



بنك الإمارات دبي الوطني  
Emirates NBD

Sector  
Economics  
22 November 2016

# Dubai Real Estate Update: October 2016

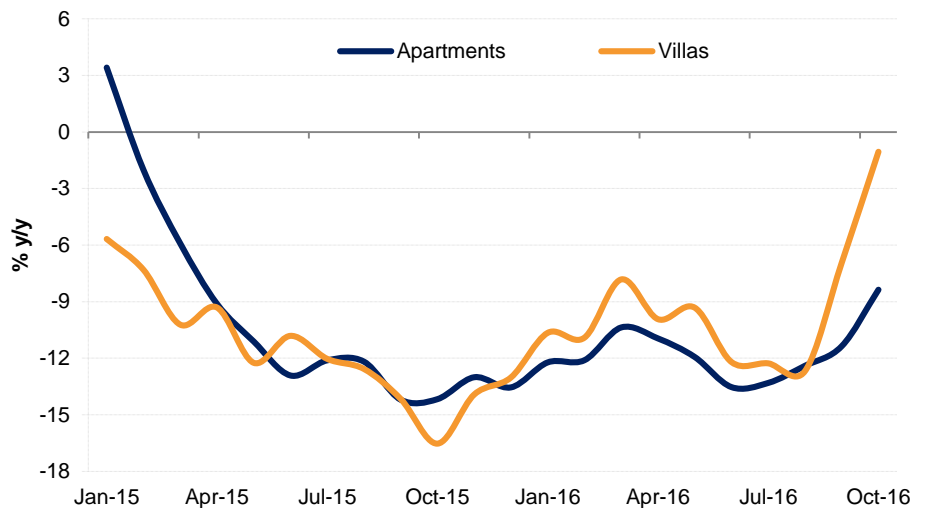
## Dubai residential property prices show signs of stabilising

**Residential property prices, have continued to ease on an annual basis in October, but at a slower pace than before.** 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 -8.4% y/y and villa prices down -1.1% y/y in October.** On a m/m basis however, villa prices have risen for the second consecutive month, while apartment prices increased in October. 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.** Prices of standard villas were up nearly 20% y/y in September and October, while mid-range villa prices were up 6.6% y/y in October. In contrast, luxury villa prices declined -10.3% y/y last month. The trends are similar for apartments, with standard apartment prices down just -1.2% y/y while mid-range and luxury apartment prices fell -10.1% y/y and -13.4% y/y respectively.

However, we caution that the autumn months are typically stronger in terms of real estate activity, and we would be unsurprised to see some traction in the monthly transaction and price data as people are usually more optimistic over a new real estate season. **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

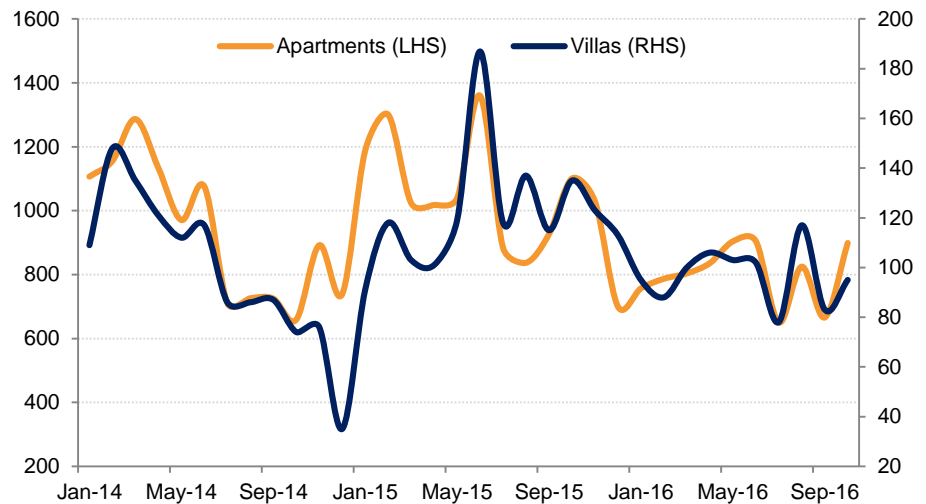
## Transaction volumes increased m/m in October

**We have noted in previous reports that the decline in residential real estate prices over the last year has been accompanied by lower transaction volumes.** This has been particularly evident in the villa sector. Overall, total transaction volumes declined by -29.6% y/y in October. **On a monthly basis, the total number of sales was up 32.7% m/m in October due to higher apartment transactions (35.0% m/m).** The number of villas sales recorded in October was also up by 14.5% m/m.

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## Dubai residential transaction volumes (whole of Dubai)



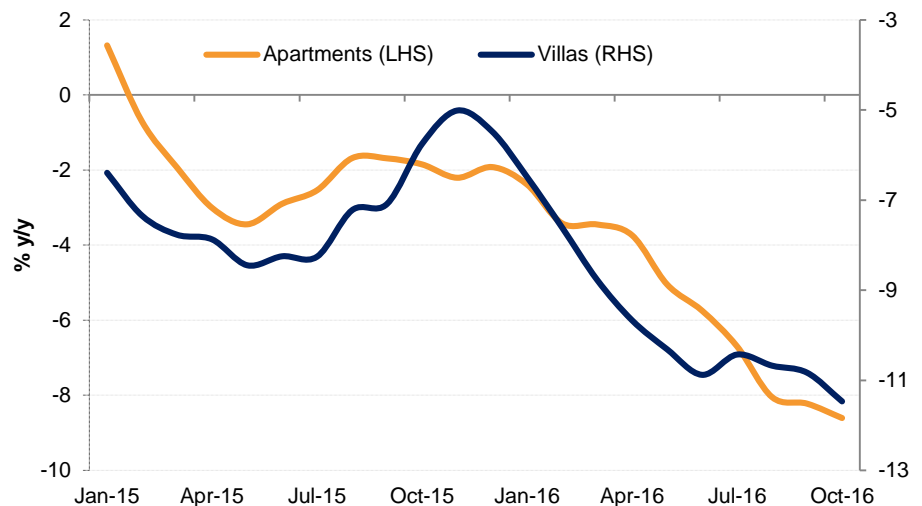
Source: Phidar Advisory, Emirates NBD Research

**Looking at the areas included in Phidar Advisory’s 9/5 Index, both apartment and villa transactions increased m/m in October**, with most of the added activity in the low-range (or standard) segment for apartments and the middle (standard plus) segment for villas. Overall, affordability is still a constraint but there is demand for residential properties at the lower priced end of the market.

### Rents keep falling

**Rents in the Dubai 9/5 Index areas have declined on an annual basis in October, more or less aligned with the annual fall in sales prices.** Apartment rents were down -0.5% m/m (-8.6% y/y) in October while villa rents were also down -0.9% m/m (-11.5% y/y) the same month. Yields on apartments eased slightly at 7.7% while yields on villas were lower at 4.6% in October compared to 4.8% in September. Rental yields are still relatively high as the softening of the rental market should keep putting downward pressure on sales prices.

## Dubai residential rents



Source: Phidar Advisory, Emirates NBD Research

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**<sup>1</sup>Phidar 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

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**<sup>2</sup>Phidar 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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