

savills

Property Briefing

Sultanate of Oman

Residential / Commercial

Q 4 2015



No apparent softening of residential rentals despite continued fears of market slowdown. Healthy sales market with sustained demand for 'off plan' apartments and good levels of re sale activity within the ITC projects. Commercial office space market currently steady but braced for a negative knock on effect from reduced oil prices.

- Demand has remained firm for most residential property types with a notable change in tenant demographics and increasing demand for smaller, quality accommodation with onsite facilities.
- Rents remain firm in the ITC's despite stock addition with sustained high occupancy at Al Mouj (The Wave) and Muscat Hills Golf Course projects.

- Rents are increasingly under pressure for older, poorly maintained housing which cannot compete with the newer quality offerings now available.
- Capital values remain firm in the ITC projects with good re sale activity over the year. Domestic off plan sales record healthy value growth between time of purchase and project completion.

- The office market remains steady but faces an immediate, albeit temporary short term under supply of quality space.
- A slight downward movement in office rentals is expected as the corporate world reacts to reduced oil prices. However, significant reduction in values is unlikely as new companies enter Oman in drive for economic diversification.

As the year approaches its end, there have been no significant changes since the start with regard to prevailing values or demand levels. Rents have, by and large remained stable in most established neighborhoods and in some areas, especially those that have benefited from increased accessibility through the Expressway and new interchanges, increased marginally.

What has been evident throughout the year is the continuing decline in demand and as a consequence rental levels for older style property in the established central areas. Whilst these properties tend to offer more expansive accommodation and many have good garden sizes, the take up has been very slow. This is largely due to the large addition of new modern stock that meets international standards in terms of quality of finish and amenities. The ITC projects can be accredited to setting the benchmark for private landlords to follow and the discerning tenant today insists on new, fresh and well finished accommodation and will trade size for these characteristics.

There continues to be a shortage in supply of new, quality property, particularly independent villas and these lease fast when coming to market. Likewise, there remains a healthy demand for quality apartments – those that are well managed with good facilities such as pool, gym and on site restaurants/cafes.

A notable change throughout the year has been the decrease in family unit sizes entering Oman as new residents. A marked decline in larger families new arrivals is probably a reflection of companies trying to reduce associated employment costs (such as education and healthcare) and this has resulted in single and couple accommodation enquiries massively outnumbering requirements for large villa style accommodation. These new entrants, many arriving from neighboring GCC countries are familiar with group housing developments from where they are leaving and are prepared to pay substantial rents for apartments with well managed facilities and amenities on settling in Muscat.

Any perceived over supply of apartments that had previously been of concern can now be considered less likely as this trend for such housing continues apace.

Area	Residential 2 Bed	Residential 3 Bed	Residential 4 + Bed
Wadi al Kabir	350	450	500
Ruwi	300	400	475
Darsait	325	150	500
Al Wattaya	350	400	475
Qurum	500	750	1,200
Qurum Heights	600	850	1,500
Medinat al Ilam	600	800	1,600
Medinat Sultan Qaboos	700	1,100	1,700
Al Khuwair	500	700	1,000
Shati al Qurum	750	1,000	1,900
Ghubrah North	400	900	1,200
Ghubrah South	500	600	1,000
Al Mouj	850	1,200	1,900
Muscat Hills	750	1,350	1,900
Azaiba	650	850	1,400
Bausher	500	650	1,200
Seeb	300	400	550
Al Khoud	300	325	550

Starting rents in Omani Rials per calendar month for typical one year letting. Values may differ significantly depending on property quality.



Bausher and Qurum are two areas that have evolved rapidly over the year as favored new locations for apartment dwellers. Bausher, which has become known for its concentration of extensive new retail malls (and more to arrive soon) has seen a healthy space take up over the year as residents seek proximity to all the entertainment and shopping these venues offer. Qurum, long established as one of the most prestigious housing neighborhoods for luxury villas and compounds has seen the arrival of some quality new apartment developments which have attracted a new range of residents who seek central living but proximity to the beach and public parks.

THE ITC's

Oman's two central Integrated Tourism Complex developments, Muscat Hills Golf & Country Club and Al Mouj Muscat (formerly known as The Wave), continue to lead the way in terms of value and growth. Both these developments, continue to attract high levels of tenant and owner occupancy. With vacancies at virtually zero, rents remain high and unlikely to fall from present levels. Muscat Hills saw the release of its Phase 2 properties over the year which have been received well and attracted high levels of interest in the rental sector. Al Mouj released some exciting apartment options over the year which saw rapid take up. The development continues to see a shortage of villas available for rent in all zones. As the facilities and amenities at both these developments continue to be enhanced they are likely to retain their favored status amongst owners and tenants alike for the foreseeable future.



Being the only places where non GCC Nationals can own property in Oman, the ITC's remain a favored investment option for those seeking long term residency and those seeking to maximize their investment returns whilst in Oman. Interestingly, over the year the demographics of buyers has changed to be weighted more solidly in Oman and GCC buyers which reflects the confidence the Nationals have in these projects. Resale values remain firm and have seen slight increase of circa 6% for apartments at both Al Mouj and Muscat Hills with a lesser growth for villa accommodation.

Apartment	Average Sale Price per square meter	Average sale price per apartment
1 Bedroom	RO. 1,019	96,800
2 Bedroom	RO. 1,137	159,000
3 Bedroom	RO. 1,042	230,000

Villa	Average Sale Price per square meter	Average sale price per villa
3-4 Bedroom	RO. 1,085	352,000
4-5 Bedroom	RO. 1,190	530,000
5+ Bedroom	RO. 1,333	610,000



Of significance over the year was the diversification of product offering made by these ITC's with a broadening in range of accommodation and price options. Al Mouj, having re-branded from The Wave in recognition of its increasing appeal to local and regional buyers launched the first of their premium marina front apartment complexes, namely Juman One. This offering of luxury apartments has set new levels of value with prices for one bedroom units ranging from OMR 120,000 to spectacular 5 bedroom penthouses at OMR 806,000 representing a value per square meter of over OMR 1,600.



At Muscat Hills, The Links was launched which comprises of an off plan apartment complex, providing over 270 luxury apartments. With a commencing price level that was more accessible to a range of buyers due to its higher density development and hence construction cost advantages, sales were rapid. Sales saw a diverse range of buyers representing 22 Nationalities, but interestingly, Oman Nationals were the highest proportion of buyers recognizing the rental investment potential upon completion. The project, due for completion in 2017 achieved an average sale rate of OMR 810 per square meter.

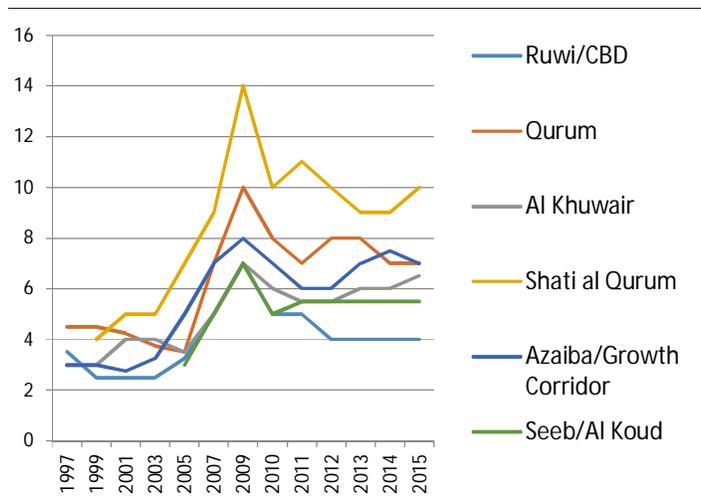
THE DOMESTIC PURCHE MARKET

The year has seen significant activity for off plan sales for new apartment developments through all neighborhoods of Muscat and past the airport. Demand from the younger Omani generation, keen to build up investment portfolios fueled the market with an estimated 75% of all sales in the central areas to buyers intent on leasing out upon project completion. The number of GCC buyers has reduced year on year, probably reflecting the vast array of product offerings at reduced price levels within their own countries flooding the market. Supply is likely to be added and it is estimated that over 1,800 apartments will enter the market for sale over the coming 18 months. With the Sultanate's continuing favorable mortgage lending policies and a burgeoning population with few alternative investment routes, demand is likely to remain constant leading to price stability and onward value growth in this sector.



THE COMMERCIAL OFFICE MARKET

The commercial office market is one which is often regarded as a barometer of the Sultanate's economic health and caution and uncertainty underpinned the performance of this sector over the year, particularly the latter half. Notwithstanding, rents remained firm for Graded space with some landlords seeking to slightly increase base rents upon lease renewal with varying degrees of success. The ongoing shortage of quality space, much space having been absorbed by the petrochemical sector and related industries over the last two years means that any significant downward movement in rentals is unlikely in the short term, apart from poor quality stock with inadequate car parking. Continued drives for economic diversification should lead to sustained, if not high levels of demand for the immediate future.



Savills Global Network

30,000 employees across a network of over 600 offices in more than 60 countries



- UK, Ireland & Channel Islands**
 - England
 - Guernsey
 - Ireland
 - Jersey
 - Northern Ireland
 - Scotland
 - Wales
- Asia Pacific**
 - Australia
 - China
 - Hong Kong
 - India
 - Indonesia
 - Japan
 - Macau
 - Malaysia
 - Myanmar
 - New Zealand
 - Philippines
 - Singapore
 - South Korea
 - Taiwan
 - Thailand
 - Vietnam
- Continental Europe**
 - Austria
 - Belgium
 - Croatia
 - Denmark
 - Finland
 - France
 - Germany
 - Gibraltar
 - Greece
 - Italy
 - Luxembourg
 - Monaco
 - Montenegro
 - Netherlands
 - Norway
 - Poland
 - Portugal
 - Russia
 - Serbia
 - Spain
 - Sweden
 - Switzerland
- Middle East & Africa**
 - Bahrain
 - Botswana
 - Kenya
 - Mauritius
 - Mozambique
 - Namibia
 - Oman
 - Qatar
 - Seychelles
 - South Africa
 - United Arab Emirates
 - Zambia
 - Zimbabwe
- Americas & Caribbean**
 - Bahamas
 - Barbados
 - Cayman Islands
 - Grenada
 - Mexico
 - Panama
 - St Kitts & Nevis
 - St Lucia
 - US

Savills Oman

Please contact us for further information



Nabul al Balushi
Head of Valuations
+968 9926 6244
nabil@savills.om



Shiji Thomas
Head of Sales
+968 9204 4435
sthoras@savills.om



Christopher Steel
Managing Partner
+968 24 692 151
csteel@savills.om



Leasing / Research / Accounts
+ 968 24 692 151
muscat@savills.om

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East with more than 25,000 employees worldwide. Savills is present in the Middle East with associate offices in Oman, Bahrain and Qatar. This bulletin is for general information purposes only. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The bulletin is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

© Savills Oman November 2015



Savills Oman
Arabian Real Estate LLC International Associate of Savills
Building 788 Way 3012 Shati al Qurum
Muscat
+968 24 692 151
muscat@savills.om
savills.om