



# Qatar Real Estate: Trends Shaping the Industry's Landscape

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# Introduction

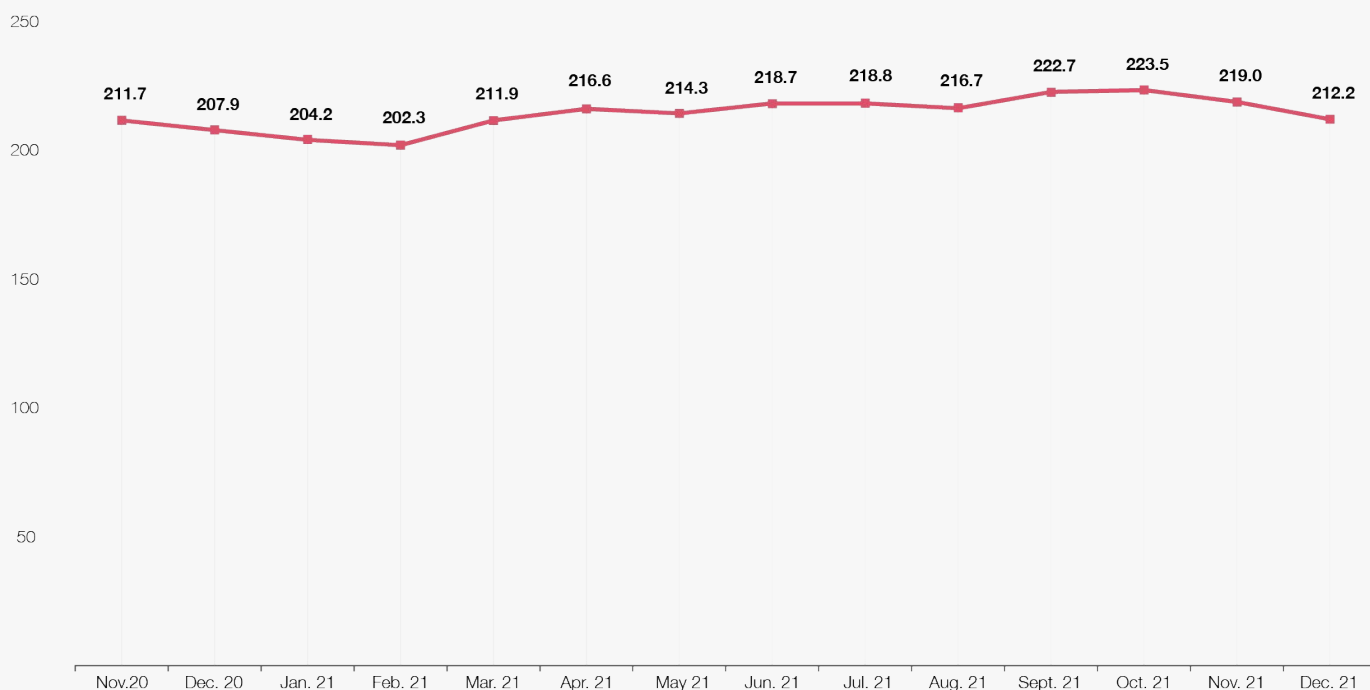
The COVID-19 pandemic has led to disruption across industries both globally and regionally, and Qatar's Real Estate industry was not an exception. Despite the headwinds caused by the restrictions and travel embargoes imposed to control the outbreak, Qatar has demonstrated remarkable resilience to the economic turbulence caused by the pandemic, as evidenced by the **Purchasing Managers' Index rebounding since the start of the pandemic and reaching a high of 63.1 in November 2021, a month after the Real Estate Price Index (shown in the figure below) reached 223.54 in October 2021 following the decline witnessed in 2020.** This growing pace of economic activity is well-timed as the country expands its Real Estate development plans to allow for more ownership opportunities for non-Qataris.

Nonetheless, given the relationship between the economic activity and the Real Estate industry, a positive outlook for the Real Estate industry is expected in the future. This outlook is particularly supported by the upcoming FIFA 2022 World Cup, which will serve as an invaluable growth driver for the Real Estate industry.

Beyond the pandemic and the FIFA 2022 World Cup, tourism, ESG and technology integration combined with the government's active stance on putting forward policies that serve to boost the industry's self-sufficiency, will propel the Real Estate industry to new heights.

In this paper, we look more closely at each of these factors and the impact they have or will have on Qatar's Real Estate industry.

## Real Estate Price Index



# COVID-19

The post-COVID landscape will necessitate that industries calibrate and re-adjust their strategies more frequently than ever before in order to keep up with the changes in today's business landscape.

The rise of e-commerce and remote working have changed what was once considered the 'norm' in the Real Estate industry. The increased adoption of hybrid work styles is expected to reshape workspaces.

Based on a February 2021 PwC Middle East survey of 2,500 members of the general public in the GCC:

68%

of GCC employees surveyed prefer a mixture of in-person and remote working

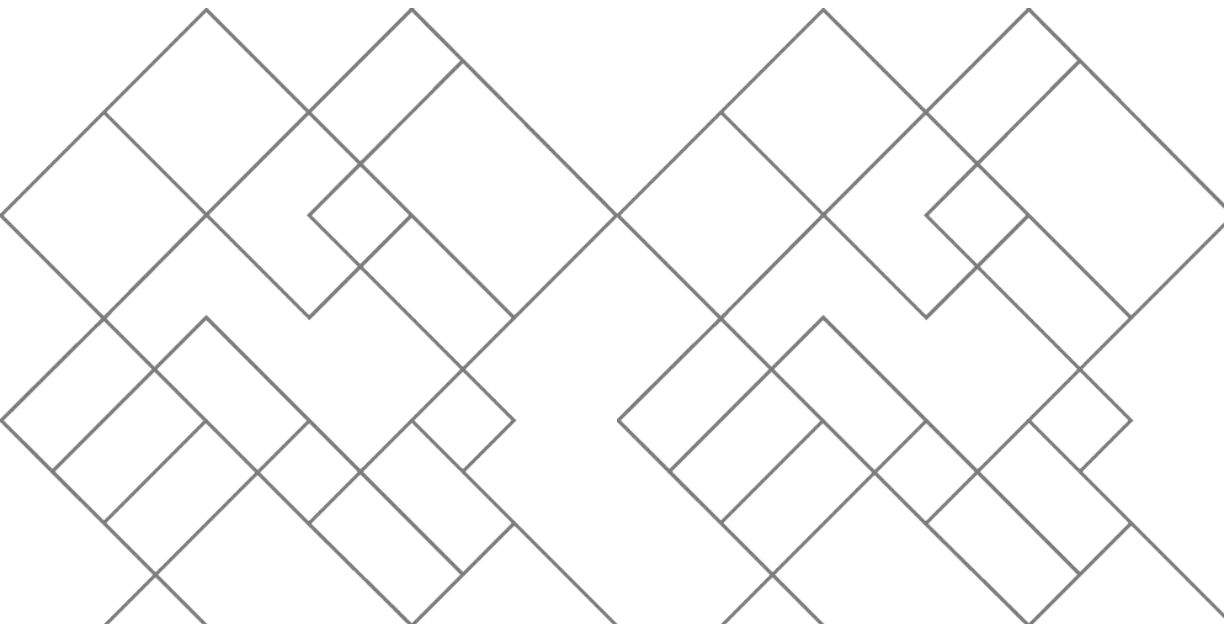
Only 7%

would like to go to office full-time.

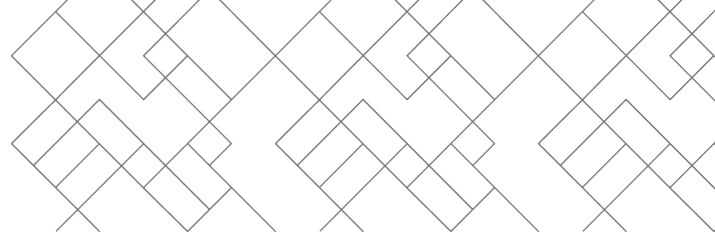
*(Source: PwC Middle East GCC Hopes & Fears Survey 2021)*



**Although time will give us a more accurate view, the office and retail sectors are likely to continue seeing lower foot traffic on a day-to-day basis.**



# FIFA-2022



**The FIFA 2022 World Cup has been at the heart of Qatar’s economic plans, and has served as a source of optimism during the recent downturn.**

Whether the crisis took the form of a raging pandemic or political tensions, the event remained a source of hope for the public as well as the economic decision makers of Qatar. The World Cup is not only an auspicious strategic instrument as a stand-alone occasion, but it is also a vehicle for achieving a thriving economic landscape beyond 2022, and an integral part of the bigger picture set forth by the ‘Qatar National Vision (QNV) 2030’.

The World Cup, which is expected to draw hundreds of thousands of spectators from around the world, has positioned the State to become a trailblazer for such large-scale sports events in the Middle East region. It is common practice to measure the impact of such a ‘mega-event’ by the profits and commercial value it will generate for the host country, and to pin the growth of the local economy to the revenue increases it is expected to bring. However, while this may have been a valid method of evaluation for other World Cup hosts, it is not an accurate measure when it comes to Qatar. Qatar’s wealth is stable, allowing the country to overlook temporary large outflows of cash and instead focus on the long term benefit that this spending will bring: sustained economic growth – which is expected to yield greater, yet stable, demand for housing, retail outlets, office spaces, warehouses, factories, and hotel rooms, enriching the flow of activity across all asset classes and the Real Estate industry as a whole.

Creating and sustaining demand is an important goal for Qatar, especially given the current disruptions caused by **i)** regional political tensions and the pandemic, and **ii)** the sharp increase in hotel capacity in preparation for the World Cup, **which has resulted in an oversupply across the residential, hospitality, and office sectors.** This predicament, however, can be addressed through policy measures as well as strategic partnerships, among other tailored solutions. One such example is the recently signed agreement between the Supreme Committee of Delivery and Legacy (SCDL) and the Accor Group, which will use existing residential properties to provide affordable accommodation options for FIFA World Cup visitors.

Overall, with an expected influx of tourists into the country, hotel occupancy rates and RevPAR are expected to increase, boosting the hospitality sector.

The World Cup is expected to support Qatar in achieving its long-term urban development and economic diversification goals, as well as to strengthen the country’s position as an appealing investment destination.

While the FIFA World Cup is renowned for leaving behind ‘white elephants’ in host countries, **Qatar is already taking steps to ensure a sustainable legacy and avoid any long-term negative effects after 2022.** One such step is the planned legacy of the Al Thumama stadium. It will serve the needs of the local community by housing a sports clinic and a boutique hotel which will replace the upper stands. The surrounding area will develop to include facilities for multiple sports in addition to retail and commercial units.



# Tourism

As we move towards a post-COVID world, tourism is becoming a major focus for nations around the world, including for Qatar. Following a sharp drop in RevPAR in 2016, Qatar has shifted its focus on diversifying its economy through localisation and the development of local attractions. Visa-free entry was granted to nationals from 88 countries, which combined with the advantage of Qatar being only a 6-hour flight away for 80% of the world's population, has contributed to Qatar's image as one of the world's most open countries in the world. In fact, Qatar was ranked the 8th most open in the world according to visa openness rankings released by the UN World Tourism Organization (UNWTO) in August 2018. Furthermore, three key indicators of the overall health of the tourism industry – occupancy rates, ARR, and RevPAR – all improved between H1 2020 and H1 2021 (Source: Qatar Tourism).



**Between H1 2020 & H1 2021:**

**Occupancy Rate**

**7%**



**ARR**

**16%**



**RevPAR**

**24%**

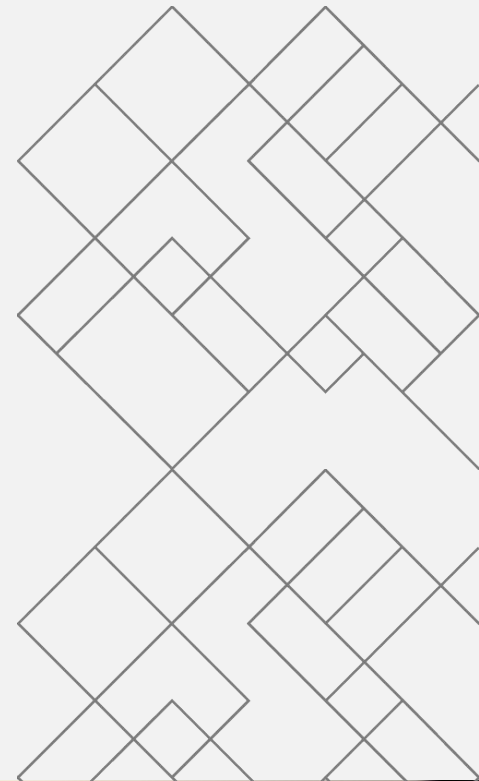


(Source: STR)



**Since the 86% drop in tourist arrivals from GCC countries between 2016 and 2018** (Source: Qatar Planning and Statistics Authority) that was primarily attributable to the political tensions in June 2017, Qatar has accelerated development of tourist attractions like the Qatar National Museum, as well as high-profile marketing campaigns such as the Qatar Airways' 'A World Like Never Before' campaign, contributing to a **38% increase in total tourist arrivals between 2016 and 2019**. Similarly, tourism declined 2020 onwards as a result of COVID-19 and the prevailing restrictions, however given Qatar's historic track record in rectifying such hurdles, this was short-lived. In fact, many upcoming projects and events that attract tourists from all over the world have been planned since, with the FIFA 2021 Arab Cup serving as such example. Moreover, with the recent restoration of ties with its neighbouring countries, tourist arrivals from within and outside the region are expected to increase significantly. In particular, prior to the period of political tensions and the rise of COVID-19 cases, Saudi visitors were known to account for at least half of the tourist influx into Qatar and contributed to more than half of the country's tourism revenue. In addition, the drop in COVID-19 cases and effective vaccine rollouts **are likely to further boost the inflow of tourist arrivals.** (Source: PwC Qatar Economy Watch)

Furthermore, Qatar's focus on hospitality, particularly in the run-up to the FIFA-2022 World Cup, is at the forefront of the country's tourism expansion plans. The country's tourism industry has also gained traction as a result of several other events, including the FIFA 2021 Arab Cup, the ExxonMobil Tennis Open, and a number of international exhibitions, including Christian Dior's 'Designer of Dreams' exhibition and the Jeff Koons' 'Lost in America' exhibition.



# ESG

**Looking ahead, Qatar's Real Estate industry is on track to reduce its carbon footprint and pave the way for a greener future for the country.** Three of the country's most recent major projects – the Doha Metro, Msheireb Downtown, and Lusail City – have incorporated Qatar's sustainability agenda into the core of their development plans, as evidenced by their emphasis on renewable energy solutions, such as on-site energy generation, LED lighting systems and carbon dioxide monitors. Furthermore, **the country's buildings account for only 0.3% of the total carbon dioxide emissions per capita per year**

(Source: *Emissions Database for Global Atmospheric Research*), a reassuring figure that must be monitored and, where possible, improved through a continued commitment to the development and upholding of ESG standards across the industry.

Qatar's commitment to sustainability is also reflected in the country's World Cup preparations. Every FIFA 2022 stadium is on track to receive at least a 4-star GSAS rating (Global Sustainability Assessment System) in categories such as design, construction, energy and water usage (Source: *Qatar Tourism*). Given that these stadiums will be repurposed to support local infrastructure after the World Cup, it is only natural that their structures be in line with the country's ESG agenda.

As the global focus on ESG risks and responsibilities grows, Qatar's Real Estate industry must recognise and capitalise on the opportunities that it presents.

With a continued focus on minimising its carbon footprint, upholding its environmental well-being agenda, implementing and updating its ESG standards as per regional and global developments, Qatar should continue to be propelling its Real Estate industry forward as a sustainably conscious, modern, and increasingly progressive market.

Attitudes toward ESG risks and opportunities, % of respondents who agree

## 79%

ESG risks are an important factor in investment decision-making

## 75%

Companies should address ESG issues, even if doing so reduces short-term profitability

## 68%

ESG performance measures and targets should be included in executive pay

## 49%

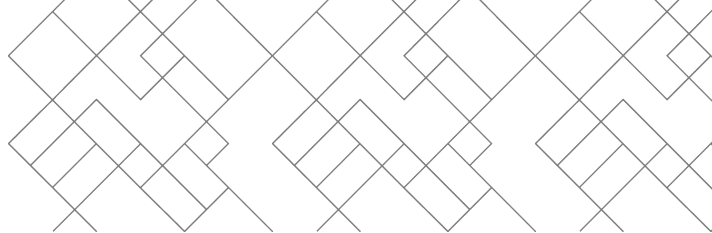
I am willing to divest from companies that aren't taking sufficient action on ESG issues

(Source: *PwC 2021 Global Investor Survey*)





# Technology



An important tool that can complement Qatar's vision of sustainability through Real Estate, as well as accelerate the growth of the industry, is property technology (PropTech). The emergence of PropTech could prove to be remarkably beneficial to Qatar's Real Estate market, and it is a domain that should be explored further in order to reap its benefits and facilitate value creation for the industry. The recent signing of an agreement between Barwa Real Estate Group and Huawei for the provision and integration of ICT systems to ongoing and upcoming projects (*Source: Barwa Real Estate Group press release*) demonstrates Qatar's understanding of the strategic advantage that can be gained from capitalising on PropTech.

In the midst of what is being recognised as the 'Fourth Industrial Revolution', digitisation and automation are quickly making their way into the Real Estate industry, and Qatar would be opening itself up to a world of possibilities in terms of innovation and business opportunities if it embraces this technological intervention. PropTech's potential penetration into the Real Estate market is exemplified by the following:

## Big data

Data-driven insights will help Qatar's decision-makers take more informed measures in relation to policy making or future planning of Real Estate projects. Companies that manage big data can provide valuable historical and predictive data about a wide range of relevant topics and even help improve safety through data-driven insights on internal building systems (HVAC, electrical infrastructure etc.).

## Artificial intelligence (AI)

One example of AI implementation will be a more accurate prediction of pricing trends since the technology will be taking into account factors that are often otherwise overlooked (i.e. number of schools in the area, marketplace activity, transportation and traffic in the vicinity etc.).

## Virtual reality (VR)

VR could significantly enhance the existing rental and construction processes in Qatar, particularly as potential buyers receive an immersive experience of touring properties through VR technology, even before construction begins.

The Real Estate industry has a long history of being resistant to digital disruption, despite being one of the oldest and most powerful industries in the world. However, in an era when agility has become a key competency for industries around the world, such an approach is out of date, and Qatar's Real Estate industry would do well to embrace the emergence of PropTech sooner rather than later.



# Conclusion

Following the disruption caused by COVID-19 on the Qatari economy and Real Estate industry, a recovery is underway and supported by the higher oil prices and increased economic activity, as well as the FIFA 2022 World Cup. While past experience suggests that the Real Estate industry may experience a slowdown in the medium term, Qatar may be an exception given the government's proactive stance on creating a backlog of megaevents, such as The International Horticultural Expo 2023, its ability to attract visitors from around the world, and passing impactful legislative changes that positively impact the industry (i.e. foreign ownership of property). Over time, the landscape of Qatar's Real Estate industry will most likely be defined by ESG, technologies, and both direct and indirect effects of Qatar's Vision 2030.



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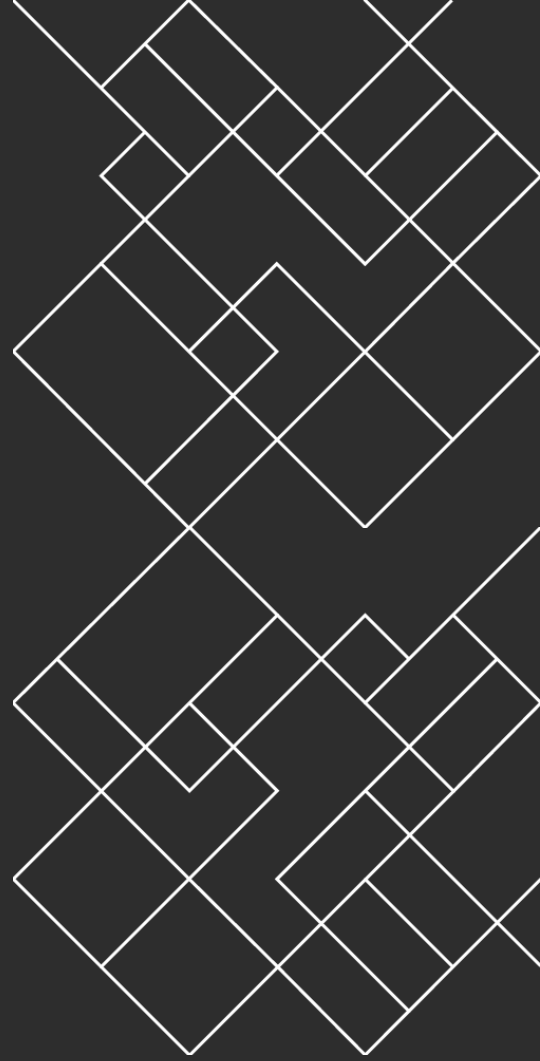
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