local and foreign investments in the Gulf States. Thus, this encourages GCC countries to develop integrated real estate strategies and feasibility studies to leverage their economic sectors and performance, thanks to the impressive successes achieved by both the completed and ongoing real estate projects.

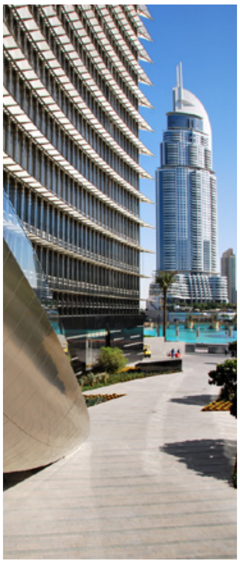
The report noted that the hotel sector is resilient and buoyant enough to survive the current economic pressures and challenges due to its ability to create innovative products that increase the sector's overall attractiveness and help push up hotel occupancy rates all year round. The promotional plans and activities developed by the Gulf nations in their major economic platforms, primarily the hospitality, energy and health sectors, play a major role in sustaining the occupancy rates and strengthening the efficiency of the sector.

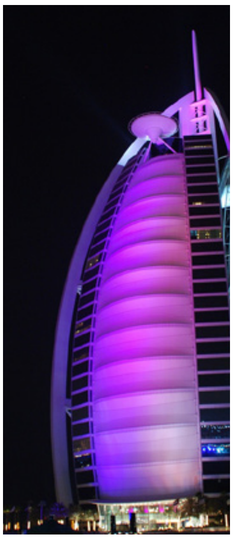
In addition, the long-term developmental strategies being devised by the region's countries all over the past decades contribute greatly to boosting competitiveness at the hotel sector, especially because all the GCC States have common objectives in this regard, only varying in the way and mechanism these strategies are being implemented to attract capital, investments and international interest in the hotel sector.



High Occupancy Rates

The report highlighted the marked growth in the hotel sector in the UAE in terms of the volume of projects and investments. Recent statistics underlined the UAE realty sector's ability to draw large volumes of customers and foreign investments. This is due to the integrated promotional plans and activities organised all year round that have had a strong impact on maximising investments and revenues.





The hotel occupancy rates in Dubai during 2016 ranged around 80% - 85 %, thanks to the increasing number of business and leisure travelers arriving in the emirate as well as the constant promotional activities organised all year round. In Qatar, the hotel occupancy rates reached 85% during the current year. In Bahrain, during holiday seasons, the occupancy rates hit a record of 90%, which is the same rate achieved by Oman. In Saudi Arabia, the occupancy rate is around 70%.

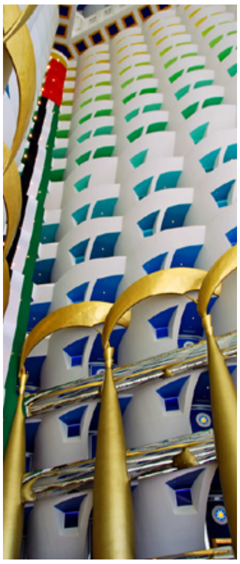
New Hotel Investments

The perceived attractiveness enjoyed by the hotel industry in the region has led to tangible growth in direct investments channeled to this sector. As a result, this has proved to be a major economic catalyst for diversification plans and increasing GDP growth in GCC States. On this score, statistics revealed that the number of hotel projects currently under construction in Dubai exceeds 67 and are valued at approximately AED 65 billion. These projects are due to be completed by 2020.

The number of hotels under construction in Qatar is more than 105 – upon completion, these constructions are expected to add over 21000 rooms. In Bahrain, five hotels are now being constructed by foreign companies at an estimated value of more than $1 billion. In Saudi Arabia, there are around 79 hotel projects under construction that are expected to add 35,000 hotel rooms upon completion. In Oman, the hospitality industry investments are valued at $3.3 billion.

High Dividends

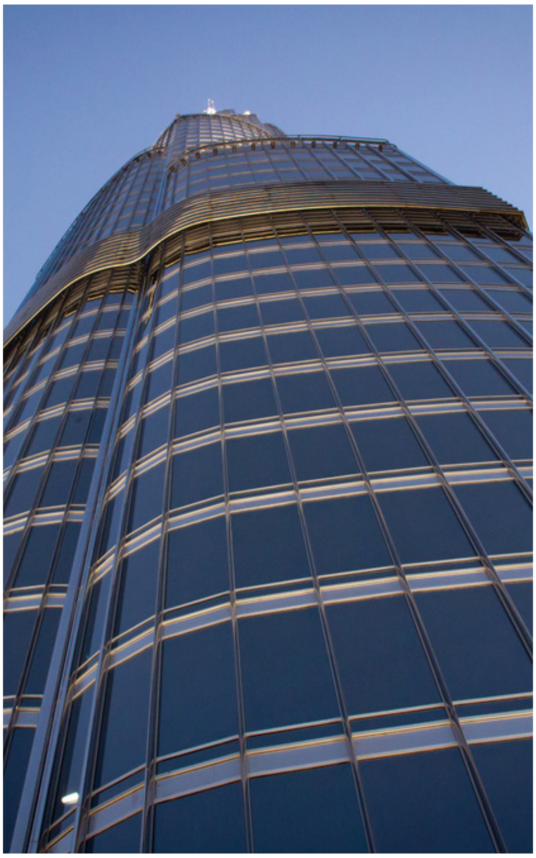
The report also highlighted the positive impact of the hotel industry's growth on the economic diversification plans adopted by the region's countries, despite the besetting economic challenges. In this regard, the report noted that Saudi Arabia received 19 million tourist flights during 2016, with the total tourist expenditure reaching a record of SR 90 billion, which is equivalent to 3.5% of the KSA's GDP.

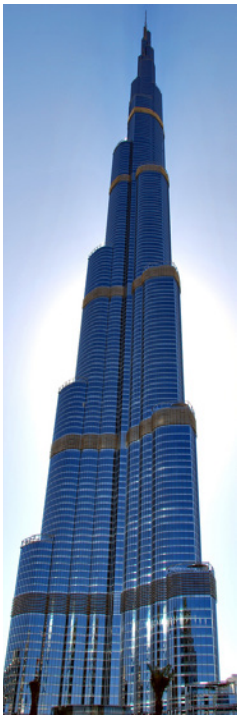


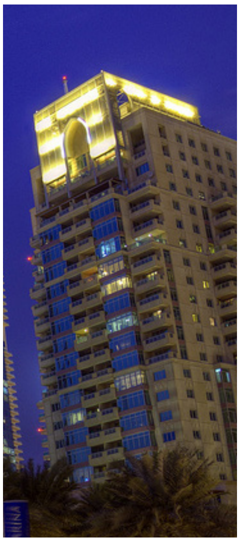
The report added that the hotel sector in Dubai will bring in financial returns as high as AED 25 billion by the end of the current year, compared to AED 23.9 billion last year, which will help keep the sector's annual growth rate at 5% until 2020. In Bahrain, the hotel sector is bringing in increasing returns and its contribution to the GDP is expected to exceed $1 billion by 2020. Oman is planning to attract around five million visitors by launching investments valued at OMR 19 billion, therefore increasing the hotel sector's contribution to 11% of the GDP over the next few years.

Promotion Plans

The report indicated that continued growth in the hotel sector requires constant promotional plans and diverse investments to strengthen the economic sector and decrease the budget deficit suffered by the region's countries as a result of the faltering oil returns. The report made it clear that the conference, business, religious and recuperative types of tourism should play a major role in consolidating the hotel sector and consequently, the economy at large.



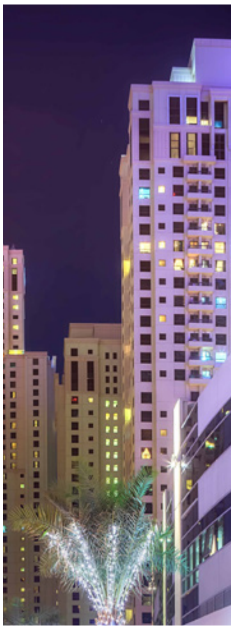




The report concluded by underlining the necessity of expanding hotel investments in the region in order to draw more world-standard local, regional and international investments capable of meeting and catering to diverse tastes. In this regard, the report highlighted the fact that the hotel sector in the region still suffers the least pain in terms of debt problems. This is in comparison with other projects that are under construction and those funded by banks and other funding institutions, a fact that positively outlines the future of the sector's ability to attract more local and foreign capital.

Enactment of resilient foreign ownership laws is a must to augment investment returns

Freehold Projects Draw Foreign Capital and Accelerate Urban Development in GCC Markets



The ability to introduce unique innovations and ideas into real estate projects to meet the growing needs of end-users plays a major role in enhancing demand for freehold projects, according to recent market data and statistics. In its weekly real estate report, Al Mazaya Holding pointed out that there are different factors and criteria that have their own bearing on the level of demand for freehold property. Responsiveness to these criteria and factors – including market developments and foreign supply and demand indicators – is one of the key factors to ensure the success of real estate companies and, consequently, customer satisfaction.

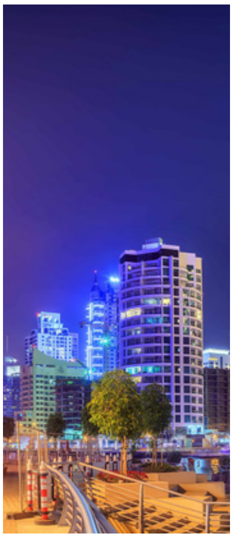
The report noted that the freehold sector has witnessed impressive growth in the region over the past years, incentivising countries to develop and expand their freehold laws and regulations, which, in turn, helped promote foreign investments and diversify income sources. In this context, the report highlighted that the increase in freehold shares in new real estate projects has implications that beef up a company's status in the market, maintain a competitive edge for its projects and ensure its sustained activity. This will ultimately be in the interest of wider economic and financial activities in the countries where investments are taking place.

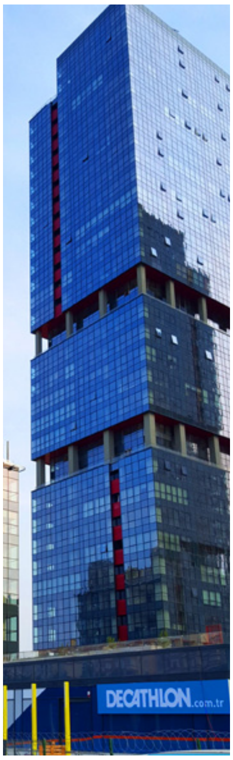
The report cited Turkey as an example of the countries that have, over the past few years, sought to bolster its real estate market by enacting foreign ownership laws that have proved to be an effective catalyst for accelerating real estate investments by drawing more foreign capital into its markets.

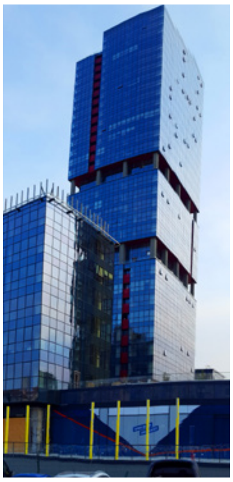
Turkey's laws and legislations that allow foreigners to purchase property have attracted capital, tourist and investment flows to the country, reviving the real estate market in a remarkable way. Thanks to these laws, and other factors, including a distinguished strategic geographic location between Asia and Europe and a resilient economy ranked 17th among the world's major powers and 6th on the list of Europe's top economies, Turkey has proved to be a very competitive market. Recent real estate statistics showed that an excess of 13,000 properties have been owned by foreigners at the end of 2013; 19,000 by end of 2014; 20,500 by 2015.

Dubai is another remarkable example where the development of foreign ownership laws has played a major role in earning the Dubai market a prestigious and competitive position in the international market. This is mainly due to the resilience of these laws and their ability to cater to all needs and meet all demands, which has consequently reflected positively on the economic performance of the emirate. In the UAE market, the report noted that enactment of laws encouraging foreign ownership of property has boosted economic growth rates and significantly contributed to diversifying real estate products and solidifying demand rates in times of recession, ultimately drawing more direct foreign investments into the construction industry. Thus, this has resulted experienced exceptionally impressive growth rates.

The report highlighted that recent data and statistics estimate the total value of foreign investments in the Dubai realty market to exceed AED 60 billion. The businesses established by foreign investors in Dubai are valued at more than AED 57 billion during the first half of 2016, with the volume of property purchased by foreigners estimated at AED 28 billion – indications that prove in no uncertain terms that the impact foreign ownership laws have on the investment landscape in the country is positive.







In the meantime, the report stated that the freehold laws in Qatar require the expansion of investment rules and procedures so as to facilitate freehold ownership of property by Arab and foreign investors. That is because the freehold law, currently in force, only allows full ownership to GCC citizens, but not others. The law does, however, provide special incentives and privileges for long-term leasing for a period of up to 99-years with a renewable option for a similar period.

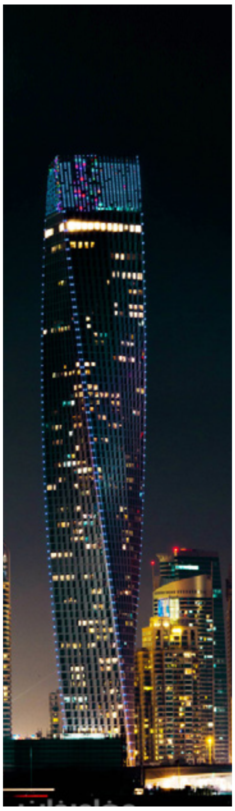
Non-Qataris are allowed to invest in and own land, buildings, and development in three specific projects only: the Pearl, Western Gulf Lake and Al Khor Resort Project. The report noted that 90% of direct foreign investments in Qatar are focused on the Oil and Gas industry and its subsectors, which account for 52% of the total value of direct foreign investment in the country. They are followed by mining investments that account for 38% of the total value of direct foreign investment and then the financial investments at 4%.

With regards to Bahrain, the report mentioned that the kingdom has enacted resilient freehold legislations that reflect positively on its economic growth. This has largely been a result of the Bahraini government's clear vision and ambitious plans to strengthen economic development efforts and create job opportunities for Bahraini citizens, providing foreigners with 100 % ownership options in investment havens like Amwaj Island, Abraj Al Lulu, and Bahrain Pearl.

In conclusion, the report underlined the significant role played by freehold real estate in attracting foreign investments to the local and international realty markets, noting that world countries are sparing no effort to augment the value of foreign investments, owing to their high returns and due to the fact that they are realizable assets that are readily convertible to cash without sustaining any losses whatsoever. The report also called for developing resilient laws to streamline the foreign ownership of property in most of the countries in the region in order to boost economic diversification plans, output and competitiveness.

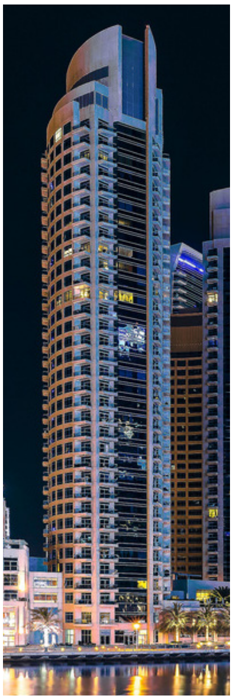
Falling Property Prices Delay Investment and Urban Projects

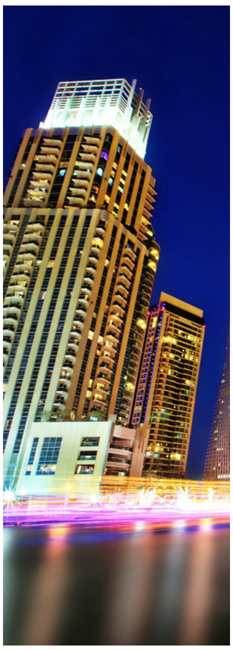
Al Mazaya: Not every rise will lead to demand-pull inflation



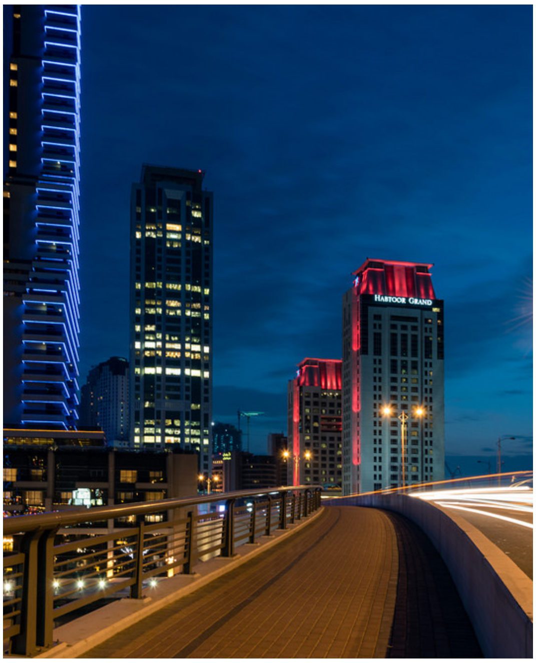
The Gulf region's property markets could be affected by myriad challenges in the current and upcoming periods, including a potential state of recession that is likely to trigger a price fall. In its weekly real estate report, Al Mazya Holding predicted that the ongoing and upcoming pressures might reflect negatively on realty investments as many of the real estate development companies and individuals in the region would wait for further declines in land plot prices before pumping money into the markets and launch new construction projects.

Starting with the Dubai realty market, the report mentioned that 2015's price plunges continued in 2016 as well, reaching an average of 10% as a result of the financial and business pressures the Gulf markets have gone through. The continued property demand from individuals and developers led to a price plunge as growing investment opportunities increased demand and pushed up the number of property projects targeting the limited-income segments of society. Furthermore, the plot prices in Dubai recorded a remarkable rise of approximately 15% in commercial and residential plots sales made for the purpose of investment. The report also cited the 50% hike in the prices of land plots adjacent to Dubai Water Canal. In the meantime, commercial plot prices in Abu Dhabi dropped by around 10% since the beginning of the year until the end of the 3rd quarter

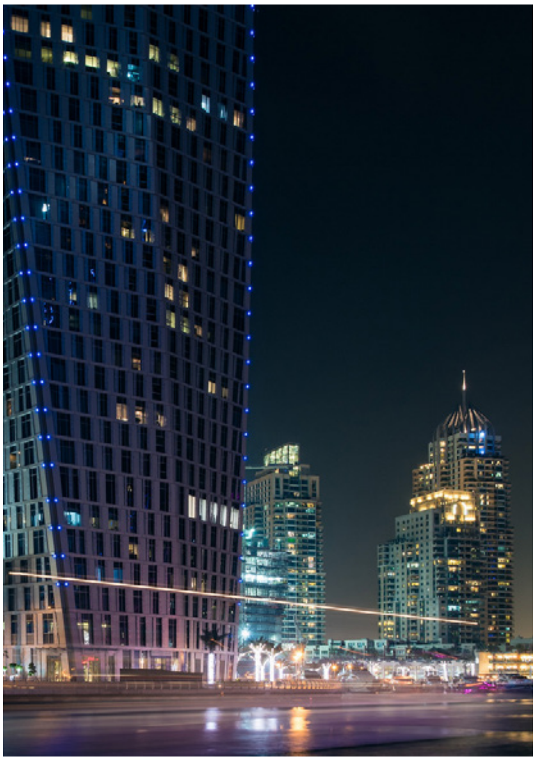




as a result of slowing demand. Likewise, the Saudi property market registered a remarkable fall in the prices of lands for sale – for example, villas, buildings and flats – in the wake of the government's policies that aimed to rationalise market prices and bring them back to normal. In addition, supply outpaced demand for all property products after a large segment of contractors, including companies and individuals, sold off their property to secure the liquidity needed to pay off their debt obligations and meet operating expenses. The report noted that land prices in the Saudi market plunged by more than 30% during the current year, with prices of residential plots of lands having fallen by 19% by the end of the 3rd quarter. A further rise in land and



property sales is expected during 2017. The Qatari property market went through several positive and negative developments during the current year following the considerable rise in the supply of plots and property, which, in turn, caused a delay in launching many further projects. Statistics indicated a 35% fall in land prices, indicating that the decline trend is likely to continue during the 1st quarter of 2017 to around 10%, owing to the decisions taken with the objective of pumping more liquidity into the market to finance new



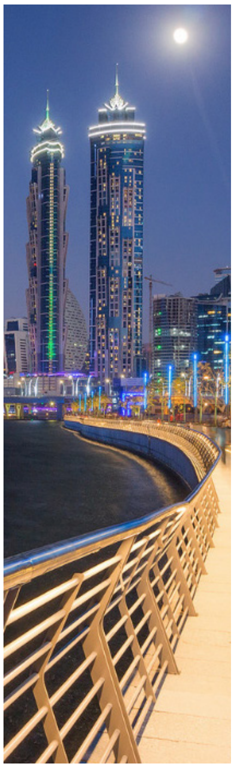
projects, according to the report. The realty landscape in Bahrain is a bit different, revealed the report. This is attributed to the limited volume of land available and the increased population density along with the positive investment laws adopted by the Bahraini government to provide momentum to freehold and other types of real estate projects. The end result is a rise in prices of all residential,

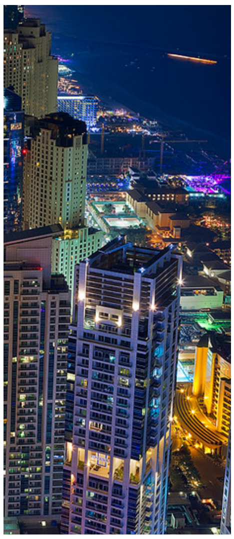
commercial and investment plots of lands. In the Omani real estate market, real estate transactions by Gulf investors fell by more than 25% due to a state of saturation in the market. The report highlighted the Omani government's intervention to boost investments and limit the negative impact of the unjustifiable rise in land prices owing to the growing influence of real estate brokers' practices. Such unstable conditions in the Omani market caused a large number of investors and buyers to shy away from the market. Rather, they seek to purchase ready-made flats and villas, a tendency which typically led property prices to soar by 20%-40% in different parts of the Sultanate, following the growing urban expansion trend witnessed nationwide. Furthermore, the report also referred to the factors that have negatively affected the supply-

demand mechanism in the country. On the whole, Gulf realty markets face neither market nor funding illiquidity, but rather, is still affected by the implications of the post-global financial crisis era when the property sector has witnessed a boom since early 2012. Realty markets recorded variable rises in price that was justifiable only at times, driven by cycles of high demand and low supply.

Conclusion

The report stated that falling oil returns and the decline in spending have significantly contributed to the fluctuations witnessed by Gulf property markets, noting that the price slides recorded in some real estate sectors by the end of the year are not to be viewed as negative forecasts of the coming period. The report stressed that it is just as true that not every rise would necessarily lead to demand-pull inflation, as the situation differs from one location to another and from one country to another.





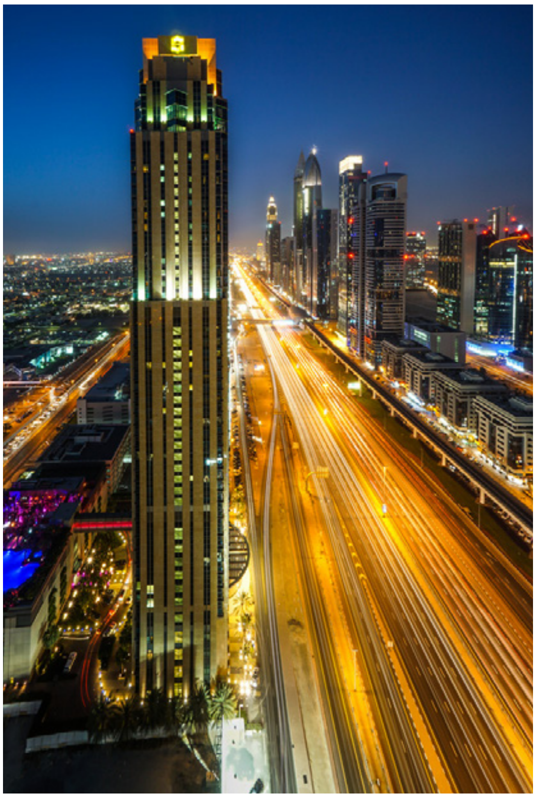
Infrastructure Projects Provide Robust Investment Momentum

GCC States Forging Ahead with Infrastructure Investments Despite Economic Challenges

Large-scale infrastructure projects play a major role in a country's drive for development. They are inseparably associated with urban growth and development, as manifested through the economies of the Gulf region. Such enterprises are conducive to opening up fresh vistas of investment, ultimately resulting in strengthening the economy. In its weekly report, Al Mazaya Holding summarised the benefits of infrastructure projects as follows: developing economy-strengthening plans and strategies; providing an investment momentum; enabling economies to survive challenges; coping with economic changes, developments and variables; providing investors with sufficient business opportunities; and creating an investment-friendly environment.

The report added that despite the financial and economic pressures, the region's countries are forging ahead with their developmental and expansion infrastructure plans, and are set to launch new projects over the coming period to enhance their competitive edge and bolster their investment-friendly environment.

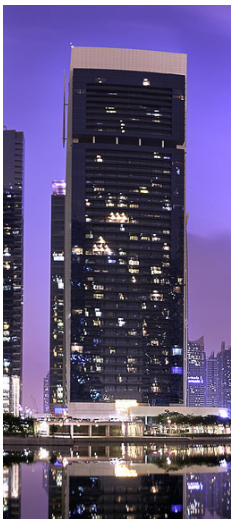
The report mentioned that infrastructure-strengthening efforts are a primary step for any development to materialise in a way that should reflect positively on all services available in a country. The efforts are also paving the way to develop investment-enticing legislations and policies conducive to creating job opportunities and grooming local cadres as well as fostering a culture of innovation.

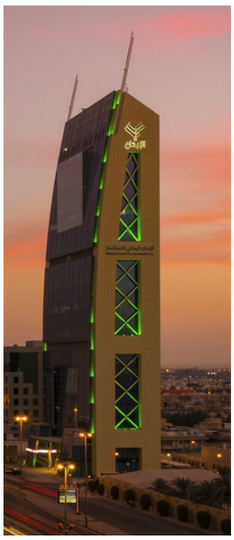


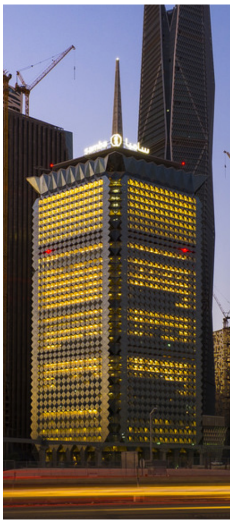
According to the report, the infrastructure projects in the UAE have set a remarkable example for the community. They provide growing incentives and momentum to the country's endeavours to overcome the multi-faceted challenges it is facing, thus strengthening its position as a premier investment destination at the regional and global levels. The report cited recent statistics purporting that the UAE comes on top of MENA countries with regards to the number of infrastructure projects up to the year 2020, with Abu Dhabi launching infrastructure projects worth AED 4.3 billion out of AED 17.5 billon allocated to capital-intensive projects in the emirate. Dubai's infrastructure developments are valued at more than AED 22 billion for the current year.

On Qatar, the report stated that the infrastructure investment momentum is almost on par with that of Dubai, as the latter is gearing up to EXPO 2020, while the former is getting ready for the 2022 FIFA World Cup. These are premier world events that are considered main catalysts for urban development, driving up demand for infrastructure projects at present and over the coming period.

By 2020, Qatar is planning to spend around QAR 30 billion on highways, bridges, subways and power generation station projects in addition to FIFA World Cup-related infrastructure projects worth $ 200 billion. Qatar's new budget indicated an increase to around QAR 100 billion in government spending on major projects in areas of education, health and so on. On Saudi Arabia's infrastructure projects, the report mentioned that they are closely linked to the government's economic diversification plans and strategies as part of the Saudi Vision 2030. In this regard, the report said that the resilience and buoyancy of the Saudi economy and the Kingdom's massive financial reserves coupled with the considerable future credit flows are all significant factors to ensure that KSA makes great economic strides, provided feasible investment plans are developed.







The report referred to recent statistics indicating that KSA is planning to spend around SAR 630 billion on infrastructure projects over the coming few years – this is out of SAR 3.75 trillion worth of projects allocated to primary economic sectors, including railway, road and airport enterprises. In the meantime, the Saudi government is reappraising a number of projects in-line with its economic diversification strategy. Therefore, it has stopped funding major projects valued at around $ 267 billion, including infrastructure projects whose returns are not aligned with the new strategy.

In the meantime, the Bahraini government is planning to continue spending on large-scale infrastructure projects in order to further strengthen its investment-friendly environment and boost urban development.

The growth recorded by non-oil economic platforms in Bahrain has resulted in increasing job opportunities. Infrastructure investments are valued at more than $ 6 billion, in addition to the newly introduced investments that are valued at around $ 5 billion. These investments have reflected positively on the construction, real estate and tourism sectors in the kingdom. The report also underlined the necessity of linking infrastructure investments in the Gulf countries with tangible projects conducive to providing full support to the region's economy in the future, calling for a reconsideration of the potential investments in accordance with the allocated budgets. The report noted that integrated strategies capable of drawing foreign investments are a must to maximise financial revenues.

Conclusion

The report concluded by highlighting that the region's countries should show full commitment to overcoming financial challenges faced by infrastructure investments as their potential returns are conducive to achieving future economic objectives set by the GCC states.