RIYADH
REAL ESTATE MARKET REVIEW

H2-2022

CENTURY 21

Research & Advisory

KSA MACROECONOMIC OVERVIEW

CENTURY 21
Saudi Arabia

SAUDI BUDGET 2023

Expenditures:

The Council of Ministers approved the budget for the fiscal year 2023, with a total expenditure of SAR 1,114 billion that is slightly lower than SAR 1,132 billion in 2022.

Revenues:

Total revenues are expected to reach SAR 1.13 trillion in 2023, down from SAR 1.234 trillion in 2022, a decrease of 8.4% from what is expected to be achieved in FY 2022.

BUDGET SURPLUS/DEFICIT:

In continuation of the Kingdom's efforts to maintain fiscal sustainability, it is expected that FY 2023 budget will witness a surplus SAR 16 billion (0.4% of GDP). This would be directed towards boosting government reserves, supporting state funds and strengthening the kingdom's financial position.

Public Debt:

Public debt is expected to reach around SAR 951 billion, or 24.6% of GDP in FY 2023, with expectations that it will continue at these levels in the medium term. Public debt is forecast to fall 3.5% to SAR 951 billion in 2023 as a result of repayments agreed.

Expenditures

2023

FY 2023 will be around SAR 1.114tn

Future Initiatives

2023

A decrease of 8.4%

Budget Surplus

2023

A surplus of SAR 16bn

GDP

2023

Real GDP growth rate of 3.1%

Source: MOF

KSA MACROECONOMIC OVERVIEW

SAUDI BUDGET 2023

Nominal GDP

SAR 3,869bn

Real GDP Growth Rate

3.1%

Inflation

2.1%

Key Economic Indicators Estimates in the Medium-term

	Actual 2021	Estimates 2022	Projections 2023	Projections 2024	Projections 2025
Economic Indicators					
Real GDP Growth Rate	3.2%	8.5%	3.1%	5.7%	4.5%
Nominal GDP (SAR bn)	3,126	3,957	3,869	3,966	4,247
Inflation	3.1%	2.6%	2.1%	2.1%	2.0%

Source: MOF

SAUDI BUDGET 2023 - REVENUE

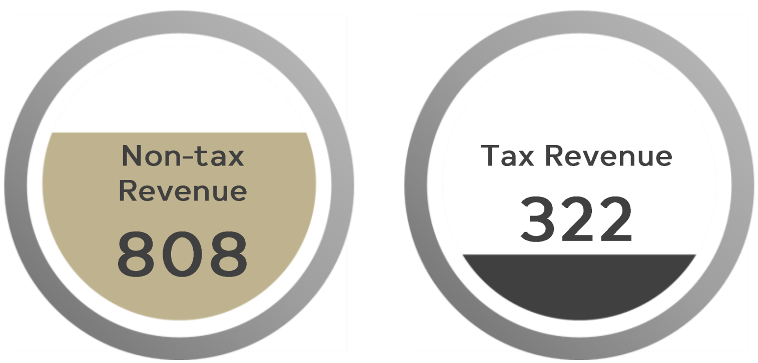
Oil Revenue:

The revenue increase in 2022 has largely been driven by several related factors. Higher international oil prices combined with a sharp rise in the country's oil production have resulted in the oil component of public revenues rising by an estimated 49.8% YoY, to SAR 842 billion. This represents 68.2% of total revenues in 2022, compared with 58.2% of total public revenues in 2021.

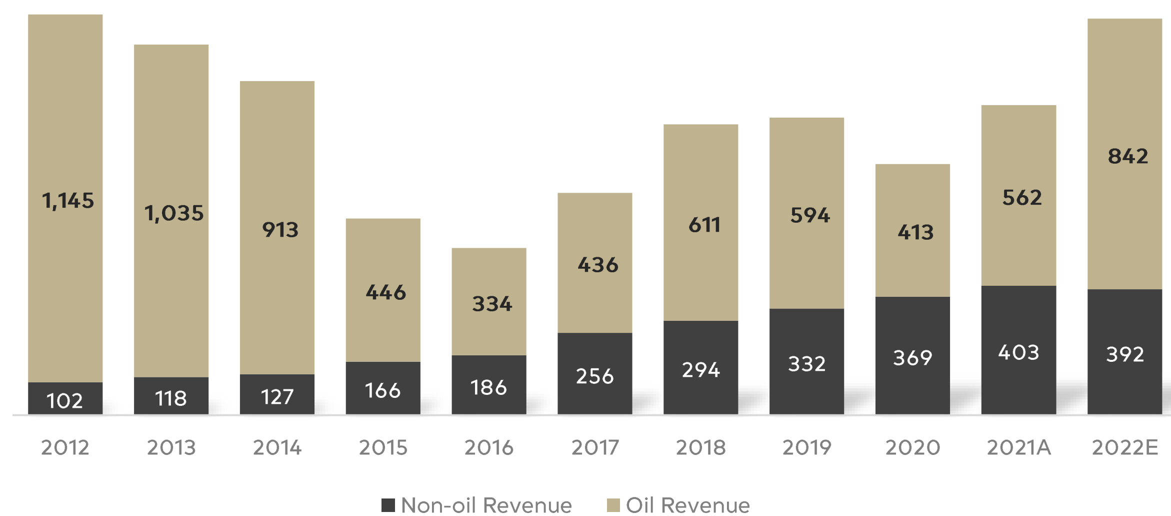
Non-Oil Revenue:

The non-oil economic activities outside the government contributed with a share of 50.7% to GDP, with the manufacturing (excluding petroleum refining) with a share of 7.8% being the most important sub-category within the non-oil economy.

Total Revenue SAR 1,130 billion



Oil and Non-oil Revenues - SAR billion



Source: MOF

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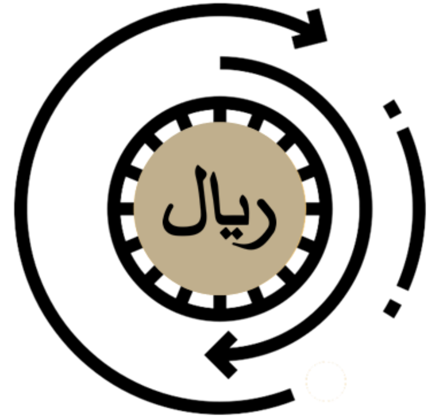
SAUDI BUDGET 2023 - EXPENDITURE

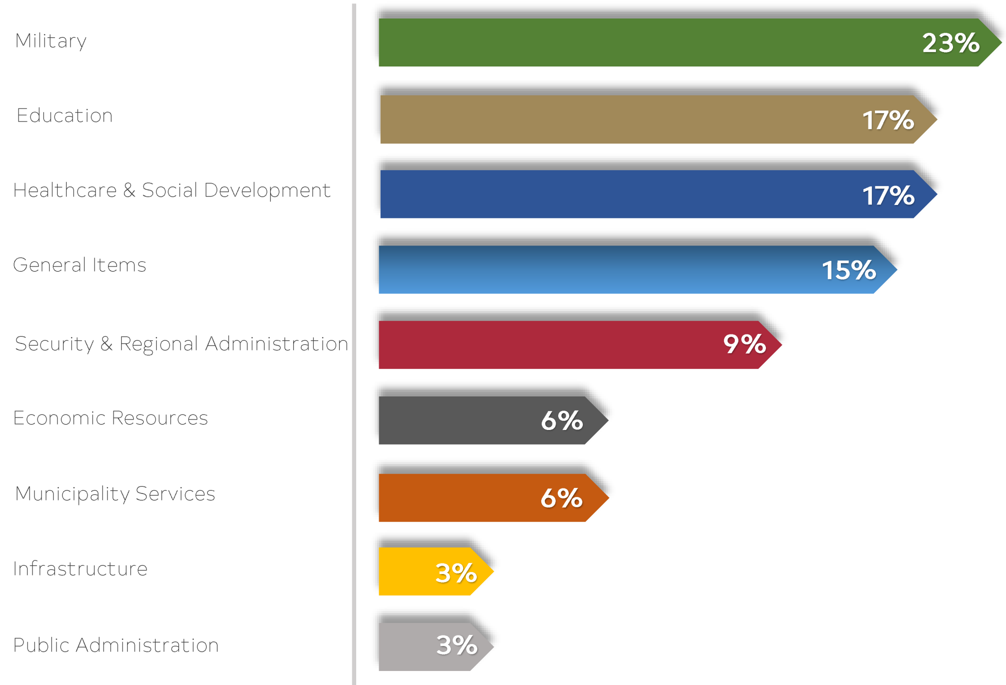
MEDIUM-TERM FISCAL PROJECTIONS (SAR bn)

	2018	2019	2020	2021A	2022B	2022E	2023B	2024F	2025F
Total Expenditure	1,079	1,048	1,076	1,039	955	1,132	1,114	1,125	1,134
Total Revenue	905	917	782	965	1,045	1,234	1,130	1,146	1,205
Surplus/Deficit	-174	-131	-298	-73	90	102	16	21	71
Percentage of GDP	-5.90%	-4.50%	-11.20%	-2.3%	2.5%	2.6%	0.4%	0.5%	1.7%
Public Debt	560	678	854	938	938	985	951	959	962



Expenditure Allocation – Budget 2023

Sector	Amount (SAR bn)
Education	189
General Items	165
Military	259
Healthcare & Social Development	189
Security & Regional Administration	105
Economic Resources	72
Municipality Services	64
Infrastructure & Transportation	34
Public Administration	37
Total Expenditures	1,114

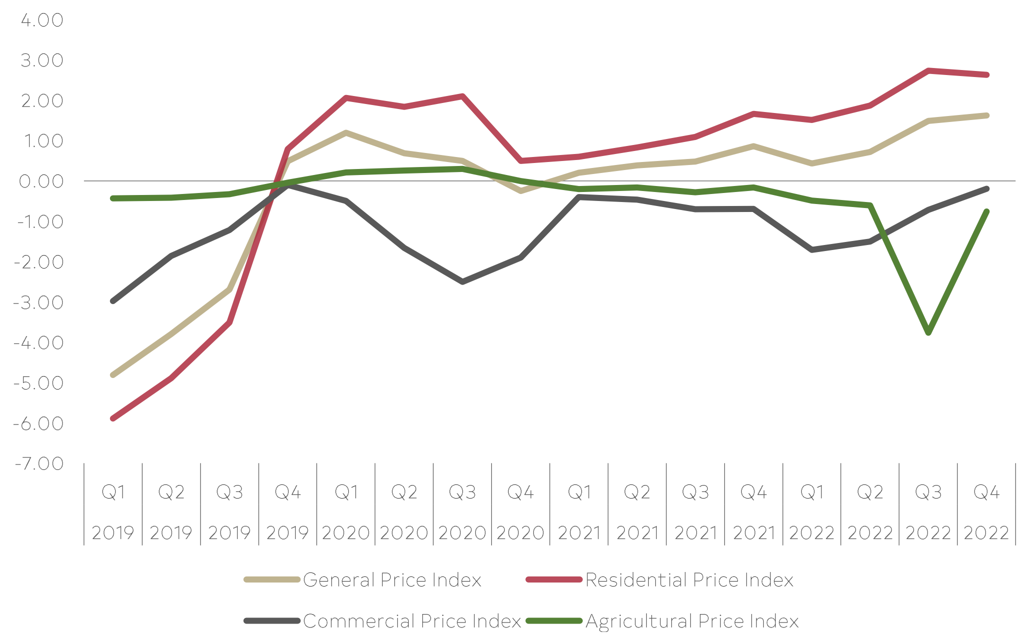


Source: MOF

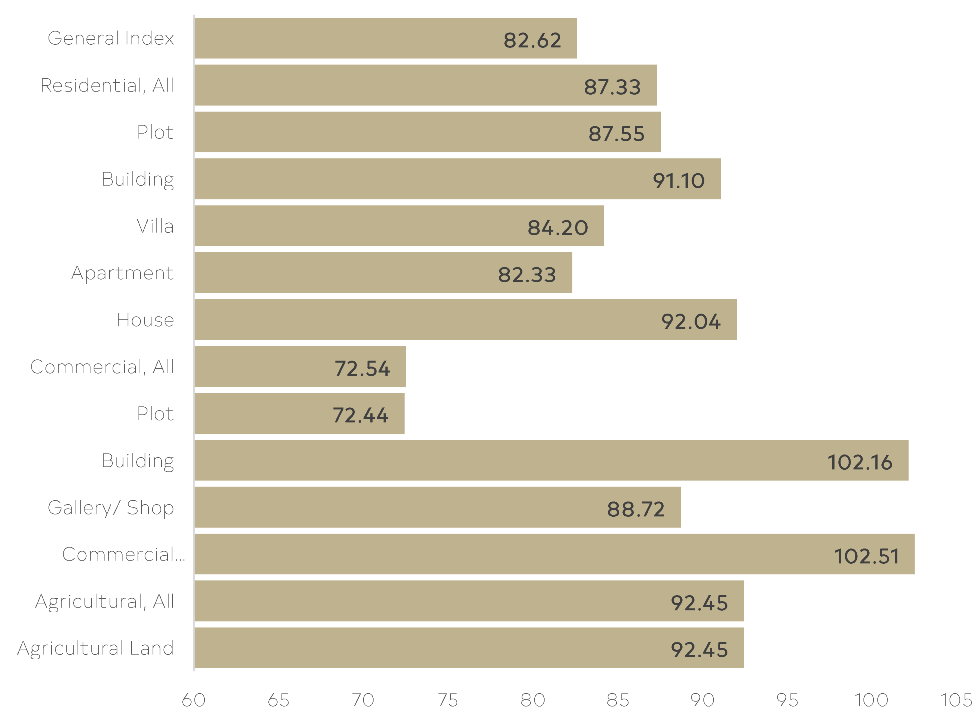
REAL ESTATE PRICE INDEX Q4 2022

The real estate price index (RPI) increased by 1.6% in the fourth 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 0.2% and agricultural real estate prices by 0.8% have been observed during the same period of time according to the General Authority for Statistics (GASTAT) published data.

Real Estate Price Index by Quarter (Y-o-Y %)



Real Estate Price Index by Sector & Type of Real Estate, Q4-2022 (2014=100)



Source: GaStat

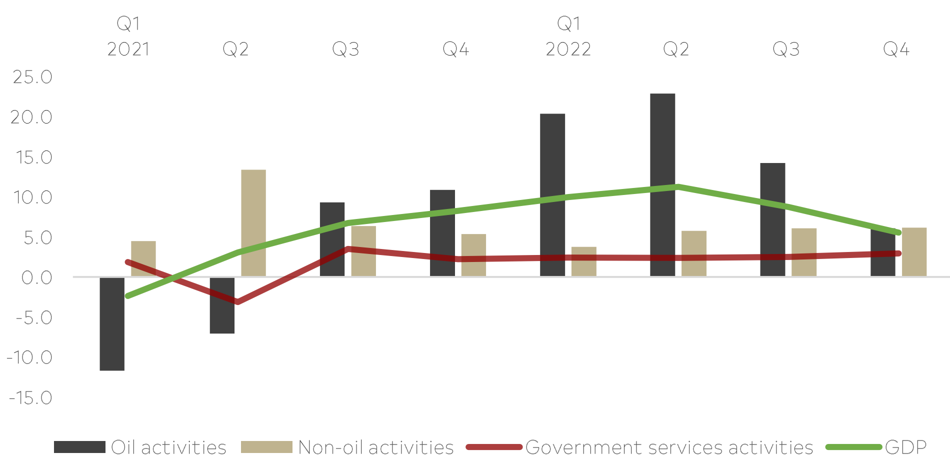
REAL GDP GROWTH RATE Q4 2022

The Real Gross Domestic Product (GDP) of the Kingdom of Saudi Arabia grew by 5.5% in Q4 of 2022 compared to Q4 of 2021, according to the flash estimates of the real GDP growth rate report released by the General Authority for Statistics (GASTAT).

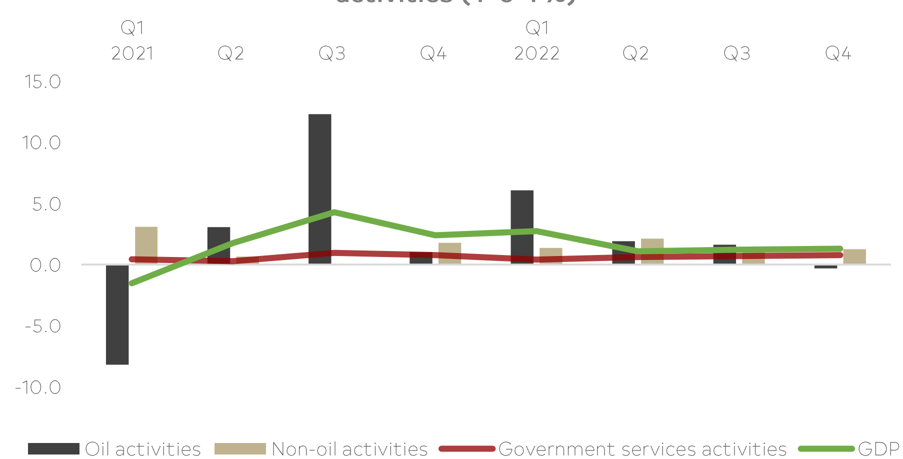
The real GDP for the year 2022 grew by 8.7%. This increase resulted from the growth of oil activities by 15.4%, non-oil activities grew by 5.4%, and government activities achieved a growth rate of 2.6%.

The seasonally adjusted real GDP grew by 1.3% in Q4 of 2022 compared to the previous quarter (Q3 of 2022). This increase in GDP was a result of the growth in oil activities by 6.1% Y-o-Y, and government services activities grew by 2.9% Y-o-Y. while non-oil activities decreased by 6.2% Y-o-Y.

Growth rate of Real GDP by main activities (Y-o-Y%)



Growth rate of seasonally adjusted Real GDP by main activities (Y-o-Y%)



Source: GaStat

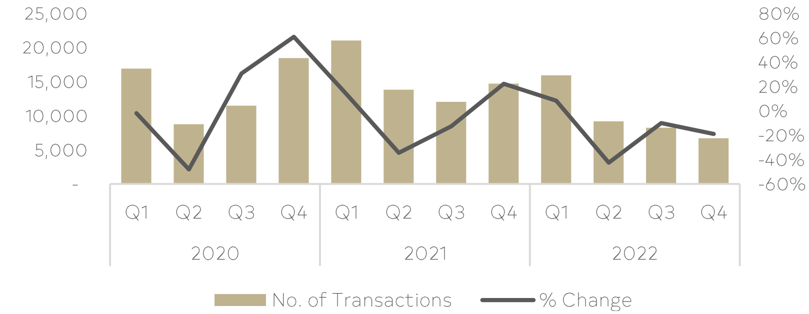
RIYADH RESIDENTIAL TRANSACTIONS

As per the data published by Ministry of Justice (MOJ), the total volume of Riyadh residential transactions during H2-2022 significantly fell by 44.1% when compared with the second half of 2021 while the total value of transactions also decreased by 28.1% over the same period. A total of 14,970 residential transactions were noted in the capital city while the value of transactions amounted to SAR 18.1 billion during the second half of 2022.

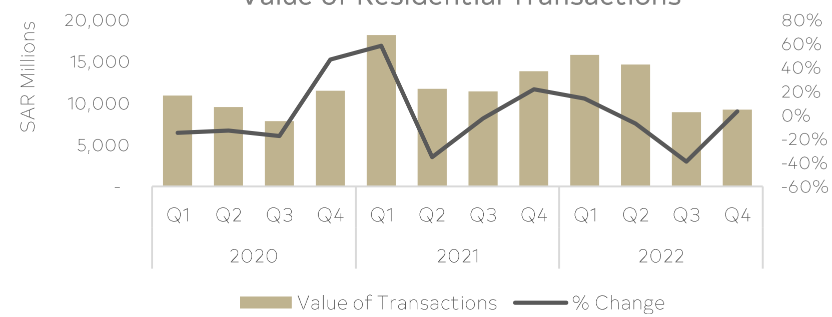
Residential real estate finance provided for individuals by banks companies in Saudi Arabia declined by 21% year-on-year to SAR 120.3 billion in 2022, according to the data issued by the Saudi Central Bank (SAMA). This is the first annual decline in new residential real estate financing provided to individuals by banks since 2017.

A total of 154,392 contracts for housing loans were signed between banks and retail clients with a decline of 23% year-on-year. Villa mortgages accounted for 70%, or SAR 83.97 billion, of total housing loans provided in 2022. Apartments and land plots followed with SAR 27.24 billion and SAR 9.07 billion, respectively.

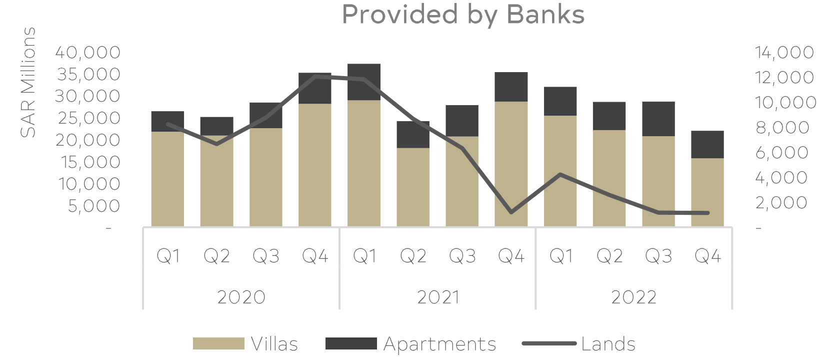
No. of Residential Transactions



Value of Residential Transactions



Residential New Mortgages Finance for Individuals Provided by Banks



Source: MOJ, SAMA

RIYADH RESIDENTIAL MARKET OVERVIEW

CENTURY 21 Saudi Arabia

RIYADH RESIDENTIAL MARKET OUTLOOK

- Current housing stock in Riyadh stands at around 1.34 million units while additional 123,300 units are expected to be delivered till the end of 2024.

- The demand for additional housing units is on the rise as the growing young population of Saudi nationals from different parts of the country prefers to relocate in the capital due to better job opportunities as a number of international firms are establishing their offices in Riyadh. When it comes to select among the housing units, apartments still gets better market acceptance rate due to affordability and influx of expatriates. Developers to continue incorporating the higher ratio of apartments in their projects to target this segment of population.

- The government aims to increase Saudi home ownership to 70% from current 63% 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 148,876 Saudi families owned their first homes till the end of the year while the government aims to provide additional 150,000 units to cope with the expected population growth (7.6 million by 2025) in the capital city.

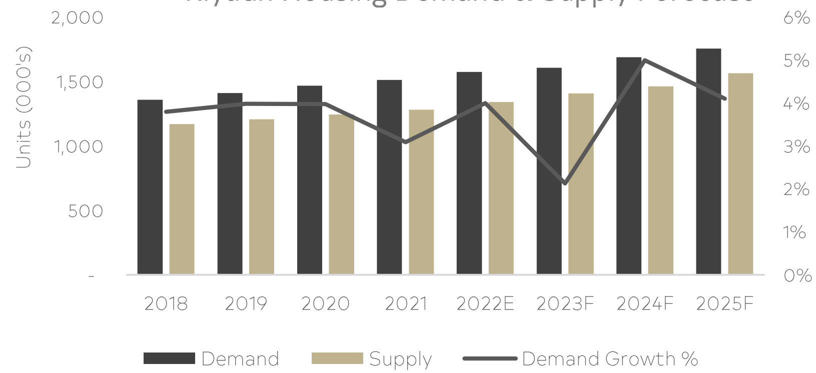
- When compared Y-o-Y, the apartment prices have been increased from 15% to 25% while the rentals have also soared up to 12% across many districts of Riyadh. Due to higher interest rates, we observed a decline in villa prices up to 7% over the same period.

Riyadh Residential Stock - Units

2022
1.34 Million

2024F
1.46 Million

Riyadh Housing Demand & Supply Forecast



Average Sales Price Change Y-o-Y - 2022

22%
Apartments

7%
Villas

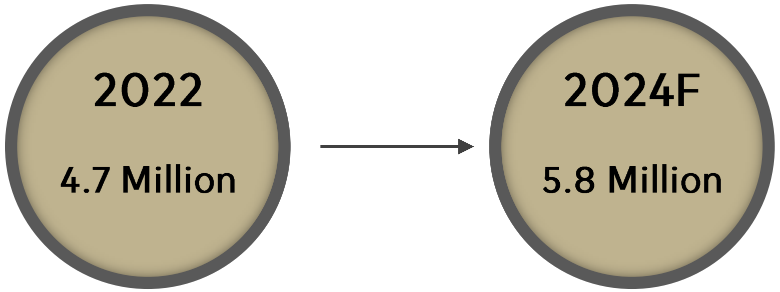
Source: Century 21 Research, MOJ

RIYADH OFFICE MARKET OVERVIEW

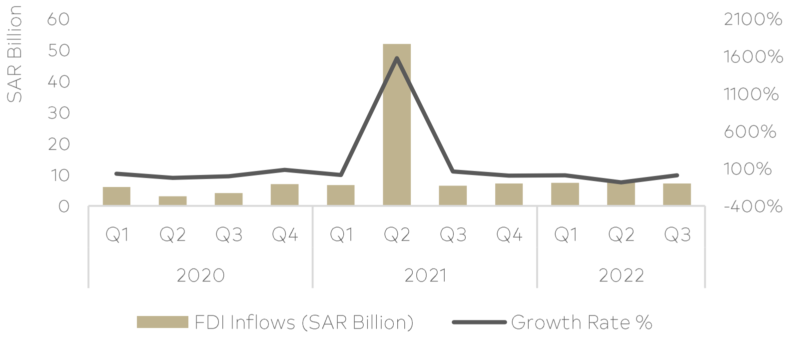
RIYADH OFFICE MARKET OUTLOOK

- Riyadh office stock currently stands at 4.7 million square meters while more than 1.1 million square meters of office space is set to be delivered over the next two years.
- Demand for prime office space in Riyadh is on the rise as many global companies are looking ahead to enroll through RHQ program in order to relocate their regional headquarters to KSA. According to Ministry of Investment, the closed investment deals reached up to 218 in 2022 up by 94.6% as compared to the previous year. As of Q3-2022, the FDI inflows in the Kingdom grew by 10.7% to reach SAR 7.2 billion compared to SAR 6.5 billion over the same period that indicates the foreign investors' confidence in the Saudi Arabia's investment ecosystem.
- We observed the occupancy levels at business parks in North East Riyadh are relatively higher than grade A buildings in north central because of modern layouts, ample parking ratio and multiple facilities provided. The majority of tenants in such facilities are mainly government entities, semi-government organizations as well as regional and international companies.
- Due to surging business activities and progressing economic conditions, grade A office rentals reached up to SAR 1,800 per sqm on average across prime areas of the city during the year. Grade B average rents were estimated at SAR 650 per sqm over the same period.

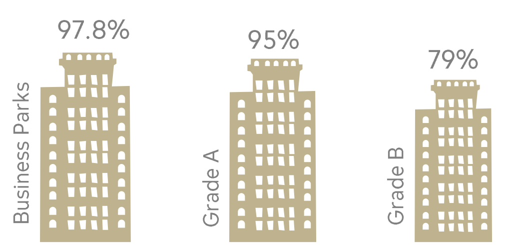
Riyadh Office Stock – GLA (sqm)



Foreign Direct Investment Inflows



Riyadh Office Occupancy Levels 2022

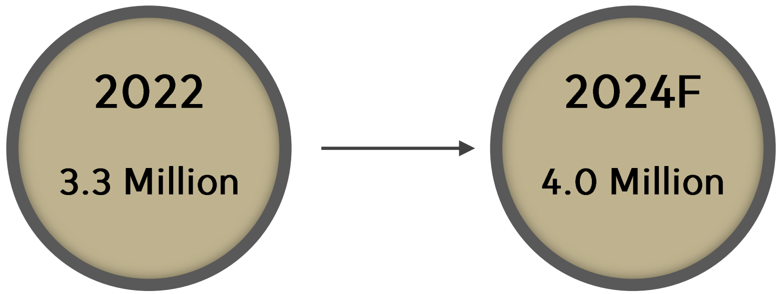


Source: Century 21 Research, MISA

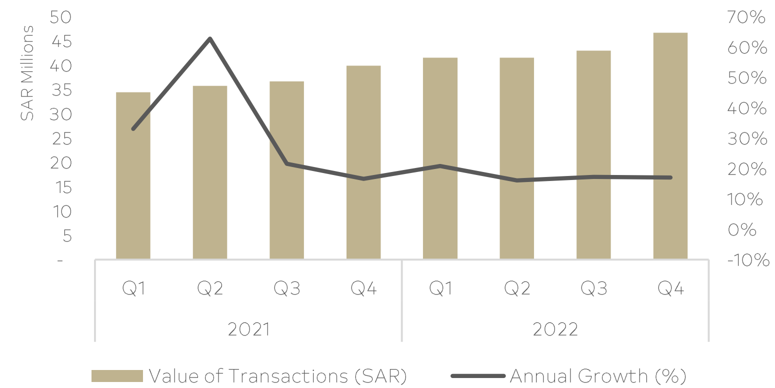
RIYADH RETAIL MARKET OUTLOOK

- The retail growth is expected to continue in 2023 given the improved economic conditions as total credit provided by finance companies recorded the highest Y-o-Y growth of 19.9%.
- 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 4.0 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 46.7 million during Q4 2022 which is about 17% higher when compared Y-o-Y over the same period. As part of efforts to achieve the goals of Vision 2030, the Kingdom aims to attract investments in entertainment and arts industry as it recorded the highest growth rate of 280% in Q4 2022 (Y-o-Y) by issuing investment licenses.
- Citywide vacancy rate varies between 6% to 10% 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 high end retail developments where average rentals ranges between SAR 2,200 to SAR 2,800 per sqm. While strip retail centers across the city has shown flat rentals during H2 2022 at an average SAR 1,650 per square meter.

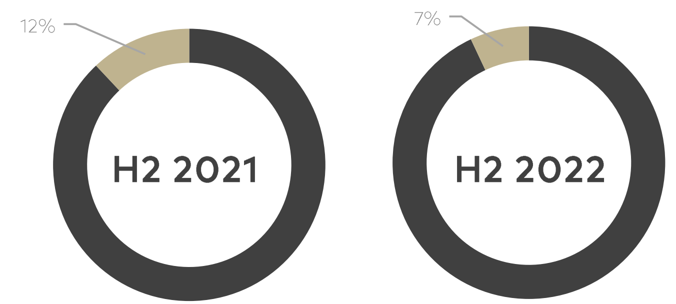
Riyadh Retail Stock – GLA (sqm)



Riyadh Point of Sales (POS) Transactions



Riyadh Retail Vacancy Rates %



Source: Century 21 Research, MISA, SAMA

RIYADH HOSPITALITY MARKET OUTLOOK

- Tourism is one of the most promising sectors in Saudi Arabia as it aims to attract 100 million tourists per year as part of its economic diversification plan. Riyadh Air, a new national airline is a major breakthrough in tourism industry and is expected to add SAR 75 billion to non-oil GDP growth and create more than 200,000 jobs.

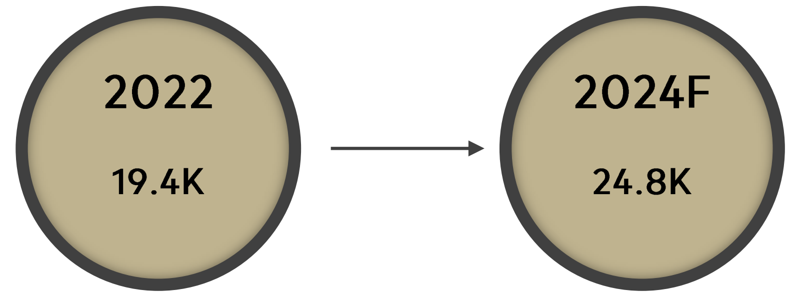
- According to STR, most of the region's pipeline activity is focused in the Middle East, with Saudi Arabia leading the construction activity in the entire region with 39,070 rooms, followed by the UAE's 32,373 rooms.

- As of H2-2022, we have observed a strong appetite for consumer travels as pent-up demand is unleashed in Riyadh especially after the return of a variety of events including Future Investment Initiative, Riyadh International Book Fair and the third edition of Riyadh Season etc.

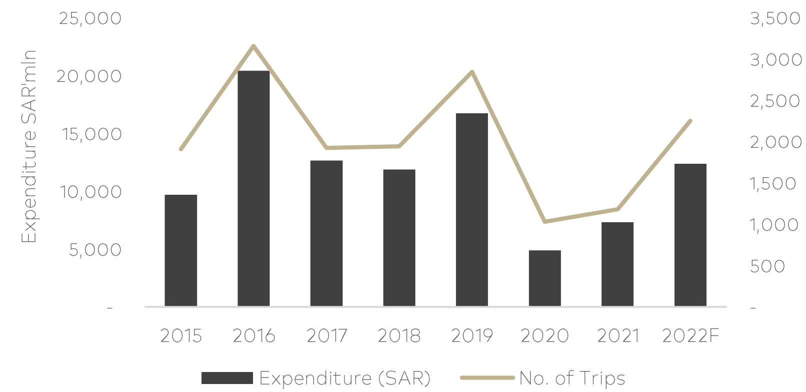
- Riyadh's hotel stock currently stands over 19,400 keys whereas about 46 high end hotel projects are underway out of which 28 comes in 5 star while 18 in four star category. Capital's occupancy rate estimated at 64% till the second half of 2022 with a significant increase of 18% when compared Y-o-Y basis with the previous year.

- The average daily rate (ADR) grew by 13% to SAR 665 per night recorded till the end of the year. The revenue per available room (RevPAR) surged by 27% to SAR 426 YTD.

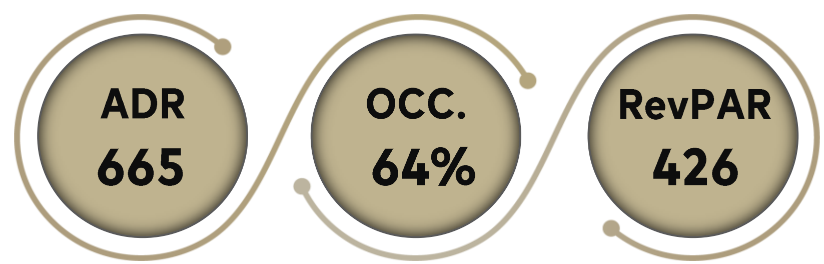
Riyadh Hospitality Stock - Keys



Riyadh Inbound Tourist - Trips & Expenditure



Riyadh Hotels Key Performance Metrics - H2-2022



Source: Century 21 Research, STR, MT

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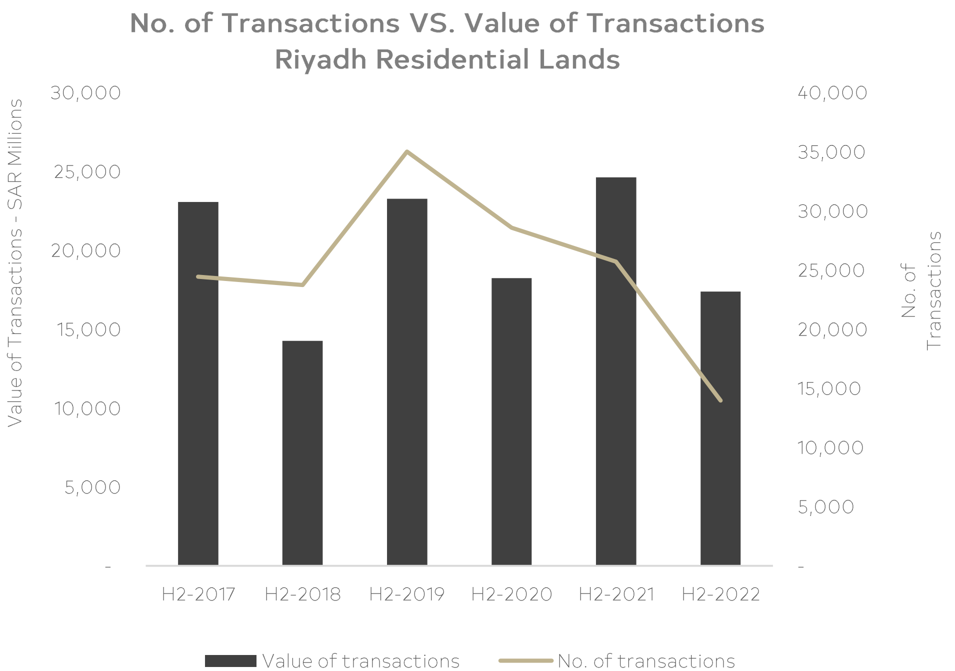
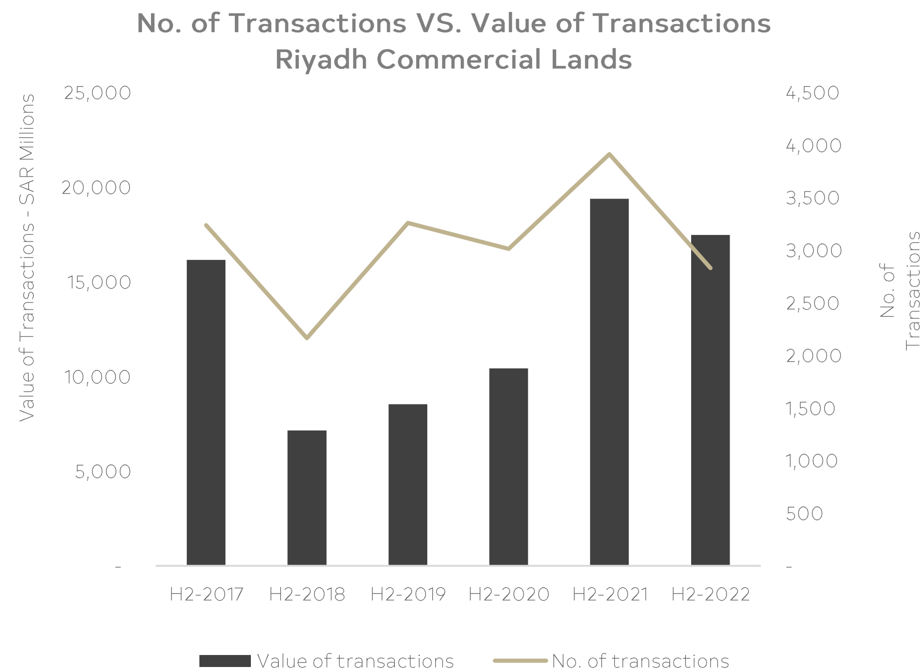
RIYADH LAND TRADING MARKET OUTLOOK





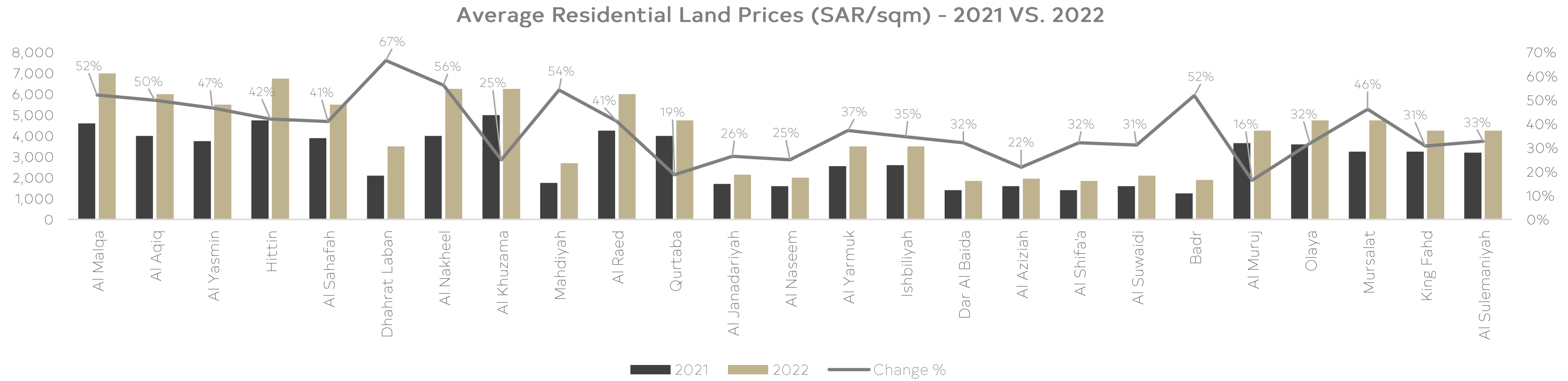
- Riyadh residential land transactions declined up to 46% during the second half of 2022 when compared Y-o-Y over the same period. Due to lower transactions, the value of capital's residential land transactions during H2-2022 also went down up to 29% when compared Y-o-Y basis with the previous year.

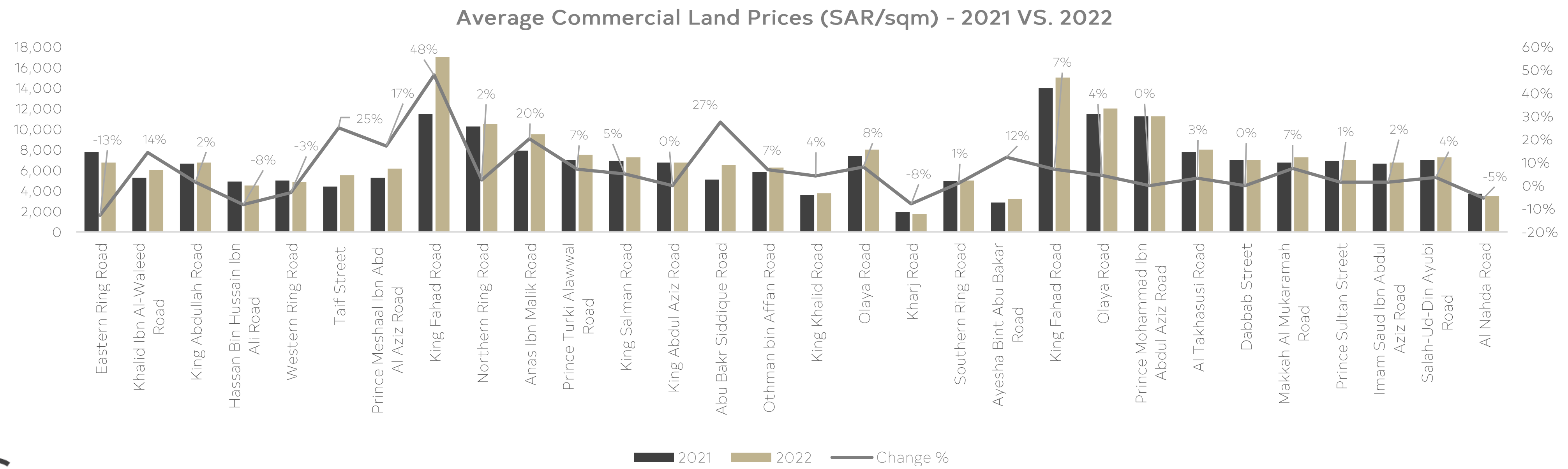
- As per the data published by Ministry of Justice, Riyadh's commercial land transactions decreased by 28% while the value of transactions worth SAR 17.4 billion has also shown a decline of 10% Y-o-Y till the end of H2-2022.

Source: Century 21 Research, MOJ

CENTURY 21 Saudi Arabia

RIYADH AVERAGE LAND PRICES – 2022





Source: Century 21 Research

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