



بنك الإمارات دبي الوطني
Emirates NBD

Sector Outlook

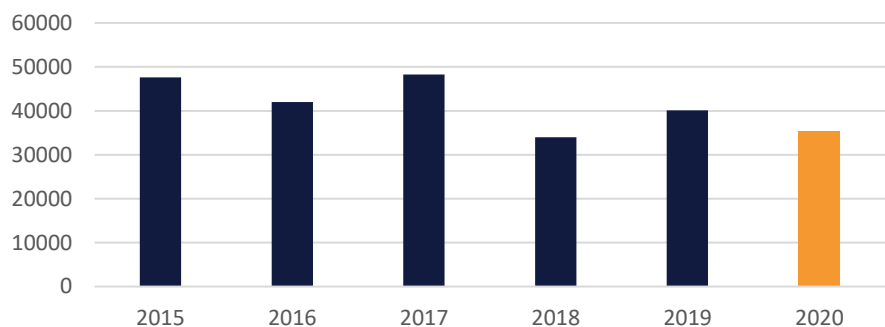
18 January 2021

Dubai Property: Transaction volumes recover

The Dubai property market has showed an improvement in Q4 2020 data, compared to the previous quarter, however both sales and transactions remain lower than a year earlier. Data from the Dubai Land Department (DLD) showed Dubai's property market posted sales worth AED 22.07bn on 11,065 transactions during Q4 2020. This is 8.4% and 10.6% lower in value terms and volume of transactions respectively compared to the same quarter last year, but compared to Q3 2020 the figures are up 21% and 24.7% respectively. **The pick-up that began in Q3 was driven by pent up demand from the 2nd quarter, post the lockdown.** For 2020 as a whole sale values are down 10.4% while transaction volumes are 11.7% lower compared to 2019.

The figures from DLD, show that we are now back to pre-pandemic levels in terms of transaction numbers, where Q4 transactions are up 8% compared to Q1 2020 just before the lockdown began. While market conditions are improving in certain segments of the market, new supply and population dynamics driven by the employment environment will remain headwinds in the near to medium term.

Dubai Property Market Transactions



Source: Dubai Land Department, Emirates NBD Research

Off-plan properties accounted for 28% of total sales values and 41% of total transaction volumes in 2020 This is lower than in 2019 when off-plan sales accounted for almost half of all transactions. We expect existing properties to continue to dominate the larger share sales volumes of the market, largely due to the lower associated risks with completed properties and fewer new project launches by developers.

Dubai Property Sales Values (AED BN)



Source: Dubai Land Department, Emirates NBD Research

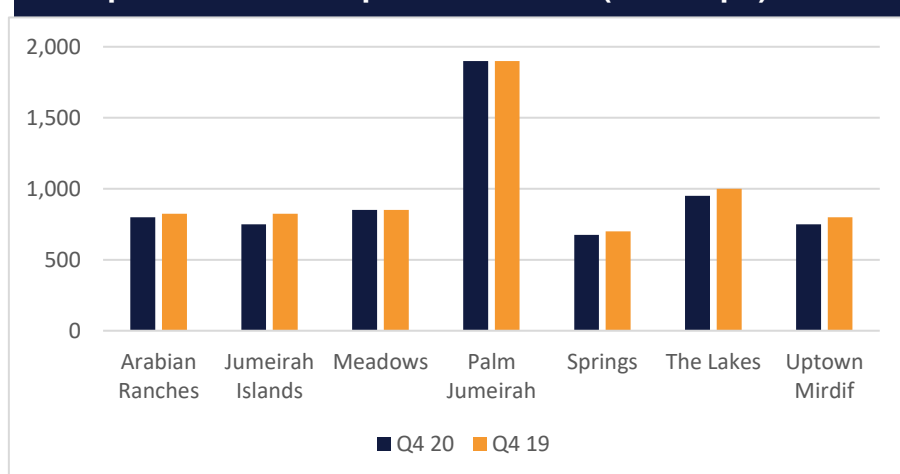
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Price trends

Data from ASTECO shows that sales prices for villas/townhouses are holding up well, with marginal increases across many freehold areas as demand for properties with outside space such as gardens, balconies and pools has increased post-lockdown and as more people are working from home. Villa sales prices per square foot in freehold areas recorded a q/q increase in Q4 2020 for the first time since at least 2016, up 2.2% q/q although still down -4.5% y/y. **Villa rents were largely unchanged y/y on average in Q4 2020** with rents for 3 bedroom villas rising 1.4% y/y and rents for even larger homes up fractionally as well. This is the first annual increase in villa rents since Q1 2015, and was offset only by a -2.1% decline in rents for 2 bedroom houses.

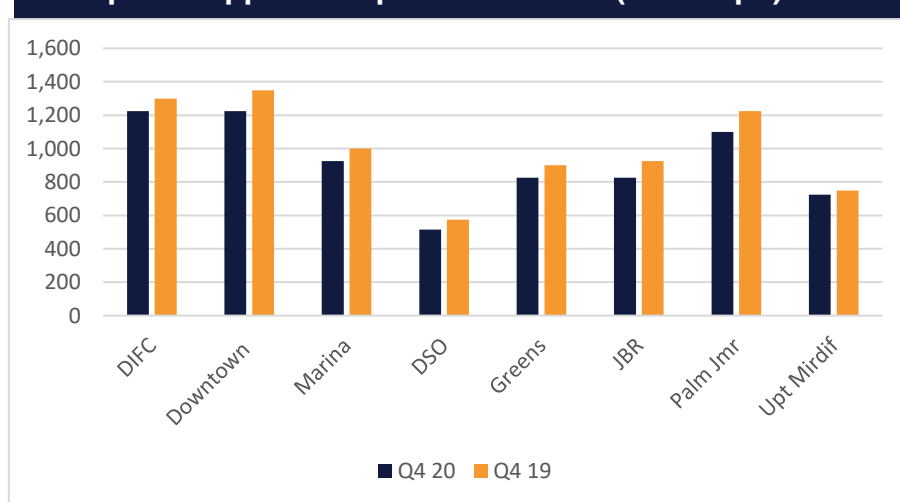
Sample of villa sales prices in Dubai (AED Sq ft)



Source: ASTECO, Emirates NBD Research

Sales prices for apartments declined -1.6% q/q and -9.5% y/y in Q4 on the back of increased supply and a preference for larger units. Rents for apartments were down by an average -3.4% y/y in Q4 2020 across the areas surveyed by Asteco, with rents for larger apartments holding up relatively better than those for smaller units.

Sample of Appt Sales prices in Dubai (AED Sq ft)



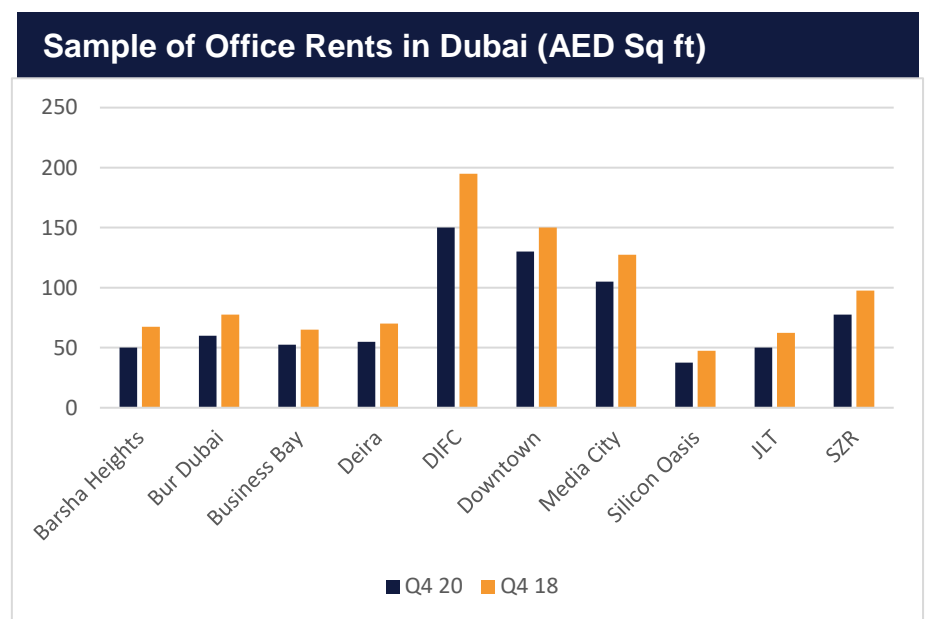
Source: ASTECO, Emirates NBD Research

It is too early to say whether the residential real estate market in Dubai has bottomed. While we do expect the economy to recover in 2021, it remains to be seen whether this will translate into private sector job growth and ultimately population

growth. Moreover, the market will still need to absorb new supply of both apartments and villas.

Commercial property

The commercial property market has seen sales prices drop by an average of -8.9% in 2020 with rents down -15.2% for the year, according to the data supplied by Asteco. COVID-19 was an added headwind to a market that was already pressured by managing new supplies of office space coming in. We expect the pandemic to drive medium and long term changes to the structure of corporate real-estate management driving trends like office space pooling and agile and flexible office space.



Source: ASTECO, Emirates NBD Research

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