



Hamptons

INTERNATIONAL

OMAN REAL ESTATE
INVESTMENT GUIDE AND
MUSCAT RESIDENTIAL

*MARKET
OVERVIEW*

MARKET INSIGHT :: MARCH 2023



FOREWORD

HAMPTONS INTERNATIONAL GENERAL MANAGER

The period witnessed Oman's GDP continue to grow driven by the growth of oil, service and manufacturing activities. We also note the increase of Oman's population to the highest in a decade spurred by the 'return' of expatriates to the Sultanate. This presents a wealth of opportunities for investors looking to make a mark in the region. The country's real estate market is a crucial element in this growth, providing a promising avenue for investment and development.

Real estate in Oman however continues to be classified within the 'opaque' transparency tier (Tier 5 or lowest tier) of the Global Real Estate Transparency Index (GRETI) report. Less transparent markets tend to be characterised by increased risk and greater uncertainty, lower sales activity, lower foreign participation and higher volatility of market cycles.

Our goal for this publication is to assist in increasing the transparency of the Sultanate's real estate market with the focus on Muscat as the capital. We understand that the government is moving towards the right direction in accelerating this process which we welcome as it is likely to increase sales activity and foreign participation.

We focus on the residential sector in this issue, a segment which is dear to almost everyone. While residential supply has been noted to be on the increase and rents moving in the opposite direction, there are developments which we note to perform well, driven by a few examples as mentioned throughout this publication.

As the General Manager of Hamptons International, I am proud to present this guide as a valuable resource for investors and industry professionals alike. Our team has worked tirelessly to provide the most up-to-date and comprehensive analysis of Oman's economy, real estate market, and residential sector. I hope this guide proves to be an indispensable tool for anyone looking to capitalize on the many opportunities that Oman has to offer.



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MUSCAT RESIDENTIAL MARKET
OVERVIEW

OMAN REAL ESTATE INVESTMENT GUIDE

Property Tenure / Ownership	<p>Freehold</p> <p>Leasehold – Land that is leased by either the government or freehold owner via usufruct.</p>
Restrictions on Foreign Property Ownership and Visa Programmes	<p>Foreigners can acquire freehold real estate in Integrated Tourism Areas (ITCs) within the Sultanate or through usufruct agreements for properties outside of ITCs. Foreign nationals are prohibited from purchasing real estate in designated areas and wilayats including real estate close to important military, security, and historical locations.</p> <p>Oman also launched new investor visa programmes for foreign nationals if they meet one of the following criteria:</p> <p>For a five-year visa:</p> <ul style="list-style-type: none"> • A minimum investment of OMR 250,000 in an Omani-based limited liability company, closed joint-stock company or government bonds • Purchase a property or properties with a minimum value of OMR 250,000 <p>For a ten-year visa:</p> <ul style="list-style-type: none"> • A minimum investment of OMR 500,000 in an Omani-based limited liability company or closed joint-stock company, or in Omani government bonds • Establish a company in Oman that employs at least 50 Omani nationals • Purchase a property or properties with a minimum value of OMR 500,000. <p>Importantly, the ten-year golden visa allows foreigners to own a single property outside of ITC projects for residential, commercial or industrial purposes.</p>
Real Estate Taxes	<p>All properties are subject to 3% stamp duty / transfer tax / registration fee at the Ministry of Housing and Urban Planning, with the exception of first sale (or off plan) properties in Al Mouj where there is no 3% for the first transfer but a 3% on secondary sales.</p> <p>Residential resale properties are not subject to VAT However off plan sale of residential properties are subject to VAT.</p>
Capital Gains Tax	Gains on sales on real estate are exempted from taxation.
Corporate Tax	The income tax rate is 15% for all taxpayers other than Omani proprietorships and limited liability companies (LLCs) that fulfil the conditions of small and medium enterprises (SMEs).
Personal Tax	There is no personal income tax charge in the Sultanate.

Note: Information based at the time of publication. It is important for foreigners to seek professional legal advice when considering purchasing property in Oman, as the regulations and procedures can be complex.



Real Estate Investment Trusts (REITs)

REITs in the Sultanate are regulated by Oman's Capital Market Authority (CMA). A REIT must have a minimum paid-up capital of OMR 10 million, offer at least 40% of units to the public in the case of a public REIT, and pay a minimum of 90% of the net annual profits as a dividend to unit holders.

International investors can own up to 100% of a REIT set up in the Sultanate.



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“The introduction of REITs in the Sultanate has had a positive impact by increasing liquidity of good quality assets also allowing individual investors access to institutional real estate for investments.”

OMAN REAL ESTATE INVESTMENT GUIDE

TYPICAL LEASE TERMS

Rental payments	
Rental charges	Commercial: OMR per square meter per month Residential: OMR per unit per month
Duration	Commercial: 1 – 3 year(s) Residential: 1 year
Frequency of rent payable	Monthly, quarterly or annually in advance
Typical rent deposit	1 to 2 month(s) gross rent
Basis of rent increase or rent review	Fixed increase based on agreement or prevailing market rent
Frequency of rent increase or rent review	Annually or every 3 years. Landlords are not allowed to increase rent during the first 3 years.
Outgoings, utilities and repairs	
Outgoings	Municipality tax on property rent – 3% paid by landlord Maintenance fee – payable by landlord
Utilities	Consumption generally metered separately and payable by tenant
Maintenance and repairs	Responsibility by landlord
Lease disposal	
Early termination	Only if provided in agreement or break clause
Reinstatement	Original condition, allowing for wear and tear

“We note increased enquiries for better quality smaller office space with sufficient car parking in good locations.”



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ECONOMY & DEMOGRAPHIC OVERVIEW

CONTINUED GROWTH LED BY OIL ACTIVITIES

Value of the gross domestic product (GDP) at constant prices of the Sultanate of Oman until the end of September 2022 recorded an increase of 4.5% compared to the same period in 2021 to reach OMR 26 billion.

This increase is mainly attributed to the growth of oil activities until the end of September 2022 by 12% at constant prices, which is considered the highest among economic activities, in addition to the increase in the growth rate of service activities by 5% and high growth of manufacturing activities.

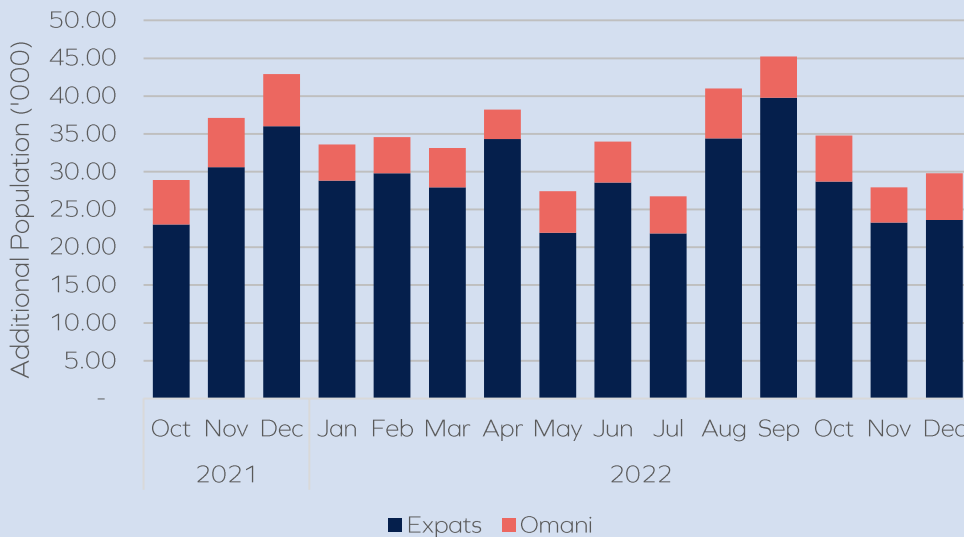
Meanwhile, the growth rate of construction activities saw a decline driven by financing and obtaining permit challenges. Moving forward, the industry is likely to rebound in anticipation of pipeline projects driven by state-owned enterprises and

government joint ventures.

The National Centre for Statistics and Information (NCSI) puts the population of Oman at 4,933,850 as at December 2022 (January 2023 Bulletin) indicating an increase of 372,802 inhabitants throughout the year.

The total expatriate community has been put at 2,066,239 or 41.9% of the overall population compared to the 58.1% Omani residents. This is an increase of 432,505 expats since the lowest recorded figures in 10 years which was in September 2021.

This means the population grew on an average of around 28,900 expats and 5,500 Omanis on a monthly basis since September 2021.



Source: National Centre for Statistical Information

أماكن الوضوء
ABLUTION PLACE

دورات المياه للرجال
GENTS TOILET

QUICK FACT



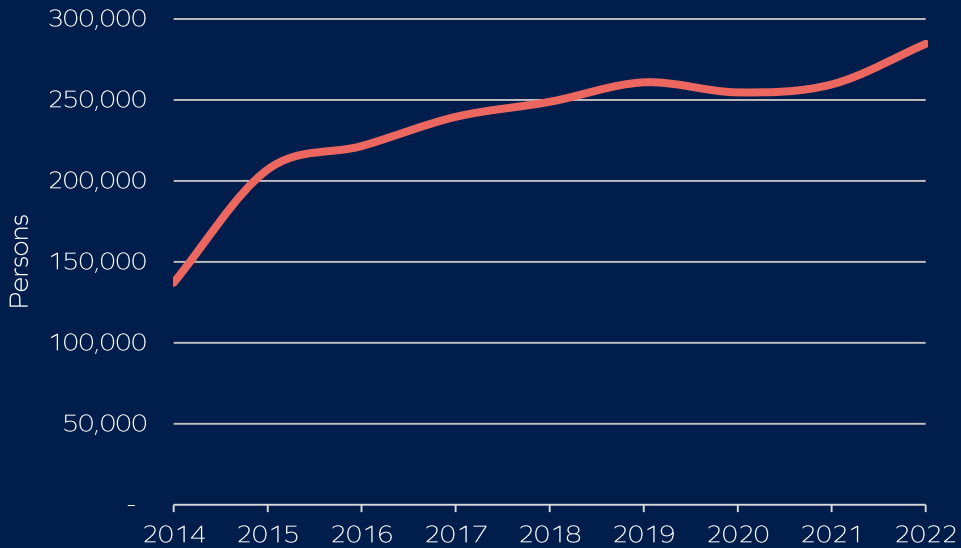
28,900

*Increase in average expats
per month in the Sultanate*

Source: National Centre for Statistical Information

OMANI WORKING IN PRIVATE SECTOR

Source: National Centre for Statistical Information



Headcount of Omanis working in the private sector grew to 283,982 in December 2022. This is an average increase of around 18,500 additional Omanis employed into the private sector on a yearly basis for the past 8 years.

In addition, Omanis working in the private sector earnings have seen a gradual increase.

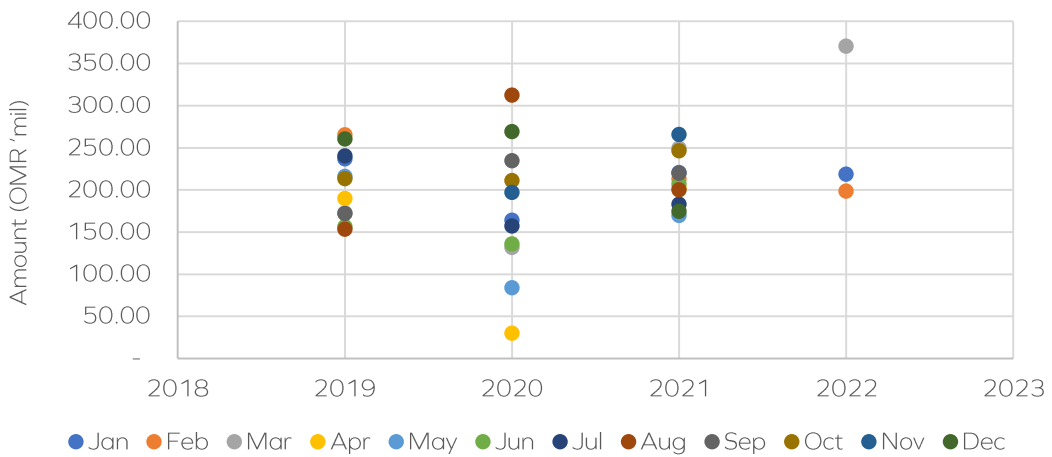


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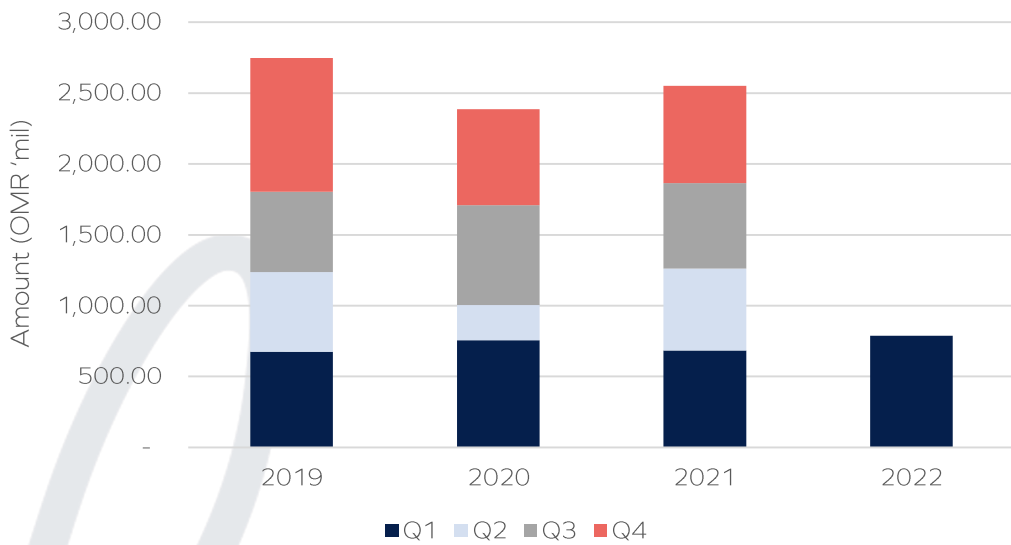
“Omanis working in the private sector earning 1,000 OMR per month and above grew to 53,744 people suggesting an increased local affluency and spending power.”

VOLUME OF REAL ESTATE TRADING

Source: Ministry of Housing and Urban Planning



Note: ¹ 2020 indicated two lower than average contracts due to COVID-19. ² Outliers have been removed



Volume of real estate trading indicated by sales and mortgage contract figures for the whole of Oman shows a stable range of values around OMR 150 mil to OMR 300 mil per month.

Impact of the pandemic was noted in April and May 2020 where values plummeted to OMR 16 mil and OMR 35 mil respectively. However, we note a rebound of values subsequently which is likely to maintain in the near to medium future.



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MUSCAT RESIDENTIAL MARKET OVERVIEW

RETURN OF EXPATRIATES DRIVES RENTAL DEMAND

The residential real estate market in Muscat has seen steady growth over the years, with a focus on developing new residential projects and expanding existing ones.

In recent years, there has been a significant increase in the construction of new residential developments in Muscat, which has led to an increase in supply. Subsequently, the residential leasing market has seen a continued reduction in the levels of activity.

We observe companies reducing employees' overall remuneration and seek opportunities to make cost savings since the pandemic. These measures have led to further reductions in demand with the commensurate reduction in rental levels, particularly for the poorer quality stock (in both design and specification).

While we note an increase in expatriates over the past couple of months, we note further reductions in the number of expatriate professionals or white collar workers, driven by regulations implemented on the workforce.

"The market is very location specific and where residential stock has shown a deeper decline has been areas where supply has significantly outstripped demand."

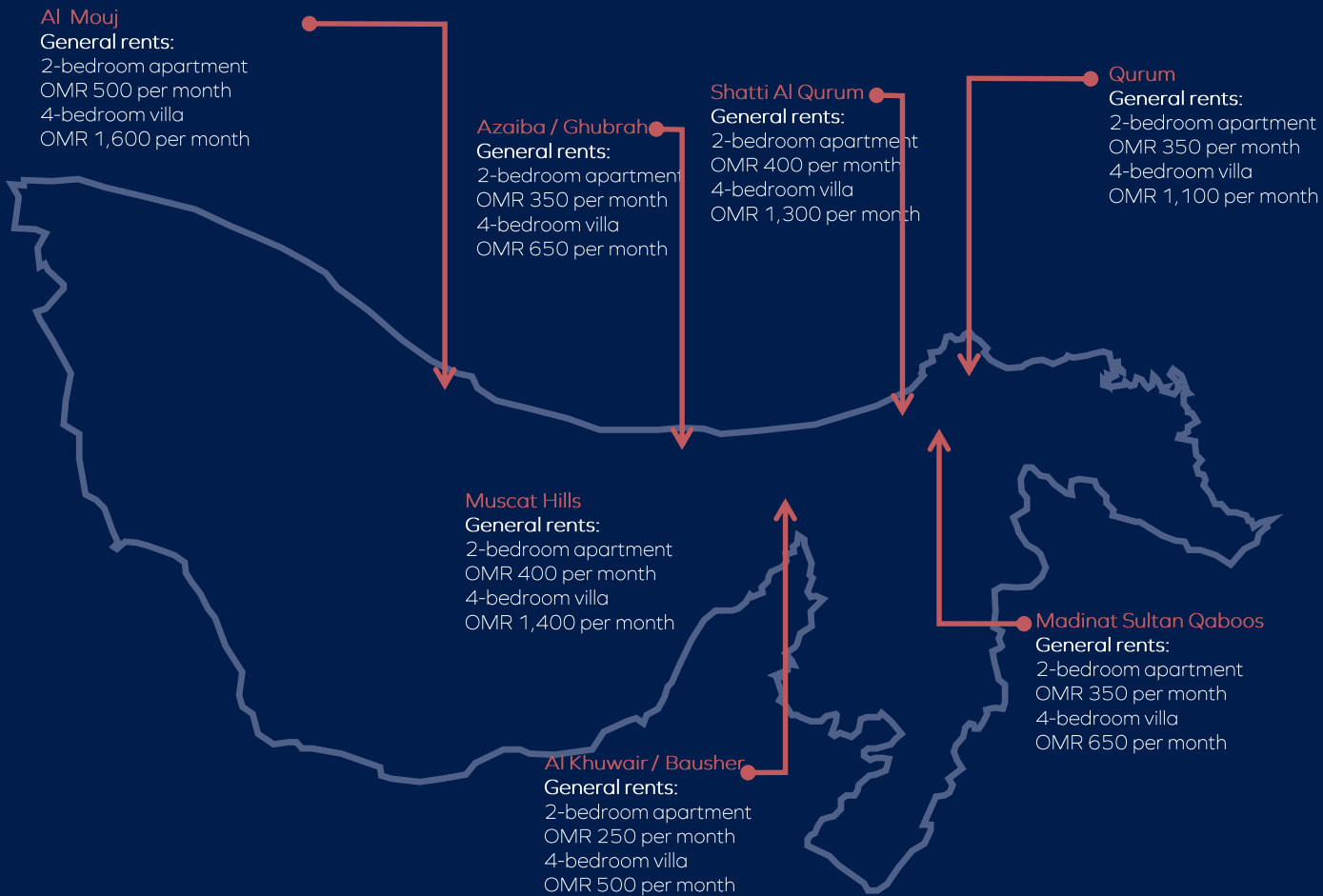


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In conducting our residential market insight, we observe the prime residential submarkets indicated in the below map. We further track the rental range of selected residential developments within these prime submarkets.

MUSCAT PRIME RESIDENTIAL SUBMARKETS

Source: Hamptons International



Note: *General rents are noted to indicate gross rents per unit per month taking into consideration of vacant units with white goods and typical lease periods

“We have however seen strong market demand for selected residential developments with strong proactive property management.”



Nasr Al Farsi

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We also note the increasing demand of fully furnished units especially over the past few months probably attributed to the uncertainty of the market. These fully furnished units are leased at a premium over the same vacant unit, and also offer flexibility in the lease duration which can range from 3-months to 1-year.

The market is likely to recover together with the economy as the country continues to attract investors and expatriates.

Hamptons International expects the residential real estate market in Muscat to remain attractive, with continued demand for properties and a growing number of developments being built. This presents opportunities for investors, developers, and homebuyers looking to invest in the city's real estate market.



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