

STRICTLY CONFIDENTIAL



## Dubai: Buy Land Where the City Ends

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## Executive Summary

- Over time land has proven to be a more lucrative asset class relative to ready-residential units. Its superior growth rates can be witnessed amongst various metropolitan cities around the world such as Beijing and Calgary. Similar patterns can be witnessed in Dubai as well; land prices outperformed residential units by as much as 140% in the last 10 years. With the increased emphasis on “urbanization”, the pressure to develop land will only accelerate, leading to further upward pressure on land prices as Dubai marches forward to achieving its goal of having 20 million tourists and a population of 3.5 million by the time it hosts the World Expo in 2020.
- Demographically speaking, the residence in freehold communities as a percentage of overall population has increased dramatically from 4 to 13% in the last five years. Given the current trajectory of growth of the population, along with the pace of construction projects that have been unveiled, this figure is expected to ratchet steadily higher as the freehold market becomes increasingly prominent as a source of supply and housing for the city. This trend, already reflected currently in the number of freehold land transactions, will steadily manifest itself in the form of completed unit transactions as well.
- Given the current spectrum of projected supply in Dubai’s freehold market over the next few years, it is apparent that the bulk is concentrated on the high end, whereas topographically speaking the bulk of the supply in land is in the mid income segment. With this demand/supply mismatch that has opened up, developers will shift their plans and cater to the burgeoning demand in the mid income space, especially in areas like Arjan, Majan, Liwan, DSO, JVC Sports City, and in the longer term, the DWC Residential district. This will augment the upward pressure on land prices in these areas, thereby reaffirming our opinion that land prices will continue to outperform.

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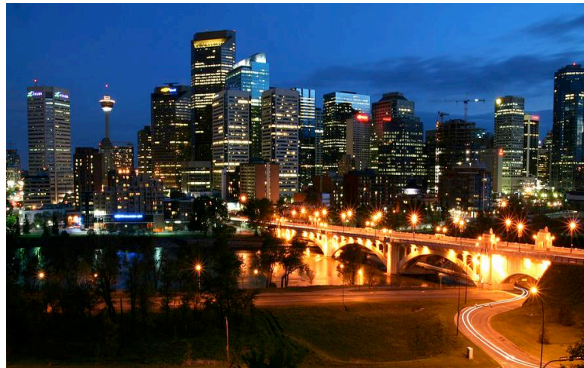
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# Land a Superior Asset Class

Beijing - China



Calgary - Canada



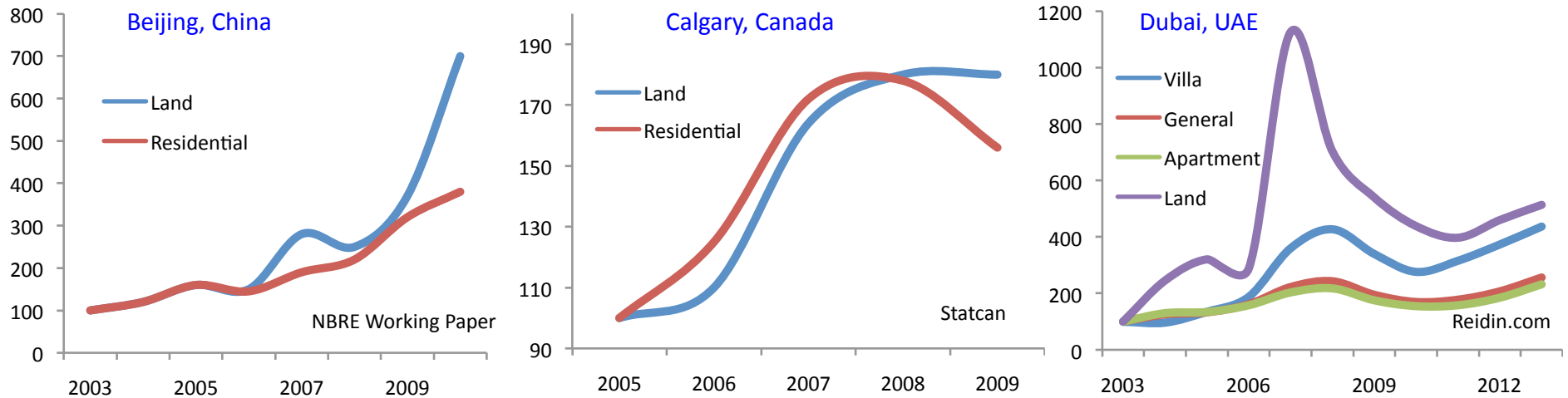
Dubai - UAE



"Buy land, where the city ends." - Mark Twain

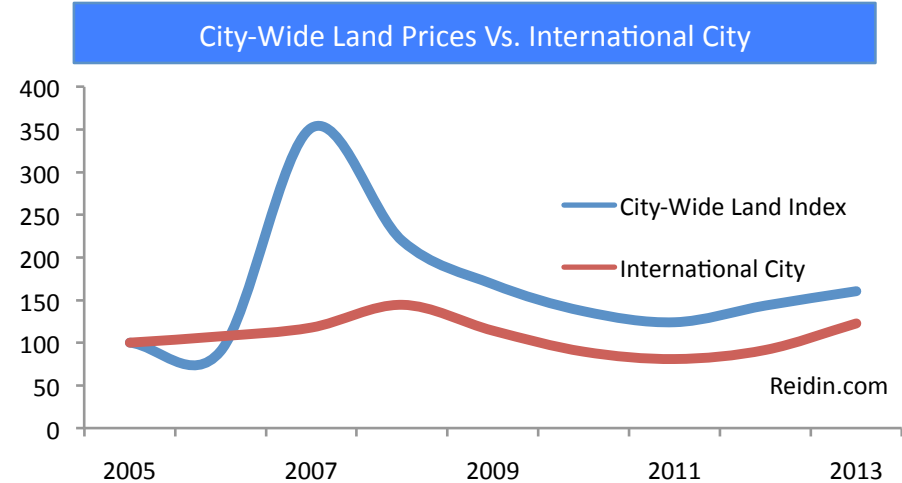
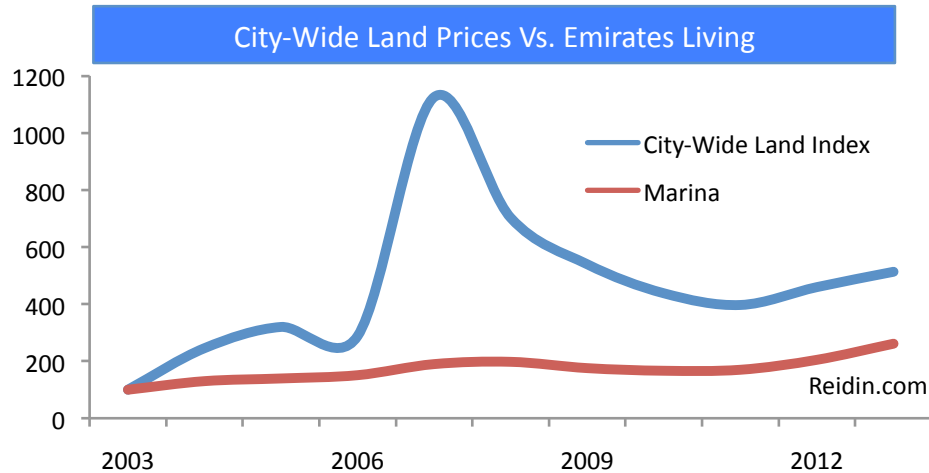
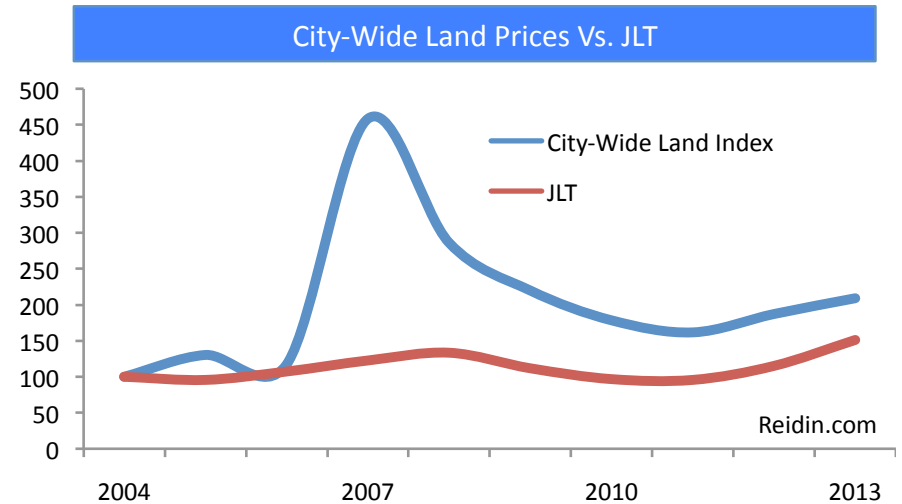
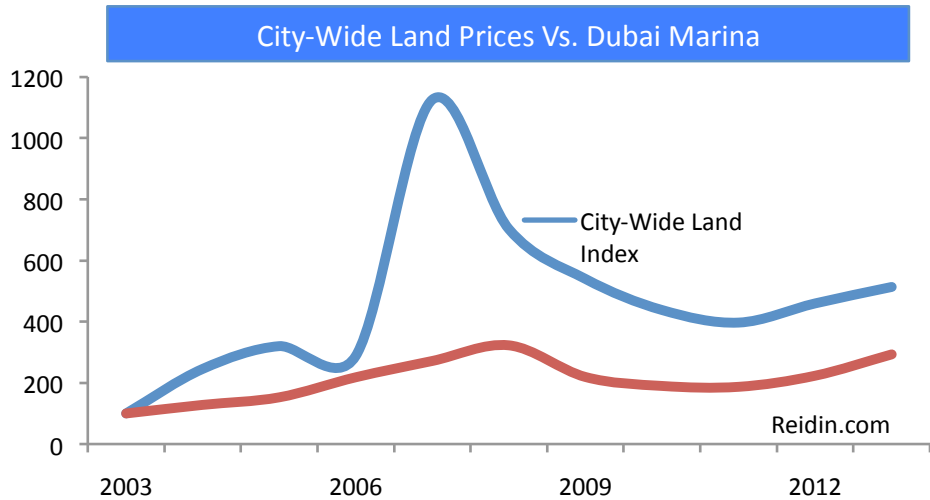
# Land a Superior Asset Class !

Land Price Index Vs. Residential Price Index



A time series analysis of real-estate prices in various cities indicate that land prices have outperformed residential built-up units, in some cases by a factor of 2x. This trend has been witnessed in Dubai as well, and has a strong theoretical underpinning by virtue of the 'urban effect' causing a systematic reduction in land supply. In Dubai's case this trend is amplified by virtue of its aggressive city developments and we opine that this trend will accelerate as Dubai embarks on its construction boom to cater to the World Expo 2020.

# A Community-wise Comparison Endorses Land as the Outperforming Asset Class in Dubai



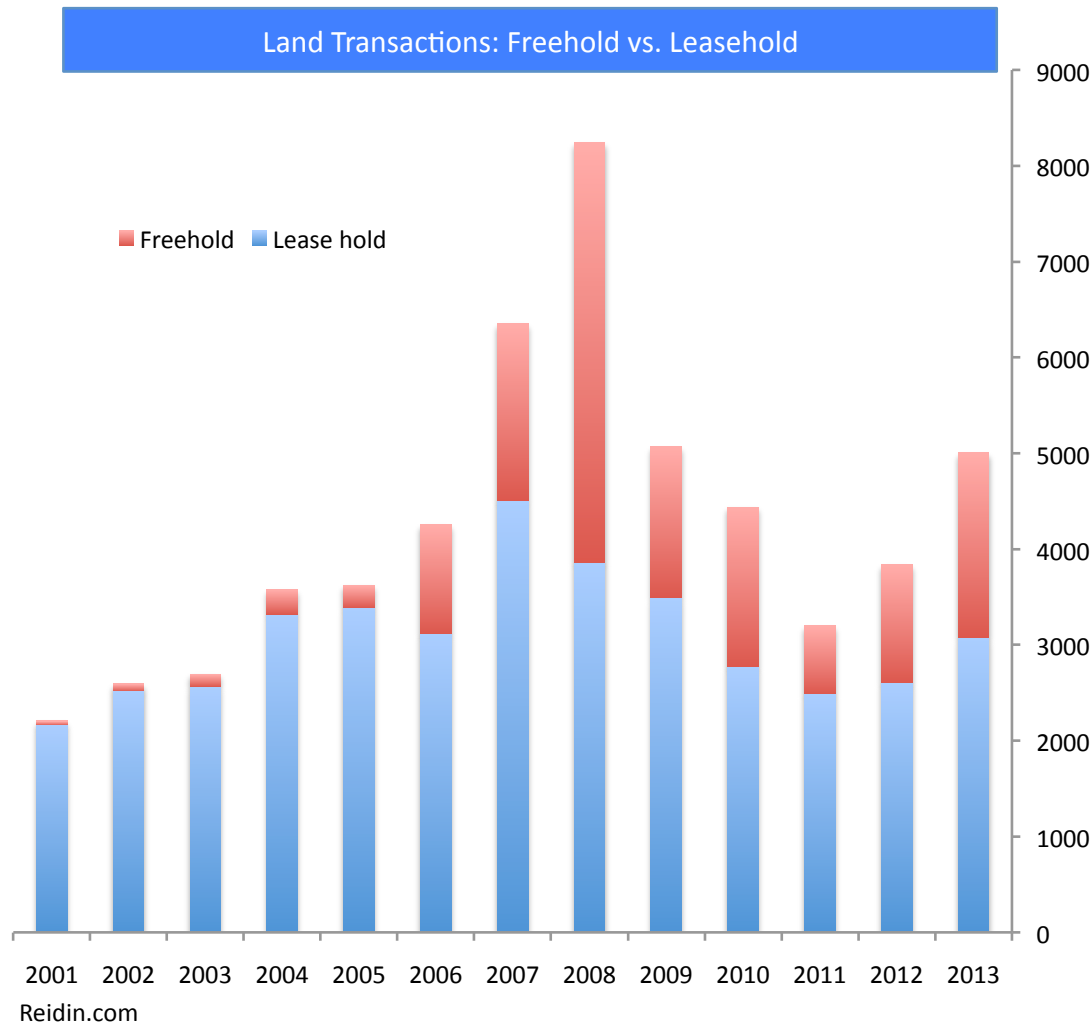
When compared to the price appreciation of individual communities (including the blue ribbon gated areas of Dubai Marina and Emirates Living), land has systematically outperformed, affirming its status as a superior destination of investment. As the available stock of urban land continues to be under pressure with the rapid city wise development that is currently being unveiled, land prices are expected to continue to their superior trajectory in the medium term.

## Birth of Freehold Dubai



“Land: A part of the earth's surface, considered as property. The theory that land is property subject to private ownership and control is the foundation of modern society, and is eminently worthy of the superstructure” - Ambrose Bierce

## The Birth of Freehold Communities ...

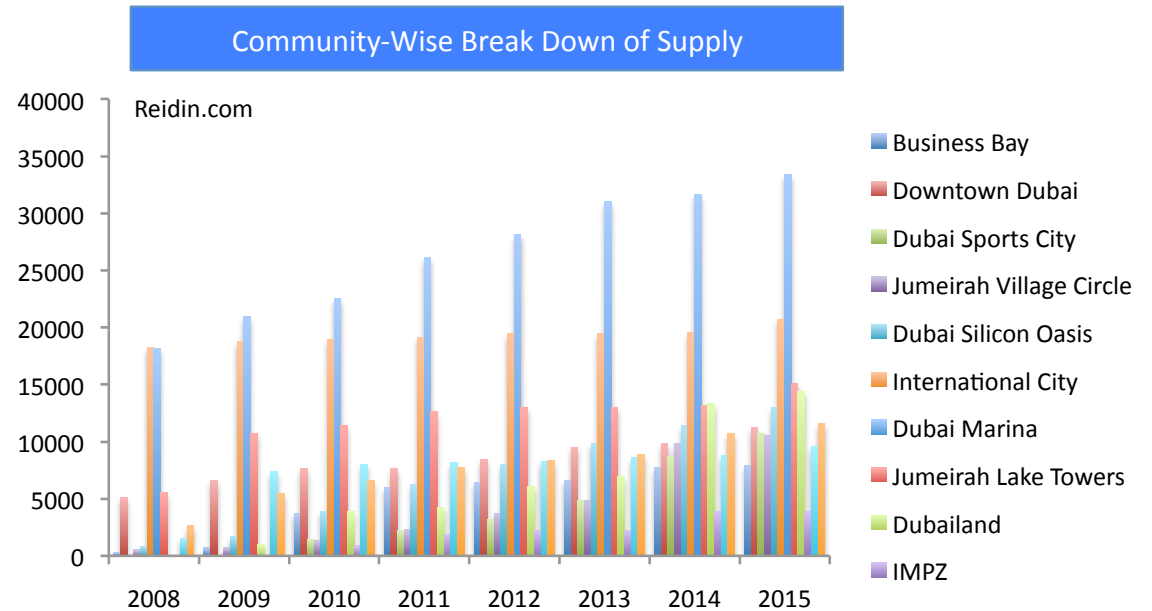
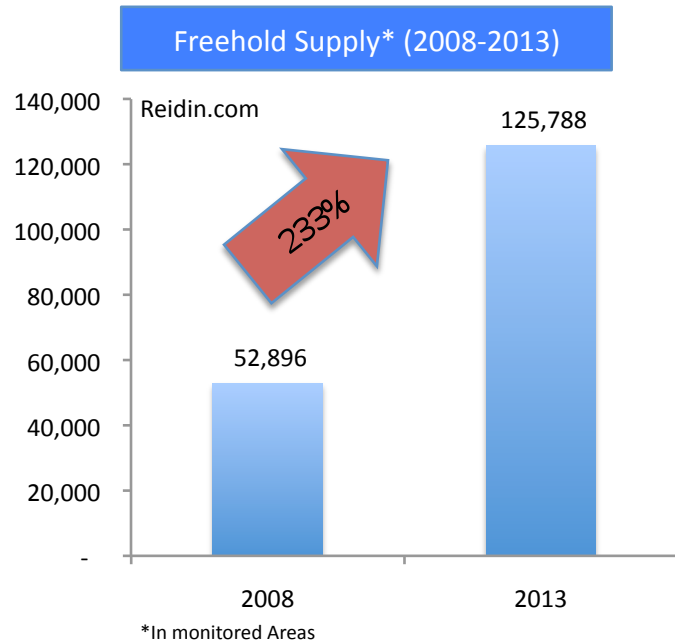


An analysis of land transactions bifurcated between leasehold and freehold area shows a growing popularity in the latter, where in 2008 freehold transactions accounted for more than half of overall transactions. Even though the number of transactions abated in the ensuing crash, it has rebounded in the last 18 months, illustrating the rising significance of the freehold space in the city.

As the pace of freehold developments continue to rise (underpinned by the construction of the Dubai World Central Residential city district), we expect that freehold ready unit transactions will dominate the overall number of transactions in the city just as land transactions are doing so now. This is a function of both the rising number of units that will be available as well as the migration of the population that is expected to transpire, in the coming years.



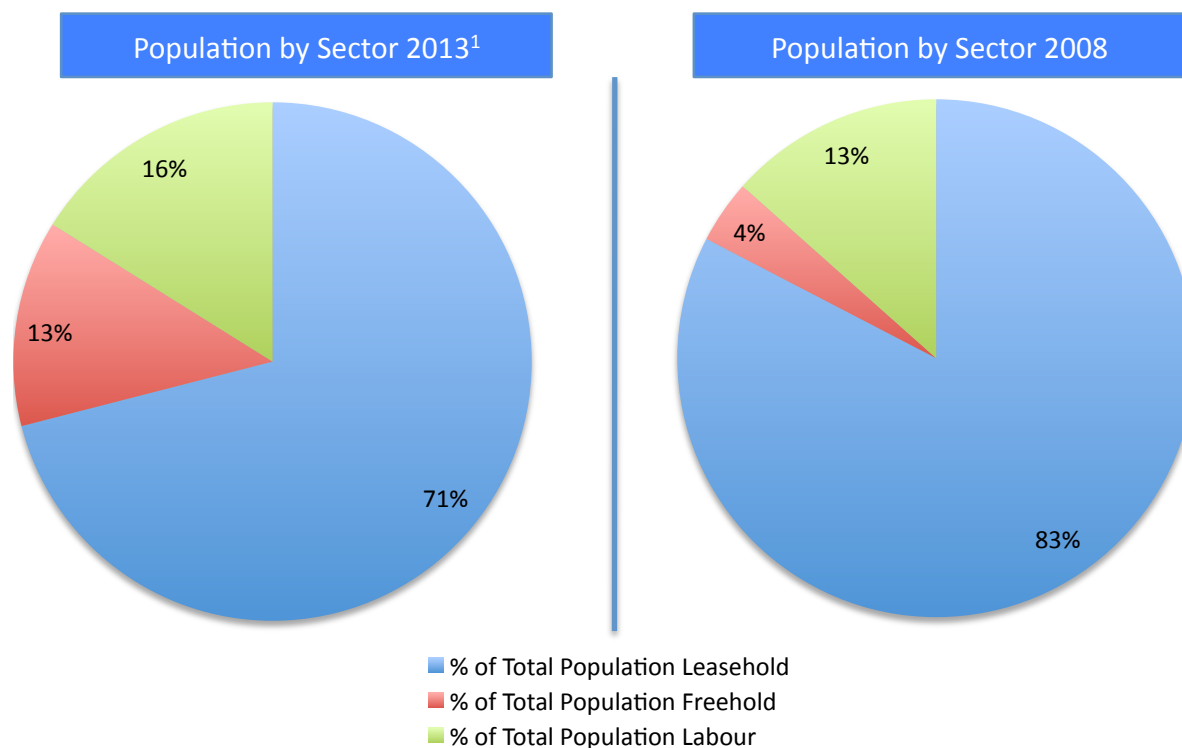
# Freehold Supply Increases by 233% in the Last 5 Years !



The increase in developmental activity in freehold areas, which is reflective in the land transactions, can be witnessed in the injection on new supply in the market. In the last five years freehold communities have increased supply by 233%. As Dubai's population continues to grow at 5% CAGR, it is manifest that the growing supply will increasingly cater to the increase in demand.

A community wise analysis suggests that even though the bulk of the current supply is in high income areas such as Dubai Marina and Business Bay, incremental supply will be concentrated on the MBZ corridor in the next two years. Over a larger time frame, this supply dynamic is expected to be dominated by the DWC district.

## ... Resulting in a Shift of Demographic Living to Freehold Communities



In 2008, freehold areas accounted for only 4% of the population, which has more than tripled in the last 5 years. This shift in demographics can be accredited to the pace of development taking place in freehold communities, coupled with the saturation of leasehold areas. We believe that the shift in population towards freehold living will continue to rise, driven predominantly by new freehold launches such as Muhammad Bin Rashid City and Dubai World Central. Both these projects in tandem contribute 550 million square feet.

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**“Population living in Freehold Dubai has increased from 4% to 13% in the last 5 Years”**

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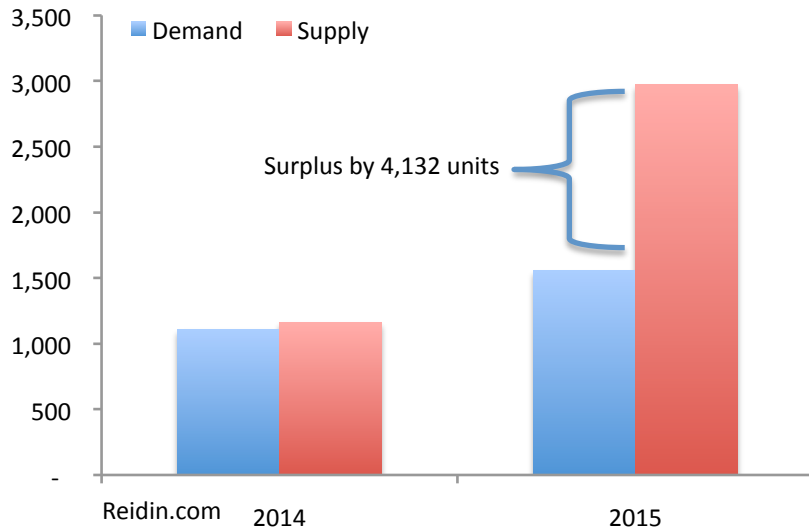
## The Land Repositories of the Middle-Income Housing



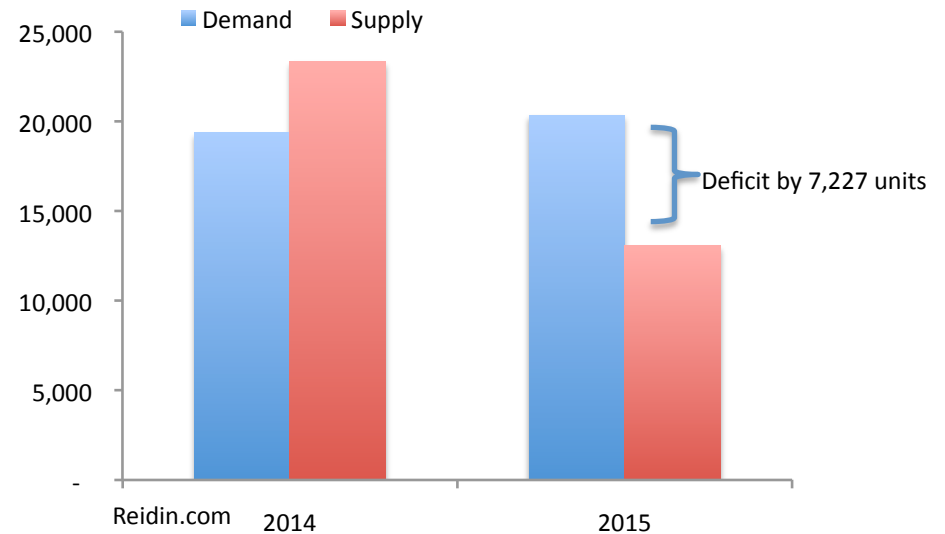
“Large fortunes are all founded either on the occupation of land, or lending.” - John Ruskin

# Supply Skewed towards Prime Housing (2014-2015): Forecast

Supply & Demand : Prime Housing (2014-2015)



Supply & Demand : Non-Prime Housing (2014-2015)



As Dubai continues to roll-out supply in order to accommodate the expanding population, we begin to see an excess of prime residential units scheduled to be delivered in the housing market in the next two years. This surplus will lead to a tapering of prices within this segment. We expect this trend to continue with the launches of projects such as MBR City, Golf City, Lagoons, and Dubai Hills.

On the other hand, the middle-income segment of the population, accounting for 43%, will be face a shortage until new communities start to drive out their infrastructure. In the near term DSO, Jumeriah Village Circle, IMPZ, DIP and Sports City will become the major repositories for the middle-income housing.

Assumptions:

Dubai Population growth at 5% CAGR  
 Housing Demand based on 4 people per Unit

# The Middle-Income Housing Land Repositories: Developmental Analysis

## Development Stage - 1



Type: Mix-Used  
Developer: Dubai Properties



Type: Mix-Used  
Developer: Dubai Investments



Type: Mix-Used  
Developer: DSC Holdings



Type: Mix-Used  
Developer: Dubai Properties



Type: Mix-Used  
Developer: Nakheel

## Development Stage - 2



Type: Mixed-Use  
Developer: Dubai Properties



Type: Mix-Used  
Developer: Dubai Properties



Type: Mix-Used  
Developer: Dubai Properties

## Development Stage - 3



Type: Mix-Used  
Developer: DWC



Type: Mix-Used  
Developer: Nakheel



Type: Mix-Used  
Developer: : Dubai Properties

### Stage 1:

Communities that have basic infrastructure, ready and available units, along with basic facilities

### Stage 2:

Communities that have basic infrastructure, and supply that is expected over the next 8-16 months

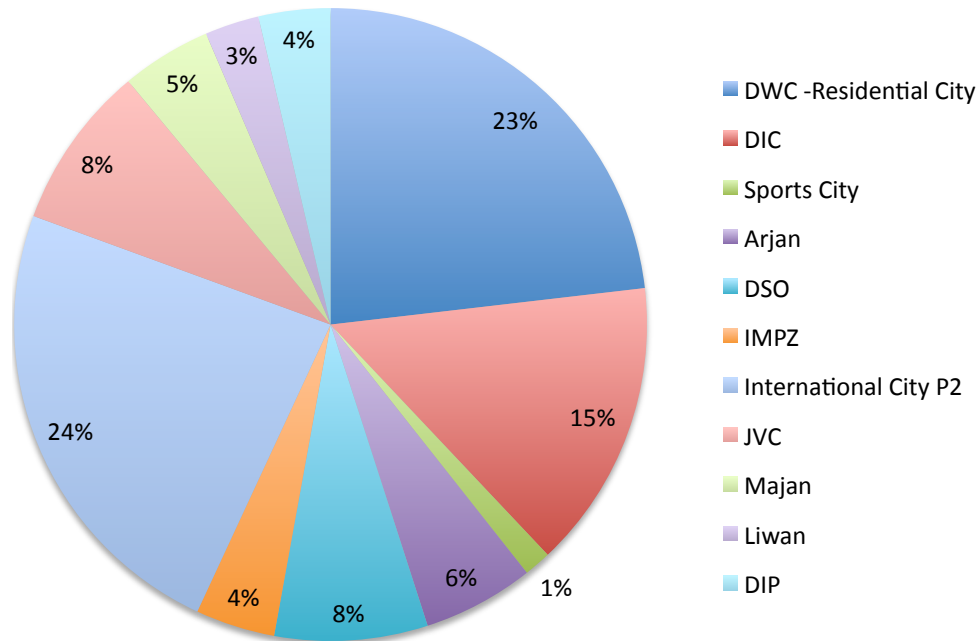
### Stage 3:

Communities that have basic infrastructure, with supply that is expected over the next 16-24 months

An urban analysis depicts that the bulk of the land supply will be used towards mid income housing; this however will be introduced to the market over the next 3-5 years, indicating a shortage of supply In the interim period; this then implies that land prices in these areas will accelerate their march upwards as developers take cognizance of these opportunities.

# Land Bank Analysis: Middle-Income Residential Supply

Available Land by Community



Reidin.com

Area	Available Land (Sqft)
DWC -Residential City	76,960,000
DIC	49,200,000
Sports City	4,600,000
Arjan	18,900,000
DSO	26,000,000
IMPZ	13,500,000
International City P2	78,600,000
JVC	27,870,000
Majan	15,280,000
Liwan	9,700,000
DIP (Residential)	12,200,000

A community-wise breakdown of available land in the middle-income housing segment depicts that DWC-Residential City and International City Ph 2 will be vital in housing the middle-income segment in the future. However as Dubai gears up for the World Expo 2020, we expect to see an exponential growth rate in development of DWC-Residential City as it will be fundamental in housing employees working in Dubai World Central district, which is also home to World Expo Site 2020.

## Conclusion



“Conservation is a state of harmony between men and land” - Aldo Leopold

# Conclusions

*In the long-run, land as an investment has had superior growth rates relative to ready residential units across different metropolitan cities.*

*The Dubai population living in freehold communities has tripled in the last 5 years.*

## Land a Superior Asset Class

- Land has outperformed residential prices over a long-term horizon. This trend is witnessed globally in various metropolitan cities such as Calgary and Beijing.
- Similar trends have been observed in Dubai. The rapid development of the city will further push land prices on an upward trajectory as the land bank systematically reduces
- A comparison between city-wide land prices and residential units in inhabited communities validate the aforementioned assertion

## The Land Repositories of the Middle-Class

- The injection of supply into Dubai's housing market over the next couple of years is skewed towards prime-housing creating a surplus, whilst non-prime housing faces a deficit
- In the short-run in order to correct the imbalance of supply, we expect to see a surge in developments in middle-income housing communities such as JV, Majan and Sports City.
- In the long-run, communities such as DWC-Residential City and International City P2&3 will be the repositories for housing the middle-class, which accounts for 43% of the population.

## Birth of Freehold Dubai

- The creation of Freehold Dubai has led to an increase in developmental activity, reflected in the land transactions, in Freehold communities
- The increase of supply in freehold areas by 300% has translated to a three fold increase of residents in freehold areas
- We opine this trend will continue as Dubai proceeds with its aggressive developments, primarily focused in the freehold areas

## Outlook

- Given the pace of urbanization that is expected to be witnessed, we opine that land prices will continue to ratchet higher in the coming years.
- This is particularly true in the mid income segment of the market as developers race to bridge the demand supply mismatch that has opened up in this space.
- Moreover, the population shift from leasehold to freehold communities will continue as the freehold supply pipeline ratchets higher





Unitas believes in in-depth planning and discipline as a mechanism to identify and exploit market discrepancy and capitalize on diversified revenue streams.

Our purpose is to manage, direct, and create wealth for our clients.

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The Ruler of Dubai and Prime Minister of UAE

