



Dubai Residential

The New Build Effect

Examining the Difference in Price Action for Ready and Off Plan Apartments

Executive Summary

- **Citywide Ready vs Off Plan**

Since January 2012, off plan apartments have consistently sold at higher average prices per square foot than their ready counterparts. This trend is only exacerbated in the post-COVID era, as both investors and end-users continue to show a preference for newer builds.

- **Community Analysis**

This effect holds true across a range of communities, both at the luxury and mid market level. Generally, off plan apartments have sold at a premium relative to their ready counterparts, and this is especially true post-COVID for a sample of communities that have been responsible for a significant proportion of Dubai's apartment transaction volumes over the years.

- **Building Analysis**

If we zoom in further to examine this phenomenon on an even more detailed basis, we find that it is also consistent on a building-by-building level. Across the same communities examined on a holistic basis, there are a number of examples of off plan projects that were handed over in 2023 where the average sales price was higher than the average sales price for ready apartments in that same community. Moreover, we see a price drop in these same buildings once ready units begin selling, once again demonstrating the market's insatiable appetite for newer builds.



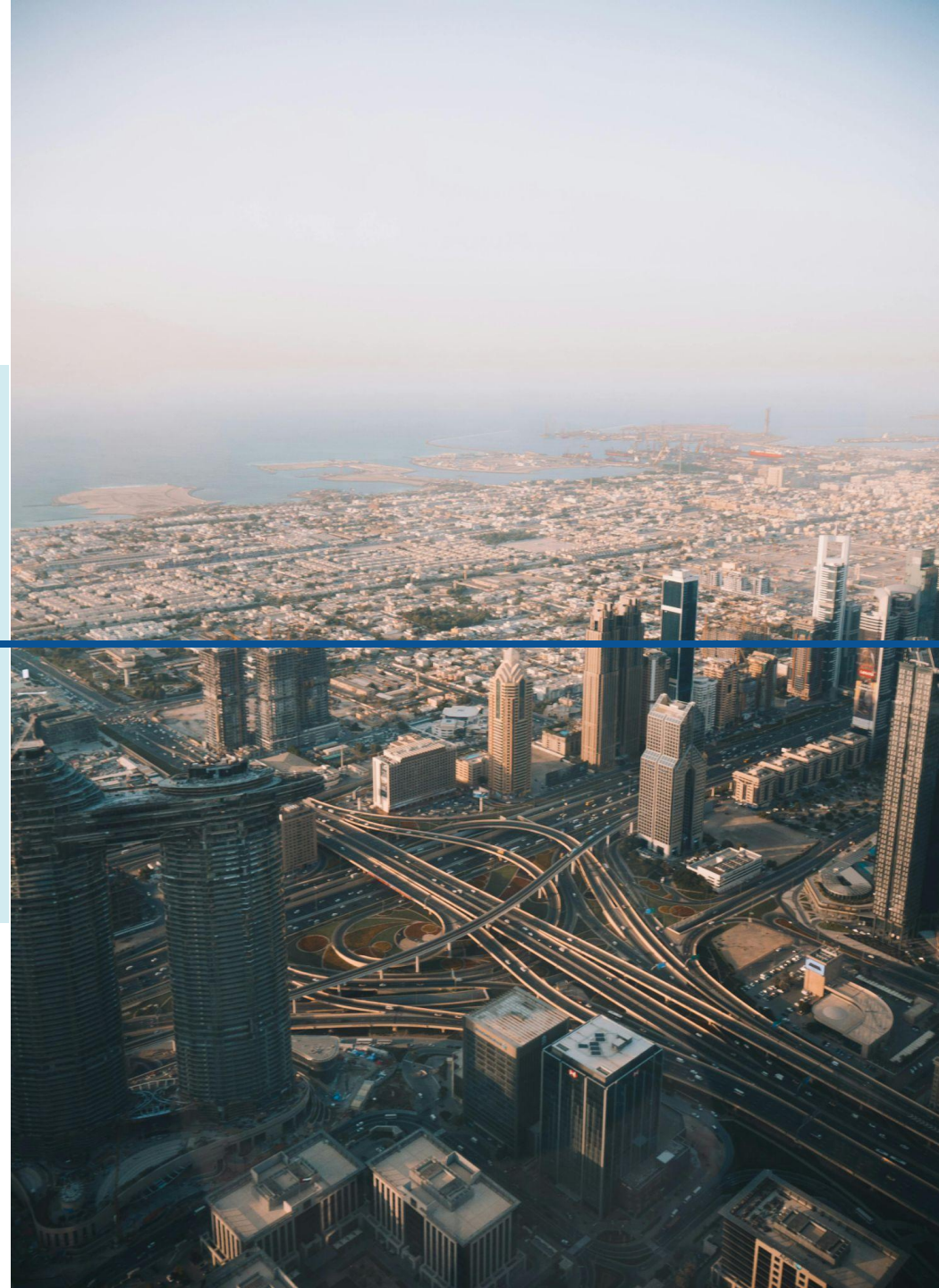
Contents

1. **Citywide Ready vs Off Plan**
2. **Community Analysis**
3. **Building Analysis**

Citywide Ready vs Off Plan

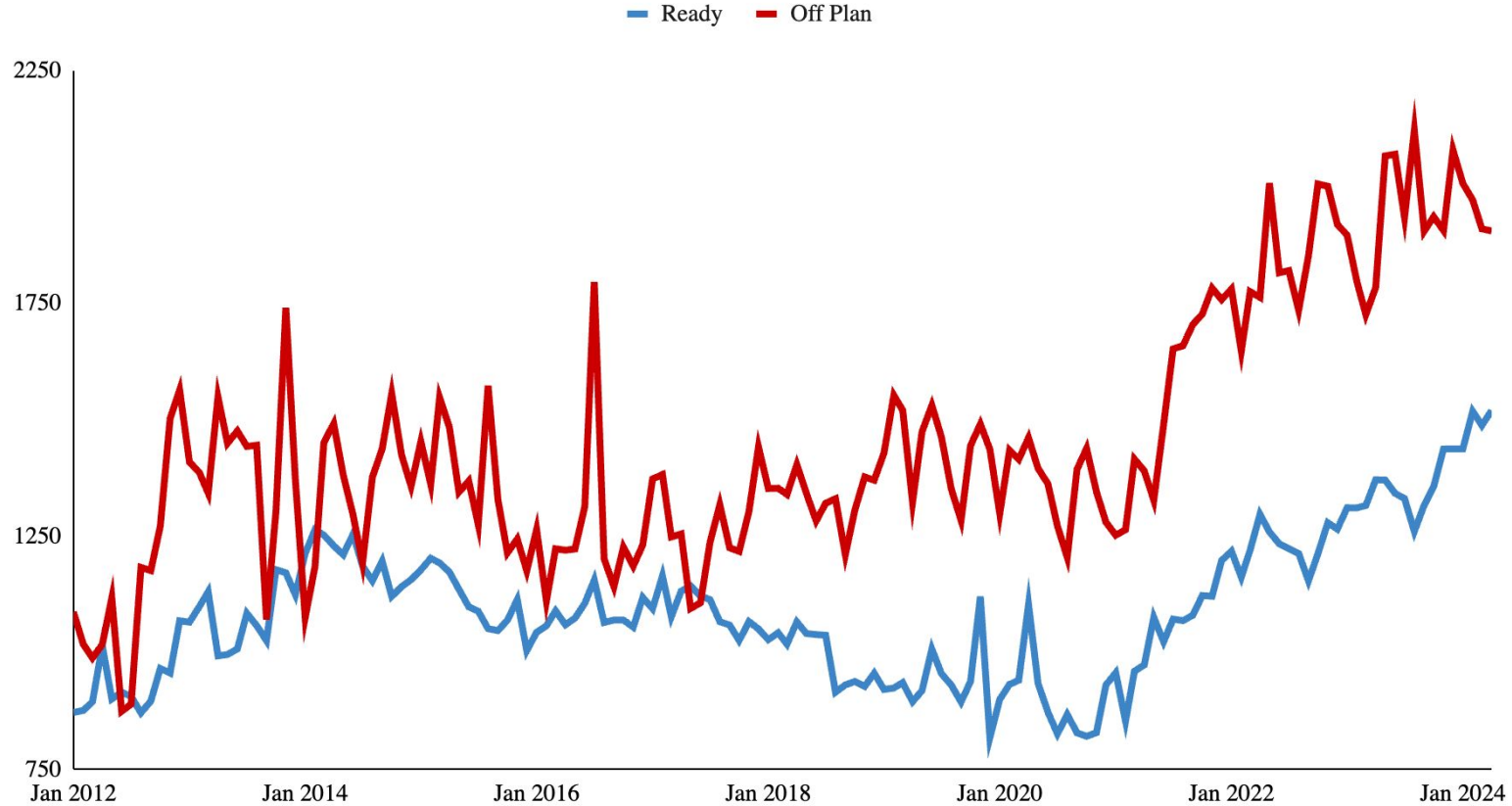
“It is the consistency of the information that matters for a good story, not its completeness. Indeed, you will often find that knowing little makes it easier to fit everything you know into a coherent pattern.”

– Daniel Kahneman



Citywide Apartment Analysis

Citywide Ready vs Off Plan Apartment Sales AED/SqFt

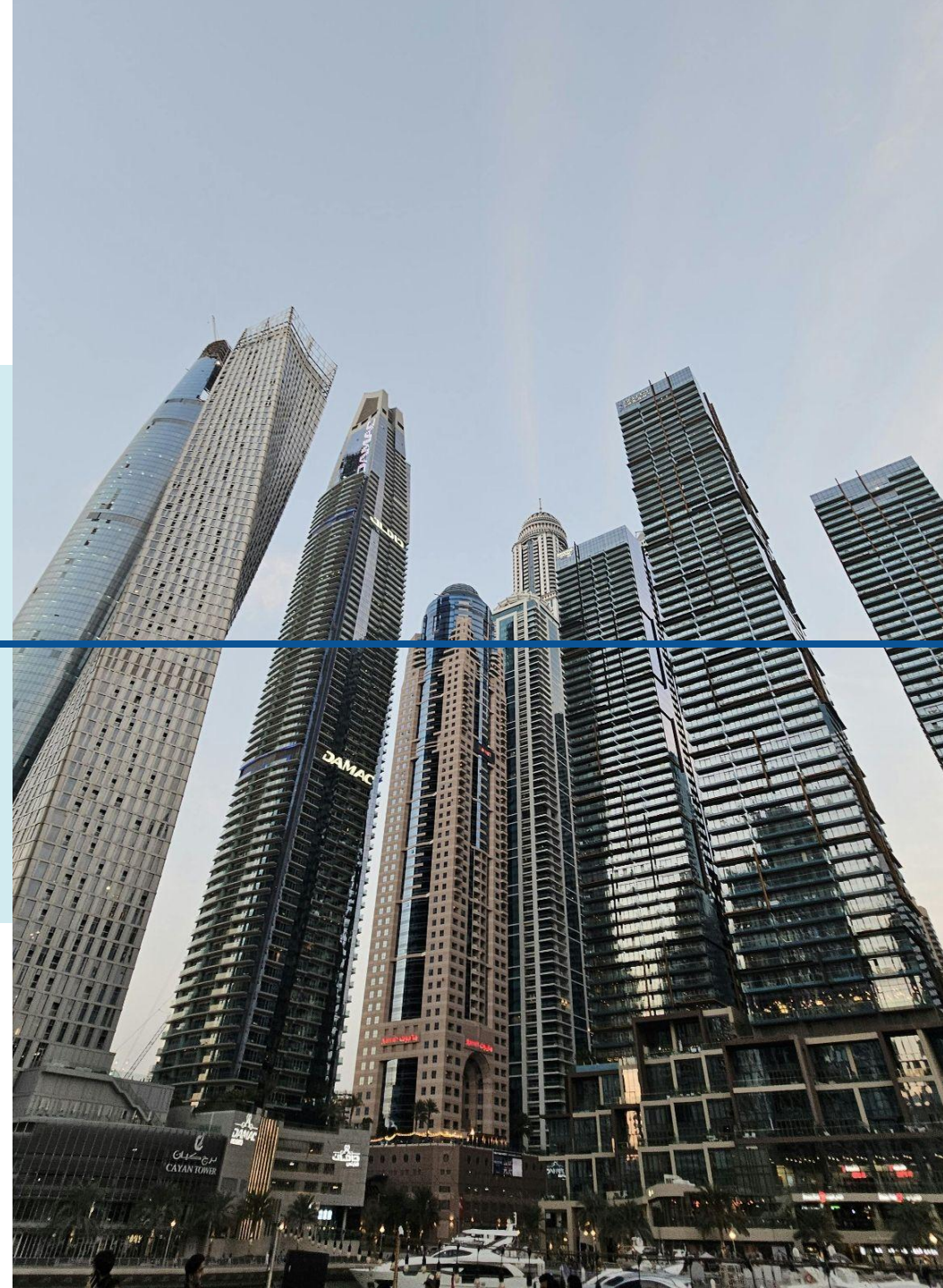


Since January 2012, Dubai has seen over half a million apartment sales transactions. Despite the market for apartments having seen varying trends across that time period, what has remained relatively consistent is the superiority of off plan projects when it comes to price per square foot, with the average price gap being 33.6% in favor of off plan properties. However, this rises to 45.4% in the post-COVID period.

Community Analysis

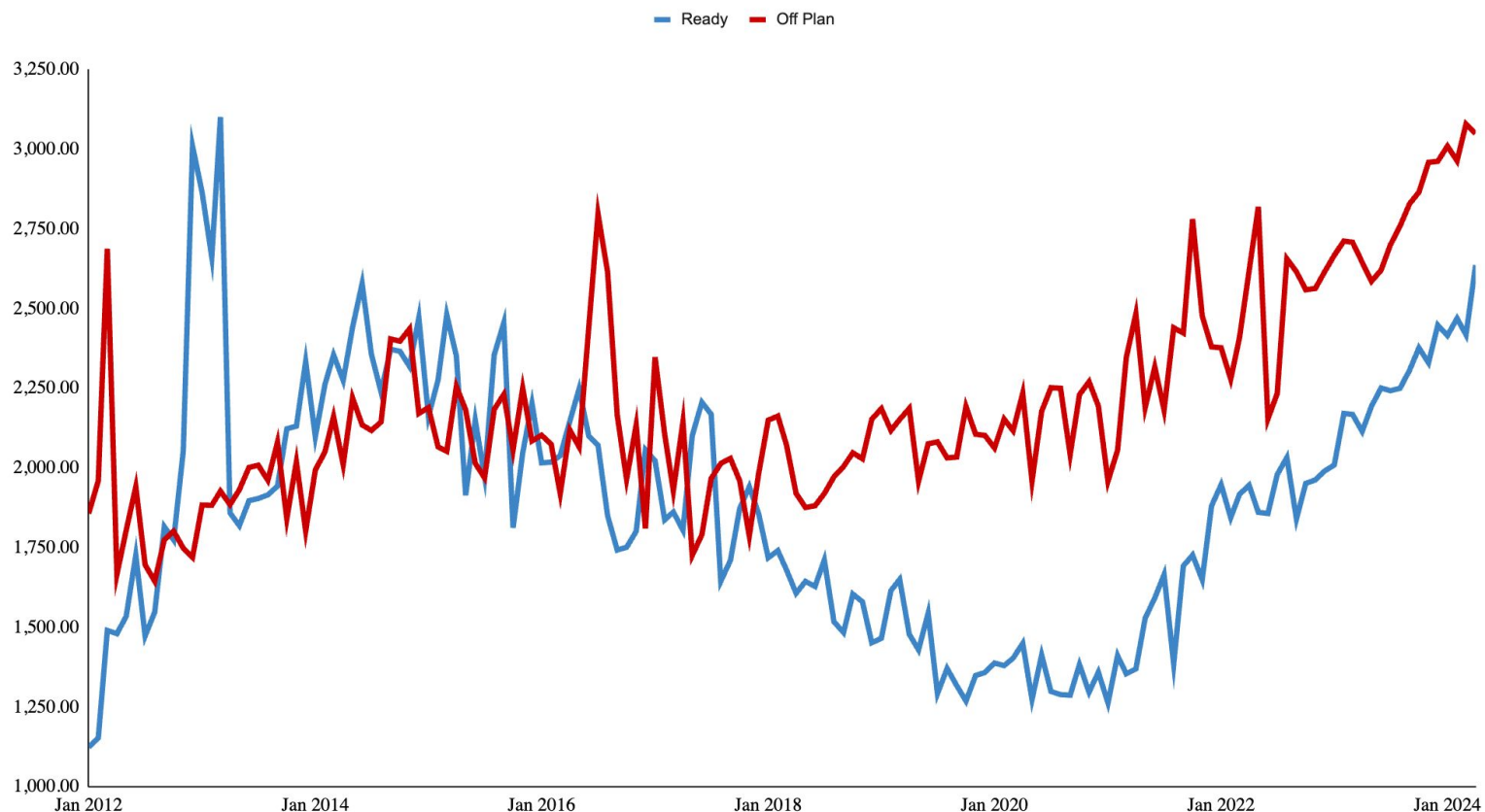
“A great city, whose image dwells in the memory of man, is the type of some great idea.”

- Benjamin Disraeli



Downtown Dubai Apartment Analysis

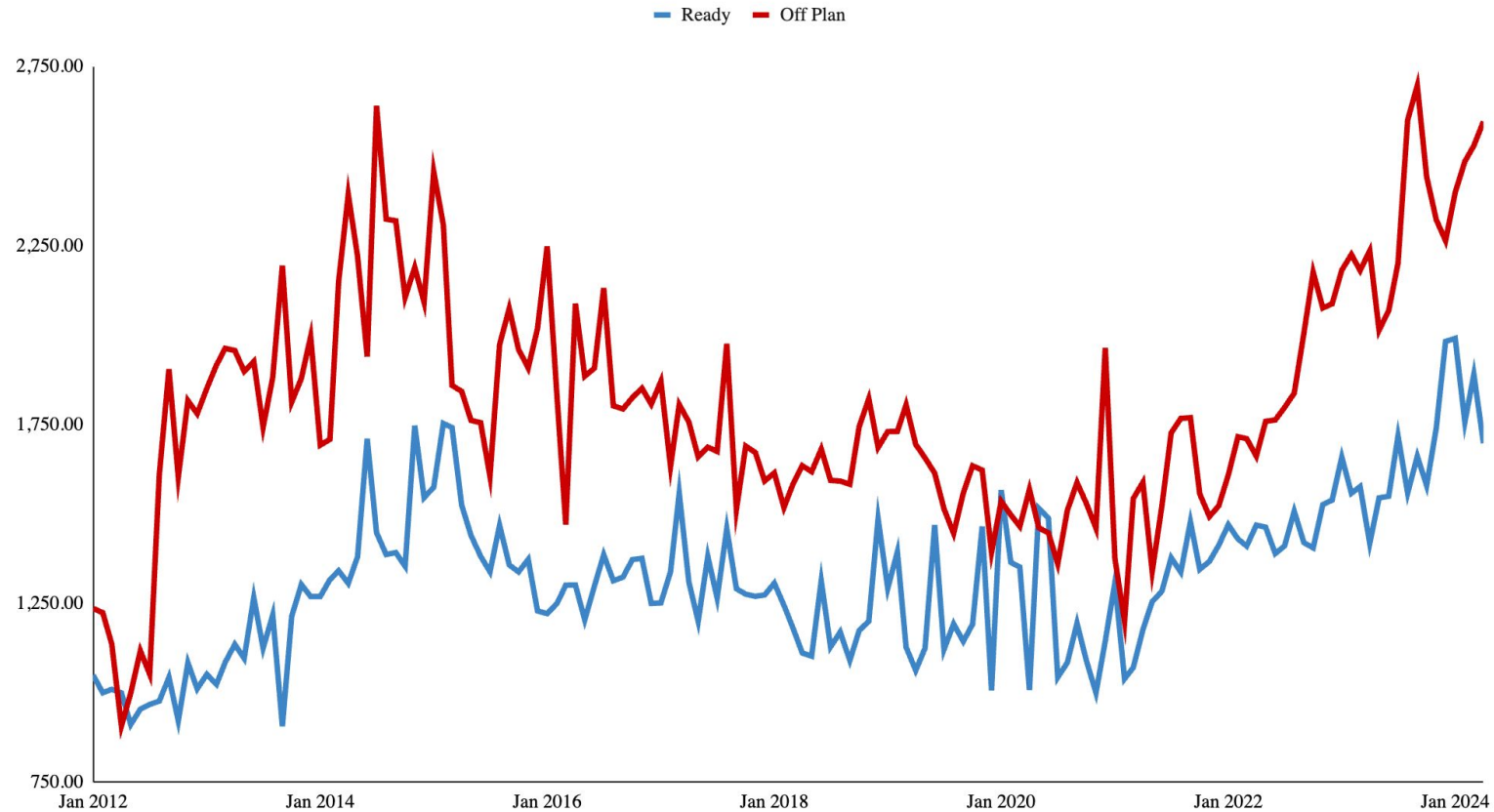
Downtown Dubai Ready vs Off Plan Apartment Sales AED/SqFt



Downtown Dubai has comprised just over 7% of all apartment sales in Dubai over the past 12 years. Across that timeframe, prices for ready and off plan apartments have varied, but off plan properties have seen a consistently higher sales price per square foot since December 2017. Off plan apartments have sold for 21.22% more than their ready counterparts on average, but this rises to 38.14% if we exclude transactions before 2017. The price gap sits at 27.4% as of the end of April 2024, up from 25% in April 2023.

Business Bay Apartment Analysis

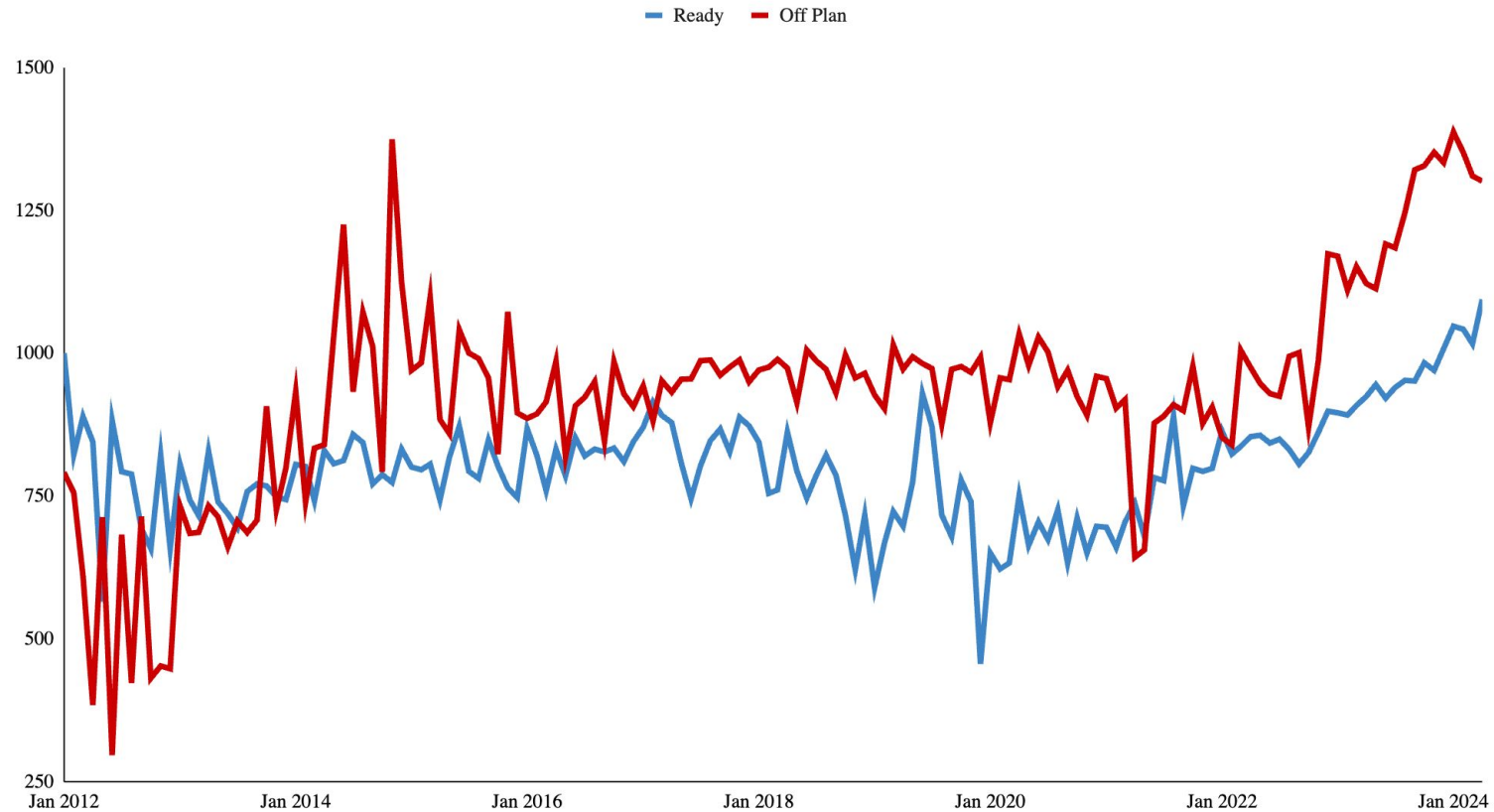
Business Bay Ready vs Off Plan Apartment Sales AED/SqFt



8.5% of all apartment sales dating back to 2012 have come from Business Bay. Although the off-plan ready price gap looked to be shrinking around January 2021, their prices have since diverged once again, with off plan apartments selling for 38% more than their ready counterparts in April 2024 (on average). As of the end of April 2024, off plan apartments sell at a 53% premium on a per square foot basis.

Jumeirah Village Circle Apartment Analysis

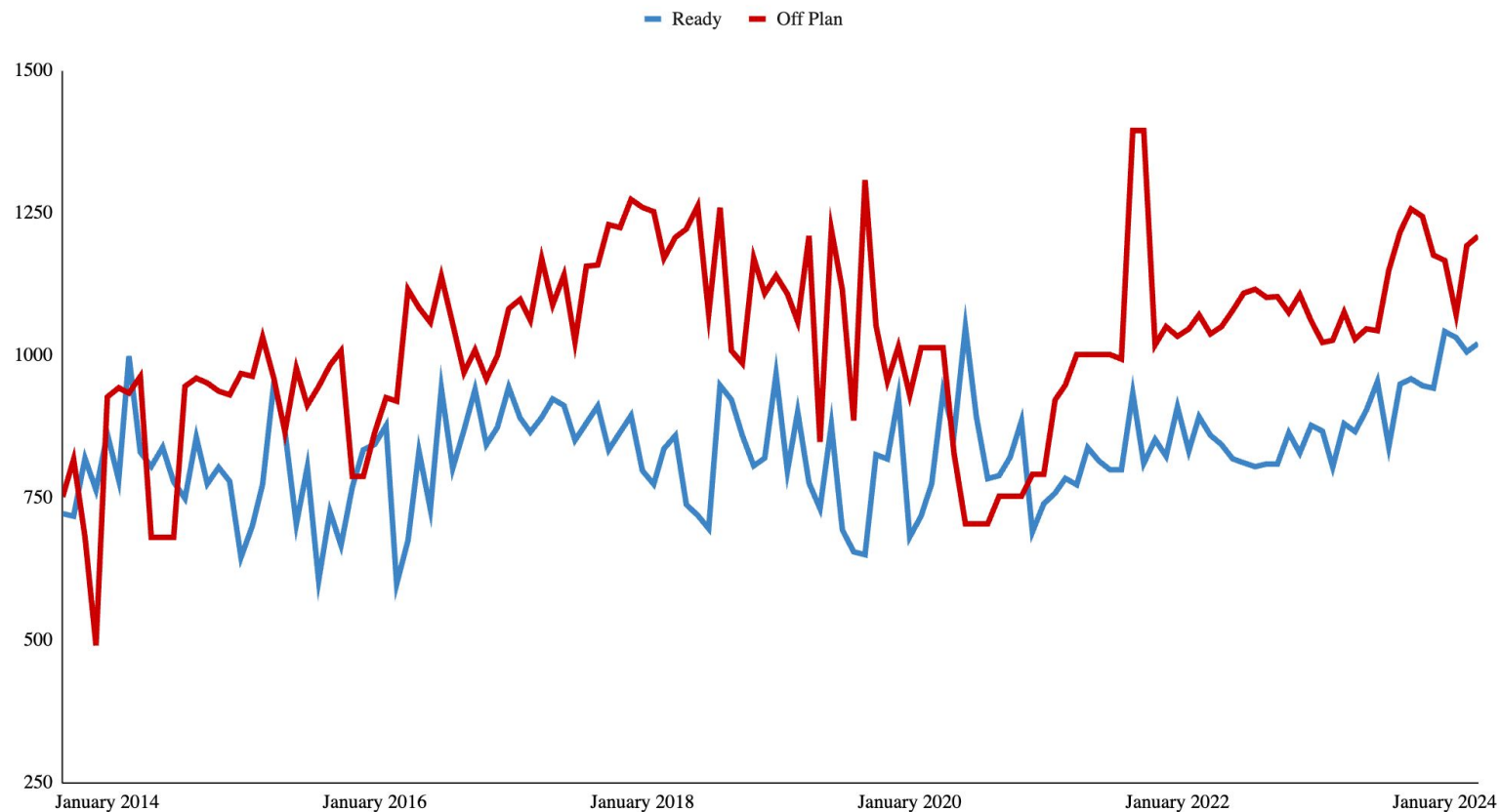
JVC Ready vs Off Plan Apartment Sales AED/SqFt



Jumeirah Village Circle has contributed a tick under 9% of all Dubai apartment sales across the last 12 years. Off plan apartments have sold for 17.24% more than their ready counterparts in that time on average, but despite fluctuations in price trends, JVC has been another example among a litany of communities that have seen a surge in off plan prices since the pandemic. The average post-COVID price differential between off plan and ready apartments rose to 20.2%, reaching its peak of 39.32% in November 2023, and currently sitting at 18.9% as of April 2024.

Al Furjan Apartment Analysis

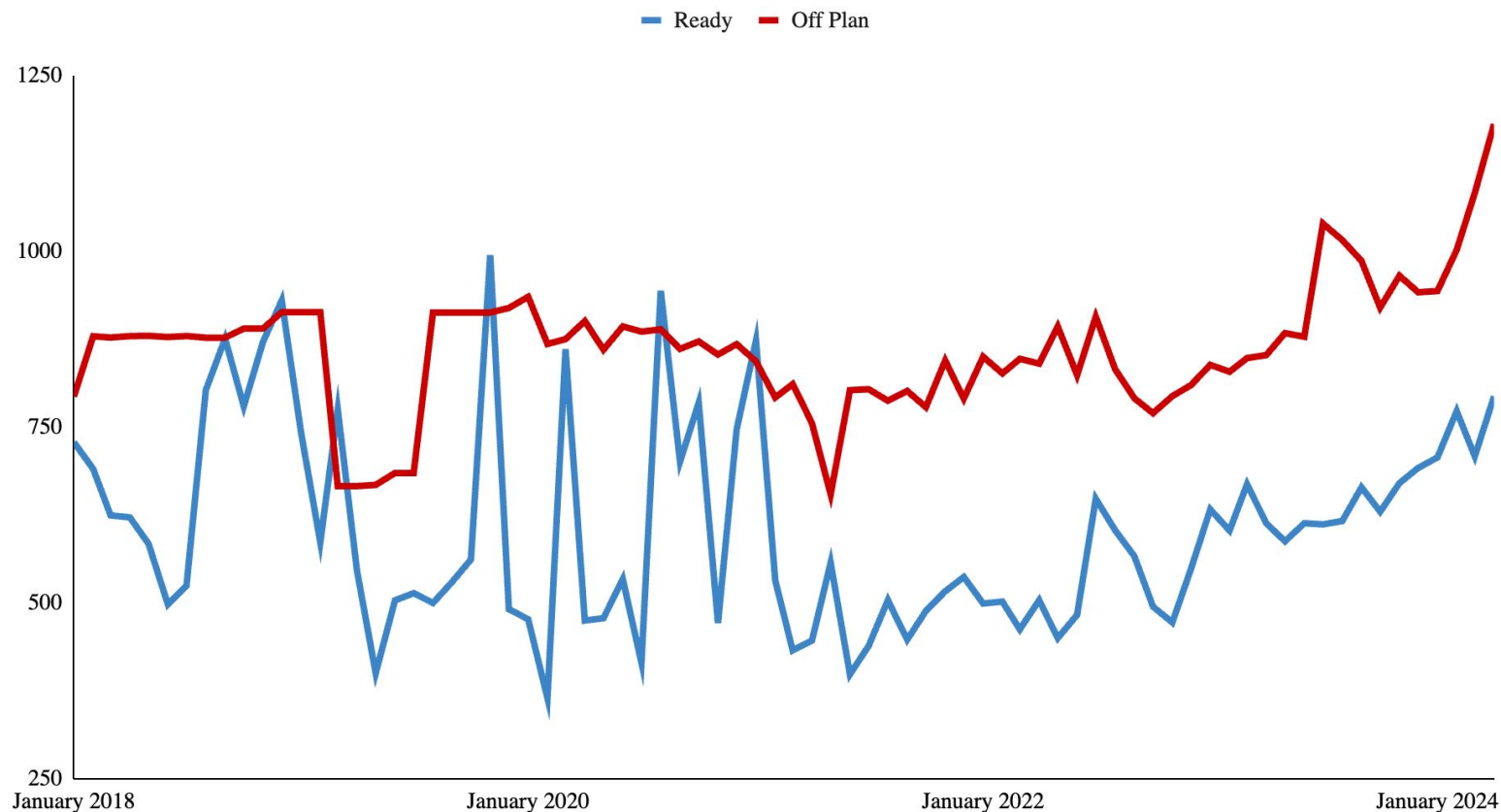
Al Furjan Ready vs Off Plan Apartment Sales AED/SqFt



Al Furjan has been responsible for just over 1.7% of all apartment sales since January 2014. In that time period, off plan apartments have sold for 23.73% more than than their ready peers, but that figure rises to 25.5% in the post-COVID period, achieving pre and post-COVID peaks of 101.14% and 72.1% respectively. As of the end of April 2024, off plan apartments sold for 18.45% more than their ready counterparts.

Dubailand Residence Complex Apartment Analysis

Dubailand Residence Complex Ready vs Off Plan Apartment Sales AED/SqFt



Dubailand Residence Complex is responsible for just over 1.5% of all apartment transactions since January 2018. Across that timeframe, off plan apartments have sold for 49% more than their ready counterparts*, although this rises to 54% post-COVID, and currently sits at 48.82% as of the end of April 2024. This is up from 39% at the same point in 2023.

*While some of the earlier data may look erratic, this is due to DRC's lower popularity until recently. In fact, 57.8% of all of apartment transactions in the above sample set took place after January 2023.

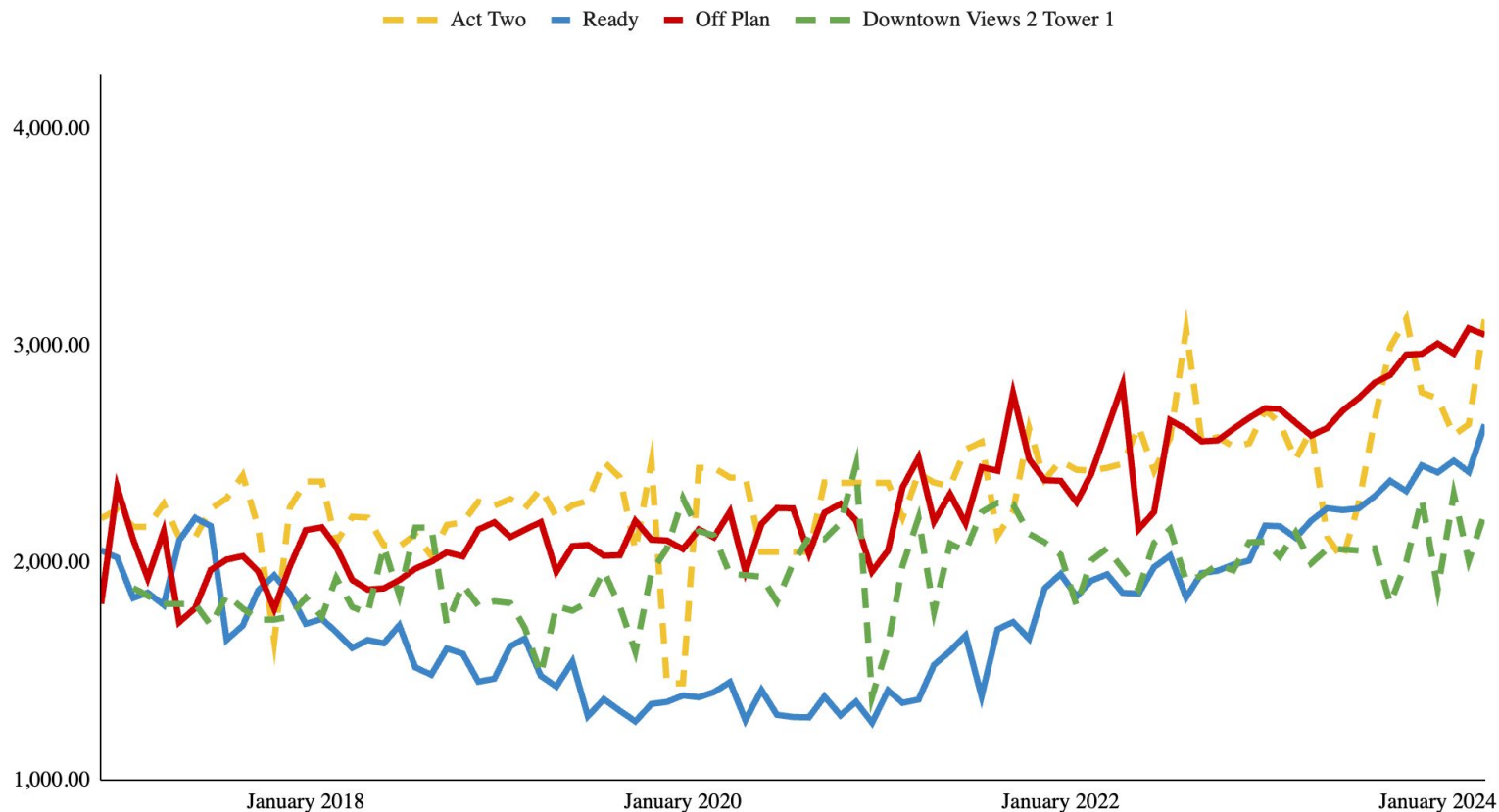
The New Build Effect

"There is nothing so stable as change."

- Bob Dylan

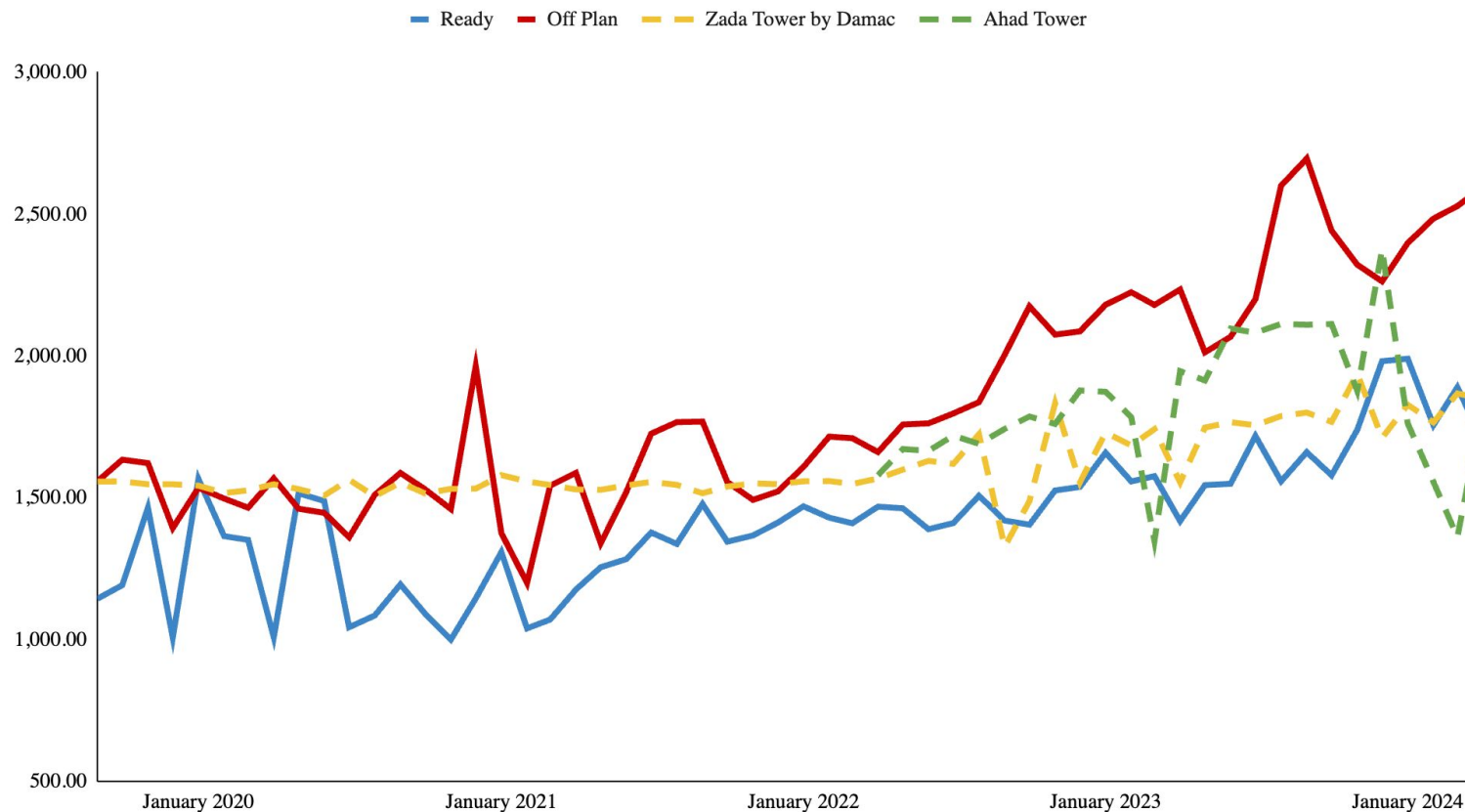


Downtown Dubai New Builds vs Community Averages



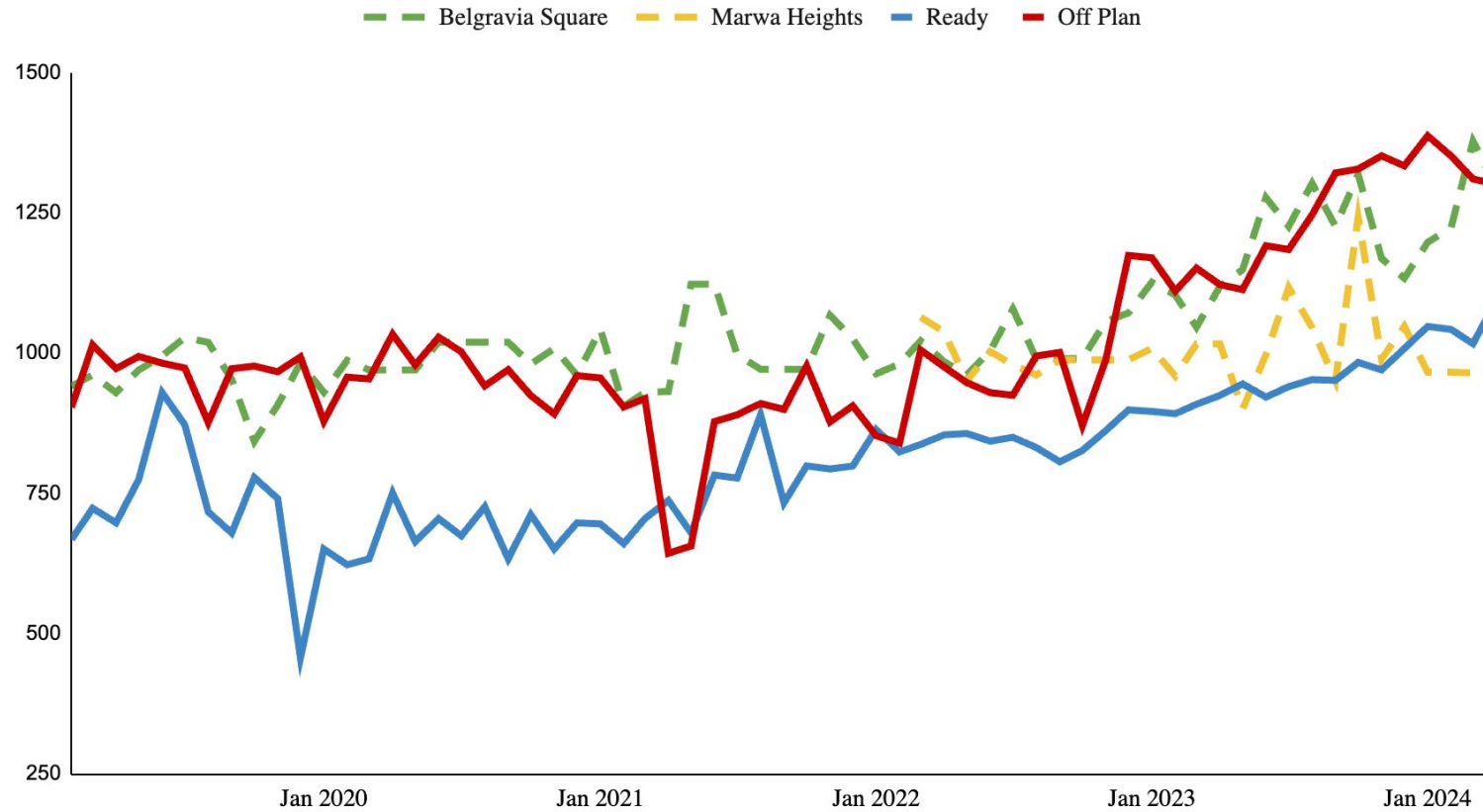
We see this on the individual building level as well. Act Two and Downtown Views 2 Tower 1 are two examples of projects that were handed over in 2023 whose apartments have sold for 37.55% and 16% more respectively than the average price per square foot for ready properties in Downtown Dubai. However, since Act Two began selling ready units in April 2023, that average price differential fell to just 12.06%. Since Downtown Views 2 Tower 1 began selling units in January 2023, its average price differential fell to -9.63% (i.e. units were selling for 9.63% less than the ready average).

Business Bay New Builds vs Community Average (AED/SqFt)



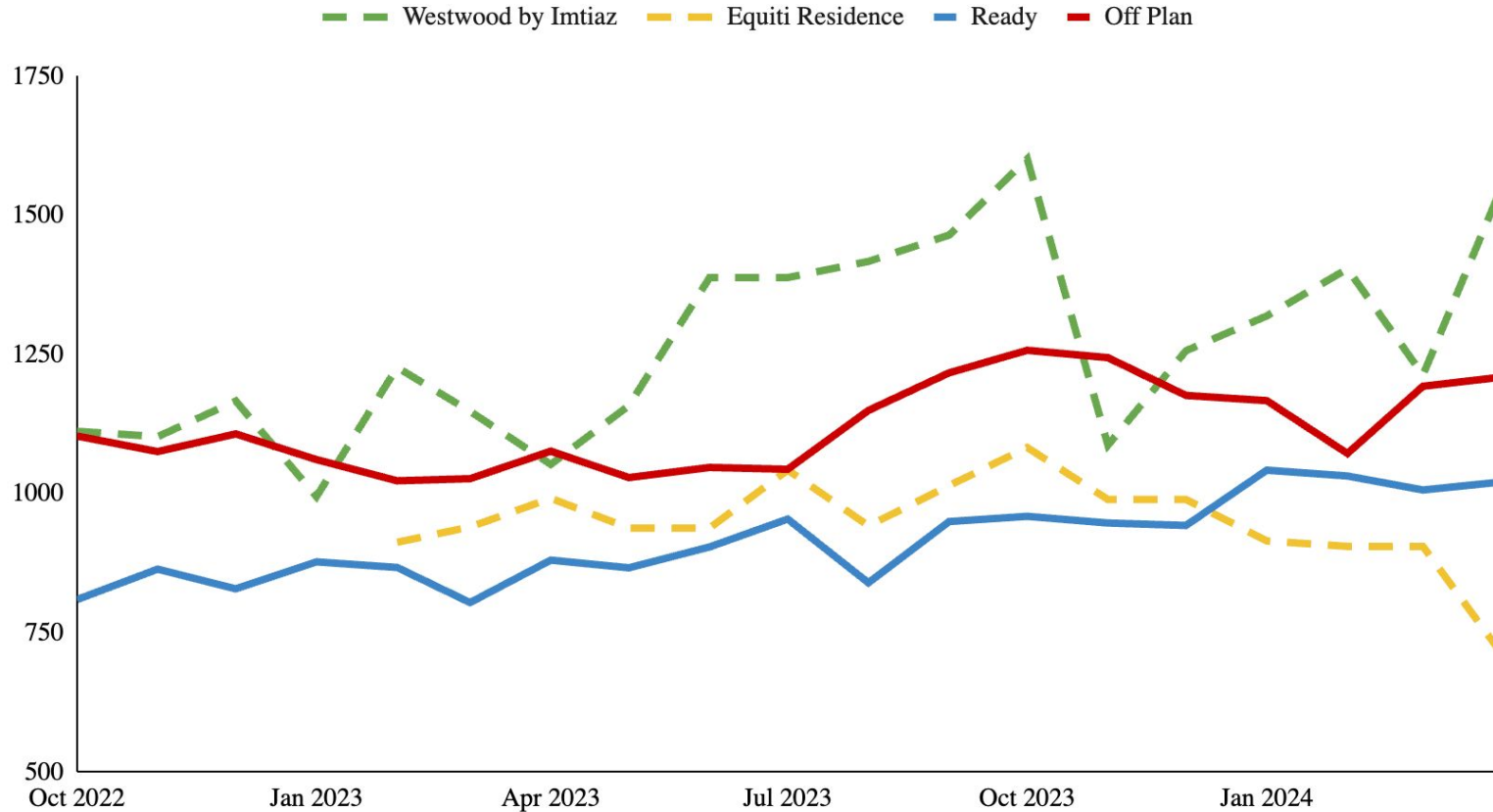
The same effect is observable in Business Bay. Since Zada Tower units began selling in late 2019, they have sold for 16.2% more than the average price per square foot of ready apartments in Dubai Marina, but that premium more than halved to 6.04% after ready units began selling in February 2023. Similarly, Ahad Tower apartments have sold for 15% more than the ready average, but have sold for 10.8% less since it began selling ready units in January 2024.

JVC New Builds vs Community Averages (AED/SqFt)



JVC is yet another community where this effect is on display. Since Belgravia Square’s launch in early 2019, its apartments have sold for 31.35% more than the average of JVC ready apartments in that time period, but only 19.63% more since it began selling ready units in December 2023. Similarly, Marwa Heights has outsold the JVC ready average by 9.63% since its 2022 launch, but that price differential diminishes to just 0.11% since Marwa Heights began selling ready units in late 2023.

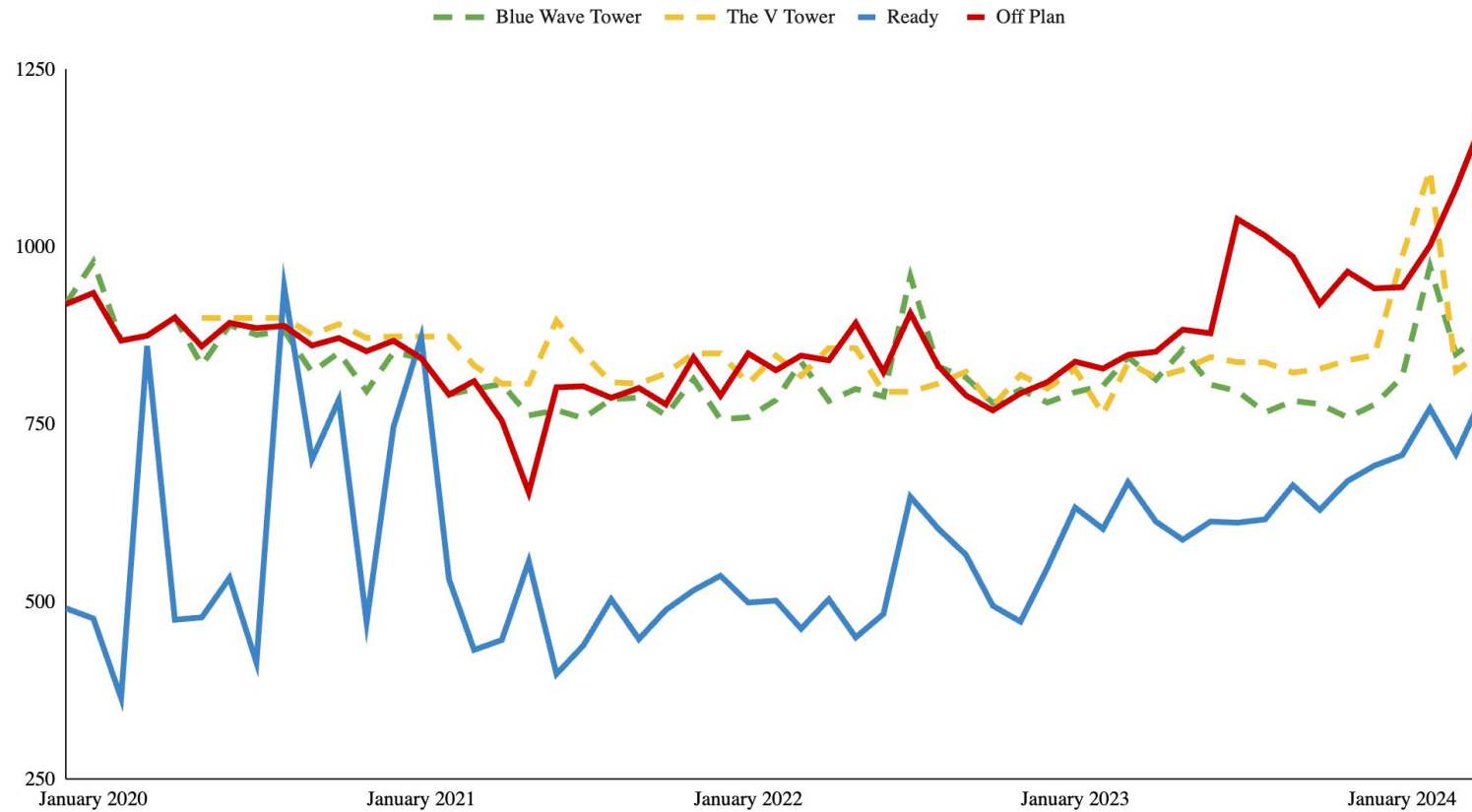
Al Furjan New Builds vs Community Averages (AED/SqFt)



In Al Furjan, Westwood apartments have outsold the average price per square foot for ready apartments by 38.4% overall, but that figure drops to 34% since ready units began selling in January 2024. Likewise, Equiti Residence units sold for 2.13% more than Al Furjan’s ready apartment average since the building’s launch in early 2023, but have sold for 1% less on average than ready apartments since ready units in the building began selling just a few months later.

Dubailand Residence Complex

Dubailand Residence Complex New Builds vs Community Averages



This phenomenon holds true in Dubailand Residence Complex as well. Blue Wave Tower units have sold for 48.2% more than the DRC ready apartment average, but this falls to 23.6% since ready units began selling in early 2023. In V Tower, apartments have sold for 50.7% more than the ready average overall, but this nearly halved to 25.9% when ready units began selling at the end of 2023.

Conclusions

GCP

REIDIN

Citywide Ready vs Off Plan

At the citywide level, the gap between off plan and ready average monthly sales prices is evident all the way back to January 2012. This gap has only widened in the post-COVID era, which is especially notable given that the average annual off plan apartment transaction volumes have also more than tripled, while the average annual ready apartment volumes have only increased by 173.5% across the same timeframe.

The New Build Effect

Examining specific projects that were handed over in 2023 confirms that this phenomenon can be observed on a much more micro level too. Not only do these projects sell at a higher average price per square foot than the average for ready apartments in their community, but they also experience a diminishing in that gap once they begin selling ready units. In some cases, once the building begins selling ready units, their average sales price can even dip below the ready average for their community.

Community Analysis

Looking at a sample of communities where a significant volume of apartment transactions have taken place shows the same trend. Interestingly, the gap between off plan and ready apartments seems to be more pronounced in luxury communities (such as Downtown Dubai) than in mid market communities (such as Jumeirah Village Circle). Nevertheless, the gap undoubtedly does exist across the board; it just seems to be a question of magnitude.

Conclusions

All of this proves the voracious appetite within the Dubai apartment market for newer builds, especially post-COVID. The latter is likely due to the lingering psychological effects of the pandemic, as remaining inside may have forced occupants to confront the issues with their apartments of older build quality. We see a similar phenomenon taking place in foreign markets like the UK, where new build homes typically command premiums between 10% and 20% (but can rise all the way up to 35%) depending on the community - proving that the "New Build Effect" is not necessarily a unique idiosyncrasy of Dubai's property market.

The citywide average price gap between off plan and ready apartments reached its peak of 75.65% in December 2019. Despite this, the average price gap post-COVID (45.4%) is higher than the average pre-COVID price gap (33.6%).

While the new build activity in foreign markets like the UK is comparable to Dubai, the price gaps observed in the Dubai market can far exceed those of foreign counterparts. For example, the average post-COVID off plan-ready price gap at the citywide level is 45.4%, and rises as high as 54% in communities like Dubailand Residence Complex.



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.

Our purpose is to manage, direct and create wealth for our clients.

These research reports are authored by GCP.

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
info@gcp-properties.com



Reidin is the leading real estate information company focusing on emerging markets.

Reidin offers intelligent and user-friendly online information solutions that help professionals access data and information in a timely and cost effective basis.

Reidin is the data provider for these research reports.

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
info@reidin.com

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

