

# A Micro View of Dubai Real Estate: Focus on Dubai Marina, Downtown and Jumeirah Lake Towers

## Executive Summary

- This report is a detailed quantitative analysis of residential real estate data for transactions over the last twelve months in three Dubai areas: Dubai Marina (including JBR), the Old Town/Burj area and Jumeirah Lake Towers
- Our analysis will complement research reports provided by property consultants using their proprietary transactional data
- The analysis quantifies and confirms the further reduction in real estate prices over the last 12 months, especially in the Dubai Marina and Old Town area
- The analysis quantifies the volatility that prevailed in the market in Q4, 2009 and Q1, 2010 following the Nakheel standstill announcement
- The spread between quartile one and quartile four properties has been tightening over the last twelve months; quartile one properties commanded a 100% premium over quartile four properties in summer 2008
- The average price for quartile four properties shows signs of stabilisation in all three areas
- The average price for quartile one properties decreased between Q3, 2009 and Q2, 2010 in all three areas and especially in Downtown
- Seemingly high end units have depreciated quicker
- The liquidity for big apartments with many bedrooms is considerably lower compared to smaller apartments
- The market share of apartments with a price less than AED one million (USD 272,500) has been growing
- The number of transactions is picking up in the second quarter of 2010 in all three areas

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# 1. Introduction

This report is an update to our February 2010 report

In February 2010 Isthmus Partners published the report “A Micro View of Dubai Real Estate: Focus on Dubai Marina”. In the report, we analysed actual sales and mortgage data specifically for the Dubai Marina area over a period of three years, from the beginning of 2007 to the end of 2009.

We use Dubai Land Department data provided by Reidin

Our motivation was to provide to real estate investors, financiers and end-users an in depth understanding of market pricing dynamics based on thorough analysis and stratification of market transactions.

We based our paper on transaction data collated by the Dubai Land Department and provided through an internet-based information portal, Reidin ([www.REIDIN.com](http://www.REIDIN.com)). In our February report, we restricted our analysis to data pertaining to the Marina (including Jumeirah Beach Residence towers). Selecting a specific area with satisfactory transaction depth is important for micro analysis. The quality and value of buildings in various areas differs considerably in Dubai and combining the data would distort their usefulness for reaching conclusions. The Dubai Marina was one of the few areas with satisfactory reported liquidity over the three year review period (beginning of 2007 to end of 2009).

We looked at the Dubai Marina, Downtown and Jumeirah Lake Towers areas between Q3, 2009 and Q2, 2010

In this report, we look at Dubai Marina, the Old Town/Burj area (“Downtown”) and Jumeirah Lake Towers (“JLT”) over a period of 12 months. Among the three areas, the Dubai Marina has significantly more transactions over the review period helping to provide meaningful insights. The data is more limited for Old Town and JLT; nevertheless it can provide some guidance on price levels and trends.

In order to provide meaningful information, we have gone through a process of data cleaning and mining. This process limits the original data set but is necessary to ensure data consistency and omit outliers that skew results. A description of the process is provided in the methodology section of this report.

The 12 month review period shows how the real estate market has reacted to the announcement of the Nakheel standstill in Q4, 2009 and how pricing has evolved since. Though sub sectors of the real estate market cannot be used to extrapolate inferences for the whole of Dubai, we are confident they can shed some light on how Dubai’s real estate market as a whole is performing.

The report “A Micro View of Dubai Real Estate: Focus on Dubai Marina” is available on the publications page of our website [www.isthmuspartners.ae](http://www.isthmuspartners.ae).

## 2. Key Findings

We divided buildings into four quartiles based on price per sq ft

We reviewed transactions that took place over the last year, between 1<sup>st</sup> July, 2009 and 30<sup>th</sup> June, 2010 and collated the data quarterly (Q3, 2009, Q4,2009, Q1,2010 and Q2,2010). For each quarter, we divided homogenous clusters of buildings into four quartiles. The first quartile represents the top one-fourth clusters by price per square foot and the fourth quartile represents the bottom one-fourth clusters. The makeup of each quartile is discussed in more detail in the methodology section below.

Prices have fallen further in Dubai Marina over the last 12 months

Our findings confirm the increased volatility that prevailed in the market at the end of 2009 and beginning of 2010 following the Nakheel standstill announcement in Q4, 2009. We observe a relative decrease in volatility between Q1, 2010 and Q2, 2010. In the first year after the start of the credit crunch in September 2008, prices decreased steeply. In the second year, which constitutes our review period, prices continue to deflate but at a lower rate.

The spread between quartile one and quartile four properties has been decreasing in all areas. Higher-end, pricier properties in all areas appear to have been affected more, as investors and end-users target more affordable properties. Average prices for quartile one properties have decreased further while average prices for quartile four properties depict encouraging signs of stabilisation.

### Dubai Marina

The following table provides the absolute prices per quartile over the last four quarters as well as prices indexed at the beginning of the review period. It is evident that prices have fallen further over the last year in Dubai Marina.

Quartile one properties have devaluated significantly

**Average Price (AED) Per Sq Ft By Quartile**

	Absolute Prices				Indexed at Q3 2009			
	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Quartile 1	Quartile 2	Quartile 3	Quartile 4
Q3, 2009	1,291	1,143	955	749	100%	100%	100%	100%
Q4, 2009	1,219	1,171	869	684	94%	102%	91%	91%
Q1, 2010	1,253	1,019	839	783	97%	89%	88%	104%
Q2, 2010	1,157	1,014	878	741	90%	89%	92%	99%
Max	1,291	1,171	955	783	100%	102%	100%	104%
Min	1,157	1,014	839	684	90%	89%	88%	91%
Difference	134	157	116	99	10%	14%	12%	13%
Average	1,230	1,087	885	739	95%	95%	93%	99%
Std Dev	57	82	49	41	4%	7%	5%	5%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Quartile two shows the most volatility (highest standard deviation) in prices when measured in absolute terms as well as by index.

The increase in quartile one prices in Q1, 2010 seems to have been short lived; the positive sentiment that followed the Nakheel Dec 09 sukuk repayment dissipated quickly as the lending market remained squeezed.

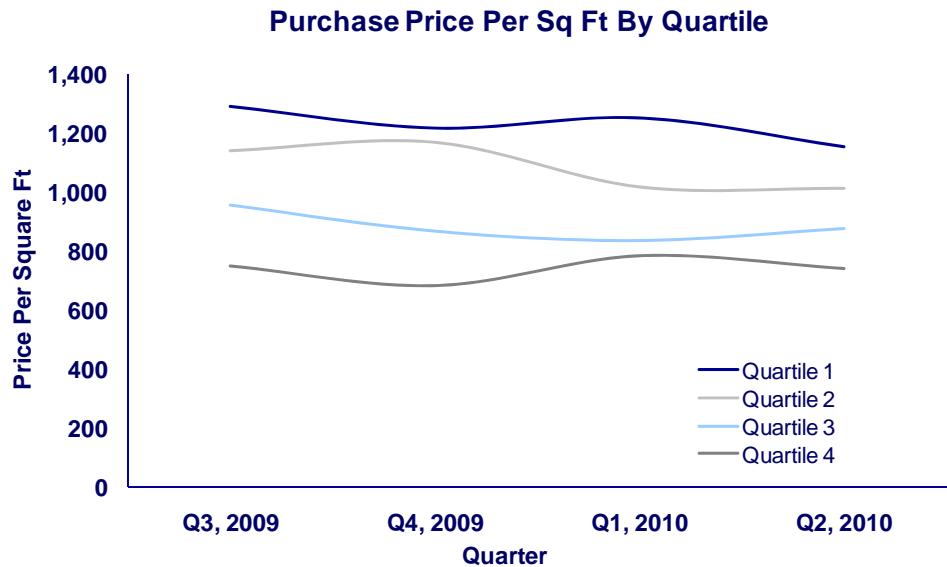
An interesting observation from the table above is that quartile four

Average prices for quartile four properties show signs of stabilisation

AED 700 (USD 191) per sq ft seems to be a resistance level for Dubai Marina property

properties have seen the smallest price reductions over the year. Quartile four properties are on average at the same price level in Q2, 2010 as in Q3, 2009, while the remaining three quartiles are 8-11% lower. Seemingly higher priced properties have been deflating more rapidly.

At the lower end of the market we see a flattening of prices at levels above AED 700 (USD 191) per sq ft. This seems reasonable given that distressed sales may already have been absorbed and there is a cost-related fair value per square foot below which developers and /or end users may not be prepared to sell, especially considering current costs to build.



Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

The spread of AED 416 per sq ft (USD 113 per sq ft) between quartile one and quartile four clusters within the same narrow geographical area is still considerable. In Q2, 2010, a quartile four unit cost on average 35% less than a quartile one unit.

To put price movement into perspective, the following table shows the average absolute price per quartile at the market peak (Q3, 2008), at the time of the Nakheel standstill announcement (Q3, 2009) and most recently (Q2, 2010).

### Average Price (AED) Per Sq Ft By Quartile

	Absolute Prices			
	Quartile 1	Quartile 2	Quartile 3	Quartile 4
Q3, 2008	1,997	1,590	1,380	1,002
Q3, 2009	1,291	1,143	955	749
Q2, 2010	1,157	1,014	878	741
% diff Q3,2008 to Q3, 2009	-35%	-28%	-31%	-25%
% diff Q3,2009 to Q2, 2010	-10%	-11%	-8%	-1%
% diff Q3,2008 to Q2, 2010	-42%	-36%	-36%	-26%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

High-end units have depreciated at a faster rate

Quartile one properties have shown the most drastic price devaluation over the last two years. Prices for quartile one properties are now 42% lower than the summer 2008 peak, while prices for quartile four properties are a more modest 26% lower over the same period. Over the last 12 months, quartile four properties' pricing is stabilising while the average price for quartiles one to three continues to fall. The price premium that buyers are prepared to pay for high end units has been constantly decreasing.

As a caveat to this data, we recognise prices may have fallen further than indicated by the data we present as by the end of Q3, 2008 prices were already falling. The real peak was likely closer to the beginning of the quarter; therefore prices have probably fallen by 50% or more since the peak.

We looked at how different apartment types have fared over the last year, segmenting apartments by the number of bedrooms. From the table below we can see that four bedroom apartments had the most volatile pricing followed by five plus bedroom and three bedroom apartments. One and two bedroom apartments depict much lower price volatility. This seems reasonable given that one and two bedroom apartments are usually easier to sell and enjoy higher liquidity.

A greater number of bedrooms increasingly affects the price per square foot

### Average Price (AED) Per Sq Ft By Apartment Type

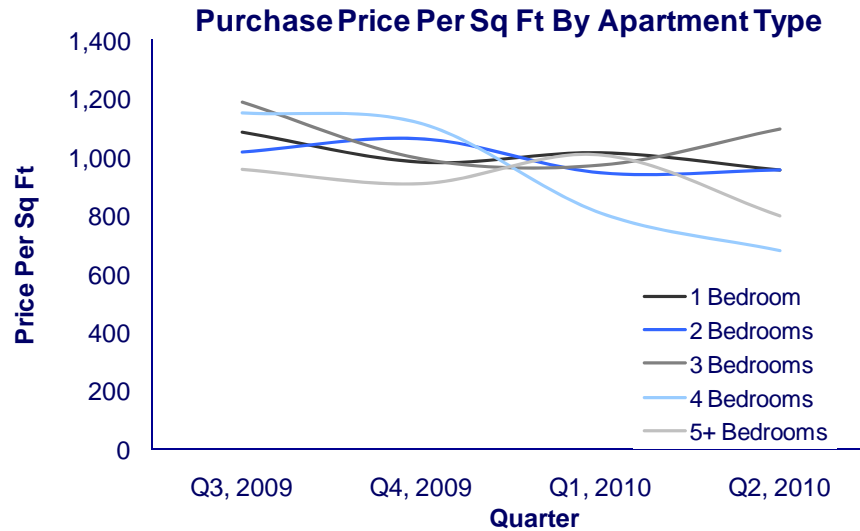
	Absolute Prices					Indexed at Q3, 2009				
	1 Bed	2 Beds	3 Beds	4 Beds	5+ Beds	1 Bed	2 Beds	3 Beds	4 Beds	5+ Beds
Q3, 2009	1,086	1,020	1,187	1,153	960	100%	100%	100%	100%	100%
Q4, 2009	983	1,065	995	1,116	911	90%	104%	84%	97%	95%
Q1, 2010	1,015	949	974	808	1,010	93%	93%	82%	70%	105%
Q2, 2010	955	959	1,096	679	799	88%	94%	92%	59%	83%
Max	1,086	1,065	1,187	1,153	1,010	100%	104%	100%	100%	105%
Min	955	949	974	679	799	88%	93%	82%	59%	83%
Difference	131	116	214	474	212	12%	11%	18%	41%	22%
Average	1,010	999	1,063	939	920	93%	98%	90%	81%	96%
Std Dev	56	54	99	232	91	5%	5%	8%	20%	9%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Looking at the graph below of prices over time, we can see that four and five bedroom apartments experienced higher volatility and higher price depreciation over the period. It appears that sellers of bigger units are willing to accept lower selling prices per square foot. There are likely

fewer interested parties for these units leading to stronger buyer bargaining power and higher discounts for low liquidity. The curve representing three bedroom apartments is peaking up and one and two bedroom apartments are stabilising.

Apartments with four plus bedrooms suffered the highest volatility of prices



Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Transaction volumes have somewhat increased between H2, 2009 and H1, 2010

In terms of liquidity, one and two bedroom apartments lead the way in sales. We can also see that liquidity is picking up in 2010, especially for two bedroom apartments. The numbers in the table below are only a subset of the overall sales in the Dubai Marina market, but we believe them to be fairly representative.

#### Liquidity By Apartment Type

	Number of Transactions					Total
	1 Bed	2 Beds	3 Beds	4 Beds	5+ Beds	
Q3, 2009	53	46	22	3	23	147
Q4, 2009	59	53	21	4	29	166
Q1, 2010	67	83	21	12	25	208
Q2, 2010	66	65	26	9	28	194
H2, 2009	112	99	43	7	52	313
H1, 2010	126	148	47	21	53	402
	133	247	90	28	105	715

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Lower priced apartments are more liquid in the bear market

By looking at the number of transactions by price in the table below, we can see the most liquid sector of the market was at the lower nominal price range. The most liquid segment corresponds to an apartment value between AED 1 million (USD 272,500) and AED 2 million (USD 545,000). Transactions of apartments with a value greater than AED 5 million (USD 1.36 million) have been decreasing. In our February report we noted that transactions of more than AED 2,000,000 (USD 545,000) represented more than 50% of total sales in Q3, 2008. In Q2, 2010 they represented

only 27% of all transactions.

Number of Transactions By Transaction Price

	Number of Transactions						Proportion of Transactions					
	<= 1M	>1M - 2M	>2M - 3M	>3M - 4M	>4M - 5M	>5M	<= 1M	>1M - 2M	>2M - 3M	>3M - 4M	>4M - 5M	>5M
Q3, 2009	42	64	21	11	0	9	28.6%	43.5%	14.3%	7.5%	0.0%	6.1%
Q4, 2009	49	62	37	10	2	6	29.5%	37.3%	22.3%	6.0%	1.2%	3.6%
Q1, 2010	71	90	26	14	2	5	34.1%	43.3%	12.5%	6.7%	1.0%	2.4%
Q2, 2010	59	82	30	20	2	1	30.4%	42.3%	15.5%	10.3%	1.0%	0.5%
Max	71	90	37	20	2	9	34.1%	43.5%	22.3%	10.3%	1.2%	6.1%
Min	42	62	21	10	0	1	28.6%	37.3%	12.5%	6.0%	0.0%	0.5%
Diff	29	28	16	10	2	8	5.6%	6.2%	9.8%	4.3%	1.2%	5.6%
Ave	55	75	29	14	2	5	30.7%	41.6%	16.1%	7.6%	0.8%	3.2%
Std Dev	13	14	7	5	1	3	2.4%	2.9%	4.3%	1.9%	0.5%	2.3%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

### Downtown

Quartile one properties have depreciated significantly in Downtown

The following table provides absolute prices per quartile over the last four quarters as well as prices indexed at Q3, 2009. Prices have fallen for quartile one and two properties, prices have remained at similar levels for quartile three properties and prices have appreciated for quartile four properties. Overall, prices have fallen.

Average Price (AED) Per Sq Ft By Quartile

	Absolute Prices				Indexed at Beginning of 2007			
	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Quartile 1	Quartile 2	Quartile 3	Quartile 4
Q3, 2009	2,030	1,489	1,285	1,007	100%	100%	100%	100%
Q4, 2009	1,496	1,341	1,249	1,173	74%	90%	97%	117%
Q1, 2010	1,585	1,477	1,216	1,096	78%	99%	95%	109%
Q2, 2010	1,552	1,354	1,277	1,145	76%	91%	99%	114%
Max	2,030	1,489	1,285	1,173	100%	100%	100%	117%
Min	1,496	1,341	1,216	1,007	74%	90%	95%	100%
Difference	534	148	69	167	26%	10%	5%	17%
Average	1,666	1,415	1,257	1,105	82%	95%	98%	110%
Std Dev	246	78	31	73	12%	5%	2%	7%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

The volatility of quartile one properties is the highest among the four and prices show a significant annual depreciation. A very interesting observation is that a significant quarterly price drop of 26% occurred in the fourth quarter of 2009 which coincides with the Nakheel standstill announcement. Prices stabilised since, but did not recover from the drop.

Quartile four properties have appreciated

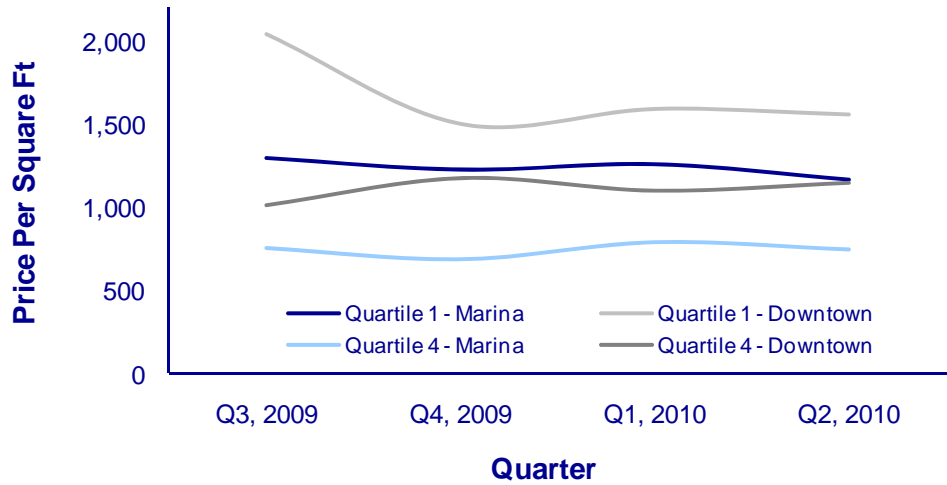
By contrast, quartile four properties have appreciated. This likely means that distressed sales were absorbed in the market in Q3, 2009 and have skewed downwards the pricing for quartile four properties in Q3, 2009 which serves as the base for our comparisons. The average spread between quartile three and four properties was AED 280 (USD 76) in Q3, 2009 while it remained below AED 150 (USD 41) for the remaining three quarters.

Downtown is on average a more expensive area than Dubai Marina

Comparing absolute prices to those of the Marina, we can see that Downtown is on average more expensive per square foot. This could be attributed to Dubai Marina containing a diverse set of buildings by quality while the Downtown includes mostly high-end buildings.



### Purchase Price Per Sq Ft By Quartile

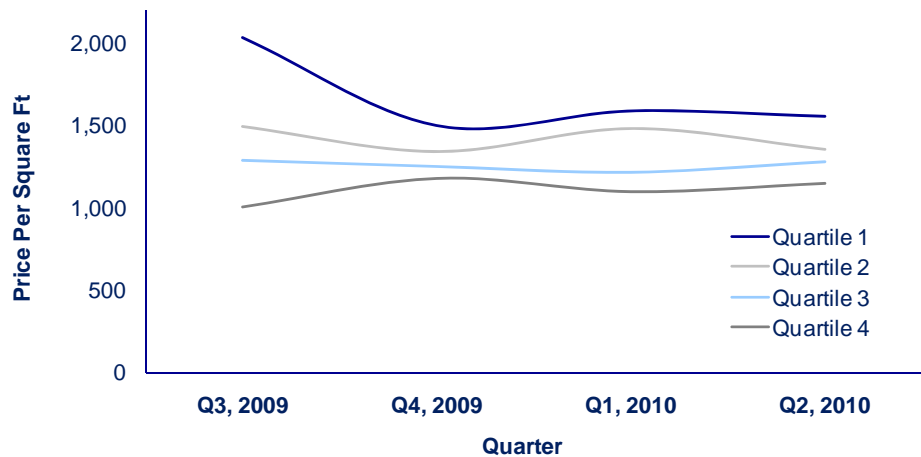


Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Most of the tightening of values between quartile one and quartile four is due to a large fall in quartile one properties

The spread of prices between quartiles has tightened considerably throughout the last four quarters as illustrated by the graph below. The tightening is attributed to both price compression at the higher end of the market and price appreciation of the lowest quartile.

### Purchase Price Per Sq Ft By Quartile



Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Downtown has more homogeneous buildings in terms of quality than Dubai Marina

Given that the quality of buildings is relatively less diverse in the Downtown area, the tightening of spreads can be perceived as more efficient pricing. Average prices of quartile four properties were 26% lower than quartile one prices in Q2, 2010. In the Marina, the respective difference is a wider 36%.

We looked at how different apartment types have performed over the last four quarters, segmenting apartments by the number of bedrooms. There were not enough data points for four and five bedroom apartments so we limited our analysis to one, two and three bedroom apartments.

From the table below we can see that two bedroom apartments have fallen in price in the last twelve months and they depict a higher price

volatility, while one and three bedroom apartments have increased on average in price and they are less volatile.

Two bedroom apartments have suffered the highest volatility

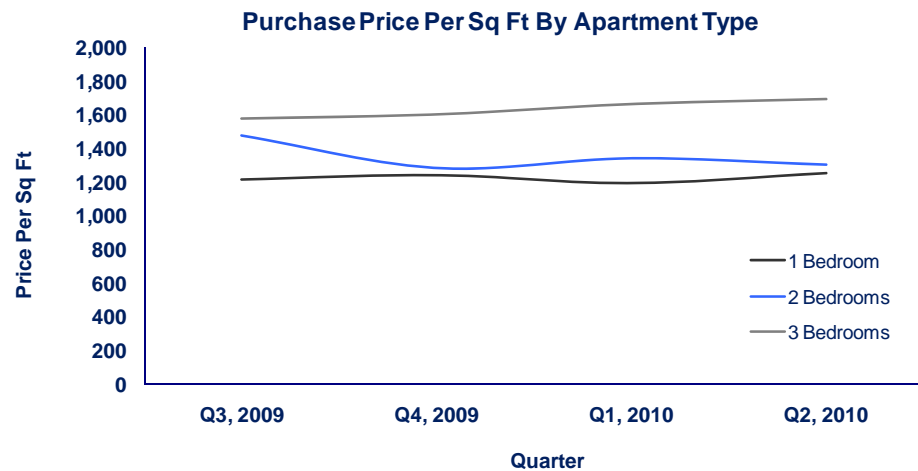
**Average Price (AED) Per Sq Ft By Apartment Type**

	Absolute Prices			Indexed at Q3, 2009		
	1 Bed	2 Bed	3 Bed	1 Bed	2 Bed	3 Beds
Q3, 2009	1,217	1,481	1,577	100%	100%	100%
Q4, 2009	1,244	1,288	1,602	102%	87%	102%
Q1, 2010	1,193	1,346	1,664	98%	91%	106%
Q2, 2010	1,258	1,308	1,694	103%	88%	107%
Max	1,258	1,481	1,694	103%	100%	107%
Min	1,193	1,288	1,577	98%	87%	100%
Difference	65	193	118	5%	13%	7%
Average	1,228	1,356	1,634	101%	92%	104%
Std Dev	29	87	54	2%	6%	3%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Three bedroom apartments attract the highest price per sq ft

Looking at the graph of prices over time below, we can see that three bedroom apartments had a consistently higher average price than smaller apartments over the last four quarters. Three bedroom apartments attract very good pricing in the Marina as well. It appears that liquidity issues are associated with bigger apartments of four or more bedrooms.



Source: Analysis prepared by Isthmus Partners. Data provided by Reidin (Dubai Marina data only)

Two bedroom apartments lead the way in sales

The table below shows liquidity per apartment type. Similar to Dubai Marina, we can see that one and two bedroom apartments lead the way in sales. The numbers in the table below are only a subset of the overall sales in Downtown and refer only to the six building clusters we used in our analysis as explained in the methodology section.

## Liquidity By Apartment Type

	Number of Transactions					
	1 Bed	2 Bed	3 Beds	4 Beds	5 Beds	Total
Q3, 2009	30	28	2	0	0	60
Q4, 2009	27	30	6	0	0	63
Q1, 2010	35	36	17	1	0	89
Q2, 2010	56	48	15	0	1	120
H2, 2009	57	58	8	0	0	123
H1, 2010	91	84	32	1	1	209
	148	142	40	1	1	332

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Liquidity is picking up in Q2, 2010 for one and two bedroom apartments which is an encouraging sign.

By looking at the number of transactions by price in the table below, we see that apartments with a value between AED 1 million (USD 272,500) and AED 2 million (USD 545,000) are by far the most liquid with the number of transactions in that value range being 2-3 times greater than any other value range.

### Number of Transactions By Transaction Price

	Number of Transactions						Proportion of Transactions					
	<= 1M	>1M - 2M	>2M - 3M	>3M - 4M	>4M - 5M	>5M	<= 1M	>1M - 2M	>2M - 3M	>3M - 4M	>4M - 5M	>5M
Q3, 09	10	41	9	3	0	1	15.6%	64.1%	14.1%	4.7%	0.0%	1.6%
Q4, 09	5	41	16	4	1	0	7.5%	61.2%	23.9%	6.0%	1.5%	0.0%
Q1, 10	16	40	19	13	2	2	17.4%	43.5%	20.7%	14.1%	2.2%	2.2%
Q2, 10	27	58	30	8	3	2	21.1%	45.3%	23.4%	6.3%	2.3%	1.6%
Max	27	58	30	13	3	2	21.1%	64.1%	23.9%	14.1%	2.3%	2.2%
Min	5	40	9	3	0	0	7.5%	43.5%	14.1%	4.7%	0.0%	0.0%
Diff	22	18	21	10	3	2	13.6%	20.6%	9.8%	9.4%	2.3%	2.2%
Ave	15	45	19	7	2	1	15.4%	53.5%	20.5%	7.8%	1.5%	1.3%
Std Dev	9	9	9	5	1	1	5.8%	10.6%	4.5%	4.3%	1.1%	0.9%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

## Jumeirah Lake Towers

The following table provides absolute prices per quartile over the last four quarters and prices indexed at Q3, 2009. Prices have fallen for quartile one and two properties, while prices have increased for quartile three and four properties. The volatility for quartile one properties is significantly higher than any other quartile.

Liquidity has relatively picked up in Q2, 2010

Quartile one properties show the largest price decrease

**Average Price (AED) Per Sq Ft By Quartile**

	Absolute Prices				Indexed at Q3, 2009			
	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Quartile 1	Quartile 2	Quartile 3	Quartile 4
Q3, 2009	883	837	733	726	100%	100%	100%	100%
Q4, 2009	1,014	818	757	716	115%	98%	103%	99%
Q1, 2010	875	829	763	696	99%	99%	104%	96%
Q2, 2010	819	795	760	732	93%	95%	104%	101%
Max	1,014	837	763	732	115%	100%	104%	101%
Min	819	795	733	696	93%	95%	100%	96%
Difference	196	41	29	35	22%	5%	4%	5%
Average	898	820	753	718	102%	98%	103%	99%
Std Dev	83	18	14	15	9%	2%	2%	2%

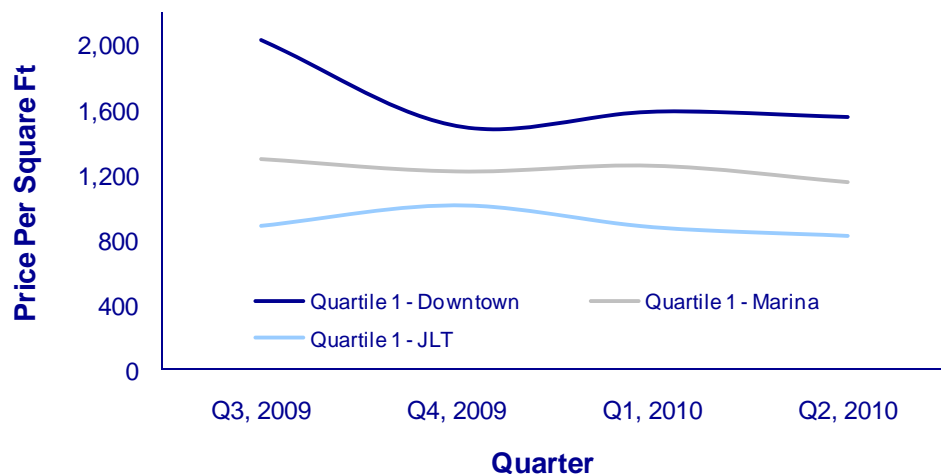
Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

The lowest point for quartile four properties is in Q1, 2010, following the standstill announcement in Q3, 2009 but prices bounced back in Q2, 2010.

JLT is an affordable community

Comparing absolute prices to those of the Marina and Downtown, it is clear that the price per sq ft is lower for JLT. This is to be expected as JLT is targeted to mid-end users, while the Marina and the Downtown are more premium areas.

**Purchase Price Per Sq - Quartile 1**

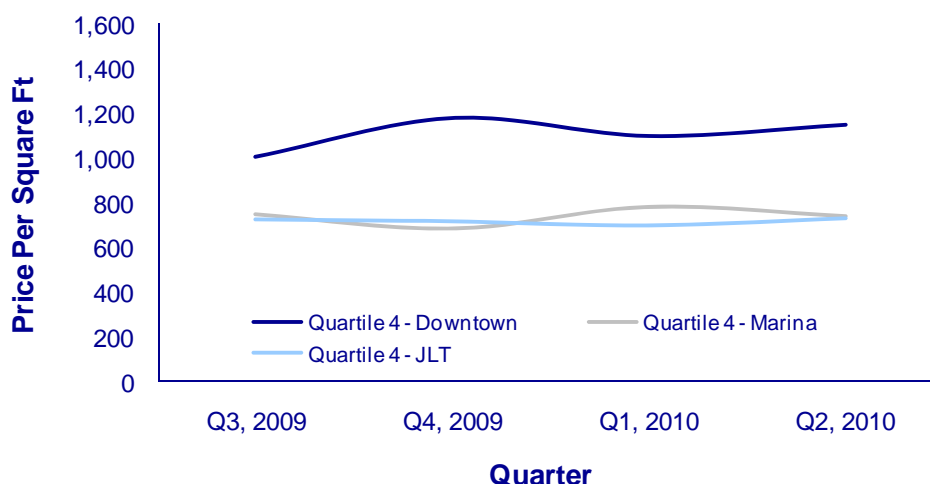


Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Price differentiation is considerable for quartile one properties between the Marina and JLT. JLT is still very much a building site compared to Dubai Marina and Downtown, and is regarded as a secondary location. However, average prices for quartile four properties are very similar between the Marina and JLT. This is reasonable given that there are buildings in the Marina that are of lower quality to those in JLT and deserve lower pricing, but which command a premium for location.

Prices for properties located in Downtown are considerably higher than properties located in JLT across all quartiles. This is due to Downtown being a prime area.

### Purchase Price Per Sq - Quartile 4

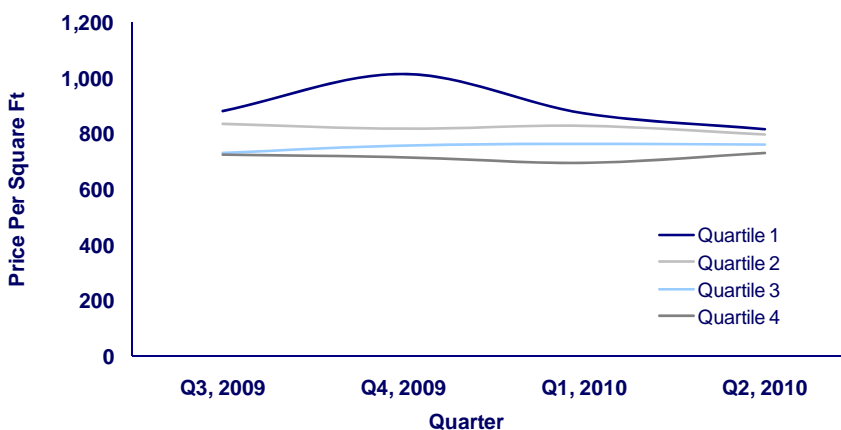


Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

JLT has a lower spread between quartile one and four properties compared to Dubai Marina and Downtown

With the exception of Q3, 2009, the price spreads between quartiles in JLT have remained constant. The spread between quartile one and four properties in JLT is much narrower than the Marina and Downtown. In Q2, 2010, quartile four properties were priced 10% lower than quartile one properties in JLT, 26% lower in Downtown and 36% lower in the Marina. This signifies that the chosen clusters for JLT had similar qualities compared to Downtown and the Marina.

### Purchase Price Per Sq Ft By Quartile



Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

We looked at how different apartment types have performed over the last four quarters, segmenting apartments by the number of bedrooms. The table below provides selected transactions.

One bedroom apartments attract the highest price per sq ft

### Liquidity By Apartment Type

	Number of Transactions					
	1 Bed	2 Bed	3 Beds	4 Beds	5 Beds	Total
Q3, 2009	18	15	0	0	0	33
Q4, 2009	25	26	2	0	0	53
Q1, 2010	51	17	2	0	1	71
Q2, 2010	87	26	6	0	0	119
H2, 2009	43	41	2	0	0	86
H1, 2010	138	43	8	0	1	190
	181	84	10	0	1	276

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

There is limited data for three bedroom apartments and almost no transactions for larger apartments. Liquidity is better for one bedroom apartments in JLT. In Downtown and the Marina, two bedroom apartments are the most liquid.

### Number of Transactions By Transaction Price

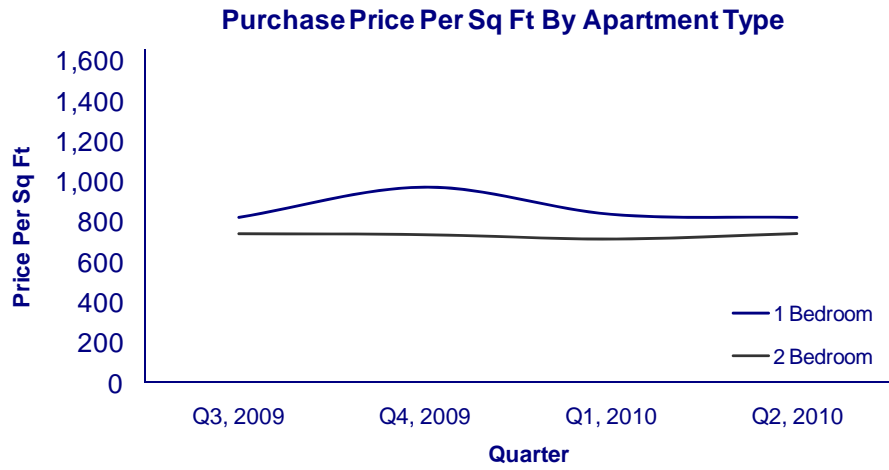
	Number of Transactions						Proportion of Transactions					
	<= 1M	>1M - 2M	>2M - 3M	>3M - 4M	>4M - 5M	>5M	<= 1M	>1M - 2M	>2M - 3M	>3M - 4M	>4M - 5M	>5M
Q3, 09	23	10	0	0	0	0	69.7%	30.3%	0.0%	0.0%	0.0%	0.0%
Q4, 09	28	25	0	0	0	0	52.8%	47.2%	0.0%	0.0%	0.0%	0.0%
Q1, 10	59	11	0	1	0	0	83.1%	15.5%	0.0%	1.4%	0.0%	0.0%
Q2, 10	98	19	2	0	0	0	82.4%	16.0%	1.7%	0.0%	0.0%	0.0%
Max	98	25	2	1	0	0	83.1%	47.2%	1.7%	1.4%	0.0%	0.0%
Min	23	10	0	0	0	0	52.8%	15.5%	0.0%	0.0%	0.0%	0.0%
Diff	75	15	2	1	0	0	30.3%	31.7%	1.7%	1.4%	0.0%	0.0%
Ave	52	16	1	0	0	0	72.0%	27.2%	0.4%	0.4%	0.0%	0.0%
Std Dev	35	7	1	1	0	0	14.2%	15.0%	0.8%	0.7%	0.0%	0.0%

Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

Affordable apartments of a value less than AED 1 million (USD 272,500) lead the way in sales

It is evident from the table above that the majority of transactions occur in the lowest range of apartment values: less than AED 1 million (USD 272,500). Most transactions in the Marina and Downtown are in the next value range of AED 1 to 2 million (USD 272,500 – 545,000).

There were not enough data points for three, four and five bedroom apartments so we limited our analysis to one and two bedroom apartments. Prices have been relatively stable over the last four quarters.



Source: Analysis prepared by Isthmus Partners. Data provided by Reidin

### 3. Methodology

Our data is sourced from Reidin, who have exclusive access to transactional data from the Dubai Land Department. There are a few points that we would like to note regarding the data and its usefulness for drawing conclusions for the market.

The Land Department has not necessarily captured all the transactions made in the analysed period. We believe it is likely that many transactions have not been captured, but that the number of transactions that have been captured is representative of the market.

We believe our insights have some statistical significance. However, sections of the dataset had to be disregarded because of the spurious nature of certain data points or inconsistencies we found. Though the data is improving in Dubai, there are still big gaps in data sets. We hope, through our study, to best use the data available to provide some rigour and statistical analysis to support assertions presently being made in the market.

Our analysis focuses on residential units (apartments only) sold in the last year, between July 2009 and June 2010, in three areas: the Marina (including Jumeirah Beach Residence), Downtown and Jumeirah Lake Towers.

The Land Department uses a registration date as a time stamp for each transaction. However, this time stamp is very misleading as apartment sales could have been registered years after the actual transaction. Reidin have been cleaning up the data by retrospectively adding the actual transaction date to their database by looking at the original sale and purchase agreements. We have used the transactions that actually took place between July 2009 and June 2010 irrespective of the actual registration date.

Most buildings in the three areas we reviewed are new. There are only a couple of buildings that have been completed during the review period, so our findings refer to completed property. During the boom periods, little price differentiation was seen in off plan and completed property prices. This finding was confirmed in our February report on Dubai Marina that analysed a three year period. It is expected that pricing for off-plan property now attracts a significant discount compared to completed property especially for buildings that are far from completion. We were not able to confirm this hypothesis because there is not enough off-plan data in our sample. However, it seems that the market for off-plan property in Dubai has been at a standstill.

#### Dubai Marina

The Dubai Marina is by far the most liquid area of the three. The transaction depth is satisfactory and the analysis gives us a view on how the market developed before and during the Nakheel standstill.

The original data set includes 2,630 transactions for residential units in the last four quarters. We used data that signified either a straight sale (1,196 transactions) or an Islamic finance (39 transactions) giving us 1,235 data lines. The remaining data lines were related to title deed

Reidin's cleaning up of Dubai Land Department data has proved useful in developing this report



issuances, gifts, modifications, etc., which are not relevant for our analysis.

We clustered buildings to increase the significance of our data sets

We clustered buildings in the Marina by different projects. For instance, the Promenade cluster includes apartments sold in Attesa, Aurora, Beauport, Delphine, Shemara and Paloma towers. The buildings are part of the same project with very similar specifications and therefore similar pricing expectations.

With a steady set of building clusters we could see if the data sets provided enough information to be part of our analysis. We excluded all clusters/projects that did not have enough pricing data points (i.e. transactions) for all four quarters. We also removed clusters that had many outlier values, which could not be reconciled due to lack of liquidity.

Following this procedure, we selected 18 building clusters to move forward which represented 78 buildings in total.

Prices from these 18 clusters may differ from our February report, as we have a greater number of clusters to work from (14 in February) and Reidin is continually improving the accuracy of its data.

Finally, we have removed lines of data within the remaining 18 building clusters, which contained spurious size of apartment information that would have skewed price per square foot calculations. This final step left 715 transactions to draw conclusions from.

From these data lines we constructed four quartiles representing the most expensive to the cheapest apartments by price per square foot. The makeup of the each quartile varied over time with some building clusters moving from one quartile to another.

We measured how persistent each building cluster was with regard to the quartile it fell into and graded persistence as good, average or poor. If at least two thirds of the time a building cluster fell into a certain quartile, or otherwise fell into a contiguous quartile, we regarded that as good persistence. If a cluster had a median average of observations in one quartile and other observations fell into contiguous quartiles, we regarded that as average persistence. If there was no pattern in which quartile a building cluster fell into, we regarded that as poor persistence.

Persistence of buildings within quartiles was good

Of the 18 building clusters we looked at for Dubai Marina, 61% had good persistence, 28% had average persistence and only 11% demonstrated poor persistence.

### Downtown

We used exactly the same procedure to “clean” the data for Downtown. There were 3,021 original data lines corresponding to residential units in the broad Downtown/ Business Bay area. Only 514 transactions represent a straight sale and 74 an Islamic financing giving us 588 data lines. The remaining transactions refer to title deed amendments, ownership transfers and similar transactions that are not relevant for our analysis.

These 588 transactions involved 14 different clusters corresponding to 88 different buildings.

We clustered buildings in the area by different projects. For instance, the

“Old Town” cluster includes apartments sold in 35 different buildings that are all part of Emaar’s Old Town project: Kamoon 1 to 4, Miska 1 to 5, Reehan 1 to 8, Yasson 1 to 9, Zaafaran 1 to 5 and Zanzebeel 1 to 4.

We removed clusters that did not have enough pricing data points in all four quarters. For example Burj Khalifa that was completed in January 2010 was excluded as there was not enough data in Q3, 2009 and Q4, 2009, although there were enough transactions in 2010. This makes sense as the off plan market in Dubai has been at a standstill since the autumn 2008 crisis, while the market for completed property is relatively more liquid.

We also excluded clusters that were not in the narrow Downtown area, but further away in Business Bay such as the Executive Towers. We also removed three clusters such as The Address that involved serviced apartments as these apartments are priced at a premium and cannot be compared peer to peer with unfurnished apartments.

We restricted the analysis to six clusters that contained more robust data for a total of 351 transactions. We note that the data set is relatively limited to draw statistically significant conclusions, but nevertheless it provides some useful insights into recent price movements in the area.

Of the six building clusters we looked at for Downtown, 83% had good persistence and 17% average persistence. There was no cluster with poor persistence.

#### Jumeirah Lake Towers

We followed the same procedure to produce a meaningful dataset for JLT. There were 1,124 transactions for residential units between the beginning of July 2009 and the end of June 2010.

Only 451 transactions represent a straight sale or Islamic finance that are relevant for our analysis. The remaining transactions refer to title deed amendments, ownership transfers etc

The 451 transactions corresponded to 12 clusters. With the exception of the Al Seef Towers cluster which involves three different buildings, each cluster corresponds to one building in JLT. This makes the analysis more difficult as fewer data points per cluster were available.

We removed six clusters that did not have enough data points in all four quarters. We restricted the analysis to six clusters that contained relatively more robust data for a total of 276 transactions. We note that the data set is limited to draw statistically significant conclusions, but nevertheless it provides some insights into the pricing for the area.

Of the six building clusters we looked at for Jumeirah Lake Towers, 33.3% had good persistence, 33.3% had average persistence and 33.3% had poor persistence. This is most likely attributed to the fact that the quality of buildings in JLT is less diverse so cluster prices are more homogenous.

## About Isthmus Partners

Isthmus Partners is a UAE based consultancy that offers consultancy advice on private equity, real estate assets and consumer finance. It was founded and is owned by three partners with a wealth of principal finance and structuring experience from 25+ years in investment banking and management consulting.

The partners have worked on restructuring a number of real estate deals in Dubai including The World, Sports City, The Marina, and The Waterfront. They have also worked on a number of new venture proposals based on product and materials manufacturing across the GCC.

Isthmus Partners' services include project health checks through financial due diligence, feasibility studies, process improvement for real estate firms, monitoring ongoing projects ensuring greater control through cash flow monitoring models, and advice on sourcing financing. Isthmus Partners can also be commissioned to provide bespoke research reports on real estate markets across the GCC.

Isthmus Partners' other sectors include advisory services on corporate finance, private equity, consumer finance and management consulting services. To find more of our available reports, please visit the publications page on our website [www.isthmuspartners.ae](http://www.isthmuspartners.ae).

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