

ValuStrat 

Dubai Real Estate Market
REVIEW: FOURTH QUARTER 2016

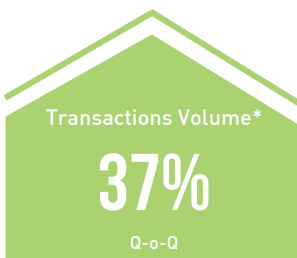
www.valustrat.com



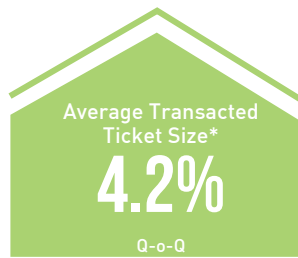
2016 Q4 - Real Estate Indicators

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

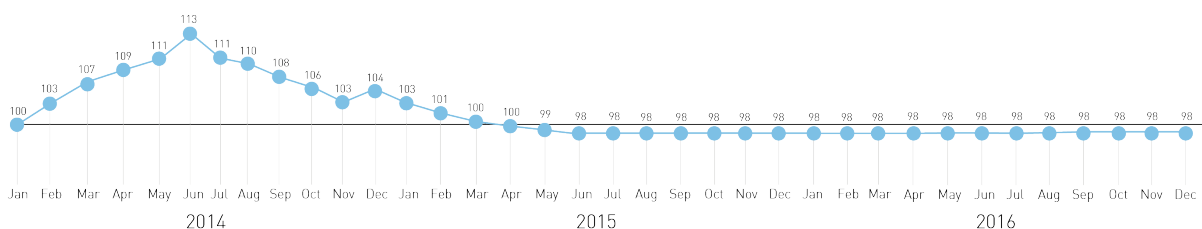
The ValuStrat Price Index (VPI) for Dubai’s residential sector was constructed to represent the monthly price change experienced by typical freehold residential units within Dubai. The VPI allows us to provide an accurate and up-to-date opinion of current pricing by using a comprehensive weighted sample of apartment units and villas, negating the requirement of averaging random transactions. The fourth quarter 2016 VPI displayed an overall 0.5% annual decline in values. This is equivalent to prices being 13.7% below the 2014 peak. However, the monthly growth rate of residential values has been broadly stable for the past 18 months. The VPI for each of the last three months registered 97.5 index points. This stability in the VPI has been achieved by some locations witnessing a soft growth in prices while others remained either flat or saw slight declines.

- The beginning of 2016 saw upticks in predominately high yielding mid-affordable locations that continued throughout the year, while introducing additional locations during the second half of the year, triggering a soft recovery process towards the peaks of '14
- Dubai’s apartment VPI has shown a quarterly decline of just 0.23% while the villa VPI saw no change
- The median apartment price in December was AED 13,875 per sq m (AED 1,289 per sq ft) and for villas was AED 14,757 per sq m (AED 1,371 per sq ft)
- Compared to the previous quarter, twelve locations saw appreciation in values, International City having the highest quarterly improvement of 5.1%, while Discovery Gardens increased by 3.4%, Motor City saw an increase of 1.9%, and Jumeirah Village Triangle was up by 0.8%
- Interestingly, Motor City is now 5.1% below its 2014 peak, followed by Dubai Production City (IMPZ) at 5.9%
- The highest price declines were found in Jumeirah Lake Towers at 2.2% and Jumeirah Village Circle at 1.5%
- All other locations saw minimal or no change in prices

VALUSTRAT PRICE INDEX
16 APARTMENT AND 10 VILLA LOCATIONS IN DUBAI

[BASE: JAN 2014=100]

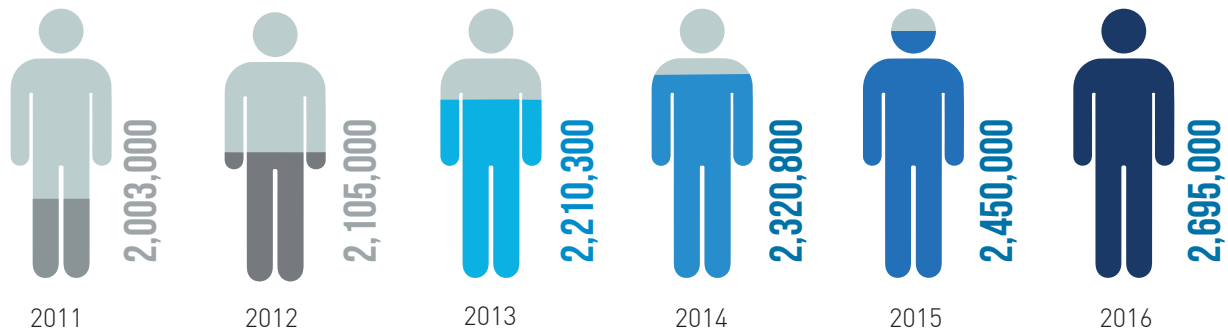
Source: ValuStrat



MACRO-ECONOMIC SNAPSHOT

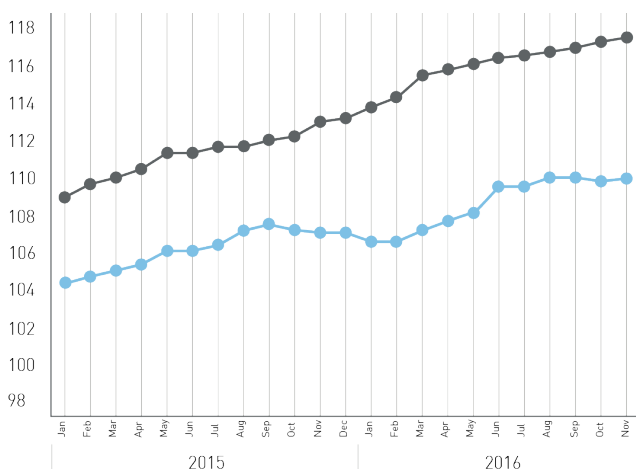
- Dubai's 2017 overall budget of AED 47.3 billion has been approved, representing a 3% increase over the previous year
- The 2017 budget follows the Dubai 2021 strategic plan targets, which will have an increase in infrastructure spending of 27%, an operating surplus of AED 2.9 billion and would create 3,500 job opportunities
- 76% of revenue will be generated from government fees, 16% from customs duties and taxes, and 6% from oil
- Dubai's population as of December, is estimated at 2.7 million
- Annual population growth rate was 6.1% for the last 5 years, with an average household size of 4 individuals

DUBAI POPULATION



Source: Dubai Statistics Centre

CONSUMER PRICE INDEX VS HOUSING INDEX JANUARY 2015 - YTD



Source: Dubai Statistics Centre

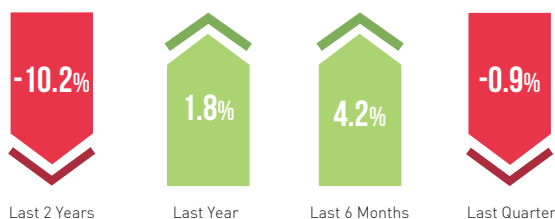
- The Central Bank of UAE raised its benchmark interest rates immediately after the US Federal Reserves' decision to increase US rates by 0.25% last December 2016
- With US interest rates projected to go up in 2017, and with the UAE Dirham (AED) pegged to the US dollar, headwinds could result for the real estate, hospitality and retail sectors
- Recent OPEC agreements could result in less downward pressure on oil prices
- As of November, Dubai's YoY inflation rate was at 3% and the monthly rate was at 0.12%
- Housing and Utility expenses index increased annually by 4.2% and Education was up by 7.2%

Residential

RESIDENTIAL SUPPLY

- For 2016, estimated total new supply of residential apartments and villas stood at 11,000 units, representing 33% of the initial estimate at the start of the year
- The estimated number of apartments completed during the year amounted to 6,785, while completed villas totalled 4,284
- The bulk of delayed projects are expected to be delivered within the next 2 years
- Thirteen off-plan residential projects were launched in Q4, to add more than 2,800 units to the residential pipeline by 2020
- 2017's pipeline is expected to have 75% of residential units pending delivery to be catered towards the mid-affordable market located in Dubai Silicon Oasis, Dubai Land, Jumeirah Village Circle, Al Quoz, Dubai Sports City, International City, Production City (IMPZ) and Al Furjan

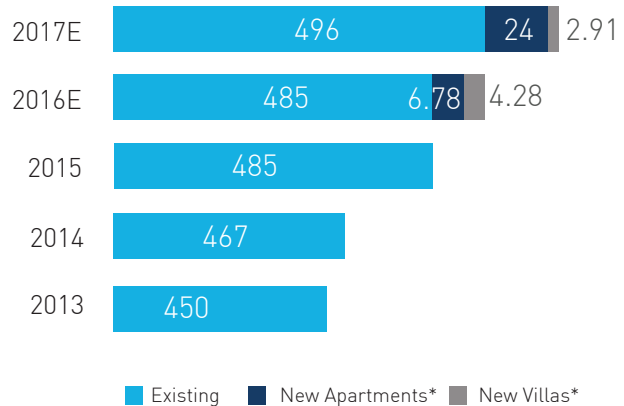
RESIDENTIAL MEDIAN TRANSACTED PRICES



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

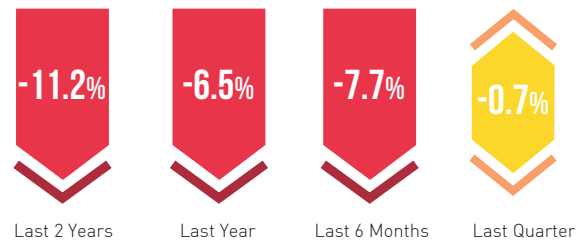
RESIDENTIAL PRICES

- The median residential transaction price increased by 1.8% YoY
- When compared to the previous quarter, the median residential transacted price was down by 0.9%
- There was a noticeable quarterly increase in sales of apartments priced less than AED 1 million, and villas priced more than AED 10 million
- Median transacted apartment price stands at AED 11,469 per sq m (AED 1,068 per sq ft), up by 1.5% YoY and down by 1.3% QoQ
- The median transacted villa price stands at AED 11,959 per sq m (AED 1,111 per sq ft). Increasing by 3% YoY and 1.6% QoQ
- After a quiet third quarter, citywide residential sales transaction volumes witnessed an estimated quarterly jump of 35% for apartments and 22% for villas
- Off-plan residential transaction volume during 2016 dropped by 7% YoY while seeing no change in total value with an estimated ticket size of AED 1.64 million

RESIDENTIAL RENTS

- Overall residential asking rents declined by 6.5% YoY
- Median asking rents this quarter were similar to Q3 as asking rental declines slowed down
- Median apartment asking rents declined by 6% YoY but were similar to Q3
- Median villa asking rents dropped 10% YoY, and 1.6% QoQ
- Exception to the above trend was seen with increased average asking rents in prime locations such as Jumeirah Beach Residence, Palm Jumeirah and Emirates Hills

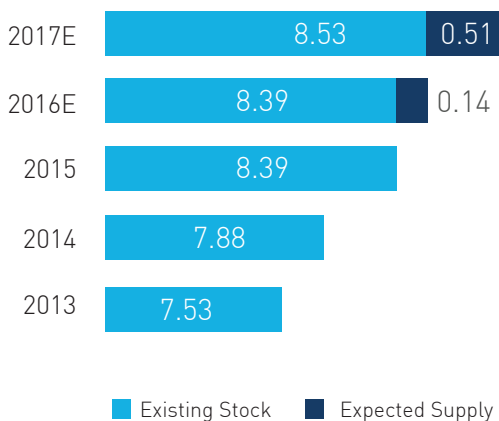
RESIDENTIAL MEDIAN ASKING RENTS



Source: REIDIN, ValuStrat

Office

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

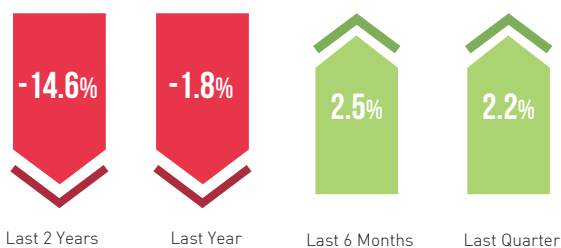


Source: REIDIN, MEED Projects, ValuStrat

OFFICE SUPPLY

- 2016 began with an estimated 8.39 million sq m (90.3 million sq ft) of office Gross Leasable Area (GLA)
- 139,000 sq m (1.5 million sq ft) GLA is estimated to be delivered in 2016, and 513,000 sq m (5.5 million sq ft) during 2017
- Only 33% of the initial office space supply estimate at the start of the year was completed in 2016
- Available data on upcoming office stock currently in design, planning, or under construction stages, totals 882,500 sq m (9.5 million sq ft) GLA. 44% of which will be in Business Bay, 22% in Jumeirah Lake Towers and 15% in the Trade Centre area

OFFICE MEDIAN TRANSACTED PRICES



Source: REIDIN, ValuStrat

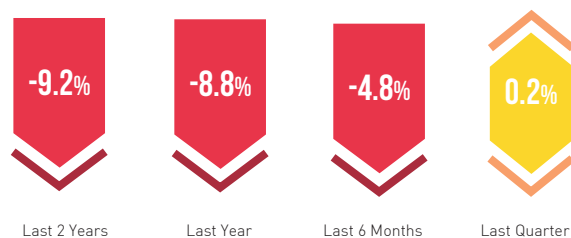
OFFICE PRICES

- Overall transacted office prices fell by 1.8% YoY
- Since the last quarter, office sale prices began to see upticks of 2.2% QoQ
- Median transacted prices for office space this quarter stood at AED 11,033 per sq m (AED 1,025 per sq ft)
- Business Bay saw 41.8% of total office sales, followed by Jumeirah Lake Towers with 33.8% and 5.9% in Barsha Heights. Other locations included Dubai Marina and Business Park Motor City
- Office sizes ranging between 46 sq m and 116 sq m (500 sq ft – 1,250 sq ft) represented 54.7% of all sales. For Business Bay and Jumeirah Lake Towers, the share rises to 61.5%

OFFICE RENTS

- Median asking rents for office space fell 8.8% YoY. However, remained stable since last quarter
- Overall asking office rents this quarter were 9.2% lower than the same period two years ago
- The median asking rent for office space was AED 1,076 per sq m (AED 100 per sq ft)
- Downtown Dubai saw one of the highest asking rents of AED 3,993 per sq m (AED 371 per sq ft) for an office area of 65 sq m (700 sq ft)

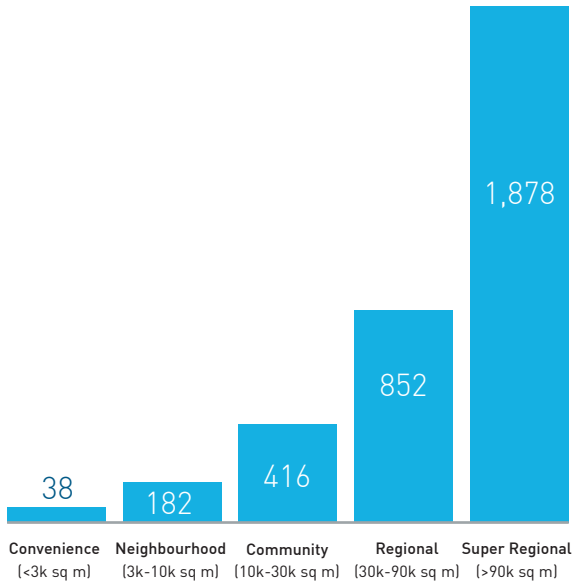
OFFICE MEDIAN ASKING RENTS



Source: REIDIN, ValuStrat

Retail

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



Source: REIDIN, ValuStrat

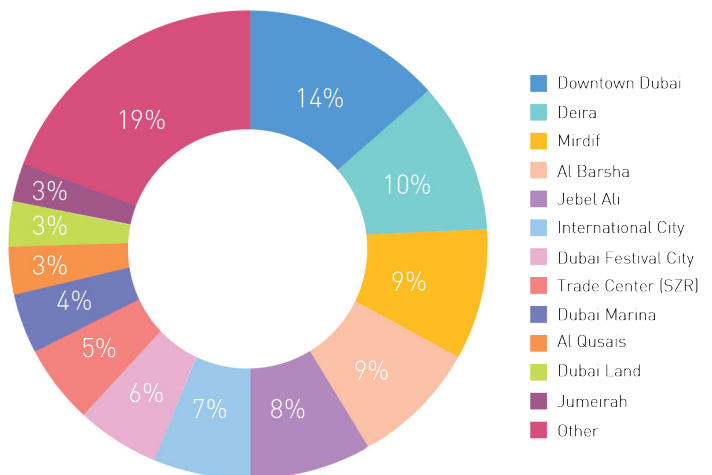
RETAIL SUPPLY

- Nakheel officially opened International City Pavilion, a new hub with 24 retail outlets in a 7,600 sq m (82,000 sq ft) GLA
- An AED 16 billion retail expansion plan for Al Furjan Pavilion was also announced which will feature an 8,000 sq m (87,000 sq ft) GLA and a carpark for more than 300 vehicles
- The Outlet Village Mall by Meraas will expand to a total of 418,000 sq m (4.5 million sq ft) GLA, adding up 100 shops by 2018
- Cityland Group plans to build a nature-inspired mall linked to Global Village, worth AED 1.1 billion with 105,000 sq m (1.13 million sq ft) GLA

RETAIL PERFORMANCE

- Effects of a stronger US Dollar have taken a toll on retail expenditure by tourists due to their weakened home currencies. Dubai Duty Free declared lower sales of AED 6.673 billion in 2016, 2% lower than 2015
- The Dubai Shopping Festival began this quarter with very attractive discounts of up to 75%, seen by many major retailers as unprecedented
- E-commerce is set to play a key role in the overall UAE retail market segment in the years to come as two new major shopping websites were launched, Al Tayer Insignia's – "Ounass" and Emaar's – "Noon"

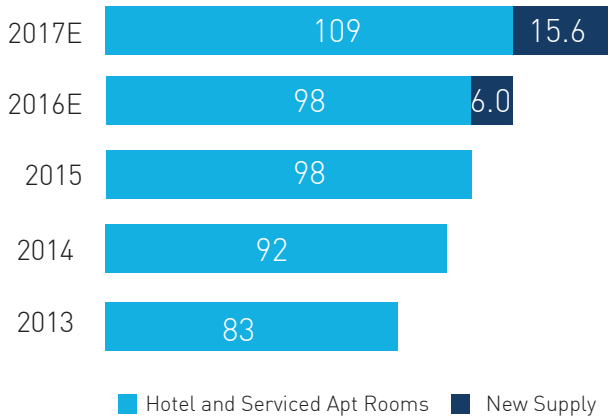
MALLS AND SHOPPING CENTRES GLA IN DUBAI



Source: REIDIN, ValuStrat

Hospitality

HOTEL ROOM SUPPLY 2013 - 2017
('000 KEYS)



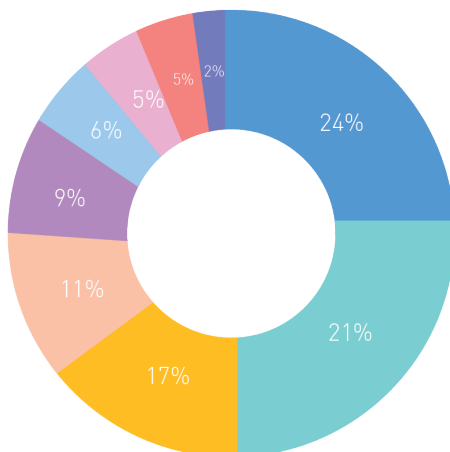
Source: DTCM, MEED Projects, ValuStrat

HOTEL SUPPLY

- The total number of Dubai hotel rooms and hotel apartments as of November, stood at 101,502 units within 676 establishments
- Seven 4-star and two 5-star hotels with 2,190 rooms opened this quarter, including Metropolitan Hotel, Nikki Beach, DusitD2 Kenz Hotel and a soft opening of Dukes Dubai
- Five new hotels were announced to add 1,782 keys to the pipeline over the next three years
- Notable hotel announcements included Waldorf Astoria DIFC (247 rooms), Holiday Inn DIFC (520 keys), Novotel Downtown Dubai (266 rooms), Park Inn by Radisson in Dubai Motor City (150 keys) and Millennium Place in Jumeirah Village Triangle (599 rooms)

HOTEL PERFORMANCE

- Average occupancy during the period of January to November was 78%, compared to 77% the same time last year
- With hotel room stock up 4% since last year, Average Daily Rate (ADR) for the same period dropped by 10.5% YoY and Hotel Revenue Per Available Room (RevPAR) fell 10% YoY
- Up until November 2016, total international guests reached 13.34 million, growth of 19% from Philippines, 18% from Pakistan, 15% from China and 11% more visitors from India. Russian visitors who were ranked as the 15th source market increased by 10% YoY
- Hotel sector likely to benefit from newly opened tourism demand drivers such as Dubai Parks and Resorts, IMG Worlds of Adventure, and Dubai Opera



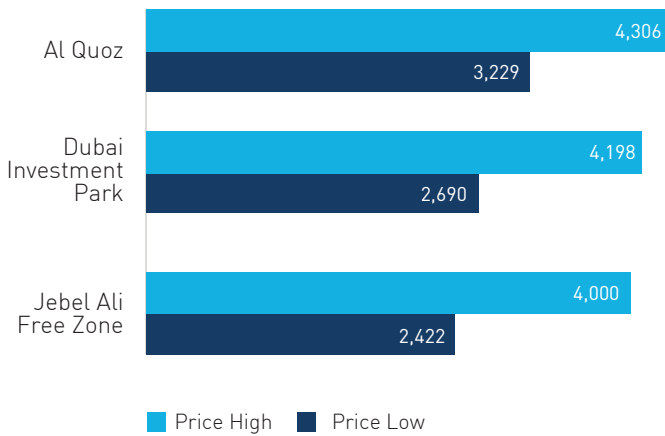
SOURCE OF DUBAI VISITORS BY REGION
(JANUARY - NOVEMBER 2016)

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

Source: DTCM

Industrial

INDUSTRIAL PRICES
(AED / SQ M)



Source: ValuStrat

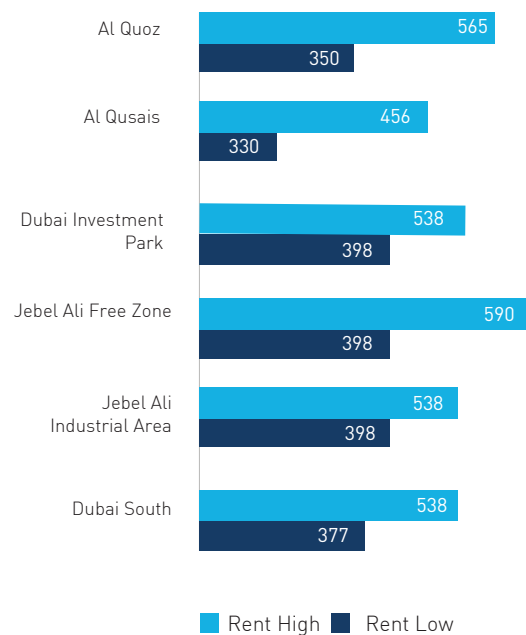
INDUSTRIAL PERFORMANCE

- Industrial property prices have continued to soften during Q4 as evidenced by dropping asking prices for warehouses. Prices generally ranged between AED 2,368 per sq m to AED 4,306 per sq m (AED 220 per sq ft to AED 400 per sq ft)
- There are also reports of some sizeable warehouse/logistic properties trading at prices slightly under AED 2,153 per sq m (AED 200 per sq ft)
- Average rental rates have also marginally declined in locations such as DIP/JAFZA & Jebel Ali, ranging between AED 322 to AED 538 per sq m (AED 30 to AED 50 per sq ft) for industrial / warehouse units. We have also observed some slight dips in asking rentals for locations such as Ras Al Khor & Al Quasis, with rentals ranging between AED 300 to AED 484 per sq m (AED 28 to AED 45 per sq ft)

INDUSTRIAL INVESTMENT/SUPPLY


- Industrial investments of AED 256.9 billion are expected by 2025, boosting the share in GDP of the industrial sector from 16% to 25%
- Dubai Chamber of Commerce set out recommendations with the aim of boosting the city's industrial sector in areas such as labour & training costs, skills shortages, competitiveness, research & development
- British-Dutch multinational consumer goods company Unilever, opened the region's largest personal care product facility in Dubai Industrial Park. Marking the start of a "Made in UAE" label on products to be exported across the EMENA region

INDUSTRIAL RENTAL RATES
(AED / SQ M)




Source: ValuStrat

ValuStrat in the Media

 29 December 2016

Dubai's prime homes get bigger bucks

"Other freehold areas are expected to see rents remain stable during 2017. We expect the bulk of supply to be delivered in mid-affordable areas," observed ValuStrat's Tuaima.

 02 December 2016

Mortgage cap – boon or burden?

When the market started to show signs of overheating in 2013, the mortgage cap helped reduce volatility and unsustainable price growth, according to Haider Tuaima, Research Manager of ValuStrat.



23 November 2016

A piece of land

"Valuation of development land can be a more complex exercise than many expect. With the resultant opinion of Market Value used by many stake holders across the economy, for purposes such as deal transaction, secured finance, mergers & acquisitions, IPO or audit." – Vismer Mulenga MRICS, Associate Director at ValuStrat



13 November 2016

What do developers' financials mean for the GCC?

The Q3 2016 UAE real estate review issued by local consulting firm ValuStrat has shown that half of the freehold apartment locations monitored by the ValuStrat Price Index (VPI) have initiated a gradual price recovery.



19 October 2016

Speedy Valuations

ValuStrat has announced a proprietary valuations software it calls Speedy that delivers residential mortgage valuation reports within seven hours from inspection, reducing valuation time from the market standard of 48-72 hours.



18 October 2016

Dubai freehold apartments see price recovery

Increased quarterly residential sales prices, coupled with lower overall quarterly transaction volumes, indicates a cyclical trough stage for the residential market, said the third quarter 2016 real estate review issued by leading local consulting firm 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, Qatar and Pakistan serve over 750 corporate clients. 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.

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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