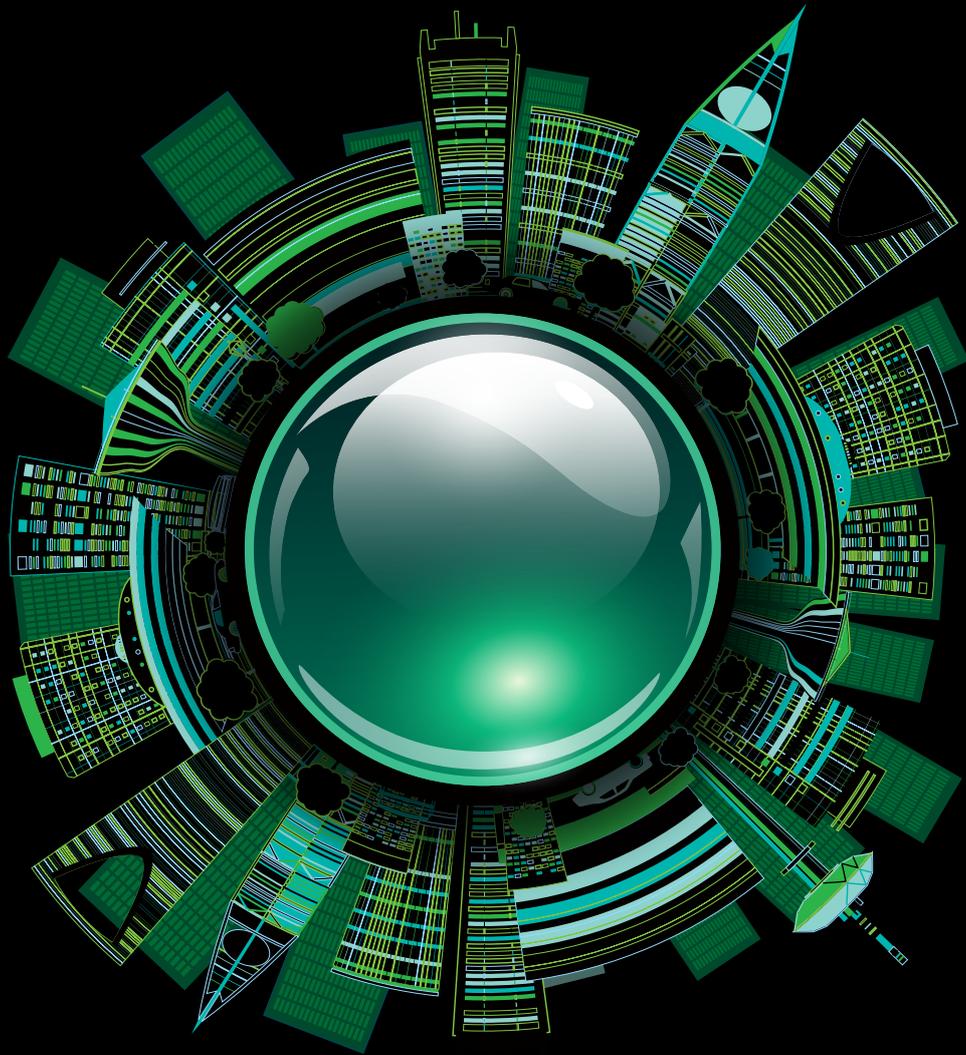


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**Middle East Real Estate Predictions
2024 | KSA market review**

10th Anniversary edition



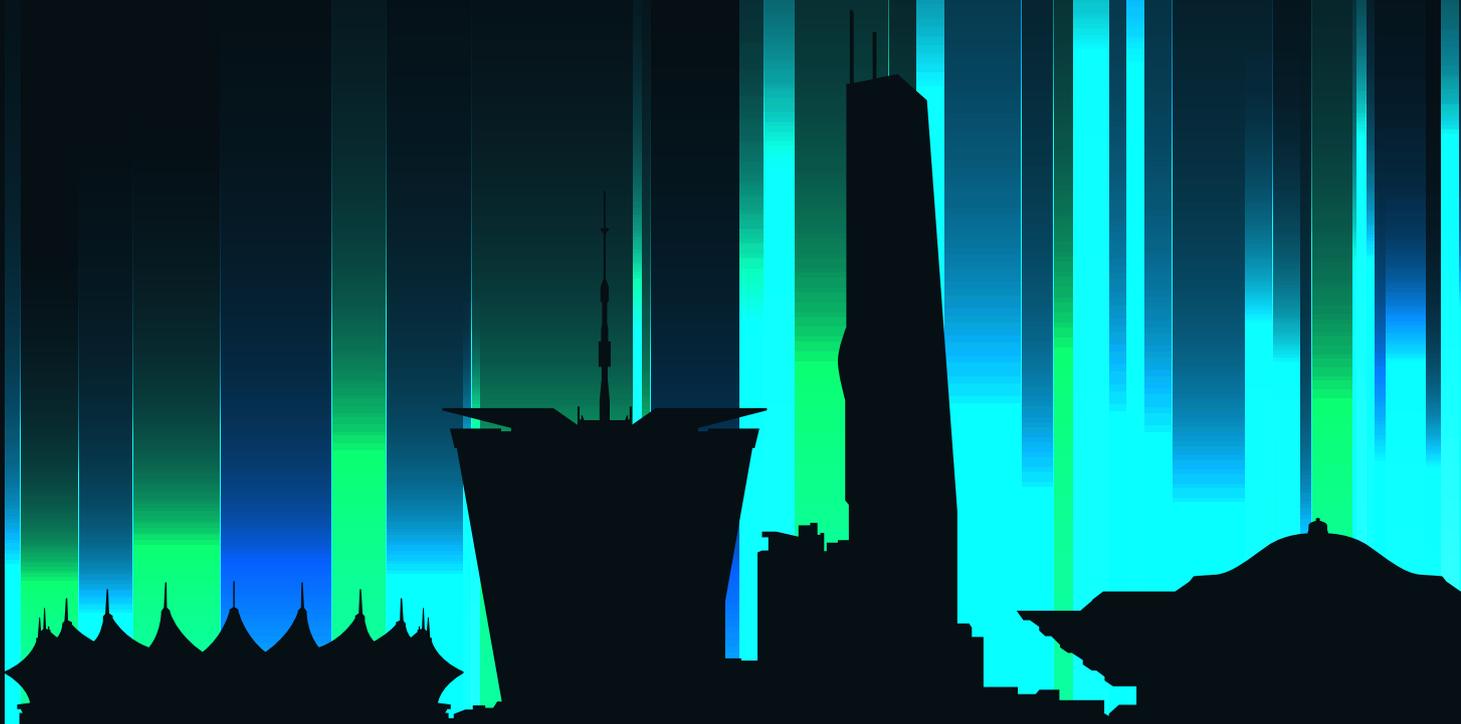
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Executive summary

Saudi Arabia's gross domestic product (GDP) reached SAR 10.1 trillion (USD 2.6 trillion) in 2023 and is expected to grow to SAR 11.6 trillion (USD 3 trillion) by 2030, with 1.6% annual growth according to data from Oxford Economics. In the post-COVID real estate landscape, key trends include sustainability and technological integration. The demand for flexible workspace is rising, leading developers to innovate office designs tailored for hybrid work models. Residential preferences are shifting towards homes that accommodate remote work by incorporating wellness-centric features. Simultaneously, the retail and hospitality sectors are adapting to changing consumer behaviours, with a focus on e-commerce and experiential spaces.



Residential

Transaction volumes have decreased while sales prices for villas and apartments continued to increase in 2023 compared to the prior year.

Hospitality

The easing of travel restrictions, coupled with enhanced visa norms that offer faster online visas to tourists, has supported the country's post-pandemic recovery.

Offices

Employment forecasts from Oxford Economics indicate that financial and business services segments in KSA registered a year-on-year (Y-o-Y) growth of 4% during 2023.

Retail

The Economist Intelligence Unit (EIU) estimates that the total retail sales volume in KSA will decrease by approximately 1% in 2024, with sales expected to increase by 2.7% by 2027.

Industrial and logistics

The launch of four Special Economic Zones (SEZ) is expected to create opportunities for sustainable business growth.



KSA's hospitality market

The easing of travel restrictions, coupled with enhanced visa norms that offer faster online visas to tourists, has supported the country's post-pandemic recovery.

Review of 2023 performance

FY2023 KSA occupancy averaged 63%, showing an increase from 58% during 2022. Occupancy in Riyadh averaged 65% while Jeddah averaged 63% in 2023.

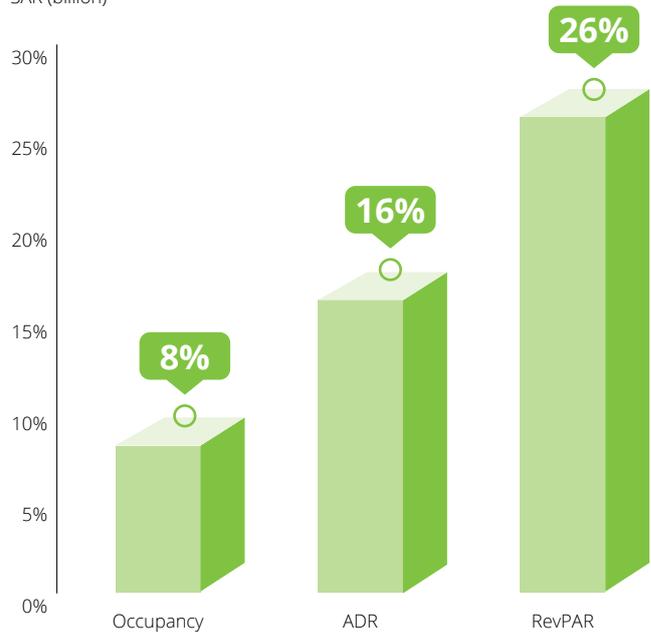
Riyadh's average daily rate (ADR) surged by 18% Y-o-Y during 2023, reaching SAR 797 (USD 213). Meanwhile, Jeddah experienced a slight 0.4% Y-o-Y increase in ADR during the same period, reaching SAR 775 (USD 207).

Both ADR and occupancy rates exhibited improvement from the previous year, as a country-wide recovery was supported by the ease of travel and faster visa processing for tourists. Riyadh hotels recorded the strongest occupancy in October and November reaching 80% in November, meanwhile, Jeddah hotels recorded their highest occupancy performance in May at 79%.

Jeddah's ADR experiences seasonal fluctuations, contrasting with Riyadh's market. Jeddah's market is significantly impacted by the relocation of government businesses during the summer, spanning from March to September.

KSA hotel performance, percentage change, FY2023 versus FY2022

SAR (billion)

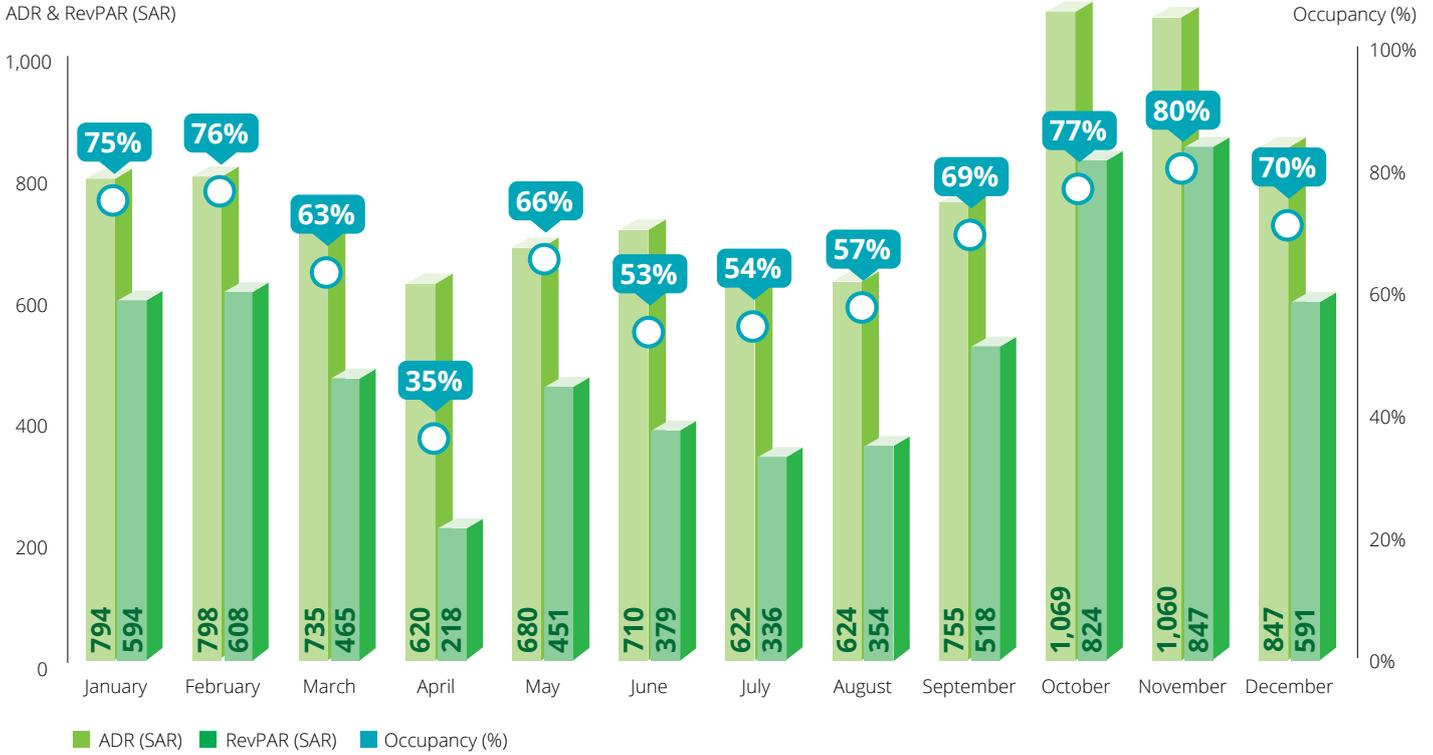


Source: STR Global



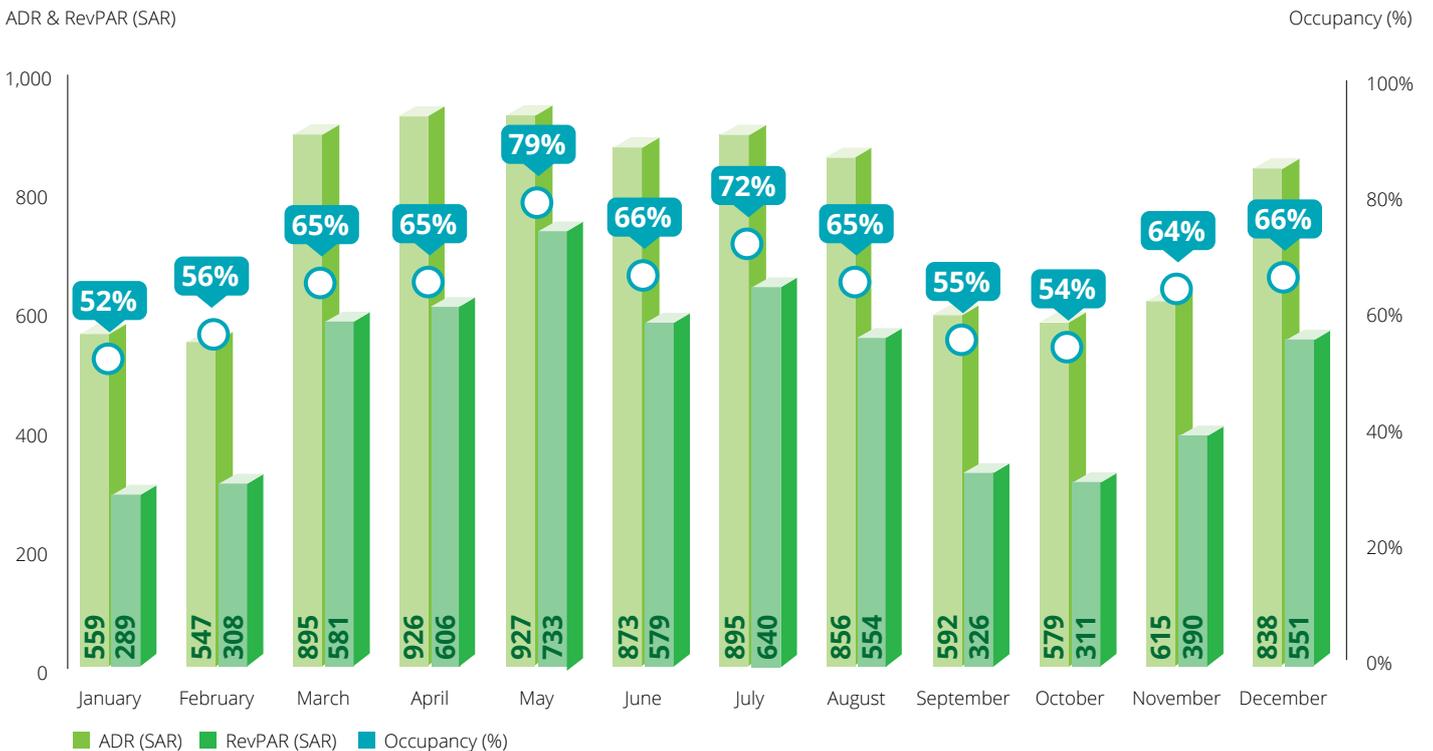
Riyadh hotel market performance, FY2023

ADR & RevPAR (SAR)



Jeddah hotel market performance, FY2023

ADR & RevPAR (SAR)



Source: STR Global

Poised for growth

Tourism development stands as one of the key pillars of the Saudi Vision 2030. Key entities such as the Ministry of Tourism, the Saudi Tourism Authority and the Tourism Development Fund are dedicated to supporting the growth of this sector within the Kingdom.

In 2023, Riyadh and Jeddah led the regional market in terms of ADR performance. While the average occupancy in both locations currently falls in the middle range among regional markets, the overall KSA-wide occupancy in 2023 was 8% higher than in 2022.

Saudi Arabia's tourism industry is on the rebound, attracting 53.6 million visitors in the first half of 2023, with 14.6 million inbound tourists and 39 million domestic tourists. This influx in tourism

is projected to contribute 6% to the country's GDP in 2023. This positive trajectory follows a period of adjustment in 2021-2022, during which the tourism sector's GDP contribution experienced a temporary decline of 36%. This shift was primarily influenced by the rapid growth of the oil sector, which observed an impressive 15% annual increase in GDP compared to 5% for non-oil activities.

Efforts such as the facilitation of tourist visas for GCC residents, the extension of visa on arrival to UK, US and EU residents, as well as major events such as the Riyadh Season, FIFA Club World Cup, Red Sea International Film Festival and the Saudi Arabian Grand Prix, are part of KSA's ambition to welcome 150 million visitors.

Select KPIs for 2022



Select KPIs for 2030



ADR and occupancy vs regional markets, FY2023



ADR and occupancy vs international markets, FY2023



Source: STR Global

KSA's residential market

Transaction volumes have decreased while sales prices for villas and apartments continued to increase in 2023 compared to the prior year.

Review of 2023 performance

Residential supply in the key markets of Riyadh, Jeddah and the Dammam Metropolitan Area (DMA) has continued to increase in 2023 in comparison to 2022. New projects delivered in 2023 include Al Majidiah 139 and Ajlan Riviera 37 in Riyadh, along with Itlalat Al Bahar and Al Wajiha in Dammam.

The total number of residential transactions in Riyadh, Jeddah and DMA reached 67,233 in 2023, with a total value of SAR 79 billion (USD 21 billion). This reflects a 15% decrease in value compared to transactions in 2022.

Sales prices and rents have experienced growth across Riyadh and Jeddah, with sales rates in Riyadh increasing by 5% and 8% for villas and apartments respectively, based on transaction data from the Ministry of Justice.

In Riyadh, approximately 80% of the transacted apartments in the last 12 months were priced between SAR 250,000 to SAR 1 million, (USD 66,000 to USD 266,000), primarily catering to the low to mid-income segments of the population. While North Riyadh has emerged as a prominent residential hub, South Riyadh has witnessed maximum growth in the share of transactions in the last five years, mainly due to availability of affordable stock.

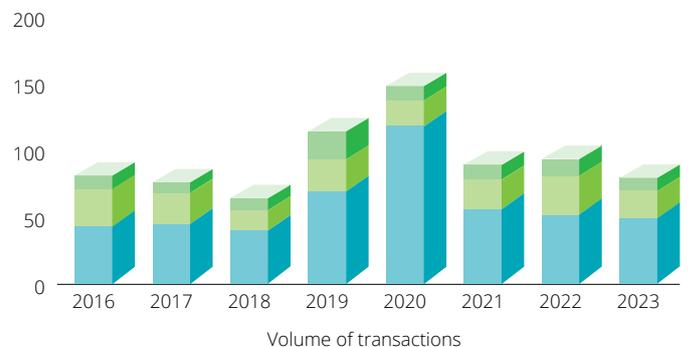
By comparison, in Jeddah, there is a growing demand for upper-middle to high-end residential units. The majority of the price growth is attributable to North Jeddah, where the upward price movement has been the most significant compared to other locations. In DMA, the majority of residential supply is located within the northern regions. The current available stock is targeted towards the midscale segment of the population, offering standalone residential villas or low to mid-rise apartment developments with more than 85% of apartment transactions recorded at a unit price below SAR 930,000 (USD 248,000).

KSA residential transaction, 2016 - 2023

Number of transactions

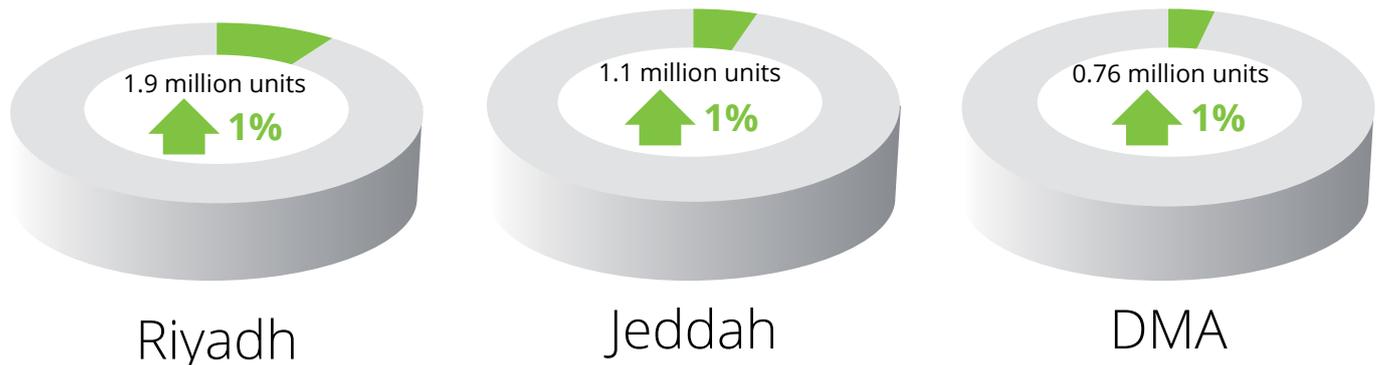


Transaction value (SAR billion)



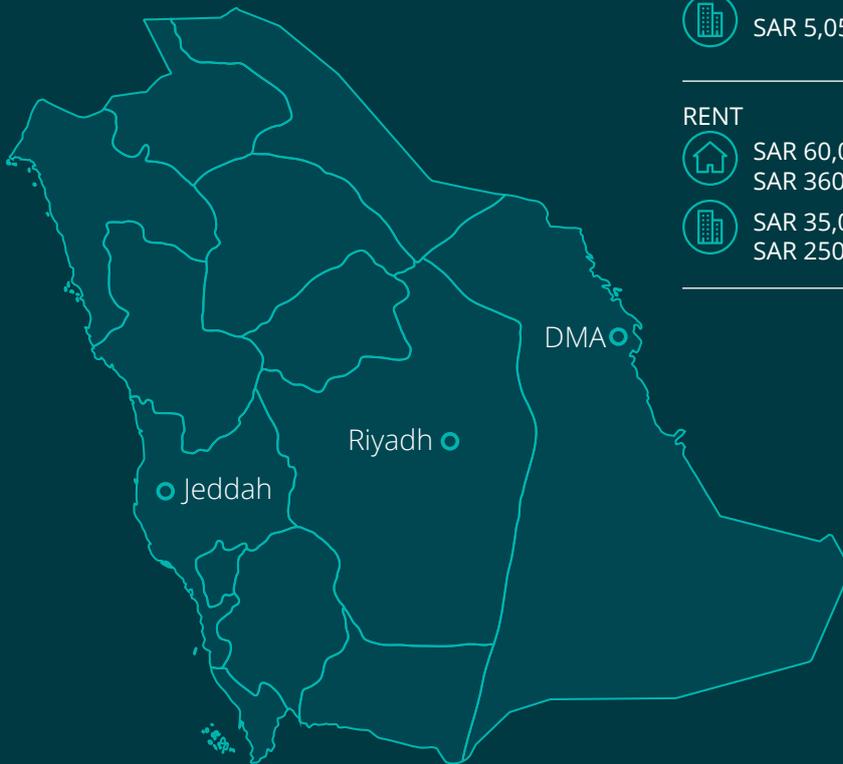
Note: The data includes building, flat, residential land and villas

KSA residential supply, Q4 2023



Source: Deloitte

KSA residential average sales prices and rents by location, Q4 2023



Riyadh

PRICES

SAR 5,320 per sqm ↑ 5%

SAR 5,050 per sqm ↑ 8%

RENT

SAR 60,000 to SAR 360,000 ↑ 3%

SAR 35,000 to SAR 250,000 ↑ 6%

Jeddah

PRICES

SAR 5,150 per sqm ↑ 4%

SAR 4,250 per sqm ↑ 6%

RENT

SAR 60,000 to SAR 175,000 ↑ 6%

SAR 14,400 to SAR 75,000 ↑ 18%

DMA

PRICES

SAR 3,430 per sqm ↓ 2%

SAR 3,545 per sqm ↑ 5%

RENT

SAR 40,000 to SAR 120,000 ↑ 11%

SAR 16,500 to SAR 45,000 ↑ 18%

Source: Ministry of Justice; Deloitte
 Average prices are quoted in SAR per sq m and average rents in SAR per annum with year-on-year percentage change based on rental transactions.
 Note: 1 USD = 3.75 SAR

KSA's office market

Employment forecasts from Oxford Economics indicate that financial and business services segments in KSA registered a year-on-year growth of 4% during 2023.

Review of 2023 performance

Office supply in the key markets of Riyadh, Jeddah and DMA stood at 5.9 million sqm, 2.1 million sqm and 1.4 million sqm respectively as of end of 2023. Notable additions include Hiyazah Gate, Yline, North Yard and Luxury Plaza located in Al Yasmin district of Riyadh. A significant portion of the King Abdullah Financial District (KAFD) office supply has been successfully delivered, demonstrating high pre-leasing/leasing rates.

Saudi Arabia's GDP reached SAR 10.1 trillion (USD 2.6 trillion) in 2023 and is expected to grow to SAR 11.6 trillion (USD 3 trillion) by 2030, with 1.6% annual growth according to data from Oxford Economics. Riyadh, is expected to maintain its position as the primary employment hub in the Kingdom. This is due to an increasing number of multinational companies choosing to establish their headquarters and operations in Riyadh, as well as various public and private initiatives that aim to promote the city. Meanwhile, Grade A stock in Jeddah and DMA primarily caters to government offices and public sector entities.

The introduction of new, high-quality office properties into the market is intensifying competition and putting pressure on the existing Grade A stock. These premium offices are distinguished by their strategic location with excellent accessibility, ample parking facilities and cutting-edge digital infrastructure. Featuring

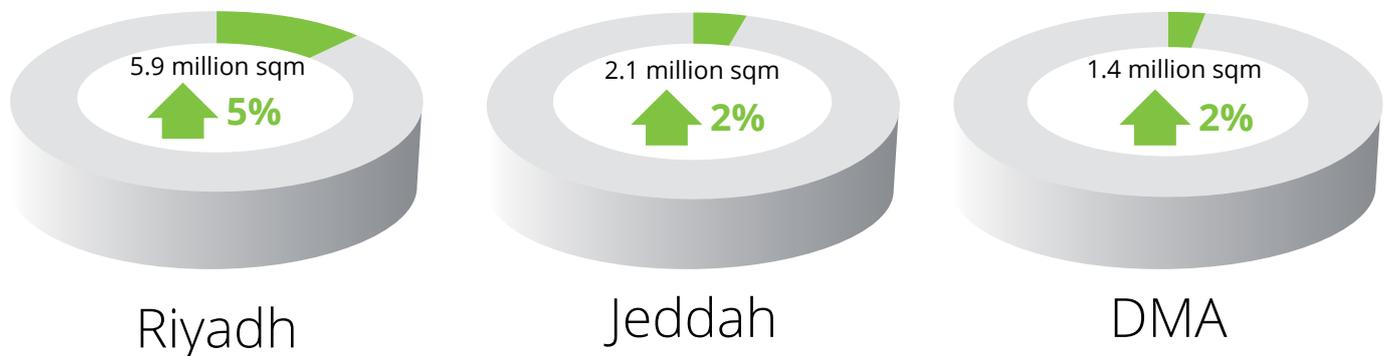
modern architecture, well-equipped meeting facilities and on-site amenities, these spaces create an attractive work environment that fosters productivity and employee well-being. It is worth noting that rents in Grade A offices are at least 20% to 30% higher compared to Grade B, and a significant proportion of tenants in premium offices are international companies, further highlighting the exclusive nature of these spaces.

KSA employment in financial and business services, 2015 to 2023



Source: Oxford Economics; Note: f:forecast

KSA office supply by location, Y-o-Y growth, Q4 2023



Source: Deloitte

KSA Grade A office rents by location, Q4 2023

Riyadh

SAR 1,800 per sqm

↑ 11%



Jeddah

SAR 1,300 per sqm

↑ 7%

DMA

SAR 960 per sqm

↑ 4%

Source: Deloitte
Note: Rents quoted above exclude service charge
Note: 1 USD = 3.75 SAR

KSA's retail market

The Economist Intelligence Unit (EIU) estimates that the total retail sales volume in KSA will decrease by approximately 1% in 2024, with sales expected to increase by 2.7% by 2027.

Review of 2023 performance

The bulk of future retail supply in major cities across KSA is anticipated to fall within the super-regional mall category, indicating a potential market saturation in large-scale retail development. Differentiating factors such as entertainment, leisure facilities and a diverse F&B mix will remain crucial in attracting footfall amidst an increasingly competitive market.

Over the past 12 months, retail rents across KSA have increased, with average regional and super-regional mall rents rising by 3%. Prime malls in KSA have successfully maintained robust occupancy levels during 2023, and lifestyle retail offerings have recorded an uptick in footfall, following the lifting of COVID-19 restrictions.

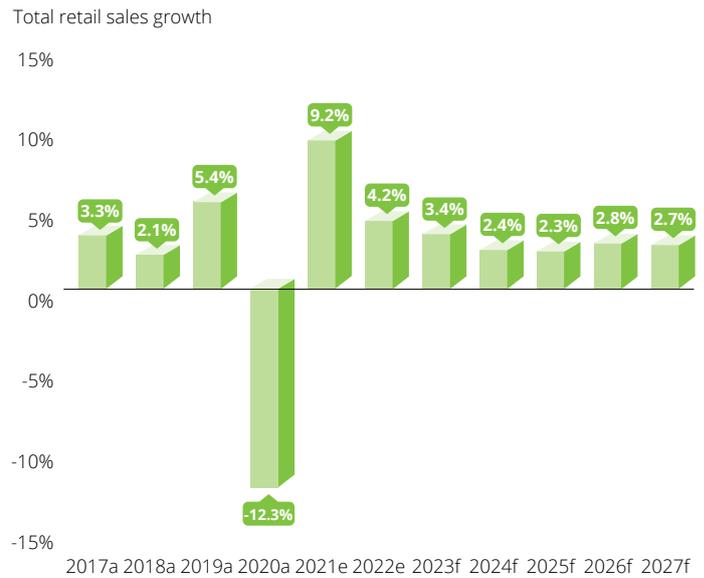
KSA digitalisation trend

The retail sector in Saudi Arabia is undergoing a significant digital transformation. E-commerce is thriving, with platforms such as Noon and Amazon gaining popularity, offering a wide range of products and seamless mobile shopping experiences. The preference for digital payment methods is increasingly favoured, promoting cashless transactions.

Omni-channel retailing is on the rise, allowing customers to engage with brands across multiple channels. Data analytics enable personalised marketing, while virtual and augmented reality enhances interactive shopping experiences.

Online marketplaces provide access to diverse product selections, and digital advertising plays a pivotal role in consumer outreach.

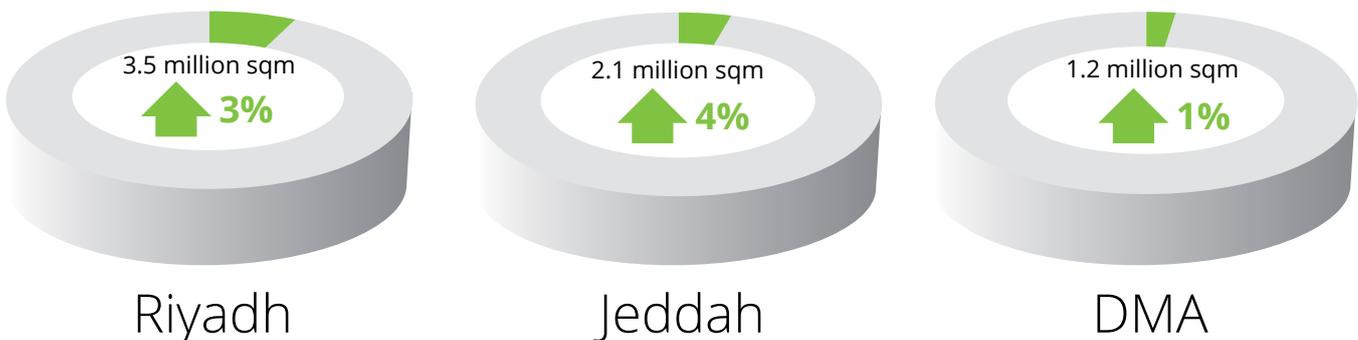
KSA retail sales volume growth, 2017 to 2027f



Source: EIU a:actual, e:EIU estimate, f: EIU forecast

Efficient inventory management and supply chain optimisation have become possible through digital tools, with customer reviews and ratings significantly influencing purchasing decisions. This digital shift not only alters consumer shopping behaviour, but also transforms how retailers operate, market their products, and manage their supply chains. This transformation offers new opportunities for both businesses and consumers, shaping the future of retail in Saudi Arabia.

KSA retail supply by location and year-on-year growth, Q4 2023



Source: Deloitte

Note: The above figures represent organised retail formats

KSA regional and super regional mall rents by location, Q4 2023

Riyadh

SAR 1,700 per sqm to SAR 4,000 per sqm

↑ 3%



Jeddah

SAR 2,000 per sqm to SAR 4,000 per sqm

↑ 2%

DMA

SAR 1,500 per sqm to SAR 3,700 per sqm

↑ 1%

Source: Deloitte
Note: Rents within regional and super regional malls are wide ranging depending on the unit type and as such, the above chart represents the average ranges. This includes all types of units, including F&B, restaurants, anchor tenants etc.
Note: 1 USD = 3.75 SAR

KSA's industrial and logistics market

The launch of four Special Economic Zones (SEZ) is expected to create opportunities for sustainable business growth.

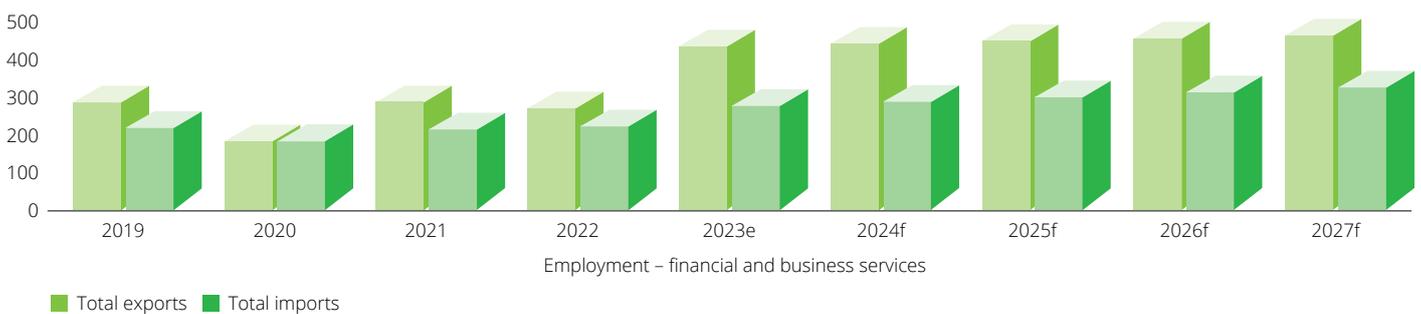
Review of 2023 performance

The industrial market in KSA is currently experiencing significant growth in line with Vision 2030's objective to diversify the economy away from the oil sector. Several factors, including the growth of e-commerce post-COVID-19 and the Kingdom's aim to become a global logistics hub, are driving demand for high-quality, modern warehousing facilities.

In addition, four SEZs have been launched in 2023, which are set to become future global investment destinations, creating opportunities for sustainable business growth. These include King Abdullah Economic City, Jazan, Ras Al Khair and Cloud Computing in the King Abdulaziz City for Science and Technology. The main sectors of focus within these zones are the automobile supply chain and assembly, consumer goods, Information and Communications Technologies (ICT), light electronic manufacturing, pharmaceuticals, medical technology and logistics.

KSA imports and exports, 2019 to 2027

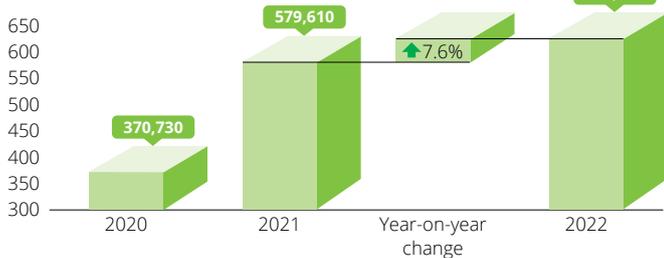
US\$ billion



Source: Fitch Solutions; Note: e:estimate f:forecast

Freight quantities at KSA international airports

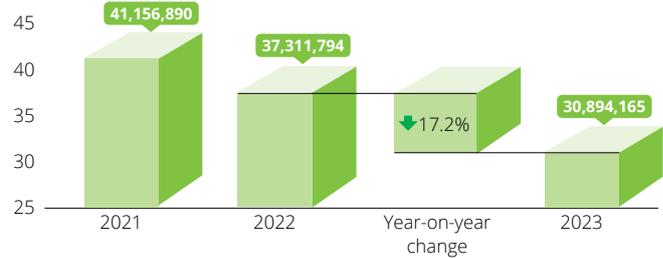
Cargo quantities (tons)



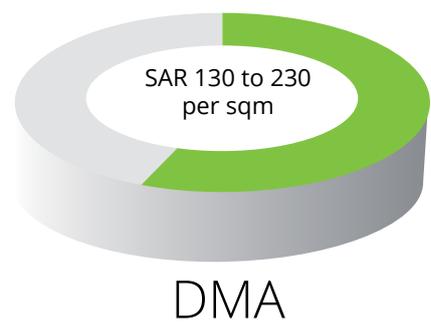
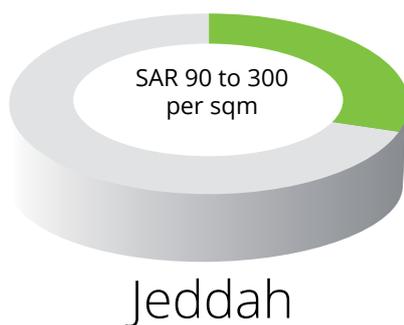
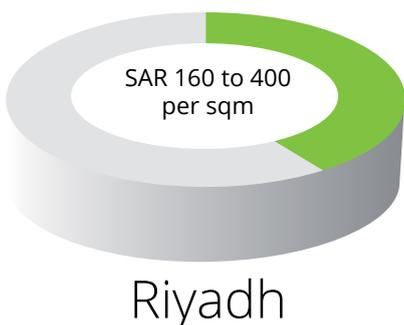
Note: Data for 2023 is not available
Source: GACA

Freight quantities at KSA international airports

Total cargo throughput (million)



KSA prime warehouse rents, Q4 2023



Source: Deloitte

Note: Rents are quoted SAR per sqm per year; Rents are average achieved rents for quality purpose warehouses exclusive of service charges



Executive summary

Middle East real estate market trends

Building more sustainable cities with a systems approach

When it comes to addressing the critical sustainability challenges we face today, cities are a crucial part of the solution. On the one hand, adopting the necessary solutions is difficult when cities have such complex and interlinked systems. On the other, a systems approach can provide a more impactful, longer lasting, and, over the long run, less expensive outcome. As we tackle our world's sustainability challenges, we need to unpack and understand these systems in order to rebuild them in more sustainable ways.

Funding and financial readiness

Given the ongoing stream of giga-projects and the continuation of 'business as usual' developments in the Middle East, financing is emerging as a critical matter requiring attention from project sponsors, executive management and boards. The existing capacity of domestic capital markets and their historic allocations to construction activities will likely be stretched by the scale of demand in the coming years. Consequently, international capital will play a crucial role in addressing the funding and financing gap and aligning with wider government strategic objectives to boost Foreign Direct Investment (FDI).

Shaping the future of Middle East retail

The retail sector is set for significant growth in the near future. Areas such as online retail, cross-border commerce and direct-to-customer services are expected to emerge as key drivers of this growth for retailers. Additionally, new technology such as generative AI can be implemented across various functions of the business resulting in an increase in the overall efficiency of organisations.

Building more sustainable cities with a systems approach

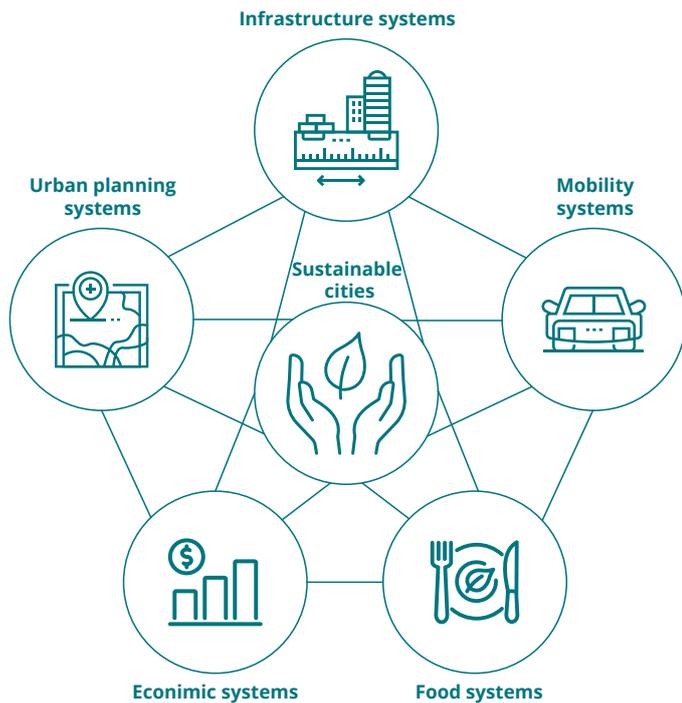
Cities are a key piece of the puzzle for delivering solutions to the sustainability challenges we face today.

Cities account for approximately 75% of global emissions¹ and produce 10 billion tonnes of waste annually.² Urban areas have grown at an average of 2% each year from 1990 to 2020, which has led to the loss of biodiversity and natural habitats.³ Around 70% of all food produced is intended for urban consumption, further contributing to deforestation and the loss of natural green spaces.⁴

To tackle these challenges effectively, it is imperative to examine the systems that govern a city's operations, unpack them and

understand their functionality. By acquiring this insight, we can rebuild them in more sustainable ways.

While numerous different systems dictate daily activities in a city, there are a few that are absolutely critical to determining how sustainable a city is: infrastructure systems, mobility systems, food systems, economic systems, and urban planning systems. Each of these systems present opportunities to reconsider how we manage our cities in more sustainable ways.



Infrastructure systems

Our built environment is the most fundamental aspect of our cities. The buildings, utility networks, roads and sidewalks, and public spaces define our lives as urban residents. As one of the most enduring features shaping our cities, it is crucial that our infrastructure is constructed in the most sustainable way possible.

Transitioning to more sustainable infrastructure design

Buildings contribute to 30% of global emissions⁵; embracing opportunities to decrease emissions across the lifecycle of our buildings is essential. This can include using more sustainable materials, adopting smarter heating and cooling systems, and managing maintenance and renovation to reduce wastage. Solutions already exist in all these areas; the challenge will be establishing standards which ensure they are being used.

Investing in infrastructure upgrades and avoiding infrastructure destruction

By older standards, our buildings today are incredibly fleeting. It is imperative to re-establish the importance of building not for a season or a lifetime, but for an age. Using longer-lasting materials and designing buildings to allow for easier upgrading over time will be key.

Source: ¹UNEP; ²UNEP; ³UN; ⁴FAO; ⁵IEA

Mobility systems

Any city that aspires to become more sustainable must address mobility. This includes private cars transporting individuals from suburban homes to city jobs, lorries facilitating daily product movements, and airplanes connecting cities. Transforming these local, regional and national mobility systems is vital.

Improving public transportation

In modern cities, a fast, reliable and cost-effective network of public mobility is essential. Various options such as electric trolleys or trams, wider subway networks, or even maglev trains are available. Of course, all these infrastructure expansions will entail emissions themselves, which must be taken into account and mitigated. However, over time, investment in this infrastructure is crucial.

Creating more walkable and bikeable neighbourhoods

The shift to more localised communities within cities (the '15 minute city' concept) is important, but it isn't sufficient on its own to ensure people opt for walking or cycling. Essential factors include efficient spatial planning to establish practical routes,

cultivating a comfortable and inviting environment, and prioritising safety to promote walking and cycling as the preferred choices.

Shifting to more sustainable private transport

As some will prefer private transport for convenience, speed or privacy, promoting a complete transition to Electric Vehicles (EVs) will require substantial infrastructure investments and government initiatives to incentivise the change. This includes measures such as reducing or removing tolls, subsidised EV charging stations, EV purchase support, etc. Moreover, private sharing options need to be enhanced beyond just traditional ride-sharing. This could include, for example, automated individual car 'pods' which can be programmed to facilitate tasks such as taking an elderly person to their doctor's appointment.

Food systems

Food is one of the most fundamental human needs, making it integral to addressing our sustainability challenges. The severe impacts of climate change, such as droughts, floods,

heatwaves and extreme weather, which directly impact global food systems, combined with the persistent issue of insufficient food for many around the world, mean that urgent solutions are required.

Promoting urban agriculture offers numerous benefits by utilising urban land for farming purposes

This approach can notably reduce or eliminate emissions linked to food transportation, decrease the environmental footprint of food production on biodiversity and natural surroundings, generate economic prospects for local communities, and enhance access to nutritious food. Actions such as dedicating urban land to agriculture, constructing vertical farms, providing financial incentives to urban agriculture enterprises, advocating for individual/family/community vegetable gardens, and encouraging a shift towards more plant-based diets, can all contribute.

Efforts to reduce and manage food waste are critical

Despite the fact that 70% of the global food supply is allocated for urban consumption, a substantial portion ends up discarded. Issues such as inadequate planning, improper storage or packaging, and a lack of concern about food wastage contribute to this problem. Implementing practices like increased composting, establishing food redistribution programmes, deploying AI-powered food management systems, integrating blockchain for transparent food supply chains and raising public awareness e.g. through 'green nudging', are existing solutions that can be expanded within cities.

Economic systems

Cities drive economic growth, contributing over 80% of the global gross domestic product (GDP).⁶ However, our economic growth often conflicts with sustainability objectives. The continuous consumption, expansion and extraction to fuel this growth negatively impacts our environment, yet maintaining or enhancing the quality of life for billions worldwide requires economic advancement and equitable opportunities. Reassessing how the economic systems within cities balance these two imperatives is crucial.

Valuing natural capital and directing investment accordingly

National and city-level economic measures such as GDP fail to account for our natural or social capital; business profit metrics overlook these aspects as well. Adjusting these metrics

to incorporate the full spectrum of positive and negative value

creation becomes essential to steer investments towards areas

that are creating true value.

Developing green skills and ensuring an equitable transition

Building human capital capable of supporting sustainable transitions is paramount. This begins with educating the younger generation on sustainability, but it also necessitates retraining and upskilling older individuals who are already in the workforce. This approach ensures they can integrate sustainability into their professions and secures robust economic prospects for those whose livelihoods may be disrupted by the shift towards sustainability.

Source: ⁶World Bank

Urban planning systems

As cities continue to expand, their exposure to climate and disaster risks also increases. A new approach to urban planning, which embeds sustainability in every facet of the city, is needed. Sustainability should be a core consideration alongside all other decisions made by city governments, balancing the city's needs with the environmental and societal impacts of those needs.

Bring the city closer to nature

This could include initiatives such as creating more city parks, integrating plant life into buildings, and preserving biodiversity within and around the city. Regardless of the solution, additional green spaces offer not just aesthetic appeal but also may improve air quality, mitigate urban temperatures, encourage physical activity and enhance mental health.

Build greater community engagement

Making a city more sustainable will require individuals to participate in and support the change. Whether it involves enhancing waste management, adopting more conscientious consumption, opting for the greener transport model, or otherwise living in more sustainable ways, city governments can engage with their communities to build and drive this change.

Strengthen local resilience and adaptation

Cities need to protect their residents from the escalating effects of floods, droughts, heatwaves, extreme weather and more. Upgrading infrastructure, enhancing disaster response and recovery plans, safeguarding emergency relief budgets and adopting traditional or native environmental management measures, all contribute to cities safeguarding their residents and enhancing resilience in the process.

In addressing the current climate challenge, cities play a significant role in the solution. Fortunately, numerous opportunities exist for change and innovation. Reimagining the functionality of our city systems and enhancing their sustainability will contribute to the well-being, prosperity and satisfaction of urban citizens.

Author

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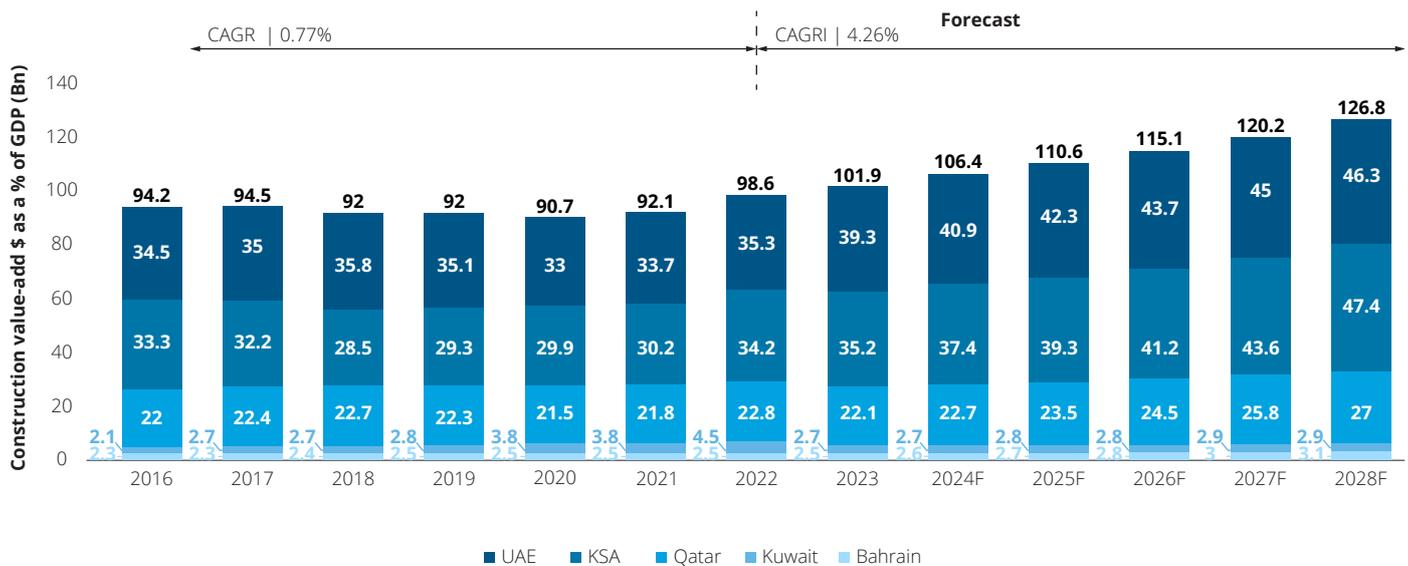
Deloitte Middle East

Funding and financing readiness: Navigating the regional and global capital landscape

Given the ongoing stream of giga-projects and the continuation of 'business as usual' developments in the Middle East, financing is emerging as a critical matter requiring attention from project sponsors, executive management and boards. The existing capacity of domestic capital markets and their historic allocations to construction activities will likely be stretched by the scale of demand in the coming years. Consequently, international capital will play a crucial role in addressing the funding and financing gap and aligning with wider government strategic objectives to boost Foreign Direct Investment (FDI).

This shift will require a change in private sector involvement and FDI trends, with a focus on alternative delivery models and innovative funding and financing solutions, offering a number of benefits:

- **Unlocking investment:** Facilitating mega-projects and driving economic value creation
- **Enhancing equity returns:** Maximising returns and enabling the efficient recycling of capital
- **Risk transfer and performance incentives:** Instilling accountability, performance incentives and monitoring through private sector partnerships



Source: EIU

However, in a highly-competitive funding and financing marketplace, only the most well-developed schemes and structured deals will secure optimal terms. Meeting the level of scrutiny from international institutional investors and lenders will require mature and advanced business plans as well as delivery

arrangements. This in turn will support successful outcomes. Achieving these financial and non-financial benefits requires that in-flight projects are future-proofed to meet the demands of international capital.

Strategic considerations for achieving 'market readiness'

Preparation to attract third-party capital involves addressing internal challenges arising from large, fast-paced and dynamic programmes.

Some of these challenges include:

Business planning maturity: Frequently, business planning frameworks lack clear definition. Even where defined, they might be implemented differently across various segments of a development, leading to difficulties in presenting an integrated and holistic business plan that meets investor and lender expectations.

Single source of the truth: Basic documentation required by investors and lenders may be scattered among multiple individuals, teams or organisations. The absence of a consolidated set of programme assumptions across the development lifecycle can result in inefficiencies and challenges in maintaining a clear view of the investment case.

Integrated planning: Overcoming siloed work practices and managing connections between various inter-dependent aspects of a development e.g. arrangements for the provision of infrastructure assets and services.

Beyond internal and organisational challenges, meticulous documentation and planning are imperative to meet the standards set by international capital.

Key business plan components should be considered early in the development process and consistently refined, including:

Demand and pricing feasibility: Demand expectations and pricing strategies for specific assets and services, accompanied by suitable independent evidence, particularly in the context of competing and ongoing developments.

Financial feasibility: Strong business plans developed at asset and consolidated levels for funding and financing, underpinned by rigorous independent costings, and clearly demonstrating sensitivity and robustness to key risks. Clear financing strategy which matches opportunities to capital pools based on their risk/reward characteristics, but provides a clear overall view of the impact of different strategic choices.

Commercial feasibility: Capacity and capability of the market to deliver the project within set timelines, costs and quality standards. Innovative development schemes and novel construction techniques introduce a variety of market, demand and technological risks that require detailed and structured approaches to attract top-tier investors and supply chains.

Development feasibility: Phasing and packing of the programme is often a key input to manage peak funding requirements and optimise the requirements for third-party capital. A clear and robust development plan is critical to any investors and lenders.

Organisational plans: Clarity on corporate structure, governance and operating models.

Legal and regulatory framework: Clarity on permits, licenses and property regulations.

Strategic delivery: A critical imperative for C-suite leadership

A steadfast focus on funding and financing readiness is becoming increasingly pivotal, beginning from project inception through master planning and asset development phases. Senior C-suite sponsorship is essential to drive this process, mitigating risks associated with the potential requirements of international investors and lenders, thereby enhancing project delivery.

Author

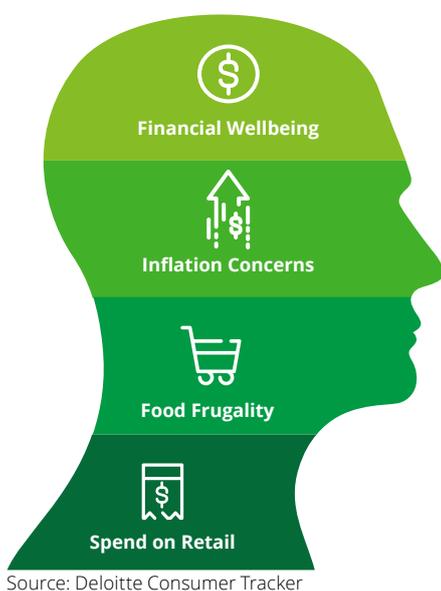
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Director | Government and Infrastructure

Deloitte Middle East

Shaping the future of Middle East retail

There is not a lot of difference in consumer behaviour across UAE and KSA; however, the trends vary when compared to other geographies in the world.



Source: Deloitte Consumer Tracker

77%
Consumers in the UAE felt their finances improved in last one year

48%
Consumers in the UAE are concerned about inflation

15%
Consumers in the UAE are concerned about inflation

27%
Consumers in the UAE are concerned about inflation

75%
Consumers in KSA felt their finances improved in last one year

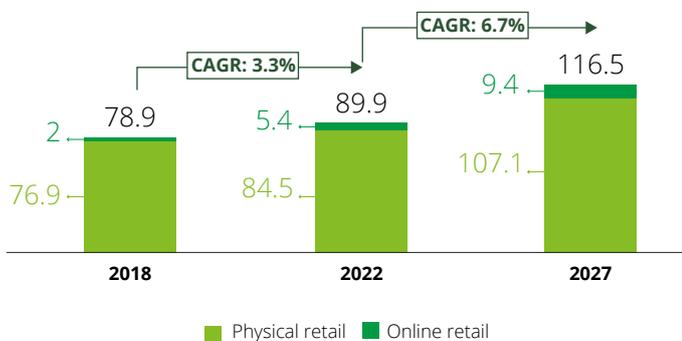
45%
Consumers in KSA are concerned about inflation

13%
Consumers in KSA bought low-cost ingredients

30%
Of the total money spent by KSA consumers on retail purchases

The retail sector is poised for strong growth in the near future, with online retail, cross-border commerce, and direct-to-customer sales emerging as some of the key growth areas for retailers. Physical retail will remain the dominant channel and as online grows, there will be increased demand for warehouses and logistics facilities.

Retail sales in UAE, US\$ billion (2018 - 2027)



Retail sales in KSA, US\$ billion (2018 - 2027)

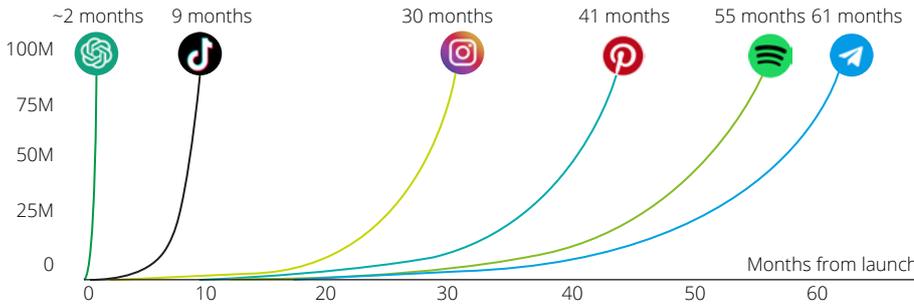


Source: Economist Intelligence Unit (EIU); Mukatafa Report

New technology – Generative AI

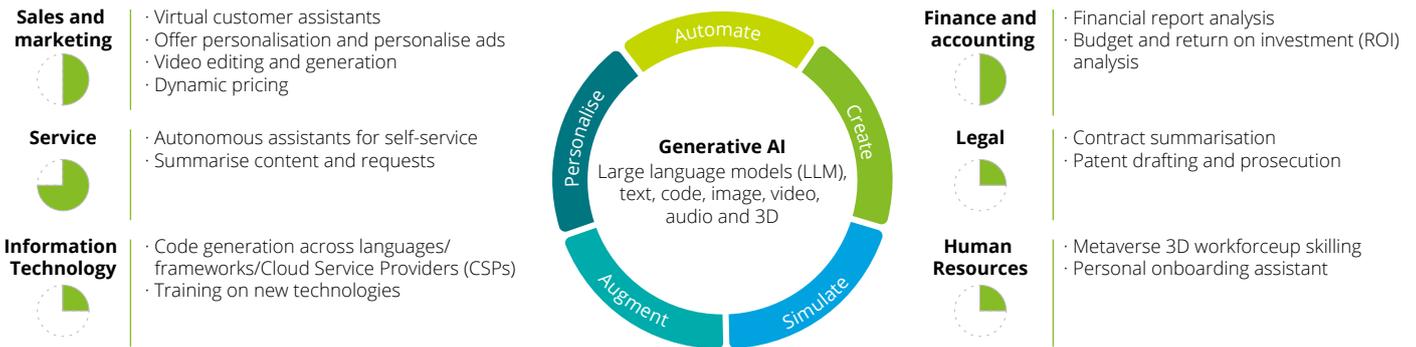
Generative AI has captured the imagination of a wide spectrum, from school students to C-suite executives. Retailers are also capitalising on this technological wave.

Path to 100 million users



Generative AI has reached **USD 1 billion**, in revenue from startups alone

Implementing Generative AI across various business functions can significantly increase the overall efficiency of the organisation.



In addition to the above, Sustainability and Environmental, Social and Governance (ESG) as well as People and Leadership are key pillars for retail sector growth in the Middle East. The retail industry and its supply chains contribute to 25% of global greenhouse gas emissions. By managing energy consumption, decarbonising transport and adopting sustainable practices such as circular fashion in the value chain, retailers can enhance efficiencies and align with global best practices in sustainability.

Meanwhile, the People pillar needs particular attention and it is imperative to lead and motivate colleagues in a time of significant

change and challenge. This can include:

- 1. Improving the employee experience:** Reimagining reward strategies, Diversity, Equity and Inclusion (DEI).
- 2. Future skills:** Developing the right skills for future-proof organisation including Data Literacy and AI.
- 3. Leadership:** Embedding 'purpose' at the core of all leadership decision-making.
- 4. Facilities Management:** Retailers have large networks of stores and warehouses and there is opportunity and increasing regulatory and consumer demand to make efficient use of energy.

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