



Real Estate Market Review

UAE | Dubai



Dubai is currently catching the eyes of investors across the globe as a steadily developing real estate market, with a new wave of growth rolling on. Dubai is no longer an oil region it once used to be, after a major bid was made for finance and technology, tourism and traveling, as well as creation of a major air hub.

Free-trade zones and Dubai International Financial Centre (DIFC) inaugurated in 2004 transformed this place into a global center of IT, finance and other services.

In the opinion of numerous market experts, Dubai has become a major destination for international investors over the past two years. After the market stalled in 2016–2019, changes in the government policy, aimed at luring global investments, spurred the property market as a whole and various segments of real estate in particular.

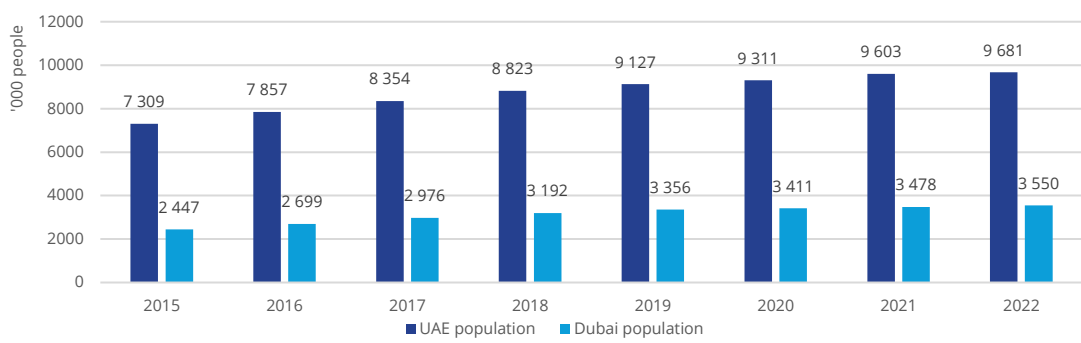
Investing in infrastructure in an attempt to make the region more attractive for tourists and expats is a growth path of choice for all of the emirates. This thrust as well as the development programs, consistently adopted by the UAE in general and Dubai in particular, should be borne in mind when estimating the outlook for the Dubai real estate market.

Planned population growth, new transport infrastructure, landscaping plans for 50% of the emirate area, and the delivery of unique development projects (such as the 93-km indoor street) will all have a positive impact on housing demand (lettings and buys) even if global turbulence and relocation flows (financial and human) are on the wane.

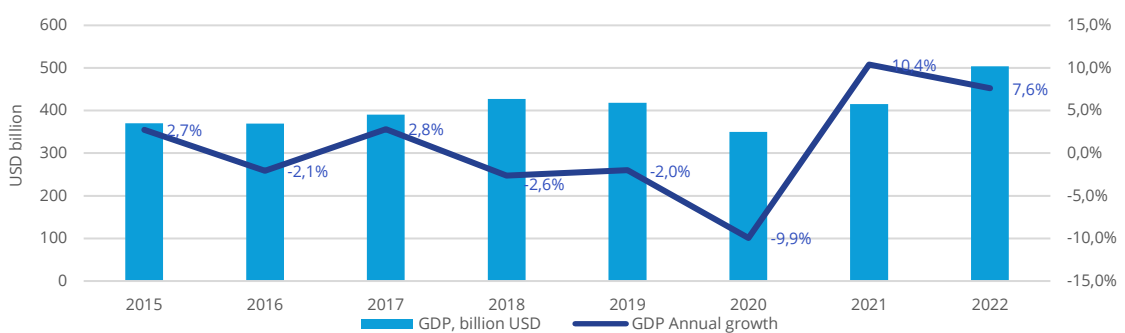
Macroeconomics and Dubai's development initiatives

- At the end of 2022, the UAE population reached about 9.7 million people, of which 3.55 million live in Dubai. A distinctive feature of the gender distribution in Dubai is male dominance, with 67% of the population being males.
- After several years of negative GDP dynamics, 2021 and 2022 were notable for strong economic growth. In the midst of reopened borders and growing non-hydrocarbon part of the GDP, the United Arab Emirates in general and Dubai in particular are in a very good position financially.
- The World Expo-2020 hosted by Dubai from October 2021 to March 2022 that was visited by nearly 23m people from different parts of our planet was another incentive for the inflow of investments.
- The Dubai 2040 Urban Master Plan, announced in March 2021, maps out a comprehensive plan for sustainable urban development. The Plan anticipates the population growing to 5.8 million people; further development of road transport infrastructure implies that more than 55% of Dubai residents will have access to a public transport stop within 800 meters from their homes. The plan also anticipates further modernization of the region and the influx of foreign direct investment in the real estate sector.
- The Dubai Clean Energy Strategy 2050, a government policy of transition to the use of clean energy sources by 2050 creates additional incentives for R&D companies to invest in electrical energy and green industries. The plan also calls for greenspace expansion to 50% of the emirate's territory.
- Another ambitious economic development program, the Dubai Economic Agenda D33, aims to nearly double the economy in various areas over the next decade, including the doubling of foreign direct investment, an increase in international trade from AED14.2 trillion to AED25.6 trillion, a surge of investment in private sector from AED790 billion to AED1 trillion.

UAE and Dubai population dynamics
Source: Nikoliers Research, REIDIN



UAE GDP dynamics
Source: Nikoliers Research, World Bank, Central Bank of U.A.E.

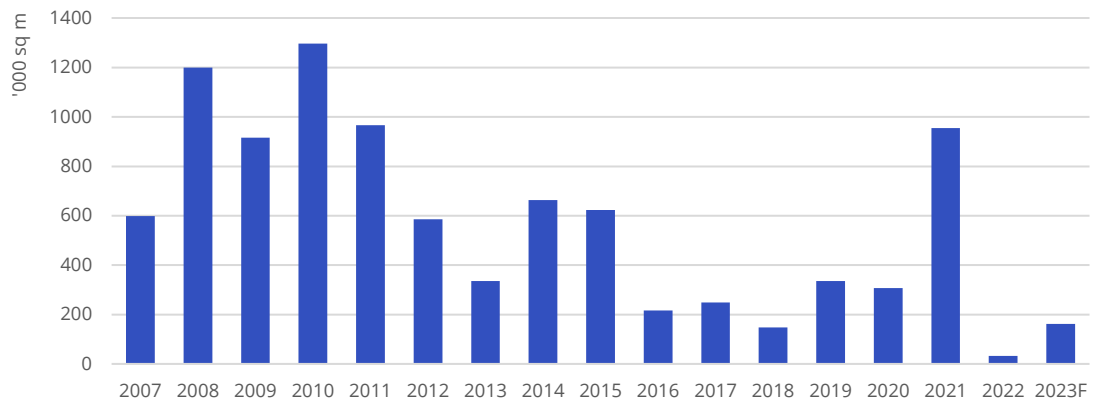


Office market overview

- The Dubai office market comprises approximately 8.3 million sq m of floor space in 355 properties developed as freehold possessions, that is, owned by the investor implementing the project, in addition to 3.6 million sq m of leasehold office space, that is, the one developed on the land let out for 99 years.
- While Dubai office market has seen high vacancy rates for several years, the market has been actively absorbing new office space for the past year and a half. At the end of 2022, the average vacancy rate in the market was around 14%, with most sought-after locations and premium properties almost fully occupied.

New office space supply dynamics

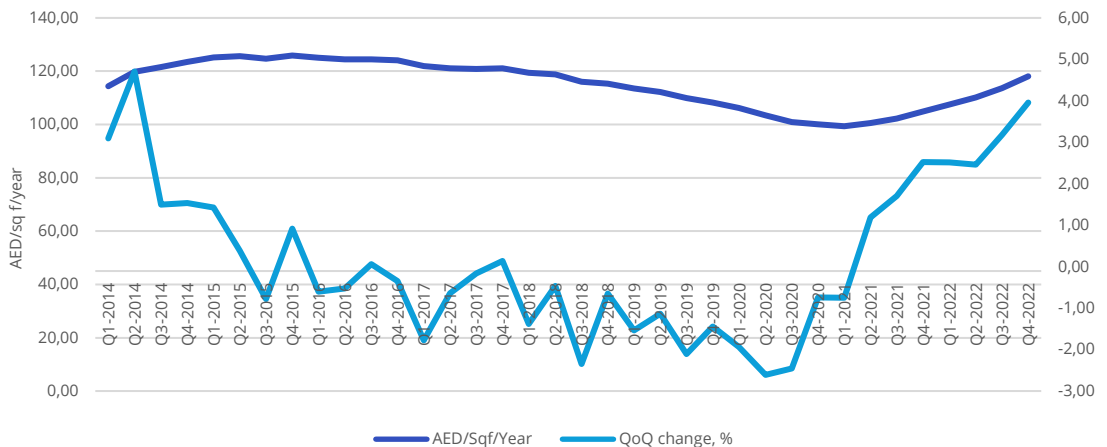
Source: *Nikoliers Research, REIDIN*



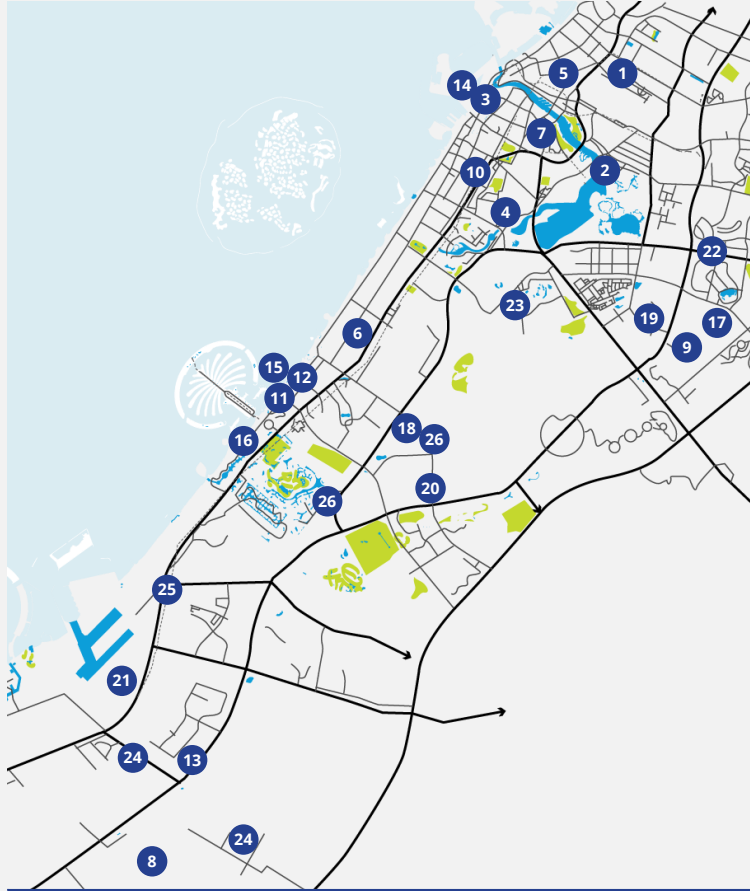
- Sluggish office development following the commissioning boom of 2021 spawns a 'landlord market' and rising rental rates, as the main fallout. Modest construction plans (around 230,000 sq m) will also drive up rates in 2023-2024.
- At the end of 2022, average rental rates upped 13% against Q4 2021 - AED118/sq f/year vs AED104.8/sq f/year (\$346/sq m/year vs \$307.3/sq m/year).

Rental rates dynamics and QoQ change

Source: *Nikoliers Research, REIDIN*



Free-Trade Zones in Dubai



A distinctive feature of the Dubai market has been the brisk growth of opportunity zones - there are more than 20 of these, each offering quality office space. To lease an office in a zone like that, a license to operate a free-trade zone is required. For many manufacturing, IT or R&D companies this option becomes increasingly attractive.

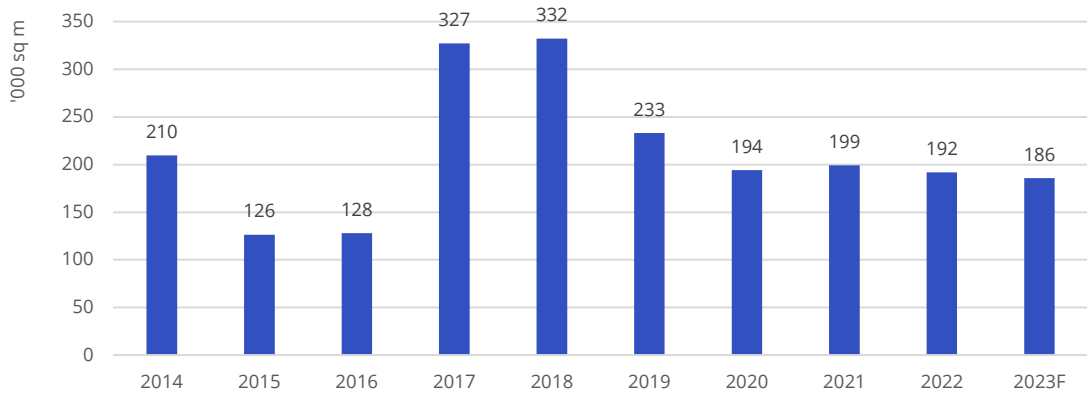
Nº	Free-Trade Zone Name	Type of activity
1	Dubai Airport Free Zone (DAFZA)	crypto, service, retail, logistics
2	Dubai Auto Zone (DAZ)	retail, service
3	Dubai Cars and Automotive Zone (DUCAMZ)	automotive industry, retail, manufacturing
4	Dubai Design District D3	professional, service, retail, fashion
5	Dubai Flower Centre	agronomy industry, import/export of agricultural products
6	Dubai Gold and Diamond Park (DGDP)	retail, precious metals and manufacturing
7	Dubai Health Care City (DHCC)	professional, service, medical
8	Dubai Industrial Park	manufacturing, logistics, professional
9	Dubai International Academic City (DIAC)	scientific, professional, service
10	Dubai International Financial Centre (DIFC)	retail, crypto, professional, service
11	Dubai Internet City (DIC)	service, professional, high-tech
12	Dubai Knowledge Village (DKV)	service, professional, educational
13	Dubai Logistics City (DLC)	logistics, customs
14	Dubai Maritime City (DMC)	manufacturing, shipbuilding
15	Dubai Media City (DMC)	service, professional
16	Dubai Multi Commodities Centre (DMCC)	retail, crypto, professional, service
17	Dubai Outsource City (DOC)	retail, professional, service
18	Dubai Science Park (DSP)	scientific, manufacturing, service
19	Dubai Silicon Oasis (DSO)	service, retail, professional, crypto, scientific
20	Dubai Studio Zone (DSZ)	tv and radio broadcasting, professional, service
21	Dubai Techno Park (DTP)	scientific, service, hi-tech
22	Dubai Textile City	manufacturing, professional, textile
23	Meydan Free Zone (MFZ)	retail, scientific, professional
24	Dubai International Humanitarian City (DIHC)	service, retail
25	Jebel Ali Free Zone (JAFZA)	retail
26	Dubai Production City (DPC)	professional, service
27	Dubai South	professional, logistical, manufacturing

Retail market overview

- The Dubai retail market comprises approximately 5.57 million sq m of space in 130 shopping malls, in addition to about 1.2 million sq m in built-in retail premises.
- The average annual retail space commissioned in malls is around 180,000 sq m, this figure being fairly flat and stable in recent years. However, it is expected that in 2023-24 more than 1 million sq m of GLA will be commissioned due to booming residential construction and the market upsurge in general. Furthermore, growing population and tourist flows also dictate the need for new shopping and leisure space.
- Resurgent tourism as well as rising incomes positively affect the emirate's retail market. Experts have noted a quantum leap of interest in the catering segment, as the growing number of tourists and residents are shaping a new wave of demand for fine dining.

Retail completions dynamics

Source: *Nikoliers Research, REIDIN*



Largest retail / mixed-use schemes under construction



Meydan One Mall

550 shops, 180 cafes and restaurants, 21-screen cinema, ski slope, 46 000 sq m of entertainments, hotel resort

Developer: Meydan Group

622,220 sq m

Deira Islands Mall

More than 1000 shops, cafes and restaurants, glass atrium – 1 km

Developer: Nakheel

418,063 sq m

Al Khail Avenue

350 shops, 14-screen multiplex, hotel

Developer: Nakheel

139,354 sq m

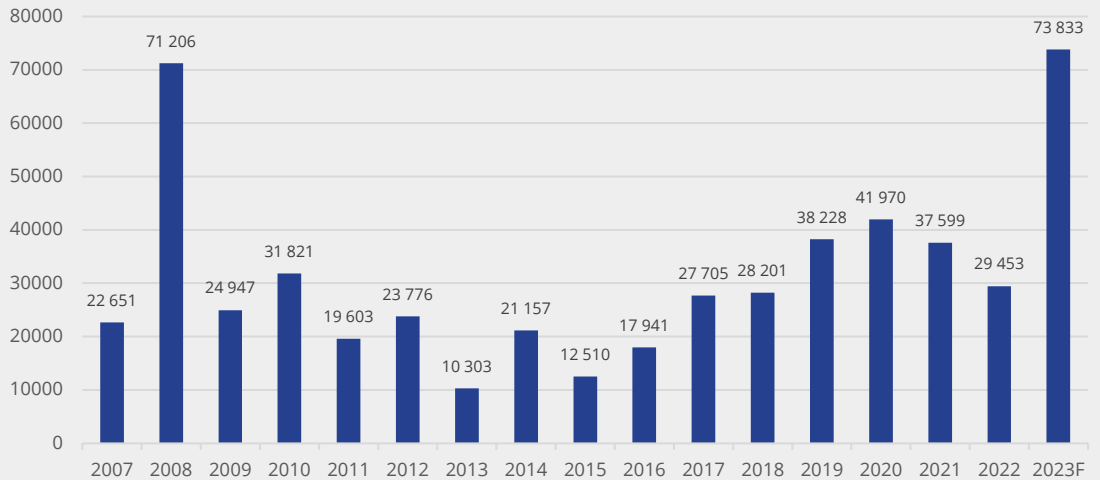


Residential market overview

- Dubai's residential property market is booming both in terms of new development, volume of sales and explosive growth of key market indicators.
- Residential projects in the region can be basically categorized as multi-family buildings (apartments) and villas (including townhouses). The residential market in Dubai totals to ca. 486,000 units (villas and apartments). The average annual number of new completions stands at 26,000-27,000 units.
- As for housing acquisition deals, the market can be segmented into so-called off-plan sales, or housing sold before the property is commissioned, and finished housing sales.
- At the end of 2022, the average cost per sq m of living space was around AED1,200/sq f, or \$3,500/sq m, showing an annual growth rate of 10%. Villa prices are 18-20% higher than apartment prices per square meter.
- During 2022, Dubai's residential property market saw unprecedented interest from foreign customers. Among the housing acquisition leaders are buyers from Russia, India, the UK, France and Italy. It is anticipated that additional demand will be generated by Chinese buyers, whose numbers keep rising in the midst of Covid-19 restrictions being lifted.
- We forecast further growth of housing prices in Dubai, albeit at a slower pace. We also see deepening disparity in the market. On the one hand, there is already a scarcity of high quality supply, particularly in the high end and villa segments, which will push prices up. On the other hand, huge multi-family residential developments in non-central locations may cause an oversupply of less liquid units. Late in 2022, we saw a faster growth of prices in the villa segment compared to apartment prices and we expect this trend to gather momentum in the months to come.

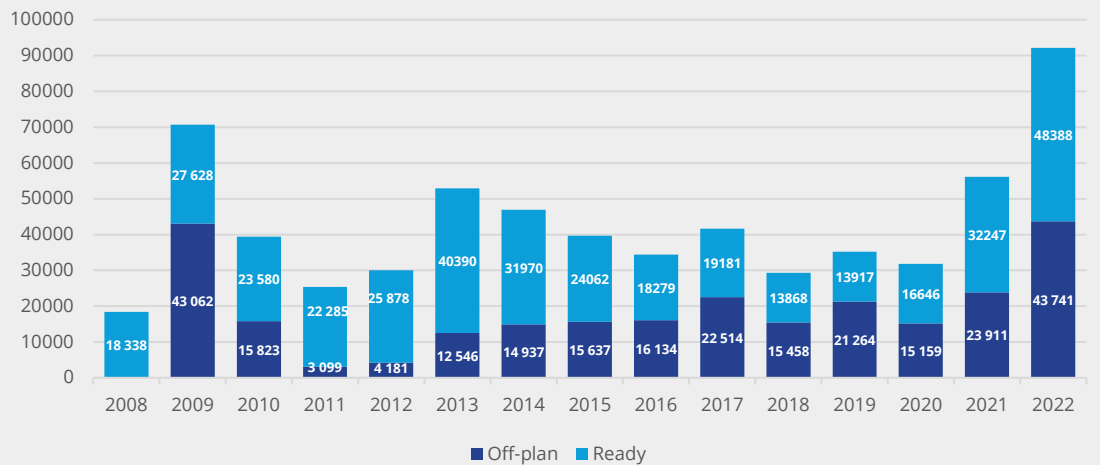
Residential completions, number of units

Source: *Nikoliers Research, REIDIN*



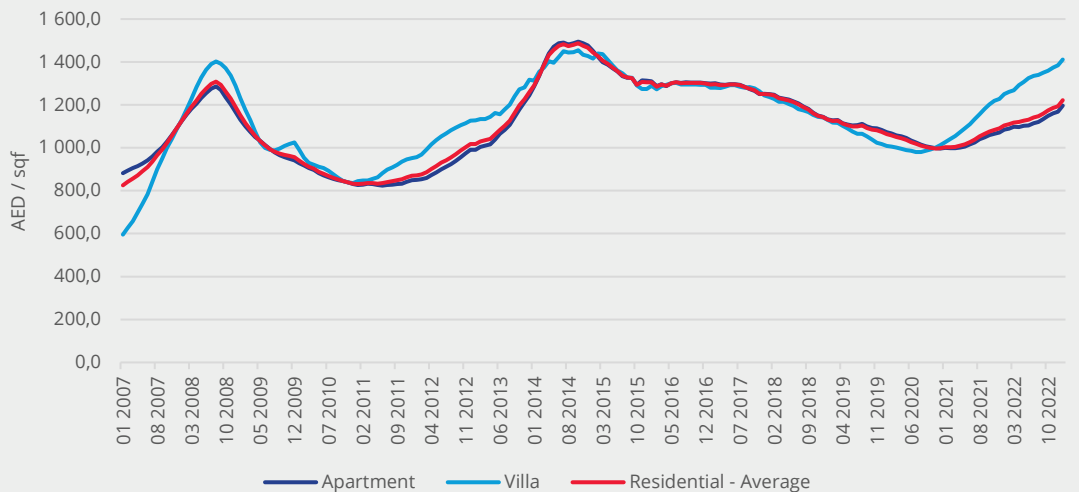
Residential sales, number of units

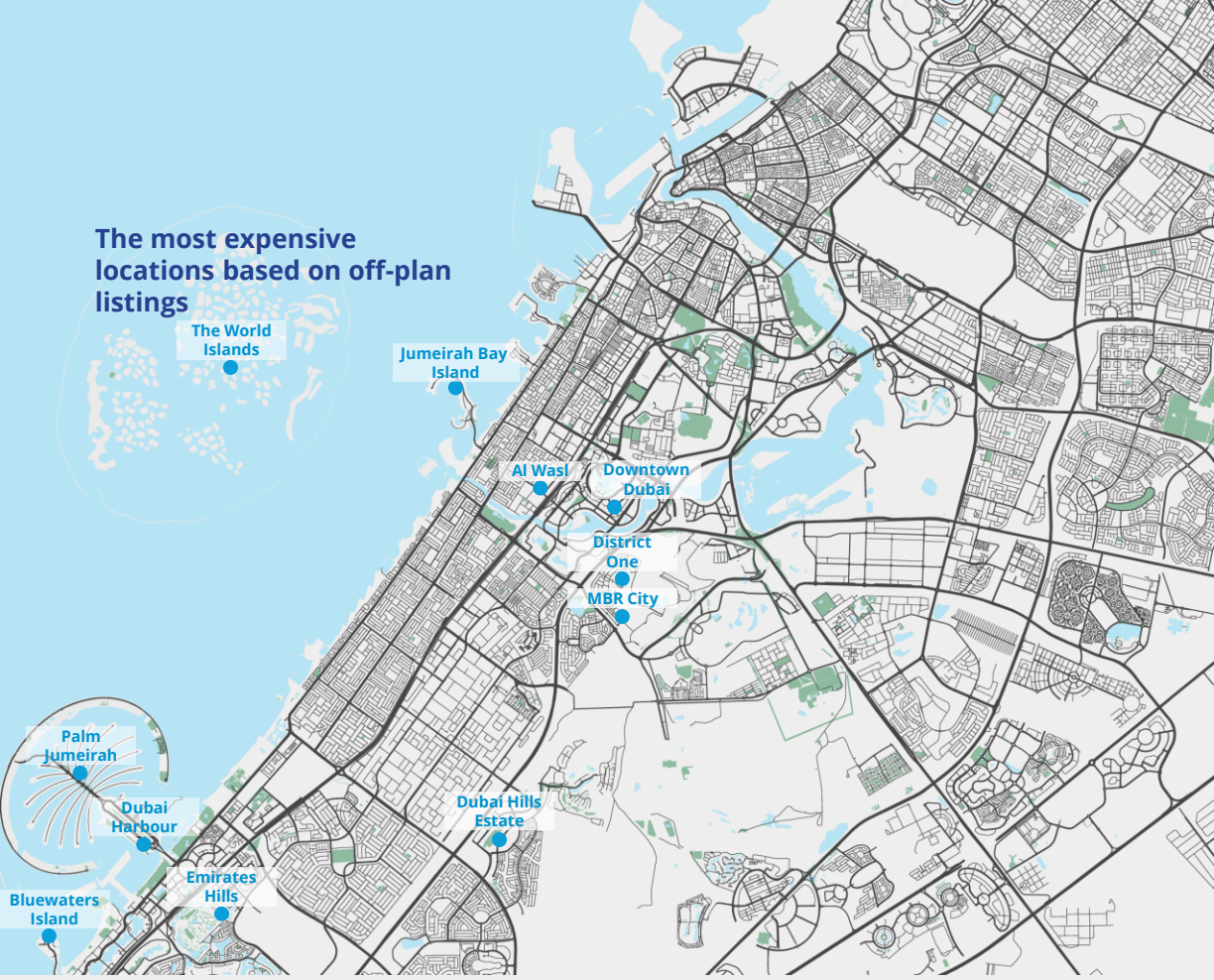
Source: *Nikoliers Research, REIDIN*



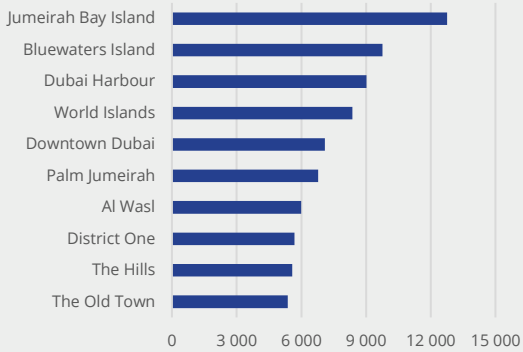
Dynamics of housing prices (apartments and villas)

Source: *Nikoliers Research, REIDIN*

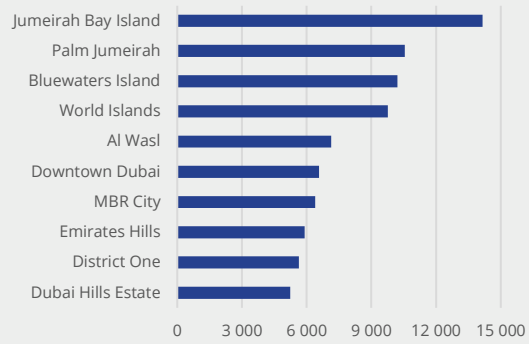




Top locations based on asking price (off-plan, sales from developer), apartments, \$/sq m



Top locations based on asking price (off-plan, sales from developer), villas, \$/sq m



Examples of the key properties offered for sale* (existing listings in projects under construction)



Five Luxe

\$12,668/sq m



Serenia Living Tower 3

\$12,023/sq m



**The Residences
Dorchester Collection**

\$11,900/sq m



Il Primo

\$11,716/sq m

* Indicated prices are relevant at the moment of listing analysis for related properties and may be subject to change

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