



DUBAI RESIDENTIAL PROPERTY TRENDS 2016

PRICE SHIFTS, WHAT'S BEING BUILT AND WHO'S BUYING

A
REPORT
BY
dubizzle &  JLL

CONTENTS

1/
Key Findings.....PAGE 2

2/
Introduction.....PAGE 4

3/
Improving
Transparency.....PAGE 5

4/
Sales Market
in 2016.....PAGE 9

5/
Rental Market
in 2016.....PAGE 22

6/
Focus on Selected
Communities.....PAGE 24

7/
Danger of potential
over supply.....PAGE 29

8/
Off Plan V Secondary
Market.....PAGE 35

9/
Prospects for 2017.....PAGE 36

10/
Contact Us and
Data Sources.....PAGE 37+38

1/ KEY FINDINGS

- Rental and sale prices have remained largely unchanged over the past quarter as the Dubai residential market reaches the bottom of its current cycle.
- While difficult to call the exact bottom of any market cycle until it starts to recover again, we believe the level of downside risk is limited and the Dubai residential market will move into the recovery stage during 2017.
- This recovery is predicated on the expectation that economic growth in Dubai will be marginally higher in 2017 than in 2016.
- Factors driving this predicted recovery include:-
 - gradual recovery of oil prices in 2017
 - stronger confidence as investors recognise that the market is close to its cyclical trough
 - continued government investment in hospitality, aviation, healthcare and other growth sectors
 - increased employment and construction activity in the lead up to Expo 2020
- Further improvements to the regulatory environment and transparency could positively impact the Dubai residential market in 2017.

CONTINUED..

- While moving into the upturn stage of its cycle in 2017, we do not expect the Dubai residential sector to experience a rapid increase in prices in 2017, with increases in most areas likely to remain in single digits.
- The greatest threats to any recovery in 2017 would be a further slowdown in the Dubai economy or a major improvement in the materialization rate, which could lead to oversupply and a subsequent weakening of performance in some locations.
- With over 30K units currently scheduled to complete in 2017, there is some concern the market could experience an oversupply that would negatively impact performance. We believe that several factors will reduce the actual delivery of units. These factors include increased construction costs and competition for resources as well as proactive measures being taken by developers who are phasing the release of units to avoid the possibility of oversupply.
- With major tourism, healthcare and infrastructure projects progressing in the lead up to EXPO 2020, Dubai is creating other strong alternative income streams, alongside a better regulated real estate sector.

2/ INTRO- DUC- TION

Has the market bottomed out? Is it really a buyers' market? Is this a time for buyers, be they investors or end-users, to grab the best deals before the market shifts upwards? Should tenants seek to purchase to avoid paying rent? What is the perception of the first-time homebuyer in the UAE, and who are they? Is the secondary property marketplace more favored or is off-plan property gaining in popularity?

To address some of these questions, dubizzle and JLL have come together to provide real estate stakeholders with a better understanding of the factors that have influenced the market over the past years and where the market is likely to head in 2017.



There is a general consensus that sale and rental prices have declined in Dubai during 2016, but it is equally clear that this decline has been far from uniform between segments and locations. There is far less consensus about what 2017 holds in store, with some suggesting a further decline, while others argue the market has already bottomed. Such disagreement is common when a market approaches a turning point as the precise bottom of a cycle is often only apparent with the benefit of hindsight...

3/ IMPROVING TRANSPARENCY

dubizzle and JLL both feel strongly that the Dubai market would benefit from greater transparency which would allow both investors, or end-users and tenants to make more well-informed decisions. By consolidating their market data and co-authoring this report, we hope to contribute to improved transparency, which will not only help existing players, but also attract new investors to enter the market.

In preparing this report, we have considered data from a number of credible sources including

- dubizzle's internal data warehouse for sale and rental asking price evolution
- JLL's proprietary supply data
- Third party data from Dubai Land Department (DLD), Dubai Economic Department (DED) and other sources



IMPROVED LEGISLATION

45 years in the making, the UAE (and especially Dubai) has come a long way since its formation in creating a sustainable ecosystem to attract and retain a large expat community.

Post the 2008/9 global financial crisis, the government of Dubai, lead by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, has taken several steps to shield the Emirate. These initiatives have played a key role in Dubai emerging as the most transparent market in the region as portrayed in successive editions of JLL's Global Real Estate Transparency Index (GRET*i*.)



2007

- ▼ RERA is established
- ▼ Escrow law introduced
- ▼ Introduction of real estate register maintained by the Dubai Land Department

2010

- ▼ Strata Law
- ▼ Joint ownership law providing for creation of Home Owner Associations

2013

- ▼ Decree 43 introduces the New Rental Cap Law
- ▼ Rent Dispute Settlement Committee established
- ▼ New Mortgage Law is introduced
- ▼ Transfer fees doubled from 2% to 4% to discourage flipping of properties
- ▼ dubizzle publishes first property market trends infographic report due to identified user need for increased data transparency

2014

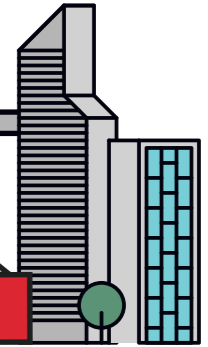
- ▼ Decree 41 issued to regulate the Holiday Home segment and allow short-term leasing under the Department of Tourism and Commerce Marketing (DTCM)

2015

- ▼ Leading developers prevent resale of off-plan property until buyers pay at least 40 to 50% of the price
- ▼ Dubai ranks sixth globally on value of foreign direct investment (FDI)
- ▼ JLL publishes new report drawing attention to shortage of affordable housing

2016

- ▼ dubizzle identifies an increase in search volumes for properties for sale in mid-market/ affordable housing areas such as JVC, Dubai Land development and Al Furjan
- ▼ dubizzle study reveals improved first-time homebuyer sentiment within the millennial segment
- ▼ Publication of UAE bankruptcy law
- ▼ Dubai Economic Department study shows Dubai attracts AED 17.7 billion worth of FDI in the first six months of 2016



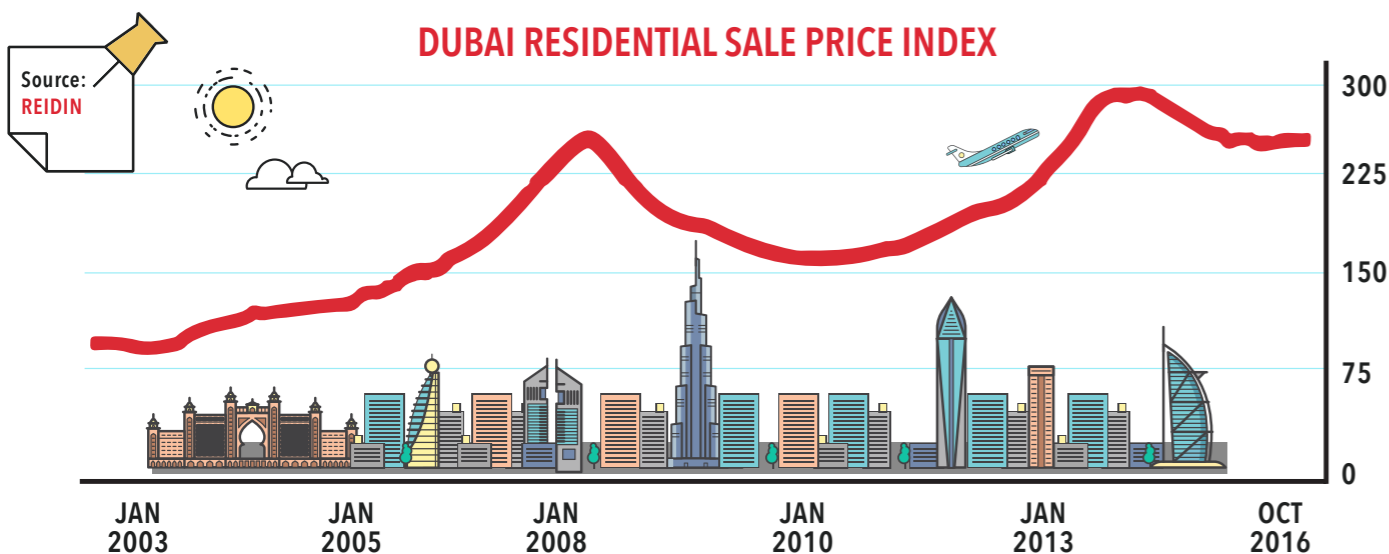
Many of the legislative changes were made with an aim to encourage foreign direct investment by creating attractive property laws and a more robust judicial system. Dubai's strengthened legislation over the past decade is testament to a city with a plan to create a strong and sustainable real estate sector capable of attracting high levels of foreign investment.

4/ SALES MARKET IN 2016

The Dubai residential market peaked in mid 2014. Over the past two years, sale prices have declined by around 15% and rentals by around 10%. This decline is, in many ways, part of a normal market cycle, with prices having increased at an unsustainable rate from 2012 to 2014.

With a significant majority of Dubai expats preferring to rent rather than buy, rental prices have held up better than sales prices over the past two years. This has increased rental yields for investors and, in some cases, also resulted in a crossover as former tenants looked to purchase their own homes.

DUBAI RESIDENTIAL SALE PRICE INDEX



WHO ARE THE BUYERS?

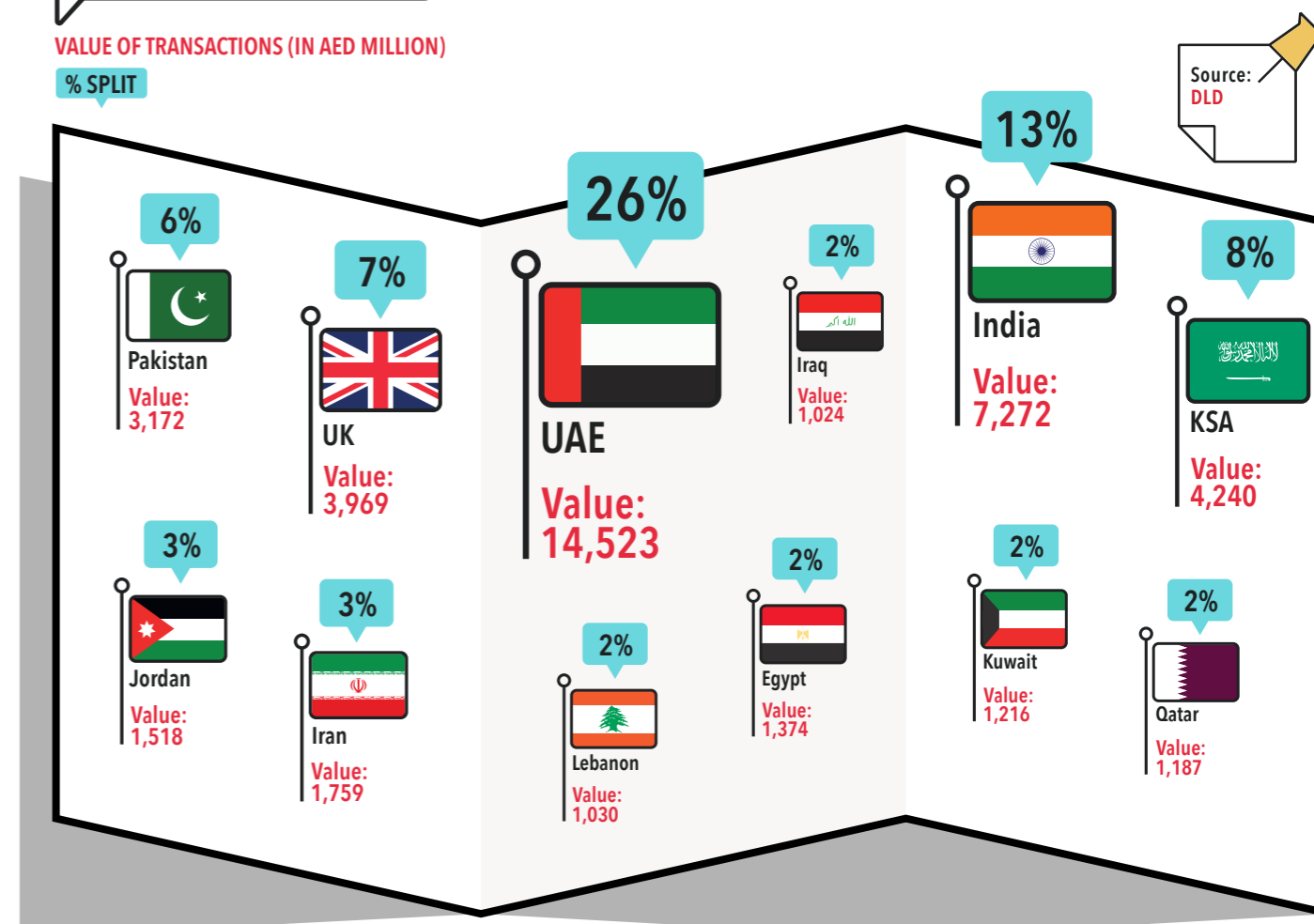
After UAE nationals, Indian, Saudi, British, and Pakistani nationals topped the list of major buyers of Dubai real estate over the first half of 2016.

UK investment in the Dubai real estate market fell from 9% in the first half of 2015 to 7% in the same period this year. Britain's vote to leave the European Union in June this year is expected to further negatively impacted UK investment in Dubai. The Brexit vote caused a sharp fall (circa 20%) in the value of the GBP and negatively impacted UK investor interest in the UAE market, where prices are now comparatively higher.

One of the strengths of Dubai's market is the diversified nature of demand, with the top 12 nationalities accounting for only 75% of all sales. This means the market is able to absorb a decline in sales from a particular nationality due to factors such as currency movements. A case in point would be Russian buyers who accounted for over 5% of all transactions in 2014 but have since fallen to less than 1%. Their place has been taken by increased activity from other key markets such as Saudi Arabia and Iran, along with more activity from Chinese and African investors.

TOP 12 NATIONALITY OF BUYERS OF DUBAI REAL ESTATE 1H2016

VALUE OF TRANSACTIONS (IN AED MILLION)
% SPLIT



FIRST-TIME HOMEBUYERS- THE MILLENNIAL SENTIMENT

According to the Dubai Statistics Centre, there were around 1.2 million expat millennials (those between the ages of 25 and 39) in the Emirate in 2015, accounting for about 48% of the total population of Dubai.

dubizzle conducted a third party research study on millennial expats and asked where (and if) they would buy a property in the next 3 years. Of those who believed that purchasing a home in the near future was important, 44% said they planned to buy a home in the UAE, while 59% said they wanted to buy outside the UAE. The latter preferred to buy in their home country, as they weren't sure how long they'd stay in the UAE. There was, also a crossover of millennials who were considering buying properties abroad as well as in the UAE while they continued to live in the UAE, which they regarded as an ideal base during the prime years of their careers.



25% said that they intended to establish their own start-up or invest in a business of interest before they invested in buying a home. This brings to light the UAE's vision of attracting and harbouring visionary leaders by creating an environment that supports a healthy start-up scene with supporting new business legislations, such as the recently approved bankruptcy law and the possible knock on effect on the commercial property sector, business centres in specific, building up to Expo 2020.

ARAB EXPATS

Partly as a result of the Arab spring, many Arab expats (from outside the GCC) purchased homes in Dubai as a store of wealth or a safe haven in an otherwise volatile region. According to the Dubai Land Department's 2016 H1 report, Arab expats invested a total of AED 7 billion in 7,577 deals (Jordanians - 765 transactions, Egyptians - 710 transactions, Lebanese - 432 transactions). As for GCC countries, Saudi Arabia investment into Dubai real estate equated to AED 4.2 billion worth in H1.

dubizzle's research study confirms that the UAE remains the preferred choice for Arab millennial expats to purchase a property. 54% of our sample (of which 41% were Arab expats) stated that their country was not a safe place, was "risky" to invest in, and/or that they did not want to go back to their home countries to live long-term.

ASIAN EXPATS

On the contrary, millennial Asian expat first-time buyers (predominantly Indians) preferred to purchase their first property back home.

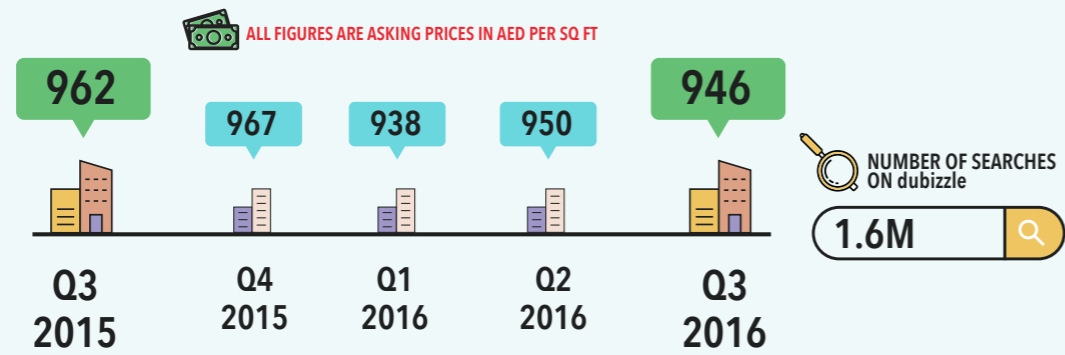
The more established Indian expatriates, those who already own property(s) at home, were planning to purchase homes in the UAE due to its convenient geographic proximity to their homeland, and the ideal business environment it provides for new entrepreneurs to set up shop. The Dubai Land Department's 2016 H1 report states that Indians, after UAE locals, were the second largest segment of property investors, contributing AED 7.27 billion worth of transactions.

SALE PRICES TREND ANALYSIS
Q3 2015 TO Q3 2016
/MID-MARKET

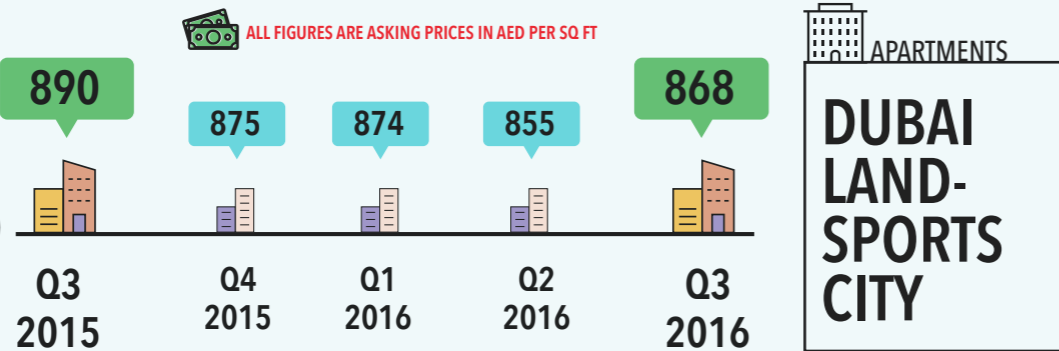
PRICE DECREASE
PRICE INCREASE

APARTMENTS

DUBAI LAND-MOTOR CITY

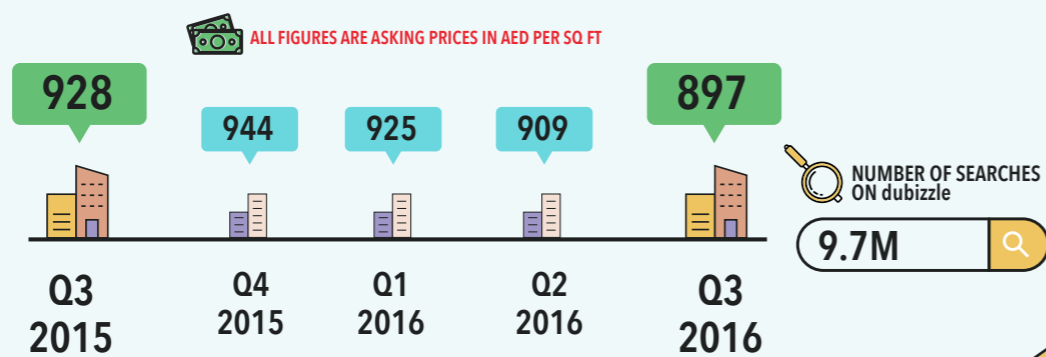


NUMBER OF SEARCHES ON dubizzle
7.1M



APARTMENTS

JUMEIRAH VILLAGE CIRCLE (JVC)



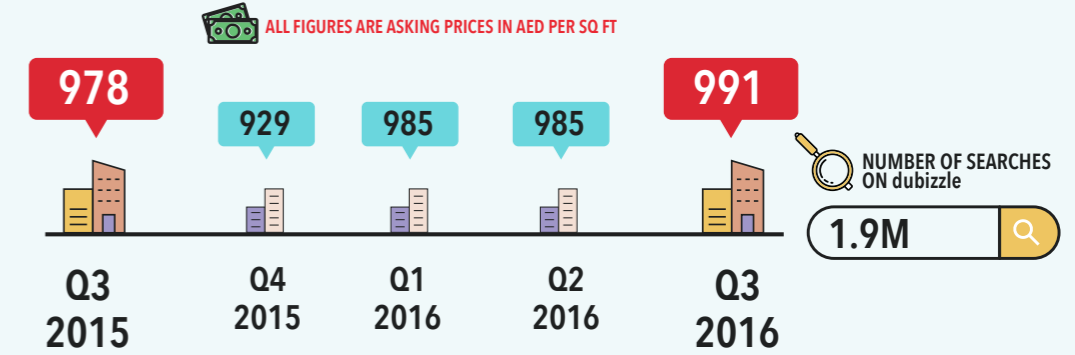
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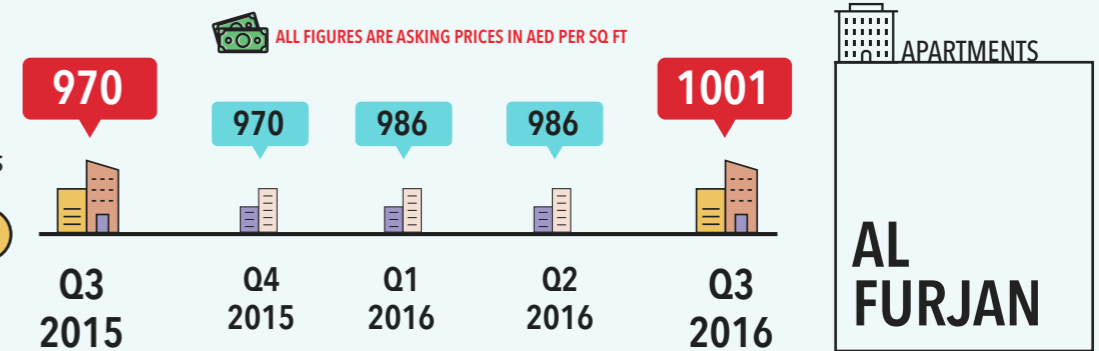
PRICE DECREASE
PRICE INCREASE

VILLAS

JUMEIRAH VILLAGE TRIANGLE (JVT)

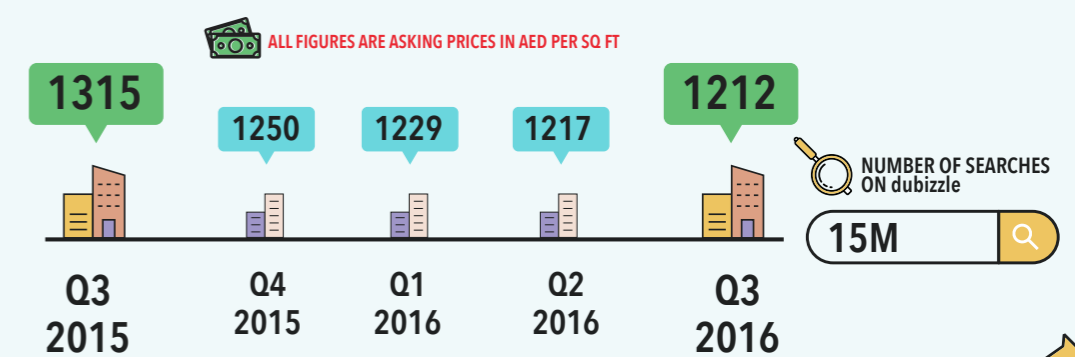


NUMBER OF SEARCHES ON dubizzle
1.7M



APARTMENTS

JUMEIRAH LAKE TOWERS (JLT)



Source: dubizzle

SALE PRICES TREND ANALYSIS
Q3 2015 TO Q3 2016

/PREMIUM

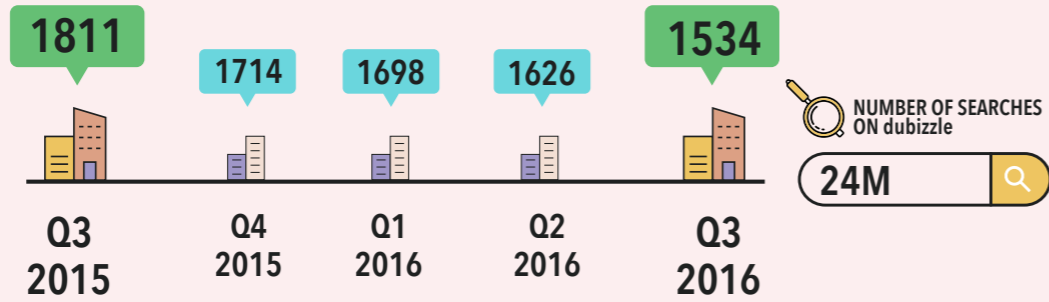


PRICE DECREASE
PRICE INCREASE

APARTMENTS

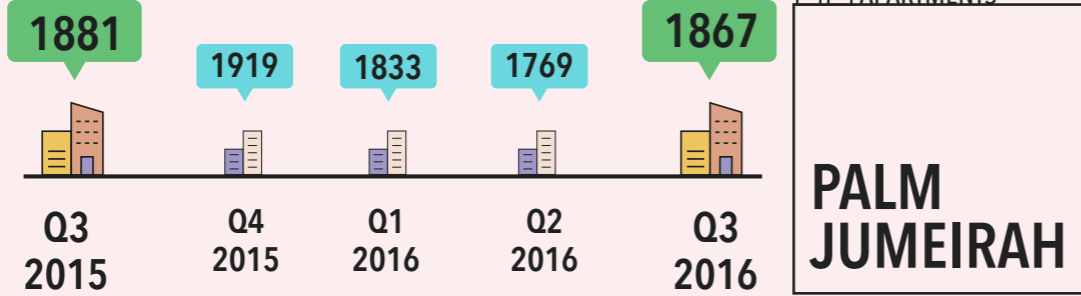
DUBAI MARINA

ALL FIGURES ARE ASKING PRICES IN AED PER SQ FT



ALL FIGURES ARE ASKING PRICES IN AED PER SQ FT

NUMBER OF SEARCHES ON dubizzle
7.9M



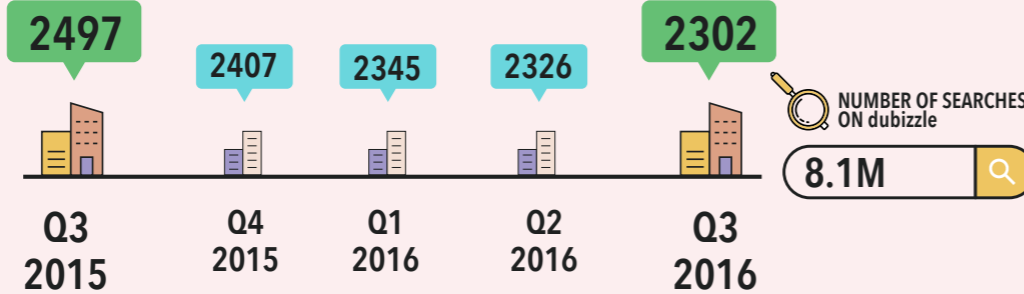
APARTMENTS

PALM JUMEIRAH

APARTMENTS

DOWNTOWN DUBAI

ALL FIGURES ARE ASKING PRICES IN AED PER SQ FT



Source: dubizzle

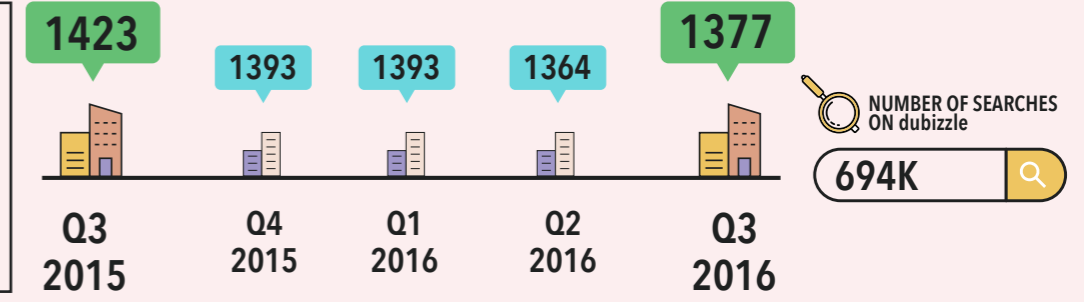
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PRICE DECREASE
PRICE INCREASE

VILLAS

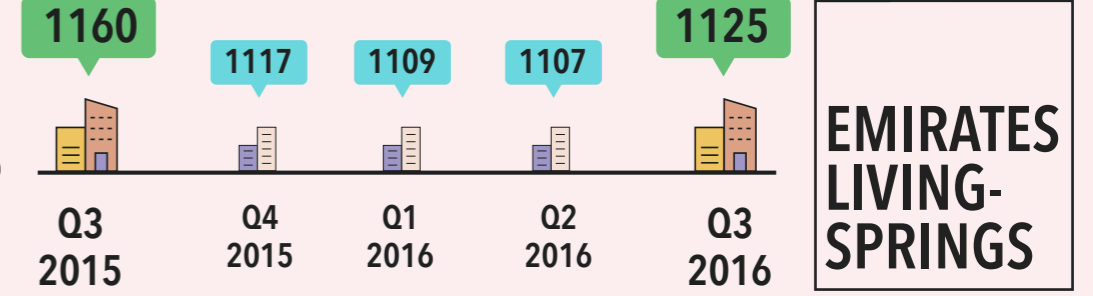
JUMEIRAH ISLANDS

ALL FIGURES ARE ASKING PRICES IN AED PER SQ FT



ALL FIGURES ARE ASKING PRICES IN AED PER SQ FT

NUMBER OF SEARCHES ON dubizzle
3.8M



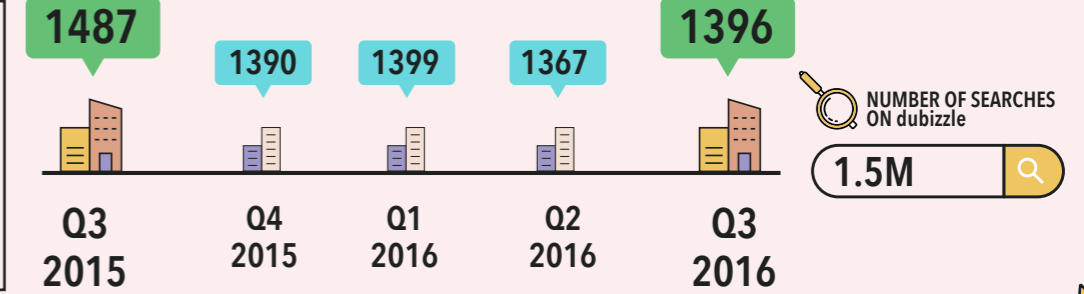
VILLAS

EMIRATES LIVING-SPRINGS

VILLAS

EMIRATES LIVING-MEADOWS

ALL FIGURES ARE ASKING PRICES IN AED PER SQ FT



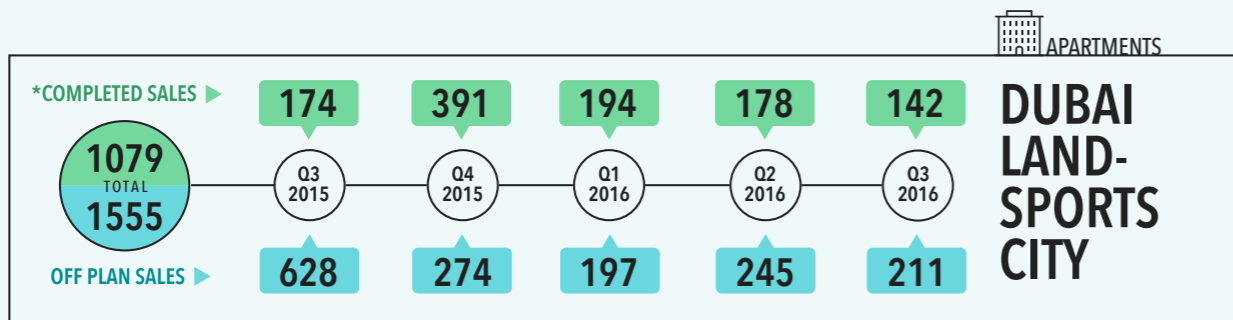
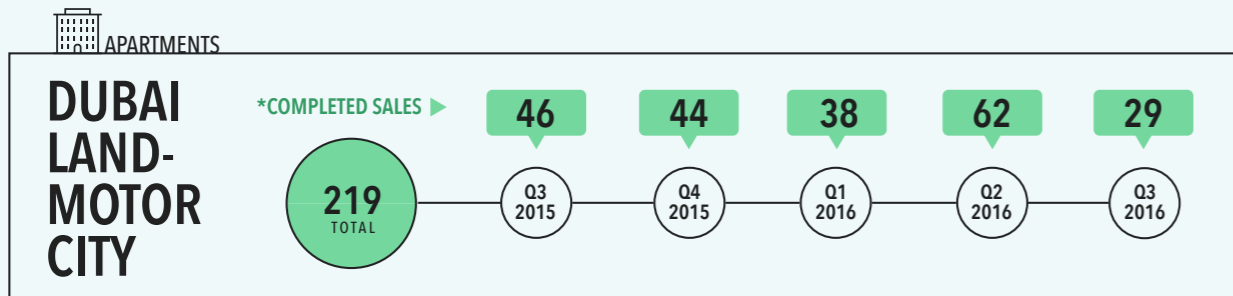
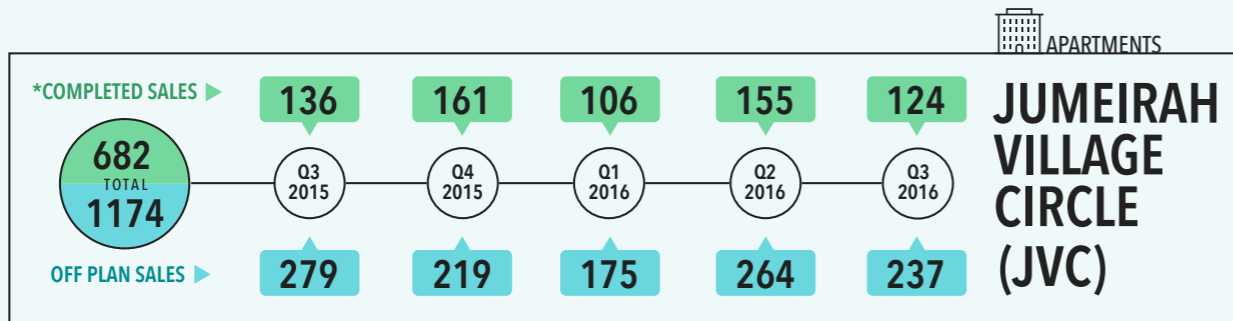
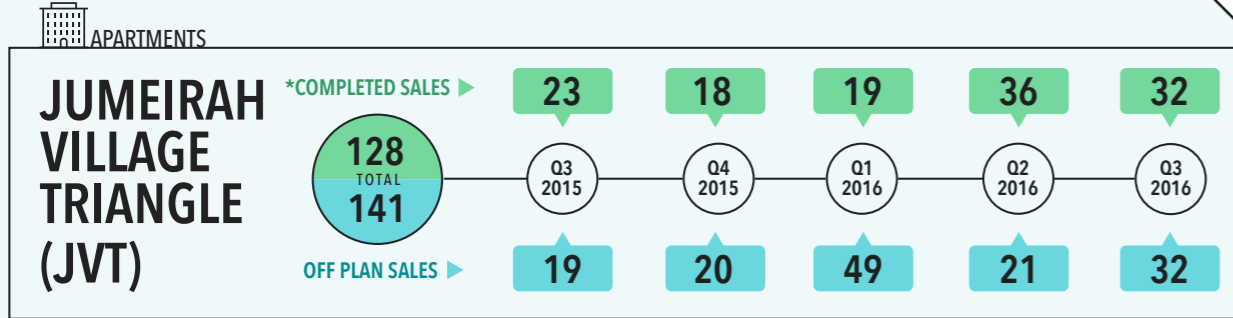
Source: dubizzle

SALE TRANSACTIONS OVERLAY
Q3 2015 TO Q3 2016
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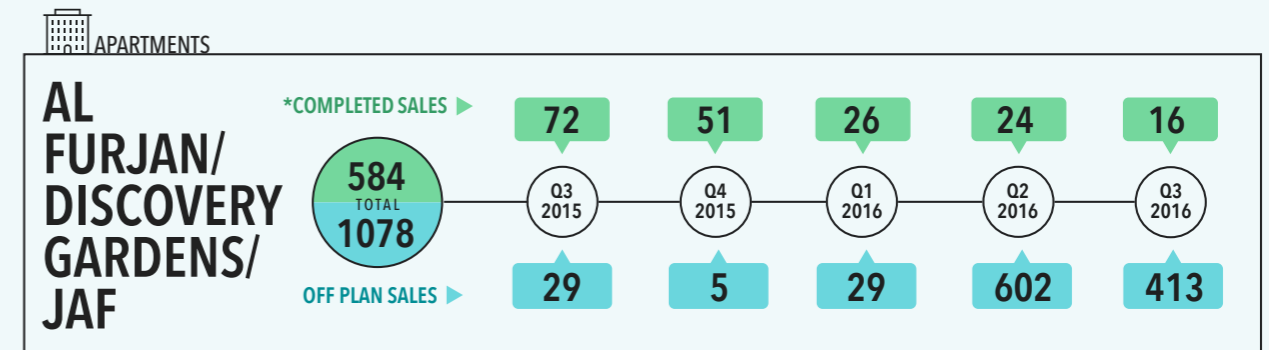
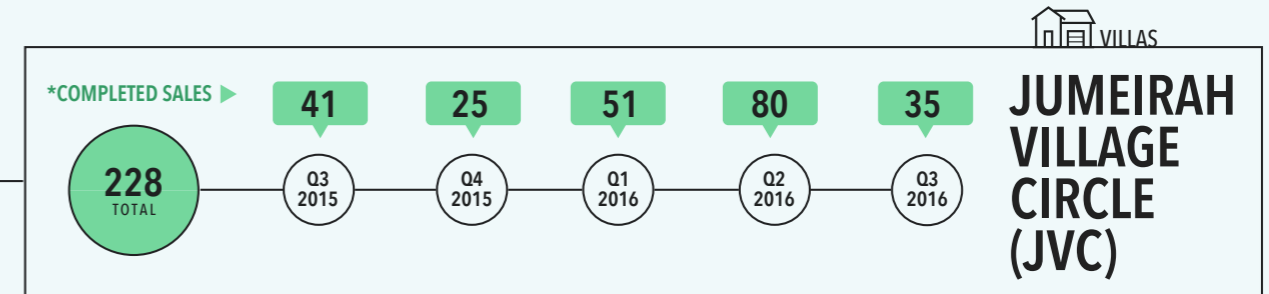
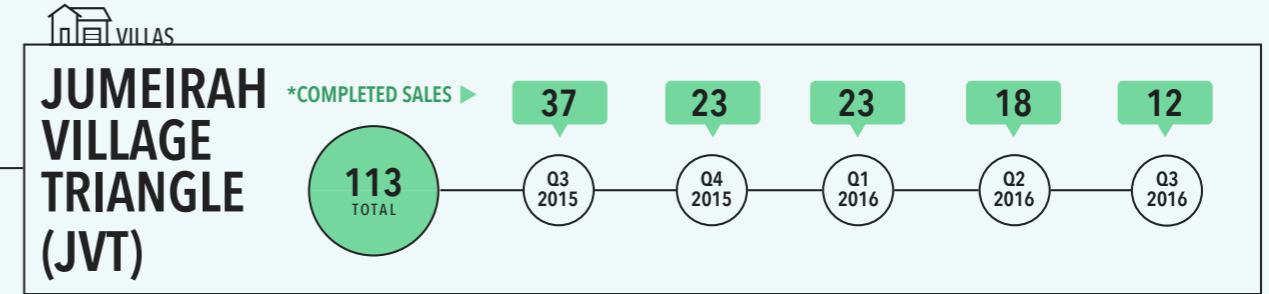
Source:
DLD

CONTINUED..

Source:
DLD



* COMPLETED SALES REFERS TO COMPLETED PROPERTIES



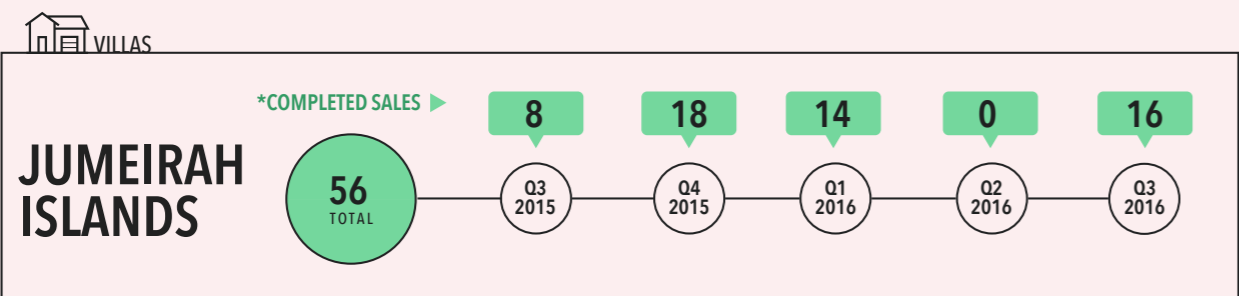
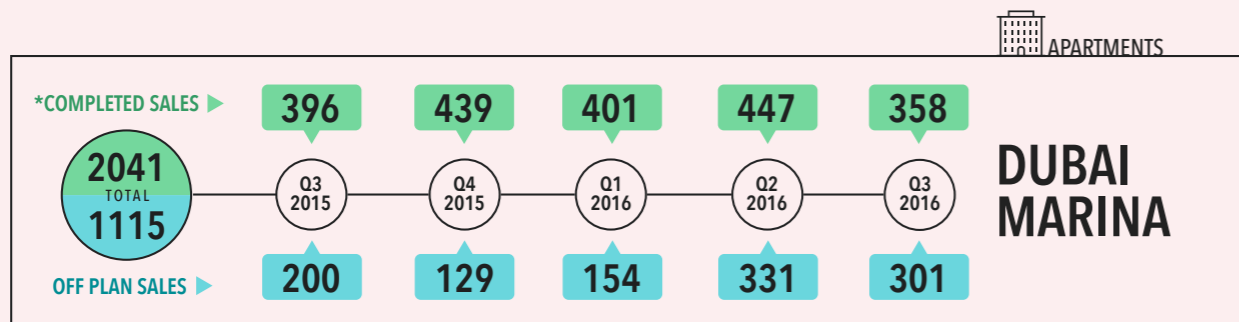
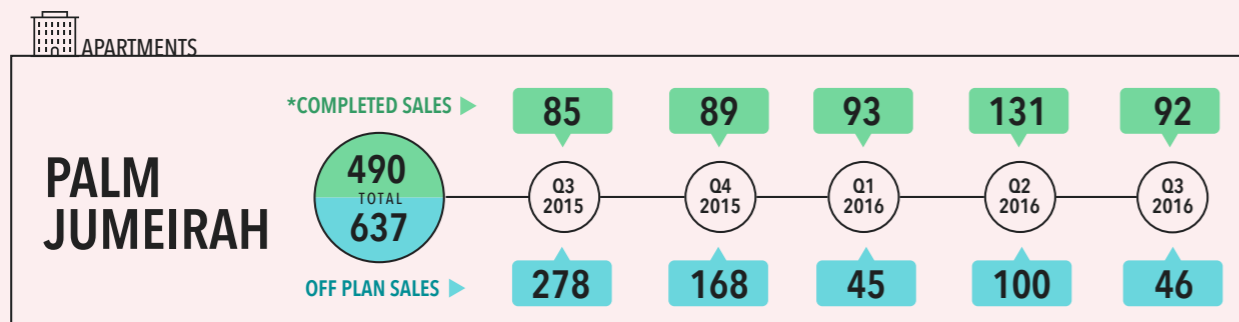
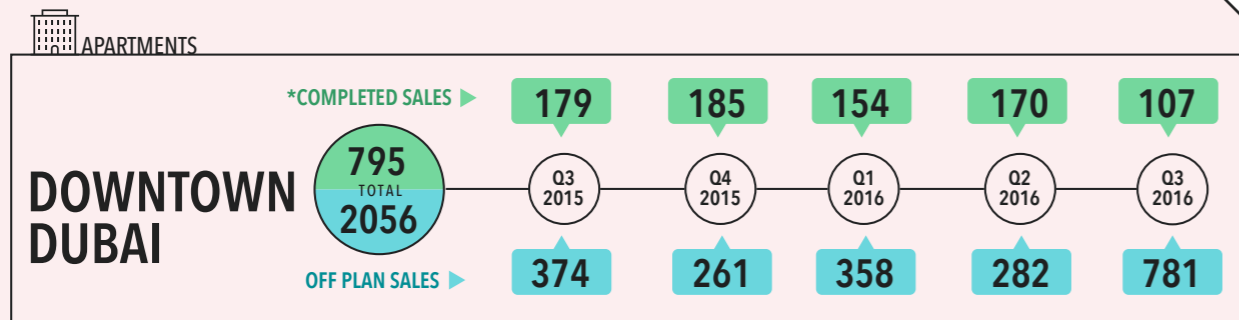
* COMPLETED SALES REFERS TO COMPLETED PROPERTIES

SALE TRANSACTIONS OVERLAY
Q3 2015 TO Q3 2016
/PREMIUM

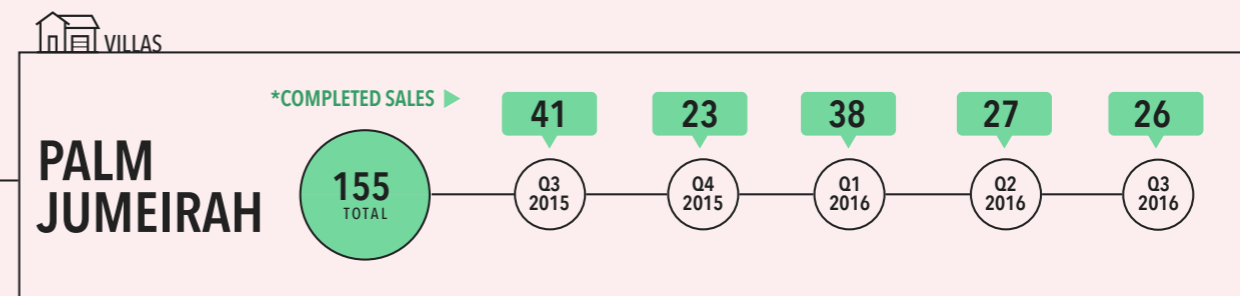
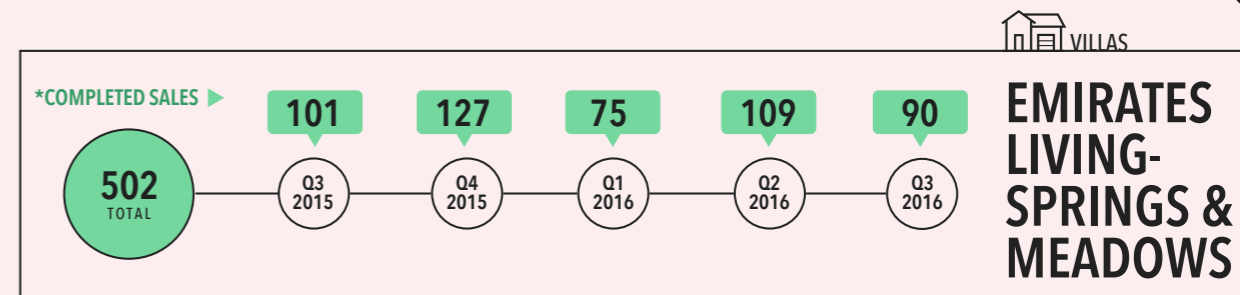
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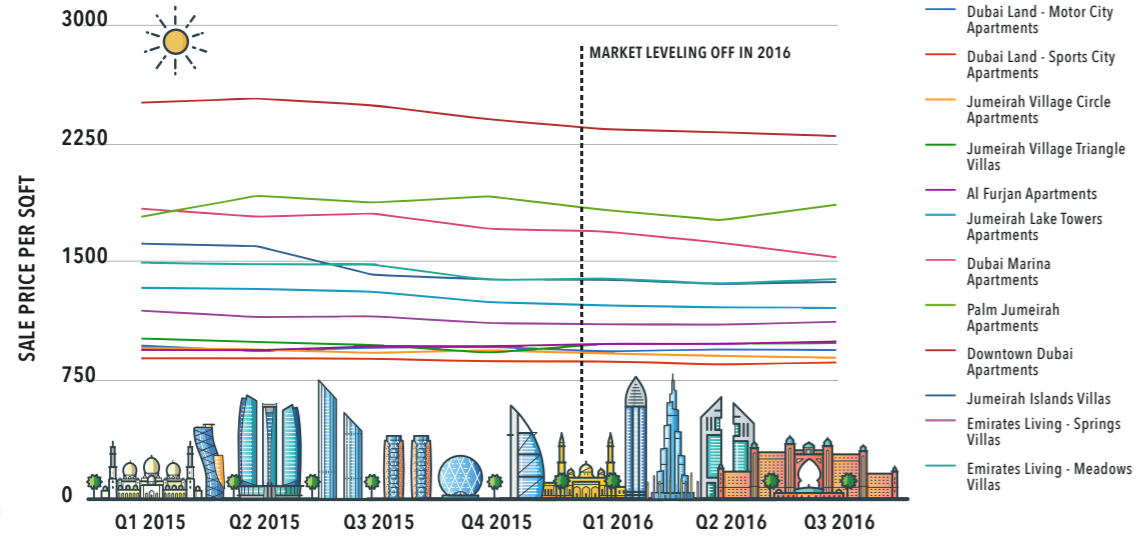


* COMPLETED SALES REFERS TO COMPLETED PROPERTIES



* COMPLETED SALES REFERS TO COMPLETED PROPERTIES

SALE PRICE SHIFTS



Source: dubizzle

CONTRIBUTING TO THE DECLINE IN PRICES IN 2016

- Slowdown in the UAE economy (GDP growth went from 4.0% in 2015 to 2.3% in 2016.) This was largely due to the decline in oil prices (which almost halved in 2015).
- Lower oil prices have also resulted in less investment from surrounding GCC nations - a major source of capital for the Dubai residential market.
- Continued strengthening in value of the US dollar has made Dubai less attractive to many overseas investors.
- Ample levels of new supply anticipated despite developers holding some projects off the market.
- Restrictions on mortgages as part of the UAE Government's successful attempt to cool the housing market and prevent another bubble from developing (as it had from 2006 to 2008).

5/
RENTAL MARKET
IN 2016

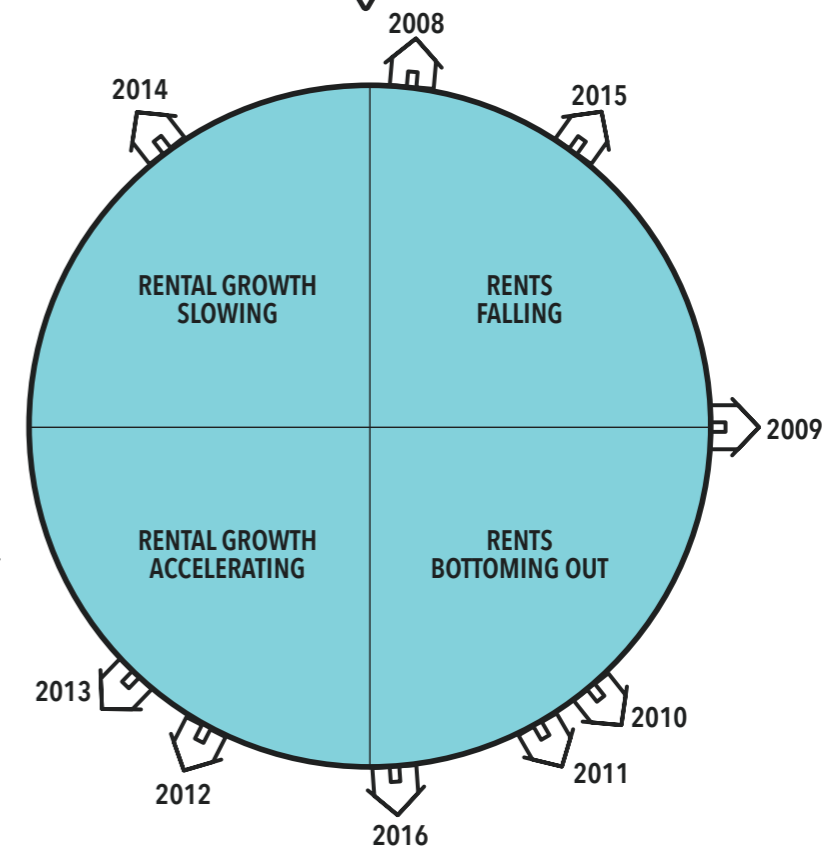
Despite the leveling off of the market, there remains a strong interest in buying real estate in Dubai, however, the majority of expatriates continue to prefer to rent rather than own their homes.

As a result, rents have fallen far less than prices in the current cycle. JLL's property clock shows the rental market peaked during 2014 and has fallen for the past 18 months.

DUBAI PRIME RENTAL CLOCK
RESIDENTIAL MARKET (Q3)

NOTE
The property clock illustrates where JLL estimates each prime market is within its individual rental cycle at the end of the relevant quarter.

Source: JLL





SUMMARY ON 2016 RENTAL MARKET:

Data from dubizzle shows that average asking rentals across Dubai declined by 4% over the past year, but that over the third quarter of 2016, rental levels remained largely unchanged, leading us to conclude that the rental market is bottoming out. While it is always hard to recognize the precise bottom of a cycle until after the market recovers again, we feel that there is limited further downside potential in rentals from this point and that average rentals are likely to increase again during 2017.

This data shows that asking rentals have experienced a Y-O-Y decline of 2% for 1BR apartments, 7% for 2BR apartments, and 3% for 3BR apartments. It is not surprising that actual rental prices have declined by more than asking rental prices, as landlords are always reluctant to adjust asking prices downwards in a falling market and often prefer to negotiate deals with tenants at levels below their asking rentals.

Trends in asking sale prices also provide a similar picture of the market poised close to the bottom of its current cycle with no movement in Q3 2016.

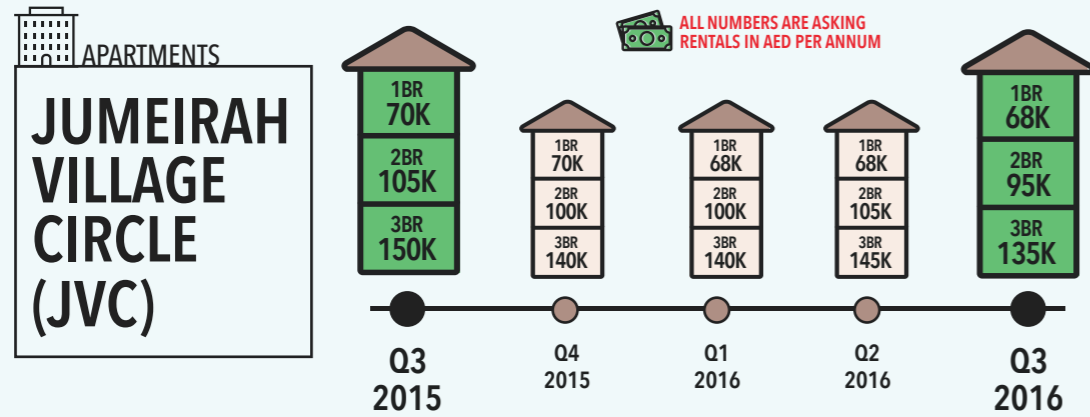
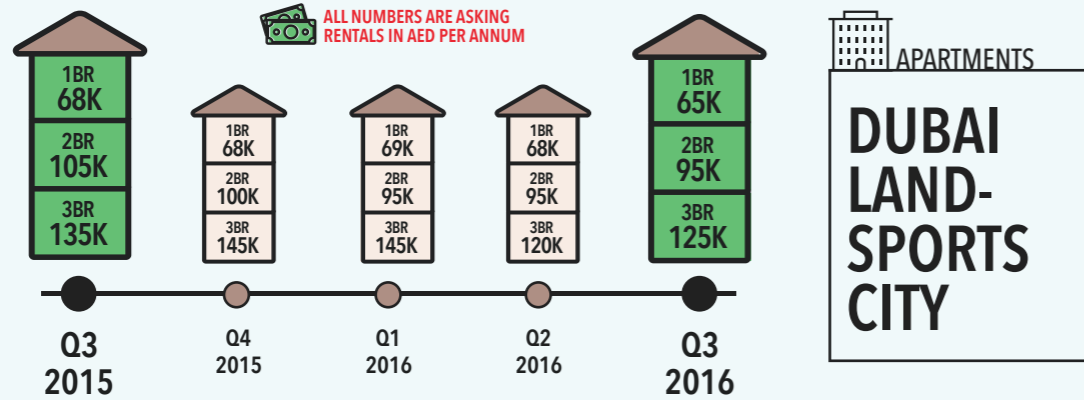
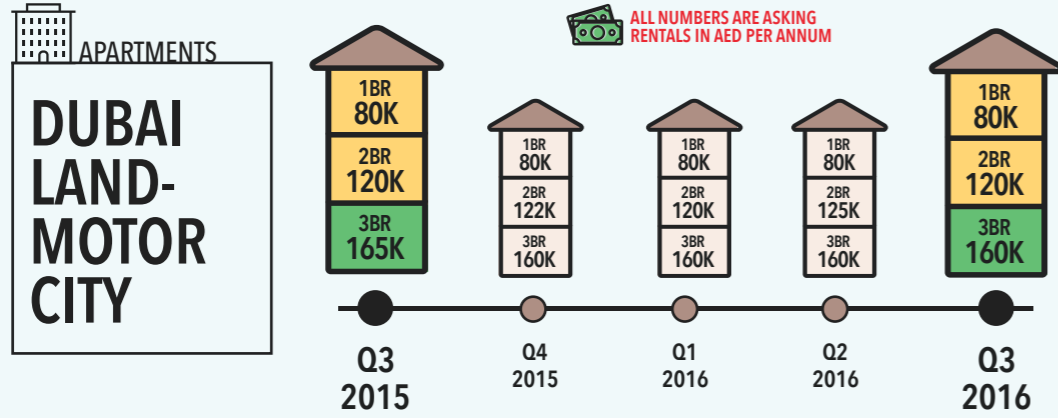
6/ FOCUS ON SELECTED COMMUNITIES

Data from dubizzle suggests that the mid-market sector has seen a more modest decline in asking sales price per/sqft (-2%) than the premium housing communities (-6%) over the past year. Al Furjan apartments were one of the few property types to experience an increase in sales price per sq.ft. of 3%. Jumeirah Village Triangle villas saw an increase of 1%. Both now selling at approximately AED 985.5/sq.ft.

On the other hand, asking sale price/sqft of apartments in Dubai Marina experienced the biggest dip of 15% Y-O-Y but in Palm Jumeirah apartment asking sales prices decreased by only about 1%.

RENTAL PRICE TRENDS ANALYSIS
Q3 2015 TO Q3 2016
MID-MARKET

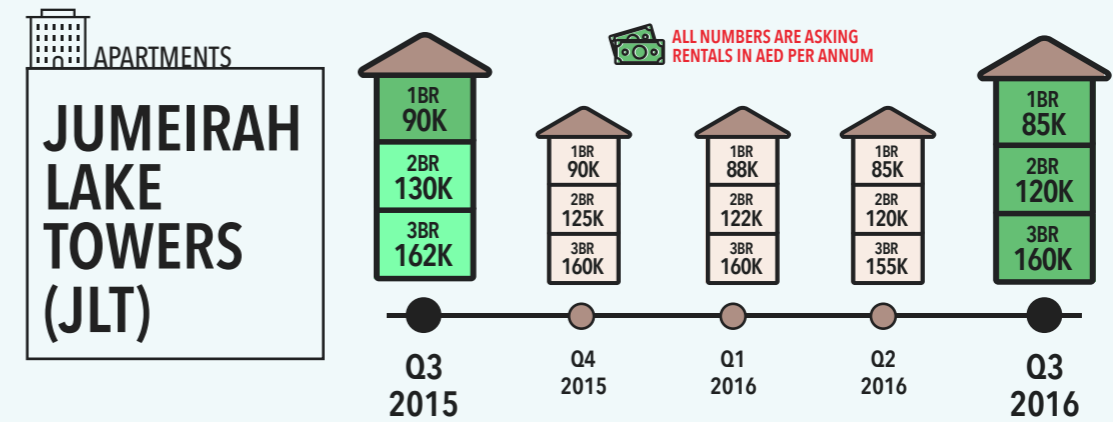
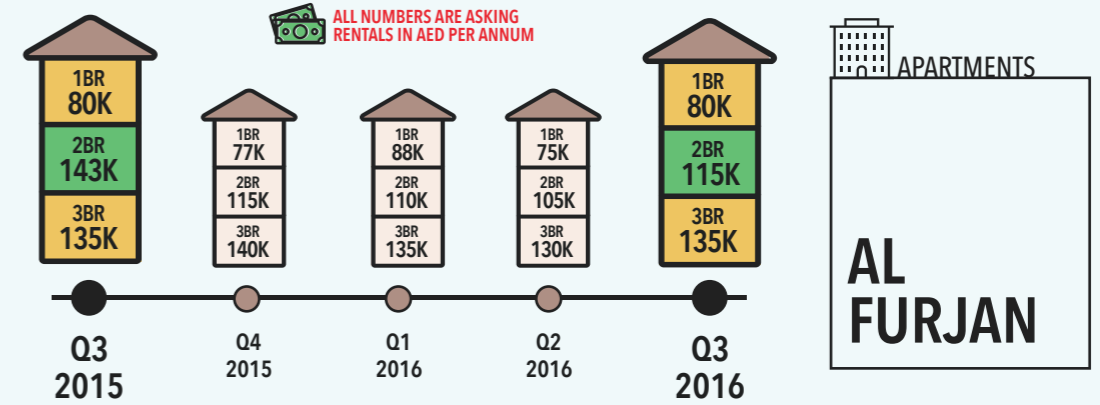
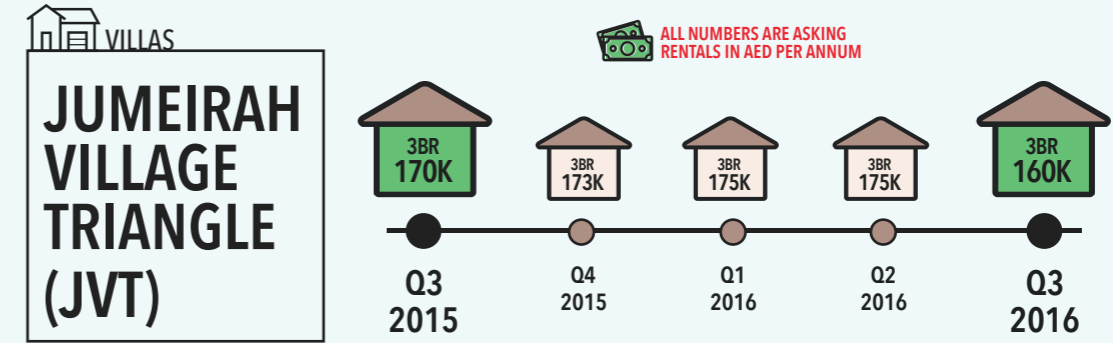
PRICE DECREASE
PRICE INCREASE
PRICE IS NEUTRAL



Source: dubizzle

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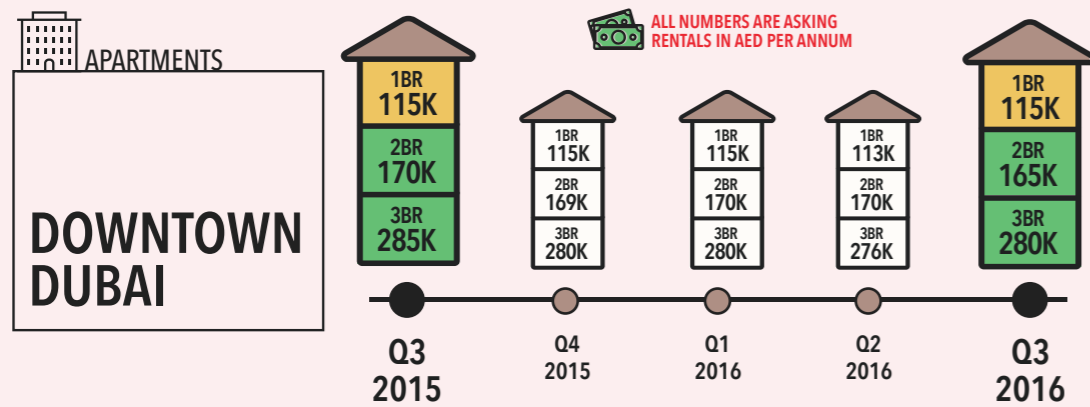
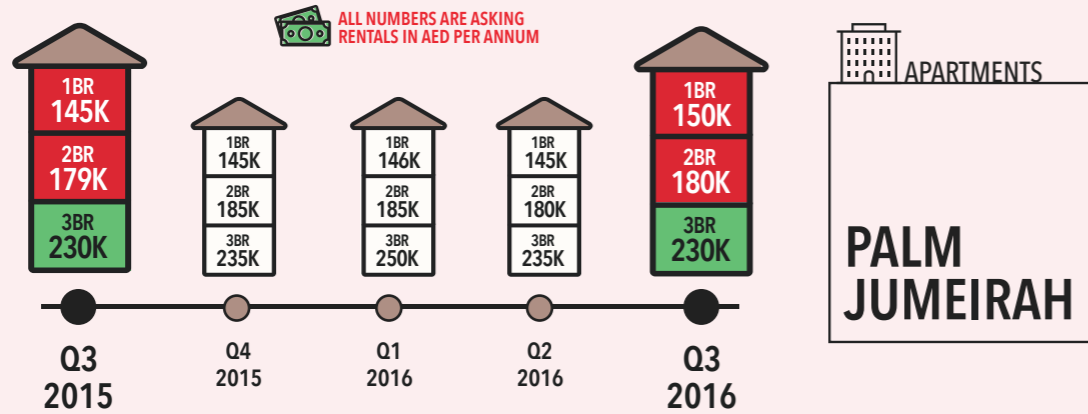
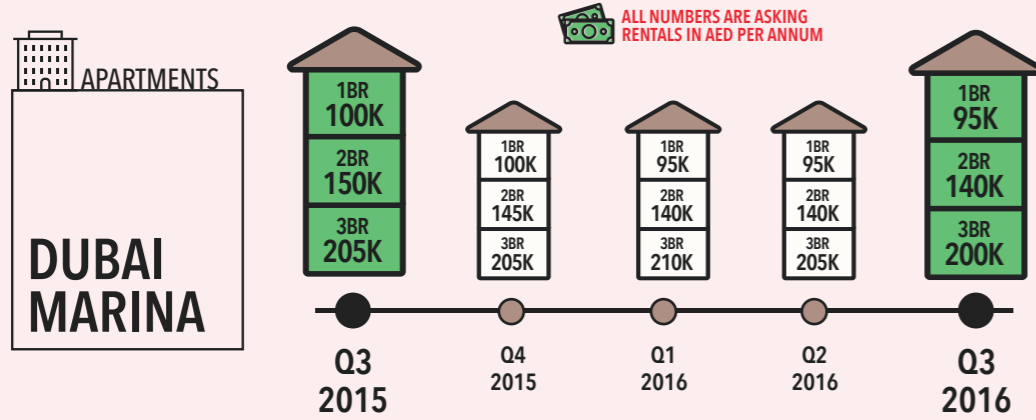
PRICE DECREASE
PRICE INCREASE
PRICE IS NEUTRAL



Source: dubizzle

RENTAL PRICES TREND ANALYSIS
Q3 2015 TO Q3 2016
/PREMIUM

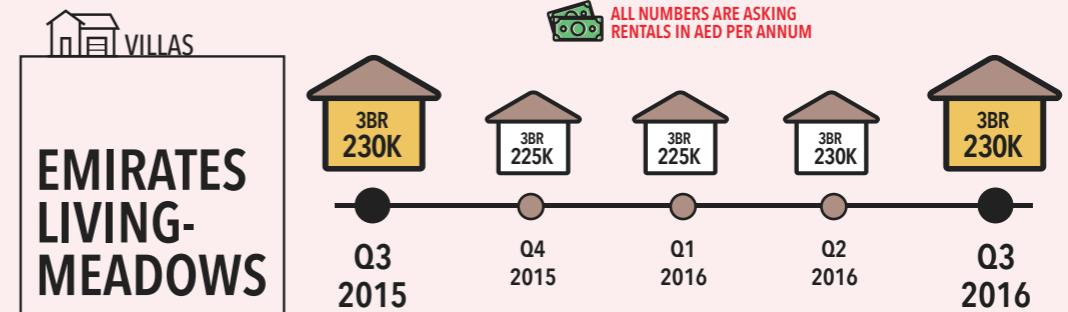
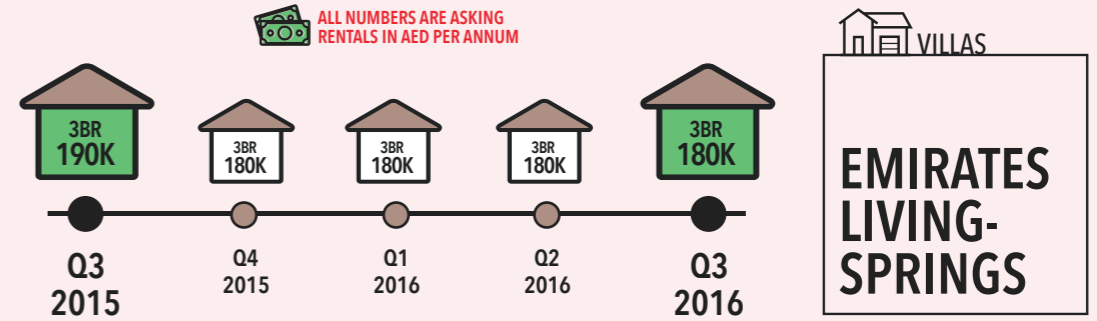
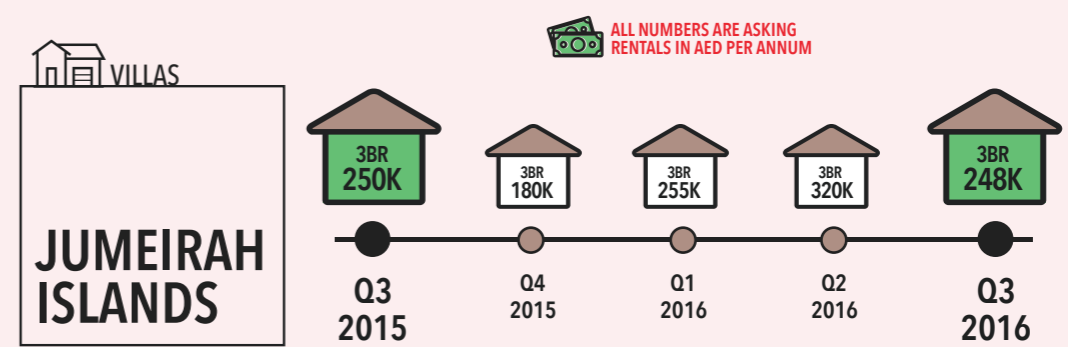
PRICE DECREASE
PRICE INCREASE
PRICE IS NEUTRAL



Source: dubizzle

CONTINUED..

PRICE DECREASE
PRICE INCREASE
PRICE IS NEUTRAL

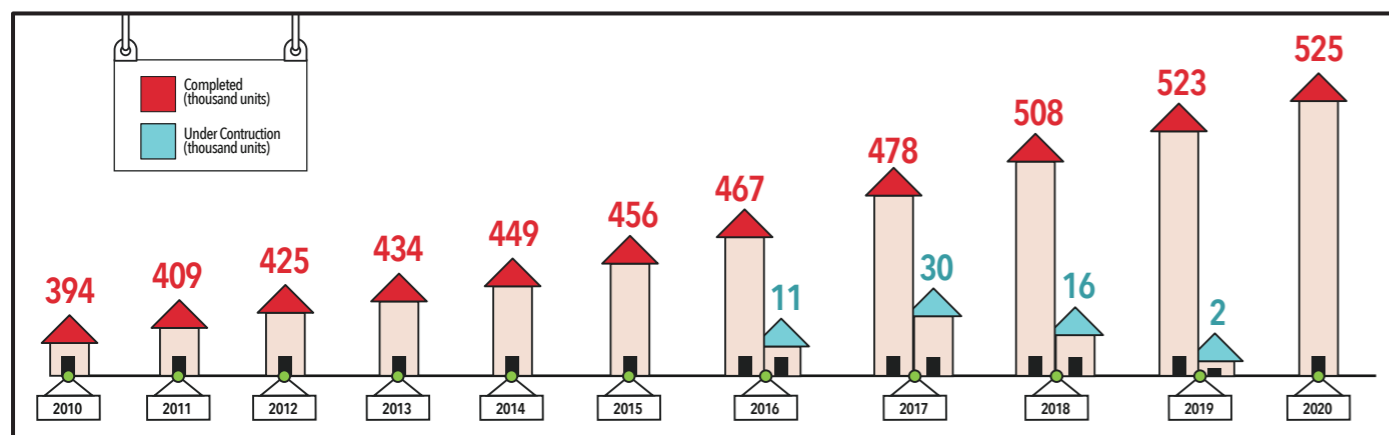


Source: dubizzle

7/ DANGER OF FUTURE OVERSUPPLY?

There has been an average of 14,000 units completed per annum across the Dubai residential market over the past 6 years (2010-2016). This suggests the market can absorb between 10 and 15 k of additional units in response to continued population growth and demographic changes.

RESIDENTIAL SUPPLY



Source:
JLL

While developers are currently indicating that they plan to complete around 30,000 units in 2017, recent history would suggest that not all of these units will materialize. Developers in Dubai have historically been over ambitious in terms of delivery, with only 35% of the units scheduled for completion over the past 5 years actually being delivered within their scheduled year of completion.

REASONS FOR PROJECT DELAYS AND THE CORRESPONDING LOW LEVEL OF MATERIALIZATION ARE VARIED AND INCLUDE:-

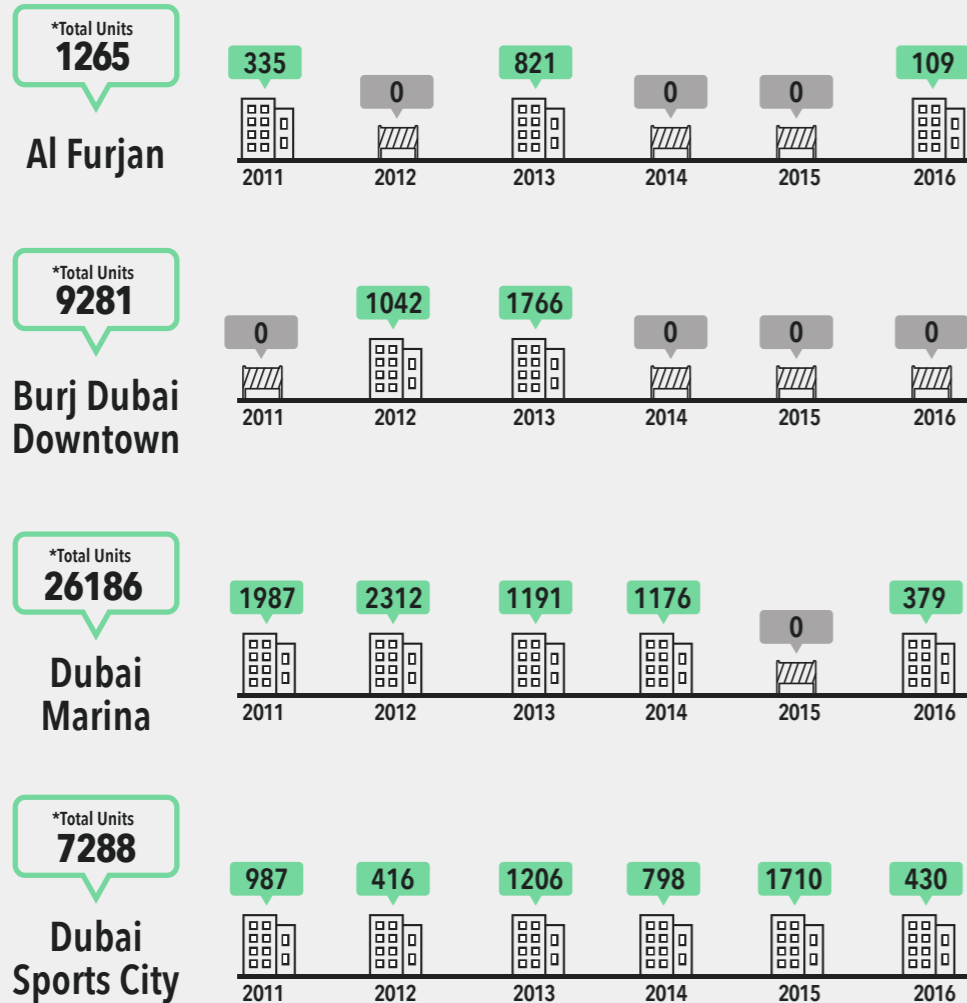
- Construction delays due to material shortages or competition for resources.
- Delays in obtaining approvals and statutory permits.
- Contractual disputes between developers and contractors.
- Lack of financial penalties for delayed completion.
- Rescheduling of projects by developers to avoid flooding the market.

We see little likelihood of an improved rate of materialization in 2017, with a number of the planned deliveries likely to be delayed. While a negative for developers' cash flows and the expectations of purchasers, the low level of materialization is likely to be a positive for the overall market, as it will ensure that the potential oversupply of units will be avoided.

KEY COMMUNITIES-
RECENT COMPLETIONS
AND FUTURE SUPPLY

UNITS
COMPLETED

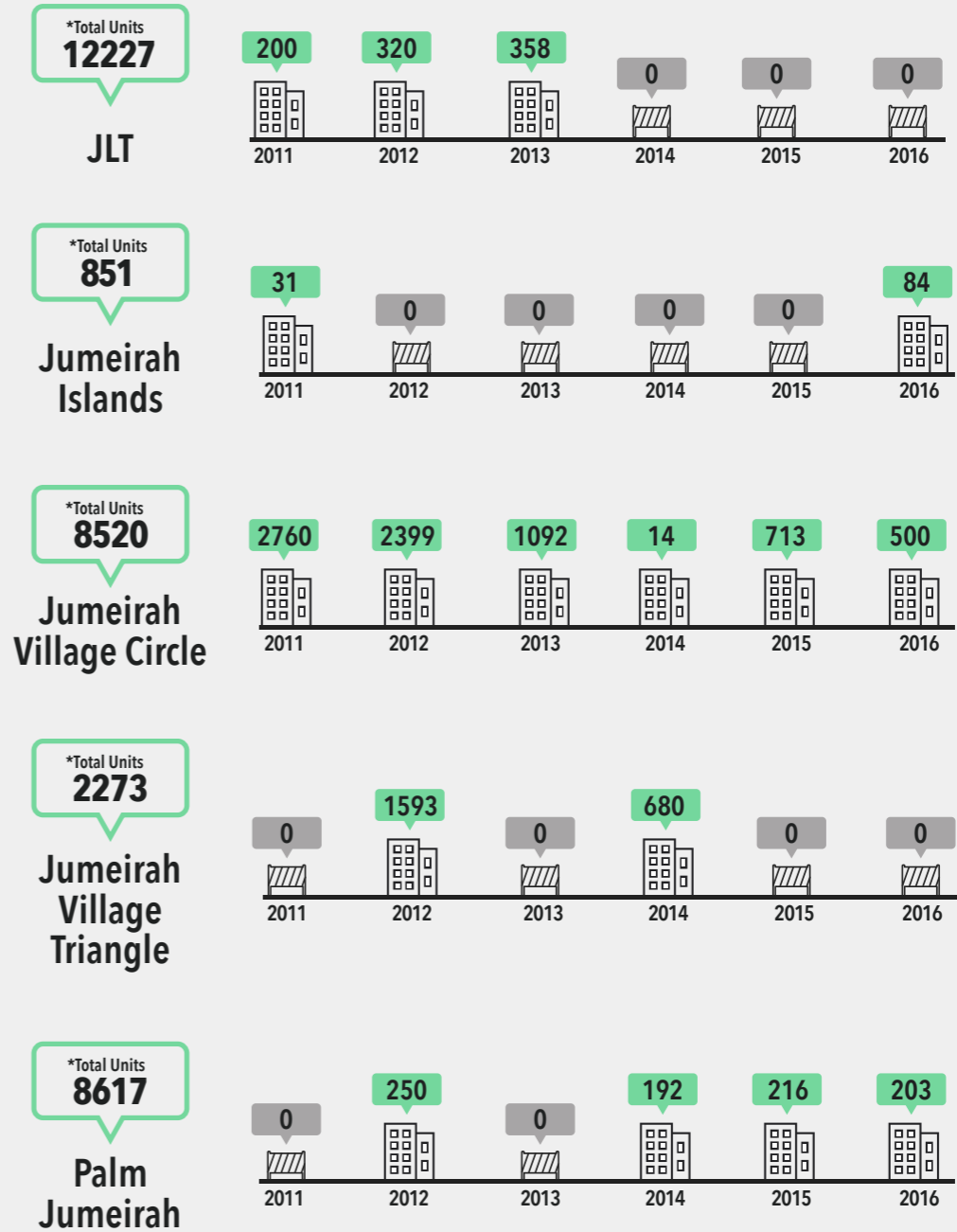
Source:
JLL



* TOTAL UNITS REFER TO UNITS DELIVERED SINCE THE LAUNCH OF THE COMMUNITY, EVEN PRIOR TO 2011.

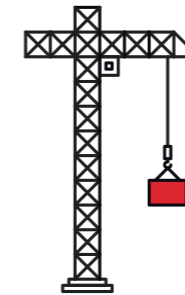
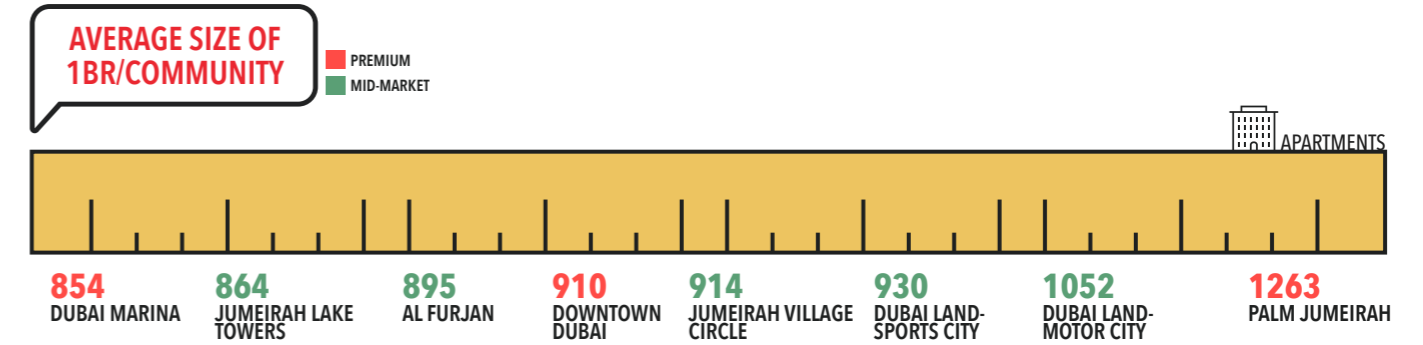
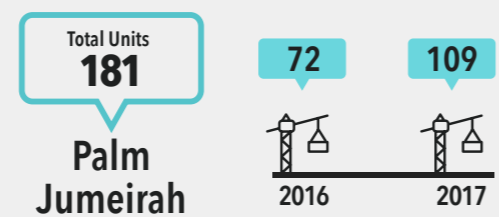
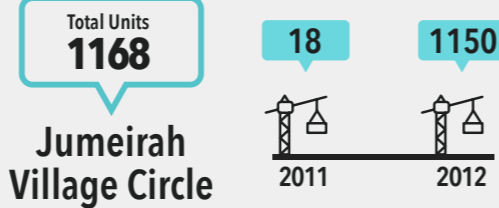
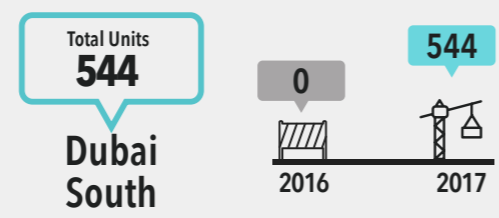
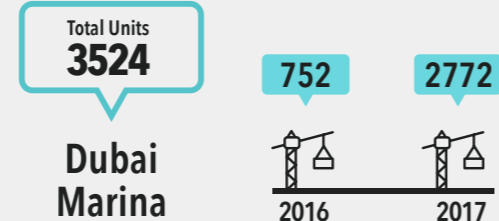
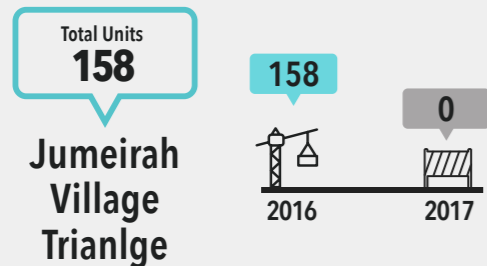
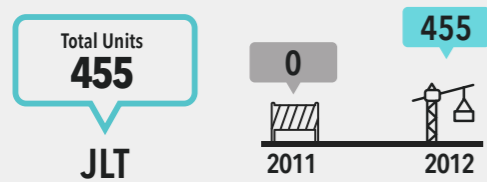
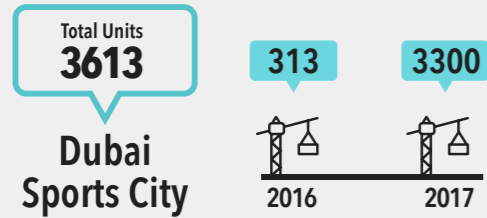
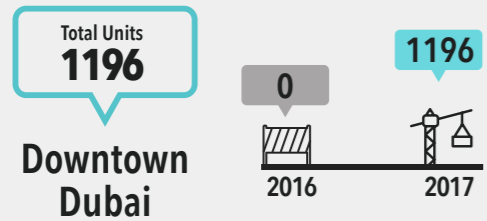
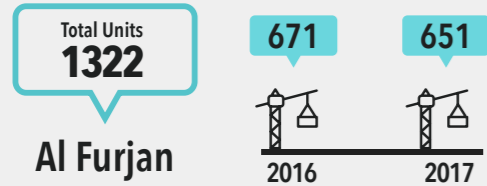
UNITS
COMPLETED
CONTINUED..

Source:
JLL



* TOTAL UNITS REFER TO UNITS DELIVERED SINCE THE LAUNCH OF THE COMMUNITY, EVEN PRIOR TO 2011.

UNITS UNDER CONSTRUCTION



Over the next 3 years Jumeirah Village Circle will see significant development with 2,200 units under construction up until 2019. Demand is growing for more affordable units in JVC and neighbouring communities within Dubai Land which offer better value for money and larger units than in locations closer to the coast.**

Future supply is highest in the Marina and Downtown areas. While there remains strong interest in these prime locations, this supply will provide buyers with more choice and may restrict the potential for prices to increase in 2017. However, Dubai Marina still remained dominant in popularity with 24 million searches made by users in the last quarter.

The newest area to emerge over the past year has been Dubai South, where 1,600 units are currently scheduled to be completed by 2020. More residential projects are expected to be announced in this location in 2017, as preparation for the Expo 2020 picks up momentum.

Most of the upcoming residential supply in the selected communities will be in the form of apartments. Even in communities that are traditionally mostly villas, such as Al Furjan, more apartments than villas are expected to be completed in the next few years.

The Y-O-Y increase in residential supply across the selected communities from 2017 to 2019 averages to 4% p.a. compared to an average of 3% p.a. in previous years. However, not all of this potential supply is likely to materialize as developers might phase the release of projects in line with demand, as they have in the recent years.

8/ OFF-PLAN VS. SECONDARY MARKET- WHICH ONE IS FAIRING BETTER?

Transactions of completed units have declined significantly over the past year. There were more than 11,200 existing apartments sold across Dubai in the 9 months to September 2015. Over the same period in 2016, this figure fell to around 8,100 apartments (a fall of around 30%).

Sales of off-plan units have also declined over the past year, but at a slower rate than that of existing stock. Across Dubai, 14,500 off-plan units were sold over the 9 months to September 2015, with this total falling to around 11,900 units in the same 9-month period of 2016 (representing a decline of around 18%).

Off-plan sales within the selected communities have held up much better than the overall market, with the total number sold increasing marginally from 4,900 between Jan - Sept 2015, to around 5,200 in the corresponding period in 2016.



The level of off-plan unit sales increased significantly Y-o-Y in mid-market communities such as Jebel Ali First (JAF), Al Furjan, Discovery Gardens, Dubai South, and Jumeirah Village Triangle. Off-plan transactions in premium communities remained high in areas such as Downtown Dubai, JLT, Jumeirah Park and Jumeirah Islands, but fell compared to 2015 levels in Dubai Marina and Palm Jumeirah.

9/ PROSPECTS FOR 2017

Rental and sale prices have remained largely unchanged in the selected communities and the overall market over the past quarter as the market reaches the bottom of its current cycle.

We believe that the market will begin to recover during 2017 due to the following factors:-

- Gradual recovery of oil prices
- Stronger confidence as investors recognise market is close to cyclical trough.
- Continued government investment in hospitality, aviation, healthcare and other growth sectors
- Increased construction activity in lead up to Expo 2020
- Further improvements to regulatory environment and transparency of real estate market



While moving into the upturn stage of its cycle in 2017, we do not expect the Dubai residential sector to experience a rapid increase in prices in 2017, with increases in most areas likely to remain in single digits.

The greatest threats to this recovery in 2017 would be a further slowdown in the Dubai economy (which is currently forecast to increase by slightly more in 2017 than in 2016), or a major improvement in the materialization rate which could lead to oversupply and a subsequent weakening of performance in some locations.

DATA SOURCES

DATA SOURCED FROM

- **dubizzle**
Type:
Sale and Rent asking prices
Average Property Sizes
Quarterly Search Volumes
- **Exclusive Data Collaboration**
Partner: JLL
Type:
Proprietary Supply Data
- Dubai Land Department (DLD),
and Dubai Economic
Department (DED)
Dubai Land Department (DLD)
Published reports on
www.dubailand.gov.ae
- Third party data from REIDIN,
Property Monitor and
other sources

DATA REFERENCED AND ANALYZED

- Y-O-Y (2016-2015) Sale & Rent
Price data for key communities
(in the affordable & premium
housing segment)
- Y-O-Y residential supply trends
- Y-O-Y volume of sales & RE
transaction values
- Health of the rent and sale
property market & factors that
affect the prices
- Millennial buyer and
tenant sentiment
- Supply trends and key
communities

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A PRODUCTIVE
YEAR AHEAD!**