

RESEARCH



DUBAI INSIGHT 2018

RESIDENTIAL OVERVIEW



MARKET PERFORMANCE

DEMAND

OUTLOOK

International investment prevalent despite challenging market conditions

Dubai's residential property market has transitioned through a range of stages over recent history, the latest of which shows a much more stable and mature market compared to that of even five years ago. Over this time period a combination of a strong Emirati Dirham, collapse in oil prices and high level of supply provided a correction to the market. In the present, with stable oil prices, a weakening Dirham, enhanced regulations, government commitment to infrastructure spending, the realisation by developers to phase in projects and a more robust economic backdrop have provided a stronger footing for the property market.

Market performance

Dubai's residential market in 2017 has been a story of stabilisation after a period of weak market performance which started in early 2015. Mainstream sales prices fell by 2% in the year to Q3 2017 according to data from REIDIN.

Comparing average price change in the first nine months of the year: in 2016 the figure registered at -5.6%, over the same time period in 2017 price falls have slowed to -0.6%.

Prime residential prices over the year to September 2017 have fallen by 3.8%. However, we may be seeing this segment of the market beginning to reach its trough with monthly price growth from August 2017 to September 2017 registering positive growth. More so in the prime market, sub-market performance has begun to diverge. In prime markets, where new supply has been limited such as Palm Jumeirah and Emirates Living we have seen price growth return over the short term, whereas areas such as Downtown where new supply is evident prices have continued to fall.

Despite the lacklustre market performance across both mainstream and prime residential markets, yields have remained relatively robust. As at Q3 2017 mainstream yields stood at 6.8% and prime yields at 5.5%, a year earlier mainstream yields were 0.3% higher and prime yields 0.1% higher.

Despite the lacklustre market performance across both mainstream and prime residential markets, yields have remained relatively robust. As at Q3 2017 mainstream yields stood at 6.8% and prime yields at 5.5%, a year earlier mainstream yields were 0.3 percentage points higher and prime yields 0.1 percentage points higher.

Sales

Mainstream transaction volumes in the first nine months of 2017 have risen by 10% compared to the same period a year earlier. The total value of transactions over this period registered at AED36.86 billion (US\$10.04 billion) up 12% compared to a year earlier.

Top 10 buyers by nationalities to invest in Dubai's real estate market by number of transactions (January 2016 to June 2017)



1 UAE



2 India



3 Pakistan



4 KSA



5 UK



6 Egypt



7 Jordan



8 China



9 Lebanon



10 USA

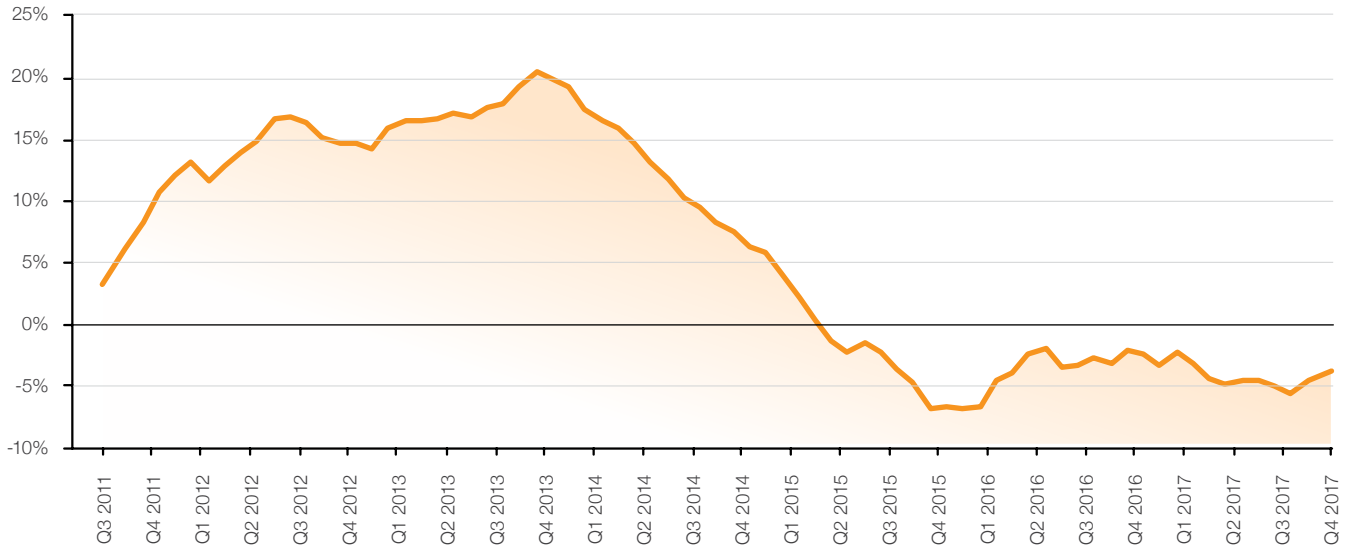
Source: Knight Frank Research, Dubai Land Department

In the nine months to September 2017 prime transaction volumes have increased by 6% and the total value of prime transactions registered at AED2.27 billion (US\$ 619 million), up 9% from the same period a year earlier.

Demand

Dubai continues to attract international buyers to its property market with over 217 nationalities investing in the market in the 18 months to June 2017 according to data from Dubai Land Department. Emiratis continue to be the largest group of buyers. The make-up of the top five foreign nationalities remains broadly similar to historic trends with Indians leading the pack, followed by Pakistani, Saudi Arabian and British buyers. More interestingly the composition of the top

Prime market performance, year-on-year % change



Source: Knight Frank Research

10 nationalities by number of transactions shows the broad appeal of Dubai’s property market, with more buyers not from the immediate region such as America and China becoming a more material source of investment.

Outlook

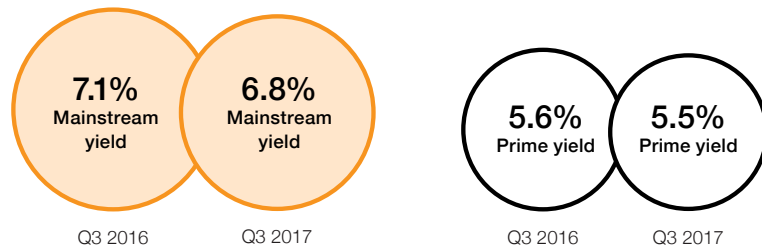
On balance, the outlook for Dubai’s economy and real estate market remains positive despite some key risks which must be monitored and managed. Additionally we also note that price performance will continue to diverge in 2018 across Dubai, with neighbourhoods where a significant delivery of new supply is expected likely to continue to see prices soften.

As regional economies adapt to the new norm in oil prices and Dubai diversifies in line with its economic diversification strategy, Vision 2021, and government infrastructure spending continues ahead of Expo 2020, we anticipate GDP growth will accelerate in 2018 providing support for the residential market.

In the first nine months of the year we have seen the effective exchange rate of the Dirham drop circa 5% against its weighted basket of currencies. This has provided support for the residential market given the material presence of international investors in Dubai. Looking forward a key risk to market performance would be any significant appreciations of the Dollar (to which the Dirham is pegged) due to rate hikes by the Federal Reserve. Additionally ongoing geo-political uncertainties may also impact demand.

Overall the risks may be outweighed by the expectations of stronger global economic and trade growth in 2018 than previously forecast, which Dubai would certainly benefit from given its standing as a regional trading hub and safe haven.

Dubai’s yield potential



Source: Knight Frank Research

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