



بنك الإمارات دبي الوطني
Emirates NBD

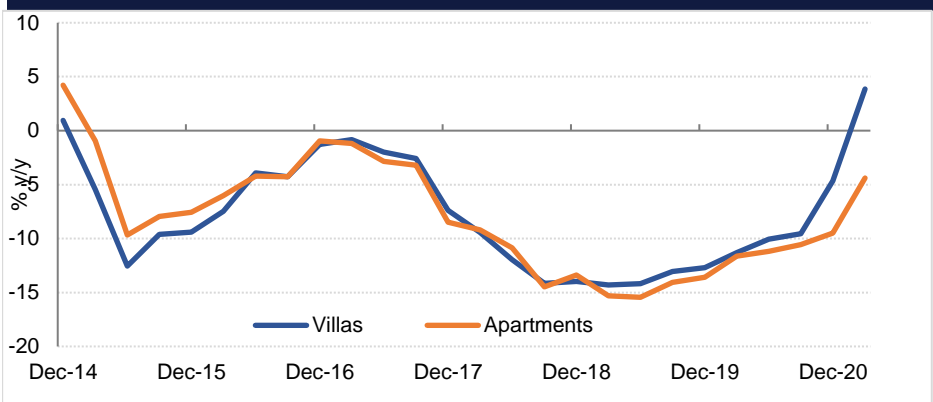
Sector Outlook

19 April 2021

Dubai Property: Q1 Turnaround?

The Dubai property market performed well in Q1 2021, with residential rents largely up, and villa sales prices showing their first yearly increase since 2014 when oil prices fell. Data from Asteco shows a broad ranged recovery across most segments of the residential market excluding studios and commercial properties. The stronger performing segments of the rental market are larger units within apartments, with townhouses and villas seeing the strongest rebounds. This has been driven by increased working and schooling from home, as well as greater affordability as mortgage loan-to-value caps have been increased.

Apartment vs Villa Sales

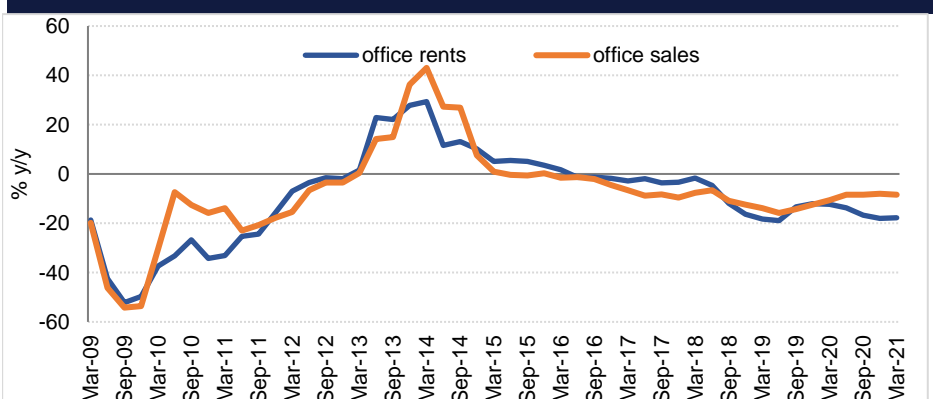


Source: Asteco, Emirates NBD Research

Price trends

Residential property market sales prices were mixed, with apartment sales up on the quarter but down on the year while villas increased on both annual and quarterly measures. According to data by Asteco, apartment sales prices declined by -4.4% y/y but were up by 3.3 q/q, this marks the first quarterly rise in apartment sales prices since Q4 2016. Villa sales prices were up 3.9% y/y and 6.7% q/q after rising by 2.2% q/q in Q4 2020. The yearly rise in villa prices, marks the first such time that prices went up since 2014 by that measure, when the decline in oil prices then was a drag on the market. The strong performance in the villa market flows parallel to dynamics we are seeing in rents for that segment, were a more limited supply and a preference for increased indoor and outdoor space, and more privacy have improved the attractiveness of villas and townhouses vs apartments in a post pandemic world.

Office Rents vs Sales



Source: Asteco, Emirates NBD Research

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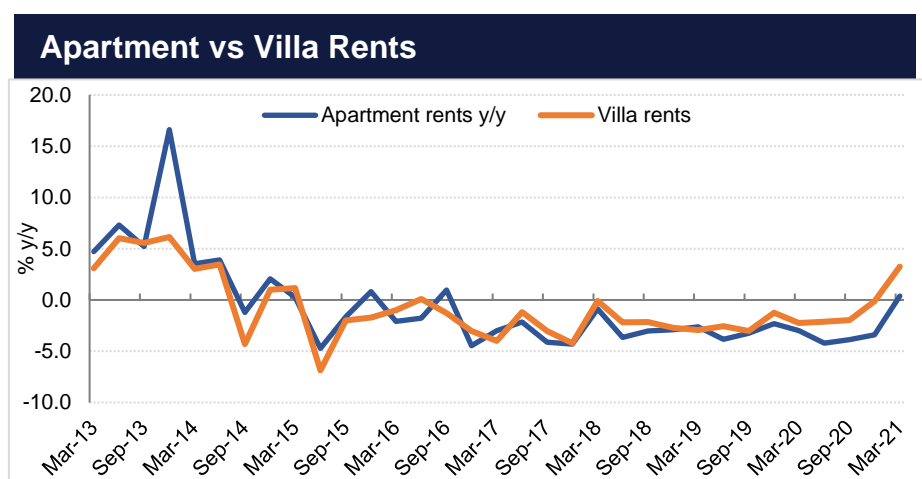
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Office sales prices were down -8.4% y/y and -1.6% q/q according to the data provided by Asteco. The commercial properties segment is dealing with multiple headwinds including a market that is oversupplied, in addition to the new work paradigms induced by the pandemics, that have reduced demand for new and existing office space. It remains to be seen how much of the flexible work paradigms will remain in place after the pandemic. The commercial property space will need to address those quasi challenges of supply and proposition to navigate the road ahead.

Rents

The data from Asteco shows residential rents were up both on quarterly and yearly measures for both villas and apartments. In terms of apartment rents, all segments were up, **with the exception of studios which declined -1.2% y/y.** Rents for one, two and three bedrooms were up 0.5%, 0.9% and 1.3% y/y respectively. The stronger gains in the larger units and the decline in studios segment falls in line with tenant migration patterns we have seen post lockdown into larger spaced units, as the pandemics shifted perspectives on housing and space requirements especially for those who had to and continue to work from home. Overall apartment rents were up 0.4% y/y, against a decline of -3.4% in Q4 2020.

Villas experienced a stronger rebound in yearly rents across the board. The data from Asteco is consistent with those same tenant migration patterns, that have seen them not only move to larger units within the apartment subsegment, but also shift over to villas and townhouses. The generally larger space allowance, outdoor amenities, and more privacy are all factors that add to the attractiveness of the villas segment for tenants. Additionally, the lower supply of villas versus apartments in Dubai, is adding further impetus to the rents rise. Villa rents were up by 2.6%, 2.0%, 3.6%, and 4.8% y/y respectively for two, three, four- and five-bedroom units. Overall villa rents were up 3.3% y/y, against a decline of -0.1% in Q4 2020



Source: Asteco, Emirates NBD Research

Commercial properties saw a decline in yearly rents, largely as ongoing Covid-19 precautions means many businesses are still opting to ask some employees to work from home to limit contagion risk. Office rents were down -17.8% y/y and -2.6% q/q. The commercial property market has faced oversupply challenges prior to the pandemic, adding further to the price pressures we are seeing in this segment.

Overall we see the improvement both residential apartments and villas sales and rents as a sign of stabilisation after a multiyear decline. However future market supply trends, economic performance and confidence are all key indicators that will direct price trends going forward

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