

CHESTERTONS MENA

OBSERVER

DUBAI RESIDENTIAL MARKET OVERVIEW



Q1 2018
R E P O R T

CHESTERTONS
تشيسترتنس



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Report Highlights

Prices: Q1 witnessed continuing corrections in sales prices with apartment and villa prices falling by 5% on average representing the highest quarterly decline in apartment sales prices since 2014.

The communities with the highest declines were Business Bay (-9%) and Dubai Silicon Oasis (-9%) in terms of apartments and Palm Jumeirah (-8%) and the Meadows and the Springs (-8%) in terms of villas.

The number of new launches declined during the quarter with the majority of developers aiming to deliver the current pipeline before 2020.

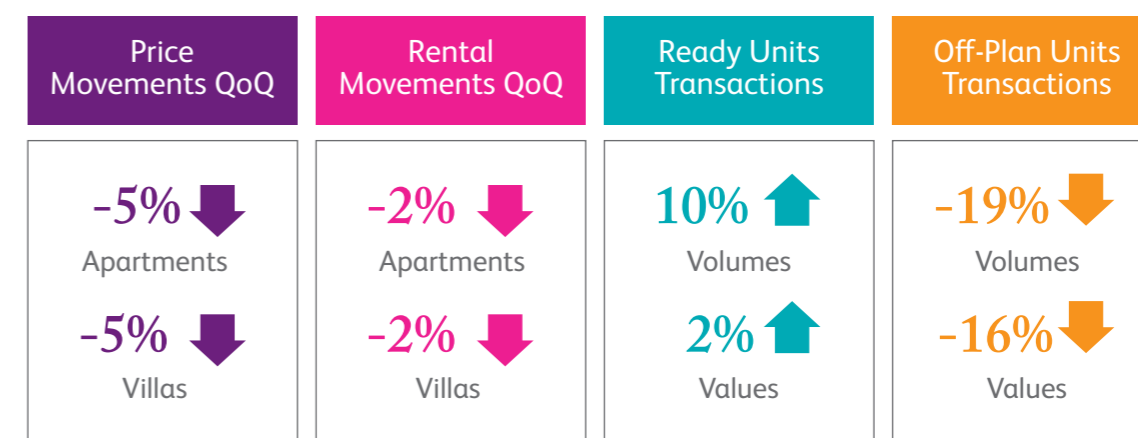
Rents: Rental rates for both apartments and villas fell by 2%, highlighted by a 4% decline in the Greens (apartments) and Palm Jumeirah (villas). The scale of the decline was evenly spread across different unit types, as opposed to the previous quarters where the larger units were more severely affected.

Transactions: Chestertons' Q4 2017 Observer predictions have been proven to be accurate. Overall, the volume of transactions fell by 10%, while values also fell by 9%. The declining demand for off-plan properties continued as the number of transactions decreased by 19% compared to Q4

2017 while transaction values decreased by 16%. The number of completed unit transactions increased by 10% from the previous quarter reflecting only a 2% increase in transaction value, indicating a decline in average ticket sizes. Dubai Marina continued to be the most popular community in terms of completed unit transaction volumes and values while Business Bay dominated the off-plan sales market.

Outlook: With substantial pipeline stock due to be released to the market, the moderate economy and population growth rate, further declines in sales and rental values are expected. In addition, Off-plan sales transactions are expected to decline further, with completed unit transactions being driven by end-users rather than investors due to shrinking rental yields.

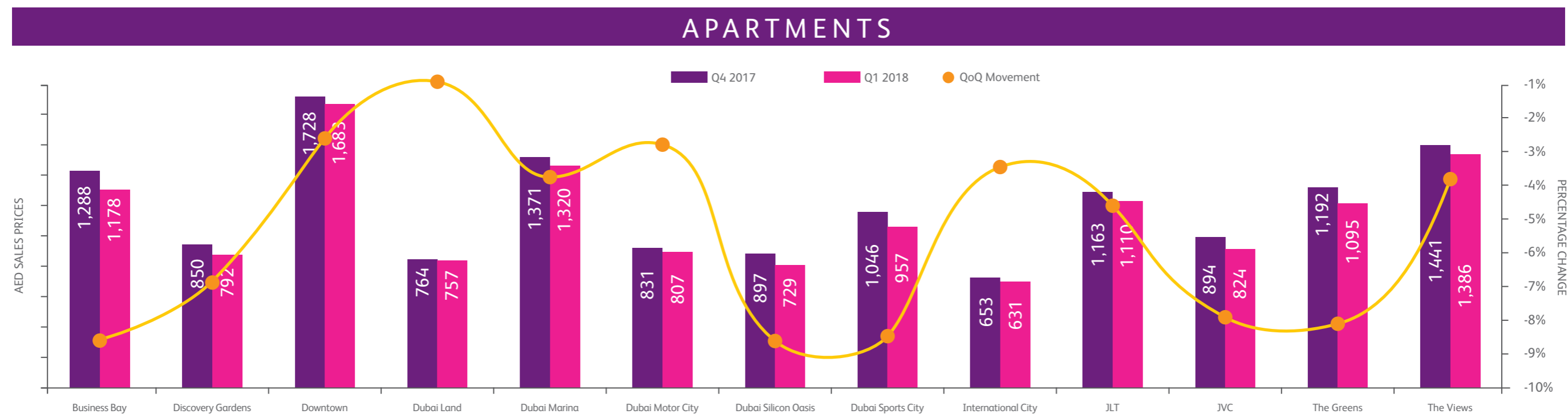
Residential Market – Q1 2018



Source: Chestertons Analysis and REIDIN

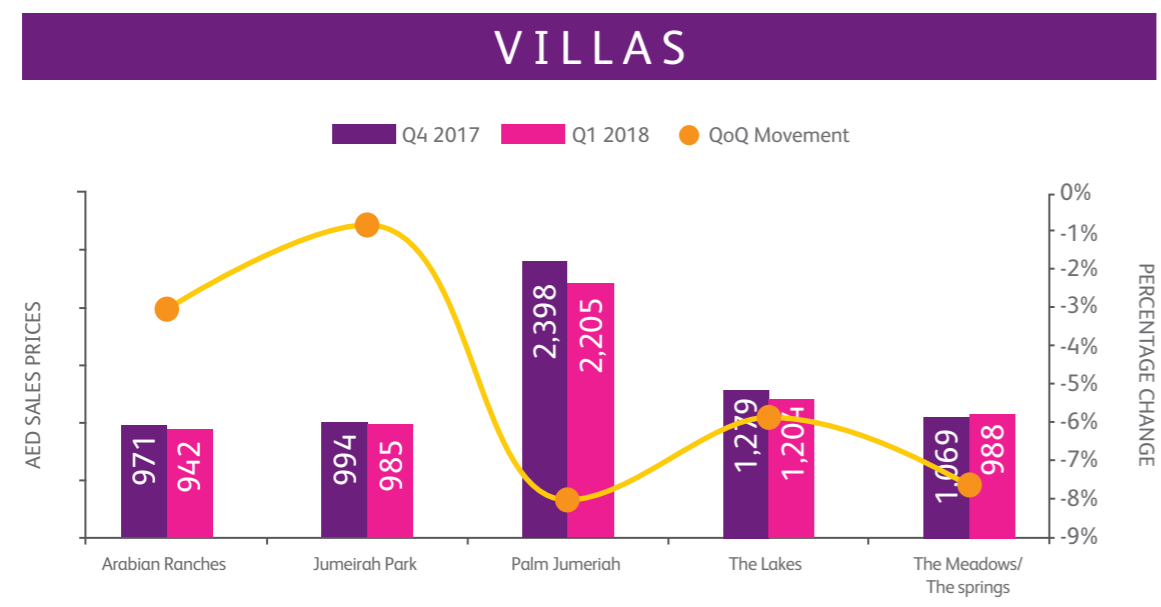
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Sales Prices & Quarterly Change



Figures in AED/Sq Ft

Source: Chestertons Analysis



Figures in AED/Sq Ft

Source: Chestertons Analysis

Market Commentary

Apartment and villa sales prices in Dubai have weakened by 5% during the first quarter of 2018. Moderate population growth coupled with the excess supply of residential stock brought further pressure on the prices.

As a result of the sales price decline, many end-users have decided to benefit from the current affordability and as a result the number of completed unit transactions increased by 10% compared to the previous quarter.

Off-plan transactions, while still dominating the market, have achieved a 19% decline in volumes. The most popular areas in terms of completed unit transactions volumes were Dubai Marina, Dubai Sports City and International City whereas the majority of off-plan units that transacted are being built in

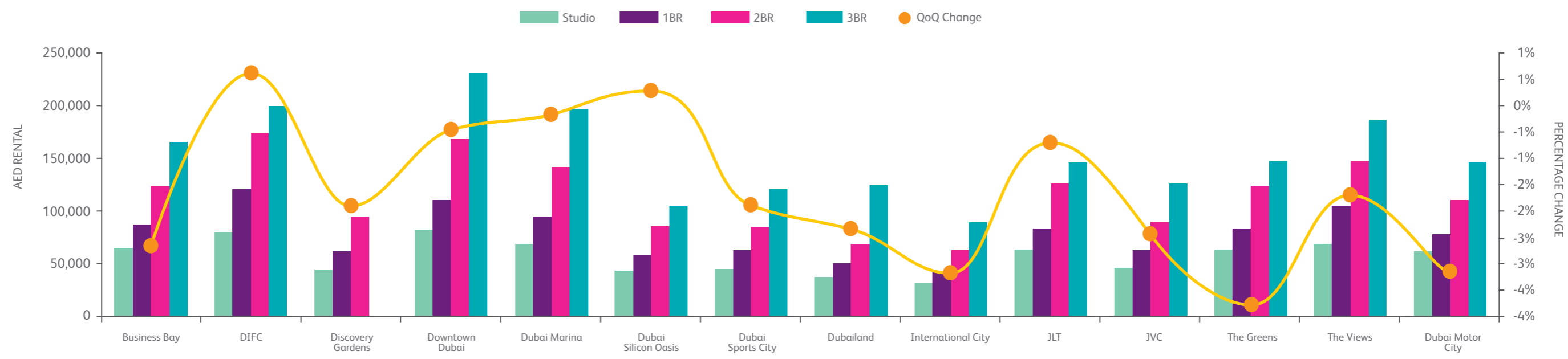
Business Bay, Meydan City and Jumeirah Village Circle. Apartments in Business Bay and Silicon Oasis saw the steepest downwards correction at 9%, with Dubai Land being the most resilient community witnessing a drop of only 1%. Villas in Palm Jumeirah and the Meadows and Springs saw capital depreciation of 8%, while Jumeirah Park villas recorded the lowest decline of only 1%.

Off-plan transactions declined by 10% in Q1 2018 compared to Q4 2017. The favourable payment plans offered by developers continued to be the preferred method of "financing", however, the competitive banking sector has also introduced a range of innovative lending schemes which, coupled with the decline in sales prices of completed units has increased the number of completed unit transactions.

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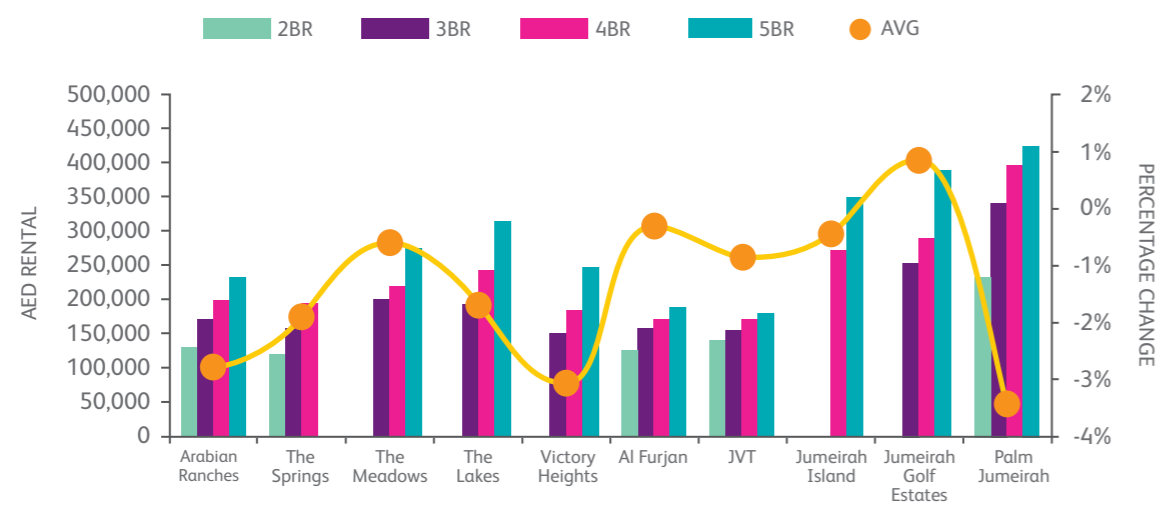
Market Rent & Quarterly Change

APARTMENTS



Source: Chestertons Analysis

VILLAS



Source: Chestertons Analysis

Market Commentary

Rents for apartment and villas reported a 2% drop. The additional stock that was delivered over the previous quarter and a number of expatriates becoming homeowners had an adverse impact on the rental values.

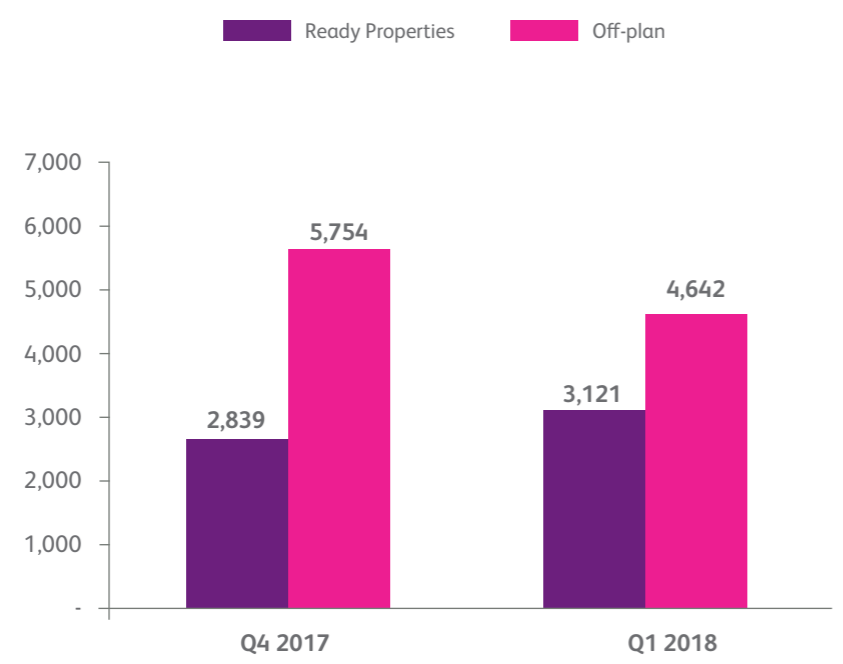
The highest decline in apartment rental values was recorded in the Greens (-4%), followed by Business Bay, International City, Jumeirah Village Circle and Motor City all of which declined by 3%. The communities resilient to the trend which maintained rental levels from the previous quarter were DIFC, Dubai Marina and Dubai Silicon Oasis.

Villa rents saw the highest decline in Palm Jumeirah (-4%), followed by a 3% decline in Arabian Ranches and

Victory Heights. Jumeirah Golf Estates was the only community where no villa rental drops were recorded. The pace of villa supply delivery is expected to be faster than the demand increase; hence further villa rental softening is expected over the upcoming quarters.

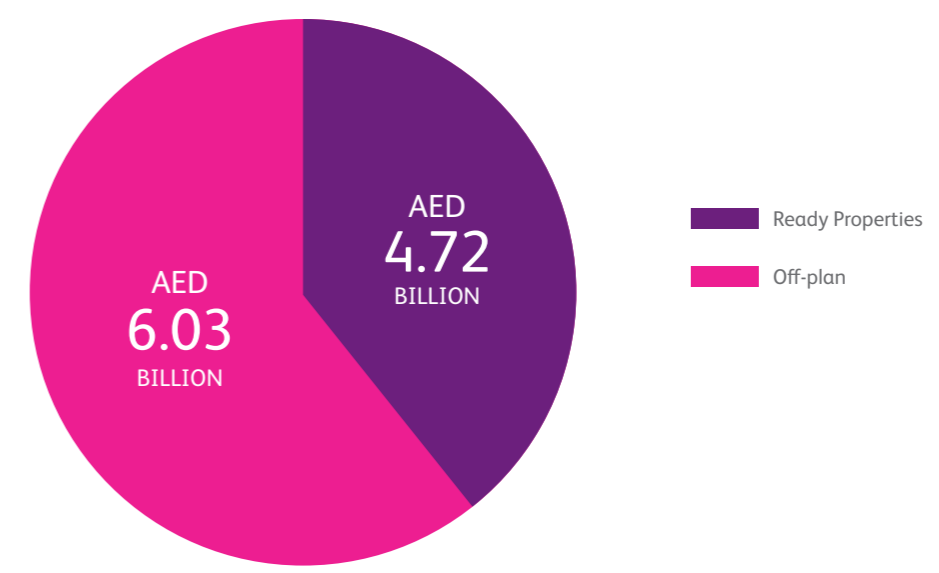
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Sales Transactions

Volume of Residential Property Transactions Q1 2018



Source: Chestertons Analysis and REIDIN

Value of Residential Transactions Q1 2018



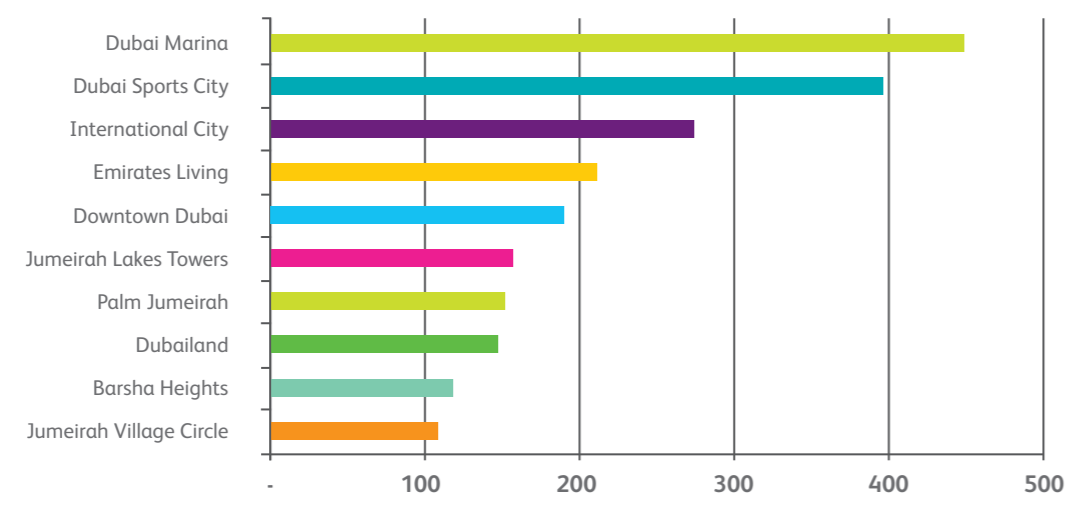
Source: Chestertons Analysis and REIDIN



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Sales Transactions

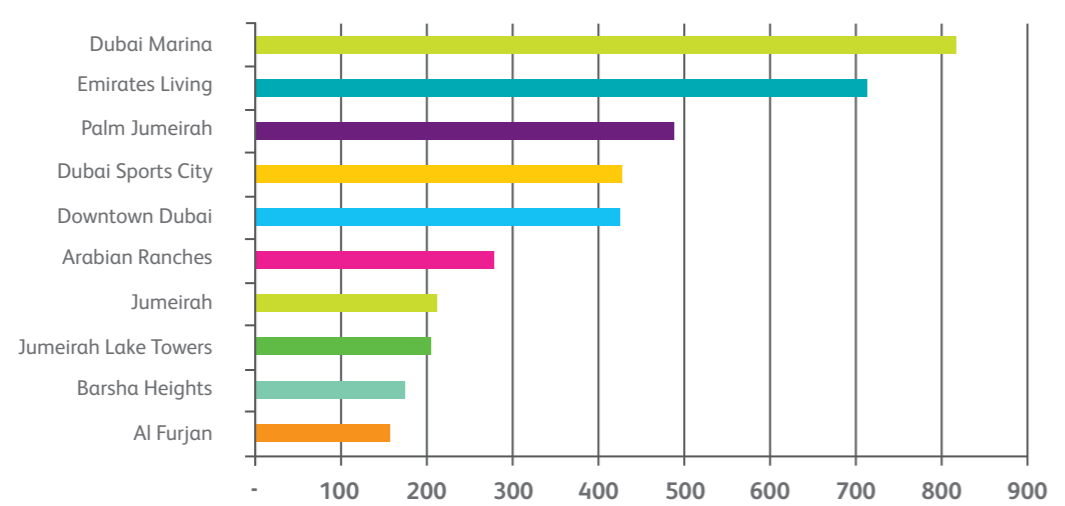
COMPLETED UNITS

Top 10 areas based on transaction volumes



Source: Chestertons Analysis and REIDIN

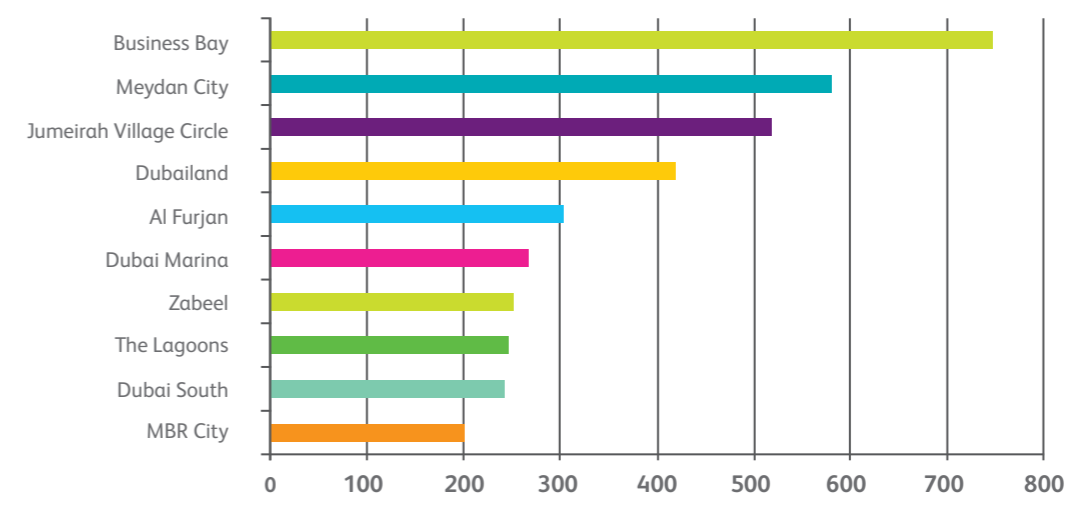
Top 10 areas based on transaction values (in million AED)



Source: Chestertons Analysis and REIDIN

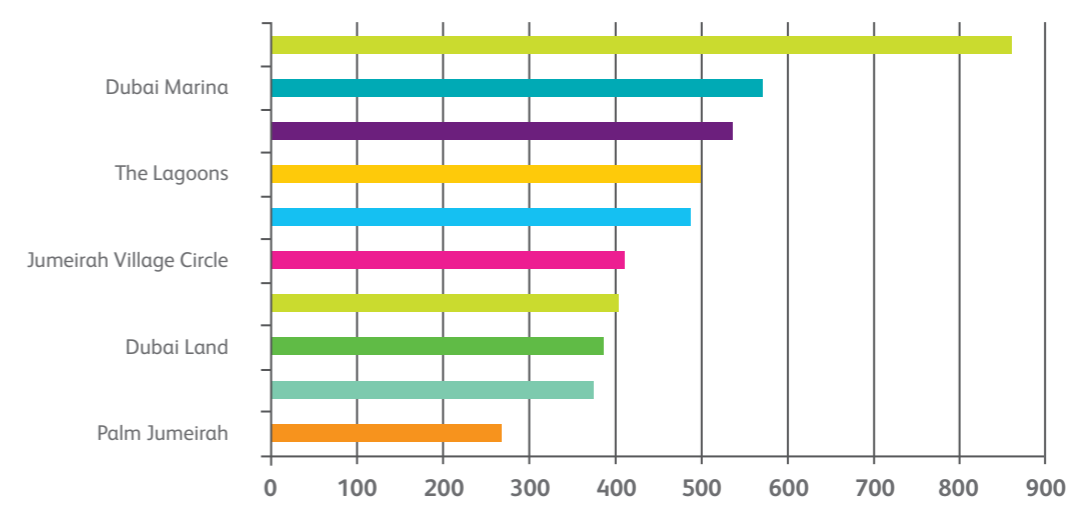
OFF - PLAN UNITS

Top 10 areas based on transaction volumes



Source: Chestertons Analysis and REIDIN

Top 10 areas based on transaction values (in million AED)



Source: Chestertons Analysis and REIDIN

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