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KSA Real Estate Economic Review

Produced by
Abaad Real Estate Company



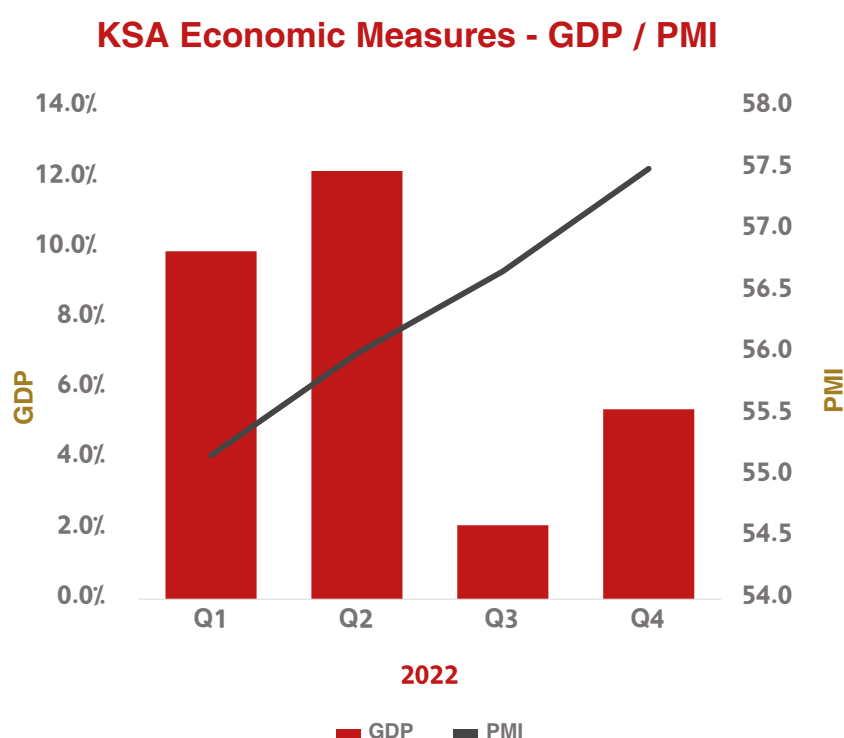
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GDP

The Gross Domestic Product (GDP) of a country is a commonly used metric to record the performance of a country's economic health. The Kingdom of Saudi Arabia recorded Quarter on Quarter (QoQ) growth of 9.9% in Q1 2022, followed by 12.2% in the second quarter of the year. GDP reduced to 2.1% QoQ in Q3 2022, which coincided with two interest rate increases as well as the Hajj season, which typically sees reduced real estate economic activity in KSA, with residents either travelling to Makkah for pilgrimage or using the Government announced vacation days to travel abroad. Q4 2022 witnessed strong GDP growth of 5.4% QoQ.

PMI

The Purchaser Manager's Index is an index that captures the views of purchasing manager's in the manufacturing and services sectors on the direction of economic trends in their respective industries. Given the importance of these sectors to a country's economy, the PMI is a commonly used metric for gauging economic performance. The PMI is a score between 0-100, with a score of below 50 indicating deteriorating economic conditions, 50 meaning there is no change from the previous quarter, and a score above 50 means improving business conditions. The Kingdom of Saudi Arabia witnessed 4 consecutive quarters of improved business conditions in 2022, growing from 55.2 in Q1 2022 to 57.5 in Q4 2022; indicating a very healthy and positive business environment.



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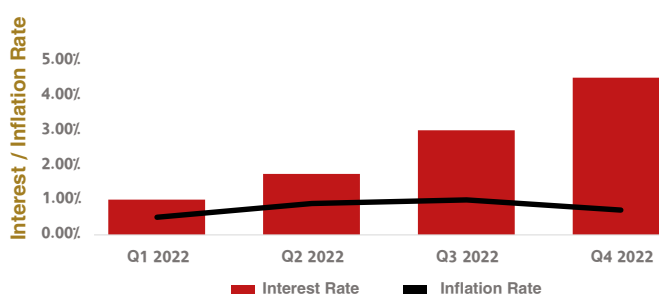
Inflation Rate

Inflation in KSA is typically measured by the Consumer Price Index, which monitors the price changes in typical good, services and assets. Inflation grew by 1.6% in Q1 2022, with QoQ growth of 2.3%, 2.9% and 3% in subsequent quarters.

Interest Rate

There were significant changes in the Repo Rate in KSA in 2022, which increased from 1% at the beginning of the year before witnessing an uplift six times, ending the year at a rate of 4.5%. This was primarily done to tackle inflation but also in line with the US Federal reserve interest rate increases, given that the Saudi Riyal is pegged to the dollar.

KSA Interest / Inflation Rates

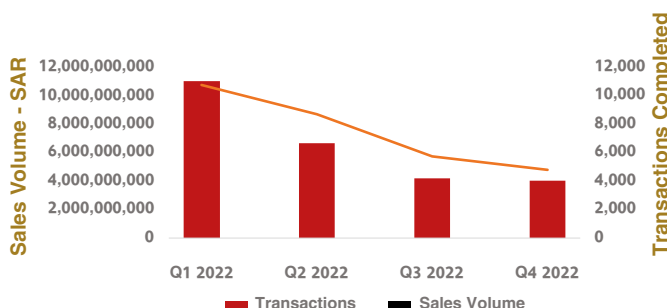


Impact on Real Estate

Inflation typically impacts property prices in a positive way, with rising rents and the increased circulation of capital leading to increased asset valuations.

However interest rates usually have the opposite impact, with rising borrowing costs impacting the affordability of purchasers and investors. This is evident in the fact that residential transactions and sales volumes in Riyadh, the commercial capital of KSA, decreased for the last 3 quarters of the year, consistent with the rises in borrowing costs.

Residential Land Activity - Riyadh

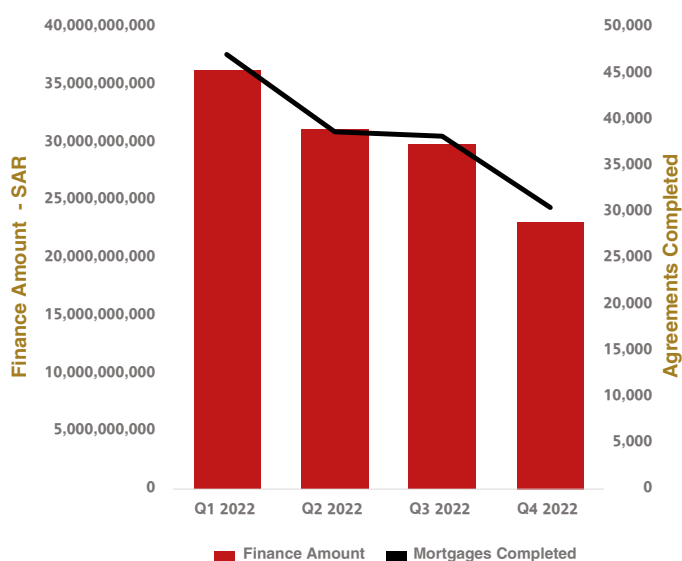


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Residential Mortgages for Individuals

- There were 47,056 mortgage agreements taken from banks in Q1 2022 for the Kingdom of Saudi Arabia, with a total finance value of 36.2bn SAR, representing an average of 770,000 SAR per agreement. From this total, land finance totaled 4.2bn SAR, representing 11.6% of the total mortgage amount.
- There were 38,685 mortgage agreements completed in Q2 2022 for the Kingdom of Saudi Arabia, with a total finance value of 31.2bn SAR (805,000 SAR per agreement). From this total, land finance totaled 2.6bn SAR, representing 8.3% of the total mortgage amount.
- There were 38,204 mortgage agreements taken from banks in Q3 2022 for the Kingdom of Saudi Arabia, with a total finance value of 29.8bn SAR, representing an average of 780,000 SAR per agreement. From this total, land finance totaled 1.2bn SAR, representing 3.9% of the total mortgage amount.
- There were 30,447 mortgage agreements recorded in Q4 2022, with a total finance value of 23.1bn SAR, which represented a QoQ decline of -20.3% and -22.5% respectively. From this total, land finance equated to 1.1bn SAR, representing 4.9% of the total financing provided by banks.
- Overall, even though business conditions and local economic activity was healthy by GDP and PMI metrics, it appears that rising interest rates had an impact on real estate activity, with residential financing decreasing in each of the last three quarters of the year.

Residential Mortgages Provided by KSA Banks



Disclaimers

- The information provided within this document is based on data sourced from the Saudi Central Bank (SAMA) and Ministry of Justice (MOJ).
- This information is publicly available and we do not own this data.
- No checks were made on the reliability of the data provided, although we have excluded certain transaction data from our analysis as the figures did not align with similar sales completed in the local area.
- Where real estate prices are referenced, we note that the sales prices recorded do not necessarily represent the market value of the sites.

About Abaad

We specialise in providing real estate consultancy and valuation services in the Kingdom of Saudi Arabia.

If we can help you with your requirements, please do not hesitate to get in touch.



Valuation

We provide IVS and Taqem compliant valuations for commercial and residential properties located across KSA.



Market Research

We carry out detailed market studies to provide clients with market insights and local trends.



Advisory

We offer Highest and Best Use and feasibility studies in order to assist clients in making informed decisions.



Capital Markets

We assist clients in acquisitions and disposals of real estate assets.

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