

MEDIA BRIEFING

Gulf Real Estate Woes Not Just a Question of Supply

New research shows that, contrary to conventional wisdom, declining demand has been the key driver behind lower real estate prices, not excess building activity. Reduced domestic demand has resulted from the imposition of significant fiscal controls by governments, made necessary as budget surpluses turned to large deficits once oil prices collapsed in late 2014.

Our key findings:

- Real estate price declines across GCC countries and sectors have averaged around 30% in the past 4 to 5 years.
- As a result of each government's reliance on hydrocarbons as a source of revenue, falling oil prices led to large fiscal deficits. On average, there was a swing from a surplus on +11% of GDP in 2013 to a maximum deficit of -12% of GDP in 2015/16.
- Although necessary, fiscal controls in the form of tax and fee increases and spending cuts have taken significant spending power out of the economy. Average non-oil GDP growth in the GCC slowed from 6% in 2013 to 2% in 2018.
- Real estate markets are especially vulnerable to slower non-oil GDP growth in the GCC due to the high fluidity of the expat population.

The author, **Dr. Christopher Payne**, is available to discuss the research and provide on-the-record briefings. Please feel free to contact him on **+971 (0) 2 671 1773**. His email address is christopher.payne@peninsula-reh.com.

ABOUT THE AUTHOR

Dr Christopher Payne is Chief Economist at Peninsula Real Estate. Formerly, he was the chief economic advisor at the Dubai International Financial Centre; and head of research at the Kuwait Institute of Banking Studies. He has also worked at Bloomberg LP, JP Morgan and PriceWaterhouseCoopers (where he qualified as a Chartered Accountant). He has 25 years of experience covering developed and emerging markets, and holds a Bachelor's degree from Cambridge University, England, and a Doctorate from the London School of Economics.

ABOUT PENINSULA REAL ESTATE

Peninsula is an investment and research company that is identifying trends, opportunities and challenges in the MENA real estate market.