



POSITIVE GROWTH SEEN FOR REALTY

Al Masah Capital Ltd forecasts 11.9 per cent CAGR
for GCC Real Estate markets

Hinting at positive growth rates for the real estate markets in the GCC, Al Masah Capital Ltd, region's leading investment firm published its report announcing a booming GCC economy at \$1.65 trillion (QR6 trillion) in 2014 as compared to \$535.7 billion a decade ago.

The reports were in comparison with the global real estate market investments which fell back in 2014 due to policy changes in China and other Asia Pacific countries leading to weakening in land sales. Global real estate investment fell in 2014 for the first time in five years, dropping 6.3 per cent to \$1.21 trillion from \$1.29 trillion in 2013.

While the recent drop in oil prices have subdued GDP growth in the short term, the GCC economy is expected to recover on back of supportive economic policies and strong performance in non-oil sector. According to IMF, GCC's economy is

estimated to reach \$2 trillion by 2020, with Saudi Arabia contributing \$902 billion, followed by the UAE (\$502 billion), Qatar (\$269 billion), Kuwait (\$196 billion), Oman (\$81 billion), and Bahrain (\$40 billion).

Al Masah also observed that the GCC region as a whole is still heavily reliant on oil revenues while the non-oil sector comprising manufacturing, real estate, tourism, hospitality, and trade, has emerged as the major growth engine, especially in the UAE. Consequently, despite the steep decline in oil prices in H2 2014, the GDP growth in GCC was not severely affected due to strong performance of the non-oil sector and the large cash buffers, which ensured steady levels of spending and investment.

Over the last five years, the GCC economy has grown at an average annual rate of 5 per cent against the world average growth rate of 2.8 per cent. Post-recession, GCC has

emerged as an attractive destination for global investors and the real estate and construction sectors have become key economic barometers for the growth in the region. GCC countries are also organising mega events such as the Dubai World Expo 2020 in the UAE and the FIFA World Cup 2022 in Qatar, which will provide a major boost to the region's tourism as well as real estate industry in the coming years.

However, the private equity investment in the GCC real estate is still recovering from the economic recession in 2009. The recovery rate has been slow due to cautious investor sentiments and the industry has a long way to go before it reaches the pre-2009 levels of investment.

The hospitality, residential and office lease markets remain buoyant in the GCC whereas the retail segment is expected to continue its aggressive expansion in the coming years ■