



Dubai Residential

Ready or Not

An Analysis of the Real Estate Sales Market

Executive Summary

- Citywide Assessment

Both citywide quarterly value and volume for all sales transactions (i.e. ready, off plan, cash and mortgage) have all recently hit highs since 2013. Of course, there was a noticeable slump in 2020 due to the effects of COVID, but since then, sales have seen a remarkable recovery.

- Value and Volume Analysis

Cash has consistently outstripped mortgages as the predominant payment method for real estate sales over the last 12 years. While some might interpret this to mean that the real estate market is largely insensitive to mortgage rates, the fall in ready sales and rise in off plan coinciding with rising interest rates seems to contradict this conclusion.

- Community Transaction Splits

In both older and newer communities, there was a noticeable drop off in both sales volume and value due to COVID. However, many communities have since rallied to achieve highs unseen in the last five years or more. The newer communities fared slightly better through COVID, likely because a significant portion of their sales were off plan and intended for the future. However, we are now starting to see a downturn in sales, likely due to a combination of rising interest rates and the effects of mean reversion (see Just Being Mean - a previous GCP-Reidin report that can be found on either company's LinkedIn or the GCP website).



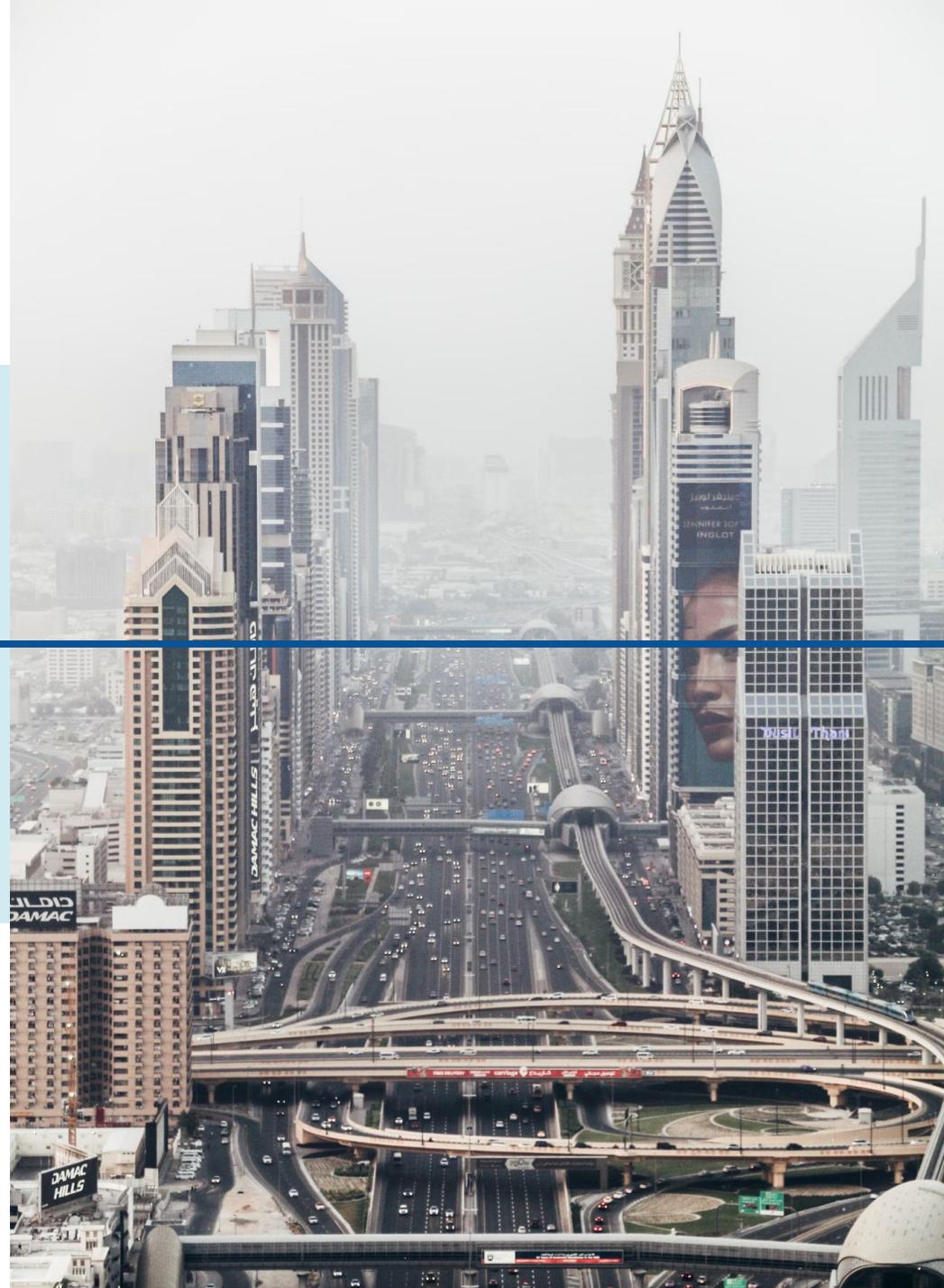
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Citywide Assessment

“The city is what it is because our citizens are what they are.”

– Plato



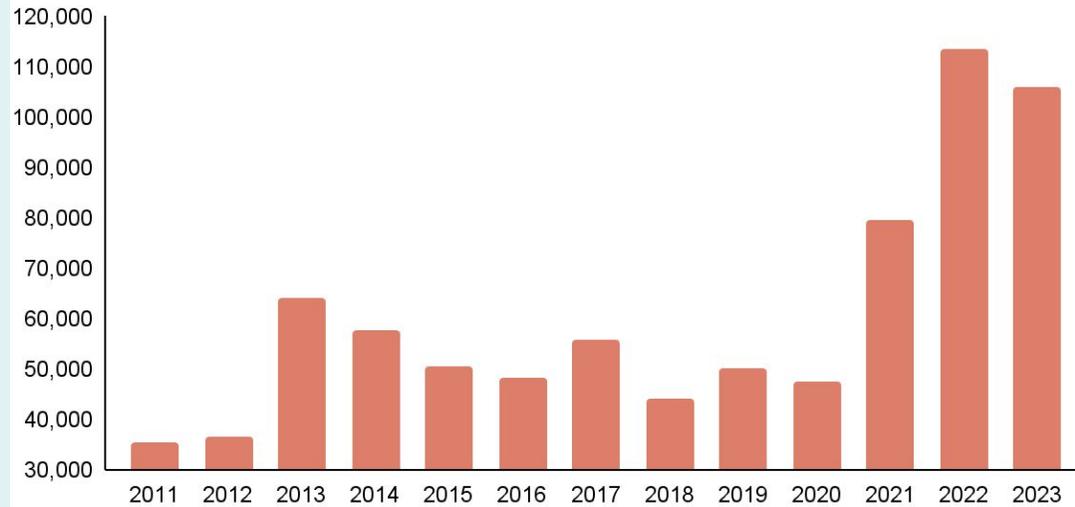
Citywide Total Quarterly Sales Volume

GCP

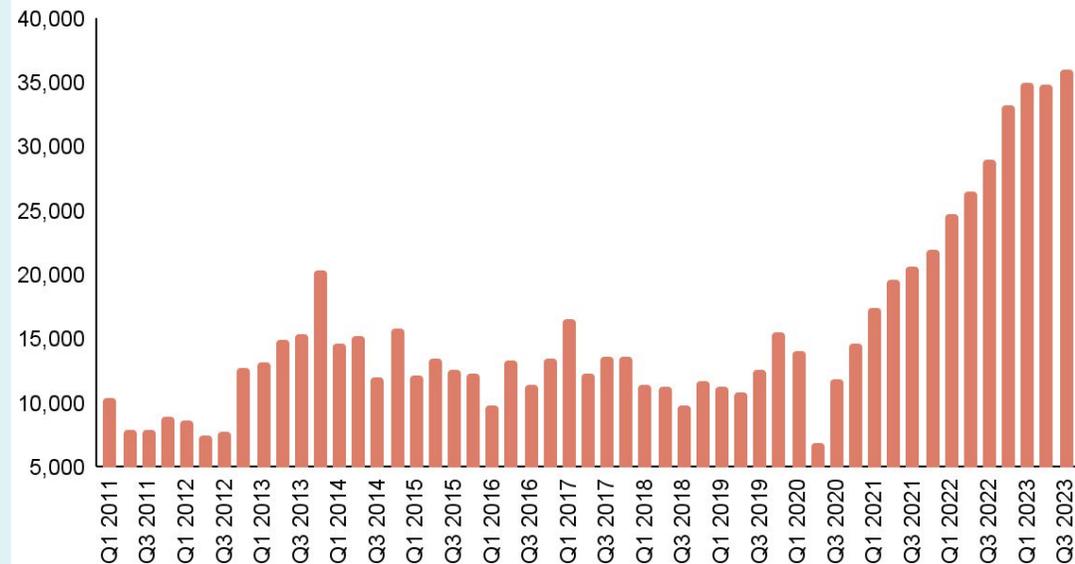
Total sales transactions reached a high (since 2011) in Q3 this year, seeing over 36,000 transactions between June and September. Pre-COVID, the highest volume of transactions came in Q4 of 2013, where total sales transactions reached 20,435. There was a notable slump caused by COVID, seen in the drop off in transactions from Q4 of 2019 to Q1 of 2020, but since then, the market has rallied considerably and soared to new heights.

REFIN

Citywide Annual Volume



Citywide Quarterly Volume

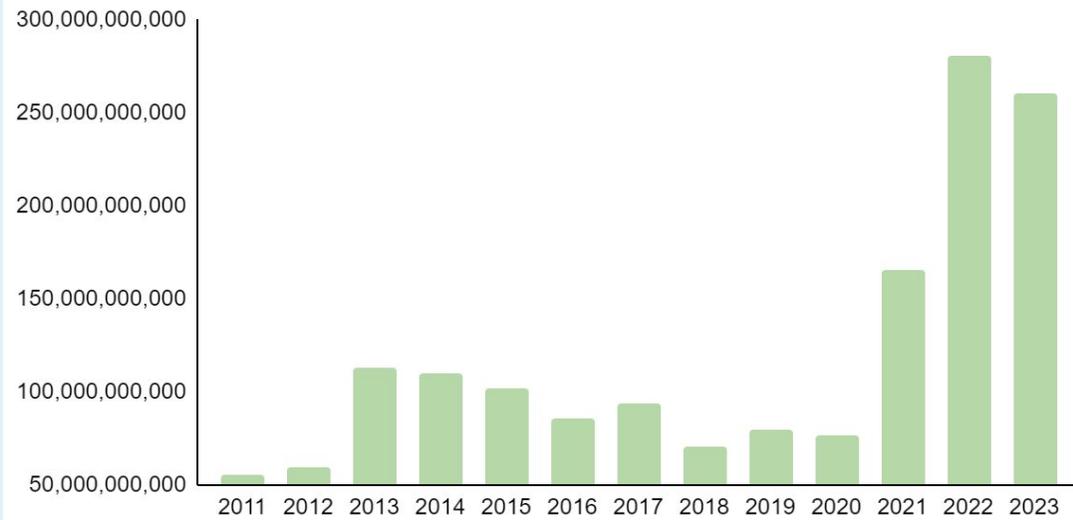


Citywide Total Quarterly Sales Value

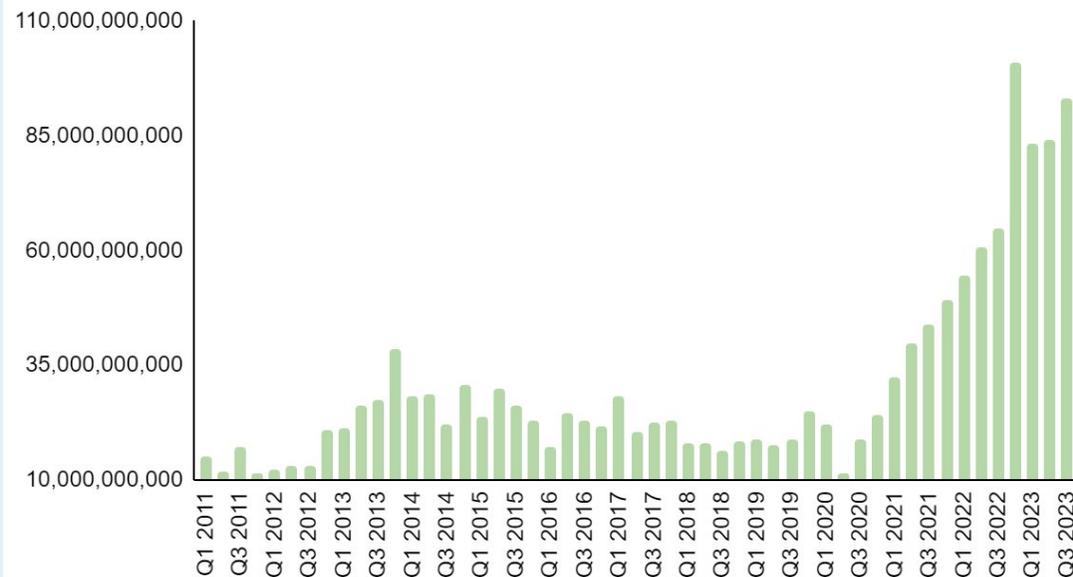
GCP

We see a similar story in the total sales values. However, rather than the peak coming in the most recent quarter, the highest quarterly total sales value came in Q4 of 2022, where citywide sales surpassed 100 billion AED. The pre-COVID peak was, again, Q4 of 2013, wherein citywide sales had a total value of 38 billion AED.

Citywide Annual Value



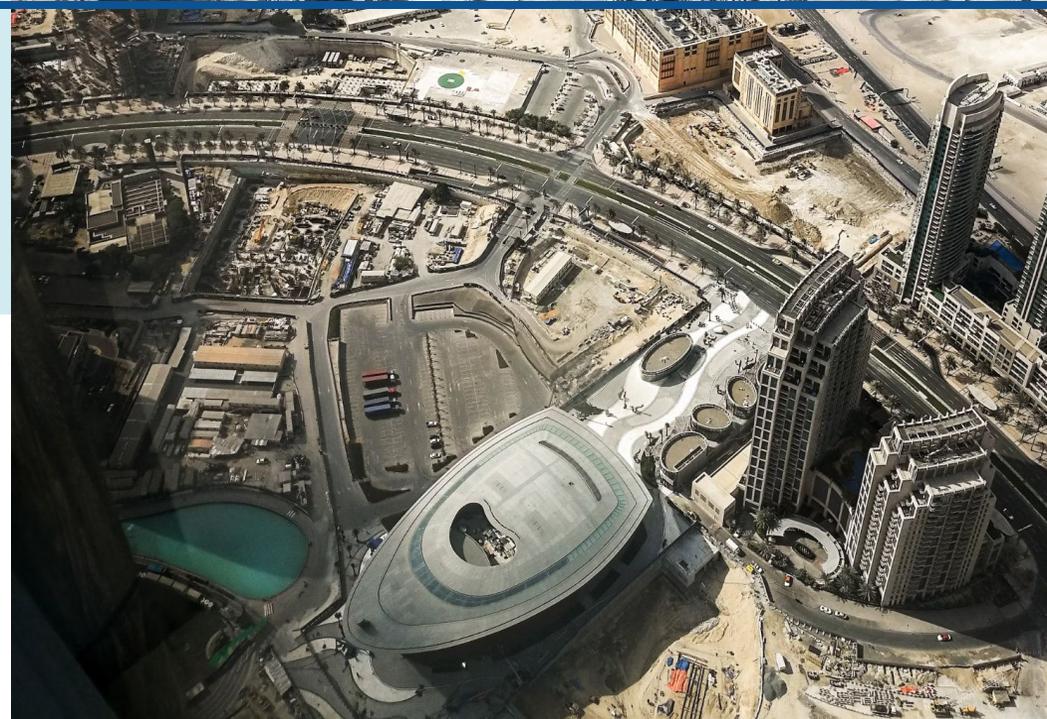
Citywide Quarterly Value



Volume and Value Analysis

**"It's the little details that are vital. Little things
make big things happen."**

- John Wooden



Volume Analysis

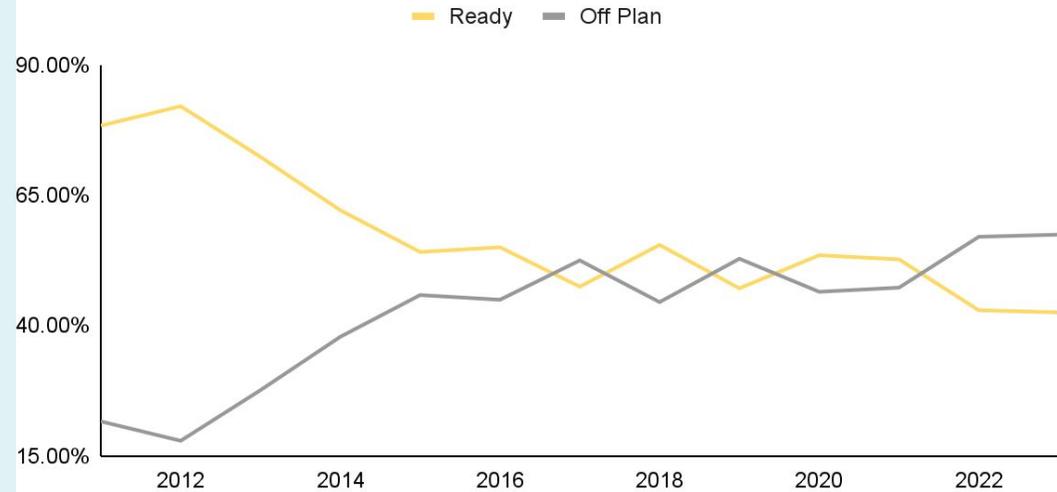
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When it comes to citywide volume, off plan has accounted for the majority of transactions over the last two years. This year so far, off plan transactions have made up 57.45% of all sales (cash and mortgage) in Dubai.

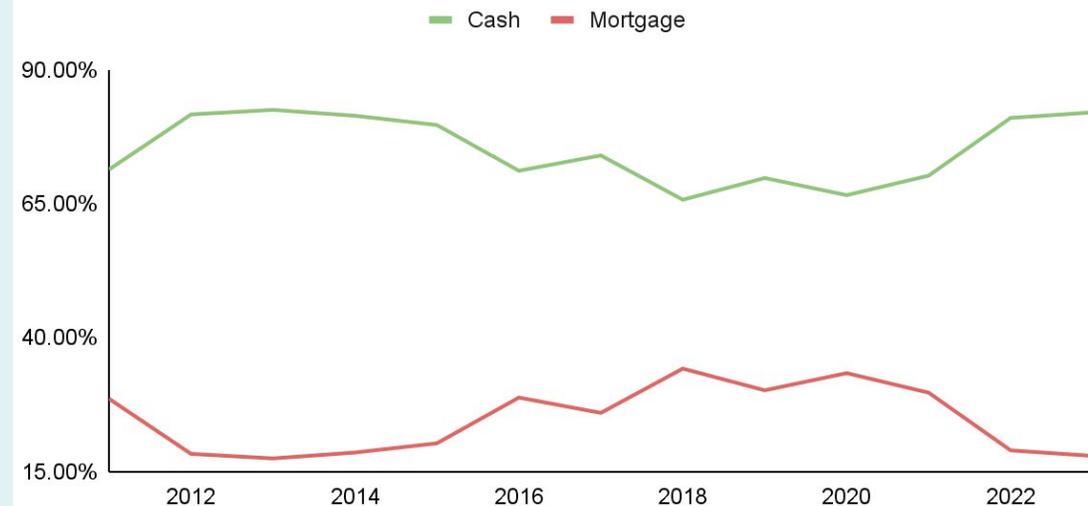
While off plan and ready transactions have both accounted for the majority of sales transactions in different years, cash transactions have consistently dominated, with its lowest market share coming in 2018, when it accounted for 65.76% of all sales transactions in Dubai. This year so far, cash transactions make up 82.04% of all sales transactions (its highest market share since 2013).

Ready and Off Plan as a % of Total Volume

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Cash and Mortgage as a % of Total Volume



Value Analysis

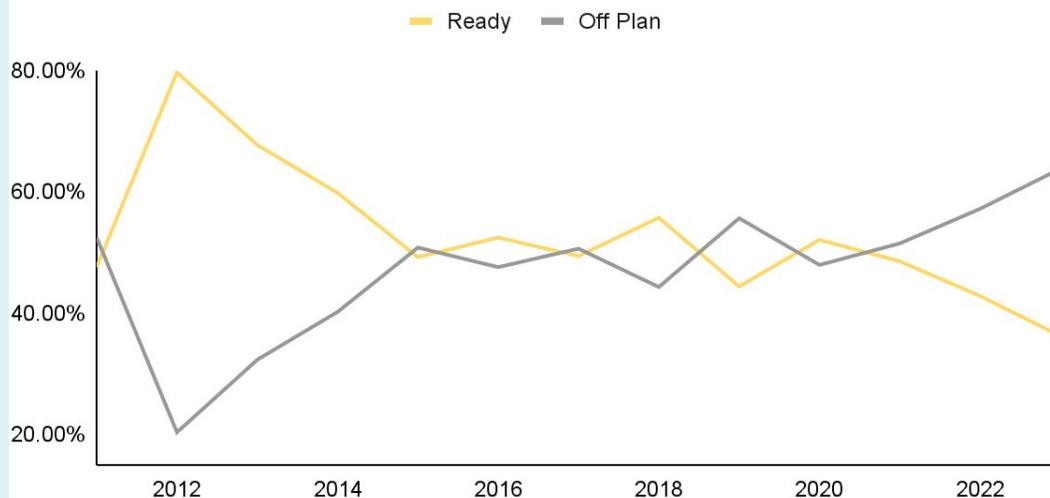
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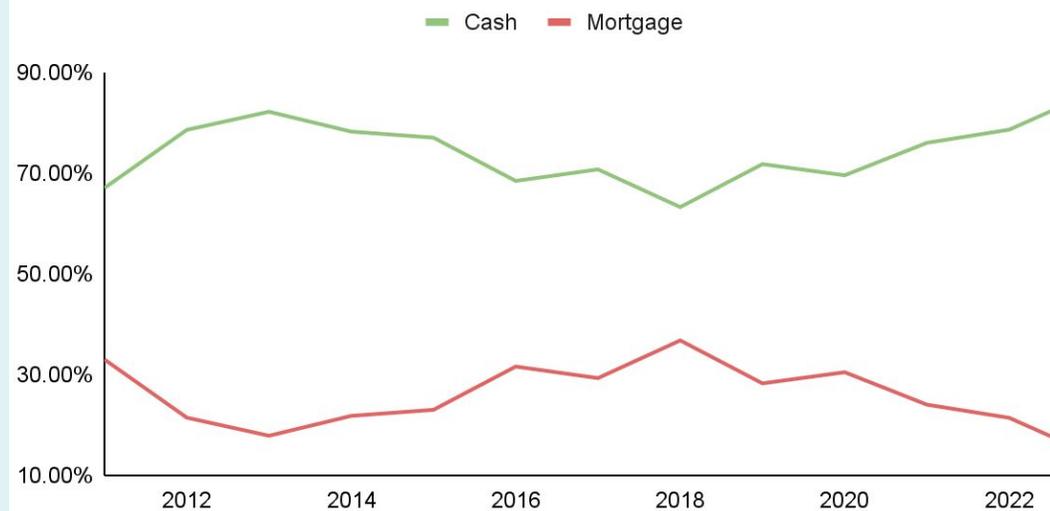
When it comes to value, off plan transactions have dominated since 2021, and by a wider margin than in volume. This year so far, off plan has accounted for 63.77% of the total citywide sales transactions value.

Cash and mortgage transactions show a similar story to the volume split, with cash consistently being the predominant payment method since 2011. This year so far, cash transactions make up 85.83% of the total sales value across Dubai, a ten-year high (just like with volume). Based on the volume and value trends, we can clearly conclude that Dubai is not a mortgage-driven market, which some may interpret further to mean that prices are not sensitive to interest rates. However, as we will see in the next section, this does not necessarily hold true, as transaction values have begun falling as interest rates have picked up recently, especially among communities that have typically driven sales (like Downtown, the Palm and Dubai Marina). Furthermore, ready sales falling have also coincided with rising interest rates, likely due to off plan transactions having an element of leverage in-built (due to payment plans).

Ready and Off Plan as a % of Total Sales Value



Cash and Mortgage as a % of Total Sales Value



Community Transaction Splits

“No man is an island entire of itself; every man is a piece of the continent, a part of the main.”

–John Donne



Older Community Volume Analysis

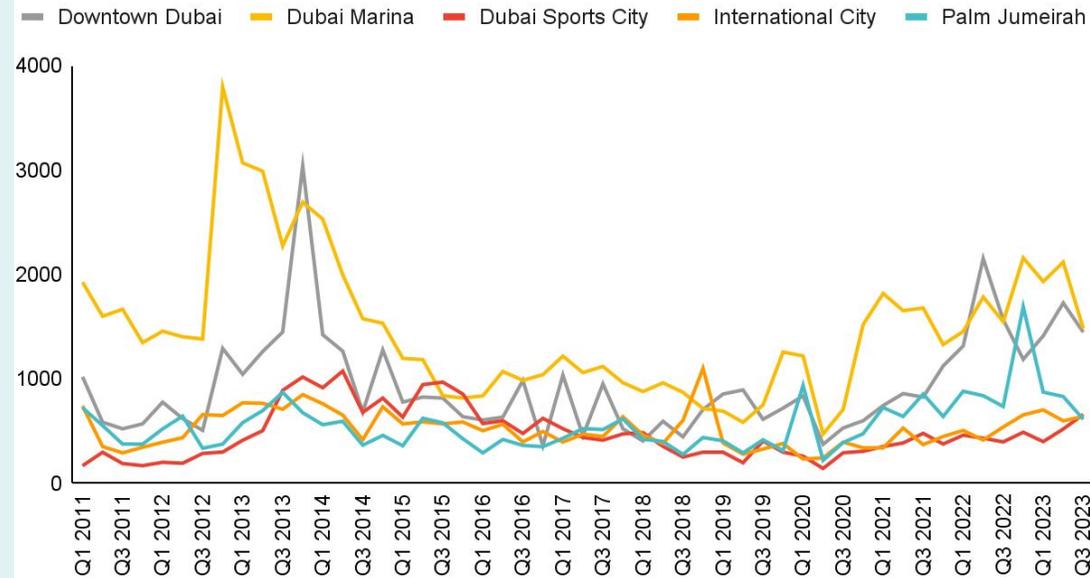
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Notably, all of the older communities in the sample saw a slump in sales in 2020 due to COVID, but have recovered well. Palm Jumeirah experienced its highest quarterly sales (since Q1 2011) in Q4 last year with 1690 transactions, beating its previous record of 937. In fact, all of the communities in the sample have reached five-year or more highs post-COVID.

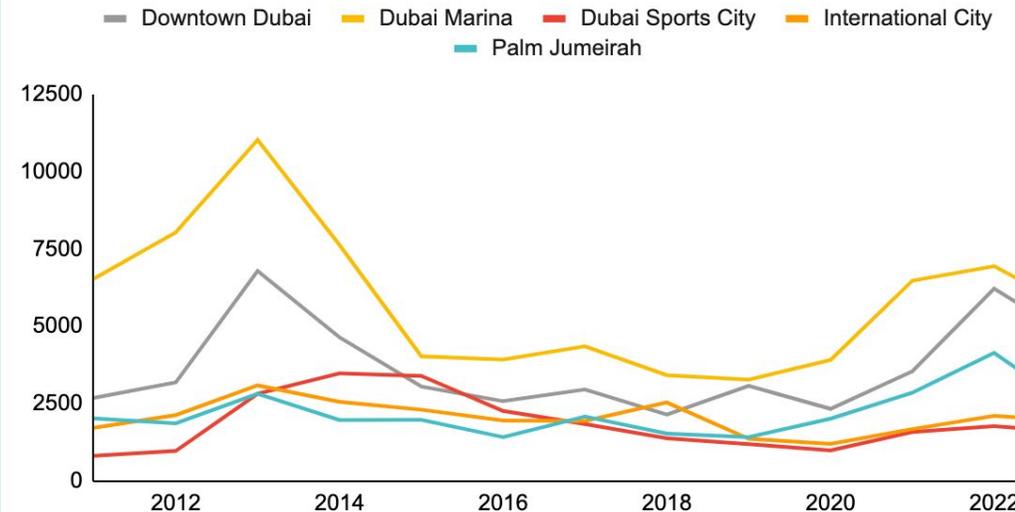
However, we are starting to see a downtick in both volume and value among the communities that have typically driven sales. This could be indicative of buyer fatigue, although what we are more likely seeing is the combined effects of mean reversion as well as the aforementioned rising interest rates, which have climbed as high as 7%. Luxury has overperformed significantly post-COVID, and especially as investors look more at replacement values going forward, we can expect luxury sales to normalize in the near future as the mid market picks up (see Just Being Mean and The Book of Valuations, previous GCP-Reidin reports that delve into mean reversion and replacement values). We can already see that quarterly transactions for Dubai Sports City and International City are rising, and the annual chart shows that they have not seen the same sharp decline as the luxury communities this year.

Quarterly Community Sales Volume (Cash and Mortgage)

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Annual Community Sales Volume (Cash and Mortgage)



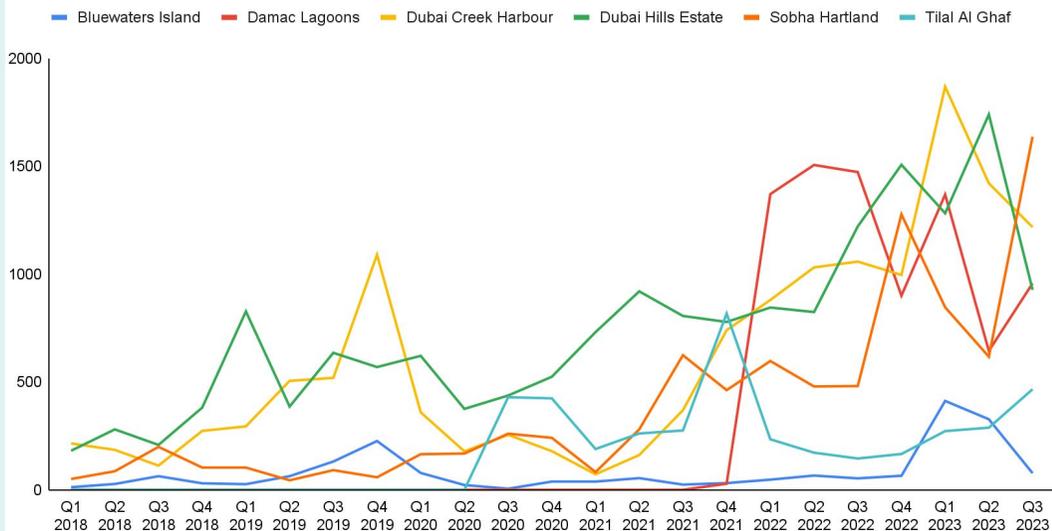
New Community Volume Analysis



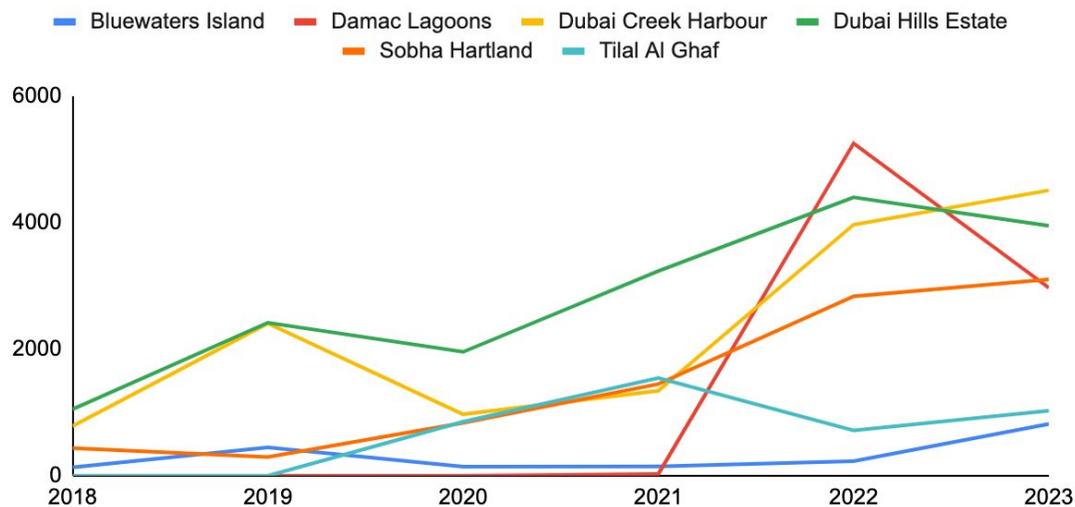
With the newer communities, the COVID slump was not as pronounced, likely owing to the fact that a greater proportion of these transactions were off plan projects. With the exception of Bluewaters Island (which can almost be classified as “ultra-luxury”), all of the newer communities in the sample are now seeing transaction volumes on par with their older counterparts, and in some cases even exceeding them.

The same downtick that we see in the older communities shows up here as well. Dubai Creek Harbour and Dubai Hills Estate, which have been the two main drivers of sales among the newer communities, are starting to see quarterly downturns in transactions. Bluewaters Island - the most luxury community of the newer projects - has also seen two consecutive quarters of declining sales.

New Communities Quarterly Sales Volume (Cash and Mortgage)



New Communities Annual Sales Value (Cash and Mortgage)



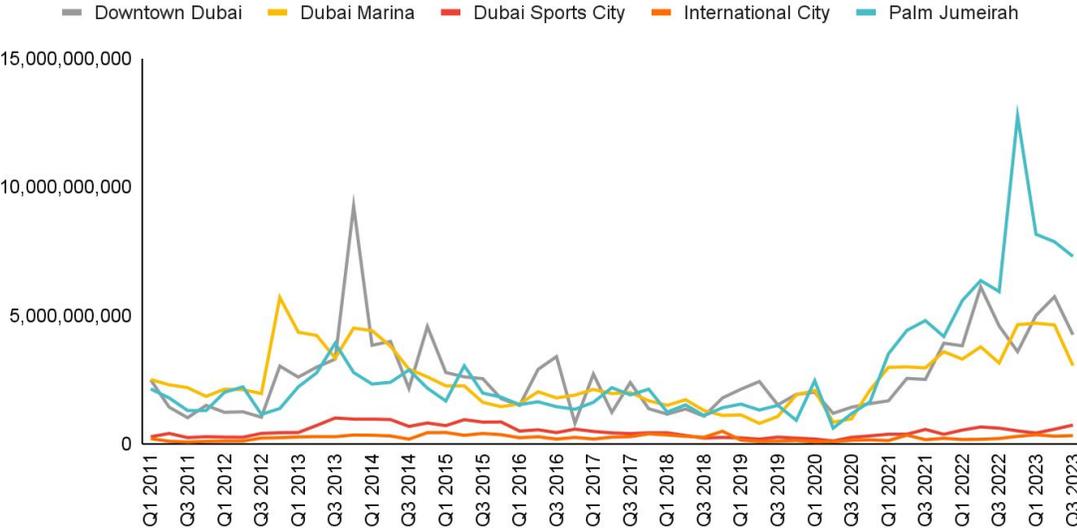
Older Community Value Analysis



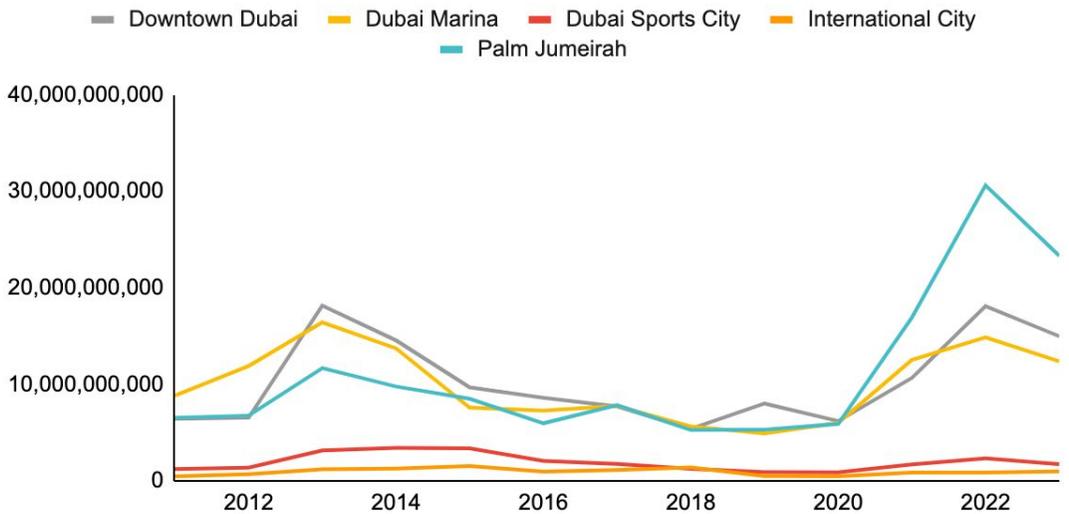
In quarterly sales values, Palm Jumeirah has led the pack for almost three years, seeing an enormous peak of 12.76 billion AED in Q4 last year. Overall, luxury dominates among the older communities, as seen in the sizeable gap separating Palm Jumeirah, Dubai Marina and Downtown Dubai from the other communities.

As previously mentioned, we are seeing falling sale volumes and values among luxury communities. The uptick in the mid market seen in transaction volumes does not show up in sales value due to the transactions themselves being smaller-ticket items. Nonetheless, we can still see small quarterly upticks, and the annual chart once again shows that the mid market communities have not seen the same sharp drop off as their luxury peers. How geopolitical tensions and conflict further affect demand (and in turn, sales) may also be a factor to consider going forward. The most likely effect would be an exacerbation of the aforementioned current downturn as sentiments grow more cautious, but the degree to which this has any bearing on the Dubai markets (if any) remains to be seen.

Quarterly Community Sales Value (Cash and Mortgage)



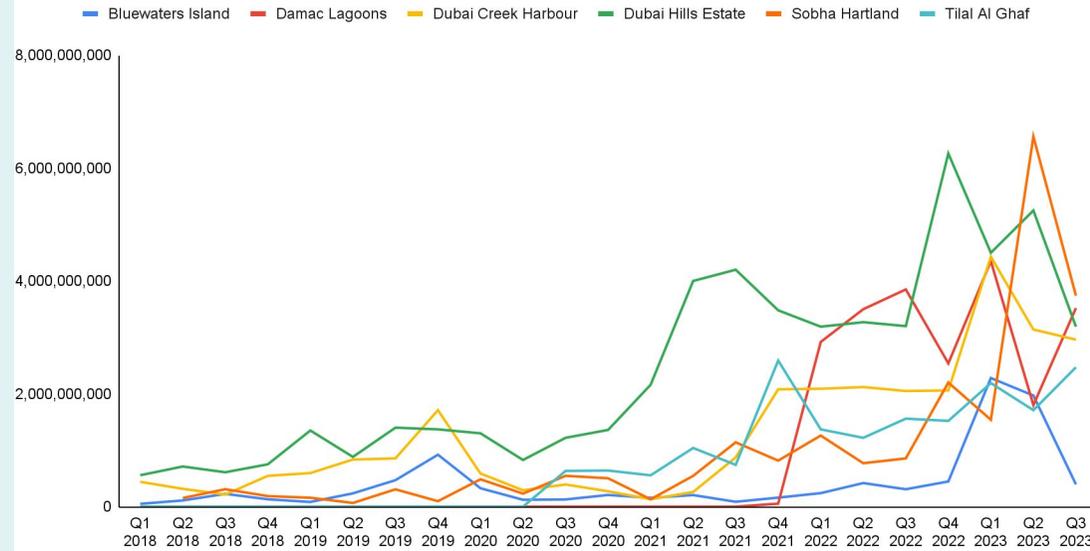
Annual Community Sales Value (Cash and Mortgage)



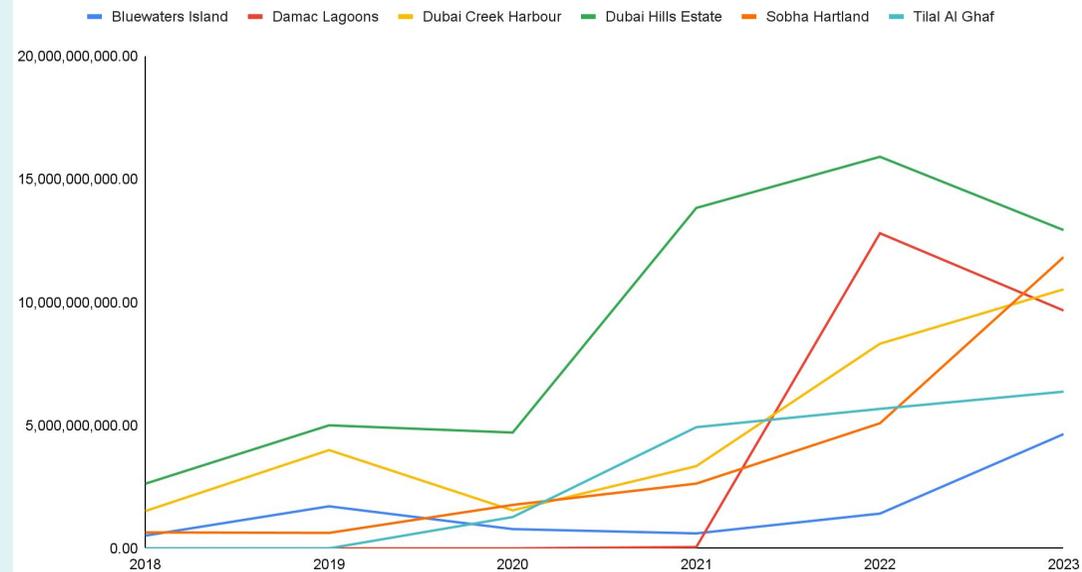
New Community Value Analysis



New Communities Quarterly Sales Value (Cash and Mortgage)



New Communities Annual Sales Value (Cash and Mortgage)



Perhaps surprisingly, the luxury dominance of value does not hold for Bluewaters Island among the newer communities, although the underwhelming performance can likely be attributed to its far lower volume of sales relative to its peers. Just like with the older communities, newer projects have seen quarterly sales values take off post-COVID, all achieving all-time highs in the last year and a half.

However, once again, we see the same quarterly downturns in the newer communities that we did among the older communities. Sobha Hartland, Dubai Hills Estate, Bluewaters Island and Dubai Creek Harbour have all seen at least one quarter of falling sales value this year.

Conclusions

- Citywide Assessment

Overall, citywide quarterly sales volume and value have reached nearly ten-year highs, an impressive rebound post-COVID. In fact, every quarter since Q2 of 2021 has surpassed the 38.5 billion AED in sales value that was achieved in Q4 of 2013, and every quarter since Q3 of 2021 has seen transaction volumes in excess of the 20,435 that was also achieved in Q4 of 2013.

- Value and Volume Analysis

In both volume and value, cash has dominated mortgages since 2011, never accounting for less than 63.23% of sales value or 65.76% of sales volume. The rise of off plan transactions, which have an in-built leverage element, alongside rising mortgage rates suggests that the market is, in fact, sensitive to interest fluctuations.

- Community Transaction Splits

The same dip in volume and value due to COVID that shows up in the citywide trends is also reflected in the individual communities. Interestingly, this phenomenon seems to be more apparent in the older communities, which is likely attributable to the newer communities' having a greater proportion of their sales come from off plan transactions. However, both older and newer communities are starting to see falling sales in luxury communities (such as Palm Jumeirah, Dubai Marina and Dubai Hills Estate to name a few), which have typically driven sales. This is likely due to a combination of rising interest rates and mean reversion as the overperformance of luxury starts to come to an end. As luxury sales normalize, we can expect the mid market to pick up in the near future. How (and how much) geopolitical conflicts affect buyers' sentiments also remains to be seen.





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Indigo Icon, 1708
Jumeirah Lake Towers,
P.O. Box 500231 Dubai,
United Arab Emirates
Tel. +971 4 447 7220
Fax. +971 4 447 7221
www.globalcappartners.com
info@gcp-properties.com



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Concord Tower, No. 2304
Dubai Media City,
P.O. Box 333929 Dubai,
United Arab Emirates
Tel. +971 4 277 6835
Fax. +971 4 360 4788
www.reidin.com
info@reidin.com

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