

STRICTLY CONFIDENTIAL



Dubai: The Tautology of Supply

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Executive Summary

- A look back at Dubai supply and demand metrics reveals that in the last 14 years the population (excluding labor) has increased by 145%, whereas the number of residential units has increased by 252%. In the last four years the population density has increased from 3.1 to 3.4 people per unit, while the average household size has decreased from 4.4 to 4.2 people per unit. The convergence of population density and average household size can be attributed towards higher vacancy rates, the holiday phenomena and shift in demographics of nationalities towards a Western diaspora which typically has lower household density levels.
- A comparison between the average household size of Palm jumeirah and Arabian Ranches reveals that the latter is almost double of the former. The startling difference between both communities can be attributed towards their characteristics. Palm Jumeirah is known to be one of the top destinations for holiday homes in Dubai, compared to Arabian Ranches which is driven by end-users.
- During 2014, the consensus between analysts predicting supply being handed over in 2015 was between 22,000 to 26,000 units. However, in the first three quarters of 2015 a total number of 9,043 units were completed. We opine that due to exogenous factors such as the strengthening of the dollar and crash of oil prices, the ambitious completion dates of developers has been stunted causing a deficit in incremental supply versus incremental demand in 2015. We opine that supply will continue to be pushed back as developers respond to declining prices by delaying existing projects; this implies that fears of oversupply are exaggerated, especially given the fact that a robust and expansionary fiscal policy will continue to lead to job creation.
- In 2016, the projected supply has increased to more than 25,000 units due to the delays of various projects in 2015. However, an analysis of RERA's completion rates of various projects of 2016 leads us to believe that only 18% of the stipulated supply will be complete causing a ripple effect in coming years. If demand continues to outstrip supply we opine that prices will begin to accelerate again (albeit at a modest pace), making today's price points an attractive buy given the factors at play.



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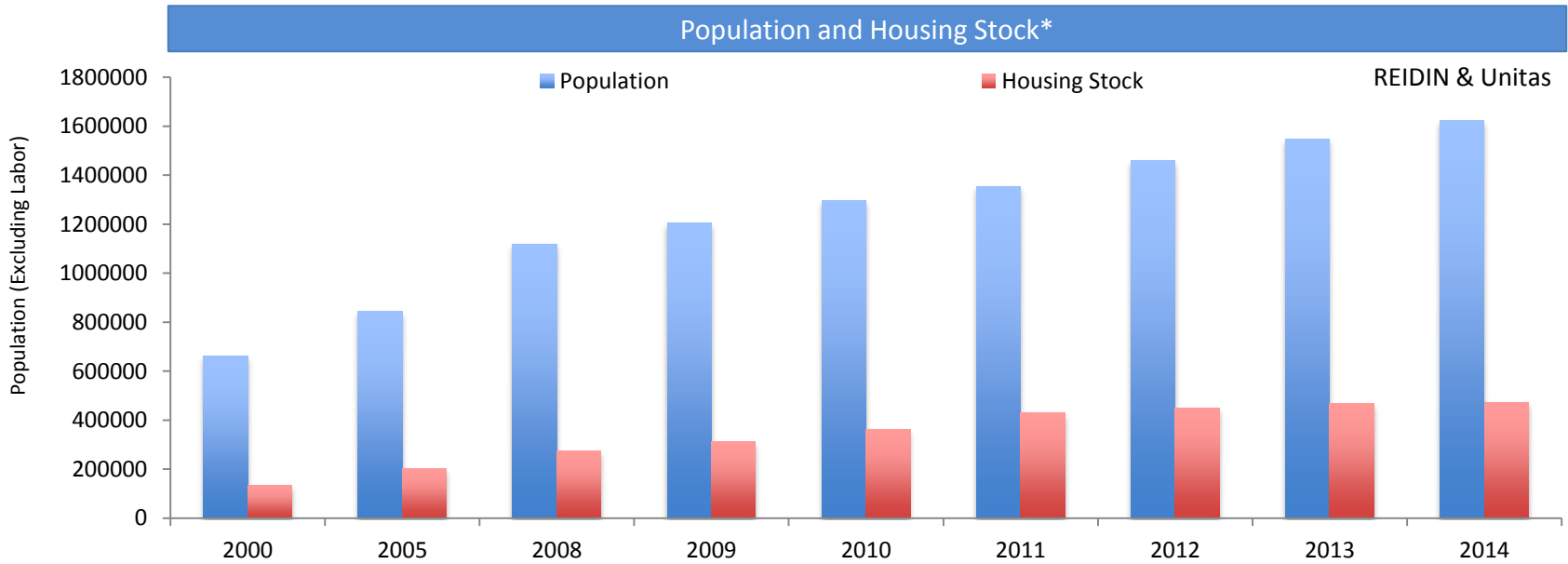
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A Look Back at Dubai



“A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty” – Winston Churchill

14 Years Gone By ..

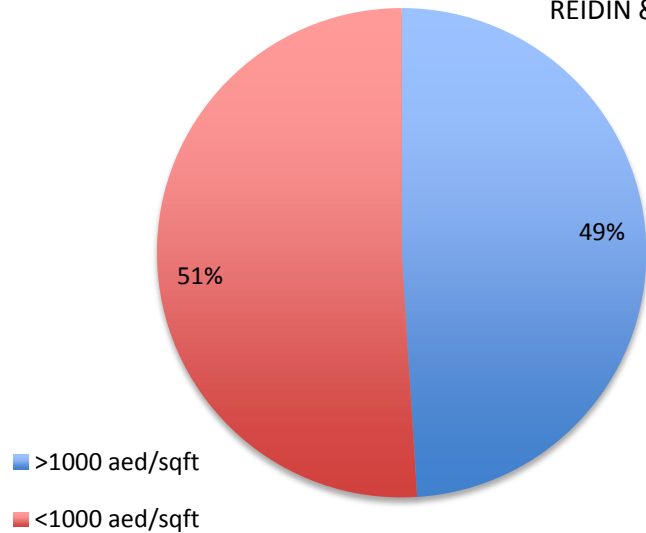


A look at Dubai's growth trajectory in terms of population and housing stock reveals that the population (excluding labor) has increased by 145%, whereas the number of residential units has increased by 252%. The exponential increase in both the aforementioned factors were due to creation of freehold in Dubai, which sparked a construction boom and led to an influx of both capital and people.

Structure of Dubai's Real Estate Supply

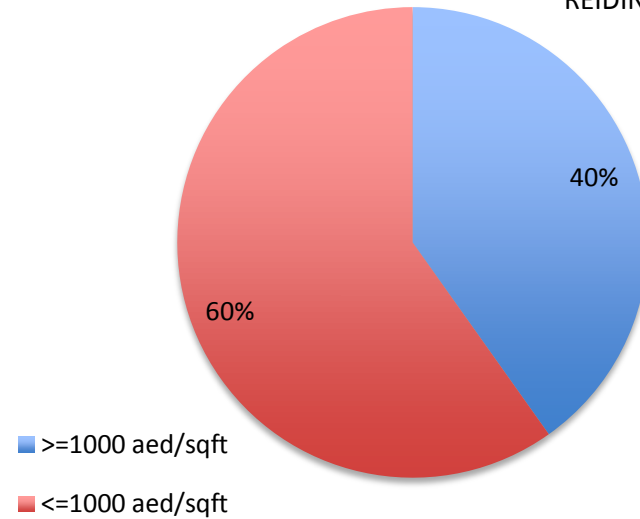
Price Structure of Freehold Dubai

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Price Structure of Freehold Dubai Upcoming Supply

REIDIN & Unitas



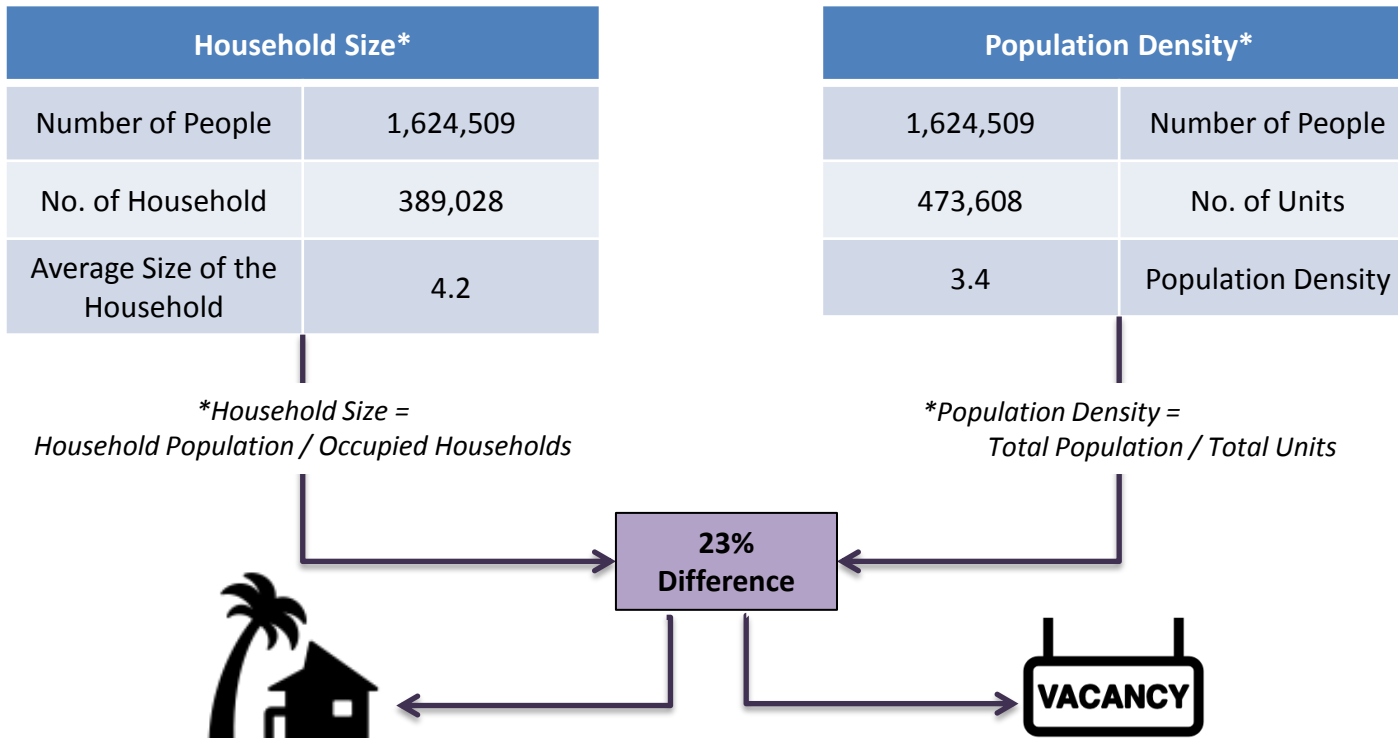
Currently Dubai's freehold stock is divided approximately evenly between units priced above and below 1000 aed/sqft. The current freehold structure is not conducive to home-ownership for the mid market on a price per square foot basis. Although, a variety of new affordable project launches have proliferated the market, developers have sustained their margins by shrinking unit sizes compared to reducing the square foot price (as stated in our previous report entitled "Size Matters – Q3 '15"). It is the paucity of choice in the affordable segment that has as of yet not mobilized savings in this segment towards the real estate segment thus far; we opine that this will be a gradual process as affordable options start to increase.

Density Versus Median Home



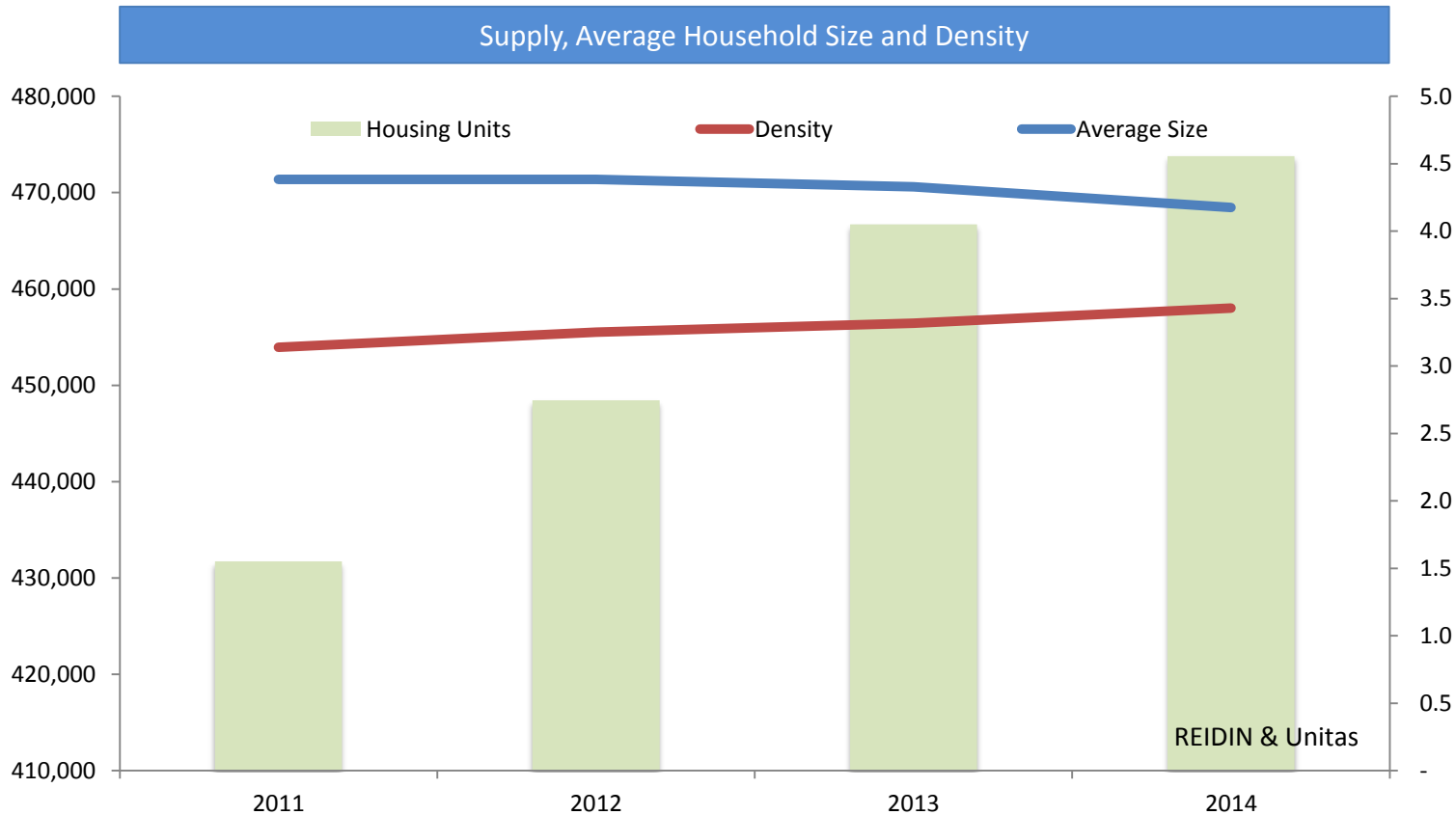
“The power of population is indefinitely greater than the power in the earth to produce subsistence for man” – Thomas Malthus

Housing Size vs. Density



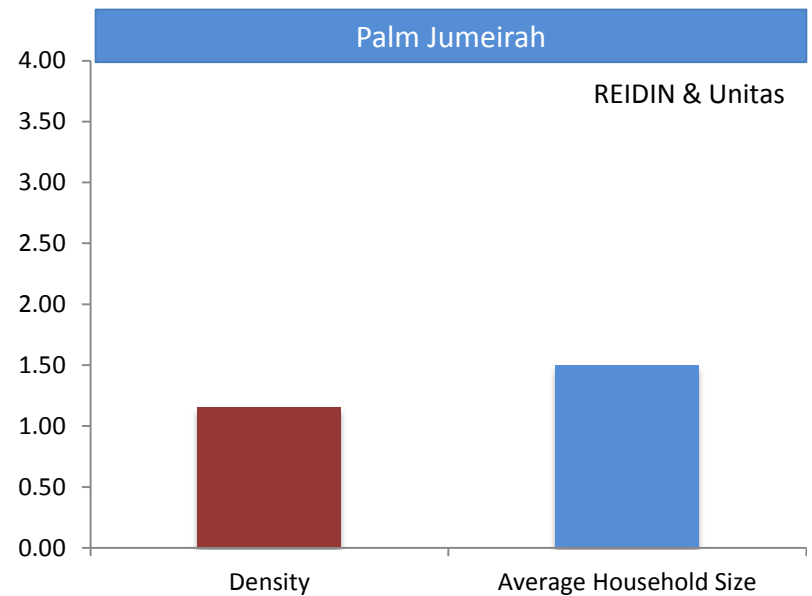
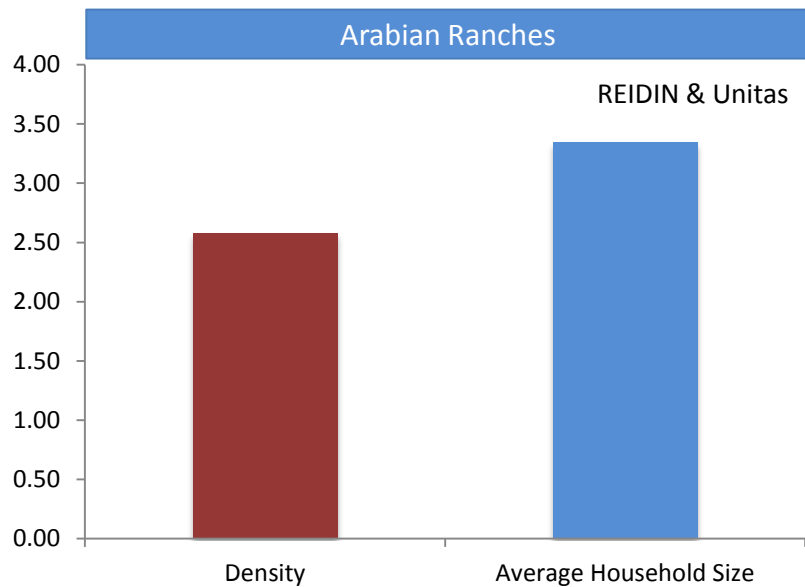
According to Dubai Statistics Center the median household size is 4.2, which is 23% lower than the population density. The difference between the aforementioned numbers can be attributed towards vacancy rates and the holiday home phenomena, that have in particular clustered in high income and beachfront communities, mimicking trends that have been witnessed in other real estate markets in the developed world.

A Look at Density and Average Household Size



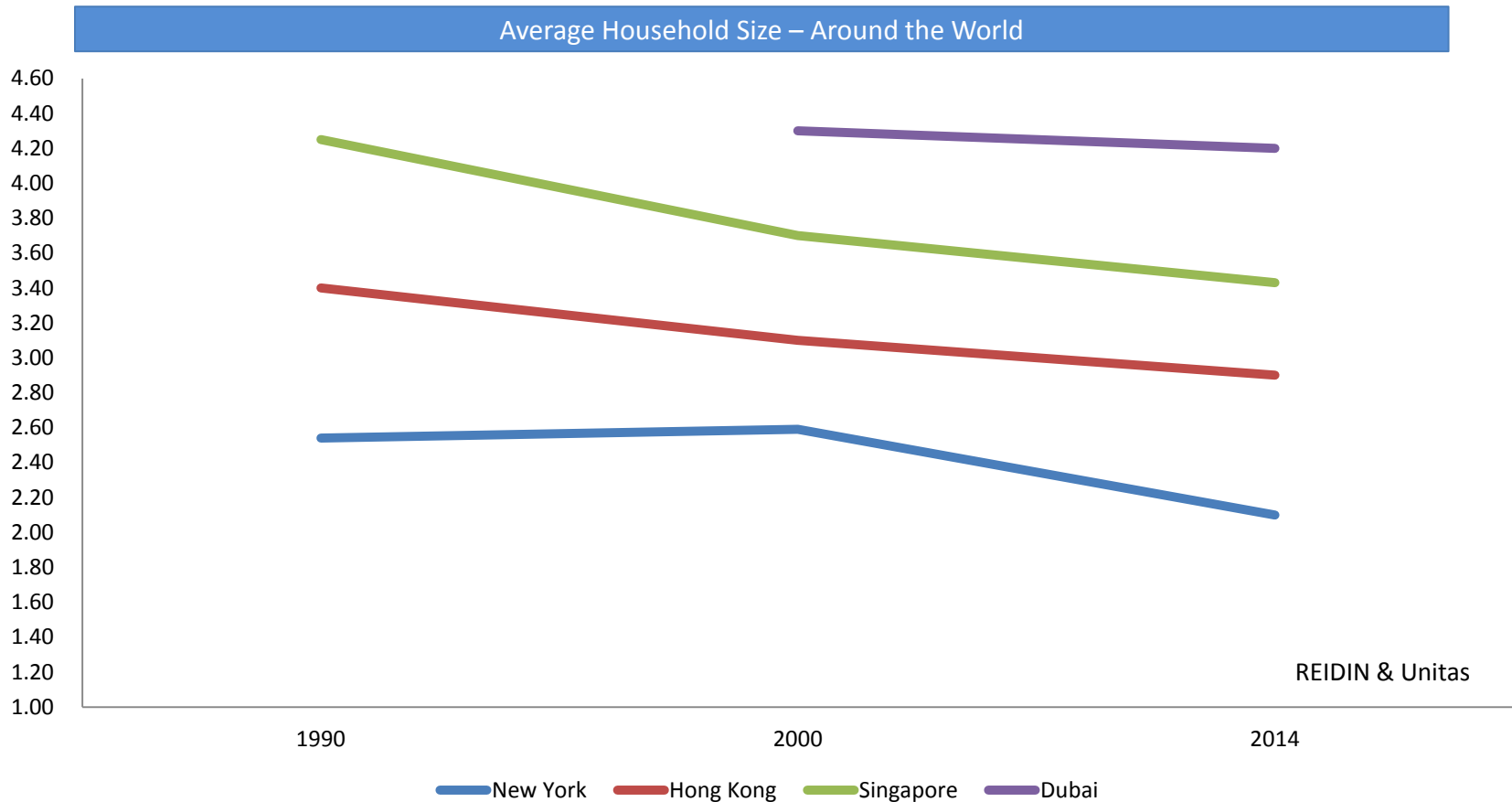
The gap between average household size and density has narrowed, implying that occupancy rates have increased as demand has out-stripped supply. In addition to this the demographics of nationalities is changing moving towards a greater influx of westerners which have smaller family sizes, causing the average size to trend downwards.

The Holiday Phenomena



A comparison between the population density and household size between Arabian Ranches and Palm Jumeirah reveals that the latter is almost double of the former. Arabian Ranches, a mature community, that caters towards family living has an average household size of 3.35 whereas Palm Jumeirah, known to be a hotspot for holiday homes, is 1.5. This is a phenomena that is witnessed in other real estate markets, and we opine that similar trends are being witnessed in Dubai.

A Global Look at Household Sizes ...



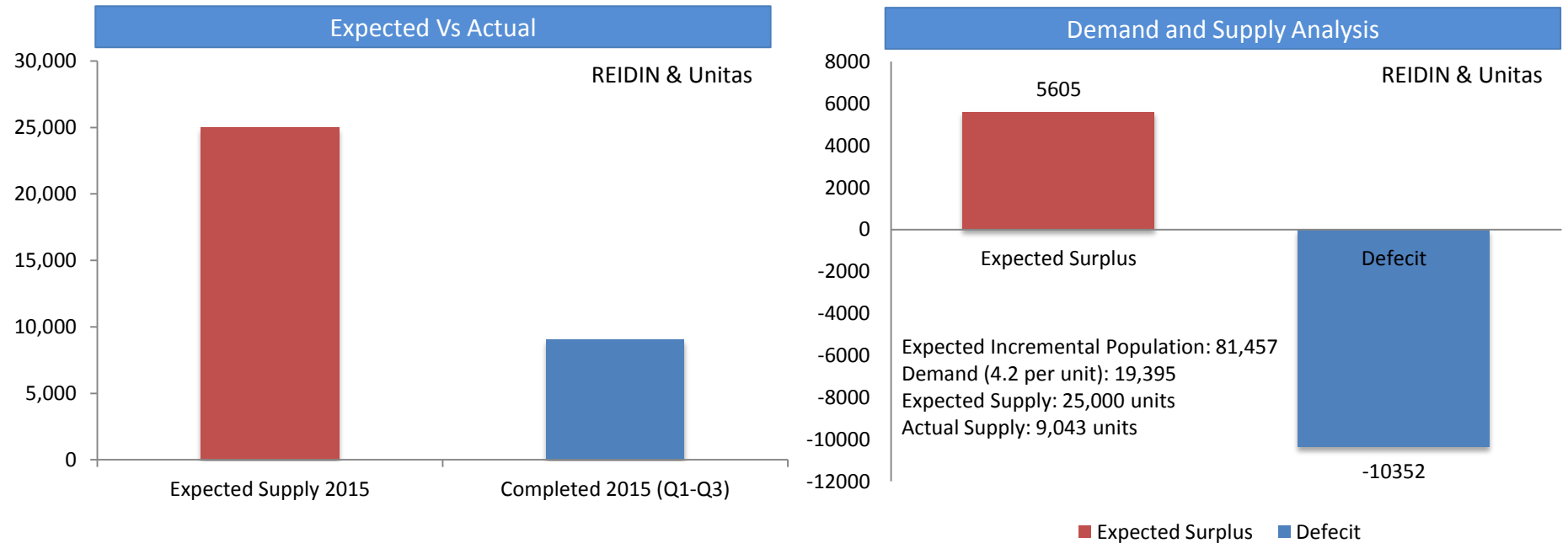
Dubai in relation to other metropolitan cities has a much higher average household size, almost double to that of New York. One of the major reasons for this differential is because 50% of Dubai's population consists of individuals from the sub-continent, which typically have larger family sizes. However, we opine as Dubai continues to become a global melting pot, and the increase of western nationalities gathers momentum the household size will trend downwards, mimicking that of Singapore and Hong Kong.

A Look into 2015 Supply



“What gets measured, gets managed” — Peter Drucker

What was expected and what Really Happened?

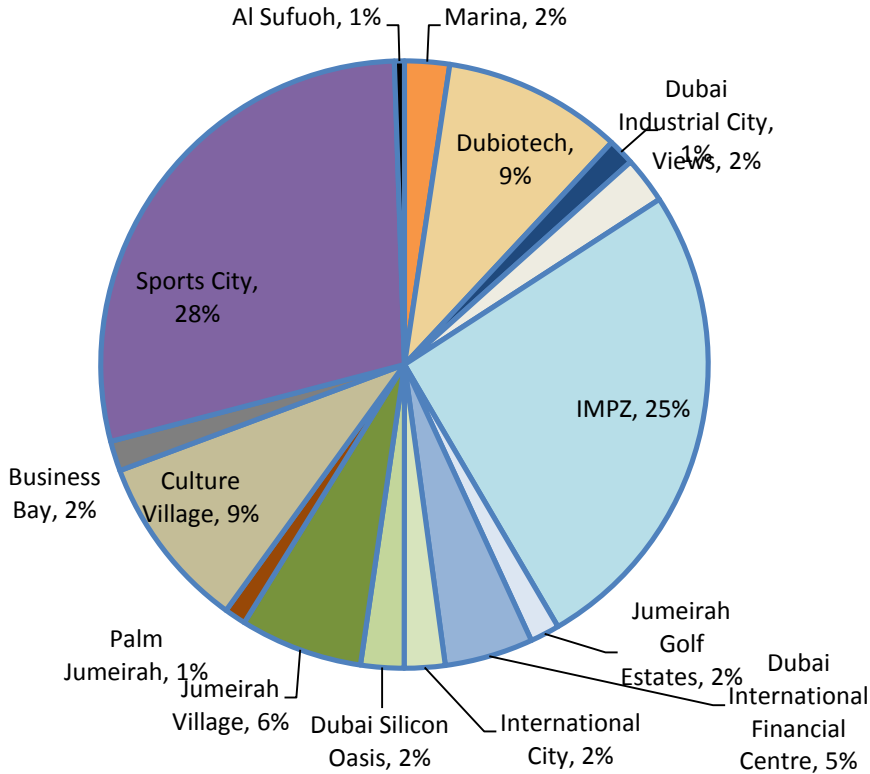


During 2014, there were a plethora of supply estimates from different analysts put forward for the number of completed units in 2015. This number ranged from 22,000 to 25,000 units. However, when measuring the actual completed units in 2015 (Q1-Q3) there were 9,043 units completed with approximately another 3,000 units expected to be handed over by the end of the year. This has been due to developers slowing down the rate of handover in response to declining prices, and this trend is expected to continue as markets adjust to lower demand; this implies that concerns of oversupply are exaggerated.

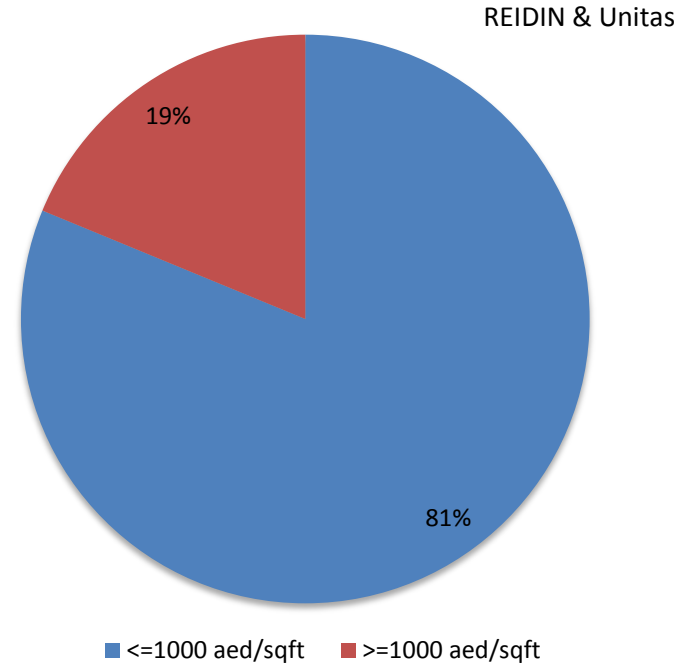
Given the low completion rate of approximately 40% by the end of the year of 2015, we opine a deficit of approximately 10,000 units had occurred in 2015 compared to a projected surplus of 5,605 units. If completion rates continue at this pace, demand will continue to outstrip supply causing prices to move higher, especially on account of a continuing expansionary fiscal policy in the run up to world expo 2020.

Dissection of Supply Handed Over

Supply by Community



Supply by Price



The above chart depicts the supply handed over in 2015 (Q1-Q3) by community and price points. We witness that the bulk of the supply is being handed over in mid-income communities such as Sports City and IMPZ. However, the majority of price points of the new supply is above 1000 aed/sqft making it unaffordable to the median salaried employee. It is only when prices move lower will the domestic latent demand for this sector ratchet higher as savings are channeled towards real estate end user purchases.

Units Completed in 2015 (Q1-Q3)

Building	Area	No of Units
Grand Paradis	Jumeirah Village	12
Casa Royale	Jumeirah Village	12
Western Casablanca	Jumeirah Village	13
Goldenwood Villas	Jumeirah Village	13
Spanish Twin Villa - Sahara Living	Dubai Industrial City	14
Flex Residence	Jumeirah Village	14
Indigo Ville 5	Jumeirah Village	16
Jumeirah Golf Estates - Olive Point	Jumeirah Golf Estates	43
J5	Al Sufouh	48
Al Masarat	Jumeirah Village	60
Bloomngdale Villas	Dubai Sports City	72
Jumeirah Circle Villas	Jumeirah Village	90
Al Badar	Dubai Silicon Oasis	96
Jumeirah Golf Estates - Flame Tree Ridge	Jumeirah Golf Estates	99
Astoria Residence	Jumeirah Village	104
Palma Residences	Palm Jumeirah	104
City Oasis 2	Dubai Silicon Oasis	112
Condor Residential	Jumeirah Village	112
Sahara Meadows	Dubai Industrial City	115
The Arena Apartments	Dubai Sports City	140
OudahTower	Jumeirah Village	144
Coral Tower ENI	Business Bay	145

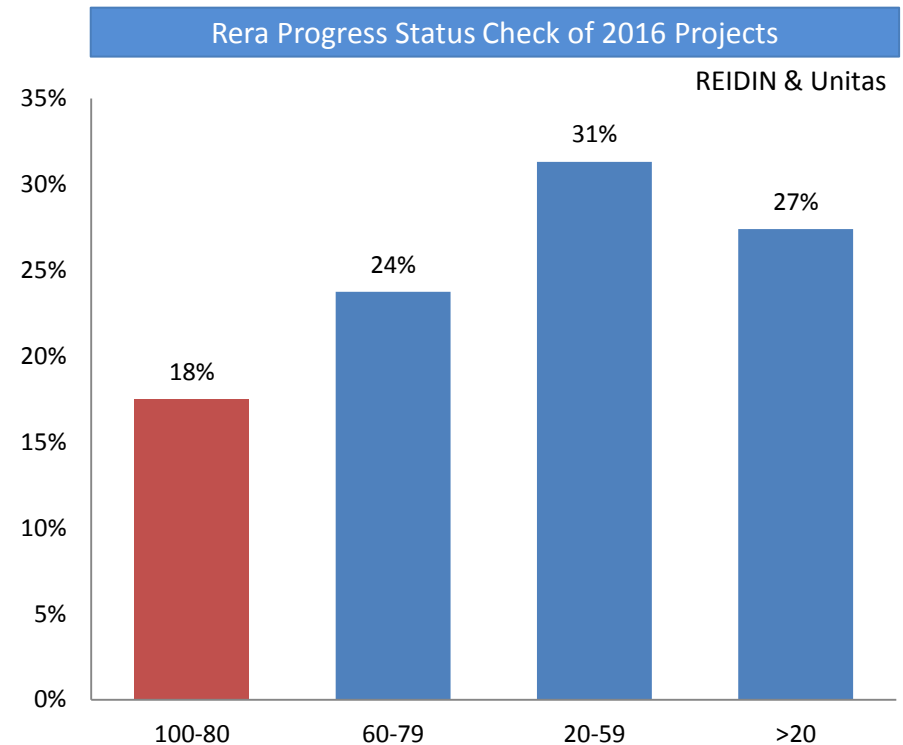
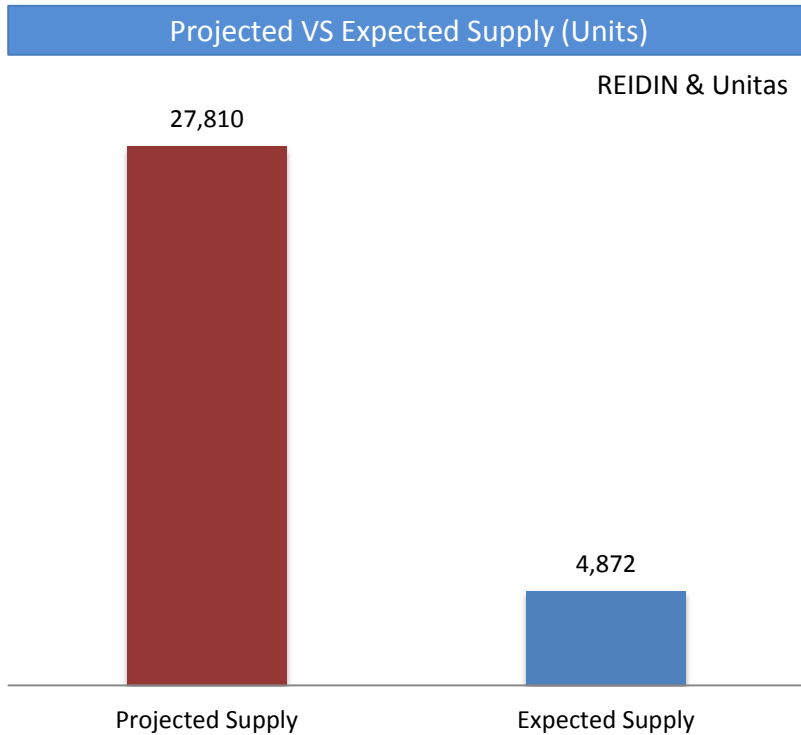
Building	Area	No of Units
Indigo Spectrum 1	International City	196
Elite 7 Sports Residence	Dubai Sports City	210
Dream Tower	Dubai Marina	216
Red Residence	Dubai Sports City	224
Panorama at The Views	Emirates Living	224
Bermuda Views	Dubai Sports City	240
Nastaran Tower	Culture Village	300
The Matrix	Dubai Sports City	382
Qasr Sabah	IMPZ	390
Giovanni Boutique Suites	Dubai Sports City	400
Canal Residence West - Venetian	Dubai Sports City	400
Central Park (Arady Towers)	DIFC	426
Royal Residences	Dubai Sports City	513
D1 Tower	Culture Village	544
Dubiotech - Three Towers	Dubiotech	864
Lakeside Towers	International Media Production Zone (IMPZ)	1,936

A Glimpse into the Future



“The future starts today, not tomorrow.” — Pope John Paul II

What's in line for 2016?



Using the RERA progress status check of supply being handed over in 2016, leads us to believe that only 18% of projected supply will be completed in 2016. If completion rates continue to slow down, we expect there to be an imbalance of incremental supply and demand, pushing prices upwards. The declining slope of the supply curve in response to price declines already suggests that markets are adjusting towards a new equilibrium; this in turn implies that prices should level off far quicker than what the average consensus is thus far, and even begin to rise (albeit at a more modest pace) given the continued fiscal spending that is expected to lead to continued job creation, net of the recent layoffs that have been announced by domestic companies. It is this expansionary fiscal policy that lends credence to the hypothesis that prices will move higher as the jobs engine continue to be robust.

List of Projects Set to Complete in 2016

Building	Area	Units	Rera Check
Jumeirah Golf Estates - The Sundials	Jumeirah Golf Estates	46	98%
Kensington Manor	Jumeirah Village	170	98%
Knightsbridge Court	Jumeirah Village	138	98%
Living Legends Villas	Dubai Land	500	97%
Marina 101	Dubai Marina	506	94%
Park Lane Tower	Business Bay	219	92%
Siraj Tower	Dubai Land	354	92%
Frankfurt Sports Tower	Dubai Sports City	224	91%
Hilliana Tower	Al Sufouh	174	90%
Jumeirah Golf Estates - Orange Lake	Jumeirah Golf Estates	68	90%
NilooFar Tower	Culture Village	170	89%
Al Fahad 2	TECOM-C	230	88%
Akoya - Golf Horizon	Dubai Land	150	86%
Akoya - Golf Panorama	Dubai Land	142	86%
Akoya - Golf Vista	Dubai Land	142	86%
Spica Residential	Jumeirah Village	125	86%
Balqis Residence	Palm Jumeirah	300	85%
Binghati Apartments	Dubai Silicon Oasis	222	85%
Mirdif Tulip - Parkside Living	Mirdif	116	84%
Wadi Tower	Dubai Land	203	82%

Building	Area	Units	Rera Check
Club Vista Mare	Palm Jumeirah	33	81%
Dubai Lagoon - Lotus	Dubai Investment Park	442	81%
Millennium Estates	Meydan City	198	80%
New Dubai Gate 2 Tower	Jumeirah Lake Towers	442	78%
Champions 3 Tower	Dubai Sports City	256	77%
The Polo Townhouses	Meydan City	106	77%
Syann Park 1	Dubai Land	165	76%
The Address The BLVD	Business Bay	494	75%
Dubai Star Tower	Jumeirah Lake Towers	229	74%
Hanover Square	Jumeirah Village	414	73%
Oasis Tower 1	Dubai Sports City	216	72%
Dubai Sustainable City	Dubai Land	500	71%
Akoya - Silver Spring	Dubai Land	63	70%
Avenue Residence 2	Al Furjan	100	70%
Le Presidium	Dubai Silicon Oasis	198	70%
Pacific Edmonton Elm	Jumeirah Village	75	70%
Pacific Residencia	Jumeirah Village	75	70%
Sky Central Hotel (TRYP by Wyndham)	TECOM-C	669	70%
Akoya - BrookField	Dubai Land	148	69%
Kensington Royale	Dubai Sports City	252	68%
Shamal Residences	Jumeirah Village	250	67%
Azure Residences	Palm Jumeirah	170	65%
Plaza Residences	Jumeirah Village	500	65%

List of Projects Set to Complete in 2016

Building	Area	Units	Rera Check
My Tower	Dubai Marina	350	63%
Reem - Mira	Dubai Land	188	63%
Viceroy Hotels and Resorts	Palm Jumeirah	221	62%
Akoya - Golf Terrace	Dubai Land	150	61%
Akoya - WhiteField	Dubai Land	58	61%
Champions 2 Tower	Dubai Sports City	174	61%
Lynx Towers	Dubai Silicon Oasis	143	60%
Akoya - Queens Meadow	Dubai Land	63	58%
Eagle Heights	Dubai Sports City	100	58%
Jumeirah Park – Nova	Emirates Living	350	56%
Bay's Edge	Business Bay	220	55%
Moon Tower	Business Bay	224	55%
Signature Villas	Jumeirah Village	12	55%
Villa Lantana	Dubitech	440	54%
Queue Point (Phase 3)	Dubai Land	928	53%
Jumeirah Golf Estates - Sanctuary Falls	Jumeirah Golf Estates	97	53%
Eden Gardens	Dubai Sports City	394	52%
The Habitat Residences	Jumeirah Village	13	51%
Lawns 4	Jumeirah Village	48	50%
La Vista 4	Dubai Silicon Oasis	125	48%
Indigo Ville 8	Jumeirah Village	18	46%
Paradise One	Jumeirah Village	114	46%
Azizi Orchid Residence	Al Furjan	99	45%

Building	Area	Units	Rera Check
SanteVill Tower	Business Bay	195	45%
Serena Residence	Jumeirah Village	200	45%
Marina Arcade Tower	Dubai Marina	264	44%
Naseem Villas (Mudon Phase 2)	Dubai Land	120	44%
Axis Silver 1	Dubai Silicon Oasis	112	43%
Azizi Feirouz Residence	Al Furjan	99	43%
Champions 4 Tower	Dubai Sports City	266	43%
Profile Residence	Dubai Sports City	144	43%
Zenith Tower A2	Dubai Sports City	165	43%
Azizi Yasamine Residence	Al Furjan	109	42.5%
Azizi Iris	Al Furjan	109	40%
Azizi Liatrix Residence	Al Furjan	129	40%
Chess Tower	Dubai Sports City	140	39%
Rufi Park View Tower	Dubai Sports City	184	38%
Seventh Heaven	Al Barari	157	37%
Chapal The Destiny (LIME LIGHT)	Dubai Sports City	638	36%
Park Villas	Jumeirah Village	93	35%
Sunshine Residences	Dubai Silicon Oasis	40	35%

List of Projects Set to Complete in 2016

Building	Area	Units	Rera Check
La Vista 5	Dubai Silicon Oasis	250	32%
The Cube Tower	Dubai Sports City	561	30%
Warsan Village	International City	1,190	28%
Soccer Tower	Dubai Sports City	196	27%
Prime Villas	Dubai Sports City	31	25%
Burj View Residence	Dubai Land	120	24%
Topaz Residences	Dubai Silicon Oasis	136	23%
The Address Residence Fountain Views	Business Bay	831	23%
Reef Residence	Jumeirah Village	378	22%
Sparkle Towers (Swarovski Towers)	Apartment	374	43%
Oasis Tower 2	Dubai Sports City	240	18%
Akoya - Loretto	Dubai Land	308	14%
Mont Rose	Dubitech	459	13%
The Hills	Emirates Living	531	12%
Prive by Damac	Business Bay	100	10%

Building	Area	Units	Rera Check
Al Habtoor City	Trade Center (SZR)	1,360	9%
Arabian Ranches - Aseel Villas	Arabian Ranches	55	9%
The Palm Tower	Palm Jumeirah	504	5%
Glitz Residence	Dubai Studio City	656	4%
Avenue 353 Villas - City Of Arabia	Dubai Land	269	4%
The Sterling Towers	Business Bay	312	3%
Global Golf Residence	Dubai Sports City	684	2%
The 8	Palm Jumeirah	600	2.35%
Al Barari The Nest	Al Barari	99	0%

Conclusions

The convergence of population density and average household size can be attributed towards higher vacancy rates, the holiday phenomena and shift in demographics of nationalities.

During 2014, the consensus between analysts predicting supply being handed over in 2015 was between 22,000 to 26,000 units. However, in the first three quarters of 2015 a total number of 9,043 units were completed

A Look Back at Dubai

The creation of freehold in Dubai in 2002 led to a construction frenzy, causing development and population to grow exponentially.

In the last 14 years the population (excluding labor) has increased by 145%, whereas the number of residential units has increased by 252%.

As Dubai continues to diversify its economy into various other revenue streams such as tourism, education and health care, we opine that the job creation engine will continue, despite the current slowdown in the region led by the oil prices decline

What Happened in 2015?

During 2014 the supply estimates from a wide-range of analyst hovered around the 25,000 unit mark. However, a granular look into completed units reveals for the first three quarters only 40% of projected supply actualized.

This has been due to developers slowing down the rate of handover in response to declining prices, and this trend is expected to continue as markets adjust to lower demand; this implies that concerns of oversupply are exaggerated.

Density Vs. Household Size

Dubai in relation to other metropolitan cities has a much higher average household size, almost double to that of New York. However, we opine as Dubai continues to become a global melting pot, and the increase of western nationalities gathers momentum the household size will trend downwards, mimicking that of Singapore and Hong Kong.

According to Dubai Statistics Center the median household size is 4.2, which is 23% lower than the population density. The difference between the aforementioned numbers can be attributed towards vacancy rates and the holiday home phenomena

A Glimpse into the Future

The softening of real estate prices over the last year could be nearing a stabilization period if project completion rates continue to get delayed.

Using the RERA progress status check of supply being handed over in 2016, leads us to believe that only 18% of projected supply will be completed in 2016

If completion rates continue at this pace, demand will continue to outstrip supply causing prices to move higher, especially on account of a continuing expansionary fiscal policy in the run up to World Expo 2020.



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2015



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Mystery and Variety of Mid-Income Housing



Mansions and Maisonettes



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Size Matters



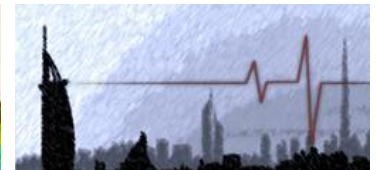
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Dollars and Sense



Curious Case of Payment Plans



The Signal and the Noise



Killing them Softly



The Ramadan Phenomena



Sell in May and Go away



The Metro Effect



Renters Ball



Path to Symbiosis



Boom-Bust-Ology

Research Library

2014



Shocks, Shift & Return to First Principle



Hunt for Yields



Amidst a Slowdown, Underlying Strength



Where to Build



Cityscape Effect



Real Estate Value Guide



The New Normal



Paradox of Affordable housing



Tale of Two Markets



Trophy Buying phenomena



Road Ahead



Buy Land Where the City Ends



A Closer Look into 2013

2013



What Now?



If you Build it they will Come



The City is Built upon its Commerce



Road to Prosperity

Our Aspiration and Motto



“No barrier can withstand the strength of purpose”

HH General Sheikh Mohammed Bin Rashid Al Maktoum
The Ruler of Dubai and Prime Minister of UAE



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