

صندوق عمان العقاري OMAN REIT FUND



OMAN REIT FUND (OMRF)
Chairman's Report: 30-June-2021

Dear Unitholders,

On behalf of Oman REIT Fund Management Body, I am pleased to present you the unaudited financial results and performance report for the period ended 30 June 2021. The Fund was listed on the Muscat Stock Exchange (MSX) on 01 March 2021.

Global economic recap:

The first half of 2021 saw continued economic and capital market recovery, with some dispersion in underlying economic fundamentals. The global economy looks buoyant. Virus cases have moderated, vaccinations are ahead of schedule, employment growth has been strong and continued dovish stance from Central Banks are expected. Investors in US assets has benefited from risk investments and raised expectations for the rest of the world. Asia has also seen positive momentum, while Europe has lagged in pandemic control and economic recovery. As COVID-19 vaccines have raised confidence in recovery, markets have begun to price in higher expectations with material increases in risk-free interest rates so far this year. The 10-year US Treasury yield increased from 1.07% at the end of December 2020 to 1.47% at the end of June 2021, with similar increases in other major economies. NAREIT all equity REIT index gained by 20% during the period while MSCI World Real Estate Index gained by 15%. In the GCC, listed REITs have outperformed broader market index. The Tadawul REIT Index Saudi Arabia, the readily available REIT Index in the region, has witnessed gains of 13% during the 2nd quarter of 2021 as against 11% gains in Tadawul All Share Index during the period.

Oman Real Estate sector review

Demand for real estate in Oman is driven by the job market. The total number of expatriate workers in the Sultanate went down from 1.79 million in 2018 to 1.71 million by end of 2019. During 2020, the impacts of the COVID-19 pandemic and an increasing focus on providing jobs for nationals saw the decline in expatriate workers accelerating further. There are now around 283,000 (approximately 16%) fewer expatriate workers in the Sultanate in comparison to 2019 although the expatriate population has started to stabilize over recent months.

Managing Company:

Shumookh Fund Management LLC

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الشركة المدبرة:

شموخ لإدارة صناديق الإستثمار ش.م.م

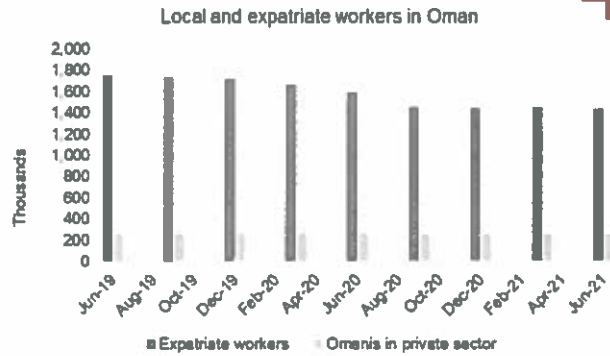
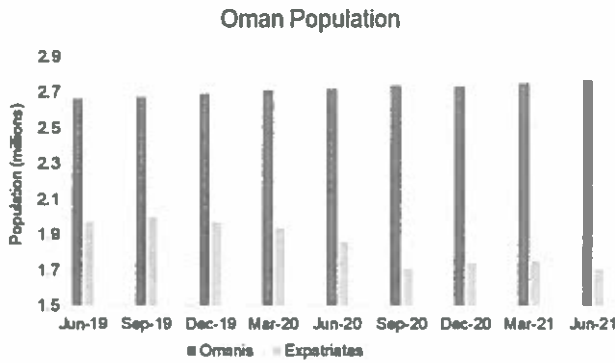
رقم القيد بسجل الهيئة العامة لسوق المال: خ/٢٠٢٠/٨٤

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Source: NCSI Monthly Statistical Bulletin

Companies in the private sector has cut down on manpower costs to cope with shrinking margins. The decline in the number of highly educated expatriate workers is pressuring the rents and occupancies in investment properties. Oman banning commercial flights between countries which are home to most of the expatriate population resulted in zero new demand for housing units.

The pandemic and subsequent lockdown measures have negatively impacted the office market in Muscat. Office leasing activity was limited before the pandemic and the onset of travel restrictions and lockdown measures led to muted demand levels in 2020. The lack of a clear commercial district in the city has resulted in scattered location of office spaces from Qurum to Azaiba. Market for large office spaces were very muted during this year. Most of the demand for new office leases were from existing companies looking for more convenient and efficient office premises. In contrast to the demand dynamics, recent years have seen the introduction of a significant supply of new office space which has exceeded the limited demand for office space in the city. There is currently around 100,000 sqm of office space under construction, while requirements in excess of 2,000 sqm are very limited. The property consultancy firm Savills in its most recent report on Oman's Real Estate Market considers that Muscat has a growing oversupply of office space relative to actual requirements.

Financial Performance:

The fund performance was satisfactory during the period. The fund achieved gross rental income of RO 2.37 million since inception. The properties incurred O&M expenses of RO 518,601 during the reporting period, and achieved net profit of RO 1.48 million for the period.

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Total property assets of the fund remained at RO 65.48 million, making it the largest listed REIT in Oman. The total unitholders' fund as at the end of June was RO 66.96 million, which translates to Net Asset Value per Unit of RO 0.102.

Future outlook:

Despite the strong challenges posed by second wave of Coronavirus in the Sultanate and the ongoing restrictions on business operations, the performance of our commercial properties remained strong. However, we were not immune to the negative effects of the pandemic. In line with the general market conditions, the residential properties that we own witnessed major volatility in occupancy levels and rental rates. With the introduction of a few new residential units to the market during the second half of the year, and in the absence of any significant new demand, we anticipate the competition to intensify over the short term. We are closely watching market conditions as they unfold and remain vigilant to the sensitivities this brings to our rental income. Our primary strategy would be focused on customer retention by providing enhanced tenant engagement and better living experience for tenants in our properties as well as diversify the leasing revenue.

The Fund Management body also wishes to thank the Capital Market Authority and Muscat Stock Exchange for their sustained and continued efforts in building a vibrant capital market and the management team for their diligence and dedication in managing the fund successfully in light of the economic openness and future vision 2040 under the wise leadership of His Majesty Sultan Haitham Bin Tariq – may God protect him and paid his steps for good.

On Behalf of the Fund Management body


Hani Hamed Al Hasani
Chairman

July 29, 2021



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