

MENA RESEARCH — 2020

SPOTLIGHT  
Savills Research

# Lockdown Living Survey



Market Sentiments | Evolving Landscape | Global Perspective

The global economy came to a standstill by mid-March as countries closed their borders and effectively shut down cities in an attempt to slowdown the spread of COVID-19. In the following two to three months, as government directives forced people to stay-put, we spent a large part of our time at home. Residential space in most cases quickly doubled-up as an office and / or a makeshift gym and / or a place of recreation.

After a prolonged period of confinement, people are gradually emerging into a new norm of live, work and play as lockdown ease across the region. Even though activity levels have bounced back, albeit still lower than pre-COVID levels, a general inhibition towards spending a lot of time outside has in turn led people to relook at their current residential space. In most cases, this means either relooking at their current residential set-up and making necessary upgrades or considering relocating to suit their newfound lifestyle. This has led to a marked shift towards how we perceive our residential spaces. To better understand how occupier sentiments have evolved in the last few months, Savills undertook an online survey of occupiers across the region. This survey was undertaken in the month of July and captures the sentiments of individuals towards residential units pre and post lockdown.

## RESIDENTIAL ACTIVITY WAS GENERALLY OPTIMISTIC BEFORE THE LOCKDOWN



Before we delve into the survey findings, it is imperative to look at how residential real estate was performing across key markets before the pandemic. A few cities such as Abu Dhabi, Dubai, Sharjah, Riyadh and Cairo, were witnessing a gradual improvement in demand. Though most of these markets have seen substantial supply addition in the last few quarters and have a sizeable pipeline of upcoming projects, transaction activity was gradual increasing year-on-year (y-o-y). In Dubai for example, transaction activity increased by almost 25% y-o-y in 2019. In Q1 2020, transaction activity was up by almost 10% y-o-y. Demand levels were similarly buoyant across Cairo driven by a young and growing population and various proactive investments and measures implemented by the government. In Abu Dhabi and Sharjah, the launch of new projects and permitting titled ownership (in select locations) to non-Gulf Cooperative Council (GCC) nationals led to increased transactions activity in the last few quarters.

In Bahrain, the pandemic, and consequent drop in oil price, has led to more uncertainty in the economy. This has resulted in buyers being even more discerning when it comes

to location, quality, privacy and good value for money. Having said that, activity has picked up this year due to people not being able to travel and working from home. Sales have increased in lifestyle destinations such as Amwaj Island, Durrat al Bahrain, Eagle Hills and other projects in Diyar Al Muharraq with buyers wanting property by the sea or close to beach access.

In Muscat, however, the residential rental market has seen a decline. The rental market is driven by expatriates and at the end of Q1 2020, the expatriate population in Muscat was 6.5% lower than in 2017. The drop in expatriate numbers have therefore resulted in a shrinking market size for residential rental properties since 2017.

As lockdowns ease across the globe, businesses are reopening and market activity across almost all sectors is resuming. Real estate is no exception: the loosening of lockdown means that listings, viewings, and sales can once again take place. However, the changes to people's lifestyles and working habits have led some to reassess the space they occupy.

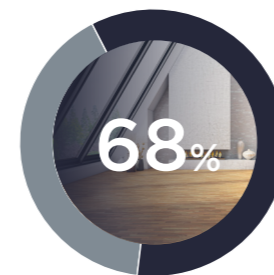
“Close to 68% of the respondents currently privately rent unfurnished accommodations in the region. While the share of owner occupied properties, both mortgaged or otherwise is roughly 18%”

## Renting is still the most preferred

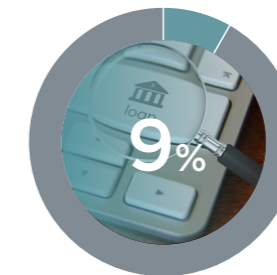
As part of the survey, we tried to understand the current living arrangement of the respondents. Most countries in the region have a high share of expatriate population. As per recent estimate, close to 89% of the population in the UAE, 52% in Bahrain, 44% in Oman and 33% in Saudi Arabia are expats. As a result, a large share of the population prefers to rent properties. This has provided immense opportunity to investors to rent out properties fairly easy. It has led to healthy yield level which in turn has driven investment activity. On the

other hand, for developers, it means that along with the strong investor base, there is a substantial pool of population that can be targeted for upcoming projects. A few of the developers have been quite successful in doing the same with the launch of innovative payment plans and schemes such as 'rent-to-own'. As per our findings, close to 68% of the respondents currently privately rent unfurnished accommodations in the region. While the share of owner occupied properties, both mortgaged or otherwise is roughly 18%.

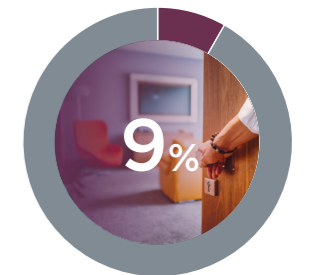
### CURRENT LIVING ARRANGEMENTS



RENTING PRIVATELY UNFURNISHED



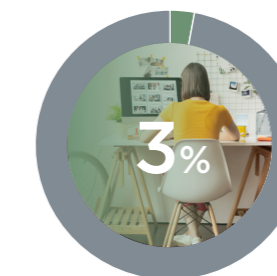
OWNER OCCUPIER WITH MORTGAGE



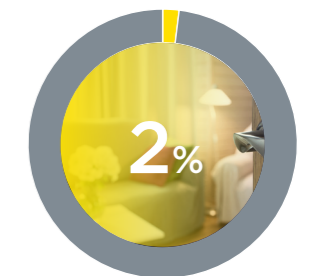
OWNER OCCUPIER, NO MORTGAGE



RENTING PRIVATELY FURNISHED



LIVING IN ACCOMMODATION PROVIDED BY MY EMPLOYER

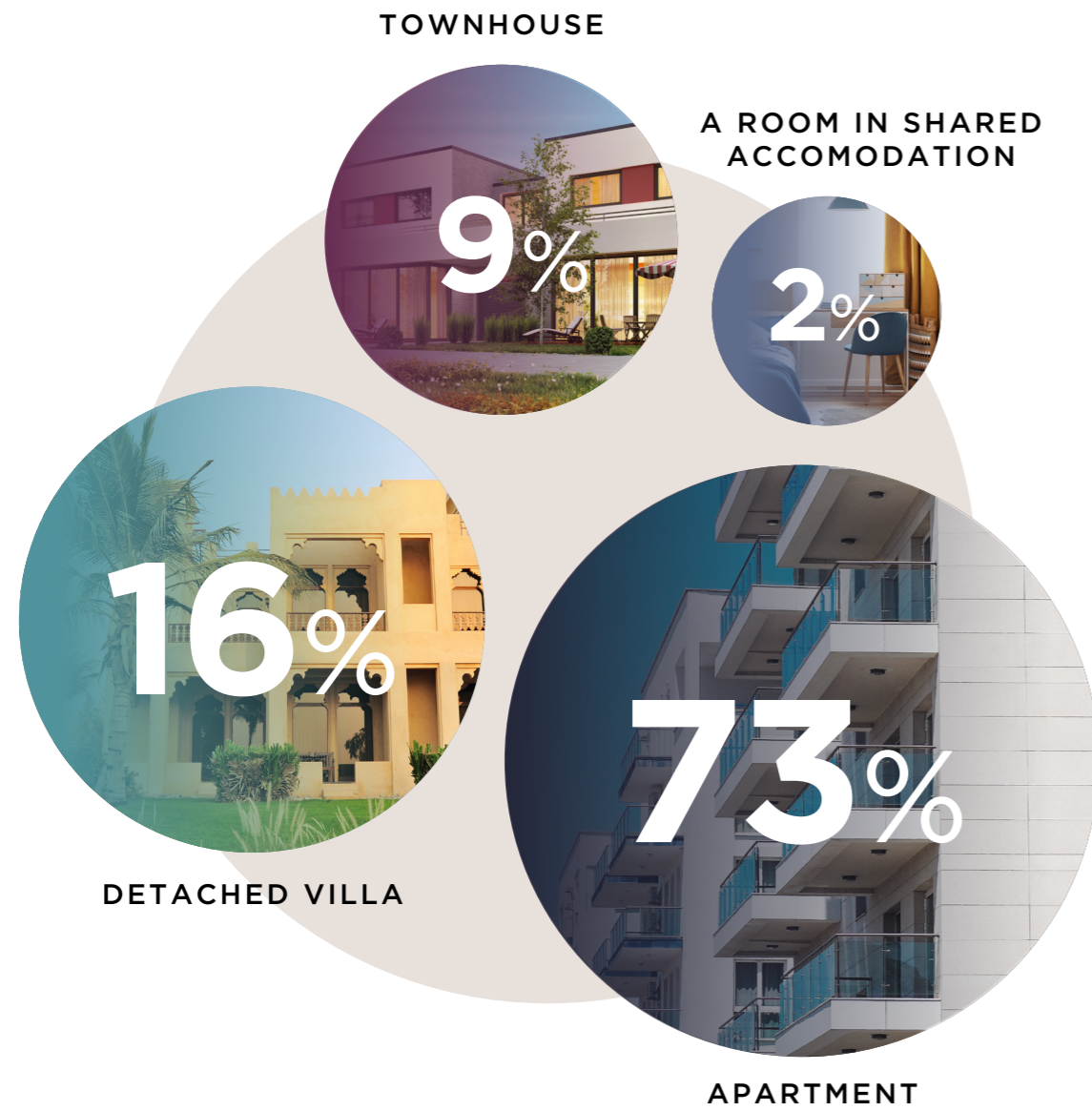


OTHERS

SOURCE SAVILLS RESEARCH

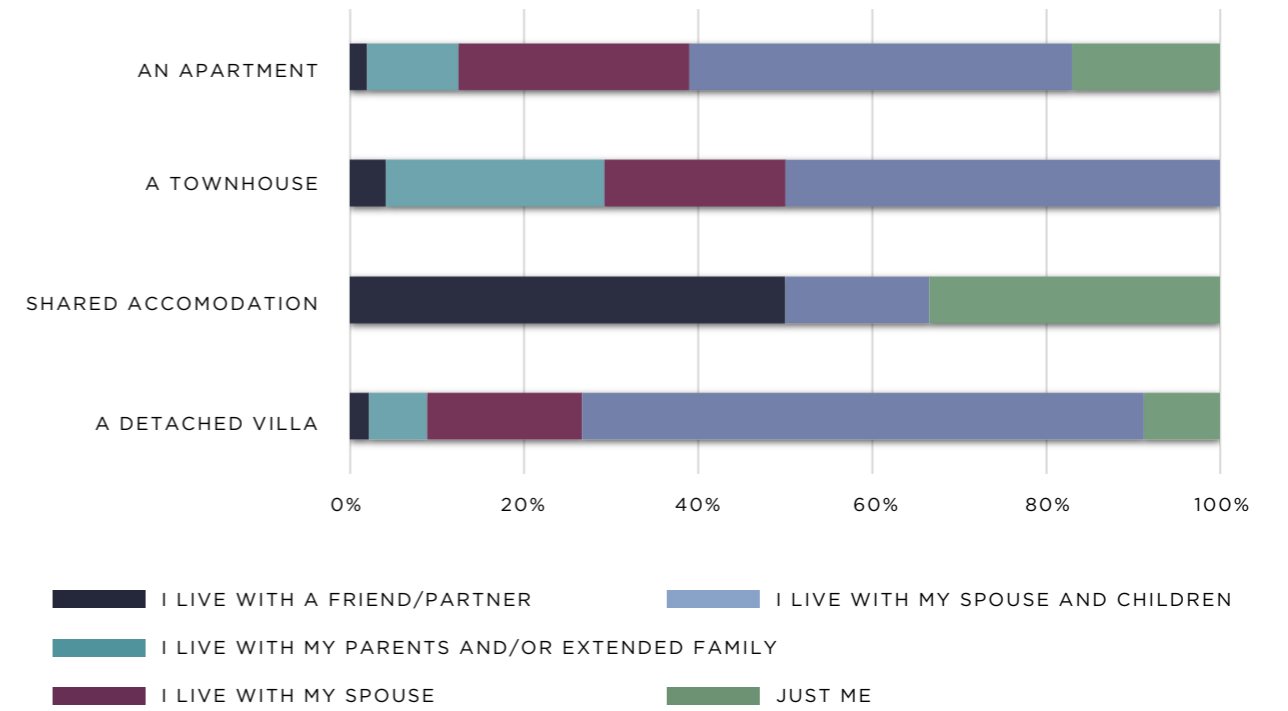
“Apartments are the most widely adopted form of accommodation. Over 73% of the respondents in the region currently live in an apartment. This is followed by townhouse and villa development format at 25%.”

CURRENT LIVING ARRANGEMENTS



SOURCE SAVILLS RESEARCH

HOUSEHOLD STRUCTURE AND PREFERRED RESIDENTIAL ASSET TYPE



SOURCE SAVILLS RESEARCH



“Collectively price and size of a property are the biggest factors influencing decisions while choosing a residential space.”

## Price and size of a property are the biggest factors

When it comes to choosing the right property, price, property size and proximity to work emerge as the clear differentiating factor. Given that majority of the respondents currently rent property in the region, price becomes a key determinant when choosing a residential space. The onset of temporary salary cuts and redundancies has also ensued a more cautious approach towards spending. Since rents / mortgages form one of the biggest components of an individual's / family's monthly spend, our agents indicate a spike in enquiries for relocation and renegotiation to maximize savings. Property size is another key factor influencing investment

decisions in the region. Generally, properties in the region offer proportionately larger area compared to other major cities around the world. However, in the past few years, we have seen a continued shift towards smaller sized units being launched by developers in the region. But as indicated by our research, maintaining a healthy balance between apartment size and affordability is critical for a project's success.

### CURRENT PRIORITIES WHEN CHOOSING A RESIDENTIAL SPACE



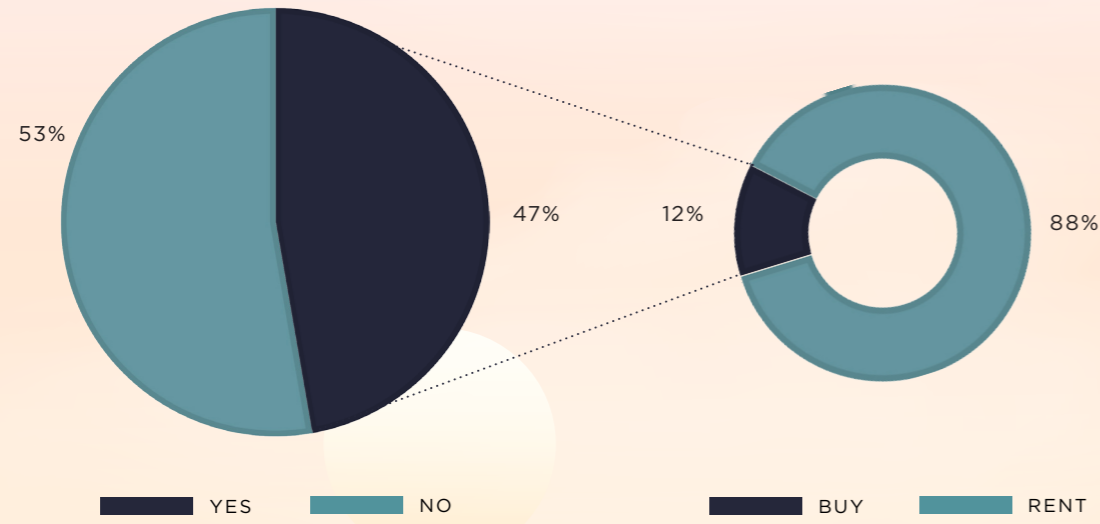
SOURCE SAVILLS RESEARCH

“Cost has taken a precedence in the last few months with widespread salary cuts and a generally subdued economic outlook.”

Close to 47% of respondents have indicated that the pandemic has encouraged them to move in the next 12 months. Majority of them would still prefer to rent as they adopt a wait and see approach to understand how the socio-economic landscape will evolve in the next 12 months. Close to 21% of the respondents have indicated that they would be relocating in the next twelve months to save money.

While 15% would move to downsize their space and save on rent. On the other hand, close to 28% of the respondents would be moving to upgrade their lifestyle in some form. These include moving from an apartment to a villa / townhouse, moving to a place with better community facilities, having additional space to incorporate a home office as well as the benefits of a bigger garden or a private pool.

### HAS THE LOCKDOWN ENCOURAGED YOU TO MOVE IN THE NEXT 12 MONTHS

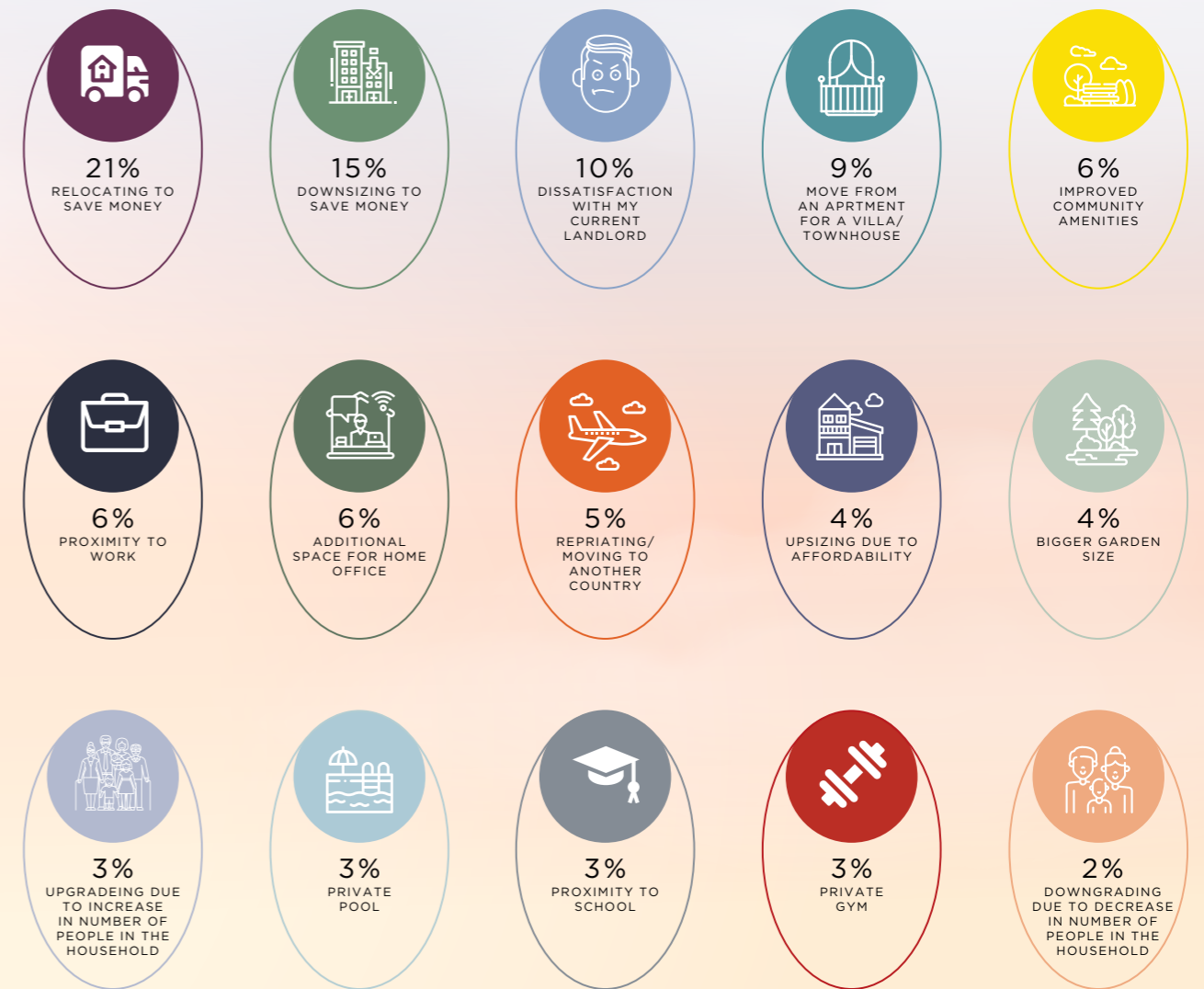


SOURCE SAVILLS RESEARCH



“Close to 47% of our respondents have indicated that the pandemic has encouraged them to move in the next 12 months.”

### MAIN OBJECTIVES FOR MOVING



SOURCE SAVILLS RESEARCH

“As per our agents, there is a disconnect when it comes to price expectations.”

## Global sentiments remain positive

At a global level, Savills Research has carried out a sentiment survey of the Savills global residential network to assess how COVID-19 is changing the residential property market as restrictions lift and what the future trends might be. In a promising result for property markets globally, 78% of respondents said that most or almost all of the buyers in the areas they cover are still looking for a new property.

Similarly, the majority of vendors across over 90% of markets surveyed are still planning to sell their properties. This sustained level of interest from both buyers and vendors bodes well for the resumption of transactions as restrictions continue to ease.

There is a disconnect when it comes to price expectations, however. 78% of respondents stated that buyers were expecting to see lower prices than before lockdown. Conversely, 78% of vendors are anticipating pricing to remain the same.

The general sentiment across survey respondents is that things are looking positive, but the market hasn't quite recovered yet. Respondents in China, which has been out of lockdown for the longest, stated that the market took two to three months to recover, though activity has largely returned to normal. Many survey respondents reported that it was simply too early in the recovery to make any comparisons, either because flights for international buyers are still not allowed, or because potential buyers are still waiting to view properties in person.

“The general sentiment across survey respondents is that things are looking positive.”





## Savills Middle East

Working alongside investors, developers, operators and owners, we inject market insight and provide evidence-based advice at every stage of an asset's lifecycle. We have unrivalled reach across the Middle East with extensive market experience in UAE, Bahrain, Oman, Egypt and KSA.

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## Savills Market Research

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

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