

STRICTLY CONFIDENTIAL



Dubai Off-Plan: Through the Looking Glass

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Executive Summary

- A granular analysis in the overall transactional activity of the Dubai real estate market, off-plan and ready, reveals that 46% is below the 1 million mark since 2015. The off-plan and ready market share similar buying patterns in reference to ticket sizes in overall purchases. However, in the villa segment there is a dichotomy between off-plan and ready sales. In the off-plan market, the lion share of transactions is between the 1-2 million range, whereas in the ready market it is in the *above 2 million* category. This variable highlights market preferences for more affordable communities, a choice that was considerably limited until early last year.
- A break down of transactional activity in the apartment space by developer market share, reveals that 39% of activity in the ready and off-plan market can be attributed to Dubai's major developers (Emaar, Nakheel, Damac, DP, UP and Deyaar). Within these major players Emaar, followed by Nakheel and Damac have the highest contribution to overall market activity in relation to units sold. In the ready space the major developers account for 43% of transactions, where as in off-plan they account for 35%. The reduced weightage in the off plan space indicates a broadening of the market as more developers have entered the market offering different price points that has increasingly started to cater to the mid market space.
- A scrutiny of transactions in the apartment space by ticket size in the major developers reveals that the bulk of activity in Nakheel, Deyaar, and Damac stock are below 1 million, indicating that certain established communities that have catered in the affordable segment (i.e. International city, Discovery Gardens, IMPZ, Akoya) continue to dominate at these price points. Emaar and Dubai Properties still continue to dominate activity in the high-end (above 2million), although this is expected to change with the entry of these developers into the lower price buckets (Urbana South, Arabella, etc). We opine that this trend will accelerate even as private sector developers continue to enter this space.
- An overall analysis of transactions reveals that market preferences continue to shift towards mid income communities and developer product mix has steadily changed to incorporate this dynamic. As the product mix continues to mutate and proliferate, the pattern of transactions will more closely resemble what has been witnessed in developed markets as well, and given the demand, it is likely that the supply pipeline (historically concentrated towards the upper end of the market spectrum) will graduate towards the mid end of the market, thereby achieving a balanced market dynamic.



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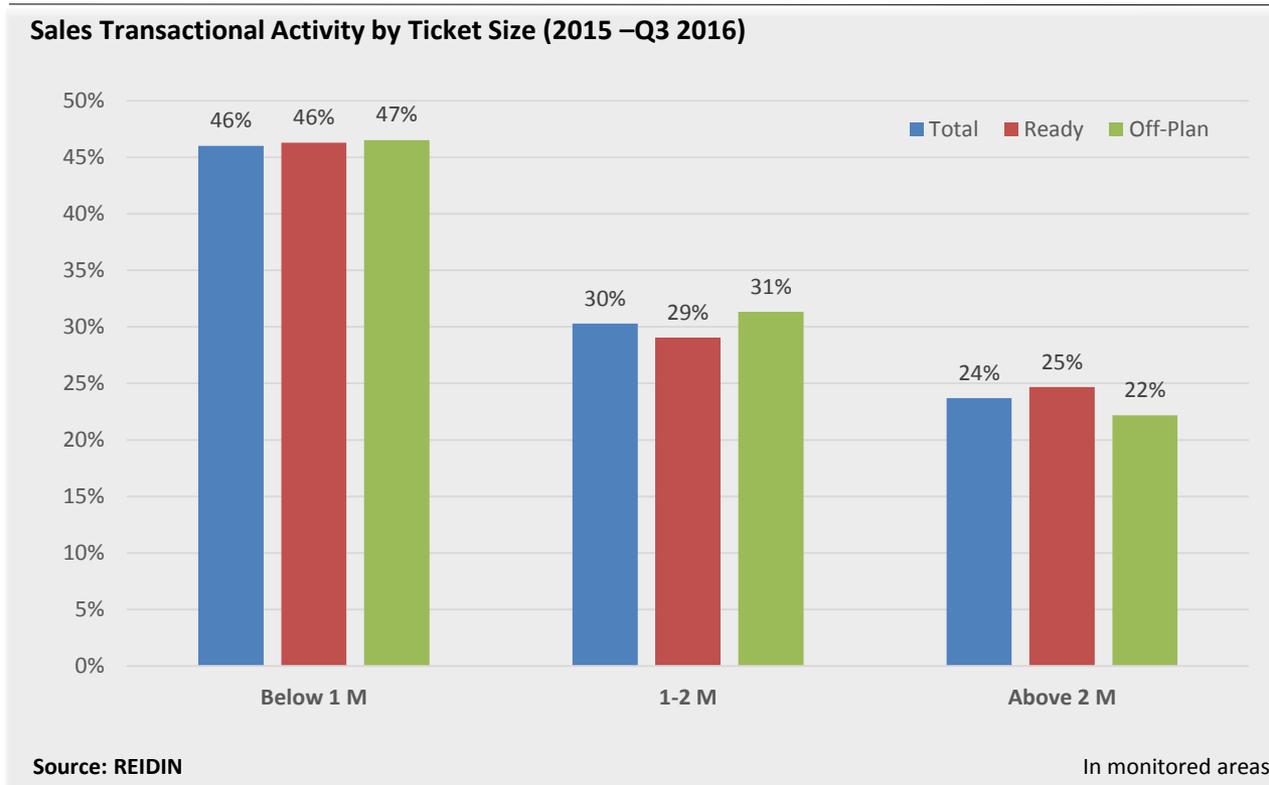
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Transactional Activity by Ticket Size



“It’s no use going back to yesterday, because I was a different person then.”
— Lewis Carroll

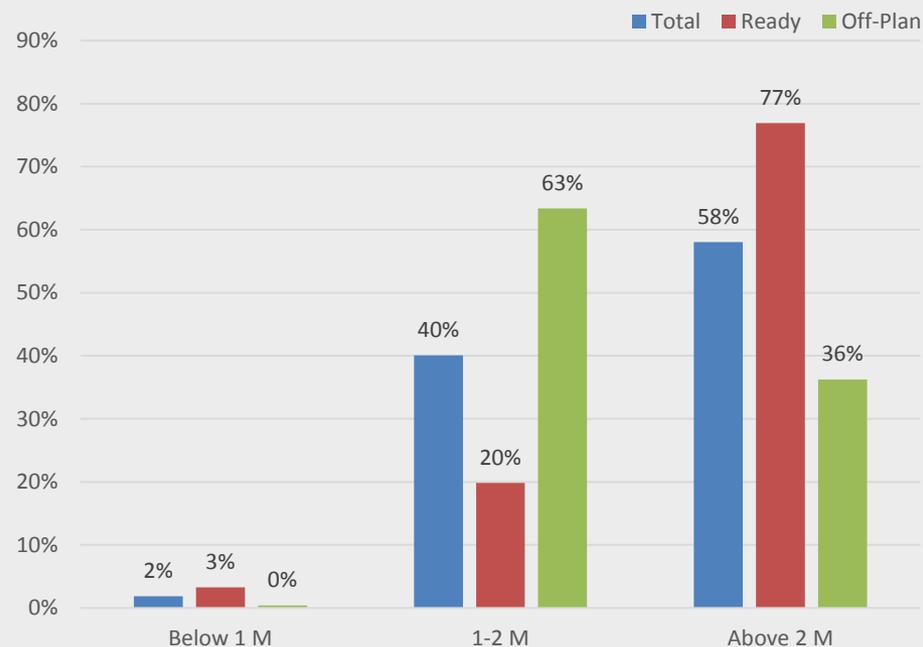
A look at Transactional Activity by Ticket Size



A dissection of the transactional activity in the Dubai real estate market reveals that close to 50% of properties bought and sold are below the *1 million* mark since 2015. The balance activity is split between the *1-2 million* and *above 2 million* threshold. This pattern remains constant in both the ready and freehold market.

A look at Transactional Activity by Ticket Size: Villas & Apartments

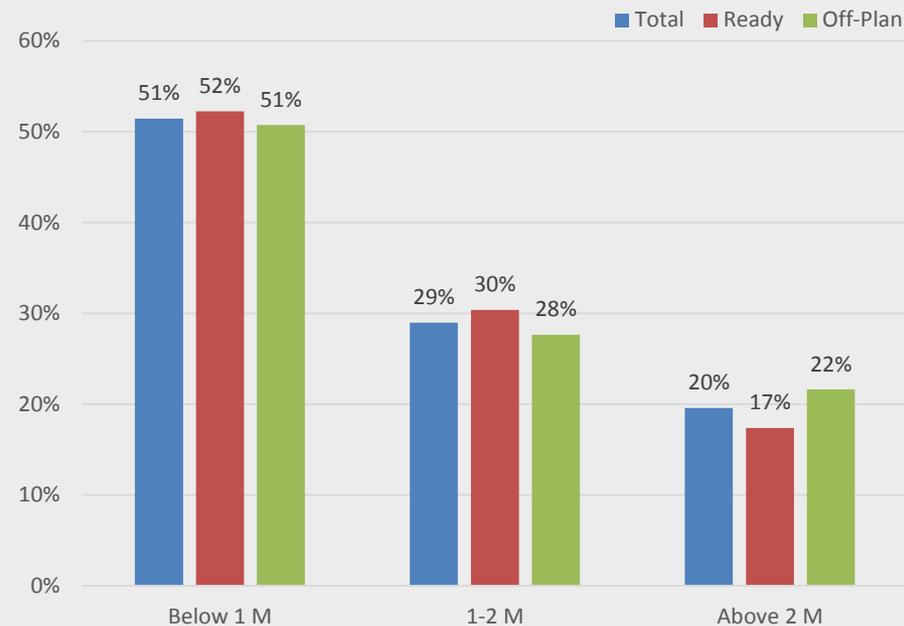
Sales Transactional Activity by Ticket Size Type (2015 –Q3 2016): Villas



Source: REIDIN

In monitored areas

Sales Transactional Activity by Ticket Size Type (2015 –Q3 2016): Apartments



Source: REIDIN

In monitored areas

In the villa segment, we can witness that 98% of sales are *between the 1-2 million and above 2 million* level. However, within the off-plan and ready market, there is a dichotomy. In the off-plan market, the lion share of transactions is between the 1-2 million range, where as in the ready market it is in the *above 2 million* category. This variable highlights market preferences for more affordable communities, a choice that was considerably limited until 2015.

In the apartment space, we can see that that off-plan and ready sales fall into similar price buckets, again highlighting that the demand for affordable segments remains vibrant and accounts for the lion's share of transactions.

Transactional Activity in Apartments by Market Size of Developers

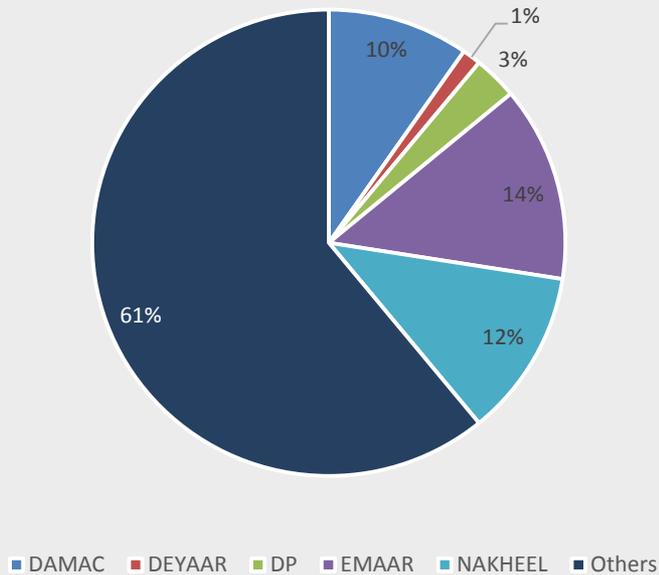


“Brand is just a perception, and perception will match reality over time. Sometimes it will be ahead, other times it will be behind. But brand is simply a collective impression some have about a product”

Elon Musk

Transactional Activity by Developer in the Apartment Space

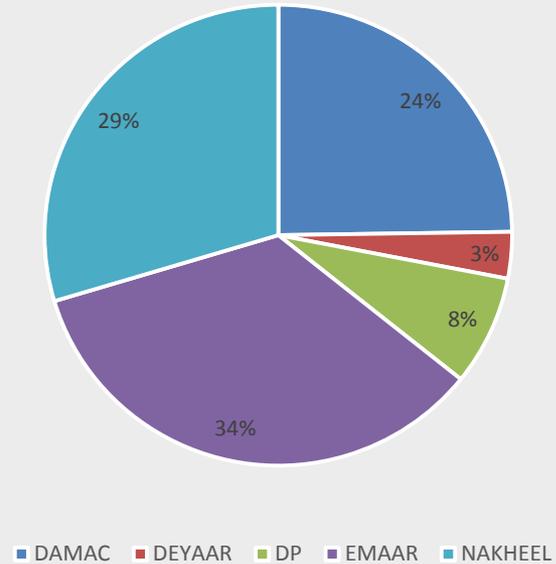
Apartments Off-Plan and Ready: Transactional Activity by Developer (2015 - Q3 2016)



Source: REIDIN

In monitored areas

Apartments Off-Plan and Ready: Transactional Activity within Major Developers (2015 - Q3 2016)



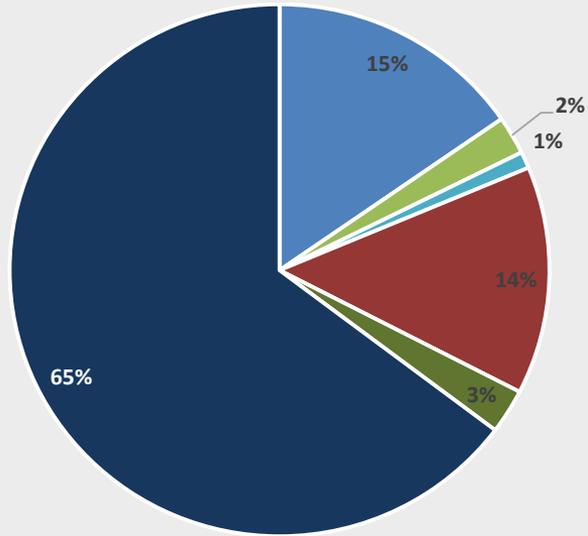
Source: REIDIN

In monitored areas

The above graph reveals that 39% of activity in the ready and off-plan market within the apartment space can be attributed to Dubai's major developers. The majority of activity within the developers can be attributed to Emaar, followed by Nakheel and Damac.

Transactional Activity by Developer in the Apartment Space: Ready and Off-Plan

Apartments Off-Plan: Transactional Activity by Developer (2015-2016 Q1-Q3)

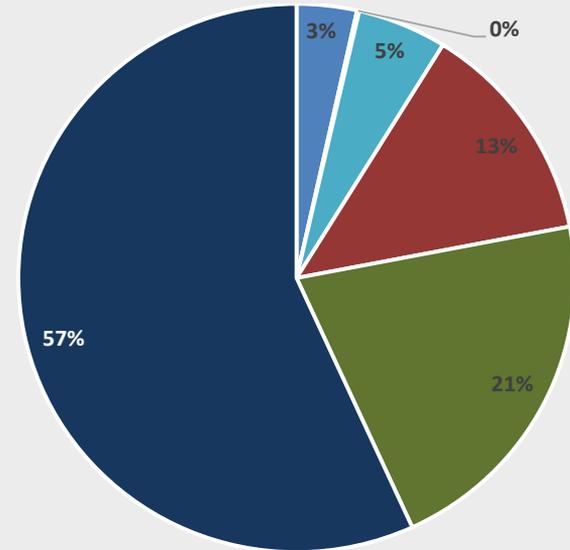


■ DAMAC ■ DEYAAR ■ DP ■ EMAAR ■ NAKHEEL ■ Others

Source: REIDIN

In monitored areas

Apartments Ready: Transactional Activity by Developer (2015-2016 Q1-Q3)



■ DAMAC ■ DEYAAR ■ DP ■ EMAAR ■ NAKHEEL ■ Others

Source: REIDIN

In monitored areas

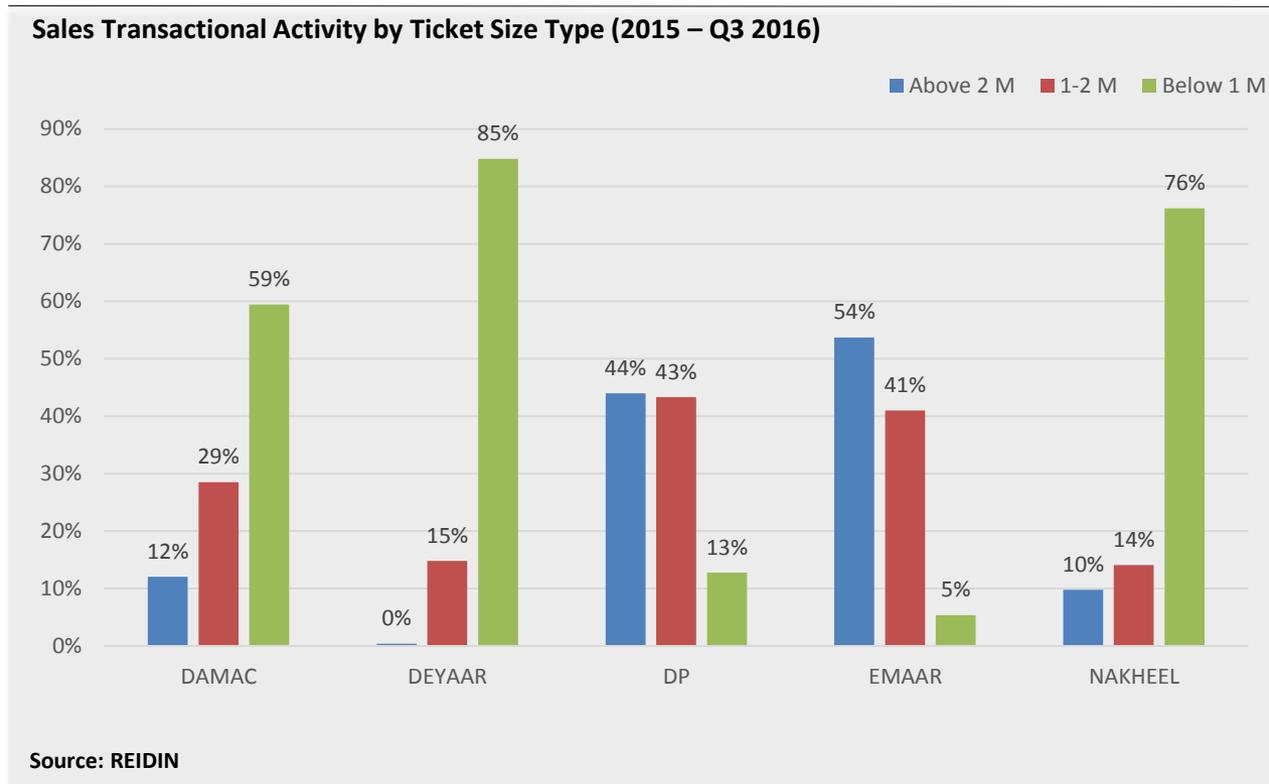
An analysis of activity between the off-plan and ready markets reveals that in the former the major developers account for 35%, whereas in the latter they account for 43%. Within the major developers, in the off-plan space, Emaar and Damac account for the majority of transactions. Whereas in the ready market Nakheel and Emaar are the dominant players. The reduced weightage in the off-plan space indicates a broadening of the market as more developers have entered the market offering different price points that has increasingly started to cater to the mid-market space.

Transactional Activity in Apartments by Developer and Ticket Sizes



“Theories come and go, but fundamental data always remain the same”
Mary Leakey

A look at Transactional Activity of Developers Ticket Size: Apartments

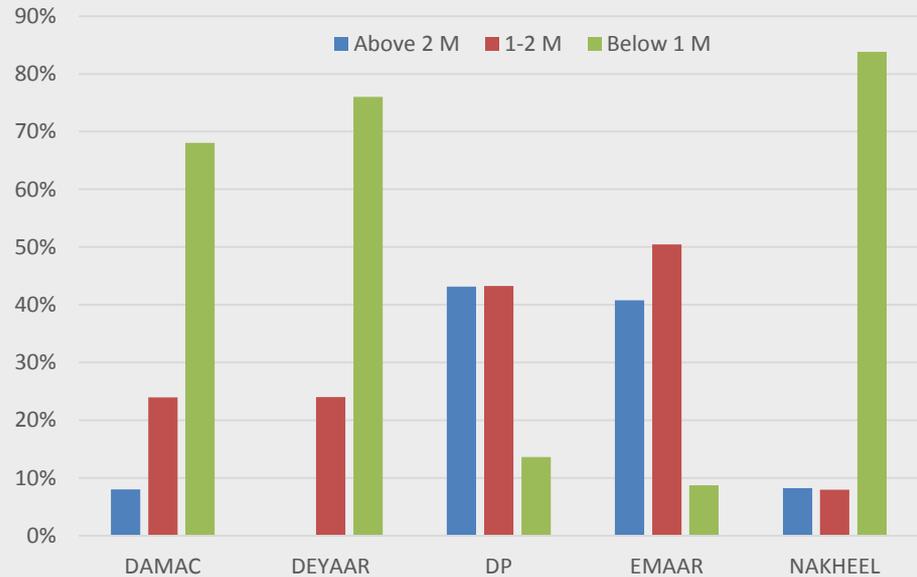


An examination of transactions by ticket size in the major developers reveals that the bulk of activity in Nakheel, Deyaar, and Damac units are below 1 million, indicating that certain established communities that have catered in the affordable segment (i.e. International city, Discovery Gardens, IMPZ, Akoya) continue to dominate at these price points.

Emaar and Dubai Properties still continue to dominate activity in the high-end (above 2million). Although this is expected to change with the entry of these developers into the lower price buckets (Urbana South, Arabella, etc). We opine that this trend will accelerate even as private sector developers continue to enter this space.

A look at the Developer Transactional Activity by Ticket Size: Ready Vs Off-Plan

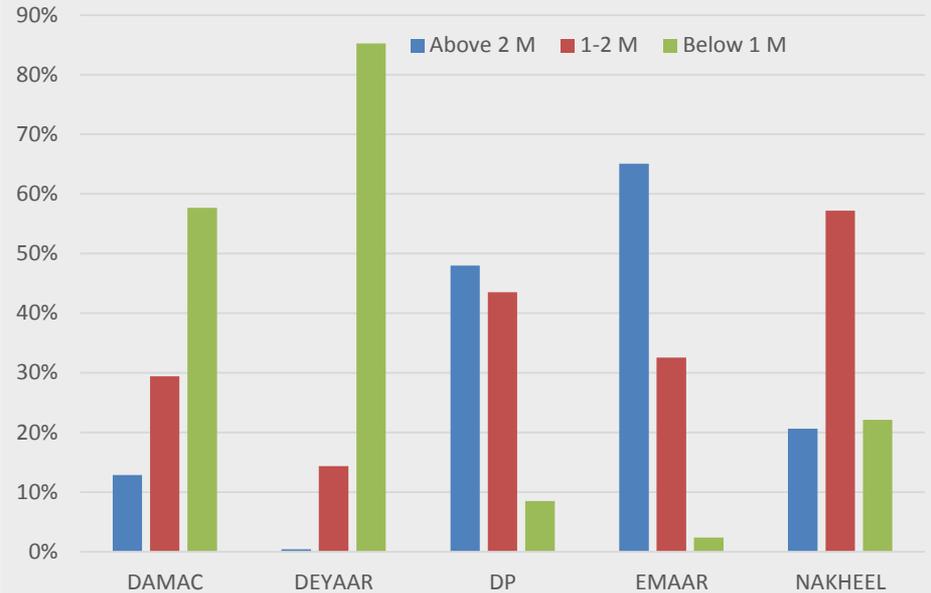
Transactional Activity by Ticket Size and Developer (2015 –Q3 2016): Ready Apartments



Source: REIDIN

In monitored areas

Transactional Activity by Ticket Size and Developer (2015 –Q3 2016): Off-Plan Apartments



Source: REIDIN

In monitored areas

An analysis of price bucket by developer reveals that units below *1 million* contribute the highest amount of units sold for Damac, Deyaar, and Nakheel. Whereas majority of units sold for Emaar and DP stock is above the 1 million level.

In the off-plan space, Damac and Deyaar have a similar pattern to their ready counter part. Whereas Nakheel, the majority of sales are *between the 1-2 million* mark.

Conclusions

Overall transactional activity of the Dubai real estate market, off-plan and ready, reveals that 46% is below the 1 million mark since 2015

39% of activity in the ready and off-plan market within the apartment space can be attributed to Dubai's major developers.

Transactional Activity by Ticket Size

46% of overall transactions, off-plan and ready, is below the 1 million mark since 2015. This pattern is consistent in both the off-plan and ready markets. This attests to the need of lower price points, which have been catered to by developers since the price correction in 2014.

In the villa segment there is a dichotomy between off-plan and ready sales. In the off-plan market, the majority of transactions is between the 1-2 million range, whereas in the ready market it is in the *above 2 million* category.

Transactional Activity: Developer and Ticket Size

Within the traded units of the developers, we witness that the bulk of activity in Nakheel, Deyaar, and Damac are below 1 million, indicating that certain established communities that have catered in the affordable segment (i.e. International city, Discovery Gardens, IMPZ, Akoya) continue to dominate at these price points.

Whereas in Emaar and DP units, the majority of transactions is above the 2 million level. We expect this to gravitate lower with the introduction of lower price point items from the respected developers.

Transactional Activity: Market Size of Developers

A market share analysis of transactions reveals that the major developer (Emaar, Nakheel, Damac, DP, UP and Deyaar) account for 39% of activity in the apartment space since 2015.

In the ready space the major developers account for 43% of transactions, where as in off-plan they account for 35%. The reduced weightage in the off plan space indicates a broadening of the market as more developers have entered the market offering different price points that has increasingly started to cater to the mid market space.

Summary

Given the shift towards lower ticket items, developers have steadily changed their product mix to incorporate this changing dynamic.

As the product mix continues to mutate and proliferate, the pattern of transactions will more closely resemble what has been witnessed in developed markets as well, and given the demand, it is likely that the supply pipeline (historically concentrated towards the upper end of the market spectrum) will graduate towards the mid end of the market, thereby achieving a balanced market dynamic.



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The Ruler of Dubai and Prime Minister of UAE