

STRICTLY CONFIDENTIAL



Dubai: The Cityscape Effect

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Executive Summary

Cityscape Global is one of the world's biggest networking exhibition and conference on property development. It is a trade show for the real estate industry in Dubai attended by regional and international investors, developers, architects and designers, governmental authorities, people involved in the design and construction of both public and private real estate developments. Over 150 local, regional and international real estate firms exhibit their projects and services at the exhibition at the Dubai International Convention Centre (DICEC).

The prevailing zeitgeist has been that there is a strong “Cityscape effect” on prices; the recent slowdown in the market has led to these sentiments being expressed with greater fervor. However, a statistical analysis reveals that on a 3 month rolling return basis over 8 years (encompassing both the boom and bust cycle), there has been no impact of cityscape on the market, and whatever effect has been felt qualitatively in the form of information dissemination rather than price discovery.

A somewhat different picture emerges when transactional activity is scrutinized; revealing a 5 fold jump in terms of the delta percentage change (from 2 to 10%). This is off a low base, but clearly a noticeable jump, partly attributable to the visibility in the sector that this seminal event provides. Additionally, it is clear that there are seasonal factors at play here as well (the event is held In Sep-Oct, historically when transactional volumes increase anyways), there can be no doubt that the exhibition plays a pivotal event in terms of increasing investor interest and appetite for Dubai real estate assets.

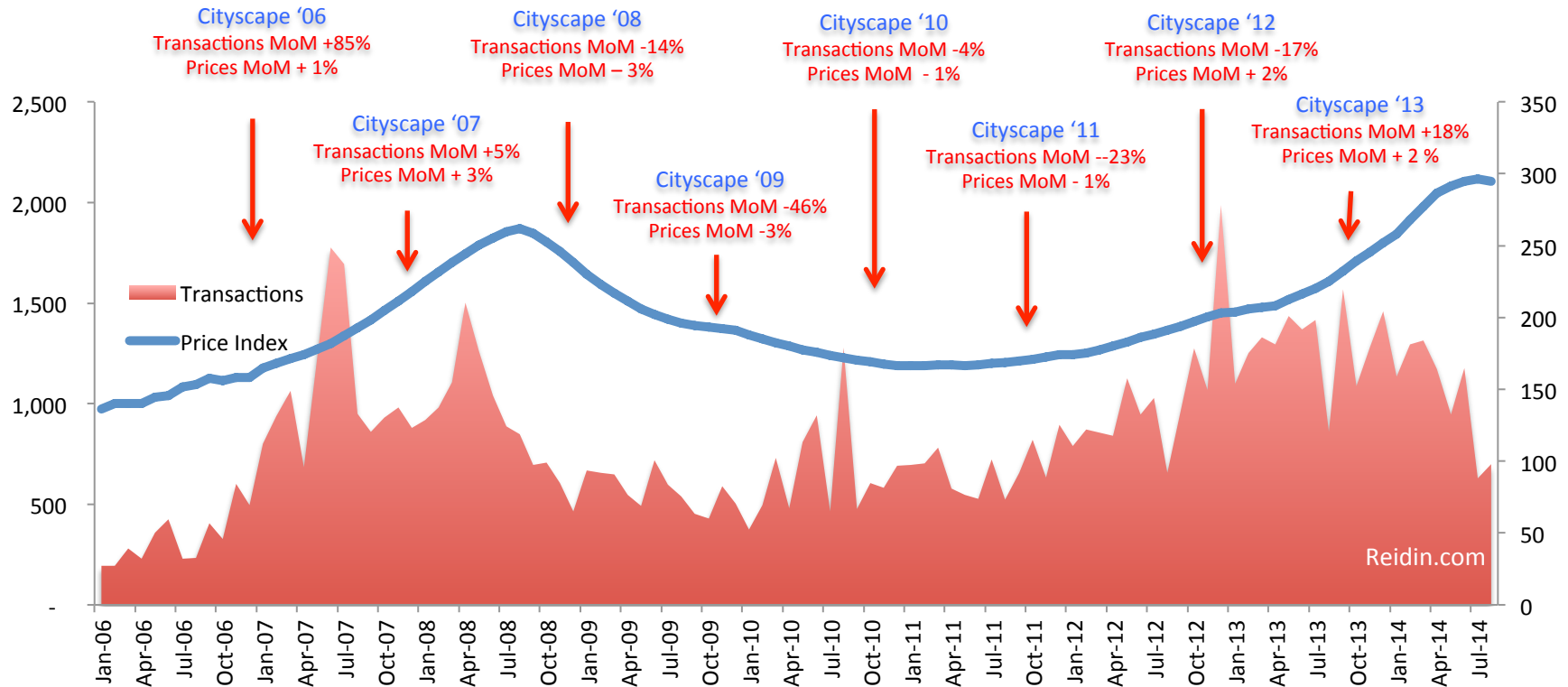
Cityscape is a seminal event in the real estate industry but its impact needs to be measured more in terms of visibility and transparency of upcoming supply rather than as an event for discovering value.

The Cityscape Effect



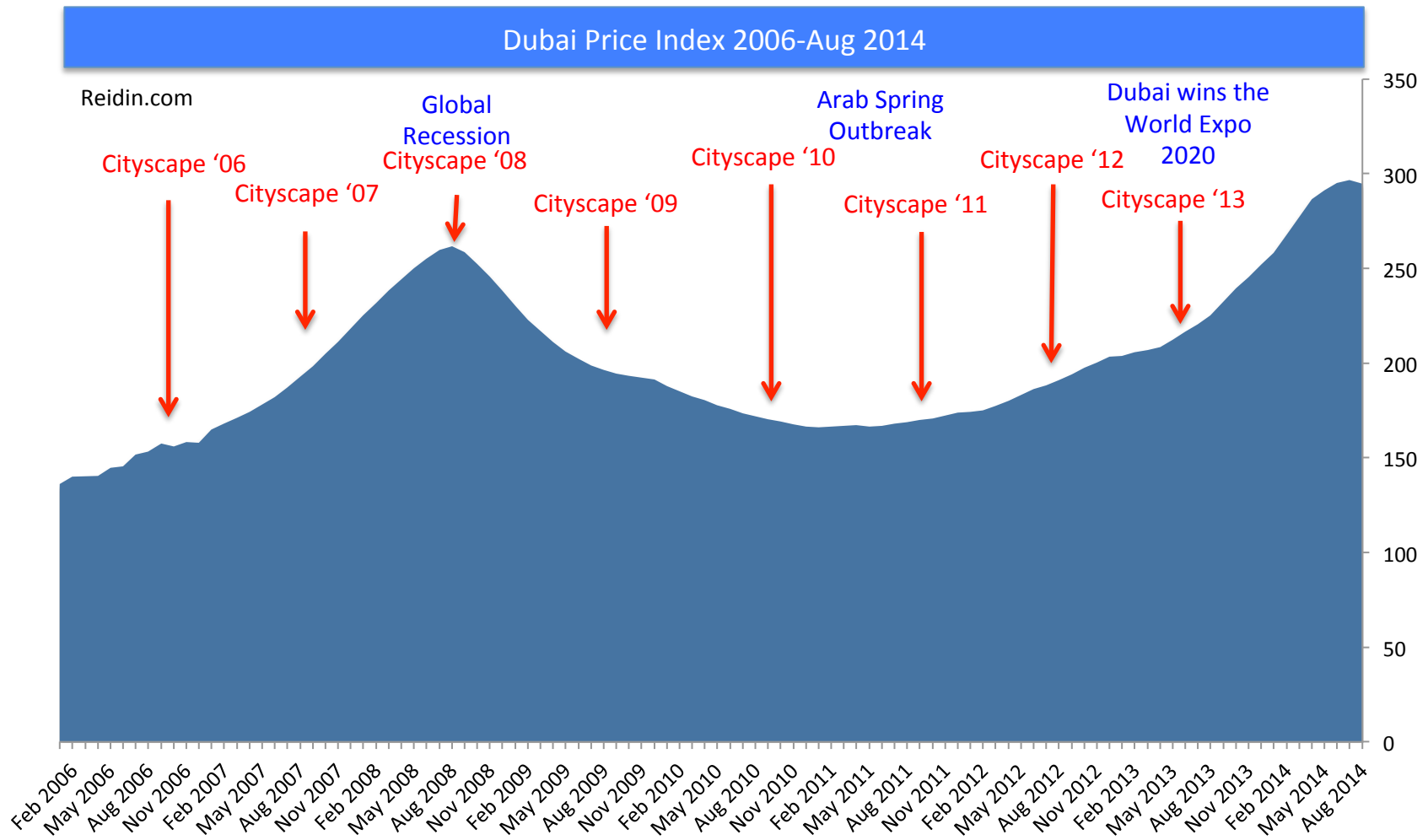
“Errors using inadequate data are much less than those using no data at all” - Charles Babbage

A Time Series Analysis of Prices and Transactions Against Cityscape



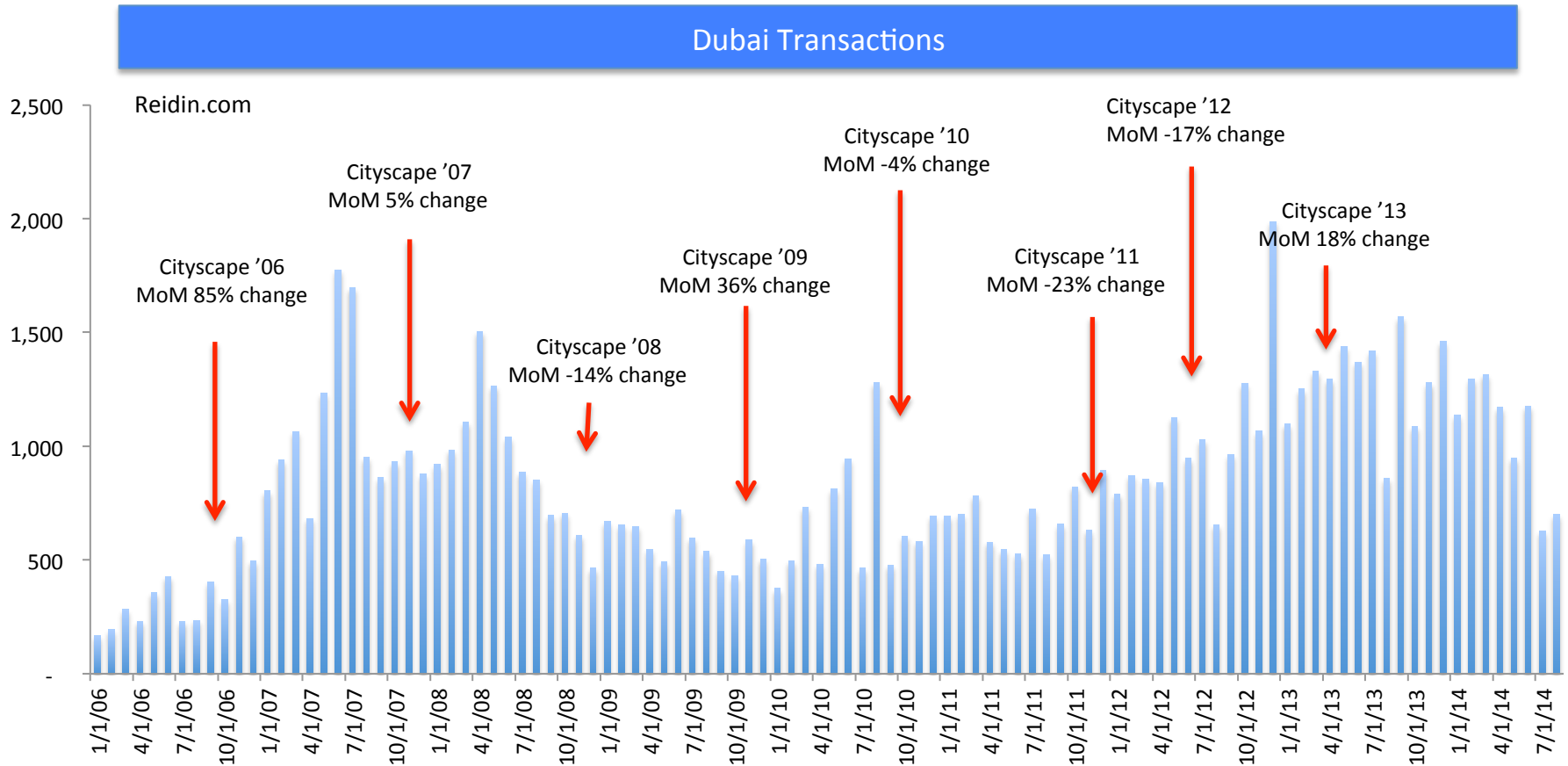
A time series analysis of both price action and transactional activity for the last 8 years shows that during the month of Cityscape there has been no consistent pattern in the change of prices and transactional activity. These fluctuations are a result of larger macro event such as the Arab Spring or the increase of transfer fees, compared to the 'Cityscape Effect'.

Real Estate Prices are Unimpacted by Cityscape



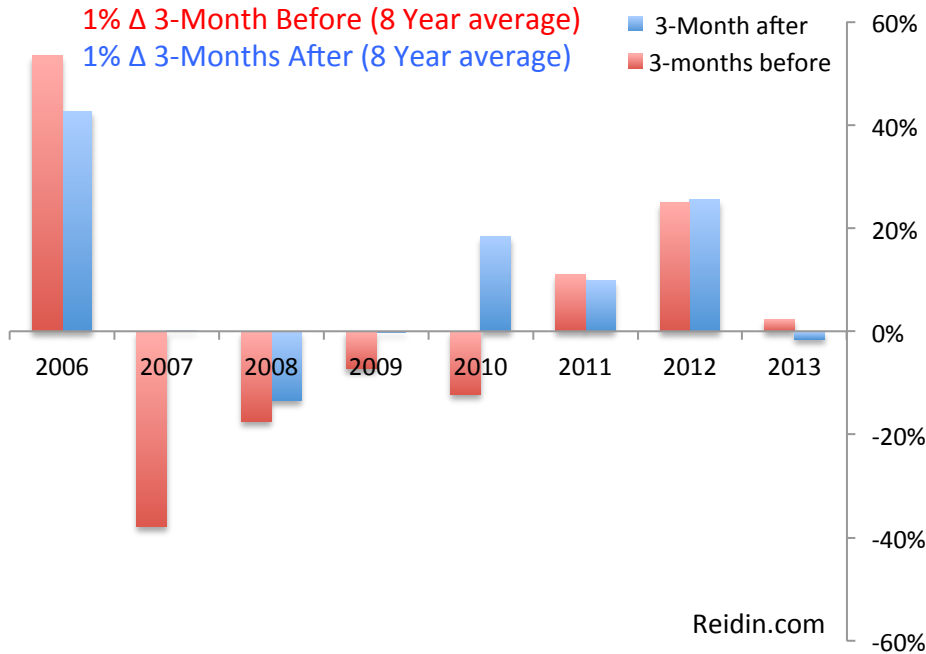
A closer look into the market cycle, shows that price action is affected by more macro themes, and any particular event is not reflected in data price series. However, this event gives clarity on future pricing methods and mechanism of developers, shedding light to investors and end-users on the market direction.

Cityscape affects Transactional Activity

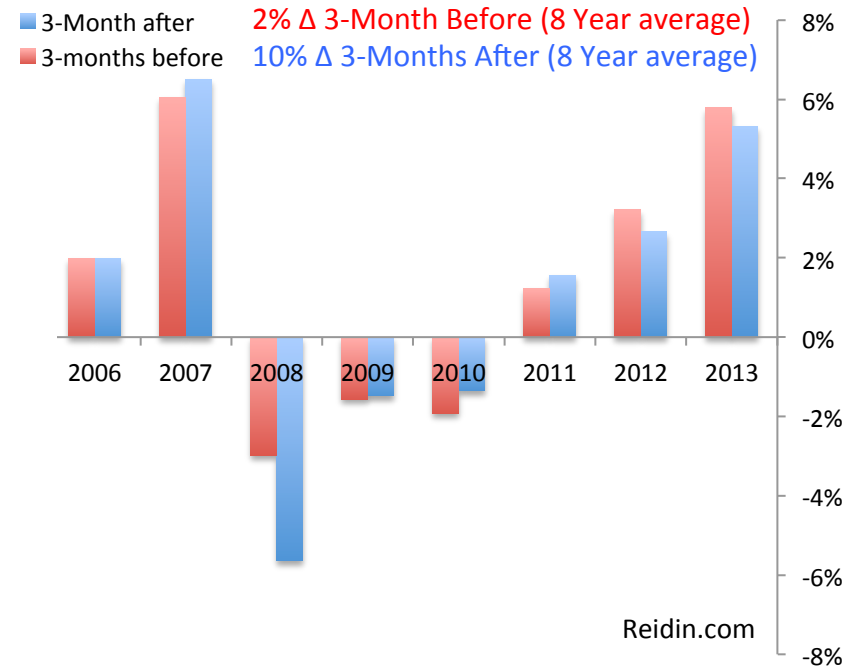


Price and volume analysis reveal differing impacts...

Price Change: Before / After Cityscape



Transactions: Change Before / After Cityscape



A time series analysis of price trends indicate that there is no impact on price activity (analysis was conducted using 3 month rolling returns before and after the event), putting to rest the long held zeitgeist that the exhibition has an impact on price activity.

When conducting the same analysis on transactions (in monitored freehold areas) however, there appears to be a measurable effect on investor appetite as measured by volumes. Over 8 years, the averages appear to show a 5 fold increase in transactional volumes, and whilst the impact of seasonality has to be factored in, it is equally clear that investor interest spikes definitively as a result of this event.

Conclusions

Cityscape is the world's largest networking exhibition and conference on property development.

The Cityscape Effect

The Cityscape effect is a prevailing belief with traders in the market (both buyers and sellers), that asset prices will rally across Dubai after the event of Cityscape.

Prevailing market wisdom appears to reinforce the mistaken maxim that prices will rise during this seminal event.

Buyers believe that buying before Cityscape is a good tactic in order to capture the upward price trend

Transactional Activity

The impact on transactional volumes is measurable when looking at rolling 3 month time series data over an 8 year time frame.

Developers continue to wait till this event to launch new projects, creating a windfall of supply within the off-plan market.

As is the role of all exhibitions, Cityscape serves as a seminal event in agglomerating and disseminating market information in a city with rapidly moving dynamics.

Price action

An analysis of the market cycles reveals that price are relatively by exhibitions and a rolling analysis confirms that whilst there is a tremendous amount of visibility gained by investors, there is no impact on price activity.

There is no relationship between Cityscape and asset prices, as seen over an eight year analysis

Outlook

Cityscape will remain an integral part of the Dubai real-estate market; however its value is in terms of supply visibility rather than price action

It will continue to shed light on future projects, as well as highlighting the accomplishments of the past

Most critically, it serves as a flashpoint of shedding transparency in a market that has captured the imagination of the world.

Whilst there is an impact on transactional volumes, there is no discernible effect on prices, putting to rest the broker talk of "Buy during cityscape".



Unitas 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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Unitas is the author for these research reports

Palladium Tower, No: 103,
Jumeirah Lake Towers,
PO Box 500231 Dubai,
United Arab Emirates
Tel. +971 4 447 72 20
Fax. +9714 447 72 21
www.unitasconsultancy.com
info@unitasconsultancy.com



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Concord Tower, No: 2304,
Dubai Media City,
PO Box 333929 Dubai,
United Arab Emirates
Tel. +971 4 433 13 98
Fax. +971 4 360 47 88
www.reidin.com
info@reidin.com

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The Ruler of Dubai and Prime Minister of UAE

