

CHESTERTONS MENA

OBSERVER

ABU DHABI RESIDENTIAL MARKET OVERVIEW



Q1 2018
R E P O R T

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تشيسترتنس



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Report Highlights

Prices : Abu Dhabi's real estate market experienced a further drop of 1% in the sales prices of apartments and a 2% decline in the sales prices of villas.

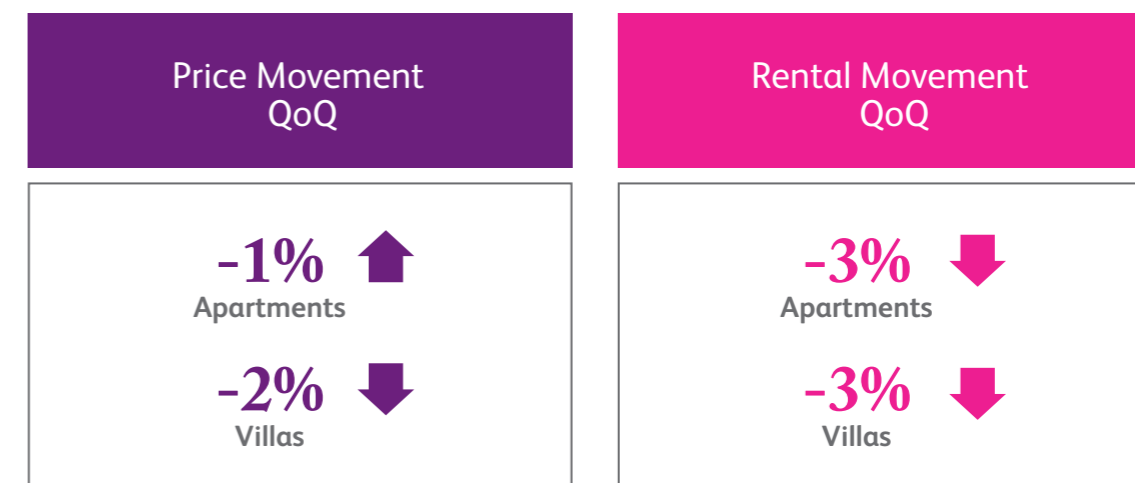
In terms of apartment sales prices, the highest drop was recorded in the Al Reef Community where the prices declined by 7% reaching AED 923 per sq.ft. Similarly, villa communities in the Al Raha Beach Area experienced the highest drop of 10% with average sales prices declining to AED 1,150 per sq.ft.

Rents : The rental market declined in Q1 2018 compared to Q4 2017 as rents for both villas and apartments weakened by approximately 3% on average. Recent redundancies and the declining housing allowances coupled with increased supply are putting downward pressure on rental levels. Apartments on the Corniche Road recorded a 9% decline in values over the past quarter, while Mohamed Bin Zayed City was the most affected area in terms of villa rentals, which dropped by 9%.

Supply : Despite the continuing downward trend in residential rents and sales prices in Abu Dhabi, developers continue to launch new schemes. Some of the most notable recent launches are the Reflection project on Reem Island, Al Ghadeer Phase 2 by Aldar, Pixel on Reem Island by Imkan and the new development between Yas and Saadiyat Island to be developed by Al Fahid.

Outlook : Sales prices and rents are expected to face further correction during 2018 due to the weak demand and the increasing supply on the market. Major economic triggers and the increased Government spending would be required to underpin the recovery of the Abu Dhabi residential market.

Residential Market Movement – Q1 2018

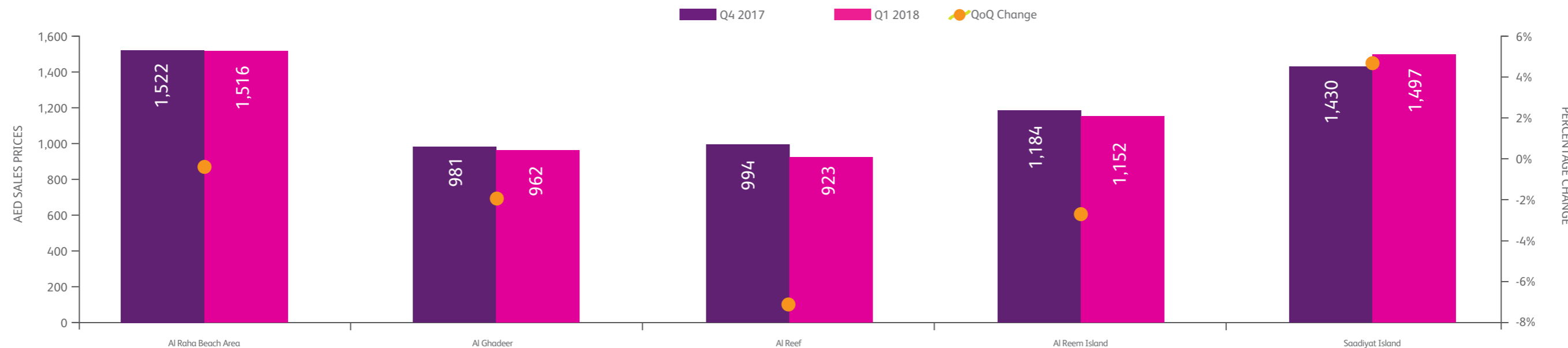


Source: Chestertons Analysis

RESIDENTIAL

Sales Prices & Quarterly Change

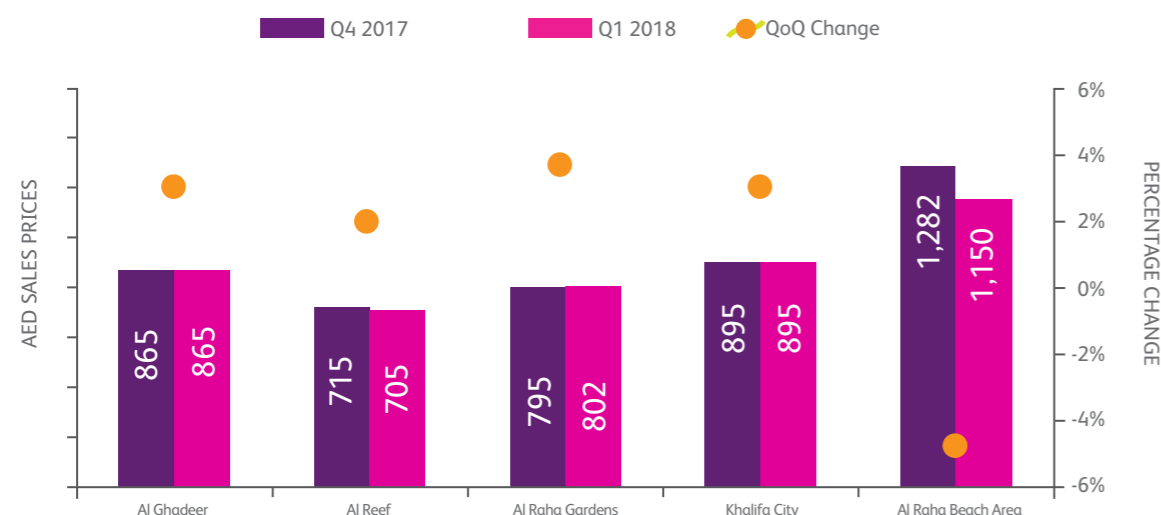
APARTMENTS



* All figures are in AED/sq. ft.

Source: Chestertons Analysis

VILLAS



* All figures are in AED/sq. ft.

Source: Chestertons Analysis

Market Commentary

Overall, sales prices of apartments have dropped by 1% compared to Q4 2017. The highest decline in prices was recorded in the Al Reef Community where the prices decreased by 7%, followed by Al Reem Island which saw a 3% depreciation. Conversely, for the second consecutive quarter, apartment prices on Saadiyat Island saw a 5% increase in sales prices.

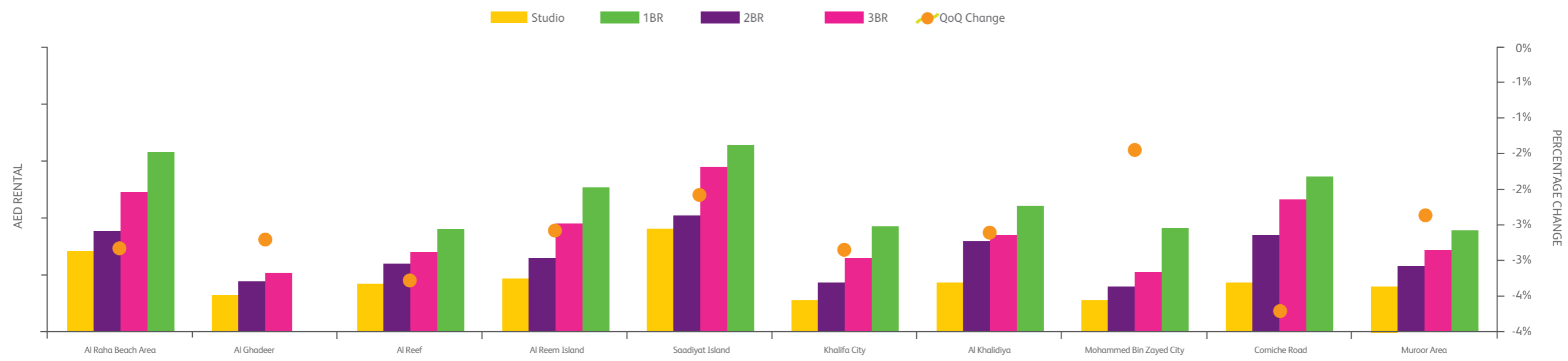
Villa sales prices fell by 2%. Some communities observed a decline in sales prices, with the Al Raha Beach area leading the trend with a 10% quarterly

decline. Communities such as Al Ghadeer and Khalifa City have been resilient to the downward trend over the past quarter.

Outlook : Prices are expected to remain under pressure during 2018 as a result of weakened demand, existing oversupply and the delivery of pipeline projects.

Market Rent & Quarterly Change

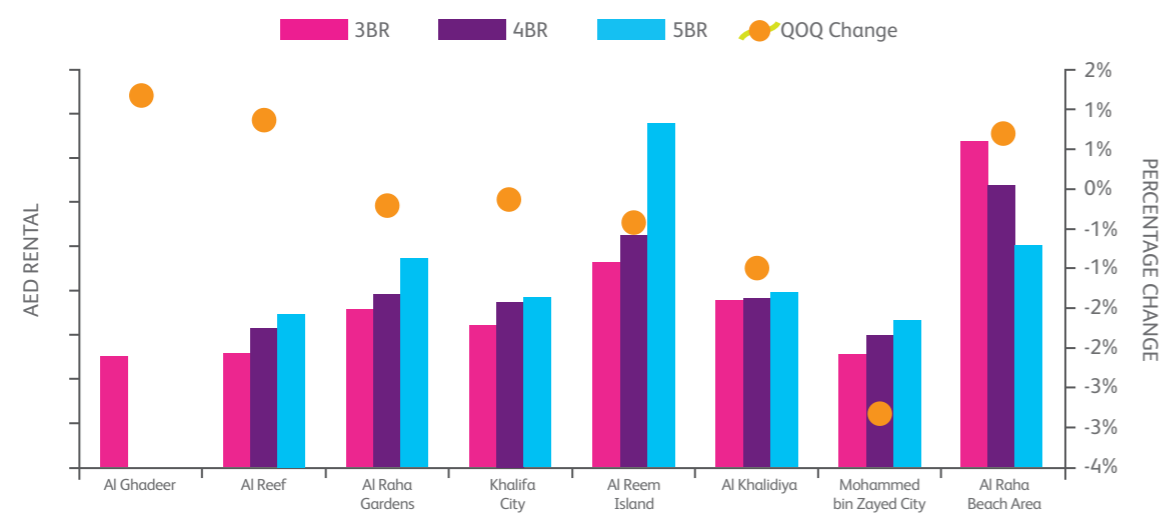
APARTMENTS



Figures in AED '000 p.a

Source: Chestertons Analysis

VILLAS



Figures in AED '000 p.a

Source: Chestertons Analysis

Market Commentary

Rental Rates : Rents for both apartments and villas declined by 3% during Q1 2018. The highest recorded decline in apartment rents of 9% was recorded on the Corniche Road. The only community that witnessed an improvement in rental levels was Mohamed Bin Zayed City where the rents increased by 3%. Apart from this and Saadiyat Island where there was no change, all other communities recorded a decline ranging from 2% to 4%. Three bedroom apartments were most affected by 5% decline on a quarterly basis.

Contrary to the performance of the apartment rental levels in Mohamed Bin Zayed City, villas within this community recorded an 8% decline during Q1 2018. Villas in the Al Ghadeer Community showed resilience to the downward trends while all other communities were negatively affected by declines ranging from 1% to 4%.

Outlook : The delivery of the additional stock will provide residents with more choice which will put further pressure on rental levels. Residents downsizing is expected to continue, hence, smaller units are likely to prove to be more resilient to the negative trends.

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