



# VALUATIONS

**Q2 2016 NEWSLETTER**

## PROPERTY VALUATIONS

In the current economic climate, banks are typically taking a more selective approach to lending and rely even more on detailed professional reports to aid their decision making. Auditors require justifiable valuations of a company's real estate assets for balance sheet reporting and good corporate governance. The profession is becoming more regulated and clients more demanding, and this places more value on a professional independent service

Whether you are buying or selling real estate as an individual, providing a loan in the form of debt finance (mortgage) as a financial institution against real estate, or a corporate entity having real estate assets shown on your balance sheet, a property valuation is there to support and assist with major financial decisions. It is essential to have access to accurate information and professional independent advice in order to make informed decisions.

As a market, the UAE is an emerging and slowly maturing real estate market, which has witnessed boom and bust cycles. There has been huge inward investment in the last five years and the country is growing as an increasingly important trade and logistics hub and tourist destination. The market here is opaque; information is not openly shared and institutional investment is relatively rare due to land ownership structure, short-term leases, and lack of planning controls. This is slowly changing as professions are regulated and laws are implemented to bring wider investor confidence.

The UAE has ambitious plans for growth and expansion with a number of large development projects in the pipeline. Accurate property valuations are critical in providing confidence to local and international investors, as these valuations are required to support their investment decisions and financing.

Whether a valuation is required of a commercial building, a large scale development project or your home, it is important that clients trust the professional advice they receive. Choosing an RICS accredited firm, with RICS surveyors and registered valuers such as Knight Frank, provides you with the comfort and reassurance that you are receiving the best service as if you were in London, Singapore or Sydney.

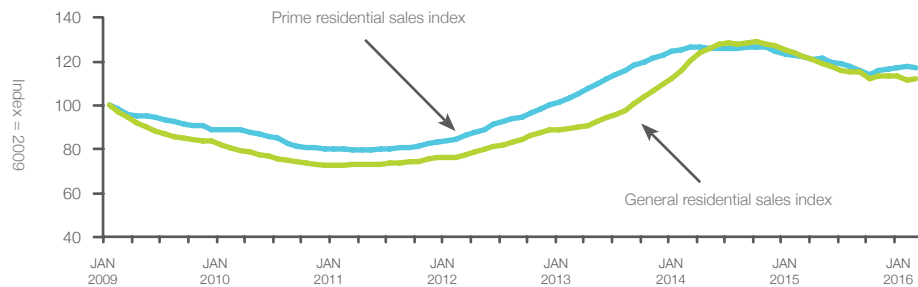


In 2015 Knight Frank valued  
in excess of US\$1 trillion  
of real estate globally

## IN FOCUS: RESIDENTIAL MARKET

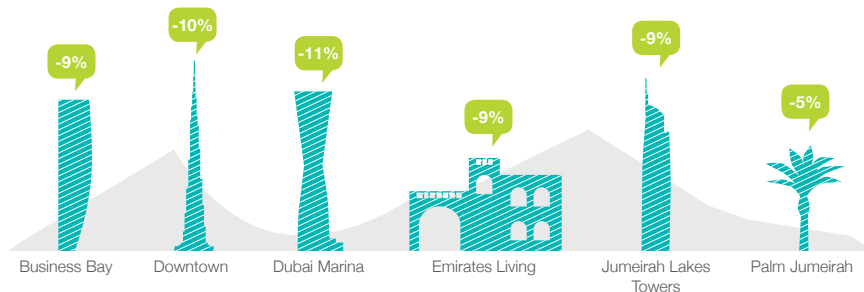
- The residential market in Dubai maintained its stability in the YT May 2016. Despite an annual 8% Y-o-Y drop across the mainstream market, the General REIDIN sale price index remained relatively flat on a monthly basis.
- Dubai's prime residential market continued to outperform the market average. While the General REIDIN prime price index declined 5% in the YT May 2016 versus YT May 2015, encouragingly prices in the prime segment increased 2% on a quarterly basis between Q4 2015 and Q1 2016.
- The performance of prime apartments outweighed that of villas, with the index pointing to a 2% quarterly increase over the same period. In turn, prime villas recorded no significant price change.

FIGURE 1  
Dubai prime vs. general residential sales index



Source: REIDIN

FIGURE 2  
Price change in select areas in Dubai (YT May 2016 vs. YT May 2015)



Source: Knight Frank Research, REIDIN

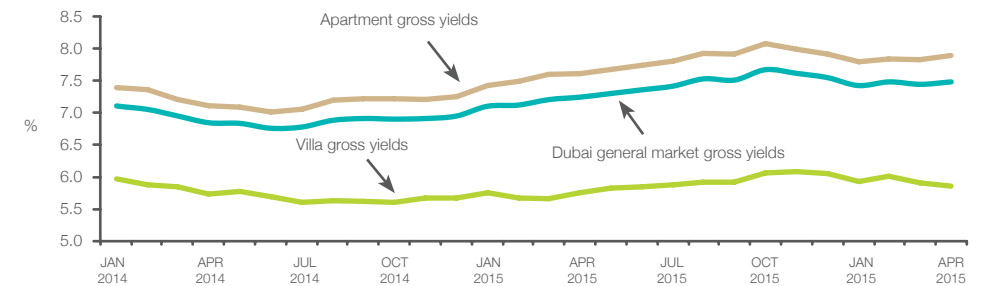
\*Icons used for illustrative purposes only.

Please refer to the important notice at the end of this report.

## RESIDENTIAL YIELDS

- As sale prices softened over the past 18 months, rental rates also saw marginal declines in selective areas across Dubai. The General REIDIN rental index points to a 5% decline in the YT May 2016 versus YT May 2015.
- With rents moderating at a slower rate than sale prices, yields achieved across Dubai remain more favourable than other leading cities such as London.
- Rental returns in the mainstream market edged slightly higher than the prime market. While YT May 2016 data reveals that yields on property in the mainstream market reached 7.5%, properties in the prime market achieved rental yields of 5.7% over the same period. In both markets, returns on apartments were higher than those of villas.

FIGURE 3  
Gross yield rates (Mainstream market)



Source: REIDIN / Knight Frank Research

FIGURE 4  
Viewpoint - What are the key factors of influence that will drive the market forward?



FIGURE 5  
Dubai residential transaction values & volumes (YT May 2016)



Districts	Number of transactions	Value of transactions (AED million)
1. Jumeirah Village Triangle	41	46
2. Jumeirah Village Circle	204	152
3. Arjan	21	11
4. Remraam	126	116
5. Motor City	81	105
6. Dubai Sports City	311	235
7. Culture Village	36	108
8. Dubai Festival City	12	33
9. Knowledge Village	12	20
10. Jumeirah Heights / Island / Park	356	407
11. Barsha Heights	23	33
12. The Greens / The Views	180	256
13. International City	710	317
14. Downtown Dubai	264	651
15. Business Bay	203	338
16. Discovery Gardens / Al Furjan	212	140
17. Downtown Jebel Ali	8	6
18. Dubai Marina	681	1,199
19. Dubai Production Zone / Jumeirah Golf Estates	177	91
20. Dubai Silicon Oasis	15	9
21. Palm Jumeirah	172	608
22. Riggat Al Buteen	9	11
23. Trade Center	1	2
24. Umm Hurair Second	5	9
25. Liwan	123	83
26. Al Barari / Living Legends / District 11	1	1
27. Dubailand Residential Complex / The Villa	149	77
28. Arabian Ranches 2 / Dubai Sustainable City / Dubai Lifestyle City	3	3
29. International City Phase 2	6	3

Source: Knight Frank Research, Dubai Land Department

## ACTIVITY

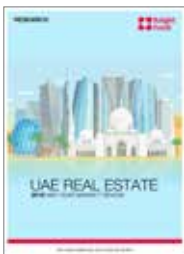
- Activity in Dubai’s residential market in the first half of 2016 remained slow. Data from the Dubai Land Department (DLD) reveals that the total value of residential transactions across Dubai reached AED 5 billion in the YT May 2016 versus AED 7.9 billion in the YT May 2015.
- Despite this 36% decline, monthly data since January 2016 shows transaction volumes and values have gained momentum.
- The value of residential properties transacted in the prime market reached AED 950 million in the YT May 2016 versus AED 1.5 billion in the YT May 2015.
- The prime segment witnessed growth in activity on a monthly basis since January 2016. Particularly in this segment, the limited supply and strong demand from high-net worth investors looking for long term capital appreciation, well designed and good quality products, is expected to boost activity further over the second half of the year.



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