



KSA's Reform Momentum Lures GCC Investors

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Government spending up 25%, an aggressive Vision 2030 plan, and a return to growth of more than 2% are among the factors driving GCC investment into the Kingdom of Saudi Arabia.

GCC investors are turning their attention to real estate investment in the Kingdom of Saudi Arabia motivated by the country's ambitious Vision 2030 plans, a key part of the economic blueprint for a post-oil era.

Announced in 2016 by Crown Prince Mohammed bin Salman, Vision 2030 centres around boosting the non-oil sector and transforming the kingdom into a global investment giant linking the continents of Europe, Asia, and Africa. Three years on, the kingdom's ongoing mega-project announcements, improvements to government regulations, and increased government spending is expected to drive future investment opportunities in Saudi Arabia.

Macroeconomic Overview

According to Dana Salbak, an Associate at JLL MENA, on the macroeconomic level, stronger oil revenues and progress on economic and social reforms have helped drive the Saudi economy in 2018, with GDP growth levels expected to register 2.4% and grow further to 2.9% in 2019, on the back of strong reform momentum and increased government spending.

"Meanwhile we are likely to witness growth in the labour market in the medium-to-long term following several reforms aimed at promoting Saudization, particularly in the retail sector, and encouraging more female participation in the labour force. This is particularly significant because by providing women with the opportunity to contribute to the economy, Saudi Arabia is proactively targeting some of the goals outlined in Vision 2030. These include lowering the country's unemployment rate from 11.6% to 7% and increasing women's participation in the workforce to 30% by 2030," says Salbak.

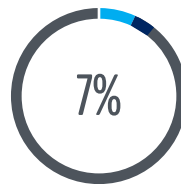


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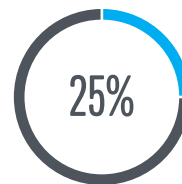
Saudi Arabia targets its Vision 2030 goals



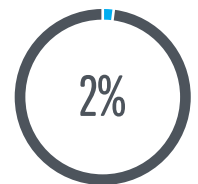
KSA looks to increase women's participation in the workforce to **30%** by 2030



KSA looks to lower the country's unemployment rate from **11.6%** to **7%**



Government spending up **25%**



Return to growth of more than **2%**





GCC investors turn attention to KSA

Hogan Lovells' – an international law firm headquartered in London and Washington – reveals in their Middle East Investor Outlook Report for 2019 that Saudi Arabia is the clear focus of investor attention in the region.

“[This is] due to a combination of underdeveloped markets, far-reaching reforms, renewed government spending and a determination to have the private sector play a key role in infrastructure development. A privatization plan for 2018–20 was approved in April, with a view to unlock state-owned assets for investment; several PPP projects are on the way,” reveals the report.

“Emirati investors will continue to expand out of their slowing home market and take advantage of growth potential in Saudi Arabia,” insights from the report reads.

Hogan Lovells notes that the political will to open the market to foreign investment is strong, with reforms and restructuring continued apace to create a private sector that can employ young Saudis who make up 70% of the 12.9% unemployed. “Foreign direct investment flows did double in the first three-quarter of 2018, compared to the same period in 2017,” the report reads.

While JLL expect there to be some risk factors which might weigh on investor sentiment, they maintain that overall 2019 is expected to be more positive on the back of the reform and development initiatives.



Emirati investors will continue to expand out of their slowing home market and take advantage of growth potential in Saudi Arabia

“The government’s commitment to providing housing for Saudi nationals and boosting home ownership rates is expected to attract more local investors. For international investors and businesses, the launch of large-scale projects in the hospitality market for example, and developments in the transport and infrastructure sector will improve the competitiveness of the Kingdom and tap into its potential as a hub providing opportunities for private and foreign investments,” says Salbak.

Real estate trends shaping the market in KSA

According to Knight Frank's Saudi Arabia Market Review and Forecast 2019, while there was subdued activity in the real estate sector in 2018, the consultant is positive that this will change in the longer term.

"We remain optimistic for the longer term due to the various government initiatives aimed at stimulating the real estate market whilst encouraging the private sector to take a key role in this process, as part of the recently introduced strategic reforms," reads the report.

Among the key real estate focuses for the country moving forward are ushering in a new era of hospitality and tourism, which will act as a main contributor to the growth of non-oil GDP.

"Developing new industries and expanding alternative real estate sectors such as the industrial market is another main trend. This is evident by the inauguration of SPARK (King Salman Energy Park) in the Eastern Province. The world-class infrastructure and advanced technologies integrated within the project are likely to act as a catalyst to expanding the industrial sector and encouraging private and foreign investments," explains Salbak of JLL.



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The consultant further outlines transport and infrastructure of cities as a third main trend shaping the real estate market. "The Haramain Railway connecting Jeddah and Makkah is expected to support the growing number of Pilgrims to the Makkah region. The Railway also connects to Jeddah Airport and King Abdulallah Economic City, thus easing and promoting business travel. Another key development in the transport sector was the soft opening of the new King Abdulaziz International Airport (KAIA) in Jeddah. This forms part of plans to welcome 30 million passengers annually. KAIA features a 28,000 sq m commercial area and an onsite hotel of 175 keys."

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Looking at the country's tourism sector, Knight Frank says that the development of megaprojects such as the Red Sea Project, Amaala and Al Qiddiyah will be a great barometer of how successfully the government can create a viable leisure-based destination capable of attracting inbound visitation. "From a legislative perspective, the introduction of the tourist visa, but more specifically the implementation of the 'Sharek visa' is a positive step toward having the correct legislative framework with which to make this happen," reveals the report.



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With GCC investors taking notice of Saudi Arabia's aggressive urban regeneration plan, real estate investment is expected to significantly pick up.