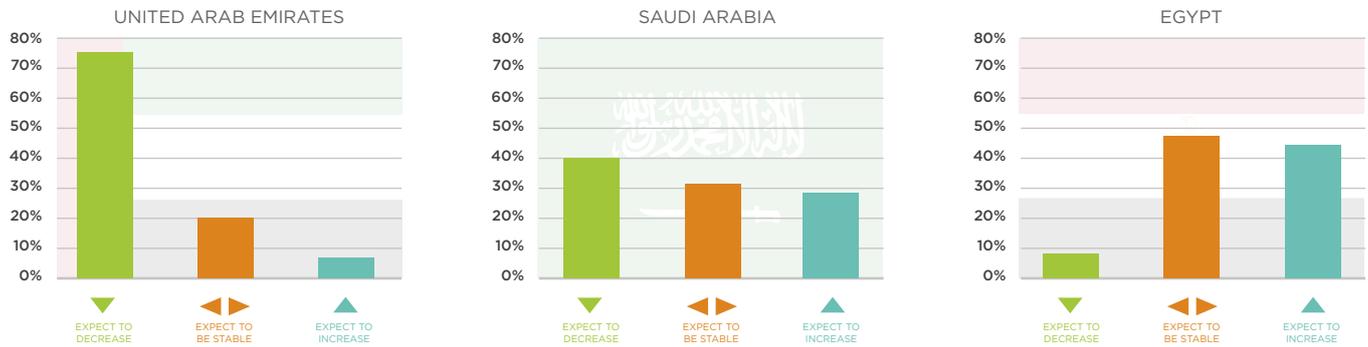


## Key Findings

- In the UAE, 59% of respondents expect the value of their home to fall in the second half of 2020; 84% of respondents who are renters expect to see their rent decline.
- On average, respondents in the UAE expect rents and prices to fall by 8% in the remainder of 2020.
- 75% of respondents who are renters in the UAE and had renegotiated their lease in the last 6 months say their rent fell. A third of these respondents reported that their rent had fallen by 10% or more.
- In Saudi Arabia, 40% of respondents expect rents and prices to fall in the second half of 2020. Only 8% of respondents expect the same outcome in Egypt.
- 70% of respondents in the UAE who were renters think the rent they pay is fair or good value for the property they lease.

## WHAT RESPONDENTS EXPECT FROM RENTS AND PRICES IN THE NEXT 6 MONTHS



## Focus on UAE

The Peninsula Home Sentiment Index fell to 42 from 47; having previously risen from 44 in Q4 2019. This reversal in sentiment was, no doubt, a reflection of the impact of Covid-19.

A score of under 50 represents, on balance, more negative than positive sentiment. With a score of 42, the survey respondents were signalling their expectation for the real estate market (prices and rents) to fall between 5 and 10% in the coming months.

The shift in sentiment is roughly equal for both renters and owners. In our prior survey, owners were expecting the value of their homes to fall only marginally throughout 2020. Now the owners index stands at 45, signalling an expectation for 5% price declines. Renters, having previously expected their rents to fall 5% this year are anticipating negotiating 10% declines with their landlords.

## PENINSULA HOME SENTIMENT SURVEY INDEX



### Home values, past 6 months versus next 6-month expectations



### Rent, past 6 months versus next 6-month expectations



# 74% of survey respondents in the UAE thought prices and rents would fall in the second half of 2020; in Saudi Arabia, only 40% expect price and rent declines.

Not surprisingly, our second home sentiment survey has demonstrated poor sentiment towards real estate in the Gulf. The survey was conducted in the first two weeks of July and represents our first opportunity to gauge the impact of Covid-19 on homeowner and renter attitudes. The survey asked renters and homeowners in the region to give us their view on the coming six months, as well as the past few months.

In the UAE, renters gave us a clear indication of market weakness. Overall, 75% of renters reported that they were able to negotiate lower rent in Q2. None of this should come as a surprise, given what we know about the market over the past 12 months, even before factoring in the impact of Covid-19. However, within this cohort, there was a clear skew towards larger declines in rent: of the 75% reporting a fall in rent, 37% (29% of total responses) negotiated a drop of 10% or more, 31% (23% of the total) a drop of 5 to 10%, and the remainder a drop of 0 to 5%.

Renters expectations suggest more of the same to come in the UAE. In the second half of 2020, 84% of renters expect their rent to decline, 14% expect it to remain the same, and only 3% expect to pay more. Of the 84%, 38% (32% of total respondents) expect a 10% or more drop in rent, 43% (36% of the total) expect rents to decline 5 to 10%, and 18% (15% of the total), think their rent will drop somewhere between 0 and 5%.

Rental negotiations incorporate market movements over the previous 12 months; which may be why owners' expectations for the UAE are more positive than renters for the remainder of 2020. Specifically, 59% of owners (compared to 84% of renters) expect prices to fall. Of these, 39% (23% of the total), expect 10%+ declines, 34% (20% of the total), see 5 to 10% declines, and 27% (16%) of the total think prices will decline by 0 to 5%. While only 9% of respondents thought that prices would increase, a large proportion (30%) thought that prices would be stable throughout the rest of the year.

Owners' perceptions are both more positive for the second half of 2020 than renters and reflect improved sentiment when compared to their views on the past 6 months. No doubt reflecting Covid-19's impact on an already weak market, 50% of respondents thought the price of their home had fallen by at least 10% year-to-date.

Overall, 83% of respondents said that prices had fallen; while 14% thought prices had remained the same, and only 2% thought prices had risen.

Homeowners in the UAE may be signalling with this finding that the worst has passed. Even so, it's clear that the residential market will continue to be weak for some months to come. Indeed, this is apparent given how sentiment in Saudi Arabia, while still poor, is noticeably better than in the UAE. In Saudi, for instance, only 40% of respondents (both renters and homeowners) expect price and rent declines in the second half of the year (32% expect price stability, and 28% expect prices to increase). This compares favourably to the UAE where 74% of all respondents (renters and homeowners) expect prices and rents to fall in the rest of 2020 (20% expect price stability, and 6% expect price rises).

The difference in sentiment between the UAE and Saudi Arabia can be explained by a number of factors, not least of which being that Saudi's residential market, particularly in Riyadh, had already exhibited a turnaround prior to Covid-19. An additional important factor is the high proportion of expats in the UAE (c. 85% of the population) relative to Saudi Arabia (roughly 30% of the population). A recession caused by Covid-19 is far more likely to cause the population to shrink in the UAE than in the Saudi, thereby lowering demand for residential real estate. Indeed, with very few expats, relatively speaking, sentiment in Egypt remains bullish, as real estate continues to be viewed as a safe and attractive inflation-hedge.



**Dr. Christopher Payne**

Chief Economist

**PENINSULA REAL ESTATE**

[christopher.payne@peninsula-reh.com](mailto:christopher.payne@peninsula-reh.com)

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