

# LUXHABITAT

## Dubai's secondary residential market excels in Q1 2018

DUBAI, 2ND APRIL 2018



A villa in Jumeirah Bay sold for AED 41.1 million this past quarter

An overall analysis of the Dubai residential market in Q1 2018 revealed that even though there has been further flattening in the overall market, **secondary residential market transactions remained relatively stable. Over 622 villas and 7,050 apartments were transacted within the first quarter of the year** in the secondary residential and off-plan market. Volume of transactions in the secondary market during the **first quarter of 2018** were **AED 8.6 billion**, compared to **AED 10.1 billion** in **Q4 2017**, according to analysis by Luxhabitat based on data by Property Monitor.

### OFF-PLAN MARKET

In comparison, the off-plan market activity for residential transactions has reduced, perceivably due to **the announcement that Dubai developers need their projects to reach 50% completion before declaring their properties for sale.** They must pay off all the costs related to land as well. These moves were made presumably for a healthier long-term market. Off-plan transaction volumes and no. of transactions dropped almost 28% from the previous quarter to AED 5.8 billion. The total number of units scheduled to be completed in 2018 is 80,000, according to Property Monitor; with over 2,000 units being delivered in each of the following areas: Downtown Dubai, Business Bay, Mohammed bin Rashid city and Jumeirah Village Circle.

"We're also seeing more extended post-handover payment plans, discounts and DLD waivers from developers." Adds Brigitte Tenbergen, Associate Director at Luxhabitat. "What I perceive as a general sentiment is that buyers are overwhelmed with the amount of projects in the market and in no rush; they take their own sweet time and are demanding discounts/waivers as they are well aware that there will be an oversupply of properties in the market."

Associate Director, Sally Ann Ghai comments “While it is true that the attraction of extended developer payment plans hook those buyers short of a 35% deposit for a AED 5 million+ home purchase, only a review by the central bank on borrowing rules will truly support a revival in the secondary market which matches the recent success of off-plan opportunities. It has undoubtedly been the extended payment terms propelling this drive to off-plan. With new regulations curbing developer cash-flow, these extended terms may tighten in the future.”

#### PRIME RESIDENTIAL MARKET

According to Luxhabitat’s analysis, **the prime residential market in Q1 2018 totalled AED 5.3 billion**. It was observed that secondary **villa sales volumes far exceeded off-plan sales this quarter**, continuing on the trend from the last quarter. Luxhabitat defines the prime residential market as a residential market composed of properties that lie on the high end spectrum of the Dubai residential market. Luxhabitat recognises 13 key areas that form part of this classification; the areas are Al Barari, Arabian Ranches, Downtown Dubai, Dubai Marina, Emirates Hills, Jumeirah, Jumeirah Beach Residence, Mohammed bin Rashid city, Jumeirah Golf Estates, Jumeirah Islands, Jumeirah Lakes Towers, Palm Jumeirah, The Lakes, Meadows, & Victory Heights. The three top performing areas were Dubai Marina (AED 1.09 billion), Downtown Dubai (AED 820.6 million) and Palm Jumeirah (AED 558 million).

Associate Director, Sally Ann Ghai thinks that investing in a secondary market product for both buyers and end-users might prove to be a better investment. “For clients looking at a longer term investment, they may realise more value from a cooled and increasingly rational secondary market; with sellers now reality-checked in their asking prices, compared to developers who are front loading pricing in most prime off-plan developments. The question is whether off-plan can hold these values on delivery under weight of supply?”

The price chasm between expensive pending unfinished stock, and the softening to lower values of homes which are ready and in settled communities is favouring a swing back towards the older areas, already situated in the most peach locations. As long as homeowners have insulated their property value from perceived aging by undertaking well executed, tasteful contemporary upgrading and good care and maintenance, they are still very much in demand.

It is interesting to note that eagle-eyed investors have already spotted the opportunity in this disparity, and while there remains a margin to acquire an older home at a good price, add value and turn it around fresh and re-purposed, they will surely take it. Expect to see a revitalisation in Dubai’s most well-loved prime communities, which puts the quality of these homes back in contention.”

#### 5 BEST PRIME RESIDENTIAL AREAS IN TERMS OF GROSS INVESTMENT YIELD

Area	Average gross investment yield (%)
Jumeirah Lake Towers	7.64
Victory Heights	7.47
Emirates Living	6.44
Dubai Marina	6.12
Jumeirah Beach Residence	5.86

Source: Luxhabitat x Property Monitor Analysis, April 2018

**TOP 5 VILLA TRANSACTIONS**

Development	Price	Average BUA)
Jumeirah Bay Island	41,100,000	Not specified
Jumeirah Bay Island	36,000,000	19,100
Emirates Hills	25,900,000	12,432
Jumeirah Bay Island	21,800,000	Not specified
Fronds, Palm Jumeirah	19,000,000	7,000

Source: Luxhabitat x Property Monitor Analysis, April 2018

**TOP 5 APARTMENT TRANSACTIONS**

Development	Price	Average BUA (Built Up Area)
Bulgari Resorts & Residences	60,000,000	14,331
Royal Atlantis Residences	25,000,000	4,805
Royal Atlantis Residences	21,315,000	4,338
Alef Residences	14,200,000	6,912
1 JBR	12,970,000	3,776

Source: Luxhabitat x Property Monitor Research, April 2018

**LUXHABITAT is proud to say it has sold one of the most expensive apartments in Dubai during Q1 2018, the apartment in Alef Residences worth AED 14.2 million.**

**RENTALS MARKET**

“High-end rental prices continue to decrease on average 5-15% ytd from 2017. However, in Q1 2018 we witnessed an influx of new residents to Dubai with higher-than-average budgets indicating the demand for luxury rentals will continue through Q2 and Q3 2018 which is when many tenants choose to relocate to Dubai.” Comments Ryan Kasper, Luxury Rentals Director at Luxhabitat. **Luxhabitat has managed to rent the most expensive one bedroom unit in Dubai Marina this quarter.**

**About LUXHABITAT**

LUXHABITAT is Dubai’s only high-end real estate company focused on marketing, selling and designing the most important real estate properties in the region. The company is focused on properties above AED5M and in 2014 had an average property transaction of AED14M. The company is focused in sourcing the best quality properties in premium residential areas such as Emirates Hills, Palm Jumeirah, Al Barari, Jumeirah Islands, Jumeirah Golf Estates, Meadows, Lakes and Arabian Ranches; and also, the best apartments and penthouses in upscale buildings such as Le Reve, Index Tower, Six Towers, Burj Khalifa, The Address Hotels, among others. For more information, visit its award-winning website at [www.luxhabitat.ae](http://www.luxhabitat.ae)

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