RIYADH
REAL ESTATE MARKET REVIEW
H1-2022

CENTURY 21
Research & Advisory

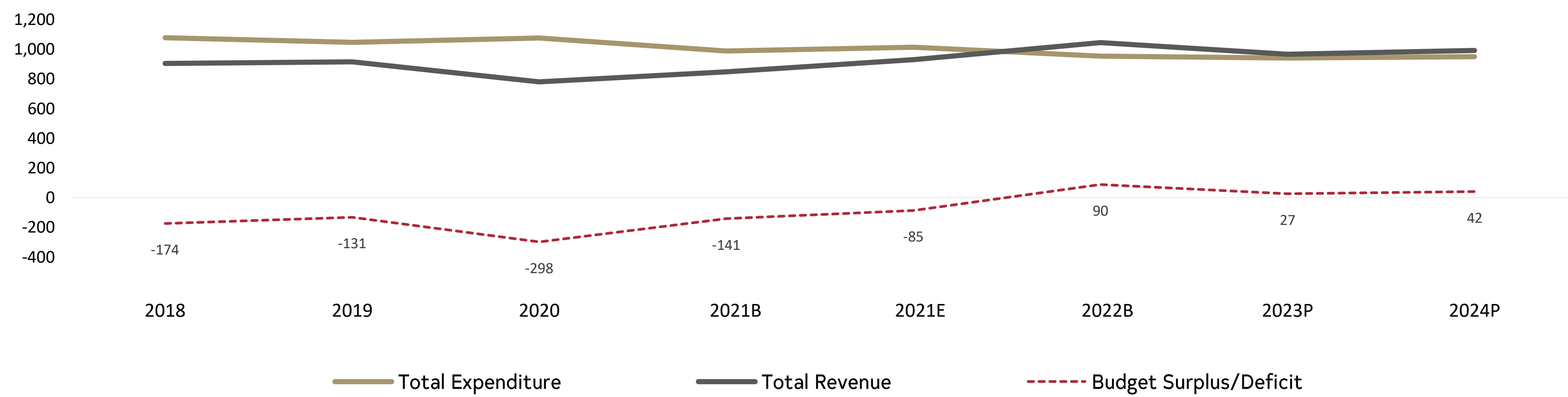
KSA BUDGET 2022

The Council of Ministers approved the budget for the fiscal year 2022, with a total expenditure of SAR 955 bn, total revenues of about SAR 1,045 bn an increase of 12.4% compared to the projected revenues in 2021, and a surplus of about SAR 90 bn (2.5% of GDP).

BUDGET SURPLUS/DEFICIT:

By the end of FY 2021, the budget is expected to record a deficit of approximately SAR 85 bn (2.7% of GDP), compared to SAR 294 bn (11.2% of GDP) in FY 2020. A Budget surplus is estimated to be achieved in FY 2022 of around SAR 90 bn (2.5% of GDP). This surplus will be directed to boost government reserves, support development funds and the PIF to consider the possibility of accelerating the implementation of selective strategic programs and projects with economic and social dimensions, and partially repay the debt based on market conditions.

KSA Budget 2022 - Surplus/Deficit (SAR Billion)



Source: MOF

REVENUE - BUDGET 2022

Oil Revenue:

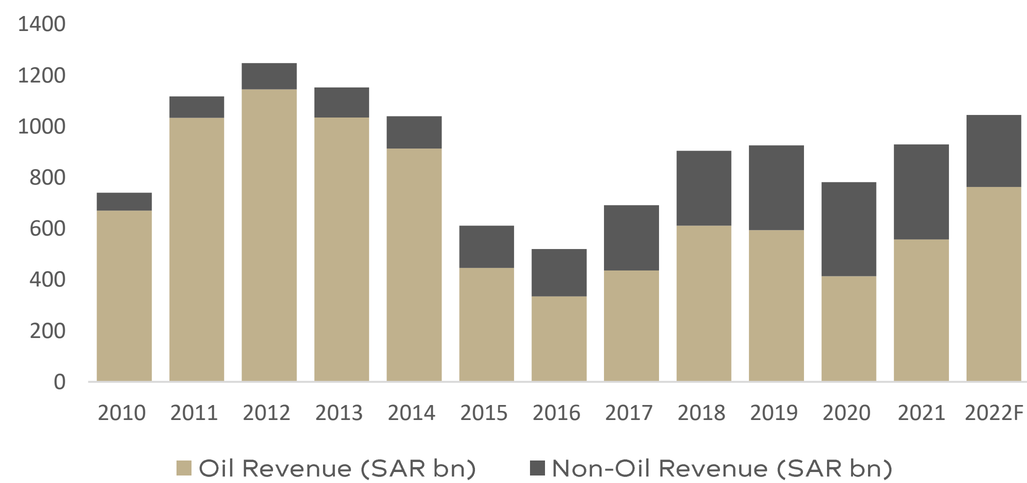
Global demand for crude oil and increased production of oil activities by 9% resulted the positive growth in GDP where the average price of Brent crude oil reached around $69.5 per barrel as of October 2021. Preliminary estimates for FY 2021 indicate a 2.9% annual increase in real GDP driven by a rise in non-oil GDP, which is expected to grow by 4.8%. In FY 2022, estimates indicate a growth of 7.4% in real GDP driven by the anticipated rise in oil GDP, which is tied to the OPEC+ agreement. Global oil demand is expected to grow by around 4.3% in 2022 to reach 100.8 million barrels (per day) compared to around 96.6 million barrels (per day) in 2021 due to economic recovery in many sectors led by petrochemicals and transportation.

Non-Oil Revenue:

Non-oil GDP is expected to grow by 4.8% indicate a 2.9% annual increase in real GDP for FY 2021.

TOTAL REVENUE (SAR bn)		TOTAL EXPENDITURE (SAR bn)	
2021	2022	2021	2022
930	1,045	1,015	955

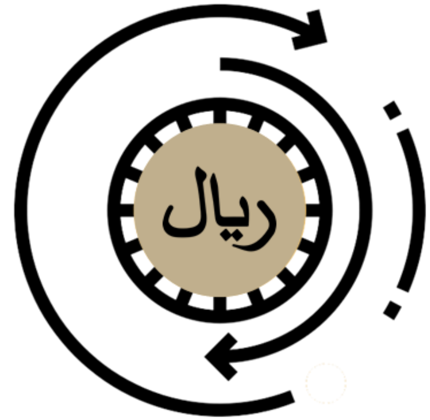
Oil and Non-Oil Revenues - SAR Billion



Source: MOF

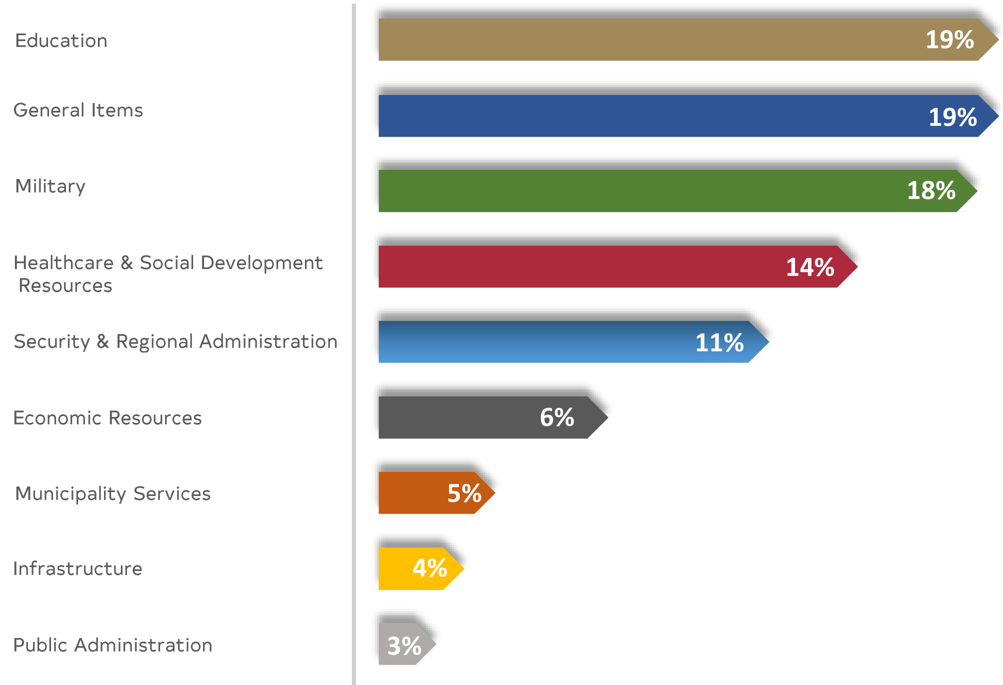
KSA MACROECONOMIC OVERVIEW

EXPENDITURE - BUDGET 2022



MEDIUM-TERM FISCAL PROJECTIONS (SAR bn)								
	2018	2019	2020	2021B	2021E	2022B	2023F	2024F
Total Expenditure	1,079	1,048	1,076	990	1,015	955	941	951
Total Revenue	905	917	782	849	930	1,045	968	992
Budget Surplus/Deficit	-174	-131	-298	-141	-85	90	27	42
Percentage of GDP	-5.9%	-4.5%	-11.2%	-4.9%	-3%	-2.5%	-0.8%	1.1%
Public Debt	560	678	854	937	938	938	938	938

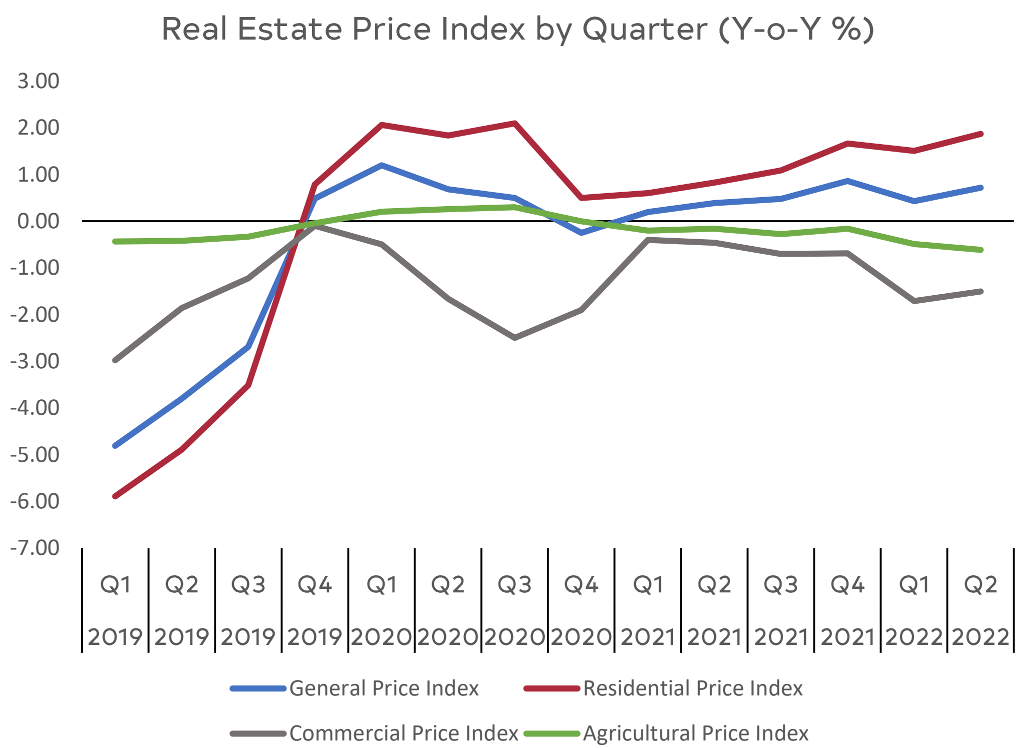
Expenditure Allocation – Budget 2022	
Sector	**Amount (SAR bn)**
Education	185
General Items	182
Military	171
Healthcare & Social Development	138
Security & Regional Administration	101
Economic Resources	54
Municipality Services	50
Infrastructure	42
Public Administration	32
TOTAL EXPENDITURES	**955**

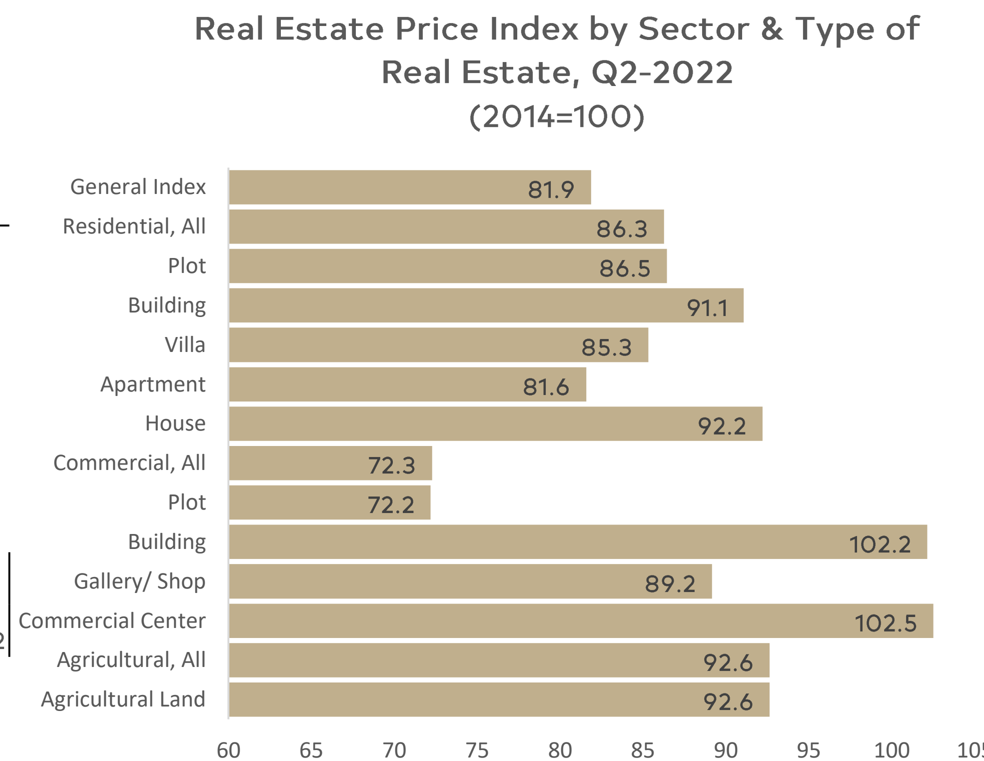


Source: MOF

REAL ESTATE PRICE INDEX Q2-2022:

The real estate price index (RPI) increased by 1.9% in the second quarter of 2022 compared to the same quarter of the previous year. This increase was mainly occurred due to the surging residential land prices across major cities of KSA. However, the decline in commercial real estate prices by 1.5% and agricultural real estate prices by 0.6% have been observed during the same period of time as per the General Authority for Statistics (GASTAT) published data.





Source: GaStat

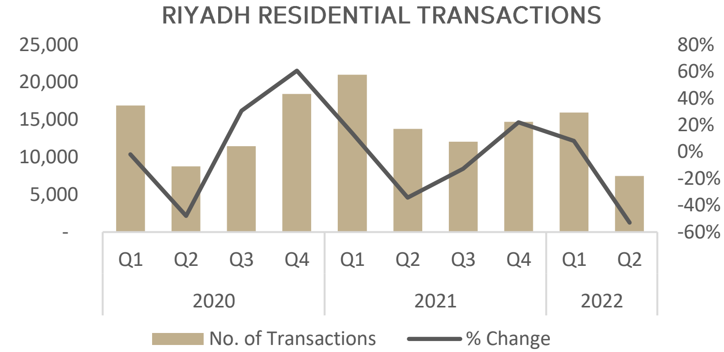
CENTURY 21
Saudi Arabia

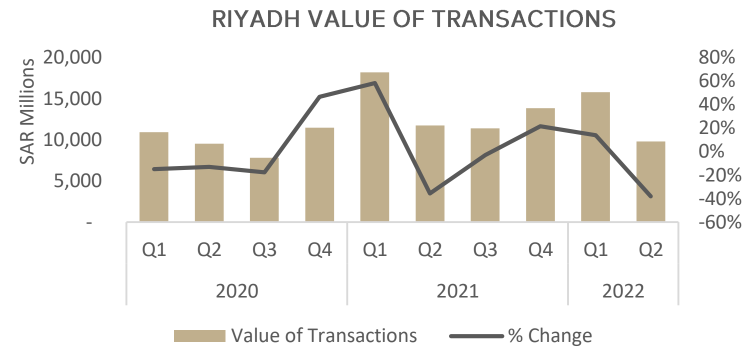
RIYADH RESIDENTIAL TRANSACTIONS

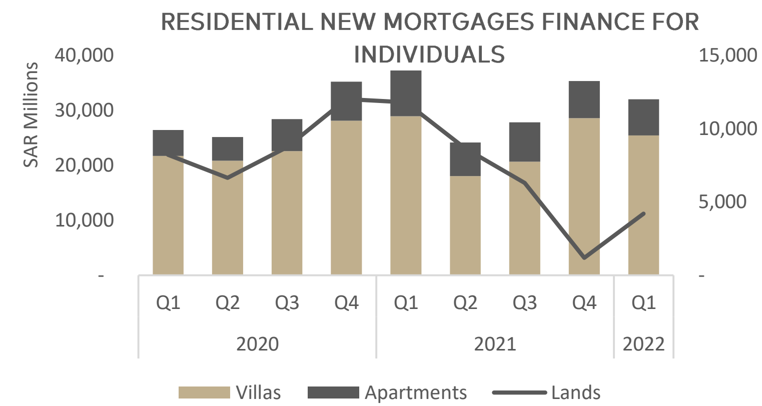
As per the data published by Ministry of Justice (MOJ), the total volume of Riyadh residential transactions significantly fell by 32.7% when compared with the first half of 2021 while the total value of transactions also decreased by 14.5%. A total of 23,441 residential transactions were noted in the capital while the value of transactions amounted to SAR 25.5 billion during H1-2022.

Residential real estate finance provided for individuals by banks in Saudi Arabia declined by 29.7% year-on-year (Jan to April) to SAR 9.2 billion in April, according to the data issued by the Saudi Central Bank (SAMA).

A total of 58,311 contracts for housing loans were signed between banks and retail clients with a decline of 32% year-on-year (Jan to April). Villa residential real estate finance remained on top, accounting for 64%, or SAR 5.9 billion, of the total residential loans provided in April 2022. Apartments and lands followed with SAR 1.7 billion and SAR 1.6 billion respectively.





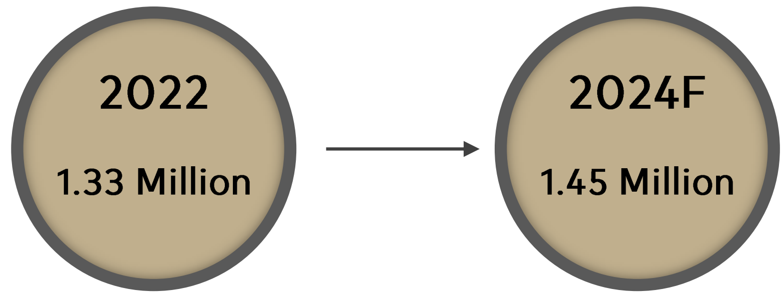


Source: MOJ, Sama

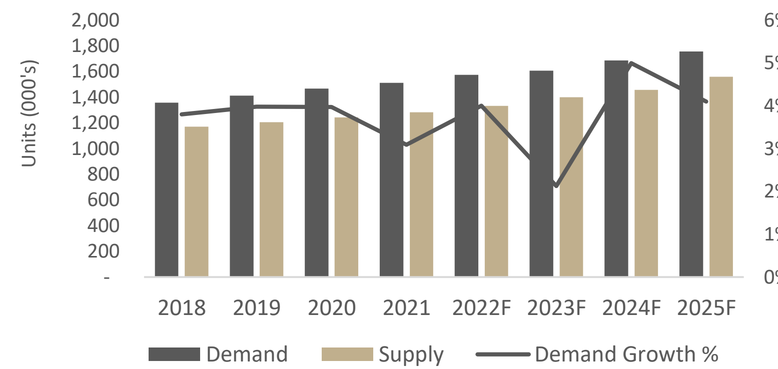
RIYADH RESIDENTIAL MARKET OUTLOOK

- Current housing stock in Riyadh stands at around 1.33 million units while additional 122,000 units are expected to be delivered till 2024.
- The demand for smaller units and apartments is on the rise as the growing young population of Saudis are more 'cost-conscious' when searching for new home. Developers incorporating the higher ratio of apartments in their upcoming projects to target this segment of population.
- The government aims to increase Saudi home ownership to 70% in accordance with the objectives of KSA Vision 2030 by rolling out several key initiatives. As per the recent report issued by Sakani program, around 66,180 families have benefited from it out of which about 40% have chosen subsidized mortgage loan to purchase ready-made housing units.
- When compared Y-o-Y, the apartment prices have been increased from 18% to 25% especially across the prime districts in northern and eastern zones of the capital city. Due to the surging land prices, we also observed a hike in villa prices up to 15% over the same period.

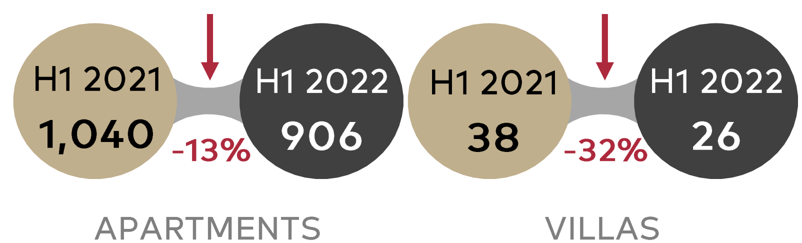
RIYADH RESIDENTIAL STOCK - UNITS



RIYADH HOUSING DEMAND & SUPPLY FORECAST



RIYADH NO. OF RESIDENTIAL TRANSACTIONS



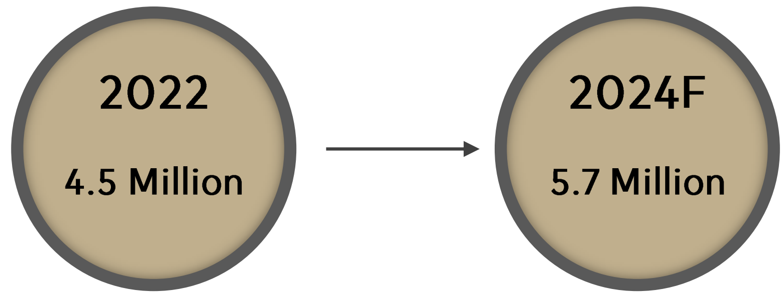
Source: Century 21 Research, MOJ

RIYADH OFFICE MARKET OVERVIEW

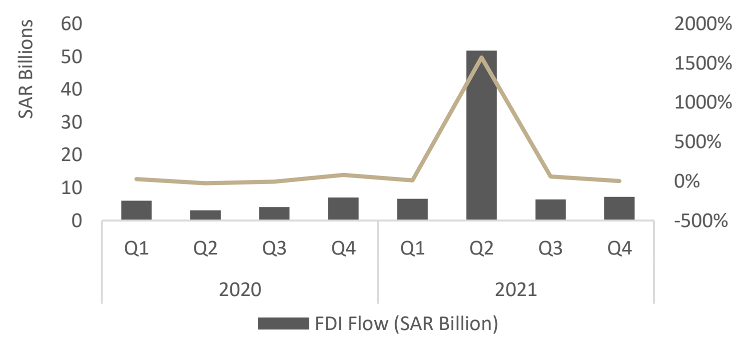
RIYADH OFFICE MARKET OUTLOOK

- Riyadh office stock currently stands at 4.5 million square meters while more than 1.2 million square meters of office space is set to be delivered over the next two years.
- Demand for office especially in Riyadh is on the rise as more foreign investors are setting up their business models in KSA. The Kingdom has signed 101 investment deals worth SAR 15 billion during the first quarter of 2022 which anticipates to provide more than 5,000 new job opportunities according to Ministry of Investment. As of 2021, Foreign direct investment (FDI) grew by 257.2 percent to reach SAR 72.3 billion. The interest of foreign investors also rose to historical levels (1859%) in the first quarter of 2022 with 9,383 new licenses.
- We observed the occupancy levels at business parks in North East Riyadh are relatively higher than Grade A buildings in central Riyadh because of modern layouts, ample parking ratio and multiple facilities provided.
- When compared Y-o-Y, the office rentals have been increased from 10% to 16% in Grade A & B segments due to surging business activities and progressing economic conditions. We also observed higher rentals in business parks and mixed-use projects due to modern amenities and wider parking space.

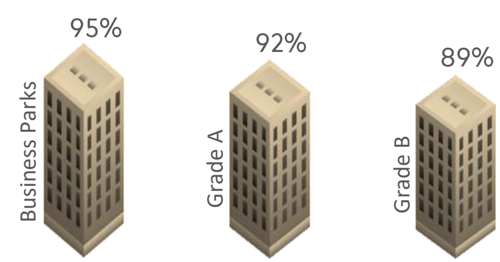
RIYADH OFFICE STOCK – GLA (sqm)



FOREIGN DIRECT INVESTMENT



RIYADH OFFICE OCCUPANCY LEVELS %



Source: Century 21 Research

RIYADH RETAIL MARKET OVERVIEW

RIYADH RETAIL MARKET OUTLOOK

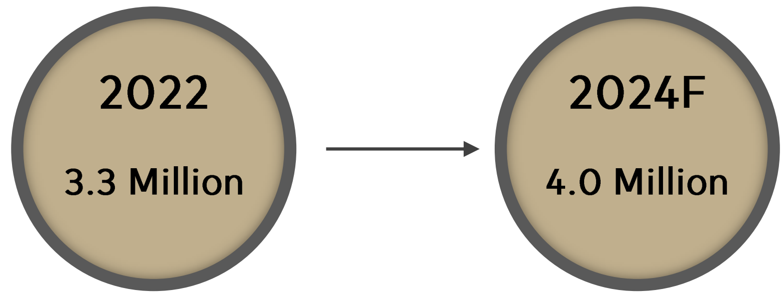
- By the next couple of years, Riyadh's retail market is expecting an additional GLA of around 715,000 square meters. This will take the current retail space of 3.3 million square meters to around 4 million square meters.

- According to the Saudi Central Bank (SAMA), point of sale (POS) transactions in Riyadh have been continuously increasing over the past few months as the value of transactions amounted to SAR 41.5 billion during the first quarter of 2022 which is about 21% higher when compared Y-o-Y over the same period. Overall in KSA, most of the sectors showed an increase in POS transactions till the end of the first quarter where F&B topped the list with a 62% increase.

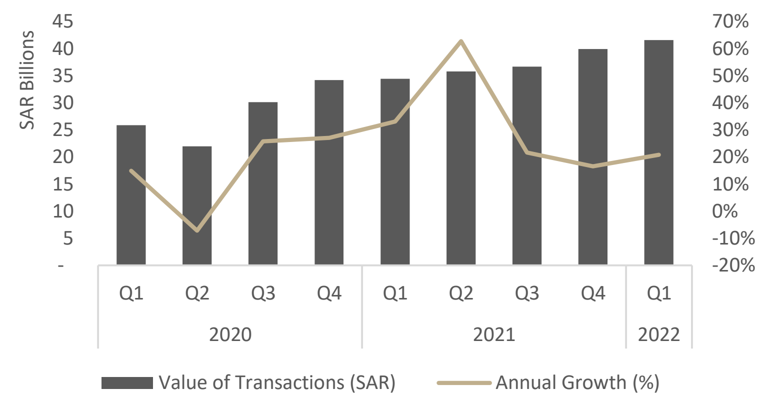
- Citywide vacancy rate varies between 14% to 17% across all asset classes in the retail segment. In order to attain better footfalls, the developers keeps on focusing to diversify their product mix by emphasizing on outdoors and open areas along with the cinema screens and fine dining concepts.

- When compared Y-o-Y, we've observed an upward pressure on rents especially within super regional malls where average rents ranges between SAR 2,000 to SAR 2,600 per square meter. While strip retail centers across the city has shown stable rentals during H1 2022 at average SAR 1,650 per square meter.

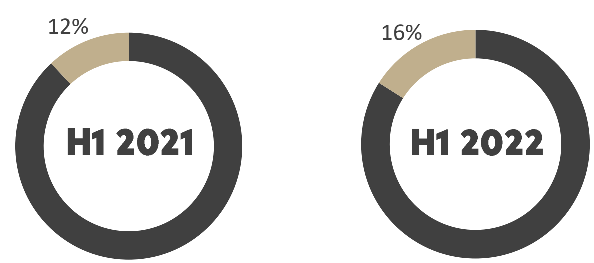
RIYADH RETAIL STOCK – GLA (sqm)



RIYADH POINT OF SALES (POS) TRANSACTIONS



RIYADH RETAIL VACANCY RATES %



Source: Century 21 Research

RIYADH HOSPITALITY MARKET OVERVIEW

RIYADH HOSPITALITY MARKET OUTLOOK

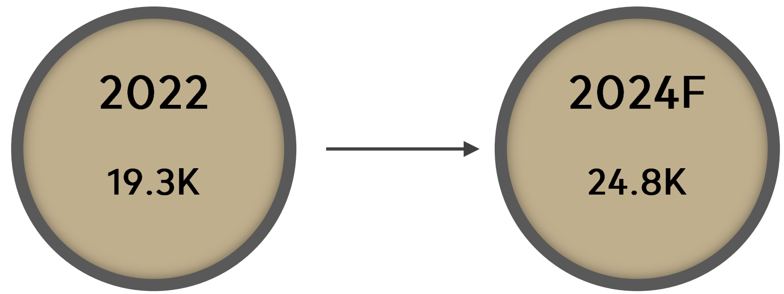
- The Kingdom is investing billions of dollars in hotels, resorts and travel as it seeks to achieve Vision 2030 goals for the tourism industry. According to STR, Saudi Arabia leads the hotel construction market in the entire region with over 37,600 rooms being delivered till the end of H1-2022.

- We have observed a strong appetite for consumer travels as pent-up demand is unleashed especially after the pandemic restrictions have been lifted up across the country. In addition, the ongoing development of entertainment hubs, luxurious hotels and resorts, as well as the frequent seasonal events have encouraged the major hotel brands to capitalize on the opportunities and accelerate their expansion plans.

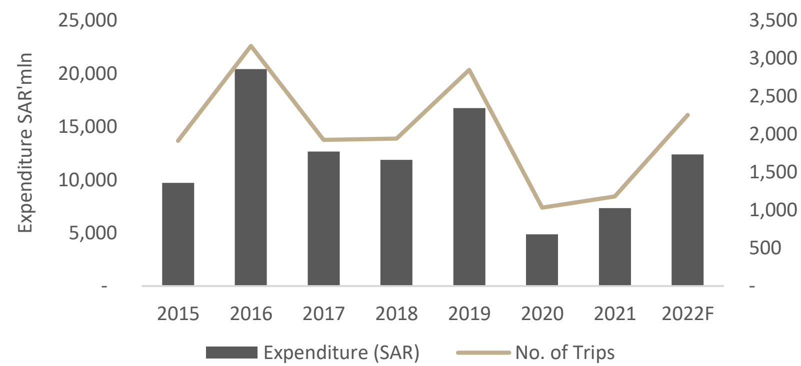
- Riyadh's hotel stock currently stands over 19,000 keys whereas about 40 projects with over 10,600 keys are in the pipeline for 2023 and beyond. Capital's occupancy rate estimated at 57% till the second quarter of 2022 with a significant increase of 16% when compared Y-o-Y basis with the previous year.

- The average daily rate (ADR) grew by 8% to SAR 590 per night recorded till the second quarter of the year. The revenue per available room (RevPAR) surged by 28% to SAR 337 YTD.

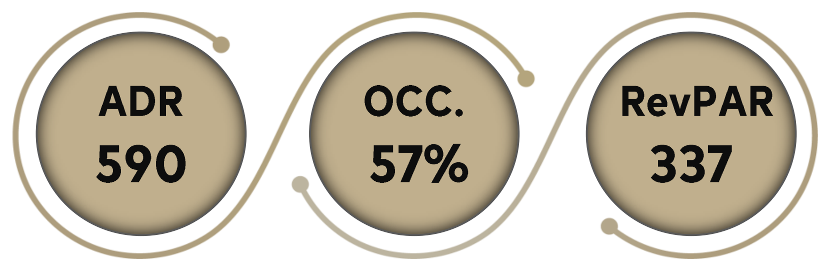
RIYADH HOSPITALITY STOCK – KEYS



RIYADH INBOUND TOURIST - TRIPS & EXPENDITURE

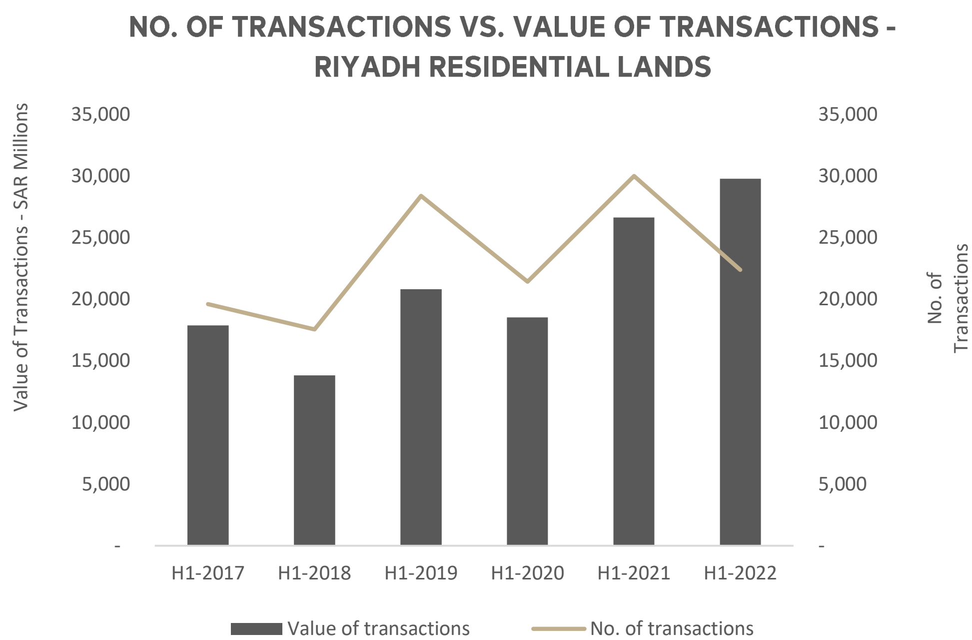


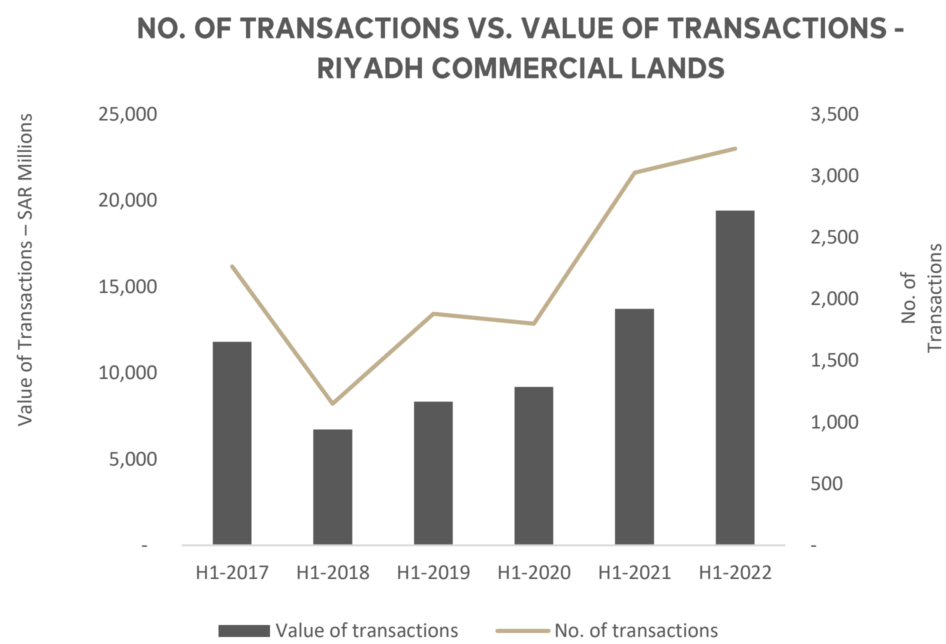
RIYADH HOTELS KEY PERFORMANCE METRICS - H1 2022



Source: Century 21 Research, STR, MT

RIYADH LAND TRADING MARKET OUTLOOK





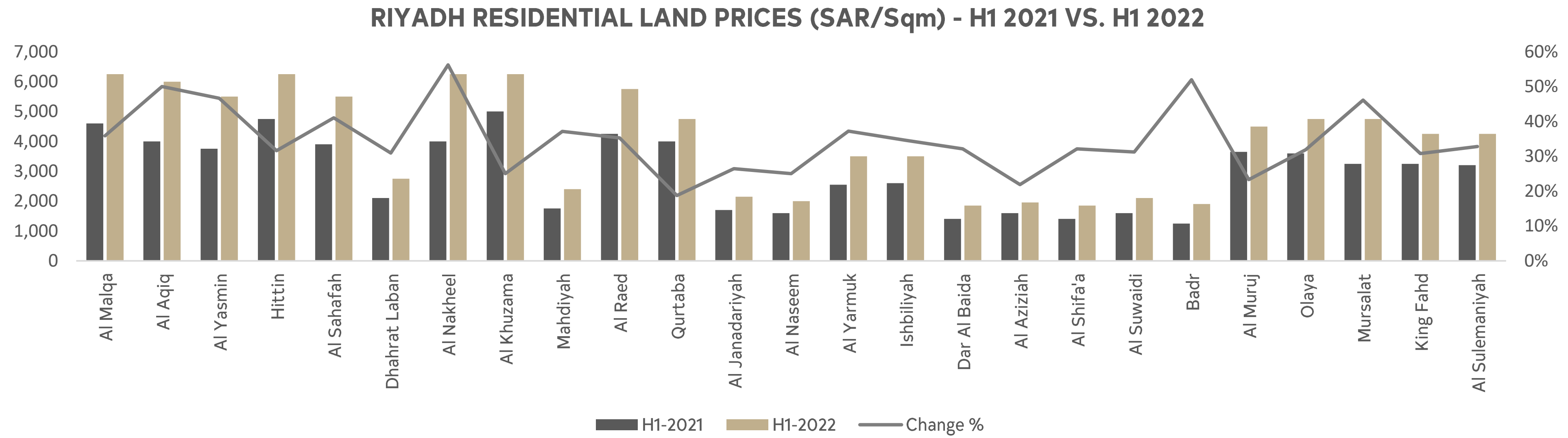
- Riyadh residential land transactions declined up to -25% till the first half of 2022 when compared Y-o-Y over the same period. Due to higher land prices, the value of capital's residential land transactions increased by 12% when compared Y-o-Y basis with the previous year.

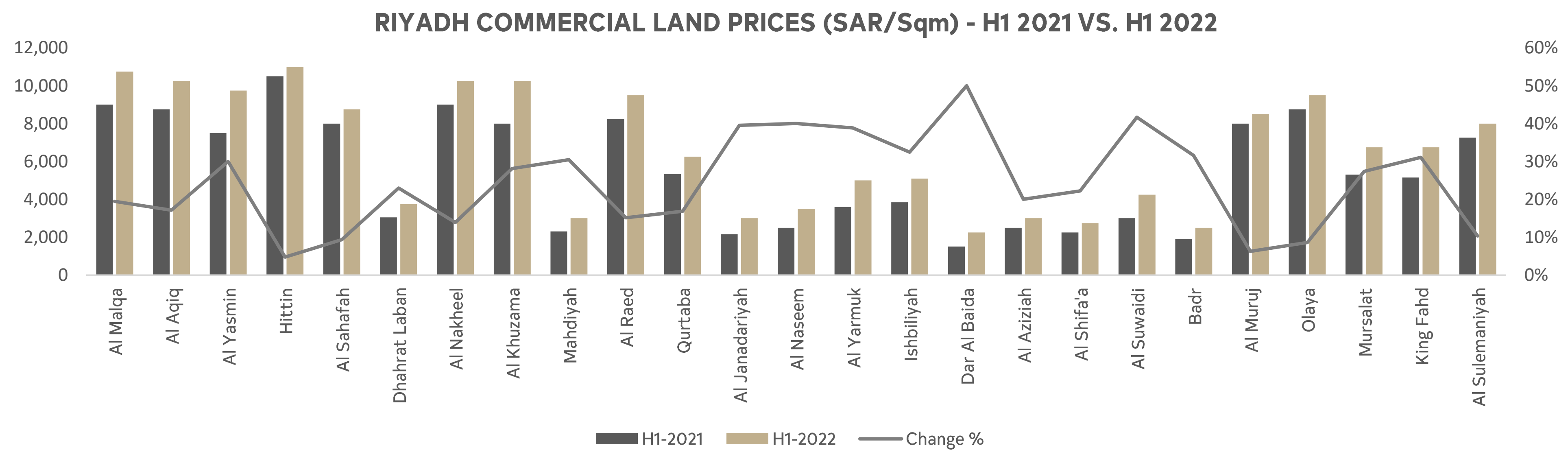
- As per the data published by Ministry of Justice, Riyadh's commercial land transactions gone up by 6% while the value of transactions worth SAR 19.4 billion has also shown a significant increase of 42% Y-o-Y till the end of H1 2022.

Source: Century 21 Research, MOJ

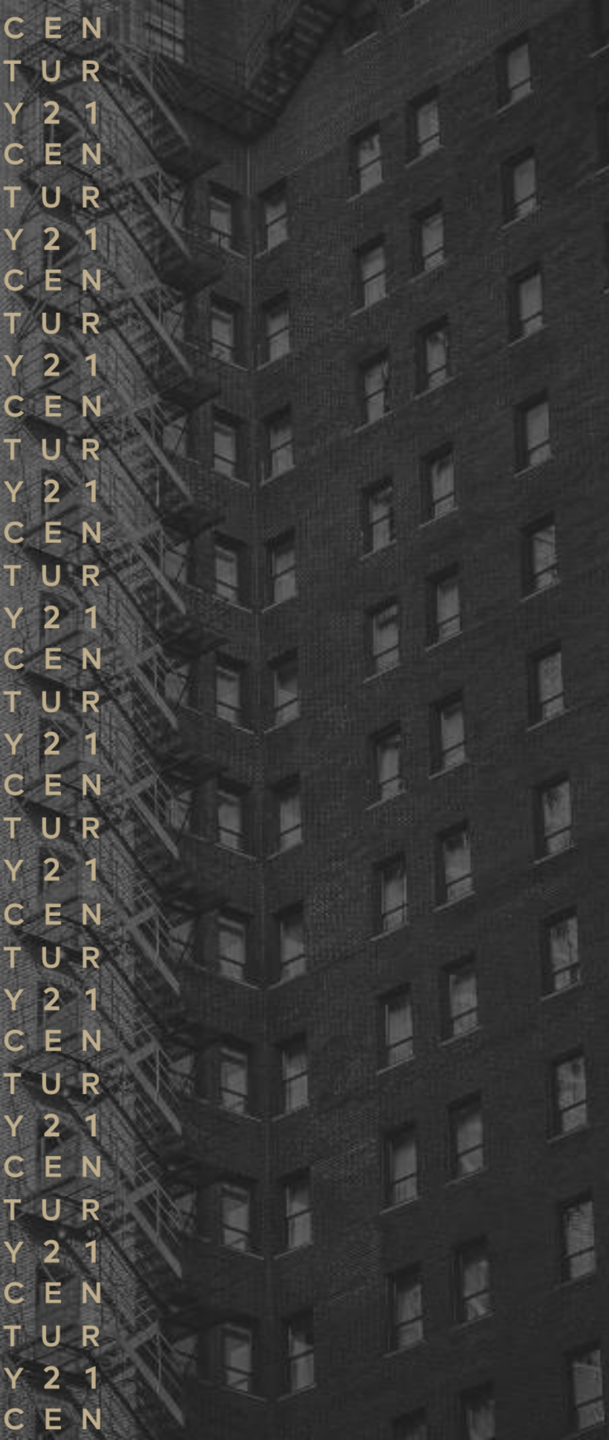
RIYADH LAND TRADING MARKET OVERVIEW

RIYADH REAL ESTATE LAND PRICES – H1 2022





Source: Century 21 Research



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