

ValuStrat 

Dubai Real Estate Market
REVIEW: FIRST QUARTER 2016

www.valustrat.com



2016 Q1 - Real Estate Indicators

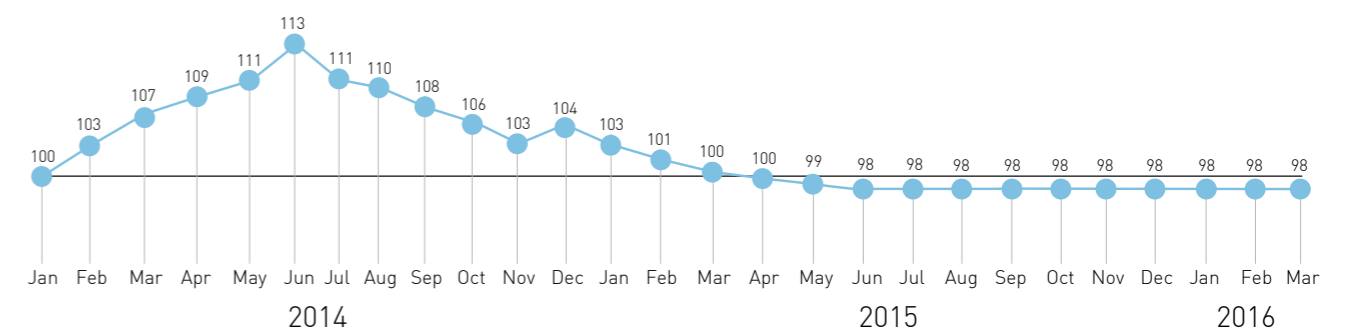


ValuStrat Price Index - Residential

The ValuStrat Price Index (VPI) features monthly analysis of multiple properties across 16 apartment and 10 villa locations in Dubai. By applying statistically determined weights to different locations and specifications, it provides a real-time monitor of the city's property cycle – A useful insight when compared to official transactional data. The first quarter 2016 VPI displayed a 3.5% annual decline in values. However, the general monthly rate of decline has shown no recent change in residential values. January's residential VPI registered 97.9 index points while February and March slightly improved for the first time in almost two years, by 0.1% to 98.0 index points. Statistical analysis shows there are minute indications of an early recovery in some areas, signalling possible signs of a bottoming-out in property values across the VPI coverage locations during the course of the year.

- After a 9 month relatively stable market, more end users are seeking to get on the property ladder, anticipating long term capital appreciation while saving on monthly rental expenditure
- Dubai apartment market has shown a slight quarterly improvement in values, up 0.1% while the villa market saw values marginally decline by 0.2%
- The median apartment value in March was AED 14,198 per sq m (AED 1,319 per sq ft) and for villas was AED 14,650 per sq m (AED 1,361 per sq ft)
- Compared to the previous quarter, three locations saw appreciation in values, Motor City having the highest improvement of 1.5%, while Dubai Production City (formerly known as IMPZ) and The Greens saw an increase of just 0.7%
- With the exception of International City which fell by 1% in value, all other apartment locations witnessed no drop in values
- Villas in Arabian Ranches saw values dip by 0.9%, Jumeirah Islands and The Meadows saw marginal negative changes while all other villa locations monitored by the VPI remained stable

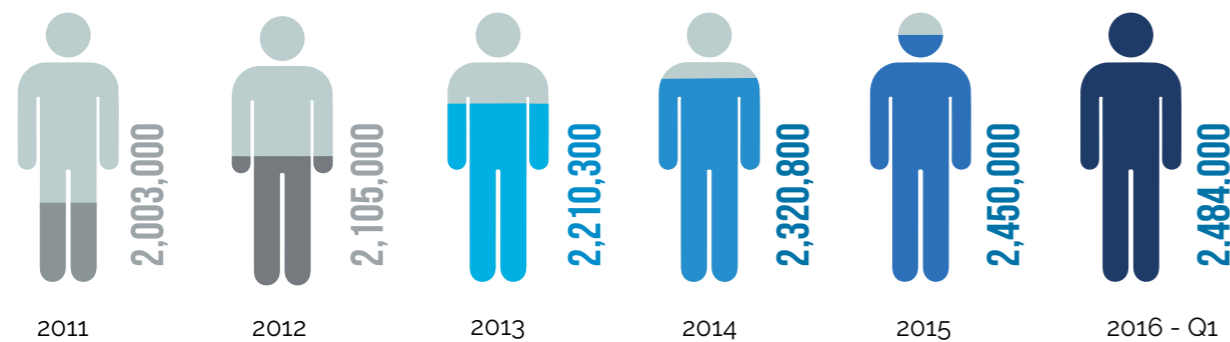
VALUSTRAT PRICE INDEX
16 APARTMENT AND 10 VILLA LOCATIONS IN DUBAI
 [BASE: JAN 2014=100]
 Source: ValuStrat



MACRO-ECONOMIC SNAPSHOT

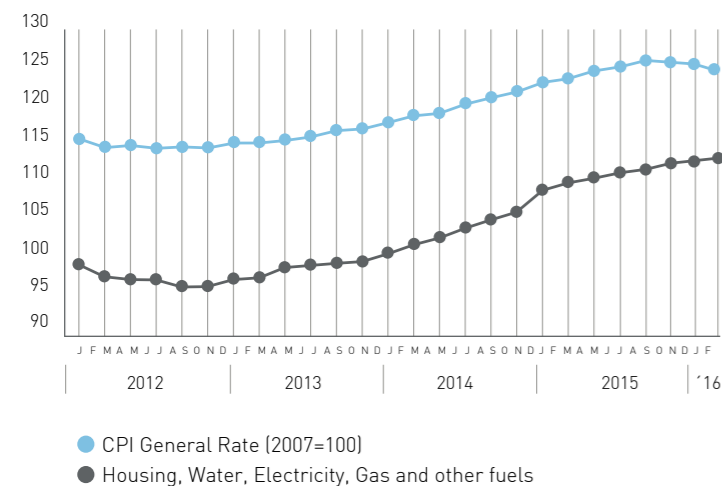
- Latest Dubai GDP figures saw a YoY growth rate of 4.5% during first nine months of 2015
- Construction contributed 7.2% to GDP
- Fastest growing sector was Restaurants and Hotels at 9.4% growth rate, with a contribution of 5.4% to GDP
- Dubai's population as of March 2016 was 2.48 million
- Annual population growth rate was 5.6% in 2015, with an average household size of 4.2 individuals

DUBAI POPULATION



Source: Dubai Statistics Centre

CONSUMER PRICE INDEX VS HOUSING INDEX JANUARY 2012 – FEBRUARY 2016



Source: Dubai Statistics Centre

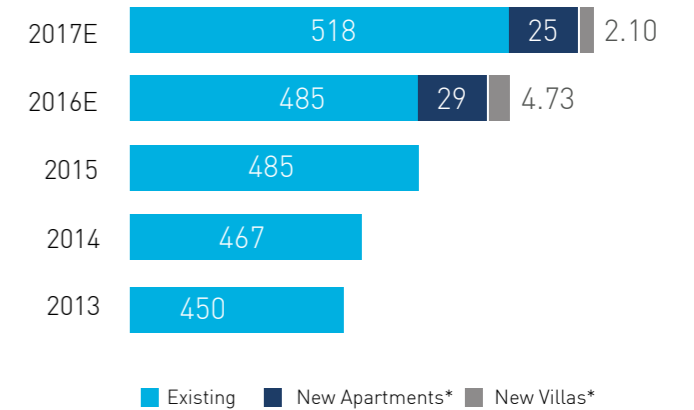
- With current low oil prices, the UAE has a target to diversify the economy to become less dependent on oil revenues
- VAT (Value Added Tax) is expected to be introduced from 2018 at a rate of 5%, with studies into a corporation tax under way
- Consumer Price Index (CPI) for Dubai increased by 1.4% in February when compared to last year
- Dubai's overall inflation has been declining on a monthly basis since October last year
- January and February inflation decreased by 0.33% and 0.22% respectively
- Housing and utility expenses inflation increased this quarter between 0.23%-0.5% on a monthly basis

Residential

RESIDENTIAL SUPPLY

- For 2016 the estimated total supply of residential apartments and villas to be completed amounts to 33,662 units, as in recent years this volume may be subject to significant downward adjustment
- Much of the carryover supply comes from delayed projects that were initially scheduled to be completed during last year
- Eight off-plan residential projects were launched in Q1 to add more than 2,000 units to the residential pipeline by 2021. Projects included Damac's Aykon City, Dubai Properties' Bella Casa - Serena, Azizi's Royal Bay Palm Jumeirah as well as Emaar's Harbour Views and Sidra Villas
- Increased buyer interest in competitively priced off plan townhouses and villas, along with flexible payment plans, has been observed

DUBAI RESIDENTIAL SUPPLY 2013-2017
('000 UNITS)

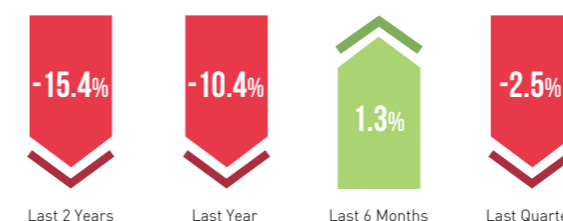


* May be subject to significant downward adjustment
Source: Dubai Statistics Centre, REIDIN, MEED Projects, ValuStrat

RESIDENTIAL PRICES

- The median residential transaction price witnessed a decline of 10.4% YoY
- When compared to the previous quarter, the median residential transacted price was down by 2.5%
- The median transacted apartment price stands at AED 10,775 per sq m (AED 1,001 per sq ft), down by 11% YoY and 5% QoQ
- The median transacted villa price stands at AED 12,949 per sq m (AED 1,203 per sq ft). Declining by 7% YoY and up by 12% QoQ
- High-end villas priced more than AED 10 million saw double the number of transactions as compared to the previous quarter, also registering 11.1% of overall villa transactions compared to 5.7% last quarter

RESIDENTIAL MEDIAN TRANSACTED PRICES

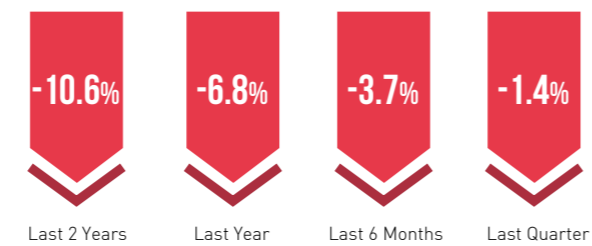


Source: REIDIN, ValuStrat

RESIDENTIAL RENTS

- Overall residential asking rents declined by 6.8% YoY
- Median asking rents this quarter were 10.6% lower than the same period two years ago
- Median apartment asking rents dipped by 6% YoY and 1.4% QoQ
- Median villa asking rents dropped 11% YoY and 1.5% QoQ

RESIDENTIAL MEDIAN ASKING RENTALS



Source: REIDIN, ValuStrat

OFFICE MEDIAN TRANSACTED PRICES



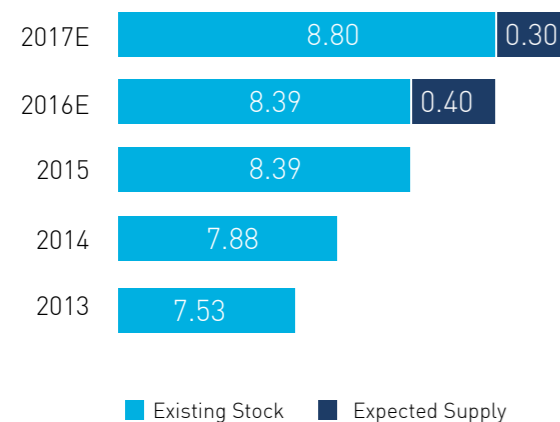
Source: REIDIN, ValuStrat

OFFICE PRICES

- Overall transacted office prices fell by 9% YoY
- Price drops of 3.1% seen during this quarter when compared to the previous quarter
- Secondary office locations saw transacted prices range from AED 6,350 per sq m – AED 8,611 per sq m (AED 590 per sq ft – AED 800 per sq ft)
- Prices of shell and core office space in Downtown Dubai increased by an estimated 2% since Q4, starting at an average of AED 25,403 per sq m (2,360 per sq ft)
- Average shell and core prices in Business Bay and Jumeirah Lake Towers remained stable QoQ, prices ranged from AED 10,200 per sq m – AED 13,000 per sq m (AED 950 per sq ft – AED 1,200 per sq ft)

Office

DUBAI OFFICE SUPPLY 2013-2017
(MILLION SQ M GLA)



■ Existing Stock ■ Expected Supply

Source: REIDIN, MEED Projects, ValuStrat

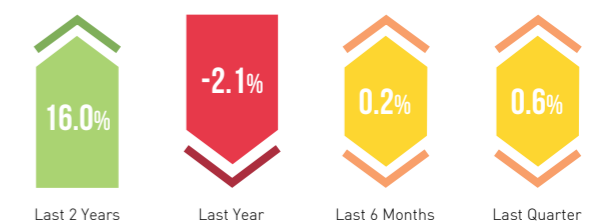
OFFICE SUPPLY

- 2016 began with an estimated 8.39 million sq m (90.3 million sq ft) of office Gross Leasable Area (GLA)
- 403,000 sq m (4.3 million sq ft) GLA is expected to be delivered during 2016, and 300,000 sq m (3.2 million sq ft) during 2017
- Key completions include Tecom Investments' The Butterfly, located in Dubai Media City delivering 23,690 sq m (255,000 sq ft) of GLA
- Launched this quarter was the 54 story ICD Brookfield Place located in Dubai International Financial Centre (DIFC), which will add 83,613 sq m (900,000 sq ft) of Grade A office GLA by the end of 2018

OFFICE RENTS

- Median asking rents for office space remained relatively stable during this quarter
- Asking office rents this quarter were 16% higher than the same period two years ago
- The median asking rent for office space was AED 1,184 per sq m (AED 110 per sq ft)
- Index Tower in DIFC saw the highest asking rent of AED 4,520 per sq m (AED 420 per sq ft)

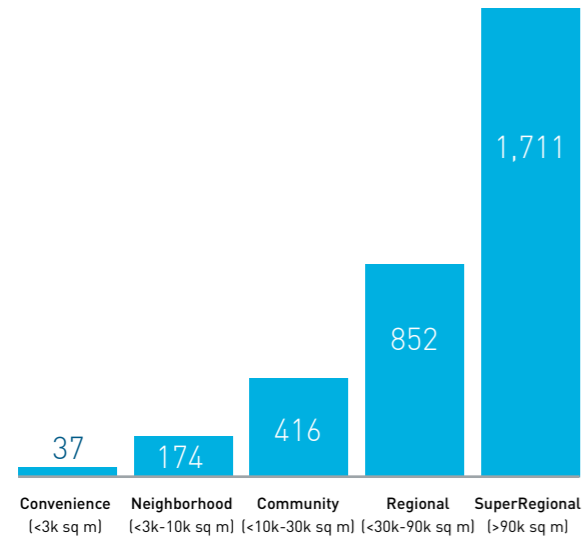
OFFICE MEDIAN ASKING RENT PERFORMANCE



Source: REIDIN, ValuStrat

Retail

RETAIL MALLS & SHOPPING CENTRES
('000 SQ M GLA)



Source: REIDIN, ValuStrat

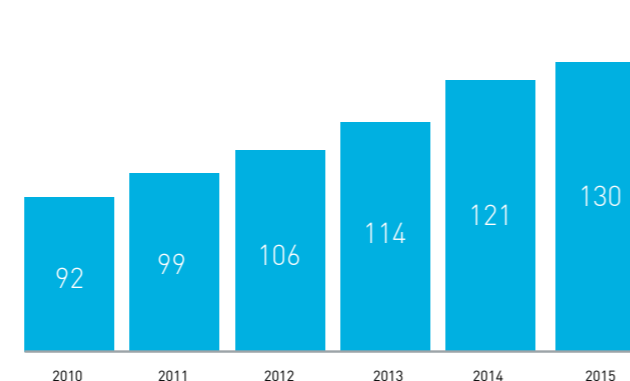
RETAIL PERFORMANCE

- Dubai Chamber of Commerce and Industry reported that the retail market had reached AED 129.9 billion last year and is expected to rise by 7.7% in 2016
- A 23% rise in net profit was posted by Emaar Malls in 2015 with an 11% rise in rental income. Emaar Malls raised the base rents of their properties, one of which is the iconic Dubai Mall, by 25%
- Average retail rents for line shops in prime retail malls remained relatively stable averaging AED 6,000 per sq m (AED 557 per sq ft)

RETAIL SUPPLY

- The Mall, a 7,502 sq m (80,756 sq ft) retail complex was opened in the Jumeirah District, across from the Burj Al Arab and Jumeirah Beach Hotel. It houses 66 stores with shopping, leisure, dining and entertainment facilities
- Majid Al Futtaim launched its 7th City Centre Mall in Al Shindagha with 75 stores covering 24,500 sq m (263,716 sq ft) of Gross Leasable Area (GLA).
- Dubai Properties inaugurated its Al Salam Town Centre, a 5,946 sq m (64,000 sq ft) community centre in Mudon which will offer retail, dining, healthcare, education and sports facilities to the residents
- As part of the AED 1.5 billion expansion plan of Dubai Festival City Mall, a 300 meter Waterfront Promenade and a 2,500-seat indoor food court was unveiled. Over 100 new retail stores were opened

DUBAI PRIME RETAIL MARKET SIZE
(AED Billion)

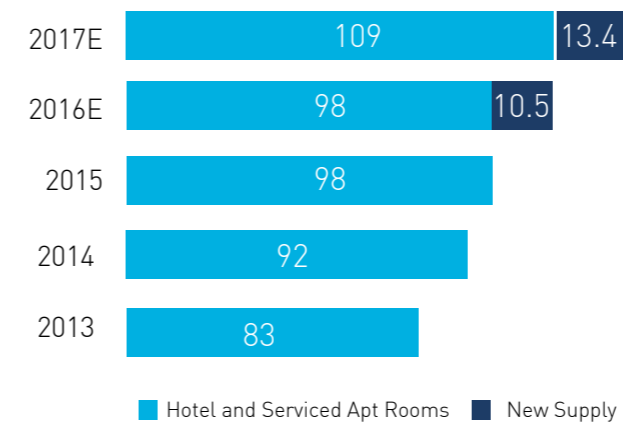


Source: DCCI, Euromonitor

Hospitality

HOTEL SUPPLY

HOTEL ROOM SUPPLY 2013 - 2017
('000 KEYS)



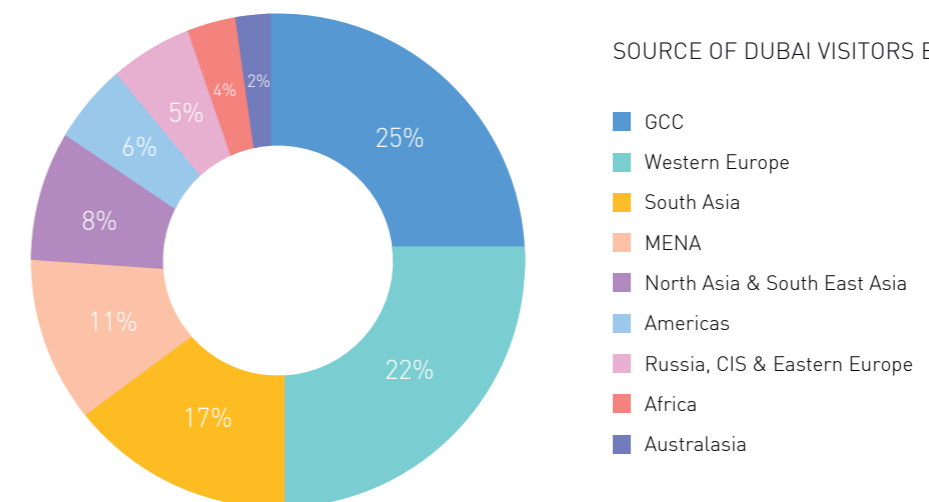
Source: REIDIN, ValuStrat

- The total number of hotel rooms and hotel apartments at the beginning of 2016 stood at 98,333
- Five hotels with 1,581 hospitality units were added in Q1, one 5-star, while the rest are 3 and 4-star
- New hotel openings included The Four Seasons in DIFC, Ibis Styles Dragon Mart, and Wyndham Dubai Marina
- Fifteen new hotels were announced to add 4,086 keys to the pipeline over the next three years
- Notable hotel announcements included Roda Jewel of the Creek in Dubai Creek, Hampton Hotel in Al Barsha, Ibis Styles in Al Jaddaf, and Aykon City on Sheikh Zayed Road

HOTEL PERFORMANCE

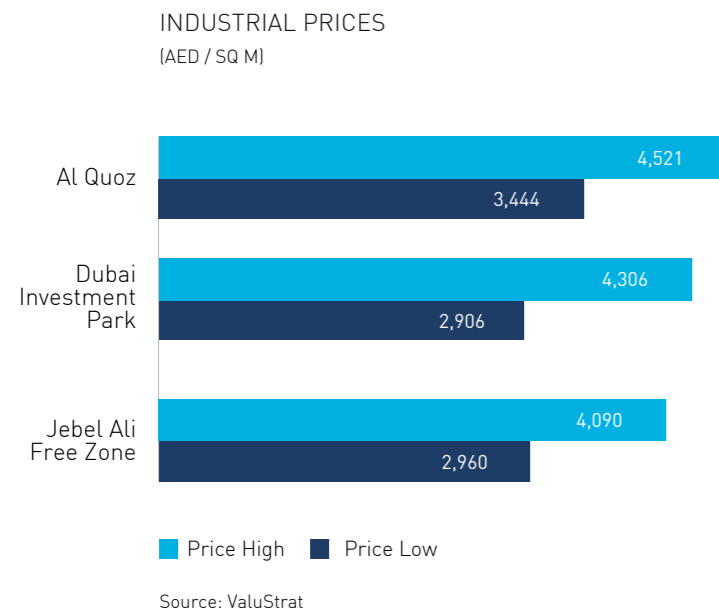
- The total number of tourists during 2015 topped 14.2 million
- 2.68 million international guests were registered during the first two months of 2016, up 3.5% YoY
- The average occupancy during January and February was 85%, down 2% when compared to last year
- With increasing new hotel room supply, YoY Average Daily Rate (ADR) for the same period dropped by 11.7%
- Hotel Revenue Per Available Room (RevPAR) fell 13.3% YoY

SOURCE OF DUBAI VISITORS BY REGION



Source: DTCM, ValuStrat

Industrial

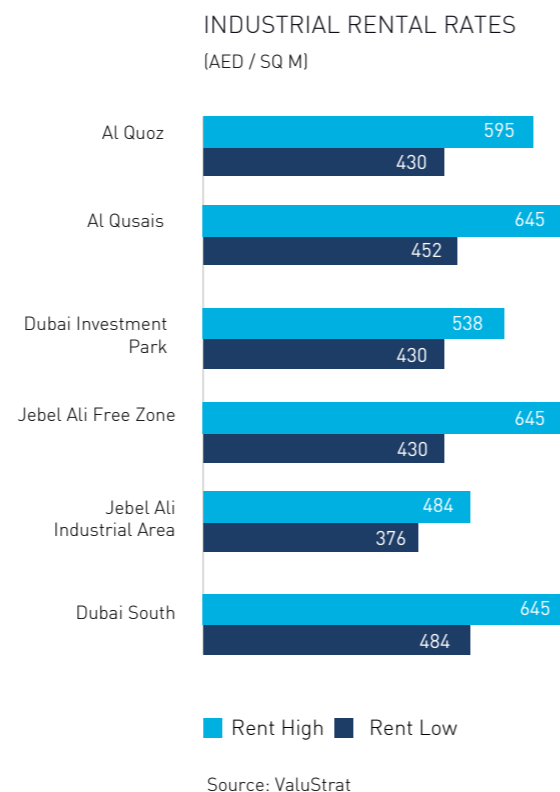


INDUSTRIAL SUPPLY

- Recent announcements included the launch of Dubai Wholesale City with a land area of approximately 51 million sq m (550 million sq ft) and an envisaged investment of AED 30 billion over a ten year period
- Dubai South, originally named Dubai World Central, with a total estimated area of 145 million sq m upon completion will serve as a major industrial/logistics/transportation hub, primarily due to its close proximity to the Al Maktoum International Airport
- There has been progress in the supply of new units and warehouses in JAFZA South, due to direct access through Sheikh Mohammed Bin Zayed Road

INDUSTRIAL PERFORMANCE

- More established industrial zones such as Al Quoz saw increasing buyers demand due to the scarcity of freehold land. Depending on quality, location and size, prices ranged from AED 3,444 per sq m to AED 4,521 per sq m (AED 320 per sq ft to AED 420 per sq ft)
- Average rental rates ranged between AED 322 per sq m to AED 591 per sq m (AED 30 per sq ft to AED 55 per sq ft) for industrial units
- Rental rates for industrial property continue to rise, by an average range of 5% - 10% as compared to last year. With higher asking rents in developing industrial areas such as DIP, JAFZA and Jebel Ali, and lower rents in older industrial areas such as Al Quoz, Ras Al Khor and Al Qusais



ValuStrat in the Media



23 March 2016

Affordable communities offer best rental yields

ValuStrat's Haider Tuaima informs: "The highest net yields for apartments can be found in International City up to 7.2 per cent, Remraam and Dubai Production City (IMPZ), both at seven per cent, and Discovery Gardens at 6.9 per cent. As for villas, the highest net yields can be found in Arabian Ranches at 6.8 per cent, The Lakes at six per cent and Al Furjan at 5.8 per cent."



19 March 2016

Dubai property prices may have 'bottomed out' in February

The February ValuStrat Price Index (VPI) for Dubai's residential market registered 98.0 index points, signaling possible signs of a bottoming-out in monthly values. ValuStrat's VPI revealed that price to rent ratios were 20 years for villas and 14 years for apartments while gross yields were 5.5 percent for villas and 7.5 percent for apartments.



02 March 2016

Dubai rent softening to continue in 2017, according to analysts

Rents in most residential communities in Dubai will continue to soften this year and in 2017, as more flats and villas are expected to be delivered. "Residential rents are expected to soften further next year as more supply comes through", Haider Tuaima, head of research at ValuStrat, told Gulf News.



09 February 2016

70% of Dubai projects facing delays: analyst

A number of realty projects in the UAE won't be completed as scheduled this year. Haider Tuaima, research manager at ValuStrat, said project delays for some properties are common in Dubai's property market due to "over-optimistic completion dates" and "poor project management."



03 February 2016

Investors show interest for ready properties

Cash-ready investors are making a concerted move to seek out ready properties in Dubai. This could be the trigger for a gradual slowing down in the rate of decline of property values across key locations, according to data based on fourth quarter activity put together by ValuStrat.



20 January 2016

Villa Renovations

In Dubai's competitive real estate environment, renovation work adds value to the property. However, over-spending on renovation, exposes the investor to the risk of losing money. A homeowner will need to research before spending unnecessarily on costly upgrades.

ABOUT VALUSTRAT

ValuStrat is a leading consulting firm headquartered in Dubai providing Advisory, Valuation, Research, Due Diligence and Divestment services across a diverse range of industry sectors since 1977. Offices in UAE, Saudi Arabia and Qatar serve over 750 corporate clients in the Middle East. Client base includes financial institutions, local corporates, multinationals, governments, SME's, family businesses and start-ups. Some of the key sectors serviced by ValuStrat's consulting team include real estate, hospitality, healthcare, education, manufacturing, retail, entertainment, transport and FMCG.



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ValuStrat Price Index

The ValuStrat Price Index (VPI) for Dubai's residential sector is constructed to represent the monthly price change experienced by typical freehold residential units within Dubai. The VPI provides an up-to-date opinion of current pricing. The VPI is a comprehensive weighted sample of all property types across the city. The latest in-depth 100+ page report that includes citywide analysis of 26 freehold districts, including the ValuStrat Price Index, transaction volumes, service charges, Price to Rent Ratios and Net Yields is now available to subscribers.

Research Methodology

Every effort has been made to ensure the accuracy of this document. New supply data covers 38 defined areas in Dubai including non-freehold areas. Only completed and under construction projects are included. The new supply data does not include announced projects, and projects in design phase. The new supply database does not take into account most private building projects. Prices are calculated from actual transactions that have been carefully cleansed to exclude duplicates, bulk sales and outdated transactions. Rental data is derived from a carefully cleansed database of listings that don't include duplicates, potential errors and outliers.

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