



# Dubai Residential

## The Book of Valuations

A Look at Replacement Ratios

# Executive Summary

## - Price Performance

Looking at the price index for a sample of communities, the first obvious observation is the overperformance of the Palm Jumeirah. More broadly, villas have shown slightly greater price performance relative to apartments, but both are dwarfed by the performance of domestic stocks over the last 12 years. Surprisingly, both the ADX and the DFM indexes have outperformed the citywide averages for both apartments and villas.

## - Yield Analysis

Within real estate, mid market has generally performed better than luxury in terms of rental yield. Overall, however, stocks generally show greater yields than real estate, and also more consistently return yields above the risk-free rate.

## - Valuation Comparison

The valuations paint a similar picture, especially with respect to luxury communities, which have far higher valuations than their mid market counterparts, let alone stocks. For the most part, stocks are more attractively priced (lower price to book ratio) when compared to their real estate counterparts, which may endear them to investors as a superior value-for-money prospect (with some exceptions).



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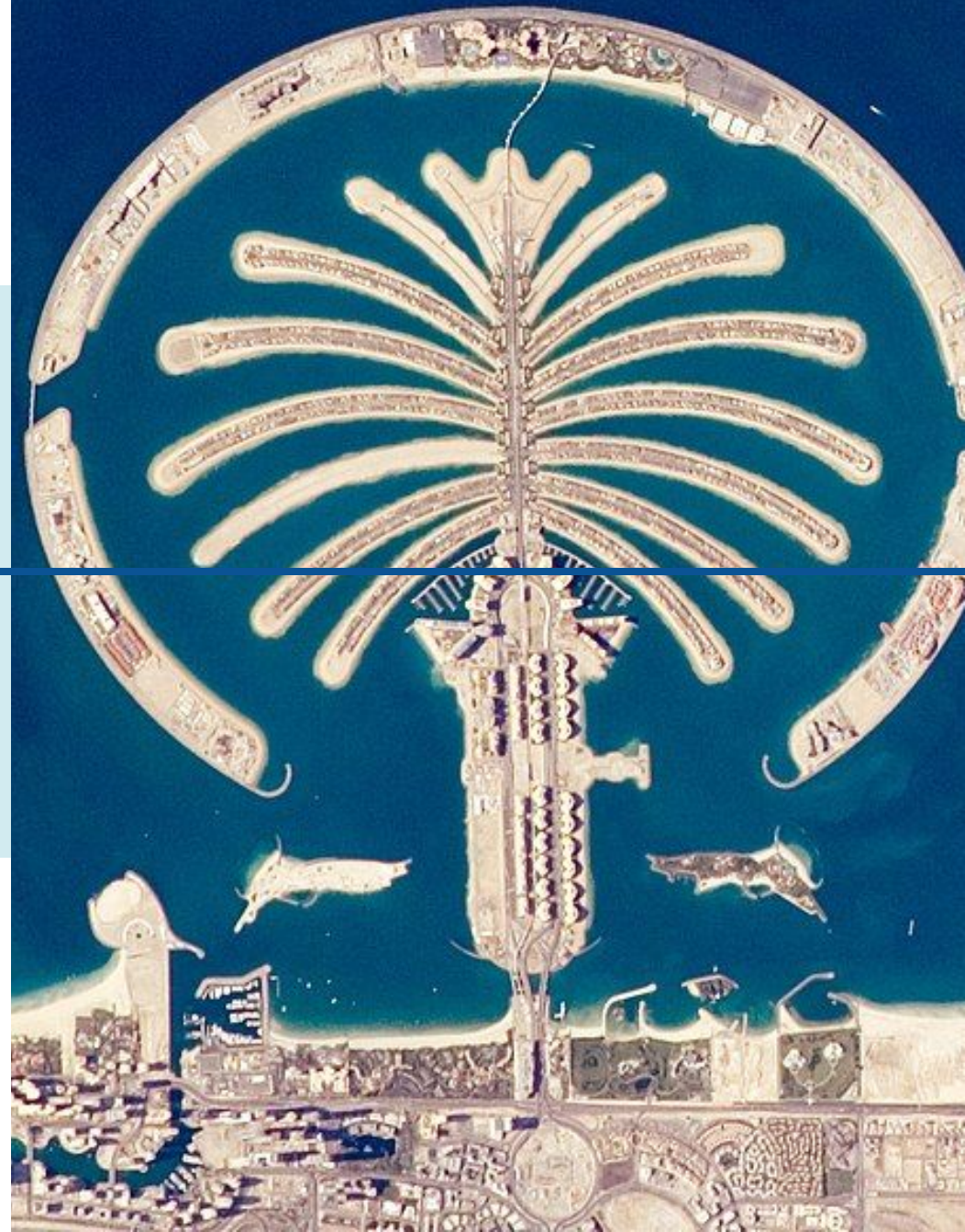
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## Price Performance

**“Excellence is to do a common thing in an uncommon way.”**

– Booker T. Washington

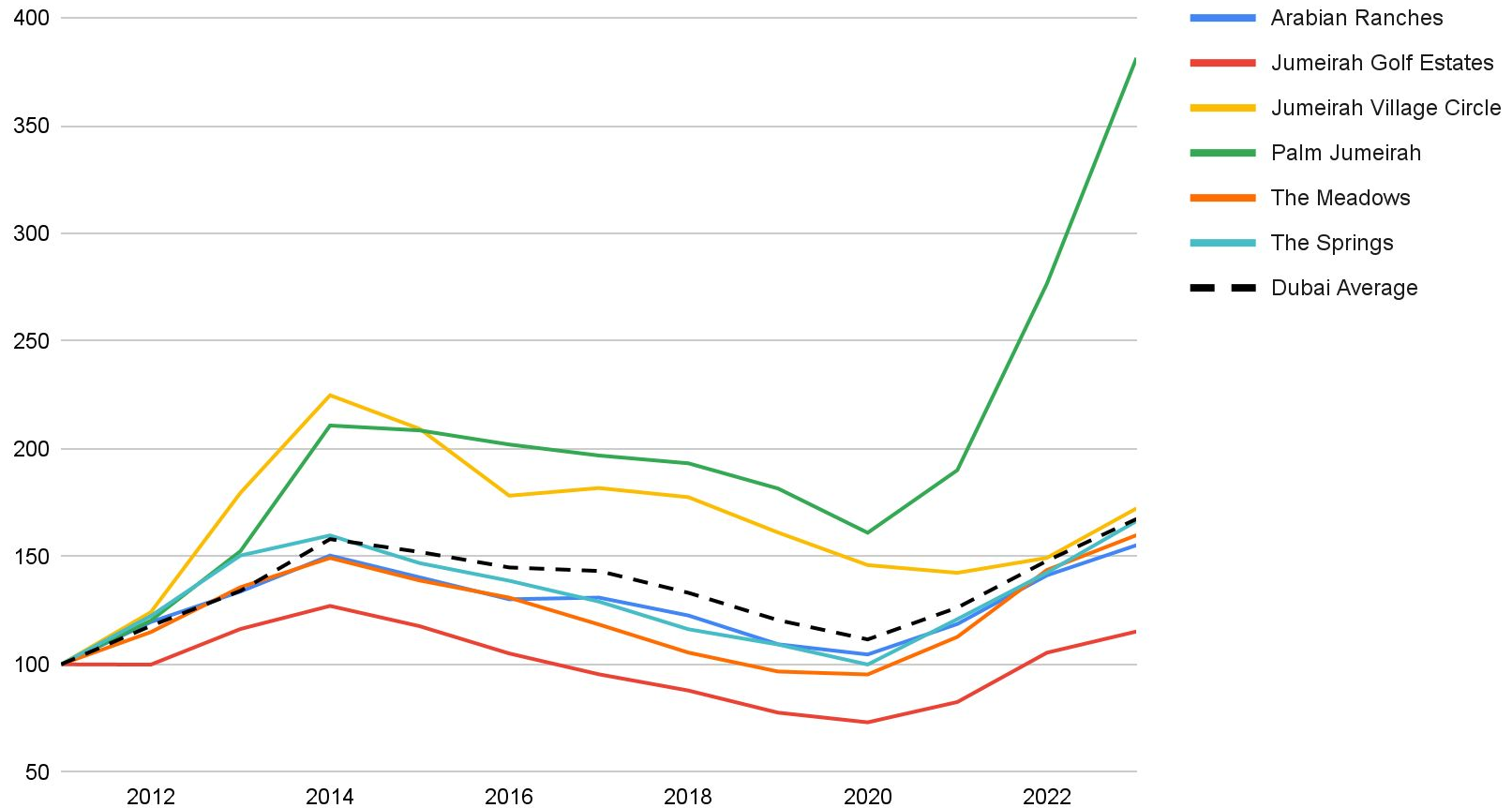


# Palm Jumeirah Head and Shoulders Above Dubai Villas

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## Community Price Index (Villas) - Jan 2011 to August 2023



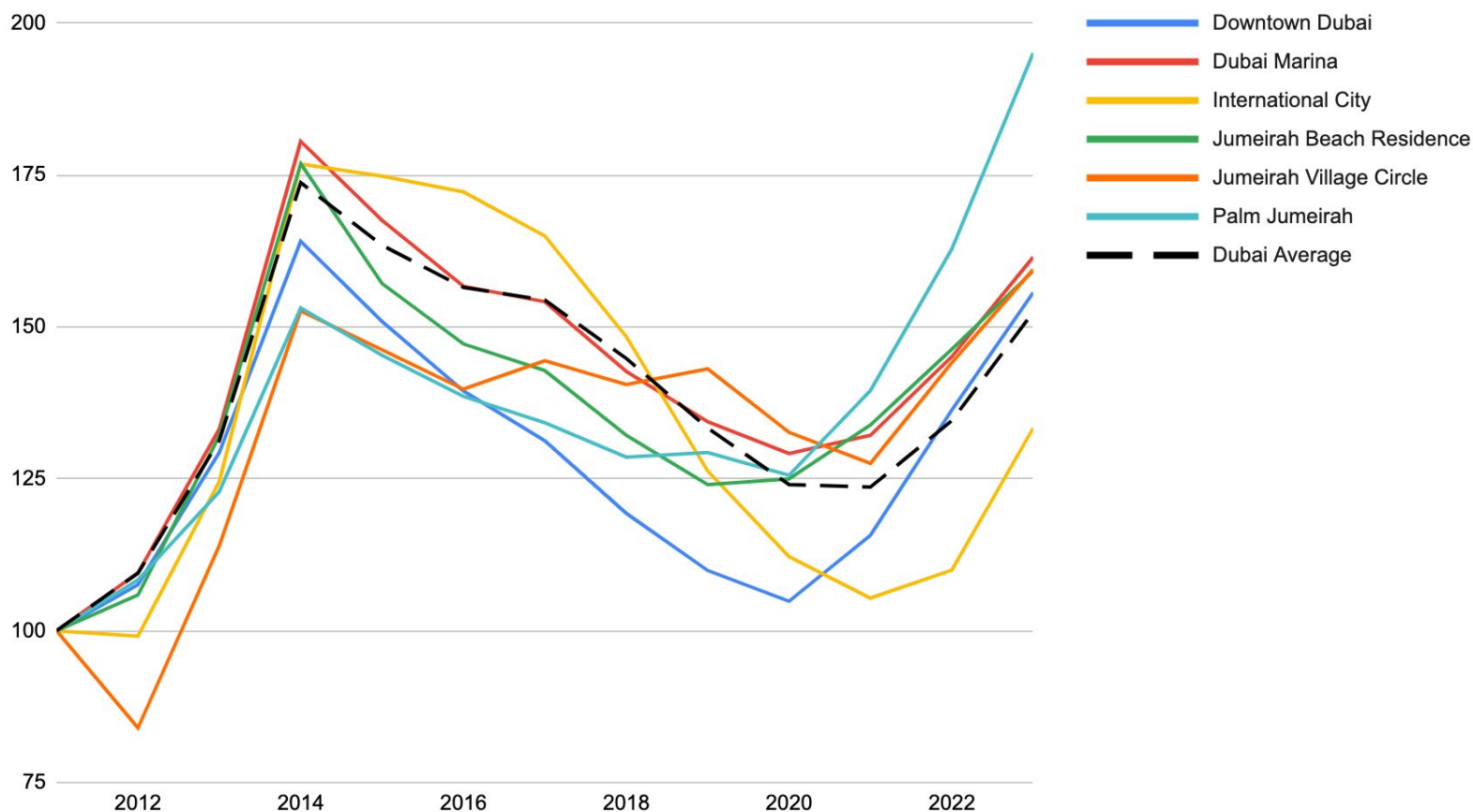
Looking at the price indexes for a variety of communities going back to 2011, Palm Jumeirah's abnormal growth becomes instantly apparent. Starting in 2020, the Palm has seen average prices skyrocket to almost quadruple what they were in 2011. Jumeirah Village Circle, The Springs, The Meadows and Arabian Ranches all currently fall within the 155-175 index value range, hovering around the citywide average index value of 167.48.

# Apartments Show Slightly Less Growth

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## Community Price Index (Apartments) - Jan 2011 to August 2023



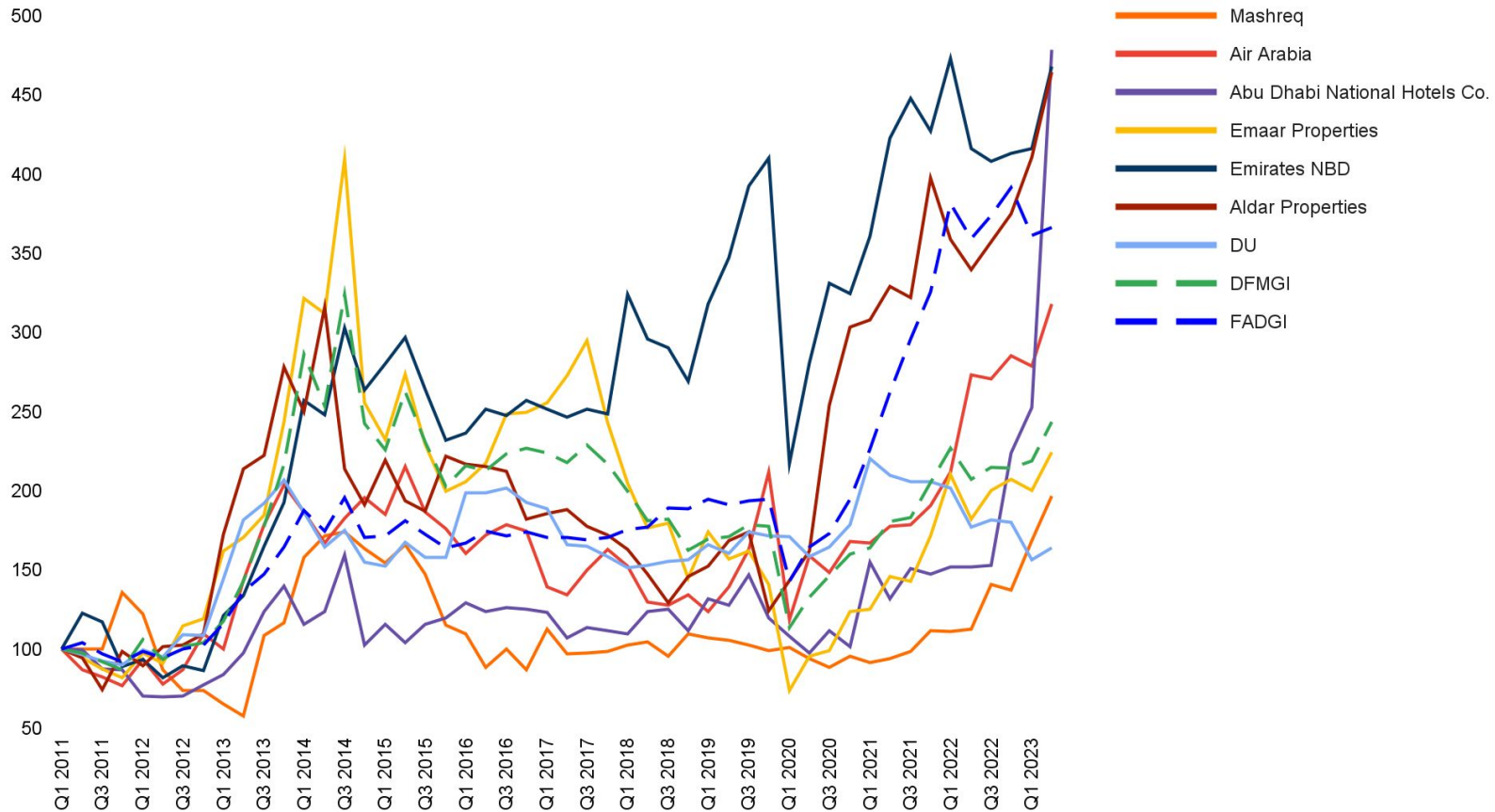
On the apartment side, Palm Jumeirah still leads the pack, but its dominance is not as exaggerated as in villas. Most of the other communities cluster around the 150-165 index value range (the citywide average index value for apartments is 152.44) - just lower than villas. International City is the only community to lag behind the Dubai Average (which it has done since 2020). Even so, current average prices in International City are over 25% higher than their 2011 base.

# Stocks Trump Both Apartments and Real Estate

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Stock Price Index (Q1 2011- Q2 2023)



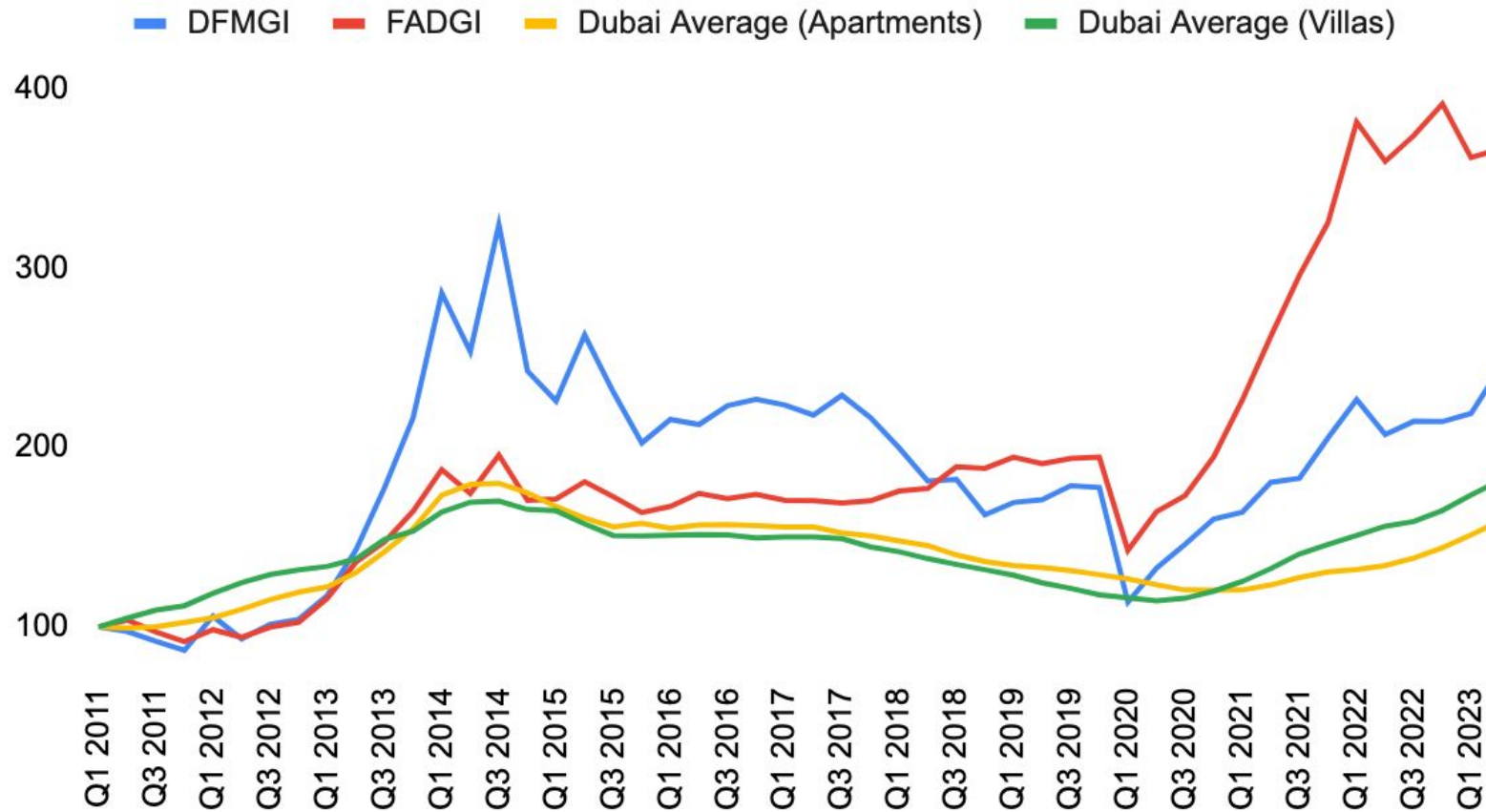
The FTSE Abu Dhabi Exchange General Index (FADGI) has seen remarkable growth, sitting at almost quadruple its 2011 index value as of the end of Q2 2023. This is likely attributable to the success of some of its composite stocks, such as Abu Dhabi National Hotels Corporation and Aldar Properties. Both have index values over five times higher than their 2011 equivalents (478.47 and 464.52 respectively). The Dubai Financial Market General Index has also done well, with an index value over double its 2011 counterpart. Notably, both indexes have outperformed citywide villas and apartments.

# ADX and DFM Dwarf Real Estate Averages

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## Stocks vs Real Estate Index Comparison



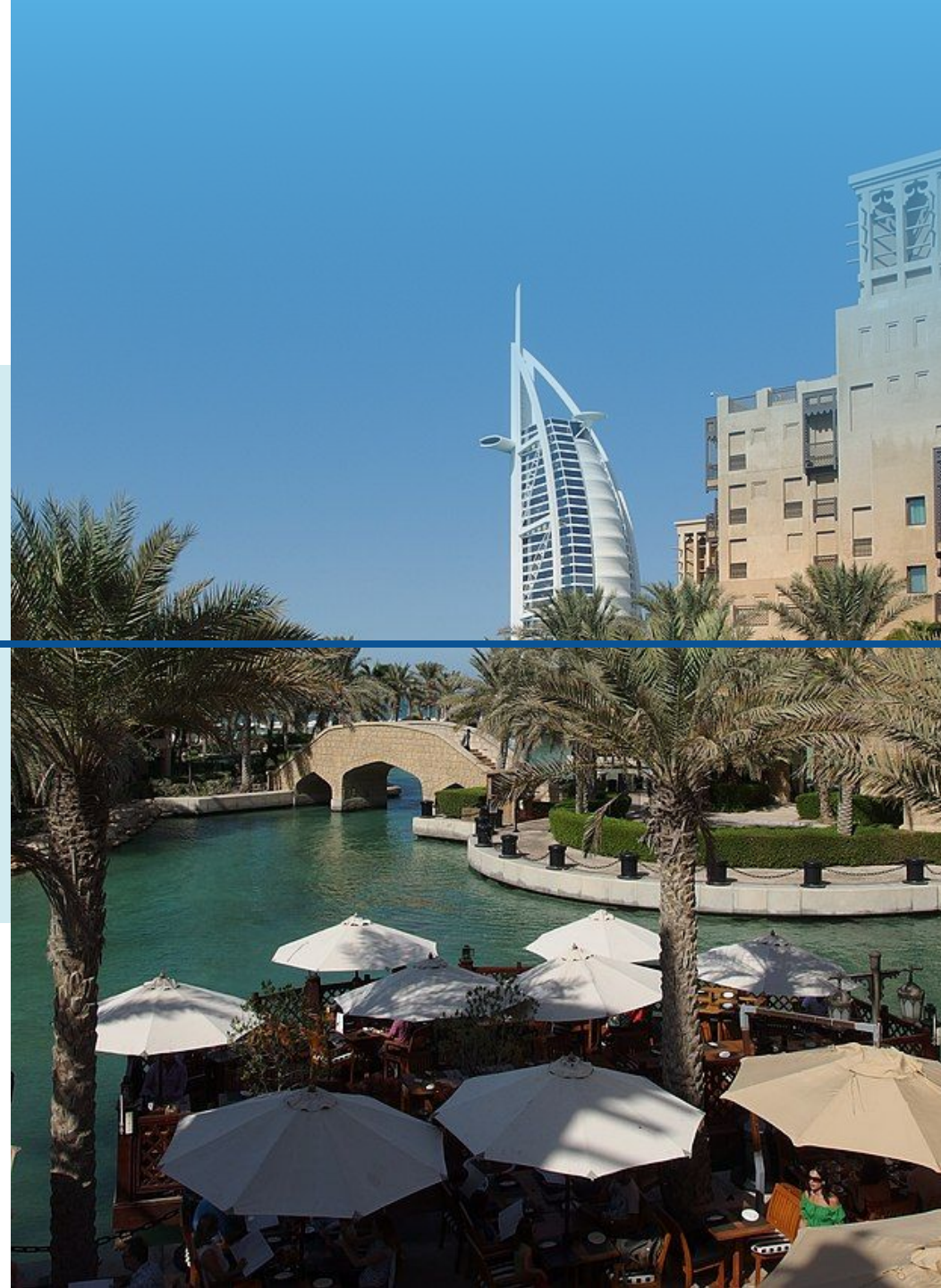
Notably, both indexes have outperformed the citywide average for both apartments and villas consistently. From the real estate sample communities, Palm Jumeirah (a renowned outlier among real estate) would be the only community capable of competing with the performance of either index.



## Yield Analysis

**“Success is a science; if you have the conditions, you get the result.”**

– Oscar Wilde

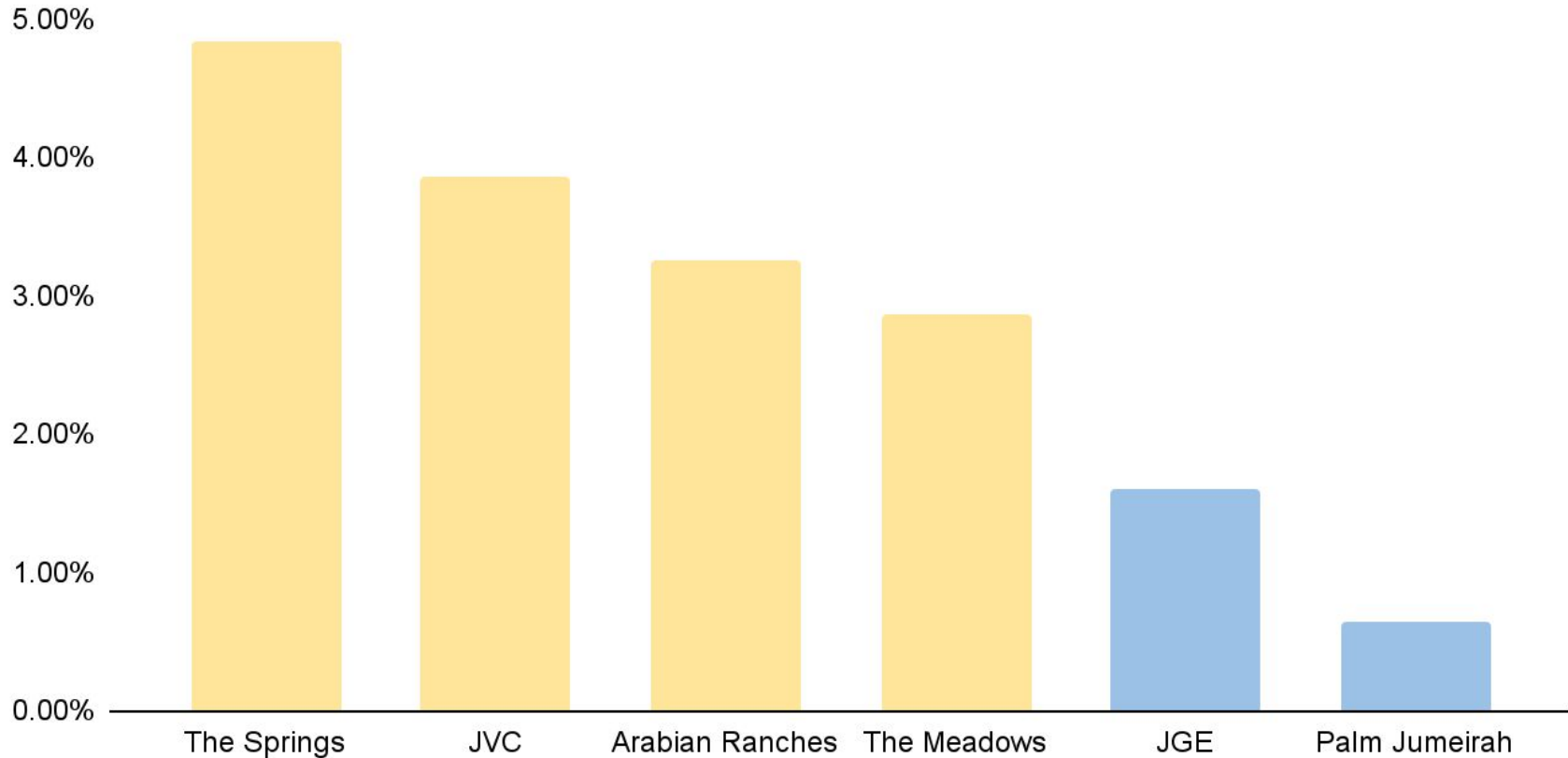


# Mid Market Dominates Net Yields

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## Net Yields - Villas



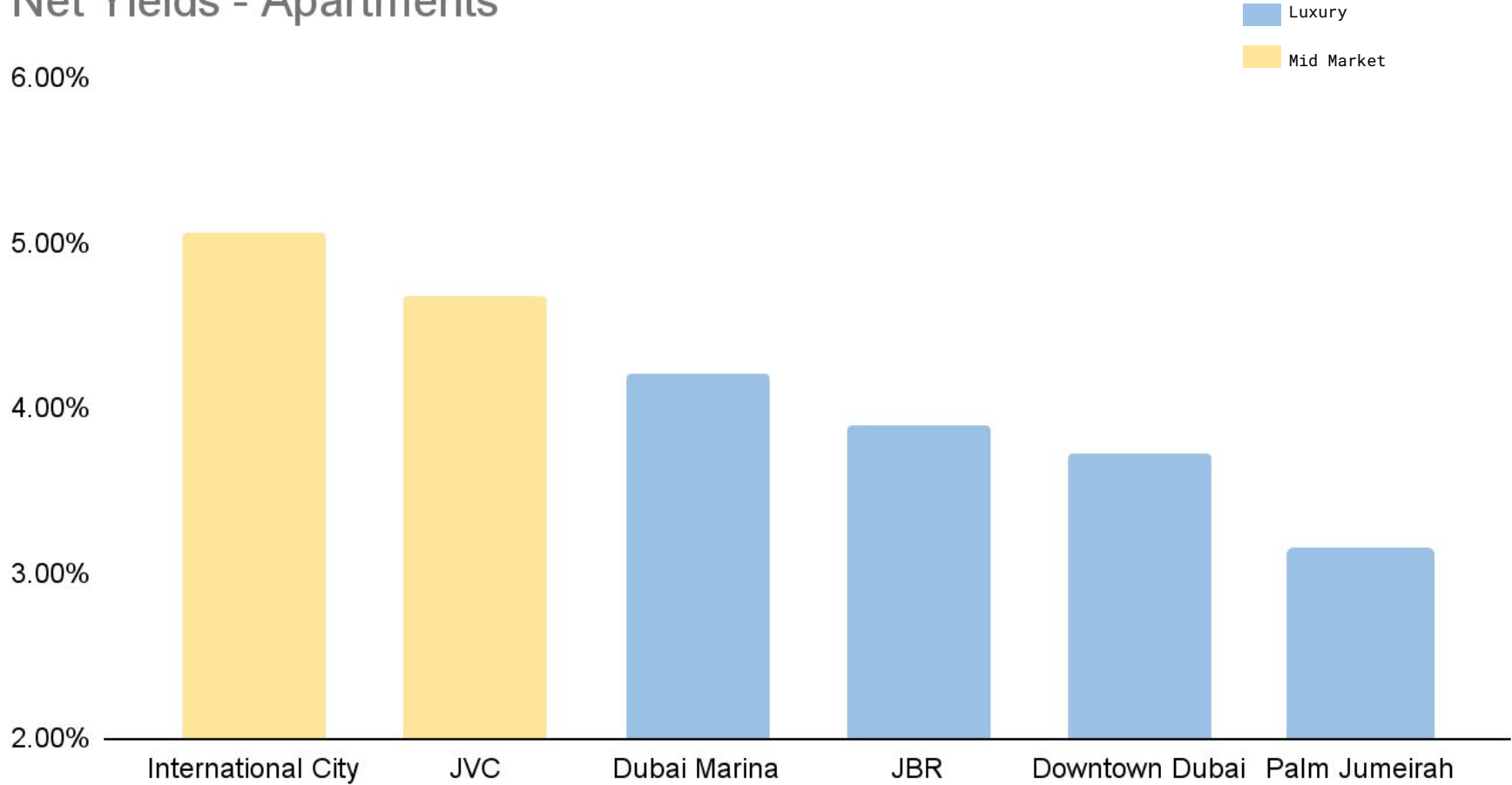
Despite Palm Jumeirah's dominance in the price performance space, it is a whole different story in net yields. In fact, mid market communities in general tend to perform better than luxury, with the only communities in the sample to have less than 2% net yield being the two luxury communities.

# Apartments Show Smaller Gap Between Mid Market and Luxury

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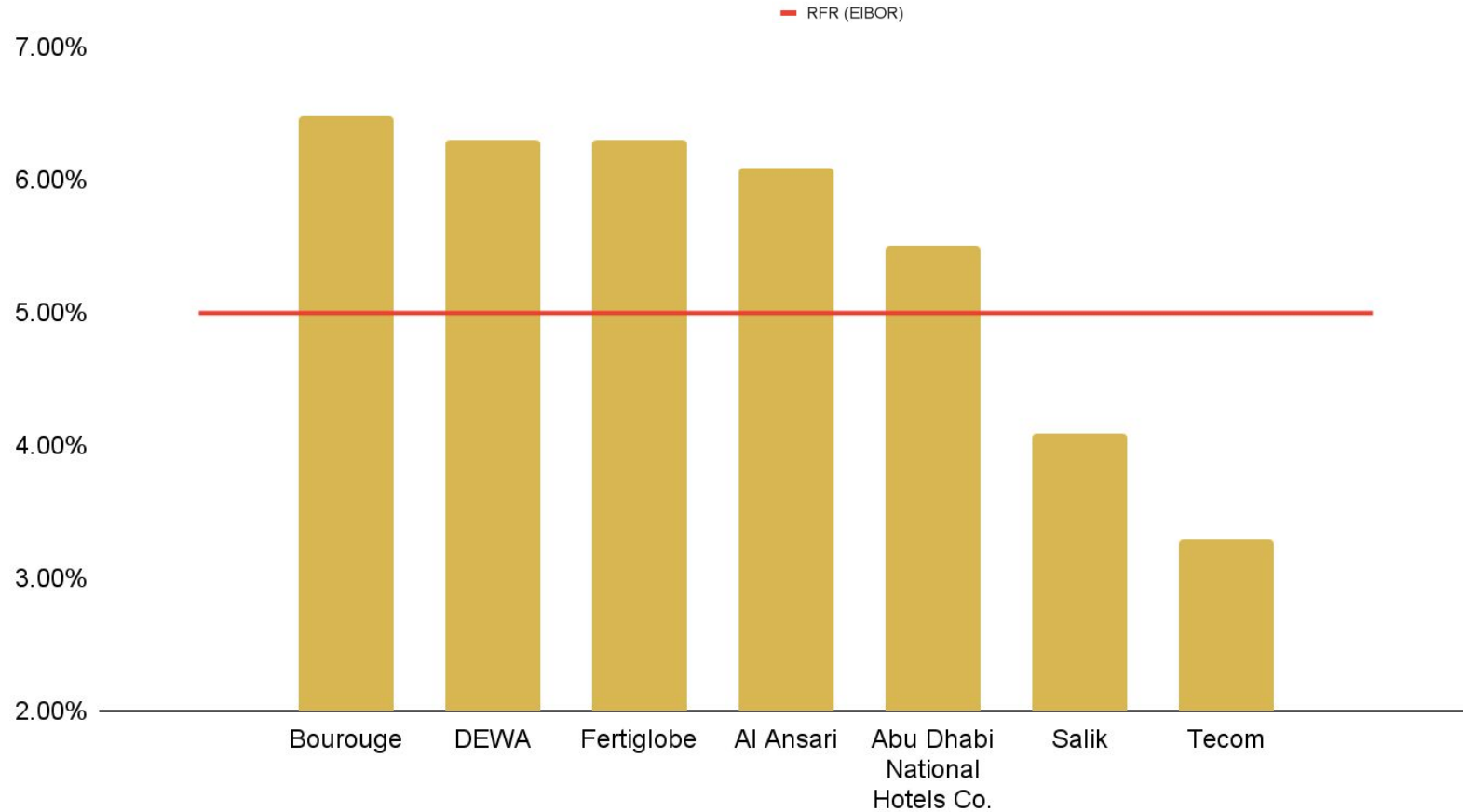
## Net Yields - Apartments



In apartments, the mid market communities once again tend to perform better than their luxury counterparts. Despite having a relatively poor price performance (relative to the other communities in the sample), International City emerges as the surprise leader of the pack when it comes to yields.

# Stocks Show Better Yields

## Dividend Yield Ratio

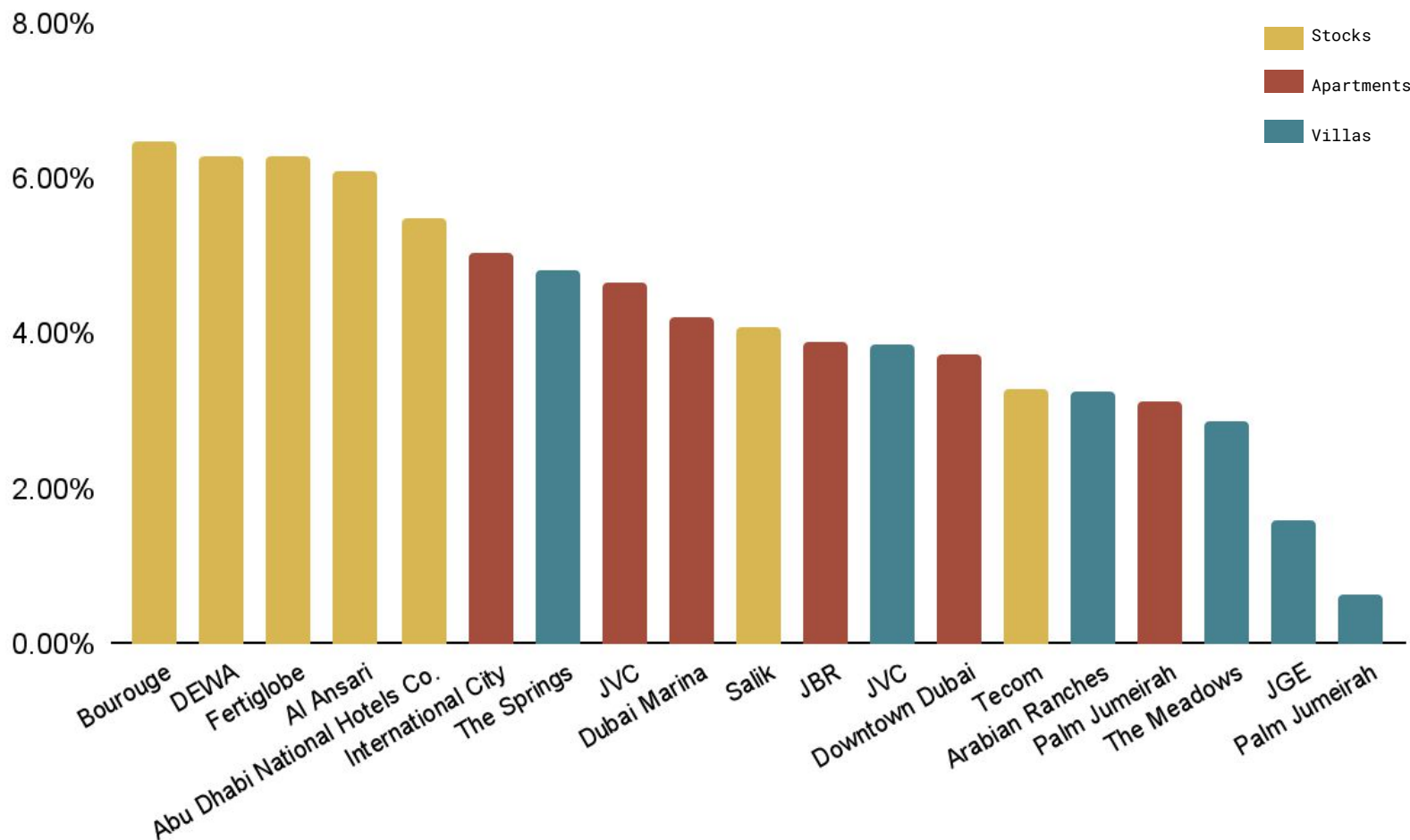


Compared to real estate, stocks are generally showing greater yields. Looking at the sample in the graph above, all of the stocks have dividend yield ratios upwards of 3%, and the top four have dividend yield ratios above 6% - a feat that none of the communities in the sample were able to match. We can also see that the top five have greater yields than the Emirates Interbank Offered Rate (EIBOR), which is effectively the Risk-Free Rate (RFR). From the real estate communities in the sample, only International City apartments boast yields above that threshold.

# Stocks Show Better Yield

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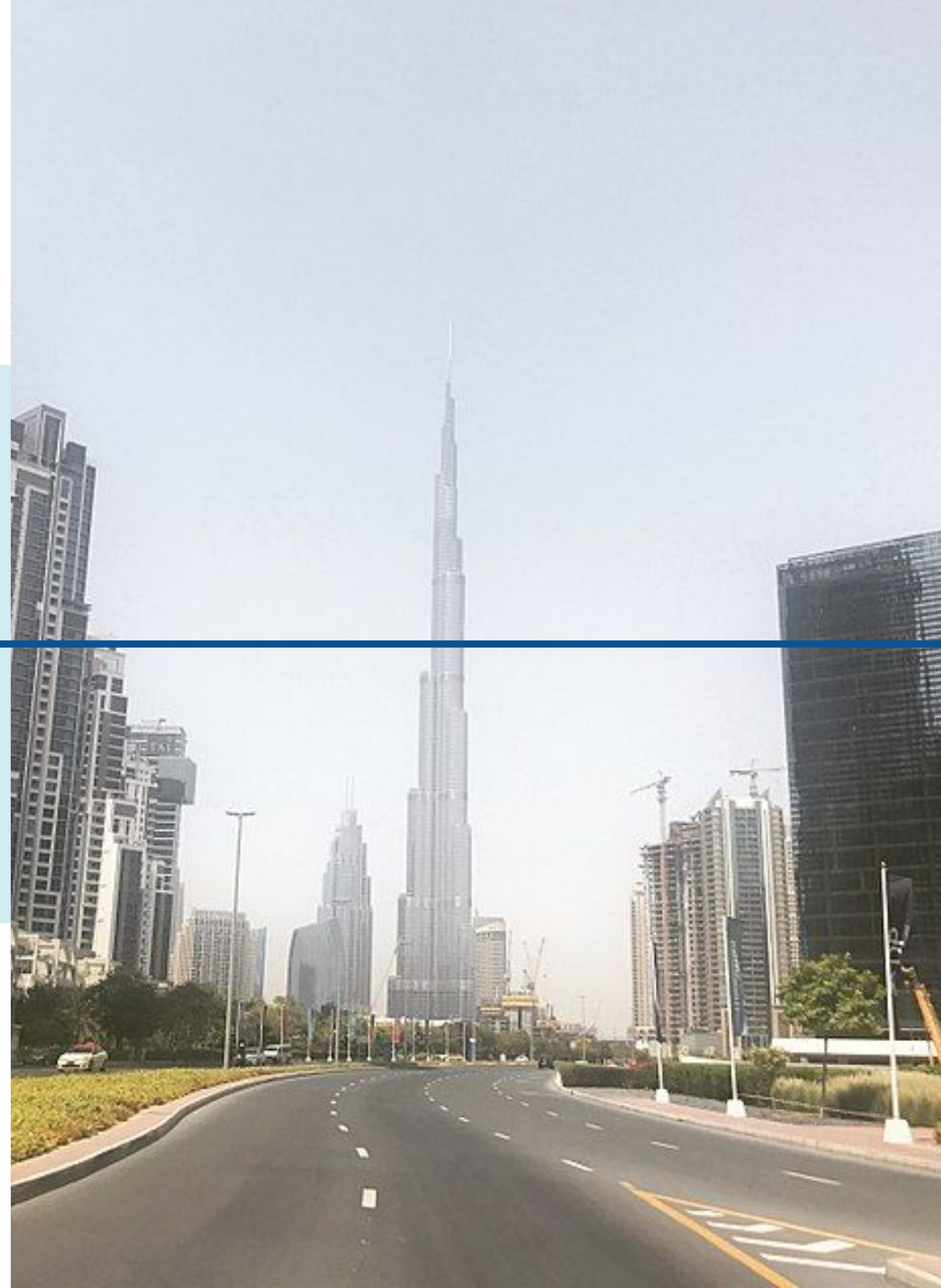


Putting the yields for all the sampled stocks, apartments and villas highlights the dominance of stocks when it comes to yields. The graph above clearly demonstrates that the higher-end yields are all from stock options, and everything else is a relatively mixed bag between apartments and villas. Of course, there are some exceptions. Salik and Tecom Group are relative underperformers (compared to other stocks in the sample), while International City, the Springs and JVC lead the way for real estate, suggesting that mid market options may be equally worthwhile investments as stocks.

## Valuation Comparison

**“Look beneath the surface; let not the several qualities of a thing nor its worth escape thee.”**

-Marcus Aurelius

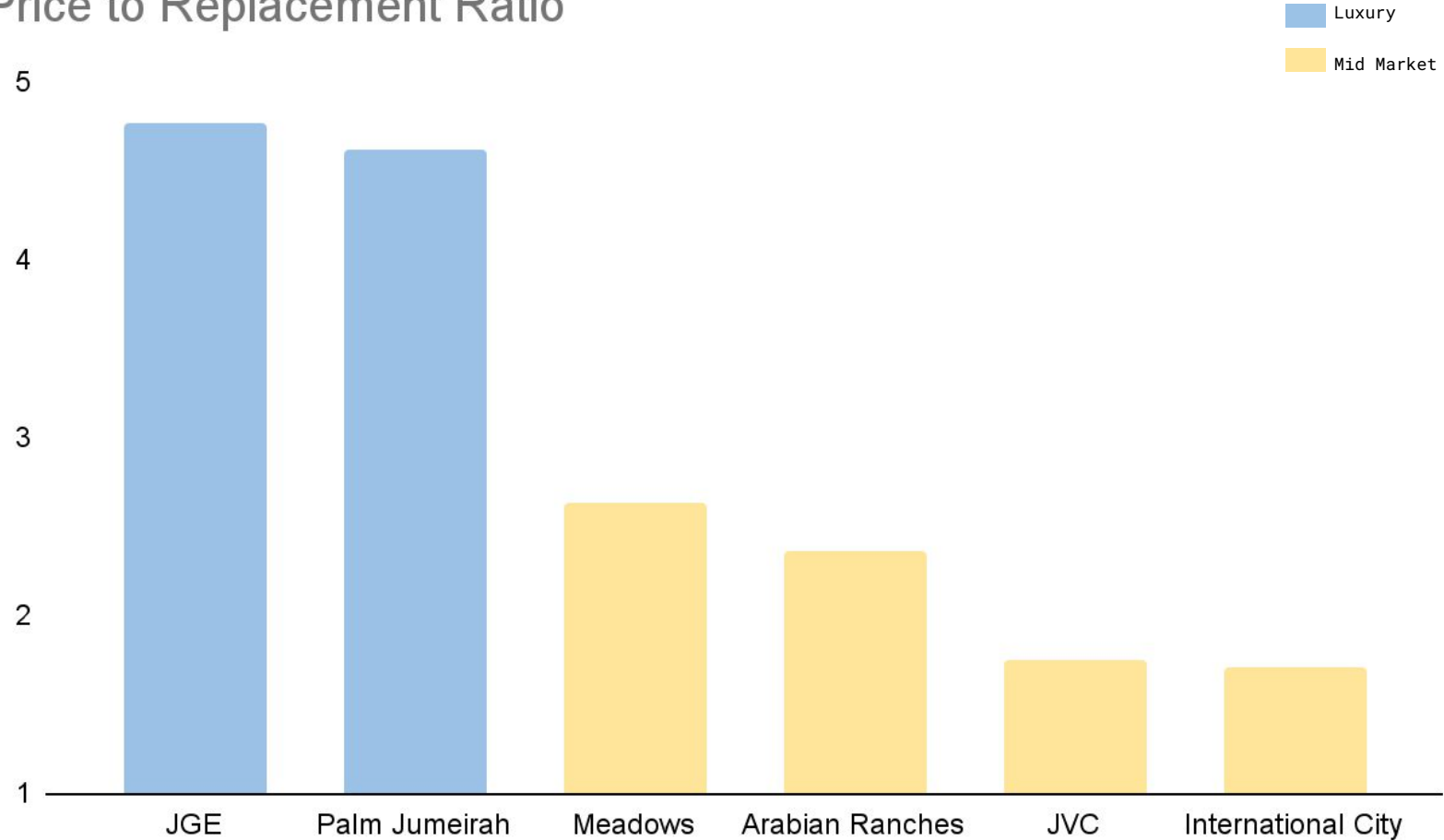


# Real Estate Valuations

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## Price to Replacement Ratio

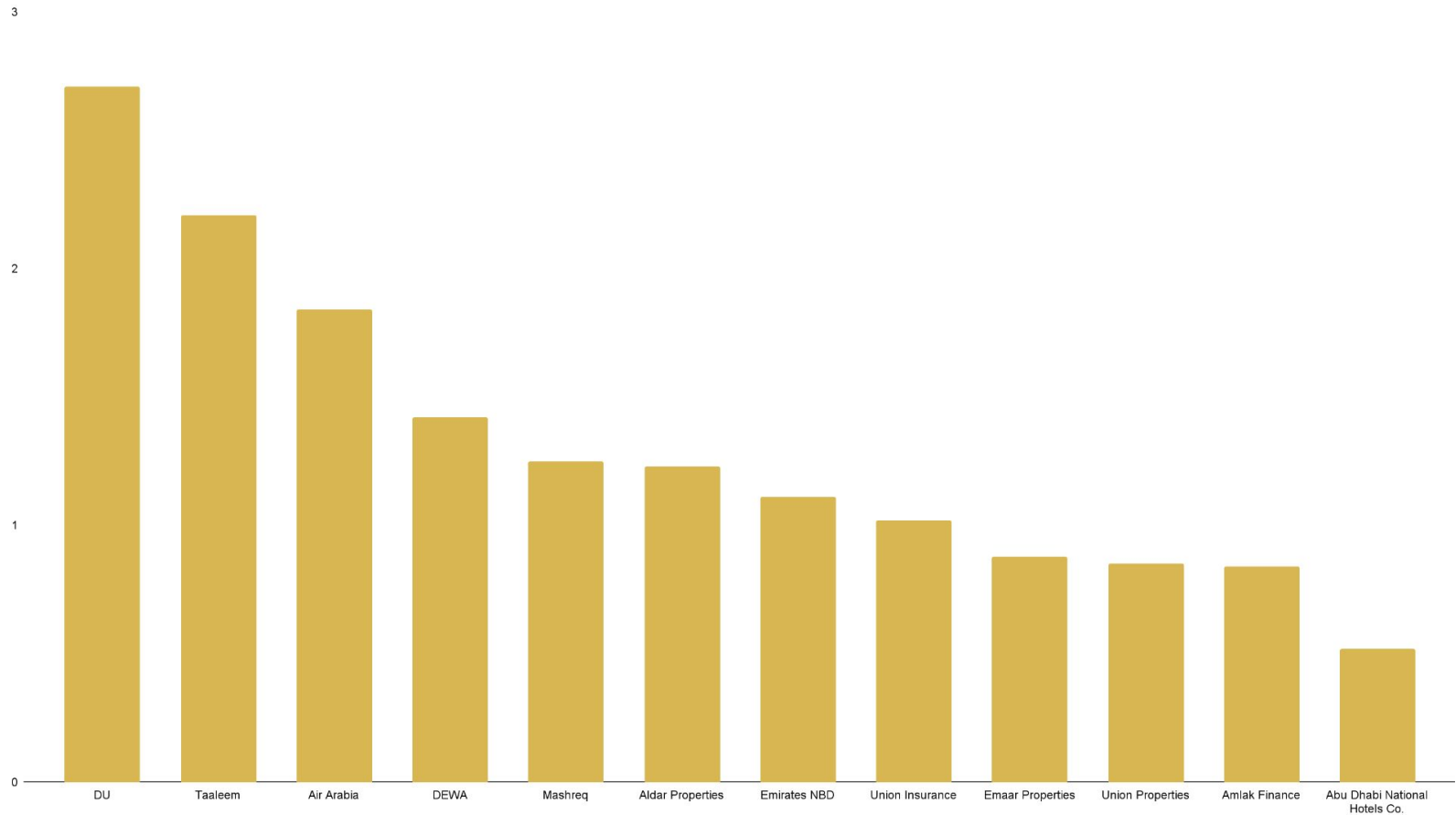


It comes as no surprise to see that the luxury communities have higher price to replacement ratios\* than the mid market communities. The exceptional performance of the luxury sector of late has seen values inflate well above their mid market counterparts. Palm Jumeirah and Jumeirah Golf Estates are two prime examples of this phenomenon - their price to replacement ratios of 4.62 and 4.77 respectively are nearly double the next highest community in the list (The Meadows, which has a price to replacement ratio of 2.63).

\*Data sourced from GCP

# Stock Valuations

Price to Book Ratio



Looking at a sample of stocks, we can see that there is generally lower valuations (comparing price to book ratio against the price to replacement ratio of real estate). This can make them a more inviting investment prospect, as their lower value in tandem with greater yields (as already discussed) may suggest that stocks are a better value-for-money option relative to real estate.

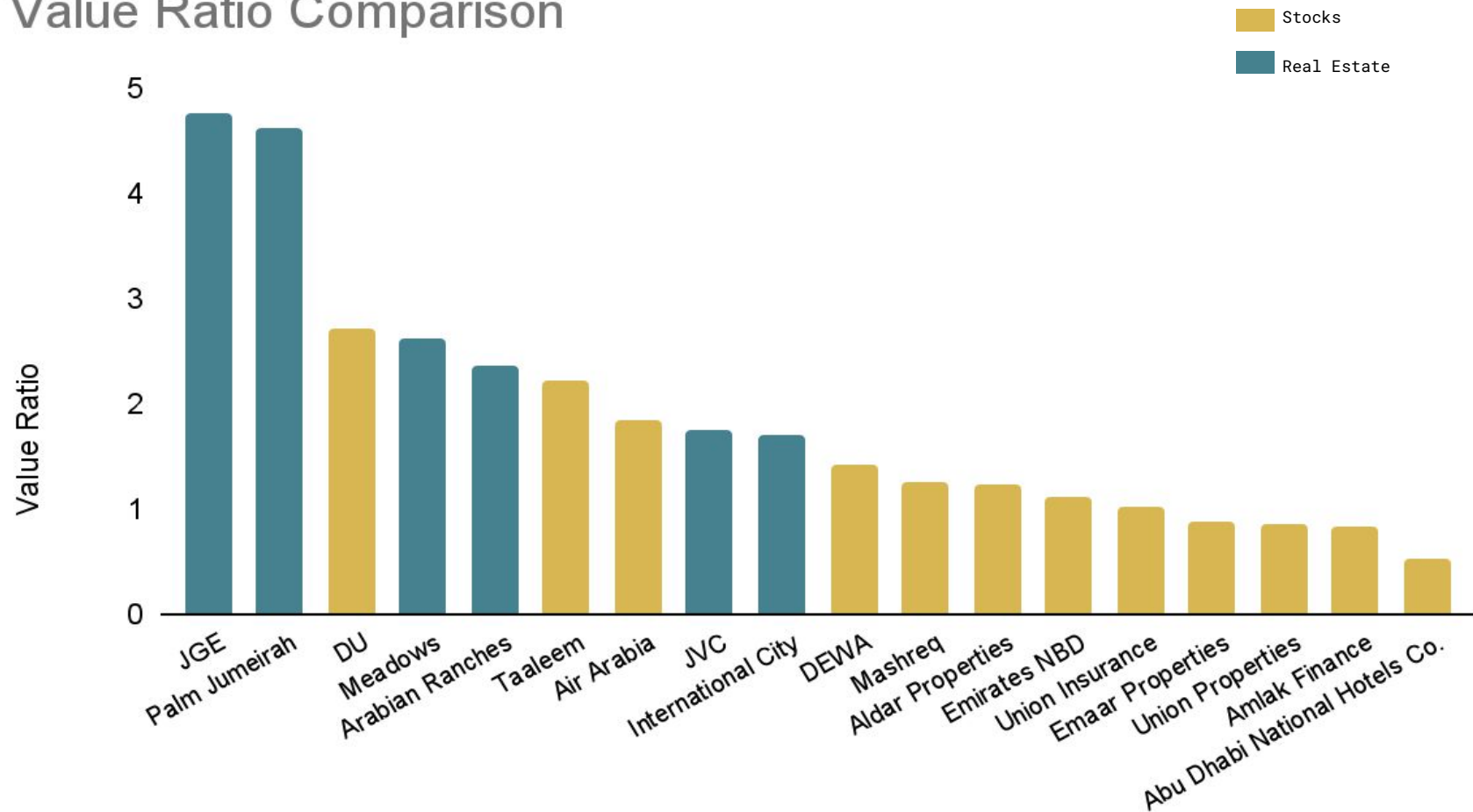


# Stocks Showing Lower Average Value

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## Value Ratio Comparison



Putting all of the sampled real estate communities and stocks side by side illustrates this phenomenon perfectly. All of the lowest valued options are stocks, while real estate tends to cluster around the top half. Of course, there are exceptions – DU (Emirates Integrated Telecommunications Company), Taaleem Holdings and Air Arabia all have higher valuations relative to other stocks, but also relative to Jumeirah Village Circle and International City, which could perhaps suggest that communities in the lower to mid market range could also be worth exploring as a value-for-money investment.

# Conclusions

## - **Price Performance**

Making use of price indexes to compare performance over the last 12 years returns two conclusions, the first of which is that villas have had slightly greater price performance than apartments (with citywide average index values of 167.48 and 152.44 respectively). The second takeaway is that stocks have seen greater price performance than both apartments and villas. Nowhere is this better seen than in the comparison of the DFM and ADX general indexes' performance against that of the citywide averages for apartments and villas.

## - **Yield Analysis**

Generally, mid market communities tend to have slightly higher yields than their luxury counterparts. Domestic stocks, however, boast higher yields on average, but crucially also more consistently deliver yields above the risk-free rate, which should endear them more to investors with the appropriate appetite for the risk.

## - **Valuation Comparison**

When it comes to valuation, stocks once again tend to outperform real estate, which may position them as a better value-for-money investment option relative to real estate. Of course, there are some exceptions. For example, DU, Taaleem and Air Arabia all have relatively high price to book ratios (relative to the other stocks in the sample), but more importantly, Jumeirah Village Circle and International City have relatively low price to replacement ratios, perhaps suggesting that the lower end of the mid market is also worth examining for value-for-money investments.





Global Capital Partners Group believes in in-depth planning and discipline as a mechanism to identify and exploit market discrepancy and capitalize on diversified revenue streams.

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# Our Aspiration and Motto

**“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

