



Dubai Residential

Paying Off

Evaluating the Impact of Payment Plans on Off Plan Activity.

Executive Summary

- **Citywide Ready vs Off Plan**

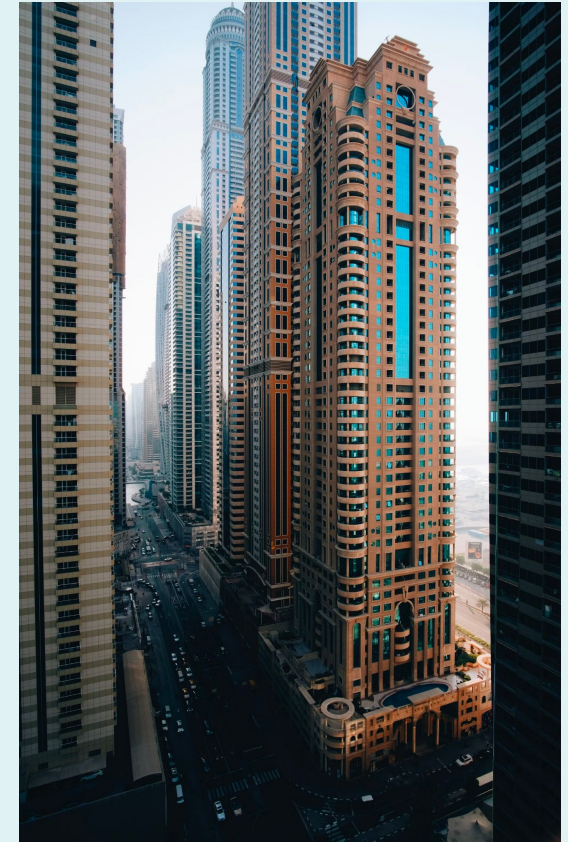
The past four years have seen a reversal of trends in the residential sales market. While ready sales used to comprise a greater proportion of the market than their off plan counterparts, this is no longer the case. Furthermore, the gap between off plan and ready sales has widened. While in 2022, off plan sales were 23.2% higher on an average monthly basis, that difference had climbed to 29.1% in 2023.

- **Payment Plans**

Payment plans have also seen a shift, moving increasingly towards payment plans with no post-handover payments. Interestingly, the data patterns in the rise of off plan activity and the increase in payment plans with no post-handover payments are highly correlated with a coefficient of 0.75. This suggests that the change in payment plan trends are the driving force behind the rise in off plan sales.

- **Community Analysis**

Jumeirah Village Circle and Sobha Hartland are two communities where off plan activity has been greatly concentrated across the last four years. Notably, these two communities also have higher correlation coefficients with the easing of payment plans (0.87 and 0.82 respectively), further lending credence to the idea that the shift in payment plans has been the causal factor behind increasing off plan sales, as the phenomenon can be observed on both a macro (citywide) and micro (individual community) level.



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Citywide Ready vs Off Plan

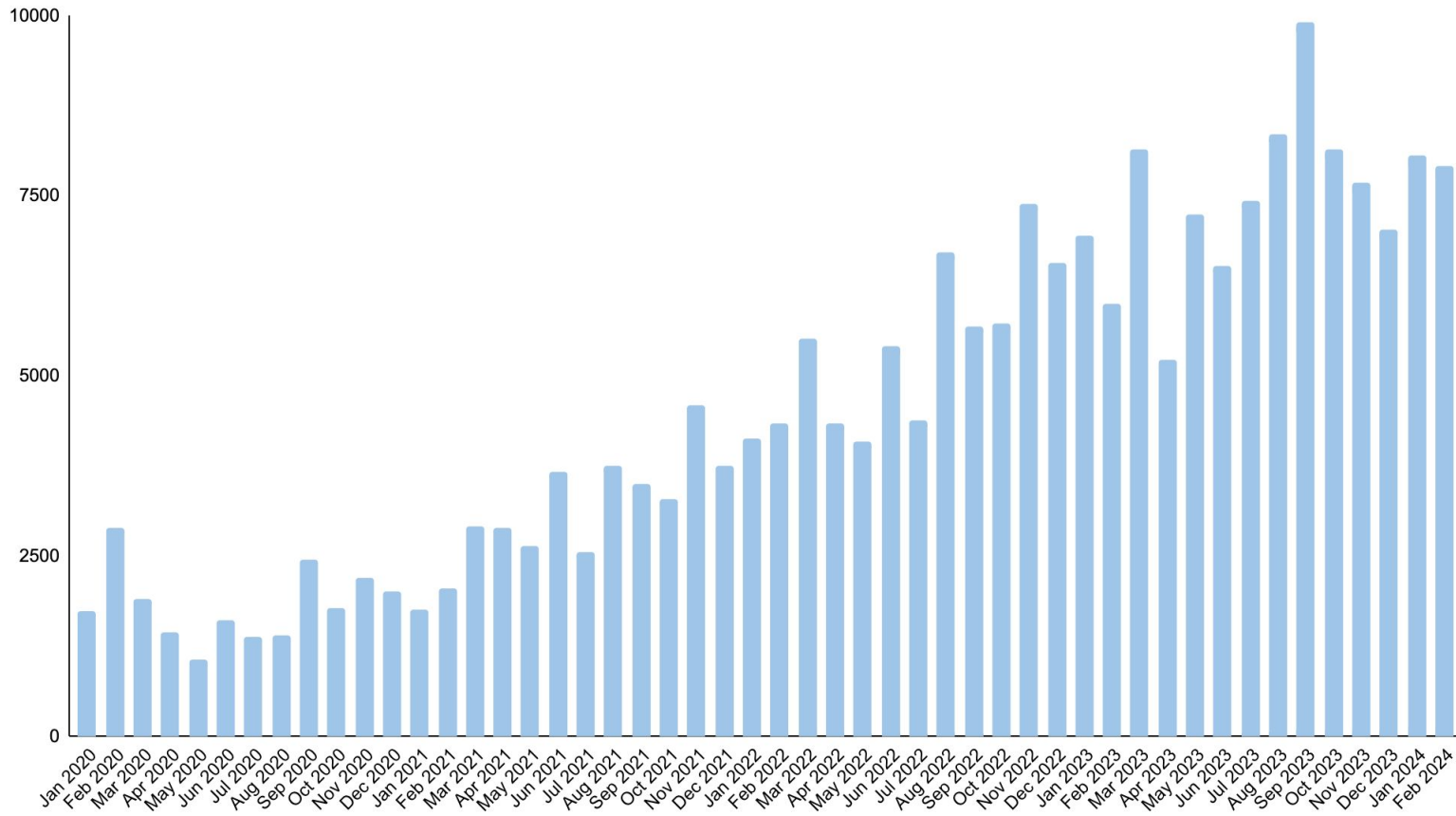
“Yesterday is not ours to recover, but tomorrow is ours to win or lose.”

– Lyndon B. Johnson



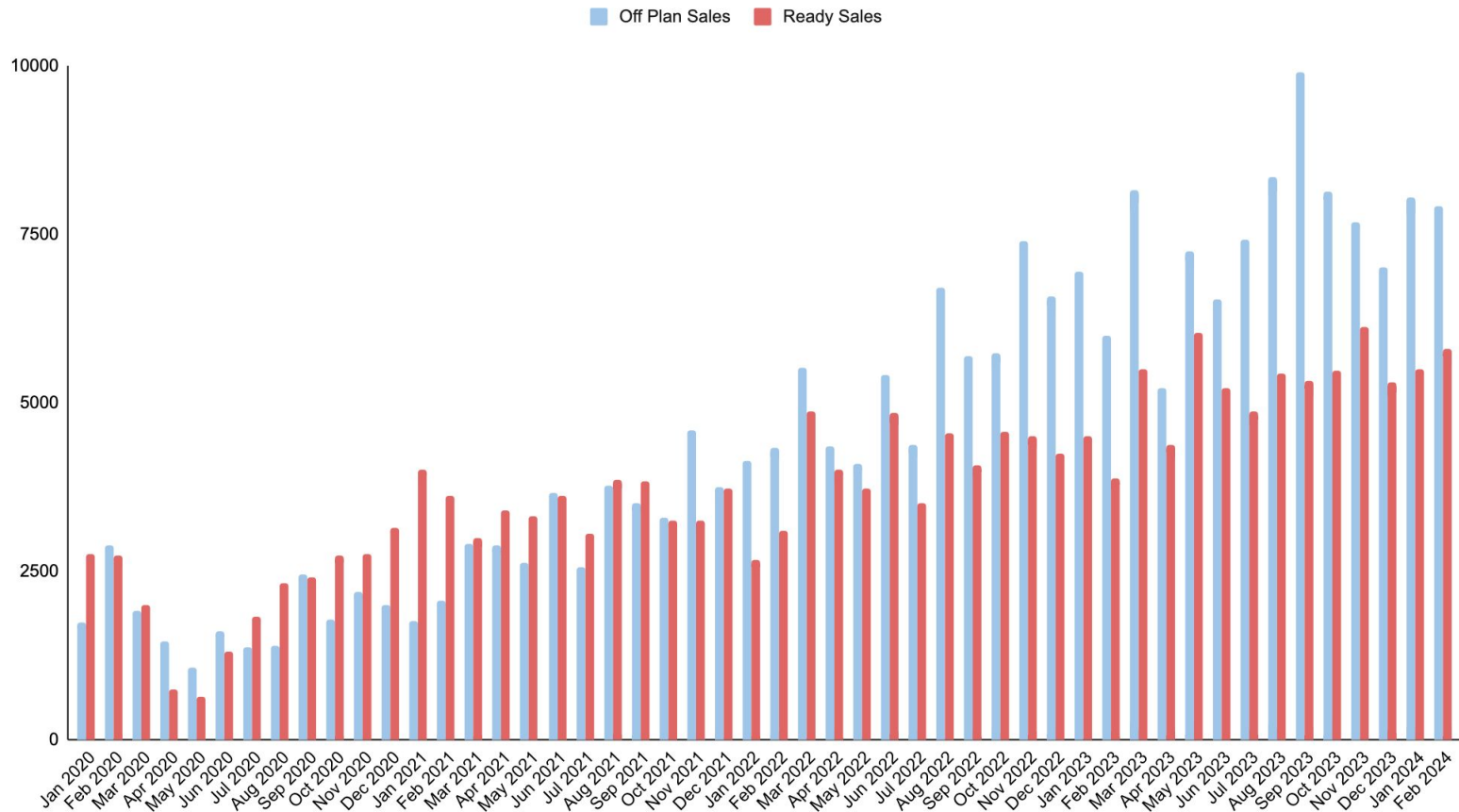
Citywide Off Plan Sales

Citywide Off Plan Monthly Sales



As seen in the graph above, total off plan sales have been rising over the past four years. In 2020, the average monthly off plan sales volume was 1,825, while in 2023 it had risen to 7,386; a 305% increase in the span of four years.

Off Plan Versus Ready Sales



Not only have off plan sales been rising, but they have also been outpacing ready sales. Before November 2021, ready sales were consistently higher than their off plan counterparts, a trend that has since reversed. In fact, pre-November 2021, ready sales were 5.24% higher on a monthly basis than off plan sales. Post-November 2021, however, off plan sales have been 25.45% higher than their ready counterparts on a monthly basis.

Payment Plans

“Sooner or later everyone sits down to a banquet of consequences.”

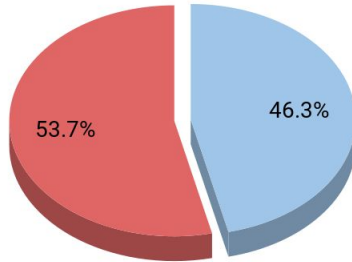
- Robert Louis Stevenson



Increase in Off Plan Sales Activity

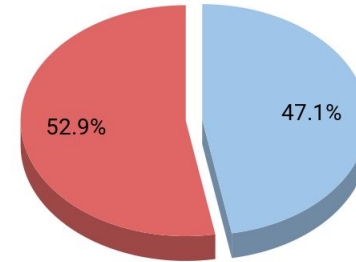
Off Plan vs Ready Residential Sales 2020

● Off Plan Sales ● Ready Sales



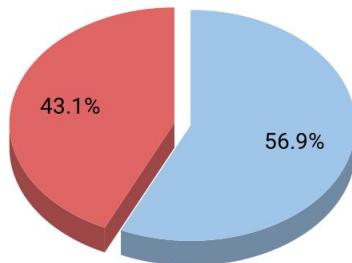
Off Plan vs Ready Residential Sales 2021

● Off Plan Sales ● Ready Sales



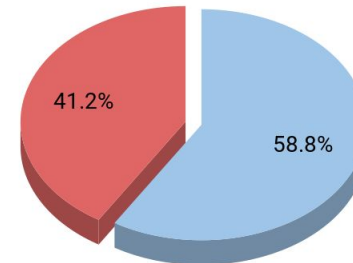
Off Plan vs Ready Residential Sales 2022

● Off Plan Sales ● Ready Sales



Off Plan vs Ready Residential Sales 2023

● Off Plan Sales ● Ready Sales

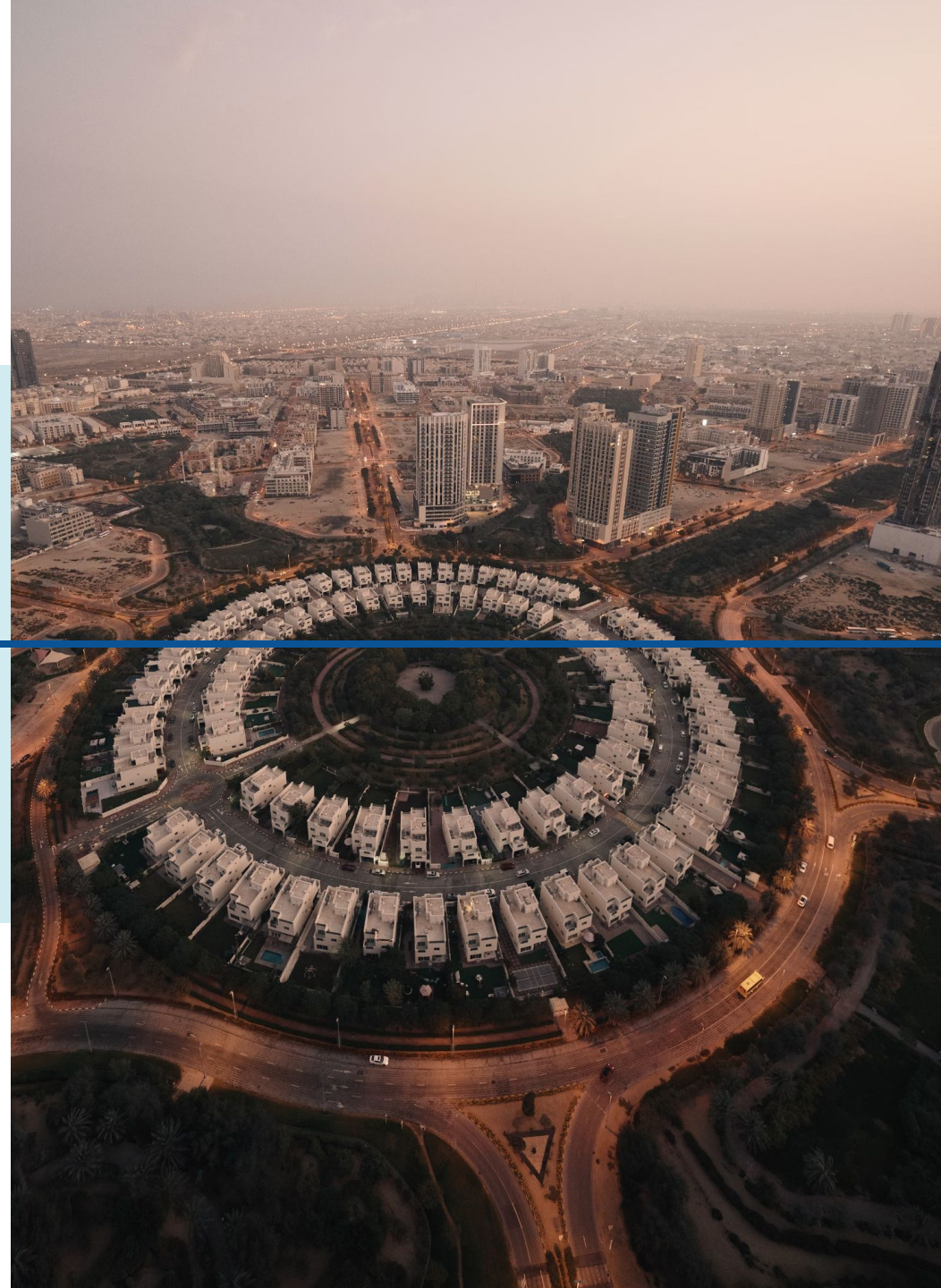


As demonstrated, off plan sales have been consistently increasing relative to the ready portion of the market. This change in residential sales activity seems to be driven by the simultaneous easing of payment plans. The concurrent rise in off plan activity and the increase in payment plans with no post-handover payments is no coincidence; in fact, the two trends have a correlation coefficient of 0.75, demonstrating some causal relationship between the two.

Community Analysis

“Excellence encourages one about life generally; it shows the spiritual wealth of the world.”

- George Eliot



Jumeirah Village Circle Analysis

JVC Off Plan Sales 2020 - Q1 2024 (YTD)



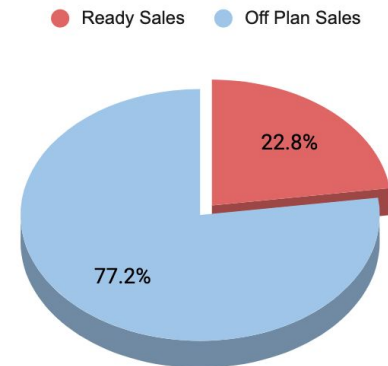
Jumeirah Village Circle is an example of a community where off plan activity has been especially high. In 2020, JVC saw an average monthly off plan sales volume of 130.59, a figure that rose to 871.2 in 2023.

Jumeirah Village Circle Analysis

JVC Off Plan vs Ready Sales 2020



JVC Off Plan vs Ready Sales 2021



JVC Off Plan vs Ready Sales 2022



JVC Off Plan vs Ready Sales 2023



As seen in the four charts above, the split in residential sales in JVC has become heavily skewed towards off plan. More notably, JVC's off plan sales trends have a greater correlation with the aforementioned shift in payment plans. While the citywide correlation between rising off plan sales and the increase in payment plans with no post-handover payments was 0.75, JVC's own correlation coefficient is 0.87, demonstrating a much stronger causal relationship.

Sobha Hartland Off Plan Sales 2020 - Q1 2024 (YTD)

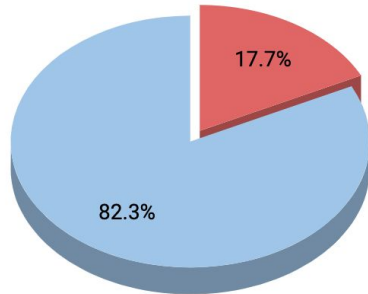


Sobha Hartland is another example of a community that has seen high levels of off plan activity. In 2020, the average monthly off plan sales volume was 57.17, which increased by more than five-fold to 362.42 in 2023.

Sobha Hartland Analysis

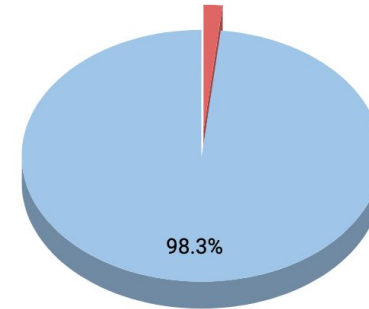
Sobha Hartland Off Plan vs Ready Sales 2020

● Ready Sales ● Off Plan Sales



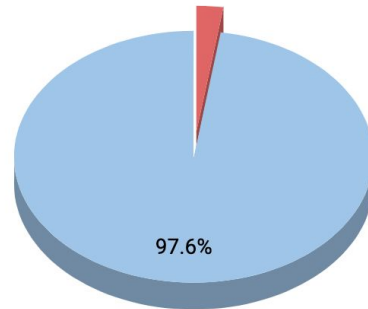
Sobha Hartland Off Plan vs Ready Sales 2021

● Ready Sales ● Off Plan Sales



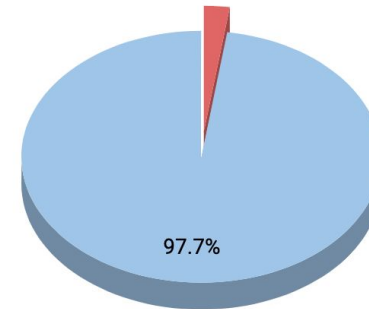
Sobha Hartland Off Plan vs Ready Sales 2022

● Ready Sales ● Off Plan Sales



Sobha Hartland Off Plan vs Ready Sales 2023

● Ready Sales ● Off Plan Sales



Similar to JVC, residential sales in Sobha Hartland have been heavily skewed towards the off plan market. Furthermore, the correlation coefficient between Sobha Hartland's rising off plan sales and the increase in payment plans with no post-handover payments is 0.82 (once again, higher than the citywide coefficient of 0.75).

Conclusions

Citywide Ready vs Off Plan

Over the past four years, the residential sales market has shifted away from ready properties, with a majority of sales now taking place in the off plan space. In 2020, off plan transactions only accounted for 46.3% of the total citywide residential sales volume. In 2023, that figure had risen to 58.8%.

Payment Plans

The simultaneous shift in payment plan trends - towards plans with no post-handover payments - seems to be the driving factor in the change in off plan activity. The two trends have a correlation coefficient of 0.75, demonstrating a high probability of a causal relationship.

Community Analysis

Jumeirah Village Circle and Sobha Hartland are two communities where residential sales activity has been skewed more heavily than citywide levels. Moreover, both communities also have higher correlation coefficients with the rise in payment plans that have no post-handover payments - 0.87 and 0.82 respectively, compared to the citywide 0.75.

Conclusions

The higher correlation coefficients in both JVC and Sobha Hartland are evidence of a strong causal relationship between the easing of payment plans and the rise in off plan activity. JVC and Sobha Hartland are examples of communities where this effect is felt more strongly (hence the higher correlation coefficients), which means there will also be communities where the effect is less pronounced. Overall, however, the high correlation coefficient on a citywide level proves that this is not a phenomenon that is exclusive to the two aforementioned communities, and likely will continue to be seen more as newer communities and projects hit the market.

Off plan average monthly activity in JVC and Sobha Hartland has risen by 567% and 534% respectively between 2020 and 2024.



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-HH General Sheikh Mohammed Bin Rashid Al Maktoum
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