Cavendish Maxwell

PROPERTY MONITOR
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IN PARTNERSHIP WITH

دائرة الأراضي والأملاك
Land Department

2017
A YEAR IN REVIEW
DUBAI

MARKET REPORT

Special Features

- Dubai Land Department Report
- Affordable Housing Report
- Sector Focus - Education

FOREWORD

Cavendish Maxwell is a highly respected independent firm of chartered surveyors and property consultants, focusing on property services throughout the Middle East and Africa. Established in 2008, Cavendish Maxwell is now one of the most influential property consultancies in the region.

As a fully qualified member firm of the Royal Institution of Chartered Surveyors (RICS), and with extensive knowledge of the region, Cavendish Maxwell has the necessary experience, expertise and insight to deliver property advice of the highest standard. Our reports are used for loan security, audit, insurance reinstatement, dispute resolution, risk management, debt recovery, performance analysis, project financing, development strategy and government initiative implementation.

We provide a comprehensive range of property services across all our departments, each of which is headed by highly skilled, experienced and fully qualified RICS chartered surveyors. Our various teams provide valuation, agency, advisory, management, capital investment, research and building consultancy services across all property types and sectors.

Our 2017 review provides a summary of the Dubai residential market with special reports from Dubai Land Department, Affordable Housing Institute and a sector focus on education that analyses the market in Dubai and what can be expected in 2018. The report also highlights the top developers in the region based on transaction values and volumes. Price movement, rent and yield statistics, residential transactions and upcoming supply of residential properties are provided through Property Monitor, a real estate intelligence platform, powered by Cavendish Maxwell. The report also incorporates the Property Monitor Residential Survey, conducted among partner agents operating within Dubai. The survey showcases how new enquiries, leasing activity and transactions, among other metrics, changed over the previous quarter. It also provides an outlook on the following quarter and predictions by professionals which are studied against real performance.

CONTENTS

PARTNER REPORT

DUBAI LAND DEPARTMENT

دائرة الأراضي والأملاك
Land Department

The following is a report from HE Sultan Butti bin Mejren, Director General of Dubai Land Department (DLD).

DLD's report on the Dubai real estate market over the first 11 months of 2017 revealed:

Total transactions reached a value of
AED 252.774 billion
Jan - Nov 2017

DLD confirmed that sales of land, buildings and residential units approached AED 105 billion, while mortgages exceeded AED 130 billion and the other transactions generated approximately AED 18 billion.

Meanwhile a total of 48,600 transactions were made by 36,529 investors, with a total value of AED 98.53 billion. GCC nationals made over 13,000 transactions through 9,112 investors, with a total value of AED 34.5 billion. The Dubai market attracted 6,345 Arab investors, who made nearly 8,000 transactions with a total value of over AED 13 billion, while over 21,000 foreign investors concluded 27,361 transactions worth over AED 50 billion. Over 11,000 women were responsible for 13,110 investments worth AED 25 billion.

HE Sultan Butti bin Mejren
Director General
Dubai Land Department

Emiratis are the top investors in the Emirate's real estate market as they invested nearly AED 24 billion. They were followed by Indian investors (AED 14.444 billion), Saudis (AED 6.671 billion) and British (AED 5.448 billion), with Pakistanis in fifth place at AED 4.488 billion. The next five places went to Iranian, Jordanian, Chinese, Canadian and Egyptian investors, respectively.

Business Bay generated a total of 3,357 transactions worth AED 6.632 billion, followed by Marsa Dubai with 3,061 transactions worth AED 6.5 billion, and Al Barsha South Fourth with 2,920 transactions worth AED 3.627 billion.

On the same list, Jebel Ali First, Madinat Al Mataar, Burj Khalifa, Hadaeq Sheikh Mohammed Bin Rashid, Al Yelayiss 2, Al Yufrah 2, and Al Warsan First ranked in the next seven places, respectively.

	Business Bay	Marsa Dubai	Al Barsha South Fourth
Total Transactions	3,357	3,061	2,920
AED Billion	6.632	6.5	3.627

TOP FIVE INVESTORS

1	2	3	4	5
AED 24 BILLION	AED 14.444 BILLION	AED 6.671 BILLION	AED 5.448 BILLION	AED 4.488 BILLION
EMIRATIS	INDIANS	SAUDIS	BRITISH	PAKISTANIS

Brokers played a role in land, building and unit sales amounting to AED 80 billion in value and earned AED 1.589 billion based on 2% of total actual sales.

The report also revealed the top ten areas of Dubai in terms of the volume and value of mortgage transactions, with Marsa Dubai in first place after it generated 1,025 transactions worth AED 3.6 billion. It was followed by Al Thanyah Fifth with 964 transactions worth over AED 2 billion, and Business Bay with 722 transactions valued at AED 5 billion.

Although Palm Jumeirah ranked in fourth place for volume with 682 transactions, it outranked all other areas in terms of value at AED 12 billion. Al Barsha South Fourth, Jebel Ali First, Al Yelayiss 1, Burj Khalifa, Al Thanyah Fourth, and Al Thanyah Third ranked in the next six places respectively.

DUBAI LAND DEPARTMENT'S APPLICATIONS

DLD is constantly working to consolidate Dubai's position as the world's premier destination for innovation, confidence and happiness. We are building a world-class real estate environment based on innovation and sustainability to make Dubai the happiest city with our smart services. We will employ all of our available financial resources to support our human cadres, who will provide all means of support and services to our customers in the real estate market with the highest degree of professionalism and specialisation, and the use of integrated property legislation that guarantees the full rights of all parties with integrity and transparency.

DLD's smart applications, which are subject to continuous improvements and updates, have greatly contributed to ensuring the convenience, satisfaction and happiness of our customers. The applications have gained a high level of efficiency and contributed to enhancing user productivity, reducing cost and time, and establishing transparency in the real estate sector.

DLD's most prominent applications include Ejari, Dubai Land Department, Dubai Real Estate Market (eMart), Dubai Brokers, Registration Trustees (RT), Mashrooi, the Investment Map portal launched by the Real Estate Investment Management and Promotion Center, and Smart Judge.

DUBAI LAND DEPARTMENT'S OUTSTANDING ACHIEVEMENTS

One of DLD's most recent and prominent achievements was a regulatory decision issued to close the department's Records Department and make the transition to a fully smart archiving system. To achieve the transformation, DLD collaborated with a company specialised in photovoltaic archiving. The latest technologies in this field were adopted to create a new smart archiving system for all files related to DLD services.

In a unique precedent, DLD also became the first government entity in the world to apply 'Blockchain' technology to all of its transactions, a translation of the 'Dubai Blockchain Strategy' launched last October by His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of the Board of Trustees of the Dubai Foundation for the Future, and led by Smart Dubai.

The Dubai Real Estate Institute (DREI), the educational arm of Dubai Land Department (DLD), has announced the launch of the second edition of The Gulf Real Estate Awards.

THE GULF REAL ESTATE AWARDS

The Awards target all companies operating in the real estate sector in the GCC and the announcement follows the success of the first edition. A group of experts and specialists have been selected in each award category.

DLD, through Dubai Real Estate Institute (DREI), hosted the Urban Thinkers Campus in October 2017. It represented the region's biggest brainstorming session for discussing the urban future of the city and included an Urban Journalism Academy, among other prominent events.

Dubai's hospitality reflects its outstanding position as a model for smart cities, and its ability to attract academics and specialists to explore the future of smart cities and sustainable development based on technological solutions. This has been achieved in alignment with the vision of our government under the leadership of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

DLD has also recently been awarded two ISO certificates for its Quality Management System (9001: 2015) and Environmental Management System (14001: 2015).

DLD has welcomed delegations to attend FIABCI Dubai 2018 over six days. The Emirate has been able to gain the trust of the international community because of the unique elements that help it to organise some of the world's largest international events. These unique elements include, but are not limited to, Dubai's strategic location between the East and West, readily available air connections, strong transport infrastructure, hotels with world-class standards, high level of security and safety, and extensive experience in organising large international conferences. The event is being held for the first time in the MENA region, which is a new milestone in Dubai's management of international events.

PARTNER REPORT

HOUSE PRICE TIMELINE

In 2017 residential property transaction prices traded within a close range of AED 1.25 to 1.5 million for apartments and AED 1.7 to 2.1 million for villas/townhouses on average.

Q1 2017 marked the entry of lower price villa/townhouse inventory into the market, taking the average trading price for villas/townhouses in Dubai from AED 2.7 million at the end of 2016, to AED 2.2 million in the first quarter of 2017. This reflected the launch of new villas/townhouses priced as low as AED 1.3 million in areas such as Reem and Dubailand. As of Q4 2017, this average trading price for villas/townhouses settled close to the AED 2.3 million mark.

Meanwhile apartment prices have stayed within a narrow range of AED 1.0 million to AED 1.5 million since 2016, according to transaction data from Dubai Land Department. This reflected a narrowing gap between apartment and villa/townhouse prices in the Dubai market, which is expected to continue into 2018.

Over the last 12 months, ticket prices for residential properties have been made accessible to a wider range of buyers through a combination of smaller unit sizes as well as aggressive payment plans of the 30/70 and 40/60 variety, where the bulk of payment is scheduled to be received post-completion. This has also fueled off-plan transaction activity in 2017, which constituted more than 70% of the total transactions completed during the year.

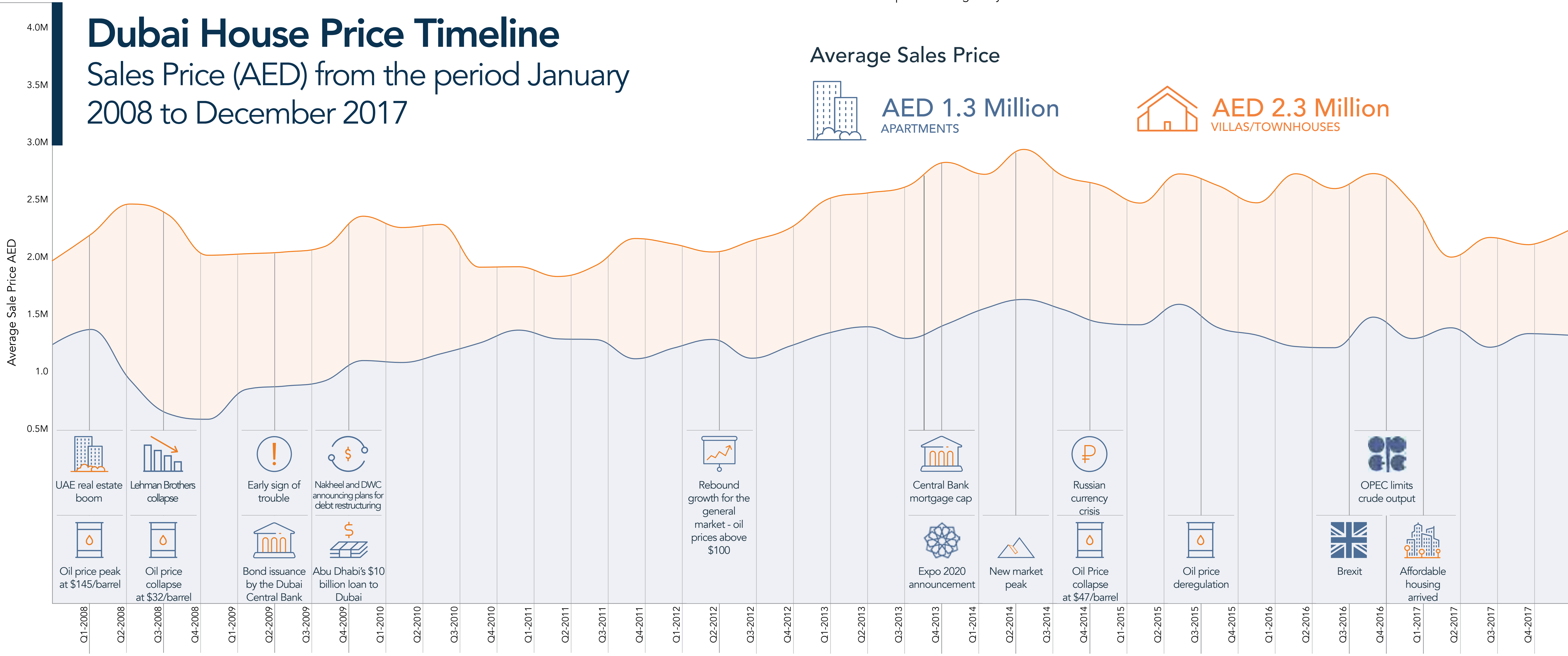
Dubai House Price Timeline

Sales Price (AED) from the period January 2008 to December 2017

Average Sales Price

AED 1.3 Million
APARTMENTS

AED 2.3 Million
VILLAS/TOWNHOUSES



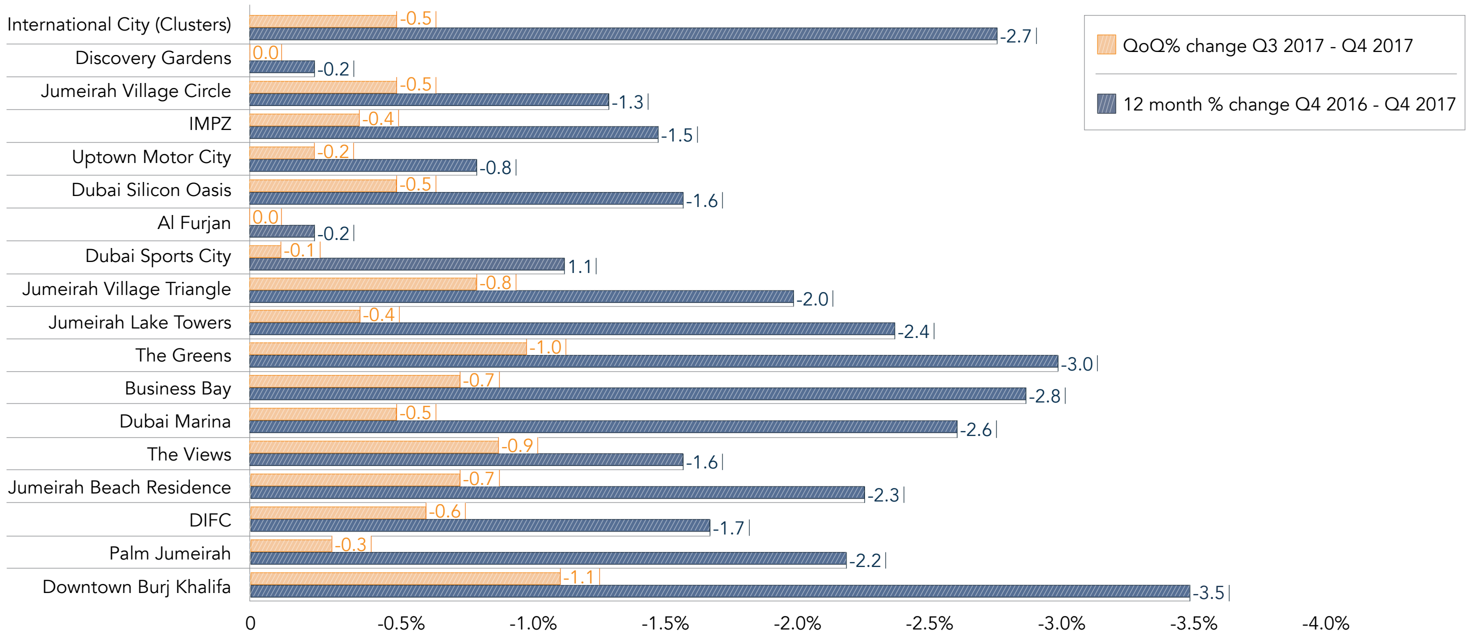
Source: Property Monitor

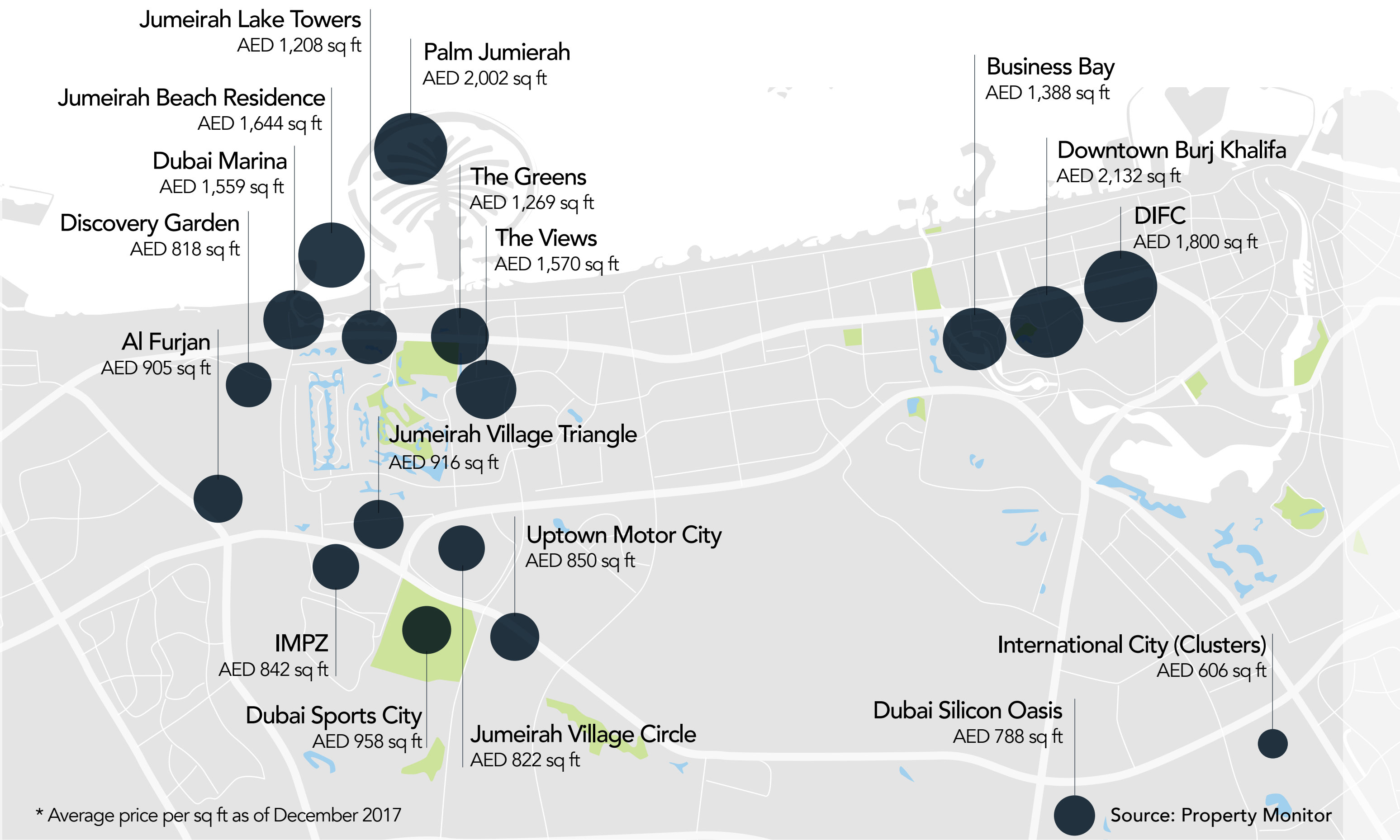
Note: Dubai House Price Timeline tracks residential property transactions from Dubai Land Department (off-plan and secondary) to derive monthly and quarterly average transacted prices for apartments and villas/townhouses.

PRICE PERFORMANCE

Rate of decline in residential property prices across key communities in Dubai has slowed over last 12 months in comparison to 2016.

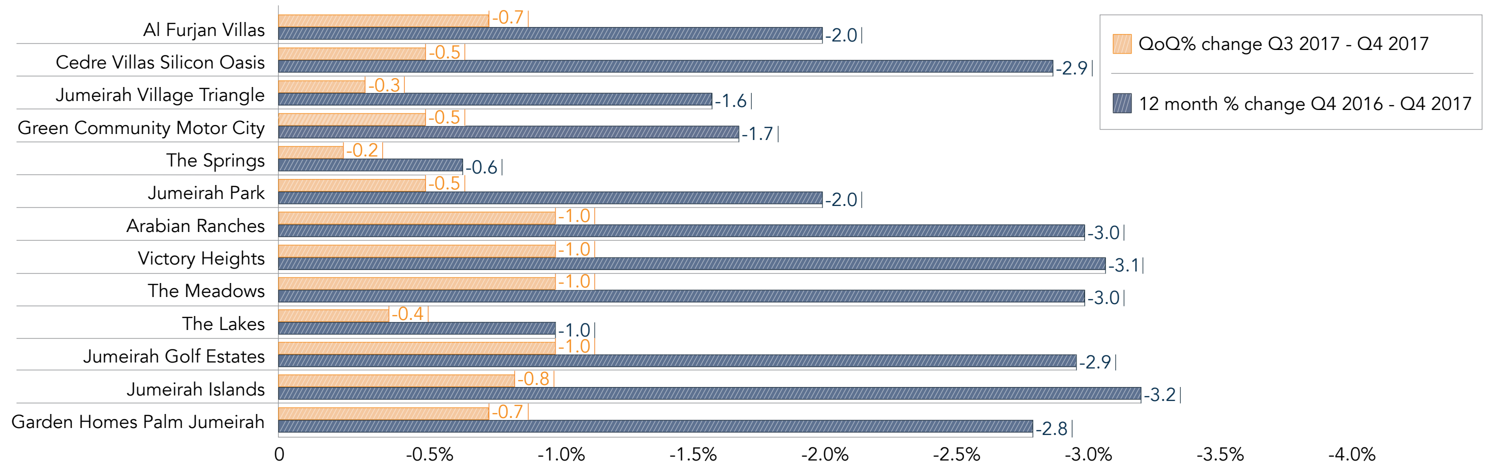
Apartment Change in Price (%)

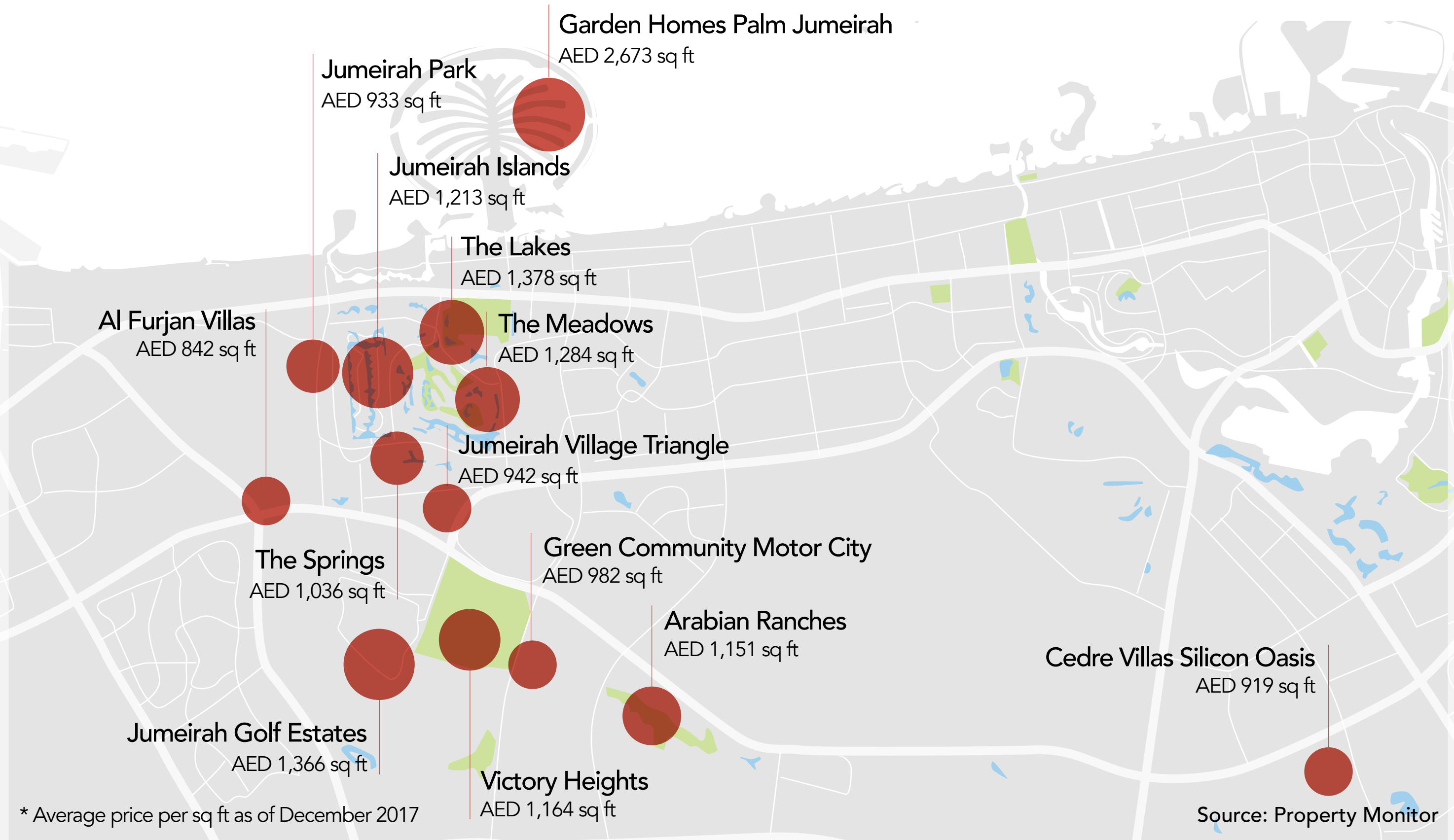




According to the Property Monitor Index, apartment and villa/townhouse prices have registered 12 month declines of 2% on average. Price movement in the last 12 months has varied not only between communities but also among different buildings within the same community, thus reflecting greater differentiation in how available properties are now trading. This differentiation is expected to continue as buyers have an increasingly larger supply base to choose from and property fundamentals such as developer track record, proximity to social and public infrastructure, ease of access, maintenance, among other factors will drive price movement.

Villa/Townhouse Change in Price (%)



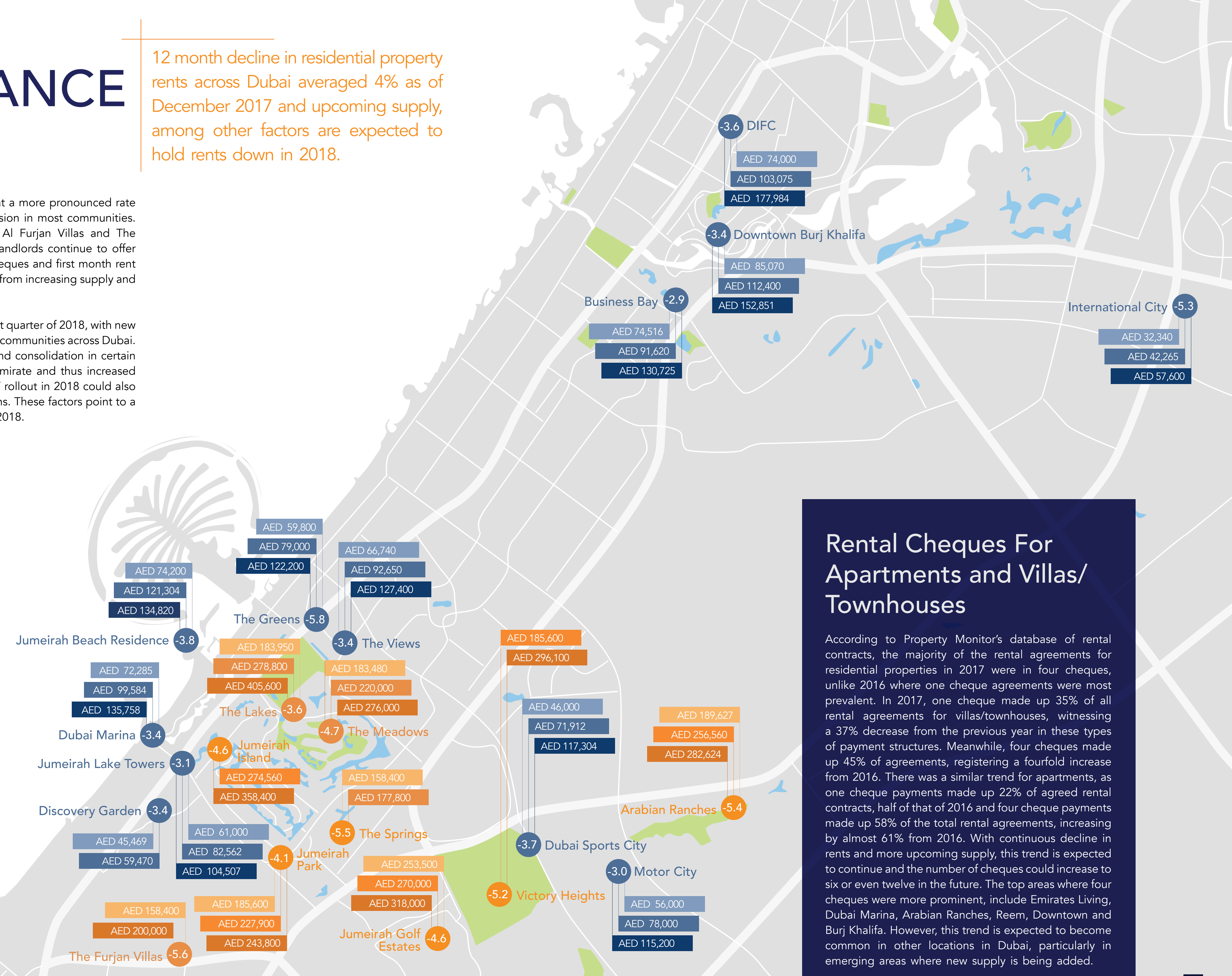


RENT PERFORMANCE

12 month decline in residential property rents across Dubai averaged 4% as of December 2017 and upcoming supply, among other factors are expected to hold rents down in 2018.

During 2017, residential property rents declined at a more pronounced rate than sales prices which resulted in yield compression in most communities. Areas including The Greens, International City, Al Furjan Villas and The Springs witnessed the steepest annual decline. Landlords continue to offer incentives including payment through multiple cheques and first month rent free to attract tenants who are currently benefiting from increasing supply and rent declines across the market.

Rent decline is expected to continue during the first quarter of 2018, with new handovers planned in both freehold and leasehold communities across Dubai. Additionally, there has been a wave of mergers and consolidation in certain sectors during 2017 which affected jobs in the Emirate and thus increased vacancy levels across some communities. The VAT rollout in 2018 could also impact some businesses and their recruitment plans. These factors point to a subdued outlook for residential property rents in 2018.



* Data as of December 2017

Apartment	Villa/Townhouse
Studio Rent	3 BR Rent
1 BR Rent	4 BR Rent
2 BR Rent	5 BR Rent
12 month % change	12 month % change

Source: Property Monitor

Rental Cheques For Apartments and Villas/ Townhouses

According to Property Monitor's database of rental contracts, the majority of the rental agreements for residential properties in 2017 were in four cheques, unlike 2016 where one cheque agreements were most prevalent. In 2017, one cheque made up 35% of all rental agreements for villas/townhouses, witnessing a 37% decrease from the previous year in these types of payment structures. Meanwhile, four cheques made up 45% of agreements, registering a fourfold increase from 2016. There was a similar trend for apartments, as one cheque payments made up 22% of agreed rental contracts, half of that of 2016 and four cheque payments made up 58% of the total rental agreements, increasing by almost 61% from 2016. With continuous decline in rents and more upcoming supply, this trend is expected to continue and the number of cheques could increase to six or even twelve in the future. The top areas where four cheques were more prominent, include Emirates Living, Dubai Marina, Arabian Ranches, Reem, Downtown and Burj Khalifa. However, this trend is expected to become common in other locations in Dubai, particularly in emerging areas where new supply is being added.

TRANSACTION OVERVIEW

31,403 APARTMENTS

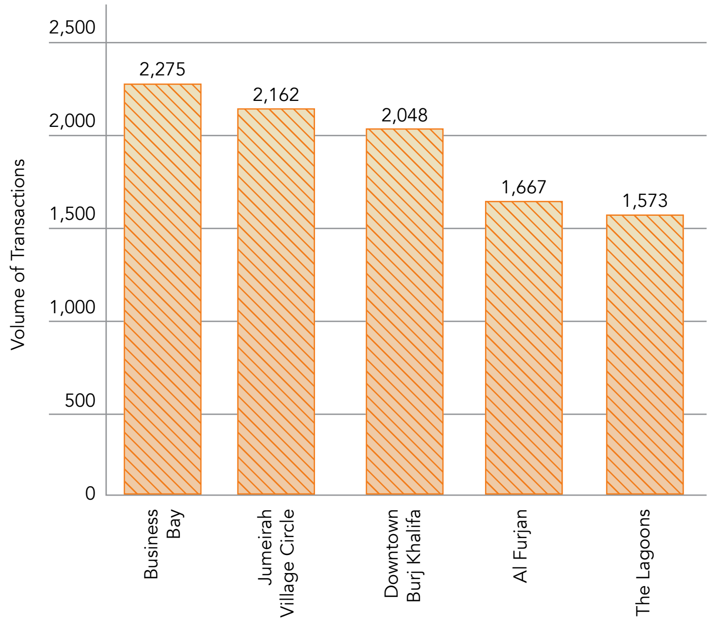
5,731 VILLAS/TOWNHOUSES

Off-plan residential properties accounted for the majority of the total transfers during the year, with more than 24,900 transactions in 2017. February led the transaction tally for the year, with over 3,800 transactions being completed during the month. The majority of off-plan transactions for apartments during the year were for studio and one bedroom units, with Business Bay, Jumeirah Village Circle and Downtown Burj Khalifa ranked as the top locations for off-plan apartment transactions.

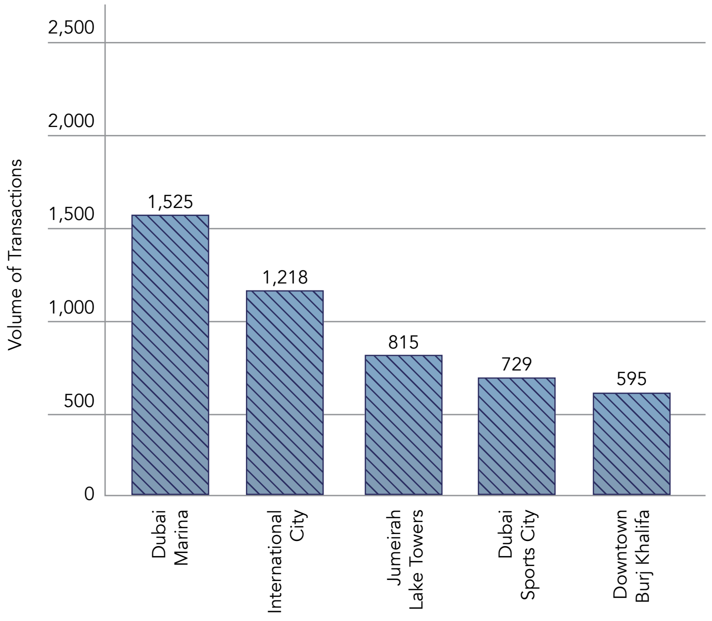
The increased market activity, especially in the off-plan segment, is a result of a combination of factors including, lower price inventory and aggressive payment plans being offered by developers and new mortgage products from banks, some of which are tailored towards the first-time buyer.

Top Five Locations for Apartment Transactions by Volume in 2017

Off-plan Transactions



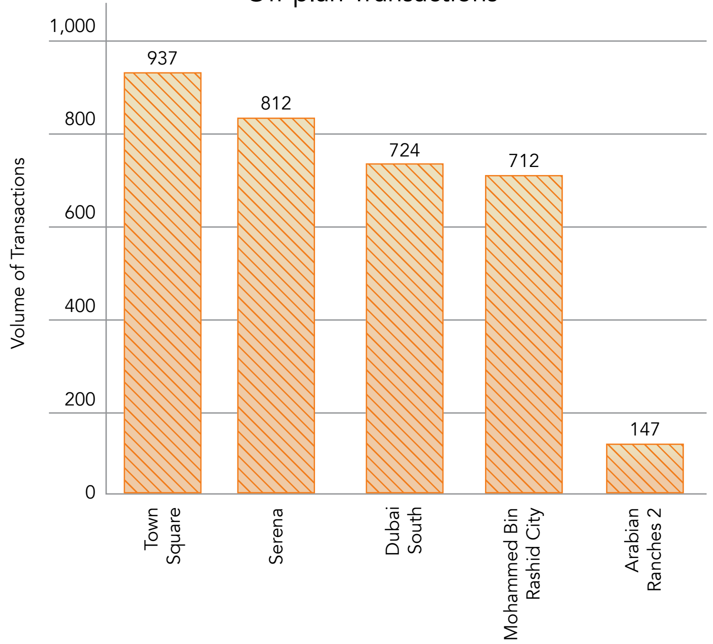
Secondary Market Transactions



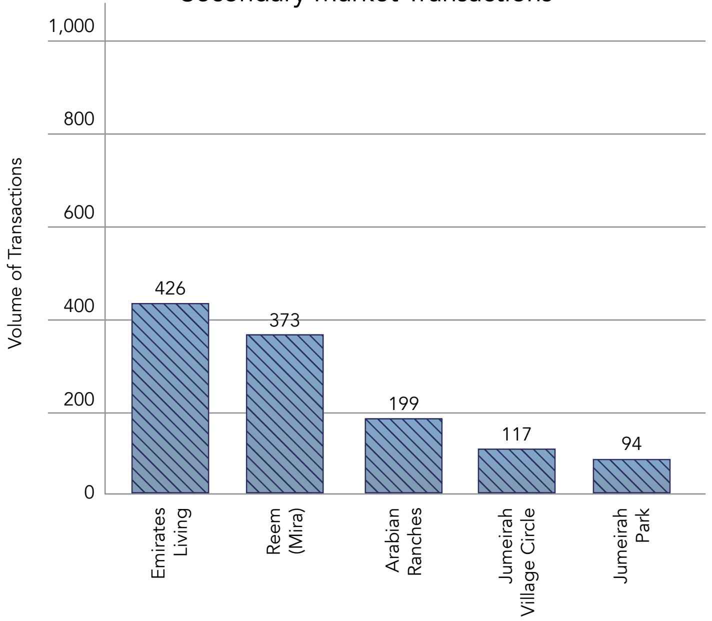
Source: Property Monitor

Top Five Locations for Villa/Townhouse Transactions by Volume in 2017

Off-plan Transactions



Secondary Market Transactions

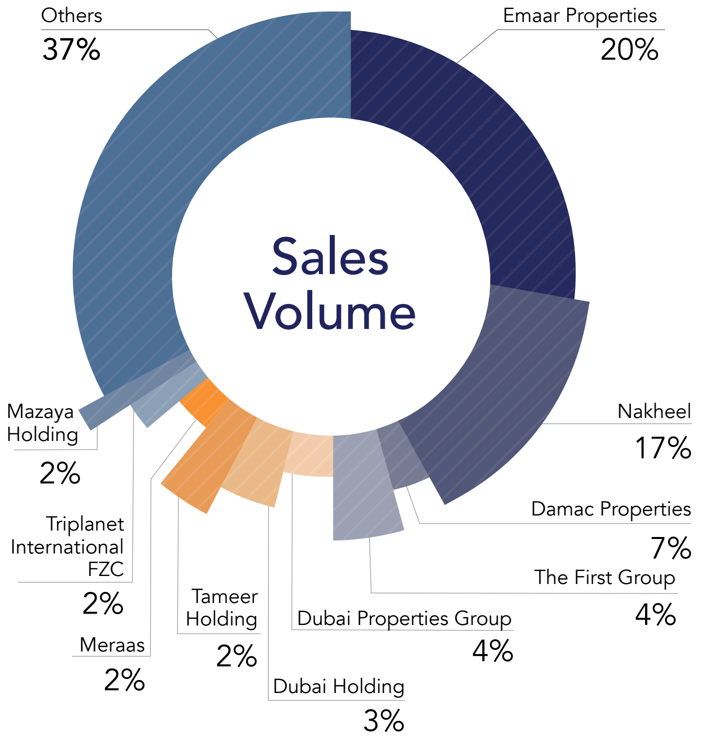


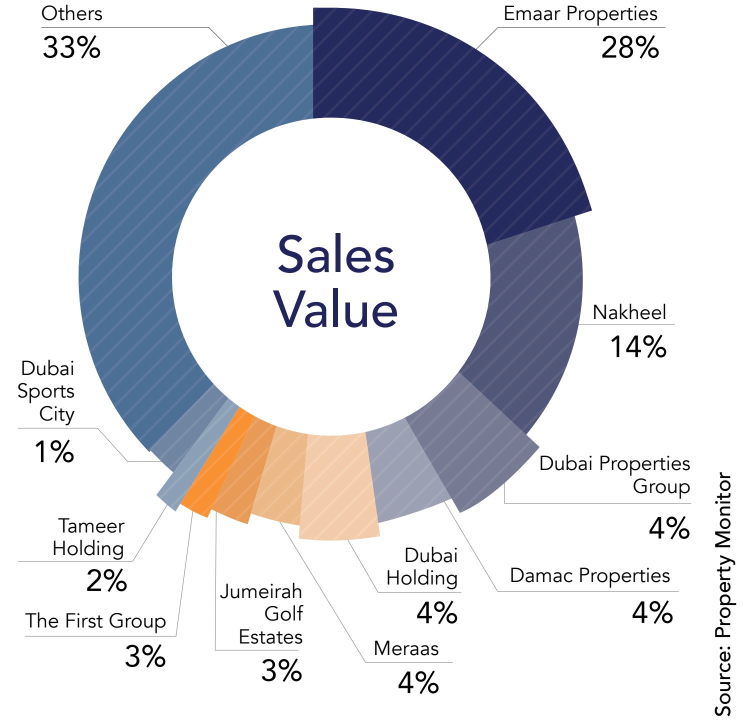
Source: Property Monitor

TOP 2017 DEVELOPERS

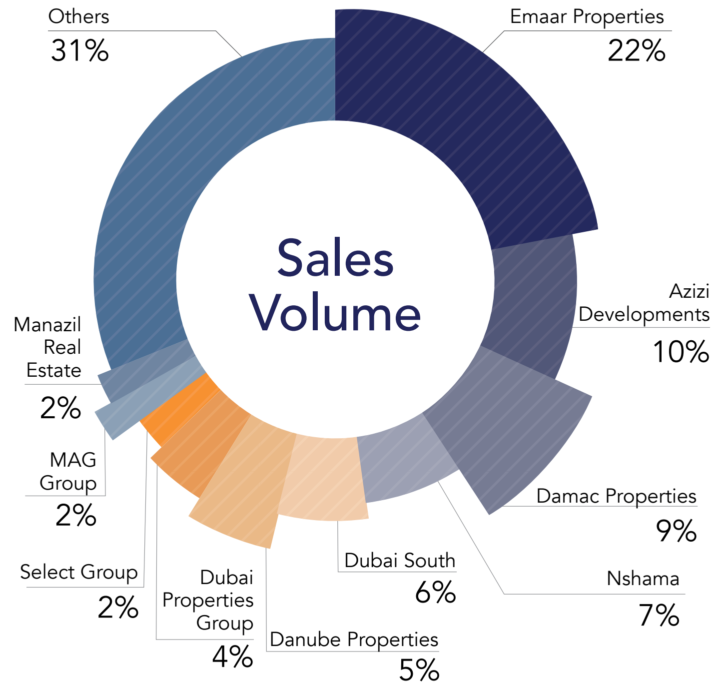
According to property transfer data from Dubai Land Department, the majority of the residential units sold both in the off-plan and secondary market during 2017 were from Emaar Properties. Other top developers with high sales volume and value in 2017 were Nakheel, Dubai Properties Group and Damac Properties. The below charts present the developer market share based on transferred residential properties in Dubai in 2017.

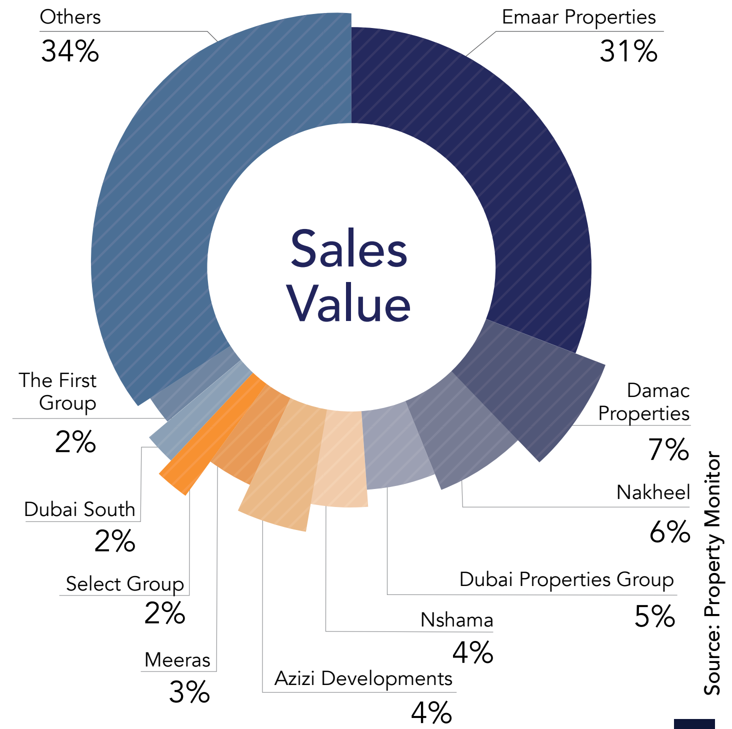
Secondary Transfers





Off-plan Transfers





Source: Property Monitor

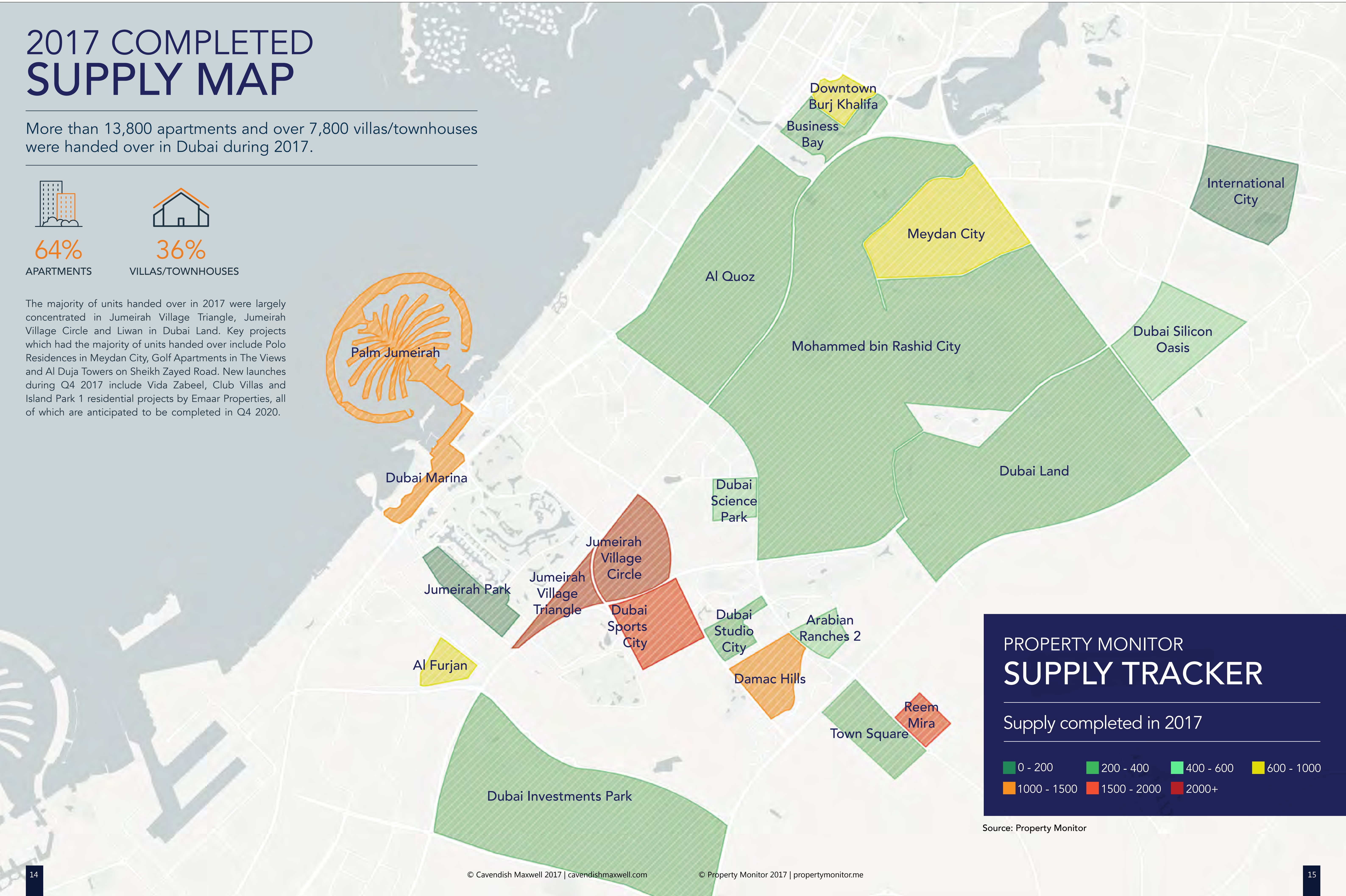
2017 COMPLETED SUPPLY MAP

More than 13,800 apartments and over 7,800 villas/townhouses were handed over in Dubai during 2017.

64% APARTMENTS

36% VILLAS/TOWNHOUSES

The majority of units handed over in 2017 were largely concentrated in Jumeirah Village Triangle, Jumeirah Village Circle and Liwan in Dubai Land. Key projects which had the majority of units handed over include Polo Residences in Meydan City, Golf Apartments in The Views and Al Duja Towers on Sheikh Zayed Road. New launches during Q4 2017 include Vida Zabeel, Club Villas and Island Park 1 residential projects by Emaar Properties, all of which are anticipated to be completed in Q4 2020.



Source: Property Monitor

2018 UPCOMING SUPPLY MAP

There are approximately 54,000 units scheduled to be handed over in 2018, including delayed projects from previous years.

78%
APARTMENTS

22%
VILLAS/TOWNHOUSES

While increased construction activity is expected ahead of 2020, the actual materialisation rate for 2018 is expected to be in line with previous years, where annual handovers have ranged between 16,000 to 20,000 units. Developers are responding to transaction activity and prevailing prices by staggering the release of units either through a delayed launch after certain percentage of the construction has been completed or by phased delivery of units within a development, for instance releasing units tower by tower or by unit type (villas/townhouses before apartments or vice versa). This strategy towards launch and handover is expected to continue in the coming year.

PROPERTY MONITOR SUPPLY TRACKER

Supply scheduled to be completed by end of 2018

0 - 200 | 200 - 400 | 400 - 600 | 600 - 1000
1000 - 1500 | 1500 - 2000 | 2000+

Source: Property Monitor

PARTNER REPORT

DUBAI'S EXPANDING AFFORDABLE SUPPLY

The following is a report from Maysa Sabah Shocair, MENA Managing Director of the Affordable Housing Institute

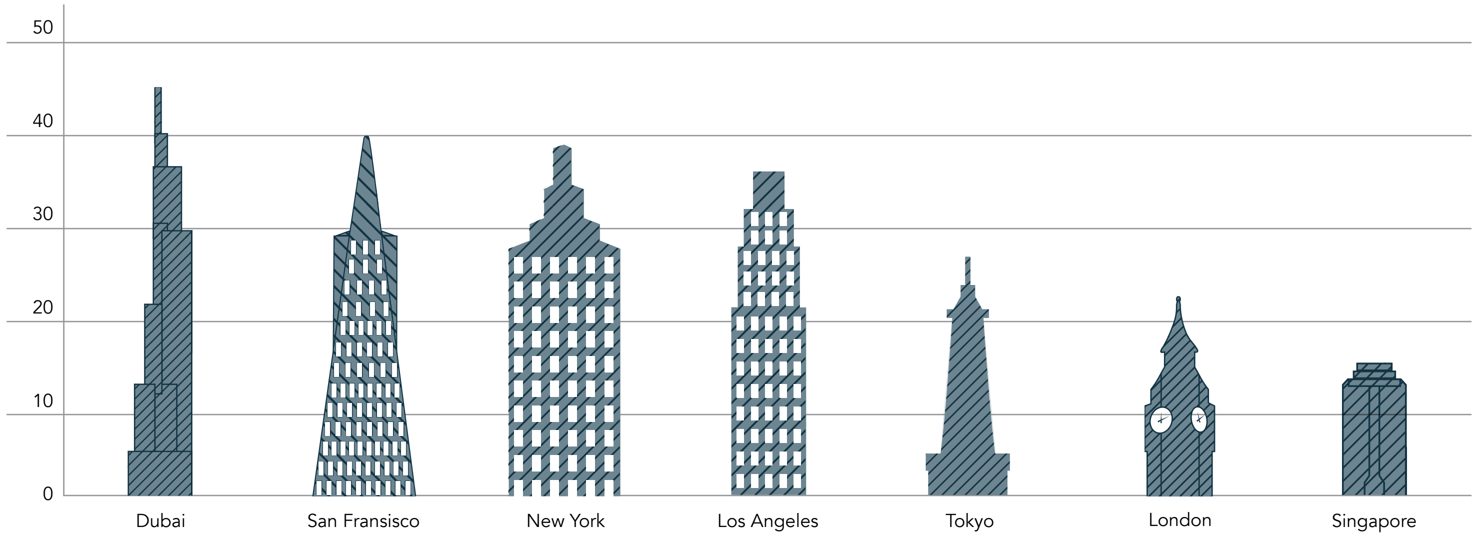
DEFINING "AFFORDABLE HOUSING"

Affordable housing is housing that is appropriate for the needs of very low to middle-income households and priced so that these households are able to meet other basic living costs such as food, clothing, transport, medical care and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income, excluding utilities. While this figure is a useful benchmark of housing affordability, the exact definition of affordability varies according to a household's individual circumstances as demands on the same gross income may differ significantly.

In 2015, the Dubai Municipality defined affordable housing as a "living space for people whose salary is between AED 3,000 – AED 10,000 per month." While this is a highly commendable step towards defining affordable housing in Dubai, the market still needs a more nuanced definition of the term, including classifying households by income level (very low, low, and middle-income), household size, and the corresponding amount that they can allocate to renting or buying a home.

Moreover, quantifying housing affordability in Dubai is difficult given the limited availability of data on housing cost relative to income. Nevertheless, Figure 1 shows that, in 2014, the average annual expenditure on housing and utilities as a percentage of total household expenditure was higher in Dubai than other major cities, which indicates that many households in Dubai were overburdened by the cost of housing. A more visible sign of the shortage of affordable housing options is the traffic congestion caused by daily commuters, who live in more affordable housing in the northern emirates while working in Dubai.

Figure 1: Average annual expenditure on housing and utilities as a percentage of total household expenditure 2014/2015*

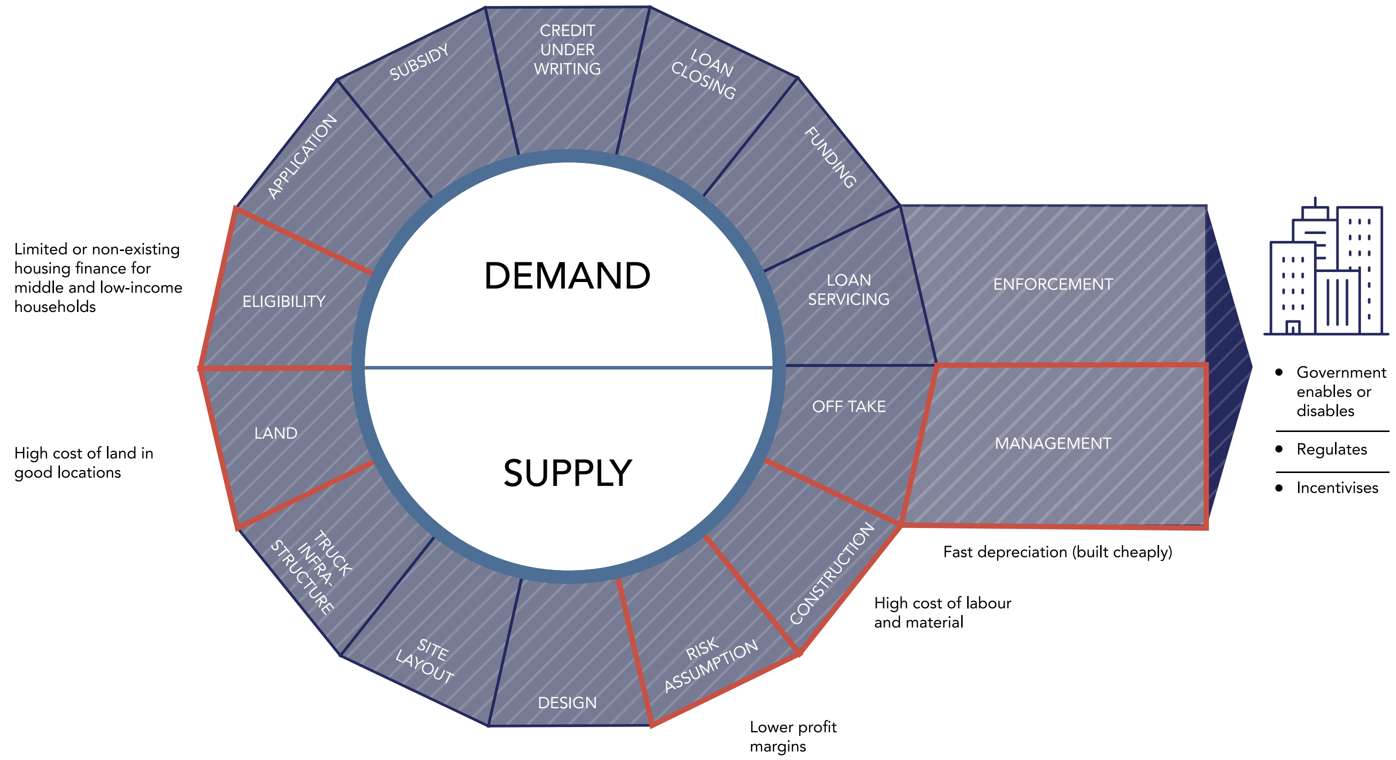


* Dubai's data is for Non-Emirati households. Singapore's data is for 2012/2013.
Sources: Dubai Statistics Center (Household Expenditure and Income Survey 2014/2015); US Bureau of Labor Statistics; Department of Statistics Singapore (Household Expenditure Survey 2012/2013); Tokyo statistical yearbook 2015.
https://www.statista.com/statistics/379923/average-weekly-household-expenditure-in-london-uk-by-type/;

BOTTLENECKS IN THE VALUE CHAIN

Dubai's middle and low-income housing ecosystem faces several main challenges both on the supply (building) and demand (financing) sides. These include the high-cost of serviced land in accessible locations, the high cost of labour and material, the fast depreciation of affordable housing (as it is usually built more cheaply) and lower profit margins compared to other assets classes. On the demand side, the main challenge is the limited availability of housing finance for those earning below AED 15,000 and the reduced maximum loan-to-value (LTV) ratios (75% for properties below AED 5 million). As a result, until mid-2014, project launches in Dubai were highly skewed toward high-income earners. However, since then, there has been a slew of more affordable project launches mainly due to tapered demand for luxury properties. So, how have some developers been able to profit from more affordable housing?

Figure 2: Main obstacles to middle and low-income housing delivery in Dubai across the demand and supply value chains



Source: The Affordable Housing Institute

Below are some of the most common strategies used by Dubai's developers to overcome the cost versus value challenge of building more affordable housing:

1. **Aiming for an elusive "middle-income" segment:**
   Although, as mentioned above, Dubai Municipality defines affordable housing as housing that meets the needs of those earning between AED 3,000 – 10,000, many developers target what they consider to be a "middle-income" segment, or households earning between AED 10,000 – AED 30,000.

PARTNER REPORT

PARTNER REPORT

2 Building in peripheral locations:
Developers have been seeking out cheaper land plots with manageable floor-to-area ratios (FAR) in locations further away from city centers to deliver more affordable housing as shown in the map below.

Source: Property Monitor

3 Building smaller units:
Developing smaller units is a common strategy to improve efficiency from gross floor area (GFA) to saleable area, overcome the relatively high cost of land and deliver more affordable housing units. As such, developers are increasingly offering smaller unit types (studios and one bedrooms) and smaller sizes of each unit type. To improve space utilisation, some developers are adding modular space-saving furniture that easily changes functions. Figure 3 shows that 68% of units sold in 2017 in the more affordable areas shown in the map above consisted of studios and one bedroom units. In addition, Table 1 shows the decrease in unit size between ready (older) and off-plan (newer) apartments.

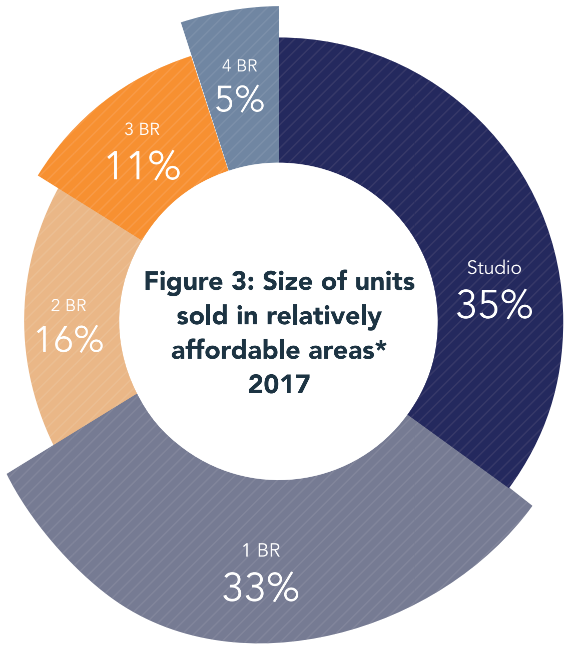


Figure 3: Size of units sold in relatively affordable areas* 2017

*These are the projects shown in the map above.
Source: Property Monitor

Table 1: Percentage difference in size between ready and off-plan units transacted in 2017

	Ready	Off-plan	
Bedrooms	Average Unit Size (per sq ft)	Average Unit Size (per sq ft)	% Difference in Size (per sq ft)
Studio	500	433	-13%
1 Bed	860	795	-8%
2 Bed	1,405	1,209	-14%
3 Bed	1,865	1,664	-11%

Source: Property Monitor

4 Value engineering:
Maximising value while reducing costs, using standardisation and industrial approaches to construction, using modular design to reduce design and engineering costs and to make procurement more efficient, accurately controlling inventory and scheduling services, and securing extensive supply networks.

5 Offering attractive payment plans:
Since the Central Bank's off-plan financing regulations require buyers to pay 50% of the value of a house before opting for home finance and given that many households struggle with saving for the upfront amount required, as shown in Table 2, many developers have structured payment plans that respond to these constraints. As illustrated in Table 3, such plans allow buyers to: (i) pay the down payment (50% or less) over an extended period of time; (ii) offer the buyers the opportunity to take a 50%-75% mortgage on the value of the property once it is completed; or (iii) bypass banks and pay developers directly over an extended period. The implementation of VAT is also contributing to developers' generous offerings, since residential developers who sell all units in a development within three years of completion will benefit from rebates on the cost of construction materials.

Table 2: Off-plan bank financing by income level*

Monthly Income	Monthly Mortgage Payment	Tenure	50% Down Payment	50% Loan (Principal) Amount	Interest Amount	Loan + Interest Repayment	Property Amount	DLD Fees 4%	Agency Commission 2%	Upfront Amount Required
10,000	3,000	20	500,000	500,000	220,000	720,000	1,000,000	40,000	20,000	560,000
15,000	4,500	20	750,000	750,000	330,000	1,080,000	1,500,000	60,000	30,000	840,000
25,000	7,500	20	1,250,000	1,250,000	550,000	1,800,000	2,500,000	100,000	50,000	1,400,000
30,000	9,000	20	1,500,000	1,500,000	660,000	2,160,000	3,000,000	120,000	60,000	1,680,000

Source: The Partnerships Consulting and Property Monitor
* 3.99% interest, monthly mortgage payment assumed at max 30% of monthly income, LTV at 50% with 50% down payment, insurance costs are not included, all amounts are in UAE Dirhams.

Table 3: Examples of off-plan payment plans

Project	Payment Before Completion	Payment After Completion
Hayat Boulevard (Town Square)	50% spread over 2 years	50%
Arabella (Mudon)	30% spread over 2 years	70%
Topaz Residences (Silicon Oasis)	30%	70% (or monthly at 2% for 3 years)
Glitz Residence 3	25%	75% (spread over 75 months)

Source: Property Monitor

PARTNER REPORT

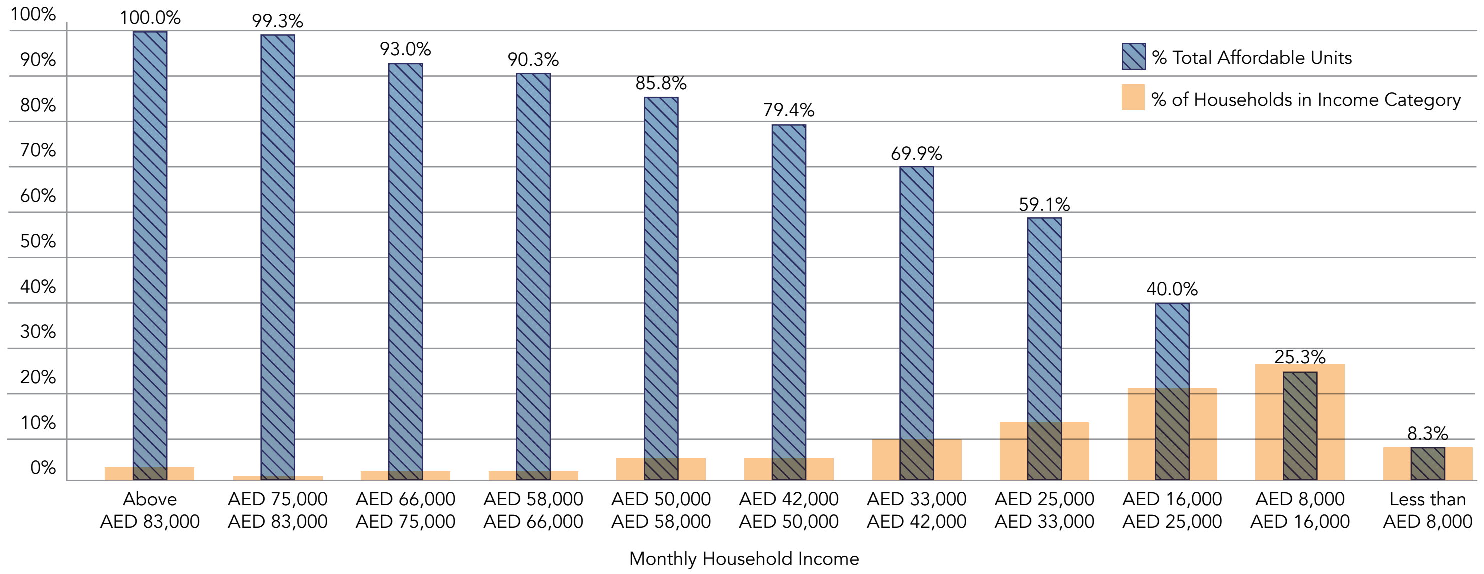
6 Finding niches:

As the market matures, some developers have been focussing on new opportunities, including: (i) staff accommodation: Companies in manpower intensive sectors such as hospitality, retail, and facilities management have been witnessing manpower growth coupled with fluctuations in rent. As a result, these companies have been looking for long-term leases, to secure below-market rents and improve predictability of cash flows, or to directly own properties. Some developers have been catering for such companies and offering a unit mix typically consisting of studio and one bedroom apartments and including up to two to four persons per apartment; (ii) purpose built student accommodation: This is a relatively new concept in Dubai. As the demand for student accommodation grows, since only a handful of branch campuses and local universities offer accommodation on campus, there is more activity in this space; and (iii) co-living and co-working: UNA apartments, recently launched by Nshama, may be the first project of its kind in the region. According to Nshama, "the apartments are for the new generation of millennials, fast-paced entrepreneurs and creative minds longing for a collaborative, sustainable and urban hub that provides a holistic environment for living." The G+11 building offers 478 studios and one bedroom apartments for sale starting from AED 400,888. The development includes a 21,530 sq ft all-purpose lobby lounge, featuring work stations, a music room, games corner, communal smart TV, reading space, and creative zones, where residents can indulge in a wide range of creative, recreational and collaborative pursuits.

SHIFT IN THE MARKET

The overall market data clearly indicates a shift towards more affordable housing. Almost 82% of the residential transactions in 2017 were below AED 2 million with almost half, or about 47% below AED 1 million. Furthermore, 85% of all transacted units were apartments, a clear choice for budget sensitive buyers.

Figure 4: Housing units available for rent by income



Soruce: Dubai Statistics Centre (Household Expenditure and Income Survey 2014/2015) and Property Monitor

In the rental market, affordability has improved for various income categories, as shown in Figure 4, which calculates affordability based on the 30% benchmark (households shouldn't spend more than 30% of their income on housing). As Figure 4 shows, the available rental units affordable for each income category as a percentage of total supply is equal to or exceeds the number of households in each income category as a percentage of total households, with the exception of households earning between AED 8,000-16,000 where a slight gap exists. However the households included in this data do not include households working in Dubai while living in the Northern Emirates, where housing is cheaper.

Figure 5 shows that studios and one-bedroom units constitute 57% of units available for households earning less than AED 33,000, or 71% of total non-Emirati households in 2014.

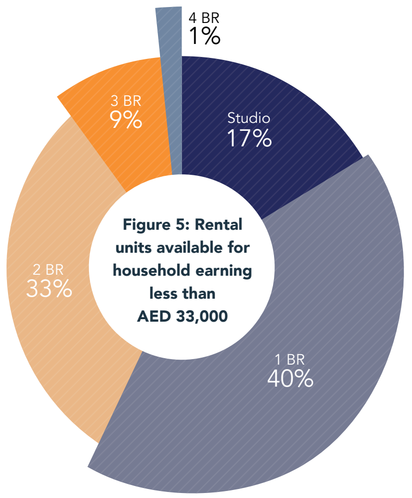
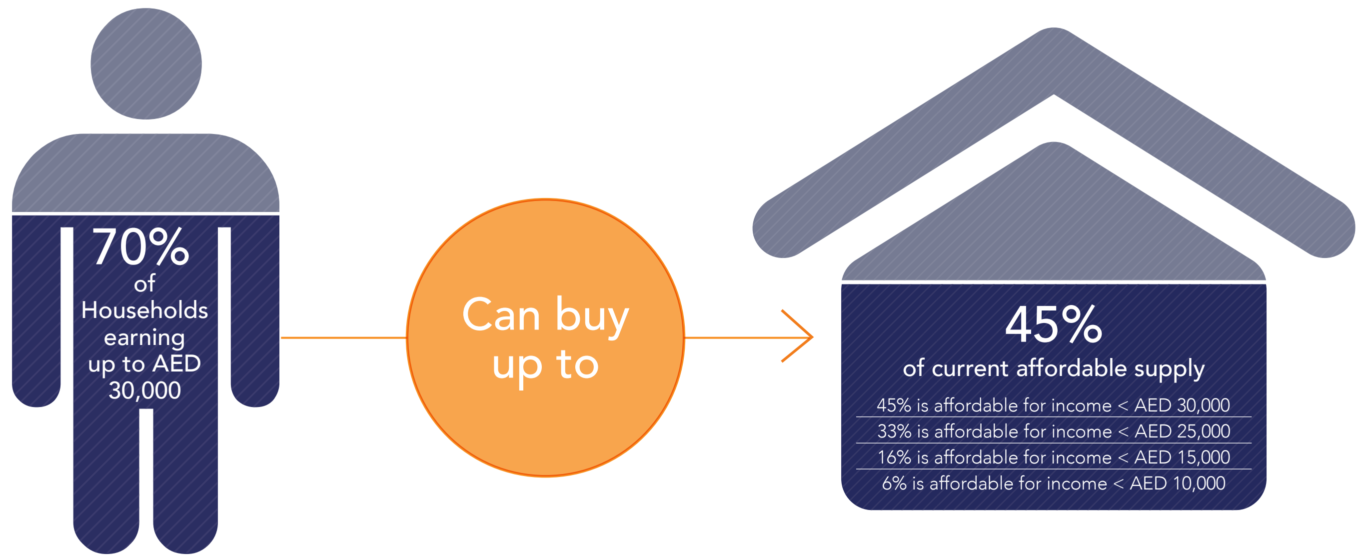


Figure 5: Rental units available for household earning less than AED 33,000

Source: Property Monitor

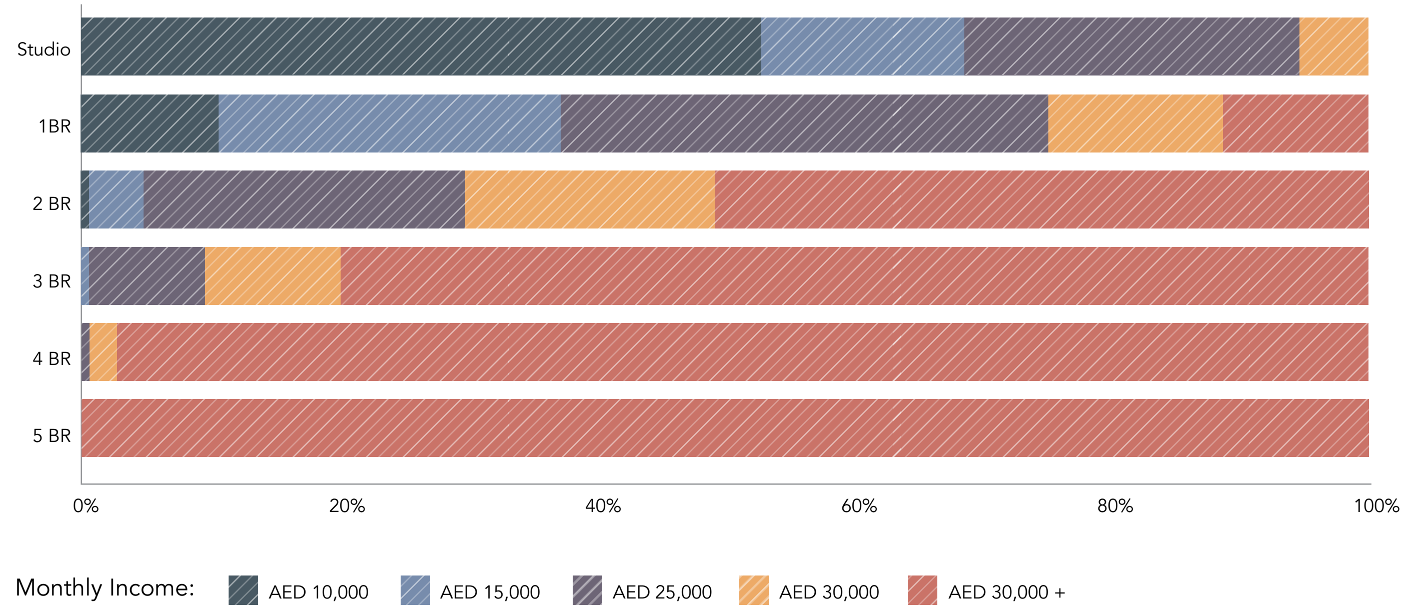
Figure 6: Demand and supply of affordable homeownership*



*Based on active listings on Property Monitor.
Source: Property Monitor

In the homeownership market and based on current listings (excluding developer listings), 45% of the units are affordable to households earning up to AED 33,000 as shown in Figure 6. Of those, 6% are affordable to households earning less that AED 10,000, 16% to households earning less that AED 15,000, 33% to those earning less than AED 25,000 and 45% to those earning up to AED 30,000. As shown in Figure 7, the bulk of units available to households earning less that AED 10,000, are studios, with some one-bedroom options available, both unattractive homeownership options for families, although it is unclear from the available data how much of the demand in this income category consists of families.

Figure 7: Distribution of affordable units by income and unit type



PARTNER REPORT

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MOVING FORWARD

Several interventions by the Dubai government have directly or indirectly positively impacted the middle and low-income housing market. These include:

1. Regulating rent increases:
Since 2009, the Dubai Land Department (DLD) has been publishing a rental index to help landlords, agents and tenants map out maximum allowable rent increases on the expiry of a lease in developments across the city. DLD continues to improve the monthly index, which calculates average rent however it does not take into consideration aspects such as views, amenities, age or size.

2. The low-income housing policy:
In 2017, the government approved a low-income housing policy providing residential units for low-income working people (earning between AED 3,000-10,000) while renovating some old areas. Details of the policy, which may include providing incentives to low-income housing developers may be revealed in the next few months. According to several media reports, Dubai municipality allocated over 100 hectares of land in Muhaisnah 4, Al Quoz 3 and 4, mostly to meet the housing demand for people in this income category. The developments will house more than 50,000 people.

3. Expanding the metro:
By building more mass transit options, the government has been paving the way for more affordable housing in accessible areas futher away from city centres where land is cheaper. The upcoming extension of the Dubai Metro will connect the Nakheel Harbour and Tower station to the Expo 2020 site, further expanding housing options for middle and low-income households in areas with newer, more affordable and connected communities.

4. Laws to protect investors and developers:
The federal and local governments have introduced a regulatory structure to protect investors and funders and promote a sustainable real estate market. Recent initiatives have been focusing on refining this structure and addressing new issues emerging in practice.

Other main challenges remaining in the affordable housing market include:

1. Limited options for households earning less than AED 10,000:
While not all households should be homeowners, there are few homeownership options for families earning less than AED 10,000, as discussed above, since the supply for this price range is dominated by studios and one-bedroom units. The eagerly anticipated implementation of the low-income housing policy may address this gap.

2. Limited availability of finance:
Financing options for lower income segments are limited as most banks operate at an income threshold of AED 15,000 – 20,000. Lower LTV and higher registration charges, introduced in 2013, have stabilised the market but have created a hurdle for middle and low-income borrowers. Relaxing LTVs and/or registration fees for first time home buyers would address this dilemma.

3. Limited available data:
While undoubtedly Dubai is one of the most transparent real estate markets in the region, more publicly available data about the market is needed to better understand market gaps, including clear definitions of "middle-income," "low-income" and "very low-income" and data related to household income, cost-burdened households, and Dubai's older areas.

4. Preserving long-term affordability:
Investors are driven to more affordable units because they can exit from smaller units faster due to the high demand while enjoying attractive yields. Consequently, many middle and low-income housing units are bought in bulk by investors and are subject to speculation. To address this concern, other countries have introduced third parties that are mission oriented to preserve affordability, restricted some affordable housing purchases to end users, or restricted purchases by single investors.

5. From affordable housing to affordable living:
While the cost of housing puts a significant strain on households budgets, there are other costs to consider when choosing a place to live, including the cost of schooling. With rising living costs, we must consider the broader picture of what makes a living "affordable." As the market matures we need to refine our understanding of affordable housing and more sophisticated approaches to address it.

PARTNER REPORT

SURVEY RESULTS

PROPERTY MONITOR Residential Survey

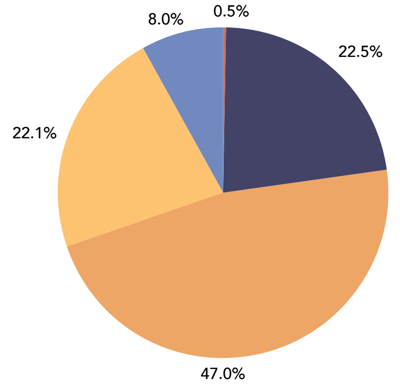
Predictions	Reality
The majority of agents predicted apartment prices would decrease by up to 5% and villa/townhouse prices would decrease by more than 5% during Q4 2017.	12 month declines in apartment and villa/townhouse prices have been 2% on average in Q4 2017.
The majority of agents predicted that apartment and villa/townhouse rents would decrease by more than 5% in Q4 2017.	Apartment and villa/townhouse rents have remained largely unchanged QoQ though 12 month decline is around 4% on average.
The majority of agents predicted new buyer enquiries, seller instructions and agreed sales would increase in Q4 2017.	According to data from real estate agencies, transaction levels for Q4 2017 were higher than Q3.

VS

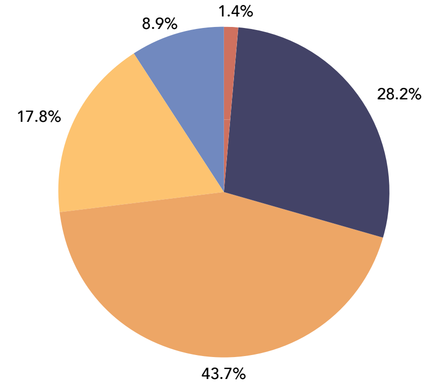
Looking Forward – Q1 2018

Q1 2018 Price Outlook

Apartments
Percentage of agents who predicted apartment prices would:



Villas/Townhouses
Percentage of agents who predicted villa/townhouse prices would:

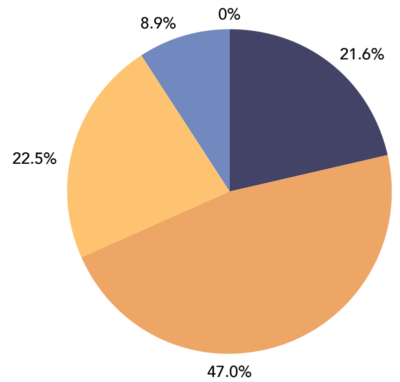


Increase by more than 5% | Increase by up to 5% | Not change | Decrease by up to 5% | Decrease by more than 5%

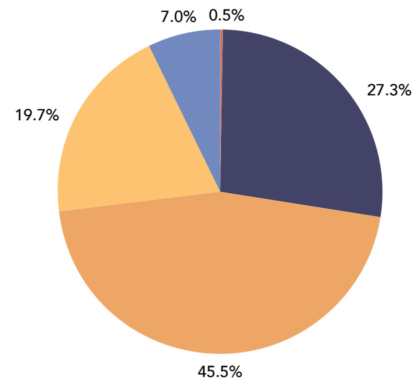
Source: Property Monitor and Residential Survey

Q1 2018 Rent Outlook

Apartments
Percentage of agents who predicted apartment rents would:



Villas/Townhouses
Percentage of agents who predicted villa/townhouse rents would:

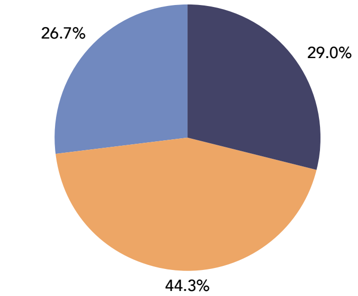


Increase by more than 5% | Increase by up to 5% | Not change | Decrease by up to 5% | Decrease by more than 5%

Source: Property Monitor and Residential Survey

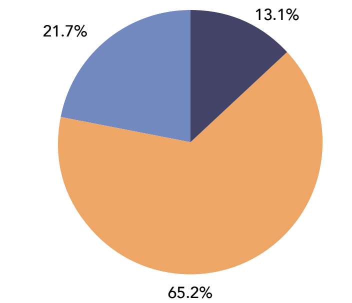
Q1 2018 Transaction Outlook

Percentage of agents who predicted new buyer enquiries would:



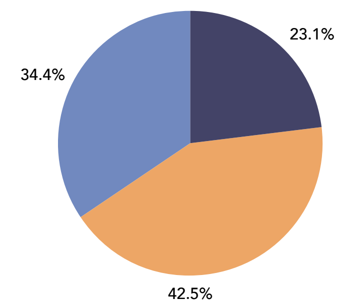
Decrease | Increase | Remain the same

Percentage of agents who predicted new seller instructions would:



Decrease | Increase | Remain the same

Percentage of agents who predicted agreed sales would:



Decrease | Increase | Remain the same

MARKET OUTLOOK

We deem 2018 to be the year of opportunities. Under the prudent vision of our leadership in the UAE, we have seen strengthening of political and economic ties between UAE and Saudi Arabia. This is envisaged to constitute immensely to economic growth and encourage investment into the property market. In addition, the recent improvement in oil prices paired with the proximity of Expo 2020, and the growth of the UAE's population are all indicators of an increase in market activity. Perhaps investors will look retrospectively after 2018 and regret not acquiring property.

Muhammad BinGhatti
Chief Executive Officer and Head of Architecture
Binghatti Holding

With over 34,000 units scheduled for completion in 2018, sellers will certainly need to be competitive and the secondary market will therefore witness a continuation of challenging times ahead. The off-plan market will remain popular as developers look to improve upon their already favourable payment plans. VAT will be an interesting new subject. Although pegged at just five percent, it will affect how much money we retain in our pockets, so in the short term, it will have a negative consequence on sentiment going forward.

Mario Volpi
Chief Sales Officer
Kensington Exclusive Properties

I do believe that 2018 will follow 2017 as another challenging year. Controls in the market are continuing to be introduced and developed as the industry is still learning and growing. Further legislation and tightening of real estate practices is creating a platform for a healthy and respected future for all stake holders. This drive towards longer term sustainability are all positive moves to further support investment into Dubai. Typically, I see the Dubai property market move in five year cycles and with the last peak being witnessed over 2013/14 we should be nearing a upturn in the market.

Zarah Evans
Managing Partner
Exclusive Links

The current global economy has been fluctuating and I believe it is largely impacted by political situation more than crude oil or financial bourse performance. It creates uncertainty which leads to holding back of financial decisions both from businesses as well as consumers. I believe 2018 has a bright outlook with most events settling. Like there is saturation for economic boom, same stands true for a slowdown. We are all set for a good run in 2018.

Atif Rahman
Director and Partner
Danube Properties

Whereas 2017 saw a huge focus on the off-plan market, with numerous deals and incentives, I think 2018 will see the attention turn back to the secondary market. The secondary market is stabilising, we are seeing more interested secondary market buyers than ever registering with us, there are some really good financing options and a lot of exciting things happening in Dubai which point towards a strong few years ahead. Confidence is good amongst our clients and the people we are dealing with.

Lewis Allsopp
Chief Executive Officer
Allsopp & Allsopp

Challenges will continue in the market throughout 2018. The overall economic environment will give direction to which way the real estate sector moves towards. Supply will be high, the question is will demand be strong enough to endure that supply; it is something we will all be keenly waiting to see. 2018 will once again be a year of mixed investor sentiment in the wake of regional and global economic activity. Dubai remains to be ahead in terms of infrastructure, civic facilities, and visionary leadership. Dubai in the long term will always be a winner.

Dounia Fadi
Chief Executive Officer
MD Properties

The current market scenario is on an upswing and looks positive. Starting mid- 2017, we have seen a considerable improvement in the sentiments attached to the real estate market. Real estate is all about demand and with 2020 just around the corner, we anticipate the demand for real estate projects to go up next year. Currently, the demand for high quality real estate in Dubai is higher than the supply and we feel that the coming next few years will be pivotal in shaping the scope for new projects and their delivery.

Francis Alfred
Chief Executive Officer
Sobha Group

SECTOR FOCUS EDUCATION

MATURE MARKET

Dubai remains the fastest growing private schools market in the world with an estimated revenue of AED 6.8 billion in 2016/17. Private school enrolment growth in the last five years was 6.4% compared to public schools at 1.7%. In 2015/16, the private school enrolment grew by 3.1%, which is still healthy compared to global averages.

The Knowledge and Human Development Authorities (KHDA) has a goal of accommodating 360,000 students by the academic year 2019/20 and 470,000 by 2027. The KHDA's goal is simple – more seats and more choice to drive up quality and put pressure on operators to reduce tuition fees.

The market has continually matured over the last three academic years. 36 new private schools opened in Dubai of which 10 opened in the current academic year (2017/18). Between 6-9 new schools are set to open in 2018/19, with several new schools focussing on niche concepts such as special educational needs and sustainability.

The market continued to develop throughout 2017 with the following trends shaping the landscape:

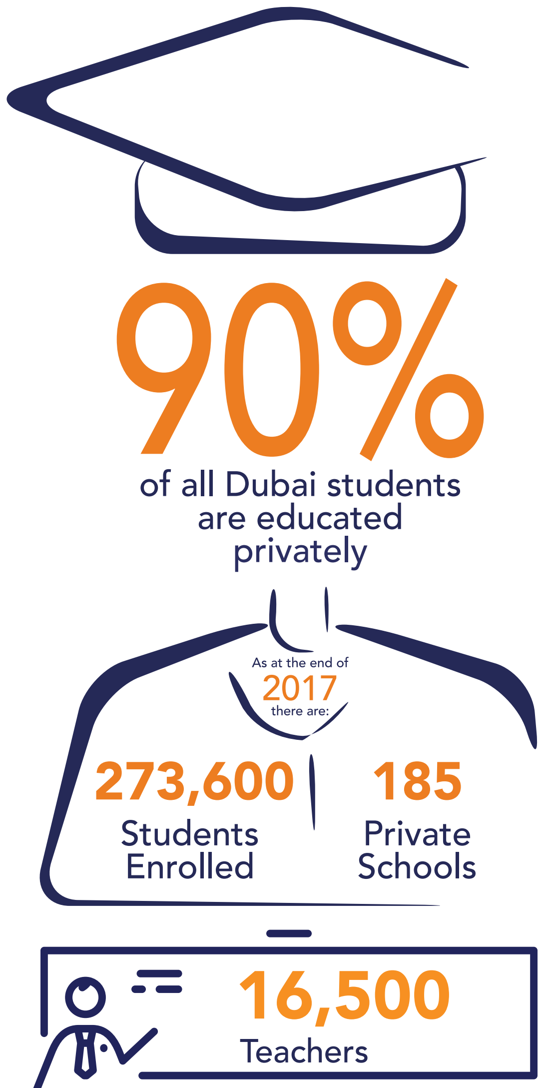
1 Dubai schools are now at full capacity or under capacity, whereas three years ago there were waiting lists in many schools. Due to this increasing competition, existing and new schools have been discounting their approved tuition fees. Parents are more discerning in this competitive market, causing a need for schools to deliver on parent's expectations and provide quality for money. It is now a parent-driven market.

2 Retention has become a significant issue both in terms of keeping students and also teachers. Due to reduced fees across some schools and a better choice, parents have been moving their children to different schools. Additionally, attracting and keeping the best teachers is essential. However a low supply of teachers is a worldwide crisis and one that is becoming an increasing challenge for school operators.

3 There are indications of saturation in the premium tuition fee market (between AED 60,000 and AED 100,000 plus a year), creating an uncertain future for some new entrants and some older schools. Earlier signals of market saturation included a slowdown in enrolment growth rates from 6.4% between the academic years 2011/12 and 2015/16 to 3.13% in 2016/17. The current capacity of the Dubai private school sector is 308,000 seats and the historic average utilisation is approximately 89%. There is however evidence that this utilisation rate is dropping, particularly in the premium and above segment. School marketing budgets have also doubled in the past year across the UAE as evidence of the response to greater competition.

4 Investors are considering a variety of options to access the market, and traditional greenfield projects present much greater challenges compared to previous years. There has been a noted mismatch in expectations recently between landowners, investors and operators. Greater competition amongst real estate investors for school assets has led to a yield contraction. Changes to the Knowledge Fund are likely to impact the supply of education land in 2018 and beyond.

5 Consolidation is expected amongst the school operators in 2018. There are only nine school groups (with two or more schools) and the majority of private schools are owned individually. Given the maturing market and some concerns around the resulting squeeze on profitability, some school owners are looking to sell. The school groups are carefully appraising these opportunities as higher EBITDA* multipliers are generally only available within a school group dynamic where there are economies of scale.



*Earnings before interest, taxes, depreciation and amortisation

GREATER PRESSURE ON AFFORDABILITY

As a consequence of market competition and maturing context, there has been significant pressure on tuition fee affordability. Margins are under pressure from operators. Parents are seeking value for money and are able to "shop around" to find the best price.

Existing operators within this affordable segment are set to expand in 2019 as their credentials suggest that greater value can be achieved with fewer resources. Their history of academic success presents additional pressure to the mid-market and premium players. This may impact parental choices for certain communities, and school operators will need to demonstrate their success in a number of areas to remain competitive.

Most of the new schools built over the last three academic years have an average tuition fee range of

AED 60,000 to over AED 100,000

However, in the academic year 2016/2017, this range reduced dramatically as approximately

57% paid annual tuition fees of less than

AED 20,000

With many schools focussing on affordability, the need for monitoring the quality of schools is more prevalent than before The KHDA manages quality through its inspection process operated by the Dubai Schools Inspection Bureau (DSIB). The Education Cost Index in 2016 was 3.21% and has been set to 2.4% for 2017. Depending on the rating given by the DSIB, a school has the option to increase its fees. However, some schools, even with the highest ratings, have chosen not to increase fees, thus reflecting the growing issue of affordability and utilisation/retention. This will place greater strain on school operations.

SECONDARY STUDENTS LEAVING FOR HOME COUNTRIES

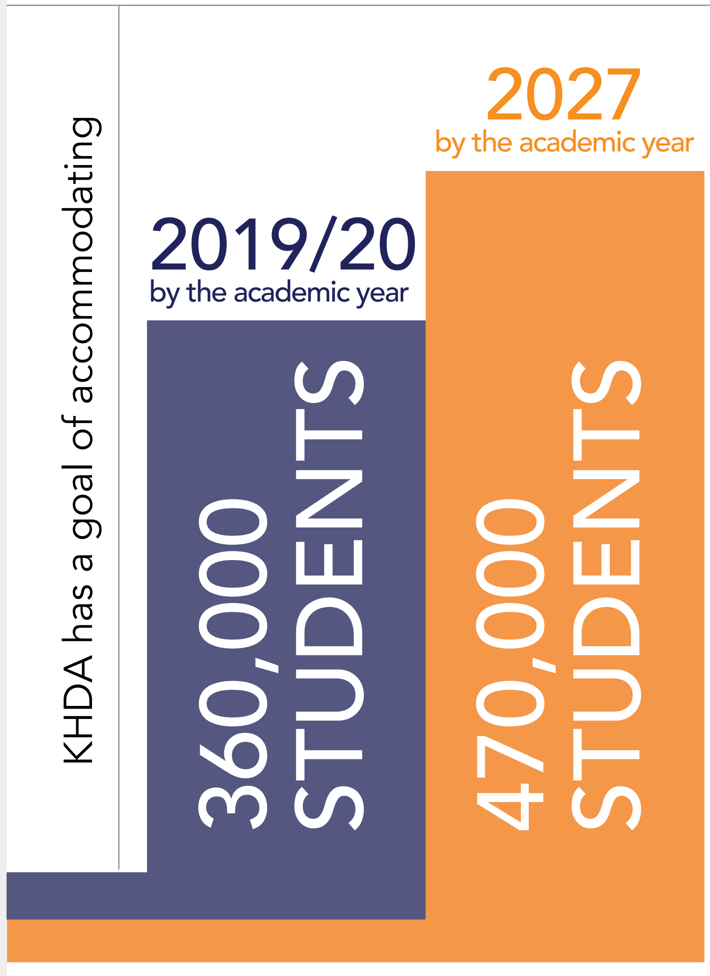
As the UAE matures, the nature and profile of expatriates is also changing. Over 61% of students enrolled within Dubai private schools are currently attending early education cycles (foundation, primary and up to grade five). This is in line with the demographic profile of the UAE. There is a growing trend of parents staying in the UAE and sending their children who are of secondary school age back to their home countries for secondary education. This is partly due to concerns over quality and the increasing cost of living, particularly fees versus quality. Secondary school attendance in the home country can also reduce the cost of tertiary education.

DUBAI GOVERNMENT

The Dubai government has called for greater focus on quality education with an emphasis on providing it for Emirati students. 58% of all Emiratis send their children to private schools (32,103 students). Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum has called for the number of Emirati students to be in schools rated good or better to reach 100% from the current 54% in three years' time. This initiative recognises the need to better equip the nation as it matures. With the majority of the Emirati students attending American schools (20,197), it will come as no surprise to see a growth in American schools over the next few years.

Which School Adviser recently published its findings on the perception of education by existing parents and found that 42% of those questioned believed that Dubai education is not up to international standards. The drive for quality has also led to a moratorium on nursery licences in Dubai as the use of villa/townhouses is no longer seen as creating an appropriate start for young students. Early years centres are under pressure as cost and geography have become magnified within this segment. Several existing players have closed operations in certain areas, and new operators have opened in communities within outer Dubai.

2018 is sure to be a year for change in the education market in Dubai. With the pressure on schools to reduce costs to stay as a strong option against competition, and teachers pressuring for higher salaries, consolidation of school owners is inevitable.



METHODOLOGY

Sale prices and rents are derived from Property Monitor (www.propertymonitor.me), a real estate intelligence platform established by Cavendish Maxwell in 2014. Property Monitor provides real-time, market-wide transactional data and trends. Working with governments, agencies, banks, developers and corporate investors, it provides deeper insight into real estate advisory, investment, and lending activities. The average sales price per sq ft is based on the Property Monitor Index which incorporates signed contracts, registered transactions, valuations and listings verified by Cavendish Maxwell's market leading valuation department.

Property Monitor Residential Survey is a quarterly study of agent opinion designed to identify residential market sentiment. This research highlights how new enquiries, leasing activity and transactions, among other metrics, changed from quarter to quarter with agent predictions compared to actual real market performance.

Supply projections for residential projects are based on the Property Monitor Supply Tracker which tracks supply in real time, regular tracking of construction projects, new launches and delays. This is achieved through site inspections as well as regular feedback from developers, contractors, Cavendish Maxwell's building consultancy team and related government entities.

Our documents and advice meet banking and audit criteria, proven by our presence on over 40 bank panels across the Middle East.

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