

RESEARCH



DUBAI PRIME RESIDENTIAL INSIGHT

WINTER 2014

IN THE FINAL THREE MONTHS OF LAST YEAR, LUXURY HOMES PRICES REMAINED
RELATIVELY RESILIENT TO THE DROP-OFF IN TRANSACTIONAL ACTIVITY

At the end of last year, the number of monthly residential transactions worth over AED 10 million fell to their lowest level since November 2012. Moreover, Knight Frank's Dubai prime residential price index edged down for the second consecutive quarter in the three months to December. (Figure 1.)

Indeed, after experiencing a marginal fall of 0.2% quarter-on-quarter in Q3 2014, prime residential prices declined by a further 1.2% in the subsequent three months. These falls largely reversed the increases seen in the first half of last year, leaving values just 0.3% higher year-on-year in Q4 2014. (Figure 2.)

The latest available data from the Central Bank of the UAE shows that loans, advances, overdrafts & real estate mortgage lending (a breakdown of these individual components is unavailable) continued to trend up in September 2014. However, it is worth noting that the bank changed the way it reports its figures in March 2014, with the new numbers published on a gross basis. (Figure 3.)

The Central Bank's Q4 2014 Credit Sentiment Survey showed that financial institutions in the UAE slightly reduced their maximum loan-to-value (LTV) ratios at the

end of last year, and expected further – but marginal – tightening in Q1 2015 (banks' internal policies can be stricter than Central Bank regulations, which means they may ease or tighten them over time). By contrast, banks anticipated a slight easing in maximum loan-to-income ratios in the first three months of this year, and expected terms and conditions relating to fees & charges to see no change. (Figure 4.)

Recent data from the Dubai Land Department (DLD) shows that more than 140 nationalities invested across the emirate's real estate sector in 2014. Indians

remained the top foreign property investors – spending around AED 18.1 billion, while the British and Pakistanis invested AED 9.3 billion and AED 7.6 billion, respectively. Overall though, the Emiratis (AED 22.8 billion) were the leading real estate investors last year, accounting for approximately 21% of the total spent. (Figure 5.)

Figure 6 illustrates how major nationalities' spending patterns changed between 2013 and 2014. Indians and Saudis increased their levels of real estate investment in Dubai last year, while the British and Pakistanis, as well as the aggregate of the

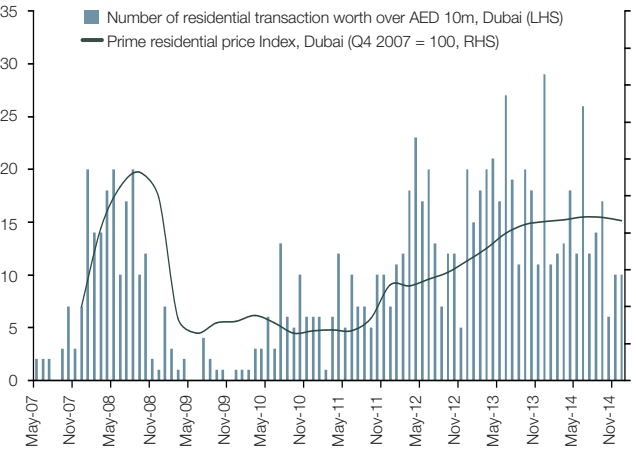
remaining GCC countries, spent between 1% and 12% less. The total level of real estate investment from all other countries also fell in 2014, by almost 5% year-on-year.

Interestingly, an assessment of web traffic to KnightFrank.ae's website shows that around 44% of the total viewings in 2014 originated from the UAE. It is worth noting, however, that a significant proportion of these will have been by expatriates living within the federation itself. What's more, another 18% of those clicking through to Knight Frank's UAE website were doing so from the UK, while 7% were from India and

4% from the USA. Viewings from Russia only accounted for about 1% of the total last year – down slightly compared to 2013 levels. (Figure 7.)

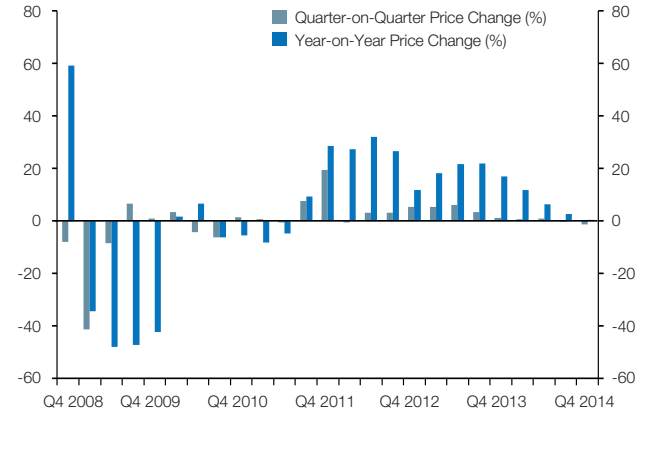
However, the lower proportion of Russian visitors to our website does not come as a surprise. After all, the rouble has nearly halved against the US dollar since July (to which the UAE dirham is pegged) – making it significantly more expensive for this nationality to buy property in Dubai, amongst other places. (Figure 8.)

FIGURE 1
Number of prime residential transactions and the prime residential price index, Dubai



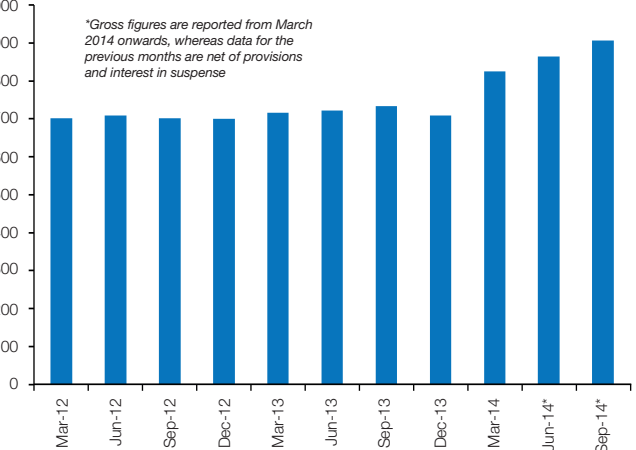
Source: Reidin, Knight Frank

FIGURE 2
Prime residential price growth, Dubai



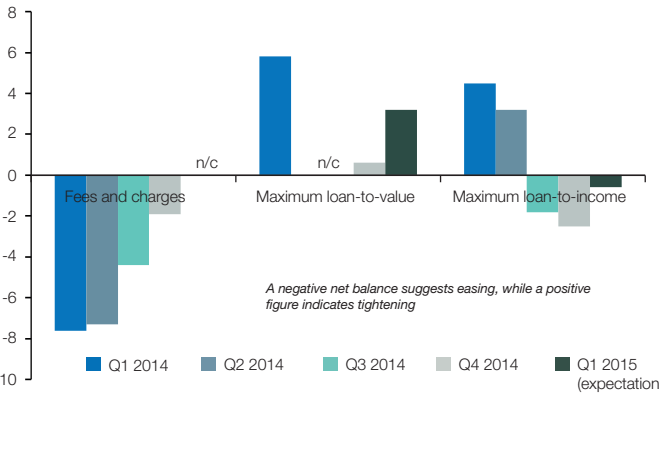
Source: Reidin, Knight Frank

FIGURE 3
Loans, advances, overdrafts & real estate mortgage loans, UAE (AED, billions)



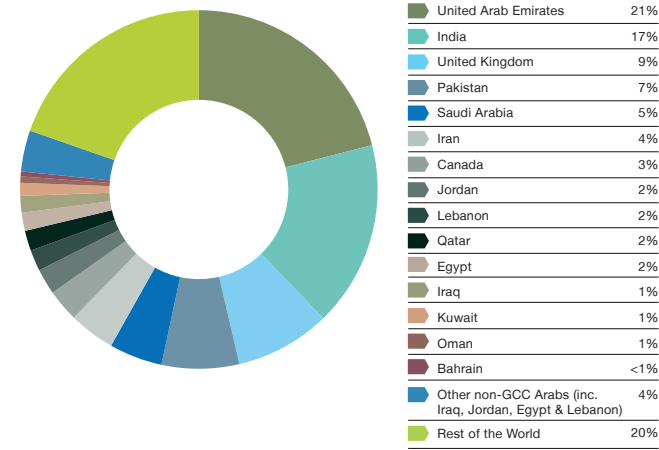
Source: Central Bank of the UAE

FIGURE 4
Change in selected terms and conditions (Net Balance, %)



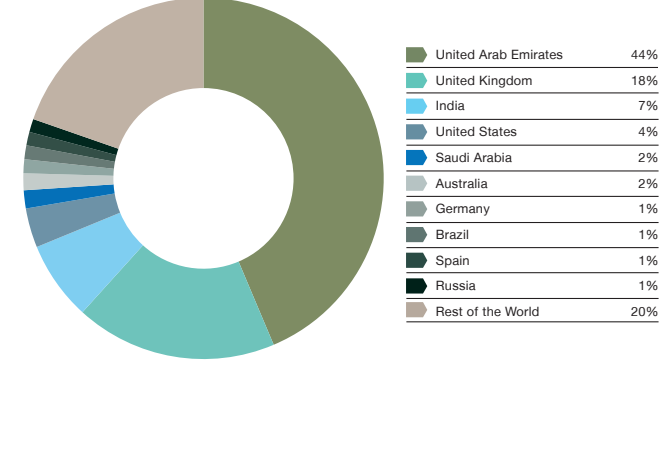
Source: Central Bank of the UAE

FIGURE 5
Breakdown of nationalities investing in Dubai's real estate, 2014



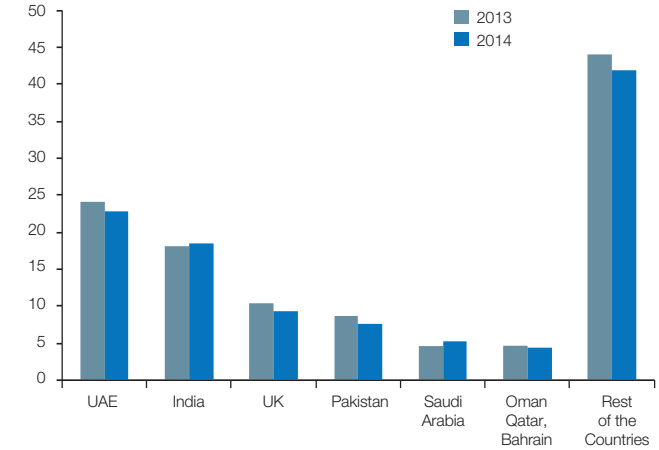
Source: Dubai Land Department, Knight Frank

FIGURE 7
Origin of visitors to Knight Frank UAE's website, 2014



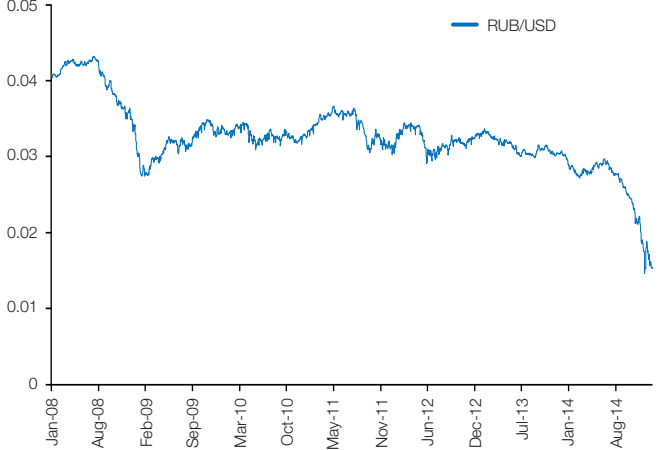
Source: Knight Frank

FIGURE 6
Investment in the real estate sector in Dubai by selected nationalities, 2013 vs. 2014 (AED, billions)



Source: Dubai Land Department, Knight Frank

FIGURE 8
Russian rouble against the US Dollar



Source: OANDA



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Knight Frank consider prime residential property to comprise apartments and villas valued at a current market rate of AED 10 million and over.

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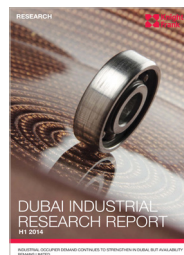
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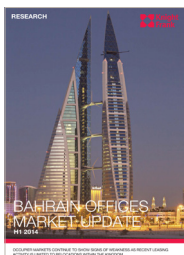
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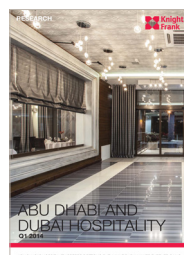
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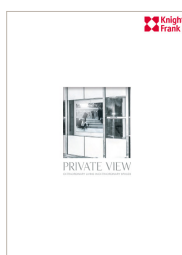
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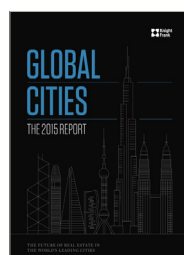
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