

Dubai shows double-digit growth in residential sales

As supply reduces and price decline softens, sentiment is turning positive

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There has been a double-digit growth in residential and office sales, with actual end-of-year supply being lower than originally projected, according to local real estate consulting firm ValuStrat in its 2019 fourth quarter report. This comes at a time when the ValuStrat Price Index (that tracks change in capital values for a representative fixed basket of properties) for residential capital values saw quarterly declines, decelerating up to 2.5 per cent.

Haider Tuaima, head of real estate research at ValuStrat, confirms that a positive buyer sentiment has been observed in the market and this has boosted investor demand. "This is likely due to attractive prices, fewer off-plan launches and delayed project completions. Annually, cash sale volumes of ready homes grew 29.7 per cent and off-plan sales jumped 68.3 per cent," he said.

New supply areas

As far as residential supply is concerned, a total of 24,613 residential units were confirmed to have been completed last year – 19,505 apartments and 5,108 villas/town houses – says the report. These represent only 58 per cent of the projected residential supply for 2019. More than half of last year's new supply had been concentrated in four areas: Dubailand, Jumeirah Village Circle, Dubai Marina and Mohammad Bin Rashid City. "While we are not yet predicting price recovery, it is really interesting to see that more and more buyers are entering the residential market – perhaps an indication that many feel much reduced sales prices represent good value, and that it is now about the right time to buy," said Declan King, managing director and Group head real estate at ValuStrat.

More market stability

"After a decade that's been fraught with celebratory highs and disheartening lows, the sentiment this year is gradually



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Villa and town house prices declined 18 per cent from Q4 2018 to Q4 2019

but definitely taking a turn for the positive, driven primarily by the euphoria surrounding the Expo 2020 Dubai," said Jyotsna Hegde, president of Sobha Realty, who forecasts more market stability this year. "Competition will remain fierce as developers seek to offer a unique proposition, marked by quality and value that appeal to buyers."

She said that although real estate is at record levels of affordability, there are sustainable reasons for first-time buyers and investors to continue buying at similar levels. "This will eventually lead to an increase in value at some point. I believe we will witness the start of it sometime in 2020 and further in 2021."

Measures to curb oversupply

In its 2019 UAE Property Market Report, property consultancy Cavendish Maxwell said more than 50,000 new units will hit the market in 2020, with apartments making up majority of supply. Aditi Hariharan, associate partner, strategic consulting and research at Cavendish Maxwell, said measures in place to curb oversupply, including the formation of the Higher Committee for Real Estate Planning, have made sure that developers are holding back on new launches and focusing on projects under construction.

TOP RESIDENTIAL TRENDS TO WATCH OUT FOR IN 2020

- Expo 2020: Its positive impact on jobs, tourism, retail and overall economy spurring residential demand.
- Rise in short-term rentals: With the launch of a five-year tourism visa for all nationalities, we expect a considerable rise in short-term rentals and the holiday homes market.
- Incentivised payment plans: Innovative post-handover payment plans are expected to dominate, along with heavily incentivised broker fees deployed by most developers to aid inventory absorption.
- Limited new launches: New launch volumes were at the lowest level in 2019 compared to the last seven years. This trend is expected to linger on as developers re-strategise future projects.
- Re-purposing of existing building use and land use to adapt to changing market needs.
- Real estate committee and its impact on matching supply with demand.
- Rise in proptech – access and transparency to real estate data.
- Potential credit checks on prospective tenants.

Courtesy: Prathyusha Gurrupu, head of research and advisory, Core

Many buyers who were on the fence have decided to enter the market, as reflected by the record transaction figures in 2019, explained Zhann Jochinke, CEO of Property Monitor. "While this is a strong indicator of hitting a floor in terms of prices, other indicators such as high vacancy rates and the expected upcoming supply are yet to show signs that support stabilisation. Looking ahead to 2020, the Expo is

going to be a key indicator of where we stand in terms of demand and supply."

The UAE Property Market Report states that average apartment prices declined by 15 per cent from Q4 2018 to Q4 2019, with villa and town house prices being lower by 18 per cent. While supply remains the primary driver for price declines, some locations have started to show signs of stabilisation, and even recovery.