

ValuStrat 

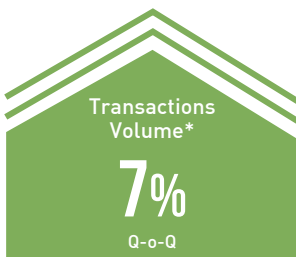
Dubai Real Estate Market
REVIEW: SECOND QUARTER 2016

www.valustrat.com

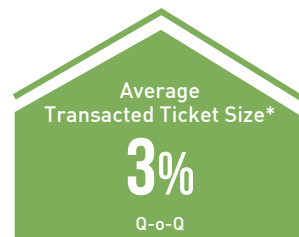


2016 Q2 - Real Estate Performance

ValuStrat Price Index (VPI)
Residential
Source: ValuStrat



*Residential & commercial trans.
Source: DLD, Valustrat



*Residential & commercial trans.
Source: DLD, Valustrat



Source: REIDIN, ValuStrat



Source: REIDIN, ValuStrat



Source: REIDIN, ValuStrat



Source: REIDIN, ValuStrat



Source: DTCM, ValuStrat



Source: DTCM, ValuStrat

ValuStrat Price Index - Residential

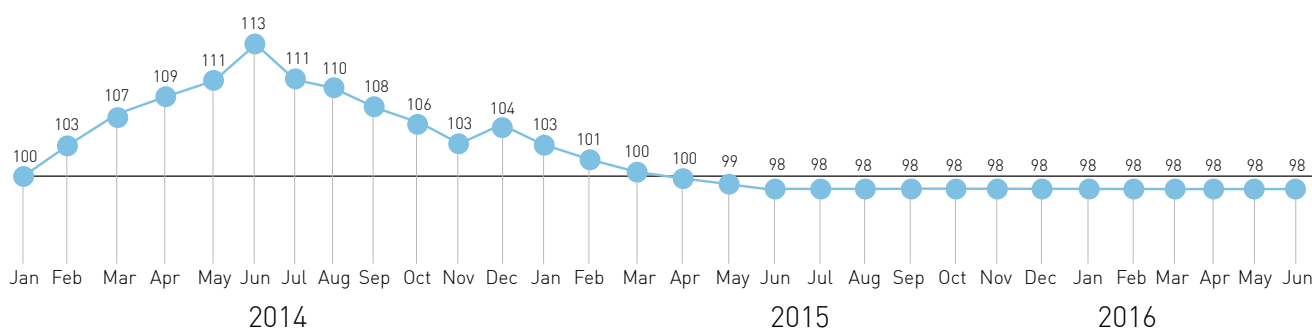
The ValuStrat Price Index (VPI) is a comprehensive data driven representation of the monthly price change experienced by typical freehold properties. During the last two years, the VPI has provided a 'real time' view of Dubai's property cycle, leading the market with accurate commentary and an informed outlook. The second quarter 2016 VPI displayed an overall 1.1% annual decline in values. However, the monthly growth rate of residential values has been broadly stable since July last year. April and May's residential VPI registered 98.0 index points while June dipped slightly by 0.1% to 97.9 index points. Statistical analysis has shown further 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 second half of 2016.

- With a clear 12 month trend of relatively stable sales prices, the general sentiment has been cautiously optimistic towards a recovery commencing in the second half of this year – Evidence from the market place also indicates that both investors and end-users are now doing deals on well located and correctly priced properties
- Dubai's apartment VPI has shown a slight quarterly improvement, up 0.1% while the villa VPI declined marginally by 0.1%
- The median apartment value in June was AED 14,165 per sq m (AED 1,316 per sq ft) and for villas was AED 14,703 per sq m (AED 1,366 per sq ft)
- Compared to the previous quarter, nine locations saw appreciation in values, International City having the highest quarterly improvement of 2.3%, while Motor City increased by 1.3% and Dubai Production City (IMPZ) saw an increase of 0.6%
- Eight areas saw marginal quarterly declines, of less than 0.5%, other apartment locations saw 0.1% - 0.5% of quarterly improvements in value
- Villas in The Lakes saw values slightly improve by 0.6%, while Arabian Ranches, Jumeirah Islands, Al Furjan and Jumeirah Park saw marginal negative changes

VALUSTRAT PRICE INDEX 16 APARTMENT AND 10 VILLA LOCATIONS IN DUBAI

[BASE: JAN 2014=100]

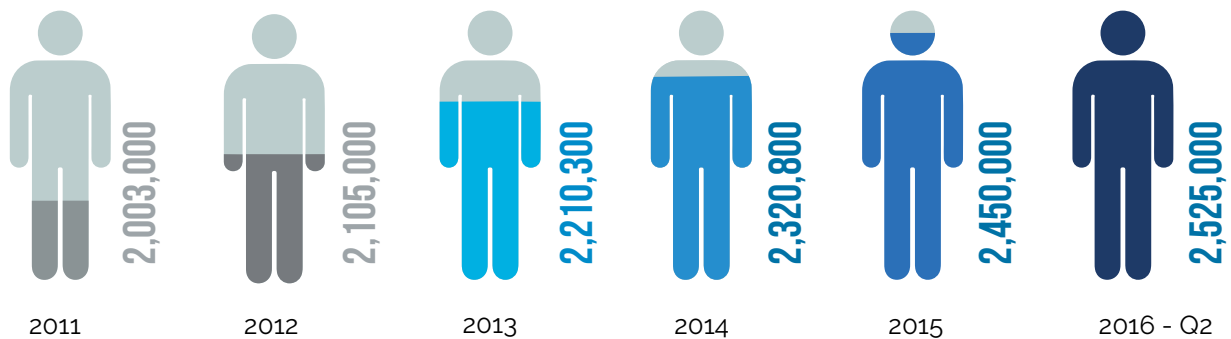
Source: ValuStrat



MACRO-ECONOMIC SNAPSHOT

- Latest Dubai GDP figures saw a YoY growth rate of 4.1% during 2015
- Construction contributed 7.2% to GDP
- Fastest growing sector was Restaurants and Hotels at 8% growth rate, with a contribution of 5.6% to GDP
- Dubai's population as of June 2016 is estimated at 2.53 million
- Annual population growth rate was 5.6% in 2015, with an average household size of 4.2 individuals

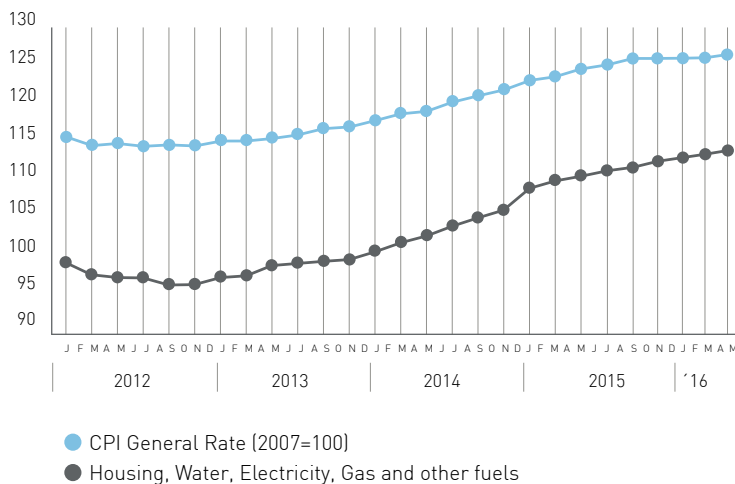
DUBAI POPULATION



Source: Dubai Statistics Centre

CONSUMER PRICE INDEX VS HOUSING INDEX

JANUARY 2012 – FEBRUARY 2016



Source: Dubai Statistics Centre

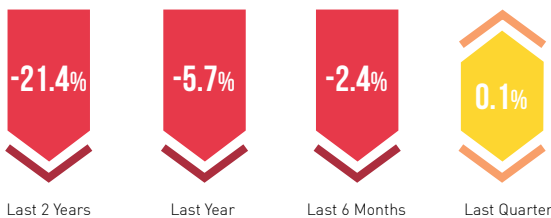
- Shortly after UK's Brexit vote to leave the EU, the British Pound and the Euro saw a considerable fall in value against the US Dollar, causing fears of lower real state investments in Dubai, as well as lower retail and tourism spending by UK and European citizens
- Consumer Price Index (CPI) for Dubai increased by 1.5% in May when compared to last year
- After a five month decline, Dubai's CPI increased by an average of 0.4% since March this year due to transport and education expenses
- Housing and utility expenses CPI increased by 0.26% in April, however, saw no monthly change in May

Residential

RESIDENTIAL SUPPLY

- For 2016, the latest estimated total supply of residential apartments and villas to be completed is 16,326 units, which is equal to half of the estimate quoted for last quarter. 7.8% of project completions has been pushed to 2-3 years, and 17% have been delayed 18 months to 2 years
- Nine off-plan residential projects were launched in Q2 to add more than 2,500 units to the residential pipeline by 2020. Projects included, Emaar’s Fairways Vistas, Il Primo and 52|42 Towers, DPG’s Arabella 2 and Bellevue Towers, Nshama’s Zahra Breeze, Deyaar’s Dania District, and Danube’s Glamz Residence
- Increased interest from ‘wait-and-see’ cash buyers as they look for more attractive pricing and competitive payment plans, and a window of opportunity before an expected upturn

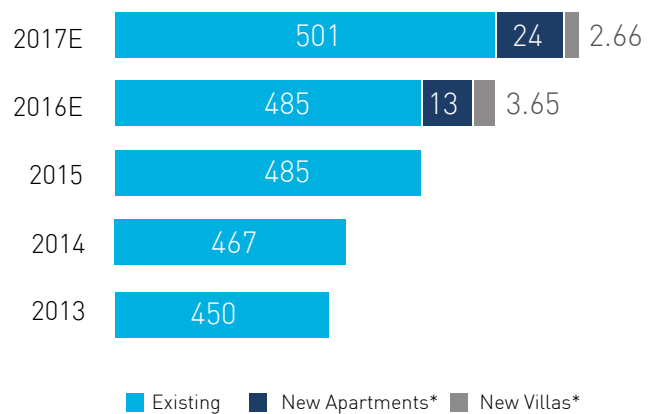
RESIDENTIAL MEDIAN TRANSACTED PRICES



Source: REIDIN, ValuStrat

DUBAI RESIDENTIAL SUPPLY 2013-2017

('000 UNITS)



* May be subject to significant downward adjustment

Source: Dubai Statistics Centre, REIDIN, MEED Projects, ValuStrat

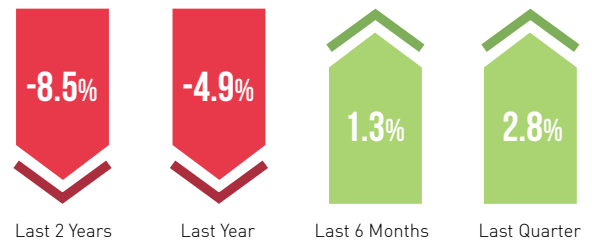
RESIDENTIAL PRICES

- The median residential transaction price witnessed a decline of 5.7% YoY
- When compared to the previous quarter, the median residential transacted price was marginally up by 0.1%
- Median transacted apartment price stands at AED 10,936 per sq m (AED 1,016 per sq ft), down by 5.4% YoY however increased by 1.5% QoQ
- The median transacted villa price stands at AED 12,045 per sq m (AED 1,119 per sq ft). Declining by 8% YoY and down by 7% QoQ
- Citywide sales transaction volume witnessed estimated quarterly increases of 14% for apartments and 10% for villas

RESIDENTIAL RENTS

- Overall residential asking rents declined by 4.9% YoY
- Median asking rents this quarter were 1.3% higher than Q4 last year and 2.8% higher than Q1 this year
- Median apartment asking rents dipped by 5% YoY, however saw an increase of 2.9% QoQ
- Median villa asking rents dropped 6% YoY, however saw an increase of 1.6% QoQ

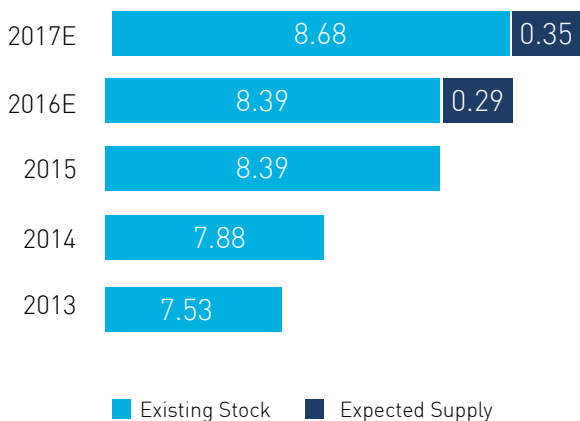
RESIDENTIAL MEDIAN ASKING RENTALS



Source: REIDIN, ValuStrat

Office

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



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)
- 287,000 sq m (3.1 million sq ft) GLA is expected to be delivered during 2016, and 350,000 sq m (3.7 million sq ft) during 2017
- Few commercial project completions by private developers were recorded this quarter
- The Dubai Financial Market (DFM) announced that it will build its new headquarters on a 10,232 sq m (110,136 sq ft) plot in Business Bay to be completed by 2020
- This quarter saw the opening of the world's first 3D printed office located near Emirates Towers, the 250 sq m (2,691 sq ft) office space was fitted-out in less than three weeks, constructed from a mixture of cement via a special robotic 3D printer

OFFICE MEDIAN TRANSACTED PRICES



Source: REIDIN, ValuStrat

OFFICE PRICES

- Overall transacted office prices fell by 10.6% YoY
- Only slight price declines of 1.1% seen during this quarter when compared to the previous quarter
- Business Bay transacted prices for a typical office size, ranged from AED 10,549 per sq m – AED 12,981 per sq m (AED 980 per sq ft – AED 1,206 per sq ft)
- Jumeirah Lake Towers saw 11% higher QoQ transaction volume with average prices ranging from AED 8,611 per sq m – AED 12,917 per sq m (AED 800 per sq ft – AED 1,200 per sq ft)

OFFICE RENTS

- Median asking rents for office space fell 4.6% YoY and 4.8% QoQ
- Asking office rents this quarter were 8.5% higher than the same period two years ago
- The median asking rent for office space was AED 1,130 per sq m (AED 105 per sq ft)
- DIFC saw the highest asking rent of AED 4,316 per sq m (AED 401 per sq ft) followed by Downtown Dubai at AED 4,000 (AED 371 per sq ft)

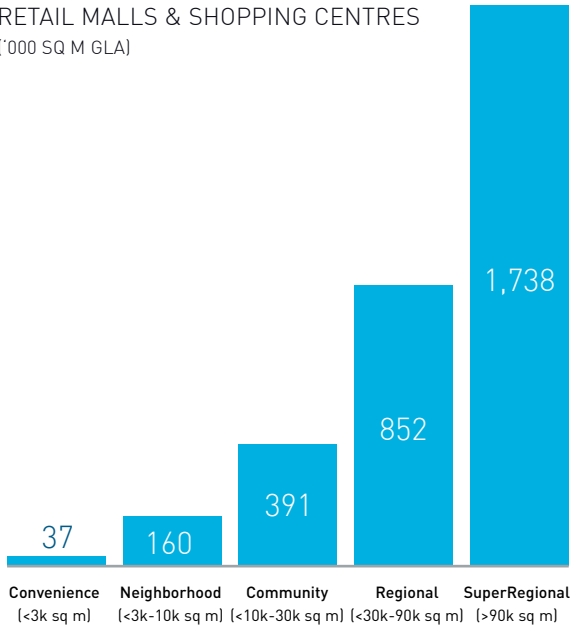
OFFICE MEDIAN ASKING RENT PERFORMANCE



Source: REIDIN, ValuStrat

Retail

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



Source: REIDIN, ValuStrat

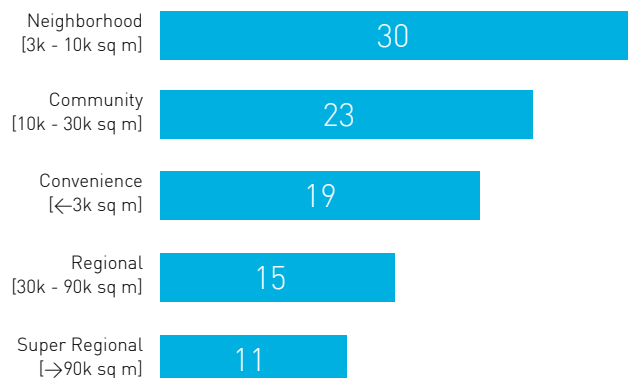
RETAIL PERFORMANCE

- Mall food court outlets and restaurants are expected to display improved Ramadan performance due to all day trading in some locations
- Average prime mall food court annual rentals range between AED 8,880 per sq m – AED 9,412 per sq m (AED 825 per sq ft – AED 875 per sq ft)
- As a consequence of the Brexit vote, there is a concern of lower retail spending from British and European tourists as their home currencies lose value against the US Dollar

RETAIL SUPPLY

- 60 retail units opened in the first extension phase of Ibn Battuta mall adding 27,871 sq m (300,000 sq ft) of retail space
- A new regional mall, 111,484 sq m (1.2 million sq ft), by Majid Al Futtaim Properties has been announced to serve a 2,000 unit community near Global Village
- The first phase of The Mall of the World, located opposite the Mall of the Emirates, is currently in detailed design stage and is expected to commence construction next year with a completion date slated before Expo 2020
- Nakheel's Deira Islands Mall is expected to open in 2020. The mall will have the largest retail space with over 372,000 sq m (4 million sq ft) GLA (Gross Leasable Area)
- 100 retail units spread across 18,580 sq m (200,000 sq ft) are planned within Dubai Properties Marasi Business Bay development, a project located along the Dubai Water Canal

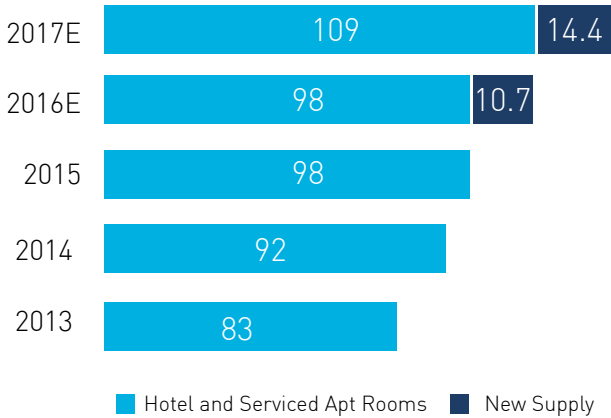
NUMBER OF MALLS AND SHOPPING CENTRES IN DUBAI



Source: ValuStrat

Hospitality

HOTEL ROOM SUPPLY 2013 - 2017
('000 KEYS)



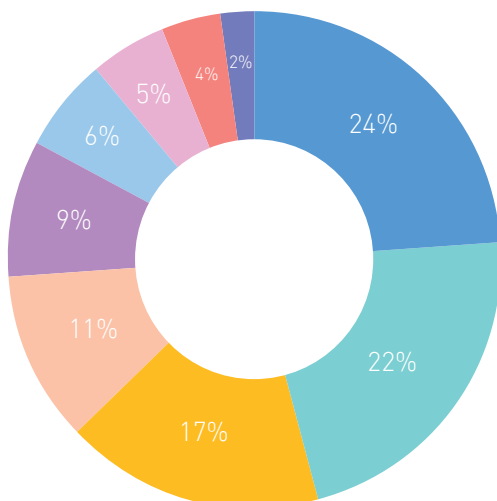
Source: Dubai Statistics Centre, MEED Projects, ValuStrat

HOTEL SUPPLY

- The total number of hotel rooms and hotel apartments as of May 2016 stood at 99,211 within 673 establishments
- Two hotels with 776 hospitality units were added in Q2
- New hotel openings included Rove Hotel Downtown Dubai and W Dubai at Habtoor City near Business Bay
- Eleven new hotels were announced to add 3,028 keys to the pipeline over the next three years
- Notable hotel announcements included Hyatt Place in Deira, Studio M Hotel in DIP, and Waldorf Astoria in DIFC

HOTEL PERFORMANCE

- 6.57 million international guests were registered during the first five months of 2016, up 4% YoY
- The average occupancy during January-May was 83%, no change when compared to the same period last year
- With increasing new hotel room supply, YoY Average Daily Rate (ADR) for the same period dropped by 11.5% at AED 560
- Hotel Revenue Per Available Room (RevPAR) fell 11.6% YoY at AED 466



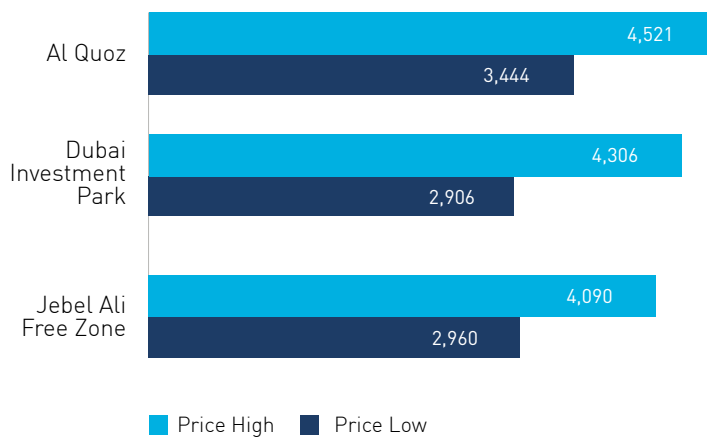
SOURCE OF DUBAI VISITORS BY REGION

- GCC
- Western Europe
- South Asia
- MENA
- North Asia & South East Asia
- Americas
- Russia, CIS & Eastern Europe
- Africa
- Australasia

Source: DTCM, ValuStrat

Industrial

INDUSTRIAL PRICES
(AED / SQ M)



Source: ValuStrat

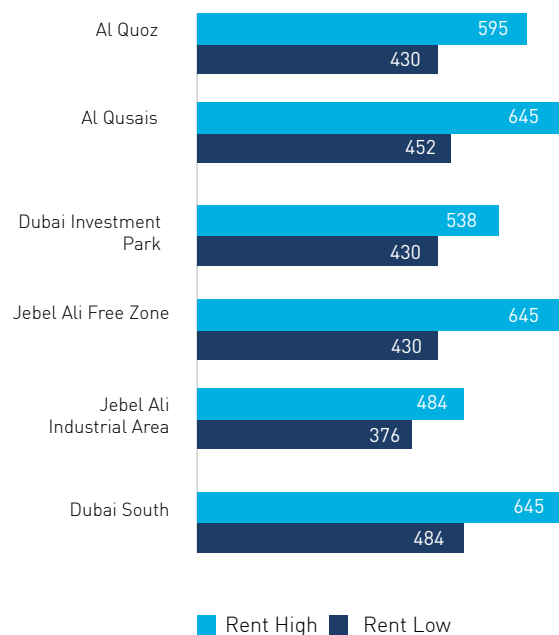
INDUSTRIAL PERFORMANCE

- Industrial property prices have remained unchanged in the first two quarters of the year with established industrial zones such as Al Quoz, Dubai Investment Park and JAFZA/ Jebel Ali still among preferred location areas. Depending on quality, location and size, prices are averaging in the range of 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 have also remained unchanged in the first two quarters of 2016 and are ranging between AED 322 to AED 591 per sq m (AED 30 to AED 55 per sq ft) for industrial units
- The highest asking rents are in industrial areas of DIP, JAFZA and Jebel Ali where more modern industrial facilities are situated. Lower rents in older industrial areas such as Al Quoz, Ras Al Khor and Al Qusais

INDUSTRIAL SUPPLY

- The Dubai Industrial Strategy was unveiled by the government of Dubai to help create an additional AED 160 billion by 2030
- Key objectives include increasing the total output, enhancing the depth of knowledge, transforming Dubai into a preferred manufacturing platform for international businesses, promoting environment-friendly and energy efficient manufacturing and ensure Dubai becomes the hub for global Islamic products market
- Priority sub-sectors include aerospace, maritime, aluminium and fabricated metals, pharmaceuticals and medical equipment, food and beverages as well as logistics

INDUSTRIAL RENTAL RATES
(AED / SQ M)



Source: ValuStrat

ValuStrat in the Media



18 July 2016

Middle East Stocks Mixed, Dubai Boosted by Real Estate Stocks on Predictions of Recovery

Middle East shares were mixed, with Dubai gaining after ValuStrat said in a report on Sunday the market had a good chance of starting to recover in the second half of 2016.



18 July 2016

MIDEAST STOCKS-Qatar, Dubai surge, rest of region restrained

Although many analysts think Dubai housing prices and rents have further to fall, local consultancy ValuStrat said in a report on Sunday that the market had a good chance of starting to recover in the second half of 2016.



16 May 2016

Dubai house prices stay unchanged in April

Compared to a 100 point base in January 2014, the April 2016 VPI registered 98 index points, with no significant change in values when compared to the previous seven months. This marks a continuation of evidence of price stabilisation.



03 May 2016

Demand stays resilient for industrial property in Dubai

Industrial property in Dubai saw strong demand in 2015, with average rate rises in the range of five to 10 per cent, according to new research by consultancy ValuStrat. Major industrial areas in Dubai are Jebel Ali Free Zone, Jebel Ali, Dubai Investments Park (DIP), Dubai Industrial City, Al Quoz and the newly developed Dubai South.



11 April 2016

More cheap homes selling as prices drop in Dubai

"As far as the freehold villa market is concerned, the levelling off started in October last year where most of the locations saw no change in prices, and The Lakes and Jumeirah Islands saw less than 1 per cent dip," Haider Tuaima, ValuStrat Head of Research told Gulf News.



04 April 2016

Villa Renovations

"As of Q4 last year, median asking rents were 10.4% less than the same period two years ago. This can be explained by analysing at the new supply coming online in some locations, and by the long vacancy periods some landlords initially opted for, then realizing that a slightly lower asking rent would reduce the vacancy..." reasons Haider Tuaima, Head of Research at ValuStrat.

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. To subscribe to the in-depth VPI reports, contact dubai@valustrat.com

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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