



Steady quarterly price gain recorded, as Dubai market shrugs off international headwinds

Median prices in May



A quarterly price gain of 2.04% is recorded, as the unmistakable signs of a healthy and sustainable market continue

Monthly price growth of 0.74% is seen in May, as prices rise by less than 1% for three consecutive months with this trend likely to extend into the second half of 2022

Second strongest May transactions volume on record despite shortened trading month

DAMAC Properties takes the lead with the highest developer off-plan sales activity

Six Senses The Palm achieves sales rates in excess of AED 6,700 per sq ft

Mortgage volumes continue falling, down a further 10.9%

Gross rental yields back to 6%

For the third month in a row, Dubai property prices recorded less than 1% month-on-month growth, a pace of price appreciation that is not only moderate but also representative of a healthy and sustainable growth trend. Increasing by 0.74% in May, Dubai property values now stand at AED 1,022 per sq ft according to the Property Monitor Dynamic Price Index (DPI). Whilst internationally there are clear signs of a market fall back in the USA, the UK and elsewhere in Europe, the Dubai market continues to demonstrate resilience in the face of international tensions and rising inflationary pressures.

While the month of May had fewer trading days owing to the week-long break for Eid, total transactions came in at 6,606 falling by only 5.3% on a monthly basis. This small monthly reduction from recent trends marks a stunning 48.6% year-on-year increase in transactions volume and was the second highest performing May on record, only being surpassed by May 2009. Residential transactions—those for apartments, townhouses, and villas—accounted for 87.9% of the total (5,805 sales transactions), with hotel apartments (5.4%), land sales (3.5%), and office (2.4%) the highest transacted commercial property types.

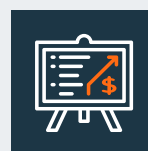
SNAPSHOT

May 2022



+0.74%

Dynamic Price Index
Monthly Change



AED 1,022/sq ft

Dynamic Price Index
Current Property Price



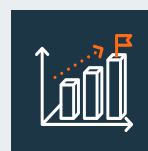
6,606

Number of Monthly
Transactions



6.02%

Gross Rental Yield



AED 128m

Highest Recorded Sale
*Villa 20 - 7 Bedroom
Dubai Hills Grove, Dubai Hills*



AED 100k

Lowest Recorded Sale
*Building Y-16 Apt 313 - Studio
England Cluster, International City*

“ **With new project launches back in full swing, and sales uptake relatively strong across the board, the market share of off-plan sales is set to increase further in the coming months and we predict off-plan sales will return to a dominant market share position of over 50%.**

ZHANN JOCHINKE
Chief Operating Officer
Property Monitor

New off-plan development project launches continue to surge and give the market the runway to continue high transaction activity. In May, just over 3,500 residential units entered the market for sale with an anticipated combined gross sales value of ~AED 12.5 billion. Apartments represent 48.2% by volume of this new inventory, while townhouses and villas represent 36.1% and 15.8% respectively. Year-to-date new project launches have now surpassed 16,000 units and more than 45 billion in aggregate sales value.

A total of 2,973 off-plan Oqood transactions were registered in May, decreasing by 8.1% month-on-month - however increasing by 76.1% on a yearly basis. Title deed sales volumes also decreased for the month, at a more modest pace by comparison, with transactions falling by 2.5%. The market share of off-plan transactions was 45% in May and the 12-month moving average continues to climb reaching 43.8%. With new development project launches back in full swing, and sales uptake relatively strong across the board, the market share of off-plan sales is set to increase further in the coming months and we predict off plan sales will return to a dominant market share position of over 50%. Meanwhile, resales transactions—any subsequent sale of a property that follows the initial first-time sale from the developer, for an off-plan or completed project—stood at 2,676 in May representing a market share of 40.5%, up 0.2% month-on-month.

Mortgages volumes continue their decline in May, falling by 10.9% month-on-month with a total of 1,656 loans recorded. With recent interest rates rises, and further rate increases underway in the USA and across European markets, this decline is to be expected.

With additional interest rate increases on the horizon, we anticipate overall mortgage volumes to revert back towards the long-term, pre-COVID-19 pandemic, average of 1,200-1,300 loans per month.

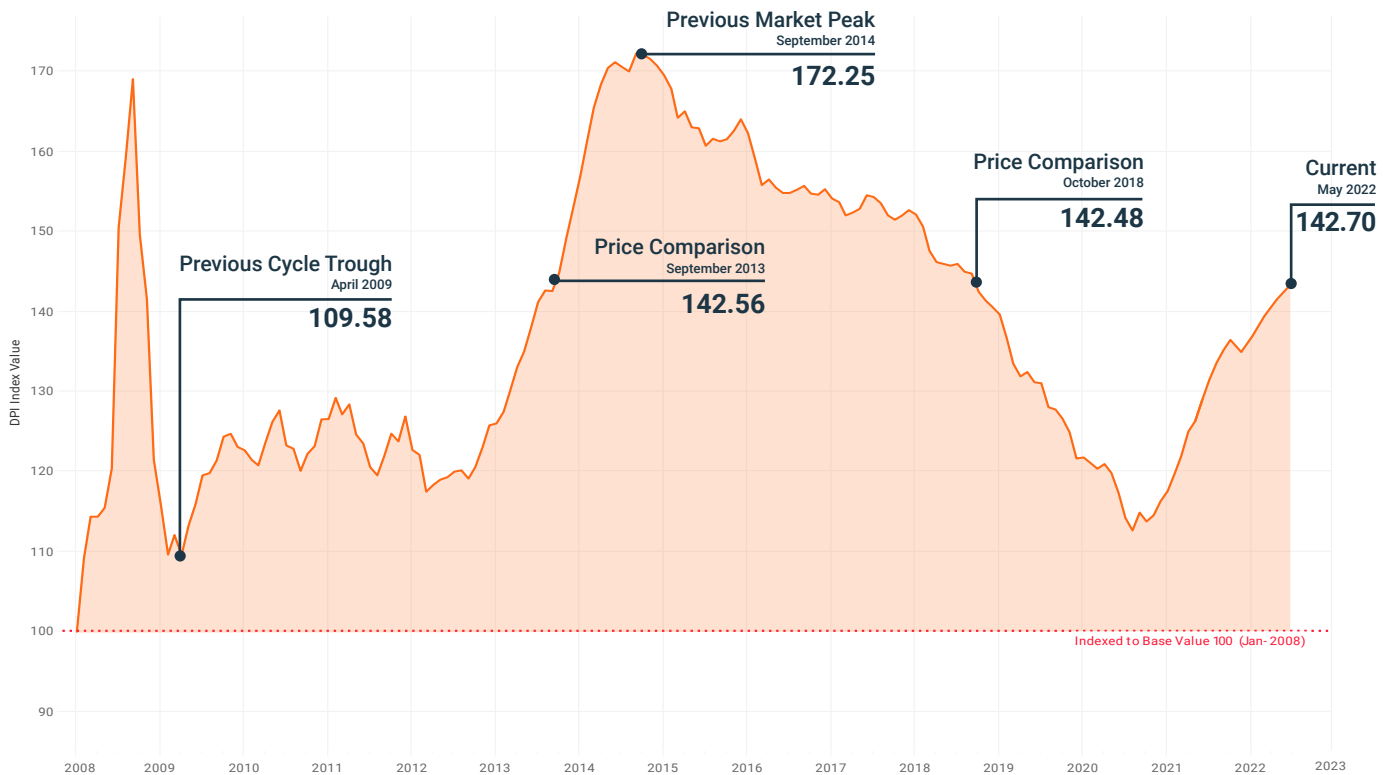
Breaking down the mortgage market shows that 36.8% of loans taken were new purchase money mortgages generally for residential properties that were also transferred during May, with the average amount borrowed being AED 1.94m at a loan-to-value ratio of 75.4%. While the average loan amount and LTV have remained relatively stable, the percentage of mortgages for new purchases has been steadily tapering down each month, falling from a high of 48.4% in February. A further 30% of loans were bulk mortgage registrations—those taken by developers and larger investors with multiple units—and were spread across several projects, most notably Al Khail Heights 4A/B and Al Ghaf 1 Residence where 98 and 58 loans were respectively recorded. The remaining 33.2% represents refinancing or new mortgages taken out in the months post transfer and in direct contrast to new purchase mortgages has been increasing each month since the first interest rate hike in mid-March.

In May, Emirate-wide average gross rental yields continue to fluctuate rising to 6.02% returning to the same level as February earlier this year. While on an aggregated level Emirate-wide total residential yields increased, at the individual property type level all types saw small decreases with gross yields for villas experiencing the greatest decline falling 0.10% to 4.86%, while yields for apartments and townhouses both declined 0.03% and now stand at 6.76% and at 5.40% respectively. This fluctuation in yields is not unexpected and will likely continue as the pace of rental rates is yet to find consistency against that of sales price appreciation.

As we have previously identified, Dubai is showing strong resilience against the international backdrop and may well be a ‘safe haven’ territory in the current real estate markets. This underpins our expectations of further moderate growth albeit that the current growth cycle cannot continue indefinitely. As the US Federal Reserve looks set to aggressively raise interest rates in an effort to curb runaway inflation, potential economic market headwinds for the local real estate market remain directly linked due to the dirham-dollar peg. By early next year we anticipate the US Federal Funds Rate to reach 3% and in turn interest rates for fixed-rate mortgage products in the UAE to be in excess of 6% which could further stifle the mortgage market, particularly new purchases. Furthermore, the strength of US dollar against other major currencies has been rising in tandem with the Fed Rate hikes which leads to a stronger dirham and higher export costs such are foreign real estate investment. Both of these factors will likely lead to a cooling off later this year both in the completed and off-plan markets.

Given the broad end-user and investor diversity in the UAE real estate market, wide-spread effect of these headwinds and downside risks will likely be mitigated to some extent, and our prediction remains that the market’s bull run will continue, albeit at a subdued pace. Given the current scenario, we expect to see the current market cycle coming to an end towards the turn of the year, which would mark a 2 year run of price growth from the low-point that we correctly called first in November 2020. Time will tell.

PROPERTY MONITOR DYNAMIC PRICE INDEX



 +0.74% MoM Change	 +2.06% QoQ Change	 +12.97% YoY Change	 AED 1,022 Average Property Price Per Sq Ft
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DPI MONTHLY OVERVIEW

Month	Index Value	MoM Change	QoQ Change	YoY Change	Index Price (AED/sq ft)
May 2022	142.70	0.74%	2.06%	12.97%	1,022
Apr 2022	141.65	0.76%	2.45%	13.31%	1,014
Mar 2022	140.58	0.54%	3.17%	15.28%	1,007
Feb 2022	139.82	1.12%	3.48%	16.71%	1,001
Jan 2022	138.27	1.47%	1.32%	17.60%	990
Dec 2021	136.26	0.85%	0.80%	17.17%	976
Nov 2021	135.11	-0.99%	1.18%	17.95%	968
Oct 2021	136.46	0.95%	3.81%	19.94%	977
Sep 2021	135.18	1.22%	4.78%	17.66%	968
Aug 2021	133.54	1.60%	5.72%	18.54%	956
Jul 2021	131.45	1.89%	5.15%	15.09%	941
Jun 2021	129.01	2.13%	5.79%	9.92%	924
May 2021	126.32	1.05%	5.44%	5.41%	905

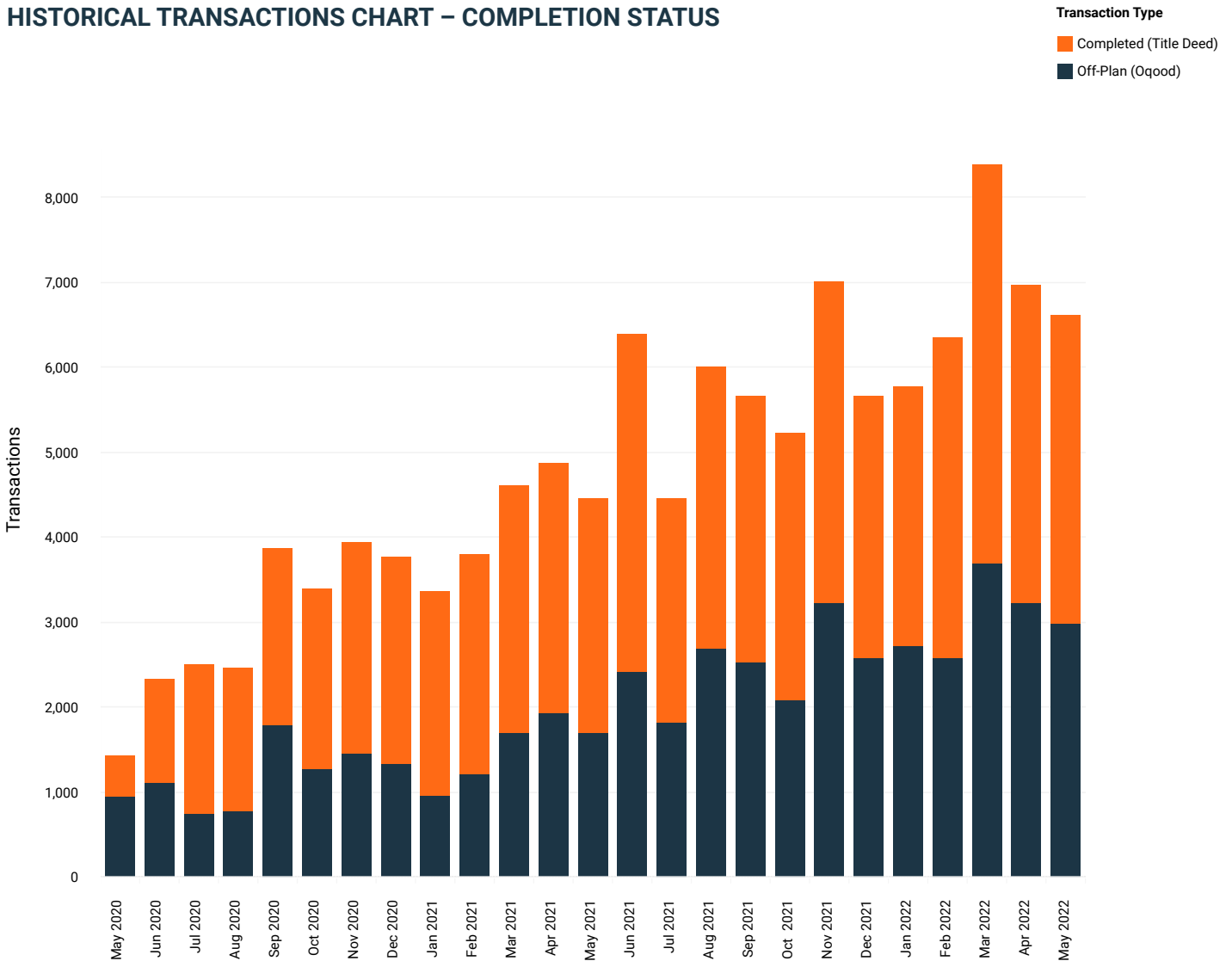
The Property Monitor Dynamic Price Index (DPI) tracks trends of residential property prices throughout 42 key communities in Dubai and is indexed to a base period of January 2008.

At an emirate-wide level, the index value for May 2022 increased by 1.05 index points to 142.70 from 141.65 in April 2022, representing a month-on-month increase of 0.74%.

In May 2022, property prices stood at AED 1,022 per sq ft, down 17.2% from the market peak in September 2014 and are 30.2% above the market trough of April 2009. Property prices were last at these levels during the recovery phase of the previous market cycle in September 2013.

On a yearly basis, prices have increased by just under 13% in May 2022 and now mark 15 straight months of year-on-year increases. This solidifies the reversal from declines to gains trend and clearly shows a market that is well into the recovery phase and moving towards expansion.

HISTORICAL TRANSACTIONS CHART – COMPLETION STATUS



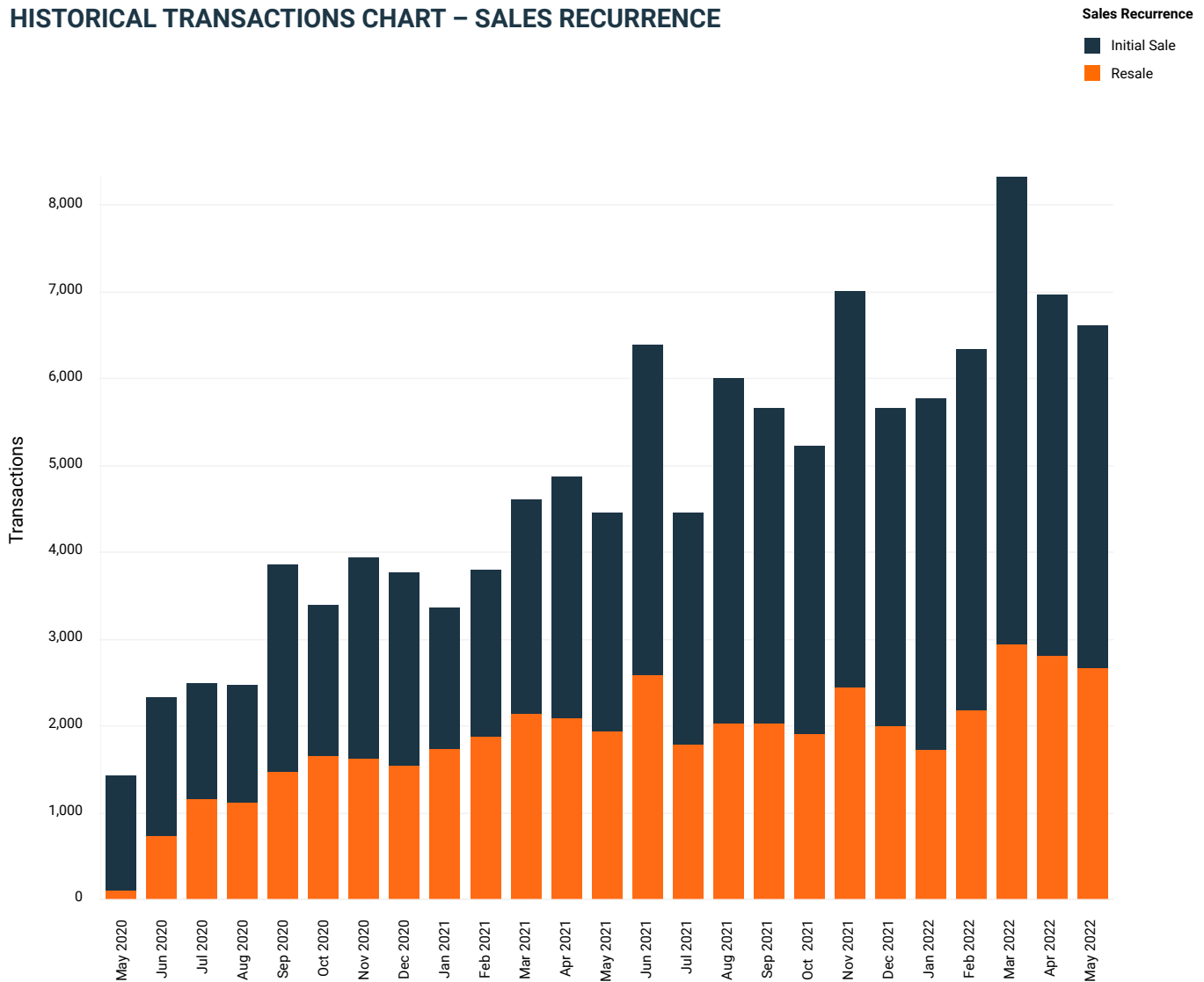
Transaction volumes in May stood at 6,606, declining by 5.3% month-on-month however, registering the second highest May on record. During the month, the split between off-plan and completed property transactions remained in favour of the latter with Title Deeds accounting for 55.0% of all transactions, up 1.5% month-on-month. Completed properties have led the market for 24 months now, however, after reaching their record high in January 2021 of 71.5% have been on a steady decline since then. The 12-month rolling average remains strong at 56.2% in May for completed properties, however with off-plan launches showing no sign of slowing this is likely to decline further in 2022.

After leading the market for ten months straight Emaar Properties has been overtaken by DAMAC Properties, seeing DAMAC claim first place recording the highest volume of off-plan sales, at a market share of 21.2%. They recorded 798 transactions spread across several projects with the highest concentration of sales at Portofino (177) in DAMAC Lagoons, followed by Safa One (126) in Safa Park, and then by Aykon City (93) in Business Bay.

Emaar Properties was next, at 19.4% of all off-plan registrations with the bulk of their sales occurring at The St. Regis Residences Downtown (240), Creek Palace (125) in Dubai Creek Harbour, and Bliss 2 (54). This was followed by Select Group taking 6% market share with the greatest activity at their Peninsula Two (101) and Peninsula One (83) projects in Business Bay, as well as the first round of sales at the ultra-luxury Six Senses The Palm (28) project where values reached a staggering AED 6,789 per sq ft.

In the ongoing trend that emerged in 2020, a significant portion of title deed transactions were initial sales registered directly by developers for unsold inventory in completed projects. Out of a total of 3,930 initial developer sales recorded in May, 11.5% were in completed projects. It is important to note that several off-plan villa and townhouse transactions (for properties that are under construction) are registered as title deed transaction for parcels of 'land' by Dubai Land Department, these are omitted from this calculation to provide a true reflection of unsold inventory in completed projects.

HISTORICAL TRANSACTIONS CHART – SALES RECURRENCE



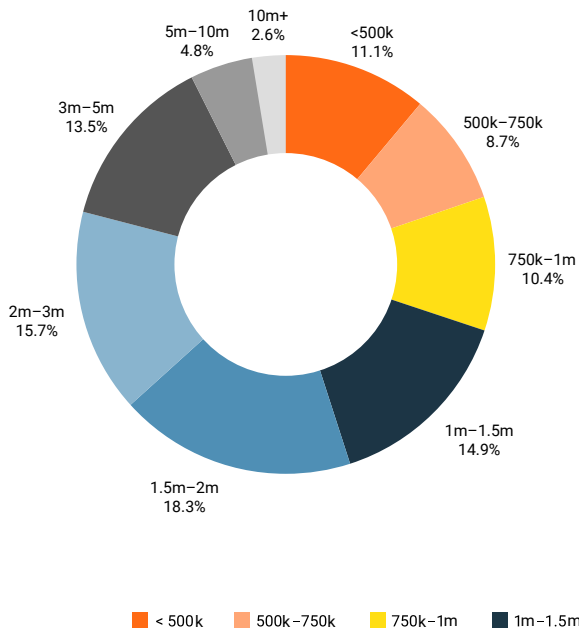
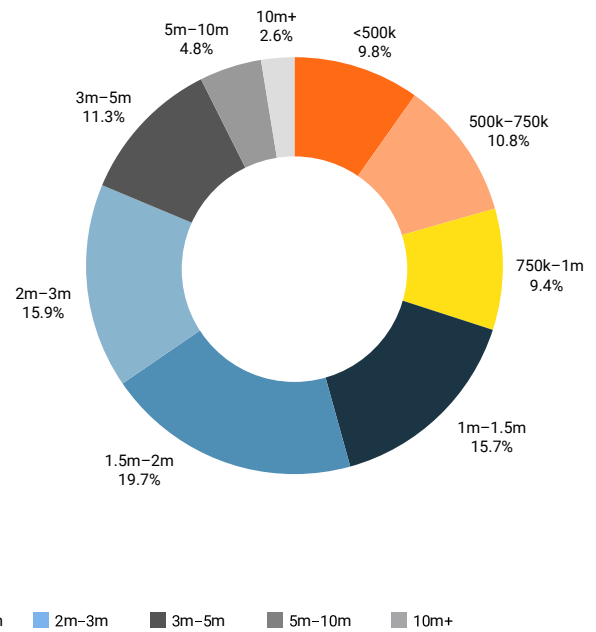
In May 2022, the market share of initial developer sales fell by 0.2% to 59.5% versus resale transactions. The 12 month rolling average now stands at 63.6% for initial sales and 36.4% for resales, the latter of which is continually trending back down towards the levels of 2019 and 2020, 33.2% and 33.8% respectively.

Business Bay was the most popular master development for initial sales, where 13.5% (529) of all such transactions occurred. For the third month in a row Peninsula Two led the way in the community registering 101 initial sales and was followed by Peninsula One with 83, then by Ahad Residences with 49 sales.

Taking second place was Downtown, where initial sales held 11.0% market share and just over 430 transactions were recorded. The St. Regis Residences Downtown was the most prominent project with 240 sales, then W Residences followed with 92 sales, and Elite Downtown with 45 for the month.

Coming in third for May was DAMAC Lagoons which claimed 8.6% market share with a total of 338 sales. Portofino topped the leaderboard at 177 registrations and was followed by Costa Brava (67), Nice (65), and then Santorini (28).

The top master developments for residential resale transactions were Dubai Marina with 9.6% of such transactions across multiple projects—the highest level of sales occurred at Sulafa Tower (17). This was followed by Business Bay at a 6.9% market share with Residence 22 recording 23 transactions, more than double of any other project in the community. Closing out the top 3 master developments for resale was Downtown holding 6.1% of the market with Burj Royale (16) being the most sought-after project.

PRICE TIERS (AED) – MAY 2022

PRICE TIERS (AED) – APRIL 2022

PRICE TIERS (AED) MONTHLY COMPARISON

	May 2022	April 2022	MoM Change
<500K	11.1%	9.8%	1.30%
500K-750K	8.7%	10.8%	-2.10%
750K-1M	10.3%	9.4%	0.90%
1M-1.5M	14.9%	15.7%	-0.80%
1.5M-2M	18.3%	19.7%	-1.50%
2M-3M	15.8%	15.9%	0.00%
3M-5M	13.5%	11.3%	2.20%
5M-10M	4.8%	4.8%	0.00%
10M+	2.6%	2.5%	0.00%

Representing the largest share of the market, the AED 1.5m-2m price tier continued to fall, down by 1.5% in May after declining 0.6% in April. Meanwhile, the AED 3m-5m tier increased by 2.2% reaching 13.5% total market share. Growth in this price tier can be largely attributed to the recent launches of the high-end and luxury projects such as The St. Regis Residences Downtown, W Residences Downtown and Safa One in Safa Park where average price per square foot values are AED 3,101, AED 2,990, and AED 2,424 respectively.

After falling for the past 2 months, activity in the <AED 500 tier rebounded modestly in April increasing by 1.3% month-on-month. Sales of affordable off-plan properties at Oxford 212, Prime Residency 3, and Arabian Gate 1, along with high resale activity in International City were the primary drivers of this growth.

Condensing the individual 9 price tier segments to 3 main groups, properties in the mid-tier of AED 1m-3m again accounted for the largest share of the market at 49%, shrinking 2.3% from last month. The low-price tiers with property values under than AED 1m now represents 30.1% of the market, up by just 0.1% from April, while the high-end price tiers—properties over AED 3m—now represents 20.9% of the market, up by 2.2% month-on-month.

METHODOLOGY AND METRICS

Dynamic Price Index

The Property Monitor Dynamic Price Index family (DPI) are calculated using a moving average algorithm of median prices and the Dutot price index formula with cleansing of extreme values and outliers. The indices are published at the end of each calendar month and are subject to backward revision should any new datapoint or datasets become available. This is a unique feature of the Property Monitor DPI as it always uses the fullest data set available and takes into account data which was not available at the point of original index compilation. Detailed index methodology and notes are available at propertymonitor.com/pmddpi.html

Completed Transaction

Consists of transactions that are recorded on the Dubai Land Department's official Title Deed register for all sales of completed property which has been issued a building completion certificate (BCC) and is available to purchase and occupy. Typically, it refers to the subsequent resale(s) of a property and transfer of ownership which takes place between two or more private parties, however, it may also include any initial first-time transfers between developers and buyers whereby a BCC has been issued and the developer had not previously sold the property.

Gross Rental Yield

Is the annual rent as a percentage of the purchase price or value of a property and is presented in this report as a value that represents the blended average rental yield of properties in Dubai across all communities.

Highest Recorded Sale

The single transaction of an apartment or villa that achieved the highest recorded transferred sales price during the month either in the off-plan or completed segment. Excludes plot/raw land only sales.

Initial Sale

The first sale of a property, usually directly from the developer or project sponsor to a buyer. Typically, an initial sale would occur during the construction phase of a project and get registered as an off-plan transaction with an Oqood. However, should the developer hold unsold units after the project is completed, an initial sale would be recorded with a Title Deed. An initial sale only occurs once and every subsequent sale thereafter is a 'resale'.

Lowest Recorded Sale

The single transaction of an apartment or villa that achieved the lowest recorded transferred sales price during the month either in the off-plan or completed segment.

ABOUT PROPERTY MONITOR

Property Monitor is the region's leading real estate intelligence platform and the only data source powered by RICS-accredited professionals, bringing unprecedented transparency and accuracy to local property markets. Through Property Monitor, market stakeholders can directly access real-time, transparent and accurate intelligence, unmatched anywhere else in the region. The platform empowers investors, property specialists and banking professionals with authoritative data, analytics and insights that closely correlate with market movements, empowering confident and informed property-related decisions.

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