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

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6 Indicators define the Real-Estate Momentum and Trends in the GCCs in 2015



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

Sylvia Gabrial

Coordinator Research

sylvia@mazayarealestate.com

Tel : + 965 2224 3362

6 Indicators define the Real-Estate Momentum and Trends in the GCCs in 2015



GCC Real-Estate Markets witnessed several achievements in 2014, whether these were the hiking sale standards recorded, the major real-estate deals concluded throughout the region, or the quality projects which will contribute to create lasting impact for years to come in the region. The real-estate sector managed to overcome several inherited challenges transcending from the crisis era, many of which continue to fluctuate along with changes in the market momentum. Alternatively, the coming period requires continued and sustained efforts to maintain the same growth and safeguard the sector against systematic and unsystematic threats. The real-estate sector holds wide ambitions for 2015; equally it bears the worries of other sectors relying on it to achieve parallel growth, expansion and success. With this current situation, no room exists to retrieve, commit mistakes or decline, especially while looking at other sectors taking their preparations for the Development Plans 2030 and other major future projects speculated (2020 & 2022). Simultaneously, the real-estate sector will be mostly hindered by budget constraints which have to be approved and properly allocated amongst targeted areas.

Budgets:

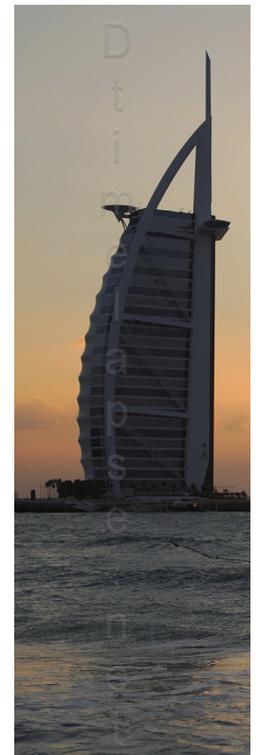
Al-Mazaya Weekly Report states the budgets to be approved are operating as the main element on which most GCC economies speculations and trends rest on. Therefore, major economic sectors hold their breath awaiting gross expenditures and target fields to be uncovered. Saudi Arabia announced its 2015 overall budget amounting to SR 860 billion with SR 145 billion anticipated deficit due to a decrease in oil prices. Accordingly, the Kingdom declares continued expenditure on development projects; mainly education, health and social service. The figures revealed also signal outstanding public expenditure regardless of the local, regional and world challenges encountered, not to mention the fluctuating and un-specified growth trends worldwide. Still, the new budget holds intrinsic indicators of the strong Saudi economy impeded therein and mirrors its ability to stand against world inconsistencies and resume the support directed to major Saudi economic factors -mainly boosting the overall development, improving public services and creating employment opportunities to Saudi citizens.

Similarly, the integrated budget of the UAE increased by 7.81% for the fiscal year 2015 reflecting a gross amount of AED 56 billion; that is a AED 4.1 billion increase compared to 2014. The above reveals that the GCCs upcoming budgets are outstandingly strong; they have the intrinsic ability to stand against the challenges, support the development expenditure, resume the pending projects and reduce the impact of a decrease in oil prices on infrastructure projects.



Strong and Stable Banking Sector:

Al-Mazaya Weekly Report adds to the significance of a strong and healthy banking system able to sustain the development and investment trends equally mobilizing the public and private sector projects' and control the funds available to the real-estate sector. Not surprisingly, securing the GCC banking system against any threats or any unfavorable turnovers will maintain the Real Estate economic activities and hike the growth rates towards its intended targets in 2015. In the same lines, Mody's Bank Credit Rating Agency has rated GCC banks as stable in 2015. The Banking Sector in the GCC is the main beneficiary of the overall government expenditure, growing finance policies and expenditure pumped to infrastructure projects in spite of the decreasing oil prices ultimately and strongly signals progressive growth in credit the banking system to the avail of all sectors, especially the real-estate sector. In the medium-term, the GCC's banking sector will be less impacted by the reduce taking place in oil rates where as Moody's favors GCC banks in light of the economic boom and public expenditure, especially given the rooted assets and natural resources available adding to the enhanced commercial and consumable activities and positively reflecting favorable banking and credit growth rates and assets.



Contemporary Real-Estate Regulations:

Al-Mazaya Weekly Report points to the need to formulate additional rules and regulations to regulate the GCC real-estate market ultimately and positively stabilizing real-estates in the region and adding to its long-term growth. The recent increase in market activities reflect the need to develop rules and regulations necessary to sustain the outcomes achieved so far, to support more growth, to meet the local and external demand and to avail the required supply that is equivalent to current financial and economic standards. In order to best utilize the cross-continental investments and capitals in the years to come, it is necessary to upgrade and unify the current regulations amongst the GCCs which will help to regulate the real-estate market, attract more investments, standardize ownership procedures, minimize the investment challenges and eventually materialize the GCC Common Market given the major contribution of the real-estate sector in GDP.





Current Rates:

According to Mazaya Report, the real-estate exchange trends are nearly restored and consistent to actual demand and supply which are active towards most real-estate products all over the region. It is quite evident that the increasing rates of real-estate lease and sales do not serve the interest of all parties related to the sector since the exaggerated rates will not be operational to the economy without relying on a solid ground of quality services or products, especially that real-estate projects require many years to finalize or yield returns, whereas most financial and economic indicators are annually calculated, and development plans are formulated on a priority basis. As a result, current trends can't continue to hike while growth rates are fluctuating and the region continues to encounter several challenges. Within this environment, all concerned parties are urged to control their prices and other trends next year.



Energy Sector leads the way:

The Energy sector will always mobilize economic activities and investments in the region, therefore more upcoming investments should be sustained therein according to Al-Mazaya report. Additional investments in energy help the GCCs to lead the oil producing countries and protect their market shares which are mostly dedicated to supporting public expenditure. The real-estate sector will be mostly favored by additional investments in energy given the direct correlation between public expenditure and the overall boom caused to multiple national sectors. The public attention given to the industry supports the budget and creates tangible success by diversifying income sources. Data revealed shows the GCCs will continue to support energy projects -whether conventional or renewables they strive to serve their long-term development strategies.

Stability and Fluctuation Trends in Financial Markets:

Economic momentum, stability and growth rates reflected in the financial market performance all over the region have significantly attracted foreign direct and indirect investment. This impact aggregates when investments travel amongst sectors. Stability and growth in financial markets for example avail more funds to investment, while higher returns in this market avails funds for other sectors especially real-estate. Similarly, momentum created in the stock-market is a direct result of real economic activity, which ultimately boosts investments in real-estate as well given the interaction and increase in funds available to major sectors in boom situations. On the other hand, the state of fluctuations and instability revealed in the stock market during the fourth quarter show a gradual leak of funds towards more stable investment funds among which real-estate will be favored.

