The Monthly Real Estate Report

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# Road and Rail Projects Promise Rewarding Investment Opportunities



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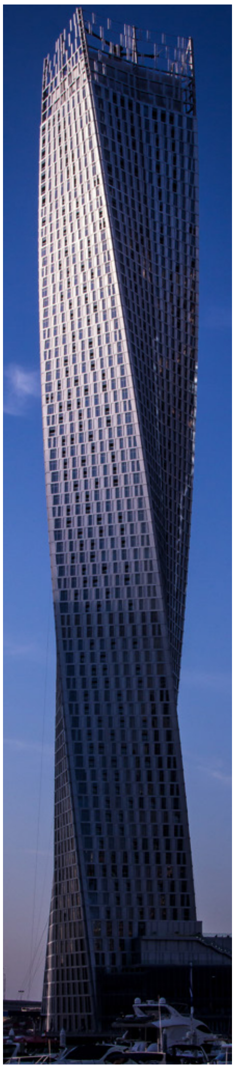
# Road and Rail Projects Promise Rewarding Investment Opportunities

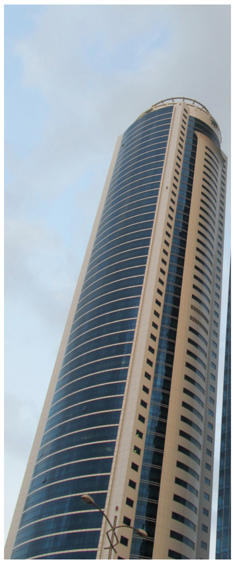



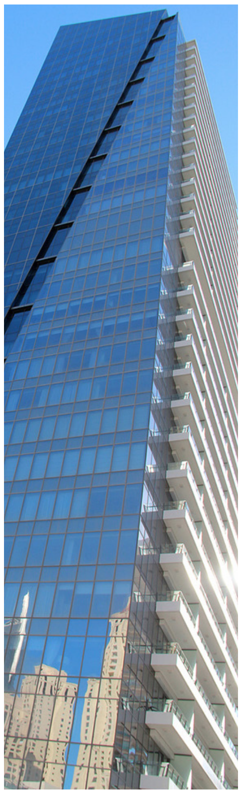
As the development wheel continues to revolve, strategic plans appear endless within the GCC's extending beyond ten and twenty years corresponding to the State vision of social, economic, political progress. Other main sectors perceived to function effectively to maximize the utilization of national resources at each phase of growth are at the heart of new plans. Countries within the region embrace many similarities in terms of their development plans especially with regards to their overall goals, however these plans differ in terms of their execution and stages followed. In this connection, the success achieved by these sectors in the GCC's motivates a replication of similar successes in neighbouring countries. Nevertheless, most of the development plans adopted in the region target increasing the competitiveness and productivity across the region and worldwide, in order to diversify national income sources by maximum utilisation of oil profits. The firm stand of the economies in the region - one year on from the great decrease in oil prices is great evidence of the new evaluation and amendment stage the region is experiencing that is aiming to gain future successes.

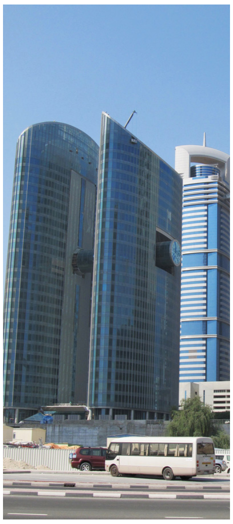
Al-Mazaya Holdings Weekly Report refers to road and rail projects unprecedentedly sought in the GCCs with great investments currently concentrated therein this domain. These projects constitute a great portion of government expenditure that remain unchanged, nor cancelled or postponed - same as in the viable expenditure plans on the major sectors as health, education, oil and gas. Data revealed on the GCC Rail Network Project state the venture costs may exceed USD20 billion adding a quality breakthrough to the transportation system in the region. This project is inseparable to the long-term development projects targeting more integration and harmony across the region, especially considering the significance of rail networks facilitating economic and commercial interaction within the region and globally. The project is further environmentally significant in reducing the pollution impacts of transportation activities, therefore enhancing sustainable concepts. The GCC's currently seek to enforce a world standard rail network that is simultaneously efficient and secure - adding to the efficiency of logistics within region which have been continuously increasing.

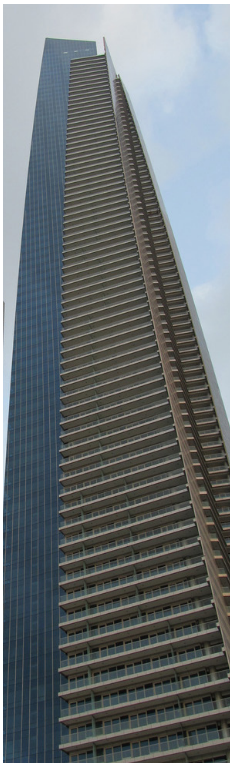
**Al-Mazaya Report points to Dubai Metro and other road and transportation projects inspiring the launch of numerous similar projects in the region. Given the success of Dubai Metro since its commencement, this project affected serious changes for Dubai residents reducing their dependence on private vehicles, while urging neighbouring countries to seriously invest in public transportation channels. In the meantime, Dubai is taking preparations to extend the Metro Dubai red line to the Expo 2020 site. Other relevant projects under constructions constitute further attractive investment opportunities for the private sector to penetrate road and transportation contracts announced by specialised public authorities.**

**The current transportation plans involve constructing hundreds of kilometres of roads, bridges, runways, and orbitals while additional rail projects await to be executed and operated in the coming few years. In a similar context, other emirates and the UAE are preparing to launch the Etihad Rail planned to connect the UAE through a unique transportation network at AED 40 billion cost. The project is to be launched by 2018 providing thousands of employment opportunities upon commencing its services and further expansion.**







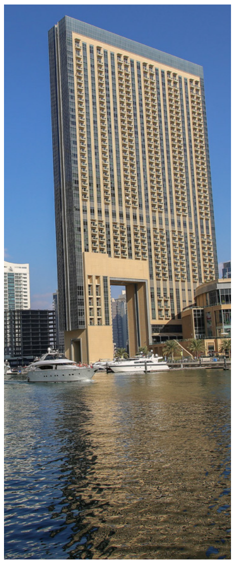


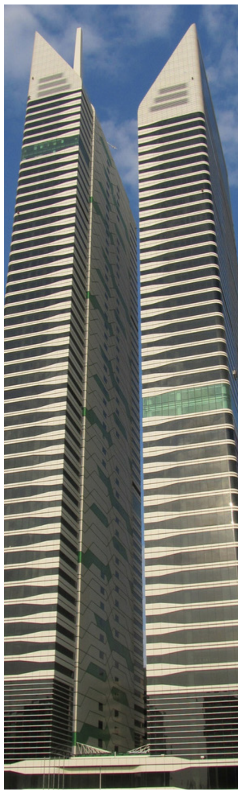
Al-Mazaya Report elaborates on the unique momentum Saudi Arabia currently experiences in road and railway projects where the data revealed has shown the Kingdom's expenditure on such projects exceeds USD 90 billion including 5 metro projects, bus projects and rail networks extending on thousands of kilometres to be constructed during the coming 10 years connecting the main cities of the Kingdom. Another USD 51 billion is to be pumped into the operation phases of these projects. Such huge investment reflects the Kingdom's belief in the significance of the transportation sector with regard to social, economic and environmental areas. Based on all these steps taken, the report finds it is evident the Kingdom seeks to play a viable role in transportation and logistics as this field accounts for 13% of gross Government expenditure. This trend is also in line with new strategy Saudi Arabia adopts for the transportation sector placing the sector as a priority next to energy and IT constituting major pillars for development and attracting foreign investments. The execution of metro and rail plans are rapidly moving forward following growth expectation on demand for cargo within the Kingdom itself, which is increasing by 5% annually up to 2020; world marine shipping is similarly expected to grow by 8% annually.

In Qatar on the other hand, Al-Mazaya Report believes road and transportation projects correlate to Qatar hosting the World Cup 2022 and Qatar Vision 2030. Relevant estimates show Qatari private sector contribution in transportation project equals 55% including airports, seaports and railways. The gross value of transportation and rail projects in Qatar amounts to USD 40 billion reflecting the considerable attention directed to the sector by official parties being an indicator to development and prosperity of the Qatari society. Qatar also remains on track with the latest technology available, implementing transportation projects that minimise environmental impacts in this regard, while adapting to rapid growth of the sector, not to mention these projects will equally add to the growth of national GDP. Qatar has been keen to improve its infrastructure mirroring world standards applied in very advanced countries. In these examples road and transportation projects cover all major cities of the country. The express train is one of the mega national projects in the transportation sector planned to establish a rail network causing a great breakthrough in passenger and cargo transportation at an estimated cost of USD 35 billion. The Qatari Rail Development Program is designed to connect major population and industrial spots of the country extending to connect with the GCC Rail Network as well.

Al-Mazaya Report considers the major transformation in investment layout recently taking place in the region as evidence that the contribution of the transportation sector is adding to achieving development goals as the whole region allocates great attention to RS market. GCC Governments express their interest to invest in infrastructure projects ultimately aiming to avail efficient transportation networks providing employment opportunities, elevating the living standards of their people and attracting foreign investments; a group of positive impacts eventually transcending to multi sectors especially RS. As the GCCs devote huge investments to the transportation sector, they seek to facilitate local and regional commercial movement and flourish industries and local logistics resting on the solid belief that the region will never enjoy property while lacking an advanced transportation system. Considering the technology embraced and the huge public investment pumped therein, the successful infrastructure elements required for an efficient transportation sector including highways, seaports, railways and airports are clearly demonstrated with a future list of projects to be yet implemented.


Al-Mazaya Report stresses the positive impacts of the accelerating rail and metro projects to the overall economic and production momentum as the GCCs will make huge financial savings when the general efficiency of the GCC network is increased. The development of Dubai transportation roads has yielded ED 72 billion in saving during the past 7 years, not to mention the time and efforts saved since Dubai enjoys the most rapid transportation system when compared to 12 modern countries. The report further emphasises the ample financial and investment returns of road and transportation projects as they continue to experience great expansion.





# Real Estate Competitive Investment Modules help GCC Market to avoid Price Bubble Threats

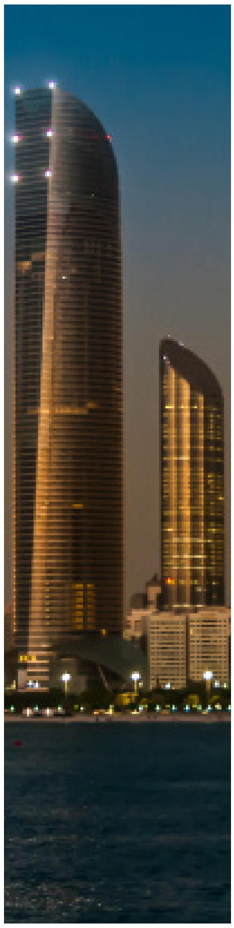
Market pressures and the challenges facing the World Economy have not been far from negatively affecting RS project expansion. Yet, the financial and economic updates emerging on the regional and global levels have not prevented RS plans and projects from proceeding as initially set. GCC's ability to maintain the safe levels of expenditure on development projects has significantly supported the growth of all sectors. In the meantime, the economies of these countries maintained similar momentum in production and service areas regardless of the drop in oil prices. RS activities revealed regular project proposals are relying on feasibility studies while targeting particular social categories. The banking sector is also keeping regular cash flow to finance available opportunities. Relevant regulations simultaneously approved had a significant role in maintaining the RS sector stability and continues to remain attractive.

**RS Market Flexibility:**

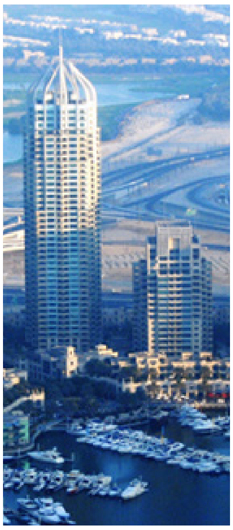
Al-Mazaya Holdings Weekly RS Report believes the regular RS momentum taking place in the first midterm this year regardless of the upturns in oil prices and markets signals the strength of the RS sector supported by the projects recently launched. Still, the current scene reflects less efficiency of the RS sector responding to the prevailing supply and demand forces since the drastic decrease in oil prices - reaching 60% last year - have not unfortunately shown any reduction on RS product prices of all categories whether in sales, purchase or lease. This is due to RS owners upholding the same prices prior to the drop in oil price and the increase in construction cost and political turmoil of the region. These elements in total contributed to less transactions taking place in the GCC RS market, while the only element remaining constant is the open appetite of individuals to purchase all types of residential units given the enduring finance and banking facilities tailored to meet their needs, which helped to keep the regular RS market performance.

**Quality Activities:**

Al-Mazaya Report refers to the increasing RS auctions organised at a number of the countries in the region contributing to additional energy and lure of the sector throughout the year. These events signal positive tracks on the liquidity available to the RS, in addition to demand and supply forces. Kuwait, Saudi Arabia and Bahrain experienced steady number of RS auctions organised therein, therefore creating rewarding opportunities for the organising companies as well as to investors as they can obtain proper investment opportunities at 20% less than market price. RS auctions organised are properly monitored by relevant official parties in order to regulate them and prevent manipulation in prices and contracts, and to better protect the rights of buyers.



RS auctions organised cover residential, investment RSs and industrial land motivated by demand for investment and population increase, especially that RS companies are able to acquire 3–17% returns when organising auctions. Al Mazaya Report believes RS auctions provide the proper platform through which investment opportunities are transparently and realistically introduced supporting multiple efforts exerted towards the rise of the RS sector and its products, especially that RS auctions are regarded as an indicator for RS market vitality and liquidity.



**World Competition:**

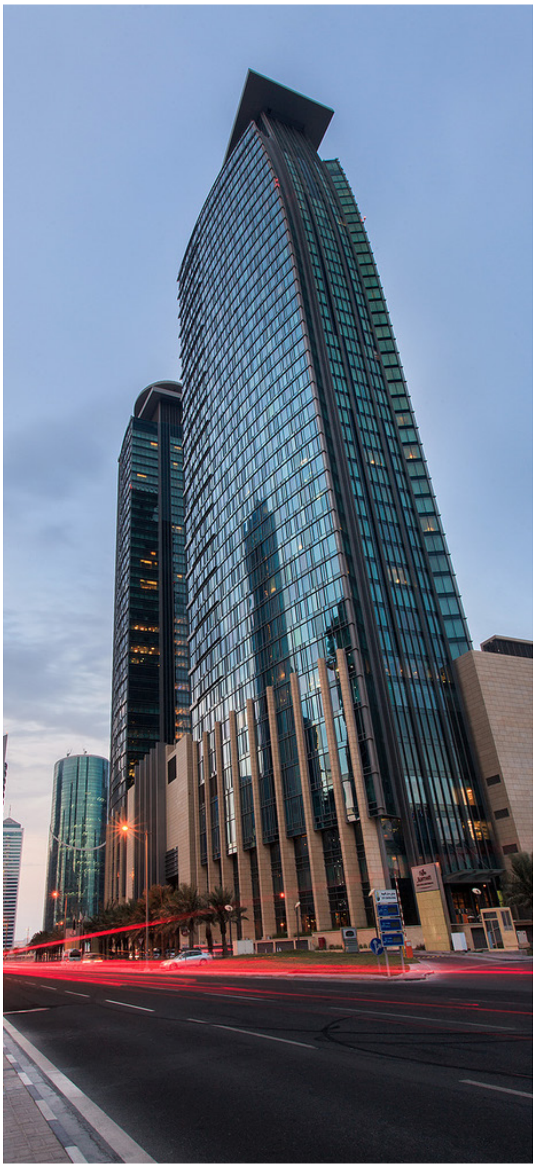
Al Mazaya Report states GCC RS markets have maintained their intrinsic competitiveness during the first term of this year, not to mention the modernity, quality and innovative architecture - mainly towers, encompassing large numbers of apartments and offices. GCC RS plans and projects rapidly accelerate towards world competition in terms of the residential, commercial and investment RS modules offered. At this level of progress, it is fair to state that some markets within the region have reliably booked their distinguished status resting on the varied RS products offered to meet multiple demands in a contemporary fashion tailored towards various demands. The report adds that on this level of viability, demand for residential RSs has risen, stirred by major stimulants - mostly population growth, foreign labour and the prosperity of the citizens in this region, enabling them to purchase many residential RS units of different areas and qualities. Al Mazaya Report believes it is very likely GCCs are able to support RS commercial, investment markets and attract additional foreign capitals.

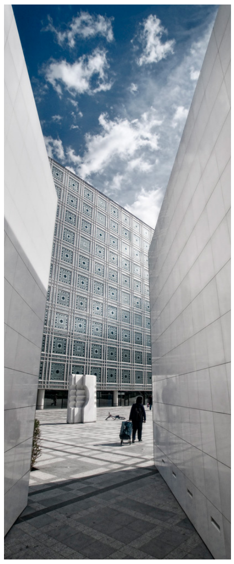
**Momentums:**

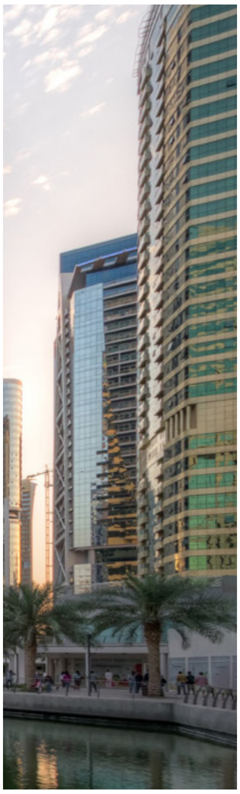
The Report points to the trading performed since beginning of this year as compared to the same of the lapsed year as being one of the indicators for RS market activity, liquidity and ability to encash at the highest prices. Trading figures revealed reflect continued growth in many countries of the region mostly taking place on residential and investment units, which mirrors the fact that market activities are more mature, transparent and closer to the reality of the demand and supply rather than possibly creating price bubbles. In the same lines, the Qatari RS sector experienced around 43% growth on RS transactions during the first 5 months compared to same period last year with total value amounting to QR 31 billion; reflecting the ascending trend of the RS transactions taking place in the recent years. The GCC market in general showed similar positive performance in April of this year. The Saudi market for example, showed positive trends stimulated by overall expanding construction activities and launch of new projects. The Bahraini RS sector also reflected viable performance in the same period concluding RS transactions amounting to more than BD 359 billion, recoding a 4% increase. RS transactions also grew by 5% in Dubai during Q1 amounting to AED 64 billion. RS at the Sultanate of Oman remained attractive to GCC investors as the Ministry of Housing drafts proper regulations stimulating landlords to better utilise their properties.

**Rules and Regulations:**

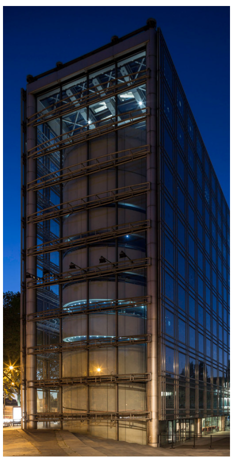
Al Mazaya Report stresses on the significance of the rules and regulations approved this year to stabilise the RS market and maintain its growth following international best practices in order to guarantee the rights of all parties and secure the market against unjustified threats. It is now evident the RS Acts approved in the Emirati market had a major role regulating the RS and financial sectors doubling the registration fees aiming to minimise bargaining on prices. The procedures taken by the Central Bank aimed to enforce certain limits on the negative practices affecting loans. Similarly, the new law enforced in Abu Dhabi is hoped to regulate the RS sector, protect the rights of all parties, attract investments and support economic growth. The fees imposed on residential land in Saudi Arabia echoed great dispute in the RS market given their apparently endless effects on the market. It is further inevitable this resolution will push several landlords to liquidate wider spans of their land. The Housing Ministry interfering in this regard was very important to control the prices. The RS activities taking place in the Omani market relate to the law issued to repeal the RS not being utilised for 4 years starting from their registration date aiming to push landlords to better utilise land as for their planned purposes, and not abandon them for longer periods. These procedures may also stimulate RS market and control prices.







Al Mazaya Report concludes that the GCC RS market has been enabled to compete globally benefiting from the variety of RS products. The rhythm of RS momentum remained within the secured borders in spite of challenges and pressures. Moreover, the RS market is now far from creating RS bubbles. Furthermore the sales markets available to the end user are notably active both domestically and by foreign investors as well. Still, the prevailing prices remained attractive at most locations, while the lease market was less efficient and remained unjustifiably expensive most of the cases. Alternatively, this situation is positive to investment RSs, but unfortunately maintains the negative pressures placed on the leaseholders.



# Heavy Industrial Investment guides Economic Transformation Plans from Consumption-Driven Growth to Production-Driven Growth

Thorough investment strategies and plans positively impact the financial and economic systems in countries throughout the region. Investment in the industrial sector particularly stimulates all other production sectors, therefore elevating the market share of countries in the region and moreover reduces imports. Investment in the industrial sector is thus understood to be a requirement for short to mid-term development plans.

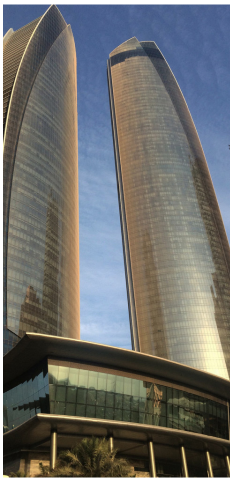
Concentrated investments in the region are mostly directed to the industrial sector including heavy industrial SMEs caused by the region's overall intention to set up a widely covering and reliable industrial sector standing as a solid platform to diversify the economy, GDP, national income and exports. Proceeding in this direction, and for regional economies to become stable, productive and internationally influential, they need to eliminate the effect of oil price changes on their economies and better utilize their natural resources.

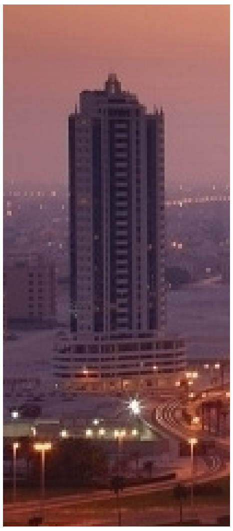
Al-Mazaya Holdings Weekly Real-Estate Report refers to the long awaited integration of the GCC industrial sector to achieve the investment and government strategic goals with multiple objectives. Data from the Gulf Organization for Industrial Consulting (GOIC) shows that industrial SMEs amount to 4.1% of gross GCC industries worth USD 380 billion.

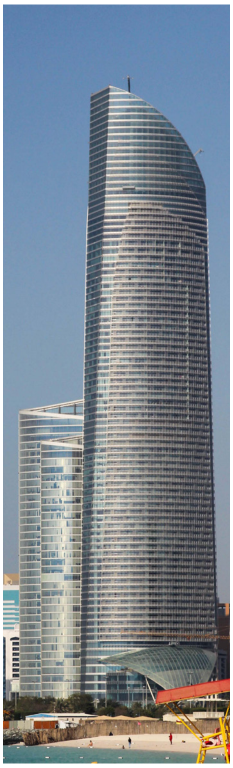
Industrial SMEs in the region are distributed amongst all industrial activities, especially metal, construction and transportation. GCC's new target is to better involve the private sector while making economic-related decisions to enhance economic momentum and encourage small investors to invest in small to middle investments. At this level of investment activities, it is fair to state that the GCCs are currently qualified more than before to engage in multiple scales and fields of industrial, real-estate and oil or gas investments.

Attracting Investments:
Al-Mazaya Report stresses the region is capable of attracting foreign investment to the industrial sector as governments show strong efforts to improve the industrial environment within the sector, designing crystal clear development plans resting on key elements to attract foreign investment . Farsighted strategies are also formulated in these countries to cause the required rise in the industrial sector along with the update of relevant regulations taking place to offer facilities and motives for foreign investment, which in total constitutes the promising investment environment sought.

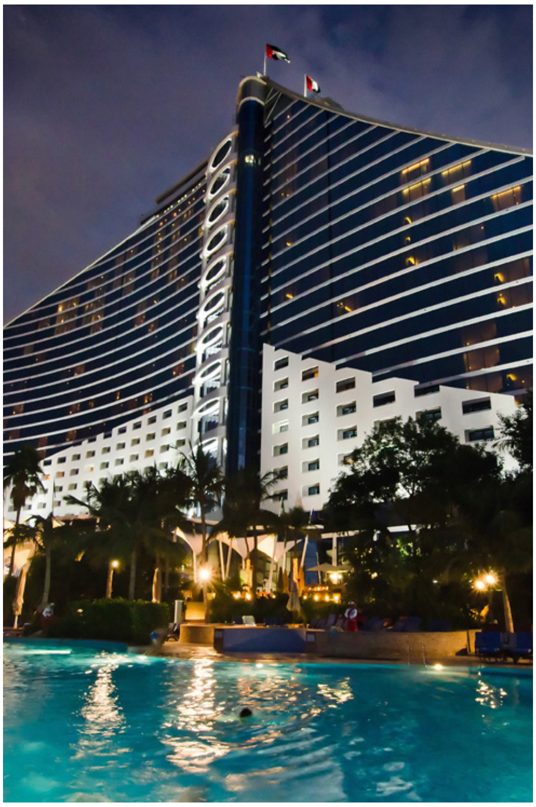
Upgrading the competitiveness of the industrial sector by bringing in quality investments regardless of the economic circumstances should be the core of the region's overall plans and directions. The Report further highlights the GCCs need to improve the basic investment environment if they are to overcome the challenges facing local and foreign investments. For this end to be fulfilled, plans and strategies need to be directed towards serving development purposes and maximising investments in all industrial areas. Finance mechanisms, free and industrial zone systems and infrastructure all need to be amended being the basic investment desirable elements, whether currently or in future.







**Targeting Small and Medium Industries:** Al-Mazaya Report states heavy investment in SME is equally important as the investment in large scale projects within the local economy regardless of its multiple sectors. As such, industrial investment in SME is now critical and will require more attention in the phases to come. Data released from GOIC indicates the number of industrial SMEs in the GCC's was 13.5 thousand in 2014 and their gross value is USD 14.3 billion. The construction metals industry and metals related to transportation rank first in terms of accumulated investment, followed by construction, then food industries ranking third in terms of current investment scale.



The report stresses that upgrading the industries directly and indirectly related to the construction sector and especially to real-estate increases the added value of industrial products and maximizes their economic significance as a portion of the GDP very tangibly. The above is all in light of heavy investment going to construction and real-estate considering the interrelatedness available between real-estate sector and other sectors.

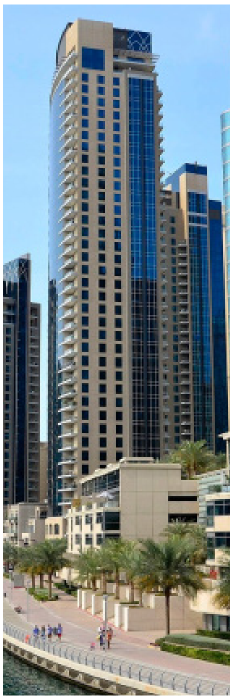
**Endless Investment Opportunities:** Al-Mazaya Report raises speculations based on a number of positive elements and motives available to the economies of the region which are directly contributing to the success of the strategies currently targeting the industrial sector. On the other hand, the multiplicity and diversity of investment opportunities in the GCC economies add more to the efficiency and timely accomplishment of related plans and strategies.

The issue of developing local capabilities is demanding mostly with regard to the industrial SMEs so that their competitiveness can be improved qualifying them to take part in local and foreign partnerships. The report states that it is now time to set up the necessary frameworks for suppliers, technology providers, buyers and investors to convene together to achieve progress and proper growth rates to the industrial sector and to introduce a variety of commercial opportunities whenever possible.

By 2020 industrial investment in countries throughout the region will total USD one trillion, effectively engaging in private sector partnership and establishing additional world alliances for the transfer and improvement of technology. Simultaneously, the GCCs aim to increase the industrial sector's contribution in the GDP to 25% by the same year compared to its current contribution of 10% benefiting from the continuous growth of the sector and the increasing government and private sector's investments driven by the opportunities available therein the sector.

The Role of the Private Sectors:
Al-Mazaya Report believes the region's strong intention to raise the contribution of some economic sectors – mainly industrial sector - in their GDP may stimulate local as well as private sectors to seriously engage in the industrial sector considering this investment momentum and the endless attention given to industrial SMEs. The Government's concern concentrated in this direction broadens more by allocating special finance mechanisms mainly to support industrial SMEs regardless of their specialty. Meaning that, investment opportunities in this sector will multiply creating additional employment and even more investment opportunities. The region now counts on the role of the private sector to take major part in GCC economies engaging in local, regional and world business partnerships as many GCCs have already provided the proper and advanced industrial, logistic and competitive infrastructure to facilitate the role private sector should be playing. Countries of the region have further organized local and regional promotions to introduce the investment opportunities and services availed in special economic zones finalised so far.

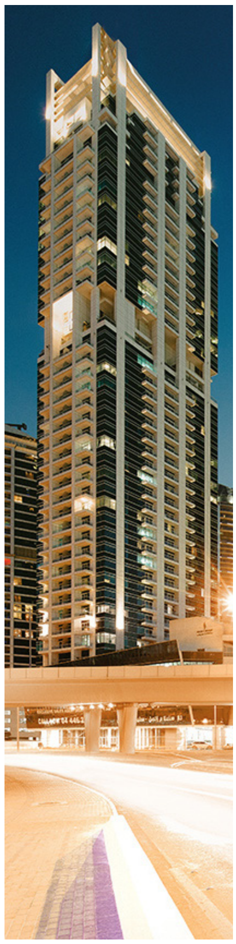
Al-Mazaya Report concludes stressing on the current significance given to industrial SME's suggesting it should have been given earlier. The Report also calls upon availing the facilities required to turn the planned industrial projects into successes resting on their interrelated and integrated role with all other sectors. The real-estate sector currently enjoys one of its best conditions given its ability to attract huge investments up to the present moment. Moreover, the real-estate sector has managed to take many of the countries in the region into world competition - equally influencing investor's appetite for secure and rewarding opportunities. The industrial sector's role is further supporting and integrating this objective, thus enhancing sustainable growth across all sectors, especially as industrial sector projects enjoy more certain potential to succeed compared to other projects operating in similar circumstances.



# Competition and Successive Events taking place in the Real-Estate Market require Innovative Marketing Plans

Marketing plans and strategies in the Real Estate Market are no longer restricted to residential ventures, nor are they only relevant to the Government Sector when it is seeking to create proper investment environments for the real-estate sector and other major economic arenas. The private sector – represented by real-estate development, marketing and real-estate promotion companies - currently takes part in the search for most convenient plans and strategies to promote real-estate products following international standards and best practices to achieve magnificent results.

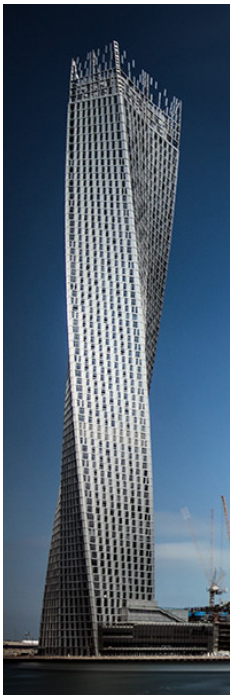
Private sector plans are mostly directed to earn more returns while acquiring better investment opportunities. Therefore, real-estate companies are obliged to adopt innovative and continuously updated marketing plans matching the local and world market changes if they are to survive, as they face competition in a variety of real-estate products along with their competitors' tendency to take over the largest market share. Not to mention that real-estate companies need to consider clients' ever changing requirements, in addition to social, political and economic variables equally affecting marketing plans and resolutions.

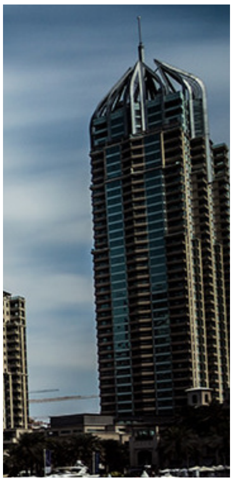


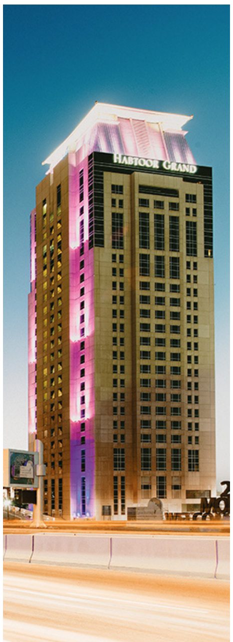
Al-Mazaya Holdings Weekly Real-Estate Report states marketing and promotion activities for real-estate products are no longer restricted to post-to-completion phases of projects, rather they should initiate with the early stages of the feasibility study, manpower planning and recruitment taking place in real-estate projects - taking into consideration the legal dimensions of the investment contract and concluding with contemporary marketing techniques. As such, real-estate promotion companies need to commence their promotions by setting well-defined guidelines prior to preparing the marketing strategy. This sequential process then starts by deciding on the overall objectives sought from creating the marketing strategy. Say the objective is to hike to maximum sales; the strategy is to be based on the quality of real-estate products and contemporary real-estate products being constantly offered. Financial and administrative capabilities available to the real-estate marketing companies are especially significant in this regard when selecting the most practical promotions tailored to the business scale. If real-estate marketing companies are to avoid the negative impact on their returns, they will need to avoid over spending as promotions should be rewarding to real-estate investment, while the quality of executing the marketing process is the driving factor to successfully accomplish their goals.

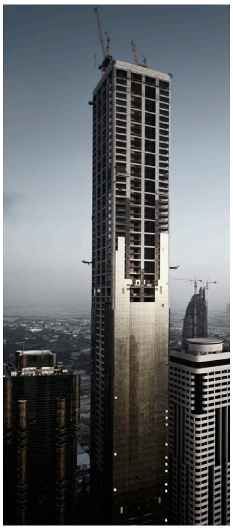
Al-Mazaya Report stresses on the region's requirement for real-estate marketing plans given the supply, demand, real-estate product and price mechanism changes, along with variety of demand sources ranging from local demand operating in a competitive surrounding hungry for opportunities, to global demand resting on security and profitability. In addition to these variables, government resolutions and relevant regulations aiming to stabilise the real-estate market, avoid price bubbles and extreme market deviations also play their role in the scene - meaning that real-estate marketing plans and strategies have to take these variables in total if they are to succeed, ultimately necessitating a continuous search for contingent marketing strategies operating within a variable market.

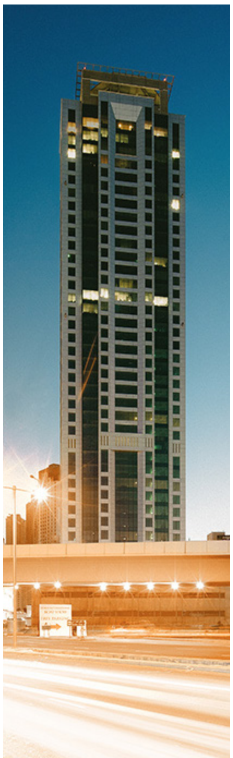
On the other hand, the evolution of domestic real-estate markets within the region, along with the variety of individuals' requirements add new challenges to the preparations and approval of more convenient marketing plans tailored to meet the nature of domestic real-estate markets of the region.









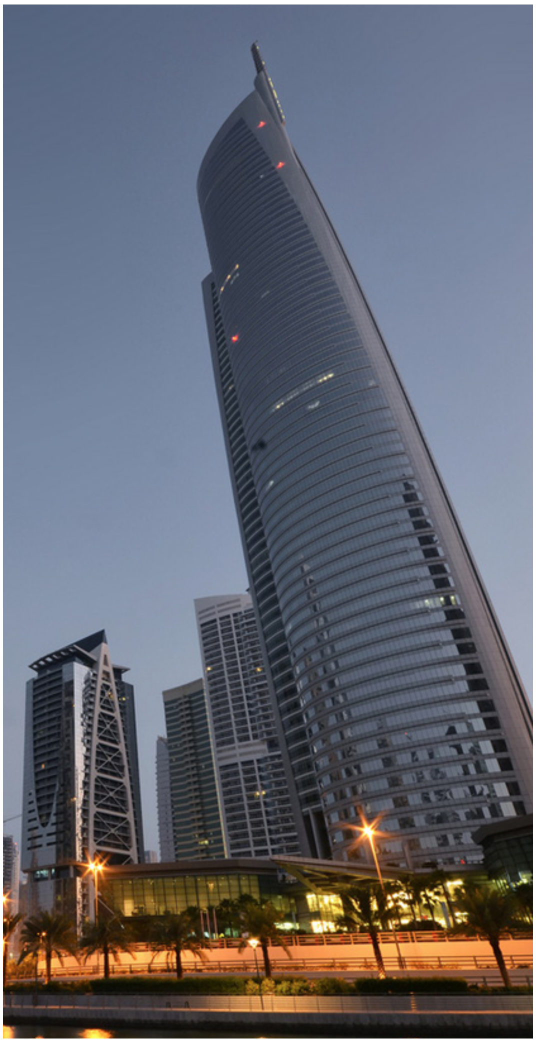


**The situation gets more complicated – as per Al-Mazaya Report - when competition stirs amongst real-estate promotion companies, especially in the event of decreasing demand or reduced real-estate transactions, for example in the summer season across the region as a whole. Other relevant events such as oil prices, geo-political upturns and economic pressures facing economic conglomerates simultaneously take part while preparing real-estate marketing plans. In Dubai for example, real-estate marketing plans will greatly vary if they are to be successfully applied in the Saudi real-estate market. The lifespan of a workable real-estate marketing plan in the Qatari real-estate market will vary from the successful lifespan of a Bahraini one. Similarly, the details and objectives of a workable real-estate marketing plan in the Qatari real-estate market will vary from the one in the Omani context and so on. Also, the real-estate marketing plans tailored to summer seasons in certain countries will not be the same as in foreign countries in the same season. Yet prices of real-estate products, their variations and demand sources will remain the common variables among real-estate markets of the region, as well as in the current and future real-estate marketing plans.**

**The Report refers to the successful means of expanding the market share of the real-estate marketing companies helping them reach out to targeted social categories, similar to the on-line marketing and real-estate websites for example, which have proved to be successful up to the present moment. The secret of online marketing plans is the quality of real-estate design, - well-defining the target client and their specific requirements. Efficient finance plans, easy access to information on the real-estate products and finance are other decisive factors to achieve desired goals.**


**Al-Mazaya Report stresses that real-estate promotion activities and marketing plans have become very significant variables to the real-estate and economic equation, largely contributing to the successful marketing strategies, directly and indirectly stimulate real-estate markets and stalling recessions regardless of the prevailing circumstances. Therefore, the Report reiterates the role of real-estate marketing in pushing the construction movement and trans-borders investments forward, which necessitates more attention to be given to real-estate marketing by relevant parties given its positive impact to the real-estate sector and other interrelated sectors.**

On the other hand, Al-Mazaya Report warns against fruitless real-estate marketing plans negatively impacting the real-estate market and the financial and investment momentum in the area, most particularly in this current phase that is witnessing many government resolutions of direct consequences to the sector coexisting with several external and internal financial economic pressures.



Whereas the Report refers to the current updates of the region directly correlating to real-estate marketing strategies, making them more flexible and responsive to both positive and negative events. The report reiterates once again on the need to continuously establish confidence between all the parties while formulating successful marketing plans and equally considering the location for real-estate products whether finalising real-estate lease or sales.


Finally, the Report concludes referring to the need for real-estate markets to be more reactive to political and government resolutions, so the marketing strategy does not keep distant from the surrounding events which are an indicator for the future and a subsidiary when deciding on the selection of the best real-estate opportunities.