



بنك الإمارات دبي الوطني
Emirates NBD

Sector
Economics
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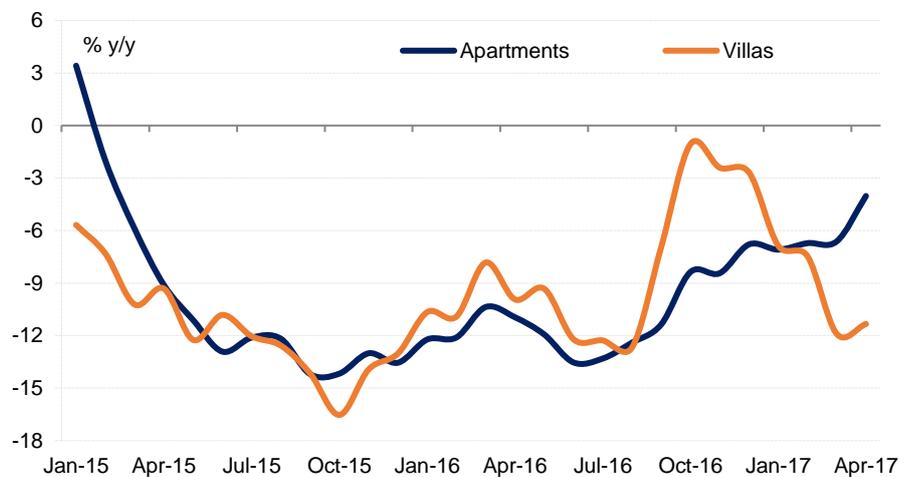
Jan-Apr 2017 Dubai Real Estate Update

Dubai residential property prices ease at a slower rate

Residential property prices declined in Apr 2017, but at a slower pace than in the same month last year. 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 apartment prices down -4.0% y/y and villa prices down -11.3% y/y at the end of April**. On a m/m basis, the price decline for villas in April was -0.8% per month compared with -1.4% per month in the same month in 2016. For apartments however, prices rose 1.3% per month in Apr vs -1.4% per month in April 2016. Apartments account for about 90% of residential real estate transactions in Dubai.

The lower-priced segments of the market have fared better than the luxury (premium) segment. Low and mid-range (standard and standard-plus) apartments were more resilient in April, down by -1.4% and -0.3% y/y, respectively, while standard villas saw prices decline only -2.0% y/y for the same month. 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. **The strength of the USD still remains a constraint on demand, particularly for foreign investors.**

Dubai residential property prices



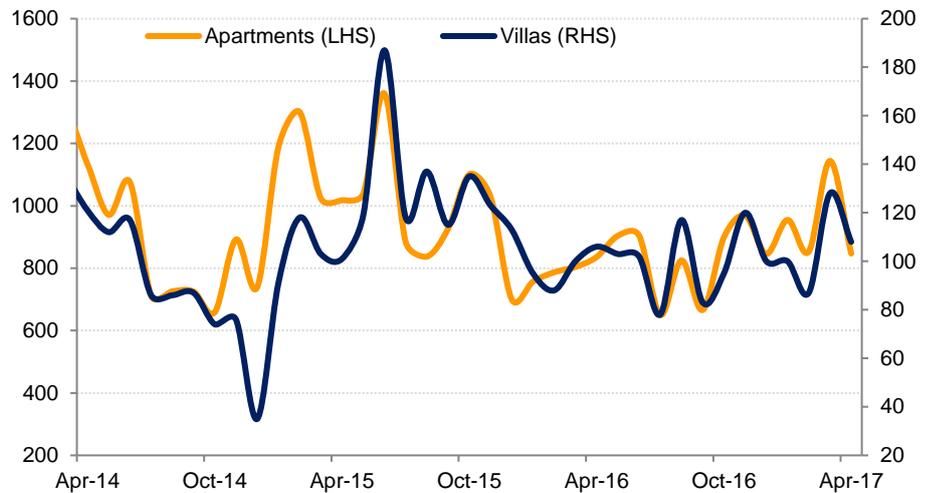
Source: Phidar Advisory, Emirates NBD Research

Transaction volumes higher in Jan-Apr 17 compared with Jan-Apr 2016

The slower contraction in residential real estate prices over the first four months of 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 by 18.2% y/y in Jan-April 2017 compared with -27.7% decline recorded in Jan-Apr 2016. **On an annual basis, the total number of sales was also up by 1.4% y/y in April due to higher villa transactions (1.9% y/y)**. The number of apartment sales recorded in December was also up by 1.3% y/y for the same period. We note however that as we approach the summer months we wouldn't be surprised to see some softness in the monthly transaction data as real estate activity is typically quieter over that period.

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Dubai residential transaction volumes (whole of Dubai)



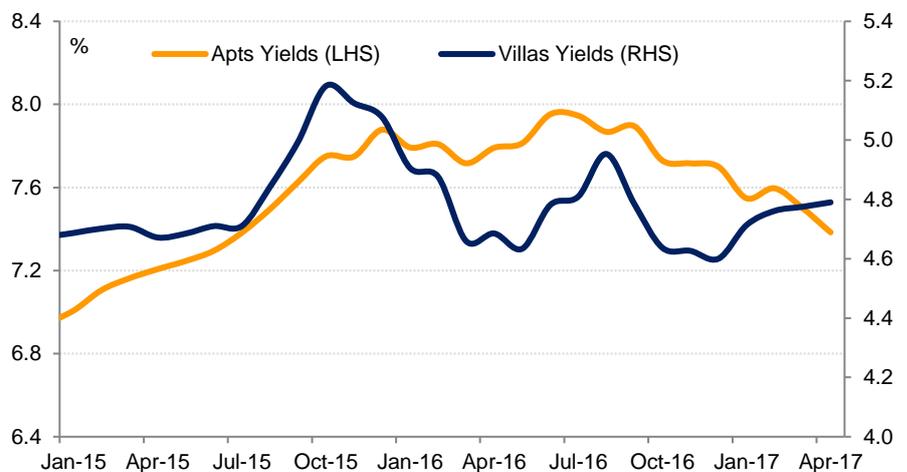
Source: Phidar Advisory, Emirates NBD Research

Looking at the areas included in Phidar Advisory’s 9/5 Index, overall transaction volumes have fallen by -7.4% y/y in Jan-Apr 2017, mainly driven by the significantly lower transaction volumes on villas. With most of the activity in the high-range (or premium) segment for apartments and the standard segment for villas, affordability is still a constraint but there is demand for residential properties at the lower priced end of the market.

Rental yields remain high in Apr 2017

Rents in the Dubai 9/5 Index areas have declined at a slower pace on an annual basis in April, more or less aligned with the annual fall in sales prices. Apartment and villa rents were down in April by -9.0% and -9.4% y/y, respectively. Yields on apartments fell marginally in April at 7.4% averaging 7.5% in Jan-Apr 2017 compared with 7.8% in Jan-Apr 2016. Separately, yields on villas remained unchanged in April at 4.8% averaging the same figure both in Jan-Apr 2017 and Jan-Apr 2016.

Dubai residential yields



Source: Phidar Advisory, Emirates NBD Research

¹Phidar 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

²Phidar 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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