



# The Monthly Real Estate Report

MAZAYA

AIM TO LEAD

Issue No. 118



(Kuwait) Tel: +965 22243333 | (Dubai) Tel: +971 4 3635455/6  
www.mazayaholding.com

The Monthly Report - March 2016

## Gulf real estate market has the resilience to respond to financial markets and global economic volatility



Mr. Rasheed Al Nafisi

Chairman

nifisi@mazayarealestate.com

Tel : + 965 2224 3333

Eng. Ibrahim Al Soqabi

Group CEO

alsoqabi@mazayarealestate.com

Tel : + 965 2224 3332

Eng. Salwa Malhas

Chief Business Development &  
Marketing Officer

salwa@mazayarealestate.com

Tel : + 965 2224 3355



### Freehold projects will promote foreign investment in the region and diversify income sources



Responsiveness to market developments and domestic and foreign supply and demand indicators are one of the key factors for the success of real estate companies. This is in addition to their ability to introduce unique innovations and ideas into real estate projects, which ultimately determine success for these types of companies, in the long term.



With the accumulation of practical experience, in the face of growing volatility of the financial and economic markets, it has become evident that real estate development companies are now better able to respond to a variety of financial conditions. A company's plan and strategy is now increasingly diverse – in terms of project size, unit prices, promotion and marketing mechanisms, as well as the addition of price indicators for the end user. Furthermore, there is now a clear ability to introduce real estate products according to targeted public segments, whether that be for luxury, standard or low-cost quality properties.

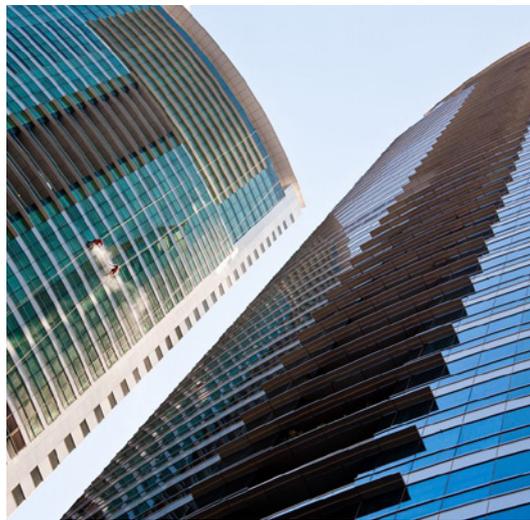
In this context, it should be highlighted that the increase of freehold shares in new real estate projects has implications that strengthen a company's status in the market, maintain the attractiveness of its projects and ensure its continuous activity. This will ultimately be in the interest of wider economic and financial activities in the countries where investments are taking place.



Al Mazaya Holding Company's Weekly Real Estate Report points out that the success of all investment plans related to the real estate sector depend greatly on key elements in the market which control the level of attractiveness for domestic, regional and global investors. The standard of development enjoyed by all other economic sectors is influential in the success of long-term investments, mainly the plans for the extension of freehold opportunities on new real estate projects.

#### Qatar

Al Mazaya's Report states that freehold plans and laws in the Qatari real estate market 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 facilities and privileges for long-term leasing, for a period of up to 99 years with a renewable option for a similar period.



#### UAE

The mechanisms of freehold ownership cannot be addressed without mentioning the success stories achieved in the UAE, and in Dubai in particular. Indeed, all current and future plans that other GCC countries are seeking to carry out are done so with reference to the direct experience of Dubai. The emirate clearly has a lead on neighbouring regional freehold real estate markets, having succeeded in attracting all types and categories of international investor. With that in mind, it should be said that the level of development recorded in the region has not yet equalled that of the Dubai market, which recorded significant rises in demand over the last two years, before beginning to recede slightly in 2015. Many see this as having a direct relation to the fall in oil prices and its consequences on the liquidity available for investment, as well as having been affected by government spending.





Al Mazaya's Report can also reveal that real estate investment in the UAE remains resilient. This is due to the fact that it has the direct experience of having suffered the global financial crisis at a time when its market was already opened to freehold investment. The value of Dubai's real estate assets declined by more than a half between 2008 and 2010 then rose again and recovered most of their losses until the end of 2014. This is a key indication of the market's ability to adapt to prevailing economic developments. It should be taken into consideration that the alternation of economic cycles imposed equitable prices of real estate products for freehold purposes, moving the market away from the danger of "price bubbles".



#### Bahrain

The Bahraini real estate market has passed through many successful experiences in terms of its freehold real estate sector. This has been, in large, due to the kingdom's clear vision and ambitious plans relating to a number of economic sectors – particularly in banking, real estate and energy. It is worth mentioning that freehold projects in the kingdom are diverse, including high-end residential projects and luxury villas, along with medium cost housing. It should be emphasised here that Bahrain's freehold projects are part of a comprehensive, countrywide development strategy, which provides for clarity on the nature of the investment opportunities in the kingdom.



Bahrain was ranked fifth on the City of the Future Index (2015), which takes into account the country's economic potential, business friendly environment, the efficiency of human resources and lifestyle, in addition to applicable direct foreign investment strategies. This means that Bahrain possesses the necessary assets to attract foreign investments, commensurate with the expansion of its real estate market. This includes freehold offerings on one hand, and the innovative and vibrant economic patterns being seen across all other sectors, on the other.

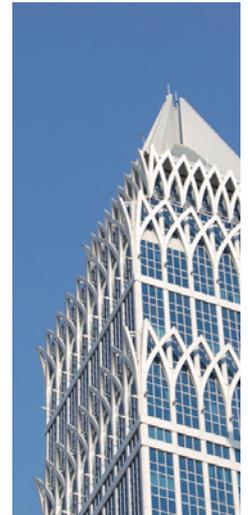


#### Conclusion

Al Mazaya's Report says that the freehold experience can be diversified to include other economic activities and sectors, mainly the industrial sector, which has promising prospects for attracting foreign and domestic investment. The industrial sector's alignment with the economic constituents and natural resources of the regional countries is a major factor here. The region's economy is witnessing more mobility and changes that are aiming for economic diversification in order to diversify income sources, in addition to revenues from oil and other natural resources.

It should be taken into consideration that freehold projects have had a direct role in the development and introduction of more luxury real estate projects. They have also helped to develop the hospitality sector. This is because the attraction of foreign investment must be accompanied by the development of a wide range of lifestyle concepts and values that go with a real estate development – namely its plans, facilities and location. Al Mazaya’s Report emphasises that the diversification of investment opportunities in key real estate markets around the world will pressurise the ability of the region’s countries to compete in the present and coming period.

Al Mazaya’s Report highlights the fact that the region’s markets have significant investment prospects in the real estate and other markets, since they are secure havens for diversified investment. This comes in light of an increasing desire from investors to place their funds in tangible assets with a low cost debt, in addition to the continued government attempts to put an end to the rise in prices and prevent the recurrence of a 2008-style recession.



Targeting foreign investors is now a priority for a great number of GCC countries, having made medium and long-term plans exactly for this purpose. This means that freehold and foreign investment markets face many challenges that require qualitative solutions and plans that suit the nature of demand, investor objectives and government plans. Competitiveness is still there and the factors for success are available to many of the regional markets for multi-sector investments, in particularly the real estate products that are subject to freehold laws and regulations.

Since the recent global economic crisis, the region’s markets have managed to avoid the formation of economic “bubbles” in the real estate market, which means that markets have become more mature and are able to retain interest from foreign investors, in the long term. Al Mazaya’s Report says that the current level of demand in the majority of the region’s markets is within safe limits, while the demand for freehold projects is classified as good, in view of the current prices, yet it cannot be relied upon to realise significant growth rates due to the number of projects and prices currently available.