CUSHMAN & WAKEFIELD | CORE

DUBAI MARKET UPDATE

Q1 2024

Residential Market Snapshot

Q1 2024

29,690
Total residential units expected over Q2 to Q4 2024

8,351
Units handed over in Q1 2024

32%
of all units handed over in Q1 2024 were villas (2,656 villas)

68%
of all units handed over in Q1 2024 were apartments (5,695 apartments)

20%
Year-on-year rise in city-wide residential sale prices

20%
Year-on-year rise in city-wide residential rents

5.5%
Gross villa yield

7.4%
Gross apartment yield

RESIDENTIAL **SUPPLY**

No fears of oversupply in the near future

The overall residential supply delivery figures remain in line with our forecasts with no major headwinds of oversupply in the near term. However, significant project launch volumes may impact the supply-demand equilibrium after 2 to 4 years when most of these projects are scheduled for delivery, provided they are delivered on time.

Over 8,351 units were handed over in Q1 2024 while an additional 29,690 units are expected to be handed over between Q2 to Q4 2024, bringing the yearly forecast for 2024 to nearly 38,000 units – albeit broadly in line with 2023 handover figures.

Data from the Dubai Statistics Centre reveals that from January to March 2024, the population rose by 25,776, with the supply numbers being delivered being absorbed by the population growth.

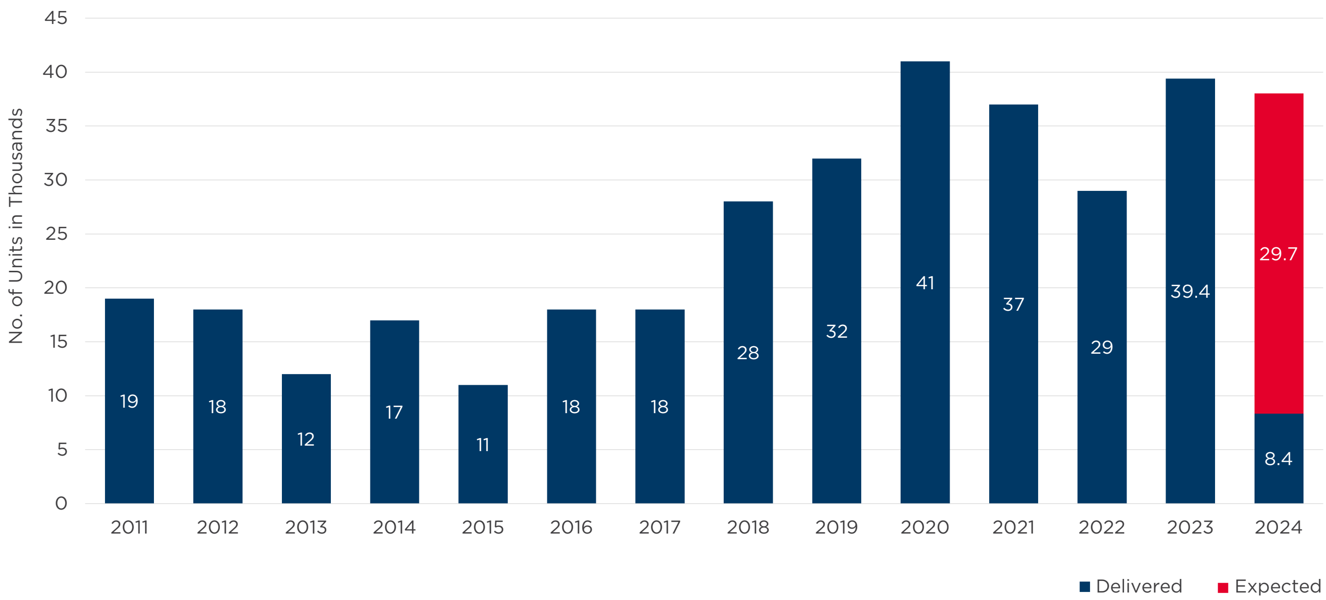
We have seen a higher percentage of villa deliveries in Q1 2024, accounting for nearly 38% of all handovers. Major villa deliveries include Ruba Townhouses in Arabian Ranches 3 and Mag Eye Townhouses in Meydan. Notable apartment handovers in Q1 2024 were Marina 101 in Dubai Marina, Me Do Re in Jumeirah Lake Towers, and multiple developments in Azizi Riviera in Meydan One.

The merging of Nakheel and Meydan under the umbrella of Dubai Holding is positive news for the Dubai property market and signifies a strategic move by its shareholders.

We envisage this move to further streamline processes and bring about financial and operational efficiencies.

This step further aligns with the strategic implementation of the Urban 2040 plan. It helps with Dubai's vision of being the leading global property market by creating holistic and competitive real estate product offerings across asset classes under the single strong governance of Dubai Holding. While the move marks the merger of major entities and is expected to lower competition in the market, it is important to note that over the last five years, Nakheel, Dubai Holding and Meydan have typically had only an 8% market share of all the supply being handed over. Having said that, due to consolidation of large landbanks, the development potential of the combined entity remains high.

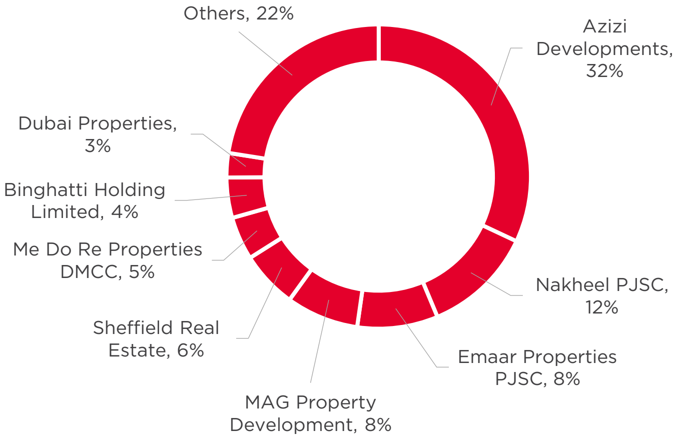
Residential Deliveries in Dubai 2011 - 2024



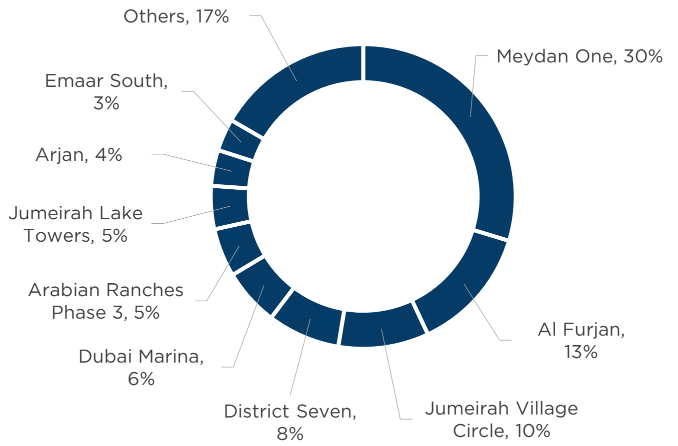
Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **SUPPLY**

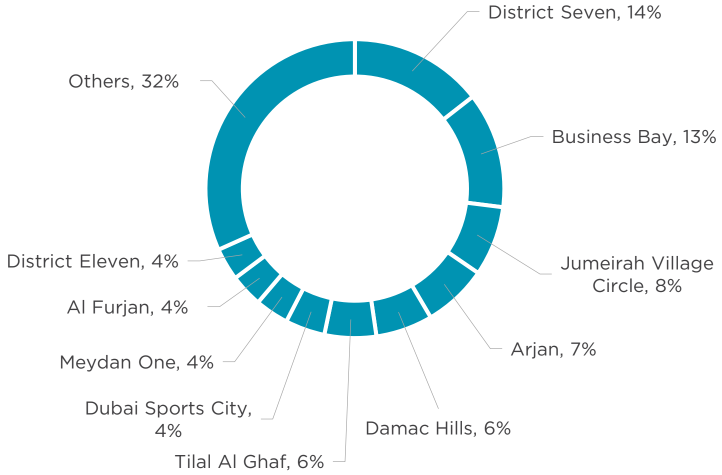
Supply Delivered by Developer Q1 2024



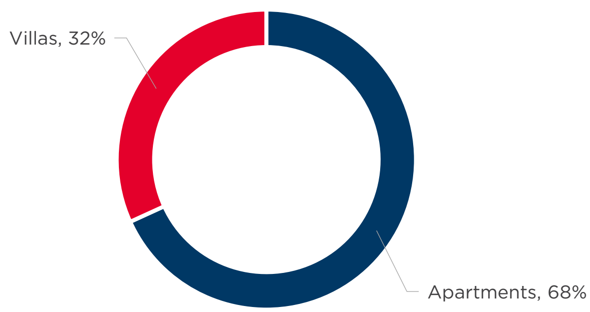
Supply Delivered by Area Q1 2024



Supply Forecast by Area Q2 - Q4 2024



Residential Handovers Q1 2024

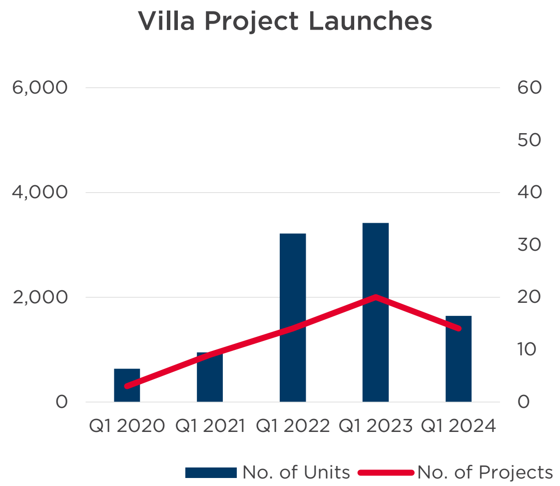


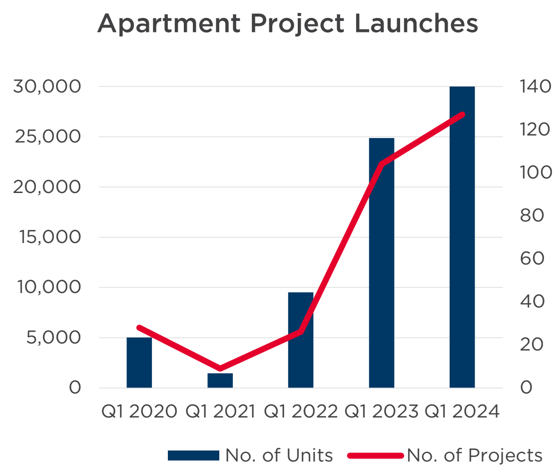
Source: Cushman & Wakefield Core Research, REIDIN

PROJECT LAUNCHES

Apartment project volumes in Q1 2024 saw a 22% increase compared to Q1 2023. Villa project launches, on the contrary, saw a sharp decline of 30% during the same period. Despite the sustained demand for villas, developers remain slower to respond to this surge, largely because of limited land acquisition opportunities.

Notable announcements during Q1 2024 in the villa market include Phase 1 of The Acres by Meraas in Dubai Land, The Valley Farm Gardens 2 by Emaar adjacent to Dubai-Al Ain Road, and South Bay by Dubai South Properties in Dubai South. In the apartment market, we saw Azizi Venice by Azizi Developments in Dubai South, Bayz 101 by Danube Properties in Business Bay, and Address Residences Zabeel Tower by Emaar Properties in Zabeel First as the prominent launches.



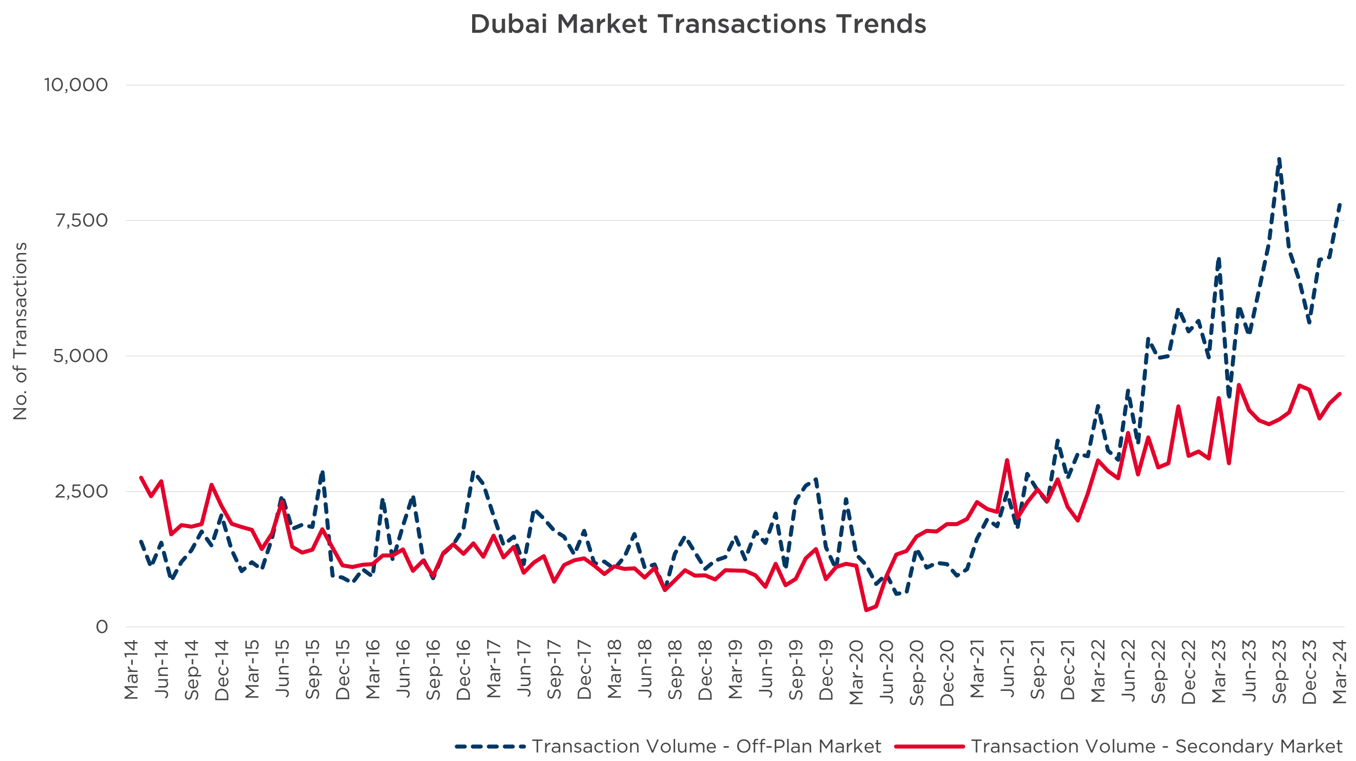


Source: Cushman & Wakefield Core Research, REIDIN

The announcement of the new Al Maktoum International Airport is a game changer for Dubai's aviation industry as Dubai cements its position with the world's largest airport.

Locally, this move is expected to further activate and bolster Dubai South, Expo Village, Expo City Dubai, and the surrounding areas for residential, commercial, hospitality and industrial asset classes. As an entire city is expected to be built around the airport in Dubai South over the next 10 years, demand for housing for a million people is reported to be generated, further underpinning the city's growth.

RESIDENTIAL **TRANSACTIONS**

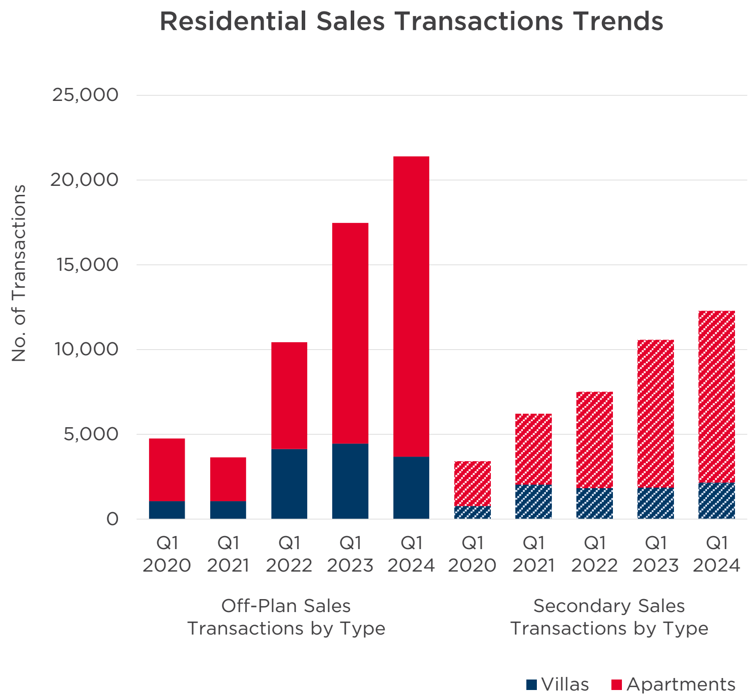


Source: Cushman & Wakefield Core Research, REIDIN

Stabilisation in the secondary sales market

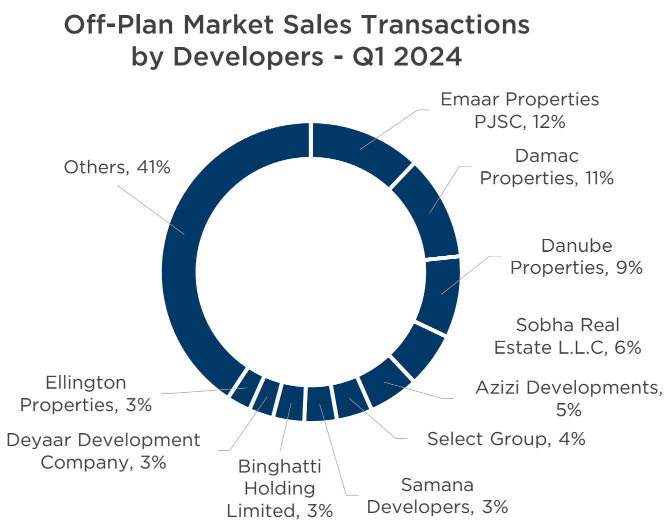
Secondary market transaction volumes have stabilised over the last three quarters indicating sustained levels of end-user demand, whereas off-plan launch volumes have shown large variances based on prominent project launches – albeit with an overall upward trajectory.

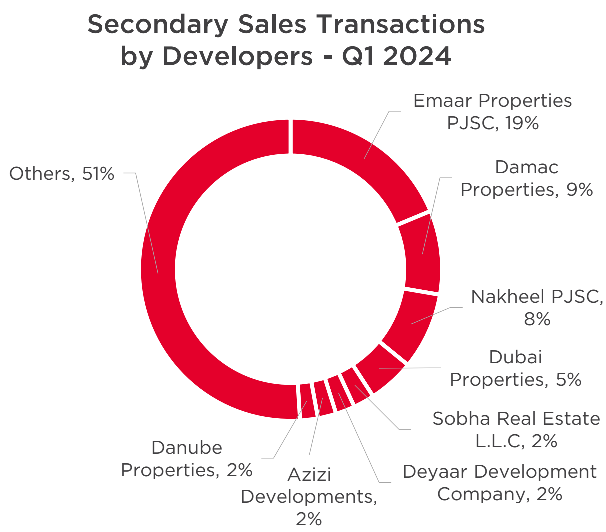
The off-plan market saw a 22% year-on-year increase while the secondary market saw 16%. It is interesting to note that while transaction volumes are up, the pace of increase has moderated over the last few quarters compared to relatively sharper spikes witnessed over 2022 and early 2023. The signs of moderation in transaction volumes are likely to have a softening effect on sales prices, especially within the affordable and mainstream market segments. This is due to the widening gap between bid and ask prices, fuelled by growing concerns regarding affordability.



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL **TRANSACTIONS**

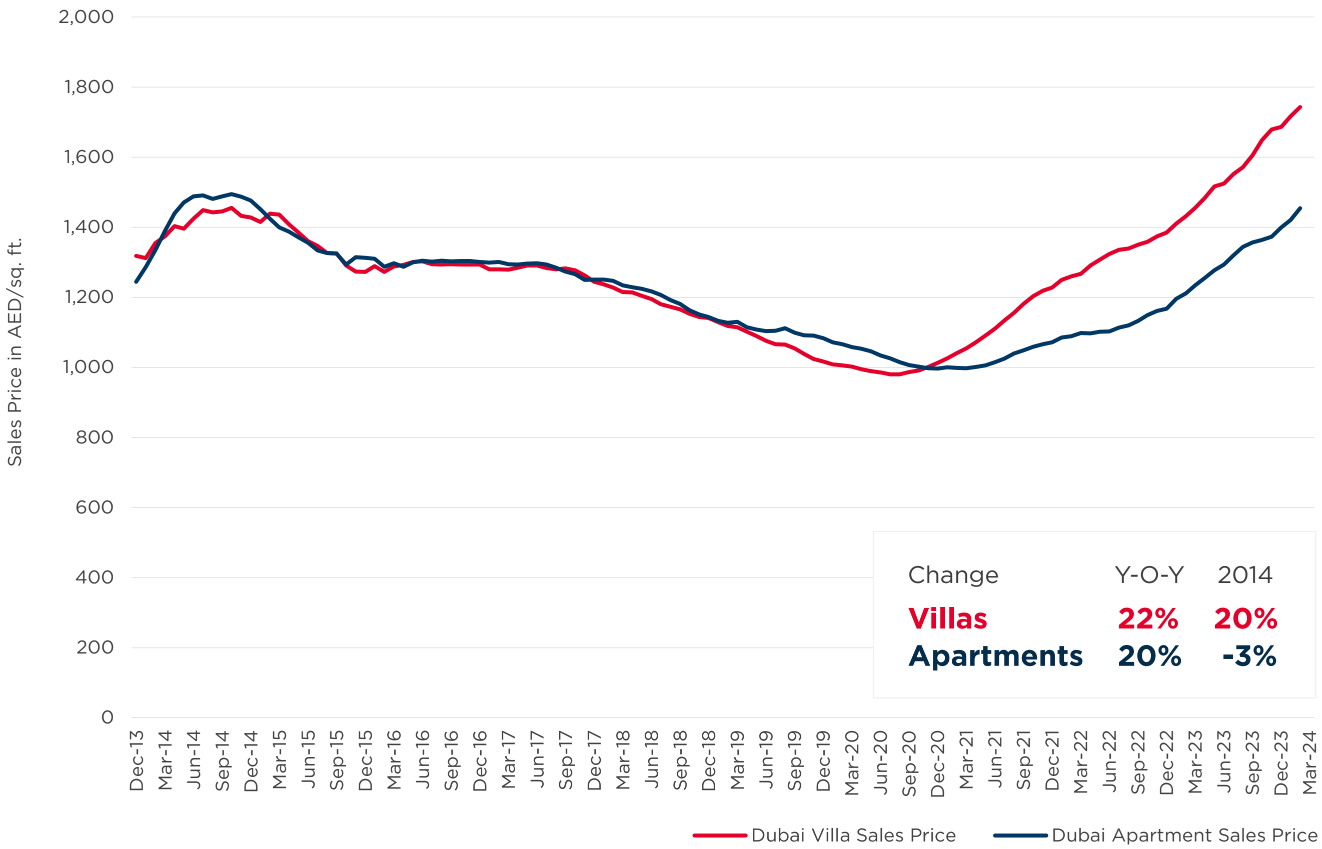




Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
SALES PRICES

Dubai City-Wide Sales Price Trends



Source: Cushman & Wakefield Core Research, REIDIN

Sales prices continue to rise

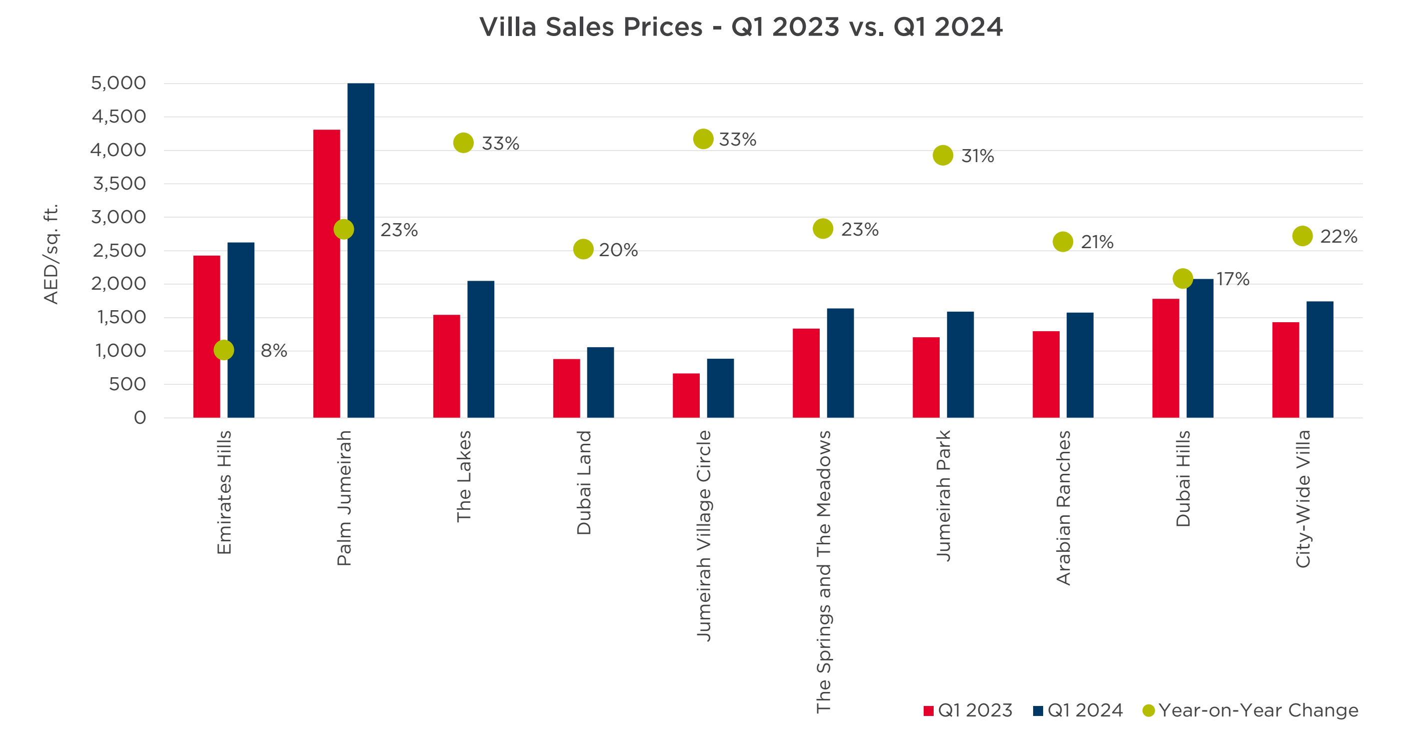
While transaction volumes are starting to show moderation, there are no signs of capital values slowing down yet, with city-wide sales prices rising for the 15th consecutive quarter. City-wide sales prices are up by 20% year-on-year and 66% higher than Q1 2020 (pre-Covid19).

The majority of villa districts we track have experienced a year-on-year increase in sale prices of above 20%. One contributing factor to this surge in villa sales prices, especially in older areas like The Lakes and Jumeirah Park, is the trend of renovating and reselling units at notably higher prices, thereby elevating the average price in the area. These villa districts boast central locations with well-established schools and amenities as well as spacious layouts, therefore, after upgrades, they can command and achieve substantial premiums.

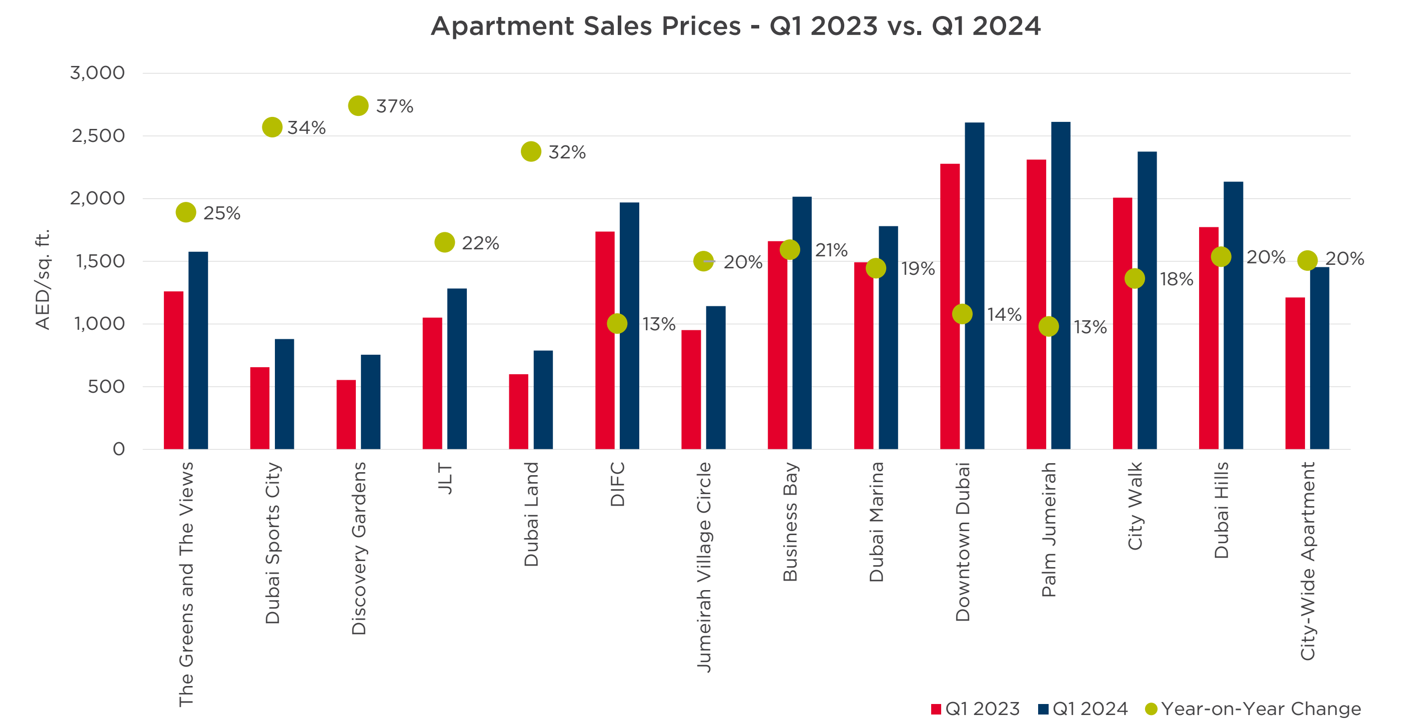
In the apartment market, while prices continue to rise, we have seen a moderation of sales price increases, particularly in the prime sub-markets including Palm Jumeirah, City Walk, Downtown Dubai and Dubai Marina, where sales price increases have moderated to sub-20% year-on-year increases.

Affordable and mid-market apartment communities, owing to a lower base, have seen a sharper increase of 30% and above, as evidenced by Discovery Gardens (37%), Dubai Sports City (34%) and Dubai Land (32%).

RESIDENTIAL
SALES PRICES



Source: Cushman & Wakefield Core Research, REIDIN



Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
SALES PRICES (AED/sq. ft.)

Q1 2023 vs. Q1 2024

- Villas
- Apartments
- ▲ Year-on-Year Change

		Q1 2023	Q1 2024	Year-on-Year Change
Palm Jumeirah	Villas	4,309	5,280	▲23%
Palm Jumeirah	Apartments	2,311	2,613	▲13%
Dubai Marina	Apartments	1,494	1,781	▲19%
Jumeirah Lake Towers	Apartments	1,051	1,283	▲22%
Emirates Hills	Villas	2,428	2,625	▲8%
The Springs & The Meadows	Villas	1,337	1,639	▲23%
Discovery Gardens	Apartments	553	756	▲37%
Jumeirah Park	Villas	1,208	1,587	▲31%
The Greens & The Views	Apartments	1,260	1,577	▲25%
The Lakes	Villas	1,540	2,047	▲33%
Jumeirah Village Circle	Villas	665	887	▲33%
Jumeirah Village Circle	Apartments	953	1,143	▲20%
City Walk	Apartments	2,009	2,374	▲18%
DIFC	Apartments	1,738	1,971	▲13%
Downtown Dubai	Apartments	2,278	2,606	▲14%
Business Bay	Apartments	1,662	2,015	▲21%
Dubai Hills	Villas	1,781	2,078	▲17%
Dubai Hills	Apartments	1,772	2,135	▲20%
Arabian Ranches	Villas	1,299	1,573	▲21%
Dubai Sports City	Apartments	657	882	▲34%
Dubai Land	Villas	880	1,058	▲20%
Dubai Land	Apartments	599	789	▲32%

The heavy rains of 2024 and its impact on the Dubai property market

Climate change and the variability of rainfall across the region are expected to continue testing the limits of city infrastructure and the built environment, particularly given that Dubai is one of the driest global cities. The April 2024 rains are anticipated to have a long-term impact on infrastructure planning which is already seeing strides with the Dubai government approving a transformative $21.8bn sewerage system plan that will serve the city population for the next 100 years.

On a city level, the speed at which Dubai regained its mobility and operations was very impressive. However, communities were impacted by the rise in water levels, and how the community management challenges were handled in the aftermath are expected to affect overall decision-making in addition to location and pricing for buyers and tenants when looking at locations to buy or rent.

With the government mandating all developers and community managers to conduct the cleaning and repairs for residences free of cost, it is expected to alleviate inconvenience caused to residents, particularly in communities that have been severely damaged by the rains. We would see this impact be reflected in higher service charges and insurance premiums over the near-term.

RESIDENTIAL
RENT PRICES

Rising rents impacting affordability levels

City-wide rents increased for the 13th consecutive quarter. City-wide rents have seen a 20% year-on-year increase while being 72% higher than Q1 2020 (pre-Covid19). Household incomes aren't increasing in line with the rising rents, further contracting disposable incomes.

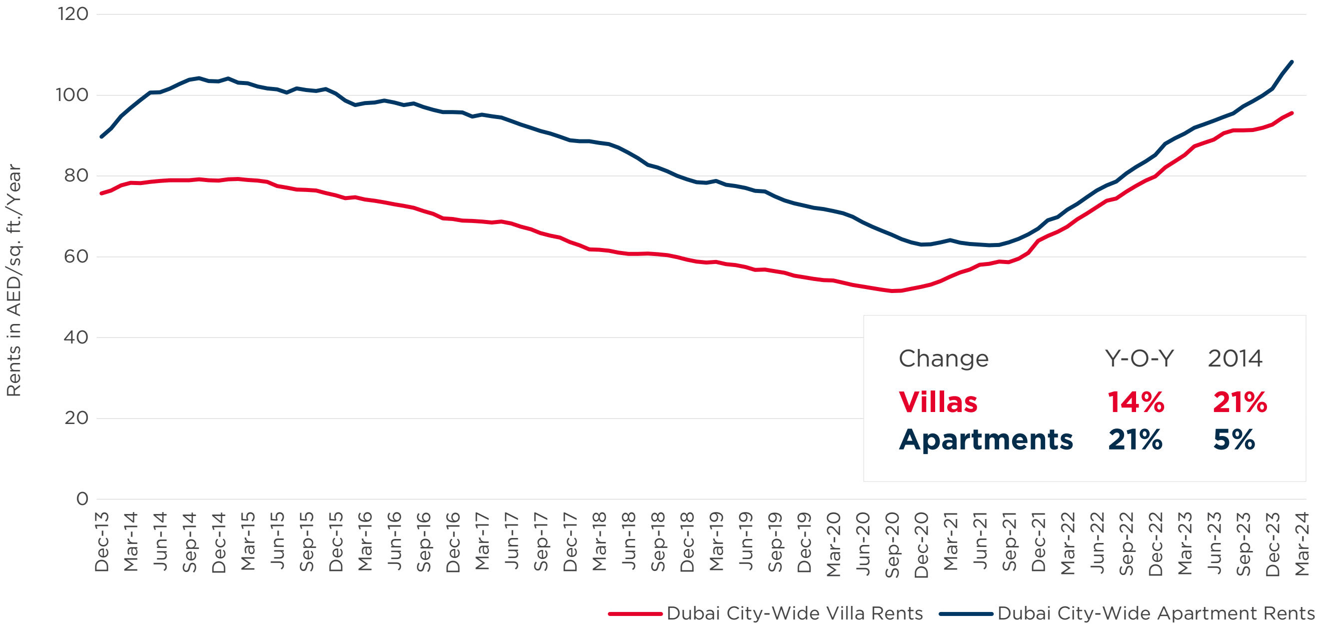
The RERA calculator, which was recalibrated on 1st March 2024 to be better aligned with open-market pricing, is expected to help reduce the disparity between renewals and new rents. This is expected to inconvenience tenants as they face higher rents during renewals, and may potentially lead to more movement in the rental market as tenants look to relocate due to no savings achieved during renewals.

That said, the calibration of the calculator is expected to result in a sharp slowdown in disputes over rental increases. Moreover, from 1st April 2024, Dubai landlords can seek rent re-valuation only with a legal order. Landlords in Dubai can still apply for a rent re-valuation with RERA if they believe they are entitled to a higher asking rent than the one suggested by the updated Rental Index. But to do that, they will have to attach the judgement or legal order as per the new requirements put up by RERA (Real Estate Regulatory Authority).

Villa rents, although still seeing increases, are starting to show signs of moderation, while the recent heavy rains exerted downward pressure on rents in some of the heavily impacted communities. Apartments, on the other hand, continue to see a sharp rise in rents and are mirroring the sales market trends with the affordable and mid-market districts witnessing the sharpest rises. Owing to their lower bases, Discovery Gardens saw rents rise by 35%, Dubai Land by 31%, and Dubai Sports City by 30% year-on-year, while prime districts saw a moderation in rental increases (Palm Jumeirah at 3% and Downtown Dubai at 7% year-on-year) compared to spikes in previous quarters.

The rising rents and rental yield levels are also expected to trigger end-user purchases, particularly in the ready market as mortgage costs are expected to moderate over the coming quarters, while rents are forecast to continue their upward trajectory.

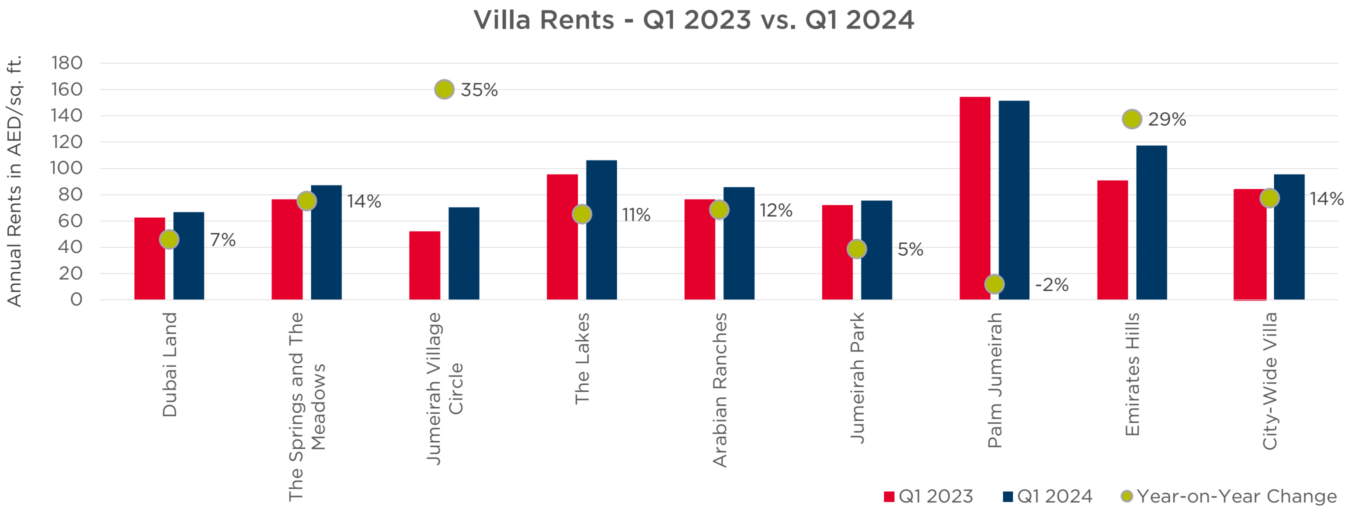
Dubai City-Wide Rental Trends

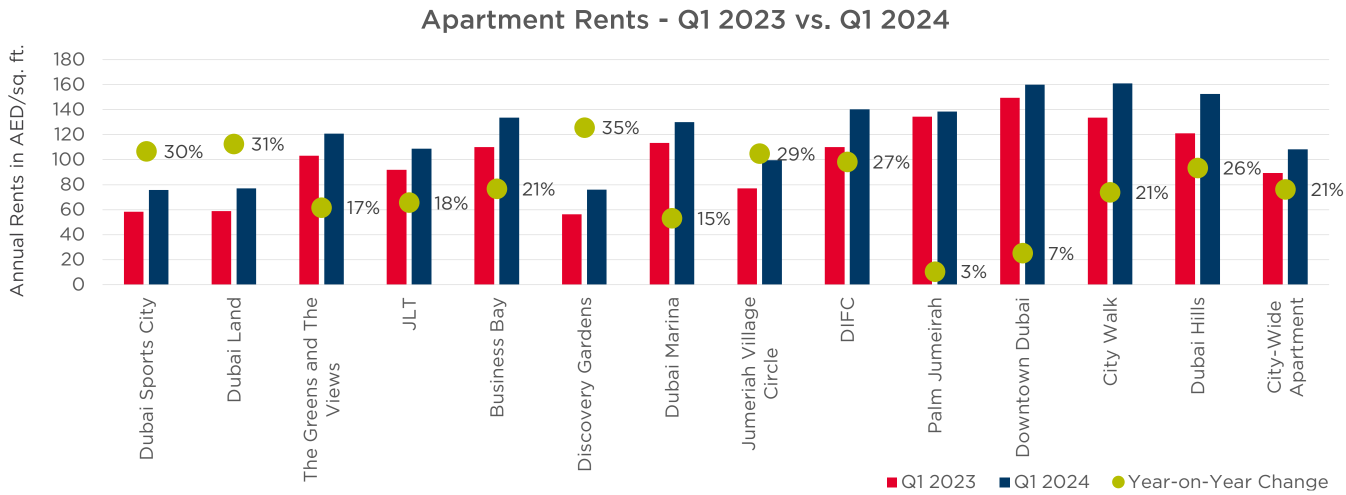


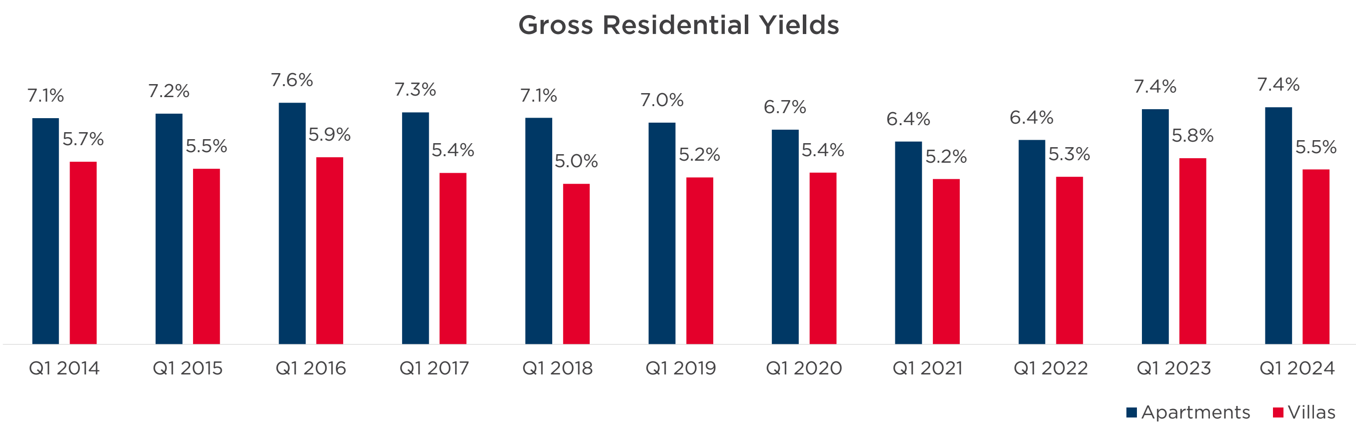
Change	Y-O-Y	2014
Villas	**14%**	**21%**
Apartments	**21%**	**5%**

Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES





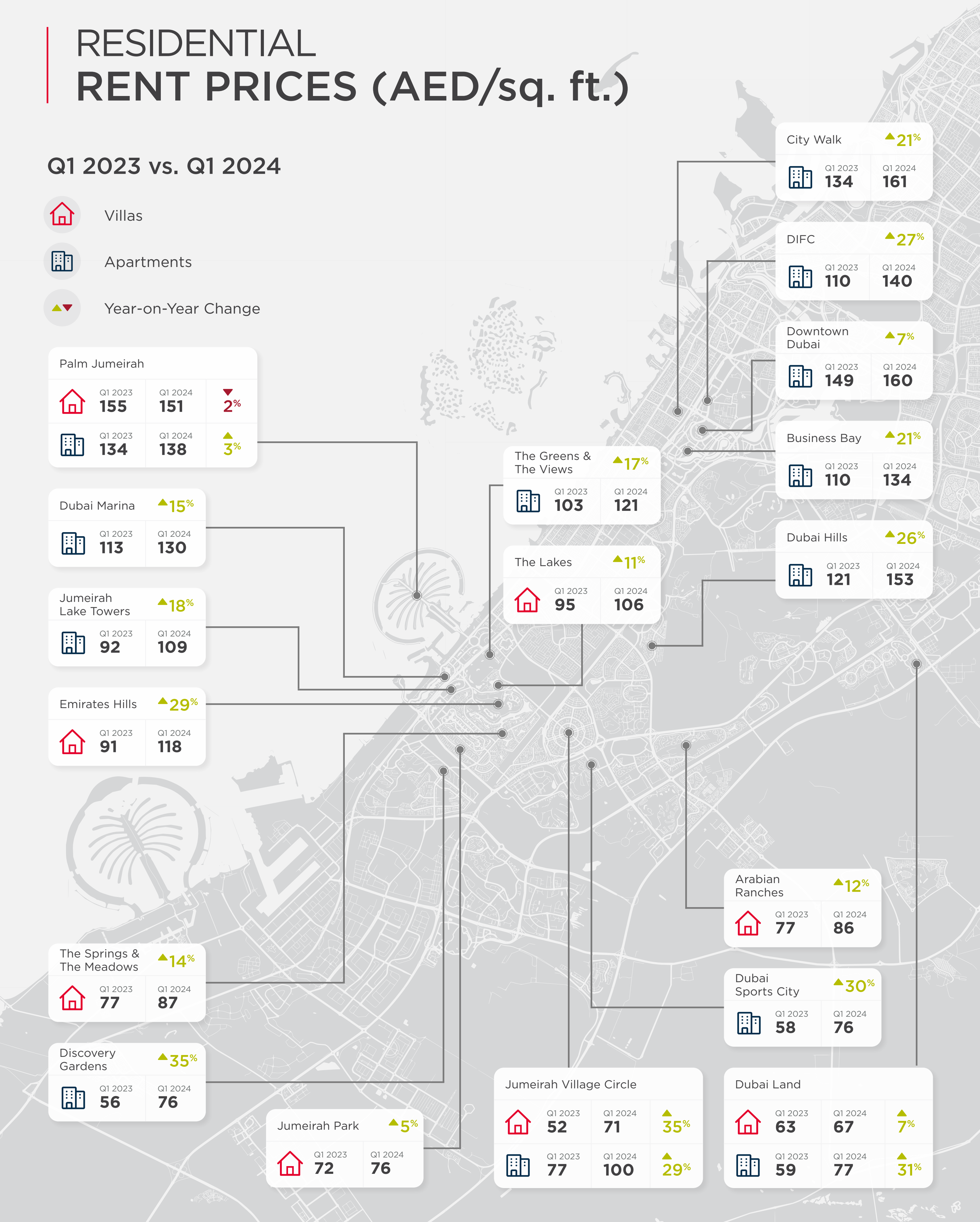


Source: Cushman & Wakefield Core Research, REIDIN

RESIDENTIAL
RENT PRICES (AED/sq. ft.)

Q1 2023 vs. Q1 2024

- Villas
- Apartments
- Year-on-Year Change



		Q1 2023	Q1 2024	Year-on-Year Change
Palm Jumeirah	Villas	155	151	▼2%
Palm Jumeirah	Apartments	134	138	▲3%
Dubai Marina	Apartments	113	130	▲15%
Jumeirah Lake Towers	Apartments	92	109	▲18%
Emirates Hills	Villas	91	118	▲29%
The Springs & The Meadows	Villas	77	87	▲14%
Discovery Gardens	Apartments	56	76	▲35%
Jumeirah Park	Villas	72	76	▲5%
The Greens & The Views	Apartments	103	121	▲17%
The Lakes	Villas	95	106	▲11%
Jumeirah Village Circle	Villas	52	71	▲35%
Jumeirah Village Circle	Apartments	77	100	▲29%
City Walk	Apartments	134	161	▲21%
DIFC	Apartments	110	140	▲27%
Downtown Dubai	Apartments	149	160	▲7%
Business Bay	Apartments	110	134	▲21%
Dubai Hills	Apartments	121	153	▲26%
Arabian Ranches	Villas	77	86	▲12%
Dubai Sports City	Apartments	58	76	▲30%
Dubai Land	Villas	63	67	▲7%
Dubai Land	Apartments	59	77	▲31%

Ultra Prime Market

Ultra prime segment includes properties with a value of AED 20 Million and above

402

Residential properties sold above AED 20 Million in Dubai in Q1 2024 compared to 287 in Q1 2023, displaying a 40% increase.

The majority of transactions were located in Palm Jumeirah, Palm Jebel Ali, Al Wasl, Bu Kadra (Ras Al Khor/Sobha Estates), Dubai Hills Estate and Tilal Al Ghaf

11

Transactions concluded above AED 100 Million in Dubai in Q1 2024.

Mainly in Dubai Hills and Jumeirah Bay Island

AED 18,975

Highest transacted residential sale price/sq. ft. in Q1 2024

Most Expensive Apartment Sold in Q1 2024

AED 140 MN

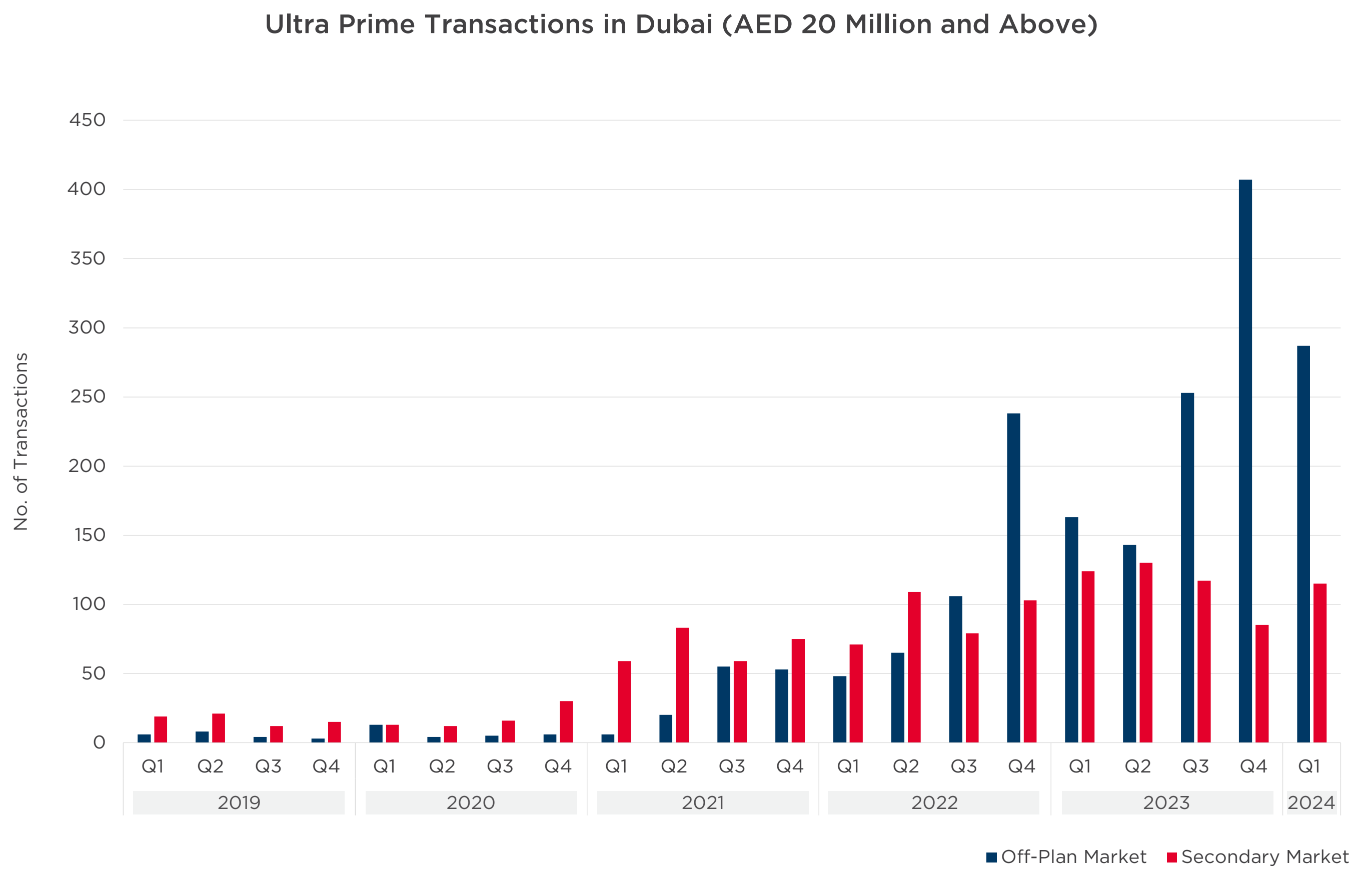
Bulgari Lighthouse in Jumeirah Bay Island

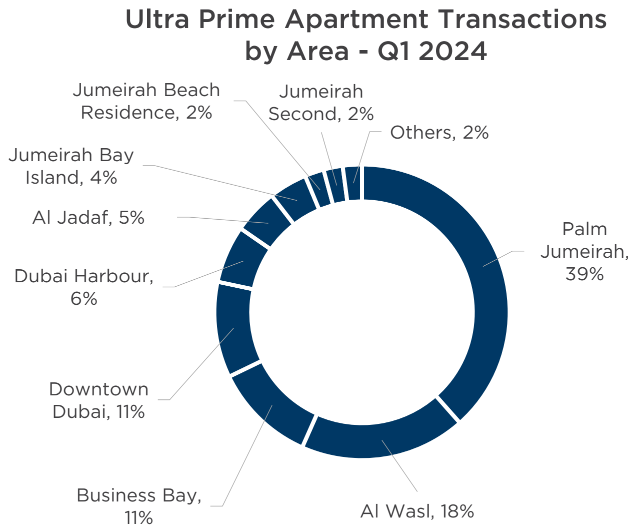
Most Expensive Villa Sold in Q1 2024

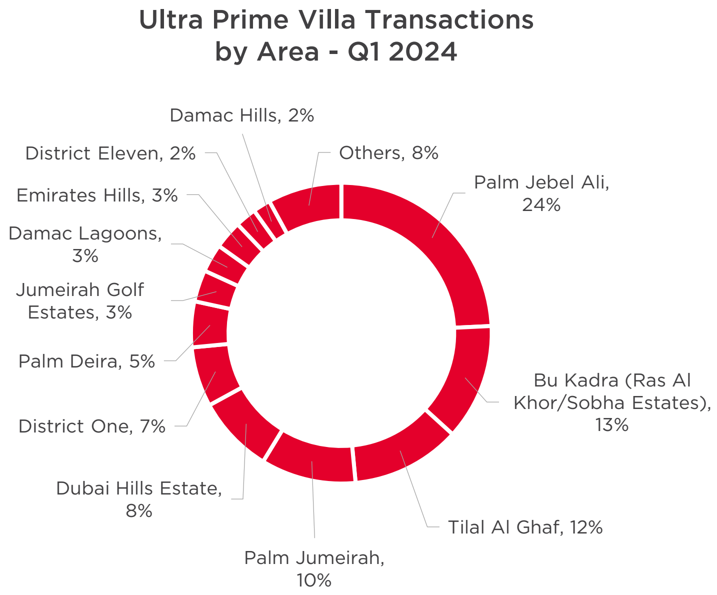
AED 160 MN

Jumeirah Bay Island Villas in Jumeirah Bay Island

ULTRA PRIME
MARKET







Source: Cushman & Wakefield Core Research, REIDIN

Note: Total villa transactions above AED 20 Million in Q1 2024 = 267
Total apartment transactions above AED 20 Million in Q1 2024 = 143

Office Market Snapshot

Q1 2024

108 Mn sq. ft.
Total existing office GLA

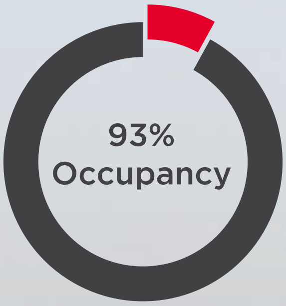
1.85 Mn sq. ft.
Upcoming office GLA by 2024

90%
City-wide office occupancy

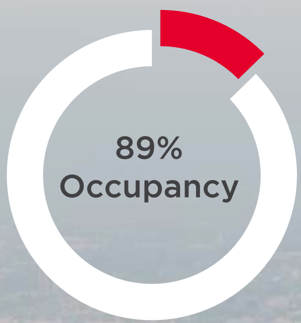
23%
Year-on-year rise in Grade A office rents

25%
Year-on-year rise in city-wide office rents

35.2 Million sq. ft.
Grade A Office Stock



72.8 Million sq. ft.
Grade B & C Office Stock

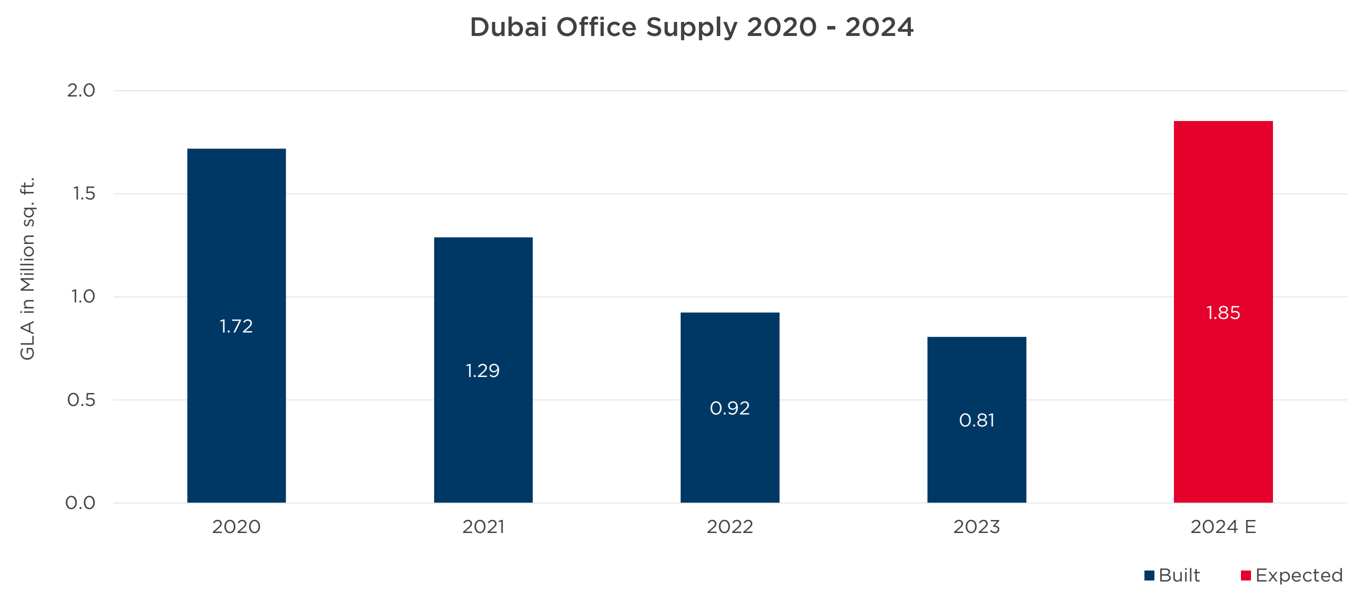


DUBAI OFFICE **SUPPLY**

No new office supply was handed over in Q1 2024. In 2024, we foresee over 1.85 million sq. ft. of gross leasable area to be handed over including the next phases of Expo City Dubai, Wasl Tower, Millennium Downtown (refurbished Crowne Plaza), and the next phases of Innovation Hub and Dubai CommerCity.

There are many major landlords and freezones activating projects now to address the growing demand. Immersive Tower in DIFC is the first of multiple developments within DIFC expected to begin construction along with DMCC and TECOM set to launch their next phases.

We are also witnessing a rising number of landlords upgrading older office stock to address rising demand and capitalise on higher rents. A small section of secondary stock is expected to be brought to market as some technology and services sector tenants consolidate – albeit marginally easing the supply crunch.



Source: Cushman & Wakefield Core Research

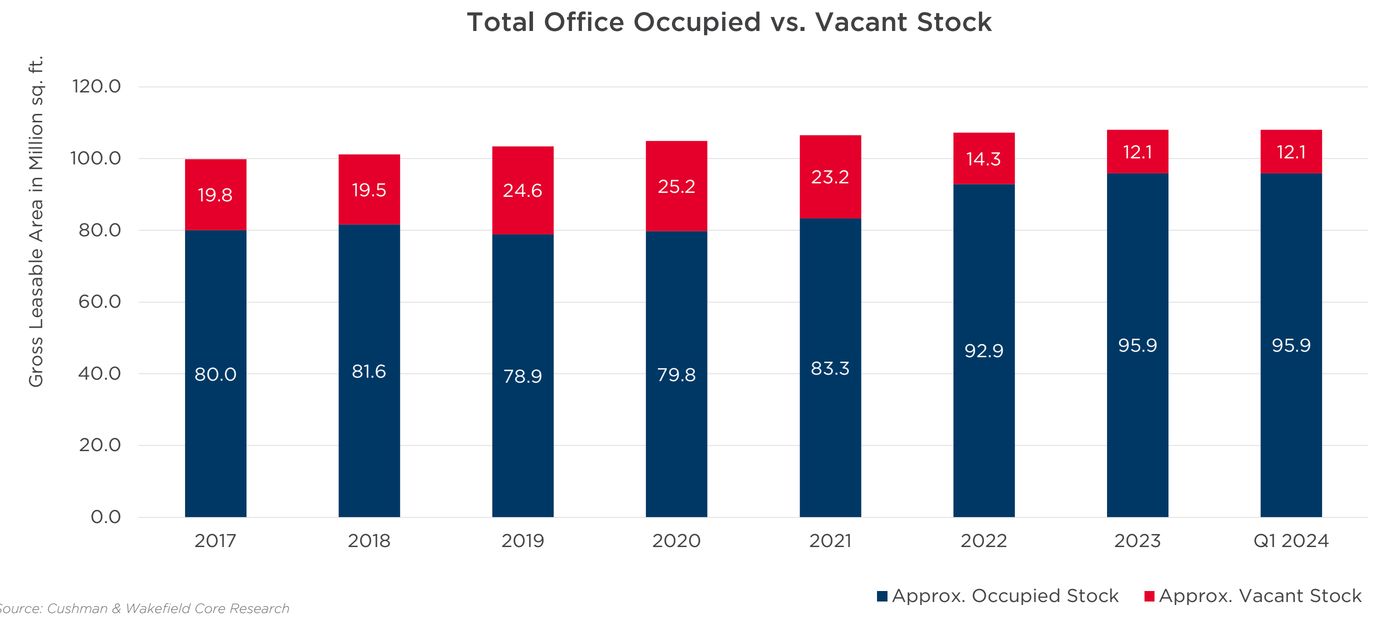
DUBAI OFFICE OCCUPANCY

With occupancy at 93% on the back of record absorption, Dubai could be out of Grade A office space by Q4 2025 - with pressure easing off from 2027.

With office demand continuing to outstrip supply, most handovers being pre-leased, occupancy levels are to see sustained upward pressures with Grade A office occupancy expected to be near 95% by the end of 2024 and hovering at near full by 2025 – albeit, contrary to other global markets which are at much lower office occupancy levels.

City-wide occupancy levels (including Grade A, B and C stock) are also expected to breach 90% to 92% over the next year as the demand trickles down to Grade B and Grade C spaces.

Developers and free zones are expected to initiate the next phases of office projects, however, no relief is expected until 2026 due to a minimum of a 2 to 3-year construction lifecycle. Furthermore, as most of the upcoming Grade A supply is highly likely to be pre-leased, limited substantial new supply is expected to be brought to market in the foreseeable future, deepening the supply shortage.



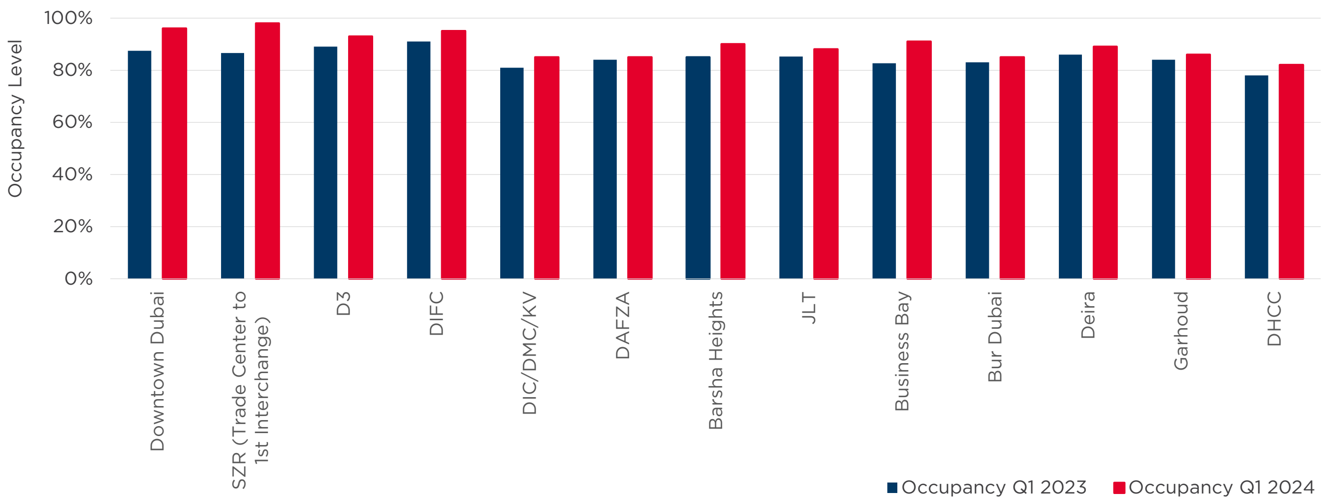
Source: Cushman & Wakefield Core Research

DUBAI OFFICE **OCCUPANCY**

The sharpest rise in office occupancy levels was seen in Sheikh Zayed Road (Trade Center to 1st Interchange) with office occupancy levels increasing from 87% to 98% year-on-year, followed by Downtown Dubai, rising from 87% to 96% year-on-year. Business Bay saw its office occupancy level reach 91% compared to 83% last year and DIFC office occupancy levels are now at 95% compared to 87% last year.

> **To give perspective, 14 million sq. ft. of office space was absorbed in the last 3 years whereas only 3 million sq. ft. of new stock was brought to market (although most of it was pre-leased).**

Office Occupancy Q1 2023 vs. Q1 2024



Source: Cushman & Wakefield Core Research

"Our agency team with local and global expertise, is witnessing an acute shortage of large office spaces in centrally located Grade A districts, particularly in DIFC, Downtown Dubai, Sheikh Zayed Road and Business Bay. As tenants struggle to expand, we are seeing many continue a hybrid workplace strategy and hot-desking to accommodate the growing headcount in their existing footprint - albeit where visa allocations permit.

Interest from new market entrants remains high and we have also seen a shift in inquiries, with many more large spatial footprint requirements emerging over Q1 2024, compared to relatively smaller requirements in previous quarters.

The rising supply crunch and high rents are increasingly impacting new market entrants and incumbents, posing a challenge for Dubai's regional economic positioning.

While the residential market is witnessing a project launch boom, it is not the same case in the office market, with limited projects being announced. This is mainly because there are only a few centrally located office land plots available in the market. While freezones are kicking off new office project launches, most private developers prefer building residential assets because it is easier to monetize and exit with off-plan sales, while office assets can only start providing rental returns upon handover.

The current market conditions are driving a clear call to action for developers and freezones - build more Grade A offices in central locations, and refurbish/repurpose existing assets where available to alleviate the supply crunch."

Robert Thomas
Director
Head of Agency

ICD Brookfield Place: 49% sale strengthens Dubai's institutional investment market

An Abu Dhabi investment firm Lunate, and Saudi conglomerate Olayan Financing Company, have bought a 49% stake in ICD Brookfield Place in one of the largest commercial real estate transactions in the region.

ICD Brookfield Place, with nearly 1 million sq. ft. of office space, stands as the flagship commercial asset in the region. Recognized with LEED Platinum certification, it has near-full occupancy hosting leading global financial and service firms.

This deal truly sets the benchmark for institutional investments in the region, showcasing strength and stability in the Dubai commercial market as global and regional capital continues to seek investment opportunities that have been scarce. Upon completion of the sale, both ICD and Brookfield are reported to maintain a joint 51% ownership stake in the tower, with an equal split between the two parties.

This sale comes in the backdrop of a strong Dubai office market, positioning it as one of the top-performing markets globally. This success is attributed to Dubai's demonstrated global market positioning, driven by its accessibility, world class infrastructure, ease of doing business, low taxation, and advantageous time zone.

Despite high interest rates, the ICD Brookfield Place transaction paves the way for future large-scale institutional investments as more investment-grade stock is brought to market in the backdrop of high rents and record occupancy levels, making it the right time to sell.

Our Capital Markets team is seeing multiple off-market investment opportunities as landlords and developers look to capitalize on the all-time high regional and global demand for Dubai's institutional commercial assets.

DUBAI OFFICE **RENTS**

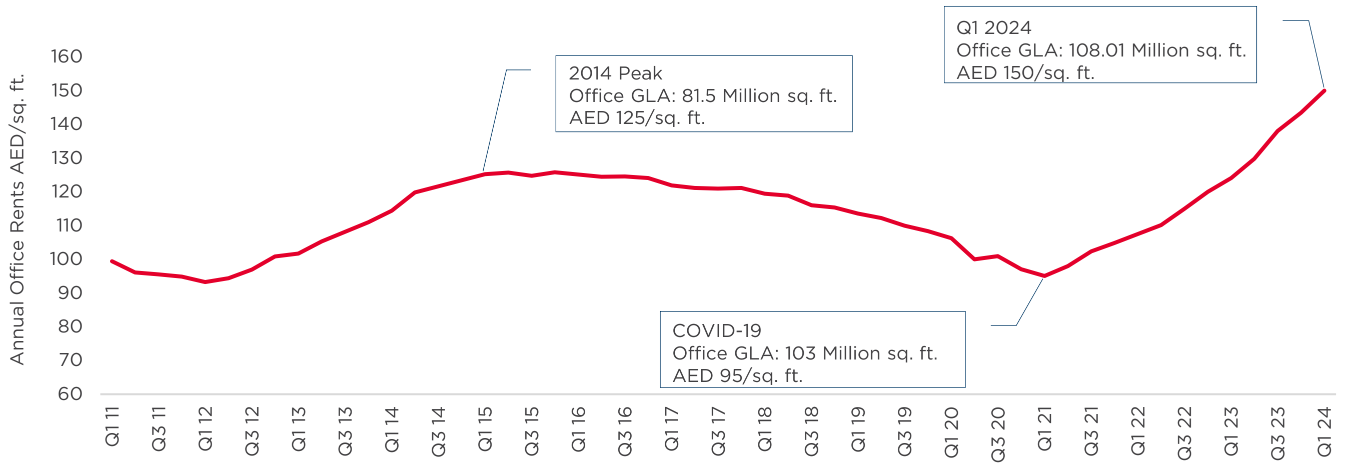
High occupancy levels and continued supply crunch underpin office rental increases

As office demand intensifies and outstrips supply, city-wide office rents spiked by 25% year-on-year. This is a record rise in office rents, particularly in single-owned Grade A assets, as landlords capitalise on high demand levels and diminishing vacancy levels.

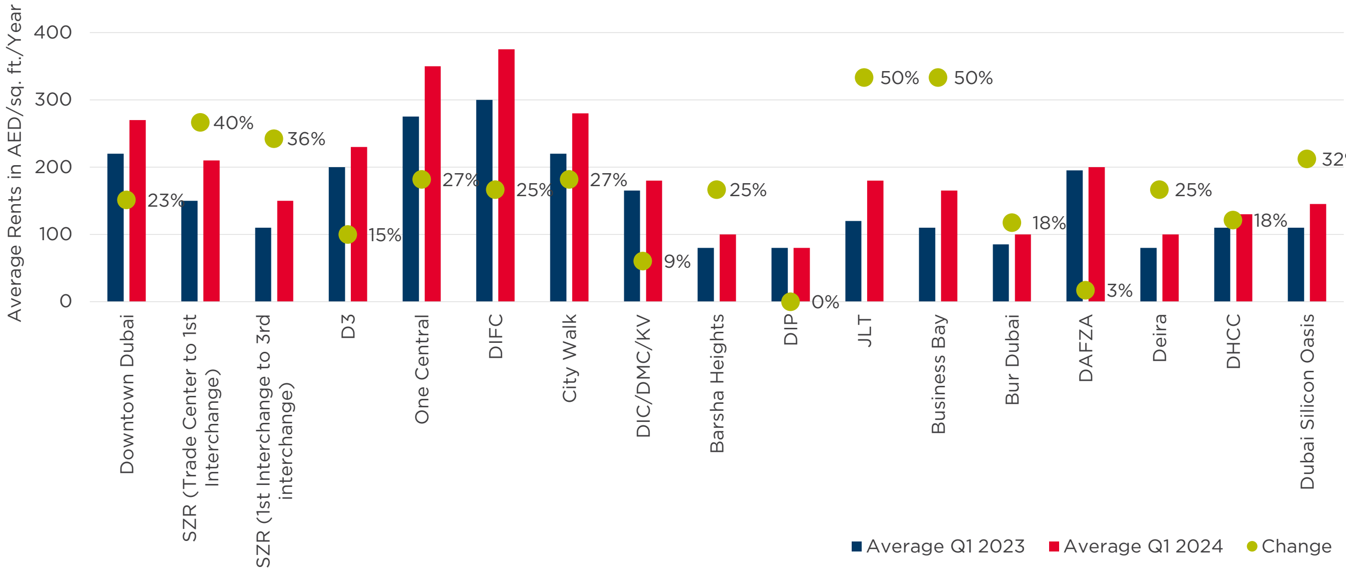
However, due to the scarcity in supply and tenants being aware of market conditions, inquiry and transaction volumes are starting to slow down as most tenants are trying to manage within existing premises with very limited room for growth. First phase expansions are also facing challenges, and should the supply issue not be addressed soon, it would start impacting Dubai's market positioning.

Notably, both Business Bay and JLT saw 50% year-on-year increases while Downtown Dubai saw a 40% increase. The nominal stock available in the market is forecast to see a further increase in rents as no respite is expected over the next few quarters.

Dubai Average City-Wide Office Rents



Change in Average Office Rents - Q1 2023 vs. Q1 2024

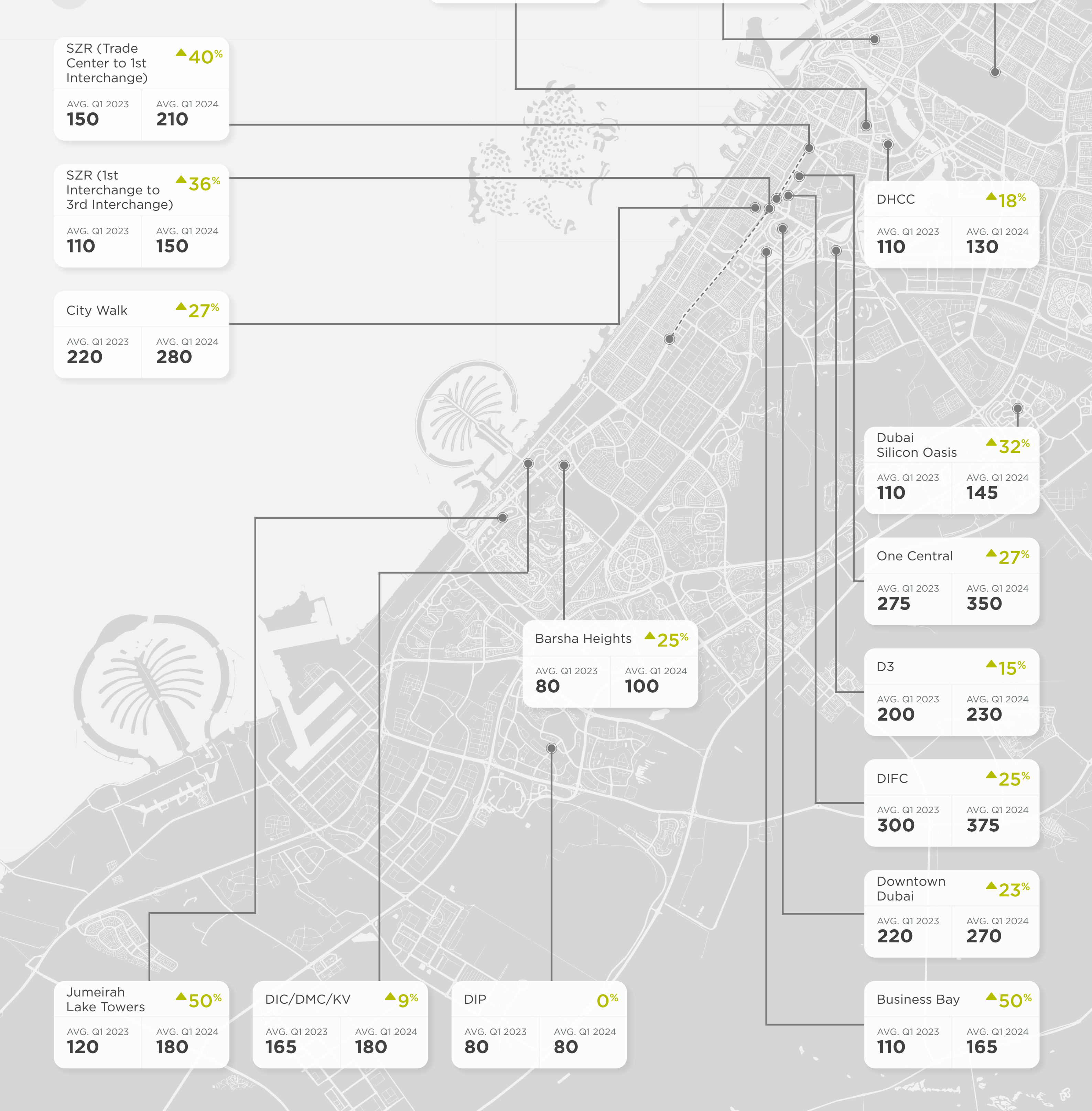


Source: Cushman & Wakefield Core Research

DUBAI OFFICE
RENTS (AVG. AED/sq. ft.)

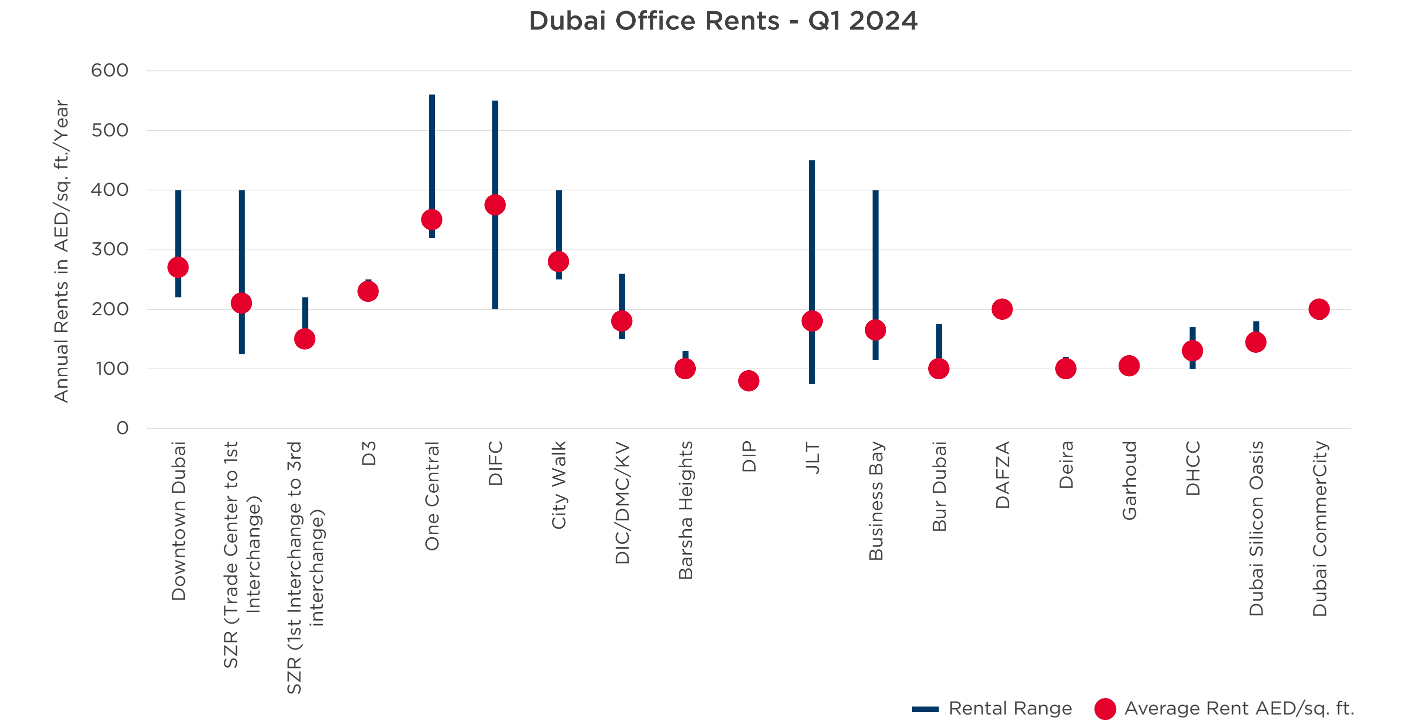
Q1 2023 vs. Q1 2024

▲ Year-on-Year Change

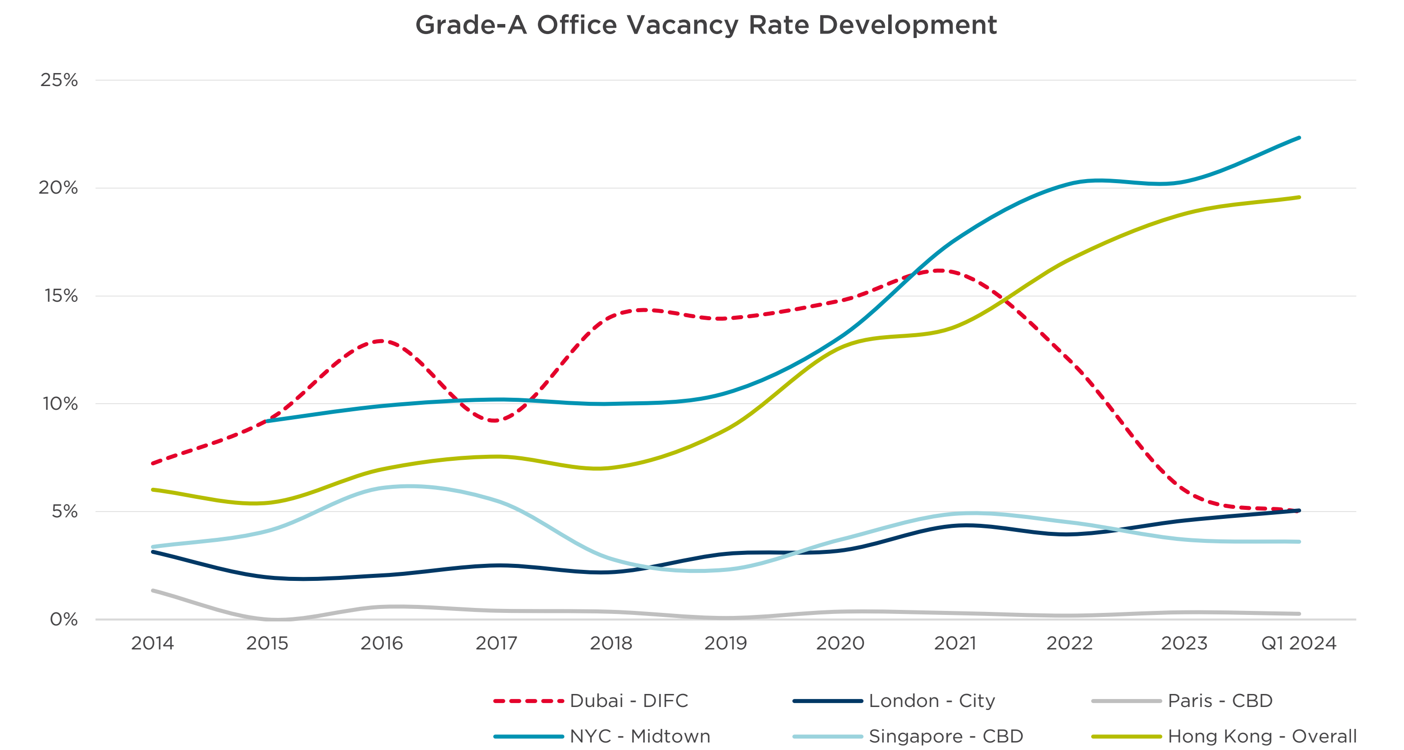


	Year-on-Year Change	AVG. Q1 2023	AVG. Q1 2024
Bur Dubai	▲18%	85	100
Deira	▲25%	80	100
DAFZA	▲3%	195	200
SZR (Trade Center to 1st Interchange)	▲40%	150	210
SZR (1st Interchange to 3rd Interchange)	▲36%	110	150
City Walk	▲27%	220	280
DHCC	▲18%	110	130
Dubai Silicon Oasis	▲32%	110	145
One Central	▲27%	275	350
Barsha Heights	▲25%	80	100
D3	▲15%	200	230
DIFC	▲25%	300	375
Downtown Dubai	▲23%	220	270
Jumeirah Lake Towers	▲50%	120	180
DIC/DMC/KV	▲9%	165	180
DIP	0%	80	80
Business Bay	▲50%	110	165

DUBAI OFFICE
RENTS



Source: Cushman & Wakefield Core Research, REIDIN



Source: Cushman & Wakefield Core Research, REIDIN

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