



بنك الإمارات دبي الوطني
Emirates NBD

Sector
Economics
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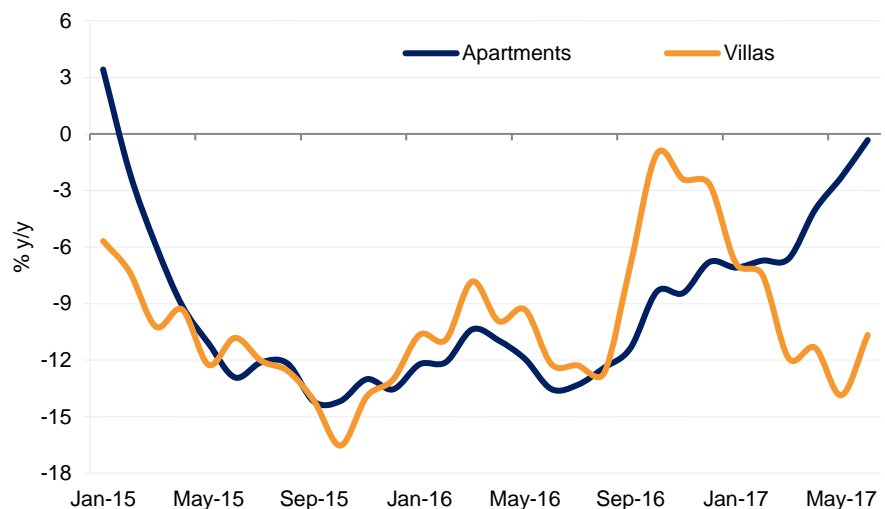
H1 2017 Dubai Real Estate Update

Dubai apartment prices show signs of stabilisation in 2017

Residential property prices continued to decline in Q2 2017, according to the latest data from Phidar Advisory. However, apartment prices have fared much better than villas. 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 the apartment price decline slowed sharply in 2017, to reach -0.3% y/y in June compared with -7.1% y/y in January.** Villa prices fell nearly -11.0% y/y in June. On a m/m basis, the price decline for villas in June was -0.3% per month compared with -3.8% per month in the same month in 2016. For apartments, prices also fell -0.5% per month in June vs -2.4% per month in June 2016. Apartments account for about 90% of residential real estate transactions in Dubai.

The lower-priced segments of the apartment market have coped better than the luxury (premium) segment. Low and mid-range (standard and standard-plus) apartments recorded positive growth in June, up by 3.5% and 3.0% y/y, respectively. Separately, premium villas saw price declines slowing, down -8.7% compared with -13.5% the same month last year. 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



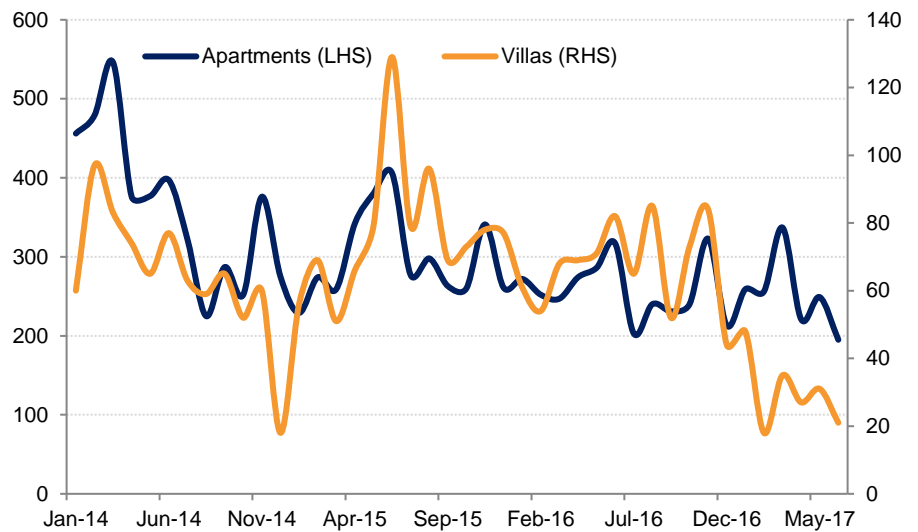
Source: Phidar Advisory, Emirates NBD Research

Transaction volumes lower ahead of summer months

The slower contraction in residential real estate prices over the first six 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 46.7% y/y in H1 2017 compared with -27.0% decline recorded in H1 2016. This boost is partly attributed to June's robust volume figures as there seems to be a push to complete transactions before Ramadan/Eid and, of course, before summer. We note however that during the summer months we wouldn't be surprised to see some softness in the monthly transaction data as real estate activity is typically lower over that period.

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Dubai residential transaction volumes (9/5 Index)



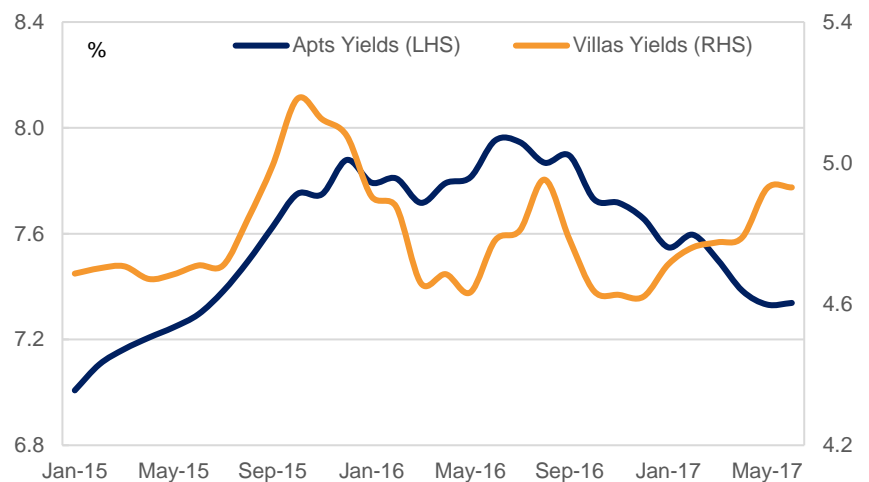
Source: Phidar Advisory, Emirates NBD Research

Looking at the areas included in Phidar Advisory’s 9/5 Index, overall transaction volumes have fallen by -17.4% y/y in H1 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 June 2017

Rents in the Dubai 9/5 Index areas have declined at a slower pace on an annual basis in June, more or less aligned with the annual fall in sales prices. Apartment and villa rents were down in June by -8.0% and -7.9% y/y, respectively. Yields on apartments remained unchanged in June at 7.3% averaging 7.4% in H1 2017 compared with 7.8% in H1 2016. Similarly, yields on villas also remained unchanged in June at 4.9% averaging 4.8% in both H1 2017 and H1 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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