

Residential Real Estate Market In Oman - Growth, Trends, Covid-19 Impact, and Forecasts (2023-28)

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Report description:

Key Highlights

The residential real estate market in Oman is expected to register a CAGR of more than 13% during the forecast period. Oman's real estate sector felt the consequences of slower economic growth in 2020 due to the COVID-19 pandemic. The residential sector was hit the hardest, with a slew of new developments putting downward pressure on rental and sale prices. Expatriates make up 40% of Oman's population and account for a large portion of the country's residential demand.

The expatriate population has been stabilizing in recent months, but additional reductions in numbers are possible due to the pandemic's long-term economic effects and a greater focus on the Omanization of the workforce, particularly in white-collar sectors.

According to the Oman Census 2021, there were around 87,000 unoccupied residential units in Muscat (almost 20% of the total residential supply). A considerable number of these vacant units are expected to be used as rentals, as most Omanis own their homes.

Demand dropped significantly in the previous 15 months due to a significant drop in the number of expatriates in Muscat in 2021 and the difficulties for new personnel to join Oman owing to travel restrictions. It has concentrated on more affordable apartments and villas/townhouses in the more exclusive Al Mouj, Muscat Hills, and Shatti Al Qurum neighborhoods.

In recent years, Muscat witnessed an increased building of residential units for the rental market (particularly low to moderate-grade residential apartments with limited/no facilities), resulting in a significant surplus (especially with falling demand). According to current evidence, there is a major and growing supply/demand imbalance. Many of the residential units built in recent years have been poorly assessed in terms of location, design, quality, and/or target market.

The number of well-thought-out, high-quality residential units designed with a specific tenant market in mind is still rather small. Over the last 18 months, average apartment rental values declined by 10-15%, while average villa rental values dropped by 15-25% due to tightening tenant budgets and a greater focus on value.

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Al Mouj and Muscat Hills witnessed a more moderate drop in average rental values of around 10% since the beginning of 2021 and remained relatively stable in 2022, with a limited supply of high-end villas. In contrast, the growing supply of apartments at both these locations puts greater pressure on the rental values of apartments.

Oman Residential Real Estate Market Trends

Supply of Residential Buildings

In the fall of 2021, Oman's Ministry of Housing and Urban Planning presented plans for five new constructions with a total of 4,800 housing units, catering to around 24,000 people, following the success of its first Integrated Housing Development Project in Barka based on the Public-Private Partnership (PPP) model.

The Ministry of Housing and Urban Planning wishes to present new opportunities for companies and institutions specializing in real estate development (both domestic and international) who have experience, competence, financial, and administrative capability in real estate development, and who wish to compete, file an "Expression of Interest" to develop.

The Hay Al Naseem project, the first of a series of integrated housing projects planned across the Sultanate under the Al Souruh Initiative, served as a model for the five subsequent developments. Hay Al Naseem is a mixed-use development in Barka that will be built on a 350,000 sq. m. tract of government property. It will feature a variety of residential units surrounded by integrated utilities, as well as commercial facilities, recreational services, public parks, and community amenities. There are 132 semi-detached villas (3-5 BHK), 320 flats (3-4 BHK), 120 detached villas (3-5 BHK), and 479 townhouses available for purchase.

Al Amerat 1: Covering an area of around 300,000 sq meters, Plot Number 9197 in Al Amerat in Muscat Governorate will feature an integrated housing project with around 750 assorted residential units distributed across residential apartments, villas, attached villas, semi-attached villas, and detached villas, along with a full array of support infrastructure. As many as 3,750 people can be hosted within this development.

Al Amerat 2: In Muscat Governorate, Plot Number 9199 measures about 445 thousand sq. m. and will accommodate about 1,100 residential units that will house an estimated 5,500 people.

Bidbid: Interested developers are invited to invest in an integrated housing scheme on a 287 thousand sq. m. plot in Bidbid (Al Dakhiliyah Governorate) featuring about 750 residential units serving around 3,750 people.

Al Seeb: The Ministry offers about 231 thousand sq. m. of land at Hellat Al Fateh in Seeb Wilayat (Muscat Governorate) for the construction of about 600 residential units that can serve about 3,000 people.

Nakhl: The largest of the five developments is proposed to come up at Halban (Wilayat of Nakhl) in the South Al Batinah Governorate. The ministry is providing round 637 thousand square meters of land for the construction of 1,600 residential units to cater to about 8,000 people.

Increase in Luxury Residential Properties

Eagle Hills Muscat, a joint venture between Eagle Hills Abu Dhabi and Ezz International, launched a new sales center in the Sultanate of Oman as the demand for premium brand housing units continues to rise. The Sultanate of Oman's first luxury brand residences, as well as the region's first "Residences at Mandarin Oriental" project, was created to provide a five-star lifestyle. It is located in the center of Muscat along Shati Al Qurum. The project provides an aesthetic touch to the original qualities of the site

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through its synergy with the spirit of Muscat, whether in the city's general scale or its minute nuances with its unique design.

Despite fluctuating oil prices and the impact of the coronavirus pandemic continuing to threaten Oman's economy and real estate sector, Al Mouj Muscat stated the demand for ultra-luxury properties remains stable. The debut of the development's latest ultra-luxury gated community, Golf Beach Residences, a collection of six-bedroom villas and mansions within the integrated tourism complex, was met with "great demand," according to Arabian Business.

The 19 villas are being introduced in the Shatti District's northern sector of Golf Beach Residences, flanked on each side by the St Regis Hotel, which is set to open at the end of 2022. Murooj Lanes, a 'entry level' property, was launched in Q4 of 2020, and roughly 300 flats were sold out in 48 hours, demonstrating the significant demand for luxury residential properties.

Expatriates over the age of 23 can purchase housing units in multi-story residential and commercial buildings under the usufruct system for a duration of 99 years if they hold a valid residence permit for at least two years.

The usufruct purchase system, according to a document issued by the Ministry of Housing and Urban Planning, includes the right of the expatriate to own the housing unit in person or in partnership with first-degree relatives, the ability to obtain financing with the real estate unit as collateral, the ability to sell the residential real estate unit after four years, and the right to transfer the right of usufruct after death to the legal heirs.

Oman Residential Real Estate Market Competitor Analysis

The market is still absorbing new projects, and modern housing seekers are expected to invest in the real estate sector. Thus, various companies focus on launching and marketing new projects, along with entertainment and stability for residents.

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The market is witnessing slow growth due to declining demand and increasing supply, which resulted in a considerable gap, thus exacerbating price pressures. Key market players in the market include Al Mouj Muscat, Majan Development Company, AlRaid Group, and Wujah Real Estate.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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