

The Real Estate Barometer

Attitudes towards real estate investment from home
buyers and investors in the GCC and Egypt



The Real Estate Barometer
مقياس سوق العقارات



YouGov is one of the world's leading market research companies with offices throughout Europe, the US, the Middle East, North Africa and Asia. With our global online panel, suite of syndicated products, and full spectrum of custom research solutions, we offer businesses a more accurate, more actionable portrait of what the world thinks.

In the Middle East and North Africa YouGov has the largest pure research online panel, where thousands of residents participate in surveys across 19 countries. From our offices in Dubai, Saudi Arabia, Egypt and Iraq we pride ourselves on providing first-class qualitative and quantitative analysis which offers unparalleled insight across the Arab world.



Cityscape Global is recognised as the annual barometer for the real estate industry in emerging markets and is one of the largest and most influential real estate events held globally. The event supports real estate growth worldwide to an international audience, highlighting iconic architecture, significant developments and unparalleled investment opportunities.

Returning to the Dubai World Trade Centre from 6-8 September 2016, Cityscape Global is expected to span across 41,000sqm of exhibition space, featuring new exhibitors showcasing hundreds of project launches.

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Project Background and Methodology

01

Project Background and Methodology

Global market research company YouGov has partnered with one of the world's leading real estate market events Cityscape Global to conduct a brand new study into attitudes towards real estate investment amongst home buyers and investors living in the GCC and Egypt.

To gain a deeper understanding of current and future market sentiment and investment considerations within the region's commercial and residential real estate landscape in the GCC and Egypt, the inaugural Real Estate Barometer captures opinion from home buyers and investors who have recently purchased a property or who are looking to invest in a property in the next 12 months.

The findings shed light on respondents' financial aspirations, past and predicted market sentiment, macro considerations and micro appeal for investment, what's missing from the industry and their local and global geographical considerations when investing in the real estate market.

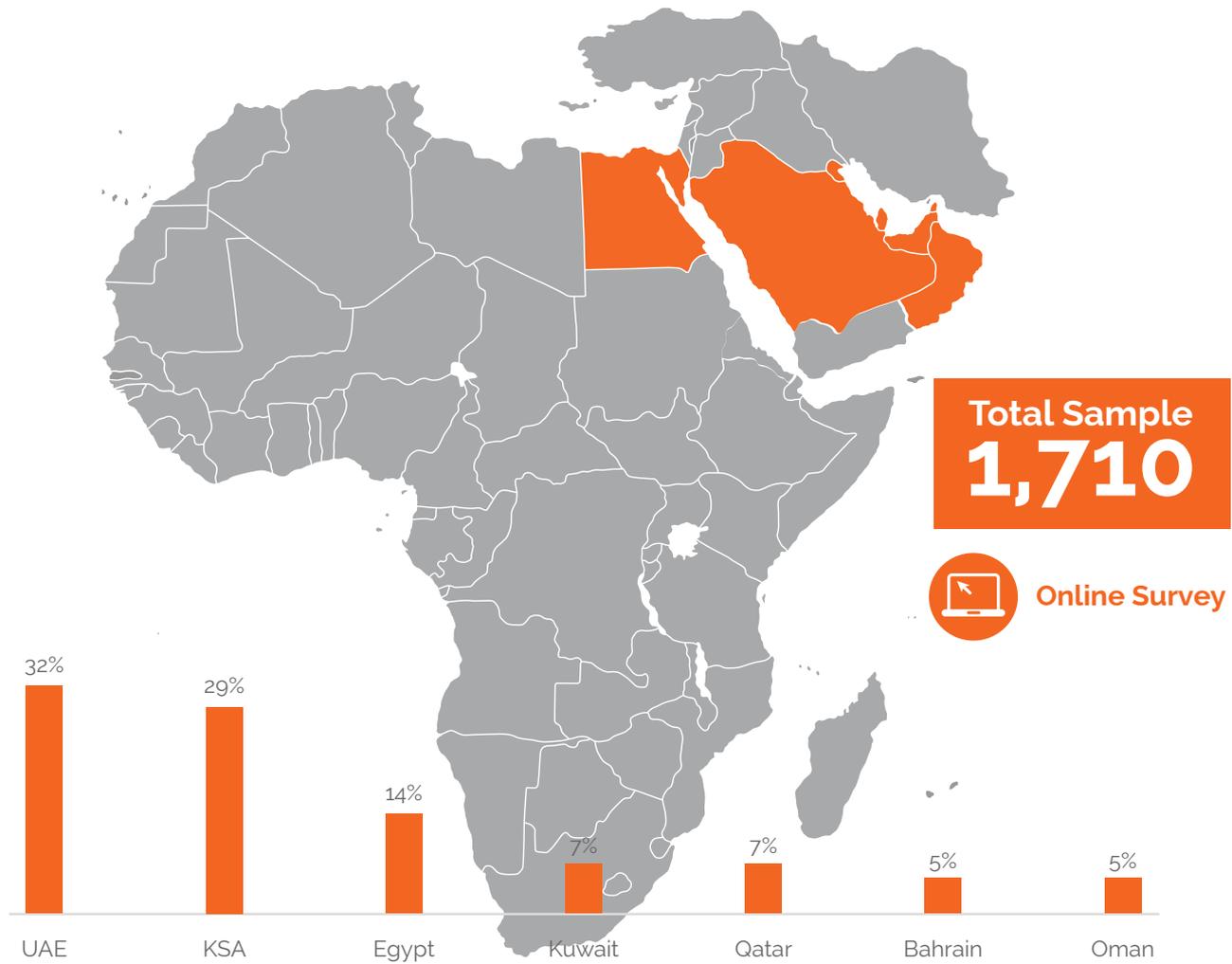
The study was conducted online via the YouGov online panel and Cityscape database, and analyses opinion from 1,710 respondents interviewed between 25 July and 8 August 2016.

Survey participants included 1,048 home buyers, 600 individual investors and 62 large scale institutional investors across the Gulf Cooperation Council (GCC) and Egypt. Three quarters of the sample are planning to purchase properties within the coming year, while a quarter have already purchased a property.

This report details the complete research findings.



Respondent Profile



Respondent Types:

1,048 home buyers
600 individual investors
62 large scale institutional investors



Key Findings

02

Key Findings



Base: Total Sample (1,710 respondents)

Financial Aspirations

03

Financial Aspirations

Ongoing uncertainty prevalent across parts of the Middle East region has led to an economic slowdown with reports of investment setbacks in some areas. However, this study reveals the situation hasn't deterred investment in the GCC and Egypt in the past 12 months, with over one third of respondents (35% overall) describing their investment strategy as quite aggressive, and another third (34%) grading it as medium risk medium yield.

Individual investors from across the GCC and Egypt and respondents in Saudi Arabia in particular have been the most aggressive with 38% describing their past year's investment efforts as relatively aggressive.

Looking ahead to the next 12 months

respondents in the GCC and Egypt in general are positive about their future level of investment with 43% expecting it to be very aggressive. In particular, large scale institutional investors from the GCC (43%) and Egypt (58%) are hopeful of yielding high profit investments in the coming year.

"43% of respondents expect their level of investment to be very aggressive in the coming year."

Levels of investment in the next 12 months %



Don't Know
 1 - Much more conservative (low risk, low yield)
 2
 3
 4
 5 - Much more aggressive (high risk, high yield)

All figures are in %

Base: Total sample (1,710 respondents)



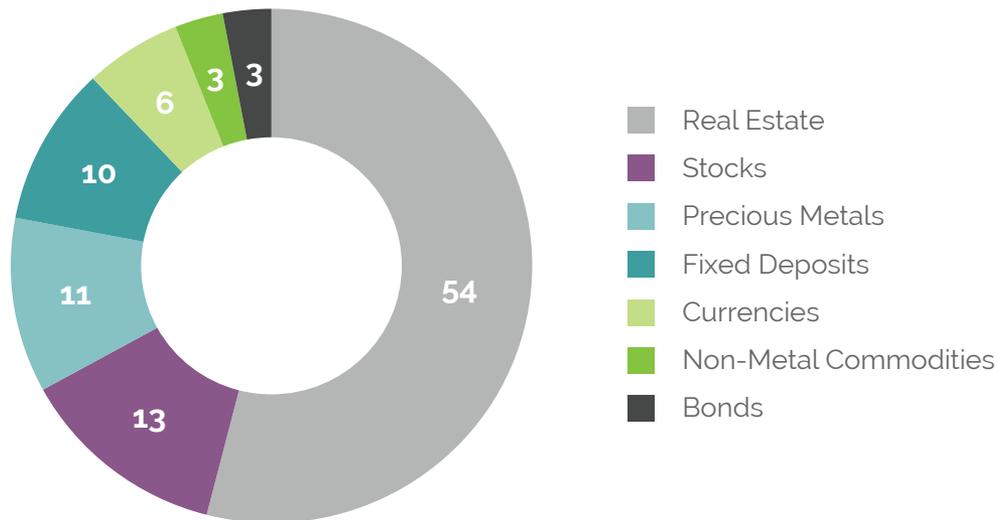
Investment Class Sentiment

04

Investment Class Sentiment

The research found that in the current climate, positive sentiment towards real estate stands out by some margin making it the most attractive investment category compared to other classes such as stocks (13%), precious metals (11%) and fixed deposits (10%).

Attractive investment categories %



All figures are in %
Base: Total sample (1,710 respondents)

“Real estate stands out by some margin as the most attractive investment category.”

“Capital appreciation and return on investment hold the biggest appeal when investing in real estate.”

Investors in general perceive real estate as a great diversification tool; for them, portfolios that contain real estate are safer because they are not directly linked to stocks or bond markets.

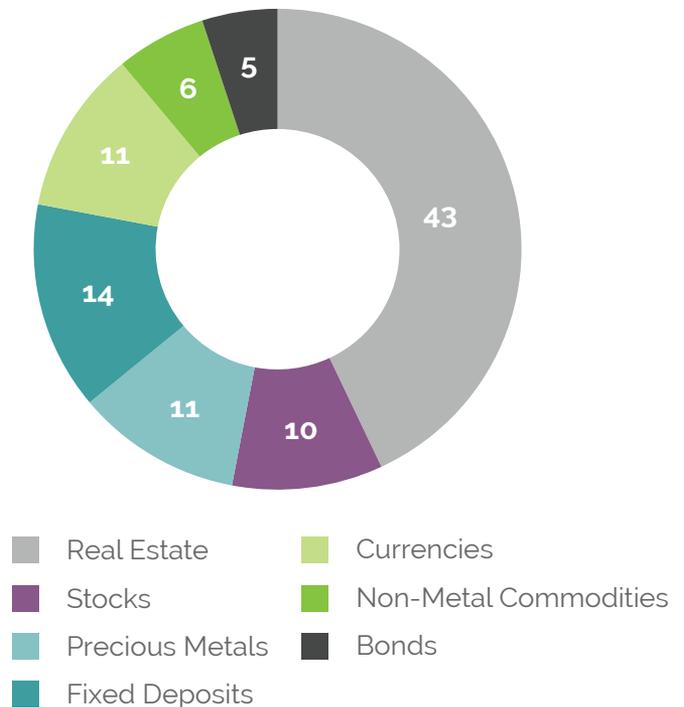
Across the GCC and Egypt, capital appreciation (74%), return on investment (73%), and investor protection (68%) hold the most appeal when respondents are considering real estate investments. In particular, respondents in Egypt put more emphasis on the importance of return on investment (82%).

Looking at respondents' current portfolio of investments, almost 5 in 10 claim to invest in real estate; with the highest being amongst large scale institutional investors (65%). That said, 20% claim not to invest in any of the listed categories. In the UAE in particular, real estate is still the most popular investment class (60%), followed by fixed deposits (35%), stocks (32%), bonds (26%) and precious metals.

All figures are in %
Base: Respondents who currently invest (1,361 respondents)

Overall, looking at how portfolios are broken down, real estate takes up to 43% of respondents' investment portfolio, followed by fixed deposits (14%), precious metals (11%), currencies (11%), stocks (10%), non-metal commodities (6%), and bonds (5%).

Portfolio of investments %

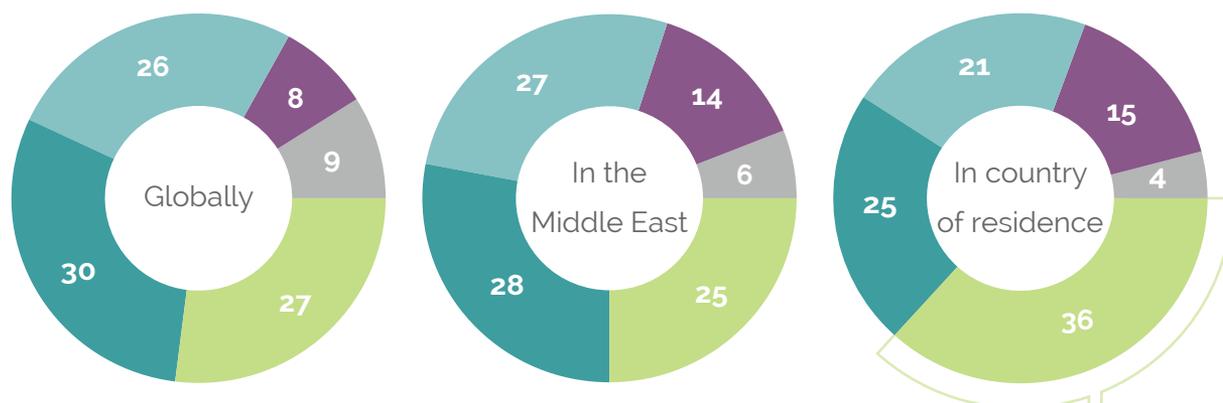


“Egypt, the UAE and Qatar are tipped as key markets for real estate growth potential.”

Considering how the real estate industry has performed over the past year, one third of respondents described it as fluctuating, both globally and regionally. Interestingly, opinion varies when respondents consider local real estate markets, with almost half (49%) in Egypt and 40% in Qatar witnessing growth in the past year.

While only two in 10 respondents predicted growth in global and regional markets as a whole, the outlook seems more optimistic on a country level where 36% expect real estate market growth in the UAE and 46% expect growth in Egypt.

Performance of the real estate market in the next 12 months %



■ Don't Know ■ Decline ■ Fluctuate ■ Stabilize ■ Grow

Growth by country of residence (%)



All figures are in %
Base: Total sample (1,710 respondents)

Macro Considerations

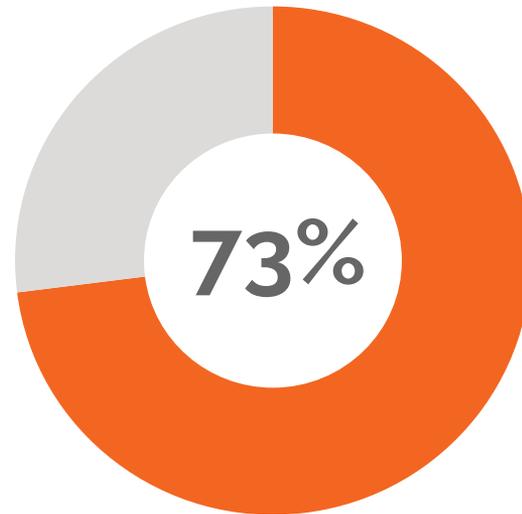
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Macro Considerations

Real estate market conditions in the region depend on a multitude of factors and home buyers and investors study the market very carefully before embarking on a new financial endeavor. To this end, the top concerns when considering a new investment are the state of the local economy in their market of choice (73%), the state of the global economy (71%), currency fluctuations (70%), lack of trust in brokers/developers (70%) and falling oil prices (68%).

When asked more specifically which are the biggest concerns when investing in real estate, macro-economic factors such as the state of the global and local economy together with falling oil prices topped the list. Falling oil prices, in particular, is a big concern for respondents residing and investing in the GCC (71%), whilst in Egypt it is currency fluctuations (87%).

**State of economy
in market of interest**



“Falling oil prices, in particular, is a big concern for respondents residing and investing in the GCC (71%).”

Top concerns related to investing in real estate %



State of economy in market of interest



Security in market of interest



State of global economy



Rising interest rates on mortgages or loans



Lack of trust in brokers and/or developers



Discouraging investment law and/or government bureaucracy



Currency fluctuations



Lack of information or advice available on relevant investments



Falling oil prices



UK exiting the European Union



Inflation

All figures are in %
Base: Total sample (1,710 respondents)

Residential Real Estate

“40% of institutional investors would spend \$10 million in residential real estate.”

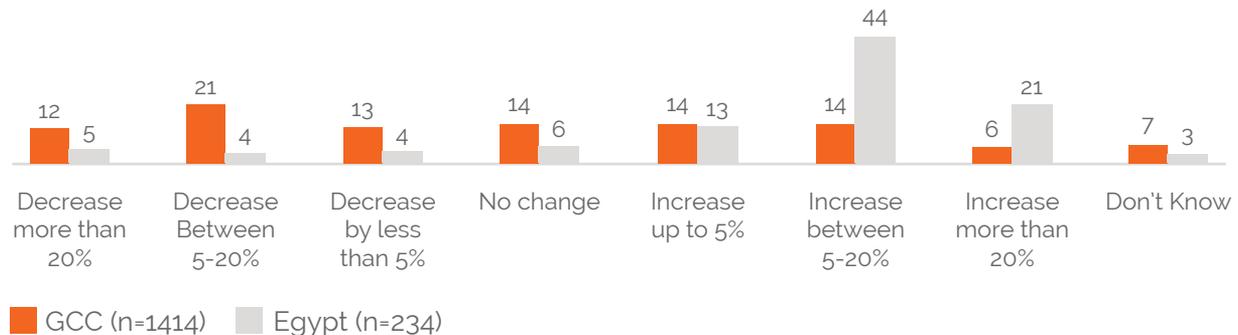
Looking ahead GCC respondents overall expect a decline (45%) in the sales prices of residential properties in the year to come, as opposed to respondents in Egypt who expect them to increase (78%).

At a country level in the GCC, respondents in the UAE (47%), Saudi Arabia (45%) and Kuwait (51%) are the main drivers of this anticipated decline while residents in Bahrain (43%) represent the few who expect an increase.

When considering rental prices of residential properties, respondents in Egypt (77%) are, for the most part, expecting them to increase while in the GCC respondents are polarized between those who expect an increase and those who expect a decline.

In Bahrain, for instance, over half (52%) of respondents expect an increase in the rental prices of residential properties in the year to come, compared to only 35% of respondents in the UAE.

Sales price of residential properties %



All figures are in %

Rental price of residential properties %



All figures are in %

Commercial Real Estate

When it comes to speculations about commercial real estate, at a global level around 4 in 10 large scale institutional investors expect prices to increase next year, while almost 3 in 10 believe they will remain the same.

Looking to the future, investors are polarized over the prices of commercial properties specifically in the Middle East with slightly over half expecting an increase locally in the coming year.

Given the opportunity to invest \$10 million in the real estate market as a whole, residential properties are the most appealing (40%) followed by commercial properties (23%) and hospitality (18%).

Micro Appeal

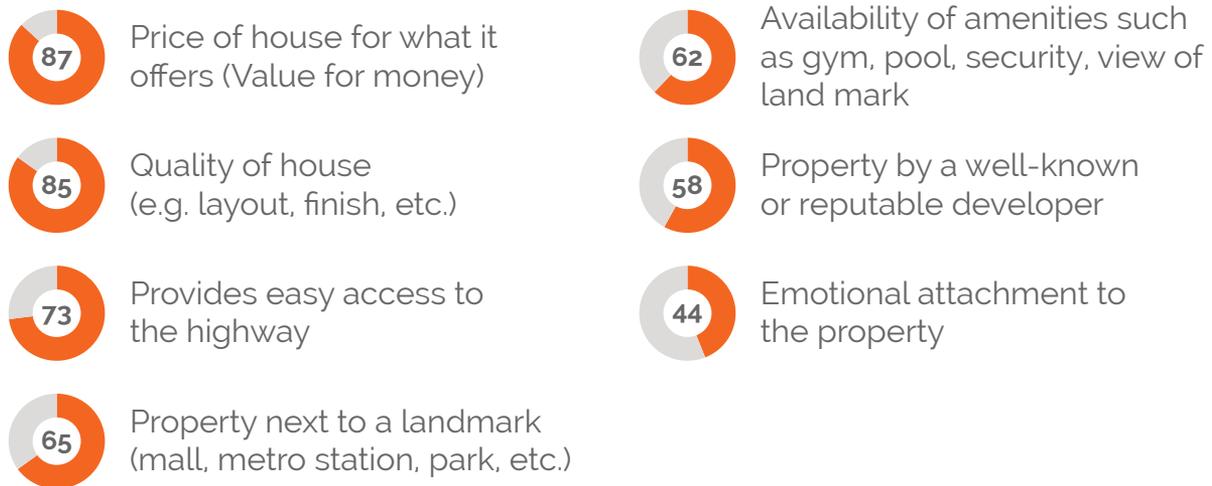
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Micro Appeal

Important considerations

Looking at intrinsic elements that might affect property investment choices, unsurprisingly value for money (87%) as well as the quality of a property (85%) top the most important factors respondents in the GCC and Egypt seek when buying a residential property.

Important factors when buying a residential property %



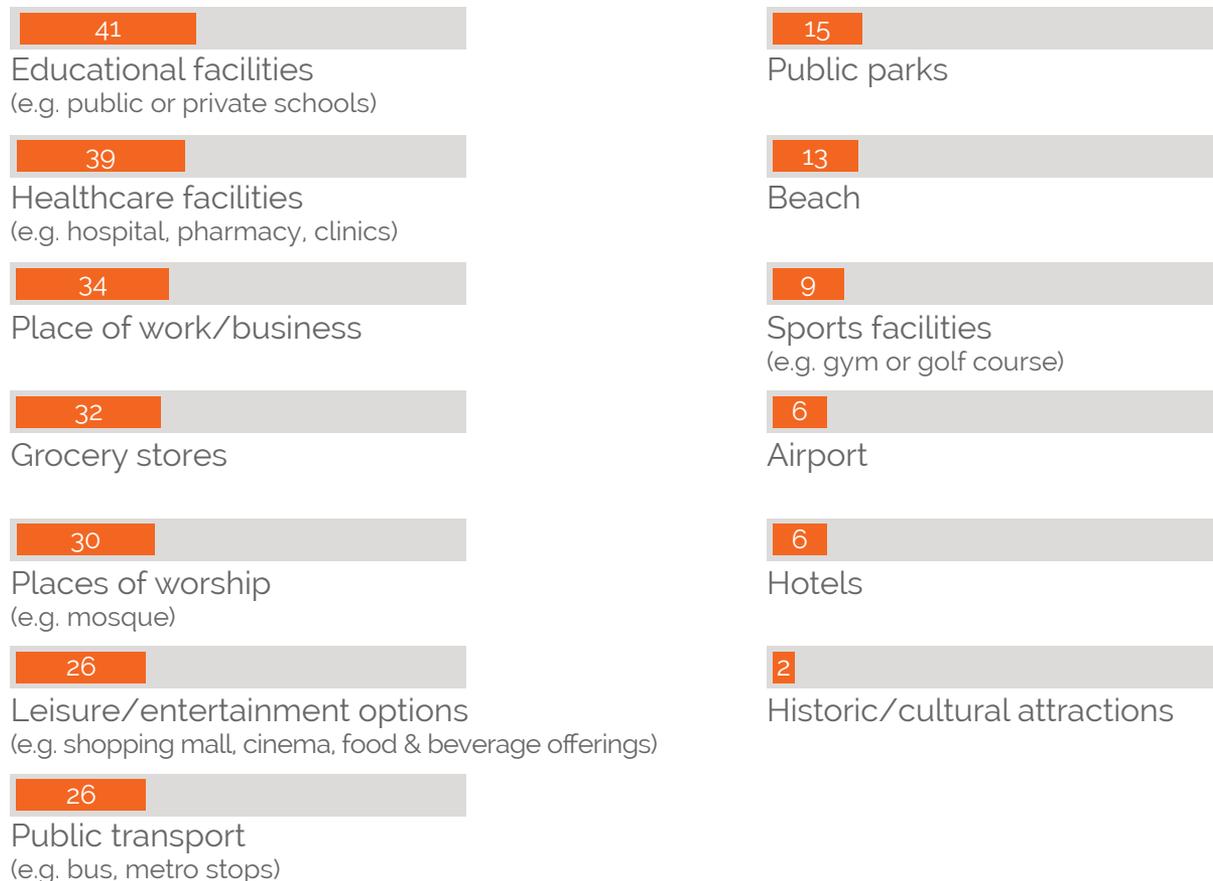
All figures are in %

Base: Home buyers and individual investors (1,648 respondents)

Location

When it comes to location, respondents seek residential properties that are in close proximity to educational facilities the most (41%), followed closely by healthcare facilities (39%), place of work/ business (34%), grocery stores (32%) and place of worship (30%).

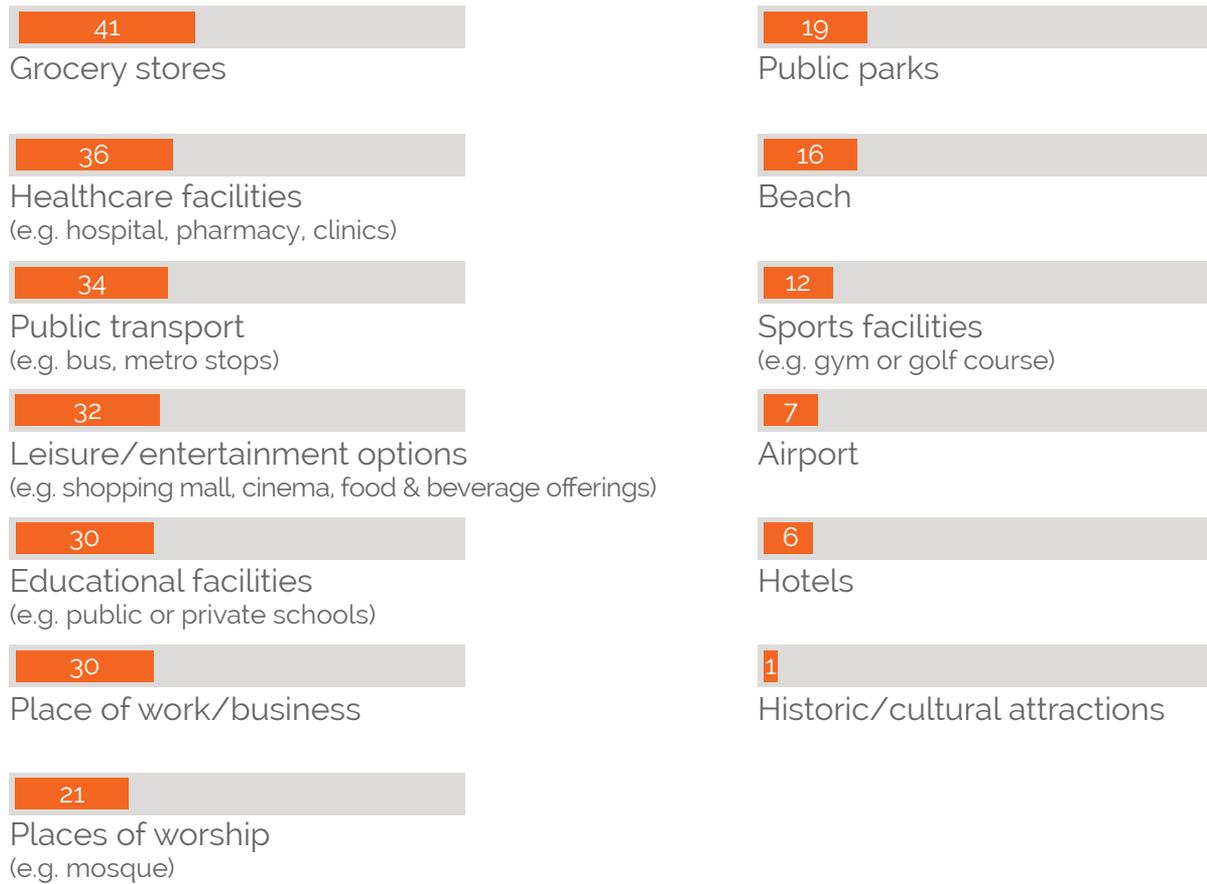
Proximity of most preferred residential location %



All figures are in %
Base: Home buyers and individual investors (1,648 respondents)

In the UAE, however, priorities vary with a preference to close proximity to grocery stores (41%), followed by health care facilities (36%), public transport (34%) and leisure & entertainment options (32%).

In UAE - Proximity of most preferred residential location %



All figures are in %
Base: Home buyers and individual investors residing in UAE (520 respondents)

Property Types

Three bedroom apartments (34%) are the most popular type of property amongst potential property buyers and current owners in the GCC and Egypt, followed by two bedroom apartments (22%).

The preference is slightly different in the UAE, where two bedroom apartments are favoured the most (28%), followed by villas with up to 4 bedrooms (19%), three bedroom apartments (18%), and one bedroom apartments (18%).

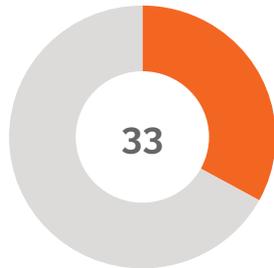
“UAE respondents favour two bedroom apartments and 4 bedroom villas.”

“Respondents in Saudi Arabia prefer to invest in stand-alone buildings in city centers purely designed for residential purposes.”

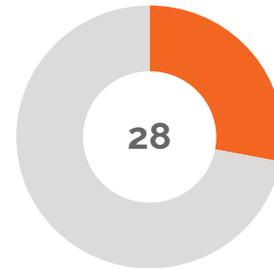
Overall, one third of respondents prefer to invest in stand-alone buildings in city centers purely designed for residential purposes. This is particularly the case in Saudi Arabia (44%). In the UAE, however, respondents prefer gated communities within the city that host commercial and retail spaces (35%), rather than purely residential stand-alone buildings (23%).



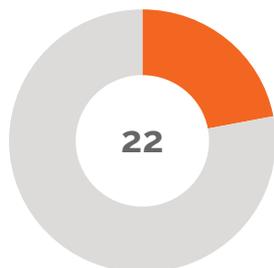
Ideal residential properties %



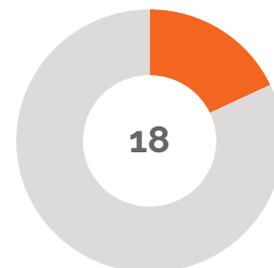
Stand-alone buildings in downtown / city centre which are fully residential and do not have any commercial spaces such as offices, shops, restaurants, etc.



Compounds or gated communities in downtown / city centre which also have commercial spaces such as offices, shops, restaurants, etc.



Compounds or gated communities in suburban (away from city centre) neighbourhoods which also have commercial spaces such as offices, shops, restaurants, etc.



Stand-alone buildings in suburban (or away from city centre) neighbourhoods which are fully residential and do not have any commercial spaces such as offices, shops, restaurants, etc.

All figures are in %

Base: Home buyers and individual investors (1,648 respondents)

Market Gaps

07

Market Gaps

As in any market, users find some elements that are easily attainable and fulfil their needs, however, supply sometimes fails to provide a comprehensive offer.

According to respondents, the real estate industry in the Middle East lacks affordable properties the most (50%), followed by access to reliable brokers (29%), and smart or energy efficient properties (28%).

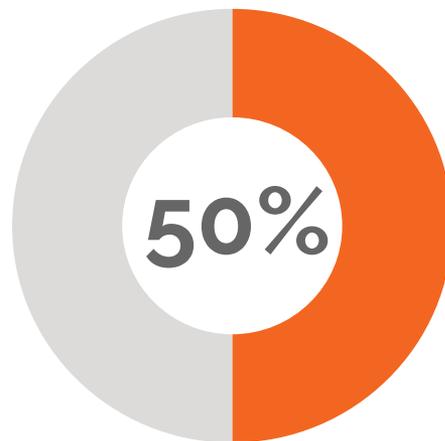
The findings reveal that affordability is a major gap in markets such as Qatar (58%) and Egypt (54%) in

particular. For UAE respondents however, financially related concerns such as competitive interest rates on loans (27%), and mortgage and financial support (28%) top the list of missing elements in addition to affordability and reliable brokers.

The research shows that these elements are deemed extremely important to respondents when considering real estate investments and if addressed, would greatly encourage their investment in properties in their country of residence.



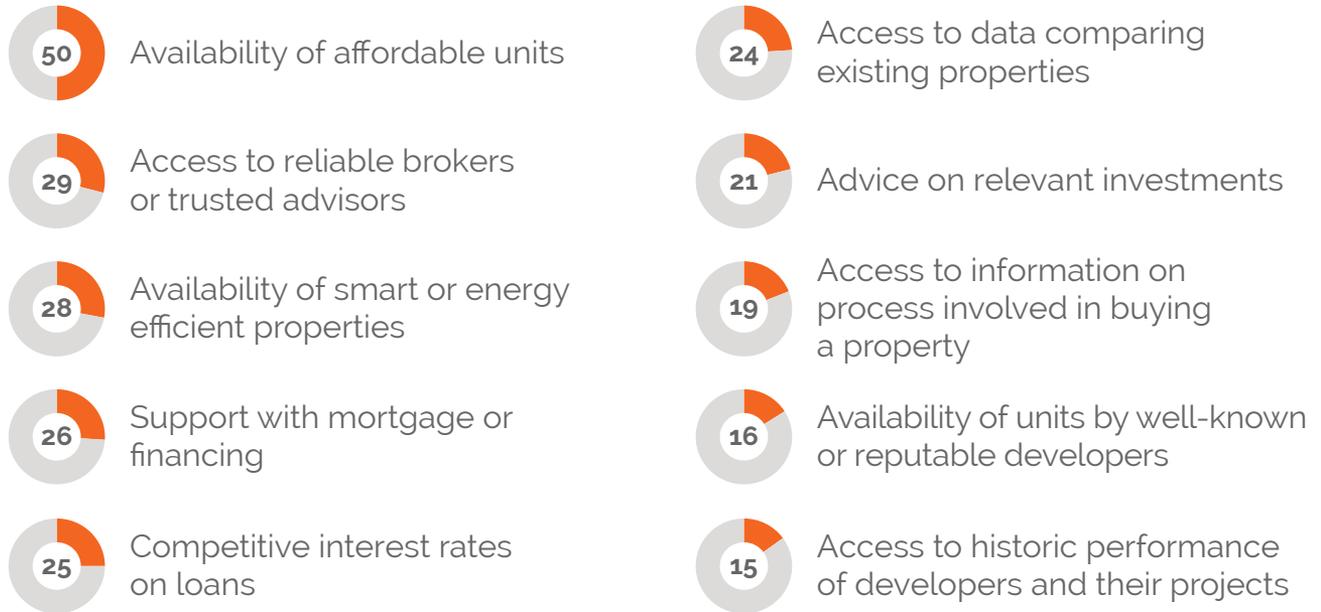
“Availability of affordable properties is the biggest gap in the real estate market.”



Availability of affordable units

Market Gaps

Real Estate Market Gaps %



All figures are in %
Base: Total sample (1,710 respondents)



Geographical Considerations

08

Geographical Considerations

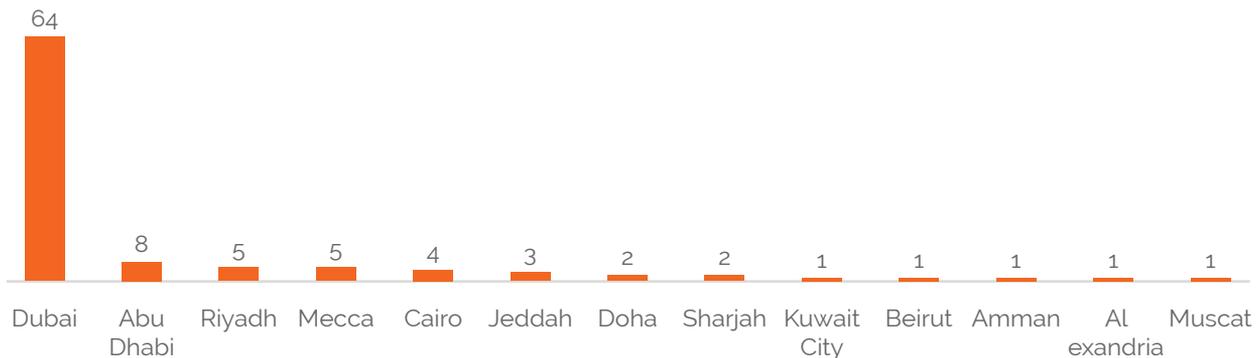
“Globally & regionally, the UAE is the most appealing market for real estate investors in the GCC and Egypt.”

According to 42% of home buyers and investors in the GCC and Egypt, when considering the global real estate market, the UAE is the most appealing country in which to invest, followed by Saudi Arabia and Egypt.

In the Middle East, unsurprisingly the UAE (65%) by far tops the list of most appealing countries to invest in real estate. Egypt (11%), KSA (10%) follow, taking up second and third position respectively.

On a city level, the majority of respondents would choose Dubai (64%) as the most appealing Middle Eastern city in which to invest in real estate. Abu Dhabi (8%), Mecca (5%), Riyadh (5%), and Cairo (4%) follow with some significant gap compared to the lead city.

Most appealing cities in the Middle East for real estate investment %



All figures are in %
Base: Total sample (1,710 respondents)

Conclusion

09

Conclusion

When it comes to real estate market investments, this research shows that today's astute investor and home buyer is particularly cautious about the state of the global and local economy in their market of interest before investing. In addition, attention to falling oil prices was highlighted as a concern particularly amongst those both residing and planning to invest in the GCC.

Yet faced with these uncertain macro-economic conditions, investors across the GCC and Egypt are showing their resilience to the market and indicating a future of buoyancy with one third claiming to have invested aggressively over the last 12 months.

Despite marked emphasis on real estate market fluctuations both at a global and regional level over the past year, respondents have shed a positive light at a country level, with growth witnessed particularly in markets such as Qatar and Egypt. In addition, in the year ahead, a third of respondents in the UAE and Qatar, and 46% in Egypt expect the real estate market to grow relatively well in their country of residence.

To this end, the outlook for the industry is positive especially amongst large scale institutional investors who expect their level of investment to remain relatively aggressive and are hoping for high yields in the coming year. Putting this into context, real estate is the most popular investment class amongst respondents overall, and is favored by some margin over investment classes such as bonds and stocks, not least due to the capital appreciation and return on investment it can provide.

The study emphasizes respondents' attraction to residential investments in particular. Speculations of a decline in the sales prices of residential properties in the GCC over the next year could be a welcome U-turn in the market considering the biggest perceived void in the industry is the availability of affordable housing. The findings suggest however that there is some way to go before the void is filled in Egypt with residential property sales prices expected to rise in the country in the year ahead.

Overall when considering residential investments, understandably, first and foremost respondents deem value for money and the quality of properties to be the most important considerations. Properties close to educational and healthcare facilities are particularly appealing in both markets, as are stand-alone units in city centers purely designed for residential purposes. However when looking closely on a country level, hot favorites amongst UAE respondents are close to grocery stores and in gated communities that host commercial and retail spaces within the city. Standalone units close to city centers that are purely designed for residential purposes are also predominantly popular in Saudi Arabia.

Specifically for home buyers and investors in the GCC and Egypt, it's not surprising that the UAE and Dubai top the most attractive places to invest in real estate, both globally and in the Middle East region, as the decision to invest in the sector depends foremost on the state of the economy in their market of interest. That said, what investors and home

buyers are telling developers is that the market is missing affordable properties, access to trusted brokers and smart or energy efficient properties which constitutes by itself potential unmet needs waiting to be fulfilled in the year ahead.



**Special Feature:
Home Automation**

10

Special Feature: Home Automation

“Two thirds of respondents would pay a 5-15% premium on their property price to include home automation.”

When exploring the gaps in the real estate market, respondents highlighted lack of smart and energy efficient properties as one of the main missing elements from the industry.

Looking at what respondents most closely associate with home automation, the top three associations were house security (61%), automatic heating/air conditioning (50%), and fire/flooding security (44%).

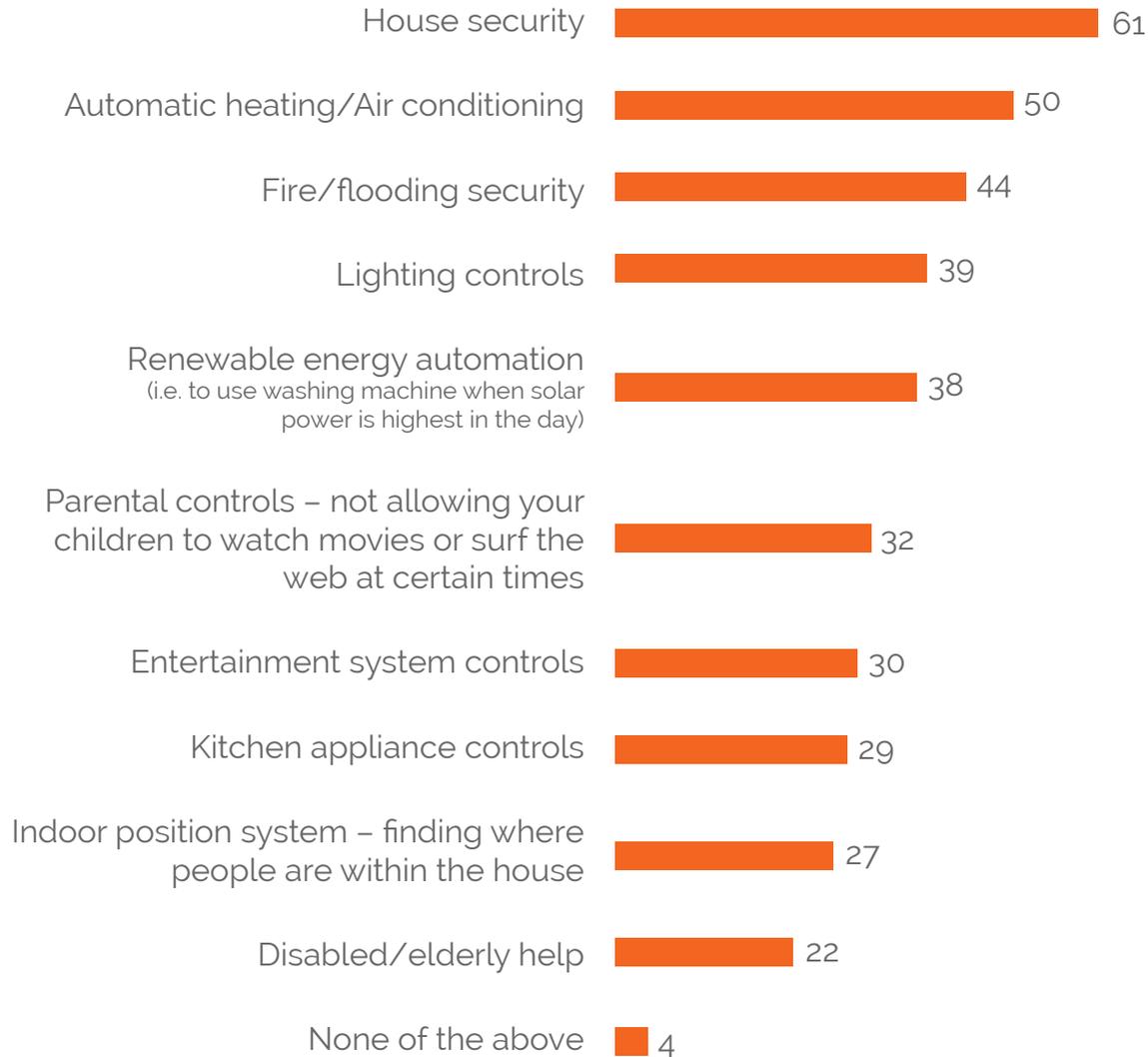
The majority (79%) find the concept of home automation appealing overall, with 69% of respondents across the

GCC and Egypt interested in installing such technology in their next residential property - the highest being amongst those who own/or who are planning to purchase a 4+ bedroom villa.

In addition, almost two thirds of respondents are willing to pay between 5-15% extra as a premium on the price of a property (42% are willing to pay 5-10%, 19% at 11-15%) to include home automation.



Association with home automation %



All figures are in %

Base: Home buyers and individual investors (1,648 respondents)

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yougov.com | +971 4 367 0340

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cityscapeglobal.com | +971 4 3365161



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