

An aerial photograph of a coastal city, likely Dubai, featuring a prominent white building and a large body of water with several sailboats. The image is overlaid with a blue gradient.

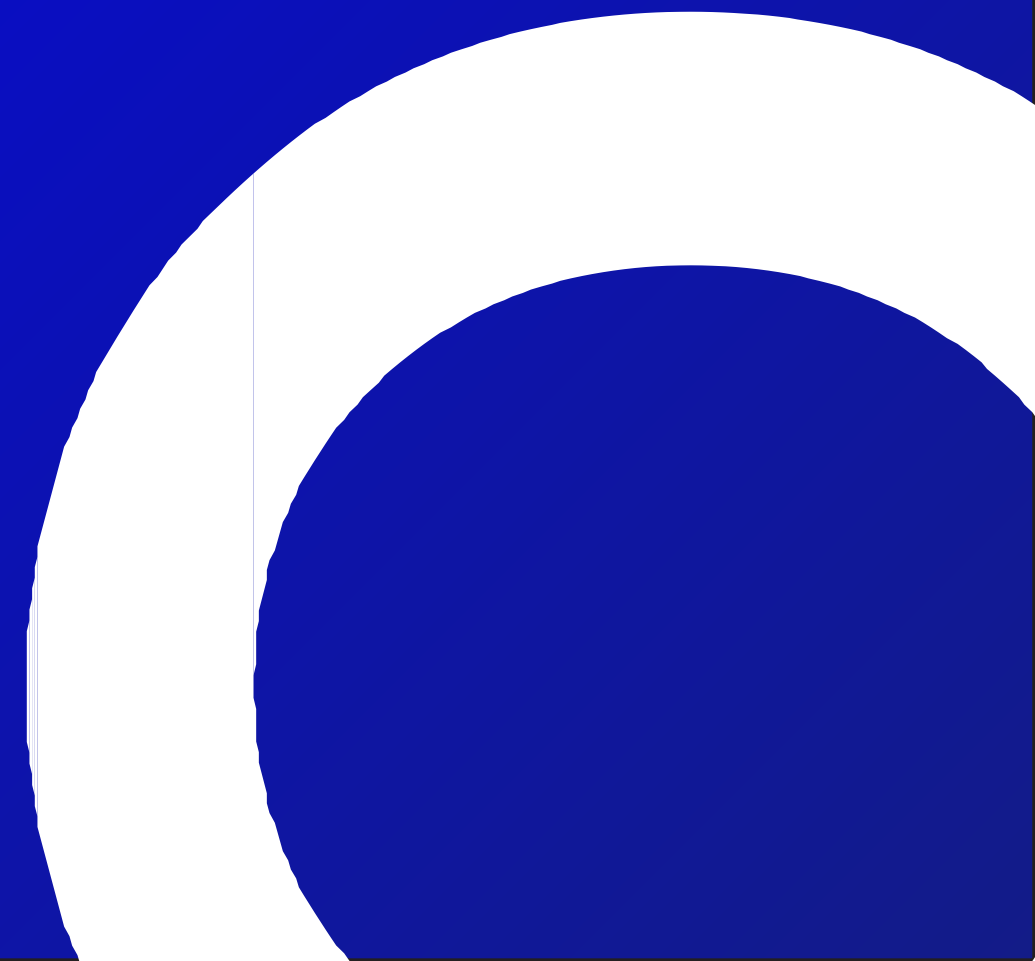
# Propelling PropTech: Innovations and Opportunities in the MENA Real Estate Market

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A whitepaper by  investopia

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# INTRODUCTION

PropTech (property technology) in the MENA region has been experiencing significant growth and transformation in recent years.

PropTech, an abbreviation for property technology, integrates real estate with advanced technologies such as AI, VR, and blockchain. This fusion aims to enhance processes involved in property buying, selling, research, marketing, and management. These cutting-edge solutions are also referred to as Real Estate Tech, Retech, Realtech, and Commercial Real Estate (CRE) Tech, depending on the perspective. Fundamentally, however, PropTech signifies a strong convergence of real estate and technology. Examples of PropTech include platforms like Zillow, Zoopla, and Airbnb, which facilitate real estate transactions, alongside property management software such as Buildium and Appfolio. These tools cater to managing residential (both single-home and multifamily buildings), office, and retail properties.

The evolution of PropTech can be delineated into three primary phases or waves. The first stage of PropTech commenced in the late 90s and early 2000s when online listing platforms such as Zillow and Rightmove started operating. The second wave commenced around 2007-2008, marked by the rise of mobile technology and the emergence of the sharing economy. Companies such as Airbnb began disrupting the traditional hospitality sector by offering an alternative to conventional hotel stays. This era also witnessed the introduction of cloud-based software for property management and data analysis.



The third wave of PropTech is defined by the integration of cutting-edge technologies such as Artificial Intelligence, Machine Learning, Blockchain, and the Internet of Things (IoT) into real estate practices. This phase focuses on harnessing technology to gain insights, optimize operations, improve customer service, and enhance overall value within the real estate industry.

The global PropTech sector is expected to reach \$ 86.5 billion by 2032, growing at a rate of 16.8%. Internationally, the United States leads in the number of PropTech companies, commanding 59.7% of the global total, followed by Europe with 27.2%, and Asia with 3.5%.

Within this transformation of the real estate sector by PropTech, the Investopia ecosystem emerges as a proactive advocate for investments into more advanced technologies in the MENA region. Recognizing the potential of these to revolutionize the real estate sector, which has been propelled by high demand for local property from foreign investors in the UAE in particular, Investopia is committed to supporting initiatives that harness the power of PropTech and support innovation.

## CURRENT LANDSCAPE OF REAL ESTATE IN MENA

There is a flurry of deals taking place in the real estate sector in the MENA region, particularly in the Middle East. The total value of real estate projects currently planned or under construction is around \$1.68 trillion in the Middle East, with Saudi Arabia's share being around 63% of this and the UAE's 24%. The Middle East real estate market is expected to record a compound annual growth rate (CAGR) of 6.1% from 2023 to 2030. Within the Middle East, the UAE is expected to be at the forefront of this growth, with Dubai's real estate market forecast to grow by 15% in 2024.

The COVID-19 pandemic accelerated the digital transformation of the real estate industry in the MENA region. As of 2022, the MENA region represented a significant 9.9% of the global PropTech market valuation, totaling an impressive \$ 1.8 billion. This amount is expected to reach \$8.5 billion in 2032 if the MENA region grows at a rate of 16.8% in line with global growth in the PropTech sector. What makes the opportunity in the MENA region even more attractive is its receptiveness to blockchain technologies, with the GCC consistently having led the way in adopting technology-driven transformations.

As digitalization expands across nearly all sectors in the MENA region, several PropTech trends have emerged. Virtual tours, smart home technology, remote transactions, and digital property management tools have become more commonplace, catering to changing consumer preferences and operational needs. Although property listings typically constitute the majority of PropTech startups, other entrepreneurial endeavors are also emerging and gaining traction in the area. There is a rising emphasis on sustainability within the real estate sector, driven by environmental concerns and regulatory requirements. Proptech solutions that promote energy efficiency, waste reduction, and sustainable building practices are gaining traction.

Encouraged by the rising trend of smart investing and fractional ownership in real estate, Stake, the premier digital platform for real estate investment that allows investors to buy fractions of rental properties in the UAE, recently announced that it raised \$14 million in a Series A funding round. The investment was led by MEVP (Middle East Venture Partners) and included participation from Wa'ed Ventures, a prominent Saudi Arabian VC under Aramco, as well as Mubadala Investment Company, Abu Dhabi's sovereign wealth fund, and Republic, a leading private investing platform based in the United States. Stake is now eyeing the market in Saudi Arabia, hoping to be the first platform to offer investors outside the Kingdom the opportunity to invest in the Saudi real estate market.

Several other fast-growing startups are emerging in the region too. These include Huspy, which is a digital mortgage platform that streamlines the home financing process for buyers, Egypt-based Talaat Moustafa Group, which provides digital solutions for real estate development and property management, Dubai-based Silkhaus, which raised \$ 7.75 million from global investors in one of the largest seed funding rounds in the Middle East in 2022, and Saudi-based Sakan, a platform focused on simplifying the home rental process. Silkhaus, active in MENA, South Asia, and Southeast Asia, reports that it manages a real estate portfolio exceeding \$ 120 million, with landlords earning 20-40% more compared to traditional long-term rental options. The platform has already served guests from over 120 countries.

## EMERGING TECHNOLOGIES IN PROPTech AND IMPACT OF THESE ON REAL ESTATE SECTOR IN MENA REGION



According to a Realiste report, the PropTech sector in the MENA region shows significant potential and areas for growth. The Middle East real estate market is projected to grow by as much as 111% over the next five years, largely propelled by advancements in technology. These technologies include virtual reality and metaverse, AI, and self-service solutions like Airbnb.

AI and cloud-based applications in PropTech can optimize energy consumption by adjusting it according to needs, thus leading to cost savings and performance maximization. These technologies can identify equipment failures before they happen, allowing landlords and tenants to respond proactively. Moreover, by leveraging technology, companies can reduce construction, operational, and other costs, while also enhancing their sustainability credentials. This aligns with their social responsibility towards the environment and supports compliance with government policies in this area.

Meanwhile, IoT, blockchain, and big data will enable users to access vital property analytics and valuation insights, aiding in informed decision-making about current challenges and future requirements. Governments' initiatives to release exclusive data, including transactions, supply, property prices, and indices to the public, will enhance transparency, bolstering the country's credibility and improving business sentiment. This will create a conducive economic and business environment, empowering investors to evaluate and make well-informed decisions on potential investment opportunities within the country or city.

PropTech analytics marks a substantial advancement in how the real estate industry handles information and makes decisions, fostering more data-driven approaches. It goes beyond merely collecting data; it focuses on extracting valuable insights that can inform strategic actions. This technology connects extensive data sets with practical knowledge, empowering stakeholders to navigate the complexities of the real estate market with greater assurance. By incorporating AI and machine learning, PropTech analytics can forecast market trends, pinpoint investment opportunities, and provide a deeper understanding of customer needs.



## The Case of UAE

PropTech has already launched digital platforms that simplify property management tasks like tenant screening, lease management, and maintenance requests, with several studies highlighting these benefits. A KPMG survey reveals that more than 58% of real estate companies in the UAE are investing in new technologies to improve property management efficiency. At the same time, a study by Jones Lang LaSalle Incorporated (JLL) found that implementing PropTech in the UAE has led to an average reduction in property management costs by up to 15%, while a survey by Bayut, a leading UAE real estate portal, showed that 70% of tenants reported an improved rental experience due to digital property management solutions.

Big data and analytics have facilitated more precise property valuations and investment analyses, drawing more investors to the UAE real estate market. A report from the Dubai Land Department indicates that PropTech-driven analytics led to a 20% increase in real estate investments in Dubai in 2023.

IoT and smart building technologies have enabled more sustainable property management practices in the UAE, reflecting the country's commitment to environmental sustainability. A study by the Emirates Green Building Council revealed that smart building solutions can lower energy consumption in buildings by as much as 30%.

The UAE has pioneered key initiatives, with Abu Dhabi emerging as a leader in the PropTech revolution in the Middle East, driven by government support. Partnering with Advanced Real Estate Services (ADRES), Abu Dhabi launched the Quanta and Dari platforms in 2022. Quanta provides accessible real estate data, generating accurate reports and dashboards on transactions, supply, financing, and market performance. Meanwhile, Dari enhances cybersecurity, protecting consumers from scams and offering a comprehensive platform for real estate operations, including sales, leases, and agent verification.

# OPPORTUNITIES FOR MARKET GROWTH AND INVESTMENT

According to Wamda Research Lab, investments in MENA's PropTech sector in 2023 totaled around \$70 million, down from \$101 million the previous year when they peaked. Nevertheless, the sector shows promising signs of growth. Numerous startups are entering the market with aspirations to revolutionize property buying, renting, and ownership in the region, particularly in countries experiencing real estate booms such as the UAE, Saudi Arabia, and Egypt.

Keyper, a rent-now-pay-later platform based in the UAE, secured \$4 million in a pre-Series A round and obtained \$30 million in sukuk financing. Meanwhile, Birdnest, an Egyptian startup specializing in real estate investor technology, revealed the completion of a pre-Series A funding round led by Beltone Venture Capital and CI Venture Capital. These investments highlight the ability of startups in the sector to attract significant funding.

In terms of countries, Egypt represents 11% of the total PropTech funding in the MENA region. While this figure indicates room for improvement and investment given the size of the Egyptian market, it also reflects the ongoing modernization of the country's real estate sector and the opportunities it presents. As the most populous Arab nation, Egypt is executing its strategic urban development plan for 2052, which includes large-scale road expansion projects and the construction of 14 new cities to accommodate population growth and alleviate congestion in densely populated areas.

New cities in Cairo feature the New Administrative Capital (NAC), spanning an area of 170,000 feddans. NAC aims to become one of the largest smart cities globally. This mega sustainable city will be operated from a smart city operations center that utilizes IoT-based applications, algorithms, and artificial intelligence to enhance efficiency and reduce waste. Ultimately, this will pave the way for many more digital transformations in the real estate sector.

Saudi Arabia is also showcasing a range of investment opportunities in the PropTech sector. The Kingdom plans to construct eight new megacities by 2030, including Neom, Qiddiya, the Red Sea Project, Amaala, Al-Ula, and Diriyah Gate, among others, with a total investment of nearly \$ 575 billion. This initiative aims to facilitate the development of 1.3 million housing units. The country is focusing on innovative technologies to enhance real estate management, improve efficiency, and promote sustainable development and already plans to invest \$ 6.4 billion in future technologies and entrepreneurship. With significant government backing and a growing demand for modern housing solutions, investors are encouraged to explore the burgeoning PropTech landscape in Saudi Arabia.

Meanwhile, the UAE continues to be a natural proponent of PropTech, with startups in the sector having raised over \$ 100 million in funding from 2018 to 2022, with as much as \$ 16 million invested in PropTech companies during the pandemic alone. The country is home to more than 55% of around 200 PropTech startups in the MENA region, showcasing a thriving entrepreneurial scene dedicated to revolutionizing the industry.



## FUTURE OUTLOOK AND STRATEGIC RECOMMENDATIONS FOR INVESTORS

As we delve into the transformative landscape of PropTech, it's evident that developments in this area are key to realizing the full potential of the MENA region's future economy.

It is anticipated that blockchain will evolve beyond transaction security to facilitate more complex real estate financing models and decentralized marketplaces. AI and Big Data are expected to advance in predictive analytics, providing deeper insights for market forecasting and investment risk assessment. These technologies are poised to deliver increasingly sophisticated market analysis and predictive insights, which are essential for strategic investment decisions. Such advancements will continue to enhance the attractiveness of the MENA real estate market to investors, creating a dynamic, efficient, and technologically enriched investment environment.

The emergence of innovative technologies such as AI-driven analytics and blockchain-based transactions may initially disrupt traditional investment models, prompting investors to adopt more tech-focused strategies. However, these challenges present significant opportunities for groundbreaking investment approaches. Investors who leverage these technologies can achieve a competitive advantage through improved market analysis, better asset management, and secure, efficient transaction processes.

While digitizing transactions through marketplaces and portals remains an area of focus in the MENA region, growth is also being observed in construction and office spaces, with promising innovations emerging. Additionally, advancements in urban development are expected to create further opportunities for existing players as large-scale projects are completed, highlighting future opportunities for investors.

This should encourage investors to diversify their investments and consider expanding portfolios to include PropTech opportunities in construction and office spaces, not just residential. Investors should also explore partnerships or investments in innovative startups that are broadening the scope of PropTech offerings.

Project management will be another area to focus on, utilizing technology effectively. Technologies like Building Information Modeling (BIM), IoT devices, and VR/AR inspection tools will work together to ensure safe and accurate project delivery.

There will increasingly be a notable overlap between the fintech and real estate tech sectors, particularly in areas such as residential transactions, aggregation, and management services. Key focuses include co-working spaces and IoT. The sector has attracted substantial funding, resulting in numerous new solutions, primarily at the seed stage. However, recent Series-A funding activity suggests that the industry is beginning to mature. Investors should be encouraged to look for opportunities that combine fintech and real estate tech, leveraging their synergies. They should prioritize investments in companies that have progressed to Series-A funding, indicating a stronger market presence and consider emerging solutions in co-working spaces and IoT, as these areas show significant growth potential.





## CONCLUSION

The MENA real estate market is on the cusp of a transformative era driven by PropTech innovations. As technology continues to reshape traditional practices, stakeholders have unprecedented opportunities to enhance efficiency, improve decision-making, and create sustainable solutions. From leveraging AI and big data to embracing blockchain and IoT, the integration of these technologies is paving the way for a more dynamic and competitive landscape.

Investors and industry players who recognize and adapt to these emerging trends stand to gain significant advantages. By focusing on strategic collaborations, exploring new market segments, and fostering innovative solutions, they can navigate the evolving terrain effectively. Ultimately, the future of PropTech in the MENA region holds immense promise, positioning it as a key driver of growth and modernization in the real estate sector.



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