

Market Update Report

Studio in Marina Diamond 1, Dubai Marina

Property Details

Name	Marina Diamond 1 Unit no. 809
SPV no.	SC-103
Location	Dubai Marina
Area (Sqft)	374
Type	Holiday Home
Transaction Date	01/05/2019



Market Performance

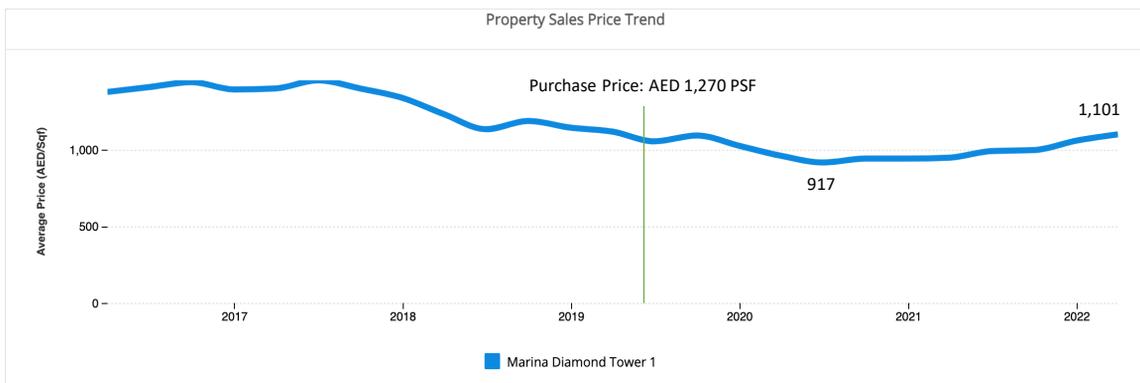
This property was initially purchased for AED 475,000 (AED 1,270 PSF) and has provided a total net income of AED 126,520 till July 2022, leading to an annualized return of 8.32%. In the last 12 months, the property has provided an income of AED 50,764, representing a net yield of approximately 10.7% (50,764/475,000) to original purchase price.

In the last 180 days, the building has had three studio transactions averaging AED 420,000 whereas the independent market value estimate is deemed to be AED 475,000. Based on an ADR of 300 and 80% occupancy the rent, net of service charges and other expenses, is expected to be AED 52,187. Based on the original purchase price, the net yield comes out to be 11.0%.

The graph below shows movement in building's sales prices. From 2015 onwards, Dubai's real estate market entered in its correction stage leading to excessive supply and declining real estate prices across the city. Outbreak of COVID-19 further dampened investor confidence aggravating the decrease in prices. Despite the adverse market conditions, the property was able to maintain its price above AED 1,400 PSF till the 3rd Quarter of 2017. Thereafter, there was a sharp decline with price dropping to AED 917 PSF in September 2020.

In the subsequent period, due to favorable public health and economic policies by the government, tourism and economic activities resuming, we witnessed a 20% property price appreciation with the average price reaching AED 1,101 PSF in June 2022.

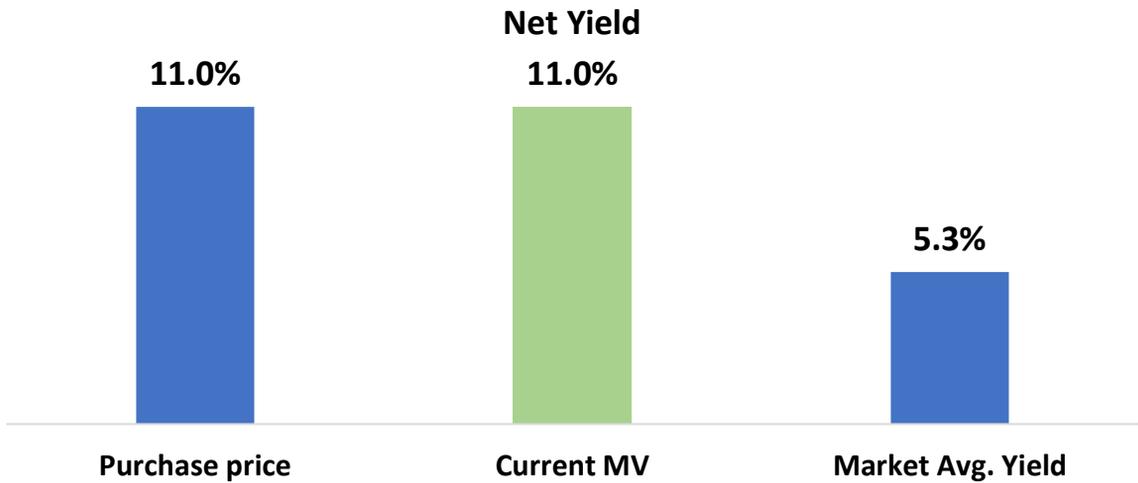
The market expects real estate prices to remain on a positive trajectory given the robust economic performance of UAE and the region, as well as significant events such as the Qatar Worldcup 2022 in November and the Global Climate Summit expected in 2023.



Based on current projections of an ADR of AED 300 and 80% occupancy rate, we expect the net income to be AED 52,187.

The following shows your net yield based on:

- 1: The initial purchase price and projected net income
- 2: Current market value and projected net income
- 3: Market average



As the market value of the property has remained unchanged, the expected net yield based on current value/original purchase price is 11.0% which is significantly higher than the market return of 5.3%.

If last 12 months performance is considered, the Property has generated yield which is 5.4% more than the market average of 5.3% and thus achieving a net yield of 10.7% on purchase price. The above average return was achieved by using the property as a Holiday Home in order to benefit from the increasing demand for short-term rentals market.

As was the case with sale prices, rental rates were also impacted by the real estate cycle and the pandemic. While the property's rental rates were initially able to withstand the deteriorating environment, they started to decrease steadily from June 2017 (AED 120 PSF) onwards. As of September 2021, the rental rates were at AED 64 PSF. The property has since witnessed sustained appreciation of 14% reaching AED 73 PSF in June 2022.

The net yields are attractive compared to the market based on the current rental performance. The property has already delivered AED 126,500 in net income in almost three years, approximately 27% of the original property value, despite the covid lockdowns. With the real estate market fully recovered from the pandemic and market correction, the performance can be assumed to improve, which could positively impact the property value in the future.

