SAUDI ARABIA REAL ESTATE MARKET UPDATE

Q3 2019

MACROECONOMIC UPDATE

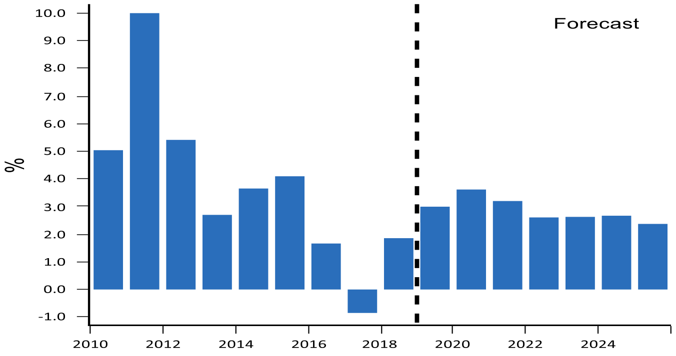
KEY HEADLINES

- Saudi Arabia's GDP growth recovered in 2018, reaching 1.9% according to Oxford Economics. GDP growth is expected to gain further momentum in 2019 reaching an estimated 3.0%. This return to growth is being driven by a combination of favourable factors including stabilising oil prices, acceleration in non-oil GDP growth and an expansionary stance in the public budget.

- The headline PMI - a non-oil economy tracker - stood at 57.3 in September 2019, which is significantly higher than its lowest level on record registered in April 2018 (51.4). A reading above the 50.0 mark, points to an expansion in non-oil sectors.

- Following a rise in inflation last year as a result of the introduction of VAT, inflation rates have fallen into negative territory in 2019. The latest CPI reading was measured at -1.1% YoY in August 2019, compared to -1.4% YoY in the previous month. This downward trend was mainly triggered by falling housing rents.

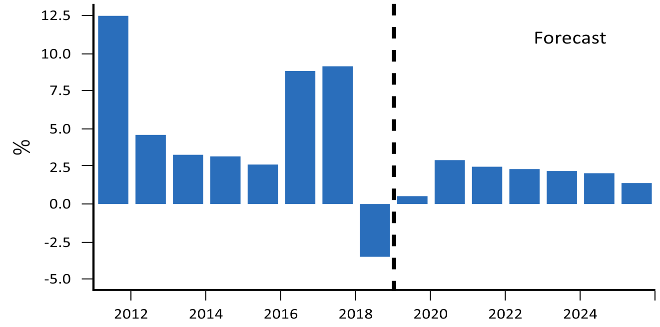
FIGURE 1
GDP, YEAR-ON-YEAR % CHANGE



	2017	2018	2019f
Real GDP Growth Rate (Y-o-Y % Change)	-0.85	1.86	3.00

Saudi Arabia's GDP growth recovered in 2018, reaching 1.9% according to Oxford Economics. GDP growth is expected to gain further momentum in 2019 reaching an estimated 3.0%. This return to growth is being driven by a combination of favourable factors including stabilising oil prices, acceleration in non-oil GDP growth and an expansionary stance in the public budget.

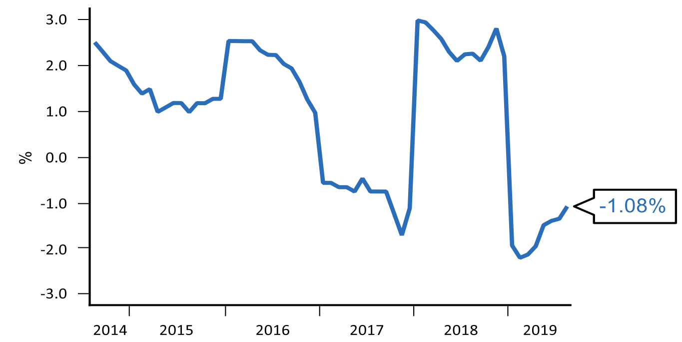
FIGURE 2
EMPLOYMENT FORECASTS, YEAR-ON-YEAR % CHANGE



	2018	2019f	2020f
Employment Forecasts (Y-o-Y % Change)	-3.49	0.52	2.91

In the short to medium term, employment is likely to be challenged by rising pressures on non-Saudi workers as Saudisation measures gain traction with the ramp up of levies on expatriates and the restriction of certain sectors to nationals. However, this is likely to be partly offset by the positive impact of the various initiatives aimed at boosting youth, women and Saudi nationals' participation in the workforce.

FIGURE 3
INFLATION, YEAR-ON-YEAR % CHANGE



	Latest August 2019	3 months ago	12 months ago
CPI Inflation (Y-o-Y % Change)	-1.08	-1.49	2.25

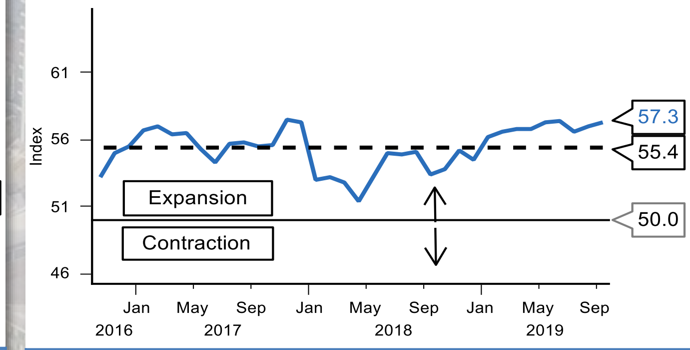
Following a rise in inflation last year as a result of the introduction of VAT, inflation rates have fallen into negative territory in 2019. The latest CPI reading was measured at -1.1% YoY in August 2019, compared to -1.4% YoY in the previous month. This downward trend was mainly triggered by falling housing rents.

FIGURE 4
OIL PRICES

	Latest September 2019	3 months ago	12 months ago
Oil Prices – Brent Crude $	59.4	64.4	82.9

Oil prices averaged $59.4 in September 2019, representing a decline from an average price level of approximately $70 pb in 2018. Geopolitical risks have been overtaken by weaker demand growth and the prospect of a wave of new production coming on stream. The International Energy Agency (IAE) has recently cut its oil demand forecast on a weakening global economy.

FIGURE 5
PURCHASING MANAGERS INDEX

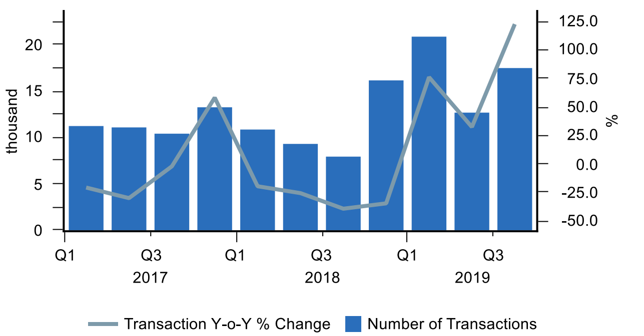


	Latest September 2019	3 months ago	12 months ago
Composite PMI	57.3	57.4	53.4

The headline PMI - a non-oil economy tracker - stood at 57.3 in September 2019, which is significantly higher than its lowest level on record registered in April 2018 (51.4). A reading above the 50.0 mark, points to an expansion in non-oil sectors.

RIYADH RESIDENTIAL MARKET

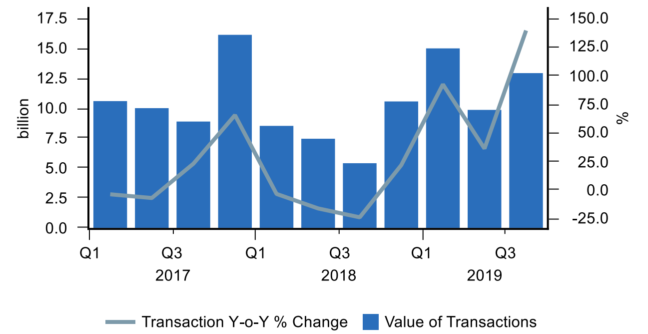
FIGURE 6
RIYADH NUMBER OF RESIDENTIAL TRANSACTIONS



	Q3 2017	Q3 2018	Q3 2019
Transaction Volumes	10,390	7,849	17,454
Y-o-Y % Change	23%	-24%	122%

The number of residential transactions in Riyadh rose by 122% YoY in Q3 2019, pointing to a recovery for the fourth consecutive quarter. Soft market conditions, efforts to expand the mortgage market, large-scale housing schemes, and improving consumer sentiment have contributed to this positive momentum.

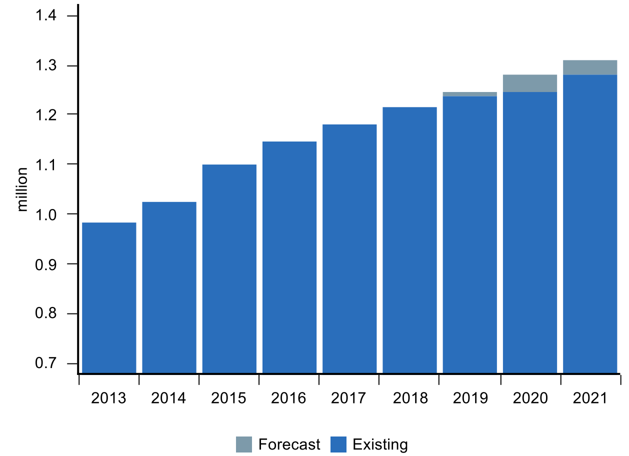
FIGURE 7
RIYADH VALUE OF RESIDENTIAL TRANSACTIONS



	Q3 2017	Q3 2018	Q3 2019
Transaction Values (SAR Billions)	8.88	5.40	12.92
Y-o-Y % Change	-2%	-39%	139%

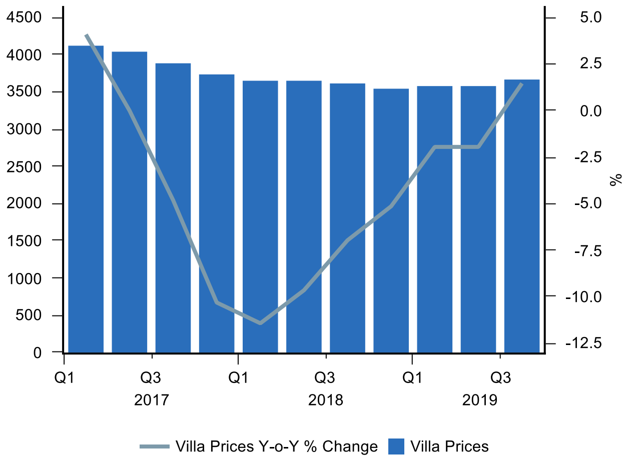
The value of residential transactions in Riyadh increased by 139% YoY in Q3 2019, driven by a surge in transaction volumes and a stabilisation in sales prices.

FIGURE 8
RIYADH STOCK OF RESIDENTIAL UNITS – EXISTING AND FORECAST



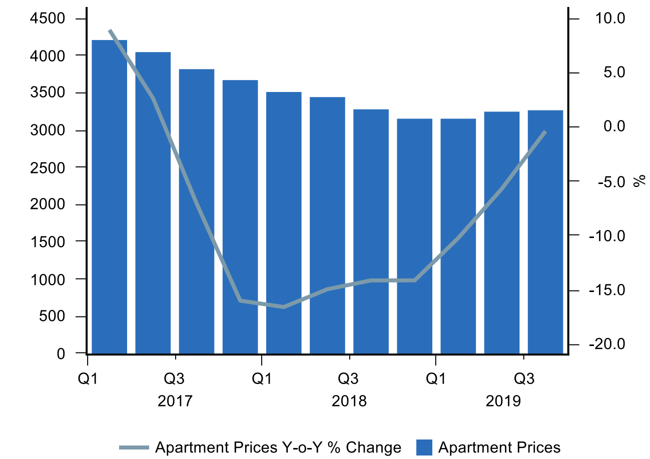
Residential supply in Riyadh reached 1.24 million housing units at the end of Q3 2019. Approximately 8,000 residential units were added to the market in Q3 2019. We expect circa 70,000 units to be handed over to the market between 2019 and 2021.

FIGURE 9
RIYADH, VILLA SALE PRICES, SAR/SQM



Following a marginal YoY decrease in previous quarter, residential sale prices appear to have stabilised in Q3 2019. Villa sale prices displayed a 1.4% YoY increase in Q3 2019, indicating that the market may be heading towards to the bottom of its cycle.

FIGURE 10
RIYADH, APARTMENT SALE PRICES, SAR/SQM



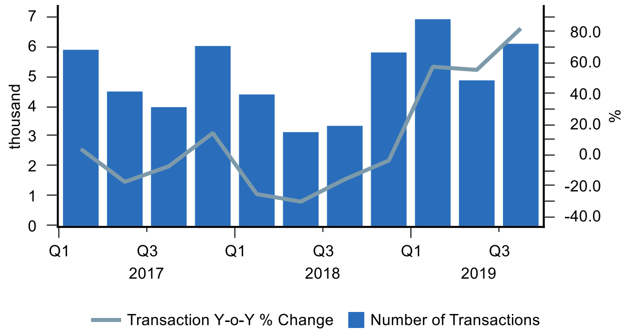
The rate of decline in apartment sale prices continued to moderate in Q3 2019, reaching -0.4% YoY. This compares with a -6% YoY and -10% YoY in Q2 19 and Q1 19 respectively.

FIGURE 11
RIYADH RESIDENTIAL MARKET OUTLOOK, 12 MONTHS

We expect the volume of transactions to maintain a positive momentum over the next 12 months, underpinned by the Sakani affordable housing program and the regulatory efforts to expand the mortgage market. A stabilisation in sales prices can be expected due to a pick up in transaction activity in the market.

JEDDAH RESIDENTIAL MARKET

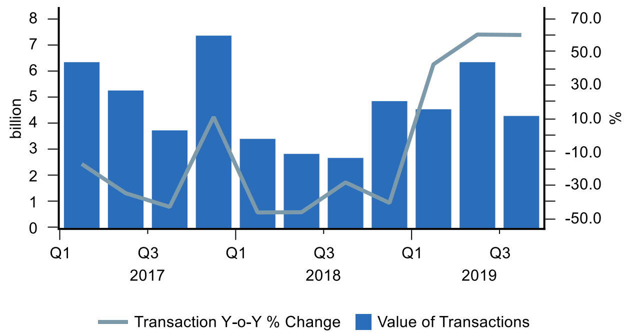
FIGURE 12
JEDDAH NUMBER OF RESIDENTIAL TRANSACTIONS



	Q3 2017	Q3 2018	Q3 2019
Transaction Volumes	3,965	3,340	6,080
Y-o-Y % Change	-7%	-16%	82%

The number of residential transactions in Jeddah rose by 82% YoY in Q3 2019, pointing to a recovery for the fourth consecutive quarter. Soft market conditions, efforts to expand the mortgage market, large-scale housing schemes, and improving consumer sentiment have contributed to this positive momentum.

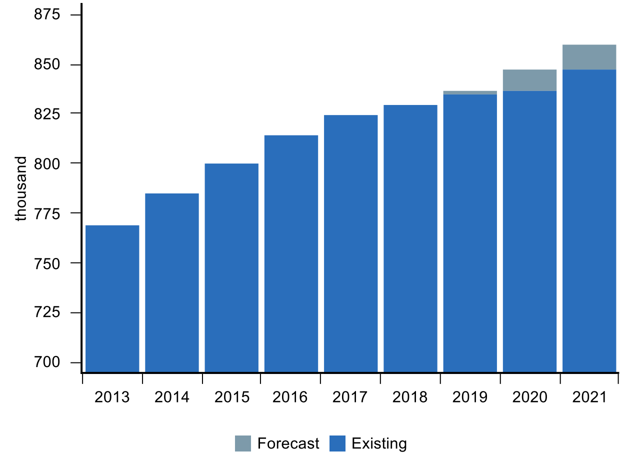
FIGURE 13
JEDDAH VALUE OF RESIDENTIAL TRANSACTIONS



	Q3 2017	Q3 2018	Q3 2019
Transaction Values (SAR Billions)	3.72	2.67	4.27
Y-o-Y % Change	-43%	-28%	60%

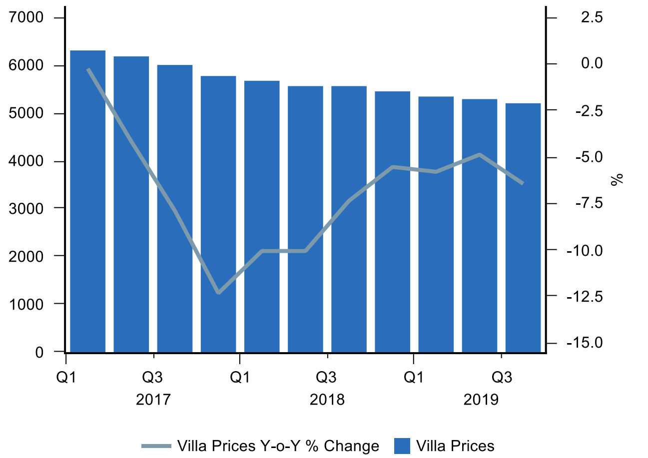
The value of residential transactions in Jeddah increased by 60% YoY in Q3 2019, driven by a surge in transaction volumes as prices remained under pressure.

FIGURE 14
JEDDAH STOCK OF RESIDENTIAL UNITS – EXISTING AND FORECAST



Residential supply in Jeddah reached 835,000 housing units. Approximately 1,800 standalone residential units were added to the market in Q3 2019. Around 25,000 residential units are planned to be handed over between 2019 and 2021.

FIGURE 15
JEDDAH, VILLA SALE PRICES, SAR/SQM



Residential sale prices continued to soften in Jeddah. The rate of decline on a YoY basis for villa sale prices was registered at 6% in Q3 2019.

FIGURE 16
JEDDAH, APARTMENT SALE PRICES, SAR/SQM

Market-wide sale prices for apartments across Jeddah declined by 7% in Q3 2019.

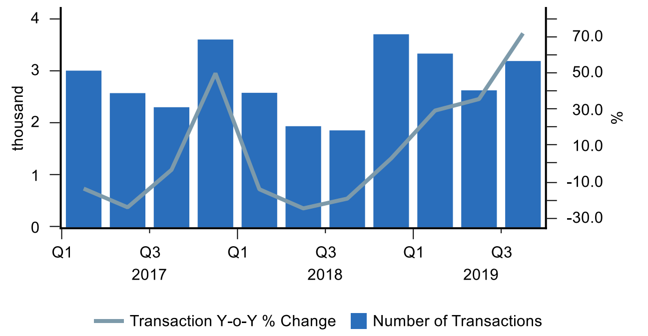
FIGURE 17
JEDDAH RESIDENTIAL MARKET OUTLOOK, 12 MONTHS

We expect the volume of transactions to maintain a positive momentum over the next 12 months, underpinned by the Sakani affordable housing program and the regulatory efforts to expand the mortgage market. In terms of sale prices, the rate of decline is expected to further moderate over the coming quarters supported by the recent pick up in transaction activity.

DMA RESIDENTIAL MARKET

FIGURE 18

DMA NUMBER OF RESIDENTIAL TRANSACTIONS

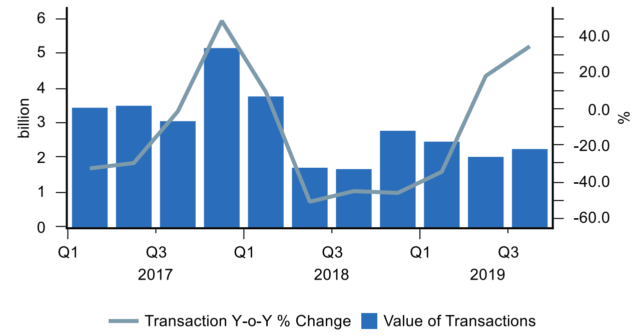


	Q3 2017	Q3 2018	Q3 2019
Transaction Volumes	2,296	1,853	3,180
Y-o-Y % Change	-3%	-19%	72%

The number of residential transactions in the DMA rose by 72% YoY in Q3 2019, for the fourth consecutive quarter. Soft market conditions, efforts to expand the mortgage market, large-scale housing schemes, and improving consumer sentiment have contributed to this positive momentum.

FIGURE 19

DMA VALUE OF RESIDENTIAL TRANSACTIONS

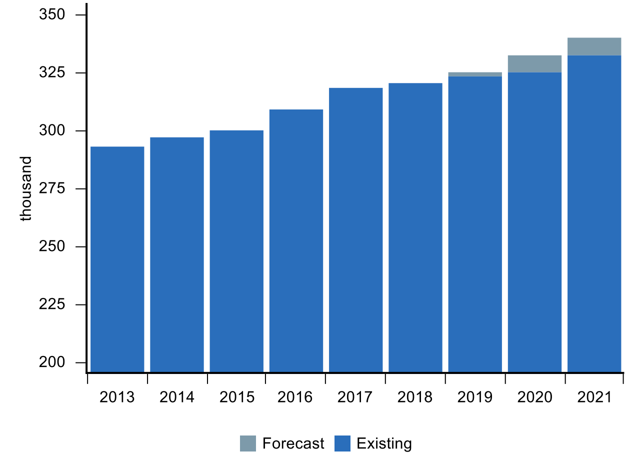


	Q3 2017	Q3 2018	Q3 2019
Transaction Values (SAR Billions)	3.04	1.67	2.24
Y-o-Y % Change	-1%	-45%	34%

The value of residential transactions in the DMA increased by 34% YoY in Q3 2019, mainly the result of an increase in transaction volumes.

FIGURE 20

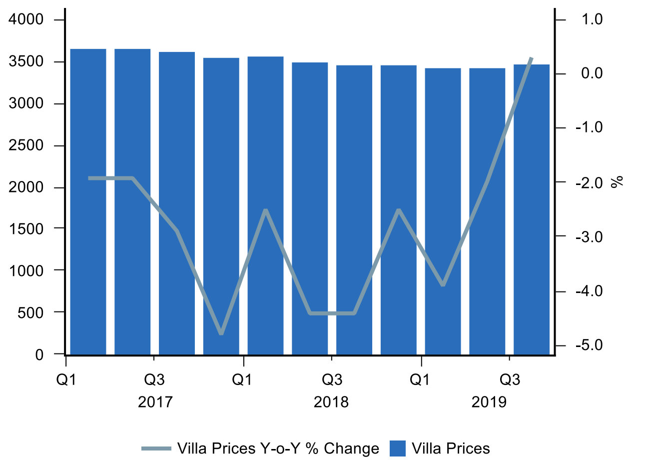
DMA STOCK OF RESIDENTIAL UNITS – EXISTING AND FORECAST



The stock of residential units in the DMA ended Q3 2019 at around 323,000 units. We expect circa 17,000 residential units to be handed over between 2019 and 2021.

FIGURE 21

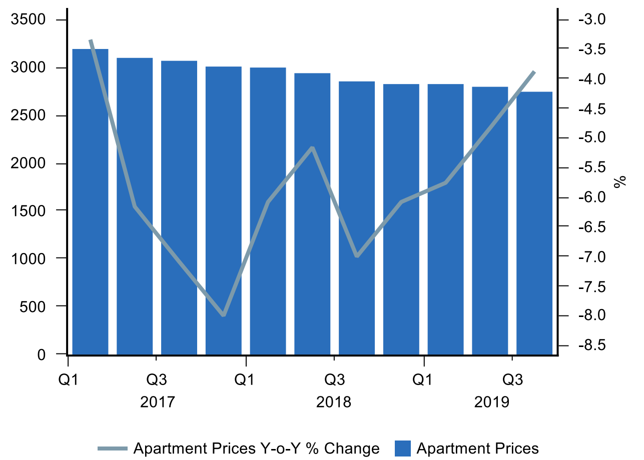
DMA, VILLA SALE PRICES, SAR/SQM



Following a marginal YoY decrease in previous quarter, residential sale prices appear to have stabilised in Q3 2019. Villa sale prices displayed a 0.3% YoY increase in Q3 2019, indicating that the market may be heading towards to the bottom of its cycle.

FIGURE 22

DMA, APARTMENT SALE PRICES, SAR/SQM



Market-wide average sale prices for apartments across the DMA declined by 4% in Q3 2019 YoY, pointing to the fact that the rate of decline in prices has moderated compared to previous quarters.

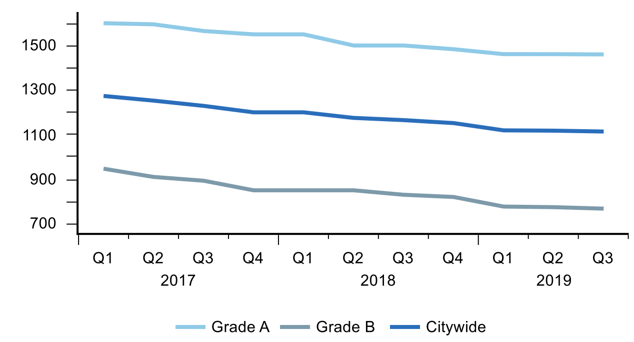
FIGURE 23

DMA RESIDENTIAL MARKET OUTLOOK, 12 MONTHS

We expect the volume of transactions to maintain a positive momentum over the next 12 months, underpinned by the Sakani affordable housing program and the regulatory efforts to expand the mortgage market. In terms of sale prices, the rate of decline is expected to further moderate over the coming quarters supported by the recent pick up in transaction activity.

RIYADH OFFICE MARKET

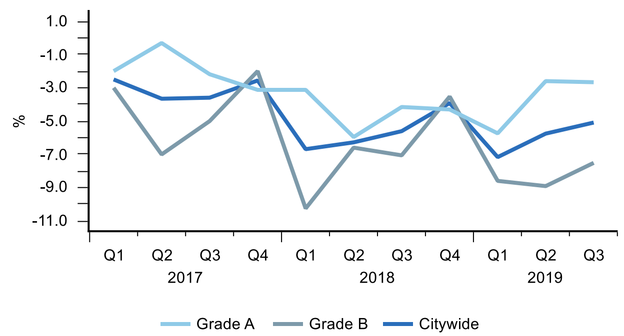
FIGURE 24
RIYADH OFFICE RENTS, SAR/SQM/PA



	Grade A	Grade B	City-wide
Q3 2019	1,460	768	1,114

In Q3 2019 average rental rates in Riyadh's office sector stood at 1,460 SAR/sqm and 768 SAR/sqm across the Grade A and the Grade B segments respectively.

FIGURE 25
RIYADH OFFICE RENTS, YEAR-ON-YEAR % CHANGE



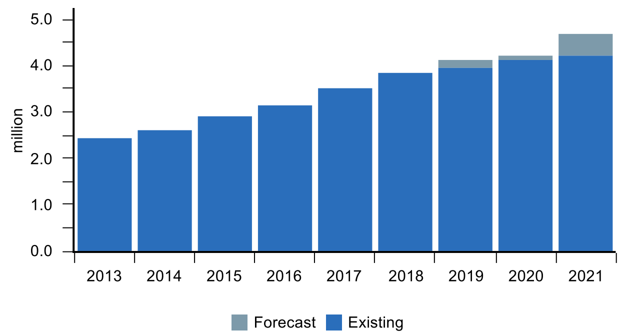
	Grade A	Grade B	City-wide
Y-o-Y % Change	-3%	-8%	-5%

Rents across Riyadh continued to soften in Q3 2019 with city-wide rents declining by 5% YoY. Grade A rents fell by 3% YoY, while Grade B rents fell by a more significant 8% over the same period. The faster rate of decline across the Grade B space compared to the Grade A space has to be seen within the context of a lack of Grade A space which continues to underpin rents in this segment.

FIGURE 26
RIYADH OFFICE FUTURE SUPPLY MAP – STUDY, DESIGN AND EXECUTION

There are currently around 15 active projects within Riyadh, expected to be delivered by 2021. These projects are either in the execution phase or in the study/design phases.

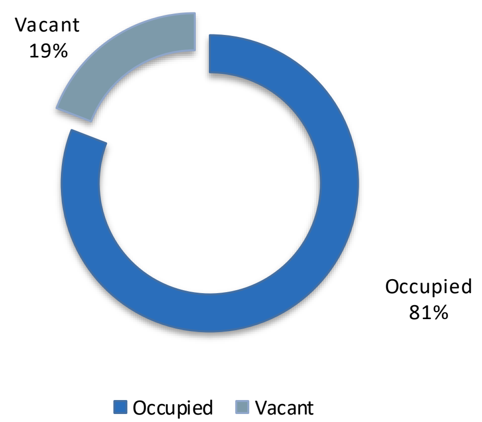
FIGURE 27
RIYADH, OFFICE SUPPLY, TOTAL, SQUARE METRES GLA



	2018	2019f	2020f	2021f
Total stock (Million square metres GLA)	3.84	4.12	4.21	4.68

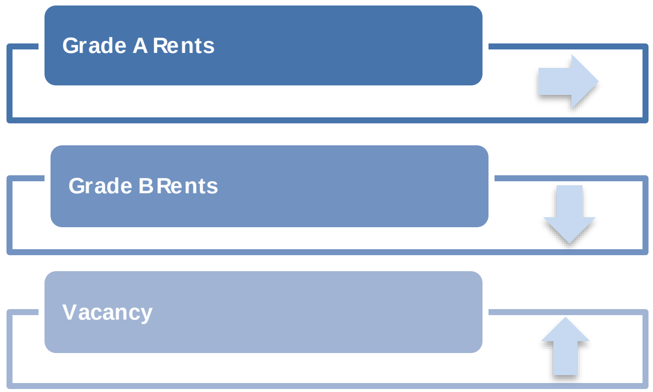
Riyadh's office stock stood at around 3.95 million sqm GLA at the end of Q3 2019. By 2021, it is expected to reach an estimated 4.68 million sqm GLA, assuming that part of the office space from KAFD gets released to the market in 2021.

FIGURE 28
RIYADH MARKET-WIDE INDICATIVE VACANCY



Market-wide vacancy in Riyadh stood at 19% in Q3 2019. Occupancy in prime schemes remains high as the market is characterised by limited Grade A stock. This contrasts with higher vacancy rates within the Grade B segment where demand is weakening as occupiers look to upgrade their premises amid tenant friendly market dynamics.

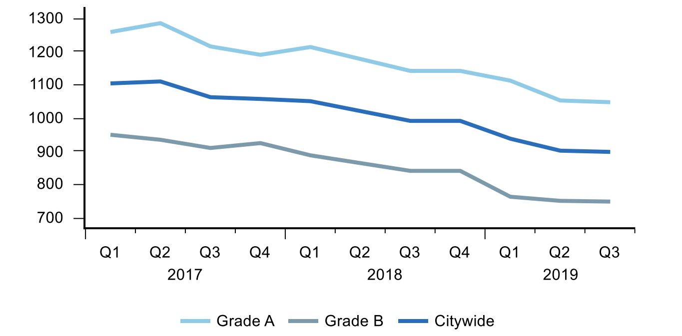
FIGURE 29
RIYADH OFFICE MARKET OUTLOOK, 12 MONTHS



Although we have seen an improvement in business sentiment in Riyadh, we expect the office sector to remain under pressure over the next 12 months. Rents and occupancy rates are likely to soften further as supply outstrips demand for the foreseeable future. Longer term, we see demand for office space picking up from current levels as economic reforms start feeding into the wider system.

JEDDAH OFFICE MARKET

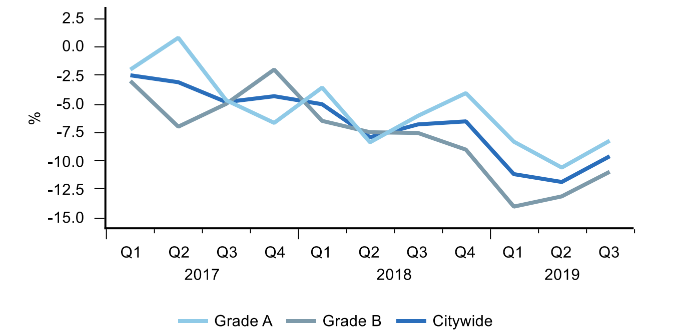
FIGURE 30
JEDDAH OFFICE RENTS, SAR/SQM/PA



	Grade A	Grade B	City-wide
Q3 2019	1,048	749	899

In Q3 2019, average rental rates in Jeddah's office market stood at 1,048 SAR/sqm and 749 SAR/sqm across the Grade A and the Grade B segments respectively.

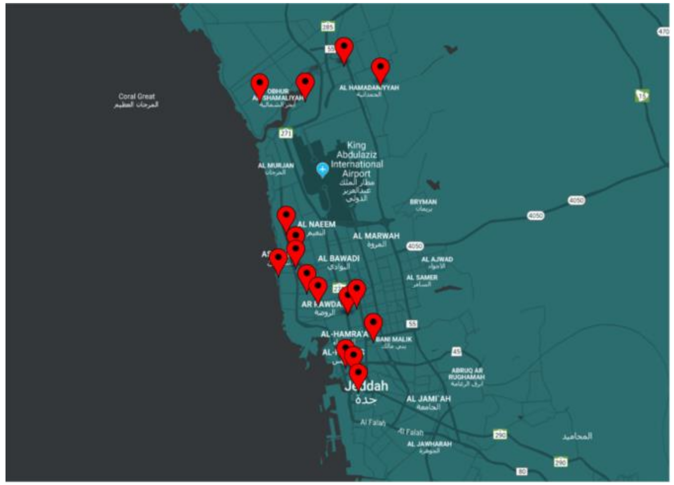
FIGURE 31
JEDDAH OFFICE RENTS, YEAR-ON-YEAR % CHANGE



	Grade A	Grade B	City-wide
Y-o-Y % Change	-8%	-11%	-10%

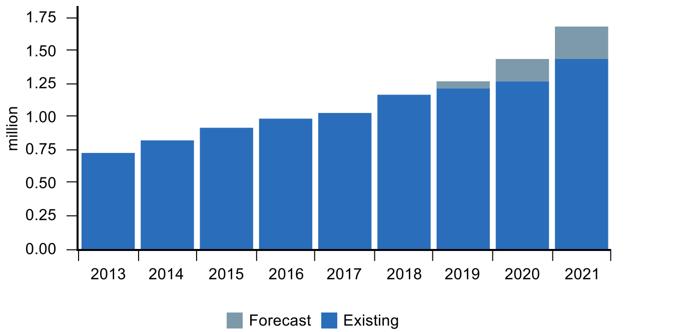
Rents across Jeddah continued to soften throughout the second quarter of 2019 with city-wide rents registering a 10% YoY decline. Grade A rents fell by 8%, while Grade B rents fell by 11% over the same period.

FIGURE 32
JEDDAH OFFICE FUTURE SUPPLY MAP – STUDY, DESIGN AND EXECUTION



There are currently around 16 active projects within Jeddah expected to be delivered by 2021. These projects are either in the execution phase or in the design phase. We remain cautious about the delivery of scheduled projects within the specified timeframe and expect some delays given the prevailing market conditions.

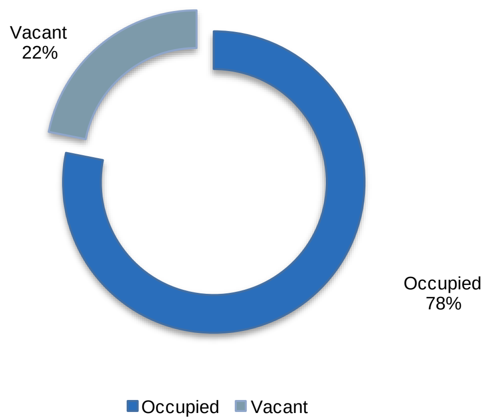
FIGURE 33
JEDDAH OFFICE SUPPLY, TOTAL, SQUARE METRES GLA



	2018	2019f	2020f	2021f
Total stock (Million square metres GLA)	1.16	1.26	1.43	1.68

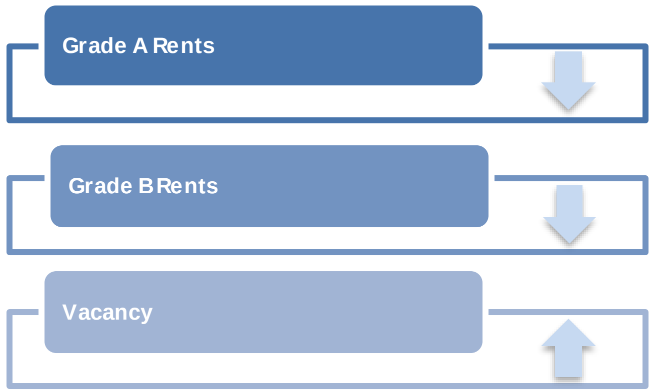
Jeddah's office stock stood at around 1.21 million sqm GLA at the end of Q3 2019. By 2021, the total supply of office space is expected to be around 1.68 million square metres GLA.

FIGURE 34
JEDDAH MARKET-WIDE INDICATIVE VACANCY



Market-wide vacancy in Jeddah stood at 22% in Q3 2019 with a few select Grade A buildings continuing to perform above market average.

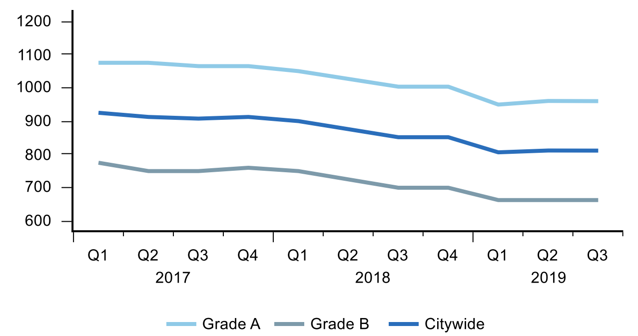
FIGURE 35
JEDDAH OFFICE MARKET OUTLOOK, 12 MONTHS



Due to soft occupier demand and economic conditions, we believe that any increase in demand for office space will remain subdued in the short term, with rental and occupancy rates likely to remain under pressure. Schemes which have good floor plates and are well located will have the potential to outperform the rest of the market.

DMA OFFICE MARKET

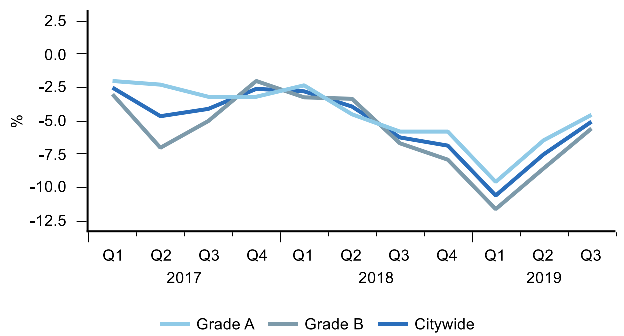
FIGURE 36
DMA OFFICE RENTS, SAR/SQM/PA



	Grade A	Grade B	City-wide
Q3 2019	958	661	809

In Q3 2019 average rentals rates in the DMA's office sector stood at 958 SAR/sqm and 661 SAR/sqm across the Grade A and the Grade B segments respectively.

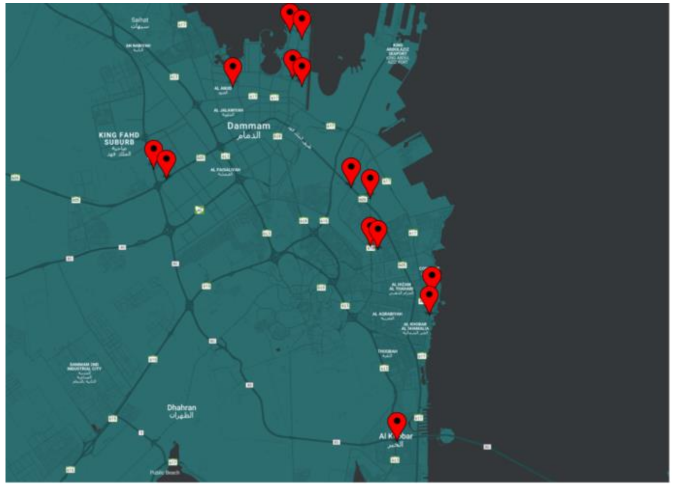
FIGURE 37
DMA OFFICE RENTS, YEAR-ON-YEAR % CHANGE



	Grade A	Grade B	City-wide
Y-o-Y % Change	-5%	-6%	-5%

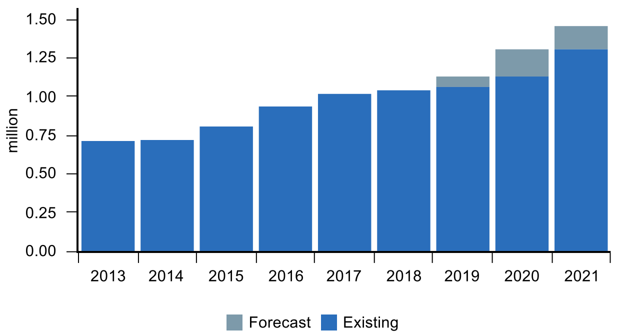
Rents across the DMA continued to soften throughout the third quarter of 2019 with city-wide rents registering a 5% decline on a YoY basis. Grade A rents fell by 5%, while Grade B rents fell by 6% over the same period.

FIGURE 38
DMA OFFICE FUTURE SUPPLY MAP – STUDY, DESIGN AND EXECUTION



Currently there are around 14 active projects within the DMA, expected to be delivered by 2021. These projects are either in the execution phase or in the study/design phases. We remain cautious about the delivery of scheduled projects within the specified timeframe and expect some delays given market conditions.

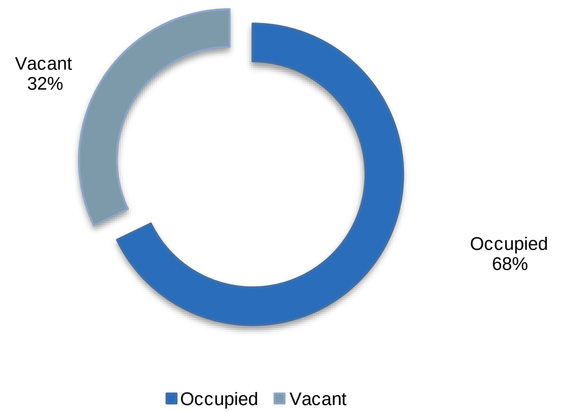
FIGURE 39
DMA OFFICE SUPPLY, TOTAL, SQUARE METRES GLA



	2018	2019f	2020f	2021f
Total stock (Million square metres GLA)	1.07	1.16	1.30	1.42

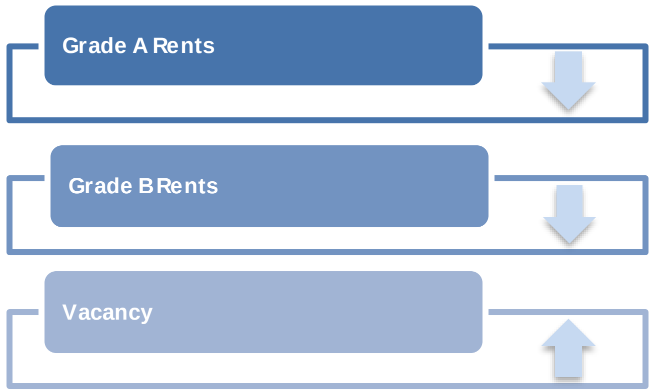
The DMA's office stock stood at around 1.13 million sqm GLA at the end of Q3 2019. By 2021 the total stock of office space is expected to be around 1.42 million sqm GLA.

FIGURE 40
DMA MARKET-WIDE INDICATIVE VACANCY



Market-wide vacancy in the DMA market stood at 32% in Q3 2019 unchanged from the previous quarter. Vacancy in well located prime and Grade A buildings remained relatively low whereas lower quality schemes have seen their vacancy levels trending higher.

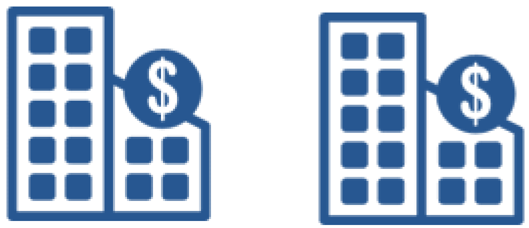
FIGURE 41
DMA OFFICE MARKET OUTLOOK, 12 MONTHS



Given a subdued occupier demand and the large pipeline of office space that could be released on the market (c. 300,000 sqm GLA over the next three years), we expect rental and occupancy rates across the DMA's office market to remain under pressure in the short to medium term.

FIGURE 42
RIYADH HOSPITALITY ADRs, YEAR-ON-YEAR % CHANGE

Average Daily Rates (ADR)



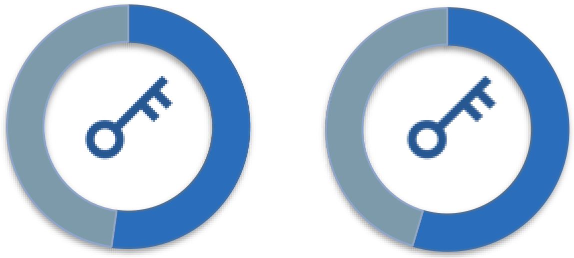
-6.0%
Aug YTD 2018
YoY % Change

-9.1%
Aug YTD 2019
YoY % Change

ADRs in Riyadh continued to soften on the back of supply dynamics and increasing price competition amongst hotels. Cost cutting measures implemented by corporate entities placed further downward pressure on rates.

FIGURE 43
RIYADH HOSPITALITY OCCUPANCY RATES, YEAR-ON-YEAR % CHANGE

Occupancy Rates



+1.4 pp
Aug YTD 2018
YoY % Change

+3.7 pp
Aug YTD 2019
YoY % Change

City wide occupancy levels increased by 3.7 percentage points YoY in Aug YTD 2019. This reflects a pick-up in inbound corporate demand (primarily consultants, contractors and tech) primarily linked to governmental initiatives aimed at activating the Saudi tourism sector.

FIGURE 44
RIYADH HOSPITALITY REVPARs, YEAR-ON-YEAR % CHANGE

Revenue Per Available Room (RevPAR)

-4.7%
Aug YTD 2018
YoY % Change

-5.7%
Aug YTD 2019
YoY % Change

RevPAR across hotels in Riyadh declined YoY by 5.7% in Aug YTD 2019, primarily attributable to a more rate sensitive guest profile. This is reflective of the wider macro economic conditions throughout the GCC.

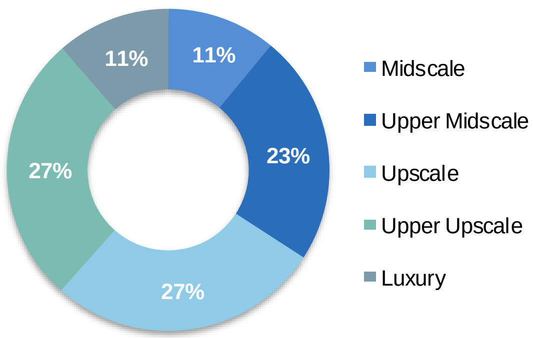
FIGURE 45
RIYADH EXISTING & UPCOMING QUALITY HOTEL ESTABLISHMENT SUPPLY

16,211 rooms
Existing supply
Aug YTD 2019

+27%
% increase in supply
until 2021

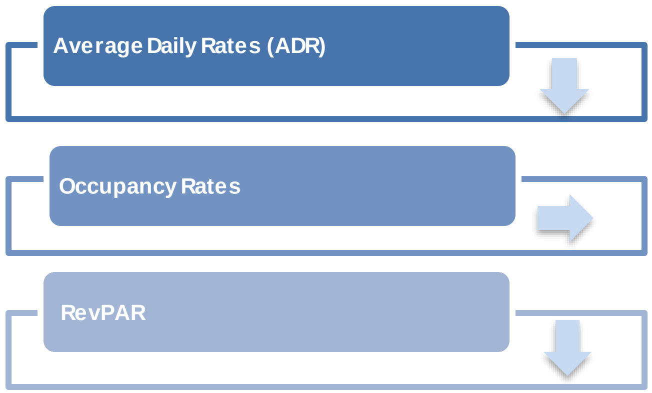
As of Aug YTD 2019, the total quality hotel supply in Riyadh stood at 16,211 rooms. Taking into consideration projects that are currently under construction, supply is expected to increase by 27% until the end of 2021.

FIGURE 46
RIYADH SEGMENTATION OF EXISTING SUPPLY - Aug YTD 2019



As of Aug YTD 2019, the luxury and upper upscale (typically associated with a 5-Star product) accounted for 38% of the total Riyadh quality hotel supply. The upscale, upper midscale and midscale segments account for 27%, 23% and 11% of the total quality hotel supply, respectively.

FIGURE 47
RIYADH HOSPITALITY MARKET OUTLOOK, 12 MONTHS



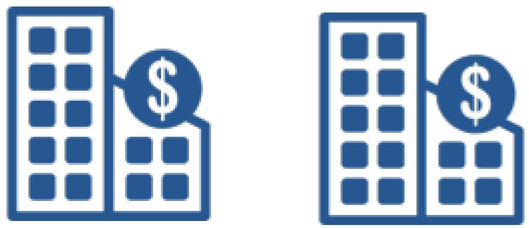
Despite RevPAR facing downward pressures over the last few years, the hospitality sector is expected to recover over the medium term as Riyadh remains a focal point for future business and tourism growth supported by government initiatives in favour of increased visitation and public investments in infrastructure and tourism in line with Vision 2030.

Source: STR

JEDDAH HOSPITALITY MARKET

FIGURE 48
JEDDAH HOSPITALITY ADRs, YEAR-ON-YEAR % CHANGE

Average Daily Rates (ADR)



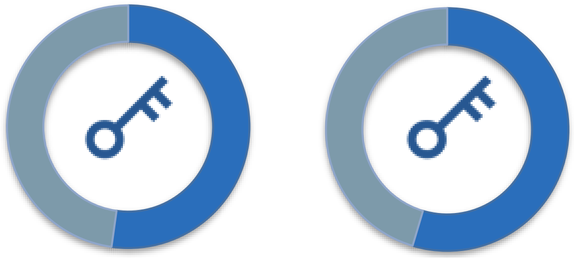
+11.8%
Aug YTD 2018
YoY % Change

-11.4%
Aug YTD 2019
YoY % Change

Following a return to form in 2018, YTD August 2019 saw this situation reversing with ADRs in Jeddah decreasing by 11.4% YoY. It is worth mentioning that the Jeddah's hotel market boasts the highest ADR among other key cities in the Kingdom.

FIGURE 49
JEDDAH HOSPITALITY OCCUPANCY RATES , YEAR-ON-YEAR % CHANGE

Occupancy Rates



-1.0 pp
Aug YTD 2018
YoY % Change

-1.0 pp
Aug YTD 2019
YoY % Change

In Aug YTD 2019, occupancy levels decreased by a 1.0 percentage points on a YoY basis. Jeddah's occupancy rates compare favourably to other key cities in the Kingdom.

FIGURE 50
JEDDAH HOSPITALITY REVPARs, YEAR-ON-YEAR % CHANGE

Revenue Per Available Room (RevPAR)

+10.6%
Aug YTD 2018
YoY % Change

-12.3%
Aug YTD 2019
YoY % Change

Contrasting with a positive performance in 2018, RevPAR across hotels in Jeddah declined by 12.3% in Aug YTD 2019 on a YoY basis. This RevPAR decline has been led by ADR's rather than occupancy rates.

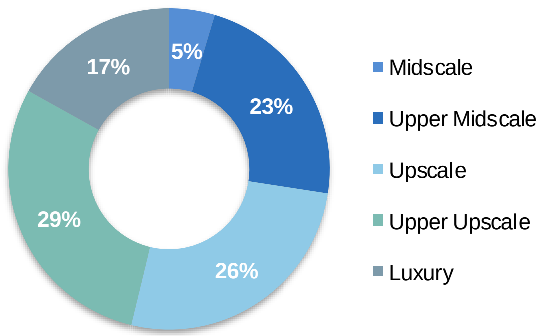
FIGURE 51
JEDDAH EXISTING & UPCOMING QUALITY HOTEL ESTABLISHMENT SUPPLY

10,937 rooms
Existing supply
Aug YTD 2019

+44%
% increase in supply
until 2021

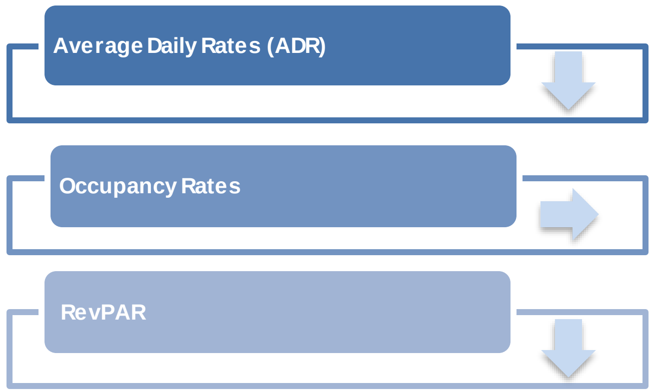
As of Aug YTD 2019, the total quality hotel supply in Jeddah stood at 10,937 rooms. Taking into consideration projects that are currently under construction, supply is expected to increase by 44% until the end of 2021.

FIGURE 52
JEDDAH SEGMENTATION OF EXISTING SUPPLY - Aug YTD 2019



As of Aug YTD 2019, Jeddah's quality hospitality market was primarily represented by the luxury and upper upscale segments (typically associated with a 5-Star product), which together accounted for a significant 46% of the city's key count. The upscale, upper midscale and midscale segments account for 26%, 23% and 5% of the total quality hotel supply, respectively.

FIGURE 53
JEDDAH HOSPITALITY MARKET OUTLOOK, 12 MONTHS

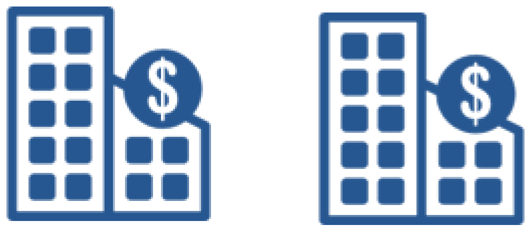


We expect occupancy rates and ADRs to remain under pressure over the next 12 months due to a large supply pipeline. The longer term outlook for Jeddah's hotel market remains underpinned by stabilising oil prices, government initiatives in favour of stimulating visitation and public investments in infrastructures and tourism in line with the Saudi Vision 2030. However, a strong supply pipeline may soften potential growth.

Source: STR

FIGURE 54
DMA HOSPITALITY ADRs, YEAR-ON-YEAR % CHANGE

Average Daily Rates (ADRs)



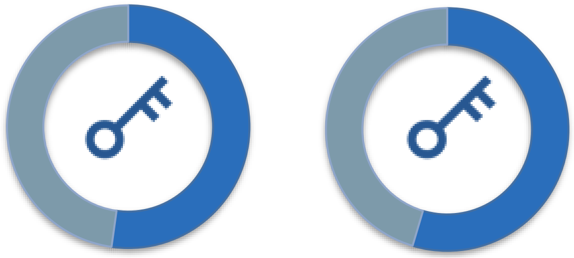
-8.2%
Aug YTD 2018
YoY % Change

-15.6%
Aug YTD 2019
YoY % Change

Rates recorded double digit declines YoY of 15.6% in Aug YTD 2019. Hotel demand in DMA primarily stems from the hydrocarbon sector and given sustained low oil prices compared to historical prices, companies have had to respond by tightening spending. Additionally, the incremental supply introduced to the market during this period softened rates further.

FIGURE 55
DMA HOSPITALITY OCCUPANCY RATES

Occupancy Rates



+6.2 pp
Aug YTD 2018
YoY % Change

+12.8 pp
Aug YTD 2019
YoY % Change

Although rates declined significantly, visitation and hotel demand to DMA increased YoY with occupancy recording double digit growth of 12.8 percentage points in Aug YTD 2019. This increase was primarily spurred on by SCTH's 'Saudi Seasons' initiative, which included Sharqiah Season in March that featured a number of events e.g. Sharqiah Music Festival.

FIGURE 56
DMA HOSPITALITY REVPARs, YEAR-ON-YEAR % CHANGE

Revenue Per Available Room (RevPAR)

-2.5%
Aug YTD 2018
YoY % Change

-4.8%
Aug YTD 2019
YoY % Change

RevPAR continued to soften further in Aug YTD 2019 recording a decline of 4.8%, which was primarily attributable to rates.

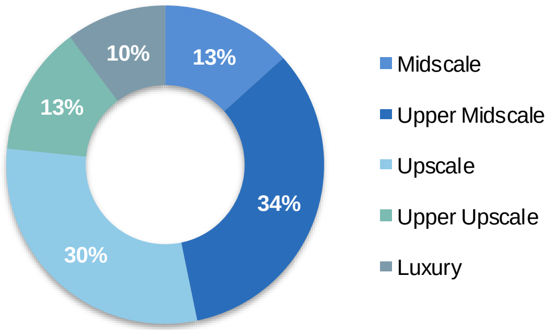
FIGURE 57
DMA EXISTING & UPCOMING QUALITY HOTEL ESTABLISHMENT SUPPLY

7,572 rooms
Existing supply
Aug YTD 2019

+33%
% increase in supply
until 2021

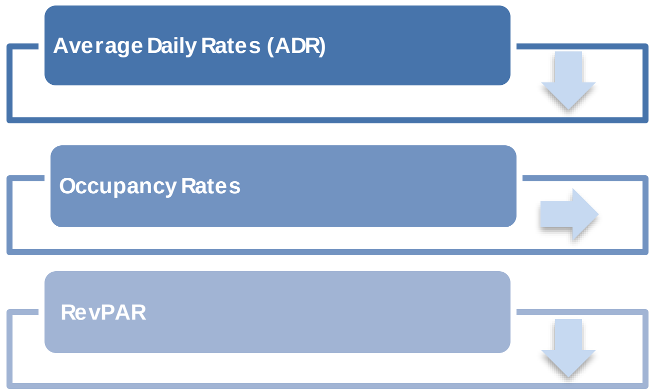
As of Aug YTD 2019, the total quality hotel supply in the DMA stood at 7,572 rooms. Taking into consideration projects that are currently under construction, supply is expected to increase by 33% until the end of 2021.

FIGURE 58
DMA SEGMENTATION OF EXISTING SUPPLY - Aug YTD 2019



As of Aug YTD 2019, the luxury segment accounted for the smallest share at 10%, followed by the upper upscale and midscale segments, both at 13% of total quality hotel supply. The upscale and upper midscale segments account for the largest share of the total quality hotel supply at 30% and 34%, respectively.

FIGURE 59
DMA HOSPITALITY MARKET OUTLOOK, 12 MONTHS

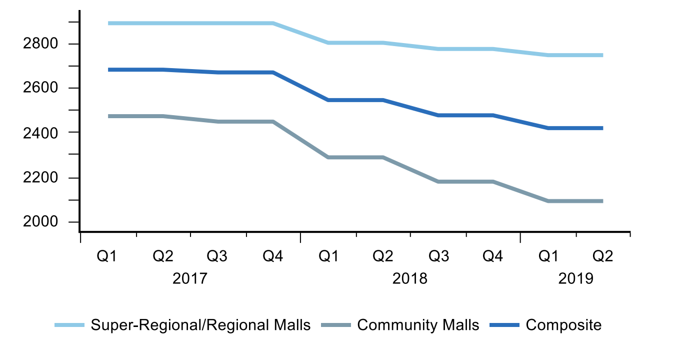


Rates are expected to continue to experience pressure as a result of a significant supply pipeline, which is likely to soften RevPAR further. Nevertheless, occupancy is likely to remain stable on the back of the government's push towards tourism growth coupled with stabilising oil prices.

Source: STR

RIYADH RETAIL MARKET

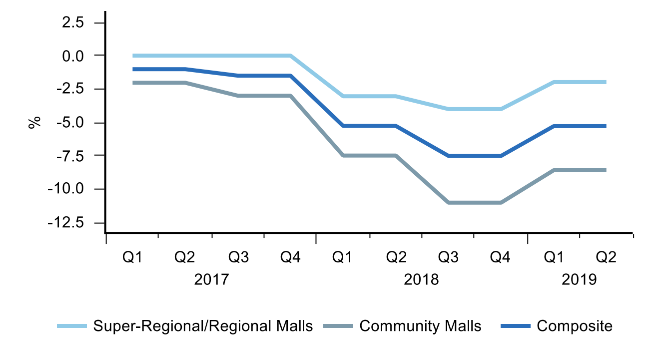
FIGURE 60
RIYADH RETAIL RENTS, SAR/SQM/PA



	Regional/ Super-Regional	Community Malls	Composite
Q2 2019	2,748	2,093	2,420

In Q2 2019 average rental rates in super regional and regional malls were recorded at 2,748 SAR/sqm, whilst community malls rentals stood at 2,093 SAR/sqm.

FIGURE 61
RIYADH RETAIL RENTS, YEAR-ON-YEAR % CHANGE



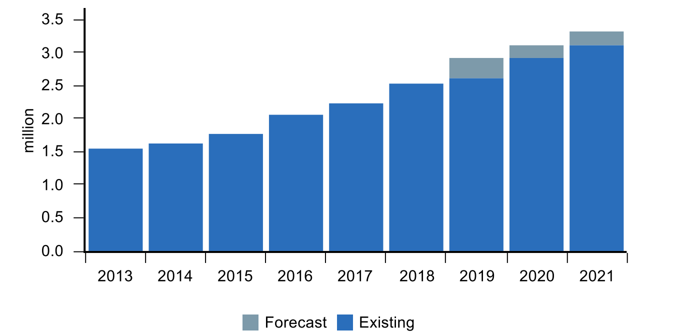
	Regional/ Super-Regional	Community Malls	Composite
Y-o-Y % Change	-2%	-9%	-5%

Rents across Riyadh's retail market continued to soften in the second quarter of 2019, falling by 5% YoY on average. Super regional/regional malls rents fell by 2% while community malls rents registered a more significant 9% decline over the same period.

FIGURE 62
RIYADH RETAIL FUTURE SUPPLY MAP – STUDY, DESIGN AND EXECUTION

There are approximately 23 active projects within Riyadh, with delivery dates up to 2021, which are either being executed or in the study or design phase. The total value of these projects is estimated at USD 5.34 billion. We remain cautious about the delivery of scheduled projects within the specified timeframe and expect some delays given market conditions.

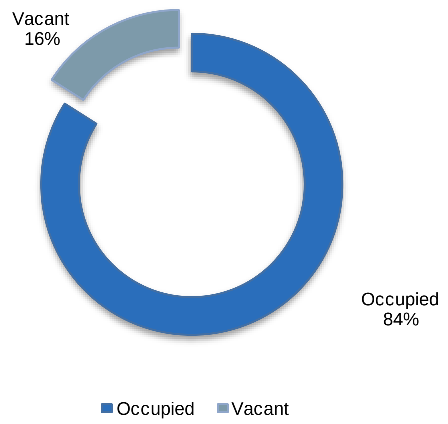
FIGURE 63
RIYADH, RETAIL SUPPLY, TOTAL, SQUARE METRES



	2018	2019f	2020f	2021f
Total stock (Million square metres)	2.52	2.91	3.10	3.31

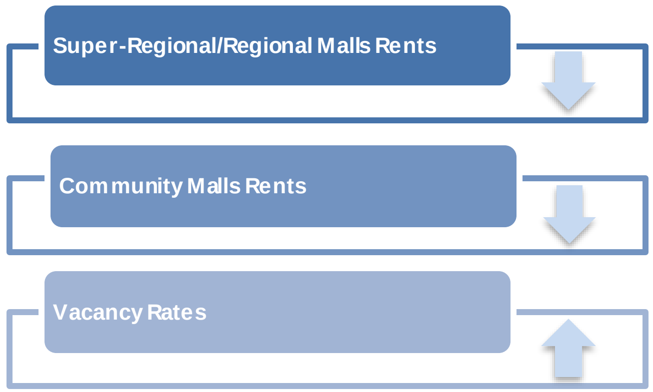
Riyadh's retail stock stood at around 2.6 million sqm of mall-based retail space at the end of Q2 2019. By 2021, the total supply of structured retail space is expected to be around 3.31 million sqm.

FIGURE 64
RIYADH MARKET-WIDE INDICATIVE VACANCY



Market-wide vacancy in Riyadh stood at 16% in Q2 2019. The average vacancy rates in super regional/regional malls remained relatively low whereas community malls and lesser quality retail centres have seen their vacancy rates trending higher.

FIGURE 65
RIYADH RETAIL MARKET OUTLOOK, 12 MONTHS

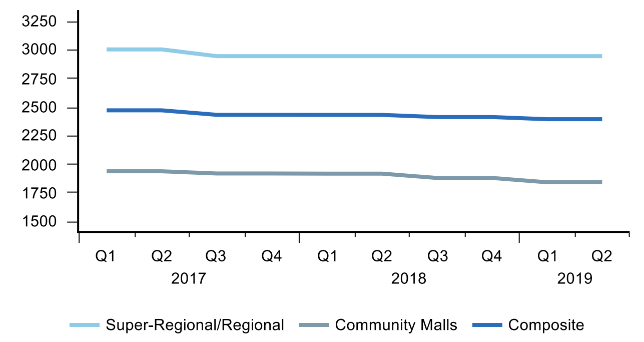


We expect the retail sector in Riyadh to remain challenged by a significant supply pipeline and increased competition from e-commerce. Therefore, we expect rental and occupancy rates to remain under pressure over the next 12 months.

JEDDAH RETAIL MARKET

FIGURE 66

JEDDAH RETAIL RENTS, SAR/SQM/PA

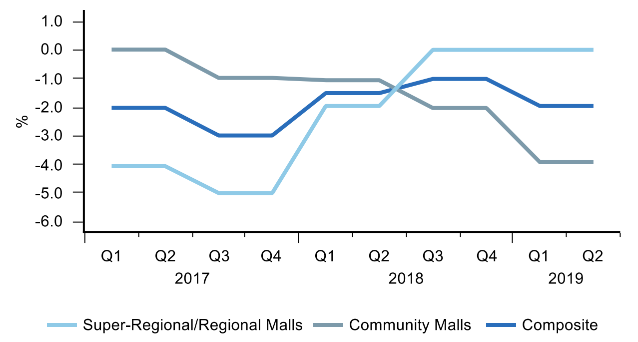


	Regional/ Super-Regional	Community Malls	Composite
Q2 2019	2,945	1,844	2,395

As at Q2 2019 average rental rates in super regional and regional malls were recorded at 2,945 SAR/sqm, whilst community malls rentals stood at 1,844 SAR/sqm.

FIGURE 67

JEDDAH RETAIL RENTS, YEAR-ON-YEAR % CHANGE

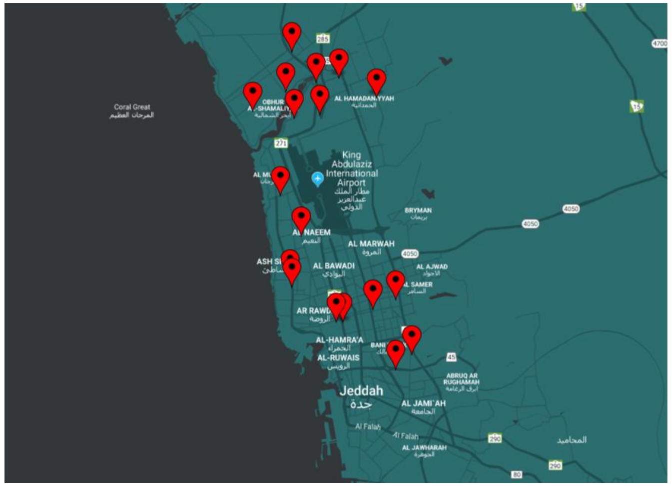


	Regional/ Super-Regional	Community Malls	Composite
Y-o-Y % Change	0%	-4%	-2%

Super regional and regional mall rents across Jeddah remained unchanged in Q2 2019 on a YoY basis. Whilst average lease rates for community centres fell by 4% over the same period.

FIGURE 68

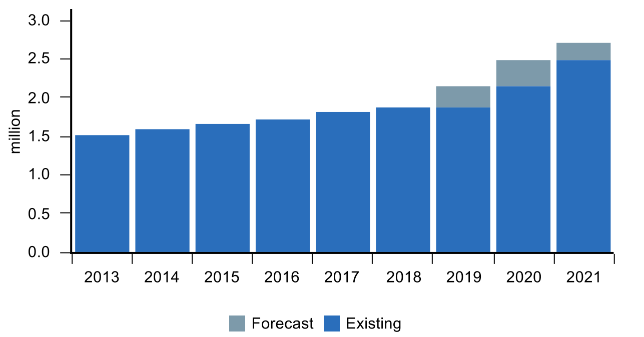
JEDDAH RETAIL FUTURE SUPPLY MAP – STUDY, DESIGN AND EXECUTION



There are approximately 16 active projects within Jeddah, with delivery dates up to 2021, which are either being executed or in the study or design phase. The total value of these projects is estimated at around USD 1.3 billion.

FIGURE 69

JEDDAH, RETAIL SUPPLY, TOTAL, SQUARE METRES

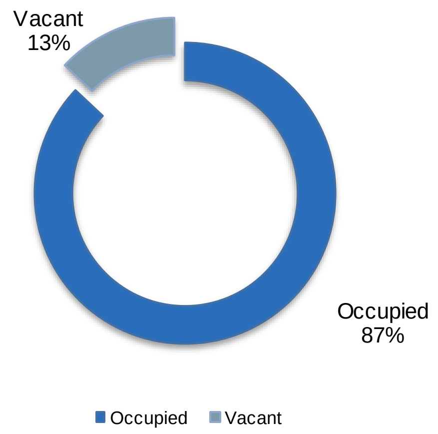


	2018	2019f	2020f	2021f
Total stock (Million square metres)	1.87	2.14	2.48	2.70

Jeddah's retail stock stood at around 1.87 million sqm of mall-based retail space at the end of Q2 2019. By 2021, the total supply of structured retail space is expected to be around 2.7 million sqm.

FIGURE 70

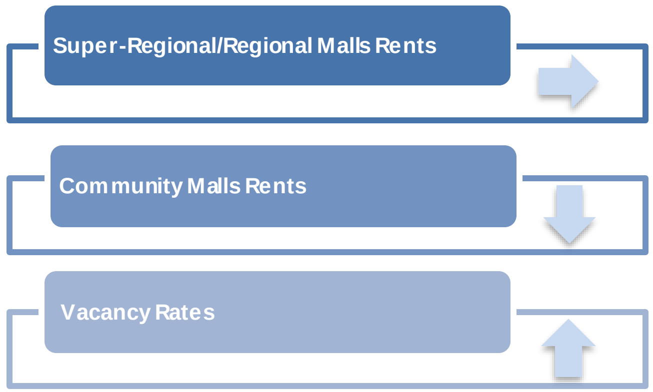
JEDDAH MARKET-WIDE INDICATIVE VACANCY



Market-wide vacancy in Jeddah remained unchanged at 13% in Q2 2019. Given the soft economic conditions and the growth of e-commerce, landlords continue to offer flexible leasing options to retail tenants.

FIGURE 71

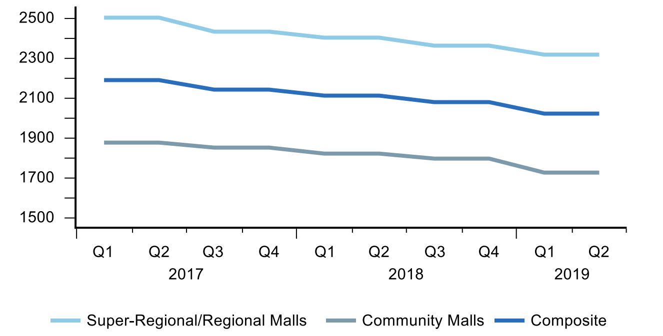
JEDDAH RETAIL MARKET OUTLOOK, 12 MONTHS



It is expected that the lease rates of regional and super regional malls will remain stable during the next 12 months due to a limited supply of retail space in this segment of the market. However, we expect market conditions to remain challenging in the community malls segment, exerting further pressures on rental and occupancy rates over the next 12 months.

DMA RETAIL MARKET

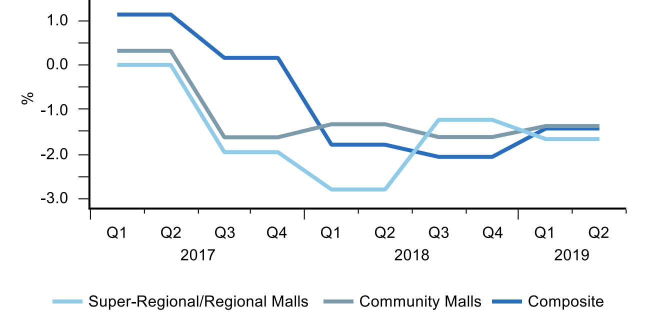
FIGURE 72
DMA RETAIL RENTS, SAR/SQM/PA



	Regional/ Super-Regional	Community Malls	Composite
Q2 2019	2,315	1,725	2,020

As at Q2 2019 average rental rates in super regional and regional malls were recorded at 2,315 SAR/sqm, whilst community mall rentals stood at 1,725 SAR/sqm.

FIGURE 73
DMA RETAIL RENTS, YEAR-ON-YEAR % CHANGE



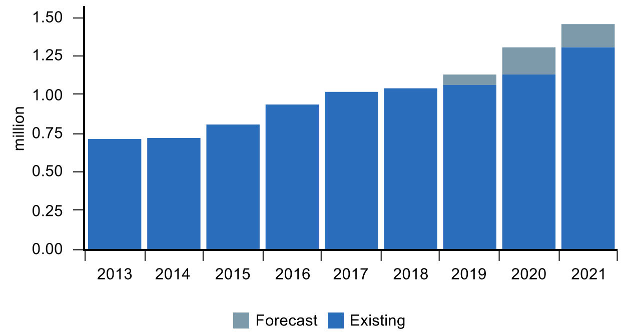
	Regional/Super-Regional	Community Malls	Composite
Y-o-Y % Change	-2%	-4%	-3%

On average, super regional/regional mall rents across the DMA fell by 2% YoY in Q2 2019, whilst community mall rents declined by 4%.

FIGURE 74
DMA RETAIL FUTURE SUPPLY MAP – STUDY, DESIGN AND EXECUTION

Currently there are approximately 17 active projects within the DMA, with delivery dates up to 2021, which are either being executed or in the study or design phase.

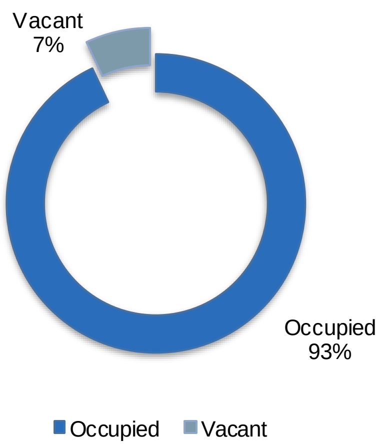
FIGURE 75
DMA RETAIL SUPPLY, TOTAL, SQUARE METRES



	2018	2019f	2020f	2021f
Total stock (Million square metres)	1.04	1.12	1.30	1.45

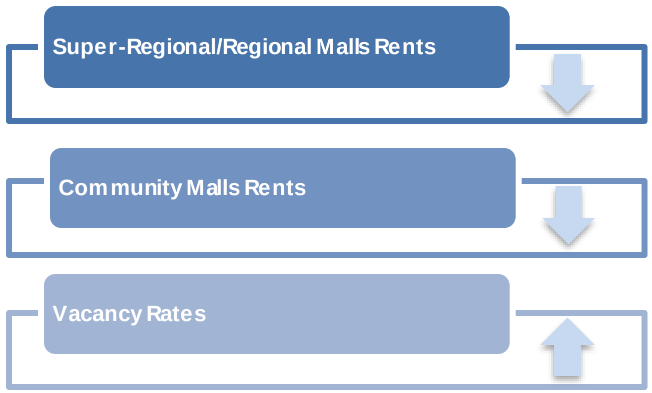
The DMA's retail stock stood at around 1.06 million square metres of mall based retail space at the end of Q2 2019. By 2021 the total supply of structured retail space is expected to be around 1.45 million square metres. Some delays in the future supply delivery can be expected.

FIGURE 76
DMA MARKET-WIDE INDICATIVE VACANCY



Market-wide vacancy in the DMA market stood at 7% in Q2 2019. Vacancy rates in super regional/regional malls remained relatively limited whereas community malls and low quality retail centres have seen their vacancy rates trending higher.

FIGURE 77
DMA RETAIL MARKET OUTLOOK, 12 MONTHS



Due to a large pipeline of retail supply, we expect the retail sector in DMA to remain under pressure over the next 12 months.

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