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Gulf real estate 2013 performance beats analysts forecasts as demand returns.

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Gulf real estate 2013 performance beats analysts forecasts as demand returns.

Demand for real estate in the Gulf in 2013 was stronger than had been predicted by many market analysts who had forecast a continuation of the slump seen in 2012. The resurgence of demand was a vote of confidence from the market in the political and economic stability of the Gulf states in the wake of the global financial crisis and the ructions of the Arab Spring. High rates of return on real estate investments lured buyers and developers throughout the year – implying widespread confidence in the sector's sustained return to health. All indications were good: increases were seen in the size of investments, the number of buyers coming to market and the number of real estate projects receiving the green light for development across the Gulf. Furthermore, sensible government policies stimulated market demand-side and supply-side activty.

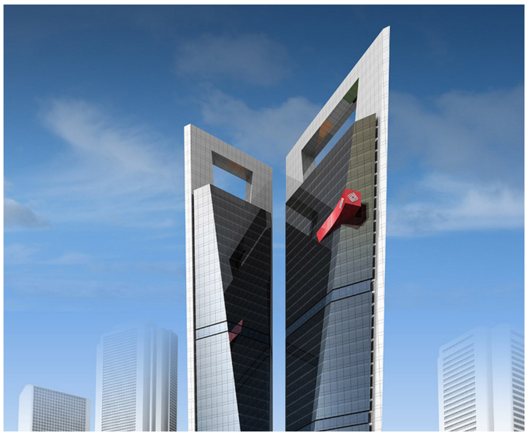
This Al Mazaya Holding Company weekly report notes that demand for Gulf real estate in 2013 outstripped supply in most countries – even in the residential sector where supply levels were high. Indicators show demand and investment levels were at their highest since the start of the financial crisis in 2013. A report by the Kuwait Financial Centre showed that Kuwait had performed particularly strongly as a result of high levels of income for residents and increased confidence in the real estate sector combining to attract buyers to market. Kuwait was seen as one of the safest havens in the world for real estate investment in 2013, the report said. It added that demand for residential real estate units in Kuwait, Saudi Arabia, the UAE and Bahrain had outpaced supply, but supply had been greater than demand in Oman and Qatar.

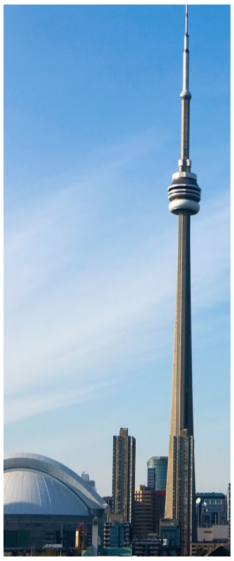
Al Mazaya Report believes the Gulf residential real estate markets will continue to flourish in 2014 as governments look to add impetus with measures designed to increase financing and mortgage lending. In Saudi Arabia the government is striving to ensure 2.4 million housing units come onto the market by 2020 to meet projected demand, while in Kuwait 890,000 homes are believed to be needed over the same period. Hindrances to real estate growth in the Gulf will include high land rates, declining amounts of land put aside for housing and weak financing in some areas of the market.

The International Kuwaiti Bank issued a report which showed that in the first nine months of 2013 real estate transactions in Kuwait were KD1.05bn, a 77 percent increase on the previous year. 50 percent of transactions were said to have taken place in the residential sector, 37 percent in the investment sector and thirteen percent in the commercial sector. In Qatar real estate market activity was worth some QR50bn in 2013, driven by high levels of investment confidence and liquidity.

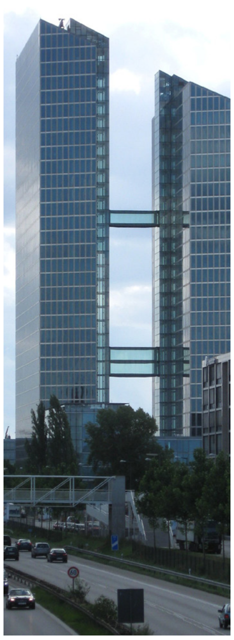
In Dubai, the value of real estate transactions in the first half of 2013 was put at AED108 billion, a growth rate of 30 percent compared to the same period in 2012.

Gains in the real estate markets of the GCC were reflected in 2013 by gains on the region's other financial markets. Listed real estate companies recorded strong performance throughout the year, particularly in Saudi Arabia where shares averaged annual growth of 42 percent. Shares for construction companies surged by an average 23.5 percent over the same period. In Qatar, real estate company shares rose by 23 percent, and in Dubai by as much as 88 percent (Emaar) and 82 percent (Drake and Scull). Arabtec shares posted 42 percent growth.





Much work was undertaken in 2013 by GCC legislators to regulate the market – particularly the relationship between tenants and landlords – and to put safeguards in place for both investors and developers. As a result, confidence was boosted on all sides and investment from overseas was increased. Mortgages and other methods of financing also came under government scrutiny and much progress was made in modernising the financing tools available to the market. This work will continue in 2014 and will solve many problems faced by buyers.



Spending on infrastructure will continue to be high in 2014 as GCC governments sign off budgets focused on social development. As a result, the real estate sector throughout the region is likely to be well supported. In Saudi Arabia, $228bn has been earmarked for infrastructure spending and in Dubai the figure is $30bn for the next three years. In Qatar, $66bn is expected to be spent on infrastructure over the course of this year and last. All of the above is good news for the Gulf's real estate market. Vitality has returned and all indications are gowth will continue strongly in 2014.

According to Jones Lang LaSalle, Abu Dhabi real estate generated returns of between seven and nine percent in 2013, while Dubai saw between seven and eight percent. These rates outstripped European and American rates of return for the year of between six and seven percent.

Returns on individual real estate investments in the Gulf can exceed 30 percent. Clearly, the good times have returned and investors from all over the world are looking to take advantage of the abundant opportunities. This time, however, regulators have learned from the mistakes of the past and built in checks designed to stop the market overheating. The Gulf's real estate market is once again robust, but this time the emphasis is on sustainability.