



HOME SENTIMENT SURVEY

MENA | Quarter 2 - 2020

Key Findings

- In the UAE, 59% of respondents expect the value of their home to fall in the second half of 2020; 84% of respondents who are renters expect to see their rent decline.
- On average, respondents in the UAE expect rents and prices to fall by 8% in the remainder of 2020.
- 75% of respondents who are renters in the UAE and had renegotiated their lease in the last 6 months say their rent fell. A third of these respondents reported that their rent had fallen by 10% or more.
- In Saudi Arabia, 40% of respondents expect rents and prices to fall in the second half of 2020. Only 8% of respondents expect the same outcome in Egypt.
- 70% of respondents in the UAE who were renters think the rent they pay is fair or good value for the property they lease.

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74% of survey respondents in the UAE thought prices and rents would fall in the second half of 2020; in Saudi Arabia, only 40% expect price and rent declines.

Not surprisingly, our second home sentiment survey has demonstrated poor sentiment towards real estate in the Gulf. The survey was conducted in the first two weeks of July and represents our first opportunity to gauge the impact of Covid-19 on homeowner and renter attitudes. The survey asked renters and homeowners in the region to give us their view on the coming six months, as well as the past few months.

In the UAE, renters gave us a clear indication of market weakness. Overall, 75% of renters reported that they were able to negotiate lower rent in Q2. None of this should come as a surprise, given what we know about the market over the past 12 months, even before factoring in the impact of Covid-19. However, within this cohort, there was a clear skew towards larger declines in rent: of the 75% reporting a fall in rent, 37% (29% of total responses) negotiated a drop of 10% or more, 31% (23% of the total) a drop of 5 to 10%, and the remainder a drop of 0 to 5%.

Renters expectations suggest more of the same to come in the UAE. In the second half of 2020, 84% of renters expect their rent to decline, 14% expect it to remain the same, and only 3% expect to pay more. Of the 84%, 38% (32% of total respondents) expect a 10% or more drop in rent, 43% (36% of the total) expect rents to decline 5 to 10%, and 18% (15 of the total), think their rent will drop somewhere between 0 and 5%.

Rental negotiations incorporate market movements over the previous 12 months; which may be why owners' expectations for the UAE are more positive than renters for the remainder of 2020. Specifically, 59% of owners (compared to 84% of renters) expect prices to fall. Of these, 39% (23% of the total), expect 10%+ declines, 34% (20% of the total), see 5 to 10% declines, and 27% (16%) of the total think prices will decline by 0 to 5%. While only 9% of respondents thought that prices would increase, a large proportion (30%) thought that prices would be stable throughout the rest of the year.

Owners' perceptions are both more positive for the second half of 2020 than renters and reflect improved sentiment when compared to their views on the past 6 months. No doubt reflecting Covid-19's impact on an already weak market, 50% of respondents thought the price of their home had fallen by at least 10% year-to-date.

Overall, 83% of respondents said that prices had fallen; while 14% thought prices had remained the same, and only 2% thought prices had risen.

Homeowners in the UAE may be signalling with this finding that the worst has passed. Even so, it's clear that the residential market will continue to be weak for some months to come. Indeed, this is apparent given how sentiment in Saudi Arabia, while still poor, is noticeably better than in the UAE. In Saudi, for instance, only 40% of respondents (both renters and homeowners) expect price and rent declines in the second half of the year (32% expect price stability, and 28% expect prices to increase). This compares favourably to the UAE where 74% of all respondents (renters and homeowners) expect prices and rents to fall in the rest of 2020 (20% expect price stability, and 6% expect price rises).

The difference in sentiment between the UAE and Saudi Arabia can be explained by a number of factors, not least of which being that Saudi's residential market, particularly in Riyadh, had already exhibited a turnaround prior to Covid-19. An additional important factor is the high proportion of expats in the UAE (c. 85% of the population) relative to Saudi Arabia (roughly 30% of the population). A recession caused by Covid-19 is far more likely to cause the population to shrink in the UAE than in the Saudi, thereby lowering demand for residential real estate. Indeed, with very few expats, relatively speaking, sentiment in Egypt remains bullish, as real estate continues to be viewed as a safe and attractive inflation-hedge.



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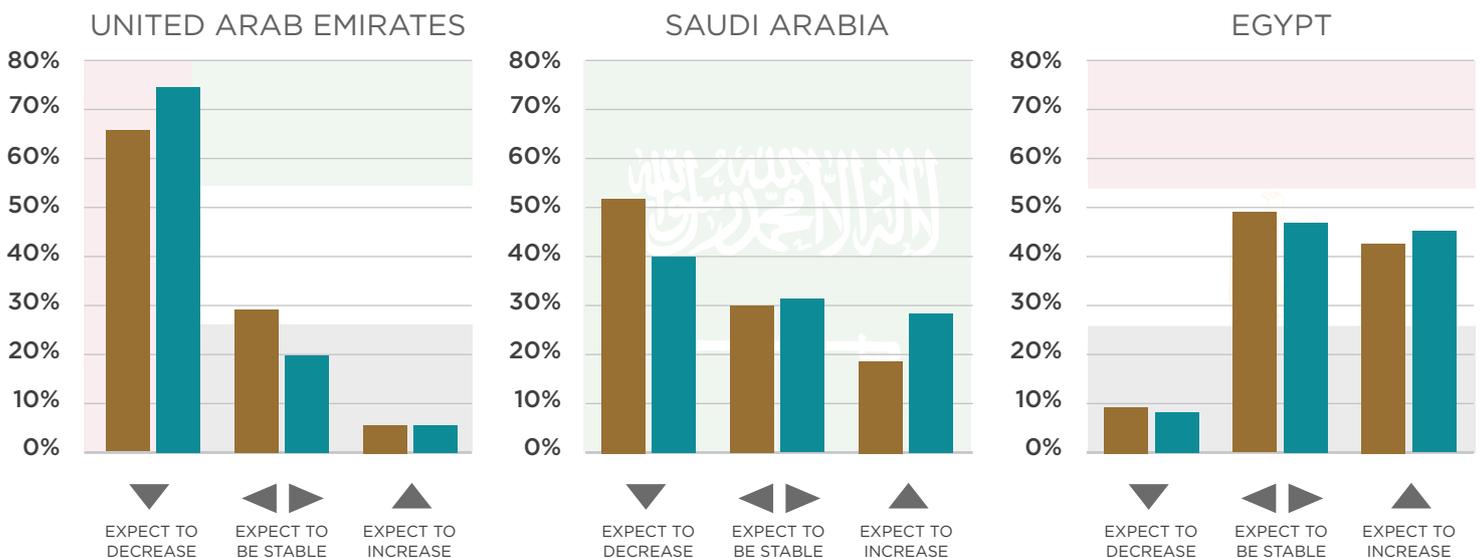
There were noticeable differences in the responses from the UAE, Saudi Arabia and Egypt, with sentiment noticeably weaker in the Gulf than in Egypt. In the UAE, 74% of respondents expect rents and prices to decline in the coming 6 months, with only 6% of respondents expecting prices to increase. In Saudi Arabia, 40% of respondents expect rents and prices to decline, 28% expect increases. Conversely, in Egypt, 44% of respondents are expecting rents and prices to increase, with only 9% forecasting declines.

Compared to early April, there is little change in Egypt; prices are still expected to continue their upward momentum, largely unaffected by Covid-19. While data from Saudi Arabia still points to price declines, it is noticeable that a lower proportion of respondents expect price declines in the next 6 months than were expected for Q2. This might suggest that the worst impacts of Covid-19 on sentiment occurred in Q2.

Sentiment appears to have deteriorated in the UAE, however, as more people now expect prices to decline in the coming months than was expected at the end of Q1. This could be explained by the perception that job losses, resulting from Covid-19, will have a larger effect on real estate in the UAE because a far higher proportion of the population are expats whose residency is dependent on employment.



WHAT RESPONDENTS EXPECT FROM RENTS AND PRICES IN THE NEXT 6 MONTHS



EXPECTATIONS FOR THE FOLLOWING 6 MONTHS FOR RENT AND PRICES

■ Q1 SURVEY RESULTS ■ Q2 SURVEY RESULTS



Focus on UAE

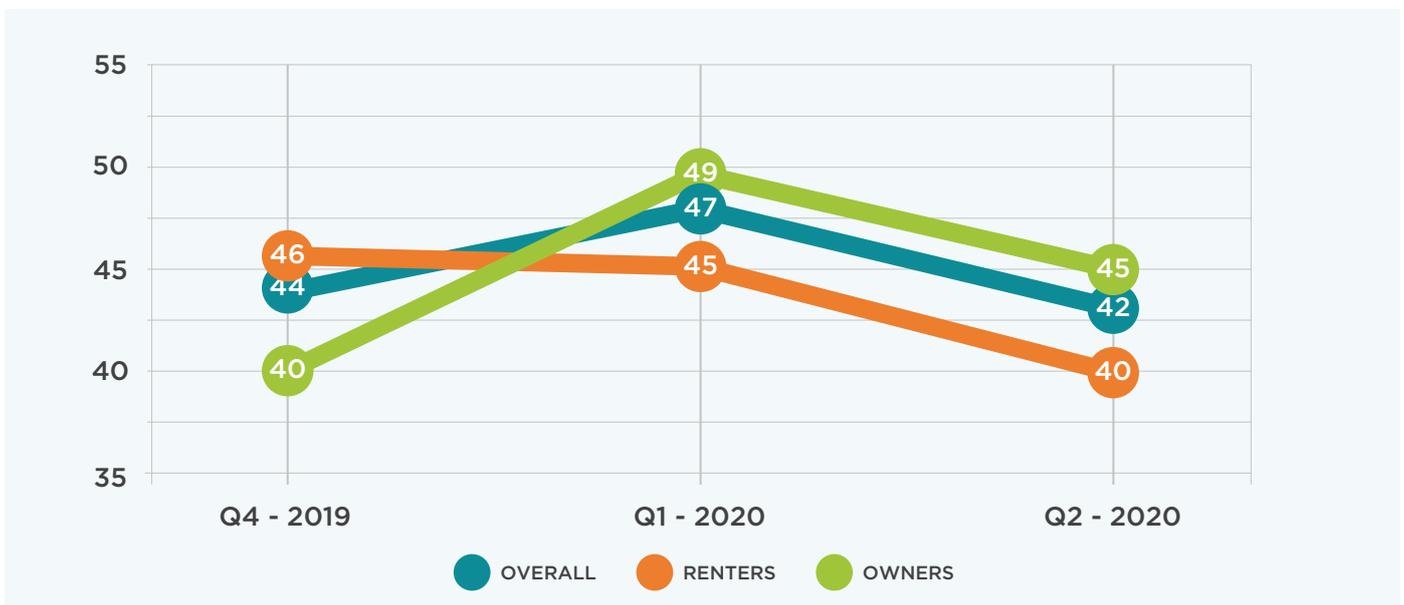
The Peninsula Home Sentiment Index fell to 42 from 47; having previously risen from 44 in Q4 2019. This reversal in sentiment was, no doubt, a reflection of the impact of Covid-19.

A score of under 50 represents, on balance, more negative than positive sentiment. With a score of 42, the survey respondents were signalling their expectation for the real estate market (prices and rents) to fall between 5 and 10% in the coming months.

The shift in sentiment is roughly equal for both renters and owners. In our prior survey, owners were expecting the value of their homes to fall only marginally throughout 2020. Now the owners index stands at 45, signalling an expectation for 5% price declines. Renters, having previously expected their rents to fall 5% this year are anticipating negotiating 10% declines with their landlords.



PENINSULA HOME SENTIMENT SURVEY INDEX



Findings from both UAE Owners and Renters

74%
of responders

thought that **prices and rents would fall** in the coming 6 months.

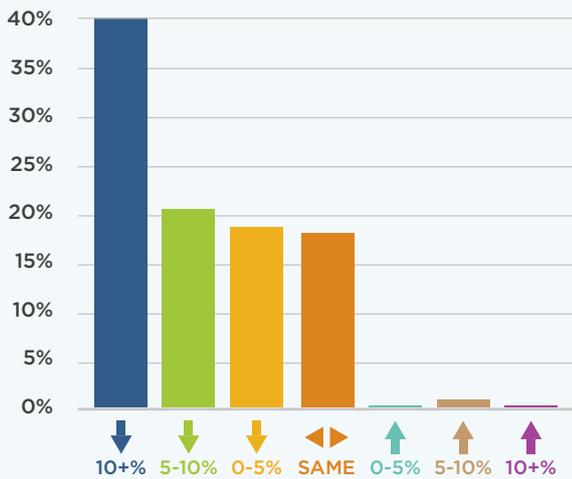
79%
of responders

thought the **value of their home fell** in the previous 6 months.

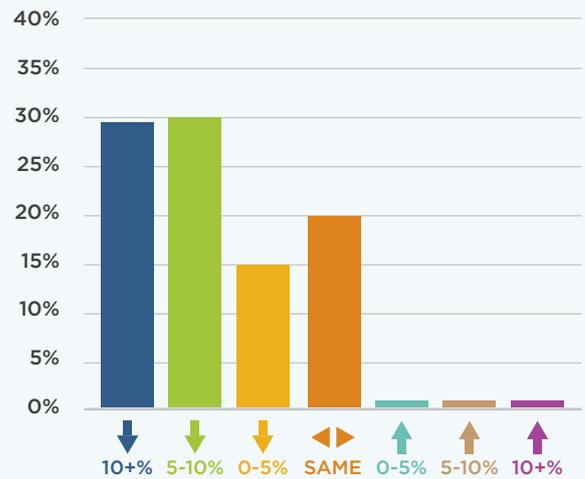
20%
of responders

said they **expect rents and prices to be stable** in the next 6 months

How did the real estate market perform in the **last 6 months?**



How will the real estate market perform in the **next 6 months?**



Real estate, **past 6 months versus next 6-month** expectations



Findings from UAE Owners

59%
of responders

expect the value of their home to **fall** in the second half of 2020.

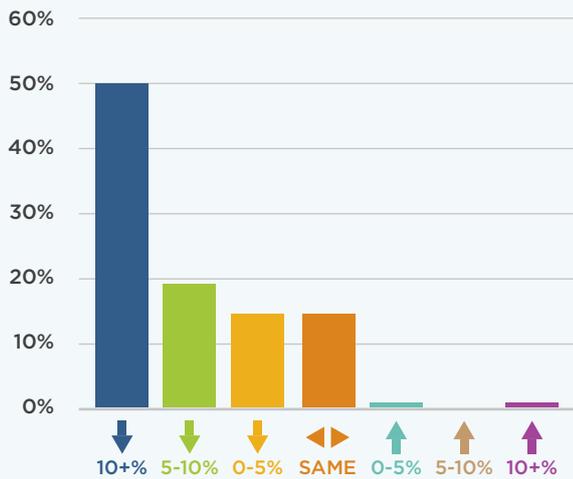
83%
of responders

thought the value of their home **fell** in the previous 6 months.

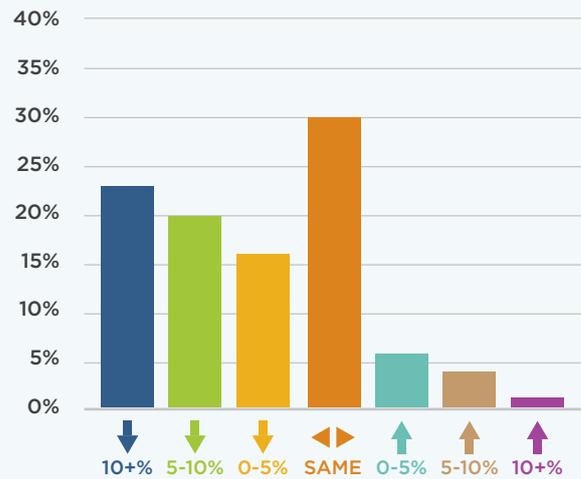
30%
of responders

said they **expected** the value of their home to **remain the same** in the coming 6 months.

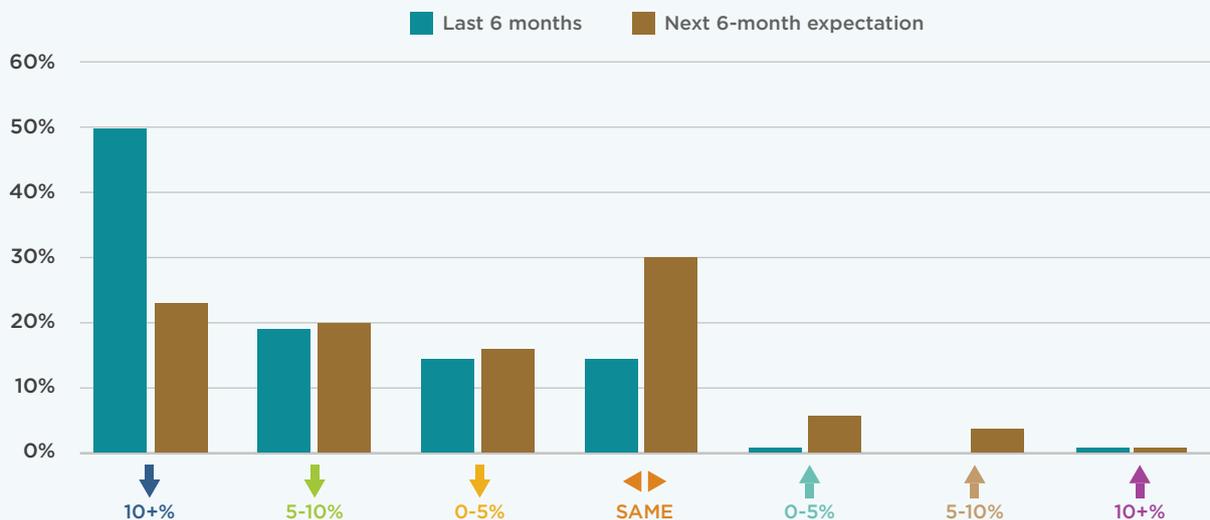
What do you estimate was the change in the value of your home in the **last 6 months**?



What change do you expect to the value of your home in the **next 6 months**?



Home values, **past 6 months versus next 6-month** expectations



Findings from UAE Renters

75%
of responders

who had renegotiated their lease in the last 6 months say **their rent fell**.

84%
of responders

expect their rent to **fall in the next 6 months**, as their leases come up for renewal.

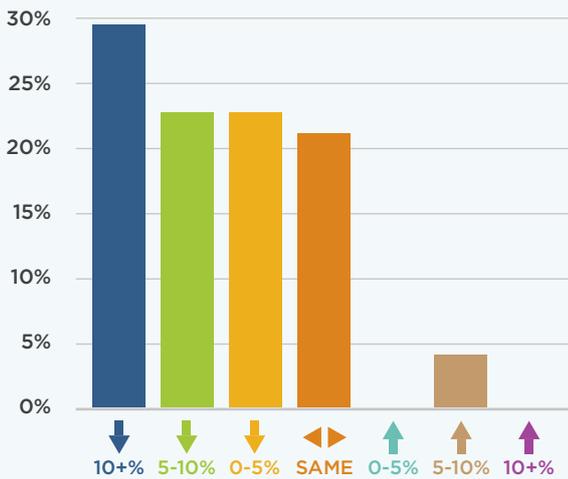
70%
of responders

think the **rent they pay is fair or good value** for the property they lease.

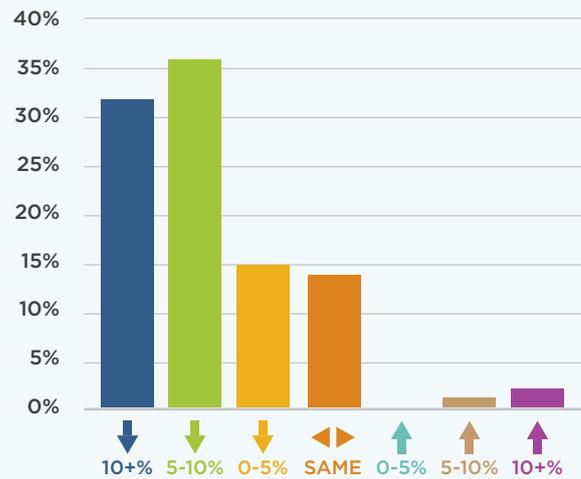
63%
of responders

of respondents are **less likely to buy in the coming months** than in the previous months

What happened to your rent in the **last 6 months?**



What change do you expect to your rent in the **next 6 months?**



Rent, **past 6 months versus next 6-month** expectations



What is a Home Sentiment Survey?

A Home Sentiment Survey measures consumer sentiment towards the residential property market. It allows for the creation of an index, which is derived from regular surveys of a representative sample of homeowners and renters. The survey can determine sentiment regarding buying, selling, investing in, renting of and renovating property, as well as property market conditions in general.

Why do a Home Sentiment Survey?

Survey findings are useful in informing a variety of decisions made by stakeholders: from developers, government authorities, individual buyers, renters and investors.



Where did we collect data from?

- Received responses from residents and investors from 26 countries, including 12 MENA countries.
- Our survey is conducted on a quarterly basis.
- Data only presented on countries where we received a sufficient number of responses.

Survey Timing

- Data was collected during the first two weeks of July 2020. It is the first survey we have conducted since the Covid-19 lockdowns have been enacted in the region.
- The next survey will take place during the first two weeks of October 2020.



HOME SENTIMENT SURVEY

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