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MEDIA BRIEFING

Villas, townhouses drive UAE residential market

Demand for affordable and community-centric homes is driving an uptick in the UAE residential property sector

Rising demand for villas and townhouses is driving a rebound in the UAE's residential property market, says a senior industry expert from Mashreq Bank.

The surge in demand is being driven by changing consumer needs when it comes to residential property purchase, says Cyril Lincoln, executive vice president and global head of real estate finance & advisory, investment & agency services at Mashreq Bank.

AT A GLANCE

- Demand for villas and townhouses is driving recovery in the UAE residential property segment
- Changing consumer behaviour such as demand for community-centric, open spaces is steering buyers towards detached and semi-detached properties
- Villas are seeing greater capital appreciation than apartments
- Visa-related reforms are creating attractive investment opportunities for local and foreign buyers
- Expo 2020 is boosting short-term leasing, but long-term impact remains to be seen

Spurred by trends including remote working and community-living, residential property buyers are opting for villas and townhouses. These types of homes offer more privacy, outdoor spaces and additional amenities.

“Expatriate families are now looking for more open spaces in the form of detached or semi-detached houses,” says Lincoln. “Affordability is still an important factor, but there is greater demand for community-centred homes.”

The UAE Real Estate Market – Q3 2021 review by global property consultant JLL highlights that strong demand for villas and townhouses continued to drive the recovery in sales prices of villas both in Dubai and Abu Dhabi.

Apartment prices, meanwhile, have picked-up in Dubai on the back of higher demand but have remained flat in Abu Dhabi.

Residential prices in Dubai and Abu Dhabi were up by around four per cent year-on-year in the third quarter of 2021.

“While this rise in demand for residential property was observed even prior to Covid-19, the pandemic has accelerated the trend,” says Lincoln. “An oversupply of property was creating a glut preceding the pandemic – but the slowdown in supply has now helped balance out demand.”

Gains in property values

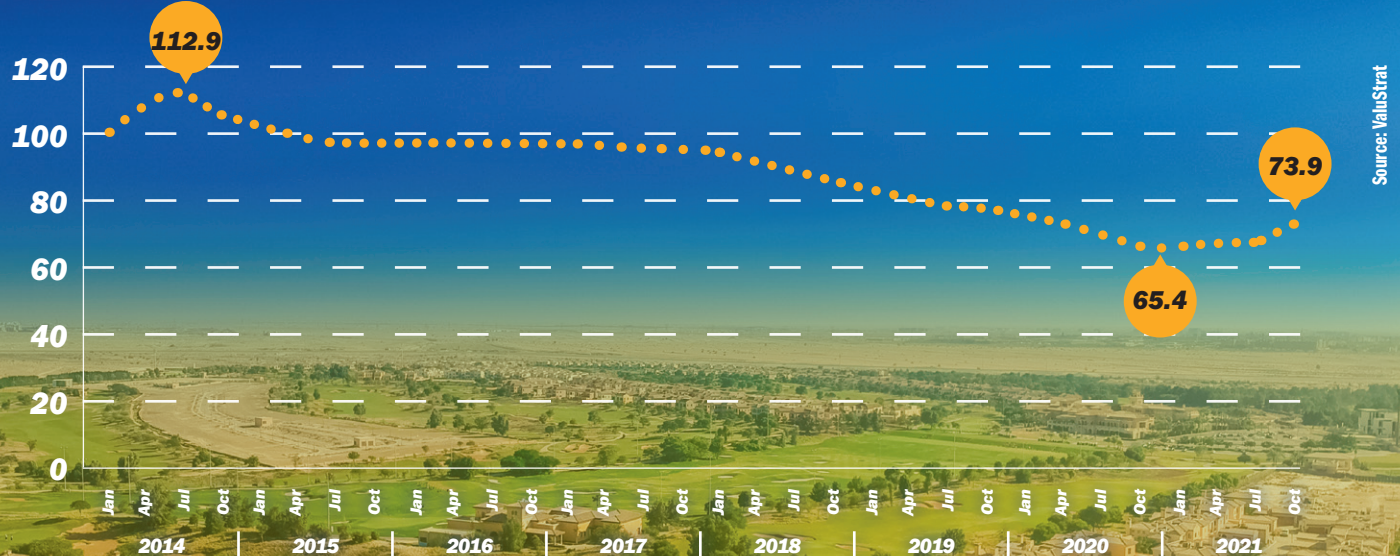
Villas and townhouses are seeing greater capital appreciation when compared to apartments.

An October 2021 report from consulting group ValuStrat shows that residential value price index (VPI) for Dubai has improved 12.6 per cent year-on-year. 13 villa locations and 21 apartment areas monitored by the VPI have seen their capital values either stabilise or improve when compared to the previous month.

Older gated communities such as Arabian Ranches, Jumeirah Islands, the Lakes, and the Meadows have recorded highest annual capital gains for villas between 26-31 per cent.

Valustrat price index Dubai residential capital values

Base: Jan 2014=100



Source: ValuStrat

Meanwhile, VPI for apartments in beachfront areas such as Palm Jumeirah and Jumeirah Beach Residence has seen double-digit growth.

The gains in property valuations have not been universal, however. Some areas of Dubai have seen negative annual growth, including Jumeirah Village Apartments, Dubai Sports City and Dubai Production City.

Another factor supporting demand for residential property in Dubai and the UAE is its popularity with 'digital nomads', says Lincoln.

"The fact that a person can work remotely while still living in Dubai is a huge pull for people. They see the tax benefits and lifestyle opportunities and are keen to call this city their home."

Over recent years, the UAE government has issued directives making it easier for expatriates to obtain and retain residential visas.

The most well-known is the five or 10 year 'Golden Visa' launched in 2019, which allows investors, entrepreneurs and skilled individuals to live, work and study in the UAE without the need of a national sponsor and with 100 per cent ownership of their business on the UAE's mainland.

In September 2021, the UAE introduced green visas that allow expatriates to apply for work without being sponsored by an employer.

The move targets investors, highly skilled workers and top students. Green visa holders will be able to sponsor their parents and children up to the age of 25.



The cabinet also announced that expatriate retirees can continue to reside in the UAE if they fulfil one of several criteria:

- Own a single property or more than one property worth AED1m (evaluation to be carried out by the related entity in each emirate)
- Have bank deposits of no less than AED1m
- Have an annual income no less than AED180,000

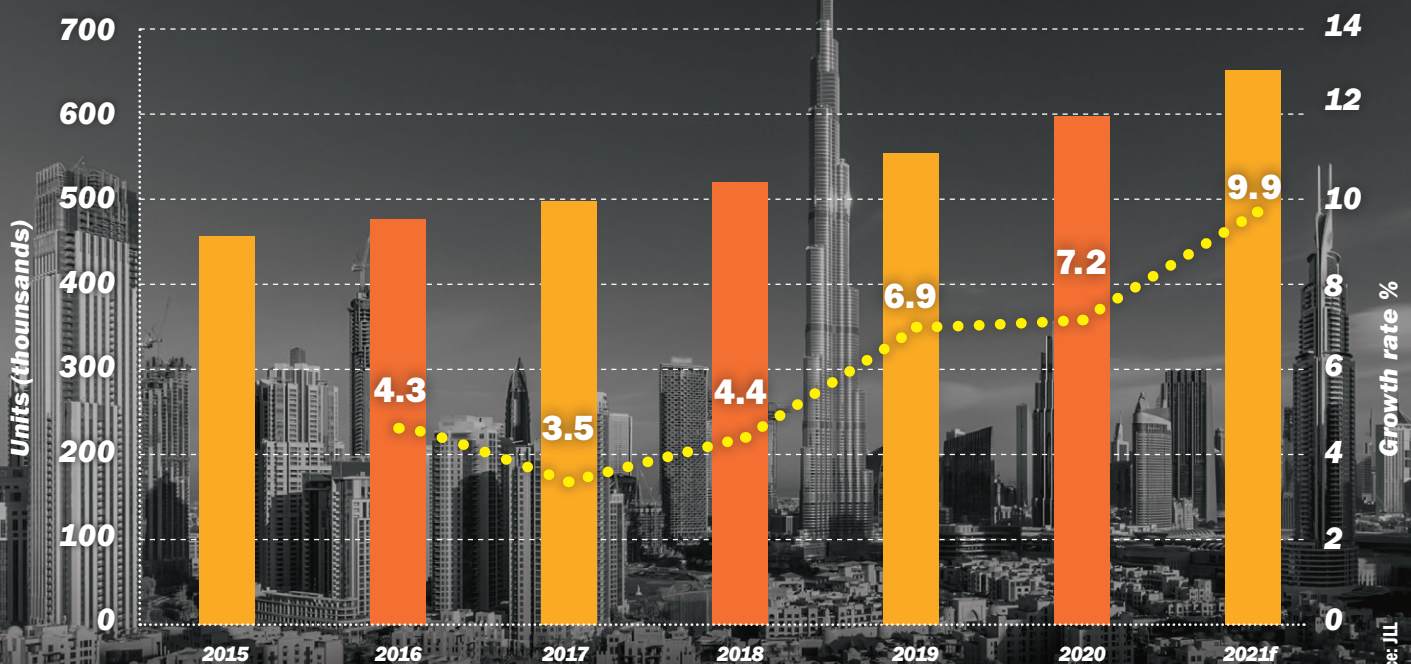
Lincoln says these initiatives are gradually creating the UAE's image as a 'permanent home'.

Expo 2020 Dubai

Since its launch on 1 October 2021, Expo 2020 Dubai has seen a healthy footfall. Its post-event impact on Dubai's real estate sector, however, remains uncertain.

From a rental perspective, the market remained favourable for tenants well into 2021. However,

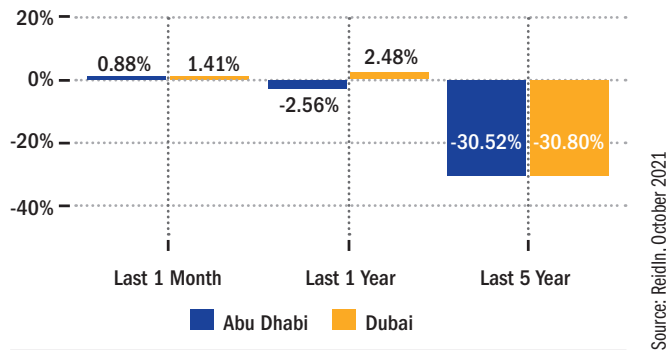
Supply of residential units in Dubai, 2015-2021



Note: In H1 2021, 23,000 units were delivered ; another 36,000 are expected in H2 2021
f = Forecast

Source: JLL

Residential market rent price changes (%)



Dubai is beginning to observe a rise in rates, with a 2.48 per cent year-on-year (y-o-y) increase according to data from property information firm ReidIn. Abu Dhabi on the other hand has seen a 2.56 per cent y-o-y decline.

“Short-term leasing is definitely seeing an uptick in districts nearest to the Expo site, as visitors and staff are occupying homes on a temporary basis,” says Lincoln. “But we cannot be certain what the trend will be after April 2022.”

The expo is playing an important role in positioning the UAE as an attractive opportunity for foreign investors, which Lincoln says will help propel the real estate market further. Moreover, short-term visitors could turn into long-term residents.

Property developers have already announced intentions to widen portfolios in the emirate, however some analysts still advise caution.

In October 2021, analysis from S&P Global ratings said that “structural oversupply of residential properties will challenge price increases over the long term, making the recovery fragile”.

GCC real estate on the rise

Elsewhere in the GCC, Saudi Arabia’s real estate market has become an investment hotbed as Riyadh accelerates initiatives to achieve its Vision 2030 goals.

In November 2021, the kingdom’s Real Estate Development Fund launched the Tatweer programme to help developers obtain funding for residential projects. The move is expected to help the country meet its target of raising home-ownership among Saudis to 70 per cent by 2030, up from 47 per cent in 2016 and 60 per cent in 2020.

Such incentives, combined with state-backed housing programmes such as Sakani and Wafi, are underpinning rising demand for new homes in Saudi Arabia. Consequently, real estate prices are on an upward trajectory, with data from property consultant Knight Frank showing that apartment prices rose at their fastest rate in five years in the kingdom between July and September in 2021.

629,000 units

Dubai’s residential stock in Q3 2021

23,000 units

Units expected to be added in Dubai by the end of 2021

270,000 units

Abu Dhabi’s residential stock in Q3 2021

2,000 units

Units expected to be added in Abu Dhabi by the end of 2021

Source: JLL

UAE beckons the world

Visa reforms are enabling expatriates to take a long-term view to living in the UAE



Five-year, multiple-entry tourist visas, which allow visitors to remain in country for 90 days on each visit and can be extended for another 90 days



One-year remote work visas that allow foreigners to enter the UAE under self-sponsorship



Residence visas for retirees, based on property owned and/or annual income



Relaxation of grace period after an employee has been made redundant from 30 days to up to 180 days



Extension of children’s age limit under parental resident sponsorship from 18 to 25 years



Introduction of five-year, multiple-entry visas for employees of international companies based in Dubai

This briefing is brought to you by the MEED-Mashreq Real Estate Partnership

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