Intelligent Investment

2024 Market Outlook

REPORT

MIDDLE EAST
REAL ESTATE

CBRE RESEARCH

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In 2024, GDP growth in GCC countries is expected to strengthen, with headline growth forecast to reach 2.9%. Whilst oil GDP is expected to recover with growth set to register at 2.2%, the non-oil sector is expected to show a stronger rate of growth of 2.9%.

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REAL ESTATE PROJECTS

The total value of real estate projects currently planned or under construction currently stands at an estimated $1.68 trillion, up from $1.38 trillion a year earlier. Saudi Arabia accounts for 63.1% of this total or some $1.06 trillion, followed by the UAE, which at $409 billion, accounts for 24.4% of the total.

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In 2024, whilst we expect the robust level of performance seen in 2023 to continue, global economic headwinds and lack of stock in key markets may hamper market activity.

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Price performance in the GCC's residential sector has almost uniformly been positive over the course of 2023, with only villas in Bahrain and apartments in Jeddah seeing prices decline. Whilst the direction of price changes has converged towards a largely positive territory, we continue to see a significant polarisation in the rates of growth witnessed, something we expect to see continue.

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HOTELS

In the hotels market, we expect that visitation will continue to increase across GCC countries in 2024, however, we are likely to see more fragmented performance levels over the year.

01

Macroeconomic Outlook

In 2024, GDP growth in GCC countries is expected to strengthen, with headline growth forecast to reach 2.9%. Whilst oil GDP is expected to recover with growth set to register at 2.2%, the non-oil sector is expected to show a stronger rate of growth of 2.9%.

Macroeconomic Outlook

- The average GDP growth across GCC countries in 2024 is set to reach 2.9%
- The rate of inflation is forecast to increase marginally from 2.2% to 2.4%
- In 2024, the total value of real estate projects currently planned or under construction currently stands at an estimated $1.68 trillion, up from $1.38 trillion a year earlier
- Saudi Arabia accounts for 63.1% of this total or some $1.06 trillion, followed by the UAE, which is at $409 billion

Economic growth in GCC countries showed fragmented performance in 2023, with the average rate of growth registering at only 0.6% for the year, down from 6.0% in 2022. This softer headline growth rate has largely been driven by a number of GCC countries' oil GDP rates of growth slowing or receding into contractionary territory, averaging a decline of 3.1%. This has been in contrast to their non-oil GDP growth rates, which have increased on average by 3.1%.

In 2024, GDP growth in GCC countries is expected to strengthen, with headline growth forecast to reach 2.9%. Whilst oil GDP is expected to recover with growth set to register at 2.2%, the non-oil sector is expected to show a stronger rate of growth of 2.9% over the same period.

The rate of inflation in GCC countries fell from 3.7% in 2022 to 2.2% in 2023, a marked difference from the global rate of inflation, which stood at 6.1% in 2023. In 2024, the headline rate of inflation across the six GCC countries is expected to increase marginally to 2.4%, this is on the back of higher forecast inflation rates in Bahrain and Oman. In both countries, in 2023, the rates of inflation were relatively muted and the 2024 forecasts sit comfortably below their historic averages. In 2024, in all other GCC countries, the rates of inflation are expected to ease.

Estimates indicate that employment levels increased by 3.1% in 2023 across GCC countries. Although it is important to note that higher frequency employment data across these countries points to a stronger rate of employment growth than has been estimated. Looking ahead into 2024, forecasts show that the headline rate of employment growth in GCC countries is expected to slow to 1.8%. Saudi Arabia, the

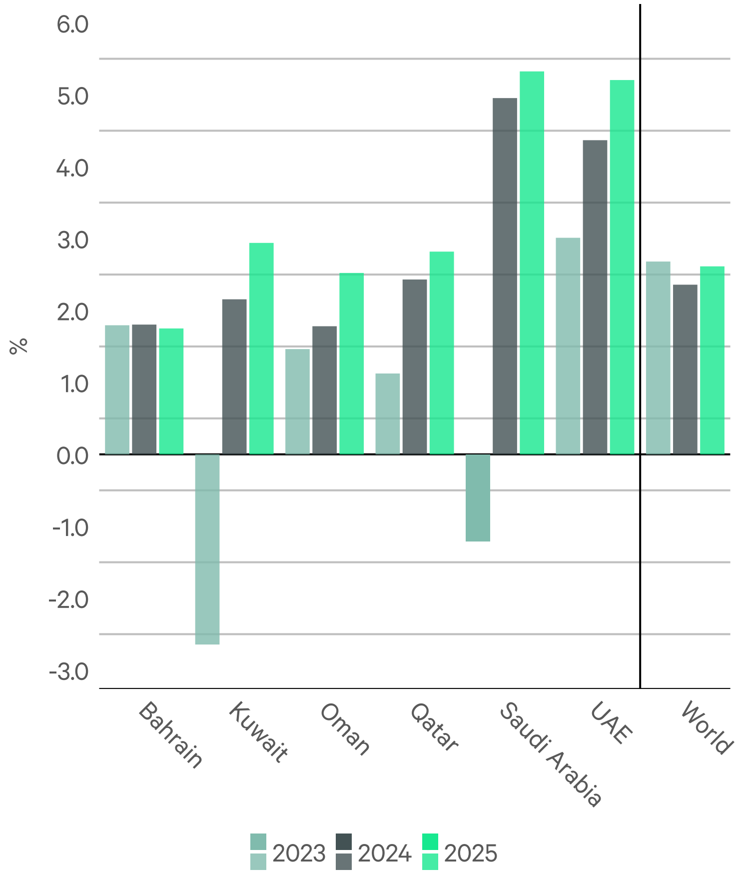
Macroeconomic Outlook

UAE and Bahrain are expected to register the strongest rates of employment growth at 3.6%, 3.1% and 2.4% respectively. The only location where forecasts indicate that there will be a contraction in employment in Qatar, where the total is expected to decrease by 1.1%.

Although there are economic headwinds at both global and national levels, the latter mostly pertaining to the oil related activities, we note that activity in the non-oil and particularly in real estate sectors remains buoyant across GCC countries. Where, as at 2024, the total value of real estate projects currently planned or under construction currently stands at an estimated $1.68 trillion, up from $1.38 trillion a year earlier. Saudi Arabia accounts for 63.1% of this total or some $1.06 trillion, followed by the UAE, which at $409 billion accounts for 24.4% of the total. Bahrain, Kuwait, Oman and Qatar share 1.3%, 3.2%, 5.2% and 2.9% of the total, respectively.

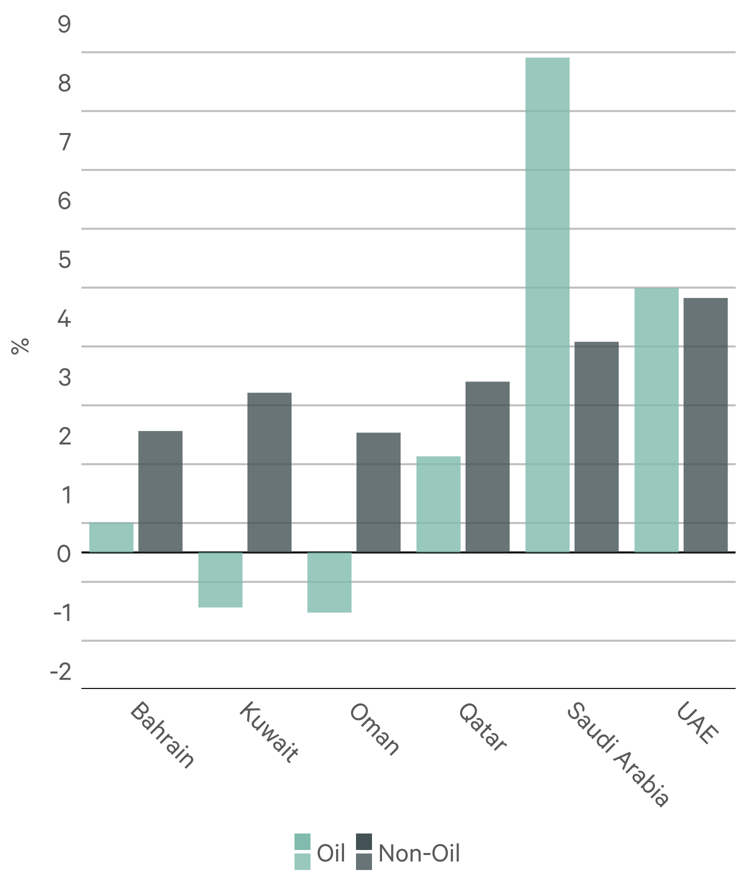
The investment and development of the built environment, is a core part of the diversification strategies of GCC countries. The increased levels of investment showcase the seriousness of the desire to achieve such goals. In the long term, this development will help support the growth of tourism, financial and business services, logistics, manufacturing, healthcare, education and many other sectors. As commendable as much of this development is and will be, it must be done in conjunction with the continued development of soft infrastructure and regulations in each of these countries. Without the development of this soft infrastructure and the easing of regulations, the success of the built environment may be constrained in the long term.

Figure 1: GCC Countries, GDP, YoY % Change



Source: CBRE Research/ Oxford Economics

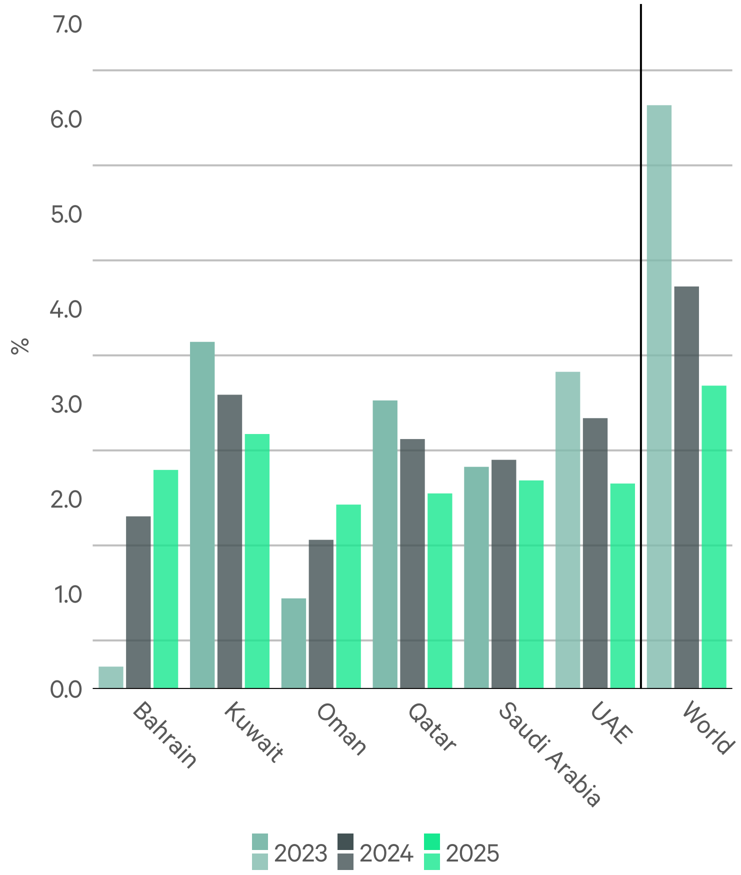
Figure 2: GCC Countries, GDP by Sector, YoY % Change, 2024



Source: CBRE Research/ Oxford Economics

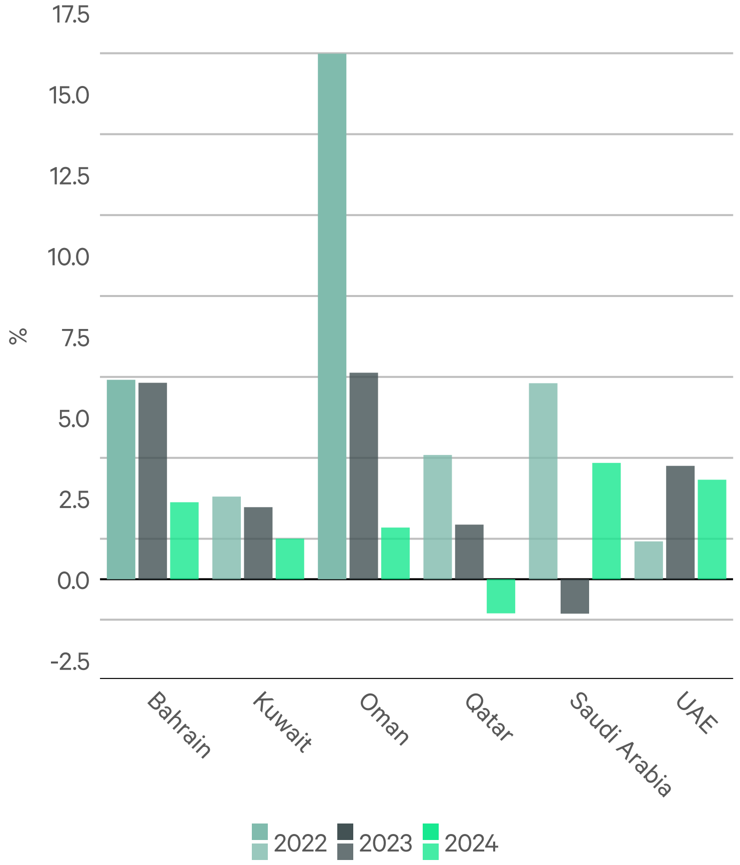
Macroeconomic Outlook

Figure 3: GCC Countries, Inflation, YoY % Change



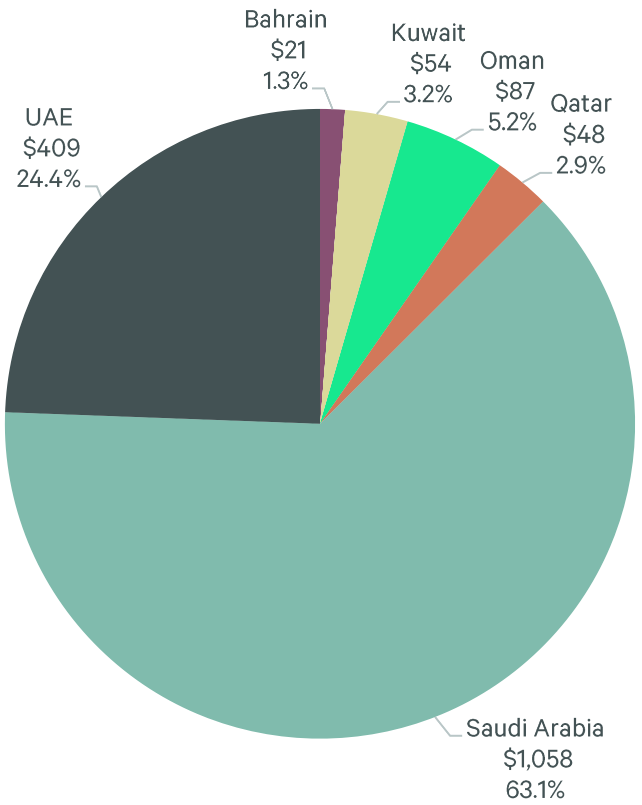
Source: CBRE Research/ Oxford Economics

Figure 4: GCC Countries, Employment, YoY % Change



Source: CBRE Research/ Macrobond/ Oxford Economic

Figure 5: GCC Countries, Projects Pipeline, US$, Billions



Source: CBRE Research/ MEED Projects

02

Offices

In 2024, whilst we expect the robust level of performance seen in 2023 to continue, global economic headwinds and lack of stock in key markets may hamper market activity.

Offices

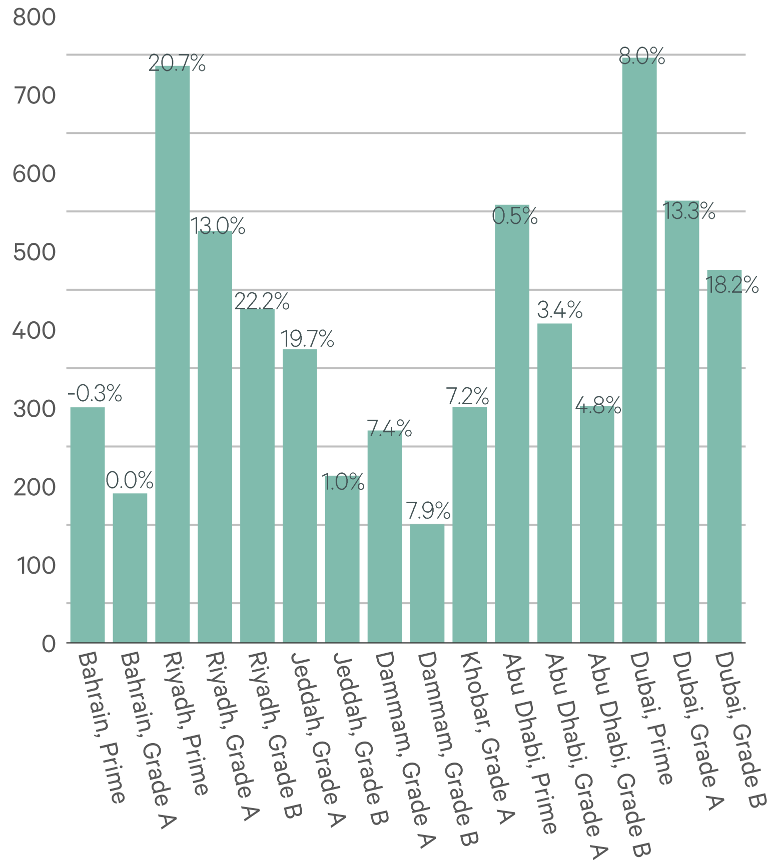
In 2024, whilst we expect the robust level of performance seen in 2023 to continue, global economic headwinds and lack of stock in key markets may hamper market activity.

In Bahrain, Prime and Grade A rents remained stable in 2023, as occupancy increased by 4.0 percentage points, with new supply remaining relatively constrained. With supply expected to increase by 1.1% in 2024, amidst the continuing flight to quality trend, we expect that rental rates will continue to edge down over the course of the year.

In Saudi Arabia, occupier activity will remain relatively concentrated within Riyadh, where, given the elevated demand levels from both national and international occupiers, we saw the headline occupancy rate reach 98.1% in Q4 2023. The lack of availability of quality stock, the very limited amount of imminent future supply and elevated pre-leasing activity are expected to continue to drive performance within Riyadh's occupier market in the year ahead; that being said, the rate of growth will taper off. As for Jeddah and the Eastern Province, a slowdown in the rate of rental growth is expected over the upcoming year.

Occupier activity in the UAE is likely to remain resolute in the year ahead. Performance within Abu Dhabi's occupier market will remain relatively strong. We forecast that Prime and Grade A assets will continue to outperform the market, given the scarcity in supply and rising demand for high-quality assets. In Dubai, with the lack of existing quality stock, elevated demand levels and the limited number of developments in the pipeline, which are seeing strong pre-leasing activity, we expect that rental rates will continue their upward trajectory moving forward, however at a slower rate than the year prior.

Figure 6: Office Rents, US$ per Square Metre per Annum and YoY % Change, 2023



Source: CBRE Research

Figure 7: GCC, Office Rents Tracker, Prime and Grade A Offices

Location	2023	2024
Bahrain	Rental Decline Slowing	Rental Decline Slowing
Riyadh	Rental Growth Accelerating	Rental Growth Slowing
Jeddah	Rental Growth Accelerating	Rental Growth Slowing
Dammam	Rental Growth Slowing	Rental Growth Slowing
Khobar	Rental Growth Accelerating	Rental Growth Slowing
Abu Dhabi	Rental Growth Slowing	Rental Growth Slowing
Dubai	Rental Growth Slowing	Rental Growth Slowing

03

Residential

Price performance in the GCC's residential sector has almost uniformly been positive over the course of 2023, with only villas in Bahrain and apartments in Jeddah seeing prices decline. Whilst the direction of price changes has converged towards a largely positive territory, we continue to see a significant polarisation in the rates of growth witnessed, something we expect to see continue.

Residential Prices

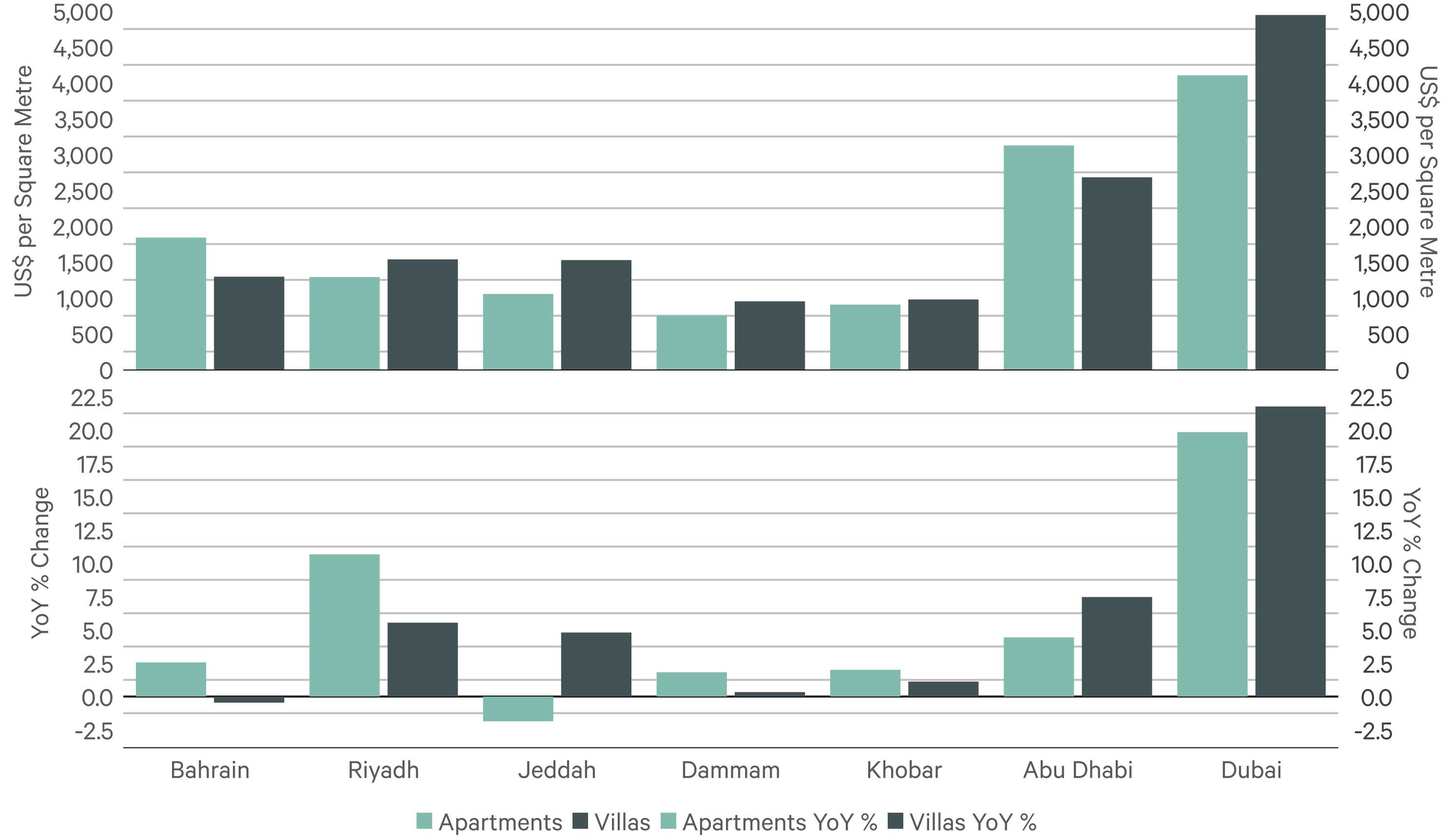
Price performance in the GCC's residential sector has almost uniformly been positive over the course of 2023, with only villas in Bahrain and apartments in Jeddah seeing prices decline marginally. Whilst the direction of price changes has converged towards a largely positive territory, we continue to see a significant polarisation in the rates of growth witnessed, something we expect to see continue.

Looking at Bahrain in 2023, apartment rates registered an increase. It is anticipated that with the continued addition of quality stock and attracting regional investment, there will be steady growth in rates for 2024. Villa sales rates, based on plot area, which are predominantly driven by local market demand, are likely to remain relatively stable.

In Saudi Arabia, we expect that price performance will continue to be fragmented over the course of the year, both across cities and typologies. More so, we forecast that average price growth in Riyadh will materially outperform other key cities and on the whole, we also expect transaction volumes to stabilise in 2024 after two consecutive years of declines.

The UAE continues to be the only market which has recorded both price and transaction volume growth in 2023. In Abu Dhabi, we expect that transaction volumes will continue to grow over the course of 2024, with new high-end and prime stock expected to underpin stronger rates of price growth on average. Existing and dated stock, on the other hand, is likely to materially underperform the market. In Dubai, we expect transaction volumes to decrease, but only marginally. Price growth in the apartment and villas segments of the market will continue, however, we expect this rate to moderate somewhat over the course of the year.

Figure 8: Average Sales Prices, US$ per Square Metre YoY % Change, 2023



Source: CBRE Research

04

Hotels

In the hotels market, we expect that visitation will continue to increase across GCC countries in 2024, however, we are likely to see more fragmented performance levels over the year.

Hotels

In the majority of locations within the GCC, the hotel sector has seen visitation continue to grow in 2023 with key indicators largely sitting above pre-COVID levels. While there are some exceptions, the most notable of which are Kuwait, and Muscat, market sentiment is broadly positive. Overall, we expect visitation to continue increasing within the GCC in 2024, however these increases will be felt disproportionally between countries.

Bahrain has seen mixed performance in 2023, with overall improving occupancy and RevPAR figures. There continue to be additional luxury resorts and city hotels added to the stock. There is a notable contrast, however, in terms of properties at lower price points linked to retail and entertainment centres outperforming the more exclusive five-star resorts in terms of occupancy.

In Saudi Arabia, the coming year will be a transitional one, as new destinations continue to be developed, and traditional homes of domestic leisure visitation such as Al Khobar, Jeddah and Abha find themselves in a more competitive market. In Riyadh, while corporate visitation will continue to be the cornerstone of hotel demand, increasing leisure-based initiatives will help both diversify the demand base, and boost weekend demand which has historically struggled.

In the UAE, various governmental initiatives have created pockets of opportunity in locations previously overlooked. The announcements regarding gaming in Ras al Khaimah for example have been conducive to development within the emirate, and we have seen an increase of private developers looking at opportunities that can be delivered before the announced milestones.

In Abu Dhabi and Dubai, the beachfront luxury segment of the market is expected to continue registering outperformance, both in terms of occupancy and ADRs throughout the next twelve months given the declining stock of beachfront sites, and therefore the limited opportunities for supply expansions.

Figure 9: GCC, Hotel, KPIs

	Year-on-Year 2023 vs 2019			Year-on-Year 2023 vs 2022		
	Occ PP Change	ADR % Change	RevPAR % Change	Occ PP Change	ADR % Change	RevPAR % Change
Bahrain	-3.5	5.8%	-0.9%	2.2	-1.9%	2.4%
Manama	-3.1	3.8%	-1.9%	2.6	-2.7%	2.3%
Kuwait	-10.5	-4.0%	-23.5%	3.2	-6.1%	1.9%
Kuwait City	-9.5	-6.1%	-23.6%	3.6	-5.4%	3.4%
Oman	-3.6	-12.2%	-17.8%	6.2	2.5%	16.3%
Muscat	-1.2	-20.3%	-21.9%	7.1	5.2%	20.5%
Qatar	-8.6	9.6%	-4.7%	0.9	-44.7%	-43.8%
Doha Centre	-6.6	15.0%	3.4%	-2.5	-43.7%	-46.0%
Saudi Arabia	3.5	12.4%	19.0%	4.7	16.6%	26.1%
Al Khobar	-	-	-	7.5	-4.9%	8.2%
Dammam	-	-	-	7.2	-1.5%	13.2%
Jeddah	5.3	-17.5%	-9.9%	7.0	0.5%	13.0%
Makkah	2.4	12.9%	17.2%	3.9	22.0%	29.9%
Medina	10.8	42.1%	67.0%	5.6	35.4%	46.8%
Riyadh	4.1	29.6%	38.5%	3.1	17.6%	23.6%
UAE	2.6	25.8%	30.3%	4.5	2.6%	9.0%
Abu Dhabi	-0.9	22.5%	21.0%	2.9	19.8%	24.8%
Dubai	2.8	25.6%	30.3%	4.6	0.2%	6.6%
Ras Al-Khaimah	1.8	-0.5%	1.9%	12.4	-4.5%	14.8%
Sharjah	5.1	24.7%	34.2%	2.3	8.0%	11.5%
Fujairah	10.5	8.3%	27.8%	5.5	-7.4%	0.6%
Ajman	6.0	18.8%	28.1%	3.8	-1.2%	3.5%

Source: CBRE Research/ STR Global

05

Retail

The region's retail sector has seen unprecedented levels of demand, a result, in several key markets we are now facing a distinct lack of quality stock. Whilst this is likely to support rental performance, it will impact new occupier activity in the sector. More so, the trajectory for secondary and tertiary assets is yet to change meaningfully, and we are unlikely to see this change without capital expenditures and asset repositioning.

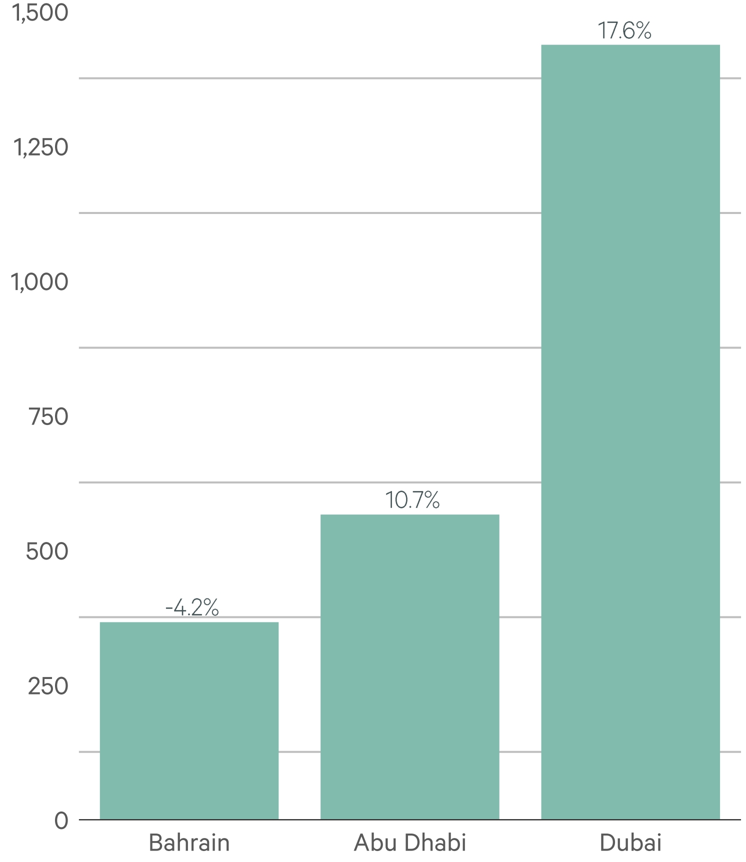
Retail

In most parts, the retail sector in the GCC has faced unprecedented levels of demand over the recent past, where many developers and retailers have benefited from the effective handling of the pandemic, strong economic growth and surging footfall numbers. As a result, in a number of key markets, we are now facing a distinct lack of quality stock, particularly in the regional and super-regional mall categories. A major challenge which remains prevalent in the sector is that secondary and tertiary assets are still to witness any meaningful and sustained recovery, and we are unlikely to see this change without capital expenditures and asset repositioning.

In Bahrain, although the average occupancy rate has increased in 2023, there are a number of retail assets which continue to see occupancy rates remain stagnant or decline. As a result, many landlords are having to accept an occupier favoured market. With supply expected to increase in 2024 and beyond, we expect that the occupier favoured market is set to continue, and even become more exacerbated in secondary assets. On the back of this, we expect that average rental rates will continue to fall in 2024, although this will be at a slower rate than in 2023.

In the UAE, in 2023, average rents increased in Abu Dhabi and Dubai by 10.7% and 17.6%, respectively. Looking ahead, we expect that the levels of demand in both Abu Dhabi and Dubai will remain strong. However, the lack of quality stock, particularly in Dubai, remains the most significant concern. Given this, we expect that new rental registrations will continue to edge down, although total demand will remain net positive. Rental rates are expected to continue to increase, however, we do expect that the rate of rental growth will moderate in both Abu Dhabi and Dubai.

Figure 10: Average Retail Rents, US$ per Square Metre, Per Annum and YoY % Change, 2023



Source: CBRE Research

Figure 11: GCC, Retail Rents Tracker

Location	2023	2024
Bahrain	Rental Decline Slowing	Rental Decline Slowing
Abu Dhabi	Rental Growth Accelerating	Rental Growth Slowing
Dubai	Rental Growth Slowing	Rental Growth Slowing

06

Industrial & Logistics

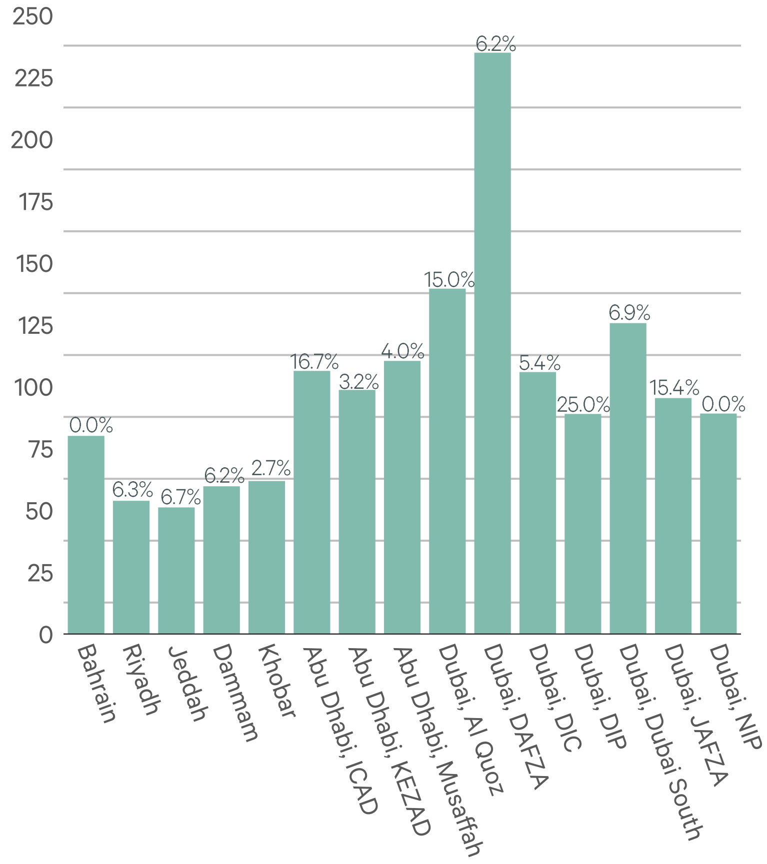
Demand will continue to outstrip supply, both from investors and occupiers, and despite new supply being delivered, we expect rents to continue their upward trajectory.

Industrial & Logistics

The GCC's industrial and logistics sector continued to see demand outpace supply across a number of key locations. Whilst there is considerable capital allocated to the sector to help ease the issue of limited supply, factors such as the lack of serviced land, evolving regulatory landscapes and rapid changes in planning and zoning regulations in nascent and developing markets, are causing investors and occupiers to stall potential activity or adopt a wait-and-see approach. This market backdrop has meant that average rents have continued to increase in the vast majority of markets over the course of 2023.

In 2024, whilst we are expecting additional supply to be delivered in a number of cities across Saudi Arabia and the UAE, we do not believe that this will cause downward pressure on rents. On the contrary, we expect that average rents will continue to increase, albeit with the rate of growth likely to moderate somewhat. More so, we forecast that market performance will fragment further over the course of the year, with new institutional quality stock expected to reach new record rates, whereas dated stock is likely to see a more subdued performance. Finally, as new benchmark rates are achieved, we expect that this will encourage more speculative development across a range of industrial and logistics markets and configurations.

Figure 12: Average Industrial and Logistics Rents, US$ per Square Metre, Per Annum and YoY % Change, 2023



Source: CBRE Research

Figure 13: GCC, Industrial and Logistics Rents Tracker

Location	2023	2024
Bahrain	Rents At Trough	Rents At Trough
Riyadh	Rental Growth Accelerating	Rental Growth Accelerating
Jeddah	Rents At Trough	Rental Growth Accelerating
Dammam	Rental Growth Slowing	Rental Growth Slowing
Khobar	Rental Growth Slowing	Rental Growth Slowing
Abu Dhabi	Rental Growth Accelerating	Rental Growth Slowing
Dubai	Rental Decline Slowing	Rental Growth Slowing

07

Investment Yields Guide

CBRE's Investment Yield Guide provides an update on investment yields and the outlook for the year ahead.

Investment Yield Guide

Figure 14: Saudi Arabia, Investment Yields

Saudi Arabia	Yield Range	2024 Yield Outlook
Prime Offices	7.50% – 8.00%	Stable
Grade A Offices	8.25% – 8.75%	Stable
Residential	7.50% – 7.75%	Stable
Retail (Malls)	7.75% – 8.5%	Stable
Grade A Industrial and Logistics	8.00% – 8.75%	Stable
Luxury Hotels	6.75% – 8.00%	Stable
Midscale to Upscale Hotels	8.00% – 8.75%	Stable

Figure 15: UAE, Investment Yields

UAE	Yield Range	2024 Yield Outlook
Prime Offices	6.50% – 7.25%	Stable
Grade A Offices	7.00% – 7.50%	Stable
Prime Residential	6.25% – 7.00%	Stable
Residential	7.00% – 7.50%	Stable
Retail (Malls)	6.75% – 8.00%	Stable
Grade A Industrial and Logistics	7.25% – 7.50%	Stable
Industrial and Logistics	8.00% – 8.50%	Stable
Luxury Hotels	6.25% – 7.75%	Stable
Midscale to Upscale Hotels	8.00% – 8.75%	Stable

Source: CBRE Research

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