Alkhabeer Capital releases 2016 Global Real Estate Outlook Report

- *Global real estate investments are approaching pre-financial crisis levels of US$758 billion with projections from CBRE expecting it to surpass the $1 trillion mark this year*
- *The US has emerged as a global bright spot with an uptick in home sales and construction activity*
- *Saudi Arabia's residential market offers significant potential, with a growing domestic population fueling growth*
- *A steady rise in religious tourism promises opportunities in the hospitality sector, as government initiatives buoy this unique market segment*

Jeddah, Saudi Arabia – 9 October 2016: Alkhabeer Capital, the asset management and investment firm based in Jeddah, Saudi Arabia, today released its inaugural Global Real Estate Report. Analyzing in detail the opportunities, prospects, and potential risk areas in the United States and Saudi Arabia, as well as the UK real estate market. The report tracks market performance and conditions against pre-2008 levels, and highlights key indicators and anticipated trends for the coming years.

"Amid growing concerns over the health of the world economy, investors are increasingly adopting new investment strategies and seeking ways to diversify their portfolios and generate returns," according to the report. "Real estate which was significantly impacted during the global financial crisis nearly eight years ago has continued its steady recovery, with investments in both residential as well as in the commercial real estate sector improving notably in recent years."

Globally, real estate investments are eclipsing the pre-financial crisis levels of US$758 billion, with prospects across all property classes. Regionally, the Americas have recorded the highest levels of activity in the years following the crisis, with investment in the region surging to new highs last year. The US economy in particular, the report highlights, has emerged as a significant bright spot across developed markets. Compared to its G7 peers, the US is projected to be the fastest growing economy over the next year, with sustained activity across the real estate sector buoyed by a healthy residential market and continued job growth.

The perception of the US as a safe haven has resulted in increased capital flows into the country's real estate market, and recent regulatory changes in the US are also expected to drive further investment into the country. The tax burden imposed on international investors is now likely to be substantially lighter, as the federal government introduced changes to the Foreign Investment in Real Property Tax Act (FIRPTA) late last year.

A sustained recovery in the country has also slashed the unemployment rate to well under five percent, half that of levels reported in October 2009, despite a slowdown in new job growth in recent months. This has facilitated a healthy bounce back from the contraction witnessed during the global financial crisis, with regional US markets witnessing an uptick in US home sales, house prices and construction activity.

However, a supply and demand mismatch continues to plague the US residential segment, the report explains. According to experts at Swiss bank UBS, a combined deficit of single-family and multi-family homes stood at around six million units as of the third quarter of last year. While this has continued to keep home prices buoyant, it has also priced out certain segments of otherwise potential buyers, compelling them to continue renting their homes rather than purchasing them.

Along with rising home values, potential buyers face a range of barriers preventing them from taking their first step on the property ladder. Stringent credit eligibility requirements following the subprime mortgage crisis of 2007-09, along with record outstanding student loans, have made first-time purchases particularly difficult for Millennials, which represent the next generation of potential homeowners. In addition, rising rents have made it difficult to save for a down payment.

In the retail market, rental growth across various locations remained divergent, with secondary markets outperforming primary markets in terms of investment inflows. The industrial segment, which witnessed a robust rental growth in 2015, mainly on the back of strong warehousing demand from the e-commerce industry, is anticipated to see a moderation in rental growth amidst reports of large speculative constructions.

Back home in Saudi Arabia, Alkhabeer maintains a positive outlook on the residential segment. The Kingdom's housing market is expected to remain undersupplied, with an annual requirement of 100,000–200,000 residential units per year, as estimated by the Ministry of Housing. A growing population is also expected to fuel demand. Though low affordability among potential homebuyers is a concern, recent government initiatives to reduce minimum down payment requirement is a positive development.

In the near term, Alkhabeer expects rental demand to increase as homebuyers are likely to hold back purchases amid regional economic uncertainty and price barriers, similar to the residential market in the US. There are expectations that the new White Land Tax could increase land availability for residential construction and thereby lower prices over the longer term, but the report outlines that Alkhabeer does not anticipate a major downward shift in house prices, as the supply constraint and underlying demand growth would continue to support prices.

On the commercial front, rental prices in Riyadh have broadly remained stable, though the specter of low oil prices casts a long shadow, and Alkhabeer is not positive about short-term potential. The office market scenario will alter considerably this year, as nearly a half-million square meters of new office space will be added across two construction projects, the King Abdullah Financial District (KAFD) and the Information Technology Communications Complex (ITCC), exerting significant pressure on rentals. While a number of ongoing construction projects in Jeddah are due for handover this year, adding of 33,000 square meters to the city's office segment is less vulnerable, due to lower vacancy rates compared to Riyadh.

Alkhabeer maintains a positive outlook on the Kingdom's hospitality sector, which is largely driven by religious tourists. Arrivals are expected to surge, as the government eases restrictions on visa approval amid completion of long awaited expansion projects in Makkah. Furthermore, the General Authority of Civil Aviation's initiatives to increase the capacity of Saudi Arabia's airports to more than 100 million travelers by 2020 will provide further incentive to boost tourist inflows and, while the hotel supply in Makkah and Madinah is expected to increase, rising demand will meet the expanded supply.

Full details of Alkhabeer Capital's Global Real Estate Report can be found here: https://goo.gl/H4nfX4

Alkhabeer Capital is a leading asset management and investment firm, authorized by the Capital Market Authority (license number 07074-37).

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About Alkhabeer Capital

Alkhabeer Capital is a leading asset management and investment banking firm providing world-class investment products and services that endeavors to help institutions, family groups and qualified investors access to and/or allocate capital in ways that deliver real and enduring economic value.

It is licensed by Saudi Arabia's Capital Market Authority (CMA) under license number 37-07074. The asset management area provides investment opportunities through a large and growing portfolio of public and private funds in the areas of real estate, private equity and capital markets, while the investment banking area offers specialized Sharia compliant capital raising and M&A advisory services to businesses, private investors and families.

Alkhabeer Capital also provides advisory services on structuring Waqf entities and Waqf wealth management through its "Waqf" Program, which targets educational institutes, charitable foundations, family groups, high net worth individuals and other philanthropists who wish to establish Waqf entities.

Alkhabeer Capital has offices in Jeddah and Riyadh.

For more details on Alkhabeer Capital, please visit www.alkhabeer.com

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