



# Dubai Residential

*Don't Try This at Home*

Highlighting Issues With Data in the Ready Market

# Executive Summary

## - General Residential

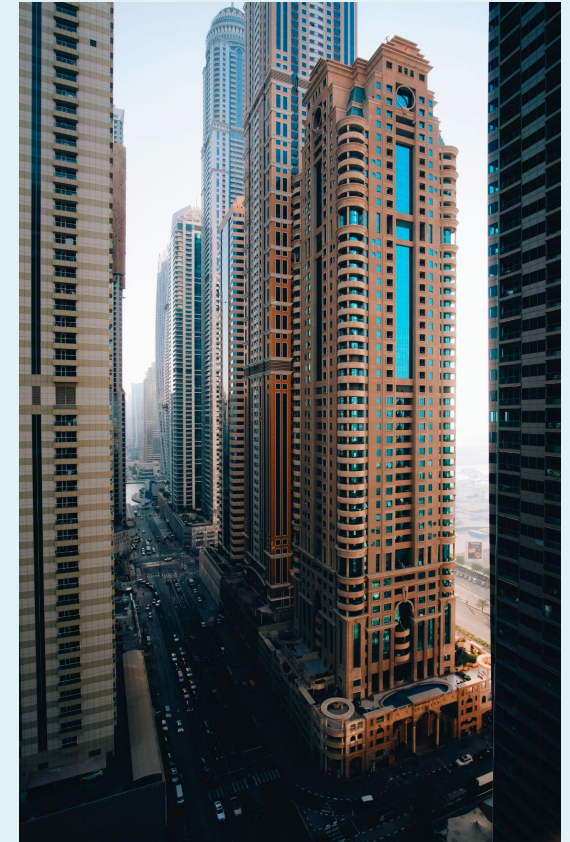
On a citywide level, residential prices have been trending upwards now since late 2020. As of December 2023, the citywide price index had reached its highest value since mid-2015.

## - Apartments Analysis

The only discernible trend has been that price drops have been more common in larger apartments, perhaps indicating that demand for luxury apartments is starting to decline. At the same time the issue of weightage has to be considered here, as this does not account for several factors that can drastically affect the results of an index construction. Sample size also has to be considered (i.e. a sample that makes up 10% of the overall market *at best* should not be interpreted as indicative of any significant shifts in sentiment).

## - Villas Evaluation

Like apartments, falling prices have trended towards larger villas, perhaps suggesting that demand for luxury properties across the market is now declining. However, villas arguably have an even greater scope for variability than apartments, further calling into question the significance of a six-month sample size that hardly begins to consider any number of variables that could drastically change the outlook of an index; the UAE Central Bank's index from their 2023 Q3 report is just one example of this.



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## General Residential

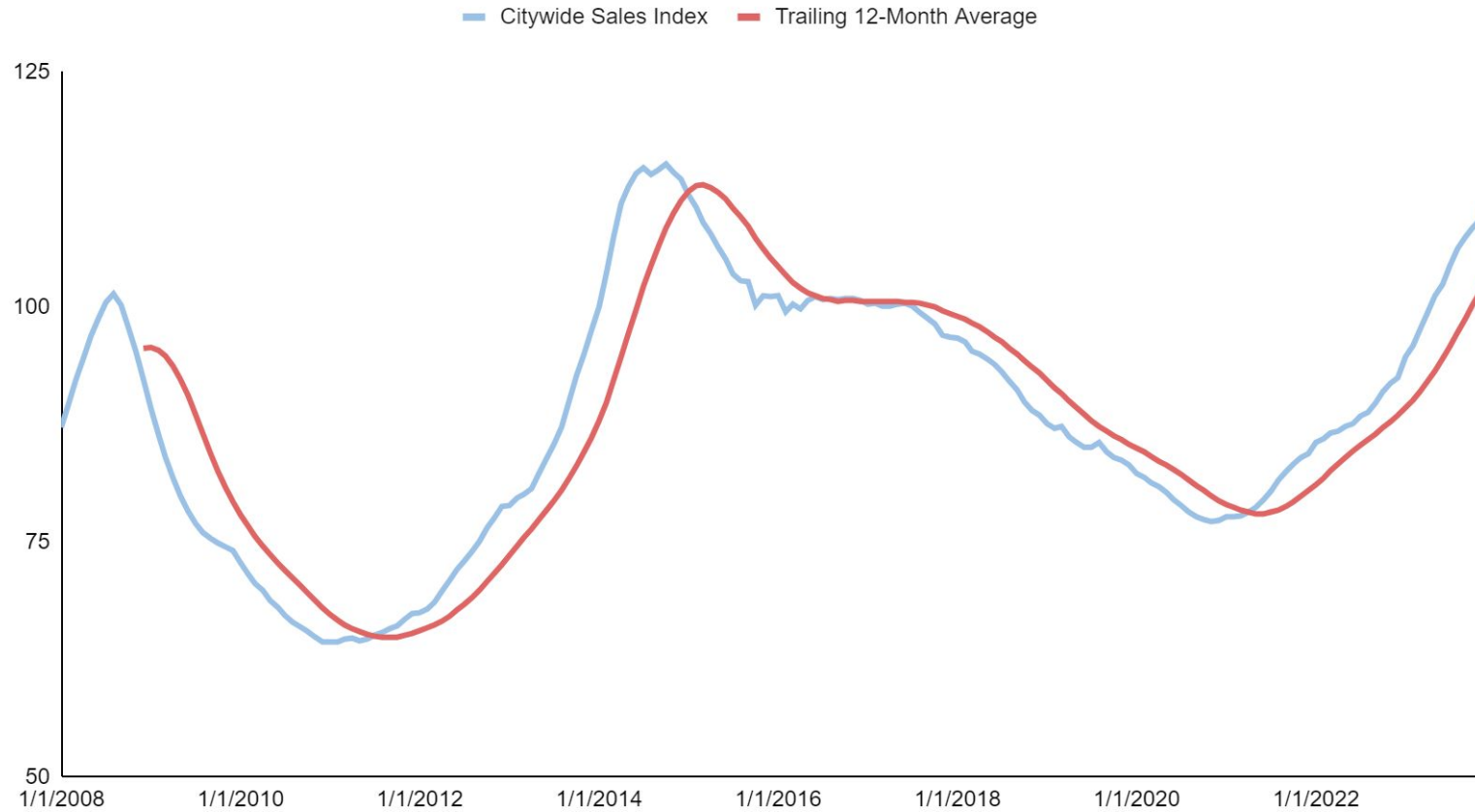
**“A city is not gauged by its length and width,  
but by the broadness of its vision and the  
height of its dreams.”**

– Herb Caen



# Citywide Residential Sales Index

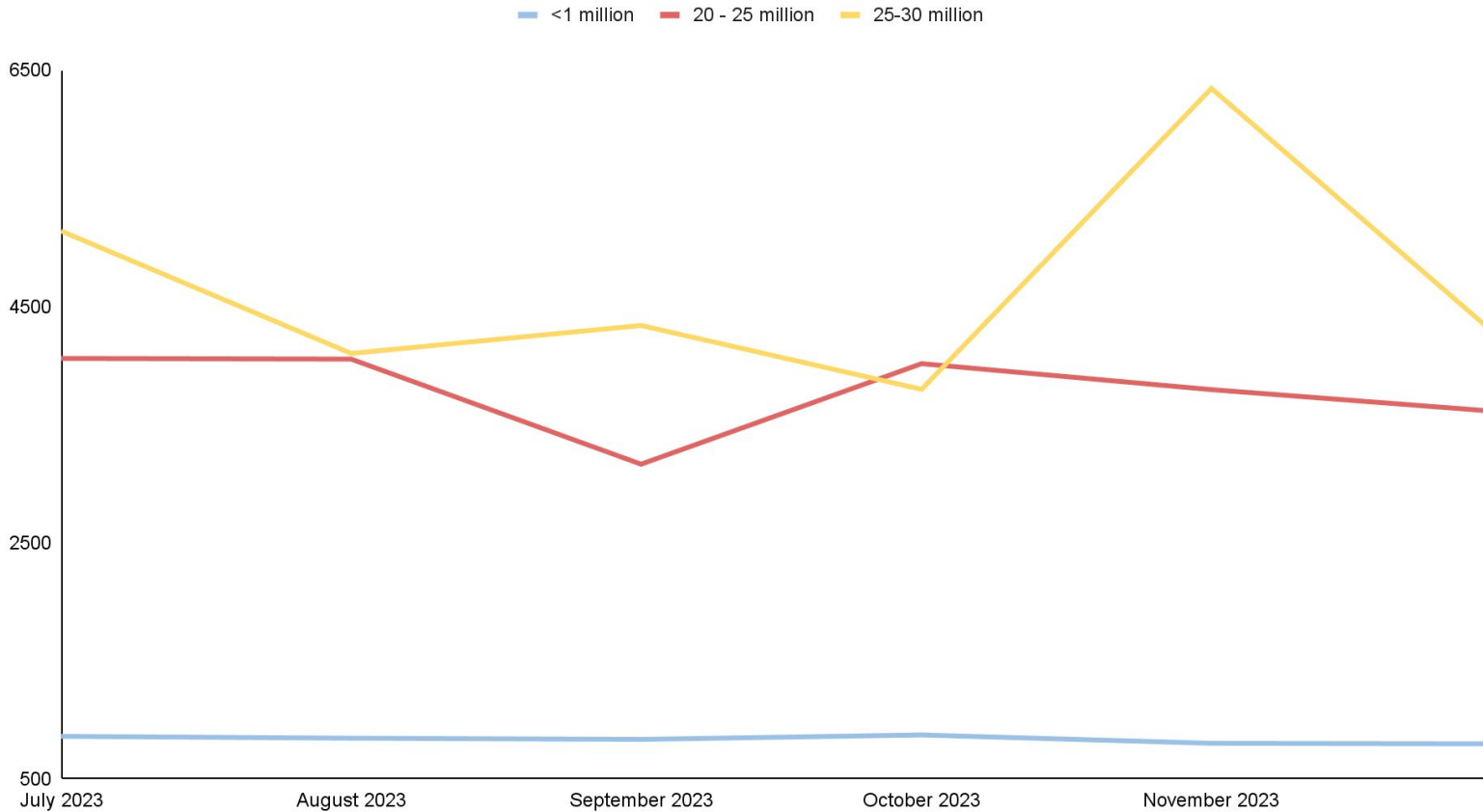
## Citywide Sales Index and 12-Month Trailing Average



The price index of all residential real estate sales from January of 2008 to December of 2023 shows that the market has undergone typical boom and bust cycles over the last fifteen years. As of the end of 2023, the citywide index had reached an index value of 111.1, only 3.56% lower than the peak of 115.2 in October 2014.

# General Residential Price Declines

### General Residential Price/SqFt by Price Range

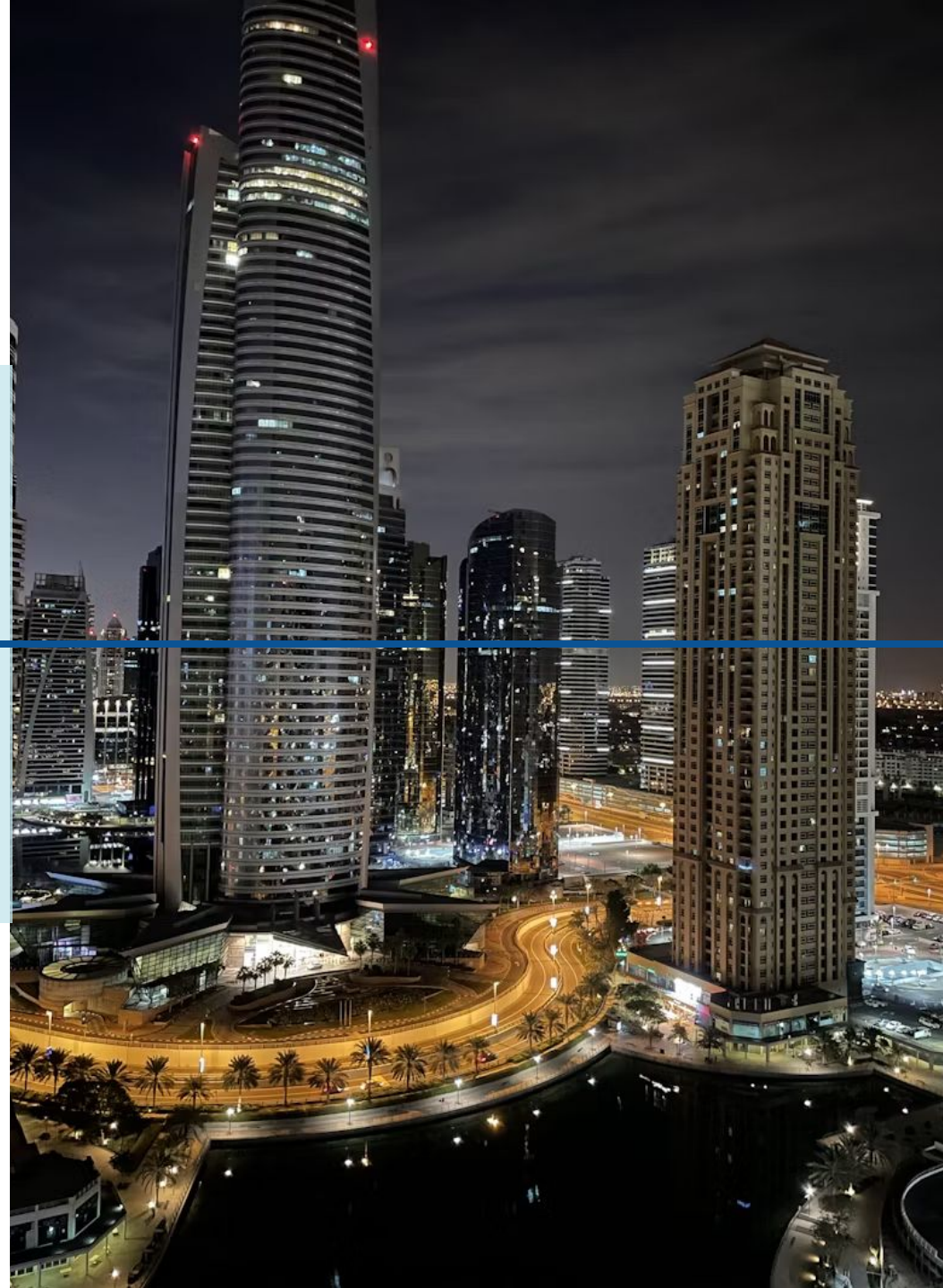


Citywide, the AED 10 to 50 million range has seen the smallest decrease in prices across the last six months (with the average price per square foot falling by 4.11%), while the AED 25 to 30 million range has seen the steepest decline (with the average price per square foot falling by 16.5%). However, as we will demonstrate in the next two sections, this is likely more attributable to issues within the data itself, and not 100% indicative of any market downturn.

## Apartments Analysis

**“I was obliged to be industrious. Whoever is equally industrious will succeed equally well.”**

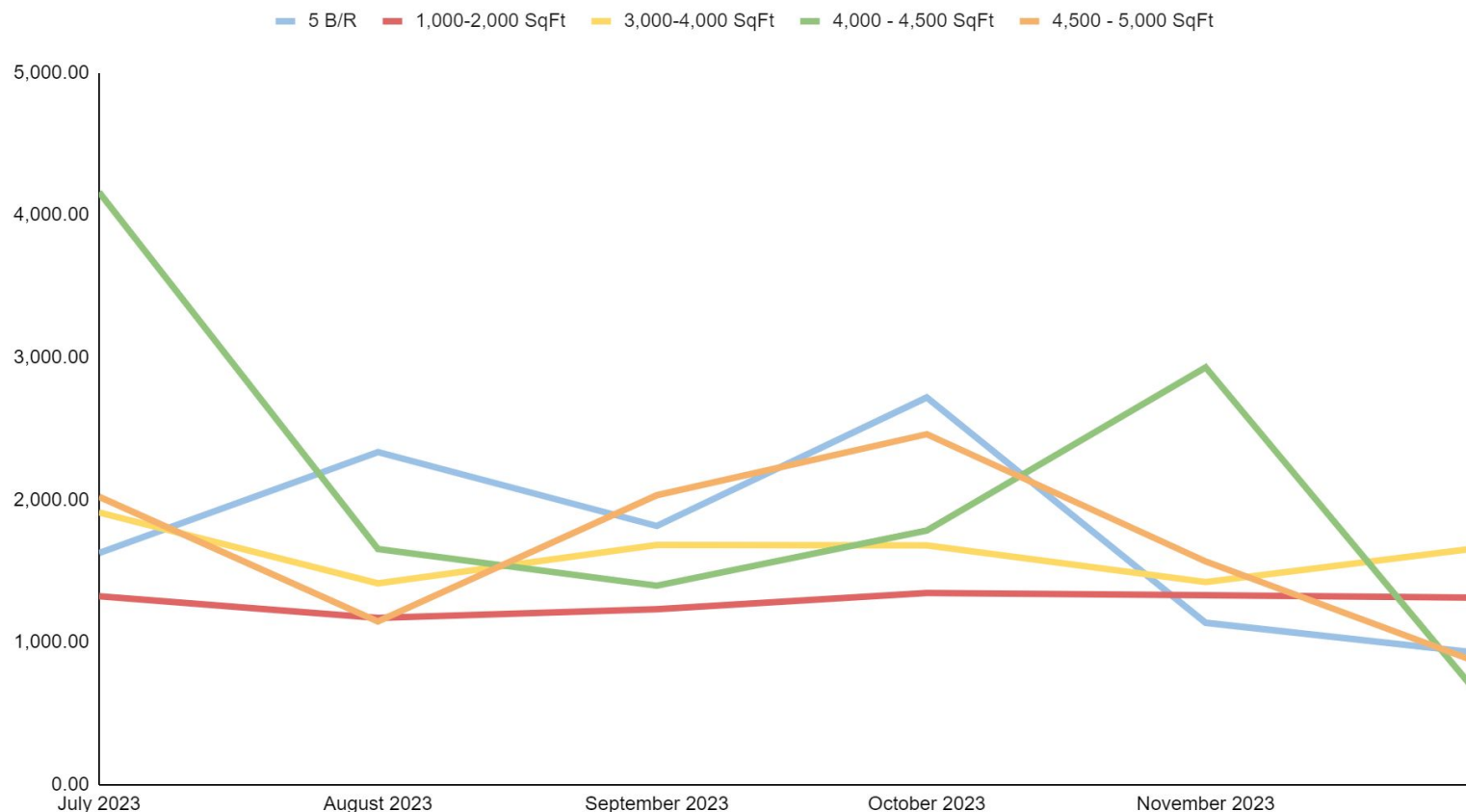
– Johann Sebastian Bach





# Apartment Breakdown by Size

### Apartment Price/SqFt by Size

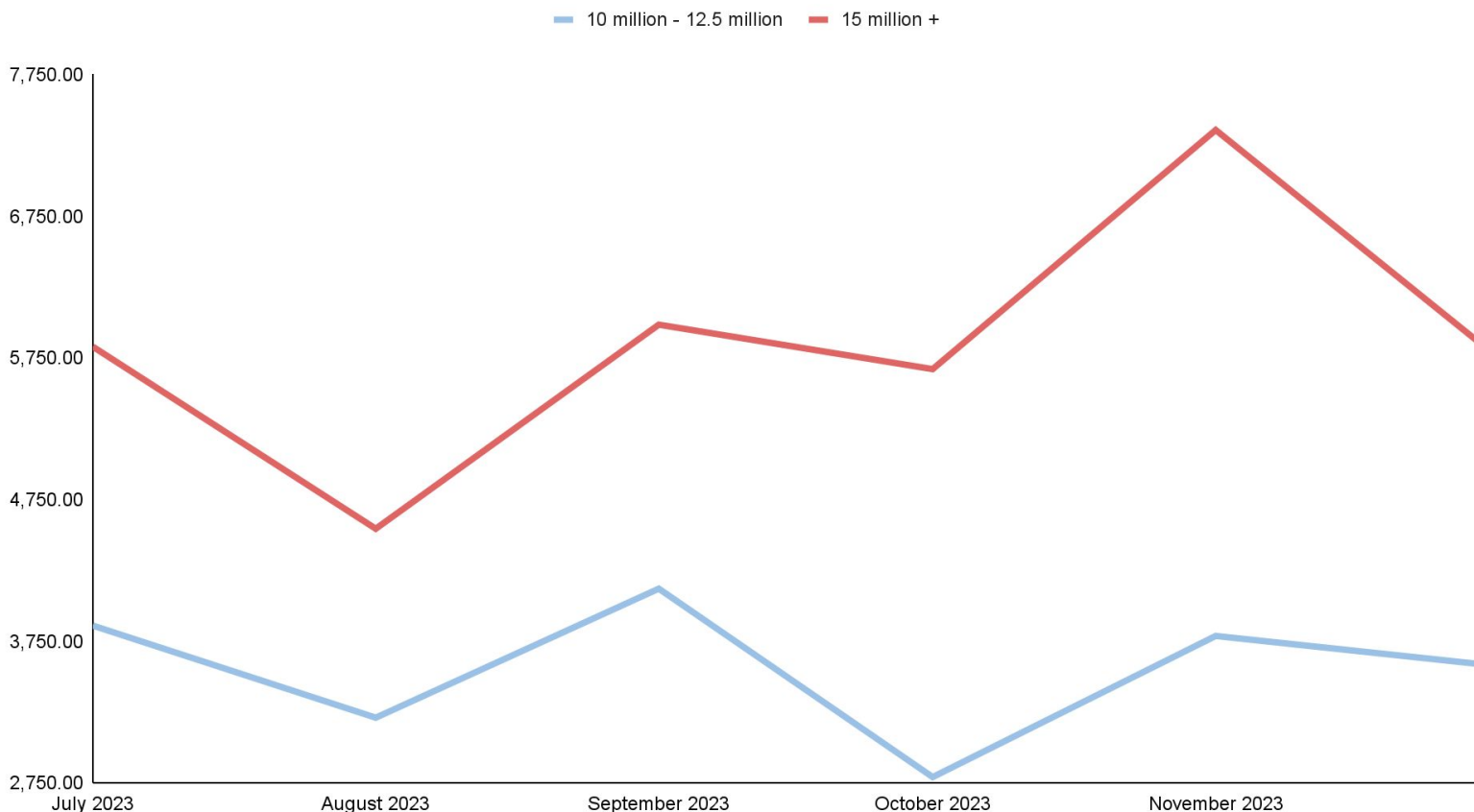


There have been a number of apartment sizes that have seen average prices fall between July and December of 2023. For instance, five bedroom apartments saw prices increase and decrease over the six months, but the average overall price per square foot fell by 42.96%. However, this is where we start to see issues within the data crop up; this methodology assigns equal weight to a five bedroom apartment in Al Quoz Fourth and a five bedroom apartment in Dubai Marina (as an example), and does not account for nuances such as balcony area or the individual offering type (to name a few).



# Apartment Breakdown by Price Range

Apartment Price/SqFt by Price Ranges



Sorting apartments by price ranges, there seem to be fewer (and less drastic) instances of price drops. The only two observed between July and December 2023 were apartments in the AED 10 to 12.5 million and the over AED 15 million ranges, which saw relatively smaller price decreases to the tune of 7.23% and 0.52% respectively. While less problematic, this still does not take into account individual characteristics of each property whose effects and subsequent appropriate weightages can vary wildly.

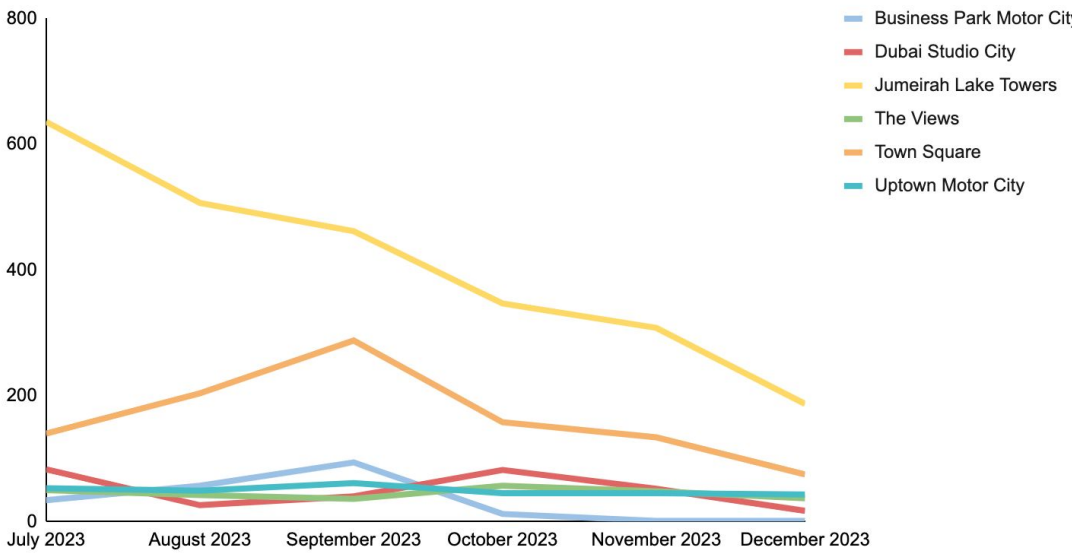
# Apartment Volumes



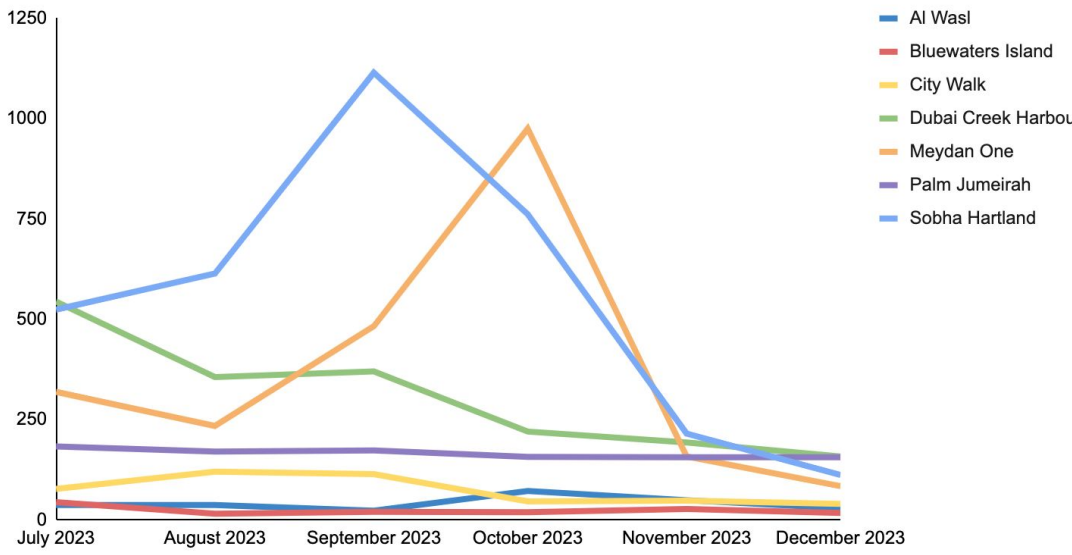
In the mid market space, Business Park Motor City saw apartment sales suddenly plummet post-September, with December sales being 97.06% lower than July levels. On the other end of the spectrum, Uptown Motor City managed to stay more consistent, with sales only dropping by 18.87% between July and December.

Within luxury apartments, Sobha Hartland also saw sales nosedive post-October, with 78.63% less sales in December than in January. Al Wasl managed the least decrease in sales, with an overall 21.62% drop across the six months despite a spike in sales in October.

Mid Market Apartments Sales Volumes July-December 2023



Luxury Apartments Sales Volumes July-December 2023



# Villas Evaluation

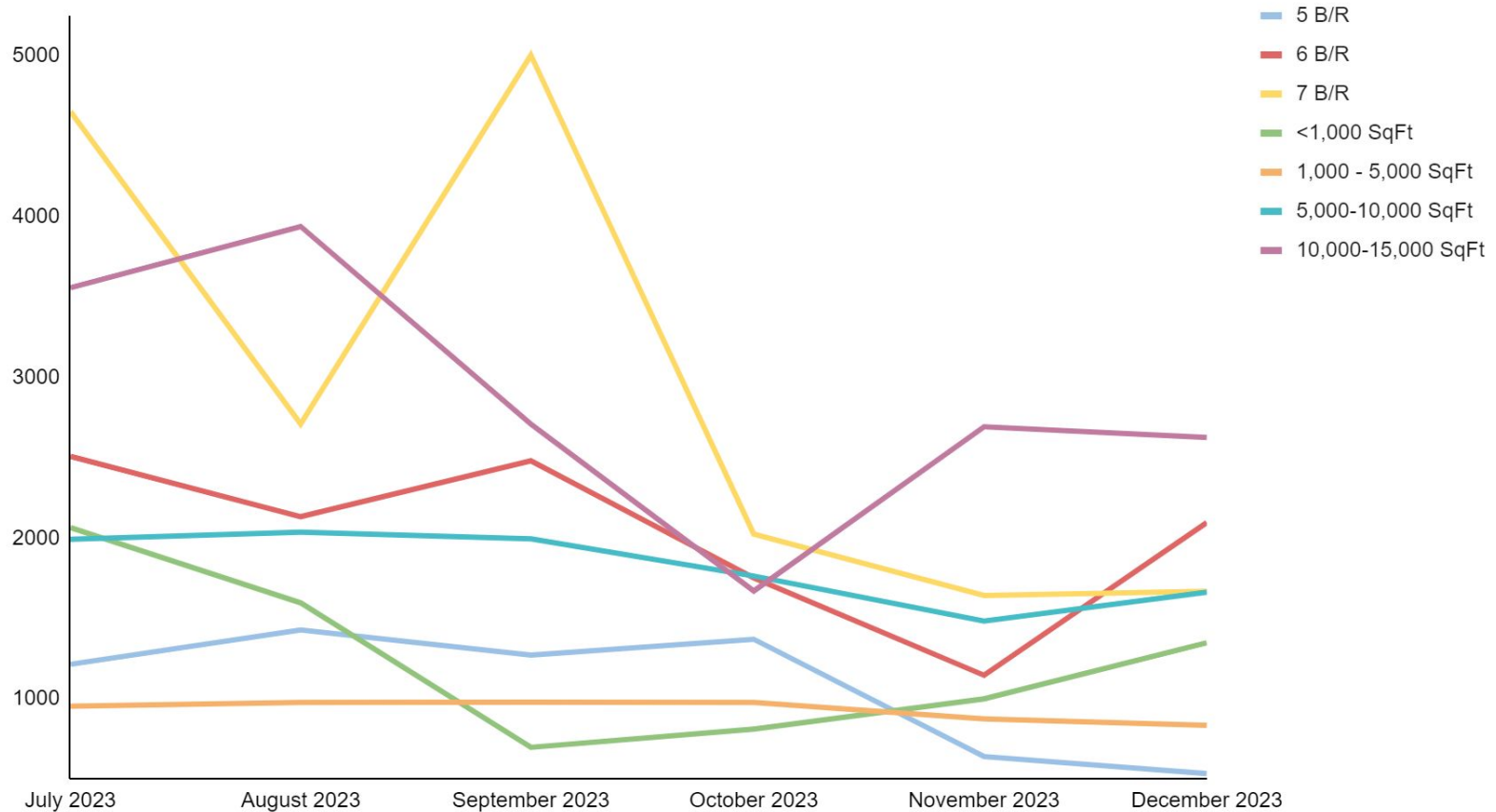
**One fails forward toward success.”**

- Charles Kettering



# Villa Breakdown by Size

Villa Price/SqFt by Size

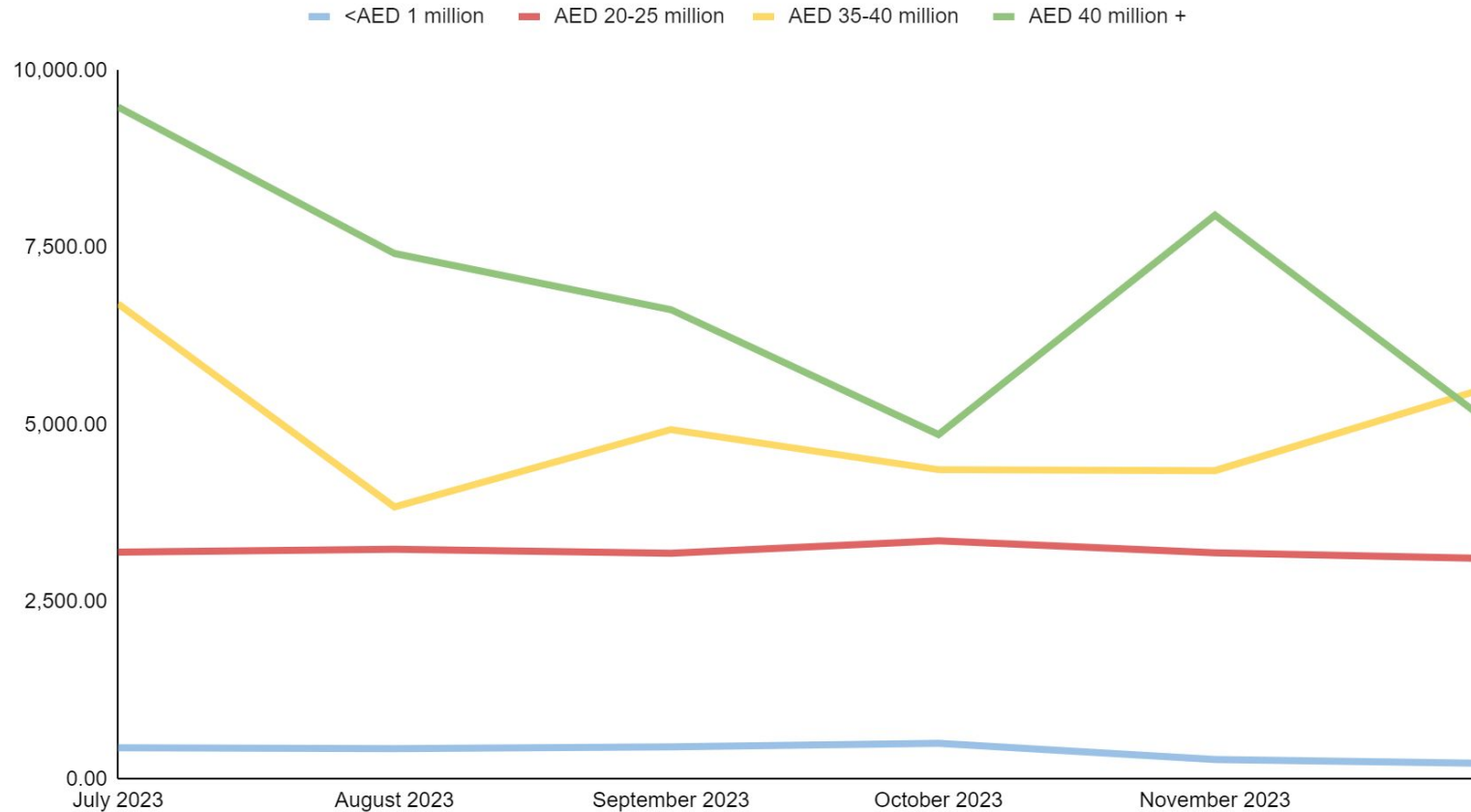


The most dramatic price drop observed was in seven-bedroom villas, which saw average prices per square foot decrease by 64.13%. While it seems like this might be an alarming statistic, it is also important to bear in mind that this is a relatively small sample size, both in terms of timeframe as well as villas included in the sample set. For example, villas with 5 bedrooms or more only account for 20.29% of the ready villa sales between July and December (before even mentioning off plan sales, which account for the lion's share of the market).



# Villa Breakdown by Price Range

### Villa Price/SqFt by Price Ranges



Just like in apartments, there are far fewer of such instances where villa prices are decreasing when sorting by price ranges. The largest price drop was observed in villas under AED one million, which saw prices per square foot fall by 49.53%. However, again, this does not account for factors such as age of the property. For example, a brand new Dubai Hills villa sold for nearly 5,000 AED/SqFt might be lumped in together with an Emirates Hills villa with a much older build sold at just under 2,000 AED/SqFt (as an example to illustrate how consequential a simple factor like property age can be).

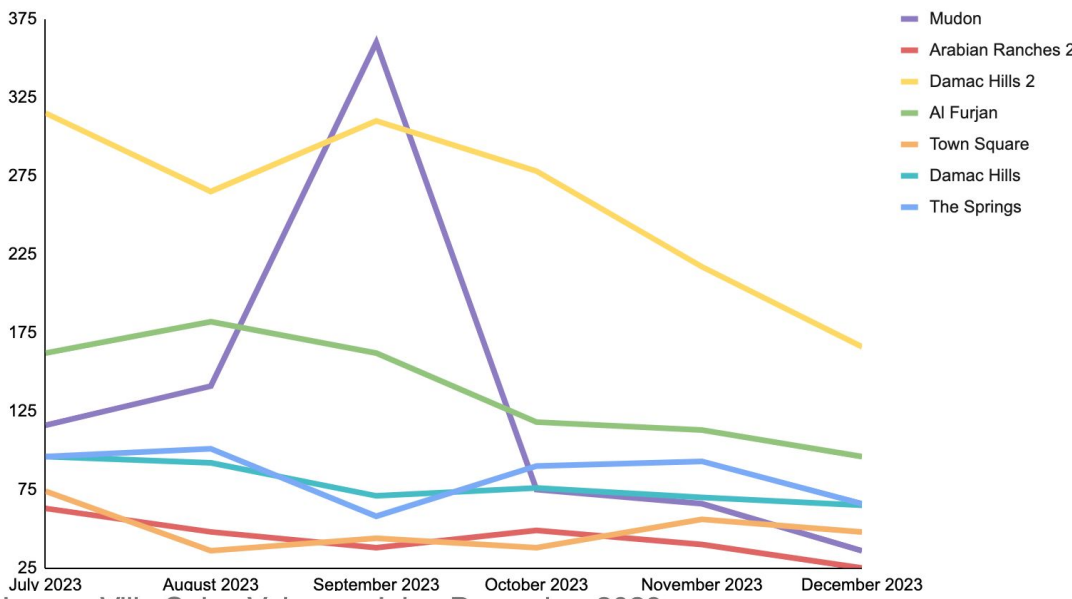
# Villa Volumes



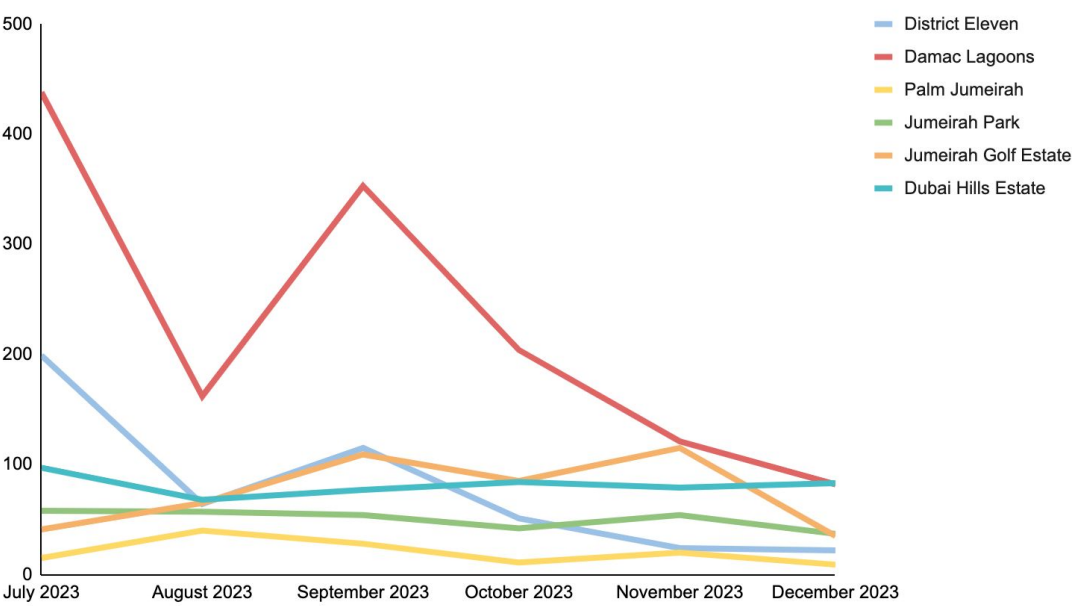
In the mid market, Mudon saw a significant drop in sales after peaking in September, with an overall 68.97% decline in villas sold across the six months. Even The Springs, which had the smallest decrease in sales over the same time period (in the mid market) still saw a 31.25% negative differential between July and December.

Luxury villas had more of a broad range with respect to how much sales decreased between July and December. For instance, District Eleven was another victim of the post-September slump, with an overall 88.94% drop in villa sales across the six months. On the other hand, Dubai Hills Estate managed to stay more consistent, with only 14.43% less sales in December than in July.

Mid Market Villa Sales Volumes July - December 2023



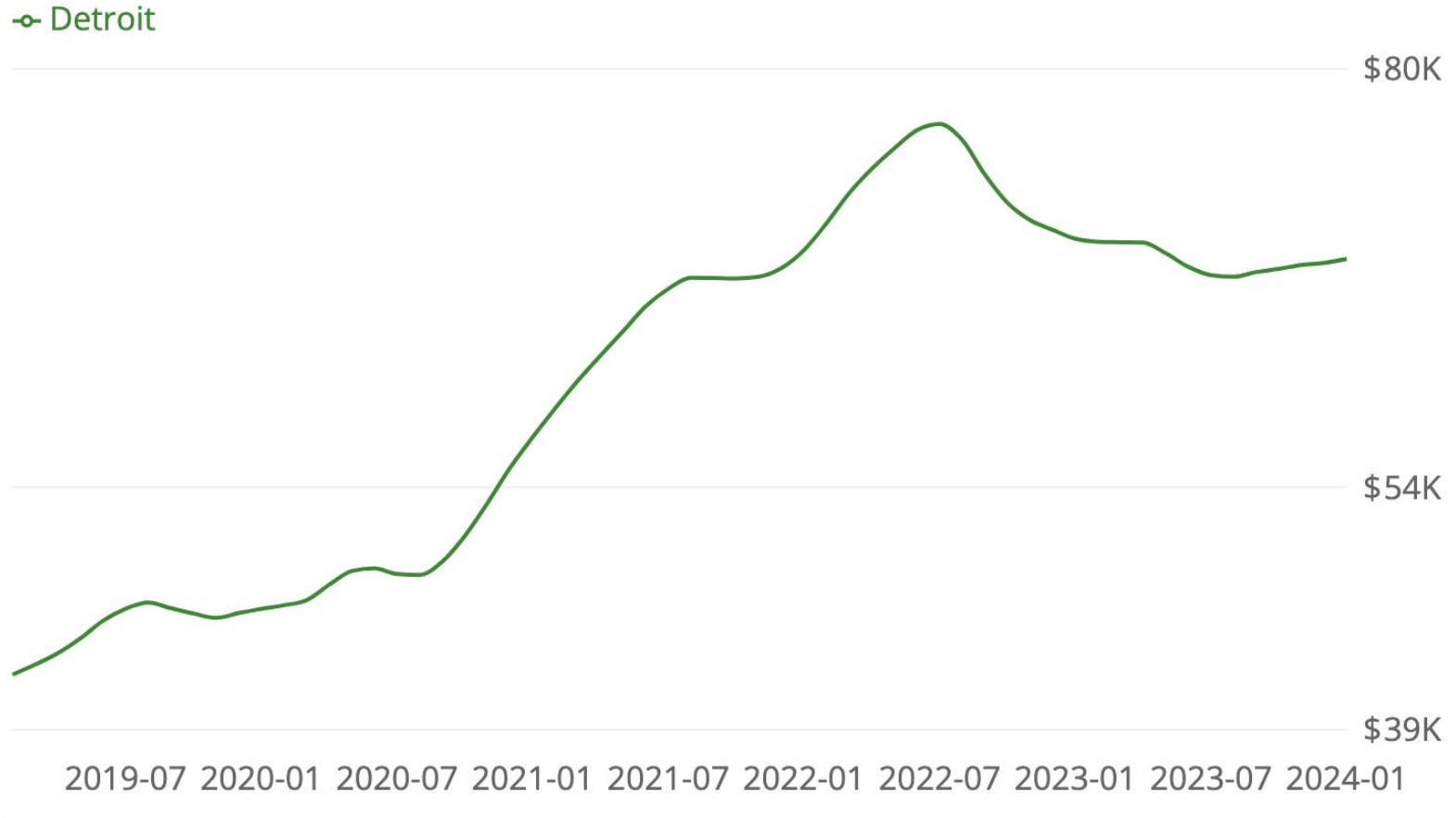
Luxury Villa Sales Volumes July - December 2023



# Index Construction

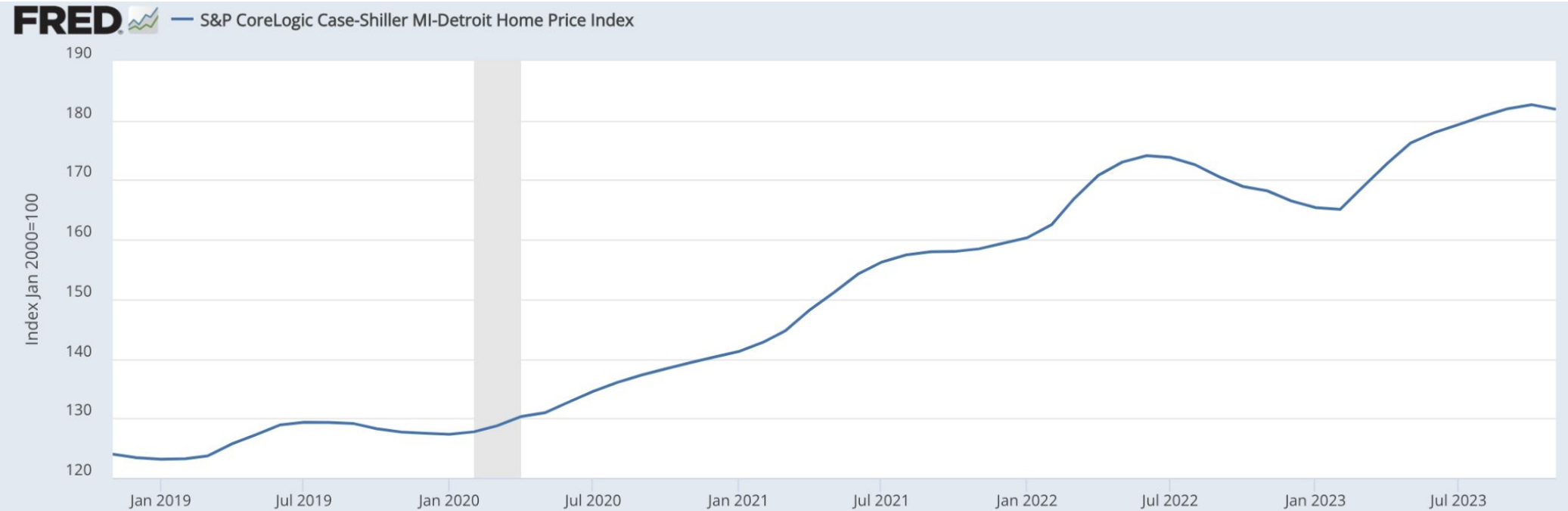
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REIDIN



To illustrate how index construction can drastically impact its findings, we can look to international markets. Taking the example of Detroit, Michigan, the above graph is an index of home prices citywide from Zillow (an American online real estate marketplace, similar to Bayut or PropertyFinder). Based on their index construction, home prices in Detroit peaked in July 2022.

# Index Construction



However, looking at another source - the Federal Reserve Bank of St. Louis - seems to indicate that home prices in Detroit peaked in October 2023. Two sources examining the same city over the same time period differ in their conclusion as to when prices were at their highest by 15 months. The only explanation for such a discrepancy is that the two sources would have used different index construction methodologies, and as such, yield nearly opposite results.



# Conclusions

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## General Residential

As of the end of December 2023, citywide residential prices have been trending upwards for over three years. On a general residential level (both apartments and villas), the price drops have trended slightly towards luxury price points, with the largest observed price decline being in the AED 25 to 30 million range. However, as demonstrated throughout, this is more an issue of data than it is indicative of a serious market downturn.

## Apartments Analysis

Larger and more expensive apartments have also seen more price decreases, aligning with the citywide trend of a decline in luxury residential offerings. There is no such clear and obvious trend in sales volumes, where both mid market and luxury communities have seen falling sales over the last six months. However, a clear issue highlighted here is that of weightage. For example, variables such as balcony area, offering type, freehold status and location can and should have significant bearing on how each individual transaction is weighted when constructing an index.

## Villas Evaluation

Larger villas have also seen more price declines, further supporting the trend seen both on the general and apartment levels. Regardless, these only account for 20.29% of the ready villa market (a fraction that more than halves if one also considers off plan transactions), and so any conclusion drawn from such data is inherently hamstrung by the small sample size.

## Conclusions

Overall, our analysis highlights the greater level of scrutiny that needs to be placed on the ready market. While the trends highlighted may be indicative of a coming slowdown in residential real estate, the data is not reliable enough to confidently draw any such conclusions, especially given that the majority of residential transactions are off plan. Furthermore, a more appropriate methodology such as the Hedonic method (which recognizes the heterogeneity of properties) requires a longer time frame in order to draw reliable conclusions, and even then only purports to explain 70% of the variation.

*This is all before even considering the rental market as well as listings data, two considerations that have significant scope to entirely change the outlook of any index.*

*The example of the two indices (Zillow and FRED St. Louis) examining the same city in Detroit over the last five years and still yielding different conclusions proves that the methods used to construct an index can heavily sway its output.*



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Indigo Icon, 1708  
Jumeirah Lake Towers,  
P.O. Box 500231 Dubai,  
United Arab Emirates  
Tel. +971 4 447 7220  
Fax. +971 4 447 7221  
[www.globalcappartners.com](http://www.globalcappartners.com)  
[info@gcp-properties.com](mailto:info@gcp-properties.com)



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Concord Tower, No. 2304  
Dubai Media City,  
P.O. Box 333929 Dubai,  
United Arab Emirates  
Tel. +971 4 277 6835  
Fax. +971 4 360 4788  
[www.reidin.com](http://www.reidin.com)  
[info@reidin.com](mailto:info@reidin.com)

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**“No barrier can withstand the strength of purpose.”**

-HH General Sheikh Mohammed Bin Rashid Al Maktoum  
The Ruler of Dubai, Prime Minister and Vice President of the UAE

