



بنك الإمارات دبي الوطني
Emirates NBD

Sector
Economics
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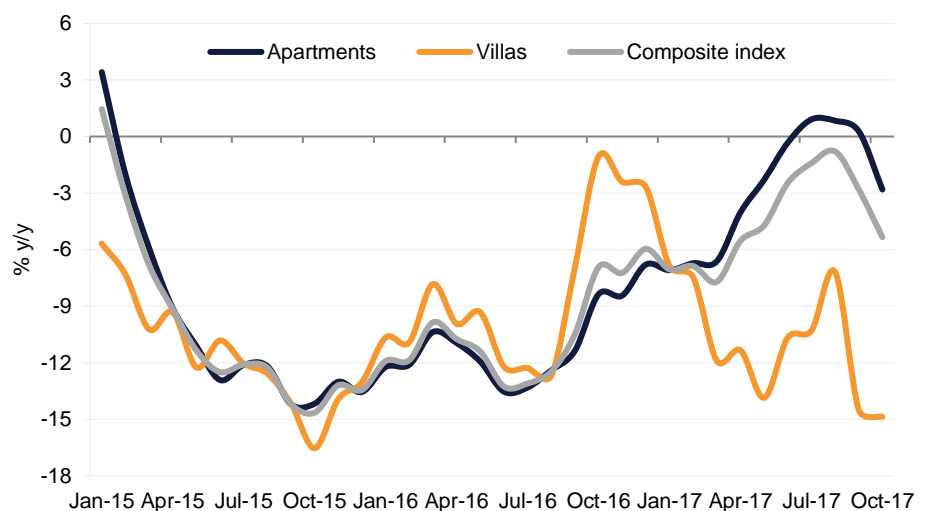
Jan-Oct 2017 Dubai Real Estate Update

Softness in residential real estate prices continues with apartment prices faring better than villas

The latest data on Dubai's residential real estate prices show that while apartment prices have stabilized on an annual basis in Jan-Oct 2017¹, villa prices have declined sharply in October. Phidar Advisory's Dubai 9/5 House Price Index, which is based on DLD data but includes only nine apartment communities and five villa communities in investor zones in Dubai, showed that apartment prices were down -2.8% y/y in October after three consecutive months of positive growth, compared with -8.4% y/y in October last year. Villa prices fell -14.9% y/y in October. As demand appears to be stronger for the more affordable residential units, it is unsurprising that villas have lagged the recovery in apartment prices over the last year, as they are more expensive.

While there is evidence that residential real estate prices may be stabilizing, higher interest rates, declining rents and increasing supply are likely to remain headwinds for the sector this year and next. **However, Phidar Advisory expects residential real estate prices to recover modestly in 2019 and rise further in 2020-2021.**

Dubai residential property prices

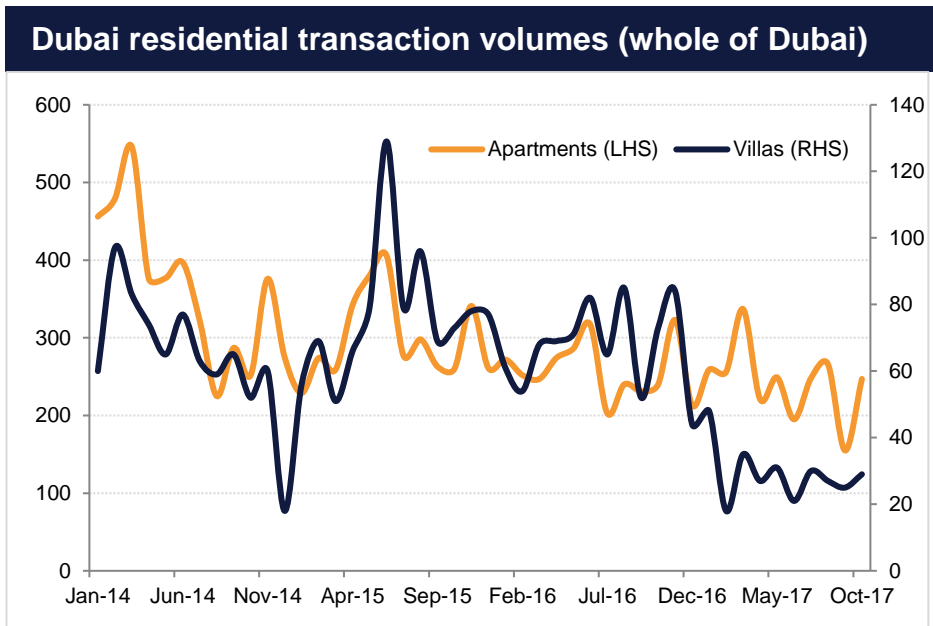


Source: Phidar Advisory, Emirates NBD Research

Transaction volumes higher in Jan-Oct 2017 compared with Jan-Oct 2016

The slower contraction in residential real estate prices over Jan-Oct 2017 has been accompanied by higher transaction volumes in all areas of Dubai. This has been particularly evident in the apartments sector. Overall transaction volumes increased 4.3% y/y in Jan-Oct 2017 compared with -24.4% decline recorded in Jan-Oct 2016. **Looking at the areas included in Phidar Advisory's 9/5 Index, overall transaction volumes have fallen roughly -16.0% y/y in Jan-Oct 2017**, mainly driven by the significantly lower transaction volumes on villas.

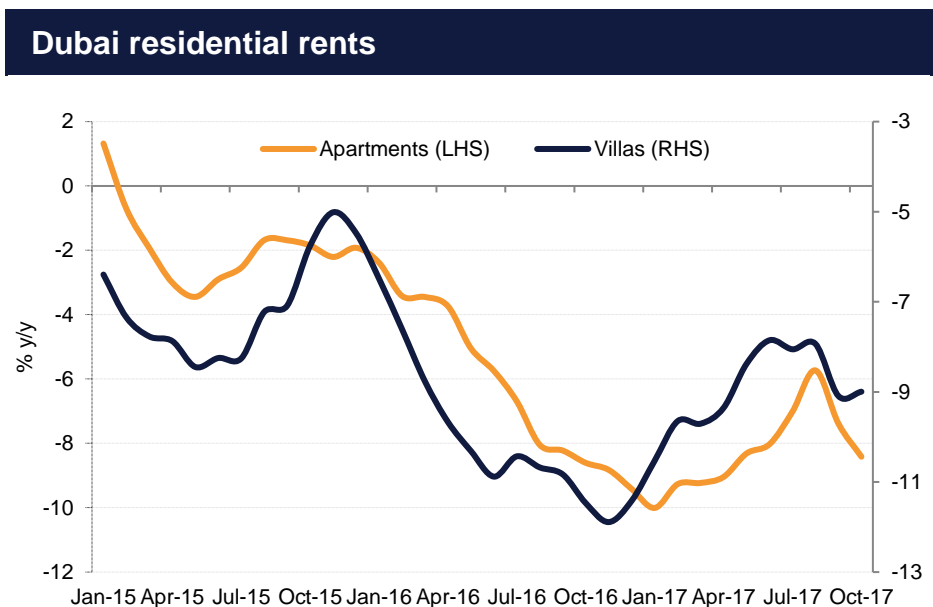
Athanasios Tsetsonis
Sector Economist
+971 4 230 7629
AthanasiosT@emiratesnbd.com



Source: Phidar Advisory, Emirates NBD Research

Rents for apartments declined in October while yields remain high

The sharp decline in villa prices has not been mirrored in rents, although these declined somewhat as well in October. Overall however, yields on villas rose to 5.0% in October. Gross rental yields on apartments have moderated as prices have increased, but remain attractive by global standards at over 7.0%.



Source: Phidar Advisory, Emirates NBD Research

¹ We have used a composite price index based on Phidar Advisory's 9/5 House Price Indices. Apartments have an 80% weight in the composite index, and villas 20%. More detail on the components of the 9/5 House Price Indices are in the Appendix.

²Phidar Advisory's house price index covers nine established apartment developments and five established single family home (villa) communities in Dubai. Phidar uses four residential quality classifications: Luxury, Premium, Standard Plus and Standard. The areas included in the Dubai 9/5 Index are:

Apartments

Premium

Downtown - Residences
Dubai Marina - Original 6

Standard Plus

Old Town
South Ridge
Palm Jumeirah - Shoreline
Emirates Living - Greens
Dubai Marina - MAG218, Marina Heights, Wave
JBR

Standard

Dubai Marina - Marina Diamond 1-6
DLT - Saba, V3, Paladium, Armada
Motor City - Uptown Buildings
Discovery Gardens - Mogul/ Med
International City - Country Cluster

Villas

Premium

Arabian Ranches Villas (eg Mirador)
Palm Jumeirah - Garden villas

Standard Plus

Arabian Ranches Townhouses (eg Reem)
Jumeirah Islands
Lakes

³Phidar Advisory's commercial price index covers four established office locations in Dubai. Phidar uses three commercial quality classifications: Grade A, Grade B and Grade C. The areas included in the Dubai Index are:

Offices

Grade A

JLT Grade A

Grade B

Business Bay Grade B
JLT Grade B
Discovery Gardens Grade B
TECOM Grade B

Grade C

JLT Grade C
Discovery Gardens Grade C
TECOM Grade C

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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
 12thFloor
 Baniyas Road, Deira
 P.OBox777
 Dubai

Jonathan Morris
 General Manager Wholesale Banking
 JonathanM@emiratesnbd.com

Aazar Ali Khwaja
 Senior Executive Vice President
 Global Markets & Treasury
 +971 4 609 3000
 aazark@emiratesnbd.com

Tim Fox
 Head of Research &
 Chief Economist
 +9714 230 7800
 timothyf@emiratesnbd.com

Research

Khatija Haque
 Head of MENA Research
 +9714 230 7803
 khatijah@emiratesnbd.com

Anita Yadav
 Head of Fixed Income Research
 +9714 230 7630
 anitay@emiratesnbd.com

Shady Shaher Elborno
 Head of Macro Strategy
 +9714 2012300
 shadyb@emiratesnbd.com

Athanasios Tsetsonis
 Sector Economist
 +9714 230 7629
 athanasios@emiratesnbd.com

Edward Bell
 Commodity Analyst
 +9714 230 7701
 edwardpb@emiratesnbd.com

Daniel Richards
 MENA Economist
 +9714 609 3032
 danielrich@emiratesnbd.com

Aditya Pugalia
 Financial Markets Research
 +9714 230 7802
 adityap@emiratesnbd.com

Mohammed Altajir
 FX Analytics and Product Development
 +9714 609 3005
 mohammedtaj@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
 Tariq Chaudhary
 +971 4 230 7777
 tariqmc@emiratesnbd.com

Saudi Arabia Sales
 Numair Attiyah
 +966 11 282 5656
 numaira@emiratesnbd.com

Singapore Sales
 Supriyakumar Sakhalkar
 +65 65785 627
 supriyakumars@emiratesnbd.com

London Sales
 +44 (0) 20 7838 2241
 vallancel@emiratesnbd.com

Egypt
 Gary Boon
 +20 22 726 5040
 garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
 CEO- Emirates NBD Capital
 AhmedAQ@emiratesnbd.com

Hitesh Asarpota
 Head of Debt Capital Markets.
 +971 50 4529515
 asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
 +9714 230 7805
 patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
 +9714 609 4113
 ibrahims@emiratesnbd.com

Claire Andrea
 +9714 609 4143
 clairea@emiratesnbd.com