PROPERTY TIMES

# Q3 REAL ESTATE MARKET REVIEW

**QATAR Q3 2023**

CUSHMAN & WAKEFIELD

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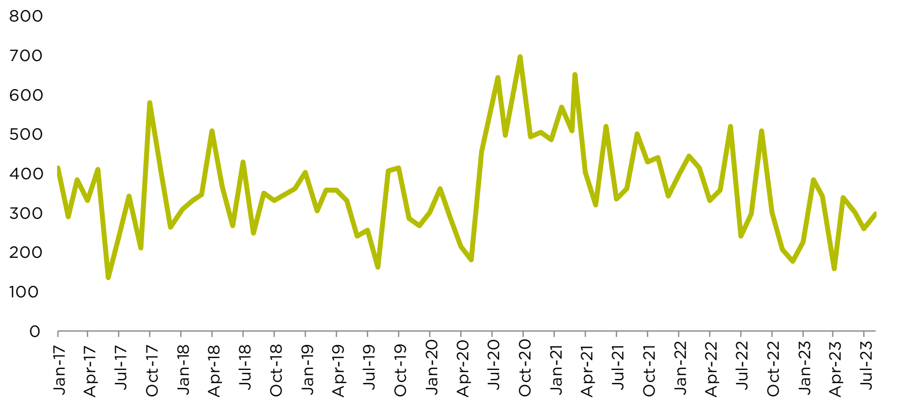
## Contents



- A traditional summer slowdown saw reduced activity in the leasing and sales market in July and August; however, demand for residential properties increased significantly by early September, coinciding with the beginning of the school year
- Qatar's GDP growth for 2023 is expected to fall to 1.5% in 2023 following strong growth of 4.1% in 2022. While economic performance in H1 was below initial expectations, tourism-related sectors were a bright spot, with a substantial increase in visitor numbers to Qatar throughout the year
- According to the Planning and Statistics Authority, the number of real estate transactions in Qatar fell by 25.6% for the first five months of the year compared to the same period in 2022. This reflected an overall fall in the value of real estate transactions of 14%
- The establishment of a new Real Estate Regulatory Authority was confirmed earlier this year. Whilst details of its full role and scope are to be confirmed, the Authority, which is being established by the Ministry of Municipality and Environment (the MME), will regulate Qatar's real estate market, and should provide more transparency and confidence in the market
- As Qatar's real estate matures, regulation and transparency will be key to encouraging investor confidence. The Real Estate Regulatory Authority will be supported by the introduction of a new online real estate platform that will disclose information on transactions, prices, rents, occupancy rates, etc. on a single platform.
- New mortgage regulations were also introduced over the summer, which will help increase mortgage options for prospective purchasers of investment properties in areas such as Lusail
- Residential sales have experienced a traditional summer slowdown in Q3. The overall number of sales transactions in July and August fell by 3.5% on the same months last year.

Figure 1

### Overall real estate sales transactions in Qatar, Jan 2017 – Aug 2023




Source: Planning and Statistics Authority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## Economic Overview

### Tourism related sectors enjoying growth in 2023 due to increased arrivals

Oxford Economics cut their 2023 GDP growth forecast for Qatar by 1.1ppts to 1.5% due to a disappointing Q1 GDP outturn and unfavourable historical revisions. Although the PMI survey suggests business activity has been resilient in Q3, they now think the non-energy sector will grow by just 1.6% this year, half the pace they projected a month ago. The impact of tight policies on demand are likely to persist into next year and have nudged down their 2024 growth forecast by 0.1ppt to 2.5%.

Q2 GDP data showed a much weaker economy than Oxford Economics were expecting, with output growing by just 2.7% y/y versus our projected 4.8% expansion. The energy sector held up with growth of 4.1%, but this was offset by the weak performance of non-energy sectors, which slowed to just 1.9% amid a deep plunge in construction. The release also downgraded non-energy growth for Q4 2022 by 1ppt to 7%.

Tourism-related sectors will remain a bright spot, having outperformed in Q1 with double-digit growth. Visitor numbers nearly doubled in July versus the same month in 2022, with total arrivals in January-July close to the full outturn for 2022. The prospect of a single GCC visa would provide further support to activity and employment within the sector and to services more broadly.

Oxford Economics cut their 2023 CPI inflation forecast by 0.2ppts to 2.6% after price increases eased to 2.4% y/y in August, the lowest rate of inflation since mid-2021. The slowdown was broad-based with all categories, aside from recreation and culture, posting negative monthly prints.

Housing and utility prices, which have the largest share of the CPI basket, registered a 1.1% m/m drop. With inflationary risks from energy and food prices on the rise, Oxford Economics forecast inflation will average 2.3% in 2024, up 0.1ppt from our projection last month. Despite slowing inflation, Qatar will have to grapple with higher rates for some time. They anticipate a cumulative 75bps of interest rate cuts next year, but don't think easing will begin before H2.

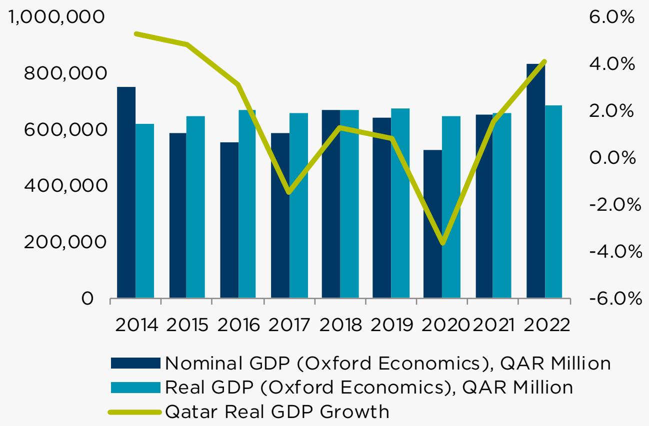
Crude production will rise modestly this year. Qatar's oil output declined in 2021-2022. But as the country isn't involved in the OPEC+ pact on production quotas, production is expected to rise this year to around 600,000 b/d.

A recovery in oil production will drive growth in the energy sector to 1.3% this year, a slower pace than the 1.7% rise in 2022. Commodity prices remain elevated, supporting the macroeconomic environment.

(Economics Overview insight provided by Oxford Economics Country Economic Forecast as of September 2023).

Figure 2

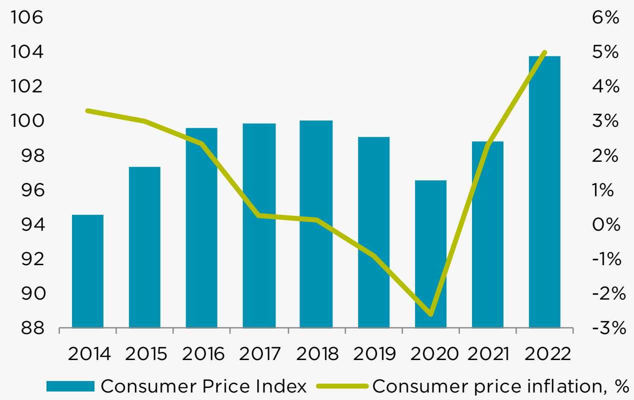
**GDP (QAR million) and Real GDP growth (%), 2014 – 2022**




Source: PSA/Oxford Economics

Figure 3

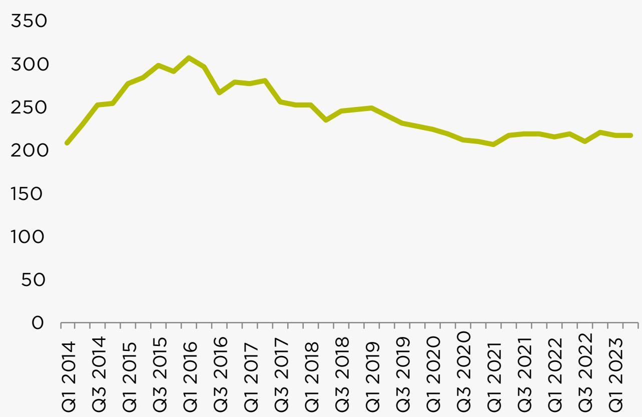
**Consumer Price Index & Consumer Price Inflation (%), 2014 – 2022 (2018=100)**




Source: PSA/Oxford Economics

Figure 4

**Consumer Price Index & Consumer Price Inflation (%), 2014 – 2022 (2018=100)**




Source: PSA/Oxford Economics

## Office Market Overview

### Increasing focus on sustainability and retrofitting of older buildings

Leasing activity was quiet in the commercial office sector during the summer months, with overall take-up for the year lagging behind 2022.

We expect activity in the short term to be dominated by the public sector, with a number of proposals for Grade A space currently under discussion.

The QFZA, QFC and Invest Qatar have all been taking strides to boost private sector demand and encourage inward investment; however, significant new office demand from the private sector is only likely to become evident in the medium term.

The availability of office accommodation and the relatively slow take-up has resulted in a fall in construction activity in the commercial office sector in 2023. We expect this trend to continue until a significant portion of existing prime office accommodation is absorbed.

Corporations' responsibility towards climate change and sustainability is increasingly evident in 2023, with international occupiers demanding accommodation that meets minimum sustainability targets. The number of options available to global corporations in Qatar is reducing, as many will not consider occupying older buildings that don't meet energy efficiency standards.

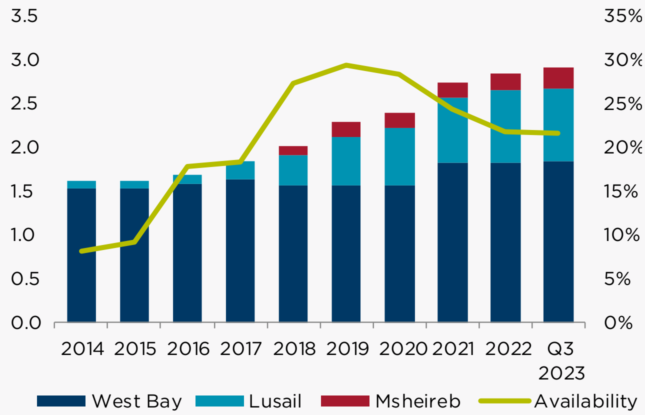
With little demand for older office space, retrofitting has become a hot topic among some of Qatar's developers and landlords. We expect GSAS ratings to play an important role in any major office lettings in Qatar in the coming years. Ultimately, it may be the shortage of high-specification energy efficient buildings that drives new office construction, despite the availability of older office space.

The current oversupply of office space in Qatar will continue to be a drag on office rents as we move towards 2024. The supply of purpose-built office accommodation in Qatar has now surpassed 5.3 million sq m., with an estimated 1.3–1.5 million sq m of vacant space available.

Grade A stock is now typically available to lease for between QAR 100 and QAR 120 per sqm per month, exclusive of service charges. Shell and core office space can be leased from QAR 65 per sq m in areas such as Lusail and West Bay, while this type of accommodation is available for QAR 50–60 per sq m per month in some of Doha's older office districts.

Figure 5

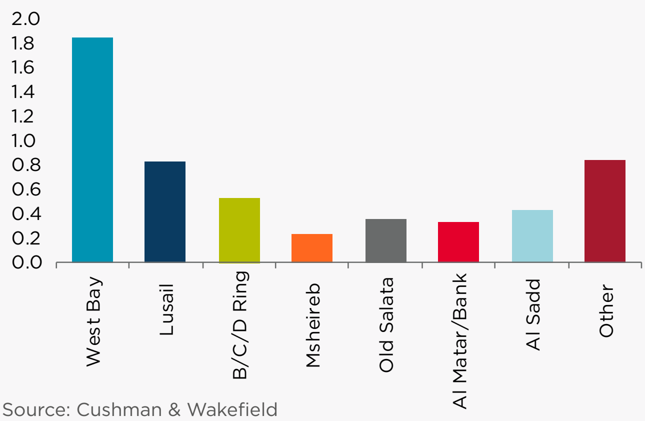
**Grade A office supply by district & availability (sq m millions) (2015 – Q3 2023)**




Source: Cushman & Wakefield

Figure 6

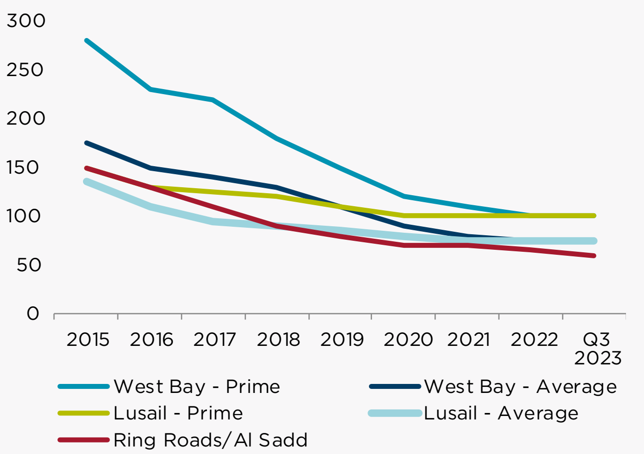
**Overall supply by district (Q3 2023) (Sqm Millions)**




Source: Cushman & Wakefield

Figure 7

**Average office rents by district (QAR/sqm/month), 2015–Q3 2023**




Source: Cushman & Wakefield

## Residential Market Overview

### Increased demand for apartments in Lusail over recent months

After a fall in apartment rental rates throughout Qatar in Q2, some sectors have stabilized, with an increase in demand over recent months. Reduced rent, coupled with rent-free incentives saw an increase in demand for apartments in The Pearl Qatar and Lusail in August and September, which coincided with the beginning of the school year.

With an increase in supply, there is an increasing disparity between occupancy rates within the market. High-specification buildings with good quality property management are starting to enjoy high demand from prospective tenants, despite evidence of higher vacancy rates throughout the market.

Some of the new master-planned apartment developments such as Madinatna and Ezdan Oasis – which benefitted from strong World Cup related demand – have been building occupancy again throughout 2023, with attractive rental deals on offer to new tenants.

Compound villas continue to benefit from high occupancy throughout Doha, with rents remaining relatively stable throughout 2023.

One-bedroom apartments in The Pearl Island can usually be leased for between QAR 7,000 and QAR 9,500 per month, depending on the location and quality of the building. Most three-bedroom units on the Island are now available for between QAR 13,500 and QAR 16,500 per month.

In Fox Hills, one-bedroom apartments are now typically available for between QAR 5,000 and QAR 6,500 per month, with three-bedroom units now commanding between QAR 8,500 and QAR 10,000 per month.

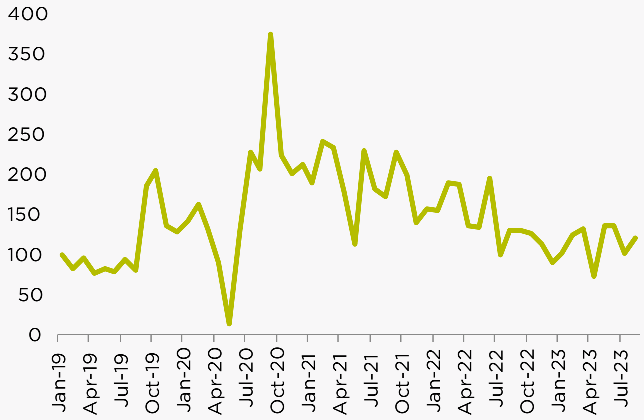
According to statistics released by the Planning and Statistics Office, residential sales transactions fell by 3.1% in July and August compared to the same months last year. Overall year-to-date sales transactions have fallen by 24.5% in 2023.

Sales activity has reduced following a surge in activity in 2020, which was triggered by the enactment of Law No. 16 of 2018. This law allowed non-Qatari investors to purchase in Lusail and benefit from residency permits that were granted to purchasers.

Structures are being put in place in 2023 to develop the real estate investment sales market in Qatar in the coming years. The introduction of a Real Estate Regulatory Authority will increase transparency in the market and enhance statutory and legal protections for investors. Furthermore, Qatar Central Bank has announced a series of amendments to its real estate financing (mortgage) regulations, which is expected to boost the residential sales sector by redefining the loan-to-value rates and increasing maximum mortgage terms for Qatari nationals and expatriates.

Figure 8

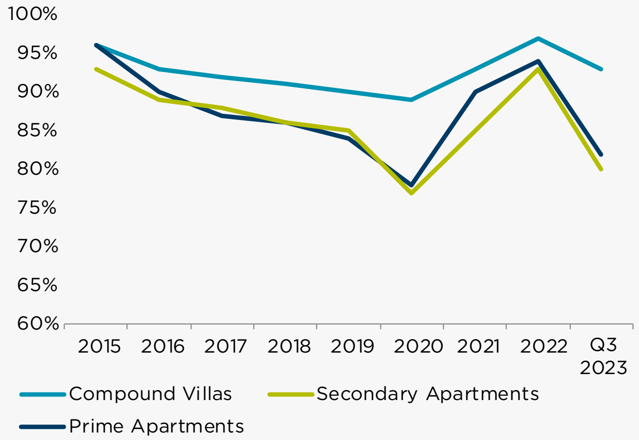
**Residential house sales, Qatar, Jan 2019 – Aug 2023**




Source: Planning and Statistics Authority

Figure 9

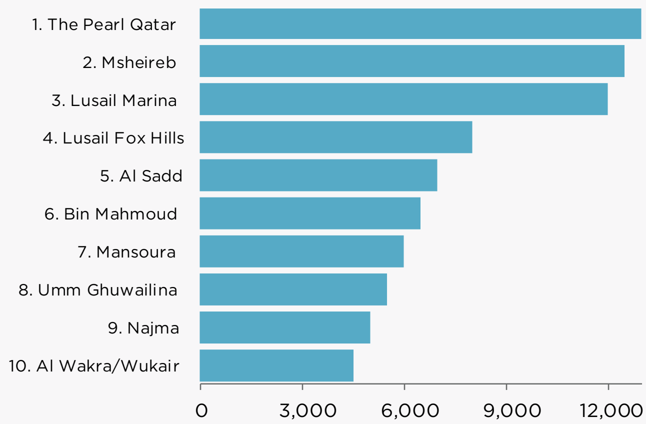
**General occupancy trend by house type, Qatar, 2015 – Q3 2023**




Source: Cushman & Wakefield

Figure 10

**Typical 2-bedroom apartment rents by district, Q3 2023 (QAR/month)**




Source: Cushman & Wakefield

## Hospitality Market Overview

### Strong increase in tourist arrivals evident since the start of the year is supporting occupancy rates

According to statistics released by the Planning and Statistics Authority (PSA), visitor arrivals to Qatar have soared in 2023. By September, 2.46 million people arrived in Qatar, which represented a 140% increase on the same period in 2022.

Visitor arrivals also beat the previous year-to-date record, set in 2015, by 23% – with many of the intervening years being impacted by the blockade and by COVID-19.

The total supply of hotel rooms in Qatar has now surpassed 38,000 and is expected to surpass 40,000 rooms with the completion of a number of new projects in the next year. Total supply of rooms has increasing by more than 25% over the past 18 months, an increase driven by Qatar's need to provide hotel accommodation to host the FIFA 2022 World Cup.

New hotels that are expected to open in the coming months include Andaz Doha, Four Seasons Resort and Residences at the Pearl Island, NH Collection Oasis Doha Hotel, Rixos Qetaifan North, Rosewood Doha, and Waldorf Astoria West Bay.

PSA statistics showed that occupancy rates remained stable in Q3 compared to the same months last year; however, supply has significantly increased over the same period. Occupancy rates for July and August were recorded at 52% and 53% respectively, compared to 55% and 52% in 2022.

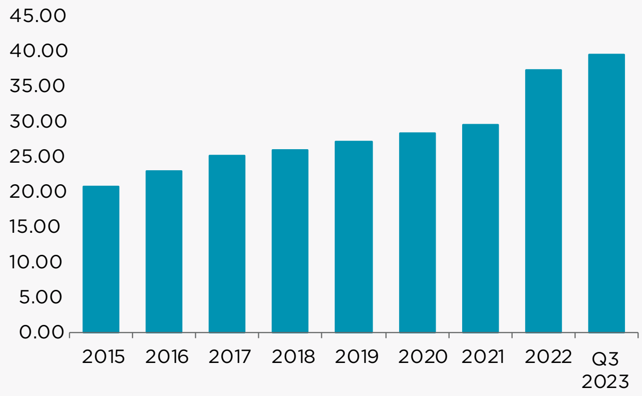
Average Daily Rates for the entire hotel sector dropped from QAR 440 to QAR 404 in Q3, indicating increasing value for guests as a higher number of hotels compete for guests.

Following several turbulent years due to COVID-19, the tourism industry globally is experiencing significant recovery in 2023. While this has been the case in Qatar, with arrivals significantly up on previous years, the increase in hotel supply means the performance metrics of many hotels have not reflected the overall improvement. Cushman & Wakefield are aware of an increasing disparity between hotels, with some of the higher quality entities significantly outperforming others in the market.

Qatar's focus on increasing the number of international sporting and conference events has helped to boost occupancy in recent months, with events such as the F1 Grand Prix and the Geneva Motor show seeing hotel rooms reach full capacity for short periods. An ongoing focus on events and the launch of new tourism and leisure projects will be required to increase performance as supply grows in the coming year.

Figure 11

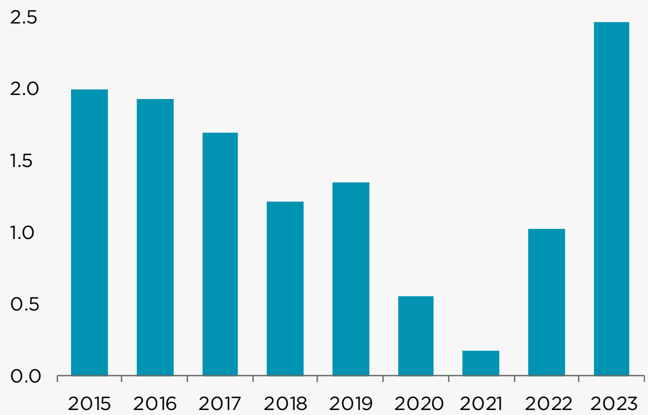
**Supply of hotel keys (incl. hotel apartments) 2015 – Q2 2023**




Source: PSA & STR Global

Figure 12

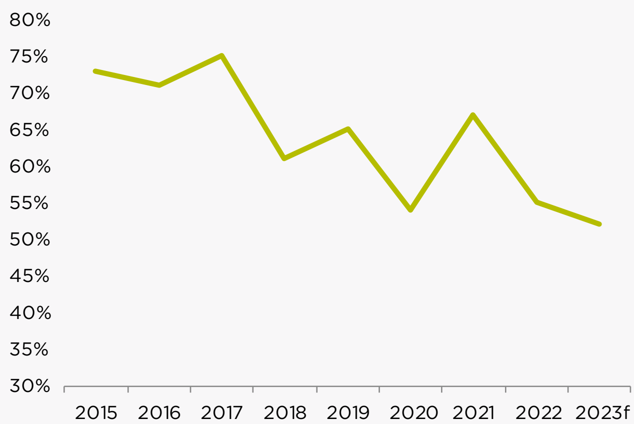
**Arrivals to Qatar, Jan – Aug Inclusive 2015 – 2023 (millions)**




Source: PSA

Figure 13

**Average occupancy 2015 – 2023 (%)**




Source: PSA

## Retail Market Overview

### Reduced demand from retailers leads to increasing rental incentives from landlords

Qatar's retail real estate sector has experienced a significant increase supply over the past eight years. While this has led to an enhanced retail offering to shoppers, rents have been falling in most retail sectors due to competition within the market to attract retailers.

Cushman & Wakefield's research indicates that there is more than 1.7 million sq m of leasable floor space in Qatar's main organised retail malls (excluding supermarket buildings with ancillary units). This is also than 400,000 sq m of leasable space in 'outdoor' retail/F&B destinations, including The Pearl, Souq Waqif, Souq Al Wakra, Msheireb Downtown, Katara, Doha Port, and Lusail Boulevard. This supply was boosted earlier this year by West Walk, a mixed-use development of restaurants and retail outlets in Al Waab.

Several retail developments continue to attract healthy footfall and benefit from high occupancy rates; however, many older malls or recently opened projects still struggle to attract footfall, which is impacting rental levels and occupancy. We estimate that overall occupancy rate across Qatar's retail malls has fallen to approximately 80%.

Rent-free incentives, fit-out contributions, and turnover rent arrangements are all on offer from most developments to entice retailers; however, demand for retail space has fallen in 2023 with many retailers looking to consolidate after expanding their operations in Doha over recent years.

According to Oxford Economics, the total nominal retail sales in Qatar in 2022 was approx. QAR 53.6 bn. This was the highest recorded rate since 2018 – although sales had been impacted by COVID-19 in the intervening period.

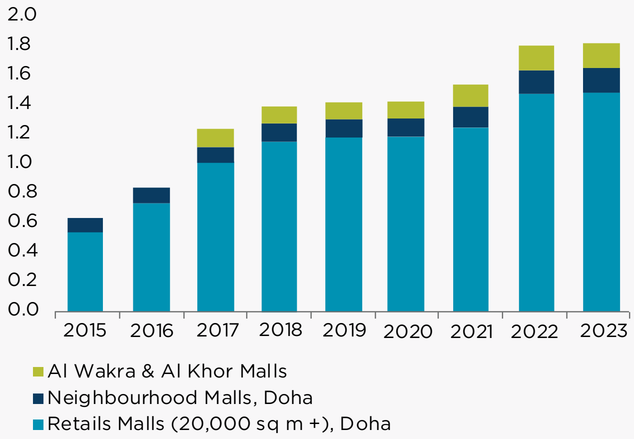
Retail spending has been projected to increase to more than QAR 57 bn in 2023, supported by increased tourist numbers, economic growth, and a growing number of high-profile international retail outlets in the country. Qatar's disposable income levels are also among the world's highest, reflecting US$ 97,096 in December 2022, when adjusted by purchasing power parity.

Headline rents for line units in Doha's prime malls remain between QAR 200 and QAR 250 per sq m per month, exclusive of service charges. Line unit rents in many secondary malls is often below QAR 200 per sq m per month. Anchor units and entertainment provisions in malls typically benefit from lower rents of between QAR 60 and QAR 150 per sq m per month.

Retail showrooms are typically available to lease for between QAR 80 and QAR 150 per sq m per month. Small convenience retail outlets in secondary locations such as strip malls are increasingly leased based on a sustainable rent of between QAR 5,000 and QAR 10,000 per month, depending on the unit size.

Figure 14

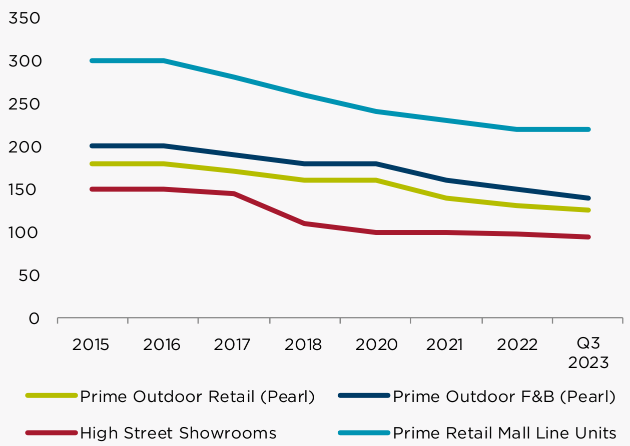
**Supply, organised malls, sq m (millions) 2015 – 2023**




Source: Cushman & Wakefield

Figure 15

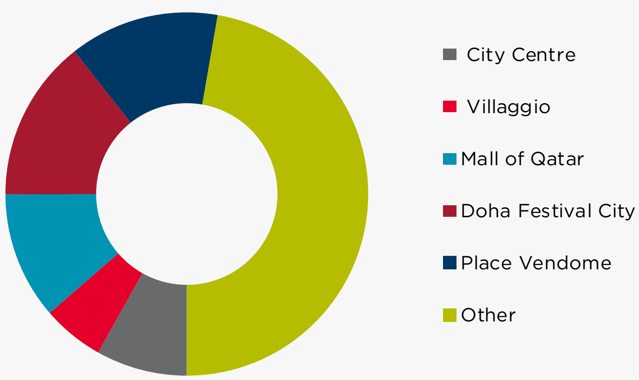
**Average rents (QAR/month), Qatar 2015 – Q3 2023**




Source: Cushman & Wakefield

Figure 16

**Organised supply by retail mall Q3 2023**




Source: Cushman & Wakefield

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