



The Monthly Real Estate Report

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A decline in building materials and energy costs can be key drivers
for the development of low and intermediate cost housing

Al Mazaya: The time is right to focus on projects targeting middle-income buyers



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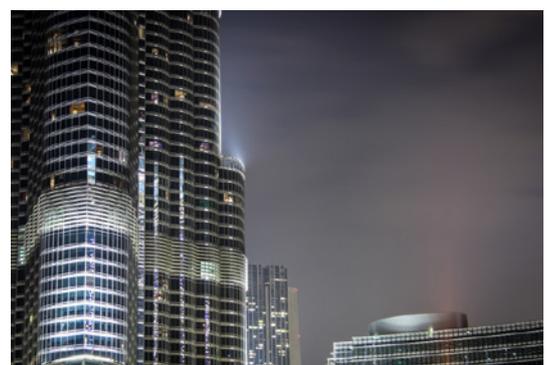
Al Mazaya: The time is right to focus on projects targeting middle-income buyers



The importance of building material costs stems from their considerable impact on the real estate market and investments related to their production. This in turn, impacts on the cost of real estate units – in terms of both sales and leases.

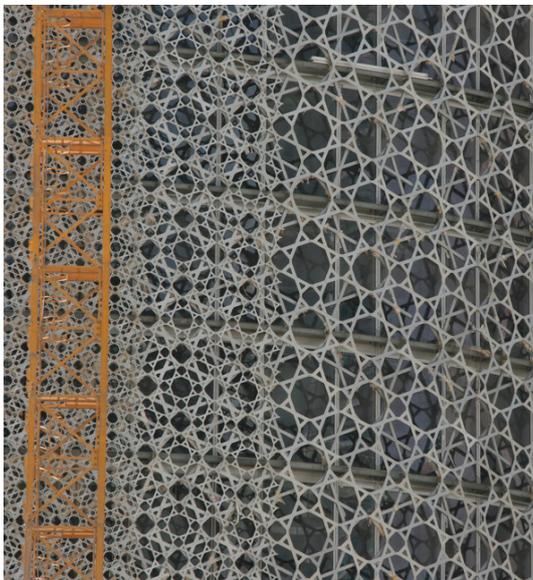


In Al Mazaya Holding's Weekly Real Estate Report it is noted that the rise in building material prices to unjustified levels has had an adverse impact on real estate activity in the region and has added further challenges to demand factors – making it difficult to reduce prices of real estate products given the high costs. Any reduction in prices to meet the financial capacity of investors or property buyers will cause the developers to sustain substantial losses or reductions in their profit ratios.





In cases of economic recession, particularly in respect to real estate projects, the decline in prices of energy and building material costs can lead to more affordable real estate products and would increase the pace of external demand, given the attractive power of ready-made real estate products that are already available in the market.



Al Mazaya's Report notes the presence of positive indicators in the building materials market in the region, despite the upward and downward movement depending on current real estate activity. The key will be for developers to identify the right opportunities and prevailing prices and to use them proportionate to demand.

Al Mazaya's Report also reveals that the key drivers in this economy are related to the timing as much as the price movement. Real estate markets and developers' accounts must reflect the supply and demand forces in all economic conditions and they cannot rely on achieving objectives simply based on fluctuating prices. At this level of transparency there may be a need for intense competition among the contracting companies, although this is unnecessary for steel and cement given that the stability and flexibility of their prices grant developers an ability to plan and calculate the cost – throughout the project's duration.



It is worth mentioning that a recession in business volume may motivate contractors to reduce profit margins to win tenders, a matter that has led to and will lead to reduced building costs. With existing low or intermediate costs of building materials, real estate products of stable and fair prices will help activate demand, irrespective of recession or boom cycles.





UAE

Al Mazaya's Report points to the difference in costs of building materials in the UAE market – with fluctuations noted from emirate to emirate. Also notable are the differences with regard to the cost of labour, office rentals and land prices, differing levels of quality in building, and other relevant factors related to competition and inflation rates.



It is a fact that building costs in Abu Dhabi are higher than in the other six emirates due to the higher costs of rentals, manpower, land prices and accompanying costs for applying quality, sustainability and safety standards. All of these factors have led to an increase in aggregate building costs, in the UAE capital and the wider emirate. In addition, the UAE real estate market is among those that need stable building material prices to enable the contractors to determine costs. This is because ongoing cost fluctuations motivate the contractors to be patient when entering into new projects or hedge their inclinations towards higher cost estimates, which eventually leads to an increase in overall building costs.



Information issued by the Statistics Centre Abu Dhabi (SCAD) has revealed that the average pricing of building materials saw a rise in Q4 2015, increasing by 16 per cent over the corresponding period, in 2014; however, steel prices marked a decrease by up to 23.5 per cent. The cost of diesel also saw a marked reduction of 20.7 per cent, over the same period. In Dubai, within the same timeframe, prices of building materials dropped, with steel seeing a decline between 23.7 and 19.9 per cent, while cement dropped by a rate of up to 2.4 per cent.



Al Mazaya's Report adds that the decrease in prices of building materials, along with the decline in oil prices, will activate the UAE real estate market across all categories, and in particular the middle-income group. This will be achieved by immediately constructing housing units at these competitive prices, with forecasts suggesting that the current recession in the prices will not last. At the forefront of this recession is the current cost of energy, which constitutes a large part of the overall production cost.

KSA

In Saudi Arabia, Al Mazaya's Report notes that in spite of the kingdom's high production of steel, the domestic demand is also high and increasing due to an undeterred production of real estate and housing projects in the country. Therefore, the Saudi market will remain a target for global steel companies both in the immediate and medium term. Market indicators point out that steel prices are prone to an additional decrease due to continuing negative forecasts in relation to the Chinese and European markets. That said, Al Mazaya's Report stressed that a recession in prices of steel and building materials, in the Saudi market, is having a positive impact on the cost of real estate and ready-made housing products. It is, therefore, anticipated that prices will go down further – at rates proportional to the reduction in steel prices and other materials (namely oil).



Observers of the Saudi market also believe that there will be a direct impact on the price of housing caused by citizens' large-scale abstention from purchasing property (60 per cent of the KSA market are tenants not owners) due to the high costs. It is, therefore, expected that such a recession will contribute to a re-offering of real estate products, at prices that are appropriate for the domestic demand.

Qatar

Al Mazaya's Report notes that the Qatari real estate market has seen a marked increase in the volume of consumption of building materials, in 2016, and has had to resort to importing materials to meet the requirements of hosting the 2022 FIFA World Football Cup. Therefore, indicators of the construction market reveal a rise in building costs with an intense concentration on the execution of infrastructure projects. In this respect, Al Mazaya's Report suggests that any marked rise in building costs may increase the cost of real estate products and will likely delay the handover of a number of other projects. It is worth mentioning here that the high demand for building materials and their high prices will lay the foundations for a new phase of development for other industries in Qatar and pushes towards an inauguration of new production lines for building material factories. This, in turn, will encourage the private sector to enter into this industry. High building costs, in Qatar, are also often affected by transport costs, which increase during the high demand periods.



Conclusion

Al Mazaya's Report concludes that currently decreasing levels of building materials costs are good and beneficial for refreshing the building and construction sector for the middle-income group, across the GCC. This will become more relevant as the numbers of middle-income groups are increasing. Therefore, there would seem to be no time like the present for developers to commit to projects that will meet this new demand category. While the expansion of the construction sector and building of houses for middle-income earners will have a direct contribution to the national economy of GCC countries, it is also understood that it will also grant GCC markets further competitiveness in the minds of international real estate investors.



Real estate laws and legislation must counter negative practices of some real estate brokers'

Al Mazaya: Seeking to adjust the real estate market's progress is a collective responsibility involving governments and the private sector



In this week's report, Al Mazaya's Real Estate Report addresses the fact that regional markets are increasingly struggling to bear the burdens of international economic pressures. Supply and demand indicators are no longer capable of accommodating continuous deviations and distortions relating to fair prices, which is starting to have tangible effects on market forces.

This situation has emerged amidst negative contributions made by some of the region's real estate brokers, leading to "unnatural forces" in relation to supply and demand – a matter that makes it difficult to assess what is a fair price for available real estate units. Brokers' ability to influence the volume of offered units, in some markets, means they are able to control the market and prevailing prices, irrespective of a market recession or economic boom.



This situation gives rise to risks on the current and future status of the region's real estate market, which expects to handover projects to a value exceeding tens of billions of dollars, in the coming years. However, it has become evident, with further laws and legislation coming into force, the space left for negative practices to have any influence is reducing.



In addition, laws and legislations related to real estate financing, enacted by the supervisory bodies, are placing further restrictions and limitations on the values and volumes of liquidity moving towards the real estate sector, thus setting further controls to avoid negative deviations. At the same time, finance networks have become more efficient in terms of calculating risks and revenues. Ultimately, this leads us to conclude that attempts to adjust the real estate market dynamic have become a collective responsibility involving both government bodies and the private sector. This includes the likes of developers and banks, with further transparency and stability in the real estate market assured by new and effective laws and regulations.



Al Mazaya Holding's Weekly Real Estate Report points out that the overall influence of real estate brokers' practices is moving in the reverse direction to the developments in laws and legislation recently passed by several governments – both in the region and internationally. As the cases of brokers' negative practices reduce, through increased scrutiny over the nature of deals and contracts – in particular those produced by real estate exhibitions – we no longer hear, for example, that off-plan real estate units have been sold several times over with their prices doubling before their projects even come to be built.





AI Mazaya's Report points out that the most active real estate markets, in terms of new projects, high demand and real estate events, are those where brokers increase their activities and grow their ability to influence whenever demand for residential, commercial and investment real estate products go up. However, their ability to influence goes down where contracts and deals are executed at the level of real estate development companies or through reliable real estate companies with a proven track record in the field of real estate marketing, promotion and deal execution. This, in turn, leads us to believe that real estate markets are becoming more stable and will benefit whenever contracts and deals are executed via official frameworks and by official means. It is worth mentioning here that the ability to regulate the market and brokerage businesses depends increasingly on the end beneficiary, who is obliged to close the deals in official frameworks, avoiding violations. It has become difficult to track and fully control working mechanisms and tools of brokers given the development in the tools they use; this includes unlicensed brokers who often promote their available real estate units online.



UAE

This week's AI Mazaya Report touches upon the move in the real estate market, in Abu Dhabi, to adjust the tempo of the real estate market and blockade brokers' malpractices. At a time where the real estate market is going through a level of modification at the level of both developers and financing channels, it will now not be permissible to offer real estate projects for sale or offer projects in real estate exhibitions without obtaining the approval from the Municipal Affairs Department and opening an escrow account. In this context, the emirate is awaiting the application of a lease indicator before the end of 2016, which will set an average costing for rental units in housing areas. The indicator is divided into 237 points and would be binding to both the landlord and lessee. Judicial bodies will also rely upon the indicator, with the courts able to assess rentals based on the detailed information the indicator will provide.



Relying on and applying the measurements from the indicator and its outputs would put an end to the problems facing lessees who are often faced with substantial, unjustified increases in rentals – year after year. The indicator will also help investors designate areas to launch relevant projects. It is planned for this indicator to take effect following the complete enforcement of the real estate regulatory law. This law will regulate the activities of developers, brokers, real estate appraisers, and the registration of real estate units and leases.



Oman

In the Sultanate of Oman, Al Mazaya's Report addresses the trends and indicators of urban growth in the country, with government bodies moving to impose further controls and pass a series of laws which regulate the operation of real estate brokerage firms. Much like the measures being introduced in other GCC countries, these procedures aim to limit and regulate the functioning of individual real estate brokers and real estate firms so as to protect the real estate market from illegal practices.



Qatar

With the continuing rise of land prices in Qatar and continuing negative practices by real estate brokers in the country, it seems the situation remains static at the present time with violations of applicable laws neither declining nor increasing. It is worth mentioning that one of the key issues lies in real estate brokers intentionally dividing and subleasing villas to generate substantially higher revenues. While there are applicable laws in this respect, effective regulation of this phenomenon has been difficult and violations are spread across the majority of housing areas in the country. It is noticeable that the substantial rise in rents has fuelled this phenomenon, with rents for rooms in divided villas being deemed more reasonable for renters, compared to the prevailing prices of whole units. Al Mazaya's Report further reveals that the country's increasing population and limited construction of housing units – serving low-income segments – continues to fuel this issue. It is the opinion of Al Mazaya that the enactment of further lease-relevant laws and legislation is necessary in order to contribute to controlling this phenomenon.

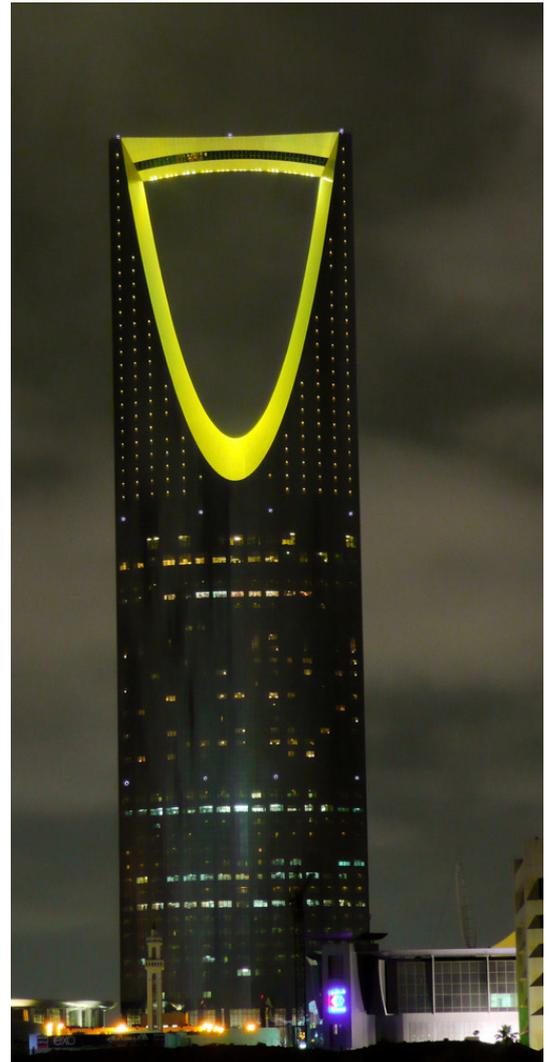
Under the application of the new laws, no individual or real estate firm will be able to practice the profession without obtaining a license from the official regulatory bodies. In addition, real estate brokerage firms will be electronically linked to the concerned ministry in order to monitor the firm's activity, as well as serving as an observable indicator on demand and supply movements, across the Sultanate's real estate market.



Al Mazaya's Report asserts that addressing the professionalism within the industry will help the market and maximise revenues for all parties. It will also highlight the necessity of creating appropriate controls for online marketing processes, which are largely employed by unlicensed brokers.

Conclusion

In assessment of the negative impact of malpractices carried out by real estate brokers in the region's markets, there is universal agreement that laws and due diligence procedures are needed to maintain a properly regulated and fairly governed real estate market. That said, market indicators concur with Al Mazaya's assertion that some real estate owners are dealing with brokers to close sale and lease deals, with the aim of saving commissions and expenses charged by licensed real estate brokerage firms; therefore, there is still much to be done to ensure fair practices are upheld. In response, Al Mazaya's Report urges the speedy and strict introduction of laws and legislation to crack down on violations that inflict damage and harm upon both lessees and the real estate market as a whole.



It is noteworthy that the series of laws and legislation already in force, in many countries in the GCC, have contributed to reducing malpractice and it is clear that the steps being taken in these areas are edging the region's markets towards greater transparency, stability and growth. Of course, the real estate market can benefit from further controls and laws, with further monitoring and follow-up tools on all violations and negative practices offering the region a competitive edge for foreign capital seeking stable investments in stable markets.



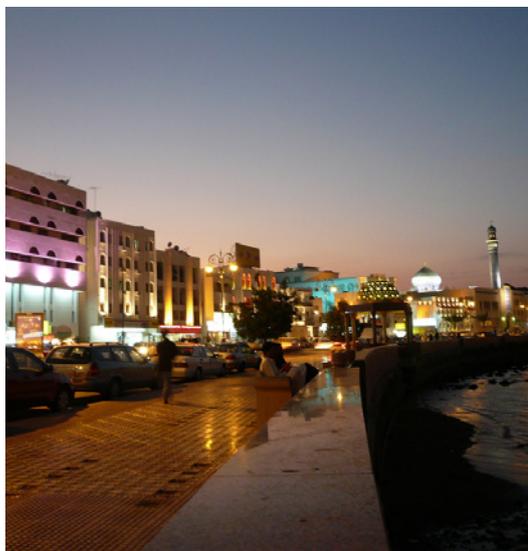
Indicators show investment opportunities in low-cost real estate dedicated to young adults and first-time buyers

Attraction of real estate investment in the Sultanate of Oman is increasing



Economic conditions and the prevailing investment climate both have considerable impact on determining the type and number of investment opportunities available, in any given market. The ability to develop the structure and tools to keep abreast of local, regional and global developments gains substantial importance when we talk about attracting foreign investment towards major economic sectors. Given the recent levels of financial and economic uncertainty, investment opportunities require large-scale efforts in due diligence and focus.

In the long run, regional markets with evolved financial and legislative structures will ensure the continuation of activity across all major economic sectors, including real estate. This is because – regionally – the real estate industry remains one of the most important for both the public and private sectors and offers opportunities to offset the negative consequences of oil price declines.





Sultanate of Oman – Real Estate Overview

In this context, Al Mazaya Holding's Weekly Real Estate Report points out that the real estate sector, in the Sultanate of Oman, has moved from a phase of development and reclamation of lands, by way of sale and purchase by domestic and GCC investors, to a phase of diversifying its real estate products, in terms of its residential and commercial offerings.



The Sultanate's real estate market currently provides a large number of investment opportunities, although this currently rests on a package of incentives that help ensure the continuation of momentum from local investors. This is particularly relevant to developing areas like tourism, where the Sultanate is positioned to occupy an increasingly more prominent standing on the global tourism map. Moreover, investors can rely on the Sultanate's commitment to capitalising on sound, yet flexible, economic policies that are able to respond to fluctuations in both neighbouring and global markets.

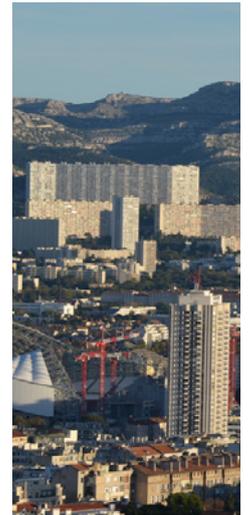
Assuming that Oman keeps pace with enacting global standards on economic policy, the current development and expansion taking place in the Sultanate's economic infrastructure will further contribute to attracting both domestic and foreign investors. This is evident when you take into consideration the benefits of its investment climate across multiple industry sectors, the stability of the country's economic and political system, an investment-friendly legal framework, and a flexible tax system.



Favourable Legislation

Al Mazaya's Report further points out that the Sultanate's real estate sector has earned a good share of the government's attention, with a view to introducing more amendments that are necessary to ensure the market's ability to compete at the regional level. Most recently, several amendments made to the Foreign Investment Law have provided increased openness and incentives, in relation to tax and customs. These recent inclusions are in addition to existing legislation that allows for licensed freehold purchases of all-inclusive tourism compounds and the purchase of reclaimed lands throughout all the Governorates (regions) of the Sultanate. It is worth noting that flexible conditions for land ownership by individuals and companies is largely in accordance with usufruct (long-term leasing) laws and contracts, with an additional stipulation that lands purchased for tourism projects must be reclaimed within four years from the registration date. The owner does, however, withhold the right to resell the constructed buildings at any time and, in addition, the title deeds for the property can also be passed onto the owner's heirs. These types of investments enjoy a tax exemption period of five years.

Infrastructure Development
 Al Mazaya's Report also adds that the real estate market in the Sultanate of Oman is one of the fastest developing markets in the region – in large part due to corrective actions being taken to provide an attractive economic environment for boosting activity and investment. This is particularly evident when looking at the real estate sector's ability to take advantage of continued government spending on infrastructure projects.



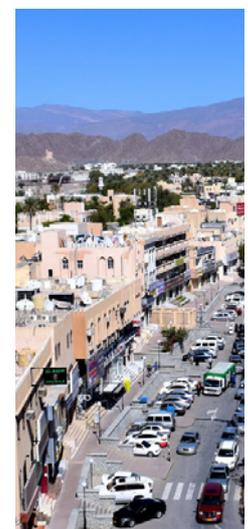
On an administrative level, Al Mazaya's Report suggests that the Omani real estate market would benefit from a more comprehensive database that provides detailed assessment of the quality and reliability of projects; thereby ensuring peace of mind to investors. This, in turn, will contribute to more positive and widespread support from the real estate sector, increase the rates of local, regional and global investment, and provide a solid foundation from which different types of investment decisions can be made.



Al Mazaya's Report notes that investment opportunities in the Omani real estate market are present in many of the Sultanate's cities and regions; therefore, investment opportunities are diverse and compatible with the aims and aspirations of a large number of investors. For example, the Muscat Governorate and all other major cities, including Salalah, Duqm, Al Buraimi and Barka, are currently attractive and experiencing high demand from domestic and foreign investors. Market indicators also reveal potential for further increases in demand, in harmony with their positive economic development and the vast areas of lands available.



Al Mazaya's Report points out that such a database should include details related to the key areas for development and population-related needs, so as to identify the target categories for market analysis. Armed with such information, the planning of real estate investments can be brought into line with more internationally recognised norms for forming medium and long-term development strategies.





GCC Investment in Oman

When it comes to foreign investment, it is a well-known fact that GCC nationals account for the largest ratio of real estate ventures, into the Sultanate. This has typically included investments directed at undeveloped land and tourism projects. Al Mazaya's Report points out that demand from GCC investors has seen a marked increase, in these areas, over the past few years – a direct result of the Sultanate's economic and political stability, continued government spending, and uninterrupted urban growth in major cities. Competitive land prices and market liquidity are also key factors in motivating GCC investors to look towards Oman.



It is worth mentioning that while Oman is not a significant oil producer, compared to most of its GCC neighbours, the Omani real estate market is not immune to the effects of declining energy prices and revenues. There is also a tendency in the Omani government towards rationalising continued spending on development projects; however, a deficit in the government budget, for the current year, was recently announced, with 84 per cent of total revenues from oil accounting for spending on development and service projects. That said, Al Mazaya Report is confident that the Omani real estate market remains among the best investment opportunities in respect of real estate units for middle-income nationals. A rise in the demand for such properties, due to an increase in the Sultanate's population, is largely being driven by the young adult and first-time buyers' category.



Residential Real Estate Sector – Oman
In terms of the residential sector, Al Mazaya's Report notes a decrease in the demand for houses, a drop in domestic purchasing power and a decline in the number of title deeds granted to GCC investors over the past year.





Young Adults and Affordable Housing – Oman

Al Mazaya's Report notes that there is a significantly young demographic of buyers in Oman, all of whom are looking to own affordable housing units and take their first steps onto the property ladder. It is worth mentioning that the construction of relevant real estate units is currently lacking; however, demand is high, so these locations should not be affected by market fluctuations, in the medium term.



Affordable or low-cost real estate units, aimed specifically at young adults and first-time buyers is expected to drive construction of such projects, based on the premise that demand for all-inclusive housing communities at affordable prices will increase over the next few years. On the other hand, oil price declines and its associated negative impact could affect the ability of young adults to own property, which may increase the likelihood of an upsurge in the pricing of housing units. The knock on effect may then have a negative impact on the pace of real estate investment into the Sultanate.

Conclusion

Al Mazaya Report forecasts that non-oil sectors are going to attain further growth in terms of productivity and contribute to the ongoing diversification of Oman's income sources. The share of non-oil activity, in Oman, increased by 4.7 per cent, by the end of 2015, sparking confidence that the private sector will play an increasingly important role in advancing and activating investment activities, in the country. Of course, this will largely depend on the Sultanate's continued commitment to enacting comprehensive infrastructural development, including the ports, airports, roads, and communication networks.



Taking into consideration that the Omani government is focused on energising both domestic and foreign investments across a large number of industry sectors, key opportunities – and high returns – exist for investors in areas such as: public services, healthcare, logistics, manufacturing, tourism, and mining. In short, the real estate sector is a key priority for the Omani government and this presents huge opportunities for real estate developers and investors, in the medium to long-term.





Al Mazaya: Gradual correction of real estate prices reflects market flexibility and fair pricing



Real estate market trends in the region's countries have revealed that not every price rise is a positive indicator and not every reduction is negative. The economic cycles of the region's economies are directly linked to what is going on within the global economic system and, therefore, they do not present any unique challenges. While the fiscal and economic cycle has undoubtedly become shorter and often does not exceed six years, the situation must become part of an accepted series of regular trends – between growth and recession.

Rental and purchase prices are considered among the most important measurements for fiscal and economic cycles in the region's real estate market. This is particularly the case in economies of countries that are open to foreign investment and, therefore, they must increasingly anticipate these cycles within the core part of their middle to long-term plans.



UAE

By tracking the region's markets, it has become noticeable that the UAE real estate market now enjoys high flexibility towards the supply and demand cycles. The Emirati market has become capable of reflecting the demand indicators on the offered real estate products in a more efficient way than neighbouring countries, in spite of some challenges still being in place. The key challenges are the price reduction indicators, which are often associated with economic and financial pressures that affect the pace of economic activity as a whole. Therefore, a decline in demand rates in terms of sales and leasings means more risks and fluctuations for both direct and indirect investment.



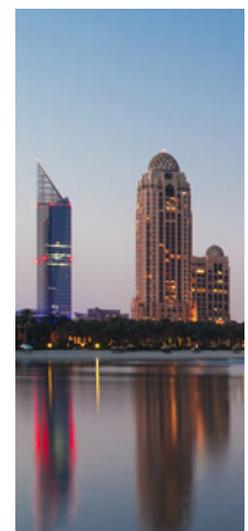
In this context, Al Mazaya Holding's Weekly Real Estate Report points out that the UAE real estate market has succeeded in evading predicted real estate bubbles ever since the global financial crisis. From 2012 up to the end of 2014, the UAE has also succeeded in avoiding a collapse in prices, despite the recession of the past couple of years. Due to steady demand indicators from the end user, in addition to an improvement in the attractiveness of real estate products and prices – across all categories – the UAE has witnessed a consistent level of demand, at healthy supply rates.



The state of correction reported in the UAE real estate market has evidently proven the authenticity of the reports and indicators, which expected the market to undergo a state of gradual decline in pricing. This carries several positive aspects for investors, the real estate market and the local economy, given that investments have increased in terms of quality and feasibility.



An improvement in the investor's ability to determine the best investment opportunities at the right levels of risk, return and market resilience, means the UAE market remains an attraction proposition – both locally and externally. These factors have been collectively reflected in the country's economic performance and continuation of development projects, in spite of the prevailing financial and economic pressures at the regional and global level.





Ostensibly, the prevailing prices are still appropriate for both real estate developers and owners, with the rises reported in the recovery period being high – reaching pre-2008 levels. Therefore, any market corrections will not render these real estate units unfeasible and, importantly, will not cause owners and developers to sustain losses. Al Mazaya's Report further points out that real estate investment is a long-term game and so market exposure to fluctuations and price disparities is expected. The fact that the market's stakeholders are accustomed to market price fluctuations means they often set out a range of positive and negative outcomes – before initiating a real estate investment.



Irrespective of the severity of fluctuations and their length of time; active markets like Dubai, Abu Dhabi and Doha, will be able to overcome economic fluctuations and return to their previous levels following each recession. This makes them an attractive investment in the long run. Real estate markets in the region are starting to strike a balance between supply and demand – a situation that presents buyers with fairer prices and contributes to further investment. It is worth mentioning that real estate prices in Dubai marked a recession ratio of 12 per cent, over the past year, while market indicators showed that rental prices will undergo a decline of 10 per cent, with real estate prices set to decline by five per cent, during the current year.



Qatar

Al Mazaya's Report considers it highly probable that luxury real estate in Qatar and neighbouring real estate markets will see a further decline in price levels. This is based on the assumption that luxury real estate products, particularly villas, are largely affected by the developments in oil markets as well as the package of amendments currently being introduced to spending tools and mechanisms, at both the government and private sector level. Real estate indicators point out that rentals of offices and housing apartments are undergoing a state of anticipation, which is reflected in indicators showing a high supply of villas and a decline in demand. This is not unexpected, in the face of government and private sector expenditure cuts, due to falling oil and gas prices, a recession in economic activity, and job cuts.



Al Mazaya's Report adds that real estate owners are holding fast to the prevailing rental rates – rejecting prices being dictated by supply and demand forces – which has had a direct impact in increasing the fallback rates in rentals, which ranged between five and 10 per cent, over last year's figures.

It is noteworthy that sales in Qatar's residential real estate market are heading for a decline. This is a consequence of the reluctance of investors to offer new projects while prices of undeveloped lands have seen a marked decrease of 15 per cent, in several locations in Doha. In this regard, real estate prices and rentals have marked record rises over the past few years and the current correction will be principally be more beneficial to the market and end user.



KSA

Al Mazaya's Report points out that trends in the KSA real estate market are not independent from internal and external developments or supply and demand forces. The data in circulation shows a decline in real estate prices by 20-40 per cent, at the end of the first quarter of this year. The government's application of taxes on land that has been left undeveloped has also led to a decrease in site plans on the outskirts of major cities. Adding to that, registered real estate sales marked a decrease of 20 per cent, compared to the same period last year. Real estate transactions in April marked a decrease of 52 per cent, on a year-on-year basis, according to statistics released by the Saudi Arabian Ministry of Justice. Housing and commercial building transactions also declined by 52 per cent, while deals in the commercial sector noted a 54 per cent decrease, for the same month in 2015. These reported recessions reveal a state of hesitation in the market's overall performance. That said, further declines in pricing will be beneficial to the real estate market, following extremely high and unjustified rises in prices over the past few years.

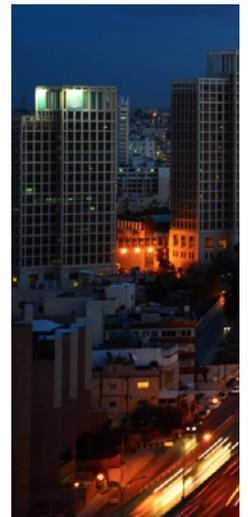
Jordan

Al Mazaya's Report has also confirmed that while Jordan's real estate market is following a similar path to KSA, the underlying reasons are very different. The official data indicates a decline in real estate sales by four per cent, during the first quarter of this year, compared to Q1 2015. Market indicators imply that the reported recession is mainly attributable to a state of instability in the region, domestic issues related to a decline in investment liquidity, and a lack of balance between supply and demand forces. There is currently an over-supply in the Kingdom. It is worth mentioning that liquidity in Jordan's real estate sector is one of the most important factors determining the country's pace of economic activity. Market indicators currently indicate a decline in market liquidity, which has led to a high rate of defaults on installment payments – a matter that is influencing financiers to put a hold on financing real estate projects. Al Mazaya's Report also adds that forecasts for a further decline in real estate prices are still in place; however, rental prices are expected to maintain their current levels.



Conclusion

Al Mazaya's Report asserts that the gradual decline in real estate prices will, ultimately, be beneficial to the market, over the coming period. However, real estate markets that are noting sharp and accelerating declines will face many challenges in maintaining the value of their assets and investments and will have considerable difficulties attracting more investment, in 2016. The general trend of reported and expected declines is attributable to a decrease in demand and an increase in supply – not just a rise in supply. Economic conditions of this nature may be pointing to further recession before there is a rebound.



Integration of environmental, social benefits and aesthetic values into real estate projects is driving demand and supports stable pricing structures



With trends in the GCC region's population set to continue upwards in the foreseeable future, demand for the construction of new housing and new cities remains strong, in the short to medium-term. As a result, supporting services relating to infrastructure, commercial and industrial projects continue to offer positive indicators for growth. Despite an overall economic recession being felt in most of the region's markets, GCC countries have maintained an ability to promote and attract foreign investment, based on these demand factors.

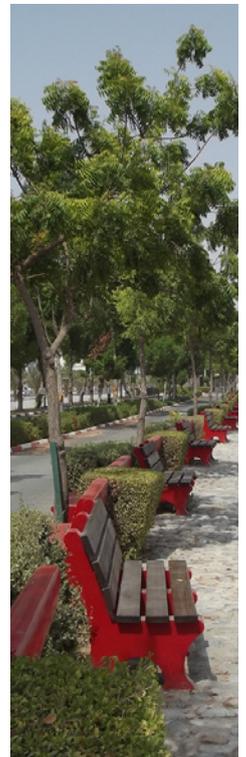


The rapid pace of construction and the building of new cities, in the region, do raise questions about the level of impact this will have on the environment. Of course, a balance has to be struck between sustainable environmental requirements, and providing adequate housing to compensate for population growth.



In this respect, Al Mazaya Holding's Weekly Real Estate Report points out that maintaining natural habitats, in the face of urban growth to match population trends, is a major challenge. This is also a problem for countries that have an abundance of natural greenery and rainfall; however, these challenges are doubled when we talk about cities constructed in arid, desert climates. While the GCC region remains a popular destination for high volumes of real estate investment, conforming to global standards on the environmentally sustainable construction of new urban developments continues to present challenges.

Such demands have, historically, meant higher costs to the developer; however, increasingly, it has become possible to capitalise on the advances in the development of both sustainable and recyclable substances used for construction. Materials and designs more suited to hot weather, energy efficiency, and offer reduced impact on the immediate environment are now just as important to homeowners as aesthetically attractive living spaces.



Al Mazaya's Report can reveal that urban design and planning are among the key factors that attract investors to a real estate market and its domestic infrastructural developments. Planning, research and study are the fundamental building blocks for any large-scale development; however, governments, end-users and investors are increasingly demanding that projects offer long-term sustainability solutions, energy efficiency, and environmentally friendly architecture and landscaping.

Al Mazaya's Report further points out that while urban areas are expected to grow in number – worldwide – over the next twenty years, the drive to construct “green cities” is now very much on the agenda of many governments. Allocating areas for gardens and urban landscaping can make cities less contaminated by pollution and help protect local habitats and wildlife. Such measures are of significant importance in the likes of China and India, where cities are expected to grow at a rapid rate throughout the 21st century.



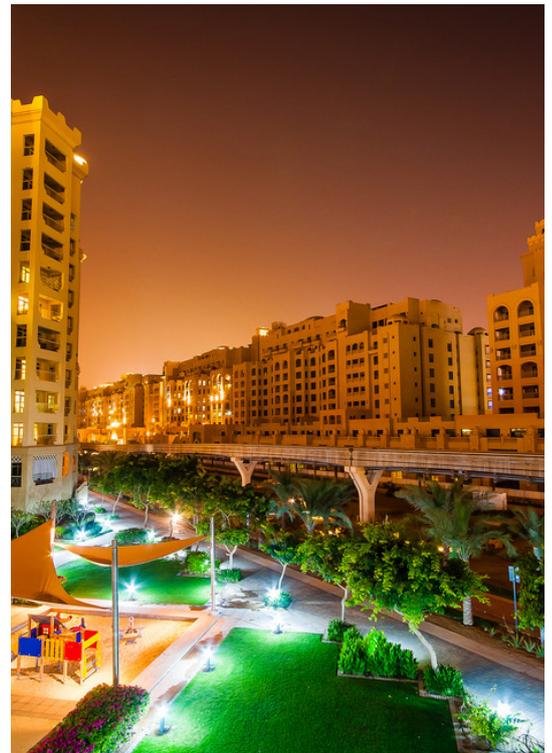
The report also indicated that pressures and challenges facing environmentally sustainable developments are set against the forecast that 4.9 billion people will be living in cities and urban areas, by 2030. This means that urban areas will expand by no less than 150 per cent, over the same period. This presents a major challenge to maintaining the natural environment, particularly in the extremely large cities, which continue to attract migrating populations. Moderately sized, smaller cities do have better opportunities to manage this trend. To this end, Al Mazaya's Report states that while problems exist in certain large cities, developing new and sustainable cities of the future is a concept that is being embraced by GCC countries. This can be seen and recognised in a variety of new projects and cities being developed in the region.



Health & Wealth benefits

In addition to preserving the natural habitat, "green spacing" within and outside cities helps to prevent dust, reduce contamination from pollution and absorb CO2 emissions – all of which offer positive contributions to residents as well as the planet's health. Of course, green spaces naturally give a city a more aesthetic value, but sustainable and smart cities are not just "nice ideas to have". By offering significant environmental, energy, social and health benefits, it will make them some of the most sought after places to live.

According to Al Mazaya's Report, green spaces have a direct relationship on the attractiveness of real estate projects. Health and environmental considerations have become key features and priorities for consumers of many types of housing units. Expanding the green space around buildings has become an environmental and social requirement that helps reduce water and air contamination as well as having some cooling effects on high temperatures.



Real estate market indicators, around the world, point out that pricing is directly related to green spaces; real estate prices go up whenever nearby landscaping and parks undergo expansion and development. It is worth mentioning that studies show that residents of cities with a higher ratio of green spaces enjoy a better quality of life. Today, over 50 per cent of the world's population lives in urban areas, a matter which reflects positively on efforts to augment the use of landscaping in the planning and execution of cities. It has also been noted that end users increasingly realise the long-term importance of sustainable real estate and environmentally friendly construction practices. This, in turn, is affecting purchasing and re-sale priorities.

UAE

Al Mazaya's Report has also identified that considerable development on the concept and content of the expansion of green spaces, in the UAE, has coincided with the rapid urban expansion witnessed across the country, since the turn of the century.



Recent data shows that green spaces, in the Emirate of Dubai, expanded by more than 35 per cent, in 2015. While aesthetic factors are a consideration, expanding the green areas are part of the city's strategic concept and series of objectives, in respect to environmental considerations. These recent additions have increased the share of green spaces to over 13 square metres, per capita. In the emirate of Abu Dhabi, around 6,600 hectares of greenery was added over the last 12 months. Official bodies are now adhering to global standards and practices, with modern technologies also being deployed to assist in areas such as climate conditioning and the rationing of water. Around 64 future projects, including entertainment parks and gardens, will be developed over the next few years.

Qatar

Al Mazaya's Report also points to the efforts in Qatar, where integration of green spaces within its urban development is currently being implemented. These efforts are supported by a planned agricultural strategy being rolled out across the country. One of the key stated aims is to combat the high summer temperatures experienced in Qatar, in addition to providing more attractive real estate projects, offering adjoining public parks and gardens, which can add tangible value to property prices, compared to other locations.



Conclusion

In spite of the current challenges facing regional economies, the provision, allocation and recycling of water is considered to be the backbone for the success of green space expansion strategies – both within and outside the cities. In addition to capitalising on foreign expertise and technologies, GCC countries are in need of more forestation. While the environmental advantages are clear, these types of initiatives will also help enhance the psychological and physical health of society. In relation to climate conditioning and moderating the effects of the weather – especially in summer – forestation will contribute to lowering the region's extremely high temperatures.

