



# DUBAI HOUSING MARKET STUDY **2017**

# Executive Summary

*Dubai residential market has been a story of increased supply and unsold stock resulting in declining prices over the last three years. Soft price corrections persisted in Q3'17 with some areas showing signs of stabilizing due to rising sales and innovative mortgage products*

Dubai housing market has witnessed capital appreciation of -1.37% in 2016 till end of Q3'17 and -1% in Q3'17. This means prices have now reduced by 14% in the last three years.

This price decline in the last few years is primarily due to declining percentage of white-collar workers in the city, bearish economic outlook and strong supply pipeline along with the declining oil prices.

The cheap prices have resulted in an uncompetitive rental market with the rental yields currently at exceptionally high levels of 7%-8%.

The price correction appears to be nearing an end as prices have stabilized in the last three months for most micro-markets. The current momentum in sales activity is driven by a larger proportion of end users than before, particularly first-time buyers, who are entering the market enthused by low prices and encouraged by attractive payment plans offered by some developers. The introduction of new innovative mortgage products by some local banks has also contributed towards this increased activity. Prices and accessibility criteria for home mortgage, traditionally the two biggest barriers for new entrants to the property market, have been lowered, thus resulting in an uptick in market activity.

## Price and Transactions Timeline (Annual & Monthly)



Annual Capital Appreciation

↓ **-1.37%**

Quarterly Capital Appreciation

↓ **-1.00%**

Median Property Price

**\$349.6** per sq. ft.

# Housing Demand & Supply

*Demand surging in the off-plan market resulting in slight recovery of the market*

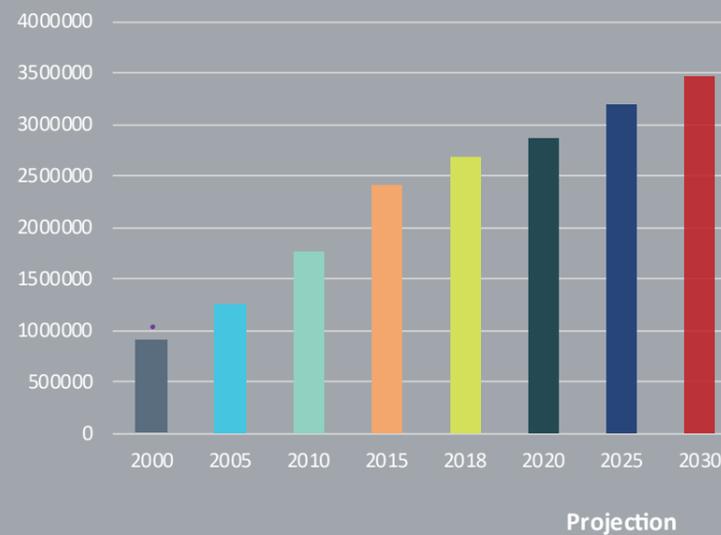
Sales have increased in the last 12 months, especially in the off-plan market as prices kept declining and investor demand from India and Pakistan remain strong. The value of residential transactions has increased by 20% in the last twelve months and number of transactions have increased by around 7%.

The immediate effect of this is that soft price corrections persisted in Q3'17 with some areas showing signs of stabilizing due to rising sales and innovative mortgage products. Sale prices for both villas and apartments remained stable in the third quarter of 2017.

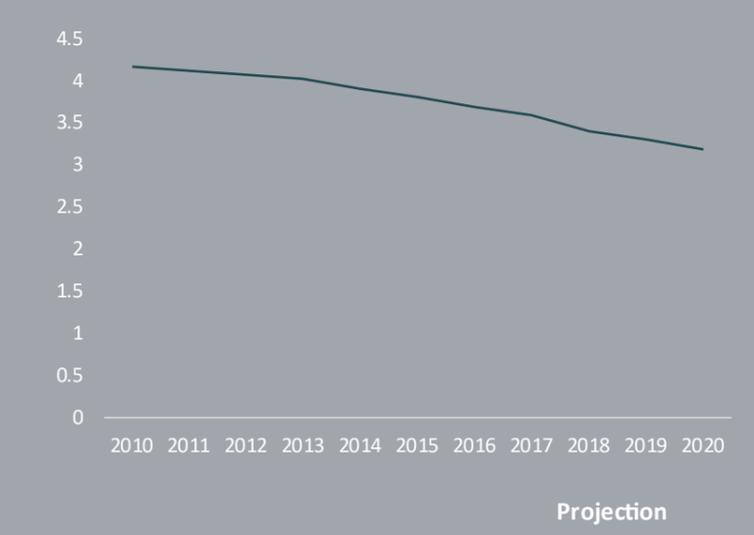
Expo 2020, a world fair with varied themes to showcase achievements of nations, will mark the first of its kind in the Middle East, Africa and South Asia and is expected to attract 25 million visitors to the UAE. This will be a key driver to housing demand and overall sentiment. The Expo would boost the employment scenario with around 300,000 jobs expected to be created between 2018 and 2021. Also, by the end of 2017, around AED 11 billion worth of construction contracts will have been awarded in the city.

Also, population is expected to double by 2030, as per prediction by the Dubai Municipality.

## Population Growth



## UAE Unemployment Rate



Housing Market Size	Annual Growth	Transactions Q2 – Q3' 17
<b>\$15.4 Bn</b>	<b>↑ 20%</b>	<b>↑ 49,000</b>

# Micro-Markets Price Performance and Industry Outlook

Prices are expected to recover and rental yields might decline in the next few months owing to a busy market and positive economic outlook

Residential prices are expected to recover over the next few months with price rises expected in areas with strong primary market activity. The off-plan market is profitable to enter now with good returns expected over the next couple of years.

As the primary market accounts for more than 60% of the housing market, a price increase is very much on the cards in 2018. However, an important factor could be how much of the anticipated new supply is delivered in the next 6-12 months.

Key factors driving the recovery would be:-

- Stabilizing of oil prices and of the economy as a whole
- Population and employment expansion

Also, rental yields might decline as prices stabilize, sales activity increases, and rents continue to fall due to weak tenant demand.

International City and Discovery Gardens have the most affordable options to invest in and rental yields are the highest in these areas at 9.24% and 8.93% respectively.

Prices for properties in established communities with limited upcoming supply, such as Dubai Marina and DIFC, have held stronger than emerging neighbourhoods with significant upcoming supply, such as Dubai Sports City and Jumeirah Village Circle.



Y-O-Y 'Oct 17 Data  
3 Year Returns

# Top Locations for Investment

*This is a good time to invest in the primary residential market of Dubai offering affordable pricing and good returns.*

The locations in Dubai with maximum new home sales in the last quarter and which should be profitable investment destinations are the following: -

Markets with maximum primary market sales in 2017: -

- Jumeirah Village Circle
- Business Bay
- Al Furjan

Markets with maximum overall sales in 2017: -

- Dubai Marina
- International City
- Jumeirah Lake Towers

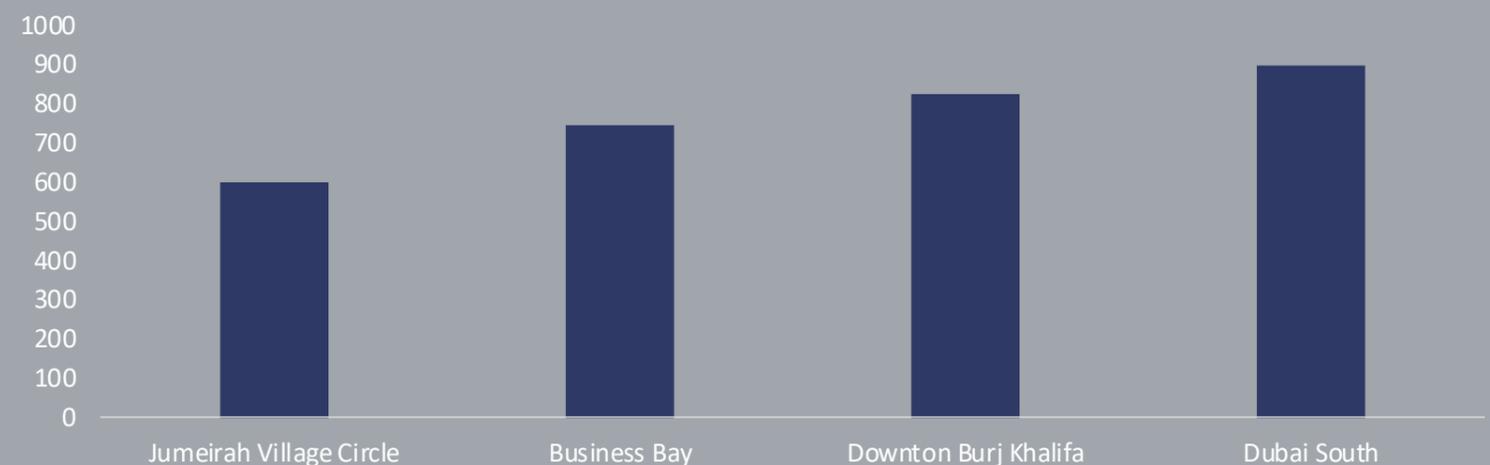
While International City and Discovery Gardens have historically been the best places to invest in with their affordable pricing and high rental yields, some new areas have come up in the recent past offering competitive pricing and witnessing high transaction activity.

The locations to look out for in terms of development and offering cheaper market entry points are Dubai Meydan City, Dubai Creek Harbour (formerly 'The Lagoons') and IMPZ.

Other key locations for upcoming supply are: -

- Dubai Silicon Oasis
- Dubai World Central (Dubai South)
- Dubailand (Arjan, Majan & Liwan)
- Downtown Burj Khalifa

## Top locations for New Apartment transactions (2016-17 (Oct))



## Top locations for New Villa/Townhouse transactions (2016-17 (Oct))

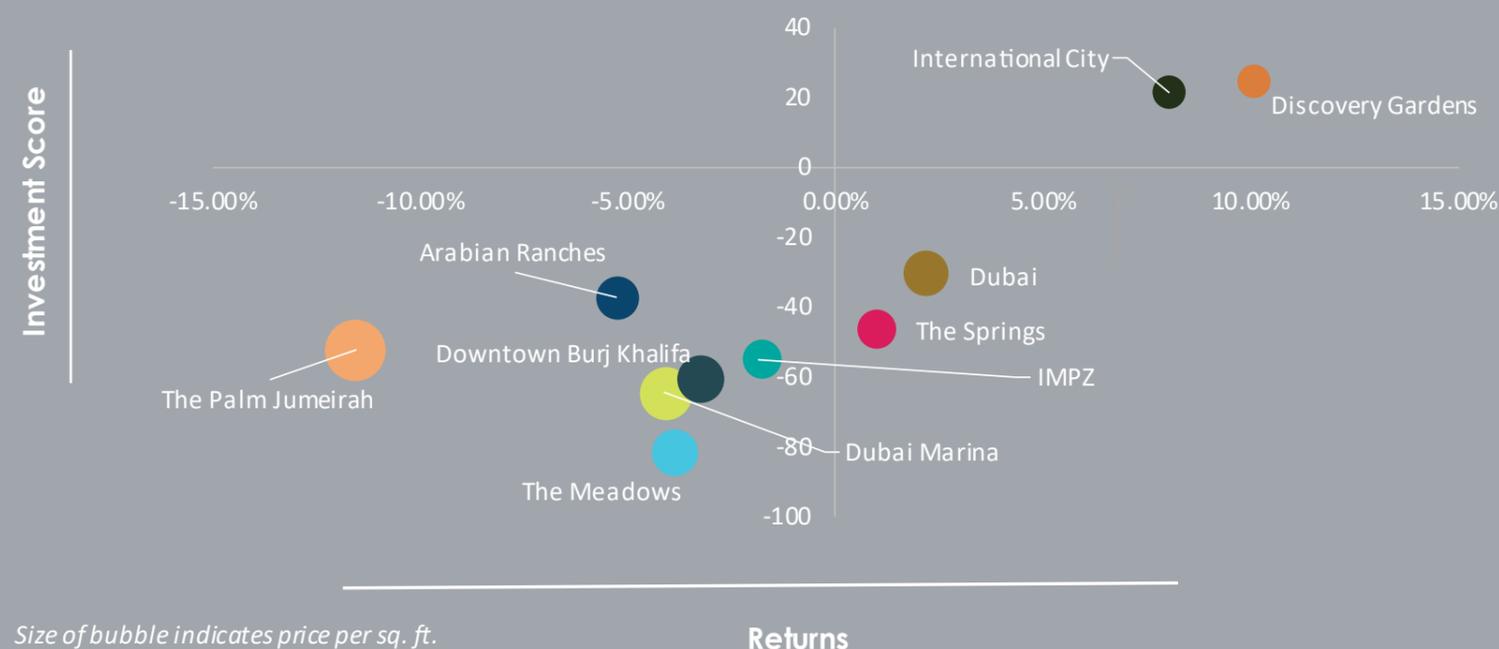


# Investment Scores and Returns

International City and Discovery Gardens will witness maximum returns on investment primarily due to the high rental yield in those areas. Property rates here are the cheapest among the other key housing locations in Dubai.

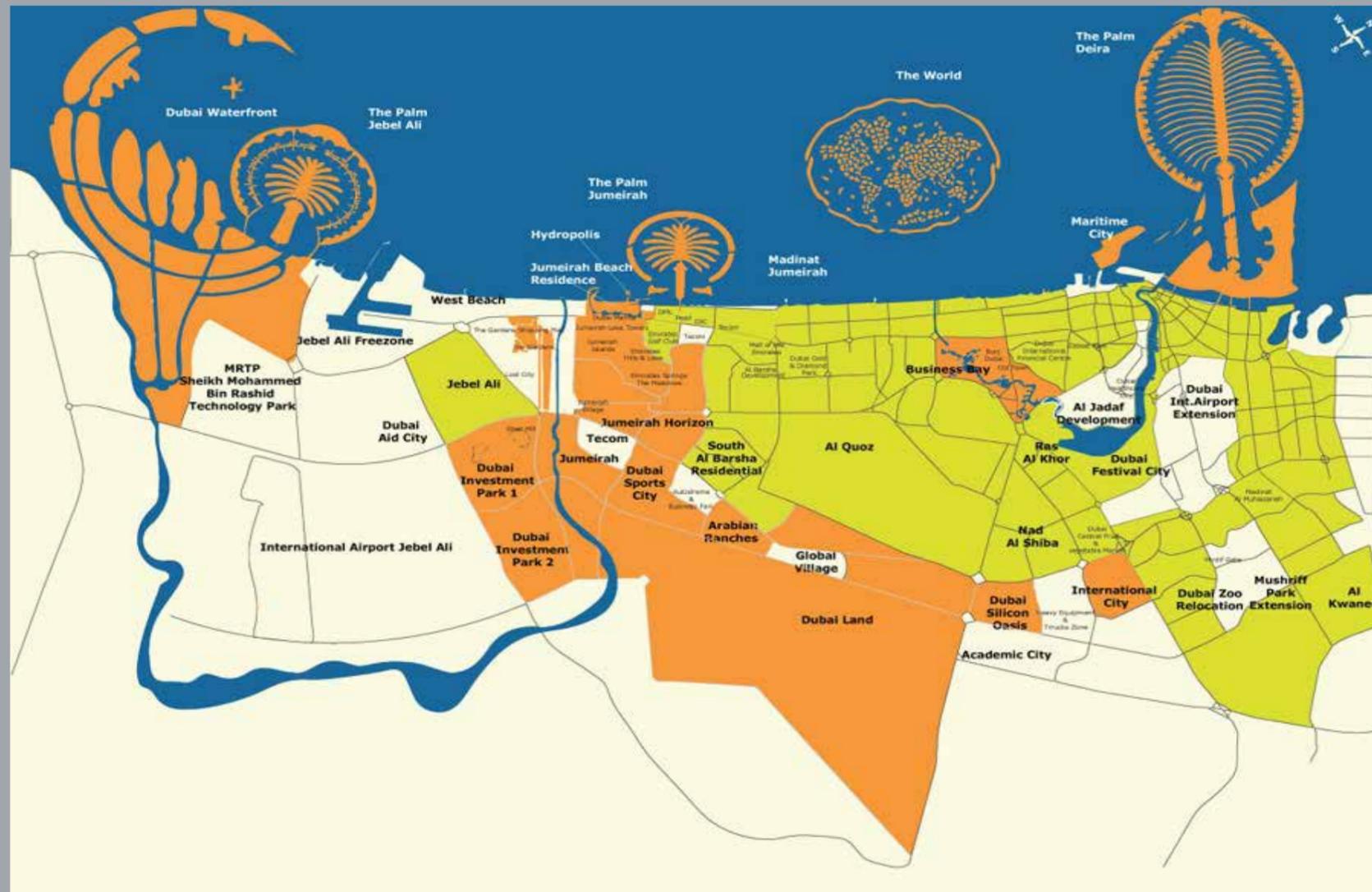
Returns from the key micro-markets are forecasted to be 8.02% for International City, 10.09% for Discovery Gardens, 0.94% for The Springs, -11.57% for The Palm Jumeirah and -3% to -5% for The Meadows, Downtown Burj Khalifa, Arabian Ranches and Dubai Marina. The overall returns for Dubai is expected to be around 2% over next three years.

## Micro Market Positioning in Terms of Returns



Market	Rental Yields	3 year capital appreciation	1 year capital appreciation	Vacancy	GDP Per Capita (factored)	Transaction Cost	LTV Factored	Cost of Capital	Capital Gain Tax	Rental Income Tax	PSF (USD)	PSF Factored	Returns 3 Year	Investment Score
The Springs	5.98%	-7.97%	-0.50%	4.00%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	284	0.28%	0.94%	-47
The Meadows	4.90%	-6.17%	-1.00%	8.00%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	365	0.36%	-3.80%	-82
Downtown Burj Khalifa	4.76%	-2.73%	-0.70%	10.00%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	408	0.41%	-3.32%	-61
International City	9.24%	-5.20%	-1.40%	4.00%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	175	0.17%	8.02%	21
Arabian Ranches	5.11%	-4.83%	-1.70%	5%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	324	0.32%	-5.27%	-37
Dubai Marina	6.29%	-3.60%	-2.50%	10%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	444	0.44%	-4.13%	-64
The Palm Jumeirah	2.91%	-3.67%	-1.60%	5%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	637	0.64%	-11.57%	-52
Discovery Gardens	8.93%	-4.27%	-0.40%	5%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	221	0.22%	10.09%	24
IMPZ	8.15%	-4.30%	-3.60%	10%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	234	0.23%	-1.85%	-55
Dubai	7.25%	-4.12%	-1.37%	8%	3.80%	5.00%	7%	3.50%	0.00%	0.00%	350	0.35%	2.14%	-31
Creek Harbour	0.00%	NA	NA	NA	3.80%	5.00%	7%	3.50%	0.00%	0.00%	478	0.48%	NA	NA
Dubai Meydan city	4.96%	NA	NA	NA	3.80%	5.00%	7%	3.50%	0.00%	0.00%	349	0.35%	NA	NA

# Dubai Micro-Markets



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