

08/June/2022

## **Chairman's Report**

### **For the Period Ended 31-December-2021**

Dear Unitholders,

On behalf of Oman REIT Fund Management Body, I am pleased to present you the audited financial results and performance report for the year ended 31 December 2021.

#### **Global Economic Recap**

IMF estimates global growth at 5.9% in 2021 and is expected to moderate to 4.4% in 2022. It also expects the effects of mobility restrictions, border closures, and health impacts from the spread of the Omicron variant to weigh on growth in the first quarter of 2022. The negative impact is expected to fade starting in the second quarter with more borders open up, and economic activities gather momentum. Higher inflation should fade as supply chain disruptions ease, monetary policy tightens, and demand rebalances away from goods intensive consumption towards services. The rapid increase in fuel prices is also expected to moderate during 2022–23, which will help contain headline inflation.

#### **Oman Economic Review and Outlook**

IMF in its October 2021 publication of World Economic Outlook, revised up economic growth projections for the Middle East countries including Oman due to robust activity. In Saudi Arabia, the non-oil growth projection has been revised up, but the overall GDP forecast has been downgraded relative to the April on account of subdued oil production below the OPEC+ quota earlier in the year. The IMF directors commended the Omani authorities' swift and well-coordinated policy actions to address the health and economic effects of the COVID-19 pandemic.

The large number of nationals working in the public sector and mass exodus of expatriate workers helped labor markets to adjust to the pandemic. Employment of non-nationals has fallen during the pandemic, but may be rebounding somewhat where recoveries have been stronger, while employment of nationals has held up better or even increased.

Oman's economy is showing signs of gradual recovery from the pandemic and the growth is expected to gather momentum over the medium term. Nominal GDP increased by 12.7% to reach RO 24.2 billion at the end of September 2021 compared to RO 21.5 billion during the year ago period. This was supported by the rise in petroleum activities by 26.5% to RO 7.4 billion from RO 5.9 billion at the end of the same period of 2020. Total nonpetroleum activities went up by 7.8% and reached RO 17.7 billion. Real

estate, vocations, technology, and administration services rose by 13% while wholesale and retail trade grew by 15% as compared to last year. Benefiting from the elevated oil price levels, and stable hydrocarbon production, overall GDP is projected to grow around 2.5% in 2021 with about 3% average growth over the medium term.

Non-hydrocarbon GDP growth of 1.5% percent is projected for 2021, as vaccine rollout gradually restored domestic economic activity along with the recovery of external demand. Inflation turned positive and reached 3.5% by November 2021 given the introduction of VAT and recovery in aggregate demand.

### **Review of Oman's Real Estate Sector**

Real estate activity in Oman has rebounded strongly this year following the pandemic-induced sluggishness in the previous year. Latest statistics released by the NCSI showed signs of a strong rebound in the sultanate's real-estate market in 2021. Total value of traded property in Oman grew 4.3% to RO 2.56 billion during the year from RO 2.46 billion in 2020, signaling the sector's resilience amid easing pandemic restrictions. The total number of real estate transactions jumped by 27% to 106,696 in 2021 from 83,805 in 2020.

During the 12 months period prior to onset of Covid-19 Pandemic, there were an average of 246 million worth of properties traded every month. After the onset of pandemic, this value reached average of 189 million a month, a decline of 23%. However, during 2021, the average value of property transactions improved to RO 229 million per month. With the sharp rise in number of property transactions, mortgage activity in the sultanate also rebounded sharply in recent months. Traded value of mortgage contracts reached RO 1.34 billion during the year, but still below pre-pandemic levels. Number of executed mortgage contracts jumped 21% to 18,082 contracts in 2021 from 14,864 in last year.

Despite the growth in volume of transactions, decline in property values and rents for residential property continued during 2021 from the previous market peak observed in 2Q14. A combination of factors including new stock additions in the last five years has contributed to this trend. Average value of mortgage transactions declined by 24% year-on-year between 2020 and 2021.

### **Financial Performance:**

The fund performance was satisfactory during the year. It achieved gross rental income of RO 4.37 million in 2021. The assets incurred property administration & maintenance expenses of RO 1.27 million during the reporting period, while the fund management and other expenses are at RO 0.81 million which includes the initial issue expense of RO 0.19 million. The fund achieved net profit of RO 1.83 million for the period after incorporating the net loss on fair value of investment properties of RO 0.53 million. The fund distributed two interim cash dividends of 1.75% each to unitholders, resulting in total dividend distribution of RO 1.649 million till 31-12-2021.

At the end of FY2021, Oman REIT Fund had total assets of RO 48.66 million, out of which RO 44.42 million is in property investments. This makes Oman REIT Fund the largest listed REIT in Oman. The total unitholders' fund as at the end of December 2021 reached RO 47.30 million, which translates the Net Asset Value per Unit is RO 0.100.

Though the fund was instituted with initial capital of RO 65,475,894 comprising of 20 assets, the EGM held on 13 January 2022 has approved to offload assets amounting to a total of RO 19,388,421 and cancel 183,572,554 number of specific units of certain unitholders, from the Fund. Subsequent to the cancellation these units, the Fund's outstanding capital is at RO 47,118,639 comprising of 16 assets.

**Future Outlook:**

Despite the strong challenges posed by second wave of Coronavirus in the Sultanate, the performance of our commercial properties remained strong. However, the Fund is not fully immune to the negative effects of the pandemic. In line with the general market conditions, the residential properties that we own witnessed volatility in occupancy levels and rental rates. We hope the demand gradually to go up over a long time and the Fund can manage short term competition thru new addition in the market. We are closely monitoring 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. Our goal is to maintain a portfolio with a bias toward properties with higher quality assets and identify new assets with guaranteed rental, operating in supply-constrained real estate segments, with generally less leverage and better property management characteristics.

On behalf of the Board of Directors, we extend our sincere thanks to the unitholders and shareholders for the confidence granted to the Fund. We also express our thanks and appreciation to the Capital Market Authority (CMA) and Muscat Stock Exchange (MSX) for their continued and sustained efforts in building a vibrant capital market.

The Board would like to extend their warmest wishes to His Majesty Sultan Haitham bin Tariq Al Said, asking the Almighty to preserve him and grant him wellness and wisdom in leading the Sultanate of Oman and its people to further prosperity and progress.

**On Behalf of the Fund Management body**

**Mustafa Ahmed Salman**

Vice Chairman