

STRICTLY CONFIDENTIAL



Dubai: A Room with a View

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Executive Summary

- The price premium associated with a 'view' has been one of a subjective assessment in Dubai, however there are decades of research that exist in the global markets that quantify the effect of a 'view' on real estate assets. For example in New York, buildings that have a Central Park view trade at 118% premium, whereas in Perth, houses with a view of Swan Lake are 90% higher compared to units with no view. Due to the limited supply of units with a 'view', coupled with the hedonistic value (pursuit of pleasure), they trade at a higher price than their counterparts in the same postal code, or even in the same building.
- A similar analysis in Dubai reveals that units with a 'view' of a landmark or a body of water trade at a premium. For example in Palm Jumeirah, apartments in the Shorelines development that have a road view are being transacted at a 25% discount relative to apartments with a sea view. Similarly in Downtown Dubai, using Burj Views as a proxy, apartments with a Burj Khalifa view are 14 % more expensive. However, the view may be a crucial factor in the premium, other factors such as layout and floor, also effect the premiums associated with a unit.
- Studies in the US reveals that the premiums of a 'view' increase over time, a similar effect can be seen in Dubai as well. A price analysis of Shoreline Apartments in Palm Jumeirah with a Sea View against a Road View reveals that over a 5 year horizon the premiums have increased by 63%, which is inline with global market research. This premium for views has been adjusted higher over time by developers for units with a superior view.
- We opine that for the long-term investor, it is better to pay the premium for a view as the appreciation in the future will be higher compared to units without a view. Although, a view may have substantial effects on price appreciation, other factors such as floor, layout and upgrades also play a pivotal role.

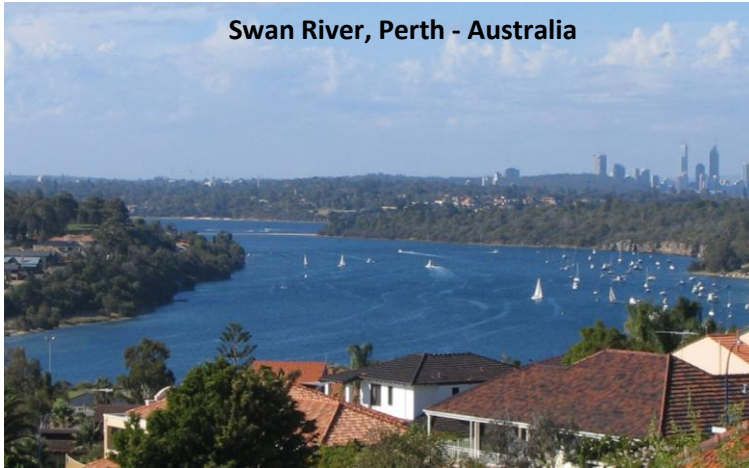


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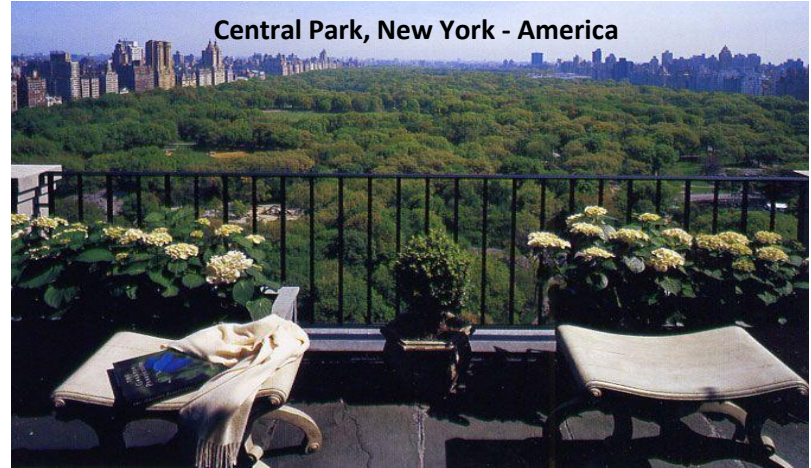
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A look into Global Market View Premium

Swan River, Perth - Australia

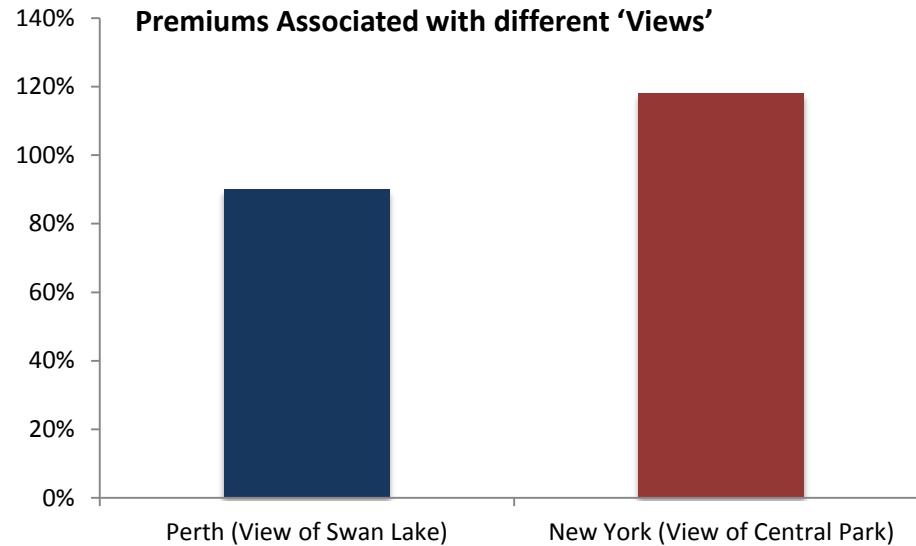


Central Park, New York - America



“In the short run, the market is a voting machine but in the long run, it is a weighing machine.” — Benjamin Graham

What are the Premiums for Views in other countries?



The above chart demonstrates that properties with a 'view' of either a landmark or a body of water commands a lofty premium. Due to the limited supply of units with a 'view', coupled with the hedonistic value (engaged in the pursuit of pleasure) attached, they trade at a higher price than their counterparts in the same postal code, or even in the same building.

The View Premium in Dubai



“Games are won by players who focus on the playing field — not by those whose eyes are glued to the scoreboard.” —
Warren Buffett

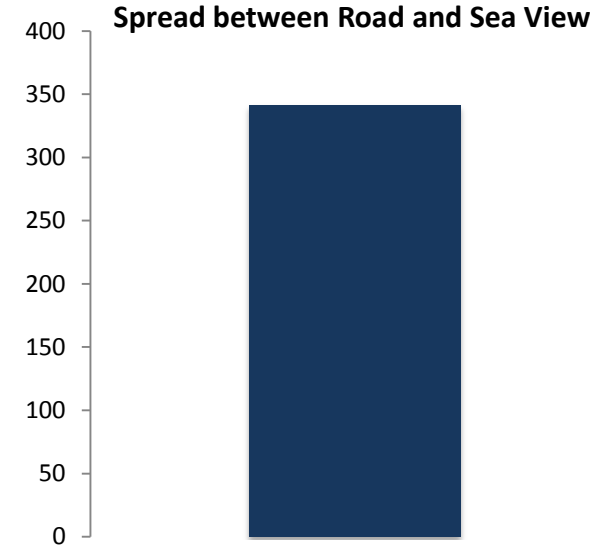
A break-down into the View Structure of Shoreline Apartments

Sea Side			
TYPE	SIZE	B/R	VIEW
A	2,184	3 BED	ROAD VIEW
B	1,184	1 BED	SEA VIEW
C	2,260	3 BED	ROAD VIEW
D	1,582	2 BED	SEA VIEW
E	1,646	2 BED	ROAD VIEW
F	2,055	2 BED	SEA VIEW

Park Side			
TYPE	SIZE	B/R	VIEW
A	2,184	3 BED	GOLDEN MILE
B	1,184	1 BED	ROAD VIEW
C	2,260	3 BED	GOLDEN MILE
D	1,582	2 BED	ROAD VIEW
E	1,646	2 BED	GOLDEN MILE
F	2,055	2 BED	ROAD VIEW

In order to assess the premium in Palm Jumeirah, a careful dissection of the 'views' in the Shoreline apartments were ascertained. The above break-down reveals the units by type and the views associated with each.

Full Sea View Apartments Command a Premium



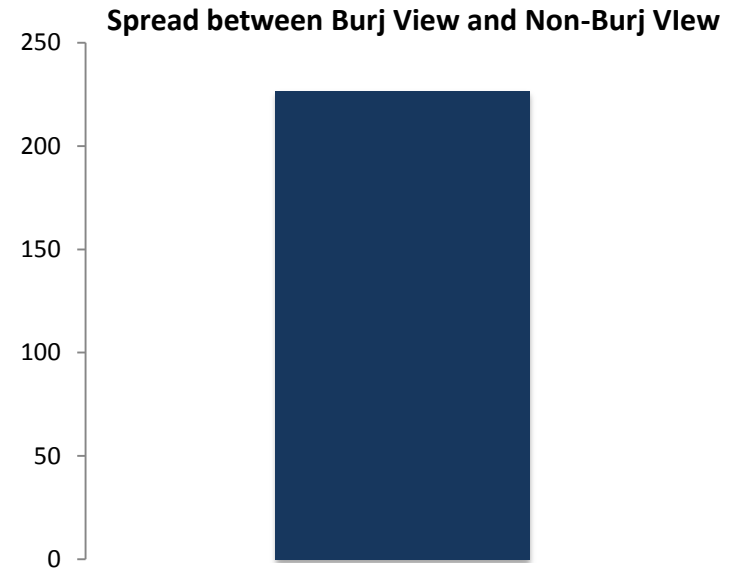
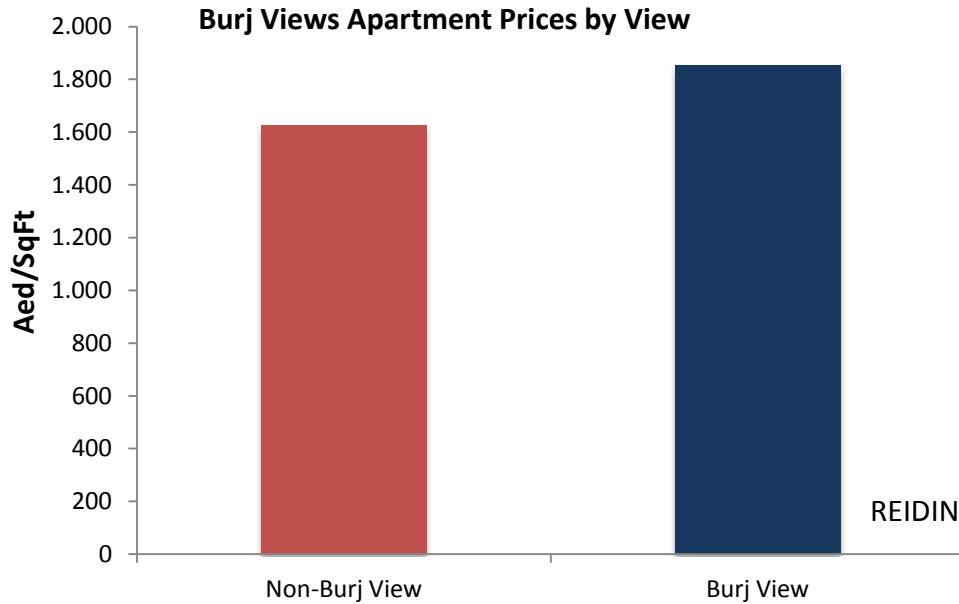
There is an absolute premium of 342 dirhams per square foot or 20% differential between the road view and sea view units in the Shoreline apartments. This is consistent with the global norms that sea views command a higher price

A break-down into the View Structure of Burj Views (Tower B)

Burj Views B			
TYPE	SIZE	B/R	VIEW
1	915	One bed	Non-Burj View
2	1362	Two Bed	Burj View
3	1384	Two Bed	Burj View
4	1010	One Bed	Burj View
5	727	One Bed	Non-Burj View
6	920	One Bed	Non-Burj View

A similar dissection of Burj Views was conducted to assess the premiums of views of the Burj Khalifa. The above chart depicts the breakdown of views by unit type.

The Burj Khalifa View Premium



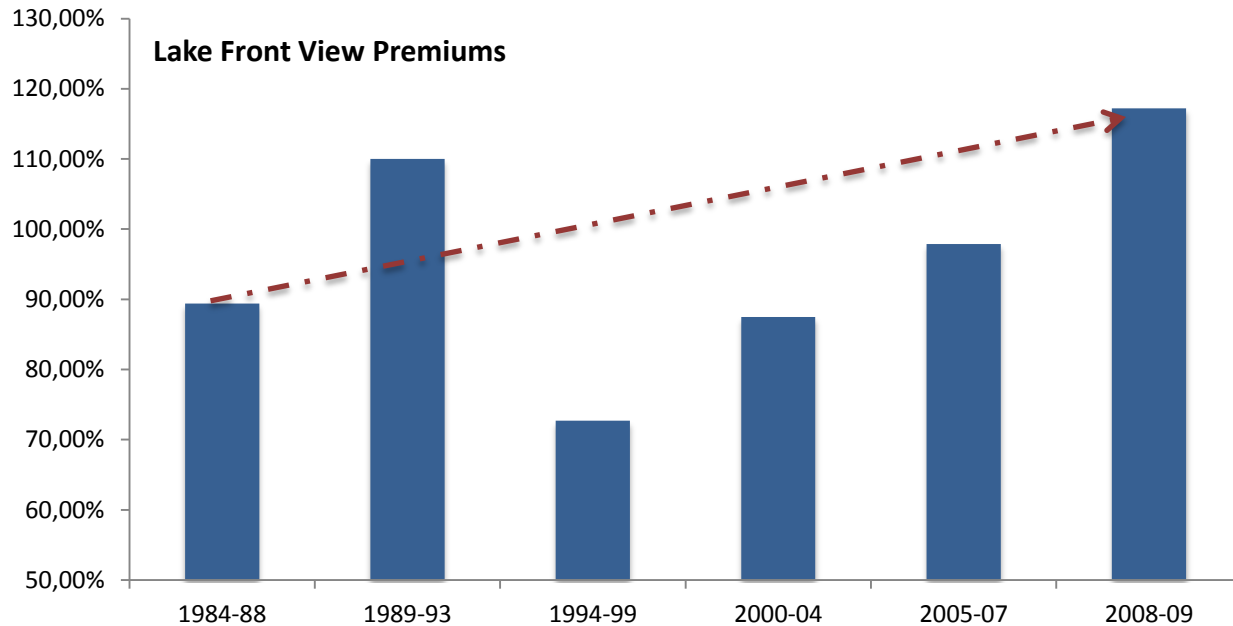
In the example of Downtown, the view premium is lower compared to the Shoreline apartments in Palm Jumeirah. The units that have a view of Burj Khalifa are 14% higher. Although the view differential is a pivotal factor in the analysis, other elements such as layout, floor, size, and upgrades effect the premiums

Will units with a 'View' outperform?



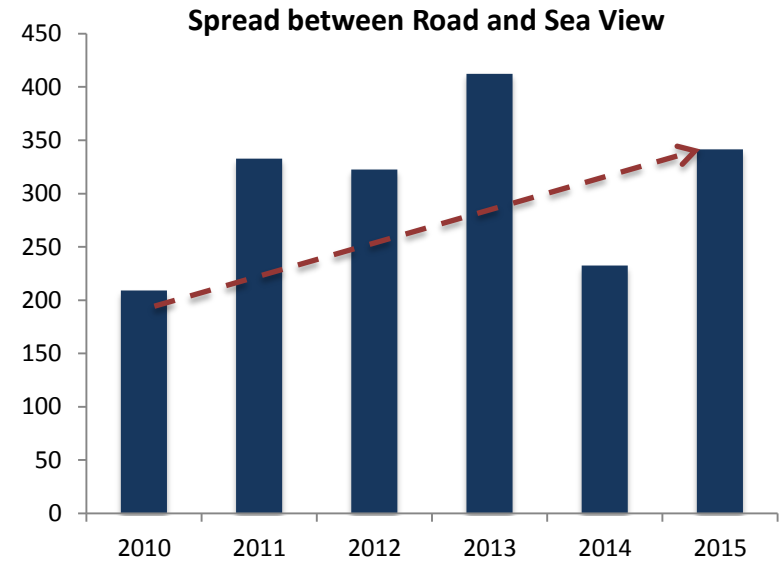
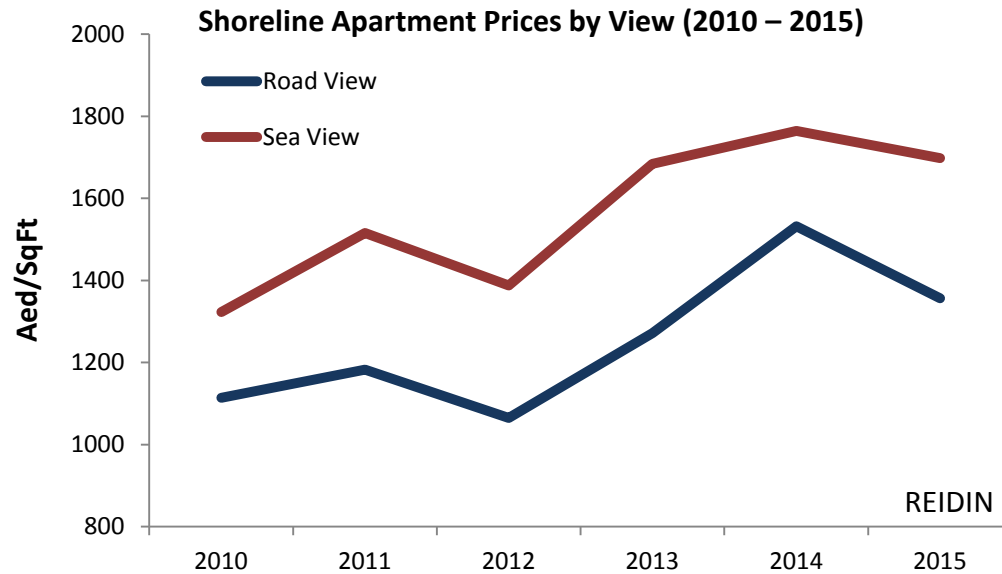
“It amazes me how people are often more willing to act based on little or no data than to use data that is a challenge to assemble.” —
Robert J. Shiller

Studies in the US reveal 'View Premiums' increase over time



There is a body of research over the last few decades that quantifies the premiums attached to certain views. The above chart is data collected from the *The Coastal Business Journal* that illustrates the change of premiums of a lake view in Bellingham (Washington, USA) over a period of time. It concludes that certain 'views' extract a higher value than dwellings with no view. In addition, in many cases the premiums increase overtime.

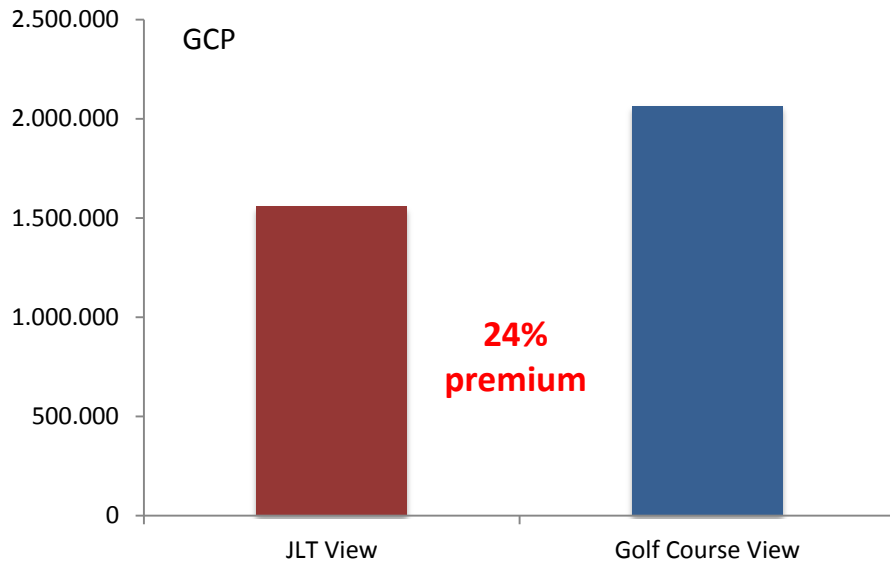
A time-series analysis of View Premiums: A closer look into Shoreline



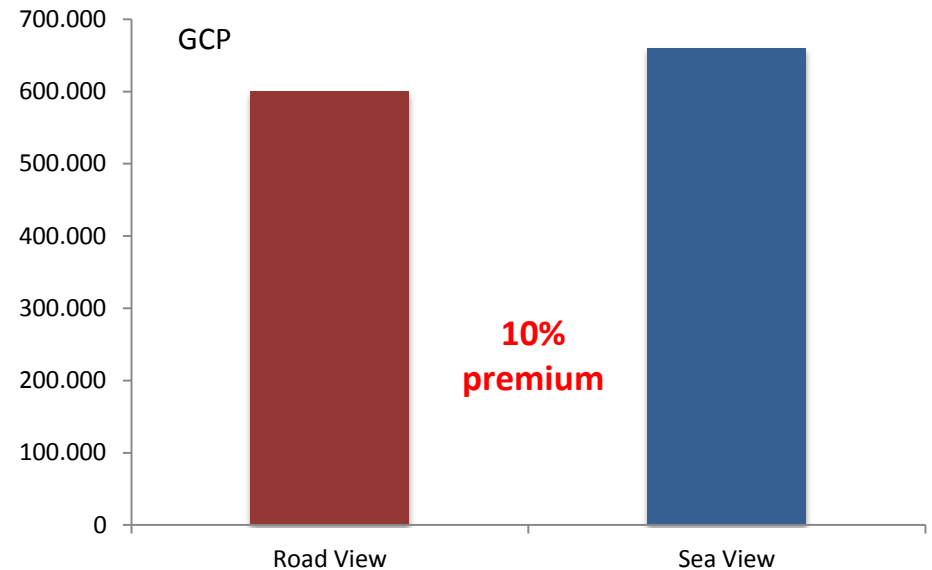
A time-series analysis of prices of apartments with a sea view against a road view, reveals that over time the premium increases, which is inline with global market research. For the long-term investor, it is better to pay the premium for a view as the appreciation in the future will be higher compared to units without a view.

Developers Factor in the 'View' premium in their Pricing

2013: The Hills Launch Prices (2 BR– 1,458 sqft)



2003: Shoreline Launch Prices (1 BR– 1,158 sqft)



Developers in Dubai have become cognizant of the fact that 'views' influence the price of the unit, consequently adjusting prices upwards for units with superior views over time. Using the examples of Shoreline (2003) as an older launch and Hills (2013) as a recent launch, we witness an increase in selling prices for apartments with a view. By doing so the developers have factored in the premiums into their launch prices.

Conclusions

There is a body of research over the last few decades that quantifies the premiums attached to certain views

A time-series analysis of prices of apartments with a sea view against a road view, reveals that over time the premium increases, which is inline with global market research

Global Markets 'View Premium'

A review into global real estate research shows that units with a 'view' of a landmark or bodies of water command a higher premium compared to their counterparts in the same postal code or even same building.

For example a study of views in Bellingham (Washington, USA) reveals that dwellings with a lake view trade at a premium as much as 118%.

Moreover, it also reveals that the premiums will increase over a period of time. This can be attributed to the limited supply of these units coupled with the hedonistic value attached to them.

Will Units with a 'View' Outperform?

A price-series analysis of the Shoreline development in Palm jumeirah of apartments with a sea view against a road view reveals that over time the gap has increased.

This increasing of premiums for apartments with a view is inline with conventional wisdom as well as global market research.

Developers have adjusted prices higher for units that have superior views over time, consequently factoring in the premiums into their launch prices.

The 'View Premium' in Dubai

An analysis of Palm Jumeirah (Shoreline) and Dubai Downtown (Burj Views) reveal that the 'view' premium exists in both communities.

In Palm Jumeirah apartments with a sea view trade at a premium of 25% compared to apartments with a road view.

Similarly in Downtown, apartments with a view of the Burj Khalifa trade at a premium of 14%.

Conclusion

For the long-term investor it is better to pay the current premium for apartments with a 'view' as over time the gap will widen, increasing the value of the apartment against the general index.

As powerful as the 'view' factor is in increasing the premium of the unit, other variables such as floor, layout and upgrades must be taken into consideration



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