

RESEARCH



DUBAI INSIGHT 2016

RESIDENTIAL OVERVIEW

PRICE PERFORMANCE

DEMAND

OUTLOOK

Market resilience continues

Dubai's residential market is expected to continue its gradual softening throughout the remainder of 2016 and into 2017. We see this as a sign of a further maturing market, with prices becoming more realistic as vendors adjust their expectations. Confidence is expected to return to the market with on-going government spending ahead of the Expo 2020.

Prices

The residential market in Dubai maintained its stability in the first half of 2016. Despite an annual 7% Y-o-Y drop across the mainstream market, the General REIDIN sale price index remained relatively flat on a monthly basis with no noticeable changes in the performance of both apartments and villas.

Similarly, Dubai's prime residential market remained buoyant in H1 2016. While the General REIDIN prime price index declined 5% in H1 2016 versus H1 2015, prices in the prime segment remained stable on a monthly basis, with a 2% increase witnessed in Q1 2016.

While there has been much talk in the market about a dramatic decline in residential prices, akin to that witnessed in 2009, we believe the real estate market is better situated to face any potential threats. Regulations, government commitment to infrastructure spending, and the realization among developers of the need to phase out projects in line with demand to avoid an oversupply, lead us to believe the real estate market has become more mature and resilient.

Sales

Data from the Dubai Land Department (DLD) reveals that the total value of transactions across Dubai reached AED 113 billion (USD 31 billion) in H1 2016; a 12% decline from H1 2015 levels. Despite this decline, transaction volumes have gained momentum with a 23% increase over the first half of the year.

In turn, the value of residential properties transacted in the prime market reached AED 1.1 billion in H1 2016 versus AED 1.7 billion in H1 2015. However, 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, and well-crafted and good quality products, is expected to boost activity further over the second half of the year.

Demand

Dubai continues to attract interest from international buyers. According to the Dubai Land Department (DLD), the first half of 2016 saw 149 nationalities invest in Dubai's property market, with the majority attributed to Emiratis. Foreign investors were led by Saudi, Indian, British, and Pakistani nationals, who have traditionally been the top three buyers of property in Dubai.

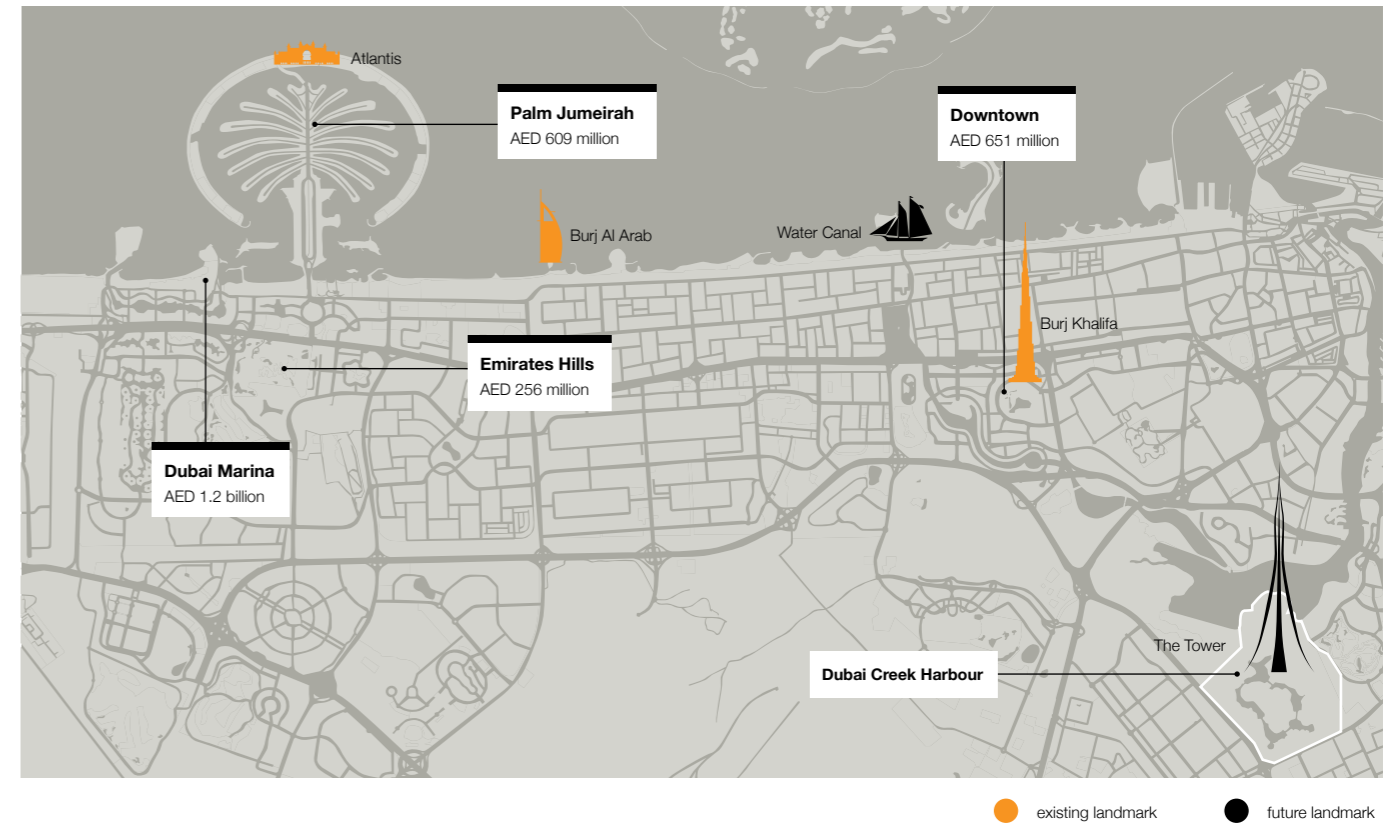
Established areas like Palm Jumeirah and Dubai Downtown continue to be popular choices for investors and occupiers alike. Looking inland, new master-developments such as Dubai Creek Harbour and Mohammed Bin Rashid City (MBR) are also proving attractive due to the planned infrastructure and supporting amenities. Their proximity to Downtown Dubai and the Central Business District along with the Dubai International Airport add to their value and appeal.

Top 10 Foreign buyer nationalities*



*excludes UAE buyers

The value of residential property sold in H1 2016



Outlook

While it's difficult to predict when the next growth cycle will be, we expect the residential market to level out by the end of 2016 before seeing gradual recovery in 2017. This is supported by continued government spending on infrastructure and facilities, in preparation for the Expo 2020.

On a segment split, we expect prime residential properties to continue to outperform the market average in the short-to-medium term.

However, the outlook for the emirate in general and the real estate sector in particular depends on a number of global and regional fundamentals. Further volatility in oil prices, the US presidential elections (November 2016), and on-going geopolitical tensions are likely to impact the behaviour of currencies, investor sentiment, and consequently the demand for property.



Dubai Creek Harbour



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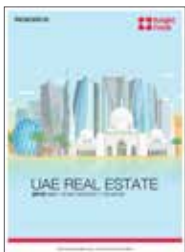
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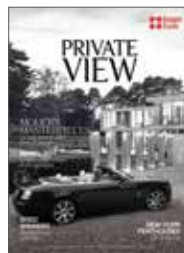
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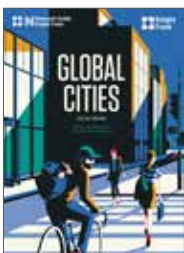
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